

**SPECIAL PURPOSE FINANCIAL STATEMENTS
WITH EXPLANATORY NOTES**

Colombia Telecomunicaciones S.A. E.S.P.

**At June 30, 2013 and for the six-month period ended
June 30, 2012.**

Colombia Telecomunicaciones S.A. E.S.P.

**Special Purpose Financial Statements with
Explanatory Notes**

At June 30, 2013 and for the six-month period ended June 30, 2012

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Telecomunicaciones S.A. E.S.P.
Special Purpose Balance Sheets
Unaudited

	At June 30, 2013		At March 31, 2013	
	(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	\$ 105,911	\$ 204,302,770	\$ 29,960	\$ 54,892,943
Temporary investments	2,742	5,288,965	19,896	36,453,184
Accounts receivable, net	332,967	642,292,371	343,881	630,058,421
Inventories, net	32,446	62,588,121	39,979	73,249,316
Pre-paid expenses	13,200	25,462,391	17,177	31,471,476
Total current assets	487,266	939,934,618	450,893	826,125,340
Non-current assets:				
Permanent investments	31	60,000	33	60,000
Accounts receivable, net	528,124	1,018,749,438	536,031	982,116,859
Properties, plant and equipment, net	1,539,317	2,969,342,883	1,663,991	3,048,763,457
Intangibles, net	275,337	531,125,100	323,807	593,279,058
Pre-paid expenses	1,863	3,594,384	2,051	3,757,806
Deferred charges, net	350,724	676,547,344	361,908	663,088,688
Other assets	899	1,734,670	1,609	2,948,077
Revaluation of assets	155,041	299,074,194	186,282	341,305,061
Total non-current assets	2,851,336	5,500,228,013	3,075,712	5,635,319,006
Total assets	\$ 3,338,602	\$ 6,440,162,631	\$ 3,526,605	\$ 6,461,444,346
Liabilities				
Current liabilities:				
Financial obligations	\$ 83,682	\$ 161,422,032	\$ 86,333	\$ 158,179,145
Suppliers and accounts payable	343,496	662,604,479	355,309	650,996,821
Taxes, liens and charges	93,898	181,128,729	83,846	153,622,954
Labor liabilities	4,858	9,370,125	9,075	16,627,224
Estimated liabilities and provisions	176,055	339,610,616	185,492	339,857,883
Deferred liabilities	16,160	31,173,470	16,564	30,348,593
Other liabilities	27,057	52,193,802	31,465	57,649,305
Total current liabilities	745,206	1,437,503,253	768,084	1,407,281,925
Non-current liabilities:				
Financial obligations	991,325	1,912,266,037	1,037,298	1,900,536,524
Taxes, liens and charges	11,820	22,801,346	24,890	45,602,694
Estimated liabilities and long-term provisions	5,592	10,787,123	5,522	10,117,867
Deferred liabilities	82,827	159,774,084	89,338	163,686,227
Other liabilities	44,029	84,930,637	46,440	85,088,136
Bonds and securities	750,000	1,446,750,000	750,000	1,374,150,000
Total non-current liabilities	1,885,593	3,637,309,227	1,953,488	3,579,181,448
Total liabilities	\$ 2,630,799	\$ 5,074,812,480	\$ 2,721,572	\$ 4,986,463,373

(a) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2013 have been translated into U.S. dollars at the exchange rate as of June 30, 2013 of COP\$1,929.00 and for the three-month period ended March 31, 2012 have been translated into U.S. dollars at the exchange rate as of March 31, 2013 of COP\$1,832.20.

