

**SPECIAL PURPOSE FINANCIAL STATEMENTS
WITH EXPLANATORY NOTES**

Colombia Telecomunicaciones S.A. ESP

**At June 30, 2014 and for the six-month period ended
June 30, 2014.**

**Colombia Telecomunicaciones S.A. ESP
Special Purpose Financial Statements with
Explanatory Notes**

At June 30, 2014 and for the six-month period ended June 30, 2014

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Colombia Telecomunicaciones S.A. ESP
Special Purpose Balance Sheets
Unaudited

Note	At June 30, 2014		At March 31, 2014	
	(in thousands of U.S.\$ (a))	(in thousands of COP\$)	(in thousands of U.S.\$ (a))	(in thousands of COP\$)
Assets	(3a)			
Current assets:				
Cash and cash equivalents	\$ 19,303	\$ 36,313,439	\$ 17,591	\$ 34,644,627
Short - term investments	7,763	14,602,859	13,341	26,273,719
Accounts receivable, net	410,665	772,538,865	359,091	707,210,868
Inventories, net	31,837	59,892,141	50,145	98,758,113
Pre-paid expenses	11,346	21,344,159	7,847	15,453,423
Total current assets	480,914	904,691,463	448,014	882,340,750
Non-current assets:				
Long - term investments	32	60,000	30	60,000
Accounts receivable, net	524,362	986,423,631	523,345	1,030,701,674
Property, plant and equipment, net	1,694,653	3,187,963,403	1,571,137	3,094,275,539
Intangibles, net	457,446	860,542,356	443,829	874,099,957
Pre-paid expenses	2,325	4,373,840	1,626	3,202,752
Deferred charges, net	298,672	561,858,765	301,215	593,227,552
Other assets	-	-	22	43,737
Revaluation of assets	80,822	152,042,080	94,534	186,180,624
Total non-current assets	3,058,312	5,753,264,075	2,935,739	5,781,791,835
Total assets	\$ 3,539,226	\$ 6,657,955,538	\$ 3,383,753	\$ 6,664,132,585
Liabilities	(3b)			
Current liabilities:				
Financial obligations	\$ 374,853	\$ 705,169,160	\$ 266,993	\$ 525,828,736
Suppliers and accounts payable	437,569	823,150,828	541,953	1,067,349,143
Taxes, liens and charges	115,250	216,807,050	90,164	177,573,245
Labor liabilities	3,717	6,992,537	7,184	14,148,662
Estimated liabilities and provisions	253,758	477,367,559	203,443	400,670,251
Deferred liabilities	16,313	30,686,962	21,657	42,652,741
Other liabilities	24,726	46,514,109	21,259	41,869,063
Total current liabilities	1,226,186	2,306,688,205	1,152,653	2,270,091,841
Non-current liabilities:				
Financial obligations	866,500	1,630,050,273	840,308	1,654,945,391
Accounts payable long-term	96,623	181,766,788	-	-
Estimated liabilities and provisions	5,824	10,954,136	5,386	10,606,641
Deferred liabilities	77,701	146,170,789	75,802	149,289,189
Other liabilities	23,736	44,652,426	44,442	87,527,260
Bonds and securities	750,000	1,410,892,500	750,000	1,477,087,500
Total non-current liabilities	1,820,384	3,424,486,912	1,715,939	3,379,455,981
Total liabilities	\$ 3,046,570	\$ 5,731,175,117	\$ 2,868,592	\$ 5,649,547,822
Shareholders' Equity:	(3b)			
Subscribed and paid capital	\$ 773,378	\$ 1,454,870,740	\$ 738,719	\$ 1,454,870,740
Additional paid-in capital	1,801,661	3,389,266,946	1,720,921	3,389,266,946
Reserves	15,979	30,059,859	15,263	30,059,859
Equity revaluation	269,351	506,700,118	263,069	518,100,791
Accumulated losses	(2,388,754)	(4,493,699,586)	(2,281,703)	(4,493,699,586)
Net loss of the period	(59,781)	(112,459,736)	(35,642)	(70,194,611)
Valuation surplus	80,822	152,042,080	94,534	186,180,624
Total Shareholders' equity	492,656	926,780,421	515,161	1,014,584,763
Total liabilities and shareholders' equity	\$ 3,539,226	\$ 6,657,955,538	\$ 3,383,753	\$ 6,664,132,585

(a) Solely for the convenience of the reader, of Colombian pesos amounts for the six month period ended June 30, 2014 and for the three month period ended March 31, 2014 have been translated into U.S. dollars at the exchange rate of COP\$1,881.19 and COP\$1,969.45 to U.S.\$1.00 respectively.

