

**SPECIAL PURPOSE FINANCIAL STATEMENTS
WITH EXPLANATORY NOTES**

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

**At September 30, 2012 and for the nine-month period ended
September 30, 2012.**

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

**Special Purpose Financial Statements with
Explanatory Notes**

At September 30, 2012 and for the nine-month period ended September 30, 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 September 30, 2012		At June 30, 2012 (a)	
	<i>(in thousands of U.S.\$)(b)</i>	<i>(in thousands of COP\$)</i>	<i>(in thousands of U.S.\$)(b)</i>	<i>(in thousands of COP \$)</i>
Assets				
Current assets:				
Cash and cash equivalents	\$ 42,529	\$ 76,575,018	\$ 61,434	\$ 110,613,644
Temporary investments	5,370	9,668,994	15,230	27,422,154
Accounts receivable	388,872	700,172,573	447,410	805,570,733
Inventories, net	37,113	66,822,527	42,065	75,739,010
Pre-paid expenses	12,349	22,233,872	16,174	29,121,235
Total current assets	486,233	875,472,984	582,313	1,048,466,776
Non-current assets:				
Permanent investments	45	80,773	45	80,773
Accounts receivable, net	540,886	973,876,858	539,885	972,074,435
Properties, plant and equipment, net	1,641,431	2,955,429,261	1,641,760	2,956,021,421
Intangibles, net	411,237	740,441,276	455,218	819,628,419
Pre-paid expenses	2,445	4,402,395	2,669	4,804,808
Deferred charges, net	406,927	732,679,375	458,127	824,866,250
Other assets	3,351	6,033,099	4,273	7,694,083
Revaluation of assets	248,279	447,031,732	259,313	466,898,684
Total non-current assets	3,254,601	5,859,974,769	3,361,290	6,052,068,873
Total assets	\$ 3,740,834	\$ 6,735,447,753	\$ 3,943,603	\$ 7,100,535,649
Liabilities				
Current liabilities:				
Financial obligations	\$ 33,391	\$ 60,121,314	\$ 916,551	\$ 1,650,267,840
Suppliers and accounts payable	504,712	908,744,038	628,089	1,130,887,027
Taxes, liens and charges	40,749	73,369,380	76,596	137,913,085
Labor liabilities	12,997	23,402,167	17,259	31,075,933
Estimated liabilities and provisions	245,104	441,314,620	240,905	433,753,946
Deferred liabilities	18,579	33,451,017	21,262	38,282,723
Other liabilities	61,039	109,902,594	53,675	96,643,561
Total current liabilities	916,571	1,650,305,130	1,954,337	3,518,824,115
Non-current liabilities:				
Financial obligations	1,707,525	3,074,433,409	820,468	1,477,269,100
Taxes, liens and charges	25,328	45,602,694	37,991	68,404,041
Estimated liabilities and long-term provisions	12,497	22,501,475	11,709	21,082,809
Deferred liabilities	92,129	165,880,436	94,852	170,783,783
Other liabilities	36,318	65,391,189	24,496	44,105,504
Total non-current liabilities	1,873,797	3,373,809,203	989,516	1,781,645,237
Total liabilities	\$ 2,790,368	\$ 5,024,114,333	\$ 2,943,853	\$ 5,300,469,352

(a) Figures presented for illustrative purposes, and include the operations of Telefonica Móviles Colombia S.A. (Absorbed Company) for the six-month period ended June 30, 2012.

(b) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2012 and for the six-month period ended June 30, 2012 have been translated into U.S. dollars at the exchange rate as of September 30, 2012 of COP\$1,800.52.

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

**Special Purpose Balance Sheets
Unaudited**

	At September 30, 2012		At June 30, 2012 (a)	
	<i>(in thousands of U.S.\$)(b)</i>	<i>(in thousands of COP\$)</i>	<i>(in thousands of U.S.\$) (b)</i>	<i>(in thousands of COP \$)</i>
Shareholders' equity:				
Subscribed and paid capital	\$ 808,028	\$ 1,454,870,740	\$ 808,028	\$ 1,454,870,740
Additional paid-in capital	1,882,382	3,389,266,946	1,882,382	3,389,266,946
Reserves	50,285	90,539,755	50,285	90,539,755
Equity revaluation	325,742	586,504,832	337,393	607,482,707
Accumulated losses	(2,228,022)	(4,011,598,647)	(2,228,022)	(4,011,598,647)
Net loss of the period	(136,228)	(245,281,938)	(109,632)	(197,393,888)
Valuation surplus	248,279	447,031,732	259,313	466,898,684
Total Shareholders' equity	950,466	1,711,333,420	999,747	1,800,066,297
Total liabilities and shareholders' equity	\$ 3,740,834	\$ 6,735,447,753	\$ 3,943,603	\$ 7,100,535,649
Debit memorandum accounts	\$ 3,663,722	\$ 6,596,604,353	\$ 5,300,518	\$ 9,543,688,296
Credit memorandum accounts	\$ 6,163,510	\$11,097,522,305	\$ 4,160,357	\$ 7,490,806,813

- (a) Figures presented only for illustrative purposes, and include the operations of Telefonica Móviles Colombia S.A. (Absorbed Company) for the six-month period ended June 30, 2012.
- (b) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2012 and for the six-month period ended June 30, 2012 have been translated into U.S. dollars at the exchange rate as of September 30, 2012 of COP\$1,800.52

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

	Period from January 1 to September 30,			
	2012		2011(a)	
	(in thousands of U.S.\$)(b)	(in thousands of COP\$)	(in thousands of U.S.\$)(b)	(in thousands of COP\$)
Operating revenue, net	\$ 1,649,913	\$ 2,970,701,730	\$ 1,610,095	\$ 2,899,008,908
Cost of sales and services rendered	(636,856)	(1,146,671,744)	(791,283)	(1,424,721,512)
Gross income	1,013,057	1,824,029,986	818,812	1,474,287,396
Operating expenses:				
Administrative	(279,283)	(502,854,738)	(274,627)	(494,471,275)
Selling expenses	(228,721)	(411,817,127)	(234,012)	(421,342,942)
Provisions	(30,693)	(55,263,970)	(40,397)	(72,735,582)
Total Operating Expenses	(538,697)	(969,935,835)	(549,036)	(988,549,799)
Operating income before depreciation and amortization	474,360	854,094,151	269,776	485,737,597
Depreciation and amortization of:				
Deferred charges and intangibles	(225,638)	(406,265,183)	(230,958)	(415,844,012)
Properties, plant and equipment	(246,675)	(444,143,149)	(227,222)	(409,116,956)
Total depreciation and amortization	(472,313)	(850,408,332)	(458,180)	(824,960,968)
Operating gain (loss)	2,047	3,685,819	(188,404)	(339,223,371)
Non-operating (expenses) revenues:				
Financial expenses, net	(148,282)	(266,984,417)	(91,595)	(164,919,107)
Other income (expenses), net	11,256	20,267,435	4,235	7,625,039
Deferred monetary correction	1,382	2,488,399	5,128	9,233,448
Extraordinary expenses	(2,478)	(4,462,568)	(7,246)	(13,046,968)
Other expenses, net	(138,122)	(248,691,151)	(89,478)	(161,107,588)
Loss before income tax	(136,075)	(245,005,332)	(277,882)	(500,330,959)
Income tax	(154)	(276,606)	(7,271)	(13,091,904)
Net loss of the nine months period	\$ (136,229)	\$ (245,281,938)	\$ (285,153)	\$ (513,422,863)
Net loss per share in pesos	\$ (0.09)	\$ (168.59)	\$ (0.19)	\$ (352.90)

- (1) Figures presented only for illustrative purposes, and include the operations of Telefonica Móviles Colombia S.A. (Absorbed Company) for the nine-month period ended September 30, 2011.
- (2) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2012 and September 30, 2011 have been translated into U.S. dollars at the exchange rate as of September 30, 2012 of COP\$1,800.52

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

	Period from January 1 to September 30, 2012		Period from January 1 to June 30, 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 nine and six months	\$ (136,228)	\$ (245,281,938)	\$ (109,632)	\$ (197,393,888)
Reconciliation between net loss and net cash provided (used) by operating activities:				
Depreciation of properties, plant and equipment	246,675	444,143,149	163,601	294,566,291
Amortization of deferred charges	107,053	192,751,518	70,762	127,408,235
Provision for doubtful accounts	30,123	54,237,036	22,324	40,195,000
Amortization of intangibles	118,584	213,513,665	79,075	142,376,227
Amortization of assets given in commodatum	3,066	5,520,817	2,144	3,859,832
Loss from write-off of equipment	2,767	4,981,990	438	787,768
Loss from write-off of deferred charges	597	1,074,821	347	624,705
Provision for the protection of inventories, net of Recoveries	570	1,026,934	186	335,164
Amortization of tax on net worth	21,232	38,229,517	5,319	9,577,201
Elimination of the net common operations from the merging	35	63,310	35	63,310
Net changes in operating assets and liabilities:				
Accounts receivable	92,132	165,886,251	42,395	76,332,550
Inventories	18,992	34,195,789	14,424	25,971,076
Prepaid expenses	(5,458)	(9,826,423)	(9,506)	(17,116,200)
Accounts payable	(413,352)	(744,247,724)	(289,974)	(522,104,735)
Taxes, levies and charges	(65,869)	(118,598,825)	(17,358)	(31,253,773)
Labor liabilities	(14,684)	(26,439,145)	(10,422)	(18,765,379)
Estimated liabilities and provisions	35,717	64,309,941	30,730	55,330,602
Deferred liabilities	(2,777)	(5,000,779)	(94)	(169,073)
Other liabilities	(1,028)	(1,851,170)	(8,392)	(15,110,202)
Net cash provided (used) by operating activities	\$ 38,147	\$ 68,688,734	\$ (13,598)	\$ (24,485,289)
Cash flows from investment activities:				
Decrease of temporary investments	32,708	58,891,061	22,848	41,137,901
Acquisition of properties, plant and equipment, net of transfers	(176,883)	(318,481,785)	(91,808)	(165,302,865)
Additions of deferred charges, net of transfers	(58,354)	(105,067,930)	(57,100)	(102,809,090)
Decrease of intangibles, trust rights	(13,520)	24,342,508	9,049	16,292,803
Net cash used in investing activities	\$ (189,009)	\$ (340,316,146)	\$ (117,011)	\$ (210,681,251)
Cash flows from financing activities:				
Increase of financial obligations	105,888	190,653,683	101,990	183,635,900
Amortization of tax on net worth as a decrease of equity revaluation	(18,996)	(34,202,020)	(7,345)	(13,224,145)
Decrease of long-term deferred liabilities	(8,179)	(14,725,754)	(5,455)	(9,822,407)
Increase of other long-term liabilities	18,839	33,919,974	7,017	12,634,289
Net cash provided by financing activities	\$ 97,552	\$ 175,645,883	\$ 96,207	\$ 173,223,637
Net decrease in cash and cash equivalents	(53,308)	(95,981,529)	(34,403)	(61,942,903)
Cash and cash equivalents at beginning of the period of the absorbed company	54,163	97,522,207	54,163	97,522,207
Cash and cash equivalents at beginning of the period	41,674	75,034,340	41,674	75,034,340
Cash and cash equivalents at the end of the period	\$ 42,529	\$ 76,575,018	\$ 61,434	\$ 110,613,644

- (a) Figures presented only for illustrative purposes, and include the operations of Telefonica Móviles Colombia S.A. (Absorbed Company) for the six-month period ended June 30, 2012.
- (b) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2012 and for the six-month period ended June 30, 2012 have been translated into U.S. dollars at the exchange rate as of September 30, 2012 of COP\$1,800.52.

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 September 30, 2012 of COP\$1,800.52 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 June 30, 2012.

Solely for informational purposes the balance sheet and statement of cash flow is presented comparatively with the balance sheet and statement of cash flow at June 30, 2012. The statement of income as of September 30, 2012 and for the nine (9) months period then ended is presented comparative with the same period as of September 30, 2011. These financial statements included the operation of Telefonica Móviles Colombia S.A.(Absorbed Entity) for illustrative purposes.

The following discussion summarizes the significant factors affecting operating results and financial position of Colombia Telecomunicaciones S.A. E.S.P., at September 30, 2012 and for the nine (9) months period then ended.

The characteristics of the Company’s financial situation during the 9 month period ended September 30, 2012, 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 and a favorable tendency at the closing of the year’s last quarter.

Statements of income

Operating Revenue, net.

The accumulated operative income for the 9 month period ended September 30, 2012 amount to U.S.\$1,650 million (COP\$2,970,702 million), showing an increase of 2,5% in respect of the same 9 month period ended September 30, 2011.

The growth of the Mobile Operation is mainly due to income from the services as a result of the positive behavior of traffic and of the voice, data and content plans and packages, as a result of the market’s dynamism, which had an increase of 7% by passing from U.S.\$692 million (COP\$1,245,523 million) in 2011 to U.S.\$738 million (COP\$1,327,885 million) in 2012. Income from equipment grew 15% passing from U.S.\$84 million (COP\$150,838 million) in 2011 to U.S.\$96 million (COP\$172,806 million) in 2012 as a result of the procedure made to increase our customers and of the commercial offer of new equipment that would allow us to renter integrated services.

Regarding income obtained from the Fixed Operation related with voice had an impact of the growth from the replacement of fixed voice to mobile, showing a 10% decrease passing from U.S.\$389 million (COP\$699,797 million) in 2011 to U.S.\$349 million (COP\$628,257 million) in 2012.

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

There was an increase of 3% in Broad Band passing from U.S.\$253 million (COP\$455,326 million) in 2011 to U.S.\$259 million (COP\$466,904 million) in 2012, reason why the Company maintains its position as fixed Broad Band service operator with greater coverage in Colombia. This achievement is in line with our objective of offering services to Colombians with the best technology and quality.

The Company had a significant growth in Satellite Television for 24% passing from S\$29 million (COP\$51,623 million) in 2011 to U.S.\$36 million (COP\$64,003 million) in 2012.

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

Description	Period from January 1 to September 30, 2012		Period from January 1 to September 30, 2011		%Var. Sep 12 vs Sep 11
	(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	738	1,327,885	692	1,245,523	7%
Sale of terminals	96	172,806	84	150,838	15%
Other income from mobile operations (a)	105	189,357	94	168,368	12%
Income from Mobile Operation	939	1,690,048	870	1,564,729	8%
<u>FIXED OPERATION</u>					
Voice Services					
Local telephony	241	433,971	261	470,687	(8%)
National and international long distance	108	194,286	127	229,110	(15%)
Broad Band					
Data transmission service	259	466,904	253	455,326	3%
TV					
Television	36	64,003	29	51,623	24%
Others					
Other income from the operation (b)	93	168,029	110	197,311	(15%)
Income from Fixed Operation	737	1,327,193	780	1,404,057	(5%)
Subtotal Income from Fixed and Mobile Operation	1,676	3,017,241	1,650	2,968,786	2%
Less – Intercompany operations	(26)	(46,539)	(39)	(69,778)	
Total Operating Revenue, net	1,650	2,970,702	1,611	2,899,008	2%

(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.

(1) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2012 and September 30, 2011 have been translated into U.S. dollars at the exchange rate as of September 30, 2012 of COP\$1,800.52.

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

Costs of Sales and Rendering Services

Costs of sales and rendering services at September 30, 2012 was of U.S.\$637 million (COP\$1,146,672 million) recording a decrease of 20% regarding the period ended September 30, 2011.

The decrease is mainly because the Compensation value to PARAPAT accrued on September 30, 2012 of U.S.\$55 million (COP\$98,541 million), while at the end of the same period in 2011 it was for U.S.\$222 million (COP\$399,587 million). The 75% variance in the compensation quote is mainly due to Modification No. 3 of the Exploitation Contract agreed between Colombia Telecomunicaciones S.A. E.S.P. and PARAPAT that adjusted the quotes payable per this concept.

On the other hand, fixed operation costs and equipment had a decrease of 26% regarding 2011, basically due to the minor sales of equipment, telephones and computers. The maintenance and repair item decreased in 6% as a result of the negotiation with suppliers, besides of a strict control of this item. Personnel costs had a decrease of 3% regarding the efficiency process that began in 2011 and the synergies generated during the merging process. The remaining costs of the fixed operation had a 6% increase, which mainly highlights the rental costs.

Main increase of mobile operating costs appear in the terminal and accessory costs, which increased in 18% in respect of 2011; on the other hand, interconnection costs with mobile operators and access costs to platforms that support connectivity and data services had a decrease of 4%.

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 September 30, 2012		Period from January 1 to September 30, 2011		%Var. Sep 12 vs. Sep 11
	(in millions of U.S.\$) (1)	(in millions of COP\$)	(in millions of U.S.\$) (1)	(in millions of COP\$)	
Charge of accesses and interconnection	155	278,397	160	288,135	(3%)
Parapat compensation	55	98,541	222	399,587	(75%)
Equipment cost	26	47,425	36	64,447	(26%)
Maintenance and repair	46	83,010	49	88,152	(6%)
Personnel costs	16	29,310	17	30,136	(3%)
Other costs of fixed operations (c)	92	164,822	87	156,207	6%
Terminal equipment cost and accessories	132	238,077	112	202,341	18%
Mobile and data cost	103	185,700	107	193,541	(4%)
Other mobile operation costs (d)	33	59,819	32	56,866	5%
Costs of Sales and Rendering Service	658	1,185,101	822	1,479,412	(20%)
Less – Intercompany operations	(21)	(38,429)	(30)	(54,691)	(30%)
Total Cost of Sales and Rendering Service	637	1,146,672	792	1,424,721	(20%)

(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.*

(1) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2012 and September 30, 2011 have been translated into U.S. dollars at the exchange rate as of September 30, 2012 of COP\$1,800.52.

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

Operating Expenses

At the end of September 2012, the operating expenses were for U.S.\$539 million (COP\$969,936 million), 2% less than those recorded in September 30, 2011.

We detail below the main administrative expenses at the end of September 30, 2012:

- a) The personnel expense that decrease 15% in respect of prior year. This variance is mainly due to the optimization of resources in accordance with the restructuring plan implemented in 2011 and the first savings generated from the synergies of the merging.
- b) Fees decrease in 52% in respect of prior year, due to the increase 2011 per concept of costs and expenses incurred in the strategic and advisory consultants for the merging process; expenses associated in 2012 for these concepts were minor. Additionally, the management fee expense accrued in September 30, 2012 is minor than the one accrued at September 30, 2011.
- c) Services increase in 7% regarding prior period, given to the reclassification made for service rendering purpose of the office's power utilities, which in 2011 was kept as a sales and service rendering cost. Likewise, the sales and service rendering costs of freights and transports of the service item were reclassified.
- d) The maintenance and repairs account grew in 38% regarding the 2011 period mainly due to the increase of maintenance activities of the nationwide plant and networks for the TV, Broad Band, Internet and 3G services. Likewise, there is an increase in the tower maintenance expenses.
- e) Legal expense increased in 2012 regarding 2011 in U.S.\$5 million (COP\$8,137 million) mainly due to the expenses of notaries and taxes for the registration and transfer of real estate that resulted from the merging.

We detail below the main administrative expenses:

Description	Period from January 1 to September 30, 2012		Period from January 1 to September 30, 2011		%Var. Sep 12 vs Sep 11
	(in millions of U.S.\$) (1)	(in millions of COP\$)	(in millions of U.S.\$) (1)	(in millions of COP\$)	
Personnel expenses	54	97,747	64	115,013	(15%)
Fees	7	11,754	14	24,645	(52%)
Services	79	141,482	73	131,937	7%
Maintenance and repairs	42	75,509	30	54,627	38%
Legal expenses	5	8,368	0.13	231	3,523%

(1) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2012 and September 30, 2011 have been translated into U.S. dollars at the exchange rate as of September 30, 2012 of COP\$1,800.52.

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

Selling expenses decreased in 2% regarding 2011 and the main variances are detailed below as follows:

- Personnel expenses decreased in 14% regarding prior year. This variance is mainly due to the amortization of resources in accordance with the restructuring plan implemented in 2011 and for the first savings from the synergies that resulted from the merging.
- Regarding advertising, publicity and promotions, the expense in 2011 addressed to incentivize sales and to comply with the objectives foreseen in the budget. The strategy for 2012 was to make the minimum advertising required for the merging and specially in changing the brand, which would allow a decrease in the expense of media, especially in TV and sponsors. Additionally, part of the synergies was captured in 2012 as a result of the leverage of one brand. Based on the above there is a decrease of 16% in respect of prior year.
- Commissions increased in 9% in respect of the period at September 30, 2011 mainly to the rising of products, especially for the Distributor, Malls and Commercial Agent channels.

A summary of the main selling expenses is as follows:

Description	Period from January 1 to September 30, 2012		Period from January 1 to September 30, 2011		%Var. Sep 12 vs Sep 11
	(in millions of U.S.\$) (1)	(in millions of COP\$)	(in millions of U.S.\$) (1)	(in millions of COP\$)	
Personnel expenses	43	78,168	50	90,901	(14%)
Advertising, publicity and promotions	51	91,274	60	108,130	(16%)
Commissions	78	139,600	71	128,220	9%

(1) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2012 and September 30, 2011 have been translated into U.S. dollars at the exchange rate as of September 30, 2012 of COP\$1,800.52.

Otherwise, the provision for doubtful accounts decreases in 24% regarding September 30, 2011, mainly due to the permanent performance of the commercial accounts receivable.

Operative Results

Operative results before depreciations and amortizations (OIBDA) was for U.S.\$474 million (COP\$854,094 million) and represented 28,7% of the total operating revenue with an increase of 75,8% in respect of prior period. The result after depreciation and amortization at the end of the nine-month period ended September 30, 2012 is of U.S.\$2 million (COP\$3,686 million). The operating result for the same period of 2011 was of U.S.\$188 million (COP\$339,223) million.

The net financial expense during the third quarter is increased in 54%, i.e. U.S.\$48 million (COP\$87,500 million) passing from U.S.\$89 million (COP\$161 billion) to U.S.\$138 million (COP\$248,700 million); this variance was mainly associated with the increase of delay interests of PARAPAT in U.S.\$24 million (COP\$43,000 million), which explains 50% of increase and to the increase of all the type of negotiated interests, from which half are explained from the increase of the contracted reference rate (DTF) during the period for approximately 65 pbs and in the debts spread COP associated with the restructuring of the long-term debt, improving the lives media to 7 years.

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

Otherwise, the other net non-operating income and expenses were for U.S.\$10 million (COP\$18,293 million) at the closing of September 30, 2012 and U.S.\$2 million (COP\$3,812 million) at the closing of 2011. On the other hand, income tax was for US\$0.153 million (COP\$276 million) at the closing of September 2012 and U.S.\$7 million (COP\$13,092 million) at the closing of September 30, 2011.

The net result of the nine-month period ended September 30, 2012 was a loss for (U.S.\$136 million) (COP\$245,282 million). At September 30, 2011 was (U.S.\$285) (COP\$513,423) million.

The EBITDA at the closing of September 30, 2012, was of U.S.\$485 million (COP\$872,387 millions), regarding an EBITDA of U.S.\$272 million (COP\$489,549 million) at the closing of 2011.

The adjusted EBITDA (Accrued PARAPAT payment obligation) at September 30, 2012, for U.S.\$539 million (COP\$970,928 million), regarding an EBITDA of U.S.\$494 million (COP\$889,136 million) at the closing of September 30, 2011.

Balance Sheet

Assets

The balance sheet at September 30, 2012 discloses a total of assets of U.S.\$3,741 million (COP\$6,735,448 million), 5% less than June 30, 2012, we highlight the following among the assets:

- a) Short-term and long-term debtors for U.S.\$930 million (COP\$1,674,049 million) represent 24,8% of the total assets and had a decrease of 6% in respect of June 30, basically due to the performance of accounts receivable. This balance includes accounts receivable from PARAPAT for U.S.\$502 million (COP\$903,175 million).
- b) Properties, plant and equipment for U.S.\$1,641 million (COP\$ 2,955,429 million), which is equivalent to 44% of the total assets and shows a decrease of less than 0,5% regarding the closing of June 30, as a consequence of the net effect of the Company's acquisitions, depreciations and write-offs.
- c) Intangible assets and deferred charges for U.S.\$411 million (COP\$740,441 million) and U.S.\$407 million (COP\$732,679 million) respectively, represent 22% of the total assets and a 10% decrease regarding June 30, 2012 mainly due to the effect of the quarter's amortization.

Liabilities and Equity

Total liabilities amounted to U.S.\$2,790 million (COP\$5,024,114 million) and decreased 5% regarding the closing of June 30, 2012. The liability is mainly represented in:

- a) Short-term and long-term financial obligations for U.S.\$33 million (COP\$60,121 million) and U.S.\$1,708 million (COP\$3,074,433 million), respectively, which represent 62% of the total liability and have no variance greater than 0,5% regarding the closing at June 30. The financial debt was restated with local banking for U.S.\$783 million (COP\$1,409,141 million), from which U.S.\$709 million (COP\$1,277,461 million) a 7 year term was renegotiated with 3 years of grace and U.S.\$73 million (COP\$131,679 million) in 5 years with 2 years of grace. Additionally, an international capital market bond was issued under the form 144A Regulation-S in US Dollars for U.S.\$750 million (COP\$1,350,390 million) at a 10 year term and at a fixed rate of 5,375%. Resources are destined to pay a loan for U.S.\$332 million (COP\$597,773 million) and the local debt for the remaining value. All the above allow to improve the average life of the financial debt, which in the quarter is close the 7 year, remaining a short-term only of 1,9% of the total debt, i.e. U.S.\$33 million (COP\$60,000 million) corresponding to the current portion of the credit with BEI.

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

- b) Accounts payable for U.S.\$505 million (COP\$908.744 million) represent 18% of the total liabilities and have a 20% decrease regarding June 30, given to the effect from payments acquired with PARAPAT (capital + interests) as established in the Payment Agreement entered into by the parties. The accounts payable included at September 30, 2012 for U.S.\$142 million (COP\$254,791 million) payable to PARAPAT.
- c) Short-term and long-term estimated liabilities and provisions for U.S.\$258 million (COP\$463,816 million) represent 9% of the total liability and increased in 2% regarding the closing of June 30, 2012 mainly due to the accrual of labor liabilities in the last quarter.

Equity amounts to U.S.\$950 million (COP\$1,711,333 million), recording a decrease of 5%, in respect of June 30, 2012. The above is explained as a result of the effect of the loss generated in the third quarter ended September 30, 2012 for U.S.\$27 million (COP\$47,888 million), the amortization of the tax equity against equity tax for U.S.\$12 million (COP\$20,978 million) and the update of assets reappraisal, which result generated a decrease of the valuation surplus for U.S.\$11 million (COP\$19,867 million).

Other Financial and Operating Information

Cash Flow Data

	For the nine-month period ended September 30,		For the six-month period ended June 30,	
	2012 (in millions of U.S.\$)(a)	2012 (in millions of COP\$)	2012 (in millions of U.S.\$)(a)	2012 (in millions of COP\$)
Net cash provided (used) by operating activities	38	68,689	(14)	(24,485)
Net cash used in investing activities	(189)	(340,316)	(117)	(210,681)
Net cash provided by financing activities	98	175,646	96	173,224

Capital Expenditures

	For the nine-month period ended September 30,		For the six-month period ended June 30,	
	2012 (in millions of U.S.\$)	2012 (in millions of COP \$(a))	2012 (in millions of U.S.\$)	2012 (in millions of COP\$(a))
Capital expenditures	207	373,084	117	210,526

- (a) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2012 and for the six-month period ended June 30, 2012 have been translated into U.S. dollars at the exchange rate as of September 30, 2012 of COP\$1,800.52

EBITDA (a)

	For the nine-month period ended September 30,		For the nine-month period ended September 30,	
	2012 (in millions of U.S.\$)(1)	2012 (in millions of COP\$)	2011 (in millions of U.S.\$)(1)	2011 (in millions of COP\$)
Net loss	(136)	(245,282)	(285)	(513,423)
Plus:				
Depreciation and amortization (b)	472	850,408	458	824,961
Financial expenses, net (c)	148	266,984	92	164,919
Income tax	0,15	277	7	13,091
EBITDA	484	872,387	272	489,548
Plus:				
Accrued PARAPAT payment obligation	55	98,541	222	399,587
Adjusted EBITDA:	539	970,928	494	889,136

- (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.\$225 million (COP\$405,385 million) for the nine-month periods ended September 30, 2012 and U.S.\$231 million (COP\$415,844,012 million) in 2011, respectively.
- (c) Includes net income (expense) from foreign exchange differences of U.S.\$0.6 million (COP\$1,141 million) and U.S.\$7.6 million (COP\$13,740 million) for the nine-month periods ended September 30, 2012 and September 30, 2011.
- (1) Solely for the convenience of the reader, Colombian pesos amounts for the nine-month period ended September 30, 2012 and September 30, 2011 have been translated into U.S. dollars at the exchange rate as of September 30, 2012 of COP\$1,800.52

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

OTHER FINANCIAL INFORMATIONS	For the nine-month period ended September 30, 2012	For the nine-month period ended September 30, 2011
EBITDA margin (a)	29.36%	16.88%
EBITDA Adjusted margin (b)	32.68%	30.67%
Debt to EBITDA Adjusted - Ratio	2.24	2.58

- (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.