

INTEGRATED REPORT

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I. Context

1. MESSAGE FROM THE CEO AND BOARD OF DIRECTORS

ETB is currently undergoing a period of drastic change that is projecting the Company into the future, a future that all employees are building to increase the Company's value.

During most of its 132 years of history, ETB controlled fixed telephone service in Bogotá, initially as a private company and, as of 1940, as a local public company. At the end of the last century, the country opened up telecommunications to competition and ETB saw its market share shrink gradually, although it maintained high profitability margins by using its already amortized networks.

During the 2013-2015 period, the Company made a major strategic commitment to acquire new fiber optic, digital TV and mobile phone networks, in addition to other projects, which translated into investments of COP 2.1 trillion during the period, which is equal to half of the assets today. However, the new products did not achieve their business goals in terms of customers, revenues and profits, so ETB exhausted its funding sources: debt, sale of its investment in Colombia Móvil and use of accumulated liquidity, which led the Company to a fragile situation.

Therefore, in 2016, it became necessary to redirect this strategy to reverse the impairment of its critical financial indicators: operating margin and cash flow, which we achieved through strict austerity and commercial effort in new products, rather than continuing to invest in additional capacity. Also, in order to compete in a sustainable manner, we have undertaken structural changes that improve customer service.

This new strategy, which we simply call **VAS (for the Spanish initials of: Sales, Austerity, Service)**, is intended to increase the Company's value based on our strengths: customers and technology. We reach 1.3 million customers through cutting-edge technology: the best fiber optic to the home, interactive digital TV and last generation mobile phones.

Sales

According to the strategy, we significantly increased the number of customers in all new products.

	2015	2016	Growth
Fiber Optics	108	202	87%
TV	69	118	70%
Cellphones	390	698	77%

Thousands of customers, December 2016.

And as a result, revenues are increasingly less dependent on copper-line telephone and Internet service; in 2016, the new products accounted for 21% of revenues, while in 2014, they were just 1%.

Austerity

We are striving for smart and disciplined spending to become intrinsic qualities of our culture, and in 2016, we were able to reduce spending drastically. This was how investment spending, which reached a record figure of COP 836 billion (60% of income) in 2015, was reduced in 2016 to COP 439 billion (31% of income), without affecting service. And most importantly, we redirected investments toward enrolling new customers. However, this level of investment still exceeds the average of our competitors.

With regard to operating expenses, we reversed the concerning rise, achieving a reduction in 2016 of 2% compared to 2015, going from COP 1.06 trillion to COP 1.03 trillion.

Service

Customers are our reason for being and offering them the best service is our big opportunity to compete effectively. To this end, we reorganized our service centers: **call centers and stores**, and we carried out the reengineering of internal processes to improve their experience; the result of which will be evident in 2017.

By means of a very competitive tender at the end of 2016, we went from relying on a long-standing call center and store provider, to having six new leading companies on this market, with better quality standards and lower costs, following a pattern of permanent competition, which will result in a better experience for our customers.

The financial measure that best shows these advances is the EBITDA (earnings before interest, taxes, depreciation and amortization), which was on a downward spiral from COP 756 billion in 2011 to COP 403 billion in 2015, and rose 6% up to COP 425 billion in 2016, the first increase in five years.

EBITDA growth stabilizes cash flow and increases the value of ETB, which is important because the Capital District, owner of 86.4% of the Company, decided to sell its shares to invest in the District Development Plan, a process under the responsibility of the District Secretariat of Finance.

Despite these results, the Company generated a comprehensive loss of COP 255 billion in 2016, as a result of depreciations, amortizations and provisions for past investments (COP 640 billion) and other charges, among which a lower deferred tax income of COP 114 billion and a higher actuarial calculation expense for COP 90 billion (mostly attributed to pensioner healthcare) stand out. With these losses, dividends cannot be distributed, and on the contrary, ETB needs additional capital to fully exploit its new products.

Future and Sustainability

In 2016, we faced historical challenges; after the accelerated investment in new products that affected our financial equilibrium, it took a drastic turn to stabilize and make the company profitable. Upon assessing the results compared to initial expectations, we can proudly say that we exceeded expectations. However, our challenges do not end there, as it is necessary to continue growing in a sustainable manner.

We are committed to ETB's sustainability through ethical and transparent management, environmentally responsible operations and best corporate practices. Our vision for the Company's future is to increase its value and improve rendered services in order to satisfy its owners, customers, employees and society in general.

Jorge Castellanos Rueda
CEO of ETB S.A. E.S.P.

Beatriz Elena Arbeláez Martínez
Chairman of the ETB Board of Directors

2.RELEVANT EVENTS

New Board of Directors

On January 12, the Extraordinary Shareholders' Meeting elected the members of the new Board of Directors of Empresa de Telecomunicaciones de Bogotá for the 2016-2019 period.

Appointment of the CEO

On January 15, the Company's recently elected Board of Directors appointed Jorge Castellanos Rueda as the CEO of ETB.

Corporate Debt Rating

Fitch Ratings downgraded ETB's long-term national rating from AAA (col) to AA+ (col), and the outlook from stable to negative. This poses further challenges to the current management: commercial aggressiveness, austerity in spending and excellence in customer service; were the three pillars to restore the Company's profitability and liquidity.

Bylaw Reform

The General Meeting of Shareholders held on March 30, 2016 approved the amendment of Article 63 of the Bylaws, to replace the position of stand-in legal representative with alternate legal representative. Also, the amendment of Article 60, Section 3, was approved, along with Articles 81 and 83.

The District of Bogotá Requested the City Council's Authorization for the Disposal of its Shareholding in ETB

At the end of April, the District of Bogotá submitted for consideration by the Council of Bogotá, the draft agreement of the Development Plan, which included the request for said corporation to authorize the district administration, to dispose of the ETB shares held by the District of Bogotá, as well as the ETB shares held by Empresa de Acueducto, Alcantarillado y Aseo de Bogotá ESP; Fondo de Prestaciones Económicas Cesantías y Pensiones; Instituto de Desarrollo Urbano (IDU) and Lotería de Bogotá, equivalent to a holding of eighty-six point fifty-nine percent (86.590092%).

ETB Share in the COLCAP Index

ETB was ranked as one of the 20 companies in the country, whose shares are traded most on a daily basis on the Colombian Securities Exchange (BVC, for the Spanish original).

Authorization to Dispose of the District's Shares in ETB

The approval of the "Bogotá Mejor Para Todos" Development Plan by the Council of Bogotá in a plenary session on May 31, 2016, included the authorization for the district administration to dispose of the ETB shares held by the District of Bogotá, and all other shares held by the District's entities. The disposal process shall be carried out pursuant to Law 226 / 1995.

Claim Regarding the Collective Agreement by Sintrateléfonos

In June 2016, Sintrateléfonos, the union organization, filed a claim regarding the collective labor agreement. The Company is conducting dialogs to begin the direct settlement stage.

Change of the Issuer Rating by Moody's

Moody's Investors Service (Moody's) rating agency changed the ETB's issuer rating to Ba3 with a negative outlook. In the 2016 assessment, Moody's took into account the financial weakening of the entity from the start of 2014, and its impact on the Company's liquidity.

Decisions of the Extraordinary Shareholders' Meeting

On November 4, 2016, the Extraordinary Shareholders' Meeting made two (2) relevant decisions: in the first place, it authorized ETB management to provide Company information to the District of Bogotá; and it approved the amendment of Article 90 of the Bylaws.

JP Morgan Chosen by the District as the Investment Bank for the Disposal Process

The District Secretariat of Finance, in representation of the ETB shares held by the District, reported on December 1 that J.P. Morgan Securities LLC, was chosen as the investment bank that will assist the District in the process of disposing of its shareholding in the Company.

3.AWARDS, RECOGNITIONS AND CERTIFICATIONS

The National Contact Center Association

presented **ETB** with a recognition for the customer service offered by **Móviles 4G ETB**, through its Emergia call center, as part of the **13th Andean Contact Center and CRM Congress** held in Bogotá.

Global Telecoms Business (GTB) Innovation Award,

received by **ETB** and **ZTE**, for the fixed network infrastructure, thanks to their joint application of **“EasyOptical + optical time-domain reflectometer (OTDR)”**, which produces visible, manageable and controllable fiber to the home (FTTH).

IR Recognition by the Colombian Securities Exchange

Achieved by **ETB** for the fourth consecutive year.

This recognition highlights the transparency of the information provided by the Company to its stakeholders and the market.

Certification of the Quality Management Systems

ISO 9001:2008, ISO 27001, GP 1000:2009 and ISO 14001:2004

4.SUPPORT TO INITIATIVES AND ORGANIZATIONS



FTTH
Fiber To The Home Council Americas.
(Fiber-Optic Council to the Home for the Americas)



The United Nations Global Compact
Corporación Red Local of the Global Compact in Colombia.



FIRST
Forum of Incident Response and Security Teams.
(Forum of Incident Response and Security Teams)



Te Protejo
An initiative to effectively protect children, and adolescents in Colombia through the Internet.



Lacnic
Internet Address Registry for Latin America and the Caribbean.



SDGR-CC
District Climate Change and Risk Management System.



Andesco
National Association of Public Utilities and Communications Companies.



De Empresas para Empresas (From Companies to Companies) is an initiative intended to increase compliance aptitudes at companies in the Mercosur Region and in Colombia. The program is led by the Global Compact Colombia and the German Global Compact Network and support from the German Chamber of Commerce in Argentina.

Sustainability agreement, a sectoral commitment to promote corporate efforts through actions that aim for economic, social and environmental balance in attaining sustainable development.



ETB has joined the **InnPacto** initiative, which contributes to achieving the city's goal to invest 1.8% of the Gross Domestic Product (GDP) in the initiative's science, technology and innovation activities. Public and private universities and organizations that invest in innovation are participating in this compact.

5.METHODOLOGICAL SCOPE OF THE INTEGRATED REPORT

This section of the document describes the aspects related to the frequency, operational scope and methodology used; highlighting the aspects that have been categorized by the Company and its stakeholders as Material Aspects. In addition, this report includes the aspects required by law and the Best Practices established in the New Código País.

Period

January 1, 2016 to December 31, 2016

Frequency

Annual

Information Included

By means of this report, ETB renders an account of its financial, operational, social and environmental management, and integrates the following reports in compliance with the applicable regulations:

Management Report: Law 222 / 1995, Code of Commerce and Regulatory Resolution 011 / 2014 of the Bogotá Comptroller's Office.

Special Business Group Report: Law 222 / 1995, Code of Commerce.

Corporate Governance Report: External Bulletin 028 / 2014, Financial Superintendence.

GRI G4 Sustainability Report: United Nations Global Compact.

Report on the performance assessment of the disclosure and control systems: Law 964 / 2005 of the Financial Superintendence.

The Report gives an account of ETB's operation and management, and reports on the Company's social and environmental impact; it does not include information pertaining to its subsidiaries or their performance in said issues.

Reference of previous reports

2015 Management and Sustainability Report. Available at <http://www.etb.com.co/corporativo/Sobre%20ETB/UploadFile/Sobre%20ETB/Acerca%20de%20ETB/IGyS/Informe%20gestion%20sostenibilidad%202015.pdf>

Parameters and Reference Guides

The Integrated Report was prepared according to the Global Reporting Initiative (GRI) G4 Guide and under the United Nations Global Compact Principles.

Preparation Process of the Management and Sustainability Report

The information used for this report was compiled and validated through the delegates of each of the Company's Vice-Presidencies, with the coordination of the Corporate Responsibility Team.

Significant Changes Over Previous Reports

No significant changes were reported compared to previous reports regarding scope and coverage.

Points of Contact

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E-mail: responsabilidadsocial@etb.com.co Website: www.etb.com.co/corporativo/Sostenibilidad/

MATERIAL ASPECTS INCLUDED IN THE REPORT

Good practices require the specific identification of material aspects, for which the guidelines established by the G4 Guide of the Global Reporting Initiative (GRI) were applied; the aspects considered material and assessed in the light of the three strategic pillars established by the current management, the telecommunications environment, the process of stock disposal and the sustainability challenges we are facing; were the same as those of 2015. The material aspect known as Regional Strengthening was modified by Regional Management, and the aspect known as Strategic Customer Management , was modified by Strategic Information Management, considering the redirection of the corporate objectives and the level of impact of this aspect on the strategy.

Material aspect and stakeholder prioritizing the aspect

	Customers	1. N-play Page 48, 49	 	8. Ethics and Transparency Management Page 48, 49	   	15. Climate Change Page 48, 49	   
	Shareholders	2. 4G Mobile Services Page 48, 49	 	9. Human Rights Management Page 48, 49	 	16. Environmental Management Page 48, 49	   
	Investors	3. Regional Management Page 48, 49	 	10. Data Protection and Privacy Page 48, 49		17. Information Security Management Page 48, 49	
	Employees	4. Customer Experience Page 48, 49	 	11. Supply Chain Sustainability Page 48, 49	 	18. Wellness Management and Organizational Climate Page 48, 49	
	Suppliers	5. Strategic Information Management Page 48, 49	 	12. Digital Inclusion - Mass ICT Availability Page 48, 49		19. Products and Services Safety Page 48, 49	
	Community	6. WiFi Page 48, 49	 	13. Corporate Governance Page 48, 49	  	20. Innovation Page 48, 49	 
	State	7. Reputation and Brand Name Page 48, 49	 	14. Business Continuity Management Page 48, 49		21. Industrial Safety and Occupational Health Management Page 48, 49	

MATERIALITY MATRIX

1. N-play

2. 4G Mobile Services

3. Regional Management

4. Customer Experience

5. Strategic Information Management

6. WiFi

7. Reputation and Brand Name

8. Ethics and Transparency Management

9. Human Rights Management

10. Data Protection and Privacy

11. Supply Chain Sustainability

12. Digital Inclusion - Mass ICT Availability

13. Corporate Governance

14. Business Continuity Management

15. Climate Change

16. Environmental Management

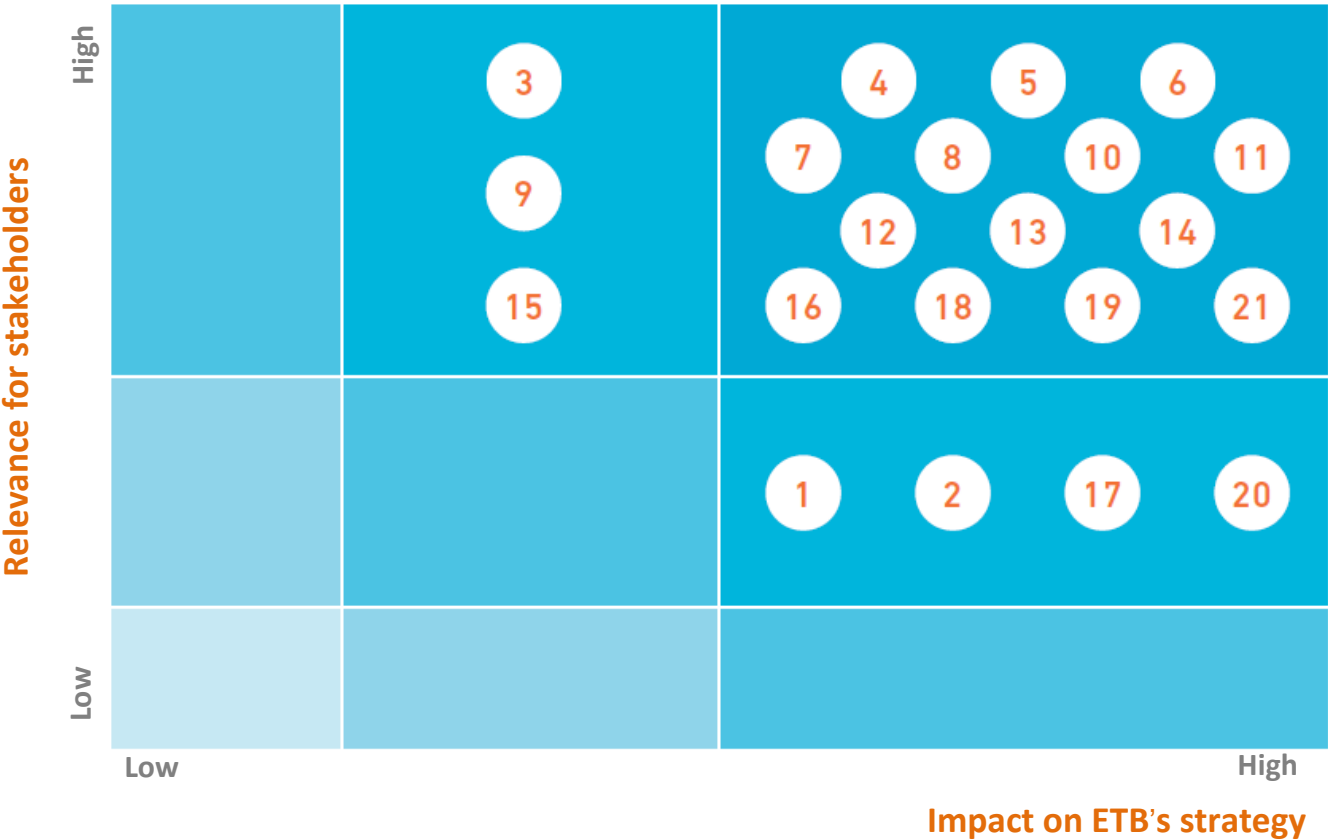
17. Information Security Management

18. Wellness Management and Organizational Climate

19. Products and Services Safety

20. Innovation

21. Industrial Safety and Occupational Health Management





II. ETB PROFILE

6. Legal Nature

ETB is a public-private utility company of a special nature, incorporated as a joint-stock company, with administrative, equity and budget autonomy, exercising its activities within the scope of private law (Law 142 / 1994, Article 32 and Law 1341 / 2009, Article 55). It is also an Indirect Decentralized District Entity, linked in particular to the Habitat Sector.

It is in the business of providing and organizing telecommunications services (Law 1341 / 2009), as well as the creation, generation, implementation and business operation of information and Communication Technology (ICT) within the national territory and abroad.

7.LOCATION

ETB, with headquarters in the city of Bogotá D.C., provides corporate services in 32 departments (760 municipalities) and mobile services on national territory. The Home and Persons segment services are provided in Cundinamarca, Cúcuta and Villavicencio.



Voice + Internet + TV

- Bogotá, D.C.
- Cundinamarca



4G mobile

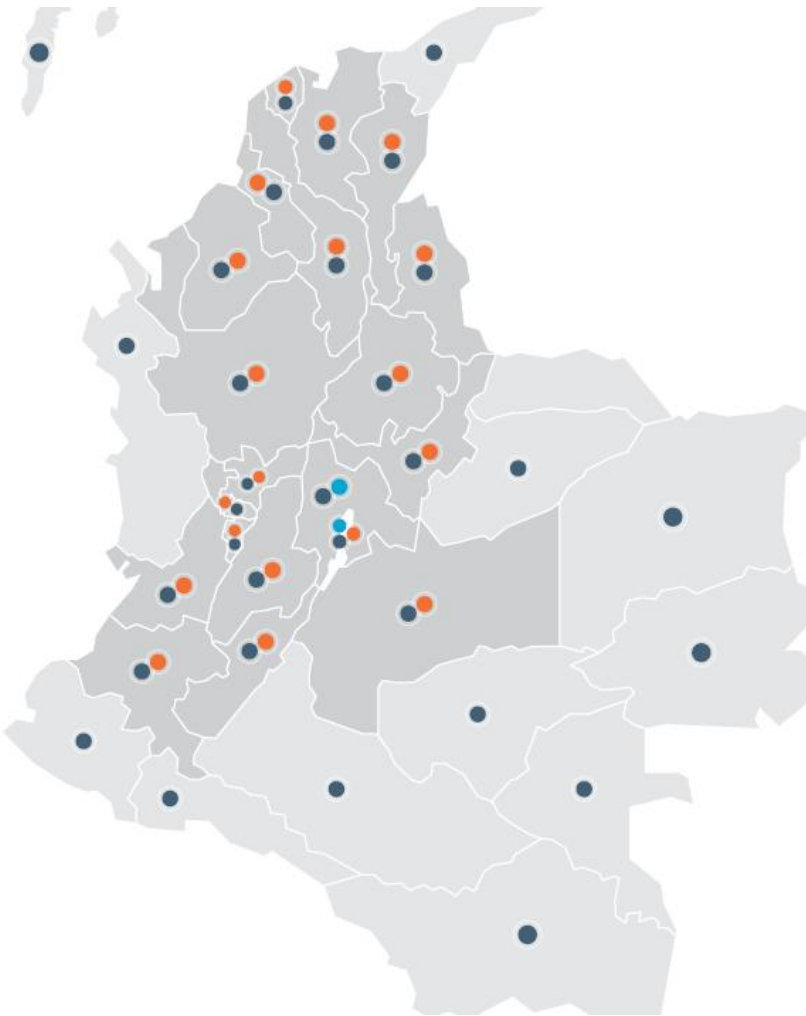
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|----------------|----------------------|-------------------|
| • Antioquia | • Cesar | • Risaralda |
| • Atlántico | • Córdoba | • Santander |
| • Bogotá, D.C. | • Huila | • Sucre |
| • Bolívar | • Magdalena | • Tolima |
| • Boyacá | • Meta | • Valle del Cauca |
| • Caldas | • Norte de Santander | |
| • Cauca | • Quindío | |



Companies and Government

- | | | |
|------------------------------|----------------|----------------------|
| • Amazonas | • Cauca | • Nariño |
| • Antioquia | • Cesar | • Norte de Santander |
| • San Andrés and Providencia | • Chocó | • Putumayo |
| • Atlántico | • Córdoba | • Quindío |
| • Bogotá, D.C. | • Cundinamarca | • Risaralda |
| • Bolívar | • Guainía | • Santander |
| • Boyacá | • Guaviare | • Sucre |
| • Caldas | • Huila | • Tolima |
| • Caquetá | • La Guajira | • Valle del Cauca |
| • Casanare | • Magdalena | • Vaupés |
| | • Meta | • Vichada |

4G mobile services provide network coverage nationwide, and are sold in 20 Colombian cities.



8.Products and Services

ETB offers effective solutions for its customers’ technology requirements via the best infrastructure and most complete portfolio of telecommunications, information technology and added value services.

ETB’s service portfolio comprises the following lines:



Calls

- Local telephone service.
- Long distance.
- Managed Centrex IP - IP communications.
- Smart grid services.



Internet

- Broadband.
- Fiber-optic Internet.
- Internet band + corporate, dedicated.



Digital TV

- with fiber to the home.



Internet

- Advanced connectivity.
- Bearer service.



Data center

- Placement.
- Dedicated hosting, shared hosting, email hosting, message board hosting and virtual collaboration.
- Vulnerability analysis reports.
- Recovery from disasters and business continuity.
- Cloud storage.
- Cloud backup.
- Database as a service.



Interconnection

- Access charges.
- Infrastructure services.

Services 4G mobile

9.STRATEGIC FRAMEWORK

In 2016, based on the evolution of the telecommunications market, ETB's level of competitiveness and the needs of the city and its majority shareholder, the current management redirected administrative, operational, financial and commercial services, and its human resources in three (3) corporate objectives, which are: I) Sales, ii) Austerity and iii) Service.

Sales

In recent years, the increase in competitive pressures in the sector, influenced by technology trends, changes in consumption habits and the arrival of new actors (OTT - Over the Top - a high added value Internet network service provider) have required ETB to **become more commercially competitive**, by ensuring the enrollment of new customers and the retention of existing customers, by means of a modern portfolio at prices in line with market needs.

Austerity

After the large investments made in previous years, and in the current context of the economic slowdown, over the last year, ETB has focused on ensuring the accelerated monetization thereof, streamlining new investments and managing expenses properly, aimed at **consolidating the Company's financial sustainability** in favor of the district and its citizens.

Service

Consumers of telecommunications service are increasingly demanding in terms of the quality and provision of services. Customer service has received significant momentum as for the decision of service procurement and maintenance, becoming a challenge and a differentiating factor regarding other carriers and what they offer. This year, ETB has focused on **improving its processes and channels** to ensure a better customer experience in its landline as well as mobile services.



ETB redirected its strategic programs established in previous years based on the new corporate objectives.

N-Play

Carrying on with the process of technological transformation and renewal, in line with the deployment of fiber optics, in 2016, the services of more than 32 thousand customers associated with that service were migrated to IP packet switched services (state-of-the-art technology), generating benefits for customers, as well as for ETB. For customers, it represented better quality and service availability levels, potential access to new entertainment services, such as ETB Interactive TV and faster Internet speeds, among others.

For ETB, it represented technological upgrade, reduction in points of failure, decrease in operating costs, **revenue greater than COP 1,000 million**, from the retail sale of obsolete copper wire and the enabling of a potential market of more than 80,000 homes.

WiFi

In 2016, ETB focused on defining statistical information reports on the behavior of consumption and ETB WiFi network use, as well as the implementation of platforms for the smart and efficient management of traffic.

At the 498 access points installed in Bogotá, **512 thousand single connections** were made to ETB WiFi.

Excellence in Service

In 2016, ETB provided the program with continuity, by starting up operating models and tools aimed at improving technical support times and quality, decreasing the number of contacts, reducing the number of withdrawals and offering more efficient and friendly service to its customers.

Eleven projects were realized involving the customer corridor for the home and business segments, through teamwork with various areas of the Company based on a shared vision of customer service

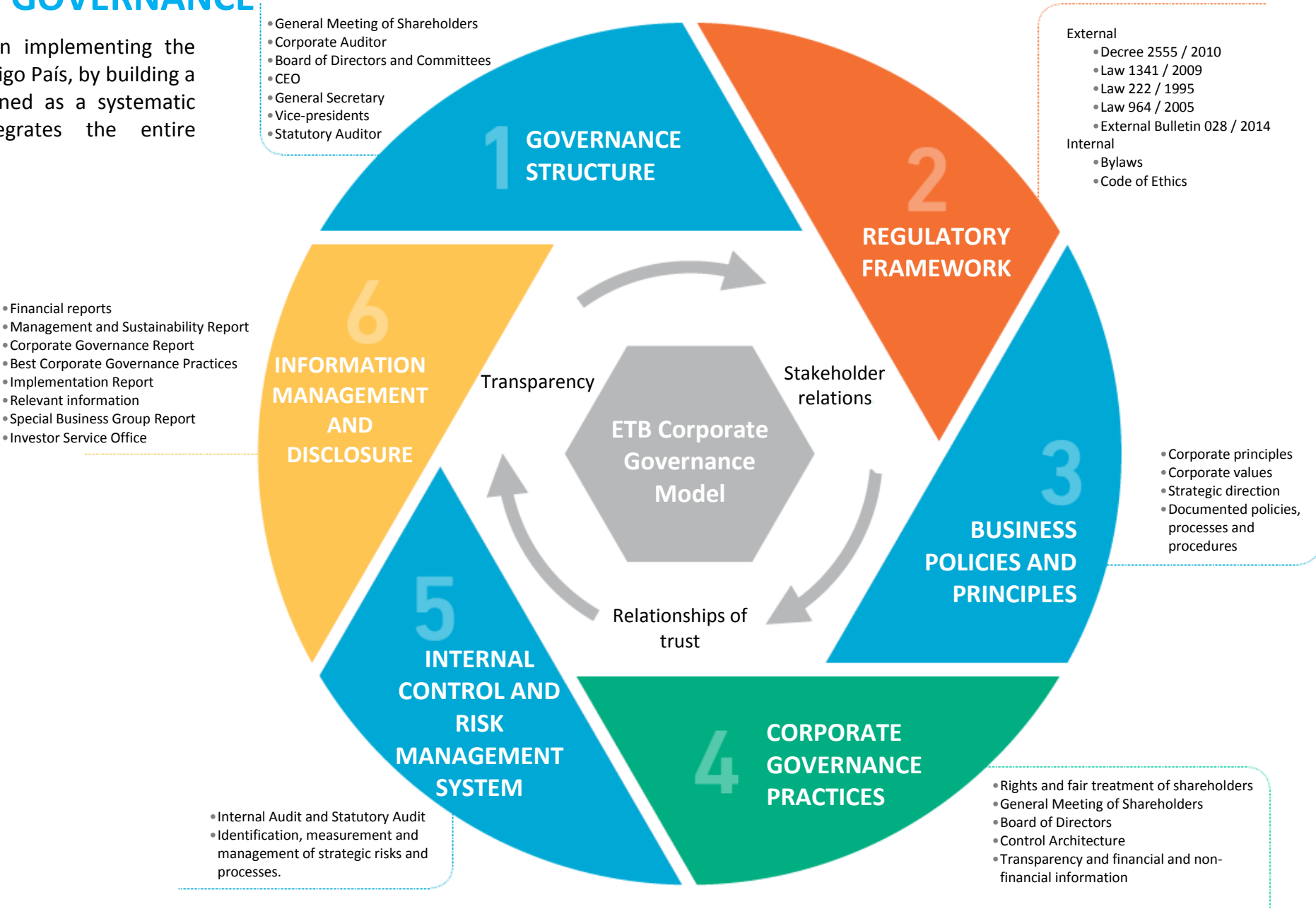
Strategic Management of Information

ETB carried on with the process of consolidating strategic information management by defining and implementing the process of **formalizing the Corporate Business Intelligence Team** and promoting the culture of business information analysis and management within the Company.

This is to be supported on the modernization of the data warehouse and the implementation of analytical market tools that have optimized the generation of corporate reports, which support timely decision-making, in terms of time and costs.

10. CORPORATE GOVERNANCE

In 2016, ETB focused its efforts on implementing the measures established in the New Código País, by building a Corporate Governance Model designed as a systematic and dynamic process that integrates the entire Organization.



ETB's Corporate Governance Model is based on the construction of relationships of trust with all stakeholders through ethical and transparent corporate management.

In the framework of these premises, the most significant good governance practices in 2016 were:

January 12

The Extraordinary Shareholders' Meeting elected the members of the Company's new Board of Directors for the 2016-2019 period.

January 15

The recently elected **Board of Directors** appointed **Jorge Castellanos Rueda** as the CEO of ETB.

February 16

The Board of Directors, in an ordinary meeting, appointed **ETB's Compliance Officer**, considering the obligations described in the Basic Legal Bulletin, Part III, Title I, Chapter VII of the Colombian Financial Superintendence.

March 30

The Ordinary **General Meeting of Shareholders was held**, in which the 2015 Management and Sustainability Report, the 2015 Financial Statements, the Profit Sharing Proposal for the 2015 period and the reform of Article 63 of the Bylaws, were approved.

May 15

Mr. Emilio José Archila Peñalosa permanently resigned as a principal member of the **ETB** Board of Directors.

October 31

ETB received the **IR (Investor Relations) Recognition** granted by the Colombian Securities Exchange, for the fourth consecutive year.

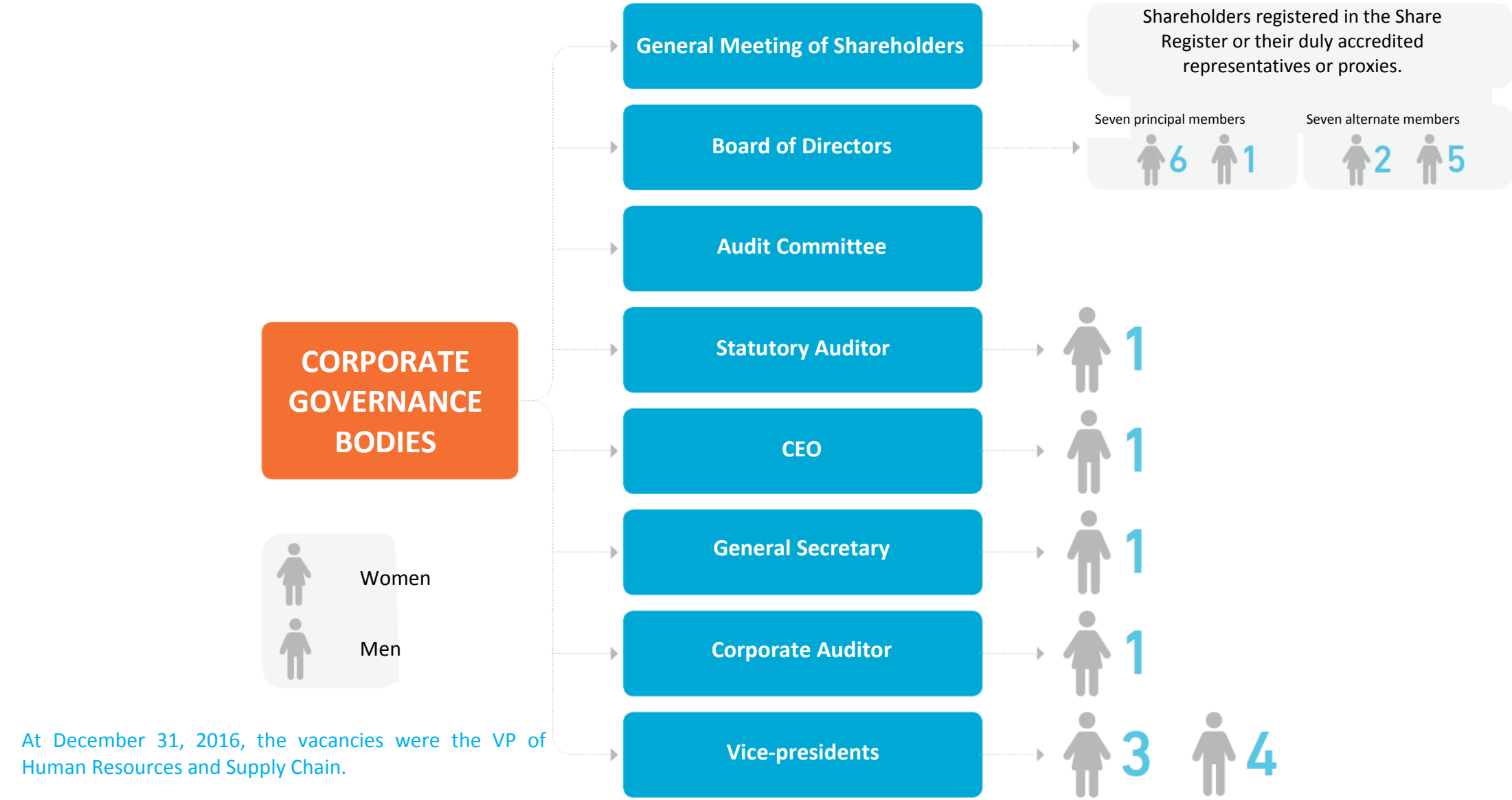
November 4

The Extraordinary Shareholders' Meeting approved the amendment of **Article 90** of the Bylaws, regarding the Policy for Disclosing Information to the Market. The Corporate Governance Committee, whose purpose is to assess the best corporate practices, was created as established by the new Código País in External Bulletin 028 / 2014 of the Financial Superintendence. The Committee is made up of delegates of the General Secretary, Corporate Audit and Financial Vice-President's Office.

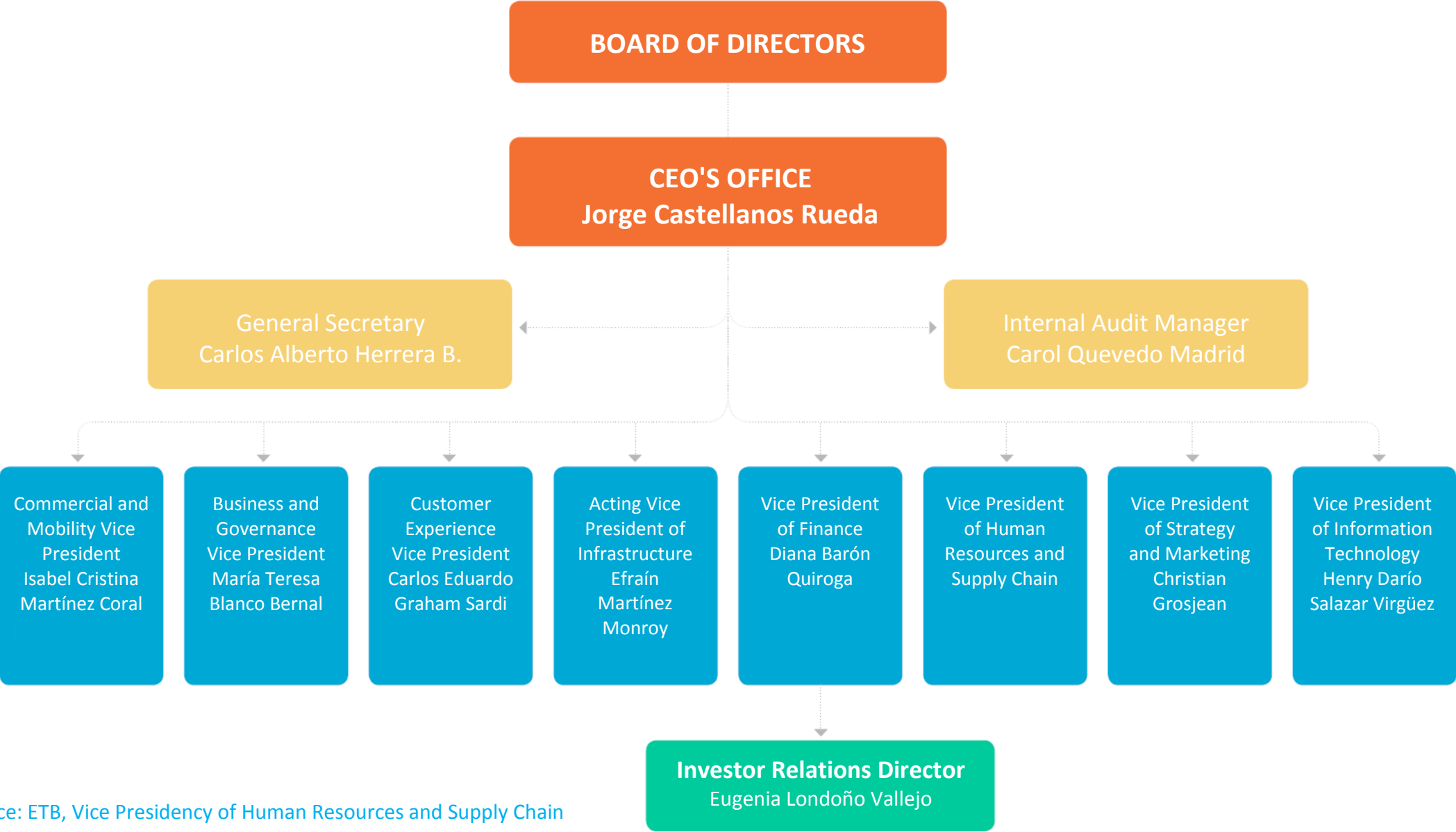
December 13

The Board of Directors of **ETB** approved the Anti-corruption Policy, the Fraud, Corruption, Money Laundering and Terrorist Financing Map, and the Money Laundering and Terrorist Financing Risk Management System Policy and Manual.

GOVERNANCE BODIES AND STRUCTURE



ORGANIZATIONAL STRUCTURE



Source: ETB, Vice Presidency of Human Resources and Supply Chain

CORPORATE GOVERNANCE REPORT

As established in the Bylaws and the Code of Corporate Governance, ETB management and the Board of Directors presented the General Meeting of Shareholders with the Corporate Governance Report corresponding to the 2016 period, in compliance with the recommendations established in External Bulletin No. 028 / 2014 issued by the Colombian Financial Superintendence. In addition, ETB completed and published the Implementation Report of the new Código País, which is published on the ETB website: http://www.etb.com.co/corporativo/UploadFile/Sostenibilidad%20y%20gobierno/Gobierno%20Corporativo/Encuesta%20codigo%20pais/2016_Codigo_Pais_Survey.pdf y en la página de la Superintendencia Financiera <https://www.superfinanciera.gov.co/>.

I. Ownership Structure

Company's Capital and Ownership Structure

ETB's shareholding structure underwent changes in 2016, following the approval by the Council of Bogotá of Agreement No. 645 / June 9, 2016, "Bogotá Mejor Para Todos" Development Plan, in which it authorized the disposal, free of charge, in favor of the Universidad Distrital Francisco José de Caldas of 8,267,764 shares held by the Capital District. After the transfer, the shares of the Capital District and the Universidad Distrital Francisco José de Caldas stood as follows:

Shareholder	Number of Shares	Share percentage
Capital District	3,066,154,179	86.357078 %
U. Distrital	71,011,068	2%

Source: ETB, Vice Presidency of Finance and Administration

ETB Shareholding Structure

PUBLIC SHAREHOLDERS	TIN	NUMBER OF SHARES		% OVER TOTAL	
		2016	2015	2016	2015
Capital District	899.999.061-9	3,066,154,179	3,074,421,943	86.357078%	86.589936%
Universidad Distrital Francisco José de Caldas	899.999.230-7	71,011,068	62,743,304	2.000000%	1.767142%
Municipality of Villavicencio	892.099.324-3	757,660	757,660	0.021339%	0.021339%
Departmental Government of Meta	892.000.148-8	615,312	615,312	0.017330%	0.017330%
Empresa de Acueducto y Alcantarillado de Bogotá	899.999.094-1	1,373	1,373	0.000039%	0.000039%
Severance and Pension Benefit Fund	860.041.163-8	1,373	1,373	0.000039%	0.000039%
Instituto de Desarrollo Urbano de Bogotá	899.999.081-6	1,373	1,373	0.000039%	0.000039%
Lotería de Bogotá	899.999.270-1	1,373	1,373	0.000039%	0.000039%
TOTAL PUBLIC COMMON SHARES		3,138,543,711	3,138,543,711	88.395902%	88.395902%
PRIVATE SHAREHOLDERS		NUMBER OF SHARES		% OVER TOTAL	
TOTAL PRIVATE COMMON SHARES		412,009,701	412,009,701	11.6041%	11.6041%
TOTAL SHARES OUTSTANDING		3,550,553,412	3,550,553,412	100%	100%

Significant Holdings

As established in the Best Corporate Practices Code, a shareholder with a significant holding is one that, by itself or by virtue of an agreement with other shareholders, holds 10% or more shares in ETB; therefore, the only shareholder with this type of holding is the Capital District.

Below are the ten (10) minority shareholders with the largest share, including public and private shareholders, whose shares are listed on the Colombian Securities Exchange:

2016 At December 31

SHAREHOLDER	# OF SHARES	SHARE %
UNIVERSIDAD DISTRITAL FRANCISCO JOSÉ DE CALDAS	71,011,068	2.0%
AMBER GLOBAL OPPORTUNITIES MASTER FUND LTD	46,392,974	1.3%
BLACKWELL PARTNERS LLC-MEXICO	37,346,180	1.1%
ALLIANCEBERNSTEIN NEXT 50 EMERGING MARKETS (MASTER)	13,970,460	0.4%
FONDO BURSATIL ISHARES COLCAP	9,772,785	0.3%
INVERSIONES MANANTIAL S.A.	7,160,236	0.2%
BARCLAYS CAPITAL INC	6,400,000	0.2%
GLOBAL X/INTERBOLSA FTSE COLOMBIA 20 ETF	6,376,700	0.2%
SEI INSTITUTIONAL INVESTMENTS TRUST - EMERGING MAR	5,146,780	0.1%
FONVAL ACCIONES DINAMICO	4,614,549	0.1%

Source: ETB, Vice Presidency of Finance and Administration

2015 At December 31

SHAREHOLDER	# OF SHARES	SHARE %
UNIVERSIDAD DISTRITAL FRANCISCO JOSÉ DE CALDAS	62,743,304	1.77%
AMBER GLOBAL OPPORTUNITIES MASTER FUND LTD	36,010,534	1.0%
BLACKWELL PARTNERS LLC-MEXICO	33,517,485	0.9%
ALLIANCEBERNSTEIN NEXT 50 EMERGING MARKETS (MASTER)	11,758,830	0.3%
UBS AG LONDON BRANCH	9,424,385	0.3%
FONVAL ACCIONES DINAMICO	8,444,748	0.2%
INVERSIONES MANANTIAL S.A.	7,537,535	0.2%
GLOBAL X/INTERBOLSA FTSE COLOMBIA 20 ETF	6,940,000	0.2%
THE HUMAN DEVELOPMENT INVESTMENT FUND, L.P.	4,521,107	0.1%
SEI INSTITUTIONAL INVESTMENTS TRUST - EMERGING MAR	4,444,650	0.1%

Negotiation of actions

In accordance with Article 404 of the Code of Commerce regarding the "**Prohibition of the disposal or acquisition of shares by managers**" and considering that Law 222 / 1995, Article 22, states that "**Managers include the legal representative, liquidator, director, members of the Board of Directors or Steering Boards, and those who, according to the bylaws, exercise or hold these offices**", no member of the Board of Directors is personally or indirectly the owner of **ETB** shares, nor did they trade Company shares.

II. Management Structure

Composition of the Board of Directors at December 31, 2016

ETB’s Board of Directors is made up of seven (7) principal members and their alternates. According to the statement of the majority shareholder, representations are distributed as follows:

- Four (4) tiers consisting of principal representatives and alternates proposed by the Capital District.
- Two (2) tiers consisting of principal representatives and alternates proposed by the funds and professional and institutional investors.
- One (1) tier consisting of a principal representative and an alternate as proxies of the ten (10) minority shareholders with the largest share.

The members of the ETB Board of Directors do not hold executive positions in the Company.

The profiles of the members of the Board of Directors are available at:

http://www.etb.com.co/corporativo/Sostenibilidad/UploadFile/Sostenibilidad%20y%20go-bierno/Gobierno%20Corporativo/Junta_Direc-tiva-Board_Member.pdf

Name	Profession	Type of Member	Independen t	Gender	Age (years)	Date of appointment
Beatriz Elena Arbeláez	Economist	Principal	No	Female	55	1/12/2016
Alexandra Rojas Lopera	Industrial Engineer	Principal	No	Female	47	Alternate 1/12/2016 and Principal 09/09/2016
María Consuelo Araújo	Professional in Finance and International Relations	Principal	No	Female	46	
Sylvia Escovar Gómez	Economist	Principal	Yes	Female	55	1/12/2016
María Claudia Correa	Economist	Principal	Yes	Female	58	1/12/2016
Mario Pacheco	Economist	Principal	Yes	Male	63	1/12/2016
Gisele Manrique Vaca	Lawyer	Principal	No	Female	46	1/12/2016
Ana María Rojas Villamil	Economist and Lawyer	Alternate	No	Female	33	1/12/2016
Héctor Mauricio Escobar	Economist	Alternate	No	Male	50	1/12/2016

Richard Ernesto Romero R.	Economist	Alternate	No	Male	46	9/9/2016
Andrés Ortiz Gómez	Architect	Alternate	No	Male	52	1/12/2016
Óscar Díaz	Professional in Finance and International Relations	Alternate	Yes	Male	42	1/12/2016
Edgardo Rafael Oñoro M.	Industrial Engineer	Alternate	Yes	Male	58	3/30/2016
María V. Fernández	Lawyer	Alternate	No	Female	43	1/12/2016

Audit Committee:

In the Board of Directors meeting held on January 26, 2016, the following were appointed as members of the Audit Committee: **Mrs. Sylvia Escovar Gómez, Mrs. María Claudia Correa** and **Mr. Mario Pacheco**, in their capacity as independent members of the Board of Directors as required by Article 3 of the Rules of Procedure of the Audit Committee. Also, in February 2016, Mr. Mario Pacheco was appointed as the Chairman of the Audit Committee due to his expertise in financial and accounting matters.

Changes on the Board of Directors during the year 2016

During the course of 2016, the Board of Directors underwent the following changes:

On January 12, 2016, during the Extraordinary Shareholders' Meeting, the members of the Board of Directors were elected.

Members of the Board of Directors - January 12, 2016	
Emilio José Archila	Ana María Rojas Villamil
Beatriz Elena Arbeláez	Héctor Mauricio Escobar
María Consuelo Araújo	Alexandra Rojas Lopera
Sylvia Escovar Gómez	Andrés Ortiz Gómez
María Claudia Correa	Oscar Díaz
Mario Pacheco	Carlos Malagón
Gisele Manrique Vaca	María V. Fernández

On March 30, 2016, in the Ordinary General Meeting of Shareholders, the alternate member of the Board of Directors, Edgardo Oñoro, was elected as the replacement of Carlos Malagón when he resigned.

Members of the Board of Directors - March 30, 2016	
Emilio José Archila	Ana María Rojas Villamil
Beatriz Elena Arbeláez	Héctor Mauricio Escobar
María Consuelo Araújo	Alexandra Rojas Lopera
Sylvia Escovar Gómez	Andrés Ortiz Gómez
María Claudia Correa	Oscar Díaz

Mario Pacheco	Edgardo Oñoro Martínez
Gisele Manrique Vaca	María V. Fernández

On September 9, **Alexandra Rojas**, who was a member of the Board of Directors as the alternate of **María Consuelo Araújo**, was appointed as the replacement of **Emilio Archila**.

Richard Romero Raad was appointed to replace **Alexandra Rojas** as an alternate member.

Members of the Board of Directors - September 9, 2016	
Alexandra Rojas Lopera	Ana María Rojas Villamil
Beatriz Elena Arbeláez	Héctor Mauricio Escobar
María Consuelo Araújo	Richard Romero Raad
Sylvia Escovar Gómez	Andrés Ortiz Gómez
María Claudia Correa	Óscar Díaz
Mario Pacheco	Edgardo Oñoro Martínez
Gisele Manrique Vaca	María V. Fernández

Policies Approved by the Board of Directors

In an ordinary session of the Board of Directors held on December 13, 2016, the Board unanimously approved the Anti-corruption Policy, the Anti-money Laundering and Counter-terrorism financing (AML/CTF) Policy (Money Laundering and Terrorist Financing Risk Management System) and the AML/CTF Manual.

Appointment of the Members of the Board of Directors

The procedure to appoint a member of the Board of Directors, as established in the Company Bylaws in Chapter VI, Article 54, is as follows:

"The Company will have a Board of Directors consisting of seven (7) principal members with their respective alternates, and at least two of them must be independent, elected by the General Meeting of Shareholders through the electoral quotient system, based on criteria of suitability, knowledge, experience, independence and leadership. The alternates will be appointed on a personal basis."

The Company Bylaws and the Code of Corporate Governance establish the following requirements to be a member of the ETB Board of Directors:

1. Proven experience in activities of governance, management or leadership, either as a top-tier executive or as a member of boards of directors of high-impact companies, or involvement in the public sector in top-tier or second-level positions of management, governance or leadership.
2. Proven skills in activities of strategic direction, performance assessment of high-level executives; for monitoring and assessment of comprehensive company performance.
3. Recognition due to the quality of their system of values, and ethical and legal practices.

Members of the Board of Directors are appointed for **four (4) year** periods, and can be reelected indefinitely, notwithstanding the authority of the General Meeting of Shareholders to remove them freely at any time.

In compliance with the provisions of **Law 964 / 2005** and according to the new Código País best corporate practices, at December 31, 2016, more than 25% of the members of the **ETB** Board of Directors were independent.

Board of Directors' Remuneration

The remuneration of the members of the Board of Directors is defined by the General Meeting of Shareholders, which set the fees for principal and alternate members of the ETB Board of Directors at 4.5 (four point five) minimum monthly salaries on June 24, 2015, for attending meetings held by the Board of Directors and the Committee of which they are members by statutory or Board of Directors' delegation.

These fees shall also be paid to the alternate when the principal member is replaced due to absence. Board members do not receive variable remuneration.

The amount of the fees paid to Board members during 2016 for in-person sessions and/or committee meetings was COP 350 million. This payment is subject to taxes as per the applicable tax law for each board member.

Duties of the Chairman and Secretary of the Board of Directors

As established in the Bylaws, the Board of Directors shall have a chairman elected from among its members and the Company's General Secretary will act as the Secretary of the Board of Directors. In 2016 and as a general practice, the Chairman of the ETB Board of Directors may vary in each session; at the end of this period, the Chairman of the Board was Mrs. Beatriz Elena Arbeláez and the Secretary of the Board of Directors was Mr. Carlos Alberto Herrera.

The Chairman of the Board delegates to the Secretary the duty to ensure the proper operation thereof, by making the announcements, providing timely and sufficient information for decision-making purposes, drafting the minutes of the meetings, as provided for in Article 189 of the Code of Commerce and Article 62 of the Company Bylaws.

Information Management by the Board of Directors

At the beginning of the year, the Board of Directors established a timetable of meetings. The invitations to the meetings are sent by the General Secretary, approximately eight days in advance via magnetic medium; the agenda and the information to be discussed at the meeting are attached to the invitation. The General Secretary is responsible for handling the information packet addressed to the Board. The minutes kept in the Board of Directors' Book of Minutes are signed as required by Law. The book and its appendices are preserved by the General Secretary.

2016 Management of the Board of Directors

Following are the most important issues handled by the Board of Directors for analysis and monitoring:

- Appointment of **Mr. Jorge Hernán Castellanos** Rueda as the CEO of Empresa de Telecomunicaciones de Bogotá S.A. E.S.P. as of January 15, 2016.
- Appointment of the members of **the Audit Committee**.
- Approval of the appointment of the Company's Internal **Auditor in compliance** with Resolution 116 / 2002.
- Appointment of the General Secretary, **Mr. Carlos Alberto Herrera Barros** as the First Alternate of the Legal Representative.
- Approval of the **Financial Statements**, the opinion of the Statutory Auditor, the zero (0) value profit sharing proposal and the Management and Sustainability Report to be submitted for consideration by the General Meeting of Shareholders.
- Appointment of the alternate legal representatives, **Mr. Carlos Herrera Barros**, **Mrs. Diana Barón Quiroga** and **Mr. Eduardo Charry**.
- Approval of the amendment of the 2016 budget and debt plan.
- Approval of the amendment of the performance bond model.
- Appointment of **Mr. Carlos Alberto Herrera Barros** as the Representative responsible before the National Securities and Issuers Register (RNVE, for the Spanish original)

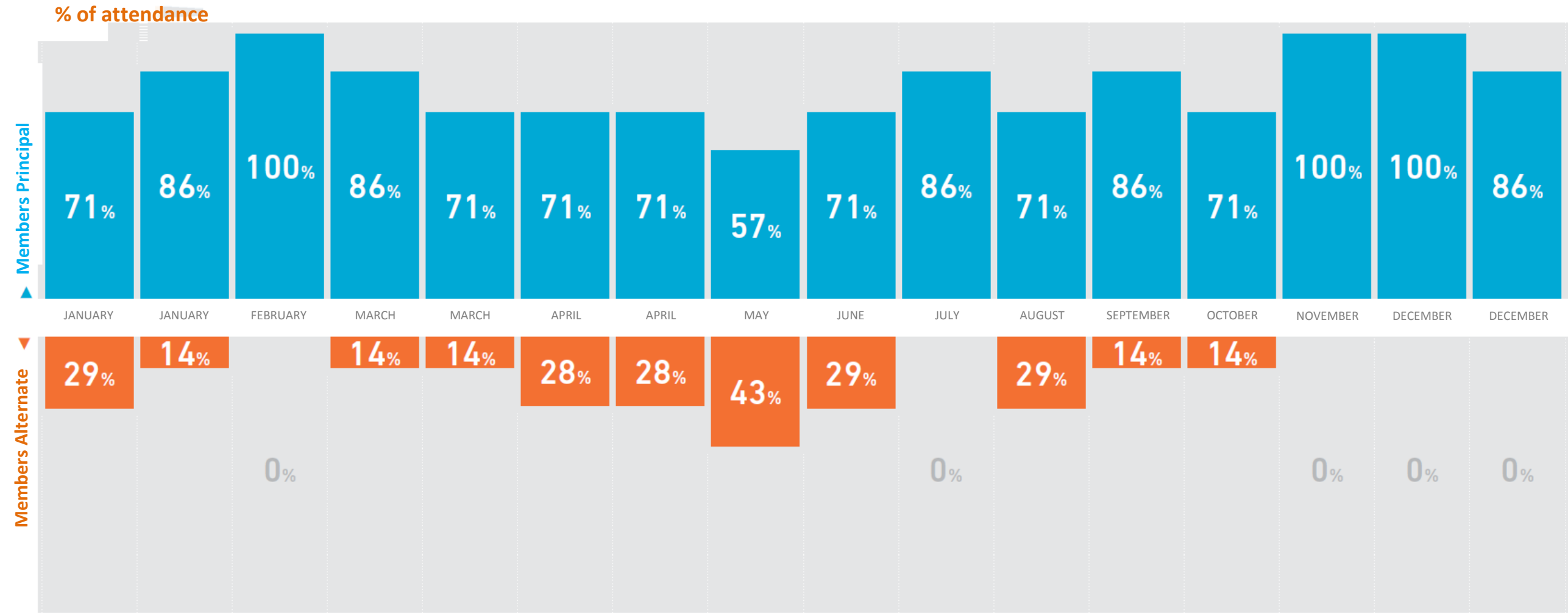
- Authorization to begin the invitation to tender for the call center procurement process.
- Authorization to begin the invitation to tender for the procurement of the communications agency.
- Authorization to begin the borrowing request process.
- Approval of the budget for 2017.
- Approval to sign two (2) contracts in the call center process, on the grounds of the amount.
- Approval of the Anti-money Laundering and Counter-terrorist Financing Policy and the AML/CTF Manual.
- Approval of the Anti-money Laundering and Counter-terrorist Financing Report submitted by the
- Compliance Officer.

In 2016, the **ETB** Board of Directors did not receive external guidance, nor did it have relations with any investment banks or risk-rating agencies.

In the Board of Directors meeting held on March 2, 2016, prior to the General Meeting of Shareholders, the Statutory Auditor's opinion was read by Deloitte, a firm represented by Carlos Eduardo Tovar and Germán Correa, who indicated they had no reservations. Relations between the Board of Directors and the Statutory Auditor are maintained through the Audit Committee.

Quorum of the Board of Directors

In 2016, the Board of Directors held sixteen (16) meetings in person, and there were no virtual board sessions. The Board will deliberate with the attendance of four (4) of its members and will decide with the votes of at least four (4) of its members attending, in accordance with Article 61 of the Company Bylaws.



