SPECIAL PURPOSE FINANCIAL STATEMENTS WITH EXPLANATORY NOTES

Colombia Telecomunicaciones S.A. ESP

At September 30, 2014 and for the nine-month period ended September 30, 2014.

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

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	Note	At September 30, 2014		At June 30, 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		$ 23,268.7	$ 47,049,405	$ 19,303.4	$ 36,313,439
Short - term investments		12,292.7	24,855,746	7,762.6	14,602,859
Accounts receivable, net		363,230.2	734,451,545	410,665.0	772,538,865
Inventories, net		46,550.3	94,124,692	31,837.4	59,892,141
Pre-paid expenses		9,268.9	18,741,785	11,346.1	21,344,159
Total current assets		**454,610.8**	**919,223,173**	**480,914.5**	**904,691,463**
Non–current assets:					
Long - term investments		29.7	60,000	31.9	60,000
Accounts receivable, net		536,788.3	1,085,385,869	524,361.5	986,423,631
Property, plant and equipment, net		1,587,484.1	3,209,892,760	1,694,652.5	3,187,963,403
Intangibles, net		412,979.1	835,043,835	457,445.7	860,542,356
Pre-paid expenses		2,110.7	4,267,767	2,325.0	4,373,840
Deferred charges, net		254,315.9	514,226,797	298,672.0	561,858,765
Revaluation of assets		59,685.6	120,684,263	80,822.3	152,042,080
Total non–current assets		**2,853,393.4**	**5,769,561,291**	**3,058,310.9**	**5,753,264,075**
Total assets		**$ 3,308,004.2**	**$ 6,688,784,464**	**$ 3,539,225.4**	**$ 6,657,955,538**
Liabilities	*(3b)*				
Current liabilities:					
Financial obligations		$ 296,475.0	$ 599,472,544	$ 374,852.7	$ 705,169,160
Suppliers and accounts payable		401,433.8	811,699,096	437,569.2	823,150,828
Taxes, liens and charges		49,371.7	99,829,615	115,249.9	216,807,050
Labor liabilities		3,197.1	6,464,541	3,717.1	6,992,537
Estimated liabilities and provisions		197,104.1	398,544,454	253,758.3	477,367,559
Deferred liabilities		18,332.8	37,068,993	16,312.5	30,686,962
Other liabilities		23,321.3	47,155,669	24,725.9	46,514,109
Total current liabilities		**989,235.8**	**2,000,234,912**	**1,226,185.6**	**2,306,688,205**
Non–current liabilities:					
Financial obligations		929,402.9	1,879,252,601	866,499.5	1,630,050,273
Accounts payable long-term		91,878.0	185,777,263	96,623.3	181,766,788
Estimated liabilities and provisions		5,256.8	10,627,307	5,824.0	10,954,136
Deferred liabilities		70,675.5	142,905,829	77,701.2	146,170,789
Other liabilities		20,895.4	42,250,573	23,736.3	44,652,426
Bonds and securities		750,000.0	1,516,500,000	750,000.0	1,410,892,500
Total non–current liabilities		**1,868,108.6**	**3,777,313,573**	**1,820,384.4**	**3,424,486,912**
Total liabilities		**$ 2,857,344.4**	**$ 5,777,548,485**	**$ 3,046,569.9**	**$ 5,731,175,117**
Shareholders' Equity*:*	*(3b)*				
Subscribed and paid capital		$ 719,520.6	$ 1,454,870,740	$ 773,377.9	$ 1,454,870,740
Additional paid–in capital		1,676,195.3	3,389,266,946	1,801,661.2	3,389,266,946
Reserves		14,866.4	30,059,859	15,979.2	30,059,859
Equity revaluation		244,955.2	495,299,445	269,350.8	506,700,118
Accumulated losses		(2,222,403.4)	(4,493,699,586)	(2,388,753.7)	(4,493,699,586)
Net loss of the period		(42,159.0)	(85,245,688)	(59,781.2)	(112,459,736)
Valuation surplus		59,685.6	120,684,263	80,822.3	152,042,080
Total Shareholders' equity		**450,660.7**	**911,235,979**	**492,656.5**	**926,780,421**
Total liabilities and shareholders' equity		**$ 3,308,005.1**	**$ 6,688,784,464**	**$ 3,539,226.4**	**$ 6,657,955,538**

(a) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2014 and for the six- month period ended June 30, 2014, have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2014 of COP$2,022.00 and COP$1,881.19 to U.S.$1.00 respectively.

