INTERIM FINANCIAL STATEMENTS

Colombia Telecomunicaciones S.A. ESP

At June 30, 2016 and for the six-month period ended
June 30, 2016

Erratum August 05, 2016 to Note 3. Significant Events

a) Capital Management – Going Concern

Original Text:

At June 30, 2016 the Company is immersed in technical grounds for dissolution, mainly due to the unfavorable behavior of the macroeconomic variables that impacted profit or loss, as well as in the other comprehensive income by the valuation of hedges. In this regard, the Company shall continue making efforts aimed at correcting the technical grounds for dissolution.

Amendment:

Negative stockholders' equity could trigger a mandatory dissolution proceeding under Article 457 of the Colombian commercial code due to shareholders' equity representing less than 50% of share capital. At June 30, 2016 the Company has negative Shareholders' Equity nevertheless **the existence of such dissolution event would be only verified on the date the general shareholders' meeting approves the audited financial statements for fiscal year 2016**. Under Colombian law, the Company would then have an 18-month period to adopt any necessary measures to increase the shareholders' equity to a level of at least 50% of our subscribed capital stock.

Colombia Telecomunicaciones S.A. ESP
Interim Financial Statements

At June 30, 2016 and for the six-month period ended June 30, 2016

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Colombia Telecomunicaciones S.A. ESP
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	Notes	At June 30,		At March 31,	
		2016			
Assets		(in *thousands of US$*[(a)])	(in *thousands of COP$)*	(in *thousands of US$*[(a)])	(in *thousands of COP$)*
Current Assets:					
Cash and cash equivalents		14,350	41,888,031	18,739	54,697,880
Current financial assets	*(4)*	3,860	11,267,908	-	-
Trade and other receivables	*(5)*	262,499	766,237,688	254,606	743,198,722
Prepaid expenses	*(6)*	24,369	71,126,063	25,458	74,312,088
Inventories	*(7)*	36,038	105,195,917	48,389	141,246,592
Taxes receivables	*(8)*	85,151	248,555,633	75,661	220,855,309
Total current assets		**426,267**	**1,244,271,240**	**422,853**	**1,234,310,591**
Non-current assets:					
Financial assets	*(4)*	279,361	815,456,243	281,925	822,942,387
Trade and other receivables	*(5)*	11,867	34,639,129	12,188	35,577,926
Prepaid expenses	*(6)*	13,258	38,701,144	13,881	40,518,045
Property, plant and equipment	*(9)*	1,548,353	4,519,657,096	1,545,178	4,510,390,760
Intangibles assets	*(10)*	306,217	893,851,711	296,266	864,804,764
Goodwill		321,740	939,163,377	321,740	939,163,377
Deferred tax assets	*(11)*	411,381	1,200,825,420	438,604	1,280,288,890
Total non-current assets		**2,892,177**	**8,442,294,120**	**2,909,782**	**8,493,686,149**
Total assets		**3,318,444**	**9,686,565,360**	**3,332,635**	**9,727,996,740**
Liabilities					
Current liabilities:					
Financial obligations	*(12)*	139,186	406,285,336	115,572	337,357,137
Other financial obligations - Parapat	*(12)*	172,153	502,516,373	170,617	498,032,480
Suppliers and accounts payable	*(13)*	362,613	1,058,470,414	308,943	901,808,019
Current tax payable	*(8)*	56,127	163,834,856	49,878	145,593,899
Deferred liabilities		27,974	81,657,000	29,023	84,717,555
Estimated liabilities and provisions	*(14)*	55,092	160,812,939	54,707	159,690,748
Total current liabilities		**813,145**	**2,373,576,918**	**728,740**	**2,127,199,838**
Non-current liabilities:					
Financial obligations and senior bond	*(12)*	1,133,126	3,307,605,129	1,163,199	3,395,390,568
Other financial obligations – Parapat	*(12)*	1,206,286	3,521,160,218	1,222,269	3,567,816,609
Suppliers and accounts payable	*(13)*	65,908	192,385,804	66,943	195,406,153
Deferred liabilities		7,869	22,968,736	8,023	23,418,180
Estimated liabilities and provisions	*(14)*	16,781	48,982,749	16,749	48,891,448
Deferred tax liabilities	*(11)*	94,759	276,602,939	100,170	292,397,115
Total non-current liabilities		**2,524,729**	**7,369,705,575**	**2,577,353**	**7,523,320,073**
Total liabilities		**3,337,874**	**9,743,282,493**	**3,306,093**	**9,650,519,911**
Shareholders' equity, net	*(15)*	**(19,430)**	**(56,717,133)**	**26,542**	**77,476,829**
Total liabilities and shareholders' equity		**3,318,444**	**9,686,565,360**	**3,332,635**	**9,727,996,740**

(a) Solely for the convenience of the reader, Colombian pesos amounts at June 30 and March 31, 2016, have been translated into U.S. dollars at the exchange rate formed in the interbank market at on June 30, 2016 of COP$2,919.01 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 June 30, 2016 (in *thousands of US$*)[a]	2016 (in *thousands of COP$*)	2015 (in *thousands of US$*)[a]	2015 (in *thousands of COP$*)
Operating income:					
Sales and provision of service	*(16)*	797,925	2,329,149,623	757,884	2,212,272,014
Other operating income	*(16)*	21,548	62,899,148	18,471	53,917,724
		819,473	**2,392,048,771**	**776,355**	**2,266,189,738**
Operation costs and expenses	*(17)*	(573,790)	(1,674,898,026)	(505,696)	(1,476,130,426)
Operating income before depreciation and amortization - OIBDA		**245,683**	**717,150,745**	**270,659**	**790,059,312**
Depreciation and amortization	*(18)*	(166,992)	(487,449,884)	(165,141)	(482,048,135)
Operating income		**78,691**	**229,700,861**	**105,518**	**308,011,177**
Financial expenses, net	*(19)*	(47,749)	(139,380,790)	(47,862)	(139,710,067)
Interest expenses – Parapat	*(19)*	(84,725)	(247,313,294)	(68,828)	(200,910,974)
Loss before wealth tax		**(53,783)**	**(156,993,223)**	**(11,172)**	**(32,609,864)**
Wealth tax	*(20)*	(2,821)	(8,234,374)	**(3,301)**	**(9,635,241)**
Loss before taxes		**(56,604)**	**(165,227,597)**	**(14,473)**	**(42,245,104)**
Income and deferred tax	*(20)*	(23,928)	(69,847,267)	19,912	58,123,256
Net (loss) profit of the period		**(80,532)**	**(235,074,864)**	**5,439**	**15,878,152**
Other comprehensive income:					
Profit (loss) in hedge valuation, net of tax		15,756	45,990,781	(19,595)	(57,198,469)
Revaluation of land and buildings, net of tax		(1,019)	(2,974,704)	(598)	(1,744,616)
Other comprehensive income		**14,737**	**43,016,077**	**(20,193)**	**(58,943,085)**
Total comprehensive (loss) profit of the period		**(65,795)**	**(192,058,787)**	**14,754**	**43,064,933**

(a) Solely for the convenience of the reader, Colombian *pesos* amounts for the six-month period ended June 30, 2016 and June 30, 2015 have been translated into U.S. dollars at the exchange rate formed in the interbank market on June 30, 2016 of COP$2,919.01 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 Shareholders' Equity
Unaudited Figures

	Subscribed and Paid Capital	Additional Paid-in Capital	Statutory Reserves	Other Equity Instruments	Reserves for Revaluation, net of deferred tax	Reserves for Cash Flows Hedge Derivatives	Accumulated Income	Total Equity
				(In thousands of US$) [(a)]				
Balances at December 31st, 2015	**498,412**	**1,161,102**	**10,298**	**432,698**	**147,989**	**41,641**	**(2,219,974)**	**72,165**
Decrease of the value of the share(Note-3)	(497,914)	–	–	–	–	–	497,914	–
Equity perpetual instruments' coupon	_	_	_	–	_	_	(25,800)	(25,800)
Net loss for the first quarter	–	–	–	–	–	–	(30,228)	(30,228)
Depreciation of reserves by revaluation	–	–	–	–	(867)	–	–	(867)
Hedges valuation, net	–	–	–	–	_	15,357	–	15,357
Deferred tax (Note - 11)	–	–	–	–	307	(4,392)	–	(4,086)
Balances at March 31st, 2016	**498**	**1,161,102**	**10,298**	**432,698**	**147,429**	**52,606**	**(1,778,088)**	**26,542**
Constitution of legal reserve	_	–	2,071	–	–	–	(2,071)	**-**
Net loss for the second quarter	–	–	–	–	–	–	(50,304)	(50,304)
Depreciation of reserves by revaluation	_	–	–	–	(766)	–	–	(766)
Hedges valuation, net	–	–	–	–	–	6,945	–	6,945
Deferred tax (Note - 11)		–	–	–	307	(2,154)	–	(1,847)
Balances at June 30st, 2016	**498**	**1,161,102**	**12,369**	**432,698**	**146,970**	**57,397**	**(1,830,463)**	**(19,430)**

(a) Solely for the convenience of the reader, Colombian pesos amounts at June 30 and March 31, 2016 and December 31, 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at on June 30, 2016 of COP$2,919.01 to US$1.00.

	Subscribed and paid capital	Additional Paid-in Capital	Statutory Reserves	Other Equity Instruments	Reserves for Revaluation, net of deferred tax	Reserves for Cash Flows Hedge Derivatives	Accumulated Income	Total Equity
				(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**
Decrease of the value of the share (Note-3)	(1,453,415,869)	_	_	–	_	_	1,453,415,869	-
Equity perpetual instruments' coupon	–	–	–	–	–	–	(75,309,719)	(75,309,719)
Net loss for the first quarter	–	–	–	–	–	–	(88,237,193)	(88,237,193)
Depreciation of reserves by revaluation	–	–	–	–	(2,530,368)	–	–	(2,530,368)
Hedges valuation, net	–	–	–	–	–	44,828,436	–	44,828,436
Deferred tax (Note - 11)	–	–	–	–	896,019	(12,821,718)	–	11,925,699
Balances at March 31st, 2016	**1,454,871**	**3,389,266,946**	**30,059,860**	**1,263,049,667**	**430,346,543**	**153,556,300**	**(5,190,257,358)**	**77,476,829**
Constitution of legal reserve	–	–	6,045,752	–	–	–	(6,045,752)	-
Net loss for the second quarter	–	–	–	–	–	–	(146,837,671)	(146,837,671)
Depreciation of reserves by revaluation	–	–	–	–	(2,236,373)	–	–	(2,236,373)
Hedges valuation, net	–	–	–	–	–	20,270,638	–	20,270,638
Deferred tax (Note - 11)	–	–	–	–	896,019	(6,286,575)	–	(5,390,556)
Balances at June 30st, 2016	**1,454,871**	**3,389,266,946**	**36,105,612**	**1,263,049,667**	**429,006,189**	**167,540,363**	**(5,343,140,781)**	**(56,717,133)**

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 June 30, 2016 (in thousands of US$) [(a)]	2016 (in thousands of COP$)	2015 (in thousands of US$) [(a)]	2015 (in thousands of COP$)
Cash flows from operating activities					
Cash received from customers		860,977	2,513,200,712	828,528	2,418,481,331
Cash paid to suppliers and other payables		(601,886)	(1,756,910,548)	(549,553)	(1,604,152,724)
Net interest and other financial expenses paid		(44,934)	(131,160,602)	(40,233)	(117,439,550)
Interest paid to the - PARAPAT		(84,725)	(247,313,294)	(68,828)	(200,910,974)
Indirect paid taxes		(34,446)	(100,548,512)	(38,472)	(112,300,267)
Wealth tax		(2,821)	(8,234,374)	(3,301)	(9,635,241)
Self-withholdings on Income Tax and Income tax for equality CREE	(21)	(29,394)	(85,801,416)	(30,300)	(88,444,656)
Net cash provided by operating activities		**62,771**	**183,231,966**	**97,841**	**285,597,919**
Cash flows from investing activities					
Payments for investments in the plant and equipment and intangible assets		(136,133)	(397,375,042)	(166,000)	(484,554,987)
Collections from temporary financial investments		48	139,748	1,998	5,833,608
Payments for temporary financial investments		(32)	(92,600)	(2,229)	(6,507,170)
Net cash used in investing activities		**(136,117)**	**(397,327,894)**	**(166,231)**	**(485,228,549)**
Cash flows from financial activities					
Perpetual equity instruments coupon		(25,800)	(75,310,248)	-	-
New financial debt		53,182	155,237,394	94,245	275,102,395
Net cash flow from exchange rate hedges		8,347	24,364,661	10,189	29,745,301
Financial debt payments		(48,254)	(140,854,985)	(464,260)	(1,355,181,150)
Issuance of perpetual equity instruments		-	-	432,853	1,263,501,611
Transactions cost of perpetual equity instruments		-	-	(3,224)	(9,411,765)
Net cash (used) provided from financing activities		**(12,525)**	**(36,563,178)**	**69,803**	**203,756,392**
Net (decrease) increase in cash and cash equivalents during the period		**(85,871)**	**(250,659,106)**	**1,413**	**4,125,762**
Cash and cash equivalents at January 1,		100,221	292,547,137	27,587	80,526,095
Cash and cash equivalents at June 30,		**14,350**	**41,888,031**	**29,000**	**84,651,857**

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

Balance at January 1,	**100,221**	**292,547,137**	**27,587**	**80,526,095**
Cash on hand and at banks	77,140	225,171,083	18,316	53,464,870
Other cash equivalents	23,081	67,376,054	9,271	27,061,225
Balance at June 30,	**14,350**	**41,888,031**	**29,000**	**84,651,857**
Cash on hand and at banks	7,929	23,143,657	20,837	60,822,850
Other cash equivalents	6,421	18,744,374	8,163	23,829,007

(a) Solely for the convenience of the reader, Colombian *pesos* amounts for the six-month period ended June 30, 2016 and June 30, 2015 have been translated into U.S. dollars at the exchange rate formed in the interbank market on June 30, 2016 of COP$2,919,01 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

Notes to Interim Financial Statements

Unaudited Figures

At June 30st, 2016 and for the six-month period ended June 30, 2016
(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, 2015 ('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.

Basis of Presentation

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, 2015. 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.

Note 2. Basis of accounting (continued)

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 June 30, 2016 of COP$2,919.01 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.

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 June 30, 2016, and for the six-month period ended on that date, are consistent with those disclosed in the financial statements at December 31, 2015 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.

Note 2. Basis of accounting (continued)

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.

- **Expense for Income Tax**

The expense for income tax includes the expense of the current tax and deferred tax. Colombian companies are subject to corporate income tax currently set at a rate of 25.0%. Colombian tax regulations provide that the basis for the calculation of such income tax applicable is the greater of a company's net taxable income and its presumptive income. Under applicable regulations, presumptive income is equivalent to 3.0% of net tax equity (patrimonio líquido fiscal) of the company on the last day of the immediately preceding taxable year. However, according to article 73 of Law 1341 and article 24 of Law 142 of 1994, because we are a public utilities company (Empresa de Servicios Públicos) we have not determined nor paid income tax on a presumptive income basis.

In addition, pursuant to Law 1607 of 2012, we are required to pay the income tax for equality CREE at a rate of 9.0% from 2015 onwards. We are also subject to an annually increasing income tax for equality CREE surcharge of 5.0% in 2015, 6.0% in 2016, 8.0% in 2017 and 9.0% in 2018, applicable to our net taxable income exceeding COP$800 million. The surcharge will be eliminated in 2019. The income tax for equality CREE and the related surcharge are each calculated on the basis of the greater of our taxable income or our presumptive income. Although, as a public utilities company (Empresa de Servicios Públicos), we have not determined nor paid income tax based on our presumptive income, this exemption does not apply to the calculation of the CREE tax.

However, the company has tax credits for accumulated losses and excess of presumptive income of the income tax and the income tax for equality CREE, which will be used to offset the income tax expense. The amount of deferred expenditure is obtained from the analysis of the Financial Position Statement, considering temporary differences, which are reversed in time, between the tax bases of assets and liabilities and their respective book values. The tax rates and tax laws used to compute such amounts are those in effect on the closing date, including the income tax rate, the rate of the income tax for equality CREE and the surtax. At June 30, 2016, there was no significant change in the effective tax rate.

Regardless of the expense recognized, tax regulations provide that companies are forced to pay income taxes in advance (both corporate income tax and income tax for equality CREE) through self withholdings, which are calculated on the basis of monthly revenues and paid the following month. Once Corporate Income Tax and income tax for equality CREE declaration are submitted and approved by the tax authority, total expense is compensated with paid self withholdings and balance in favor is returned to the company. Positive balance can be used to compensate other indirect tax payments as valued add tax or 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 on the basis of 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.

Note 2. Basis of accounting (continued)

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 reflect of the trend of the same in recent years.

The discount rates used are determined before taxes and are adjusted by the country-risk rate and corresponding business risk.