Colombia Telecomunicaciones S.A. E.S.P.
Special Purpose Balance Sheets
Unaudited

	At June 30, 2013		At March 31, 2013	
	<i>(in thousands of U.S.\$)(a)</i>	<i>(in thousands of COP\$)</i>	<i>(in thousands of U.S.\$)(a)</i>	<i>(in thousands of COP\$)</i>
Shareholders' equity:				
Subscribed and paid capital	\$ 754,210	\$ 1,454,870,740	\$ 794,057	\$ 1,454,870,740
Additional paid-in capital	1,757,007	3,389,266,946	1,849,835	3,389,266,946
Reserves	46,936	90,539,756	49,416	90,539,756
Equity revaluation	286,316	552,302,812	307,665	563,703,485
Accumulated losses	(2,225,073)	(4,292,166,752)	(2,342,630)	(4,292,166,752)
Net loss of the period	(66,634)	(128,537,545)	(39,591)	(72,538,264)
Valuation surplus	155,041	299,074,194	186,282	341,305,061
Total Shareholders' equity	707,802	1,365,350,151	805,033	1,474,980,973
Total liabilities and shareholders' equity	\$ 3,338,602	\$ 6,440,162,361	\$ 3,526,604	\$ 6,461,444,346
Debit memorandum accounts	\$ 2,836,789	\$ 5,472,165,347	\$ 3,188,727	\$ 5,842,385,631
Credit memorandum accounts	\$ 5,881,498	\$ 11,345,410,179	\$ 6,106,674	\$ 11,188,648,766

- (a) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2013 have been translated into U.S. dollars at the exchange rate as of June 30, 2013 of COP\$1,929.00 and for the three-month period ended March 31, 2012 have been translated into U.S. dollars at the exchange rate as of March 31, 2013 of COP\$1,832.20.

Colombia Telecomunicaciones S.A. E.S.P.
Special Purpose Statements of Income
Unaudited

	Period from January 1 to June 30,			
	2013		2012(a)	
	(in thousands of U.S.\$)(b)	(in thousands of COP\$)	(in thousands of U.S.\$)(b)	(in thousands of COP\$)
Operating revenue, net	\$ 1,055,267	\$ 2,035,609,687	\$ 1,027,473	\$ 1,981,995,377
Cost of sales and services rendered	(464,830)	(896,657,012)	(462,148)	(891,483,803)
Gross income	590,437	1,138,952,675	565,325	1,090,511,574
Operating expenses:				
Administrative	(93,401)	(180,169,889)	(104,934)	(202,418,320)
Selling expenses	(164,440)	(317,205,498)	(155,114)	(299,213,966)
Provisions	(14,475)	(27,921,675)	(21,843)	(42,134,435)
Total Operating Expenses	(272,316)	(525,297,062)	(281,890)	(543,766,721)
Operating income before depreciation and amortization	318,121	613,655,613	283,434	546,744,853
Depreciation and amortization of:				
Deferred charges and intangibles	(143,570)	(276,946,240)	(139,857)	(269,784,462)
Properties, plant and equipment	(157,292)	(303,416,478)	(152,704)	(294,566,291)
Total depreciation and amortization	(300,862)	(580,362,718)	(292,561)	(564,350,753)
Operating gain (loss)	17,259	33,292,895	(9,127)	(17,605,900)
Non-operating (expenses) revenues:				
Financial expenses, net	(84,434)	(162,872,836)	(93,886)	(181,105,563)
Other income (expenses), net	1,945	3,752,572	4,788	9,235,843
Deferred monetary correction	-	-	860	1,658,933
Tax on net worth	-	-	(4,965)	(9,577,201)
Other expenses, net	(82,489)	(159,120,264)	(93,203)	(179,787,988)
Loss before income tax	(65,230)	(125,827,369)	(102,330)	(197,393,888)
Income tax	(1,404)	(2,710,176)	-	-
Net loss of the six months period	\$ (66,634)	\$ (128,537,545)	\$(102,330)	\$ (197,393,888)

(a) Figures presented only for illustrative purposes.

(b) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2013 and June 30, 2012 have been translated into U.S. dollars at the exchange rate as of June 30, 2013 of COP\$1,929.00.

Colombia Telecomunicaciones S.A. E.S.P.
Statements of Cash Flows
Unaudited

	Period from January 1 to June 30,			
	2013		2012(a)	
	(in thousands of U.S.\$) (b)	(in thousands of COP\$)	(in thousands of U.S.\$) (b)	(in thousands of COP\$)
Cash flows from operating activities:				
Net loss of the period of six months	\$ (66,634)	\$ (128,537,545)	\$ (110,610)	\$(197,393,888)
Reconciliation between net loss and net cash provided (used) by operating activities:				
Depreciation of properties, plant and equipment	157,292	303,416,478	165,060	294,566,291
Amortization of deferred charges	69,734	134,516,213	71,393	127,408,235
Provision for doubtful accounts	14,624	28,210,609	22,523	40,195,000
Amortization of intangibles	73,836	142,430,027	79,780	142,376,227
Amortization of assets given in commodatum	1,372	2,646,059	2,163	3,859,832
Loss from write-off of equipment	3,944	7,607,997	442	787,768
Loss from write-off of deferred charges	1,170	2,256,489	350	624,705
Provision for the protection of inventories, net of recoveries	311	599,895	188	335,164
Exchange difference, net of valuation of derivatives	9,856	19,011,821	-	-
Amortization of tax on net worth	-	-	5,367	9,577,201
Elimination of the net common operations from the merging			35	63,310
Net changes in operating assets and liabilities:				
Accounts receivable	(25,889)	(49,939,784)	42,773	76,332,550
Inventories	(1,401)	(2,702,281)	14,553	25,971,076
Prepaid expenses	(4,523)	(8,724,301)	(9,591)	(17,116,200)
Accounts payable	(269,644)	(520,144,063)	(292,561)	(522,104,735)
Taxes, levies and charges	5,909	11,398,028	(17,513)	(31,253,773)
Labor liabilities	(6,229)	(12,015,269)	(10,515)	(18,765,379)
Estimated liabilities and provisions	(5,293)	(10,211,106)	31,004	55,330,602
Deferred liabilities	53,495	103,191,075	(95)	(169,073)
Other liabilities	(4,010)	(7,735,135)	(8,467)	(15,110,202)
Net cash provided (used) by operating activities	7,920	15,275,206	(13,721)	(24,485,289)
Cash flows from investment activities:				
Acquisition of properties, plant and equipment, net of transfers	(133,021)	(256,596,843)	(92,627)	(165,302,865)
Additions of deferred charges, net of transfers	(2,930)	(5,651,296)	(57,609)	(102,809,090)
Decrease of temporary investments	-	-	23,052	41,137,901
Decrease of intangibles, trust rights	-	-	9,130	16,292,803
Net cash used in investing activities	(135,951)	(262,248,139)	(118,054)	(210,681,251)
Cash flows from financing activities:				
Increase of financial obligations	144,057	277,886,234	102,900	183,635,900
Amortization of tax on net worth as a decrease of equity revaluation	-	-	(7,410)	(13,224,145)
Decrease in accounts receivable long -term	10,711	20,661,858	-	-
Decrease of long-term deferred liabilities	-	-	(5,504)	(9,822,407)
Increase of other long-term liabilities	734	1,415,486	7,080	12,634,289
Net cash provided by financing activities	155,502	299,963,578	97,066	173,223,637
Net decrease in cash and cash equivalents	27,471	52,990,645	(34,709)	(61,942,903)
Cash and cash equivalents at beginning of the six months period of the absorbed company	-	-	54,647	97,522,207
Cash and cash equivalents at beginning of the period	81,182	156,601,090	42,045	75,034,340
Cash and cash equivalents at the end of the period	\$ 108,653	\$ 209,591,735	\$ 61,983	\$110,613,644

(a) Figures presented only for illustrative purposes.

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Colombia Telecomunicaciones S.A. E.S.P.
Explanatory Notes to the Special Purpose Financial Statements
Unaudited

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

All references herein to “peso,” “pesos” or “COP\$” are to Colombian pesos, the official currency of Colombia. All references herein to “U.S. dollars,” “dollars” or “U.S.\$” are to U.S. dollars. Colombia Telecomunicaciones S.A. ESP (the Company) has books and records in pesos. Solely for the convenience of the reader, we have translated the amounts included in the “Financial Statements” and “Explanatory Notes to the Special Purpose Financial Statements” and elsewhere in this document from pesos into U.S. dollars using the selling rate as reported by the Central Bank as of June 30, 2013 of COP\$1,929.00 to U.S.\$1.00, as of March 31, 2013 the exchange rate was COP\$1,832.20.