Colombia Telecomunicaciones S.A. ESP
Special Purpose Statements of Income
Unaudited

	Notes	Period from January 1 to June 30,			
		2014		2013 (b)	
		(in thousands of U.S.\$)(a)	(in thousands of COP\$)	(in thousands of U.S.\$)(a)	(in thousands of COP\$)
Revenues	(2a)	\$ 1,205,124	\$ 2,267,068,063	\$ 1,105,297	\$ 2,079,273,408
Operating cost and expenses	(2b)	(801,623)	(1,508,005,363)	(739,631)	(1,391,385,911)
Gross profit before Parapat compensation		403,501	759,062,700	365,666	687,887,497
Parapat compensation		(77,731)	(146,226,053)	(39,460)	(74,231,884)
Gross profit after Parapat compensation	(2c)	325,771	612,836,647	326,206	613,655,613
Depreciation and amortization of:				-	
Deferred charges and intangibles		(129,950)	(244,461,362)	(147,219)	(276,946,240)
Property, plant and equipment		(165,867)	(312,027,611)	(161,290)	(303,416,478)
Total depreciation and amortization		(295,818)	(556,488,973)	(308,508)	(580,362,718)
Operating gain		29,953	56,347,674	17,698	33,292,895
Non-operating (expenses) revenues:					
Financial expenses, net		(86,552)	(162,820,471)	(86,580)	(162,872,836)
Other (income) expenses, net		(1,841)	(3,463,756)	1,995	3,752,571
Other expenses, net		(88,393)	(166,284,227)	(84,585)	(159,120,265)
Loss before income tax		(58,440)	(109,936,553)	(66,887)	(125,827,370)
Income tax		(1,341)	(2,523,183)	(1,441)	(2,710,176)
Net loss		\$ (59,781)	\$ (112,459,736)	\$ (68,328)	\$ (128,537,546)

(a) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2014 and June 30, 2013 have been translated into U.S. dollars at the exchange rate as of June 30, 2014 of COP\$1,881.19 to U.S.\$1.00.

(b) Only for comparison and presentation purposes of this report, revenues and operating costs and expenses as of Jun 2013 have been reclassified in accordance with the following detail:

- i. As a result of the change in the rate liquidation scheme of the compensation rate, as of 2014 income and costs are accounted separately, whereas in 2013 were recognized as net in operating cost and expenses. Hence access charges and mobile-mobile traffic income was reclassified for U.S.\$49,5 million (COP \$93,190 millions).
- ii. In the second quarter of 2013 the Company accounted U.S.\$26,3 million (COP\$49,527 millions) per concept of internal access charges (auto-consumption) which were not related with the commercial operation. Therefore revenue and costs were eliminated from the Statement of Income without impact on results. These changes were recorded in the memorandum account during the second quarter of 2014.