When new events take place, or changes in existing circumstances that 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.

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 the end of 2015 and after actions performed to financially strengthen the Company, equity was below 50% of subscribed capital wherewith the company was required to restore the Company's equity over this percentage, to remedy a mandatory dissolution proceeding.

Note 3 – Significant Events (continued)

Based on the above, the General Meeting of Shareholders celebrated on March 17, 2016, approved the reduction of the nominal value of the share, from $1,000 pesos to $1.00 peso and therefore, the amount of subscribed capital of the Company, without this involving the effective reimbursement of contributions. With this approval, at March 31, 2016, the mandatory dissolution proceeding which was at the end of 2015 is remedied. Additionally, the stem losses were approved with the amount resulting of the reduction of the nominal value of the shares.

At June 30, 2016 the Company is immersed in technical grounds for dissolution, mainly due to the unfavorable behavior of the macroeconomic variables that impacted profit or loss, as well as in the other comprehensive income by the valuation of hedges. In this regard, the Company shall continue making efforts aimed at correcting the technical grounds for dissolution.

b) Macroeconomic Environment

- **Inflation**

The year-on-year inflation at June 2016 was 8.6%, in line with a cumulative 5.1% year-to-date in the first half of the year. This figure is located well above the upper limit of the target range of the issuer (4%) and 190 basis points above the closing figure of 2015.

The sharp rise in inflation in the last twelve months is mainly explained by two temporary factors; first, the weather phenomenon "El Niño" affected the agricultural supply and generated pressure on power generation, thus placing the annual inflation of food and regulated of June in 14.3% and 6.7% year-on-year, respectively. Secondly, the depreciation of the peso observed since October 2014 has caused higher increases of the tradable goods price. Finally, it is worth noting that the transportation strike in June maintained the upward pressure on food.

- **Interest rate**

The Central Bank decided to raise by 25 bps its interest rate up to 7.5%, in June. This decision was taken in order to ensure the convergence of inflation to the target range in 2017 and contribute to the reduction of the current account deficit. The Bank noted that the GDP growth was in line with its forecast, that core inflation slightly declined and that the current account deficit was corrected more than expected.

- **Exchange rate**

The average exchange rate in the second quarter was of COP$2,993.00 to US$1.00, this is 8.3% lower than the one recorded in the average of the first quarter (COP$3,260.44. To US$1.00). The fall in the exchange rate was mainly due to a better oil price performance, where the average price of the WTI in 2Q-16 was US $ 45.46 per barrel, this is 35% higher than US $33.35 registered in 1Q-16. Such recovery was mainly due to the slight fall in US unconventional oil production.

Note 4 – Current Financial Assets

The breakdown of the current financial assets is the following:

	At June 30,		**At March 31,**	
	2016			
	(in *thousands of* US$)	**(in *thousands of* COP$)**	**(in *thousands of* US$)**	**(in *thousands* of COP$)**
Hedging instruments (Note 12)	3,860	11,267,908	-	-
Current financial assets	**3,860**	**11,267,908**	**-**	**-**
Hedging instruments (a) (Note 12)	222,362	649,076,251	224,866	656,387,005
Other equity participations	49,684	145,029,462	49,685	145,029,462
Deposits and guaranteed (b)	7,315	21,350,530	7,374	21,525,920
Non-current financial assets	**279,361**	**815,456,243**	**281,925**	**822,942,387**

Note 4 – Current Financial Assets (continued)

Current financial assets show an increase of 100%, compared to the end of March 31, 2016, due to an increase in the valuation per interest type of the Swap instruments for US$1,227 (COP$3,581,578), the valuation of financial options for US$1,420 (COP$4,143,727) and the registration of the DVA (1) for US$1,213 (COP$3,542,603).

Non-current financial assets have decreased 0.9% in US$2,564 (COP$7,486,144), mainly explained by:

a) Net decrease in the valuation of long-term hedging instruments due to: i) The decrease in the valuation of the exchange rate of the Swap instruments in US$12,507 (COP$36,508,072) by the revaluation of the exchange rate of 2.72% in the period, ii) a net effect between an increased valuation of US$10,003 (COP$29,197,317) by the increase of the IRS (2) curve and the reclassification of the DVA (1) to the short-term asset.

b) In addition, non-current judicial deposits have decreased by US $60 (COP$175,390).

(1) DVA-Credit Valuation Adjustment
(2) IRS-Interest Rate Swap

Note 5 - Trade and Other Receivable

Current trade and other receivable increase by 3.1%, or US$7,893 (COP$23,038,966) and non-current decrease by 2.6%, or US$321 (COP$938,797) compared to March 31 of 2016, the breakdown is detailed as follows:

	At June 30,		At March 31,	
	2016			
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Current:				
Customers for sale and services provision (1)	365,652	1,067,343,253	350,932	1,024,374,126
Commercial agents and distribution channels	48,716	142,201,098	48,606	141,882,128
Portfolio for financed handsets	45,371	132,439,031	42,495	124,042,538
Portfolio with domestic operators	34,580	100,939,209	36,002	105,090,209
Shareholders, related parties and foreign associated companies (2)	15,571	45,452,381	13,606	39,716,737
Other debtors	16,417	47,920,419	17,451	50,940,894
Foreign debtors	6,901	20,143,045	12,367	36,098,665
Advances and payments delivered	82	239,152	50	147,173
Impairment of trade receivables	(270,791)	(790,439,900)	(266,903)	(779,093,748)
	262,499	**766,237,688**	**254,606**	**743,198,722**
Non-current:				
Portfolio with domestic operators	46,115	134,610,499	46,115	134,610,499
Portfolio of grants and contributions (3)	13,086	38,197,629	13,086	38,197,629
Shareholders, related parties and foreign associated companies (2)	11,616	33,906,818	11,937	34,845,615
Impairment of trade receivables	(58,950)	(172,075,817)	(58,950)	(172,075,817)
	11,867	**34,639,129**	**12,188**	**35,577,926**
	274,366	**800,876,817**	**266,794**	**778,776,648**

(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) Includes portfolio with the government for grants and contributions.

Note 6 - Prepaid Expenses

The short-term prepaid expenses decreased 4.3% or US$1,089 (COP$3,186,025) compared to March 31, 2016, due to the net effect of: i) decrease of US$3,389 (COP$11,352,195) mainly due to the amortization of payments of the radio spectrum and site support services, and ii) an increase of US$2,682 (COP$7,831,510) mainly due to all-risk insurance policies.

Note 7 - Inventories

Inventories at the end of the second quarter decreased by 25.5% or US$12,351 (COP$36,050,675), compared to the first quarter of 2016.

The variation occurs mainly by the decrease in the category of smartphones by US$10,835 (COP$21,627,695) explained by higher sales for the quarter of these equipment (195,000 units) vs. quarterly purchases (166,000 units). In addition, the stock of Simcards decreased by 1,929,000 units per US$2,094 (COP$6,111,746).

The breakdown is detailed as follows:

	At June 30,		At March 31,	
	2016			
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Mobile phones and accessories	28,597	83,475,837	41,314	120,595,971
Equipment in transit	6,868	20,046,045	6,118	17,857,227
Other inventories	1,664	4,858,184	1,920	5,605,500
Computer equipment	881	2,571,495	1,133	3,306,418
	38,010	**110,951,561**	**50,485**	**147,365,116**
Provisions for obsolescence	(1,972)	(5,755,644)	(2,096)	(6,118,524)
	36,038	**105,195,917**	**48,389**	**141,246,592**

Note 8 - Taxes Receivables and Payables

The asset balance for taxes receivables is presented as follows:

	At June 30,		At March 31,	
	2016			
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Credit balance of income tax and income tax for equality (CREE) (a)	54,261	158,389,023	-	-
Advance of surcharge of income tax for equality (CREE)	1,019	2,973,727	1,662	4,849,220
Self-withholding for income tax for equality CREE (b)	13,516	39,452,534	34,485	100,663,247
Self-withholding for income tax (c)	12,182	35,560,383	33,417	97,544,863
Income tax withholdings (d)	937	2,735,228	1,707	4,981,784
Sales tax withholding	472	1,376,586	292	853,595
Advance, withholdings and self-withholding ICA (e)	2,764	8,068,152	4,098	11,962,600
	85,151	**248,555,633**	**75,661**	**220,855,309**

The increase of US$9,490 (COP$27,700,324), compared with the closing of March 31, 2016, is explained as follows:

a) Credit balance of the declaration of the i) income tax of 2015 by US$28,368 (COP$82,805,660), in compensation process with the liability of VAT sales tax of the I bimester and part of the II bimester of 2016; and the credit balance of the ii) income tax for equality CREE of the fiscal year 2015 by US$25,893 (COP$75,583,363) in return process by the tax administration.

b) Net decrease of the self-withholdings of the income tax for equality CREE by the i) increase in US$6,683 (COP$19,507,854) for the accrual of the second quarter of 2016 and the ii) decrease by the application of US$27,653 (COP$80,718,567) of self-withholdings of the CREE during 2015 to the credit balance of the income tax and the income tax for equality CREE.