The Company has prepared its financial information in accordance with accounting practices adopted in Colombia, or Colombian GAAP, and the regulations of the Superintendencia de Sociedades (the Colombian Superintendency of Companies). Colombian GAAP, as applied in the preparation of Company’s financial statements and differs in certain significant respects from International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS. (We do not include additional information about it.). To date, the Company maintains accounting principles applied to the financial statements as of December 31, 2012. Solely for informational purposes the balance sheet is presented comparatively with the balance sheet at March 31, 2013. The statement of income and statements of cash flow as of June 30, 2013 and for the six (6) months period then ended is presented comparative with the same period as of June 30, 2012. For comparative and illustrative purposes the financial statements as of June 30, 2012 and for the six (6) months period included the operation of Telefonica Móviles Colombia S.A. (Absorbed Entity) and the intercompany transactions were eliminated. Certain figures of the financial statements at June 30, 2012 and for the six (6) month period ended on this date have been reclassified for comparison and disclosure purposes.

The following discussion summarizes the significant factors affecting operating results and financial position of Colombia Telecomunicaciones S.A. E.S.P., at June 30, 2013 and for the six (6) months period then ended.

The Company has maintained during the first half of the year has maintained the tendency of progressive improvement, for both commercial terms as wells as in the economic results after the merging of Telefonica Móviles Colombia S.A. and Colombia Telecomunicaciones S.A. ESP in June 2012.

On the other hand, it is important to highlight that the structural changes have been applied during the first half of 2013 by the Colombian Regulating Body (“CRC” per its initials in Spanish) to energize the Country’s telecommunication market. Such changes comprise the application of asymmetric interconnection rates between the operator with a greater quote of the market and the other companies (including the Company).

Therefore, in order to get adapted to the new regulatory environment and move forward in the commercial positioning, the Company continues reinforcing the commercialization of integrated services with focus on the clients with greater value and, during the first half of the year, has highlighted the launching of the simplified prepayment offer, with a sole rate at any destiny and the promotion of double minutes for clients of the contracts segment.

On the other hand, a sample of the Company’s commitment with the development of the telecommunications sector in the Country, it is important to highlight the granting of the AWS band spectrum (2x15 MHz) in the auction of last June 26 with a value of 83 million of Euros, that will be useful to significantly reinforce Company’s positioning in the telecommunications market. Nonetheless, it is important to highlight that the investment associated with to the granting of this spectrum will be recorded in the third quarter, which does not affect the Companies figures in the IIQ.

Colombia Telecomunicaciones S.A. E.S.P.
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Statements of income

Operating Revenue, net

The operating revenue at June 31, 2013 amounted to U.S. \$1,055,3 million (COP \$2,035,610 million), presented an increase of 2.7% regarding the income obtained in the same period of 2012.

There was an increase regarding the mobile operation of 3.9% equivalent to U.S.\$22,57 million (COP \$43,544 million) in comparison with the period ended June 31, 2012. This variance is mainly due to the increase of the service of basic voice and data charges for U.S.\$23,0 million (COP \$43,875 million) as a result of the growth of the plant in 10% of post payment clients.

Income from the sale of terminals had a growth of 2,8%. There was a decrease in the line of other operative income during the first half of 2013 was U.S.\$1,8 million (COP \$3,644 million) in respect of the same period of 2012, mainly due to the decrease of Short Message Services (SMS), given to the preferred use of the free applications included in the Smartphone. Additionally, there were changes in the demand of individual data packages to the limited connectivity packages.

On June 31, 2013, the fixed operating income had an increase of 1.2% equivalent to U.S.\$6,0 million (COP \$10,071 million) in respect of the prior period 2012.

