Special Purpose Financial Statements with Explanatory Notes

Colombia Telecomunicaciones S.A. ESP

At March 31, 2015 and for the three-month period ended March 31, 2015.

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	Note	At March 31, 2015		At January 01, 2015 (a)	
		(In *thousands of U.S.$* (b)	(In *thousands of COP$)*	(In *thousands of U.S.$* (b)	(In *thousands of COP$)*
Assets					
Current assets:					
Cash and cash equivalents		28,973	75,283,368	30,991	80,526,095
Current financial assets	*(11)*	62,013	161,131,525	32,270	83,849,268
Trade and other receivables	*(12)*	298,483	775,567,073	271,803	706,240,895
Inventories	(13)	32,545	84,560,940	41,425	107,634,847
Tax receivables	*(14)*	80,390	208,882,324	67,183	174,564,854
Total current assets		**502,404**	**1,305,425,230**	**443,671**	**1,152,815,959**
Non–current assets:					
Non – current financial assets	*(15)*	199,989	519,643,755	132,195	343,489,884
Trade and other receivables		29,400	76,391,580	28,404	73,804,841
Property, plant and equipment	*(16)*	1,710,235	4,443,805,070	1,742,538	4,527,742,011
Intangibles assets	(17)	349,420	907,917,775	358,952	932,685,632
Good will		341,065	886,212,020	341,065	886,212,020
Deferred tax assets	*(18)*	410,500	1,066,627,148	397,062	1,031,709,798
Total non–current assets		**3,040,609**	**7,900,597,348**	**3,000,217**	**7,795,644,186**
Total Assets		**3,543,013**	**9,206,022,578**	**3,443,888**	**8,948,460,145**
Liabilities					
Current liabilities:					
Financial obligations	*(19a)*	39,332	102,198,154	157,629	409,575,946
Other Financial obligations	*(19b)*	181,974	472,833,097	185,525	482,059,790
Current trade and other payable	*(20)*	357,827	929,762,506	464,553	1,207,074,668
Current taxes payable	*(21)*	55,870	145,169,654	42,105	109,402,987
Current provisions		70,980	184,431,210	85,279	221,585,280
Total current liabilities		**705,982**	**1,834,394,621**	**935,089**	**2,429,698,671**
Non–current liabilities:					
Financial obligations	*(22a)*	468,415	1,217,110,863	738,590	1,919,122,406
Other Financial obligations	*(22b)*	1,351,127	3,510,713,934	1,343,439	3,490,737,213
Non - current trade and other payable	*(23)*	94,906	246,600,414	94,254	244,906,808
Non - current provisions		21,333	55,431,279	20,070	52,148,042
Bonds and securities	(24)	746,968	1,940,891,182	687,436	1,786,206,713
Total non–current liabilities		**2,682,749**	**6,970,747,672**	**2,883,789**	**7,493,121,182**
Total Liabilities		**3,388,731**	**8,805,142,293**	**3,818,878**	**9,922,819,853**
Total Shareholders' Equity	*(25)*	**154,282**	**400,880,285**	**(374,990)**	**(974,359,708)**
Total Liabilities and Shareholders' Equity		**3,543,013**	**9,206,022,578**	**3,443,888**	**8,948,460,145**

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

b) Solely for the convenience of the reader, Colombian pesos amounts at March 31, 2015 and January 01, 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at each date of COP$2,598.36 to U.S.$1.00 respectively.

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

	Note	Period from January 1 to March 31, 2015 (In *thousands of U.S.$)(a)*	2015 (In *thousands of COP$)*	2014 (b) (In *thousands of U.S.$)(a)*	2014 (b) (In *thousands of COP$)*
Revenues	*(5)*	426,879	1,109,184,196	425,406	1,105,359,184
Operating cost and expenses	*(6)*	(283,065)	(735,503,558)	(295,727)	(768,406,271)
Other income from the operation	*(5)*	11,404	29,631,445	11,602	30,147,223
Gross profit		**155,218**	**403,312,083**	**141,281**	**367,100,136**
Depreciation and amortization	(7)	(92,595)	(240,596,430)	(99,694)	(259,039,882)
Operating income		**62,622**	**162,715,653**	**41,588**	**108,060,254**
Financial expenses, net	(8)	(65,610)	(170,478,027)	(62,527)	(162,466,706)
Loss before income tax		**(2,987)**	**(7,762,374)**	**(20,939)**	**(54,406,452)**
Income tax	(9)	9,762	25,364,832	2,169	5,636,165
Net income (loss) of the period	**(10)**	**6,774**	**17,602,458**	**(18,770)**	**(48,770,287)**

(a) Solely for the convenience of the reader, Colombian *pesos* amounts for the three-month period ended March 31, 2015 and March 31, 2014 have been translated into U.S. dollars at the exchange rate formed in the interbank market on March 31, 2015 of COP$2,598.36 to U.S.$1.00.