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

	Notes	Period from January 1 to September 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)*	$ 1,692,424	$ 3,422,082,188	$ 1,560,718	$ 3,155,772,282
Operating cost and expenses	*(2b)*	(1,098,926)	(2,222,027,623)	(1,048,490)	(2,120,047,399)
Gross profit before Parapat compensation		**593,499**	**1,200,054,565**	**512,228**	**1,035,724,883**
Parapat compensation		(108,476)	(219,339,080)	(55,068)	(111,347,826)
Gross profit after Parapat compensation	*(2c)*	**485,022**	**980,715,485**	**457,160**	**924,377,057**
Depreciation and amortization of:				-	
Deferred charges and intangibles		(167,116)	(337,908,304)	(207,080)	(418,714,884)
Property, plant and equipment		(232,121)	(469,348,598)	(232,458)	(470,030,117)
Total depreciation and amortization		(399,237)	(807,256,902)	(439,538)	(888,745,001)
Operating gain		**85,786**	**173,458,583**	**17,622**	**35,632,056**
Non–operating (expenses) revenues:					
Financial expenses, net		(124,179)	(251,089,407)	(121,083)	(244,830,675)
Other income, net		1,108	2,240,951	1,807	3,653,257
Other expenses, net		**(123,070)**	**(248,848,456)**	**(119,277)**	**(241,177,418)**
Loss before income tax		(37,285)	(75,389,873)	(101,654)	(205,545,362)
Income tax		(4,874)	(9,855,815)	(2,011)	(4,065,264)
Net loss		$ **(42,159)**	**$ (85,245,688)**	**$ (103,665)**	**$ (209,610,626)**

(a) Solely for the convenience of the reader, Colombian *pesos* amounts for the nine-month period ended September 30, 2014 and September 30, 2013 have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2014 of COP$2,022 to U.S. $1.00.

(b) Only for comparison and presentation purposes of this report, revenues and operating costs and expenses as of September 30, 2013 have been reclassified in accordance with the following detail:

i. As a result of the change in the liquidation scheme of the compensation rate, as of September 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$73.4 million (COP$148,530 millions).

ii. As of third quarter of 2013 the Company accounted U.S$36.9 million (COP$74,814 million) per concept of internal access charges (autoconsumption) 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 first quarter of 2014.

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

	Period from January 1 to September 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	$ (42,159)	$ (85,245,688)	$ (103,665)	$(209,610,626)
Reconciliation between net loss and net cash provided by operating activities:				
Depreciation of property, plant and equipment	232,121	469,348,598	232,458	470,030,117
Amortization of deferred charges	111,394	225,238,174	106,516	215,376,931
Provision for doubtful accounts	30,660	61,994,869	22,617	45,731,628
Amortization of intangibles	64,490	130,399,458	105,851	214,031,097
Amortization of assets in commodatum	138	279,511	1,742	3,522,051
Loss from write–off of equipment	313	632,191	380	769,094
Loss from write–off of intangibles and deferred charges	860	1,738,193	39	79,307
Provision for the protection of inventories	1,764	3,567,137	627	1,267,132
Valuation of derivatives and exchange difference	(1,430)	(2,890,886)	(197)	(398,295)
Recovery of provision of accounts receivable	(4,699)	(9,501,294)	(1,823)	(3,685,888)
Recovery of provision of inventories	(1,587)	(3,207,919)	(41)	(81,850)
Correction monetary	(393)	(794,272)	(1,178)	(2,382,815)
Net changes in operating assets and liabilities:				
Accounts receivable	(64,077)	(129,563,972)	(19,274)	(38,972,350)
Inventories	(7,381)	(14,924,578)	(9,905)	(20,028,430)
Prepaid expenses	(3,508)	(7,092,888)	(635)	(1,283,385)
Accounts payable	(25,473)	(51,506,964)	(240,925)	(487,152,126)
Taxes, levies and charges	(23,472)	(47,461,476)	(33,192)	(67,115,979)
Labor liabilities	(8,532)	(17,251,617)	(7,544)	(15,254,124)
Deferred liabilities	(6,696)	(13,539,647)	(2,792)	(5,646,202)
Estimated liabilities and provisions	19,752	39,937,058	(72,887)	147,378,507
Other liabilities	7,497	15,159,529	(6,528)	(13,200,506)
Net cash provided by operating activities	**$ 279,582**	**$ 565,313,517**	**$ 116,319**	**$235,197,808**
Cash flows from investment activities:				
Increase of temporary investments	(8,259)	(16,699,751)	(7,499)	(15,162,962)
Increase of pre-paid expenses	(712)	(1,440,275)	-	-
Acquisition of property, plant and equipment, net of transfers	(285,596)	(577,475,902)	(239,975)	(485,229,080)
Additions of deferred charges, net of transfers	(78,788)	(159,308,679)	(2,795)	(5,651,296)
Acquisition of intangibles	(151,995)	(307,333,050)	-	-
Net cash used in investing activities	**$(525,350)**	**$(1,062,257,657)**	**$ (250,269)**	**$(506,043,338)**
Cash flows from financing activities:				
Increase of financial liabilities	201,947	408,336,929	123,503	249,723,468
Increase of other long–term liabilities	-	-	835	1,688,120
Increase in accounts receivable long - term	-	-	10,469	21,168,478
Net cash provided by financing activities	**201,947**	**408,336,929**	**134,107**	**272,580,066**
Net (decrease) increase in cash and cash equivalents	(43,821)	(88,607,211)	858	1,734,536
Cash and cash equivalents at beginning of the period	67,090	135,656,616	67,445	136,373,410
Cash and cash equivalents at the end of the period	**$ 23,269**	**$ 47,049,405**	**$ 68,303**	**$138,107,946**

(a) Solely for the convenience of the reader, Colombian *pesos* amounts for the nine-month period ended September 30, 2014 and September 30, 2013, have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2014 of COP$2,022 to U.S. $1.00.

NOTE 1 – PRESENTATION OF FINANCIAL AND OTHER INFORMATION

a. General

All references herein to "peso", "pesos" or "COP$" are to Colombian pesos, Colombia's official currency. All references herein to "US dollars", "dollars" or "U.S. $" are to U.S. dollars. The Company maintains its books and records in Colombian 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 September[1] 30, 2014 of COP$2,022 to U.S. $1.00, and on June 30, 2014 of COP$1,881.19 to U.S. $1.00.

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, 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, for its abbreviation in Spanish), 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 to 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. The Company's financial statements are prepared in accordance with the accounting principles generally accepted in Colombia and differ in certain significant aspects from the International Financial Reporting Standards issued by the International Accounting Standards Board, of which we do not include any additional information. To date, the Company maintains the accounting principles applied to the financial statements at December 31, 2013. Solely for informational purposes, the balance sheet is presented comparatively with the balance sheet at June 30, 2014; the income statement and cash flows statement as of September 30, 2014 and for the nine-month (9) period then ended are presented in comparison with the same period as of September 30, 2013.

In accordance with the provisions of Law 1314 of 2009 and the regulatory decrees 2706 and 2784 of December 2012, the Company is required to initiate the convergence process of the accounting principles generally accepted in Colombia to the International Financial Reporting Standards (IFRS) as issued by the IASB (International Accounting Standards Board). To make the transition, the Technical Council of Public Accounting classified the companies into three groups. Based on the foregoing, the Company belongs to Group 1, which mandatory transition period begins on January 1, 2014 and the issuance of the first comparative financial statements under the IFRS will be at December 31, 2015. In connection with the convergence process, the Company has established and developed an implementation plan that enables its compliance with the deadlines.

In turn, article 165 of Law 1607 of December 2012 established that only for tax purposes, the referrals contained in the tax standards to the accounting standards will remain in effect during the four (4) years

[1] The exchange rate formed in the interbank on September 30 is published by the Superintendency of Finance on the following business day. For September 30, 2014 the following business day was October 1, 2014

following the effective date of the International Financial Reporting Standards (IFRS), so that during this period the tax impacts can be measured and propose the adoption of the legislative regulations that are necessary. Therefore, during that time, the tax bases of the items included in the tax returns will continue unchanged. Also, the requirements of the accounting treatments for the recognition of special tax situations will lose validity from the application date of the new accounting regulatory framework.

d. General Aspects

At the end of 3Q of 2014, the Company continues improving its competitive position through continuous improvement plans and service innovation, a regulatory environment that is encouraging the sector's revitalization, including the removal of the termination clause as well as the leadership in the deployment of 4G technology services. After this new technology's commercial launch by the end of 2013, the network's capacity and coverage has extended, covering 78 municipalities where is concentrated 60% of the population which is located in municipal centers. Additionally, it is worth noting 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$286,610million), on March the 27th.

Due to this, at the closing of the third quarter of 2014, the Company's income was U.S. $1,692 million (COP$3,422,082 million) representing a year-over-year growth of 8.4%, driven by both mobile and fixed businesses. Operating costs and expenses represented a year-over-year growth of 4.8% excluding the compensation to Parapat.

EBITDA reached U.S. $486 million (COP$982,956 million), 5.9% more when compared to the same period of the last year. Excluding the effect of the compensation to Parapat, the adjusted EBITDA grew 15.7% when compared to the same period in 2013. The following is a summary of the most relevant impacts in the Company's financial statements at the closing of the third quarter of 2014.

NOTE 2 – STATEMENT OF INCOME

a. Revenues

The following table shows the main income concepts for the nine-month (9) period ended September 30:

Description	Period from January 1 to September 30, 2014		Period from January 1 to September 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	665.9	1,346,519	629.2	1,272,321	5.8%
Services and data transmission (connectivity)	213.8	432,352	159.4	322,257	34.2%
Sale of terminals	104.1	210,565	92.8	187,626	12.2%
Other revenues from mobile operations ***(a)***	71.6	144,761	69.3	140,217	3.2%
	1,055.5	**2,134,197**	**950.8**	**1,922,421**	**11.0%**
Fixed Operation					
Local Telephone services	173.0	349,875	166.6	336,793	3.9%
National and international long distance	77.1	155,905	85.5	172,882	(9.8)%
Broadband	162.8	329,106	147.8	298,893	10.1%
Data transmission service	87.5	176,939	84.4	170,663	3.7%
Subscription television service	58.7	118,592	42.1	85,065	39.4%
Other revenues from the operation ***(b)***	77.9	157,468	83.6	169,056	(6.9)%
	636.9	**1,287,885**	**610.0**	**1,233,352**	**4.4%**
Total Net Revenue	**1,692.4**	**3,422,082**	**1,560.7**	**3,155,772**	**8.4%**

(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 nine-month period ended September 30, 2014 and September 30, 2013 have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2014 of COP$2,022 to U.S. $1.00.

NOTE 2 – STATEMENT OF INCOME

a. Revenues (continued)

Regarding the Company's revenue it is worth noting that mobile operation generated U.S. $1,055 million (COP $2,134,197 million) with a growth of 11% compared to the same period in 2013. The main changes are presented as follows:

a) The growth of 5.8% on basic charge and airtime is caused mainly by the year-over-year growth of the traffic generated by the services provided to the mobile virtual network operator (MVNO) from U.S. $1.9 million (COP$3,876 million) to U.S. $24 million (COP$48,540 million) at the end of third quarter of 2014, and an interconnection year-over-year growth, primarily by mobile-mobile traffic. Average Revenue Per User (ARPU) decreases by effect of the migration to integrated plans, nevertheless this was offset by the growth of postpaid voice services subscriber base by 1.7%, ending with 2.7 million subscribers.

b) Income per concept of data transmission (connectivity) grew 34.2%, from US$159 million (COP$322,257 million) to $214 million (COP$432,352 million) at the closing of the third quarter of 2014. The increase is explained by greater business activity, evidenced by the procurement of new packages and integrated plans, and by the increase in market penetration of Smartphones as a result of the adoption of 4G technology.

c) The growth of 12.2% of the terminal line is explained by the increase in the average selling price as a result of customer preference for high-end equipment such as Smartphones, Notebooks, and Tablets among others, and the impact on the subsidy due to the elimination of the termination clause.

The fixed operating revenues amounted to U.S. $637 million (COP$1,287,885 million) with a growth of 4.4% in comparison with third quarter, 2013. Below is a detail of the main variances:

a) Revenue from the fixed line shows a positive behavior as a result of the year-over-year growth of 1.6% in the final plant, ending with 1.5 million subscribers.

b) The long distance revenues decreased by 9.8%, due to lower traffic.

c) The broadband service reported growth in business activity with a year-over-year growth of subscribers' base by 14%, ending with 941,720 subscribers, and the trend of churn remains at 2%. However, the average ARPU has a decrease of 7.9%.

d) The television service continued experiencing a positive tendency of the business activity focused on the growth of packages of HD channels, TV stand-alone and tailor made offers of premium packages, which represents a year-over-year growth of 20.7% subscribers, ending with 400,840 subscribers.

e) Other operating revenue showed a decrease, primarily as a result of lower sales of the special projects' equipment for the Enterprises segment, less revenue from government subvention and a decrease of hubbing revenues.

b. Operating Cost and Expenses

The following table sets forth the principal components of the operating cost and expenses for the nine-month (9) period ended September 30:

Description	Period from January 1 to September 30, 2014		Period from January 1 to September 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	192.5	389,171	149.3	301,811	28.9%
Terminal equipment and accessories	160.8	325,221	150.3	303,936	7.0%
Other operations costs and expenses *(a)*	147.3	297,781	162.8	332,865	(10.5)%
Services (customer service)	115.3	233,177	117.2	237,078	(1.6)%
Labor costs	114.2	230,953	112.7	227,795	1.4%
Maintenance	90.0	182,077	82.2	166,223	9.5%
Commissions	71.9	145,340	77.6	156,814	(7.3)%
Compensation rate	54.5	110,157	56.7	114,655	(3.9)%
Advertising and brand fee	48.9	98,886	47.3	95,622	3.4%
Others *(b)*	46.7	94,329	45.2	91,434	3.2%
Tax, levies and charges	25.5	51,518	22.7	45,962	12.1%
Provisions	31.4	63,418	22.7	45,852	38.3%
Total operating costs and expenses	**1,098.9**	**2,222,028**	**1,046.7**	**2,120,047**	**4.8%**

(a) Include cost of: rental for infrastructure, call center, maintenance and repair, content, among others.
(b) Include public services and fees.
(1) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2014 and September 30, 2013 have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2014 of COP$2,022 to U.S. $1.00.

Operating costs and expenses had a year-over-year growth of 4.8%, primarily due to interconnection costs, terminal equipment lines, maintenance, taxes, fees and charges and provisions, among others.

a) Interconnection costs experienced a year-over-year growth of 28.9% as a result of the increase in mobile-mobile traffic, considering the offer of plans to all destinations.

b) Costs of terminals, accessories and fixed equipment had a year-over-year growth of 7%, which is consistent with an increase in business activity and in the sale of high-end and mid-range Smartphones.

c) The line of other operating costs and expenses showed a decrease of 10.5% in comparison to the same period in 2013, primarily due to decrease in cost of contents in data services and migration to Smartphones.

d) Maintenance and repair costs had a year-over-year growth of 9.5% due to the network's maintenance of new sites and to greater demand of access of fixed lines, broadband and television. Additionally, activities of corrective maintenance of the submarine cable took place and 8 new optical fiber cables were installed.

e) Commissions vary by 7.3%, due to a decrease in business activity during the third quarter as a result of the elimination of the termination clause from July 1, 2014, which has impacted postpaid, prepaid and telesales gross adds.

f) The item of levies, liens and fees increases by two main factors: (i) increase of the settlement basis of municipal taxes (industry and trade, signs and billboards and street lighting), which are operating and non-operating revenues, and (ii) change in the municipalities' income statutes.

b. Operating Cost and Expenses (continued)

g) The provisions account presented a year-over-year growth of 38.3% equivalent to U.S. $8.6 million (COP$ 17,566 million) regarding the same period of 2013, mainly due to the; (i) provision of accounts receivable (ii) provision for obsolescence of terminal equipment due to decrease of turnover because of subsidy elimination as of July first.

c. Operating and net results

Operating results before the compensation to Parapat were U.S. $593.4 million (COP$1,200,055 millions) at the closing of the third quarter of 2014, with a year-over-year growth of 15.9%, result of revenues excellent behavior due to greater business activity and control of costs and expenses. The compensation payment to Parapat had a year-over-year growth of 97.0%, pursuant to the provisions set forth in the restructuring agreement of the liabilities thereof.

On the other hand, the operative result after the contribution to Parapat, depreciations and amortizations for the nine months ended September 30, 2014, was U.S.$85.8 million (COP$173,459 million) while the operative result for the same period in 2013 was U.S.$17.6 million (COP$35,632 million).

The financial expense expressed in local currency had a year-over-year growth of 2.6%, from U.S. $121.1 million (COP$244,831 million) as of September 2013 to U.S. $124.2 million (COP$251,089 million) as of September 2014, which is explained by the increase of debt regarding the same last year period, with a growth of 14.8% from U.S. $1,824.1 million (COP$3,481,021 million) in the 3Q, 2013, to U.S. $1,975.9 million (COP$3,995,225 million) to the closing of the third quarter, 2014.

The income tax for equity (CREE) increased at the end of September 2014, considering that the company generates taxable income; as of September 30, 2013, the Company had tax loss.

NOTE 3 – BALANCE SHEETS

a. <u>Assets</u>

The Company's total assets at the closing of the third quarter of 2014 account to U.S. $3,308 million (COP$6,668,744 million), remaining stable compared to the second quarter of 2014. Below is a detail of the main variances:

a) A 5% decrease in the accounts receivables as of the closing of the third quarter of 2014, compared to the second quarter of 2014, is mainly attributable to the net effect of:

   i) Application of credit balances of the income tax and CREE of 2013 which were compensated with the amount payable of the sales tax - VAT of first two bimesters of 2014 in $ U.S. 38.6 million (COP$78,096 million).
   ii) Long-term reclassification of the accounts receivables with Telefonica Venezuela of U.S. $9.8 million (COP$ 19,908 million).
   iii) Valuation of hedge instruments due to the devaluation of exchange rate at the closing of the third quarter, of U.S. $18.12 million (COP$ 36,042 million).
   iv) Self-Withholding in U.S. $ 17.9 million ($36,304 million) and
   v) Increased roaming accounts receivables in U.S. $5 million (COP $10,150 million).

a. Assets (continued)

b) The increase of 57.2% in inventories at the closing of the third quarter of 2014 versus second quarter of 2014 is a result of the supply of equipment, mainly high-end Smartphones in U.S. $17.4 million (COP$ 35,259 million) generated by the market preference for LTE technology equipment.

c) Prepaid expenses decreased of 12%, primarily due to the amortization of rights of use of the radio spectrum of the frequencies for fixed operation.

d) Deferred charges experienced a decrease of 8.5%; mainly due to the amortization of software, licenses and wealth tax.

e) The asset valuation account decreased as result of the adjustment of the assets net value, due to the write-off of fixed assets and the depreciation regarding the technical appraisal.

b) <u>Liabilities and Shareholders' Equity</u>

The Company's total liabilities at the closing of the third quarter of 2014 totaled U.S. $2,854 million (COP$5,771,476 million) and showed an increase of 1% when compared to the second quarter of 2014. Below is a detail of the main variances:

a) Short and long-term financial liabilities, including bonds, show an increase of 6.6% compared to the closing of the second quarter of 2014. The debt ratio (Net Debt/EBITDA) at the closing of the third quarter of 2014 is at 2.8x[1] versus 2.9x at the closing of the second quarter of 2014. Excluding the Parapat compensation from the EBITDA calculation, the debt ratio is at 2.4x at the closing of the third quarter of 2014.

b) Estimated liability and provisions decreased by 21%, mainly due to the: (i) effect on the valuations of the exchange rate coverage going from a revaluation of 2.37% at the closing of June to a devaluation of 4.94% at the closing of September 2014, generating profits recognized on the asset and (ii) given the progress in the reconciliation of international traffic with the group companies.

c) The liability for levies, liens and fees decreased by 54.0% mainly due to:

   (i) Compensation and payment of sales tax – (VAT) on the second and third bimester of 2014 in U.S. $ 49.2 million (COP$99,497 million).
   (ii) Payment of the eighth and last wealth tax payment by U.S. $11.3 million (COP$22,801 million).
   (iii) Payment of consumption tax by U.S. $ 2.5 million (COP$5,148 million). The account increased by the accrual of the income tax CREE at U.S. $3.6 million (COP$7,332 million) and the accrual of the withholding tax for interests in U.S. $2.0 million (COP$4,139 million).

d) Long-term accounts payable include the liabilities for the renewal of the spectrum license performed in March 2014 and the acquisition of the 15MHz license in 2011 for mobile operation.

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

c) <u>Liabilities and Shareholders' Equity</u>

Equity at the closing of the third quarter of 2014 was U.S. $454 million (COP$917,269 million) and the decrease regarding the second quarter of 2014 primarily corresponds to the depreciation of the assets valuation in accordance with the legal regulations in force in U.S. $15.5 million (COP$31,358 million), amortization of the wealth tax of U.S. $5.6 million (COP$11,400 million) and the positive results of the 3Q of 2014 for U.S.$16.4 million (COP$33,247 million).

NOTE 4 – OTHER FINANCIAL AND OPERATING INFORMATION

a. Cash Flow Data	**Period from January 1 to September 30, 2014**		**Period from January 1 to September 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	279.5	565,314	116.3	235,198
Net cash used in investing activities	(525.3)	(1,062,258)	(250.2)	(506,043)
Net cash provided by financing activities	201.9	408,337	134.8	272,580

(For more detail, see Statement of Cash Flow)

EBITDA (a)	**Period from January 1 to September 30, 2014**		**Period from January 1 to September 30, 2013**		
	(in millions of U.S. $)(1)	**(in millions of COP$)**	**(in millions of U.S. $)(1)**	**(in millions of COP$)**	**% Var.**
Net loss	(42.1)	(85,246)	(103.6)	(209,611)	(62.2)%
Plus:					
Depreciation and amortization (b)	399.2	807,257	439.5	888,745	(9.2)%
Financial expenses, net (c)	124.1	251,089	121.0	244,831	2.6%
Income tax	4.8	9,856	2.0	4,065	(6.0)%
EBITDA	**486.0**	**982,956**	**458.9**	**928,030**	5.9%
Plus:					
Accrued PARAPAT payment obligation	108.4	219,339	55.0	111,348	97.0%
Adjusted EBITDA:	**594.4**	**1,202,295**	**513.9**	**1,039,378**	15.7%

(1) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2014 and September 30, 2013 have been translated into U.S. dollars at the exchange rate formed in the interbank market on September 30, 2014 of COP$2,022 to U.S. $1.00.

(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. $102.6 million (COP$207,509 million), intangible U.S. $64.4 million (COP$130,399 million), and depreciation U.S. $232.1 million (COP$469,349 million) for the nine-month periods ended September 30, 2014, respect to U.S. $439.5 million (COP$888,745 million) in 2013.
(c) Includes net income (expense) from foreign exchange differences and interest financial for the nine-month periods ended September 30, 2014 and September 30, 2013.

b. EBITDA Margin	**Period from January 1 to September 30, 2014**	**Period from January 1 to September 30, 2013**
EBITDA margin ***(a)***	28.72%	29.41%
EBITDA Adjusted margin ***(b)***	35.13%	32.94%

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

c. Net Debt to EBITDA Ratio	**Period from June 30, 2014 to September 30, 2013**	**Period from June 30, 2014 to September 30, 2013**
Net Debt to EBITDA Ratio (a)	2.8	2.5
Net Debt to EBITDA Adjusted Ratio	2.3	2.2

(a) Net debt mean: short and long-term financial liabilities 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.