Telefónica

CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2013 and 2012

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

INDEX

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

	Notes	12.31.2013	12.31.2012
		ThCh$	ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	173,015,722	246,567,966
Other current financial assets	(6)	13,442,571	4,998,135
Other current non-financial assets	(7)	16,538,104	21,297,059
Trade and other current receivables	(8a)	135,230,034	140,799,919
Current receivables from related companies	(9a)	51,807,548	63,462,235
Inventory	(10a)	6,781,814	6,147,395
Current tax assets	(11b)	4,582,483	1,570,818
Total current assets other than assets groups of assets for disposal, classified as available for sale or as held for distribution to owners		**401,398,276**	**484,843,527**
Non-current assets or groups of assets for disposal, classified as available for sale or held for distribution to owners	(16)	65,627	65,627
TOTAL CURRENT ASSETS		**401,463,903**	**484,909,154**
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	44,367,489	16,709,646
Other non-current non-financial assets	(7)	2,277,992	2,662,177
Non-current receivables	(12)	17,049,482	18,048,113
Non-current receivables from related companies	(9b)	1,366,521	1,366,521
Intangible assets other than goodwill, net	(13a)	36,372,660	38,105,530
Goodwill	(14)	21,660,128	21,660,128
Property, plant and equipment	(15a)	977,443,748	949,333,937
Deferred tax assets	(11c)	7,924,551	7,035,425
TOTAL NON-CURRENT ASSETS		**1,108,462,571**	**1,054,921,477**
TOTAL ASSETS		**1,509,926,474**	**1,539,830,631**

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

	Notes	12.31.2013	12.31.2012
		ThCh$	ThCh$
LIABILITIES			
CURRENT LIABILITIES			
Other current financial liabilities	(17)	148,858,307	85,101,325
Trade and other payables	(18)	176,150,771	187,498,669
Current payables to related companies	(9c)	69,469,622	81,725,309
Other current provisions	(20)	1,704,344	1,549,209
Current tax liabilities	(11f)	523,232	7,588,500
Current employee benefits accrual	(21a)	4,272,755	4,426,045
Other current non-financial liabilities	(22)	16,721,927	16,886,055
TOTAL CURRENT LIABILITIES		**417,700,958**	**384,775,112**
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(17)	356,941,656	468,889,617
Other non-current provisions		543,244	543,244
Deferred tax liabilities	(11c)	55,997,547	51,895,208
Non-current employee benefits accrual	(21a)	24,507,910	25,888,804
Other non-current non-financial liabilities	(22)	5,469,891	5,606,229
TOTAL NON-CURRENT LIABILITIES		**443,460,248**	**552,823,102**
TOTAL LIABILITIES		**861,161,206**	**937,598,214**
NET SHAREHOLDERS' EQUITY			
Issued capital	(23a)	578,078,382	578,078,382
Retained earnings		67,065,016	24,198,873
Other reserves	(23d)	(2,791,103)	(2,679,791)
Shareholders' equity attributable to owners of the parent		642,352,295	599,597,464
Non-controlling interest	(23e)	6,412,973	2,634,953
TOTAL NET SHAREHOLDERS' EQUITY		**648,765,268**	**602,232,417**
TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY		**1,509,926,474**	**1,539,830,631**

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

	Notes	For the years ended December 31, 2013	2012
STATEMENTS OF COMPREHENSIVE INCOME		ThCh$	ThCh$
Income from ordinary operations	(25a)	687,773,379	694,987,687
Other income, by segment	(25b)	2,693,675	4,189,110
Employee benefits expenses	(21d)	(82,967,382)	(83,016,650)
Depreciation and amortization expense	(13b)(15b)	(167,647,688)	(163,887,152)
Other expenses, by nature	(25c)	(345,593,138)	(343,160,284)
Profit from operating activities		**94,258,846**	**109,112,711**
Interest income	(25d)	9,126,842	6,697,605
Interest expense	(25d)	(33,219,909)	(24,798,961)
Share in earnings (losses) of associates accounted for using the equity method	(25f)	-	322,750
Foreign exchange differences	(25e)	(984,067)	(96,952)
Income from indexation units	(25e)	1,133,498	183,087
Profits before tax from continuing operations		**70,315,210**	**91,420,240**
Income tax expense	(11e)	(20,754,835)	(28,867,454)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**49,560,375**	**62,552,786**
Profit attributable to holders of equity instruments of the controller and minority interest:			
Profit attributable to owners of the parent		45,737,614	59,105,450
Profit attributable to non-controlling interest	(23e)	3,822,761	3,447,336
PROFIT FOR THE YEAR		**49,560,375**	**62,552,786**
EARNINGS PER SHARE		Ch$	Ch$
Earnings per basic share			
Earnings per basic share for continuing operations	(24)	47.78	61.75
Earnings per basic share for discontinuing operations		-	-
Earnings per basic share		47.78	61.75
Diluted earnings per share			
Diluted earnings per share from continuing operations		47.78	61.75
Diluted earnings per share from discontinuing operations		-	-
Diluted earnings per share		47.78	61.75

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

	For the years ended December 31,	
	2013	2012
STATEMENTS OF COMPREHENSIVE INCOME	ThCh$	ThCh$
PROFIT FOR THE YEAR	**49,560,375**	**62,552,786**
OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income before taxes		
Profit (loss) on new measurement of financial assets available for sale	(956,730)	(2,150,492)
Profit (loss) on cash flow hedges	14,619,038	(5,726,123)
Actuarial profit (loss) on defined benefits plans	-	1,596,249
Participation in profits of associates accounted for using the equity method	-	609
Total other components of other comprehensive income, before taxes	**13,662,308**	**(6,279,757)**
Income taxes related to components of other comprehensive income		
Income tax related to hedging cash flows from other comprehensive income	(2,923,808)	1,145,225
Income tax related to other comprehensive income defined benefits plans	-	(99,234)
Total income tax related to components of other comprehensive	**(2,923,808)**	**1,045,991**
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**10,738,500**	**(5,233,766)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**60,298,875**	**57,319,020**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Comprehensive income attributable to owners of the parent	56,476,114	53,184,113
Comprehensive income attributable to non-controlling interest	3,822,761	4,134,907
TOTAL COMPREHENSIVE INCOME	**60,298,875**	**57,319,020**

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

CONSOLITED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As of December 31, 2013 and 2012

(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 01.01.2013	**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	-	-	-	-	-	-	45,737,614	45,737,614	3,822,761	49,560,375
Other comprehensive income	-	11,695,230	-	(956,730)	-	10,738,500	-	10,738,500	-	10,738,500
Comprehensive income	**-**	**11,695,230**	**-**	**(956,730)**	**-**	**10,738,500**	**45,737,614**	**56,476,114**	**3,822,761**	**60,298,875**
Dividends	-	-	-	-	-	-	2,871,471	2,871,471	-	2,871,471
Other decrease from transfers and other changes	-	-	-	-	(10,849,812)	(10,849,812)	-	(10,849,812)	(44,741)	(10,894,553)
Total changes in shareholders' equity	**-**	**11,695,230**	**-**	**(956,730)**	**(10,849,812)**	**(111,312)**	**42,866,143**	**42,754,831**	**3,778,020**	**46,532,851**
Ending balance as of 12.31.2013	**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**
Beginning balance as of 01.01.2012	**578,078,382**	**863,954**	**(3,225,153)**	**5,603,354**	**364,309**	**3,606,464**	**57,937,660**	**639,622,506**	**(1,360,058)**	**638,262,448**
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	59,105,450	59,105,450	3,447,336	62,552,786
Other comprehensive income	-	(4,580,898)	809,444	(2,150,492)	609	(5,921,337)	-	(5,921,337)	687,571	(5,233,766)
Comprehensive income	**-**	**(4,580,898)**	**809,444**	**(2,150,492)**	**609**	**(5,921,337)**	**59,105,450**	**53,184,113**	**4,134,907**	**57,319,020**
Dividends	-	-	-	-	-	-	92,844,237	92,844,237	-	92,844,237
Other increase (decrease) from transfers and other changes	-	-	-	-	(364,918)	(364,918)	-	(364,918)	(139,896)	(504,814)
Total changes in shareholders' equity	**-**	**(4,580,898)**	**809,444**	**(2,150,492)**	**(364,309)**	**(6,286,255)**	**(33,738,787)**	**(40,025,042)**	**3,995,011**	**(36,030,031)**
Ending balance as of 12.31.2012	**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**

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

	Notes	For the years ended December 31, 2013 ThCh$	2012 ThCh$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Classes of operating activity charges			
Proceeds from sale of assets and services rendered		**1,040,390,110**	**1,001,394,620**
Proceeds from sales and services		857,106,489	850,708,531
Proceeds from related entities		183,283,621	150,686,089
Classes of payments			
Payments to suppliers for supplying goods and services		(522,813,187)	(499,352,143)
Payments to and on account of employees		(141,561,953)	(136,503,500)
Other operating activity payments		(88,945,697)	(95,434,438)
Net cash flows provided by (used in) operating activities		**287,069,273**	**270,104,539**
Income taxes (paid) reimbursed classified as operating activities (less)		(27,095,178)	(20,722,077)
Cash flows provided by (used in) operating activities		**259,974,095**	**249,382,462**
CASH FLOWS PROVIDED BY (USED IN) INVESTMENT ACTIVITIES			
Proceeds from sale of property, plant and equipment, classified as investing activities		1,283,141	3,471,490
Additions to property, plant and equipment, classified as investing activities		(205,323,389)	(193,300,487)
Proceeds from long-term assets, classified as investing activities		-	5,319,415
Dividends received, classified as investing activities	(6b)	700,284	4,046,305
Interest received, classified as investing activities		7,955,553	3,871,529
Other cash inputs (outputs), classified as investing activities		191,161	3,339,925
Net cash flows provided by (used in) investment activities		**(195,193,250)**	**(173,251,823)**
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from loans, classified as financing activities			
Proceeds from non-current loans		-	296,400,000
Loans to related parties		-	15,266,597
Reimbursement of loans classified as financing activities	(17a)	(72,749,624)	(69,708,117)
Payments of financial lease liabilities, classified as financing activities		(2,045,913)	(1,396,040)
Payments of loans to related entities		(32,263,495)	-
Dividends paid, classified as financing activities		(2,871,471)	(92,844,237)
Interest paid, classified as financing activities		(28,402,586)	(18,069,993)
Net cash flows provided by (used in) financing activities		**(138,333,089)**	**129,648,210**
Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate		**(73,552,244)**	**205,778,849**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(73,552,244)**	**205,778,849**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**246,567,966**	**40,789,117**
CASH AND CASH EQUIVALENTS AT END OF YEAR	(5)	**173,015,722**	**246,567,966**

The accompanying notes 1 to 31 form an integral part of these consolidated 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 Ltda., 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) 12.31.2013 %	12.31.2012 %
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") cover the the years ended December 31, 2013 and 2012.

b) Basis of presentation

The financial statements for December 31, 2012 and their corresponding notes are shown in a comparative manner in accordance with Note 2a).

2. Significant accounting principles, continued

c) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board (IASB). 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.

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 financial statements of Telefónica Chile S.A. and its subsidiaries include assets and liabilities as of December 31, 2013 and 2012. Balances with related companies, unrealized income and expenses and net income and losses have been eliminated and non-controlling interest has been recognized under "Non-controlling interest" (note 23e).

The financial statements of the consolidated companies cover the years 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 12.31.2013			12.31.2012
				Direct	Indirect	Total	Total
96.961.230-5	Telefónica Gestión de Servicios Compartidos Chile S.A.	Chile	CLP	99.99	-	99.99	99.99
76.181.946-1	Telefónica Multimedia Chile Dos S.A. (1)	Chile	CLP	-	-	-	99.99
78.703.410-1	Telefónica Empresas Chile S.A. (Ex - Telefónica Multimedia 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

(1) On April 30, 2013 Telefónica Chile S.A. absorbed subsidiary Telefónica Multimedia Chile Dos S.A., acquiring all its assets and liabilities and succeeding it in all its rights and obligations as legal continuer incorporating all shareholders' equity.

2. Significant accounting principles, continued

d) Basis of consolidation, continued

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. (Ex - Telefónica Multimedia 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)

The summarized financial information at December 31, 2012 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	9,360,852	3,305,868	12,666,720	7,307,022	1,106,576	8,413,598	4,253,122	15,883,119	909,042
78.703.410-1	Telefónica Empresas Chile S.A. (Ex - Telefónica Multimedia Chile S.A.)	99.9999997	135,620,608	73,127,499	208,748,107	69,354,167	2,829,830	72,183,997	136,564,110	212,715,721	14,497,451
76.181.946-1	Telefónica Multimedia Chile Dos S.A. (1)	99.9999000	3,577,733	638	3,578,371	8,323	-	8,323	3,570,048	-	(854,719)
96.672.160-k	Telefónica Larga Distancia S.A.	99.9297221	113,757,453	67,821,562	181,579,015	37,500,936	3,277,060	40,777,996	140,801,019	89,435,083	38,185,128
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	51.0000000	75,555,181	46,815,222	122,370,403	85,818,722	31,376,249	117,194,971	5,175,432	175,075,825	6,980,594
96.811.570-7	Instituto Telefónica Chile S.A.	99.9999531	224,577	285,985	510,562	1,437,205	22,468	1,459,673	(949,111)	604,157	(563,873)

(1) On April 30, 2013 Telefónica Chile S.A. absorbed subsidiary Telefónica Multimedia Chile Dos S.A., acquiring all its assets and liabilities and succeeding it in all its rights and obligations as legal continuer incorporating all shareholders' equity.

2. Significant accounting principles, continued

e) Foreign exchange differences

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 year-end, detailed as follows:

DATE	USD	EURO	REAL	JPY	UF
31.Dec.2013	524.61	724.30	222.71	4.99	23,309.56
31.Dec.2012	479.96	634.45	234.98	5.58	22,840.75

Differences resulting from foreign currency translation in the application of this standard are recognized in income for the year through the "foreign currency translation" account and differences resulting from the valuation of the UF are recognized in income for the year in the "income from indexation units" account.

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.

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 accounts receivable.

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

i) Loans and accounts receivable, continued

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.

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.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

iv) Financial assets available for sale, continued

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. 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.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

3. Financial liabilities, continued

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.