Colombia Telecomunicaciones S.A. ESP
Statements of Cash Flows
Unaudited

	Period from January 1 to June 30			
	2014		2013 (a)	
	(in thousands of U.S.\$) (a)	(in thousands of COP\$)	(in thousands of U.S.\$) (a)	(in thousands of COP\$)
Cash flows from operating activities:				
Net loss of the period	\$ (59,781)	\$ (112,459,736)	\$ (68,328)	\$ (128,537,545)
Reconciliation between net loss and net cash provided (used) by operating activities:				
Depreciation of property, plant and equipment	165,867	312,027,611	161,290	303,416,478
Amortization of deferred charges	73,917	139,052,781	71,506	134,516,213
Provision for doubtful accounts	22,988	43,244,693	14,996	28,210,609
Amortization of intangibles	56,033	105,408,581	75,713	142,430,027
Amortization of assets in commodatum	149	279,511	1,407	2,646,059
Other Amortization	5,354	10,071,513	-	-
Loss from write-off of equipment	1,169	2,199,329	4,044	7,607,997
Loss from write-off of intangibles and deferred charges	558	1,049,555	1,200	2,256,489
Provision for the protection of inventories	1,196	2,250,194	319	599,895
Valuation of derivatives and exchange difference	16,452	30,949,086	10,106	19,011,821
Net changes in operating assets and liabilities:				
Accounts receivable	(89,583)	(168,523,032)	(26,547)	(49,939,784)
Inventories	9,258	17,416,997	(1,436)	(2,702,281)
Prepaid expenses	(5,268)	(9,910,731)	(4,638)	(8,724,301)
Accounts payable	(97,080)	(182,623,928)	(276,497)	(520,144,063)
Taxes, levies and charges	36,953	69,515,959	6,059	11,398,028
Labor liabilities	(8,890)	(16,723,621)	(6,387)	(12,015,269)
Deferred liabilities	(9,277)	(17,450,990)	54,854	103,191,075
Estimated liabilities and provisions	22,032	41,446,233	(5,428)	(10,211,107)
Other liabilities	7,487	14,085,321	(4,112)	(7,735,135)
Net cash provided by operating activities	149,534	281,305,326	8,121	15,275,206
Cash flows from investment activities:				
Increase of temporary investments	(3,427)	(6,446,864)	-	-
Increase of pre-paid expenses	(707)	(1,330,879)	-	-
Acquisition of property, plant and equipment, net of transfers	(211,741)	(398,325,089)	(136,401)	(256,596,843)
Additions of deferred charges, net of transfers	(64,168)	(120,712,706)	(3,004)	(5,651,296)
Acquisition of intangibles	(163,372)	(307,333,050)	-	-
Net cash used in investing activities	(443,415)	(834,148,588)	(139,405)	(262,248,139)
Cash flows from financing activities:				
Increase of financial obligations	164,559	309,566,563	147,718	277,886,234
Increase of long-term accounts payable	73,655	138,558,220	-	-
Increase of long-term estimated liabilities and provisions	1,351	2,540,801	-	-
Increase of other long-term liabilities	1,507	2,834,501	752	1,415,486
Decrease in accounts receivable long - term	-	-	10,983	20,661,858
Net cash provided by financing activities	241,072	453,500,085	159,453	299,963,578
Net decrease in cash and cash equivalents	(52,809)	(99,343,177)	28,169	52,990,645
Cash and cash equivalents at beginning of the period	72,112	135,656,616	83,246	156,601,090
Cash and cash equivalents at the end of the period	\$ 19,303	\$ 36,313,439	\$ 111,415	\$ 209,591,735

(a) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2014 and June 30, 2013, have been translated into U.S. dollars at the exchange rate as of June 30, 2014 of COP\$1,881.19 to U.S.\$1.00.

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

NOTE 1 – PRESENTATION OF FINANCIAL AND OTHER INFORMATION

a. 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. The Company has books and records in Colombian 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 Colombian pesos into U.S. dollars based on the selling rate as reported by the Central Bank (Banco de la República) as of June 30, 2014 of COP\$1,881.19 to U.S.\$1.00 and as of March 31, 2014 of COP\$ 1,969.45.

b. Economic Entity

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

c. Basis of Presentation

According to the offering memorandum related with the issue of the notes, the Company will provide the Trustee with certain financial information for delivery to Holders; in this case an English language version of the Company’s unaudited quarterly special purpose financial statements, prepared in accordance with GAAP. 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. (We do not include any additional information about it.). To date, the Company maintains accounting principles applied to the financial statements as of December 31, 2013. Solely for informational purposes the balance sheet is presented comparatively with the balance sheet at December 31, 2013; the statement of income and statements of cash flow as of June 30, 2014 and for the six (6) month period then ended is presented comparative with the same period as of June 30, 2013.

d. General Aspects

The Company has been improving during the first half of 2014 its competitive positioning through the constant improvement of plans and service innovation, a regulatory environment that is promoting the sector’s dynamism, as well as the leadership obtained in the deployment of 4G services after its launching in 2013, which has allowed to broaden the coverage and capacity to cover 74 municipalities where 73% of the national population is located. On the other hand, it is important to mention the renewal of the permit to use the radioelectric spectrum of the 1900MHz and 800MHz bands during the following 10 years for U.S.\$145.5 million (COP\$286,610 million) on March 27.

That is why at the closing of the 2Q of 2014 the Company’s income was U.S.\$1,205 million (COP\$2,267,068 million) that represents an inter-annual growth of 9.0% for both the mobile and fixed business. Operating costs and expenses had an 8.4% inter-annual growth, excluding the compensation to Parapat. EBITDA reached U.S.\$324 million (COP\$609,372 million); 1.3% less compared with the same period of last year. This effect is mainly due to the growth of the compensation to Parapat that went from U.S.\$39 million (COP\$74,232) in the first half of 2013 to U.S.\$78 million (COP\$146,226) in the first half of 2014 which represents a growth of 97.0%; excluding this effect, EBITDA grew 9.2% regarding the same period of 2013.

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Explanatory Notes to the Special Purpose Financial Statements
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d. General Aspects (continue)

We detail below a summary of the most important impacts of the Company's financial statements at the closing of the second quarter of 2014.

NOTE 2 – STATEMENT OF INCOME

a. Revenues

The following table sets forth the principal component of our revenues for the six (6) month period ended June 30:

Description	Period from January 1 to June 30, 2014		Period from January 1 to June 30, 2013		% Var.
	(in millions of U.S.\$)(1)	(in millions of COP\$)	(in millions of U.S.\$)(1)	(in millions of COP\$)	
Mobile Operation					
Basic charge and time on air	475	893,260	448	842,465	6.0%
Services and data transmission (connectivity)	147	276,902	112	211,345	31.0%
Sale of terminals	76	143,128	64	120,524	18.8%
Other income from mobile operations (a)	51	95,739	42	79,252	20.8%
	749	1,409,029	666	1,253,586	12.4%
Fixed Operation					
Local Telephone services	122	228,657	119	224,747	1.7%
National and international long distance	60	112,724	62	116,587	(3.3)%
Broadband	117	220,469	105	197,721	11.5%
Data transmission service	63	117,608	61	114,074	3.1%
Subscription television service	40	75,638	29	54,717	38.2%
Other income from the operation (b)	55	102,943	63	117,840	(12.6)%
	456	858,039	439	825,687	3.9%
Total Net Revenue	1,205	2,267,068	1,105	2,079,273	9.0%

(a) Includes mainly complementary and supplementary services, text messaging and content among others,

(b) Includes mainly equipment sales and rentals, IT security services, housing, hosting and hubbing and income from Government subventions among others.

(1) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2014 and June 30, 2013 have been translated into U.S. dollars at the exchange rate as of June 30, 2014 of COP\$1,881.19 to U.S. \$1.00.

Regarding the Company's income it is important to mention that the mobile operation generated U.S.\$749 million (COP\$1,409,029 million) with a growth of 12.4% in comparison with the same period of 2013. Below is a detail of the main variances:

- Increase on basic charge of 6.0% is due to the inter-annual growth of the users base in 3.4% and rates in approximately 3,9%; additionally, to the increase of traffic generated through the virtual mobile operator of the network (MVNOs). Interconnection traffic had an increase of mobile – mobile traffic of 465 million minutes regarding the same period of 2013 and on the other hand, there was a decrease of postpaid time on air due to the exit of resale customers.
- Income per concept of data transmission (connectivity) grew 31.0% as result of greater commercial activity as well as to a major penetration of Smartphones, which allowed users to increase their demand of data and navigation on the Internet, and to buy new integrated plans.
- Increase of terminal line is consistent with the above item, considering the need of Smartphones that allow the user connectivity and internet navigation.
- The increase of other income was due to added value services, led by the Unlimited Preferred Plan, and follow by reconnection charges.

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

NOTE 2 – STATEMENT OF INCOME

a. Revenues (continue)

Fixed operating income amounted to U.S.\$456 million (COP\$858,039 million) with a growth of 3.9% compared with the first half of 2013. Below is a detail of the main variances:

- a) Income from basic line had a positive behavior due to subscribers' base growth of 2.0%, with a slight inter-annual churn improvement of 0.1%.
- b) The broadband service revenue grew due to improvement of commercial activity; subscribers' base rose 15.8% year over year, ending with 911 thousand subscribers and churn decrease of 0.1%.
- c) The television service continued with a positive tendency of the commercial activity mainly due to the growth of the HD signal service, TV stand-alone and tailor made offers of premium packages; subscribers base reached 384 thousands, 22.3% up compared to same period last year.
- d) Other operating income had a decrease mainly due to lower sales of equipment for special projects of Enterprises segment and to less revenue from government subvention, among others.

b. Operating Cost and Expenses

The following table sets forth the principal component of the operating cost and expenses for the six (6) month period ended June 30:

Description	Period from January 1 to June 30, 2014		Period from January 1 to June 30, 2013		% Var.
	(in millions of U.S.\$)(1)	(in millions of COP\$)	(in millions of U.S.\$)(1)	(in millions of COP\$)	
Access and interconnection charges	136	255,308	136	256,530	(0.5)%
Terminal equipment and accessories	132	248,193	107	200,957	23.5%
Other operations costs and expenses (a)	104	196,147	82	155,894	25.8%
Services (customer service)	82	154,397	83	157,017	(1.7)%
Labor costs	82	153,642	82	154,542	(0.6)%
Maintenance	64	119,976	60	111,932	7.2%
Commissions	54	101,373	54	100,745	0.6%
Compensation rate	38	70,665	39	73,193	(3.5)%
Advertising and brand fee	35	66,213	33	61,854	7.0%
Others (b)	33	62,110	32	60,710	2.3%
Tax, levies and charges	19	35,994	16	30,090	19.6%
Provisions	23	43,991	15	27,922	57.5%
Total operating costs and expenses	801	1,508,005	739	1,391,386	8.4%

(a) Include cost of: rental for others infrastructure, energy, other maintenance and repair, among others.

(b) Include public services, fees, among others.

(1) Solely for the convenience of the reader, Colombian pesos amounts for the six-month period ended June 30, 2014 and June 30, 2013 have been translated into U.S. dollars at the exchange rate as of June 30, 2014 of COP\$1,881.19 to U.S. \$1.00.

Colombia Telecomunicaciones S.A. ESP
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b. Operating Cost and Expenses

Operating costs and expenses had an inter-annual growth of 8.4% due to a greater commercial activity that is mainly disclosed in the terminal equipment lines, other operating costs and expenses, maintenance, advertising and taxes, levies and charges and provisions, among others.

- a) Costs of terminals and accessories had an inter-annual increase of 23.5%, which is consistent with the increase of the commercial activity because of the sale of high end and mid-range Smartphones.
- b) The line of other operating costs and expenses had an increase of 25.8% regarding the same period of 2013 mainly because:
 - i. Increase of the costs of contents in TV and a greater demand of HD and Premium channels.
 - ii. Rental of new technical sites to cover the 4G expansion needs.
 - iii. Implementation of a new platform that would allow obtaining transactional information of the commercial processes for fixed and mobile operations. Additionally, the subscriber number portability service is contracted to attend the requests from new customers in accordance with regulations in force.
- c) Costs per concept of maintenance and repairs had an inter-annual increase of 7.2% due to the maintenance of the new network sites and to greater demand of the basic access lines, broadband and television.
- d) Regarding advertising costs, there was an increase of 7.0% due to advertising campaigns for prepaid and postpaid services in the several mass media on the occasion of the World Cup Soccer.
- e) The taxes, levies and charges account was mainly affected by to the increase of municipal taxes, signs and bill boards and public lighting for U.S.\$2,4 million (COP\$4,443 million), as a result of i) the increase of operating and non-operating revenues which is the basis of settlement for these taxes and ii) higher rates due to changes to the municipal income statutes.
- f) The provisions account grew 57.5% regarding the same period of 2013 mainly due to the extraordinary accounting of; i) provision for obsolescence of equipment, ii) provision of accounts receivable from international operators with Venezuela that exceeded the maturity due to existing exchange restrictions and iii) to the seniority of other commercial accounts receivable.