Board Member Attendance

BOARD MEMBER	MEETINGS ATTENDED
*Emilio José Archila Peñalosa	62%
Beatriz Helena Arbeláez	100%
María Consuelo Araújo	100%
María Claudia Correa	100%
Gisele Manrique Vaca	100%
Sylvia Escovar Gómez	62%
Mario Pacheco	50%
Alexandra Rojas	28%
Ana María Rojas Villamil	31%
Hector Mauricio Escobar	0%
Richard Romero	0%
Andrés Ortiz Gómez	25%
Óscar Díaz	0%
Edgardo Oñoro Martínez	45%
María V. Fernández	0%
*Carlos Malagón	60%

*Members of the Board of Directors who submitted voluntary resignation in 2016

Audit Committee Attendance

BOARD MEMBER	MEETINGS ATTENDED
José Manuel Alarcón	100%
Francisco Barnier	100%
María Claudia Correa	100%
Sylvia Escovar Gómez	100%
Mario Pacheco	100%

Steering Committees

Below is the information of ETB's top governance Committees, their duties and the most outstanding aspects of their management in 2016:

Committee	Members	Objective	2016 Management	2016 Sessions
Audits	- Comprised of at least three (3) principal members with their respective alternates of the Board of Directors. All the members of the Audit Committee must be independent. - The Statutory Auditor and the Vice-President of Finance and Administration are permanent guests of the Committee, with a say, but without voting rights.	Support the Board of Directors' management, a major component of the Internal Control system and Corporate Governance which is currently comprised and operated as per Article 45 of Law 964 / 2005.	- Approval and monitoring of the 2016 Audit Plan and review of the progress thereof. - Consideration of the general and interim Financial Statements - Review of the internal control system. - Consideration of the Compliance Officer's Report regarding risk management and the progress of the work carried out by the Statutory Auditor.	6 sessions
CEO's Office	Attended by the CEO and all the Company's Vice Presidents.	Drive a constant flow of information among the different areas of	The Committee's work in 2016 was governed by the purpose of adjusting the priorities, capacities and operation of the entity:	37 sessions

Committee	Members	Objective	2016 Management	2016 Sessions
		management, as well as establish strategies, assign jobs and responsibilities and set goals, in order to monitor and control them. Also, implement the guidelines and instructions given by the Company's Board of Directors. Duties: • Inform committee members of the Company's priority topics. • Assign specific tasks to the corresponding areas and establish the priority thereof. • Follow up on the tasks assigned to the different areas.	• In 2016, ETB managed to reverse the declining trend of its financial indicators. For the first time in the last four years, the EBITDA and EBITDA margin grew, reaching COP 425 billion and 29%, respectively. • It made the substantial investments made in previous periods profitable. • In 2015, 70% of the new customers switched from copper technology. In 2016, 70% of the new customers switched from fiber-optic technology. • At the end of 2014, only 2% of the revenues were from fiber-optic and mobile services. At the end of 2016, the revenue from these new lines of business accounted for 21% of the Company's total revenue. • ETB started out 2016 with 108 thousand fiber customers and ended the same year with 202 thousand customers, an 87% growth. Similarly, TV customers grew by 71%, going from 69 thousand to 118 thousand. • In addition, as for mobile services, ETB reached a growth of 78% in its subscriber base, starting the year with 390 thousand customers and ending with 698 thousand. • Entity's CAPEX reduction. This indicator went from COP 836 billion in 2015, accounting for 60% of the operating income, to COP 439 billion in 2016, which is equivalent to 31% of said income. • In 2016, there were no significant changes in the entity's operating flow (EBITDA-CAPEX), which went from COP 433 billion in 2015 to COP 14 billion in 2016. Follow-up visit regarding ISO 9001:2008, ISO 27001:2005 AND ISO 14001:2004. • Positive assessment by Fundación Karisma regarding	
Integrated Management System	• General Secretary • Corporate Auditor • Vice President of Human Resources and	Promote the adoption of practices, methodologies and plans that comprise the	• Positive assessment by Fundación Karisma regarding	3 sessions

Committee	Members	Objective	2016 Management	2016 Sessions
Manager	Supply Chain • Vice-President of Customer Experience • Vice President of Business Strategy and Marketing	Integrated Management System, including: internal control, risk management, business continuity and information security, among others.	personal data management of the ISP. • Training of 21 Internal Auditors. • Updating of risk tolerance and appetite. • Definition of business risks and risks of fraud, corruption, money laundering and terrorist financing (ML/TF). • Implementation of the Information Transparency and Access link - Law 1712 / 2014. • Progress of 80% regarding the implementation of the Regulatory Decree of the Labor Sector No. 1072 / 2015. • Definition of the certified Continuity Plan to bid in the Colombia Compra Eficiente (Efficient Procurement) process.	

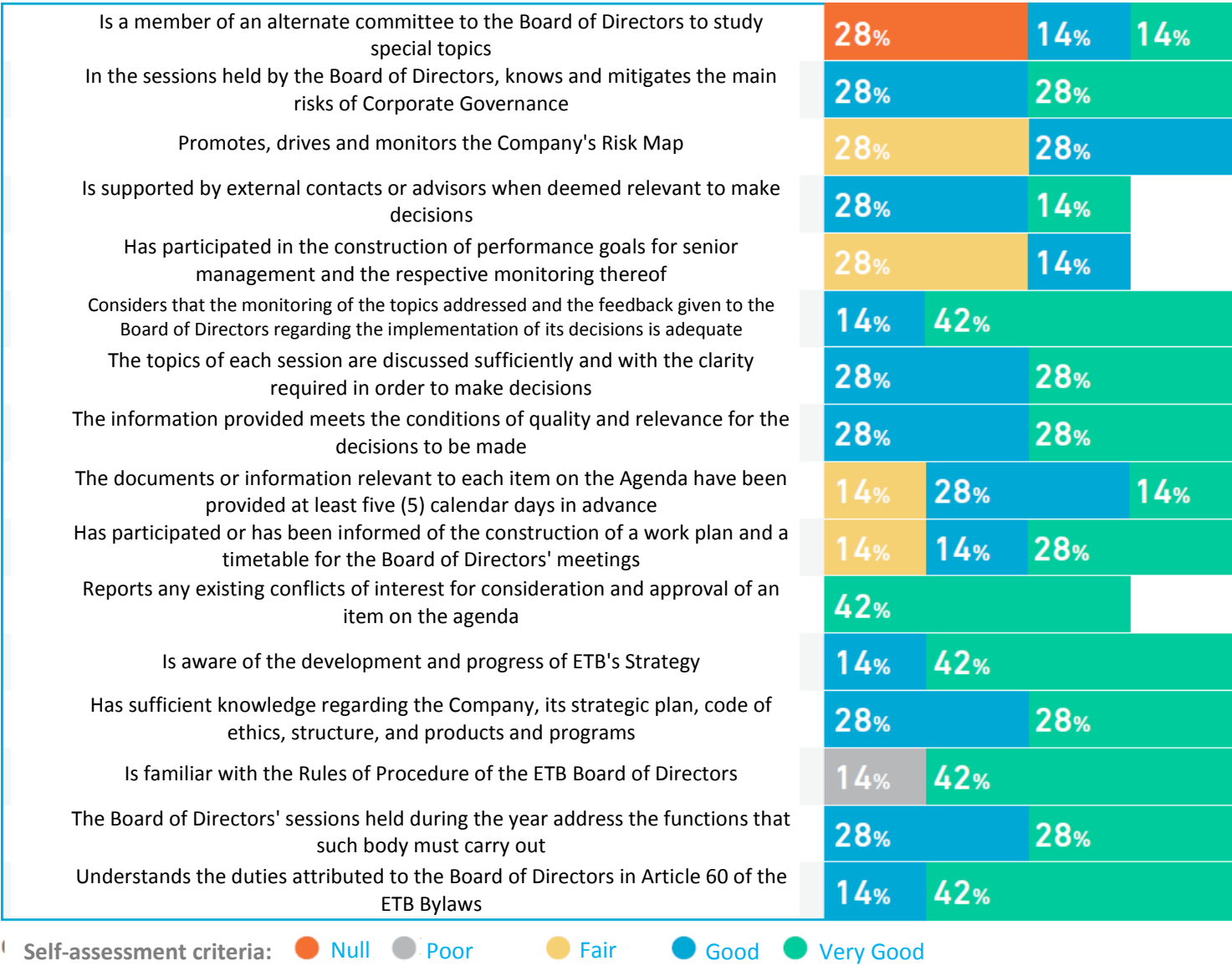
Assessment of the Board of Directors

In compliance with the provisions of the new Código País, External Bulletin 028 / 2014 issued by the Financial Superintendence, the self-assessment of the members of the Board of Directors for the 2016 period was submitted as follows: four (4) of seven (7) member of the Board of Directors assessed the sessions held by the Board of Directors and they also carried out the Self-assessment related to their management, which is equivalent to 57% of the total Board of Directors.

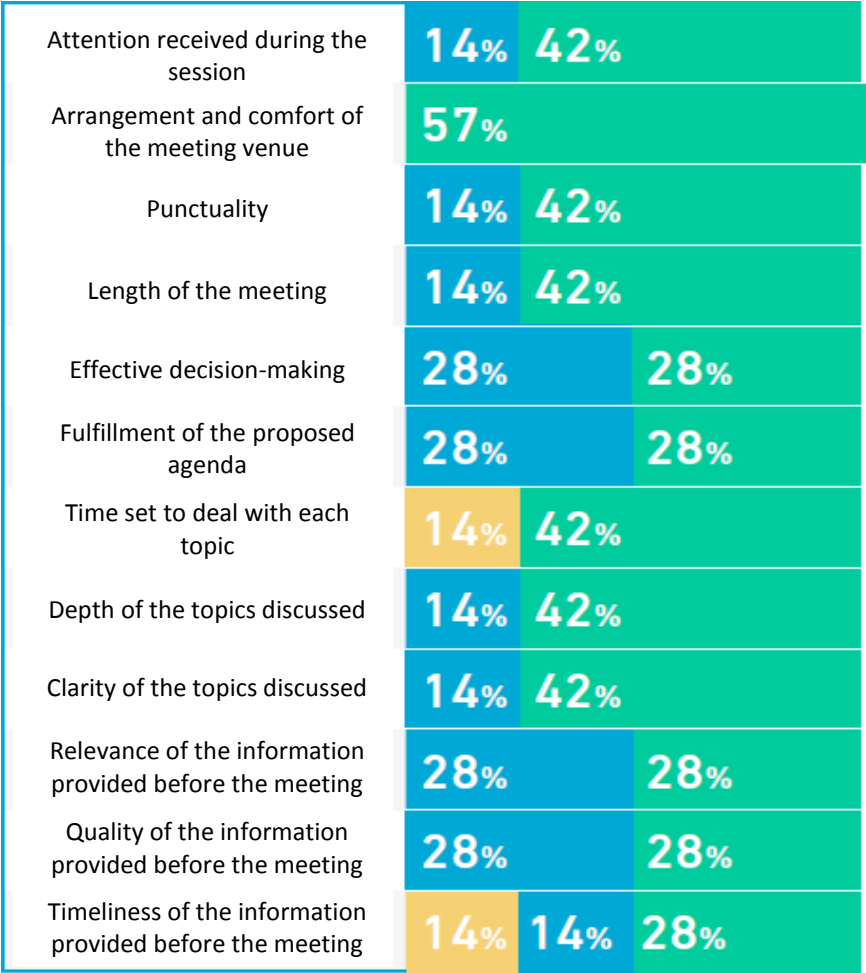
As regards the self-assessment, the criteria that assess the proper performance of the Board of Directors were maintained, as follows:

- Corporate Governance
- Control
- Risks
- Strategic Plan
- Internal regulation
- Conflicts of interest
- Quality of information
- Transparency

Below is an illustration of the self-assessment of 57% of the members of the Board of Directors:



The assessment of the sessions held by the Board of Directors showed the following results:



Assessment criteria:

Very low Low Medium High Very High

Source: ETB, General Secretary

III. Transactions with Related Parties

Transactions with subsidiaries of the ETB Business Group are disclosed in the corresponding notes to the financial statements and in the Business Group Report that is a part hereof.

Since 2015, there is a Corporate Procurement Policy for the subsidiaries that make up the business group for purposes of greater efficiency and use of synergies.

In addition, the Policy establishes the mechanisms to verify compliance with the legal requirements, the non-existence of incompatibilities, ineligibilities and impediments, and in general, any conflict of interest that may arise pursuant to current legislation.

Conflicts of Interest and Dispute Settlement

Title VII of the **ETB Code of Corporate Governance** defines the general principles that must be adopted by all the members of the Board of Directors and employees, the procedures that must be carried out for the dissemination thereof and the settlement of any type of dispute.

In 2016, there were no conflicts of interest involving the members of the Board of Directors; however, two potential cases of conflict of interest were brought to the attention of the Board.

IV. Control Architecture

External Control

Statutory Auditor

At present, the Statutory Auditor firm is Deloitte & Touche Ltda., which was reelected by the General Meeting of Shareholders in 2015 for a two (2) year period, with a contract for COP 1,659 million, including VAT.

Inspection, oversight and control bodies

As a public utilities company (non-residential) dedicated to providing and organizing telecommunications services, our oversight bodies are: Ministry of Information Technologies and Telecommunications (MINTIC) and the Communications Regulation Commission (CRC). The Superintendence of Industry and Commerce (SIC) also exercises oversight and control over ETB, along with the Financial Superintendence as far as corporate matters and the issuance of securities, according to Joint Bulletin No. 044 / December 2015.

In 2016, the MINTIC conducted 26 audit visits, as part of its oversight and control function, to verify compliance of the obligations set forth by regulations for mobile and landline services (three visits for financial, seven for legal and regulatory compliance, twelve for technical verification, two for landline services verification, and two visits to the Joint Venture between Colombia Móvil and ETB).

In addition, the CRC carried out a visit to verify the compliance of the project to be implemented regarding accounting separation, and the ANTV carried out three additional visits were carried out to verify ETB's full compliance with the financial and regulatory obligations. This adds up to a total of 30 visits during the year, whose results were satisfactory to the Company.

The Office of the Competition Protection Delegate of the Superintendence of Industry and Commerce (SIC) carried out an administrative visit on July 19, 2016, whose purpose consisted of collecting information about the TV, Internet and other telecommunications service market. This visit was carried out in accordance with the Entity's legal authority.

In September 2016, ETB received a visit from the Colombian Financial Superintendence as part of the preventive supervision activities carried out by the entity.

In 2016, the District Comptroller's Office, as part of its fiscal control, conducted a regular audit of the 2015 fiscal period, and conducted two (2) performance audits: one on the procurement carried out on the course of business (period audited: 2013-2016), and the other on the proper and efficient management of the Company's physical and technological resources, through the procurement for Back Office services with its main supplier and subsidiary, payment of fines and sanctions resulting from this relationship, procurement related to the Datacenter Alma project and legal support to defend the interests of the Organization (period audited: 2014-2016).

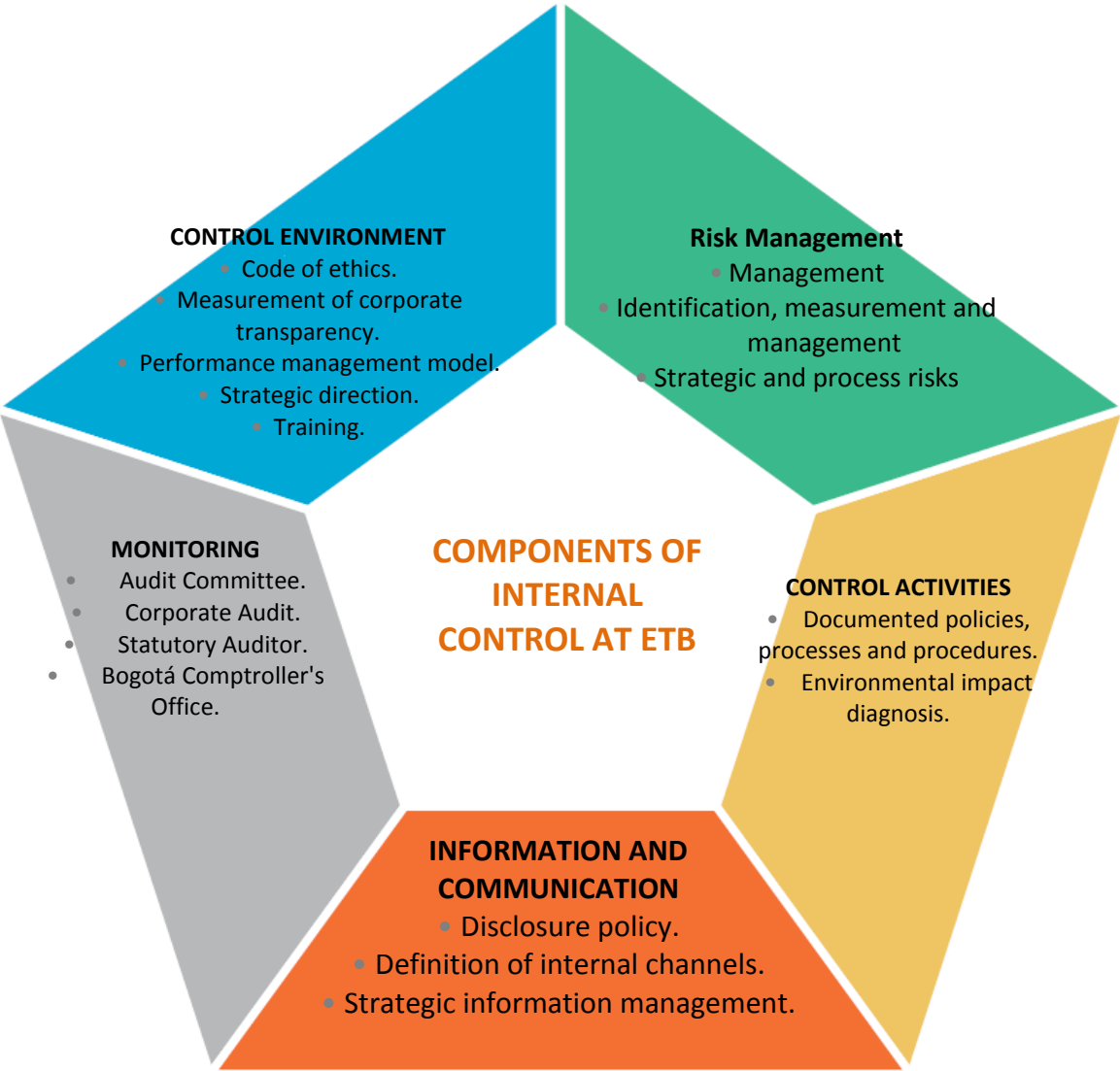
Risk Rating Agencies Based on the results of 2015, Fitch Ratings downgraded ETB's long-term national rating to AA+ (col) from AAA (col), and the outlook from stable to negative. Also, Moody's Investors Service (Moody's) rating agency changed the ETB's issuer rating to Ba3 with a negative outlook. In this year's assessment, Moody's took into account the financial weakening of the entity from the start of 2014, and its impact on the company's liquidity.

Internal Control

ETB's Internal Control System is a process that integrates interdependent and interrelated components that provide reasonable reliability with a view to fulfill the following objectives:

- **Effectiveness** and efficiency of the operations.
- **Reliability** of the financial information.
- **Compliance** with the laws and regulations.





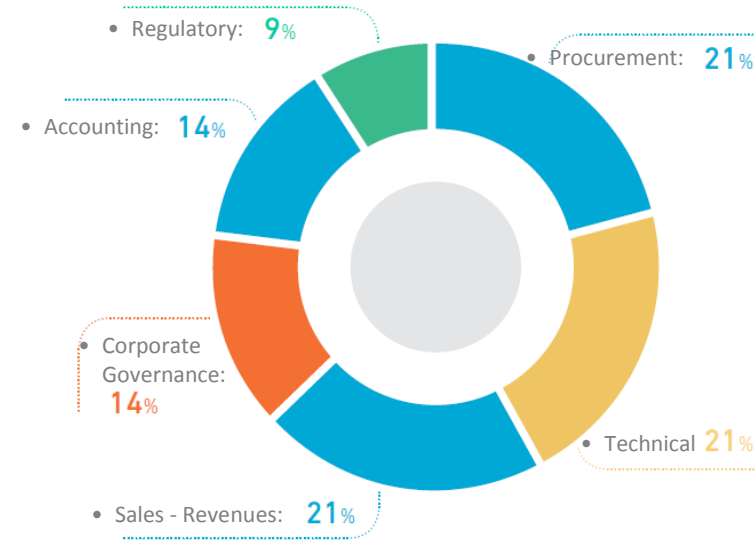
In 2016, the ETB Internal Control System evolved, particularly as for the components of risk management and control activities through the implementation of management measures of prior review and verification of the main processes, which, however, suggest opportunities for improvement in the formalization thereof. In terms of control environment, the Company consolidated its commitment to corporate ethics through the highest decision-making body's approval of the Anti-corruption Policy, the Corruption Risk Matrix, and the AML/CTF Policy and Manual, whose implementation and management will be formally achieved in 2017.

In terms of monitoring, ETB has undergone different independent assessments due to its legal nature, which are complemented by the standardization of self-assessment tools. The Information component scored the highest as a result of all the communication channels made available to stakeholders and compliance with the regulatory requirements.

The Audit Committee, according to Article 45 of Law 964 / 2005, is made up of three independent members. This committee met six times during the year 2016; that is to say, it exceeded the legal minimum number of sessions and performed the duties attributed thereto through the approval of the 2016 Audit Plan, review of the scope thereof, consideration of the general and interim Financial Statements, review of the Internal Control System, consideration of the report of the Compliance Officer, regarding risk management and the progress report of the work carried out by the Statutory Auditor. The Committee contributed to the strengthening of ETB's Internal Control System through its recommendations regarding control.

Furthermore, ETB has an annual Internal Audit Plan approved by the Audit Committee, which was complied with as established in 2016 and had the audits whose objective, according to management's new approach, was focused on covering the critical business processes from the standpoint of operational risk, efficiency in resource management, regulation and fraud risk, among others. The Audit area continued enhancing its assistance in the formulation and implementation of controls.

AUDIT PLAN



In compliance with Article 47 of Law 964 / 2005, ETB's Legal Representative states that the activities to monitor and control the Internal Control System applied by Management and the independent assessments conducted thereon by Internal and External Audit, ensure the proper performance of ETB's financial information disclosure and control systems.

Integrated Management System

In 2016, a team was created consisting of twenty one (21) internal auditors (ETB employees) who are ISO certified in the category of Lead Auditor, fourteen (14) of which were updated in ISO Quality, Environmental, Occupational Health and Safety standards, and seven (7) of which were updated in Information Security. This will facilitate the internal audits without depending on third parties and will generate savings for the Company.

In the 2016 FY, ETB received ISO/IEC 27001:2013 certification for the information safety management system (ISMS); this certification covers three (3) data centers. As for the quality management systems and the environmental management systems, a follow-up visit was received based on ISO 9001:2008, NTCGP 1000:2009 and ISO 14001:2004 in November and December.

Risk Management

The purpose of the Risk Management Policy is to define the guidelines for comprehensive risk management at ETB by implementing a Risk Management System that addresses the identification, assessment, mitigation, control and monitoring of ETB's risks, in accordance with the applicable current regulations.

The Risk Management Policy was updated in 2015 and has the following objectives:

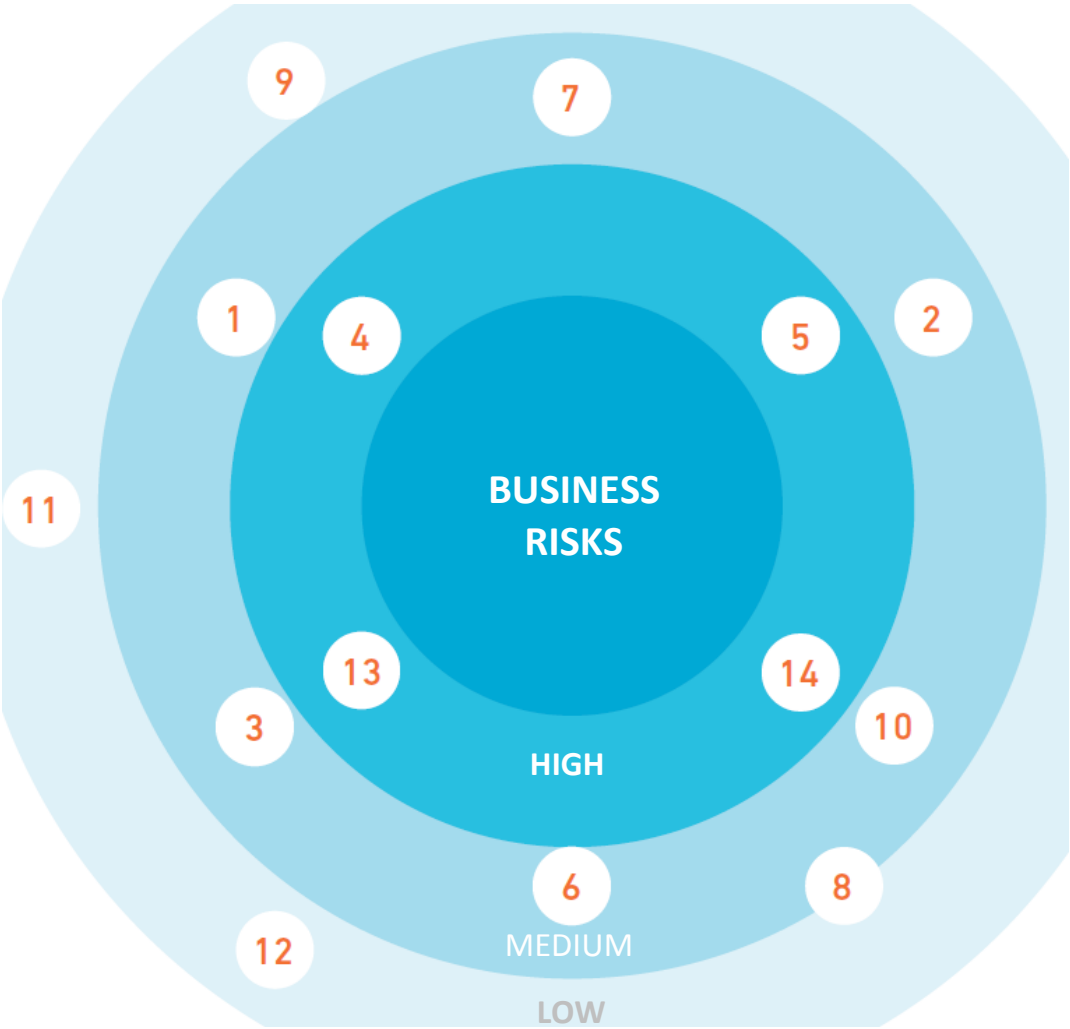
- Carry out corporate assurance through the safeguarding and efficient use of the Company's resources.
- Identify risk factors based on corporate objectives, the Organization's mission and vision, to define the implementation of the controls aimed to minimize them.
- Increase the trust among stakeholders with whom the Organization relates.
- Support the Company's business continuity and sustainability.
- Improve operational efficiency by reducing the probability and impact of adverse events.
- Manage in advance any vulnerabilities or events that can affect the achievement of the business objectives and contribute information for proper strategic and operational decision-making.
- Complement and strengthen continuous improvement in process management.

In 2016, the Risk Management System was strengthened by:

- Updating the value of the risk tolerance and appetite.
- Implementing the quantitative analysis to determine the level of inherent risk based on the risk appetite.
- Updating business risks.
- Defining the risk matrix for fraud, corruption, money laundering and terrorist financing.

Below are the business risks of ETB that were identified:

1. Management of strategic projects and programs
2. Strategic investment
3. Incorporating change
4. Information security
5. Offering, products and services
6. Partnerships, suppliers and subsidiaries
7. Knowledge management
8. Service Continuity
9. External influence
10. Fraud and/or corruption
11. Loan commitments
12. Regulations and standards
13. Billing
14. Spread of Money Laundering and/or Terrorist Financing



V. General Meeting of Shareholders

Measures adopted during the period to encourage shareholder participation

- In order to encourage shareholder participation, the following measures were adopted in 2016:
- A shareholder service satisfaction survey channel was established, which has helped receive feedback from them to be able to work on the aspects they consider have the potential for improvement.
- Work is being done on increasing the database of individuals registered on the informational e-mail mailing list of the Investments Department. This has enabled us to inform more people of Company news and the daily closing price of ETB shares.
- The shareholder hotline, 018000120077, was improved. Different options were created for shareholders to better channel their requests and requirements.
- Improvement in the quality of information provided on the investors website.
- In the presentation of quarterly results, led by the CEO and the Vice-President of Finance and Administration, the time allocated to answer shareholders, investors and market analysts' questions was extended.
- A new investors website was launched, designed for shareholders and investors to access the information easily.

Channels of Communication for Shareholder and Investor Information

- In 2016, work was done to ensure and improve the quality of ETB's shareholder and investor service. The aspects to be highlighted include:
- Bearing in mind the information that investors want to receive, the quality of the content of publications on the investors website was improved, focusing particularly on the financial statements, with separate and consolidated figures, and on the presentations of quarterly results, which were led by the Company's CEO and Vice-President of Finance and Administration.
- The recognition granted by the Colombian Securities Exchange for disclosure and investor relations (IR) was received for the fourth consecutive year.
- Improvements were made to the 018000120077 hotline this year, creating different options in order for shareholders to better channel their queries and requirements.
- The new corporate website was launched: www.etb.com.co/inversionistas/, to make it easier for shareholders and investors to find financial and corporate information regarding ETB.
- Prior to the General Meetings of Shareholders, shareholders were provided with information in order for them to make informed decisions during the meeting.

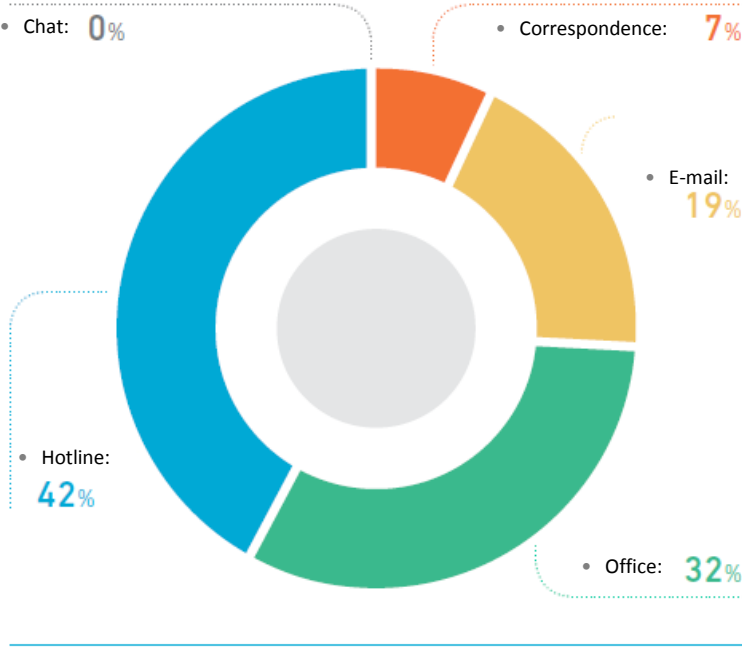
Shareholder and Investor Service

In order to strengthen relations and communications with our shareholders and investors, ETB's Investor Relations Office has the following channels of communication available:

- **ETB Investor Relations Chat:** by means of this feature, located on our website www.etb.com.co/inversionistas/, we provide online service from Monday to Friday from 8:00 a.m. to 5:00 p.m.
- **ETB Investor Relations website:** Here you can find information regarding ETB's Corporate Governance, our Annual Management Report, Financial Statements and information regarding our shares, among other topics. www.etb.com.co/inversionistas
- **Toll-free hotline for shareholders at the national level:** Through the national hotline, 018000120077, we provide telephone service from Monday to Friday from 8:00 a.m. to 5:00 p.m.
- **ETB Investor Relations Service Office:** At Carrera 8 #20-56 Primer Piso. Bogotá D.C., at the downtown office, Carrera 7 #20-99 Piso 1, we provide personalized service from Monday to Friday from 8:00 a.m. to 5:00 p.m.
- **ETB investors e-mail:** inversionistas@etb.com.co

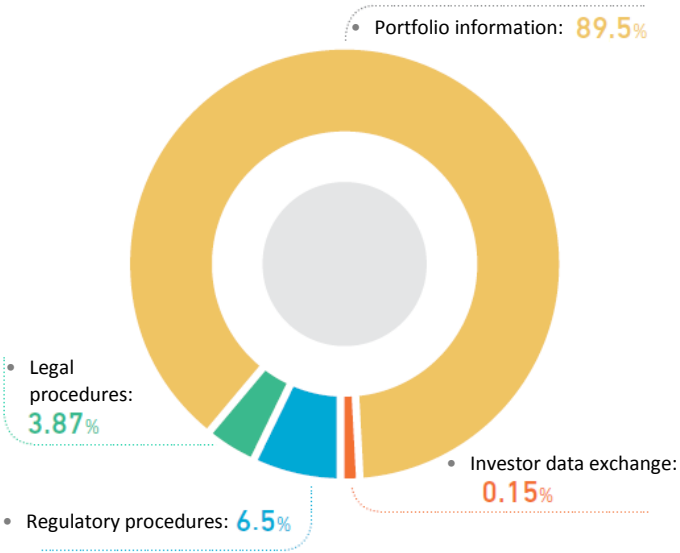
Request for information by shareholders and investors using the service channel in 2016

In 2016, 1,267 requests for information by shareholders and investors were attended through the channels of communication. Below are the channels preferred by shareholders and investors to make their queries.



Type of requests received from shareholders and investors in 2016.

The 1,267 requests for information made by shareholders and investors fit the following typology:



General Meeting of Shareholders

In accordance with the provisions of the Company Bylaws, the announcement for the General Meeting of Shareholders held on March 30, 2016 was published on March 3 in El Nuevo Siglo national newspaper, and subsequently, on the website. Furthermore, documents for shareholders to exercise their right of inspection were available pursuant to the provisions of law and the Bylaws fifteen (15) days prior to the meeting.

The General Meeting of Shareholders had the quorum required for deliberations; of a total of 3,550,553,412 shares outstanding, 3,199,087,891 shares were represented at the meeting, which is the equivalent of 90.1% of the shares outstanding with voting rights, as per the Law and Article 46 of the Bylaws.

In compliance with Article 52 of the Company Bylaws, the Minutes were signed by the Chairman of the General Meeting of Shareholders, the Secretary and members of the Drafting Committee. Furthermore, a copy of the Minutes was sent within fifteen (15) days following the meeting to the Financial Superintendence, as required by security market regulations.

On behalf of management, the meeting was attended by Mr. Jorge Castellanos Rueda, CEO; Carlos Alberto Herrera Barros, General Secretary; Diana Varón, Vice-President of Finance and Administration; Carol Quevedo, Corporate Auditor. Also in attendance was Carlos Eduardo Tovar Rodríguez as Statutory Auditor of the firm Deloitte & Touche Ltda.

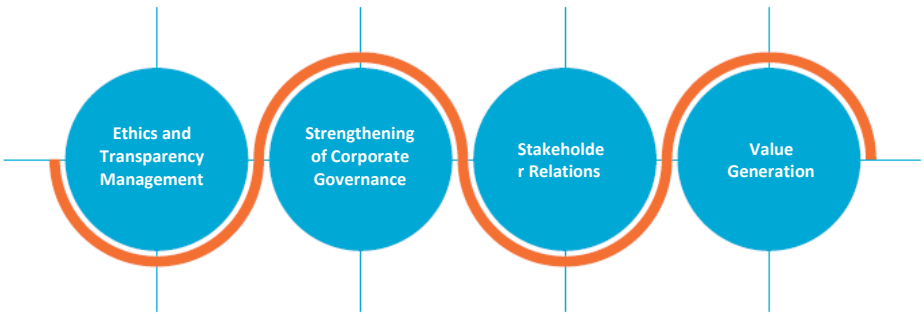
Below are the sessions of the General Meetings of Shareholders held in 2016 and the main decisions approved by shareholders:

Date (2016)	Type of meeting	Decisions
January 12	Extraordinary	• Election of the new members of the ETB Board of Directors • Approval of the Management Report of the Board of Directors and the Company CEO, corresponding to the 2015 fiscal year. • Approval of the Company's separate financial statements, corresponding to the 2015 fiscal year.
March 30	Ordinary	• Approval of the Company's consolidated financial statements, corresponding to the 2015 fiscal year. • Approval of the 2015 profit sharing and appropriation proposal. • Approval of the reform of Article 63 of the Company Bylaws. • Election to replace an alternate member of the Board of Directors.
September 9	Extraordinary	• Partial election of members of the Board of Directors as a result of the resignation of several of them. • Authorization to disclose information in the framework of the process of disposal of the District's shares in ETB.
November 4	Extraordinary	• Approval of the statutory reform of Article 90 of the Company Bylaws.

11. CORPORATE RESPONSIBILITY MANAGEMENT

To ETB, corporate responsibility is a commitment that we take on beyond the legal aspects; the four lines of action we worked on this year were aligned with the three pillars established in the new strategic framework: (I) sales, (ii) austerity) and (iii) service, based on ethical and transparent management with Stakeholders and the permanent search for economic, social and environmental balance, to contribute to and increase the value of the Company.

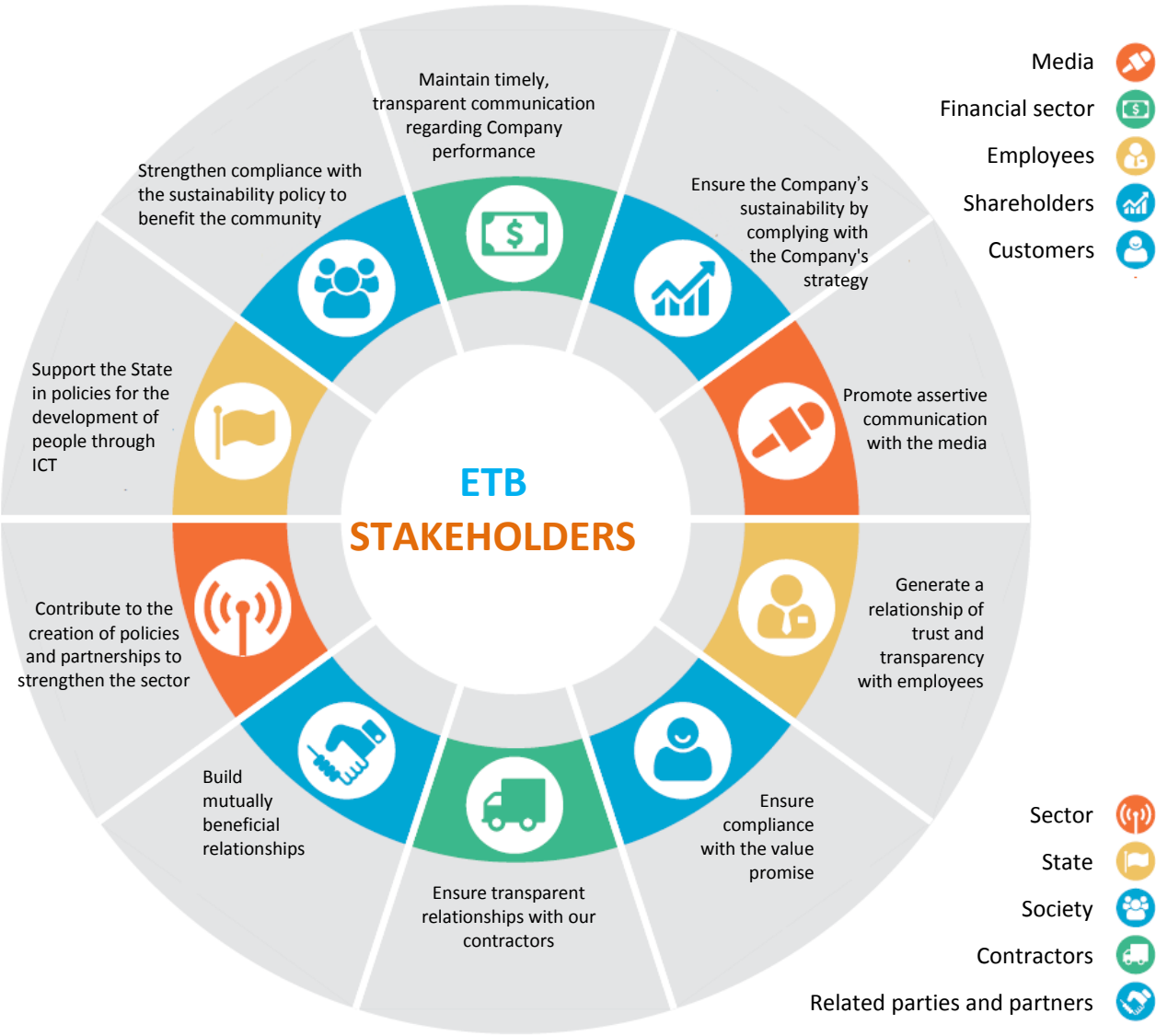
Corporate Responsibility pillars at ETB include:



Stakeholder Relations

In the interest of continuing to improve and develop stakeholder relations, in 2011, ETB began the process of reaching out to stakeholders based on a sustainability approach, which is intended to strengthen relations with them by understanding their needs, interests and expectations.

According to their strategic importance, ETB identified ten stakeholders and defined the following relationship commitments:



In 2016, the channels of communication and interaction with stakeholders, intended to strengthen and build solid relationships, were as follows:

Stakeholders	Channels of communication and interaction	Results
Shareholders and Investors	• A shareholder service satisfaction survey channel was established • Increase in the database of individuals registered in the informational e-mail mailing list of the Investments Department • The shareholder hotline 018000120077 was improved • Presentation of quarterly results led by the CEO and the Vice-President of Finance and Administration • New Investors website.	• Inform more people of Company news and the daily closing price of ETB shares. • Strengthening of the following topics: 1. ETB share price information 2. Stock Brokerage Firm Information 3. Information regarding the purchase and sale of ETB shares 4. Personalized service with an ETB advisor • Have more time to respond firsthand to the queries of shareholders/investors and market analysts • Effective information.
Employees	• Intranet • Corporate mobile phone • Bulletin boards • Wallpaper • Internal mailing bulletin	• Average monthly hits on Intranet: 8833 • Number of phones sent to the staff registered in the corporate mobile phone service: 47 • Published weekly on seven bulletin boards and in three elevators: Total of 51 publications. • Number of phones published as wallpaper: 51 • Number of bulletins sent by corporate e-mail: 47
Suppliers and contractors	• Personalized communication by phone • Communication by e-mail • Supplier and Contractor website www.etb.com.co/cyp/ • Exclusive hotline 018000 123 737 • Chat for technical support and procedures	• 5% increase in supplier performance in 2016. • The average score of the media by suppliers is 4 out of 5. • In 2016, 844 suppliers were validated
Customers	• E-mail for Requests, Complaints or Appeals (PQR, for the Spanish original) • E-mail for technical support • Social media	• Online service and shorter fault management time. • Resolution of more technical cases through the Help Desk for the Premium Business segment. • Elite service. Segmented service model for corporate customers, specialized, efficient and effective service. • Effective service for our customers (call center), average of 8 minutes per case.
Community	• Raising awareness regarding FTTC in Soacha	• Raising awareness of 135 locals in the municipality of Soacha to advertise the benefits of the project to modernize the telecommunications network in this sector. • The support of the Corporate Responsibility Team to date has led to the community's approval to complete the implementation of nine (9) switching units. • At the end of 2016, ETB had delivered 107 free TV services to non-profit entities (ESAL, for the Spanish original).
Media	• Press releases • Press conferences • Whatsapp	• 27 press releases were disseminated among our stakeholders. • One press conference (May 25), one conference with the media (March 4).

Source: ETB, Secretary General, VP of Business Strategy and Marketing, VP of Finance and Administration, VP of Customer Experience

Ethics and Transparency Management

The consolidation of ethics and transparency are essential pillars to ETB in stakeholder relations. That is why the first module, Corporate Governance and Anti-corruption Program, of the Ethics and Compliance training was carried out, where more than 220 employees received virtual training.

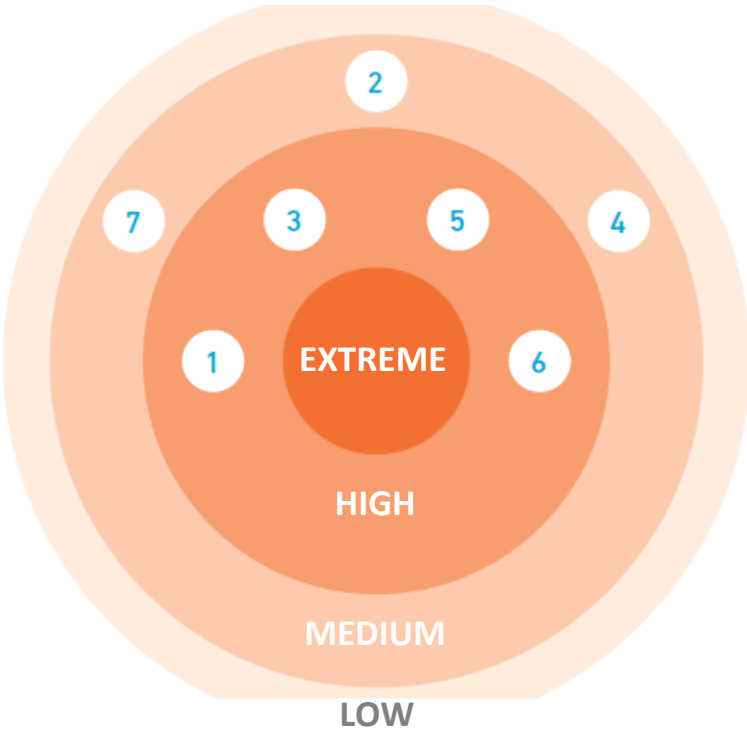
Also, four training and awareness sessions were carried out regarding money laundering and terrorist financing, for 106 employees.

In reaffirming its commitment to corporate ethics, in December 2016, the Audit Committee and the Board of Directors approved the Corruption Risk Map and the Anti-corruption Policy, through which the guidelines are defined to manage ethics and transparency at ETB, based on the principle of Zero Tolerance for Corruption, whose scope is extended to the Business Group and third parties with whom the Company directly or indirectly carries out collaboration, intermediation or participation activities.

Risk map of fraud, corruption, money laundering and terrorist financing

The risks of fraud, corruption, money laundering and terrorist financing that were identified are as follows:

- 1. Offering an unlawful incentive to obtain a contract (bribery offered to a national or foreign public or private official).
- 2. Receive or request an unlawful incentive to carry out an activity related to the sale of a product and/or the provision of a service.
- 3. Unlawful alteration or disclosure of information or information systems (document, record or information system).
- 4. Not reporting the existence of conflicts of interests, cronyism and patronage in order to obtain a benefit.
- 5. Favoring a third party in the selection, assessment, negotiation, awarding, execution and liquidation of the contract.
- 6. Allowing the Company to be used as an instrument (passive subject) for money laundering and/or terrorist financing.
- 7. Appropriation or unlawful use of the Company's resources and/or assets.



Reporting Channels

ETB has two reporting mechanisms for employees to exercise internal control regarding any doubts, queries and the resolution of ethical dilemmas, based on the premise of excellent, secure and confidential handling, in order to play an active role in the commitment of corporate responsibility and best practices regarding good governance, and also, provide guidance in the case of potential conflicts of interest or situations of risk that go against the provisions established in the Code of Ethics.

Ethics Hotline	Ethics e-mail
2422555	correo_etico@etb.com.co

Corporate Transparency Measurement (MTE, for the Spanish original)

2016 Assessment

During this period, the measurement tool was updated by Corporación Transparencia por Colombia to new standards, which does not allow the comparison of the results obtained this year with those of previous years. One of the most relevant changes in measurement, which keeps the four components, is that a different weight was given to each of them, where clear rules is the most important at 40%, opening at 30%, dialog at 15% and control at 15%.

2016 Results

The score obtained in 2016 was 66.9 points out of 100, and assessed the management carried out in 2016 regarding transparency and the fight against corruption. The results show the efforts made by ETB in the implementation of best transparency practices, the joint work of all the areas of the Company and the opportunities for improvement.

2016 MTE Results					66.9
COMPONENT	SUB-COMPONENT	RATING	WEIGHTED SCORE	RATING	WEIGHTED SCORE
Clear Rules	CORPORATE INTEGRITY	59.7	11.9	50.0	20.0
	Anti-Corruption Program	40.4	8.1		
	Socially Useful Information	85.6	12.8		
Opening	Active Transparency	86.7	13.0	86.1	25.8
	Relations Management	74.8	5.6		
Dialog	Rights to Access Information	100.0	7.5	87.4	13.1
	Internal Control	59.2	4.4		
Control	Social Control Promotion	47.1	3.5	53.1	8.0

Strategic CR Programs

Corporate Responsibility (CR) management at ETB is intended to manage the impacts of its operation, promote corporate responsibility along its supply chain and contribute to the Company's sustainability. In this regard, the strategic lines of CR aim to support compliance with commitments acquired with stakeholders, and generate value for them and for the Company, following the guidelines of the United Nations Global Compact and the ISO 26000 International Guide. RC programs are listed below:

- [Ethical and Transparent Management \(P. 39\)](#)
- [Mass ICT Availability \(P. 73\)](#)
- [Contractor Development \(P. 69 - 71\)](#)

III. Financial Performance

12. ETB FIGURES

	2016	2015
NUMBER OF EMPLOYEES	2,726	2,864

Source: ETB, Vice President of Human Resources and Supply Chain.

	2016	2015
REVENUE	1,459	1,460
TOTAL ASSETS	4,316	4,898
TOTAL LIABILITIES	2,319	2,620
NET EQUITY	1,997	2,279
COMPREHENSIVE NET LOSS	-255	-37
EBITDA	425	403
EBITDA MARGIN	29.1%	28.0%

Figures in millions of COP

Source: ETB, Vice-President of Finance and Administration. Operating revenue includes revenue from sales and the provision of services for COP 1,413 billion (2015 COP 1,388 billion).

ACTIVE SERVICES	2016	2015
VOICE (BASIC LINE, PBX LINE, PUBLIC TELEPHONES, E1, RDSI PRI, RDSI BRI, IMS)	1,278,256	1,420,875
INTERNET (BANDA ANCHA) HOGARES Y EMPRESAS	647,345	606,083
DEDICATED INTERNET AND DATA	20,536	21,697
TELEVISION	118,118	69,649
4G MOBILE SERVICES	698,355	390,000

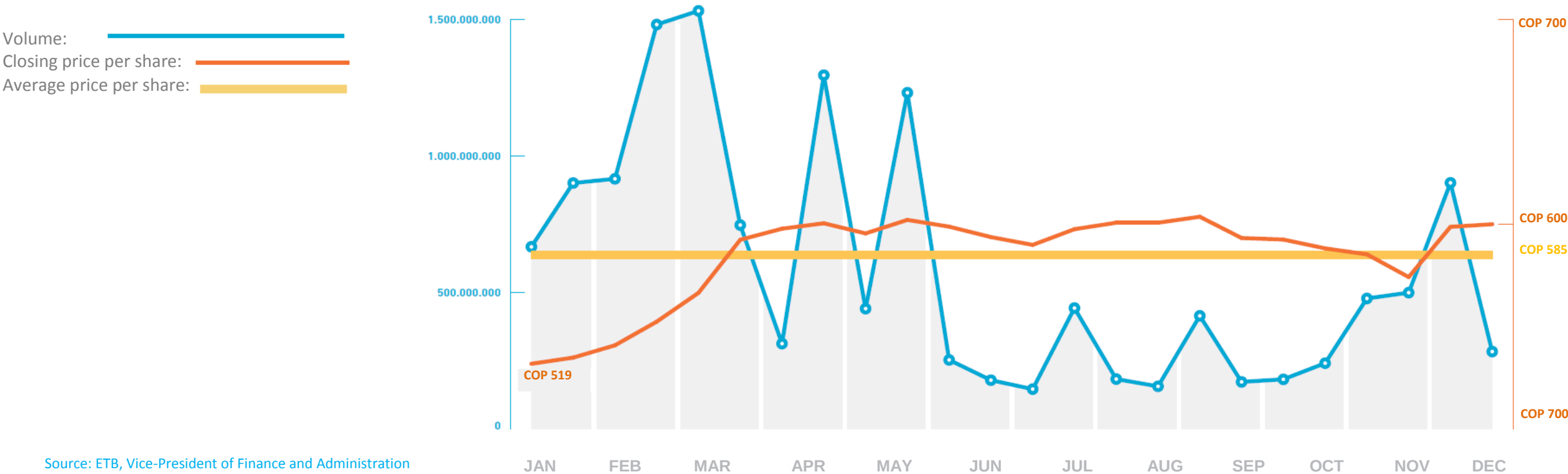
Source: ETB, Vice President of Business Strategy and Marketing.

13. STOCK PERFORMANCE

ETB's average price per share in 2016 was COP 585, reaching a minimum of COP 517 on January 7, 2016, and a maximum of COP 615 on August 29, 2016. The share price had a year-over-year increase of 16%, going from COP 519 to COP 600. Also, the average daily trading volume increased by 4%, going from COP 563 million in 2015 to COP 588 million in 2016.

	2015	2016	Δ%
Average price per share	COP 515	COP 585	14%
Minimum share price	COP 435	COP 517	19%
Maximum share price	COP 619	COP 615	-1%
Closing price per share	COP 519	COP 600	16%
Average daily trading volume	COP 563,000	COP 588,000	4%

Values calculated based on the daily closing prices of the share



14. TELECOMMUNICATIONS CONTEXT

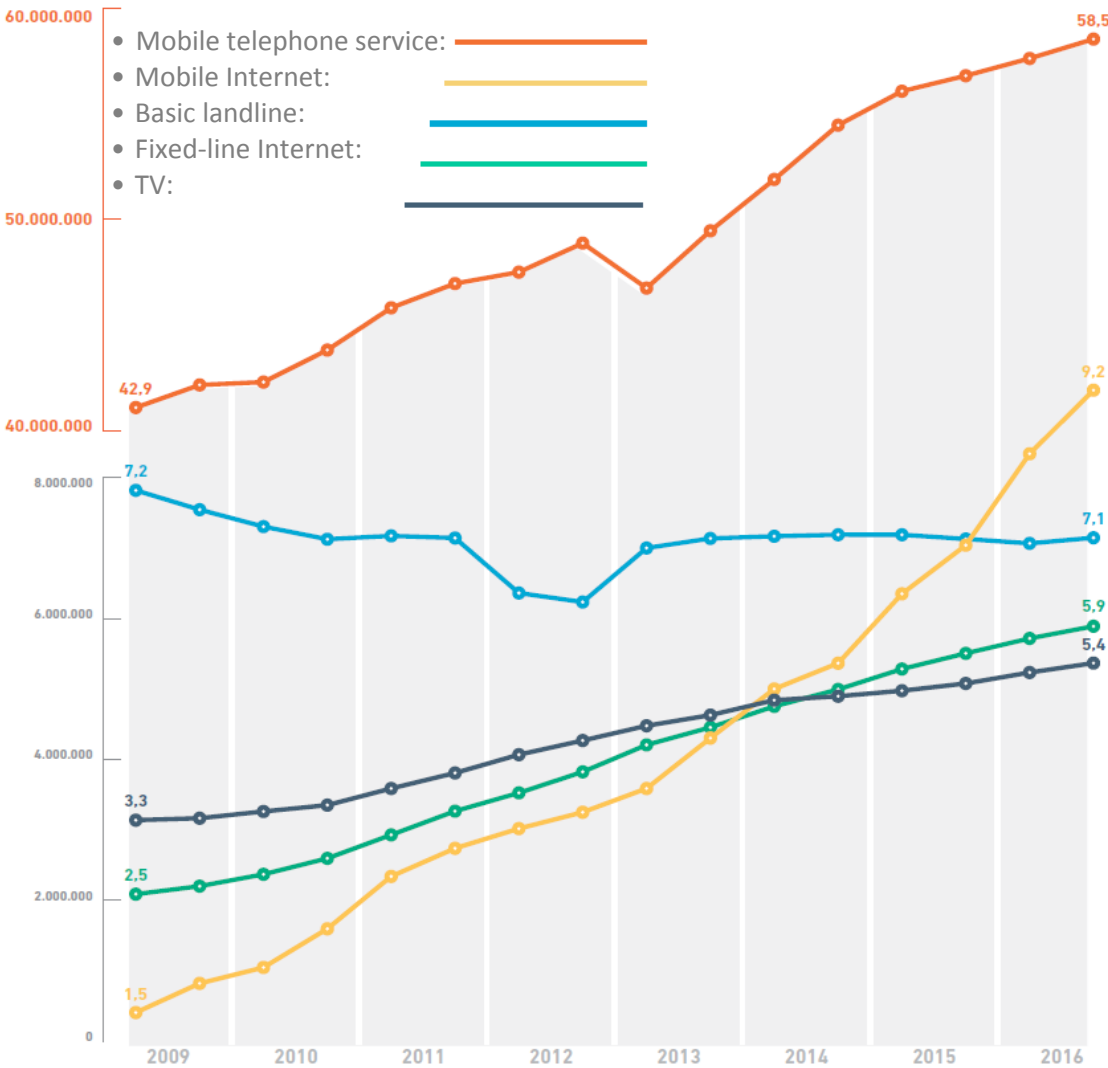
Although the economic slowdown and the volatility of the exchange rate have significantly affected the sector's performance and domestic consumption, in 2016, according to the most recent figures published by the Ministry of Information Technologies and Telecommunications (MINTIC, for the Spanish original)¹, the telecommunications market in Colombia, as far as subscribers, has maintained constant growth in most fixed and mobile services, with the exception of landlines. As illustrated in the Total Subscribers per Service chart, mobile and fixed connectivity were the most outstanding engines in the sector's growth. Last year, mobile data grew at a compound annual growth rate (CAGR) greater than 36%, followed by fixed Internet, with a CAGR greater than 8% for the same period.

Pay TV services have maintained growth at slower paces than in previous year, closing last year at a CAGR of 6%. Mobile telephone service has also recorded an increase in subscribers, although with a slowdown in its growth rate in comparison with two or three years ago. The only service that did not record growth in the last year was basic landlines. This behavior is in line with global and local trends, where fixed telephone service has been replaced by mobile service, along with the emergence of apps for free calls, among other aspects.

In addition to the evolution of telecommunications service subscribers, in 2016, the lower rates perceived by customers in the mass, as well as corporate segments, were consolidated as a result of aggressive competition between carriers, the impact of OTTs in communication services (i.e. Skype, Whatsapp) as well as content (i.e Netflix), among other aspects.

In general terms, **users continued demanding greater connectivity and mobility services** with an impact on the improvement of their communication and productivity for the home segment, as well as greater storage and data management capacities, and integrated solutions for the corporate segment.

1: The last official report by MINTIC was published in the third quarter of 2016.



Source: Prepared by GIP. Information, MINTIC 2016. File: [articles-15639_archivo.xls](http://colombiatic.mintic.gov.co/602/w3-article-7312.html). <http://colombiatic.mintic.gov.co/602/w3-article-7312.html>. Note 1: Basic Lines – Public Switched Telephone Networks (TPBC, for the Spanish original), published by the MINTIC in 2012 were invoiced, during the other periods they were accounted as lines in service. Note 2: The report includes TV service at July 2016.

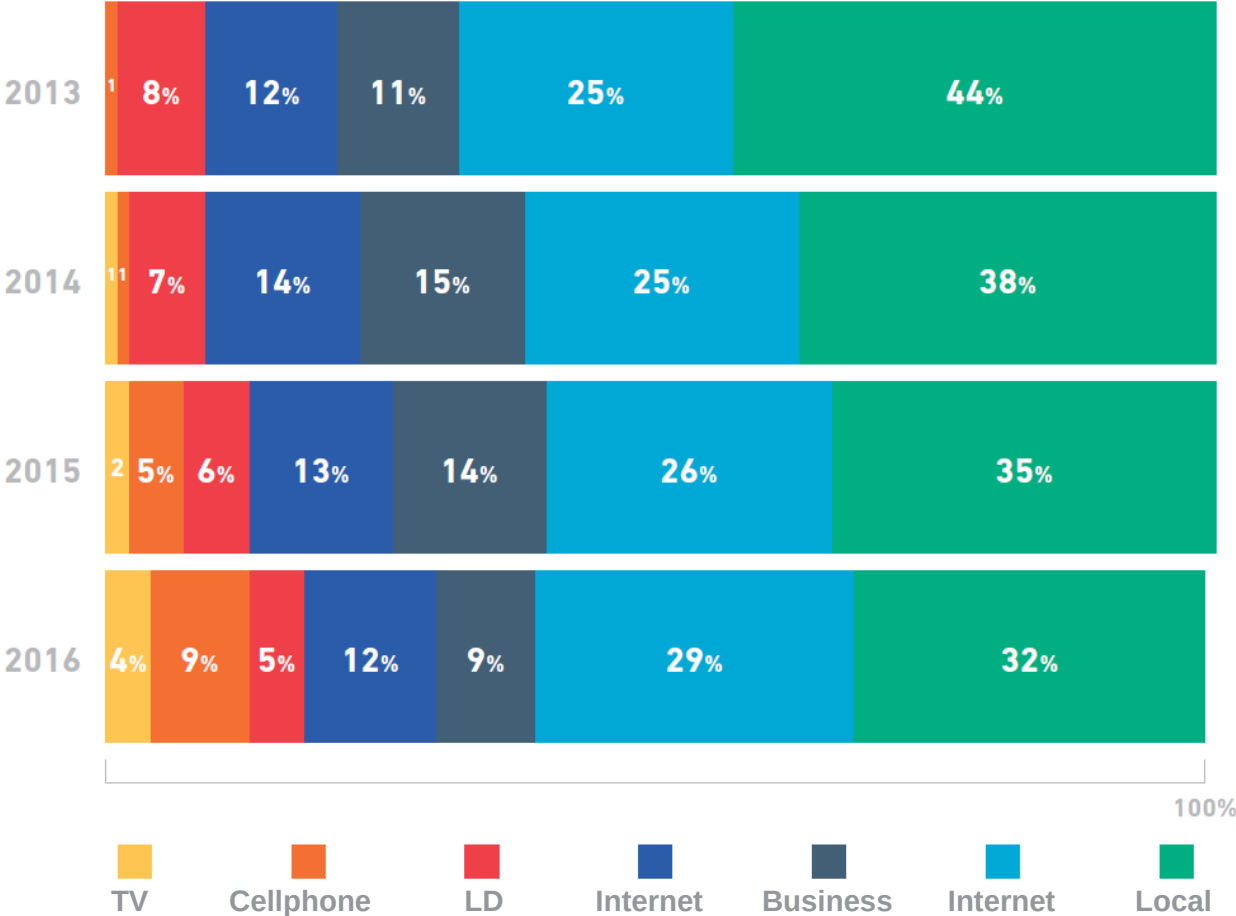
15. BUSINESS OPERATION

The closing of revenue for sales and the provision of services in 2016 grew by 2% (COP 25 billion) compared to the previous year. The consolidation of fiber optic and mobility products led to a significant change in revenue composition, going from comprising 10% in 2015 to 21% in 2016, while the share of traditional copper services decreased, going from 58% to 53% of the total revenue; other services when from accounting for 32% in 2015 to 26% by the end of 2016.