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.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

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.

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.

2. Significant accounting principles, continued

g) Inventory

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

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.

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 2013 and 2012 the rate used was 9.56% and 8.52% respectively. There were no impairment adjustments made in 2013 and 2012.

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.

2. Significant accounting principles, continued

j) Leases, continued

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 December 31, 2013 and 2012 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 year-end to calculate those amounts, which is 20% for 2013 and 2012.

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.

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.

2. Significant accounting principles, continued

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 balance sheet 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.

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 year-end of 2013 and 2012 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 year, in which they are incurred.

2. Significant accounting principles, continued

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 9.21% for December, 2013 (8.16% for December, 2012).

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 year-end and if appropriate, adjusted prospectively.

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 December 31, 2013 and 2012, 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.

2. Significant accounting principles, continued

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.

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).

2. Significant accounting principles, continued

p) Income and expenses, continued

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 Receivables" 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.

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.

2. Significant accounting principles, continued

q) Use estimates, continued

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.

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 at each reporting date. 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 assumptions 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.

2. Significant accounting principles, continued

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.

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 year 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
IFRIC 21	Levies	January 1, 2014
IFRS 9	Financial instruments	Date yet to be determined

IFRIC 21 "Levies"

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets that was issued in May 2013. IAS 37 establishes the criteria for recognition of assets, one of which is the requirement that the entity must have a present obligation as a result of a past event. The interpretation clarifies that this past event from which the payment obligation of a levy arises is the activity described in the relevant legislation that triggers payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

2. Significant accounting principles, continued

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

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.

	Improvements and amendments	Mandatory application date
IFRS 10	Consolidated Financial Statements	January 1, 2014
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2014
IAS 27	Separate Financial Statements	January 1, 2014
IAS 32	Financial instruments: Presentation	January 1, 2014
IAS 36	Impairment of Assets	January 1, 2014
IAS 39	Financial Instruments: Recognition and Measurement	January 1, 2014
IAS 19	Employee Benefits	January 1, 2014
IFRS 3	Business Combinations	January 1, 2014
IAS 40	Investment Properties	January 1, 2014

IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements"

Amendments to IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interests in other entities and IAS 27 Separate financial statements arise from proposals of the Investment Entities Standard Project published in August 2011. Amendments define an investment entity and introduce an exception to consolidate certain subsidiaries belonging to investment entities.

These amendments require that an investment entity must record these subsidiaries at fair value with changes in income in accordance with IFRS 9 Financial instruments in their consolidated and separate financial statements. The amendments also introduce new information disclosure requirements in IFRS 12 and IAS 27 related to investment entities. Entities are required to apply the amendments to annual periods commencing as of January 1, 2014. Early application is allowed.

IAS 32 "Financial instruments: Presentation"

The amendments to IAS 32, issued in December 2011, are intended to clarify differences in the application related to offsetting balances and thus reduce the level of diversity in current practice. Amendments are applicable as of January 1, 2014 and early adoption is allowed.

2. Significant accounting principles, continued

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

IAS 36 "Impairment of Assets"

Amendments to IAS 36, issued in May 2013, are destined to disclosure of information regarding the recoverable amount of impaired assets, if the amount is based on the fair value less disposal costs. These amendments are in relation to the issuance of IFRS 13 Fair Value Measurement. Amendments must be applied retrospectively for annual periods commencing on or after January 1, 2014. Early application is allowed when the entity has already applied IFRS 13.

IAS 39 "Financial Instruments: Recognition and Measurement"

Amendments to IAS 39, issued in June 2013, provide an exception to the requirement to suspend hedge accounting in situations in which over the counter derivatives designated in hedge relations are directly or indirectly novated to a central counterpart entity, as a consequence of laws or regulations, or the introduction of laws or regulations. It is required that entities apply the amendments to annual periods commencing as of January 1, 2014. Early application is allowed.

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.

2. Significant accounting principles, continued

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

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.

3. Changes in Accounting Policy and Disclosures

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

a) Change in policy

In accordance with Circular 2058 issued on February 3, 2012 by the Superintendency of Securities and Insurance, the Company presents the statement of cash flows using the direct method.

b) 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.

3. Changes in Accounting Policy and Disclosures, continued

b) Change in estimates, continued

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.

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.

During the periods covered in these financial statements, there have been no changes in estimates that could affect comparison between financial statements other than those mentioned in the previous paragraphs.

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, to the years 2013 and 2012 is as follows:

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 between segments	73,870,128	36,290,559	5,230,877	-	183,840,956	(299,232,520)	-
Income from external customers and between segments	**487,915,209**	**78,865,322**	**125,049,062**	**108,943,127**	**186,233,179**	**(299,232,520)**	**687,773,379**
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
Finance income, net segment	**(27,519,121)**	**3,799,054**	**885,662**	**96,089**	**(1,354,751)**	**-**	**(24,093,067)**
Depreciation and amortization	130,073,808	10,118,213	11,897,004	15,558,043	620	-	167,647,688
Other significant income (expense) items	(324,305,929)	(40,420,028)	(107,403,800)	(80,917,065)	(172,053,982)	299,233,959	(425,866,845)
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 year 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 year from discontinuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the year	**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 year ended as of December 31, 2012	Fixed Telecommunications ThCh$	Long Distance ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	428,717,230	45,549,544	114,363,230	92,899,408	13,458,275	-	694,987,687
Income between segments	74,165,761	43,885,539	5,453,083	-	178,091,922	(301,596,305)	-
Income from external customers and between segments	**502,882,991**	**89,435,083**	**119,816,313**	**92,899,408**	**191,550,197**	**(301,596,305)**	**694,987,687**
Income from ordinary activities arising from interest							
Interest expense	33,723,129	6,465	10,995	32,468	1,938,185	(10,912,281)	24,798,961
Interest income	6,517,899	8,907,053	2,124,274	22,148	45,598	(10,919,367)	6,697,605
Finance income, net segment	**(27,205,230)**	**8,900,588**	**2,113,279**	**(10,320)**	**(1,892,587)**	**(7,086)**	**(18,101,356)**
Depreciation and amortization	113,044,578	8,791,461	11,083,657	21,367,336	648,835	8,951,285	163,887,152
Other significant income (expense) items	(345,601,977)	(43,023,172)	(100,137,801)	(64,398,908)	(179,422,612)	310,596,646	(421,987,824)
Participation in profit of associated companies accounted for using the equity method	56,437,262	33,357	83,277	18,072	20,942	(56,270,160)	322,750
Income tax expense	14,811,116	8,135,379	1,545,351	1,776,561	2,599,047	-	28,867,454
Other significant non-cash items	448,097	(233,888)	(119,398)	6,434	26,859	(41,969)	86,135
Profits(loss) before tax	**73,916,566**	**46,320,507**	**10,672,013**	**7,147,350**	**9,633,964**	**(56,270,160)**	**91,420,240**
Profit (loss) for the year from continuing operations	**59,105,450**	**38,185,128**	**9,126,662**	**5,370,789**	**7,034,917**	**(56,270,160)**	**62,552,786**
Profit (loss) for the year from discontinuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit (loss) for the year	**59,105,450**	**38,185,128**	**9,126,662**	**5,370,789**	**7,034,917**	**(56,270,160)**	**62,552,786**
Assets	1,562,924,589	181,579,015	127,244,124	81,503,983	139,126,056	(552,547,136)	1,539,830,631
Investments in associates accounted for using the equity method	287,625,258	20,702	67,281	-	15,534	(287,728,775)	-
Increases in non-current assets	127,067,674	4,283,601	10,137,957	27,410,027	-	-	168,899,259
Liabilities	963,327,125	40,777,996	47,898,191	24,285,806	126,127,458	(264,818,362)	937,598,214
Shareholders' equity	599,597,464	140,801,019	79,345,933	57,218,177	12,998,598	(287,728,774)	602,232,417
Liabilities & Shareholders' equity	1,562,924,589	181,579,015	127,244,124	81,503,983	139,126,056	(552,547,136)	1,539,830,631
Cash flows provided by (used in) operating activities	150,910,327	35,355,323	18,710,037	30,449,579	(5,609,746)	19,566,942	249,382,462
Cash flows provided by (used in) investment activities	36,054,214	(6,214,628)	(1,150,912)	(35,545,889)	-	(166,394,608)	(173,251,823)
Cash flows provided by (used in) from in financing activities	18,660,369	(28,871,810)	(3,123,029)	(9,850,520)	6,005,534	146,827,666	129,648,210

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	12.31.2013 ThCh$	12.31.2012 ThCh$
Cash (a)		**96,833**	**104,247**
	CLP	25,199	43,160
	USD	49,844	40,321
	EUR	21,790	20,766
Banks (b)		**6,703,973**	**10,939,658**
	CLP	6,304,981	10,608,029
	USD	184,861	136,003
	EUR	214,131	195,626
Time deposits (c)		**161,214,332**	**214,834,792**
	CLP	135,775,399	8,535,201
	UF	-	62,213,631
	USD	25,438,933	144,085,960
Repurchase agreements (d)		**5,000,584**	**20,689,269**
	CLP	5,000,584	20,689,269
Total cash and cash equivalents		**173,015,722**	**246,567,966**
Sub-total by currency	**CLP**	**147,106,163**	**39,875,659**
	UF	**-**	**62,213,631**
	USD	**25,673,638**	**144,262,284**
	EUR	**235,921**	**216,392**

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 December 31, 2013 and December 31, 2012 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$	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**

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$	12.31.2012 ThCh$
Time deposits	CLP	8,526,000	5.15%	16	8,526,000	9,201	8,535,201
Time deposits	UF	2,713	3.70%	90	61,959,287	254,344	62,213,631
Time deposits	USD	299,955	0.34%	78	143,965,001	120,959	144,085,960
Total					**214,450,288**	**384,504**	**214,834,792**

d) Repurchase agreements

Repurchase agreements are instruments from different financial entities.

The balance to December 31, 2013 and 2012 are 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**

Code	Dates		Counterparty	Original currency	Subscription value original currency (in thousands)	Annual rate	Final value ThCh$	Identification of instruments	Book value ThCh$
	Beginning	Ending				%			12.31.2012
CRV	Dec-27-12	Jan-02-13	BCI	CLP	8,400,000	4.8	8,404,480	BCU0300216	8,404,480
CRV	Dec-28-12	Jan-02-13	BBVA	CLP	12,280,000	4.7	12,284,789	BCP0600617	12,284,789
			Total				**20,689,269**		**20,689,269**

6. Other current and non-current financial assets

Other current financial assets are detailed as follows:

Concepts		12.31.2013 Current ThCh$	12.31.2013 Non-Current ThCh$	12.31.2012 Current ThCh$	12.31.2012 Non-Current ThCh$
Guarantees established	(a)	266,217	50,468	478,482	200,959
Other investments	(b)	-	6,330,289	-	7,287,018
Exchange rate hedge	(See Note 19.2)	13,176,354	37,986,732	4,519,653	9,221,669
Total		**13,442,571**	**44,367,489**	**4,998,135**	**16,709,646**

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

b) Other investments are detailed as follows:

Participation	Country	Investment currency	12.31.2013 ThCh$	12.31.2012 ThCh$
Telefónica Brasil (Ex - Telecomunicacoes de Sao Paulo S.A.) (1) (2)	Brazil	REAL	6,318,959	7,275,688
Other participation	Chile	CLP	11,330	11,330
Total			**6,330,289**	**7,287,018**

(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 year 2013 dividends were received in the amount of ThCh$ 653,136 and as of December 31, 2012 ThCh$1,128,472 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	12.31.2013 Current ThCh$	12.31.2013 Non-current ThCh$	12.31.2012 Current ThCh$	12.31.2012 Non-current ThCh$
Support and repair services	1,613,006	-	2,570,125	-
Insurance	786,354	-	605,588	-
Leases	10,065	-	10,536	-
Franchised commissions	7,054,538	-	6,176,928	-
Other amortizable expenses (1)	4,354,088	2,277,992	3,294,515	2,662,177
Other taxes (2)	2,720,053	-	8,639,367	-
Total	**16,538,104**	**2,277,992**	**21,297,059**	**2,662,177**

(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. As of December 31, 2012 this item includes ThCh$5,969,367 for retained earnings monthly prepaid tax installments.

8. Trade and other current receivables

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

Concepts	12.31.2013 Gross value ThCh$	12.31.2013 Allowance for doubtful accounts ThCh$	12.31.2013 Net value ThCh$	12.31.2012 Gross value ThCh$	12.31.2012 Allowance for doubtful accounts ThCh$	12.31.2012 Net value ThCh$
Receivables on current loan transactions	**243,226,162**	**(115,115,992)**	**128,110,170**	**280,205,250**	**(146,837,574)**	**133,367,676**
Invoiced services	211,603,362	(115,115,992)	96,487,370	234,666,169	(146,837,574)	87,828,595
Services provided and not invoiced	31,622,800	-	31,622,800	45,539,081	-	45,539,081
Miscellaneous receivables	**7,119,864**	**-**	**7,119,864**	**7,432,243**	**-**	**7,432,243**
Total	**250,346,026**	**(115,115,992)**	**135,230,034**	**287,637,493**	**(146,837,574)**	**140,799,919**

b) The following table contains trade and other current receivables that are past due and have not been paid or covered by the valuation allowance, listed in order of maturity:

Concepts	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	12.31.2012 Less than 3 months	12.31.2012 3 to 6 months	12.31.2012 6 to 12 months	12.31.2012 Greater than 12 months	12.31.2012 Total
Miscellaneous receivables	24,086,078	3,930,533	-	-	28,016,611	31,634,217	6,079,713	-	-	37,713,930
Total	**24,086,078**	**3,930,533**	**-**	**-**	**28,016,611**	**31,634,217**	**6,079,713**	**-**	**-**	**37,713,930**

8. Trade and other current receivables, continued

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

Movements	12.31.2013 ThCh$	12.31.2012 ThCh$
Beginning balance	**147,919,771**	**133,790,620**
Increases	18,987,654	23,179,418
Eliminations/ Additions	(50,488,341)	(9,050,267)
Movements, subtotal	**(31,500,687)**	**14,129,151**
Ending balance	**116,419,084**	**147,919,771**

d) Allowance for doubtful account movements according to the composition of the portfolio as of December 31, 2013 and 2012 are detailed as follows:

Provisions and write-offs	12.31.2013 ThCh$	12.31.2012 ThCh$
Accrual for portfolio that has not been renegotiated	19,164,283	23,289,292
Accrual for renegotiated portfolio	(176,629)	(109,874)
Write-offs for the year	(50,488,341)	(9,050,267)
Recoveries for the year	-	-
Total	**(31,500,687)**	**14,129,151**

e) As of December 31, 2013 and 2012 the portfolio of returned documents and those in judicial collection is detailed as follows:

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	-	-	-

Portfolio of returned documents and judicial collection as of 12.31.2012	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	10,161	-	-	-
Portfolio of returned documents or those in judicial collection (ThCh$)	2,467,651	-	-	-

8. Trade and other current receivables, continued

Trade and other current receivables aged by segment for the year ending December 2013 are 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. Trade and other current receivables, 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.