Note 8 - Taxes Receivables and Payables (continued)

c) Net decrease of the self-withholdings of the income tax by i) increase in US$5,771 (COP$16,846,665) for the accrual of the second quarter of 2016 and ii) decrease by the application of US$27,005 (COP$78,831,145) of the self-withholdings of the income tax of 2015 to heading credit balance of the income tax and the income tax for equality CREE.

d) Net decrease in withholdings at source due to: i) the increase by the accrual of the second quarter of 2016 of the withholdings at source by way of the income tax practiced by financial institutions on income of US$593 (COP$1,731,034) and ii) the decrease by the application of income tax withholdings to the credit balance of 2015 of US$1,363 (COP$3,997,590).

e) Net decrease due to the compensation of advances, withholdings and self- withholdings in the tax declarations of industry and trade ICA of 2015 and the registration of new advances in 2016 net of US$1,334 (COP$3,894,448).

Current taxes payables are presented as follows:

	At June 30,		At March 31,	
	2016			
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Sales tax – VAT (a)	41,825	122,087,964	29,708	86,716,642
National consumption tax (b)	2,329	6,798,726	1,283	3,744,799
Withholdings and self-withholdings (c)	11,183	32,642,894	16,425	47,943,998
Surtaxes and stamps	151	442,167	155	453,068
Municipal taxes	639	1,863,105	897	2,618,205
Wealth tax (d)	-	-	1,410	4,117,187
	56,127	**163,834,856**	**49,878**	**145,593,899**

The increase of US$7,249 (COP$18,240,957), compared with the closing of March 31, 2016, is explained as follows:

a) Increase in the VAT sales tax in US$12,117 (COP$35,371,322) due to the effect of the accrual of the VAT payable corresponding to the period. The balance of this tax liability at the end of the second quarter of 2016 includes US$28,368 (COP$82,805,660) in compensation process with the credit balance of the income statement of 2015.

b) Net increase in the national consumption tax at US$1,046 (COP$3,053,927) explained by i) the accrual during the period for US$3,624 (COP$10,580,339) and ii) the payment made during the period for US$2,578 (COP$7,526,412).

c) Net decrease in the accrual of the withholdings at source and the self-withholdings for income tax and income tax for equality CREE at June 2016, compared to March in US$5,242 (COP$15,301,104).

d) Decrease of the wealth tax by the payment made of US$2,821 (COP$8,234,374), which included the balance recorded at the end of first quarter of 2016.

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Notes to Interim Financial Statements

Unaudited Figures

Note 9 - Property, Plant and Equipment

The composition at March 31, 2016 and the movement of property, plant and equipment during the second quarter of 2016, were as follows:

Concept	Balance at March 31, 2016	Acquisitions / Addition	Retirements	Transfers	Revaluation	Balance at June 30, 2016
Cost:			*(In thousands of US$)*			
Land and construction	1,028,354	1,454	(100)	765	-	1,030,473
Technical installations, machinery and others	2,720,807	28,224	(1,367)	25,483	-	2,773,147
Equipment	125,006	40,575	--	(33,645)	-	131,936
Furniture, equipment management of information and miscellaneous	206,271	840	(474)	3,598	-	210,235
	4,080,438	**71,093**	**(1,941)**	**(3,799)**	-	**4,145,791**
Accumulated depreciation:						
Constructions (1)	(497,402)	(12,145)	62	-	(766)	(510,251)
Technical installations, machinery and other equipment	(1,887,131)	(46,575)	1,008	-	-	(1,932,698)
Furniture and equipment of information	(150,727)	(4,219)	457	-	-	(154,489)
	(2,535,260)	**(62,939)**	**1,527**	-	**(766)**	**(2,597,438)**
	1,545,178	**8,154**	**(414)**	**(3,799)**	**(766)**	**1,548,353**

Concept	Balance at March 31, 2016	Acquisitions / Addition	Retirements	Transfers	Revaluation	Balance at June 30, 2016
Cost:			*(In thousands of COP$)*			
Land and construction	3,001,775,174	4,245,638	(291,951)	2,233,623	-	3,007,962,484
Technical installations, machinery and others	7,942,062,305	82,384,819	(3,989,535)	74,385,070	-	8,094,842,659
Equipment	364,894,453	118,438,223	-	(98,210,568)	-	385,122,108
Furniture, equipment management of information and miscellaneous	602,108,822	2,453,305	(1,389,151)	10,501,141	-	613,674,117
	11,910,840,754	**207,521,985**	**(5,670,637)**	**(11,090,734)**	**-**	**12,101,601,368**
Accumulated depreciation:						
Constructions (1)	(1,451,921,883)	(35,449,919)	181,349	-	(2,236,373)	(1,489,426,826)
Technical installations, machinery and other equipment	(5,508,553,386)	(135,952,484)	2,943,770	-	-	(5,641,562,100)
Furniture and equipment of information	(439,974,725)	(12,314,980)	1,334,359	-	-	(450,955,346)
	(7,400,449,994)	**(183,717,383)**	**4,459,478**	**-**	**(2,236,373)**	**(7,581,944,272)**
	4,510,390,760	**23,804,602**	**(1,211,159)**	**(11,090,734)**	**(2,236,373)**	**4,519,657,096**

(1) The depreciation expense of revalued assets.

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Notes to Interim Financial Statements

Unaudited Figures

Note 9 - Property, Plant and Equipment (continued)

During the second quarter of 2016, property, plant and equipment increased by 0.2% US$3,175 (COP$9,266,336) compared to the first quarter of 2016, as net result of:

- Investments (Capex) of US$71,093 (COP$207,521,985) 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 second quarter of 2016 was of US$62,939 (COP$183,717,383).

- Disposals and retirement of assets, primarily of copper cable to be replaced on the fixed access network with optimization purposes in the service quality for a total of US$414 (COP$1,211,159).

- Transfers to intangible assets of US$3,799 (COP$11,090,734) and depreciation of the revaluation of assets of US$766 (COP$2,236,373).

Based on the recoverable values' analysis, the management of the company does not evidence signs of impairment of the properties, plant and equipment assets in accordance with the main considerations of the Strategic Plan, among which are: macroeconomic variables, ARPU (Average Revenues Per User), costs of customer acquisition and retention, shares of net gain of accesses, market shares, investments in non-current assets, growth rates and discount rate.

Note 10 – Intangibles Assets

The composition at March 31, 2016 and the movement of intangibles assets during the second quarter of 2016, were as follows:

Concept	Balance at March 31, 2016	Acquisitions / Addition	Retirements	Balance at June 30, 2016
Cost:		*(In thousands of US$)*		
Operating licenses	423,747	-	-	423.747
Computer applications	467,830	26,712	3,799	498,341
Customers list	212,934	-	-	212,934
Other intangibles	28,350	-	-	28,350
	1,132,861	**26,712**	**3,799**	**1,163,372**
Accumulated amortization				
Operating licenses	(257,046)	(5,608)	-	(262,654)
Computer applications	(357,237)	(14,691)	-	(371,928)
Customers list	(212,934)	-	-	(212.934)
Other intangibles	(9,378)	(261)	-	(9,639)
	(836,595)	**(20,560)**	**-**	**(857,155)**
	296,266	**6,152**	**3,799**	**306,217**

Note 10 – Intangibles Assets (continued)

Concept	Balance at March 31, 2016	Acquisitions / Addition	Retirements	Balance at June 30, 2016
Cost:		*(In thousands of COP$)*		
Operating licenses (1)	1,236,921,539	-	-	1,236,921,539
Computer applications (2)	1,365,600,496	77,971,857	11,090,734	1,454,663,087
Customers list (3)	621,555,372	-	-	621,555,372
Other intangibles (4)	82,754,191	-	-	82,754,191
	3,306,831,598	**77,971,857**	**11,090,734**	**3,395,894,189**
Accumulated amortization				
Operating licenses	(750,319,970)	(16,369,966)	-	(766,689,936)
Computer applications	(1,042,777,120)	(42,884,168)	-	(1,085,661,288)
Customers list	(621,555,372)	-	-	(621,555,372)
Other intangibles	(27,374,372)	(761,510)	-	(28,135,882)
	(2,442,026,834)	**(60,015,644)**	**-**	**(2,502,042,478)**
	864,804,764	**17,956,213**	**11,090,734**	**893,851,711**

During the second quarter of 2016, intangible assets increased by 3.4%, or US $9,951 (COP$29,046.947) compared to March 31, 2016, the above as net result of:

- Investments (CAPEX) for US$26,712 (COP$77,971,857) 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.

