INTERIM FINANCIAL STATEMENTS

Colombia Telecomunicaciones S.A. ESP

At March 31, 2017 and for the three-month period ended
March 31, 2017

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Colombia Telecomunicaciones S.A. ESP
Interim Statements of Financial Position
Unaudited Figures

	Notes	At March 31, 2017 (in *thousands of US$*[a])	At March 31, 2017 (in *thousands of COP$*)	At December 31, 2016 (in *thousands of US$*[a])	At December 31, 2016 (in *thousands of COP$*)
Assets					
Current Assets:					
Cash and cash equivalents		20,493	59,135,115	74,391	214,661,546
Financial assets	*(4)*	139,163	401,565,367	173,152	499,640,815
Trade and other accounts receivables, net	*(5)*	259,757	749,546,618	256,507	740,168,256
Prepaid expenses	*(6)*	17,778	51,300,883	7,475	21,569,814
Inventories	*(7)*	37,370	107,833,606	37,374	107,845,144
Taxes and other administrations	*(8)*	70,149	202,420,779	60,154	173,579,247
Total current assets		**544,710**	**1,571,802,368**	**609,053**	**1,757,464,822**
Non-current assets:					
Financial assets	*(4)*	57,517	165,968,546	60,372	174,207,150
Trade and other accounts receivables, net	*(5)*	53,282	153,749,467	40,125	115,783,614
Prepaid expenses	*(6)*	15,015	43,327,529	15,371	44,354,344
Property, plant and equipment, net	*(9)*	1,583,445	4,569,140,934	1,628,353	4,698,727,982
Intangibles	*(10)*	333,996	963,767,983	318,059	917,780,133
Goodwill		325,469	939,163,377	325,468	939,163,377
Deferred taxes	*(11)*	401,896	1,159,697,612	438,175	1,264,383,994
Total non-current assets		**2,770,620**	**7,994,815,448**	**2,825,923**	**8,154,400,594**
Total assets		**3,315,330**	**9,566,617,816**	**3,434,976**	**9,911,865,416**
Liabilities					
Current liabilities:					
Financial obligations	*(12)*	231,502	668,016,141	139,051	401,240,284
Other financial obligations - Parapat	*(12)*	177,495	512,173,158	176,058	508,027,366
Suppliers and accounts payable	*(13)*	378,068	1,090,941,442	441,422	1,273,754,997
Tax and public administrations	*(8)*	47,380	136,717,373	28,561	82,413,828
Deferred liabilities		32,729	94,441,816	33,455	96,537,741
Provisions	*(14)*	49,637	143,234,082	63,141	182,197,241
Total current liabilities		**916,811**	**2,645,524,012**	**881,688**	**2,544,171,457**
Non-current liabilities:					
Financial obligations	*(12)*	1,207,321	3,483,808,176	1,288,808	3,718,947,141
Other financial obligations - Parapat	*(12)*	1,228,455	3,544,792,527	1,219,500	3,518,953,056
Suppliers and accounts payable	*(13)*	72,841	210,186,834	59,598	171,974,832
Deferred liabilities		18,465	53,281,574	8,774	25,317,773
Provisions	*(14)*	18,365	52,994,538	19,111	55,146,238
Deferred taxes	*(11)*	67,183	193,862,005	82,607	238,367,904
Total non-current liabilities		**2,612,630**	**7,538,925,654**	**2,678,398**	**7,728,706,944**
Total liabilities		**3,529,441**	**10,184,449,666**	**3,560,086**	**10,272,878,401**
Shareholder´s equity, net	*(15)*	**(214,111)**	**(617,831,850)**	**(125,110)**	**(361,012,985)**
Total liabilities and shareholder´s equity		**3,315,330**	**9,566,617,816**	**3,434,976**	**9,911,865,416**

(a) Solely for the convenience of the reader, Colombian pesos amounts at March 31, 2017 and December 31, 2016, have been translated into U.S. dollars at the exchange rate formed in the interbank market at on March 31, 2017 of COP$2,885.57 to US$1.00.

The accompanying notes 1 to 24 are an integral part of these interim statements of financial position.

Colombia Telecomunicaciones S.A. ESP
Interim Statements of Comprehensive Income
Unaudited Figures

	Notes	Period from January 1 to March 31,			
		2017		2016	
		(in *thousands of US$)*[a]	(in *thousands of COP$)*	(in *thousands of US$)*[a]	(in *thousands of COP$)*
Operating revenue:					
Sales and services provision, net	*(16)*	417,949	1,206,021,645	400,331	1,155,182,302
Other operating revenue	*(16)*	8,703	25,113,158	11,612	33,507,642
		426,652	**1,231,134,803**	**411,943**	**1,188,689,944**
Operating costs and expenses	*(17)*	(292,772)	(844,815,378)	(284,194)	(820,061,675)
Operating income before depreciation and amortization – OIBDA		**133,880**	**386,319,425**	**127,749**	**368,628,269**
Depreciation and amortization	*(18)*	(91,838)	(265,005,528)	(84,461)	(243,716,858)
Operating income		**42,042**	**121,313,897**	**43,288**	**124,911,411**
Financial expenses, net	*(19)*	(32,950)	(95,078,616)	(26,120)	(75,370,891)
Interest expenses – Parapat	*(19)*	(39,734)	(114,656,490)	(42,883)	(123,741,862)
Profit before wealth tax		**(30,642)**	**(88,421,209)**	**(25,715)**	**(74,201,342)**
Wealth tax	*(20)*	(572)	(1,651,105)	(1,427)	(4,117,187)
Profit before taxes		**(31,214)**	**(90,072,314)**	**(27,142)**	**(78,318,529)**
Income and deferred tax	*(20)*	(25,984)	(74,978,527)	(3,437)	(9,918,664)
Net (loss) profit of the period		**(57,198)**	**(165,050,841)**	**(30,579)**	**(88,237,193)**
Other comprehensive income:					
Profit (loss) in hedge valuation, net of tax		(9,894)	(28,548,452)	11,092	32,006,718
Revaluation of land and buildings, net of tax		(464)	(1,339,781)	(566)	(1,634,349)
Other comprehensive income		**(10,358)**	**(29,888,233)**	**10,526**	**30,372,369**
Total (Loss) comprehensive profit of the period		**(67,556)**	**(194,939,074)**	**(20,053)**	**(57,864,824)**

(a) Solely for the convenience of the reader, Colombian *pesos* amounts for the three-month period ended March 31, 2017 and March 31, 2016 have been translated into U.S. dollars at the exchange rate formed in the interbank market on March 31, 2017 of COP$2,885.57 to US$1.00.

The accompanying notes 1 to 24 are an integral part of these interim statements of financial position.

Colombia Telecomunicaciones S.A. ESP
Interim Statement of Changes in Shareholder´s Equity, Net
Unaudited Figures

	Subscribed and paid-in capital	Additional Paid-in Capital	Statutory Reserves	Other Equity Instruments	Reserves from Revaluation, net of deferred tax	Reserves from Cash Flows Hedge Derivatives	Accumulated Income	Total Shareholder´s Equity, Net
				(In thousands of US$) [(a)]				
Balances at December 31st , 2015	**504,188**	**1,174,557**	**10,417**	**437,712**	**149,704**	**42,123**	**(2,245,701)**	**73,000**
Equity perpetual instruments' coupon	–	–	–	–	–	–	(51,052)	(51,052)
Reduction of the share's value	(503,684)	–	–	–	–	–	503,684	
Constitution of the legal reserve	–	–	2,095	–	–	–	(2,095)	
Net loss of the period	–	–	–	–	–	–	(118,266)	(118,266)
Depreciation and real estate revaluation write-offs (Note 11)	–	–	–		(3,287)	–	–	(3,287)
Hedges valuation, net	–	–	–	–	–	(32,251)	–	(32,251)
Deferred tax	–	–	–	–	(7,854)	14,600	–	6,746
Balances at December 31st, 2016	**504**	**1,174,557**	**12,512**	**437,712**	**138,563**	**24,472**	**(1,913,430)**	**(125,110)**
Equity perpetual instruments' coupon	–	–	–	–	–	–	(21,445)	(21,445)
Net loss of the period	–	–	–	–	–	–	(57,198)	(57,198)
Depreciation and real estate revaluation write-offs (Note 9)	–	–	–	–	(774)	–	–	(191)
Hedges valuation, net	–	–	–	–	–	(5,075)	–	(5,075)
Deferred tax (Note 11)	–	–	–	–	(310)	(4,819)	–	(5,092)
Balances at March 31st, 2017	**504**	**1,174,557**	**12,512**	**437,712**	**138,099**	**14,578**	**(1,992,073)**	**(214,111)**

(a) Solely for the convenience of the reader, Colombian pesos amounts at March 31,2017 and December 31, 2016 and 2015 have been translated into U.S. dollars at the exchange rate formed in the interbank market at on March 31, 2017 of COP$2,885.57 to US$1.00.

	Subscribed and paid-in capital	Additional Paid-in Capital	Statutory Reserves	Other Equity Instruments	Reserves from Revaluation, net of deferred tax	Reserves from Cash Flows Hedge Derivatives	Accumulated Income	Total Shareholder´s Equity, Net
				(In thousands of COP$)				
Balances at December 31st , 2015	**1,454,870,740**	**3,389,266,946**	**30,059,860**	**1,263,049,667**	**431,980,892**	**121,549,582**	**(6,480,126,315)**	**210,651,372**
Equity perpetual instruments' coupon	–	–	–	–	–	–	(147,315,344)	(147,315,344)
Reduction of the share's value	(1,453,415,869)	–	–	–	–	–	1,453,415,869	–
Constitution of the legal reserve	–	–	6,045,751	–	–	–	(6,045,751)	–
Net loss of the period	–	–	–	–	–	–	(341,265,154)	(341,265,154)
Depreciation and real estate revaluation write-offs (Note 11)	–	–	–	–	(9,485,693)	–	–	(9,485,693)
Hedges valuation, net	–	–	–	–		(93,064,437)	–	(93,064,437)
Deferred tax	–	–	–	–	(22,664,071)	42,130,342	–	19,466,271
Balances at December 31st, 2016	**1,454,871**	**3,389,266,946**	**36,105,611**	**1,263,049,667**	**399,831,128**	**70,615,487**	**(5,521,336,695)**	**(361,012,985)**
Equity perpetual instruments' coupon	–	–	–	–	–	–	(61,879,789)	(61,879,789)
Net loss for the period	–	–	–	–	–	–	(165,050,841)	(165,050,841)
Depreciation and real estate revaluation write-offs (Note 9)	–	–	–	–	(2,232,970)	–	–	(2,232,970)
Hedges valuation, net	–	–	–	–	–	(14,643,597)	–	(14,643,597)
Deferred tax (Note 11)	–	–	–	–	893,189	(13,904,857)	–	(13,011,668)
Balances at March 31st, 2017	**1,454,871**	**3,389,266,946**	**36,105,611**	**1,263,049,667**	**398,491,347**	**42,067,033**	**(5,748,267,325)**	**(617,831,850)**

The accompanying notes 1 to 24 are an integral part of these interim statements of financial position.

Colombia Telecomunicaciones S.A. ESP
Interim Statements of Cash Flow
Unaudited Figures

	Notes	Period from January 1 to March 31, 2017 (in thousands of US$) [(a)]	2017 (in thousands of COP$)	2016 (in thousands of US$) [(a)]	2016 (in thousands of COP$)
Net cash flows generated in operating activities					
Cash received from customers		457,393	1,319,839,487	432,208	1,247,166,653
Cash paid to suppliers and other accounts payables		(285,159)	(822,845,300)	(341,123)	(984,335,599)
Net interests paid and other financial expenses		(47,019)	(135,675,567)	(28,340)	(81,776,543)
Consideration share to Parapat		(26,023)	(75,091,143)	(25,192)	(72,692,378)
Indirect taxes paid		(16,229)	(46,831,090)	(21,637)	(62,436,265)
Self-withholdings on Income Tax and income tax for equality CREE	(21)	(13,812)	(39,855,070)	(16,322)	(47,098,482)
Net cash provided (used) for operating activities		**69,151**	**199,541,317**	**(406)**	**(1,172,614)**
Net cash flows in investment activities					
Payments for investments in the plant and equipment and intangible assets		(115,367)	(332,898,717)	(80,029)	(230,929,382)
Collections from temporary financial investments		-	-	33	95,748
Payments for temporary financial investments		-	-	(31)	(90.000)
Net cash used for investment activities		**(115,367)**	**(332,898,717)**	**(80,027)**	**(230,923,634)**
Net Cash flows in financing activities					
Perpetual equity instruments coupon´s payment		(21,445)	(61,879,788)	(22,097)	(63,763,388)
New financial debt		39,703	114,565,000	53,798	155,237,394
Collections from exchange rate hedges		(12,910)	(37,251,347)	10,248	29,570,282
Financial debt payments		(9,711)	(28,022,811)	(43,942)	(126,797,297)
Capital amortization of PARAPAT		(3,320)	(9,580,085)	-	-
Net cash used for financing activities		**(7,683)**	**(22,169,031)**	**(1,993)**	**(5,753,009)**
Net decrease of cash and cash equivalents		**(53,898)**	**(155,526,431)**	**(82,427)**	**(237,849,257)**
Cash and cash equivalents at January 1,		74,391	214,661,546	101,383	292,547,137
Cash and cash equivalents at March 31,		**20,493**	**59,135,115**	**18,956**	**54,697,880**

Reconciliation of cash and cash equivalents with the interim statement of financial position:

Balance at January 1,	**74,391**	**214,661,546**	**101,383**	**292,547,137**
Cash on hand and at banks	52,478	151,429,174	78,033	225,171,083
Other cash equivalents	21,913	63,232,372	23,350	67,376,054
Balance at March 31,	**20,493**	**59,135,115**	**18,956**	**54,697,880**
Cash on hand and at banks	15,031	43,371,712	9,732	28,081,502
Other cash equivalents	5,462	15,763,403	9,224	26,616,378

(a) Solely for the convenience of the reader, Colombian *pesos* amounts for the three-month period ended March 31, 2017 and March 31, 2016 have been translated into U.S. dollars at the exchange rate formed in the interbank market on March 31, 2017 of COP$2,885.57 to US$1,00

The accompanying notes 1 to 24 are an integral part of these interim statements of financial position.

At March 31st, 2017 and for the three-month period ended March 31, 2017
(Figures expressed in thousands of pesos and thousands of dollars, except for exchange rates and where otherwise indicated)

Note 1 – Reporting Entity

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

The Company's main purpose is the organization, operation, delivery, provision, exploitation of activities, networks and telecommunications services, such as switched local basic public telephony, local extended and national and international long distance, mobile services, cellular mobile telephony in any territorial, national or international order, carriers, teleservices, telematics, value-added services, satellite services in their different modalities, television services in all its forms including cable television, broadcasting services, wireless technologies, video, computer application hosting services, data center services, public and private telecommunications networks operation services and overall operations of information systems, services of provision and/or generation of contents and applications, information services and any other activity, product or qualified as a telecommunications service, and/or information technologies and communications (TICs, for its abbreviation in Spanish) such as resources, tools, equipment, software, applications, networks and media, enabling the compilation, processing, storage, transmission of information such as voice, data, text, video and images, including complementary and supplementary activities, within the national territory and abroad and in connection to the outside, making use of property, assets and own rights or exercising the use and enjoyment of property, assets and rights of third parties. Likewise, the Company may develop the commercial activities that have been defined in its statutes.

Note 2 – Basis of accounting

These interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Company last annual financial statements as at and for the year ended December 31, 2016 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company financial position and performance since the last financial statements.

According to the offering memorandum related to the Senior Bond issue, the Company will provide certain financial information to the Trustee for the delivery to bondholders; in this case an English version of the Company's unaudited quarterly interim financial statements.

In the preparation of these Interim Financial Statements, significant management judgments in applying accounting policies were the same as those applied to the financial statements for the year ended at December 31, 2016. These Interim Financial Statements have been prepared on the basis of the historical cost model, except for land and buildings, the derivative financial instruments and financial investments that have been measured at their fair value.

The carrying amounts of the recognized assets and liabilities and designated as items being hedged in the hedging relationships of fair value, that otherwise would be carried at their amortized cost, have been adjusted to record the changes in the attributable fair values at the risks covered in the respective effective hedging relationships.

These Interim Financial Statements are presented in Colombian pesos and all values have been rounded to the nearest thousand (COP$000), unless otherwise indicated. All references herein to, "pesos" or "COP$" are to pesos, the official currency of Colombia. All references herein to "U.S. dollars," or "US$" are to U.S. dollars. We maintain our books and records in pesos. Solely for the convenience of the readers we have converted the amounts included in the set "Interim Financial Statements" and in the "Notes to the Interim Financial Statements" and in this document from Colombian pesos into U.S. dollars using the exchange rate formed in the interbank market on March 31, 2017 of COP$2,885.57 to US$1.00. These convenience translations should not be considered representations that any such amounts have been, could have been or could be converted in the future into U.S. dollars at that or at any other exchange rate.

Note 2 – Basis of accounting (continued)

Estimates, Significant Accounting Judgments and Assumptions

In preparing the Interim Financial Statements, the management makes judgments, estimates and assumptions that could affect the values of revenues, expenses, assets and liabilities reported at the date of the Interim Financial Statements, including the related disclosures. Even though they may differ from their final effect, management considers that the estimates and assumptions used were adequate in every circumstance.

Among the main estimates and accounting judgments are: i) deferred taxes, ii) contingent liabilities, iii) revaluation, iv) impairment of assets, v) definition of the fair value of financial instruments, vi) estimate for dismantling.

- **Exchange Rate Fluctuations**

We publish our financial statements in COP$. Because a portion of our assets, liabilities, revenues and expenses are denominated in currencies other than the COP$, we are exposed to fluctuations in the values of these currencies against the COP$. Currency fluctuations have had and may continue to have a material impact on our financial condition, results of operations and cash flows.

- **Financial Risk Management**

The Company actively manages risks through the use of derivative financial instruments (primarily on exchange rate and interest rate); also, the net balance sheet positions are taken into account in order to take advantage of natural hedges that are offset directly by avoiding incurring on bid-offer spread costs on hedging operations.

The main financial risk management objectives and policies of the Company at March 31, 2017, and for the three-month period ended on that date, are consistent with those disclosed in the financial statements at December 31, 2016 and for the year ended on that date.

- **Materiality criteria**

These interim financial statements do not include any information or disclosures that, not requiring presentation due to their qualitative significance, have been determined as immaterial or of no relevance pursuant to the concepts of materiality or relevance defined in the IFRS conceptual framework.

- **Interim Statement of Cash Flow**

The interim Statement of Cash Flow was prepared according to the direct method. The direct method presents cash flows from activities through a summary of cash outflows and inflows.

- **Operation Segments**

The Company's Management prepares sufficient financial and managing information to assess profitability, risk and the assets managed at Company level. Although the Company prepares certain financial and management information of each of the business areas, it is not sufficient to evaluate and determine individually profitability, risk and assets and liabilities allocated as required by IFRS 8.

Given the requirements of IFRS regarding the identification of segments and based on the available information, the Company's Management has identified a single business segment.

Note 2 – Basis of accounting (continued)

- **Expense for Income Tax**

The income tax expense includes the current tax expense and the deferred tax. Colombian companies, pursuant to Law 1819 of 2016, are subject to the corporate income tax, for the year 2017 at a rate of 34% and for the year 2018 and following years of 33%. This law establishes a surcharge to the income tax, which is regressive and temporary, for the year 2017 of 6.0% and for the year 2018 of 4.0%, the latter applicable to taxable bases of US $277 (COP$800,000) onwards, leaving the total tax rate as follows; 2017 of 40%, 2018 of 37% and 2019 and following years of 33%. In addition to the aforementioned, Colombian tax regulation establishes that the basis for calculating said tax is established on the higher net taxable income of a company and its presumptive income. Under the applicable regulations, the presumptive income is equivalent to 3.5% of the company's fiscal net worth of the previous year. However, in accordance with article 73 of Law 1341 and article 24 of Law 142 of 1994, the Company, being cataloged as a Utility Company, has not determined, nor paid the income tax based on presumptive income.

Regardless of the tax expense recognized, the tax legislation provides that companies are obliged monthly to pay in advance the income tax, through automatic withholdings that are calculated on the tax settlement basis. The corporate income tax return includes the annual accrual of self-reimbursements paid by the Company, which after the presentation and approval by the tax authority, the compensation and/or refund process to the Company of the amount generated in the balance in favor of the declaration. The credit balance can be used to offset indirect tax payments such as the VAT sales tax or the suppliers' withholdings.

In addition, the company is also required to pay an annually decreasing wealth tax (Impuesto a la Riqueza) of 1.15% in 2015, 1.0% in 2016 and 0.4% in 2017, calculated based on our net worth.

The miscellaneous income tax is computed at the rate of 10% on the sale of fixed assets held for 2 years or more, of the resulting profit at the time of sale, the net income shall be attributed in the first instance for the recovery of the accumulated depreciation and the remaining profit. If any, it is the occasional profit.

- **Impairment of non-current assets**

At the end of period, the presence or absence of impairment on non-current assets, including goodwill, intangibles assets, property and plant and equipment is evaluated. If such indicators exist or when it comes to assets which are subject to annual impairment analysis, the Company estimates the recoverable value of the asset, being the higher of the fair value minus the cost of conveyance and its value in use. Such value in use is determined by the discount of the estimated future cash flows by applying a discount rate before taxes that reflects the value of money over time and considering the specific risks associated to the asset.

When the recoverable value of an asset is below its net book value, it is considered impaired. In this case, the book value is adjusted to the recoverable value, recording the loss in the Comprehensive Income Statement. Amortization charges for future periods are adjusted to the new accounting value over the remaining useful life.

To determine the impairment, the Company uses the strategic plan of its sole cash generating unit to which assets are assigned. This strategic plan usually covers a period of three years. For longer periods, from the third year projections based on these plans by applying a constant or decreasing rate of expected growth are used. This rate separately considers each assessed element and the included growth is a reflect of the trend of the same in recent years.

The used discount rates are determined before taxes and are adjusted by the country risk rate and corresponding business risk. Thus, in 2016 and 2015, a nominal percentage rate calculated in pesos of 11.08% and 10.49%, respectively, was used; concluding that by the end of 2016, there is no evidence of impairment in long-term assets.

Note 2 – Basis of accounting (continued)

- **Impairment of non-current assets (continued)**

When new events take place or changes in existing circumstances indicate that an impairment loss recorded in a prior period may have disappeared or been reduced, a new estimate of the recoverable amount of the corresponding asset is made. Losses previously recorded are reversed only if the assumptions used in calculating the recoverable amount would 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 book value that such asset would have if no impairment losses have been recognized in previous periods. The reversal is recognized in the Comprehensive Income Statement and the charges for amortization of future periods are adjusted to the new carrying amount, unless the asset is carried at its revalued amount, in which case the reversal is treated similarly to a revaluation increase. Impairment losses of goodwill are not reversed in subsequent periods.

- **Financial assets impairment**

At the end of the period, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets are impaired in value. A financial asset or group of financial assets are considered impaired in value only if there is objective evidence of impairment of that value as a result of one or more events that occurred after the asset's initial recognition (the "event causing the loss"), and that event causing the loss has an impact on estimated future cash flows generated by the financial asset or the group of financial assets, and that impact can be estimated reliably.

The evidence of impairment could include, among others, indications such that as debtors or group of debtors are in significant financial difficulties, default or delinquency in debt principal or interest payment, the probability that they go bankrupt or adopt other form of financial reorganization, or when observable data indicate that there is a measurable decrease in the estimated future cash flows, as well as adverse changes in the status of payments in arrears or economic conditions that correlate with defaults.

Charges for impairment of financial assets, net of recoveries that apply, are presented in the Comprehensive Income Statement, in financial costs and other operating expenses lines, as appropriate to the nature of the assets that generate them.

- **Inventories**

Warehouse materials for installation in investment projects, as well as inventories of goods for sale are valued at the lower of weighted average cost or net realizable value, the smaller of the two. The valuation of obsolete, defective or slow-moving inventories, have been reduced to their probable net realizable value. The calculation of the recoverable value of inventories is made in function on their age and turnover.

The net asset value is the estimated sales value during the normal business course minus the estimated costs of selling.

Costs of inventories include the transfer from the other comprehensive income of any gain or loss arising on cash flow hedges used for inventory purchases in foreign currency.

Note 3 – Significant Events

a) Capital Management – Going Concern

At December 31st, 2016 and March 31st, 2017, the Company shows a negative shareholders' equity of US$125,110 (COP$361,012,985) and US$214,111 (COP$617,831,850), respectively, resulting in the Company's ground for dissolution once presented for the approval of the end-of-year Financial Statements to the Shareholders' Meeting held on March 24, 2017. Based on the foregoing and as of that date, the Company has 18 months to adopt such measures that may be necessary to avoid the Company's dissolution, term expiring in September of 2018.

The Company's management, together with the support of its shareholders, are continuing to implement the actions that were established and reported in the Financial Statements as of December 31, 2016, in order to remedy this situation and strengthen the Company's assets, ensuring the capacity to continue as a going concern.

Note 3 – Significant Events (continued)

On April 3, 2017, as a part of the capitalization process the company asked for April PARAPAT installment waiver. Fiduciary *Fiduagraria*, which manages the PARAPAT's autonomous assets, granted the company the waiver to the obligation to pay the installment that expires on April 3 of the same year, pursuant to the obligations acquired under the operating contract framework, granting the company the last day of August of the same year as the maximum payment date.

b) Macroeconomic Environment

- **Inflation**

Annual inflation in March was 4.7% LTM, adding up eight consecutive months of deceleration in the consumer price index – CPI. The cumulative inflation for 2017 was 2.5%, 100 bps below 3.5% reached at the same period in 2016. There are two main reasons to explain the dynamics in inflation at the end of 1Q17, the indexation effect that implied a decrease in inflation and tax reform that caused higher pressures on inflation. First of all, some agents such an education institutions and real state rentals adjusted their prices to last year's inflation (indexation effect), especially affecting non-tradable goods. Secondly, the tax reform approved in December 2016 established a higher VAT, increasing pressures on CPI, especially on tradable goods. As a result, the cumulative inflation at March-2017 of tradable and non-tradable goods were 2.8% and 2.7% respectively. Finally, food inflation decelerated to 3.7% LTM in March 2017 from 15.7% LTM in July 2016, as a consequence of the cease of the climatic phenomenon "El Niño".

- **Interest rate**

In the first quarter of 2017, the Board of Directors of the Central Bank decided to reduce the interest rate in 50 bps, standing at 7% in March 2017 (stable at 7.5% in January, reductions of 25 bps in February and March). These decreases are explained by three main reasons: i) the decline showed in the annual inflation over the last months (4.7% LTM in March 2017 vs 8% LTM in July 2016); ii) the major correction in the current account deficit, which stood at 4.4% of GDP in 2016 compared to 6.4% of GDP in 2015and iii) the slowdown in GDP (2% YoY in 2016 vs 3.1% YoY in 2015) and the moderate performance in some of the leading indicators. However, the annual inflation in the medium term still remain above the target range (2.0% - 4.0%) of the Central Bank

- **Exchange rate**

The average exchange rate in the first quarter of 2017 was COP$2,923.27 per US$1.00, 3.1% lower than the one observed at the last quarter of 2016 (COP$3,016.18 per US$1.00) and 10.4% below the average observed in the first quarter of 2016 (COP$3,262.23 per US$1.00). The strengthen of Colombian peso was mainly associated with a better performance in oil prices, leading an increase of 5.7% in average price compared with 4Q of 2016 and the improvement of the Colombian country risk (CDS 5Y) by 35 bps the same period (179 bps in average 4Q of 2016 vs 144 bps in average 1Q of 2017) mainly associated with the approval of tax reform in December of 2016.

Note 4 – Financial Assets

The breakdown of the current financial assets is the following:

	At March 31,		At December 31,	
	2017		2016	
Current financial assets	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands* of COP$)
Hedging derivatives (a)	139,159	401,554,760	173,152	499,640,815
Deposits and guaranteed	4	10,607	-	-
Current financial assets	**139,163**	**401,565,367**	**173,152**	**499,640,815**
Other equity participation (b)	49,091	141,655,989	49,091	141,655,989
Deposits and guaranteed	2,578	7,438,665	2,578	7,438,665
Hedging derivatives	5,848	16,873,892	8,703	25,112,496
Non-current financial assets	**57,517**	**165,968,546**	**60,372**	**174,207,150**
Total financial assets	**196,680**	**567,533,913**	**233,524**	**673,847,965**

(a) The derivatives portfolio valuation, including current and non-current hedging derivatives, shows a decrease of 20.3% US$36,848 (COP$106,324,659) mainly explained by: i) A decrease in the exchange rate valuation of the full cross-currency interest rate swap (CIRS) in US$22,373 (COP$64,557,532) due to the exchange rate revaluation of 3.8% during the period, ii) a decrease in the interest rate valuation of the IRS in USD currency for US$4,034 (COP$11,641,337) due to a displacement of the interest rate swap (IRS) curve; iii) a decrease in the interest rate valuation of the margin CIRS in US$9,565 (COP$27,599,337) due to the exchange rate revaluation of the period, and iv) the decrease in valuation of USD currency options and others for US$875 (COP$2,526,453).

(b) Under the Parapat Operating Agreement, there is a number of assets represented in financial holdings in the Empresa de Telecomunicaciones de Bucaramanga S.A. E.S.P, Metropolitana de Telecomunicaciones S.A. ESP and Telecom USA. Such shares will be owned by Colombia Telecomunicaciones S.A. ESP, provided that the conditions for its handover have been fulfilled, in accordance with the provisions of the Operating Agreement

The Company does not control or exercise any significant influence on the financial, operating or control policies for key decisions regarding the costs, expenses, purchases and annual budgets of the companies. The profits obtained by these companies do not flow to the Company. Based on the foregoing and considering that the necessary conditions are not complied with in accordance with IFRS 10 and IAS 28, these companies are not considered subsidiaries or associates and are therefore are recognized as financial instruments

These shares are measured at fair value and are valued through the discounted future cash flows method at the end of each year. After initial recognition, these shares are measured at fair value through profit or loss, the impairment resulting from the valuation is recognized as a financial expense in the statement of comprehensive income; as of March 31, 2017 there is no evidence of impairment.

Note 5 – Trade and Other Accounts Receivables, net of impairment

Accounts receivable and other current accounts receivable increased by 1.3%, or US$3,250 (COP$9,378,362) and non-current, increased 32.8% or US$13,157 (COP$37,965,853) compared to the closing on December 31st, 2016.

	At March 31, 2017		At December 31, 2016	
	(in *thousands* U.S. $)	(in *thousands* COP$)	(in *thousands* U.S. $)	(in *thousands* COP$)
Current				
Customers for sale and services provision (1)	368,918	1,064,536,752	363,544	1,049,030,652
Commercial agents and distribution channels	52,377	151,136,629	51,997	150,041,054
Portfolio for handsets	49,081	141,627,232	47,956	138,379,316
Portfolio with domestic operators	35,166	101,474,405	33,549	96,808,436
Shareholders, related parties and associated companies (2)	17,642	50,906,281	18,142	52,349,428
Other debtors	16,578	47,838,178	14,680	42,361,518
Foreign debtors	2,493	7,194,554	5,874	16,949,358
Advance payments delivered	350	1,010,111	286	824,568
Impairment for doubtful collection portfolio	(282,848)	(816,177,524)	(279,521)	(806.576,074)
	259,757	**749,546,618**	**256,507**	**740,168,256**
Non-current				
Portfolio with domestic operators	46,649	134,610,499	46,649	134,610,499
Portfolio of grants and contributions	13,208	38,111,870	13,208	38,111,870
Shareholders, related parties and associated companies	12,087	34,877,270	12,551	36,215,585
Customers for sale and services provision (3)	40,971	118,225,644	27,350	78,921,476
Impairment for doubtful collection portfolio	(59,633)	(172,075,816)	(59,633)	(172,075,816)
	53,282	**153,749,467**	**40,125**	**115,783,614**
	313,039	**903,296,085**	**296,632**	**855,951,870**

(1) Includes residential, business and wholesalers customers whose billing is pending.
(2) Among the main transactions, it includes local telephony operations, consulting, interconnection, roaming and data transmission service.
(3) Corresponds to portfolio with the National Academic Network Corporation (RENATA) for the sale of equipment for MPLS (dedicated channels) and connectivity.

Note 6 – Prepaid Expenses

Short-term prepaid expenses increased by 137.8% US$10,303 (COP$29,731,069), compared to December 31, 2016, mainly due to: US$6,287 (COP$18,140,622) policy to renew the fixed-mobile spectrum license, and US$4,017 (COP$11,590,446) due to software licenses and maintenance services.

Note 7 – Inventories

Inventories at the end of the first quarter of 2017 decreased by of 0.01% US$4 (COP$11,538), compared to December 31, 2016.

The breakdown is detailed as follows:

	At March 31, 2017		At December 31, 2016	
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Mobile phones and accessories	27,840	80,297,428	34,313	99,011,736
Equipment in transit	9,349	26,977,354	2,459	7,096,144
Other inventories	1,066	3,114,692	1,404	4,053,007
Computer equipment	554	1,597,536	553	1,595,017
	38,809	**111,987,010**	**38,729**	**111,755,904**
Impairment loss of inventories	(1,439)	(4,153,404)	(1,355)	(3,910,760)
	37,370	**107,833,606**	**37,374**	**107,845,144**

Note 8 – Taxes Receivables and Payables

The asset balance for taxes and other administrations receivables is presented as follows:

	At March 31, 2017		At December 31, 2016	
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Advance of surcharge of income tax for equality (CREE)	1,031	2,973,727	1,031	2,973,727
Self-withholding for income tax for equality CREE	27,454	79,221,193	27,454	79,221,193
Self-withholding for income tax (a)	37,625	108,568,464	25,235	72,815,953
Income tax withholdings (a)	2,462	7,105,104	1,452	4,189,494
Sales tax withholding	51	146,449	374	1,080,562
Advance payments, withholdings and self-withholding ICA (b)	1,526	4,405,842	4,608	13,298,318
	70,149	**202,420,779**	**60,154**	**173,579,247**

The increase of US$9,995 (COP$28,841,532), at the end of March 31 of 2017, compared to the end of December 31 of 2016, is explained as follows:

(a) Increase of self-withholdings for income tax and income tax withholdings for US$13,400 (COP$38,668,121), corresponding to the i) accrual the first quarter of 2017 of US$12,390 (COP$35,752,511) and ii) the withholding taxes on income tax deduction on collections by the financial institutions by US$1,010 (COP$2,915,610).

(b) Net decrease of US$3,082 (COP$8,892,476) for the application of advances, withholdings and self-withholdings in tax returns of ICA industry and trade for the year 2016 and accruals for the 1Q of 2017.

Current taxes and public administrations payables is presented as follows:

	At March 31, 2017		At December 31, 2016	
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Sales tax proportionality – VAT (a)	35,811	103,335,118	13,976	40,329,488
National consumption tax (b)	1,134	3,271,268	2,283	6,588,524
Withholdings and self-withholdings (c)	9,152	26,409,338	10,326	29,795,739
Surcharges and stamps	148	427,415	143	413,334
Import tax (d)	-	-	1,053	3,037,382
Municipal taxes	1,135	3,274,234	780	2,249,361
	47,380	**136,717,373**	**28,561**	**82,413,828**

Increase of US$18,819 (COP$54,303,545), at the end of March 31 of 2017, compared to the end of December 31 of 2016, is explained as follows:

(a) Increase in the VAT sales tax of US$21,835 (COP$63,005,630) due to: i) net decrease for the payment of the VI bimester of 2016 and accrual of the second bimester (March) of 2017 net of US$2,869 (COP$8,279,148) and ii) an increase in the VAT sales tax liability for the first bimester of 2017 for US$24,704 (COP$71,284,778), which will be offset by the balance in favor of the income tax for 2016.

Note 8 - Taxes Receivables and Payables (Continued)

(b) Net decrease in the national consumption tax by US$1,149 (COP$3,317,256) due to the effect of the payment of the VI bimester in 2016 and the accrual of the 1Q of 2017 (March).

(c) Net decrease in the accrual of withholding taxes and self-retentions of the income tax to March 2017, compared to December of 2016 at US$1,174 (COP$3,386,401).

(d) Decrease due to payment of the import tax in the first quarter of 2017 at US$1,053 (COP$3,037,382)

Note 9 – Property, Plant and Equipment

During the first quarter of 2017, property, plant and equipment decreased by 2.8% US$44,908 (COP$129,587,048) compared to the fourth quarter of 2016, as net result of:

- Investments (CAPEX) of US$38,425 (COP$110,876,063) for expansion in the capacity of voice and data transmission, deployment and expansion of the new LTE 4G technology network, as well as equipment installation for the provision of fixed operation services such as home equipment of residential customers and the business segment; it also includes investments needed to expand and upgrade the transmission network and access via copper cable and fiber optics.

- Depreciation expense during the first quarter of 2017 was of US$68,238 (COP$196,902,852).

- Disposals and retirement of assets net, primarily of copper cable to be replaced on the fixed access network with optimization purposes in the service quality for a total of US$526 (COP$1,517,393).

- Transfers to intangible assets of US$13,796 (COP$39,809,896) and depreciation of the revaluation of assets of US$774 (COP$2,232,970).

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Notes to Interim Financial Statements
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Note 9 - Property, Plant and Equipment (continued)

The composition at March 31, 2017 and the movement of property, plant and equipment during the first quarter of 2017 were as follows:

Concept	Balance at December 31, 2016	Acquisitions / Addition	Retirements	Transfers	Revaluation(1)	Balance at March 31, 2017
			(In thousands of US$)			
Cost:						
Land and construction	$ 1,058,951	$ -	$ (115)	$ 2,011	$ -	$ 1,060,847
Technical installations, machinery and others equipment	2,758,235	14,841	(4,005)	44,406	-	2,813,477
Equipment under construction and assembly	166,324	23,375	(80)	4,206	-	193,825
Furniture, equipment management of information and miscellaneous	222,145	209	(537)	(64,417)	-	157,400
	$ 4,205,655	**$ 38,425**	**$ (4,737)**	**$ (13,794)**	**$ -**	**$ 4,225,549**
Accumulated depreciation:						
Constructions	(542,210)	(12,467)	62	-	(774)	(555,389)
Technical installations, machinery and other equipment	(1,871,473)	(51,091)	3,658	-	-	(1,918,906)
Furniture and equipment of information	(163,620)	(4,680)	491	-	-	(167,809)
	(2,577,303)	**(68,238)**	**4,211**	**-**	**(774)**	**(2,642,104)**
	$ 1,628,352	**$ (29,813)**	**$ (526)**	**$ (13,794)**	**$ (774)**	**$ 1,583,445**

Concept	Balance at December 31, 2016	Acquisitions / Addition	Retirements	Transfers	Revaluation(1)	Balance at March 31, 2017
			(In thousands of COP$)			
Cost:						
Land and construction	$ 3,055,678,657	$ -	$ (330,555)	$ 5,803,044	-	3,061,151,146
Technical installations, machinery and others equipment	7,959,081,131	42,821,268	(11,556,904)	128,135,241	-	8,118,480,736
Equipment under constructions and assembly	479,940,713	67,451,062	(230,441)	12,135,407	-	559,296,741
Furniture, equipment management of information and miscellaneous	641,016,138	603,733	(1,549,274)	(185,883,588)	-	454,187,009
	$ 12.135,716,639	**$ 110,876,063**	**$ (13,667,174)**	**$ (39,809,896)**	**-**	**$ 12,193,115,632**
Accumulated depreciation:						
Constructions	(1,564,583,824)	(35,973,462)	177,982	-	(2,232,970)	(1,602,612,274)
Technical installations, machinery and other equipment	(5,400,266,756)	(147,425,602)	10,555,583	-	-	(5,537,136,775)
Furniture and equipment of information	(472,138,077)	(13,503,788)	1,416,216	-	-	(484,225,649)
	(7,436,988,657)	**(196,902,852)**	**12,149,781**	**-**	**(2,232,970)**	**(7,623,974,698)**
	$ 4,698,727,982	**$ (86,026,789)**	**$ (1,517,393)**	**$ (39,809,896)**	**$ (2,232,970)**	**$ 4,569,140,934**

(1) Revaluation of real state

Note 9 - Property, Plant and Equipment (continued)

The Company opted for subsequent measurement using the revaluation model to record at fair value land and buildings as of December 31, 2014. Studies were conducted in November and December of 2014 by external consultants (Price Waterhouse Coopes and Onasi Ltda) which had the necessary experience for this type of work, based on methods recognized by the International Standard Valuation Standards (IVS).

Depreciation of revalued real estate (buildings) is carried out under the straight-line method and is based on the remaining assets' useful life, affecting the accumulated amortization account and, as a counterpart, the amortization of the revaluation reserve presented in Equity as Other Comprehensive Income.

Any movement that affects the net value by revaluation will be reflected in the equity in the reserves account for the revaluation of real estate.

Based on the analysis of recoverable amounts, the Company's management shows no signs of deterioration of property, plant and equipment in accordance with the Strategic Plan main considerations and according to its only cash-generating unit to which the assets are assigned. This Strategic Plan generally covers a 3-year period.

Therefore, the Company determines, based on the fair value analysis, that there is no evidence of impairment of property, plant and equipment at the end of the first quarter of 2017, being the recoverable amount higher than the book value.

Note 10 – Intangibles Assets

During the first quarter of 2017, intangible assets increased by 5.0% or US$15,937 (COP$45,987,850) compared to the fourth quarter of 2016, as net result of:

- Investments (CAPEX) for US$25,742 (COP$74,280,632) in renovation, upgrade and capacity expansion of mobile network equipment software (Core Equipment, platforms and Radio Access Network (RAN) Equipment) as well as the necessary software for office equipment and for equipment in data centers such as servers and database engines. Quarter capital expenses includes the license for the provision of television service for a period of 10 years, for a value of US$16,177 (COP$46,680,234), this license is granted by Autoridad Nacional de Television de Colombia.
- Amortization expenditures during the first quarter were of US$23,601 (COP$68,102,676).
- Transfers from property, plant and equipment of US$13,796 (COP$39,809,894).

The composition at March 31, 2017 and the movement of intangibles assets during the first quarter of 2017, were as follows:

Concept	Balance at December 31, 2016	Acquisitions / Addition	Retirements	Transfers	Balance at March 31, 2017
Cost:			*(In thousands of US$)*		
Operating licenses	$ 428,658	$ 16,177	$ (3,380)	$ -	$ 441,455
Computer applications	556,508	404	(6)	13,796	570,702
Customers list	215,401	-	-	-	215,401
Other intangibles	28,837	-	-	-	28,837
Intangible assets in development	158	9,161	-	-	9,319
	$ 1,229,562	**$ 25,742**	**$ (3,386)**	**$ 13,796**	**$ 1,265,714**
Accumulated amortization					
Operating licenses	(277,044)	(5,790)	3,380	-	(279,454)
Computer applications	(408,780)	(17,548)	6	-	(426,322)
Customers list	(215,401)	-	-	-	(215,401)
Other intangibles	(10,278)	(263)	-	-	(10,541)
	(911,503)	**(23,601)**	**3,386**	**-**	**(931,718)**
	$ 318,059	**$ 2,141**	**$ -**	**$ 13,796**	**$ 333,996**

Note 10 – Intangibles Assets (continued)

Concept	Balance at December 31, 2016	Acquisitions / Addition	Retirements	Transfers	Balance at March 31, 2017
Cost:			*(In thousands of COP$)*		
Operating licenses(1)	$ 1,236,921,539	$ 46,680,234	$ (9,753,700)	$ -	$ 1,273,848,073
Computer applications(2)	1,605,841,657	1,165,1113	(17,165)	39,809,896	1,646,799,501
Customers list(3)	621,555,372	-	-	-	621,555,372
Other intangibles	83,210,947	-	-	-	83,210,947
Intangible assets in development	456,756	26,435,285	-	-	26,892,041
	$ 3,547,986,271	**$ 74,280,632**	**$ (9,770,865)**	**$ 39,809,896**	**$ 3,652,305,934**
Accumulated amortization					
Operating licenses	(799,429,870)	(16,707,858)	9,753,700	-	(806,384,028)
Computer applications	(1,179,563,862)	(50,635,184)	17,163	-	(1,230,181,883)
Customers list	(621,555,373)	-	-	-	(621,555,373)
Other intangibles	(29,657,033)	(759,634)	-	-	(30,416,667)
	(2,630,206,138)	**(68,102,676)**	**9,770,863**	**-**	**(2,688,537,951)**
	$ 917,780,133	**$ 6,177,956**	**$ (2)**	**$ 39,809,896**	**$ 963,767,983**

(1) Corresponds to a i) licenses required to provide telecommunications services, primarily for the provision of mobile services and added value. These licenses are of national coverage and are granted for a 10-year period, being the license for the operation of mobile telephony granted in March 2014, the license to operate 4G technology awarded in November 2013 and the license of use frequency band of the radio spectrum in March 2011, the most representative. ii) permits obtained for the provision of television services (DBS) or direct television service to home

(2) Corresponds to acquired software applications for the Company's different technological platforms.

(3) Mainly includes the payments made by the Company for the rights to use the infrastructure of ISA (Interconexión Eléctrica S.A.) on a fiber optic ring that connects the cities of Bogotá, Medellín and Cali.

Based on the analysis of recoverable amounts, the Company's management shows no signs of deterioration of intangibles in accordance with the Strategic Plan main considerations and according to its only cash-generating unit to which the assets are assigned. This Strategic Plan generally covers a 3-year period.

Therefore, the Company determines, based on the fair value analysis, that there is no evidence of impairment of intangibles at the end of the first quarter of 2017, being the recoverable amount higher than the book value.

Note 11 - Deferred Tax

Deferred Tax Assets

Deferred tax assets decreased by 8.3% or US$36,279 (COP$104,686,382) compared to the end of 2016, mainly as result of the:

- Reduction of US$6,631 (COP$19,135,095) for the use of tax credits of the income tax (40%) on the taxable base registered on March 31, 2017.
- Decrease of US$29,939 (COP$86,392,470) for the use of temporary differences related to the PARAPAT and estimates of liabilities and provisions recorded as of March 31, 2017.
- Increase of US$292 (COP$841,181) due to the depreciation of the revalued cost of the real estate of the PARAPAT contract with consideration in other comprehensive income.

Note 11 - Deferred Tax (continued)

Deferred Tax Liabilities

Deferred tax liabilities decreased by 18.7% or US$15,424 (COP$44,505,899) compared to the end of 2016, as a result of the following:

- Decrease of US$10,587 (COP$30,549,035) due to the use of taxable temporary differences, mainly generated by the valuation of hedges with effect in the Comprehensive Income Statement

- Decrease of US$4,819 (COP$13,904,856) due to the use of taxable temporary differences, mainly generated by the valuation of hedges with effect in Other Comprehensive Income.

- Decrease of US$18 (COP$52,008) due to the depreciation of the revalued cost of own properties with consideration in Other Comprehensive Income.

Note 12 – Financial Obligation and Other Financial Obligations

Financial obligations, including PARAPAT, totaled US$2,844,772 (COP$8,208,790,002) as of March of 2017, showing an increase of 0.8%, US$21,355 (COP$61,622,155) compared to December 2016. The PARAPAT obligation totaled US$1,405,949 (COP$4,056,965,685), increasing US$10,391 (COP$29,985,263), compared at December 31, 2016.

	At March 31,		At December 31,	
	2017		2016	
Current	(in thousands of US$)	(in thousands of COP$)	(in thousands of US$)	(in thousands of COP$)
Financial obligations (a)	195,121	563,035,155	89,264	257,574,891
Hedging instruments (d) [1]	31,597	91,176,364	23,998	69,248,316
Other financial obligations (interests)	4,784	13,804,622	25,789	74,417,077
Other financial obligations - PARAPAT (c)	177,495	512,173,158	176,058	508,027,366
Total Current	408,997	1,180,189,299	315,109	909,267,650
Non - current				
Financial obligations (b)	1,206,205	3,480,586,699	1,286,887	3,713,404,238
Hedging Instruments (d) (1)	1,116	3,221,477	1,921	5,542,903
Other financial obligations - PARAPAT (c)	1,228,455	3,544,792,527	1,219,500	3,518,953,056
Total Non-current	2,435,776	7,028,600,703	2,508,308	7,237,900,197
Total financial debt	**2,844,773**	**8,208,790,002**	**2,823,417**	**8,147,167,847**

(1) See, *Hedging instruments*

a) Increase in short-term financial debt with credit institutions for US$105,858 (COP$305,460,264) due to: i) new debt agreements by US$65,746 (COP$189,716,060), ii) decrease of debt amortizations by US$9,711 (COP$28,022,812), iii) increase of US$51,826 (COP$149,547,694) due to reclassification from long to short-term debt, and iv) decrease of US$2,003 (COP$5,780,678) associated with exchange rate differences.

b) Decrease in long-term financial debt with credit institutions for US$80,683 (COP$232,817,539) due to: i) new debt agreements by US$3,466 (COP$10,000,000), ii) decrease of US$32,323 (COP$93,269,846) associated with exchange rate differences; and iii) a decrease of US$51,826 (COP$149,547,694) due to the reclassification from long to short-term debt.

Note 12 - Financial Obligation and Other Financial Obligations (continued)

Senior bond

	At March 31,		At December 31,	
	2017		2016	
Senior Bond	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Face value	750,000	2,164,177,500	779,926	2,250,532,500
Transaction of cost	(2,011)	(5,803,062)	(2,101)	(6,062,532)
Total Senior Bond	**747,989**	**2,158,374,438**	**777,825**	**2,244,469,968**

The net variation in long-term bonds was US$29,926 (COP$86,355,000). The decrease corresponds to revaluation of the exchange rate of 3.8%. The bonds nominal value is shown net of the issuance cost.

c) Increase of the PARAPAT debt worth US$10,391 (COP$29,985,263) net between interest capitalization of US$39,734 (COP$114,656,490) and payments that have been made in the period of US$29,343 (COP$84,671,228).

d) Increase in the valuation of short-term derivatives of US$7,599 (COP$21,928,048), explained by i) an increase in the exchange rate valuation of non-delivery forward and USD currency options by US$2,327 (COP$6,715,266) due to the revaluation of the exchange rate of the period by 3.8%; ii) increase in the interest rate valuation by US$5,292 (COP$15,269,972) iii) decrease in the valuation of CVA/DVA of US$20 (COP$57,190).

Hedging Instruments

The Company manages exchange rate and interest rate risk through derivative financial instruments in order to reduce exposure to fluctuations of its receivables and liabilities to third parties (CAPEX and OPEX) denominated in US dollars and its financial liabilities in US dollars also linked to variable interest rates such as Libor and IBR through Non Delivery Forward (NDF), Cross Currency Interest Rate Swap (CCIRS), FX Options and Interest Rate Swap (IRS) operations. These operations are valued at market prices at the end of each period.

Total mark to market explained by exchange rate valuation (financial and trade operations) decrease 20.9%, US$25,358 (COP$73,173,390), due to revaluation of Colombian Peso by 3.8% during the first quarter of 2017. The interest rate valuation decreased 54.0%, US$18,598 (COP$53,665,611) due to the displacement of the Libor Interest Rate Swap curve during the period.

Note 12 - Financial Obligation and Other Financial Obligations (continued)

The net positions for the derivatives, according to its underlying obligations, are:

	At March 31,		At December 31,	
	2017		2016	
	(in *thousands* of US$)	(in *thousands* of COP$)	(in *thousands* of US$)	(in *thousands* of COP$)
Breakdown by Term				
Short term				
Mark to market – exchange rate effect for financial operations(1)	93,467	269,706,013	112,009	323,208,449
Mark to market – exchange rate effect for trade operations	(3,284)	(9,476,002)	678	1,956,348
Mark to market – interest rate effect	16,984	49,009,577	36,387	104,996,614
CVA/DVA(3)	395	1,138,808	80	231,088
Total short term, net (Note 4 and 12) (2)	**107,562**	**310,378,396**	**149,154**	**430,392,499**
Long term				
Mark to market – Exchange rate effect for financial operations(1)	5,847	16,873,892	8,703	25,112,496
Mark to market – Interest rate effect	(1,116)	(3,221,477)	(1,921)	(5,542,903)
Total long term, net (Note 4 and 12) (2)	**4,731**	**13,652,415**	**6,782**	**19,569,593**
Total mark to market	**112,293**	**324,030,811**	**155,936**	**449,962,092**
Breakdown by Effect				
Exchange rate effect				
Exchange rate effect for financial operations (1)	99,314	286,579,905	120,712	348,320,945
Exchange rate effect for trade operations	(3,284)	(9,476,002)	678	1,956,348
Total exchange rate effect	**96,030**	**277,103,903**	**121,390**	**350,277,293**
Total Interest rate effect	15,868	45,788,100	34,466	99,453,711
Total CVA/DVA (3)	395	1,138,808	80	231,088
Total mark to market	**112,293**	**324,030,811**	**155,936**	**449,962,092**

(1) Corresponds to the exchange rate of derivatives hedging financial underlying items, values to be considered for the calculation of the leverage ratio of the 2022 Senior Bond Covenant.
(2) Corresponds to the net position liability and asset (Note 12 and 4 - Hedging instruments).
(3) Credit Valuation Adjustment (CVA) / Debit Valuation Adjustment (DVA).

Note 13 – Suppliers and Accounts Payable

The balance of suppliers and accounts payable is the following:

	At March 31, 2017		At December 31, 2016	
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Current:				
Suppliers	232,130	669,826,853	226,177	652,648,841
Capital expenditures	77,096	222,467,336	153,648	443,361,365
Shareholders, related parties and foreign associated companies(1)	60,683	175,105,612	50,763	146,482,118
Labor obligations	7,459	21,524,741	10,011	28,887,254
Others	700	2,016,900	823	2,375,419
	378,068	**1,090,941,442**	**441,422**	**1,273,754,997**
Non-current:				
Debt with public administrations (spectrum)	62,544	180,474,260	49,427	142,624,331
Deposits received from clients and others	10,297	29,712,574	10,171	29,350,501
	72,841	**210,186,834**	**59,598**	**171,974,832**
	450,909	**1,301,128,276**	**501,020**	**1,445,729,829**

(1) The related items show a greater increase in international transit operations and the use of the brand fee for the first quarter of the year.

Note 14 –Provisions

Current provisions decrease by US$13,504 (COP$38,963,159), main variations are explained below:

- Decrease in provisions for labor obligations of US$7,947 (COP$22,931,600)
- Decrease in tax provision of US$5,097 (COP$14,707,250) mainly due to the i) net decrease of US$7,842 (COP$22,629,111) due to net effect between the payment of the ICA Industry and Trade tax in 2016 and the accrual of 2017 and the ii) net increase for a) spectrum usage annual licenses in US$1,862 COP$5,372,806), b) provision of the wealth tax for 2017 for US$572 (COP$1,651,106) and iii) VAT sales tax invoiced not collected in US$378 (COP$1,090,031).

Non-current estimates liabilities and provisions decrease by US$746 (COP$2,151,700) due to the decrease in provisions for claims before the SIC (Superintendence of Industry and Commerce).

Note 15 – Shareholder´s Equity, Net

Authorized, subscribed and paid capital at March 31st of 2017 and December 31st of 2016, is presented as follows:

Share Capital

	In thousands of COP$
Authorized capital	$ 1,454,871
Subscribed and paid capital	1,454,871
Number of outstanding shares	1,454,870,740
Nominal value (in pesos)	1

Note 15 – Shareholder´s Equity, Net (continued)

The equity shares at March 31st, 2017 and December 31st, 2016 is as follows:

Shareholders	At March 31st, 2017 Number of shares	At March 31st, 2017 Percentage %	At December 31st, 2016 Number of shares	At December 31st, 2016 Percentage %
Telefónica Latinoamérica Holding. S.L. (antes Telefónica Internacional S.A.U. - TISA) (1)	437,085,325	30.0428974	437,085,325	30.0428975
The Nation – Ministry of Finance and Public Credit	472,832,991	32.5000000	472,832,991	32.5000000
Latin America Cellular Holdings S.L.	275,602,636	18.9434448	2	0.00000001
Telefónica S.A.	269,339,586	18.5129564	269,339,035	18.5128185
Radio Televisión Nacional de Colombia-RTVC	10,000	0.0006873	10,000	0.0006873
Canal Regional de Televisión Ltda,- TEVEANDINA	200	0.0000137	200	0.0000137
Olympic Ltda, In liquidation (2)	-	0.0000000	275,603,185	18.9434825
Central de Inversiones S.A.-CISA	1	0.0000001	1	0.0000001
Terra Networks Colombia S.A.S.	1	0.0000001	1	0.0000001
	1,454,870,740	**100,0000000%**	**1,454,870,740**	**100,0000000%**

(1) On September 30, 2016, the merger by absorption was entered into between Telefónica Internacional S.A.U. (Hereinafter, "TISA") and Telefónica Latinoamérica Holding. S.L., acquiring the latter by universal succession all the rights and obligations that TISA had.
(2) At the meeting of February 24, 2017, the final liquidation account of the Company Olympic Ltda was approved, and on March 30, 2017, the liquidation was formalized before the competent entities and the shares were awarded to Latin America Cellular Holdings S.L. and Telefónica S.A.

Note 16 – Operating Revenue

The following table sets forth the principal components of our revenues for the three-month period ended March 30, 2017 and 2016.

	Period from January 1 to March 31,				Variation
	2017		2016		Percentage
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)	%
Mobile Operation					
Mobile data transmission-connectivity	108,956	314,401,061	73,519	212,143,247	48.2%
Monthly mobile voice fees and time on air	81,178	234,243,795	98,446	284,071,439	(17.5%)
Sales of mobile equipment	39,580	114,209,489	31,807	91,782,508	24.4%
Interconnection and roaming	13,713	39,570,774	19,779	57,074,944	30.7%
Carrier services – MVNO (1)	9,499	27,411,010	10,905	31,465,890	(12.9%)
Added value services (2)	8,569	24,727,503	10,405	30,023,768	(17.6%)
Mobile Operation Revenues	**261,496**	**754,563,632**	**244,860**	**706,561,796**	**6.8%**
Fixed Operation					
Data transmission services	65,599	189,289,121	62,144	179,321,445	5.6%
Fixed telephony and long distance	49,346	142,390,783	51,848	149,612,311	(4.8%)
Satellite television services	24,770	71,475,544	21,133	60,979,363	17.2%
IT and new services(3)	16,520	47,670,645	20,077	57,934,833	(17.7%)
Sales of equipment	219	631,920	268	772,554	(18.2%)
Fixed Operation Revenues	**159,454**	**451,458,013**	**155,470**	**448,620,506**	**0.6%**
Operating Income	**417,949**	**1,206,021,645**	**400,331**	**1,155,182,302**	4.4%
Other operation income (4)	8,703	25,113,158	11,612	33,507,642	25.1%
Total Operating Revenue	**426,652**	**1,231,134,803**	**411,943**	**1,188,689,944**	**3.6%**

(1) Includes services provided to the mobile virtual network operator Virgin Mobile
(2) Includes applications downloads, text messages, collection for reconnections, subscription of *Preferidos* and spaces in communication channels for advertisers.
(3) Includes consulting project development services, management of equipment applications and communication infrastructures and security management.
(4) Includes, among others, Government Grants, commercial support, rental of physical spaces and compensation for breach of contract.

Note 16 – Operating Revenue (continued)

Total revenues increased by 3.6% year-on-year from US$411,943 (COP$1,188,689,944) in the first quarter of 2016 to US$426,652 (COP$1,231,134,803) in the same period of 2017. Operating revenue reached US$417,949 (COP$1,206,021,645), a 4.4% year-on-year increase mainly driven by the mobile data business (+48.2% year-on-year and +14.9% quarter-on-quarter), sales of mobile equipment (+24.4% year-on-year) and satellite television (+17.2% year-on-year and +4.5% quarter-on-quarter) which offset lower revenues from mobile and fixed voice, as a result of the reduction in mobile termination rates and fixed voice product life cycle. Excluding strong regulatory impact, total revenues would have grown 5.3%.

Mobile revenues reached US$261,496 (COP$754,563,632) at the end of the first quarter, a 6.8% year-on-year increase, despite of the revenue decrease for interconnection and roaming due to reduction by 42.2% on mobile termination rates introduced from January 1st, 2017. The growth in mobile revenue is generated as result of i) The increase in the small screen commercial activity of 0.5% year-on-year; and (ii) churn contention, increasing from 1.8% in March 2016 to 1.5% in March 2017, as a result of the migration of customers to integrated postpaid offerings.

Fixed business revenues amounted to US$156,454 (COP$451,458,013) at the end of the first quarter, increasing 0.6% year-on-year (-0.9% quarter-on-quarter) leveraged by the income from satellite television and Broadband. The fixed business continued to successfully implement the bundling strategy increasing commercial activity.

A summary of the main variations in ***revenues from mobile services*** is presented below:

a) Revenues from ***mobile data transmission (connectivity)*** increased by 48.2% year-on-year (+14.9% quarter-on-quarter) from US$73,519 (COP$212,143,247) at the end of first quarter of 2016 to US$108,956 (COP$314,401,061) at the end of first quarter of 2017, mainly explain by the year-on-year increase of data traffic of 62.8% (+10.6% quarter-on-quarter), excluding MVNO traffic. The Company's strategy is focused on data services growth, through the deployment of the 4G network. At the end of the first quarter of 2017 subscribers' base over LTE network had reached 2.7 million, showing an exceptional growth of 95.0% year-on-year (+14.6% quarter-on-quarter).

   Additionally, smartphones' customer base grew 17.5% year-on-year (+2.3% quarter-on-quarter), from 4.4 million subscribers to 5.2 million subscribers at the end of first quarter of 2016 and of 2017 respectively. Onnet prepaid smartphones' penetration, reached 26.8% (+1.7% year-on-year and +0.4% quarter-on-quarter) as of March 2017 and postpaid smartphones' penetration reached 81.8%, (+10.6% year-on-year and +0.6% quarter-on-quarter) at the end of the first quarter of 2017.

b) ***Monthly mobile voice fees and time on air***, commercial activity had a highlighted performance showing a year-on-year subscribers' base increase of 4.2% from 13.1 million at the end of first quarter of 2016 to 13.6 million in the first quarter of 2017 along with an increase of gross adds by 12.9% year-on-year. Postpaid base increased 5.7% year-on-year (1.1% quarter-on-quarter) meanwhile prepaid base grew 3.6% year-on-year. Despite subscriber's base growth revenues, including prepaid and postpaid, decreased by 17.5% year-on-year (-7.4% quarter-on-quarter), from US$98,446 (COP$284,071,439) to US$81,178 (COP$234,243,795) at the end of the first quarter of 2016 and 2017 respectively. Decrease is mainly explained by voice to data substitution effect and the increase in promotional activity of competitors.

c) Revenues from **sales of equipment** increased by 24.4% year-on-year, to US$39,587 (COP$114,209) at the end of the first quarter 2017, mainly due to the i) reduction of subsidies delivered to customers ii) segmentation of the sale price of terminals according to customer type iii) tax incentives on equipment of less than US$243 (COP$700,898) that are exempt from VAT after the tax reform of December, 2016 , and iv) the implementation of commercial campaigns, in postpaid during the first quarter, where for the hiring of postpaid plans with ARPU higher than US$20.4 (COP$58,900) and the purchase of a smartphone, a free smartphone was given, as well as in the prepaid segment, in which grossadds with low cost terminals were promoted, leveraged in the 3 and 6 months prepaid plans' offer. Likewise, increase in the average price of equipment given the largest share of smartphones in the handsets sales mix, which increased 5.2% year-on-year (+1.3% quarter-on-quarter) closing in the first quarter of 2017 at 97.4%.

Note 16 – Operating Revenue (continued)

d) The **interconnection and roaming** revenues decreased by 30.7% year-on-year (-34.7% quarter-on-quarter) from US$19,779 (COP$57,074,944) at the end of the first quarter 2016 to US$13,713 (COP$39,570,774) at the end of the first quarter 2017 mainly due to the reduction by 42.2% in mobile termination rates from January 1st of 2017. Excluding this effect, interconnection revenues would have increased 4.7% due to incoming traffic growth year-on-year by 20.5%.

e) ***Carrier services (MVNO)*****,** in 2017 a regulatory change was introduced modifying MVNO-Host Operator contractual relation and reducing voice interconnection rate by 39.9%. Consequently, revenues decreased by 12.9% year-on-year (-11.8% quarter-on-quarter) from US$10,905 (COP$31,465,890) to US$9,499 (COP$27,411,010) at the end of the first quarter of 2016 and first quarter of 2017 respectively, in spite of voice traffic increase by 2.7% year-on-year (-5.3% quarter-on-quarter). Data traffic grew 38.1% (+3.1% quarter-on-quarter).

f) Revenues from ***value added services*** decreased by 18.3% year-on-year (-3.4% quarter-on-quarter) from US$10,405 (COP$30,023,768) at the end of the first quarter of 2016 to US$8,569 (COP$24,727,503) at the end of the first quarter 2017 mainly due to the replacement of VASs and SMS for new applications through Data Services (Connectivity).

A summary of the main variations in the revenues generated by the ***fixed business*** is presented as follows:

a) Revenues from ***data transmission services*** increased by 5.6% year-on-year (+3.4 quarter-on-quarter), from US$62,144 (COP$179,321,445 thousand) at the end of the first quarter of 2016 to US$65,599 (COP$189,289,121) at the end of the first quarter of 2017, mainly explained by the increase by 9.9% year-on-year of the revenues from broadband internet services, due to an increase in ARPU of 18.0%, amounting US$12.2 (COP$35,301) at the end of the first quarter of 2017, result of the launch of a new commercial offer focused on the packaging of products with additional services (Movistar Play) and migration to higher speeds through VDSL technology increasing quality and customer loyalty.

b) Revenues from ***fixed telephony and long distance*** decreased by 4.8% year-on-year (-6.6% quarter-on-quarter) from US$51,848 (COP$149,612,311) in the first quarter of 2016 to US$49,346 (COP$142,390,783) as of March 2017, mainly due to a year-on-year decrease of subscribers' base by 4.3% (stable quarter-on-quarter) result of the product life cycle, fixed to mobile substitution effect.

c) Revenues from ***Satellite television services*** increased by 17.2%, or US$3,637 (COP$10,496,181) year-on-year (+4.5% quarter-on-quarter) due to subscribers and ARPU year-on-year growth. Subscribers' base grew 5.7%, rising from 497 thousand at the end of the first quarter of 2016 to 526 thousand at the end of the first quarter of 2017 (+1.6% quarter-on-quarter). Increased quality of the subscribers' base benefited ARPU, that increase 10.4% year-on-year, amounting US$15.7 (COP$45,343) at the end of first quarter of 2017. Year-on-year revenues growth is the result of the HD channels broader portfolio and premium contents improvement.

d) Revenues from ***IT and Integral Solutions*** decreased by 17.7% or US$3,557 (COP$10,264,188) year-on-year (-6.8% quarter-on-quarter) mainly explained by the project *Renata* (onoff)*,* which revenue was recorded in March 2016 (and second quarter 2016).

Note 17 – Operating Cost and Expenses

The following table sets forth the principal components of our operating cost and expenses for the three-month period ended March 30, 2017 and 2016:

	Period from January 1 to March 31,				Variation
	2017		2016		Percentage
	(in *thousands* *of* US$)	(in *thousands* *of* COP$)	(in *thousands* *of* US$)	(in *thousands* *of* COP$)	%
Cost of terminals and accessories	47,534	137,163,714	44,942	129,683,787	5.8%
Media rental and other network infrastructures	32,307	93,224,867	31,003	89,462,443	4.2%
Labor cost	31,391	90,582,165	30,034	86,663,887	4.5%
Maintenance	23,867	68,868,787	23,165	66,845,275	3.0%
Interconnection and roaming	22,920	66,138,366	22,578	65,150,138	1.5%
Other costs and operation expenses (1)	22,103	63,779,016	22,490	64,897,356	(1.7%)
Taxes and compensations	21,722	62,679,529	20,680	59,674,628	5.0%
Sales commissions	21,076	60,816,928	17,381	50,153,683	21.3%
Contents suppliers	13,460	38,838,999	12,505	36,082,881	7.6%
Energy	13,026	37,587,128	13,648	39,383,440	(4.6%)
Computer services	12,828	37,016,766	12,880	37,167,376	(0.4%)
Advertising expenses (3)	11,517	33,234,409	13,091	37,774,913	(12.0%)
Services (customer services)	6,922	19,972,859	6,880	19,853,207	0.6%
Renting and third parties' activities	6,893	19,889,047	6,117	17,651,675	12.7%
Impairment, net of recovery	3,362	9,702,262	4,910	14,163,940	(31.5%)
Other non-recurrent costs (2)	1,844	5,320,536	1,890	5,453,046	(2.4%)
Total cost and expenses	**292,772**	**844,815,378**	**284,194**	**820,061,675**	**3.0%**

(1) Includes surveillance services, collection commission, administrative rentals, insurance, transport, billing and printing services, collection management, among others.
(2) Includes legal contingencies, contributions and losses on disposal of fixed assets.
(3) Includes expenses of advertising campaigns and brand use.

Costs and expenses increased 3.0% year-on-year from US$284,194 (COP$820,061,675) in the first quarter of 2016 to US$292,772 (COP$844,815,378) in the first quarter of 2017. This increase is below the 2016 inflation, which closed in 5.75%, variable that has direct impact within the Company's costs and operational expenses.

A summary of the main variations in ***cost and expenses*** is presented below:

a) An increase of 5.8% year-on-year in the ***cost of terminals and accessories*** from US$44,942 (COP$129,683,787) to US$47,534 (COP$137,163,714) at the end of the first quarter of 2017, directly associated to the increase in equipment sales, recorded in the first quarter of 2017 (+15.5 % year-on-year).

b) Costs of ***media* rentals and other network infrastructures** increased by 4.2% year-on-year (+2.6% quarter-on-quarter) from US$31,003 (COP$89,462,443) to US$32,307 (COP$93,224,867) at the end of the first quarter of 2017 mainly due to the expansion of LTE technology network nationwide in 285 new deployed sites during the last twelve months (+44 deployed sites during the last three months) and the increase of inflation (as of March was 4.7% LTM).

c) The costs of network ***maintenance*** increased by 3.0% year-on year from US$23,165 (COP$66,845,275) to US$23,867 (COP$68,868,787) due to the commissioning of new sites (towers and antennas), the support of new projects and the increase of inflation (as of March was 4.7% LTM). The quarterly expenditure shows an increase of 13.8%, explained mainly the maintenance execution seasonality during the first months of the year.

d) ***Interconnection and roaming*** costs, including mobile termination rates, increased by 1.5% year-on-year (+4.0% quarter-on-quarter) mainly due to the termination of asymmetric charges in 2017, thereby eliminating the benefit of the lower rate paid to the dominant operator. In addition, there was an increase in outgoing traffic (+24.0% year-on-year) with the dominant operator.

Note 17 – Operating Cost and Expenses (continued)

e) The ***commissions*** increased by 21.3% year-on-year, from US$17,381 (COP$50,153,683) to US$21,076 (COP$60,816,928) (+10.5% quarter-on-quarter) mainly due to higher commercial activity during the first quarter of 2017 compared with 2016. During the first quarter of 2017 fixed gross adds increased by 19.2% and mobile gross adds increased by 12.9% compared to the first three months of 2016.

f) ***Contents suppliers*** increased by 7.6% year-on-year (+3.8% quarter-on-quarter) from US$12,505 (COP$36,082,881) to US$13,460 (COP$38,838,999) mainly due to the remarkable TV subscriber's growth (5.8% year-on-year).

g) ***Energy*** decreased by 4.6%, year-on year (-1.4% quarter-on-quarter) from US$13,648 (COP$39,383,440) to US$13,026 (COP$37,587,128) mainly due to the tariffs reduction after the meteorological phenomenon "El Niño" cease, which happened over 4Q 2015 and 1Q2016.

h) ***Advertising*** expenses decreased by 12.0% year-on-year or US$1,574 (COP$4,540,504) explained by the year-on-year reduction of campaigns and sponsorships.

Note 18 – Depreciation and Amortization

The following table sets forth the principal components of our depreciation and amortization for the three-month period ended March 31, 2017 and 2016:

	Period from January 1 to March 31,			
	2017		2016	
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Depreciation of property, plant and equipment	(68,237)	(196,902,851)	(63,668)	(183,719,617)
Amortization of intangibles assets	(23,601)	(68,102,677)	(20,793)	(59,997,241)
Depreciation and amortization	**(91,838)**	**(265,005,528)**	**(84,461)**	**(243,716,858)**

The expense for depreciation and amortization increase by 8.7% or US$7,377 (COP$21,288,670), as of march, 31 2016, mainly due to new additions of US$16,679 (COP$48,127,161), end of useful lives for US$8,981 (COP$25,915,528) and recognition of financial assets for US$320 (COP$922,963).

Note 19 – Financial Result, net

The net financial result increased by 5.3%, from US$69,003 (COP$199,112,753) at the end of the first quarter of 2016 to US$72,684 (COP$209,735,106) as of March 31, of 2017:

	Period from January 1 to March 31,			
	2017		2016	
	(in *thousands of* US$)	(in *thousands* of COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Debt interest expense (a)	22,259	64,229,170	21,004	60,609,704
Hedging financial expenses (b)	11,099	32,028,147	4,103	11,839,146
Others (c)	(842)	(2,428,830)	940	2,713,801
Exchange rate difference	434	1,250,129	73	208,240
	32,950	**95,078,616**	**26,120**	**75,370,891**
Parapat interest expense (d)	39,734	114,656,490	42,883	123,741,862
Financial result, Net	**72,684**	**209,735,106**	**69,003**	**199,112,753**

Note 19 – Financial Result, net (continued)

a) Increase in the financial expense of the financial obligations by US$1,255 (COP$3,619,466) associated with i) an increased in outstanding debt due to new debt issued starting from the second quarter of 2016 generating additional interest expenses of US$5,051 (COP$14,574,132), ii) an the increase of colombian interest rates (IBR) which generates additional interest expenses of US$652 (COP$1,880,402) and iii) others effects generates less expenses by US$4,448 (COP$12,835,068), mainly explained by gross-up expenses reversion.

b) Increase in hedge interest expense for US$6,997 (COP$20,189,001) associated with i) upper displacement of the NDF curve, meaning an increased in the average implicit devaluation rate from 5.1% during first quarter of 2016 to 5.88% in 2017, ii) an average increase in LIBOR interest rate by 44bps, from 0.625% in 2016 to 1.068% in 2017; and iii) an increase in the face value in USD denominated debt by US$50,840 (COP$146,702,379).

c) Decrease of US$1,782 (COP$5,142,631) in other financial expenses, mainly associated with: i) partial payments of the long term spectrum obligation of US$872 (COP$2,515,102), ii) increased in financial income of US$531 (COP$1,533,128) and iii) a decrease in other financial expenses of US$379 (COP$1,094,402).

d) Decrease of US$3,149 (COP$9,085,372) in the interest expenses of the PARAPAT, associated with a lower Consumer Price Index – CPI - used for calculating the interest expenses, from 5.7% used at that time in 2016 to 4.9% in 2017.

Note 20 – Wealth tax, income and deferred tax

As of March 31, 2017, US$26,556 (COP$76,629,632) was recorded as a tax expense; the breakdown is as follows:

- Wealth tax expense is US$572 (COP$1,651,105).
- Net deferred tax expense of US$25,984 (COP$74,978,527) explained by:

    a) Use (expense) of US$29,939 (COP$86,392,470) of deferred tax assets of the temporary differences related to the PARAPAT, estimated liabilities and provisions.

    b) Use (expense) of US46,631 (COP$19,135,095) of the income tax (40%) on taxable income generated to March 2017.

    c) Net expense recovery record of US$10,587 (COP$30,549,038) for the reduction of deferred tax liabilities for temporary differences, mainly for hedging valuation.

Note 21 – Self withholdings

Income tax expense includes the current tax expense and the deferred tax. Colombian companies under Law 1819 of 2016, are subject to the corporate income tax for the year 2017 at a rate of 34% and for the year 2018 and following at a rate of 33% and establishes a surcharge to the income tax which is regressive and temporary, for the year 2017 of 6.0% and for the year 2018 of 4.0%, applying the latter to taxable bases of US4277 (COP$800,000) onwards, leaving the total tax rate as follows; 2017 of 40%, 2018 of 37% and 2019 and following of 33%. In addition to the aforementioned, Colombian tax regulations establish that the basis for calculating said tax is established on the higher net taxable income of a company and its presumptive income. Under the applicable regulations, the presumptive income is equivalent to 3.5% of the fiscal net worth of the company of the previous year. However, pursuant to article 73 of Law 1341 and article 24 of Law 142 of 1994, the Company, being cataloged as a Utilities Company, has not determined, nor paid the income tax based on presumptive income.

Note 21 – Self withholdings (continued)

Regardless of the tax expense recognized, the tax legislation provides that companies are obliged monthly to pay the income tax in advance, through automatic withholdings that are calculated on the tax settlement basis. The corporate income tax return includes the annual accrual of self-reimbursements paid by the Company, which after the presentation and approval by the tax authority, the compensation and/or refund process to the Company of the amount generated in the balance in favor of the declaration is implemented. The balance in favor can be used to offset indirect tax payments such as the VAT sales tax or the suppliers' withholdings.

Note 22 – Contingencies

The Company classifies legal contingencies according to the likelihood of probable, possible or remote loss and for the purposes of quantification, determines the amounts to be accrued based on the reports of its legal advisors. Only probable contingencies are recorded as provisions.

As of March 31st, 2017, the processes under way and reported as probable contingencies and therefore already provisioned, show significant variations compared to the fourth quarter of 2017, showing a decrease of 12% from US$12,846 (COP$37,069,171) at December 31st, 2016, to US$11,305 (COP$32,622,530) at March 31st, 2017, due to the payment of fines imposed by the Superintendency of Industry and Commerce and the Ministry of Information Technologies and Communications of Colombia.

In addition, the Company has litigation qualified as possible, which are currently pending before judicial, administrative and arbitral bodies. These contingencies have not been provisioned. During the first quarter of 2017, economic claims increased by 11.03%, from US454,899 (COP$158,416,080) as of December 31st, 2016 to US$60,957 (COP$175,895,354) as of March 31st, 2017.

Note 23 – Other Financial and Operating Information

a. EBITDA *(a)*

	Period from January 1 to March 31,				Variation
	2017		2016		Percentage
	(in *thousands of* US$)	(in *thousands* of COP$)	(in *thousands of* US$)	(in *thousands* of COP$)	%
Net loss	(57,198)	(165,050,841)	(30,579)	(88,237,193)	
Plus:					
Depreciation and amortization	91,838	265,005,528	84,461	243,716,858	8.7%
Financial expenses, net	72,684	209,735,106	69,003	199,112,753	5.3%
Income tax (b)	26,556	76,629,632	4,864	14,035,851	446.0%
EBITDA	**133,880**	**386,319,425**	**127,749**	**368,628,269**	**4.8%**

(a) EBITDA means: Net loss before depreciation and amortization; financial expenses, net and income tax.
(b) Include wealth tax, income tax and deferred tax

Note 23 – Other Financial and Operating Information (continued)

b. EBITDA Margin

	Period from January 1 to March 31,	
	2017	**2016**
EBITDA margin [(a)]	32.03%	31.91%

(a) Represents EBITDA divided by net revenues

c. Net Debt to EBITDA Ratio (Senior notes covenant)

The company exceeds the covenant of the financial leverage of Net Debt on EBITDA of 3.75x and has consumed US$255,207 (COP$736,418,439) of amounts of additional debt allowed under the Offering Memorandum of the issuance of the senior notes of 2012, US$300,000. To March 31, 2017 remaining available debt is US$44,792 (COP$129,152,560).

d. Accesses

	2016				2017
Figures in thousands	**March 31,**	**June 30,**	**September 30,**	**December 31,**	**March 31,**
Final Clients Accesses	15,977	16,161	16,503	16,573	16,471
Fixed Telephony Accesses *(1)*	1,414	1,403	1,389	1,353	1,353
Internet and Data Accesses *(2)*	1,008	1,012	1,025	977	990
Broadband (3)	1,000	1,003	1,003	964	977
Pay TV Accesses	497	520	532	517	526
Mobile Accesses *(4)*	13,057	13,226	13,557	13,725	13,603
Prepaid	9,625	9,730	10,019	10,137	9,974
Postpaid	3,432	3,496	3,538	3,588	3,629
Wholesale Accesses	1	1	1	1	1
Total Accesses	**15,978**	**16,162**	**16,504**	**16,574**	**16,472**

(1) Includes fixed wireless and VoIP accesses.
(2) Includes Narrowband accesses.
(3) Includes Internet Dedicated Accesses.
(4) Includes prepaid and postpaid voice and data accesses.

e. Average Revenues per User –ARPU

	2016				2017
Figures in pesos	**March 31**	**June 30,**	**September 30,**	**December 31,**	**March 31,**
Fixed Telephony (1)	27,068	27,386	27,730	27,641	27,910
Broadband (2)	30,704	31,141	32,130	32,629	35,301
Pay TV	41,060	40,729	41,511	41,813	45,343
Total Mobile (3)	15,148	14,939	15,010	15,020	14,220
Prepaid	4,057	4,017	4,045	4,084	3,537
Postpaid	46,236	45,501	45,697	45,686	44,074

(1) Includes only monthly fixed fees
(2) Excludes revenues from data and capacity rental
(3) Excludes revenues from MVNO and sales of mobile equipment

Note 24 – Subsequent events to the publishing date of these special purpose Interim Financial Statements

Between March 31, 2017, and the publishing date of these special purpose interim financial statements, there is no awareness of events of financial nature or otherwise, that affect or could significantly affect the balances or interpretation thereof.