8. Trade and other current receivables, continued

Trade and other current receivables aged by segment for the year ending December 2012 are as follows:

Aging of portfolio by segment for the year-ended December 31, 2012	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)	720,739	86,802	62,030	55,700	56,544	53,591	52,218	50,243	49,124	1,772,496	2,959,487
Gross portfolio w/o renegotiation	36,859,026	5,723,589	2,588,633	1,463,897	1,256,699	219,948	(58,657)	-	-	-	48,053,135
Debt	36,859,026	5,723,589	2,588,633	1,693,068	1,669,418	1,428,713	1,310,112	1,259,039	1,316,321	105,631,640	159,479,559
Accrual	-	-	-	(229,171)	(412,719)	(1,208,765)	(1,368,769)	(1,259,039)	(1,316,321)	(105,631,640)	(111,426,424)
Number of clients w/renegotiation	20,721	13,283	5,223	3,334	1,853	1,301	867	704	644	7,469	55,399
Gross renegotiated portfolio	583,337	53,198	2,084	-	-	-	-	-	-	-	638,619
Debt	1,148,989	246,285	74,027	41,589	23,279	17,469	12,854	21,302	20,640	417,906	2,024,340
Accrual	(565,652)	(193,087)	(71,943)	(41,589)	(23,279)	(17,469)	(12,854)	(21,302)	(20,640)	(417,906)	(1,385,721)
Total number of clients	**741,460**	**100,085**	**67,253**	**59,034**	**58,397**	**54,892**	**53,085**	**50,947**	**49,768**	**1,779,965**	**3,014,886**
Total Fixed Telephone Portfolio	**37,442,363**	**5,776,787**	**2,590,717**	**1,463,897**	**1,256,699**	**219,948**	**(58,657)**	**-**	**-**	**-**	**48,691,754**
Debt	**38,008,015**	**5,969,874**	**2,662,660**	**1,734,657**	**1,692,697**	**1,446,182**	**1,322,966**	**1,280,341**	**1,336,961**	**106,049,546**	**161,503,899**
Accrual	**(565,652)**	**(193,087)**	**(71,943)**	**(270,760)**	**(435,998)**	**(1,226,234)**	**(1,381,623)**	**(1,280,341)**	**(1,336,961)**	**(106,049,546)**	**(112,812,145)**
Long Distance											
Number of clients w/o renegotiation (1)	41,359	35,363	18,907	9,808	10,290	9,763	10,835	9,705	8,204	871,077	1,025,311
Gross portfolio w/o renegotiation	3,710,751	4,555,917	3,145,592	1,198,894	1,176,513	37,652	969,934	-	-	-	14,795,253
Debt	3,710,751	4,555,917	3,152,269	1,225,305	1,236,512	212,677	1,972,976	216,181	195,771	17,290,055	33,768,414
Accrual	-	-	(6,677)	(26,411)	(59,999)	(175,025)	(1,003,042)	(216,181)	(195,771)	(17,290,055)	(18,973,161)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**41,359**	**35,363**	**18,907**	**9,808**	**10,290**	**9,763**	**10,835**	**9,705**	**8,204**	**871,077**	**1,025,311**
Total Long Distance Portfolio	**3,710,751**	**4,555,917**	**3,145,592**	**1,198,894**	**1,176,513**	**37,652**	**969,934**	**-**	**-**	**-**	**14,795,253**
Debt	**3,710,751**	**4,555,917**	**3,152,269**	**1,225,305**	**1,236,512**	**212,677**	**1,972,976**	**216,181**	**195,771**	**17,290,055**	**33,768,414**
Accrual	**-**	**-**	**(6,677)**	**(26,411)**	**(59,999)**	**(175,025)**	**(1,003,042)**	**(216,181)**	**(195,771)**	**(17,290,055)**	**(18,973,161)**
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	16,034	4,933	2,188	790	644	916	542	497	525	9,920	36,989
Gross portfolio w/o renegotiation	45,751,168	7,746,630	2,695,914	740,767	515,443	454,657	1,501,660	-	-	-	59,406,239
Debt	45,751,168	7,746,630	2,695,914	740,767	515,443	454,657	1,501,660	214,736	357,894	4,166,584	64,145,453
Accrual	-	-	-	-	-	-	-	(214,736)	(357,894)	(4,166,584)	(4,739,214)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**16,034**	**4,933**	**2,188**	**790**	**644**	**916**	**542**	**497**	**525**	**9,920**	**36,989**
Total Corporate Communication and Data Portfolio	**45,751,168**	**7,746,630**	**2,695,914**	**740,767**	**515,443**	**454,657**	**1,501,660**	**-**	**-**	**-**	**59,406,239**
Debt	**45,751,168**	**7,746,630**	**2,695,914**	**740,767**	**515,443**	**454,657**	**1,501,660**	**214,736**	**357,894**	**4,166,584**	**64,145,453**
Accrual	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(214,736)**	**(357,894)**	**(4,166,584)**	**(4,739,214)**

(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. Trade and other current receivables, continued

Aging of portfolio by segment for the year-ended December 31, 2012	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)	87,314	30,935	10,245	8,867	8,406	8,411	8,647	9,073	17,938	234,164	424,000
Gross portfolio w/o renegotiation	7,000,250	630,747	535,627	552,728	2,318	1,852	1,694	-	-	-	8,725,216
Debt	7,000,250	630,747	535,627	552,728	611,193	599,004	556,151	503,793	479,617	7,441,315	18,910,425
Accrual	-	-	-	-	(608,875)	(597,152)	(554,457)	(503,793)	(479,617)	(7,441,315)	(10,185,209)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**87,314**	**30,935**	**10,245**	**8,867**	**8,406**	**8,411**	**8,647**	**9,073**	**17,938**	**234,164**	**424,000**
Total Television Portfolio	**7,000,250**	**630,747**	**535,627**	**552,728**	**2,318**	**1,852**	**1,694**	**-**	**-**	**-**	**8,725,216**
Debt	**7,000,250**	**630,747**	**535,627**	**552,728**	**611,193**	**599,004**	**556,151**	**503,793**	**479,617**	**7,441,315**	**18,910,425**
Accrual	**-**	**-**	**-**	**-**	**(608,875)**	**(597,152)**	**(554,457)**	**(503,793)**	**(479,617)**	**(7,441,315)**	**(10,185,209)**
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio w/o renegotiation	9,181,457	-	-	-	-	-	-	-	-	-	9,181,457
Debt	9,181,457	-	-	-	-	-	-	-	-	127,845	9,309,302
Accrual	-	-	-	-	-	-	-	-	-	(127,845)	(127,845)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Other Portfolio	**9,181,457**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,181,457**
Debt	**9,181,457**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**127,845**	**9,309,302**
Accrual	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(127,845)**	**(127,845)**
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	**865,446**	**158,033**	**93,370**	**75,165**	**75,884**	**72,681**	**72,242**	**69,518**	**75,791**	**2,887,657**	**4,445,787**
Gross portfolio w/o renegotiation	**102,502,652**	**18,656,883**	**8,965,766**	**3,956,286**	**2,950,973**	**714,109**	**2,414,631**	**-**	**-**	**-**	**140,161,300**
Debt	**102,502,652**	**18,656,883**	**8,972,443**	**4,211,868**	**4,032,566**	**2,695,051**	**5,340,899**	**2,193,749**	**2,349,603**	**134,657,439**	**285,613,153**
Accrual	**-**	**-**	**(6,677)**	**(255,582)**	**(1,081,593)**	**(1,980,942)**	**(2,926,268)**	**(2,193,749)**	**(2,349,603)**	**(134,657,439)**	**(145,451,853)**
Number of clients w/renegotiation	**20,721**	**13,283**	**5,223**	**3,334**	**1,853**	**1,301**	**867**	**704**	**644**	**7,469**	**55,399**
Gross renegotiated portfolio	**583,337**	**53,198**	**2,084**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**638,619**
Debt	**1,148,989**	**246,285**	**74,027**	**41,589**	**23,279**	**17,469**	**12,854**	**21,302**	**20,640**	**417,906**	**2,024,340**
Accrual	**(565,652)**	**(193,087)**	**(71,943)**	**(41,589)**	**(23,279)**	**(17,469)**	**(12,854)**	**(21,302)**	**(20,640)**	**(417,906)**	**(1,385,721)**
Total number of clients	**886,167**	**171,316**	**98,593**	**78,499**	**77,737**	**73,982**	**73,109**	**70,222**	**76,435**	**2,895,126**	**4,501,186**
Total Consolidated Portfolio	**103,085,989**	**18,710,081**	**8,967,850**	**3,956,286**	**2,950,973**	**714,109**	**2,414,631**	**-**	**-**	**-**	**140,799,919**
Debt	**103,651,641**	**18,903,168**	**9,046,470**	**4,253,457**	**4,055,845**	**2,712,520**	**5,353,753**	**2,215,051**	**2,370,243**	**135,075,345**	**287,637,493**
Accrual	**(565,652)**	**(193,087)**	**(78,620)**	**(297,171)**	**(1,104,872)**	**(1,998,411)**	**(2,939,122)**	**(2,215,051)**	**(2,370,243)**	**(135,075,345)**	**(146,837,574)**

(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) Current receivables from related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	12.31.2013 ThCh$	12.31.2012 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent	**Total**			**40,790,111**	**53,963,248**
				Professional Serv.	CLP	60 days	28,598,033	45,013,569
				Access & interc. charges	CLP	60 days	6,678,377	5,890,536
				Media rental	CLP	60 days	4,851,937	2,210,164
				Others	CLP	60 days	661,764	848,979
Telefónica International Wholesale Services España	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	3,088,225	62,083
Telefónica del Perú S.A.	Foreign	Peru	Relationship w/parent	Correspondent	USD	180 days	1,866,090	2,679,361
Telefónica Argentina S.A.	Foreign	Argentina	Relationship w/parent	Serv. Provided	USD	180 days	1,815,168	2,619,657
Telefónica de España S.A.U.	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	180 days	1,194,158	798,385
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	614,065	960,876
Telefónica Internacional S.A.U.	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	560,466	244,530
Media Networks Perú	Foreign	Peru	Relationship w/parent	Serv. Provided	USD	90 days	543,692	659,793
Telcel Venezuela	Foreign	Venezuela	Relationship w/parent	Serv. Provided	USD	180 days	297,134	291,438
Telefónica Brasil	Foreign	Brazil	Relationship w/parent	Serv. Provided	USD	90 days	252,471	208,234
Colombia Telecomunicaciones S.A.E.S.P	Foreign	Colombia	Relationship w/parent	Serv. Provided	USD	60 days	160,845	235,557
Telefónica Larga Distancia Puerto Rico	Foreign	Puerto Rico	Relationship w/parent	Serv. Provided	USD	90 days	151,675	170,534
Telefónica Global Tecnology	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	95,962	-
Telefónica Móviles Soluciones y Aplicaciones S.A. (1)	96.990.810-7	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	-	98,406
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	85,725	89,001
Terra Networks Chile S.A.	96.834.230-4	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	73,761	110,134
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	75,903	48,221
Wayra Chile Tecnología e Innovación Ltda. (2)	96.672.150-2	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	69,087	36,809
Telefónica S.A.	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	55,053	80,387
Telefónica Móviles Guatemala	Foreign	Guatemala	Relationship w/parent	Serv. Provided	USD	90 days	8,840	3,619
Otecel S.A.	Foreign	Colombia	Relationship w/parent	Serv. Provided	USD	60 days	7,371	27,038
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	533	3,080
Telefónica Data España S.A.	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	60 days	-	33,629
Telefónica Slovakia	Foreign	Slovakia	Relationship w/parent	Serv. Provided	USD	180 days	-	27,850
Telefónica Factoring Chile	70.096.189-2	Chile	Relationship w/parent	Serv. Provided	USD	90 days	-	3,751
Telefónica Internacional Chile S.A.	96.527.390-5	Chile	Parent company	Serv. Provided	CLP	60 days	-	5,401
Total							**51,807,548**	**63,462,235**

(1) On November 22, 2013, Telefónica Móviles Soluciones y Aplicaciones S.A. was divided, leaving Estrella S.A. with accounts receivable and payable. Subsequently, on December 18, 2013 Telefónica Móviles Soluciones y Aplicaciones S.A merged with Miraflores 130 S.A. absorbing it.

(2) On May 22, 2012 the name of Telefónica Móviles Chile Inversiones S.A. was changed to Wayra Chile Tecnología e Innovación Ltda

9. Receivables from and payable to related companies, continued

b) Non-current receivables from related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	12.31.2013 ThCh$	12.31.2012 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**

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.

c) Current payables to related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	12.31.2013 ThCh$	12.31.2012 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent	**Total**			**19,738,693**	**46,958,601**
				Financial Serv.	CLP	60 days	12,111,808	35,173,112
				Fixed – Mobile cost	CLP	60 days	3,459,743	3,725,749
				Collection payable	CLP	60 days	1,900,036	3,582,973
				Access charges	CLP	60 days	2,022,269	2,015,350
				Other	CLP	60 days	244,837	2,461,417
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Relationship w/parent	**Total**			**13,590,701**	**16,681,726**
				Financial Serv.	CLP	60 days	2,292,526	11,254,015
				IP Voice Traffic	CLP	60 days	9,149,291	1,558,245
				Data and Links	CLP	60 days	1,152,250	3,280,482
				Other	CLP	60 days	996,634	588,984
Telefónica S.A.	Foreign	Spain	Relationship w/parent	**Total**			**6,680,744**	**3,350,736**
				Brand Fee	EUR	90 days	5,307,658	2,614,910
				Other	EUR	90 days	1,373,086	735,826
Telefónica Internacional S.A.U. - España	Foreign	Spain	Relationship w/parent	**Total**			**5,876,540**	**2,597,832**
				Cost Sharing Agreement	EUR	90 days	4,558,929	1,648,741
				Other	EUR	90 days	1,317,611	949,091
Inversiones Telefónica Internacional Holding Limitada	77.363.730-k	Chile	Parent company	Dividends payable	CLP	60 days	5,519,424	-
Telefónica Internacional Chile S.A	96.527.390-5	Chile	Relationship w/parent	Dividends payable	CLP	60 days	5,104,247	-
Telefónica del Perú S.A.	Foreign	Peru	Relationship w/parent	Serv. Provided	USD	180 days	2,199,352	2,362,401
Telefónica International Wholesale Services España	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	1,931,899	435,993
Telefónica Brasil	Foreign	Brazil	Relationship w/parent	Serv. Provided	USD	90 days	1,816,869	1,430,267
Telefónica Compras Electrónicas	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	1,769,547	1,963,898
Telefónica Argentina S.A.	Foreign	Argentina	Relationship w/parent	Serv. Provided	USD	180 days	1,719,805	1,832,285
Media Networks Perú	Foreign	Peru	Relationship w/parent	Serv. Provided	USD	90 days	960,808	1,061,557
Telefónica Global Technology	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	90 days	807,748	579,203
Fundación Telefónica Chile	74.944.200-k	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	502,370	526,766
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	430,454	328,444
Telefónica de España S.A.U	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	180 days	252,693	166,546
Telefónica USA Inc.	Foreign	USA	Relationship w/parent	Serv. Provided	USD	60 days	141,038	248,070
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Relationship w/parent	Serv. Provided	USD	60 days	139,138	128,807
Terra Networks Chile S.A.	96.834.230-4	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	137,062	628,642
Telefónica Gestión de Servicios Compartidos - España	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	60 days	77,315	-
Subtotal next page							**69,396,447**	**81,196,221**

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	12.31.2013 ThCh$	12.31.2012 ThCh$
Subtotal previous page							**69,396,447**	**81,196,221**
Telefónica On The Spot Services S.A.U.	Foreign	Spain	Relationship w/parent	Serv. Provided.	EUR	90 días	26,231	26,398
Telcel Venezuela	Foreign	Venezuela	Relationship w/parent	Serv. Provided	USD	180 days	17,111	14,115
Telefónica Larga Distancia Puerto Rico	Foreign	Puerto Rico	Relationship w/parent	Serv. Provided	USD	90 days	15,193	21,096
Otecel S.A.	Foreign	Colombia	Relationship w/parent	Serv. Provided	USD	60 days	6,207	14,950
Televisión Federal Telefe – Argentina	Foreign	Argentina	Relationship w/parent	Serv. Provided	USD	90 days	3,567	-
Telefónica Learning	Foreign	Spain	Relationship w/parent	Serv. Provided	EUR	60 days	2,178	1,141
Telefónica Móviles El Salvador	Foreign	El Salvador	Relationship w/parent	Serv. Provided	USD	90 days	1,384	3,615
Telefónica Factoring - España	Foreign	Spain	Relationship w/parent	Serv. Provided	USD	60 days	1,240	2,892
Inversiones Telefónica Móviles Holding S.A.	76.124.890-1	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	64	1,532
Telefónica Gestión de Servicios Compartidos - Perú	Foreign	Peru	Relationship w/parent	Serv. Provided	USD	60 days	-	160,250
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Relationship w/parent	Serv. Provided	CLP	60 days	-	35,029
Telecom Italia	Foreign	Italy	Relationship w/parent	Serv. Provided	EUR	90 days	-	162,517
Total							**69,469,622**	**81,725,309**

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	12.31.2013 ThCh$	12.31.2012 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent	**Total**		**107,834,470**	**98,029,509**
				Prof. Services	CLP	70,941,818	71,025,892
				Access charges and Interconnects	CLP	27,639,710	26,866,964
				Fixed - Mobile	CLP	13,256,194	11,614,592
				Cost		(3,132,062)	(10,070,402)
				Interest expense	CLP	(1,348,697)	(1,980,069)
				Interest income	CLP	-	134,755
				Other	CLP	477,507	437,777
Telefónica International Wholesale Services España	Foreign	Spain	Relationship w/parent	Sale	EUR	3,024,871	151,884
				Cost	EUR	(1,830,733)	(164,147)
Telefónica España	Foreign	Spain	Relationship w/parent	Sale	EUR	475,427	901,668
				Cost	EUR	-	(340,672)
Telcel Venezuela	Foreign	Venezuela	Relationship w/parent	Sale	USD	211,376	371,278
				Cost	USD	-	(7,767)
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Relationship w/parent	Sale	CLP	155,923	59,754
				Cost	CLP	-	(35,029)
Telefónica Gestión de Servicios Compartidos Perú	Foreign	Peru	Relationship w/parent	Sale	USD	145,932	-
				Cost	USD	-	(160,596)
Telecom Italia S.P.A.	Foreign	Italy	Relationship w/parent	Sale	EUR	126,250	84,351
				Cost	EUR	-	(34,500)
Telefónica Móviles Soluciones y Aplicaciones S.A.	96.990.810-7	Chile	Relationship w/parent	Sale	CLP	92,884	127,763
				Cost	CLP	(25,608)	-
Otecel S.A.	Foreign	Colombia	Relationship w/parent	Sale	USD	55,867	72,014
				Cost	USD	-	(80,445)
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Relationship w/parent	Sale	USD	90,080	182,817
				Cost	USD	(36,603)	(105,444)
Telefónica Larga Distancia Puerto Rico	Foreign	Puerto Rico	Relationship w/parent	Sale	USD	60,647	153,255
				Cost	USD	(14,011)	(17,793)
Telefónica Móviles Guatemala	Foreign	Guatemala	Relationship w/parent	Sale	USD	13,680	5,665
				Cost	USD	-	(1,160)
Telefónica Internacional Chile S.A.	96.527.390-5	Chile	Parent company	Sale	CLP	6,183	4,285
Telefónica Móviles El Salvador	Foreign	El Salvador	Relationship w/parent	Sale	USD	460	3,077
				Cost	USD	(1,664)	(33,989)
Telefónica del Perú S.A.	Foreign	Peru	Relationship w/parent	Sale	USD	184,753	940,905
				Cost	USD	(193,857)	(807,784)
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Relationship w/parent	Sale	CLP	24,000	18,769
				Interest expense	CLP	(25,830)	(13,436)
Telefónica Learning	Foreign	Spain	Relationship w/parent	Cost	EUR	(11,260)	(542)
Telefónica Data España S.A.	Foreign	Spain	Relationship w/parent	Cost	EUR	(33,629)	-
Televisión Federal Telefe – Argentina	Foreign	Argentina	Relationship w/parent	Cost	USD	(39,293)	(37,929)
Terra Networks Chile S.A.	93.834.230-4	Chile	Relationship w/parent	Sale	CLP	106,357	97,880
				Cost	CLP	(340,454)	(1,189,262)
Telefónica On The Spot Services S.A.U.	Foreign	Spain	Relationship w/parent	Cost	EUR	(293,937)	(317,545)
Telefónica Gestión de Servicios Compartidos - España	Foreign	Spain	Relationship w/parent	Cost	EUR	(308,399)	-
Telefónica USA Inc.	Foreign	USA	Relationship w/parent	Cost	USD	(328,052)	(660,891)
Telefónica Brasil	Foreign	Brazil	Relationship w/parent	Sale	USD	124,403	231,203
				Cost	USD	(490,132)	(931,282)
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Relationship w/parent	Sale	CLP	34,183	22,375
				Cost	CLP	(1,075,753)	(879,656)
Telefónica Compras Electrónica S.A.	Foreign	Spain	Relationship w/parent	Cost	EUR	(1,066,055)	(1,813,232)

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	12.31.2013 ThCh$	12.31.2012 ThCh$
Telefónica International Wholesale Services América	Foreign	Uruguay	Relationship w/parent	Cost	USD	(1,309,546)	(1,428,596)
Telefónica Global Technology	Foreign	Spain	Relationship w/parent	Cost	EUR	(3,074,823)	(2,479,442)
Telefónica International Wholesale Services USA	Foreign	USA	Relationship w/parent	Sale	USD	190,108	185,019
				Cost	USD	(4,159,272)	(2,500,440)
Media Networks Perú	Foreign	Peru	Relationship w/parent	Sale	USD	146,330	-
				Cost	USD	(4,478,891)	(4,071,136)
Telefónica Argentina S.A.	Foreign	Argentina	Relationship w/parent	Sale	USD	667,240	1,261,808
				Media rental	USD	(5,101,202)	(5,053,609)
Telefónica S.A.	Foreign	Spain	Relationship w/parent	Brand Fee	EUR	(10,198,525)	(9,987,950)
				Other	EUR	(556,522)	(1,173,221)
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Relationship w/parent	**Total**		**(12,951,083)**	**(12,528,049)**
				Sale	CLP	2,117,080	1,860,799
				IP voice traffic and Internet Access	CLP	(13,617,968)	(13,294,877)
				Interest expense	CLP	(58,622)	(147,412)
				Other	CLP	(1,391,573)	(946,559)
Telefónica Empresas Brasil	Foreign	Brazil	Relationship w/parent	Sale	USD	-	148,755
Telefónica Slovakia	Foreign	Slovakia	Relationship w/parent	Sale	USD	-	25,380
Telefónica Factoring Chile	70.096.189-2	Chile	Relationship w/parent	Sale	CLP	-	3,751
Atento Perú (1)	Foreign	Peru	-	Cost	USD	-	(338,391)
Atento Chile (1)	96.895.220-k	Chile	-	Sale	CLP	-	513,495
				Cost	CLP	-	(13,542,678)

(1) During the last quarter of 2012 the Telefónica Group closed the sale of the Atento Group (call center subsidiary) to a group of companies controlled by Bain Capital (USA) a risk capital fund, and it stopped forming part of the group of related companies.

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.

9. Receivables from and payable to related companies, continued

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 and 82 executives for December 2013 and 2012, respectively.

Concepts	12.31.2013 ThCh$	12.31.2012 ThCh$
Salaries	10,592,707	10,226,147
Post employment benefits	3,113,446	785,435
Total	**13,706,153**	**11,011,582**

10. Inventory

a) The detail of inventory is as follows:

Concepts	12.31.2013 Gross value ThCh$	12.31.2013 Allowance for obsolescence ThCh$	12.31.2013 Net value ThCh$	12.31.2012 Gross value ThCh$	12.31.2012 Allowance for obsolescence ThCh$	12.31.2012 Net value ThCh$
Modems and Router	3,427,034	(1,719,771)	1,707,263	3,591,983	(1,595,750)	1,996,233
Basic telephony, public telephony and switchboard ("centralitas") components	2,943,582	(1,311,327)	1,632,256	3,685,260	(1,098,845)	2,586,415
Decoders and antennas	1,612,975	(167,364)	1,445,611	685,692	(175,735)	509,957
IP Solutions Projects	100,703	-	100,703	673,920	-	673,920
Other	2,041,355	(145,373)	1,895,982	494,496	(113,626)	380,870
Total	**10,125,649**	**(3,343,835)**	**6,781,814**	**9,131,351**	**(2,983,956)**	**6,147,395**

As of December 31, 2013 and 2012 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	12.31.2013 ThCh$	12.31.2012 ThCh$
Beginning balance	**6,147,395**	**7,840,571**
Purchases	12,590,316	12,912,414
Sales	(11,544,472)	(13,798,264)
Allowance for obsolescence	(359,879)	(805,862)
Transfer to materials allocated to the investment (note 15b)	(51,546)	(1,464)
Movement, subtotal	**634,419**	**(1,693,176)**
Ending balance	**6,781,814**	**6,147,395**

11. Income Taxes

a) Income Taxes:

As of December 31, 2013 and 2012, a consolidated first category income tax accrual has been established, therefore a positive tax base was determined in the amount of ThCh$ 92,607,480 and ThCh$ 137,800,981, respectively for each year.

As of December 31, 2013 and 2012 subsidiaries have a positive taxable base of ThCh$ 63,034,674 and ThCh$ 89,450,306, respectively.

As of December 31, 2013 the parent company has recorded a positive Taxable Retained Earnings Registry (FUT) in the amount of ThCh$ 522,210,017. Subsidiary Instituto Telefónica Chile S.A. as of December 31, 2013 and 2012 has negative FUT, and a first category tax loss of ThCh$ 1,374,413 y ThCh$ 1,358,574, 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.

Law No. 20,630 which establishes the first category tax rate at 20% as of the 2013 tax year was published on September 27, 2012. Due to the above, we have gathered the effects of that reform to determine the respective current and deferred taxes.

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.	2,846,096	1,078,299	771,939	356,325,695	154,253,018	8,116,077	112,405,706
Telefónica Larga Distancia S.A.				45,219	43,704,425	6,693,671	10,935,368
Telefónica Chile Servicios Corporativos Ltda.					30,884,076	1,423,075	7,721,019
Telefónica Empresas Chile S.A.				7,493,098	34,509,885	4,854,414	10,162,200
Telefónica Gestión de Servicios Compartidos Chile S.A.				3,204,729	3,794,631	477,359	1,605,047
Total	**2,846,096**	**1,078,299**	**771,939**	**367,068,741**	**267,146,035**	**21,564,596**	**142,829,340**

b) Current income tax assets

As of December 31, 2013 and 2012, current income tax assets are detailed as follows:

Concepts	12.31.2013 ThCh$	12.31.2012 ThCh$
Monthly prepaid tax installments	3,808,282	1,175,818
Sence Credit	774,201	395,000
Total	**4,582,483**	**1,570,818**

11. Income Taxes, continued

c) Deferred taxes

As of December 31, 2013 and 2012, the cumulative balances of temporary differences resulted in net deferred tax liabilities of ThCh$ 48,072,996 and ThCh$ 44,859,783, respectively, detailed as follows:

Concepts	12.31.2013 Assets ThCh$	12.31.2013 Liabilities ThCh$	12.31.2012 Assets ThCh$	12.31.2012 Liabilities ThCh$	12.31.2013 Profit (loss) ThCh$	12.31.2013 Equity ThCh$	12.31.2012 Profit (loss) ThCh$	12.31.2012 Equity ThCh$
Allowance for doubtful accounts	23,283,817	-	29,870,885	-	6,587,068	-	(5,199,907)	-
Vacation provision	884,163	-	1,390,255	-	506,092	-	(281,012)	-
Staff severance indemnities	6,228,671	8,609,055	6,396,093	8,877,432	(100,955)	-	1,204,853	-
Amortization and depreciation of assets	3,479,177	76,723,870	2,460,091	82,916,017	(7,211,233)	-	4,454,633	-
Tax loss carry forward	-	-	271,714	-	271,714	-	22,278	-
Deferred income	720,877	-	1,080,637	6,921	352,839	-	(363,542)	-
Equity adjustment	1,469,310	2,314,698	2,078,453	-	-	2,923,808	161,278	(1,045,991)
Incentive bonus	3,309,425	-	3,191,202	-	(118,223)	-	(936,150)	-
Other events (1)	1,807,217	1,608,030	1,927,230	1,725,973	2,133	-	1,050,045	-
Sub total	**41,182,657**	**89,255,653**	**48,666,560**	**93,526,343**	**289,435**	**2,923,808**	**112,476**	**(1,045,991)**
Reclassification	**(33,258,106)**	**(33,258,106)**	**(41,631,135)**	**(41,631,135)**	**-**	**-**	**-**	**-**
Total	**7,924,551**	**55,997,547**	**7,035,425**	**51,895,208**	**289,435**	**2,923,808**	**112,476**	**(1,045,991)**

(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 December 31, 2013 and 2012, taxable income are detailed as follows:

Concepts	Taxable Net Income	
	12.31.13	12.31.2012
	ThCh$	ThCh$
Finance income	49,560,375	62,552,786
Recorded tax expense	20,754,835	28,867,454
Additions	129,673,113	127,786,814
Deductions	(107,380,843)	(81,406,073)
Taxable net income	92,607,480	137,800,981
First category tax rate 20%	**18,521,496**	**27,560,196**
Art. 21 rejected expenses tax base	3,851,851	911,780
Art. 21 non-deductible expenses (35% rate)	**1,348,148**	**319,123**
Total tax provision	**19,869,644**	**27,879,319**
Contingencies provision	969,972	370,000
Previous year deficit (surplus)	(495,647)	282,322
Third party absorbed net income provisional payment	121,431	223,337
Total first category taxes	**20,465,400**	**28,754,978**

11. Income Taxes, continued

e) Income tax reconciliation

The income tax expense reconciliation for the years ended December 31, 2013 and 2012 are detailed as follows:

Concepts	12.31.13 Taxable base ThCh$	12.31.13 20% Tax Rate ThCh$	12.31.2012 Taxable base ThCh$	12.31.2012 20% Tax Rate ThCh$
Finance income	49,560,375		62,552,786	
Recorded tax expense	20,754,835		28,867,454	
Income before taxes	**70,315,210**	**14,063,042**	**91,420,240**	**18,284,048**
Permanent differences	**33,458,968**	**6,691,793**	**52,917,025**	**10,583,406**
Price-level restatement of taxable equity	(14,961,768)	(2,992,354)	(12,070,852)	(2,414,170)
Price-level restatement of investments	6,174,726	1,234,945	3,197,472	639,494
Income from investments in related companies	-	-	(322,748)	(64,550)
Adjustment on deferred tax beginning balances (1)	(30,443)	(6,089)	5,011,113	1,002,223
Difference due to legal change in rates (2)	-	-	48,949,693	9,789,939
Prior year income tax deficit (surplus)	(2,478,233)	(495,647)	1,411,608	282,322
Returns adjustment	607,157	121,431	-	-
Other (3)	44,147,529	8,829,507	6,740,739	1,348,148
Total corporate tax expense	**103,774,178**	**20,754,835**	**144,337,265**	**28,867,454**
Based on taxable net income and deferred taxes calculated on the basis of temporary differences				
20% income tax		18,521,496		27,560,196
35% income tax		1,348,148		319,123
Returns adjustment		121,431		223,337
Previous year deficit (surplus)		(495,647)		282,322
Contingencies provision tax		969,972		370,000
Income tax expense		**20,465,400**		**28,754,978**
Deferred tax expense (income)		**289,435**		**112,476**
Total corporate tax expense		**20,754,835**		**28,867,454**
Effective income tax rate		**29.52%**		**31.58%**

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

(2) Law No. 20,630, which establishes the first category tax rate as of the 2013 tax year was published on September 27, 2012. Therefore, for the purpose of this closing date, we have included the effects of that reform in our determination of the respective current and deferred income taxes.

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

11. Income Taxes, continued

f) Current income tax liabilities

As of December 31, 2013 and 2012, current income tax liabilities are detailed as follows:

Concepts	12.31.2013 ThCh$	12.31.2012 ThCh$
Income tax accrual (1)	523,232	7,588,500
Total	**523,232**	**7,588,500**

(1) First Category income tax is presented net of prepaid monthly tax installments for ThCh$ 4,230,468 y ThCh$ 10,602,505 for 2013 and 2012, respectively.

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 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 receivables

a) Non-current receivables are detailed as follows:

Concepts	12.31.2013 Gross value ThCh$	12.31.2013 Allowance for doubtful accounts ThCh$	12.31.2013 Net value ThCh$	12.31.2012 Gross value ThCh$	12.31.2012 Allowance for doubtful accounts ThCh$	12.31.2012 Net value ThCh$
Trade receivables	5,643,742	(1,303,092)	4,340,650	5,570,800	(1,082,197)	4,488,603
Miscellaneous receivables (1)	12,708,832	-	12,708,832	13,559,510	-	13,559,510
Total	**18,352,574**	**(1,303,092)**	**17,049,482**	**19,130,310**	**(1,082,197)**	**18,048,113**

(1) Mainly includes loans related to employees.

b) As of December 31, 2013 non-current accounts receivable by due date are detailed as follows:

Concepts	As of December 31, 2013 Gross Portfolio value in ThCh$ 1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Allowance for doubtful accounts ThCh$ 1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Net Total
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**

Concepts	As of December 31, 2012 Gross Portfolio value in ThCh$ 1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Allowance for doubtful accounts ThCh$ 1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Net Total
Trade receivables	2,941,889	2,628,911	-	**5,570,800**	(1,081,387)	(810)	-	**(1,082,197)**	**4,488,603**
Miscellaneous receivables	3,083,263	919,144	9,557,103	**13,559,510**	-	-	-	**-**	**13,559,510**
Total	**6,025,152**	**3,548,055**	**9,557,103**	**19,130,310**	**(1,081,387)**	**(810)**	**-**	**(1,082,197)**	**18,048,113**

13. Intangible Assets other than goodwill

a) Intangible assets other than goodwill as of December 31, 2013 and 2012 are detailed as follows:

Concepts	12.31.2013 Intangible, gross ThCh$	12.31.2013 Accumulated amortization ThCh$	12.31.2013 Intangible, net ThCh$	12.31.2012 Intangible, gross ThCh$	12.31.2012 Accumulated amortization ThCh$	12.31.2012 Intangible, net ThCh$
Intangible assets in development (1)	16,984	-	16,984	3,449,912	-	3,449,912
Licenses and franchises	178,036,289	(147,671,499)	30,364,790	156,006,228	(128,791,614)	27,214,614
Other intangible assets (2)	21,832,500	(15,841,614)	5,990,886	21,832,500	(14,391,496)	7,441,004
Total	**199,885,773**	**(163,513,113)**	**36,372,660**	**181,288,640**	**(143,183,110)**	**38,105,530**

(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 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	**-**	**2.0 years**	**4.1 years**	**-**

Movements of intangible assets other than goodwill for 2012 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 01.01.2012	**10,349,651**	**22,288,258**	**8,891,124**	**41,529,033**
Additions	2,744,704	-	-	2,744,704
Transfer to service development costs	(9,664,685)	9,664,685	-	-
Amortization	-	(14,773,608)	(1,450,120)	(16,223,728)
Transfer of amortization	-	(785)	-	(785)
Transfer from work in progress (Note 15b)	20,242	10,036,064	-	10,056,306
Movement, subtotal	**(6,899,739)**	**4,926,356**	**(1,450,120)**	**(3,423,503)**
Ending balance as of 12.31.2012	**3,449,912**	**27,214,614**	**7,441,004**	**38,105,530**
Remaining average useful life	**-**	**2 years**	**5.4 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, 2013 impairment testing is 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 9.56% (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 as of December 31, 2013 there was no effect on income due to impairment testing of these assets.

The main additions to intangible assets other than goodwill in 2013 and 2012 are investments in information applications.

14. Goodwill

Goodwill movement for the years 2013 and 2012 is as follows:

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**

Taxpayer No.	Company	01.01.2012 ThCh$	Additions ThCh$	Eliminations ThCh$	12.31.2012 ThCh$
96.672.160-k	Telefónica Larga Distancia S.A.	21,039,896	-	-	21,039,896
96.811.570-7	Instituto Telefónica Chile S.A.	38,923	-	(38,923)	-
96.834.320-3	Telefónica Internet Empresas S.A.	620,232	-	-	620,232
	Total	**21,699,051**	**-**	**(38,923)**	**21,660,128**

Assets indicated in goodwill 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, 2013 impairment testing is 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 9.56% (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.

15. Property, plant and equipment

a) The detail of Property, plant and equipment items for the years 2013 and 2012 and their corresponding accumulated depreciation is as follows:

Concepts	12.31.2013 Property, plant & equipment, Gross ThCh$	12.31.2013 Accumulated depreciation ThCh$	12.31.2013 Property, plant & equipment, Net ThCh$	12.31.2012 Property, plant & equipment, Gross ThCh$	12.31.2012 Accumulated depreciation ThCh$	12.31.2012 Property, plant & equipment, Net ThCh$
Land	21,247,855	-	21,247,855	21,490,644	-	21,490,644
Buildings	728,715,341	(444,919,954)	283,795,387	716,968,498	(428,659,342)	288,309,156
Transport equipments	577,765	(526,786)	50,979	590,958	(510,651)	80,307
Supplies and accessories	21,985,838	(19,870,021)	2,115,817	21,800,462	(19,365,538)	2,434,924
Office equipments	1,843,310	(651,629)	1,191,681	1,582,632	(502,606)	1,080,026
Construction in progress	166,734,210	-	166,734,210	179,424,467	-	179,424,467
Other property, plant & equipment (1)	2,563,801,392	(2,061,493,573)	502,307,819	2,457,075,742	(2,000,561,329)	456,514,413
Total	**3,504,905,711**	**(2,527,461,963)**	**977,443,748**	**3,398,933,403**	**(2,449,599,466)**	**949,333,937**

(1) Other property, plant and equipment is detailed as follows:

Concepts	12.31.2013 Property, plant & equipment, Gross ThCh$	12.31.2013 Accumulated depreciation ThCh$	12.31.2013 Property, plant & equipment, Net ThCh$	12.31.2012 Property, plant & equipment, Gross ThCh$	12.31.2012 Accumulated depreciation ThCh$	12.31.2012 Property, plant & equipment, Gross ThCh$
General equipment	28,427,418	(27,766,859)	660,559	27,992,539	(27,356,702)	635,837
Subscriber equipment	215,068,579	(135,477,234)	79,591,345	195,996,728	(141,634,205)	54,362,523
Information processes equipment	40,400,265	(30,926,494)	9,473,771	36,402,588	(28,433,886)	7,968,702
Central offices (*)	1,353,026,488	(1,142,401,809)	210,624,679	1,291,930,166	(1,101,909,030)	190,021,136
External plant	926,878,642	(724,921,177)	201,957,465	904,753,721	(701,227,506)	203,526,215
Total	**2,563,801,392**	**(2,061,493,573)**	**502,307,819**	**2,457,075,742**	**(2,000,561,329)**	**456,514,413**

(*) As of December 31, 2013 and 2012 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.

15. Property, plant and equipment, continued

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

Movements	Land ThCh$	Buildings, net ThCh$	Transport equipments, net ThCh$	Supplies and accessories, net ThCh$	Office equipment, net ThCh$	Construction in progress, net ThCh$	Other property, plant & equipment, net ThCh$	Property, plant and equipment, net 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**	**456,514,413**	**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)	-	(129,086,540)	(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)	183,485,359	(18,555,504)
Movements, subtotal	**(242,789)**	**(4,513,769)**	**(29,328)**	**(319,107)**	**111,655**	**(12,690,257)**	**45,793,406**	**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**	**502,307,819**	**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).

b) Movements of property, plant and equipment items for the year 2012 are as follows:

Movements	Land ThCh$	Buildings, net ThCh$	Transport equipments, net ThCh$	Supplies and accessories, net ThCh$	Office equipment, net ThCh$	Construction in progress, net ThCh$	Other property, plant & equipment, net ThCh$	Property, plant and equipment, net ThCh$
Beginning balance as of 01.01.2012	**21,600,479**	**312,593,823**	**114,044**	**2,128,455**	**857,204**	**139,827,437**	**456,764,687**	**933,886,129**
Additions	-	-	-	-	-	166,154,554	-	166,154,554
Retirements	(150,595)	(8,227,743)	-	(212,285)	(396)	-	(42,644,296)	(51,235,315)
Acc. Dep. retirements	-	6,656,569	-	104,332	73	-	38,382,120	45,143,094
Depreciation expense	-	(32,053,040)	(33,737)	(484,945)	(144,709)	-	(114,946,993)	(147,663,424)
Transfer of depreciation	-	(52)	-	-	-	-	2,026,114	2,026,062
Other Increase (decrease) (1) (2)	40,760	9,339,599	-	899,367	367,854	(126,557,524)	116,932,781	1,022,837
Movements, subtotal	**(109,835)**	**(24,284,667)**	**(33,737)**	**306,469**	**222,822**	**39,597,030**	**(250,274)**	**15,447,808**
Ending balance as of 12.31.2012	**21,490,644**	**288,309,156**	**80,307**	**2,434,924**	**1,080,026**	**179,424,467**	**456,514,413**	**949,333,937**

(1) Includes net movement of transfers from construction in progress to service assets, transfers to intangible assets in the amount of ThCh$(10,056,306) (note 13b), transfers of inventory in the amount of ThCh$1,464 and assets re-injected from goods destined for sale in the amount of ThCh$181,678.