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

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

	Period from January 1 to March 31			
	2015		2014	
	(in thousands *of U.S.$) (a)*	(in thousands *of COP$)*	(in thousands *of U.S.$) (a)*	(in thousands *of COP$)*
Cash flows from operating activities				
Cash received from customers	474,250	1,232,271,715	453,046	1,177,175,848
Cash paid to suppliers and employees	(278,658)	(724,054,522)	(275,038)	(714,646,833)
Net interest and other financial expenses paid	(72,953)	(189,557,980)	(59,268)	(154,000,473)
Taxes paid	(100,043)	(259,947,088)	(87,916)	(228,436,426)
Net cash from operating activities	**22,596**	**58,712,125**	**30,824**	**80,092,116**
Cash flows from investing activities				
Payments on investments in property, plant and equipment and intangible assets	(122,698)	(318,813,398)	(125,671)	(326,539,414)
Proceeds on financial investments not included under cash equivalents	573	1,487,894	439	1,140,770
Payments on financial investments not included under cash equivalents	(75)	(194,000)	(4,354)	(11,314,356)
Net cash used in investing activities	**(122,200)**	**(317,519,504)**	**(129,586)**	**(336,713,000)**
Cash flows from financing activities				
Proceeds on issue of subordinated perpetual notes	492,012	1,278,425,000	-	-
Proceeds on issue of debentures and bonds, and other debts	115,573	300,300,837	72,126	187,410,455
Repayments of loans, borrowings and promissory notes	(509,999)	(1,325,161,185)	(9,063)	(23,550,044)
Net cash used in financing activities	**97,586**	**253,564,652**	**63,063**	**163,860,411**
Net decrease in cash and cash equivalents during the Period	**(2,018)**	**(5,242,727)**	**(35,699)**	**(92,760,473)**
Cash and cash equivalents at January 1	30,991	80,526,095	55,348	143,813,669
Cash and cash equivalents at March 31	28,973	75,283,368	19,648	51,053,196
Reconciliation of cash and cash equivalents with the Special Purposes Balance Sheets				
Balance at January 1	**30,991**	**80,526,095**	**55,348**	**143,813,669**
Cash on hand and at banks	21,587	56,091,112	52,209	135,656,616
Other cash equivalents	9,404	24,434,983	3,139	8,157,053
Balance at March 31	**28,973**	**75,283,368**	**19,648**	**51,053,196**
Cash on hand and at banks	17,902	46,516,630	13,326	34,626,727
Other cash equivalents	11,071	28,766,738	6,322	16,426,469

(a) Solely for the convenience of the reader, Colombian *pesos* amounts for the three-month period ended March 31, 2015 and March 31, 2014, have been translated into U.S. dollars at the exchange rate formed in the interbank market on March 31, 2015 of COP$2,598,36 to U.S.$1.00

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

Note 1 – Background and General Information

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

Note 2 – Basis of presentation of the financial statements

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

  All references herein to “peso,” “pesos” or “COP$” are to pesos, the official currency of Colombia. All references herein to “U.S. dollars,” “dollars” or “U.S.$” are to U.S. dollars. We maintain our books and records in pesos. Solely for the reader’s convenience we have converted the amounts included in the "Financial Statements" and in the "Explanatory Notes to the Special Purpose Financial Statements" and in this document from Colombian pesos into U.S. dollars using the exchange rate formed in the interbank market on March 31, 2015 of COP$2,598.36 to U.S.$1.00. These convenience translations should not be considered representations that any such amounts have been, could have been or could be converted in the future into U.S. dollars at that or at any other exchange rate.

- According to the offering memorandum related to the Senior Bond issue, the Company will provide certain financial information to the Trustee for the delivery to bondholders; in this case an English version of the Company's unaudited quarterly special purpose financial statements.

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

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

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

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

Finally and only for comparative purposes, the figures at March 31, 2014 are presented under the same accounting basis used at the end of March 31, 2015, except for the assets revaluation of land and buildings in accordance to the exception of IFRS 1 - First-time adoption of International Financial Reporting Standards.

