



# Company\_Information.



## Basic Information

### Company Name

Empresa Nacional de Telecomunicaciones S.A. (Entel Chile S.A.)

### Domicile

Santiago de Chile

### Tax ID

92.580.000-7

### Type of Entity

Corporation, registered with the Chilean Securities and Insurance Supervisor (No. 0162), and governed by the provisions of Act No. 18,046 and its regulations.

## Contact Information

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### Administration and Finance

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### Investor Relations:

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### Filing Office

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### Website

[www.entel.cl](http://www.entel.cl)



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financial information is provided in a separate volume

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**team**  
**work**  
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\_ chair  
man's  
letter



Juan José Hurtado Vicuña  
Chairman

## Dear shareholders,

On behalf of the Board of Directors, it is my great pleasure to present our achievements and results for 2013, a year marked by a great deal of activity and one in which we took a number of major steps to secure our future development.

### Expansion in Peru

On account of its size and relevance, I would like to start by discussing our takeover of Nextel Perú. In August 2013, we completed the acquisition of 100% of shares in the company from NII Holdings in a transaction valued at approximately USD \$410 million.

Nextel is the third-largest mobile company in Peru, with sales of USD \$314 million and a customer base of 1.6 million, as of December 2013. Historically, it has successfully focused on the business segment and high-use clients, particularly through push-to-talk voice services, which are similar to radio communications. Although the company has lost its leadership and market position, it has retained its reputation for quality and high levels of service.

The acquisition represents an excellent platform for growth in a high-potential market like Peru. We hope to become a major force in the market, replicating the business model we have successfully developed in Chile. To do so, it will be necessary to expand Nextel's operations to provide modern mobile services, with a focus on supplying data connectivity to a wide range of customers, including businesses and

mass-market consumers, supported by a robust network with world-class platforms and services.

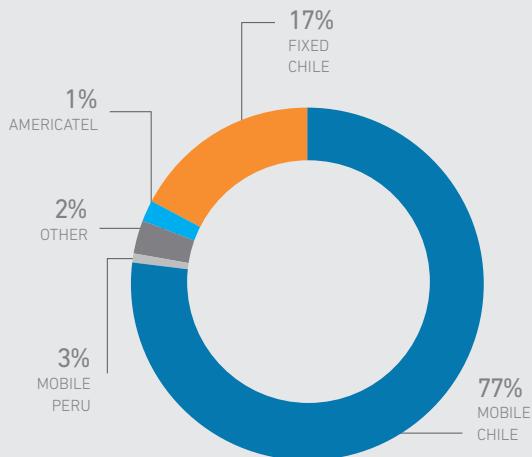
Even before we had completed the takeover, we had applied for and secured spectrum on the Advanced Wireless Services (AWS) band through our subsidiary Americatel Perú. The license provides us with 40 MHz of spectrum with which to roll out networks with 4G Long Term Evolution (LTE) technology from the outset.

In the last quarter of 2013, we completed the restructuring of the company, launched new services and committed to a medium-term investment plan whose main aims are to expand the mobile access network, alongside commercial and support infrastructure.

It is a highly ambitious project, however we believe it is an excellent opportunity of which Entel is well placed to take advantage. Our industry and the Peruvian market are undergoing a technological transformation toward smartphones and data, and total hyperconnectivity. Peru has a population of 30 million, just under double the population of Chile. The economy exhibits strong rates of growth and the competitive environment creates an opportunity for an operator that is able to offer quality services. This is a winning combination for our business and even if it will require considerable effort over a number of years, in line with our company tradition, we remain clear-headed and highly enthusiastic about the opportunities it presents.

Sustained development in Chile allowed us to capture growth opportunities in high-potential markets like Peru. Entel will transform its new subsidiary in the country into a long-term operator, with a strong position in the Peruvian telecommunications industry.

#### BREAKDOWN OF CONSOLIDATED REVENUE BY BUSINESS ACTIVITY



### Customer Base

At the end of 2013, the company's total mobile customer base for both countries was 11,984,548 users, growth of 19% with respect to 2012.

In Chile, in line with moderate growth in the market, Entel's mobile services customers increased by 3.2% to 10,428,885 users. This figure represents a market share of 39%, as of December 2013.

In response to the positioning and strategy pursued by the company, the biggest increase in customers came from the postpaid segment (customers with voice, multimedia or mobile broadband contracts), which saw an increase of 8%, taking its share of the total customer base to 33% at the end of the year. We also maintained our leadership in the capture of mobile customers switching networks in this segment, with a net balance of 83,364 users between January and December 2013.

### From Voice to Data

We are living through a global transformation from voice to data, and towards the connectivity of all things. The potential for growth is enormous. According to information provided by Chile's Department of Telecommunications, the country had 6.3 million mobile Internet users as of December 2013, compared with just 640,000 four years ago.

Our company is playing a key role in this new reconfiguration of the industry, like it did over a decade ago in promoting the penetration of mobile voice services. As of December 2013, 55% of Entel's contract customers have a data or multimedia plan, a figure that represents solid growth compared to 42% in 2012 and 28% in 2011. Of the total number of handsets sold by Entel in 2013, including prepaid handsets, 35% were smartphones.

In parallel to this development, we have been transforming our pricing structure for both postpaid and prepaid customers towards a system of variable charges based on usage. All new postpaid plans now use this system. We believe this pricing method makes our packages clearer, safeguarding both the interest of our customers and the sustainability of our business.

### 4G Services and Spectrum in Chile

The demand for data on our mobile networks grew by approximately 53% in 2013. We are living through a "digital tsunami" that requires both investment and availability of spectrum, key factors in the long-term evolution of the industry.

Following publication of the decree formalizing the award of frequency block B on the 2,600 MHz band to Entel on March

26, 2013, the company has launched a 4G LTE network with 803 points of presence throughout the country. The service became available to our customers in March 2014.

The technology will be complemented by the development of the 4G network on the 700 MHz band, which was provisionally awarded to Entel on February 28, 2014. This license corresponds to block B (30 MHz of spectrum) and will allow us to significantly improve coverage inside buildings, as well as make the service more reliable, in comparison with what it is possible to deliver on the 2,600 MHz band.

The provision of 4G services is complex and customers have high expectations. We want to offer a distinctive experience, something that can only be achieved with the concentrated deployment of LTE, at least on these two frequencies, which we will be able to do in the near future.

## Growth in the Residential Market

Towards the end of 2012, we began the introduction of a new integrated package called Entel Hogar that provides a wireless fixed telephone line, wireless broadband and satellite television services, targeting areas and market segments without an attractive range of products in this area. In 2013, the volume of contracted services grew year-on-year from 30,000 to 206,000, representing revenue of CLP \$15,709 million for the year.

Growth in the residential market will be driven by the fuller development of 4G, making it possible to offer fixed wireless broadband over 4G with significant quality improvements over the 3G network at a more affordable price in many residential sectors of the country without competitive fixed broadband services.

## Business Services

In the SME Segment, we have attempted to respond to our customers' needs, providing solutions over high-speed networks thanks to our investment in fiber-optic infrastructure with GPON technology, which has now been rolled out in 25 districts.

In the Corporate Segment, 2013 reaffirmed our ability to deliver large-scale connectivity projects, with the implementation of a network of over 1,500 points throughout

the country for the Ministry of Health. The demand for IT outsourcing services, in their various forms, saw us complete the expansion of our Ciudad de los Valles data center, with phase two entering service in March, adding around 2,000 m<sup>2</sup> of floor space.

Taken as a whole, revenue for data, IT outsourcing and Internet over fixed networks for business customers increased 14% during 2013.

## Investment

In 2013 we made investments worth USD \$843 million. Of this figure, USD \$694 million was invested in Chile, with the remainder destined for Peru, primarily for the award of the AWS band that will allow us to develop the market's high potential for data.

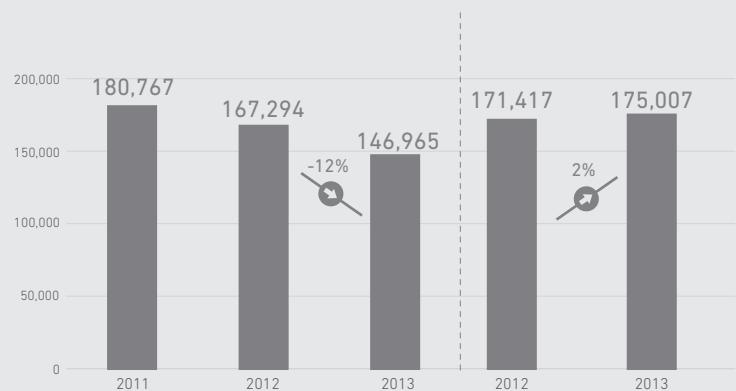
Of investment in Chile, USD \$424 million (61%) was used to strengthen the mobile business through the expansion of 3G networks and the roll out of 4G networks to meet the explosive growth in demand for data services and our customers' desire for ever-faster access to the web. We also invested USD \$154 million (18%) in customer projects and made major investments in data and fixed access network infrastructure, expanding shared platforms and data centers.

## Finance

The confidence of the financial markets in Entel was reflected in the placement of USD \$1,000 million of bonds in the United States. This transaction, our first ever overseas, attracted 4.5 times more demand than required and an interest rate of 4.97% in USD, for an average term of 10 years, equivalent to a spread of 2.45% over the American Treasury bond for the corresponding term. The bulk of the series was purchased by institutional investors in the United States (57%) and European investors (19%), with 13% being placed in Chile. The full value of the resources obtained from this transaction will be used to refinance liabilities.

To secure our solid financial position and undertake the investment required for continued growth, 2013 saw the provisional establishment of a new dividend policy based on the distribution of up to 50% of distributable profits for each financial year.

PROFIT FOR FINANCIAL YEAR  
CLP million



PROFIT FOR FINANCIAL YEAR (ADJUSTED\*)  
CLP million

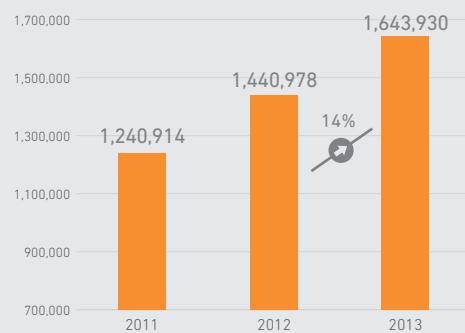
171,417

175,007

2%

\* Comparable accounting base.

CONSOLIDATED REVENUE  
CLP million



## Results

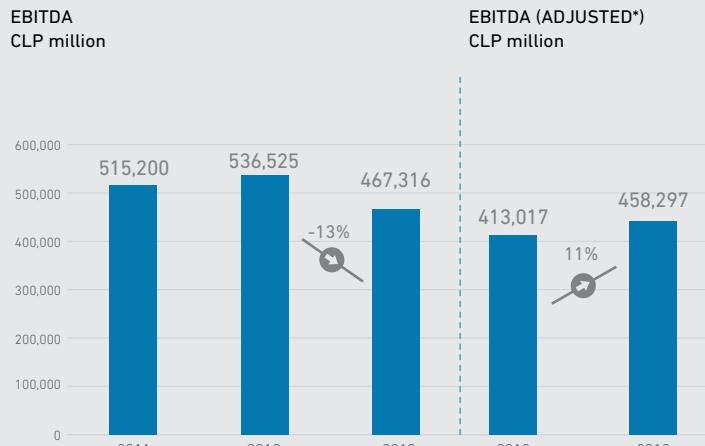
In 2013, Entel continued its trend of double-digit revenue growth. Revenue totaled CLP \$1,643,930 million, an increase of 14% from the previous year. The growth is largely explained by the solid expansion of mobile and data services in Chile (including IT) and the consolidation, since September, of the results from the operation of Nextel Peru.

Entel's profits for 2013 were CLP \$146,965 million. This is down 12% from the previous year (CLP \$167,294 million), mainly due to the effect of the new accounting procedure for mobile handsets for postpaid customers, which took effect in the last quarter of 2012. Profits were also affected by the incorporation of new businesses, higher costs associated with hedge instruments and increased in financial expenditure related to the higher level of debt.

EBITDA fell 13%, from CLP \$536,525 million to \$467,316 million, year-on-year. The new accounting procedure had a major impact on EBITDA, meaning that if the effect of the procedure is isolated to allow a like-for-like comparison, EBITDA increased by 11% year-on-year.

## New Tariffs

In 2013, the process to determine mobile access charges, scheduled for completion in January 2014, got underway. Although the authorities have been challenged on the application of certain marginal cost criteria from 2015, it is



\* Comparable accounting base.

estimated tariffs will not have a significant impact on our financial results.

In 2014, we will be paying close attention to appeals and the processes for establishing the access charges of the country's major fixed telephone companies (Telefónica and VTR) that is currently taking place.

## Distinctions

Entel came third out of the 50 companies from all industries in Chile's Most Innovative Companies ranking for 2013, run by the ESE Business School at the Los Andes University. It also received the Best Place to Innovate prize for 2013, jointly awarded by the Faculty of Economics and Business at the University of Chile, the Chilean Economic Development Agency (CORFO) and the research firm Cadem.

We came first in the telecommunications industry and sixth out of 100 companies with the best reputation in the country in the Merco 2013 ranking.

However, I have left one distinction that is particularly highly prized by us until last. Our company is continually focused on ensuring our customers remain at the heart of our business. Thanks to these efforts, we were awarded, for the eleventh year running, the National Mobile Telephone Quality Prize, run by ProCalidad, in addition to the Customer Experience Prize, for the second time, awarded by the Ibero-American

Association of Business Customer Relations (AIAREC), based on 130 companies in different sectors in Brazil, Chile, Colombia, Spain, Mexico and Venezuela.

We were delighted with all these the good results and awards, which we received with characteristic modesty. Together with our willingness to acknowledge any mistakes we make and a desire for continuous improvement, the awards allow us to continue making progress for our customers, our shareholders and society as a whole.

Finally, I would like to close by expressing my gratitude once again for the trust placed in our company by our shareholders, the preference, recognition and occasional tolerance of our customers, the support and collaboration of our suppliers, the receptiveness and understanding of all those affected on a daily basis by our activities, and the professional and human effort and dedication of all our staff.

With my best wishes,

Juan Hurtado Vicuña  
Chairman

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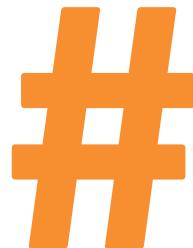


COMPANY  
INFORMATION



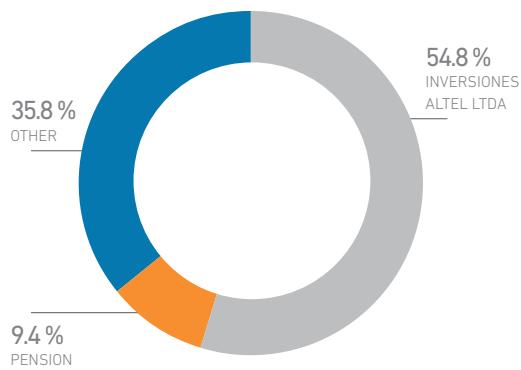


profile\_



Backed by the best network and data center infrastructure in Chile, Entel helps more than 10 million people live better connected and supports enterprises and corporations in Chile and Peru, helping them to optimize their business processes.

COMPANY OWNERSHIP



## Market Share

Entel is Chile's leading telecommunications company. It offers a full range of services, including mobile and fixed communications, IT outsourcing and contact center, providing consumers, enterprises and corporations with a world-class connectivity experience. It also provides network infrastructure, traffic and roaming services to national and international companies and mobile virtual network operators. The company also has a presence in Peru through its subsidiaries Americatel Perú, Servicios de Call Center del Perú, and, since August 2013, Nextel Perú, with a similar strategy in terms of market position and service range.

According to studies carried out by the firm IDC in December 2013, Entel leads Chile's mobile services market, with a share of 39% of the total number of customers, including voice and mobile broadband. As of December 2013, Entel had 10,428,884 mobile customers.

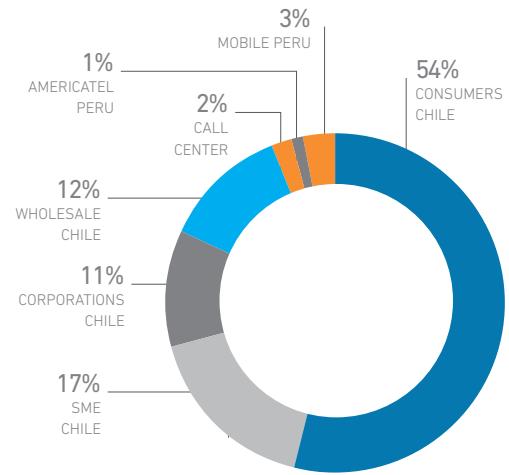
With a market capitalization of USD \$3,215 million at the end of 2013, Entel Chile S.A. is one of Chile's largest corporations, with stock distributed among 2,138 shareholders. The controlling shareholder is Inversiones ALTEL Ltda., with a share of 54.8%. Inversiones ALTEL Ltda. is a subsidiary of Almendral S.A., an investment company controlled by six corporate groups with a presence in various sectors of the Chilean economy and a strong commitment to the development of the telecommunications and IT industry.

## Credit Ratings

Entel's credit rating policy is to maintain investment grade status, with its debt structure managed accordingly.

Ratings Agency	Rating	Outlook	Date
<b>Moodys</b>	Baa2	Stable	October 2013
<b>Standard &amp; Poor's</b>	BBB+	Stable	October 2013
<b>Fitch (Local)</b>	AA-	Stable	August 2013
<b>ICR (Local)</b>	AA+	Stable	April 2013

## BREAKDOWN OF REVENUE BY MARKET



## GROSS REVENUE

	2013	2012	Change (%)
<b>Consumers Chile</b>	997,618	868,989	15%
<b>SMEs Chile</b>	310,955	292,101	7%
<b>Corporations Chile</b>	203,572	189,804	7%
<b>Wholesale Chile</b>	218,087	202,250	8%
<b>Call Center</b>	36,278	32,965	10%
<b>Americatel Perú</b>	21,988	20,878	5%
<b>Mobile Peru</b>	48,127	-	-
<b>Total</b>	1,836,624	1,606,987	14%

## KEY FIGURES

	2013	2012	Annual change (%)	2011
<b>Consolidated Revenue</b>	1,643,930	1,440,978	14%	1,240,914
<b>EBITDA</b>	467,316	536,525	-13%	515,200
<b>Operating Profit</b>	218,037	221,580	-2%	238,227
<b>Annual Profit</b>	146,965	167,294	-12%	180,767
<b>Profit per share (CLP)</b>	621.36	707.30	-12%	764.26
<b>Dividend yield (%)</b>	5.26	5.61	-	6.1%
<b>Return on equity (%)</b>	17.34	21.08	-	24.19



## Strategy

### Mission

Our mission is to ensure we all live better connected, making a responsible contribution to the transformation of our society.

### Vision

Entel aspires to be a world-class service company that provides its customers with a distinctive experience, a place where people can reach their full potential, a company continuously reinventing itself to strengthen its leadership.

Our mission and vision are backed by a solid brand, a demanding workplace, the country's most modern and reliable networks and data centers, best practices in customer service, and a systematic culture of innovation reaching all areas of the business.

## Strategic Priorities

### **Strengthen our Network and IT Infrastructure**

Ensure end-to-end quality in our technology platform and keep it up to date to allow us to offer our customers the best possible quality of service and facilitate the introduction of innovative products and services.

### **Improve Customer Satisfaction and Loyalty**

We want our customers to enjoy the experience of interacting with us and have the easiest and safest access to connectivity to help us gain their trust and loyalty.

### **Driving Innovation**

Our objective is to offer our customers the most attractive and innovative range of mobile and fixed services. Our model of innovation is based on capitalizing on international telecommunications and IT trends, focusing on initiatives that allow us to maintain our position at the cutting edge of the industry, differentiate our company and consolidate our leadership in the markets in which we operate.

### **Expand Mobile Data Services**

We aim to capture opportunities for growth in mobile data and develop communication tools with customers to improve their experience of services over more complex products, facilitating interaction in shops and distribution channels.

### **Drive the Growth of Outsourcing Services**

We strive to maintain our leadership in the enterprise segment, supporting our customers in all segments with integrated high-quality services.

Our goal is to increase our share of IT outsourcing in the SME and Corporate Segments.

### **Expand Services in the Residential Market**

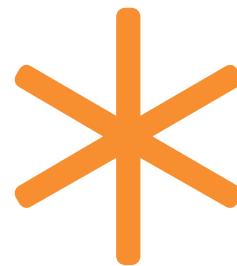
We want to take advantage of the strong recognition of our brand, expanding our range of voice, Internet and television services in specific segments of the residential market.

### **Capture Growth Opportunities in Other Countries**

We will continue to selectively evaluate opportunities to expand our range and scope of services. Our recent acquisition of Nextel Perú aims to increase our presence in the Peruvian market and take advantage of the promising opportunities for growth.



## \_ history



Entel's business model is subject to continuous review, allowing us to take advantage of rapid changes in our customers' needs, technology, regulations and the competitiveness of the market.

In 1960, Chile was struck by a major earthquake that caused extensive damage to its inter-urban network, highlighting the requirement for a modern and secure telecommunications system. This requirement gave rise to the creation of the Empresa Nacional de Telecomunicaciones (Entel) in 1964. Starting its life as a public body, a key part of its role involved the installation of networks throughout the majority of the national territory to ensure continuity of inter-urban communications and provide long-distance international connectivity. In 1968, Entel launched the first satellite station in Latin America and in 1974, it launched the National Telecommunications Center in Santiago (better known as the Entel Tower), which forms the central node of the system.

In 1986, the Chilean government began the privatization of the company, which was completed in 1992. In 1993, through a series of market transactions, Chilquinta (now Almendral) acquired a share of 19.9%. In June 1996, a meeting of the company's shareholders authorized an increase in capital, allowing the entry of Stet International Netherlands N.V. (later to be taken over by Telecom Italia), which assumed joint control with Chilquinta through a shareholder agreement. In

March 2001, Telecom Italia acquired the shares of Chilquinta and the Matte Group, increasing its share in the company to 54.76%. The Italian group held its share until March 2005, when it was acquired by Almendral S.A., which still held the share at the end of 2013.

### Transformation

For 30 years, Entel was Chile's leading supplier of long-distance telephone services. However, the structure and relative importance of services that marked the telecommunications industry throughout the 1970s and 1980s would undergo radical change over the next 20 to 30 years. At this point, local voice telephone services still represented around 60% of total revenue in the industry, with long-distance services accounting for between 25% and 35%, and the remainder made up of "private" services, generally provided to businesses that required a variety of data solutions (wireline and satellite) for their operations, a growing, but still extremely small, market. In general terms, Chile's telecommunications sector represented less than 2% of the basic basket of retail goods and services.

This structure was to undergo radical change, starting with the fundamental modernizations that saw the principles of free tariffs and market entry enshrined in law, with prices for end customers set in line with objective criteria in cases where intervention was required, such as local telephone services, the requirement for interconnection between operators of fixed, mobile and other services, and maximum interconnection prices fixed based on cost criteria.

In 1994, a second major reform to the national telecommunications market followed, opening it up to new operators under the same conditions as local operators for the provision of long-distance and other services using the networks of local operators. This created competition through the so-called Multicarrier system, allowing

customers to choose between long-distance operators for individual calls.

Under this new market structure, Entel maintained a strong position in the long-distance market with the carrier code 123, while successfully entering other high-growth markets in the country, such as business data services (referred to as "private services" in the regulations) based on various technologies.

A third wave of modernization allowed operators like Entel to obtain spectrum and, through the deployment of networks and regulatory changes establishing the Calling Party Pays system, join the revolution that would usher in the mobile world.

In the meantime, the company took advantage of the explosive growth in business data services, building a position of leadership across all segments of the mobile market as a supplier of connectivity and network services, in addition to services for integrated voice, data and Internet solutions based on the IT outsourcing model for enterprise segments.

## Leadership and Innovation

Remaining true to its founding vision, Entel has continuously reformulated its business model to operate in highly competitive markets, basing its strategy on three fundamental principles: high service quality, infrastructure and innovation. In 1994, Entel launched the first GSM (Global System for Mobile Communications) network in Latin America, the region's first commercial network with ATM technology, which subsequently evolved into the current multi-service IP network for fixed broadband solutions (1997), and launched the first mobile broadband service delivered over the GPRS platform on the 1,900 MHz band (2001). Entel was the first company in Chile to offer a service that provided users with email access from mobile handsets (2005) and the first operator in Latin America to launch commercial 3.5G (2006) and HSDPA+ (2009) networks.

In 2011, it continued to make progress with the introduction of HSPA+ Dual Carrier technology, making it one of the first companies in the world to offer this standard.

The company launched the country's first Tier III certified data center in 2012 to reinforce the position of leadership in IT service integration with high-capacity business networks, a position it has held since 2005.

To capitalize on and increase innovations of this nature, Entel has formed strategic partnerships with leading technology companies such as Vodafone, Samsung and Ericsson.

## Distinctive Experience

In June 2011, the company's mobile and fixed operations were integrated under an organizational structure designed to bring the company closer to its customers in each of the segments in which it operates: Consumer, SME, Corporate and Wholesale.

In 2012, through its Entel Hogar product line for the Consumer Market, the company began to offer wireless and local telephone services, satellite television and Internet to the residential segment, focusing on the most competitive areas for wireless services. We also launched a new business line in the Wholesale Market, based on an agreement with the department store Falabella, to offer the network infrastructure services that allow it to provide services as a Virtual Mobile Network Operator (MVNO), alongside new entrants in the industry focusing on specific niches of the market.

In 2012, the company faced a new challenge from changes to regulations implementing number portability for mobile telephone services throughout the country, taking effect in January. With a net balance of 83,364 new contract customers at the end of 2013, Entel leads the market in the attraction of customers in this high-value segment.

The National Quality Prize for 2013, awarded by ProCalidad to Entel for the eleventh year in a row reaffirmed our leadership in the main priority of our business strategy: offering customers a distinctive, world-class experience. This is set out in our mission statement, vision and corporate culture, which were formally defined during the course of the year.



## \_ highlights



1964

### CREATION

Empresa Nacional de Telecomunicaciones (Entel) was established by treasury decree on December 30 to provide national and international long-distance telephone and telegraph services to businesses.

1968

### FIRST SATELLITE STATION

Entel installed Latin America's first satellite station in Longavílo.

1974

### ENTEL TOWER

The company completed the 127 m high structure that houses the National Telecommunications Center.

1977

### SATELLITE EXPANSION

Construction of three new satellite stations to provide coverage throughout mainland Chile, completed in 1985.

1987

### NETWORK DIGITIZATION

Entel affirmed its technological leadership with the digitization of its national and international long-distance network.

1960

1970

1980

1990

### FIBER OPTIC NETWORK

Entel began the development of its fiber-optic network, which currently runs for over 5,000 km throughout the length of Chile.

1992

### PRIVATIZATION

Completion of the privatization process that began in 1986.

1993

### INTERNATIONAL EXPANSION

Entel began its expansion abroad with the creation of Americatel Corp to provide long-distance services in the United States. It took over Americatel Centroamérica the following year. Both companies were sold in 2006.

1994

### MULTICARRIER SYSTEM

With Multicarrier code 123, Entel began to compete with other operators in its original business area, long-distance telephone services.

1995

### INTERNET SERVICES

Entel began providing Internet access services.

1996

### LOCAL TELEPHONE SERVICE

The company began operations through the subsidiary Entel Telefonía Local.

1996

### ANALOG CELLPHONE SERVICE

Entel took over Telecom Celular S.A., which provided analog mobile services with coverage in various regions throughout the country.

1997

### PCS MOBILE SERVICE

Following the award of two PCS (Personal Communication Service) licenses, Entel launched a national mobile service. In 1998, it began to offer digital mobile telephone services on the 1,900 MHz band.

**2000****CALL CENTER**

To improve customer service and promote the use of remote channels, the company created the Entel Call Center subsidiary, which subsequently expanded its services to other customers in Chile and Peru.

**2001****MOBILE BROADBAND**

Entel PCS launched Latin America's first Mobile Broadband service with the implementation of the first 1,900 MHz GPRS platform to provide Internet access from mobile handsets.

**2001****EXPANSION IN PERU**

Entel created Americatel Perú to provide long-distance and traffic termination services in the country.

**2001****ENTEL WILL**

EntelPhone obtained its WILL license on the 3,500 MHz band for the provision of wireless fixed telephone services, and two licenses with a total capacity of 100 MHz to provide broadband for Internet and local telephone access (Entel Will).

**2005****IT SERVICES**

Entel expanded the areas in which it operates in order to offer IT services.

**2000****2010****NEW DATA CENTER**

Entel launched the first phase of its Ciudad de los Valles data center, with 8,000 m<sup>2</sup> of floor space. This marked the beginning of a shift in the industry towards local, high-quality data centers.

**2010****ACQUISITION OF TRANSAM AND WILL**

Entel acquired all shares in Transam, an intermediary telecommunications services supplier and long-distance operator, and Will, a local wireless telephone and data transmission services company.

**2011****DUAL CARRIER PIONEER**

Entel became the first operator in Latin America to implement HSPA+ Dual Carrier, a landmark in the evolution of its 3G HSPA+ network, providing users with maximum download speeds of up to 22 Mbps, almost double the existing capacity.

**2011****ENTEL VISA CARD ISSUED**

Thanks to its long-term partnership with Banco de Chile, the company launched the Entel Visa card.

**2011****RESTRUCTURING OF ENTEL**

A restructuring of the company took place to provide a platform for closer relationships with customers and allow the integration of the fixed and mobile businesses. Under the new structure, activities are grouped in units based on market segments.

**2012****RURAL CONNECTIVITY**

Entel and the Chilean Government successfully completed the connectivity program to provide access to Internet and mobile services to more than 90% of inhabitants in Chile's rural areas. The public-private initiative, the largest undertaken in Chile, saw a total of 1,474 communities in 289 districts obtain mobile broadband coverage.

**2012****4G SPECTRUM AWARD**

Entel was awarded the central block of the 2,600 MHz band tendered by the Department of Telecommunications, allowing it to provide services over networks using LTE or 4G technology.

**2012****EXPANSION OF PAY TV**

Through its Entel Hogar product line, the company began to provide wireless local telephone services, satellite television and Internet to the residential segment. The service aims to satisfy the connectivity and entertainment needs of customers in areas with poor fixed coverage.

**2012****MVNO SERVICES**

Entel signed an agreement with the department store Falabella to provide network infrastructure services for the subsidiary created by the company to act as a Mobile Virtual Network Operator (MVNO), a new business segment created in the country.



## \_ highlights

# 2013\_

### AWARD OF SPECTRUM

On March 26, the decree formalizing the award of frequency block B on the 2,600 MHz band to Will S.A., one of Entel Group's license holders, was published. The license allows the company to implement the country's largest LTE (4G) network, with 803 points of presence at national level.



### DATA CENTER EXPANSION

Entel launched the second phase of its Ciudad de los Valles data center, an expansion that will increase the total floor space to 4,000 m<sup>2</sup>. With an investment of USD \$35 million for this phase and total investment of \$72 million, the data center is Chile's most modern and largest in terms of floor space.

Both phases have Tier III *Design Documents* and Tier III *Constructed Facility* certification, awarded by the Uptime Institute to certify the infrastructure is equipped for providing first-class services without interruptions.

### IBERO-AMERICAN PRIZE

The Ibero-American Association of Business Customer Relations (AIREC) awarded Entel the prize for the Best Customer Experience 2013 in the Telecommunications category for Chile. The award, which the company had previously received in 2012, is based on the results of the *Best Customer Experience* survey, which involves 4,000 questionnaires throughout the country.

### CONTRACT WITH THE MINISTRY OF HEALTH

The official acknowledgment of the Comptroller of the Republic of Chile formalized the award of the provision of telecommunications and IT services for the Ministry of Health to Entel. The contract, which is the largest the company has ever signed, entailed the implementation of platforms for integrated fixed, mobile and IT communications services throughout the national territory.

### 4G SPECTRUM IN PERU

Through its Americatel Perú subsidiary, Entel was awarded a 40 MHz block on the Advanced Wireless Service (AWS) band, which will allow it to deploy networks with LTE technology. The company acquired the license for USD \$105.5 million.

### CORPORATE GOVERNANCE

Entel came third in the ranking for the adoption of the good corporate governance practices set out in Regulation No. 341 of the Chilean Securities and Insurance Supervisor. The ranking, prepared by Deloitte, was based on 97 openly-held corporations.

### ACQUISITION OF NEXTEL PERÚ

Entel acquired 100% of shares in Nextel Perú, the third largest mobile company in the country, after signing a purchase agreement with NII Holdings in April. The transaction was valued at USD \$410.6 million and included all shares in the company and USD \$26.7 million for positive net financial cash balances and other investments in the capital market.

### NATIONAL PRIZE FOR QUALITY

For the eleventh year in a row, Entel was awarded first prize in the Mobile category of the National Customer Satisfaction Prize run by ProCalidad. The study evaluated 29 sectors with 31,000 surveys carried out throughout the country.

### CORPORATE TRANSPARENCY

Entel formed part of the group of corporations whose Corporate Transparency index exceeded the international standard in a ranking compiled by the Faculty of Communications at the Universidad del Desarrollo, IdN Business Intelligence, Chile Transparente and KPMG Chile. The company came sixteenth out of 100 companies.

● march

● april

● may

● july

● august





corporate  
governance\_

#



The aim of Entel's corporate governance system is to create sustainable value for shareholders and the company by making a significant contribution to the development of telecommunications and information technology.

## Principles

At Entel, corporate governance is based on the following principles: protecting the rights of shareholders, ensuring all shareholders are treated equally; the timely and accurate disclosure of any relevant information about the company; the responsibility of the board of directors in approving strategic directives and ensuring the alignment of senior management; and the development of effective relationships with its stakeholders (shareholders, employees, customers, suppliers and the community).

Entel has a Corporate Governance Manual, which was approved by the Board of Directors in June 2013 and, notwithstanding the provisions of the company's Articles of Association and Code of Ethics, regulates aspects related to:

- a. Act No. 20,382, which amended the Stock Market and Corporations acts to improve corporate governance in Chilean companies.
- b. The new regulations for corporations, established in Treasury Decree No. 702 (2011), published in the Official Gazette on July 6, 2012.
- c. General Regulation No. 341, dated November 20, 2012, issued by the Chilean Securities and Insurance Supervisor, in line with which the company has adopted certain standards or guidelines for corporate governance.

- d. The Regulations of the Directors Committee.
- e. The Regulations for the handling of Market-Sensitive Information.

## Structure

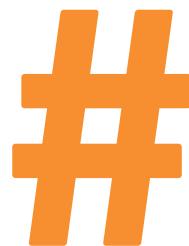
Entel's corporate governance is the responsibility of a board of directors with nine members who do not hold management positions at the company and are appointed to their posts for two-year periods with the possibility of re-election. The current board of directors was appointed at the Annual General Meeting of Shareholders held in April 2012.

The board of directors appoints the CEO, who has all the legal powers and responsibilities of their position. By law, the position is not compatible with the roles of company chairman, director, auditor and accountant.

The three members of the Entel Directors Committee are: Luis Felipe Gazitúa Achondo (Chairman of the Committee), Richard Büchi Buc (Director of the Controller), Alejandro Pérez Rodríguez (Independent Director). The committee's main duties include examining the external auditors' reports, balance sheets and other financial statements, proposing auditors and risk ratings agencies to the board of directors, reviewing transactions between related parties, and the other material contained in the Corporate Governance Manual.

Entel has also formed an Ethics Committee, comprising six company executives appointed by the corporate CEO. The committee is responsible for resolving various regulatory issues, particularly responding to claims made via the channel provided for this purpose.

The company has established the crime prevention model set out in Act No. 20,393 governing the criminal liability of legal entities for specific crimes. It has appointed the Head of Internal Audit as responsible for ensuring the model works correctly.



Advised by the external consultancy firm Deloitte, the company has drawn up a map of the main strategic risks inherent to its business and plans for their mitigation. It has also established mechanisms to control the implementation of the measures required for this purpose.

Additionally, the Board of Directors and the Directors Committee meet with the external auditors at least twice a year to review, amongst other issues, the annual audit program, any discrepancies detected with respect to accounting procedures, management systems and internal auditing, and possible conflicts of interest related to the audit company or its staff, in terms of the provision of other services to the company or the companies in its corporate group. At least one of these meetings has taken place without the presence of senior management from the company.

Entel also has a Corporate Internal Audit Department, responsible for ensuring the effectiveness and efficiency of the company's internal control system, identifying any possible risks in a timely manner and recommending actions to mitigate them.

## Code of Ethics

Although Entel has had a Code of Ethics and Conduct in place since 2009, on June 3, 2013, the company's board of directors approved an updated version of the document that includes the directors under the applicable headings and adapts the content in line with its new vision, mission statement, framework of values and commitment of Entel and its subsidiaries following the process to integrate the wireline and mobile businesses. The framework also includes updates to corporate governance guidelines, consolidation in the Corporate Governance Manual and improvements to the self-assessment measures set out in General Regulation No. 341 of the Chilean Securities and Insurance Supervisor.

## Corporate Governance Practices

On June 27, 2013, Entel submitted information to the Chilean Securities and Insurance Supervisor on corporate governance practices adopted by the company in line with the provisions of General Regulation No. 341. The document is available under the Investors section on the company website ([entel.cl](http://entel.cl)).

With a rating of 84%, Entel was ranked third in the adoption of good corporate governance practices as set out in this regulation. The ranking, compiled by Deloitte, was based on 97 openly-held corporations.

## Remuneration of the Board

Once a year, the remuneration of the directors (shown in the attached table) is approved at the Annual General Meeting. None of the members of the board of directors or the organization's executives are remunerated with stocks and shares in the company, or for their work as directors of subsidiary companies.

NAME	TAX ID	2013 (CLP th)	2012 (CLP th)
Juan Hurtado Vicuña	5.715.251-6	70,500	69,324
Luis Felipe Gazitúa Achondo	6.069.087-1	66,478	65,379
Raúl Alcaíno Lihn	6.067.858-8	34,235	34,669
Juan Bilbao Hormaeche	6.348.511-K	36,261	33,664
Richard Büchi Buc	6.149.585-1	48,348	31,799
Juan Claro González	5.663.828-8	32,221	31,689
Andrés Echeverría Salas	9.669.081-9	36,261	35,661
Alejandro Jadresic Marinovic	7.746.199-K	-	15,749
Juan Mac-Auliffe Granello	5.543.624-K	35,254	35,661
Alejandro Pérez Rodríguez	5.169.389-2	48,348	47,548
<b>Total</b>		<b>407,906</b>	<b>401,143</b>

\* Alejandro Jadresic Marinovic ceased to be a director in April 2012.

## Executive Compensation

In 2013, the value of remuneration payments to senior executives of equivalent rank at Entel was CLP \$8,618,777,495, distributed between 99 people (Entel S.A. and its subsidiaries). The total value of bonuses paid for the year was CLP \$3,660,268,715 and severance pay for 2013 was CLP \$1,037,232,170, covering a total of seven executives.

During the financial year, the Directors Committee did not incur any expenses or contract any consultancy services.

## Investor Relations

The company has an investor relations area responsible for providing the information required by the financial market

and the disclosure of information about the company in line with current regulations.

## Corporate Reputation

Entel was ranked first in the telecommunications industry and sixth out of the 100 companies with the best reputation in the country in the Merco 2013 ranking. The fourth version of the ranking was based on responses from 443 senior management figures and the analysis of 323 experts who evaluated financial results, information quality, commitment to the community and the environment, the working environment, the quality of the service or product offered with respect to current legislation, and the transparency of information.

board of  
directors



01 **Juan José Hurtado Vicuña**  
**Chairman**  
Civil Engineering,  
Universidad de Chile.  
Tax ID No: 5.715.251-6

02 **Alejandro Pérez Rodríguez**  
**Independent Director**  
Civil Industrial Engineering,  
Universidad de Chile.  
Masters in Economics,  
University of Chicago.  
Tax ID No: 5.169.389-2

04 **Luis Felipe Gazitúa**  
**Achondo**  
**Vice-Chairman**  
Business Studies,  
Universidad de Chile.  
Tax ID No: 6.069.087-1

03 **Juan José Mac-Auliffe**  
**Granello**  
**Director**  
Business Studies,  
Pontificia Universidad  
Católica de Chile.  
Tax ID No: 5.543.624-K

05 **Juan Bilbao Hormaeche**  
**Director**  
Business Studies,  
Pontificia Universidad  
Católica de Chile.  
MBA, University of  
Chicago.  
Tax ID No: 6.348.511-K





06

07

08



09

06 **Andrés Echeverría Salas**  
**Director**  
Business Studies,  
Pontificia Universidad  
Católica de Chile.  
MBA, University of  
California.  
Tax ID No: 9.669.081-9

07 **Richard Büchi Buc**  
**Director**  
Civil Engineering,  
Universidad de Chile.  
MBA, Wharton School of  
Business, University of  
Pennsylvania.  
Tax ID No: 6.149.585-1

09 **Juan José Claro González**  
**Director**  
Business Figure.  
Civil Engineering and  
Masters in Physics,  
Pontificia Universidad  
Católica de Chile.  
Tax ID No: 5.663.828-8

08 **Raúl Alcaíno Lihn**  
**Director**  
Civil Industrial  
Engineering,  
Universidad de Chile.  
Tax ID No: 6.067.858-8

## Management

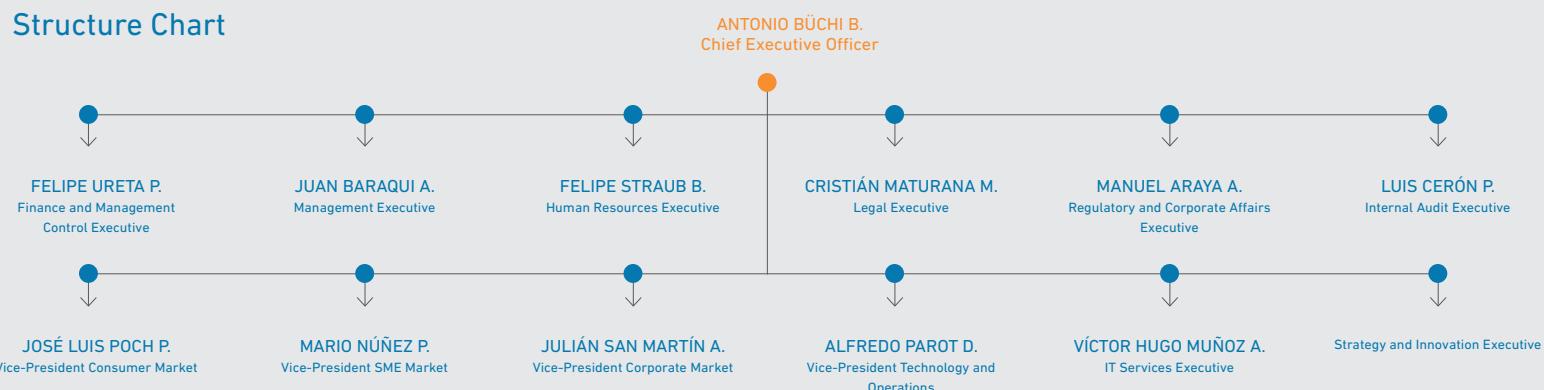
Entel manages its business based on market segments: Consumer, SME and Corporate. Each division has its own teams for innovation and product development, pricing, marketing, sales, and customer service. Traditional technology activities (networks, systems, and operations) and the Wholesale Market are grouped under a convergent Technology and Operations area. The IT Services area is responsible for managing, operating and running platforms for processing, transactions, and connectivity (cloud services, data center, outsourcing).

All support units are grouped under a single leadership. This structure was designed in line with international best practices, envisaging close integration among different areas as a result of increasing synergies in technology.

## Workforce

	Entel S.A.	Entel PCS	Call Center S.A.	Other subsidiaries	Call Center Peru	Americatel Peru	Nextel Peru	Total
<b>Executives</b>	49	44	19	2	5	21	68	208
<b>Professional and Technical</b>	1,982	1,329	938	63	96	77	98	4,583
<b>Clerical</b>	738	1,191	867	386	1,236	181	1,678	6,277
<b>Total</b>	2,769	2,564	1,824	451	1,337	279	1,844	11,068

## Structure Chart





## Senior Executives

### **Antonio Büchi Buc**

#### **Chief Executive Officer**

From April 2005

Civil Engineer, Pontificia

Universidad Católica de Chile.

Masters in Economics,

University of Chicago.

Tax ID 9.989.661-2

### **Felipe Ureta Prieto**

#### **Finance and Management**

#### **Control Executive**

From April 2005

Business Studies, Pontificia

Universidad Católica de Chile.

Tax ID 7.052.775-8

### **José Luis Poch Piretta**

#### **Vice-President**

#### **Consumer Market**

From March 2011

Business Studies, Pontificia

Universidad Católica de Chile.

Tax ID 7.010.335-4

### **Julían San Martín Arjona**

#### **Vice-President**

#### **Corporate Market**

From December 2006

Civil Industrial Engineering,

Universidad de Las Américas.

Computer Science,

Universidad de Chile.

Tax ID 7.005.576-7

### **Alfredo Parot Donoso**

#### **Vice-President**

#### **Technology and Operations**

From March 2011

Civil Industrial Engineering,

Pontificia Universidad

Católica de Chile.

Tax ID 7.003.573-1

### **Mario Núñez Popper**

#### **Vice-President**

#### **SME Market**

From March 2011

Civil Industrial Engineering,

Pontificia Universidad

Católica de Chile.

Tax ID 8.165.795-5

### **Víctor Hugo Muñoz Álvarez**

#### **IT Services Executive**

From March 2011

Electronic Civil Engineering,

Universidad Técnica Federico

Santa María.

Tax ID 7.479.024-0

### **Juan Baraqui Anania**

#### **Management Executive**

From December 2002

Business Studies, Universidad

de Santiago de Chile.

Tax ID 7.629.477-1

### **Sebastián Domínguez Phillipi**

#### **Strategy and Innovation**

#### **Executive**

March 2011 – September 2013

(Took up appointment as CEO of

Nextel Perú in October 2013)

Civil Industrial Engineering,

Pontificia Universidad

Católica de Chile.

Masters in Economics, the

University of Cambridge.

Tax ID 10.864.289-0

### **Felipe Straub Barros**

#### **Corporate Human Resources**

#### **Executive**

From January 2012

Psychology, Pontificia

Universidad Católica de Chile.

MBA, Universidad Alberto

Hurtado / Loyola College,

Maryland.

Tax ID 8.131.463-2

### **Cristián Maturana Miquel**

#### **Legal Executive**

From March 1994

Law,

Universidad de Chile.

Tax ID 6.061.194-7

### **Manuel Araya Arroyo**

#### **Regulatory and Corporate**

#### **Affairs Executive**

From March 2011

Civil Engineering and MBA,

Pontificia Universidad

Católica de Chile.

Tax ID 10.767.214-1

### **Luis Cerón Puelma**

#### **Internal Audit Executive**

From July 1997

Accounting & Auditing,

Universidad Católica

de Valparaíso.

Tax ID 6.271.430-1



human  
resources\_



In line with our business strategy, Entel has continued the transformation of our corporate culture that began in 2012.

### Strategic Alignment

A large part of the company's efforts in the area of people management during 2013 involved the internal adoption of the value framework defined by Entel's seven cultural principles in line with our business strategy. The Human Capital Committee was created as part of this work. The committee includes the CEO and top-level management and aims to ensure processes associated with the development of employees are consistent with the current and future challenges faced by the company.

Similarly, the vice-presidents and managers paid specific attention to the adoption of the value framework and our mission statement and vision in undertaking their specific activities.

### Entel's Culture

The company sought to promote the cultural transformation in the deployment of its business strategy through a corporate leadership program involving 900 managerial staff.

Ethics, as a fundamental value of all processes, was strengthened by the relaunch of the Code and Manual of Ethics and the implementation of the Crime Prevention Model and Whistleblower Channel.

### New Ways of Working

The construction of our new headquarters as part of the Parque Titanium development, which will house 1,400 people from 2014, represented an opportunity to reinforce the transformation of our corporate culture and optimize processes, technology and spaces. The architecture and

### Highlights 2013

- \* Formation of a Human Capital Committee to ensure consistent management of our people and challenges faced by the business.
- \* Corporate Leadership program for all our executives, deputy executives and managers.
- \* Relaunch of the Code and Manual of Ethics, and the implementation of the model for the prevention of crimes and whistleblower channel as part of larger initiatives related to the Ethics Committee and Audit Department.
- \* Implementation of SAP Success Factors platform.
- \* Four point improvement in the results of the Great Place to Work survey.
- \* Participation of 98% of the workforce in the performance assessment system.
- \* Conclusion of three collective bargaining processes with contracts between 30 and 36 months.
- \* Implementation of new methods of working aligned with the New Spaces Program as a result of our new office space.

design of the inside of the building are based around the idea that people are the most important part of Entel, together with a need to continuously innovate in the market through collaborative working, clear and transparent communication, and the intensive use of technology.

All the company's buildings housing corporate functions will be renovated to create these new spaces and ways of working. To promote this cultural change, the company held workshops involving more than 1,300 people throughout the year.

### Internal Mobility

Entel provided internal career development opportunities to 836 employees in 2013. This figure includes 296 employees who were promoted to positions of increased responsibility and 540 employees who took up new roles within the organization. This internal mobility represents 14.6% of the company's workforce.



## Recruitment and Staff Turnover

In 2013, the total monthly staff turnover remained at 1.1%, equivalent to 753 departures, with 374 people from different levels of the company leaving due to performance related issues or the lack of suitability of their competencies for the requirements of role profiles. This created the challenge of finding people with the right motivation and profiles for these roles, both internally and in the marketplace. To fill these positions and those created by internal mobility, 1,994 selection processes took place between January and December, allowing us to find the right people to meet the requirements of the organization.

## Health and Safety

In September 2013, Entel's new Occupational Health and Safety Policy took effect, designed to ensure health and safety forms part of all our business processes. Over the last year, a preventive health and safety management system for contractors began operation. In December, there were already 100 companies registered on the system, with a technical safety standard that describes the risks associated with the 15 main processes, providing risk assessors, peer committees and workers with an effective and accurate tool for occupational instruction.

These and other initiatives allowed the company to reduce its accident rate from 21 in 2012 to 16 in 2013 (the number of days lost per 100 workers in a given year due to occupational accidents or illness). In line with the information recorded by the Chilean Safety Association, the rate is below the average for the Communications sector (51) and the economic category Transport and Communications (111).

This achievement resulted in Entel being invited to chair the telecommunications safety round table led by the Chilean Safety Association, involving the most important companies in the industry.

We also look after our employees through benefits designed to improve their quality of life. In 2013, Entel invested more than CLP \$3,000 million (2.5% of the HR budget) on programs such as supplementary health insurance and dental coverage with zero copayment.

## Employee Relations

As part of a strategy to manage employee relations through cultivating long-term relationships, three collective bargaining processes took place in 2013, resulting in

contracts ranging between 30 and 36 months. In the same context, more than 700 people changed their working day in line with the current needs of the business.

## Working Environment

The results of 17 programs to foster involvement were reflected in a four-point increase in the results of the Great Place to Work survey, with a participation rate of 82% of the workforce in 2013. In this recent measurement, 80% of employees agreed that Entel is "a great place to work".

The quality of our working environment was also clear in the participation of more than 3,000 people in the Chilean Independence Day Activities, 1,240 families in the Christmas celebrations, 52 men's and 9 women's teams in the Table Football Championship and more than 1,000 participants in the volunteering program. Participation in the car sharing project, the involvement of more than 800 employees in sporting disciplines and schools, and the popularity of cultural workshops are also clear indicators of a strong sense of belonging.

## Performance and Compensation

Of our workforce, 98% participated in the performance evaluation process, which was transitioned to an ascending system with monitoring stages throughout the year. This made it possible to consolidate a model of management based on corporate competencies.

Based on a conceptual salary management model, the pay structure defined in partnership with the consultancy firm Mercer was communicated to the corresponding managers and union leaders. This structure and the associated management model include the definition of salary bands for more than 900 roles and their respective levels of development. This initiative, together with pay changes related to internal mobility and new recruitment resulted in progress being made in the professionalization of compensation management and the accompanying improvement in internal equality and market competitiveness.

The company has designed a compensation system structured around management by objectives, which applies to 14% of the organization (executives, deputy executives and area managers), and a variable incentive

**836 employees**  
were promoted in 2013

program associated with targets related to the productivity of the company, which is used at other levels.

## Skills Development

In 2013, the company invested CLP \$1,860 million in training programs involving 55% of the workforce (3,100 employees) through courses and workshops that totaled 90,000 person-hours.

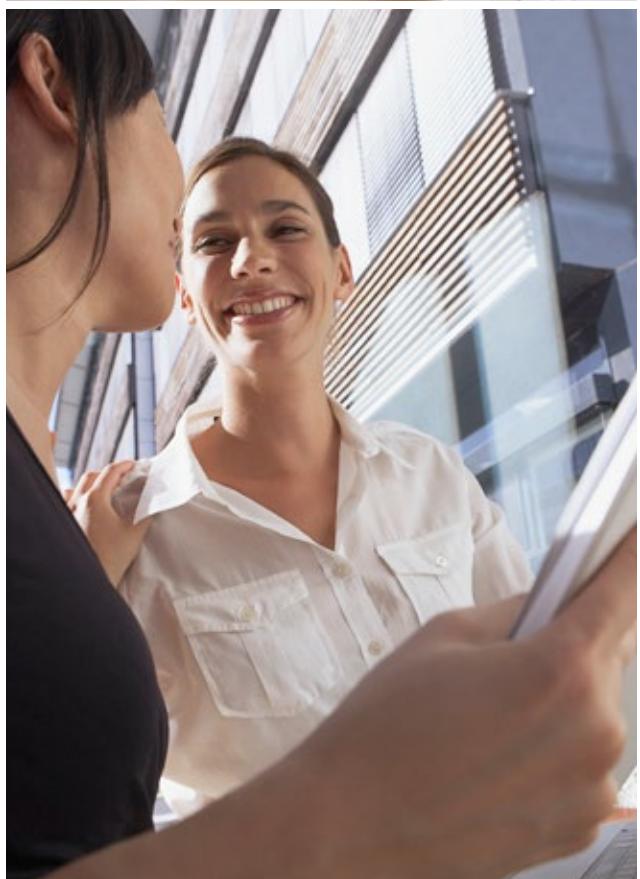
Eight large-scale training programs were designed with the support of the Human Capital Committee, in parallel to technical certification processes that seek to respond to the specific needs of different business units. The latter include Cisco Gold Partner certification, ITIL (adoption of best practices for IT services), and CompTIA A+ (focused on service quality for operational continuity).

Agreements were signed with Belén Educa and Inacap to promote the development of specialized technical staff as part of the strategy for the attraction and retention of talent.

## World-Class Tools

From the first quarter of 2014, our talent management system will benefit from the SAP Success Factors platform, offering world-class people management. The software will automate processes and provide each department with instant, direct access to the information required for making decisions related to the development of its employees.

Further initiatives to optimize people management include the completion of standardization projects for SAP HR, the digital signing of documents, and the implementation of the outsourcing platform for the management of contract staff.





## Principles of Our Corporate Culture

Entel's value is rooted in the seven principles of its corporate culture:

### Excellence, Quality and Delivery

We take responsibility for our decisions and actions with a commitment to delivering the highest service standards, both externally and internally, without losing sight of the fact that our commitments affect those made by others. We are continuously working to strengthen our leadership.

### Customer Focused

Our work is always based on what the customer values and expects to ensure we meet their expectations. We are always guided by how the end result of our actions and decisions will affect them. In this way, we aspire to build trust with our customers in long-term relationships that allow us to understand and anticipate their needs.

### Ethical, Transparent People Reaching Their Full Potential

We promote an environment of understanding, openness, sincerity, loyalty and honesty. We aim to create a demanding, stimulating and enjoyable environment that allows people to reach their full potential and grow in the broadest sense.

### Teamwork, Integration and Collaboration

We work with a team spirit, focusing on the bigger picture to achieve common goals. Transparency, openness, honesty and integration with the rest of the company are essential. We aim to promote relationships that favor collaboration and learning across different areas of the business with a constant availability to help and share information, knowledge and experience.

### Innovation and Adaptation

We experiment with new ways of doing things and encourage others to experiment, challenge and come up with ideas. We accept errors as learning opportunities and are open to change. We promote self-evaluation and the review of our actions because it is always possible to learn and improve on what we do.

### Passion and Persistence

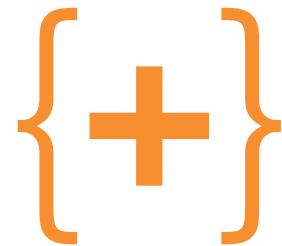
We undertake initiatives with energy and enthusiasm, always with a positive attitude. We are always ready and willing to help, motivated both by goals and the paths that lead to them. We are aware it will not always be easy and understand the need to learn and adapt along the way.

### Proactive

We are proactive in our approach to solving problems, prioritizing, simplifying and focusing on what delivers the best results. We take initiative and push things forward to ensure they are done with energy, while always being aware of the risks.



\_ corporate  
image



Entel has strengthened our brand leadership, reaffirming the differentiating attributes of better quality communications and coverage, advanced technology, and closer relationships.

### Highlights 2013

- \* Effie Gold Prize 2013 for sustained success for the results of our new image since its launch in 2010.
- \* Reinforcement of leadership in brand recognition and preference.
- \* Tenth year as official sponsor of the Chilean national football team.
- \* Consolidation of popular entertainment and sports events.

## Positioning

The strength of our brand is one of Entel's greatest assets. In 2013, in an environment of increased competitiveness created by number portability and the entrance of new competitors, the company successfully increased all indicators associated with its image, as well as the differences that set it apart from other telecommunications companies operating in Chile.

Based on market research carried out for the Consumer Market, Entel retained its position of leadership throughout the year in the Top of Mind mobile survey, finishing 2013 with a rating of 43.5%, 13 points clear of the next best remembered brand. We achieved a similar difference in surveys measuring brand preference, with a rating of 44.4%, compared to 30.8% for our closest competitor.

## Attributes

The main brand attributes associated with Entel by mobile users are better quality communications and coverage, advanced technology, and closer relationships. These attributes are continuously measured through brand tracking periodically undertaken throughout the country based on a sample of 1,560 people.

## Communication

In 2013, Entel continued to strengthen the relationship of its customers with its brand through events, wide-ranging sponsorship initiatives, and the Entel Zone club, which provided benefits to 6 million customers during the course of the year.



In the mass market, the company consolidated its position as a sponsor of high-quality events with involvement in the summer festivals "Pulparty" and new versions of Sensation and Creamfields, attracting over 64,000 people, as well as exclusive pre-sales for our customers at 18 concerts, with acts including Q-Dance, Bon Jovi and One Direction.

The new year fireworks display from the Entel Tower, run by the company for 22 years in Santiago, attracted a crowd of 450,000 this year.

In terms of sports, Entel marked its tenth anniversary as official sponsor of the Chilean national football team, intensifying its support with the country's qualification for the Brazil 2014 World Cup.

The year also saw the fifth Entel Mountainbike Challenge, which grew to become the largest mountain bike competition in Chile, with more than 3,000 competitors.

The Entel Xperia team also participated in the eight Rally dates, finishing second in the R3 category.

## Corporate Events

Entel awarded around 44 sponsorships for customer events in the SME Market. These include sponsorships related to our partnership with ProPyme to support small and medium enterprises through publications and talks at regional level.

In 2013, the company ran its annual Entel Business Tour, an event that makes direct contact with around 9,000 companies in ten cities throughout the country, providing talks containing information about innovative tools to help drive their business.

The sixth version of the Entel Summit, held in July 2013 in partnership with strategic suppliers, saw the participation of the visionary IT and artificial intelligence expert, Ray Kurzweil, as keynote speaker, alongside other prominent technology figures, such as Pau Garcia-Milá, founder of EyeO, James McKelvey, co-founder of the Square mobile payment platform, Ian Angell, expert in information systems at the London School of Economics, and Peter Ffoulkes, research director of servers, virtualization and cloud computing at 451 Research.

The conference, organized by Entel, focused on the latest advances in technology and connectivity, as well as the strategic management of available information.

## Online Marketing

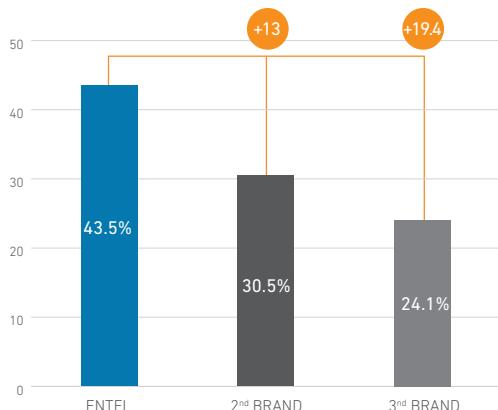
Entel's main objectives in the area of online marketing for 2013 were strengthening integrated communication (both on- and off-line) and promoting eCommerce and eCare activities to reinforce the online channel as a medium for services and transactions.

As part of this approach, the company expanded its support services through the creation of an exclusive Entel Help Youtube channel and began providing services through the Entel fan page.

A number of campaigns carried out in this area obtained prizes, including the best integrated campaign (Take Me With You MDNA and #CastingEntel) at the IAB Awards.

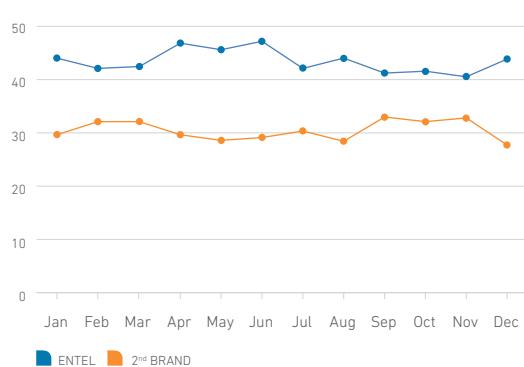


**BRAND RECOGNITION**  
(Top of Mind for Chile, Consumer Market, December 2013)



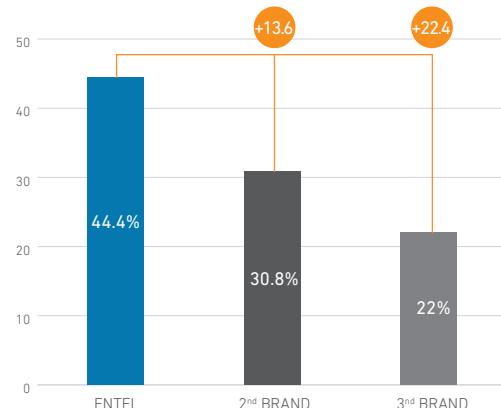
Source: Kronos. Study based on 1,560 surveys (600 in Santiago and 960 in regions).

**BRAND RECOGNITION**  
(Top of Mind, January–December 2013)

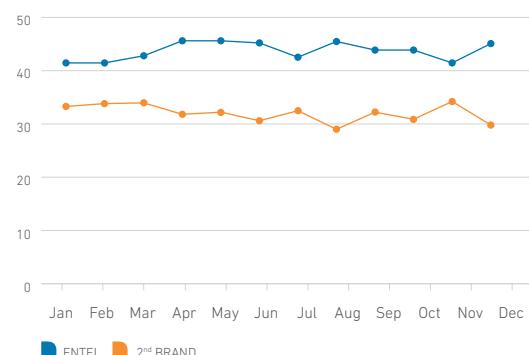




**BRAND PREFERENCE**  
(at national level, Consumer Market, December 2013)



**BRAND PREFERENCE**  
(January–December 2013)



Source: Kronos, Study based on 1,560 surveys (600 in Santiago and 960 in regions).

## Prizes and Award-Winning Campaigns

### Effie Gold 2013 for Sustained Success

For the transformation of Entel's image and the results obtained in the last three years following its launch.

### XIV ACHAP Advertising Festival

**Silver** in the Brand Image category for radio phrase for sponsorship of the Chilean football team. **Bronze** in the Application category for Entel Zone – Tribal.

**Silver** in the General category for The Fan – Entel – Digitaria.

### Megspot 2013 Prizes. Canal Mega

For the 2013 image campaign and Mobile Broad Band campaign.

### IAB Awards 2013

**Bronze** for CastingEntel in the Integrated Campaign category – McCann.

**Gold** for the Most Beautiful Sport in the World / The Fan in the General category – Digitaria.

### IAB Monthly Awards Snow Zone

in the Best Use of Technology category Digitaria.

**CastingEntel** for the Integrated Campaign category – McCann.

**End of World** Tweet in the Best Use of Social Media category – Digitaria.

**Take Me With You MDNA** in the Integrated Campaign category – Tribal DDB.

**Entel live** in the Mobile Application category – Tribal DDB.

**Coti and John** in the Social Media category – Pedro Juan & Diego.

**The Most Beautiful Sport in the World / The Fan** in the General category – Digitaria.

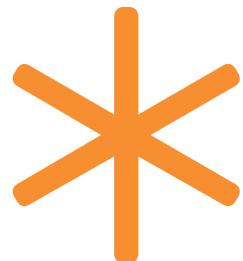
**All for the Snow** in the Application category – Tribal DDB



# STRATEGIC PRINCIPLES







The capacity and performance of our networks and data centers are essential in providing our customers with a distinctive experience. In 2013 Entel continued to strengthen our infrastructure in Chile and Peru, investing a total of USD \$843 million throughout the year.

### Highlights 2013

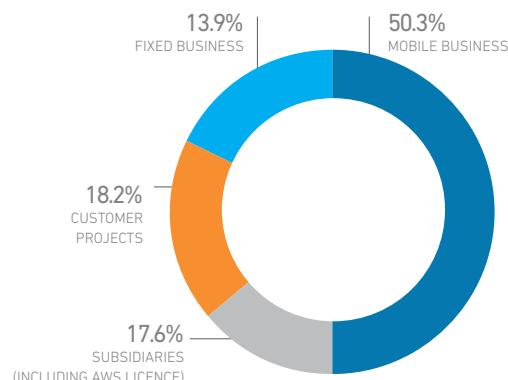
- \* Award of a 40 MHz block on the AWS band for the roll out of our LTE service in Peru.
- \* First steps in rolling out 2G and 3G networks in Peru on the 1,900 MHz band for Nextel.
- \* Expansion of fiber optic network in Chile for business customers.
- \* Expansion of the Ciudad de los Valles data center.
- \* Capacity expansion, new carriers and technology sites for 3G.

### Investment

The deployment of our own high-quality networks, platforms and data centers are an essential part of making a responsible contribution to the transformation of our customers' lives and businesses. In this respect, in 2013, Entel invested USD \$694 million, not including investment associated with the subsidiaries Entel Call Center, Americatel Perú and the recent acquisition Nextel Perú. The level of investment represents an increase of USD \$183 million over the figure for 2012, equivalent to 36%.

The value of investment in 2013 includes USD \$408 million for the roll out of infrastructure for access, service and transport networks for fixed and mobile platforms, including improvements to capacity and coverage on the 2G and 3G networks, and the installation of sites associated with obligations acquired as part of the award of the 2,600 MHz band (4G LTE). A further USD \$154 million were invested in the implementation of projects for Corporate and SME customers, including the successful delivery of a project for the Ministry of Health. Investment was also made in infrastructure for the IT business, with USD \$25 million destined for fitting out the second building at the Ciudad de los Valles data center, improvements to all our data centers and the growth in on-demand platforms. Finally, in 2013, USD \$41 million was invested in systems platforms and equipment to support both technical and commercial management.

**ENTEL GROUP INVESTMENT 2013**  
Total Investment: USD \$843.1 million



Investment 2013	USD thousand
Mobile Business	423,618
Fixed Business	117,043
Customer Projects	153,733
Subsidiaries (Including AWS License)	148,716
Total	843,110

## Roll Out of Networks in Peru

Following our takeover of Nextel Perú in August 2013, Entel began the roll out of 2G and 3G voice and data networks on the 1,900 MHz band owned by the company. Following design criteria based on population and geographic segmentation similar to those used in Chile, the plan aims to significantly increase coverage throughout Peru towards the end of 2015. This involves the creation of eight new Core Points of Presence (PoPs) that will form the basis of the Nextel network with the same quality standards of Entel's network in Chile.

The plan began with the tender of the various network platforms, which attracted bids from companies including Ericsson, Alcatel, Cisco and Huawei, with the contract being awarded to Huawei.

## 4G License for Nextel Perú

In July 2013, Entel's subsidiary Americatel Perú was awarded Block B of the AWS band (20+20 MHz) in a

tender process run by the Peruvian authorities for the deployment of LTE services. The license, acquired at a cost of USD \$105.5 million, will allow Nextel Perú to provide data services over LTE, increasing its range of mobile access technologies. It will be rolled out in parallel to the 2G and 3G networks, using active antennas and single RAN, latest generation technology that optimizes investments, reducing implementation timescales and future operating costs.

## Fiber Optic Network Expansion in Chile

In 2013, we continued the expansion of our GPON fiber-optic network that began in 2010 in order to increase coverage and service capacity in the SME Segment. At the end of the year, the network had a total of 37,000 businesses passed, strengthening its presence in 25 districts, with an emphasis on coverage in commercial buildings.

## Data Center Expansion

In March 2013, Entel launched phase two of its data center located in Ciudad de los Valles (Santiago de Chile), increasing floor space at the site to 4,000 m<sup>2</sup>. With an investment of USD \$35 million in this phase and total investment of USD \$72 million, the data center is the most modern and largest in terms of floor space in Chile.

Both phases of the Ciudad de los Valles data center have Tier III Design Documents and Tier III Constructed Facility certification, awarded by the Uptime Institute to certify the infrastructure is equipped for providing first-class services without interruptions. Its design, implementation and operation make it possible to guarantee 99.982% availability in the event of any contingency.

At the end of 2013, phase one of the data center was operating at full capacity and phase two at 50%. In line with the strategy for modular growth adjusted to meet demand forecasts, the company will begin construction of phase three in 2014. This phase will have a surface area of 3,000 m<sup>2</sup>, which will be brought into service towards the end of 2015.



## transport networks\_

### Fiber Optic

The trunk fiber optic network runs for more than 5,000 km throughout the length of Chile. It uses SDH and DWDM transmission technology to achieve transport speeds of up to 400 Gbps. The network is primarily used for the IP/MPLS network, which transports almost 75 Gbps originating from access networks and fixed and mobile service aggregation networks. In 2013, the company increased the proportion of fiber optics to 66% as part of its transmission plans towards IP traffic aggregation.

For the disaggregation of access layers and trunk networks (North and South), Super Core topology is used for the core of the data networks that connect three core PoPs (CNT, CDLV and URA Las Condes) allowing them to function logically as part of a single highly scalable PoP.

### Microwave

The microwave network is currently used as a branching network, largely for connecting rural areas to the fiber optic trunk network.

It runs from Arica to Coyhaique and is mainly used for regional transmission and as an access network for mobile and wireless data services. There is also a terrestrial microwave network composed of a stretch owned by Entel between Punta Arenas and the Argentine border (R/S Posesión) and leased between this point and Bahía Blanca (Argentina). From this point to Santiago, a fiber optic ring is used (swap with Silica) to connect the region of Magallanes to the rest of Chile.

The trend of this network is migration to the IP protocol,

gradually decommissioning legacy nodes.

### Satellite

Our satellite network has 17 terrestrial stations distributed throughout Chile, covering isolated areas such as Easter Island. The network uses the capacity of the Intelsat and Telesat satellite systems to provide telephone, data and digital television and audio signals transport services.

Entel also operates a VSAT platform for private LAN/IP networks and Internet traffic using DVB technology.

## access networks\_

### xDSL Access Network

The xDSL access network provides coverage in 176 districts throughout the country. It makes it possible to deliver voice, data and Internet services through a wide range of products. Investment in this network is focused on increasing speeds, the quantity of services and renewing equipment.

### MPLS Access Network

For both core and access, the MPLS network has evolved to use gigabit Ethernet connections throughout the national territory to provide dedicated, high-availability voice and data services.

Entel currently has around 705 PoPs with Switch/MPLS services in 291 districts. The Metropolitan Region has a high-redundancy Metro Ethernet network comprising primary optic rings of up to 10 Gbps and secondary high-speed Ethernet rings to provide access for mobile and private services.

### GPON Network

At the end of 2013, the GPON fiber optic network for servicing customers in the SME Segment reached 37,000 businesses passed, including micro enterprises, particularly in commercial buildings.

During the year, the roll out of Fiber to the Home (FTTH) began in 16 districts of the country to provide services to the residential segment. At the end of 2013, there were 19,000 homes and businesses passed.

### 2G Mobile Network

The 2G mobile network continues to play an important role in the services Entel provides to its users. Our 2G network uses GSM/GPRS/EDGE technology at all points of presence and is specifically designed and configured to support voice services, although it can also support data with average connection speeds of 100 Kbps. It is currently mainly used for M2M connections.

In 2013, the company added around 230 new 2G PoPs. This investment provided coverage in previously isolated rural areas and improvements to the signal in urban areas on the 900 MHz band.

### 3G Mobile Network

The 3G network serves as a platform for the mobile broadband service, the voice telephone service for customers with 3G phones and data services for smartphone customers.

Entel has the most advanced 3G network in the country. It supports voice and data traffic and is equipped with HSPA+ Dual Carrier/HSUPA technology at all PoPs, with the majority already having three carriers, increasing to four from 2014. This technology allows for theoretical peak data transmission speeds of 42 Mbps downstream and 5.7 Mbps upstream.

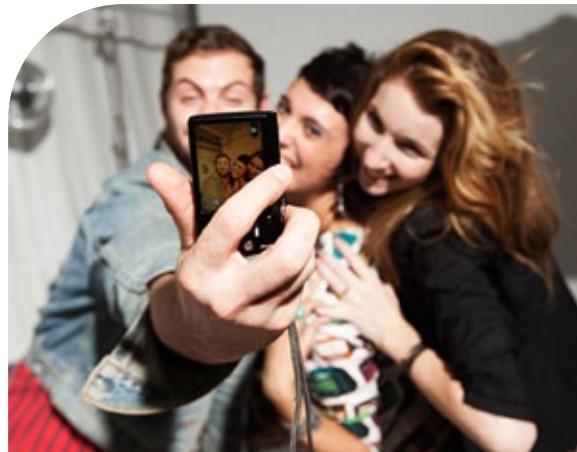
The company is continuously increasing the capacity of

this network to satisfy the ever-growing demand for traffic. In 2013, around 254 new 3G sites were added on the 1,900 MHz band and 373 3G sites were added on the 900 MHz band.

### LTE Mobile Network

The roll out of our fourth generation mobile network began in 2013, thanks to the award of the 2,600 MHz band in August 2012. Of the total of 803 points, 530 LTE points were enabled throughout the country in 2013. Entel hopes to continue to gradually increase this number, although a more concentrated roll out of LTE will be possible with the award of new spectrum for LTE on the 700 MHz band.

## Infrastructure of Nextel Perú



### Data Center Network

Entel has six data centers interconnected by IP/MPLS/DWDM fiber optic networks, named according to their location: Amunátegui, Pedro de Valdivia, Ñuñoa, Longovilo, Vicuña Mackenna and Ciudad de los Valles.

The data centers have a combined surface area of over 7,600 m<sup>2</sup> that has already been fitted out and a master plan for growth of up to 11,675 m<sup>2</sup>. Entel uses these data centers to provide outsourcing services for IT operations, ranging from housing to more complex services involving the operation and running of platforms to support our customers' business applications.

Data center services are designed for companies that need to maximize the availability of business critical applications, improve security levels and the protection of critical information and considerably reduce investment in infrastructure compared to the levels an average customer would require to obtain an equivalent service with their own resources.

### Mobile Network

Entel's 1,900 MHz 3G network (UTMS) comprises 760 sites throughout the country, with 484 in Lima, covering 52% of the total population. (In Lima and Callao the level of coverage reaches around 75%).

iDEN network (800 MHz), known as the PTT (Push-to-Talk) network. Nextel has 635 sites throughout the country, 477 in Lima. There is supplier support in place until the end of 2015.

### Spectrum

Nextel Perú has the following bands for providing services:

- \* 800 MHz, used for the Motorola PTT service (iDEN).
- \* 1,900 MHz, used to provide 3G mobile and data services.
- \* 2,500 MHz and 3,500 MHz, used for WiMax networks.
- \* AWS (1,700–2,100 MHz), acquired by Americatel Perú in 2013. This will be used for providing LTE services for Nextel Perú.

### Transmission

All mobile sites are currently connected using the microwave network.

(Nextel Perú does not have a fiber optic network.)



## customer experience\_

Our strategy is centered on providing a distinctive, world-class service. In 2013, Entel reinforced this vision, improving our processes from the point of view of our customers.

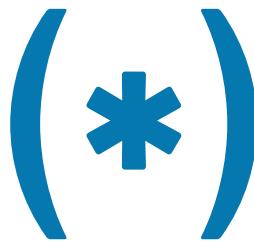
### Highlights 2013

- \* Ibero-American Best Customer Experience prize for 2013 in the Telecommunications category.
- \* National Service Quality Prize for the eleventh year running.
- \* Top 10 in Customer Loyalty Ranking.
- \* Company with the lowest level of complaints in the mobile industry, according to information from the National Consumer Service and the Department of Telecommunications.
- \* Leadership in customer satisfaction in all markets.

### Approach

To achieve its vision of being a world-class service company, Entel systematically and continuously manages its customers' experiences in all the markets in which it operates. To ensure a distinctive experience, Entel is continuously investing in its network and technology infrastructure, which is key to connectivity. It also applies best practices in direct relationships with its customers, both in terms of project management and sales and post-





sales service processes. An important tool in this area is continuous benchmarking at an international level, which Entel primarily undertakes with its strategic partner, Vodafone, the world leader in mobile communications.

### Consumer

In the Consumer Market, the management of customer experience is monitored in three main areas: in relation to the Entel brand, in the use of products, and in direct interaction with the company through personal contact via in-person and remote channels.

In 2013, the company began a process to transform its stores. The project will run for three years and create more open spaces where customers can try out handsets and receive service from an expert who will provide them with comprehensive advice throughout the full purchase cycle. Over the last year, it transformed six stores based on this new concept, which join the stores that underwent remodeling as part of the pilot scheme in 2012. In 2014, ten more stores will be converted to this new service model.

To achieve the vision of providing a world-class service, Entel has further developed its multi-channel outlook. It is now the customer who decides where they will receive service, with the company offering the best possible service via all its channels.

In this respect, Entel achieved an average improvement of 15 percentage points in satisfaction levels for customers interacting using its channels. Call Center achieved historical levels of customer satisfaction, with an increase of 12 percentage points from the previous year. In terms of Stores, levels for the Express format increased by five percentage points.

### SME

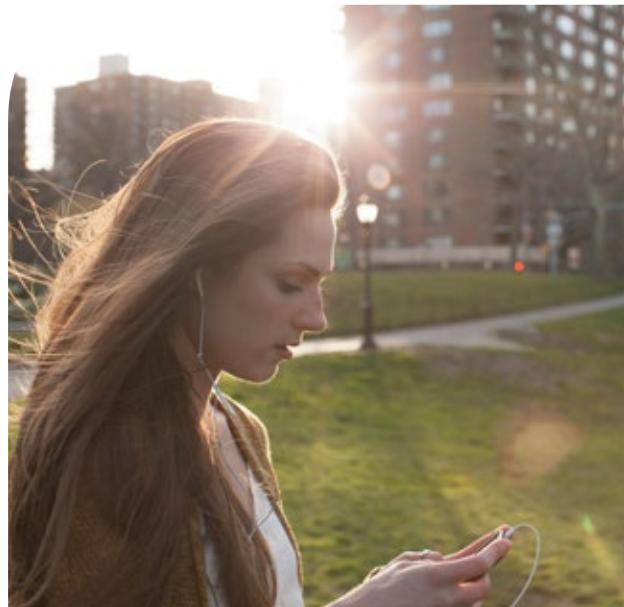
In 2013, the Vice-President of the SME Segment set out a road map for a radical redesign of the customer experience in 2015. Based on a new approach, devised from the customer's perspective in terms of full relationship processes, the company identified 34 "journeys" (sets of interactions, results, actions and emotions), experienced by customers when they approach Entel to satisfy a need). Based on this diagnostic, it defined priority journeys to be tackled as part of a project that will run for two years. In this way, the company will seek to provide memorable experiences that allow it to continue making progress in terms of satisfaction and loyalty.

In parallel to this, in 2013 the SME Segment redesigned the coverage model for its channels to focus on all relevant aspects of customer requirements, including advice, resolution and building a close relationship.

In 2013, the company maintained its leadership in customer satisfaction of this segment, with a net general level of satisfaction for mobile services among its SME customers of 54%, four percentage points above the industry average. For fixed services, the net general satisfaction of Entel SME customers was 61%, according to studies carried out by Adimark at the end of the year.

### Corporations

In May 2013, the Vice-President of the Corporate Segment initiated the first phase of the "Optimus" transformation project, devised as a result of a general diagnostic of customer experience in the segment and the mapping of its critical journeys, which it will seek to transform over the coming years. The three main elements that were taken into account in defining this strategy were the voice of the customer, the vision of the organization and the analysis of benchmarking of processes with international best practices.



## Top 10 in Customer Loyalty Ranking.

Entel came eighth among the companies with the best Customer Loyalty rating in Chile in a ranking carried out based on the Net Promoter Score (NPS) methodology covering 14 industries and 35 companies. NPS is a universal indicator, developed by the consultancy firm Alco Consultores and the newspaper *Estrategia en Chile*, which is also applied in the United States, Europe and Asia.



## Wholesale

The work plan involves improving customer satisfaction through the transformation of experiences for each of these journeys. It began with the transformation of three journeys through improvements in five dimensions: the voice of the customer in its various manifestations (e.g. in-depth surveys, post-service surveys, interviews); work processes aligned with customer needs; mechanisms to better understand and manage performance; coaching and accompanying employees in the resolution of problems; and the reorganization of roles and functions.

As an example, based on this method, Entel was able to improve the journey for resolving technical incidents with IT services in the Corporate Segment. The initiative changed the way in which incidents with customer visibility are processed, establishing mechanisms for prioritizing and communication protocols, point-to-point responsibility for each ticket associated with an incident, and the management of problems from their root cause to prevent repetition. These mechanisms have allowed the company to achieve significant operational improvements that have had a positive impact on customer satisfaction, resulting in levels of over 70%, according to post-service surveys.

To maximize service levels to Entel customers who use roaming services on international networks and customers of other companies visiting Chile who choose Entel as their preferred roaming network, the Wholesale Segment created the Wholesale Roaming area in 2013, responsible for developing an information system and metrics to help us achieve this goal. As part of this plan, the company will carry out post-service surveys on a continuous basis throughout the year to record the experience of users when they leave Chile to return to their country. In the annual survey carried out on visitors departing the country, Entel maintained its leadership in 2013, with 76% of responses in the surveys achieving a rating of six or seven (scale from one to seven, seven being the highest), 11 percentage points clear of the next best evaluated company for roaming services in the country.

## Online Experience

The online channel is increasingly important when it comes to providing customers with the best possible experience.

Entel launched a new catalog of handsets for 2013, the most popular section on its website, and improved self-service tools, such as online forums, communities, service videos on YouTube and interactive guides for handsets. It also

## OVERALL SATISFACTION OF POSTPAID CUSTOMERS

Consumer Segment



Source: Adimark GFK and internal tracking of customer satisfaction for mobile services.

improved the user experience for the mobile version of the site and the private portals My Entel for the Consumer and SME segments to facilitate online self-service and allow customers to take out new products and services. In the Corporate Segment, it launched the new cloud portal, which offers IT services over the cloud with real-time configuration and activation.

In the area of social networks, Entel provides personalized support over Facebook and Twitter, achieving high levels of satisfaction and resolution, complemented by the new support channel on Youtube.

### Customer Experience Prize 2013

For the second year running, Entel won the Best Customer Experience prize in the telecommunications category for Chile. The prize is awarded by the Ibero-American Association of Business Customer Relations (AIAREC). The prize was awarded based on the results of the Best Customer Experience study carried out by the consultancy firm IZO with a sample of more than 13,000 opinions from consumers on 130 companies from different sectors in Brazil, Chile, Colombia, Spain, Mexico and Venezuela.

In Chile, more than 4,000 surveys were carried out throughout the country to determine the opinion of consumers based on their experience in terms of brand, products and services, in addition to interaction using service channels. This is the second time Entel has received this award.

## OVERALL SATISFACTION OF PREPAID CUSTOMERS

Consumer Segment



Source: Adimark GFK and internal tracking of customer satisfaction for mobile services.

### National Customer Satisfaction Award

Reaffirming its leadership in terms of quality of service, for the eleventh year running, Entel came first place in the Mobile Phone category of the National Customer Satisfaction Award run by ProCalidad and oriented toward customers in the Consumer Segment (B2C).

The ranking, which has been run by ProCalidad for twelve years, is a quantitative study involving an annual sample of more than 31,000 surveys across 29 sectors.

### Reduction in Complaints

With 1.6 complaints per 10,000 customers, Entel was the best performing company in the complaints ranking for the mobile market for the period January–November 2013. The study, carried out by the National Consumer Service and the Department of Telecommunications involved six other companies in the industry, including two mobile virtual network operators. The levels for the remainder of the group varied between 2.0 and 12.2 complaints per 10,000 customers.

The figure also represents an improvement on the corresponding period in 2012, for which the level was 1.7.



innovation\_



Innovation is what allows us to create a distinctive and transformational source of value. It is driven by and works for people, and is located at the point where technology and business meet.

## Approach

At Entel, generating innovation is the responsibility of all our employees. The company is permanently seeking to strengthen an ecosystem that is able to create sustainable and permanent value with clear focuses and committed teams.

This means innovation and the capacity for adaptation are fundamental aspects of the company's organizational culture, encouraging individual employees, regardless of the area in which they work, to constantly push themselves and seek new opportunities to provide a better service.

In parallel, Entel analyzes global trends in the industry to back initiatives that help develop the country and promote its leadership in the markets in which it operates, together with its partners and allies.

## Ecosystem

Entel's innovation model is based on a multi-tier approach.

The Strategic Innovation Committee, made up of Entel's senior management, tracks progress in the culture of innovation and approves the development of disruptive initiatives or projects with transformational potential, aligning the different areas of the company for this purpose.

The Corporate Innovation Function, which is the responsibility of the Innovation Department, is responsible for promoting and maturing innovation within the company, exploring disruptive projects and managing the partnerships required for their development.

The Entel Innovation Network involves all the company's employees, who identify opportunities and develop projects to create new sources of value and continuously improve service.

## Highlights 2013

- \* Best Place to Innovate prize for 2013 in the telecommunications sector, awarded based on the ranking carried out by the Faculty of Economics and Business at the University of Chile, the Chilean Economic Development Agency (CORFO) and the research company Cadem.
- \* Third place out of 50 companies in the Most Innovative Companies ranking for 2013, run by the ESE Business School at the Los Andes University.
- \* Recognition of the incorporation of design as a tool for the creation of value by the Chilean Design Association.
- \* Partnership with Chilectra to develop the country's first Smart City.

# Drivers of Innovation

## Technology and Services

Introduce innovation-based qualitative technological leaps that allow the company to offer relevant products and services for individual segments to achieve and maintain market leadership.

## Processes

Create simple and efficient processes in all areas of the company, always focused on the needs of our customers.

## Business

Create innovative, differential and market-leading business models, products, services and sales channels.

## Organizational Culture

Develop the talent, human capital and DNA required to consolidate the company's innovative culture.

## Third in National Innovation Ranking

For four years, Entel has consistently finished in the top ten of the Most Innovative Companies ranking for Chile, compiled annually by the ESE Business School at the Los Andes University. Repeating the success of 2012 and 2010, in 2013 the company was ranked third out of 50 companies from all the industries in the country.

The study measures the efficiency of resources in terms of innovation, identifying examples of best practices. The judges

noted Entel's "ability to create a dynamic organizational structure that fosters the creation of value for its customers in line with the unique selling point of the company, which is excellence in service operation".

## First in Industry Perception Ranking

Among telecommunications companies, Entel was awarded the Best Place to Innovate prize for 2013, awarded by the Faculty of Economics and Business at the Universidad de Chile, the Chilean Economic Development Agency (CORFO) and the research firm Cadem. The award was based on the first Perception Ranking by InnovAcción, which recognizes four ascending stages of development: 1) Creativity, where innovation depends on the creativity of a few people; 2) Innovation, based on the individual effort of few people; 3) Action, the result of the effort of the organization as a whole; and 4) Effective Change, where innovation is a fundamental part of its mode of operation and incorporates third parties.

The survey was based on responses from 205 executives (CEOs and area managers) from the following industries: Retail, Mass-Market, Financial Services and Telecommunications. In the case of telecommunications, responses were provided by professional level staff with more than five years experience in telecommunications companies. Innovation in products and services, and marketing, were the areas in which Entel was perceived as being strongest.

## Smartcity Connectivity

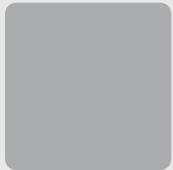
In November 2013, Entel launched the free public Wifi service for users of Smartcity Santiago, the first prototype smart city in Chile, which is being developed by the electricity company Chilectra in the Ciudad Empresarial business park in Huechuraba, Santiago. The initiative will bring together different projects that combine innovation, efficiency and sustainability using cutting edge technology.

## Recognition by the Chilean Design Association

Entel won Special Prize in the Business category of the 2013 Chilean Design Association awards, which run every two years. The award was based on recognition of being a "company that stands out for incorporating design as a tool for the creation of value".

3

OUR  
BUSINESS







industry\_



Mobile data leads the growth in the  
Telecommunications sector, together  
with fixed broadband and pay TV.

Mobile phone services continue to  
grow, although at lower rates.

## Size

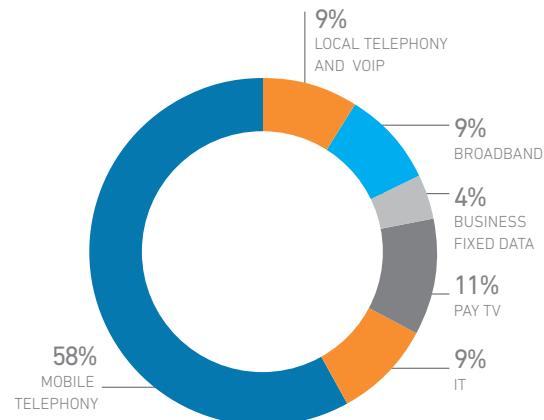
The estimated revenue of the telecommunications industry in Chile in 2013 was CLP \$5,081 billion. Mobile communications (voice and data), make up 58% of this value, with the remainder split between pay television (11%), fixed Internet (13%), IT outsourcing services, and fixed and IP telephone services (9% each).

## Growth

The industry grew by 9.75% in 2013. As in previous years, the increase was driven by the mobile communications sector and, within this, data, which saw growth of 12% with respect to 2012.

In the third quarter of 2013, the penetration rate for mobile telephone services (over PoP connections), reached 151% and, according to Merrill Lynch, smartphone penetration of the total number of mobile phone lines stood at 18.4%. Smartphone penetration has driven an increase in the use of mobile Internet connections over 3G networks, a trend that increased with the initial roll out of 4G networks, made possible by the award of the 2,600 MHz band in 2012 and the tender process for spectrum on the 700 MHz band in early 2014.

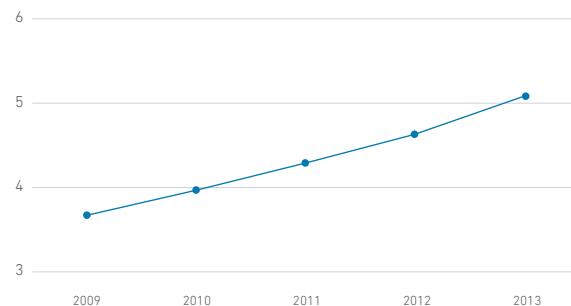
REVENUE FOR THE CHILEAN TELECOMMUNICATIONS INDUSTRY  
(Breakdown by Business Area, December 2013)



[ 58% of revenue  
in Chile's telecommunications sector  
came from mobile communications ]

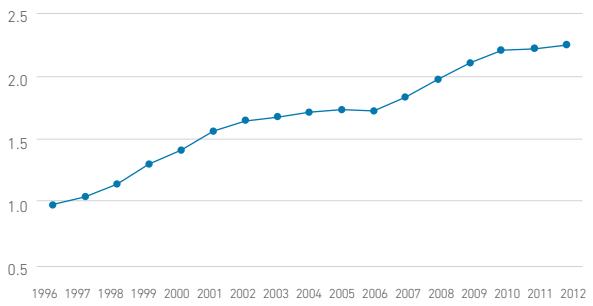
Reflecting international trends, residential fixed telephone services in Chile fell from 20.9 lines per 100 inhabitants in December 2009 to 18.2 lines per 100 inhabitants as of December 31, 2013. This was largely due to a change in consumer preferences, explained less by falling levels of connectivity in the market than by a migration toward fixed broadband, pay TV and particularly mobile voice and data communications. In this context, access to fixed broadband in homes reached a penetration of 41.37%, as of December 31, 2013, representing an increase of 35.3% in the number of customers since December 2009, with 35.30% penetration of homes. Similarly, the penetration of pay TV customers in homes throughout the country was 46.11%, as of December

INDUSTRY REVENUE GROWTH (CLP bn)



Source: Entel estimates based on quarterly financial reporting, and forecasts by IDC and Informa

GDP COMMUNICATIONS INDUSTRY IN CHILE



Source: Central Bank of Chile

**[ 9.75% growth in the telecommunications industry in 2013 ]**

31, 2013, a new increase in comparison with penetration of 34.66% of homes in December 2009.

According to information provided by Gartner, IT services in Chile will grow at a higher rate than the rest of the world between 2014 and 2016, at 11% compared with the international average of 5%. In Chile, within IT services, IT outsourcing represents the highest percentage of expenditure (42%). The largest component of this is integrated outsourcing, with around 50% every year, according to information provided by IDC.

## Competition

At the end of 2013, the following companies were operating in Chile's mobile communications industry with their own network infrastructure: Entel, Movistar (part of the Telefónica Group), Claro (owned by América Móvil), Nextel (subsidiary of NII Holding Group) and VTR (owned by Liberty Global Media). There are also four mobile virtual network operators (MVNOs) providing services over third-party network infrastructure: Virgin Mobile, Netline, GTD (which began operation in 2012) and Móvil Falabella, which began operation using network infrastructure provided by Entel in July 2013. Nextel and VTR also operate as MVNOs in regions where their own networks do not have coverage, with the

latter announcing its intention to cease operating its own network and become a full MVNO in January 2014.

At present, there are currently ten operators providing fixed telecommunications services that make up the totality of fixed lines in service. They include Movistar (Telefónica Chile), VTR and the GTD Group (primarily through GTD Manquehue and Telsur).

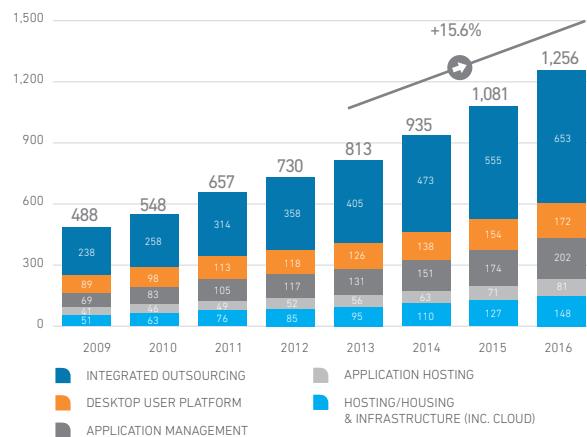
There are nine operators in Chile's broadband market, defined as having connections with speeds above 128 Kbps, including: Entel, Telefónica Chile, the GTD Group and Claro.

The main companies in the pay television market are VTR, Direct TV, Telefónica, Claro and Entel, which began providing this product to the residential segment in 2012.

In the business fixed data segment there are eight operators in Chile's main cities, although only three have infrastructure with national coverage. In this market, Entel's main competitors are the Telefónica Group, Claro Chile, Teleductos and Telsur (both part of the GTD Group).

Entel's main competitors in the IT outsourcing market are split between the telecommunications industry (Telefónica, Claro and Entel) and the IT services sector (Sonda, IBM, HP, Synapsis, Adexus and Level 3).

## IT OUTSOURCING GROWTH IN CHILE (USD th)



Sources: IDC, IT Services Tracker, 1H 2012

**IT services growth**  
will be above the global average in Chile



Its market share has risen from 27% in 2010 to 32% in 2013, calculated based on the total revenue for the Telecommunications and IT Outsourcing market using the company's estimates from information published by the companies operating in the industry.

## Global Trends

### Explosive Growth in Data Traffic

According to Cisco, global data traffic increased 81% in 2013 and will grow at a compound annual growth rate of 61% until 2018 (According to Ericsson, global mobile data traffic will grow at an annual average of 45% until 2019).

This strong growth is primarily driven by smartphones, which increased their market penetration in Chile to 18%, as of September 2013, compared to an average rate of 43% in developed countries, according to Merrill Lynch. It is expected that these levels of penetration will continue to increase, based on the share of smartphones of total handsets sold, which exceeded 50% in Chile for the first time in 2013, a level that continues to experience significant growth.

It is also driven by increasing data traffic, the trend of using multiple devices among consumers (tablets, smartphones and PC/laptops) and being connected for increasingly longer periods of time.

Traffic generated by these devices is largely driven by video consumption, which is becoming mobile, and OTT messaging and voice applications. In addition to driving data use, the trend is changing how consumers watch television, and as a result, how the industry offers this type of content.

### Television Is Becoming Mobile

The explosion of video and multimedia content available for the fixed network has led consumers to demand access from mobile devices as well. This is creating pressure on operators to offer an experience whereby customers can have access to content from any type of device or screen, a strategy referred to as TV Everywhere. Television is also becoming increasingly interactive, driving growth in on-demand services, digital video recording (DVR) and integration with social networks.



### Restructuring of Services

The explosion in data has led to operators restructuring how they offer services to their customers throughout the world, changing the structure of plans to meet demand. Companies are placing an emphasis on the volume of data consumed instead of voice minutes, creating plans with limited data and unlimited messaging and voice minutes. Shared data plans have also began to emerge, making it possible to use a certain data allowance over various devices, a change aligned with the trend for using multiple connected devices.

### Connectivity and the Internet of Things

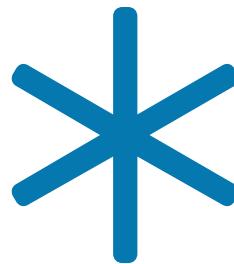
The connectivity of things has had a strong presence in the SME and Corporate segments for a number of years, however it is now becoming a reality for consumers through the phenomenon of wearable devices, a hot topic in recent times. Such devices take on many forms, from intelligent watches, glasses, health and sports monitors, all the way through to intelligent clothing.

Despite being in an early stage, Cisco highlights the high potential for growth in these devices, forecasting annual average growth of 53% up to 2018.

Finally, in Chile there has also been strong growth in mobile payments, as is clear from a series of national trials that have driven this trend.



## \_ regulatory framework



for the Defense of Free Competition intervenes in situations where market conditions do not make it possible to guarantee a free pricing regime.

Entel has various concessions, licenses and permits for providing telecommunications services. These include concessions for mobile and fixed services, intermediary telecommunications services (including its license for long-distance services) and a license for a restricted satellite television service. For these concessions, where applicable, the authorities have assigned the respective use of radio frequencies (spectrum), and the respective concessionaire will be responsible for the applicable regulatory procedures for operating these concessions through new telecommunications infrastructure.

### Authorities

The Department of Telecommunications is the authority responsible for establishing and enforcing technical regulations, promoting the development of the sector, and awarding concessions for the use of spectrum through public tender processes when there are limitations on the availability of frequencies. Responsibility for the respective tariff decrees falls jointly to the Ministry for the Economy, Public Works and Tourism, and the Ministry of Transport and Telecommunications.

The Tribunal for the Defense of Free Competition also intervenes in the sector, with responsibility for ensuring competitiveness, identifying monopoly situations that require prices to be set for legally mandated services, issuing rulings on company mergers in the sector, and preventing or sanctioning behavior that is detrimental to free competition.

At the end of 2013, a bill was being debated to create the Telecommunications Supervisor, a body that will primarily be responsible for enforcement in the sector, a role that currently resides with the Department of Telecommunications.

## Regulatory Framework

Telecommunications services in Chile are governed by the General Telecommunications Act (No. 18,168), and its supporting regulations. The legislation establishes the general principle of free competition with concessions awarded based on pre-established, objective standards, with no restrictions in terms of quantity, service type and geographic location.

Public and intermediary telecommunications services that require spectrum and that for purely technical reasons only allow the participation of a limited number of companies are subject to public tender processes under the terms set out in the specific technical regulations.

The interconnection of public and intermediary telecommunications services is mandatory and service providers are free to set prices for the public, except where the Tribunal

## 4G Tender

In March 2013, the decree awarding the concession of frequency block B of the 2,600 MHz band (LTE or 4G) to WILL S.A., an Entel Group concessionaire, was published. The company had one year from this date to complete the project it committed to in its bid. As part of this process, the first documents have already been submitted to the Department for acceptance, a process that is due for completion in March 2014. The implementation period for the mandatory districts covered by the tender is two years (until March 2015).

The award of this frequency band is extremely important to the company's development as it will allow it to offer higher connection speeds using 4G technology.

To complement the 2,600 MHz band that has already been assigned, in October 2013, the Public Tender process for the award of public service concessions for the transmission of data on the 700 MHz band got underway with publication in the Official Gazette. This frequency will allow operators to complement the range of LTE or 4G services with a band that offers greater indoor penetration and rural coverage. During the second week of January 2014, bids were submitted for the three frequency blocks available through the tender by Movistar, Claro and Entel. It is highly probable that these companies will be assigned spectrum to develop their range of telecommunications services, particularly for the transmission of high-speed data (LTE) on a low-frequency band, such as 700 MHz.

## Tariff Processes

At the end of 2012, Entel PCS Telecomunicaciones and the other mobile companies operating in Chile began the legally established procedure to determine the regulated tariffs.

During the first quarter of 2013, the Technical and Economic Terms and Conditions for the process were analyzed and debated, and Entel PCS requested the opinion of an Expert Commission with respect to some of the issues subject to dispute.

Under the Final Technical and Economic Terms and Conditions, the legality of which Entel believes are debatable in terms of guaranteeing the self-financing of the regulated services, the companies submitted their tariff proposals for the period 2014–2019 at the end of July, with the submis-

sion of their Tariff Studies and the respective models on which they are based.

The Tariff Study undertaken by Entel established an average value of CLP \$32 per minute, representing a reduction in access charges (or interconnection charges) of approximately 45%. The ministers challenged this proposal, and in November proposed a new access charge starting at CLP \$11.9 for the first year and decreasing to CLP \$4.2 per minute for the fifth year, a reduction of around 80% for the first year and 93% for the final two years. In response to this proposal, Entel submitted an Insistence and Modification Report, accompanied by the opinion of an expert committee, and proposed a new tariff adjustment based on an average value of CLP \$26 per minute, a reduction of approximately 55% in the access charge tariff.

During the second week of January 2014, the ministers issued their final tariff proposal, submitting the Tariff Decree to the Comptroller, proposing an access charge for the first year of CLP \$14.9 per minute, falling to CLP \$8.6 in the final two years, a reduction of approximately 74% for the first year and over 85% for the last years of the five-year period, with the tariff scaled in just the first year. Entel believes this does not adhere to the legally established method. Accordingly, Entel has lodged an appeal against the Decree with the Comptroller General of the Republic, to ensure the tariff is scaled for the full tariff period.

In addition to this, at the end of September, the tariff decrees for concessionaires Entel Telefonía Local and Will S.A. were published. Generally speaking, they propose reductions that will not have a significant impact.

## Regulatory Changes

The main regulatory changes and implementations in 2013 are related to regulatory initiatives or modifications that began in 2012:

**Network Neutrality:** Adjustments were required to be made during 2013 to ensure correct implementation by concessionaires that provide Internet access. This entailed improving information provided to users and consolidating the implementation of technical indicators for companies to allow the comparison of service conditions between different providers.

**Fixed and Mobile Number Portability:** The system was initiated in 2012 and implementation continued at the start



of 2013, with the incorporation of rural telephone services and services of the same type (e.g. VoIP telephone services). As such, at the end of the second year, only numbers for supplementary services remained.

During the year, it was also necessary to make adjustments to the regulations related to the blocking of mobile handsets to handle arrears in the event of the non-payment of debt.

**Act No. 20,599 Governing the Installation of Antennas and Transmitters for Telecommunications Services:** In 2013, companies installed infrastructure, undertook actions required to make adjustments to saturated areas (areas with more than two towers) and sensitive areas, carried out work on existing installations by changing the height of towers, withdrew infrastructure, harmonized infrastructure with the surrounding environment and made community compensation, where applicable.

**Withdrawal of LDN:** Although the legal measure establishing the reduction of the number of primary zones in the country for fixed telephone services from 24 to 13 was implemented in 2012, at the end of 2013, Act No. 20,704 was enshrined, bypassing consultation with the Tribunal for the Defense of Free Competition to implement a single tariff zone for local telephone services 180 days from publication of the new law. As such, from March 2014, the long-distance national category will be gradually withdrawn in each of the current 13 zones, with the process scheduled for completion in August 2014. From this date, there will be a single tariff zone for local communications, eliminating the Long-Distance National category.

## Legislation in Progress

At the end of 2013, the following initiatives were in progress in the area in which Entel operates:

**The Telecommunications Supervisor Bill:** A bill to create a new enforcement body to oversee compliance with regulations and apply penalties if required. The legislation promotes the institutional separation of the body responsible for creating regulations and the body responsible for their application. The Department of Telecommunications will be responsible for the general and abstract administrative interpretation of sector regulations (the body has responsibility for public policy objectives in the sector) and the new Telecommunications Supervisor will be responsible for ensuring they are correctly applied.

**The Digital Television Bill:** A bill designed to allow the introduction of terrestrial digital television (and the transition to the switch-off of analogue TV). The bill gives powers and responsibilities to the National Television Council, establishes a new licensing model for concessions and procedure for awarding them, defines the types of television service operators (national, regional, local and community) and specifies the penalties applicable for failure to comply with the regulations.

**Other Initiatives:** Although various initiatives with the potential to affect the telecommunications industry are being debated at bill stage, the majority are at early stages of parliamentary debate. In 2014, the debates should mature and the implication for the regulatory and institutional framework of the sector will become clearer.

## Rulings

At the end of 2012, the Tribunal for the Defense of Free Competition (TDFC) ruled on the case filed in December 2010 regarding the general guidelines of the differentiation of prices between on- and off-net price structures for public telephone services and bundled telecommunications services packages on the effects on free competition. In terms of the former, it established two adjustment periods: one in which on and off-net pricing structures can be maintained, and another, taking effect from the new mobile tariff decrees in January 2014, when this pricing structure will no longer be permitted in the sale of new plans. It included provisions for existing customers to retain their plans if they wish to do so.

For the provision of bundled services, the Tribunal ruled to restrict the joint sale of fixed and mobile services, prohibiting discounts or other promotions until operation of the 2,600 MHz band (March 2014).

In March 2013, the first adjustment period for the General Instructions issued by the TDFC for services offered by public mobile telephone service concessionaires came into force. At this stage, the on-net tariff model was permitted, although the difference between on and off-net tariffs must not be greater than the access charge. For plans including minutes, the minutes provided on and off the concessionaire network must conform to a certain proportion.

From January 2014, to coincide with the taking effect of the new Tariff Decrees, the same instruction from the TDFC establishes that the supply of mobile telephone services by

concessionaires must not distinguish between on- and off-net minutes, meaning that all services supplied by companies must be of the type "Flat Tariff" or "All Destinations".

With respect to the General Instruction, in December 2013, the Supreme Court ratified the majority of the judgment and corrected the instruction to prohibit the provision of more favorable bundled telecommunications services products for fixed and mobile services on a permanent basis, not only until operation of the 2,600 MHz band.

In addition, at the end of the year, the TDFC process to gather information for the case brought by the National Economic Supervisor (uncontested) continued, requesting the establishment of recommendations from the Ministry of Housing and Urban Development and the Department of Telecommunications, requiring both regulatory bodies to modify sector regulations and make improvements to allow more suppliers to provide telecommunications services in buildings and condominiums.

Finally, there is also a review in progress by the National Economic Supervisor of the conditions of use for radio spectrum in the telecommunications market to study the feasibility of establishing a market ("secondary") for this scarce commodity that is essential for providing telecommunications services to promote their development through greater flexibility in the use or sharing of spectrum.

## Modifications under Study

At the end of the year, the Department of Telecommunications was studying new regulations for the sector. These include regulations for telecommunications services, including Internet and pay television services, new regulations for relationships and obligations for virtual mobile network operators, and new service quality regulations.

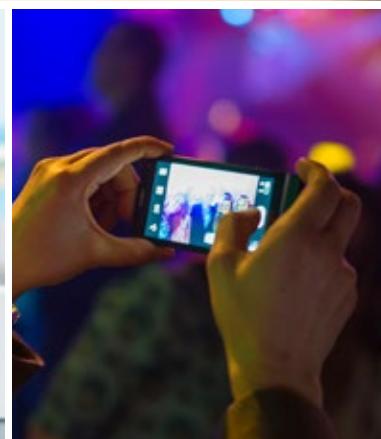
## Impact of the Changes

Both the bills being processed and the regulatory initiatives of the Department of Telecommunications will result in a heavier regulatory burden for the industry, insofar as they will establish a new enforcement method and a new regulatory framework that will require adjustments to be made to current processes to ensure compliance with these requirements.

Similarly, the instructions issued by the Tribunal for the Defense of Free Competition and the new values established for access charges for mobile companies represent a new scenario for the industry, since they imply the modification of the pricing structure for public telecommunications services to comply with the instructions.

However, while the regulatory changes that are being introduced by the authorities will require Entel to adapt its processes, they also present new business opportunities. Entel's diversity and relative size shield it from the effects of potentially adverse or inadequate regulations, reducing the risks it faces in terms of its operations, cash flows, shareholder wealth creation and its contribution to the community.





## segments

Our objective in all the segments in which Entel operates is to provide world-class services that are distinctive, attractive, competitive and transparent.

## consumer segment\_

### Customers

Entel's Consumer Segment provides voice and data services to 9,044,238 customers. Its Entel Hogar service also provides fixed telephone, fixed wireless broadband and television services.

### Solutions

#### Mobile Services

Postpaid and prepaid

#### Mobile Broadband

Postpaid and prepaid

#### Residential

Fixed telephone services

Fixed wireless broadband

Television

#### Long Distance Carrier

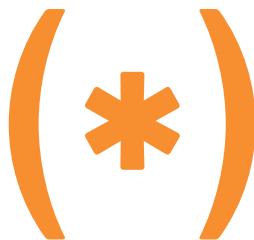
Fixed and mobile



Entel successfully increased its market leadership, focusing on improving customer experience in the complex world of mobile data, and promoting fixed services with an innovative value proposition through Entel Hogar.

### Highlights 2013

- \* Revenue growth of 15%.
- \* Consolidation of leadership in service quality.
- \* Successful incursion into the residential segment.
- \* Transformation of stores to improve experience.
- \* Leadership in portability for high-value customers.
- \* Pricing Innovations.



## Market Context

In 2013 there was an acceleration in the trend for growth in demand for mobile Internet in Chile. In just four years, the number of users has increased from 640,000 to 6.3 million, as of December 2013. According to information provided by the Department of Telecommunications, smartphones have driven the increase in mobile connections, with more than 80% of the rise coming from these devices.

This new behavior among consumers, who are increasingly demanding and well-informed, has resulted in explosive growth in demand for data networks, together with pressure on service levels.

## Pricing Innovations

To guarantee the best possible experience on all devices and ensure its business model is aligned with market trends, Entel modified the pricing structure for its multimedia plans. Since October 2013, these have been based on higher data consumption, keeping the speed assigned to the plan constant and allowing customers to pay for extra traffic if required. This ensures the pricing structure is aligned with our value proposition.

## Increased ARPU among Prepaid Customers

In the prepaid market, the company focused on efficient investment in handsets to capture new customers and increase the penetration of data services among its customer base, driven by a simplification in pricing structures. Its goals also included implementing differentiated business policies for high-value prepaid customers to increase loyalty and the customer base in the segment.

## New Service Model

The widespread adoption of smartphones implies more complex queries and requests from customers through our service channels. To meet this demand, in 2013, Entel began a three-year process to transform its stores. The aim is to transform the stores into spaces where customers can try out products and receive expert service from our staff, who provide them with comprehensive advice throughout the full service cycle. Over the last year, six stores were transformed based on this new concept, adding to the stores remodeled as part of the pilot scheme run in 2012. There are plans to convert ten more stores in 2014. (For more information see the Customer Experience chapter.)

As part of this project to redesign the experience, the company began to standardize the formats of its stores, including post-sales services in more than one hundred. This allowed it to increase post-sales coverage from 147 stores in December 2012 to 248 stores in November 2013.

## World-Class Call Center

In terms of telephone channels, Entel achieved high levels of service and significant improvements in customer satisfaction for both self-service and staffed platforms, the latter being the preferred channel for post-sales service.

This progress was driven by operational actions, the management of staff in contact with customers, training, and our service model, all orientated toward creating a world-class contact center. Our contact center aims to go beyond traditional parameters to focus on those that drive satisfaction, with a quality program based on direct feedback from customers, and agents who keep their knowledge up-to-date, with recognition programs and space for development.

## Leadership in Customer Satisfaction

Entel led the mobile category of the National Customer Satisfaction ranking run by ProCalidad, for the eleventh year running. The ranking is based on over 31,000 surveys carried out annually and measures 29 sectors.

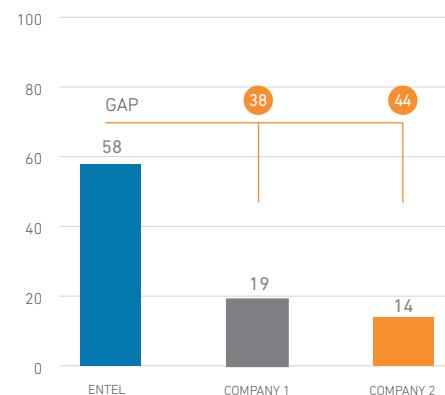
The company also won the Best Customer Experience prize for 2013 in the telecommunications category for Chile, awarded by the Ibero-American Association of Business Customer Relations (AIAREC). The prize was awarded based on the results of the Best Customer experience study carried out by the consultancy firm IZO with a sample of more

than 13,000 opinions from consumers on 130 companies in various sectors in Brazil, Chile, Colombia, Spain, Mexico and Venezuela.

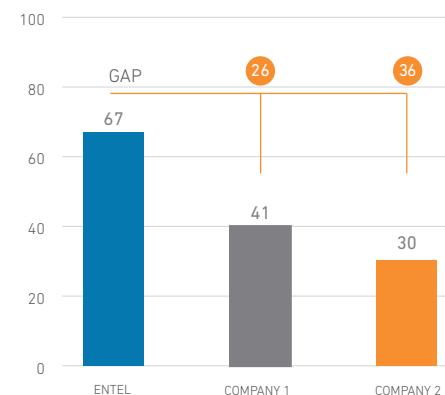
In Chile, more than 4,000 surveys were carried out throughout the country, making it possible to determine the opinion of consumers based on their experience in terms of brand, products and services, alongside interaction through service channels. This is the second time Entel has received this award.

## Customer Satisfaction Consumer Segment 2013

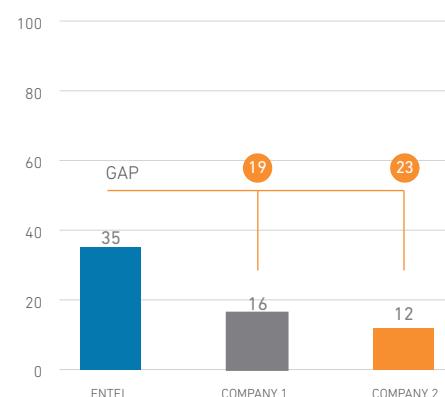
POSTPAID VOICE MARKET



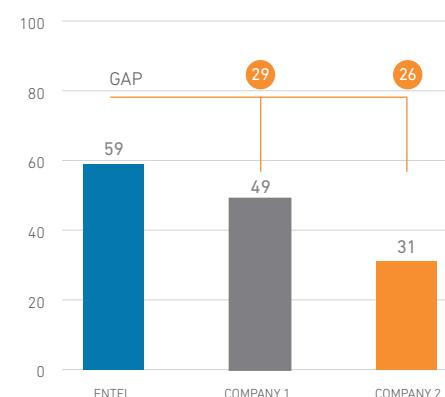
PREPAID VOICE MARKET



MBB MARKET

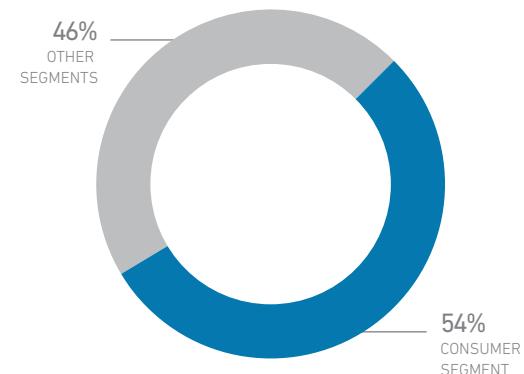


HOME MARKET





CONSUMER SEGMENT SHARE  
OF ENTEL GROSS REVENUE 2013



## Increased Market Share

In 2013, Entel's market share of postpaid customers increased by 0.3 points, reaffirming its leadership among postpaid customers, with a market share of 40.5% at the end of the year, according to studies carried out by the firm IDC. Within this customer segment, the company led voice services, with a share of 39.5%, and mobile broadband services, with a share of 60.9%.

In the market for consumer mobile services as a whole, considering both contract and prepaid customers, Entel led the market with a share of 37.5%.

## Successful Hogar Segment Launch

With distinctive technology and a robust mobile network with wide coverage standing behind its value proposition, Entel has achieved growth in the area of fixed telephone services at a time when the industry as a whole is in decline. Launched in August 2012, this new product, which includes wireless fixed telephone and broadband services, together with satellite TV, saw an increase in the level of contracted services from 30,000 in December 2012 to more than 206,000 at the end of 2013.

This strong growth was driven by the creation of a specialist sales channel for this segment, with a direct sales force of more than 700 staff throughout the country. The channel is complemented by the network of stores and our call center.

Entel Hogar has focused on areas with low coverage for fixed services. It aims to provide home access to connectivity and entertainment, improving the customer experience and making our services available to everyone.

In its first year, the company was able to obtain 19% of the total television industry growth. The reputation of the Entel brand and the range of HD channels included in basic plans were decisive factors in this achievement.

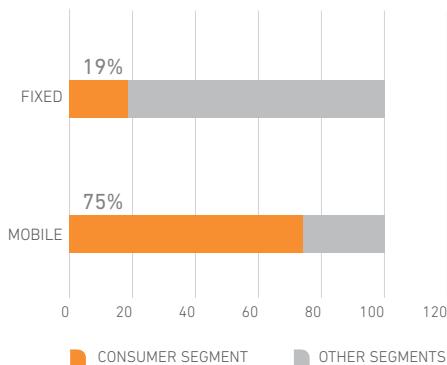
At the end of 2013, taking into account all services, Entel's share of the residential segment was 3.2% of revenue generating units.

## New High-Value Customers

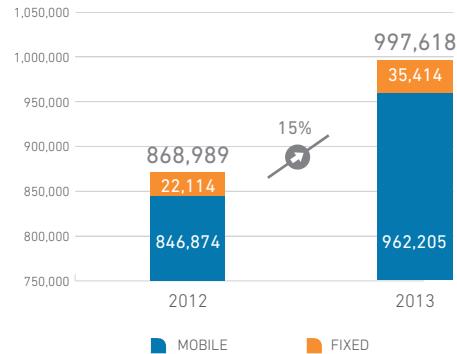
In terms of mobile services, Entel was the company with the highest balance of transfers for contract customers (high-value customers in the industry) over the last year, based



CONSUMER SEGMENT – SHARE OF TOTAL ENTEL SERVICES



CONSUMER SEGMENT – REVENUE GROWTH CLP MILLION



on information provided by the Department of Telecommunications. Between January 2012 and December 31, 2013, the company attracted a total of 292,983 users, followed by Claro, with a balance of 208,307 and Movistar with 127,159.

## Revenue Growth

Total revenue for the Consumer Segment for 2013 was CLP \$997,618 million, an increase of 15% over the previous year. The growth comes from the expansion in mobile services (9%), supported by higher average revenue per user, and, to a lesser extent, the increase in the customer base, which stood at 9,044,238 customers, as of December 31, 2013 (2% higher than 2012).

The strong increase in mobile Internet (49%) was partially offset by lower revenue from text messages and mobile broadband services as a result of migration to smartphones. Sales of mobile handsets increased 64%, largely in the prepaid segment, driven by the sale of high-end phones that promote the use of mobile data.

Revenue from fixed telephone services increased by 500% due to the services offered by Entel Hogar, with revenue of CLP \$15,709 million for 2013.

The use of data continued to grow, especially in the postpaid segment. As of December 31, 2013, 59% of the contract customer base had data or multimedia plans, compared to penetration of 43% in 2012.



## SME segment\_

### Customers

Entel's SME Segment provides services to around 100,000 businesses of varying sizes, from micro enterprises all the way through to large businesses.

### Solutions

#### Fixed Solutions

Dedicated Internet  
Phone lines  
Digital streams  
Super ADSL  
Business Pack  
NGN  
Trunk IP  
Long-distance international

#### Mobile solutions

My Business Smartphone plans  
My SME plans  
Controlled account plans  
Optimized account plans  
Mobile Internet packs  
Mobile broadband  
Long-distance international  
Roaming

#### IT

Virtual dedicated server  
BillingNet  
Housing  
Hosting  
Web Hosting  
SAP Hosting  
SAP Basis  
CommerceNet  
Office 365  
ProntoForms  
GPS  
M2M



With customer satisfaction as our main objective, in 2013, Entel increased its market share and revenue with the incorporation of new telecommunications and IT services for the SME Segment.

### Highlights 2013

- \* Leadership in portability for mobile services.
- \* Increased market share for mobile telephone services and mobile broadband.
- \* Innovation in the mobile pricing structure to provide better value for data.
- \* Launch of Business Pack, a product for micro enterprises over high-speed networks.
- \* Significant increase in satisfaction levels among large enterprise customers.
- \* Increase of 7% in businesses passed.



## Market Context

Through the SME Segment, Entel services more than 100,000 large, medium, small and micro enterprises from different sectors, which, regardless of their size, require permanent connectivity independent of their location, a major factor in the efficiency and productivity of their businesses.

## Value Proposition

Entel SME is a market leader that works closely with its customers to provide them with networks of opportunities. It is agile, reliable and competitive, and adapts to enterprises of all sizes with a range of high-quality, innovative, integrated, convergent products. Executives and technical staff with an in-depth knowledge of the importance of connectivity to our customers' businesses, backed by the best infrastructure in the market managed to the highest standards, are key resources that allow us to create value by providing a distinctive experience.

In the large enterprise segment, the company has positioned itself as a supplier of advanced services whose design and implementation responds to the specific needs of individual customers. These solutions include private data networks, email services with collaborative working tools, fixed Internet and telephone services, mobile applications (data capture and e-forms), data center services (hosting, housing and virtual dedicated server), fleet monitoring (GPS), and mobile voice and data services with flexible configurations to suit customers' needs.

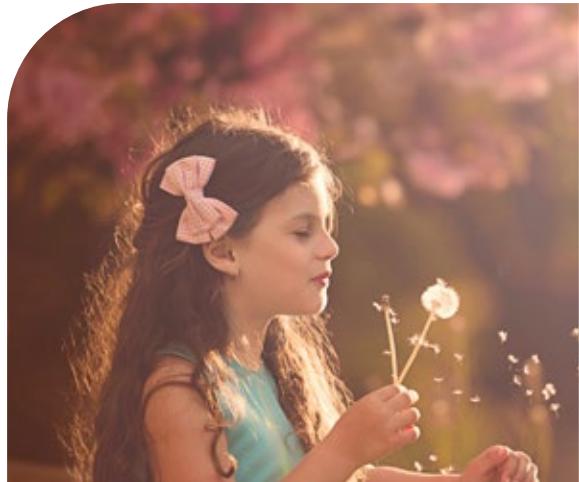
For small and medium enterprises, Entel SME offers a flexible portfolio of scalable options for telephone services and fixed and mobile Internet. In 2013, as part of this range it launched Business Pack, a bundled solution specially designed for the segment with one or two fixed phone lines and a high-speed Internet connection based on fiber optic technology, which is being rolled out by the company and provided in a number of different products.

## Adopting New Trends

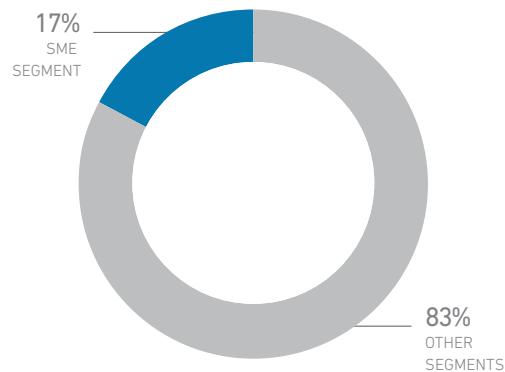
Given the growing demand for services that require mobile data, Entel SME has introduced a new pricing structure to meet this demand. From November 2013, plans for small and medium enterprises have included greater data consumption, increasing data allocations to provide customers with the best possible browsing experience. Additionally, from this date, the speed assigned to plans has remained constant, with the customer paying for any extra data on an ad hoc basis. This change makes it possible to ensure the quality of Internet access and provide our mobile customers with an excellent level of service.

## Leadership in Portability

With net growth of 19,272 mobile lines between January and December 2013, Entel SME held its leadership in mobile service portability, an increase of around 16% with respect to 2012. In terms of fixed services, there was a net increase of 4,342 lines, an increase of 70% over the previous year.



SME SEGMENT – SHARE  
OF ENTEL GROSS REVENUE 2013



## Increased Market Share

Chile's mobile voice market for SMEs grew 6.5% in 2013 to a total of 1,755,804 lines. Entel SME captured 73.5% of this growth, maintaining its leadership of the industry with a market share of over 54%. The company also led the market for mobile broadband services with a market share of 65.9%.

## Fiber Optic Network Speed Improvements

In 2013, the company made progress with the roll-out of its urban fiber-optic network based on Gigabit Passive Fiber Optic (GPON) technology, with the construction of 10,692 additional access points for large and micro enterprises. This allowed it to complete more than 36,182 free points for commercial use, which will allow it to provide advanced communications services to companies in more than 25 districts throughout the country.

## Customer Satisfaction

In 2013, the SME Segment set out a road map to radically redesign its customer experience by 2015. Progress with this initiative was reflected in a survey carried out by the firm Admiark in December 2013, reaching a net satisfaction level of 55% in the SME Market.

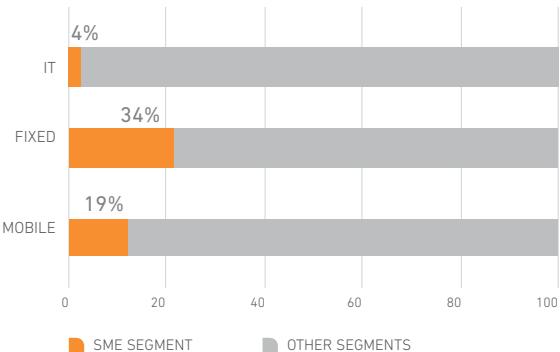
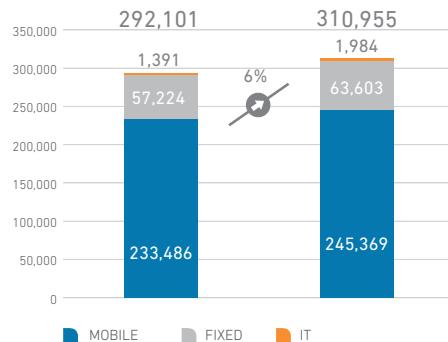
In the large enterprise segment, the result was 61% for mobile services and 66% for fixed services, both increases over the figures for the previous period.

These achievements were the result of efforts by the company to improve customer relationship experiences. In this context, campaigns such as VIP Model were created, in which 156 large enterprises participated. Progress was also made in the project to redesign the experience and service for SME customers, which it is hoped will further increase satisfaction levels. (For more information see the Customer Experience chapter.)

## Integrated Solutions

In its mission to apply the best technology in the market and increase the range of services available, in 2013 Entel SME developed integrated solutions for different types of business, including the solutions used for the company VML Check Point, which include data networks with permanent monitoring and Internet and IP phone services. It also created a project at national level for Chile's Universidad Autónoma, which included Internet, housing and virtual servers with a data network monitored by Entel, alongside hi-tech fixed telephone and data security services.

The company also undertook a number of major IT projects. One of the most important was the implementation

SME SEGMENT – SHARE OF  
TOTAL ENTEL SERVICES 2013SME SEGMENT – REVENUE GROWTH  
CLP MILLION

of a housing and cloud infrastructure service for the firm Asesores Integrales, which includes the monitoring and administration of the operating system and databases with on-demand backup, connected through a data network and Internet service. It also provided a hosting solution for servers connected to the Entel top-up network and Internet services for JJD Comunicaciones, together with SAP hosting over cloud infrastructure with on-demand backup and Internet access for Nippon Suisan's Latin American division.

## Positioning Campaigns

The SME Segment worked strongly at mass-market level to create closer, more competitive relationships across all segments. To achieve this, it undertook various campaigns that aimed to create a memorable image and position Entel as an integrated telecommunications and services provider, accessible to all segments and members of the business community.

## Results

In 2013, the SME Segment achieved 6% growth in total revenue from its three business lines, an increase that was primarily due to the evolution of mobile services, driven by mobile data services, followed by fixed services, such as private data networks, and the major increase in the IT business (43% over the year).



## corporate segment\_

### Customers

Entel's Corporate Segment provides services to around 600 conglomerates with operations in Chile with specific requirements for private, specialized solutions, both in terms of technology and services, which play a major role in supporting the strategic processes of their operations.

### Solutions

#### Mobile Services

Mobile telephone services: voice plans, on-line management systems  
Mobile Internet  
BlackBerry services  
Entel GPS  
Mobile broadband  
Mobile Intranet  
M2M data plans  
Mobile business solution applications  
Roaming

#### Fixed Solutions

Data networks  
Corporate Internet  
Data center interconnection  
Private phone services (IP) and collaboration  
Audiovisual and video communication solutions  
Local and long-distance telephone services  
Private voice network  
Centrex  
Toll-free numbers

#### Information Technology

Application solutions  
End-user solutions  
Engineering equipment and services  
Integrated services outsourcing  
SAP outsourcing

#### Data center services

IT equipment housing/hosting  
IT and telecommunications administration services

#### Cloud computing services

On-demand IT infrastructure, storage and backup  
Cloud telecommunications services: Private cloud and on-demand  
IP telephone and video conference services



With the successful implementation  
Chile's our largest ever convergent  
services project, Entel reinforced its  
leadership as a supplier of integrated  
solutions to large organizations.

### Highlights 2013

- \* Leadership of the telecommunications industry in terms of market share for both fixed and mobile segments.
- \* Consolidation as a major participant in the IT outsourcing business.
- \* Significant increase in customer satisfaction indicators for the fixed business.
- \* State of the art solutions for large enterprises: Cloud Computing (managed and with self-provisioning), SAP Mobile Solutions Platform, Integrated Solutions.
- \* Cisco Gold Partner certification.