c. Operating and net results

Operating results before the contribution to Parapat was U.S.\$404 million (COP\$759,063 millions) at the closing of the 2Q of 2014 with an inter annual increase of 10.3% that disclosed the excellent behavior of income from greater commercial activity and from costs and expenses control. It is important to mention that the installment to Parapat had an inter-annual increase of 97.0%.

On the other hand, the operative result after the contribution to Parapat and depreciations and amortizations at the closing of the 2Q of 2014 was U.S.\$29.9 million (COP\$56,348 million) while the operative result for the same period in 2013 was U.S.\$ 17.7 million (COP\$33,293 million).

The financial expense had an inter-annual increase (in COP\$) of 4.5% from U.S.\$84,6 million (COP\$159,120 million) in June 2013 to U.S.\$88,4 million (COP\$166,284 million) in June 2014, which is explained due to the increase of the debt up 6.4% from COP\$3,520,427 in the 2Q of 2013 to COP\$3,746,111 at the end of 2Q of 2014.

Income tax was U.S.\$1,3 million (COP\$2,523 million) at the closing of 2Q of 2014 and U.S.\$1.4 million (COP\$2,710 million) at the closing of 2Q of 2013. The net result was a loss of U.S.\$59.7 million (COP\$112,460 million) compared to a loss of U.S.\$68.3 million (COP\$128,538 million) for the second quarter last year.

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

NOTE 3 – BALANCE SHEETS

a. Assets

The Company's total assets at the closing of the second quarter of 2014 accounted for U.S.\$3,539 million (COP\$6,657,956 million) remaining stable compared to first quarter of 2014. Below is a detail of the main variances:

- a) Increase of accounts receivable of 9.2% is mainly due to the impact of holidays in June that caused a delay in the invoicing cycles and consequently in their collection within the quarter.
- b) Decrease of inventories is due to the change of purchase strategy at the end of the 2Q of 2014 considering the impact in the business model regarding the elimination of the termination clause as of July 2014.
- c) Prepaid expenses increased U.S.\$3.5 million (COP\$5,890 million) at the end of the 2Q of 2014, mainly due to the annual payment of the radioelectric spectrum (frequencies for fixed operations) and for the acquisition of the all-risk insurance policy.
- d) Decrease of the asset's reappraisals for U.S.\$13.7 million (COP\$34,139 million) occurred as a result of the depreciation of reappraisals at the 2Q of 2014.

b. Liabilities and Shareholders' Equity

The Company's total liabilities at the closing of the 2Q of 2014 totaled U.S.\$3,047 million (COP\$5,731,175 million) and disclosed an increase of 1.4% compared to the 1Q of 2014. Below is a detail of the main variances:

- a) Short and long-term financial obligations that include bonds showed an increase of 2.4% regarding the closing of the 1Q of 2014. The indebtedness ratio (net debt over EBITDA) in June 2014 was 2.9x^[1] compared to 2.5x in June 2013; excluding the compensation of Parapat from EBITDA the indebtedness ratio is located in 2.5x at the closing the 2Q of 2014.
- b) The suppliers and accounts payable account decreased in 22.8% mainly for the payments made per concept of the compensation to Parapat and of the license to use the spectrum; likewise, the long-term obligations related with the renewal of the spectrum were reclassified.
- c) The taxes, levies and charges increased in 22.0%, mainly because of the accrual of the sales tax – (VAT) of the second and third bimonth of 2014, which is netted with the favorable balance of the 2013 income tax. Additional, a payment was made of U.S.\$12.1 million (COP\$22,801 million) of the 7 payment installment of tax on equity.
- d) Labor liabilities decreased 50.5% for enjoyed vacations, payment of retroactive salaries and payment of service premiums.
- e) Estimated liabilities and provisions increased in 19.1% mainly due to the valuation of coverage of exchange rates and interest rates. Additionally, increases for the accrual of labor liabilities and for charges of access and interconnection.
- f) Long-term accounts payable include obligations for the renewal of the license spectrum and the acquisition of the 15MHz license in 2011 for the mobile operation.