- Amortization expenditures during the second quarter were of US$20,560 (COP$60,015,644).

- Transfers from property, plant and equipment of US$3,799 (COP$11,090,734).

Based on the recoverable values' analysis, the management of the company does not evidence signs of impairment of the intangible assets in accordance with the main considerations of the Strategic Plan, among which are: macroeconomic variables, ARPU (Average Revenues Per User), costs of customer acquisition and retention, shares of net gain of accesses, market shares, investments in non-current assets, growth rates and discount rate.

Note 11 - Deferred Tax

Deferred Tax Assets

Deferred tax assets decreased by US$27,223 (COP$79,463,470), quarter-on-quarter in 2016, due to the following:

- Decrease of US$6,824 (COP$19,918,968) due to the use of tax credits of the income tax (25%) on the net taxable income.

- Decrease of US$36,358 (COP$106,130,339) due to the use of temporary differences related to the PARAPAT and estimated liabilities and provisions.

- Net increase of US$15,671 (COP$45,744,652) for the recognition of tax losses and excess of the minimum base of the income tax for equality CREE, corresponding to prior periods.

- Increase of US$288 (COP$841,185) due to the depreciation of the revalued cost of the PARAPAT's contract property with compensation in the Shareholders' Equity in *Reserves for Revaluation, net of deferred tax*.

Note 11 - Deferred tax (continued)

Deferred Tax Liabilities

Deferred tax liabilities decreased by US$5,411 (COP$15,794,176), quarter-on-quarter of 2016, due to the following:

- Decrease of US$19 (COP$54,834) due to the depreciation of the revalued cost of own properties with counterpart the in Shareholders' Equity in *Reserves for Revaluation, net of deferred tax*.

- Decrease of US$7,546 (COP$22,025,917) for the use of taxable temporary differences, generated mainly in the valuation of hedges.

- Increase of US$2,154 (COP$6,286,575) for the recognition of taxable temporary differences arising from the valuation of hedges with counterpart Shareholders' Equity Reserves for Cash Flows in Hedge Derivatives.

Note 12 - Financial Obligation and Other Financial Obligations

Financial obligations, including PARAPAT, totaled US $2,650,751 (COP$7,737,567,056) as of June of 2016, a decrease of 0.7% compared to March 2016. The PARAPAT obligation totaled US$1,378,439 (COP$4,023,676,591), decreasing US$14,447 (COP$42,172,498), compared to March 2016.

	At June 30,		**At March 31,**	
	2016			
	(in *thousands* of US$)	**(in *thousands* of COP$)**	**(in *thousands* of US$)**	**(in *thousands* of COP$)**
Financial obligations (a)	84,905	247,837,885	87,377	255,052,983
Hedging instruments (d) [(1)]	40,659	118,683,305	26,523	77,419,858
Other financial obligations (interests)	13,622	39,764,146	1,672	4,884,296
	139,186	**406,285,336**	**115,572**	**337,357,137**
Other financial obligations - PARAPAT (c)	172,153	502,516,373	170,617	498,032,480
Total Current	**311,339**	**908,801,709**	**286,189**	**835,389,617**
Financial obligations and senior bond (b)	1,133,126	3,307,605,129	1,163,199	3,395,390,568
Other financial obligations - PARAPAT (c)	1,206,286	3,521,160,218	1,222,269	3,567,816,609
Total Non-current	**2,339,412**	**6,828,765,347**	**2,385,468**	**6,963,207,177**
Total financial debt	**2,650,751**	**7,737,567,056**	**2,671,657**	**7,798,596,794**

(1) See, *Hedging instruments*

a) Decrease in financial debt with credit institutions at short-term of US$2,472 (COP$7,215,098) from US$87,377 (COP$255,025,983) as of March 31, 2016 to US$84,905 (COP$247,837,885) in June 2016, generated by the payment debt of US$7,795 (COP$22,754,965) and an increase of US$5,323 (COP$15,539,867) for the net effect of the long to short-term debt reclassifications and exchange difference.

b) Decrease in financial debt with long-term credit institutions of US$30,073 (COP$87,785,439) as net effect of the exchange difference, long to short-term debt reclassifications, among other effects, includes senior bond. See detailed below:

Senior bond

	At June 30,		**At March 31,**		**Variation**
	2016				**Percentage**
Bonds	**(in *thousands of* US$)**	**(in *thousands of* COP$)**	**(in *thousands of* US$)**	**(in *thousands of* COP$)**	**%**
Face value	750,000	2,189,257,500	770,971	2,250,472,500	(2.7%)
Transaction of cost	(2,255)	(6,581,471)	(2,344)	(6,840,940)	(3.8%)
Total long term	**747,745**	**2,182,676,029**	**768,628**	**2,243,631,560**	**(2.7%)**

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

The net variation of the long-term bond was of US$20,883 (COP$60,955,531), from US$768,628 (COP$2,243,631,560) as of March 31, 2016 to US$747,745 (COP$2,182,676,029) in June, 2016. The variation is due to the revaluation of the exchange rate of 2.72%. The bonds' nominal value is presented net of the issuance cost.

c) Decrease in debt with the PARAPAT of US$14,447 (COP$42,172,498) net between capitalization of interests of US$42,333 (COP$123,571,431) and payments that have been made in the period by US$56,780 (COP$165,743,929).

d) Increase in the valuation of derivative instruments as a result of i) increase in valuation for exchange rate Non Delivery Forward hedging by US$11,349 (COP$33,128,424) due to the effect of the revaluation of the exchange rate during the period of 2.72% ii) Increase for interest rate hedging of US$667 (COP$1,947,389) due to a net effect of the longer term of accrual of interests, offset by a higher titration curve, and iii) increase from the change in the valuation of the CVA (Credit Valuation Adjustment) of US$2,120 (COP$6,187,634).

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 U.S. dollars and its financial liabilities in U.S. 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 effect (financial and trade operations) decrease 19.9% due to revaluation of Colombian Peso by 2.72% during second quarter of 2016. The valuation for interest rate increased 13.6% due to the displacement of the Libor Interest Rate Swap curve, from one period to the other.

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

	At June 30,		At March 31,	
	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(2)	(29,556)	(86,275,444)	(19,133)	(55,849,992)
Mark to market – exchange rate effect for trade operations	(666)	(1,940,064)	178	521,338
Mark to market – interest rate effect	(6,620)	(19,324,277)	(8,517)	(24,860,624)
CVA/DVA(2)	43	124,388	949	2,769,420
Total short term, Note (4 y 12) (1)	**(36,799)**	**(107,415,397)**	**(26,523)**	**(77,419,858)**
Long term				
Mark to market – Exchange rate effect for financial operations(2)	125,938	367,613,081	138,445	404,121,152
Mark to market – Interest rate effect	96,424	281,463,170	87,599	255,701,097
CVA/DVA(3)	-	-	(1,177)	(3,435,244)
Total long term (Note 4)	**222,362**	**649,076,251**	**224,866**	**656,387,005**
Total mark to market	**185,563**	**541,660,854**	**198,343**	**578,967,147**
Breakdown by Effect				
Exchange rate effect				
Exchange rate effect for financial operations	96,382	281,337,637	119,312	348,271,160
Exchange rate effect for trade operations	(666)	(1,940,064)	178	521,338
Total exchange rate effect	**95,716**	**279,397,573**	**119,490**	**348,792,498**
Total Interest rate effect	89,804	262,138,893	79,082	230,840,473
Total CVA/DVA	43	124,388	(228)	(665,824)
Total mark to market	**185,563**	**541,660,854**	**198,343**	**578,967,147**

(1) Corresponds to the net position liability and asset (Note 12 and 4 - Hedging instruments).
(2) Corresponds to the exchange rate of derivatives that cover financial 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).

Note 13 - Suppliers and Accounts Payable

The balance of suppliers and accounts payable is the following:

	At June 30,		At March 31,	
	2016			
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Current:				
Suppliers	210,466	614,351,323	201,088	586,978,966
Capital expenditures	102,285	298,571,506	57,949	169,152,423
Shareholders, related parties and foreign associated companies	41,832	122,109,176	39,484	115,252,813
Labor obligations	7,046	20,566,426	9,426	27,517,628
Others	984	2,871,983	996	2,906,189
	362,613	**1,058,470,414**	**308,943**	**901,808,019**
Non-current:				
Debt with public administrations (spectrum)	50,666	147,895,929	51,850	151,351,065
Grants	5,442	15,882,187	5,412	15,794,702
Deposits received from clients and others	9,800	28,607,688	9,681	28,260,386
	65,908	**192,385,804**	**66,943**	**195,406,153**
	428,521	**1,250,856,218**	**375,886**	**1,097,214,172**

Note 14 - Estimates Liabilities and Provisions

Current estimates liabilities and provisions decrease by US$385 (COP$1,122,191), main variations are explained below:

- There is an increase in provisions for labor obligations of US$3,033 (COP$8,853,020).
- Decrease in tax provision of US$2,818 (COP$8,225,617) mainly due to: i) net effect of the offset of the tax income for equality CREE of 2015 and accrual of the provision of 2016 for US$1,838 (COP$5,363,906) and ii) net effect of the payment of the industry and commerce tax of 2015 and accrual of the provision of 2016 for US$536 (COP$1,565,308).

Note 15 – Shareholders´ Equity, Net

Authorized, subscribed and paid capital is presented as follows:

Share Capital

	At June 30 and March 31, 2016	At December 31, 2015
	(in *thousands of* COP$)	
Authorized capital	$ 1,454,870,740	$ 1,454,870,740
Subscribed and paid capital	1,454,871	1,454,870,740
Number of outstanding shares	1,454,870,740	1,454,870,740
Nominal value (in pesos) (1)	1	1,000

(1) See Note 3 Capital Management – Going Concern

Note 15 – Shareholders´ Equity, Net (continued)

The number of shares and the participation at June 30st and March 31st of 2016 is presented as follows:

Shareholders	Number of shares	Percentage %
Telefónica Internacional S.A.U.	437,085,325	30,0428975
The Nation – Ministry of Finance and Public Credit	472,832,991	32,5000000
Olympic Ltda, In liquidation	275,603,185	18,9434826
Telefónica S.A.	269,339,035	18,5128185
Radio Televisión Nacional de Colombia-RTVC	10,000	0,0006873
Canal Regional de Televisión Ltda,- TEVEANDINA	200	0,0000137
Latin America Cellular Holdings S.L.	2	0,0000001
Central de Inversiones S.A.-CISA	1	0,0000001
Terra Networks Colombia S.A.S.	1	0,0000001
	1,454,870,740	**100,0000000%**

Note 16 - Operating Income

The following table sets forth the principal components of our revenues for the six-month period ended June 30, 2016 and 2015.

	Period from January 1 to June 30,				Variation
	2016		2015		Percentage
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)	%
Mobile Operation					
Voice revenues	189,633	553,540,443	216,678	632,484,545	(12.5%)
Mobile data transmission-connectivity	151,035	440,874,042	118,810	346,808,684	27.1%
Added value services (a)	19,637	57,321,291	24,550	71,662,853	(20.0%)
Carrier services – MVNO (b)	20,848	60,854,789	18,507	54,020,946	12.7%
Interconnection and roaming	37,706	110,063,916	43,720	127,619,098	(13.8%)
Sales of mobile equipment	64,996	189,723,920	52,225	152,444,444	24.5%
Loyalty program	(108)	(313,965)	(108)	(315,611)	0.5%
Mobile Operation Revenues	**483,747**	**1,412,064,436**	**474,382**	**1,384,724,958**	**2.0%**
Fixed Operation					
Data transmission services	120,277	351,091,077	117,345	342,531,269	2.5%
Fixed telephony and long distance	102,215	298,365,522	115,378	336,788,142	(11.4%)
Satellite television services	42,139	123,005,432	31,694	92,515,606	33.0%
IT and new services	49,046	143,166,072	18,572	54,210,810	164.1%
Sales of equipment	499	1,457,084	513	1,501,229	(2.9%)
Fixed Operation Revenues	**314,178**	**917,085,187**	**283,502**	**827,547,056**	**10.8%**
Operating Income	**797,925**	**2,329,149,623**	**757,884**	**2,212,272,014**	5.3%
Other operation income (c)	21,548	62,899,148	18,471	53,917,724	16.7%
Total Income	**819,473**	**2,392,048,771**	**776,355**	**2,266,189,738**	**5.6%**

(a) Includes messaging, rehabilitation charges, and content, among others.
(b) MVNO – Mobile Virtual Network Operation
(c) Includes other income such as billing and collection to third parties, commercial support, grants and leases, among others,

Operating income reached US$797,925 (COP$2,329,149,623), a 5.3% year-on-year increase (+1.6% quarter-on-quarter) driven mainly by the mobile data business, satellite television and *Information technology and new services* which offset lower income from mobile interconnection, due to the reduction in mobile termination rates and an aggressive competitive scenario. Excluding strong regulatory impact, total revenues would have grown 7.4%.

Mobile revenues reached US$483,748 (COP$1,412,064,436) at the end of the second quarter, a 2.0% 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, 2016. The growth in mobile income is generated as a result of the better performance of income from data services, which are supported by the offer "All in One" (integrated voice, SMS and data offer) of prepaid and income from terminals sales.

Note 16 - Operating Income (continued)

Fixed business revenues amounted to US$314,177 (COP$917,085,187) at the end of the second quarter, increasing 10.8% year-on-year (+4.4% quarter-on-quarter) leveraged by the income from *Information technology and new services* and satellite television.

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

a) Revenues from ***mobile voice service***, including prepaid and postpaid, decreased by 12.5%, from US$216,678 (COP$632,484,545) to US$189,633 (COP$553,540,548) at the end of the second quarter of 2015 and 2016 respectively. Reduction is mainly explained by voice to data substitution effect and the increase in promotional intensity, which all together has generated a dynamic of reduction of *Monthly fixed fees.* However, the commercial activity's behavior is highlighted, with an increase of 6.5% in voice subscribers from 12.4 million at the end of second quarter of 2015 to 13.2 million in the second quarter of 2016 (+1.3% quarter-on-quarter) and the reduction of churn 0.58 p.p year-on-year (-0.06 p.p quarter-on-quarter).

b) Revenues from ***mobile data transmission (connectivity)*** increased by 27.1% from US$118,810 (COP$346,808,684) at the end of second quarter of 2015 to US$151,035 (COP$440,874,042) at the end of second quarter of 2016 (+7.8% quarter-on-quarter), mainly explain by the year-on-year increase of data traffic of 37.0% (+3.8% quarter-on-quarter), excluding MVNO traffic. The Company's strategy is focused on growth of data services, including the rapid deployment of the 4G network, which at the end of the second quarter of 2016 had a base of 1.7 million subscribers, showing exceptional growth of 155.7% year-on-year (+21.2% quarter-on-quarter). Additionally, the growth of the smartphones' customer base is outstanding, with a growth of 21.7% year-on-year (+0.8% quarter-on-quarter), from 3.7 million subscribers to 4.5 million subscribers at the end of second quarter of 2015 and of 2016, respectively. This generates an increase of 1.5% year-on year, in prepaid smartphones' penetration, reaching 24.7% in the second quarter of 2016 and an increase of 13.1% year-on-year in postpaid smartphones' penetration, reaching 74.1% at the end of the second quarter of 2016.

c) Revenues from ***value added services*** decreased by 20.0% from US$24,550 (COP$71,662,853) at the end of the second quarter of 2015 to US$19,637 (COP$57,321,291) at the end of the second quarter 2016 (-10.7% quarter-on-quarter) mainly due to the replacement of VASs and SMS for new applications through Data Services (Connectivity).

d) The ***carrier services (MVNO)* line**, which includes revenues generated by the Mobile Virtual Network Operator due to incoming and outgoing traffic, grew 12.7%, from US$18,507 (COP$54,020,946) to US$20,848 (COP$60,854,789) at the end of the second quarter of 2015 and second quarter of 2016 respectively, due to the increase in voice traffic by 38.2% (+0.8% quarter-on-quarter) and growth in data traffic by 74.5% year-on-year (+8.8% quarter-on-quarter).

e) The **interconnection and roaming** revenues decreased by 13.8% from US$43,720 (COP$127,619,098) at the end of the second quarter 2015 to US$37,706 (COP$110,063,916) at the end of the second quarter 2016 (-7.2% quarter-on-quarter) mainly due to the reduction by 42.2% in mobile termination rates from January 1st of 2016. Excluding this effect, interconnection revenues would have increased 23.1% due to incoming traffic growth year-on-year by 23.2%. The decrease in revenues is offset by the reduction of interconnection cost due to the same impact (*See Note 17 e*)). The quarter-on-quarter fall is explained by the entry into force of the new resolution which deregulates the rate for calls originated on fixed networks and terminated in mobile networks.

f) Revenues from **sales of equipment** increased by 24.5% year-on-year, or US$12,771 (COP$37,279,475) at the end of the first quarter 2016 (+6.7% quarter-on-quarter), mainly due to the impact of the devaluation of the exchange rate with an increase of 12.3% year-on-year, which translates to the equipment selling price. Likewise, increase in the average price of equipment given the largest share of smartphones in the handsets sales mix, which increased 6.7% year-on-year (-0.6% quarter-on-quarter), closing in the second quarter of 2016 at 91.5%.

Note 16 - Operating Income (continued)

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

a) Revenues from ***fixed telephony and long distance*** decreased by 11.4%, from US$115,378 (COP$336,788,142) in the second quarter of 2015 to US$102,215 (COP$298,365,522) to the second quarter 2016 (-0.6% quarter-on-quarter), mainly due to a year-on-year decrease of subscribers' base by 3.3% (-0.8% quarter-on-quarter) and ARPU by 7.5%, from US$10.1 (COP$29,604) at the end of the second quarter of 2015 to US$9.4 (COP$27,386) at the end of the second quarter of 2016 (+2.4% quarter-on-quarter). This decrease in the ARPU is the result of the product life cycle, fixed to mobile substitution effect.

b) Revenues from ***data transmission services*** increased by 2.5%, from US$117,345 (COP$342,531,269 thousand) at the end of the second quarter of 2015 to US$120,277 (COP$351,091,077) at the end of the second quarter of 2016, explained by (i) the increase by 3.6% year-on-year of the revenues from broadband internet services due to an increase in the subscribers' base of 1.2% from 989 thousand at the end of second quarter of 2015 to 1,001 thousand at the end of second quarter of 2016 (+0.3% quarter-on-quarter), excluding dedicated Internet access; and an increase in ARPU of 1.2%, amounting US$10.67 (COP $31,141) at the end of the second quarter of 2016. In addition, (ii) data revenues and capacity rental increased 0.7% year-on-year due to new projects of corporate and wholesale segments, focused on data transmission service and services provision.

c) Revenues from ***Satellite television services*** increased by 33.0%, or US$10,445 (COP$30,489,826) year-on-year (+1.7% quarter-on-quarter) due to subscribers and ARPU year-on-year growth. Subscribers' base grew 17.1%, rising from 444 thousand at the end of the second quarter of 2015 to 520 thousand at the end of the second quarter of 2016 (+4.6% against the previous quarter). The ARPU's increase was of 13.9%, amounting US$14.00 (COP$40,860) at the end of second quarter of 2016. Year-on-year growth is the result of the strengthening of service quality, the higher number of HD channels, improvement of contents and the introduction on August 2015 of the "Win Sports" channel (Colombian league football).

d) Revenues from ***IT and Integral Solutions*** increased by 164.1% or US$30,474 (COP$88,955,263) year-on-year (+47.1% quarter-on-quarter) mainly explained by new IT projects of the corporate segment, related to equipment sale.

Note 17 – Operating Cost and Expenses

The following table sets forth the principal components of our operating cost and expenses for the six-month period ended June 30, 2016 and 2015:

	Period from January 1 to June 30,				Variation
	2016		2015		Percentage
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)	%
Cost of terminals and accessories	99,296	289,846,859	65,241	190,439,164	52.2%
Rentals and other network infrastructure	60,301	176,020,654	55,275	161,349,633	9.1%
Maintenance	46,492	135,709,850	42,382	123,712,032	9.7%
Labor cost	58,680	171,286,489	56,462	164,812,194	3.9%
Interconnection and roaming	46,774	136,533,141	49,156	143,487,594	(4.8%)
Taxes and compensations	40,651	118,659,833	39,974	116,683,284	1.7%
Other costs and operation expenses *(a)*	38,162	111,395,050	28,828	84,148,918	32.4%
Commissions	36,302	105,966,791	31,508	91,970,896	15.2%
Energy	26,296	76,754,151	22,189	64,770,621	18.5%
Advertisement and brand fee	23,956	69,929,032	23,869	69,675,018	0.4%
Contents suppliers	25,067	73,171,164	21,866	63,825,907	14.6%
Services (customer services)	13,818	40,335,952	14,515	42,370,452	(4.8%)
Provision for doubtful accounts	8,493	24,791,152	9,751	28,462,698	(12.9%)
Other non-recurrent costs	4,502	13,142,361	3,535	10,319,083	27.4%
Other *(b)*	45,001	131,355,547	41,145	120,102,932	9.4%
Total	**573,790**	**1,674,898,026**	**505,696**	**1,476,130,426**	**13.5%**

(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.

Note 17 – Operating Cost and Expenses (continued)

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

a) An increase of 52.2% year-on-year in the ***cost of terminals and accessories*** from US$65,241 (COP$190,439,164) to US$99,296 (COP$289,846,859) (+23.5% quarter-on-quarter) mainly caused by the impact for the devaluation of the exchange rate of 12.3%, year-on-year.

b) Costs of **rentals and other network infrastructures** increased by 9.1%, or US$5,026 (COP$14,671,021) (-3.2% quarter-on-quarter) mainly due to the expansion of LTE technology network nationwide in 292 new deployed sites during the last twelve months. Additionally, increase in rental of technical sites, increase of international capacity and rental of last mile to meet demand for broadband customer growth.

c) The costs of network ***maintenance*** increased by 9.7% year-on year from US$42,382 (COP$123,712,032) to US$46,492 (COP$135,709,850) (3.0% quarter-on-quarter) due to the commissioning of new sites (towers and antennas), the support of new projects and exchange rate impact due to devaluation of 12.3% year-on-year.

d) ***Labor costs*** increased by 3.9%, or US$2,218 (COP$6,474,296) year-on-year (-2.4% quarter-on-quarter) primarily by wage increases.

e) ***Interconnection and roaming*** costs, including mobile termination rates, decreased by 4.8% year-on-year (+9.6% quarter-on-quarter) mainly due to the implementation of Resolution 4660 of 2014 of the Communications Regulation Commission – CRC, which contemplates the decrease of termination rates by 42.2% from January 2016.

f) ***Other costs and operation expenses*** increased by 32.4% or US$9,334 (COP$27,246,132) mainly due to greater costs associated to the new projects of the corporate and wholesale segments.

g) The ***commissions*** increased by 15.2%, from US$31,508 (COP$91,970,896) to US$36,302 (COP$105,966,791) year-on-year (+11.3% quarter-on-quarter) mainly due to higher commercial activity during second quarter of 2016, compared with the second quarter of 2015. To the second quarter of 2016 gross adds increased by 15.5% compared to second quarter of 2015.

h) ***Energy*** increased by 18.5%, year-on year or US$4,105 (COP$11,983,530) (-5.1% quarter-on-quarter) mainly due to the increase of tariffs, as consequence of the meteorological phenomenon “El Niño”, increase in consumption, and the new technical sites’ commissioning.

i) ***Contents suppliers*** increased by 14.6% year-on-year, from US$21,866 (COP$63,825,907) to US$25,067 (COP$73,171,164) (+2.8% quarter-on-quarter), mainly due to the outstanding TV subscribers growth and exchange rate impact due to devaluation of 12.3% year-on-year.

Note 18 - Depreciation and Amortization

The following table sets forth the principal components of our depreciation and amortization for the six-month period ended June 30, 2016 and 2015:

	Period from January 1 to June 30,			
	2016		2015	
	(in *thousands of* US$)	(in *thousands of* COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Depreciation of property, plant and equipment	(125,877)	(367,436,999)	(124,340)	(362,948,782)
Amortization of intangibles assets	(41,115)	(120,012,885)	(40,801)	(119,099,353)
Depreciation and amortization	**(166,992)**	**(487,449,884)**	**(165,141)**	**(482,048,135)**

Note 18 - Depreciation and Amortization (continued)

The expense for ***depreciation*** and ***amortization*** increase by 1.1%, or US$1,851 (COP$5,401,749) year-on-year at the end of second quarter of 2016 mainly due to new additions of US$31,311 (COP$91,395,903), end of useful lives for US$29,371 (COP$85,733,607) and derecognition of financial assets for US$0.89 (COP$260,546).

Note 19 - Financial Result, net

The net financial result increased by 13.5%, from US$116,690 (COP$340,621,041) at the end of the second quarter of 2015 to US$132,474 (COP$386,694,084) at the end of the second quarter of 2016:

	Period from January 1 to June 30,			
	2016		2015	
	(in *thousands of* US$)	(in *thousands* of COP$)	(in *thousands of* US$)	(in *thousands of* COP$)
Parapat interest expense (a)	84,725	247,313,294	68,828	200,910,974
Debt interest expense (b)	41,237	120,372,034	38,648	112,814,217
Hedging financial expenses (c)	5,645	16,477,842	6,993	20,413,572
Others (d)	988	2,882,738	3,683	10,749,391
Exchange rate differential (e)	(121)	(351,824)	(1,462)	(4,267,113)
Net financial result	**132,474**	**386,694,084**	**116,690**	**340,621,041**

a) Increase of US$15,897 (COP$46,402,320) in the PARAPAT interest expenditure, associated with the increase in the CPI used for the accrual of interest.

b) Increase in the financial expense of financial obligations by US$2,589 (COP$7,557,817) associated with the growth of Colombian interest rates, with the increase of about 300 basis points (IBR) year-on-year.

c) Decrease in the interest expenditure of hedges for US$1,348 (COP$3,935,730) due to movement of the Non Delivery Forward titration curve, which increases the income due to the effect of the valued interest rate.

d) Decrease of US$2,695 (COP$7,866,654) for other items, mainly associated with: i) a financial accrual of the financial update of the Spectrum for US$1,582 (COP$4,618,982) generated by the amortization made during 2016; ii) decrease of levy on financial transactions of US$828 (COP$2,416,008) due to the prepayment of the financial debt occurred in 1Q 2015 with the resources from the Hybrid Bond, iii) a higher financial income of US$498 (COP$1,453,063) in the six first months of 2016 compared to the same period of 2015 and iv) increase due to other effects of US$213 (COP$621.399).

Note 20 – Wealth tax, income and deferred tax

As of June 30, 2016 it was recorded for taxes of US$26,749 (COP$78,081,641), the composition is a follow:

- The expenditure for tax on wealth of US$2,821 (COP$8,234,374) corresponds to the causation of the first half of 2016.

- The current expenditure of the income tax for equality CREE of US$1,133 (COP$3,310,042) corresponds to the liquidation of the first half of 2016, based on the minimum income. See note 2, Expense for income tax.

- Expenditure for non-recurring income tax of US $8 (COP$22.959) generated by sale of a fixed asset.

- The expenditure for net deferred tax of US$22,787 (COP$66,514,266) is detailed as follows:

    (i) Net income recognition of US$15,671 (COP$45,744,652) for minimum base loss and excess of the income tax for equality CREE, corresponding to prior periods.

Note 20 – Wealth tax, income and deferred tax (continued)

(ii) Net expense recovery of US$43,951 (COP$128,293,518) associated with the deferred tax liability on taxable temporary differences, mainly by hedge valuation.

(iii) Use (expense) of US$32,170 (COP$93,903,697) of the income tax (25%) on taxable income generated at June 2016.

(iv) Use (expense) of US$50,239 (COP$146,648,739) of the deferred tax asset from temporary differences related to the PARAPAT and estimated liabilities and provisions.

Note 21 – Self withholdings

The expense for income tax includes the expense of the current tax and deferred tax. Colombian companies are subject to corporate income tax currently set at a rate of 25.0%. Colombian tax regulations provide that the basis for the calculation of such income tax applicable is the greater of a company's net taxable income and its presumptive income. Under applicable regulations, presumptive income is equivalent to 3.0% of net tax equity (patrimonio líquido fiscal) of the company on the last day of the immediately preceding taxable year. However, according to article 73 of Law 1341 and article 24 of Law 142 of 1994, because we are a public utilities company (Empresa de Servicios Públicos) we have not determined nor paid income tax on a presumptive income basis.

In addition, pursuant to Law 1607 of 2012, we are required to pay the income tax for equality CREE at a rate of 9.0% from 2015 onwards. We are also subject to an annually increasing income tax for equality CREE surcharge of 5.0% in 2015, 6.0% in 2016, 8.0% in 2017 and 9.0% in 2018, applicable to our net taxable income exceeding COP$800 million. The surcharge will be eliminated in 2019. The income tax for equality CREE and the related surcharge are each calculated on the basis of the greater of our taxable income or our presumptive income. Although, as a public utilities company (Empresa de Servicios Públicos), we have not determined nor paid income tax based on our presumptive income, this exemption does not apply to the calculation of the CREE tax.

Regardless of the tax expense recognized, tax regulations provide that companies are forced to pay income taxes in advance (both corporate income tax and income tax for equality CREE) through self withholdings, which are calculated on the basis of monthly revenues and paid the following month. Once Corporate Income Tax and income tax for equality CREE declaration are submitted and approved by the tax authority, total expense is compensated with paid self withholdings and balance in favor is returned to the company. Positive balance can be used to compensate other indirect tax payments as valued add tax or suppliers withholdings.

Note 22– Contingencies

The Company rates legal contingencies in accordance with the probable, eventual or remote probability of loss, and for quantification purposes, it determines the amounts to be accrued based on the reports of its legal advisors. Only probable contingencies are recorded as provisions.

As of June 31, 2016 the ongoing processes and which are reported as probable contingencies, and therefore has already been provisioned don't exhibit significant variation compared to the first quarter of 2016, showing a balance of US$9,598 (COP$28,019,236).

Additionally, the Company has disputes qualified as eventual, which are currently in proceedings before judicial, administrative and arbitration bodies. These contingencies have not been provisioned. During the second quarter of 2016, the financial claims increased by 1.1% from US$44,155 (COP$132,491,353) at March 31, 2016 to US$45,879 (COP$133,923,818) at June 30, 2016.

Note 23 – Other Financial and Operating Information

a. EBITDA [(a)]	Period from January 1 to June 30, 2016 (in *thousands of* US$)	2016 (in *thousands* of COP$)	2015 (in *thousands of* US$)	2015 (in *thousands* of COP$)	Variation Percentage %
Net income (loss)	(80,532)	(235,074,864)	5,439	15,878,152	
Plus:					
Depreciation and amortization	166,992	487,449,884	165,141	482,048,135	1.1%
Financial expenses, net	132,474	386,694,084	116,690	340,621,041	13.5%
Income tax [(b)]	26,749	78,081,641	(16,611)	(48,488,015)	(261.0%)
EBITDA	**245,683**	**717,150,745**	**270,659**	**790,059,313**	**(9.2%)**

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

b. EBITDA Margin

	Period from January 1 to June 30, 2016	2015
EBITDA margin [(a)]	30.8%	35.7%

(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$50,084 (COP$148,402,468) of amounts of additional debt allowed under the Offering Memorandum of the issuance of the senior notes of 2012, US$300,000.

d. Accesses

(figures in thousands)	2015 March 31	2015 June 30,	2015 September 30,	2015 December 31,	2016 March 31	2016 June 30,
Final Clients Accesses	15,777	15,308	15,588	15,825	15,977	16,161
Fixed Telephony Accesses *(1)*	1,466	1,451	1,448	1,431	1,414	1,403
Internet and Data Accesses *(2)*	997	1,000	1,013	1,009	1,008	1,012
Broadband (3)	989	991	1,004	1,000	1,000	1,003
Pay TV Accesses	429	444	471	489	497	520
Mobile Accesses *(4)*	12,885	12,413	12,656	12,897	13,057	13,226
Prepaid	9,633	9,159	9,342	9,511	9,625	9,730
Postpaid	3,252	3,255	3,314	3,386	3,432	3,496
Wholesale Accesses	2	2	2	2	1	1
Total Accesses	**15,779**	**15,310**	**15,589**	**15,826**	**15,978**	**16,162**

(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,

(figures in pesos)	2015 March 31	2015 June 30,	2015 September 30,	2015 December 31,	2016 March 31	2016 June 30,
Average Revenues per User – ARPU						
Fixed Telephony (1)	29,980	29,604	29,271	29,495	27,068	27,386
Broadband (2)	30,498	30,761	30,830	30,910	30,704	31,141
Pay TV	35,602	35,881	36,197	36,760	41,060	40,729
Total Mobile (3)	15,562	15,610	15,721	15,807	15,148	14,939
Prepaid	4,224	4,260	4,414	4,516	4,057	4,017
Postpaid	49,142	48,740	48,358	48,153	46,236	45,501

(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 June 30, 2016, 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.