### Market Context

Entel's customers in the Corporate Segment are conglomerates managing a total of over 2,200 companies or institutions throughout Chile. In recent years, they have shown a growing interest in using cloud platforms and services that allow them to mobilize applications or process flows through smartphones and tablets, mobile device management, and the use of video technology for distance meetings, training, remote working and the dissemination of marketing material for the positioning and promotion of products.

In 2013, there was also high demand for Machine to Machine (M2M) solutions, designed to connect and remotely control elements through mobile network platforms.

Customers in the Corporate Segment are also interested in grouping IT outsourcing contracts under a single supplier, a trend that has arisen in the context of increasing competition, following the launch of data centers by Sonda, IBM and Claro, and the second phase of Entel's Ciudad de los Valles data center.

## Value Proposition

Entel's objective in the Corporate Segment is to help the country's large companies transform their businesses through the use of innovative telecommunications and IT services. In each and every project, Entel seeks to provide a distinctive service with bespoke technical solutions developed by highly-trained staff who understand their customers' businesses, all backed by first-class infrastructure.

## Successful Implementation

In October 2013, the company completed the process for the implementation of the services awarded by the Ministry of Health in December 2012. The project involved Chile's largest ever WAN expansion, with 1,530 points, throughout the country, Entel's largest ever contract in this segment. It includes fixed (national data network, fixed telephone service, Wifi and videoconferencing) and mobile (cellphone services, mobile broadband) services, a security platform, email and help desk. Among other benefits, these services, which come with integrated management, allow the Ministry of Health to standardize service standards and coordinate demand between facilities in the health sector throughout the country, allowing all users of the system to receive better service with reduced timescales, thanks to the availability of medical information online.

## Police Project

At the end of 2013, Entel signed a contract with Chile's Investigative Police Force (PDI) to provide the institution with equipment and communication links, telephone devices, and data and voice transport, both internally and externally. This will make it possible for all units of the institutional net-

work throughout the country to communicate between each other and with the community.

This modernization project, based on communications technology, will allow the force to offer a modern, high-quality police service able to respond to the challenges presented by increasingly complex crimes and public safety requirements.

## Solutions that Optimize Processes

The ability to group all required products (e.g. software, equipment, data plans, MDM, servers) under a single service, together with its strategic partnership with SAP allowed Entel to tackle new modernization projects for critical processes. In 2013, it developed a field sales solution for food manufacturer Carozzi using mobile devices directly connected to the company's systems. For the bus operator Turbus, it developed a service for the online transmission of the driving variables of each of the 1,700 buses of the seven companies of the Turbus Group from specially designed equipment on board buses to a central platform installed at Entel's Ciudad de los Valles data center. The system allows the information required by the authorities to be published using web environments and the creation of databases for data mining by Turbus.

## Data Center Expansion

In March 2013, Entel launched the second phase of its data center located in Ciudad de los Valles, increasing the total floor space to 4,000 m<sup>2</sup> and taking the capacity of Entel's network of data centers to 7,600 m<sup>2</sup>. With an investment of USD \$35 million in this phase and total investment of USD \$72 million, the Ciudad de los Valles data center is Chile's most modern and largest in terms of floor space. Both phases have Tier III Design Documents and Tier III Constructed Facility certification, awarded by the Uptime Institute to certify that the design, implementation and operation allow the facility to guarantee 99.982% availability in the event of contingencies.

At the end of 2013, phase one of the data center was operating at full capacity and phase two at 50%. In 2014, the company will begin construction of the third phase of the data center, in line with its strategy for modular growth based on demand forecasts. The phase will have a surface area of 3,000 m<sup>2</sup>, which will be brought into service towards the end of 2015. In addition to the certifications obtained for previous phases, the company aims to achieve sustainable operation certification, also awarded by the Uptime Institute, for both the expansion and the previous phases, a certification that has only been received by five data centers throughout the world. For this purpose, it is working on optimizing energy efficiency ratings to improve the power usage effectiveness (PUE) of Ciudad de los Valles from its current value of 1.5 to 1.2. (PUE is the ratio of the energy that enters the data center and is used to operate the computing infrastructure.)

## New Cloud Services

Entel launched two new cloud services in June: Video Cloud and Entel Enterprise Cloud. Both services offer companies the possibility to avoid costly investment in telecommunications infrastructure and optimize their business processes.

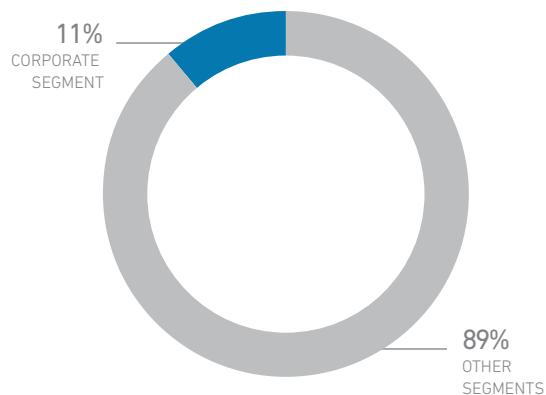
Video Cloud provides the means to establish in-person video conferences independent of their location, without the need for a specially equipped room. Entel is responsible for the administration, management and scheduling of the service, providing customers with the video infrastructure at its data center, as well as application support and maintenance.

Entel Enterprise Cloud is a self-manageable, agile, flexible, secure and high-availability model for the provision of IT infrastructure and services in which customers only pay for the resources they use. Users make use of a web portal to access a virtual data center and make use of a catalog of standardized services, benefiting from a flexible and adaptive response to the dynamic of their business.

## Increased Levels of Satisfaction

Progress in the organization and its processes translated into a continuous improvement in customer satisfaction, achieving a historical maximum for the fixed business in 2013, with an improvement of 12.7 percentage points over 2012 to reach a net satisfaction level of 52.1%.

CORPORATE SEGMENT – SHARE OF ENTEL GROSS REVENUE 2013

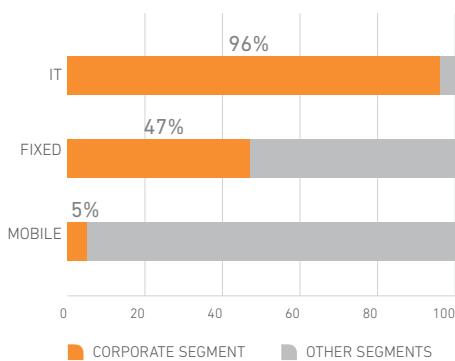


## Major Projects 2013

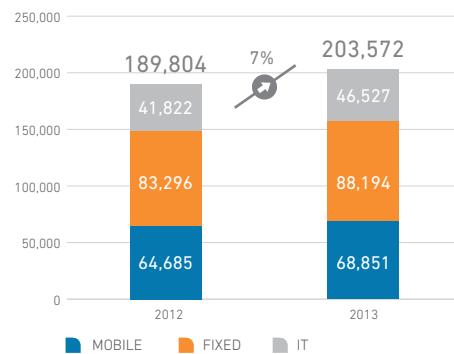
Customer	Services
Ministry of Health	Data network, cloud services, messaging and telephony
Investigative Police Force (PDI)	Telecommunications platform and telephony
Civil Registrar	Data network and telephony
Binaria & CGE	SAP equipment and outsourcing
Turbus	SAP outsourcing and IT operation
Banco de Chile	IP telephone service for headquarters

The Corporate Segment is currently undertaking a process to transform the customer experience, with the support of an international consultancy firm. In May 2013, the first phase of this plan, referred to as "Optimus" was implemented, providing a general diagnostic of the experience of Corporate customers and a mapping of their critical journeys, which it will seek to improve over the coming years. The three main elements that were taken into account in defining this transformation strategy were the customer's voice, the vision of the organization and the analysis of benchmarking processes against international best practices. (For more information see the Customer Experience chapter.)

CORPORATE SEGMENT – SHARE OF TOTAL ENTEL SERVICES



CORPORATE SEGMENT – REVENUE GROWTH CLP MILLION



## Market Leadership

The company maintained a high market share of the telecommunications business, both in the fixed segment (55% of data) and the mobile segment (67%), consolidating its position as a major participant in the IT business with a market share of 28% (excluding application management), according to studies by the firm IDC and internal estimates by Entel.

In this area, Entel is the supplier with the highest market share, with 13% of network and desktop outsourcing services and 28% of hosted application management, according to statistics for the first quarter of 2013 compiled by the consultancy firm IDC Chile.

## Revenue Growth

In 2013, the Corporate Segment achieved a 7% increase in revenue with respect to 2012. This result was largely associated with growth in the mobile business, primarily driven by growth in mobile data (MBB, M2M and increased penetration of data over voice lines), and IT services, primarily driven by cloud computing, data center and IT infrastructure. Growth in the fixed business was more moderate, with significant growth in connectivity and value-added services over private networks being offset by decreasing dynamism in long-distance and local telephone business lines.

The Corporate Segment's three business lines, fixed services, mobile services and IT services, contributed 43%, 34% and 23% of this figure, respectively.

## Cisco Gold Partner Certification

In 2013, Entel obtained Cisco Gold Partner certification, becoming the first Chilean-owned company to obtain this recognition. Gold Partner status certifies that Entel has all the technical, commercial and service excellence competencies required to provide customers with solutions based on Cisco technology. To achieve this recognition, a program of staff certification and specialization took place, focusing on three technology architectures: Borderless Network, Collaboration and Data center.



## wholesale segment\_

### Customers

Entel's Wholesale Segment division provides network infrastructure and services to 28 national telecommunications operators, including Claro, Movistar, VTR and Nextel, and 205 international operators, including ATT, Sprint, Vodafone and BT.

### Solutions

#### Data networks

National and international transport of voice, data and Internet services

#### International Traffic and Roaming

**Traffic:** international long-distance voice termination for both our own customers and national and international third parties (other telecommunications companies).

**Roaming Wholesale:** the company deals with more than 360 international mobile operators to provide mutual access to domestic networks, allowing their customers to continue using voice, data and messaging services as if they were on their own network.

#### Value Added

**Premium Voice:** entertainment services or voice content transmitted over traditional telephone networks.

**Premium Mobile:** entertainment services based on mobile technology protocols accessed over a mobile handset.

**Premium Internet:** digital entertainment services based on IP protocols accessed through websites.

#### National Roaming and MVNO

Leasing of the mobile network and infrastructure required to enter the Virtual Mobile Network Operator market and provide quality services for end customers.

#### Satellite Services



Efficiency, focus and integrated solutions have allowed us to maintain our position as a competitive and reliable supplier for national and international telecommunications operators and mobile virtual network operators.

### Highlights 2013

- \* Development of an exclusive technology platform for providing mobile virtual network operator services.
- \* Increase in EBITDA of 6%.
- \* Leadership in satisfaction among roaming users in Chile, with 76% of evaluations scoring highly.
- \* Creation of Wholesale Roaming department to maximize the user experience for this service.



## Market Context

The trend among global telecommunications companies to maximize the use of their own infrastructure, contracting traffic services from their subsidiaries, has made growth in some segments of Entel's Wholesale Segment more challenging. The value of the Entel brand has been key to competing in this new context, in which efficiency and commercial management are critical.

In addition to this, the launch of mobile services over 4G networks is making the roaming segment more dynamic, with quality of service and price competitiveness driving growth.

Similarly, the launch of a new business model (Mobile Virtual Network Operators), based on flexible supply and in-depth knowledge of specific niches, has created a new business opportunity for operators with their own network infrastructure, such as Entel.

## Customers

The Wholesale Segment provides networks and services to 28 national telecommunications operators, including Claro, Movistar, VTR and Nextel, and 205 international operators, including ATT, Sprint, Vodafone and BT.

Around 44% of the revenue generated by this business unit in 2013 came from purchases and sales of long-distance international traffic in deals with 105 operators from around 70 countries. Another 32% of sales came from the network leasing service for national transport, last-mile connections,

international networks and international IP access. The management of Entel's international roaming and national roaming for 11 international operators contributed 8% of revenue and the leasing of towers to telecommunications operators in exchange for other strategic assets made up 12% of sales.

In 2012, these four lines of business were complemented by mobile network and platform leasing services for Virtual Mobile Network Operators, together with national roaming for other operators. This subsegment contributed 4% of revenue in 2013.

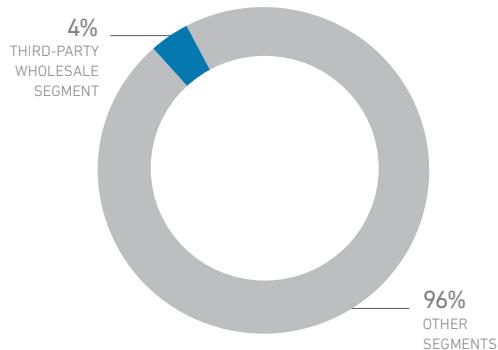
## Value Proposition

Entel's objective in the Wholesale Segment is to be the leading supplier of networks and services for national and international operators, with wide national coverage, remaining at the cutting edge of developments in technology. The company aims for its customers to perceive it as a responsive and reliable supplier that offers excellent pre-sales, provision, post-commercial and technical service, with close relationships with its customers, maintaining an open and permanent communication channel.

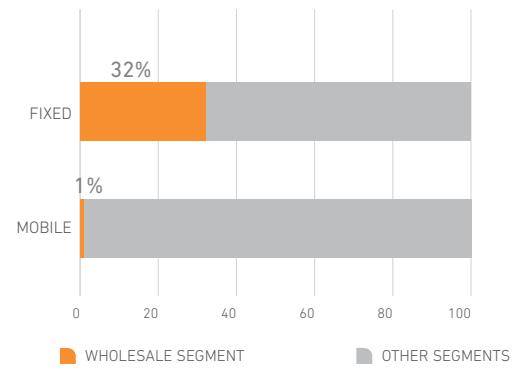
## Solid MVNO Platform

To implement the mobile service for Mobile Virtual Network Operators currently offered by Entel, the company awarded the contract for its Mobile Virtual Network Enabler (MVNE) platform to a major European supplier. Under this partnership, it developed an integrated technical solution, unique

THIRD PARTY WHOLESALE SEGMENT – SHARE OF ENTEL GROSS REVENUE 2013



WHOLESALE SEGMENT - SHARE OF TOTAL ENTEL SERVICES



to Chile, to meet the business and technical competencies required to ensure the entry of new mobile operators is quick and efficient. Its unique selling point is that the mobile operations will be independent of Entel, safeguarding commercial security while at the same time allowing the same quality that makes Entel a leader in terms of customer experience.

This solution allows Entel to provide the MVNO market with a number of alternative business models to meet all business expectations and strategies, focusing on a clear objective: the creation of solid, long-term partnerships based on transparency and close customer relationships.

## Focus on User Experience

In 2013, to promote a focus on the user experience in the roaming business, the Wholesale Roaming Department was created with responsibility for developing a system to provide information and metrics that will make it possible to maximize service levels for Entel customers when using international roaming services and customers of other companies visiting Chile who choose Entel as their preferred roaming network.

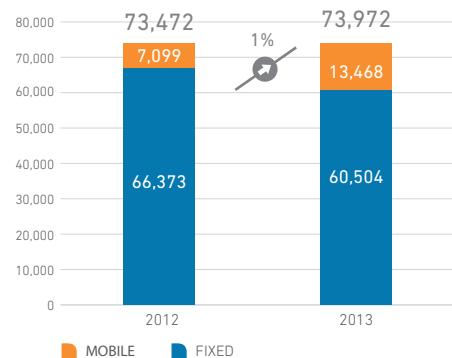
In the annual survey of visitors leaving the country, Entel maintained its leadership in 2013, with 76% of responses achieving high levels, 11 percentage points above the next best evaluated company for roaming services in the country.

## eTOM Certification

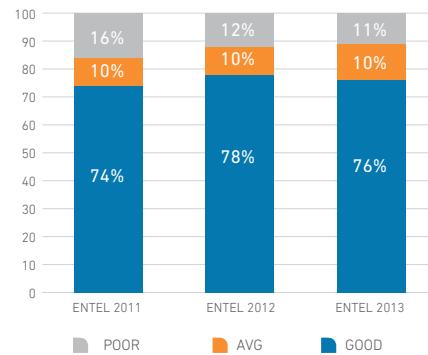
Since September 2013, professional and technical staff in all business areas of the Wholesale Segment have been taking the courses required to obtain eTOM certification (enhanced Telecommunication Operations Map). The model, specifically developed for this industry, covers three main aspects: strategy (adoption of functional processes, the resources to manage products and the management of customer relationships), operations (where alignment with the customer occurs) and management (business support based on processes all businesses must develop to be efficient).

One of the main advantages of this map is an ability to align our business with our customers' priorities through company processes.

THIRD PARTY WHOLESALE SEGMENT – REVENUE GROWTH  
CLP MILLION



SATISFACTION WITH THE SERVICE PROVIDED BY ENTEL  
(Evaluation of visitors using Entel for roaming in Chile)



## Results

In 2013, Entel's Wholesale Segment achieved a 1% increase in revenue, associated with third party services, primarily from the sale of infrastructure to traditional and virtual mobile network operators. This growth also came from increased activity in national roaming services and inbound wholesale traffic, which were partially offset by a decrease in revenue from the traffic business due to a fall in activity during the year.





SUSTAIN  
ABILITY





sustain  
ability\_



Entel wants to make a contribution  
to the changes connectivity and  
innovation bring to people's lives.

Sustainability is an integral part of Entel's vision and mission, and has been present throughout the company's history and development in all its activities. The aim of this policy is to deal with, understand and satisfy the legitimate expectations and interests of the company's various stakeholders and contribute to the technological, social, economic and environmental development of the country. Connectivity and innovation, with a focus on social well-being and making telecommunications in Chile more democratic are the guiding principles of the actions the company undertakes in this area.

#### SOCIAL ENTREPRENEURSHIP **Chile Cree**

Devised as a space for young people throughout the country to reflect on the problems in their communities and come up with innovative solutions, the Chile Cree program has run in 11 regions during the last two years. In 2013, over 400 high school and further education students took part in events run in Iquique, Copiapó, Talca and Punta Arenas.

The best ideas were selected at each of the events, and, thanks to the support of Entel's employees, were given shape and transformed into concrete projects. At the end of the process, the ten best initiatives took part in the final day of Chile Cree, when a jury analyzed the projects and awarded "seed capital" to the best four initiatives.



The winners of the most recent version of Chile Believes were: in first place, "Mathematics in Play", a project from Copiapó; second place, "A Hand, A Friend", a project from Talca; third prize was jointly awarded to two ideas: the "CADI Employment Network" for disabled people from Punta Arenas and "Many Colors Make a Rainbow" from Iquique.

#### DIGITAL TRAINING **Connected Schools**

Since 2005, Entel has been running the Connected Schools program in rural and isolated communities to promote a culture of innovation in schools through the use of ITC resources in educational processes. The program involves schools being provided with cutting-edge technology and technical support, supporting the digital training of teachers, directors and students in the educational and innovative use of ITC, and developing standardized indicators and continuous monitoring methods for the program.

Over the last eight years, Entel has provided training in the use of technology in the classroom to 215 teachers and 2,700 students from more than 30 schools. In 2013, it worked on digital training in seven schools throughout Chile: Valle de Chaca, in the Arica and Parinacota Region; Nirivilo, in the Maule Region; Huape, in the Los Ríos Region; Bahía Murta, Puerto Aguirre and Caleta Andrade, in the Aysén Region; and Barranco Amarillo, in the Magallanes and Chilean Antarctic Region.

Connected Schools undertake innovative teaching initiatives. The Cognitive Tutor software, developed at Chile's Catholic University, was introduced for the teaching of mathematics

at fifth and sixth grade in elementary school. The software aims to help students make progress autonomously, guided by the teacher and continuously practicing sums. An innovative methodology was also introduced for language teaching, this time provided by the consultancy firm Buck Up, based on projects and collaborative working. In both cases, the focus of teaching has been on the students, with help, support and training provided to the teachers involved.

Teaching initiatives for students were evaluated by tests before and after the activities using instruments validated by the Ministry of Education. In terms of mathematics, the results showed that 24% of fifth graders and 100% of sixth graders in elementary school reached the desired standard. In terms of language, 13% of fifth graders and 17% of sixth graders at elementary school obtained the desired standard.

Teaching resources, such as the MTC UC cognitive tutoring system are used by teachers and students in schools supported by Entel.

#### EDUCATION **Partnership with Enseña Chile**

In 2013, Entel signed a partnership with the Enseña Chile Foundation, which aims to reduce educational inequality in the country by attracting and training professional-level staff from different backgrounds to work as full-time teachers for two years in vulnerable schools and colleges. The goal of the initiative is for these professionals to become role models for students and maximize their learning achievements, presenting them with new opportunities and transforming their expectations.



In the context of this partnership, the company is supporting the selection processes for professionals and their incorporation into the employment market after completing their placement, guaranteeing employment for participants who wish to return to the private sector after their two-years.

Enseña Chile is present in 69 state and subsidized schools in four regions throughout the country and helps around 23,000 students. In 2013, it created 100 places for young professionals to participate in this project and received more than 1,300 applications.

#### CORPORATE VOLUNTEERING **I Have an Idea**

This initiative gives company employees the opportunity to design social projects that create benefits and added value for communities and society throughout the country, forming links with different communities or social institutions to contribute to their development.

The first version of the I Have an Idea program attracted 56 projects, involving the participation of more than 300 employees throughout the length of the country from Arica to Punta Arenas. Of the submitted projects, the jury chose 30 initiatives that will receive funding from a CLP \$38 million fund for their execution. The winning projects, which encompassed various areas of action, include the following two examples.

#### **Solidarity Bicycles**

Thanks to funding provided by the I Have an Idea project, the Entel cycling group, together with the company Grado Sur Expediciones, undertook the Solidarity Bicycles activity. The activity involved a group of volunteers touring rural sectors around Santiago and the O'Higgins Region to repair bikes, teach skills to those interested in learning and donate new or nearly-new bikes in communities where they are needed.

#### **Responsible Ownership of Pets**

Concerned at the large number of stray dogs in the streets of the village of San Pedro de Atacama, a group of employees from the local Entel offices organized a campaign to incentivize the responsible ownership of pets and implement an ownership register.

In addition to this, more than 900 company volunteers continued the tradition of working together as a team, enthusiastically joining more than 12,000 children and adults for the Christmas and Children's Day celebrations.

#### CULTURAL EXCHANGE **Connect to Learn**

Entel and Ericsson ran the international online cultural exchange program, Connect to Learn, in the village of Ninhue in the Biobío region. Students and teachers in rural areas throughout Chile were provided with access to advanced educational resources using cloud solutions and mobile broadband technology. The initiative began with the participation of the Arturo Prat Chacón school in Ninhue, located in Chile's Biobío Region, which connected with high school students from the Juan Mairena Institute in San Sebastián de los Reyes, Spain.

As a strategic partner, Entel is providing optimized 3G connectivity and a free Internet connection for the project.

#### SUSTAINABLE JOURNALISM **Sustainable Journalism Prize**

With the renewal of the agreement between Entel and the Catholic University of Milan, in 2013 the fifth version of the PE.SU Sustainable Journalism Prize was awarded. The initiative aims to award and recognize works of journalism and media outlets that deal with and promote sustainable development, social innovation and technological progress in the country.

The competition received 110 entries. The journalist Amaro Gómez-Pablos of the TVN channel scooped the competition's top prize, a five-day visit to the Catholic University of Milan's School of Journalism, for the report "Plastic: Double Edged", broadcast on the television program *Informe Especial*. The report was also awarded first prize in the Television category, one of the four to receive prizes in the competition. The Written Press category was won by Nicolás Alsona, from the magazine *Qué Pasa* for the article entitled "Geeks in Movement". The Radio category was won by Soledad Onetto and Sebastián Esnaola, presenters of the "Linkeados" program on Radio Cooperativa, and the prize for the Online category was awarded to "Society and Environment: A Perspective on the Water Crisis in the Atacama Region", published by Juan Ignacio Villalobos on the website elciudanano.cl.

#### PUBLIC SPACES **Happy Neighborhood**

Through the Happy Neighborhood program, Entel supported improvements to public spaces in various districts throughout the country. To make this initiative reality, it has signed a partnership with the Junto al Barrio Foundation, with which it will work on the recovery and construction of urban infrastructure.

The project is an invitation for all the company's customers to sign up to and receive their service receipt by email. This will have a double benefit on the surrounding environment,

helping to reduce the consumption and printing of paper while at the same time improving public spaces.

The pilot plan for this initiative took place in the neighborhood of Ramón Cordero in the Playa Ancha district of Valparaíso, where two plazas were built and six murals were painted. In 2014, the program will continue to recover and improve public spaces in other districts throughout the country.

#### CO-CREATION **Social Innovation**

Entel and Universidad Católica de Chile's iLab-UC signed a partnership to promote initiatives that will create benefits and positive changes in vulnerable communities through social innovation projects.

In 2013, the Co-Creation project, led by both institutions, took place in the towns of Pichidegua, Coya and Navidad, in the O'Higgins Region.

Using methodologies for innovation, such as Need Finding, the idea is to establish a permanent dialog with communities to detect their needs, problems and opportunities.

The working teams from Entel and iLab-UC are currently piloting a number of solutions devised to contribute to the development of these communities.

The Co-Creation program forms part of the project "I-Lab O'Higgins: Identifying Opportunities", financed with resources from the Regional Government of the O'Higgins Region Competitiveness Innovation Fund FIC-2012.

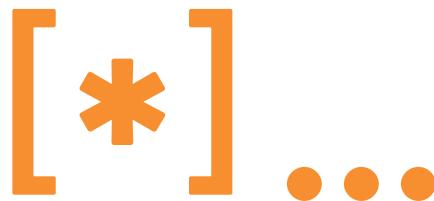
5

RES-  
ULTS





consolidated results



In a highly competitive marketplace, Entel continued its trend of double-digit growth. Total revenue for the year was CLP \$1,643,930 million, up 14% from the previous year. This growth is largely a result of the solid expansion of mobile and data services in Chile (including IT) and the consolidation, from September, of the results from the operation of Nextel Peru.

## Consolidated Results (CLP million)

	2013	2012	Annual Change
Consolidated Revenue	1,643,930	1,440,978	14%
EBITDA	467,316	536,525	-13%
Operating profit	218,037	221,580	-2%
Annual profit	146,965	167,294	-12%
Profit per share (CLP)	621.36	707.30	-12%
Dividend yield (%)	5.26	5.61	
Return on equity (%)	17.34	21.08	

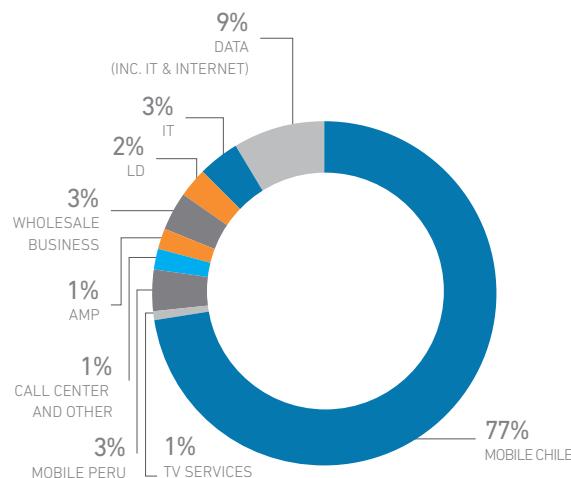
## Operating Revenue (CLP million)

	2013	2012	Change %
Mobile Telephone Services Chile	1,271,725	1,142,690	11%
Mobile Telephone Services Peru	45,902	-	-
Data Services (including IT)	120,663	105,922	14%
Local Telephone Services*	43,160	41,249	5%
Long Distance	32,027	32,805	-2%
Internet**	20,879	17,217	21%
Services to Other Operators	20,868	21,855	-5%
Traffic Business	31,255	36,667	-15%
TV Services	8,337	220	3693%
Americatel Perú	21,392	20,111	6%
Call Center and Other Services	12,167	11,379	7%
Other Revenue	15,555	10,863	43%
<b>Total Operating Revenue</b>	<b>1,643,930</b>	<b>1,440,978</b>	<b>14%</b>

\* Includes traditional fixed revenue, NGN-IP and trunk IP sections.

\*\* Includes revenue from Duo Empresa services.

### BREAKDOWN OF CONSOLIDATED REVENUE BY SERVICE TYPE (%)



[ 19% growth  
in our mobile customer base ]

## Mobile Customer Base

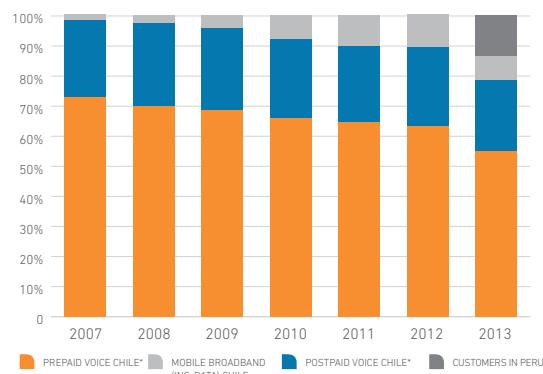
At the end of 2013, the mobile customer base stood at 11,984,548, growth of 19% with respect to 2012.

In Chile, the industry is experiencing a deceleration in growth, mainly as a result of its mobile market maturing. In 2013, the number of Entel's mobile services customers grew by 3.2% to 10,428,885.

In response to the positioning and strategy pursued by the company, the largest increase was in postpaid or contract customers (voice and mobile broadband), which saw an increase of 8%, taking its share of the total customer base to 33% at the end of the year.

The takeover of Nextel Perú in August 2013 added 1,555,664 mobile customers to the customer base as of December 2013.

## MOBILE CUSTOMER BASE



\* Includes mobile Internet packs and plans.

## Mobile Services in Chile

The Group maintained its strong position in mobile services due to its sustained commercial drive and service quality, helping it secure the preference of its users. The 11% increase in revenue is a result of voice services and mobile Internet growth, an increase in the average customer base, and higher monthly average revenue per unit (ARPU), which increased by 3.9% over the last year.

A major factor behind the increase in ARPU has been the profile of the customer base and the increased penetration of data services via smartphones, which now stands at 55% of the postpaid customer base, up from 42% in 2012. Additionally, revenue from the sale of handsets in both prepaid and postpaid segments increased (in the case of the latter, affected by the new accounting procedure applied from October 1, 2012).

Since the introduction of mobile number portability, Entel has succeeded in capturing the largest number of high-value postpaid users. The net balance of customers switching to and from the company in 2013 was an increase of 83,000 postpaid customers, largely made up of medium- and high-value users. However, the prepaid segment saw a net decrease of 122,000 customers.

The Entel Group's strong position is a particular asset in the markets in which it operates, with its market share of the mobile market standing at approximately 39%, similar to 2012.



## Mobile Internet

The company has continued to make progress in its strategy to expand the use of mobile data, making significant investments to increase smartphone penetration. As of December 2013, 55% of Entel's postpaid customers have a data or multimedia plan, a figure that represents solid growth compared to 42% in 2012. At aggregate level, based on the total number of Entel's prepaid and postpaid customers, mobile Internet penetration was 38%.

To ensure Entel's products are correctly adapted to this new reality of mobile data, the company updated its pricing strategy at the start of the fourth quarter. This change, with integrated packages offering more GB of data for multimedia plans, introduced the mechanism of charging for additional MB consumed beyond the limits of the contracted data plan instead of reducing the speed of the connection. This pricing structure is suited to products with greater data allowances and represents increased clarity and transparency for customers.

In the prepaid segment, promotions have specifically focused on improving the range of smartphone devices to promote the use of data, alongside adjustments to packs and pricing plans. Effort has been made to make the sale of on-demand packs of data for prepaid customers based on specific periods of use and volumes clearer and more dynamic, allowing a progressive increase in consumption among this segment.

## Mobile Broadband

Mobile broadband (MBB) customers totaled 996,054 (including 300,000 M2M data cards). This figure represents a decrease of 5% with respect to the previous year, largely a result of the preference for using smartphones over MBB dongles in the Consumer Segment. This effect was partially offset by the use of business mobile applications in the SME and Corporate Segment.

## Mobile Services Peru

In August 2013, Entel Chile completed the acquisition of Nextel Perú. The company was founded in 1998 and is the third largest mobile company in Peru. The value of the share transaction was USD \$410.6 million and the financial statements of Nextel Perú were incorporated into the consolidated financial statements of Entel from August 31, with results included from September.

The acquisition of Nextel Perú is an extremely important step for Entel. We believe this long-term investment will make it possible to position our company as a full-service telecommunications operator in the Peruvian market, which has around 30 million people and high potential for growth. The investment will allow us to increase the range of services the Entel Group offers in Peru.

At the end of the year, mobile operations in Peru (Nextel Perú) had 1,555,664 customers. The acquisition involved the inclusion CLP \$46 billion of ordinary revenue from September 2013, equivalent to four months' operations.

Nextel Perú has reformulated its business strategy to reposition itself as a universal mobile operator, servicing all segments of the Peruvian market and offering its customers a differentiated user experience. In the first phase, the focus has been on expanding the range of services towards 3G, increasing the range of handsets and breaking out of a niche exclusively focusing on iDEN or radio technology. In parallel, and looking more to the medium term, its approach is to

expand network infrastructure and commercial capacity to offer a comprehensive, high-quality range and full coverage.

Entel was awarded one of the two 40 MHz blocks tendered by the Peruvian authorities on the AWS band in July 2013 for USD \$105.5 million, which will be used for the future development of mobile data services. The spectrum makes it possible to develop 4G services, which will be integrated into the range of other products provided by the Entel Group in Peru, efficiently complementing existing infrastructure and creating a strong combination of quality and costs when it comes to the provision of services.

## Entel Hogar

Launched in August 2012, the company's new product in the residential market, Entel Hogar (a wireless solution for homes that provides fixed telephone and broadband lines, together with satellite television), saw the number of contracted services increase from 30,000 in December 2012 to more than 206,000 at the end of 2013. The competitive nature of the product, which includes HD channels as part of its standard plans, and high net customer satisfaction were major factors in this strong growth.

## Fixed Voice, Data and IT Services

Fixed data and IT services continued to experience solid growth (10%), mainly associated with enterprise customers, particularly in the provision of integrated voice, data and Internet solutions, together with IT services.

The company has structured different service packages for the SME and Corporate segments based on its solid mobile infrastructure, GPON fiber-optic network and data center capacity.

The company is involved in highly complex projects in the Corporate segment, which have translated into leadership of the telecommunications business in terms of market share.

For its part, Americatel Perú performed strongly, largely as a result of higher revenue from integrated voice, data and Internet services for businesses, alongside increases in revenue from the wholesale business as a result of higher levels of traffic, although this was partially offset by a fall in long-distance revenue as a result of falling traffic.

Finally, infrastructure leasing and wholesale sales to other telecommunications and call center companies saw a fall in revenue, largely associated with the traffic business as a result of the reduction in traffic and prices, partially offset by higher revenue from national roaming and call center.

## Results

When analyzing the results, it should be noted that the basis for comparing the two years has been affected by the new accounting procedure for handsets provided to postpaid customers, which took effect on October 1, 2012. From this date, the costs of postpaid mobile handsets and connection charges for postpaid customers have been directly recorded at the point the equipment is provided, and the historical basis of handsets sold prior to October 1, 2012, continues to be depreciated in line with its classification as a fixed asset. This period of depreciation ended on September 30, 2013.

The following table shows a comparison of the 12 month periods for 2013 and 2012 with the appropriate adjustments (applying the new accounting procedure for postpaid handsets to both periods and subtracting the net impact of the historical base of handsets for the 2013 figures, as of September 30, 2012).

### Period from January to December (CLP million)

	2012	2013	Change
<b>Reported EBITDA</b>	<b>536,525</b>	<b>467,316</b>	<b>-12.9%</b>
+ Adjustments for 2012 to convert figures to 2013 handset accounting procedure	-123,508		
+ Adjustments for 2013 to eliminate the effects of the historical base of handsets up to 09/30/2012		-9,019	
<b>Adjusted EBITDA (Comparable)</b>	<b>413,017</b>	<b>458,297</b>	<b>+11.0%</b>
	2012	2013	Change
<b>Reported EBIT</b>	<b>221,580</b>	<b>218,037</b>	<b>-1.6%</b>
+ Adjustments for 2012 to convert figures to 2013 handset accounting procedure	+4,896		
+ Adjustments for 2013 to eliminate the effects of the historical base of handsets up to 09/30/2012		+33,757	
<b>Adjusted EBIT (Comparable)</b>	<b>226,476</b>	<b>251,794</b>	<b>+11.2%</b>
	2012	2013	Change
<b>Reported Annual Profit</b>	<b>167,294</b>	<b>146,965</b>	<b>-12.2%</b>
+ Adjustment for change in EBIT and recalculation of tax	+4,123	+28,042	
<b>Adjusted Profit (Comparable)</b>	<b>171,417</b>	<b>175,007</b>	<b>+2.1%</b>

Note: Excludes financing costs for Nextel in Entel.



EBITDA fell 13% from CLP \$536,525 million to \$467,316 million, year-on-year. The result was influenced by the new accounting procedure described above, as well as the incorporation of the operations of Nextel Perú totaling CLP \$11,033 million from September 2013 and new business in the residential market associated with Entel Hogar. However, analyzing both periods on a comparable basis shows that EBITDA grew by 11%.

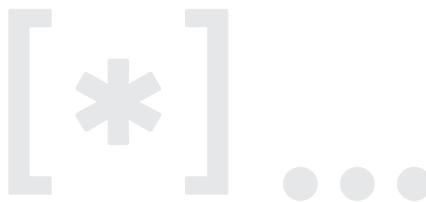
Operating profit for 2013 was CLP \$218,037 million, down 2% from CLP \$221,580 million in the previous year. This result was significantly affected by the incorporation of CLP \$44,787 million as a cost for depreciation and non-recurring withdrawals associated with the stock of postpaid handsets held as of September 30, 2012. Discounting these effects, adjusted operating profits increased by 11%.

## Annual Profit

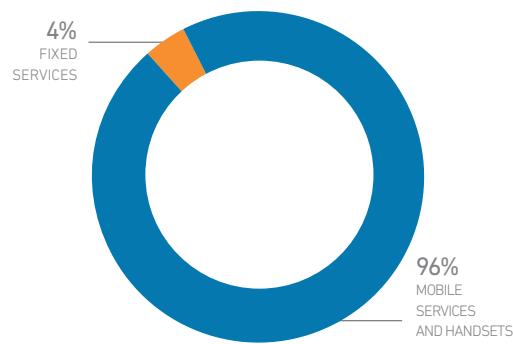
Entel's profits for 2013 were CLP \$146,965 million. The value is 12% lower than the profits obtained during the previous year (CLP \$167,294 million), primarily as an effect of the new accounting procedure for mobile handsets leased to postpaid customers, which took effect in the last quarter of 2012, as well as the incorporation of new businesses and higher costs associated with hedge instruments and increased financial expenditure related to higher levels of debt. When considered on a comparable basis, the result represents an increase of 2% in annual profits.



results  
by market  
segment



CONSUMER SEGMENT – REVENUE BREAKDOWN BY SERVICE



REVENUE FOR CONSUMER SEGMENT (CLP million)



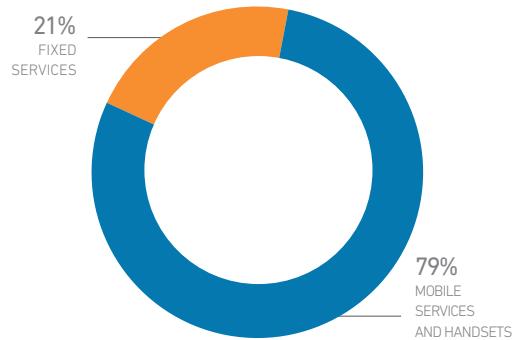
## Consumer Segment

Revenue from the Consumer Segment grew by 15% to CLP \$997,618 million. The increase is largely a result of the expansion in mobile services (14%), backed by an increase in the average revenue per user and, to a lesser extent, the increase in the customer base. Value added services (including MBB) recorded strong growth in mobile Internet, partially offset by lower revenue from text messages and MBB services associated with the migration to smartphones. Handset sales rose, primarily in the prepaid segment, driven by the sale of new high-end handsets to promote the use of mobile data, but also in the postpaid segment

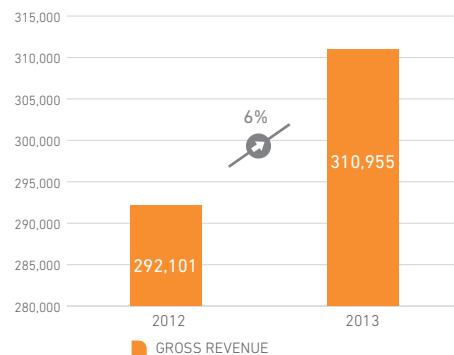
as a result of the new accounting procedure for postpaid handsets that took effect on October 1, 2012. Fixed services experienced significant growth (60%), driven by the Entel Hogar residential services. Sales of Entel Hogar services have grown significantly to almost 206,000 services. Finally, revenue from long-distance services also fell due to falling levels of traffic and prices, largely in the long-distance national category.



SME SEGMENT – REVENUE BREAKDOWN BY SERVICE



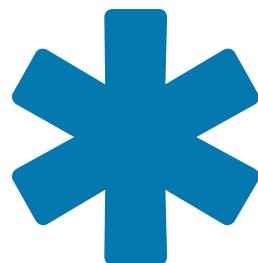
REVENUE FOR SME SEGMENT (CLP million)



## SME Segment

Total revenue for the SME Segment was CLP \$310,955 million, up 6%. The increase was mainly driven by growth in mobile services (8%) associated with the expansion of the mobile customer base, especially high-value customers and the rapid uptake of mobile data services. Growth in the number of mobile Internet plans continued to be significant, with 49% of customers in the segment having mobile Internet plans, a strong increase with respect to 39% at the end of 2012. Growth in this area has been supported by Entel's strategy of promoting the penetration of smartphones and multimedia plans through promotions and offers, with a focus on high-value segments. In contrast, revenue from

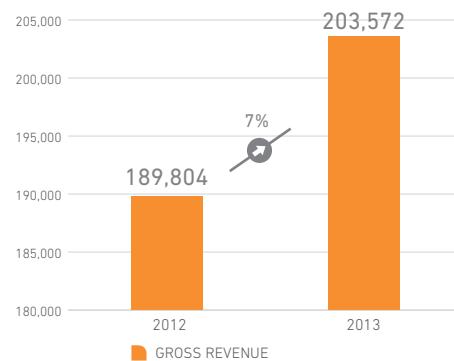
mobile handsets fell as a result of the new accounting procedure applicable from October 1, 2012. Similarly, there was an increase in revenue from fixed services (12%), coming from voice, data and Internet services associated with the expansion of the GPON network that has allowed Entel to increase coverage of fixed-line services and expand its presence in the market, improving connectivity solutions and the integration of fixed and mobile services with high-speed access.



CORPORATE SEGMENT – REVENUE BREAKDOWN BY SERVICE



REVENUE FOR CORPORATE SEGMENT (CLP million)

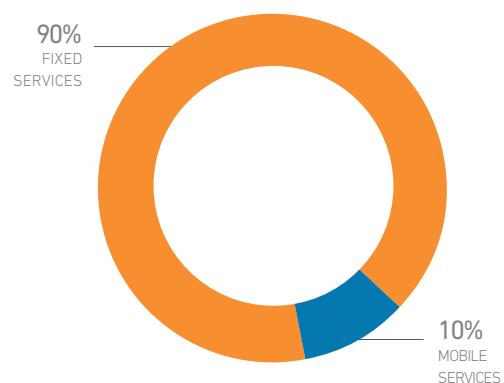


## Corporate Segment

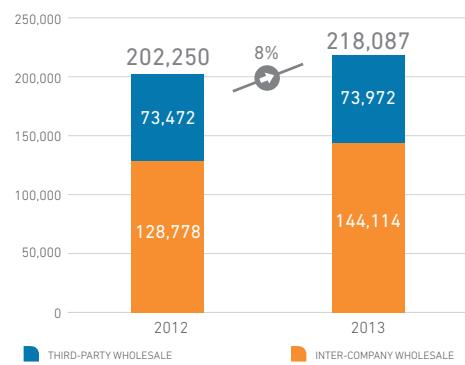
Revenue from the Corporate Segment totaled CLP \$203,572 million, an increase of 7% from 2012. This increase in revenue is partially associated with increased revenue from fixed services (8%), driven by integrated data and IT services. Entel continued with its progressive positioning in the segment, particularly in the delivery of complex projects that translate into increased market share and leadership as a supplier of convergent fixed-mobile solutions. Similarly, the company has consolidated its position as a major player in the IT business and a major supplier of data center infrastructure. Revenue from mobile services increased

by 9%, as a result of strong growth in the customer base (including MBB and business services) and the fast penetration of mobile data services by the market. Growth in these areas was partially offset by a fall in revenue from handsets, primarily associated with the new accounting procedure that took effect in 2012.

WHOLESALE SEGMENT – REVENUE BREAKDOWN BY SERVICE



GROSS REVENUE FOR WHOLESALE SEGMENT (CLP million)

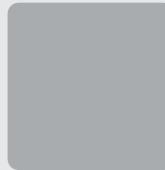


## Wholesale Segment

Total revenue for Entel's Wholesale Segment grew by 8% across all business lines, based on sales to both third parties and Entel Group companies.

The growth in revenue is largely associated with infrastructure leasing services to other mobile operators and related companies, as well as increased national roaming activity and inbound wholesale traffic, partially offset by a fall in revenue from the traffic business.





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perú



Convergent solutions backed by a world-class data center helped strengthen our position in Peru's SME and Corporate segments.



Continuing its progress towards an increasingly wider range of complex services, in 2013 Americatel Perú began the provision of IT outsourcing solutions for enterprises and corporations using its own on-demand platform. It also expanded its satellite services, which constitute the second largest contribution to revenue in the market and the third in the total sales of the company.

### Tier III Certification

During the year, Americatel completed the expansion of its data center in Olguín, adding 440 m<sup>2</sup> of floor space and obtaining Tier III certification for the development, awarded by the Uptime Institute to certify the design guarantees 99.98% availability in the event of a contingency, making it the first third-party service data center in Peru to obtain this distinction.

### Satellite Services

At the end of 2013, Americatel had a portfolio of 180 customers to which it provides satellite services, with a total of 590 points, increasing its market share of the segment to 12%. In 2014, it plans to continue this growth with the incorporation of Single Channel Per Carrier (SCPC) links, making it possible to provide dedicated channels to the most demanding customers in terms of the capacity and reliability of their services, including solutions for the transport of mobile services.

### Highlights 2013

- \* Consolidation of the NGN service in the SME Segment, with more than 8,500 businesses passed.
- \* Expansion of the Olguín data center and Tier III certification.
- \* High levels of customer satisfaction among long distance users.



## Custom Bundles

In the last year, the company's growth in the small and medium enterprise market continued, largely as a result of the success of its Americatel NGN product, which includes telephone services, Internet, centrex and other value-added services. In 2013, it increased the number of contracted points for this service to 8,500, reaching high usage levels in its WiMAX network capacity among high-value customers.

In this market segment, Americatel obtained net satisfaction ratings of 62%, seven percentage points clear of the next best evaluated company, and 25 percentage points clear of the third-ranked company, according to studies by CCR.

It has an 11% share of its target market (70,000 points) in the small and medium enterprise segment, primarily through its NGN product.

In the Corporate Segment, Americatel has a total penetration of 65%, with the level for services provided over its own access network (telephone, Internet, data, NGN, satellite and IT services) standing at 45%.

## Wholesale Segment

In the Wholesale Segment, the company was able to increase its market share by one percentage point to 15%. Its main service is incoming International long-distance traffic. With a combination of strategies to ensure the profitability of its national transport network and direct interconnections with other operators, it achieved a historical record in the termination of minutes in provinces and consolidated its position as the leading supplier of international termination services for Nextel Perú, with 80% of its traffic, as of December 2013.

Based on the comparative advantage provided by the dynamism and speed for prices and carrying out installation work, the company has also focused on the profitability of its local transport network (backbone), through which it provides high-capacity circuits to telecommunications operators.

Americatel has managed to maintain a stable direct margin, in spite of the fall in the average termination tariff in Peru, with a business strategy that seeks to take advantage of the

complementary nature of demand profiles for wholesale products and Americatel's long-distance and mixed telephone services, achieving synergies and increasing traffic volumes (in the case of termination in Lima, this is estimated to be 20%).

In the wholesale data service, the direct margin increased by 13% as a result of increased loyalty among customers such as AT&T, British Telecom, Orange and Entel.

## Residential Market

In 2013, Americatel provided long-distance services to 100,000 contract customers (120,000 plans), 9,500 customers with a monthly dial-around service and 25,000 monthly mobile origin dialers. In terms of fixed origin services, the company has a market share of 14% of long-distance national (LDN) and 36% of long-distance international (LDI). For mobile origin services, its share is 3% for both prepaid and postpaid segments.

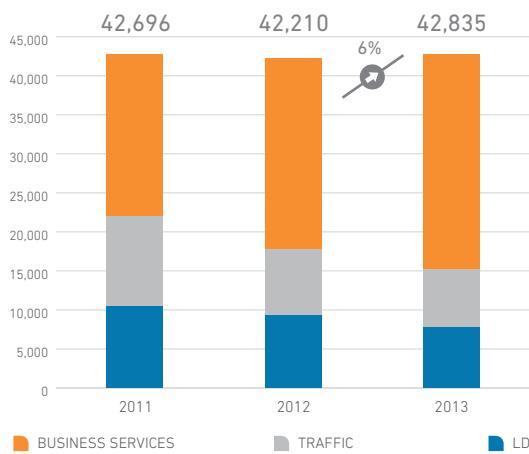
To maximize the profitability of long-distance services, the company has optimized its marketing activities, emphasizing the communication of low prices and brand recognition, in addition to its call center strategy.

The use of substitute products for LDN and LDI services, such as Internet and VoIP had a strong impact on this market, falling by 21% and 28%, respectively, during the year. Additionally, mobile operators developed an aggressive pricing strategy, with tariffs 83% lower than Americatel long-distance dial-around and 2% lower than the contract tariff. This situation was responsible for an unusual increase in traffic (104% during the year) that resulted in a net loss for the market overall.

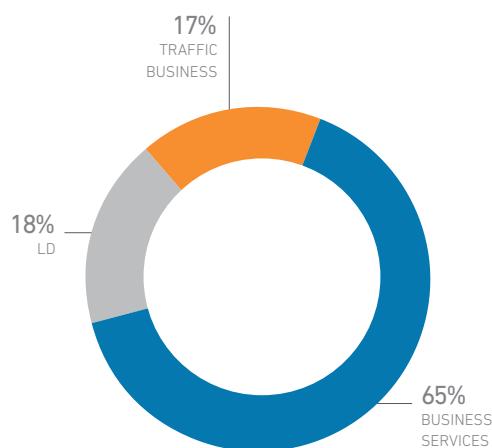
The contraction of the market and the pressure on tariffs has affected results in this segment. However, the effects have been partially offset by the optimization of the investment in marketing and the use of the call center.

The user experience of Americatel's long-distance products was evaluated as highly positive among its customers. The Top to Box study in September for fixed origin services rated satisfaction at 75% for image and 76% for quality. Similarly, the net satisfaction index among postpaid mobile origin customers was 79%, with a figure of 88% for prepaid, both in the dial-around segment.

**GROSS REVENUE**  
USD thousand  
(Exchange rate PEN/USD = 2.798)



BREAKDOWN OF REVENUE BY SERVICE



## Investment

In 2013, the company invested a total of USD \$9.2 million. Of this investment, 25% was destined for equipment installed for customers with NGN, local telephone and dedicated Internet services, 30% for fitting out 440 m<sup>2</sup> of the Olguín data center with Tier III certification, 29% for the acquisition of a site for a new data center, and 3% for the expansion of customer access networks (outside plant and WiMAX).

## Results

Americatel generated revenue of USD \$43 million in 2013, a 6% increase over the previous year.

In the enterprise segment, revenue increased 19% with respect to 2012. The company successfully consolidated NGN in the small and medium enterprise segment, with a total churn of 1.8%. The base of points grew 6% with respect to the previous year, increasing revenue by 7% to USD \$14 million.

Revenue for satellite services represented 23% of the enterprise segment, with a total of USD \$6 million.

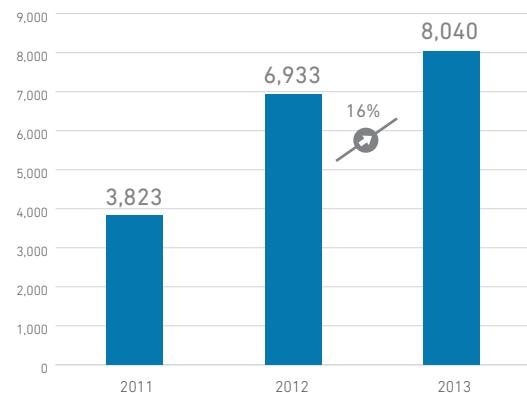
In the mass-market segment, revenue fell by 12% with respect to the previous year as a result of the natural migration to other categories such as mobile-origin, Internet and VoIP.

In the Wholesale segment, revenue fell 9% due to lower tariffs as a result of strong competition, in spite of a 15% increase in market share, which had a positive impact on the direct margin, resulting in an increase of 18% with respect to the previous year.

In the wholesale data service, the direct margin increased by 13% as a result of increased loyalty among customers such as AT&T, British Telecom, Orange and Entel.



**AMERICATEL PERÚ EBITDA**  
 USD thousand  
 (Exchange rate PEN/USD = 2.798)



Market	Description	Solutions
<b>Enterprises and Corporations</b>	2,000 enterprises with annual revenue of over USD \$15 million.	Long distance, fixed telephone services, dedicated Internet, toll-free numbers, data links, NGN (bundling of services), satellite Internet and data services, IT outsourcing services (housing, dedicated hosting, IaaS, SaaS).
<b>SMEs</b>	Enterprises in Lima (approximately 70,000 businesses passed)	NGN (integrated telephone, Internet and value-added services bundle), long-distance, dedicated Internet, ADSL and fixed telephone services.
<b>Residential</b>	Consumers throughout the country (100,000 customers and 120,000 contracted plans).	Fixed- and mobile-origin long-distance services, contract products (fixed- and mobile-origin LDI plans, and fixed-origin LDN).
<b>Wholesale</b>	National and international telecommunications operators.	Incoming LDI traffic.

## Telecommunications Infrastructure

Americatel's telecommunications operations are supported by three large interconnected fiber optic and satellite networks.

The company has two switching centers connected to international networks via Chile and the USA, with direct connections to Peru's 24 administrative districts. It also has connections to the main local operators for long-distance and mobile services.

Americatel's metropolitan network in Lima comprises five primary MPLS nodes linked in a fiber-optic ring running over a DWDM platform. Its access network comprises 52 WiMAX base stations providing full

coverage throughout Lima. This is complemented by 18 km of outside plant distributed throughout the areas of Lima with the highest commercial value.

The company has wireless fixed telephone concessions to provide telephone, data and broadband Internet services through exclusive usage rights to 50 MHz of spectrum on the 3.5 GHz frequency band and 30 MHz of spectrum on the 2.3 GHz band. It also has a local carrier concession for 400 MHz of spectrum on the 38–39 GHz band for its transport network and the provision of telephone, data and broadband Internet services with full coverage in Lima.





Entel Call Center has positioned itself as a supplier of robust contact center solutions with a high-quality multi-channel operation.

### Highlights 2013

- \* COPC® GMD certification of two technical help desks in the Corporate Segment.
- \* Implementation of a new site in Lima with a capacity of 550 positions.
- \* Acquisition of land for the construction of a new site in the Valparaíso Region.
- \* Implementation of a world-class tool for controlling and managing security for applications and databases.
- \* ISO 9001:2008 re-certification of Servicios Call Center Perú.

### Context

When it comes to customer contact, companies are demanding multi-channel services that include social networking platforms, mail and chat, together with robust contact center solutions, sometimes integrated with fulfillment services.

This trend has allowed Entel Call Center to capture new customers and expand its business lines.

### Profile

Entel Call Center has local and international operations, with four sites in Chile and two in Peru, built and fitted out to the highest standards of quality. Specially designed for this

business, each center provides the safety, comfort, lighting and climate control required to guarantee the optimum working environment for more than 5,000 employees in both countries. In Chile, there are 3,285 employees, 1,866 of which are directly contracted by Entel Servicios de Call Center or Entel Servicios de Contact Center. In Peru, there are 1,771 employees directly employed by Servicios Call Center Perú.

The company primarily provides services to Entel S.A., alongside 63 other customers, which, in Chile include public bodies (the Ministry of Health, the Civil Registrar and the Electoral Service), financial institutions (Bank of Chile and BBVA) and retailers (Presto and Nectar). In Peru, its customer portfolio includes Americatel Perú, Nextel Perú, Lider and ACE Seguros.

### Strategy

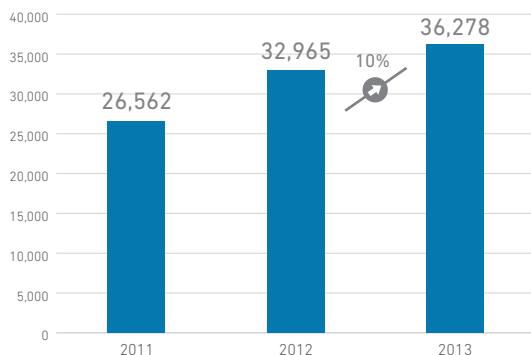
The mission of Entel Call Center is to provide end users with fast and accurate solutions to achieve high levels of satisfaction from first contact. One of the company's priority objectives is to achieve quality first contact resolution (FCR) that is not restricted to telephone or in-person service, instead embracing multiple communication channels. To do so, its services must be at the cutting edge of current requirements, incorporating MSI Mobile, email, SMS, Chat and Click to Call.

### Customer Satisfaction

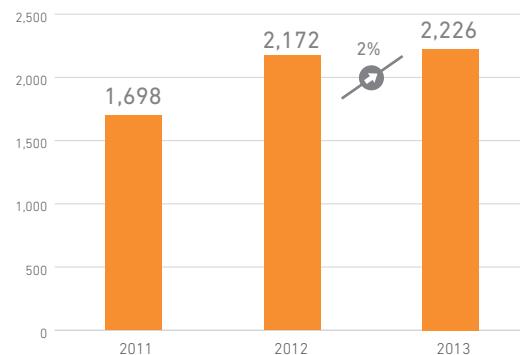
Entel Call Center manages customer experience through tools that provide online service level indicators and a robust technology platform that makes it possible to manage interactions with all the information required to respond quickly and accurately to requests. Similarly, recruitment and training processes are key.

The company measures accuracy, critical errors and non-critical errors on a monthly basis, comparing the indicators with the satisfaction results for end users to identify potential improvements to the business process.

**CONSOLIDATED REVENUE FOR ENTEL CALL CENTER**  
CLP million



**CONSOLIDATED OPERATING PROFIT FOR ENTEL CALL CENTER**



In 2013, Entel Call Center achieved a significant increase in external customer satisfaction levels in Chile (outside the Entel Group), measured by Praxis, going from 42% in the third quarter of 2012 to 67% in the second quarter of 2013.

## Expansion

As part of its aim to expand its infrastructure in Peru, the company implemented a new site in Lima. The site has 550 positions and complements the company's offices in the Camaná building. This expansion will allow it to meet growing demand, increasing the number of positions in the country from 950 at present to 1,689.

In Chile, there were a total of 2,533 positions in 2013, 2,361 of which have been allocated.

During the last year, the company acquired land in Curauma in Chile's Valparaíso Region for the construction of a new site that will house 600 positions, bringing together the existing operations in the city. The building will complement the Vicuña Mackenna, Amunátegui and General Mackenna sites in Santiago.

## World-Class Certification

In 2013, Entel Call Center obtained COPC® GMD certification for three of its technical help desks: Banco de Chile and Los Héroes in the Corporate Segment and Entel CAT BB-iPhone Businesses, allowing it to work to the highest standards of quality.

**CONSOLIDATED EBITDA FOR ENTEL CALL CENTER**



## Recertification of Quality

To ensure its quality management system is up-to-date, in 2013, the subsidiary Servicios Call Center Perú undertook a recertification process for the ISO 9001:2008 standard.

## Results

A focus on efficiency and quality made it possible to maintain profit margins and high levels of end user satisfaction, all of which translates into increased trust and new sources of revenue.

[ 93% of positions in Chile  
are allocated ]



[ 550 positions  
added by Entel Servicios Call Center Perú in 2013 ]

Services	Description
Multi-Channel Services	Implementation of multimedia services, social networks, chat, single platforms and platforms that complement existing remote services as part of a single service independent of the point of contact, with customer and service information integrated into existing channels.
Service Desk	Technical support help desks for Entel Group companies and external customers. A service focused on resolving issues on first contact to increase the availability of services, reduce costs associated with repeat occurrences and provide effective support for services delivered on the ground.
Back Office Services	Implementation of services to support customer service as part of a closed cycle, adding value through the resolution of administrative, control and monitoring tasks for individual businesses.
Sales Campaigns	Consultative sales services, telemarketing and billing based on customer requirements, incorporating delivery services to support sales all the way through to the delivery of the product to the end user.
Customer Service	Inbound service models based on market best practices, implemented using technologies such as IVR, CRM and service flows to meet business requirements, ensuring a quality service and the satisfaction of end users.
Technology Services	Implementation of on-demand technology platforms, including world-class technology tailored to meet customer requirements, incorporating control platforms, business intelligence and CRM services.

\_ nextel  
perú



With the acquisition of Nextel in August 2013, Entel capitalized on the opportunity to obtain a significant position in a market with high potential for growth.

### Highlights 2013

- \* Acquisition of 100% of shares in Nextel Perú from NII Holdings in a transaction valued at USD \$410.6 million.
- \* Award of a license through the subsidiary Americatel Perú to make Nextel one of two operators in the Peruvian market that can provide mobile services over 4G networks.

### Context

Technological change and adoption of new business models in the Peruvian market, primarily in the mobile services segment, represents a window of opportunity Entel has decided to capitalize on with the acquisition of 100% of shares in Nextel Perú from the North American company NII Holdings. Completed on August 19, 2013, the acquisition represented an investment of USD \$410.6 million, including



USD \$26.7 million for net positive financial cash balances and other investments in the capital market.

In the context of an economy growing at above 5% (5.2% in 2013), a population of 30 million (72% higher than Chile) and a stable regulatory framework, the Peruvian telecommunications market has high potential for development. The penetration of mobile voice services stands at 107% (high, although lower than the figure of 140% for Chile), compared to just 9% for mobile Internet, according to Bank of America Merrill Lynch. The figure is half the level observed in Chile (18%), and far below the 48% average for the OECD countries. In 2012, the combined revenue of the Peruvian mobile market was around USD \$3 billion.

### Profile

Nextel is the third largest mobile company in Peru, with a market share of 5.8% at the end of the first half of 2013. Its main competitors are Telefónica Móviles (Movistar) and América Móvil (Claro). In contrast to these companies, it has focused on the business market, to which it primarily provides push to talk voice services, similar to radio communications, in addition to fixed telephone and Internet services.

Founded in 1998, Nextel has licenses to operate 3G networks on the 1,900 MHz band, with coverage throughout the national territory provided by 635 sites (477 in Lima), and iDEN networks on the 800 MHz band.





On July 22, 2013, Entel was awarded one of the two frequency bands for mobile communications tendered by the Peruvian authorities for a price of USD \$105.5 million. The spectrum is a 40MHz block on the AWS band, allowing it to develop networks with Long Term Evolution (LTE) technology, commercially known as 4G. The company obtained the license, which runs for a renewable 20-year period, through its subsidiary Americatel Perú, since, on the date of the award, the acquisition of Nextel, which was announced in April, had not yet been completed.

## Future Plans

Nextel represents an excellent platform for growth for Entel in the Peruvian market. The goal is for it to reach a significant position, replicating the business model that has been so successful in Chile. This objective will imply the expansion of Nextel's operations into the Consumer Segment and increases in the range of services, primarily those related to data, based on a robust network, focusing on providing a distinctive user experience to its customers through connectivity and high-quality service.

## Change Management

During the integration process, Entel focused its efforts on the organizational restructuring required for this new focus and the development and launch of a new range of products, with a wider selection of plans and handsets and a greater presence in distribution channels, backed by a new holistic management strategy. Towards the end of the year, Nextel began an investment plan that will involve around USD \$200 million on an annual basis over the next three years. The main projects are focused on renovating and expanding mobile access networks and transforming fixed access networks through microwaves and fiber optic technology.

## Regulatory Framework

The responsibility of undertaking production activities and services in the telecommunications sector was transferred to the private sector by the Peruvian government in 1991, reserving the roles of promoting and regulating private investment, and establishing mechanisms to avoid unfair competition. This modernization began with the General Telecommunications Act (Legislative Decree No. 702,

November 1991), creating the Telecommunications Private Investment Supervisor (OSIPTEL).

The functions of OSIPTEL, a public entity reporting to the Presidency of the Council of Ministers, include: establishing the regulations and norms for the areas over which it has power; defining the rights and obligations among operators and between operators and users; establishing maximum tariffs for public telecommunications services in markets in which there is no competition; enforcement and sanctioning; resolution through administrative proceedings of conflicts and disputes between operators in the areas over which it has powers; and the hearing and resolution of claims made by users against operators in appeals processes.

The Ministry of Transport and Communications is the body of the Executive Power responsible for establishing, executing and supervising policies in the sector. It awards and recognizes rights through authorizations, permits, licenses and concessions; plans, supervises and evaluates communications infrastructure; and presents regulatory bills.

Over the last year, the Congress of the Republic, the highest legislative body, approved two laws on material related to the telecommunications sector: on September 22, 2013, it published Act No. 30,083, establishing measures to strengthen competition in mobile public services; and on December 2, 2013, it published Act No. 30,114, awarding powers to OSIPTEL to regulate the tariffs for value-added services charged to users in conditions where there is no competition or it declares a monopoly situation.

Furthermore, in 2013, OSIPTEL issued, among other norms and regulations, a resolution establishing user service indicators, both for in-person and telephone service, applicable from March 2014. On December 22, 2013, it also approved the Number Portability Regulation, which stipulates that switches must take place within one working day (previously seven). This resolution will apply to fixed telephone services during the first quarter of 2014.

Nextel Perú (December 2013)	
Net Revenue	USD \$314 million
Customers (mobile services)	1,556,000
Workforce (plant and services)	1,844 employees



# Financial\_Information.

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Note:  
company information is provided in  
a separate volume.

# CORP ORATE INFOR MATION



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e) entel



# Articles of Incorporation

Entel Chile S.A. was incorporated as a public limited company by public deed, notarized before notary Jaime García Palazuelos in Santiago on August 31, 1964. The company and its articles of incorporation were approved by Supreme Decree No. 5,487, issued by the Ministry of the Treasury on December 30, 1964.

The relevant extract can be found on Page 381, No. 191, and the aforementioned decree on Page 384, No. 192, of the Santiago Trade Register, dated January 18, 1965, published in the Official State Gazette on January 20, 1965. The company was declared legally established by Supreme Decree No. 1,088, issued by the Ministry of the Treasury on April 4, 1966. The company statutes have subsequently undergone a range of modifications to ensure compliance with Decree Law No.

3,500 (1980) on the number and nationality of directors, the existence of alternative directors, increases in capital and expanding the areas in which the company operates.

## Company Ownership

As of December 31, 2013, the capital stock of Empresa Nacional de Telecomunicaciones S.A. was distributed in 236,523,695 single-series shares, fully subscribed and paid in by its 2,114 shareholders.

The 12 largest shareholders of Entel S.A. are listed in the table below, alongside details of the size of their shareholding and its percentage.

Name or Company Name	Shares as of 12/31/2013	Share (%)
INVERSIONES ALTEL LTDA.	129,530,284	54.76%
BANCO DE CHILE ON BEHALF OF NON-RESIDENT THIRD PARTIES	22,997,350	9.72%
BANCO ITAU ON BEHALF OF INVESTORS	18,049,835	7.63%
BANCO SANTANDER ON BEHALF OF FOREIGN INVESTORS	9,216,011	3.90%
AFP PROVIDA S.A.	7,250,176	3.07%
AFP CAPITAL S.A.	5,251,217	2.22%
AFP HABITAT S.A.	4,438,138	1.88%
BANCHILE CORREDORES DE BOLSA S.A.	4,418,469	1.87%
AFP CUPRUM S.A.	4,319,920	1.83%
LARRAIN VIAL S.A. CORREDORA DE BOLSA	2,899,411	1.23%
SANTANDER CORREDORES DE BOLSA S.A.	2,022,374	0.86%
PENTA CORREDORES DE BOLSA S.A.	1,346,437	0.57%
OTHERS	24,784,073	10.48%
<b>Total</b>	<b>236,523,695</b>	<b>100.00</b>



## Controllers

In compliance with General Regulation No. 30, Inversiones Altel Ltda., Tax ID 76.242.520-3, remains the controller of Entel, with 129,530,284 shares representing a 54.7642% holding in the Group. Inversiones Altel Ltda. is owned by Almendral Telecomunicaciones S.A. (Tax ID 99.586.130-5, with a 99.99%, share and Almendral S.A., Tax ID: 94.270.000-8, with a 0.01% share.

The individuals and legal entities that directly and indirectly form part of the controlling group are listed below.

INFORMATION CONTAINED IN THE SHAREHOLDER REGISTER AS OF DECEMBER 31, 2013.

Tax ID	Shareholder	Activities	(%)
<a href="#">96.878.530-3</a>	Inversiones Nilo S.A. *	926,012,160	6.84%
<a href="#">96.895.660-4</a>	Inversiones El Raulí S.A.	703,849,544	5.20%
<a href="#">96.969.110-8</a>	Forestal Cañada S.A.	561,429,758	4.15%
<a href="#">79.770.520-9</a>	Forestal y Pesquera Copahue S.A.	454,057,900	3.35%
<a href="#">94.645.000-6</a>	Inmobiliaria Ñagué S.A.	358,008,491	2.64%
<a href="#">96.800.810-2</a>	Inmobiliaria Canigue S. A.	287,874,051	2.13%
<a href="#">90.412.000-6</a>	Minera Valparaíso S.A.	281,889,680	2.08%
<a href="#">96.791.310-3</a>	Inmobiliaria Teatinos S. A.	215,905,538	1.59%
<a href="#">81.358.600-2</a>	Cominco S.A.	154,795,552	1.14%
<a href="#">96.878.540-0</a>	Inversiones Orinoco S. A.	143,937,025	1.06%
<a href="#">81.280.300-K</a>	Viecal S.A.	95,058,166	0.70%
<a href="#">79.621.850-9</a>	Forestal Cominco S.A.	78,666,592	0.58%
<a href="#">77.320.330-K</a>	Inversiones Coillanca Ltda.	50,500,000	0.37%
<a href="#">96.656.410-5</a>	BICE Vida Compañía de Seguros	16,424,086	0.12%
<a href="#">4.333.299-6</a>	Patricia Matte Larraín	4,842,182	0.05%
<a href="#">4.436.502-2</a>	Eliodoro Matte Larraín *	3,696,822	0.03%
<a href="#">6.598.728-7</a>	Bernardo Matte Larraín *	3,696,695	0.03%
	Grupo Matte (17)	4,340,644,242	32.07%
<a href="#">77.302.620-3</a>	Inversiones Teval S.A.	1,290,595,292	9.53%
<a href="#">77.677.870-2</a>	Inversiones Los Almendros Limitada	312,672,052	2.31%
	Grupo Fernández León (2)	312,672,052	11.84%
<a href="#">96.950.580-0</a>	Inversiones Huidad S.A.	1,129,980,943	8.35%
<a href="#">89.979.600-4</a>	Inversiones Paso Nevado Ltda.	262,000,000	1.94%
<a href="#">96.502.590-1</a>	Inversiones Metropolitana Ltda.	49,000,000	0.36%
	Grupo Hurtado Vicuña (3)	1,440,980,943	10.64%



INFORMATION CONTAINED IN THE SHAREHOLDER REGISTER AS OF DECEMBER 31, 2013.

Tax ID	Shareholder	Activities	(%)
79.619.200-3	Consorcio Financiero S.A. *	894,655,313	6.61%
99.012.000-5	Cía. de Seguros de Vida Consorcio	405,540,420	3.00%
	Grupo Consorcio (2)	1,300,195,733	9.60%
85.127.400-6	Inmobiliaria Escorial Ltda.	347,973,232	2.57%
96.927.570-8	Los Peumos S.A.	264,803,356	1.96%
79.937.930-9	Inmobiliaria Santoña Ltda.	105,842,165	0.78%
79.937.090-8	Andrómeda Inversiones Ltda.	102,372,197	0.76%
79.942.850-4	Inversiones El Manzano Ltda.	79,280,486	0.59%
78.136.230-1	Santa Rosario de Inversiones Ltda.	63,260,509	0.47%
79.934.710-5	Comercial Marchigue S.A. *	42,090,874	0.31%
79.933.390-2	Andacollo de Inversiones Ltda.	38,996,296	0.29%
77.740.800-3	Inversiones La Estancia Ltda.	30,805,638	0.23%
77.174.230-0	Inversiones Los Cíervos Ltda.	5,936,539	0.04%
96.928.240-2	Santo Domingo de Inversiones S.A.	3,079,761	0.02%
76.072.917-5	Inversiones El Manzano II S.A.	3,079,761	0.02%
76.072.983-3	Andaluza de Inversiones II S.A.	3,079,761	0.02%
76.072.985-K	Inversiones La Estancia II S.A.	3,079,761	0.02%
76.073.008-4	La Esperanza S.A.	3,079,761	0.02%
96.932.040-1	Los Boldos	3,124,495	0.02%
79.966.130-6	Inmobiliaria e Inversiones Santa Sofía Ltda.	3,079,761	0.02%
79.757.850-9	Asturiana de Inversiones Ltda.	3,079,761	0.02%
77.863.390-6	Cerro Colorado de Inversiones Ltda.	3,079,761	0.02%
4.431.346-4	Valdés Covarrubias María Teresa	2,471,777	0.02%
96.962.800-7	Inmobiliaria Estoril II S.A.	93,631	0.001%
	Grupo Izquierdo Menéndez (21)	1,111,689,283	8.21%
96.949.800-6	Inversiones Green Ltda.	371,005,336	2.74%
96.949.780-8	Las Bardenas Chile S.A.	371,005,336	2.74%
	Grupo Gianoli (2)	742,010,672	5.48%
	Controlling Group (47)	9,248,192,925	77.85%
	Minor shareholders (1,791)	4,291,429,107	22.15%
	Total (1,838)	13,539,622,032	100.00%

\* With shares held by stockbrokers.

Does not include shares classified as financial investments.

On January 24, 2005, the board of directors of Almendral S.A. registered the signing of a joint action shareholders agreement by certain shareholders to take control of Almendral S.A., each becoming a member of the controlling group.

The individual members of the controlling group are as follows:

### Grupo Matte

Patricia Matte Larraín (Tax ID 4.333.299-6), Eliodoro Matte Larraín (Tax ID 4.436.502-2), and Bernardo Matte Larraín (Tax ID 6.598.728-7), who, directly and indirectly, and in equal proportions, control the companies through which Grupo Matte acts as a controlling member of Almendral S.A.

### Grupo Fernández León

**a) Inversiones Los Almendros Ltda.** (formerly Inversiones Los Andes Dos Ltda.), whose ultimate controllers are Eduardo Fernández León (Tax ID 3.931.817-2), Valeria Mac Auliffe Granello (Tax ID 4.222.315-8), Eduardo Fernández Mac Auliffe (Tax ID 7.010.379-6), and Tomás Fernández Mac Auliffe (Tax ID 7.010.380-K), with a 4.356%, 3.061%, 46.232%, and 46.257% direct and indirect share of capital stock.

**b) Inversiones Teval S.A.**, whose ultimate controllers are:

- **Grupo Fernández León**, comprising Eduardo Fernández León (Tax ID 3.931.817-2), Valeria Mac Auliffe Granello (Tax ID 4.222.315-8), Eduardo Fernández Mac Auliffe (Tax ID 7.010.379-6), and Tomás Fernández Mac Auliffe (Tax ID 7.010.380-K), with a 4.510%, 3.614%, 20.781%, and 20.868% indirect share of capital stock.

- **Grupo Garcés Silva**, made up of José Antonio Garcés Silva, Tax ID: 3.984.154-1), María Teresa Silva Silva (Tax ID 3.717.514-5), María Paz Garcés Silva (Tax ID 7.032.689-2), María Teresa Garcés Silva (Tax ID 7.032.690-6), José Antonio Garcés Silva (Tax ID 8.745.864-4), Matías Alberto Garcés Silva

(Tax ID 10.825.983-3), and Andrés Sergio Garcés Silva (Tax ID 10.828.517-6), with a 1.71%, 0.32%, 9.594%, 9.594%, 9.594%, 9.594%, and 9.594% of indirect share of capital stock.

### Grupo Hurtado Vicuña

José Ignacio Hurtado Vicuña (Tax ID 4.556.173-9), María Mercedes Hurtado Vicuña (Tax ID 4.332.503-5), María Victoria Hurtado Vicuña (Tax ID 4.332.502-7), Juan José Hurtado Vicuña (Tax ID 5.715.251-6), José Nicolás Hurtado Vicuña (Tax ID 4.773.781-8), and Pedro José Hurtado Vicuña (Tax ID 6.375.828-0), who, directly and indirectly, and in equal proportions, control the companies through which Grupo Hurtado acts as a controlling member of Almendral S.A.

### Grupo Consorcio

**a) Consorcio Financiero S.A.**, whose ultimate controllers are:

**P&S S.A.**, with a 45.79% share of capital stock. P&S S.A. is controlled, in equal parts, directly and indirectly, with a joint share of 82.06% of capital stock, by José Ignacio Hurtado Vicuña (Tax ID 4.556.173-9), María Mercedes Hurtado Vicuña (Tax ID 4.332.503-5), María Victoria Hurtado Vicuña (Tax ID 4.332.502-7), Juan José Hurtado Vicuña (Tax ID 5.715.251-6), José Nicolás Hurtado Vicuña (Tax ID 4.773.781-8), and Pedro José Hurtado Vicuña, Tax ID 6.375.828-0).

- **Banvida S.A.**, with a 45.79% share of capital stock. controlled by Inversiones Teval S.A., with an 80.30% share of capital stock.

**b) Compañía de Seguros de Vida Consorcio Nacional de Seguros S.A.**, whose controlling group is the same as Consorcio Financiero S.A., through which it holds 99.86% of capital stock of the former.

## Grupo Izquierdo

**a) Los Peumos S.A.**, whose ultimate controllers are Santiago Izquierdo Menéndez (Tax ID 5.742.959-3), and Bárbara Larraín Riesco (Tax ID 6.448.657-8), with a 97.04% and 2.96% direct and indirect share of capital stock.

**b) Inmobiliaria Santoña Ltda.**, whose ultimate controllers are Vicente Izquierdo Menéndez (Tax ID 5.741.891-5) and María Virginia Taboada Bittner (Tax ID 6.834.545-6), with a 93.02% and 6.98% direct share of capital stock.

**c) Inmobiliaria Escorial Ltda.**, whose ultimate controllers are Fernando Izquierdo Menéndez (Tax ID 3.567.488-8) and Ida Ester Etchebarne Jaime (Tax ID 5.418.932-K), with a 59.764% and 39.246% share of capital stock.

**d) Inversiones El Manzano Ltda.**, whose ultimate controllers are Diego Izquierdo Menéndez (Tax ID 3.932.428-8), with 95.48% of capital stock, María Isabel Reyes (Tax ID 5.748.650-3), with 3.58% of capital stock, Diego José Izquierdo Reyes (Tax ID 17.402.993-8), with 0.23% of capital stock, Pablo José Izquierdo Reyes (Tax ID 17.402.994-6), with 0.23% of capital stock, María Isabel Izquierdo Reyes (Tax ID 18.018.196-2), with 0.23% of capital stock, María Alejandra Izquierdo Reyes (Tax ID 18.636.111-3), with 0.23% of capital stock.

**e) Andacollo de Inversiones Ltda.**, whose ultimate controllers are Gonzalo Izquierdo Menéndez (Tax ID 3.567.484-5) and Luz María Irarrázaval Videla (Tax ID 5.310.548-3), with a 99.99% and 0.01% direct share of capital stock.

**f) Santo Domingo de Inversiones S.A.**, whose ultimate controllers are Rosario Izquierdo Menéndez (Tax ID 5.548.438-4) and Santiago Izquierdo Menéndez (Tax ID 5.742.959-3), with a 99.79% and 0.21% direct share of capital stock.

**g) Andrómeda Inversiones Ltda.**, whose ultimate controllers are Roberto Izquierdo Menéndez (Tax ID 3.932.425-3), with 86.972%, María Teresa Valdés Covarrubias (Tax ID 4.431.346-4), with 0.392%, Roberto Izquierdo Valdés (Tax ID 9.099.538-3), with 2.106%, Francisco Rodrigo Izquierdo Valdés (Tax ID 9.099.540-5), with 2.106%, Luis Eduardo Izquierdo Valdés (Tax ID 9.099.537-5), with 2.106%, José Manuel Izquierdo Valdés (Tax ID 9.968.191-8), with 2.106%, María Teresa Izquierdo Val-

dés (Tax ID 9.099.215-5), with 2.106%, María Josefina Izquierdo Valdés (Tax ID 9.099.218-K), with 2.106% of capital stock.

**h) Santa Rosario de Inversiones Ltda.**, whose ultimate controllers are Rosario Izquierdo Menéndez (Tax ID 5.548.438-4) and Santiago Izquierdo Menéndez (Tax ID 5.742.959-3), with a 99.79% and 0.21% direct share of capital stock.

**i) Inversiones La Estancia Ltda.**, whose ultimate controller is María del Carmen Izquierdo Menéndez (Tax ID 5.548.409-0), with 99.99% of capital stock.

**j) Inversiones Los Ciervos Ltda.**, whose ultimate controller is Diego Izquierdo Menéndez (Tax ID 3.932.428-8), with 99%, and Doña María Isabel Reyes (Tax ID 5.748.650-3), with 1% of capital stock.

**k) Inmobiliaria Estoril II S.A.**, controlled 100% by Inmobiliaria Estoril I S.A. and whose ultimate controllers are the Izquierdo Menéndez family who hold the capital stock in equal proportions: Matías Izquierdo Menéndez (Tax ID 3.674.298-7), Vicente Izquierdo Menéndez (Tax ID 5.741.891-5), Santiago Izquierdo Menéndez (Tax ID 5.742.959-3), Roberto Izquierdo Menéndez (Tax ID 3.932.425-3), Gonzalo Izquierdo Menéndez (Tax ID 3.567.484-5), Fernando Izquierdo Menéndez (Tax ID 3.567.488-8), Diego Izquierdo Menéndez (Tax ID 3.932.428-8), Rosario Izquierdo Menéndez (Tax ID 5.548.438-4), Gracia Izquierdo Menéndez (Tax ID 5.742.317-K), Alejandra Izquierdo Menéndez (Tax ID 5.020.827-3) Carmen Izquierdo Menéndez (Tax ID 5.548.409-0).

**l) Comercial Marchigue S.A.**, whose ultimate controllers are Fernando Izquierdo Menéndez (Tax ID 3.567.488-8) and Ida Ester Etchebarne Jaime (Tax ID 5.418.932-K), with a 76.1172% and 8.1950% share of capital stock.

**m) Los Boldos S.A.**, whose ultimate controllers are Rosario Izquierdo Menéndez (Tax ID 5.548.438-4) and Santiago Izquierdo Menéndez (Tax ID 5.742.959-3), with a 99.77% and 0.23% direct and indirect share of capital stock.

**n) Inversiones El Manzano II S.A.**, whose ultimate controllers are Diego Izquierdo Menéndez (Tax ID 3.932.428-8) and María Isabel Reyes (Tax ID 5.748.650-3), with a 99% and 1% share of capital stock.

**o) Andaluza de Inversiones II S.A.**, whose ultimate controller is María Alejandra Izquierdo Menéndez (Tax ID 5.020.827-3), with 99.99% of capital stock.

**p) Inversiones La Estancia II S.A.**, whose ultimate controller is María del Carmen Izquierdo Menéndez (Tax ID 5.548.409-0), with 99.99% of capital stock. (This company was taken over by Inversiones La Estancia Ltda.).

**q) La Esperanza S.A.**, whose ultimate controller is Gracia Inés Izquierdo Menéndez (Tax ID 5.742.317-K), with 99.99% of capital stock.

**r) Inmobiliaria e Inversiones Santa Sofia Ltda.**, whose ultimate controller is Matías Izquierdo Menéndez (Tax ID 3.674.298-4), with 99.91% of capital stock.

**s) Asturiana de Inversiones Ltda.**, whose ultimate controllers are Santiago Izquierdo Menéndez (Tax ID 5.742.959-3), and Bárbara Larraín Riesco (Tax ID 6.448.657-8), with a 97.04% and 2.96% direct and indirect share of capital stock.

**t) Cerro Colorado de Inversiones Ltda.**, whose ultimate controllers are Gonzalo Izquierdo Menéndez (Tax ID 3.567.484-5) and Luz María Irarrázaval Videla (Tax ID 5.310.548-3), with a 99.50% and 0.50% direct share of capital stock.

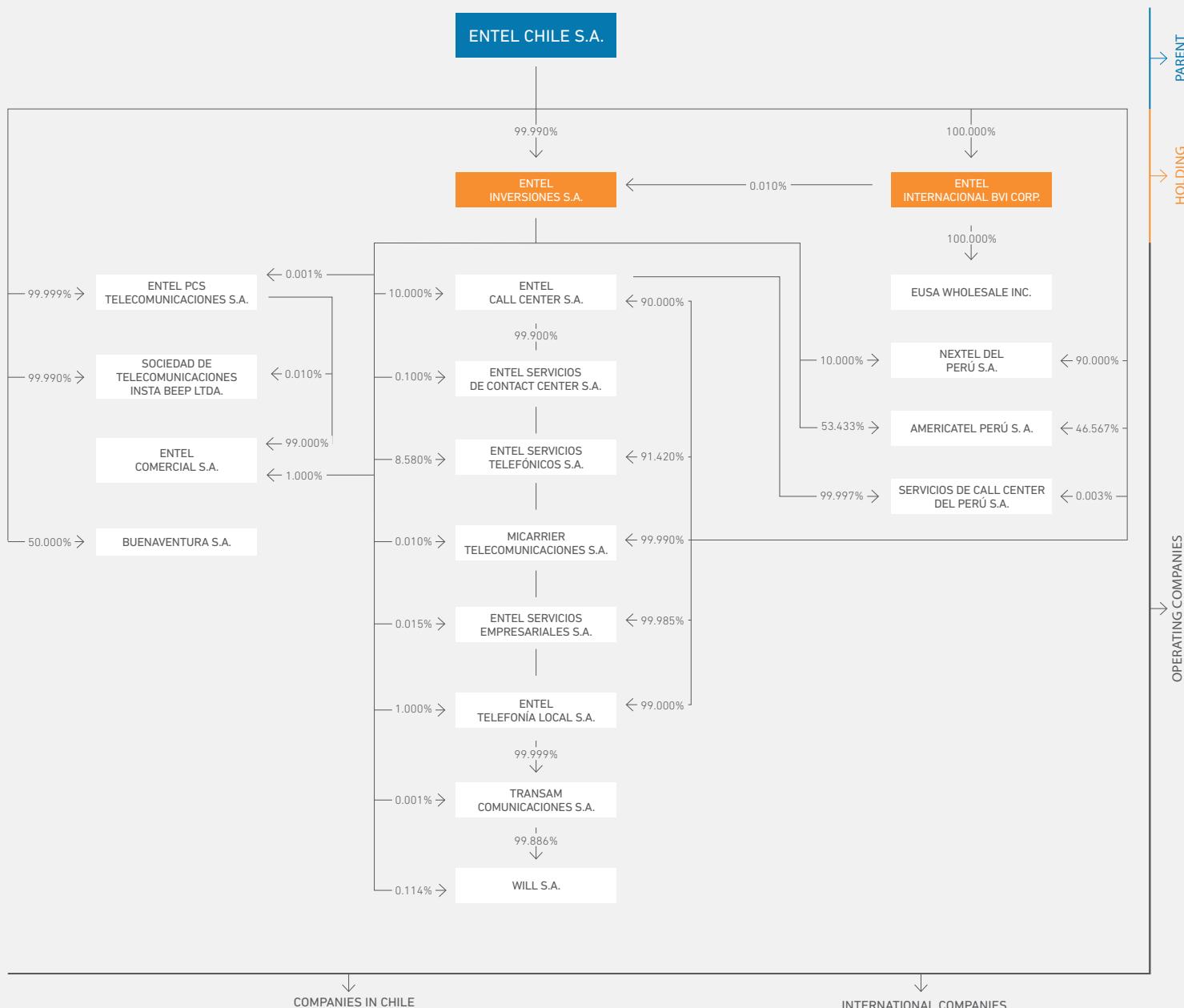
## Grupo Gianoli

**a) Inversiones Green Ltda.**, whose ultimate indirect controller is Elina Patricia Gianoli Gainza (Tax ID 2.942.054-8), with 100% of capital stock.

**b) Las Bardenas Chile S.A.**, whose indirect ultimate controller is Sergio Pedro Gianoli Gainza (Tax ID Rep. of Uruguay 1.088.599-5) with 100% of capital stock.



# Company Structure



# Dividend Policy

The dividend policy, approved by the Board of Directors and communicated at the Ordinary General Meeting of Shareholders on April 25, 2013 is detailed below.

## Dividend Policy

In accordance with the regulations of the Chilean Securities and Insurance Supervisor, the board of directors must approve the company's dividend policy for future years.

For 2013 and subsequent years the board intends to provisionally establish a new dividend policy based on the distribution of up to 50% of distributable profits for the year and, where applicable, the capitalization of part of the profits accrued at the end of each period. It proposes to pay the resulting dividend on or before May 31 of the corresponding year. An interim dividend based on the company's performance during the first three quarters of the year will be paid in the final quarter of 2013. The policy will be analyzed going forward with a view to making it permanent in line with the return to a stable investment plan for organic revenue growth.

In determining the percentage of profits and the dates on which proposed final dividends will be paid, the company seeks to ensure financial stability while adhering to the established distribution policy. Specific attention has been paid to safeguards for debt, liquidity, and budget financing, and any possible covenants that may arise from public supply contracts and credit agreements entered into by the company.

The board's intended dividend payments are always dependent on the results and investment requirements set out in the forecasts made regularly by the company.

The policies for determining the liquid distributable profit and the handling of adjustments for the initial application of IFRS for the 2013 financial year are maintained as follows:

**a.** As the policy for determining the liquid distributable profit for the financial year, it was agreed to consider the net effect, taking into account positive and negative variations caused by changes in the fair value of assets and liabilities.

In the event the net effect is positive (a profit), this will be deducted from the financial profit to calculate the liquid distributable profit.

If the effect is negative (a loss), this will not be added to the distributable liquid profit.

It is expressly stated that the policy applies to adjustments for the purpose of derivative contracts. At the time of writing, the company has no recorded assets or liabilities subject to adjustment to market values per IFRS.

**b.** As the policy for handling adjustments for the first-time adoption of IFRS, losses incurred for the first-time adoption of IFRS will be managed in an equity account. As such, it has been decided not to absorb them by decreasing paid-in capital.

However, a decision may be taken to absorb this balance by allocating it against profits in future years.

It is also expressly stated that the policy was communicated to the Chilean Securities and Insurance Supervisor in a timely manner and that it was covered at the 2013 meeting in line with the provisions of Circular No. 1945 of the Securities and Insurance Supervisor.

The policy will continue to govern future financial years in the manner described above.

## Dividend Payment Procedure

At the written request of any shareholder, dividends will be deposited in the shareholder's current or savings account on the date established for payment. To exercise this right, the shareholder must communicate the name of the bank, the branch or office, and the number of an account in their name at least 24

hours before closure of the Register. This payment method will prevail until such time as the company is instructed otherwise in writing.

Shareholders may also request the dividend is paid via a check made out in their name and dispatched by recorded post. Any such request must be communicated at least 24 hours before the register is closed.

The company will provide shareholders with forms, available upon request, to allow them to choose one of the established payment methods.

For shareholders that have not selected one of the aforementioned payment methods, dividends will be paid at a bank in Chile's Metropolitan Region, to be determined by the company, or at the address indicated in the notification referred to below. Dividends that have not been collected within 60 days of the payment date, will be available at the offices of the company responsible for the shareholder register.

Shareholders wishing to draw their dividends from a commercial bank or at the company's designated offices, must do so in person or via a legally authorized representative with the appropriate powers, as granted by public deed or a private instrument legalized by a public notary. In the case of the latter, either the original document or a duly certified photocopy must be left with the company.

The payment of dividends will be publicly communicated in a timely manner in the national newspaper established at the general shareholders meeting.

## Investment Policy

The objective of the company is to maximize its return on equity through the study, construction, and operation of telecommunications and IT systems and the provision of all related services both in Chile and abroad. To do so, it makes investments to meet the demands of its customers and users so as to ensure an appropriate level of technical and financial efficiency. Investment levels are designed to allow the company to

maintain its facilities and carry out its activities to ensure they are in line with the needs of the country's telecommunications sector. Consequently, the company seeks to ensure its investments have a stable rate of return over time and that this is at least equal to the capital cost of their financing structure.

For 2013, in line with Entel's investment and financing budgets, annual investment in fixed assets not exceeding the debt ratio permitted by the financing policy was authorized and was used to finance various company projects both in Chile and abroad.

In line with the rules approved at the Ordinary General Meeting of Shareholders, the board must provide details of specific investments to be made by the company in companies, works, and studies. These values will primarily depend on the development of programs that will materialize during the calendar year, and which will mature in this or subsequent periods.

The company will be authorized to make contributions to subsidiaries and affiliates within the scope of this policy.

To maximize yields from cash surpluses, the company will invest in financial assets and market securities in line with the criteria for portfolio selection and diversification. These criteria will take into consideration factors such as liquidity, security and profitability.

## Financing Policy

The company's financing policy primarily involves the following resources, both in Chile and abroad:

- \* Own resources
- \* Resources derived from increases to capital stock through issuing and placing shares
- \* Supplier credit
- \* Loans from banks and financial institutions
- \* Deferred customs duties
- \* Issuing public and private bonds
- \* Leasing and leaseback operations.

The policy, which has been circulated among shareholders, sets a maximum level of debt based on the greater of: (Financial Debt – Cash) / (Equity + Non-Controlling Shares) = 1.5 or (Financial Debt – Cash / EBITDA over the last 12 months) = 3.0. In the calculation of both indicators, Financial Debt will be calculated discounting financial and cash investments.

This criterion is justified on the grounds that it provides increased flexibility in terms of financial management and allows the development of new telecommunications projects both in Chile and abroad.

It should be noted that the management of the company cannot agree to specific dividend restrictions with creditors or make guarantees of any kind to third parties or other companies or enterprises other than subsidiaries or associates.

Additionally, all assets held by the company for operating national public service contracts held by Entel and essential for the provision of their services are classified as essential to the company's operations. However, these assets, may be changed or replaced if they become technically or financially obsolete. They may also be transferred in the event they are no longer required for the provision of the service in question.

ber 4, 2013 and represents 24.14 % of the liquid distributable profits for the year.

Profits are not subject to any other deductions for the purposes of distribution.

## Distributable Profits

The consolidated comprehensive income statements for the 2013 financial year show a profit of CLP \$146,965,253,947.

To determine the liquid distributable profit used for calculating the minimum compulsory and supplementary dividend, the company has established a policy of deducting from income profits originating from the adjustment of assets and liabilities until they are realized.

In 2013, no profits were recorded from the adjustment of assets and liabilities to fair value. Consequently, the liquid distributable profit for the 2013 financial year is CLP \$146,965,253,947.

An interim dividend of CLP \$150 per share, equivalent to a total of CLP \$35,478,554,250 was allocated against these profits, payable on December 12, 2013. The dividend was agreed at the meeting of the company's board of directors held on Novem-

# Dividends per Share

Year	Nominal Dividend (CLP)
2003	65.00
2004	90.00
2005	895.00
2006	290.00
2007	338.00
2008	443.00
2009	443.00
2010	450.00
2011	595.00
2012	555.00
2013	375.00

# Stock Market Presence

The stock market presence recorded for Entel S.A. in 2013 was 100%, calculated in line with General Regulation No. 327 of the Chilean Securities and Insurance Supervisor, dated January 17, 2012. This includes transactions carried out on the Santiago Stock Exchange, the Chilean Electronic Stock Exchange and the Valparaíso Stock Exchange.

# Summary of Transactions

	Santiago Stock Exchange			Chilean Electronic Stock Exchange			Valparaíso Stock Exchange		
	Quantity Traded	Value Traded (CLP)	Average Price (CLP)	Quantity Traded	Value Traded (CLP)	Average Price (CLP)	Quantity Traded	Value Traded (CLP)	Average Price (CLP)
Q1 2011	15,957,457	126,648,587,797	7,937	1,028,126	8,149,829,990	7,927	26,166	205,368,620	7,849
Q2 2011	26,293,805	232,657,810,841	8,848	2,501,652	22,374,195,749	8,944	38,985	337,663,018	8,661
Q3 2011	23,082,175	221,781,884,732	9,608	1,992,263	18,966,299,783	9,520	15,672	146,602,858	9,354
Q4 2011	19,554,883	190,830,226,753	9,759	2,413,875	23,484,695,759	9,729	4,202	41,229,141	9,812
Q1 2012	30,083,534	284,508,198,543	9,457	2,651,155	24,850,937,610	9,374	4,680	44,523,846	9,514
Q2 2012	15,299,709	144,484,659,288	9,444	1,397,581	13,187,185,309	9,436	11,535	110,450,390	9,575
Q3 2012	12,285,955	116,697,441,625	9,498	441,723	4,201,744,447	9,512	7,196	69,718,926	9,689
Q4 2012	13,166,422	130,101,687,139	9,881	821,940	8,119,113,250	9,878	17,622	175,608,669	9,965
Q1 2013	22,313,687	223,601,236,415	10,021	1,131,360	11,288,033,869	9,977	49,010	486,620,644	9,929
Q2 2013	34,951,372	314,690,281,444	9,004	2,061,355	18,655,086,991	9,050	25,998	235,413,320	9,055
Q3 2013	16,607,457	142,090,532,000	8,556	1,398,543	11,879,159,875	8,494	11,076	98,038,162	8,851
Q4 2013	19,356,752	146,888,814,473	7,589	1,194,787	9,138,278,112	7,648	-	-	-

# Share Transactions

In line with the instructions in General Regulation No. 269 of the Chilean Securities and Insurance Supervisor, it is expressly stated that in 2013, in line with our records, the following share transactions were executed by shareholders with relationships with the company.

Name or Company Name	Type of Relationship	Date Transaction	Transaction Type	Buy Sell	Method	No. Shares	Unit Price	Value Traded
Agrícola y Comercial Santa Inés	Shared director	05/15/2013	Financial investment	Buy	Stock market	4,733	9,199.04	43,539,056

# Financial Activities

As part of its investment in Peru, in August Entel signed a bridging loan to settle payment for the purchase value of this asset. The foreign currency loan, with a value of USD \$400 million, was provided by the banks HSBC and Banco de Chile with a term of 18 months, without amortizations and with early repayment allowed.

In October, Entel placed a bond on the international markets for a value of USD \$1 billion at an annual rate of 4.96%, comprising three equal annual repayments from 2022 to 2024, in addition to monthly interest payments. The strong demand for the bond made it possible to establish a closing price 245 base points above the equivalent US Treasury bond. Demand for the bond was 4.5 times higher than the required level and it was placed with more than 190 entities, broken down as follows: 71% investors in the United States, 21% European accounts, and 8% Latin American and Asian investors. The placement was led by the banks HSBC, Citi, Mitsubishi UFJ Securities and Scotiabank. The full value of the funds will be used to pay off existing debts: the final repayment of a syndicated loan signed in 2007 for USD \$200 million; a bridging loan associated with the purchase of the investment in Peru of USD \$400 million; the full value of the loan signed in 2012 with HSBC and Scotiabank for USD \$200 million; and the payment of a local overdraft facility with a value of USD \$200 million, primarily resulting from investments in the Peruvian subsidiary, such

as the AWS license. This transaction allowed the company to undertake the long-term refinancing of all its debt due in 2014.

In relation to the payment profile of the bond, the company signed Cross Currency Swap contracts to convert debt denominated in foreign currencies and at foreign interest rates into fixed rates in nominal and/or real (in UF) values in pesos.

In addition to these contracts, the company has continued to renew forwards contracts in dollars to cover liabilities other than bonds held in dollars. These contracts guard against fluctuations in exchange rates. Their value was increased by USD \$400 million in August due to the acquisition of credit in dollars associated with the purchase value of the investment in Peru.

On the local market, in December, the company replaced the use of bank overdraft facilities for credit that allows early repayment with a term of 19 months for an equivalent value of USD \$150 million.

In addition to the use of the aforementioned funds, the company was involved in connectivity projects that required it to pledge a significant value as financial guarantees, the closing balance of which was approximately UF \$4,479,774.



The company has also registered two series of bonds in the Chilean Securities and Insurance Supervisor registers, however the international market was prioritized, largely on account of the size of the issuing.

Obligations for foreign currency payments are protected against exchange rate fluctuations by taking out future currency contracts for their payment from the date they are recognized in the accounts.

In 2013, the management of cash from operations in Peru was incorporated, applying and adapting Entel's existing policies. The parent company has also provided funds for operations in the country and the expected growth in the market, with priority given to inter-company financing. The guarantees requested by the Peruvian authorities as part of the tender and assignment process for the AWS band were provided by Peruvian banks and backed from Chile with standby letters.

In terms of cash surplus investments, in both Chile and Peru, the company gave priority to maintaining invested capital through the rigorous policy that requires diversification in terms of value, institution and terms. The financial instruments used are largely issued by banking institutions with first-rate credit ratings or agreements based on documents issued by the Chilean Central Bank.

This makes the risk of technological change an inherent part of all the markets of the industry in which Entel operates. The company's position at the cutting edge of the development of connectivity technology means it is essential to actively manage technological risk to maintain this position and remain competitive.

In this respect one of Entel's strategic priorities for development is to continuously review the adoption of the most advanced technology and its profitability. This has allowed Entel to position itself at the cutting edge of technology, successfully adapting to the use of new technologies, making the transition from being a long-distance service provider to an integrated connectivity provider and constantly offering new ways of doing business. The appearance and development of new technologies has enabled Entel to grow, diversify and maintain its profitability, reducing its exposure to individual business areas and specific sectors.

### Regulatory Risk

Regulation plays a vital role in the telecommunications industry. Stable regulations and criteria make it possible to correctly evaluate projects and reduce the risk inherent in investment. For this reason, it is important that regulatory changes are closely monitored.

In this respect, the main regulatory instrument in the telecommunications sector is the General Telecommunications Act and there have been significant modifications in the regulatory framework through obligations arising from amendments to this Act. These include network neutrality, the modification of the primary zones for local telephone services, the recovery and continuity of the public telecommunications system, number portability and the installation of broadcasting and transmitting antennas for telecommunications services.

Although the legal measure establishing the reduction of the number of primary zones in the country for fixed telephone services from 24 to 13 was implemented in 2012, at the end of 2013, Act No. 20,704 was enacted, bypassing consultation with the Tribunal for the Defense of Free Competition (TDFC) to implement a single tariff zone for local telephone services 180 days from publication of the new law. This means that from March, the long-distance national category will be gradually withdrawn from each of the current 13 zones, with the process due for completion in August 2014. From this date there will be a single tariff zone for local communications, thus eliminating the long-distance national category.

## Risk Factors

### Technological Change

Changes in telecommunications technology make it necessary to continuously review investment projects to ensure they meet our goal of responding to changes in connectivity that are adopted by our markets. Changes in technology can be caused by modifications to demand patterns and the development of new forms of communication, either associated with applications or the speeds required. Investments in new technology may become obsolete prior to the date initially estimated when the investment was made, meaning initial estimates of expected profitability may not be met.



In terms of the implementation of Number Portability, which began in December 2011 (Arica), the process is due to be completed in 2013. At present, the only outstanding area is number portability for complementary services.

In 2013, the companies continued to develop their infrastructure to comply with amendments to Act No. 20,599, governing the installation of broadcast and transmitting antennas for telecommunications services, undertaking the necessary actions to adjust saturated areas with more than two towers and sensitive areas, modifying infrastructure installed in these areas through measures such as modifying the height of towers, decommissioning, adaptation via harmonization and community compensation, where applicable.

In terms of spectrum, the decree formalizing the award of frequency block B on the 2,600 MHz band (LTE or 4G) to WILL S.A., an Entel Group concessionaire, in March 2013 was published, requiring completion of the project within one year from publication. The first documents have already been submitted to the department for acceptance, a process due for completion in March 2014 with the acceptance of the project to which the company committed as part of the award of this frequency block. The implementation period for the mandatory districts covered by the tender is two years (maximum completion date March 2015).

In October 2013, with the call to tender published in the Official Gazette, the process to award public service concessions for the transmission of data on the 700 MHz band got underway, a frequency that will make it possible to complement the range of LTE or 4G services with a band that provides greater indoor penetration and rural coverage. During the second week of 2014, three bids were submitted by the companies Movistar, Claro and Entel for the three frequency blocks covered by the process. As such, it is guaranteed these companies will be assigned spectrum to develop their range of telecommunications services, particularly the transmission of high-speed data (LTE).

In March 2013, the first adjustment period for the General Instructions issued by the Tribunal for the Defense of Free Competition for services offered by public mobile telephone service concessionaires came into force. At this stage, the on-net tariff structure was still permitted, although the difference between on- and off-net tariffs could not be greater than the access charge. For plans including minutes, the minutes provided on and off the concessionaire network are governed by a certain proportion.

However, from January 2014, to coincide with the taking effect of the new Tariff Decrees, the same instruction from the Tribunal for the Defense of Free Competition establishes that the supply of mobile telephone services by concessionaires may not differentiate between on- and off-net minutes, meaning that all services supplied by companies must be of the type "Flat Tariff" or "All Destinations".

With respect to the General Instruction, in December, the Supreme Court ratified the majority of the provision and corrected the instruction establishing the prohibition of more favorable bundled telecommunications services products for fixed and mobile products on a permanent basis

In addition to this, the TDFC process to gather evidence for the case brought by the National Economic Supervisor (uncontested) continued, requesting recommendations from the Ministry of Housing and Urban Development and the Department of Telecommunications, and requiring both regulatory bodies to modify sector regulations and make improvements to allow more suppliers to provide telecommunications services in buildings and condominiums.

With respect to the tariff process for the concessionaire Entel PCS Telecommunicaciones (in line with provisions for other mobile companies), following the submission of the Tariff Studies by the concessionaires and the response by the Department of Telecommunications to these submissions through its Report of Objections and Counter-Propositions, Movistar, Nextel and Entel identified various discrepancies, which they submitted to the opinion of an Expert Committee.

The concessionaires submitted an Insistence and Modification Report containing a new proposal for tariff adjustments, in which Entel proposed a reduction of approximately 57% in the access charge (interconnection charge). Finally, during the first weeks of January 2014, the Department of Telecommunications issued its final tariff proposal with the submission of the Tariff Decree to the Comptroller, proposing a tariff reduction of approximately 73%. Entel lodged an appeal with the Comptroller, disputing the method used to determine the tariffs for the last four years of the five-year period, since the Decree does not adhere to the provisions of the General Telecommunications Act and does not make it possible to ensure the regulated services are self-financing for the full five-year period. It insists the Department of Telecommunications should have used the same method it used for the first year for the full tariff period for 2014–2019.



Finally, in terms of new legislative bills being debated in Parliament, there is the bill to create the Telecommunications Supervisor and another to allow the introduction of Digital Terrestrial Television (and the transition to the switch-off of analogue television services), both of which have continued to be scrutinized, making progress through the legislative procedure, with fewer stages of the legislative process remaining in both cases.

Finally, at the end of 2013, Entel was awarded a public tender by the Telecommunications Development Fund, through which it was awarded a subsidy to increase the capacity of the satellite link for Easter Island. The company will develop this project throughout the full duration of this year.

All these regulatory changes introduced by the authority create new business opportunities. Entel's diversity and relative size cushion it from the effects of adverse or inadequate regulation, reducing the risk to its operations, cash flows, wealth creation for shareholders and contribution to the community. However, within a regulated industry such as that in which Entel operates, changes in regulations or in the policies made by legal and regulatory authorities cannot be ruled out and have the potential to have a negative impact on the company's income or restrict its possibilities for growth.

## Exchange Rate

Entel's liabilities are largely denominated in foreign currencies as a result of existing bank loans, new credit signed in August 2013 for USD \$400 million, and the placement of Bond144A in the United States for USD \$1 billion in October. Furthermore, a proportion of Entel's suppliers generate obligations for foreign currency payments. Both represent liabilities whose value changes on a daily basis as a result of exchange rate fluctuations. To cover these volatilities, Entel has short- and long-term contracts in foreign currency assets (hedge derivatives) to protect against these variations and guard against the risk of exchange rate fluctuations.

## Interest Rate

Generally speaking, there is a positive correlation between the company's business activities, the economic cycle and interest rates, which creates a natural hedge for cash flows and financial expenditure, although this cycle may lose its synchronization under certain circumstances. In light of the above, the Group policy for hedging against interest rate risks aims to guarantee a level of coverage for its financial expenditure to

allow the business to perform strongly over time and provide greater predictability and control of financial expenditure.

As of December 31, 2013, Entel held loans in foreign currencies on which it accrues and pays interest based on variable rates. To comply with the aforementioned objectives, interest rate insurance may be taken out by signing financial swap contracts (e.g. cross currency swaps and forwards) to reduce potential variability arising from interest on debts with variable interest rates (e.g. Libor, Tab).

## Credit Risk

Credit risk derived from the balances of accounts held with banks, financial instruments, negotiable stocks, and derivatives is managed by the finance department in line with the policies for maintaining the invested capital. These policies ensure the diversification of risk by means of pre-established limits for the duration of the term, percentage by institution and the risk classification of instruments in which cash surpluses are invested. The investment instruments approved for use are those issued by the Chilean Central Bank or banking subsidiaries with low risk ratings. Investments may be denominated in the national currency or in major foreign currencies.

Risks associated with accounts receivable originating from commercial operations are covered by the accounts receivable impairment policies.

In terms of providing the liquidity required to meet financial obligations in a timely manner, Entel plans ahead for future obligations, searching for an option on the market that can provide funds in a timely manner. For this reason, in 2013, repayments due in 2014 were paid in advance, allowing flexibility in refinancing operations in the face of changes that may affect the markets.

## Liquidity Risk

Entel maintains a liquidity policy consistent with the appropriate management of assets and liabilities. Customer billing is monitored on a daily basis to detect any major deviations that may exist with respect to the expected revenue flow. The company actively manages accounts payable to suppliers of consumables and services, allowing it to meet all its obligations in a timely manner while optimizing cash surpluses on a daily basis.

Forecasts of cash flows are made on a periodic basis, together with analyses of the balance sheet and expectations of the capital market, to ensure that, in the event of additional liquidity requirements, Entel has the best possible access to credit in line with requirements and the availability of cash.

## Comparative Performance of Shares

RELATIVE PERFORMANCE OF ENTEL SHARE PRICE VS IPSA (%) OVER THE LAST 24 MONTHS



## Comments of Shareholders and the Directors Committee

During the last financial year, the company received no requests with comments or proposals related to the course of its business to be included in this report.

## Summary of Material Events 2013

### I. Parent Company

#### Other

Letter No. 3, dated January 28, 2013, communicated that at the board meeting held on the same date, the annual consolidated financial statements of the company as of December 31, 2012 were approved. These financial statements have been prepared using the new accounting procedures for providing postpaid customers with mobile handsets used by the subsidiary Entel PCS S.A.

This new procedure is in line with the contracts for telephone services and leasing of mobile handsets governing the trading relationships between the subsidiary Entel PCS and its customers, the conditions of which were modified as a result of a collective mediation process for application contracts brought against various mobile phone operators by the National Consumer Service.

In line with the above, from October 1, 2012, and in light of the above changes, the subsidiary began to record the total value of postpaid mobile handsets against costs upon signing the contracts for the lease of equipment.

Prior to this date, the cost of the handsets was classified under fixed assets, as permitted by the contractual conditions in force prior to the aforementioned changes, and depreciated over 12 months, meaning the historical base of postpaid handsets up to September 30, 2012, will remain unchanged and continue to be depreciated over the corresponding period, with the impact decreasing until September 30, 2013.

Furthermore, and also in line with the aforementioned changes, the charges for activating handsets for postpaid customers have been fully recorded under revenue at the moment they are provided since October 1, 2012.

In light of the above, the permanent and transitional effects of these changes, applied during the fourth quarter to the consolidated income as of December 31, 2012, with respect to the previous accounting procedure, result in a greater net allocation against profits to the value of CLP \$13,695,473,000.

Even though this new accounting procedure does not result in predictable permanent effects in its own right, which will depend on the numbers of contract handsets for each period, for the aforementioned reasons it will have a negative, transitional and decreasing impact on consolidated profits until the third quarter of 2013, but will not impact the company's cash flows or its financial value.

### II. Parent Company

#### Other

Letter No. 5, dated April 4, 2013, communicated that Entel and NII Holdings signed a contract for the takeover of Nextel Perú, valued at approximately USD \$400 million.

This agreement is subject to Nextel Perú meeting certain conditions, which it is believed that will be met by the end of the year.

Nextel Perú is the third largest mobile telephone company in Peru and has been operating since 1998. It has a strong posi-



tion in the business market and good prospects for growth in the consumer market.

The acquisition of Nextel Perú is an important step for Entel. It is a long-term investment that we believe will make it possible to position our company as a regional operator in the attractive Peruvian market.

The acquisition complements our range of fixed, data transmission, IT and call center services, which the group has been providing in Peru since 2001.

The signing of the contract does not imply the constitution of guarantees by Entel and there is no relationship of ownership or management between Entel and the selling party.

To meet this commitment, in addition to the company's standard investment and financing policy, its board of directors has provisionally established a new dividend policy for 2013 and onwards based on the distribution of up to 50% of profits for the year. This policy will be communicated at the next Meeting of Ordinary Shareholders due to be held on April 25.

Entel has benefited from the advice of Asset Chile and BNP Paribas in the negotiations.

### III. Parent Company

#### Scheduling of Shareholder Meeting and Distribution of Profits

Letter No. 6, dated April 4, 2013, communicated that at the board meeting held on the same date agreement was reached to:

a. Schedule a General Meeting of Ordinary Shareholders for April 25, 2013 and send notification and supporting papers in a timely manner to shareholders and other bodies as required by legal regulations.

b. Propose at the General Meeting of Ordinary Shareholders the payment of a final dividend of CLP \$375 per share from the profits for the financial year, from which the sum of CLP \$150 per share should be deducted for the interim dividend paid in December 2012, leaving a dividend of CLP \$225 payable on the date to be determined at the meeting.

### IV. Parent Company

#### Distribution of Profits, Investment and Financing Policy

Letter No. 7, dated April 25, 2013, communicated that at the General Meeting of Ordinary Shareholders held on the same date, the following was agreed:

a. Approval of the Annual Report, Balance Sheet, and Income Statement for 2012.

b. Payment of a final dividend of CLP \$375 per share, equivalent to 53.0182% of net liquid profits for the year. The sum of CLP \$150 was paid in December 2012 as an interim dividend, leaving a dividend of CLP \$225 per share, payable on May 16, 2013.

c. The investment and financing policy was approved, and the dividend policy was communicated.

d. The remuneration of the directors and the Directors Committee, to be approved at the General Meeting of Ordinary Shareholders, were maintained and the annual budget for the Committee was set. The appointment of KPMG as external auditors was approved, the appointed and reserve accounts inspectors were retained, Fitch Ratings was designated as the risk ratings agency, *El Mercurio de Santiago* was retained as the official newspaper for the publication of company notices, and related operations were communicated.

Finally, in line with the requirements of the Supervisor, it was confirmed that the record of the General Meeting of Ordinary Shareholders will be submitted using the SEIL system following the procedure and time scales established in the current



regulations, in addition to information relevant to the distribution of the final dividend, and the respective publication. The applicable information, in line with company and legal regulations, was also published on the company website.

## V. Parent Company

### Other

Letter No. 10, dated July 22, 2013, communicated:

a. That the Board of Directors authorized the participation of the subsidiary Americatel Perú in the tender process for two national 4G spectrum bands to take place in the city of Lima in the Republic of Peru.

b. That on this date the subsidiary was awarded one of the two 40 MHz blocks tendered by the Peruvian authorities for 4G services on the AWS band in the country, for which a price of USD \$105.5 million was paid.

This spectrum will be used for the development of high-speed 4G Internet services, which will form part of the rest of the products provided by the Entel Group in Peru.

Four companies took part in the tender process run by the Peruvian government through Proinversión.

## VI. Parent Company

### Other

Letter No. 11, dated August 19, 2013, communicated:

In line with the letter dated April 4, 2013, it was reported as a material event that Entel and NII Holdings signed a contract for the acquisition of Nextel Perú.

The agreement was subject to Nextel Perú meeting certain conditions, which it was communicated should be met by the end of the year.

Nextel Perú, founded in 1998, is the third largest mobile telephone company in Peru, with a market share of approximately 5.8% at the end of the first quarter of 2013, and is attractive on account of its strong position in the business market.

The acquisition of Nextel Perú is an important step for Entel. It is a long-term investment and we believe it will make it possible to position our company as a full-service operator in the attractive Peruvian market.

The acquisition complements our range of fixed, data transmission, IT and call center services, which the group has been providing in Peru since 2001.

Initial plans are focused on making Nextel Perú's infrastructure more robust, expanding its network and increasing the range of handsets and services available to its customers. During the first phase, it will continue operating under the name Nextel Perú.

The transaction does not imply the provision of guarantees by Entel and there is no relationship of ownership or management between Entel and the selling party.

As relevant information, it was reported that as of the date of the letter, the transaction for the acquisition of 100% of shares in Nextel Perú and the takeover of the company by Entel was completed.

The price paid for 100% of the shares in Nextel Perú under the terms of the agreement was USD \$410.6 million. This value included USD \$26.7 million for positive net financial balances held as cash and other investments in the capital market.

\* Under IFRS.

## VII. Parent Company

### Placement of Securities on International and National Markets

Letter No. 12, dated October 24, 2013, communicated:

Entel successfully placed USD \$1 billion worth of bonds on the international market in a transaction completed in the city of New York.

The placement of 144A/RegS bonds was backed by an international roadshow, visiting potential investors in the United States, London and Latin America.

The bonds were placed in dollars with an average term of 10 years and a rate of 4.97%, a 2.45% spread over the equivalent Treasury bond for this term.

Demand was 4.5 times higher than required by the company, with an initial indicative price of 2.75%.

The placement was classified as Baa2 by Moody's and BBB+ by S&P, with a stable outlook. The financial advisers and placement agents were HSBC and Citi.

The full value of the resources provided by the transaction will be used to refinance existing liabilities.

The bulk of the series was purchased by institutional investors in the United States (57%) and European investors (19%), with 13% placed in Chile.

### **VIII. Parent Company**

#### **Distribution of Profits**

Letter No. 13, dated November 4, 2013, communicated that at the board meeting held on the same date agreement was reached to:

Pay a provisional dividend of CLP \$150 per share, payable from December 12, 2013, charged against cumulative profits in the third quarter of the year.

This makes the total payment for the provisional dividend CLP \$35,478,554,000, which represents 30.54% of profits as of the third quarter of 2013.



## Insurance Policies

Entel has insurance contracts for all its companies to cover possible events that might affect its assets, equity and cash flow by causing losses or reductions in value. In addition to taking out insurance, there is a continuous risk-mitigation policy implemented through investments in infrastructure and procedures that support this mitigation.

The contracts for the various insurance policies are based on a previously defined policy that places particular emphasis on events that could have a strong impact on the economic and financial position of the Group and its relationships with third parties, the latter as a result of damages caused accidentally by the activities of the various businesses.

In addition to this, the strategy for contracting insurance policies attempts to cover, insofar as possible, risks that might give rise to significant losses while excluding certain minor risks with minimal financial impact in order to balance low premium costs with high risk coverage. This is embodied in a continuous attempt to ensure the best conditions in terms of coverage and premium costs in the insurance market. Over the last year, the limits of certain types of coverage have increased in line with an environment that has become more demanding in terms of coverage and claims.

The main policies, covered in the Entel insurance program are:

- a. All Physical Risks to Assets and Losses Caused by Stoppages** – This insures against all risks to all assets owned by Group companies and the loss of net income resulting from potential stoppages caused by accidents.
- b. Public Liability** – This covers group companies against potential pecuniary demands for damage caused to third parties or their assets while carrying out business activities at their facilities, in public areas or on third-party premises.

- c. Directors and Officers Liability (D&O)** – This protects directors and executives of Group companies from claims that may be made against them by third parties aiming to compensate for losses to their equity as a result of their decisions.
- d. International Transport** – Protects against any damage to equipment and material imported by land, sea and air.
- e. Credit** – Protects against net losses or deteriorations in Entel's net equity as a result of third parties failing to comply with obligations in funds originating from credit sales.
- f. Miscellaneous** – Insurance for vehicles, mobile handsets, travel, personal accidents, health and life insurance for company staff, cabotage, etc.
- g. Insurance Program for Contractors** – Provides public liability and personal accident coverage for contractors and subcontractors of Group companies to protect the assets of contractors and their workers. During the last year, and as a result of fixed-mobile integration, the number of insured contractors and the values insured has significantly increased with respect to 2012.

## Suppliers

Entel's main suppliers are: Ericsson Chile S.A, Huawei Chile S.A, RaylexDiginet S.A, Cisco Systems S.A, Sice Agencia Chile S.A, Samsung Electronics Chile Ltda, Nokia Inc. and Apple Inc.

Entel's purchasing policy is stated in its Code of Ethics. The policy is based on ensuring relationships with suppliers are governed by the principles of transparency, integrity, honesty

and a mutual convenience. The choice of a supplier is based on merit and ability, in line with the quality and cost of a product or service. Similarly, all potential suppliers have identical access to information to allow them to prepare their bids. All qualified companies that wish to initiate commercial relations with Entel are provided with equal opportunities. Tenders are analyzed and awarded based on objective procedures.

The activities of workers must avoid any situation that may give rise to a conflict of interest or represent incorrect behavior.





## Declaration of Responsibility

### Report Signatories

In compliance with General Regulation No. 30, November 10, 1989, and General Regulation No. 283, November 5, 2010, both issued by the Chilean Securities and Insurance Supervisor, this Report is signed by the absolute majority of the members of the Board of Directors and the CEO of Empresa

Nacional de Telecomunicaciones S.A., who declare under oath to be responsible for the truth of the information provided in this Annual Report for 2013.

**Juan José Hurtado Vicuña**  
Chairman  
Tax ID 5.715.251-6

**Luis Felipe Gazitúa Achondo**  
Vice-Chairman  
Tax ID 6.069.087-1

**Juan Bilbao Hormaeche**  
Director  
Tax ID 6.348.511-K

**Juan Claro González**  
Director  
Tax ID 5.663.828-8

**Raúl Alcaíno Lihn**  
Director  
Tax ID 6.067.858-8

**Andrés Echeverría Salas**  
Director  
Tax ID 9.669.081-9

**Juan José Mac-Auliffe Granello**  
Director  
Tax ID 5.543.624-K

**Alejandro Pérez Rodríguez**  
Director  
Tax ID 5.169.389-2

**Richard Büchi Buc**  
Director  
Tax ID 6.149.585-1

**Antonio Büchi Buc**  
CEO  
Tax ID 9.989.661-2



# CONSOLIDATED FINANCIAL STATEMENTS



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# Independent Auditor's Report

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The Board of Directors and Stockholders of Empresa Nacional de Telecomunicaciones S.A.:

## **Report on the financial statements**

We have audited the accompanying consolidated financial statements of Empresa Nacional de Telecomunicaciones S.A. and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Responsabilidad del auditor**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Empresa Nacional de Telecomunicaciones S.A. and its subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

## **Other matters**

The above translation of the auditors' report is provided as a free translation from the Spanish language original, which is the official and binding.



Alejandro Espinosa G.  
Santiago, January 29, 2014

KPMG Ltda.

# Consolidated Financial Statements

EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
 December 31, 2013 and 2012

ASSETS	Note	12-31-2013 ThCh\$	12-31-2012 ThCh\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	19,250,402	53,876,890
Other current financial assets	6	15,429,775	1,277,781
Other current non-financial assets	7	20,280,834	15,893,854
Trade and other receivables	8	326,740,821	276,768,958
Trade receivables due from related parties	9	521,772	379,554
Inventories	10	150,457,167	66,357,874
Current tax assets		35,604,158	8,282,841
<b>Total Current Assets</b>		<b>568,284,929</b>	<b>422,837,752</b>
<b>NON-CURRENT ASSETS</b>			
Other non-current financial assets	6	4,727,636	5,977,280
Other non-current non-financial assets	7	3,957,527	3,590,693
Non-current trade and other receivables	8	5,593,517	3,724,616
Intangible assets	11	133,035,056	30,371,241
Goodwill	12	47,095,064	45,895,283
Property, plant and equipment	13	1,334,268,920	1,117,450,216
Deferred tax assets	14	159,987,349	65,408,124
<b>Total Non-Current Assets</b>		<b>1,688,665,069</b>	<b>1,272,417,453</b>
<b>Total Assets</b>		<b>2,256,949,998</b>	<b>1,695,255,205</b>

Accompanying notes from 1 to 35 are an integral part of these Consolidated Financial Statements

EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
 December 31, 2013 and 2012

LIABILITIES AND EQUITY	Note	12-31-2013 ThCh\$	12-31-2012 ThCh\$
<b>CURRENT LIABILITIES</b>			
Other current financial liabilities	15	27,243,106	28,047,529
Trade and other payables	16	466,529,349	373,510,494
Other provisions	17	153,974	1,635,708
Current tax liabilities	14	1,346,165	5,718,341
Other current non-financial liabilities	18	19,997,766	30,410,648
<b>Total Current Liabilities</b>		<b>515,270,360</b>	<b>439,322,720</b>
<b>NON-CURRENT LIABILITIES</b>			
Other non-current financial liabilities	15	813,151,112	407,736,898
Other long-term provisions	17	13,370,970	5,869,233
Deferred tax liabilities	14	19,859,855	9,093,058
Non-current provisions for employee benefits	19	7,862,489	8,007,302
Other non-current non-financial liabilities	18	6,350,100	11,219,473
<b>Total Non-Current Liabilities</b>		<b>860,594,526</b>	<b>441,925,964</b>
<b>EQUITY</b>			
Share capital		522,667,566	522,667,566
Retained earnings		415,404,634	351,037,106
Other reserves		(56,987,088)	(59,698,151)
Equity attributable to owners of the parent		881,085,112	814,006,521
Participaciones No Controladoras		-	-
<b>Total Equity</b>		<b>881,085,112</b>	<b>814,006,521</b>
<b>Total Liabilities And Equity</b>		<b>2,256,949,998</b>	<b>1,695,255,205</b>

EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF STATEMENT OF INCOME  
 Periods ended December 31, 2013 and 2012

STATEMENT OF INCOME	Note	01-01-2013 12-31-2013 ThCh\$	01-01-2012 12-31-2012 ThCh\$
Revenue	22	1,628,375,505	1,430,115,702
Other income	22	13,120,675	10,985,282
Employee benefits expenses	19	(172,318,252)	(141,753,518)
Depreciation and amortization		(245,165,943)	(310,069,999)
Impairment losses (Reversals), Net		(52,271,691)	(50,830,636)
Other expenses	22	(956,136,841)	(716,744,150)
Other gains (losses)		2,433,477	(122,644)
<b>Profit from operating activities</b>		<b>218,036,930</b>	<b>221,580,037</b>
Finance income	22	1,946,886	2,823,225
Finance cost	22	(20,838,218)	(13,700,677)
Foreign currency translation differences	24	(21,078,202)	(8,795,595)
Results from inflation-adjusted units	24	(1,150,441)	(3,270,641)
<b>Profit before tax</b>		<b>176,916,955</b>	<b>198,636,349</b>
Income tax expense	14	(29,951,701)	(31,342,233)
<b>Profit from continuing operations</b>		<b>146,965,254</b>	<b>167,294,116</b>
<b>Profit from discontinued operations</b>		<b>-</b>	<b>-</b>
<b>Profit for the period</b>		<b>146,965,254</b>	<b>167,294,116</b>
Profit (loss) attributable to owners of the parent		146,965,254	167,294,116
Non-controlling interest		-	-
<b>Profit for the period</b>		<b>146,965,254</b>	<b>167,294,116</b>
Earning per share			
Earning per basic share			
Earning per basic share from continuing operations		621,36	707,30
Earning per basic share from discontinued operations		-	-
<b>Earning basic share</b>		<b>621,36</b>	<b>707,30</b>

EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 Periods ended December 31, 2013 and 2012

	01-01-2013	01-01-2012
	12-31-2013	12-31-2012
	ThCh\$	ThCh\$
<b>STATEMENTS OF COMPREHENSIVE INCOME</b>		
<b>Profit for the year</b>	<b>146,965,254</b>	<b>167,294,116</b>
<b>Components of Other Comprehensive Income that will not be to profit or loss reclassified, Before tax</b>		
Defined benefit plan actuarial gains (losses)	(207,588)	-
<b>Components of Other Comprehensive Income that will be reclassified to profit or loss, Before tax</b>		
Foreign currency translation (loss) gain	6,455,972	(244,855)
Cash flow hedge (loss) gain	(3,647,492)	1,386,321
<b>Income Tax related to Components of Other Comprehensive Income that will not be reclassified to profit or loss</b>		
Income tax related to defined benefit plans	41,517	-
<b>Income Tax related to Components of Other Comprehensive Income that will be reclassified to profit or loss</b>		
Income tax related to cash flow hedges	68,654	(277,264)
<b>Other Comprehensive Income</b>	<b>2,711,063</b>	<b>864,202</b>
<b>Comprehensive Income</b>	<b>149,676,317</b>	<b>168,158,318</b>
<b>Comprehensive Income Attributable to</b>		
Owners of the parent	149,676,317	168,158,318
Non-controlling interest	-	-
<b>Comprehensive income</b>	<b>149,676,317</b>	<b>168,158,318</b>

## EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

December 31, 2013 and 2012

	Share capital	Personnel benefits reserve	Other reserves				Equity attributable to owners of the parent	Non-controlling interest	Total equity
			M\$	M\$	M\$	M\$			
<b>Balanace at January 1, 2013</b>	<b>522,667,566</b>	<b>0</b>	<b>792,113</b>	<b>274,617</b>	<b>(60,764,881)</b>	<b>351,037,106</b>	<b>814,006,521</b>	<b>-</b>	<b>814,006,521</b>
<b>COMPREHENSIVE INCOME</b>									
Profit for the period	-	-	-	-	-	146,965,254	146,965,254	-	146,965,254
Other comprehensive income	-	(166,071)	6,455,972	(3,578,838)	-	-	2,711,063	-	2,711,063
Comprehensive income	-	-	-	-	-	-	149,676,317	-	149,676,317
Dividends	-	-	-	-	-	(82,597,726)	(82,597,726)	-	(82,597,726)
Increase (decrease) for transfers and other changes	-	-	-	-	-	-	-	-	-
<b>Total Changes in equity</b>	<b>-</b>	<b>(166,071)</b>	<b>6,455,972</b>	<b>(3,578,838)</b>	<b>-</b>	<b>64,367,528</b>	<b>67,078,591</b>	<b>-</b>	<b>67,078,591</b>
<b>Balance at December 31, 2013</b>	<b>522,667,566</b>	<b>(166,071)</b>	<b>7,248,085</b>	<b>(3,304,221)</b>	<b>(60,764,881)</b>	<b>415,404,634</b>	<b>881,085,112</b>	<b>-</b>	<b>881,085,112</b>
<b>Balanace at January 1, 2012</b>	<b>522,667,566</b>	<b>0</b>	<b>1,036,968</b>	<b>(834,440)</b>	<b>(60,764,881)</b>	<b>310,971,878</b>	<b>773,077,091</b>	<b>-</b>	<b>773,077,091</b>
<b>COMPREHENSIVE INCOME</b>									
Profit for the period	-	-	-	-	-	167,294,116	167,294,116	-	167,294,116
Other comprehensive income	-	-	(244,855)	1,109,057	-	-	864,202	-	864,202
Comprehensive income	-	-	-	-	-	-	168,158,318	-	168,158,318
Dividends	-	-	-	-	-	(127,228,888)	(127,228,888)	-	(127,228,888)
Increase (decrease) for transfers and other changes	-	-	-	-	-	-	-	-	-
<b>Total Changes in equity</b>	<b>-</b>	<b>-</b>	<b>(244,855)</b>	<b>1,109,057</b>	<b>-</b>	<b>40,065,228</b>	<b>40,929,430</b>	<b>-</b>	<b>40,929,430</b>
<b>Balance at December 31, 2012</b>	<b>522,667,566</b>	<b>0</b>	<b>792,113</b>	<b>274,617</b>	<b>(60,764,881)</b>	<b>351,037,106</b>	<b>814,006,521</b>	<b>-</b>	<b>814,006,521</b>

Accompanying notes from 1 to 35 are an integral part of these Consolidated Financial Statements

## EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods ended December 31, 2013 and 2012

STATEMENT OF CASH FLOWS - DIRECT METHOD	12-31-2013 ThCh\$	12-31-2012 ThCh\$
<b>Cash receipts from customers</b>	1,836,844,136	1,619,841,670
<b>Cash payments to suppliers</b>	(1,127,550,676)	(846,236,109)
<b>Cash payments to and on behalf of employees</b>	(176,276,327)	(138,671,189)
<b>Other cash payments for operating activities</b>	(62,758,749)	(55,027,695)
Interest received	2,208,272	1,799,510
Income tax paid	(72,144,614)	(62,176,473)
<b>Net cash from operating activities</b>	<b>400,322,042</b>	<b>519,529,714</b>
 Cash flows used to obtain control of subsidiaries	(194,459,679)	-
Proceeds from the sale of property, plant and equipment	9,409,047	13,657
Acquisition of property, plant and equipment	(463,305,729)	(400,827,441)
Acquisitions of intangible assets	(47,756,005)	(4,688,495)
Dividends received	1,382	1,259
Interest received	1,917,873	2,823,225
Government grants	294,840	1,580,042
Other cash inflows (outflows)	1,310,321	-
<b>Net cash used in investing activities</b>	<b>(692,587,950)</b>	<b>(401,097,753)</b>
 Proceeds from long-term borrowings	783,337,036	259,675,999
Proceeds from short-term borrowings	316,785,361	201,127,148
Repayment of borrowings	(727,020,585)	(368,782,234)
Payment of finance lease liabilities	(2,790,107)	(1,545,467)
Dividends paid	(89,022,587)	(129,679,618)
Interest paid	(12,252,973)	(11,802,378)
Other cash inflows (outflows)	(19,522,563)	(35,541,270)
<b>Net cash used in financing activities</b>	<b>249,513,582</b>	<b>(86,547,820)</b>
 Net (decrease) in cash and cash equivalents	(42,752,326)	31,884,141
Effects of exchange rate fluctuations on cash held	8,125,838	(1,071,318)
<b>Cash and cash equivalents at January 1</b>	<b>53,876,890</b>	<b>23,064,067</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>19,250,402</b>	<b>53,876,890</b>

Accompanying notes from 1 to 35 are an integral part of these Consolidated Financial Statements

# Notes to the Consolidated Financial Statements

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## EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES

### 1. REPORTING ENTITY

#### a) Entel Group

Empresa Nacional de Telecomunicaciones S.A. (Entel-Chile S.A. or the "Company") is a company domiciled in Chile registered under Taxpayer ID 92.580.000-7. The address of the Company's registered office is Avenida Andrés Bello 2687, 14th floor, Las Condes, Santiago, Chile.

This Company is the Parent of the Entel Group companies included in these consolidated financial statements.

The Company is an openly-held corporation registered with the Chilean Superintendence of Securities and Insurance (SVS) under number 162 and, therefore, it is subject to the regulations of this Superintendence. Its shares are registered in the Securities Record and traded in the Chilean market.

The controlling shareholder of Entel-Chile S.A. is Inversiones Altel Ltda. (Taxpayer ID 76.242.520-3), the owner of 54.76% of the Company's current shares. 99.99% of Altel Ltda. is controlled by Almendral S.A. (Taxpayer ID 94.270.000-8).

Almendral S.A. is controlled by a group of shareholders who signed a joint interest agreement on January 24, 2005. The agreement was signed by the groups Matte, Fernández León, Hurtado Vicuña, Consorcio, Izquierdo and Gianoli.

The subsidiaries which financial statements are included in consolidation correspond to companies domiciled in Chile and other countries as detailed in note 3a).

The Chilean subsidiaries are closely-held corporations not subject to the regulations of the SVS or registered with the Securities Record.

However, in line with legal requirements for public telecommunications concession holders, the subsidiaries Entel PCS Telecomunicaciones S.A., Micarrier Telecomunicaciones S.A., and Transam Telecomunicaciones S.A. are registered with the SVS under Nos. 33, 247, and 232, respectively. Companies registered in this special register are subject to the same regulations as public limited companies in terms of market information and disclosure, except for the requirement to provide interim financial statements on a quarterly basis.

As of December 31, 2013, the Group's personnel amounted to 11,068 employees and average headcount during the year was 9,455.

#### b) Line of Business

The Group companies are engaged in mobile telecommunication services, including voice, added value, data, broadband and mobile internet services basically oriented to proposing integrated solutions, which encompass data networks, local telephony, Internet access, public long distance telephony, information technology services (data center, BPO and operating continuity), infrastructure, lease of networks and wholesale traffic businesses, as well as call center services for the corporate market and Group companies.

These activities are mainly conducted in Chile. Activities abroad are performed by three companies operating in Peru engaged in the provision of wireline and call center services. From September, Nextel Perú was included to the Group offering mobile telephone services.

## 2. BASIS OF PREPARATION

### a) Statement of Compliance

The consolidated financial statements as of December 31, 2013 have been prepared in conformity with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

At the date of issuance of these consolidated financial statements, the IASB had issued the following pronouncements, which application is mandatory for the annual periods indicated below.

Accounting pronouncements effective starting from January 1, 2013:

The application of the standards above has not had a significant effect on the amounts included in these consolidated financial statements; however, it could affect the recording of future transactions or agreements.

Standards and Amendments	Application required by :
<b>NEW IFRS</b>	
IFRS 10 – Consolidated Financial Statements	Annual periods beginning on January 1, 2013
IFRS 11 – Joint Arrangements	Annual periods beginning on January 1, 2013
IFRS 12 – Disclosure of Interest in Other Entities	Annual periods beginning on January 1, 2013
IFRS 13 – Fair Value Measurement	Annual periods beginning on January 1, 2013
<b>AMENDMENTS TO IFRS</b>	
IAS 19 – Employee Benefits	
Elimination of Corridor Approach for Defined Benefits	Annual periods beginning on January 1, 2013
IAS 27 – Separate Financial Statements	Annual periods beginning on January 1, 2013
IAS 28 – Investments in Associates and Joint Ventures	Annual periods beginning on January 1, 2013
IFRS 7 – Financial Instruments: Disclosures	
Amendments to IFRS disclosures – Offsetting financial assets and financial liabilities	Annual periods beginning on January 1, 2013
IFRS 10, 11 and 12	
Transition Guides	Annual periods beginning on January 1, 2013

Accounting pronouncements effective from January 1, 2014 and after:

Standards and Amendments	Application required by :
<b>NEW IFRS</b>	
IFRS 9 – Financial Instruments	Annual periods beginning on January 1, 2015
<b>AMENDMENTS TO IFRS</b>	
IAS 32 – Financial Instruments: Presentation	
Requirements to Offset Financial Assets and Financial Liabilities	Annual periods beginning on January 1, 2014

To date, the Company has not opted to early adopt any of these changes in standards. The Company believes these changes would not have any significant impact on the Group's consolidated financial statements in the initial mandatory application period.

The consolidated financial statements of Entel Chile S.A. for the year ended December 31, 2013 were authorized for issue by the Board of Directors on January 29, 2014.

## b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items:

- \* Derivative financial instruments are measured at fair value
- \* Interest-bearing borrowings are measured at amortized cost; and
- \* Liabilities arising from post-employment defined benefit plans are measured at their present value considering actuarial variables.

## c) Functional and Reporting Currency

The consolidated financial statements and accompanying notes are presented in thousands of Chilean pesos, which is the Group's functional currency.

## d) Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make estimates that may affect the application of accounting policies and the reported amount of assets, liabilities and cash flows because of new events giving rise to changes in assumptions and other sources of estimation uncertainty previously used.

The main estimates refer to:

- \* Actuarial assumptions used for estimating severance indemnity payment liabilities;
- \* Valuation of assets and goodwill generated from the acquisition of companies, which could affect the determination of impairment losses;
- \* Useful lives of property, plant and equipment and intangible assets;
- \* Assumptions made when determining the fair value of financial instruments;
- \* Assumptions related to the generation of future taxable profits deductible from deferred tax assets;
- \* Establishment of decommissioning liabilities.

## e) Changes in Accounting Policies

The accounting policies set up below have been applied consistently to all periods presented in these consolidated financial statement.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of Consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements include the financial statements of the parent and the entities controlled by the Group (its subsidiaries). An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee; Thus, the principle of control sets out the following three elements of control:

- \* Power over the investee (that is, it has existing rights that give it the current ability to direct the relevant activities, ie the activities that significantly affect the investee's returns);
- \* Exposure, or rights, to variable returns from involvement with the investee; and
- \* The ability to use power over the investee to affect the amount of the investor's returns.

Consolidation of an investee shall begin from the date the investor obtains control of the investee and cease when the investor loses control of the investee. Specifically, the revenues and expenses of a subsidiary acquired or sold during the year are included in the consolidated statements of comprehensive income from the date in which the Company obtains control and up to the date in which control ceases.

When there is a loss of control, Entel derecognises the assets and liabilities of the subsidiary, non-controlling interests and other equity components related to the subsidiary. Any gain or loss resulting from the loss of control is recognized in profit or loss. If any investment is retained in the former subsidiary this is valued at its fair value when control is lost. Subsequently that investment retained is accounted for as an investment recorded under the equity method or a financial asset available for sale, depending on the level of influence retained.

In preparing consolidated financial statements, an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses. All the Company's direct and indirect subsidiaries are controlled by 100% and, accordingly, non-controlling interest does not exist in the consolidated financial statements.

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The carrying amount of the Parent's investment in each subsidiary is offset against equity, after adjusting such carrying amount to fair value on the date in which control over the investee is obtained. At that date, goodwill is recognized within intangible assets as described below whereas any gain resulting from the acquisition of a business or negative goodwill is recognized in the statement of comprehensive income.

Assets and liabilities of consolidated foreign operations expressed in currencies other than the Chilean peso are translated into Chilean peso using the exchange rate at the reporting date. Revenues and expenses of foreign operations are translated using the average exchange rate for the period. Foreign currency differences resulting from the application of this method are classified in equity until the disposal of the investment.

The exemption allowed under IFRS 1 (First-Time Adoption of IFRS) for annulling exchange rate differences accumulated at the date of transition to IFRS was not adopted.

The subsidiaries included in consolidation correspond to companies domiciled both in Chile and abroad, detailed as follows:

TAX ID	Company name	Country of origin	Functional currency	Percentage of stock			12.31.2012
				Direct	Indirect	Total	
96806980-2	ENTEL PCS TELECOMUNICACIONES S.A.	CHILE	CLP	99.999	0.001	100.000	100.000
76479460-5	ENTEL COMERCIAL S.A.	CHILE	CLP	-	100.000	100.000	100.000
96561790-6	ENTEL INVERSIONES S.A.	CHILE	CLP	99.990	0.010	100.000	100.000
96554040-7	ENTEL SERVICIOS TELEFONICOS S.A.	CHILE	CLP	91.420	8.580	100.000	100.000
96563570-K	ENTEL CALL CENTER S.A.	CHILE	CLP	90.000	10.000	100.000	100.000
96697410-9	ENTEL TELEFONIA LOCAL S.A.	CHILE	CLP	99.000	1.000	100.000	100.000
96548490-6	MICARRIER TELECOMUNICACIONES S.A.	CHILE	CLP	99.990	0.010	100.000	100.000
96553830-5	ENTEL CONTACT CENTER S.A. ( Ex Satel S.A.)	CHILE	CLP	-	100.000	100.000	100.000
96672640-7	ENTEL SERVICIOS EMPRESARIALES S.A.	CHILE	CLP	99.985	0.015	100.000	100.000
79637040-8	SOC.DE TELECOMUNICACIONES INSTABEEP LTDA	CHILE	CLP	99.990	0.010	100.000	100.000
96652650-5	TRANSAM COMUNICACIÓN S.A.	CHILE	CLP	-	100.000	100.000	100.000
96833480-8	WILL S.A.	CHILE	CLP	-	100.000	100.000	100.000
0-E	AMERICATEL PERÚ S.A.	PERÚ	PEN	46.570	53.430	100.000	100.000
0-E	SERVICIOS DE CALL CENTER DEL PERÚ S.A.	PERÚ	PEN	0.004	99.996	100.000	100.000
0-E	NEXTEL DEL PERÚ S.A.	PERÚ	PEN	90.000	10.000	100.000	-
0-E	EUSA WHOLESALE INC.	USA	CLP	-	100.000	100.000	100.000
0-E	ENTEL INTERNACIONAL B.V.I. CORP.	ISLAS VIRG. BRITA.	CLP	100.000	-	100.000	100.000

In September 2013, the Company Nextel del Perú S.A. was included in the consolidation of the Entel Group (see Note 12.1).

From September 2013, the Nextel acquisition involved the recognition of additional net inter-company revenue of ThCh\$46,912,861 and a net loss of ThCh\$13,186,086 in profit or loss. Also, the consolidated statement of financial position recorded additional current assets of ThCh\$60,569,577, non-current assets of ThCh\$244,143,106, current liabilities of ThCh\$55,606,708 and non-current liabilities of ThCh\$17,402,377.

## b) Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The difference determined between the original and closing amount is recognized under foreign currency translation differences in the statement of income.

An exception to the above relates to assets and liabilities stated at fair value (mainly those arising from financial derivative contracts). The differences between exchange rates at the reporting date and the fair value of such contracts are also recorded in profit or loss within Foreign currency translation differences, with the exception of cash flow hedge contracts where differences are recognized in equity.

Assets and liabilities expressed in foreign currency or other translation units are translated as follows:

Exchange rate at the end of the period		12.31.2013	12.31.2012
		\$	\$
US Dollar	USD	524.61	479.96
Euro	EUR	724.30	634.45
Unidad de Fomento (Inflation-indexed monetary unit commonly used in Chile)	UF	23,309.56	22,840.75
Peruvian Sol	PEN	187.49	188.15

## c) Financial Instruments

### Financial Assets

The Group classifies its financial assets under the following categories: fair value through profit or loss; loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset.

#### > Financial Assets at Fair Value through profit and loss

Financial asset at fair value through profit or loss are financial assets held for trading. The Group companies include under this category those derivatives that do not meet the requirements for hedge accounting. Contracts that record an asset position at the reporting date are presented within other financial assets whereas those with liability positions are recognized within other financial liabilities.

#### > Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Trade receivables are recognized on the basis of the amounts recorded in the related invoices and the required adjustment is recorded in the event that there is objective evidence of risk of non-compliance by the customer (impairment).

Current trade receivables are stated at their current value with no discount to present value. The Group has determined that the calculation of amortized cost does not differ from the invoiced amount as there are no significant costs associated with the transactions.

#### > Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and short-term, highly liquid investments which are subject to an insignificant risk of changes in value, with original maturities of less than three months. In addition to cash balances and those held in bank current accounts, cash and cash equivalents also includes short-term deposits; fixed income mutual fund deposits; and transactions with buyback and resale options with original maturities of three months or less. These assets are recorded at their nominal value or amortized cost, depending on their nature, with changes through profit or loss. Recorded balances include interest and adjustments accrued at the end of the year.

## Financial Liabilities

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies non-derivative financial liabilities under other financial liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities include loans and borrowings, bank overdrafts, and trade and other payables.

Financial liabilities hedged by derivatives designated to manage the exposure to fluctuations in cash flows (cash flow derivatives used for hedging) are measured at amortized cost.

## Derivative Financial Instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Embedded derivatives, if any, are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when:

- \* at inception the hedge relationship is formally designated and documented;
- \* the hedge is expected to be highly effective;
- \* the effectiveness of the hedge can be reliably measured;
- \* the hedge is highly effective throughout the financial reporting periods for which it was designated.

All derivatives are measured at fair value in accordance with IAS 39.

If a fair value hedge meets the conditions for hedge accounting, the following accounting treatment is applicable:

- \* Cash flow hedges – When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity (cash flow hedge reserve). The amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

When hedges relate to risk management strategies but not necessarily meet the effectiveness and testing requirements required by accounting standards for the application of hedge accounting, changes in the value of instruments are charged to profit or loss.

## d) Inventories

Goods for sale are measured at the lower of weighted average cost and net realizable value depending on the purpose for which they are held.

Such a classification includes mobile phone handsets for customers. In this case, grants related to the transfer of handsets to customers are expensed in profit or loss as cost of sale.

The main inventories are mobile handsets and accessories. The Group assesses, at each reporting date, the existence of obsolete inventories in order to estimate the related write-off provisions. For this purpose, the Group considers the permanence of the different equipment in the warehouse based on their functions and the prices of new models entering into the market.

## e) Impairment

### Non-Derivative Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

For estimating the impairment of receivables, the Group applies different percentages to different client classes based on the aging of past due receivables and possible collection costs. Differences are also made for current receivables, renegotiated receivables and documented receivables.

The mentioned factors are used to perform the estimation of uncollectibility for billed services.

The Group does not consider the discounted values of loans and receivables to estimate their impairment because they mature in the short-term and, accordingly, the difference between their current value and discounted value is not significant.

### Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. The ceiling test to determine value-in-use is subject to the operating segment for goodwill impairment purposes.

Impairment losses are recognized in profit or loss. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount; however, an impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## f) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The determination of cost considers the price of goods and services including unrecoverable taxes and customs duties, as well as site preparation and start-up costs for it to be capable of operating and an estimate of the cost of its removal and dismantling.

Historically, equipment provided to customers for which ownership is not transferred until September 30, 2012 correspond to mobile handsets. These assets are recorded as non-current assets within Plant and equipment and, accordingly, they are subject to depreciation and possible impairment losses.

From October 1, 2012, mobile handsets provided to customers and sold under post payment contracts are recorded directly in profit or loss as cost of sales within Other expenses.

Net interest on borrowings directly associated with the financing of construction work, accrued during the development period and up to the date in which the asset is available for use are capitalized except for projects which development period is lower than six months.

## g) Depreciation of Property, Plant and Equipment

Depreciation is estimated using the straight-line method based on the estimated useful lives of the assets in conformity with technical studies. Such technical studies include the annual verification of technologic and/or business events that make it advisable to amend such useful lives as well as the assets' residual value at the date of removal.

In addition, the Group applies procedures to evaluate any indication of asset impairment. In the event that there are assets which values exceed their market value or ability to generate net income, the Group makes impairment adjustments which are charged to profit or loss.

Depreciation tables are highly disaggregated based on the characteristics of different assets in addition to the possibility of being treated on an individual basis. Most significant average rates are detailed in Note 13, Property, plant and equipment.

## h) Finance Lease

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases

For these purposes, the Group considers the transfer of the asset at the end of the agreement, the value of a possible purchase option, the portion of the economic life of the asset covered by the term of the lease and the degree to which the current value of minimum lease agreement payments is equivalent to the asset fair value. The leased asset is measured at an amount equivalent to the present value of lease payments and the amount payable to exercise the purchase option. Leased assets are subject to depreciation under the general standards applicable to property, plant and equipment.

The ownership of leased assets is legally acquired through the exercise of the purchase option and, therefore, the Company cannot freely dispose of these assets until it exercises the purchase option.

Assets under finance lease agreements are considered as sold for accounting purposes and derecognized from inventories. Gains and losses resulting from such transactions are based on the 'present value' of lease payments receivable in relation to the acquisition or construction cost of assets sold.

## i) Intangible Assets

Intangible assets include rights of use on fiber optic cable capacities (IRUs), the cost of licenses and operating concessions, as well as other rights of use in favor of the Group companies.

IRUs are amortized on a straight-line basis and expensed in profit or loss over the period of the related agreements.

Licenses and concessions are amortized over the lower of the estimated operating or awarding periods whereas rights of use are amortized over the life of the agreement with a maximum period of 40 years.

Computer software cost is capitalized over a period of 4 years

## j) Goodwill

For goodwill that arises from the total or partial acquisition of companies, the Group uses the acquisition method establishing the fair value of the acquiree's identified assets and liabilities recognizing the possible difference in the amount paid for the acquisition as goodwill. This amount is subject to impairment testing at each year-end and any possible impairment losses are recognized.

## k) Income Tax and Deferred Taxes

The income tax expense is determined based on profit or loss for financial purposes.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes are recorded as non-current assets and liabilities, as applicable. Such values are recognized at current value with no discount to their present value regardless of the estimated term of recovery. Deferred tax assets and liabilities are recognized using the tax rates enacted when these are expected to be realized or settled.

## l) Employee Benefits

### Defined Benefits Plan (Post-Employment Benefits)

Post employment benefits include severance payments to which employees with indefinite employment contract who are members of Entel's Employee Association are entitled when they achieve 8 years of continuous service.

These obligations are measured at their present value discounted using long-term interest rates and actuarial assumptions regarding employee turnover, life expectancy and salary and wage forecasts of the potential beneficiaries.

To determine the net amount of the liability to be recognized, the Group deducts the fair value of balances accumulated by employees based on the contributions they have to make in certain Funds under agreements currently in force.

Variations in the obligation related to accruals associated with increases in the number of periods or increases or decreases in the number of employees, gains or losses arising from actuarial effects are charged to payroll expenses, whereas those related to the accrual of embedded interest, are charged to profit or loss.

### Termination Benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

## Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The cost of employee vacations is recognized in the year in which vacation days accrue regardless of the year in which employees use them.

## m) Revenue

Revenue is recognized on the basis of accrual method, when the Group becomes entitled to receive a consideration. For these purposes, the Group considers the time of delivery or reception of goods or rendering of services regardless of the time when the related cash flows are received (prepaid, simultaneous or at a given term).

The Group has the following specific policies for revenue:

### Aggregated offers

This caption identifies the components of commercial packages offered determining the characteristics of each package.

Accordingly, revenue from the package is allocated to each component by applying the relevant individual revenue recognition standards.

Package sales that cannot be disaggregated are treated as a single transaction. Package sales cannot be disaggregated when their commercial effect cannot be understood without reference to the whole set of transactions.

The most significant aggregated offer relates to the recruitment of mobile telephone service customers under the prepayment methodology. This offer includes the equipment, a credit chargeable to services and the expectation for future services. Only those cash flows which reception is certain are considered for recognition by disaggregating as service the average amount of the value that can be allocated to telephone services as these are used by customers.

In the event that solely some elements can be assigned a value reliably, the residual value is assigned to the remaining components.

The value assigned to a certain component will be limited to the sale price not subject to the delivery of other items.

Amounts received in relation to future services are recognized as a liability for advances received from customers which are subsequently reclassified to profit or loss when the related services are used. Main cash flows for this concept correspond to amounts related to services included in prepaid mobile telephone service offers as well as the sale of cards or subsequent electronic recharges.

Habilitation costs charged to post payment customers under contracts of loan and restitution of equipment are recognized in profit or loss in the same period when the delivery of the related equipment is also recognized in profit or loss.

### Sale of handsets

In conformity with the general standard, revenue is recognized when handsets are delivered to customers.

In the event that the sale includes a supplementary activity (installation, set-up, start-up, etc.) such sale is recognized upon approval by the customer.

Revenue from handsets delivered individually which technically or contractually can be used solely for services provided by the Company, is deferred and recognized over the expected life of each agreement.

No revenue is recognized for equipment delivered without transference of ownership (bailment, loan, lease, etc.). Handsets under this condition are recorded as operating assets and, accordingly, they are subject to the related depreciation.

### Revenue for activation charges

This revenue is deferred and recognized as such over the shorter of the life of the agreement or expected customer retention period.

The customer retention period is estimated based on the historical experience, churn rates or the knowledge of market behavior.

Connections with direct execution cost equal to or higher than the charge made to the customer are excluded from this procedure. In this case, revenue from activation charges is recognized as such at the time of providing connection services to the customer in order to match income and expenses.

Connection costs include installation and management of third party orders, distributor fees and SIM card cost.

The general procedure also excludes connections representing independent, non-cancellable transactions not subject to the compulsory provision of other goods or services.

### Customer Loyalty Programs

Provision of future benefits based on service use levels or current or past purchases. Revenue received is allocated based on fair values among services already rendered and services to be provided in the future; revenue allocated to the latter is treated as unearned income for future sales. Simultaneously, the Company accrues a provision for marginal costs associated with services or goods to be delivered fully or partially for free.

This procedure excludes isolated campaigns intended to introduce new products or re-launch other products as long as such campaigns last for less than three months and do not represent more than 1% of sales for the last 12 months.

These programs include credits for calls, product discounts, benefits for goal compliance and accumulation of exchangeable points for products, own or third party services.

In the cases where benefit prescription or defeasance clauses are exercised, the respective unused balances are transferred to revenue.

These procedures are only applied if it is possible to make reliable estimates of benefits to be obtained by customers.

### Sale Discounts

Revenue is stated net of discounts granted to customers.

### Third Party Sales

In the cases where the Company acts as principal, agent or broker-dealer for sales of goods or services produced by other agents, revenue is recorded net; i.e., recording only the margin resulting from rendering the services; i.e., the commission or fee, or share of profit received.

To establish the condition to act as principal, the Group considers whether the product is explicitly sold on behalf of the supplier, whether it assumes the risks related to the product, the responsibility over it and is in charge of fixing the sale price.

## Prepaid Mobile Services

Revenue from sales of prepaid mobile services is recognized in profit or loss in the month when users make use of the services or when such services expire, if earlier.

## Rendering of services in progress at the reporting date

Service rendering for more than one accounting period is recognized as revenue under the percentage of completion method at each year-end. This percentage is determined based on the proportional amount of inputs used compared with the budget.

## n) Finance Costs

Initial expenses related to fees, advisory services and taxes for borrowings are treated using the amortized cost method. Under this method, these expenses become a part of the effective interest rate and, accordingly, they are amortized using such rate.

## o) Provisions

The Group recognizes liabilities for all legal obligations in favor of third parties arising from transactions conducted or future events for which it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are recognized when the amount of the obligation can be reliably estimated based on the risks identified and the best estimates. The amount of provisions is discounted when the effect of the time value of money is deemed to be material.

## p) Dividends

Dividends payable to third parties are reported as a change in net equity in the period in which the obligation for their distribution arises either because of being declared at the Shareholders' Meeting or being related to a legal obligation for minimum dividends.

## q) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets.

## r) Government Grants

Government grants intended to finance investments are recorded as lower acquisition or construction cost of the related assets.

## s) Interconnection Revenue and Costs

Amounts accrued in favor or against the Group's companies are recognized on the basis of existing agreements and traffic measurements exchanged with other domestic and international operators.

## 4. FINANCIAL ASSETS AND LIABILITIES

### a) Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

#### Derivative Financial Instruments

The fair value of a derivative contract that is not quoted in an active market is obtained from the difference between the cash flows related to the rights and obligations resulting from the contract discounted at the applicable market interest rate at the measurement date (Level 2 in the fair value hierarchy).

For currency forward contracts, fair value corresponds to the difference between the amount of the foreign currency to be acquired based on the contract, discounted using the exchange rate for the US dollar for the remaining period and expressed in Chilean pesos at the reporting date, less the debt in Chilean pesos agreed in the contract discounted using the exchange rate for the Chilean peso for the remaining contract period.

As there are no rates for all maturity dates but for some specific dates, the applicable rate is obtained by interpolating the closest points to the applicable maturity date. This procedure is applied to rates in UF, Ch\$, USD and Euro.

In the case of contracts to hedge against fluctuations in exchange and interest rates, the fair value corresponds to the difference in discounted cash flows of each contract component, including the nominal amount.

Rates used to discount the local currency as well as the US dollars are risk free and zero-coupon rates. In the case of rates in Chilean pesos, the rate used to discount is obtained from investment instruments in nominal currency BCP and in the case of UF, from the BCU issued by the Central Bank. Rates in USD and Euro are estimated based on rates for deposits and interest rates futures.

#### Non-Derivative Financial Liabilities

For disclosure purposes, fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market interest rate is determined by reference to similar leases.

In the case of current trading assets and liabilities, the fair value is estimated to be equal to their current value as they correspond to short-term cash flows.

### b) Fair Value Hierarchy

In conformity with the methods and techniques used to determine fair values, the following hierarchies are defined:

- \* Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- \* Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- \* Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below shows the changes in the fair value of net liabilities from derivatives:

	12-31-2013	12-31-2012
	Level 2	Level 2
	ThCh\$	ThCh\$
<b>Net Opening Balance for Derivative Contracts, Assets (Liabilities)</b>	<b>(42,883,619)</b>	<b>(45,284,692)</b>
Gains (Losses) recognized in profit or loss	17,755,568	(39,445,139)
Gains (Losses) recognized in equity	(3,647,492)	1,354,714
Contract Settlements during the period	19,084,553	40,491,498
Change in the Fair Value Measurement	33,192,629	2,401,073
<b>Closing Balance for Derivative Contracts, Assets (Liabilities)</b>	<b>(9,690,990)</b>	<b>(42,883,619)</b>

### c) Categories of Financial Assets and Liabilities

The table below shows the carrying amounts for the different categories of financial assets and liabilities compared to their fair values:

December 31, 2013 ThCh\$	Note	At fair value			Assets at amortized cost	Liabilities at amortized cost	Currency or adjusted unit	Total carrying amount	Total fair value
		Through profit or loss	Hedge derivatives	at amortized cost					
<b>ASSETS</b>									
Assets Cash and cash equivalents	5	-	-	19,250,402	-	CLP/USD/PEN	19,250,402	19,250,402	
<b>Other Financial Assets</b>	<b>6</b>								
Finance lease assets		-	-	3,831,018	-	UF	3,831,018	4,259,797	
Derivatives	14,491,283	1,155,489		-	-	USD	15,646,772	15,646,772	
Other		-	-	679,621	-	CLP	679,621	679,621	
Trade and other receivables	8	-	-	326,740,821	-	CLP/USD/PEN	326,740,821	326,740,821	
Trade receivables due from related parties	9	-	-	521,772	-	CLP	521,772	521,772	
<b>Total assets</b>	<b>14,491,283</b>	<b>1,155,489</b>	<b>351,023,634</b>				<b>366,670,406</b>	<b>367,099,185</b>	
<b>LIABILITIES</b>									
<b>Other Financial Liabilities</b>	<b>15</b>								
Interest bearing borrowings		-	-	-	287,713,681		287,713,681	291,581,399	
Liabilities with bond holders		-	-	-	519,944,070		519,944,070	515,116,993	
Finance lease liabilities		-	-	-	7,398,705		7,398,705	7,772,759	
Derivatives	18,747,030	6,590,732		-	-		25,337,762	25,337,762	
Trade and other payables	16	-	-	-	466,529,349		466,529,349	466,529,349	
<b>Total liabilities</b>	<b>18,747,030</b>	<b>6,590,732</b>		<b>1,281,585,805</b>			<b>1,306,923,567</b>	<b>1,306,338,262</b>	

Categories of Financial Assets and Liabilities December 31, 2012 ThCh\$	Note	At fair value			Assets at amortized cost	Liabilities at amortized cost	Currency or inflation adjusted unit	Total carrying amount	Total fair value
		Through profit or loss	Hedge derivatives						
<b>ASSETS</b>									
Assets Cash and cash equivalents	5	-	-	53,876,890	-	CLP/USD/PEN	53,876,890	53,876,890	
<b>Other Financial Assets</b>	<b>6</b>								
Finance lease assets		-	-	4,373,129	-	UF	4,373,129	4,889,324	
Derivatives		910,277	-	-	-	USD	910,277	910,277	
Other		-	-	1,971,655	-	CLP	1,971,655	1,971,655	
Trade and other receivables	8	-	-	276,768,958	-	CLP/USD/PEN	276,768,958	276,768,958	
Trade receivables due from related parties	9	-	-	379,554	-	CLP	379,554	379,554	
<b>Total assets</b>		<b>910,277</b>		<b>337,370,186</b>			<b>338,280,463</b>	<b>338,796,658</b>	
<b>LIABILITIES</b>									
<b>Other Financial Liabilities</b>	<b>15</b>								
Interest bearing borrowings		-	-	-	383,549,242		383,549,242	385,207,897	
Finance lease liabilities		-	-	-	8,441,289		8,441,289	8,956,196	
Derivatives		23,124,193	20,669,703	-	-		43,793,896	43,793,896	
Trade and other payables	16	-	-	-	373,510,494		373,510,494	373,510,494	
<b>Total liabilities</b>		<b>23,124,193</b>	<b>20,669,703</b>		<b>765,501,025</b>		<b>809,294,921</b>	<b>811,468,483</b>	

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed as follows:

	12,31,2013 ThCh\$	12,31,2012 ThCh\$
Cash on hand	118,129	89,668
Cash in bank	9,252,008	7,646,529
Short-term deposits	318,867	45,171,564
Fixed income mutual funds	1,875,185	-
Instruments issues by the Chilean Central Bank	7,610,329	968,382
Other cash and cash equivalents	75,884	747
<b>Total</b>	<b>19,250,402</b>	<b>53,876,890</b>
Total per currency		
CLP	14,795,996	52,740,731
USD	2,993,931	412,516
PEN	1,453,099	719,051
EUR	7,376	4,592
<b>Total</b>	<b>19,250,402</b>	<b>53,876,890</b>

At December 31, 2013 and 2012 short-term deposits with original maturities of less than three months recognized at amortized cost are as follows:

Bank	Currency	Investment date	Maturity date	Days	Amount ThCh\$	Accrued days	Accrued interest ThCh\$	Total 12.31.2013 M\$
Banco de Crédito del Perú	PEN	12/27/2013	01/06/2014	10	112,484	4	40	112,524
Banco de Crédito del Perú	PEN	12/27/2013	01/07/2014	11	74,996	4	37	75,033
Banco de Crédito del Perú	PEN	12/30/2013	01/10/2014	11	131,243	1	12	131,255
Banco de Crédito del Perú	PEN	12/31/2013	01/05/2014	5	55	-	-	55
<b>Totales</b>					<b>318,778</b>		<b>89</b>	<b>318,867</b>
Bank	Currency	Investment date	Maturity date	Days	Amount ThCh\$	Accrued days	Accrued interest ThCh\$	Total 12.31.2012 M\$
Banco HSBC	CLP	12/21/2012	1/4/2013	14	6,058,000	10	9,289	6,067,289
Banco BBVA	CLP	12/24/2012	1/2/2013	9	6,765,251	7	6,788	6,772,039
Banco Santander	CLP	12/28/2012	1/7/2013	10	9,820,298	3	4,419	9,824,717
Banco Santander	CLP	12/27/2012	1/27/2013	31	55,532	4	32	55,564
Deutsche Bank	CLP	12/26/2012	1/4/2013	9	7,400,000	5	5,180	7,405,180
Banco Internacional	CLP	12/27/2012	1/4/2013	8	6,806,000	4	3,902	6,809,902
Banco Security	CLP	12/27/2012	1/4/2013	8	25,000	4	14	25,014
Banco Security	CLP	12/26/2012	1/4/2013	9	3,277,000	5	2,185	3,279,185
Banco BCI	CLP	12/28/2012	1/7/2013	10	4,930,702	3	1,972	4,932,674
<b>Totales</b>					<b>45,137,783</b>		<b>33,781</b>	<b>45,171,564</b>

In addition, at December 31, 2013, the Group records fixed income mutual funds with Scotia Fondos Mutuos for ThCh\$1,875,185 which were invested on December 30, 2013 and mature on January 2, 2014.

Financial investments on instruments issued by the Central Bank correspond to financial investments related to balances receivable for sale commitments for financial instruments and are recorded at amortized cost. They are detailed as follows:

AT 12-31-2013		Dates		Counterparty	Original currency	Investment value ThCh\$	Rate for the period	Final value ThCh\$	Instrument	Carrying amount ThCh\$
Code	Issuance	Maturity								
CRV	12-30-2013	01-02-2014	Banco Santander	CLP	3,801,000	0.35%	3,802,330	PACTO	3,801,443	
CRV	12-30-2013	01-02-2014	BBVA. C. Bolsa	CLP	3,808,416	0.37%	3,809,825	PACTO	3,808,886	
<b>Total</b>					<b>7,609,416</b>		<b>7,612,155</b>		<b>7,610,329</b>	
AT 12-31-2012		Dates		Counterparty	Original currency	Investment value ThCh\$	Rate for the period	Final value ThCh\$	Instrument	Carrying amount ThCh\$
Code	Issuance	Maturity								
CRV	12-28-2012	02-01-2013	Scotia C. de Bolsa	CLP	718,000	0.41%	718,491	PACTO	718,295	
CRV	12-28-2012	02-01-2013	Banco Estado	CLP	250,000	0.35%	250,146	PACTO	250,087	
<b>Total</b>					<b>968,000</b>		<b>968,637</b>		<b>968,382</b>	

In conformity with working capital management policies, all deposits in the financial market have maturities not exceeding 90 days and have been entered into with widely known high rated banks and financial institutions, mainly in Chile.

The carrying amount of time deposits, fixed income mutual funds and instruments issued by the Chilean Central Bank for both periods does not significantly differ from their fair values.

## 6. OTHER FINANCIAL ASSETS

	12,31,2013	12,31,2012
	ThCh\$	ThCh\$
<b>CURRENT</b>		
Derivatives - Not designated as hedges	14,491,283	358,164
Finance lease assets	938,492	919,617
<b>Subtotal Current</b>	<b>15,429,775</b>	<b>1,277,781</b>
<b>NON-CURRENT</b>		
Derivatives - Designated as hedges	1,155,489	-
Derivatives - Not designated as hedges	-	552,113
Finance lease assets	2,892,526	3,453,512
Time deposits	679,621	1,971,655
<b>Subtotal Non-current</b>	<b>4,727,636</b>	<b>5,977,280</b>
<b>Total Other Financial Assets</b>	<b>20,157,411</b>	<b>7,255,061</b>

Derivatives include all contracts with balances in favor of Group companies. Those with balances against Group companies are recorded within Other financial liabilities (Note 15).

Finance lease assets relate to balances for an agreement in force with Telmex S.A. for the value of principal installments receivable with maturity over one year for the long-term lease of telecommunication infrastructure.

The agreement encompasses 19 equal annual installments of UF 40,262.12 each, the last expiring on January 10, 2017 and a final installment representing the purchase option of UF 30,196.59 expiring on January 10, 2018.

This amount is presented net of unaccrued interest, which was determined based on the annual interest rate embedded in the contract of 8.7% per annum.

The schedule of maturity dates is as follows (in thousands of Chilean pesos):

	12,31,2013			12,31,2012		
	Gross	Interest	Present value	Gross	Interest	Present value
Less than one year	1,190,142	(251,650)	938,492	1,220,072	(300,455)	919,617
From 1 to 5 years	3,519,346	(626,820)	2,892,526	4,368,180	(914,668)	3,453,512
<b>Total</b>	<b>4,709,488</b>	<b>(878,470)</b>	<b>3,831,018</b>	<b>5,588,252</b>	<b>(1,215,123)</b>	<b>4,373,129</b>

## 7. OTHER NON-FINANCIAL ASSETS

Other non-financial assets include mainly prepaid expenses as follows:

OTROS ACTIVOS NO FINANCIEROS	Current		Non Current	
	12,31,2013		12,31,2012	
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
<b>PREPAID EXPENSES</b>				
Leases (land, buildings)	13,756,088	11,038,439	1,479,507	1,762,615
Maintenance, Support	3,202,143	3,357,643	-	886,539
Advertising	947,229	136,347	-	-
Insurance	256,828	918,128	-	918,128
Lease of capacity	750,452	39,430	2,468,546	-
Other services	434,535	319,118	210	-
Deferred cost for customers installations	933,559	84,749	-	13,935
Others	-	-	9,264	9,476
<b>Total</b>	<b>20,280,834</b>	<b>15,893,854</b>	<b>3,957,527</b>	<b>3,590,693</b>

## 8. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised as follows:

	12,31,2013	12,31,2012
	ThCh\$	ThCh\$
<b>Trade and other receivables, Net</b>		
Trade receivables, Net, Current	306,004,580	268,546,280
Receivables from personnel Net, Current	6,673,190	1,585,009
Other receivables, Net, Current	14,063,051	6,637,669
Receivables from personnel Net, Non Current	3,503,221	1,874,845
Other receivables, Net, Non Current	2,090,296	1,849,771
<b>Total</b>	<b>332,334,338</b>	<b>280,493,574</b>
<b>Trade and other receivables, Gross</b>		
Trade receivables, Gross, Current	416,022,096	360,064,548
Receivables from personnel Gross, Current	6,673,190	1,585,009
Other receivables, Gross, Current	14,127,699	6,702,317
Receivables from personnel Gross, Non Current	3,503,221	1,874,845
Other receivables, Gross, Non Current	2,090,296	1,849,771
<b>Total</b>	<b>442,416,502</b>	<b>372,076,490</b>

These balances include amounts with maturities over one year (non-current), which, at net level amount to ThCh\$5,593,517 and ThCh\$3,724,616 for each period and are included within rights receivable in non-current assets.

Trade and other receivables do not include securitized items.

Trade receivables are stated net of provisions for impairment (uncollectability) of ThCh\$110,017,516 and ThCh\$91,518,268 at December 31, 2013 and 2012, respectively. Gross amounts are ThCh\$416,022,096 and ThCh\$360,064,548 and are comprised as follows:

December 31, 2013 Portfolio structure	Non-renegotiated portfolio		Renegotiated portfolio		
	No.of customers	Gross balances ThCh\$	No.of customers	Gross balances ThCh\$	Total Gross portfolios ThCh\$
<b>Current</b>	1,354,953	237,743,022	11,304	11,850,226	249,593,248
<b>1 - 30 days</b>	424,398	38,349,043	1,802	221,508	38,570,551
<b>31 - 60 days</b>	189,516	13,107,896	1,162	185,990	13,293,886
<b>61 - 90 days</b>	154,234	7,570,005	998	195,692	7,765,697
<b>91 - 120 days</b>	180,648	12,306,207	1,016	176,603	12,482,810
<b>121 - 150 days</b>	113,001	7,030,063	886	148,866	7,178,929
<b>151 - 180 days</b>	101,158	4,627,735	915	220,570	4,848,305
<b>181 - 210 days</b>	109,275	4,443,198	938	409,420	4,852,618
<b>211 - 250 days</b>	139,251	5,606,116	989	187,674	5,793,790
<b>250+ days</b>	1,077,079	65,244,599	15,235	6,397,663	71,642,262
<b>Total</b>	<b>3,843,513</b>	<b>396,027,884</b>	<b>35,245</b>	<b>19,994,212</b>	<b>416,022,096</b>

December 31, 2012 Portfolio structure	Non-renegotiated portfolio		Renegotiated portfolio		
	No.of customers	Gross balances ThCh\$	No.of customers	Gross balances ThCh\$	Total Gross portfolios ThCh\$
<b>Current</b>	994,412	215,975,037	11,296	8,631,395	224,606,432
<b>1 - 30 days</b>	389,962	32,504,958	2,124	365,474	32,870,432
<b>31 - 60 days</b>	185,851	12,630,217	690	115,542	12,745,759
<b>61 - 90 days</b>	165,574	6,887,977	558	140,985	7,028,962
<b>91 - 120 days</b>	124,274	5,889,507	546	86,272	5,975,779
<b>121 - 150 days</b>	131,849	4,938,851	645	94,157	5,033,008
<b>151 - 180 days</b>	161,863	4,864,049	694	107,198	4,971,247
<b>181 - 210 days</b>	169,889	6,849,595	941	125,564	6,975,159
<b>211 - 250 days</b>	161,689	5,200,948	681	116,059	5,317,007
<b>250+ days</b>	1,089,870	50,049,859	10,790	4,490,904	54,540,763
<b>Total</b>	<b>3,575,233</b>	<b>345,790,998</b>	<b>28,965</b>	<b>14,273,550</b>	<b>360,064,548</b>

In addition, trade accounts receivable include the following balances in relation to non-securitized bounced documents or documents in legal collection:

	December 31,2013		December 31,2012	
	No.of customers	Gross balances ThCh\$	No.of customers	Gross balances ThCh\$
<b>Notes receivable (bounced)</b>	9,915	6,459,276	8,642	5,685,647
<b>Notes receivable (legal collection)</b>	1,088	2,180,355	442	1,065,550
<b>Total</b>	<b>11,003</b>	<b>8,639,631</b>	<b>9,084</b>	<b>6,751,197</b>

## Changes in the provision for impairment:

	12,31,2013 ThCh\$	12,31,2012 ThCh\$
<b>Opening balance</b>	91,518,268	72,685,956
<b>Aquisition through business combinations</b>	3,322,525	-
<b>Increase in impairment recognized in profit or loss</b>	48,165,696	45,955,470
<b>Derecognition of impaired financial assets</b>	(32,860,814)	(26,980,999)
<b>Foreign currency exchange increase (decrease)</b>	(128,159)	(142,159)
<b>Total</b>	<b>110,017,516</b>	<b>91,518,268</b>

Trade receivables include provided but unbilled services for ThCh\$94,675,934 and ThCh\$82,726,519 at December 31, 2013 and 2012, respectively.

Trade receivables mature on the dates stated in the related invoices.

For write-off purposes, the Group takes into account the following for each client segment:

- \* People. Overdue balances are accrued for based on their aging until reaching 100% of the outstanding balance after 120 days in the case of mobile services and 300 days for home wireline services.
- \* Small and Medium Enterprises (SME) – 100% of the overdue balance is accrued for after 120 days in the case of mobile services and 180 days for wireline services.
- \* Corporations. 100% of the overdue balance is accrued for after 360 days for mobile and wireline services.
- \* Wholesale. 100% of the overdue balance is accrued for after 120 days for mobile and wireline services after performing a creditworthiness analysis of debtors

Guarantees – For customers or segments with risk of uncollectability actual guarantees are requested and/or credit insurance is contracted. Currently, in the case of intermediaries for electronic recharges for mobile services (Indirect channel), risks are mitigated by requesting Bank Guarantee Certificates and/or credit insurance contracts with reputable insurance companies.

Compliance incentives (credit improvements) – In the case of Small and Medium Enterprises, customers are encouraged to timely comply with payments in order not to be included in public or private non-compliance records /DICOM Transunion – ex Databusiness- and SIISA). In addition, for all segments (consumers/SMEs) differentiated service suspensions are performed, telephone and field collection procedures are carried out, and in some cases contracts are not renewed by the Company.

### Information on Trade and Other Receivables by Segment

The most significant disaggregation for collection purposes taking into account the business-product combination is the "people-mobile services segment".

The tables below show, in addition to the portfolio for the "people-mobile services segment", information for "all other segments" detailed by service area.

## December 31, 2013

Tramos de Morosidad	Consumers Segment										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile Services				Wireline Services				Other Services							
	Nor Renegotiated		Renegotiated		Nor Renegotiated		Renegotiated		Nor Renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment						
<b>Current</b>	75,014,466	-	6,125,073	-	3,528,547	-	8,847	-	-	-	84,676,933	-	84,676,933			
<b>1 - 30 days</b>	4,490,408	2,059,448	100,479	47,894	1,686,851	551,828	639	109	-	-	6,278,377	2,659,279	3,619,098			
<b>31 - 60 days</b>	2,724,679	1,718,710	81,570	53,024	665,782	346,620	2,131	618	-	-	3,474,162	2,118,972	1,355,190			
<b>61 - 90 days</b>	2,510,502	1,748,053	56,561	40,794	533,473	304,935	4,011	1,404	-	-	3,104,547	2,095,186	1,009,361			
<b>91 - 120 days</b>	2,647,361	2,088,290	72,468	59,250	721,949	509,782	5,212	2,606	-	-	3,446,990	2,659,928	787,062			
<b>121 - 150 days</b>	2,114,761	2,114,761	55,361	55,361	667,602	466,461	1,928	1,060	-	-	2,839,652	2,637,643	202,009			
<b>151 - 180 days</b>	1,851,655	1,851,655	58,076	58,076	448,044	355,813	1,689	1,014	-	-	2,359,464	2,266,558	92,906			
<b>181 - 210 days</b>	1,759,282	1,759,282	53,782	53,782	425,856	378,690	28,511	22,810	-	-	2,267,431	2,214,564	52,867			
<b>211 - 250 days</b>	2,730,039	2,730,038	63,963	63,963	512,824	430,274	2,623	2,099	-	-	3,309,449	3,226,374	83,075			
<b>250+ days</b>	30,493,516	30,493,297	2,694,253	2,694,253	3,709,243	3,689,850	308,109	307,959	-	-	37,205,121	37,185,359	19,762			
<b>Total</b>	<b>126,336,669</b>	<b>46,563,534</b>	<b>9,361,586</b>	<b>3,126,397</b>	<b>12,900,171</b>	<b>7,034,253</b>	<b>363,700</b>	<b>339,679</b>	-	-	<b>148,962,126</b>	<b>57,063,863</b>	<b>91,898,263</b>			

## December 31, 2013

Tramos de Morosidad	All Other Segments										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile Services				Wireline Services				Other Services							
	Nor Renegotiated		Renegotiated		Nor Renegotiated		Renegotiated		Nor Renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment						
<b>Current</b>	108,019,518	-	4,959,507	-	51,117,920	-	756,555	-	62,815	-	164,916,315	-	164,916,315			
<b>1 - 30 days</b>	21,010,382	3,113,456	101,808	6,215	9,907,167	378,439	18,518	952	1,254,299	-	32,292,174	3,499,062	28,793,112			
<b>31 - 60 days</b>	5,715,019	879,154	95,245	18,330	3,405,874	567,132	7,044	1,635	596,542	-	9,819,724	1,466,251	8,353,473			
<b>61 - 90 days</b>	2,668,755	1,329,268	108,102	41,243	1,482,996	349,230	27,018	6,192	374,279	-	4,661,150	1,725,933	2,935,217			
<b>91 - 120 days</b>	7,374,927	3,682,297	49,742	27,143	1,373,755	424,651	49,181	16,151	188,215	-	9,035,820	4,150,242	4,885,578			
<b>121 - 150 days</b>	2,887,806	2,560,811	70,415	70,415	1,244,473	483,501	21,117	9,162	115,466	-	4,339,277	3,123,889	1,215,388			
<b>151 - 180 days</b>	1,391,642	1,166,004	150,037	150,037	812,600	383,810	10,681	5,644	123,881	-	2,488,841	1,705,495	783,346			
<b>181 - 210 days</b>	1,241,678	1,058,005	317,675	317,675	948,860	595,587	9,331	5,140	67,643	-	2,585,187	1,976,407	608,780			
<b>211 - 250 days</b>	1,584,947	1,398,329	108,780	108,780	675,048	378,221	12,308	7,735	103,258	48,256	2,484,341	1,941,321	543,020			
<b>250+ days</b>	16,527,649	16,200,102	2,044,797	2,044,797	14,287,234	13,632,607	1,299,687	1,209,773	277,774	277,774	34,437,141	33,365,053	1,072,088			
<b>Total</b>	<b>168,422,323</b>	<b>31,387,426</b>	<b>8,006,108</b>	<b>2,784,635</b>	<b>85,255,927</b>	<b>17,193,178</b>	<b>2,211,440</b>	<b>1,262,384</b>	<b>3,164,172</b>	<b>326,030</b>	<b>267,059,970</b>	<b>52,953,653</b>	<b>214,106,317</b>			

## December 31, 2012

Tramos de Morosidad	Consumers Segment										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile Services				Wireline Services				Other Services							
	Nor Renegotiated		Renegotiated		Nor Renegotiated		Renegotiated		Nor Renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment						
<b>Current</b>	77,584,926	-	3,374,903	-	2,850,552	-	23,646	-	-	-	83,834,027	-	83,834,027			
<b>1 - 30 days</b>	4,730,138	2,061,326	107,791	30,990	535,404	91,018	168	28	-	-	5,373,501	2,183,362	3,190,139			
<b>31 - 60 days</b>	4,626,533	3,765,888	50,948	39,154	365,735	106,063	4,950	1,436	-	-	5,048,166	3,912,541	1,135,625			
<b>61 - 90 days</b>	3,148,002	2,895,133	56,243	48,858	271,685	95,090	9,518	3,331	-	-	3,485,448	3,042,412	443,036			
<b>91 - 120 days</b>	2,406,810	2,365,341	44,502	41,311	254,845	127,423	1,434	717	-	-	2,707,591	2,534,792	172,799			
<b>121 - 150 days</b>	2,615,769	2,615,769	45,434	38,619	205,975	113,286	2,824	1,553	-	-	2,870,002	2,769,227	100,775			
<b>151 - 180 days</b>	2,739,449	2,739,449	53,280	45,288	207,865	124,719	8,425	5,055	-	-	3,009,019	2,914,511	94,508			
<b>181 - 210 days</b>	2,384,921	2,384,921	36,095	30,681	140,575	112,460	3,908	3,126	-	-	2,565,499	2,531,188	34,311			
<b>211 - 250 days</b>	2,853,641	2,853,641	57,811	49,139	218,344	174,675	1,484	1,187	-	-	3,131,280	3,078,642	52,638			
<b>250+ days</b>	22,323,069	22,323,068	2,115,106	1,975,390	3,037,180	3,020,101	180,354	179,930	-	-	27,655,709	27,498,489	157,220			
<b>Total</b>	<b>125,413,258</b>	<b>44,004,536</b>	<b>5,942,113</b>	<b>2,299,430</b>	<b>8,088,160</b>	<b>3,964,835</b>	<b>236,711</b>	<b>196,363</b>			<b>139,680,242</b>	<b>50,465,164</b>	<b>89,215,078</b>			

## December 31, 2012

Tramos de Morosidad	All Other Segments										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile Services				Wireline Services				Other Services							
	Nor Renegotiated		Renegotiated		Nor Renegotiated		Renegotiated		Nor Renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment						
<b>Current</b>	90,876,251	-	4,249,387	-	42,343,723	-	943,927	-	2,359,117	-	140,772,405	-	140,772,405			
<b>1 - 30 days</b>	18,317,675	2,259,655	218,846	13,432	8,804,471	277,571	30,323	1,318	125,616	-	27,496,931	2,551,976	24,944,955			
<b>31 - 60 days</b>	3,975,273	561,506	43,715	9,115	3,419,348	472,731	15,929	2,650	243,328	-	7,697,593	1,046,002	6,651,591			
<b>61 - 90 days</b>	2,116,248	729,147	53,969	20,616	1,256,172	318,223	21,255	4,865	95,870	-	3,543,514	1,072,851	2,470,663			
<b>91 - 120 days</b>	1,992,330	1,072,713	31,722	17,362	1,181,976	374,426	8,614	2,699	53,546	38,695	3,268,188	1,505,895	1,762,293			
<b>121 - 150 days</b>	1,406,730	1,329,524	37,189	33,470	698,459	287,158	8,710	3,718	11,918	11,918	2,163,006	1,665,788	497,218			
<b>151 - 180 days</b>	1,074,363	1,022,688	38,286	34,458	805,462	399,709	7,207	3,808	36,910	36,910	1,962,228	1,497,573	464,655			
<b>181 - 210 days</b>	2,265,073	2,199,192	28,160	25,344	1,964,304	1,704,640	57,401	5,128	94,722	94,722	4,409,660	4,029,026	380,634			
<b>211 - 250 days</b>	1,470,121	1,431,152	42,622	38,360	609,973	312,823	14,142	8,687	48,869	48,869	2,185,727	1,839,891	345,836			
<b>250+ days</b>	9,901,329	9,701,331	1,289,887	1,170,412	14,741,364	14,038,054	905,558	887,389	46,916	46,916	26,885,054	25,844,102	1,040,952			
<b>Total</b>	<b>133,395,393</b>	<b>20,306,908</b>	<b>6,033,783</b>	<b>1,362,569</b>	<b>75,825,252</b>	<b>18,185,335</b>	<b>2,013,066</b>	<b>920,262</b>	<b>3,116,812</b>	<b>278,030</b>	<b>220,384,306</b>	<b>41,053,104</b>	<b>179,331,202</b>			

The tables above include provided but unbilled services which in the case of the people segment amount to ThCh\$59,551,162 and ThCh\$50,470,479, respectively and in the case of other segments, to ThCh\$35,124,772 and ThCh\$32,256,040, respectively.

## 9. TRADE RECEIVABLES DUE FROM RELATED PARTIES

The table below shows the detail of transactions and balances with persons or legal entities related to the mentioned parents as well as the benefits received by the Group's Board of Directors and key management personnel.

As discussed in Note 1. a), the controlling shareholder of Entel-Chile S.A. is Inversiones Altel Ltda. (Taxpayer ID 76.242.520-3), the owner of 54.76% of the Company's current shares. 99.99% of Altel Ltda. is controlled by Almendral S.A. (Taxpayer ID 94.270.000-8).

Almendral S.A. is controlled by a group of shareholders who signed a joint interest agreement on January 24, 2005. The agreement was signed by the groups Matte, Fernández León, Hurtado Vicuña, Consorcio, Izquierdo and Gianoli.

### a) Due from:

TAX ID	COMPANY	Country of origin	Relationship	Currency	CURRENT	
					12.31.2013	12.31.2012
					ThCh\$	ThCh\$
91,440,000-7	Forestal Mininco S.A.	Chile	Common Director	CLP	54,972	78,282
95,304,000-K	CMPC Maderas S.A.	Chile	Common Director	CLP	31,385	81,511
96,529,310-8	CMPC Tissue S.A.	Chile	Common Director	CLP	54,475	30,725
96,532,330-9	CMPC Celulosa S.A.	Chile	Common Director	CLP	92,058	94,548
96,768,750-2	Servicios Compartidos CMPC S.A.	Chile	Common Director	CLP	288,882	94,488
<b>Total</b>					<b>521,772</b>	<b>379,554</b>

Starting from the year 2012, balances and transactions of related parties are only reported for cases where transaction volumes are proportional greater than an annual amount of ThCh\$150,000.

### b) Transactions:

The Company conducts transactions with related parties domiciled in Chile. The detail is as follows:

TAX ID	COMPANY	Relationship	Transaction	Amount ThCh\$	12.31.2013		31.12.2012	
					Credit (debit to profit for the period)	Amount ThCh\$	Credit (debit to profit for the period)	Amount ThCh\$
91,440,000-7	Forestal Mininco S.A.	Common Director	Services provided	148,490	148,490	237,660	237,660	237,660
95,304,000-K	CMPC Maderas S.A.	Common Director	Services provided	125,831	125,831	220,416	220,416	220,416
96,529,310-8	CMPC Tissue S.A.	Common Director	Services provided	252,736	252,736	235,565	235,565	235,565
96,532,330-9	CMPC Celulosa S.A.	Common Director	Services provided	267,331	267,331	294,802	294,802	294,802
96,768,750-2	Servicios Compartidos CMPC S.A.	Common Director	Services provided	1,314,620	1,314,620	1,077,943	1,077,943	1,077,943

Telecommunication services provided to related parties correspond to standard services included in the Entel Group's business line (mobile and wireline telephone services, Internet, data services and call center).

### c) Key management personnel compensation:

The Parent is managed by a Board of Directors comprised of nine members, which compensation for the first the years 2013 and 2012, amounted to ThCh\$407,906 and ThCh\$401,142, respectively.

For the same periods, key management personnel compensation amounted to ThCh\$4,842,330 and ThCh\$4,665,752, respectively. These amounts include annual bonuses of ThCh\$2,307,155 and ThCh\$1,197,200, respectively.

The number of the key management personnel is 23 for both periods.

## 10. INVENTORIES

Inventories are primarily comprised of mobile telephone handsets and accessories. Inventories are stated in conformity with Note 3 d. and are detailed as follows:

	12.31.2013 ThCh\$	12.31.2012 ThCh\$
<b>Handsets and accesories for mobil services</b>	148,836,793	65,025,959
<b>Goods</b>	356,844	384,242
<b>Work in progress</b>	832,413	472,577
<b>Other inventories</b>	431,117	475,096
<b>Total</b>	<b>150,457,167</b>	<b>66,357,874</b>

For each period, there are no liens over items of property, plant and equipment.

Since October 1, 2012 and due to changes in contractual conditions the cost of handsets is recognized directly in profit or loss when contracts are signed.

For both periods, ThCh\$307,528,561 and ThCh\$159,183,667, respectively, were charged to profit or loss for cost of sales and/or consumption of supplies.

During 2013 and 2012, respectively, ThCh\$1,074,825 and ThCh\$7,139,316 were recognized in profit or loss for inventory writedowns, respectively from technological and/or market obsolescence. Accumulated impairment losses for each period amount to ThCh\$5,026,904 and ThCh\$6,450,645, respectively.

During 2013 and 2012, there have been no reversals of previously recognized impairment losses.

## 11. INTANGIBLE ASSETS

Intangible assets include licenses, rights of way and others, as follows:

	12,31,2013 ThCh\$	12,31,2012 ThCh\$
<b>Total intangible Assets, Net</b>	<b>133,035,056</b>	<b>30,371,241</b>
Intangible Assets with finite life, Net	133,035,056	30,371,241
Identifiable Intangible Assets, Net	133,035,056	30,371,241
Patents, Trademarks and other rights, Net	7,030,615	8,948,392
Other identifiable Intangible Assets, Net	126,004,441	21,422,849
<b>Total intangible Assets, Gross</b>	<b>194,802,167</b>	<b>64,762,909</b>
Intangible Assets with finite life, Gross	194,802,167	64,762,909
Patents, Trademarks and other rights, Gross	39,025,554	39,024,480
Other identifiable Intangible Assets, Gross	155,776,613	25,738,429
<b>Total Acumulated Amortization and Impairment, Intangible Assets</b>	<b>( 61,767,111 )</b>	<b>( 34,391,668 )</b>
Acumulated Amortization and Impairment, Identifiable Intangible Assets	(61,767,111)	(34,391,668)
Acumulated Amortization and Impairment, Patents Trademarks and other Rights	(31,994,939)	(30,076,088)
Acumulated Amortization and Impairment, other Identifiables Intangibles Assets	(29,772,172)	(4,315,580)

At December 31, 2013, the net value of the main components of intangible assets is as follows.

	Net Value	Provider	Term (Months)	Residual term (months)
<b>PATENTS, TRADEMARKS AND OTHER RIGHTS:</b>				
Customer relationships	5,287,217	Absorción CIENTEC y TRANSAM	180	132
Easements	1,196,863	Propietarios de los bienes raíces	240	145
Fiber optic cable rights of use	472,172	Global Crossing	84 - 168	23 - 35
Brands	47,931	Absorción CIENTEC y TRANSAM	48	1
Other	26,432			
<b>Total</b>	<b>7,030,615</b>			
<b>OTHER IDENTIFIABLE INTANGIBLE ASSETS:</b>				
900 MHz band concession	12,063,906	Estado de Chile	480	447
2600 MHz band concession (4G tender)	4,111,517	Estado de Chile	360	352
AWS 1700-2100 MHz band concession	54,721,685	Estado de Perú	240	240
1900 MHz band concession	39,913,772	Estado de Perú	480	425
2500 MHz band concession	8,738,399	Estado de Perú	156	128
3500 MHz band concession	6,188,074	Estado de Perú	171 - 240	85 - 240
Other	267,088			
<b>Total</b>	<b>126,004,441</b>			

Accumulated impairment losses shown in the table above relate mainly to the rights of use over optic fiber cable capacities. These accumulated impairment losses amount to ThCh\$2,857,281 at December 31, 2013 and originated mainly in prior years as a result of adjustment of such assets to their recoverable amount due to a decrease in market demand.

No fully amortized intangible assets are still in use.

There are no restrictions over the ownership of intangible assets and no total or partial guarantees have been granted over intangible assets

At December 31, 2013, the Group does not have any significant commitments for the acquisition of intangible assets.

Identified changes in intangible assets December 31, 2013 and 2012 are as follows:

December 31, 2013	Patents, Trademarks and Other Rights, Net ThCh\$	Other Identifiable Intangible Assets, Net ThCh\$	Total Identifiable Intangible Assets, Net ThCh\$
<b>Opening balance</b>	8,948,392	21,422,849	30,371,241
<b>Additions</b>	-	54,843,254	54,843,254
<b>Acquisition through business combinations</b>	-	50,210,390	50,210,390
<b>Amortization</b>	(1,918,851)	(2,036,809)	(3,955,660)
<b>Effect of movement in exchange rates</b>	-	1,579,345	1,579,345
<b>Other increases (decreases)</b>	1,074	(14,588)	(13,514)
<b>Final balance</b>	<b>7,030,615</b>	<b>126,004,441</b>	<b>133,035,056</b>

December 31, 2012	Patents, Trademarks and Other Rights, Net ThCh\$	Other Identifiable Intangible Assets, Net ThCh\$	Total Identifiable Intangible Assets, Net ThCh\$
<b>Opening balance</b>	13,141,890	17,976,543	31,118,433
<b>Additions</b>	-	4,352,628	4,352,628
<b>Amortization</b>	(3,373,823)	(893,534)	(4,267,357)
<b>Impairment loss recorded in profit or loss</b>	(696,031)	-	(696,031)
<b>Effect of movement in exchange rates</b>	-	(136,431)	(136,431)
<b>Other increases (decreases)</b>	(123,644)	123,643	(1)
<b>Final balance</b>	<b>8,948,392</b>	<b>21,422,849</b>	<b>30,371,241</b>

The amortization schedule for intangible assets is as follows:

INTANGIBLES	Assets	Minimum life or rate (years)	Maximum life or rate (years)
	<b>Patents, Trademarks and Other Rights</b>	4	20
	<b>Software</b>	4	4
	<b>Other Identifiable Intangible Assets</b>	10	40
	<b>Rights of Use over Optic Fiber Cables</b>	15	15

## 12. BUSINESS COMBINATIONS AND GOODWILL

### 12.1 Business combinations

On August 19, 2013, Entel Chile S.A. completed the acquisition of Nextel del Peru through a direct acquisition of 90% and the remaining percentage of 10% through its subsidiary Entel Inversiones S.A., after transfer by the US company NII Holdings of 100% of the shares. This transaction was announced on April 4 and amounted to US\$410.6 million for the total amount of share capital.

This transaction allows Entel S.A. to expand the sale of services and its presence in Peru, a country with a strong economy and an attractive market which presents a good potential for development.

Initial plans are to focus on strengthening the current infrastructure, network expansion and increase the sale of handsets and services to Nextel customers. The Company will continue operating under the name Nextel del Perú.

Nextel del Perú S.A. was a indirect subsidiary of NII Holdings, Inc. The Company was incorporated on December 30, 1987, with legal domicile at Av. República de Colombia No.791, San Isidro, Lima, Perú.

The Company provides mobile telephone services in Peru, through the Push-To-Talk – IDEN technology, and 3G WCDMA services. It is focused mainly on the corporate market, and its market share in the Peruvian market is approximately 5%. At December 31, 2013, the company records 1,555,663 customers.

Main effects from the business combination performed on August 19, 2013 are as follows:

Fecha de Adquisición	19.08.2013
	M\$
<b>Fair value at the acquisition date of total consideration transferred</b>	
<b>Cash transferred</b>	<b>209,279,652</b>
<b>Carrying amounts recognized starting from the acquisition date for each type of assets acquired and liabilities assumed</b>	
Financial assets	15,070,358
Inventory	14,894,876
Property, plant and equipment	93,266,325
Identifiable intangible assets	57,089,555
Other assets	99,526,542
Financial liabilities	2,201,050
Other liabilities	69,524,423
<b>Identifiable assets acquired, net</b>	<b>208,122,183</b>
<b>Additional disclosure for carrying amounts recognized starting from the acquisition date for each type of assets acquired and liabilities assumed</b>	
Assets, non-current	212,624,044
Assets, current	56,544,600
Liabilities, non-current	6,531,287
Liabilities, current	54,515,040
Trade and other payables	52,766,213
Deferred tax assets	72,947,129
Deferred tax liabilities	10,678,965
Revenue from entities acquired at the acquisition date	46,912,861
<b>Gain (loss) from entities acquired at the acquisition date</b>	<b>(13,186,086)</b>
<b>Disclosure on transactions recognized separately for assets acquired and liabilities assumed in a business combinations</b>	
Related acquisition costs recognized as expense	2,977,316
<b>Disclosure on account receivable acquired</b>	
Trade and other receivable	
Fair value of accounts	15,394,649
Contractual amounts, gross	18,719,006
Better estimation of contractual cash flows at the acquisition date that are not collectable by the trade receivables of the acquiree	3,324,357
<b>Disclosure on reconciliations and changes in goodwill</b>	
Goodwill - Opening balance	1,157,469
Changes in goodwill	
Increase (decrease) on foreing currency differences	42,312
<b>Goodwill - Balance at 12.31.2013</b>	<b>1,199,7781</b>

Entel has not provided any guarantees in connection with the transaction and there is no ownership or management relationship of Entel with the seller.

Goodwill of ThCh\$1,157,469 arising from the business combination, is due mainly to the expectations of the mobile telephone business in Peru, which shows attractive growth opportunities in an evolving market. Such goodwill is not expected to be tax deductible for income tax purposes in Chile.

## 12.2 Goodwill

Changes in goodwill are as follows:

Company	Segment	Opening balance 01.01.2012 ThCh\$	Closing balance 12.31.2012 ThCh\$	Additions M\$	Foreign currency differences ThCh\$	Closing balance 12.31.2012 ThCh\$
Entel PCS Telecomunicaciones S.A.	People	43,384,200	43,384,200	-	-	43,384,200
Cientec Computación S.A.	Corporations	2,402,281	2,402,281	-	-	2,402,281
Nextel del Perú S.A.	People	-	-	1,157,469	42,312	1,199,781
Transam Comunicación S.A.	People	108,646	108,646	-	-	108,646
Will S.A.	People	156	156	-	-	156
<b>Final balance, Net</b>		<b>45,895,283</b>	<b>45,895,283</b>	<b>1,157,469</b>	<b>42,312</b>	<b>47,095,064</b>

Goodwill is subject to annual impairment testing at each reporting date. No impairment indicators exist since the date of acquisition.

The main goodwill balances relate to the following business combinations:

**a)** The goodwill related to the investment in the subsidiary Entel PCS Telecomunicaciones S.A. arose from the merger in which the parent acquired all the assets and assumed all the liabilities of the subsidiary Entel Telefonía Personal made by the end of 2010.

The assets of the taken over company included 94.64% of the equity of Entel PCS Telecomunicaciones S.A. as well as an asset for goodwill paid generated in December 2002 as a result of the acquisition of 25% of the shares owned by Propel Inc. (USA).

When 100% of control over Entel Telefonía Personal S.A. was acquired by the Entel Group, the former had almost exclusive control over two subsidiaries in charge of significant concessions in the 1900MHz band which allowed developing the digital mobile telephone service business in Chile.

The qualitative factors considered in the goodwill recognized included the high growth potential and expected profitability of the mobile telephone business, the higher flexibility in relation to investing and operational decisions, especially considering the exclusion of a minority interest held by a foreign shareholder within the telecommunication equipment manufacturing industry, and the market position of the subsidiary at the time.

The periodic performance of impairment tests include the present and forecast contribution of revenue resulting from mobile telephone service transactions, the level of updating and capacity of technological platforms, the satisfaction level of customers, market recognition and the status of technical and marketing management.

**b)** The goodwill related to the investment in the subsidiary Cientec Computación S.A. arose from the acquisition of 100% of its shares from its prior shareholders in December 2008. The selling shareholders were Inversiones Balilia Limitada and Millenium Fondo de Inversiones Privado, legal entities not directly or indirectly related to the acquirer.

The purpose of acquiring this company was to expand the Group's capacity to offer operating continuity services within the Information Technology business. Cientec was a well reputed company in providing operating continuity business services to companies (hosting/housing services, critical business applications for IT center management, sale and training platforms).

The qualitative factors considered in the goodwill recognized relate to the reputation of Cientec among its customers, the transfer of management and higher efficiencies related to the critical customer mass.

The periodic performance of impairment tests include the maintenance and growth of market share, maintenance of service standards and the profitability and growth potential of related business area.

### 13. PROPERTY, PLANT AND EQUIPMENT

The gross values, depreciation and net values of property, plant and equipment at December 31, 2013 and 2012 are as follows

	12,31,2013 ThCh\$	12,31,2012 ThCh\$
<b>Total Property, Plant and Equipment, Net</b>	<b>1,334,268,920</b>	<b>1,117,450,216</b>
Construction in progress, Net	304,893,754	271,913,063
Land, Net	12,347,648	9,433,203
Buildings, Net	87,412,283	90,749,948
Plant and equipment, Net	871,437,918	719,405,042
IT equipment, Net	33,746,407	11,737,914
Fixed facilities and accessories, Net	13,672,739	6,519,632
Motor vehicles, Net	579,711	200,837
Leasehold improvements, net	3,504,260	1,974,240
Other property, plant and equipment, Net	6,674,200	5,516,337
<b>Total Property, Plant and Equipment, Gross</b>	<b>3,830,442,996</b>	<b>3,092,313,110</b>
Construction in progress, Gross	304,893,754	271,913,063
Land, Gross	12,347,648	9,433,203
Buildings, Gross	213,603,077	212,482,821
Plant and equipment, Gross	2,884,810,122	2,337,605,891
IT equipment, Gross	213,495,721	86,905,164
Fixed facilities and accessories, Gross	159,597,100	138,108,939
Motor vehicles, Gross	1,447,218	802,109
Leasehold improvements, Gross	19,032,237	16,181,942
Other property, plant and equipment, Gross	21,216,119	18,879,978
<b>Total Accumulated depreciation and Impairment, Property, Plant and Equipment</b>	<b>( 2,496,174,076 )</b>	<b>( 1,974,862,894 )</b>
Accumulated depreciation and Impairment, Building	(126,190,794)	(121,732,873)
Accumulated depreciation and Impairment, Plant and Equipment	(2,013,372,204)	(1,618,200,849)
Accumulated depreciation and Impairment, IT Equipment	(179,749,314)	(75,167,250)
Accumulated depreciation and Impairment, Fixed facilities and accessories	(145,924,361)	(131,589,307)
Accumulated depreciation and Impairment, Motor Vehicles	(867,507)	(601,272)
Accumulated depreciation and Impairment, Leasehold Improvements	(15,527,977)	(14,207,702)
Accumulated depreciation and Impairment, Others	(14,541,919)	(13,363,641)

Transactions in 2013 for property, plant and equipment items are as follows:

	Construction in progress	Land	Building, Net	Plant and equipment, Net	IT equipment, Net	Fixed facilities and accessories, Net	Motor vehicle, Net	Leasehold improve- ment, Net	Other property, plant and equipment, Net	Property, plant and equipment, Net
<b>Opening balance</b>	<b>271,913,063</b>	<b>9,433,203</b>	<b>90,749,948</b>	<b>719,405,042</b>	<b>11,737,914</b>	<b>6,519,632</b>	<b>200,837</b>	<b>1,974,240</b>	<b>5,516,337</b>	<b>1,117,450,216</b>
<b>Changes</b>	<b>Additions</b>	<b>221,069,744</b>	<b>2,190,455</b>	<b>8,806</b>	<b>137,378,074</b>	<b>6,099,904</b>	<b>1,131,180</b>	<b>158,887</b>	<b>7,290</b>	<b>860,440</b>
	<b>Acquisition through a business combinations</b>	<b>6,473,398</b>	<b>702,289</b>	<b>8,193,915</b>	<b>68,417,094</b>	<b>10,523,263</b>	<b>5,581,473</b>	<b>249,884</b>	<b>-</b>	<b>-</b>
	<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>( 6,955,745)</b>	<b>( 2,886,938)</b>	<b>( 1,028)</b>	<b>( 201,661)</b>	<b>( 32,095)</b>	<b>-</b>	<b>( 62,127)</b>
	<b>Depreciation expense</b>	<b>-</b>	<b>-</b>	<b>( 5,446,011)</b>	<b>( 221,164,878)</b>	<b>( 9,655,303)</b>	<b>( 2,461,847)</b>	<b>( 132,367)</b>	<b>( 1,320,276)</b>	<b>( 1,029,601)</b>
	<b>Impairment loss recognized on profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 4,112,790)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 4,112,790)</b>
	<b>Effect of changes in exchange rates</b>	<b>238,274</b>	<b>21,702</b>	<b>266,393</b>	<b>2,402,539</b>	<b>263,184</b>	<b>( 2,772)</b>	<b>7,686</b>	<b>-</b>	<b>( 35,238)</b>
	<b>Other increases (decreases)</b>	<b>( 194,800,725)</b>	<b>( 1)</b>	<b>594,977</b>	<b>171,999,775</b>	<b>14,778,473</b>	<b>3,106,734</b>	<b>126,879</b>	<b>2,843,006</b>	<b>1,424,389</b>
	<b>Total changes</b>	<b>32,980,691</b>	<b>2,914,445</b>	<b>( 3,337,665)</b>	<b>152,032,876</b>	<b>22,008,493</b>	<b>7,153,107</b>	<b>378,874</b>	<b>1,530,020</b>	<b>1,157,863</b>
<b>Final balance</b>	<b>304,893,754</b>	<b>12,347,648</b>	<b>87,412,283</b>	<b>871,437,918</b>	<b>33,746,407</b>	<b>13,672,739</b>	<b>579,711</b>	<b>3,504,260</b>	<b>6,674,200</b>	<b>1,334,268,920</b>

Transactions in 2012 for property, plant and equipment items are as follows:

	Construction in progress	Land	Building, Net	Plant and equipment, Net	IT equipment, Net	Fixed facilities and accessories, Net	Motor vehicle, Net	Leasehold improve- ment, Net	Other property, plant and equipment, Net	Property, plant and equipment, Net
<b>Opening balance</b>	<b>184,179,818</b>	<b>9,110,466</b>	<b>95,373,297</b>	<b>735,495,111</b>	<b>15,862,972</b>	<b>6,241,078</b>	<b>281,591</b>	<b>3,629,586</b>	<b>6,381,135</b>	<b>1,056,555,054</b>
<b>Changes</b>	<b>Additions</b>	<b>143,364,170</b>	<b>300,000</b>	<b>231,944</b>	<b>236,718,352</b>	<b>2,694,465</b>	<b>393,660</b>	<b>57,515</b>	<b>-</b>	<b>733,945</b>
	<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>( 6,493)</b>	<b>( 13,322,725)</b>	<b>-</b>	<b>( 59,485)</b>	<b>( 37,827)</b>	<b>-</b>	<b>( 3,566)</b>
	<b>Depreciation expense</b>	<b>-</b>	<b>-</b>	<b>( 5,458,923)</b>	<b>( 287,576,771)</b>	<b>( 8,366,881)</b>	<b>( 1,599,052)</b>	<b>( 100,264)</b>	<b>( 1,655,345)</b>	<b>( 1,045,406)</b>
	<b>Impairment loss recognized on profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 4,131,178)</b>	<b>-</b>	<b>( 47,957)</b>	<b>-</b>	<b>-</b>	<b>( 4,179,135)</b>
	<b>Effect of changes in exchange rates</b>	<b>7,697</b>	<b>( 11,762)</b>	<b>( 15,977)</b>	<b>( 166,750)</b>	<b>( 14,563)</b>	<b>( 26,765)</b>	<b>( 178)</b>	<b>-</b>	<b>( 51,653)</b>
	<b>Other increases (decreases)</b>	<b>( 55,638,622)</b>	<b>34,499</b>	<b>626,100</b>	<b>52,389,003</b>	<b>1,561,921</b>	<b>1,618,153</b>	<b>-</b>	<b>( 1)</b>	<b>( 498,118)</b>
	<b>Total changes</b>	<b>87,733,245</b>	<b>322,737</b>	<b>( 4,623,349)</b>	<b>( 16,090,069)</b>	<b>( 4,125,058)</b>	<b>278,554</b>	<b>( 80,754)</b>	<b>( 1,655,346)</b>	<b>( 864,798)</b>
	<b>Final balance</b>	<b>271,913,063</b>	<b>9,433,203</b>	<b>90,749,948</b>	<b>719,405,042</b>	<b>11,737,914</b>	<b>6,519,632</b>	<b>200,837</b>	<b>1,974,240</b>	<b>5,516,337</b>

During the periods 2013 and 2012, there have been no interests that should be charged to work in progress and materials in conformity with Note 3f.

The table below shows the net balances of property, plant and equipment under finance lease agreements.

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Building leasing, Net</b>	15,762,788	14,481,208

Leased real estate corresponds to properties used for the Group's offices. The term of current lease agreements is as follows:

	Beginning date	Completion date
<b>Stores</b>	February-98	February-18
<b>Edificio Costanera (Floor 15)</b>	September-98	August-18
<b>Edificio Costanera (Floors 12-13-14)</b>	December-98	November-18

Group companies have procedures intended to identify possible impairment losses in property, plant and equipment.

Policies intended to determine the impairment of property, plant and equipment are based on the permanent analysis of impairment indicators. When impairment is estimated to exist, the Group estimates the recoverable amount of the impaired assets.

For these purposes, the Group has asset control systems including different levels of detail for items and association to service technological platforms.

During 2013 and 2012, impairment losses arose from the retirement of equipment, damaged by the February 2010 earthquake, affected by technological changes or decreases in their recoverable amount due to decreases in the prices for certain services and client equipment that are very unlikely to be reused or sold, and equipment with remaining useful lives exceeding the estimated economic use periods.

Impairment losses for property, plant and equipment recorded in profit or loss are as follows:

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Impairment losses, Property, Plant and Equipment</b>	4,112,790	4,179,135

Impaired items of property, plant and equipment are as follows:

	01.01.2013	01.01.2012
	31.12.2013	31.12.2012
	ThCh\$	ThCh\$
<b>Customer facilities</b>	2,126,280	2,503,970
<b>Stored assets</b>	1,414,639	1,300,000
<b>Equipment</b>	-	75,165
<b>Network components</b>	571,871	300,000
<b>Total</b>	<b>4,112,790</b>	<b>4,179,135</b>

Average depreciation applied is as follows:

Assets	Minimum life or rate (years)	Maximum life or rate (years)
<b>Buildings</b>	20	50
<b>Plant and equipment</b>		
External plant	7	25
Mobile handsets	3	7
IT equipment	3	4
Fixed facilities and accessories	3	10
Motor vehicles	3	7
Leasehold improvements	5	5
<b>Others Property, Plant and Equipment</b>	<b>5</b>	<b>10</b>

For assets which useful life is completed, the Group has not determined recoverable amounts of possible gains from sale as it is difficult to forecast the complementary economic efficiency period of such assets due mainly to that fact that their ageing has increased their technological risk.

There are no ownership restrictions over any assets except for those usual for assets under finance leases. In addition, no total or partial guarantees have been granted over these assets.

At December 31, 2013 and 2012, commitments related to the acquisition of property, plant and equipment including purchase orders to suppliers and contracts related to the construction of civil works, amount to ThCh\$7,818,261 and ThCh\$3,881,424, respectively.

Property, plant and equipment do not include any items out of service with significant value.

The gross value of fixed assets that although totally depreciated are still in use amounts to ThCh\$668,400,816. In general, these assets correspond to assets with high technical obsolescence which retirement or replacement becomes economically convenient upon completion of the services being used, increase in failure risks, suspension of the technological support from the manufacturer or other circumstances. The value in use of these assets has not been estimated due to the uncertainty regarding the remaining use period.

By the end of 2009, the Fondo de Desarrollo de las Telecomunicaciones, an entity dependent of the Ministerio de Transportes y Telecomunicaciones awarded the Entel Group the project named "Proyecto Infraestructura Digital para la Competitividad e Innovación", which purpose is to provide mobile internet services to 1,400 locations in Chile.

As part of this project, as of December 31, 2013, the Group has carried out works for ThCh\$73,088,394. As per the agreement entered into with the Chilean Government, the Group has received grants of ThCh\$24,942,516. From this amount, ThCh\$23,942,860 has been recorded as goodwill for works performed and ThCh\$622,779 as advanced payments, charged to works to be performed or in the final acceptance stage.

Plant and equipment include equipment provided to customers with postpaid telephone services for ThCh\$44,786,992 at December 31, 2012, respectively. Such equipment was depreciated as stated in Note 3 f), during the first nine months of the current year.

## 14. INCOME TAX AND DEFERRED TAX

### a) General Information

At December 31, 2013 and 2012, the Group Companies' provision for income tax expense is offset by monthly provisional income tax payments.

The aggregate accumulated offsetting amounts of those companies with recoverable balances were ThCh\$19,612,669 and ThCh\$2,998,748 at December 2013 and 2012, respectively. These balances are presented within current tax assets in current assets

The aggregate balance of amounts payable was ThCh\$1,346,165 and ThCh\$5,718,341 at December 2013 and 2012, respectively, and are presented within current tax liabilities in current liabilities

The table below shows recoverable balances at December 31, 2013 as presented by certain Group companies in their respective Taxable Income Fund (FUT), as well as tax credits to be provided to shareholders when profit is distributed as dividends.

Company	Profit with tax credits	Profit with tax credits	Profit without tax credits	Tax Credits
	20%	17%	-	
Entel PCS Telecommunicaciones S.A.	446,497,034	-	-	111,624,258
Empresa Nacional de Telecomunicaciones S.A.	129,918,903	107,417,701	-	54,481,190
Entel Inversiones S.A.	1,058,439	20,655,232	245,945	4,495,194
Entel Comercial S.A.	3,487,818	-	-	871,955
Entel Contac Center S.A.	2,050,537	1,277,344	-	774,255
Entel Servicios Telefónicos S.A.	456,361	1,880,472	310,033	499,247
Entel Telefonía Local S.A.	9,755,849	-	1,760,524	2,438,962
Transam S.A.	417,214	-	395,063	104,303
<b>Totales ThCh\$</b>	<b>593,642,155</b>	<b>131,230,749</b>	<b>2,711,565</b>	<b>175,289,364</b>

## b) Deferred taxes:

Deferred tax assets and liabilities stated in conformity with Note 3k are as follows:

Concept	12.31.2013			Changes in	
	Assets	Liabilities	Profit or loss	Equity	B,combination
				ThCh\$	ThCh\$
Depreciation of property, plant and equipment	50,505,774	585,265	9,361,132	-	27,346,661
Amortization of intangible assets	10,333,337	12,354,799	520,405	-	(119,364)
Acumulaciones (or accruals)	9,901,275	-	1,639,865	-	762,697
Accruals	5,846,251	44,442	(214,111)	41,518	3,706,671
Impairment of property, plant and equipment	9,670,224	395,069	471,471	-	-
Impairment of receivables (doubtful accounts)	21,769,830	13,828	3,448,118	-	-
Derivatives adjusted to market value	60,970	5,400	83,963	68,654	-
Assets/liabilities at amortized cost	-	2,529,542	(1,444,573)	-	-
Deferred revenue	3,140,037	-	(3,682,565)	-	348,961
Assets acquired under finance leases	1,051,005	1,677,282	668,752	-	-
Assets sold under finance leases	361,988	766,204	43,037	-	-
Tax losses	43,497,342	-	9,180,203	-	33,341,505
Other	3,849,316	1,488,024	(798,012)	-	(962,560)
<b>Totales</b>	<b>159,987,349</b>	<b>19,859,855</b>	<b>19,277,685</b>	<b>110,172</b>	<b>64,424,571</b>

Conceptos	12.31.2012			Changes in	
	Assets	Liabilities	Profit or loss	Equity	B,combination
				ThCh\$	ThCh\$
Depreciation of property, plant and equipment	13,797,981	585,265	13,743,182	-	-
Amortization of intangible assets	676,418	3,098,921	472,563	-	-
Acumulaciones (or accruals)	7,498,713	-	1,929,059	-	-
Accruals	2,275,515	7,784	1,501,310	-	-
Impairment of property, plant and equipment	9,146,022	342,338	701,940	-	-
Impairment of receivables (doubtful accounts)	18,317,861	9,977	5,368,916	-	-
Derivatives adjusted to market value	-	97,047	831,731	(245,657)	-
Assets/liabilities at amortized cost	-	1,084,969	(658,991)	-	-
Deferred revenue	6,473,641	-	(387,431)	-	-
Assets acquired under finance leases	1,601,213	2,896,242	(366,642)	-	-
Assets sold under finance leases	427,373	874,626	(22,590)	-	-
Tax losses	975,634	-	(13,790)	-	-
Other	4,217,753	95,889	2,303,158	-	-
<b>Totales</b>	<b>65,408,124</b>	<b>9,093,058</b>	<b>25,402,415</b>	<b>(245,657)</b>	<b>-</b>

## c) Unrecognized deferred tax asset

Certain subsidiaries have not recognized deferred taxes in relation to the use of tax losses against future profit. At the end of each period, unrecognized tax assets that do not expire amount to ThCh\$3,094,310 and ThCh\$4,758,309, respectively.

## d) Current and deferred expense (income)

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>CURRENT INCOME TAX EXPENSE</b>		
Current Tax Expense	48,740,714	56,924,599
Adjustments to current tax from prior period	113,042	
Other current tax expense (income)	375,630	(179,951)
<b>Current tax expense, Net, Total</b>	<b>49,229,386</b>	<b>56,744,648</b>
<b>Deferred Income Tax Expense</b>		
Tax Expense (Income) related to the Origination and Reversal of Temporary Differences	(19,277,685)	(20,331,471)
Tax Expense (Income) related to changes in tax rate or new rates	-	(5,070,944)
<b>Gasto (Ingreso) por Impuestos Diferidos, Neto, Total</b>	<b>(19,277,685)</b>	<b>(25,402,415)</b>
<b>Income Tax Expense (Income)</b>	<b>29,951,701</b>	<b>31,342,233</b>

## e) Reconciliation between the domestic tax rate and the effective tax rate:

For each period, the reconciliation between the expense using the domestic tax rate and expense using the effective tax rate is as follows:

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Income Tax Expense Using the Domestic Tax Rate</b>		
	35,380,109	39,912,588
<b>Effect of Tax Rates in Foreign Jurisdictions</b>	<b>(1,670,780)</b>	<b>(108,538)</b>
<b>TAX EFFECT FROM PERMANENT DIFFERENCES</b>		
Adjustments/Fluctuation of Tax Investments	2,579,125	648,992
Price-level adjustment on paid-in capital	(5,865,514)	(4,707,107)
Tax estimated using the Domestic Tax Rate	(529,604)	(5,241,755)
Other Increases (Decreases) in expenses using the Domestic Tax Rate	58,365	838,053
<b>Adjustments to Tax Expense Using the Domestic Tax Rate, Total</b>	<b>(5,428,408)</b>	<b>(8,570,355)</b>
<b>Tax Expense Using the Effective Tax Rate</b>	<b>29,951,701</b>	<b>31,342,233</b>

## f) Reconciliation between the domestic tax rate and the effective tax rate (in percentages):

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Domestic Tax Rate</b>		
	20.00%	20.00%
<b>Effect of Tax Rates in Foreign Jurisdictions</b>	<b>-0.94%</b>	<b>-0.05%</b>
<b>EFFECTO EN LA TASA IMPOSITIVA DE</b>		
Adjustments/Fluctuation of Tax Investments	1.46%	0.33%
Price-level adjustment on paid-in capital	-3.32%	-2.37%
Tax estimated using the Domestic Tax Rate	-0.30%	-2.64%
Other increase (decrease) in expenses using the domestic tax rate	0.03%	0.52%
<b>Adjustments to the Domestic Tax Rate, Total</b>	<b>-3.07%</b>	<b>-4.21%</b>
<b>Effective Tax Rate</b>	<b>16.93%</b>	<b>15.79%</b>

## 15. OTHER FINANCIAL LIABILITIES

At December 31, 2013 and 2012, other financial liabilities are as follows:

	12.31.2013 ThCh\$	12.31.2012 ThCh\$
<b>CURRENT</b>		
Interest bearing borrowings	494,033	3,130,589
Liabilities with bond holders	4,262,456	-
Finance lease liabilities	2,900,629	1,785,360
Derivatives - Not designated as hedges	18,720,508	23,059,425
Derivatives - Designated as hedges	865,480	72,155
<b>Subtotal Current</b>	<b>27,243,106</b>	<b>28,047,529</b>
<b>NON-CURRENT</b>		
Interest bearing borrowings	287,219,648	380,418,653
Liabilities with bond holders	515,681,614	-
Finance lease liabilities	4,498,076	6,655,929
Derivatives - Not designated as hedges	-	64,768
Derivatives - Designated as hedges	5,751,774	20,597,548
<b>Subtotal Non-current</b>	<b>813,151,112</b>	<b>407,736,898</b>
<b>Total Other Financial Liabilities</b>	<b>840,394,218</b>	<b>435,784,427</b>

**a) Interest bearing borrowings** –At December 31, 2013, outstanding bank loans were as follows:

\* Joint loan provided by the Bank of Tokyo-Mitsubishi UFJ, Ltd., HSBC Bank USA, Mizuho Corporate Bank Ltd. and Scotiabank & Trust (Cayman) Ltd. obtained in September 2012 for USD\$400 million and payable over a five-year period in installments of USD\$100 million in September 2015, USD\$150 million in September 2016, and USD\$150 million in September 2017. The outstanding balance is USD \$400 million at an interest rate of Libor USD 90 days + 1.30%.

\* Loan provided by Banco Santander – Chile in December 2013, for ThCh\$79,500,000, at a term of 19 months considering Nominal TAB interest rate plus an annual variable spread of minus 50 and 30 annual percentage points.

**b) Liabilities with bond holders** – this balance corresponds to placement of bonds in the international market in October 2013 for US\$1,000 million, with an average maturity of ten years and a fixed rate of 4.875%.

**c) Derivatives used for hedging** – cash flow hedges – this balance correspond to the market value of derivative contracts that have been designated as exchange rate and interest rate hedges, Cross Currency Swap (CCS) for bond placement. These derivatives hedged liabilities of US\$749 million at a fixed rate of 4.875% debt in UF of 8.69 million and liabilities in Chilean pesos of ThCh\$192,091,000, both at rates ranging from 3.94% to 7.33%.

**d) Derivatives designated at fair value through profit or loss** – forward foreign currency buy/sell contracts (FR) including the purchase obligation of US\$621 million and €3 million (ThCh\$318,209,825). In addition, CCS contracts are included maturing in June 2014, which comprise the substitution of liabilities for US\$86,6 million at a LIBOR rate of 90 days plus 0.325% for liabilities in Unidades de Fomento (U.F.) 2,246 million and liabilities in Chilean pesos of ThCh\$11,300,000, both at rates ranging from 2.95% to 5.58%.

In determining the market value of derivatives, cash flows are discounted considering inputs (interest rates) quoted in active markets. Accordingly, market values determined are classified in level 2 of the hierarchy established by IFRS 7.

The maturity schedule of Other financial liabilities plus Trade and other receivables at December 31, 2012 and 2011 is shown in the table below. The information is based on a comparison between carrying amounts (fair value or amortized cost, as applicable) and nominal values (projected cash flows at nominal value).

#### MATURITY OF FINANCIAL LIABILITIES DECEMBER 31,2013

Creditor	Type of Liability	NOMINAL VALUES						CARRYING AMOUNTS					
		Total Debt		Term in days		Term in years		Total Debt		Term in days		Term in years	
		ThCh\$	0 - 90 days	91 days - 1 year	1 - 3	3 - 5	5+	ThCh\$	0 - 90 days	91 days - 1 year	1 - 3	3 - 5	5+
The Bank of Tokyo-Mitsubishi UFJ, Ltd	Loans	54,870,334	270,454	685,150	34,051,917	19,862,813	-	51,661,180	31,497	-	32,348,288	19,281,395	-
Scotiabank & Trust (Cayman) Ltd	Loans	54,870,333	270,454	685,150	34,051,916	19,862,813	-	51,661,180	31,497	-	32,348,288	19,281,395	-
Mizuho Corporate Bank, Ltd.	Loans	54,870,334	270,454	685,150	34,051,917	19,862,813	-	51,661,180	31,497	-	32,348,288	19,281,395	-
HSBC Bank USA, National Association	Loans	54,870,334	270,454	685,150	34,051,917	19,862,813	-	51,661,179	31,496	-	32,348,289	19,281,394	-
Banco Santander-Chile	Loans	85,305,977	812,578	2,640,173	81,853,226	-	-	79,154,968	49,025	-	79,105,943	-	-
Claro Infraestructura S.A. (Telmex S.A.)	Loans	2,468,322	493,664	-	987,329	987,329	-	1,913,994	319,021	-	728,026	866,947	-
<b>Subtotal</b>		<b>307,255,634</b>	<b>2,388,058</b>	<b>5,380,773</b>	<b>219,048,222</b>	<b>80,438,581</b>	<b>0</b>	<b>287,713,681</b>	<b>494,033</b>	<b>0</b>	<b>209,227,122</b>	<b>77,992,526</b>	<b>0</b>
<b>Obligations to Bondholders</b>	<b>Bonds</b>	<b>776,094,918</b>	<b>6,393,684</b>	<b>19,181,053</b>	<b>51,149,475</b>	<b>51,149,475</b>	<b>648,221,231</b>	<b>519,944,070</b>	<b>-</b>	<b>4,262,456</b>	<b>-</b>	<b>-</b>	<b>515,681,614</b>
Banco de Crédito e Inversiones	Derivatives - designated as hedges	0	-	-	-	-	-	1,143,892	-	-	-	-	1,143,892
Banco de Chile	Derivatives - designated as hedges	0	-	-	-	-	-	61,995	-	-	-	-	61,995
Banco de Chile	Derivatives - designated as hedges	6,734,832	169,539	513,992	1,372,439	1,367,063	3,311,799	829,327	-	120,194	-	-	709,133
Banco Santander - Chile	Derivatives - designated as hedges	16,894,123	424,963	1,289,396	3,443,223	3,428,716	8,307,825	330,885	-	302,650	-	-	28,235
Banco Santander - Chile	Derivatives - designated as hedges	0	-	-	-	-	-	1,425,743	-	-	-	-	1,425,743
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - designated as hedges	0	-	-	-	-	-	453,479	-	-	-	-	453,479
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - designated as hedges	6,675,690	168,041	509,480	1,360,402	1,355,042	3,282,725	821,183	-	119,173	-	-	702,010
The Bank of Nova Scotia	Derivatives - designated as hedges	6,742,030	169,721	514,541	1,373,904	1,368,526	3,315,338	1,286,008	-	238,724	-	-	1,047,284
Corpbanca	Derivatives - designated as hedges	3,258,469	82,009	248,685	664,046	661,388	1,602,341	238,220	-	58,217	-	-	180,003
<b>Subtotal</b>		<b>40,305,144</b>	<b>1,014,273</b>	<b>3,076,094</b>	<b>8,214,014</b>	<b>8,180,735</b>	<b>19,820,028</b>	<b>6,590,732</b>	<b>0</b>	<b>838,958</b>	<b>0</b>	<b>0</b>	<b>5,751,774</b>
Deutsche Bank (Chile)	Derivatives - Not designated as hedges	17,680,765	167,802	8,753,477	27,995	8,731,491	-	8,759,486	27,995	8,731,491	-	-	-
Banco Santander - Chile	Derivatives - Not designated as hedges	8,887,193	84,556	4,399,526	14,106	4,389,005	-	4,403,111	14,106	4,389,005	-	-	-
Banco de Chile	Derivatives - Not designated as hedges	731,346	53,490	348,690	8,921	320,245	-	329,166	8,921	320,245	-	-	-
Scotiabank Chile	Derivatives - Not designated as hedges	9,111,243	87,977	4,508,285	14,676	4,500,305	-	4,514,981	14,676	4,500,305	-	-	-
Scotiabank Chile	Derivatives - Not designated as hedges	1,178,822	78,734	572,236	13,133	514,719	-	527,852	13,133	514,719	-	-	-
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - Not designated as hedges	13,070	12,200	870	-	-	-	7,029	7,029	-	-	-	-
Corpbanca	Derivatives - Not designated as hedges	2,850	2,850	-	-	-	-	267	267	-	-	-	-
HSBC Bank (Chile)	Derivatives - Not designated as hedges	17,615	-	17,615	-	-	-	0	-	-	-	-	-
JP Morgan Chase Bank, N.A.	Derivatives - Not designated as hedges	26,360	-	26,360	-	-	-	44	-	44	-	-	-
Banco de Crédito e Inversiones	Derivatives - Not designated as hedges	130,210	130,210	-	-	-	-	117,120	117,120	-	-	-	-
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - Not designated as hedges	5,560	5,560	-	-	-	-	0	-	-	-	-	-
Corpbanca	Derivatives - Not designated as hedges	5,330	5,330	-	-	-	-	0	-	-	-	-	-
Banco del Estado de Chile	Derivatives - Not designated as hedges	13,920	13,920	-	-	-	-	11,214	11,214	-	-	-	-
Scotiabank Chile	Derivatives - Not designated as hedges	13,830	13,830	-	-	-	-	11,848	11,848	-	-	-	-
Scotiabank Chile	Derivatives - Not designated as hedges	86,320	86,320	-	-	-	-	38,390	38,390	-	-	-	-
Banco de Credito del Peru	Derivatives - Not designated as hedges	18,568	18,568	-	-	-	-	18,480	18,480	-	-	-	-
Scotiabank	Derivatives - Not designated as hedges	8,263	2,341	5,922	-	-	-	8,042	2,319	5,723	-	-	-
<b>Subtotal</b>		<b>37,931,265</b>	<b>763,688</b>	<b>18,632,981</b>	<b>78,831</b>	<b>18,455,765</b>	<b>0</b>	<b>18,747,030</b>	<b>285,498</b>	<b>18,461,532</b>	<b>0</b>	<b>0</b>	<b>0</b>
Consorcio Nacional de Seguros S.A.	Finance lease	4,627,669	234,209	702,628	1,873,675	1,800,993	16,164	3,818,139	204,984	489,516	1,465,308	1,658,331	-
Chilena Consolidada Seguros de Vida S.A.	Finance lease	1,065,558	57,083	171,250	456,668	380,557	-	884,411	39,389	123,065	367,159	354,798	-
Banco Bice Leasing Financiero	Finance lease	723,318	43,399	130,197	347,193	202,529	-	613,122	31,311	97,778	291,307	192,726	-
Bice Vida Cía, de Seguros de Vida S.A.	Finance lease	278,854	24,605	73,814	180,435	-	-	251,315	20,157	62,711	168,447	-	-
Banco de Credito del Peru	Finance lease	1,896,465	474,116	1,422,349	-	-	-	1,831,718	461,361	1,370,357	-	-	-
<b>Subtotal</b>		<b>8,591,864</b>	<b>833,412</b>	<b>2,500,238</b>	<b>2,857,971</b>	<b>2,384,079</b>	<b>16,164</b>	<b>7,398,705</b>	<b>757,202</b>	<b>2,143,427</b>	<b>2,292,221</b>	<b>2,205,855</b>	<b>0</b>
Trade payables and others	Commercial credit	466,529,349	466,529,349	-	-	-	-	466,529,349	466,529,349	-	-	-	-
<b>TOTAL</b>		<b>1,636,708,174</b>	<b>477,922,464</b>	<b>48,771,139</b>	<b>281,348,513</b>	<b>160,608,635</b>	<b>668,057,423</b>	<b>1,306,923,567</b>	<b>468,066,082</b>	<b>25,706,373</b>	<b>211,519,343</b>	<b>80,198,381</b>	<b>521,433,388</b>

## MATURITY OF FINANCIAL LIABILITIES DECEMBER 31,2012

Creditor	Type of Liability	NOMINAL VALUES						CARRYING AMOUNTS						
		Total Debt ThCh\$	Term in days			Term in years			Total Debt ThCh\$	Term in days			Term in years	
			0 - 90 days	91 days - 1 year	1 - 3	3 - 5	5+	0 - 90 days	91 days - 1 year	1 - 3	3 - 5	5+		
Banco de Crédito e Inversiones	Loans	2,653,478	2,653,478	-	-	-	-	2,653,478	2,653,478	-	-	-	-	
Citibank N.A. (sindicado)	Loans	96,894,197	203,503	468,057	96,222,637	-	-	95,748,128	23,631	-	95,724,497	-	-	
The Bank of Tokyo-Mitsubishi UFJ, Ltd (deal)	Loans	100,269,328	459,482	1,056,809	62,083,385	36,669,652	-	94,506,694	53,494	-	59,302,836	35,150,364	-	
& Trust (Cayman) Ltd (deal)	Loans	100,269,318	459,480	1,056,806	62,083,382	36,669,650	-	94,506,694	53,494	-	59,302,836	35,150,364	-	
Mizuho Corporate Bank, Ltd,	Loans	51,072,955	257,739	592,799	13,552,765	36,669,652	-	46,986,142	30,013	-	11,805,764	35,150,365	-	
HSBC Bank USA, National Association	Loans	51,072,955	257,739	592,799	13,552,765	36,669,652	-	46,986,142	30,013	-	11,805,764	35,150,365	-	
Claro Infraestructura S.A. (Telmex S.A.)	Loans	2,902,414	483,736	-	967,471	967,471	483,736	2,161,964	-	286,466	653,733	778,477	443,288	
<b>Subtotal</b>		<b>405,134,645</b>	<b>4,775,157</b>	<b>3,767,270</b>	<b>248,462,405</b>	<b>147,646,077</b>	<b>483,736</b>	<b>383,549,242</b>	<b>2,844,123</b>	<b>286,466</b>	<b>238,595,430</b>	<b>141,379,935</b>	<b>443,288</b>	
Deutsche Bank (Chile)	Derivatives - designated as hedges	10,525,160	163,475	484,970	9,876,715	-	-	9,417,147	25,448	-	9,391,699	-	-	
Banco Santander - Chile	Derivatives - designated as hedges	5,280,776	82,379	237,069	4,961,328	-	-	4,733,115	12,824	-	4,720,291	-	-	
Banco de Chile	Derivatives - designated as hedges	953,391	53,389	163,134	736,868	-	-	648,097	8,309	-	639,788	-	-	
Scotiabank Chile	Derivatives - designated as hedges	5,403,699	85,731	246,716	5,071,252	-	-	4,851,709	13,346	-	4,838,363	-	-	
Scotiabank Chile	Derivatives - designated as hedges	1,527,409	78,566	240,061	1,208,782	-	-	1,019,635	12,228	-	1,007,407	-	-	
<b>Subtotal</b>		<b>23,690,435</b>	<b>463,540</b>	<b>1,371,950</b>	<b>21,854,945</b>	<b>0</b>	<b>0</b>	<b>20,669,703</b>	<b>72,155</b>	<b>0</b>	<b>20,597,548</b>	<b>0</b>	<b>0</b>	
Deutsche Bank (Chile)	Derivatives - Not designated as hedges	9,878,530	163,475	9,715,055	-	-	-	9,381,133	25,448	-	9,355,685	-	-	
Banco Santander - Chile	Derivatives - Not designated as hedges	4,962,244	82,379	4,879,865	-	-	-	4,713,165	12,824	-	4,700,341	-	-	
Banco de Chile	Derivatives - Not designated as hedges	737,460	53,389	684,071	-	-	-	652,807	8,309	-	644,498	-	-	
Scotiabank Chile	Derivatives - Not designated as hedges	5,072,205	85,731	4,986,474	-	-	-	4,821,345	13,345	-	4,808,000	-	-	
Scotiabank Chile	Derivatives - Not designated as hedges	1,209,656	78,566	1,131,090	-	-	-	1,067,287	12,229	-	1,055,058	-	-	
Banco de Crédito e Inversiones	Derivatives - Not designated as hedges	1,812,995	114,250	1,116,605	582,140	-	-	464,553	76,142	-	369,543	18,868	-	
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - Not designated as hedges	3,604,510	123,200	1,508,400	1,972,910	-	-	743,066	107,599	-	621,165	14,302	-	
Corpbanca	Derivatives - Not designated as hedges	2,253,965	52,700	165,195	2,036,070	-	-	211,765	43,771	-	136,396	31,598	-	
Banco de Chile	Derivatives - Not designated as hedges	315,980	183,100	132,880	-	-	-	159,102	118,753	-	40,349	-	-	
Banco Santander - Chile	Derivatives - Not designated as hedges	1,651,650	-	1,211,870	439,780	-	-	70,603	-	-	70,603	-	-	
Banco del Estado de Chile	Derivatives - Not designated as hedges	1,019,835	-	351,125	668,710	-	-	133,563	-	-	133,563	-	-	
HSBC Bank (Chile)	Derivatives - Not designated as hedges	979,855	250,000	729,855	-	-	-	358,470	223,932	-	134,538	-	-	
Scotiabank Chile	Derivatives - Not designated as hedges	735,950	-	735,950	-	-	-	113,469	-	-	113,469	-	-	
Bank of America N.A.	Derivatives - Not designated as hedges	420,080	97,160	322,920	-	-	-	77,681	77,681	-	-	-	-	
JP Morgan Chase Bank, N.A.	Derivatives - Not designated as hedges	544,625	-	422,490	122,135	-	-	74,518	-	-	74,518	-	-	
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - Not designated as hedges	40,080	40,080	-	-	-	-	22,273	22,273	-	-	-	-	
Corpbanca	Derivatives - Not designated as hedges	31,910	31,910	-	-	-	-	22,431	22,431	-	-	-	-	
Banco de Chile	Derivatives - Not designated as hedges	9,480	9,480	-	-	-	-	6,184	6,184	-	-	-	-	
Banco Santander - Chile	Derivatives - Not designated as hedges	11,925	11,925	-	-	-	-	6,161	6,161	-	-	-	-	
Banco del Estado de Chile	Derivatives - Not designated as hedges	6,650	6,650	-	-	-	-	3,826	3,826	-	-	-	-	
HSBC Bank (Chile)	Derivatives - Not designated as hedges	21,270	21,270	-	-	-	-	15,955	15,955	-	-	-	-	
Scotiabank Chile	Derivatives - Not designated as hedges	6,490	6,490	-	-	-	-	4,836	4,836	-	-	-	-	
<b>Subtotal</b>		<b>35,327,345</b>	<b>1,411,755</b>	<b>28,093,845</b>	<b>5,821,745</b>	<b>0</b>	<b>0</b>	<b>23,124,193</b>	<b>801,699</b>	<b>22,257,726</b>	<b>64,768</b>	<b>0</b>	<b>0</b>	
Consorcio Nacional de Seguros S.A.	Finance lease	7,739,670	476,839	1,430,517	3,149,548	1,835,990	846,776	6,388,513	351,196	1,095,061	2,569,462	1,560,610	812,184	
Chilena Consolidada Seguros de Vida S.A.	Finance lease	1,267,868	55,935	167,806	447,483	447,483	149,161	1,013,431	35,595	111,213	331,797	390,110	144,716	
Banco Bice	Finance lease	878,876	42,526	127,579	340,210	340,210	28,351	717,563	28,324	88,449	263,514	309,208	28,068	
Bice Vida Cia, de Seguros de Vida S.A.	Finance lease	369,685	24,110	72,330	192,879	80,366	-	321,782	18,370	57,152	168,509	77,751	-	
<b>Subtotal</b>		<b>10,256,099</b>	<b>599,410</b>	<b>1,798,232</b>	<b>4,130,120</b>	<b>2,704,049</b>	<b>1,024,288</b>	<b>8,441,289</b>	<b>433,485</b>	<b>1,351,875</b>	<b>3,333,282</b>	<b>2,337,679</b>	<b>984,968</b>	
Trade payables and others	Commercial credit	466,529,349	466,529,349	-	-	-	-	373,510,494	373,510,494	-	-	-	-	
<b>TOTAL</b>		<b>847,919,018</b>	<b>380,760,356</b>	<b>35,031,297</b>	<b>280,269,215</b>	<b>150,350,126</b>	<b>1,508,024</b>	<b>809,294,921</b>	<b>377,661,956</b>	<b>23,896,067</b>	<b>262,591,028</b>	<b>143,717,614</b>	<b>1,428,256</b>	

For purposes of measurement, the maturity profile of nominal cash flows within Other financial liabilities shown in the table above has considered the cash flows related to the repayment of principal and interest (not discounted values) in the case of financial debts, and the clearing value of financial derivative contracts with negative balances using exchange rates in force at the reporting date.

In the case of Other financial liabilities included in the table above, the table below shows the detail of each liability identifying the debtor Group companies, the related creditor, country of origin and the financial conditions of the liabilities:

At 12.31.2013										
Debtor's Tax ID	Debtor	Country	Creditor's Tax ID	Creditor	Country	Currency	Type of Amortization	Effective rate	Nominal rate	
92.580.000-7	Entel S.A.	Chile	0-E	The Bank of Tokyo-Mitsubishi UFJ, Ltd (deal)	Estados Unidos	USD	Deferred annual	2.83%	Libor USD 90D + 1.3%	
92.580.000-7	Entel S.A.	Chile	0-E	Scotiabank & Trust (Cayman) Ltd (deal)	Estados Unidos	USD	Deferred annual	2.83%	Libor USD 90D + 1.3%	
92.580.000-7	Entel S.A.	Chile	0-E	Mizuho Corporate Bank, Ltd.	Estados Unidos	USD	Deferred annual	2.83%	Libor USD 90D + 1.3%	
92.580.000-7	Entel S.A.	Chile	0-E	HSBC Bank USA, National Association	Estados Unidos	USD	Deferred annual	2.83%	Libor USD 90D + 1.3%	
92.580.000-7	Entel S.A.	Chile	97.036.000-K	Banco Santander-Chile	Chile	CLP	Deferred annual	TAB CLP 30 days	TAB CLP 30 days - 50 bps	
92.580.000-7	Entel S.A.	Chile	88.381.200-K	Claro Infraestructura S.A. (Telmex S.A.)	Chile	UF	Annual	9.12%	8.70%	
92.580.000-7	Entel S.A.	Chile	0-E	Deutsche Bank Trust Company Americas	Estados Unidos	USD	Deferred annual	5.02%	4.88%	
92.580.000-7	Entel S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	UF	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.036.000-K	Banco Santander - Chile	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.036.000-K	Banco Santander - Chile	Chile	UF	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	UF	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	0-E	The Bank of Nova Scotia	Canadá	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.023.000-9	Corpbanca	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	96.929.050-2	Deutsche Bank (Chile)	Chile	UF	Deferred annual	-	-	
92.580.000-7	Entel S.A.	Chile	97.036.000-K	Banco Santander - Chile	Chile	UF	Deferred annual	-	-	
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	CLP	Deferred annual	-	-	
92.580.000-7	Entel S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	UF	Deferred annual	-	-	
92.580.000-7	Entel S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	CLP	Deferred annual	-	-	
92.580.000-7	Entel S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.023.000-9	Corpbanca	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.951.000-4	HSBC Bank (Chile)	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.043.000-8	JP Morgan Chase Bank, N.A.	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.023.000-9	Corpbanca	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.030.000-7	Banco del Estado de Chile	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.951.000-4	HSBC Bank (Chile)	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	CLP	-	-	-	
0-E	Nextel Perú	Perú	0-E	Banco de Crédito del Perú	Perú	PEN	-	-	-	
0-E	Nextel Perú	Perú	0-E	Scotiabank	Perú	PEN	-	-	-	
92.580.000-7	Entel S.A.	Chile	99.012.000-5	Consorcio Nacional de Seguros S.A.	Chile	UF	Monthly	8.03%	8.03%	
92.580.000-7	Entel S.A.	Chile	99.185.000-7	Chilena Consolidada Seguros de Vida S.A.	Chile	UF	Monthly	8.43%	8.43%	
92.580.000-7	Entel S.A.	Chile	97.080.000-K	Banco Bice Leasing Financiero	Chile	UF	Monthly	8.32%	8.32%	
92.580.000-7	Entel S.A.	Chile	96.656.410-5	Bice Vida Cía. de Seguros de Vida S.A.	Chile	UF	Monthly	7.52%	7.52%	
0-E	Nextel Perú	Perú	0-E	Banco de Credito del Perú	Perú	USD	Monthly	7.27%; 8%	7.4%; 8%	

At 12.31.2012										
Debtor's Tax ID	Debtor	Country	Creditor's Tax ID	Creditor	Country	Currency	Type of Amortization	Effective rate	Nominal rate	
92.580.000-7	Entel S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	CLP	Monthly	8.64%	Corriente	
92.580.000-7	Entel S.A.	Chile	0-E	Citibank N.A. (sindicado)	Estados Unidos	USD	Deferred annual	5.02%	Libor USD90 d + 0.325%	
92.580.000-7	Entel S.A.	Chile	0-E	The Bank of Tokyo-Mitsubishi UFJ, Ltd (deal)	Estados Unidos	USD	Deferred annual	2.24% ; 2.83%	Libor USD90 d + 0.95% ; 1.3%	
92.580.000-7	Entel S.A.	Chile	0-E	Scotiabank & Trust (Cayman) Ltd (deal)	Islas Caimán	USD	Deferred annual	2.24% ; 2.83%	Libor USD90 d + 0.95% ; 1.3%	
92.580.000-7	Entel S.A.	Chile	0-E	Mizuho Corporate Bank, Ltd.	Estados Unidos	USD	Deferred annual	2.83%	Libor USD 90D + 1.3%	
92.580.000-7	Entel S.A.	Chile	0-E	HSBC Bank USA, National Association	Estados Unidos	USD	Deferred annual	2.83%	Libor USD 90D + 1.3%	
92.580.000-7	Entel S.A.	Chile	88.381.200-K	Claro Infraestructura S.A. (Telmex S.A.)	Chile	UF	Annual	9.12%	8.70%	
92.580.000-7	Entel S.A.	Chile	96.929.050-2	Deutsche Bank (Chile)	Chile	UF	Deferred annual	-	-	
92.580.000-7	Entel S.A.	Chile	97.036.000-K	Banco Santander - Chile	Chile	UF	Deferred annual	-	-	
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	CLP	Deferred annual	-	-	
92.580.000-7	Entel S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	UF	Deferred annual	-	-	
92.580.000-7	Entel S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	CLP	Deferred annual	-	-	
92.580.000-7	Entel S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.023.000-9	Corpbanca	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.036.000-k	Banco Santander - Chile	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.030.000-7	Banco del Estado de Chile	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.951.000-4	HSBC Bank (Chile)	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	0-E	Bank of America N.A.	Estados Unidos	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.043.000-8	JP Morgan Chase Bank, N.A.	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.023.000-9	Corpbanca	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.004.000-5	Banco de Chile	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.036.000-K	Banco Santander - Chile	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97..030.000-7	Banco del Estado de Chile	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.951.000-4	HSBC Bank (Chile)	Chile	CLP	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	CLP	-	-	-	
92.580.000-7	Entel S.A.	Chile	99.012.000-5	Consortio Nacional de Seguros S.A.	Chile	UF	Monthly	8.03%	8.03%	
92.580.000-7	Entel S.A.	Chile	99.185.000-7	Chilena Consolidada Seguros de Vida S.A.	Chile	UF	Monthly	8.43%	8.43%	
92.580.000-7	Entel S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	Monthly	8.32%	8.32%	
92.580.000-7	Entel S.A.	Chile	96.656.410-5	Bice Vida Cia. de Seguros de Vida S.A.	Chile	UF	Monthly	7.52%	7.52%	

Liquidity risks are controlled through the financial planning which considers debt policies and possible sources of financing from third parties. The low indebtedness level of the Group companies as well as access to domestic and international financing through bank borrowings and the placement of debt securities allow discarding long-term liquidity risks, except for those related to systemic alterations in financial markets.

The maturity schedules above include different liabilities related to finance lease agreements, as follows:

	12.31.2013			12.31.2012		
	Gross	Interest	Present value	Gross	Interest	Present value
Less than one year	3,338,773	(438,144)	2,900,629	2,397,643	(612,283)	1,785,360
From 1 to 5 years	5,242,049	(743,973)	4,498,076	6,834,171	(1,163,210)	5,670,961
Over five years	-	-	-	1,024,289	(39,321)	984,968
<b>Total</b>	<b>8,580,822</b>	<b>(1,182,117)</b>	<b>7,398,705</b>	<b>10,256,103</b>	<b>(1,814,814)</b>	<b>8,441,289</b>

The parent has two contracts for the issuance of dematerialized, bearer Securities Line Bonds each for a maximum of up to UF5,000,000, with terms of 10 and 30 years, respectively. There are also Supplementary Deeds establishing specific placement conditions in line with the provisions of the related contracts.

The bond issue contracts represent an alternative source of financing to be used when favorable market and economic conditions for bond issue exist.

## 16. TRADE AND OTHER PAYABLES

Trade and other payables are as follows:

	12.31.2013 ThCh\$	12.31.2012 ThCh\$
<b>TRADE PAYABLES</b>		
Foreign correspondents	3,796,293	2,482,533
Telecommunications suppliers	34,604,898	36,975,228
Foreign suppliers	42,326,450	14,825,194
Domestic suppliers	329,263,114	262,214,339
Other payables		
Employee benefits	22,853,276	17,965,905
Dividends payable	10,500,255	16,925,116
Other (Value added Tax debit and withholding taxes)	23,185,063	22,122,179
<b>Total</b>	<b>466,529,349</b>	<b>373,510,494</b>

## 17. OTHER PROVISIONS

Provisions are as follows:

	12.31.2013 ThCh\$	12.31.2012 ThCh\$
<b>CURRENT PROVISIONS</b>		
Claims for tax refunds	-	196,700
Dismantling, restoration and rehabilitations costs	-	239,008
Other provisions	153,974	1,200,000
<b>Total Current Provisions</b>	<b>153,974</b>	<b>1,635,708</b>
<b>NON-CURRENT PROVISIONS</b>		
Dismantling, restoration and rehabilitations costs	13,370,970	5,869,233
<b>Total Non-current Provisions</b>	<b>13,370,970</b>	<b>5,869,233</b>

At December 31, 2013 and 2012, changes in these provisions are as follows:

	Dismanteling and rehabilitation cost ThCh\$	Other provisions ThCh\$	Total ThCh\$
<b>Total Provision, Opening Balance (01-01-2013)</b>	<b>6,108,241</b>	<b>1,396,700</b>	<b>7,504,941</b>
Increase (Decrease) in existing provisions	419,879	577,198	997,077
Increase in business combination	6,079,187	262,814	6,342,001
Provision used	(239,008)	(1,972,700)	(2,211,708)
Reverse of unused provision	-	(119,526)	(119,526)
Increase for adjustment of time-value of money	762,466	-	762,466
Increase (decrease) in foreign currency translation	201,353	8,718	210,071
Other increases (decreases)	38,851	771	39,622
<b>Changes in provisions, Total</b>	<b>7,262,728</b>	<b>(1,242,725)</b>	<b>6,020,003</b>
<b>Total provision, Closing balance (12.31.2013)</b>	<b>13,370,969</b>	<b>153,975</b>	<b>13,524,944</b>

	Desmantelamiento y Costos de Restauración M\$	Otras Provisiones M\$	Total M\$
<b>Total Provision, Opening Balance (01-01-2012)</b>	<b>5,362,364</b>	<b>339,254</b>	<b>5,701,618</b>
Incremento (Decremento) en provisiones existentes	-	1,200,000	1,200,000
Increase in adjustment for time value of money	663,103	-	663,103
Increase (decrease) in foreign currency translation	(2,447)	-	(2,447)
Other increases (decreases)	85,221	(142,554)	(57,333)
<b>Changes in provisions, Total</b>	<b>745,877</b>	<b>1,057,446</b>	<b>1,803,323</b>
<b>Total provision, Closing balance (12.31.2012)</b>	<b>6,108,241</b>	<b>1,396,700</b>	<b>7,504,941</b>

The determination of the provision for restoration and rehabilitation costs considers the estimated value for the construction, demolition or any other unavoidable activity. These costs are discounted based on estimated validity periods of contracts maintained with the owners of the properties or facilities where the premises are located considering the termination and renewal hypotheses. These amounts are discounted at each company's capital cost rates.

## 18. OTHER NON-FINANCIAL LIABILITIES

At December 31, 2013 and 2012, other non-financial liabilities are as follows.

	Current		Non-current	
	12.31.2013		12.31.2012	
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
<b>DEFERRED REVENUE</b>				
Prepayment cards	11,819,270	16,246,334	-	-
Activation charges		11,029,657	-	-
Customer loyalty programs	-	-		7,276,311
Lease of underwater cables	318,426	167,756	5,477,758	1,372,265
Others	7,724,034	2,830,865	-	-
Unused prepaid government grants	136,036	136,036	486,743	622,780
Other deferred liabilities	-	-	385,599	1,948,117
<b>Total</b>	<b>19,997,766</b>	<b>30,410,648</b>	<b>6,350,100</b>	<b>11,219,473</b>

## 19. EMPLOYEE BENEFITS

### a) Personnel expenses

	01.01.2013		01.01.2012
	12.31.2013		12.31.2012
	ThCh\$		M\$
Salaries	121,579,941		101,276,502
Short-term employee benefits	12,744,392		15,296,388
Post-employment benefits	(803,402)		(225,667)
Termination benefits	12,650,081		5,422,378
Other personnel expenses	26,147,240		19,983,917
<b>Total</b>	<b>172,318,252</b>		<b>141,753,518</b>

### b) Severance Payment (Post-Employment and Termination Benefits)

The Parent Company maintains the most significant agreements in relation to severance payments payable to its employees and executives.

The right to receive this benefit as well as the determination of the amount payable are regulated by the existing agreements considering such relevant factors as the number of years of service, permanence and salary.

The benefit in favor of employees is provided through Corporación Mutual Entel Chile which is financed in a shared manner. Employees provide a monthly contribution of 2.66% of their base salaries and the Company pays the balances that might possibly be required to complete the payment of a number of severance payments of up to 3% of its employees.

As of December 31, 2013 and 2012, liabilities recognized designated as post-employment benefits amount to ThCh\$7,862,489 and ThCh\$7,934,618, respectively, and represent the present value of accrued severance indemnity payments at such dates, deducting the amounts held by the Mutual.

Movements in the Parent's severance payment (post-employment) benefits are detailed as follows:

Transaction	12.31.2013 ThCh\$	12.31.2012 ThCh\$
<b>Present value of the obligation, opening balance</b>	7,934,618	7,651,126
<b>Cost of current service</b>	972,036	1,219,552
<b>Interest cost of the obligation</b>	523,685	509,159
<b>Actuarial gains and losses arising on the defined benefit obligation</b>	207,588	-
<b>Contributions paid to Plan</b>	( 1,775,438 )	( 1,445,219 )
<b>Present value of the obligation, closing balance</b>	<b>7,862,489</b>	<b>7,934,618</b>
	12.31.2013	12.31.2012
<b>Discount rate</b>	6.60%	6.60%
<b>Salary increase rate</b>	1.00%	1.00%
<b>Personnel turnover rate</b>	13.8%; 5.5%; 7%	13.8%; 5.5%; 7%
<b>Mortality table</b>	RV-2004	RV-2004

## 20. CAPITAL AND RESERVES

Changes in equity accounts at December 31, 2013 and 2012 are detailed in the Statement of Changes in Equity.

### Share Capital

The Company's outstanding shares are same series shares with no par value and fully paid. These shares represent the Company's authorized share capital.

Serie	No.of subscribed shares	No.of paid shares	No.of shares with voting rights	Suscribed shares	Paid-in capital
<b>SINGLE</b>	236,523,695	236,523,695	236,523,695	522,667,566	522,667,566

Between January 1, 2013 and December 31, 2013, there are no movements related to issues, redemptions, payments, decreases or any other circumstances.

There are no treasury shares.

There are no reserves or any commitments for the issue of shares to cover option and sale agreements.

### Retained Earnings

During the years 2013 and 2012, retained earnings decreased by ThCh\$44,089,576 and ThCh\$50,188,235, respectively. These amounts relate to provisional dividends granted in periods, plus the provision for payment of dividends which is intended to pay the minimum mandatory dividend established by law.

Provisions accrued to pay minimum dividends amount to Ch\$36.41 and Ch\$62.19 per share at December 2013 and 2012, respectively.

### Dividend Policy

Pursuant to Law No. 18.046, except for any different unanimous agreement reached at shareholders meetings, publicly traded companies must pay annual dividends of at least 30% of the profit for the period.

The Group's dividend distribution policy currently in force sets dividend limits exceeding legal minimum amounts. However, the Group's policy establishes maximum amounts and, accordingly, the discretionary criterion is applied for possible dividends exceeding the maximum legal amount. As a result, no provisions for dividends additional to the minimum legal requirement were accrued.

The policy communicated at the Ordinary Shareholders' meeting held on April 25, 2013 approved changing the maximum for dividend distribution from 80% to 50% of profit for each period depending on the Company's profit for the period, investment needs and safeguards established in long-term loan agreements entered into by the Company in relation to debt, liquidity and financing issues.

As required by the Superintendence of Securities and Insurance, the Parent established a policy regarding the treatment of the effects resulting from adjustments of financial assets and liabilities at fair value. In line with this, the Group has established as policy to reduce from the profit to be used to pay dividends the unrealized gains resulting from adjustments to fair value.

An amount of ThCh\$451,622 which had been deducted from profit for 2010 had to be returned to profit for 2012.

Except for the conditions indicated in the preceding paragraphs, the Company is not subject to any additional restrictions to the payment of dividends.

### **Dividends paid:**

During the periods 2013 and 2012, the Group has paid the following dividends:

At the Board of Director's Meeting held on November 4, 2013, it was agreed to pay a provisional dividend of Ch\$150 per share (equivalent to ThCh\$35,478,554). This dividend was paid on December 12, 2013.

At the Ordinary Shareholders' Meeting held on April 25, 2013, shareholders agreed to pay a final dividend of Ch\$225 per share (equivalent to ThCh\$53,217,831). This dividend was paid starting from May 16, 2013.

At the Board of Directors' Meeting held on November 5, 2012, directors agreed to pay a provisional dividend of Ch\$150 per share (equivalent to ThCh\$35,478,554). This dividend was paid starting from December 12, 2012.

At the Ordinary Shareholders' Meeting held on April 26, 2012, directors agreed to pay a final dividend of Ch\$405 per share (equivalent to ThCh\$95,792,096). This dividend was paid starting from May 22, 2012.

### **Other reserves:**

Other reserves included in the Statement of Changes in Equity are as follows:

Translation reserves: Reflects accumulated gains or losses resulting from the translation of the financial statements of foreign subsidiaries from their functional currency to the Group's presentation currency (Chilean pesos).

Cash flows hedge reserve: Corresponds to the difference between carrying amount and the fair value of cash flow hedge contracts qualified as effective hedges, net of deferred taxes.

These amounts are transferred to profit or loss as contracts mature.

Other reserves: Credits and debits to equity in relation to adjustments required due to the first time application of International Financial Reporting Standards (IFRS) at January 1, 2008.

Main balances related to such adjustments relate to unrecognized deferred tax liabilities of ThCh\$10,866,212 and advances from customers of ThCh\$8,215,281.

In addition, in accordance with article 10 of Maw N0.18.046 and Official Letter No.456 of the Superintendence of Securities and Insurance, price-level adjustment on paid-in capital is also recorded within Other reserves.

## 21. EARNING PER SHARE

Earnings per share are as follows:

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Profit (loss) attributable to owners the parent</b>	<b>146,965,254</b>	<b>167,294,116</b>
<b>Profit (loss) attributable to ordinary shareholders, basic</b>	<b>146,965,254</b>	<b>167,294,116</b>
<b>Weighted average number of shares, basic</b>	<b>236,523,695</b>	<b>236,523,695</b>
<b>Basic earnings (losses) per share</b>	<b>621,36</b>	<b>707,30</b>

The calculation of basic earnings per share for the periods 2013 and 2012 was based on the profit attributable to shareholders and the number of single-series shares. The Group has issued no convertible notes or other equity securities. Therefore, there are no potentially dilutive effects on the Group's earnings per share.

## 22. REVENUE AND EXPENSES

### a) Revenue

The Group's revenue relates mainly to the rendering of services; sales of goods are not significant and supplement the services rendered, which are detailed as follows:

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Mobile telephone service</b>	<b>1,271,725,443</b>	<b>1,142,690,274</b>
<b>Mobile telephone service -Peru</b>	<b>45,902,463</b>	<b>-</b>
<b>Private services (including IT services)</b>	<b>120,662,870</b>	<b>105,922,294</b>
<b>Local telephone services (including NGN - IP)</b>	<b>43,159,952</b>	<b>41,248,962</b>
<b>Television service</b>	<b>8,337,016</b>	<b>219,809</b>
<b>Long distance</b>	<b>32,027,145</b>	<b>32,805,181</b>
<b>Internet</b>	<b>20,878,508</b>	<b>17,217,334</b>
<b>Services to other operators</b>	<b>20,867,959</b>	<b>21,854,697</b>
<b>Traffic business</b>	<b>31,254,738</b>	<b>36,667,018</b>
<b>Americatel Perú</b>	<b>21,391,728</b>	<b>20,111,476</b>
<b>Call center and other</b>	<b>12,167,683</b>	<b>11,378,657</b>
<b>Total Ingresos Ordinarios</b>	<b>1,628,375,505</b>	<b>1,430,115,702</b>

## b) Other revenue

At December 31, 2013 and 2012, other revenue is as follows:

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Revenue from commercial interest</b>	2,208,272	1,799,510
<b>Revenue from leases</b>	8,724,245	6,682,194
<b>Refund for stolen or lost handsets</b>	-	1,519,300
<b>Other revenue</b>	2,188,158	984,278
<b>Total other revenue</b>	<b>13,120,675</b>	<b>10,985,282</b>

## c) Other expenses

At December 31, 2013 and 2012, other expenses is as follows:

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Access charges and profit share to correspondents</b>	(220,110,564)	(210,154,435)
<b>Outsourcing and materials</b>	(40,321,695)	(32,908,284)
<b>Advertising, sale fees and expenses</b>	(412,323,923)	(253,155,432)
<b>Lease and maintenance</b>	(149,178,095)	(104,707,368)
<b>Other</b>	(134,202,564)	(115,818,631)
<b>Total other expenses</b>	<b>(956,136,841)</b>	<b>(716,744,150)</b>

Since October 1, 2012, the caption Advertising, sale fees and expenses includes the cost of handsets provided to clients under postpaid service contracts for an amount of ThCh\$169,195,279 for the year 2013 and ThCh\$38,424,004 for the third quarter of the year 2012, as discussed in Note 3f).

## d) Finance Income and Finance Costs

At December 31, 2013 and 2012, finance income and finance costs are as follows:

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
Interest on time deposits - Loans and receivables	1,640,264	2,473,385
Interest on finance leases	306,622	349,840
<b>Total finance income</b>	<b>1,946,886</b>	<b>2,823,225</b>
Interest expenses, loans - liabilities at amortized cost	(7,309,545)	(5,328,814)
Interest expenses, bonds - liabilities at amortized cost	(4,878,662)	-
Amortization of expenses for loan agreements	(3,575,871)	(1,739,391)
Exchange and interest rate hedges (CCS)	(1,576,781)	(3,093,545)
Interest rate derivatives – not designated as hedges	(1,188,974)	(1,113,196)
Interest expenses on finance leases	(472,036)	(736,740)
Interest expenses on post-employment benefits	(523,685)	(509,159)
Interest expenses, Other	(908,215)	(988,051)
Other finance costs	(404,449)	(191,781)
<b>Total finance costs</b>	<b>(20,838,218)</b>	<b>(13,700,677)</b>
<b>Total finance costs, Net</b>	<b>(18,891,332)</b>	<b>(10,877,452)</b>

The net finance cost includes the following interest in relation to assets and liabilities not measured at fair value through profit or loss:

<b>Total Income from Interest on Financial Assets</b>	<b>1,946,886</b>	<b>2,823,225</b>
<b>Total Costs from Interest on Financial Liabilities</b>	<b>(18,072,463)</b>	<b>(9,493,936)</b>

## 23. ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Assets and liabilities in foreign currency are as follows:

Class of Assets	Foreign Currency	12.31.2013 ThCh\$	Balances not discounted based on maturity			
			1 - 90 days	91 days - 1 year	1 - 3 years	3 - 5 years
Cash and cash equivalents	Dollars	2,993,931	2,993,931	-	-	-
	Nuevo Sol	1,453,099	1,453,099	-	-	-
	Euro	7,376	7,376	-	-	-
Other current financial assets	Dollars	396,731,590	157,277,662	239,453,928	-	-
	Euro	2,172,900	-	2,172,900	-	-
Other current non-financial assets	Dollars	44,388	44,388	-	-	-
	Nuevo Sol	43,923	43,923	-	-	-
Other current non-financial assets	Dollars	24,129,657	21,447,634	2,682,023	-	-
	Nuevo Sol	2,693,172	2,693,172	-	-	-
	Euro	2,167,347	2,167,347	-	-	-
Inventories	Nuevo Sol	9,072	9,072	-	-	-
Current tax assets	Nuevo Sol	13,983,103	13,081,604	901,499	-	-
Other non-current financial assets	Dollars	392,932,890	-	-	392,932,890	-
Non-current trade and other receivables	Nuevo Sol	0	-	-	-	-
Intangible assets	Nuevo Sol	109,787,565	-	-	-	-
Property, plant and equipment	Nuevo Sol	125,429,503	-	-	-	-
Deferred tax assets	Nuevo Sol	81,798,795	-	-	-	-
<b>Total Assets in Foreign Currency</b>		<b>1,156,378,311</b>				
	Dollars	816,832,456				
	Nuevo Sol	335,198,232				
	Euro	4,347,623				
Class of Liability						
Class of Liability	Foreign Currency	12.31.2013 ThCh\$	Balances not discounted based on maturity			
			1 - 90 days	91 days - 1 year	1 - 3 years	3 - 5 years
Other current financial liabilities	Dollars	10,633,860	461,362	10,172,498	-	-
	Dollars	80,074,303	80,074,303	-	-	-
	Euro	2,581,703	2,581,703	-	-	-
Trade and other payables	Nuevo Sol	1,986,514	1,986,514	-	-	-
	Dollars	721,806,289	-	-	721,806,289	-
	Nuevo Sol	7,241,180	-	-	7,241,180	-
Other non-current financial liabilities	Nuevo Sol	6,578,336	-	-	-	-
	Dollars	124,868				
	Nuevo Sol	534,514	-	-	-	-
Non-current provisions	Dollars	385,526	-	-	-	-
<b>Total Liabilities in Foreign Currency</b>		<b>831,947,093</b>				
	Dollars	813,024,846				
	Nuevo Sol	16,340,544				
	Euro	2,581,703				

Class of Assets	Foreign Currency	12.31.2012 ThCh\$	Balances not discounted based on maturity			
			1 - 90 days	91 days - 1 year	1 - 3 years	3 - 5 years
Cash and cash equivalents	Dollars	412,516	412,516	-	-	-
	Nuevo Sol	719,051	719,051	-	-	-
	Euro	4,592	4,592	-	-	-
Other current financial assets	Dollars	264,078,472	59,055,560	205,022,912	-	-
	Euro	1,903,350	1,903,350	-	-	-
Other current non-financial assets	Dollars	79,334	79,334	-	-	-
	Nuevo Sol	39,669	39,669	-	-	-
	Euro	2,327,618	2,327,618	-	-	-
Current trade and other receivables	Nuevo Sol	9,078,392	9,078,392	-	-	-
	Nuevo Sol	1,509,451	1,509,451	-	-	-
	Euro	2,327,618	2,327,618	-	-	-
Current tax assets	Nuevo Sol	1,141,889	-	1,141,889	-	-
Other non-current financial assets	Dollars	131,349,052	-	-	131,349,052	-
Non-current trade and other receivables	Nuevo Sol	782,052	-	-	782,052	-
Intangible assets	Nuevo Sol	4,362,842	-	-	-	-
Property, plant and equipment	Nuevo Sol	10,517,810	-	-	-	-
Deferred tax assets	Nuevo Sol	879,478	-	-	-	-
<b>Total Assets in Foreign Currency</b>		<b>429,185,568</b>				
	Dollars	404,997,766				
	Nuevo Sol	19,952,242				
	Euro	4,235,560				
Class of Liability		12.31.2012	Balances not discounted based on maturity			
	Currency	ThCh\$	1 - 90 days	91 days - 1 year	1 - 3 years	3 - 5 years
Otros Pasivos Financieros, Corriente	Dollars	279,331	279,331	-	-	-
Cuentas por Pagar Comerciales y Otras Cuentas por Pagar	Dollars	28,841,888	28,841,888	-	-	-
	Euro	3,728,936	3,728,936	-	-	-
	Nuevo Sol	888,920	888,920	-	-	-
Otros Pasivos Financieros, no Corriente	Dollars	378,543,155	-	-	378,543,155	-
Provisiones no corrientes	Dollars	89,913	-	-	-	-
Pasivo por impuestos diferidos	Nuevo Sol	438,227	-	-	-	-
<b>Total Pasivos en Moneda Extranjera</b>		<b>412,810,370</b>				
	Dollars	407,754,287				
	Nuevo Sol	1,327,147				
	Euro	3,728,936				

At December 2013 and 2012, the Group companies maintained derivatives to hedge against exchange rate fluctuations (foreign currency forwards) and swaps to hedge debt in U.S. dollars at variable interest rates related to obligations in UF at fixed interest (Cross Currency Swap - CCS). The tables above include only the foreign currency component in these contracts.

## 24. FOREIGN CURRENCY TRANSLATION AND RESULTS FROM INFLATION-ADJUSTED UNITS

At December 31, 2013 and 2012, this item is as follows:

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Other assets</b>	2.872.172	(994.622)
Trade and other payables	(2.150.026)	1.334.648
Interest bearing borrowings	(44.631.000)	23.076.000
Derivative instruments, closing exchange rate effect (FW)	40.387.531	(15.021.635)
Derivative instruments, closing exchange rate effect (CCS)	4.338.868	(7.992.266)
Derivative instruments, fair value effect (FW)	(21.459.151)	(9.964.315)
Derivative instruments, fair value effect (CCS)	(458.239)	959.043
Other liabilities	21.643	(192.448)
<b>Total foreign currency translation differences</b>	<b>(21.078.202)</b>	<b>(8.795.595)</b>
<b>RESULTS FROM INFLATION-ADJUSTED UNITS</b>		
Other assets	868.058	97.301
Derivative instruments - closing exchange rate effect (CCS)	(1.582.468)	(3.206.467)
Other liabilities	(436.031)	(161.475)
<b>Total result from inflation-adjusted units</b>	<b>(1.150.441)</b>	<b>(3.270.641)</b>

## 25. OPERATING LEASES

The main operating lease agreements acting as lessee relate to leases and rights of use of urban and rural real estate for the location of technical nodes.

	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
<b>Lease expense of property, hardware, vehicles</b>	<b>50.282.526</b>	<b>38.976.633</b>

In addition, this caption includes expenses related to telecommunication signal transmission, data and other, which amounts amounted to ThCh\$33,773,197 during the year 2013 and ThCh\$21,558,209, respectively.

Future commitments are as follows:

	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Up to one year</b>	<b>63.932.940</b>	<b>56.347.908</b>
<b>From one to five years</b>	<b>173.272.770</b>	<b>97.321.259</b>

Satellite segment, data, submarine cables and other	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Up to one year</b>	<b>51,367,156</b>	<b>26,970,565</b>
<b>From one to five years</b>	<b>132,924,631</b>	<b>74,137,704</b>

Operating leases acting as lessor relate to agreements associated with the business of leasing networks to other telecommunication and datacenter service operators (housing, hosting, virtual servers, etc.).

Future minimum lease payments	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Up to one year</b>	<b>9,042,670</b>	<b>7,021,982</b>
<b>From one to five years</b>	<b>18,530,276</b>	<b>14,697,914</b>
<b>Total</b>	<b>27,572,946</b>	<b>21,719,896</b>
	01.01.2013	01.01.2012
	12.31.2013	12.31.2012
	ThCh\$	ThCh\$
<b>Lease payments recognized in profit or loss</b>	<b>9,537,023</b>	<b>6,833,994</b>

At December 31, 2013, no contingent rents are pending receipt.

## 26. OPERATING SEGMENTS

The Group has very developed management control systems, which allow having separate financial information with high disaggregation levels for making decisions about allocation of services and performance evaluation.

In line with the Group's organizational structure, the following operating segments have been defined for reporting purposes based on their related revenue levels: "People", "Small and Medium Enterprises", "Corporations", "Peru Mobile Telephone Peru" and "All other segments".

The factors used to identify each segment are related to separate operating functions for each market segment regarding product development and innovation, prices, marketing, sales and client service. In addition, each segment's requirements over the common technical and shared services infrastructure is also taken into account.

Each segment defined generates revenues and expenses on which there is separate information periodically assessed by those in charge of making decisions regarding the allocation of resources and performance evaluation.

Operating segment information for the years ended December 31, 2013 and 2012, is as follows:

General Information on Segment Revenue, Assets and Liabilities at December 31, 2013 in ThCh\$		Segment Description							
		People	SMEs	Corporations	H.Mobile Perú	Other	Unallocated	Withdrawals	Total Group
<b>Revenue</b>	997,618,309	310,955,898	203,572,008	48,126,765	326,574,520	-	(258,471,995)	1,628,375,505	
Other significant revenue (expense) items	(747,498,672)	(240,898,363)	(148,607,427)	(59,160,115)	(223,303,481)	-	258,408,216	(1,161,059,842)	
<b>Reportable segment revenue (Ebitda)</b>	<b>250,119,637</b>	<b>70,057,535</b>	<b>54,964,581</b>	<b>(11,033,350)</b>	<b>103,271,039</b>		<b>(63,779)</b>	<b>467,315,663</b>	
Depreciation and amortization	(129,792,361)	(49,370,500)	(38,092,909)	(6,329,588)	(21,681,853)	-	101,268	(245,165,943)	
Impairment losses on PPE and intangible assets	(173,122)	(1,019,742)	(1,670,875)	-	(1,249,051)	-	-	(4,112,790)	
<b>Reportable segment revenue, (Ebit)</b>	<b>120,154,154</b>	<b>19,667,293</b>	<b>15,200,797</b>	<b>(17,362,938)</b>	<b>80,340,135</b>		<b>37,489</b>	<b>218,036,930</b>	
Interest revenue					1,946,886	-		1,946,886	
Interest expenses					(20,838,218)	-		(20,838,218)	
Foreign Currency Translation Differences and Result from Inflation-Indexed Units					(22,191,154)		(37,489)	(22,228,643)	
Income Tax Income (Expense)					(29,951,701)	-		(29,951,701)	
<b>Total reportable segment revenue</b>								<b>146,965,254</b>	
<b>Assets</b>						2,256,949,998		2,256,949,998	
Increase in current assets	22,077,273	33,772,718	76,528,895	15,254,929	66,909,815	209,204,404		423,748,034	
<b>Liabilities</b>						1,375,864,886		1,375,864,886	
<b>Equity</b>								881,085,112	
<b>Equity and liabilities</b>								2,256,949,998	
Impairment losses recognized in profit or loss	37,057,122	9,169,742	3,417,875	851,669	1,775,283	-		52,271,691	
<b>Cash Flows from Operating Activities</b>							400,322,042	400,322,042	
<b>Cash Flows from Investing Activities</b>							(692,587,950)	(692,587,950)	
<b>Cash Flows from Financing Activities</b>							249,513,582	249,513,582	

General Information on Segment Revenue, Assets and Liabilities at December 31, 2012 in ThCh\$		Segment Description							
		People	SMEs	Corporations	H.Mobile Perú	Other	Unallocated	Withdrawals	Total Group
<b>Revenue</b>	868,988,525	292,101,344	189,803,565	-	256,083,921	-	(176,861,653)	1,430,115,702	
Other significant revenue (expense) items	(589,033,508)	(196,085,220)	(128,693,415)	-	(156,560,148)	-	176,781,791	(893,590,500)	
<b>Reportable segment revenue (Ebitda)</b>	<b>279,955,017</b>	<b>96,016,124</b>	<b>61,110,150</b>		<b>99,523,773</b>		<b>(79,862)</b>	<b>536,525,202</b>	
Depreciation and amortization	(183,829,644)	(67,964,461)	(40,552,493)	-	(17,824,669)	-	101,268	(310,069,999)	
Impairment losses on PPE and intangible assets	(278,858)	(1,368,057)	(2,100,275)	-	(1,127,976)	-	-	(4,875,166)	
<b>Reportable segment revenue, (Ebit)</b>	<b>95,846,515</b>	<b>26,683,606</b>	<b>18,457,382</b>		<b>80,571,128</b>		<b>21,406</b>	<b>221,580,037</b>	
Interest revenue					2,823,225			2,823,225	
Interest expenses					(13,700,677)			(13,700,677)	
Foreign Currency Translation Differences and Result from Inflation-Indexed Units					(12,044,830)		(21,406)	(12,044,830)	
Income Tax Income (Expense)					(31,342,233)			(31,342,233)	
<b>Total reportable segment revenue</b>								<b>167,294,116</b>	
<b>Assets</b>						1,695,255,205		1,695,255,205	
Increase in current assets	134,890,913	45,883,908	70,886,750	-	8,360,203	128,824,905		388,846,679	
<b>Liabilities</b>						881,248,684		881,248,684	
<b>Equity</b>								814,006,521	
<b>Equity and liabilities</b>								1,695,255,205	
Impairment losses recognized in profit or loss	35,577,254	8,601,448	4,646,208	-	2,005,726	-		50,830,636	
<b>Cash Flows from Operating Activities</b>							519,529,714	519,529,714	
<b>Cash Flows from Investing Activities</b>							(401,097,753)	(401,097,753)	
<b>Cash Flows from Financing Activities</b>							(86,547,820)	(86,547,820)	

No operations have been discontinued during the periods 2013 and 2012.

The reportable segment "People" relates to natural persons who are the final users of the services and equipment provided.

The reportable segment "Small and Medium Enterprises" generally relates to legal entities in which the goods and services acquired are used in productive processes or traded.

The reportable segment "Corporations" has characteristics similar to those of Small and Medium Enterprises but relates to larger companies, government entities, banks and all kind of large companies.

The reportable segment "Mobile Telephone Peru" relates to services provided by the subsidiary Nextel Perú S.A., acquired in August of this year (see note 12.1).

The reportable segment "Other Business" relates mainly to network infrastructure services provided to other domestic as well as foreign telecommunication services providers. This segment also includes the operations of subsidiaries providing call center services both in Chile and abroad as well as the Group's operations in Peru, which include the provision of corporation services, long distance and traffic services provided by Americatel Perú.

Foreign operations conducted by the Group's subsidiaries in Peru generated revenue for ThCh\$72,044,232 and ThCh\$23,614,846 during the years 2013 and 2012, which are equivalent to 4.4% and 1.7% of the Company's revenue for the related periods.

Inter-segment transactions are stated at market prices which usually correspond to prices for sale to third parties.

Due the Group's business and financing, finance costs are not allocated.

The results of reportable segments are determined at different levels with those at Ebitda level being the most significant because its components include mainly directly related allocations.

The allocation of revenues and expenses to each operating segment considers existing correlations among them and with assets and liabilities; therefore, no mismatching allocations occur.

The Entel Group provides mobile telecommunication services including voice, added value, data, broadband and mobile internet services as well as fixed network services basically focused on providing integrated solutions including data network, local telephony, Internet access, long distance public telephony, information technology integration services (data center, BPO and operating continuity) lease of networks and wholesale traffic businesses. The Group also provides call center services for the corporate market and Group companies.

These businesses are conducted mainly in Chile. Businesses abroad are carried out by two subsidiaries operating in Peru which provide fixed network and call center services. From September, Nextel Perú was included to the Group offering mobile telephone services.

At Group level, there are no clients concentrating significant revenue percentages. The analysis of invoices does not consider invoices issued to intermediaries for the magnetic charge of prepaid mobile telephone services.

## 27. CAPITAL MANAGEMENT

Capital needs required to fund investments are satisfied using own resources arising from the issue of shares and the withholding of benefits as well as resources arising from long-term borrowings with third parties.

According to the established policies, the level of indebtedness can reach a maximum of the higher resulting from the following ratios: i) Debt/Equity ratio equal to 1.5 times and ii) Debt/Ebitda ratio equal to 3.0.

This financing policy was confirmed at the last Ordinary Shareholders' Meeting held on April 25, 2013.

According to the financial statements at December 31, 2013, resources obtained from financing are represented by accumulated equity of ThCh\$881,085,112 and current and non-current liabilities of ThCh\$840,394,218.

The mentioned liabilities include negative balances of ThCh\$25,337,762 in relation to the valuation of exchange rate and interest rate hedging derivatives. Positive balances presented have not been deducted.

At December 31, 2013, the Group's total debt (financial and non-financial) amounts to ThCh\$1,375,864,886 and, accordingly, the maximum indebtedness ratio is comfortably maintained.

In case the Group experiences extraordinary investment needs exceeding the established limits, such needs must be subject to approval at Board of Directors Meetings presenting proposals for the related financing structures (issue of debt or equity securities, bank borrowings, loans from suppliers or any other capital financing methods).

The Group's bank borrowings or debt security issue contracts impose restrictions over the management and limits for financial ratios. These include the obligation not to exceed the Financial debt/Ebitda ratio of 4.0 times, Financial expenses /Ebitda ratio of 3.0 times. Further details on the procedures to estimate and state compliance with these restrictions are included in Note 29(e).

In the event of failure to comply with any of the restrictions and limits imposed by credit contracts, creditors may demand repayment of all outstanding debts, without the possibility of appeal, legal action or challenge by the debtor.

## 28. RISK MANAGEMENT

### Technological Change Risk.

The evolution in telecommunication technologies make it necessary to permanently review existing investment plans in order for them to be focused on satisfying the evolution in connectivity needs arising in markets. Technological changes arise from changes in demand habits as well as from the development of new communication methods whether related to applications or the speed used. The investment in new technologies can become obsolete before the term considered to repay the investment is completed thus generating that initial profitability estimates are not met.

As a result of the above, the risk of technological change is inherent to the industry in which the Group operates. The Group believes it is critical that they stay ahead of technologic development by actively managing the technological risk.

Accordingly, Entel has included an active and ongoing policy as a strategic development component for adopting cutting edge technologies and analyzing their expected return. Such a policy has allowed the Group being successful in adapting to the use of new technologies as well as being an integrated provider and adopting new methods for doing businesses. In line with this, new technology implementation and development has allowed the Group growth and diversification reducing its exposure to risks posed by individual services.

## Regulatory Risks.

Regulation plays a significant role in the telecommunication industry. Having stable standards and criteria allow properly evaluating projects and reducing investment risk levels; therefore, it is very important performing a proper follow-up of the evolution of standards.

The main regulation in the telecommunication sector is the General Telecommunications Act, and over the last years there have been significant changes to the regulatory framework by means of obligations resulting from amendments to legislation including Network Neutrality, Modification of Primary Zones for local public telephone services; Recovery and Continuity of the Public Telecommunication System; Number Portability and Installation of Antennas Broadcasting and Transmitting Telecommunication Services.

In 2012, a legal provision stipulating the reduction of fixed telephone service from 24 to 13 primary zones in the country was established. At the end of 2013, Law No.20.704 was enacted stipulating that no consultation with the Court for the Defense of Free Competition was required. The ability to implement a single tariff zone for local telephone services after 180 days the bill was allowed.

From March 2014, national long distance calls will be gradually eliminated in each of the current 13 zones, concluding in August 2014. Starting from such date, there will be a single tariff zone for local communication eliminating National Long Distance rates.

The implementation of Number Portability, started in December 2011 (Arica), was completed during 2013. It has yet to be implemented for additional service numbers.

During 2013, the companies began the deployment of infrastructure to be aligned with Act 20.599 which regulates the installation of antennas for broadcasting and transmitting telecommunications services. Actions required to adjust saturated zones (zones with more than 2 antennas) and sensitive zones are being conducted, intervening the infrastructure installed in such zones by adjusting the height of towers, retiring infrastructure, harmonizing with the surrounding environment and/or managing community compensation, as applicable.

In terms of radio electric spectrum, considering the awarding of Block B frequency on the 2,600 MHz band (LTE, Long Term Evolution or 4G) to WILL S.A., a subsidiary of the Entel Group, the Decree awarding the concession was published so that the related project is completed after one year of publication. For this purpose, preliminary documentation has been submitted to the Secretariat for its final approval. This process is expected to conclude in March 2014 through the authorization of the project for the awarding of this frequency block. For mandatory locations included in this tender process, the implementation period is two years, i.e, the implementation deadline is March, 2015.

In October, the public bid for awarding the concession of the public service of data transmission in the 700MHz frequency band was published in the Official Gazette. This frequency allows for complementing the LTE or 4 G service offer with a band of higher indoor penetration and better rural coverage.

In the second week of January 2014, during the presentation of the proposals for awarding the three frequency blocks established in the bid, Movistar, Claro and Entel presented their projects. In this way, it is almost guaranteed that such companies will have new spectrums to develop their telecommunication service offers, particularly for high speed data transmission services (LTE).

On March , 2013, the first adjustment period for the General Instructions issued by the TDLC started. During this stage, the net tariff model would be allowed; however, the difference between on-net and off-net prices cannot exceed the access charges, and in the case of minute plans, they should meet certain proportion between the minutes offered on-net and off-net.

From January, 2014 at the date the new tariff decrees enter into force, the same instruction from the TDLC establishes that all commercial sales offers from mobile telephone companies should make no distinction between on-net and off-net minutes, i.e, all commercial offer will be classified as "Flat rate" or "Any destination".

In December 2013, the Supreme Court confirmed the verdict and the instruction by forbidding the implementation of a "best pack offer" of telecommunication services for fixed and mobile products, thus forbidding these services permanently.

In addition, the FNE started a process with the TDLC (non-contentious) through which it requests providing recommendations to the MINVU and Subtel so that both entities modify the standards for the industry improving them so that more service providers can provide telecommunication services in buildings and housing condominiums.

With respect to the tariff process of Entel PCS Telecommunicaciones (at the same time that all other mobile companies), after the presentation of the tariff analyses of the companies and the answer provided by Subtel to such analyses through its objection and counterproposition report, Movistar, Nextel and Entel, submitted certain discrepancies to a panel of experts.

According to the amendments and insistencies report prepared by the companies, a new proposal for tariff adjustment was made, which in the case of Entel suggests a reduction of 57% in access charges (or interconnection charge). In the first weeks of January 2014, Subtel has submitted its final tariff proposal to the Tariff Decree Authority, stipulating a reduction of approximately 73%. Entel filed an appeal before the Controllership, which refutes the methodology used to determine tariffs during the second to the fifth year of the five-year period since the Decree is not aligned with the General Telecommunication Law.

Finally, the draft bills currently being discussed at the parliament include the draft bill that creates the Superintendence of Telecommunications and the draft bill that allows the introduction of Digital Terrestrial Television (and the transition for the switch-off of analogue television), both continue being reviewed and have progressed with respect to legislative procedures, and fewer legislative stages in both cases remain.

All the regulatory changes being introduced by the authority provide new business opportunities. Furthermore, the diversity and relative size of Entel protect it from the effects of adverse or inadequate regulation, reducing the risk created for its operations, cash flows, creation of value for shareholders, and contribution to the community. However, within a regulated industry such as the one in which Entel operates, changes in regulations or in the policies made by legal and regulatory authorities cannot be ruled out and have the potential to impact the company's results or restrict its possibility for growth.

## Exchange Rate Risk.

Entel's debt is mostly held in foreign currency and includes long-term bank borrowings and bonds of USD \$1,400,000,000 million which are detailed in Note 15 to these financial statements. In addition, part of Entel's suppliers, also detailed in Note 15, permanently generate obligations in foreign currency. Both represent liabilities which value changes on a daily basis as a result of exchange rate fluctuations. For this reason, Entel enters short and long-term foreign currency assets (derivatives) to protect against these variations and eliminate the risk of exchange rate fluctuations.

## Interest rate Risks.

The Group's policy for hedging against the interest rate risk seeks to ensure that the level of hedging of its financial expenses allows the business performing adequately over time as well as having greater predictability and control over financial expenses.

In general, there is a positive relation between the company's business, economic cycle and interest rate level. This gives rise to a natural hedging between the business' cash flows and financial expenses although in certain situations time gaps may occur.

In order to comply with the aforementioned objectives, the Group can enter into interest rate insurance by means of contracts intended to fix rates (Cross Currency Swap, FRA, etc.), which reduce potential variability arising from interest on debts with variable interest rates (e.g. Libor, Tab, etc.).

The factors taken into consideration when making decisions include the review of implicit discounts in the curves of future rates (swap curves), market surveys, surveys of economic expectations provided by public entities and estimates regarding the economy and its impact on the main variables.

## Credit Risk

The credit risk derived from balances with banks, financial instruments, marketable securities and derivatives is managed by the Finance and Management Control Management in conformity with the policies created for purposes of maintaining invested capital. These policies diversify risk by means of pre-established limits for the duration of placements, percentage by institution and the risk of instruments in which cash surpluses are invested. The investment instruments approved and used are those issued by the Chilean Central Bank or banking subsidiaries with high risk ratings. Investments may be denominated in the domestic or the main foreign currencies.

The risk exposure related to the recovery of receivables arising from commercial operations is derived from the terms of payment that, due to the characteristics of the telecommunication industry, must be offered to direct customers, intermediaries, and other national and international operators with whom reciprocal connection agreements are held.

The management of the risk related to receivables is intended to minimize exposure, insofar as possible given market conditions. Risk management processes differ based on the profiles of debtors and in conformity with segmented portfolio controls, including: consumers, SMEs, corporations, telecommunication companies, correspondents, distributors, large retailers and other channels for the distribution of goods and services.

For each segment, there are prospective and predictive models that allow generating policies depending on the origin of the debt, which range from the prepaid services used for the customer/product combinations (presenting the highest risk) to the establishment of credit limits with and without collaterals, credit insurance, and other alternatives which are assessed on a case-by-case basis.

## Liquidity Risk

In terms of providing the liquidity required to meet financial obligations in a timely manner, Entel plans for future maturities by searching the market alternative that can provide funds in a timely manner. During 2013 and 2012, installments due in June 2012, 2013 and 2014 were prepaid, thus avoiding the potential risks of the debt markets.

The company has contracts for online bond issue of securities dematerialized bearer; also, approved credit lines with banks in Chile, to cover potential liquidity risks.

A detail of the maturity dates of financial liabilities is provided in Note 15.

## 29. CONTINGENCIES, LITIGATION AND COVENANTS

Contingencies related to direct commitments maintained by Group companies at December 31, 2013 and 2012, are as follows:

- a.** Contingencies related direct commitments for foreign purchase orders of ThCh\$13,346,964 and ThCh\$20,055,141, respectively.

All these purchase orders are recorded in foreign currencies and have been translated using the exchange rates at the end of each period.

- b.** Contingency related to bank guarantee certificates provided to ensure compliance with contracts related to the award of 900 MHz frequencies, and the replacement of public use assets for the construction and maintenance of networks. At each period, these certificates amounted to ThCh\$104,421,568 and ThCh\$98,752,661, respectively.

- c.** At December 31, 2013, significant lawsuits and legal procedures that could represent a loss contingency for the Group companies are as follows:

## **Bordachar vs. Entel S.A.**

Court: 6th Civil Court of Santiago

Case No.: 9088-2005.

Notification: September 6, 2005.

Matter: Major claim in ordinary proceedings. Compensation of damages.

Plaintiff: Gerard Phillippe Bordachar Sotomayor.

Request: Payment of compensation for moral damages to the plaintiff and his daughters, as represented by the plaintiff, for a total of Ch \$225 million.

Cause of action: Publication of information regarding an investigation by television channel Canal 13, Universidad Católica, on the Entel website.

Current procedural stage: Claim rejected. Sentence confirmed. On March 25, 2013, a statement was submitted requesting the appraisal of the dilatory plea of the correction procedure. The court ordered the appraisal of litigation and personal costs. An abandonment statement for the administrative appeal for review was presented. Notification ordered in conformity with Article No.44. was notified in October 1.

## **Asistencia Electrónica vs. Entel S.A.**

Court: 8th Civil Court of Santiago

Case No.: 26542-2009.

Notification: November 4, 2009.

Matter: Claim for compensation of damages.

Plaintiff: Sociedad Asistencia Electrónica S.A., represented by Ismael Jara Gallardo. Request: Damages of Ch \$100 million.

Cause of action: Publishing defaulted payments in trade registers.

Current procedural stage: Entel objects, claiming lack of jurisdiction in the first instance and also contesting. Notice served of lack of jurisdiction on January 22, 2010. Resolution still pending. File No: 278-2010.

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

## **Promotora Promout vs. Entel and Entelphone S.A.**

Court: 18th Civil Court of Santiago

Case No.: 1250-2006

Notification: March 17, 2006

Plaintiffs: Entel and Entelphone

Request: Compensation of UF46,000 for consequential and moral damages.

Cause of action: Alleged damages for non-compliance with telemarketing contract.

Current procedural stage: On May 11, 2009 the probationary stage began. File recovery pending. Procedure abandonment statements presented and rejected. On June 7, we presented an administrative appeal for review with subsidy appeal; the review was rejected and the appeal was filed. On August 21, 2013, the Case No.: 6334-2013 was filed. Order to produce evidence notified contested with subsidy appeal. Resolution of appeal pending.

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

## **Ceballos vs. Entel S.A.**

Court: 27th Civil Court of Santiago

Case No.: 9893-2007.

Notification: July 13, 2007.

Matter: Ordinary case for termination of contract and compensation of damages. Plaintiff: Doris Yanet Ceballos Pilcol.

Request: Contractual responsibility and compensation for damages of approx Ch\$150 million. Cause of action: Non-compliance with contract.

Current procedural stage: Discussion stage completed. Pending notification to produce evidence to parties . Case closed by court as of August 6, 2010. On August 9, 2012, case was reopened. We gave notice of abandon and requested notice through Art. 44. Pending notification.

Case reopened on August 9, 2012. Pending notification under Art. 52 of the civil procedure code. Probable outcome: It is considered likely that the case will be rejected on poor legal grounds..

### **Agrícola El Carrizal vs. Entel**

Court: 25th Civil Court of Santiago

Case No.: 36055-2009.

Notification: January 22, 2010.

Matter: Termination of easement contract with compensation for damages. Supporting claim for extracontractual liability.

Plaintiff: Agrícola El Carrizal S.A.

Defendant: Empresa Nacional de Telecommunicaciones S.A.

Request: Termination of easement contract and payment of Ch\$1,374,188,309 by Entel for consequential and moral damages and loss of earnings. Cause of action: Alleged damages caused by fire on premises of plaintiff's property.

Current procedural stage: Termination due to out-of-court settlement. Case No.:411-2013 closed.

### **Treasury vs. Entel S.A.**

Court: Civil Court 16, Santiago de Chile. Case No.: 23740-2006.

Notification: January 8, 2007.

Matter: Ordinary Treasury Lawsuit for payment of Ch\$996,711,294 plus adjustments for inflation and interest.

Plaintiff: State Defense Council.

Request: Reimbursement of a sum paid by the Ministry of Public Works to move telecommunications cables. Cause of action: Wrong payment made by the Treasury in January, 2002.

Current procedural stage: Ruling made upholding claim against Entel on August 31, 2009. Ruling confirmed by the Court of Appeals. (Case No. 7445-2009). On October 29, 2010, Entel filed an appeal at the supreme court in form and substance, which was granted on November 9. Appeal reviewed at the Supreme Court (Case No.286-2011) on March 13 and conciliation hearing appointed for April 10, 2013; the parties agreed presenting a compromise agreement at the court. Closed on November 24, 2011.

82 Re-opened in first instance by the Court, due to on November 20, 2013, abandonment of action was filed by the Chilean Treasury and accepted by Entel. Concurrently, an abandonment of appeal was filed in the Supreme Court, where the cassation is dismissed on November 27, 2013. Pending abandonment of appeal in first instance. Probable outcome: It is considered likely that the Supreme Court would accept the motion, notwithstanding the filing of additional procedures.

### **Treasury vs. Entel S.A.**

Court: 16th Civil Court of Santiago

Case No.: 19384-2008.

Notification: October 23, 2008.

Matter: Ordinary Treasury Lawsuit for payment of Ch\$242,844,230 plus adjustments for inflation and interest.

Plaintiff: State Defense Council.

Request: Reimbursement of a sum paid by the Ministry of Public Works to move telecommunications cables.

Cause of action: Wrong payment made by Autopista Central.

Current procedural stage: Unfavorable ruling issued on December 20, 2011. Appeal filed on March 27, 2012. Case No. ICA 4271-2012. On November 20, 2013, abandonment of action was filed by the Chilean Treasury and accepted by Entel. Concurrently, an abandonment of appeal was filed in the Court of Appeals, where on December 24, 2013, is recorded as closed. Pending abandonment of appeal in first instance. Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

### Treasury vs. Entel S.A.

Court: 16th Civil Court of Santiago

Case No.: 23840-2008.

Notification: January 5, 2009.

Matter: Ordinary Treasury lawsuit for payment of Ch\$112,675,303 plus adjustments for inflation and interest.

Plaintiff: State Defense Council.

Cause of action: Wrong payment made by Autopista Central.

Current procedural stage: Unfavorable ruling issued on November 28, 2011. Appeal filed on March 27, 2012. Case No. ICA 4216-2012. On November 20, 2013, abandonment of action was filed by the Chilean Treasury and accepted by Entel. Concurrently, an abandonment of appeal was filed in the Court of Appeals, where on December 27, 2013, is recorded as closed. Pending abandonment of appeal in first instance.

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

### Treasury vs. Entel S.A.

Court: 16th Civil Court of Santiago

Case No.: 29989-2008.

Notification: January 21, 2009.

Matter: Ordinary Treasury Lawsuit for payment of Ch\$193,689,026 plus adjustments for inflation and interest.

Plaintiff: State Defense Council.

Request: Reimbursement of a sum paid by the Ministry of Public Works to move telecommunications cables. Cause of action: Wrong payment made by Costanera Norte.

Current procedural stage: Unfavorable ruling issued on April 20, 2012. Appeal filed on June 8, 2012. Case No. ICA 4627-2012. On November 20, 2013, abandonment of action was filed by the Chilean Treasury and accepted by Entel. Concurrently, an abandonment of appeal was filed in the Court of Appeals. Pending abandonment of appeal in both instances. Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

### Treasury vs. Entel S.A.

Court: 16th Civil Court of Santiago

Case No.: 25651-2009.

Notification: November 3, 2009.

Matter: Ordinary Treasury Lawsuit for payment of Ch\$109,316,067 plus adjustments for inflation and interest. Plaintiff: State Defense Council.

Request: Reimbursement of a sum paid by the Ministry of Public Works to move telecommunications cables. Cause of action: Wrong payment made by Autopista Central.

Current procedural stage: Unfavorable ruling issued on December 23, 2011. Appeal filed May 3, 2012. Case No. ICA 4214-2012. On November 20, 2013, abandonment of action was filed by the Chilean Treasury and accepted by Entel. Concurrently, an abandonment of appeal was filed in the Court of Appeals, where on November 24, 2013 is recorded as closed. Pending abandonment of appeal in first instance.

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

## Treasury vs. Entel S.A.

Court: 16th Civil Court of Santiago

Case No.: 7756-2010.

Notification: August 11, 2010.

Matter: Ordinary Treasury Lawsuit for payment of CLP \$133,676,138 plus adjustments for inflation and interest.

Plaintiff: State Defense Council.

Request: Reimbursement of a sum paid by the Ministry of Public Works to move telecommunication cables.

Cause of action: Wrong payment made by the company Autopista Vespucio Sur.

Current procedural stage: Unfavorable ruling issued on December 26, 2011. Appeal filed on April 23, 2012. Case No. ICA 3552-2012. On November 20, 2013, abandonment of action was filed by the Chilean Treasury and accepted by Entel. Concurrently, an abandonment of appeal was filed in the Court of Appeals, where on November 24, 2013 is recorded as closed. Pending abandonment of appeal in first instance.

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

## Martínez Basoalto Florencia vs. Ilustre Municipalidad de Estación Central y Entel S.A.

Court: 27th Civil Court of Santiago

Case No.: 24789-2008.

Notification: June 27, 2009.

Matter: Ordinary case for compensation of damages.

Plaintiff: Florencia Martínez Basoalto.

Request: Extracontractual responsibility and compensation for damages of approximately Ch\$290 million.

Cause of action: Joint responsibility of Entel for an accident on the public highway.

Current procedural stage: Lawsuit presented by insurance company (Marcelo Nasser Olea).

Ruling issued on November 14, 2012 in favor of Entel S.A. (only the municipality was condemned). Appeal against the ruling was filed and its review at the ICA is pending, case No.2227-2013.

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

## IBM de Chile S.A.C vs. Cientec Integración S.A.

Court: 28th Civil Court of Santiago

Case No.: 4190-2010.

Notification: August 5, 2010.

Matter: Notification of payment of invoice.

Plaintiff: IBM DE CHILE S.A.C.

Request: Preparation for enforcement. Notification of payment of invoices for Ch4145,297,453 ordered. Cause of action: Alleged unpaid invoices.

Current procedural stage: The plaintiff's confirmation of who holds the position of CEO at the defendant company Cientec Intergración is pending. The case was filed on December 1, 2011. File No. 642-2011.

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

## **Ferrand y Compañía vs. Entel Telefonía Local**

Court: 23th Civil Court

Case No.: 36415-2009

Notification: May 17, 2010

Matter: Ordinary lawsuit. Claim for compensation of damages.

Plaintiff: Ferrand y Compañía Limitada.

Request: Damages for Ch\$250 million.

Current procedural stage: Favorable ruling issued on January 27, 2012. Plaintiff has filed an appeal which was accepted on August 3, 2012, Case No. 6451-2012. On December 17, 2013, appeal hearing where the sentence was upheld.

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

## **Manzano vs. Entel S.A.**

Court: 1st Civil Court of Puerto Montt

Case No.: 6286-2010.

Notification: December 27, 2010

Matter: Compensation of damages.

Plaintiff: Federico Isaías Manzano Vera.

Request: Compensation of damages for Ch\$100,808,000.

Cause of action: Legal non-compliance due to the fact that a false crime was imposed on the defendant.

86 Current procedural stage: Court accepts objection of gross incompetence. Plaintiff filed an appeal. Case No. 384-2011. On July 25, 2011, the court annulled the appeal ruling rejecting the objection. Enforcement ordered on August 2. Case filed since June 22, 2012. File No. 130-2012

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

## **Motta con Ericsson Chile S.A.**

Court: 8th Civil Court of Santiago

Case No.: 35257-2011.

Notification: October 5, 2012.

Matter: Compensation of damages

Plaintiff: Carlos Motta Pouchucq.

Request: Compensation of Ch500 million.

Cause of action: Death from accident in the workplace.

Current procedural stage: Filed by Luis Sandoval. Order to produce evidence. The evidentiary stage was held on September 5, 2013. Afterward, observations of the evidence presented by Entel S.A. and Ericsson are considered completed. The contest of exceptions is currently in the court of second instance. On July 26, 2013 the resolution appealed is confirmed (11-22-2012) with appeal costs. Appeal pending review by the Court of Appeals.

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

## **Medel and Garrido vs. Entel S.A.**

Court: 24th Civil Court of Santiago

Case No.: 15404-2012

Notification: March 12, 2013

Matter: Compensation for damages for extracontractual liability in major claim in ordinary proceedings.

Plaintiff: Pamela de las Mercedes Medel.

Defendants: (1) Dhanna Andrie Garrido Burgos (2) Beltran Charizola y Balaguer Ltada o Incobech Ltada (3) Empresa Nacional de Telecomunicaciones S.A. (joint defendants)

Request: Joint responsibility in conformity with Article No.183 and others of the Labor Code and payment of Ch\$250,000,000 to the employee's mother.

Cause of action: Labor accident.

Current procedural stage: Filed by Luis Sandoval. The Court rejected the dilatory plea filed. The claim was contested and the other party answered. Further, a document requesting a conciliation hearing was filed, indicating the Court to be at the merit of the case for the process of answering the complaint. Pending answer.

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

## Plug & Play Net S.A. vs. ENTEL S.A.

Court: Arbitral Court.

Notification: November 20, 2013.

Matter: Arbitrage. Claim for compensation of damages.

Request: Claim for compensation of damages

Cause of action: non-compliance with contract.

Current procedural stage: On November 20, 2013, notified of the claim for compensation of damages filed by Plug & Play Net S.A., based on the alleged non-compliance of Entel with its obligation to provide the transmission of cable television to Villarrica and Temuco via fiber optics. Such alleged non-compliance would have caused damages to the plaintiff of Ch\$4,000,000,000, approximately. Within the first two weeks of January 2014, an answer to the claim is to be presented.

Probable outcome: It is considered likely that the case will be rejected on poor legal grounds.

### **d. Tax Procedures**

> The Parent has been notified of the following tax settlements by the Chilean Internal Revenue Service:

1) Settlements 4 and 5 dated April 25, 2007. These settlements request refunds of ThCh\$2,641,281 plus adjustments for inflation, interest and fines, derived from allocations and adjustments made by the Company in calculating its profits for tax years 2004 and 2005, which according to the Service are not correct. The final stage in this process corresponds to the filing of a claim against the tax court dated on July 11, 2007 which is currently pending.

2) Settlements 33–36, September 1, 2009. These settlements request refunds and tax payments for ThCh\$4,657,018, plus adjustments for inflation, interest and fines, derived from allocations and adjustments made by the Company in calculating its profits for the tax years 2007 and 2008, which according to the Service are not correct.

On January 7, 2011, the Service issued resolution 59-2010, which only partially accepted the request for the review of the tax audit presented on November 13, 2009. An appeal was made against this resolution in the tax courts which is currently in the probationary stage.

> On April 30, 2008, the subsidiary Call Center S.A. was notified by the Chilean Internal Revenue Service about Subpoena No.26, dated April 29, 2008. This subpoena contests the tax losses declared by the Company up to tax year 2005 for a total of ThCh\$11,599,818. If the claim is successful, it will not be possible to use these losses against future earnings.

On August 31, 2009, the Chilean Internal Revenue Service issued resolution 59-02, which only partially accepted the request for the review of the tax audit presented on September 9, 2009. An appeal was made against this resolution in the tax courts which is estimated to be accepted based on the grounds presented.

> The subsidiary Entel Contac Center S.A. (Ex-Satel S.A.) has been denied refunds of provisional tax payments of ThCh\$103,109 and ThCh\$81,510 for the tax years 2003 and 2004, respectively. Currently, the Company is waiting for the court to enter evidentiary stage.

**e.** There are management restrictions and limits on financial indicators (covenants) imposed by the syndicated loan contract led by Citibank, N.A., credit contracts with Scotiabank & Trust (Cayman) Ltd. and the Bank of Tokyo-Mitsubishi UFJ, Ltd., and the contracts for issuing dematerialized debt bonds. The most significant of these stipulate the following:

> No merger or consolidation with another company is allowed unless the Company continues to exist and none of the limits established by the debt covenants are broken.

> Nor the company neither its subsidiaries may sell assets without considering:

i) The asset's fair value

ii) Sales or lease operations for assets must not exceed 35% of assets in each year, except for obsolete or unnecessary inventory, operations involving cash or cash equivalents, customer agreements, and other operations arising in the normal course of business.

iii) Any sale of shares in the subsidiary Entel Telefonía Personal S.A. must guarantee retention of at least 50% of the shares and the possibility of having a majority on the board of directors.

> Assets must not be pledged, with the exception of pledges existing as of August 13, 2007 not exceeding US\$60 million and related to securitization operations, leases or credit letters, deferred taxes, duties on new acquisitions, or projects not exceeding certain specified amounts.

> The consolidated indebtedness ratio must not exceed 4:1. In calculating the ratio, only financial debts are considered (i.e. debts arising from goods and services related to the line of business are excluded) in relation to the sum of the profit for the period plus depreciation, amortization, and other expenses that do not represent cash flows (EBITDA).

> The consolidated interest hedge ratio must not be less than 3:1. For this purpose, the ratio of EBITDA and net financial expenditure is considered, both estimated for the last twelve months prior to the end of each quarter.

In the event of non-compliance with any of these requirements, creditors can demand payment of all indebted amounts, without any right to appeal, legal action or challenge by the debtor. At December 31, 2013, the Company complies with all these requirements.

Based on audited or unaudited financial statements, as applicable, the company calculates and monitors compliance with the covenants included in credit contracts on a quarterly basis. These estimates are carried out in line with the definitions included in the agreements.

At December 31, 2013, the results of the monitoring for the quantitative covenants are as follows:

Consolidated indebtedness indicator (Debt/EBITDA). The ratio is 1.76:1 compared to the maximum permitted level of 4:1.

Indicator for coverage of consolidated interest (EBITDA / Financial Expenses). The ratio is 30.53: 1, compared to the minimum permitted level of 3:1

**f.** Contingency for possible expenditure resulting from amendments to the Urban Development Act, which establishes regulations for the installation of antennas (the Antennas Act), as discussed under regulatory risks in Note 28.

## 30. THIRD PARTY GUARANTEES

The Group companies have not received any guarantees from third parties in relation to the acquisition of assets, loan operations, or to guarantee any other type of obligation.

## 31. ENVIRONMENT

The Companies have not made any disbursements for environmental standards.

## 32. RESEARCH AND DEVELOPMENT

During the periods ended June 2013 and December 2012, the Group companies have not conducted any research and development activities.

However, the parent maintains a contract with the main public agency responsible for promoting innovation (Corfo's Innova Chile Committee) in order to promote business innovation, innovative entrepreneurship, technology diffusion and transfer, and public innovation. The expenses incurred up to date in the context of this initiative do not yet qualify as research or development expenses.

In conformity with this contract, a modern Innovation Center focused on the generation of high technology projects was created, with the joint participation of clients and technological allies.

## 33. SANCTIONS

The Group companies and their directors and managers have not been subject to sanctions of any nature by the Chilean Securities and Insurance Commission or any other regulatory authorities.

## 34. SUMMARIZED FINANCIAL INFORMATION FOR SUBSIDIARIES

The financial information for the subsidiaries included in these consolidated financial statements is provided below. Transactions and balances with the parent are also included.

The above information has been prepared in conformity with International Financial Reporting Standards.

a) Summarized financial statements:

Company	12.31.2013				12.31.2013		
	Assets		Liabilities		Profit	Comprehensive	
	Current	Non-current	Current	Non-current	(Loss)	Income	
Entel PCS Telecomunicaciones S.A.	380,860,380	680,804,620	321,934,367	335,095,607	1,283,671,958	131,099,800	131,099,800
Entel Comercial S.A.	15,899,960	126,343	13,105,872	-	1,430,075	628,519	628,519
Entel Inversiones S.A.	7,223	32,762,868	144,027	-	-	(506,811)	152,560
Entel Servicios Telefónicos S.A.	551,976	439,612	218,584	-	887,555	212,619	212,619
Entel Call Center S.A.	10,120,190	19,634,489	6,556,725	15,597,542	20,865,186	1,400,278	1,408,482
Entel Telefonía Local S.A.	17,528,513	10,361,589	16,463,465	13,828	61,456,985	2,651,607	2,651,607
Micarrier Telecomunicaciones S.A.	184,145	2,307,051	328,065	-	177,714	139,229	139,229
Entel Contact Center S.A.	2,607,618	3,732,468	736,947	-	7,438,075	789,966	789,966
Entel Servicios Empresariales S.A.	412,171	832,122	463,533	-	4,552,420	257,145	257,145
Soc,de Telecomunicaciones Instabeep Ltda.	3,737	1	-	744,254	-	(16,479)	(16,479)
Transam Comunicaciones S.A.	1,406,368	1,805,815	369,164	5,226,827	26,376,167	269,834	269,834
Will S.A.	366,910	4,128,448	169,718	4,949,684	-	(671,145)	(671,145)
Americatel Perú S.A.	5,387,517	103,917,596	59,611,285	3,887,072	21,965,883	1,010,769	1,010,769
Servicios del Call Center del Perú S.A.	2,314,357	2,510,807	2,381,058	1,011,749	9,644,207	610,024	610,024
Nextel Perú S.A.	115,208,682	244,143,106	56,310,272	101,412,786	47,025,737	(13,186,086)	(13,186,086)
Entel Internacional B.V.I Corp.	25,016	211,233	35,298	-	-	16,366	16,366

Company	12.31.2012				12.31.2012		
	Assets		Liabilities		Profit	Comprehensive	
	Current	Non-current	Current	Non-current	(Loss)	Income	
Entel PCS Telecomunicaciones S.A.	282,833,921	669,160,057	301,074,502	274,479,547	1,151,933,580	127,149,525	127,149,525
Entel Comercial S.A.	12,260,970	1,597,300	5,165,742	-	1,439,373	9,647,718	9,647,718
Entel Inversiones S.A.	1,369,850	31,216,982	113,329	-	-	1,646,856	1,496,271
Entel Servicios Telefónicos S.A.	820,971	49,246	290,217	19,615	1,589,587	350,550	350,550
Entel Call Center S.A.	7,930,437	17,433,787	4,114,964	15,057,330	22,857,908	1,883,934	1,875,589
Entel Telefonía Local S.A.	12,624,906	8,933,738	12,628,721	168,720	49,700,740	1,997,186	1,997,186
Micarrier Telecomunicaciones S.A.	35,245	2,164,806	176,149	-	105,304	4,421	4,421
Entel Contact Center S.A.	2,166,610	4,072,618	1,222,816	203,240	3,494,216	476,143	476,143
Entel Servicios Empresariales S.A.	455,997	452,929	385,311	-	3,996,749	153,756	153,756
Soc,de Telecomunicaciones Instabeep Ltda.	3,671	1	-	727,709	-	(19,605)	(19,605)
Transam Comunicaciones S.A.	2,114,227	3,891,178	1,168,976	7,490,071	550,391	(1,154,464)	(1,154,464)
Will S.A.	44,736,029	4,275,443	44,553,956	4,410,414	195,929	(684,696)	(684,696)
Americatel Perú S.A.	5,075,049	14,705,060	3,899,783	3,690,353	20,903,727	1,100,232	1,100,232
Servicios del Call Center del Perú S.A.	1,811,456	1,987,654	2,058,638	926,344	8,045,064	294,725	294,725
Entel Internacional B.V.I Corp.	23,232	193,580	-	32,293	-	(31,565)	(31,565)

b) Balances due to and from the parent:

#### DUE FROM SUBSIDIARIES

TAX ID	COMPANY	Country of origin	Currency	Current		Non-current	
				12.31.2013 ThCh\$	12.31.2012 ThCh\$	12.31.2013 ThCh\$	12.31.2012 ThCh\$
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	CLP	15,115,960	13,966,215	324,680,428	259,225,800
76.479.460-5	Entel Comercial S.A.	Chile	CLP	-	-	-	-
96.554.040-7	Entel Servicios Telefónicos S.A.	Chile	CLP	-	-	-	19,616
96.563.570-K	Entel Call Center S.A.	Chile	CLP	-	-	13,339,787	11,608,492
96.548.490-6	Micarrier Telecomunicaciones S.A.	Chile	CLP	2,819	-	-	-
96.697.410-9	Entel Telefonía Local S.A.	Chile	CLP	1,333,812	2,958,957	-	158,743
96.553.830-5	Entel Contact Center S.A.	Chile	CLP	-	-	56	203,240
79.637.040-8	Instabeep Ltda.	Chile	CLP	-	-	744,254	727,709
96.652.650-5	Transam Comunicación S.A.	Chile	CLP	621	-	5,226,827	7,490,071
96.833.480-8	Will S.A.	Chile	CLP	415	-	4,949,684	4,410,414
0-E	Nextel Perú S.A.	Perú	USD	-	-	84,010,409	-
0-E	Americatel Perú S.A.	Perú	USD	196,121	277,433	2,720,871	2,431,355
0-E	Servicios de Call Center del Perú S.A.	Perú	USD	49,187	-	1,262,419	1,240,776
<b>Total</b>				<b>16,698,935</b>	<b>17,202,605</b>	<b>436,934,735</b>	<b>287,516,216</b>

#### DUE TO SUBSIDIARIES

TAX ID	COMPANY	Country of origin	Currency	Current		Non-current	
				12.31.2013 ThCh\$	12.31.2012 ThCh\$	12.31.2013 ThCh\$	12.31.2012 ThCh\$
76.479.460-5	Entel Comercial S.A.	Chile	CLP	9,588	194	-	-
96.561.790-6	Entel Inversiones S.A.	Chile	CLP	-	-	4,574,747	25,096,234
96.554.040-7	Entel Servicios Telefónicos S.A.	Chile	CLP	48,578	115,376	414,295	-
96.563.570-K	Entel Call Center S.A.	Chile	CLP	1,331,279	1,396,049	-	-
96.548.490-6	Micarrier Telecomunicaciones S.A.	Chile	CLP	-	-	2,113,274	1,967,959
96.697.410-9	Entel Telefonía Local S.A.	Chile	CLP	-	-	5,003,058	-
96.553.830-5	Entel Contact Center S.A.	Chile	CLP	77,510	121,663	932,675	-
96.672.640-7	Entel Servicios Empresariales S.A.	Chile	CLP	408,420	443,008	800,416	409,103
0-E	Servicios de Call Center del Perú S.A.	Perú	USD	-	44,647	-	-
0-E	Entel B.V.I Corp.	Islas Virg. Bri	USD	-	-	207,230	189,592
<b>Total</b>				<b>1,875,375</b>	<b>2,120,937</b>	<b>14,045,695</b>	<b>27,662,888</b>

c) Transactions between the parent and subsidiaries:

TAX ID	COMPANY	Transaction	12.31.2013		12.31.2012	
			Amount ThCh\$	Credit (debit) to profit or loss	Amount ThCh\$	Credit (debit) to profit or loss
96.806.980-2	Entel PCS Telecommunicaciones S.A.	Servicios Prestados	112,917,367	112,917,367	93,716,355	93,716,355
96.806.980-2	Entel PCS Telecommunicaciones S.A.	Servicios Recibidos	10,255,829	(10,255,829)	8,589,021	(8,589,021)
96.806.980-2	Entel PCS Telecommunicaciones S.A.	Préstamos Otorgados	62,191,846	-	-	-
96.806.980-2	Entel PCS Telecommunicaciones S.A.	Préstamos Recibidos	-	-	84,330,867	-
76.479.460-5	Entel Comercial S.A.	Servicios Prestados	19,523	19,523	46,195	46,195
76.479.460-5	Entel Comercial S.A.	Préstamos Otorgados	-	-	80,695,864	-
96.561.790-6	Entel Inversiones S.A.	Préstamos Reembolsados	20,866,220	-	698	-
96.554.040-7	Entel Servicios Telefónicos S.A.	Servicios Prestados	67,236	67,236	108,095	108,095
96.554.040-7	Entel Servicios Telefónicos S.A.	Servicios Recibidos	605,972	(605,972)	1,250,001	(1,250,001)
96.554.040-7	Entel Servicios Telefónicos S.A.	Préstamos Recibidos	364,112	-	722,140	-
96.563.570-K	Entel Call Center S.A.	Servicios Prestados	312,704	312,704	316,867	316,867
96.563.570-K	Entel Call Center S.A.	Servicios Recibidos	6,222,065	(6,222,065)	6,223,182	(6,223,182)
96.563.570-K	Entel Call Center S.A.	Préstamos Otorgados	1,724,557	-	-	-
96.563.570-K	Entel Call Center S.A.	Préstamos Recibidos	-	-	2,236,073	-
96.697.410-9	Entel Telefonía Local S.A.	Servicios Prestados	21,898,463	21,898,463	22,227,179	22,227,179
96.697.410-9	Entel Telefonía Local S.A.	Servicios Recibidos	3,229,405	(3,229,405)	3,542,468	(3,542,468)
96.697.410-9	Entel Telefonía Local S.A.	Préstamos Recibidos	8,120,757	-	10,366,479	-
96.548.490-6	Micarrier Telecommunicaciones S.A.	Servicios Prestados	38,249	38,249	29,076	29,076
96.548.490-6	Micarrier Telecommunicaciones S.A.	Servicios Recibidos	-	-	1,904	(1,904)
96.548.490-6	Micarrier Telecommunicaciones S.A.	Préstamos Recibidos	93,157	-	-	-
96.548.490-6	Micarrier Telecommunicaciones S.A.	Préstamos Otorgados	-	-	490,133	-
96.553.830-5	Entel Contact Center S.A.	Servicios Prestados	-	-	25,540	25,540
96.553.830-5	Entel Contact Center S.A.	Servicios Recibidos	373,336	(373,336)	582,657	(582,657)
96.553.830-5	Entel Contact Center S.A.	Préstamos Recibidos	1,132,096	-	-	-
96.553.830-5	Entel Contact Center S.A.	Préstamos Otorgados	-	-	4,279,974	-
96.672.640-7	Entel Servicios Empresariales S.A.	Servicios Recibidos	4,552,420	(4,552,420)	3,996,749	(3,996,749)
96.672.640-7	Entel Servicios Empresariales S.A.	Préstamos Recibidos	356,725	-	545,781	-
96.652.650-5	Transam Comunicación S.A.	Servicios Prestados	15,142	15,142	12,781	12,781
96.652.650-5	Transam Comunicación S.A.	Préstamos Otorgados	-	-	1,009,515	-
96.833.480-8	Will S.A.	Servicios Prestados	4,133	4,133	4,064	4,064
96.833.480-8	Will S.A.	Servicios Recibidos	-	-	1,437	(1,437)
96.833.480-8	Will S.A.	Préstamos Recibidos	-	-	4,361,193	-
96.833.480-8	Will S.A.	Préstamos Otorgados	539,296	-	-	-
0-E	Americatel Perú S.A.	Servicios Prestados	906,243	906,243	735,188	735,188
0-E	Americatel Perú S.A.	Servicios Recibidos	247,625	(247,625)	590,742	(590,742)
0-E	Servicios de Call Center del Perú S.A.	Abono Préstamos	178,573	-	94,900	-
0-E	Servicios de Call Center del Perú S.A.	Servicios Prestados	106,710	106,710	104,042	104,042
0-E	Servicios de Call Center del Perú S.A.	Servicios Recibidos	283,833	(283,833)	441,060	(441,060)
0-E	Nextel Perú S.A.	Préstamos Otorgados	91,345,076	-	-	-

### **35. SUBSEQUENT EVENTS.**

Between January 1, 2014 and the date of issuance of these consolidated financial statements, no subsequent events have occurred that could significantly affect the amounts contained herein.



# Ratio Analysis Consolidated Financial Statements

## FINANCIAL STRUCTURE, EVOLUTION OF REVENUE, EXPENSES AND PROFITABILITY

### Financial ratios.

This document presents the changes noted in the most significant financial ratios over the last twelve months.

Information is not adjusted for changes in the purchasing power of the currency. In conformity with International Financial Reporting Standards (IFRS) as issued by the IASB, in 2008 the Company has not price-level adjusted its figures.

Consumer Price Index for the year ended December 31, 2013, has recorded the following variations: 3% for the last twelve months; 18.1% from the date in which the application of price-level adjustment was discontinued..

	12-31-2013	12-31-2012
<b>LIQUIDITY RATIOS</b>		
Current liquidity (Current assets /Current liabilities)	1.10	0.96
Acid ratio (Cash and cash equivalents / Current liabilities)	0.04	0.12
<b>INDEBTEDNESS RATIO</b>		
Indebtedness ratio (%) (Total debt / Equity)	156.16	108.26
Current debt portion () (Current liabilities / Total debt)	37.45	49.85
Non-current portion (%) (Non-current liabilities / Total debt)	62.55	50.15
Financial expense hedge (Income before taxes and interest/financial expense)	9.49	15.5
<b>EFFICIENCY AND PROFITABILITY RATIOS</b>		
Profit margin (Profit on revenue)	9.03	11.70
Equity profitability (%) (annual) (Profit for the year on average equity)	17.34	21.08
Asset profitability (%) (annual) (Net profit for the period on average asset)	7.44	10.28
<b>PROFITABILITY AND VALUE PER SHARE</b>		
Earnings per share (annual) (%)	621.36	707.30
Dividend yield (%) (Dividend last twelve months / share quotation at year end)	5.26	5.61
Carrying amount (Equity / number of shares) (\$)	3.725.15	3.441.54
Trade value (per quotation) (\$)	7.130.60	9.899.30

## EBITDA

(Earnings before income tax, interest, adjustments and exchange-rate fluctuations depreciations, amortizations and extraordinary items).

For comparative and analysis purposes, the new accounting treatment for handsets under the post-paid agreements was adopted starting from October 1, 2012. As a summary, the cost of post-paid mobile handsets and activation charges to customers under those agreements, are directly recognized in profit or loss when handsets are delivered to the customers, and the historical basis of handsets sold until September 30, 2012, continue being depreciated as property, plant and equipment. Note that such historical basis stopped being depreciated after September 30, 2013.

A table comparing the twelve months of 2013 and 2012 is shown below. Such a comparison records both periods and the application of the following adjustments:

- \* application of the new accounting treatment for post-paid handsets in both periods,
- \* the exclusion of the net effect of the historical basis of handsets as of September 30, 2012 in the 2013 results.

	2012	2013	Var.
<b>EBITDA</b>	536,525	467,316	-12,9%
+ Net adjustment to restate in accordance with an accounting treatment of handsets	-123,508		
+ Net adjustment to eliminate effects for historical basis of handsets as of 9/30/12		-9,019	
<b>EBITDA Proforma (comparative)</b>	413,017	458,297	+11,0%
	2012	2013	Var.
<b>Gain (loss) from Operating Activities</b>	221,580	218,037	-1,6%
+ Net adjustment to restate in accordance with an accounting treatment of handsets	+4,896		
+ Net adjustment to eliminate effects for historical basis of handsets as of 9/30/12		+33,757	
<b>Gain (loss) from Operating Activities Proforma (comparative)</b>	226,476	251,794	+11,2%
	2012	2013	Var.
<b>Gain (loss)</b>	167,294	146,965	-12,2%
+ Net adjustment for accounting treatment, including income tax	+4,123	+28,042	
<b>Gain (loss) Proforma (comparative)</b>	171,417	175,007	+2,1%

Profit or loss at EBITDA level decreased from Ch\$536,525 to Ch\$467,316 million, compared with the same period in prior year, a decrease of 12.9%. EBITDA was affected by the above-mentioned new accounting treatment. However, comparing both periods, there was an increase in EBITDA of 11%, Gains from Operating Activities increased by 11.2% and Gain (loss) for the period increased by 2.1%, as shown in the table above.

In addition, during August 2013, Entel Chile S.A. acquired Nextel Peru, a company incorporated in 1998, and the third largest mobile telephone company in Peru. The transaction amounted to US\$410.6 million and involved the company's entire share capital. The financial statements of Nextel Peru were first included in the consolidated financial statements of Entel on August 31, and its profit or loss was recognized starting from September 1, 2013. Because of this, the comparability of the amounts in the consolidated financial statements of Entel S.A. is affected by the effect of Nextel Peru's financial statements, which as of December 31, 2013, contributed total current assets of MCh\$60,569, non-current assets of MCh\$244,143, current liabilities of MCh\$55,606 and non-current liabilities of MCh\$17,402. With respect to the profit or loss of Nextel Peru, this company recognizes a loss for the year of MCh\$13,186 in Entel S.A.'s consolidated profit or loss.

## Evolution of financial ratios

Between the periods, we noted a decrease in Entel Group's efficiency financial indicators, which is associated with margin and profit contraction over the last twelve months, commented upon below. Additionally, certain indicators are impacted by the incorporation of Nextel Peru during the second half of the year.

Efficiency and Profitability Ratios (profit margin and profitability on equity and assets). The new treatment for accounting purposes of handsets under postpaid agreements with customers has had the most significant impact on efficiency and profitability ratios. Such ratios have also been affected by higher access charges, personnel expenses, property leases, sales fees and commissions from an increase in activities and an increase in financial expenses.

In a highly competitive environment, after the entry to the market of new competitors and the start of the number portability system at the beginning of 2012, the Company has been able to maintain growth, particularly in mobile services (including both voice and data) as well as growth in data services and information technology (IT), provided over a fixed network (focused on business segments).

The indebtedness ratio has increased from 108% to 156%. This change is due to the combined effect of an increase of ThCh\$495 million or 56% in liabilities and, an increase of ThCh\$67 million or 8% in equity.

The net increase in liabilities is mainly due to an increase in financial liabilities of ThCh\$403 million, mainly used to acquire Nextel Peru and obtain the 4G license in Peru through its subsidiary Americatel. This added to growth in operations and ordinary uses in the business. In addition, an increase in accounts payable of ThCh\$93 million due to an increase in activities, from which ThCh\$46 million are attributable to Nextel Peru. Also, a net decrease in other non-financial liabilities, current of ThCh\$10 million mainly related to a decrease in deferred income/revenue associated with activation charges resulting from the present accounting treatment of handsets under post-paid agreements with customers. Finally, there was an increase in equity due to higher net retained earnings from dividend distribution.

There were no significant effects associated with exchange rate fluctuations as these have been offset by the currency risk hedging policies instituted by the Group. This policy is based on hedging such exposure using financial derivative instruments.

Liquidity ratios increased from 96% to 110% (current assets over current liabilities), because of a higher percentage of current assets compared with current liabilities, due to an increase of ThCh\$49 million in trade receivables and ThCh\$84 million in mobile handset-related inventories.

Solvency of the financial expense hedge ratio is high, where a hedge of such expenses by profit before tax is still over 9 times despite a decrease due to an increase in finance costs, the new accounting treatment for mobile handsets under post-paid agreements with customers, an increase in personnel expenses, the inclusion of the profit or loss of Nextel Peru to the consolidated accounts starting from September, which implied the recognition of loss before tax of ThCh\$19 million, and other expenses related to the operation because of an increase in activities.

The position of this ratio is even more significant when considering net finance costs; i.e., by offsetting finance income and finance expenses. If measured using this method as of December 31, 2013 the ratio is higher than 10 times.

Likewise, if the calculation is made on the basis of cash flows, considering profit before depreciation, the ratio is slightly higher than 24 times.

The calculation of financial expense hedge ratios considers interests from bank borrowings, differences in rates because of the use of interest rate hedging agreements and interests from finance lease contracts as finance expenses. Interest is calculated on the basis of the effective rates, in accordance with the amortized cost procedures contained in IAS 39.

We noted an increase of ThCh\$562 million or 33% in the Group's total assets.

This increase in total assets is significantly impacted by the consolidation of Nextel Peru, which contributed assets of ThCh\$304 million, from which ThCh\$112 million correspond to property, plant and equipment, ThCh\$80 million relate to deferred tax assets, ThCh\$51 million correspond to intangible assets other than goodwill, ThCh\$27 million relate to inventory, and ThCh\$16 million are mainly associated with trade receivables.

Excluding those assets contributed by Nextel Peru, main variations during the last twelve months are noted in the caption Property, plant and equipment, which shows a net investment of ThCh\$105 million. This corresponds to the amount by which investments exceeded depreciation for the period; and where gross investments amounted to ThCh\$357 million. Additionally, there is an increase of ThCh\$51 million in intangible assets other than goodwill, referred to the 4G license obtained in Peru through the subsidiary Americatel Peru, and increase of ThCh\$57 million in inventories, an increase of ThCh\$34 million in trade receivables because of the increase in business activities, and an increase of ThCh\$14 million associated with deferred taxes mainly due to the application of the new accounting treatment for mobile handsets under post-paid agreements with customers.

62% of investments in property, plant and equipment was focused on higher development services, particularly mobile services, and 32% on investments in fixed telephony network platforms and infrastructure.

The investment in mobile services mainly related to investments in network infrastructure.

During the last twelve months, the Company recognized investments of ThCh\$16 million in real estate, related to works performed in one of the towers in Titanium Park, destined to become the Group's headquarters. As of December 31, 2013, investment in real estate amounted to ThCh\$36 million.

Current inventories relate to mobile handsets for the user of those services. Inventory levels, activities and turnover are determined on the basis of portfolio growth projections, the demand for handset renewal, changes in technology, and customer retention campaigns.

## Market ratios

Entel Group is part of a highly competitive market in the different lines of services offered by the Group.

Entel continues to leverage from the sound evolution of its high-value mobile customers despite the slowdown in the industry in Chile.

Over the last few years, there have been variations due to the large number of competitors in the telecommunication market. In the mobile services area, operations commenced by VTR and Nextel, the two new operators to which the authorities granted spectrum to provide 3G telephony last year, as well as the gradual incorporation of Mobile Virtual Network Operators (MVNO), has broaden competition.

Entel Group entered into a local roaming agreement with Nextel Chile, whereby Entel grants access to such company to mobile networks in areas where Nextel has no coverage using its own networks. In addition, at the end of 2012, the Company entered into an agreement with Falabella to provide network infrastructure services to their MVNO.

In addition, at industry level, we have noted a trend to provide increasingly technologically advanced and expensive mobile handsets to customers. The use of this range of handsets allows increasing the supply of classes of services, particularly in the mobile data area.

In regard to mobile number portability, during this year, Entel has been able to attract most of the higher segment customers (under post-paid agreements). The net effect of ported customers for the Company during 2013 corresponded to a net decrease in number portability of 39,000 subscribers, and an increase of 83,000 post-paid customers, offset by a decrease in the pre-paid segment of 122,000 customers.

The Company has continued to apply its strategy to increase the use of mobile data, where it has made significant investments to increase the penetration by smartphones into the market. Through to the present date, 55% of post-paid customers have a data or multimedia plan, which represents a sound increase compared with that 42% recorded in December 2012.

The Group's favorable positioning is its main strength to face the market adjustments lying ahead. In the mobile service area, which represents 80% of the current year revenue, the "Entel" brand maintains a strong positioning, and it is preferred by a large number of costumers. Through to the present date, such factors have been crucial for managing market share policies and customer portfolio composition (post-paid and pre-paid).

Also, for eleven consecutive years, Entel has maintained its first place in Mobile Service Customer Satisfaction, as awarded by the Organización Pro Calidad and Revista Capital in September 2013.

In addition, in 2012 Entel was provided the "Service Provider Partner of the Year" award for the Southern Cone of Latin America by Cisco, because of the leadership that has positioned Entel as the most significant provider and integrator of services in Chile. Also, during 2013, Entel obtained Cisco's Partner Gold certification, being the only Chilean company to obtain it. This certification is the highest recognition awarded by Cisco to its partners, and shows that Entel has all the technical, business and service excellence qualities required to provide Cisco systems supported solutions to its customers. To achieve this, the Company performed individual certification and training processes in three technological architectures: Borderless Network, Collaboration and Datacenter.

Recently, Asociación Iberoamericana de Relaciones Empresa Cliente (AIAREC) provided Entel with the "2013 Best Customer Experience" award for Telecommunications in Chile. This year, the survey included the opinion of nearly 4,000 Chilean customers who assessed their experience with the brand, the products, services and channels.

In the prior year, for the third consecutive year the Group improved its leading position in the "National Innovation Ranking," recognizing the Group's adequate organizational structure and dynamics for creating value for its customers. This survey was performed by the School of Business ESE (Universidad de los Andes).

During December 2013, Entel was awarded the "Best Place to Innovate 2013" for being the best telecommunications company in Chile for innovation. This award, granted in collaboration with the School of Business of Universidad de Chile, CORFO and the research company CADEM, was based on the First Perception Ranking performed by InnovAcción highlighting s creativity, innovation and effective change.

Market policies applied have been successful in focusing specially on customers under post-paid agreements, whose Minutes of Usage (MOU) and Average Revenue per User (ARPU) are higher than those of pre-paid customers.

On a regular basis, the Group conducts an analysis of the main players in the telecommunications industry, either for mobile services and fixed network services. Over the last twelve months, the mobile telephony customer base in Chile increased by 3.2%, achieving a total of 10,428,885 customers. The most significant change noted corresponds to an increase in the post-paid customer base (both voice and mobile broadband), which increased by 8.3%, representing a 32.7% of the total mobile telephony customer base in Chile.

To continuously improve customers' use experience in the mobile telephony plans, at the end of Q3 the Group launched a new multimedia data plan offering, introducing the feature of charging for the data used in excess of the plan limit engaged, instead of reducing the browsing speed.

A gradual positioning in the corporate customer segment continuous to be observed, particularly for the rendering of integrated voice, data and Internet solutions, as well as Information technology (IT) services.

The Group has developed different service proposals for the corporate segment on the basis of a solid mobile infrastructure and network GPON, and datacenter capabilities, through the converging sale of fixed and mobile services.

The expansion of the GPON network has allowed Entel reaching a larger coverage in fixed services and increasing its presence in the corporate market, thereby improving the connectivity solutions and the integration of fixed and mobile services with high speed access.

The Group is involved in highly complex projects in the corporate segment, achieving success and positive results, which has resulted in achieving a leading position in the telecommunication business market share. Additionally, the Group consolidated its position as a major player in the IT business and the most significant supplier of datacenter infrastructure.

The Entel Group continues to consolidate its leadership in IT outsourcing services in Chile, through a network of 6 world-class datacenters. In March 2013, the Company opened the second stage of Ciudad de los Valles, with a total area of 4,000 square meters, which has the Tier III Design Documents and Tier III Constructed Facility certifications as awarded by the Uptime Institute. Its design, implementation and operation guarantee availability of 99.982% in the event of a contingency.

In July, the Company organized the sixth edition of the "Business in the Connectivity Age" Entel Summit. This is the most significant technology-related event in Chile and 2,000 people attended to it, mainly from the Corporate and SME segments. Topics addressed included information technology and artificial intelligence, connectivity, mobility, virtualization and cloud computing, the technologies that affect the consumers' daily life and the redefinition of the way we do business.

A decrease in primary zones from 24 to 13 for domestic and international long distance services, which started in October of the prior year, has resulted in lower domestic traffic volumes. These services represented 2 of the Group's revenue for the present year.

During the second half of 2012, the Group leveraged from the level of development and convergence of its technologies launching the "Entel Hogar" project, which is focused on providing wireless fixed telephony, Internet and satellite television solutions for certain segments in the residential market. As of December 31, 2013, the Company achieved 206,000 UGI.

With respect to the public tender carried out by the Government to grant Data Transmission Public Service awards in the 713-748 and 768-803 MHz frequency bands, through two 20MHz blocks, and another 30MHz block. At the beginning of January 2014, the authority decided that there was a technical draw among those operators that submitted their proposals, among them, Entel. The frequency subject to the tender process has a high capacity bandwidth in broader areas, allows better penetration in buildings, because by using a lower spectrum no indoor interference is generated, thereby allowing better reception. The authority should review and confirm the scores, and should the draw remain, the bands will be awarded through economic proposals already provided to the authority. The award is expected to be granted during the first half of 2014.

The Decree granting the concession to the subsidiary WILL S.A. to develop 4G networks in the 2600 MHz bandwidth was published in March 2013. Such network is in development period and is the largest in Chile with 803 access points at domestic level. Ericsson, a technological Partner of Entel and worldwide leader in mobile network development, is developing the technical project.

Internationally, the Group currently operates only in Peru, the market, resource requirements and management efforts of which are aligned to the current strategic definitions. The Group's business in Peru were traditionally focused on integrated fixed telephony services for corporate customers in Lima and local and international Call Center services, and has expanded to mobile telephony services through the acquisition of Nextel Peru.

On August 19, 2013, Entel Chile acquired Nextel Peru, subsequent to the transfer of 100% of the shares to Entel by the U.S. company NII Holdings. This transaction was announced on April 4, 2013 and amounted to US\$410.6 million for the total share capital. Nextel Peru is the third largest mobile company in Peru, operating since 1998 and focusing mainly on the corporate segment through the Push-To-Talk – IDEN technology, and 3G WCDMA services. Such acquisition is a significant step for Entel, as it is a long-term investment that will allow positioning the Group as a global mobile carrier in a market with high potential and will allow increasing the number of services that the Entel Group already offers in Peru.

Nextel Peru has restructured its business strategy to become a global mobile carrier, serving all costumer segments delivering a unique experience for them. For such purpose, starting from the acquisition date, efforts have been focused on expanding the network, distribution channels and increasing the business and handset supply for the market.

On July 22, 2013, the Group was awarded in Peru one of the two 40 MHz blocks that the Peruvian authority submitted to a tender process for the development of 4G mobile services in the AWS band in Peru. For such purpose, Entel offered US\$105.5 million. Such spectrum will allow developing 4G services that will integrate with the rest of the Group's supply in Peru, to efficiently supplement the existing infrastructure, generating an appropriate combination of quality and costs for the rendering of services.

Main variations by caption in the evolution of sales revenue are commented upon below.

## Analysis of market risk

Market risks to which the Group companies are confronted are described in Note 28 to the consolidated financial statements.

Such note describes the technological, regulatory, currency, credit, interest rate and liquidity risks, as well as the control and mitigation policies applied. The continuous analysis of technology and market trends is strengthened through an alliance with the Vodafone Group, a British carrier and worldwide leader of mobile services. Through this alliance, Entel Group, among other benefits, shares the best practice in customer service, has access to new voice and data products with international access, is able to increase the Roaming service coverage and quality and maintain the leading position in the development of added-value services in the area of Advanced Digital Mobile Telephony, also known as 3G (third generation).

As indicated above, recognition of Entel by the market is evidenced by maintaining for 11 consecutive years in the first place in the Mobile Service Customer Satisfaction, as awarded by the Organización Pro Calidad and Revista Capital, and the recognition awarded by Cisco as the "Service Provider Partner of the Year" for the Southern Cone of Latin America, because of the Group's leading position as the most important carrier and systems integrator in Chile.

Services rendered by the Group locally have been the subject of several reforms have been enacted or substantially enacted by the authorities that will affect competition, accelerate Internet penetration and control the deployment of antennas in urban areas, set new tariffs for interconnection services, among other objectives.

As indicated in the notes to the financial statements, reforms include providing more information to users, destined to compare Internet access market offers, eliminate domestic long distance, providing a consistent format for telephone numbers, number portability for mobile and fixed services, processes for determining tariffs for services rendered through interconnections, incorporation of infrastructure providers and incentives to the extension of broadband access. Likewise, the competition regulation agency has issued instructions for telecommunication companies establishing requirements for the service supply differentiating the destination network (On net/Off net), as well as instructions that restrict and establish conditions for the supply of telecommunication service packages (within the same network or in different networks).

In addition, subsequent to the publication at the end of March 2013 of the Decree awarding the concession to the subsidiary WILL S.A. for the provision of Fixed and/or Mobile Data Transmission Public Service in block "B" of the 2600MHz frequency band (spectrum used in most of the countries where the LTE or 4G technology is used), the mandatory project undertaken as a technical project for this frequency band is being completed.

For the tariff process for all mobile telephone companies, according to the amendments and insistencies report prepared by the companies, a new proposal for tariff adjustment was developed, which in the case of Entel suggests a reduction of 57% in access charges (or interconnection charge). Finally, during the course of the first few weeks of January 2014, the ministries issued the Tariff Decree for Entel PCS and the other Mobile companies which, in summary, establishes access tariffs of an average of Ch\$15.6 per minute to be charged during 2014. This amount represents a reduction of approximately 73% compared with the previous 5-year period (between 2009 and 2014). This Decree must be reviewed by the Chilean General Comptrollership prior to being published in the Official Gazette. Entel filed an appeal with the Chilean General Controllership, which refutes the method used to determine tariffs during the period between the second and fifth year of the five-year period, as the Decree is not aligned with the provisions of the General Telecommunication Law.

Despite all the regulatory changes indicated above, the diversity and size of the Group hedge it against the effects of adverse regulations, and also create new business opportunities. However, within a regulated industry, changes in regulations have the potential to impact the Group's profit or restrict its growth possibilities.

## Evolution of revenues

The Group's revenues are composed of the captions Revenue, Other income and Other gains (losses) in the Statement of Comprehensive Income. Income increased by 14%, compared with 2012, as follows:

	2013	2012	Variation
	MCh\$	MCh\$	%
Mobile telephone service – Chile	1,271,726	1,142,690	11
Mobile telephone service – Peru	45,902	0	
Private services (including IT services)	120,663	105,922	14
Local telephone services (including NGN-IP)	43,160	41,249	5
Television service	8,337	220	
Long distance	32,027	32,805	-2
Internet	20,879	17,217	21
Services to other operators	20,868	21,855	-4
Traffic business	31,255	36,667	-15
Americatel Peru	21,392	20,111	6
Call center services	12,167	11,377	7
Other revenue (1)	15,555	10,865	43
<b>Total revenue</b>	<b>1,643,930</b>	<b>1,440,978</b>	<b>14</b>

(1) Other income, from the disposal of property, plant and equipment, business interests and other.

Consolidated revenues for the twelve-month period ended December 31, 2013 amounted to ThCh\$1,644 million, representing an increase of 14% compared with consolidated revenues in the same period of 2012.

The growth in mobile services continues to be the Group's main source of revenues, propelled by an expansion in the customer base.

The Group continues to leverage from a sound evolution of its high-value mobile customers, despite a slowdown in the industry in Chile. In Peru, Nextel has focused its expansion on the network and distribution channels, as well as in expanding the handset and service supply.

In the area of mobile services, the Group in Chile has a strong positioning, due mainly to the sustained commercial drive and service quality, resulting in being preferred by users. The increase in sales is due to the growth in voice services and innovative value-added services, including mobile broadband, an increase in the customer base and an increase in the Average revenue per user, which increased by 3.9% during the last twelve months, driven by a higher penetration in data services. In addition, there was an increase in revenue from sales of pre-paid and post-paid handsets due to the new accounting treatment for those handsets. As of December 31, 2013, the customer portfolio reached 10,428,885 users, which represents an increase of 3.2% compared with the same period of prior year. Note that 32.7% of the customer base is composed of customers under post-paid agreements, where the larger part of such growth in the customer base was recorded in customer segments with higher average income (post-paid). Pre-paid customers recorded a slight increase of 1%, affected by a decrease in the mobile broadband customers due to a higher penetration of smartphones and the quick adoption of data plans. As of December 2013, Mobile broadband customers and corporate wireless data amount to Ch\$996,054.

In addition, the acquisition of Nextel Peru resulted in the recognition from September of net intercompany revenue for ThCh\$46 million, equivalent to four months of service. As of December 31, 2013, this company has a total customer base of 1,555,663 users and an average ARPU of Ch\$7,187 at the same date.

Revenue from private services, related to integrated voice networks, data and Internet, provided to the corporate segment, together with Information Technology services, have shown a positive evolution, driven by entering into new contracts with customers.

The growth in local telephony mainly relates to the telephony area associated with "Entel Hogar" services launched during the second half of 2012.

Television services relate to the satellite television segment associated with "Entel Hogar", which as of December 31, 2013, reached 206,000 UGI.

A slight decrease has been shown by revenue from long distance services where revenue from international long distance services have decreased mainly due to a reduction in traffic in the consumer segment, which is mainly offset by an increase in tariffs and the business segment activity, as well as by a decrease in domestic long distance services impacted by a reduction in the primary zones from 24 to 13, which commenced operating in October of the prior year. A decrease in this type of long distance services is expected in the future as a result of the elimination of the primary zones in Chile.

Internet services increased because of the higher activity level in the business segment, as well as in "Entel Hogar" services relative to the mobile broadband service segment, and additionally, because of the Internet service segment contributed by Nextel Peru.

Revenue from services provided to other operators have decreased by 4% during the period, because of a drop in fixed network infrastructure leases, which is partially offset by an increase in roaming operations with mobile operators.

Traffic services decreased by 15%, due to a drop in the minutes used and lower tariffs.

Additionally, Americatel Peru shows a positive variation mainly due to an increase in revenue related to integrated voice, data and Internet services for corporations and an increase in revenue in the online wholesale business due to higher traffic, which was partially offset by a decrease in revenues from long distance services resulting from a drop in traffic.

Call Center services show an increase due to the growth in such activity.

Other revenues showed presented a significant increase mainly due to revenue from the lease of property to other mobile operators, and higher net revenues from the sale of office space.

## Cost, Expenses and Profitability

Information included below relates to the main cost and expense captions for 2013 and 2012:

	2013	2012	Variation
	MCh\$	MCh\$	%
<b>Operating costs</b>	(1,425,893)	(1,219,398)	16
<b>Operating income (EBIT)</b>	218,037	221,580	-2
- Net finance cost, adjustments and others	(41,120)	(22,944)	79
<b>Net profit</b>	146,965	167,294	-12

During 2013, consolidated operating cost amounted to ThCh\$1,426 million, which corresponds to an increase of 16% compared to the same period of 2012.

Growth noted in operating costs is mainly due to the new accounting treatment of mobile handsets under post-paid agreements with customers, and an increase in the customer base and operation volume during the normal course of activities. Additionally, beginning in September 2013 costs of Nextel Peru of ThCh\$59 million equivalent to an operating period of 4 months were included in the consolidated accounts.

Note that during 2013, together with a charge to profit or loss for the cost of post-paid handsets under lease agreements with customers, the Company recognized the amount of ThCh\$44.8 million related to depreciation expense and non-recurring retirements, associated with the stock of post-paid handsets existing as of September 2012. Without this impact, operating costs increased by 13% compared with the same period of prior year.

Additionally, we noted an increase in payroll expenses and employee benefits, leases of sites, allowance for doubtful accounts, maintenance, outsourcing, sales commissions and cost to sell handsets destined for customer attraction and customer loyalty campaigns.

### Profit before Tax

A decrease in profit before tax is mainly the result of the behavior noted in revenues and expenses as is described above.

## II. COMMENTS ON THE STATEMENT OF CASH FLOWS

During 2013 and 2012, the behavior of cash-generating sources in each activity is described below.

We noted a decrease of ThCh\$119 million in net cash receipts from operating activities from ThCh\$519 million to ThCh\$400 million or 23%.

The decrease in operating activities was mainly due to an increase in Payment to suppliers, which increased by ThCh\$281 million (33%), as a result of the cost of post-paid handsets of ThCh\$177 million that according to the new accounting treatment are classified within operating activities and not within investing activities. This is offset by an increase in the caption Cash receipts from customers, which increased by ThCh\$217 million (13%), aligned with an increase in sales (14%).

In addition, an increase in investing activities is noted due to an increase in cash payments of ThCh\$281 million, from ThCh\$401 million to ThCh\$692 million, compared with the same period of prior year. Main increases in net cash flows from investing activities correspond to the payment for the acquisition of Nextel Peru of ThCh\$194 million net of cash received from Nextel, and the award of the 4G license in Peru for ThCh\$54 million through the subsidiary Americatel Peru.

Cash flows from financing activities recorded an increase in cash receipts of ThCh\$336 million, mainly due to the placement of bonds in October 2012. Such bonds were used to refinance liabilities, finance the acquisition of Nextel Peru, and pay the above-mentioned 4G license.

As a result of those movements referred to above, cash at the end of each period recognized in the caption "Cash and cash equivalents" decreased from ThCh\$53.8 million to ThCh\$19.2 million, but maintain volumes that successfully cover the Group's cash flow planning.

## III. COMMITMENT COMPLIANCE

Through to the present date, the Company has complied with all its obligations with third parties.

## Consolidated Material Events 2013

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In compliance with the current legal and regulatory framework, in 2013, Group companies informed the Chilean Securities and Insurance Supervisor of the following material events and relevant information.

### **Parent Company – Nextel Perú.**

Letter No. 5, dated April 4, 2013, communicated that at the board meeting held on April 2, 2013, agreement was reached regarding the following:

Entel and NII Holdings signed a contract for the takeover of Nextel Perú, valued at approximately USD \$400 million.

This agreement is subject to Nextel Perú meeting certain conditions, which it is believed will be met by the end of the year.

Nextel Perú is the third largest mobile telephone company in Peru and has been operating since 1998. It has a strong position in the business market and good prospects for growth in the consumer market.

The acquisition of Nextel Perú is an important step for Entel. It is a long-term investment that we believe will make it possible to position our company as a regional operator in the attractive Peruvian market.

The acquisition complements our range of fixed, data transmission, IT and call center services, which the group has been providing in Peru since 2001.

The signing of the contract does not imply the constitution of guarantees by Entel and there is no relationship of ownership or management between Entel and the selling party.

To meet this commitment, in addition to the company's standard investment and financing policy, its board of directors has provisionally established a new dividend policy for 2013 and onwards based on the distribution of up to 50% of profits for the year. This policy will be communicated at the next Meeting of Ordinary Shareholders due to be held on April 25.

Entel has received advice from Asset Chile and BNP Paribas in the negotiations.

### **Parent Company – General Meeting of Ordinary Shareholders**

Letter No. 6, dated April 4, 2013, communicated that at the board meeting held on the same date agreement was reached to:

- a.** Schedule a General Meeting of Ordinary Shareholders for April 25, 2013 and send out the notification and supporting papers in a timely manner to shareholders and other bodies as required by legal regulations.
- b.** Propose at the General Meeting of Ordinary Shareholders the payment of a final dividend of CLP \$375 per share from the profits for the financial year, from which the sum of CLP \$150 per share should be deducted for the interim dividend paid in December 2012, leaving a dividend of CLP \$225 payable on a date to be determined at the meeting.

## Parent Company – Approval of 2012 Report, Dividend Distribution and Other Matters

Letter No. 7, dated April 25, 2013, communicated that at the General Meeting of Ordinary Shareholders held on the same date, the following was agreed:

- a.** Approval of the Annual Report, Balance Sheet, and Income Statement for 2012.
- b.** Payment of a final dividend of CLP \$375 per share, equivalent to 53.0182% of net profits for the year. The sum of CLP \$150 was paid in December 2012 as an interim dividend, leaving a dividend of CLP \$225 per share, payable on May 16, 2013.
- c.** The investment and financing policy was approved, and the dividend policy was communicated.
- d.** The remuneration of the directors and the Directors Committee, to be approved at the General Meeting of Ordinary Shareholders, was maintained and the annual budget for the Committee was set. The appointment of KPMG as external auditors was approved, the appointed and reserve accounts inspectors were retained, Feller Rate (S&P) and ICR were designated as the risk ratings agencies, *El Mercurio de Santiago* was retained as the official newspaper for the publication of company notices, and related operations were communicated.

## Parent Company – Correction

Letter No. 8, dated April 26, 2013, communicated the correction of material event No. 7, April 25, 2013.

The correction consists of replacing the ratings agency Feller Rate (S&P) with Fitch Ratings.

As a result, the ratings agencies approved at the General Meeting of Ordinary Shareholders on April 25, 2013, were Fitch Ratings and ICR (International Credit Rating), in line with the proposal of the Board and the information provided to the shareholders.

## Parent Company – Other

Letter No. 10, dated July 22, 2013, communicated that at the board meeting held on the same date the following was agreed:

- a.** The Board of Directors authorized the participation of the subsidiary Americatel Perú in the tender process for two national 4G spectrum bands to take place in the city of Lima in the Republic of Peru.
- b.** On this date the subsidiary was awarded one of the two 40 MHz blocks tendered by the Peruvian authorities for 4G services on the AWS band in the country for a price of USD \$105.5 million.

This spectrum will be used for the development of high-speed 4G Internet services, which will form part of the range of products provided by the Entel Group in Peru.

Four companies took part in the tender process run by the Peruvian government through Proinversión.

## Parent Company – Other

Letter No. 11, dated August 19, 2013, communicated that at the board meeting held on the same date the following was agreed:

In line with the letter dated April 4, 2013, it was reported as a material event that Entel and NII Holdings signed a contract for the acquisition of Nextel Perú.

The agreement was subject to Nextel Perú meeting certain conditions, which it was communicated should be met by the end of the year.

Nextel Perú, founded in 1998, is the third largest mobile company in Peru, with a market share of approximately 5.8% at the end of the first half of 2013, and is attractive on account of its strong position in the business market.

The acquisition of Nextel Perú is an important step for Entel. It is a long-term investment and we believe it will make it possible to position our company as a universal operator in the attractive Peruvian market.

The investment complements our range of fixed, data transmission, IT and call center services, which the group has been providing in Peru since 2001.

Initial plans are focused on making Nextel Perú's infrastructure more robust, expanding its network and increasing the range of handsets and services available to its customers. During the first phase, it will continue operating under the name Nextel Perú.

The transaction does not imply the provision of guarantees by Entel and there is no relationship of ownership or management between Entel and the selling party.

As relevant information, on the date of the letter, the transaction for the acquisition of 100% of shares in Nextel Perú and the takeover of the company by Entel took place.

The price paid for 100% of the shares in Nextel Perú under the terms of the agreement was USD \$410.6 million. This value included USD \$26.7 million for positive net financial balances held as cash and other investments in the capital market.

\* Under IFRS.

## **Parent Company – Placement of Securities on International and National Markets**

Letter No. 12, dated October 24, 2013, communicated the following material event:

Entel successfully placed USD \$1 billion worth of bonds on the international market in a transaction completed in the city of New York.

The placement of 144A/RegS bonds was supported by an international roadshow, visiting potential investors in the United States, London and Latin America.

The bonds were placed in dollars with an average term of 10 years and a rate of 4.97%, a 2.45% spread over the equivalent Treasury bond for this term.

Demand was 4.5 times higher than required by the company, with an initial indicative price of 2.75%.

The placement was classified as Baa2 by Moody's and BBB+ by S&P, with a stable outlook. The financial advisers and placement agents were HSBC and Citi.

The full value of the resources provided by the transaction will be used to refinance existing liabilities.

The bulk of the series was purchased by institutional investors in the United States (57%) and European investors (19%), with 13% placed in Chile.

## **Parent Company – Distribution of Profits (Payment of Dividends)**

Letter No. 13, dated November 4, 2013, communicated that at the board meeting held the previous day, agreement was reached to pay a provisional dividend of CLP \$150 per share, payable on December 12, 2013, and allocated against profits up to the third quarter of the year.

This makes the total payment for the provisional dividend CLP \$35,478,554,000 which represents 30.54% of profits as of the third quarter of 2013.

## Certificate of Accounts Inspectors

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Dear shareholders

Empresa Nacional de Telecommunicaciones S.A.

We have reviewed the Individual and Consolidated Financial Statements of Empresa Nacional de Telecommunicaciones S.A. for the twelve month period ending Tuesday, December 31, 2013. There are no remarks to be made following our review. Our examination and review as Account Inspectors included verification of the account balance in the General Ledger and summary sheet of the Consolidated Financial Statements with the corresponding accounts on the Balance Sheet and the Income Statement on this date.



MANUEL ONETO FAURE

Accounts Inspector



GUSTAVO MATORANA RAMIREZ

Accounts Inspector

Santiago, January 30, 2014.

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## CONSOLIDATED BALANCE SHEETS FOR SUBSIDIARIES

As of December 31, 2013 and 2012

(in ThCh\$)

	Entel PCS Telecomunicaciones S.A. & Subsidiary		Entel Telefonía Local S.A. & Subsidiaries		Entel Servicios Telefónicos S.A.		Entel Servicios de Contact Center S.A. (formerly - Satel Telecomunicaciones S.A.) <sup>(1)</sup>		Micarrier Telecomunicaciones S.A.		
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	
<b>ASSETS</b>											
<b>Current Assets</b>	384,709,430	295,090,361	18,390,706	13,411,897	551,976	820,971	-	924,984	197,858	35,245	
Noncurrent Assets	678,039,737	660,677,907	21,892,183	22,869,182	439,612	49,246	-	3,696,627	2,293,338	2,164,806	
<b>TOTAL ASSETS</b>	<b>1,062,749,167</b>	<b>955,768,268</b>	<b>40,282,889</b>	<b>36,281,079</b>	<b>991,588</b>	<b>870,217</b>	<b>-</b>	<b>4,621,611</b>	<b>2,491,196</b>	<b>2,200,051</b>	
<b>LIABILITIES</b>											
<b>Current Liabilities</b>	321,729,087	304,904,924	16,896,442	13,509,979	218,584	290,217	-	32,662	328,066	176,150	
Noncurrent Liabilities	336,355,850	274,336,490	11,974,182	14,009,671	-	19,615	-	-	-	-	
<b>TOTAL LIABILITIES</b>	<b>658,084,937</b>	<b>579,241,414</b>	<b>28,870,624</b>	<b>27,519,650</b>	<b>218,584</b>	<b>309,832</b>	<b>-</b>	<b>32,662</b>	<b>328,066</b>	<b>176,150</b>	
<b>NET EQUITY</b>											
<b>Paid-in capital</b>	128,398,586	128,398,586	29,603,142	29,603,142	1,413,277	1,413,277	-	3,560,075	4,141,580	4,141,580	
<b>Other reserves</b>	(49,856,839)	(48,671,756)	(2,419,357)	(2,419,357)	(115,502)	(115,502)	-	(290,952)	(338,476)	(338,476)	
<b>Retained Earnings (Cumulative Losses)</b>	326,093,279	296,713,099	(15,770,976)	(18,422,582)	(524,771)	(737,390)	-	1,319,826	(1,639,974)	(1,779,203)	
<b>Non-Controlling Stock</b>	29,204	86,925	(544)	226	-	-	-	-	-	-	
<b>Conversion Reserves</b>	-	-	-	-	-	-	-	-	-	-	
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>1,062,749,167</b>	<b>955,768,268</b>	<b>40,282,889</b>	<b>36,281,079</b>	<b>991,588</b>	<b>870,217</b>	<b>-</b>	<b>4,621,611</b>	<b>2,491,196</b>	<b>2,200,051</b>	

## SUMMARY STATEMENTS OF COMPREHENSIVE INCOME FOR SUBSIDIARIES

For the years ended December 31, 2013 and 2012

(in ThCh\$)

	Entel PCS Telecomunicaciones S.A. & Subsidiary		Entel Telefonía Local S.A. & Subsidiaries		Entel Servicios Telefónicos S.A.		Entel Servicios de Contact Center S.A. (formerly - Satel Telecomunicaciones S.A.) <sup>(1)</sup>		Micarrier Telecomunicaciones S.A.		
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	
<b>Ordinary Revenue</b>											
Ordinary Revenue	1,285,102,033	1,153,372,953	87,701,224	49,969,307	887,555	1,589,587	-	270,580	177,714	105,304	
Other Operating Revenue	42,689,182	22,873,858	354,614	80,554	50,174	10,297	-	47,140	142,470	67,726	
Staff Costs	(55,490,934)	(50,911,365)	(2,024,807)	(1,999,204)	(387,893)	(673,076)	-	-	-	-	
Depreciation and Amortization	(165,484,253)	(241,460,086)	(1,370,340)	(3,373,253)	-	-	-	(20,384)	-	-	
Other Operating Costs (Various)	(946,592,553)	(731,079,303)	(80,903,325)	(42,601,940)	(290,100)	(522,770)	-	(36,870)	(180,955)	(168,609)	
Profit (Loss) before Tax	160,223,475	152,796,057	3,757,366	2,075,464	259,736	404,038	0	260,466	139,229	4,421	
Revenue (Expenditure) for Income Tax	(29,117,390)	(25,550,055)	(1,106,527)	(79,062)	(47,117)	(53,488)	-	(8,546)	0	0	
<b>PROFIT (LOSS)</b>	<b>131,106,085</b>	<b>127,246,002</b>	<b>2,650,839</b>	<b>1,996,402</b>	<b>212,619</b>	<b>350,550</b>	<b>0</b>	<b>251,920</b>	<b>139,229</b>	<b>4,421</b>	
<b>Earnings (Losses) Attributable to Holders of Stock Instruments in Net Shareholder Equity</b>											
Earnings (Losses) Attributable to Holders of Stock Instruments in Net Shareholder Equity	131,099,800	127,149,525	2,651,607	1,997,186	212,619	350,550	0	251,920	139,229	4,421	
<b>Earnings Attributable to Non-Controlling Shares</b>											
Earnings Attributable to Non-Controlling Shares	6,285	96,477	(768)	(784)	-	-	-	-	-	-	
<b>PROFIT (LOSS)</b>	<b>131,106,085</b>	<b>127,246,002</b>	<b>2,650,839</b>	<b>1,996,402</b>	<b>212,619</b>	<b>350,550</b>	<b>0</b>	<b>251,920</b>	<b>139,229</b>	<b>4,421</b>	
<b>EARNINGS PER SHARE</b>											
Ordinary Shares	1,635.02	1,585.76	152.69	115.00	65,623.12	108,194.41	-	251,920.00	13,922.90	442.10	

NOTES: <sup>(1)</sup> The company Entel Servicios de Contact Center S.A., formerly Satel Telecomunicaciones S.A., modified its ownership structure on April 9, 2012. Its parent company, Entel S.A sold shares of 99.9% to Entel Call Center S.A. in Sale Contract No. 2779-2012. <sup>(2)</sup> From April 2012, the company Entel Call Center S.A. consolidates the financial statements of Entel Servicios de Contact Center S.A.

<sup>(3)</sup> The company Nextel del Perú S.A. was acquired by Entel S.A. on August 19, 2013, with 90% direct ownership and 10% indirect ownership through its subsidiary Entel Inversiones. As a result, its Income and Cash Flow Statements correspond to the period between September 1 and December 31, 2013.

	Entel Servicios Empresariales S.A.		Entel Inversiones S.A. & Subsidiary		Entel Call Center S.A. & Subsidiary (2)		Nextel del Perú S.A. (3)		Entel Internacional BVI Corp. & Subsidiary		Empresa de Radiocomunicaciones Insta Beep Ltda.	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
412,171	455,997	4,659,284	4,982,224	14,823,834	10,341,295	115,208,682	-	25,016	23,232	3,738	3,672	
832,122	452,929	96,930,567	40,656,231	15,348,305	14,139,203	244,143,106	-	211,233	193,580	-	-	
<b>1,244,293</b>	<b>908,926</b>	<b>101,589,851</b>	<b>45,638,455</b>	<b>30,172,139</b>	<b>24,480,498</b>	<b>359,351,788</b>	<b>0</b>	<b>236,249</b>	<b>216,812</b>	<b>3,738</b>	<b>3,672</b>	
463,533	385,311	59,153,239	4,012,749	7,963,808	5,361,773	56,310,272	-	35,298	32,293	744,254	727,709	
-	3,672,300	3,475,333	14,602,262	12,921,952	101,412,786	-	-	-	-	-	-	
<b>463,533</b>	<b>385,311</b>	<b>62,825,539</b>	<b>7,488,082</b>	<b>22,566,070</b>	<b>18,283,725</b>	<b>157,723,058</b>	<b>0</b>	<b>35,298</b>	<b>32,293</b>	<b>744,254</b>	<b>727,709</b>	
737,071	737,071	2,870,847	2,870,847	13,867,175	13,867,175	380,007,494	-	25,211,353	25,211,353	2,969,432	2,969,432	
125,983	125,983	564,342	(95,029)	(1,128,331)	(1,136,535)	6,692,632	-	5,000	4,934	(242,681)	(242,681)	
(82,294)	(339,439)	29,190,875	29,697,686	(5,138,432)	(6,538,710)	(185,071,396)	-	(25,015,402)	(25,031,768)	(3,467,267)	(3,450,788)	
-	-	6,138,248	5,676,869	5,657	4,843	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	
<b>1,244,293</b>	<b>908,926</b>	<b>101,589,851</b>	<b>45,638,455</b>	<b>30,172,139</b>	<b>24,480,498</b>	<b>359,351,788</b>	<b>0</b>	<b>236,249</b>	<b>216,812</b>	<b>3,738</b>	<b>3,672</b>	
Entel Servicios Empresariales S.A.	Entel Inversiones S.A. & Subsidiary		Entel Call Center S.A. & Subsidiary (2)		Nextel del Perú S.A. (3)		Entel Internacional BVI Corp. & Subsidiary		Empresa de Radiocomunicaciones Insta Beep Ltda.			
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
4,552,420	3,996,749	21,965,883	20,820,275	36,259,981	33,010,419	47,025,737	-	-	-	-	-	-
-	-	492,134	828,315	22,403	126,137	1,349,181	-	16,366	-	-	-	-
(4,204,643)	(3,790,944)	(4,331,140)	(4,134,256)	(19,796,281)	(16,090,878)	(12,898,747)	-	-	-	-	-	-
-	-	(2,351,113)	(2,348,297)	(1,456,227)	(1,297,737)	(6,329,588)	-	-	-	-	-	-
(97,154)	(57,502)	(15,287,512)	(12,637,868)	(13,241,442)	(13,954,995)	(47,983,849)	-	-	(31,565)	(16,479)	(19,605)	
250,623	148,303	488,252	2,528,169	1,788,434	1,792,946	(18,837,266)	0	16,366	(31,565)	(16,479)	(19,605)	
6,522	5,453	(524,348)	(370,981)	(387,343)	91,223	5,651,180	-	-	-	-	-	-
<b>257,145</b>	<b>153,756</b>	<b>(36,096)</b>	<b>2,157,188</b>	<b>1,401,091</b>	<b>1,884,169</b>	<b>(13,186,086)</b>	<b>-</b>	<b>16,366</b>	<b>(31,565)</b>	<b>(16,479)</b>	<b>(19,605)</b>	
257,145	153,756	(506,811)	1,646,856	1,400,278	1,883,934	(13,186,086)	-	16,366	(31,565)	(16,479)	(19,605)	
-	-	470,715	510,332	813	235	-	-	-	-	-	-	-
<b>257,145</b>	<b>153,756</b>	<b>(36,096)</b>	<b>2,157,188</b>	<b>1,401,091</b>	<b>1,884,169</b>	<b>(13,186,086)</b>	<b>0</b>	<b>16,366</b>	<b>(31,565)</b>	<b>(16,479)</b>	<b>(19,605)</b>	
7,471.03	4,467.18	(3,254.82)	194,516.50	147.47	198.31	(6.66)	0	0.27	(0.52)			

## SUMMARY CASH FLOW STATEMENTS FOR SUBSIDIARIES

As of December 31, 2013 and 2012

(in ThCh\$)

	Entel PCS Telecomunicaciones S.A. & Subsidiary		Entel Telefonía Local S.A. & Subsidiaries		Entel Servicios Telefónicos S.A.		Entel Servicios de Contact Center S.A. (formerly - Satel Telecomunicaciones S.A.) <sup>(1)</sup>		Micarrier Telecomunicaciones S.A.	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Cash Flow from (Used in) Operations	174,304,065	299,243,548	11,804,706	6,580,475	445,614	748,753	-	151,312	(49,521)	(36,090)
Cash Flows from (Used in) Other Operating Activities	(61,870,536)	(58,396,540)	(2,000,692)	(922,358)	(58,734)	12,379	-	3,658	-	-
Net Cash flows from (Used in) Operating Activities	112,433,529	240,847,008	9,804,014	5,658,117	386,880	761,132	-	154,970	(49,521)	(36,090)
Net Cash Flows from (Used in) Investment Activities	(8,855,208)	(120,638,489)	(832,540)	(5,035,984)	-	-	-	(80)	49,766	37,949
Net Cash Flows from (Used in) Financing Activities	(101,816,097)	(119,690,442)	(8,614,964)	(947,604)	(434,542)	(725,025)	-	(154,971)	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,762,224	518,077	356,510	(325,471)	(47,662)	36,107	-	(81)	245	1,859
Effects of Foreign Currency Variations on Cash and Cash Equivalents	-	-	-	-	-	-	-	(61)	-	-
Effects of Changes of the Scope of Consolidation on Cash and Cash Equivalents	-	-	-	-	-	-	-	-	-	-
Cash and Cash Equivalents, Statement of Cash Flow, Initial Balance	1,817,095	1,299,018	262,731	588,202	48,630	12,523	-	1,050	3,991	2,132
Cash and Cash Equivalents, Statement of Cash Flow, Final Balance	3,579,319	1,817,095	619,241	262,731	968	48,630	-	908	4,236	3,991

## STATEMENT OF CHANGES IN EQUITY OF SUBSIDIARIES

As of December 31, 2013 and 2012

(in ThCh\$)

	Entel PCS Telecomunicaciones S.A. & Subsidiary	Entel Telefonía Local S.A. & Subsidiaries	Entel Servicios Telefónicos S.A.	Entel Servicios de Contact Center S.A. (formerly - Satel Telecomunicaciones S.A.) <sup>(1)</sup>	Micarrier Telecomunicaciones S.A.
Initial Balance for Current Period 01/01/2013	376,526,854	8,761,429	560,385	4,588,949	2,023,901
Income from Comprehensive Income and Expenditure	131,106,085	2,650,839	212,619	-	139,229
Distribution of Dividends	(101,719,620)	-	-	-	-
Increase (Decrease) for other Distributions to Owners	-	-	-	-	-
Other Increases (Decreases) in Net Equity	(1,249,089)	224	-	-	-
Final Balance for Current Period 12/31/2012	404,664,230	11,412,492	773,004	4,588,949	2,163,130
Initial Balance for Previous Period 01/01/2012	357,445,404	6,764,017	209,835	4,337,029	2,019,480
Income from Comprehensive Income and Expenditure	127,246,002	1,996,402	350,550	251,920	4,421
Distribution of Dividends	(111,985,203)	-	-	-	-
Increase (Decrease) for other Distributions to Owners	-	-	-	-	-
Other Increases (Decreases) in Net Equity	3,820,651	1,010	-	-	-
Final Balance for Current Period 12/31/2012	376,526,854	8,761,429	560,385	4,588,949	2,023,901

NOTES: <sup>(1)</sup> The company Entel Servicios de Contact Center S.A., formerly Satel Telecomunicaciones S.A., modified its ownership structure on April 9, 2012. Its parent company, Entel S.A sold its share of 99.9% to Entel Call Center S.A. in Sale Contract No. 2779-2012. <sup>(2)</sup> From April 2012, the company Entel Call Center S.A. consolidates the financial statements of Entel Servicios de Contact Center S.A.

<sup>(3)</sup> The company Nextel del Perú S.A. was acquired by Entel S.A. on August 19, 2013, with 90% direct ownership and 10% indirect ownership through its subsidiary Entel Inversiones. As a result, its Income and Cash Flow Statements correspond to the period between September 1 and December 31, 2013.

Entel Servicios Empresariales S.A.		Entel Inversiones S.A. & Subsidiary		Entel Call Center S.A. & Subsidiary (2)		Nextel del Perú S.A. (3)		Entel Internacional BVI Corp. & Subsidiary		Empresa de Radiocomunicaciones Insta Beep Ltda.	
12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
(1,149,823)	(4,761,891)	59,379,065	3,220,851	1,619,675	(629,771)	(24,335,202)	-	-	(15,783)	(1,608)	(2,322)
-	(545,781)	-	-	-	-	(4,515,340)	-	(330)	(447)	-	-
(1,149,823)	(5,307,672)	59,379,065	3,220,851	1,619,675	(629,771)	(28,850,542)	-	(330)	(16,230)	(1,608)	(2,322)
-	-	(79,993,529)	(3,261,157)	(2,892,850)	(6,730,175)	(73,176,455)	-	-	-	-	-
1,152,233	5,307,694	20,888,796	-	1,171,903	7,559,368	83,132,027	-	-	-	1,608	2,322
2,410	22	274,332	(40,306)	(101,272)	199,422	(18,894,970)	-	(330)	(16,230)	-	-
-	-	(2,824)	(23)	7,512	145	6,629,180	-	2,114	(2,638)	-	-
-	-	-	-	-	-	-	-	-	-	-	-
30	8	811,201	851,530	425,331	225,764	15,070,416	-	23,232	42,100	-	-
2,440	30	1,082,709	811,201	331,571	425,331	2,804,626	-	25,016	23,232	-	-
Entel Servicios Empresariales S.A.		Entel Inversiones S.A. & Subsidiary		Entel Call Center S.A. & Subsidiary (2)		Nextel del Perú S.A. (3)		Entel Internacional BVI Corp. & Subsidiary		Empresa de Radiocomunicaciones Insta Beep Ltda.	
523,615		38,150,373		6,196,773		208,122,184		184,519		(724,037)	
257,145		(36,096)		1,401,091		(13,186,086)		16,366		(16,479)	
-		-		-		-		-		-	
-		-		-		6,692,632		-		-	
-		650,035		8,205		-		66		-	
780,760		38,764,312		7,606,069		201,628,730		200,951		(740,516)	
369,859		36,274,341		4,316,361		-		216,098		(704,432)	
153,756		2,157,188		1,884,169		-		(31,565)		(19,605)	
-		-		-		-		-		-	
-		(281,156)		(3,757)		-		(14)		-	
523,615		38,150,373		6,196,773		-		184,519		(724,037)	

# Subsidiaries of Entel S.A.

Company Name	Entel PCS Telecomunicaciones S.A. & Subsidiaries	Entel Telefonía Local S.A. or Entel Phone S.A. & Subsidiaries
Legal Status	Closely-held corporation, registered in the Special Register of Reporting Entities under No. 33.	Closely-held corporation.
Articles of Incorporation	Incorporated as a corporation by public deed on October 3, 1996, in accordance with the laws of the Republic of Chile.	Incorporated as a corporation by public deed on April 29, 1994, in accordance with the laws of the Republic of Chile. On December 20, 1994, by Supreme Decree 450, the Ministry of Transport and Telecommunications awarded a public telephone services concession to the company to install, operate, and run a local telephone system.
Business Purpose	<ul style="list-style-type: none"> <li>– The study, construction and operation of a system to provide a full range of transmission, switching, communication, metering, billing and charging services for mobile telecommunications.</li> <li>– The import, export, marketing, distribution, sale, leasing and provision in any other form of all types of equipment required to provide mobile communications, alongside complementary and supplementary services.</li> <li>– In general, all types of activities, as well as agreeing, signing and executing all types of contracts required to provide any type of mobile telecommunications services.</li> </ul>	<ul style="list-style-type: none"> <li>Satisfy the telephone, multimedia and infrastructure needs of high-use consumers.</li> <li>– Provide sales and dealership services for handsets.</li> <li>– Undertake any business activities related to telecommunications.</li> </ul>
Subscribed and Paid-in Capital, December 31, 2013	ThCh\$128,398,586	ThCh\$29,603,142
Direct and Indirect Share Entel S.A.	Entel Chile S.A.: 99.999% Entel Inversiones S.A.: 0.001%	Entel Chile S.A.: 99.00% Entel Inversiones S.A.: 1.00%
Percentage of Investment in Entel S.A. Assets	21.77%	0.61%
Income for 2013	ThCh\$131,106,085	ThCh\$2,650,839
Board of Directors	Richard Büchi B., Chairman Juan Hurtado V., Vice-Chairman Luis Felipe Gazitúa A., Director Alfredo Parot D., Director Felipe Ureta P., Director	Richard Büchi B., Chairman Antonio Büchi B., Director Alfredo Parot D., Director José Luis Poch P., Director Felipe Ureta P., Director
Chief Executive Officer	Antonio Büchi B.	Mario Nuñez P.
Positions Held at Entel S.A.	Alfredo Parot D., Vice-President of Technology and Operations Felipe Ureta P., Finance and Management Control Executive Antonio Büchi B., CEO	Antonio Büchi B., CEO Alfredo Parot D., Vice-President of Technology and Operations José Luis Poch P., Vice-President of Consumer Market Felipe Ureta P., Finance and Management Control Executive Mario Nuñez P., Vice-President SME Market
Business Relationship with Entel Chile S.A.	<ul style="list-style-type: none"> <li>– Provides network infrastructure to increase the coverage of its fixed telecommunications services.</li> <li>– Receives telecommunications services to support its mobile communications operations.</li> </ul>	<ul style="list-style-type: none"> <li>– Provides the services required to complement its integrated communications and operational continuity services.</li> <li>– Receives operation and maintenance services of network platforms that support its business activities.</li> </ul>
Agreements and Contracts	<ul style="list-style-type: none"> <li>– Received national signal transport services in dedicated and switched mode from Entel Chile S.A. (ThCh\$94,267,024).</li> <li>– Agreements to lease or sub-lease physical space in buildings, stores, and radio stations owned by Entel Chile S.A. or third parties from the company, in addition to the provision of marketing consultancy services, telephone technical services, and datacenter services from Entel Chile S.A. (ThCh\$17,501,255).</li> <li>– Provided infrastructure leasing, telecommunications services, and the payment of access charges to Entel Chile S.A. (ThCh\$10,255,829).</li> </ul>	<ul style="list-style-type: none"> <li>– The annual leasing of telecommunications infrastructure and installation services, provision of operation and maintenance services for networks, leasing or sub-leasing of physical space in buildings and commercial premises, IT data processing services, network administration and administration services from Entel Chile S.A. (ThCh\$21,898,463).</li> <li>– Provided telecommunications services and access charges to Entel Chile S.A. (ThCh\$3,229,405).</li> </ul>

# Subsidiaries of Entel S.A.

Company Name	NEXTEL del Perú S.A.	ENTEL Call Center S.A. & Subsidiaries
Legal Status	International subsidiary.	Closely-held corporation.
Articles of Incorporation	Incorporated as a corporation by public deed on December 30, 1987, in accordance with the laws of the Republic of Peru.	Incorporated as a corporation by public deed on September 12, 1989, in accordance with the laws of the Republic of Chile (formerly Entel Internacional S.A.). Its initial purpose was to provide consultancy services for telecommunications and IT projects. Its business purpose was amended on March 29, 2000.
Business Purpose	<ul style="list-style-type: none"> <li>– The provision of telecommunications end-user and value-added services, including trunked service, one-way and two-way people lookup services, transmission services, the storage and processing of data and any other telecommunications services in line with Peruvian legislation.</li> <li>– Activities related to the acquisition, installation, sale and maintenance of telecommunications equipment and the supply of related services.</li> </ul>	<ul style="list-style-type: none"> <li>– The development, installation, operation and running of its own and third-party telecommunications platforms in Chile and abroad.</li> <li>– Activities or services provided through telecommunications equipment or installations served by operators or automated operations.</li> </ul>
Subscribed and Paid-in Capital, December 31, 2013	ThCh\$380,007,494	ThCh\$13,867,175
Direct and Indirect Share Entel S.A.	Entel Chile S.A.: 90.00% Entel Inversiones S.A.: 10.00%	Entel Chile S.A.: 90.00% Entel Inversiones S.A.: 10.00%
Percentage of Investment in Entel S.A. Assets	9.78%	0.37%
Income for 2013	(ThCh\$13,186,086)	ThCh\$1,401,091
Board of Directors	Antonio Büchi B., Chairman Felipe Ureta P., Director Richard Büchi B., Director José Luis Poch P., Director Alfredo Parot D., Director Juan Hurtado V., Director Luis Felipe Gazitúa A., Director Luis Julian Martín Carranza U., Director Carmen Rosa Graham A., Director	Antonio Büchi B., Chairman Julian San Martín A., Director Mario Nuñez P., Director José Luis Poch P., Director Felipe Ureta P., Director
Chief Executive Officer	Sebastián Domínguez P.	Alexis Licci P.
Positions Held at Entel S.A.	Antonio Büchi B., CEO Felipe Ureta P., Finance and Management Control Executive José Luis Poch P., Vice-President of Consumer Market Alfredo Parot D., Vice-President of Technology and Operations	Antonio Büchi B., CEO Julián San Martín A., Vice-President of Corporate Market José Luis Poch P., Vice-President of Consumer Market Felipe Ureta P., Finance and Management Control Executive Mario Nuñez P., Vice-President SME Market
Business Relationship with Entel Chile S.A.	None.	<ul style="list-style-type: none"> <li>– Provides the infrastructure required to provide service via remote channels for customers of subsidiaries of the Entel Group.</li> <li>– Receives telecommunications services to support its call center business.</li> </ul>
Agreements and Contracts	There were no agreements or contracts with a significant influence on operations and income.	<ul style="list-style-type: none"> <li>– Received telecommunications, administration and IT services, and the leasing of office space from Entel Chile S.A. (ThCh\$419,414).</li> <li>– Provided inbound and outbound call services to Entel Chile S.A. (ThCh\$6,879,234).</li> </ul>

## Subsidiaries of Entel S.A.

Company Name	Entel Inversiones S.A. & Subsidiaries	ENTEL International B.V.I. Corp. & Subsidiary
Legal Status	Closely-held corporation.	International subsidiary.
Articles of Incorporation	Incorporated as a corporation by public deed on August 8, 1989, in accordance with the laws of the Republic of Chile.	Incorporated as a corporation on February 12, 1993 in Tortola, the British Virgin Islands.
Business Purpose	<ul style="list-style-type: none"> <li>– Undertaking investments that are strategically advantageous to corporate objectives, regardless of their relationship to the telecommunications business.</li> </ul>	<ul style="list-style-type: none"> <li>– Making strategic foreign investments for Entel.</li> </ul>
Subscribed and Paid-in Capital, December 31, 2013	ThCh\$2,870,847	ThCh\$25,211,353
Direct and Indirect Share Entel S.A.	Entel Chile S.A.: 99.99% Entel International BVI Corp. 0.01%	Entel Chile S.A.: 100.00%
Percentage of Investment in Entel S.A. Assets	1.55%	0.01%
Income for 2013	(ThCh\$36,096)	ThCh\$16,366
Board of Directors	Richard Büchi B., Chairman Antonio Büchi B., Director Alfredo Parot D., Director	Richard Büchi B., Chairman Antonio Büchi B., Director Felipe Ureta P., Director
Chief Executive Officer	Felipe Ureta P.	Felipe Ureta P.
Positions Held at Entel S.A.	Antonio Büchi B., CEO Alfredo Parot D., Vice-President of Technology and Operations Felipe Ureta P., Finance and Management Control Executive	Antonio Büchi B., CEO Felipe Ureta P., Finance and Management Control Executive
Business Relationship with Entel Chile S.A.	Mutual provision of international communications transport and termination services.	None.
Agreements and Contracts	<ul style="list-style-type: none"> <li>– Received international data transportation and traffic termination services from Entel Chile S.A. (ThCh\$906,243).</li> <li>– Provided Entel Chile S.A. with international traffic termination services and the sale of services (ThCh\$247,625).</li> </ul>	There were no agreements or contracts with a significant influence on operations and income.

# Subsidiaries of Entel S.A.

Company Name	Micarrier Telecomunicaciones S.A. or Micarrier S.A.	ENTEL Servicios Empresariales S.A. (formerly Red de Transacciones Telefónicas S.A.)
Legal Status	Closely-held corporation.	Closely-held corporation.
Articles of Incorporation	Incorporated as a corporation by public deed on December 30, 1988, in accordance with the laws of the Republic of Chile. Formerly known as Entel Servicios de Datos S.A. until March 26, 1996 when it amending its articles of incorporation to change its name.	Incorporated as a corporation by public deed on June 9, 1993, in accordance with the laws of the Republic of Chile.
Business Purpose	<ul style="list-style-type: none"> <li>– The installation, operation, running and provision of public and private telecommunications services at national and international level, both directly and through third parties.</li> </ul>	<ul style="list-style-type: none"> <li>– The provision of software analysis, design, development, operation and maintenance, consultancy services and technical support.</li> <li>– Third-party administration services for infrastructure, systems and business processes.</li> <li>– E-commerce, business and accounting transactions using all electronic media.</li> <li>– Representation of national and international suppliers of software, hardware, and other tools and equipment related to IT, telephone support, and the continuity of technology platforms.</li> </ul>
Subscribed and Paid-in Capital, December 31, 2013	ThCh\$4,141,580	ThCh\$737,071
Direct and Indirect Share Entel S.A.	Entel Chile S.A.: 99.99% Entel Inversiones S.A.: 0.01%	Entel Chile S.A.: 99.985% Entel Inversiones S.A.: 0.015%
Percentage of Investment in Entel S.A. Assets	0.12%	0.04%
Income for 2013	ThCh\$139,229	ThCh\$257,145
Board of Directors	Antonio Büchi B., Chairman Mario Nuñez P., Director Alfredo Parot D., Director José Luis Poch P., Director Felipe Ureta P., Director	Felipe Ureta P., Chairman Julian San Martín A., Director Victor Hugo Muñoz A., Director
Chief Executive Officer	Pablo Pfingsthorn O.	Pablo Pfingsthorn O.
Positions Held at Entel S.A.	Antonio Büchi B., CEO Mario Nuñez P., Vice-President SME Market Alfredo Parot D., Vice-President of Technology and Operations José Luis Poch P., Vice-President of Consumer Market Felipe Ureta P., Finance and Management Control Executive Pablo Pfingsthorn O., Head of Department for Financial Planning and Management Control	Felipe Ureta P., Finance and Management Control Executive Julian San Martín A., Vice-President of Corporate Market Victor Hugo Muñoz A., IT Services Executive Pablo Pfingsthorn O., Head of Department for Financial Planning and Management Control
Business Relationship with Entel Chile S.A.	<ul style="list-style-type: none"> <li>– Receives network administration, operation and maintenance services for Provides long distance national and international services.</li> </ul>	<ul style="list-style-type: none"> <li>– Provides technology platform continuity services to support customer operations.</li> </ul>
Agreements and Contracts	<ul style="list-style-type: none"> <li>– Received operation and maintenance services for telephone exchanges and switching equipment, administration and computer services, and the leasing of offices from Entel Chile S.A. (ThCh\$38,249).</li> </ul>	<ul style="list-style-type: none"> <li>– Provided technology platform continuity services to support customer operations (ChTh\$4,552,420).</li> </ul>

## Subsidiaries of Entel S.A.

Company Name	Entel Servicios Telefónicos or Entelfónica S.A.	Sociedad de Telecomunicaciones Instabeep Ltda.
Legal Status	Closely-held corporation.	Limited liability company.
Articles of Incorporation	Originally incorporated as a closely-held corporation by public deed on March 13, 1989, in accordance with the laws of the Republic of Chile under the name Global Telecomunicaciones S.A. On June 24, 1993, the company statutes were modified to establish the current name and nature of the company.	Incorporated as a limited liability company by public deed on November 4, 1985, in accordance with the laws of the Republic of Chile.
Business Purpose	<ul style="list-style-type: none"> <li>– Provides telecommunications services, marketing, distribution and dealership of handsets.</li> <li>– Any other telecommunications related business activities.</li> </ul>	<ul style="list-style-type: none"> <li>– Business activities related to electrical and electronic engineering, especially relative to the establishment, operation and running of communications services, and any other related activity agreed by the partners.</li> </ul>
Subscribed and Paid-in Capital, December 31, 2013	ThCh\$1,413,277	ThCh\$2,969,432
Direct and Indirect Share Entel S.A.	Entel Chile S.A.: 91.42% Entel Inversiones S.A.: 8.58%	Entel Chile S.A.: 99.99% Entel PCS Telecomunicaciones S.A.: 0.01%
Percentage of Investment in Entel S.A. Assets	0.04%	0.00%
Income for 2013	ThCh\$212,619	(ThCh\$16,479)
Board of Directors	José Luis Poch P., Chairman Juan Baraqui A., Director Felipe Ureta P., Director	None.
Chief Executive Officer	Pablo Pfingsthorn O.	José Luis Poch P.
Positions Held at Entel S.A.	José Luis Poch P., Vice-President of Consumer Market Juan Baraqui A., Management Executive Felipe Ureta P., Finance and Management Control Executive Pablo Pfingsthorn O., Head of Department for Financial Planning and Management Control	José Luis Poch P., Vice-President of Consumer Market
Business Relationship with Entel Chile S.A.	<ul style="list-style-type: none"> <li>– Provides administration services for the service centers used by Entel Chile S.A. customers.</li> <li>– Receives the operation and maintenance of the public telephone network.</li> </ul>	None.
Agreements and Contracts	<ul style="list-style-type: none"> <li>– Received national and international signal transport services, as well as administration and computing services, and the leasing and sub-leasing of physical space in buildings and commercial branches from Entel Chile S.A. (ThCh\$67,236).</li> <li>– Provided advertising and services to Entel Chile S.A. (ThCh\$605,972).</li> </ul>	There were no agreements or contracts with a significant influence on operations and income.



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