Income per concept of local telephony voice services had an impact in the growth as a result of the replacement of the fixed voice by mobile, which had a decrease of 3.1% in respect of the same period at the closing of June 30, 2012.

The national and international long-distance services have been stable in comparison with the period ended June 30, 2012.

During the first half of 2013, income per concept of Broad Band had an increase of 1.6% in respect of 2012, equivalent to U.S.\$2,5 million (COP \$5,004 million), which maintains the sustainable growth and expanding the leveraged services with state-of-the art technology, equally with the opportunity to offer services with greater coverage in the Country. Therefore, there was an inter annual increase per this concept of 19,6%.

One of the services with greater growth at the end of the first half of 2013 in comparison with the same period of 2012, is the television satellite service that had a growth on its client basis of 31% generating an increase of income in this line for 32.1% at the closing of June 2013, equivalent to U.S.\$6,8 million (COP \$13,285 million), in respect of the same period of 2012. The line of fixed operating income was stable.

Colombia Telecomunicaciones S.A. E.S.P.
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Statements of income

Operating Revenue, net (continued)

A summary of the main income from the Fixed and Mobile's operation is detailed below:

Description	Period from January 1 to June 30, 2013		Period from January 1 to June 30, 2012		%Var. Jun 13 vs Jun 12
	(in millions of U.S.\$) (1)	(in millions of COP\$)	(in millions of U.S.\$) (1)	(in millions of COP\$)	
<u>MOBILE OPERATION</u>					
Basic charge and time on air	497	958,928	474	915,053	4.8%
Sale of terminals	62	120,524	61	117,212	2.8%
Other income from mobile operations (a)	42	80,944	44	84,587	(4.3)%
Income from Mobile Operation	601	1,160,396	579	1,116,853	3.9%
<u>FIXED OPERATION</u>					
Voice Services					
Local telephony	142	274,274	147	283,190	(3,1)%
National and international long distance	60	116,587	60	115,236	1.2%
Broad Band					
Data transmission service	162	311,796	159	306,791	1,6%
TV					
Television	28	54,717	21	41,432	32,1%
Other income from the operation (b)	61	117,840	61	118,493	(0,6)%
Income from Fixed Operation	454	875,214	448	865,143	1.2%
Total Operating Revenue, net	1.055	2,035,610	1.027	1,981,995	2.7%

(a) Mainly includes: International roaming, complementary and supplementary services, incoming minutes and other related activities.

(b) Mainly includes: Equipment sales, income from Government subventions, rentals and other income from telecommunication services.

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Costs of Sales and Rendering Services

The costs of sales and rendering services at June 30, 2013 was for U.S.\$465,0 million (COP\$896,657 million), recording an increase of 0.6% regarding the period ended at June 30, 2012.

The lines of access charges and other network costs had a decrease of 21.7% equivalent to U.S.\$31,0 million (COP\$59,793 million), due to the decrease of interconnection rates between mobile operators that are regulated by the State. On its behalf and at the closing of the first half of 2013 the offset rate grew in 11.4% regarding the first half of 2012, being the most representative the rent for the use of the radio electric spectrum and Fontic's contribution. The compensation to PARAPAT grew 13% in respect of the first half of 2012 in accordance with the contractually defined adjustments.

The maintenance and repair item grew 5.1% in the first half of 2013 in comparison with the same period of 2012, given that negotiations were made in 2012 with suppliers of the extended guarantees that did not apply in the first half of 2013.

Increase of personnel costs is mainly due to the increase of labor during the period.

The item of costs of terminal equipment and accessories had an increase of 10.4% in comparison with the first half of 2012, which is consequent with the commercial strategy and effort mainly performed in the second quarter of 2013.

Colombia Telecomunicaciones S.A. E.S.P.
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A summary of the main costs of sales and rendering service of fixed and mobile operations is detailed as follows:

Description	Period from January 1 to June 30, 2013		Period from January 1 to June 30, 2012		%Var. Jun 13 vs Jun 12
	(in millions of U.S.\$) (1)	(in millions of COP\$)	(in millions of U.S.\$) (1)	(in millions of COP\$)	
Charge of accesses and cost of network	112	215,874	143	275,667	(21.7)%
Compensation rate	38	73,193	34	65,717	11.4%
Parapat compensation	38	74,232	34	65,694	13.0%
Maintenance and repair	49	93,728	46	89,186	5.1%
Personnel costs	18	33,877	17	32,348	4.7%
Terminal equipment cost and accessories	115	221,410	102	195,919	13.0%
Other mobile operation costs (c)	95	184,343	86	166,954	10.4%
Total Cost of Sales and Rendering Service	465	896,657	462	891,484	0.6%

(c) Includes the cost of the compensation rate and link rental costs.

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Operating Expenses

Administrative Expenses:

At the closing of June 2013, administrative operating expenses were for U.S.\$93,4 million (COP\$180,170 million), and decreased in 11% regarding the same period of 2012 and are mainly disclosed in the following items:

There was an increase of personnel administrative expenses mainly due to labor increase during the period.

Fee and legal expenses decreased in 27.1% and 97,1% respectively, in comparison with the first half of 2012, given that strategic consulting and notary and legal expenses were incurred in the merging process that ended in June 2012.

The maintenance and repair item grew in U.S.\$0,9 million (COP\$1,750 million) per concept of maintenance of constructions and buildings and the repair of real estate in comparison with the first half of 2012.

Tax and other contributions decreased at the end of June 2013 in U.S.\$8.1 million (COP \$15,599 million) equivalent to 32,6%, regarding the same period of 2012. This decrease was due to the entrance in force of the Tax Reform in January 2013, which establishes that the connection and access services to internet for stratum's 1 and 2 passed from being excluded to exempt services, which for the first half of 2012 had an impact on the expense for non-discountable Sales VAT in U.S.\$4,9 million (COP \$9,613 million). At the closing of the first half of 2013 the cost per this concept was for U.S.\$1,8 million (COP \$3,570 million).

Additionally, the tax on financial transactions – GMF, per its initials in Spanish – that at the closing of the first half of 2012 was accounted as an administrative expense for the first half of 2013 was reclassified as a non-operative expense as stated in the regulations in force. Based on this, the administrative expenses of the first half of 2012 had an impact of U.S.\$5,0 million (COP \$9,716 million). Finally, it is important to mention that the expense by industry and commerce had an increase of U.S.\$2,9 million (COP \$5,726 million) as a consequence of the growth of income in comparison of the first half of 2013 with the same period of 2012.

Colombia Telecomunicaciones S.A. E.S.P.
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Administrative Expenses (continued):

We detail below the main administrative expenses:

Description	Period from January 1 to June 30, 2013		Period from January 1 to June 30, 2012		%Var. Jun 13 vs Jun 12
	(in millions of U.S.\$) (1)	(in millions of COP\$)	(in millions of U.S.\$) (1)	(in millions of COP\$)	
Personnel expenses	25	49,033	24	46,819	4.7%
Fees	3	5,932	4	8,141	(27.1)%
Services	47	89,705	47	90,070	(0.4)%
Maintenance and repairs	2	3,058	1	1,301	135.0%
Legal expenses	0	242	4	8,287	(97.1)%
Taxes, levies and charges	16	32,200	25	47,799	(28.0)%
	93	180,170	105	202,418	(11.0)%

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Selling Expenses:

Operating sales expenses at June 30, 2013 had an increase of 6.0% in respect of the same period of 2012, which showed the following variances:

- The expense of personnel had an increase of 4.7% in comparison with the first half of 2012 due to the increase of commissions from the sales personnel that resulted from the commission retribution unification model of the Commercial Direction.
- On June 30, 2013, advertising, publicity, and promotions had an increase of U.S.\$1,4 million (COP \$2,818 million), in respect of the closing of the same period 2012, given to the unification process of the brand made once the merging process was concluded and to the launch of campaigns that offer the integrated portfolio of the Company's products during the first quarter of 2013; advertising was a lot lower in the first half of 2012.
- Commissions from sales had an increase during the first half of 10.6% equivalent to U.S.\$5.2 million (COP \$9,683 million) in respect of the same period of 2012. This increase is due to a greater commercial activity and that has allowed capturing new clients, especially in mobile contracts and broad band and television satellite services.