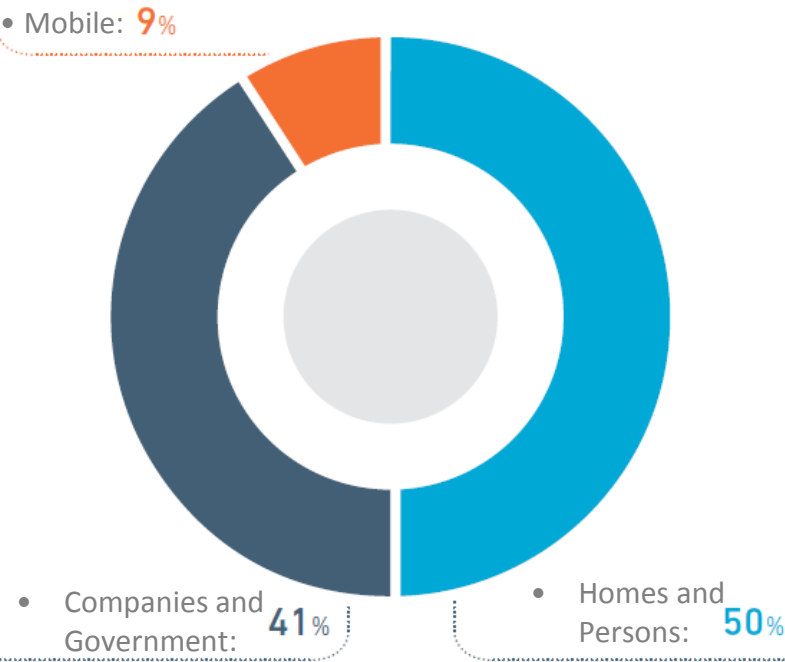
From the revenue line standpoint, **local and long distance have continued on a downward path; in turn, Internet and TV services have continued to increase.**

In turn, most of the special businesses from the Company SBU showed a significant decrease of 30% compared to 2015.

Source: ETB, Vice President of Finance and Administration



The contribution of each Strategic Business Unit to company revenue in 2016 was reflected as follows:



Source: ETB, Vice President of Finance and Administration

HOMES AND PERSONS

In 2016, ETB maintained sustained growth in Internet and entertainment services, by offering high added value to our customers, ensuring the highest speeds on the fiber optic market, with the best quality entertainment (Digital TV). This competitive portfolio, made the Company the third most important TV operator in Bogotá, by harnessing the broad coverage and technology. This was accompanied by loyalty and retention campaigns, as well as improvements in customer service.

The strategies implemented, which are leveraged on technological strengths, kept the duo and trio packages on a growth path, with a positive impact on the generation of revenue and expanding the customer base.

COMPANIES AND GOVERNMENT

In its Corporate and Government segment, and as a strategic partner of our customers to increase the productivity and efficiency of their operations and the integration of their telecommunications services, in 2016, ETB achieved a revenue of COP 580 billion, accounting for 41% of the Company's revenue.

This positive performance was leveraged by the stronger operations of the most important customers in the Government sector, in which ETB was responsible for the implementation of key projects for the city, such as the Mobility Management Sector and the city's 123 Emergency Line Operation Center, thus contributing to the city's development in topics as critical as mobility and security. This was how one of the important objectives in the sector was fulfilled: be the city's company that technologically supports the development of the District's entities.

ETB consolidated its presence in the public and private segments of the Higher Education sector; in addition, financial entities and important companies from the real sector chose ETB to continue being its strategic partner in telecommunications solutions, thus allowing them to optimize their operations and improve communication with their shareholders, making ETB a benchmark for other companies in the sector.

In 2017, the sales force will be enhanced nationwide; the service structure will be streamlined to achieve customer loyalty and the sale of comprehensive telecommunications solutions will be intensified, which will allow us to increase the Company's value.

Internet and Data:

- ETB was chosen as the connectivity provider through the pricing agreement for the next three years, based on which the best bid strategy was designed, in order to increase the probability of closing deals through Colombia Compra Eficiente (Colombia's Efficient Procurement - CCE, for the Spanish original) (Government Organization that leads and coordinates the Public Procurement System in Colombia).
- Bids were developed for the medium-sized enterprise segment, creating voice and Internet service packages, supported by the corporate fiber optic technology deployed in Bogotá, as the basis for strategies in 2017.

Voice services:

- The consultative selling strategy continued in voice services to attain and retain the customer base.
- The revenue from local landlines was maintained, despite the replacement of services and the lower rates on the market.
- The implementation of mobile services was achieved in important entities of the Government sector, with attractive commercial plans that allow more efficient internal and external communications.

Special Businesses and Integration:

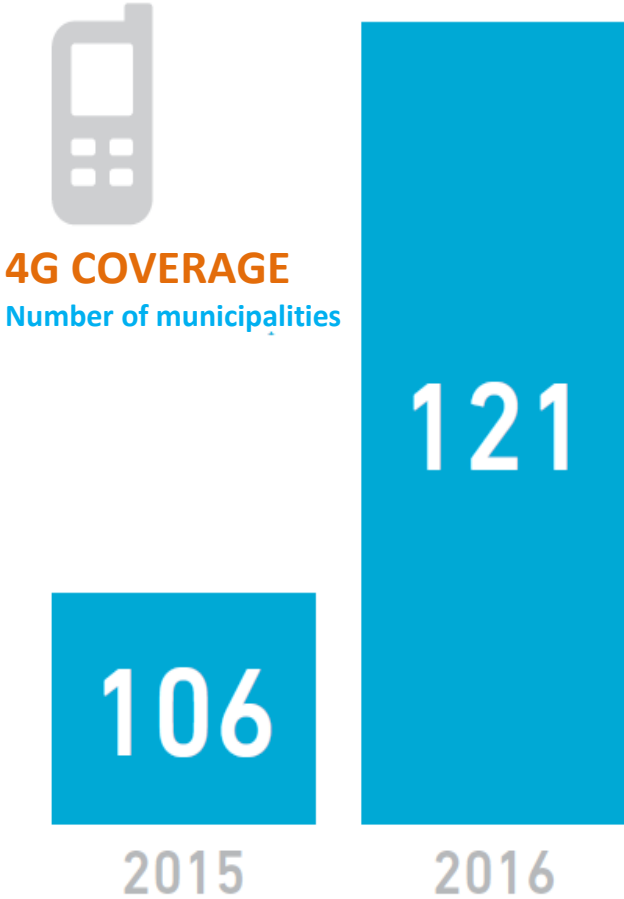
- One relevant event was the integration of mobile telephone services in the integrated solutions portfolio of the corporate segment.
- The processes associated with the integration portfolio offered were restructured, which will allow us to be more efficient along the value chain in 2017, by generating greater customer satisfaction and maximizing the Company's profitability.
- One of the major changes was the integration of special solutions along the value chain with our own products, which optimizes this type of solutions at the preparation, provisioning and assurance stages.
- Closing deals with Company and Government customers, obtaining contracts in new services for more than COP 22 billion.

Carriers:

- In advanced IP connectivity services (CAIP, for the Spanish original), the recurring revenue was sustained, associated with the increase in last miles (the part of the network that connects our customers to the ETB network) and the backhaul (infrastructure available at the national level to offer this service). One of the essential factors was the market entry with last mile services, making use of the fiber optic networks deployed in major cities.
- We managed to maintain the revenue, despite the aggressive offers on the market at progressively lower prices.
- In Carrier services (connectivity services with major capacities), SDH (synchronous digital hierarchy) technology networks are being replaced by ETHERNET networks (standard high-speed networks), which offer a better cost-benefit ratio, through which we aim to boost installed capacities, as a revenue maintenance policy.
- Commercial relations with international carriers were strengthened, for the termination of international traffic in Colombia, in order to improve the solutions offered to our customers.

Carriers:

- The regulations related to the ownership of landline to mobile phone calls were implemented, thus generating additional revenue of COP 3,500 million in the year.
- Improvements were obtained in the commercial conditions provided by the different suppliers for connecting data customers, which improved the profitability margin of this line of business.



4G MOBILE

Two years after launching the 4G Mobile offer, ETB reached 698 thousand customers by the end of 2016, thus achieving a growth of 80% compared to the end of 2015. This achievement was the result of the vision and strategy implemented during the year along the supply chain, which allows us to generate a competitive advantage over the market.

Plans for pre-pay and post-pay users stand out from among our service offers, considering that the post-pay base accounts for 40% of customers, greatly surpassing industry trends.

In 2016, ETB carried on with the deployment of the 4G infrastructure nationwide in order to improve the experience in mobile data service, thus adding 13 new municipalities in the departments of Magdalena, Atlántico, Córdoba, Valle del Cauca and Cauca, thus increasing coverage with new physical points generating the 4G signal in the cities that already have this infrastructure. At present, ETB's mobile service is provided in 760 municipalities in Colombia with 2G-3G coverage and in 121 municipalities with 4G coverage.

As a continuation of the commercial expansion plan, Móviles ETB opened new points of sale in seven cities (Pereira, Armenia, Manizales, Montería, Sincelejo, Banco and Fundación), which are now in more than 30 municipalities of the country. In addition to this effort, the coverage of the mobile service refill network was also expanded, offering customers 375 thousand points nationwide.

Throughout 2016, ETB continued to position itself as a carrier focused on 4G data, providing its customers with unique and innovative offers, and generating value through content and apps. Consequently, the growth of our user base has been the result of the customer attainment strategy, by strengthening the value proposition through digital partnerships. As part of ETB's strategy, it is important to highlight several relevant milestones achieved during the course of the year:

- Launch of the mobile app to provide customers with the autonomy of managing post-sales procedures.
- Launch of the “TE LO CAMBIO” project, which allows users, through the digital channel, to acquire new and/or used mobile phones, by turning in their used device as partial payment.
- The consolidation of the portfolio for the corporate segment.

Just 24 months after our entry in the market, ETB has positioned itself as a recognized carrier within the category, reaching relevant recall levels in the country.

2017 will be a year of positioning the product on the market, with the key management pillars of: commercial aggressiveness, excellent service, commercial expansion and expansion of the 4G network coverage.

16. REGULATORY ISSUES

During the year 2016, the Colombian telecommunications sector faced various regulatory challenges, most importantly, the start of the construction of self-regulation mechanisms, the impact of the country's economic situation and the boom of the digital economy, which undoubtedly marked the starting point for the transformation of the regulation model.

In this context, the management of Regulatory Matters was focused on promoting regulatory conditions that will allow ETB to address the challenge of connecting more people with better quality and service, through the transformation, adoption and deployment of technologies that promote competitiveness, productivity and digital inclusion, leveraging the Company's social development.

To do so, it played an active role before regulatory agencies: Ministry of Information Technology and Telecommunications (MINTIC), the Communications Regulation Commission (CRC), the National Television Authority (ANTV, for the Spanish original), the National Spectrum Agency (ANE, for the Spanish original), and the Superintendence of Industry and Commerce (SIC), among others.

The strategy was focused on promoting and managing the different projects in the interest of the initiatives being carried out by the Company, considering the economic and technological conditions, seeking to extend the socio-economic benefits of the digital ecosystem, achieve further incentives for investment and the development of infrastructure and reduce burdens in an environment of healthy and fair competition.

IMPACTS IN 2016

SUBJECT	SHARES	RESULT
Change in the system of periodic information reporting	Following the steps taken, the CRC published the proposal of changes for reporting information, in order to decrease the number of reports.	
Mobile phone theft	ETB took part in the implementation of the regulations and informed the MINTIC of the impacts that it entails for ETB, in order to advocate for the annulment and amendment of the resolution that established the centralized database of duplicate IMEIs detected on a daily basis.	
Market concentration	Initiatives were taken to counteract the market concentration and achieve suitable conditions of competition, such as: the need to extend differential access charges, the deficient wholesale intervention in the voice and SMS segment, access to the National Automatic Roaming facility, unlocking of data terminal bands and data market study, among others.	

SUBJECT	SHARES	RESULT
ETB as a satellite capacity provider	ETB obtained its registration as a satellite capacity provider (MINTIC Resolution 1553 / 2016)	
Objective selection processes for the use of the radio spectrum to provide fixed services.	ETB took part in two processes, in which it became the assignee in one and is pending resolution in the other. These permits will make this resource available to provide corporate services.	
Authorization by the CRC to terminate the contract for the provision of DVNO (Data Virtual Network Operator) services between Colombia Móvil (CM) and ETB	The contract between ETB and Colombia Móvil was terminated by mutual agreement. This was authorized by the CRC through Resolution 5047 / 2016. It did not entail any economic impacts for ETB.	
Transfer by the SIC of Requests, Complaints and Appeals (PQR, for the Spanish original) for the favorability study at ETB.	The transfer of 250 user claims was applied for before the SIC, in order for ETB to study their favorability in-house, which decreased the risk of fines, thus improving indicators.	
Landline portability	In view of the CRC's proposal to implement number portability in the landline service, the considerations were presented in various scenarios, along with the impact that the measure would have on the Company. In the year 2016, the regulation was not issued, and therefore, number portability was not established.	
Definition of bandwidth	In the scope of the project to define broadband advancement, different work roundtables were carried out with the regulator and the supporting argumentation was submitted in line with international benchmarks, in order to redefine speeds (20 Mbps download speed) and include the definition: ultra-fast broadband (40 Mbps), which is currently under study by the regulator.	
Change in the User Protection Scheme	Based on the proposal submitted by the CRC, ETB took part in several work roundtables, analyzing the impacts. The Company submitted the following alternative proposals in compliance with the proposal made by the regulator: • Customer service indicators other than service time. • Eliminate the burden of having offices for PQRs in all department capitals. • User self-management. • Decrease in service time through the customer service hotline.	

SUBJECT	SHARES	RESULT
Accounting separation: regulatory measure to disclose the cost model of the sector companies	ETB has complied with all the parameters set forth for compliance with this measure.	
Theft of copper infrastructure	In view of increasing theft against the copper network infrastructure in Bogotá and the consequent economic effect, the impact on customers and the potential risk of reducing the indicators defined by the regulator, the MINTIC, Andesco, the CRC, DIAN, National Police and ANTV were informed of the current situation and joint actions were proposed, such as: • Launch of the "Partnership against Fraud" led by ETB. • Meetings with the Prosecutor's Office and the National Policy for training regarding infrastructure theft patterns. • Dialog with the CRC, MINTIC, ANDESCO, SIC and the Bogotá Mayor's Office to establish specific action plans. • Request filed with DIAN regarding copper scrap exports.	
Where are my data?	Project led by Fundación Karisma, whose purpose is to analyze how Internet Service Providers (ISP) commit publicly to the protection of their customers' rights as for data management. ETB adopted the recommendations to a large extent, and at the end of the 2016 period, it was recognized by the organization for its efforts and progress.	

In the interest of fostering greater benefits from the use of ICTs, such as those intended in the current National Development Plan (NDP) and the recommendations of international bodies, such as the Organization for Economic Cooperation and Development (OECD), the sector will continue generating a digital economy based on modern cities, the national data infrastructure and Big Data.

To do so, ETB will carry on with its efforts in topics related to market concentration, mobile phone theft, the service quality system, broadband definition, number portability and the regulation of relevant markets.

The most important challenges in terms of regulation are:



SUBJECT	DESCRIPTION
Convergence	The effort will be focused on making the regulatory model a mirror of the convergence of authorities and the promotion of a convergent regulation regarding audiovisual markets and services.
User protection scheme (RPU)	Play an active role in the project, in order to reconcile user and company interests by insisting on the review of aspects that cause greater impact.
Review of the access, use and interconnection scheme of telecommunication networks	Generate regulatory proposals that review the imbalances in the remuneration of access charges for local services and the extension of asymmetric charges for mobile services.
Process of allocating permits for spectrum use on 700MHz bands	Monitor progress regarding the preparation for the auction and the regulatory amendments to be made, such as the review of the spectrum caps.
Provision of fixed services at the wholesale and retail levels	Propose incentives for investment in high-speed conditions and subsidy schemes in line with the Plan Vive Digital goals.
Digital Economy	Analyze the regulatory framework to achieve the adjustments that will allow ETB to face the new challenges of the Digital Economy.
New public TV policy	Participate in the construction of the regulatory project to update the regulation and review the inequalities faced by subscription TV operators, such as: unfair levies, asymmetric cost structure, public TV funding, community TV conditions and Over The Top - OTT (content platforms used on a provider's data network)
Compensation for MINTIC	Promote the review in ETB of excluding the cost of mobile phones from the revenue base to calculate the compensation, which will reflect savings for the Company.

17. JURISDICTIONAL AFFAIRS

The efforts of ETB's Legal Defense safeguards the Company's interests on two fronts, to wit: Passively, by defending the Company in all cases that generate contingency. Actively, by filing claims to preserve its rights, especially of an economic nature.

At December 31, 2016, ETB took part as defendant and plaintiff in the following legal proceedings:

- As a defendant, it is facing 438 proceedings, distributed as follows:

 - Labor: 227
 - Administrative: 45
 - Civil: 6
 - Arbitration: 1
 - Protection: 159
- *Estimated value of the proceedings against it:**
COP 467,273 million

- As a plaintiff, 1,123 proceedings, of which:

 - Executive: 162
 - Labor: 2
 - Administrative: 237
 - Bankruptcy: 374
 - Civil: 39
 - Criminal: 309
- *Estimated value of the proceedings in favor of the Company:**
COP 442,404 million

*These values are estimated based on the progress of the proceedings and the evidence gathered

SIGNIFICANT PROCEEDINGS

At December 31, 2016, ETB managed major legal proceedings in favor of it, as well as against it, primarily for compensation claims concerning access charges in interconnection contracts executed with other telecommunications network service providers (TNSP). The largest litigations are with COMCEL, TELEFÓNICA and TELECOM.

Executive proceedings of ETB vs. COMCEL

- ETB has an enforceable title in its favor on account of the credits originated by the three decisions handed down by the Council of State, through which it ordered COMCEL to refund the monies paid by ETB on account of three duly annulled arbitral awards.
- There is an order to pay and sentence in the first instance in favor of ETB in this proceeding since 2013, which is in the process of appeal before the Council of State.
- At December 31, 2016, the value of ETB's claims is in excess of COP 327,076 million.

Request for dispute resolution of COMCEL vs. ETB.

The CRC is hearing four requests for dispute resolution filed by COMCEL against ETB on account of access charges for a total of COP 116,339 million in capital; these claims were addressed by ETB within the term to do so and are currently ending.

Appeals for Annulment

The three appeals for annulment filed against the five arbitral awards handed down between 2014 and 2015, two of which were filed by COMCEL and one was filed jointly by the Attorney General's Office and ETB, have been decided and, in all the cases, the remittance of the files to the CRC was ordered.

Executive Proceedings TELEFÓNICA vs. ETB

- The Council of State revoked the disputed ruling and proceeded to release the order to pay against ETB in favor of Telefónica, for a total of COP 41,272 million on account of capital.
- Based on the legal structure of the proceeding, the steps that follow are the pleas put forward by ETB to defend its interests.

Contractual Proceedings TELECOM vs. ETB

- In a sentence of the first instance handed down in 2007, the Administrative Court of Cundinamarca declared that the action filed by TELECOM had expired and ordered ETB to pay the access charges for 28 days, for a total of COP 20 million.
- Since 2008, the appeal filed and sustained by both parties before the Council of State has been pending.

ADMINISTRATIVE ACTIONS

In 2016, 168 administrative investigations were addressed in accordance to the list of charges formulated by the Superintendence of Industry and Commerce (SIC), as follows:

- 34 administrative investigations for alleged occurrence of Affirmative Silence Procedure (SAP in the Spanish original), presumably for not addressing in a timely manner any requests, complaints or appeals (PQRs, for the Spanish original) filed by users.
- 134 administrative investigations for alleged violations of the ICT regime.

In addition, 110 jurisdictional claims processed by the SIC were handled.

In 2016, 34 definitive fines were imposed on ETB for events originating in prior years totaling COP 2,850 million.

Sixteen of them are fines imposed for SAP configuration and 18 for reports regarding the violation of the current regulations.

Before other entities that exercise inspection, oversight and control over ETB like the Ministry of Information Technologies and Telecommunications (MINTIC), the National Television Authority (ANTV), the Communications Regulatory Commission (CRC), the Ministry of Labor and others, 51 administrative actions were handled, with ETB either as claimant or investigated.

Free movement of invoices

In compliance with the provisions of Law 1676 / 2013, ETB certified that it did not hinder the free movement of invoices issued by vendors or suppliers.

Intellectual property and copyright

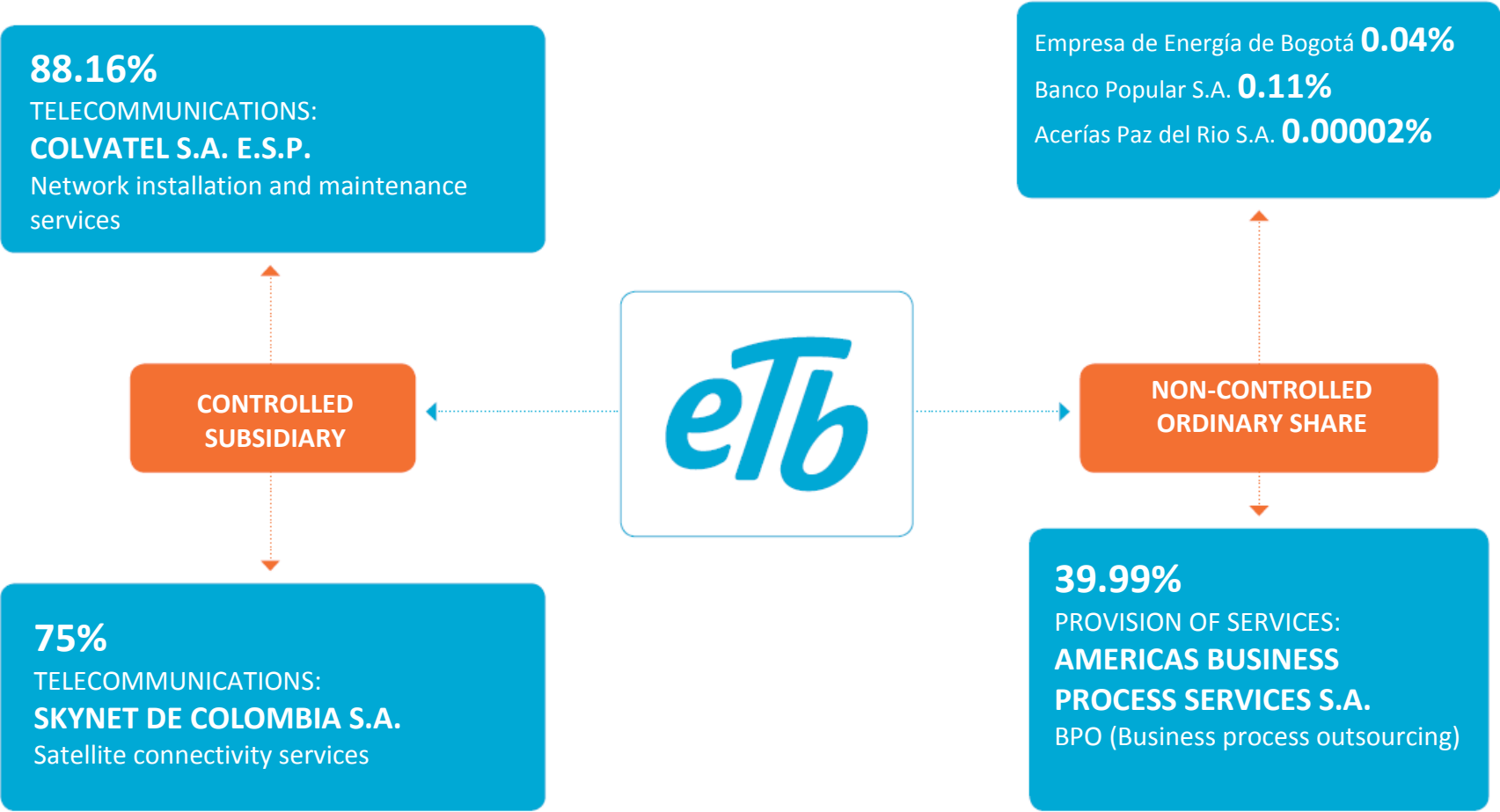
ETB notified its stakeholders that in compliance of Law 603 / 2000, it complies with regulations concerning intellectual property and copyrights in carrying out its activities.

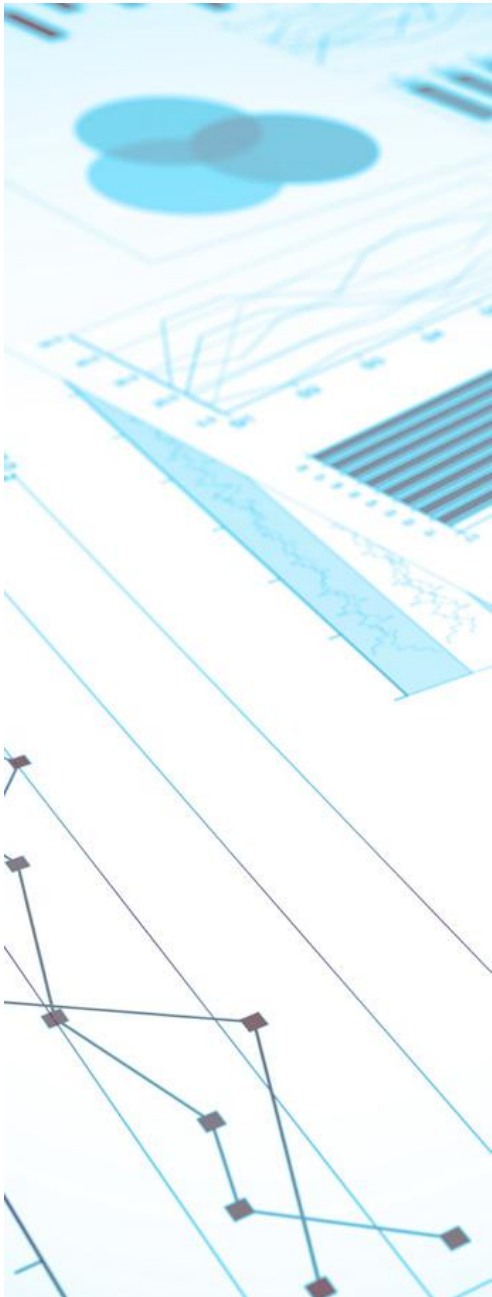
[In 2016, ETB was not fined for environmental matters, copyright, misleading advertising or marketing.](#)

18. SPECIALETB BUSINESS GROUP REPORT

The most representative transactions between ETB and its subsidiaries at December 31, 2016 are discussed in this report, as established by Article 29 of Law 222 / 1995.

In 2016, the structure of the Business Group did not undergo any changes; ETB has two subsidiaries and shareholding in five companies in the following percentages:





MOST IMPORTANT TRANSACTIONS WITH SUBSIDIARIES

Colvate! S.A. E.S.P.

In 2016, ETB received revenue from Colvate! S.A. E.S.P. on account of telecommunications services, interest and returns, leases, recovery of the sale of mobile phones and mobile services, for a total of COP 1,011 million.

Also, ETB contracted the preparation, provisioning and assurance operations on its communications network with Colvate!, as well as those related to the products of its portfolio for mass and corporate customers on the national level, and the maintenance and improvements of voice access and data access on the copper network in Bogotá (including Soacha), Cundinamarca and Meta, and the provision of public telephone service, among others, for a total of COP 52,788 million.

Skynet de Colombia S.A. E.S.P.

In 2016, ETB received revenue on account of telecommunications services for a total of COP 546 million.

Expenses on account of link and channel leasing with Skynet de Colombia for 2016 amounted to COP 10,890 million.

Americas Business Process Services

In 2016, ETB received revenue on account of telecommunications services for a total of COP 4,376 million, and had expenses for the procurement of outsourcing services with Americas Business Process Services for a total of COP 52,345 million.

Income or loss from subsidiaries under the equity method

In 2016, ETB received revenue under the equity method from Colvate! S.A. E.S.P. in the amount of COP 3,516 million and recorded a loss under the equity method from SkyNet de Colombia S.A. E.S.P. for COP 2,064 million.

IV. Social Performance

19. COMMITMENT TO EMPLOYEES

In 2016, the management of Human Resources was aimed at supporting the implementation of the three strategic pillars: sales, austerity and service.

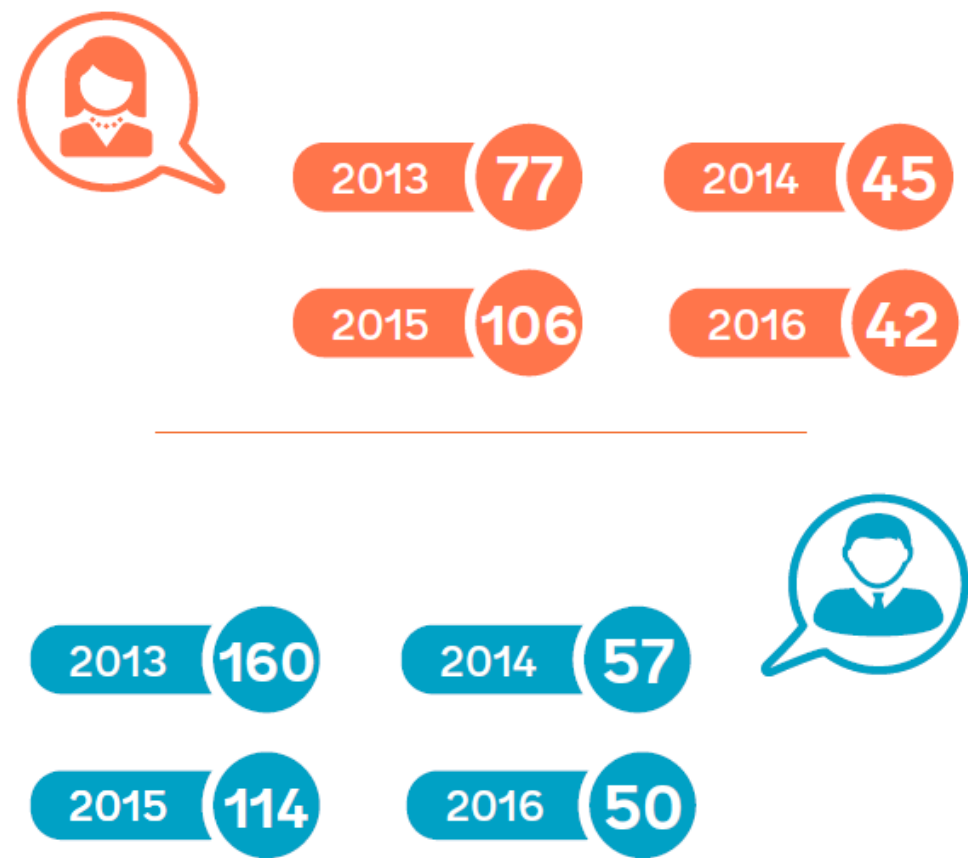
Human resources contributing value to the Company

Having the best human resources is a competitive advantage. Therefore, the selection and professional growth of employees that identify with and commit to ETB's strategic pillars has become one of the main objectives in human resources management, in order to have a team that is capable of responding in a quick and timely manner to the needs and challenges taken on by the Company

Employee selection and hiring

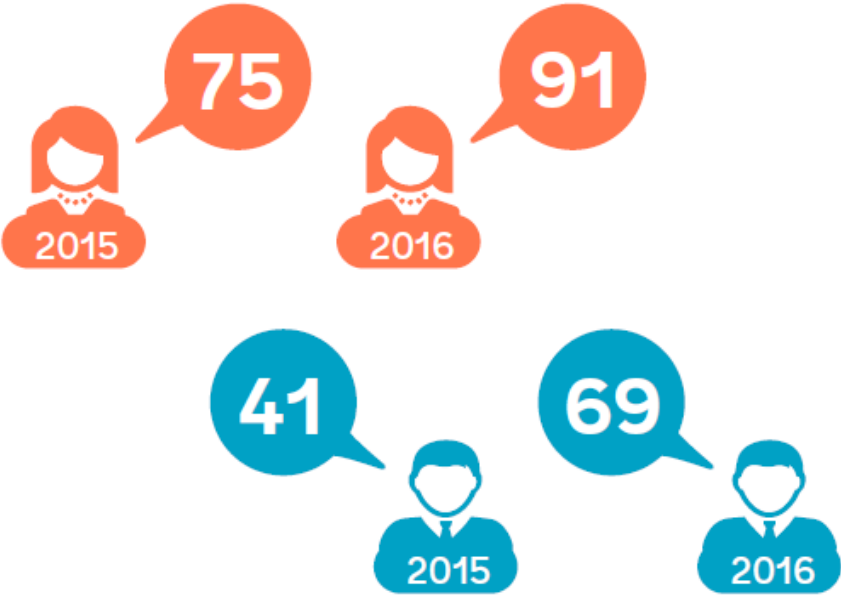
ETB attracts, selects and hires employees who have the skills required in accordance with the job profile and the Company's needs.

In 2016, 92 new employees were hired and 160 students were incorporated by means of apprenticeship contracts to carry out their job training.



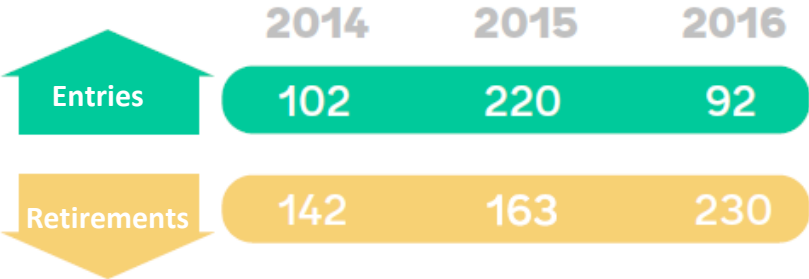
Source: ETB, Vice Presidency of Human Resources and Supply Chain

Individuals with apprenticeship contract



Employee turnover

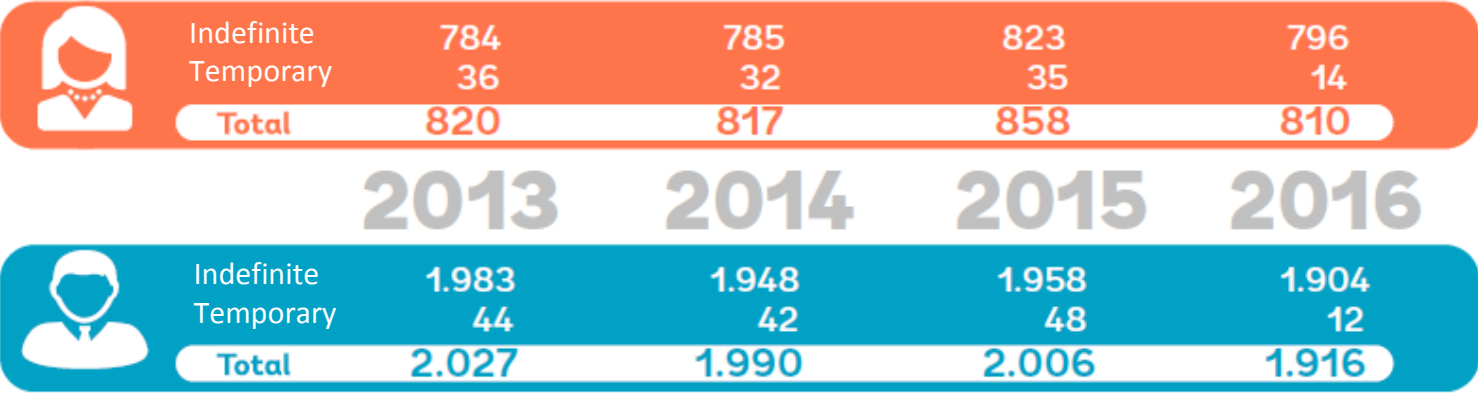
The Company's turnover rate in 2016 was 5,88%.



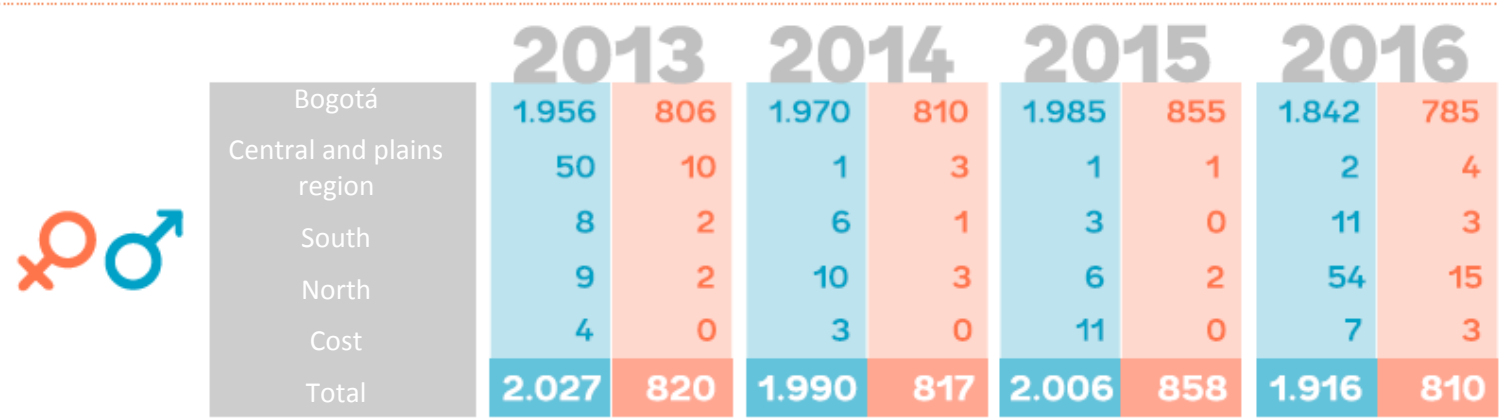
Staff distribution

At December 31, 2016, ETB had 2,726 direct employees.

Staff by gender and type of contract



Employees by region and gender



Source: ETB, Vice Presidency of Human Resources and Supply Chain

Employees by age and gender

The average age of Company employees is 46 years.

Age	2015	2016	Age	2015	2016
20-25	10	5	20-25	13	7
26-30	48	38	26-30	48	42
31-35	92	82	31-35	123	106
36-40	180	144	36-40	395	297
41-45	174	161	41-45	444	455
46-50	176	180	46-50	463	416
51-55	135	143	51-55	330	362
56-60	35	49	56-60	174	194
61-65	6	7	61-65	12	35
66-71	2	1	66-71	4	2
Total	858	810	Total	2.006	1.916

Source: ETB, Vice Presidency of Human Resources and Supply Chain

Employee distribution by seniority and salary scale

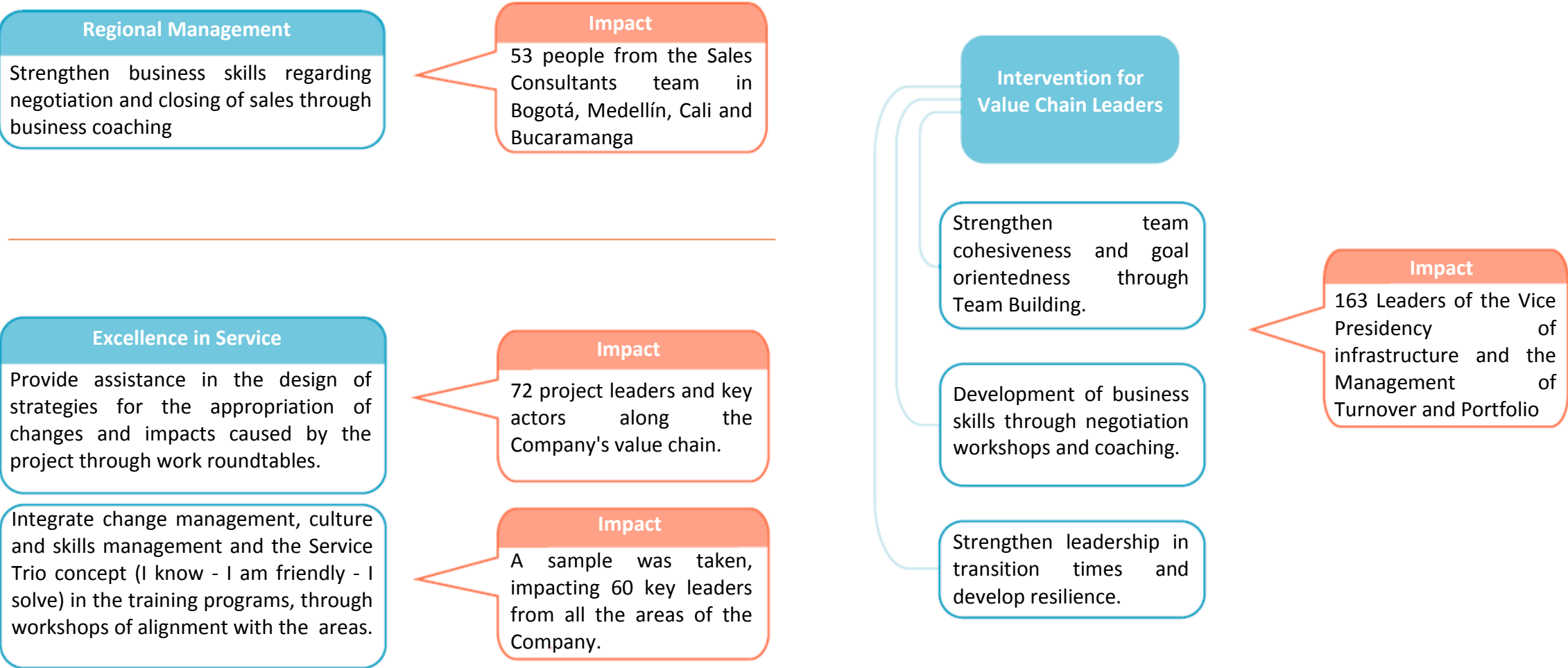
Salary scale	Service of years				
	0 to 5	6 to 10	11 to 15	16 to 20	Over 20
Beneficiaries of the Sinrateléfonos Agreement (ETB employee union)	261	68	83	1.039	559
Integral	274	65	41	123	14
Beneficiaries of the Atelca Agreement (ETB technicians union)	0	0	0	90	109
Total	535	133	124	1.252	682

The average number of years of service for Company employees is 16 years.



Change management

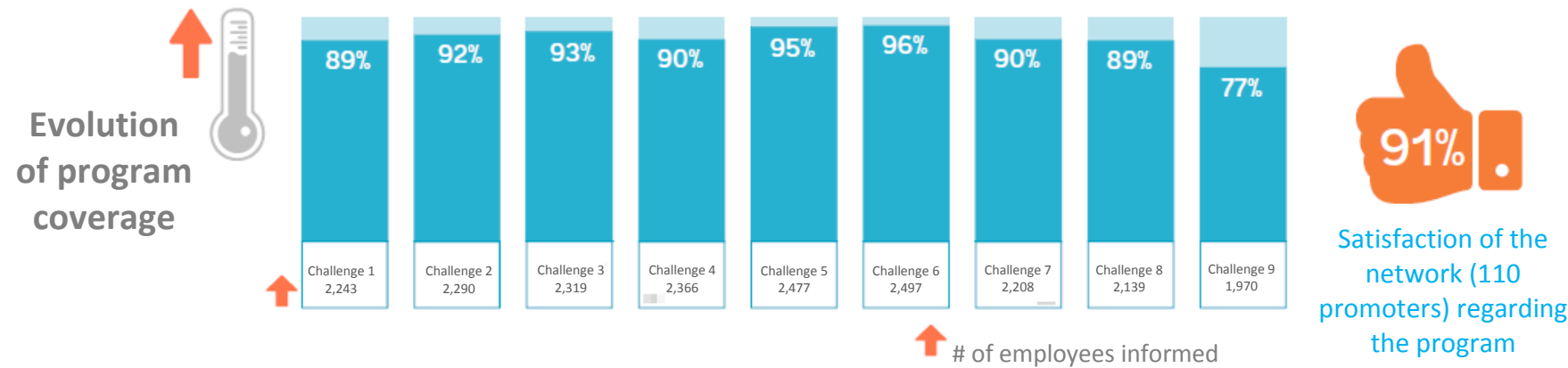
In 2016, the change management process continued through the assistance for initiatives carried out in the regional units and excellence in service:



Source: ETB, Vice Presidency of Human Resources and Supply Chain

Change Promoters Program

In 2016, the network obtained 92% coverage with 2,278 employees informed of the Company's cross-cutting themes.



Source: ETB, Vice Presidency of Human Resources and Supply Chain

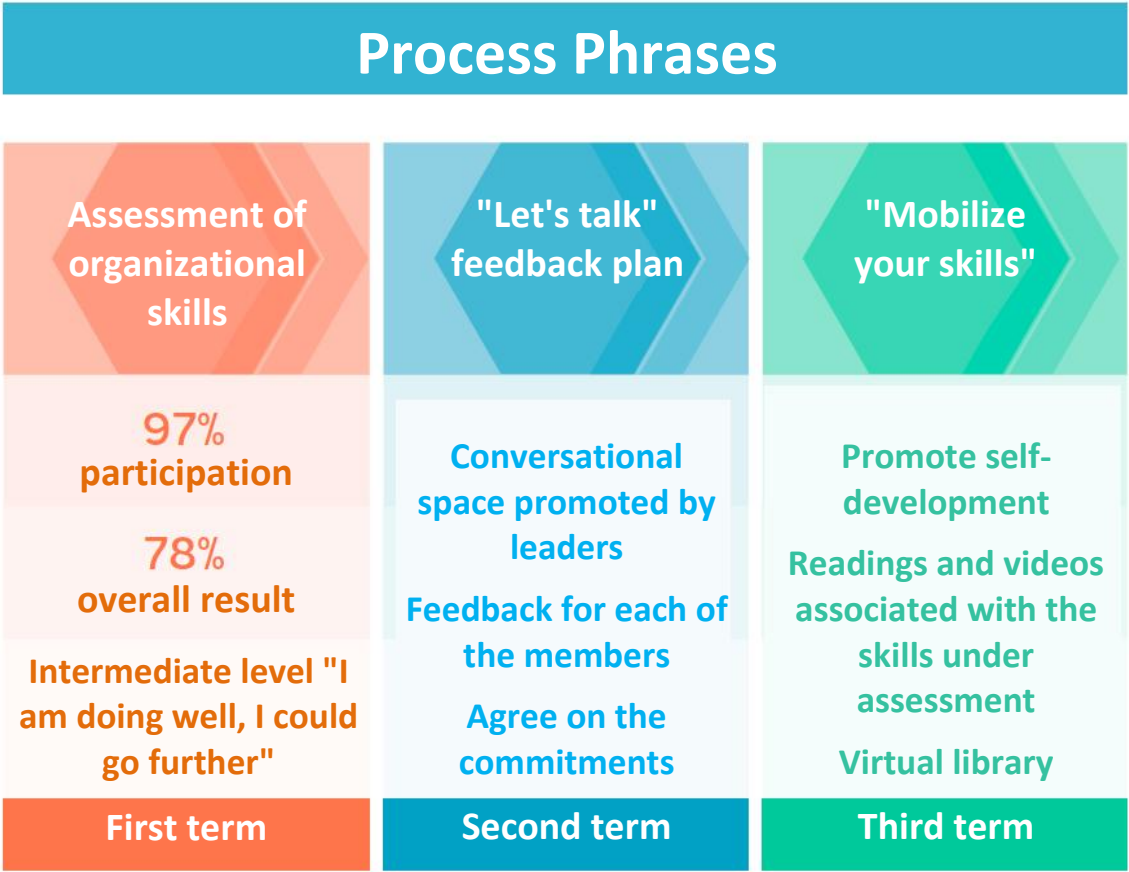
Support and development

Organizational Skills

In 2016, organizational skills were assessed in order to identify the level achieved by Company employees, which recorded a participation of 97% of the target population and an overall result of 78%, which places it at an intermediate level "I am doing well, I could go further".

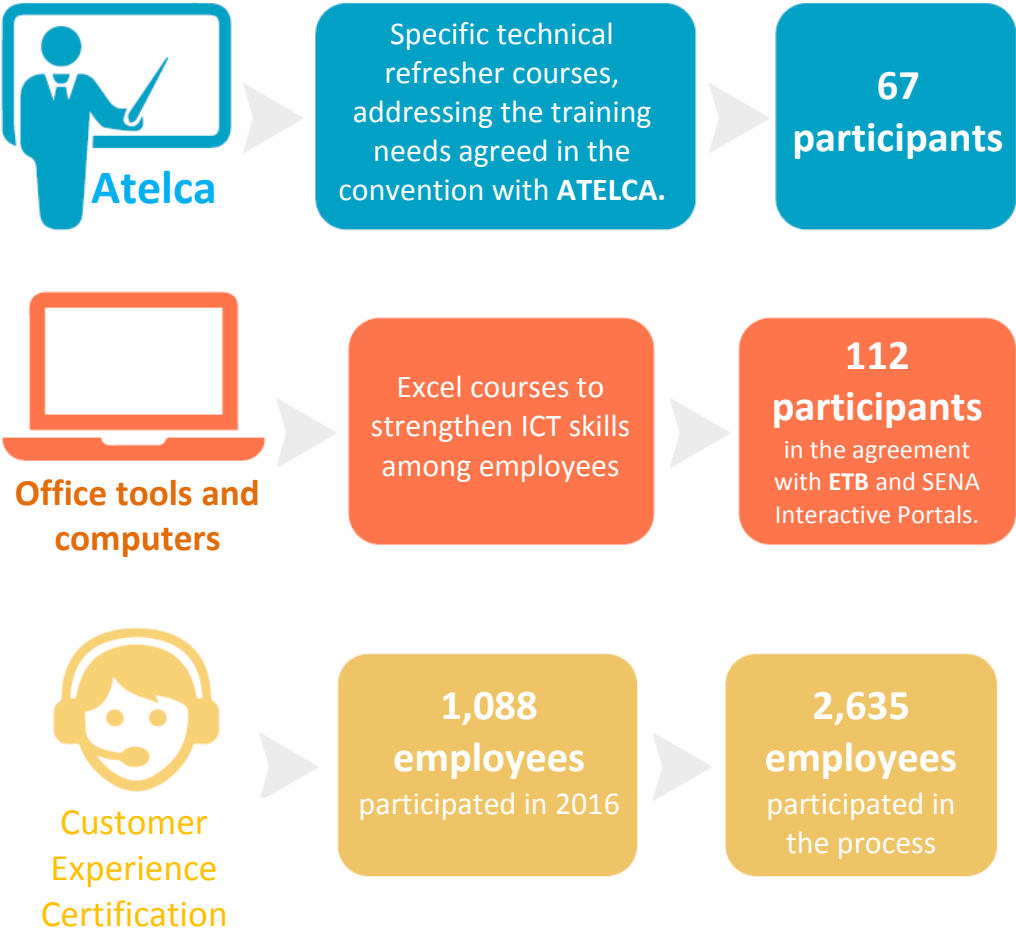


Source: ETB, Vice Presidency of Human Resources and Supply Chain



Education and training

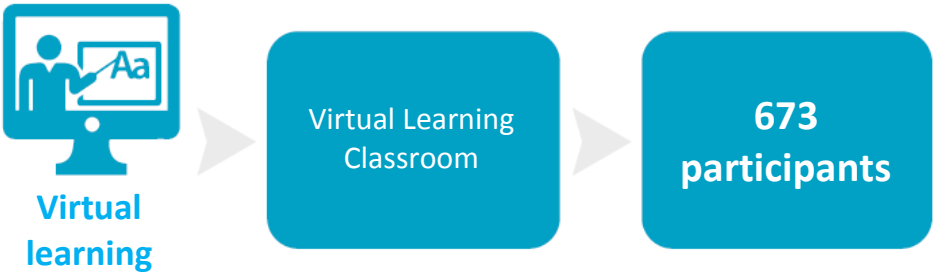
In 2016, the following training programs were developed:



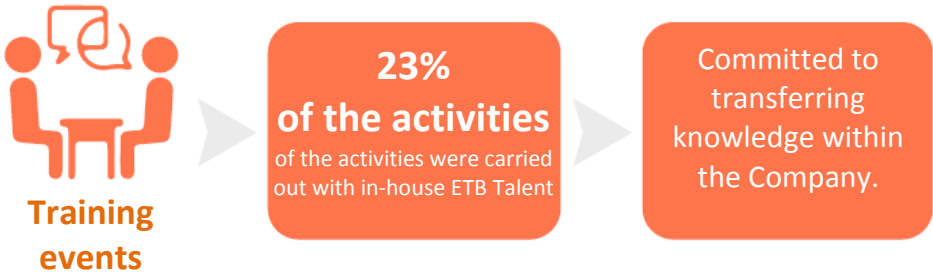
In 2016, activities were carried out, such as: Two-way program, Premiere Cinema, Readers Club and Behavioral Course in the Customer's Home.



Training and instructional activities were carried out using virtual learning tools.



23% of the events, courses and instruction and training activities were carried out with in-house ETB talent. They generated 28,207 man/hours of training for approximately 3,356 participants. This shows the value and professionalism of the Company's employees.

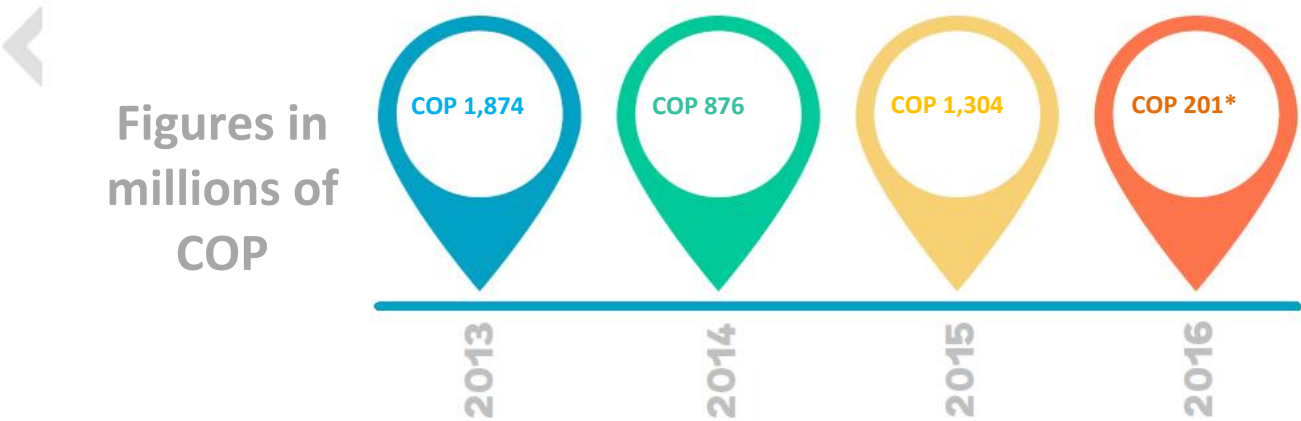


Source: ETB, Vice Presidency of Human Resources and Supply Chain

Altogether, 211 (SENA and University) apprentices participated with ETB employees in 62 courses on technical and behavioral topics, which provided them with useful skills and knowledge to carry out their training and build their professional knowledge.

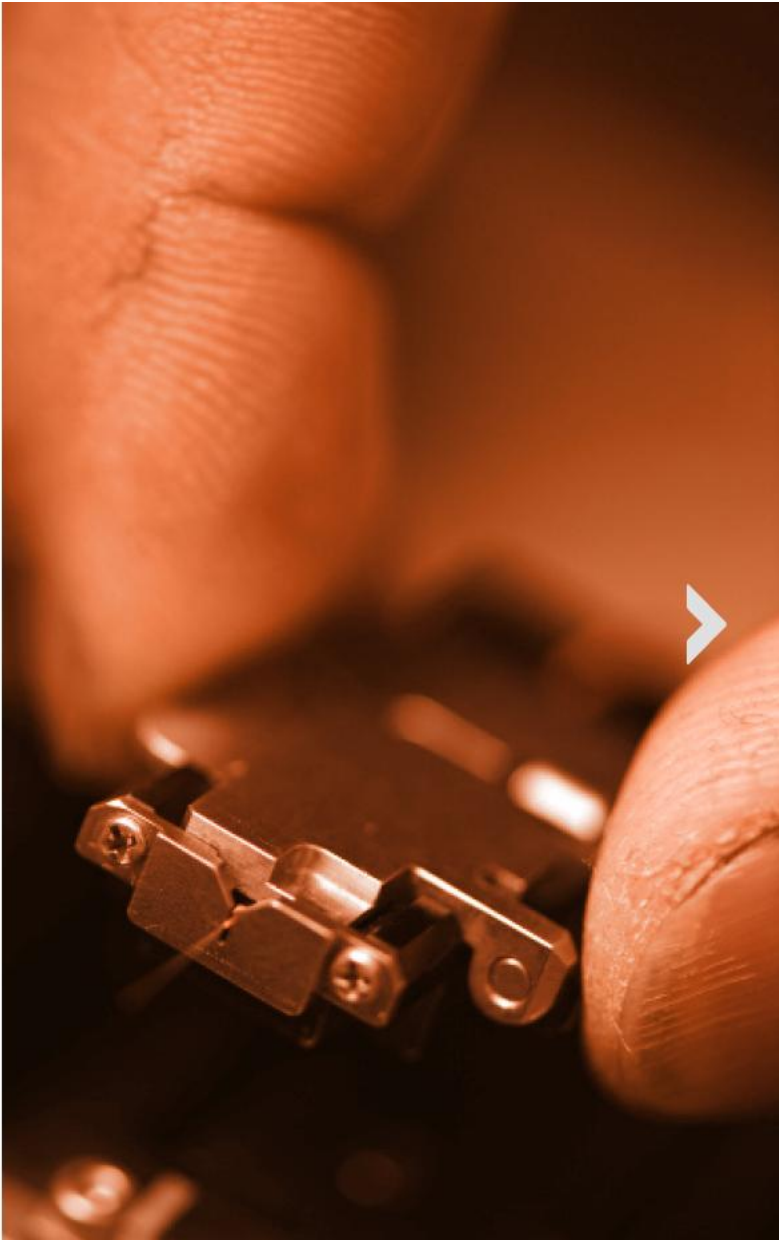


Investment in training:



* In 2016, COP 12 million paid during the period were included, for training activities carried out during the year 2015.

Source: ETB, Vice Presidency of Human Resources and Supply Chain



Participation and hours of training

In 2016, 941 training events, courses and/or activities were managed, which is equal to 5,039 hours of training; reaching 2,680 employees with a participation of 67,500 man/hours, for an average of 25 man/hours of training for these employees.

Hours of training per job position:

	2013		2014		2015		2016	
	♂	♀	♂	♀	♂	♀	♂	♀
Senior Management	555	0	313	0	1.027	0	61	12
Middle Management	1.615	514	742	353	5.331	3.033	511	397
Coordination	1.247	1.513	2.888	604	13.399	4.001	1.680	642
Execution	15.162	7.551	14.331	7.074	35.589	14.546	6.565	3.982
Technicians	15.754	2.537	11.930	1.725	32.259	312	4.746	693
Operators	119.356	10.817	40.939	2.934	24.870	14.891	40.618	7.593
Total hours	153.689	22.931	71.143	12.690	112.474	36.782	54.181	13.319

These figures reflect the resource optimization guideline, achieving efficiency with the support of human resources to satisfy the training requests and needs of the different areas.

It is important to remember that the fluctuation of the figures refers mainly to the implementation and appropriation of knowledge required for the execution of Strategic Programs between 2012 and 2014.

Source: ETB, Vice Presidency of Human Resources and Supply Chain

Average training hours per year:

	2013		2014		2015		2016	
	♂	♀	♂	♀	♂	♀	♂	♀
Senior Management	79	0	31	0	103	0	15	6
Middle Management	65	86	17	21	57	44	9	9
Coordination	40	43	46	60	78	60	15	13
Execution	38	28	43	28	69	49	18	15
Technicians	87	110	99	101	67	78	29	35
Operators	101	25	50	17	30	32	34	18
Total hours	410	292	286	227	404	263	121	96

Source: ETB, Vice Presidency of Human Resources and Supply Chain

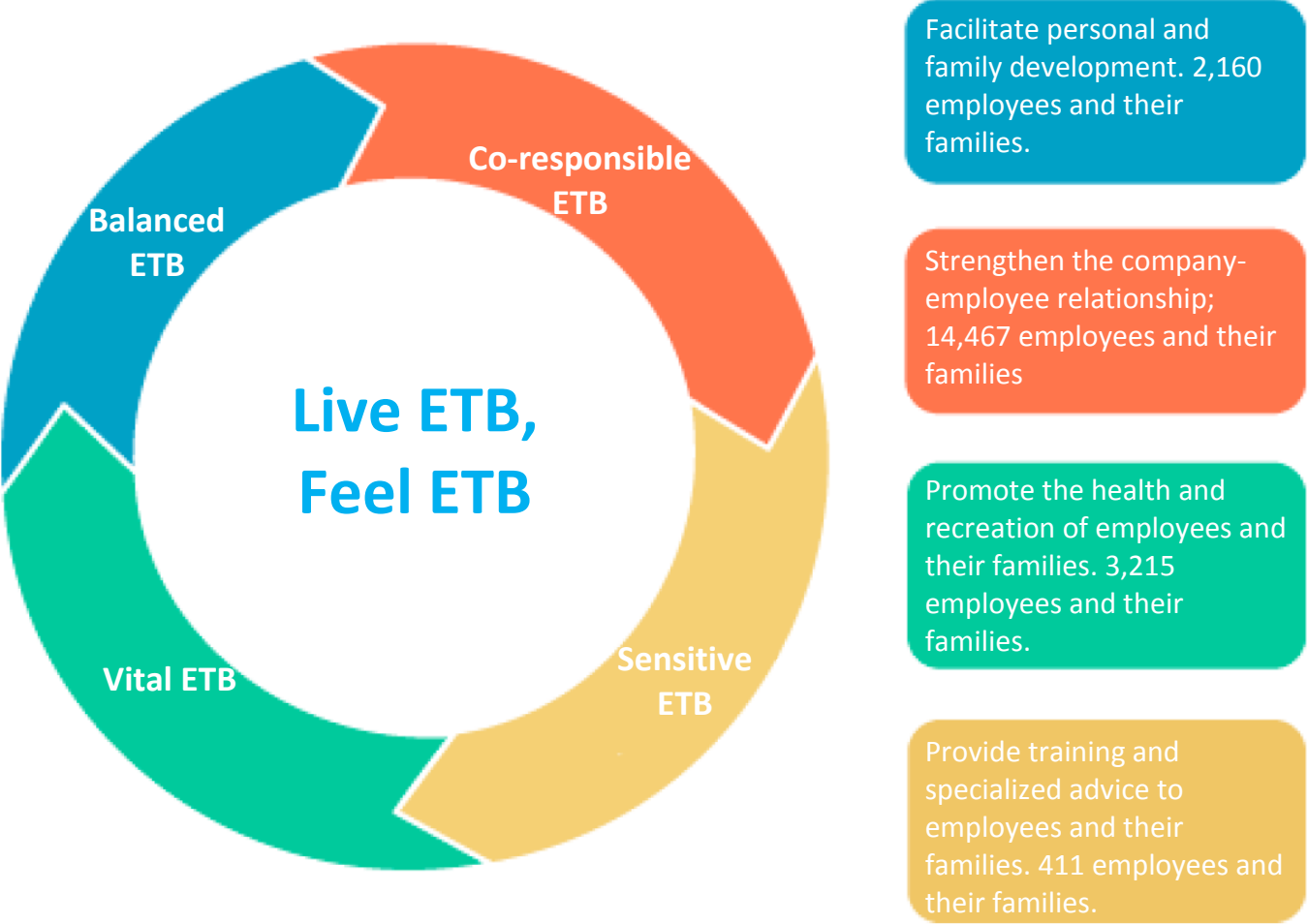
Approval rate:

In 2016, the approval rate regarding the different training courses was **99.97%**. This demonstrates ETB's employees commitment to acquire knowledge.



Wellbeing Management

The "Live ETB, Feel ETB" Plan continued in 2016 to generate wellbeing and improve the quality of life for employees and their families through the following programs:

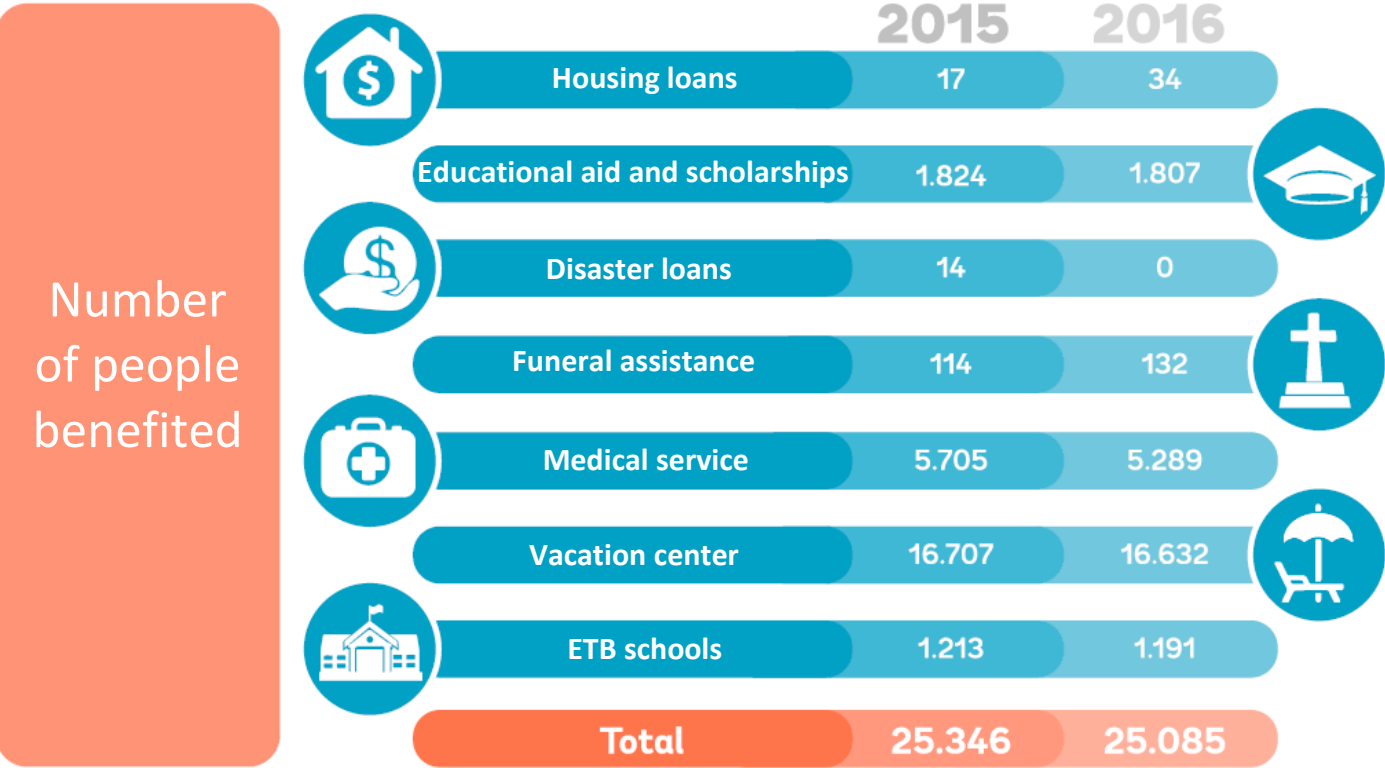


Source: ETB, Vice Presidency of Human Resources and Supply Chain

Compensation and Benefits

Economic Benefits

In 2016, the company managed conventional benefits for employees and their families, which contribute to improving their quality of life.



Source: ETB, Vice Presidency of Human Resources and Supply Chain

Stories that make us proud



Nicolas Lara Villa got the best score at the national level on the Saber Pro 11 state exam. He has been one of the beneficiaries of the educational assistance granted by ETB.

Employees Benefiting from Collective Agreements

81.03% of ETB employees currently benefit from a collective labor agreement and belong to Sintratelefonos or Atelca trade unions.

	2013	2014	2015	2016
Conventional	2.316	2.273	2.272	2.209
Percentages	81,35%	80,98%	79,33%	81,03%

Source: ETB, Vice Presidency of Human Resources and Supply Chain

Challenges
of Human
Resources
Management

1
Focus ETB's culture on planning, productivity and the compliance with and internalization of the three strategic pillars aimed to increase revenue, efficiency and rationalization of spending and excellence in service.

2
Assist the areas to facilitate and expedite the Human Talent processes to leverage the business.

3
Implement the performance management model, identifying our key talent in order to strengthen their skills and abilities.

4
ETB Corporate School Project through the Company's In-house Talent.

5
Implement the Quality of Life Portfolio of ETB employees at the national level.

6
Improve our channels for service and communication with employees.

7
Continuous improvement of the selection process, by acquiring and applying cutting-edge recruitment and assessment tools for the continued attainment and comprehensive validation of the profiles required by the Organization.



Labor Relations Management

Relationship with Union Organizations

In 2016, we approached the union organizations that showed interest and willingness to maintain a relationship of dialog and construction with the employee representatives, and facilitated the space for meetings of the committees provided for in the collective labor agreement.

In June 2016, Sintrateléfonos filed a list of demands and a report against the collective labor agreement; we are currently in the process of dialog to begin the direct settlement stage within the collective bargaining, for which ETB has the best of intentions.

Steps Taken by the Workplace Harassment Committee

In 2016, there were eight (8) complaints filed for alleged workplace harassment which were studied and analyzed by the Committee. It was determined that the facts reported did not point to circumstances that could be labeled as workplace harassment. The committee issued recommendations aimed at improving attitudes and actions in order to create workplace environments that are conducive to developing labor relations.



Occupational Health and Safety Management

The Occupational Health and Safety Management System (OHSMS) was focused on strengthening the channels of communication with the different areas of the Company, by empowering employees regarding their own safety, as well as their commitment to collective safety. To this effect, we maintained and reinforced the approach aimed at streamlining mission and cross-cutting processes, focused on the physical and mental wellbeing of employees in their work environments, to the extent that the risks were managed, thus mitigating the occurrence of occupational accidents and diseases, through the development of the different programs.

The achievements made and the activities carried out in 2016 were part of the following programs:

Preventive and occupational medicine program

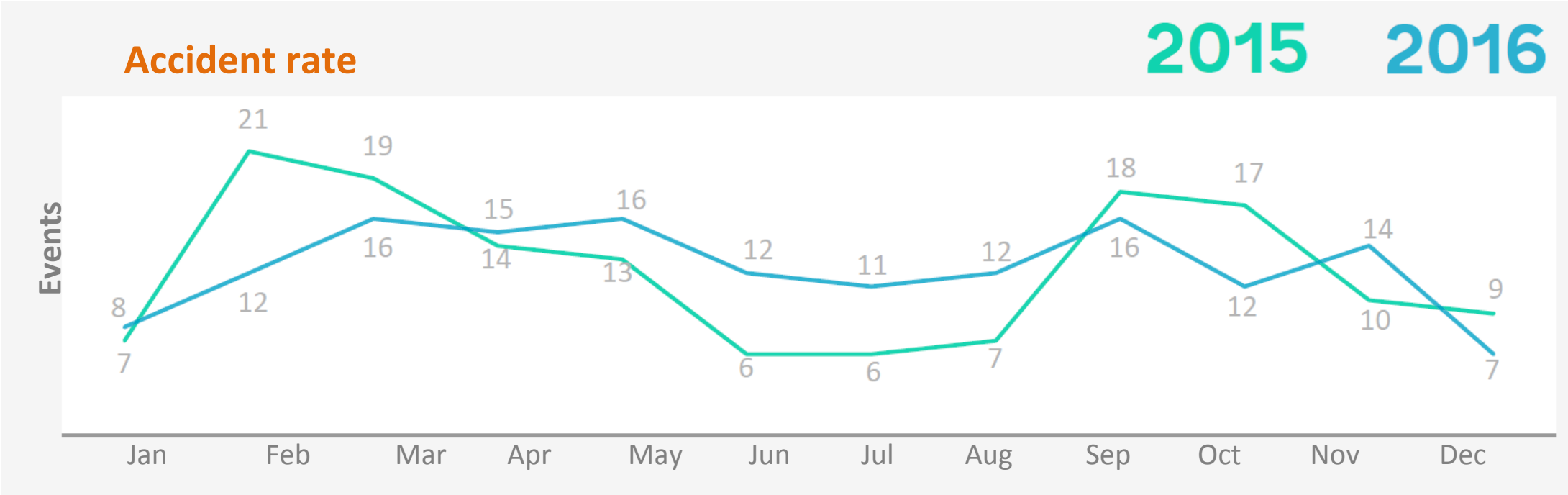
- Occupational medical assessments
- Strengthening of the epidemiological surveillance program for ergonomic risk - (Ergonomic ESP)
- Training and instruction in aspects of health and safety
- Healthcare promotion and prevention activities, which include cardiovascular risk screening, workshops on eating habits, STD and drug use prevention campaigns

Industrial health and safety program

- Accident rate monitoring
- Dissemination of brochures and campaigns
- Execution of the Emergency Master Plan (EMP)
- Evacuation drills
- Sanitary measurements: In order to ensure safe environments for workers, the levels of metal fumes and isopropyl alcohol were measured in the laboratories, gases were monitored in chambers and other confined spaces and the lighting of work stations was measured.
- Training and support for regional units: nearly 230 employees from:
 - Cúcuta.
 - Bucaramanga.
 - Cali.
 - Medellín.
 - Pereira.
 - Barranquilla.
 - Villavicencio.

Accident Rate in 2016

The occupational accidents recorded in the year 2016 amounted to 150 events, and the average number of accidents was 13 events per month. This figure is considered low for a population of nearly 2800 employees, thanks to the awareness raising campaigns among employees regarding the use of protective elements and their attention to other preventive measures.



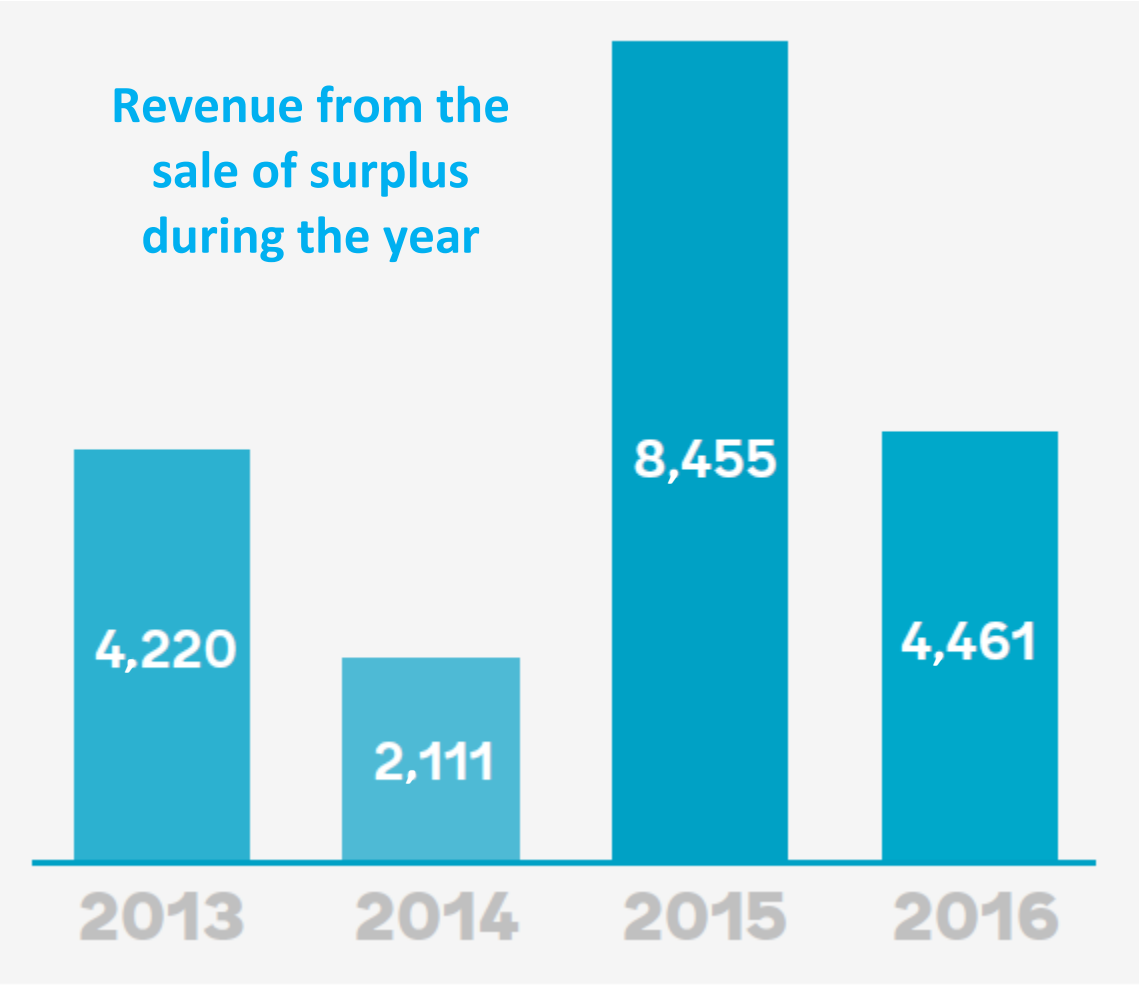
20. SUPPLY CHAIN MANAGEMENT

In 2016, ETB signed 269 contracts for COP 287,740 million and 962 additions for COP 470,429 million. 55% of the contracting amount was carried out through public tender, where the amount from the contracts related to the Organization's strategic projects and infrastructure stood out.

Leveraging surpluses

- At the end of 2016, the surpluses derived from the operation were sold, totaling COP 4,461 million.

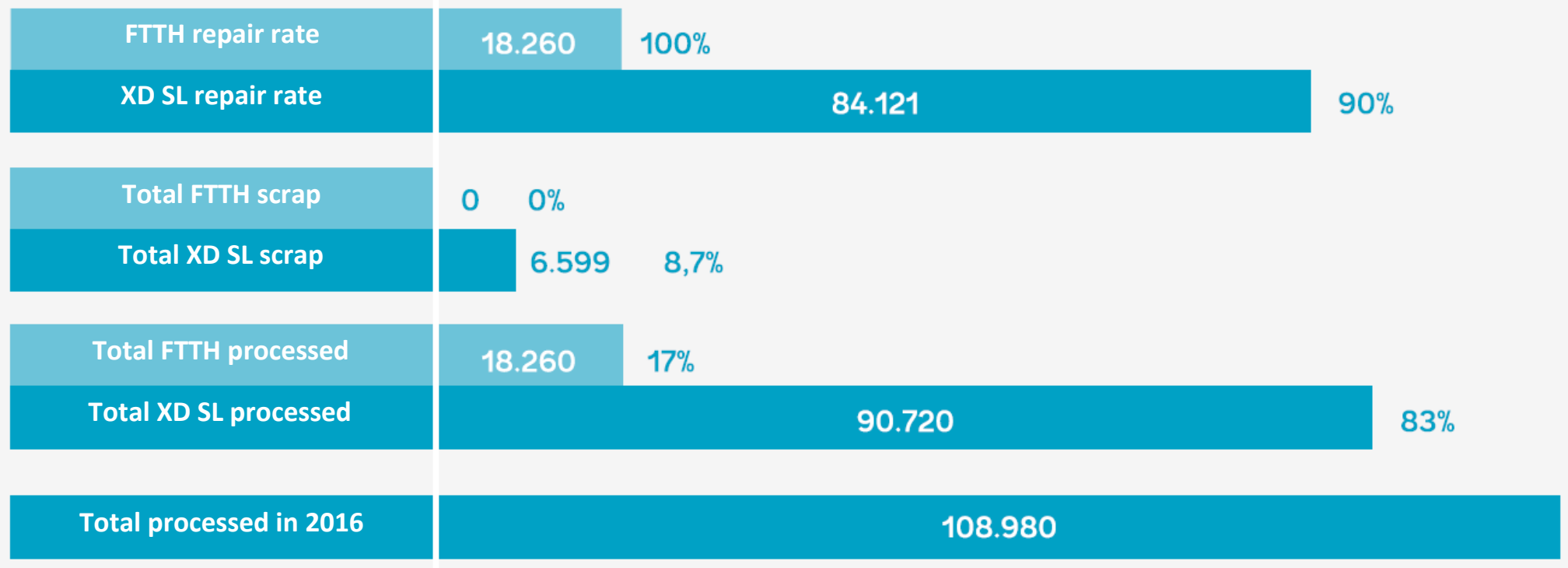
- The decrease in the volume and in the selling value of surplus and industrial waste, is due to the decrease in plants dismantled compared to 2015, considering that the component with the greatest impact is copper wire waste, which was generated in a smaller volume in 2016. In addition, we began to reuse copper segments in the disassembly of the Soacha plant.



Source: ETB, Vice Presidency of Human Resources and Supply Chain

Inverse Logistics

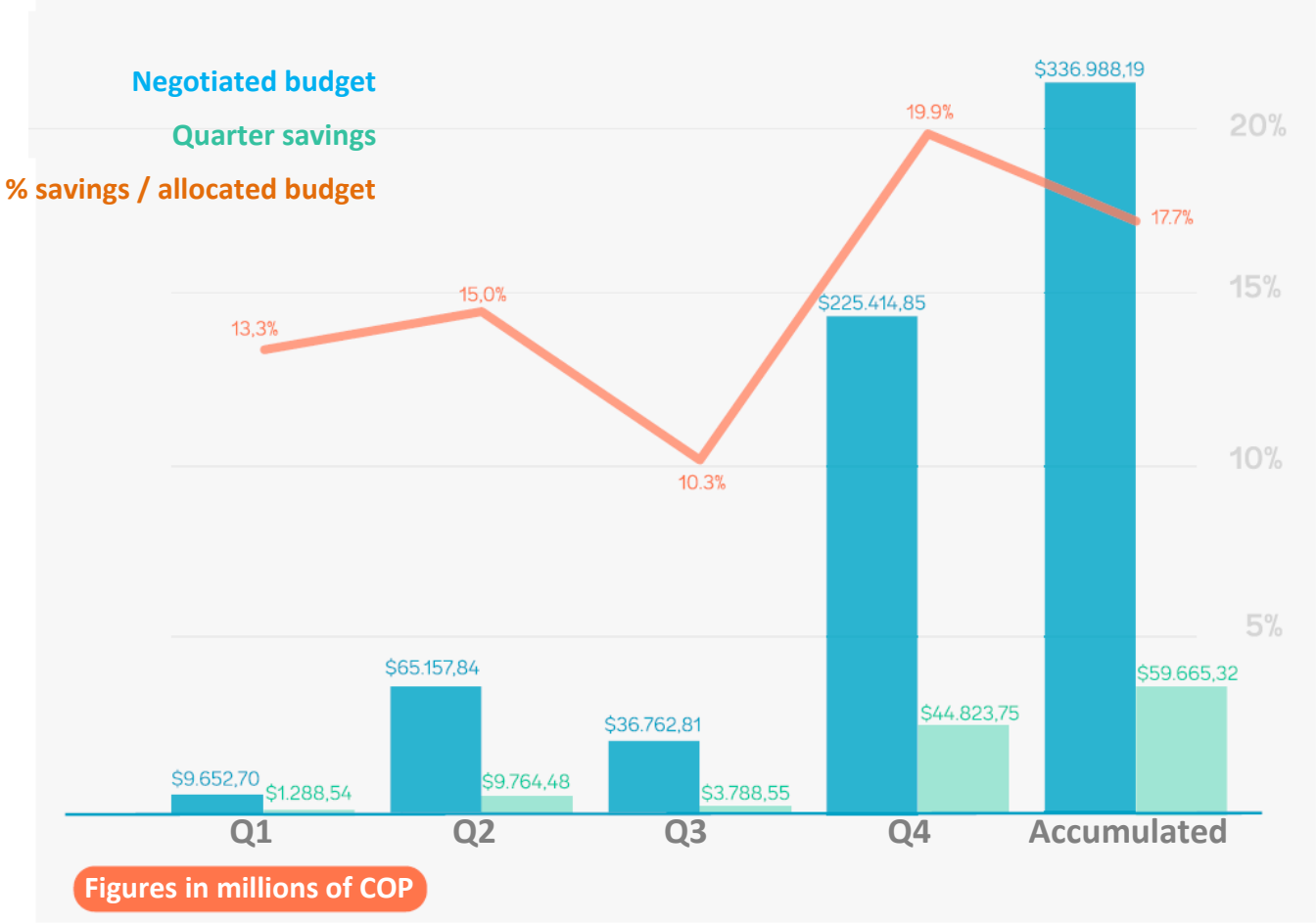
- In the 2016 FY, the Company obtained a total net savings of COP 8,731 million as a result of lower purchases.
- 108,980 units were processed, 83% (90,720) of which account for ADSL and VDSL equipment, with a 90% repair rate, which meant 84,121 units available for the Traditional Copper Operation. 8.7% (6,599) of the ADSL equipment was declared scrap.
- In 2016, the production of equipment for the NPLAY operation (Optical Network Terminal-ONTs and Set Top Box-STBs) began. By the end of the fourth quarter, a total of 18,260 units were remanufactured. The FTTH remanufacture rate is 100% to date.



Source: ETB, Vice Presidency of Human Resources and Supply Chain

NEGOTIATION RESULTS

Savings vs. Negotiated Budget



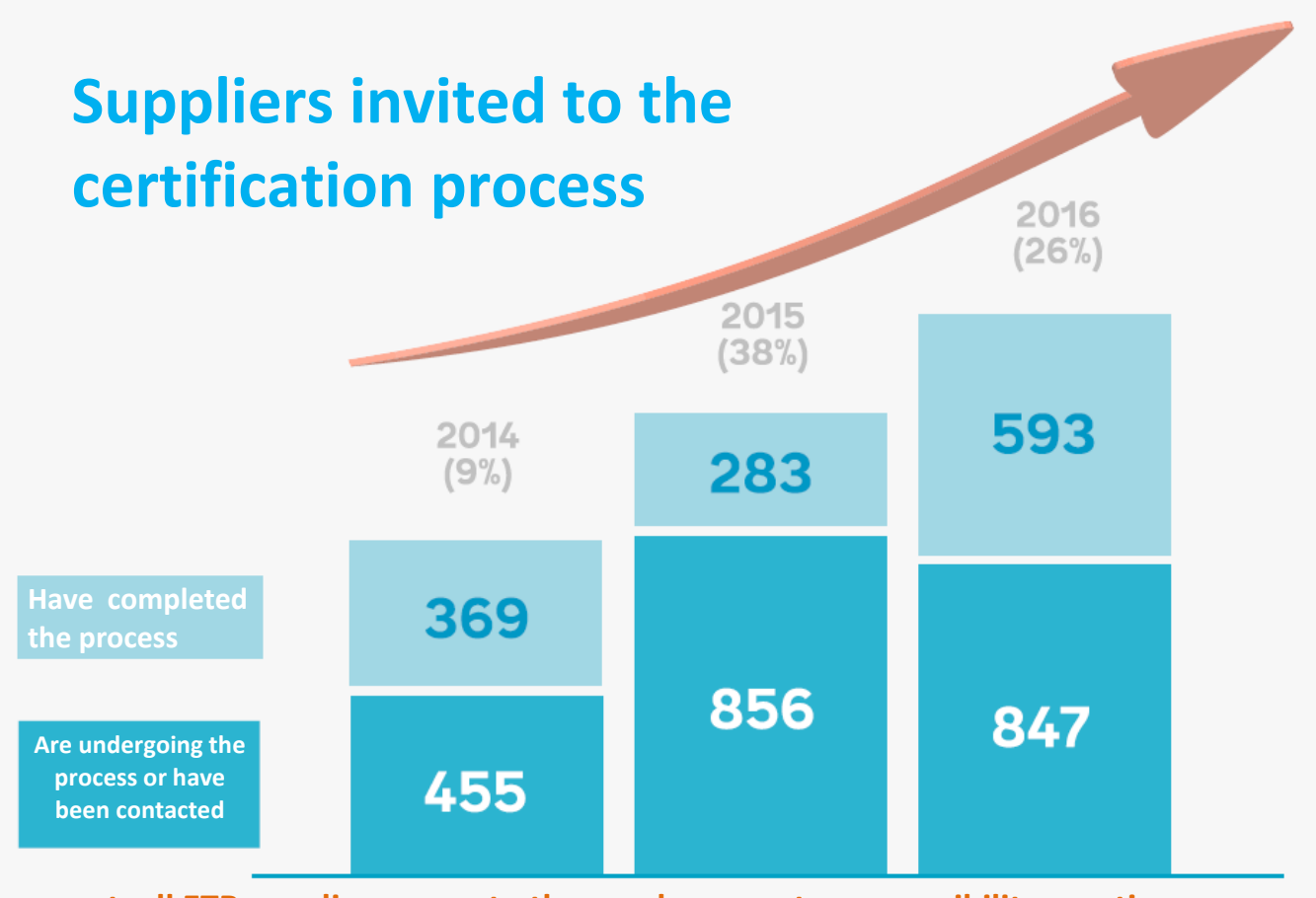
At December 2016, an accumulated savings vs. negotiated budget ratio of 17.7% was achieved, thus exceeding the expected goal of 5% for 2016. This result is due to the negotiation strategies developed in the processes under the responsibility of the Strategic Buyers team of the Supply Management Unit.

Source: ETB, Vice Presidency of Human Resources and Supply Chain

SUPPLIER CERTIFICATION

Supplier certification is a business practice adopted by ETB and carried out through a specialized third party that determines the financial, legal, commercial and technical viability of the suppliers of the goods and/or services required by ETB, and conducts the background study of the suppliers, partners, proxies, and the principal and alternate legal representative, as applicable.

As a result of the new certification process, there are competitive advantages, such as the automation of procedures and reports, the optimization of certification costs to increase supplier participation and operational efficiency for the supply chain.



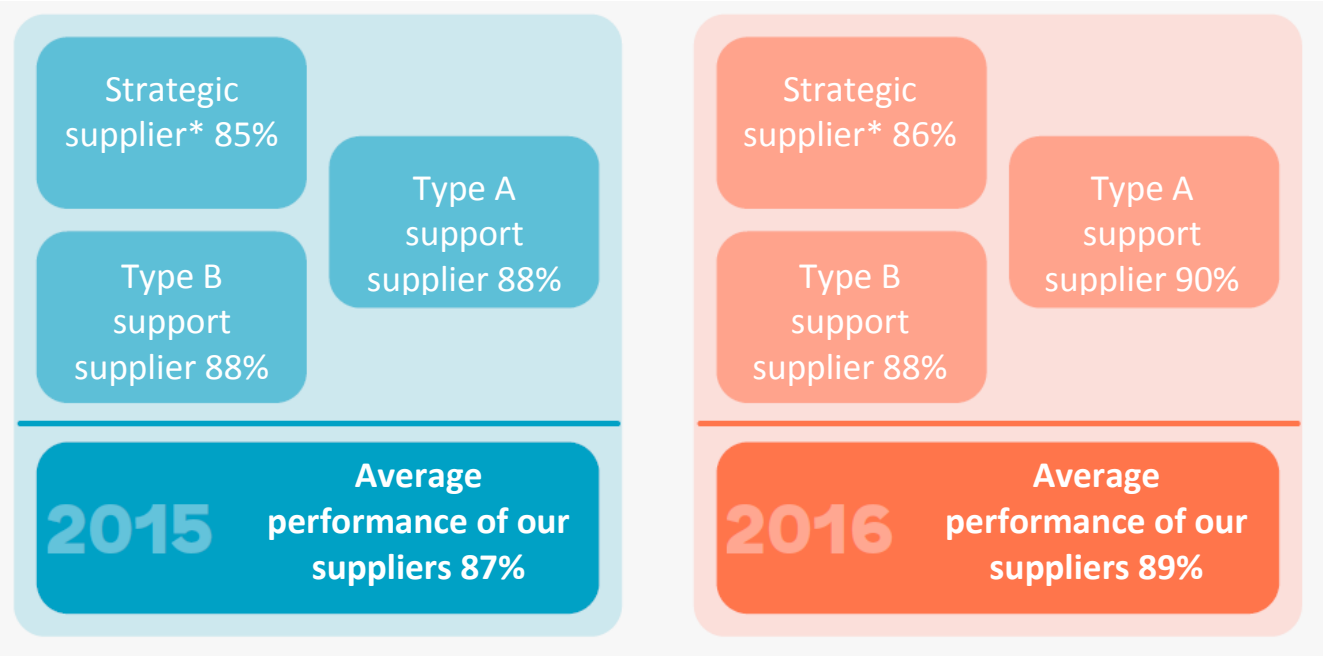
At present, all ETB suppliers agree to the good corporate responsibility practices.

Source: ETB, Vice Presidency of Human Resources and Supply Chain

Supplier Performance Assessment

Average overall performance increased from the year 2015 to 2016 by 2%, where the strategic suppliers maintained a satisfactory level thanks to the efforts of monitoring, control and follow-up of contractual management.

The number of suppliers listed in ETB's registry is 11,163 and there are 1,028 active suppliers with signed contracts.



*Strategic Supplier: those that contract 80% of the total value of the procurement
Type A Support Supplier: those that contract 15% of the total value of the procurement
Type B Support Supplier: those that contract 5% of the total value of the procurement

Source: ETB, Vice Presidency of Human Resources and Supply Chain

Companies for Companies Program (DEPE, for the Spanish original) of the Colombia Global Compact Network.

In 2016, ETB continued joining efforts with the Colombia Global Compact Network to provide SMEs with training in order to develop skills for them to successfully implement corruption prevention strategies. In July 2016, a training session was carried out at the ETB facilities for 10 SMEs, with the support of YARA S.A. The ETB suppliers that participated include: Getronics and our subsidiary, Colvatel.

21. Customer Experience

The customer experience model has been created based on the recommendations and satisfaction of customers, which has provided us with a better focus and has allowed us to prioritize actions to improve the experience in the home and company segments in: the use of the service, technical support processes, addressing claims and procedures, and decreasing billing claims.

The development of cross-cutting projects through multi-disciplinary groups has enhanced a service-oriented culture and has increased the motivation of work teams due to their visibility within the Organization. In 2016, 1,088 employees were certified in Excellence in Service, which includes training in:

- Service skills and skills development
- Customer-driven orientation to generate positive experiences
- Assessment of behaviors through skills assessments.

Since the creation of the Office of the Vice President of Customer Experience, ETB has focused its efforts on improving internal processes, with a view to improve customers' experience, based on the service vision "We Simply Please", by knowing their needs, addressing their concerns and being friendly. The most important advances in 2016 by segment were:



Homes

- There was an improvement regarding the recommendations by Homes customers, whose NPS started out at 3.8 in February and rose to 6.9 in December, thanks to the reduction in technical failures and repair times, and the improvement in solution rates.
- 2016 integrated report
- 19% reduction in customer cases addressed through the call center, compared to the same period in 2015.
- 47% reduction in customer cases associated with the WiFi service compared to the first half of 2016. Thanks to customer education and the implementation of self-management options, calls and technical visits were reduced by 45% and 82%, respectively.
- The improvement of digital channels enabled us to complete our multi-channel service offer, while offering a better first contact resolution and reducing costs in the service process by 3.6%.
- As a result of the actions taken, there were 34% less intention to cancel service by home copper customers, which avoided 12% of voluntary cancellations compared to the same period in 2015.



- The improvement in the recommendations by corporate customers was maintained in 2015, closing with an NPS at 11.5 in December, thanks to the optimization of service processes, technical support and service operation.
- The technical support solution percentage for the Premium segment went from 70% in January to 86% in December.
- 30% decrease in billing claims compared to December 2015.
- The average installation time for standard services was reduced from 13.6 days to 9.3 days, from January to December 2016. The billing time for new corporate solutions was also reduced from 93 to 72 days in standard services during the same period.
- The implementation of the Elite Service Model for Premium customers led to a 32% reduction in unfulfilled procedures.
- There was a 23% reduction in corporate solution implementation times thanks to the integration of internal processes.



4G mobile

In 2016, Mobile continued to focus on operational excellence. To do so, five management fronts were defined:

1. Implementation of autonomy tools for users.
2. Improvement in the quality of customer corridor processes.
3. Reduction in claim rates and recurrence.
4. Assurance of network availability and quality.

The main achievements regarding the customer satisfaction levels at the end of 2016 are:

- The NPS (Net Promoter Score) stood at 32 points, positioning ETB as one of the most recommendable mobile carriers in the industry.
- On a scale of 0 to 10, the customer satisfaction index was 8.4.
- The first contact resolution (FCR) stood at 75%.
- The rate for billing claims was lower than 0.5% and the network availability was maintained at 100% throughout the year.

New Service, Greater Satisfaction

In the interest of ensuring high standards of service and satisfaction, in 2016, ETB contracted the best service and sales channel providers in the country, in order to offer customers a better experience, our reason for being.

Through this change, ETB increased the number of call centers from two to six, and they will be competing on a permanent basis to offer the best service. From now on, service will be specialized and therefore, customers will receive quick, quality responses to all their requirements.



Challenges in 2017

- Refine customer self-service processes by providing access to requests and procedures.

- Improve the FCR (First Contact Resolution) by strengthening the processes and tools that allow us to offer the addressing and definitive resolution of issues on first contact.
- Optimize the service experience at stores by implementing processes that will ease our response to customer requirements in shorter times.
- Strengthen the Company's retention and loyalty strategy.

22. STRENGTHENING INFORMATION SOCIETY

ICT Mass Availability

The ICT Mass Availability Program (PMTIC, for the Spanish original) is a social development agent that promotes the use and appropriation of new information and communications technologies, to improve the quality of life of the inhabitants of different communities and regions on national territory through comprehensive ICT solutions that are increasingly efficient and sustainable with a high social impact.

Interactive Portals:

In 2016, the PMTIC operated 43 interactive portals and 25 Vive Digital Points.

2016	Interactive Portals	Vive Digital Points	Total
Number of telecenters	43	25	68
Persons certified	37.781	12.748	50.529

Type of Portal	Description
ETB training portals 16	Mass access points that offer contents regarding information and communications technologies in order to promote ICT literacy.
SENA portals 6	These are portals located at the different SENA campuses, and they offer special content training, known as supplementary training courses.
Citizen Service Portals 9	The portals located on the CADE Network allow users to virtually access Governance procedures online, thus expediting the processes and services provided.
Casa de la Juventud Audio Reproduction Centers and Portals 5	Audio reproduction centers and portals located at the Casas de la Juventud (youth centers) focused on providing training for young people between the ages of 14 and 28.
Ciudad Bolívar 6	Portals located in the Ciudad Bolívar district, focused on providing training for the entire population.
Interactive Bus 1	This is an interactive portal located on a bus that rides through the city and offers short talks to raise awareness regarding the proper use of ICTs, and training in ETB content.
Vive Digital Points (PVD, for the Spanish original) 25	The PVDs are intended to combine access to technologies with a service model that will bring the community together in scenarios of access, training, entertainment and other ICT service alternatives in a single place.

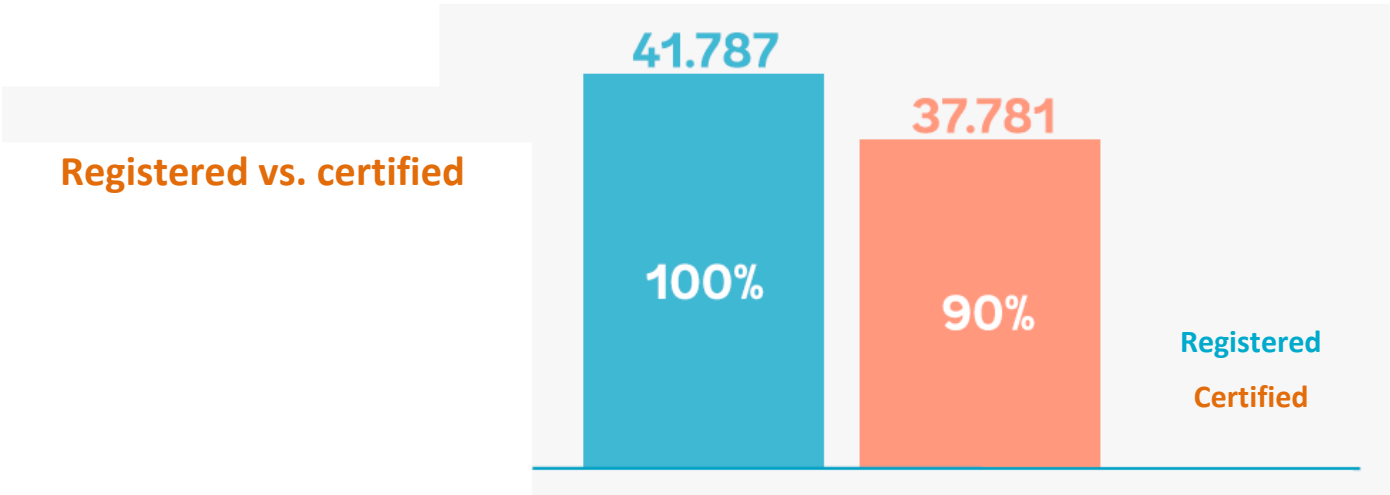
Source: ETB, Secretary General

Indicators:

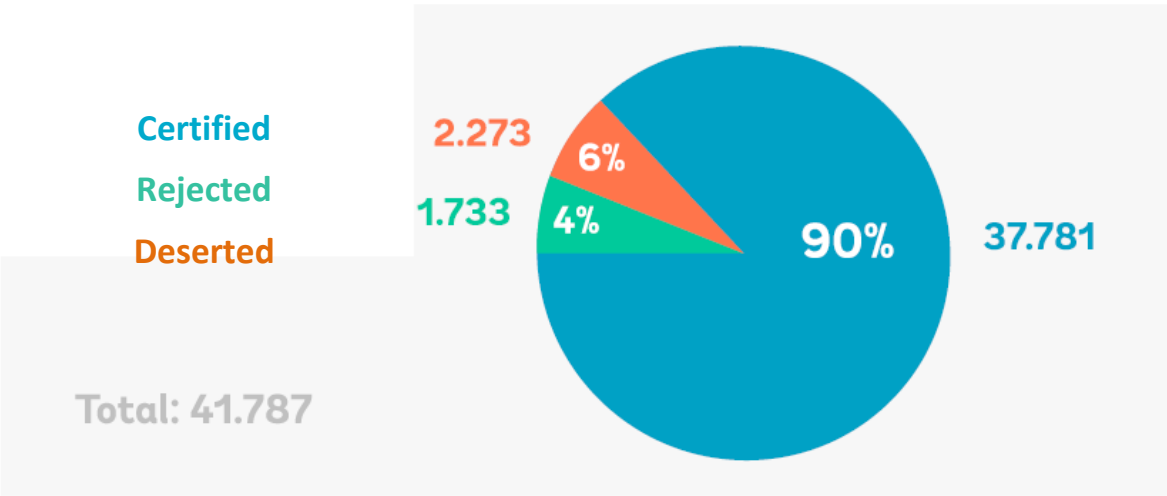
The indicators that measured the management of the ICT Mass Availability Program in 2016 were:



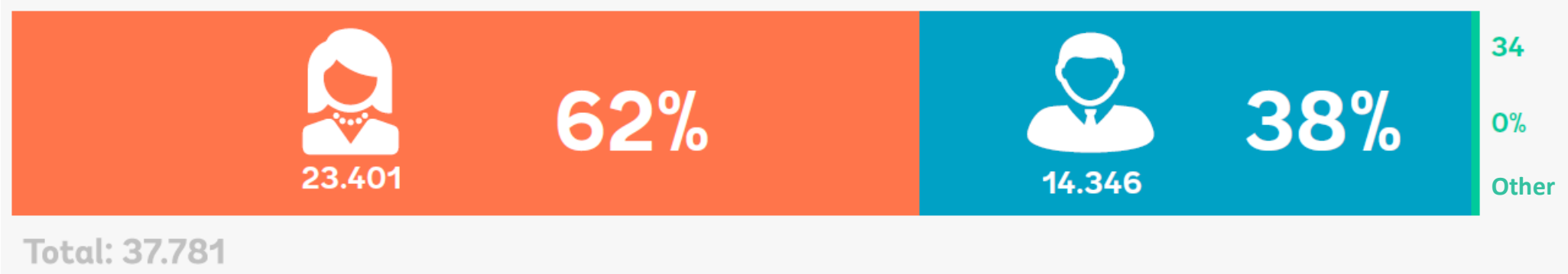
Appropriation results in 2016



Training processes



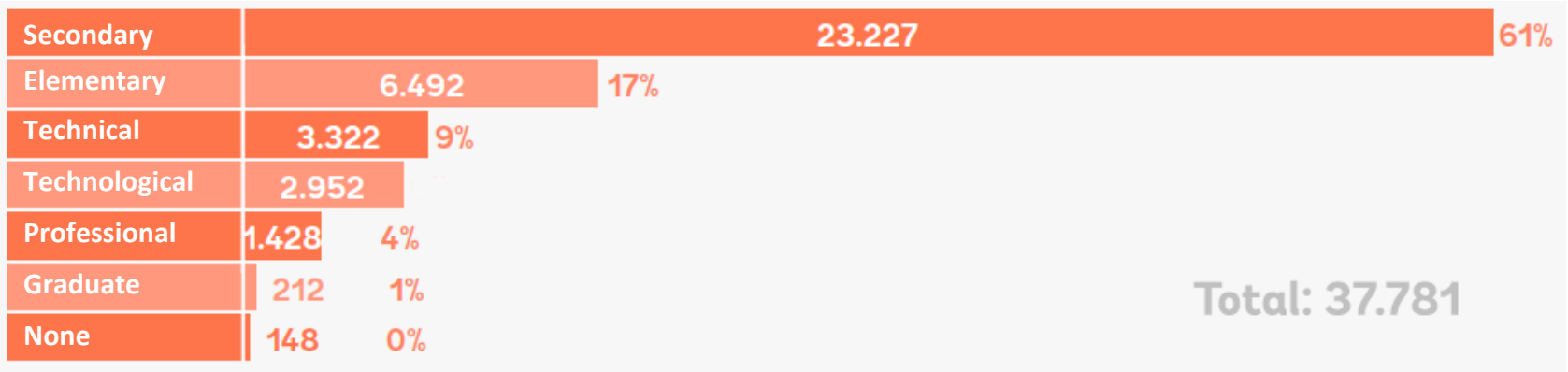
Characterization of the population impacted



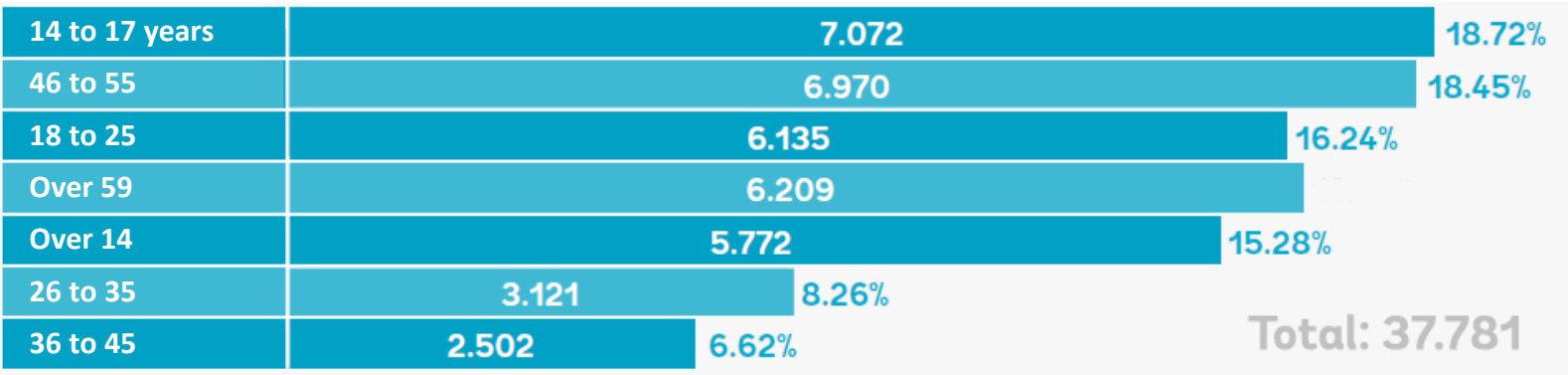
Occupation of the population

Student	18.365	48.61%
Homemaker	7.005	18.54%
Independent	4.051	10.72%
Employee	3.155	8.35%
Pensioner	1.868	4.94%
Unemployed	1.429	3.78%
None	1.182	3.13%
Merchant	377	1.00%
Teacher	84	0.22%
Public servant	91	0.24%
Professional	96	0.26%
Community mother	40	0.11%
Farmer/farm worker	19	0.05%
Transporter	18	0.05%
Total: 37.781		

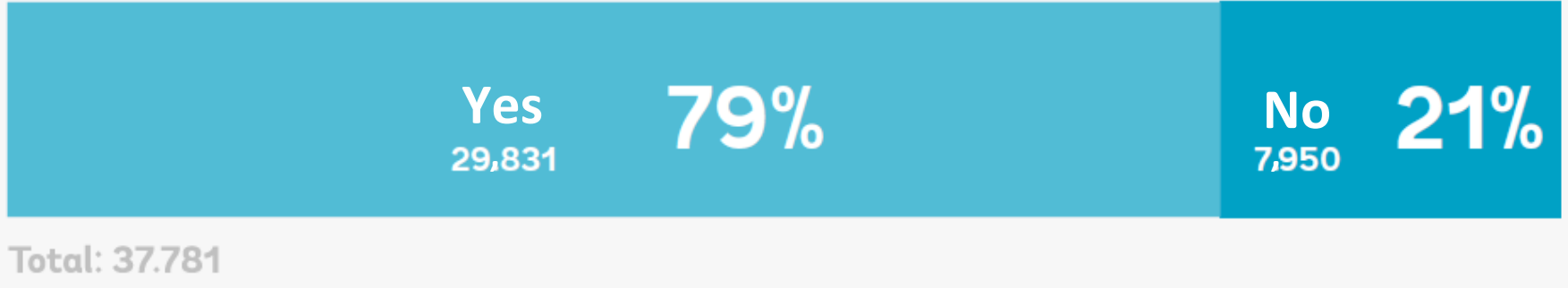
Level of education



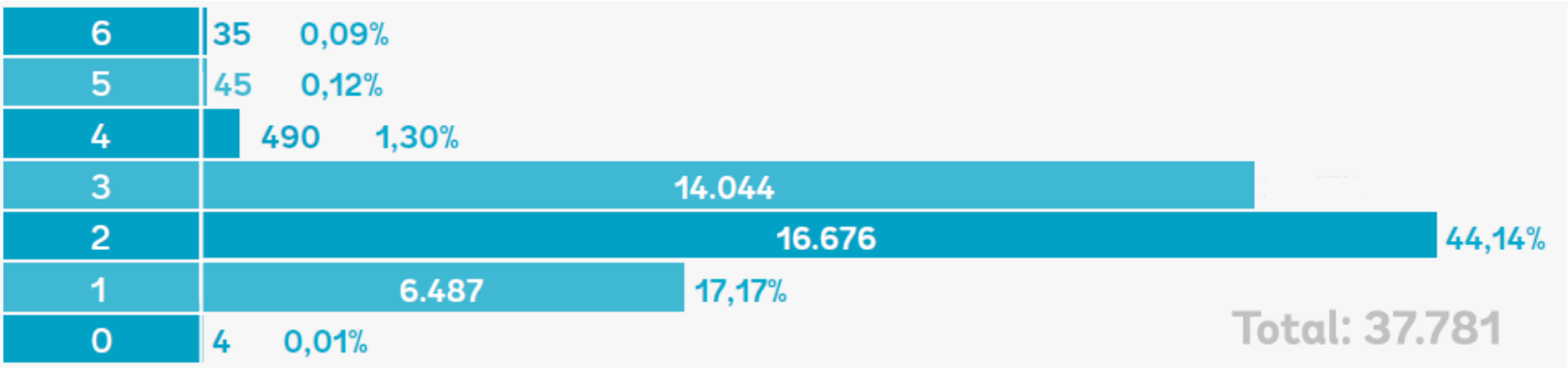
Age



Lives in the district



Socioeconomic level



Source: ETB, Secretary General

Zero Tolerance Regarding Child Pornography

In 2016, ETB reaffirmed its commitment to combat all forms of human rights violations involving children and adolescents over the Internet, and agreed, along with the Ministry of Information Technologies and Telecommunications and the other partners of the Te Protejo virtual hotline, to develop the Zero Tolerance regarding Child Pornography Compact, to combat the contents that affect children on the Internet.

"Del querer al poder en un click" was the campaign developed by Te Protejo hotline in 2016, supported by ETB through a communications plan aimed at customers and users through the media available, such as: text messages to ETB mobile customers, customer billing, channel 900 on ETB TV, social media, message from the CEO of ETB, among others, thus reaching more than 1,700,000 users, communicating with and informing our customers about topics such as Commercial Sexual Exploitation of Children and Adolescents (ESCNNA, for the Spanish original), bullying, cyber-bullying, inappropriate content in the media, sale, supply and consumption of alcoholic beverages and other psychoactive substances, abuse, abandonment and child labor.

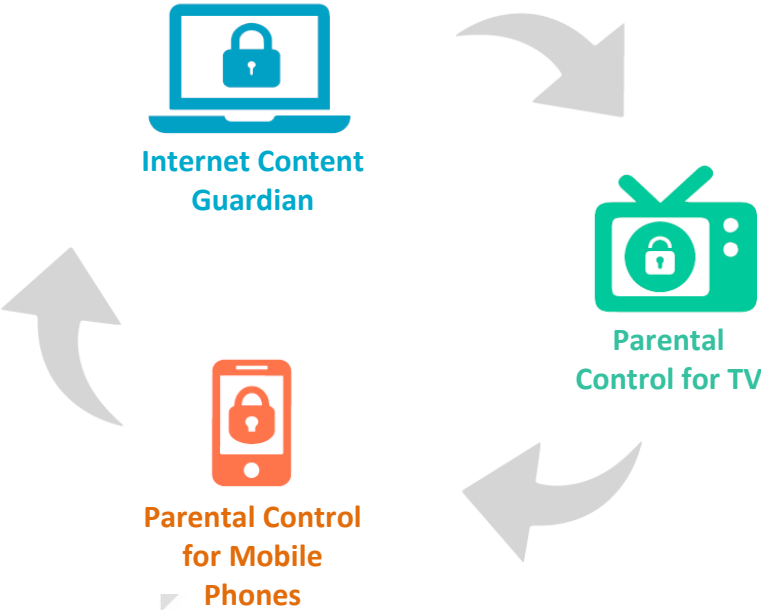
The primary objective is to protect our children and adolescents from sexual exploitation and abuse and ensure they have a healthy, comprehensive environment, by educating and calling on our customers and users to make use of the Te Protejo hotline, and be able, together, to safeguard the future of our children and adolescents.

In 2016, there were three talks that brought together more than 320 students from ETB's Tomas Alva Edison school. The talks, which were offered by the Ministry of Information Technologies and Telecommunications through Te Protejo, were focused mainly of our risks: Cyber-bullying, cyber-dependency, grooming and sexting.

The purpose and message to young people has always strived for them to use Internet safely and responsibly by understanding and counteracting the different threats and risks involved.

Mechanisms to Protect Children and Adolescents

ETB provides customers and users with mechanisms of protection through the development of tools that contribute to the safe and healthy use of ICTs in their products, in order to prevent minors' access to content that are not conducive to their development and place their safety at risk.



Management and investment made to expand infrastructure for socio-economic levels 1 and 2

Investments in preventive maintenance, expanding copper network infrastructure and modernization of network infrastructure (FTTC), in socio-economic levels 1 and 2.

In 2016, investments were made in the maintenance of the existing copper network infrastructure in socio-economic levels 1 and 2, as well as to prepare the current infrastructure (conduits, posts, booths, cabinets) in the migration of services to FTTC technology. The investments made were focused on:

- Expanding xDSL ports
- Renewal of cabinets
- Organization of the support network
- Conduit maintenance

In figures, the investments made in these aspects over the last five (5) years:

Investment (Figures in millions of COP)	2016	2015	2014	2013	2012
Total investment in infrastructure for socio-economic levels 1 and 2 / including FTTC	34.140	296	9.036	11.170	5.764

The reduction in the total investments made in copper infrastructure for socio-economic levels 1 and 2 contrasts with the priority and importance given to the FTTC (fiber to the curb) solutions deployment project.

FTTH and FTTC Coverage

The increase in housing units that can access Voice IP services, high-speed Internet and IP TV, through the fiber to the home (FTTH) infrastructure is illustrated in the chart below:

FTTH

Item		2013	2014	2015	2016
Homes passed	Executed	204.103	855.047	1.207.205	1.265.631
Homes passed and enrolled	Executed	150.010	725.221	1.166.840	1.265.631
Connectable households	Executed	36.293	242.921	609.535	682.856
Connected households	Executed	65	18.448	111.157	201.089

FTTC

Municipality	
Bogotá	201.728
Soacha	108.079
Total	309.807

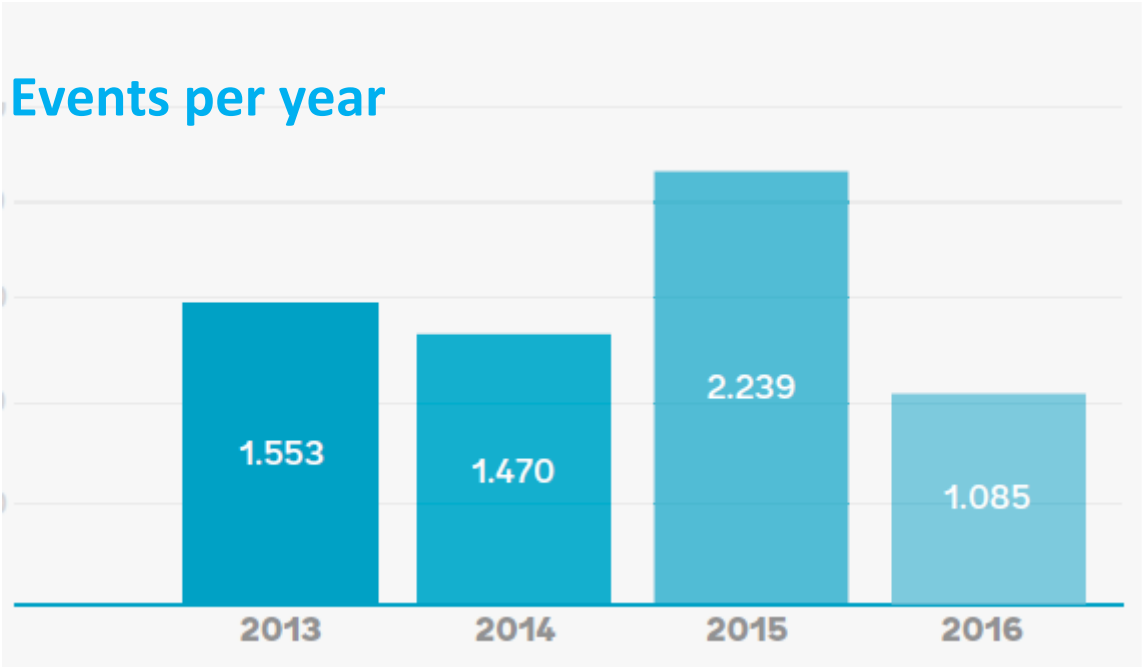
Efforts to protect network infrastructure

In 2016, actions were taken to maintain the security of clearly vulnerable network elements; the welding of lids to access cameras in areas with the highest theft rate was prioritized.

ETB implemented different control mechanisms in order to prevent the variations in the value of the US dollar and the price of the metric ton of copper from having a significant impact on the increase in theft on the copper network access infrastructure.

The diagram below shows the history of events occurred on the network infrastructure over the last four (4) years

History of events occurred on the network infrastructure over the last four years



Source: Vice Presidency of Infrastructure

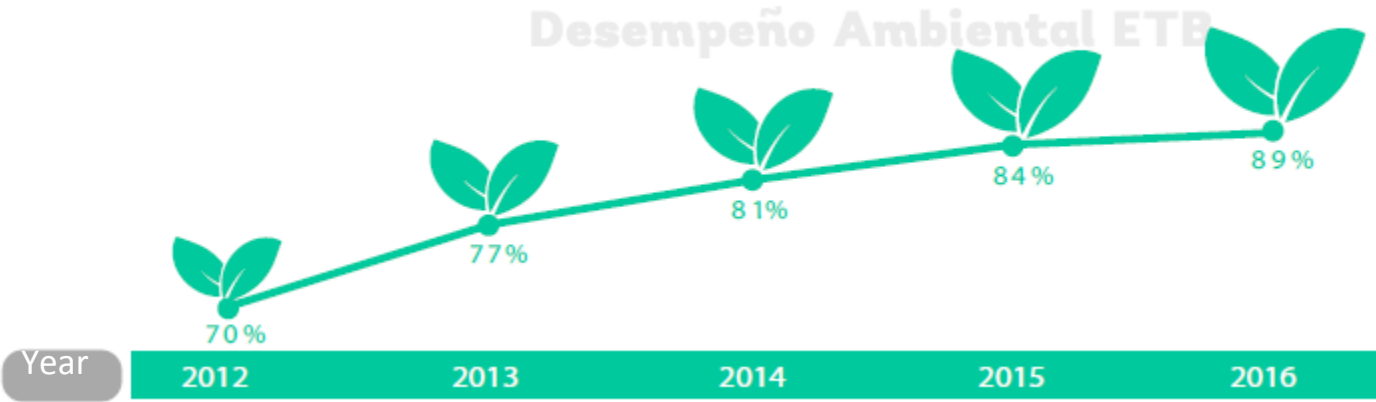
V. Environmental Performance

23. ENVIRONMENTAL MANAGEMENT SYSTEM

ETB implemented the Environmental Management System (EMS) through the Institutional Environmental Management Plan (PIGA, for the Spanish original) in order to strategically manage environmental issues of the Company's activities, products and services through employee responsibility and commitment.

In 2016, environmental performance showed a five (5%) percent improvement over 2015 in meeting the requirements of NTC ISO 14001:2004, the Global Compact Principles and guidelines established by the District Environmental Office.

Evolution of Environmental Performance



Source: ETB, Vice Presidency of Human Resources and Supply Chain

24. ENVIRONMENTAL PROGRAMS

Efficient water use

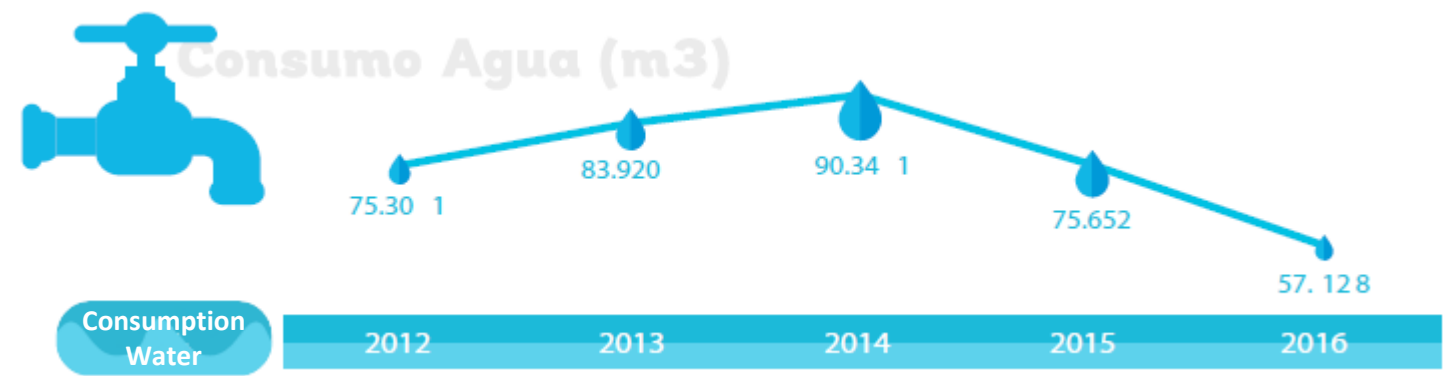
Water is a vital resource for any type of business operation, and at ETB, water is used in greater proportion to maintain the facilities and for sanitary use. At the Bogotá offices, water consumption was reduced compared to the year 2015 by 18,524 m3, saving more than COP 58 million, which accounts for the investment made by ETB in the implementation of water saving systems.

ETB collects rainwater at the Guaymaral office, and the annual estimate for 2016 was 10 cubic meters.

ETB does not directly affect any body of water, as it uses water from the municipal aqueduct. In addition, the Guaymaral office and some telecommunication nodes like Cerro de Manjui in Cundinamarca have rainwater collection systems because there is no aqueduct at these sites.

ETB does not reuse or recycle water, as it is not used in the production process.

Water use in cubic meters



Source: ETB, Vice Presidency of Human Resources and Supply Chain

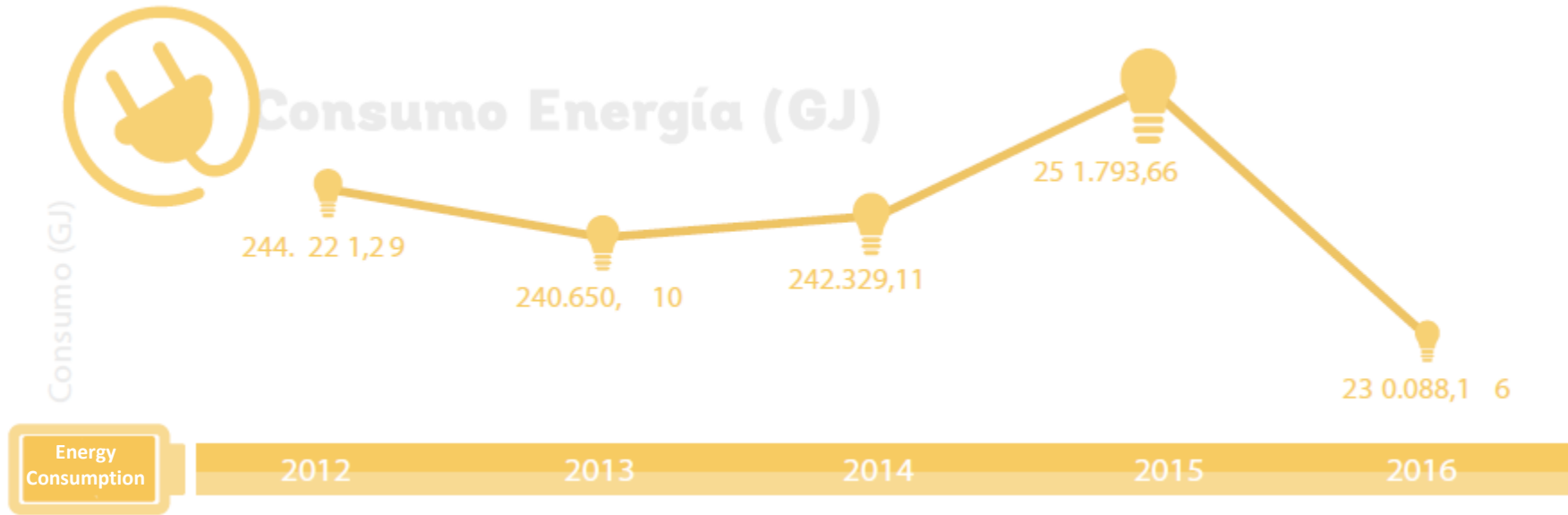
Efficient energy use

The company uses electricity obtained from the national electricity grid to operate the telecommunications systems.

In 2016, electricity consumption reached 64 million KWh, which is equal to 230,088 gigajoules, with a decrease of 21,706 gigajoules compared to 2015, which accounts for savings amounting to COP 27 million.

ETB uses diesel fuel to generate electricity as a backup for the operation of telecommunications equipment. At the energy generation plants installed around the country, 8,797 gallons of diesel were used, which equal 1,548 gigajoules generated.

Energy consumption in gigajoules GJ from the national electricity grid



Source: ETB, Vice Presidency of Human Resources and Supply Chain

Integral Waste Management

In 2016, 1,939,457 kilograms of waste were managed, which represents a 15% decrease compared to 2015. However, there was an increase in the quantity of hazardous and special waste, due to the de-provisioning of equipment and worksites carried out during the year.

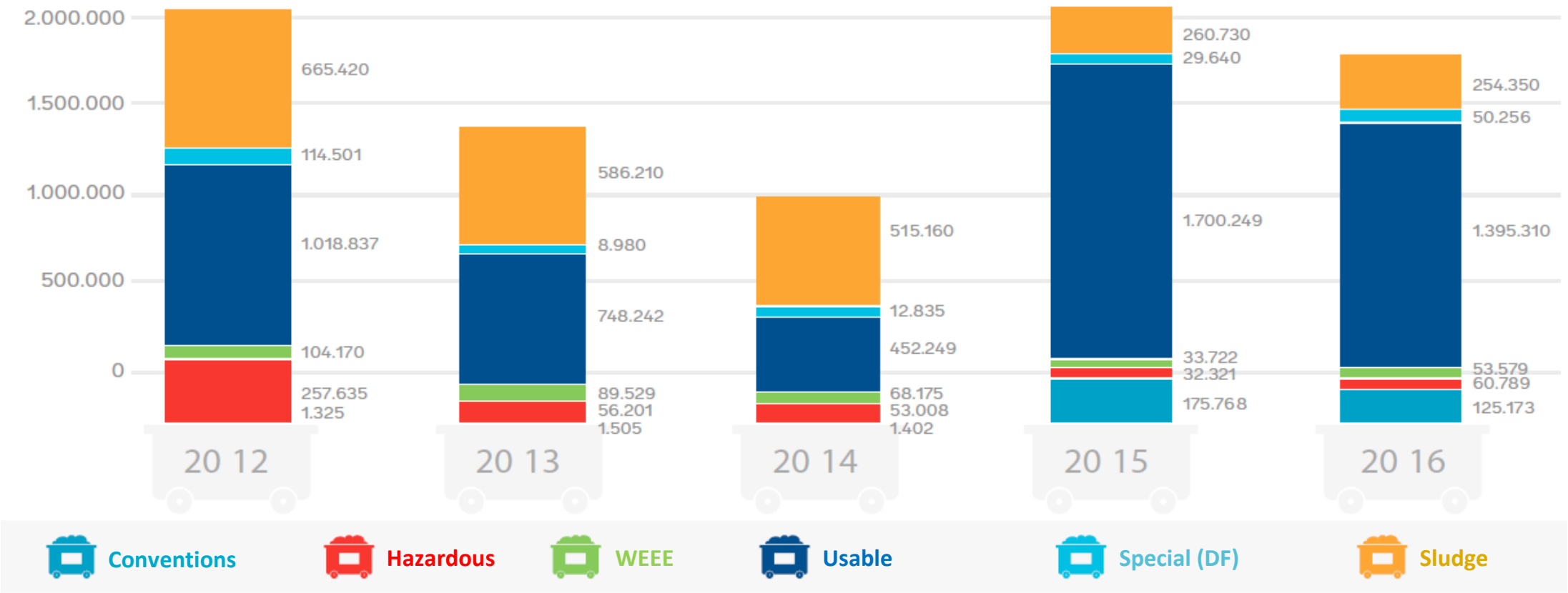


Types of treatment for the waste generated



Source: ETB, Vice Presidency of Human Resources and Supply Chain

Amount of waste generated in kg 2012-2016



Source: ETB, Vice Presidency of Human Resources and Supply Chain

Sustainable consumption

ETB's environmental management also includes contract and procurement management, extending environmental responsibility along the supply chain.

In 2016, environmental criteria were established in some of the procurement, such as:

- Preventive and corrective maintenance of air conditioning and energy equipment.

- Preventive and corrective maintenance with new spares for gasoline and diesel cars, and hydraulic and suction equipment for its vehicle fleet.
- Continued hazardous and special waste management.
- Purchase and installation of electricity generation plants.
- Physical, chemical and bacteriological analysis of wastewater, pool water and slurry.
- Environmental Management Plan for civil works.
- Adjustment of the Environmental Management Plan of the Integral Cleaning and Cafeteria contract.
- Adjustment of environmental conditions in the integral management of sludge generated in ETB's infrastructure.
- Continue with pest control procedures.

Implementation of sustainable practices

Sustainable Urban Mobility. Training has been carried out for drivers to implement good driving practices when using ETB's vehicle fleet.

Improved internal environmental conditions. In 2016 the company updated the environmental diagnostics in every office in Bogotá, and pest control services were carried out in all the offices at the national level.

Studies on environmental noise from telecommunications equipment. Assisted with the installation of new power plants to ensure compliance of regulation pertaining to environmental noise.

Adaptation to climate change. In 2016, ETB measured its carbon footprint for the fourth time, with calculations based on specific data for the entire country, estimating greenhouse gas emissions for scopes 1 and 2. The carbon footprint was measured as established in the GHG Protocol, which was 19,079.85 Tn CO2 eq. for the year 2016.

Carbon Footprint Measurement Results 2016

Standard used	GHG Protocol			
Methodology	Calculations based on specific data for each site in Colombia in 2016.			
Scope 1 Direct Emissions	Refrigerants Consumption	R-22	1803 pounds per year	3,173.28 Tn CO2 eq
		R-134A	330 pounds per year	429.00 Tn CO2 eq
		R-141B	147 pounds per year	114.66 Tn CO2 eq
		R-410A	30 pounds per year	57.60 Tn CO2 eq
		R-407C	180 pounds per year	291.60 Tn C02 eq
		R-422D	180 pounds per year	444.60 Tn C02 eq
	Total Emissions Refrigerants Consumption			4,510.74 Tn CO2 eq
	Liquid Fuel	Electricity consumption	8,797 gallons of diesel	90.42 Tn CO2 eq
		Transportation	118,343.16 gallons of diesel	1,216.37 Tn CO2 eq
			71,291.31 gallons of gas	543.56 Tn C02 eq
Total Emissions Liquid Fuel			1,850.35 Tn C02 eq	
Total Emissions Scope 1			6,361.09 Tn C02 eq	
Scope 2 Indirect Emissions	Electricity Consumption	63,913,377.86 kWh per year	12,718.76 Tn C02 eq	
	Total Emissions Scope 1 and 2		19,079.85 Tn C02 eq	

Source: ETB, Vice Presidency of Human Resources and Supply Chain

As far as other details regarding the impacts of ETB's operation in environmental matters, it is important to mention:

- ETB's NOX and SOX emissions are insignificant.
- In 2016, there were no significant spills.
- ETB's effluents in bodies of water are insignificant.
- In 2016, there were no fines or sanctions for the breaching of environmental regulations.
- There have been no environmental claims.

Investment in environmental management (figures in millions of COP)

Item	Investment
Environmental prevention and management*	COP 120
Manage sludge generated in telephone booths	COP 44
Manage special and hazardous waste (RESPEL in the Spanish original)	COP 48
Pest control	COP 19
Total investment 2016	COP 231

Source: ETB, Vice Presidency of Human Resources and Supply Chain

*Estimated value calculated by the Vice Presidency of Human Resources and Supply Chain

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MATERIAL ASPECT: EMPLOYMENT			
G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region.	Social performance / Commitment to employees	Principle 6	60, 61
G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation. material aspect: occupational health and safety	Social performance / Commitment to employees	Principle 3	71
G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Per the provisions of Decree 2013 / 1986, ETB has 16 members of the Occupational Health and Safety Committee, made up of four (4) management representatives and four (4) members elected by employees, each with their respective alternates. This represents 0.59% of the total workforce.		
MATERIAL ASPECT: TRAINING AND EDUCATION			
G4-LA9 Average hours of training per year per employee by gender and by employee category.	Social performance / Commitment to employees	Principle 6	66-69
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-LA12 Composition of governance bodies and breakdown of	ETB Profile / Corporate Governance	Principle 6	24

DESCRIPTION OF INDICATOR	RESPONSE/ CHAPTER	UNITED NATIONS GLOBAL COMPACT PRINCIPLES	PAGE
employees per employee category according to gender, age group, minority group membership and other indicators of diversity.			
MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN			
G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	At ETB, there is equal remuneration; for women and men of the same job position, the salary is the same.	Principle 6	
MATERIAL ASPECT: ASSESSMENT OF SUPPLIER'S LABOR PRACTICES			
G4-LA14 Percentage of new suppliers that were screened using labor practices criteria.	Social performance / Management of the supply chain	Principle 1,2,4,5 ,6	77
SUB-CATEGORY: HUMAN RIGHTS			
MATERIAL ASPECT: ASSESSMENT OF SUPPLIER HUMAN RIGHTS ISSUES			
G4-HR10 Percentage of new suppliers that were screened using human rights criteria.	Social performance / Management of the supply chain	Principle 2	77
SUBCATEGORY: SOCIETY			
MATERIAL ASPECT: LOCAL COMMUNITIES			
G4-SO1 Percentage of operations with implemented local community engagement, impact assessments and development programs.	Social Performance / Strengthening Information Society	Principle 5	81-85
MATERIAL ASPECT: ANTI-CORRUPTION			
G4-SO4 Communication and training on anti-corruption policies and procedures.	ETB Profile / Management of Corporate Responsibility	Principle 10	43
MATERIAL ASPECT: PUBLIC POLICY			
G4-SO6 Value of political contributions.	Since over 80% of the Company’s capital is public, the Company cannot participate in politics, finance political parties or movements, or make donations, as per ETB’s Code of Ethics.	Principle 10	
MATERIAL ASPECT: COMPLIANCE			
G4-SO8 Monetary value of significant fines and number or non-monetary sanctions for non-compliance with laws and	Economic performance / Jurisdictional affairs		55-56

DESCRIPTION OF INDICATOR	RESPONSE/ CHAPTER	UNITED NATIONS GLOBAL COMPACT PRINCIPLES	PAGE
regulations.			
SUB-CATEGORY: RESPONSIBILITY FOR PRODUCTS			
MATERIAL ASPECT: LABELING PRODUCTS AND SERVICES			
G4-PR5 Results of surveys measuring customer satisfaction.	Social performance / Customer experience		79-80
MATERIAL ASPECT: MARKETING COMMUNICATION			
G4-PR7 Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes.	Economic performance / Jurisdictional affairs		56
MATERIAL ASPECT: COMPLIANCE			
G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Economic performance / Jurisdictional affairs		56

Verification of ETB's 2016 Integrated Report

We have verified ETB S.A. ESP's Integrated Report for the January to December 2016 period. We are responsible for verifying the supporting documents provided by the areas responsible for the information and/or figures stated in said report and reaching a conclusion in this regard. The Company's management is responsible for the report's preparation and presentation.

As a result of our review, we concluded that the figures contained in ETB's 2016 Integrated Report are supported by the areas and, in relation thereto, no significant deviations or material differences were identified.

Sincerely,

CAROL HELENA QUEVEDO MADRID

Internal Auditor

**THE LEGAL REPRESENTATIVE OF EMPRESA DE
TELECOMUNICACIONES DE BOGOTÁ SA ESP - ETB SA ESP**

TIN 899.999.115-8

In compliance with Article 47 of Law 964 / 2005

Certifies:

That the activities to monitor and control the Internal Control System conducted by Management and the independent assessments conducted thereon by Internal and External Audit, ensure the proper performance of ETB's financial information disclosure and control systems for the 2016 period. No incidents of fraud that could impact the quality of the financial information were identified.

JORGE HERNÁN CASTELLANOS RUEDA

CEO

Financial Information

Empresa de Telecomunicaciones de Bogotá S.A., E.S.P.

***Financial Statements for the Years Ended
December 31, 2016 and 2015 and Statutory
Auditor's Report.***

STATUTORY AUDITOR'S REPORT

To the shareholders of

EMPRESA DE TELECOMUNICACIONES DE BOGOTÁ S.A. E.S.P.:

LILIBETH MATTA DE ANTONIO

Principal Statutory Auditor

Professional License 165.166-T

Appointed by Deloitte & Touche Ltda.

March 1, 2017

EMPRESA DE TELECOMUNICACIONES DE BOGOTÁ S.A. E.S.P.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In thousands of Colombian pesos except where otherwise indicated)

1. ACTIVITIES

Parent Company – Corporate Purpose and Regulatory Framework - Empresa de Telecomunicaciones de Bogotá S.A. E.S.P. (hereafter “the Company” or “ETB”) is a joint-stock company organized as a public utility company under Colombian law. Its majority shareholder is the Capital District. The duration of the Company is undefined and its headquarters are in the city of Bogotá D.C.

The Company runs its own telecommunications network in Bogotá D.C., which consists of: providing local and long-distance telephone services, added value (including Internet and broadband services), cellphone services, interconnection, transport and connectivity carriers, public telephone services and different satellite and TV services. The telecommunications industry in Colombia is regulated by the Government in order to promote universal service with the highest quality standards, consumer protection and fair competition.

Disposal of the Capital District's shares. On May 31, 2016, the Council of Bogotá, in a plenary session, approved the Development Plan “Bogotá Mejor Para Todos” in a second and definitive debate. The approval includes authorization for the district administration to dispose of the ETB shares held by the District of Bogotá, as well as the ETB shares held by Empresa de Acueducto, Alcantarillado y Aseo de Bogotá ESP, Fondo de Prestaciones Económicas Cesantías y Pensiones, Instituto de Desarrollo Urbano (IDU) and Lotería de Bogotá. The disposal process shall be carried out pursuant to Law 226 / 1995.

2. BASIS OF PRESENTATION

2.1 Accounting standards applied - In accordance with Resolution 743 / 2013 and the amendments of Colombia's General Accounting Office, the Company applies the current provisions issued by Law 1314 / 2009, regulated by Decree 2420 / 2015; and prepares its financial statements in accordance with the Accounting and Financial Reporting Standards Accepted in Colombia (NCIF, for the Spanish original), which are based on International Financial Reporting Standards (IFRS) together with their interpretations, translated into Spanish and issued by the International Accounting Standards Board (IASB) at December 31, 2013.

Additionally, in compliance with laws, decrees and other current regulations, the Company applies the following accounting criteria, which differ from the IFRS issued by the IASB:

2.1.1 Decree 2496 / December 23, 2015 - Whereby it is established that investments in subsidiaries should be recorded in the books of the parent or controlling company using the equity method for the individual and separate financial statements, in accordance with Article 35 of Law 222 / 1995.

2.1.2 Law 1739 / December 23, 2014 - Whereby the Colombian Government establishes the wealth tax. This tax is incurred by the possession of wealth (gross equity less current debts) that is greater than or equal to COP 1,000 million between January 1, 2015 and 2017. This law indicates that taxpayers may charge this tax against equity reserves without affecting profits of the tax year, in separate or individual balances as well as in consolidated balances.

2.1.3 Decree 2131 / 2016 - Whereby it is determined that the calculation of pension liabilities is to be disclosed in accordance with the parameters set out in Decree 1625 / 2016 and, in the case of

partial pension transfers, in accordance with Decree 1833 / 2016 and the differences with the calculation made based on IAS 19 - Employee Benefits.

Basis of Preparation - The Bylaws of the Company provides for the closing of accounting, and the preparation and dissemination of the general financial statements once per year on December 31, 2016. For legal purposes in Colombia, the main financial statements are the separate financial statements, which are expressed in Colombian pesos, since it is the reporting currency for all purposes. The functional currency is Colombian pesos, which corresponds to the currency of the main economic environment in which the Company operates.

The Company has applied the accounting policies, judgments, significant accounting assumptions and estimates described in Notes 3 and 4.

2.2.5. Foreign currency - Transactions in currencies other than Colombian pesos are deemed denominated in "foreign currency" and are recognized using the prevailing exchange rates on the date of the transaction. At the end of each reporting period, the balances of monetary items denominated in foreign currency are converted using the exchange rates in force on that date. The balances of non-monetary items that are recognized in terms of historical costs in foreign currencies are translated using the exchange rates prevailing on the date of the transaction.

The exchange differences arising from monetary items are recognized in the net profit or loss of the period in which they occur.

3. SIGNIFICANT ACCOUNTING POLICIES.

The main accounting policies followed by the Company are:

- a. *Inventories* - Inventories are presented at the lower value between acquisition cost and net realizable value. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

The Company determines the inventory provision in accordance with the obsolescence and impairment thereof.

- b. *Property, plant and equipment* - Property, plant and equipment are recorded at cost, where there fair value is the value of acquisition or construction of the asset, less accumulated depreciation and any impairment losses.

Assets that are in the process of assembly and/or construction for the provision of services are recorded at acquisition cost less any impairment loss recognized. Cost includes professional fees and, in the case of qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. These assets are classified in the appropriate categories of property, plant and equipment when they are ready for their intended use. The depreciation of these assets, as in other properties, begins when the assets are ready for their intended use.

Land is not depreciated.

Property, plant and equipment are presented at cost less any accumulated depreciation and any accumulated impairment loss.

The useful lives used by the Company are as follows:

Asset	Useful Life
Buildings	25-50 years
Plants, ducts, networks, lines and conduits	3-20 years
Computers and communications equipment	5-7 years
Furniture and appliances	7-10 years
Vehicles	5-10 years
Tools and accessories	7-10 years
Dining hall, kitchen and commissary equipment	7-10 years
Fiber network	10-15 years

The depreciation of assets is recognized to record their cost in the income statement less their residual value over their useful life using the straight-line method. Estimated useful life, residual value and the depreciation method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized on a prospective basis.

Assets held under finance lease are depreciated based on their estimated useful life in the same way as own assets. However, when there is no reasonable certainty that the property will be obtained at the end of the term of the lease, the assets are amortized over the shorter period between the duration of the lease and the asset's useful life.

An item of property, plant and equipment is derecognized when it is sold or when future economic benefits arising from the continued use of the asset are not expected to be obtained. The profit or loss arising from the sale or withdrawal of an item of property, plant and equipment is calculated as the difference between the resources received from the sale and the carrying value of the asset, and it is recognized in income.

c. *Intangible assets* -

Separately acquired intangible assets - Intangible assets with a finite life acquired separately are recognized at acquisition cost less any accumulated amortization and accumulated impairment loss. Amortization is recognized based on the straight-line method over their estimated useful life. Estimated useful life and the amortization method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized on a prospective basis. Intangible assets with an indefinite useful life that are acquired separately are recorded at cost less accumulated impairment losses.

The following useful lives are used to calculate amortization:

2016

Rights	7-15 years
Licenses	3-10 years
Software	2-10 years

Derecognition of intangible assets - An intangible asset is derecognized when sold, or when future economic benefits from use or disposal are not expected to be obtained. Profits or losses arising from the derecognition of an intangible asset, measured as the difference between net income and the carrying value of the asset, are recognized in income when the asset is derecognized.

- d. *Impairment of tangible and intangible assets, excluding goodwill:* At the end of each period, the Company reviews the carrying values of its tangible and intangible assets in order to determine whether there are signs that these assets have undergone impairment loss. If there is any sign, the recoverable amount of the asset is calculated in order to determine the amount of the impairment loss (if any). If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating units to which said asset belongs. When a reasonable and consistent distribution base can be identified, the corporate assets are also allocated to the individual cash-generating units.

Intangible assets with an indefinite useful life or those that are not yet available for use are subject to impairment testing at least once per year, and whenever there is a sign that said asset may have been impaired.

The recoverable amount is the higher amount between the fair value less the cost of sale and the value in use. When assessing the value in use, estimated future cash flows are discounted from the present value thereof using a discount rate before tax that will reflect the current market assessment regarding the time value of money and the specific risks of the asset for which the future cash flow estimates have not been adjusted.

If it is estimated that the recoverable amount of an asset (or cash-generating unit) is less than its carrying value, the carrying value of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in the income statement.

After that, when an impairment loss is reversed, the carrying value of the asset (or cash-generating unit) is increased to the revised estimated value of its recoverable amount, such that the adjusted carrying value does not exceed the carrying value that would have been determined if an impairment loss had not been recognized for said asset (or cash-generating unit) in previous years. The reversal of an impairment loss is recognized immediately in income.

The Company defined two cash-generating units, Fixed and Mobile.

- e. *Investments in controlled companies* - A subsidiary or controlled company is a company whose power of decision is subject to the will of other(s), which can be the parent or controlling company, either directly, in which case it will be called a branch, or by means of the subsidiaries of the parent company, in which case it will be called a subsidiary. There is control when one or more of the following conditions are met:

When more than 50% of the capital belongs to the parent company, directly or through another or jointly by its subsidiaries or the subsidiaries thereof.

- When the parent company and the subsidiaries jointly or separately have the right to issue the minimum deciding majority votes on the board of partners or the general shareholders' meeting, or they have the number of votes necessary to elect the majority of the members of the board of directors, if there is one.
- When the parent company, directly or through another, or jointly by subsidiaries, based on an action or business with the controlled company or its partners, exercises a dominant influence on the decisions of the company's management bodies.

Investments in subsidiaries are included in the financial statements using the equity method, pursuant to Law 222 / 1995, except if the investment or a portion thereof, is classified as held for sale, in which case it is accounted for according to IFRS 5.

According to the equity method, investments in subsidiaries are initially accounted for in the statement of financial position at cost, and later adjusted to account for the Company's share in profits or losses and variations other than the subsidiary's income in other comprehensive income.

- f. *Investment in associates* - An associate is an entity over which the Company has significant influence. Significant influence is the power to intervene in decisions regarding the financial and operating policy of the investee, without having absolute or joint control thereof.

Investments in subsidiaries are included in the financial statements using the cost method.

In the event of sale of these assets, the Company only recognizes the portion of income attributable to the other associates. The Company does not recognize its share in profits or losses generated by the associates or joint ventures until the assets are sold to third parties. The losses originated in the course of transactions with associates or joint ventures are recognized if the losses show a reduction in the net realizable value of the assets transferred.

- g. *Financial instruments* - Financial assets and liabilities are recognized when the Company becomes a party of the contractual sale of the instruments.

Financial assets and liabilities are initially valued at fair value. The transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (other than financial assets at fair value through profit or loss) are added to or subtracted from the fair value of financial assets or liabilities, as applicable, in the initial recognition. The transaction costs that are directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in the income statement.

- h. *Financial assets* - Financial assets are classified in the following categories: financial assets at fair value through profit or loss, investments held to maturity, financial assets available for sale and loans and accounts receivable. The classification depends on the nature and purpose of the financial assets and it is determined at the time of initial recognition. All purchases or sales of

financial assets carried out as usual are recognized and eliminated based on the negotiation date. Purchases or sales carried out as usual are the purchases or sales of financial assets that require the delivery of the assets within the time frame established by market regulations or customs.

1. Effective Interest Rate Method

The effective interest rate method is a method to calculate the amortized cost of a debt instrument and to allocate the financial income or cost during the relevant period. The effective interest rate discounts estimated future cash income (including all the fees and basis points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life of the debt instrument or, when appropriate, during a shorter period, from the net carrying value at the time of initial recognition.

Income is recognized based on the effective interest for debt instruments other than the financial assets classified at fair value through profit or loss.

2. Financial Assets at Fair Value through Profit or Loss

Financial assets are classified at fair value through profit or loss when they are held for trading or are designated at fair value through profit or loss.

Financial assets at fair value through profit or loss are recorded at fair value, recognizing any profit or loss resulting from their revaluation in income. The net profit or loss recognized in income includes any dividend or interest obtained from the financial asset, and it is included in the other income and expenses item in the profit and loss statement and other comprehensive income.

3. Investments Held to Maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the intention and capacity of holding to maturity. Following initial recognition, investments held to maturity are valued at amortized cost using the effective interest method less any impairment loss.

4. Loans and Accounts Receivable

Accounts receivable from customers, loans and other accounts receivable with fixed or determinable payments are non-derivative financial assets that are not traded on an active market. Loans and accounts receivable (including commercial accounts, other accounts payable, bank balances and cash) are valued at amortized cost using the effective interest method, less any impairment.

Income from interest is recognized by applying the effective interest rate, except for short-term accounts receivable in the event that the recognition of interest is intangible.

5. Impairment of Financial Assets

For certain categories of financial assets, such as accounts receivable from customers, the assets that are subject to testing for impairment effects and have not been impaired individually are included in the impairment test on a collective basis. The objective evidence regarding the possible impairment of an accounts receivable portfolio could include the Company's past experience regarding collection, an increase in the number of late payments exceeding an average credit period of 60 days, as well as observable changes in the national

and local economic conditions correlated with default in payments.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets, except for accounts receivable from customers, where the carrying value is reduced through an allowance account for doubtful accounts. When an account receivable is deemed uncollectible, it is eliminated against the allowance. The subsequent recovery of the amounts previously eliminated becomes a credit against the allowance. Changes in the carrying value of the allowance account are recognized in the income statement.

- i. *Financial liabilities* - Financial liabilities correspond to the sources of financing obtained by the Company through bank loans and bond issuances, accounts payable to suppliers and creditors.

Financial liabilities are generally recorded for the cash received, net of the costs incurred in the transaction. In subsequent periods, these obligations are valued at amortized cost using the effective interest rate method.

Accounts payable to suppliers and creditors are short-term financial liabilities recorded at nominal value, provided they do not significantly differ from their fair value.

- j. *Leases* - Leases are classified as finance leases when the lease terms substantially transfer all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

- k. *Income tax* - Income tax expenses account for the sum of:

Current tax – Current tax payable is based on the taxable income recorded during the year. Taxable income differs from the profit reported in the profit and loss statement and the statement of other comprehensive income, due to the taxable or deductible income or expense items of other years and items that will never be taxable or deductible. The Company's liability on account of current tax is calculated by using the current tax rates at the end of the reporting period. The Company determines the provision for income tax, additional taxes and income tax for equality (CREE) based on the taxable income, estimated at the rates specified in the tax law.

Deferred tax - Deferred income tax is recognized on temporary differences between the carrying value of the assets and liabilities and their tax base, produced by the balances of deferred income tax assets and liabilities, which are calculated using the tax rates expected to be in force when the assets and liabilities are realized, considering the rates approved for this purpose at the end of the reporting period or for which the approval process is practically completed. A deferred tax asset will be recognized if it is likely that the Company will have sufficient future taxable earnings to recover the deductions for temporary differences and make the tax credits payable.

The carrying value of a deferred tax asset must be subject to review at the end of each reporting period and reduced to the extent that it is considered likely there will not be sufficient taxable income to recover all or part of the asset.

- l. *Employee Benefits* -

Employee Benefits - for Termination and Retirement -

The contributions made to the retirement benefit plans with established contributions are recognized as expenses when the employees have rendered the services entitling them to said contributions.

In the case of defined benefit plans, which include a seniority bonus and pensions, the cost thereof is determined using the projected unit credit method with actuarial valuations at the end of each reporting period. Remeasurements, which include actuarial profits and losses, the effect of changes in the bottom-line asset value (if applicable) and the return of the asset plan (excluding interest) are reflected immediately in the statement of financial position by debit or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and are not reclassified in income. The cost of past services is recognized in the income statement for the period of modification of the plan. Net interest is calculated by applying the discount rate at the beginning of the period of the asset or liability obligation for defined benefits. The costs of defined benefits are classified as follows:

- Cost of service (including the cost of current service and cost of past services, as well as profit and loss due to reductions or liquidations).
- Expenses or income for net interest.
- Remeasurements

The Entity presents the first two components of the costs of defined benefits as an expense or income depending on the item. Profits and losses due to reduction of the service are recognized as costs for past services.

Any compensation obligation is recognized when the Entity can no longer withdraw the offer for compensation and/or when the Entity recognizes the related restructuring costs.

Short-term Employee Benefits and Other Long-term Benefits - A benefit liability corresponding to employees is recognized with regard to wages and salaries, annual vacation and sick leave during the period of service in which it is provided for the undiscounted amount of the benefits expected to be paid for that service.

The liabilities recognized for short-term employee benefits are valued at the undiscounted amount of the benefits expected to be paid for that service.

The liabilities recognized for other long-term benefits are valued at present value of the estimated future cash outflows that the Company expects to make related to the services rendered by employees at the reporting date.

Long-term benefits -

The Company grants benefits to its employees and pensioners according to their time of service and the Collective Labor Agreement, such as pension and healthcare payments, five-year bonuses, medical service, retirement pensions and retroactive severance pay (in the latter case, it is only for a reduced number of employees, approximately 614). Five-year bonuses are paid in accordance with Article 18 of the Collective Labor Agreement; for every five years of service, the number of salaries paid as a bonus are: first five-year period, 2.5, second five-year period, 3, third five-year period, 3.5, fourth five-year period, 4, fifth five-year period, 5.

Retroactive severance pay is paid for employees who belong to the labor system in force prior to Law 50 / 1990 who did not agree to switch over to the new system. This social benefit is calculated for the entire time worked based on the average salary earned over the last year.

Pension and healthcare payments are those to be made by pensioners, but are assumed by the Company. ETB makes employee pension payments until they meet the requirements to retire with Colpensiones, for pensioners whose pension payment will be shared with Colpensiones or

the entity acting as such.

The medical service is the healthcare service provided to the children, parents and spouses or life partners of Company employees and retirees in accordance with Clauses 33 and 34 of the collective labor agreement, regulated by Resolution 3873 / May 1988.

- m. *Provisions* - Provisions are recognized when the Entity has a present obligation (either legal or assumed) as a result of a past event, and it is likely that the Company will have to pay the obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the disbursement necessary to pay the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is valued using the estimated cash flows to liquidate the present obligation, its carrying value represents the present value of said cash flows (when the effect of the time value of money is material).

- n. *Recognition of revenue* – Revenue from providing telephone services, shares in contracts with carriers and services other than telephone is recorded monthly in accordance with the trade agreements in force. Services provided but not billed are valued in accordance with the sales plans or included as part of accounts receivable.

Income from the sale of equipment is calculated at fair value of the consideration received or receivable, taking into account the estimated amount of customer returns, rebates and other similar discounts.

Dividend income from investments is recognized once shareholders' rights to receive this payment have been established (provided it is likely that the economic rewards will flow to the Company and the income can be reliably valued).

Interest income is recognized when it is likely that the economic rewards will flow to the Company and the amount of the income can be reliably valued. Interest income is recorded on a periodic basis, with reference to the outstanding balance and the applicable effective interest rate, which is the rate that exactly discounts the estimated cash flows to be received throughout the expected life of the financial asset and it is matched with the net carrying amount of the financial asset initially recognized.

- o. *Statement of cash flow* - The statement of cash flow includes the cash movements carried out during the period, determined based on the indirect method using the following expressions as provided below:
- *Cash flows*: Cash inflows and outflows or other equivalent channels, understood as investments for terms less than three months with great liquidity and low risk of changes in value.
 - *Operating activities*: The activities that constitute the Company's main source of ordinary income, as well as other activities that cannot be classified as investment or financing activities.
 - *Investment activities*: Activities involving the acquisition, transfer or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.
 - *Financing activities*: Activities that lead to changes in the size and composition of total equity and financial liabilities.

- p. *Cash and cash equivalents* - Cash and cash equivalents include cash in hand, deposits freely available in banks, and other highly liquid short-term investments with terms of three months or less following acquisition of the financial instrument.
- q. *Profit (loss) per share* - The basic profit per share is calculated as the quotient between the net profit (loss) of the period attributable to the Company and the average weighted number of outstanding ordinary shares thereof during said period
- r. *Wealth tax* - This tax is imposed on the possession of wealth (gross equity less current debts) in an amount greater than or equal to COP 1,000 million at January 1, 2015. , January 1, 2016 and January 1, 2017. The Company recorded this tax against the equity reserve pursuant to Article 10 of Law 1739 / 2014.

4. CRITICAL ACCOUNTING JUDGMENTS

In applying the accounting policies of the Company, which are described in Note 3, management must make judgments, estimates and assumptions regarding the carrying values of the assets and liabilities of the financial statements. The relative estimates and assumptions are based on experience and other factors deemed relevant. The actual results may differ from these estimates.

The estimates and assumptions are revised on a regular basis. Changes to the accounting estimates are recognized in the period in which the change is made, and future periods if the change affects the current period, as well as subsequent periods.

Essential judgments when applying the accounting policies - Below are essential judgments, other than those involving estimates, made by management during the process of applying the accounting policies of the Company, which have a significant effect on the financial statements.

- *Contingencies* - The Company has provisioned for estimated impacts of losses related to the different claims, situations or circumstances regarding uncertain outcomes. The Company records a loss if an event occurred on or before the date of the statement of financial position; and (i) the information is available on the date that the financial statements are issued, indicating that it is likely that the loss will occur, given the probability of uncertain future events; and (ii) the amount of the loss can be reasonably estimated. The Company assesses contingencies for judgments, environmental remediation and other events on an ongoing basis.
- *Deferred taxes* - A judgment is required to determine whether the deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including the derivatives from unused tax losses, require Management to assess the probability that the Company will generate sufficient tax revenue in future periods, in order to use the deferred tax assets recorded. Assumptions regarding the generation of future tax benefits depend on the expected future cash flows. The estimates of future tax profits are based on the expected cash flows of the operations and the judgment regarding the application of the current tax laws in each jurisdiction. Since future cash flows and tax revenue significantly differ from these estimates, the Company's capacity to realize the net deferred tax assets recorded on the reporting date may be affected.
- *Employee benefits* - The cost of defined benefits, such as pension and healthcare payments, five-year bonuses, medical service and retroactive severance pay is determined by means of actuarial valuations. An actuarial valuation involves making several assumptions, which may differ from actual future events. These include the determination of the discount rate, future salary increases, death rates and pension increases. Due to the complexity of the valuation process and its long-term nature, the obligations are sensitive to changes in these assumptions. All assumptions are revised on each reporting date.

- *Accountability for information and estimates* - The information contained in these financial statements is the responsibility of Company Management. In order to prepare them, certain estimates are used to quantify some of the assets, liabilities, income, expenses and commitments that are recorded therein, based on experience and other relevant factors. The final results may vary from said estimates.

These estimates are revised on an ongoing basis. Changes to the accounting estimates are recognized prospectively, accounting for the effects of the change in the corresponding profit or loss accounts of the year in which the corresponding revisions are made.

The estimates and their sources of uncertainty considered most important for the preparation of the Company's financial statements refer to the:

- Estimate for asset impairment
- Useful life of property, plant and equipment
- Fair values, classification and risks of financial assets and liabilities
- Deferred tax
- Provision for the revenue and costs of unbilled services rendered
- Probability of occurrence of the contingencies
- Benefits for post-employment and pension plans

5. KEY SOURCES OF UNCERTAINTY IN ESTIMATES. –

Below are the basic assumptions regarding the future and other key sources of uncertainty in estimates at the end of the reporting period, which may involve a significant risk of material adjustments in the carrying amount of assets and liabilities in the next period.

- *Useful life of property, plant and equipment* – The Company revises the estimated useful life of property, plant and equipment at the end of each annual period.
- *Reserve for doubtful accounts* - The estimates and assumptions used to determine the reserves are checked on a periodic basis. Although the provisions recorded are considered adequate, changes in the economic conditions can lead to changes in the reserve and, therefore, have an impact on income.
- *Impairment of long-term assets (property, plant and equipment)* – The review of the impairment of long-term assets is based on internal and external financial indicators, projections and other assumptions. The Company checks the estimates, and updates the information based on assumptions, as necessary.
- *Impairment of investments in subsidiaries and partnerships* – At the end of each reporting period, the Company assesses the carrying amounts of its assets for investments in subsidiaries and partnerships in order to determine whether there are any signs that these assets have undergone any impairment loss. If so, the recoverable amount of the asset is calculated in order to determine the scope of the impairment loss (if any).

6. STANDARDS ISSUED BY THE IASB NOT YET IN FORCE

To be adopted in Colombia as of January 1, 2017 – Decree 2496 / 2015 - Based on this decree, as of January 1, 2017, the following standards will take effect in the technical regulatory framework that contains the standards that were in effect at December 31, 2014, with their respective amendments issued by the IASB, permitting early application:

Financial Reporting Standard	Subject of Amendment
IAS 1 - Presentation of Financial Statements	Disclosure Initiative.
IAS 16 - Property, Plant and Equipment IAS 38 - Intangible Assets	Clarification of Acceptable Methods of Depreciation
IAS 16 - Property, Plant and Equipment IAS 41 - Agriculture	Bearer Plants
IAS 19 - Employee Benefits	Defined Benefit Plans: Employee Contributions.
IAS 27 - Separate Financial Statements	Equity Method in Separate Financial Statements
IAS 32 - Financial Instruments: Presentation	Offsetting Financial Assets and Financial Liabilities
IFRS 10 - Consolidated Financial Statements	
IFRS 12 - Disclosure of Interests in Other Entities	Applying the Consolidation Exception
IAS 28 - Investment Entities	
IFRS 10 - Consolidated Financial Statements IAS 28 - Investment Entities	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 11 - Joint Arrangements	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14 - Regulatory Deferral Accounts	Deferral Accounts of Regulated Activities
Annual Improvements 2012-2014 Cycle	These amendments reflect issues discussed by the IASB, which were later included as amendments to the IFRS

To be adopted in Colombia as of January 1, 2018 – Decree 2496 / 2015 and 2131 / 2016 -

Based on these decrees, as of January 1, 2018, the following standards will take effect in the technical regulatory framework that contains some of the amendments issued by the IASB in 2016, permitting early application:

Financial Reporting Standard	Subject of Amendment
IAS - Statement of Cash Flow	Disclosure Initiatives
IAS 12 - Deferred Tax	Recognition of deferred tax assets for unrealized losses
IFRS 9 - Financial Instruments	This was issued as a complete standard, including the requirements previously issued and the further amendments, to introduce a new model of expected losses and changes limited to the requirements for the classification and measurement of financial assets.
IFRS 15 - Revenue from Contracts with Customers	This standard has a unique model for the accounting of revenue from contracts with customers. Its basic principle is that an entity must recognize revenue to record the transfer of the assets or services promised to customers in an amount that accounts for the compensation to which the entity expects to be entitled for those goods or services, with five steps for their recognition.

5.3 Issued by the IASB, but not adopted in Colombia—The following standards have been issued by the IASB, but have not yet been adopted by Decree in Colombia:

Financial Reporting Standard	Subject of Amendment
IFRS 2 – Share-based Payment	Classification and Measurement of Share-based Payment Transactions
IFRS 9 - Financial Instruments	
IFRS 4 - Insurance Contracts	Settle the different effective dates
IFRS 16 - Leases	Issuance of a new standard

The Company shall quantify the impact on the financial statements once the Decree that adopts them in the Colombian Technical Regulatory Framework is issued, if applicable.

7. INFORMATION BY SEGMENT

The Company discloses information by segments as indicated in IFRS 8 "Operating Segments", which establishes the reporting standards regarding operating segments and disclosures related to

products, services and geographical areas. Operating segments are defined as components of a Company for which there is separate financial information that is regularly used by the chief decision maker about the allocation of resources and to assess performance.

In accordance with the process of creating Strategic Business Units (SBUs), three strategic units have been defined, which are controlled by the Company at the level of income as follows:

- Landline - Includes landline services, basically focused on the proposal of integrated solutions, which consist of data network services, local telephone services, Internet access, public long-distance telephone services, and data center technology services, as well as network leasing and traffic businesses.
- Cellphone- Includes the license to operate 4G technology, which is entirely based on the IP protocol.
- Other - This segment considers the sale of comprehensive security services, which includes mainly surveillance cameras and access control, as well as other telecommunications services, such as special businesses and the sale of equipment, among others.

The detailed balances by segment for the year ended December 31, 2016 are listed below:

	Landline	Cellphone	Other	Total
Operating revenue	COP 1,307,380,570	COP 135,090,276	COP 16,061,889	COP 1,458,532,735
Recurring costs and expenses	834,200,301	198,802,121	742,907	1,033,745,329
Profit before depreciation, amortization and impairment	<u>473,180,269</u>	<u>(63,711,845)</u>	<u>15,318,982</u>	<u>424,787,406</u>
Depreciation and amortization	<u>517,904,667</u>	<u>24,053,276</u>	<u>-</u>	<u>541,957,943</u>
Impairment and provisions	98,506,503	-	-	98,506,503
Operating profit (loss)	(143,230,901)	(87,765,121)	15,318,982	(215,677,040)
Financial expenses, net	(66,734,277)	(37,480)	-	(66,771,757)
Exchange rate difference, net	3,606,749	43,726	22,342	3,672,817
Share in the profits of subsidiaries	<u>1,452,431</u>	<u>-</u>	<u>-</u>	<u>1,452,431</u>

Profit (Loss) before taxes	<u>(204,905,998)</u>	<u>(87,758,875)</u>	<u>15,341,324</u>	<u>(277,323,549)</u>
Income tax, CREE tax and deferred tax	51,059,859	-	-	51,059,859
Net profit (loss)of the fiscal year	<u>(153,846,139)</u>	<u>(87,758,875)</u>	<u>15,341,324</u>	<u>(226,263,690)</u>
Actuarial losses	(42,457,310)	-	-	(42,457,310)
Tax gain	14,013,095	-	-	14,013,095
Gain from the net value of investments	<u>21,824</u>	<u>-</u>	<u>-</u>	<u>21,824</u>
Comprehensive net profit (loss)of the fiscal year	<u>COP (182,268,530)</u>	<u>COP (87,758,875)</u>	<u>COP 15,341,324</u>	<u>COP (254,686,081)</u>

The detailed balances by segment for the year ended December 31, 2015 are listed below:

	Landline	Cellphone	Other	Total
Operating revenue	COP 1,383,870,794	COP 69,694,119	COP 6,441,476	COP 1,460,006,389
Recurring costs and expenses	917,793,792	138,166,539	1,520,760	1,057,481,091
Profit before depreciation, amortization and impairment	<u>466,077,002</u>	<u>(68,472,420)</u>	<u>4,920,716</u>	<u>402,525,298</u>
Depreciation and amortization	<u>414,988,214</u>	<u>9,026,239</u>	<u>-</u>	<u>424,014,453</u>
Impairment and provisions	230,950,044	-	-	230,950,044
Operating profit (loss)	(179,861,256)	(77,498,659)	4,920,716	(252,439,199)
Financial expenses, net	(47,001,961)	(70,825)	-	(47,072,786)
Exchange rate difference, net	14,125,131	(1,659,066)	(138,936)	12,327,129
Share in the profits of subsidiaries	9,915,180	-	-	9,915,180

	Landline	Cellphone	Other	Total
Profit (Loss) before taxes	(202,822,906)	(79,228,550)	4,781,780	(277,269,676)
Income tax, CREE tax and deferred tax	<u>208,610,945</u>	<u>-</u>	<u>-</u>	<u>208,610,945</u>
Net profit (loss) of the fiscal year	<u>5,788,039</u>	<u>(79,228,550)</u>	<u>4,781,780</u>	<u>(68,658,731)</u>
Actuarial gains	49,759,525	-	-	49,759,525
Tax loss	(16,838,164)	-	-	(16,838,164)
Loss from the net value of investments	<u>(800,738)</u>	<u>-</u>	<u>-</u>	<u>(800,738)</u>
Comprehensive net profit (loss) of the fiscal year	<u>COP 37,908,662</u>	<u>COP (79,228,550)</u>	<u>COP 4,781,780</u>	<u>COP (36,538,108)</u>

There are no differences regarding the criteria used by the Company in relation to the measurement and valuation of income by segments and the valuation of the assets and liabilities thereof. There are no changes in the measurement methods used to determine income by segment from the previous period.

8. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

a) Borrowings and accounts receivable

	2016	2015
Financial assets		
Cash and cash equivalents (See Note 10)	COP 269,456,645	COP 585,356,867
Commercial accounts receivable and other accounts receivable (See Note 11)	369,855,891	488,804,975
Financial liabilities		
Borrowings (See Note 20)	20,000,000	-
Bonds issued (See Note 27)	530,180,000	530,180,000
Suppliers (See Note 21)	149,192,490	325,905,123
Accounts payable (See Note 22)	595,042,640	659,953,938

9. FINANCIAL RISK MANAGEMENT

The financial management by the Company offers services to the businesses, coordinates access to domestic and foreign financial markets, supervises and manages the financial risks related to the operations of the Company through internal risk reports, which analyze exposures and the magnitude of the risks. These risks include market risk (including exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk - The Company may be exposed mainly to financial risks related to changes in exchange rates and interest rates. However, according to the analyses conducted and considering the current operations, the Company has not signed contracts for derivative financial instruments to manage its exposure to exchange and interest rate risk.

- **Interest rate risk** - The Company does not have significant exposure to interest rate risk because their borrowings, like most of their portfolio investments, are tied to a fixed rate. Borrowings at December 31 are short term at a variable interest rate of IBR +3.20%.
- **Exchange risk** - The Company carries out foreign currency-denominated transactions, especially in Time Deposit, on purchases of infrastructure and mobile phone stock, as well as on international access charges, both in accounts payable and accounts receivable, consequently generating exposure to fluctuations in the exchange rate. Possible exposures to the exchange rate are managed within the parameters of the approved policies using foreign exchange contracts.

The carrying amounts of the monetary assets and liabilities denominated in foreign currency at the end of the reporting period are as follows:

	2016		2015	
	U.S. Dollars	Colombian Pesos Thousands of COP	U.S. Dollars	Colombian Pesos Thousands of COP
Assets	12,521,328	COP 37,572,874	35,724,634	COP 112,513,663
Liabilities	<u>(15,872,628)</u>	<u>(47,629,154)</u>	<u>(29,136,553)</u>	<u>(91,764,700)</u>
Net asset position	<u>(3,351,300)</u>	<u>COP (10,056,280)</u>	<u>6,588,081</u>	<u>COP 20,748,963</u>

Credit risk-Credit risk refers to the risk that one of the parties will default on its contractual obligations, resulting in a financial loss for the Company.

The Company has implemented tools to prevent the risk of fraud, which assess the customer upon entry (granting of a product), indicating whether the characteristics thereof could cause a fraudulent event and loss to the Company.

For approving financing of mobile phones, there are models that assess customers' behavior in the market, as well as their socio-demographic variables and likelihood of default, thus generating different segments and strategies of approval (value of the mobile phones to be financed). The model

also assesses variables that are risky for portfolio loss, thus preventing the entry of customers with these characteristics. Similar models apply to other population groups, such as the business community. The design and implementation of models for other types of population group are still under evaluation in order to prevent risk and improve portfolio quality.

At present, there are statistical models that forecast customers' likelihood of default, thus allowing the design of diverse management strategies depending on the level of risk:

SCORING	HEALTH RANGE	INVOICE			
		1	2	3	4
High risk	Less than 20,000	No management due to small balance	No management due to small balance	No management due to small balance	No management due to small balance
	Between 20,001 and 100.00	No management due to risk	Means in accordance with the product	Collection agency	Collection agency
	Greater than 100,000	Collection agency	Collection agency	Collection agency	Collection agency
Medium risk	Less than 20,000	No management due to small balance	No management due to small balance	No management due to small balance	No management due to small balance
	Between 20,001 and 100.00	No management due to risk	Means in accordance with the product	Collection agency	Collection agency
	Greater than 100,000	Means in accordance with the product	Collection agency	Collection agency	Collection agency
Low risk	Less than 20,000	No management due to small balance	No management due to small balance	No management due to small balance	No management due to small balance
	Between 20,001 and 100.00	No management due to risk	Means in accordance with the product	Collection agency	Collection agency
	Greater than 100,000	No management due to risk	Means in accordance with the product	Collection agency	Collection agency
No risk	Less than 20,000	No management due to small balance	No management due to small balance	No management due to small balance	No management due to small balance
	Between 20,001 and 100.00	No management due to risk	Means in accordance with the product	Collection agency	Collection agency
	Greater than 100,000	Means in accordance with the product	Collection agency	Collection agency	Collection agency

As regards management, mass media (IVR, SMS, Banner) are generated starting at the preventive stage for the payment of accounts and to create good payment habits. Similarly, cases of customers from the segments that statistically represent higher risk are sent to collection agencies for their respective personalized management and recovery.

As regards the provision, policies such as 100% of all accounts receivable more than 180 days overdue are applied, given their low probability of collection. As for accounts receivable that are less than 180 days overdue, provisions are recognized in accordance with the statistical portfolio model, considering variables such as time past due and customer risk profile.

Liquidity risk - The Treasury Investment Committee is responsible for liquidity management. The Committee has established an appropriate framework for liquidity management so that by monitoring forecast and real cash flows on a continuous basis and reconciling asset and liability flows, the Company determines: (i) minimum liquidity levels required to fulfill its obligations and/or (ii) amounts of financing and/or investment programming in liquid assets potentially required for different terms. The Company manages liquidity risk by maintaining sources of financing available, such as pre-approved credit limits in force subject to fulfilling the formalities necessary for use.

Sources of financing

	2016	2015
Pre-approved credit limits	<u>COP 250,000,000</u>	<u>COP 631,126,000</u>

Investment portfolio risk management - The management of surplus liquidity and investment portfolio is governed by the policies approved by the Treasury Investment Committee, which provide written principles on the investment of surplus liquidity, exchange risk, interest rate risk, credit risk and the use of derivative financial instruments. The investment policy is based on the provisions of the Company's Bylaws, the guidelines and principles set forth in the Company's Code of Corporate Governance and Decree 1068 / 2015, which lay down the standards related to the investment by national and regional state-owned companies.

As regards investments for terms greater than one year, the investment policy accepts investments with the highest current credit rating, and for terms of less than one year, it accepts the greater between the highest current short-term credit rating and at least the second highest long-term rating. The maximum authorized term is 550 days. At December 31, 2015, the entire portfolio was represented in investments with terms of less than one year redeemed in 2016.

In 2016, the Company did not carry out transactions with derivative financial instruments.

The management of surplus liquidity and the investment portfolio is reported on a quarterly basis to the Treasury Investment Committee, which is an independent body that monitors the risks and policies in place to mitigate risk exposures.

Capital risk management - The Company manages its capital to ensure its capacity to continue as a going concern, generate returns for its shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

Debt (i)	COP 530,180,000	COP 530,180,000
Cash and banks	<u>269,456,645</u>	<u>585,356,867</u>
Net (excess) debt	<u>260,723,355</u>	<u>(55,176,867)</u>
Shareholders' equity (ii)	<u>COP 1,997,418,963</u>	<u>COP 2,278,611,751</u>
(i)	Debt is defined as long-term loans, as described in Note 28.	
(ii)	Shareholders' equity includes all the Company's reserves and share capital managed as capital.	

10. CASH AND CASH EQUIVALENTS

	2016	2015
Cash	COP 35,211	COP 45,004
Banks and corporations	225,454,637	330,341,606
Deposits abroad and banks in foreign currencies (1)	<u>5,020,037</u>	<u>50,373,070</u>

Subtotal	<u>230,509,885</u>	<u>380,759,680</u>
Cash equivalents (2)	-	164,348,815
Restricted cash (3)	33,391,196	39,584,988
Liquidity management deposits	<u>5,555,564</u>	<u>663,384</u>
Subtotal	<u>38,946,760</u>	<u>204,597,187</u>
Total	<u>COP 269,456,645</u>	<u>COP 585,356,867</u>

At December 31, 2016, these accounts offered an average return of 8.5% AER (6% AER in 2015)

- (1) At December 31, 2016 and 2015, the amount is USD 1,672,949.84 and USD 15,994,142.32, respectively.
- (2) The variation was due to the Company's redemption of investments in 2016, which consisted of CDs maturing in less than 90 days.
- (3) At December 31, 2016 and 2015, this was mainly made up of balances associated with inter-administrative agreements for COP 27,335,099 and COP 33,231,603, respectively.

11. COMMERCIAL ACCOUNTS RECEIVABLE AND OTHER ACCOUNTS RECEIVABLE

Telecommunications services (1)	COP 490,117,617	COP 459,675,980
Interconnection with carriers	39,533,681	40,582,540
Provision of services	8,345,823	12,178,280
Subsidies and contributions	<u>78,868,993</u>	<u>78,913,523</u>
Commercial loan portfolio subtotal	<u>616,866,114</u>	<u>591,350,323</u>
Prepaid taxes	116,479,094	189,295,402
Other accounts receivable (2)	49,037,381	51,688,843

Employee loans	12,934,706	13,146,586
Pension shares	9,715,970	9,494,301
Deposits provided	<u>-</u>	<u>4,214,351</u>

Non-commercial loan portfolio subtotal	<u>188,167,151</u>	<u>267,839,483</u>
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2016

2015

Total loan portfolio	<u>805,033,265</u>	<u>859,189,806</u>
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Less: Commercial loan portfolio impairment	(412,409,274)	(355,447,606)
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Less: Non-commercial loan portfolio impairment	<u>(22,768,100)</u>	<u>(14,937,225)</u>
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Total impairment (3)	<u>(435,177,374)</u>	<u>(370,384,831)</u>
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Total commercial accounts receivable and other accounts receivable	369,855,891	488,804,975
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Less - short-term portion	<u>348,330,726</u>	<u>466,912,607</u>
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Long-term portion	<u>COP 21,525,165</u>	<u>COP 21,892,368</u>
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(1) The following is the composition of the loan portfolio associated with telecommunications services:

Individuals	COP 346,015,683	COP 274,596,299
Government	107,531,306	147,852,036

LSPs (local service providers) and mobile phones	36,538,529	37,155,507
Prepaid cards - Public telephones	<u>32,099</u>	<u>72,138</u>
Telecommunications services	<u>COP 490,117,617</u>	<u>COP 459,675,980</u>

(2) Other accounts receivable consist of:

Seizures	COP 8,501,641	COP 8,736,233
Supplier prepayment	7,261,464	9,367,830
Central media portfolio	4,317,951	-
Home loans of former employees	3,811,674	4,679,563
Reimbursement of pensions (ISS)	2,202,730	2,164,362
Promissory notes	1,563,081	1,563,081
Financial interest	1,545,735	2,017,008
Agency agreements	1,453,653	6,094,524
Claims and compensation	1,427,922	803,850
Leases	1,222,803	1,281,376
Services	867,998	869,059
Returns on investments	499,597	499,597
Damaged goods	447,097	232,076
Administrative investigation	131,940	131,940
Dividends and shares receivable	106,062	212,814
Sale of recycled material	41,941	29,852
Insurance	41,281	27,158
Trust portfolio	12,552	12,552
Debt upon final liquidation	6,053	6,053

Legal proceedings prepayments	-	4,763,312
Other accounts receivable	<u>13,574,206</u>	<u>8,196,603</u>
Total other accounts receivable	<u>COP 49,037,381</u>	<u>COP 51,688,843</u>

(3) The commercial loan portfolio impairment includes:

	2016	2015
Past due accounts (a)	COP 355,379,916	COP 257,010,782
Telecommunications Services (b)	42,389,038	68,212,254
Interconnection with international carriers	5,013,495	23,517,409
Provision of services - Directories	6,541,085	3,632,502
Subsidies and contributions	3,085,740	3,074,660
Loans to employees	2,115,329	1,835,854
Administrative investigation	138,558	138,558
Other accounts receivable	<u>20,514,213</u>	<u>12,962,812</u>
Total	<u>COP 435,177,374</u>	<u>COP 370,384,831</u>

(a) These are past due accounts from the government, companies, carriers and subsidies, as well as customers that have been withdrawn for failure to pay, regarding which ETB has continued to take steps for collection.

(b) In 2016, it mainly includes the provision for bad debts of LSPs (local service providers) COP 7,247,698 (2015 - COP 8,251,748), government debt COP 37,152,320 (2015 - COP 38,507,433) and debt of individuals COP 6,457,366 (2015 - COP 22,865,443)

Movements of the impairment of accounts receivable from customers include:

Opening balance	COP 370,384,831	COP 318,165,997
Impairment loss recognized during the year	64,792,543	53,629,816
Amounts recovered during the year	<u>-</u>	<u>(1,410,982)</u>

Final balance	<u>COP 435,177,374</u>	<u>COP 370,384,831</u>
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Aging of accounts receivable

Between 1 and 60 days	COP 162,712,084	COP 183,064,180
Between 61 and 90 days	19,475,295	22,028,132
More than 90 days	<u>434,678,735</u>	<u>386,258,011</u>

Total	<u>COP 616,866,114</u>	<u>COP 591,350,323</u>
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Aging of matured, but not impaired accounts receivable

31-60 days	COP 30,699,483	COP 26,781,180
61-90 days	14,991,718	16,781,814
91-180 days	9,558,464	15,301,314
181-360 days	2,227,579	25,428,751
More than 361 days	<u>21,195,013</u>	<u>3,321,945</u>

Total	<u>COP 78,672,257</u>	<u>COP 87,615,004</u>
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Aging of impaired commercial accounts receivable

31-60 days	COP 6,228,015	COP 7,995,287
61-90 days	4,483,577	5,246,318
91-180 days	21,532,135	17,855,395
181-360 days	39,270,838	58,668,339
More than 361 days	<u>340,894,709</u>	<u>265,682,269</u>

Total	<u>COP 412,409,274</u>	<u>COP 355,447,608</u>
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12. OTHER FINANCIAL ASSETS

	2016	2015
Investments held to maturity:		
Fixed income	<u>COP -</u>	<u>COP 27,757,764</u>

The details of investments at December 31, 2015 are as follows:

Bank	Maturity	Amount
CD - Banco Davivienda	6/4/2016	COP 10,061,262
CD - Banco Corpbanca	6/11/2016	6,022,346
CD - Banco Davivienda	7/25/2016	2,558,909
CD - Banco Corpbanca	4/18/2016	2,035,181
CD - Bancolombia	4/24/2016	2,032,821
CD - Banco BBVA	5/8/2016	2,017,231
CD - Banco BBVA	4/19/2016	1,503,671
CD - Banco Davivienda	7/25/2016	1,023,564
CD - Banco Davivienda	5/25/2016	<u>502,779</u>
		<u>COP 27,757,764</u>

13. INVENTORY, NET

	2016	2015
Items in stores	COP 9,648,680	COP 21,067,787
Less - Impairment due to obsolescence	<u>(363,012)</u>	<u>(363,012)</u>

Total	<u>COP 9,285,668</u>	<u>COP 20,704,775</u>
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14. OTHER ASSETS

Prepayments (1)	COP 11,737,707	COP 11,360,147
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Other assets	3,089,221	3,089,221
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Investments (2)	1,406,427	1,406,427
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Commercial trust	<u>339,570</u>	<u>382,764</u>
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Total	16,572,925	16,508,559
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Less - current portion	<u>10,105,484</u>	<u>9,458,844</u>
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Non-current portion	<u>COP 6,467,441</u>	<u>COP 6,779,715</u>
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(1) For the years ended December 31, 2016 and 2015, it includes insurance for COP 9,475,546 and COP 9,116,214, respectively, and leases for COP 1,957,384 and COP 2,243,933, respectively.

(2) Investments at December 31, 2016 and 2015 are made up as follows:

	Economic activity	Percentage share	Type of share	No. of shares held	Cost	Total investment
E. E. B. S. A.	Public utilities	0.04%	Ordinary	4,258,184	COP 636,913	COP 636,913
Banco Popular S.A.	Finance	0.11%	Ordinary	8,772,703	769,481	769,481
Acerías Paz del Río S.A.	Basic Industry	0.00%	Ordinary	3,289	33	33
Comcel S.A.	Comunicaciones	0.00%	Ordinary	3	-	-
Total					<u>COP 1,406,427</u>	<u>COP 1,406,427</u>

15. PROPERTY, PLANT AND EQUIPMENT, NET

	2016	2015
Plants, ducts, networks and lines	COP 1,846,837,939	COP 1,545,104,399
Assets under Construction	269,488,128	744,585,972
Buildings	222,809,469	206,594,309
Land	187,529,378	187,110,283
Unexploited movable property in storage	14,988,371	33,797,820
Furniture, appliances and office equipment	24,879,250	17,210,542
Machinery and equipment	16,404,550	16,675,336
Communication equipment, computers and others	17,292,528	8,281,707
Vehicles	2,385,318	5,155,960
Equipment prepayments	-	2,077,533
Assets acquired by leasing	<u>-</u>	<u>197,425</u>
Total	<u>COP 2,602,614,931</u>	<u>COP 2,766,791,286</u>

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Movements in 2016 of the cost of property, plant and equipment are listed below:

	Land	Assets under construction	Buildings	Plants and networks	Furniture, appliances and office equipment	Vehicles	Machinery and equipment	Assets under finance lease	Computers, communication equipment and other	Movable property in storage	Total
Balance at December 31, 2014	<u>COP 186,251,545</u>	<u>COP 511,547,588</u>	<u>COP 205,562,203</u>	<u>COP 1,782,179,805</u>	<u>COP 20,297,072</u>	<u>COP 9,843,100</u>	<u>COP 17,391,572</u>	<u>COP 625,869</u>	<u>COP 17,258,150</u>	<u>COP 1,636,661</u>	<u>COP 2,752,593,565</u>
Additions	858,862	674,956,383	10,803,068	438,393,221	1,191,178	-	5,524,874	-	171	79,352,860	1,211,080,617
Transfers	-	(441,917,999)	-	-	-	-	-	-	-	(47,191,701)	(489,109,700)
Derecognitions	<u>(124)</u>	<u>-</u>	<u>-</u>	<u>(32,994,716)</u>	<u>(6,733)</u>	<u>(321,200)</u>	<u>(288,944)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,611,717)</u>
Balance at December 31, 2015	<u>187,110,283</u>	<u>744,585,972</u>	<u>216,365,271</u>	<u>2,187,578,310</u>	<u>21,481,517</u>	<u>9,521,900</u>	<u>22,627,502</u>	<u>625,869</u>	<u>17,258,321</u>	<u>33,797,820</u>	<u>3,440,952,765</u>
Additions	442,789	320,180,571	27,158	19,562,146	-	-	1,835,710	-	(77,234)	(16,543,247)	325,427,893
Transfers	(23,544)	(789,932,455)	21,680,185	681,731,630	11,935,454	-	748,861	(625,869)	12,569,373	-	(61,916,365)
Derecognitions	<u>(150)</u>	<u>(5,345,960)</u>	<u>-</u>	<u>(24,530,659)</u>	<u>(301,263)</u>	<u>(111,200)</u>	<u>(284,483)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,573,715)</u>
Balance at December 31, 2016	<u>COP 187,529,378</u>	<u>COP 269,488,128</u>	<u>COP 238,072,614</u>	<u>COP 2,864,341,427</u>	<u>COP 33,115,708</u>	<u>COP 9,410,700</u>	<u>COP 24,927,590</u>	<u>COP -</u>	<u>COP 29,750,460</u>	<u>COP 17,254,573</u>	<u>COP 3,673,890,578</u>

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Movements in 2016 of accumulated depreciation and impairment loss were as follows:

	Buildings	Plants and networks	Furniture, appliances and office equipment	Vehicles	Machinery and equipment	Assets under finance lease	Computers, communication equipment and other	Movable property in storage	Total
Balance at December 31, 2014	<u>COP (4,827,007)</u>	<u>COP (322,706,820)</u>	<u>COP (1,847,386)</u>	<u>COP (1,520,346)</u>	<u>COP (3,341,302)</u>	<u>COP (213,072)</u>	<u>COP (4,901,712)</u>	<u>COP -</u>	<u>COP (339,357,645)</u>
Derecognitions	-	17,176,152	1,728	321,200	32,044	-	-	-	17,531,124
Depreciation	(4,943,955)	(322,145,112)	(2,425,049)	(3,165,691)	(2,308,884)	(215,372)	(3,973,197)	-	(339,177,260)
Impairment	<u>-</u>	<u>(12,720,600)</u>	<u>(268)</u>	<u>(1,103)</u>	<u>(334,024)</u>	<u>-</u>	<u>(101,703)</u>	<u>-</u>	<u>(13,157,698)</u>
Balance at December 31, 2015	<u>(9,770,962)</u>	<u>(640,396,380)</u>	<u>(4,270,975)</u>	<u>(4,365,940)</u>	<u>(5,952,166)</u>	<u>(428,444)</u>	<u>(8,976,612)</u>	<u>-</u>	<u>(674,161,479)</u>
Derecognitions	25,797	10,106,460	300,140	61,455	(84,681)	554,078	(225,189)	-	10,738,060
Depreciation	(5,517,980)	(390,078,699)	(4,266,691)	(2,725,726)	(2,486,192)	(125,634)	(5,863,055)	-	(411,063,977)
Impairment	<u>-</u>	<u>2,865,130</u>	<u>1,068</u>	<u>4,829</u>	<u>-</u>	<u>-</u>	<u>2,606,924</u>	<u>(2,266,202)</u>	<u>3,211,749</u>
Balance at December 31, 2016	<u>COP (15,263,145)</u>	<u>COP (1,017,503,489)</u>	<u>COP (8,236,458)</u>	<u>COP (7,025,382)</u>	<u>COP (8,523,039)</u>	<u>COP -</u>	<u>COP (12,457,932)</u>	<u>COP (2,266,202)</u>	<u>COP (1,071,275,647)</u>

Cost	Land	Assets under construction	Buildings	Plants and networks	Furniture, appliances and office equipment	Vehicles	Machinery and equipment	Assets under finance lease	Computers, communication equipment and other	Movable property in storage	Total
Balance at December 31, 2015	<u>COP 187,110,283</u>	<u>COP 744,585,972</u>	<u>COP 206,594,309</u>	<u>COP 1,547,181,930</u>	<u>COP 17,210,542</u>	<u>COP 5,155,960</u>	<u>COP 16,675,336</u>	<u>COP 197,425</u>	<u>COP 8,281,709</u>	<u>COP 33,797,820</u>	<u>COP 2,766,791,286</u>
Balance at December 31, 2016	<u>COP 187,529,378</u>	<u>COP 269,488,128</u>	<u>COP 222,809,469</u>	<u>COP 1,846,837,938</u>	<u>COP 24,879,250</u>	<u>COP 2,385,318</u>	<u>COP 16,404,551</u>	<u>COP -</u>	<u>COP 17,292,528</u>	<u>COP 14,988,371</u>	<u>COP 2,602,614,931</u>

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There are no restrictions or levies on property, plant and equipment.

The details of the main assets under construction are as follows:

	2016	2015
Assets for Operations	COP 85,377,748	COP 39,253,484
N-PLAY Project	66,572,267	218,820,868
Corporate links	12,556,889	-
FTTC project	12,171,686	-
LTE Cellphones	11,738,522	11,965,060
IT Project	10,213,814	29,608,926
FTTH Project	9,726,741	61,270,122
Communication Equipment - Huawei	7,133,789	19,778,392
Communications Platform - Huawei	7,109,309	20,999,122
Civil works	5,894,989	-
Remanufacturing	4,571,749	-
Software	3,060,777	13,106,351
ZTE Equipment	948,604	10,908,194
N-play-ColvateL	147,958	15,964,010
Olt Alcatel LucentFiber	-	13,728,788
Other	<u>32,263,286</u>	<u>289,182,655</u>
 Total	 <u>COP 269,488,128</u>	 <u>COP 744,585,972</u>

ETB analyzed the impairment of CGU's fixed and mobile assets, based on the methodology developed by consulting company, Organización Levin de Colombia S.A. to estimate the recovery and impairment values used in 2015.

The fixed CGU offers local, long-distance telephone services, added value (including Internet and broadband services), interconnection, transport and connectivity services, public telephone, satellite and TV services and a telephone directory, excluding services related to mobile telephony.

The Recovery Value (RV) was estimated by calculating the Use Value (UV), which did not generate impairment at December 31, 2016 and 2015.

16. INTANGIBLE ASSETS

Licenses (1)	COP 224,945,353	COP 241,025,569
Software (2)	139,231,563	109,533,821
Rights (3)	<u>94,074,860</u>	<u>82,111,331</u>
Total	<u>COP 458,251,776</u>	<u>COP 432,670,721</u>

(1) This includes mainly:

- (a) License to use Oracle for COP 28,471,858 and (2015 - COP 25,565,312), which is a database for the value chain, SRM (Supplier Relationship Management) and IT resource optimization projects, as well as the service management, N-Play and LTE projects.
- (b) Software Assurance for COP 8,337,230 (2015 - COP 13,353,708), is a customer service tool to support the corporate data center project.
- (c) SAP licenses for COP 9,633,973 (2015 COP 7,570,469); this is the tool used to capture, report and control the Company's financial and contractual information.
- (d) FTTH for COP 18,463,732 (2015 COP 17,363,708)
- (e) According to Resolution No. 2623 / July 26, 2013 of the Ministry of Information Technologies and Telecommunications, the permit to use the frequency bands of the radio spectrum was awarded to the Colombia Móvil (TIGO) - ETB Joint Venture for the operation and provision of mobile ground services. The value of the radio spectrum assigned is COP 145,999,311 (2015 COP 161,951,975), with permission for ten years.

(2) The software consists of:

	2016	2015
FTTH	COP 59,401,979	COP 24,743,706
Information technology	44,929,552	54,188,353
Miscellaneous	12,274,657	10,501,319

Oracle	6,966,330	4,797,428
Company architecture	5,826,399	4,502,812
IP telephone service	5,652,165	4,280,506
Revchain	1,864,190	1,286,628
Microsoft	1,819,949	3,033,248
4G – Cellphone	<u>496,342</u>	<u>2,199,821</u>
Total	<u>COP 139,231,563</u>	<u>COP 109,533,821</u>

(3) This includes the rights to use submarine cable and fiber optics for COP 61,904,888 (2015 COP 71,467,057), which will be amortized in periods ranging from 2 to 15 years.

Movements of the cost of intangibles are listed below:

	Rights	Licenses	Software	Total
Balance at December 31, 2015	COP 228,472,772	COP 568,512,425	COP 301,132,045	COP 1,098,117,242
Additions	35,852,955	(11,290,755)	912,554	25,474,754
Reclassifications and transfers	<u>109,670</u>	<u>27,794,649</u>	<u>34,011,425</u>	<u>61,915,744</u>
Balance at December 31, 2016	<u>COP 264,435,397</u>	<u>COP 585,016,319</u>	<u>COP 336,056,024</u>	<u>COP 1,185,507,740</u>

Movements of accumulated amortization are listed below:

	Rights	Licenses	Software	Total
Balance at December 31, 2015	COP 146,361,441	COP 327,486,856	COP 191,598,224	COP 665,446,521
Amortization expense	23,836,267	55,000,517	43,337,148	122,173,932

Reclassifications and transfers	<u>162,828</u>	<u>(22,416,406)</u>	<u>(38,110,911)</u>	<u>(60,364,489)</u>
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Balance at December 31, 2016	<u>COP 170,360,536</u>	<u>COP 360,070,967</u>	<u>COP 196,824,461</u>	<u>COP 727,255,964</u>
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The net balance of intangibles was as follows:

	Rights	Licenses	Software	Total
Balance at December 31, 2015	<u>COP 82,111,331</u>	<u>COP 241,025,569</u>	<u>COP 109,533,821</u>	<u>COP 432,670,721</u>
Balance at December 31, 2016	<u>COP 94,074,861</u>	<u>COP 224,945,352</u>	<u>COP 139,231,563</u>	<u>COP 458,251,776</u>

17. INVESTMENTS IN SUBSIDIARIES

	2016	2015
Total investments in subsidiaries	<u>COP 62,998,206</u>	<u>COP 67,519,484</u>

At December 31, 2016 and 2015, the parent company's subsidiaries were Empresa Colombiana de Servicios de Valor Agregado y Telemáticos S.A. E.S.P. - Colvatel S.A. E.S.P. and Skynet de Colombia S.A.S. E.S.P.

Name of the subsidiary	Main activity	Place of incorporation and operations	Market share	2016	2015
Colvatel S. A. E.S.P. (1)	Public utilities	Colombia	88.16%	COP 29,046,334	COP 31,424,934
Skynet SAS E.S.P. (2)	Telecommunications	Colombia	74.99%	<u>33,951,871</u>	<u>36,094,550</u>
Total				<u>COP 62,998,206</u>	<u>COP 67,519,484</u>

The investments held by the Company at December 31, 2016 and 2015 have no restrictions or encumbrances.

- (1) ETB, as a majority shareholder of Colvatec S.A. E.S.P., with a share of 88.16% has appraised this investment using the equity method. According to the audited financial statements of Colvatec S.A. E.S.P., at December 31, 2016 and 2015, the balances were as follows:

Assets	COP 51,306,767	COP 63,190,612
Liabilities	18,359,359	27,768,407
Equity	32,947,409	35,422,205
Fiscal year profit	4,647,793	7,642,718

At December 31, 2016 and 2015, revenue was recorded using the equity method for COP 3,516,365 and COP 7,318,911, respectively.

- (2) As a majority shareholder of Skynet S.A.S., with a share of 74.99%, ETB has appraised this investment using the equity method. According to the financial statements provided by Skynet S.A.S., at December 31, 2016 and 2015, the balances were as follows:

Assets	COP 50,398,646	COP 28,567,908
Liabilities	36,055,412	11,953,327
Equity	14,343,234	16,614,581
Net profit (loss) of the fiscal year	(2,166,354)	2,876,133

At December 31, 2016 and 2015, an expense of COP 2,063,934 (2015 revenue of COP 2,596,269) was recorded using the equity method.

18. INVESTMENTS IN SUBSIDIARIES

	2016	2015
Investments in subsidiaries	<u>COP 3,999,491</u>	<u>COP 3,999,491</u>

Economic activity	Percentage share	Type of share	No. of shares held	Cost	Total investment
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Americas	Business	Provision	of					
ProcessService		services		39.99%	Ordinary	63,994	<u>COP 3,999,491</u>	<u>COP 3,999,491</u>

19. DEFERRED TAX ASSETS

	2016	2015
Deferred tax	<u>COP 523,446,048</u>	<u>COP 488,586,604</u>
This is the deferred tax resulting from the temporary differences as follows:		
Provisions (not deferred)	COP 234,813,237	COP 222,272,432
Provision for bad debts	104,414,541	108,998,641
Tax loss	128,603,930	122,906,116
Other assets	55,217,311	33,825,264
Investments	277,234	-
Inventory	119,795	-
Cash	<u>-</u>	<u>584,151</u>
	<u>COP 523,446,048</u>	<u>COP 488,586,604</u>

Deferred taxes are recorded based on future tax events attributable to differences between the carrying values of existing assets and liabilities in the financial statements and their respective tax base. They are calculated based on the income tax and CREE tax rates we consider will be applicable to taxable income during the years in which the temporary differences will be reversed.

For the year 2015, the deferred income tax was recorded at a rate of 25%, and CREE tax was recorded at 9%, regardless of the new surcharge on the CREE equality tax, since the differences will be reversed in the years following the effect of said surcharge.

According to the tax reform, Law 1819 / 2016 and the elimination of the CREE equality tax, temporary differences reflected at the end of 2016 are recognized at a rate of 33%, according to the Company's Legal Stability Contract (See Note 24).

At December 31, 2016

Item	NICF balance	Income tax balance	Difference	Deferred tax assets
Cash	COP 269,456,645	COP 269,456,645	COP -	COP -
Investments without OCI	45,530,432	48,302,775	2,772,343	277,234
Portfolio	364,776,916	681,184,616	316,407,700	104,414,541
Inventory	81,095,271	81,458,282	363,011	119,794
Other assets	1,058,994,077	1,226,319,263	167,325,186	55,217,312
Liabilities	2,301,595,851	1,632,497,893	669,097,958	220,802,326
Liabilities - OCI impact (actuarial calculation)	42,457,310	-	42,457,310	14,010,911
Tax loss	-	749,173,422	749,173,422	<u>128,603,930</u>
Total deferred tax				<u>COP 523,446,048</u>

At December 31, 2015

Item	NICF balance	Income tax balance	Difference	Deferred tax assets
Cash	COP 613,114,631	COP 615,451,236	COP 2,336,605	COP 584,151
Portfolio	488,845,249	867,316,944	378,471,695	94,617,924
Other assets	470,894,731	342,776,747	(128,117,984)	-
Liabilities	2,425,742,804	1,816,933,242	(608,809,562)	152,202,391
Liabilities - OCI impact (actuarial calculation)	49,759,525	-	(49,759,525)	12,439,881
Tax loss	-	391,699,323	391,699,323	<u>97,924,831</u>

Item	NICF balance	Income tax balance	Difference	Deferred tax assets
Total deferred income tax				<u>COP 357,769,178</u>

Item	NICF balance	CREE tax balance	Difference	Deferred tax assets
Cash	COP 613,114,631	COP 615,451,236	COP 2,336,605	COP -
Portfolio	488,845,249	648,631,000	159,785,751	14,380,718
Other assets	470,894,731	846,731,000	375,836,269	33,825,264
Liabilities	2,425,742,804	1,835,167,224	(590,575,580)	53,151,802
Liabilities - OCI impact	49,759,525	-	(49,759,525)	4,478,357
Tax loss	-	277,569,834	277,569,834	<u>24,981,285</u>
Total deferred CREE tax				<u>130,817,426</u>
Total deferred income and CREE tax asset				<u>COP 488,586,604</u>

20. BORROWINGS

	2016	2015
Borrowings	<u>COP 20,000,000</u>	<u>COP -</u>

On June 8, 2016, ETB took a loan with Banco Davivienda for COP 40,000,000 at a variable interest rate of IBR + 3.02%, IBR + SPREAD (AER) 10.7317%, with quarterly amortization, maturing on May 31, 2017.

21. SUPPLIERS

	2016	2015
Domestic suppliers	COP 108,583,960	COP 236,796,352
Interconnection with international carriers	1,842,622	2,281,907
Foreign suppliers	<u>38,765,908</u>	<u>86,826,864</u>
Total	<u>COP 149,192,490</u>	<u>COP 325,905,123</u>

22. ACCOUNTS PAYABLE

Dividends payable (1)	COP 364,717,848	COP 418,074,142
Commission, fees and services	103,219,104	115,448,369
Interest payable	46,776,935	35,360,060
Leases	34,985,743	16,842,482
Third party deposits	27,981,516	35,620,154
Payroll creditors	8,018,839	7,781,729
Insurance	6,321,622	7,134,191
National investment project	-	20,663,871
Other accounts payable	<u>3,021,033</u>	<u>3,028,940</u>
Total	595,042,640	659,953,938
Less: Short-term portion	<u>301,973,373</u>	<u>301,451,061</u>
Long-term portion	<u>COP 293,069,267</u>	<u>COP 358,502,877</u>

(1) Extraordinary dividends were approved at the Extraordinary Shareholders' Meeting held on June 24, 2015 for COP 404,203,719. The portion corresponding to the majority shareholder for COP 350,000,000 will be paid starting on July 20, 2017 up to the year 2021. In addition, a

6.03% interest rate was associated therewith. Minority shareholder dividends were paid in November 2015.

23. EMPLOYEE BENEFITS

The Company provides its employees with benefits such as pension and health care payments, medical service for their children, parents and spouse or life partner; these benefits are assumed by the Company as set forth in the collective labor agreement.

Employee benefits	COP 340,239,405	COP 296,081,482
Bonuses	10,169,381	9,271,816
Consolidated severance pay	5,570,315	5,227,625
Vacations	4,824,638	4,706,616
Other benefits - interest	<u>14,805,031</u>	<u>6,795,253</u>
	375,608,770	322,082,792
Long-term portion	<u>319,735,817</u>	<u>275,598,716</u>
Current portion	<u>COP 55,872,953</u>	<u>COP 46,484,076</u>

	2016			2015		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Benefits:						
Vacations	COP 4,824,638	COP -	COP 4,824,638	COP 4,706,616	COP -	COP 4,706,616
Bonuses	10,169,381	-	10,169,381	9,271,816	-	9,271,816
Other	<u>14,805,031</u>	<u>-</u>	<u>14,805,031</u>	<u>6,795,253</u>	<u>-</u>	<u>6,795,253</u>
Subtotal of benefits	29,799,050	-	29,799,050	20,773,685	-	20,773,685
Active staff benefits:						
Severance pay	5,570,315	53,473,473	59,043,788	5,227,625	47,722,082	52,949,707
Five-year bonuses	<u>-</u>	<u>39,484,616</u>	<u>39,484,616</u>	<u>-</u>	<u>39,042,502</u>	<u>39,042,502</u>
Subtotal of active staff benefits	5,570,315	92,958,089	98,528,404	5,227,625	86,764,584	91,992,209
Post-employment benefits						
Pensions	-	4,968,197	4,968,197	-	3,098,306	3,098,306
Healthcare and pension payments	16,353,588	108,867,151	125,220,739	20,482,767	101,863,008	122,345,775
Medical service	<u>4,150,000</u>	<u>112,942,380</u>	<u>117,092,380</u>	<u>-</u>	<u>83,872,818</u>	<u>83,872,818</u>
Subtotal post-employment benefits	<u>20,503,588</u>	<u>226,777,728</u>	<u>247,281,316</u>	<u>20,482,767</u>	<u>188,834,132</u>	<u>209,316,899</u>
Total	<u>COP 55,872,953</u>	<u>COP 319,735,817</u>	<u>COP 375,608,770</u>	<u>COP 46,484,077</u>	<u>COP 275,598,716</u>	<u>COP 322,082,793</u>

The movement of the employee benefit liability recorded in the statement of financial position is as follows:

	Severance pay		Five-year bonuses		Total	
	2016	2015	2016	2015	2016	2015
Opening balance	COP 47,722,082	COP 44,122,409	COP 39,042,502	COP 36,536,546	COP 86,764,584	COP 80,658,955
Cost of interest	3,756,138	3,246,174	2,896,369	2,695,080	6,652,507	5,941,254
Cost of services	2,243,774	2,086,846	2,997,446	3,035,750	5,241,220	5,122,596
Payments for services	(4,529,863)	(3,494,037)	(3,597,433)	(3,027,786)	(8,127,296)	(6,521,823)
Actuarial gains / losses charged to the statement of income	<u>4,281,342</u>	<u>1,760,690</u>	<u>(1,854,269)</u>	<u>(197,088)</u>	<u>2,427,073</u>	<u>1,563,602</u>
Final balance	<u>COP 53,473,473</u>	<u>COP 47,722,082</u>	<u>COP 39,484,615</u>	<u>COP 39,042,502</u>	<u>COP 92,958,088</u>	<u>COP 86,764,584</u>

	Pension		Payments		Medical services	
	2016	2015	2016	2015	2016	2015
Opening balance	COP 3,098,306	COP 2,543,013	COP 122,345,778	COP 133,172,843	COP 83,872,818	COP 125,508,023
Cost of interest	269,267	185,629	9,113,535	13,105,270	7,782,546	5,264,343
Payments for services	(303,892)	(248,081)	(16,994,768)	(16,303,320)	(4,359,583)	(4,151,293)
Actuarial gains (losses) OCI	<u>1,904,515</u>	<u>617,745</u>	<u>14,906,196</u>	<u>(7,629,015)</u>	<u>25,646,599</u>	<u>(42,748,255)</u>
Final balance	<u>COP 4,968,197</u>	<u>COP 3,098,306</u>	<u>COP 129,370,741</u>	<u>COP 122,345,778</u>	<u>COP 112,942,380</u>	<u>COP 83,872,818</u>

The charges in the statement of comprehensive income on account of retirement pensions and fringe benefits are broken down as follows:

2016 **2015**

Monthly pension payment	COP (1,904,515)	COP (617,745)
Payments	(14,906,196)	7,629,015
Medical service	<u>(25,646,599)</u>	<u>42,748,255</u>
Total income (expense) for retirement pensions and related benefits	<u>COP (42,457,310)</u>	<u>COP 49,759,525</u>

The charges in the statement of comprehensive income on account of fringe benefits are broken down as follows:

Borrowing costs	COP 23,817,856	COP 24,496,498
Cost of services	5,241,220	5,122,595

Actuarial assumptions -Below are the actuarial assumptions used to determine the present value of the defined benefit liability used for the actuarial calculations at December 31, 2016 and 2015.

2016	Five-year bonuses	Medical services	Severance pay	Payments	Pensions
Discount rate	6.88%	7.32%	6.88%	6.88%	7.32%
Salary increase (1)	8.25%	NA	8.25%	NA	NA
Expected inflation	4.00%	4.00%	4.00%	4.00%	4.00%
Rate of pension increase	NA	NA	NA	4.00%	4.00%
Increase in costs	NA	19%	NA	NA	NA

(1) As of 2018, it is 6.50%

2015	Five-year bonuses	Medical services	Severance pay	Payments	Pensions
Discount rate	7.72%	9.04%	8.25%	8.25%	9.04%
Salary increase (1)	8.00%	NA	8.00%	NA	NA
Expected inflation (2)	5.50%	5.50%	5.50%	5.50%	5.50%

Pension rate of increase (3)	NA	NA	NA	5.50%	5.50%
Increase in costs	NA	19%	NA	NA	NA

(1) For the year 2016, it is 7.5%, and as of 2018, it is 6.50%.

(2) As of 2017, it is 4.00%.

(3) As of 2017, it is 4.00%.

The mortality table used for the calculations was the 2008 male and female annuitant table of the Financial Superintendence, with factors of improvement in mortality.

24. CURRENT TAX LIABILITIES

The tax provisions regarding income tax applicable to the Group stipulate that the income tax rate for the years 2016 and 2015 is 25%. The reduction in the income tax rate was provided by Law 1607 / December 2012, in the same Law that created the income tax for equality (CREE, for the Spanish original) at a rate of 9%, which became effective as of January 1, 2013.

The balance of taxes, levies and rates is as follows:

	2016	2015
Tax obligations payable	COP 10,681,143	COP 60,029,055
Sales tax	5,952,571	14,612,832
Withholding tax payable	8,602,918	11,081,355
Contributions to the Communications Fund	8,502,370	7,913,678
Industry and commerce tax	3,584,848	1,691,444
Withholding of Industry and Commerce tax	1,201,217	2,746,869
Excise tax	448,706	276,576
Telephone service tax	9,168	-
Withholding of CREE tax	<u>952</u>	<u>820</u>
Short-term portion	<u>COP 38,983,893</u>	<u>COP 98,352,629</u>

Industry and commerce tax returns for Bogotá D.C. for the years 2014 to 2016, on withholding and sales tax for the years 2014 to 2016 and the tax returns for the years 2013 to 2016 are subject to review by the tax authorities

Income tax recorded in profits or losses

Current tax:

Compared to the current year - CREE	COP (9,619,657)	COP (13,829,710)
Income tax expense	(16,752,468)	-

Deferred tax, net:

Compared to the current year - CREE	<u>77,431,984</u>	<u>222,440,655</u>
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Income tax, CREE tax and deferred taxes	<u>COP 51,059,859</u>	<u>COP 208,610,945</u>
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Income tax -

- a) Income for the year 2016 is taxed at the rate of 25%.
- b) In accordance with Article 73 of Law 1341 / 2009, companies providing basic public switched telephone services, local cellphone services in the rural sector and long distance services are not subject to the presumed minimum income system.

Below is a summary of the main reconciliation entries for:

a) Differences between the accounting loss before taxes and taxable liquid income -

Loss before income tax	COP (277,323,549)	COP (277,269,676)
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Plus:

Expense for non-deductible provisions	99,703,830	377,342,218
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Expenditure from previous years	-	1,983,525
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Reversion of excess tax depreciation and amortization over the accounting depreciation	<u>215,790,871</u>	<u>150,000,000</u>
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Difference due to the adoption of NICF vs. the ledger	<u>115,282,978</u>	<u>-</u>
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2016

2015

Less:

Effect of tax-exempt income	(72,019,447)	(237,939,487)
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Deduction for the acquisition of real productive assets	(161,517,492)	(279,586,427)
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Difference due to the adoption of NICF vs. the	<u>-</u>	<u>(126,229,476)</u>
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ledger

Liquid loss	<u>COP (80,082,809)</u>	<u>COP (391,699,323)</u>
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b) Differences between the accounting loss before taxes and taxable income of the equality CREE tax -

Loss before taxes from continued operations	COP (277,323,549)	COP (277,269,676)
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Plus:

Expense for non-deductible provisions	99,703,830	361,885,281
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Expenditure from previous years	-	1,983,525
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Difference due to the adoption of NICF vs. the ledger	115,282,978	-
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Less:

Effect of tax-exempt income	(72,019,447)	(237,939,488)
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Difference due to the adoption of NICF vs. the ledger	-	(126,229,476)
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Liquid income/loss	<u>(134,356,188)</u>	<u>(277,569,834)</u>
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Minimum CREE tax base	64,451,048	99,069,369
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Current tax	5,800,594	8,916,243
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CREE surcharge	<u>3,819,063</u>	<u>4,913,467</u>
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Current income tax expense recorded in the statement of income	<u>COP (9,619,657)</u>	<u>COP (13,829,710)</u>
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Deferred tax balances - Below is the analysis of the deferred income tax assets/liabilities in the statements of financial position:

Deferred income tax debit (See Note 19)	COP 523,446,049	COP 488,586,604
Deferred income tax credit (See Note 28)	<u>(125,823,765)</u>	<u>(182,409,399)</u>
Deferred tax, net	<u>COP 397,622,284</u>	<u>COP 306,177,205</u>

Deferred tax entry - Deferred taxes are recorded based on future tax events attributable to differences between the carrying values of existing assets and liabilities in the financial statements and their respective tax base. They are calculated based on the income tax and CREE tax rates we consider will be applicable to taxable income during the years in which the temporary differences will be reversed.

For the year 2105, the Company calculated the deferred tax with an income fee based on a rate of 25% and 9% for CREE tax, regardless of the surcharge according to ETB's financial planning.

According to the tax reform, Law 1819 / 2016 and the elimination of the CREE equality tax, temporary differences reflected at the end of 2016 are recognized at a rate of 33%, pursuant to the Company's Legal Stability Contract.

c) Difference between accounting equity and tax equity -

	2016	2015
Accounting equity	COP 1,997,418,963	COP 2,278,611,751
Cash	-	2,336,605
Accounts receivable	316,407,699	378,471,695
Shares and contributions	2,772,343	(12,480,078)
Inventory	363,012	44,591,051
Fixed assets	(505,168,732)	(648,496,059)
Other assets	167,325,186	(128,117,984)
Liabilities	711,555,268	658,569,087
Difference due to adoption of the IFRS	<u>9,159,388</u>	<u>439,495,225</u>
Estimated tax equity	<u>COP 2,699,833,127</u>	<u>COP 3,012,981,293</u>

ETB legal stability contract - The Legal Stability Committee, made up of the Ministry of Commerce, Industry and Tourism, Communications, Finance and the National Planning Department, authorized signing the legal stability contract for a term of 20 years as of March 4, 2009, which protects the Company's activity in the event of adverse changes to the tax regime.

Based on the provisions established in Article 5 of Law 963 / 2005, which indicates that the investors who sign the legal stability contracts must pay the State a premium of 0.5% of the value of the investments made prior to production start-up and 1% when in operation, the Company made three payments in 2015 and two in 2016 in relation to the legal stability contract premium, as follows:

These payments consist of the following:

Date	Premium	Interests	Total
09-30-2016	2,965,468	118,249	COP 3,083,717
12-28-2016	2,957,468	29,016	<u>2,986,484</u>
Total 2016			<u>COP 6,070,201</u>

Date	Premium	Interests	Total
09-02-2015	8,377,542	-	COP 8,377,542
09-28-2015	500,670	193,357	694,027
12-24-2015	500,670	50,687	<u>551,357</u>
Total 2015			<u>COP 9,622,926</u>

The main tax benefits obtained by signing the contract are:

Income - Special Deduction on Real Productive Fixed Assets (AFRP for the Spanish original)

- Article 158-3 Tax Code: Income tax payers may deduct 40% for investments in real productive fixed assets. - Law 1111 / 2006. During the effect of the contract, the Company may request the special deduction of 40% for investments in AFRP (Real Productive Fixed Assets), which represents a deduction greater than 10% compared to the regulations in force for 2010 and 30% for the following years, given the elimination of said deduction as of the 2011 tax year by Law 1430 / 2010.

Income - Deduction Payments Abroad

- Article 31 Decree 836 / 1991, Telecommunication Costs: The limitation discussed in Article 122 of the Tax Code (15% limitation on the taxpayer's net income) will not be applicable on the costs incurred for the provision of telecommunications services that generate taxable income in Colombia, even if no taxes are withheld on said costs because there is no legal obligation to do so.

The Company can take 100% of the costs incurred abroad to provide taxable services with income in Colombia as a deductible in the determination of its net income.

Income tax rate -

Article 240 - Tax Code: The single rate on the taxable income is similar for corporations, limited liability companies and other entities, in accordance with the relevant regulations, including foreign companies and other companies of any kind. During the effect of the legal stability contract, the Company will determine its income tax by applying a rate of up to 33%.

Income tax for equality (CREE) -

- Income tax for equality (CREE) was created and is effective since January 1, 2013. This tax is calculated based on the gross revenue obtained less the revenue that is not considered income, costs, deductions, tax-exempt income and irregular income, at a rate of 9%. For the year 2016, we have provisioned an equality tax expense of COP 9,619,657 (2015 COP 13,829,170).
- A surcharge on CREE tax was created in 2015, which must be liquidated by companies whose taxable base is greater than COP 800,000.

On January 1, 2013, the Company established that CREE tax is a new tax that is different to income tax. Consequently, it deemed that for the purposes of calculating CREE tax at that date, the tax value of its assets was the same as the book value.

The Company determined the provision for the income tax for equality (CREE) using the minimum tax base.

Treatment of wealth tax – Wealth tax for the years 2015, 2016 and 2017 was established by Law 1739 / 2014 for income taxpayers, at a rate ranging from 0.20% to 1.15%, which depends on the liquid tax equity held on January 1, 2015.

For 2016, the Company determined this tax for COP 26,506,706 (2015 COP 31,012,874), recorded against the equity reserve created pursuant to Article 10 of said law.

Considering the Legal Stability Contract, the Company chose to submit the wealth tax return in May 2016, and later file the request for a refund due to the payment of amounts that were not due, on

the grounds that it is not a new tax and its characteristics are the same as the already known equity tax.

Tax Reform – Law 1819 / 2016 amended the Tax Code to reconcile revenue, tax treatment, fiscal costs and deductions by applying the Technical Regulatory Framework. It also establishes a general rate of 34% for the year 2017, 33% for the year 2018 forward, and an income tax and additional tax surcharge for taxable bases greater than COP 800,000 between 0 and 6% for the year 2017, and 0 and 4% for the year 2018. However, the Company applies the income tax rate of up to 33% established according to the Legal Stability Contract signed by the Company as mentioned earlier.

25. ESTIMATED LIABILITIES

	2016	2015
Provisions for contingencies (1)	COP 372,449,497	COP 343,247,387
Less - current portion	<u>4,371,549</u>	<u>2,956,676</u>
Long-term portion	<u>COP 368,077,948</u>	<u>COP 340,290,711</u>

Based on the assessment of the likelihood of actual loss according to the information provided by the internal and external legal advisors, in 2016 and 2015, Company Management has provisioned COP 34,135,870 in 2016 and COP 232,836,838 in 2015, charged to the statement of income, to cover likely losses from these contingencies:

(1) The provisions by type of proceedings are classified as follows:

Provision by type of proceeding:

Civil	COP 2,722,584	COP 50,000
Labor	4,277,486	5,694,739
Administrative (a)	365,449,427	337,502,317
Other contingent liabilities	<u>-</u>	<u>331</u>
	<u>COP 372,449,497</u>	<u>COP 343,247,387</u>

Movements in the provision account are presented below:

Other Provisions	Labor	Civil	Administrative	Other	Total
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Balances at December 31, 2014	COP 9,150,202	COP 3,315,651	COP 179,880,694	COP 331	COP 192,346,878
Additional provisions recorded	22,719,480	13,302,606	291,101,974	-	327,124,060
Less: Payments / other discounts of future economic rewards	<u>(26,174,943)</u>	<u>(16,568,257)</u>	<u>(133,480,351)</u>	<u>-</u>	<u>(176,223,551)</u>
Balance at December 31, 2015	5,694,739	50,000	337,502,317	331	343,247,387
Additional provisions recorded	(879,029)	2,722,584	32,292,315	-	34,135,870
Recoveries	(271,068)	-	(760,504)	-	(1,031,572)
Less: Payments / other discounts of future economic rewards	<u>(267,156)</u>	<u>(50,000)</u>	<u>(3,584,701)</u>	<u>(331)</u>	<u>(3,902,188)</u>
Balance at December 31, 2016	<u>COP 4,277,486</u>	<u>COP 2,722,584</u>	<u>COP 365,449,427</u>	<u>COP -</u>	<u>COP 372,449,497</u>

(a) This includes the following proceedings:

TELECOM CONTINGENCY (Contractual Disputes): TELECOM demands the return of higher values paid to ETB for access charges between June 1996 and June 1999. The proceeding is in the Council of State awaiting resolution of the appeal filed against the sentence of first instance, which was partially favorable for ETB. At December 31, 2016, the value to be provisioned was COP 182,729,932, which included claimed capital and indexation.

TELEFÓNICA CONTINGENCY (Executive): TELEFONICA demands the payment of interconnection access charges for receiving international long distance calls. The Council of State issued the order to pay against ETB, revoking the decision of the Administrative Court of Cundinamarca. At December 31, 2016, the value to be provisioned was COP 157,677,971, which included claimed capital and default interest.

RADIOTRÓNICA CONTINGENCY (Contractual Disputes): RADIOTRONICA S.A. is suing ETB for the damages caused by the declaration of administrative lapse of the contract. The proceeding is in the Council of State awaiting resolution of the appeal filed against the sentence of first instance, which was unfavorable for ETB. At December 31, 2016, the value to be provisioned was COP 15,981,990, including claimed capital and indexation.

INDRA CONTINGENCY (Contractual Disputes): INDRA demands for it to be declared that ETB defaulted on the payment obligations derived from Contract 4600007073, and for the provision of additional services by INDRA to be recognized and paid. The proceeding has been suspended while the court decides on the approval of a transaction agreement made by the parties in December 2015, to which ETB's current management objected. At December 30, 2016, the value to be provisioned was COP 4,448,516.

CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities - At December 31, 2016 and 2015, the value of contingent claims that were not provisioned for corresponds mainly to:

	2016	2015
Claims by type of proceeding:		
Labor	COP 317,491,645	COP 316,870,807
Administrative	178,906,134	268,412,086
Civil	<u>3,333,333</u>	<u>11,743,143</u>
Subtotal	<u>499,731,112</u>	<u>597,026,036</u>
Tax obligations	121,927,947	72,036,167
Other contingent liabilities	<u>4,111,118</u>	<u>10,527,768</u>
Subtotal	<u>126,039,065</u>	<u>82,563,935</u>
Total	<u>COP 625,770,177</u>	<u>COP 679,589,971</u>

With the support of its internal and external legal advisors, management estimated that the result of the lawsuits corresponding to the part that had not been provisioned at December 31, 2016 and 2015, for COP 499,731,112 and COP 597,026,036, respectively, in the event of rulings against the Company's interest, if any, they would not significantly affect its financial position, based on the effective loss valuation process on said date of each of the ongoing legal proceedings.

Below is a description of the main proceedings against the Company that have not been considered likely:

EMCALI CONTINGENCY (Direct Reparation): The proceeding started by EMCALI against the Ministry of Information Technology and Telecommunications, Communications Regulation Committee (CRC) and ETB for COP 46,504,451 is underway at the Administrative Court of Cundinamarca, where EMCALI is filing suit against the material damage from the lower values received on account of access charges for interconnecting traffic flowing between April 24, 2002, and February 4, 2011. The proceeding is currently in the first instance - trial period. Classified as possible.

INTEK CONTINGENCY - (Court of Arbitration): Legal proceedings are underway at the Court of Arbitration of the Bogotá Chamber of Commerce against ETB for COP 10,308,643, on account of a supposed breach of the contract of business collaboration for the provision of services in Interadministrative Contract No. 654 / 2013, signed between ETB and the Superintendence of Notaries and Registries. The proceeding is currently in the trial period. Classified as possible.

CONSORCIO JORGE ARIEL VELOZA (Contractual Disputes): The members of Consorcio Jorge Ariel Veloza seek the declaration of Resolution No. 10661 / October 25, 1996 null and void, whereby ETB declared the expiration of Contract No. 3701 signed on October 13, 1995, for the construction of primary and secondary telephone networks and ducts in the general expansions of the San Fernando Plant. The plaintiffs appraised the amount of their claims at COP 20,000,000. The proceeding is in the Council of State awaiting resolution of the appeal filed against the sentence of first instance, which was totally favorable for ETB. Classified as possible.

CLARO CONTINGENCY (CRC Administrative Action): COMCEL (formerly OCCEL) has appealed to the CRC to settle the dispute with ETB regarding remuneration for Access Charges between these two companies. Period from January 2002 to January 2006. Amount COP 20,181,833. Classified as possible.

CLARO CONTINGENCY (CRC Administrative Action): COMCEL has appealed to the CRC to settle the dispute with ETB regarding remuneration for Access Charges between these two companies. Period from February 2002 to February 2008. Amount COP 30,655,715. Classified as possible.

CLARO CONTINGENCY COMCEL (formerly OCCEL) has appealed to the CRC to settle the dispute with ETB regarding remuneration for Access Charges between these two companies. Period from January 2006 to January 2008. Amount COP 38,854,597. Classified as possible.

Contingent Assets: At December 31, 2016 and 2015, the value of the claims for lawsuits is mainly due to the proceedings of ETB, as follows:

	2016	2015
Administrative (1)	COP 437,221,927	COP 1,409,073,274
Civil	624,694	3,264,497
Bankruptcy	<u>4,557,631</u>	<u>2,240,527</u>
Total	<u>COP 442,404,252</u>	<u>COP 1,414,578,298</u>

(1) The main proceedings filed by the Company correspond to:

COMCEL PROCEEDING CONTINGENCY (Executive): For the amount of COP 327,076,551 at December 31, 2016, in accordance with the calculation by the Economic Studies department of ETB, on account of the collection of monies paid to Comcel on occasion of the decisions handed down in the year 20016, as the Council of State, by means of judgments dated August 9 and September 6, 2012, annulled said decisions and ordered COMCEL to refund the amounts paid by ETB. The proceeding is in the Council of State to settle the appeal filed by COMCEL against the sentence of first instance, ordering it to move forward with the execution.

SUPERINTENDENCE OF NOTARIES AND REGISTRIES (SNR) CONTINGENCY (Executive): ETB is claiming payment for the services provided on occasion of Contract No. 654 / 2013 signed with the SNR for COP 43,363,113. The proceeding is in the Council of State to settle the

appeal filed by SNR against the sentence of first instance, which ordered it to move forward with the execution. The proceeding has been suspended by agreement between the parties.

TELECOM CONTINGENCY (Contractual Disputes): ETB is seeking the declaration of administrative actions issued by the Commission of Telecommunications Regulation null and void on occasion of the execution of Contract No. 02610 / May 26, 1998; declaring that TELECOM failed to fulfill Contract No. 02610 / May 26, 1998; and sentencing TELECOM to pay the damages caused as a result of failing to fulfill the Contract. ETB appraised the value of its claim at COP 17,000,000. To date, the proceeding is in the Council of State awaiting resolution of the appeal filed against the sentence of first instance, which was unfavorable to its claims.

CAJANAL PROCEEDING CONTINGENCY (Annulment and restoration of the right): For the amount of COP 15,740,724, corresponding to the collection of the amounts due for the pension payments of 187 former ETB employees, denied by CAJANAL. The claim was filed before the Second Chamber of the Cundinamarca Administrative Court, which referred the case to the Fourth Chamber on account of jurisdiction. The proceedings are currently being heard.

26. OTHER LIABILITIES

	2016	2015
Income received in advance (1)	COP 45,692,959	COP 78,036,305
Collections for third parties (2)	37,300,552	57,176,011
Pension payments (3)	9,454,722	9,494,296
Deferred income from domestic carriers	1,938,656	2,357,143
Liabilities	1,818,513	1,773,465
Other liabilities	<u>15,576,162</u>	<u>8,850,287</u>
Total other liabilities	111,781,564	157,687,507
Less - Other long-term liabilities	<u>10,421,072</u>	<u>10,644,091</u>
Other short-term liabilities	<u>COP 101,360,492</u>	<u>COP 147,043,416</u>

(1) This consists mainly of the income received from the sale of telecommunications services for COP 42,103,186 (COP 74,572,098 in 2015).

(2) At December 31, 2016 and 2015, they are mainly balances payable by carriers and partners for COP 37,300,552 and COP 57,176,011, respectively.

(3) These are pension payments payable to other companies of the District, where the individuals who worked at ETB retired with these companies. The difference in liquidation generates an account payable to the Company or an account receivable from ETB, according to the result of the reconciliation.

27. BONDS ISSUED

By means of Resolution No. 4164 / December 28, 2012, the Ministry of Finance and Public Credit authorized the Company to subscribe, issue and place external public debt bonds on international capital markets. On January 17, 2013, the bond deposits were made on the international capital market for COP 530,180,000 denominated in Colombian pesos, payable in U.S. dollars at the official exchange rate (TRM, for the Spanish original) on the date of payment, over a 10-year period.

The conditions for the bond issue were as follows:

Nominal value	COP 20,000 each
Total amount authorized	COP 530,180,000
Total amount issued	COP 530,180,000 equivalent to USD 299,882,350.28 with the issue liquidation rate (TRM 1,767.96)
Issue date:	January 17, 2013
Maturity date:	January 17, 2023
Nominal interest rate:	7.00%
Interest frequency	Annual
Date of payment of interest	January 17 each year, starting on January 17, 2014
Payment Method	Colombian pesos payable in U.S. dollars at the TRM on each date of calculation by the calculation agent.

At December 31, 2016 and 2015, the interest accrued is COP 37,268,114 and COP 37,112,599, respectively.

The funds from the issuance were used to finance the development and implementation of the N-Play Triple-play Services program.

28. DEFERRED TAX LIABILITIES

	2016	2015
Deferred income tax credit	<u>COP 125,823,765</u>	<u>COP 182,409,399</u>
This is the deferred tax resulting from the temporary differences as follows:		
Fixed assets	COP 108,049,019	COP 131,355,315
Other assets	-	32,029,497
Fixed assets (land)	17,774,746	17,776,579
Investments	<u>-</u>	<u>1,248,008</u>
Total deferred income tax credit	<u>COP 125,823,765</u>	<u>COP 182,409,399</u>

The deferred income tax credit is mainly generated by temporary differences of the fixed assets item. These differences correspond to excess tax depreciation applied in previous years and the asset valuation method applied for the opening balance sheet.

The deferred tax resulting from temporary differences is:

a) At December 31, 2016

Item	NICF balance	Income tax balance	Difference	Deferred tax liability
Fixed assets	2,343,248,793	2,015,827,525	(327,421,268)	108,049,019
Fixed assets (land)	187,529,377	9,781,912	(177,747,465)	<u>17,774,746</u>

Total deferred tax COP 125,901,655

b) At December 31, 2015

Item	NICF balance	Income tax balance	Difference	Deferred tax liability
Investments	COP 44,619,132	COP 32,939,791	COP (11,679,341)	COP 1,167,934
Investments - OCI impact	800,738	-	(800,738)	80,074
Fixed assets	2,534,665,791	2,108,753,312	(425,912,479)	106,478,120
Fixed assets (land)	187,110,283	9,344,488	(177,765,795)	17,776,580
Other assets	470,894,731	342,776,747	(128,117,984)	<u>32,029,496</u>

Total deferred income tax COP 157,532,204

Item	NICF balance	CREE tax balance	Difference	Deferred tax liability
Investments	COP 44,619,132	COP 32,939,791	COP -	COP -
Investments - OCI impact	800,738	-	-	-
Fixed assets	2,534,665,791	2,258,252,512	(276,413,279)	<u>24,877,195</u>
Total deferred CREE tax				<u>COP 24,877,195</u>
Total deferred income tax liability				<u>COP 182,409,399</u>

29. CAPITAL

Share Capital - At December 31, 2016 and 2015, the authorized capital amounts to COP 2,001,776 corresponding to 3,693,276,163 common shares with a nominal value of COP 0.5420054199290271 per share. The subscribed and paid-in capital is COP 1,924,419 represented by 3,550,553,412 shares.

Shareholders	Number of Shares	Share (%)
Capital District	3,066,154,179	86.357078%
Universidad Distrital Francisco José de Caldas	71,011,068	2.000000%
Municipality of Villavicencio	757,660	0.021339%
Departmental Government of Meta	615,312	0.017330%
Empresa de Acueducto y Alcantarillado de Bogotá S.A. E.S.P.	1,373	0.000039%
Severance and Pension Benefit Fund	1,373	0.000039%
Instituto de Desarrollo Urbano de Bogotá	1,373	0.000039%
Lotería de Bogotá	<u>1,373</u>	<u>0.000039%</u>
Total public common shares	3,138,543,711	88.395902%

Shareholders	Number of Shares	Share (%)
Private capital (outstanding common shares)	<u>412,009,701</u>	<u>11.6041%</u>
Total outstanding shares	<u>3,550,553,412</u>	<u>100.00000%</u>

Dividends declared - At the General Meeting of Shareholders held on March 29, 2015 (according to Minutes No. 39), dividends were declared for COP 67,460,515 at the rate of COP 19.00 for each of the shares outstanding, payable on June 22, 2015 for minority shareholders and March 14, 2015 for the majority shareholder. At the General Meeting of Shareholders held on March 16, 2014 (according to Minutes No. 37) dividends were approved for COP 61,708,618 at the rate of COP 17.38 per share outstanding.

At the extraordinary General Meeting of Shareholders held on June 24, 2015, (according to Minutes No. 40) dividends were approved for COP 404,203,720 at the rate of COP 113.84 for each outstanding share, payable on November 20, 2015, for the minority shareholder and on June 20 of the years 2017 to 2021 with an interest rate of 6.03 AER calculated as of June 20, 2016, for the majority shareholder.

Movements for dividends approved and payable are as follows:

	2016	2015
Opening balance	COP 418,074,142	COP 55,384,792
Plus - Dividends approved at Ordinary General Meeting (1)	-	67,460,515
Amortized cost	5,057,728	7,701,464
Dividends declared at Extraordinary General Meeting of Shareholders	-	404,203,720
Less - Dividends paid	<u>(58,414,022)</u>	<u>(116,676,349)</u>
Dividends payable (Note 22)	<u>COP 364,717,848</u>	<u>COP 418,074,142</u>

(1) The dividends approved at the ordinary Meeting held on March 14, 2015 for COP 67,460,515 were approved based on the profits of the year 2014 according to the Company's financial

statements, prepared in accordance with the accounting principles generally accepted in Colombia at December 31, 2014.

Reserves – The balance of reserves consisted of:

Legal reserve	COP 962,210	COP 962,210
Excess depreciation reserve	990,570,183	990,570,183
Reserve to repurchase shares	100,000,000	100,000,000
Reserve for future periods	241,377,719	241,377,719
Reserve for wealth tax	4,173,373	30,680,080
Reserve for restoring, expanding and replacing systems	<u>243,997,559</u>	<u>243,997,559</u>
Total reserves	<u>COP 1,581,081,044</u>	<u>COP 1,607,587,751</u>

Share premium - The balance is comprised of the difference between the nominal value of each share and its placement price and the value of the premium resulting from the merger with ETELL S.A. E.S.P. of COP 410,276, corresponding to the difference between the nominal value and the value paid for the share in order to maintain the nominal value of the absorbing company. The value of this account cannot be distributed as dividends.