Note 3 – Critical Accounting Policies and Estimates

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

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

a) Exchange Rate Fluctuations

We publish our financial statements in COP$. Because a portion of our assets, liabilities, revenues and expenses are denominated in currencies other than the COP$, we are exposed to fluctuations in the values of these currencies against the COP$. Currency fluctuations have had and may continue to have a material impact on our financial condition, results of operations and cash flows.

b) Materiality criteria

These financial statements do not include any information or disclosures that, not requiring presentation due to their qualitative significance, have been determined as immaterial or of no relevance pursuant to the concepts of materiality or relevance defined in the IFRS conceptual framework.

c) Statement of Cash Flow

The Statement Cash Flow was prepared according to the direct method. The direct method presents cash flows from activities through a summary of cash outflows and inflows.

Note 4 – Significant Events

a) **IFRS Adoption**

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

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

b) **Subordinated Perpetual Notes**

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

Note 5 – Revenues

The following table sets forth the principal components of our revenues for the three-month periods ended March 31, 2015 and 2014.

	Period from January 1 to March 31,				Variation
	2015		2014		Percentage
	(in millions of U.S.$)(1)	(in millions of COP$)	(in millions of U.S.$)(1)	(in millions of COP$)	%
Mobile Operation					
Voice revenues	124.6	323,880	138.7	360,472	(10.2%)
Connectivity	66.4	172,621	54.8	142,513	21.1%
Added value services (a)	12.8	33,329	16.4	42,649	(21.9%)
Carrier services - M.V.N.O.	11.0	28,583	4.2	10,876	162.8%
Interconnection and roaming	24.5	63,630	30.1	78,096	(18.5%)
Equipment	29.6	76,828	24.3	63,245	21.5%
Loyalty Program	-0.1	-162	-	-	100.0%
Mobile Operation Revenues	**268.9**	**698,709**	**268.6**	**697,851**	**0.1%**
Fixed Operation					
Local telephone services	64.9	168,571	66.9	173,778	(3.0%)
Internet services	40.6	105,596	42.0	109,045	(3.2%)
Satellite Television services	17.3	45,051	13.9	36,029	25.0%
Other revenues (b)	34.9	90,483	33.6	87,551	3.3%
Equipment	0.3	775	0.4	1,105	(29.9%)
Fixed Operation Revenues	**158.0**	**410,476**	**156.8**	**407,508**	**0.7%**
Operating Revenues	**426.9**	**1,109,185**	**425.4**	**1,105,359**	0.3%
Other non-operating Revenues (c)	11.4	29,631	11.6	30,147	(1.7%)
Total Revenues	**438.3**	**1,138,816**	**437**	**1,135,506**	**0.3%**

(a) Includes SMS, reconnection charges and contents, among others.
(b) Includes data and rental of capacity and integral solutions.
(c) Includes other revenues such as invoicing and collection to third parties, commercial support, grants and leases among others.
(1) Solely for the convenience of the reader, Colombian Pesos amounts for the three-month period ended March 31, 2015 and March 31, 2014 have been translated into U.S. dollars at the exchange rate formed in the interbank market on March 31, 2015 of COP$2,598.36 to U.S.$1.00.

The Company's ***operating revenues*** grew 0.3%, from US$425.4 million (COP$1,105,359 million) in the 1Q of 2014 to US$426.9 million (COP$1,109,185 million) in the 1Q of 2015. On the other hand, other non-operating revenues decreased 1.7%, or US$0.2 million (COP$516 million) within the same period.

A summary of the main variations in the ***mobile service revenues*** is presented as follows:

a) Revenues for ***mobile voice service***, including prepaid and postpaid, decreased 10.2%, from US$138.7 million (COP$360,472 million) to US$124.6 million (COP$323,880 million) at the end of 1Q of 2014 and 2015 respectively, mainly influenced by a slowdown in voice consumption, by the aggressive competition in voice plans and the impact caused by the elimination of the Minimum Stay Clause.

b) Revenues from ***data transmission (connectivity)*** grew 21.1% from US$54.8 million (COP$142,513 million) to US$66.4 million (COP$172,621 million) during 1Q of 2014 and 1Q of 2015 respectively, mainly due to the year-on-year increase of data traffic in the prepaid segment of 11.0% and 14.0% in the postpaid segment. This is a reflection of the Company's strategic focus on the growth in data services, primarily due to new offers, subscriptions and integrated plans.

