

**SPECIAL PURPOSE FINANCIAL STATEMENTS
WITH EXPLANATORY NOTES**

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

**At March 31, 2013 and for the three-month period ended
March 31, 2012.**

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

**Special Purpose Financial Statements with
Explanatory Notes**

At March 31, 2013 and for the three-month period ended March 31, 2012

Contents

Special Purpose Financial Statements

Balance Sheets.....	1
Statements of Operations	3
Statements of Cash Flows	4
Explanatory Notes to the Special Purpose Financial Statements.....	5

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

	At March 31, 2013		At December 31, 2012	
	(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	\$ 29,960	\$ 54,892,943	\$ 77,124	\$ 136,373,410
Temporary investments	19,896	36,453,184	11,440	20,227,678
Accounts receivable	343,881	630,058,421	344,915	609,889,235
Inventories, net	39,979	73,249,316	34,206	60,484,735
Pre-paid expenses	17,177	31,471,477	9,216	16,295,896
Total current assets	450,893	826,125,340	476,901	843,270,954
Non-current assets:				
Permanent investments	33	60,000	34	60,000
Accounts receivable, net	536,031	982,116,859	555,000	981,367,803
Properties, plant and equipment, net	1,663,991	3,048,763,457	1,781,299	3,149,746,248
Intangibles, net	323,807	593,279,058	378,432	669,154,215
Pre-paid expenses	2,051	3,757,806	2,283	4,036,577
Deferred charges, net	361,908	663,088,688	400,907	708,895,036
Other assets	1,609	2,948,077	2,477	4,380,729
Revaluation of assets	186,282	341,305,061	222,090	392,706,753
Total non-current assets	3,075,712	5,635,319,006	3,342,522	5,910,347,361
Total assets	\$ 3,526,604	\$ 6,461,444,346	\$ 3,819,423	\$ 6,753,618,315
Liabilities				
Current liabilities:				
Financial obligations	\$ 86,333	\$ 158,179,145	\$ 33,391	\$ 59,043,115
Suppliers and accounts payable	355,309	650,996,821	668,888	1,182,748,542
Taxes, liens and charges	83,846	153,622,954	83,094	146,929,353
Labor liabilities	9,075	16,627,224	12,094	21,385,394
Estimated liabilities and provisions	185,492	339,857,883	133,704	236,419,541
Deferred liabilities	16,564	30,348,593	18,980	33,560,290
Other liabilities	31,465	57,649,307	33,891	59,927,698
Total current liabilities	768,083	1,407,281,925	984,043	1,740,013,933
Non-current liabilities:				
Financial obligations	1,037,298	1,900,536,524	964,439	1,705,349,965
Taxes, liens and charges	24,890	45,602,694	25,790	45,602,694
Estimated liabilities and long-term provisions	5,522	10,117,867	42,440	75,044,102
Deferred liabilities	89,339	163,686,227	94,783	167,598,369
Other liabilities	46,440	85,088,136	47,231	83,515,151
Bonds and securities	750,000	1,374,150,000	750,000	1,326,172,500
Total non-current liabilities	1,953,488	3,579,181,448	1,924,683	3,403,282,781
Total liabilities	\$ 2,721,572	\$ 4,986,463,374	\$ 2,908,726	\$ 5,143,296,714

(a) Solely for the convenience of the reader, Colombian pesos amounts for the three-month period ended March 31, 2013 have been translated into U.S. dollars at the exchange rate as of March 31, 2013 of COP\$1,832.20 and for the twelve-month period ended December 31, 2012 have been translated into U.S. dollars at the exchange rate as of December 31, 2012 of COP\$1,768.23.

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

	At March 31, 2013		At December 31, 2012	
	<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	\$ 794,057	\$ 1,454,870,740	\$ 822,784	\$ 1,454,870,740
Additional paid-in capital	1,849,835	3,389,266,946	1,916,757	3,389,266,946
Reserves	49,416	90,539,756	51,204	90,539,756
Equity revaluation	307,665	563,703,485	325,243	575,104,159
Accumulated losses	(2,342,630)	(4,292,166,752)	(2,268,709)	(4,011,598,647)
Net loss of the period	(39,591)	(72,538,264)	(158,672)	(280,568,105)
Valuation surplus	186,282	341,305,061	222,090	392,706,752
Total Shareholders' equity	805,033	1,474,980,973	910,697	1,610,321,601
Total liabilities and shareholders' equity	\$ 3,526,604	\$ 6,461,444,346	\$ 3,819,423	\$ 6,753,618,315
Debit memorandum accounts	\$ 3,188,727	\$ 5,842,385,631	\$ 3,306,622	\$ 5,846,867,517
Credit memorandum accounts	\$ 6,106,674	\$ 11,188,648,766	\$ 6,311,295	\$ 11,159,821,908

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

	Period from January 1 to March 31,			
	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	\$ 547,629	\$ 1,003,366,726	\$ 544,337	\$ 997,333,443
Cost of sales and services rendered	(243,844)	(446,770,336)	(233,689)	(428,164,450)
Gross income	303,786	556,596,390	310,648	569,168,993
Operating expenses:				
Administrative	(51,340)	(94,065,648)	(71,320)	(130,671,874)
Selling expenses	(81,376)	(149,097,445)	(82,067)	(150,364,058)
Provisions	(6,910)	(12,660,146)	(12,494)	(22,890,728)
Total Operating Expenses	(139,626)	(255,823,239)	(165,881)	(303,926,660)
Operating income before depreciation and amortization	164,160	300,773,151	144,767	265,242,333
Depreciation and amortization of:				
Deferred charges and intangibles	(75,886)	(139,037,432)	(74,359)	(136,241,231)
Properties, plant and equipment	(79,722)	(146,066,069)	(80,389)	(147,288,454)
Total depreciation and amortization	(155,607)	(285,103,501)	(154,748)	(283,529,685)
Operating gain (loss)	8,552	15,669,650	(9,981)	(18,287,352)
Non-operating (expenses) revenues:				
Financial expenses, net	(47,662)	(87,325,625)	(52,952)	(97,018,856)
Other income (expenses), net	273	499,678	(1,553)	(2,845,803)
Deferred monetary correction	-	-	453	829,466
Extraordinary expenses	-	-	(2,614)	(4,788,600)
Other expenses, net	(47,389)	(86,825,947)	(56,666)	(103,823,793)
Loss before income tax	(38,837)	(71,156,297)	(66,647)	(122,111,145)
Income tax	(754)	(1,381,967)	(2,056)	(3,766,758)
Net loss of the nine months period	\$ (39,591)	\$ (72,538,264)	\$(68,703)	\$ (125,877,903)

(a) Figures presented only for illustrative purposes, and include the operations of Telefonica Móviles Colombia S.A. (Absorbed Company) for the three-month period ended March 31, 2012.

(b) Solely for the convenience of the reader, Colombian pesos amounts for the three-month period ended March 31, 2013 and 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.
Statements of Cash Flows
Unaudited

	Period from January 1 to March 31,			
	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 three months	\$ (39,591)	\$ (72,538,264)	\$ (68,703)	\$ (125,877,903)
Reconciliation between net loss and net cash provided (used) by operating activities:				
Depreciation of properties, plant and equipment	79,722	146,066,069	80,389	147,288,454
Amortization of deferred charges	37,087	67,950,854	35,000	64,127,263
Provision for doubtful accounts	5,109	9,360,720	12,494	22,890,728
Amortization of intangibles	38,798	71,086,578	39,359	72,113,968
Amortization of assets given in commodatum	782	1,432,653	1,074	1,968,039
Loss from write-off of deferred charges	1,628	2,982,624	8,743	16,018,335
Provision for the protection of inventories, net of Recoveries	(129)	(236,862)	114	208,109
Exchange difference	33,200	60,829,616	(14,879)	(27,260,809)
Valuation of derivatives	(42,793)	(78,404,832)	33,091	60,628,891
Net changes in operating assets and liabilities:				
Accounts receivable	(46,604)	(85,387,055)	38,993	71,443,123
Inventories	(6,838)	(12,527,719)	10,867	19,911,360
Prepaid expenses	(8,131)	(14,896,810)	(9,404)	(17,229,358)
Accounts payable	(266,130)	(487,602,721)	(297,901)	(545,813,907)
Taxes, levies and charges	3,653	6,693,601	(23,090)	(42,304,989)
Labor liabilities	(2,597)	(4,758,170)	(10,234)	(18,751,037)
Estimated liabilities and provisions	(3,888)	(7,123,840)	(2,938)	(5,383,835)
Deferred liabilities	61,638	112,934,031	27,964	51,236,223
Other liabilities	6,912	12,663,609	(8,562)	(15,686,811)
Net cash provided (used) by operating activities	(148,169)	(271,475,918)	(147,623)	(270,474,156)
Cash flows from investment activities:				
Acquisition of properties, plant and equipment, net of transfers	(24,606)	(45,083,278)	(41,661)	(76,330,382)
Additions of deferred charges, net of transfers	(17,106)	(31,341,155)	(3,555)	(6,514,179)
Decrease of intangibles, trust rights	(217)	(398,068)	(3,669)	(6,723,254)
Net cash used in investing activities	(41,929)	(76,822,501)	(48,885)	(89,567,815)
Cash flows from financing activities:				
Increase of financial obligations	153,624	281,470,472	121,585	222,768,314
Increase of other long-term liabilities	859	1,572,985	7,121	13,047,824
Net cash provided by financing activities	154,483	283,043,457	128,707	235,816,138
Net decrease in cash and cash equivalents	(35,616)	(65,254,962)	(67,801)	(124,225,833)
Cash and cash equivalents at beginning of the period	85,472	156,601,088	131,599	241,116,602
Cash and cash equivalents at the end of the period	\$ 49,856	\$ 91,346,126	\$ 63,798	\$ 116,890,769

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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. 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 March 31, 2013 of COP\$1,832.20 to U.S.\$1.00

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 December 31, 2012. The statement of income and statements of cash flow as of March 31, 2013 and for the three (3) months period then ended is presented comparative with the same period as of March 31, 2012. For comparative and illustrative purposes the financial statements as of March 31, 2012 and for the three (3) months period included the operation of Telefonica Móviles Colombia S.A. (Absorbed Entity) and the intercompany transactions were eliminated.

The following discussion summarizes the significant factors affecting operating results and financial position of Colombia Telecomunicaciones S.A. E.S.P., at March 31, 2013 and for the three (3) months period then ended.

The characteristics of the Company’s financial situation during the period ended at March 31, 2013, were the growth of the customer base and had a positive balance in its financial structure, supported on a restructuring of the debt due to the issuance of Securities in the International Market in accordance with Regulation 144A-S, the commercial scope that allowed the growth of revenues, as well as, to have a strict control of costs and expenses and with the compliance of the investment plan in infrastructure, which allowed to revert the negative tendency of the recent years and to obtain in this period a positive operative result.

Statements of income

Operating Revenue, net

Operational revenue at March 31, 2013 was for U.S.\$547,6 million (COP \$1,003,367 million), showing an increase of 0.6% regarding revenue obtained in the same period of 2012.

Regarding the mobile operation there was an increase of 1.6% equivalent to U.S.\$5,0 million (COP \$9,107 million) in comparison with the period ended March 31, 2012. This variance is mainly due to the increase in the regular basic charge service of voice and data for U.S. \$8,0 million (COP \$14,085 million), due to the growth in the plant of post payment clients in 256,044. However, there was a decrease of time on air as a result of te market’s dynamic for U.S.\$0.8 million (COP \$1,571 million).

Income from terminals increased in U.S.\$0.5 million (COP\$867 million) at March 2013 in comparison with the same period of 2012, mainly due to a larger commercialization of smartphones.

The line of other operating income showed a decrease of U.S.\$2,3 millones (COP \$4,274 millones) in the first quarter of 2013 in respect of 2012, mainly due to the decrease of the SMS (Short Message Service) as a result of the use of free applications included in the Smartphones. Additionally, there are changes in the demand from individual data packages to limited connectivity packages.

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

Operating Revenue, net (continued)

At March 31, 2013, fixed operating income had a decrease of 0.7% equivalent to U.S.\$1,7 million (COP \$3,074 million) regarding the same period of 2012. Income per concept of voice services were impacted as a result of the replacement of fixed voice for mobile that showed a decrease of 5%, passing from U.S.\$78,0 million (COP \$142,655 million) at the closing of March 31, 2012 to U.S.\$74,0 millions (COP \$135,571 millions) at the closing of March 31, 2013. Likewise, there was a decrease in 41,727 users of the national and international long-distance service decreasing from income for U.S.\$0.7 million (COP \$1,308 million) in comparison with the same quarter ended March 31, 2012.

During the first quarter of 2013, income from Broad Band had an increase of 1.4% regarding the same period of 2012, equivalent to U.S.\$1,2 million (COP \$2,182 million), which maintains the sustainable and broad growth leveraged with the state-of-the-art technology and equally with opportunity of offering services as the largest operator in the Country.

One of the services with most growth at the closing of the first quarter of 2013 in comparison with the same period of 2012, which is the satellite television service that had a growth of its clients of 39,758 generating an increase of this line in 29.8% at the closing of March 2013, equivalent to U.S.\$3,3 million (COP \$6,147 million) in respect for the same period in 2012.

Decrease of other income of fixed operation as a result of the finalization of the housing and hosting corporate projects.

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

Description	Period from January 1 to March 31, 2013		Period from January 1 to March 31, 2012		%Var. Mar 13 vs Mar 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	258	471,962	251	459,449	2.7%
Sale of terminals	34	61,979	33	61,112	1.4%
Other income from mobile operations (a)	20	37,271	23	41,545	(10.3)%
Income from Mobile Operation	312	571,213	307	562,106	1.6%
<u>FIXED OPERATION</u>					
Voice Services					
Local telephony	74	135,571	78	142,655	(5,0)%
National and international long distance	31	56,877	32	58,185	(2.2)%
Broad Band					
Data transmission service	85	155,299	84	153,117	1,4%
TV					
Television satelital	15	26,775	11	20,629	29,8%
Other income from the operation (b)	31	57,632	33	60,642	(5,0)%
Income from Fixed Operation	236	432,154	238	435,228	(0.7)%
Total Operating Revenue, net	548	1,003,367	544	997,333	0.6%

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

Costs of Sales and Rendering Services

Cost of sales and rendering services at March 31, 2013 was for U.S.\$ 244,0 million (COP \$ 446,770,336 million), recording an increase of 4,3% regarding the period ended on March 31, 2012.

Access charges and cost of other networks had a decrease of 6,6% equivalent to U.S.\$4,9 million (COP\$9,014 million), due to the reduction of interconnection rates between mobile operators that are regulated by the State passing from U.S.\$0.054 (COP \$98.68 pesos) per minute in March 2012 to U.S.\$ 0.038 (COP \$70.12 Colombian pesos) in March 2013.

At the closing of the first quarter of 2013, the compensation rate grew 7.6% regarding the same quarter of 2012, being the most representative the rent payment of the radio electric spectrum that grew 10%. On the other hand, the Parapat Compensation grew 13% regarding the quarter of 2012 as contractually defined.

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 March 31, 2013		Period from January 1 to March 31, 2012		%Var. Mar 13 vs Mar 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	69	126,669	74	135,683	(6.6)%
Compensation rate	20	35,912	18	33,391	7.6%
Parapat compensation	20	37,116	18	32,847	13.0%
Maintenance and repair	23	42,231	23	42,897	(1.6)%
Personnel costs	9	16,554	9	16,751	(1.2)%
Terminal equipment cost and accessories	57	104,099	55	101,159	2.9%
Other mobile operation costs (d)	46	84,189	36	65,437	28.7%
Total Cost of Sales and Rendering Service	244	446,770	234	428,164	4,3%

(c) *Mainly include: utilities, licenses, contributions and royalties, rentals, fees and contract and service orders.*

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

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Operating Expenses

At the closing of March 2013, operating expenses grew to U.S.\$51,3 million (COP\$94,066 million), which decreased in 28% regarding the same period of 2012 and detailed in the following main items:

- Personnel expenses decreased in 1,2% in comparison with prior period. This variance is mainly due to savings generated from the synergies resulting from the merging.
- The service account decreased in U.S.\$12,5 million (COP\$22,933 million), regarding the previous period as a result of the delivery of administrative offices of the Mobile Operation that was rented.
- The maintenance and repair account decreased during the first quarter of 2013 for 47.3% equivalent to U.S.\$ 4.4 million (COP \$8,092 million), in respect of the same period of 2012, mainly generated for the use of extended guarantee of equipment that generated an important savings. No savings occurred during the first quarter of 2012.

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

Operating Expenses (continued)

- d) Taxes decreased at the closing of March 2013 in 27% equivalent to U.S.\$3.2 million (COP \$5,838 million), in respect of the same period of 2012. Such decrease was generated as a result of the entrance of the Tax Reform as of January 2013, which establishes that the connection and access to internet for stratum 1 and 2 passed from being an excluded service to an exempt service, which impacted until 2012 the tax expense for non-discountable Sales VAT in U.S.\$1,5 million (COP \$2,789 million). Additionally, the tax on Financial Transactions - GMF regulations established that these expenses should be recognized as non-operating expenses and not as administrative expenses. For the quarter of 2012, such expenses recognized as administrative expenses impacted the operational results in U.S.\$ 1,6 million (COP \$3,023 million).

We detail below the main administrative expenses:

Description	Period from January 1 to March 31, 2013		Period from January 1 to March 31, 2012		%Var. Mar 13 vs Mar 12
	(in millions of U.S.\$) (1)	(in millions of COP\$)	(in millions of U.S.\$) (1)	(in millions of COP\$)	
Personnel expenses	13	23,960	13	24,246	(1.2)%
Fees	3	5,771	3	5,434	6.2%
Services	21	39,272	34	62,205	(36.9)%
Maintenance and repairs	5	9,031	9	17,124	(47.3)%
Legal expenses	0	242	0	36	571.3%
Tributos	9	15,789	12	21,627	(27.0)%
	51	94,066	71	130,672	(28,0)%

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Sales expenses at March 31, 2013 decreased less than 1% regarding the same period of 2012. However, the following variances occurred:

- a) At March 31, 2013, advertising, publicity and promotions increased in U.S.\$1,2 million (COP \$2,253 million), regarding the closing of the period of 2012, as a result of the launching of the "GURU" campaign that offer the portfolio integrated of the Company's products launched in 2013 as the support of the commercial force; the advertising was less in the first quarter of 2012.
- b) Personnel expenses decreased in 1,2% in comparison with the first quarter of 2012 as a result of the first savings generated from the synergies from the merging.
- c) Sales commissions: had a decrease in the first quarter of 2013 of 5.2% equivalent to U.S.\$ 1.3 million (COP \$2,362 million) regarding the same period of 2012. This variance is mainly represented from the decrease of the residual bond for sales quality, generating minor recharges and collections regarding the remuneration, additionally the average commission of the One Shot decreased in 2013.

Description	Period from January 1 to March 31, 2013		Period from January 1 to March 31, 2012		%Var. Mar 13 vs Mar 12
	(in millions of U.S.\$) (1)	(in millions of COP\$)	(in millions of U.S.\$) (1)	(in millions of COP\$)	
Personnel expenses	19	35,004	19	35,421	(1.2)%
Advertising, publicity and promotions	17	30,248	15	27,995	8.0%
Commissions	23	42,990	25	45,351	(5.2)%
Services	22	40,856	23	41,596	(1.8)%
	81	149,097	82	150,364	(0.8)%

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

Operative Results

The operative results before depreciations and amortizations (OIBDA) was for U.S.\$164,4 million (COP\$301,273 million) and represented a 30,3% from the total operating income with an increase of 15.87,8% regarding the same quarter of 2012.

The operative results after depreciations and amortizations at March 31, 2013 was for U.S.\$8,5 million (COP\$15,670 million), while the operative results for the same period of 2012 was an operative loss for U.S.(\$9,9 million) (COP\$18,287) million.

The financial expense had a net decrease of 10%, by passing from U.S.\$52,9 million (COP\$97,019 million) in March 2012 to U.S.\$47,6 million (COP\$87,326 million) at the closing of 2013. The main variances are represented in the decrease of the financial expense with PARAPAT, passing from U.S.\$20,0 million (COP\$37,350 million) per unpaid quotas to U.S.\$2,0 million (COP\$3,643 million) at the closing of March 2013. There was an increase per concept of expense for interests and type of interest coverage.

On the other hand, other net non-operative income and expenses amounted to U.S.\$0,2 million (COP\$500 million) at the closing of March 31, 2013. An expense was generated in 2012 of U.S.\$1,5 million (COP\$2,845).

Income tax amounted to US\$0,8 million (COP\$1,382 million) at the closing of March 2013 and U.S.\$2,0 million (COP\$6,805 million) at the closing of March 2012.

The net result for the three month period ended March 31, 2013 was a loss for U.S.\$39,6 million (COP\$72,538 million). At the closing of March 2012 the loss was for U.S.\$68,7 million (COP\$125,878) million.

The EBITDA at the closing of March 31, 2013, was of U.S.\$164,4 million (COP\$301,273 millions), regarding an EBITDA of U.S.\$141,0 million (COP\$258,437 million) at the closing of 2012.

The adjusted EBITDA (Accrued PARAPAT payment obligation) at March 31, 2013, was of U.S.\$185 million (COP\$338,389 million), regarding an EBITDA of U.S.\$158 million (COP\$291,285 million) at the closing of March 31, 2012.

Balance Sheet

Assets

The balance sheet at March 31, 2013 discloses a total of assets of U.S.\$3,527 million (COP\$6,461,444 million), 4.3% less than December 31, 2012, we highlight the following among the assets:

- a) Short and long-term debtors for U.S.\$880 million (COP\$1,612,175 million) that represented 25,0% of the total assets. This balance includes accounts receivable from Parapat for U.S.\$493 million (COP\$903,175 million). The main increase of the accounts receivable corresponds to accounts receivable from roaming for U.S.\$23.6 million (COP\$43,369 million), due to the regularization of credit notes and to the increase of telecommunication services generated from the commercial offer.
- b) Inventories present an increase of mayor stock at the closing of March 2013, regarding December 2012, as a result of a greater exit of inventories for the commercial offer at year-end.
- c) Prepaid expenses had an increase between the closing at March 2013 and December 2012 of U.S.\$8,283 million (COP\$15,176 million), mainly from the prepayment of the spectrum (radio electric use) of 2013. This concept also includes rental and prepaid insurance services.

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

Assets (continued)

- d) Net intangible assets at the closing of March 2013 decreased regarding December 2012 in U.S.\$41.4 million (COP\$75,875 million), basically for the amortizations in the first quarter of concessions for U.S.\$29.5 million (COP\$53,967 million), goodwill of U.S.\$5.3 million (COP\$9,629 million) and rights for U.S.\$5.2 million (COP\$9,531 million)
- e) Net deferred charges had a decrease that represented an amortization of U.S.\$27.9 million (COP\$51,133 million), mainly from software and an acquisition of licenses of U.S.\$3.6 million (COP\$6,600 million)
- f) Other assets decreased in U.S.\$0.8 million (COP \$1,433 million) generated from a depreciation of goods delivered in commodate to its clients.
- g) Assets reappraisals decreased in U.S.\$28.1 million (COP \$51,402 million), corresponding to the depreciation of technical reappraisal, mainly such as plants, ducts and tunnels.

Liabilities and Equity

Total liabilities at the closing of March 2013 was for U.S.\$2,721 million (COP\$4,986,463 million), the liabilities balance at the closing of December 2012 was for U.S.\$2,909 million (COP\$5,143,296 million), this represented a decrease of 3%.

Liabilities were mainly represented in:

- a) Short-term and long-term financial obligations and bonds and securities for U.S.\$86 million (COP\$158,179 million) and U.S.\$1,787 million (COP\$3,274,687 million), respectively, which represent 69% of the total liability.
- b) On March 22, 2013, Coltel entered into a loan with *Banco Itaú BBA S.A. Nassau Branch* in an aggregate principal amount of U.S.\$110 million. This loan bears interest at a rate of six-month LIBOR *plus* 2.7% per annum. Interest under the loan is payable in arrears semi-annually through maturity on September 22, 2014. The principal amount of this loan is payable in one installment on September 22, 2014. The proceeds from this loan were used to pay a portion of the past-due obligations under the PARAPAT Agreement.

On March 2013, Coltel entered into a loan with the local bank in an aggregate principal amount of COP\$97,000 million. Disbursement of COP\$20,000 million (*Banco Agrario*), was made on March 22, 2013; this loan bears interest at a rate of DTF *plus* 1.10%. Disbursements of COP\$20,000 million, COP\$15,000 million, and COP\$42,000 million (*Banco de Bogotá, Banco de Occidente and Banco Corpbanca*, respectively), were made on March 27, 2013; these loans bear interest at a fixed rate of 5,96% per annum. The outstanding principal amount of these loans are payable in April, 2013. The proceeds from these loans were used to pay a portion of the past-due obligations under the PARAPAT Agreement.

The average life of the financial debt, at the end of the quarter is 6,7 years.

- c) Suppliers and accounts payable decreased in U.S.\$290 million (COP \$531,752 million) mainly for: payment of quotes to PARAPAT and interests for U.S.\$146,3 million (COP \$268,000 million), payment to suppliers of capex for acquisitions made at the closing of 2012 in U.S.\$120 million (COP \$220,500 million), payment of interests for financial obligations for U.S.\$22,9 million (COP \$42,300 million).
- d) Labor liabilities had a decrease during the first quarter of 2013 in respect of December 2012, as a result of the transfer of funds destined for such purpose related with severance payments, as well as the payment of interests over severance payments to the employees.

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

Liabilities and Equity (continued)

- e) Accrued liabilities and provisions increased in U.S.\$56.4 million (COP\$103,438) mainly due to the regularization of credit notes per concept of roaming U.S.\$23.6 million (COP\$43,369 million), U.S.\$25.7 million (COP\$47,200) to cover the liquidation of contracts with suppliers and provision per concept of interconnection charges for the mobile operation of U.S.\$9.0 million (COP\$16,400 million).
- f) Accrued liabilities and long-term provisions decreased in U.S.\$35.4 million (COP \$64,926 million) for the coverage evaluation effect of the change and interest type.
- g) Shareholders' equity at the closing of March 2013 was for U.S.\$805 million (COP\$1,474,981 million), recording a decrease of 8.4% in comparison with December 2012. This decrease is mainly due to: i) Amortization of tax on equity of U.S.\$6.2 million (COP\$11,400 million), update of assets reappraisals of U.S.\$28.1 million (COP \$51,402 million) and the results of the period.

Other Financial and Operating Information

Cash Flow Data

	For the three-month period ended March 31,		For the three-month period ended March 31,	
	2013 (in millions of U.S.\$)(1)	2013 (in millions of COP\$)	2012 (in millions of U.S.\$)(1)	2012 (in millions of COP\$)
Net cash used by operating activities	(148)	(271,476)	(148)	(270,474)
Net cash used in investing activities	(42)	(76,823)	(49)	(89,568)
Net cash provided by financing activities	154	283,043	129	235,816

(For more detail, see Statement of Cash Flow, page 4.)

Capital Expenditures

	For the three-month period ended March 31,		For the three-month period ended March 31,	
	2013 (in millions of U.S.\$)(1)	2013 (in millions of COP \$)	2012 (in millions of U.S.\$)(1)	2012 (in millions of COP\$)
Capital expenditures	42	76,823	49	89,568

EBITDA (a)

	For the three-month period ended March 31,		For the three-month period ended March 31,	
	2013 (in millions of U.S.\$)(1)	2013 (in millions of COP\$)	2012 (in millions of U.S.\$)(1)	2012 (in millions of COP\$)
Net loss	(40)	(72,538)	(69)	(125,878)
Plus:				
Depreciation and amortization (b)	156	285,104	155	283,530
Financial expenses, net (c)	48	87,326	53	97,019
Income tax	1	1,382	2	3,767
EBITDA	164	301,273	141	258,437
Plus:				
Accrued PARAPAT payment obligation	20	37,116	18	32,847
Adjusted EBITDA:	185	338,389	159	291,285

- (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.\$37.0 million (COP\$67,951 million), intangible U.S.\$38.8 million (COP\$71,086 million), and depreciation U.S.\$79.7 million (COP\$146,066 million) for the three-month periods ended March 31, 2013, respect to U.S.\$155 million (COP\$283,530 million) in 2012.
- (c) Includes net income (expense) from foreign exchange differences and interest financial for the three-month periods ended March 31, 2013 and March 31, 2012.
- (1) Solely for the convenience of the reader, Colombian pesos amounts for the three-month period ended March 31, 2013 and 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.
Explanatory Notes to the Special Purpose Financial Statements
Unaudited

OTHER FINANCIAL INFORMATIONS	For the three-month period ended March 31, 2013	For the three-month period ended March 31, 2012
EBITDA margin <i>(a)</i>	30.03%	25.91%
EBITDA Adjusted margin <i>(b)</i>	33.73%	29.21%
Debt to EBITDA - Ratio	2.64	N.D.
Debt to EBITDA Adjusted - Ratio	2.39	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.