Equity at the closing of the 2Q of 2014 was U.S.\$492.6 million (COP\$926,780 million) and the decrease regarding the 1Q of 2014 is mainly due to the depreciation of the assets reappraisals in accordance with legal regulations in force for U.S.\$13.7 million (COP \$34,139 million), amortization of tax equity U.S.\$6.2 million (COP \$11,400 million) and the results of the 2Q of 2014 for U.S.\$24.1 million (COP\$42,265 million).

^[1] See detail of the determination in the section "Other Financial and Operating Information"

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NOTE 4 – OTHER FINANCIAL AND OPERATING INFORMATION

a. Cash Flow Data

	Period from January 1 to June 30, 2014		Period from January 1 to June 30, 2013	
	(in millions of U.S.\$)(1)	(in millions of COP\$)	(in millions of U.S.\$)(1)	(in millions of COP\$)
Net cash provided by operating activities	150	281,305	8	15,275
Net cash used in investing activities	(443)	(834,149)	(139)	(262,248)
Net cash provided by financing activities	241	453,500	159	299,964

(For more detail, see Statement of Cash Flow, page 3)

EBITDA (a)

	Period from January 1 to June 30, 2014		Period from January 1 to June 30, 2013		% Var.
	(in millions of U.S.\$)(1)	(in millions of COP\$)	(in millions of U.S.\$)(1)	(in millions of COP\$)	
Net loss	(60)	(112,460)	(68)	(128,538)	(12.5)%
Plus:					
Depreciation and amortization (b)	296	556,489	309	580,363	(4.1)%
Financial expenses, net (c)	87	162,820	87	162,873	(0.0)%
Income tax	1	2,523	1	2,710	(6.9)%
EBITDA	324	609,372	329	617,408	(1.3)%
Plus:					
Accrued PARAPAT payment obligation	78	146,226	39	74,232	97.0%
Adjusted EBITDA:	402	755,598	368	691,640	9.2%

- (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.\$74 million (COP\$139,053 million), intangible U.S.\$56 million (COP\$105,409 million), and depreciation U.S.\$166 million (COP\$312,028 million) for the six-month periods ended June 30, 2014, respect to U.S.\$308.5 million (COP\$580,363 million) in 2013.
- (c) Includes net income (expense) from foreign exchange differences and interest financial for the six-month periods ended June 30, 2014 and June 30, 2013.
- (1) Solely for the convenience of the reader, Colombian pesos amounts for the three-month period ended June 30, 2014 and June 30, 2013 have been translated into U.S. dollars at the exchange rate as of June 30, 2014 of COP\$1,881.19 to U.S.\$1.00.

b. EBITDA Margin

	Period from January 1 to June 30, 2014	Period from January 1 to June 30, 2013
EBITDA margin (a)	26.88%	29.69%
EBITDA Adjusted margin (b)	33.33%	33.26%

- (a) Represents EBITDA divided by net revenues
- (b) Represents EBITDA adjusted divided by net revenues

c. Net Debt to EBITDA Ratio

	As of June 2014	As of June 2013
Net Debt to EBITDA Ratio (a)	2.9	2.5
Net Debt to EBITDA Adjusted Ratio	2.5	2.2

- (a) Net debt mean: short and long-term financial obligations less cash and cash equivalents and short-term investment as of the end of the relevant period. The net debt to EBITDA ratio is calculated as net debt as of the end of the relevant period divided by EBITDA for the 12-month period ended.

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.