Legal reserve - In accordance with Colombian law, 10% of the net profit of each tax year must be allocated as a legal reserve until the balance of the reserve is equivalent to at least 50% of the subscribed capital. The mandatory legal reserve cannot be distributed prior to the Company's liquidation, but it can be used to absorb net annual losses.

Excess depreciation reserve - According to the tax regulations in force, in order to implement the deduction of accelerated depreciation, the Company must allocate from its profit 70% of the difference between the higher value of tax depreciation over accounting depreciation in order to comply with the provisions of Article 130 of the Tax Code. In subsequent periods, when the tax depreciation is less than the accounting depreciation, 70% of the difference can be released from the tax reserve as untaxed income.

Reserve for the restoration, expansion and replacement of systems - This reserve was established in order to enjoy the tax exemption benefit for domestic public utility companies, according to Article 211 of the Tax Code.

Reserve for future fiscal years - Created by decision of the General Meeting of Shareholders. There are no restrictions on this reserve and it is at the disposal of the Meeting of Shareholders.

30. OPERATING REVENUE

	2016	2015
Provision of goods and services		
Fixed charge	COP 529,926,070	COP 454,560,447
Basic charge	346,552,032	377,285,489
Mobile voice and data service	103,964,569	39,617,199
Variable Internet charge	80,373,835	70,395,108
TV service	58,679,188	23,207,337
Access charges	53,423,327	40,750,085
Variable local charge	51,005,091	50,718,722
Sale of commodities	38,223,520	71,831,858
Variable long distance charge	29,055,999	32,852,448
Data transfer and carrier service	25,295,541	30,819,388
Traffic lights and other	21,193,099	22,660,839
Revenue from international call minutes	14,512,630	19,028,911
Internet access	14,319,024	66,183,424
Supplementary, additional and special services	13,461,789	46,035,274
Variable international long distance charge	12,945,006	15,451,452
Smart grid	11,522,613	13,869,019
Connection	1,080,344	1,151,269
Discount on sales	(431)	(9,059)
Other income (1)	<u>7,906,637</u>	<u>11,810,014</u>
Total provision of goods and services	<u>1,413,439,883</u>	<u>1,388,219,224</u>

	2016	2015
Other operating income		
Recoveries	10,973,231	22,394,256
Sundries (2)	<u>34,119,621</u>	<u>49,392,909</u>
Total other income	<u>45,092,852</u>	<u>71,787,165</u>
Total operating revenue	<u>COP 1,458,532,735</u>	<u>COP 1,460,006,389</u>

(1) Consists of reconnection and reinstatement services, public phones, civil works links, videoconferences and equipment rental, invoicing, carriers and other communication services.

(2) Consists mainly of the sale of recyclable material, compensation, customer fines and penalties.

31. RECURRING COSTS AND EXPENSES

Personnel	COP 206,629,613	COP 196,401,070
Maintenance and materials	146,038,984	194,918,035
Leasing	106,671,357	114,839,495
Call center and others	98,244,143	122,508,727
	2016	2015
Fees	91,728,506	88,714,566
Access charges	79,433,173	47,671,839
TV channels and content	61,787,676	35,425,632
Contributions	42,671,595	37,759,370
Advertising and promotion	38,675,735	45,494,881
Public utilities	34,260,801	34,367,577
Commodities	28,088,821	24,233,814

Taxes	24,142,585	26,664,204
Leases	19,498,980	19,496,568
Surveillance	12,907,577	14,505,719
Pension program	4,918,207	6,598,604
Community development and social wellbeing	3,421,479	4,997,277
Other expenses	<u>34,626,097</u>	<u>42,883,713</u>
 Total	 <u>COP 1,033,745,329</u>	 <u>COP 1,057,481,091</u>

32. FINANCIAL INCOME AND EXPENSES

Income

Financial returns (1)	COP 17,772,925	COP 36,599,205
Financial expenses (2)	<u>(84,544,682)</u>	<u>(83,671,991)</u>
 Total financial income and expenses	 <u>COP (66,771,757)</u>	 <u>COP (47,072,786)</u>

(1) Financial returns

Interest and returns on accounts receivable	COP 1,161,432	COP 1,287,455
Interest on bank deposits	16,611,080	35,311,135
Interest on user financing	<u>413</u>	<u>615</u>
	<u>COP 17,772,925</u>	<u>COP 36,599,205</u>

(2) Financial expenses

Financial loan obligations	COP 39,223,704	COP 37,113,001
Actuarial costs	23,817,856	24,496,498

District dividend interests	13,661,482	-
Amortized cost of dividends	5,057,728	7,701,464
Bank expenses and commissions	2,339,619	1,904,642
Management and issuance of securities	160,302	165,613
Default interest	147,266	244,045
Amortized cost of employee loans	-	1,056,202
Amortized cost of contingencies	-	10,951,721
Other	<u>136,725</u>	<u>38,805</u>
Financial expenses	<u>COP 84,544,682</u>	<u>COP 83,671,991</u>

33. LOSS PER SHARE

The basic net loss per share is calculated by dividing the profit attributable to Company shareholders by the weighted average of common shares outstanding in the year, excluding the common shares acquired by the Company and held as treasury shares.

	2016	2015
Weighted average of outstanding common shares	3,550,553	3,550,553
Basic loss per share	COP (63.73)	COP (19.34)

34. RELATED COMPANIES

Business transactions - During the year, the Company's related companies carried out the following business transactions with related parties that are not member companies:

Account receivable and payable with related companies correspond to:

Accounts receivable

Capital District	COP 35,677,361	COP 19,875,653
Colvatel S.A. E.S.P.	1,297,066	86,012
Americas Business Process Services	1,355,698	898,426
Empresa de Energía de Bogotá	268,029	494,798
Skynet S.A.	225,504	465,312
Banco Popular	<u>119,209</u>	<u>13,147</u>

	<u>COP 38,942,867</u>	<u>COP 21,833,348</u>
Accounts payable		
Capital District	COP 378,853,902	COP 93,508,765
Colvatel S.A. E.S.P.	27,177,366	37,428,205
Americas Business Process Services	3,832,086	9,712,440
Skynet S.A.	<u>732,320</u>	<u>2,812,972</u>

COP 410,595,674 COP 143,462,382

Assets

Colvatel S.A. E.S.P. Investment project	<u>COP 95,518,171</u>	<u>COP 117,683,514</u>
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The following is the effect on income at December 31, 2016 and 2015:

Company		Transaction type		
Capital District		Telecommunications Services	COP 52,645,993	COP 35,324,073
Capital District		Other extraordinary income	10,867,851	537,570
Americas Business ProcessService		Telecommunications Services	2,889,767	3,000,000
Americas Business ProcessService		Telecommunications Services	1,485,764	809,144
Banco Popular		Other extraordinary income	1,313,559	-
Colvatel S.A.		Telecommunications Services	879,451	843,448

Company	Transaction type	2016	2015
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Banco Popular	Telecommunications Services	803,615	1,262,539
Skynet de Colombia S.A.S.	Telecommunications Services	545,765	387,853
Empresa de Energía de Bogotá S.A. E.S.P.	Telecommunications Services	126,761	237,341
Empresa de Energía de Bogotá S.A. E.S.P.	Dividends	104,053	-
Colvatel S.A.	Interests and returns	81,567	34,239
Colvatel S.A.	Leases	26,131	-
Colvatel S.A.	Recoveries	17,589	-
Colvatel S.A.	Sale - mobile phones	6,324	-
Colvatel S.A.	Fees and commissions	<u>-</u>	<u>5,618</u>
Total Revenue		<u>COP 71,794,190</u>	<u>COP 42,441,825</u>
Americas Business Process Service.	Outsourcing service	COP 52,345,034	COP 78,119,502
Colvatel S.A. E.S.P.	Technical operational maintenance	46,983,846	53,517,359
Skynet de Colombia S.A.S E.S.P.	Leasing, links and channels	10,889,800	16,901,082
Colvatel S.A. E.S.P.	Commissions, fees and public telephone management service	1,113,419	4,853,119
Capital District	Taxes	2,692,181	1,577,644
Colvatel S.A. E.S.P.	Other costs (insurance - stationery)	101,368	913,845
Colvatel S.A. E.S.P.	Infrastructure leasing	<u>4,589,539</u>	<u>141,072</u>

Total expenses	<u>118,715,187</u>	<u>156,023,623</u>
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Net effect on results	<u>COP (46,920,997)</u>	<u>COP (113,581,798)</u>
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In 2016 and 2015, there were no events between Management and Board Members, or between Management and legal persons, in which the Board Members are in turn legal representatives or shareholders with a share greater than or equal to 10% of the following types of transactions:

- a) Loans without interest or consideration, or services at no charge.
- b) Loans involving for the borrower an obligation that does not correspond to the essence or nature of the mutual agreement.
- c) Transactions whose characteristics differ from those carried out with third parties.

The pending amounts are not guaranteed and will not be settled in cash. No guarantees have been granted or received. No expenses have been recorded in the current period or in previous periods regarding uncollectible or doubtful accounts related to the amounts due from related parties.

Investments in shares - Investments in other companies' equity are held for strategic reasons and not for business purposes. In its management of surplus liquidity and the investment portfolio, the Company does not invest in shares, in compliance with the provisions set forth in the current regulations.

Compensation of key management staff - The compensation of managers and other key members of Management during the year was as follows:

	2016	2015
Short-term benefits (1)	COP 272,586	COP 3,070,869
Short-term benefits (bonus or salary approved by the General Meeting)	<u>-</u>	<u>661,013</u>
Total	<u>COP 272,586</u>	<u>COP 3,731,882</u>

(1) The compensation of key executives and managers is determined by the remunerations committee based on the performance of the individuals and market trends and approved by the Board of Directors. The variation is because the distribution of bonuses was not approved in 2016.

35. SUBSEQUENT EVENTS

There were no relevant events following the closing of the financial statements that could significantly affect the Company's financial position reflected in the financial statements for the period ended December 31, 2016.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The Financial Statements were authorized for disclosure by the Legal Representative and/or Board of Directors on February 24, 2017. These financial statements will be submitted for consideration of the highest corporate body, which may either approve or reject said financial statements.

EMPRESA DE TELECOMUNICACIONES DE BOGOTÁ S.A. E.S.P.

Certification of the Financial Statements

We hereby certify that we have verified the statements contained in the "Company's" consolidated financial statements for the years ended December 31, 2016 and 2015, which have been faithfully taken from the accounting books of ETB and its subsidiaries. Therefore:

The assets and liabilities of ETB and its subsidiaries existed on the cut-off date, and the reported transactions were carried out during that period.

The assets represent probable future economic benefits (rights) and the liabilities represent probable future economic sacrifices (obligations) obtained by or the responsibility of ETB and its subsidiaries on the cut-off date.

All the elements have been recognized as appropriate amounts.

Economic data have been correctly classified, described and disclosed.

Furthermore, the Consolidated Financial Statements were authorized for disclosure by the Legal Representative and/or Board of Directors on Friday, February 24, 2017. These financial statements will be submitted for consideration of the highest corporate body on March 27, 2017, which may either approve or reject said financial statements.

JORGE HERNÁN CASTELLANOS RUEDA
Legal Representative
Citizenship ID No. 19 367.039 issued in Bogotá

JUAN CARLOS SALGADO BERNAL
Accounting and Tax Manager
Citizenship ID No. 79.534.109 issued in Bogotá
Professional License No. 76235-T

THE LEGAL REPRESENTATIVE OF EMPRESA DE
TELECOMUNICACIONES DE BOGOTA SA ESP - ETB S.A. E.S.P.

TIN 899.999.115-8 Certifies:

That the Financial Statements and Management Report contained herein for the 2016 period do not contain any flaws, inaccuracies or errors, which would prevent Empresa de Telecomunicaciones de Bogotá SA ESP - ETB S.A. E.S.P.'s net worth or operations from being known.

JORGE HERNÁN CASTELLANOS RUEDA

CEO

Legal Representative

Citizenship ID No. 19 367.039 issued in Bogotá

Empresa de Telecomunicaciones de Bogotá S.A. E.S.P. and subsidiaries.

***Consolidated Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Statutory Auditor's Report.***

STATUTORY AUDITOR'S REPORT

To the shareholders of

EMPRESA DE TELECOMUNICACIONES DE BOGOTÁ S.A. E.S.P. AND ITS SUBSIDIARIES:

Report on the Financial Statements

I have audited the consolidated financial statements of EMPRESA DE TELECOMUNICACIONES DE BOGOTÁ S.A. E.S.P. AND ITS SUBSIDIARIES, which consist of the Consolidated Statement of Financial Position at December 31, 2016, the consolidated income statement and other comprehensive income, changes in net equity and cash flow for the year ended on that date and, a summary of the significant accounting policies, as well as other explanatory notes. The financial statements at December 31, 2015, which have been included solely for purposes of comparison, were audited by another Statutory Auditor appointed by Deloitte & Touche Ltda., regarding which he expressed his unqualified opinion on March 2, 2016.

Management Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards accepted in Colombia, and for such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; by selecting and applying the appropriate accounting policies; as well as making the accounting estimates that are reasonable under the circumstances.

Statutory Auditor's Responsibility

My responsibility is to express an opinion on the consolidated financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing accepted in Colombia. These standards require that I comply with ethical requirements and to plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement in the financial statements. In the risk assessment, the auditor considers the Company's internal control that is relevant to the preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the Company's internal control. An audit also includes assessing the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as assessing the overall presentation of the financial statements.

I believe that the audit evidence I have obtained provides a reasonable basis to express my opinion.

Opinion

In my opinion, the consolidated financial statements attached hereto, taken from the accounting books, reasonably present, in all material aspects, the consolidated financial position of EMPRESA DE TELECOMUNICACIONES DE BOGOTÁ S.A. E.S.P. AND ITS SUBSIDIARIES at December 31, 2016, the consolidated income statement of its operations and the cash flow for the year ended on that date, in accordance with the Accounting and Financial Reporting Standards accepted in Colombia.

Emphasis of Matter

As explained in further detail in Note 24 of the Financial Statements, the Company calculates and records its deferred taxes based on the differences between the accounting and tax balances. At January 1, 2013, ETB determined that the CREE tax is a new tax that is different from income tax and, as a result, considered that, for the effects of calculating the CREE tax on that date, the tax value of its assets would be the same as the book value thereof.

LILIBETH MATTA DE ANTONIO

Principal Statutory Auditor

Professional License 165.166-T

Appointed by Deloitte & Touche Ltda.

March 7, 2017.

EMPRESA DE TELECOMUNICACIONES DE BOGOTÁ S.A. E.S.P.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In thousands of Colombian pesos (COP) except where otherwise indicated).

37. ACTIVITIES

Parent Company – Corporate Purpose and Regulatory Framework - Empresa de Telecomunicaciones de Bogotá S.A. E.S.P. (hereinafter “the Company” or “ETB”) is a joint-stock company incorporated as a public utility company under Colombian law. Its majority shareholder is the Capital District. The duration of the Company is undefined and its headquarters are in the city of Bogotá D.C.

The Company runs its own telecommunications network in Bogotá D.C., which consists of: providing local and long-distance telephone services, added value (including Internet and broadband services), cellphone services, interconnection, transport and connectivity carriers, public telephone services and different satellite and TV services. The telecommunications industry in Colombia is regulated by the national government in order to promote universal service with the highest quality standards, consumer protection and fair competition.

Disposal of the Capital District's shares. On May 31, 2016, the Council of Bogotá, in a plenary session, approved the Development Plan “Bogotá Mejor Para Todos” in a second and definitive debate. The approval includes authorization for the district administration to dispose of the ETB shares held by the District of Bogotá, as well as the ETB shares held by Empresa de Acueducto, Alcantarillado y Aseo de Bogotá ESP, Fondo de Prestaciones Económicas Cesantías y Pensiones, Instituto de Desarrollo Urbano (IDU) and Lotería de Bogotá. The disposal process shall be carried out pursuant to Law 226 / 1995.

Subsidiaries - At December 31, 2016, the parent company has the following subsidiaries: Empresa Colombiana de Servicios de Valor Agregado y Telemáticos S.A. E.S.P. - Colvatec S.A. E.S.P. and Skynet de Colombia SAS. E.S.P. in which it holds 88.16% and 75%, respectively.

Compañía Colombiana de Servicios de Valor Agregado y Telemáticos S.A. E.S.P. - Colvatec S.A. E.S.P. (hereinafter “Colvatec”) – was established in accordance with Colombian law by Notarial Instrument No. 5157 issued by the 8th Notary of Santafé de Bogotá D.C., on December 31, 1992, with headquarters in the city of Bogotá, and a duration expiring on June 11, 2101. It is a public utility company, and its business activity is subject to compliance with Law 142 / 1994, Law 1341 / 2009 and other related legal and regulatory provisions.

The Company's corporate purpose is to provide and sell telecommunications goods and services and any information and communication technology (ICT) with local, national and international coverage, with or without the use of the radio spectrum, in accordance with the applicable regulatory provisions. These include but are not limited to connectivity services, services with added value, telematics, teleservices, carrier services, residential public utilities including basic public switched telephone services, national and international long-distance telephone services, entertainment and content services, cellphone and wireless services in general; outsourcing and integration of services to third parties in technical, administrative, financial, commercial, operational areas and, in general, those related to technological solutions; providing outsourcing services, professional, industrial and commercial development of design, planning, construction, installation, maintenance, support, management and auditing of all kinds of networks; and the design, manufacture, purchase, import, export, distribution, supply, sale and leasing of communications equipment, computers and hardware

in general, software, and licenses for the use of any kind of products or goods related to information and communications technology.

Skynet de Colombia S.A.S. E.S.P. (hereinafter Skynet) – was incorporated on June 2, 1999, by Notarial Instrument No. 0001948 issued by the Fifth Notary of Bogotá D.C., registered on July 8, 1999, under No. 00607231 of Book IX. The Company's duration is up to July 1, 2099, and its headquarters are in the city of Bogotá D.C.

The Company's corporate purpose is the organization, operation, provision and development of telecommunications services and activities for public or private companies and individuals, particularly but not limited to the following: basic public switched telephone services; national and international long distance telephone services; teleservices; value-added telematic services; carrier services, satellite, television, broadcasting and cellphone services; computer application hosting services; data center services; public and private telecommunications network operation services; the import, distribution, marketing and sale of inputs, outputs and equipment in general; the planning, development and monitoring of projects in the areas of computer and telecommunications systems; the design, manufacture, assembly, distribution and marketing of electrical and electronic equipment; the creation, generation and development of information and communication technologies in the national territory and abroad; and content development.

At December 31, 2016, Skynet de Colombia S.A.S. E.S.P. recorded a loss of COP 2,166,354 generated particularly by the reduction in income amounting to COP 3,571,905 in the Carriers sector. This was due to the network migration to terrestrial-based technologies as a result of the implementation of the Optic Fiber and High-speed Network projects promoted by the Ministry of ICTs. According to management's plans, associated mainly with: a) Increasing the share in projects of the Government sector, and b) Aligning the technical and social development of the KVD III project with the financial flows allocated to the project, the Company is expected to obtain positive results starting in the last quarter of 2017. Based on this situation, the Company has carried out an impairment analysis associated with its only cash generating unit and, at December 31, 2016, the Company's assets have not been impaired.

38. BASIS OF PRESENTATION

2.1 Accounting standards applied - In accordance with Resolution 743 / 2013 and the amendments of Colombia's General Accounting Office, the Company applies the current provisions issued by Law 1314 / 2009, regulated by Decree 2420 / 2015; and prepares its financial statements in accordance with the Accounting and Financial Reporting Standards Accepted in Colombia (NCIF, for the Spanish original), which are based on International Financial Reporting Standards (IFRS) together with their interpretations, translated into Spanish and issued by the International Accounting Standards Board (IASB) at December 31, 2012.

Additionally, in compliance with laws, decrees and other current regulations, the Company applies the following accounting criteria, which differ from the IFRS issued by the IASB:

2.1.1 Decree 2496 / December 23, 2015 - Whereby it is established that investments in subsidiaries should be recorded in the books of the parent or controlling company using the equity method for the individual and separate financial statements, in accordance with Article 35 of Law 222 / 1995.

2.1.2 Law 1739 / December 23, 2014 - Whereby the Colombian Government establishes the wealth tax. This tax is incurred by the possession of wealth (gross equity less current debts) that is greater than or equal to COP 1,000 million between January 1, 2015 and 2017. This law indicates that

taxpayers may charge this tax against equity reserves without affecting profits of the tax year, in separate or individual balances as well as in consolidated balances.

2.1.3 Decree 2131 / 2016 – Whereby it is determined that the calculation of pension liabilities is to be disclosed in accordance with the parameters set out in Decree 1625 / 2016 and, in the case of partial pension transfers, in accordance with Decree 1833 / 2016 and the differences with the calculation made based on IAS 19 - Employee Benefits.

Basis of Preparation - The Bylaws of the Company provides for the closing of accounting, and the preparation and dissemination of the general financial statements once per year on December 31, 2016. For legal purposes in Colombia, the main financial statements are the separate financial statements, which are expressed in Colombian pesos, since it is the reporting currency for all purposes. The functional currency is Colombian pesos, which corresponds to the currency of the main economic environment in which the Company operates.

The Company has applied the accounting policies, judgments, significant accounting assumptions and estimates described in Notes 3 and 4.

2.2.5. Foreign currency - Transactions in currencies other than Colombian pesos are deemed denominated in "foreign currency" and are recognized using the prevailing exchange rates on the date of the transaction. At the end of each reporting period, the balances of monetary items denominated in foreign currency are converted using the exchange rates in force on that date. The balances of non-monetary items that are recognized in terms of historical costs in foreign currencies are translated using the exchange rates prevailing on the date of the transaction.

The exchange differences arising from monetary items are recognized in the net profit or loss of the period in which they occur.

2.3. Basis of consolidation - The consolidated financial statements include the financial statements of Empresa de Telecomunicaciones de Bogotá S.A. E.S.P. (ETB) and the entities, Compañía Colombiana de Servicios de Valor Agregado y Telemáticos S.A. E.S.P. Colvatel S.A. E.S.P. and Skynet de Colombia S.A.S., which are controlled by ETB. These consolidated financial statements are to be read in conjunction with the separate financial statements of ETB and with the individual financial statements of its subsidiaries.

Control is achieved when the Company has:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The Company reassesses whether it controls an investee or not if the facts and circumstances indicate that there have been changes to one or more of the three aforementioned control elements.

If the Company has less than the majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to provide it with the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all the relevant facts and circumstances when assessing whether the Company's voting rights in an investee are sufficient or not to grant it power, including:

- The percentage of the Company's voting rights regarding the size and dispersion of the percentages of other vote holders;
- Potential voting rights held by the Company, other shareholders or other parties;
- Rights arising from other contractual arrangements; and
- Any other additional events or circumstances indicating that the Company has, or does not have, the current ability to direct the relevant activities at the time of decision-making, including voting patterns at previous shareholders' meetings.

The consolidation of a subsidiary begins when the Company obtains control over such subsidiary and ends when the Company loses control of the subsidiary. Specifically, the revenue and expenditure of a subsidiary acquired or sold during the year are included in the consolidated profit and loss statement and statement of other comprehensive income from the date on which the Company obtains control until the date on which the Company no longer has control of the subsidiary.

The profits or losses of each component of other comprehensive income are attributed to the owners of the Company and the non-controlling interests. The total comprehensive income of the subsidiaries is attributed to the owners of the Company and the non-controlling interests, even when the balance of income in the non-controlling interests is negative.

If necessary, adjustments are made to the financial statements of subsidiaries to adapt their accounting policies to those used by other members of the Group.

All inter-company transactions, balances, revenue and expenditures are eliminated in the consolidation.

39. SIGNIFICANT ACCOUNTING POLICIES

- s. *Inventories* - Inventories are presented at the lower value between acquisition cost and net realizable value. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

The Company determines the inventory provision in accordance with the obsolescence and impairment thereof.

- t. *Property, plant and equipment* – Property, plant and equipment are recorded at cost, where their fair value is the value of acquisition or construction of the asset, less accumulated depreciation and any impairment losses.

Assets that are in the process of assembly and/or construction for the provision of services are recorded at acquisition cost less any impairment loss recognized. Cost includes professional fees and, in the case of qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. These assets are classified in the appropriate categories of property, plant and equipment when they are ready for their intended use. The depreciation of these assets, as in other properties, begins when the assets are ready for their intended use.

Land is not depreciated.

Property, plant and equipment are presented at cost less any accumulated depreciation and any accumulated impairment loss.

The useful lives used by the Company are as follows:

ETB

Asset	Useful Life
Buildings	25-50 years
Plants, ducts, networks, lines and conduits	3-20 years
Computers and communications equipment	5-7 years
Furniture and appliances	7-10 years
Vehicles	5-10 years
Tools and accessories	7-10 years
Dining hall, kitchen and commissary equipment	7-10 years
Fiber network	10-15 years

ColvateI

Asset	Useful Life
Computers and communications equipment	5 years
Furniture and appliances	10 years
Vehicles	5 years
Tools and accessories	10 years

Skynet

Asset	Useful Life
Buildings	50 years
Computers	5 years
Furniture and appliances	10 years
Vehicles	10 years
Telecommunications equipment	Between 5 and 10 years

The depreciation of assets is recognized to record their cost in the income statement less their residual value over their useful life using the straight-line method. Estimated useful life, residual value and the depreciation method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized on a prospective basis.

Assets held under finance lease are depreciated based on their estimated useful life in the same way as own assets. However, when there is no reasonable certainty that the property will be obtained at the end of the term of the lease, the assets are amortized over the shorter period between the duration of the lease and the asset's useful life.

An item of property, plant and equipment is derecognized when it is sold or when future economic benefits arising from the continued use of the asset are not expected to be obtained. The profit or loss arising from the sale or withdrawal of an item of property, plant and equipment is calculated as the difference between the resources received from the sale and the carrying value of the asset, and it is recognized in income.

u. *Intangible assets* -

Separately acquired intangible assets - Intangible assets with a finite useful life acquired separately are recognized at acquisition cost less any accumulated amortization and accumulated impairment loss. Amortization is recognized based on the straight-line method over their estimated useful life. Estimated useful life and the amortization method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized on a prospective basis. Intangible assets with an indefinite useful life that are acquired separately are recorded at cost less accumulated impairment losses.

Intangible assets acquired in a business combination - When an intangible asset is acquired in a business combination and recognized separately from goodwill, its initial cost will be its fair value on the date of acquisition.

After its initial recognition, an intangible asset acquired through a business combination will be recognized at its cost less any accumulated amortization and accumulated impairment losses, on the same basis as the intangible assets that are acquired separately.

Derecognition of intangible assets - An intangible asset is derecognized when sold, or when future economic benefits from use or disposal are not expected to be obtained. Profits or losses arising from the derecognition of an intangible asset, measured as the difference between net income and the carrying value of the asset, are recognized in income when the asset is derecognized.

v. *Goodwill* -

The goodwill arising from the acquisition of a business is recognized as an asset at the date on which control is acquired (business acquisition date), and it corresponds to the excess amount transferred over fair value on the date of acquisition of the identifiable assets acquired and liabilities assumed. Goodwill is subject to impairment testing at least once per year.

For the purposes of testing impairment, goodwill is allocated to each cash-generating unit (or groups of cash-generating units) of the Company that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested annually for impairment, or more often when there are indications that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying value, the impairment loss is allocated first to reduce the carrying value of any goodwill allocated to the unit and subsequently, to the other assets of the unit proportionately and based on the carrying value of each asset within the unit. Any goodwill impairment loss is recognized directly in profit or loss in the consolidated income statement. Goodwill impairment losses that are recognized are not reversed in subsequent periods.

Upon disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in determining the profit or loss at the time of disposal.

Goodwill impairment - Determining whether goodwill has been impaired involves calculating the value in use of the cash-generating units to which the goodwill has been allocated. In order to calculate the value in use, the Company must determine the future cash flows that should result from the cash-generating units and an appropriate discount rate to calculate the current value. When real future cash flows are less than expected, it may result in an impairment loss.

The goodwill recorded was from the acquisition of Skynet de Colombia S.A.S. E.S.P. in February 2015, so the impairment associated therewith was analyzed by estimating the recoverable amount of said Company, defined as a cash-generating unit, by estimating the value in use (present value of future cash flows). At December 31, 2016, no goodwill impairment losses had been incurred.

- w. *Impairment of tangible and intangible assets, excluding goodwill:* At the end of each period, the Company reviews the carrying values of its tangible and intangible assets in order to determine whether there are signs that these assets have undergone impairment loss. If there is any sign, the recoverable amount of the asset is calculated in order to determine the scope of the impairment loss (if any). If the recoverable amount of an individual asset cannot be estimated, the Company and its subsidiaries estimate the recoverable amount of the cash-generating units to which said asset belongs. When a reasonable and consistent distribution base can be identified, the corporate assets are also allocated to the individual cash-generating units.

Intangible assets with an indefinite useful life or those that are not yet available for use are subject to impairment testing at least once per year, and whenever there is a sign that said asset may have been impaired.

The recoverable amount is the higher amount between the fair value less the cost of sale and the value in use. When assessing the value in use, estimated future cash flows are discounted from the present value thereof using a discount rate before tax that will reflect the current market assessment regarding the time value of money and the specific risks of the asset for which the future cash flow estimates have not been adjusted.

If it is estimated that the recoverable amount of an asset (or cash-generating unit) is less than its carrying value, the carrying value of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in the income statement.

After that, when an impairment loss is reversed, the carrying value of the asset (or cash-generating unit) is increased to the revised estimated value of its recoverable amount, such that the adjusted carrying value does not exceed the carrying value that would have been determined if an impairment loss had not been recognized for said asset (or cash-generating

unit) in previous years. The reversal of an impairment loss is recognized immediately in income.

- x. *Investment in associates* - An associate is an entity over which the Company has significant influence. Significant influence is the power to intervene in decisions regarding the financial and operating policy of the investee, without having absolute or joint control thereof.

In the event of sale of these assets, the Company only recognizes the portion of income attributable to the other associates. The Company does not recognize its share in profits or losses generated by the associates or joint ventures until the assets are sold to third parties. The losses originated in the course of transactions with associates or joint ventures are recognized if the losses show a reduction in the net realizable value of the assets transferred.

- y. *Financial instruments* - Financial assets and liabilities are recognized when the Company and its subsidiaries become a party of the contractual sale of the instruments.

Financial assets and liabilities are initially valued at fair value. The transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (other than financial assets at fair value through profit or loss) are added to or subtracted from the fair value of financial assets or liabilities, as applicable, in the initial recognition. The transaction costs that are directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in the income statement.

- z. *Financial assets* - Financial assets are classified in the following categories: financial assets at fair value through profit or loss, investments held to maturity, financial assets available for sale and loans and accounts receivable. The classification depends on the nature and purpose of the financial assets and it is determined at the time of initial recognition. All purchases or sales of financial assets carried out as usual are recognized and eliminated based on the negotiation date. Purchases or sales carried out as usual are the purchases or sales of financial assets that require the delivery of the assets within the time frame established by market regulations or customs.

6. Effective Interest Rate Method

The effective interest rate method is a method to calculate the amortized cost of a debt instrument and to allocate the financial income or cost during the relevant period. The effective interest rate discounts estimated future cash income (including all the fees and basis points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) during the expected life of the debt instrument or, when appropriate, during a shorter period, from the net carrying value at the time of initial recognition.

Income is recognized based on the effective interest for debt instruments other than the financial assets classified at fair value through profit or loss.

7. Financial Assets at Fair Value through Profit or Loss

Financial assets are classified at fair value through profit or loss when they are held for trading or are designated at fair value through profit or loss.

Financial assets at fair value through profit or loss are recorded at fair value, recognizing any profit or loss resulting from their revaluation in income. The net profit or loss recognized in

income includes any dividend or interest obtained from the financial asset, and it is included in the other income and expenses item in the profit and loss statement and other comprehensive income.

8. Investments Held to Maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the intention and capacity of holding to maturity. Following initial recognition, investments held to maturity are valued at amortized cost using the effective interest method less any impairment loss.

9. Loans and Accounts Receivable

Accounts receivable from customers, loans and other accounts receivable with fixed or determinable payments are non-derivative financial assets that are not traded on an active market. Loans and accounts receivable (including commercial accounts, other accounts payable, bank balances and cash) are valued at amortized cost using the effective interest method, less any impairment.

Income from interest is recognized by applying the effective interest rate, except for short-term accounts receivable in the event that the recognition of interest is intangible.

10. Impairment of Financial Assets

For certain categories of financial assets, such as accounts receivable from customers, the assets that are subject to testing for impairment effects and have not been impaired individually are included in the impairment test on a collective basis. The objective evidence regarding the possible impairment of an accounts receivable portfolio could include the Company's past experience regarding collection, an increase in the number of late payments exceeding an average credit period of 60 days, as well as observable changes in the national and local economic conditions correlated with default in payments.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets, except for accounts receivable from customers, where the carrying value is reduced through an allowance account for doubtful accounts. When an account receivable is deemed uncollectible, it is eliminated against the allowance. The subsequent recovery of the amounts previously eliminated becomes a credit against the allowance. Changes in the carrying value of the allowance account are recognized in the income statement.

- aa. *Financial liabilities* - Financial liabilities correspond to the sources of financing obtained by the Company through bank loans and bond issuances, accounts payable to suppliers and creditors.

Financial liabilities are generally recorded for the cash received, net of the costs incurred in the transaction. In subsequent periods, these obligations are valued at amortized cost using the effective interest rate method.

Accounts payable to suppliers and creditors are short-term financial liabilities recorded at nominal value, provided they do not significantly differ from their fair value.

- bb. *Leases* - Leases are classified as finance leases when the lease terms substantially transfer all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Entity at fair value at the beginning of the lease, or if lower, at the present value of the minimum lease payments. The liabilities corresponding to the lessor are included in the statement of financial position as finance lease liabilities.

- cc. *Borrowing costs* - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which require a substantial period of time until they are ready for use or sale, are added to the cost of these assets during that time until they are ready for use or sale.

The income obtained from the short-term investments of specific loan funds pending use on qualifying assets is deducted from eligible borrowing costs to be capitalized.

All other borrowing costs are recognized in the income statement during the period in which they are incurred.

- dd. *Income tax* - Income tax expenses represent the sum of:

Current tax – Current tax payable is based on the taxable income recorded during the year. Taxable income differs from the profit reported in the profit and loss statement and the statement of other comprehensive income, due to the taxable or deductible income or expense items of other years and items that will never be taxable or deductible. The Company's liability on account of current tax is calculated by using the current tax rates at the end of the reporting period. The Company determines the provision for income tax, additional taxes and income tax for equality (CREE) based on the taxable income, estimated at the rates specified in the tax law.

Deferred tax. - Deferred income tax is recognized on temporary differences between the carrying value of the assets and liabilities and their tax base, produced by the balances of deferred income tax assets and liabilities, which are calculated using the tax rates expected to be in force when the assets and liabilities are realized, considering the rates approved for this purpose at the end of the reporting period or for which the approval process is practically completed. A deferred tax asset will be recognized if it is likely that the Company will have sufficient future taxable earnings to recover the deductions for temporary differences and make the tax credits payable.

The carrying value of a deferred tax asset must be subject to review at the end of each reporting period and reduced to the extent that it is considered likely there will not be sufficient taxable income to recover all or part of the asset.

- ee. *Employee benefits - for termination and retirement* -The contributions made to the retirement benefit plans with established contributions are recognized as expenses when the employees have rendered the services entitling them to said contributions.

In the case of defined benefit plans, which include a seniority bonus and pensions, the cost thereof is determined using the projected unit credit method with actuarial valuations at the end of each reporting period. Remeasurements, which include actuarial profits and losses, the effect of changes in the bottom-line asset value (if applicable) and the return of the asset plan

(excluding interest) are reflected immediately in the statement of financial position by debit or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and are not reclassified in income. The cost of past services is recognized in the income statement for the period of modification of the plan. Net interest is calculated by applying the discount rate at the beginning of the period of the asset or liability obligation for defined benefits. The costs of defined benefits are classified as follows:

- Cost of service (including the cost of current service and cost of past services, as well as profit and loss due to reductions or liquidations).
- Expenses or income for net interest.
- Remeasurements

The Entity presents the first two components of the costs of defined benefits as an expense or income depending on the item. Profits and losses due to reduction of the service are recognized as costs for past services.

Any compensation obligation is recognized when the Entity can no longer withdraw the offer for compensation and/or when the Entity recognizes the related restructuring costs.

Short-term Employee Benefits and Other Long-term Benefits - A benefit liability corresponding to employees is recognized with regard to wages and salaries, annual vacation and sick leave during the period of service in which it is provided for the undiscounted amount of the benefits expected to be paid for that service.

The liabilities recognized for short-term employee benefits are valued at the undiscounted amount of the benefits expected to be paid for that service.

Long-term benefits - The Company grants benefits to its employees according to their time of service, such as pension and healthcare payments, five-year bonuses, medical service and retroactive severance pay (in the latter case, it is only for a reduced number of employees - approximately 614). Five-year bonuses are paid in accordance with Article 18 of the Collective Labor Agreement; for every five years of service, the number of salaries paid as a bonus are: first five-year period, 2.5, second five-year period, 3, third five-year period, 3.5, fourth five-year period, 4, fifth five-year period, 5.

Retroactive severance pay is paid for employees who belong to the labor system in force prior to Law 50 / 1990 who did not agree to switch over to the new system. This social benefit is calculated for the entire time worked based on the last salary earned.

Pension and healthcare payments are those to be made by employees, but are assumed by the Company in accordance with the provisions set forth in the collective labor agreement. ETB makes employee pension payments until they meet the requirements to retire with the Social Security Institute (ISS, for the Spanish original), for retirees whose pension will be paid through the Institute.

The medical service is the healthcare service provided to the children, parents and spouses or life partners of Company employees and retirees in accordance with Clauses 33 and 34 of the collective labor agreement, regulated by Resolution 3873 / May 1988.

- ff. *Provisions* - Provisions are recognized when the Company and its subsidiaries have an outstanding obligation (either legal or assumed) as a result of a past event, when it is likely that the Entity will have to pay the obligation, and when the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the disbursement necessary to pay the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is valued using the estimated cash flows to liquidate the present obligation, its carrying value represents the present value of said cash flows (when the effect of the time value of money is material).

- gg. *Recognition of revenue - ETB* - Revenue from providing telephone services, shares in contracts with carriers and services other than telephone is recorded monthly in accordance with the trade agreements in force. Services provided but not billed are valued in accordance with the sales plans or included as part of accounts receivable.

Income from the sale of mobile phones is calculated at fair value of the consideration received or receivable, taking into account the estimated amount of customer returns, rebates and other similar discounts.

Dividend income from investments is recognized once the shareholders' rights to receive this payment have been established (provided it is likely that the economic rewards will flow to the Entity and the income can be reliably valued).

Interest income is recognized when it is likely that the economic rewards will flow to the Entity and the amount of the income can be reliably valued. Interest income is recorded on a periodic basis, with reference to the outstanding balance and the applicable effective interest rate, which is the rate that exactly discounts the estimated cash flows to be received throughout the expected life of the financial asset and it is matched with the net carrying amount of the financial asset initially recognized.

Subsidiaries - Income from the provision of services is recorded in compliance with the conditions for client acceptance or in accordance with the provision thereof, so the right to collection can be recognized. Services provided but not billed are valued in accordance with the sales conditions or included as part of accounts receivable. Costs and expenses are recorded based on an accrual accounting system.

- hh. *Statement of cash flow* - The statement of cash flow includes the cash movements carried out during the period, determined based on the indirect method using the following expressions as provided below:

- *Operating activities*: The activities that constitute the Company's main source of ordinary income, as well as other activities that cannot be classified as investment or financing activities.
- *Investment activities*: Activities involving the acquisition, transfer or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.
- *Financing activities*: Activities that lead to changes in the size and composition of total equity and financial liabilities.

- ii. *Cash and cash equivalents* - Cash and cash equivalents include cash in hand, deposits freely available in banks, and other highly liquid short-term investments with terms of three months or less following acquisition of the financial instrument.
- jj. *Profit (loss) per share* - The basic profit per share is calculated as the quotient between the net profit (loss) of the period attributable to the Company and the average weighted number of outstanding ordinary shares thereof during said period.
- kk. *Wealth tax* - This tax is imposed by the possession of wealth (gross equity less current debts) in an amount greater than or equal to COP 1,000 million at January 1, 2015. , January 1, 2016 and January 1, 2017. The Company recorded this tax against the equity reserve pursuant to Article 10 of Law 1739 / 2014.
- ll. *Government subsidies (SKYNET)* -Government subsidies must not be recognized until there is reasonable certainty that the Company will meet their conditions, and that the subsidies will be received.

All government subsidies receivable in compensation for expenses or losses already incurred, or for the purpose of providing the Company with immediate financial support, without related subsequent costs, will be recognized in the profit or loss of the period in which they become payable.

40. CRITICAL ACCOUNTING JUDGMENTS

When applying the accounting policies of the Company and its subsidiaries, which are described in Note 3, Management must make judgments, estimates and assumptions regarding the carrying values of the assets and liabilities of the financial statements. The relative estimates and assumptions are based on experience and other factors deemed relevant. The actual results may differ from these estimates.

The estimates and assumptions are revised on a regular basis. Changes to the accounting estimates are recognized in the period in which the change is made, and future periods if the change affects the current period, as well as subsequent periods.

Essential judgments when applying the accounting policies - Below are the essential judgments, other than those involving estimates, made by management during the process of applying the accounting policies of the Company and its subsidiaries, which have a significant effect on the financial statements.

- *Contingencies* - The Company has provisioned for estimated impacts of losses related to the different claims, situations or circumstances regarding uncertain outcomes. The Company records a loss if an event occurred on or before the date of the statement of financial position; and (i) the information is available on the date that the financial statements are issued, indicating that it is likely that the loss will occur, given the probability of uncertain future events; and (ii) the amount of the loss can be reasonably estimated. The Company assesses contingencies for judgments, environmental remediation and other events on an ongoing basis.
- *Deferred taxes* - A judgment is required to determine whether the deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including the derivatives from unused tax losses, require Management to assess the probability that the Company will generate sufficient tax revenue in future periods, in order to use the deferred tax assets recorded. Assumptions regarding the generation of future tax benefits depend on the expected

future cash flows. The estimates of future tax profits are based on the expected cash flows of the operations and the judgment regarding the application of the current tax laws in each jurisdiction. Since future cash flows and tax revenue significantly differ from these estimates, the Company's capacity to realize the net deferred tax assets recorded on the reporting date may be affected.

- *Employee benefits* - The cost of defined benefits, such as pension and healthcare payments, five-year bonuses, medical service and retroactive severance pay is determined by means of actuarial valuations. An actuarial valuation involves making several assumptions, which may differ from actual future events. These include the determination of the discount rate, future salary increases, death rates and pension increases. Due to the complexity of the valuation process and its long-term nature, the obligations are sensitive to changes in these assumptions. All assumptions are revised on each reporting date.
- *Accountability for information and estimates* - The information contained in these financial statements is the responsibility of Company Management. In order to prepare them, certain estimates are used to quantify some of the assets, liabilities, income, expenses and commitments that are recorded therein, based on experience and other relevant factors. The final results may vary from said estimates.

These estimates are revised on an ongoing basis. Changes to the accounting estimates are recognized prospectively, accounting for the effects of the change in the corresponding profit or loss accounts of the year in which the corresponding revisions are made.

The estimates and their sources of uncertainty considered most important for the preparation of the Company's financial statements refer to the:

- Estimate for asset impairment
- Useful life of property, plant and equipment
- Fair values, classification and risks of financial assets and liabilities
- Deferred tax
- Allowance/provision for the revenue and costs of unbilled services rendered
- Probability of occurrence of the contingencies
- Benefits for post-employment and pension plans

41. KEY SOURCES OF UNCERTAINTY IN ESTIMATES

Below are the basic assumptions regarding the future and other key sources of uncertainty in estimates at the end of the reporting period, which may involve a significant risk of material adjustments in the carrying amount of assets and liabilities in the next period.

- *Useful life of property, plant and equipment* – The Company and its subsidiaries review the estimated useful life of property, plant and equipment at the end of each year.
- *Reserve for doubtful accounts* - The estimates and assumptions used to determine the reserves are reviewed on a regular basis. Although the provisions recorded are considered adequate,

changes in the economic conditions can lead to changes in the reserve and, therefore, have an impact on income.

- *Impairment of long-term assets (property, plant and equipment)* – The review of the impairment of long-term assets is based on internal and external financial indicators, forecasts and other assumptions. The Company checks the estimates, and updates the information based on assumptions, as necessary.
- *Goodwill impairment*

Determining whether goodwill has been impaired involves calculating the value in use of the cash-generating units to which the goodwill has been allocated. In order to calculate the value in use, the Company must determine the future cash flows that should result from the cash-generating units and an appropriate discount rate to calculate the present value.

The carrying amount of goodwill at December 31, 2016 and 2015 was COP 26,283,671. As a result of the analysis of the recoverable amount, no impairment of goodwill was identified.

42. STANDARDS ISSUED BY THE IASB NOT YET IN FORCE

To be adopted in Colombia at January 1, 2017 – Decree 2496 / 2015 - Based on this decree, as of January 1, 2017, the following standards will take effect in the technical regulatory framework that contains the standards that were in effect at December 31, 2014, with their respective amendments issued by the IASB, permitting early application:

Financial Reporting Standard	Subject of Amendment
IAS 1 - Presentation of Financial Statements	Disclosure Initiative.
IAS 16 - Property, Plant and Equipment IAS 38 - Intangible Assets	Clarification of Acceptable Methods of Depreciation
IAS 16 - Property, Plant and Equipment IAS 41 - Agriculture	Bearer Plants
IAS 19 - Employee Benefits	Defined Benefit Plans: Employee Contributions.
IAS 27 - Separate Financial Statements	Equity Method in Separate Financial Statements
IAS 32 - Financial Instruments: Presentation	Offsetting Financial Assets and Financial Liabilities
IFRS 10 - Consolidated Financial Statements IFRS 12 - Disclosure of Interests in Other Entities	Applying the Consolidation Exception

Financial Reporting Standard	Subject of Amendment
IAS 28 - Investment Entities	
IFRS 10 - Consolidated Financial Statements IAS 28 - Investment Entities	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 11 - Joint Arrangements	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14 - Regulatory Deferral Accounts	Deferral Accounts of Regulated Activities
Annual Improvements 2012 - 2014 Cycle	These amendments reflect issues discussed by the IASB, which were later included as amendments to the IFRS

To be adopted in Colombia as of January 1, 2018 – Decree 2496 / 2015 and 2131 / 2016 -
Based on these decrees, as of January 1, 2018, the following standards will take effect in the technical regulatory framework that contains some of the amendments issued by the IASB in 2016, permitting early application:

Financial Reporting Standard	Subject of Amendment
IAS - Statement of Cash Flow	Disclosure Initiatives
IAS 12 - Deferred Tax	Recognition of deferred tax assets for unrealized losses
IFRS 9 - Financial Instruments	This was issued as a complete standard, including the requirements previously issued and the additional amendments, to introduce a new model of expected losses and changes limited to the requirements for the classification and measurement of financial assets.
IFRS 15 - Revenue from Contracts with Customers	This standard has a unique model for the accounting of revenue from contracts with customers. Its basic principle is that an entity must recognize revenue to account for the transfer of the assets or services promised to customers in an amount that reflects the compensation to which the entity expects to be entitled for those goods or services, following five steps for their recognition.

Issued by the IASB, but not adopted in Colombia—The following standards have been issued by the IASB, but have not yet been incorporated by Decree in Colombia:

Financial Reporting Standard	Subject of Amendment
IFRS 2 – Share-based Payment	Classification and Measurement of Share-based Payment Transactions
IFRS 9 - Financial Instruments IFRS 4 - Insurance Contracts	Settle the different effective dates
IFRS 16 - Leases	Issuance of a new standard

The Company shall quantify the impact on the financial statements once the Decree that adopts them in the Colombian Technical Regulatory Framework is issued, if applicable.

43. INFORMATION BY SEGMENT

ETB discloses information by segment as indicated in IFRS 8 "Operating Segments", which establishes the reporting standards regarding operating segments and disclosures related to products, services and geographical areas. Operating segments are defined as components of a Company for which there is separate financial information that is regularly used by the chief decision maker to direct the allocation of resources and to assess performance.

In accordance with the process of creating Strategic Business Units (SBUs), three units have been defined, which are controlled by the Company at the level of income as follows:

- Landline - Includes landline services, basically focused on the proposal of integrated solutions, which consist of data network services, local telephone services, Internet access, public long-distance telephone services, and data center technology services, as well as network leasing and traffic businesses.
- Cellphone - This segment is currently in the development and implementation phase, and it has a license to operate 4G technology, which is entirely based on the IP protocol.
- Other - This segment considers the sale of comprehensive security services, which includes mainly surveillance cameras and access control, as well as other telecommunications services, such as special businesses and the sale of mobile phones, among others.

The detailed balances by segment just for ETB, which were included in the separate financial statements for the year ended December 31, 2016, are listed below:

	Landline	Cellphone	Other	Total
Operating revenue	COP 1,307,380,570	COP 135,090,276	COP 16,061,889	COP 1,458,532,735
Recurring costs and expenses	834,200,301	198,802,121	742,907	1,033,745,329
Profit before depreciation, amortization and	<u>473,180,269</u>	<u>(63,711,845)</u>	<u>15,318,982</u>	<u>424,787,406</u>

impairment

Depreciation and amortization	517,904,667	24,053,276	-	541,957,943
Impairment and provisions	<u>98,506,503</u>	<u>-</u>	<u>-</u>	<u>98,506,503</u>
Operating loss	(143,230,901)	(87,765,121)	15,318,982	(215,677,040)
Financial expenses, net	(66,734,277)	(37,480)	-	(66,771,757)
Exchange rate difference, net	3,606,749	43,726	22,342	3,672,817
Share in the profits of subsidiaries	<u>1,452,431</u>	<u>-</u>	<u>-</u>	<u>1,452,431</u>
Loss before taxes	(204,905,998)	(87,758,875)	15,341,324	(277,323,549)
Income tax, CREE tax and deferred tax	<u>51,059,859</u>	<u>-</u>	<u>-</u>	<u>51,059,859</u>
Net loss for the year	(153,846,139)	(87,758,875)	15,341,324	(226,263,690)
Actuarial gains (losses)	(42,457,310)	-	-	(42,457,310)
Tax gain (loss)	14,013,095	-	-	14,013,095
Gain (loss) from the net value of investments	<u>21,824</u>	<u>-</u>	<u>-</u>	<u>21,824</u>
Comprehensive net loss for the year	<u>COP (182,268,530)</u>	<u>COP (87,758,875)</u>	<u>COP 15,341,324</u>	<u>COP (254,686,081)</u>

The detailed balances by segment at December 31, 2015, are listed below:

	Landline	Cellphone	Other	Total
Operating revenue	COP 1,383,870,794	COP 69,694,119	COP 6,441,476	COP 1,460,006,389
Recurring costs and expenses	917,793,792	138,166,539	1,520,760	1,057,481,091
Profit before depreciation, amortization and impairment	466,077,002	(68,472,420)	4,920,716	402,525,298
Depreciation and amortization	414,988,214	9,026,239	-	424,014,453
Impairment and provisions	<u>230,950,044</u>	<u>-</u>	<u>-</u>	<u>230,950,044</u>
Operating loss	(179,861,256)	(77,498,659)	4,920,716	(252,439,199)
Financial expenses, net	(47,001,961)	(70,825)	-	(47,072,786)
Exchange rate difference, net	14,125,131	(1,659,066)	(138,936)	12,327,129

	Landline	Cellphone	Other	Total
Share in the profits of subsidiaries	9,915,180	-	-	9,915,180
Loss before taxes	<u>(202,822,906)</u>	<u>(79,228,550)</u>	<u>4,781,780</u>	<u>(277,269,676)</u>
Income tax, CREE tax and deferred tax	<u>208,610,945</u>	<u>-</u>	<u>-</u>	<u>208,610,945</u>
Net loss for the year	5,788,039	(79,228,550)	4,781,780	(68,658,731)
Actuarial gains (losses)	49,759,525	-	-	49,759,525
Tax gain (loss)	(16,838,164)	-	-	(16,838,164)
Gain (loss) from the net value of investments	<u>(800,738)</u>	<u>-</u>	<u>-</u>	<u>(800,738)</u>
Comprehensive net loss for the year	<u>COP 37,908,662</u>	<u>COP (79,228,550)</u>	<u>COP 4,781,780</u>	<u>COP (36,538,108)</u>

There are no differences regarding the criteria used by the Company in relation to the measurement and valuation of income by segments and the valuation of the assets and liabilities thereof. There are no changes in the measurement methods used to determine income by segment from the previous period.

The subsidiary Skynet has just one operating segment associated with the provision of satellite services and Colvatel has one operating segment associated with the provision and sale of telecommunications and communication services and goods. Therefore, only the ETB segments are disclosed as an individual entity.

44. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

b) Borrowings and accounts receivable

	2016	2015
Financial assets		
Cash and cash equivalents (See Note 10)	COP 279,155,832	COP 594,299,625
Commercial accounts receivable and other accounts receivable (See Note 11)	<u>402,382,183</u>	<u>512,657,039</u>
Total financial assets	<u>681,538,015</u>	<u>1,106,956,664</u>
Financial liabilities		
Borrowings	550,180,000	530,181,681
Suppliers	152,171,036	308,239,162
Accounts payable	<u>586,433,372</u>	<u>662,826,346</u>
	<u>COP 1,288,784,408</u>	<u>COP 1,501,247,189</u>

45. FINANCIAL RISK MANAGEMENT

The financial management by the Company and its subsidiaries offers services to businesses; coordinates access to domestic and foreign financial markets; and supervises and manages the financial risks related to the operations of the Company and its subsidiaries through internal risk reports, which analyze exposures and the magnitude of the risks. These risks include market risk (including exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk - The Company may be exposed mainly to financial risks related to changes in exchange rates and interest rates. However, according to the analyses conducted and considering the current operations, the Company has not signed contracts for derivative financial instruments to manage its exposure to exchange and interest rate risk.

- **Interest rate risk** - The Company and its subsidiaries do not have significant exposure to interest rate risk because their borrowings, like most of their portfolio investments, are tied to a fixed rate. Borrowings at December 31 are short term at a variable interest rate of IBR +3.20%
- **Exchange risk** - ETB -The Company carries out foreign currency-denominated transactions, especially in Time Deposit, on purchases of infrastructure and mobile phone stock, as well as on international access charges, both in accounts payable and accounts receivable, consequently generating exposure to fluctuations in the exchange rate. Possible exposures to the exchange rate are managed within the parameters of the approved policies using foreign exchange contracts.

The carrying amounts of the monetary assets and liabilities denominated in foreign currency at the end of the reporting period are as follows:

	2016		2015	
	U.S.	Colombian Pesos	U.S.	Colombian Pesos
	Dollars	Thousands of COP	Dollars	Thousands of COP
Assets	12,521,328	COP 37,572,874	35,724,634	COP 112,513,663
Liabilities	<u>(15,872,628)</u>	<u>(47,629,154)</u>	<u>(29,136,553)</u>	<u>(91,764,700)</u>
Net asset position	<u>(3,351,300)</u>	<u>COP (10,056,280)</u>	<u>6,588,081</u>	<u>COP 20,748,963</u>

The carrying amounts of the monetary assets and liabilities at SKYNET denominated in foreign currency at the end of the reporting period are as follows:

Assets	-	COP -	-	COP -
Liabilities	<u>(1,825,364)</u>	<u>(5,477,914)</u>	<u>(1,081,444)</u>	<u>(3,405,975)</u>
Net asset position	<u>(1,825,364)</u>	<u>COP (5,477,014)</u>	<u>(1,081,444)</u>	<u>COP (3,405,975)</u>

Credit risk - Credit risk refers to the risk that one of the parties will default on its contractual obligations, resulting in a financial loss for the Company.

The Company has implemented tools to prevent the risk of fraud, which assess the customer upon entry (granting of a product), indicating whether the characteristics thereof could cause a fraudulent event and loss to the Company.

For approving financing of equipment, there are models that assess customers' behavior in the market, as well as their socio-demographic variables and likelihood of default, thus generating different segments and strategies of approval (value of the equipment to be financed). The model also assesses variables that are risky for portfolio loss, thus preventing the entry of customers with these characteristics. Similar models apply to other population groups, such as the business community. The design and implementation of models for other types of population group are still under evaluation in order to prevent risk and improve portfolio quality.

At present, there are statistical models that forecast customers' likelihood of default, thus allowing the design of diverse management strategies depending on the level of risk:

ETB –

SCORING	HEALTH RANGE	INVOICE			
		1	2	3	4
High risk	Less than 20,000	No management due to small balance	No management due to small balance	No management due to small balance	No management due to small balance
	Between 20,001 and 100.00	No management due to risk	Means in accordance with the product	Collection agency	Collection agency
	Greater than 100,000	Collection agency	Collection agency	Collection agency	Collection agency
Medium risk	Less than 20,000	No management due to small balance	No management due to small balance	No management due to small balance	No management due to small balance
	Between 20,001 and 100.00	No management due to risk	Means in accordance with the product	Collection agency	Collection agency
	Greater than 100,000	Means in accordance with the product	Collection agency	Collection agency	Collection agency
Low risk	Less than 20,000	No management due to small balance	No management due to small balance	No management due to small balance	No management due to small balance
	Between 20,001 and 100.00	No management due to risk	Means in accordance with the product	Collection agency	Collection agency
	Greater than 100,000	No management due to risk	Means in accordance with the product	Collection agency	Collection agency
No risk	Less than 20,000	No management due to small balance	No management due to small balance	No management due to small balance	No management due to small balance
	Between 20,001 and 100.00	No management due to risk	Means in accordance with the product	Collection agency	Collection agency
	Greater than 100,000	Means in accordance with the product	Collection agency	Collection agency	Collection agency

As regards management, mass media (IVR, SMS, Banner) are generated starting at the preventive stage for the payment of accounts and to create good payment habits. Similarly, cases of customers from the segments that statistically represent higher risk are sent to collection agencies for their respective personalized management and recovery.

As regards the provision, policies such as 100% of all accounts receivable more than 180 days overdue are applied, given their low probability of collection. As for accounts receivable that are less than 180 days overdue, provisions are recognized in accordance with the statistical portfolio model, considering variables such as time past due and customer risk profile.

Subsidiaries- The Company conducts individual impairment tests to cover credit risk and these tests are included in the impairment test on a collective basis. The objective evidence that an accounts receivable portfolio may be impaired could include the Company's past experience of collection, an increase in the number of late payments exceeding an average credit period of 60 days, as well as observable changes in the national and local economic conditions correlated with default in payments.

Liquidity risk - The Treasury Investment Committee is responsible for liquidity management. The Committee has established an appropriate framework for liquidity management so that by monitoring forecast and real cash flows on a continuous basis and reconciling asset and liability flows, the Company determines: (i) minimum liquidity levels required to fulfill its obligations and/or (ii) amounts of financing and/or investment programming in liquid assets potentially required for different terms. The Company manages liquidity risk by maintaining sources of financing available, such as pre-approved credit limits subject to fulfilling the formalities necessary for use.

Sources of Financing at ETB

	2016	2015
Pre-approved credit limits	<u>COP 250,000,000</u>	<u>COP 631,126,000</u>

Investment portfolio risk management - The management of surplus liquidity and the investment portfolio at ETB is governed by the policies approved by the Treasury Investment Committee, which provide written principles on the investment of surplus liquidity, exchange risk, interest rate risk, credit risk and the use of derivative financial instruments. The investment policy is based on the provisions of the Company's Bylaws, the guidelines and principles set forth in the Company's Code of Corporate Governance and Decree 1068 / 2015, which lay down the standards related to the investment of national and regional state-owned companies.

As regards investments for terms greater than one year, the investment policy accepts investments with the highest current credit rating, and for terms of less than one year, it accepts the greater between the highest current short-term credit rating and at least the second highest long-term rating. The maximum authorized term is 550 days. At December 31, 2015, the entire portfolio was represented in investments with terms of less than one year.

In 2016, the Companies did not carry out transactions with derivative financial instruments.

The management of surplus liquidity and the investment portfolio is reported on a quarterly basis to the Treasury Investment Committee, which is an independent body that monitors the risks and policies in place to mitigate risk exposures.

Capital risk management - ETB manages its capital to ensure its capacity to continue as a going concern, generate returns for its shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

Debt (i)	COP 530,180,000	COP 530,180,000
Cash and banks	<u>269,456,645</u>	<u>594,299,625</u>
Net debt	<u>260,723,355</u>	<u>(64,119,625)</u>
Shareholders' equity (ii)	<u>COP 1,997,418,963</u>	<u>COP 2,278,611,751</u>

(i) Debt is defined as long-term loans, as described in Note 27.

(ii) Shareholders' equity includes all the Company's reserves, share premium and share capital managed as capital.

46. CASH AND CASH EQUIVALENTS

	2016	2015
Cash	COP 43,711	COP 60,004
Banks and corporations	231,942,883	339,269,364
Deposits abroad and banks in foreign currencies (1)	<u>5,020,037</u>	<u>50,373,070</u>
	237,006,631	389,702,438
Cash equivalents (2)	3,000,000	164,348,815
Restricted cash (3)	33,593,637	39,584,988
Liquidity management deposits	<u>5,555,564</u>	<u>663,384</u>
	<u>42,149,201</u>	<u>204,597,187</u>
Total	<u>COP 279,155,832</u>	<u>COP 594,299,625</u>

(4) At December 31, 2016 and 2015, the amount is USD 1,672,949.84 and USD 15,994,142.32, respectively.

(5) The variation was due to ETB's redemption of investments in 2016, which consisted of CDs maturing in less than 90 days.

(6) At December 31, 2016 and 2015, this was mainly made up of balances associated with ETB's inter-administrative agreements for COP 27,335,099 and COP 33,231,603, respectively.

47. COMMERCIAL ACCOUNTS RECEIVABLE AND OTHER ACCOUNTS RECEIVABLE

Provision of services	COP 8,345,823	COP 12,178,280
Telecommunications services (1)	464,800,236	424,395,204
KVDIII Project - Skynet	15,333,965	4,555,681
Commercial accounts - ColvateL	33,517,844	45,087,525
Interconnection with carriers	39,533,681	40,582,540
Subsidies and contributions	<u>78,868,993</u>	<u>78,913,524</u>
Total commercial loan portfolio	640,400,542	605,712,754
Employee loans	12,941,391	13,149,067
Prepaid taxes	126,860,171	200,151,874

Contractor prepayments	153,538	309,962
Deposits delivered	-	4,257,593
Pension shares	9,715,970	9,494,301
Other accounts receivable (2)	<u>49,355,306</u>	<u>51,507,345</u>
Total non-commercial loan portfolio	199,026,376	278,870,142
Total loan portfolio	839,426,918	884,582,896
Less: Commercial loan portfolio impairment	(414,276,635)	(356,988,632)
Less: Non-commercial loan portfolio impairment	<u>(22,768,100)</u>	<u>(14,937,225)</u>
Total impairment (3)	<u>(437,044,735)</u>	<u>(371,925,857)</u>

	2016	2015
Total commercial accounts receivable and other accounts receivable	<u>COP 402,382,183</u>	<u>COP 512,657,039</u>
Less - short-term portion	<u>380,857,018</u>	<u>COP 490,764,671</u>
Long-term portion	<u>COP 21,525,165</u>	<u>COP 21,892,368</u>

(4) The following is the composition of the loan portfolio associated with telecommunications services:

Individuals	COP 284,230,498	COP 234,284,402
LSPs (Local Service Providers) and mobile service providers	36,538,529	42,186,628
Government	143,999,110	147,852,036
Prepaid cards - Public telephones	<u>32,099</u>	<u>72,138</u>
Telecommunications services	<u>COP 464,800,236</u>	<u>COP 424,395,204</u>

(5) Other accounts receivable consist of:

Seizures	COP 8,501,641	COP 8,736,233
Supplier prepayment	7,261,464	9,367,830
Central media portfolio	4,317,951	-
Home loans of former employees	3,811,674	4,679,563

Reimbursement of pensions (ISS)	2,202,730	2,164,362
Promissory notes	1,563,081	1,563,081
Financial interest	1,545,735	2,017,008
Agency agreements	1,453,653	6,094,524
Claims and compensation	1,427,922	803,850
Leases	1,222,803	1,281,376
Services	867,998	869,059
Returns on investments	499,597	499,597
Damaged goods	447,097	232,076
Administrative investigation	131,940	131,940
Sale of recycled material	41,941	29,852
Dividends and shares receivable	106,062	212,813
Insurance	41,281	27,158
Trust portfolio	12,552	12,552
Debt upon final liquidation	6,053	6,053
Legal proceedings prepayments	-	4,763,312
Other accounts receivable	<u>13,892,131</u>	<u>8,015,106</u>
Total	<u>COP 49,355,306</u>	<u>COP 51,507,345</u>

(6) Impairment for accounts receivable includes:

Past due accounts (a)	COP 355,379,916	COP 257,010,782
Telecommunications services (b)	42,389,038	68,212,254
Provision of services - Directories	6,541,085	3,632,502
Interconnection with international carriers	5,013,495	23,517,409

	2016	2015
Subsidies and contributions	3,085,740	3,074,660
Loans to employees	2,115,329	1,835,854
Impairment of Colvotel portfolio	1,766,058	1,447,101
Administrative investigation	138,558	138,558
Impairment of Skynet portfolio	101,303	93,925
Other accounts receivable	<u>20,514,213</u>	<u>12,962,812</u>
Total	<u>COP 437,044,735</u>	<u>COP 371,925,857</u>

(a) These are past due accounts from the government, companies, carriers and subsidies, as well as customers that have been withdrawn for failure to pay, regarding which ETB has continued to take steps for recovery.

(b) In 2016, it mainly includes the provision for bad debts of LSPs (local service providers) COP 7,247,698 (2015 - COP 8,251,748), government debt COP 37,152,320 (2015 - COP 38,507,433) and debt of individuals COP 6,457,366 (2015 - COP 22,865,443)

Movements of the impairment of accounts receivable from customers include:

Opening balance	COP 371,925,857	COP 319,491,789
Provision	65,420,879	54,868,306
Write-off of amounts deemed uncollectible	-	(1,023,256)
Amounts recovered during the year	<u>(302,001)</u>	<u>(1,410,982)</u>
Final balance	<u>COP 437,044,735</u>	<u>COP 371,925,857</u>

Aging of Overdue, but Not Impaired Accounts Receivable -

31-60 days	COP 34,658,553	COP 68,935,120
61-90 days	16,608,215	16,791,828
91-180 days	10,619,054	15,494,877
181-360 days	2,343,022	25,852,013
More than 361 days	<u>21,195,013</u>	<u>5,695,973</u>
Total	<u>COP 85,423,857</u>	<u>COP 132,769,811</u>

Aging of Impaired Commercial Accounts Receivable

31-60 days	COP 6,228,015	COP 7,995,287
61-90 days	4,483,577	5,247,358
91-180 days	21,532,135	17,855,393
181-360 days	39,372,141	58,678,087
More than 361 days	<u>342,660,767</u>	<u>267,212,507</u>
Total	<u>COP 414,276,635</u>	<u>COP 356,988,632</u>

48. OTHER FINANCIAL ASSETS

Investments are held to maturity, and measured at amortized cost using the effective interest rate (EIR) valuation methodology defined in the "held to maturity" investment policy.

	2016	2015
Investments held to maturity:		
Fixed Income (1)	<u>COP 6,698,755</u>	<u>COP 27,757,764</u>

(1) At December 31, 2016, it consists of the Fiduciary order created as part of the Skynet Stand-alone Trust, for the management of Phase III of the Kioscos Vive Digital project.

At December 31, 2015, the investments held to maturity are comprised of:

Bank	Maturity	Amount
CD - Banco Davivienda	6/4/2016	COP 10,061,262
CD - Banco Corpbanca	6/11/2016	6,022,346
CD - Banco Davivienda	7/25/2016	2,558,909
CD - Banco Corpbanca	4/18/2016	2,035,181
CD - Bancolombia	4/24/2016	2,032,821
CD - Banco BBVA	5/8/2016	2,017,231
CD - Banco BBVA	4/19/2016	1,503,671
CD - Banco Davivienda	7/25/2016	1,023,564
CD - Banco Davivienda	5/25/2016	<u>502,779</u>

COP 27,757,764

49. INVENTORY, NET

Items in stores	COP 9,682,947	COP 21,137,902
Less – Impairment due to obsolescence	<u>(370,904)</u>	<u>(363,012)</u>
Total	<u>COP 9,312,043</u>	<u>COP 20,774,890</u>

50. OTHER ASSETS

Prepayments (1)	COP 12,195,407	COP 11,822,098
Investments (2)	1,411,488	1,410,767
Commercial trust	<u>339,570</u>	<u>382,764</u>
Total	13,946,465	13,615,629
Less - current portion	<u>10,563,184</u>	<u>9,920,796</u>
Non-current portion	<u>COP 3,383,281</u>	<u>COP 3,694,833</u>

(3) For the years ended December 31, 2016 and 2015, it includes insurance for COP 9,475,546 and COP 9,116,214, respectively, and leases for COP 1,957,384 and COP 2,243,933, respectively.

(4)(1) This mainly includes ETB's shareholding in Empresa de Energía de Bogotá S.A. and Banco Popular with 4,258,184 and 8,772,703 shares, equivalent to 0.04% and 0.11%, respectively.

51. PLANT AND EQUIPMENT PROPERTY, NET

The details of net property, plant and equipment are as follows:

	2016	2015
Plants, ducts, networks and lines	COP 1,846,837,939	COP 1,547,181,932
Assets under construction	269,488,128	744,585,973
Buildings	225,564,770	209,390,734
Land	189,826,682	189,407,587
Furniture and appliances	27,588,711	17,471,184
Communication equipment, computers and others	19,864,011	9,305,360
Machinery and equipment	16,432,599	16,707,741

Unexploited movable property in storage	14,988,371	33,797,820
Telecommunications equipment - Skynet	11,314,050	9,406,064
Vehicles	2,409,746	5,195,547
Tools	331,892	464,000
Assets acquired by leasing	<u>-</u>	<u>197,425</u>
Total	<u>COP 2,624,646,899</u>	<u>COP 2,783,111,367</u>

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Movements of the cost of property, plant and equipment are listed below:

	Land	Assets under construction	Buildings	Plants and networks	Furniture, appliances and office equipment	Vehicles	Machinery and equipment	Assets under finance lease	Computers, communication equipment and other	Movable property in storage	Tools	Telecommunications	Total
Balance at December 31, 2014	COP 188,548,849	COP 511,547,587	COP 208,440,876	COP 1,782,179,805	COP 20,906,239	COP 9,914,792	COP 17,432,786	COP 625,869	COP 18,461,649	COP 1,636,661	COP 870,809	COP 8,859,034	COP 2,769,424,956
Additions	858,862	674,956,385	10,803,068	438,393,221	1,542,603	-	5,524,873	-	519,916	79,352,860	69,916	1,414,100	1,213,435,804
Transfers	-	(441,917,999)	-	-	-	-	-	-	-	(47,191,701)	-	1,986,866	(487,122,834)
Derecognitions	<u>(124)</u>	<u>-</u>	<u>-</u>	<u>-32,994,716</u>	<u>(86,278)</u>	<u>(321,200)</u>	<u>(288,944)</u>	<u>-</u>	<u>(6,979)</u>	<u>-</u>	<u>(71,934)</u>	<u>-</u>	<u>(33,770,175)</u>
Balance at December 31, 2015	189,407,587	744,585,973	219,243,944	2,187,578,310	22,362,564	9,593,592	22,668,715	625,869	18,974,586	33,797,820	868,791	12,260,000	3,461,967,751
Additions	442,789	320,180,570	27,158	19,562,146	3,845,660	-	1,836,278	-	3,050,864	(16,543,247)	-	3,513,848	335,916,066
Transfers	(23,544)	(789,932,455)	21,680,185	681,731,630	11,935,454	-	748,861	(625,869)	12,569,373	-	-	-	(61,916,365)
Derecognitions	<u>(150)</u>	<u>(5,345,960)</u>	<u>-</u>	<u>(24,530,659)</u>	<u>(354,515)</u>	<u>(111,200)</u>	<u>(284,483)</u>	<u>-</u>	<u>(6,782)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,633,749)</u>
Balance at December 31, 2016	<u>COP 189,826,682</u>	<u>COP 269,488,128</u>	<u>COP 240,951,287</u>	<u>COP 2,864,341,427</u>	<u>COP 37,789,163</u>	<u>COP 9,482,392</u>	<u>COP 24,969,371</u>	<u>COP -</u>	<u>COP 34,588,041</u>	<u>COP 17,254,573</u>	<u>COP 868,791</u>	<u>COP 15,773,848</u>	<u>COP 3,705,333,703</u>

Movements of accumulated depreciation and impairment loss were as follows:

	Buildings	Plants and networks	Furniture, appliances and office equipment	Vehicles	Machinery and equipment	Assets under finance lease	Computers, communication equipment and other	Tools	Movable property in storage	Telecommunications	Total
Balance at December 31, 2014	<u>COP (4,868,131)</u>	<u>COP (322,706,820)</u>	<u>COP (2,203,646)</u>	<u>COP (1,537,293)</u>	<u>COP (3,345,706)</u>	<u>COP (213,072)</u>	<u>COP (5,261,962)</u>	<u>COP (236,756)</u>	<u>-</u>	<u>COP (1,053,919)</u>	<u>COP (341,427,305)</u>
Derecognitions	-	17,176,152	23,063	321,200	32,044	-	4,449	23,002	-	(48,033)	17,531,877
Depreciation	(4,985,079)	(322,145,110)	(2,710,529)	(3,180,849)	(2,313,288)	(215,372)	(4,310,007)	(191,037)	-	(1,751,984)	(341,803,255)
Impairment	<u>-</u>	<u>(12,720,600)</u>	<u>(268)</u>	<u>(1,103)</u>	<u>(334,024)</u>	<u>-</u>	<u>(101,706)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,157,701)</u>
Balance at December 31, 2015	(9,853,210)	(640,396,378)	(4,891,380)	(4,398,045)	(5,960,974)	(428,444)	(9,669,226)	(404,791)	-	(2,853,936)	(678,856,384)

Derecognitions	25,797	10,106,460	353,392	61,455	(84,681)	554,078	(219,531)	-	-		10,796,970
Depreciation	(5,559,104)	(390,078,699)	(5,663,533)	(2,740,885)	(2,491,117)	(125,634)	(7,442,197)	(132,108)	-	(1,605,862)	(415,839,139)
Impairment	<u>-</u>	<u>2,865,129</u>	<u>1,069</u>	<u>4,829</u>			<u>2,606,924</u>	<u>-</u>	<u>(2,266,202)</u>	<u>-</u>	<u>3,211,749</u>
Balance at December 31, 2016	<u>COP (15,386,517)</u>	<u>COP (1,017,503,488)</u>	<u>COP (10,200,452)</u>	<u>COP (7,072,646)</u>	<u>COP (8,536,772)</u>	<u>COP -</u>	<u>COP (14,724,030)</u>	<u>COP (536,899)</u>	<u>COP (2,266,202)</u>	<u>COP (4,459,798)</u>	<u>COP (1,080,686,804)</u>

The net balance of property, plant and equipment is:

Cost	Land	Assets under construction	Buildings	Plants and networks	Furniture, appliances and office equipment	Vehicles	Machinery and equipment	Assets under finance lease	Computers, communication equipment and other	Movable property in storage	Tools	Telecommunications	Total
Balance at December 31, 2015	<u>COP 189,407,587</u>	<u>COP 744,585,973</u>	<u>COP 209,390,734</u>	<u>COP 1,547,181,932</u>	<u>COP 17,471,184</u>	<u>COP 5,195,547</u>	<u>COP 16,707,741</u>	<u>COP 197,425</u>	<u>COP 9,305,360</u>	<u>COP 33,797,820</u>	<u>COP 464,000</u>	<u>COP 9,406,064</u>	<u>COP 2,783,111,367</u>
Balance at December 31, 2016	<u>COP 189,826,682</u>	<u>COP 269,488,128</u>	<u>COP 225,564,770</u>	<u>COP 1,846,837,939</u>	<u>COP 27,588,711</u>	<u>COP 2,409,746</u>	<u>COP 16,432,599</u>	<u>COP -</u>	<u>COP 19,864,011</u>	<u>COP 14,988,371</u>	<u>COP 331,892</u>	<u>COP 11,314,050</u>	<u>COP 2,624,646,899</u>

At the end of the year, no signs of impairment were identified in property, plant and equipment that would make it necessary to recognize an impairment of said assets.

There are no restrictions or levies on property, plant and equipment.

The details of the main assets under construction are as follows:

	2016	2015
Assets for Operations	COP 85,377,748	COP 39,253,484
N-PLAY Project	66,572,267	218,820,868
Corporate links	12,556,889	-
FTTC project	12,171,686	-
LTE Cellphone	11,738,522	11,965,060
IT Project	10,213,814	29,608,926
FTTH Project	9,726,741	61,270,122
Communication equipment - Huawei	7,133,789	19,778,392
Communications Platform - Huawei	7,109,309	20,999,122
Civil works	5,894,989	-
Remanufacturing	4,571,749	-
Software	3,060,777	13,106,351
ZTE Equipment	948,604	10,908,194
N-play-ColvateL	147,958	15,964,010
Olt Alcatel LucentFiber	-	13,728,788
Other	<u>32,263,286</u>	<u>289,182,655</u>
 Total	 <u>COP 269,488,128</u>	 <u>COP 744,585,972</u>

ETB analyzed the impairment of the cash-generating unit's (fixed and mobile) assets, based on the methodology developed by consulting company, Organización Levin de Colombia S.A. to estimate the recovery and impairment values used in 2015.

The fixed CGU offers local, long-distance telephone services, added value (including Internet and broadband services), interconnection, transport and connectivity services, public telephone, satellite and TV services and a telephone directory, excluding services related to mobile telephone service.

The Recovery Value (RV) was estimated by calculating the Use Value (UV), which did not generate impairment at December 31, 2016 and 2015.

52. GOODWILL

Goodwill	<u>COP 26,283,671</u>	<u>COP 26,283,671</u>
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SkyNet de Colombia S.A. E.S.P. generated a goodwill of COP 22,297,580 through the acquisition of 75% of the shares for COP 30,000,000.

SkyNet analyzed the impairment of the assets with just one cash-generating unit in order to estimate the value of recovery and impairment used in 2016 and 2015.

The Recovery Value (RV) was estimated by calculating the Use Value (UV), which did not generate impairment at December 31, 2016 and 2015.

53. INTANGIBLE ASSETS

The details of the carrying value of the intangibles are as follows:

	2016	2015
Rights	COP 94,074,860	COP 82,111,331
Licenses (1)	224,991,089	241,605,446
Software (2)	<u>139,469,576</u>	<u>109,540,123</u>
Total	<u>COP 458,535,525</u>	<u>COP 433,256,900</u>

(1) This includes mainly:

- (a) License to use Oracle for COP 28,471,858 and (2015 - COP 25,565,312), which is a database for the value chain, SRM (Supplier Relationship Management) and IT resource optimization projects, as well as the service management, N-Play and LTE projects.

- (b) Software Assurance for COP 8,337,230 (2015 COP 13,353,708), is a customer service tool to support the corporate data center project.
- (c) SAP licenses for COP 9,633,973 (2015 COP 7,570,469); this is the tool used to capture, report and control the Company's financial and contractual information.
- (d) FTTH for COP 18,463,732 (2015 COP 17,363,708)
- (e) According to Resolution No. 2623 / July 26, 2013 of the Ministry of Information Technologies and Telecommunications, the permit to use the frequency bands of the radio spectrum was awarded to the Colombia Móvil (TIGO) - ETB Joint Venture for the operation and provision of mobile ground services. The value of the radio spectrum assigned is COP 145,999,311 (2015 COP 161,951,975), with permission for ten years.

(2) The software consists of:

FTTH	COP 59,401,979	COP 24,743,706
Information technology	44,929,552	54,188,353
Oracle	6,966,330	4,797,428
Company Architecture	5,826,399	4,502,812
IP telephone service	5,652,165	4,280,506
Revchain	1,864,190	1,286,628
Microsoft	1,819,949	3,033,248
4G – Cellphone	496,342	2,199,821
Colvate! software	238,013	6,302
Miscellaneous	<u>12,274,657</u>	<u>10,501,319</u>
 Total	 <u>COP 139,469,576</u>	 <u>COP 109,540,123</u>

Movements of the cost of intangibles are listed below:

	Rights	Licenses	Software	Total
Balance at December 31, 2014	COP 225,112,293	COP 478,200,150	COP 266,850,509	COP 970,162,952
Additions	3,476,307	99,898,264	104,759,613	208,134,184
Reclassifications and transfers	<u>(115,828)</u>	<u>(8,478,275)</u>	<u>(70,448,077)</u>	<u>(79,042,180)</u>
Balance at December 31, 2015	228,472,772	569,620,139	301,162,045	1,099,254,956
Additions	35,852,955	(11,081,270)	992,504	25,764,189
Reclassifications and transfers	<u>109,669</u>	<u>26,974,632</u>	<u>34,831,443</u>	<u>61,915,744</u>
Balance at December 31, 2016	<u>COP 264,435,396</u>	<u>COP 585,513,501</u>	<u>COP 336,985,992</u>	<u>COP 1,186,934,889</u>

Movements of accumulated amortization are listed below:

Balance at December 31, 2014	COP 125,016,878	COP 271,082,137	COP 188,690,664	COP 584,789,679
Amortization expense	21,344,563	57,064,020	2,931,258	81,339,841
Reclassifications and transfers	<u>-</u>	<u>(131,464)</u>	<u>-</u>	<u>(131,464)</u>
Balance at December 31, 2015	146,361,441	328,014,693	191,621,922	665,998,056
Amortization expense	23,836,267	55,369,552	43,559,978	122,765,797
Reclassifications and transfers	<u>162,828</u>	<u>(22,861,833)</u>	<u>(37,665,484)</u>	<u>(60,364,489)</u>
Balance at December 31, 2016	<u>COP 170,360,536</u>	<u>COP 360,522,412</u>	<u>COP 197,516,416</u>	<u>COP 728,399,364</u>

The net balance of intangibles was as follows:

Balance at December 31, 2015	<u>COP 82,111,331</u>	<u>COP 241,605,446</u>	<u>COP 109,540,123</u>	<u>COP 433,256,900</u>
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Balance at December 31, 2016	<u>COP 94,074,860</u>	<u>COP 224,991,089</u>	<u>COP 139,469,576</u>	<u>COP 458,535,525</u>
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54. INVESTMENTS IN SUBSIDIARIES

	2016	2015
Investments in subsidiaries	<u>COP 3,999,491</u>	<u>COP 3,999,491</u>

This is ETB's 39.99% stake in Americas Business Process Service.

55. DEFERRED TAX ASSETS

Deferred income tax debit	<u>COP 523,990,118</u>	<u>COP 489,315,135</u>
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(1) This is the deferred tax resulting from the temporary differences as follows:

	2016	2015
Provisions (not deferred)	COP 234,887,437	COP 222,272,432
Tax loss	128,603,930	122,906,116
Provision for bad debts	104,520,192	108,998,641
Investments	277,235	-
Inventory	119,793	-
Cash	-	584,151
Other assets	<u>55,581,531</u>	<u>34,553,795</u>

COP 523,990,118 COP 489,315,135

Deferred taxes are recorded based on future tax events attributable to differences between the carrying values of existing assets and liabilities in the financial statements and their respective tax base. They are calculated based on the income tax rates we consider will be applicable to taxable income during the years in which the temporary differences will be reversed.

For the year 2015, the deferred income tax was recorded at a rate of 25%, and CREE tax was recorded at 9%, regardless of the new surcharge on the CREE equality tax, since the differences will be reversed in the years following the effect of said surcharge.

According to the tax reform, Law 1819 / 2016 and the elimination of the CREE equality tax, temporary differences reflected at the end of 2016 are recognized at a rate of 33%, pursuant to the Company's Legal Stability Contract. (See Note 24).

56. BORROWINGS

Borrowings COP 29,829,099 COP 1,681

The details of borrowings are as follows:

At December 31, 2016:

Entity	Rate	Line	Matures	2016
Davivienda	Variable IBR + 3.02%		May 31, 2017	COP 20,000,000
Bancolombia	FTD+4.89	Portfolio	February 2017	500,000
Bancolombia	FTD+4.89	Portfolio	March 2017	500,000
Bancolombia	FTD+4.89	Portfolio	March 2017	500,000
Bancolombia	FTD+4.90	Portfolio	April 2017	300,000
Bancolombia	IBR+4.5	Portfolio	September 2017	450,000
Bancolombia	IBR+4.5	Portfolio	September 2017	300,000
Bancolombia	FTD+4.75	Portfolio	January 2017	1,200,000
Bancolombia	FTD+4.45	Portfolio	November 2017	1,300,000
Bancolombia	FTD+5	Portfolio	August 2017	300,000

Entity	Rate	Line	Matures	2016
Bancolombia	FTD+5	Portfolio	September 2017	1,050,000
Bancolombia	IBR+4.5	Portfolio	September 2017	750,000
Bancolombia	FTD+4.51	Portfolio	January 2017	225,000
Bancolombia	FTD+4.789	Portfolio	March 2017	150,000
Bancolombia	FTD+5	Portfolio	May 2017	250,000
Bancolombia	FTD+4.45	Portfolio	December 2017	680,000
Bancolombia	FTD+4.45	Portfolio	December 2017	680,000
Bancolombia	FTD+4.45	Portfolio	December 2017	680,000
Bancolombia	Bancolombia Card No. 4099853811623459			3,357
Davivienda	Davivienda Card No. 0036075183370543			5,537
Credit Cards				<u>5,205</u>

COP 29,829,099

57. SUPPLIERS

	2016	2015
Domestic suppliers	COP 106,085,117	COP 215,724,416
Interconnection with international carriers	1,842,622	2,281,907
Foreign suppliers	<u>44,243,297</u>	<u>90,232,839</u>
	<u>COP 152,171,036</u>	<u>COP 308,239,162</u>

58. ACCOUNTS PAYABLE

Dividends payable (1)	COP 364,717,848	COP 418,074,142
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Commission, fees and services	91,039,067	116,480,302
Interest payable	46,776,935	35,360,060
Leases	34,999,604	16,867,822
Third party deposits	27,981,516	35,620,154
Skynet loan obligations	-	322,000
Payroll creditors	8,380,910	7,781,729
Insurance	6,345,565	7,465,548
National investment project	-	20,663,871
Contributions to the Telecommunications Fund	-	143,256
Other accounts payable	<u>6,191,927</u>	<u>4,047,462</u>
 Total	 586,433,372	 662,826,346
 Short-term portion	 <u>293,364,105</u>	 <u>304,323,469</u>
 Long-term portion	 <u>COP 293,069,267</u>	 <u>COP 358,502,877</u>

- (2) Extraordinary dividends were approved at the Extraordinary Shareholders' Meeting held on June 24, 2015 for COP 404,203,719, payable to the majority shareholder on July 20 of the years 2017 to 2021, for a total of COP 349,999,743; the dividends of minority shareholders were paid in November 2015. A 6.03% interest rate was associated and the amortized cost method was applied.

59. EMPLOYEE BENEFITS

The Company provides its employees with benefits such as pension and healthcare payments, and medical service for their children, parents and spouses or life partners. These benefits are assumed by the Company as set forth in the collective labor agreement.

	2016	2015
Employee benefits (1)	COP 340,239,405	COP 296,081,483

Other benefits - interest	15,294,558	6,952,066
Bonuses	10,169,381	9,673,894
Consolidated severance pay	6,320,603	5,962,721
Vacations	<u>5,395,545</u>	<u>5,310,855</u>
 Total	 377,419,492	 323,981,019
 Less - Long-term portion	 <u>319,735,817</u>	 <u>275,598,716</u>
 Current portion	 <u>COP 57,683,675</u>	 <u>COP 48,382,303</u>

(1) The details of employee benefits are as follows:

	2016			2015		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Benefits:						
Vacations	COP 5,395,545	COP -	COP 5,395,545	COP 5,310,855	COP -	COP 5,310,855
Bonuses	10,169,381	-	10,169,381	9,673,894	-	9,673,894
Other	<u>15,294,558</u>	<u>-</u>	<u>15,294,558</u>	<u>6,952,066</u>	<u>-</u>	<u>6,952,066</u>
 Subtotal of benefits	 30,859,484	 -	 30,859,484	 21,936,815	 -	 21,936,815
Active staff benefits:						
Severance pay	6,320,603	53,473,473	59,794,076	5,962,721	47,722,082	53,684,803
Five-year bonuses	<u>-</u>	<u>39,484,616</u>	<u>39,484,616</u>	<u>-</u>	<u>39,042,502</u>	<u>39,042,502</u>
 Subtotal of active staff	 6,320,603	 92,958,089	 99,278,692	 5,962,721	 86,764,584	 92,727,305

	2016			2015		
	Short-term	Long-term	Total	Short-term	Long-term	Total
benefits						
Post-employment benefits						
Pensions	-	4,968,197	4,968,197	-	3,098,306	3,098,306
Healthcare and pension payments	16,353,588	108,867,151	125,220,739	20,482,767	101,863,008	122,345,775
Medical service	<u>4,150,000</u>	<u>112,942,380</u>	<u>117,092,380</u>	<u>-</u>	<u>83,872,818</u>	<u>83,872,818</u>
Subtotal post-employment benefits	<u>20,503,588</u>	<u>226,777,728</u>	<u>247,281,316</u>	<u>20,482,767</u>	<u>188,834,132</u>	<u>209,316,899</u>
Total	<u>COP 57,683,675</u>	<u>COP 319,735,817</u>	<u>COP 377,419,492</u>	<u>COP 48,382,303</u>	<u>COP 275,598,716</u>	<u>COP 323,981,019</u>

The charges in the statement of comprehensive income on account of retirement pensions and fringe benefits are broken down as follows:

Monthly pension payments	COP (1,904,515)	COP (617,745)
Payments	(14,906,196)	7,629,015
Medical service	<u>(25,646,599)</u>	<u>42,748,255</u>
Total income (expense) for retirement pensions and related benefits	<u>COP (42,457,310)</u>	<u>COP 49,759,525</u>

The charges in the statement of comprehensive income on account of fringe benefits are broken down as follows:

	2016	2015
Borrowing costs	COP 23,817,856	COP 24,496,498
Cost of services	5,241,220	5,122,595

Actuarial assumptions -Below are the actuarial assumptions used to determine the present value of the defined benefit liability used for the actuarial calculations at December 31, 2016 and 2015.

2016	Five-year bonuses	Medical services	Severance pay	Payments	Pensions
Discount rate	6.88%	7.32%	6.88%	6.88%	7.32%
Salary increase (1)	8.25%	NA	8.25%	NA	NA
Expected inflation	4.00%	4.00%	4.00%	4.00%	4.00%
Rate of pension increase	NA	NA	NA	4.00%	4.00%
Increase in costs	NA	19%	NA	NA	NA

(1) As of 2018, it is 6.50%.

2015	Five-year bonuses	Medical services	Severance pay	Payments	Pensions
Discount rate	7.72%	9.04%	8.25%	8.25%	9.04%
Salary increase (1)	8.00%	NA	8.00%	NA	NA
Expected inflation (2)	5.50%	5.50%	5.50%	5.50%	5.50%
Pension rate of increase (3)	NA	NA	NA	5.50%	5.50%
Increase in costs	NA	19%	NA	NA	NA

(1) For the year 2016, it is 7.5%, and as of 2018, it is 6.50%.

(2) As of 2017, it is 4.00%.

The difference between the calculation of post-employment benefits related to pensions based on the methodology described in Decree 2131 / 2016 and the methodology applicable for compliance with the technical regulatory framework applicable in Colombia at December 31, 2016, is COP 874,426 at December 31, 2016.

60. CURRENT TAX LIABILITIES

The tax provisions regarding income tax applicable to the Group stipulate that the income tax rate for the years 2016 and 2015 is 25%. The reduction in the income tax rate was provided by Law

1607 / December 2012, in the same Law that created the income tax for equality (CREE, for the Spanish original) at a rate of 9%, which became effective as of January 1, 2013.

The balance of taxes, levies and rates is as follows:

	2016	2015
Tax obligations payable	COP 10,681,143	COP 60,029,873
Withholding tax payable	9,575,133	11,990,317
Contributions to the Communications Fund	9,506,498	7,913,678
Sales tax	7,101,634	17,138,198
Industry and commerce tax	3,780,840	1,901,245
Industry and commerce tax withheld	1,286,275	2,852,221
Excise tax	448,706	276,576
CREE self-withholdings	126,038	723,310
Income tax	114,313	2,054,008
CREE tax payable	41,153	734,465
Telephone service tax	<u>9,168</u>	<u>-</u>
Total	<u>COP 42,670,901</u>	<u>COP 105,613,891</u>

Income tax -

c) Income for the year 2016 is taxed at the rate of 25%.

d) In accordance with Article 73 of Law 1341 / 2009, companies providing basic public switched telephone services, local cellphone services in the rural sector and long distance services are not subject to the presumed minimum income system.

ETB legal stability contract - The Legal Stability Committee, comprised of the Ministry of Commerce, Industry and Tourism, Ministry of Communications, Ministry of Finance and the National Planning Department, authorized signing the legal stability contract for a term of 20 years, which protects the Company's activity in the event of adverse changes to the tax regime.

Based on the provisions established in Article 5 of Law 963 / 2005, which indicates that the investors who sign the legal stability contracts must pay the State a premium of 0.5% of the value of the

investments made prior to production start-up and 1% when in operation, the Company made three payments in 2015 and two in 2016 in relation to the legal stability contract premium, as follows:

These payments consist of the following:

Date	Premium	Interests	Total
09-30-2016	COP 2,965,468	COP 118,249	COP 3,083,717
12-28-2016	<u>2,957,468</u>	<u>29,016</u>	<u>2,986,484</u>
Total 2016	<u>COP 5,922,936</u>	<u>COP 147,265</u>	<u>COP 6,070,201</u>
09-02-2015	COP 8,377,542	COP -	COP 8,377,542
09-28-2015	500,670	193,357	694,027
12-24-2015	<u>500,670</u>	<u>50,687</u>	<u>551,357</u>
Total 2015	<u>COP 9,378,882</u>	<u>COP 244,044</u>	<u>COP 9,622,926</u>

The main tax benefits obtained by signing the contract are:

Income - Special Deduction on Real Productive Fixed Assets (AFRP for the Spanish original)

- Article 158-3 Tax Code: Income tax payers may deduct 40% for investments in real productive fixed assets. - Law 1111 / 2006. During the effect of the contract, the Company may request the special deduction of 40% for investments in AFRP (Real Productive Fixed Assets), which represents a deduction greater than 10% compared to the regulations in force for 2010 and 30% for the following years, given the elimination of said deduction as of the 2011 tax year by Law 1430 / 2010.

Income - Deduction Payments Abroad

- Article 31 Decree 836 / 1991, Telecommunication Costs: The limitation discussed in Article 122 of the Tax Code (15% limitation on the taxpayer's net income) will not be applicable on the costs incurred for the provision of telecommunications services that generate taxable income in Colombia, even if no taxes are withheld on said costs because there is no legal obligation to do so.

The Company can take 100% of the costs incurred abroad to provide taxable services with income in Colombia as a deductible in the determination of its net income.

Income tax rate -

Article 240 - Tax Code: The single rate on the taxable income is similar for corporations, limited liability companies and other entities, in accordance with the relevant regulations, including foreign companies and other companies of any kind. During the effect of the legal stability contract, the Company will determine its income tax by applying a rate of up to 33%.

Income tax for equality (CREE) -

- Income tax for equality (CREE) was created and is effective since January 1, 2013. This tax is calculated based on the gross revenue obtained less the revenue that is not considered income,

costs, deductions, tax-exempt income and irregular income, at a rate of 9%. For the year 2016, ETB has provisioned an equality tax expense of COP 9,619,657 (2015 COP 13,829,170).

- A surcharge on CREE tax was created in 2015, which must be paid by companies whose taxable base is greater than COP 800,000.

The Company calculates and records its deferred taxes based on the differences between the accounting and tax balances. At January 1, 2013, ETB determined that the CREE tax is a new tax that is different from income tax and, as a result, considered that, for the effects of calculating the CREE tax on that date, the tax value of its assets would be the same as the book value thereof.

The Company determined the provision for the income tax for equality (CREE) using the minimum tax base.

Treatment of wealth tax – Wealth tax for the years 2015, 2016 and 2017 was established by Law 1739 / 2014 for income taxpayers, at a rate ranging from 0.20% to 1.15%, which depends on the liquid tax equity held on January 1, 2015.

For 2016, ETB determined this tax for COP 26,506,706 (2015 COP 31,012,874), recorded against the equity reserve created pursuant to Article 10 of said law.

Considering the Legal Stability Contract, the Company chose to submit the wealth tax return in May 2015, and later file the request for a refund due to the payment of amounts that were not due, on the grounds that it is not a new tax and its characteristics are the same as the already known equity tax.

Tax Reform – Law 1819 / 2016 amended the Tax Code to reconcile revenue, tax treatment, fiscal costs and deductions by applying the Technical Regulatory Framework. It also establishes a general rate of 34% for the year 2017, 33% for the year 2018 forward, and an income tax and additional tax surcharge for taxable bases greater than COP 800,000 between 0 and 6% for the year 2017, and 0 and 4% for the year 2018. However, the Company applies the income tax rate of up to 33% established according to the Legal Stability Contract signed by the Company as mentioned earlier.

61. ESTIMATED LIABILITIES

	2016	2015
Provisions for contingencies (1)	COP 372,449,497	COP 343,247,387
Less - Current portion	<u>4,371,549</u>	<u>2,956,676</u>
Long-term portion	<u>COP 368,077,948</u>	<u>COP 340,290,711</u>

Based on the assessment of the likelihood of actual loss according to the information provided by ETB's internal and external legal advisors, in 2016 and 2015, Company Management has provisioned

COP 34,135,870 in 2016 and COP 232,836,838 in 2015, charged to the income statement, to cover likely losses from these contingencies:

(1) The provisions by type of proceedings are classified as follows:

Provision by type of proceeding:

Civil	COP 2,722,584	COP 50,000
Labor	4,277,486	5,694,739
Administrative (a)	365,449,427	337,502,317
Other contingent liabilities	<u>-</u>	<u>331</u>
	<u>COP 372,449,497</u>	<u>COP 343,247,387</u>

Movements in the provision account are presented below:

Other Provisions	Labor	Civil	Administrative	Other	Total
Balances at December 31, 2014	COP 9,150,202	COP 3,315,651	COP 179,880,694	COP 331	COP 192,346,878
Additional provisions recorded	22,719,480	13,302,606	291,101,974	-	327,124,060
Less: Payments / other discounts of future economic rewards	<u>(26,174,943)</u>	<u>(16,568,257)</u>	<u>(133,480,351)</u>	<u>-</u>	<u>(176,223,551)</u>
Balance at December 31, 2015	5,694,739	50,000	337,502,317	331	343,247,387
Additional provisions recorded	(879,029)	2,722,584	32,292,315	-	34,135,870
Recoveries	(271,068)	-	(760,504)	-	(1,031,572)
Less: Payments / other discounts of future economic rewards	<u>(267,156)</u>	<u>(50,000)</u>	<u>(3,584,701)</u>	<u>(331)</u>	<u>(3,902,188)</u>
Balance at December 31, 2016	<u>COP 4,277,486</u>	<u>COP 2,722,584</u>	<u>COP 365,449,427</u>	<u>COP -</u>	<u>COP 372,449,497</u>

(a) This includes the following proceedings:

TELECOM CONTINGENCY (Contractual Disputes): TELECOM demands the return of higher values paid to ETB for access charges between June 1996 and June 1999. The proceeding is in the Council of State awaiting resolution of the appeal filed against the sentence of first instance,

which was partially favorable for ETB. At December 31, 2016, the value to be provisioned was COP 182,729,932, which included claimed capital and indexation.

TELEFÓNICA CONTINGENCY (Executive): TELEFONICA demands the payment of interconnection access charges for receiving international long distance calls. The Council of State issued the order to pay against ETB, revoking the decision of the Administrative Court of Cundinamarca. At December 31, 2016, the value to be provisioned was COP 157,677,971, which included claimed capital and default interest.

RADIOTRÓNICA CONTINGENCY (Contractual Disputes): RADIOTRONICA S.A. is suing ETB for the damages caused by the declaration of administrative lapse of the contract. The proceeding is in the Council of State awaiting resolution of the appeal filed against the sentence of first instance, which was unfavorable for ETB. At December 31, 2016, the value to be provisioned was COP 15,981,990, including claimed capital and indexation.

INDRA CONTINGENCY (Contractual Disputes): INDRA demands for it to be declared that ETB defaulted on the payment obligations derived from Contract 4600007073, and for the provision of additional services by INDRA to be recognized and paid. The proceeding has been suspended while the court decides on the approval of a transaction agreement made by the parties in December 2015, to which ETB's current management objected. At December 30, 2016, the value to be provisioned was COP 4,448,516.

CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities - At December 31, 2016 and 2015, the value of contingent claims that were not provisioned for corresponds mainly to:

	2016	2015
Claims by type of proceeding:		
Labor	COP 317,491,645	COP 316,870,807
Administrative	178,906,134	268,412,086
Civil	<u>3,333,333</u>	<u>11,743,143</u>
Subtotal	<u>499,731,112</u>	<u>597,026,036</u>
Tax obligations	121,927,947	72,036,167
Other contingent liabilities	<u>4,111,118</u>	<u>10,527,768</u>
Subtotal	<u>126,039,065</u>	<u>82,563,935</u>

Total

COP 625,770,177

COP 679,589,971

With the support of its internal and external legal advisors, management estimated that the result of the lawsuits corresponding to the part that had not been provisioned at December 31, 2016 and 2015, for COP 499,731,112 and COP 597,026,036, respectively, in the event of rulings against the Company's interest, if any, they would not significantly affect its financial position, based on the effective loss valuation process on said date of each of the ongoing legal proceedings.

Below is a description of the main proceedings against the Company that have not been considered likely:

EMCALI CONTINGENCY (Direct Reparation): The proceeding started by EMCALI against the Ministry of Information Technology and Telecommunications, Communications Regulation Committee (CRC) and ETB for COP 46,504,451 is underway at the Administrative Court of Cundinamarca, where EMCALI filed suit against the material damage from the lower values received on account of access charges for interconnecting traffic flowing between April 24, 2002, and February 4, 2011. The proceeding is currently in the first instance - trial period. Classified as possible.

INTEK CONTINGENCY - (Court of Arbitration): Legal proceedings are underway at the Court of Arbitration of the Bogotá Chamber of Commerce against ETB for COP 10,308,643, on account of a supposed breach of the contract of business collaboration for the provision of services in Interadministrative Contract No. 654 / 2013, signed between ETB and the Superintendence of Notaries and Registries. The proceeding is currently in the trial period. Classified as possible.

CONSORCIO JORGE ARIEL VELOZA (Contractual Disputes): The members of Consorcio Jorge Ariel Veloza seek the declaration of Resolution No. 10661 / October 25, 1996 null and void, whereby ETB declared the expiration of Contract No. 3701 signed on October 13, 1995, for the construction of primary and secondary telephone networks and ducts in the general expansions of the San Fernando Plant. The plaintiffs appraised the amount of their claims at COP 20,000,000. The proceeding is in the Council of State awaiting resolution of the appeal filed against the sentence of first instance, which was totally favorable for ETB. Classified as possible.

CLARO CONTINGENCY (CRC Administrative Action): COMCEL (formerly OCCEL) has appealed to the CRC to settle the dispute with ETB regarding remuneration for Access Charges between these two companies. Period from January 2002 to January 2006. Amount COP 20,181,833. Classified as possible.

CLARO CONTINGENCY (CRC Administrative Action): COMCEL has appealed to the CRC to settle the dispute with ETB regarding remuneration for Access Charges between these two companies. Period from February 2002 to February 2008. Amount COP 30,655,715. Classified as possible.

CLARO CONTINGENCY COMCEL (formerly OCCEL) has appealed to the CRC to settle the dispute with ETB regarding remuneration for Access Charges between these two companies. Period from January 2006 to January 2008. Amount COP 38,854,597. Classified as possible.

Contingent Assets: At December 31, 2015 and 2015, the value of the claims for lawsuits is mainly due to the cases of ETB, as follows:

2016

2015

Administrative (1)	COP 437,221,927	COP 1,409,073,274
Civil	624,694	3,264,497
Bankruptcy	<u>4,557,631</u>	<u>2,240,527</u>
Total	<u>COP 442,404,252</u>	<u>COP 1,414,578,298</u>

(2) The main proceedings filed by the Company correspond to:

COMCEL PROCEEDING CONTINGENCY (Executive): For the amount of COP 327,076,551 at December 31, 2016, in accordance with the calculation by the Economic Studies department of ETB, on account of the collection of monies paid to Comcel on occasion of the decisions handed down in the year 2006, as the Council of State, by means of judgments dated August 9 and September 6, 2012, annulled said decisions and ordered COMCEL to refund the amounts paid by ETB. The proceeding is in the Council of State to settle the appeal filed by COMCEL against the sentence of first instance, ordering it to move forward with the execution.

SUPERINTENDENCE OF NOTARIES AND REGISTRIES (SNR) CONTINGENCY (Executive): ETB is claiming payment for the services provided on occasion of Contract No. 654 / 2013 signed with the SNR for COP 43,363,113. The proceeding is in the Council of State to settle the appeal filed by SNR against the sentence of first instance, which ordered it to move forward with the execution. The proceeding has been suspended by agreement between the parties.

TELECOM CONTINGENCY (Contractual Disputes): ETB is seeking the declaration of administrative actions issued by the Commission of Telecommunications Regulation null and void on occasion of the execution of Contract No. 02610 / May 26, 1998; declaring that TELECOM failed to fulfill Contract No. 02610 / May 26, 1998; and sentencing TELECOM to pay the damages caused as a result of failing to fulfill the Contract. ETB appraised the value of its claim at COP 17,000,000. To date, the proceeding is in the Council of State awaiting resolution of the appeal filed against the sentence of first instance, which was unfavorable to its claims.

CAJANAL PROCEEDING CONTINGENCY (Annulment and restoration of the right): For the amount of COP 15,740,724, corresponding to the collection of the amounts due for the pension payments of 187 former ETB employees, denied by CAJANAL. The claim was filed before the Second Chamber of the Cundinamarca Administrative Court, which referred the case to the Fourth Chamber on account of jurisdiction. The proceedings are currently being heard.

62. OTHER LIABILITIES

	2016	2015
Income received in advance	COP 45,886,667	COP 78,043,375
Collections for third parties	38,384,637	57,176,011

Disbursements Skynet ICT Fund (1)	11,825,119	-
Pension payments	9,454,722	9,494,296
Deferred income from domestic carriers	2,016,137	2,357,143
Liabilities	1,818,513	1,773,465
Other deferred income	<u>15,576,161</u>	<u>11,349,484</u>
 Total other liabilities	 124,961,956	 160,193,774
 Less - Other long-term liabilities	 <u>22,246,190</u>	 <u>10,644,091</u>
 Other short-term liabilities	 <u>COP 102,715,766</u>	 <u>COP 149,549,683</u>

(1) Under this heading, the disbursements received by the Information and Communications Technologies Fund are listed, as development resources for the execution of Skynet's Kioscos Vive Digital Projects.

63. BONDS ISSUED

By means of Resolution No. 4164 / December 28, 2012, the Ministry of Finance and Public Credit authorized the Company to subscribe, issue and place external public debt bonds on international capital markets. On January 17, 2013, the bond deposits were made on the international capital market for COP 530,180,000 denominated in Colombian pesos, payable in U.S. dollars at the official exchange rate (TRM, for the Spanish original) on the date of payment, over a 10-year period.

The conditions for the bond issue were as follows:

Nominal value	COP 20,000 each
Total amount authorized	COP 530,180,000
Total amount issued	COP 530,180,000 equivalent to USD 299,882,350.28 with the issue liquidation rate (TRM 1,767.96)
Issue date:	January 17, 2013
Maturity date:	January 17, 2023
Nominal interest rate:	7.00%
Interest frequency	Annual
Date of payment of interest	January 17 each year, starting on January 17, 2014
Payment Method	Colombian pesos payable in U.S. dollars at the TRM on each date of calculation by the calculation agent.

At December 31, 2016 and 2015, the interest accrued is COP 37,268,114 and COP 37,112,599, respectively.

64. DEFERRED TAX LIABILITIES

	2016	2015
Deferred income tax credit	<u>COP 127,929,779</u>	<u>COP 184,464,749</u>

This is the deferred tax resulting from the temporary differences as follows:

Fixed assets	COP 110,155,032	COP 133,249,847
Fixed assets (land)	17,774,745	17,776,579
Investments	-	1,248,008
Other assets (improvements on third party property)	<u>2</u>	<u>32,190,315</u>
	<u>COP 127,929,779</u>	<u>COP 184,464,749</u>

The deferred income tax credit is mainly generated by temporary differences of the fixed assets item. These differences correspond to excess tax depreciation applied in previous years and the asset valuation method applied for the opening balance sheet.

65. CAPITAL

Share Capital - At December 31, 2016 and 2015, the authorized capital amounts to COP 2,001,776 corresponding to 3,693,276,163 common shares with a nominal value of COP 0.5420054199290271 per share. The subscribed and paid-in capital is COP 1,924,419 represented by 3,550,553,412 shares.

Shareholders	Number of Shares	Share (%)
Capital District	3,066,154,179	86.357078%
Universidad Distrital Francisco José de Caldas	71,011,068	2.000000%
Municipality of Villavicencio	757,660	0.021339%
Departmental Government of Meta	615,312	0.017330%

Shareholders	Number of Shares	Share (%)
Empresa de Acueducto y Alcantarillado de Bogotá S.A. E.S.P.	1,373	0.000039%
Severance and Pension Benefit Fund	1,373	0.000039%
Instituto de Desarrollo Urbano de Bogotá	1,373	0.000039%
Lotería de Bogotá	<u>1,373</u>	<u>0.000039%</u>
Total public common shares	3,138,543,711	88.395902%
Private capital (outstanding common shares)	<u>412,009,701</u>	<u>11.6041%</u>
Total outstanding shares	<u>3,550,553,412</u>	<u>100.00000%</u>

Dividends approved: At the General Meeting of Shareholders held on March 29, 2015 (according to Minutes No. 39), dividends were declared on the profits declared according to previous standards for COP 67,460,515 at the rate of COP 19.00 for each of the shares outstanding, payable on June 22, 2015 for minority shareholders and March 14, 2015 for the majority shareholder. At the General Meeting of Shareholders held on March 16, 2014 (according to Minutes No. 37) dividends were approved for COP 61,708,618 at the rate of COP 17.38 per share outstanding.

At the extraordinary General Meeting of Shareholders held on June 24, 2015, (according to Minutes No. 40) dividends were approved for COP 404,203,719 at the rate of COP 113.84 for each outstanding share, payable on November 20, 2015, for the minority shareholder and on June 20 of the years 2017 to 2021 with an interest rate of 6.03% AER calculated as of June 20, 2016, for the majority shareholder.

Movements for dividends approved and payable are as follows:

	2016	2015
Opening balance	COP 418,074,142	COP 55,384,792
Plus - Dividends approved at Ordinary General Meeting	-	67,460,515

	2016	2015
(1)		
Amortized cost	5,057,728	7,701,464
Dividends declared at Extraordinary General Meeting of Shareholders	-	404,203,720
Less - Dividends paid	<u>(58,414,022)</u>	<u>(116,676,349)</u>
Dividends payable (Note 22)	<u>COP 364,717,848</u>	<u>COP 418,074,142</u>

(2) The dividends approved at the ordinary Meeting held on March 14, 2015 for COP 67,460,515 were approved based on the profits of the year 2014 according to the Company's financial statements, prepared in accordance with the accounting principles generally accepted in Colombia at December 31, 2014.

Reserves – The balance of reserves consisted of:

Legal reserve	COP 962,210	COP 962,210
Excess depreciation reserve	990,570,183	990,570,183
Reserve to repurchase shares	100,000,000	100,000,000
Reserve for future periods	241,377,719	241,377,719
Reserve for wealth tax	4,173,373	30,680,080
Reserve for restoring, expanding and replacing systems	<u>243,997,559</u>	<u>243,997,559</u>
Total reserves	<u>COP 1,581,081,044</u>	<u>COP 1,607,587,751</u>

Share premium - The balance is comprised of the difference between the nominal value of each share and its placement price and the value of the premium resulting from the merger with ETELL S.A. E.S.P. of COP 410,276, corresponding to the difference between the nominal value and the value paid for the share in order to maintain the nominal value of the absorbing company. The value of this account cannot be distributed as dividends.

Legal reserve - In accordance with Colombian law, 10% of the net profit of each tax year must be allocated as a legal reserve until the balance of the reserve is equivalent to at least 50% of the

subscribed capital. The mandatory legal reserve cannot be distributed prior to the Company's liquidation, but it can be used to absorb net annual losses.

Excess depreciation reserve - According to the tax regulations in force, in order to implement the deduction of accelerated depreciation, the Company must allocate from its profit 70% of the difference between the higher value of tax depreciation over accounting depreciation in order to comply with the provisions of Article 130 of the Tax Code. In subsequent periods, when the tax depreciation is less than the accounting depreciation, 70% of the difference can be released from the tax reserve as untaxed income.

Reserve for restoring, expanding and replacing systems - This reserve was established with the aim to benefit from the tax exemption for residential public utility companies, according to Article 211 of the Tax Code.

Reserve for future periods - Created by decision of the General Meeting of Shareholders. There are no restrictions on this reserve and it is at the disposal of the Meeting of Shareholders.

66. OPERATING REVENUE

	2016	2015
Fixed charge	COP 529,926,070	COP 454,560,447
Basic charge	346,552,032	377,285,489
Cellphone services - Calls. Internet	103,964,569	39,617,199
Variable internet charge	80,373,835	70,395,108
TV service	58,679,188	23,207,337
Access charges	53,423,327	23,849,003
Variable local charge	51,005,091	49,487,421
Sale of commodities	38,223,520	73,573,456
Variable long distance charge	29,055,999	32,852,448
Data transfer and carrier service	25,295,541	30,819,388
Traffic lights and other	21,193,099	22,660,839
Data transmission service - Skynet	18,981,228	23,493,063
Revenue from international call minutes	14,512,630	19,028,911
Internet access	14,319,024	66,183,424

Supplementary, additional and special services	13,461,789	46,035,274
Variable international long distance charge	12,945,006	15,451,452
Smart grid	11,522,613	13,869,019
Networks and integration businesses - ColvateI	10,583,476	13,656,301
RDSI -FTTH and ADSL - ColvateI	6,250,194	24,264,166
Connection	1,080,344	1,151,269
Discount on sales	(431)	(231,942)
Other income (1)	<u>7,994,053</u>	<u>22,881,140</u>
Subtotal sale of goods and services	1,449,342,197	1,444,090,212

	2016	2015
Other operating income		
Recoveries	10,973,231	22,394,256
Sundries (1)	<u>34,119,621</u>	<u>49,392,909</u>
Subtotal	<u>45,092,852</u>	<u>71,787,165</u>
	<u>COP 1,494,435,049</u>	<u>COP 1,515,877,377</u>

(1) Consists of reconnection and reinstatement services, public phones, civil works links, videoconferences and equipment rental, invoicing, carriers and other communication services.

(2) Consists mainly of the sale of recyclable material, compensation, customer fines and penalties.

67. RECURRING COSTS AND EXPENSES

Personnel	COP 225,708,689	COP 215,074,104
Call center and others	98,244,143	122,508,727
Fees	96,230,525	91,888,766
Leasing	95,781,557	97,938,413
Maintenance and materials	94,517,271	147,584,801
Access charges	79,433,173	47,671,839
TV channels and content	61,787,676	35,425,632
Contributions	44,011,563	41,233,942
Advertising and promotion	38,843,528	45,494,881
Public utilities	35,867,283	35,661,819
Commodities	28,088,821	24,233,814
Taxes	25,499,634	27,311,679
Temporary services - ColvateI	24,967,533	35,127,355
Leases	23,214,706	22,242,507
Data transmission - Skynet	14,787,299	11,908,590
Surveillance	12,958,574	14,505,719
Pension program	4,918,207	6,598,604
Community development and social wellbeing	3,421,479	4,997,277
Other Expenses	<u>51,565,385</u>	<u>64,002,852</u>
Total	<u>COP 1,059,847,046</u>	<u>COP 1,091,411,321</u>

68. NET FINANCIAL INCOME AND EXPENSES

Income

Financial returns (1)	COP 18,375,943	COP 37,426,414
Financial expenses (2)	<u>(85,597,933)</u>	<u>(86,457,467)</u>
Total financial income and expenses	<u>COP (67,221,990)</u>	<u>COP (49,031,053)</u>

(3) Financial returns

Interest on bank deposits	COP 17,171,349	COP 35,311,135
	2016	2015
Interest and returns on accounts receivable	1,161,432	1,287,455
Interest on user financing	31,483	615
Financial returns - Skynet	<u>11,679</u>	<u>827,209</u>
	<u>COP 18,375,943</u>	<u>COP 37,426,414</u>

(4) Financial expenses

Financial loan obligations	COP 39,822,835	COP 37,113,001
Actuarial costs	23,817,856	24,496,498
District dividend interests	13,661,482	-
Amortized cost of dividends	5,057,728	7,701,464
Bank expenses and commissions	2,431,944	4,690,117
Management and issuance of securities	160,302	165,613
Default interest	147,266	244,045
Amortized cost of employee loans	-	1,056,202
Amortized cost of contingencies	-	10,951,721
Other	<u>498,520</u>	<u>38,806</u>

Financial expenses (2)

COP 85,597,933

COP 86,457,467

69. LOSS PER SHARE

The basic net loss per share is calculated by dividing the profit attributable to Company shareholders by the weighted average of common shares outstanding in the year, excluding the common shares acquired by the Company and held as treasury shares.

Weighted average of outstanding common shares	3,550,553	3,550,553
Basic and diluted loss per share	(63.73)	(19.34)

70. SUBSEQUENT EVENTS

There were no relevant events following the closing of the financial statements that could significantly affect the Company's financial position reflected in the financial statements for the period ended December 31, 2016.

71. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements will be submitted for consideration by the highest corporate body, the General Meeting of Shareholders, which may either approve or reject said Financial Statements.

EMPRESA DE TELECOMUNICACIONES DE BOGOTÁ S.A. E.S.P.

Certification of the Financial Statements

We hereby certify that we have verified the statements contained in the "Company's" consolidated financial statements for the years ended December 31, 2016 and 2015, which have been faithfully taken from the accounting books of ETB and its subsidiaries. Therefore:

The assets and liabilities of ETB and its subsidiaries existed on the cut-off date, and the reported transactions were carried out during that period.

The assets represent probable future economic benefits (rights) and the liabilities represent probable future economic sacrifices (obligations) obtained by or the responsibility of ETB and its subsidiaries on the cut-off date.

All the elements have been recognized as appropriate amounts.

Economic data have been correctly classified, described and disclosed.

Furthermore, the Consolidated Financial Statements were authorized for disclosure by the Legal Representative and/or Board of Directors on Friday, February 24, 2017. These financial statements will be submitted for consideration of the highest corporate body on March 27, 2017, which may either approve or reject said financial statements.

JORGE HERNÁN CASTELLANOS RUEDA
Legal Representative
Citizenship ID No. 19 367.039 issued in
Bogotá

JUAN CARLOS SALGADO BERNAL
Accounting and Tax Manager
Citizenship ID No. 79.534.109 issued in
Bogotá
Professional License No. 76235-T