(2) The decrease in construction in progress includes an amount of ThCh$38,510,662 which corresponds to assets in the homes of customers that are already in operation. Within the balance of the item work in progress the total value of assets that are waiting to be installed in customer homes is ThCh$17,737,360.

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15. Property, plant and equipment, continued

Additions for the year 2013 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$652,548 for the year 2013 in the categories of buildings and the other property, plant and equipment. For year 2012, the amount for this concept was ThCh$1,870,381 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 in 2012.

The detail of which for the year 2013 and 2012 is as follows:

Concepts	12.31.2013 ThCh$	12.31.2012 ThCh$
Land	34,327	34,327
Buildings	31,300	31,300
Total	**65,627**	**65,627**

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		12.31.2013		12.31.2012	
		Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bank loans	(a)	92,962	94,191,511	72,081,274	85,947,989
Unguaranteed obligations (Bonds)	(b)	142,138,450	239,644,115	5,113,610	376,167,965
Financial leases	(c)	1,632,929	547,966	1,935,034	1,989,944
Hedge instruments	(see note 19.2)	4,993,966	22,558,064	5,971,407	4,783,719
Total		**148,858,307**	**356,941,656**	**85,101,325**	**468,889,617**

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	Nominal amounts (in thousands) – To Maturity – Up to 90 days	90 days to 1 years	1 to 3 years	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	Foreign	Sovereing Bank N.A.	USA	USD	At expiry	2.48%	2.12%	USD 97.5 mm	2017	-	-	-	97,500	-	97,500
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	-	-	25,000	-	-	25,000
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	-	-	58,250	-	-	58,250

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Current – To Maturity – Up to 90 days ThCh$	90 days to 1 years ThCh$	Total current as of 12.31.2013 ThCh$	Non-current – To Maturity – 1 to 3 years ThCh$	3 to 5 years ThCh$	5 years and over ThCh$	Total Non current as of 12.31.2013 ThCh$
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	Sovereing Bank N.A.	USA	USD	78,223	-	78,223	-	50,652,995	-	50,652,995
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	Banco Scotiabank & Trust	Cayman Islands	USD	6,279	-	6,279	13,028,592	-	-	13,028,592
Bilateral Loan	90.635.000-9	Telefónica Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	USD	-	8,460	8,460	30,509,924	-	-	30,509,924
Total bank loans								**84,502**	**8,460**	**92,962**	**43,538,516**	**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

a) The detail of bank loans for 2012 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	Nominal amounts (in thousands)					
													To Maturity					Total nominal amounts in original currency
													Up to 90 days	90 days to 1 years	1 to 3 years	3 to 5 years	5 years and over	
Syndicated Loan (*)	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	BBVA Bancomer and other	Mexico	USD	At expiry	0.99%	0.85%	USD 150 mm	2013	-	150,000	-	-	-	150,000
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	Sovereing Bank N.A.	USA	USD	At expiry	2.53%	2.17%	USD 97.5 mm	2017	-	-	-	97,500	-	97,500
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	Banco Scotiabank & Trust	Cayman Islands	USD	At expiry	2.17%	1.61%	USD 25 mm	2015	-	-	25,000	-	-	25,000
Bilateral Loan	90.635.000-9	Telefónica Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	USD	At expiry	1.46%	1.31%	USD 58.25 mm	2015	-	-	58,250	-	-	58,250

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Current			Non-current			
								To Maturity		Total current as of 12.31.2012 ThCh$	To Maturity			Total Non current as of 12.31.2012 ThCh$
								Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 3 years ThCh$	3 to 5 years ThCh$	5 years and over ThCh$	
Syndicated Loan (*)	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	BBVA Bancomer and other	Mexico	USD	34,077	71,961,000	71,995,077	-	-	-	-
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	Sovereing Bank N.A.	USA	USD	73,171	-	73,171	-	46,209,119	-	46,209,119
Syndicated Loan	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	Banco Scotiabank & Trust	Cayman Islands	USD	5,905	-	5,905	11,860,768	-	-	11,860,768
Bilateral Loan	90.635.000-9	Telefónica Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	USD	7,121	-	7,121	27,878,102	-	-	27,878,102
Total bank loans								**120,274**	**71,961,000**	**72,081,274**	**39,738,870**	**46,209,119**	**-**	**85,947,989**

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 equivalent to MCh$47,775 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 equivalent to MCh$12,225 at an interest rate of libor + 1.40% annually.

(*) On May 13, 2013 the loan held with BBVA Bancomer for US$ 150 million was paid equivalent to MCh$71,106.

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	Nominal amounts (in thousands) – To Maturity – Up to 90 days	90 days to 1 years	1 to 3 years	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	97.080.000-K	Banco Bice	Chile	UF	Biannual	6.43%	6.00%	UF 1,500,000	2016	-	71	107	-	-	178
Series 144A Bond (2)	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	-	-	-	-	500,000	500,000
Series M Bond (1)	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	-	20,500,000	-	-	-	20,500,000
Series N Bond (1)	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	-	5,000	-	-	-	5,000

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Current – To Maturity – Up to 90 days ThCh$	90 days to 1 years ThCh$	Total current as of 12.31.2013 ThCh	Non-current – 1 to 3 years ThCh$	To Maturity – 3 to 5 years ThCh$	5 years and over ThCh$	Total Non current as of 12.31.2013 ThCh$
Series F Bond	90.635.000-9	Telefónica Chile S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	-	1,704,073	1,704,073	2,489,695	-	-	2,489,695
Series 144A Bond (2)	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	The Bank of New York Mellon	USA	USD	-	1,955,216	1,955,216	-	-	237,154,420	237,154,420
Series M Bond (1)	90.635.000-9	Telefónica Chile S.A.	Chile	97.004.000-5	Banco Chile	Chile	CLP	-	20,838,887	20,838,887	-	-	-	-
Series N Bond (1)	90.635.000-9	Telefónica Chile S.A.	Chile	97.004.000-5	Banco Chile	Chile	UF	-	117,640,274	117,640,274	-	-	-	-
Total unguaranteed obligations								**-**	**142,138,450**	**142,138,450**	**2,489,695**	**-**	**237,154,420**	**239,644,115**

(1) The classification of both series is "AA-" and "AA" by Fitch Ratings and ICR, respectively. Both operations were led by BBVA.

(2) 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.

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

b) The detail of unguaranteed obligations (Bonds) for 2012 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	Nominal amounts (in thousands) To Maturity					
													Up to 90 days	90 days to 1 years	1 to 3 years	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	97.080.000-K	Banco Bice	Chile	UF	Biannual	6.43%	6.00%	UF 1,500,000	2016	-	71	143	71	-	285
Series 144A Bond (2)	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	-	-	-	-	500,000	500,000
Series M Bond (1)	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	-	-	20,500,000	-	-	20,500,000
Series N Bond (1)	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	-	-	5,000	-	-	5,000

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Current To Maturity			Non-current To Maturity			
								Up to 90 days ThCh$	90 days to 1 years ThCh$	Total current as of 12.31.2012 ThCh	1 to 3 years ThCh$	3 to 5 years ThCh$	5 years and over ThCh$	Total Non current as of 12.31.2012 ThCh$
Series F Bond	90.635.000-9	Telefónica Chile S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	-	1,684,529	1,684,529	3,262,963	795,444	-	4,058,407
Series 144A Bond (2)	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	The Bank of New York Mellon	USA	USD	-	1,795,718	1,795,718	-	-	237,320,098	237,320,098
Series M Bond (1)	90.635.000-9	Telefónica Chile S.A.	Chile	97.004.000-5	Banco Chile	Chile	CLP	-	328,327	328,327	20,505,869	-	-	20,505,869
Series N Bond (1)	90.635.000-9	Telefónica Chile S.A.	Chile	97.004.000-5	Banco Chile	Chile	UF	-	1,305,036	1,305,036	114,283,591	-	-	114,283,591
Total unguaranteed obligations								**-**	**5,113,610**	**5,113,610**	**138,052,423**	**795,444**	**237,320,098**	**376,167,965**

(1) The classification of both series is “AA-” and “AA” by Fitch Ratings and ICR, respectively. Both operations were led by BBVA.

(2) 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.

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	Nominal amounts (in thousands) – To Maturity: Up to 90 days	90 days to 1 years	1 to 3 years	3 to 5 years	5 years and over	Total nominal amounts in original currency
Financial leases	90.635.000-9	Telefónica Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	Monthly	-	8.10%	-	2016	-	2	3	-	-	5
Financial leases	90.635.000-9	Telefónica Chile S.A.	Chile	92.040.000-0	IBM	Chile	USD	Monthly	-	-	-	2014	-	1,780	-	-	-	1,780
Financial leases	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	5	11	13	-	-	29
Financial leases	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	-	4	5	-	-	9
Financial leases	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	-	3	3	-	-	6

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Current – To Maturity: Up to 90 days ThCh$	90 days to 1 years ThCh$	Total current as of 12.31.2013 ThCh	Non-current – 1 to 3 years ThCh$	To Maturity 3 to 5 years ThCh$	5 years and over ThCh$	Total Non current as of 12.31.2013 ThCh
Financial leases	90.635.000-9	Telefónica Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	9,720	31,012	40,732	58,460	-	-	58,460
Financial leases	90.635.000-9	Telefónica Chile S.A.	Chile	92.040.000-0	IBM	Chile	USD	344,489	688,978	1,033,467	-	-	-	-
Financial leases	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A.	Chile	UF	172,582	211,308	383,890	80,933	-	-	80,933
Financial leases	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A.	Chile	UF	19,726	83,430	103,156	116,463	-	-	116,463
Financial leases	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A.	Chile	UF	13,708	57,976	71,684	292,110	-	-	292,110
Total financial leases								**560,225**	**1,072,704**	**1,632,929**	**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.

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

c) The detail of financial leases for 2012 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	Nominal amounts (in thousands)					
													To Maturity					Total nominal amounts in original currency
													Up to 90 days	90 days to 1 years	1 to 3 years	3 to 5 years	5 years and over	
Financial leases	90.635.000-9	Telefónica Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	Monthly	-	8.10%	-	2016	1	2	3	2	-	8
Financial leases	90.635.000-9	Telefónica Chile S.A.	Chile	92.040.000-0	IBM	Chile	USD	Monthly	-	-	-	2014	232	2,549	2,002	-	-	4,783
Financial leases	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	3	9	25	-	-	37
Financial leases	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	5	4	10	-	-	19
Financial leases	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	4	2	7	-	-	13

Classes	Debtor taxpayer No.	Debtor	Debtor country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Current			Non-current			
								To Maturity		Total current as of 12.31.2012 ThCh	To Maturity			Total Non current as of 12.31.2012 ThCh
								Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 3 years ThCh$	3 to 5 years ThCh$	5 years and over ThCh$	
Financial leases	90.635.000-9	Telefónica Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	8,178	26,304	34,482	50,971	46,498	-	97,469
Financial leases	90.635.000-9	Telefónica Chile S.A.	Chile	92.040.000-0	IBM	Chile	USD	318,408	952,368	1,270,776	945,510	-	-	945,510
Financial leases	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A	Chile	UF	67,664	205,400	273,064	565,808	-	-	565,808
Financial leases	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A	Chile	UF	129,534	80,928	210,462	224,884	-	-	224,884
Financial leases	78.703.410-1	Telefónica Empresas Chile S.A.	Chile	76.402.700-0	CSI Renting Chile S.A	Chile	UF	90,014	56,236	146,250	156,273	-	-	156,273
Total financial leases								**613,798**	**1,321,236**	**1,935,034**	**1,943,446**	**46,498**	**-**	**1,989,944**

As December31, 2012 the present value of minimum current and non-current financial lease net payments is ThCh$3,924,978 and the total imputable interest is ThCh$191,981.

18. Trade and other payables

The composition of Trade and other payables is as follows:

Concepts	12.31.2013 ThCh$	12.31.2012 ThCh$
Debts due to purchases or services provided (1)	109,900,014	122,902,244
Real property providers	39,289,174	34,667,478
Payables to employees	21,781,627	24,419,202
Dividends pending payment	763,225	539,490
Other	4,416,731	4,970,255
Total current	**176,150,771**	**187,498,669**

(1) The "Debts due to purchases or services provided" corresponding to foreign and domestic suppliers for the years ended December 31, 2013 and 2012 according to the following detail:

Debts due to purchases or services provided	12.31.2013 ThCh$	12.31.2012 ThCh$
Domestic	97,724,748	107,806,879
Foreign	12,175,266	15,095,365
Total	**109,900,014**	**122,902,244**

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 December 31, 2013 is as follows:

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST			TOTAL	
						Valuation hierarchy							
		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**
Trade 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**
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

a) Details of financial instruments of assets classified by nature and category as of December 31, 2012 is as follows:

		ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST			TOTAL	
						Valuation hierarchy							
						Level 1	Level 2	Level 3					
Description of financial assets	Financial instrument expiry	Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Market prices	Estimates based on other observable market data	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**	**7,275,688**	**-**	**7,287,018**	**7,275,688**	**11,330**	**-**	**-**	**-**	**-**	**7,287,018**	**7,287,018**
Other participations	See note 6c	11,330	7,275,688	-	7,287,018	7,275,688	11,330	-	-	-	-	7,287,018	7,287,018
Derivative instrument assets		**-**	**-**	**9,221,669**	**9,221,669**	**-**	**9,221,669**	**-**	**-**	**-**	**-**	**9,221,669**	**9,221,669**
Derivative instrument assets	See note 19-2	-	-	9,221,669	9,221,669	-	9,221,669	-	-	-	-	9,221,669	9,221,669
Non-current deposits and pledges		**200,959**	**-**	**-**	**200,959**	**-**	**200,959**	**-**	**-**	**-**	**-**	**200,959**	**200,959**
Non-current deposits and pledges	See note 6a	200,959	-	-	200,959	-	200,959	-	-	-	-	200,959	200,959
Non-current trade accounts receivable		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19,414,634**	**-**	**19,414,634**	**19,414,634**	**19,414,634**
Trade receivable	See note 12	-	-	-	-	-	-	-	18,048,113	-	18,048,113	18,048,113	18,048,113
Account receivable from relate entities	See note 9b	-	-	-	-	-	-	-	1,366,521	-	1,366,521	1,366,521	1,366,521
Non-current financial assets		**212,289**	**7,275,688**	**9,221,669**	**16,709,646**	**7,275,688**	**9,433,958**	**-**	**19,414,634**	**-**	**19,414,634**	**36,124,280**	**36,124,280**
Current trade accounts receivable		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**204,262,154**	**-**	**204,262,154**	**204,262,154**	**204,262,154**
Trade and other accounts receivable	See note 8	-	-	-	-	-	-	-	140,799,919	-	140,799,919	140,799,919	140,799,919
Account receivable from relate entities	See note 9a	-	-	-	-	-	-	-	63,462,235	-	63,462,235	63,462,235	63,462,235
Current pledges and deposits		**478,482**	**-**	**-**	**478,482**	**-**	**478,482**	**-**	**-**	**-**	**-**	**478,482**	**478,482**
Current pledges and deposits	See note 6a	478,482	-	-	478,482	-	478,482	-	-	-	-	478,482	478,482
Derivative instrument of assets		**-**	**-**	**4,519,653**	**4,519,653**	**-**	**4,519,653**	**-**	**-**	**-**	**-**	**4,519,653**	**4,519,653**
Derivative instrument of assets	See note 19-2	-	-	4,519,653	4,519,653	-	4,519,653	-	-	-	-	4,519,653	4,519,653
Cash and cash equivalents		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**246,567,966**	**-**	**246,567,966**	**246,567,966**	**246,567,966**
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	246,567,966	-	246,567,966	246,567,966	246,567,966
Current financial assets		**478,482**	**-**	**4,519,653**	**4,998,135**	**-**	**4,998,135**	**-**	**450,830,120**	**-**	**450,830,120**	**455,828,255**	**455,828,255**
Total financial assets		**690,771**	**7,275,688**	**13,741,322**	**21,707,781**	**7,275,688**	**14,432,093**	**-**	**470,244,754**	**-**	**470,244,754**	**491,952,535**	**491,952,535**

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 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 December 31, 2013 is as follows:

		LIABILITES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST	TOTAL	
				Valuation hierarchy					
Description of financial liabilities	Financial instrument expiry	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

b) Details of financial instruments of liabilities classified by nature and category as of December 31, 2012 is as follows:

Descriptio|n 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	-	-	-	-	-	376,167,965	376,167,965	376,167,965
Non-current debts with loan entities	See note 17 a	-	-	-	-	-	87,937,933	87,937,933	87,937,933
Long-term hedge derivative instrument of liabilities	See note 19-2	4,783,719	4,783,719	4,783,719	-	-	-	4,783,719	4,783,719
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities		-	-	-	-	-	-	-	-
Non-current financial liabilities		**4,783,719**	**4,783,719**	**4,783,719**	**-**	**-**	**464,105,898**	**468,889,617**	**468,889,617**
Issuance of short-term obligations and other marketable securities	See note 17 b	-	-	-	-	-	5,113,610	5,113,610	5,113,610
Short-term debts with credit entities	See note 17 a	-	-	-	-	-	74,016,308	74,016,308	74,016,308
Short-term derivative instrument of liabilities	See note 19-2	5,971,407	5,971,407	5,971,407	-	-	-	5,971,407	5,971,407
Trade and other accounts payable	See note 18	-	-	-	-	-	187,498,669	187,498,669	187,498,669
Accounts payable to related entities	See note 9 c	-	-	-	-	-	81,725,309	81,725,309	81,725,309
Current financial liabilities		**5,971,407**	**5,971,407**	**5,971,407**	**-**	**-**	**348,353,896**	**354,325,303**	**354,325,303**
Total financial liabilities		**10,755,126**	**10,755,126**	**10,755,126**	**-**	**-**	**812,459,794**	**823,214,920**	**823,214,920**

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 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 – Assets	Total current – Liabilities (note 17)	1 to 3 years	3 to 5 years	Total non-current – Assets	Total non-current – 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.

As of December 31, 2012, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as 12.31.2012	Up to 90 days	90 days to 1 year	To Maturity – Total current – Assets	Total current – Liabilities (note 17)	1 to 3 years	3 to 5 years	Total non-current – Assets	Total non-current – Liabilities (note 17)
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	(3,352)	(13,890)	10,538	57,911	(61,263)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	640,766	657,145	(16,379)	859,922	(219,156)	-	-	-	-
Interest rate – fair value hedge (3)	Financial Debt	(251,333)	(251,333)	-	-	(251,333)	-	-	-	-
Interest rate – cash flows hedge (4)	Financial Debt	(1,847,222)	(1,847,222)	-	450,897	(2,298,119)	-	-	-	-
Exchange rate and interest rate – fair value hedge (5)	Financial Debt	4,447,337	(2,916,425)	2,925,812	3,150,923	(3,141,536)	7,041,757	(2,603,807)	9,221,669	(4,783,719)
	Total	**2,986,196**	**(4,371,725)**	**2,919,971**	**4,519,653**	**(5,971,407)**	**7,041,757**	**(2,603,807)**	**9,221,669**	**(4,783,719)**

Hedge instruments have generated an effect on income of ThCh$(6,331,436). As of December 31, 2012 the accumulated effect on equity is ThCh$(3,716,944).

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 short-term provisions

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

Concepts	12.31.2013 ThCh$	12.31.2012 ThCh$
Civil and regulatory	1,704,344	1,549,209
Total	**1,704,344**	**1,549,209**

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$450,856 for 2013 and ThCh$597,335 for 2012, and civil lawsuit in the amount of ThCh$1,253,498 and ThCh$951,874 for 2013 and 2012, 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 years 2013 and 2012 as follows:

Movements	12.31.2013 ThCh$	12.31.2012 ThCh$
Beginning balance	**1,549,209**	**1,376,579**
Increase in existing provisions	1,253,194	1,012,725
Provision used	(1,098,059)	(840,095)
Movement subtotal	**155,135**	**172,630**
Ending balance	**1,704,344**	**1,549,209**

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 years 2013 and 2012 are as follows:

Concepts	12.31.2013 ThCh$	12.31.2012 ThCh$
Current amount of liability recognized for termination benefits	4,272,755	4,426,045
Non-current amount of liability recognized for termination benefits	24,507,910	25,888,804
Total	**28,780,665**	**30,314,849**

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

Movements	12.31.2013 ThCh$	12.31.2012 ThCh$
Beginning balance	**30,314,849**	**30,440,710**
Service costs	1,076,703	1,535,227
Interest costs	1,758,261	1,763,458
Actuarial (profits)/losses, net due to change in hypothesis (1)	-	(1,497,015)
Actuarial (profits)/losses, net due to experience	(1,082,824)	(1,120,311)
Benefits paid	(3,536,068)	(1,213,568)
Intercompany transfers (2)	249,744	406,348
Movement subtotal	**(1,534,184)**	**(125,861)**
Ending balance	**28,780,665**	**30,314,849**

(1) In December 2012 there was a review of actuarial variables used to calculate the provision resulting in an increase in the discount rate, from 4.81% for 2011 to 5.80% for 2012, an increase in the salary increase rate of 1.5% for 2011 at 3% for 2012, and finally the RV 2004 mortality rate was changed for RV 2009. These changes meant recording a decrease in the provision in the amount of ThCh$1,497,015, with a charge to equity

(2) 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 2013 and 2012 years 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 2013 and 2012 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 December 31, 2013, 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%	1,803,700	(2,022,663)

21. Employee benefits accrual, continued

c) Expected cash flows

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

Description	1st year ThCh$	2nd year ThCh$	3rd year ThCh$
Future payment cash flows	601,919	513,683	504,348

d) Employee expenses

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

Concepts	12.31.13 ThCh$	12.31.2012 ThCh$
Wages and salaries	80,740,965	80,252,772
Post employment benefit obligations expense	2,226,417	2,763,878
Total	**82,967,382**	**83,016,650**

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

Other non-financial liabilities are detailed as follows:

Concepts	12.31.2013		12.31.2012	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Deferred income	**5,017,761**	**5,469,891**	**6,609,253**	**5,606,229**
Connection installments	1,213,176	108,405	1,281,644	101,887
Subsidies	90,380	1,602,891	143,003	1,745,895
Deferred income	3,714,205	3,758,595	5,184,606	3,758,447
Other taxes (1)	**11,704,166**	**-**	**10,276,802**	**-**
Total	**16,721,927**	**5,469,891**	**16,886,055**	**5,606,229**

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

Movements of the deferred income are as follows:

Movements	12.31.2013		12.31.2012	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Beginning balance	**6,609,253**	**5,606,229**	**6,960,084**	**5,712,471**
Endowments	9,531,927	1,894,606	8,128,543	1,776,539
Reduction/applications	(11,123,419)	(2,030,944)	(8,479,374)	(1,882,781)
Movement subtotal	**(1,591,492)**	**(136,338)**	**(350,831)**	**(106,242)**
Ending balance	**5,017,761**	**5,469,891**	**6,609,253**	**5,606,229**

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 years ended as of December 31, 2013 and 2012.

a) Capital

As of December 31, 2013 and 2012, the Company's paid-in capital is composed as follows:

Number of shares

Series	12.31.2013 N° of shares subscribed	N° of shares paid	N° of shares with voting rights	12.31.2012 N° of shares subscribed	N° of shares paid	N° 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	12.31.2013 Subscribed capital ThCh$	Paid-in capital ThCh$	12.31.2012 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 December 31, 2013 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	1.507	269
Investment under UF 200	0.590	8,501
Total	**100**	**8,772**
Company's parent	97.90	2

As of December 31, 2013 and 2012, the indirect participation of Telefónica S.A. (Spain) in the equity of Telefónica Chile S.A. reached 97.89% through Inversiones Telefónica Internacional Holding Ltda. 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 years:

Date	Number dividend	Dividend	Amount distributed ThCh$	Value per share Ch$	Charge to net income	Payment date
Nov-15-2012	183	Final	34,906,581	36.46902	Fiscal year 2012	December - 2012
Nov-15-2012	184	Eventual	57,937,656	60.53098	Withheld 2011	December - 2012
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 12.31.2012 ThCh$	Net movement ThCh$	Balance of 12.31.2013 ThCh$
Cash flows hedge reserve	(3,716,944)	11,695,230	7,978,286
Employee benefits reserve, net tax	(2,415,709)	-	(2,415,709)
Reserve for financial assets available for sale	3,452,862	(956,730)	2,496,132
Proposed dividends reserve	-	(10,849,812)	(10,849,812)
Total	**(2,679,791)**	**(111,312)**	**(2,791,103)**

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

Non-controlling interest corresponds to recognition of the portion of shareholders' equity and income of subsidiaries belonging to third parties. The detail for the years ended as of December 31, 2013 and 2012, respectively, is as follows:

Subsidiaries	Non-controlling Interest percentage		Shareholders' equity Non-controlling interest		Participation in profit income (loss)	
	2013 %	2012 %	2013 ThCh$	2012 ThCh$	2013 ThCh$	2012 ThCh$
Telefónica Larga Distancia S.A.	0.070000	0.070000	73,021	98,949	18,810	26,838
Telefónica Gestión de Servicios Compartidos Chile S.A.	0.001000	0.001000	58	43	18	9
Telefónica de Chile Servicios Corporativos Ltda.	49.000000	49.000000	6,339,895	2,535,962	3,803,933	3,420,491
Instituto Telefónica Chile S.A.	0.000047	0.000047	(1)	(1)	-	-
Telefónica Multimedia Chile Dos S.A.	-	0.000200		-		(2)
Total			**6,412,973**	**2,634,953**	**3,822,761**	**3,447,336**

24. Earnings per Share

The details of Earnings per share are as follows:

Basic earnings per share	12.31.2013 ThCh$	12.31.2012 ThCh$
Earnings attributable to owners of the parent	45,737,614	59,105,450
Profit available for shareholders	**45,737,614**	**59,105,450**
Weighted average number of shares	957,157,085	957,157,085
Basic earnings per share in Ch$	**47.78**	**61.75**

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 year. 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 years 2013 and 2012 are as follows:

Ordinary income	12.31.2013 ThCh$	12.31.2012 ThCh$
Fixed Telecommunications	269,561,764	296,900,029
Broadband	146,093,603	133,605,091
Television	108,943,127	103,795,408
Long Distance	42,630,180	45,546,499
Corporate Communication	119,788,120	114,344,079
Other Businesses	756,585	796,581
Total	**687,773,379**	**694,987,687**

25. Income and Expenses, continued

b) The detail of other operating income for the years 2013 and 2012 are as follows:

Other income	12.31.2013 ThCh$	12.31.2012 ThCh$
Other current management income	327,393	558,287
Income from indemnities, complaints and others	1,083,141	1,524,201
Income from disposal of real property	1,283,141	2,106,622
Total	**2,693,675**	**4,189,110**

c) The detail of other expenses by nature of the operation for the years 2013 and 2012 are as follows:

Other expenses	12.31.2013 ThCh$	12.31.2012 ThCh$
Interconnections	63,027,301	69,106,697
Media rental	60,173,398	52,481,898
Cost of sale of inventory	11,544,472	13,798,264
Other exterior services	31,705,883	34,063,345
Sales commissions	31,191,558	28,773,081
Customer service	24,329,789	22,614,788
Plant maintenance	38,622,256	37,152,887
Allowance for doubtful accounts	18,987,654	23,179,419
Advertising	14,187,368	13,968,925
Expenses related to real estate	18,435,130	15,232,921
Information services	18,637,458	19,925,963
Other	14,750,871	12,862,096
Total	**345,593,138**	**343,160,284**

d) The detail of financial expenses, net, for the years 2013 and 2012 is as follows:

Financial expenses, net	12.31.2013 ThCh$	12.31.2012 ThCh$
Interest income		
Interest earned on deposits	4,466,119	4,242,346
Interest on financial instruments	197,981	98,336
Other interest income	4,462,742	2,356,923
Total interest income	**9,126,842**	**6,697,605**
Interest expense		
Interest on loans from bank institutions	2,121,337	2,265,581
Interest on obligations and bonds	15,011,889	9,792,420
Finance leases	136,134	132,372
Interest on mercantile mandate	1,432,819	2,024,751
Interest rate hedges (Cross Currency Swap)	13,459,148	9,937,233
Other financial expenses	1,058,582	646,604
Total interest expense	**33,219,909**	**24,798,961**
Total finance income and costs, net	**(24,093,067)**	**(18,101,356)**

25. Income and Expenses, continued

e) Foreign currency translation and indexation units for the years 2013 and 2012 are detailed as follows:

Currency translation	12.31.2013 ThCh$	12.31.2012 ThCh$
Other financial transactions	49,395	299,919
Current account s receivable from related entities	633,557	(568,094)
Current account s payable to related entities	(943,592)	816,757
Current trade and other accounts receivable	237,925	(109,406)
Trade and other accounts payable	(1,402,835)	803,132
Cash and cash equivalents	(74,738)	347,450
Financial investements	5,865,391	2,582,144
Financial debt	(29,198,140)	5,159,557
Leasing financial debt	(130,422)	256,993
Hedge instruments	23,979,392	(9,685,404)
Total	**(984,067)**	**(96,952)**

Indexation units	12.31.2013 ThCh$	12.31.2012 ThCh$
Current trade and other accounts receivable	23,006	(4,633)
Trade and other accounts payable	(2,587)	(37,057)
Current tax liabilities	(75,468)	234,679
Financial investements	86,702	760,086
Financial debt	(2,444,485)	(4,110,383)
Leasing financial debt	(25,338)	1,616
Hedge instruments	3,012,888	3,338,779
Current income tax assets	558,780	-
Total	**1,133,498**	**183,087**

f) The share in profits in associates as of December 31, 2012 is of ThCh$ 322,751 and corresponded to the share in Atento Chile S.A., belonging to the Atento Group (subsidiary of the Telefónica Group call center). In December 2012 the Telefónica Group closed the sale of the Atento Group to a group of companies controlled by the Bain Capital (USA) a risk capital fund, time at which it stopped forming part of the group of related entities.

26. Operating leases

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 as of December 31, 2013 and 2012 in the amount of ThCh$ 9,431,923 and ThCh$ 2,464,943 respectively 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.

Future obligations for these contracts are detailed as follows:

Description	12.31.2013 Minimum payments ThCh$	12.31.2012 Minimum payments ThCh$
Up to 1 year	4,302,052	4,572,351
From 1 to 5 years	11,945,614	6,393,888
More than 5 years	1,090,671	5,961,266
Total	**17,338,337**	**16,927,505**

27. Local and Foreign Currency

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

Currents assets	12.31.2013 ThCh$	12.31.2012 ThCh$
Cash and cash equivalents	**173,015,722**	**246,567,966**
US Dollars	25,673,638	144,262,284
Euros	235,921	216,392
Chilean Pesos	147,106,163	39,875,659
U.F.	-	62,213,631
Other current financial assets	**13,442,571**	**4,998,135**
US Dollars	788,189	3,228,327
Euros	225	11,856
Chilean Pesos	706,574	1,757,952
U.F.	11,947,583	-
Trade and other receivables, current	**135,230,034**	**140,799,919**
US Dollars	2,033,808	8,959,583
Chilean Pesos	133,111,023	131,840,336
Other currencies	85,203	-
Receivables from related companies	**51,807,548**	**63,462,235**
US Dollars	9,156,054	6,802,366
Chilean Pesos	42,651,494	56,659,869
Other current assets (1)	**27,902,401**	**29,015,272**
Chilean Pesos	27,902,401	29,015,272
Non-currents assets or groups of assets for disposal classified as held for sale	**65,627**	**65,627**
Chilean Pesos	65,627	65,627
Total current assets	**401,463,903**	**484,909,154**
US Dollars	37,651,689	163,252,560
Euros	236,146	228,248
Chilean Pesos	351,543,282	259,214,715
U.F.	11,947,583	62,213,631
Other currencies	85,203	-

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

Non-currents assets	12.31.2013 ThCh$	12.31.2012 ThCh$
Other non-current financial assets	**44,367,489**	**16,709,646**
US Dollars	37,986,732	-
Chilean Pesos	6,380,757	7,487,977
U.F.	-	9,221,669
Non-current receivables	**17,049,482**	**18,048,113**
Chilean Pesos	17,049,482	18,048,113
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)	**1,045,679,079**	**1,018,797,197**
Chilean Pesos	1,045,679,079	1,018,797,197
Total non-current assets	**1,108,462,571**	**1,054,921,477**
US Dollars	37,986,732	-
Chilean Pesos	1,070,475,839	1,045,699,808
U.F.	-	9,221,669

(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	12.31.2013 Up to 90 days ThCh$	12.31.2012 Up to 90 days ThCh$	12.31.2013 91 days to 1 year ThCh$	12.31.2012 91 days to 1 year ThCh$
Other current financial liabilities	**3,313,407**	**986,100**	**145,544,900**	**84,115,225**
US Dollars	433,763	449,219	2,652,654	74,828,160
Chilean Pesos	2,663,908	241,491	23,164,173	5,928,632
U.F.	215,736	295,390	119,728,073	3,358,433
Trade and other payables	**176,101,086**	**187,446,551**	**49,685**	**52,118**
US Dollars	17,577,807	25,429,216	-	-
Euros	1,506,811	519,821	-	-
Other currency	59	59	-	-
Chilean Pesos	143,136,786	153,865,813	49,685	52,118
U.F.	13,879,623	7,631,642	-	-
Payables to related companies, current	**69,469,622**	**81,725,309**	**-**	**-**
US Dollars	11,527,462	15,614,695	-	-
Euros	3,632,380	3,920,352	-	-
Chilean Pesos	54,309,780	62,190,262	-	-
Other current liabilities (1)	**523,232**	**17,865,302**	**22,699,026**	**12,584,507**
Chilean Pesos	523,232	17,865,302	22,699,026	12,584,507
Total current liabilities	**249,407,347**	**288,023,262**	**168,293,611**	**96,751,850**
US Dollars	29,539,032	41,493,130	2,652,654	74,828,160
Euros	5,139,191	4,440,173	-	-
Other currency	59	59	-	-
Chilean Pesos	200,633,706	234,162,868	45,912,884	18,565,257
U.F.	14,095,359	7,927,032	119,728,073	3,358,433

(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	12.31.2013 1 to 3 years ThCh$	12.31.2012 1 to 3 years ThCh$	12.31.2013 3 to 5 years ThCh$	12.31.2012 3 to 5 years ThCh$	12.31.2013 5 years and over ThCh$	12.31.2012 5 years and over ThCh$
Other non-current financial liabilities	**69,134,241**	**181,914,652**	**50,652,995**	**49,654,868**	**237,154,420**	**237,320,098**
US Dollars	66,096,580	40,684,380	50,652,995	46,209,119	237,154,420	237,320,098
Chilean Pesos	-	22,685,781	-	2,603,807	-	-
U.F.	3,037,661	118,544,491	-	841,942	-	-
Other non-current liabilities (2)	**6,596,968**	**2,167,141**	**15,403,326**	**846,594**	**64,518,298**	**80,919,749**
Chilean Pesos	6,596,968	2,167,141	15,403,326	846,594	64,518,298	80,919,749
Other non-current liabilities	**75,731,209**	**184,081,793**	**66,056,321**	**50,501,462**	**301,672,718**	**318,239,847**
US Dollars	66,096,580	40,684,380	50,652,995	46,209,119	237,154,420	237,320,098
Chilean Pesos	6,596,968	24,852,922	15,403,326	3,450,401	64,518,298	80,919,749
U.F.	3,037,661	118,544,491	-	841,942	-	-

(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 December 31, 2013, which altogether amounts to ThCh$1,704,344. 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 N Bond dated April 15, 2009 in the amount of UF 5 million, placed at 5 years bullet.
iii) Series M Bond dated April 22, 2009 in the amount of ThCh$20,500 million placed, at 5 year bullet, and
iv) Series 144A Bond dated October 12, in the amount of US$ 500 million placed at 10 year 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
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 December 31, 2013 and 2012. The debt ratio is calculated on the consolidated financial statements, and the values determined are:

	12.31.2013 ThCh$	12.31.2012 ThCh$
Total debt	**809,998,120**	**923,856,892**
Total Current Liabilities	417,700,958	384,775,112
Total Non-current Liabilities	443,460,248	552,823,102
Current Hedge Assets (less)*	13,176,354	4,519,653
Non-current Hedge Assets (less)*	37,986,732	9,221,669
Net shareholders' equity	**648,765,268**	**602,232,417**
Total debt	**809,998,120**	**923,856,892**
Net shareholders' equity	**648,765,268**	**602,232,417**
Debt ratio	**1.25**	**1.53**

* 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 December 31, 2013 and 2012.

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 Inniva	TCH	Parent company	Deposit	1,191,097	-	1,191,097	-
Conect S.A.	TCH	Parent company	Deposit	324,218	-	324,218	-
Subsecretaría de Telecomunicaciones	TCH	Parent company	Deposit	267,331	-	-	267,331
Serviu Región Metropolitana	TCH	Parent company	Deposit	114,263	-	114,263	-
Others Guarantees (1)	TCH	Parent company	Deposit	726,919	651,478	17,838	57,603
Subsecretaria de Telecomunicaciones	TLD	Subsidiary	Deposit	1,030,536	-	-	1,030,536
VTR Banda Ancha	TLD	Subsidiary	Deposit	224,574	224,574	-	-
Others Guarantees (1)	TLD	Subsidiary	Deposit	10,752	10,752	-	-
Gendarmería de Chile	TEM	Subsidiary	Deposit	1,867,224	-	-	1,867,224
Servicio Electoral	TEM	Subsidiary	Deposit	1,392,015	1,392,015	-	-
Tesorería del Estado Mayor General del Ejercito	TEM	Subsidiary	Deposit	424,998	-	-	424,998
Dirección Nacional de Logística de Carabineros	TEM	Subsidiary	Deposit	369,262	-	-	369,262
Policía de Investigaciones de Chile	TEM	Subsidiary	Deposit	390,000	390,000	-	-
Banco del Estado de Chile	TEM	Subsidiary	Deposit	266,416	-	-	266,416
Banco Vizcaya Argentina	TEM	Subsidiary	Deposit	143,614	-	143,614	-
Fundación Educacional para el Desarrollo	TEM	Subsidiary	Deposit	130,933	130,933	-	-
Fuerza Area de Chile Comando Logístico	TEM	Subsidiary	Deposit	112,808	112,808	-	-
Superintendencia de Salud	TEM	Subsidiary	Deposit	111,394	111,394	-	-
Redbanc S.A.	TEM	Subsidiary	Deposit	111,352	111,352	-	-
Ilustre Municipalidad de Arica	TEM	Subsidiary	Deposit	105,908	105,908	-	-
Others Guarantees (1)	TEM	Subsidiary	Deposit	3,664,968	1,727,869	546,015	1,391,084
				12,980,582	**4,969,083**	**2,337,045**	**5,674,454**

(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.

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 December 31, 2013 the Company's expenditures in relation to the implementation of the corresponding phases are not significant.

Based on the progress made in project planning we estimate that implementation of the indicated Law will mean that the Company will have to make expenditures that can be capitalized and expenditures that cannot be capitalized in a process that should be completed during 2013.

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.

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 7, 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 price 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.

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.

30. Risk management (Not audited), continued

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.

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.

30. Risk management (Not audited), continued

e) Financial risk management objectives and polices, continued

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 closing of the year 2013 the Company had 37.9% 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 December 31, 2013 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 2013 of approximately ThCh$59,729, whereas a decrease in the TCPN would mean a reduction of ThCh$59,729 in the monthly financial accrual expense for 2013.

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%.

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.

30. Risk management (Not audited), continued

e) Financial risk management objectives and polices, continued

Credit risk, continued

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.

As of December 31, 2013 the Company has negative working capital, therefore it is in a process of assessing the different long-term financing alternatives, in line with the 2014 Financial Plan, to be carried out during the first half of 2014, allowing it to cover liquidity needs for the next 12 months.

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 years ended as of December 31, 2013 and 2012.

f) Regulatory Framework

Numeric Portability

Through Resolution No. 6,367 of November 19, 2011, the Undersecretary of Telecommunications enabled Telephone Number Portability in accordance with the timeline. The main milestones began with landline portability in the primary area of Arica, on December 5, 2011, continuing with mobile portability throughout the country on January 16, 2012, followed by landline portability in Santiago, on March 12, 2012. Landline portability was enabled progressively in the rest of the country until its completion on August 27, 2012, in the cities of Valdivia, Osorno, Puerto Montt, Copiapó, La Serena and Ovalle.

30. Risk management (Not audited), continued

f) Regulatory Framework, continued

Numeric Portability, continued

Through Exempt Resolution No. 748, dated 2013, Subtel established the inception date of numeric portability for Complementary Services, in the sense that it will begin 60 days after the fixed telephone number extension process is complete (October 4, 2013).

The above in conformity with Law No. 20,471, published in the Official Gazette of December 10, 2010 which created the Numeric Portability Administration Organization (OAP) ("Organismo Administrador de la Portabilidad Numérica").

Fixed telephone number extension by one digit

Based on the schedule established by Subtel, on October 20, 2012 the new telephone number length process began with the incorporation of one more digit in the Arica and Parinacota Regions, continuing on November 24 with the same modification in the Metropolitan Region. On March 23, 2013, the process continued with the Tarapacá and Araucanía Regions, subsequently continuing with the rest of the regions in the country, ending on July 6, 2013 in Puerto Montt, X Region.

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 and concluding in the Metropolitan Region on August 9, 2014.

31. Subsequent events

The consolidated financial statements of Telefónica Chile S.A., for the year ended as of December 31, 2013 were approved and authorized for issuance at the Board of Directors Meeting held on January 30, 2013.

On February 22, 2013, the process that will result in a new price setting for the period from 2014 to 2019 for mobile operators, the decrease in access charges are effective as of January 25, 2014. Management is evaluating the impact that the application of this Decree could generate.

In the period from January 1 to 30, 2013, there have been no other significant subsequent events that affect these consolidated financial statements.

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Juan Parra Hidalgo
Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager