SPECIAL PURPOSE FINANCIAL STATEMENTS WITH EXPLANATORY NOTES

Colombia Telecomunicaciones S.A. ESP

At September 30, 2015 and for the nine-month period ended September 30, 2015

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Explanatory Notes

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	Note	At September 30, 2015		At June 30, 2015	
		(in *thousands of U.S.$* [(a)]	(in *thousands of COP$)*	(in *thousands of U.S.$* [(a)]	(in *thousands of COP$)*
Assets					
Current assets:					
Cash and cash equivalents		13,293	41,032,727	27,424	84,651,857
Current financial assets	*(10)*	140,598	433,989,382	51,264	158,238,298
Trade and other receivables	*(11)*	250,169	772,210,469	235,277	726,241,592
Inventories	(12)	44,883	138,541,930	34,768	107,320,776
Tax receivables	*(13)*	90,340	278,857,201	76,397	235,818,208
Total current assets		**539,283**	**1,664,631,709**	**425,130**	**1,312,270,731**
Non–current assets:					
Non – current financial assets	*(14)*	275,275	849,706,136	149,593	461,755,750
Trade and other receivables		26,035	80,362,813	24,573	75,850,516
Property, plant and equipment	*(15)*	1,476,088	4,556,315,209	1,462,188	4,513,408,209
Intangibles assets	(16)	294,146	907,956,013	290,824	897,700,724
Good will		304,256	939,163,377	304,256	939,163,377
Deferred tax assets	*(17)*	393,356	1,214,190,122	356,680	1,100,982,508
Total non–current assets		**2,769,156**	**8,547,693,670**	**2,588,114**	**7,988,861,084**
Total Assets		**3,308,439**	**10,212,325,379**	**3,013,244**	**9,301,131,815**
Liabilities					
Current liabilities:					
Financial obligations	*(18a)*	45,012	138,940,873	47,616	146,980,196
Other financial obligations	*(18c)*	180,436	556,961,405	156,151	481,998,518
Current trade and other payable	*(19)*	413,928	1,277,693,263	341,695	1,054,726,498
Current taxes payable	*(20)*	52,006	160,528,477	55,854	172,407,879
Current provisions	*(21)*	97,636	301,377,714	57,891	178,694,312
Total current liabilities		**789,018**	**2,435,501,732**	**659,207**	**2,034,807,403**
Non–current liabilities:					
Financial obligations	*(18b)*	391,736	1,209,190,265	387,958	1,197,530,823
Other financial obligations	*(18c)*	1,131,306	3,492,059,139	1,117,910	3,450,710,201
Non - current trade and other payable	*(22)*	76,631	236,543,091	73,968	228,319,114
Non - current provisions		20,054	61,901,093	19,087	58,916,667
Bonds and securities	(23)	747,616	2,307,702,621	628,943	1,941,390,652
Total non–current liabilities		**2,367,343**	**7,307,396,209**	**2,227,866**	**6,876,867,457**
Total Liabilities		**3,156,361**	**9,742,897,941**	**2,887,073**	**8,911,674,860**
Total Shareholders' Equity	*(24)*	**152,078**	**469,427,438**	**126,171**	**389,456,955**
Total Liabilities and Shareholders' Equity		**3,308,439**	**10,212,325,379**	**3,013,244**	**9,301,131,815**

In July 2009, the Colombian Congress enacted Law 1314, which requires the gradual implementation in Colombia of internationally accepted standards for accounting, financial disclosure and internal controls. Subsequently, the Colombian Technical Council of Public Accounting (Consejo Técnico de la Contaduría Pública, or CTCP) issued the CTCP Guidance Document, which sets forth the types of Colombian companies required to adopt IFRS and the expected timetable for the implementation and adoption of IFRS in Colombia. Because Telefónica, our parent company, is required to prepare its financial statements under IFRS, we are also required to fully adopt IFRS in accordance with the CTCP Guidance Document. In December 2012, the Ministry of Finance and Public Credit (Ministerio de Hacienda y Crédito Público, or MHCP) and the Colombian Ministry of Trade, Industry and Tourism (Ministerio de Comercio, Industria y Turismo, or MCIT), issued Decrees 2706 of 2012 and Decree 2784 of 2012, as amended by Decree 3023 of 2013 and Decree 2615 of 2014, which included provisions for the mandatory implementation of IFRS by companies required to do so pursuant to the CTCP Guidance Document. These decrees set forth a mandatory transition period beginning on January 1, 2014 and require that our first fully-IFRS compliant financial statements be those for the year ending December 31, 2015. Accordingly, we are required to adopt IFRS beginning on January 1, 2015. Therefore, our financial statements as of and for the year ending December 31, 2015, and for any interim period in 2015 will be prepared in accordance with IFRS.

a) Solely for the convenience of the reader, Colombian pesos amounts at September 30, 2015 and June 30, 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at on September 30, 2015 of COP$3,086.75 to U.S. $1.00.

Colombia Telecomunicaciones S.A. ESP
Special Purpose Statement of Income
Unaudited Figures

	Note	Period from January 1 to September 30,			
		2015		2014[b]	
		(in *thousands of U.S.$*)[a]	(in *thousands of COP$*)	(in *thousands of U.S.$*)[a]	(in *thousands of COP$*)
Revenues	*(5)*	1,088,209	3,359,030,328	1,091,370	3,368,785,591
Operating cost and expenses	*(6)*	(736,334)	(2,272,881,912)	(744,304)	(2,297,480,876)
Other revenues from the operation	*(5)*	27,127	83,735,511	27,364	84,466,575
Gross profit		**379,002**	**1,169,883,927**	**374,430**	**1,155,771,290**
Depreciation and amortization	*(7)*	(234,687)	(724,420,917)	(258,654)	(798,399,444)
Operating income		**144,315**	**445,463,010**	**115,776**	**357,371,846**
Financial expenses, net	*(8)*	(64,966)	(200,533,142)	(76,243)	(235,342,247)
Parapat interest expenses	*(8)*	(104,811)	(323,524,398)	(94,909)	(292,961,452)
Loss before income tax		**(25,462)**	**(78,594,530)**	**(55,376)**	**(170,931,853)**
Income tax	*(9)*	14,872	45,906,376	6,461	19,942,869
Net income (loss) of the period		**(10,590)**	**(32,688,154)**	**(48,915)**	**(150,988,984)**

(a) Solely for the convenience of the reader, Colombian *pesos* amounts for the nine-month period ended September 30, 2015 and September 30, 2014 have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2015 of COP$3,086.75 to U.S.$1.00.

(b) Colombia Telecomunicaciones S.A. ESP is required to apply the same accounting policies in all periods presented in our first complete set of audited financial statements, and for any interim period, prepared under IFRS, which in our case will be our audited financial statements as of and for the year ended December 31, 2015. Such accounting policies must comply with IFRS rules and regulations effective as of the reporting date for our first complete set of audited financial statements prepared under IFRS, which in our case will be all IFRS rules and regulations effective as of December 31, 2015. For the convenience of the reader, figures as of September 30, 2014 are presented under the same rules used for figures as of September 30, 2015.

Colombia Telecomunicaciones S.A. ESP
Special Purpose Statement of Cash Flows
Unaudited Figures

	Period from January 1 to September 30,			
	2015		2014[(b)]	
	(in thousands *of U.S.$)* [(a)]	(in thousands *of COP$)*	(in thousands *of U.S.$)* [(a)]	(in thousands *of COP$)*
Cash flows from operating activities				
Cash received from customers	1,181,911	3,648,264,758	1,140,329	3,519,911,823
Cash paid to suppliers and employees	(617,760)	(1,906,871,455)	(596,748)	(1,842,010,929)
Net interest and other financial expenses paid	(64,744)	(199,848,859)	(77,065)	(237,880,863)
Interest paid – PARAPAT	(87,252)	(269,323,662)	(61,817)	(190,812,144)
Taxes paid	(235,112)	(725,731,297)	(228,386)	(704,969,830)
Net cash provided by operating activities	**177,043**	**546,489,485**	**176,313**	**544,238,057**
Cash flows from investing activities				
Payments on investments in property, plant and equipment and intangible assets	(229,225)	(707,559,413)	(335,555)	(1,035,774,396)
Proceeds on financial investments not included under cash equivalents	3,296	10,172,665	989	3,053,966
Payments on financial investments not included under cash equivalents	(2,118)	(6,536,644)	(5,535)	(17,086,689)
Net cash used in investing activities	**(228,047)**	**(703,923,392)**	**(340,101)**	**(1,049,807,119)**
Cash flows from financing activities				
Proceeds on issue of subordinated perpetual notes	409,287	1,263,365,164	-	-
Operations with other equity holders	(21,320)	(65,810,825)	-	-
Proceeds on issue of debentures and bonds, and other debts	105,015	324,154,753	177,281	547,220,954
Repayments of loans, borrowings and promissory notes	(437,924)	(1,351,759,869)	(40,065)	(123,671,088)
Repayments of –PARAPAT	(16,849)	(52,008,683)	-	-
Net cash provided by in financing activities	**38,209**	**117,940,540**	**137,216**	**423,549,866**
Net increase (decrease) in cash and cash equivalents during the period	**(12,795)**	**(39,493,368)**	**(26,572)**	**(82,019,196)**
Cash and cash equivalents at January 1,	26,088	80,526,095	46,591	143,813,669
Cash and cash equivalents at September 30,	13,293	41,032,727	20,019	61,794,473
Reconciliation of cash and cash equivalents with the Special Purposes Balance Sheets				
Balance at January 1,	**26,088**	**80,526,095**	**46,591**	**143,813,669**
Cash on hand and at banks	18,172	56,091,112	43,948	135,656,616
Other cash equivalents	7,916	24,434,983	2,643	8,157,053
Balance at September 30,	**13,293**	**41,032,727**	**20,019**	**61,794,473**
Cash on hand and at banks	6,752	20,840,194	14,760	45,560,505
Other cash equivalents	6,541	20,192,533	5,259	16,233,968

(a) Solely for the convenience of the reader, Colombian *pesos* amounts for the nine -month period ended September 30, 2015 and September 30, 2014, have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2015 of COP$3,086.75 to U.S.$1.00

(b) Colombia Telecomunicaciones S.A. ESP is required to apply the same accounting policies in all periods presented in our first complete set of audited financial statements, and for any interim period, prepared under IFRS, which in our case will be our audited financial statements as of and for the year ended December 31, 2015. Such accounting policies must comply with IFRS rules and regulations effective as of the reporting date for our first complete set of audited financial statements prepared under IFRS, which in our case will be all IFRS rules and regulations effective as of December 31, 2015. For the convenience of the reader, figures as of September 30, 2014 are presented under the same rules used for figures as of September 30, 2015

Colombia Telecomunicaciones S.A. ESP
Explanatory notes to the special purpose financial statements
Unaudited figures

Note 1 – Background and General Information

Colombia Telecomunicaciones S.A. ESP, hereafter referred to as “the Company”, main corporate purpose is the organization, operation, supply and exploitation of telecommunication activities and services, such as local commuted basic public telephony, local extended, national and international long-distance, mobile services, carriers, teleservices, telematics, added value, satellite services in their various modes, television services in every mode including cable television, broadcasting services, wireless technology, video, lodging services for IT applications, data center services, operation services of private and public telecommunications and total information system operations and any other activity, product or services qualified as of telecommunications, and communication and information (TIC, for its abbreviation in Spanish), including its complementary and supplementary activities in the national territory and abroad and with foreign connection, for such purpose using goods, assets and rights owned or applying the use of third parties goods, assets and rights.

Note 2 – Basis of presentation of the financial statements

- The accompanying financial statements were prepared from the accounting records of the Company and are presented in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The figures in these financial statements are expressed in pesos, unless otherwise indicated, and therefore may be rounded.

  All references herein to “peso,” “pesos” or “COP$” are to pesos, the official currency of Colombia. All references herein to “U.S. dollars,” “dollars” or “U.S. $” are to U.S. dollars. We maintain our books and records in pesos. Solely for the reader’s convenience we have converted the amounts included in the "Financial Statements" and in the "Explanatory Notes to the Special Purpose Financial Statements" and in this document from Colombian pesos into U.S. dollars using the exchange rate formed in the interbank market on September 30, 2015 of COP$3,086.75 to U.S. $1.00. These convenience translations should not be considered representations that any such amounts have been, could have been or could be converted in the future into U.S. dollars at that or at any other exchange rate.

- According to the offering memorandum related to the Senior bond issued in March, 2012, 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 special purpose financial statements.

- In July 2009, the Colombian Congress enacted Law 1314 of 2009, or Law 1314, which requires the gradual implementation in Colombia of International Financial Reporting Standard – IFRS financial disclosure and internal controls. Subsequently, the Colombian Technical Council of Public Accounting (Consejo Técnico de la Contaduría Pública, or CTCP) released a guidance document, or the CTCP Guidance Document, which sets forth the types of Colombian companies required to adopt IFRS and the expected timetable for the implementation and adoption of IFRS in Colombia. Because Telefónica, our parent company, is required to prepare its financial statements under IFRS, we are also required to fully adopt IFRS in accordance with the CTCP guidance document.

  In December 2012, the Ministry of Finance and Public Credit (Ministerio de Hacienda y Crédito Público, or MHCP) and the Colombian Ministry of Trade, Industry and Tourism (Ministerio de Comercio, Industria y Turismo, or MCIT), issued Decrees 2706 and 2784 of 2012, as amended by Decree 3023 of 2013 and Decree 2615 of 2014, which included provisions for the mandatory implementation of IFRS by companies required to do so pursuant to the CTCP guidance document. These decrees set forth a mandatory transition period beginning on January 1, 2014 and require that our first fully-IFRS compliant financial statements be those for the year ending December 31, 2015. Accordingly, we are required to adopt IFRS beginning on January 1, 2015.

Note 2 – Basis of presentation of the financial statements (continued)

However, Article 165 of Law 1607 of 2012, which adopted certain tax reforms, provides that solely for tax purposes, the accounting standards under Colombian GAAP will remain in effect during the four years following our adoption of IFRS in January 2015, in order to help measure the impact of IFRS on the tax regime for purposes of developing future tax legislation. In addition, Decree 2548 of 2014, enacted to facilitate compliance with this requirement, requires us to prepare our financial statements in accordance with IFRS while also maintaining additional accounting records for tax purposes that are prepared in accordance with Colombian GAAP between January 1, 2015 and December 31, 2018. We understand that additional official interpretations, rules or regulations relating to the application of Article 165 of Law 1607 of 2012 may be issued by the relevant tax authorities or other governmental authorities in Colombia in the future based on, among others, the provisions and timetable set forth under Decree 2548 of 2014.

- Finally and only for comparative purposes, the figures at September 30, 2014 are presented under the same accounting basis used at the end of September 30, 2015, except for the assets revaluation of land and buildings in accordance to the exception of IFRS 1 - First-time adoption of International Financial Reporting Standards.

Note 3 – Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reflected in the Financial Statements and accompanying notes. We base our estimates on historical experience, where applicable and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from those estimates under different assumptions or conditions. We consider an accounting estimate to be critical if:

- It requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making our estimate; and
- Changes in the estimate or different estimates that we could have selected may have had a material impact on our financial condition, results of operations or cash flows

a) **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. *(See Note 3, d)*

b) **Materiality Criteria**

These 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.

c) **Statement of Cash Flow**

The Statement 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.

d) **Derivative Financial Instruments**

The Company operates with derivative financial instruments in order to reduce exposure to interest rates fluctuations and to exchange rate of its rights and liabilities to third parties, and variations in cash flows for purchases (capex and opex) through Non Delivery Forward (NDF), Cross Currency Interest Rate Swap (CCIRS) and Interest Rate Swap (IRS) operations. These operations are valued at market prices at the end of each period.

Note 4 – Significant Events

a) **IFRS Adoption**

As discussed above, as of January 1, 2015, we are required to prepare and report our financial statements in accordance with IFRS, which differs in certain material respects from Colombian GAAP (previous GAAP). The adoption of IFRS on January 1, 2015 results in the recognition of certain relevant transactions and whose impact and detail will be presented in the financial statements at the end of December 31, 2015.

Because we are adopting IFRS for the first time, we are required to prepare an opening balance sheet under IFRS on the date of transition. We are also required to apply the same accounting policies in all periods presented in our first complete set of audited financial statements prepared under IFRS, which in our case will be our audited financial statements as of and for the year ended December 31, 2015. Such accounting policies must comply with IFRS rules and regulations effective as of the reporting date for our first complete set of audited financial statements prepared under IFRS, which in our case will be all IFRS rules and regulations effective as of December 31, 2015.

b) **Subordinated Perpetual Notes**

On March 25, 2015 the Company became the first company in the country to place subordinated perpetual notes in the international market totaling US$500 million. These perpetual notes are debt securities and are recognized as equity under IFRS and will contribute to strengthen our capital structure and further mitigate the accounting impact of our adoption of IFRS on our shareholders' equity. The proceeds from this issuance allowed the Company to restructure its debt, strengthen its assets and improve their leverage.

c) **Recent Developments**

Pursuant to Amendment Nº 1 of the Framework Investment Agreement executed on March 30, 2012, in 2015, the Republic of Colombia is entitle to subscribe or acquire, at no cost or compensation, a number of shares necessary to bring its aggregate holding in Colombia Telecomunicaciones S.A. ESP up to 3%, depending on EBITDA's compound growth between 2011 and 2014.

Based on the Company's results of operations between 2011 and 2014, the Company's EBITDA growth for this period was 9.36% (calculated pursuant to the terms of the Investment Agreement), which corresponds to the range set forth the Investment Agreement that will entitle the Republic of Colombia to receive 36,371,769 of the Company's common shares equal to 2.5% of the Company's outstanding capital stock.

On July 9th 2015 Telefónica Internacional S.A.U transferred, 36.371.769 of the Company's common shares to the Republic of Colombia. After the referred transfer, Telefonica is the beneficial owner of the 67.5% of the Company's capital and the Republic of Colombia holds the 32.5% of the Company's capital.

d) **Exchange Rate Devaluation**

During the first nine months of 2015, the Colombian peso depreciated by 31.1% and 18.8%, specifically during the third quarter, explained mainly by the drop in international oil prices. In fact, considering that about 50% of the country's exports correspond to oil, lower oil prices led to a sharp drop in foreign exchange earnings, leading to a consequent rise of the dollar.

The depreciation of the peso has had various effects on Colombian economy. First, the transmission of the higher exchange rate on prices of traded goods has influenced the total annual inflation, which stood at 5.35% in September. Secondly, the higher exchange rate has discouraged imports of both final goods and inputs and capital goods, affecting private consumption as well as investment. Finally, government resources allocated to debt payments have also increased to the extent that such liability is denominated in dollars and for this reason the resources for public investments have been cut.

Note 5 – Revenues

The following table sets forth the principal components of our revenues for the nine-month period ended September 30, 2015 and 2014.

	Period from January 1 to September 30,				Variation
	2015		2014		Percentage
	(in million U.S.$)(1)	(in million COP$)	(in million U.S.$)(1)	(in million COP$)	%
Mobile Operation					
Voice revenues	303.3	936,222	339.1	1,046,755	(10.6%)
Connectivity	172.5	532,582	145.5	449,058	18.6%
Added value services(a)	34.4	106,044	40.2	123,968	(14.5%)
Carrier services - M.V.N.O.	27.4	84,558	15.7	48,552	74.2%
Interconnection and roaming	64.7	199,695	85.6	264,219	(24.4%)
Equipment	77.2	238,192	62.4	192,587	23.7%
Loyalty Program	(0.2)	(606)	-	-	(100.0%)
Mobile Operation Revenues	**679.3**	**2,096,687**	**688.5**	**2,125,139**	**(1.3%)**
Fixed Operation					
Local telephone services	162.3	500,910	169.4	522,754	(4.2%)
Internet services	105.2	324,593	106.9	330,018	(1.6%)
Satellite Television services	46.2	142,710	37.1	114,587	24.5%
Other revenues(b)	94.5	291,931	88.6	273,613	6.7%
Equipment	0.7	2,199	0.9	2,675	(17.8%)
Fixed Operation Revenues	**408.9**	**1,262,343**	**402.9**	**1,243,647**	**1.5%**
Operating Revenues	**1.088,2**	**3,359,030**	**1.091,4**	**3,368,786**	(0.3%)
Other revenues from the operation(c)	27.1	83,736	27.4	84,466	(0.9%)
Total Revenues	**1,115.3**	**3,442,766**	**1,118.8**	**3,453,252**	**(0.3%)**

(1) Solely for the convenience of the reader, Colombian Pesos amounts for the nine-month period ended September 30, 2015 and September 30, 2014 have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2015 of COP$3,086.75 to U.S.$1.00.
(a) Includes messaging, rehabilitation charges, and content, among others.
(b) Includes data, capacity rental and integral solutions.
(c) Includes other income such as billing and collection to third parties, commercial support, grants and leases, among others.

During the third quarter of the year all services recorded operational improvements, mainly in mobile postpaid services, with the highest net additions recorded in the last two years, in pay TV with an all-time record of gross additions in the quarter and all fixed business services with the reduction in churn compared to the previous quarter. The positive commercial performance is based on the continual simplification of the plans portfolio, with mass migrations toward new unlimited voice and higher data allowance plans launched in May 2015, and on the commitment to innovation, as shown by the launch of Movistar Video in June and the online pay TV platform.

Operating revenues reached U.S.$1,088.2 million (COP$3,359,030 million), a 0.3% year-on-year decline affected by the increased promotional intensity and regulatory changes as the reduction in termination rates and the elimination of the subsidies on broadband services by the government. Stripping out the regulatory impact, operating revenues would have increased 3.3% year-on-year

Mobile revenues reached U.S.$679.3 million (COP$2,096,687 million) at the end of the third quarter, a 1.3% year-on-year decrease; excluding regulatory effects associated to the reduction in termination rates, mobile revenues would have increased 4.0% year on year. Fixed business revenues amounted to U.S.$408.9 million (COP$1,262,343 million) at the end of the third quarter, increasing 1.5% year-on-year; if regulatory measures are excluded fixed services revenues would have increased 2.2% year-on-year.

Note 5 – Revenues (continued)

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

Mobile accesses stood at 12.7 million, an increase of 1% year-on-year after recording net additions of 242 thousand accesses in the quarter with a sound increase in commercial intensity.

a) Despite the increase of 0.9% in voice subscribers from 11.8 million at the end of third quarter of 2014 to 11.9 million in the third quarter of 2015, revenues from ***mobile voice service***, including prepaid and postpaid, decreased 10.6%, from U.S. $339.1 million (COP$1,046,755 million) to U.S. $303.3 million (COP$936,222 million) at the end of the third quarter of 2014 and 2015 respectively. Reduction is mainly explained by voice to data substitution effect, the entry of new operators, as well as the continuity of asymmetry of termination rates with regard to dominant operator, which all together has generated a dynamic of reduction of *Monthly fixed fees.* In postpaid, quarterly net additions were the highest of the last two years, 59 thousand accesses in the third quarter of 2015 and 54 thousand in the first nine months. In prepaid, net additions of 183 thousand accesses in the third quarter reflected a solid commercial activity the highest level of gross additions since the fourth quarter of 2013.

b) Revenues from ***mobile data transmission (connectivity)*** grew 18.6% from U.S. $145.5 million (COP$449,058 million) at the end of third quarter of 2014 to U.S. $172.5 million (COP$532,582 million) at the end of third quarter of 2015, mainly due to the year-on-year increase of data traffic of 49.5%, excluding MVNO traffic. This is a reflection of the Company's strategic focus on data services growth and fast deployment of LTE network, as well as new portfolio offers and focus on the penetration in the smartphones' base. It's important to notice data services performance, result of the acceleration in the deployment of our LTE networkwhose subscribers base grew by 307.4% year on year, underpinned by the progressive increase of coverage, that almost reach 40% of the population.

c) Revenues from ***value added services*** decreased by 14.5% from U.S. $40.2 million (COP$123,968 million) at the end of the third quarter of 2014 to U.S. $34.4 million (COP$106,044 million) at the end of the third quarter 2015 mainly due to the reduction of campaigns offered to subscribers through SMS in compliance with Superintendence of Industry and Commerce regulation, which forbade the mobile companies to send massive offers to subscribers who previously denied receiving such offers. As a result the Company decreased the number of campaigns and therefore slowing value added services sales. In addition, the replacement of VASs has taken place for new applications through Data Services (Connectivity).

d) The ***carrier services (M.V.N.O.)*** **line**, which includes revenues generated by the Mobile Virtual Network Operator due to incoming and outgoing traffic, grew 74.2%, from U.S. $15.7 million (COP$48,552 million) to U.S. $27.4 million (COP$84,558 million) at the end of the third quarter of 2014 and third quarter of 2015 respectively, due to the increase in voice traffic by 39.4% and growth in data traffic which doubled during the last twelve months.

e) The **interconnection and roaming** revenues decreased by 24.4% from U.S. $85.6 million (COP$264,219 million) at the end of the third quarter 2014 to U.S. $64.7 million (COP$199,695 million) at the end of the third quarter 2015 mainly due to the reduction by 23.9% in mobile termination rates from January 1st of 2015. Excluding this effect, interconnection revenues would have increased 18.4% due to incoming traffic increase year on year by 30.4%. The decrease in revenues is offset by the reduction of interconnection cost due to the same impact (*See Note 6, a*)).

f) Revenues from **sales of Equipment** increased by 23.7%, or U.S.$14.8 million (COP$45,606 million), mainly due to the increase of average handsets sale price due to the elimination of subsidies as a result of the removal of minimum stay clauses in postpaid mobile services from July 1st, 2014. Nevertheless, the amount of handsets sold during the third quarter stands out, with a growth of 22% compared to the second quarter of 2015.

Note 5 – Revenues (continued)

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

a) Revenues from ***local telephone* services** decreased by 4.2%, or U.S. $7.1 million (COP$21,844 million), mainly due to a year on year decrease of subscribers' base by 1.4% and ARPU by 5.0%, from U.S. $10.0 (COP$30,795) at the end of the third quarter of 2014 to U.S. $9.5 (COP$29,269) at the end of the third quarter of 2015. This decrease in the ARPU is result of the product life cycle, fixed to mobile substitution effect.

b) Revenues from broadband ***internet service*** stood an increase in subscribers of 6.4%, from 941 thousand at the end of third quarter of 2014 to 1.0 million at the end of third quarter of 2015 excluding internet dedicated accesses, after recording net additions of 13 thousand accesses in the third quarter and 43 thousand accesses in the first nine months, as a result of the focus on service bundling and the increase in access base speeds, the access base with speeds equal to or above 4Mbps increased 8 percentage points year-on-year and stood at 35%. Nevertheless, revenues decreased by 1.6%, or U.S. $1.7 million (COP$5,426 million) year-on-year, mainly explain by the elimination of the subsidies by the government to the least favored population. Stripping out the regulatory effect, broadband revenues would decrease only 0.3%.

c) Revenues from ***Satellite television services*** increased by 24.5%, or U.S. $9.1 million (COP$28,123 million) year-on-year due to subscribers and ARPU year on year growth by 6.3%. Subscribers' base grew 17.5%, rising to 471 thousand at the end of the third quarter of 2015. Net additions reached 27 thousand accesses (55 thousand in January-September), after posting record gross additions in the quarter, increase of 30% year-on-year. The intensification of the commercial activity is the result of the strengthening of service quality, the higher number of HD channels and the introduction since August of the "Win Sports" channel (Colombian league football); as well as the focus on service bundling, with the launch during the quarter of packages that include online TV and broadband with speeds of 8 Mb or above. On the other hand, the percentage of 2P and 3P (subscriber with two products and three products) with respect to the traditional accesses base accounted for 70%, showing an increase of 5 percentage point's year-on-year.

Note 6 – Operating Cost and Expenses

The following table sets forth the principal components of our operating cost and expenses for the nine-month period ended September 30, 2015 and 2014:

	Period from January 1 to September 30,				Variation
	2015		2014		Percentage
	(in million U.S.$)(1)	(in million COP$)	(in million U.S.$)(1)	(in million COP$)	%
Cost of terminals and accessories	100.1	309,070	105.3	324,908	(4.9%)
Interconnection and roaming	70.8	218,689	99.4	306,762	(28.7%)
Labor cost	81.5	251,508	77.8	240,155	4.7%
Rentals and other network infrastructure	79.8	246,422	64.6	199,548	23.5%
Maintenance	60.7	187,516	49.7	153,324	22.3%
Taxes and compensations	56.3	173,643	56.3	173,789	(0.1%)
Commissions	46.1	142,398	50.4	155,504	(8.4%)
Other costs and operation expenses *(a)*	44.8	138,386	36.4	112,250	23.3%
Advertisement and brand fee	34.2	105,509	32.0	98,886	6.7%
Energy	32.1	98,853	29.0	89,447	10.5%
Contents suppliers	31.9	98,370	27.1	83,678	17.6%
Services (customer services)	20.1	62,139	29.2	90,076	(31.0%)
Provision for doubtful accounts	13.5	41,684	17.0	52,554	(20.7%)
Other non-recurrent costs	5.6	17,318	8.0	24,834	(30.3%)
Other *(b)*	58.8	181,377	62.1	191,766	(5.4%)
Total	**736.3**	**2,272,882**	**744.3**	**2,297,481**	**(1.1%)**

(1) Solely for the convenience of the reader, Colombian *pesos* amounts for the nine-month period ended September 30, 2015 and September 30, 2014 have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2015 of COP$3,086.75 to U.S.$1.00.
(a) Includes third-party activities to customers and computer services,
(b) Includes surveillance services, collection commission, administrative rentals, insurance, transport, billing and printing services, collection management, among others.

Operating costs and **expenses** decreased by 1.1%, or U.S. $8.0 million (COP$24,599 million) mainly due to lower interconnection costs and commercial expenses on a year-on-year basis and the operating efficiencies achieved as a consequence of the cost efficiencies projects, which offsets some increases in OPEX due to exchange rate impact because devaluation of the Colombian peso by 55.9% year-on year and 31.1% during the third quarter.

a) ***Interconnection and roaming*** costs, including mobile termination rates, decreased 28.7% year-on-year mainly due to the implementation of Resolution 4660 of 2014 of the Communications Regulation Commission – CRC, which contemplates the decrease of termination rates in addition to the continuity of asymmetry on mobile termination rates with regard to dominant operator traffic.

b) Costs related to ***services (customer service)*** decreased 31.0%, year-on year from U.S.$29.2 million (COP$90,076 million) to U.S.$20.1 million (COP$62,139 million), mainly due to the hiring of the staff of the Experience Centers (owned distribution channel) who were previously employed by third parties and now are recognized as labor costs.

c) A decrease of 4.9% year-on-year in the ***cost of terminals and accessories*** mainly caused by year on year lower business activity resulting from the elimination of the minimum stay clause (July,2014), which lead the market to eliminates handsets subsidies therefore increasing sale prices and reducing sales. Handsets units decreased by 26.2% year on year. Yet during third quarter commercial activity showed an improvement, a 22% increase of handsets (units) sales compared to second quarter of 2015.

Note 6 – Operating Cost and Expenses (continued)

d) The ***commissions*** decreased by 8.4%, from U.S.$50.4 million (COP$155,504 million) to U.S.$46.1 million (COP$142,398 million) year on year mainly due to lower commercial activity during second half of 2014 and first half of 2015 due to the elimination of the minimum stay clause from the second half of 2014. Nevertheless during the third quarter of 2015 commercial activity showed an improvement, a 21.6% growth of gross adds compared to second quarter which lead to a 6.5% increase on commission expenses during the third quarter compared to second quarter of 2015.

e) ***Provisions for doubtful accounts*** decreased 20.7%, year-on year from U.S. $17.0 million (COP$52,554 million) to U.S. $13.5 million (COP$41,684 million) mainly due to improvements in the trade accounts receivable portfolio in US $1.9 million (COP$5.970 million) and the collection of provisioned receivables from the Ministry of Information Technologies and Communications of US $ 0.6 million (COP$1.953 million).

f) An increase of 4.7%, or U.S. $3.7 million (COP$11,353 million) in ***labor costs*** occurs primarily by wage increases and the hiring of the staff of the *Centros de Experiencia* (owned distribution channels) who were previously employed by third parties.

g) ***Contents suppliers*** increased by 17.6% year on year, from U.S. $27.1 million (COP$83,678 million) to U.S. $31.9 million (COP$98,370 million), mainly due to TV subscribers growth and exchange rate impact.

h) The costs of network ***maintenance*** increased 22.3% year-on year from U.S. $49.7 million (COP$153,324 million) to U.S. $60.7 million (COP$187,516 million) due to the commissioning of new sites (towers and antennas), and for the support of new projects.

i) Costs of **rentals and other network infrastructures** increased by 23.5%, from U.S.$64.6 million (COP$199,548 million) to U.S.$79.8 million (COP$246,422 million) mainly due to the expansion of LTE technology network nationwide, rental of technical sites, increase of international capacity and rental of last mile to meet demand for broadband customer growth.

Note 7 – Depreciation and Amortization

The following table sets forth the principal components of our depreciation and amortization for the nine-month period ended September 30, 2015 and 2014:

	Period from January 1 to September 30,			
	2015		2014	
	(in million U.S.$)(1)	(in million COP$)	(in million U.S.$)(1)	(in million COP$)
Depreciation of property, plant and equipment	(175.9)	(543,223)	(171.2)	(528,406)
Amortization of intangibles assets	(58.8)	(181,198)	(87.5)	(269,993)
Depreciation and amortization	**(234.7)**	**(724,421)**	**(258.7)**	**(798,399)**

(1) Solely for the convenience of the reader, Colombian *pesos* amounts for the nine-month period ended September 30, 2015 and September 30, 2014 have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2015 of COP$3,086.75 to U.S.$1.00.

The expense for ***depreciation*** and ***amortization*** decreased by 9.3%, from U.S. $258.7 million (COP$798,399 million) at the end of the third quarter of 2014 to U.S. $234.7 million (COP$724,421 million) at the end of the third quarter of 2015, mainly due to the termination of the amortization at the end of 2014 of the intangible asset "Customers List" which totaled U.S. $21.9 million (COP$67,727 million) at the end of third quarter of 2014.

Note 8 – Financial result, net

The net financial income decreased by 0.8%, from U.S. $171.2 million (COP$528,304 million) at the end of the third quarter of 2014 to U.S. $169.8 million (COP$524,058 million) at the end of the third quarter of 2015:

	Period from January 1 to September 30,			
	2015		2014 (1)	
	(in million U.S.$)(1)	(in million COP$)	(in million U.S.$)(1)	(in million COP$)
Parapat interest expense	(104.8)	(323,524)	(94.9)	(292,961)
Debt interest expense	(55.4)	(171,085)	(56.9)	(175,756)
Hedging financial expenses	(7.4)	(22,989)	(16.0)	(49,256)
Others	(3.8)	(11,851)	(3.5)	(10,720)
Exchange rate differential	1.6	5,391	0.1	389
Net financial expense	**(169.8)**	**(524,058)**	**(171.2)**	**(528,304)**

(1) Solely for the convenience of the reader, Colombian *pesos* amounts for the nine-month period ended September 30, 2015 and September 30, 2014 have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2015 of COP$3,086.75 to U.S.$1.00.

This decrease is net result of:

a) Increase of U.S.$9.9 million (COP$30.563 million) in the expense of PARAPAT interests, associated with the increase in the Customer Price Index (CPI) from 3.3% at the end of the third quarter of 2014 to 4.2% at the end of the third quarter of 2015.

b) Decrease of interest expense of financial liabilities by U.S. $1.5 million (COP$4.671 million) associated with the decrease in net financing of U.S. $324.28 million (COP$1,000,974 million) during the first quarter of 2015.

c) Decrease of interests expense of hedging transactions by U.S. $8.6 million (COP$26.267 million) due to the positive market valuation generated by the increase in the depreciation curve.

d) Increase of U.S. $0.3 million (COP$1.131 million) in other expenses, mainly associated to:

- Increase in the expense for spectrum debt indexation by U.S.$4.0 million (COP$12.250 million)
- Increase in the tax of financial transactions by U.S.$0.9 million (COP$ 2.665 million) due to the prepayment of the financial debt occurred in March 2015
- Decrease of U.S. $4.5 million (COP$ 13.783 million) due to the settlement of the long-term tax payable (wealth tax) in 2014 and lower income provision for default interest by customers.

e) Increase of income from exchange difference of U.S. $ 1.5 million (COP $ 5.002 million) during the first nine months of 2015 compared to the same period of 2014.

Note 9 – Income Taxes

As of September 30, 2015 it was recorded a recovery for taxes of U.S. $14.9 million (COP$45,906 million), the composition is:

- The recognition of the Deferred Tax (income) of U.S. $59.0 million (COP$182,480 million), which includes U.S. $13.9 million (COP$43,066 million) associated to third quarter result.
- The use of the Deferred Tax (expense) of U.S. $34 million (COP$105,212 million) which includes U.S. $11.4 million (COP$35,071 million) associated to third quarter result.
- The provision for Income Tax for Equity (CREE) expense of U.S. $1.7 million (COP$5,284 million), and for Income Tax expense of U.S. $3.7 million (COP$11,625 million).
- The accrual of U.S. $4.7 million (COP$14,453 million) as Wealth Tax expense.

Note 10 – Current Financial Assets

The item of current financial assets shows an increase of 174.3% compared to June 30, 2015, mainly explained by the result of the valuation of derivatives instruments by U.S.$90.6 million (COP$279,709 million), from U.S.$50.0 million (COP$ 154,275 million) as of June 30,2015 to U.S.$140.6 million (COP$433,984 million) as of September 30, 2015.

	At September 30, 2015		At June 30, 2015	
	(in million U.S.$)(1)	(in million COP$)	(in million U.S.$)(1)	(in million COP$)
Valuation of derivatives instruments(2)	140.6	433,984	50.0	154,275
Judicial deposits	0.0	6	1.3	3,963
Current financial Assets	**140.6**	**433,990**	**51.3**	**158,238**

(1) Solely for the convenience of the reader, Colombian pesos amounts at September 30, 2015 and June 30, 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at each date of COP$3,086.75 to U.S. $1.00.

(2) See Note 18, Hedging Instruments

Note 11 – Trade Accounts and Others

Trade accounts receivable and other increased by 6.3%, or U.S. $14.8 million (COP$45,968 million) compared to the second quarter of 2015. The breakdown is detailed as follows:

	At September 30, 2015		At June 30 2015	
	(in million U.S.$)(1)	(in million COP$)	(in million U.S.$)(1)	(in million COP$)
Accounts receivable				
Sales and services	161.9	499,874	156.2	482,223
Equipment (installment sales)	27.8	85,809	25.0	77,028
Related parties (a)	25.6	79,026	18.0	55,456
Prepaid expenses	17.6	54,466	21.0	64,850
Other debtors	17.2	53,035	15.1	46,685
Total	**250.1**	**772,210**	**235.3**	**726,242**

1. Solely for the convenience of the reader, Colombian pesos amounts at September 30, 2015 and June 30, 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at each date of COP$3,086.75 to U.S. $1.00.

(a) Mainly includes international interconnection services with Telefonica International Wholesale Services (TIWS) and professional services with Telefonica Internacional.

Note 12 – Inventories

Inventories at the end of the third quarter of 2015 increased by of 29.1% U.S. $10.1 million (COP$31,221 million) due to mobile handsets quarterly purchases.

Note 13 – Tax Receivables

The increase of current receivables by U.S. $13.9 million (COP$43,039 million), compared with the closing of the second quarter of 2015, corresponds to the accrual of self-withholding for Income Tax and Income Tax for Equity-CREE by U.S. $12.8 million (COP$39,749 million) and on Industry, Trade and Agencies (ICA) for U.S. $ 0.9 million (COP$3,046 million) corresponding to the third quarter.

Note 14 – Non-Current Financial Assets

The detail of non-current assets is presented as follows:

	At September 30, 2015		At June 30, 2015		Variation Percentage
Financial assets	(in million U.S.$)(1)	(in million COP$)	(in million U.S.$)(1)	(in million COP$)	%
Derivative instruments(2)	220.2	679,717	93.9	289,769	134.6%
Other shares in companies	47.5	146,641	47.5	146,641	0.0%
Judicial deposits	7.6	23,348	8.2	25,346	(7.9%)
Total	**275.3**	**849,706**	**149.6**	**461,756**	**84.0%**

(1) Solely for the convenience of the reader, Colombian pesos amounts at , 2015 and , 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at each date of COP$ to U.S.$1.00.
(2) See Note 18, Hedging Instruments

Non-current financial assets increased by 84.0%, during the third quarter, explain by the result of the valuation process of hedging instruments which show an increase by U.S. $126.3 million (COP$389,948 million), due to the devaluation of Colombia Peso by 18.78% during the third quarter.

Note 15 – Property, Plant and Equipment

Properties, plant and equipment increased by 1.0% during the third quarter, U.S. $13.9 million (COP$42,907 million), mainly due to the net result of:

- Capital expenditures for U.S.$73.7 million (COP$227,621 million) for service quality, expansion of fixed and mobile connectivity, coverage and capacity of RAN (Radio Access Network), transmission network and access through copper cables and fiber optics.
- Depreciation expense during the third quarter for U.S. $58.4 million (COP$180,273 million).
- Disposals of assets, mainly copper cable for product replacement and theft in the fixed access network for a total amount of US $ 0.7 million (COP $ 2.240 million).

Note 16 – Intangible Assets

During the third quarter of 2015 the intangible assets increased by 1.1%, U.S. $ 3.3 million (COP$10,255 million) compared to the end of the second quarter, as net result of:

- Capital expenditures for $23.4 million (COP$72,354 million) of mobile network equipment software (Core and RAN Radio Access Network), as well as office software and data centers.
- Amortization expense during the third quarter for U.S. $20.1 million (COP$62,099 million).

Note 17 – Deferred Tax Assets

Until June 30, 2015 the account presented the net result of the recognition of deferred tax for temporary differences and tax credits of the last nine months and the use (expense) of deferred tax associated to year to date result. Since September 30, 2015 the account only presents the recognition of Deferred Tax Assets and excludes the use, which was reclassified to the Current Provision account *(See note 21)*. At the close of fiscal year these two concepts will be compensated.

Note 17 – Deferred Tax Assets (continued)

The increase of the debit deferred tax of U.S. $36.6 million (COP$113,207 million) compared to the end of the second quarter of 2015, corresponds to the impact of:

- Increase of U.S.$13.9 million (COP$43,066 million) for the recognition of deferred taxes recorded during the third quarter
- Reclassification to current provision account of U.S. $22.7 million (COP$ 70,141 million) corresponding to the use (expense) of the Deferred Tax associated to year to result as of June, 2015.

Note 18 – Financial Obligation and Other Financial obligations

Financial obligations, including PARAPAT, totaled U.S. $1,748.5 million (COP $5,397,152 million) as of September of 2015, increasing 2.3% when compared to June 2015. The PARAPAT obligations totaled U.S. $1,287.8 million (COP$3,974,989 million), increasing U.S. $13.7 million (COP$42,280 million), compared to June 2015.

	At September 30,		At June 30,		Variation
	2015		2015		Percentage
	(in million of U.S.$)(1)	(in million of COP$)	(in millions of U.S.$)(1)	(in million of COP$)	%
Financial obligations (a)	35.7	110,329	40.1	123,877	(10.9)%
Hedging Instruments (d) (2)	9.3	28,611	7.5	23,103	23.8%
Other financial obligations - PARAPAT (c)	156.5	482,930	156.2	481,999	0.2%
Other financial obligations - Suppliers financing (c)	24.0	74,033	-	-	100.0%
Total Short-term	**225.5**	**695,903**	**203.8**	**628,979**	**10.6%**
Financial obligations (b)	391.7	1,209,190	387.9	1,197,531	1.0%
Other financial obligations - PARAPAT (c)	1,131.3	3,492,059	1,117.9	3,450,710	1,2%
Total Long-term	**1,523.0**	**4,701,249**	**1,505.8**	**4,648,241**	**1.1%**
Total Financial Debt	**1,748.5**	**5,397,152**	**1,709.6**	**5,277,220**	**2.3%**

(1) Solely for the convenience of the reader, Colombian pesos amounts at September 30, 2015 and June 30, 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at each date of COP$3,086.75 to U.S. $1.00.
(2) See, *Hedging instruments*

a) Short-term financial obligations. Decrease in the financial debt with banks of US $ 4.4 million (COP $ 13.547 million) of US $ 40.1 million (COP $ 123.877 million) at June 30, 2015 to US $ 35.7 million (COP $ 110.329 million) in September 2015, due to the net effect between i) increase in US $ 4.9 million (COP $ 15.213 million) due to the net interests generation, short and long term reclassifications and exchange difference, and ii) reduction by debt payment denominated in foreign currency for US $ 9.3 million (COP $ 28.760 millions).

b) Long-term financial obligations. Increase of 1.0%, US $ 3.8 million (COP $ 11.659 million) from US $ 387.9 million (COP $ 1,197,531 million) in June 2015 to US $ 391.7 million (COP $ 1,209,190 million) in September 2015, mainly due to exchange differences.

c) Other financial liabilities.

- Current PARAPAT liability increase by U.S. $0.3 million (COP$931 million) due to accrued interests and transfers from long term.
- In the long term, PARAPAT increased by U.S. $13.4 million (COP$41.349 million) mainly due to the update of the liability with IPC at 4.2%.
- The recognition of U.S. $24.0 million (COP$74.033 million) as current liability with suppliers.

Note 18 – Financial Obligation and Other Financial obligations (continued)

d) Increase in valuation for hedging interest rate for US $ 2.7 million (COP $ 8.297 million) from US $ 7.5 million (COP$23.103 million) at June 30, 2015 to US $9.3 million (COP$28.611 million) in September 2015, mainly for an increase in the accrual at the third quarter of 2015, due to the higher depreciation during the period.

Hedging Instruments

The Company operates with derivative financial instruments in order to reduce exposure to interest rates fluctuations and to exchange rate of its rights and liabilities to third parties, and variations in cash flows for purchases (capex and opex) through Non Delivery Forward (NDF), Cross Currency Interest Rate Swap (CCIRS) 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 effect (financial and trade operations) increased 127.2% due to devaluation of Colombian Peso by 18.8% during third quarter. Mark to market associated to interest rate increased by 564.8% mainly due to the positive impact of COP devaluation on asset flows of the derivative instruments indexed to USD (CCRS), and the decline of Libor forward curve during last quarter which positively impact liability flows of derivative instruments indexed to USD (IRS).

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

	At September 30, 2015		At June 30, 2015		Variation Percentage
	(in millions of U.S.$)(1)	(in millions of COP$)	(in millions of U.S.$)(1)	(in millions of COP$)	%
Short Term					
Mark to market – Exchange rate effect for financial operations(2)	104.4	322,138	42.4	131,015	145.9%
Mark to market – Exchange rate effect for trade operations	36.4	112,403	7.5	23,260	383.2%
Mark to market – Interest rate effect	(10.2)	(31,400)	(7.5)	(23,103)	35.9%
CVA/DVA(3)	0.7	2,231	-	-	100.0%
Total Short Term, net(4)	**131.3**	**405,372**	**42.4**	**131,172**	**209.0%**
Long Term					
Mark to market – Exchange rate effect for financial operations(2)	146.3	451,734	76.4	235,727	91.6%
Mark to market – Interest rate effect	76.8	237,081	17.5	54,042	338.7%
CVA/DVA(3)	(2.9)	(9,098)	-	-	100.0%
Total Long Term	**220.2**	**679,717**	**93,9**	**289,769**	**134.6%**
Total Exchange rate effect	287.1	886,275	126.3	390,002	127.2%
Exchange rate effect for financial operations	250.7	773,872	118.8	366,742	111.0%
Exchange rate effect for trade operations	36.4	112,403	7.5	23,260	127.2%
Total Interest rate effect	66.6	205,681	10.0	30,939	564.8%
Total CVA/DVA	(2.2)	(6,867)	-	-	100.0%
Total Mark to Market	**351.5**	**1,085,089**	**136.3**	**420,941**	**157.8%**

(1) Solely for the convenience of the reader, Colombian pesos amounts at September 30, 2015 and June 30, 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at each date of COP$3,086.75 to U.S. $1.00.
(2) Corresponds to the exchange rate of derivatives that cover underlying items, values to be considered for the calculation of the leverage ratio of the 2022 Senior Bond Covenant.
(3) Credit Valuation Adjustment (CVA) / Debit Valuation Adjustment (DVA)
(4) Includes short term liability position.

Note 19 – Current Trade and Other Payable

Trade accounts payable and similar increased by 21.1% or U.S. $72.2 million (COP$222,967 million), with the following details:

	At September 30,		At June 30,	
	2015		2015	
Accounts payable	**(in million U.S.$)(1)**	**(in million COP$)**	**(in million U.S.$)(1)**	**(in million COP$)**
Suppliers	225.7	696,721	174.0	537,129
Capital expenditures	99.1	305,943	93.4	288,314
Related parties	54.2	167,350	41.0	126,454
Deferred revenues, grants and other	34.9	107,679	33.3	102,829
Total	**413.9**	**1,277,693**	**341.7**	**1,054,726**

(1) Solely for the convenience of the reader, Colombian pesos amounts at September 30, 2015 and June 30, 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at each date of COP$3,086.75 to U.S. $1.00.

Note 20 – Current Taxes Payable

The item of government administrations for current taxes presents a net decrease of U.S. $3.8 million (COP$ 11,879 million), due to:

- Value added tax - VAT decreases at the end of the third quarter compared to the end of the second quarter by U.S.$12.7 million (COP$39,297 million)
- The withholdings to suppliers and self-withholdings for income tax and CREE recorded at the end of the third quarter increased by U.S. $8.2 million (COP$27,201 million) compared to the end of the second quarter.

Note 21 – Current Provisions

Short-term provisions increased by U.S.$39.7 million (COP$122,683 million), mainly due to the reclassification of the provision (expense) of deferred taxes, which as of June 30, 2015 was recorded in the Deferred Tax Assets account *(See note 17)*. Total variation is explain as follows:

- Reclassification of U.S.$22.7 million (COP$70,141) corresponding to the use (expense) of Deferred Taxes (active) associated to the company result as of June 30, 2015, which was previously recorded under deferred taxes.
- Recording of U.S.$11.4 million (COP$35,070 million) associated to third quarter use (expense) of Deferred Taxes
- Increase of provision of income tax for current equity CREE of U.S.$0.6 million (COP$1,763 million)
- Increase of provision of current income tax of U.S.$1.3 million (COP$ 3,997 million)
- Increase of provision of the Industry and Commerce tax (ICA) in U.S. $1.1 million (COP$3,535 million).

Note 22 – Non-Current Trade and Other Payable

Long term accounts payable include the obligations associated with the renewal of the spectrum license in March 2014 and to the acquisition of the 15MHz license in 2011 for mobile operation. The variation compared to the end of third quarter is given the by financial update in accordance with the provisions of the administrative act of the Ministry of Information Technologies and Communications - Mintic, at the end of September 2015 and the deferred revenue associated to the Sena Digital project.

Note 23 – Bond and Securities

	At September 30, 2015		At June 30, 2015		Variation Percentage
	(in million of U.S.$)(1)	(in million of COP$)	(in million of U.S.$)(1)	(in million of COP$)	%
Bonds					
Face Value	750.0	2,315,063	631.4	1,949,010	18.78%
Commission	(2.4)	(7,360)	(2.5)	(7,619)	(3.4)%
Total Short Term	**747.6**	**2,307,703**	**628.9**	**1,941,391**	**18.8%**

(1) Solely for the convenience of the reader, Colombian pesos amounts at September 30, 2015 and June 30, 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at each date of COP$3,086.75 to U.S. $1.00.

The variation in long-term bonds of U.S. $118.7 million (COP$366.312 million) due to the increase of the TRM of 18.78%. The face value of bonds is presented net of issuance cost.

Note 24 – Shareholders Equity

The equity at the end of the third quarter of 2015 amounts to U.S. $152.0 million (COP$469,427 million), a summary of variations of shareholders' equity in the period is detailed below:

	At September 30, 2015	
	(in millions of U.S.$)(1)	(in millions of COP$)
Balance at January 1st, 2015	**(315.7)**	**(974,360)**
Period income	5.7	17,602
Hedging instruments and others	30.3	93,622
Other equity instruments – Hybrid Bond	409.5	1,264,016
Balance at March 31, 2015	**129.8**	**400,880**
Loss for the period	(0.6)	(1,724)
Hedging instruments and others	(3.1)	(9,699)
Balance at June 30, 2015	**126,1**	**389,457**
Loss for the period	(15.7)	(48.566)
Operations with holders of instruments of equity – Hybrid Bond	(24.8)	(76,524)
Hedging instruments and others	66.4	205,061
Balance at September 30, 2015	**152.0**	**469,427**

(1) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2015 a have been translated into U.S. dollars at the exchange rate as of September 30, 2015 of COP$3,086.75 to U.S.$1,00

Note 25 – Other Financial and Operating Information

a. EBITDA [a]	Period from January 1 to September 30, 2015		2014		Variation Percentage
	(in million U.S.$)(1)	(in million COP$)	(in million U.S.$)(1)	(in million COP$)	%
Net income (loss)	(10.6)	(32,688)	(48.9)	(150,989)	(78.4%)
Plus:					
Depreciation and amortization [b]	234.7	724,421	258.7	798,399	(9.3%)
Financial expenses, net [c]	169.8	524,058	171.2	528,304	(0.8%)
Income tax	(14.9)	(45,906)	(6.5)	(19,943)	130.2%
EBITDA	**379.0**	**1,169,884**	**374.4**	**1,155,771**	**1.2%**

(1) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2015 and September 30, 2014 a have been translated into U.S. dollars at the exchange rate as of September 30, 2015 of COP$3,086.75 to U.S.$1,00.

(a) EBITDA means: net loss before depreciation and amortization; financial expenses, net and income tax.

(b) Includes amortization by U.S.$58.7 million (COP$181,198 million) and depreciation by U.S.$175.9 million (COP$543,223 million)

(c) Includes net income (expense) from foreign exchange differences and interest expenses for the nine-month period ended September 30, 2015 and September 30, 2014.

Note 25 – Other Financial and Operating Information (continued)

b. EBITDA Margin	**Period from January 1 to September 30,**	
	2015	**2014**
EBITDA margin [(a)]	34.83%	34.31%

(a) Represents EBITDA divided by net revenues

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

	12-month period ended to,			
	September 30, 2015	**June 30, 2015**	**September 30, 2014**	**June 30, 2014**
Net Debt to EBITDA Ratio [(a)]	3.57	3.19	2.82	2.89

(a) The calculation detail in presented as follows:

	At September 30, 2015	
	(in millions of U.S.$)(1)	**(in millions of COP$)**
Financial Obligations at Short-term (2)	**71.2**	**219,661**
Financial Institutions	33.4	103,070
Renting	0.8	2,388
Parapat Account Payable	13.0	40,172
Suppliers Financing	24.0	74,031
Financial Obligations at Long Term	**1,141.7**	**3,524,253**
Financial Institutions	390.6	1,205,683
Renting	1.1	3,507
Bonds (3)	750.0	2,315,063
Hybrid Bond (4)	**414.2**	**1,278,425**
Total Debt (5)	**1,627.1**	**5,022,339**
Valuation of derivatives for Exchange Rate Differential (6)	(250.7)	(773,872)
Cash and Cash Equivalents	(13.3)	(43,353)
Total Net Debt	1,363.1	**4,205,114**
EBITDA Last twelve months (7)	382.0	1,179,196
Total Financial Debt over EBITDA		**3.57**

(1) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2015 and September 30, 2014 a have been translated into U.S. dollars at the exchange rate as of September 30, 2015 of COP$3,086.75 to U.S.$1,00.
(2) The balance of short-term obligations excludes the interest account payable.
(3) Considers the nominal of the issuance, valued at the exchange rate of the closing of the month of the ratio calculation; it does not include the value of the emission fees.
(4) The Hybrid Bond under the Offering Memorandum of the issuance of the Senior Bond debt is considered as replacement debt, for that reason it is included as financial debt, though it is recorded in Equity.
(5) The total financial debt includes the principal financial obligations with credit entities and bond issues; includes vehicle renting that is considered as financial debt under the IFRS regulations. The PARAPAT is excluded from the financial debt according to the provisions of the Offering Memorandum of the Senior Bond, which keeps the accounting treatment applicable under the GAAP in effect at the time of issue. In the event of any existing fees due and not paid of the PARAPAT, these will be considered as financial debt according to the definition of Indebtedness provided by the OM.
(6) Includes only the valuation for the exchange rate difference of the derivatives with the financial underlying item.
(7) It is the EBITDA of the last twelve months, calculated under the IFRS regulation, minus the value of the PARAPAT installment paid during the same period.

Note: EBITDA are not Colombian GAAP or IFRS measures, do not represent cash flow for the periods indicated and should not be considered an alternative to net income (loss), as an indicator of Company's operating performance or as an alternative to cash flows as a source of liquidity, Company's definition of EBITDA may not be comparable with EBITDA as defined by other companies. Although Company's EBITDA do not provide a Colombian GAAP or IFRS measure of operating cash flows, our management uses it as a measure of the operating performance of Company's operations.

Note 25 – Other Financial and Operating Information (continued)

d. Accesses

	2015			2014		
(figures In thousands)	**March 31,**	**June 30,**	**September 30,**	**March, 31**	**June 30,**	**September 30,**
Final Clients Accesses	**15.777**	**15.308**	**15.588**	**15.129**	**15.052**	**15.404**
Fixed Telephony Accesses *(1)*	1.466	1.451	1.448	1.460	1.464	1.469
Internet and Data Accesses *(2)*	997	1.000	1.013	895	922	953
Broadband (3)	*989*	*991*	*1.004*	*887*	*914*	*944*
Pay TV Accesses	429	444	471	364	384	401
Mobile Accesses *(4)*	12.885	12.413	12.656	12.410	12.282	12.582
Prepaid	*9.633*	*9.159*	*9.342*	*9.106*	*8.982*	*9.313*
Postpaid	*3.252*	*3.255*	*3.314*	*3.304*	*3.299*	*3.268*
Wholesale Accesses	2	2	2	2	2	2
Total Accesses	**15.779**	**15.310**	**15.589**	**15.131**	**15.054**	**15.406**

(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.