Note 5 – Revenues (Continued)

c) Revenues from ***value added services*** decreased by 21.9% from US$16.4 million (COP$42,649 million) during 1Q 2014 to US$12.8 million (COP$33,329 million) during 1Q 2015 mainly due to the reduction of campaigns offered to subscribers through SMS in compliance with Resolution 44566 of 2014 of the Superintendence of Industry and Commerce, which forbade the mobile companies to send massive offers to subscribers who previously denied receiving such offers. . As a result the Company decreased the number of campaigns and therefore slowing content sales. .

d) The ***carrier services (M.V.N.O.)*** line, which includes revenues generated by the Mobile Virtual Network Operator, Virgin Mobile, grew 162.8%, from US$4.2 million (COP$10,876 million) to US$11.0 million (COP$28,583 million) at the end of 1Q of 2014 and 1Q of 2015 respectively, due to the increase in traffic.

e) The ***interconnection and roaming*** revenues decreased by 18.5% from US$30.1 million (COP$78,096 million) during 1Q 2014 to US$24.5 million (COP$63,630 million) during 1Q 2015 mainly explained by the reduction in the termination rates pursuant to the scheme of asymmetric charges in force from January 1, 2015..

f) Revenues from the sales of ***Equipment*** increased by 21.5%, or US$5.3 million (COP$13,538 million), mainly due to a greater demand of equipment associated with data services (smartphones) and to the increase in the average price of sale of mobile phones due to the elimination of the handset subsidies as a result of the elimination of minimum stay clauses in the postpaid mobile services from July 1st, 2014.

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

a) Revenues from ***local telephone*** services decreased by 3.0%, or US$2.0 million (COP$5,207 million), mainly due to a decrease of 3.5% in the ARPU, from COP$31,055 in 1Q of 2014 to COP$29,980 in 1Q of 2015. The decrease in ARPU was partially offset by an increase of 5,958 ending subscribers year-on-year, thereby slowing the drop of revenues.

b) Revenues from broadband ***internet service*** decreased by 3.2%, or US$1.4 million (COP$3,449 million) year-on-year, mainly explained by the:

- The elimination of governmental subsidies given to social strata 1 and 2, which pass to be borne by our clients from February 1st, 2015 and,
- ARPU decrease of 16.3% year-on-year as a result of greater competition.

On the other hand, the decline in this income category was partially offset by an increase in broad band subscribers of 11.6%, from 884.182 in Internet subscribers, in the 1Q of 2014 to 986.366 in the 1Q of 2015.

c) Revenues from ***Satellite television services*** from subscription increased by 24.5%, or US$3.4 million (COP$9,022 million) due mainly from the:

- Increase of 18.0% in subscribers, rising from 363.802 subscribers in the 1Q of 2014 to 429.392 subscribers in the 1Q of 2015 and,
- Increase of 5.5% year-on-year in the ARPU as a result of the sale of TV Premium packages and an increase of HDTV's subscribers.

d) The other ***fixed operation*** revenues increased by 3.3% year-on-year, mainly due to the renewal of contracts for services of VPNs, MPLS, mainly with customers in the financial, government and service sectors.

Note 6 – Operating Cost and Expenses

The following table sets forth the principal components of our operating cost and expenses for the three-month periods ended March 31, 2015 and 2014:

	Period from January 1 to March 31,				Variation
	2015		2014		Percentage
	(in millions of U.S.$)(1)	(in millions of COP$)	(in millions of U.S.$)(1)	(in millions of COP$)	%
Cost of terminals	36.2	93,942	45.7	118,677	(20.8%)
Charges of access and interconnection and roaming	29.0	75,260	37.8	98,210	(23.4%)
Labor cost	31.5	81,893	30.4	78,924	3.8%
Renting of means and other network infrastructure	30.9	80,349	24.6	63,977	25.6%
Taxes and compensations	23.0	59,805	20.8	54,096	10.6%
Commissions	17.2	44,618	20.6	53,652	(16.8%)
Maintenance	23.1	60,077	19.9	51,746	16.1%
Other costs and operation expenses ***(a)***	15.8	40,967	14.2	36,768	11.4%
Advertisement and brand fee	13.6	35,249	12.6	32,681	7.9%
Contents suppliers	12.3	32,009	11.9	30,929	3.5%
Services (customer services)	8.9	23,074	11.6	30,213	(23.6%)
Energy	11.8	30,537	11.4	29,738	2.7%
Provision for doubtful accounts	5.4	13,983	7.5	19,364	(27.8%)
Other non-recurrent costs,	1.8	4,730	3.0	7,795	(39.3%)
Other ***(b)***	22.7	59,011	23.7	61,636	(4.3%)
Total	**283.1**	**735,504**	**295.7**	**768,406**	**(4.3%)**

(a) Includes renting and activities of third-parties to clients and computer services,
(b) Includes security services, collection by commission, renting, insurance, transportation, invoicing services and printing services, collection management, etc.

(1) Solely for the convenience of the reader, Colombian *pesos* amounts for the three-month period ended March 31, 2015 and March 31, 2014 have been translated into U.S. dollars at the exchange rate formed in the interbank market on March 31, 2015 of COP$2,598.36 to U.S.$1.00.

Operation costs and expenses decreased by 4.3% or US$12.6 million (COP$32,902 million) mainly explained by:

a) A decrease of 20.8% year-on-year in the ***cost of terminals and accessories*** mainly caused:

- Lower commercial activity resulting from the elimination of the minimum stay clause and,
- Decrease of equipment sales by 33.5%, from 310,037 units in the 1Q of 2014 to 206,032 units in 2015.

b) ***Interconnection and roaming*** costs, including access charges of voice mobile operators, decreased 23.3% year-on-year mainly due to the implementation of Resolution 4660 of 2014 of the Communications Regulation Commission – CRC – in relation to asymmetric charges, which contemplates the decrease of termination rates with regard to the Dominant Operator (Claro) from COP$42.86 in 2014 to COP$19.36 in 2015 per minute.

c) An increase of 3.8%, or US$1.1 million (COP$2,969 million) in ***labor costs*** occurs primarily by wage increases and the hiring of the staff of the Experience Centers (owned distribution channel) who worked for third parties

d) Costs renting and other network infrastructures increased by 25.6%, from US$24.6 million (COP$ 63,977 million) to US$30.9 million (COP$80,349 million) mainly due to the expansion of 4G technology network in 315 new sites nationwide, rental of technical sites; increase of international capacity to meet demand broadband customer growth and rental of last mile.

Note 6 – Operating Cost and Expenses (Continued)

e) The ***taxes and compensations*** including taxes, fees and charges increased by 10.6% year-on year from US$20.8 million (COP$ 54,096 million) to US$23.0 million (COP$59,805 million), due to the increase in the company's revenues.

f) The ***commissions*** decreased by 16.8%, from US$20.6 million (COP$ 53,652 million) to US$17.2 million (COP$44,618 million) mainly due to lower commercial activity due to the elimination of the minimum stay clause from the second half of 2014.

g) The costs of network ***maintenance*** increased 16.1% year-on year from US$19.9 million (COP$ 51,746 million) to US$23.1 million (COP$60,077 million) due to the commissioning of new sites (towers and antennas), and for the attention and support of new projects.

h) Costs related to ***customer service*** decreased 23.6%, year-on year from US$11.6 million (COP$ 30,213 million) to US$8.9 million (COP$23,074 million), mainly due to the hiring of the staff of the Experience Centers (owned distribution channel) who worked for third parties

i) ***Provisions*** decreased 27.8%, year-on year from US$7.5 million (COP$ 19,364 million) to US$5.4 million (COP$13,983 million) mainly due to the recovery of provision for doubtful accounts for *grants* and *contributions* and trade receivables

Note 7 – Depreciation y Amortization

The following table sets forth the principal components of our depreciation and amortization for the three-month periods ended March 31, 2015 and 2014:

	Period from January 1 to March 31,			
	2015		2014 (b)	
	(in *million of U.S.$)(1)*	(in *million of COP$)*	(in *million of U.S.$)(1)*	(in *million of COP$)*
Amortization of intangibles assets	(22.7)	(59,007)	(33.6)	(87,184)
Depreciation of property, plant and equipment	(69.9)	(181,589)	(66.1)	(171,856)
Depreciation and amortization	**(92.6)**	**(240,596)**	**(99.7)**	**(259,040)**

(1) Solely for the convenience of the reader, Colombian *pesos* amounts for the three-month period ended March 31, 2015 and March 31, 2014 have been translated into U.S. dollars at the exchange rate formed in the interbank market on March 31, 2015 of COP$2,598.36 to U.S.$1.00.

The charge for ***depreciation and amortization*** decreased 7.1% from US$99.7 million (COP$259,040 million) at the end of the 1Q of 2014 to US$92.6 million (COP$240,596 million) at the end of the 1Q of 2015, mainly resulting from the amortization of 100% the intangible asset (Customer List) as of 1Q of 2014.

Note 8 – Financial Results, net

Net financial expense increased 4.9% year-on-year to US$62.5 million (COP$162,467 million) to US$65.6 million (COP$170,478 million) at the end of the 1Q of 2015, mainly explained by:

- Increase in the interest expenses and hedge derivative expenses of US$1.8 million (COP$4,578 million) due to higher average financial debt balance during the quarter and Parapat interest impacted by inflation rate increase,
- Increase of US$2.8 million (COP$7,158 million) mainly associated with the financial indexation of the account payable regarding the spectrum licenses renewed in 2014, and,

Note 8 – Financial result, net (Continued)

- The increase of bank debit tax (GMF for its abbreviation in Spanish) associated with the prepaid of the financial debt which was carried out with the net resources from the issuance of the perpetual notes in March, 2015.

