Telefónica CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED INTERIM

FINANCIAL STATEMENTS

As of March 31, 2014, December 31, 2013 and March 31, 2013

(Translation of financial statements originally issued in Spanish – See Note 2c)

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Notes to the Consolidated Financial Statements

ThCh$: Thousands of Chilean Pesos
MCh$: Millions of Chilean Pesos

	Notes	03.31.2014	12.31.2013
		ThCh$	ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	75,282,819	173,015,722
Other current financial assets	(6)	4,663,843	13,442,571
Other current non-financial assets	(7)	15,128,000	16,538,104
Current trade and other accounts receivable	(8a)	128,199,697	135,230,034
Current receivables from related companies	(9a)	46,617,828	51,807,548
Inventory	(10a)	8,484,697	6,781,814
Current tax assets	(11b)	10,101,830	4,582,483
Total current assets other than assets groups of assets for disposal, classified as available for sale or as held for distribution to owners		**288,478,714**	**401,398,276**
Non-current assets or groups of assets for disposal, classified as available for sale or held for distribution to owners	(16)	221,741	65,627
TOTAL CURRENT ASSETS		**288,700,455**	**401,463,903**
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	59,026,287	44,367,489
Other non-current non-financial assets	(7)	2,275,498	2,277,992
Non-current trade and other accounts receivable	(12)	16,834,548	17,049,482
Non-current receivables from related companies	(9b)	1,366,521	1,366,521
Intangible assets other than goodwill, net	(13a)	31,643,825	36,372,660
Goodwill	(14)	21,660,128	21,660,128
Property, plant and equipment	(15a)	987,536,392	977,443,748
Deferred tax assets	(11c)	5,489,698	7,924,551
TOTAL NON-CURRENT ASSETS		**1,125,832,897**	**1,108,462,571**
TOTAL ASSETS		**1,414,533,352**	**1,509,926,474**

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statements

	Notes	03.31.2014	12.31.2013
		ThCh$	ThCh$
LIABILITIES			
CURRENT LIABILITIES			
Other current financial liabilities	(17)	47,916,888	148,858,307
Trade and other payables	(18)	135,146,208	176,150,771
Current payables to related companies	(9c)	77,247,208	69,469,622
Other current provisions	(20)	1,637,318	1,704,344
Current tax liabilities	(11f)	-	523,232
Current employee benefits accrual	(21a)	4,000,140	4,272,755
Other current non-financial liabilities	(22)	18,843,004	16,721,927
TOTAL CURRENT LIABILITIES		**284,790,766**	**417,700,958**
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(17)	391,980,599	356,941,656
Other non-current provisions		543,244	543,244
Deferred tax liabilities	(11c)	53,161,611	55,997,547
Non-current employee benefits accrual	(21a)	24,363,514	24,507,910
Other non-current non-financial liabilities	(22)	5,461,840	5,469,891
TOTAL NON-CURRENT LIABILITIES		**475,510,808**	**443,460,248**
TOTAL LIABILITIES		**760,301,574**	**861,161,206**
NET SHAREHOLDERS' EQUITY			
Issued capital	(23a)	578,078,382	578,078,382
Retained earnings		75,547,010	67,065,016
Other reserves	(23d)	(6,694,569)	(2,791,103)
Shareholders' equity attributable to owners of the parent		646,930,823	642,352,295
Non-controlling interest	(23e)	7,300,955	6,412,973
TOTAL NET SHAREHOLDERS' EQUITY		**654,231,778**	**648,765,268**
TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY		**1,414,533,352**	**1,509,926,474**

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statements

	Notes	For the periods ended March 31, 2014 ThCh$	2013 ThCh$
STATEMENTS OF COMPREHENSIVE INCOME			
Income from ordinary operations	(25a)	165,347,706	163,170,454
Other income, by segment	(25b)	47,789	41,013
Employee benefits expenses	(21d)	(22,863,841)	(23,636,943)
Depreciation and amortization expense	(13b)(15b)	(44,527,458)	(37,260,306)
Other expenses, by nature	(25c)	(81,634,910)	(78,465,073)
Profit from operating activities		**16,369,286**	**23,849,145**
Interest income	(25d)	1,934,014	2,508,479
Interest expense	(25d)	(7,597,153)	(8,330,827)
Foreign exchange differences	(25e)	78,141	(539,415)
Income from indexation units	(25e)	(49,450)	497,763
Profits before tax from continuing operations		**10,734,838**	**17,985,145**
Income tax expense	(11e)	(1,364,852)	(3,787,139)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**9,369,986**	**14,198,006**
Profit attributable to holders of equity instruments of the controller and minority interest:			
Profit attributable to owners of the parent		8,481,994	13,299,439
Profit attributable to non-controlling interest	(23e)	887,992	898,567
PROFIT FOR THE YEAR		**9,369,986**	**14,198,006**

EARNINGS PER SHARE		Ch$	Ch$
Earnings per basic share			
Earnings per basic share for continuing operations	(24)	8.86	13.89
Earnings per basic share for discontinuing operations		-	-
Earnings per basic share		8.86	13.89
Diluted earnings per share			
Diluted earnings per share from continuing operations		8.86	13.89
Diluted earnings per share from discontinuing operations		-	-
Diluted earnings per share		8.86	13.89

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statements

	For the periods ended March 31,	
	2014	**2013**
STATEMENTS OF COMPREHENSIVE INCOME	**ThCh$**	**ThCh$**
PROFIT FOR THE PERIOD	**9,369,986**	**14,198,006**
OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income before taxes		
Profit (loss) on new measurement of financial assets available for sale	881,006	607,407
Profit (loss) on cash flow hedges	(5,980,590)	(3,172,053)
Total other components of other comprehensive income, before taxes	**(5,099,584)**	**(2,564,646)**
Income taxes related to components of other comprehensive income		
Income tax related to hedging cash flows from other comprehensive income	1,196,118	634,411
Total income tax related to components of other comprehensive	**1,196,118**	**634,411**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**(3,903,466)**	**(1,930,235)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**5,466,520**	**12,267,771**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Comprehensive income attributable to owners of the parent	4,578,528	11,369,204
Comprehensive income attributable to non-controlling interest	887,992	898,567
TOTAL COMPREHENSIVE INCOME	**5,466,520**	**12,267,771**

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statements

CONSOLITED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As of March 31, 2014 and 2013

(Translation of financial statements originally issued in Spanish – See Note 2c)

	Changes in capital (Note 23a)	Changes in the other reserves (Note 23d)					Retained earnings	Equity attributable to owners of the parent	Non controlling interests (Note 23e)	Total equity
	Issued capital	Cash flow hedge reserves	Benefit plan gain and loss reserve	Accrual of profits or losses on remeasurement of financial assets available for sale	Other miscellaneous reserves	Total other reserves				
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.2014	**578,078,382**	**7,978,286**	**(2,415,709)**	**2,496,132**	**(10,849,812)**	**(2,791,103)**	**67,065,016**	**642,352,295**	**6,412,973**	**648,765,268**
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	8,481,994	8,481,994	887,992	9,369,986
Other comprehensive income	-	(4,784,472)	-	881,006	-	(3,903,466)	-	(3,903,466)	-	(3,903,466)
Comprehensive income	**-**	**(4,784,472)**	**-**	**881,006**	**-**	**(3,903,466)**	**8,481,994**	**4,578,528**	**887,992**	**5,466,520**
Other decrease from transfers and other changes	-	-	-	-	-	-	-	-	(10)	(10)
Total changes in shareholders' equity	**-**	**(4,784,472)**	**-**	**881,006**	**-**	**(3,903,466)**	**8,481,994**	**4,578,528**	**887,982**	**5,466,510**
Ending balance as of 03.31.2014	**578,078,382**	**3,193,814**	**(2,415,709)**	**3,377,138**	**(10,849,812)**	**(6,694,569)**	**75,547,010**	**646,930,823**	**7,300,955**	**654,231,778**
Beginning balance as of 01.01.2013	**578,078,382**	**(3,716,944)**	**(2,415,709)**	**3,452,862**	**-**	**(2,679,791)**	**24,198,873**	**599,597,464**	**2,634,953**	**602,232,417**
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	13,299,439	13,299,439	898,567	14,198,006
Other comprehensive income	-	(2,537,642)	-	607,407	-	(1,930,235)	-	(1,930,235)	-	(1,930,235)
Comprehensive income	**-**	**(2,537,642)**	**-**	**607,407**	**-**	**(1,930,235)**	**13,299,439**	**11,369,204**	**898,567**	**12,267,771**
Other increase (decrease) from transfers and other changes	-	-	-	-	-	-	-	-	-	-
Total changes in shareholders' equity	**-**	**(2,537,642)**	**-**	**607,407**	**-**	**(1,930,235)**	**13,299,439**	**11,369,204**	**898,567**	**12,267,771**
Ending balance as of 03.31.2013	**578,078,382**	**(6,254,586)**	**(2,415,709)**	**4,060,269**	**-**	**(4,610,026)**	**37,498,312**	**610,966,668**	**3,533,520**	**614,500,188**

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statements

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS DIRECT

As of March 31, 2014 and 2013

(Translation of financial statements originally issued in Spanish – See Note 2c)

	Notes	For the periods ended March 31, 2014 ThCh$	2013 ThCh$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Classes of operating activity charges			
Proceeds from sale of assets and services rendered		**259,927,008**	**246,676,895**
Proceeds from sales and services		216,014,680	203,016,186
Proceeds from related entities		43,912,328	43,660,709
Classes of payments			
Payments to suppliers for supplying goods and services		(143,904,624)	(142,715,729)
Payments to and on account of employees		(50,305,842)	(55,392,331)
Other operating activity payments		(15,388,248)	(22,154,861)
Net cash flows provided by (used in) operating activities		**50,328,294**	**26,413,974**
Income taxes paid reimbursed classified as operating activities (less)		(6,569,943)	(5,504,948)
Cash flows provided by (used in) operating activities		**43,758,351**	**20,909,026**
CASH FLOWS PROVIDED BY (USED IN) INVESTMENT ACTIVITIES			
Proceeds from sale of property, plant and equipment, classified as investing activities		-	4,778
Additions to property, plant and equipment, classified as investing activities		(74,434,510)	(55,651,387)
Dividends received, classified as investing activities	(6b)	92,364	235,123
Interest received, classified as investing activities		1,774,391	2,148,615
Other cash inputs (outputs), classified as investing activities		-	(25,568,138)
Net cash flows provided by (used in) investment activities		**(72,567,755)**	**(78,831,009)**
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from loans, classified as financing activities			
Proceeds from non-current loans		47,000,000	-
Loans to related parties		15,310,000	-
Reimbursement of loans classified as financing activities	(17a)	(138,553,850)	-
Payments of financial lease liabilities, classified as financing activities		(507,821)	(342,259)
Payments of loans to related entities		-	(6,494,540)
Interest paid, classified as financing activities		(5,289,928)	(4,134,910)
Other cash inputs (outputs), classified as financing activities		13,118,100	-
Net cash flows provided by (used in) financing activities		**(68,923,499)**	**(10,971,709)**
Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate		**(97,732,903)**	**(68,893,692)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(97,732,903)**	**(68,893,692)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**173,015,722**	**246,567,966**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(5)	**75,282,819**	**177,674,274**

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statements

1. Corporate information:

Telefónica Chile S.A. and Subsidiaries ("the Company") provides telecommunications services in Chile, consisting of fixed telecommunications, television, long distance, corporate communications and other services. The Company is located on Avenida Providencia No. 111, Santiago, Chile.

The Company is a publicly traded corporation registered with the Securities Registry, under No. 009 and therefore is subject to supervision by the Chilean Superintendency of Securities and Insurance ("SVS").

At the Extraordinary Shareholders' Meeting held on April 23, 2009 the shareholders agreed to change the name of "Compañía de Telecomunicaciones de Chile S.A" to "Telefónica Chile S.A.".

Telefónica Chile S.A. is part of the Telefónica Group. Its parent company is Telefónica Internacional Holding S.A., which is indirect subsidiary of Telefonica S.A., headquartered in Spain.

The subsidiary company registered in the Securities Registry is:

Subsidiary	Taxpayer number	Registration number	Participation percentage (direct and indirect)	
			03.31.2014 %	12.31.2013 %
Telefónica Larga Distancia S.A.	96.672.160-K	1061	99.93	99.93

2. Significant accounting principles:

a) Accounting period

These consolidated financial statements (hereinafter, "financial statements") the following periods: Statements of Financial Position are presented as of March 31, 2014 and December 31, 2013; Statement of Changes in Equity for the periods ended March 31, 2014 and 2013, Statements of Comprehensive Income for the three-month periods ended as of March 31, 2014 and 2013, and Statement of Cash Flows for the three-month periods ended as of March 31, 2014 and 2013.

b) Basis of presentation

The financial statements for December 31, 2013 and their corresponding notes are shown in a comparative manner in accordance with Note 2a).

c) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 34 (IAS 34) "Interim Financial Information", incorporated in IFRS. The figures included in these financial statements are expressed in thousands of Chilean pesos, since the Chilean peso is the Company's functional and reporting currency. All values are rounded to the nearest thousands, except when otherwise indicated.

2. Significant accounting principles, continued

c) Basis of preparation, continued

The information contained in these financial statements is the responsibility of the Company's Board of Directors, which expressly manifests its responsibility for the consistent and reliable nature of the application of IFRS.

Certain accounting practices applied by the Company that conform to IFRS may not conform to generally accepted accounting principles in the United States ("US GAAP").

For the convenience of the reader these financial statements have been translated from Spanish to English.

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries, including assets, liabilities, income, expenses and cash flows after making adjustments and eliminations related to transactions between the companies that are part of the consolidation. Minority investments have been recognized under "Non-controlling Interests" (note 23e).

Control is achieved when the Company is exposed to or has a rights to variable returns from its interest in the investee and has the capacity to influence these returns through its power over it. In order to comply with the definition of control the following points must be fulfilled:

-Power over the investee (i.e. existing rights that give it the capacity to direct the relevant activities of the investee).

-Exposure, or right to variable returns from its interest in the investee; and

-Capacity to use its power over the investee to influence the amount of the returns of the investor.

The financial statements of the consolidated companies cover the periods ended on the same dates as the individual financial statements of the parent Company, Telefónica Chile S.A. and have been prepared using the same accounting policies.

Non-controlling interest represents the portion of net income or loss and net assets of certain subsidiaries that are not owned by the parent company, and are presented in the consolidated statements of income and equity, separately from shareholders' equity.

The following subsidiaries are included in consolidation:

Taxpayer No.	Company Name	Country of origin	Functional currency	Participation percentage 03.31.2014			12.31.2013
				Direct	Indirect	Total	Total
96.961.230-5	Telefónica Gestión de Servicios Compartidos Chile S.A.	Chile	CLP	99.99	-	99.99	99.99
78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CLP	99.99	-	99.99	99.99
96.811.570-7	Instituto Telefónica Chile S.A.	Chile	CLP	-	99.99	99.99	99.99
96.672.160-k	Telefónica Larga Distancia S.A.	Chile	CLP	99.93	-	99.93	99.93
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	Chile	CLP	49.00	2.00	51.00	51.00

2. Significant accounting principles, continued

d) Basis of consolidation, continued

The summarized financial information at March 31, 2014 of the companies included in the consolidation is as follows:

Taxpayer No.	Company Name	% Participation	Currents assets ThCh$	Non-currents assets ThCh$	Total assets ThCh$	Currents liabilities ThCh$	Non-currents liabilities ThCh$	Total liabilities ThCh$	Equity ThCh$	Revenues from ordinary operations ThCh$	Profit (loss), Net ThCh$
96.961.230-5	Telefónica Gestión de Servicios Compartidos Chile S.A.	99.9990000	9,545,561	3,231,492	12,777,053	6,879,403	42,452	6,921,855	5,855,198	25,241	72,888
78.703.410-1	Telefónica Empresas Chile S.A.	99.9999997	130,958,046	104,694,560	235,652,606	82,619,982	2,307,567	84,927,549	150,725,057	56,286,317	(813,338)
96.672.160-k	Telefónica Larga Distancia S.A.	99.9297221	67,320,254	68,421,958	135,742,212	24,130,169	3,095,545	27,225,714	108,516,498	17,463,007	4,625,744
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	51.0000000	65,365,887	41,939,741	107,305,628	61,781,979	30,779,496	92,561,475	14,744,153	43,494,827	1,805,592
96.811.570-7	Instituto Telefónica Chile S.A.	99.9999531	56,330	1,399	57,729	1,316,886	-	1,316,886	(1,259,157)	-	(154)

The summarized financial information at December 31, 2013 of the companies included in the consolidation is as follows:

Taxpayer No.	Company Name	% Participation	Currents assets ThCh$	Non-currents assets ThCh$	Total assets ThCh$	Currents liabilities ThCh$	Non-currents liabilities ThCh$	Total liabilities ThCh$	Equity ThCh$	Revenues from ordinary operations ThCh$	Profit (loss), Net ThCh$
96.961.230-5	Telefónica Gestión de Servicios Compartidos Chile S.A.	99.9990000	11,465,202	3,294,024	14,759,226	8,173,852	803,064	8,976,916	5,782,310	15,173,341	1,794,965
78.703.410-1	Telefónica Empresas Chile S.A.	99.9999997	140,904,748	97,708,997	238,613,745	84,869,191	2,361,368	87,230,559	151,383,186	233,992,189	14,963,303
96.672.160-k	Telefónica Larga Distancia S.A.	99.9297221	66,325,397	70,174,281	136,499,678	29,427,278	3,167,507	32,594,785	103,904,893	78,865,322	26,766,130
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	51.0000000	58,970,030	45,038,590	104,008,620	60,940,844	30,129,215	91,070,059	12,938,561	171,059,838	7,763,129
96.811.570-7	Instituto Telefónica Chile S.A.	99.9999531	56,329	1,554	57,883	1,316,886	-	1,316,886	(1,259,003)	-	(309,892)

2. Significant accounting principles, continued

e) Foreign exchange differences

Balances of monetary assets and liabilities denominated in foreign currency are presented valued at the closing exchange rate for each period. Foreign currency translation resulting from the application of this standard is recognized in income for the period under "foreign currency translation" and differences resulting from the valuation of the UF are recognized in income for the period under "income from indexation units".

Non-monetary items in foreign currency measured at historical cost are converted using the exchange rate on the date of the transaction and non-monetary items that are measured at fair value are converted using the exchange rate on the date on which this fair value is measured.

When a gain or loss derived from a non-monetary item is recognized in other comprehensive income, any foreign currency translation included in this gain or loss will also be recognized in other comprehensive income. On the contrary, when the gain or loss, derived from a non-monetary item is recognized in income for the period, any foreign currency translation included in this gain or loss is also recognized in income for the period.

Assets and liabilities in US$ (United States dollars), Euros, Brazilian Real, JPY (Japanese Yen) and UF (Unidades de Fomento), have been converted to Chilean Pesos using the observed exchange rates as of each period-end, detailed as follows:

DATE	USD	EURO	REAL	JPY	UF
31.Mar.2014	551.18	759.10	244.44	5.35	23,606.97
31.Dec.2013	524.61	724.30	222.71	4.99	23,309.56
31.Mar.2013	472.03	605.40	233.91	5.02	22,869.38

f) Financial assets and liabilities

1. Financial assets other than derivatives

Classification and presentation

The Company classifies its financial assets into the following categories: loans and accounts receivable, financial assets at fair value through profit and loss, financial assets held to maturity and assets-held-for-sale. The classification depends on the purpose for which the financial assets were acquired. The Company determines the classification of its financial assets at the time of initial recognition.

i) Loans and accounts receivable

Loans and accounts receivable are financial assets with fixed and determinable payments that are not quoted in an active market. Trade receivables are recognized for the amount of the invoice, and an adjustment is recorded if there is objective evidence of customer payment risk.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

i) Loans and accounts receivable, continued

Allowance for doubtful accounts have been determined on uncollectable debts based on stratification of the customer portfolio and age of the debts. Total uncollectability is reached 90 days after the due date of the debt, with a 100% allowance, except for the customer portfolio for the corporate segment and wholesale segment, where the total accrual is reached 180 days after the due date.

Loans and accounts receivable are included in "Trade and other accounts receivable" in the statement of financial position, except for those with due dates in excess of 12 months from the closing date which are classified as Non-current trade and other accounts receivable.

They are recorded at amortized cost using the effective interest rate method, which is its initial fair value.

The effective interest rate method is a method for calculating the amortized cost of a financial asset or liability and imputing finance income or expenses throughout the relevant period. The effective interest rate is the discount rate that exactly matches the estimated cash flows receivable or payable throughout the expected life of the financial instrument (or, when adequate in a shorter period) with the net carrying amount of the financial asset or liability.

Short-term trade receivables are not discounted. The Company has determined no difference between the amount invoiced and the amortized cost, as the transaction has no significant associated costs.

ii) Financial assets at fair value through profit or loss

Financial assets are classified to the category of financial assets at fair value through profit or loss when they are held for trading or designated in their initial recognition at fair value through profit or loss. A financial asset is classified in this category if it is mainly acquired for the purpose of being sold in the short-term. Profits and losses on assets held for trading are recognized in income.

The financial assets are recorded in the statement of financial position at fair value and changes in value are recorded directly in income when they occur as are the costs of the initial transaction.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

iii) Financial assets held to maturity

Financial assets held to maturity are financial assets with fixed and determinable payments and fixed maturity, that the Company has the positive intention and capacity to hold to maturity. If the Company sold a significant amount of its financial assets held to maturity, the entire category would be reclassified to financial assets held for sale.

Investments are recognized initially at fair value plus transaction costs and are subsequently recorded at amortized cost using the effective interest rate method.

iv) Financial assets available for sale

Financial assets available for sale are non-derivative assets that are designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Company intends to dispose of the investment in the 12 months following the closing date.

Investments are initially recognized at fair value less transaction costs and are subsequently recorded at their fair value.

These investments figure in the statement of financial position at their fair value when it is possible to determine it reliably. In the case of interests in companies that are not quoted or that are not very liquid, normally the market value cannot be reliably determined, therefore when this occurs, they are valued at acquisition cost or a lower amount when there is evidence of impairment.

Changes in fair value, net of their tax effect, are recorded in the comprehensive income statement: other comprehensive income, up to the time of disposal of these investments, time at which the accumulated amount in this heading is imputed fully to profit or loss for the year.

Should the fair value be less than the cost of acquisition, if there is objective evidence that the asset has suffered impairment that cannot be considered temporary, the difference is recorded directly in loss for the year.

It should be noted that the Company will stop recognizing this asset when the contractual rights over the cash flows of the financial asset have expired or this financial asset is transferred if, and only if the contractual rights to receive the cash flows of the financial asset are retained, but it assumes the contractual obligation to pay them to one or more beneficiaries.

Purchases and sales of financial assets are accounted for using the trading date.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

2. Cash and cash equivalents

Cash and cash equivalents recognized in the financial statements includes cash balances, checking accounts, time deposits and investments in instruments with original maturity of ninety days or less. These items are recorded at their historical cost, which does not significantly differ from their realization value.

There are no restrictions on the use of cash and cash equivalents contained in this heading.

3. Financial liabilities

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss, trade accounts payable, interest bearing loans or derivatives designated as effective hedge instruments (see Note 19).

The Company determines the classification of its financial liabilities at the time of initial recognition.

Financial liabilities are derecognized when the obligation is cancelled, liquidated or expires. When an existing financial liability is replaced by another from the same lender under substantially different terms, or the terms of an existing liability are substantially modified, that exchange or modification is treated as an accounting derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Financial liabilities are initially recognized at fair value and in the case of loans, include costs that are directly attributable to the transaction. Subsequent measurement of financial liabilities depends on their classification as explained below.

i) Financial liabilities at fair value through profit or loss

Financial liabilities are classified to the category of financial liabilities at fair value through profit or loss when they are held for trading or designated at fair value through profit or loss in their initial recognition.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling them in the short-term.

Profits or losses on liabilities held for trading are recognized with a charge or credit to comprehensive income. This category includes derivative instruments not designated for hedge accounting and also considers embedded derivatives.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

3. Financial liabilities, continued

ii) Trade accounts payable

Balances payable to suppliers are subsequently valued at amortized cost using the effective interest rate method. Trade accounts payable expiring in accordance with generally accepted commercial terms are not discounted.

iii) Interest-bearing loans

Loans are valued at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any premium or discount of the acquisition and includes transaction costs that are an integral part of the effective interest rate. The difference between the cash received and the reimbursement value is imputed directly to income over the term of the contract. Financial obligations are presented as non-current liabilities when their expiry exceeds 12 months.

4. Derivative financial instruments

The Company holds hedge derivatives to manage its exposure to interest and/or exchange rate risks. The Company's objective in respect to derivatives is to minimize these risks using the most effective method to eliminate or reduce the impact on underlying hedged transactions.

Derivative instruments are recognized at fair value on the date of the statement of financial position under "Other financial assets" or "Other financial liabilities" depending on whether their fair value is positive or negative respectively. They are classified as current or non-current depending on whether they mature in less than or more than twelve months. Derivative instruments that meet all the requirements for being treated as hedge instruments for long-term items are presented as non-current assets or liabilities, based on their balance separately from the hedged items, as indicated in IAS 39.

Hedges for risks of variations, in exchange rates, in firmly committed transactions, may be treated indistinctly as either a fair value hedge or cash flow hedge.