Finally, it is important to highlight that the decrease of expenses for the provision of insolvency is of 34% in the first half of 2013 in comparison with the same period of 2012.

Description	Period from January 1 to June 30, 2013		Period from January 1 to June 30, 2012		%Var. Jun 13 vs Jun 12
	(in millions of U.S.\$) (1)	(in millions of COP\$)	(in millions of U.S.\$) (1)	(in millions of COP\$)	
Personnel expenses	37	71,634	35	68,400	4.7%
Advertising, publicity and promotions	33	63,100	31	60,282	4.7%
Commissions	52	100,746	47	91,063	10.6%
Services	42	81,726	42	79,469	2.8%
	164	317,205	155	299,214	6.0%

(1) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2013 and June 30, 2012 have been translated into U.S. dollars at the exchange rate as of June 30, 2013 of COP\$1,929.00.

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Operative Results

The operative results before depreciation and amortizations (OIBDA) was for U.S.\$318,1 million (COP\$613,656 million) and represents 30,1% of the total operating income with a growth of 12.2% regarding the first half of 2012.

The results of the operative results after depreciation and amortizations at June 30, 2013 was for U.S.\$17,2 million (COP\$33,293 million) while the operative results for the same period 2012 was an operative loss for U.S.(\$9,127 million) (COP\$17,606) million.

The financial expense had a net decrease of 10%, passing from U.S.\$93,8 million (COP\$181,105 million) in June 2012 to U.S.\$84,4 million (COP\$162,873 million) at June 2013, such variance is mostly supported from the decrease of the financial expense with PARAPAT. The income tax at the closing of June 2013 was for US\$1,4 million (COP\$2,710 million).

The net results for the six month period ended June 30, 2013 was for U.S.\$66,6 million (COP\$128,538 million) 34.9% less than the loss recorded at June 2012.

At the closing of June 2013 the EBITDA was U.S.\$320,0 million (COP\$617,408 million), in respect of EBITDA of U.S.\$284,0 million (COP\$548,062 million) at the closing of June 2012. In percent terms this represented an inter annual growth of 12.6%.

The adjusted EBITDA (Accrued PARAPAT payment obligation) at June 30, 2013, was of U.S.\$358,5 million (COP\$691,640 million), regarding an EBITDA of U.S.\$318,1 million (COP\$613,757 million) at the closing of June 30, 2012.

Balance Sheet

Assets

The balance sheet at June 30, 2013 discloses a total of assets of U.S.\$3,338 million (COP\$6,440,163 million), we highlight the following among the assets:

- a) Cash and cash equivalents had a growth of 272% at the closing of March 2013. This growth is due to the commercial activity and account receivable development at the closing of the second quarter of 2013.
- b) Short and long-term debtors was for U.S.\$861 million (COP\$1,661,042 million) represented 26,0% of the total assets and had an increase of 3% regarding the closing of March 2013, which mainly resulted from the commercial activity and sale of terminals during the second quarter of 2013. Likewise, the prepaid tax was recognized in the second quarter of 2013 in respect of the prepaid tax generated in the second quarter of 2012.
- c) Net inventories had a decrease of 15% generated from the commercial offers of terminals during the second quarter of 2013.
- d) Prepaid expenses had a decrease of 19% mainly due to the amortization of the radio electric frequency of the Fixed and Mobile Operation.

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Assets (continued)

- e) Properties, plant and equipment, net at the closing of June 2013 had a net decrease of 3% in comparison at the closing of March 2013 that was basically generated from the assets depreciation. Intangible assets, net at the same closing period had a decrease of 10%, basically due to the concessions and decrease of the Trust of the Biannual Plan III.
- f) The other assets had a decrease of 41% generated from the depreciation of goods delivered as a commodatum to clients (IT work stations)
- g) Assets reappraisal had a decrease of 12% and corresponded to the depreciation of technical reappraisals of assets, mainly such as plants, ducts and tunnels.

Liabilities and Equity

Total liabilities at the closing of June 2013 was for U.S.\$2,631 million (COP\$5,074,812 million) and had an increase of 2% in comparison at the closing of March 2013.

Total liabilities mainly represented in:

- a) The short and long term financial obligations and the bonds and promissory notes represented 69% of the total liabilities and amounted to U.S.\$1,825 million (COP\$3,520,438 million). The 8% growth of the financial obligations and the bonds and promissory notes in respect of March 2013, which was mainly generated due to the devaluation of the Market Representative Exchange Rate that at the closing of March 2013 was for COP\$1,832.20 per U.S.\$1.00 and at the closing of June 2013 was for COP\$1,929.00 per U.S.\$1.00. The average life of the financial debt, at the end of the second quarter is 6 years.
- b) Short-term tax, liens and encumbrances had an increase of 18% at the closing of June 2013 due to the accrual of the sales VAT tax of May and June and paid in July 2013. Long-term tax, liens and encumbrances had a decrease of 50% in respect of the first quarter of 2013 as a result of the payment of the tax on equity quote for U.S.\$11,8 million (COP\$20,801 million).
- c) The labor liabilities had a decrease of 43.6% in respect of the first quarter of 2013 that resulted from the payment of service premiums, recovery of performance bonds and vacation liabilities.
- d) The shareholders equity at the closing of June 2013 was for U.S.\$707.8 million (COP\$1,365,350 million), which registered a decrease of 7.4%, in respect of the first quarter of 2013. This decrease was mainly due to: i) The amortization of tax on equity for U.S.\$5.9 million (COP\$11,400 million), the update effect of the depreciation of the technical appraisals of properties, plant and equipment and counterpart is the asset line of assets reappraisals and the effect of the loss of the period.

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Other Financial and Operating Information

	For the six-month period ended June 30, 2013		For the six-month period ended June 30, 2012	
	(in millions of U.S.\$) (1)	(in millions of COP\$)	(in millions of U.S.\$) (1)	(in millions of COP\$)
EBITDA (a)				
Net loss	(67)	(128,538)	(102)	(197,394)
Plus:				
Depreciation and amortization (b)	301	580,363	293	564,351
Financial expenses, net (c)	84	162,873	94	181,106
Income tax	1	2,710	-	-
EBITDA	319	617,408	285	548,062
Plus:				
Accrued PARAPAT payment obligation	38	74,232	34	65,694
Adjusted EBITDA:	357	691,640	319	613,757

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

(b) Includes, amortization of deferred charges and prepaid expenses of U.S.\$69.7 million (COP\$134,500 million), intangible U.S.\$73.8 million (COP\$142,446 million), and depreciation U.S.\$157.2 million (COP\$303,416 million) for the six-month periods ended June 30, 2013, respect to U.S.\$293 million (COP\$564,351 million) in 2012.

(c) Includes net income (expense) from foreign exchange differences and interest financial for the six-month periods ended June 30, 2013 and June 30, 2012.

(1) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2013 and June 30, 2012 have been translated into U.S. dollars at the exchange rate as of June 30, 2013 of COP\$1,929.00.

OTHER FINANCIAL INFORMATION	For the three-month period ended June 30, 2013	For the three-month period ended June 30, 2012
	EBITDA margin (a)	30.33%
EBITDA Adjusted margin (b)	33.98%	30.97%
Debt to EBITDA - Ratio	2.6	N.D.
Debt to EBITDA Adjusted - Ratio	2.3	N.D.

(a) Represents EBITDA divided by net revenues

(b) Represents EBITDA adjusted divided by net revenues

Note: EBITDA and Adjusted 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 and Adjusted EBITDA may not be comparable with EBITDA or Adjusted EBITDA as defined by other companies. Although Company's EBITDA and Adjusted 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.