The increase in financial expenses was offset by an increase in exchange rate gain of US$1.4 million (COP$3,727).

Note 9 – Income tax

As of March 31, 2015 it was recorded a recovery for taxes of US$9.7 million (COP$25,365 million) compared to US$2.2 million (COP$5,636 million) at the end of the 1Q of 2014, it is mainly explained as a net result of:

- the amortization of the Deferred Tax-Debit (expense) of US $13.9 million (COP $36,299 million),
- the provision for Deferred Tax-Debit (income) of US$27.3 million (COP$71,217 million), and,
- the provisions for Income Tax for Equity-CREE expense of US$0.7millones (COP$1,768) million, and for Income tax expense of US$1.2 million (COP$2,951 million).
- the accrual of US$1.8 million (COP$4,833 million) as wealth tax expense.

Nota 10 – Net Profit (Loss) for the period

As a result of the foregoing factors, we recorded a net profit of US$6.8 million (COP$17,602 million) at the end of the 1Q of 2015 of, compared to a net loss of US$18.8 million (COP $48,770 million) at the end of the 1Q of 2014.

Note 11 – Current Financial Assets

The item of current financial assets shows an increase of 92.2% mainly explained by the result of the valuation of derivatives instruments which increased US$29.7 million (COP$77,282 million) from US$32.2 million (COP$ 83,849 million) in January 1st, 2015, to US$32.2 million (COP$161,132 million) in March 31, 2015, due to the devaluation of the peso against the dollar of 8.61% during the 1Q of 2015.

Note 12 – Trade Accounts Receivable and Other

Trade accounts receivable and other increased 9.8%, or US$26.7 million (COP$69,326 million) compared to the opening balance of January 1st, 2015. A breakdown is detailed as follows:

	At March 31, 2015		At January 01 2015		Variation Percentage
	(in millions of U.S.$)(1)	(in millions of COP$)	(in millions of U.S.$)(1)	(in millions of COP$)	%
Accounts receivable					
Clients for sales and services	202.9	527,141	198.2	514,919	2.40%
Equipment (installment sales)	28.1	73,042	23.0	59,863	22.00%
Economically related parties	27.1	70,309	25.4	65,948	6.60%
Prepaid Expenses	23.5	61,128	8.8	22,781	168.30%
Other debtors	16.9	43,948	16.4	42,729	2.90%
Total	**298.5**	**775,567**	**271.8**	**706,241**	**9.80%**

(1) Solely for the convenience of the reader, Colombian pesos amounts at March 31, 2015 and January 01, 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at each date of COP$2,598.36 to U.S.$1.00 .

The main variation is presented as:

Note 12 – Trade Accounts Receivable and Other (Continued)

- The Equipment (installment sales) portfolio, increased US$5.1 million (COP$13,179 million) due to the elimination of the minimum stay clause from July 1st, 2014, in accordance with the provisions of Resolution 4444 of 2014 of the Colombian Telecommunications Commission (Comisión de Regulación de Comunicaciones, or CRC), by means of which mobile phone's subsidies were reduced and therefore sales prices increased .As a result, the Company launched the product sale of mobile equipment in *installments* as a commercial strategy to maintain equipment sales, increasing portfolio balance.

- Prepaid expenses increased by US$14.7 million (COP$38,347 million), mainly due to the payment to the Ministry of Information Technologies and Communications corresponding to the use of the radio spectrum (microwave) for 2015, which is amortized in straight line during the 2015 term.

Note 13 – Inventories

Inventories decreased by 21.4% or US$8.9 million (COP$23,074 million), mainly due to the anticipated process of equipment purchases that took place during the 4Q of 2014

Note 14 – Tax Receivables

The increase in current tax assets of US$13.2 million (COP$34,317 million) manly due to the net impact of:

- Increase of balance of *self-withholdings on Income Tax and CREE Tax* of US$ 7.3 million (COP$18,929 million) and of US$7.4 million (COP$19,153 million) respectively,
- Decrease of balance of self-withholdings on *Industry and trade tax* (ICA) due to ICA annual settlement for US$3.5 million (COP$9,139 million).

Note 15 – Non-Current Financial Assets

Non-Current Financial Assets are detailed as follows:

	At March 31,		At January 01		Variation
	2015		2015		Percentage
Financial Assets	(in millions of U.S.$)(1)	(in millions of COP$)	(in millions of U.S.$)(1)	(in millions of COP$)	%
Derivative instruments	133.2	346,005	65.3	169,726	103.90%
Other participations in Companies	56.4	146,641	56.4	146,641	0.00%
Judicial deposits	10.4	26,998	10.4	27,123	(0.50)%
Total	**200.0**	**519,644**	**132.2**	**343,490**	**51.30%**

(1) Solely for the convenience of the reader, Colombian pesos amounts at March 31, 2015 and January 01, 2015, have been translated into U.S. dollars at the exchange rate formed in the interbank market at each date of COP$2,598.36 to U.S.$1.00.

Non-current financial assets show an increase of 51.3% when compared with the balance at January 1st, 2015. This variation corresponds mainly to the result of the valuation process of hedging instruments for $ 67.9 million (COP$176,279 million), considering the devaluation of the peso against the dollar during the period of 8.61%.

Note 16 – Property, Plant and Equipment

Properties, plant and equipment during the 1Q decreased by 1.9%, or US$32.3 million (COP$83,937 million), mainly due to the net result of:

- Capital Expenditures of US$38.4 million (COP$99,896 million) for maintenance and expansion of fixed and mobile connectivity, coverage and RAN capacity (Radio Access Network), transmission network and access through copper cables and optical fiber, among others.

- Depreciation for the period of US$69.9 million (COP$181,589 million).

- Assets retirements, mainly copper cable resulting of replacement and theft in the fixed access network, for a total of US$0.9 million (COP$2,244 million) and retirements by US$19.9 million (COP$51,710 million) for clearance of assets associated with outdated technologies such as TDMA and CDMA, which were 100% depreciated and, therefore without impact on the results.

Note 17 – Intangible Assets

At the 1Q of 2015 the intangible assets decreased by 2.7%, or US$9.5 million (COP$24,768 million), as net result of:

- Capital expenditures of $ 13.2 million (COP$34,239 million) of mobile network equipment software (Core and RAN Radio Access Network), as well as office software and data centers

- Amortizations for the period of US$22.7 million (COP$59.007 million)

Note 18 – Deferred Tax Assets

Deferred tax increased by 3.4%, or US$13.4 million (COP$34.917 million), due to:

- Amortization of deferred tax recorded in 2014, for the period concerned, by US$ 13.9 million (COP$36.297 million) and,

- Recognition of 2015 tax of US$27.3 million (COP$71.241 million)

Note 19 – Short-Term Financial Liabilities and Other Financial Obligations

a) The short-term financial liabilities decreased by 35.5% or US$121.8 million (COP$316,604 million). Main variations are explained by:

   - Decrease in debt with financial institutions of US$115.2 million (COP$299,210 million) from US$150.9 million (COP$392,189 million) as of January 1st, 2015 to US$35.8 million (COP$92,979 million) as of March 31, 2015, mainly explained by (i) the repayment of debt denominated in local and foreign currency for US$56.5 million (COP$146,875 million) and US$52.4 million (COP$136,319 million), respectively; and (ii) an additional decrease, as net result of US$6.2 million (COP$16,016 million) due to the balance of *payable interests* and valuation effects on debt considering the devaluation of the peso against the dollar during the period of 8.61%.

   - Decrease in account payable of hedging instruments cost of US$3.1 million (COP$8,168 million) from US$ 6.7 million (COP$17,387 million) as of January 1st, 2015 to US$3.5 million (COP$9,219 million) in March, 2015, mainly for payments during the period.

Note 19 – Short-Term Financial Liabilities and Other Financial Obligations (Continued)

b) Decrease in PARAPAT debt of US$3.6 million (COP$9,227 million) mainly due to the net result of decrease of US$ 34.4 million (COP$89,499 million) corresponding to the payment of the first installment of 2015 and the increase of US$30.9 million (COP$80,272 million) due to accrued interest and reclassifications from long-term to short term.

Note 20 – Current Trade and Other Payable

Trade creditors and other short-term accounts payables decreased by 23.0% or US$106.7millones (COP$277,312 million), detailed as follows:

	At March 31,		At January 01		Variation
	2015		2015		Percentage
Trade creditors	(in millions of U.S.$)(1)	(in millions of COP$)	(in millions of U.S.$)(1)	(in millions of COP$)	%
Suppliers	262.6	682,424	379.4	985,881	(30.8%)
Related parties	53.2	138,140	46.3	120,277	14.9%
Deferred revenues, grants and other	42.0	109,197	38.8	100,917	8.2%
Total	**357.9**	**929,761**	**464.5**	**1,207,075**	**(23.0%)**

Note 21 – Current Taxes Payable

Payables to public administrations for current taxes increased by US$13.8 million (COP$35,767millones) due to net result of:

- Increase of balance of *Value Added Tax* account of US$18.7 million (COP$48,600 million) due to the accrual of first quarter settlement,
- Increase of balance of *Income Tax withholdings* on payments to suppliers and employees account of US$1.5 million (COP$3,853 million)
- Decrease of balance of *self-withholdings on Income Tax and CREE* accounts of US$5.1 million (COP$13,225 million), and,
- Decrease of balance of *Consumption Tax* account of US$ 1.8 million (COP$4,643 million).

Note 22 – Financial Obligation Long-Term and Other Financial Obligations

a) Long-term financial obligations decreased 36.6% or US$270.2 million (COP$702,012 million), from US$738.6 million (COP$1,919,122 million) as of January 1st, 2015 to US $468.4 million (COP $1,217,111 million) as of March 31, 2015, due to:

Note 22 – Financial Obligation Long-Term and Other Financial Obligations (Continued)

- Repayment of debt denominated in local and foreign currency for US$154.1 million (COP$400,457 million) and US$140.3 million (COP$364,595 million), respectively;
- Increase of $ 24.3 million (COP$63,041 million) as a net result of valuation effects on debt and long term to short term reclassifications.

b) Variation of the Parapat debt of US$7.7 million (COP $19,977 million), due to long term to short term reclassifications during the period.

Note 23 – Non-Current Trade and Other Payable

Long-term accounts payable include the outstanding payment for the renewal of spectrum licenses in March of 2014, and the acquisition of the 15MHz license in 2011 for the mobile operation; its variation corresponds to the liability's financial indexing.

Note 24 – Bond and Securities

Bonds and Securities increased 8.7%, from US$687.4 million (COP$1,786,207 million) as of January 1st, 2015 to US$747.0 million (COP$1,940,891 million) as of March 31, 2015, mainly due to valuation effect on debt. The nominal value of the Senior Bond is presented net of the issue cost.

Note 25 – Shareholders Equity

Shareholders' Equity increased 141.1% as of March 31, 2015 from negative balance of US$375.0 million (COP$974,360 million) toUS$154.3 million (COP$400,880 million) mainly due to the issuance of US$500 million (COP$1,264,016 million, net of issuance costs) perpetual notes in March.

A summary of the movement of the shareholders' equity during the period is detailed as follows:

	(in millions of U.S.$)(1)	**(in millions of COP$)**
Opening balance as of January 1, 2015	(375.0)	(974,360)
Net Income for the period	6.8	17,602
Long term derivative instruments	36.0	93,622
Other equity instruments – Hybrid Bond	486.5	1,264,016
Balance as of March 31, 2015	**154.3**	**400,880**

(1) Solely for the convenience of the reader, Colombian pesos amounts for the tree-month period ended march 31, 2015 and March 31, 2015 have been translated into U.S. dollars at the exchange rate formed in the interbank market on March 31, 2015 of COP$2,598,36 to U.S.$1.00

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Other Financial and Operating Information
Unaudited Figures

a. **EBITDA IFRS** (a)	**Period from January 1 to March 31,**				**Variation**
	2015		**2014**		**Percentage**
	(in millions of U.S.$)(1)	**(in millions of COP$)**	**(in millions of U.S.$)(1)**	**(in millions of COP$)**	**%**
Net Income (loss)	6.8	17,602	(18.8)	(48,770)	(136.1%)
Plus:					
Depreciation and amortization (b)	92.6	240,596	99.7	259,040	(7.1%)
Financial expenses, net (c)	65.6	170,478	62.5	162,467	4.9%
Income tax	(9.8)	(25,365)	(2.2)	(5,636)	350.0%
EBITDA	**155.2**	**403,312**	**141.3**	**367,100**	**9.90%**

(1) Solely for the convenience of the reader, Colombian pesos amounts for the tree-month period ended march 31, 2015 and march 31, 201a have been translated into U.S. dollars at the exchange rate formed in the interbank market on March 31, 2015 of COP$2,598,36 to U.S.$1.00

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

(b) Includes amortization by U.S.$22.7 million (COP$59,007 million) and depreciation by U.S.$69.9 million (COP$181,589 million)

(c) Includes net income (expense) from foreign exchange differences and debt interest for the three-month periods ended March 31, 2015 and March 31, 2014.

b. EBITDA Margin	**3-month period ended in March 31,**	
	2015	**2014**
EBITDA margin ***(a)***	36.36%	33.21%

(a) Represents EBITDA divided by net revenues

c. Senior Bond debt covenant - Net Debt to EBITDA Ratio

	12-month period ended in March 31,	
	2015	**2014**
Net Debt to EBITDA Ratio (a)	3,02	2,72

(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.
This ratio is calculated based on the information prepared under the local GAAP in force at the time of issuance of the Senior Bond, according to the provisions of the chapter of the definitions in the Offering Memorandum.

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