Variations in the fair value of derivatives that have been designated as and meet the requirements for being treated as fair value hedge instruments, are recorded in the comprehensive income statement netting the effects of the part of the underlying for which the risk is being hedged

In the case of cash flow hedges, changes in the fair value of derivatives are recorded, for the effective part of those hedges, in an equity reserve called "Cash flow hedge reserve". The accumulated deficit or profit in that heading is transferred to the comprehensive statement of income to the extent that the underlying has an impact on the comprehensive income statement for the hedged risk, netting that effect. The part of the hedge considered to be ineffective is recorded directly in the comprehensive income statement.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

4. Derivative financial instruments, continued

Initially, the Company formally documents the hedge relationship between the derivative and the hedged item, as well as the objectives and risk management strategies pursued in establishing the hedge. This documentation includes identifying the hedge instrument, hedged item or transaction as well as the nature of the hedged risk. It also specifies the method for assessing the degree of effectiveness when offsetting the exposure to changes in the hedged element, whether in its fair value or in the cash flows attributable to the hedged risk. The effectiveness assessment is performed prospectively and retroactively, both at inception of the hedge relationship and systematically throughout the period for which it were designated.

The fair value of the derivative portfolio reflects estimates based on calculations performed using observable market data, employing specific valuation and risk management tools widely used by diverse financial entities.

g) Inventory

Materials for consumption and replacement are valued at cost or net realization value, whichever is lower.

The net realizable value is the estimated sales value during the normal course of business, less costs related to the sale and costs related to finishing the product.

When cash flows related to inventory purchases are covered by an effective hedge, the corresponding gains and losses accumulated in equity become part of the cost of acquired inventory.

The value of products that are obsolete, defective or have a slow turnover has been reduced to their possible net realization value, which has been determined on the basis of a study of materials with slow turnover, which according to the Company's policies have been defined as materials that have not been commercialized and/or have not had any turnover in a period of 24 months or more. Likewise, products or accessories in warehouse for scrapping are considered a total loss.

h) Non-current assets destined for sale

Non-current assets destined for sale are measured at the lower end of the book and fair values, less the cost to sell. Assets are included in this heading when the book value can be recovered through a sales transaction, which is highly likely to take place when they are immediately available in their present condition. Management must be committed to a plan to sell the asset and must have actively begun a program to find a buyer and complete the plan. Likewise, it must be expected that the sale will qualify for full completion within a year following its classification date.

Property, plant and equipment classified as held for sale is not depreciated.

2. Significant accounting principles, continued

i) Impairment of non-current assets

At each year-end non-current assets are evaluated for possible indications of impairment. If such indications exist, the Company estimates the asset's recoverable amount, which is its value in use or its fair value, less cost to sell, whichever is greater. Value in use is determined by discounting estimated future cash flows. When an asset's recoverable amount is less than its net book value, impairment is recorded.

To calculate impairment, the Company estimates the return on assets assigned to the different cash generating units based on expected cash flows.

Discount rates used are determined before taxes and adjusted for the respective country and business risk. Thus, in 2014 and 2013 the rate used was 8.79% and 8.75% respectively. There were no impairment adjustments made in 2014 and 2013.

j) Leases

Leased assets for which the lessor retains a significant part of the risks and rewards of ownership are classified as operating leases. Payments made on this type of lease are charged to income on a straight-line basis over the term of the lease. Future obligations on these contracts are detailed in Note 26.

Leased assets for which the significant risks and rewards of ownership are transferred to the Company are considered finance leases. Initially, the asset and associated liability are recorded at the fair value of the leased asset or the present value of the minimum agreed-upon lease payments if lower. Interest expense is charged to income throughout the life of the lease. Depreciation of these assets is included in depreciation of Property, Plant and Equipment. The Company reviews all contracts to determine if they contain an embedded lease. As of March 31, 2014 and 2013 no embedded leases were identified.

k) Income taxes

The income tax expense for each year comprises current and deferred income taxes.

Tax credits and liabilities for the current year and prior years are measured at the estimated amount recoverable or payable to the tax authorities. The Company uses the tax rates and government regulations current as of each period-end to calculate those amounts, which is 20% for 2014 and 2013.

The deferred tax amount is obtained from analyzing temporary differences that arise due to differences between the tax and book values of assets and liabilities, mainly allowance for doubtful accounts, depreciation of Property, plant and equipment and staff severance indemnities.

Under Chilean tax regulations tax loss carry forwards can be realized as future tax benefits with no time restrictions.

2. Significant accounting principles, continued

k) Income taxes, continued

Temporary differences generally become taxable or deductible when the related asset is recovered or the related liability is settled. A deferred tax liability or asset represents the amount of tax payable or refundable in future years under the currently enacted tax laws and rates as a result of temporary differences at the end of the current year.

Deferred tax assets and liabilities are not discounted at their current value and are classified as non-current.

l) Goodwill

Goodwill represents the surplus of the acquisition cost in comparison to the fair value, as of the acquisition date, of identifiable assets, liabilities and contingent liabilities acquired. After initial recognition, goodwill is recorded at cost, less any accumulated impairment loss.

The Company tests goodwill impairment annually and when there are indicators that the net carrying amount might not be fully recoverable. The impairment test which is based on fair value is performed for each cash generating unit, for which the goodwill has been allocated. If that fair value is less than the carrying amount, an irreversible impairment loss is recognized in the income statement.

m) Intangibles

Intangibles includes software licenses and the right to use underwater cable, which are recorded at acquisition or production cost, less accumulated amortization and less any accumulated impairment loss.

Software licenses and rights to use underwater cable have finite useful lives and are amortized over their estimated useful lives. As of the close of each period date there is an analysis underway to determine whether there are events or changes that indicate that the net book value might not be recoverable, in which case impairment tests will be carried out.

The methods and periods of amortization applied are reviewed as of each year-end and if applicable, adjusted in a prospective manner.

The Company amortizes software licenses and the right to use underwater cable using the straight-line method over their estimated useful lives, which for software licenses is 3 years and for rights to use underwater cables, a maximum of 15 years.

2. Significant accounting principles, continued

n) Property, plant and equipment

Property, plant and equipment items are valued at acquisition cost, less accumulated depreciation and less applicable impairment losses. Land is not depreciated.

Acquisition cost includes external costs plus internal costs necessary to carry out the investment, comprised of direct costs, direct labor costs used in the installation and any other cost necessary to carry out the investment. In addition the initial cost includes an estimate of future dismantling and removal, criteria that is applied in a uniform manner for costs mandatorily incurred as a consequence of the use of those assets.

Interest and other financial expenses incurred and directly attributable to the acquisition or construction of qualifying assets, may be capitalized. Qualifying assets, under the criteria of the Telefónica Group, are assets that require at least 18 months of preparation for their use or sale. At period-end of 2014 and 2013 there are no capitalized interests.

Costs for improvements that result in increased productivity, efficiency, or extension of the useful lives of assets, are capitalized as higher cost of such assets when they comply with the requirements to be recognized as an asset.

Repair and maintenance expenses are charged to the income statement account for the period, in which they are incurred.

ñ) Depreciation of property, plant and equipment

The Company depreciates Property, plant and equipment from the moment when the assets are in condition to be used, distributing the cost of the assets on a straight-line basis over the respective estimated useful life. The average annual financial depreciation rate of the Company is approximately 10.79% for March, 2014 (7.84% for March, 2013).

Estimated useful lives are summarized in the following detail:

Assets	Useful lives in years	
	Minimum	Maximum
Buildings	5	40
Transportation equipment	7	10
Supplies and accessories	7	10
Office equipment	10	10
Other property, plant and equipment	2	20

Estimated residual values, amortization methods and periods are reviewed as of each period-end and if appropriate, adjusted prospectively.

2. Significant accounting principles, continued

o) Provisions

i) Post-employment benefits

The Company is obligated to pay staff severance indemnities in respect of collective negotiation agreements, which are provisioned using the method of actuarial value of the accrued cost of the benefit, using an nominal annual discount rate of 5.8% at March 31, 2014 and December 31, 2013, considering estimations such as future permanence, employee mortality rate and future salary increases determined on the basis of actuarial calculations. Discount rates are determined by reference to market interest curves.

ii) Provision for dismantling expenses

Corresponds to the cost that will be incurred in the future for dismantling microwave antennas from the telecommunications infrastructure once the third-party site rental contract ends. This cost is calculated at current value and recorded as a property, plant and equipment item in assets and as a non-current accrual for future obligations. That property, plant and equipment item is amortized over the duration of the asset associated to that accrual.

iii) Other provisions

Provisions are recognized when the Company has a present legal or constructive obligation, as a result of a past event, whose settlement requires an outflow of resources that is considered likely and can be reliably estimated. This obligation can be legal or constructive, derived from among other factors, regulations, contracts, common practices or public commitments that create a valid third-party expectation that the Company will assume certain responsibilities.

p) Income and expenses

Income and expenses are recognized in the income statement based on the accrual criteria, i.e. when the real flow of goods and services that they represent is produced and can be reliably measured, regardless of the moment at which the cash flows or financing derived from it is produced.

The Company's income is produced mainly by providing the following telecommunications services: traffic voice and broadband traffic, international business (correspondents), multiservice network services and capacities, television, connection charges, interconnection, network and equipment rental, sale of equipment and other services, such as value added services. Products and services can be sold separately or jointly, in commercial packages.

Income from traffic is based on the call initiation establishment tariff, plus tariffs per call, which vary depending on the time consumed by the user, the distance of the call and type of service. Traffic is recorded as income as it is used.

2. Significant accounting principles, continued

p) Income and expenses, continued

The amount corresponding to traffic that has been pre-paid and use is pending generates deferred income which is recorded in liabilities. Electronic top-ups usually have an expiry period of up to 90 days, and any unused prepaid traffic is recognized directly in income when the top-up expires, since as of that moment the Company has no remaining obligations to provide the service.

In the case of sale of traffic, as well as of other services, through a fixed tariff for a certain period of time (flat rate), income is recognized using the straight-line method over the period of time covered by the rate paid by the customer.

Income from connection charges originate when customers connect to the Company's network are deferred and recognized in income over the average estimated term of the duration of the relationship with the customer, and vary depending on the type of service. All associated costs, except those related to extension of the network, and administrative and commercial expenses, are recognized in the income statement when they are incurred.

Monthly fees are recognized as income using the straight-line method in the corresponding period. Rentals and other services are recognized as income as the service is provided.

Income from interconnection of fixed-mobile and mobile-fixed calls, as well as from other services used by customers, are recognized in the period in which those calls are made.

The commercial package offers a combination of different elements, in the activities of telephone service, internet and television, are analyzed to determine whether it is necessary to separate the different elements identified, applying in each case the appropriate income recognition criteria. Total income from the package is distributed among its identified elements by function of their respective fair values (i.e. the fair value of each individual component in relation to the total fair value of the package).

Income from capacities and multiservice networks is accrued to the extent that the service is rendered and invoiced, generally as of the following period.

The Company has current agreements with foreign correspondents, with conditions which are established to regulate international traffic and their collection or payment is performed in accordance with net traffic exchange and the rates set in each agreement. Accounting for this exchange is on an accrual basis, recognizing the costs and income in the period in which they are produced, recording balances receivable or payable for each correspondent under "Trade and other accounts receivable" or "Trade and Other Payables", as applicable.

All expenses related to these mixed commercial offers are recognized in the income statement as they are incurred.

2. Significant accounting principles, continued

p) Income and expenses, continued

The Company has a customer loyalty program customer fidelity program called ""Puntos Club Movistar" that provides multiple benefits to our customers, which can be provided or delivered by third parties or by the Company. Income destined to the points program is composed of a percentage of billing and is treated as unearned income at fair value in accordance with the value of the goods or services that customers consume in the future.

q) Use estimates

The following section shows the main future hypotheses assumed and other relevant sources of uncertainty in estimates as of the reported periods that could have a significant effect on the financial statements in the future.

i) Property, plant and equipment and intangibles

The accounting treatment for Property, plant and equipment and intangible assets uses estimates to determine useful life for the purpose of calculating depreciation and amortization.

Determination of useful lives requires estimates regarding expected technological progress and alternative use of assets. Hypotheses regarding technological framework and its future development imply a significant degree of judgment, as the timing and nature of future technological change is difficult to predict.

ii) Deferred taxes

The Company evaluates probability of recovery of deferred tax assets based on estimates of future earnings. This probability of recovery ultimately depends on the Company's capacity to generate taxable income throughout the period in which the deferred tax assets are deductible. This analysis takes into consideration the forecasted reversal calendar for deferred tax liabilities as well as estimates of taxable income, based on internal projections that are updated to reflect recent trends.

Determining the proper classification of tax items depends on various factors, including timing estimates, realization of deferred tax assets and the expected timing of tax payments. The real flows of income tax payments and recoveries may differ from estimates made by the Company as a consequence of changes in tax legislation or of unforeseen future transactions that may affect tax balances.

iii) Provisions

Given the uncertainty inherent to estimates used to determine provisions, real disbursements may differ from the amounts originally recognized using these estimates.

Determination of the amounts of provisions is based on the best estimate of the disbursements that must be made for the corresponding obligations, taking into consideration all information available as of period-end, including the opinion of independent experts, such as legal advisors and consultants.

2. Significant accounting principles, continued

q) Use estimates, continued

iv) Income recognition: agreements combining more than one element

Commercial packages that combine different elements are analyzed to determine if these elements must be separated, applying the appropriate income recognition criteria in each case. Total income from the package is distributed among the identified elements based on their respective fair values.

Determining the fair value of each identified element requires making estimates due to the particular nature of the business

A change in relative fair value estimates could affect distribution of income among components.

v) Post-employment benefits

The cost of defined benefit post retirement plans as well as the present value of the obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. All assumptions are reviewed once a year. In determining the appropriate discount rate management considers the interest rates of instruments issued by the Central Bank of Chile. The mortality rate is based on publicly available mortality tables for the specific country.

Future salary increases and pension increases are based on expected future inflation rates for the specific country. View details of the actuarial hypotheses used in Note 21a).

vi) Financial assets and liabilities

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instrument.

r) Methods of consolidation

Consolidation has been carried out using the global integration method for companies where there is control, whether through effective control or the existence of agreements with the rest of the shareholders.

All balances and transactions between consolidated companies have been eliminated in the consolidation process. Likewise, the margins included in these operations performed by companies dependent on other companies of the Company for capitalized goods or services have been eliminated in the consolidation process.

2. Significant accounting principles, continued

r) Methods of consolidation, continued

The accounts in the statement of comprehensive income and consolidated cash flows gather, respectively, the income, expenses and cash flows of companies that stop being a part of the Company up to the date on which the participation has been sold or the company has been liquidated. Likewise, in the case of new acquisitions, income and expenses and cash flows of the new companies are gathered from the date of purchase of those companies.

The value of the participation of non-controlling shareholders in the equity and income of dependent companies consolidated using the global integration method is presented in “non-controlling interests” and “income attributable to non-controlling interests”, respectively.

s) New IFRS and Interpretations of the IFRS Interpretations Committee

IFRS improvements and amendments, as well as interpretations that have been published during the period are detailed below. As of the closing date, these standards are still not in forced and the Company has not opted for early application of any of them:

New Standard		Mandatory application date
IFRS 9	Financial instruments	Date yet to be determined
IFRS 14	Regulatory Deferral Accounts	January 1, 2016

IFRS 9 “Financial instruments”

This standard introduces new requirements for the classification and measurement of financial assets and liabilities and for hedge accounting. The IASB had originally decided that the date of mandatory application was as of January 1, 2015. However, the IASB noted that this date does not provide sufficient time for entities to prepare the application, therefore it decided to publish the effective date when the project is closer to completion. Therefore its date of effective application is yet to be determined. Immediate adoption is allowed.

The Company has evaluated the impact that the application of these standards might have on the date of its coming into effect and has determined that it will have no significant impact on the consolidated financial statements.

IFRS 14 “Regulatory Deferral Accounts”

IFRS 14 Regulatory Deferral Accounts, issued in January 2014, is a provisional standard that is intended to improve the comparability of the financial information of entities that are involved in activities with regulated prices. Many countries have industrial sectors that are subject to price regulation (for example gas, water and electricity), which can have a significant impact on the entity's recognition of income (timing and amount). This standard allows entities that adopt IFRS for the first time to continue recognizing the amounts related to price regulation in accordance with the requirements of previous GAAP, however, showing it in a separate manner. An entity that already presents financial statements under IFRS must not apply this standard. Its application is effective as of January 1, 2016 and early application is allowed.

2. Significant accounting principles, continued

s) New IFRS and Interpretations of the IFRS Interpretations Committee, continued

The Company has evaluated the impact that the application of these standards might have on the date of its coming into effect and has determined that it will have no significant impact on the consolidated financial statements.

Improvements and amendments		Mandatory application date
IAS 19	Employee Benefits	July 1, 2014
IFRS 3	Business Combinations	July 1, 2014
IAS 40	Investment Properties	July 1, 2014

IAS 19 "Employee Benefits"

Amendments to IAS 19, issued in November 2013, are applicable to the contributions of employees or third parties to defined benefits plans. The purpose of the amendments is to simplify the accounting for contributions that are regardless of the years of service of the employee; for example, employee contributions that are calculated using a fixed percentage of salary. Amendments are applicable as of July 1, 2014. Early application is allowed.

IFRS 3 "Business Combinations"

"Annual Improvements cycle 2010–2012", issued in December 2013, clarifies certain aspects of the accounting for contingent considerations in a business combination. The IASB notes that IFRS 3 Business Combinations requires that the subsequent measurement of a contingent consideration must be at fair value, and therefore eliminates references to IAS 37 Provisions, Contingent Liabilities and Contingent Assets or other IFRS that potentially have other bases of valuation that do not constitute fair value. Reference is made to IFRS 9 Financial Instruments; however, it modifies IFRS 9 Financial Instruments, clarifying that a contingent consideration, whether it is a financial asset or liability, is measured at fair value through profit or loss or other comprehensive income, depending on the requirements of IFRS 9 Financial Instruments. Amendments are applicable as of July 1, 2014. Early application is allowed.

IAS 40 "Investment Properties"

"Annual Improvements cycle 2011–2013", issued in December 2013, clarifies that judgment is required to determine whether the acquisition of an investment property is an asset, a group of assets or a business combination within the scope of IFRS 3 Business Combinations and that this judgment is based on the guidelines of IFRS 3 Business Combinations. In addition the IASB concludes that IFRS 3 Business Combinations and IAS 40 Investment Properties are not mutually exclusive and judgment is required to determine whether the transaction is only an acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination that includes an investment property. Amendments are applicable as of July 1, 2014. Early application is allowed.

The Company has determined that the application of these new accounting improvements and amendments will not have a significant impact on the consolidated financial statements.

2. Significant accounting principles, continued

t) Statement of cash flows

The statement of cash flows includes movements of cash performed during the period, determined using the direct method. Cash flows are understood to be cash inflows and outflows or inflows and outflows of other equivalent means, such as highly liquid time deposits maturing in less than three months with low risk of change in value. The following expressions are used in the following sense:

i. Operating activities: are activities that constitute the main source of the Company's ordinary income, as well as other activities that cannot be qualified as from investing or financing activities.

ii. Investing activities: are activities such as acquisition, alienation or disposal of non-current assets by other means and other investments not included in cash and cash equivalents.

iii. Financing activities: are activities that produce changes in the size and composition of total shareholders' equity and in liabilities of a financial nature.

3. Changes in Accounting Policy and Disclosures

During the periods covered by these consolidated financial statements, the international financial reporting standards have been consistently applied.

a) Change in estimates

As of December 31, 2013 changes in the estimated useful lives of assets are detailed as follows:

i) Customer permanence was reviewed during the third quarter of 2013 for fixed lines of service, which resulted in a decrease in the mean life of the customer. As a consequence of the above, the Company decided to decrease the useful lives of connections ("acometidas") from 10 to 5 years, with a retroactive effect as of January 1, 2013. Connections are all the parts that compose a derivative of the network from one common point to various subscribers up to the point where the internal network of the customer begins, therefore there is a direct relationship between the mean life of the customer and the useful life of the asset. The connection is classified in the External Plant item, in property, plant and equipment.

As a result of the modification of the useful lives of connections, the Company recorded a greater net charge to depreciation expense in the amount of ThCh$ 4,678,332 in income for the year as of December 31, 2013.

The effect of making this change in the useful life estimate for the next five years shall be a greater depreciation charge for the year of approximately ThCh$ 3,714,000.

3. Changes in Accounting Policy and Disclosures, continued

a) Change in estimates, continued

ii) In the last quarter of 2013, the Company completed an analysis of the estimated useful lives of property, plant and equipment considering variables such as technological renewal due to the entry of 4G technology, mass use of optic fiber, elimination of long distance zones and entry of advanced equipment to the market. Due to the above the Company decided to perform a change in the estimate of useful lives of certain classes of assets, which meant recording a higher net charge to depreciation expense in the amount of ThCh$ 8,091,504 as of December 2013 year-end.

As of March 31, 2014 there have been no accounting changes or changes in estimates in these financial statements, that might affect comparison between one period and another.

4. Financial information by segment

Telefónica Chile S.A. discloses segment information in accordance with IFRS 8, “Operating Segments” which establishes the standards for reporting operating segments and related disclosures for products and services and geographical areas. Operating segments are defined as components of an entity for which there is separate financial information that is regularly used by the main decision maker to decide how to assign resources and to evaluate performance. The Company presents segment information that is used by management for internal decision making purposes.

The Company manages and measures the performance of its operations by business segment. Since the Company’s corporate organization coincides basically with that of the businesses, and therefore the segments, distribution established in the information presented below, is based on the financial information of the companies. These are integrated in each segment. The operating segments reported internally are as follows:

a) Fixed Telecommunications

Fixed telephone services include basic services, line connections and installations, value added services, handset commercialization marketing, broad band and dedicated lines. Consistent with the financial statements, income is recorded as the services are provided or the equipment is sold.

Assets and liabilities correspond to those directly attributable to the segment.

4. Financial information by segment, continued

b) Television Services

Multimedia services include direct and indirect development, installation, maintenance, marketing and operations of television services via cable, satellite, broadband or any other physical means using any physical or technical means, including individual paid services or multiple basic channels, special or paid, videos on demand and interactive or multimedia television services. Corresponding with the financial statements, income is recognized as the services are delivered.

Assets and liabilities correspond to those directly attributable to the segment.

c) Long Distance

The Company provides national and international long distance services. The long distance business segment also rents its long distance network to other telecommunications operators, such as long distance carriers, mobile telephone operators and Internet service suppliers. Consistent with the financial statements, income is recognized as the services are provided.

Assets and liabilities correspond to those directly attributable to the segment.

d) Corporate Communications and Data

The corporate communications service includes sale and rental of telecommunications equipment and sale of networks to corporate customers, rental of networks associated with public and private projects, and data transmission services. Income is recognized as the services are provided.

Assets and liabilities correspond to those directly attributable to the segment.

e) Other

"Other" includes logistics, personnel and management services.

4. Financial information by segment, continued

Relevant information regarding Telefónica Chile S.A. and its main subsidiaries, which represent different segments, together with information regarding other subsidiaries, corresponding to March 31, 2014 and 2013 and December 31, 2013 is detailed as follows:

For the period ended as of March 31, 2014	Fixed Telecommunications ThCh$	Long Distance ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	100,370,614	10,008,780	23,900,329	31,042,621	25,362	-	165,347,706
Income from ordinary activities arising from transactions with other operating segments of the same entity	18,497,362	7,454,106	1,343,367	-	43,494,706	(70,789,541)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	**118,867,976**	**17,462,886**	**25,243,696**	**31,042,621**	**43,520,068**	**(70,789,541)**	**165,347,706**
Cost of sales	47,617,374	7,193,210	19,409,818	16,404,051	3,927,152	(43,836,023)	50,715,582
Administrative expenses	25,640,124	2,913,080	7,022,055	4,626,783	981,787	(10,312,290)	30,871,539
Employee benefits expenses	3,147,694	-	221,340	-	36,147,225	(16,652,418)	22,863,841
Income from ordinary activities arising from interest							
Interest expense	8,237,767	1,700	20,396	6,457	179,100	(848,267)	7,597,153
Interest income	1,934,486	311,383	432,107	53,088	51,217	(848,267)	1,934,014
Depreciation and amortization	32,015,477	2,463,984	4,353,998	5,693,845	154	-	44,527,458
Participation in profit of associated companies accounted for using the equity method	4,766,782	7,222	23,473	-	5,417	(4,802,894)	-
Income tax expense	762,388	767,259	(219,909)	(410,298)	465,412	-	1,364,852
Other significant non-cash items	333,574	183,486	(151,552)	(328,235)	2,608	(11,190)	28,691
Profits(loss) before tax	**9,244,382**	**5,393,003**	**(5,479,883)**	**4,036,338**	**2,343,892**	**(4,802,894)**	**10,734,838**
Profit (loss) for the period from continuing operations	**8,481,994**	**4,625,744**	**(5,259,974)**	**4,446,636**	**1,878,480**	**(4,802,894)**	**9,369,986**
Profit (loss) for the period from discontinuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the period	**8,481,994**	**4,625,744**	**(5,259,974)**	**4,446,636**	**1,878,480**	**(4,802,894)**	**9,369,986**
Assets	1,420,809,616	135,742,212	129,135,884	106,516,722	120,140,410	(497,811,492)	1,414,533,352
Investments in associates accounted for using the equity method	272,245,062	58,977	191,674	-	58,977	(272,554,690)	-
Increases in non-current assets	33,291,216	519,196	10,813,013	5,891,929	-	-	50,515,354
Liabilities	773,878,793	27,225,714	55,359,569	29,567,980	99,541,060	(225,271,542)	760,301,574
Shareholders' equity	646,930,823	108,516,498	73,776,315	76,948,742	20,599,350	(272,539,950)	654,231,778
Liabilities & Shareholders' equity	1,420,809,616	135,742,212	129,135,884	106,516,722	120,140,410	(497,811,492)	1,414,533,352
Cash flows provided by (used in) operating activities	54,769,986	3,310,756	(3,136,557)	(767,240)	(10,076,666)	(341,928)	43,758,351
Cash flows provided by (used in) investment activities	(54,234,839)	(765,036)	(7,612,630)	(9,955,250)	-	-	(72,567,755)
Cash flows provided by (used in) from in financing activities	(97,795,788)	(2,264,973)	7,786,478	12,929,717	10,079,139	341,928	(68,923,499)

4. Financial information by segment, continued

For the year ended as of December 31, 2013	Fixed Telecommunications ThCh$	Long Distance ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	414,045,081	42,574,763	119,818,185	108,943,127	2,392,223	-	687,773,379
Income from ordinary activities arising from transactions with other operating segments of the same entity	73,870,128	36,290,559	5,230,877	-	183,840,956	(299,232,520)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	**487,915,209**	**78,865,322**	**125,049,062**	**108,943,127**	**186,233,179**	**(299,232,520)**	**687,773,379**
Cost of sales	209,145,745	32,740,222	84,106,611	62,467,974	21,463,204	(194,784,346)	215,139,410
Administrative expenses	108,704,931	7,679,805	22,763,288	18,449,091	5,705,409	(35,542,471)	127,760,054
Employee benefits expenses	6,455,254	-	533,901	-	144,885,369	(68,907,142)	82,967,382
Income from ordinary activities arising from interest							
Interest expense	36,690,864	5,143	65,686	20,793	1,389,304	(4,951,881)	33,219,909
Interest income	9,171,743	3,804,197	951,348	116,882	34,553	(4,951,881)	9,126,842
Depreciation and amortization	130,073,807	10,118,214	11,897,004	15,558,043	620	-	167,647,688
Participation in profit of associated companies accounted for using the equity method	47,309,502	31,053	100,921	-	23,290	(47,464,766)	-
Income tax expense	7,803,693	5,832,838	1,336,698	2,493,967	3,287,639	-	20,754,835
Other significant non-cash items	215,454	441,780	(176,746)	(-328,235)	(1,381)	(1,441)	149,431
Profits(loss) before tax	**53,541,307**	**32,598,968**	**6,558,095**	**12,235,873**	**12,845,735**	**(47,464,768)**	**70,315,210**
Profit (loss) for the period from continuing operations	**45,737,614**	**26,766,130**	**5,221,397**	**9,741,906**	**9,558,096**	**(47,464,768)**	**49,560,375**
Profit (loss) for the period from discontinuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the period	**45,737,614**	**26,766,130**	**5,221,397**	**9,741,906**	**9,558,096**	**(47,464,768)**	**49,560,375**
Assets	1,510,461,694	136,499,678	132,097,023	106,516,722	118,825,729	(494,474,372)	1,509,926,474
Investments in associates accounted for using the equity method	267,337,201	51,754	168,201	-	38,820	(267,595,976)	-
Increases in non-current assets	134,742,350	11,671,896	22,312,552	31,685,049	-	-	200,411,847
Liabilities	868,109,399	32,594,785	55,914,135	31,316,424	100,104,859	(226,878,396)	861,161,206
Shareholders' equity	642,352,295	103,904,893	76,182,888	75,200,298	18,720,870	(267,595,976)	648,765,268
Liabilities & Shareholders' equity	1,510,461,694	136,499,678	132,097,023	106,516,722	118,825,729	(494,474,372)	1,509,926,474
Cash flows provided by (used in) operating activities	144,987,707	23,116,398	51,028,497	12,079,887	25,687,687	3,073,919	259,974,095
Cash flows provided by (used in) investment activities	(65,874,389)	(10,934,291)	(22,819,185)	(28,523,980)	-	(67,041,405)	(195,193,250)
Cash flows provided by (used in) from in financing activities	(153,291,106)	(12,162,038)	(4,570,626)	(6,657,908)	(25,618,897)	63,967,486	(138,333,089)

4. Financial information by segment, continued

For the period ended as of March 31, 2013	Fixed Telecommunications ThCh$	Long Distance ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	101,983,471	10,679,113	25,727,244	24,078,868	701,758	-	163,170,454
Income from ordinary activities arising from transactions with other operating segments of the same entity	18,017,167	11,189,453	1,345,250	-	48,776,162	(79,328,032)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	**120,000,638**	**21,868,566**	**27,072,494**	**24,078,868**	**49,477,920**	**(79,328,032)**	**163,170,454**
Cost of sales	52,451,152	8,417,091	18,279,290	15,120,375	5,190,846	(51,210,209)	48,248,545
Administrative expenses	27,020,290	2,066,223	4,859,051	4,516,477	1,379,845	(9,666,371)	30,175,515
Employee benefits expenses	2,202,999	-	506,000	-	39,350,246	(18,422,302)	23,636,943
Income from ordinary activities arising from interest							
Interest expense	9,163,752	1,608	39,261	11,794	438,100	(1,323,688)	8,330,827
Interest income	2,518,165	1,001,833	164,047	136,235	11,887	(1,323,688)	2,508,479
Depreciation and amortization	28,176,909	2,201,031	2,776,375	4,105,835	156	-	37,260,306
Participation in profit of associated companies accounted for using the equity method	10,720,728	7,288	19,462	4,224	5,466	(10,757,168)	-
Income tax expense	917,510	1,929,631	94,598	98,004	747,396	-	3,787,139
Other significant non-cash items	(7,480)	(40,364)	(55,451)	6,434	26,059	29,150	(41,652)
Profits(loss) before tax	**14,216,949**	**10,151,370**	**740,575**	**471,280**	**3,162,139**	**(10,757,168)**	**17,985,145**
Profit (loss) for the period from continuing operations	**13,299,439**	**8,221,739**	**645,977**	**373,276**	**2,414,743**	**(10,757,168)**	**14,198,006**
Profit (loss) for the period from discontinuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the period	**13,299,439**	**8,221,739**	**645,977**	**373,276**	**2,414,743**	**(10,757,168)**	**14,198,006**
Assets	1,526,807,476	186,097,494	127,967,041	81,967,035	129,281,517	(561,925,830)	1,490,194,733
Investments in associates accounted for using the equity method	298,230,666	27,990	90,967	-	21,001	(298,370,624)	-
Increases in non-current assets	22,233,244	599,013	2,407,051	6,507,952	-	-	31,747,260
Liabilities	915,840,808	37,074,493	48,085,499	24,380,776	113,868,176	(263,555,207)	875,694,545
Shareholders' equity	610,966,668	149,023,001	79,881,542	57,586,259	15,413,341	(298,370,623)	614,500,188
Liabilities & Shareholders' equity	1,526,807,476	186,097,494	127,967,041	81,967,035	129,281,517	(561,925,830)	1,490,194,733
Cash flows provided by (used in) operating activities	30,552,447	1,748,185	(4,016,902)	(3,553,428)	(3,616,555)	(204,721)	20,909,026
Cash flows provided by (used in) investment activities	(61,441,120)	(1,762,327)	(6,251,025)	(9,376,537)	-	-	(78,831,009)
Cash flows provided by (used in) from in financing activities	(37,893,314)	(464,160)	10,444,045	12,700,347	4,036,652	204,721	(10,971,709)

There are no differences in the criteria used, in respect to the previous year, in relation to measurement and valuation of segment income and valuation of their assets and liabilities, as well as transactions between segments.

There are no changes in the measurement methods used to determine income presented by the segments in respect to the previous year.

Accounting criteria regarding transactions between subsidiaries of Telefónica Chile S.A. which are performed at market prices, independently and in a manner similar to transactions with third parties, consider that balances, transactions and profits or losses remain in the segment of origin and are only eliminated in the consolidated financial statements of the entity.

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Concepts	Currency	03.31.2014 ThCh$	12.31.2013 ThCh$
Cash (a)		**63,536**	**96,833**
	CLP	25,247	25,199
	USD	21,162	49,844
	EUR	17,127	21,790
Banks (b)		**6,626,019**	**6,703,973**
	CLP	6,056,030	6,304,981
	USD	335,271	184,861
	EUR	234,718	214,131
Time deposits (c)		**68,593,264**	**161,214,332**
	CLP	60,237,896	135,775,399
	USD	8,355,368	25,438,933
Repurchase agreements (d)		**-**	**5,000,584**
	CLP	-	5,000,584
Total cash and cash equivalents		**75,282,819**	**173,015,722**
Sub-total by currency	**CLP**	**66,319,173**	**147,106,163**
	USD	**8,711,801**	**25,673,638**
	EUR	**251,845**	**235,921**

Each item within cash and cash equivalents is detailed as follows:

a) Cash

The cash balance is composed of funds to be rendered destined to minor expenses and the book value is the same as the fair value.

b) Banks

The balance in banks is composed of money held in checking accounts and the book value is the same as the fair value.

5. Cash and cash equivalents, continued

c) Time deposits

Time deposits maturing in less than 90 days are recorded at fair value and as of March 31, 2014 and December 31, 2013 are detailed as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	03.31.2014 ThCh$
Time deposits	CLP	60,088,000	4.32%	33	60,088,000	149,896	60,237,896
Time deposits	USD	15,144	8.04%	21	8,346,906	8,462	8,355,368
Total					**68,434,906**	**158,358**	**68,593,264**

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	12.31.2013 ThCh$
Time deposits	CLP	135,571,000	4.69%	28	135,571,000	204,399	135,775,399
Time deposits	USD	48,479	0.74%	21	25,432,219	6,714	25,438,933
Total					**161,003,219**	**211,113**	**161,214,332**

d) Repurchase agreements

Repurchase agreements are instruments from different financial entities.

There are no balances from resale agreements for 2014, and balances as of December 31, 2013 are detailed as follows:

Code	Dates		Counterparty	Original currency	Subscription value original currency (in thousands)	Annual rate	Final value ThCh$	Identification of instruments	Book value ThCh$
	Beginning	Ending				%			12.31.2013
CRV	Dec-30-13	Jan-02-14	BCI	CLP	1,000,000	4.2	1,000,350	BCU0300216	1,000,117
CRV	Dec-30-13	Jan-02-14	BBVA	CLP	4,000,000	4.2	4,001,400	BCU0300816	4,000,467
			Total				**5,001,750**		**5,000,584**

6. Other current and non-current financial assets

Other current financial assets are detailed as follows:

Concepts		03.31.2014 Current ThCh$	03.31.2014 Non-Current ThCh$	12.31.2013 Current ThCh$	12.31.2013 Non-Current ThCh$
Guarantees established	(a)	313,388	50,468	266,217	50,468
Other investments	(b)	-	7,211,294	-	6,330,289
Exchange rate hedge	(See Note 19.2)	4,350,455	51,764,525	13,176,354	37,986,732
Total		**4,663,843**	**59,026,287**	**13,442,571**	**44,367,489**

a) Guarantees are those established for clients, official organizations and other institutions.

b) Other investments are detailed as follows:

Participation	Country	Investment currency	03.31.2014 ThCh$	12.31.2013 ThCh$
Telefónica Brasil (1) (2)	Brazil	REAL	7,199,964	6,318,959
Other participation	Chile	CLP	11,330	11,330
Total			**7,211,294**	**6,330,289**

(1) This investment is valued at market value through the trading of its shares, information obtained in the Sao Paulo Stock Exchange (Bovespa), and variations in their value are recorded when they occur, directly in equity under other reserves.

(2) During the period 2014 dividends were received in the amount of ThCh$ 92,364 and as of December 31, 2013 ThCh$ 653,136 for the participation of 0.06% in Telefónica Brasil.

7. Other current and non-current non-financial assets

Other non-financial assets correspond to prepayments are detailed as follows:

Concepts	03.31.2014 Current ThCh$	03.31.2014 Non-current ThCh$	12.31.2013 Current ThCh$	12.31.2013 Non-current ThCh$
Support and repair services	3,836,278	-	1,613,006	-
Insurance	325,705	-	786,354	-
Leases	9,929	-	10,065	-
Franchised commissions	4,976,246	-	7,054,538	-
Other amortizable expenses (1)	4,571,552	2,275,498	4,354,088	2,277,992
Other taxes (2)	1,408,290	-	2,720,053	-
Total	**15,128,000**	**2,275,498**	**16,538,104**	**2,277,992**

(1) The Company negotiated a collective agreement with part of the employees from different unions, which resulted in the early payment of bonuses, among other things.

(2) This item includes: Sence credit, remaining VAT credit and other recoverable taxes.

8. Current trade and other accounts receivable

a) The composition of current trade and other accounts receivables as follows:

Concepts	03.31.2014 Gross value ThCh$	03.31.2014 Allowance for doubtful accounts ThCh$	03.31.2014 Net value ThCh$	12.31.2013 Gross value ThCh$	12.31.2013 Allowance for doubtful accounts ThCh$	12.31.2013 Net value ThCh$
Receivables on current loan transactions	**235,341,152**	**(119,430,271)**	**115,910,881**	**243,226,162**	**(115,115,992)**	**128,110,170**
Invoiced services	204,178,059	(119,430,271)	84,747,788	211,603,362	(115,115,992)	96,487,370
Services provided and not invoiced	31,163,093	-	31,163,093	31,622,800	-	31,622,800
Miscellaneous receivables	**12,288,816**	**-**	**12,288,816**	**7,119,864**	**-**	**7,119,864**
Total	**247,629,968**	**(119,430,271)**	**128,199,697**	**250,346,026**	**(115,115,992)**	**135,230,034**

b) The composition of current trade and other accounts receivable with overdue balances that have not been collected and have not been provisioned based on due dates is detailed as follows:

Concepts	03.31.2014 Less than 3 months	03.31.2014 3 to 6 months	03.31.2014 6 to 12 months	03.31.2014 Greater than 12 months	03.31.2014 Total	12.31.2013 Less than 3 months	12.31.2013 3 to 6 months	12.31.2013 6 to 12 months	12.31.2013 Greater than 12 months	12.31.2013 Total
Miscellaneous receivables	30,913,883	4,492,773	-	-	35,406,656	24,086,078	3,930,533	-	-	28,016,611
Total	**30,913,883**	**4,492,773**	**-**	**-**	**35,406,656**	**24,086,078**	**3,930,533**	**-**	**-**	**28,016,611**

8. Current trade and other accounts receivable, continued

c) The movement of allowance for doubtful accounts, which includes "Current trade and other accounts receivable" and "Non-current trade and other accounts receivable" found in Note 12, is detailed as follows:

Movements	03.31.2014 ThCh$	12.31.2013 ThCh$
Beginning balance	**116,419,084**	**147,919,771**
Increases	4,371,605	18,987,654
Eliminations/ Additions	-	(50,488,341)
Movements, subtotal	**(4,371,605)**	**(31,500,687)**
Ending balance	**120,790,689**	**116,419,084**

d) Allowance for doubtful account movements according to the composition of the portfolio as of March 31, 2014 and December 31, 2013 are detailed as follows:

Provisions and write-offs	03.31.2014 ThCh$	03.31.2013 ThCh$
Accrual for portfolio that has not been renegotiated	4,331,736	3,992,218
Accrual for renegotiated portfolio	39,869	(176,629)
Write-offs for the period	-	-
Recoveries for the period	-	-
Total	**4,371,605**	**3,815,589**

e) As of March 31, 2014 and December 31, 2013 the portfolio of returned documents and those in judicial collection is detailed as follows:

Portfolio of returned documents and judicial collection as of 03.31.2014	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	9,989	-	-	-
Portfolio of returned documents or those in judicial collection (ThCh$)	2,185,858	-	-	-

Portfolio of returned documents and judicial collection as of 12.31.2013	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	9,991	-	-	-
Portfolio of returned documents or those in judicial collection (ThCh$)	2,185,977	-	-	-

8. Current trade and other accounts receivable, continued

The composition of the portfolio stratified by segment as of March 31, 2014 is detailed as follows:

Aging of portfolio by segment for the year-ended March 31, 2014	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 61 to 90 day ThCh$	From 91 to 120 days ThCh$	From 121 to 150 days ThCh$	From 151 to 180 days ThCh$	From 181 to 210 days ThCh$	From 211 to 250 days ThCh$	More than 250 days ThCh$	Total portfolio w/o guarantee ThCh$
Fixed Telecommunications											
Number of clients w/o renegotiation (1)	392,967	151,316	27,068	21,106	22,528	18,569	9,014	16,482	16,088	1,840,728	2,515,866
Gross portfolio w/o renegotiation	33,915,530	7,188,201	4,895,007	3,401,128	962,810	472,702	314,463	-	-	-	51,149,841
Debt	33,915,530	7,188,201	4,895,007	3,401,128	2,365,842	1,240,029	1,434,436	1,382,938	1,347,178	76,590,448	133,760,737
Accrual	-	-	-	-	(1,403,032)	(767,327)	(1,119,973)	(1,382,938)	(1,347,178)	(76,590,448)	(82,610,896)
Number of clients w/renegotiation	17,760	12,368	4,415	2,466	1,245	771	771	639	502	7,000	47,937
Gross renegotiated portfolio	607,034	46,019	1,704	-	-	-	-	-	-	-	654,757
Debt	1,040,396	219,712	67,361	32,157	17,295	10,581	10,730	23,416	22,689	459,380	1,903,717
Accrual	(433,362)	(173,693)	(65,657)	(32,157)	(17,295)	(10,581)	(10,730)	(23,416)	(22,689)	(459,380)	(1,248,960)
Total number of clients	**410,727**	**163,684**	**31,483**	**23,572**	**23,773**	**19,340**	**9,785**	**17,121**	**16,590**	**1,847,728**	**2,563,803**
Total Fixed Telephone Portfolio	**34,522,564**	**7,234,220**	**4,896,711**	**3,401,128**	**962,810**	**472,702**	**314,463**	**-**	**-**	**-**	**51,804,598**
Debt	**34,955,926**	**7,407,913**	**4,962,368**	**3,433,285**	**2,383,137**	**1,250,610**	**1,445,166**	**1,406,354**	**1,369,867**	**77,049,828**	**135,664,454**
Accrual	**(433,362)**	**(173,693)**	**(65,657)**	**(32,157)**	**(1,420,327)**	**(777,908)**	**(1,130,703)**	**(1,406,354)**	**(1,369,867)**	**(77,049,828)**	**(83,859,856)**
Long Distance											
Number of clients w/o renegotiation (1)	105,656	94,638	52,417	57,270	10,378	7,100	8,195	7,674	5,296	623,770	972,394
Gross portfolio w/o renegotiation	3,721,191	1,922,771	2,446,490	2,511,780	284,818	233,111	620,723	57,988	200,677	1,821,086	13,820,635
Debt	3,721,191	1,922,771	2,446,490	2,511,780	352,878	343,528	1,269,608	369,412	408,723	21,213,887	34,560,268
Accrual	-	-	-	-	(68,060)	(110,417)	(648,885)	(311,424)	(208,046)	(19,392,801)	(20,739,633)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**105,656**	**94,638**	**52,417**	**57,270**	**10,378**	**7,100**	**8,195**	**7,674**	**5,296**	**623,770**	**972,394**
Total Long Distance Portfolio	**3,721,191**	**1,922,771**	**2,446,490**	**2,511,780**	**284,818**	**233,111**	**620,723**	**57,988**	**200,677**	**1,821,086**	**13,820,635**
Debt	**3,721,191**	**1,922,771**	**2,446,490**	**2,511,780**	**352,878**	**343,528**	**1,269,608**	**369,412**	**408,723**	**21,213,887**	**34,560,268**
Accrual	**-**	**-**	**-**	**-**	**(68,060)**	**(110,417)**	**(648,885)**	**(311,424)**	**(208,046)**	**(19,392,801)**	**(20,739,633)**
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	6,567	246	179	101	109	1	61	91	64	7,088	14,507
Gross portfolio w/o renegotiation	26,516,421	3,228,535	1,865,445	1,550,265	1,303,679	22,058	332,500	-	-	-	34,818,903
Debt	26,516,421	3,228,535	1,865,445	1,550,265	1,311,846	23,637	341,339	272,088	150,003	3,872,874	39,132,453
Accrual	-	-	-	-	(8,167)	(1,579)	(8,839)	(272,088)	(150,003)	(3,872,874)	(4,313,550)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**6,567**	**246**	**179**	**101**	**109**	**1**	**61**	**91**	**64**	**7,088**	**14,507**
Total Corporate Communication and Data Portfolio	**26,516,421**	**3,228,535**	**1,865,445**	**1,550,265**	**1,303,679**	**22,058**	**332,500**	**-**	**-**	**-**	**34,818,903**
Debt	**26,516,421**	**3,228,535**	**1,865,445**	**1,550,265**	**1,311,846**	**23,637**	**341,339**	**272,088**	**150,003**	**3,872,874**	**39,132,453**
Accrual	**-**	**-**	**-**	**-**	**(8,167)**	**(1,579)**	**(8,839)**	**(272,088)**	**(150,003)**	**(3,872,874)**	**(4,313,550)**

(1) The information contained under this line, refers to the number of documents pending collection, which in turn can be related to current and non-current clients.

8. Current trade and other accounts receivable, continued

Aging of portfolio by segment for the year-ended March 31, 2014	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 61 to 90 day ThCh$	From 91 to 120 days ThCh$	From 121 to 150 days ThCh$	From 151 to 180 days ThCh$	From 181 to 210 days ThCh$	From 211 to 250 days ThCh$	More than 250 days ThCh$	Total portfolio w/o guarantee ThCh$
Television											
Number of clients w/o renegotiation (1)	521,887	(121,796)	12,574	10,884	10,768	9,136	4,122	8,163	8,922	397,085	861,745
Gross portfolio w/o renegotiation	13,565,106	842,609	590,953	422,977	4,221	2,692	2,217	-	-	-	15,430,775
Debt	13,565,106	842,609	590,953	422,977	671,185	352,430	486,197	504,789	490,183	8,021,578	25,948,007
Accrual	-	-	-	-	(666,964)	(349,738)	(483,980)	(504,789)	(490,183)	(8,021,578)	(10,517,232)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**521,887**	**(121,796)**	**12,574**	**10,884**	**10,768**	**9,136**	**4,122**	**8,163**	**8,922**	**397,085**	**861,745**
Total Television Portfolio	**13,565,106**	**842,609**	**590,953**	**422,977**	**4,221**	**2,692**	**2,217**	**-**	**-**	**-**	**15,430,775**
Debt	**13,565,106**	**842,609**	**590,953**	**422,977**	**671,185**	**352,430**	**486,197**	**504,789**	**490,183**	**8,021,578**	**25,948,007**
Accrual	**-**	**-**	**-**	**-**	**(666,964)**	**(349,738)**	**(483,980)**	**(504,789)**	**(490,183)**	**(8,021,578)**	**(10,517,232)**
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio w/o renegotiation	12,324,786	-	-	-	-	-	-	-	-	-	12,324,786
Debt	12,324,786	-	-	-	-	-	-	-	-	-	12,324,786
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Other Portfolio	**12,324,786**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,324,786**
Debt	**12,324,786**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,324,786**
Accrual	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	1,027,077	124,404	92,238	89,361	43,783	34,806	21,392	32,410	30,370	2,868,671	4,364,512
Gross portfolio w/o renegotiation	90,043,034	13,182,116	9,797,895	7,886,150	2,555,528	730,563	1,269,903	57,988	200,677	1,821,086	127,544,940
Debt	90,043,034	13,182,116	9,797,895	7,886,150	4,701,751	1,959,624	3,531,580	2,529,227	2,396,087	109,698,787	245,726,251
Accrual	-	-	-	-	(2,146,223)	(1,229,061)	(2,261,677)	(2,471,239)	(2,195,410)	(107,877,701)	(118,181,311)
Number of clients w/renegotiation	17,760	12,368	4,415	2,466	1,245	771	771	639	502	7,000	47,937
Gross renegotiated portfolio	607,034	46,019	1,704	-	-	-	-	-	-	-	654,757
Debt	1,040,396	219,712	67,361	32,157	17,295	10,581	10,730	23,416	22,689	459,380	1,903,717
Accrual	(433,362)	(173,693)	(65,657)	(32,157)	(17,295)	(10,581)	(10,730)	(23,416)	(22,689)	(459,380)	(1,248,960)
Total number of clients	**1,044,837**	**136,772**	**96,653**	**91,827**	**45,028**	**35,577**	**22,163**	**33,049**	**30,872**	**2,875,671**	**4,412,449**
Total Consolidated Portfolio	**90,650,068**	**13,228,135**	**9,799,599**	**7,886,150**	**2,555,528**	**730,563**	**1,269,903**	**57,988**	**200,677**	**1,821,086**	**128,199,697**
Debt	**91,083,430**	**13,401,828**	**9,865,256**	**7,918,307**	**4,719,046**	**1,970,205**	**3,542,310**	**2,552,643**	**2,418,776**	**110,158,167**	**247,629,968**
Accrual	**(433,362)**	**(173,693)**	**(65,657)**	**(32,157)**	**(2,163,518)**	**(1,239,642)**	**(2,272,407)**	**(2,494,655)**	**(2,218,099)**	**(108,337,081)**	**(119,430,271)**

(1) The information contained under this line, refers to the number of documents pending collection, which in turn can be related to current and non-current clients.

8. Current trade and other accounts receivable, continued

The composition of the portfolio stratified by segment for the year 2013 is detailed as follows:

Aging of portfolio by segment for the year-ended December 31, 2013	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 61 to 90 day ThCh$	From 91 to 120 days ThCh$	From 121 to 150 days ThCh$	From 151 to 180 days ThCh$	From 181 to 210 days ThCh$	From 211 to 250 days ThCh$	More than 250 days ThCh$	Total portfolio w/o guarantee ThCh$
Fixed Telecommunications											
Number of clients w/o renegotiation (1)	227	506,505	31,693	20,527	17,679	17,924	16,758	16,241	15,314	1,722,498	2,365,366
Gross portfolio w/o renegotiation	46,096,091	5,289,620	2,265,344	1,958,440	397,000	369,815	180,200	-	-	66,096	56,622,606
Debt	46,452,556	5,289,620	2,265,385	1,964,934	1,577,373	1,450,510	1,342,579	1,072,772	733,130	74,857,426	137,006,285
Accrual	(356,465)	-	(41)	(6,494)	(1,180,373)	(1,080,695)	(1,162,379)	(1,072,772)	(733,130)	(74,791,330)	(80,383,679)
Number of clients w/renegotiation	17,715	9,172	4,074	2,372	1,320	325	303	294	277	6,975	42,827
Gross renegotiated portfolio	580,100	60,137	1,733	-	-	-	-	-	-	-	641,970
Debt	1,014,495	228,128	60,152	31,795	15,907	8,374	5,653	22,539	21,839	442,179	1,851,061
Accrual	(434,395)	(167,991)	(58,419)	(31,795)	(15,907)	(8,374)	(5,653)	(22,539)	(21,839)	(442,179)	(1,209,091)
Total number of clients	**17,942**	**515,677**	**35,767**	**22,899**	**18,999**	**18,249**	**17,061**	**16,535**	**15,591**	**1,729,473**	**2,408,193**
Total Fixed Telephone Portfolio	**46,676,191**	**5,349,757**	**2,267,077**	**1,958,440**	**397,000**	**369,815**	**180,200**	**-**	**-**	**66,096**	**57,264,576**
Debt	**47,467,051**	**5,517,748**	**2,325,537**	**1,996,729**	**1,593,280**	**1,458,884**	**1,348,232**	**1,095,311**	**754,969**	**75,299,605**	**138,857,346**
Accrual	**(790,860)**	**(167,991)**	**(58,460)**	**(38,289)**	**(1,196,280)**	**(1,089,069)**	**(1,168,032)**	**(1,095,311)**	**(754,969)**	**(75,233,509)**	**(81,592,770)**
Long Distance											
Number of clients w/o renegotiation (1)	71,485	47,135	25,064	17,838	10,309	8,912	7,993	7,311	4,117	855,887	1,056,051
Gross portfolio w/o renegotiation	6,347,046	3,149,682	2,346,001	1,927,859	497,449	132,111	906,031	-	-	-	15,306,179
Debt	6,347,046	3,149,682	2,346,001	1,927,859	790,319	306,141	1,765,482	208,766	137,545	18,520,976	35,499,817
Accrual	-	-	-	-	(292,870)	(174,030)	(859,451)	(208,766)	(137,545)	(18,520,976)	(20,193,638)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**71,485**	**47,135**	**25,064**	**17,838**	**10,309**	**8,912**	**7,993**	**7,311**	**4,117**	**855,887**	**1,056,051**
Total Long Distance Portfolio	**6,347,046**	**3,149,682**	**2,346,001**	**1,927,859**	**497,449**	**132,111**	**906,031**	**-**	**-**	**-**	**15,306,179**
Debt	**6,347,046**	**3,149,682**	**2,346,001**	**1,927,859**	**790,319**	**306,141**	**1,765,482**	**208,766**	**137,545**	**18,520,976**	**35,499,817**
Accrual	**-**	**-**	**-**	**-**	**(292,870)**	**(174,030)**	**(859,451)**	**(208,766)**	**(137,545)**	**(18,520,976)**	**(20,193,638)**
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	4,097	2,044	452	380	415	242	335	281	297	7,236	15,779
Gross portfolio w/o renegotiation	33,777,199	3,587,330	480,833	1,192,123	818,749	311,984	309,691	-	-	-	40,477,909
Debt	33,777,199	3,587,330	480,833	1,192,123	829,656	322,015	320,354	289,681	149,905	3,855,097	44,804,193
Accrual	-	-	-	-	(10,907)	(10,031)	(10,663)	(289,681)	(149,905)	(3,855,097)	(4,326,284)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**4,097**	**2,044**	**452**	**380**	**415**	**242**	**335**	**281**	**297**	**7,236**	**15,779**
Total Corporate Communication and Data Portfolio	**33,777,199**	**3,587,330**	**480,833**	**1,192,123**	**818,749**	**311,984**	**309,691**	**-**	**-**	**-**	**40,477,909**
Debt	**33,777,199**	**3,587,330**	**480,833**	**1,192,123**	**829,656**	**322,015**	**320,354**	**289,681**	**149,905**	**3,855,097**	**44,804,193**
Accrual	**-**	**-**	**-**	**-**	**(10,907)**	**(10,031)**	**(10,663)**	**(289,681)**	**(149,905)**	**(3,855,097)**	**(4,326,284)**

(1) The information contained under this line, refers to the number of documents pending collection, which in turn can be related to current and non-current clients.

8. Current trade and other accounts receivable, continued

Aging of portfolio by segment for the year-ended December 31, 2013	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 61 to 90 day ThCh$	From 91 to 120 days ThCh$	From 121 to 150 days ThCh$	From 151 to 180 days ThCh$	From 181 to 210 days ThCh$	From 211 to 250 days ThCh$	More than 250 days ThCh$	Total portfolio w/o guarantee ThCh$
Television											
Number of clients w/o renegotiation (1)	330,065	57,550	14,424	10,331	9,125	9,082	8,453	8,426	8,561	371,028	827,045
Gross portfolio w/o renegotiation	13,224,017	927,522	395,033	504,421	2,972	2,513	2,018	-	-	-	15,058,496
Debt	13,224,017	927,522	395,033	504,421	506,949	481,594	481,006	391,104	243,945	6,906,205	24,061,796
Accrual	-	-	-	-	(503,977)	(479,081)	(478,988)	(391,104)	(243,945)	(6,906,205)	(9,003,300)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**330,065**	**57,550**	**14,424**	**10,331**	**9,125**	**9,082**	**8,453**	**8,426**	**8,561**	**371,028**	**827,045**
Total Television Portfolio	**13,224,017**	**927,522**	**395,033**	**504,421**	**2,972**	**2,513**	**2,018**	**-**	**-**	**-**	**15,058,496**
Debt	**13,224,017**	**927,522**	**395,033**	**504,421**	**506,949**	**481,594**	**481,006**	**391,104**	**243,945**	**6,906,205**	**24,061,796**
Accrual	**-**	**-**	**-**	**-**	**(503,977)**	**(479,081)**	**(478,988)**	**(391,104)**	**(243,945)**	**(6,906,205)**	**(9,003,300)**
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio w/o renegotiation	7,122,874	-	-	-	-	-	-	-	-	-	7,122,874
Debt	7,122,874	-	-	-	-	-	-	-	-	-	7,122,874
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Other Portfolio	**7,122,874**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,122,874**
Debt	**7,122,874**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,122,874**
Accrual	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	405,874	613,234	71,633	49,076	37,528	36,160	33,539	32,259	28,289	2,956,649	4,264,241
Gross portfolio w/o renegotiation	106,567,227	12,954,154	5,487,211	5,582,843	1,716,170	816,423	1,397,940	-	-	66,096	134,588,064
Debt	106,923,692	12,954,154	5,487,252	5,589,337	3,704,297	2,560,260	3,909,421	1,962,323	1,264,525	104,139,704	248,494,965
Accrual	(356,465)	-	(41)	(6,494)	(1,988,127)	(1,743,837)	(2,511,481)	(1,962,323)	(1,264,525)	(104,073,608)	(113,906,901)
Number of clients w/renegotiation	17,715	9,172	4,074	2,372	1,320	325	303	294	277	6,975	42,827
Gross renegotiated portfolio	580,100	60,137	1,733	-	-	-	-	-	-	-	641,970
Debt	1,014,495	228,128	60,152	31,795	15,907	8,374	5,653	22,539	21,839	442,179	1,851,061
Accrual	(434,395)	(167,991)	(58,419)	(31,795)	(15,907)	(8,374)	(5,653)	(22,539)	(21,839)	(442,179)	(1,209,091)
Total number of clients	**423,589**	**622,406**	**75,707**	**51,448**	**38,848**	**36,485**	**33,842**	**32,553**	**28,566**	**2,963,624**	**4,307,068**
Total Consolidated Portfolio	**107,147,327**	**13,014,291**	**5,488,944**	**5,582,843**	**1,716,170**	**816,423**	**1,397,940**	**-**	**-**	**66,096**	**135,230,034**
Debt	**107,938,187**	**13,182,282**	**5,547,404**	**5,621,132**	**3,720,204**	**2,568,634**	**3,915,074**	**1,984,862**	**1,286,364**	**104,581,883**	**250,346,026**
Accrual	**(790,860)**	**(167,991)**	**(58,460)**	**(38,289)**	**(2,004,034)**	**(1,752,211)**	**(2,517,134)**	**(1,984,862)**	**(1,286,364)**	**(104,515,787)**	**(115,115,992)**

(1) The information contained under this line, refers to the number of documents pending collection, which in turn can be related to current and non-current clients.

9. Receivables from and payable to related companies

a) Currents receivables from related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2014 ThCh$	12.31.2013 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent	**Total**			**35,988,859**	**40,790,111**
				Professional Serv.	CLP	60 days	25,669,333	28,598,033
				Access & interc. charges	CLP	60 days	7,167,243	6,678,377
				Media rental	CLP	60 days	2,423,147	4,851,937
				Others	CLP	60 days	729,136	661,764
Telefónica International Wholesale Services España	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	4,241,247	3,088,225
Telefónica Argentina S.A.	Foreign	Argentina	Relationship w/parent	Serv. Provided	USD	180 days	1,910,996	1,815,168
Telefónica International Wholesale Services	96.910.730-9	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	1,078,026	614,065
Telefónica de España S.A.U.	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	180 days	683,083	1,194,158
Telefónica Internacional S.A.U.	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	614,841	560,466
Media Networks Perú	Foreign	Peru	Relationship w/parent	Serv. Provided	USD	90 days	595,602	543,692
Telcel Venezuela	Foreign	Venezuela	Relationship w/parent	Serv. Provided	USD	180 days	309,537	297,134
Telefónica Brasil	Foreign	Brazil	Relationship w/parent	Serv. Provided	USD	90 days	265,258	252,471
Telefónica Larga Distancia Puerto Rico	Foreign	Puerto Rico	Relationship w/parent	Serv. Provided	USD	90 days	208,449	151,675
Colombia Telecomunicaciones S.A.E.S.P	Foreign	Colombia	Relationship w/parent	Serv. Provided	USD	60 days	190,594	160,845
Telefónica Global Tecnology	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	95,962	95,962
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	82,122	85,725
Terra Networks Chile S.A.	96.834.230-4	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	83,956	73,761
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	77,401	75,903
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	79,505	69,087
Telefónica del Perú S.A.	Foreign	Peru	Relationship w/parent	Correspondent	USD	180 days	52,050	1,866,090
Telefónica S.A.	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	48,223	55,053
Telefónica Móviles Guatemala	Foreign	Guatemala	Relationship w/parent	Serv. Provided	USD	90 days	9,288	8,840
Otecel S.A.	Foreign	Colombia	Relationship w/parent	Serv. Provided	USD	60 days	1,057	7,371
Telefónica USA Inc.	Foreign	USA	Relationship w/parent	Serv. Provided	USD	60 days	1,213	1,213
Telefónica Móviles El Salvador	Foreign	El Salvador	Relationship w/parent	Serv. Provided	USD	90 days	559	533
Total							**46,617,828**	**51,807,548**

There are no allowances for doubtful accounts or guarantees related to amounts included in outstanding balances. For amounts in excess of 5% of their total heading the origin of the service rendered is specified.

9. Receivables from and payable to related companies, continued

b) Non-currents receivables from related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2014 ThCh$	12.31.2013 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent	H.R. obligation	CLP	-	1,366,521	1,366,521
Total							**1,366,521**	**1,366,521**

c) Currents payables to related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2014 ThCh$	12.31.2013 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent	**Total**			**28,026,834**	**19,738,693**
				Financial Serv.	CLP	60 days	22,585,908	12,111,808
				Fixed – Mobile cost	CLP	60 days	1,806,006	3,459,743
				Collection payable	CLP	60 days	1,533,564	1,900,036
				Access charges	CLP	60 days	968,767	2,022,269
				Other	CLP	60 days	1,132,589	244,837
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Relationship w/parent	**Total**			**12,138,778**	**13,590,701**
				Financial Serv.	CLP	60 days	6,958,407	2,292,526
				IP Voice Traffic	CLP	60 days	2,499,210	9,149,291
				Data and Links	CLP	60 days	1,609,802	1,152,250
				Other	CLP	60 days	1,071,359	996,634
Telefónica S.A.	Foreign	Spain	Relationship w/parent	**Total**			**6,777,593**	**6,680,744**
				Brand Fee	EUR	90 days	5,272,662	5,307,658
				Other	EUR	90 days	1,504,931	1,373,086
Inversiones Telefónica Internacional Holding S.A.	77.363.730-k	Chile	Parent company	Dividends payable	CLP	60 days	5,519,424	5,519,424
Telefónica Internacional Chile S.A	96.527.390-5	Chile	Relationship w/parent	Dividends payable	CLP	60 days	5,104,247	5,104,247
Telefónica Internacional S.A.U. - España	Foreign	Spain	Relationship w/parent	**Total**			**4,466,486**	**2,597,832**
				Cost Sharing Agreement	EUR	90 days	2,950,563	1,648,741
				Other	EUR	90 days	1,515,923	949,091
Telefónica Global Technology	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	2,216,360	807,748
Telefónica Compras Electrónicas	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	2,051,308	1,769,547
Telefónica Global Technology Chile	59.165.120-K	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	2,038,611	-
Media Networks Perú	Foreign	Peru	Relationship w/parent	Serv. Provided	USD	90 days	1,621,214	960,808
Telefónica Brasil	Foreign	Brazil	Relationship w/parent	Serv. Provided	USD	90 days	1,456,178	1,816,869
Telefónica Argentina S.A.	Foreign	Argentina	Relationship w/parent	Serv. Provided	USD	180 days	1,300,856	1,719,805
Telefónica International Wholesale Services España	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	1,164,333	1,931,899
Telefónica del Perú S.A.	Foreign	Peru	Relationship w/parent	Serv. Provided	USD	180 days	1,141,958	2,199,352
Fundación Telefónica Chile	74.944.200-k	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	981,782	502,370
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	384,872	430,454
Telefónica de España S.A.U	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	180 days	265,901	252,693
Telefónica USA Inc.	Foreign	USA	Relationship w/parent	Serv. Provided	USD	60 days	177,752	141,038
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Relationship w/parent	Serv. Provided	USD	60 days	151,116	139,138
Telefónica Gestión de Servicios Compartidos - España	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	60 days	103,152	77,315
Terra Networks Chile S.A.	96.834.230-4	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	64,490	137,062
Subtotal next page							**77,153,245**	**69,396,447**

9. Receivables from and payable to related companies, continued

c) Current payables to related companies, continued:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2014 ThCh$	12.31.2013 ThCh$
Subtotal previous page							**77,153,245**	**69,396,447**
Telefónica On The Spot Services S.A.U.	Foreign	Spain	Relationship w/parent	Serv. Provided.	EUR	90 days	49,820	26,231
Telcel Venezuela	Foreign	Venezuela	Relationship w/parent	Serv. Provided	USD	180 days	13,919	17,111
Telefónica Larga Distancia Puerto Rico	Foreign	Puerto Rico	Relationship w/parent	Serv. Provided	USD	90 days	15,963	15,193
Otecel S.A.	Foreign	Colombia	Relationship w/parent	Serv. Provided	USD	60 days	-	6,207
Televisión Federal Telefe – Argentina	Foreign	Argentina	Relationship w/parent	Serv. Provided	USD	90 days	7,515	3,567
Telefónica Learning	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	60 days	2,522	2,178
Telefónica Móviles El Salvador	Foreign	El Salvador	Relationship w/parent	Serv. Provided	USD	90 days	1,455	1,384
Telefónica Factoring - España	Foreign	Spain	Relationship w/parent	Serv. Provided	USD	60 days	1,294	1,240
Inversiones Telefónica Móviles Holding S.A.	76.124.890-1	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	1,475	64
Total							**77,247,208**	**69,469,622**

There are no guarantees related to amounts included in outstanding balances.

For amounts in excess of 5% of their total heading the origin of the service rendered is specified.

9. Receivables from and payable to related companies, continued

d) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	03.31.2014 ThCh$	03.31.2013 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent	**Total**		**28,131,629**	**27,861,650**
				Prof. Services	CLP	16,794,747	18,864,928
				Access charges and Interconnects	CLP	7,414,132	6,850,437
				Fixed - Mobile	CLP	3,097,693	2,166,836
				Cost	CLP	-	(376,064)
				Interest expense	CLP	(179,100)	(422,924)
				Other	CLP	1,004,157	778,437
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Relationship w/parent	**Total**		**(3,055,589)**	**(3,525,095)**
				Sale	CLP	479,998	459,113
				Voice IP traffic and Internet access	CLP	(3,205,222)	(3,851,716)
				Interest expense	CLP	(29,698)	(17,398)
				Other	CLP	(300,667)	(115,094)
Media Networks Perú	Foreign	Peru	Relationship w/parent	**Total**		**(1,367,340)**	**-**
				Sale	USD	27,893	-
				Leased space	USD	(1,020,848)	-
				Other	USD	(374,385)	-
Telefónica S.A.	Foreign	Spain	Relationship w/parent	Brand Fee	EUR	(2,656,087)	(2,332,463)
				Other	EUR	(50,682)	(352,178)
Telefónica Global Technology Chile	56.165.120-K	Chile	Relationship w/parent	Information services	CLP	(2,038,611)	-
Telefónica International Wholesale Services España	Foreign	Spain	Relationship w/parent	Sale	EUR	1,689,045	24,110
				Cost	EUR	(424,969)	-
Telefónica Internacional S.A.U.	Foreign	Spain	Relationship w/parent	Sale	EUR	54,376	44,736
				Cost	EUR	(598,945)	(114,039)
Telefónica de España S.A.U.	Foreign	Spain	Relationship w/parent	Sale	EUR	133,473	274,561
				Cost	EUR	(410)	(807)
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Relationship w/parent	Sale	CLP	10,418	-
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Relationship w/parent	Sale	USD	25,241	118,101
				Cost	USD	(6,037)	-
Telefónica Internacional Chile S.A.	96.527.390-5	Chile	Parent company	Sale	CLP	2,626	-
Telefónica del Perú S.A.	Foreign	Peru	Relationship w/parent	Sale	USD	-	304,038
				Cost	USD	(25,470)	-
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Relationship w/parent	Interest expense	CLP	(3,413)	-
Telefónica Learning	Foreign	Spain	Relationship w/parent	Cost	EUR	(344)	-
Televisión Federal Telefe – Argentina	Foreign	Argentina	Relationship w/parent	Cost	USD	(11,083)	-
Terra Networks Chile S.A.	93.834.230-4	Chile	Relationship w/parent	Sale	CLP	20,217	19,576
				Cost	CLP	(30,315)	(89,806)
Telefónica On The Spot Services S.A.U.	Foreign	Spain	Relationship w/parent	Cost	EUR	(73,342)	(70,702)
Telefónica Gestión de Servicios Compartidos - España	Foreign	Spain	Relationship w/parent	Cost	EUR	(65,856)	-
Telefónica USA Inc.	Foreign	USA	Relationship w/parent	Cost	USD	(36,714)	-
Telefónica Brasil	Foreign	Brazil	Relationship w/parent	Sale	USD	342,813	57,317
				Cost	USD	-	(83,250)
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Relationship w/parent	Sale	CLP	3,730	4,733
				Cost	CLP	(384,390)	(315,896)
Telefónica Compras Electrónica S.A.	Foreign	Spain	Relationship w/parent	Cost	EUR	(285,000)	(168,150)

9. Receivables from and payable to related companies, continued

d) Transaction, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	03.31.2014 ThCh$	03.31.2013 ThCh$
Telefónica International Wholesale Services América	Foreign	Uruguay	Relationship w/parent	Cost	USD	(357,149)	(357,149)
Telefónica Global Technology	Foreign	Spain	Relationship w/parent	Information services	EUR	(320,395)	(640,077)
Telefónica Argentina S.A.	Foreign	Argentina	Relationship w/parent	Sale	USD	3,877	-
				Media rental	USD	(1,520,291)	-
Telefónica Latinoamerica Holding S.L.	Foreign	Spain	Relationship w/parent	Cost	USD	-	(246,361)
Telefónica Móviles El Salvador	Foreign	El Salvador	Relationship w/parent	Sale	USD	-	390
				Cost	USD	-	(234)

For amounts greater than 10% of their total heading the origin of the specified transaction is reported.

Title XVI of the Company's Law, and other relevant standards, requires that a publicly traded corporation's transactions with related companies are carried out under terms similar to those commonly prevailing in the market.

There have been charges and credits to current accounts in the receivables of companies due to billing for sale of materials, equipment and services.

The conditions of the Mercantile Current Account and Mandate are currents, accruing interest at a variable interest rate that adjusts to market conditions.

Sales and service rendering expire in the short-term (less than one year) and the expiry conditions for each case vary by virtue of the transaction that generates them.

e) Remuneration and benefits received by the Company's key employees:

The Company is managed by a Board of Directors composed of 14 members and its key employees are 72 executives for March 31, 2014 and 2013.

Concepts	03.31.2014 ThCh$	03.31.2013 ThCh$
Salaries	4,722,788	4,285,426
Post employment benefits	633,006	2,070,609
Total	**5,355,794**	**6,356,035**

10. Inventory

a) The detail of inventory is as follows:

Concepts	03.31.2014 Gross value ThCh$	03.31.2014 Allowance for obsolescence ThCh$	03.31.2014 Net value ThCh$	12.31.2013 Gross value ThCh$	12.31.2013 Allowance for obsolescence ThCh$	12.31.2013 Net value ThCh$
Modems and Router	4,040,024	(1,834,514)	2,205,509	3,427,034	(1,719,771)	1,707,263
Basic telephony, public telephony and switchboard ("centralitas") components	4,161,722	(1,296,555)	2,865,167	2,943,582	(1,311,327)	1,632,256
Decoders and antennas	1,543,859	(169,379)	1,374,480	1,612,975	(167,364)	1,445,611
IP Solutions Projects	157,071	-	157,071	100,703	-	100,703
Other	2,084,859	(202,390)	1,882,470	2,041,355	(145,373)	1,895,982
Total	**11,987,535**	**(3,502,838)**	**8,484,697**	**10,125,649**	**(3,343,835)**	**6,781,814**

As of March 31, 2014 and December 31, 2013 there have been no inventory write-offs, there is no inventory in guarantee or reversal of obsolescence accruals.

b) The movement of inventory is as follows:

Movements	03.31.2014 ThCh$	12.31.2013 ThCh$
Beginning balance	**6,781,814**	**6,147,395**
Purchases	5,361,118	12,590,316
Sales	(3,433,847)	(11,544,472)
Allowance for obsolescence	(159,003)	(359,879)
Transfer to materials allocated to the investment (note 15b)	(65,385)	(51,546)
Movement, subtotal	**1,702,883**	**634,419**
Ending balance	**8,484,697**	**6,781,814**

11. Income Taxes

a) Income Taxes:

As of March 31, 2014 and 2013, a first category income tax accrual has been established, therefore a positive tax base was determined in the amount of ThCh$ 16,561,117 and ThCh$ 20,868,448, respectively for each period.

The previous figures correspond to the income of the parent company and subsidiaries with a positive base of ThCh$ 11,819,907 and ThCh$ 3,741,210 for March 2014, respectively and ThCh$ 8,797,493 and ThCh$ 12,070,957 for March 2013, respectively.

During the course of its normal operations, the Company is subject to the regulations and supervision of the Chilean Internal Revenue Service, which could cause differences to arise in the application of tax determination criteria.

As of March 31, 2014, the parent company has a positive Retained Taxable Earnings Registry in the amount of ThCh$ 531,371,749.

The Companies of the group with a positive balance in the Retained Taxable Earnings Registry and their associated credits are as follows:

Subsidiaries	Taxable net income with 15% credit ThCh$	Taxable net income with 16% credit ThCh$	Taxable net income with 16.5% credit ThCh$	Taxable net income with 17% credit ThCh$	Taxable net income with 20% credit ThCh$	Taxable net Income without credit ThCh$	Amount of credit ThCh$
Telefónica Chile S.A.	2,815,522	1,066,716	763,647	352,413,995	163,817,284	10,494,585	113,986,342
Telefónica Larga Distancia S.A.	-	-	-	45,807	48,062,772	7,731,705	12,025,075
Telefónica Chile Servicios Corporativos Ltda.	-	-	-	-	20,050,838	1,441,575	5,012,710
Telefónica Empresas Chile S.A.	-	-	-	4,916,969	34,958,513	4,917,521	9,746,717
Telefónica Gestión de Servicios Compartidos Chile S.A.	-	-	-	2,672,994	3,843,961	483,054	1,508,470
Total	**2,815,522**	**1,066,716**	**763,647**	**360,049,765**	**270,733,368**	**25,068,440**	**142,279,314**

b) Current tax assets

As of March 31, 2014 and December 31, 2013, current income tax assets are detailed as follows:

Concepts	03.31.2014 ThCh$	12.31.2013 ThCh$
Monthly prepaid tax installments	9,327,628	3,808,282
Sence Credit	774,202	774,201
Total	**10,101,830**	**4,582,483**

11. Income Taxes, continued

c) Deferred taxes

As of March 31, 2014 and December 31, 2013, the cumulative balances of temporary differences resulted in net deferred tax liabilities of ThCh$ 47,671,913 and ThCh$ 48,072,996, respectively, detailed as follows:

Concepts	03.31.2014		12.31.2013		03.31.2014		03.31.2013	
	Assets ThCh$	Liabilities ThCh$	Assets ThCh$	Liabilities ThCh$	Profit (loss) ThCh$	Equity ThCh$	Profit (loss) ThCh$	Equity ThCh$
Allowance for doubtful accounts	24,158,139	-	23,283,817	-	(874,322)	-	(1,051,369)	-
Vacation provision	432,929	-	884,163	-	451,234	-	517,865	-
Staff severance indemnities	6,060,313	8,304,604	6,228,671	8,609,055	(136,093)	-	2,859	-
Amortization and depreciation of assets	3,829,085	76,029,931	3,479,177	76,723,870	(1,043,847)	-	(559,487)	-
Tax loss carry forward	-	-	-	-	-	-	(869)	-
Deferred income	572,029	-	720,877	-	148,848	-	(24,712)	-
Equity adjustment	1,464,155	1,113,425	1,469,310	2,314,698	-	(1,196,118)	-	-
Incentive bonus	927,122	-	3,309,425	-	2,385,370	-	2,245,239	-
Other events (1)	1,643,448	1,311,173	1,807,217	1,608,030	(127,649)	-	267,708	(634,411)
Sub total	**39,087,220**	**86,759,133**	**41,182,657**	**89,255,653**	**803,541**	**(1,196,118)**	**1,397,234**	**(634,411)**
Reclassification	**(33,597,522)**	**(33,597,522)**	**(33,258,106)**	**(33,258,106)**	**-**	**-**	**-**	**-**
Total	**5,489,698**	**53,161,611**	**7,924,551**	**55,997,547**	**803,541**	**(1,196,118)**	**1,397,234**	**(634,411)**

(1) This item considers provisions for vacation, enjoyment, personnel and termination benefits at real value and current value; and capitalization of bond placement expenses, among others.

11. Income Taxes, continued

d) Taxable Income

As of March 31, 2014 and 2013 a first category income tax provision has been established, therefore a taxable positive base was determined in the amount of ThCh$ 16,561,117 and ThCh$ 20,868,448 respectively for each period, detailed as follows:

Concepts	Taxable Net Income	
	03.31.2014	03.31.2013
	ThCh$	ThCh$
Finance income	9,369,986	14,198,006
Recorded tax expense	1,364,852	3,787,139
Additions	41,664,348	10,257,035
Deductions	(35,838,069)	(7,373,732)
Taxable net income	16,561,117	20,868,448
First category tax rate 20%	**3,312,223**	**4,173,690**
Art. 21 rejected expenses tax base	365,819	537,869
Art. 21 non-deductible expenses (35% rate)	**128,037**	**188,255**
Total tax provision	**3,440,260**	**4,361,945**
Contingencies provision	-	300,000
Third party absorbed net income provisional payment	(2,878,949)	(2,272,040)
Total first category taxes	**561,311**	**2,389,905**

11. Income Taxes, continued

e) Income tax reconciliation

The income tax expense reconciliation for the periods ended March 31, 2014 and 2013 are detailed as follows:

Concepts	03.31.2014 Taxable base ThCh$	03.31.2014 20% Tax Rate ThCh$	12.31.2013 Taxable base ThCh$	12.31.2013 20% Tax Rate ThCh$
Finance income	9,369,986		14,198,006	
Recorded tax expense	1,364,852		3,787,139	
Income before taxes	**10,734,838**	**2,146,968**	**17,985,145**	**3,597,029**
Permanent differences	**(3,910,575)**	**(788,116)**	**950,545**	**190,110**
Price-level restatement of taxable equity	(8,697,836)	(1,739,567)	(1,996,431)	(399,286)
Price-level restatement of investments	3,301,962	660,392	386,418	77,284
Adjustment on deferred tax beginning balances (1)	22,281	4,456	-	-
Other (2)	1,463,018	292,603	2,560,558	512,112
Total corporate tax expense	**6,824,263**	**1,364,852**	**18,935,690**	**3,787,139**
Based on taxable net income and deferred taxes calculated on the basis of temporary differences				
20% income tax		3,312,223		4,173,690
35% income tax		128,037		188,255
Provisional payment on third party absorbed profits		(2,878,949)		(2,272,040)
Contingencies provision tax		-		300,000
Income tax expense		**561,311**		**2,389,905**
Deferred tax expense (income)		**803,541**		**1,397,234**
Total corporate tax expense		**1,364,852**		**3,787,139**
Effective income tax rate		**12.71%**		**21.06%**

(1) Adjustments for differences between the values used for the purpose of estimating deferred taxes and values according to final balance sheets.

(2) Other includes fines and sanctions, government income and financial write-offs, among others.

11. Income Taxes, continued

f) Current income tax liabilities

As of March 31, 2014 and December 31, 2013, current income tax liabilities are detailed as follows:

Concepts	03.31.2014 ThCh$	12.31.2013 ThCh$
Income tax accrual (1)	-	523,232
Total	**-**	**523,232**

(1) First Category income tax is presented net of prepaid monthly tax installments for ThCh$ 4,230,468 for 2013.

g) Other

On April 30, 2013, when it obtained full ownership of the shares of its subsidiary Telefónica Multimedia Chile Dos S.A. the Company absorbed that company which resulted from the division of Telefónica Multimedia Chile S.A. in November 2011. This transaction led to the possibility of recording tax goodwill in the amount of approximately ThCh$ 44,136,000 which must be distributed among non-monetary assets received due to the operation. This tax goodwill is generated when one compares the tax cost of the acquisition of the absorbed company to the value of tax assets.

Management deemed it reasonable not to reflect the effects of recognition of the mentioned goodwill in the amount of approximately ThCh$ 8,827,000 in the Company's deferred taxes as of December 31, 2013.

12. Non-current trade and other accounts receivable

a) Non-current trade and other accounts receivable are detailed as follows:

Concepts	03.31.2014 Gross value ThCh$	03.31.2014 Allowance for doubtful accounts ThCh$	03.31.2014 Net value ThCh$	12.31.2013 Gross value ThCh$	12.31.2013 Allowance for doubtful accounts ThCh$	12.31.2013 Net value ThCh$
Trade receivables	5,382,257	(1,360,418)	4,021,839	5,643,742	(1,303,092)	4,340,650
Miscellaneous receivables (1)	12,812,709	-	12,812,709	12,708,832	-	12,708,832
Total	**18,194,966**	**(1,360,418)**	**16,834,548**	**18,352,574**	**(1,303,092)**	**17,049,482**

(1) Mainly includes loans related to employees.

b) As of March 31, 2014 and December 31, 2013 Non-current trade and other accounts receivable by due date are detailed as follows:

As of March 31, 2014

Concepts	Gross Portfolio value in ThCh$				Allowance for doubtful accounts ThCh$				Net Total
	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	
Trade receivables	2,528,438	2,853,819	-	**5,382,257**	(986,436)	(300,375)	(73,607)	**(1,360,418)**	**4,021,839**
Miscellaneous receivables	2,768,337	898,388	9,145,984	**12,812,709**	-	-	-	**-**	**12,812,709**
Total	**5,296,775**	**3,752,207**	**9,145,984**	**18,194,966**	**(986,436)**	**(300,375)**	**(73,607)**	**(1,360,418)**	**16,834,548**

As of December 31, 2013

Concepts	Gross Portfolio value in ThCh$				Allowance for doubtful accounts ThCh$				Net Total
	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	
Trade receivables	3,846,938	1,796,804	-	**5,643,742**	(973,757)	(239,960)	(89,375)	**(1,303,092)**	**4,340,650**
Miscellaneous receivables	2,226,731	937,539	9,544,562	**12,708,832**	-	-	-	**-**	**12,708,832**
Total	**6,073,669**	**2,734,343**	**9,544,562**	**18,352,574**	**(973,757)**	**(239,960)**	**(89,375)**	**(1,303,092)**	**17,049,482**

13. Intangible Assets other than goodwill

a) Intangible assets other than goodwill as of March 31, 2014 and December 31, 2013 are detailed as follows:

Concepts	03.31.2014 Intangible, gross ThCh$	03.31.2014 Accumulated amortization ThCh$	03.31.2014 Intangible, net ThCh$	12.31.2013 Intangible, gross ThCh$	12.31.2013 Accumulated amortization ThCh$	12.31.2013 Intangible, net ThCh$
Intangible assets in development (1)	16,984	-	16,984	16,984	-	16,984
Licenses and franchises	178,296,595	(152,299,992)	25,996,603	178,036,289	(147,671,499)	30,364,790
Other intangible assets (2)	21,832,500	(16,202,262)	5,630,238	21,832,500	(15,841,614)	5,990,886
Total	**200,146,079**	**(168,502,254)**	**31,643,825**	**199,885,773**	**(163,513,113)**	**36,372,660**

(1) Corresponds to work in progress in development of licenses and software.

(2) Corresponds to rights to use underwater cable.

b) Movements of intangible assets other than goodwill for 2014 are detailed as follows:

Movements	Intangible assets in development, net ThCh$	Licenses and franchises, net ThCh$	Other intangible assets, net ThCh$	Intangible, net ThCh$
Beginning balance as of 01.01.2014	**16,984**	**30,364,790**	**5,990,886**	**36,372,660**
Amortization	-	(4,628,493)	(360,648)	(4,989,141)
Transfer from work in progress (Note 15b)	-	260,306	-	260,306
Movement, subtotal	**-**	**(4,368,187)**	**(360,648)**	**(4,728,835)**
Ending balance as of 03.31.2014	**16,984**	**25,996,603**	**5,630,238**	**31,643,825**
Remaining average useful life	**-**	**1.4 years**	**4 years**	**-**

Movements of intangible assets other than goodwill for 2013 are detailed as follows:

Movements	Intangible assets in development, net ThCh$	Licenses and franchises, net ThCh$	Other intangible assets, net ThCh$	Intangible, net ThCh$
Beginning balance as of 01.01.2013	**3,449,912**	**27,214,614**	**7,441,004**	**38,105,530**
Additions	273	-	-	273
Transfer to service development costs	(3,354,938)	3,354,938	-	-
Derecognition	-	(10,190)	-	(10,190)
Amortization of derecognition	-	3,012	-	3,012
Amortization	-	(18,882,897)	(1,450,118)	(20,333,015)
Transfer from work in progress (Note 15b)	(78,263)	18,685,313	-	18,607,050
Movement, subtotal	**(3,432,928)**	**3,150,176**	**(1,450,118)**	**(1,732,870)**
Ending balance as of 12.31.2013	**16,984**	**30,364,790**	**5,990,886**	**36,372,660**
Remaining average useful life	**-**	**2 years**	**4.1 years**	**-**

Licenses correspond to software licenses, which are obtained through non-renewable contracts therefore the Company has defined that they have definite useful lives of 3 years.

13. Intangible Assets other than goodwill, continued

Intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization for each period is recognized in the statement of comprehensive income within "Depreciation and Amortization".

Intangible assets are tested for impairment whenever there is an indication of a potential loss in value, and in any case at each year-end.

As of December 31, impairment testing was determined taking into consideration the following estimated variables:

i. Projected income: The projection performed in respect to growth in the volume of future services rendered is 1.2%, growth rate that is consistent with historical behavior.

ii. Discount: The rate used to discount future cash flows is 8.79% (WACC rate reported by corporate), that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.

iii. Market assumptions: The future cash flows projection takes into account market assumptions on industry growth, country growth and projected inflation.

iv. Sensibility analysis: A sensibility analysis was performed in respect to the market recoverable value, modifying the discount rate and growth rate values. The sensitivity contemplated increasing the discount rate by 12%.

In the financial statements for December 31, 2013 no impact resulted from the impairment testing of intangible assets. As of March 31, 2014 no indications of impairment have been detected for those assets, therefore no impairment testing has been performed.

The main additions to intangible assets other than goodwill in 2014 and 2013 are investments in information applications.

14. Goodwill

Goodwill movement for the periods 2014 and 2013 is as follows:

Taxpayer No.	Company	01.01.2014 ThCh$	Additions ThCh$	Eliminations ThCh$	03.31.2014 ThCh$
96.672.160-k	Telefónica Larga Distancia S.A.	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S.A.	620,232	-	-	620,232
	Total	**21,660,128**	**-**	**-**	**21,660,128**

Taxpayer No.	Company	01.01.2013 ThCh$	Additions ThCh$	Eliminations ThCh$	12.31.2013 ThCh$
96.672.160-k	Telefónica Larga Distancia S.A.	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S.A.	620,232	-	-	620,232
	Total	**21,660,128**	**-**	**-**	**21,660,128**

Assets indicated in goodwill are tested for impairment once a year, at each year-end. As of December 31, 2013 impairment testing was determined taking into consideration the following estimated variables:

i. Projected income: The projection performed in respect to growth in the volume of future services rendered is 1.2%, growth rate that is consistent with historical behavior.

ii. Discount: The rate used to discount future cash flows is 8.79% (WACC rate reported by corporate), that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.

iii. Market assumptions: The future cash flows projection takes into account market assumptions on industry growth, country growth and projected inflation.

iv. Sensibility analysis: A sensibility analysis was performed in respect to the market recoverable value, modifying the discount rate and growth rate values. The sensitivity contemplated increasing the discount rate by 12%.

According to the impairment calculations performed by management, as of 2013 year-end there has been no need detected to make significant adjustments since the recoverable value is greater than the book value in all cases. As of March 31, 2014 there has been no impairment testing.

15. Property, plant and equipment

a) The detail of Property, plant and equipment items for the periods March 31, 2014 and December 31, 2013, and their corresponding accumulated depreciation is as follows:

Concepts	03.31.2014			12.31.2013		
	Property, plant & equipment, Gross ThCh$	Accumulated depreciation ThCh$	Property, plant & equipment, Net ThCh$	Property, plant & equipment, Gross ThCh$	Accumulated depreciation ThCh$	Property, plant & equipment, Net ThCh$
Land	21,130,108	-	21,130,108	21,247,855	-	21,247,855
Buildings	729,057,169	(448,691,148)	280,366,021	728,715,341	(444,919,954)	283,795,387
Transport equipments	577,765	(533,144)	44,621	577,765	(526,786)	50,979
Supplies and accessories	21,998,094	(19,995,675)	2,002,419	21,985,838	(19,870,021)	2,115,817
Office equipments	1,849,029	(693,979)	1,155,050	1,843,310	(651,629)	1,191,681
Construction in progress	205,300,018	-	205,300,018	166,734,210	-	166,734,210
Information equipment	40,402,284	(32,339,241)	8,063,043	40,400,265	(30,926,494)	9,473,771
Network and communications equipment (1)	2,280,822,525	(1,886,070,866)	394,751,659	2,279,905,130	(1,867,322,986)	412,582,144
Property, plant and equipment under financial leases	5,304,293	(4,956,203)	348,090	5,304,293	(4,651,745)	652,548
Other property, plant & equipment (2)	239,300,832	(164,925,469)	74,375,363	238,191,704	(158,592,348)	79,599,356
Total	**3,545,742,117**	**(2,558,205,725)**	**987,536,392**	**3,504,905,711**	**(2,527,461,963)**	**977,443,748**

(1) As of March 31, 2014 and December 31, 2013 this heading includes a provision in the amount of ThCh$543,244 for the estimated cost of dismantling microwave antennas, from telecommunications infrastructure, presented under Other non-current provisions.

(2) Includes general equipment and subscriber equipment.

15. Property, plant and equipment, continued

b) Movements of property, plant and equipment items for the period 2014 are as follows:

Movements	Land	Buildings, net	Transport equipments, net	Supplies and accessories, net	Office equipment, net	Construction in progress net	Information equipment, net	Network and communications equipment, net	Property, plant and equipment under financial leases, net	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.2014	**21,247,855**	**283,795,387**	**50,979**	**2,115,817**	**1,191,681**	**166,734,210**	**9,473,771**	**412,582,144**	**652,548**	**79,599,356**	**977,443,748**
Additions	-	-	-	-	-	50,515,354	-	-	-	-	50,515,354
Retirements	(117,747)	(663,644)	-	-	-	-	-	-	-	(8,732,795)	(9,514,186)
Acc. Dep. retirements	-	564,399	-	-	-	-	-	-	-	8,230,156	8,794,555
Depreciation expense	-	(4,335,593)	(6,358)	(125,654)	(42,350)	-	(1,412,747)	(18,747,880)	(304,458)	(14,563,277)	(39,538,317)
Other Increase (decrease) (1)	-	1,005,472	-	12,256	5,719	(11,949,546)	2,019	917,395	-	9,841,923	(164,762)
Movements, subtotal	**(117,747)**	**(3,429,366)**	**(6,358)**	**(113,398)**	**(36,631)**	**38,565,808**	**(1,410,728)**	**(17,830,485)**	**(304,458)**	**(5,223,993)**	**10,092,644**
Ending balance as of 03.31.2014	**21,130,108**	**280,366,021**	**44,621**	**2,002,419**	**1,155,050**	**205,300,018**	**8,063,043**	**394,751,659**	**348,090**	**74,375,363**	**987,536,392**

(1) Includes net movement of transfers from construction in progress to intangible assets in the amount of ThCh$(260,306) (note 13b) and transfers from inventory to investment projects in the amount of ThCh$65,385 (note 10b) and assets transferred from assets held for sale in the amount of Th$ 30,159.

Movements of property, plant and equipment items for the year 2013 are as follows:

Movements	Land	Buildings, net	Transport equipments, net	Supplies and accessories, net	Office equipment, net	Construction in progress net	Information equipment, net	Network and communications equipment, net	Property, plant and equipment under financial leases, net	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.2013	**21,490,644**	**288,309,156**	**80,307**	**2,434,924**	**1,080,026**	**179,424,467**	**7,968,702**	**393,547,351**	**1,870,381**	**53,127,979**	**949,333,937**
Additions	-	-	-	-	-	203,353,570	-	-	-	-	203,353,570
Retirements	(242,789)	(1,796,776)	(13,193)	(98)	(13,193)	-	-	-	-	(76,759,709)	(78,825,758)
Acc. Dep. retirements	-	1,271,400	13,193	94	13,193	-	-	-	-	70,099,004	71,396,884
Depreciation expense	-	(17,532,012)	(29,328)	(504,577)	(162,216)	-	(2,492,608)	(64,186,450)	(1,217,833)	(61,189,649)	(147,314,673)
Transfer of depreciation	-	-	-	-	-	-	-	-	-	(1,944,708)	(1,944,708)
Other Increase (decrease) (1)	-	13,543,619	-	185,474	273,871	(216,043,827)	3,997,677	83,221,243	-	96,266,439	(18,555,504)
Movements, subtotal	**(242,789)**	**(4,513,769)**	**(29,328)**	**(319,107)**	**111,655**	**(12,690,257)**	**1,505,069**	**19,034,793**	**(1,217,833)**	**26,471,377**	**28,109,811**
Ending balance as of 12.31.2013	**21,247,855**	**283,795,387**	**50,979**	**2,115,817**	**1,191,681**	**166,734,210**	**9,473,771**	**412,582,144**	**652,548**	**79,599,356**	**977,443,748**

(1) Includes net movement of transfers from construction in progress to intangible assets in the amount of ThCh$(18,607,048) (note 13b) and transfers from inventory to investment projects in the amount of ThCh$51,546 (note 10b).

15. Property, plant and equipment, continued

Additions for the period 2014 fundamentally show the effect of incorporation of customer residential equipment (fixed telephone, broadband and television), long-distance transmission and voice and data equipment.

Property, plant and equipment items originating from net financial lease operations amount to ThCh$348,090 for the period 2014 in the categories of buildings and the other property, plant and equipment. For year 2013, the amount for this concept was ThCh$652,548 corresponding to the buildings category and equipment of information technology.

In the normal course of business, the Company monitors both new and existing assets and their depreciation rates, adjusting for technological evolution and development of markets in which we compete.

No significant obligations were identified after reviewing financial lease agreements for the real estate that the Company has with private entities and government organization involving the location of certain of the Company's assets in those installations, such as switchboard equipment, radio stations, antennas and other equipment in relation to possible obligations at the end of the contract, considering their term and renewal conditions. In cases where the lease contracts were not renewed no significant withdrawal costs were incurred. Considering the above and the nature of the real estate lease agreements, the Company has established a provision for dismantling costs presented in Other non-current provisions.

16. Non-current assets and surrendered units available for sale or held for distribution to the owners

Non-current assets and surrendered units available for sale correspond to land and buildings that have been destined for sale in accordance with the Company's rationalization program carried out and are recorded in the Fixed Telephone and Communications segments and company information in financial information by segment (note 4).

The detail of which for the period 2014 and 2013 is as follows:

Concepts	03.31.2014 ThCh$	12.31.2013 ThCh$
Land	127,871	34,327
Buildings	93,870	31,300
Total	**221,741**	**65,627**

During the first quarter of 2014, real estate destined for sale has been transferred from Property, plant and equipment at carrying amount or fair value, whichever is lower, in accordance with Note 2f), which has generated a negative effect on income for the quarter in the amount of ThCh$ 30,720, presented under Other expenses, by nature, in the comprehensive income statement.

17. Other current and other non-current financial liabilities

The composition of Other current and other non-current financial liabilities that accrue interest is as follows:

Concepts		03.31.2014		12.31.2013	
		Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bank loans	(a)	32,161,041	66,964,078	92,962	94,191,511
Unguaranteed obligations (Bonds)	(b)	6,519,467	303,588,300	142,138,450	239,644,115
Financial leases	(c)	1,339,494	419,426	1,632,929	547,966
Hedge instruments	(see note 19.2)	7,896,886	21,008,795	4,993,966	22,558,064
Total		**47,916,888**	**391,980,599**	**148,858,307**	**356,941,656**

17. Other current and other non-current financial liabilities, continued

a) The detail of bank loans for 2014 is as follows:

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	Sovereing Bank N.A.	USA	USD	At expiry	2.47%	2.11%	USD 97.5 mm	2017
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	Banco Scotiabank & Trust	Cayman Islands	USD	At expiry	2.11%	1.56%	USD 25 mm	2015
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	USD	At expiry	1.38%	1.23%	USD 58.25 mm	2015

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Nominal amounts (in thousands) To Maturity									Total nominal amounts in original currency
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Sovereing Bank N.A.	-	-	-	-	-	97,500	-	97,500	-	**97,500**
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Scotiabank & Trust	-	-	25,000	-	25,000	-	-	-	-	**25,000**
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Santander	-	58,250	-	-	-	-	-	-	-	**58,250**
Total					**-**	**58,250**	**25,000**	**-**	**25,000**	**97,500**	**-**	**97,500**	**-**	**180,750**

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 03.31.2014 ThCh$	Non-current To Maturity							Total Non-current as of 03.31.2014 ThCh$
					Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Sovereing Bank N.A.	81,711	-	**81,711**	-	-	-	53,257,722	-	53,257,722	-	**53,257,722**
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Scotiabank & Trust	6,555	-	**6,555**	13,706,356	-	13,706,356	-	-	-	-	**13,706,356**
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Santander	-	32,072,775	**32,072,775**	-	-	-	-	-	-	-	**-**
Total					**88,266**	**32,072,775**	**32,161,041**	**13,706,356**	**-**	**13,706,356**	**53,257,722**	**-**	**53,257,722**	**-**	**66,964,078**

i. On April 3, 2012 an international 5-year bullet loan agreement was signed with Sovereing Bank N.A. subsidiary of Santander in the USA, in the amount of USD 97.5 million with an interest rate of libor + 1.95% annually.

ii. On April 18, 2012 a 3-year bullet loan agreement was signed with Scotiabank & Trust (Cayman) Ltd. in the amount of USD 25 million at an interest rate of libor + 1.40% annually.

17. Other current and other non-current financial liabilities, continued

a) The detail of bank loans for 2013 is as follows:

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	Sovereing Bank N.A.	USA	USD	At expiry	2.48%	2.12%	USD 97.5 mm	2017
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	Banco Scotiabank & Trust	Cayman Islands	USD	At expiry	2.12%	1.57%	USD 25 mm	2015
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	USD	At expiry	1.40%	1.25%	USD 58.25 mm	2015

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Nominal amounts (in thousands) To Maturity									
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total nominal amounts in original currency
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Sovereing Bank N.A.	-	-	-	-	-	97,500	-	97,500	-	**97,500**
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Scotiabank & Trust	-	-	25,000	-	25,000	-	-	-	-	**25,000**
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Santander	-	-	58,250	-	58,250	-	-	-	-	**58,250**
	Total				**-**	**-**	**83,250**	**-**	**83,250**	**97,500**	**-**	**97,500**	**-**	**180,750**

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 12.31.2013 ThCh$	Non-current To Maturity							Total Non-current as of 12.31.2013 ThCh$
					Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Sovereing Bank N.A.	78,223	-	**78,223**	-	-	-	50,652,995	-	50,652,995	-	**50,652,995**
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Scotiabank & Trust	6,279	-	**6,279**	13,028,592	-	13,028,592	-	-	-	-	**13,028,592**
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Santander	-	8,460	**8,460**	30,509,924	-	30,509,924	-	-	-	-	**30,509,924**
	Total				**84,502**	**8,460**	**92,962**	**43,538,516**	**-**	**43,538,516**	**50,652,995**	**-**	**50,652,995**	**-**	**94,191,511**

i. On April 3, 2012 an international 5-year bullet loan agreement was signed with Sovereing Bank N.A. subsidiary of Santander in the USA, in the amount of USD 97.5 million with an interest rate of libor + 1.95% annually.

ii. On April 18, 2012 a 3-year bullet loan agreement was signed with Scotiabank & Trust (Cayman) Ltd. in the amount of USD 25 million at an interest rate of libor + 1.40% annually.

17. Other current and other non-current financial liabilities, continued

b) The detail of unguaranteed obligations (Bonds) for 2014 is as follows:

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series F Bond	90.635.000-9	Telefónica Chile S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	Biannual	6.43%	6.00%	UF 1,500,000	2016
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	The Bank of New York Mellon	USA	USD	At expiry	4.07%	3.88%	MMUSD 500	2022
Series Q Bond (2)	90.635.000-9	Telefónica Chile S.A.	Chile	97.004.000-5	Banco Chile	Chile	CLP	At expiry	6.17%	5.75%	MCh$47,000	2019

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor	Nominal amounts (in thousands) To Maturity: Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total nominal amounts in original currency
Series F Bond	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Bice	36	36	71	36	107	-	-	-	-	**179**
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S.A.	Chile	The Bank of New York Mellon	-	-	-	-	-	-	-	-	500,000	**500,000**
Series Q Bond (2)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	-	-	-	-	-	-	47,000,000	47,000,000	-	**47,000,000**
Total					**36**	**36**	**71**	**36**	**107**	-	**47,000,000**	**47,000,000**	**500,000**	**47,500,179**

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor	Current – To Maturity: Up to 90 days ThCh$	90 days to 1 years ThCh$	Total current as of 03.31.2014 ThCh$$	Non-current – To Maturity: 1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total Non-current as of 03.31.2014 ThCh$
Series F Bond	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Bice	957,458	831,484	**1,788,942**	1,686,211	837,681	2,523,892	-	-	-	-	**2,523,892**
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S.A.	Chile	The Bank of New York Mellon	4,691,794	-	**4,691,794**	-	-	-	-	-	-	254,892,138	**254,892,138**
Series Q Bond (2)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	-	38,731	**38,731**	-	-	-	-	46,172,270	46,172,270	-	**46,172,270**
Total					**5,649,252**	**870,215**	**6,519,467**	**1,686,211**	**837,681**	**2,523,892**	**-**	**46,172,270**	**46,172,270**	**254,892,138**	**303,588,300**

(1) On October 12, 2012, Telefónica Chile S.A. issued Reg S 144A Bonds in the American capitals market in the amount of US$500,000,000 (equivalent to ThCh$236,400,000 historical), at an effective annual interest rate in US dollars of 3.887% and a 10-year bullet maturing on October 12, 2022. Placement banks were Banco Bilbao Vizcaya Argentaria, S.A. Citigroup Global Markets Inc. and J.P. Morgan Securities LLC. Funds resulting from the issuance shall be destined to refinancing of liabilities and others corporate purposes.

(2) On March 26, 2014, Telefónica Chile S.A. placed series Q 5-year bullet Bonds in the local market in the amount of MCh$ 47,000 at a nominal annual rate of 5.75%, maturing on March 14, 2019. The amount collected by this operation amounted to MCh$46,406.

17. Other current and other non-current financial liabilities, continued

b) The detail of unguaranteed obligations (Bonds) for 2013 is as follows:

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series F Bond	90.635.000-9	Telefónica Chile S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	Biannual	6.43%	6.00%	UF 1,500,000	2016
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	The Bank of New York Mellon	USA	USD	At expiry	4.07%	3.88%	MMUSD 500	2022
Series M Bond (2)	90.635.000-9	Telefónica Chile S.A.	Chile	97.004.000-5	Banco Chile	Chile	CLP	At expiry	5.93%	6.05%	MCh$20,500	2014
Series N Bond (2)	90.635.000-9	Telefónica Chile S.A.	Chile	97.004.000-5	Banco Chile	Chile	UF	At expiry	3.21%	3.50%	UF 5,000,000	2014

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor	Nominal amounts (in thousands) To Maturity									Total nominal amounts in original currency
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Series F Bond	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Bice	-	72	71	36	107	-	-	-	-	179
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S.A.	Chile	The Bank of New York Mellon	-	-	-	-	-	-	-	-	500,000	500,000
Series M Bond (2)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	-	20,500,000	-	-	-	-	-	-	-	20,500,000
Series N Bond (2)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	-	5,000	-	-	-	-	-	-	-	5,000
Total					**-**	**20,505,072**	**71**	**36**	**107**	**-**	**-**	**-**	**500,000**	**21,005,179**

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 12.31.2013 ThCh$$	Non-current To Maturity							Total Non-current as of 12.31.2013 ThCh$
					Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Series F Bond	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Bice	-	1,704,073	**1,704,073**	1,664,968	824,727	2,489,695	-	-	-	-	**2,489,695**
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S.A.	Chile	The Bank of New York Mellon	-	1,955,216	**1,955,216**	-	-	-	-	-	-	234,154,420	**237,154,420**
Series M Bond (2)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	-	20,838,887	**20,838,887**	-	-	-	-	-	-	-	**-**
Series N Bond (2)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	-	117,640,274	**117,640,274**	-	-	-	-	-	-	-	**-**
Total					**-**	**142,138,450**	**142,138,450**	**1,664,968**	**824,727**	**2,489,695**	**-**	**-**	**-**	**234,154,420**	**239,644,115**

(1) On October 12, 2012, Telefónica Chile S.A. issued Reg S 144A Bonds in the American capitals market in the amount of US$500,000,000 (equivalent to ThCh$236,400,000 historical), at an effective annual interest rate in US dollars of 3.887% and a 10-year bullet maturing on October 12, 2022. Placement banks were Banco Bilbao Vizcaya Argentaria, S.A. Citigroup Global Markets Inc. and J.P. Morgan Securities LLC. Funds resulting from the issuance shall be destined to refinancing of liabilities and others corporate purposes.

(2) On March 31, 2014 the Series M Bond in the amount of MCh$20,500 and Series N Bond in the amount of MCh$118,054 were paid.

17. Other current and other non-current financial liabilities, continued

c) The detail of financial leases for 2014 as follows:

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	Monthly	-	8.10%	-	2016
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	92.040.000-0	IBM	Chile	USD	Monthly	-	-	-	2014
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A.	Chile	UF	Monthly	-	2.36%	-	2015
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A.	Chile	UF	Monthly	-	2.99%	-	2015
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A.	Chile	UF	Monthly	-	2.99%	-	2015

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor	Nominal amounts (in thousands) To Maturity									Total nominal amounts in original currency
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Santander	-	2	2	-	2	-	-	-	-	4
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	IBM	-	1,187	-	-	-	-	-	-	-	1,187
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	4	12	9	-	9	-	-	-	-	25
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	-	5	4	-	4	-	-	-	-	9
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	-	3	3	-	3	-	-	-	-	6
Total					**4**	**1,209**	**18**	**-**	**18**	-	**-**	**-**	**-**	**1,231**

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 03.31.2014 ThCh$$	Non-current To Maturity							Total Non-current as of 03.31.2014 ThCh
					Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Santander	10,282	32,551	**42,833**	47,675	-	47,675	-	-	-	-	**47,675**
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	IBM	239,308	484,565	**723,873**	-	-	-	-	-	-	-	**-**
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	174,784	218,291	**393,075**	61,493	-	61,493	-	-	-	-	**61,493**
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	19,978	86,053	**106,031**	88,489	-	88,489	-	-	-	-	**88,489**
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	13,883	59,799	**73,682**	221,769	-	221,769	-	-	-	-	**221,769**
Total					**458,235**	**881,259**	**1,339,494**	**419,426**	**-**	**419,426**	**-**	**-**	**-**	**-**	**419,426**

As March 31, 2014 the present value of minimum current and non-current financial lease net payments is ThCh$1,758,920 and the total imputable interest is ThCh$43,060.

17. Other current and other non-current financial liabilities, continued

c) The detail of financial leases for 2013 as follows:

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	Monthly	-	8.10%	-	2016
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	92.040.000-0	IBM	Chile	USD	Monthly	-	-	-	2014
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A.	Chile	UF	Monthly	-	2.36%	-	2015
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A.	Chile	UF	Monthly	-	2.99%	-	2015
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A.	Chile	UF	Monthly	-	2.99%	-	2015

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor	Nominal amounts (in thousands) To Maturity									Total nominal amounts in original currency
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Santander	-	2	2	1	3	-	-	-	-	5
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	IBM	-	1,780	-	-	-	-	-	-	-	1,780
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	5	11	12	-	12	-	-	-	-	28
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	-	4	5	-	5	-	-	-	-	9
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	-	3	3	-	3	-	-	-	-	6
	Total				5	1,800	22	1	23	-	-	-	-	1,828

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 03.31.2014 ThCh$$	Non-current To Maturity							Total Non-current as of 03.31.2014 ThCh
					Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Santander	9,720	31,012	**40,732**	46,041	12,419	58,460	-	-	-	-	**58,460**
Financial Lease	90.635.000-9	Telefónica Chile S.A.	Chile	IBM	344,489	688,978	**1,033,467**	-	-	-	-	-	-	-	**-**
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	172,582	211,308	**383,890**	80,933	-	80,933	-	-	-	-	**80,933**
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	19,726	83,430	**103,156**	116,463	-	116,463	-	-	-	-	**116,463**
Financial Lease	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CSI Renting Chile S.A.	13,708	57,976	**71,684**	292,110	-	292,110	-	-	-	-	**292,110**
	Total				560,225	1,072,704	1,632,929	535,547	12,419	547,966	-	-	-	-	547,966

As December 31, 2013 the present value of minimum current and non-current financial lease net payments is ThCh$2,180,896 and the total imputable interest is ThCh$58,387.

18. Trade and other payables

a) The composition of Trade and other payables is as follows:

Concepts	03.31.2014 ThCh$	12.31.2013 ThCh$
Debts due to purchases or services provided (1)	86,010,350	109,900,014
Real property providers	36,665,893	39,289,174
Payables to employees	7,319,271	21,781,627
Dividends pending payment	763,225	763,225
Other	4,387,469	4,416,731
Total	**135,146,208**	**176,150,771**

(1) The "Debts due to purchases or services provided" corresponding to foreign and domestic suppliers for the periods ended March 31, 2014 and December 31, 2013 according to the following detail:

Debts due to purchases or services provided	03.31.2014 ThCh$	12.31.2013 ThCh$
Domestic	73,747,823	97,724,748
Foreign	12,262,527	12,175,266
Total	**86,010,350**	**109,900,014**

b) Accounts payable payment terms

The Company has a policy of paying its suppliers in an average period of 60 days.

The Company does not present interest associated to debts in this heading.

As of March 31, 2014 the main suppliers, considering as margin 4% of total, are Consorcio RDTC S.A. 7.01%; Cobra Chile Servicios S.A. 7.95% y Tesorería General de la República 5.65%; Coasin Instalaciones S.A. 4.78%; Adexus S.A. 4.53% y Servicios de Telecomunicaciones Net 4.09% and for December 2013, Consorcio RDTC S.A. 7.16%, Cobra Chile Servicios S.A. 6.77% Y Cia. Ericcson de Chile 5.44%.

The terms of accounts payable to suppliers with up to date payments as of March 31, 2014 and December 31, 2013 are detailed as follows:

Suppliers with up to date payments As of 03.31.2014	Goods ThCh$	Services ThCh$	Others ThCh$	Total ThCh$
Trade accounts to date				
Up to 30 days	23,652,287	51,822,705	12,469,965	87,944,957
From 31 to 60 days	8,562,493	24,163,015	-	32,725,508
From 61 to 90 days	-	-	-	-
Total	**32,214,780**	**75,985,720**	**12,469,965**	**120,670,465**
Average period of payment of up to date accounts	**26**	**30**	**17**	

18. Trade and other payables

b) Accounts payable payment terms

Suppliers with up to date payments As of 12.31.2013	Goods ThCh$	Services ThCh$	Others ThCh$	Total ThCh$
Trade accounts to date				
Up to 30 days	9,674,333	55,044,412	26,961,583	91,680,328
From 31 to 60 days	-	-	-	-
From 61 to 90 days	-	58,427	-	58,427
Total	**9,674,333**	**55,102,839**	**26,961,583**	**91,738,755**
Average period of payment of up to date accounts	**27**	**23**	**16**	

The terms of accounts payable to suppliers with overdue payments as of March 31, 2014 and December 31, 2013 are detailed as follows:

Overdue trade accounts payable by term As of 03.31.2014	Goods ThCh$	Services ThCh$	Others ThCh$	Total ThCh$
Overdue trade accounts payable by term				
Up to 30 days	3,871,094	5,438,403	-	9,309,497
From 31 to 60 days	388,714	1,274,186	-	1,662,900
From 61 to 90 days	142,977	684,879	-	827,856
From 91 to 120 days	521	715,447	-	715,968
From 121 to 180 days	47,807	1,911,715	-	1,959,522
Total	**4,451,113**	**10,024630**	**-**	**14,475,743**
Average payment period of overdue accounts	**39**	**58**		

Overdue trade accounts payable by term As of 12.31.2013	Goods ThCh$	Services ThCh$	Others ThCh$	Total ThCh$
Overdue trade accounts payable by term				
Up to 30 days	152,239	39,979	-	192,218
From 31 to 60 days	13,890,569	19,195,078	-	33,085,647
From 61 to 90 days	13,512,859	21,076,184	-	34,589,043
From 91 to 120 days	1,935,733	11,214,441	-	13,150,174
From 121 to 180 days	123,441	3,271,493	-	3,394,934
Total	**29,614,841**	**54,797,175**	**-**	**84,412,016**
Average payment period of overdue accounts	**73**	**94**		

19. Financial instruments

1. Classification of financial instruments by nature and category

a) Details of financial instruments of assets classified by nature and category as of March 31, 2014 is as follows:

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE				Valuation hierarchy			ASSETS RECORDED AT AMORTIZED COST			TOTAL	
		Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Level 1 Market prices	Level 2 Estimates based on other observable market data	Level 3 Estimates not based on observable market data	Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	Total Carrying amount	Total fair value
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Other participations (net)		**11,330**	**7,199,964**	**-**	**7,211,294**	**7,199,964**	**11,330**	**-**	**-**	**-**	**-**	**7,211,294**	**7,211,294**
Other participations	See note 6c	11,330	7,199,964	-	7,211,294	7,199,964	11,330	-	-	-	-	7,211,294	7,211,294
Derivative instrument assets		**-**	**-**	**51,764,525**	**51,764,525**	**-**	**51,764,525**	**-**	**-**	**-**	**-**	**51,764,525**	**51,764,525**
Derivative instrument assets	See note 19-2	-	-	51,764,525	51,764,525	-	51,764,525	-	-	-	-	51,764,525	51,764,525
Non-current deposits and pledges		**50,468**	**-**	**-**	**50,468**	**-**	**50,468**	**-**	**-**	**-**	**-**	**50,468**	**50,468**
Non-current deposits and pledges	See note 6a	50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current trade accounts receivable		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,201,069**	**-**	**18,201,069**	**18,201,069**	**18,201,069**
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	16,834,548	-	16,834,548	16,834,548	16,834,548
Account receivable from relate entities	See note 9b	-	-	-	-	-	-	-	1,366,521	-	1,366,521	1,366,521	1,366,521
Non-current financial assets		**61,798**	**7,199,964**	**51,764,525**	**59,026,287**	**7,199,964**	**51,826,323**	**-**	**18,201,069**	**-**	**18,201,069**	**77,227,356**	**77,227,356**
Current trade accounts receivable		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**174,817,525**	**-**	**174,817,525**	**174,817,525**	**174,817,525**
Current trade and other accounts receivable	See note 8	-	-	-	-	-	-	-	128,199,697	-	128,199,697	128,199,697	128,199,697
Account receivable from relate entities	See note 9a	-	-	-	-	-	-	-	46,617,828	-	46,617,828	46,617,828	46,617,828
Current pledges and deposits		**313,388**	**-**	**-**	**313,388**	**-**	**313,388**	**-**	**-**	**-**	**-**	**313,388**	**313,388**
Current pledges and deposits	See note 6a	313,388	-	-	313,388	-	313,388	-	-	-	-	313,388	313,388
Derivative instrument of assets		**-**	**-**	**4,350,455**	**4,350,455**	**-**	**4,350,455**	**-**	**-**	**-**	**-**	**4,350,455**	**4,350,455**
Derivative instrument of assets	See note 19-2	-	-	4,350,455	4,350,455	-	4,350,455	-	-	-	-	4,350,455	4,350,455
Cash and cash equivalents		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**75,282,819**	**-**	**75,282,819**	**75,282,819**	**75,282,819**
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	75,282,819	-	75,282,819	75,282,819	75,282,819
Current financial assets		**313,388**	**-**	**4,350,455**	**4,663,843**	**-**	**4,663,843**	**-**	**250,100,344**	**-**	**250,100,344**	**254,764,187**	**254,764,187**
Total financial assets		**375,186**	**7,199,964**	**56,114,980**	**63,690,130**	**7,199,964**	**56,490,166**	**-**	**268,301,413**	**-**	**268,301,413**	**331,991,543**	**331,991,543**

19. Financial instruments, continued

1. Classification of financial instruments by nature and category, continued

a) Details of financial instruments of assets classified by nature and category as of December 31, 2013 is as follows:

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE				Valuation hierarchy			ASSETS RECORDED AT AMORTIZED COST			TOTAL	
		Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Level 1 Market prices	Level 2 Estimates based on other observable market data	Level 3 Estimates not based on observable market data	Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	Total Carrying amount	Total fair value
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Other participations (net)		**11,330**	**6,318,959**	**-**	**6,330,289**	**6,318,959**	**11,330**	**-**	**-**	**-**	**-**	**6,330,289**	**6,330,289**
Other participations	See note 6c	11,330	6,318,959	-	6,330,289	6,318,959	11,330	-	-	-	-	6,330,289	6,330,289
Derivative instrument assets		**-**	**-**	**37,986,732**	**37,986,732**	**-**	**37,986,732**	**-**	**-**	**-**	**-**	**37,986,732**	**37,986,732**
Derivative instrument assets	See note 19-2	-	-	37,986,732	37,986,732	-	37,986,732	-	-	-	-	37,986,732	37,986,732
Non-current deposits and pledges		**50,468**	**-**	**-**	**50,468**	**-**	**50,468**	**-**	**-**	**-**	**-**	**50,468**	**50,468**
Non-current deposits and pledges	See note 6a	50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current trade accounts receivable		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,416,003**	**-**	**18,416,003**	**18,416,003**	**18,416,003**
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	17,049,482	-	17,049,482	17,049,482	17,049,482
Account receivable from relate entities	See note 9b	-	-	-	-	-	-	-	1,366,521	-	1,366,521	1,366,521	1,366,521
Non-current financial assets		**61,798**	**6,318,959**	**37,986,732**	**44,367,489**	**6,318,959**	**38,048,530**	**-**	**18,416,003**	**-**	**18,416,003**	**62,783,492**	**62,783,492**
Current trade accounts receivable		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**187,037,582**	**-**	**187,037,582**	**187,037,582**	**187,037,582**
Current trade and other accounts receivable	See note 8	-	-	-	-	-	-	-	135,230,034	-	135,230,034	135,230,034	135,230,034
Account receivable from relate entities	See note 9a	-	-	-	-	-	-	-	51,807,548	-	51,807,548	51,807,548	51,807,548
Current pledges and deposits		**266,217**	**-**	**-**	**266,217**	**-**	**266,217**	**-**	**-**	**-**	**-**	**266,217**	**266,217**
Current pledges and deposits	See note 6a	266,217	-	-	266,217	-	266,217	-	-	-	-	266,217	266,217
Derivative instrument of assets		**-**	**-**	**13,176,354**	**13,176,354**	**-**	**13,176,354**	-	-	-	-	**13,176,354**	**13,176,354**
Derivative instrument of assets	See note 19-2	-	-	13,176,354	13,176,354	-	13,176,354	-	-	-	-	13,176,354	13,176,354
Cash and cash equivalents		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**173,015,722**	**-**	**173,015,722**	**173,015,722**	**173,015,722**
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	173,015,722	-	173,015,722	173,015,722	173,015,722
Current financial assets		**266,217**	**-**	**13,176,354**	**13,442,571**	**-**	**13,442,571**	**-**	**360,053,304**	**-**	**360,053,304**	**373,495,875**	**373,495,875**
Total financial assets		**328,015**	**6,318,959**	**51,163,086**	**57,810,060**	**6,318,959**	**51,491,101**	**-**	**378,469,307**	**-**	**378,469,307**	**436,279,367**	**436,279,367**

19. Financial instruments, continued

1. Classification of financial instruments by nature and category, continued

The book value of financial assets such as cash and cash equivalents and the current portion of accounts receivable from related entities approximates their fair values, due to the short-term nature of their expiries.

The book value of the current portion of trade and other accounts receivable approximates their fair values, due to the short-term nature of their expiries.

Instruments recorded under other current and non-current financial assets classified as financial assets at fair value through profit or loss and hedge derivatives are presented at their fair value in the Statement of Financial Position.

Financial instruments recorded under other non-current financial assets and classified as financial assets available for sale, mainly include the investment in Telefonica Brasil which is recorded at fair value (see note 6c).

Instruments recorded under other current financial assets classified as held to maturity mainly include time deposits maturing in more than 90 days.

19. Financial instruments, continued

1. Classification of financial instruments by nature and category, continued

b) Details of financial instruments of liabilities classified by nature and category as of March 31, 2014 is as follows:

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE: Hedge derivative liabilities	Subtotal of liabilities at fair value	Valuation hierarchy: Level 1 – Market prices	Level 2 – Estimates based on other observable market data	Level 3 – Estimates not based on observable market data	LIABILITIES RECORDED AT AMORTIZED COST: Debits and items payable	TOTAL: Total Carrying amount	Total Carrying amount
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Issuance of obligations and other non-current marketable securities	See note 17 b	-	-	-	-	-	303,588,300	303,588,300	303,588,300
Non-current debts with loan entities	See note 17 a	-	-	-	-	-	67,383,504	67,383,504	67,383,504
Long-term hedge derivative instrument of liabilities	See note 19-2	21,008,795	21,008,795	-	21,008,795	-	-	21,008,795	21,008,795
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities		-	-	-	-	-	-	-	-
Non-current financial liabilities		**21,008,795**	**21,008,795**	**-**	**21,008,795**	**-**	**370,971,804**	**391,980,599**	**391,980,599**
Issuance of short-term obligations and other marketable securities	See note 17 b	-	-	-	-	-	6,519,467	6,519,467	6,519,467
Short-term debts with credit entities	See note 17 a	-	-	-	-	-	33,500,535	33,500,535	33,500,535
Short-term derivative instrument of liabilities	See note 19-2	7,896,886	7,896,886	-	7,896,886	-	-	7,896,886	7,896,886
Trade and other accounts payable	See note 18	-	-	-	-	-	135,146,208	135,146,208	135,146,208
Accounts payable to related entities	See note 9 c	-	-	-	-	-	77,247,208	77,247,208	77,247,208
Current financial liabilities		**7,896,886**	**7,896,886**	**-**	**7,896,886**	**-**	**252,413,418**	**260,310,304**	**260,310,304**
Total financial liabilities		**28,905,681**	**28,905,681**	**-**	**28,905,681**	**-**	**623,385,222**	**652,290,903**	**652,290,903**

19. Financial instruments, continued

1. Classification of financial instruments by nature and category, continued

b) Details of financial instruments of liabilities classified by nature and category as of December 31, 2013 is as follows:

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST	TOTAL	
				Valuation hierarchy					
		Hedge derivative liabilities	Subtotal of liabilities at fair value	Level 1	Level 2	Level 3			
				Market prices	Estimates based on other observable market data	Estimates not based on observable market data	Debits and items payable	Total Carrying amount	Total Carrying amount
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Issuance of obligations and other non-current marketable securities	See note 17 b	-	-	-	-	-	239,644,115	239,644,115	239,644,115
Non-current debts with loan entities	See note 17 a	-	-	-	-	-	94,739,477	94,739,477	94,739,477
Long-term hedge derivative instrument of liabilities	See note 19-2	22,558,064	22,558,064	-	22,558,064	-	-	22,558,064	22,558,064
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities		-	-	-	-	-	-	-	-
Non-current financial liabilities		**22,558,064**	**22,558,064**	**-**	**22,558,064**	**-**	**334,383,592**	**356,941,656**	**356,941,656**
Issuance of short-term obligations and other marketable securities	See note 17 b	-	-	-	-	-	142,138,450	142,138,450	142,138,450
Short-term debts with credit entities	See note 17 a	-	-	-	-	-	1,725,891	1,725,891	1,725,891
Short-term derivative instrument of liabilities	See note 19-2	4,993,966	4,993,966	-	4,993,966	-	-	4,993,966	4,993,966
Trade and other accounts payable	See note 18	-	-	-	-	-	176,150,771	176,150,771	176,150,771
Accounts payable to related entities	See note 9 c	-	-	-	-	-	69,469,622	69,469,622	69,469,622
Current financial liabilities		**4,993,966**	**4,993,966**	**-**	**4,993,966**	**-**	**389,484,734**	**394,478,700**	**394,478,700**
Total financial liabilities		**27,552,030**	**27,552,030**	**-**	**27,552,030**	**-**	**723,868,326**	**751,420,356**	**751,420,356**

19. Financial instruments, continued

1. Classification of financial instruments by nature and category, continued

The book value of the current portion of accounts payable to related entities and trade accounts receivable approximates their fair values, due to the short-term nature of their due dates.

Instruments recorded under other current and non-current financial liabilities classified as financial liabilities at fair value through profit or loss and hedge derivatives are presented at their fair value in the statement of financial position.

Financial instruments recorded under other current and non-current financial liabilities which correspond to interest bearing loans, are generally recorded for the cash received, net of costs incurred in the transaction. These obligations are valued at amortized cost, using the effective interest rate method, and mainly include bank loans and unguaranteed obligations (bonds), among other things, (see note 17).

19. Financial instruments, continued

2. Hedging instruments

As of March 31, 2014, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as 12.31.2013	Up to 90 days	90 days to 1 year	To Maturity					
					Total current		1 to 3 years	3 to 5 years	Total non-current	
					Assets (note 6)	Liabilities (note 17)			Assets (note 6)	Liabilities (note 17)
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	(325,954)	(341,087)	15,133	344,231	(670,185)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(81,856)	(66,055)	(15,801)	30,501	(112,357)	-	-	-	-
Interest rate – fair value hedge (3)	Financial Debt	(10,483)	107,527	-	13,160	94,367	(118,010)	-	-	(118,010)
Interest rate – cash flows hedge (4)	Financial Debt	(18,678,752)	(630,772)	-	1,904,350	(2,535,122)	(18,047,980)	-	2,842,805	(20,890,785)
Exchange rate and interest rate – fair value hedge (5)	Financial Debt	46,306,344	(4,673,589)	2,058,213	2,058,213	(4,673,589)	1,652,741	47,268,979	48,921,720	-
	Total	**27,209,299**	**(5,603,976)**	**2,057,545**	**4,350,455**	**(7,896,886)**	**(16,513,249)**	**47,268,979**	**51,764,525**	**(21,008,795)**

Hedge instruments have generated an effect on income of ThCh$16,841,454. As of March 31, 2014 the accumulated effect on equity is ThCh$3,193,815.

As of December 31, 2013, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as 12.31.2013	Up to 90 days	90 days to 1 year	To Maturity					
					Total current		1 to 3 years	3 to 5 years	Total non-current	
					Assets (note 6)	Liabilities (note 17)			Assets (note 6)	Liabilities (note 17)
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	(14,016)	(14,016)	-	28,331	(42,347)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	326,162	384,597	(58,435)	431,062	(104,900)	-	-	-	-
Interest rate – fair value hedge (3)	Financial Debt	17,023	-	17,023	17,023	-	-	-	-	-
Interest rate – cash flows hedge (4)	Financial Debt	(23,435,716)	752,356	(1,630,008)	752,356	(1,630,008)	(22,558,064)	-	-	(22,558,064)
Exchange rate and interest rate – fair value hedge (5)	Financial Debt	46,717,603	(2,579,866)	11,310,737	11,947,582	(3,216,711)	1,653,058	36,333,674	37,986,732	-
	Total	**23,611,056**	**(1,456,929)**	**9,639,317**	**13,176,354**	**(4,993,966)**	**(20,905,006)**	**36,333,674**	**37,986,732**	**(22,558,064)**

Hedge instruments have generated an effect on income of ThCh$13,570,342. As of December 31, 2013 the accumulated effect on equity is ThCh$7,978,286.

Description of hedge instruments:

1. Exchange rate – cash flow hedge: This category includes derivative instruments used to hedge highly probable trade debt future cash flows.
2. Exchange rate – fair value hedge: This category includes derivative instruments entered into to hedge existing commercial debt.
3. Interest rate – fair value hedge: This category includes derivative instruments entered into to hedge the risk of valuation of variable interest debt instrument.
4. Interest rate – cash flows hedge: This category includes, derivative instruments entered into to hedge debt instrument interest rate risk, whose interest cash flows payable are denominated at a variable interest rate.
5. Exchange rate and interest rate – fair value hedge: This category includes derivative instruments entered into to hedge foreign currency risk on debt instrument capital.

19. Financial instruments, continued

3. Valuation of hedging instruments

The Company has financial derivative valuation models that use local and international financial market interest rate curves, to determine cash flows associated to each derivative and to discount those cash flows to present value. Once this valuation is obtained, it is compared to the valuation certificates provided to us by the banks. Should there be material differences, a review of the internal model is carried out and it is verified if the bank is making a correct valuation".

The main assumptions used in the valuation models of derivative instruments are as follows:

a) Market assumptions such as spot prices and other price projections, credit risk (own and counterparty) and rates, using observable market information and through techniques commonly used among its participants.

b) Discount rates like risk free rates and counterparty rates (based on risk profiles and information available in the market)

c) In addition variables are incorporated to the model such as: volatility, correlation, regression formulas and market spread.

The methodologies and assumptions used to determine the fair value of financial derivative instruments are applied consistently from one year to another. The Company considers that what has been previously described is used in a fair manner, since it is in line with those used by the market and result in a measurement of fair value that is appropriate for the purposes of measuring the financial statements and disclosures. It should be noted that these disclosures are complete and adequate.

4. Fair value hierarchy of financial instruments

Financial instruments recognized at fair value in the statement of financial position are classified according to the following hierarchies (see note 19.1):

Level 1: Corresponds to methodologies of fair value measurement using market rates (without adjustments) in an active market considering the same assets and liabilities valued.

Level 2: Corresponds to methodologies of fair value measurement using data on market rates, not included in Level 1, that are observable for assets and liabilities valued, whether directly (i.e. as a price) or indirectly (i.e. derived from a price).

Level 3: Corresponds to methodologies of fair value measurement using valuation techniques that include information on assets and liabilities valued, which are not based on observable market information.

20. Other currents provisions

The balance of short-term provisions is detailed as follows:

Concepts	03.31.2014 ThCh$	12.31.2013 ThCh$
Civil and regulatory	1,637,318	1,704,344
Total	**1,637,318**	**1,704,344**

Civil and regulatory provisions are mainly composed of the complaint filed by the Chilean Telecommunications Undersecretary (Subtel) due to miscellaneous fines for an amount of ThCh$383,820 for 2014 and ThCh$450,856 for 2013, and civil lawsuit in the amount of ThCh$1,253,498 for 2014 and 2013, respectively.

Based on the progress of the proceedings, the Company's management considers that the provisions recorded in the consolidated financial statements adequately cover the litigation risks described in Note 28, therefore they do not foresee that they will result in liabilities other than those recorded.

Due to the characteristics of the risks that cover these provisions, it is impossible to determine a reasonable payment date schedule.

Movements in provisions for the periods 2014 and 2013 as follows:

Movements	03.31.2014 ThCh$	12.31.2013 ThCh$
Beginning balance	**1,704,344**	**1,549,209**
Increase in existing provisions	106,863	1,253,194
Provision used	(173,889)	(1,098,059)
Movement subtotal	**(67,026)**	**155,135**
Ending balance	**1,637,318**	**1,704,344**

21. Employee benefits accrual

a) Post employment benefits

The employee benefits provision corresponds to liabilities for future termination benefits that are estimated to be accrued for employees both in the general and private payroll, which are subject to severance pay whether through collective or individual employee contracts, and is recorded at actuarial value, determined using the projected credit unit method. Actuarial profits and losses on severance pay derived from changes in estimates in the turnover rates, mortality, salary increases or discount rate, are recorded in accordance with IAS 19R, under other comprehensive income, affecting equity directly, procedure that the Company has applied since the beginning of the application of the International Standard.

Current and non-current employee benefits accrual for the periods 2014 and 2013 are as follows:

Concepts	03.31.2014 ThCh$	12.31.2013 ThCh$
Current amount of liability recognized for termination benefits	4,000,140	4,272,755
Non-current amount of liability recognized for termination benefits	24,363,514	24,507,910
Total	**28,363,654**	**28,780,665**

Movements for current employee benefits provisions for the years 2013 and 2012 are detailed as follows:

Movements	03.31.2014 ThCh$	12.31.2013 ThCh$
Beginning balance	**28,780,665**	**30,314,849**
Service costs	529,023	1,076,703
Interest costs	392,773	1,758,261
Actuarial (profits)/losses, net due to hypothesis	-	-
Actuarial (profits)/losses, net due to experience	(35,077)	(1,082,824)
Benefits paid	(1,295,978)	(3,536,068)
Intercompany transfers (1)	(7,752)	249,744
Movement subtotal	**(417,011)**	**(1,534,184)**
Ending balance	**28,363,654**	**28,780,665**

(1) Corresponds to values transferred from Telefónica Móviles Chile S.A. to subsidiary Telefónica Chile Servicios Corporativos Ltda. for the concept of termination benefits for employees transfered in the integration process.

21. Employee benefits accrual, continued

a) Post employment benefits, continued

Actuarial Hypotheses

The hypotheses used for the actuarial calculation of employee benefits obligations are reviewed once a year and for the 2014 and 2013 periods are detailed as follows:

- Discount Rate: A 5.8% nominal annual rate is used, which must be representative of the time value of money, for which a risk-free rate is used represented by BCP (Chilean Central Bank Bonds issued in Chilean pesos) for the relevant term, around 15 years.

- Incremental Salary Rate: An increase table is used according to the inflation projection established by the Central Bank of Chile. The rate used for the 2014 and 2013 period was 3%.

- Mortality: The RV 2009 mortality tables established by the Superintendency of Securities and Insurance are used to calculate social life insurance reserves in Chile.

- Turnover rate: Based on the historical Company data, turnover rate used is 5.46% for both periods.

- Years of service: The Company assumes that the employees will remain until they are of legal retirement age, (women up to 60 years old and men up to 65 years old).

The model for calculating employee termination benefits has been prepared by an external qualified actuary. The model uses variables and market estimates in accordance with the methodology established by IAS 19 to determine this provision.

b) Sensitivity of assumptions

Based on the actuarial calculation as of March 31, 2014, the sensitivity of the main assumptions has been reviewed, determining the following possible effects on equity:

Description	Base	Plus 1% ThCh$	Less 1% ThCh$
Discount rate	5.8%	1,773,263	(1,988,686)

21. Employee benefits accrual, continued

c) Expected cash flows

In accordance with the employee benefits obligation, future cash flows for the following periods are detailed as follows:

Description	1st year ThCh$	2nd year ThCh$	3rd year ThCh$
Future payment cash flows	4,286,929	3,053,533	2,944,486

d) Employee benefits expenses

Employee expenses recognized in the Comprehensive Income Statement are detailed as follows:

Concepts	03.31.2014 ThCh$	03.31.2013 ThCh$
Wages and salaries	21,984,875	23,131,312
Post employment benefit obligations expense	878,966	505,631
Total	**22,863,841**	**23,636,943**

22. Other current and non-current non-financial liabilities

Other non-financial liabilities are detailed as follows:

Concepts	03.31.2013		12.31.2013	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Deferred income	**4,385,251**	**5,461,840**	**5,017,761**	**5,469,891**
Connection installments	1,071,986	102,875	1,213,176	108,405
Subsidies	143,003	1,567,141	90,380	1,602,891
Deferred income	3,170,262	3,791,824	3,714,205	3,758,595
Other taxes (1)	**14,457,753**	-	**11,704,166**	-
Total	**18,843,004**	**5,461,840**	**16,721,927**	**5,469,891**

(1) Includes tax withholdings, value added tax, pension and health insurance institutions and others.

Movements of the deferred income are as follows:

Movements	03.31.2013		12.31.2013	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Beginning balance	**5,017,761**	**5,469,891**	**6,609,253**	**5,606,229**
Endowments	2,734,305	433,210	9,531,927	1,894,606
Reduction/applications	(3,366,815)	(441,261)	(11,123,419)	(2,030,944)
Movement subtotal	**(632,510)**	**(8,051)**	**(1,591,492)**	**(136,338)**
Ending balance	**4,385,251**	**5,461,840**	**5,017,761**	**5,469,891**

23. Equity

The Company manages its capital for the purpose of safeguarding the capacity to continue as a going concern, for the purpose of generating returns to its shareholders and with the objective of maintaining a strong credit rating and prosperous capital ratio to support its businesses and guarantee ongoing and expedite access to the financial markets maximizing shareholder value. The Company manages its capital structure and adjusts it, in accordance with changes in existing economic conditions.

No changes were introduced in the objectives, policies or processes during the periods ended as of March 31, 2014 and December 31, 2013.

a) Capital

As of March 31, 2014 and 2013, the Company's paid-in capital is composed as follows:

Number of shares

Series	03.31.2014 Nº of shares subscribed	 Nº of shares paid	 Nº of shares with voting rights	03.31.2013 Nº of shares subscribed	 Nº of shares paid	 Nº of shares with voting rights
A	873,995,447	873,995,447	873,995,447	873,995,447	873,995,447	873,995,447
B	83,161,638	83,161,638	83,161,638	83,161,638	83,161,638	83,161,638
Total	**957,157,085**	**957,157,085**	**957,157,085**	**957,157,085**	**957,157,085**	**957,157,085**

Capital

Series	03.31.2014 Subscribed capital ThCh$	 Paid-in capital ThCh$	03.31.2013 Subscribed capital ThCh$	 Paid-in capital ThCh$
A	527,852,620	527,852,620	527,852,620	527,852,620
B	50,225,762	50,225,762	50,225,762	50,225,762
Total	**578,078,382**	**578,078,382**	**578,078,382**	**578,078,382**

Series A and B shares are registered and each series is correlatively numbered. Series A and B shares have the same dividend distribution rights.

Series A shares can elect 13 of the 14 Directors. The shareholders of Series B elect one regular Director and one deputy Director.

23. Equity, continued

b) Distribution of shareholders

As established in Circular No. 792 issued by the Superintendency of Securities and Insurance ("SVS") of Chile, the distribution of shareholders based on their participation in the Company as of March 31, 2014 is as follows:

Type of Shareholder	Participation percentage %	Number of shareholders
Participation of 10% or more	97.903	2
Less than 10% participation:		
Investment equal to or exceeding UF 200	1.509	260
Investment under UF 200	0.588	8,485
Total	**100**	**8,747**
Company's parent	97.903	2

As of March 31, 2014 and December 31, 2013, the indirect participation of Telefónica S.A. (Spain) in the equity of Telefónica Chile S.A. reached 97.89% through Inversiones Telefónica Internacional Holding S.A. with 52.99% and Telefónica Internacional Chile S.A. with 44.9%.

c) Dividends:

i) Dividends policy:

In accordance with Law No. 18,046, unless a different agreement is adopted unanimously at the Shareholders' Meeting, when there is net income, at least 30% of it must be distributed as dividends.

At the Ordinary Shareholders' Meeting held on April 19, 2011, the Company agreed to distribute as of 2011 and following years, at least 30% of distributable net income generated during the respective year, through an interim dividend paid during the fourth quarter of each year and a final dividend paid during the year following year-end which will be proposed at the corresponding Ordinary Shareholders' Meeting.

ii) Capital decrease and dividends distributed:

The Company has distributed the following dividends during these reporting periods:

Date	Number dividend	Dividend	Amount distributed ThCh$	Value per share Ch$	Charge to net income	Payment date
Nov-27-2013		Interim	2,871,471	3.00000	Fiscal year 2013	December - 2013

23. Equity, continued

d) Other reserves:

The balances, nature and purpose of other reserves are detailed as:

Concepts	Balance of 12.31.2013 ThCh$	Net movement ThCh$	Balance of 03.31.2014 ThCh$
Cash flows hedge reserve	7,978,286	(4,784,472)	3,193,814
Employee benefits reserve, net tax	(2,415,709)	-	(2,415,709)
Reserve for financial assets available for sale	2,496,132	881,006	3,377,138
Proposed dividends reserve	(10,849,812)	-	(10,849,812)
Total	**(2,791,103)**	**(3,903,466)**	**(6,694,569)**

i) Cash flows hedge reserve

Transactions designated as expected transaction cash flow hedges are probable, and where the Company can execute the transaction, the Company has a positive intention and ability to consummate the expected transaction. Expected transactions designated in our cash flow hedges are maintained as probably occurring on the same date and amount as originally designated, otherwise the ineffectiveness shall be measured and recorded when appropriate.

ii) Employee benefits reserve

Corresponds to amounts recorded in equity originated by the change in actuarial hypotheses, of the employee benefits reserve.

iii) Reserves for financial assets available for sale

Corresponds to the effect of fair value valuation of financial assets available for sale.

iv) Proposed dividends reserve

In order to recognize the payment obligation of a minimum dividend equivalent to 30% of income, this reserve is established at each year-end and is used when the Ordinary Shareholders' Meeting agrees on the final distribution of dividends.

23. Equity, continued

e) Non-controlling interest

This account corresponds to the recognition of the portion of shareholders' equity for the periods ended as of March 31, 2014 and December 31, 2013 and income from subsidiaries corresponding to the periods ended as of March 31, 2014 and 2013, which belong to third parties, detailed as follows:

Subsidiaries	Non-controlling Interest percentage		Shareholders' equity Non-controlling interest		Participation in profit income (loss)	
	2014 %	2013 %	2014 ThCh$	2013 ThCh$	2014 ThCh$	2013 ThCh$
Telefónica Larga Distancia S.A.	0.070000	0.070000	76,262	73,021	3,251	5,778
Telefónica Gestión de Servicios Compartidos Chile S.A.	0.001000	0.001000	59	58	1	7
Telefónica de Chile Servicios Corporativos Ltda.	49.000000	49.000000	7,224,635	6,339,895	884,740	892,782
Instituto Telefónica Chile S.A.	0.000047	0.000047	(1)	(1)	-	-
Total			**7,300,955**	**6,412,973**	**887,992**	**898,567**

24. Earnings per Share

The details of Earnings per share are as follows:

Basic earnings per share	03.31.2014 ThCh$	03.31.2013 ThCh$
Earnings attributable to owners of the parent	8,481,994	13,299,439
Profit available for shareholders	**8,481,994**	**13,299,439**
Weighted average number of shares	957,157,085	957,157,085
Basic earnings per share in Ch$	**8.86**	**13.89**

Earnings per share have been calculated by dividing profit for the period attributable to the parent company by the weighted average number of common shares outstanding during the period. The Company has not issued any convertible debt or other equity securities. Consequently, there are no potential negative effects on the Company's earnings per share.

25. Income and Expenses

a) The details of income from ordinary operations for the periods 2014 and 2013 are as follows:

Ordinary income	03.31.2014 ThCh$	03.31.2013 ThCh$
Fixed Telecommunications	62,544,181	68,255,371
Broadband	37,758,368	34,308,095
Television	31,042,621	24,078,868
Long Distance	10,037,764	10,711,533
Corporate Communication	23,908,357	25,695,663
Other Businesses	56,415	120,924
Total	**165,347,706**	**163,170,454**

25. Income and Expenses, continued

b) The detail of other operating income for the periods 2014 and 2013 are as follows:

Other income	03.31.2014 ThCh$	03.31.2013 ThCh$
Other current management income	28,598	17,985
Income from indemnities, complaints and others	17,195	18,250
Income from disposal of real property	1,996	4,778
Total	**47,789**	**41,013**

c) The detail of other expenses by nature of the operation for the periods 2014 and 2013 are as follows:

Other expenses	03.31.2014 ThCh$	03.31.2013 ThCh$
Interconnections	11,086,819	16,301,425
Media rental	17,101,031	13,514,503
Cost of sale of inventory	3,433,847	1,650,201
Other exterior services	8,015,656	6,993,395
Sales commissions	7,149,674	7,714,959
Customer service	6,806,527	4,945,465
Plant maintenance	9,371,193	8,200,652
Allowance for doubtful accounts	4,371,605	5,256,839
Advertising	3,056,652	3,197,445
Expenses related to real estate	3,903,081	3,926,055
Information services	5,247,073	4,774,874
Other	2,091,752	1,989,260
Total	**81,634,910**	**78,465,073**

d) The detail of financial expenses, net, for the periods 2014 and 2013 is as follows:

Financial expenses, net	03.31.2014 ThCh$	03.31.2013 ThCh$
Interest income		
Interest earned on deposits	1,609,605	2,035,695
Interest on financial instruments	32,707	38,083
Other interest income	291,702	434,701
Total interest income	**1,934,014**	**2,508,479**
Interest expense		
Interest on loans from bank institutions	510,314	622,410
Interest on obligations and bonds	4,187,904	3,590,288
Finance leases	15,255	50,712
Interest on mercantile mandate	212,210	456,267
Interest rate hedges (Cross Currency Swap)	2,510,705	3,400,352
Other financial expenses	160,765	210,798
Total interest expense	**7,597,153**	**8,330,827**
Total finance income and costs, net	**(5,663,139)**	**(5,822,348)**

25. Income and Expenses, continued

e) Foreign currency translation and indexation units for the periods 2014 and 2013 are detailed as follows:

Currency translation	03.31.2014 ThCh$	03.31.2013 ThCh$
Other financial transactions	36,720	(34,700)
Current accounts receivable from related entities	101,633	(67,709)
Current accounts payable to related entities	69,871	306,418
Current trade and other accounts receivable	112,642	(49,206)
Trade and other accounts payable	(821,403)	130,937
Cash and cash equivalents	100,103	(17,001)
Financial investments	702,188	(2,481,804)
Financial debt	(17,906,143)	6,527,956
Leasing financial debt	(53,149)	35,781
Hedge instruments	17,735,679	(4,890,087)
Total	**78,141**	**(539,415)**

Indexation units	03.31.2014 ThCh$	03.31.2013 ThCh$
Other financial transactions	(44,609)	-
Current trade and other accounts receivable	14,899	1,942
Trade and other accounts payable	(2,073)	(150)
Current tax liabilities	-	(6,263)
Financial investments	-	(14,017)
Financial debt	(1,560,958)	(150,850)
Leasing financial debt	(15,868)	(2,201)
Hedge instruments	1,559,159	669,302
Total	**(49,450)**	**497,763**

26. Leases

Leases which substantially transfer all risks and benefits inherent to ownership are classified as financial leases. All other leases are classified as operating leases.

Financial leases where the Company acts as lessee are recognized at the beginning of the contract, recording an asset based on its nature and a liability for the same amount, for the fair value amount of the leased asset or at the present value of minimum lease payments. Subsequently, minimum lease payments are divided between the finance cost and reduction of the debt.

The finance cost is recognized as an expense and is distributed over the years that constitute the term of the lease, in order to obtain a constant interest rate for each year on the balance of the debt pending amortization. The asset is depreciated under the same terms as the rest of similar depreciable assets, if there is reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease. If such certainty does not exist, the asset is depreciated over the useful life of the asset or the term of the lease, whichever is less.

The main operating lease contracts are associated directly to the line of business, such as leases for commercial office real estate and telecommunications technical facilities space.

Operating lease expenses accrued are presented under other expenses by nature, in the statement of income. The Company has operating lease contracts that contain various clauses referred to dates and terms of renewal and readjustments. Should a decision be made for early termination of a contract, the payments stipulated in those clauses must be made.

	03.312014 ThCh$	03.31.2013 ThCh$
Minimum operating lease payments recognized as expenses	5,766,762	3,832,192

Financial leases corresponding to Property, plant and equipment are detailed as follows:

	03.31.2014			03.31.2013		
	Gross amount ThCh$	Accumulated depreciation ThCh$	Net value ThCh$	Gross amount ThCh$	Accumulated depreciation ThCh$	Net value ThCh$
Financial leases recognized as assets	5,304,293	(4,956,203)	348,090	5,304,293	(4,651,745)	652,548

26. Leases, continued

Future obligations on financial and operating leases for the 2014 and 2013 periods are detailed as follows:

	03.31.2014			
	Up to one year ThCh$	From one to five years ThCh$	More than 5 years ThCh$	Total ThCh$
Minimum financial lease payments payable	1,375,655	426,325	-	1,801,980
Future financial burden due to financial leases	36,163	6,897	-	43,060
Minimum operating lease payments payable	5,766,762	15,491,774	1,575,499	22,834,035

	03.31.2013			
	Up to one year ThCh$	From one to five years ThCh$	More than 5 years ThCh$	Total ThCh$
Minimum financial lease payments payable	2,017,692	1,722,911	-	3,740,603
Future financial burden due to financial leases	96,626	44,132	-	140,758
Minimum operating lease payments payable	3,832,192	6,332,468	5,526,157	15,690,817

27. Local and Foreign Currency

The detail for currency of current assets and non-currents assets are the following:

Currents assets	03.31.2014 ThCh$	12.31.2013 ThCh$
Cash and cash equivalents	**75,282,819**	**173,015,722**
US Dollars	8,711,801	25,673,638
Euros	251,845	235,921
Chilean Pesos	66,319,173	147,106,163
U.F.	-	-
Other current financial assets	**4,663,843**	**13,442,571**
US Dollars	4,039,598	788,189
Euros	-	225
Chilean Pesos	615,354	706,574
U.F.	8,891	11,947,583
Current trade and other accounts receivable	**128,199,697**	**135,230,034**
US Dollars	1,426,373	2,033,808
Chilean Pesos	126,610,036	133,111,023
U.F	4,001	85,203
Other currencies	159,287	85,203
Receivables from related companies, current	**46,617,828**	**51,807,548**
US Dollars	8,168,222	9,156,054
Chilean Pesos	38,449,606	42,651,494
Other current assets (1)	**33,714,527**	**27,902,401**
Chilean Pesos	33,714,527	27,902,401
Non-currents assets or groups of assets for disposal classified as held for sale	**221,741**	**65,627**
Chilean Pesos	221,741	65,627
Total current assets	**288,700,455**	**401,463,903**
US Dollars	**22,345,994**	**37,651,689**
Euros	**251,845**	**236,146**
Chilean Pesos	**265,930,437**	**351,543,282**
U.F.	**12,892**	**11,947,583**
Other currencies	**159,287**	**85,203**

(1) Includes: Other current non-financial assets, inventory and current tax assets.

Non-currents assets	03.31.2014 ThCh$	12.31.2013 ThCh$
Other non-current financial assets	**59,026,287**	**44,367,489**
US Dollars	51,764,525	37,986,732
Chilean Pesos	7,261,762	6,380,757
Non-current trade and other accounts receivable	**16,834,548**	**17,049,482**
Chilean Pesos	16,834,548	17,049,482
Non-current receivables from related companies	**1,366,521**	**1,366,521**
Chilean Pesos	1,366,521	1,366,521
Other non-current assets (2)	**1,048,605,541**	**1,045,679,079**
Chilean Pesos	1,048,605,541	1,045,679,079
Total non-current assets	**1,125,832,897**	**1,108,462,571**
US Dollars	**51,764,525**	**37,986,732**
Chilean Pesos	**1,074,068,372**	**1,070,475,839**

(2) Includes: Other non-current non-financial assets, intangible assets other than goodwill, goodwill, property, plant and equipment and deferred tax assets.

27. Local and Foreign Currency, continued

The detail for currency of current liabilities is as follows:

Currents liabilities	03.31.2014	12.31.2013	03.31.2014	12.31.2013
	Up to 90 days ThCh$		91 days to 1 year ThCh$	
Other current financial liabilities	**14,061,702**	**3,313,407**	**33,855,186**	**145,544,900**
US Dollars	344,822	433,763	32,572,476	2,652,654
Chilean Pesos	7,848,701	2,663,908	54,532	23,164,173
U.F.	5,868,179	215,736	1,228,178	119,728,073
Trade and other payables	**135,096,523**	**176,101,086**	**49,685**	**49,685**
US Dollars	15,718,682	17,577,807	-	-
Euros	2,455,287	1,506,811	-	-
Other currency	59	59	-	-
Chilean Pesos	98,697,645	143,136,786	49,685	49,685
U.F.	18,224,850	13,879,623	-	-
Payables to related companies, current	**77,247,208**	**69,469,622**	**-**	**-**
US Dollars	4,091,938	11,527,462	-	-
Euros	633,300	3,632,380	-	-
Chilean Pesos	72,521,970	54,309,780	-	-
Other current liabilities (1)	**-**	**523,232**	**24,480,462**	**22,699,026**
Chilean Pesos	-	523,232	24,480,462	22,699,026
Total current liabilities	**226,405,433**	**249,407,347**	**58,385,333**	**168,293,611**
US Dollars	**20,155,442**	**29,539,032**	**32,572,476**	**2,652,654**
Euros	**3,088,587**	**5,139,191**	**-**	**-**
Other currency	**59**	**59**	**-**	**-**
Chilean Pesos	**179,068,316**	**200,633,706**	**24,584,679**	**45,912,884**
U.F.	**24,093,029**	**14,095,359**	**1,228,178**	**119,728,073**

(1) Includes: Other current provisions, current income tax liabilities, current employee benefits accrual and other current non-financial liabilities.

The detail for currency of non-current liabilities is as follows:

Non-current liabilities	03.31.2014	12.31.2013	03.31.2014	12.31.2013	03.31.2014	12.31.2013
	1 to 3 years ThCh$		3 to 5 years ThCh$		5 years and over ThCh$	
Other non-current financial liabilities	**16,649,674**	**69,134,241**	**120,438,787**	**50,652,995**	**254,892,138**	**237,154,420**
US Dollars	13,706,356	66,096,580	53,257,722	50,652,995	254,892,138	237,154,420
Chilean Pesos	-	-	67,181,065	-	-	-
U.F.	2,943,318	3,037,661	-	-	-	-
Other non-current liabilities (2)	**4,012,381**	**6,596,968**	**15,191,494**	**15,403,326**	**64,326,334**	**64,518,298**
Chilean Pesos	4,012,381	6,596,968	15,191,494	15,403,326	64,326,334	64,518,298
Other non-current liabilities	**20,662,055**	**75,731,209**	**135,630,281**	**66,056,321**	**319,218,472**	**301,672,718**
US Dollars	**13,706,356**	**66,096,580**	**53,257,722**	**50,652,995**	**254,892,138**	**237,154,420**
Chilean Pesos	**4,012,381**	**6,596,968**	**82,372,559**	**15,403,326**	**64,326,334**	**64,518,298**
U.F.	**2,943,318**	**3,037,661**	**-**	**-**	**-**	**-**

(2) Includes: Deferred tax liabilities, non-current employee benefits accrual and other non-current non-financial liabilities.

28. Contingencies and restrictions

In the normal development of its line of business, Telefónica Chile S.A. is part of certain proceedings, involving civil, labor, special and penal matters for different concepts and amounts. In general, management and its legal counsel, both internal and external periodically monitor the evolution of those lawsuits and contingencies affecting Telefónica Chile S.A. in the normal course of its operations, analyzing in each case the possible effect on the financial statements. Taking into consideration the legal and de facto arguments exposed in those proceedings, especially those in which the Company is the defendant party, and historical results obtained by Telefónica Chile S.A. in proceedings with similar characteristics in the opinion of the legal advisors, the risk that it will be condemned to pay the amounts claimed in the mentioned lawsuits is remote.

Notwithstanding there are certain proceedings in which due to the aforementioned considerations it is believed that there is a risk of loss that is rated as probable, which has motivated the establishment of provisions for the amount of what would be the estimated loss as of March 31, 2014, which altogether amounts to ThCh$1,637,317. It is estimated that Telefónica Chile S.A. must pay the amount of ThCh$1,217,000 before June 30, 2014 and the rest before 2014 year end.

In addition to the above, the following proceedings should be especially mentioned:

a) Miscellaneous lawsuits

i) Labor lawsuits

During the normal course of operations, labor lawsuits have been filed against Telefónica Chile S.A., which to date do not represent significant.

ii) Other complaints

From 2002 to 2008, the Telecommunications Undersecretary initiated 48 charges proceedings against Telefónica Chile S.A. for non-compliance with resolutions dictated in customer complaints processes. Five of them are currently underway, and fixed fines were applied for non-compliance with previous resolutions, which altogether amount to UTM 5,000, solely for the concept of fixed fines, plus daily fines. Telefónica Chile S.A. has filed various appeals against those fines. The fines imposed have been confirmed (pending dictation of the resolutions ordering the respective compliance by the Ministry of Transportation and Telecommunications).

28. Contingencies and restrictions, continued

b) Financial restrictions:

In order to develop its investment plans, the Company has obtained financing both in the local market and in the external market (see Note 17).

The Company has current loan agreements signed by the parent, Telefonica Chile S.A. with financial entities:

i) Local loan with Banco Santander Chile in the amount of US$58.25 million, expiring in March 2015.
ii) International loan with Sovereing Bank N.A. in the amount of US$ 97.5 million, expiring in April 2017.
iii) International loan with ScotiaBank & Trust in the amount of US$ 25 million, expiring in April 2015.

These financial entities impose obligations of several types on the Company during the term of the loans, which are usual for this type of financing. The Company reports in a quarterly manner to that entity in accordance with agreed upon terms and dates. Compliance with that financial index is reported through a certificate of covenants issued by the external audit firm.

On the other hand, the Company has current obligations with the public derived from the placement of the following bonds:

i) Series F Bond, dated April 15, 1991 in the amount of UF 1.5 million, placed at 25 years with biannual maturity.
ii) Series 144A Bond dated October 12, in the amount of US$ 500 million placed at 10 year bullet.
iii) Series Q Bond dated March 26, 2014 in the amount of ThCh$47,000 million, placed at 5 years bullet.

Bond issuance contracts impose certain limits on the Company's financial debt indicator and obligations to do and not to do, usual for this type of financing. The Company reports the debt ratio in a quarterly manner to the representatives of the bondholders, in accordance with the agreed-upon dates. The clause establishes that the debt ratio cannot exceed 2.5, measured by the quotient between demand liabilities (deducting hedge assets associated to the financial debt) and consolidated equity. Compliance with that financial index is reported through the certificate of covenants issued by the external audit firm.

In summary the debt agreements contemplate the following financial restrictions:

	Financial restrictions
Local Bonds (Series F, M and N)	Debt index < = 2.5
144A Bond	There are none
Q Bond	There are none
Local loan with Santander Chile	There are none
International loan with Sovereing Bank N.A.	There are none
International loan with ScotiaBank & Trust	There are none

28. Contingencies and restrictions, continued

b) Financial restrictions, continued

The obligations arising from the financing contracts mentioned above have been fulfilled as of March 31, 2014 and December 31, 2013. The debt ratio is calculated on the consolidated financial statements, and the values determined are:

	03.31.2014 ThCh$	12.31.2013 ThCh$
Total debt	**704,186,594**	**809,998,120**
Total Current Liabilities	284,790,766	417,700,958
Total Non-current Liabilities	475,510,808	443,460,248
Current Hedge Assets (less)*	4,350,455	13,176,354
Non-current Hedge Assets (less)*	51,764,525	37,986,732
Net shareholders' equity	**654,231,778**	**648,765,268**
Total debt	**704,186,594**	**809,998,120**
Net shareholders' equity	**654,231,778**	**648,765,268**
Debt ratio	**1.08**	**1.25**

* Financial liabilities are deducted since they are hedges associated to financial debt.

Non-compliance with this clause implies that all obligations assumed in these financing contracts would become due and payable, however a period is provided to overcome the non-compliance.

The Covenants ratio has been fulfilled as of March 31, 2014 and December 31, 2013.

28. Contingencies and restrictions, continued

c) Guarantee deposits:

The detail of guarantee deposits is as follows:

	Debtor			Current guarantee deposits	Liberated guarantees		
Guarantee creditor	Name	Relationship	Type of guarantee	ThCh$	2014 ThCh$	2015 ThCh$	2016 & thereon ThCh$
Comité Innova	TCH	Parent company	Deposit	**1,191,097**	-	1,191,097	-
Conect S.A.	TCH	Parent company	Deposit	**363,933**	-	363,933	-
Subsecretaría de Telecomunicaciones	TCH	Parent company	Deposit	**267,331**	-	-	267,331
Serviu Región Metropolitana	TCH	Parent company	Deposit	**118,035**	118,035	-	-
Others Guarantees (1)	TCH	Parent company	Deposit	**633,084**	556,400	18,851	57,833
Subsecretaría de Telecomunicaciones	TLD	Subsidiary	Deposit	**1,030,536**	-	-	1,030,536
Others Guarantees (1)	TLD	Subsidiary	Deposit	**94,017**	10,807	83,210	-
Gendarmería de Chile	TEM	Subsidiary	Deposit	**1,372,614**	-	-	1,372,614
Banco del Estado de Chile	TEM	Subsidiary	Deposit	**443,480**	168,270	-	275,210
Tesorería del Estado Mayor General del Ejercito	TEM	Subsidiary	Deposit	**424,998**	-	-	424,998
Policía de Investigaciones de Chile	TEM	Subsidiary	Deposit	**390,000**	390,000	-	-
Dirección Nacional de Gendarmería de Chile	TEM	Subsidiary	Deposit	**369,262**	-	-	369,262
Subsecretaría de Telecomunicaciones	TEM	Subsidiary	Deposit	**301,768**	-	301,768	-
Associated Universities Inc.	TEM	Subsidiary	Deposit	**275,039**	275,039	-	-
Fundación Educacional para el Desarrollo	TEM	Subsidiary	Deposit	**261,866**	261,866	-	-
European Southern Observatory	TEM	Subsidiary	Deposit	**170,408**	170,408	-	-
Dirección Nacional de Logística de Carabineros	TEM	Subsidiary	Deposit	**171,271**	-	171,271	-
Banco Vizcaya Argentina	TEM	Subsidiary	Deposit	**148,605**	-	148,605	-
Fuerza Area de Chile Comando Logístico	TEM	Subsidiary	Deposit	**118,035**	118,035	-	-
Redbanc S.A.	TEM	Subsidiary	Deposit	**118,035**	118,035	-	-
Superintendencia de Salud	TEM	Subsidiary	Deposit	**116,511**	116,511	-	-
Servicios y Soluciones Tecnológicas S.A.	TEM	Subsidiary	Deposit	**114,131**	-	114,131	-
Cía. Minera Doña Inés de Collahuasi	TEM	Subsidiary	Deposit	**102,679**	-	-	102,679
Terminal Aéreo de Santiago	TEM	Subsidiary	Deposit	**100,707**	100,707	-	-
Others Guarantees (1)	TEM	Subsidiary	Deposit	**3,675,112**	1,309,055	799,342	1,566,715
				12,372,554	**3,713,168**	**3,192,208**	**5,467,178**

(1) This item includes all guarantees with a value of less than ThCh$100,000, for each company.
TCH: Telefónica Chile S.A.
TEM: Telefónica Empresas Chile S.A.
TLD: Telefónica Larga Distancia S.A.

d) Insurance:

The Company maintains property and business interruption insurance, among others, on all its facilities. Due to the above, the Company believes that the latest events occurred in the North zone of the country and in the Region of Valparaíso will not have a significant impact on its financial position.

29. Environment

Due to the nature of its line of business, the activities it develops and the technology associated to its management, the Company has not been affected by legal or regulatory provisions obligating it to make investments or material disbursements referring to protection of the environment during this year, whether in a direct or indirect manner.

Law No. 20,599 was published on June 11, 2012 regulating the installation of telecommunications services emitting and transmitting antennas. The approved indications include i) installation restrictions in saturated zones; more rigorous approval conditions are imposed for towers higher than 12 meters; ii) limited installation of towers close to sensitive places as determined by the Telecommunications Undersecretary (schools, hospitals, daycares, nursing homes and others); and iii) compensation is established with community improvements which must be agreed upon by the Neighborhood Councils and Municipal Council, for 30% of the total cost of the tower, should some type of camouflage be used in the structure and 50% in cases where no camouflage is used.

Restrictive measures for installation in saturated zones and close to sensitive zones are applied retroactively for facilities that are already installed. In the case of sensitive zones, retroactivity is applicable in function of stretches and all those structures will have the obligation of "co-location" with other operators.

Law No. 20,599 was amended in December 2012 to regulate the case where there is no agreement between the operators in the amount of payments for the co-location. This controversy must obligatorily be submitted to the knowledge and decision of an arbitrator that will be obligated to make a decision in favor of one of the two proposals of the parties current when the case is submitted for arbitration and the parties must fully accept the decision.

The Company is in the process of evaluating each phase contemplated by Law to identify and quantify its impact. As of March 31, 2014 the Company's expenditures in relation to the implementation of the corresponding phases are not significant.

30. Risk management (Not audited)

a) Competition

Telefónica Chile faces strong competition in all its business areas and believes that this high level of competitiveness will be maintained. In order to confront this situation, the Company permanently adapts its business strategies and products, seeking to satisfy the demands of its current and potential customers, innovating and developing excellence in its attention.

30. Risk management (Not audited), continued

b) New Tariff Decree

The tariffs that are currently in force for the 2009 - 2014 five-year term were established by the Ministries through Decree Supreme 57, dated May 6, 2009. Among other things, this decree establishes the "local tranche", "access charge" and minor Local Telephone services rendered. In addition it regulates tariffs for the "wholesale Broadband disaggregation" (Bitstream) service.

In conformity with the procedure established in the law to establish tariffs, the process that will derive in a new price setting for Telefónica Chile S.A. for the 2014 – 2019 period has begun. These prices would be effective as of May 8, 2014.

On November 8, 2013, Telefónica Chile sent to the Subtel the Tariff Study to establish the tariffs for access charges services and other services subject to prices setting by the provisions of the General Telecommunications Law. The Study was presented in accordance with the Final Technical Economic Bases established on June 3, 2013 by Subtel, which includes the concept of efficient multi-services company.

On March 8, 2014 Subtel issued the Report on Objections and Counterproposals ("IOC") (Objeciones y Contraproposiciones) indicating the tariffs that it counter-proposes to what is stated in the study issued by Telefónica Chile S.A. The tariffs proposed by Subtel would mean a reduction in the order of 4% in access charge tariffs and 68% in the Local Tranche tariff.

Regarding the Subtel's Report on Objection and Counterproposals, in accordance with the procedure regulating tariff setting, Telefónica requested the establishment of the Experts Commission, which was formally established on March 17, 2014, and on April 2, 2014 it made a pronouncement on the controversies presented by Telefónica Chile.

On April 5, 2014, Telefónica sent the Report on Modifications and Insistence. The authority has 30 days from this date to issue the new tariff decree.

Interconnection tariffs that will be in force for Telefónica Móviles Chile S.A., for the 2014 – 2019 period are established in Decree No. 21, dated January 9, 2014, issued by the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism, which is being studied by the Controller General of the Republic (Contraloría General de la República).

On January 27, 2014, a complaint was filed with the Controller General of the Republic objecting to the mentioned decree, arguing that the calculation of access charges prepared by the authority as of the second period and thereon does not comply with the auto-financing guarantee in the Telecommunications Law. On February 7, 2014 a second writ was filed with the Controller General of the Republic claiming other illegalities and errors detected in the supporting information for Decree No. 21, dated 2014 issued by the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism. However, Movistar voluntarily decided to begin applying from the January 25, 2014, the maximum tariffs and time frames for the Mobile Access Charge established in Decree No. 21.

30. Risk management (Not audited), continued

c) Technological changes

The telecommunications industry is a sector that is subject to quick and important technological progress and the introduction of new products and services. It is not possible to assure what will be the effect of such technological changes on the market or on Telefónica Chile, or that the disbursement of significant financial resources will not be required to develop or implement new and competitive technologies, nor can the Company anticipate whether those technologies or services will be substitutive or complementary to the products and services it currently offers. Telefónica Chile is continually evaluating the incorporation of new technologies to the business, taking into consideration both the costs and benefits.

d) Level of Chilean economic activity

Since the Company's operations are located in Chile, these are sensitive to and dependent on the country's level of economic activity. In periods of low economic growth, high unemployment rates and reduced internal demand, there has been a negative impact on the local and long distance telephone traffic, as well as on the level of customer default.

e) Financial risk management objectives and polices

The Company's main financial liabilities, in addition to derivatives, comprise bank loans and bond obligations, payables and other payables. The main purpose of those financial liabilities is to obtain financing for the Company's operations. The Company has trade receivables, cash and short-term deposits, which arise directly from its operations.

The Company also has investments held for sale and derivative transactions. The Company is exposed to market risk, credit risk and liquidity risk.

The Company's Management supervises that financial risks are identified, measured and managed in accordance with defined policies. All activities derived from risk management are carried out by specialist teams with adequate skills, experience and supervision. It is the Company's policy that there is no commercialization of derivatives for speculative purposes.

The policies for managing such risks, which are reviewed and ratified by the Board of Directors, are summarized below:

Market Risk

Market risk is the risk of fluctuation in the fair value of future cash flows of a financial instrument due to changes in market prices. Market prices comprise three types of risks: interest rate risk, exchange rate risk and other price risks, such as equity risk. Financial instruments affected by market risk include loans, deposits, investments held for sale and derivative financial instruments.

30. Risk management (Not audited), continued

e) Financial risk management objectives and polices, continued

Interest rate risk

Interest rate risk is the risk of fluctuation in the fair value of future cash flows of a financial derivative due to changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is mainly related to the Company's long-term debt obligations with variable interest rates.

The Company manages its interest rate risk maintaining a balanced portfolio of loans and debts at variable and fixed interest rates. The Company has interest rate swaps in which it agrees to interchange, at certain intervals, the difference between the amounts of fixed and variable interest rates, calculated in reference to a notional agreed upon capital amount. These swaps are designated to hedge underlying debt obligations.

The Company periodically determines the efficient exposure to short and long-term debt due to changes in interest rates, considering its own expectations regarding future evolution of rates. As of March 31, 2014 the Company had 18.4% of its current and non–current financial debt accruing interest at a fixed rate.

The Company believes it is reasonable to measure the risk associated to interest on the financial debt such as the sensitivity of the monthly financial accrual expense in case of a change of 25 basic points in the reference interest rate of the debt, which as of March 31, 2014 corresponds to the Nominal Average Chamber Rate (TCPN) ("Tasa Promedio de Cámara Nominal"). In this manner, an increase of 25 basic points in the monthly TCPN would mean an increase in the monthly financial accrual expense for 2014 of approximately ThCh$65,249, whereas a decrease in the TCPN would mean a reduction of ThCh$65,249 in the monthly financial accrual expense for 2014.

Foreign currency risk

Foreign currency risk is the risk that the future fair values or cash flows of a financial instrument may fluctuate due to exchange rate. The Company's exposure to exchange variation risks is related mainly to obtaining short and long-term financial debt in foreign currency and to a lesser extent to its operating activities. The Company's policy is to negotiate derivative financial instruments to help minimize this risk.

After the hedge actions taken to manage the main foreign currency risk identified by the Company, one can establish that the sensitivity of the fair value of future cash flows of the hedged items in case of changes in the foreign exchange levels is close to zero, fundamentally because the foreign currency hedge for debt items is 100%.

30. Risk management (Not audited), continued

e) Financial risk management objectives and polices, continued

Credit risk

Credit risk is the risk that a counterpart may not fulfill its obligations under a financial instrument or customer contract, which leads to a financial loss. The Company is exposed to credit risk from its operating activities (mainly due to receivables and credit notes) and from its financial activities, including bank deposits, transactions in foreign currency and other financial instruments.

Credit risks related to customer loans is managed in accordance with the policies, procedures and controls established by the Company to manage customer credit risk. Customer credit quality is evaluated in an ongoing manner. Outstanding customer charges are supervised. The maximum exposure to credit risk as of the report presentation date is the value of each class of financial asset.

Credit risk related to balances with banks, financial instruments and negotiable values is managed by the Finance Management Department in conformity with the Company's policies. Surplus funds are only invested with an approved counterpart and within the credit limits assigned to each entity. Counterpart limits are reviewed annually, and can be updated during the year. The limits are established to reduce counterpart risk concentration to a minimum.

Liquidity risk

The Company monitors its risk of lack of funds using a recurrent liquidity planning tool. The Company's objective is to maintain an investment profile that allows it to cover its obligations.

Capital management

Capital includes shares and equity attributable to the parent company less unrealized net income reserves.

The Company's main objective in respect to capital management is to ensure that it has a strong credit rating and prosperous capital ratios to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in response to changes in economic conditions.

There were no changes in the objectives, policies or processes during the periods ended as of March 31, 2014 and December 31, 2013.

30. Risk management (Not audited), continued

f) Regulatory Framework

Numeric Portability

Telephone Number Portability was enabled in conformity with the calendar established by Subtel, through Resolution No. 6,367 dated 2011. On March 16, 2013, Numeric Portability began for the Internet Voice, Rural Telephony and Mobile Party Pays services. Exempt Resolution No. 1022 dated March 31, 2014 issued by the Telecommunications Undersecretary, modified the date on which Portability of Complementary Services will begin, establishing October 13, 2014 as the date for that.

Elimination of National Long Distance Service

Law No. 20,704 published on November 6, 2013 in the Official Gazette, approved the elimination of domestic long distance. That law establishes that: "As of 120 days of the coming into effect of this standard, and for the purposes of public telephone services, excluding mobile telephone services, the country will become one single primary zone, in the manner and progression that the Telecommunications Undersecretary defines through the corresponding technical standard; process which must in any case be completed in a maximum period of 180 days. For the purpose of implementation of this law, the period of time established in the second subsection of the article, or 24 of Law No. 18,168 will not be considered".

Through Exempt Resolution No. 4783, dated December 9, 2013, Subtel established the implementation plan for the process of making the country one single primary zone in order to eliminate domestic long distance, and began the 9-digit dialing in local telephone service and the process of implementation of portability among networks. Subtel's timeline establishes that the elimination of domestic long distance calls will begin gradually, making all calls local, beginning on March 29, 2014 in the Region of Arica and Parinacota, which was carried out correctly and smoothly, and concluding in the Metropolitan Region on August 9, 2014.

31. Subsequent events

The consolidated financial statements of Telefónica Chile S.A., for the period ended as of March 31, 2014 were approved and authorized for issuance at the Board of Directors Meeting held on April 24, 2014.

1. On April 24, 2014, the Ordinary Shareholders' Meeting agreed to the following:

   a) Distribution of a final dividend of Ch$10,850,332,716 equivalent to Ch$11,336 per share, corresponding to 23.7% of profit for the year. An interim dividend was taken into account which was paid in December 2013 in the sum of Ch$2,871,471,255, equivalent to Ch$3.0 per share, which corresponds to 6.3% of profits for the year; thus complying with the dividends policy distribution agreed upon by the Board, of at least 30% of profits for the year.

   b) Amply empower the Board to define and agree on the payment of one or more dividends for the amounts and on the dates it sees fit with a charge to retained earnings as of 2013, and up to the date of the next Ordinary Shareholders' Meeting, for a total to be distributed not in excess of retained earnings and as long as there is available cash.

   c) Designate Ernst & Young Chile Auditores Consultores Ltda. as the Company's external audit firm for 2014.

   d) Designate FITCH CHILE and ICR as risk rating companies for the 2014 period.

   e) Use the www.latercera.com electronic newspaper as the newspaper for corporate publications.

In the period from April 1 to 24, 2014, there have been no other significant subsequent events that affect these consolidated financial statements.

Rodolfo Escalante Fiestas
Accounting Manager

Juan Parra Hidalgo
Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager