



TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended
June 30, 2014, December 31, 2013 and June 30, 2013

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

INDEX

	Page Nº
➤ Consolidated Interim Classified Statements of Financial Position	3
➤ Consolidated Interim Statements of Comprehensive Income by Nature	5
➤ Statements Interim of Changes in Equity	7
➤ Consolidated Interim Statements of Cash Flows Direct Method	8

Notes to the Consolidated Interim Financial Statements

1. Corporate information	9
2. Significant accounting policies	9
3. Changes in accounting policy and disclosures	28
4. Financial information by segment	29
5. Cash and cash equivalents	30
6. Other current and non-current financial assets	33
7. Other non-financial assets, current and non current	34
8. Trade and other current accounts receivables	34
9. Accounts receivable and payable to related companies	38
10. Inventory	43
11. Taxes	43
12. Investments accounted for using the equity method	49
13. Intangible assets other than goodwill	50
14. Goodwill	51
15. Property, plant and equipment	53
16. Other current and other non-current financial liabilities	55
17. Trade and other accounts payables	62
18. Financial instruments	64
19. Other provisions	71
20. Current employee benefits provision	73
21. Other current non-financial liabilities	73
22. Equity	74
23. Earnings per share	77
24. Income and expenses	78
25. Operating leases	80
26. Local and foreign currency	81
27. Contingencies and restrictions	84
28. Environment	85
29. Financial risk management	86
30. Subsequent events	91

ThCh\$: Thousands of Chilean Pesos

MCh\$: Millions of Chilean Pesos

SVS : Superintendency of Securities and Insurance

CONSOLIDATED INTERIM CLASSIFIED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2014 and December 31, 2013



ASSETS	Notes	06.30.2014	12.31.2013
		ThCh\$	ThCh\$
CURRENT ASSETS			
Cash and cash equivalents	(5)	233,614,157	223,756,247
Other current financial assets	(6)	71,224,467	52,430,287
Other current non-financial assets	(7)	40,566,864	43,398,421
Trade and other current accounts receivable	(8)	117,277,224	135,429,401
Current accounts receivable from related companies	(9a)	11,033,754	21,953,487
Inventory	(10)	49,337,457	61,022,815
Total current operating assets		523,053,923	537,990,658
TOTAL CURRENT ASSETS		523,053,923	537,990,658
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	42,347,986	21,978,735
Other non-current non-financial assets	(7)	1,159,902	1,159,902
Investments in associates accounted for using the equity method	(12a)	8,132,786	6,210,509
Intangible assets other than goodwill	(13a)	63,369,201	75,957,043
Goodwill	(14)	483,179,725	483,179,725
Property, plant and equipment	(15)	361,795,216	345,056,919
Deferred tax assets	(11d)	17,386,671	17,525,621
TOTAL NON-CURRENT ASSETS		977,371,487	951,068,454
TOTAL ASSETS		1,500,425,410	1,489,059,112

The accompanying notes 1 to 30 form an integral part of these consolidated interim financial statements

CONSOLIDATED INTERIM CLASSIFIED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2014 and December 31, 2013



LIABILITIES	Notes	06.30.2014	12.31.2013
		ThCh\$	ThCh\$
CURRENT LIABILITIES			
Other current financial liabilities	(16)	63,728,081	62,207,697
Trade and other accounts payables	(17a)	144,781,172	178,582,313
Current accounts payable to related companies	(9b)	44,387,419	57,249,386
Other short term provisions	(19a)	84,403	320,365
Current tax liabilities	(11c)	11,707,836	15,430,236
Other current non-financial liabilities	(21)	41,182,331	47,677,798
TOTAL CURRENT LIABILITIES		305,871,242	361,467,795
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(16)	442,154,160	426,984,398
Non-current accounts payable to related companies	(9d)	1,366,521	1,366,521
Other long-term provisions	(19b)	11,345,317	12,312,990
Other non-current non-financial liabilities	(21)	959,249	1,053,906
TOTAL NON-CURRENT LIABILITIES		455,825,247	441,717,815
TOTAL LIABILITIES		761,696,489	803,185,610
EQUITY			
Issued capital	(22a)	941,098,241	941,098,241
Retained earnings		127,414,457	77,232,082
Other reserves	(22d)	(329,783,722)	(332,456,767)
Shareholders' equity attributable to owners of the parent		738,728,976	685,873,556
Non-controlling interests	(22e)	(55)	(54)
TOTAL EQUITY		738,728,921	685,873,502
TOTAL LIABILITIES & EQUITY		1,500,425,410	1,489,059,112

The accompanying notes 1 to 30 form an integral part of these consolidated interim financial statements

CONSOLIDATED STATEMENTS INTERIM OF COMPREHENSIVE INCOME BY NATURE
As of June 30, 2014 and 2013



	Notes	For the period from	For the six-month	For the period from	For the six-month period
		April 1, to June 30,	period ended June 30,	April 1, to June 30,	ended June 30,
		2014	2014	2013	2013
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
COMPREHENSIVE INCOME STATEMENT					
Income from ordinary operations	(24a)	232,612,624	477,441,470	252,455,861	495,623,308
Other income	(24b)	782,259	1,832,102	5,685,596	6,191,724
Employee benefits expenses	(20a)	(226,918)	(860,421)	(609,443)	(1,773,386)
Depreciation and amortization expense	(13b-15b)	(23,591,293)	(46,660,277)	(36,325,474)	(80,424,722)
Other expenses, by nature	(24c)	(178,815,553)	(366,627,775)	(201,056,723)	(382,915,000)
Profit from operating activities		30,761,119	65,125,099	20,149,817	36,701,924
Finance income	(24d)	3,216,367	6,533,873	3,294,646	6,488,742
Finance costs	(24d)	(6,312,421)	(14,184,810)	(6,641,665)	(13,214,214)
Share in earnings (losses) of associates accounted for using the equity method	(12b-19b)	1,167,252	2,033,936	860,551	1,735,348
Foreign exchange differences	(24e)	(420,580)	(177,840)	294,979	155,767
Indexation units	(24e)	54,986	77,394	553	43,229
Profit before tax from continuing operations		28,466,723	59,407,652	17,958,881	31,910,796
Income tax expense	(11e)	(4,031,574)	(9,225,277)	(6,445,496)	(8,868,889)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		24,435,149	50,182,375	11,513,385	23,041,907
Profit attributable to:					
Profit attributable to owners of the parent		24,435,149	50,182,375	11,513,385	23,041,907
Profit attributable to non-controlling interests		-	-	-	-
PROFIT		24,435,149	50,182,375	11,513,385	23,041,907
EARNINGS PER SHARE					
		Ch\$	Ch\$	Ch\$	Ch\$
Earnings per basic share:					
Earnings per basic share for continuing operations	(23)	207.03	425.18	97.55	195.23
Earnings per basic share for discontinued operations		-	-	-	-
Earnings per basic share:		207.03	425.18	97.55	195.23
Diluted earnings per share:					
Diluted earnings per share from continuing operations		207.03	425.18	97.55	195.23
Diluted earnings per share from discontinued operations		-	-	-	-
Diluted earnings per share:		207.03	425.18	97.55	195.23

The accompanying notes 1 to 30 form an integral part of these consolidated interim financial statements

CONSOLIDATED STATEMENTS INTERIM OF COMPREHENSIVE INCOME BY NATURE
As of June 30, 2014 and 2013



	For the period from April 1, to June 30,	For the six-month period ended June 30,	For the period from April 1, to June 30,	For the six-month period ended June 30,
	2014	2014	2013	2013
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
OTHER COMPREHENSIVE INCOME STATEMENT				
PROFIT	24,435,149	50,182,375	11,513,385	23,041,907
Components of other comprehensive income before taxes				
Cash flow hedges:				
Profit (loss) on cash flow hedges, before taxes	1,022,958	3,445,575	1,763,934	1,178,963
Other comprehensive income before taxes, actuarial gains on defined benefits plans	(22d) (83,416)	(83,415)	-	-
Other components of other comprehensive income, before taxes	939,542	3,362,160	1,763,934	1,178,963
Income taxes related to components of other comprehensive income:				
Income tax related to cash flow hedges from other comprehensive income	(204,592)	(689,115)	(352,787)	(235,793)
Income taxes related to defined benefits plans in other comprehensive income	-	-	-	-
Income taxes related to components of other comprehensive income	(204,592)	(689,115)	(352,787)	(235,793)
OTHER COMPREHENSIVE INCOME	734,950	2,673,045	1,411,147	943,170
TOTAL COMPREHENSIVE INCOME	25,170,099	52,855,420	12,924,532	23,985,077
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Comprehensive income attributable to owners of the parent	25,170,099	52,855,420	12,924,532	23,985,077
Comprehensive income attributable to non-controlling interests	-	-	-	-
TOTAL COMPREHENSIVE INCOME	25,170,099	52,855,420	12,924,532	23,985,077

The accompanying notes 1 to 30 form an integral part of these consolidated interim financial statements

STATEMENTS INTERIM OF CHANGES IN EQUITY
As of June 30, 2014 and 2013



	Changes in issued capital	Changes in other reserves				Retained earnings (losses)	Equity attributable to owners of the parent	Non controlling interests (Nota 22 e)	Total equity
	(Note 22 a)	(Note 22 d)							
	Issued Capital	Reserves from cash flow hedge (Note 18b)	Reserves from actuarial gains (losses) on defined benefits plans	Other miscellaneous reserves	Total other reserves				
ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	
Equity at the beginning of the period	941,098,241	1,236,660	(2,121,550)	(331,571,877)	(332,456,767)	77,232,082	685,873,556	(54)	685,873,502
Changes in equity									
Comprehensive income									
Profit	-	-	-	-	-	50,182,375	50,182,375	-	50,182,375
Other comprehensive income	-	2,756,460	(83,415)	-	2,673,045	-	2,673,045	(1)	2,673,044
Comprehensive income	-	2,756,460	(83,415)	-	2,673,045	50,182,375	52,855,420	(1)	52,855,419
Dividends	-	-	-	-	-	-	-	-	-
Increase (decrease) from transfers and other changes, equity	-	-	-	-	-	-	-	-	-
Total increase (decrease) in equity	-	-	-	-	-	-	-	-	-
Equity June 30, 2014	941,098,241	3,993,120	(2,204,965)	(331,571,877)	(329,783,722)	127,414,457	738,728,976	(55)	738,728,921
Equity at the beginning of the period	941,098,241	824,388	(2,121,550)	(331,571,877)	(332,869,039)	70,838,702	679,067,904	(55)	679,067,849
Changes in equity									
Comprehensive income									
Profit	-	-	-	-	-	23,041,907	23,041,907	-	23,041,907
Other comprehensive income	-	943,170	-	-	943,170	-	943,170	-	943,170
Comprehensive income	-	943,170	-	-	943,170	23,041,907	23,985,077	-	23,985,077
Dividends	-	-	-	-	-	(19,025,685)	(19,025,685)	-	(19,025,685)
Increase (decrease) from transfers and other changes, equity	-	-	-	-	-	-	-	-	-
Total increase (decrease) in equity	-	-	-	-	-	(19,025,685)	(19,025,685)	-	(19,025,685)
Equity June 30, 2013	941,098,241	1,767,558	(2,121,550)	(331,571,877)	(331,925,869)	74,854,924	684,027,296	(55)	684,027,241

The accompanying notes 1 to 30 form an integral part of these consolidated interim financial statements

STATEMENTS OF CONSOLIDATED CASH FLOWS INTERIM, DIRECT METHOD
As of June 30, 2014 and 2013



	For the six-month period ended June 30	
	2014	2013
	ThCh\$	ThCh\$
CASH FLOWS PROVIDED (USED IN) BY OPERATING ACTIVITIES:		
Classes of operating activity charges		
Proceeds from sale of assets and services rendered	573,741,369	577,069,759
Other operating activity charges	14,628,019	15,975,867
Classes of payments		
Payments to suppliers for supplying goods and services	(446,220,886)	(444,797,373)
Payments to and on account of employees	(620,168)	(2,523,598)
Other operating activity payments	(24,942,884)	(25,839,066)
Interest paid	(13,605,289)	(12,358,322)
Interest received	3,840,584	3,927,384
Income taxes (paid) reimbursed classified as operating activities	(13,407,843)	(16,545,233)
Cash flows provided (used in) by operating activities:	93,412,902	94,909,418
CASH FLOWS PROVIDED (USED IN) BY INVESTMENT ACTIVITIES:		
Loans to related entities	(115,255,000)	(105,175,000)
Additions to property, plant and equipment	(73,533,539)	(77,231,437)
Collection from related entities	124,520,000	85,148,927
Other cash inflows (outflows)	(18,868,008)	-
Net cash flows provided (used in) by investment activities	(83,136,547)	(97,257,510)
CASH FLOWS PROVIDED (USED IN) BY FINANCING ACTIVITIES:		
Dividends paid	-	(20,000,000)
Other cash inflows (outflows)	(418,446)	(187,783)
Net cash flows provided (used in) by financing activities	(418,446)	(20,187,783)
Net Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate	9,857,910	(22,535,875)
Effects of the change in exchange rate on cash and cash equivalents:		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,857,910	(22,535,875)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	223,756,247	164,192,567
CASH AND CASH EQUIVALENTS, END OF YEAR	233,614,157	141,656,692

The accompanying notes 1 to 30 form an integral part of these consolidated interim financial statements

1. Corporate Information:

Telefonica Moviles Chile S.A. and Subsidiaries (or “the Company”) provides mobile telecommunications services in Chile. The registered office of the Company and its Subsidiaries is located in Avenida Providencia 111, Santiago, Chile.

Telefónica Móviles Chile S.A. is a privately held corporation registered in the Securities Registry under No. 922 and is therefore subject to the supervision of the Superintendency of Securities and Insurance of Chile.

At the Shareholders' Meeting held on March 27, 2014 the shareholders approved broadening of the line of business as follows: “Incorporating telecommunications, information and technology research and development activities”.

As of June 30, 2014, the Company's direct parent is Inversiones Telefonica Moviles Holding S.A., which belongs to the Spanish group Telefonica, S.A..

2. Significant Accounting Policies:

a) Accounting period

These consolidated financial statements (hereinafter, the “financial statements”) cover the following periods: Statement of Financial Position, periods ended as of June 30, 2014 and December 31, 2013; Statement of Changes in Equity for the six-month periods ended as of June 30, 2014 and 2013; Comprehensive Income Statement for the interim periods from April 1 and June 30, 2014 and 2013, and for the six-month periods ended as of June 30, 2014 and 2013; and Statement of Cash Flows for the 6-month periods ended as of June 30, 2014 and 2013.

b) Basis of presentation

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

Certain minor reclassifications have been performed to the 2013 financial statements for comparison purposes. These reclassifications are mainly related to the statement of financial position.

- i) Advances to suppliers and revaluation of foreign currency receivable/payable for common operations were reclassified from current trade and other accounts payable to current trade and other accounts receivable, in the amount of ThCh\$ 449,989.

c) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and in accordance with IAS 34 “Interim Financial Reporting”, incorporated in IFRS. The figures included in the attached financial statements are expressed in thousands of Chilean pesos, which is the Company's functional currency. All values are rounded to the nearest thousand Chilean pesos, except when otherwise indicated.

2. Significant Accounting Policies, continued

c) Basis of preparation, continued

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

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

d) Basis of consolidation

i) Entities, subsidiaries and joint ventures

The financial statements of Telefonica Moviles Chile S.A. and its subsidiaries include assets and liabilities as of June 30, 2014 and December 31, 2013. Balances with related companies, income and expenses and unrealized gains and losses have been eliminated and non-controlling interests have been recognized under the category "Non-controlling interests" (nota 22e).

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

- Power over the investee (i.e. existing rights that give it the capacity to direct the relevant activities of the investee).
- Exposure, or right to variable returns from its interest in the investee; and
- Capacity to use its power over the investee to influence the amount of the returns of the investor.

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

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

The following subsidiaries are included in consolidation:

Taxpayer No.	Company	Country of origin	Funct currency	Participation percentage			
				06.30.2014		12.31.2013	
				Direct	Indirect	Total	Total
99.578.440-8	Telefónica Móviles Chile Distribución S.A.	Chile	CLP	99.99	-	99.99	99.99
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA (1)	Chile	CLP	100	-	100	-
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	Chile	CLP	100	-	100	100

1) On May 23, 2014 Telefónica Investigación y Desarrollo Chile SpA was established with capital of ThCh\$1,000 divided into 1,000 ordinary, single series registered shares, with a nominal value of Ch\$1,000 each, all of which are subscribed by T. Móviles Chile S.A.



2. Significant Accounting Policies, continued

d) Basis of consolidation, continued

i) Entities, subsidiaries and joint ventures, continued

The summarized financial information as of June 30, 2014 of the companies included in the consolidation is the following:

Taxpayer No.	Company	% Participation	Non-Current			Current	Non-Current	Total	Equity	Operating income	Net profit (loss)
			Current Assets	Assets	Total Assets	Liabilities	Liabilities	Liabilities			
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
99.578.440-8	Telefónica Móviles Chile Distribución S.A.	99,99	21,122	-	21,122	574,730	-	574,730	(553,608)	-	(31)
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA	100	1,000	-	1,000	-	-	-	1,000	-	-
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	100	17,088,062	-	17,088,062	10,293,676	-	10,293,676	6,794,386	-	313,865

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

Taxpayer No.	Company	% Participation	Non-Current			Current	Non-Current	Total	Equity	Operating income	Net profit (loss)
			Current Assets	Assets	Total Assets	Liabilities	Liabilities	Liabilities			
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
99.578.440-8	Telefónica Móviles Chile Distribución S.A.	99,99	21,786	-	21,786	5,633	569,730	575,363	(553,577)	-	(5,672)
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	100	16,748,820	-	16,748,820	10,268,300	-	10,268,300	6,480,520	-	1,129,188

2. Significant Accounting Policies, continued

e) Foreign currency translation

Assets and liabilities in foreign currencies and in Unidades de Fomento (UF) have been converted to Chilean Pesos using the observed exchange rates as of each period-end, detailed as follows:

Date	US\$	EURO	UTM	UF
June 30,2014	552.72	756.84	42,052	24,023.61
December 31,2013	524.61	724.30	40,772	23,309.56
June 30,2013	507.16	659.93	40,805	22,852.67

All differences resulting from foreign currency translation in the application of this standard are recognized in the income statement of the period under "Foreign Exchange Differences".

Information at the end subsequent periods for reporting:

- a) Monetary items in foreign currency shall be converted to utilizing the closing exchange rate;
- b) Non-monetary items in foreign currency measured at historical cost are converted using the exchange rate on the date of the transaction; and
- c) Non-monetary items that are measured at fair value are converted using the exchange rate on the date on which this fair value is measured.

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

f) Financial assets and liabilities

1. Financial assets other than derivatives

Classification and presentation

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

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

i) Loans and accounts receivable

Loans and accounts receivable are financial assets with fixed and determinable payments that are not quoted in an active market. Trade accounts receivable are recognized for the amount of the invoice, recording the corresponding adjustment should there be objective evidence of risk of payment on the part of the customer.

An allowance for doubtful accounts has been determined on uncollectable debts on the basis of stratification of the customer portfolio and age of the debts. Total uncollectibility is reached after the debt has been overdue for 90 days, accruing 100%, except for the customer portfolio of the companies segment where full accrual is established after 180 days.

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

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

The effective interest rate method is a method for calculating the amortized cost of a financial asset or liability and imputing finance income or expenses throughout the relevant period. The effective interest rate is the discount rate that exactly matches the estimated cash flows receivable or payable throughout the expected life of the financial instrument (or, when adequate in a shorter period) with the net carrying amount of the financial asset or liability. Current trade accounts are not discounted. The Company has determined that the calculation of amortized cost is no different than the billed amount because the transaction does not have significant associated costs.

ii) Financial assets at fair value through profit or loss

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

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

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

iii) Financial assets held to maturity

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

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

iv) Financial assets available for sale

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

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

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

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

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

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

3. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

2. Cash and cash equivalents

Cash and cash equivalents recognized in the statements of financial position comprise cash, bank current accounts, time deposits, investments in instruments with resale agreements and easily liquidated financial instruments that are free of risk maturing in less than 90 days. These items are recorded at their historical cost, which does not significantly differ from their realization value.

There are no restrictions on the use of cash and cash equivalents.

3. Financial liabilities

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss, trade accounts payable, interest bearing loans or derivatives designated as effective hedge instruments (see Note 16 and 17).

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

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

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

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

3. Financial liabilities, continued

i) Financial liabilities at fair value through profit or loss

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

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

Profits or losses on liabilities held for trading are recognized in profit or loss. This category includes derivative instruments not designated for hedge accounting and also considers embedded derivatives.

ii) Trade accounts payable

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

iii) Interest-bearing loans

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

4. Derivative financial instruments

The Company uses hedge derivatives to manage its exposure to interest and exchange rate risks. The Company's objective in respect to derivatives is to minimize these risks using the most effective method to eliminate or reduce the impact on underlying operations which are subject to hedging.

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

4. Derivative financial instruments, continued

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

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

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

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

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

2. Significant Accounting Policies, continued

g) Inventory

Inventory consists primarily of handsets and accessories, which are valued at weighted average cost or net realizable value, whichever is lower.

The net realizable value is the estimated price of sale of an asset during the normal course of operation, less estimated costs to complete its production and those necessary to carry out the sale.

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

Obsolescence is determined on the basis of the commercial turnover of equipment and accessories. According to the Company's policies, items with a rotation of more than 360 days have been defined as slow rotating. Likewise, warehouse scrap products or accessories are considered to be a total loss.

h) Impairment of non-current assets

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

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

The discount rate used is determined before taxes and adjusted by the corresponding country risk and business risk. Thus, in 2013 the rate used was 9.44%. For period the six months to June 30, 2014 no adjustments were made for impairment.

i) Leasing

Leased assets for which the lessor retains a significant part of the risks and rewards of ownership are classified as operating leases. Payments made for this type of leasing are taken to income statement on a straight-line basis over the term of the lease.

2. Significant Accounting Policies, continued

i) Leasing, continued

Leased assets for which the significant risks and rewards of ownership are transferred to the Company are considered finance leases. Initially, the asset and the associated liability are recorded at the fair value of the leased asset or if lower the present value of the minimum agreed-upon lease payments. Interest expense is taken to the income statement throughout the life of the leasing contract. Depreciation of these assets is included in depreciation of "Property, Plant and Equipment". The Company reviews all contracts to determine if they contain an embedded lease. As of June 30, 2014 and December 31, 2013 no embedded leases have been identified.

j) Taxes

The income tax expense for each period includes current and deferred income taxes.

Tax assets and liabilities for the current and prior periods are measured at the amount the Company estimates it will recover or pay to tax authorities. Tax rates and government regulations used to calculate these amounts are those in force as of each year-end 20% for 2014 and 2013.

Deferred taxes are calculated based on an analysis of the temporary differences that arise from differences between the tax and book value of assets and liabilities. These differences correspond primarily to the provision for doubtful provision, allowance for obsolescence, deferred income and depreciation of property, plant and equipment.

In accordance with Chilean tax laws, a tax loss from prior periods can be used in future as a tax benefit without expiration date.

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

Deferred tax assets and liabilities are not discounted to present value and are classified as non-current.

2. Significant Accounting Policies, continued

k) Investments in associates accounted for using the equity method

The investment is recorded initially at cost and its book value is modified based on the participation in the income of the associated company end of each year. If the investment records gains or losses directly in its net equity, the Company also recognizes its participation in those items.

The investment that the Company has in Telefonica Chile Servicios Corporativos Limitada and Intertel S.A. on which it exercises significant influence without exercising control, is recorded using the equity method (see Note 12a and 19 b).

The Company owns 50% of Buenaventura S.A. which as of June 30, 2014 and December 31, 2013, presents negative shareholders' equity; therefore its recording using the equity method was discontinued, leaving the investment reflected at one Chilean peso for control purposes.

l) Goodwill

Goodwill represents the acquisition cost of identifiable assets, liabilities and contingent liabilities acquired from an associate in excess of their fair values as of the date of acquisition. After initial recognition goodwill is recorded for the cost less any accumulated impairment loss.

The Company performs impairment tests on an annual basis and when there are indicators that the net carrying amount might not be fully recoverable. Impairment tests, which are based on fair value, are carried out at a reporting unit level. If that fair value is less than the net carrying amount, an irreversible impairment loss is recognized in the income statement.

m) Intangibles

i) Intangible assets (Concession licenses)

Consist of the cost incurred to obtain mobile telephone public service concessions. They are presented at purchase cost less accumulated amortization and any accumulated impairment losses that may exist.

The Company amortizes these licenses over the concession period (30 years from publication in the Official Gazette of the decrees confirming the respective licenses, which occurred in December 2003).

ii) Licenses and Software

Software licenses are recorded at purchase or production cost less accumulated amortization and any accumulated impairment losses.

These licenses have finite useful lives and are amortized over their estimated useful lives. As of the balance sheet date they are analyzed in regards to whether there have been events or changes that indicate that the net book value might not be recoverable, in which case they are tested for impairment.

2. Significant Accounting Policies, continued

m) Intangibles, continued

ii) Licenses and Software, continued

The amortization methods and periods used are reviewed at each period end and, if appropriate, are adjusted prospectively.

The Company amortizes these software licenses using the straight-line method over a maximum period of 3 years.

n) Property, plant and equipment and Depreciation

i) Property, plant and equipment

Property, plant and equipment items are measured at purchase cost, less accumulated depreciation and any possible impairment losses. Land is not depreciated.

Acquisition cost includes external costs plus internal costs necessary to carry out the investment, composed of direct costs and direct labor costs used in the installation and any other cost necessary to carry out the investment.

Additionally, initial cost includes the estimate for future dismantling and removal costs (criteria applied in a uniform manner) which the Company is obligated to incur as a consequence of the use of those assets.

The company has service contracts with customers with leased equipment, which are depreciated using the straight-line method over a period of 12 months. This is applicable to contracts signed up to September 30, 2012. As of October 2013 equipment provided on loan free of charge ("comodato") is not depreciated over the 12-month period.

The Company capitalizes borrowing costs incurred in and directly attributable to the purchase and construction of qualified assets. Qualified assets under the criteria of the Telefonica Group are those assets that require at least 18 months of preparation for their use or sale. As of June 30, 2014 and December 31, 2013, no capitalized interest exists.

Costs of improvements that represent an increase in productivity, capacity or efficiency or a longer useful life are capitalized as greater cost for the corresponding asset when they meet the requirements for being recognized as an asset.

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

ii) Depreciation of property, plant and equipment

The Company depreciates property, plant and equipment items from the time they are in usable condition, distributing the cost of the assets using the straight-line method, over their estimated useful lives. Projects classified under building in progress, for which their estimated termination date as of each period closing has expired, but are in usable condition are also included.

2. Significant Accounting Policies, continued

ii) Depreciation of property, plant and equipment, continued

The Company's average annual financial depreciation rate is approximately 14.22% for June 2014, and 29.39% for June 2013. (See note 3a).

Estimated useful lives are summarized in the following detail:

Assets	Minimum life or rate	Maximum life or rate
Buildings	5	40
Transport equipment	7	7
Supplies and accessories	10	10
Office equipment	10	10
Other property, plant & equipment (1)	1	20

(1) Relate to investments in network equipment and computer equipment.

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

The Company also applies procedures to evaluate any indications that assets have been impaired. If an asset's carrying amount exceeds its market value or capacity to generate net income, impairment adjustments are taken to the income statement of the financial year.

o) Provisions

i) Provision for dismantling expenses

Corresponds to the cost that will be incurred in the future due to the dismantling of microwave antennas from the telecommunications infrastructure after the expiration of the rental contract regarding a third-party site. This cost is calculated at current value with a discount rate of 3.02% and is recorded as a Property, Plant and Equipment item under assets, and as a non-current provision on a future obligation. That Property, Plant and Equipment item is amortized over the duration of the asset associated to that provision.

The estimate for the site exit period was calculated on the basis of the term of operating lease agreements for the same sites where the radiofrequency antennas are built, which is 10 years on average.

ii) Other provisions

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

2. Significant Accounting Policies, continued

p) Income and expenses

Income and costs are recognized on an accrual basis, i.e. when the right to receive a payment or the obligation to make a payment becomes effective. The moment when goods are delivered or received and services are provided is considered for these purposes, regardless of the timing of the cash flow receivable or payable (in advance, simultaneous or with credit).

The Company's income is derived primarily from providing mobile telecommunications services and is recognized to the extent that it is likely that economic benefits will flow to the Company and can be reliably measured. For the purpose of measuring and estimating telephone services provided but not yet invoiced as well as measuring income received in advance, the Company uses computer systems and processes to tally, validate and apply rates to airtime used and contracted by customers using records from various commutation centers.

Services provided but not yet invoiced are determined based on contracts, traffic, prices and conditions in force during the period. Amounts for this concept are presented within "trade and other current accounts receivable".

Income from the sale of electronic prepaid minutes top-up is recognized in the month in which the traffic is used or the minutes expire, whichever comes first. Deferred income is included in current liabilities.

Income and costs for the sale of prepaid handsets are recognized once they are activated. All expenses related to these mixed commercial offers are charged to the income statement account as they are incurred.

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

Government subsidies: The Company applies for government projects associated to the Telecommunications Development Fund in order to receive resources for the installation of assets for public service operation and exploitation. These resources, which are called government subsidies, are initially recorded as deferred income, under other non-financial liabilities and are charged to the income statement over the useful lives of the assets associated to such subsidies (see Note 21).

2. Significant Accounting Policies, continued

q) Use of Estimates

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

i) Property, plant and equipment and intangibles

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

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

ii) Provisions

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

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

iii) Income recognition: agreements combining more than one element

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

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

A change in relative fair value estimates could affect distribution of income among components and, consequently, could affect income for future periods.

iv) Financial assets and liabilities

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model.

The inputs to these models are taken from observable markets when possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instrument.

2. Significant Accounting Policies, continued

r) Consolidation methods

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

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

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

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

s) New IFRS and Interpretations of the IFRS Interpretations Committee

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

	New Standard	Mandatory application date
IFRS 9	Financial Instruments: Classification and measurement	Date yet to be determined
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Income from Customer Contracts	January 1, 2017

IFRS 9 "Financial instruments"

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

2. Significant Accounting Policies, continued

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

IFRS 14 “Regulatory Deferral Accounts”

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

IFRS 15 “Income from Customer Contracts”

IFRS 15 Revenue from Contracts with Customers, issued in May 2014, is a new standard which is applicable to all contracts with customers, except for leases, financial instruments and insurance contracts. This a joint project with the FASB to eliminate differences in recognition of income existing between IFRS and US GAAP. This new standard is intended to improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparison of companies in different industries and regions. The standard provides a new model for recognition of income and more detailed requirements for contracts with multiple elements, and requires more detailed disclosures. Application of the standard is effective as of January 1, 2017 and early application is allowed.

The Company has evaluated the impact that the application of these standards could generate on their effective date and has determined that they will not have a significant impact on the consolidated financial statements, with the exception of IFRS 15, which is at the evaluation stage.

Improvements and Amendments		Mandatory application date
IAS 19	Employee Benefits	July 1, 2014
IFRS 3	Business Combinations	July 1, 2014
IAS 40	Investment Properties	July 1, 2014
IAS 16	Property, Plant and Equipment	January 1, 2016
IAS 38	Intangible Assets	January 1, 2016
IAS 41	Agriculture	January 1, 2016
IFRS 11	Joint Arrangements	January 1, 2016

IAS 19 “Employee Benefits”

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

2. Significant Accounting Policies, continued

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

IFRS 3 "Business Combinations"

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

IAS 40 "Investment Properties"

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

IAS 16 "Property, Plant and Equipment", IAS 38 "Intangible Assets"

IAS 16 and IAS 38 establish the principle that the expected pattern of consumption of the future economic benefits of an asset is the basis for depreciation and amortization. In its amendments to IAS 16 and IAS 38 published in May 2014, the IASB clarified that the use of income-based methods to calculate depreciation of an asset is not adequate because income generated by an activity that includes the use of an asset generally reflects factors other than consumption of the economic benefits incorporated in the asset. The IASB also clarified that income is generally not an adequate basis to measure consumption of the economic benefits incorporated in an intangible asset. However, this assumption can be refuted in certain limited circumstances. The amendments are applicable as of January 1, 2016, early application is allowed.

IAS 16 "Property, Plant and Equipment", IAS 41 "Agriculture"

Amendments to IAS 16 and IAS 41 establish that the accounting treatment of fruit producing plants must be the same as for property, plant and equipment, since their operations are similar to manufacturing operations. The amendments are applicable as of January 1, 2016, early application is allowed.

2. Significant Accounting Policies, continued

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

IFRS 11 "Joint Arrangements"

Amendments to IFRS 11, issued in May 2014, apply to the acquisition of interest in a joint arrangement which constitutes a business. Amendments clarify that the acquirers of this interest must apply all accounting principles for business combinations included in IFRS 3 Business Combinations and other standards that are not in conflict with the guidelines of IFRS 11 Joint Arrangements. Amendments are applicable as of January 1, 2016, early application is allowed.

The Company is still assessing the impact that the mentioned standards and amendments could have on the consolidated financial statements.

3. Changes in Accounting Policy and Disclosures

During the years covered by these financial statements, International Financial Reporting Standards have been consistently applied.

a) Change in estimates

During the years 31 december, 2013 have made the following changes in the estimates:

i) Useful lives of property, plant and equipment:

At the end of 2012 and beginning of 2013, the Company began an analysis of estimated useful lives of property, plant and equipment, considering variables such as technological renewal due to the entry of 4G technology, mass use of fiber optics, elimination of long distance zones and entry of advanced equipment to the market. Due to the above the Company decided to change the estimated useful lives of certain classes of assets which meant recording a lower net charge to depreciation expense in the amount of ThCh\$ 6,264,697 as of December 2013 year-end.

ii) Dismantling allowance:

During the last quarter of 2013, as a result of the negotiations carried out to comply with the Antennas Law, certain contracts to lease space from third parties were modified in respect to their term, discount rate and currency. As a product of the above, the dismantling allowance decreased by ThCh\$ 5,624,957.

At June 30, 2014, no accounting estimates or changes to these financial statements, which may affect the comparison between each period were performed.

4. Financial Information by Segment

Telefonica Moviles Chile S.A. discloses segment information in accordance with IFRS 8, "Operating Segments" which establishes the standards for reporting on operating segments and related disclosures for products and services and geographic areas. Operating segments are defined as components of an entity for which discrete financial information is available and is regularly reviewed by the Company's principal decision maker to make decisions about resource allocation and assess its performance.

The Company provides mobile telecommunications services in Chile. As established by the Undersecretary of Telecommunications, companies that provide mobile telephone services cannot engage in other activities outside their main line of business. Therefore the Company is in itself a single segment.

There have been no changes in the measurement methods used to determine segment results with respect to the prior year.

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Concepts	Currency	06.30.2014 ThCh\$	12.31.2013 ThCh\$
Cash (a)		4,021,515	998,517
	USD	-	4,243
	EUR	-	7,215
	CLP	4,021,515	987,059
Banks (b)		1,563,656	574,427
	CLP	1,428,122	436,388
	USD	135,534	138,039
Time deposits (c)		226,878,986	215,965,212
	CLP	184,116,628	170,696,396
	USD	42,762,358	45,268,816
Repurchase agreements (d)		1,150,000	6,218,091
	CLP	1,150,000	6,060,707
	USD	-	157,384
Total cash and cash equivalents		233,614,157	223,756,247
Subtotal by currency	CLP	190,716,265	178,180,550
	USD	42,897,892	45,568,482
	EUR	-	7,215

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

a) Cash

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

b) Banks

Bank balances are composed of money maintained in bank checking accounts and their book value is the same as their fair value.

5. Cash and cash equivalents, continued

c) Time deposits,

Time deposits maturing in less than 90 days are recorded at fair value and as of June 30, 2014 and December 31, 2013 are detailed as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local	Accrued	Foreign currency	Total as of
					currency	interest in	translation local	06.30.2014
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
Time deposit	CLP	183,750,000	4.32%	33	183,750,000	366,628	-	184,116,628
Time deposit	USD	77,326	5.40%	58	43,020,000	22,698	(280,340)	42,762,358
Total					226,770,000	389,326	(280,340)	226,878,986

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local	Accrued	Foreign currency	Total as of
					currency	interest in	translation local	12.31.2013
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
Time deposit	CLP	136,645,000	4.78%	32	170,465,000	231,396	-	170,696,396
Time deposit	USD	86,255	6.29%	25	45,968,500	18,456	(718,140)	45,268,816
Totales					216,433,500	249,852	(718,140)	215,965,212

5. Cash and cash equivalents, continued

d) Repurchase agreements

The amounts for June 30, 2014 and December 31, 2013 are detailed as follows:

Code	Dates		Counterparty	Original currency	Subscription value ThCh\$	Annual rate	Final value ThCh\$	Identification of instruments	Book value
	Beginning	Ending							06.30.2014 ThCh\$
CRV	30-june-14	01-july-14	BBVA	CLP	1,150,000	3,72%	1,150,000	PDBC250714	1,150,000
Total					1,150,000		1,150,000		1,150,000

Code	Dates		Counterparty	Original currency	Subscription value ThCh\$	Annual rate	Final value ThCh\$	Identification of instruments	Book value
	Beginning	Ending							12.31.2013 ThCh\$
CRV	30-Dec-13	2-Jan-14	BBVA	CLP	6,060,000	4,2%	6,060,707	BCP0600515	6,060,707
CRV	27-Dec-13	2-Jan-14	BCI	USD	157,572	0,96%	157,384	BCP0600515	157,384
Total					6,217,572		6,218,091		6,218,091

As of June 30, 2014 and December 31, 2013, there are no restrictions on the use of cash and cash equivalents.

6. Other Current and Non-current Financial Assets

The breakdown of other current financial assets is as follows:

Concepts	06.30.2014		12.31.2013	
	Current ThCh\$	Non-Current ThCh\$	Current ThCh\$	Non-Current ThCh\$
Other investments (a)	-	1	-	1
Highly liquid financial instruments (a)	69,894,084	-	50,680,565	-
Hedging instruments (18 b)	1,330,383	42,347,985	1,749,722	21,978,734
Total	71,224,467	42,347,986	52,430,287	21,978,735

a) On October 30, 2013 the Company acquired 1 share of Telefónica Móviles Soluciones y Aplicaciones S.A..

b) The detail of highly liquid financial instruments is as follows

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh\$	Accrued interest in local currency ThCh\$	Foreign currency translation local currency ThCh\$	Total as of 06.30.2014 ThCh\$
Highly liquid financial instruments	USD	126,440	8.8%	1	69,936,493	8,167	(50,576)	69,894,084
Total					69,936,493	8,167	50,576	69,894,084

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh\$	Accrued interest in local currency ThCh\$	Foreign currency translation local moneda local ThCh\$	Total as of 12.31.2013 ThCh\$
Highly liquid financial instruments	USD	20,000	7.56%	30	10,600,400	2,798	108,200	10,494,998
Highly liquid financial instruments	CLP	40,000,000	5.04%	30	40,000,000	185,567	-	40,185,567
Total					50,600,400	188,365	(108,200)	50,680,565

7. Other Non-Financial Assets, Current and Non Current

Other non-financial assets correspond to advance payments, which are detailed as follows:

Description	06.30.2014		12.31.2013	
	Current ThCh\$	Non-Current ThCh\$	Current ThCh\$	Non-Current ThCh\$
Deferred handset costs (1)	15,620,253	-	19,216,222	-
Advance payments (2)	13,430,467	1,061,561	12,614,324	1,061,561
Other prepaid expenses (3)	10,272,448	98,341	10,377,595	98,341
Customer guarantees	599,794	-	677,729	-
Other taxes (4)	643,902	-	512,551	-
Total	40,566,864	1,159,902	43,398,421	1,159,902

- (1) Corresponds to the cost of prepaid handset delivered that have not been activated
(2) Includes advance payments associated with insurance and rent.
(3) Includes deferred commissions that are paid to franchises for mobile equipment and other additions and exchanges which are deferred over six months.
(4) Includes SENCE credit and other taxes.

8. Trade and Other Current Accounts Receivable

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

Description	06.30.2014			12.31.2013		
	Gross value ThCh\$	Uncollectable debts ThCh\$	Net value ThCh\$	Gross value ThCh\$	Uncollectable debts ThCh\$	Net value ThCh\$
Current receivables on credit operations	176,776,462	(59,499,567)	117,276,895	192,711,892	(57,282,820)	135,429,072
Services billed	125,030,535	(59,499,567)	65,530,968	130,589,592	(57,282,820)	73,306,772
Services provided and not billed	51,745,927	-	51,745,927	62,122,300	-	62,122,300
Miscellaneous receivables	329	-	329	329	-	329
Total	176,776,791	(59,499,567)	117,277,224	192,712,221	(57,282,820)	135,429,401

b) The composition of trade and other current accounts receivables that shows past due amounts, not collected and provisioned according maturity is as follows:

Description	06.30.2014					12.31.2013				
	Less than 3 months ThCh\$	3 to 6 months ThCh\$	6 to 12 months ThCh\$	Greater than 12 months ThCh\$	Total ThCh\$	Less than 3 months ThCh\$	3 to 6 months ThCh\$	6 to 12 months ThCh\$	than 12 months ThCh\$	Total ThCh\$
Miscellaneous receivables	16,480,380	3,415,019	-	-	19,895,399	11,470,846	617,506	-	-	12,088,352
Total	16,480,380	3,415,019	-	-	19,895,399	11,470,846	617,506	-	-	12,088,352

8. Trade and Other Current Accounts Receivable

- c) Movements of the provision for doubtful accounts which consider "Trade and other current accounts receivable" are as follows:

Movements	06.30.2014	12.31.2013
	ThCh\$	ThCh\$
Beginning balance	57,282,820	54,832,478
Increases	12,203,551	24,680,550
Eliminations/ Additions	(9,986,804)	(22,230,208)
Movements, subtotal	2,216,747	2,450,342
Closing balance	59,499,567	57,282,820

- d) Movements of the provision for doubtful accounts to reflect the composition of the portfolio as of June 30, 2014 and 2013 are as follows:

Provisions and write-offs	06.30.2014	03.31.2013
	ThCh\$	ThCh\$
Accrual for portfolio that has not been renegotiated	11,794,228	12,047,987
Accrual for renegotiated portfolio	409,323	419,743
Write-offs for the year	(9,986,804)	(11,786,370)
Total	2,216,747	681,360

- e) The composition of the portfolio protested and in legal collection as of June 30, 2014 and December 31, 2013 is as follows:

Portfolio of protested and in legal collection as of 06.30.2014	Portfolio of accounts receivable protested w/o guarantee	Portfolio of accounts receivable protested w/guarantee	Portfolio of accounts receivable in legal collection w/o guarantee	Portfolio of accounts receivable in legal collection w/guarantee
Number of customers in portfolio protested or in legal collection	1,228	-	752	-
Portfolio of protested or in legal collection ThCh\$	5,747,380	-	555,311	-

Portfolio of protested and in legal collection as of 12.31.2013	Portfolio of accounts receivable protested w/o guarantee	Portfolio of accounts receivable protested w/guarantee	Portfolio of accounts receivable in legal collection w/o guarantee	Portfolio of accounts receivable in legal collection w/guarantee
Number of customers in portfolio protested or in legal collection	1,256	-	777	-
Portfolio of protested or in legal collection ThCh\$	5,749,557	-	569,110	-



8. Trade and Other Accounts Receivable, continued

The portfolio composition stratified by segment as of June 30, 2014 is as follows:

Aging of portfolio	Up to date	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 120 days	From 121 to 150 days	From 151 to 180 days	From 181 to 210 days	From 211 to 250 days	More than 250 days	Total portfolio w/o guarantee
by segment for the 2014 period	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Individuals											
Number of clients w/o renegotiation (1)	599,893	83,816	36,237	30,235	27,970	30,253	31,780	30,057	31,009	1,663,576	2,564,826
Gross portfolio w/o renegotiation	41,875,110	3,676,873	1,889,770	1,781,446	-	-	-	-	-	-	49,223,199
Debt	41,875,110	3,676,873	1,889,770	1,781,446	3,181,610	1,789,774	1,699,646	2,136,251	2,779,432	29,029,213	89,839,125
Accrual	-	-	-	-	(3,181,610)	(1,789,774)	(1,699,646)	(2,136,251)	(2,779,432)	(29,029,213)	(40,615,926)
Number of clients with renegotiation	8,165	7,099	1,624	1,373	1,368	1,343	1,331	1,301	972	21,257	45,833
Gross portfolio with renegotiation	1,011,666	251,170	111,587	102,733	-	-	-	-	-	-	1,477,156
Debt	1,011,666	251,170	111,587	102,733	100,294	93,598	79,563	76,828	67,410	1,223,048	3,117,897
Accrual	-	-	-	-	(100,294)	(93,598)	(79,563)	(76,828)	(67,410)	(1,223,048)	(1,640,741)
Total number of clients	608,058	90,915	37,861	31,608	29,338	31,596	33,111	31,358	31,981	1,684,833	2,610,659
Total Individuals portfolio	42,886,776	3,928,043	2,001,357	1,884,179	-	-	-	-	-	-	50,700,355
Debt	42,886,776	3,928,043	2,001,357	1,884,179	3,281,904	1,883,372	1,779,209	2,213,079	2,846,842	30,252,261	92,957,022
Accrual	-	-	-	-	(3,281,904)	(1,883,372)	(1,779,209)	(2,213,079)	(2,846,842)	(30,252,261)	(42,256,667)
Companies											
Number of clients w/o renegotiation	91,606	15,889	4,311	3,197	2,493	2,701	2,565	2,415	2,687	63,661	191,525
Gross portfolio w/o renegotiation	50,414,433	1,286,129	3,889,025	3,491,646	2,056,972	869,277	488,771	-	-	-	62,496,253
Debt	50,414,433	1,286,129	3,889,025	3,491,646	2,429,349	1,256,666	859,638	997,446	1,288,174	13,826,647	79,739,153
Accrual	-	-	-	-	(372,377)	(387,389)	(370,867)	(997,446)	(1,288,174)	(13,826,647)	(17,242,900)
Total number of clients	91,606	15,889	4,311	3,197	2,493	2,701	2,565	2,415	2,687	63,661	191,525
Total Companies portfolio	50,414,433	1,286,129	3,889,025	3,491,646	2,056,972	869,277	488,771	-	-	-	62,496,253
Debt	50,414,433	1,286,129	3,889,025	3,491,646	2,429,349	1,256,666	859,638	997,446	1,288,174	13,826,647	79,739,153
Accrual	-	-	-	-	(372,377)	(387,389)	(370,867)	(997,446)	(1,288,174)	(13,826,647)	(17,242,901)
Other											
Gross portfolio w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Debt	4,080,616	-	-	-	-	-	-	-	-	-	4,080,616
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total companies portfolio	4,080,616	-	-	-	-	-	-	-	-	-	4,080,616
Debt	4,080,616	-	-	-	-	-	-	-	-	-	4,080,616
Accrual	-	-	-	-	-	-	-	-	-	-	-
Portfolio Consolidated											
Number of clients w/o renegotiation	691,499	99,705	40,548	33,432	30,463	32,954	34,345	32,472	33,696	1,727,237	2,756,351
Gross portfolio w/o renegotiation	96,370,159	4,963,002	5,778,795	5,273,092	2,056,972	869,277	488,771	-	-	-	115,800,068
Debt	96,370,159	4,963,002	5,778,795	5,273,092	5,610,959	3,046,440	2,559,284	3,133,697	4,067,606	42,855,860	173,658,894
Accrual	-	-	-	-	(3,553,987)	(2,177,163)	(2,070,513)	(3,133,697)	(4,067,606)	(42,855,860)	(57,858,826)
Number of clients with renegotiation	8,165	7,099	1,624	1,373	1,368	1,343	1,331	1,301	972	21,257	45,833
Gross portfolio with renegotiation	1,011,666	251,170	111,587	102,733	-	-	-	-	-	-	1,477,156
Debt	1,011,666	251,170	111,587	102,733	100,294	93,598	79,563	76,828	67,410	1,223,048	3,117,897
Accrual	-	-	-	-	(100,294)	(93,598)	(79,563)	(76,828)	(67,410)	(1,223,048)	(1,640,741)
Total number of clients	699,664	106,804	42,172	34,805	31,831	34,297	35,676	33,773	34,668	1,748,494	2,802,184
Total Consolidated portfolio	97,381,825	5,214,172	5,890,382	5,375,825	2,056,972	869,277	488,771	-	-	-	117,277,224
Debt	97,381,825	5,214,172	5,890,382	5,375,825	5,711,253	3,140,038	2,638,847	3,210,525	4,135,016	44,078,908	176,776,791
Accrual	-	-	-	-	(3,654,281)	(2,270,761)	(2,150,076)	(3,210,525)	(4,135,016)	(44,078,908)	(59,499,567)

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



8. Trade and Other Accounts Receivable, continued

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

Aging of portfolio by segment for the 2013 period	Up to date	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 120 days	From 121 to 150 days	From 151 to 180 days	From 181 to 210 days	From 211 to 250 days	More than 250 days	Total portfolio w/o guarantee
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Individuals											
Number of clients w/o renegotiation (1)	565,354	75,809	39,726	28,707	42,992	36,985	26,229	41,837	49,878	1,566,147	2,473,664
Gross portfolio w/o renegotiation	39,304,133	3,118,050	2,261,660	2,256,687	-	-	-	-	-	-	46,940,530
Debt	39,304,133	3,118,050	2,261,660	2,256,687	3,402,351	2,042,934	1,219,046	2,064,064	2,648,568	27,731,158	86,048,651
Accrual	-	-	-	-	(3,402,351)	(2,042,934)	(1,219,046)	(2,064,064)	(2,648,568)	(27,731,158)	(39,108,121)
Number of clients with renegotiation	9,282	6,590	1,279	1,213	1,405	1,058	677	1,181	1,785	21,516	45,986
Gross portfolio with renegotiation	1,028,904	202,947	84,910	87,719	-	-	-	-	-	-	1,404,480
Debt	1,028,904	202,947	84,910	87,719	97,981	90,658	57,967	90,065	122,444	1,105,124	2,968,719
Accrual	-	-	-	-	(97,981)	(90,658)	(57,967)	(90,065)	(122,444)	(1,105,124)	(1,564,239)
Total number of clients	574,636	82,399	41,005	29,920	44,397	38,043	26,906	43,018	51,663	1,587,663	2,519,650
Total Individuals portfolio	40,333,037	3,320,997	2,346,570	2,344,406	-	-	-	-	-	-	48,345,010
Debt	40,333,037	3,320,997	2,346,570	2,344,406	3,500,332	2,133,592	1,277,013	2,154,129	2,771,012	28,836,282	89,017,370
Accrual	-	-	-	-	(3,500,332)	(2,133,592)	(1,277,013)	(2,154,129)	(2,771,012)	(28,836,282)	(40,672,360)
Companies											
Number of clients w/o renegotiation	89,542	12,867	4,521	2,925	3,643	3,016	2,039	3,105	4,181	58,856	184,695
Gross portfolio w/o renegotiation	82,558,023	1,902,756	700,180	855,937	195,412	248,064	174,032	-	-	-	86,634,404
Debt	82,558,023	1,902,756	700,180	855,937	653,976	668,435	466,195	5,999,915	1,185,718	8,253,727	103,244,862
Accrual	-	-	-	-	(458,566)	(420,371)	(292,163)	(5,999,915)	(1,185,718)	(8,253,727)	(16,610,460)
Number of clients with renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio with renegotiation	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	89,542	12,867	4,521	2,925	3,643	3,016	2,039	3,105	4,181	58,856	184,695
Total companies portfolio	82,558,023	1,902,756	700,180	855,937	195,412	248,064	174,032	-	-	-	86,634,404
Debt	82,558,023	1,902,756	700,180	855,937	653,976	668,435	466,195	5,999,915	1,185,718	8,253,727	103,244,862
Accrual	-	-	-	-	(458,566)	(420,371)	(292,163)	(5,999,915)	(1,185,718)	(8,253,727)	(16,610,460)
Other											
Gross portfolio w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Debt	449,989	-	-	-	-	-	-	-	-	-	449,989
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total companies portfolio	449,989	-	-	-	-	-	-	-	-	-	449,989
Debt	449,989	-	-	-	-	-	-	-	-	-	449,989
Accrual	-	-	-	-	-	-	-	-	-	-	-
Portfolio Consolidated											
Number of clients w/o renegotiation	654,896	88,676	44,247	31,632	46,635	40,001	28,268	44,942	54,059	1,625,003	2,658,359
Gross portfolio w/o renegotiation	122,312,145	5,020,806	2,961,840	3,112,624	195,410	248,064	174,032	-	-	-	134,024,921
Debt	122,312,145	5,020,806	2,961,840	3,112,624	4,056,327	2,711,369	1,685,241	8,063,979	3,834,286	35,984,885	189,743,502
Accrual	-	-	-	-	(3,860,917)	(2,463,305)	(1,511,209)	(8,063,979)	(3,834,286)	(35,984,885)	(55,718,581)
Number of clients with renegotiation	9,282	6,590	1,279	1,213	1,405	1,058	677	1,181	1,785	21,516	45,986
Gross portfolio with renegotiation	1,028,904	202,947	84,910	87,719	-	-	-	-	-	-	1,404,480
Debt	1,028,904	202,947	84,910	87,719	97,981	90,658	57,967	90,065	122,444	1,105,124	2,968,719
Accrual	-	-	-	-	(97,981)	(90,658)	(57,967)	(90,065)	(122,444)	(1,105,124)	(1,564,239)
Total number of clients	664,178	95,266	45,526	32,845	48,040	41,059	28,945	46,123	55,844	1,646,519	2,704,345
Total Consolidated portfolio	123,341,049	5,223,753	3,046,750	3,200,343	195,410	248,064	174,032	-	-	-	135,429,401
Debt	123,341,049	5,223,753	3,046,750	3,200,343	4,154,308	2,802,027	1,743,208	8,154,044	3,956,730	37,090,009	192,712,221
Accrual	-	-	-	-	(3,958,898)	(2,553,963)	(1,569,176)	(8,154,044)	(3,956,730)	(37,090,009)	(57,282,820)

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

Notes to the interim Consolidated Financial Statements
As of June 30, 2014 and December 31, 2013

9. Accounts receivable and payable to related companies

a) Accounts receivable from related companies current:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2014	12.31.2013			
							ThCh\$	ThCh\$			
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	Mercantile Current Account	CLP	60 days	3,083,470	12,111,808			
							Professional Serv.	CLP	60 days	1,393,922	1,366,652
										TOTAL	4,477,392
Telefónica Chile S.A.	90.635.000-9	Chile	Related to the parent company	Access inbound and CPP takings	CLP	60 days	1,814,263	3,660,403			
										1,406,807	1,368,496
										TOTAL	3,221,070
Telefónica Móviles España S.A.	Foreign	Spain	Related to the parent company	Serv. Provided	CLP	60 days	689,671	211,354			
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Related to the parent company	Serv. Provided	EUR	90 days	591,264	330,335			
Vivo S.A.	Foreign	Brazil	Related to the parent company	Serv. Provided	USD	90 days	430,929	190,881			
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Related to the parent company	Serv. Provided	USD	90 days	360,910	315,191			
Telefónica Larga Distancia S.A.	96.672.160-K	Chile	Related to the parent company	Serv. Provided	CLP	60 days	300,046	773,862			
Telcel Venezuela	Foreign	Venezuela	Related to the parent company	Serv. Provided	CLP	60 days	181,622	159,670			
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Related to the parent company	Serv. Provided	USD	90 days	115,086	-			
Telefónica Móviles Soluciones y Aplicaciones S.A. (1)	96.990.810-7	Chile	Related to the parent company	Serv. Provided	CLP	60 days	TOTAL	107,731	908,967		
							Interest Income	CLP	60 days	8,451	908,967
										99,280	-
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Related to the parent company	Serv. Provided	CLP	60 days	75,970	60,805			
Telefónica International Wholesale Services Chile S.A.	96.910.730.-9	Chile	Related to the parent company	Serv. Provided	CLP	60 days	63,764	46,731			
O2 UK	Foreign	Englenad	Related to the parent company	Serv. Provided	CLP	90 days	62,383	56,134			
Telefónica Móviles Perú S.A.	Foreign	Perú	Related to the parent company	Serv. Provided	USD	90 days	61,117	20,755			
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Related to the parent company	Serv. Provided	USD	90 days	53,366	19,809			
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Related to the parent company	Serv. Provided	USD	90 days	47,983	16,487			
Telefónica Asset Management Chile S.A.	76.173.568-3	Chile	Common parent company	Serv. Provided	USD	60 days	27,100	7,100			
Otecel S.A.	Foreign	Ecuador	Related to the parent company	Serv. Provided	CLP	90 days	21,682	8,448			
Telefónica Gestión Servicios Compartidos Chile S.A.	96.961.230-5	Chile	Related to the parent company	Serv. Provided	USD	60 days	16,360	137,621			
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Related to the parent company	Serv. Provided	CLP	60 days	12,431	10,718			
Intertel S.A.	96.898.630-9	Chile	Related to the parent company	Serv. Provided	CLP	60 days	9,500	4,500			
Telefónica Slovakia	Foreign	Eslovaquia	Related to the parent company	Serv. Provided	CLP	60 days	9,458	7,210			
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Related to the parent company	Serv. Provided	CLP	90 days	7,223	6,553			
Terra Networks Chile S.A.	96.834.230-4	Chile	Related to the parent company	Serv. Provided	USD	60 days	6,175	3,861			
Telefónica Móviles de Panamá	Foreign	Panamá	Related to the parent company	Serv. Provided	CLP	90 days	4,324	2,864			
Telefónica O2 Ireland Ltda	Foreign	Irland	Related to the parent company	Serv. Provided	USD	90 days	2,669	1,114			
Instituto Telefónica Chile S.A.	96.811.570-7	Chile	Related to the parent company	Serv. Provided	USD	60 days	1,524	1,502			
Telefónica Móviles Guatemala	Extranjera	Guatemala	Related to the parent company	Serv. Provided	CLP	90 days	853	1,077			
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Related to the parent company	Serv. Provided	USD	90 days	832	499			
Telefónica Móviles El Salvador	Foreign	El Salvador	Related to the parent company	Serv. Provided	USD	90 days	634	580			
Telefónica O2 Germany GmbH & Co Ohg	Foreign	Germany	Related to the parent company	Serv. Provided	USD	90 days	72,525	141,500			
Telefónica on the Spot Services S.A.U.	Foreign	Spain	Related to the parent company	Serv. Provided	CLP	30 days	160	-			
							11,033,754	21,953,487			

(1) In November 2013, Telefónica Móviles Soluciones y Aplicaciones S.A. was divided into two companies, one of them remaining as the continuer of the company with the same name, and establishing for this purpose a new company called Estrella Soluciones Prácticas S.A. (not belonging to the Telefónica Group) which incorporated the accounts receivable and payable of the existing company. Subsequently, on December 18, 2013 Telefónica Móviles Soluciones y Aplicaciones S.A. remerged with Miraflores 130 S.A., which was the absorbed company.

There are no allowances for doubtful accounts or guarantees related to amounts included in outstanding balances.

The origin of the service provided is specified for amounts in excess of 5% of their total heading.

Notes to the interim Consolidated Financial Statements
As of June 30, 2014 and December 31, 2013

9. Accounts receivable and payable to related companies, continued

b) Accounts payable to related companies current

Company	Taxpayer No.	Country of		Nature of the relationship	Transaction origin	Currency	Term	06.30.2014	12.31.2013	
		origin						ThCh\$	ThCh\$	
								Sub-Total	12,142,705	19,327,698
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile		Associated	Management Services	CLP	60 days	12,142,705	18,995,960	
					Mercantile Current Account		60 days	-	331,738	
								Sub-Total	9,165,068	10,109,312
Telefónica Chile S.A.	90.635.000-9	Chile		Related to the parent company	Access Charge and Links	CLP	60 days	5,479,179	4,875,043	
					W Serv Lease - Space and Energy	CLP	60 days	3,326,258	5,053,010	
					Others	EUR	90 days	359,631	181,259	
Telefónica S.A.		Foreign	Spain	Related to the parent company	Servicios de Brand Fee	CLP	60 days	7,474,070	8,270,328	
Telefónica Empresas Chile S.A.	78.703.410-1	Chile		Related to the parent company	Management Services	CLP	60 days	4,531,597	5,438,025	
Telefónica Internacional S.A.U.		Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	3,953,907	3,681,287	
Telefónica Larga Distancia S.A.	96.672.160-K	Chile		Related to the parent company	Serv. Provided	CLP	60 days	2,028,974	2,015,743	
Telefónica Móviles Soluciones y Aplicaciones S.A. (1)	76.172.003-1	Chile		Related to the parent company	Mercantile Current Account	CLP	60 days	1,608,911	2,567,495	
Vivo S.A.		Foreign	Brazil	Related to the parent company	Serv. Provided	USD	90 days	1,163,475	110,460	
Telefónica Móviles España S.A.		Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	571,521	201,793	
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile		Related to the parent company	Serv. Provided	CLP	60 days	443,922	216,152	
Telefónica Móviles Argentina S.A.		Foreign	Argentina	Related to the parent company	Serv. Provided	USD	90 days	286,397	129,664	
Telefónica Digital España		Foreign	Spain	Related to the parent company	Serv. Provided	USD	90 days	212,470	-	
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile		Related to the parent company	Serv. Provided	CLP	60 days	167,083	312,651	
Pegaso PCS, S.A. de C.V.		Foreign	Mexico	Related to the parent company	Serv. Provided	USD	90 days	127,772	67,106	
Telefónica International Wholesale Services España		Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	72,483	14,322	
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile		Related to the parent company	Serv. Provided	CLP	60 days	69,162	69,162	
Telefónica Asset Management Chile S.A.	76.173.568-3	Chile		Common parent company	Serv. Provided	CLP	60 days	60,712	45,206	
Telfisa Global B.V.		Foreign	Spain	Related to the parent company	commission administration	CLP	90 days	55,055	159,564	
Telefónica Gestión Servicios Compartidos Chile S.A.	96.961.230-5	Chile		Related to the parent company	General Services	CLP	60 days	53,869	3,987,198	
Instituto Telefónica Chile S.A.	96.811.570-7	Chile		Related to the parent company	Serv. Provided	CLP	60 days	43,079	43,079	
Telefónica Móviles del Uruguay S.A.		Foreign	Uruguay	Related to the parent company	Serv. Provided	USD	90 days	39,081	12,704	
Otecel S.A.		Foreign	Ecuador	Related to the parent company	Serv. Provided	USD	90 days	32,093	15,759	
Telcel Venezuela		Foreign	Venezuela	Related to the parent company	Serv. Provided	USD	90 days	31,500	19,723	
Telefónica Móviles Panamá		Foreign	Panama	Related to the parent company	Serv. Provided	USD	90 days	21,338	6,013	
Colombia Telecomunicaciones S.A.E.S.P (Telecom)		Foreign	Colombia	Related to the parent company	Serv. Provided	USD	90 days	11,675	-	
Telefónica Móviles Guatemala		Foreign	Guatemala	Related to the parent company	Serv. Provided	USD	90 days	9,593	2,642	
Telefónica Móviles El Salvador		Foreign	El Salvador	Related to the parent company	Serv. Provided	USD	90 days	5,076	1,968	
Telefonía Celular de Nicaragua S.A.		Foreign	Nicaragua	Related to the parent company	Serv. Provided	USD	90 days	1,603	1,889	
Telefónica O2 Ireland Ltda		Foreign	Ireland	Related to the parent company	Serv. Provided	USD	90 days	1,336	995	
Terra Networks Chile S.A.	96.834.230-4	Chile		Related to the parent company	Serv. Provided	CLP	60 days	1,188	230,034	
Fundación Telefónica Chile S.A.	74.944.200-K	Chile		Related to the parent company	Serv. Provided	CLP	60 days	704	704	
Telefónica Móviles Perú S.A.		Foreign	Peru	Related to the parent company	Serv. Provided	CLP	90 days	-	96,968	
Telefónica Global Applications S.L.		Foreign	Spain	Related to the parent company	Serv. Provided	EUR	60 days	-	67,715	
Telefónica on the Spot Services S.A.U.		Foreign	Spain	Related to the parent company	Serv. Provided	CLP	30 days	-	3,891	
Telefónica O2 Germany GmbH & Co Ohg		Foreign	Germany	Related to the parent company	Serv. Provided	USD	90 days	-	22,136	
Total								44,387,419	57,249,386	

(1) In November 2013, Telefónica Móviles Soluciones y Aplicaciones S.A. was divided into two companies, one of them remaining as the continuer of the company with the same name, and establishing for this purpose a new company called Estrella Soluciones Prácticas S.A. (not belonging to the Telefónica Group) which incorporated the accounts receivable and payable of the existing company. Subsequently, on December 18, 2013 Telefónica Móviles Soluciones y Aplicaciones S.A. remerged with Miraflores 130 S.A., which was the absorbed company.

Notes to the interim Consolidated Financial Statements
As of June 30, 2014 and December 31, 2013

9. Accounts receivable and payable to related companies, continued

c) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	06.30.2014 ThCh\$	06.30.2013 ThCh\$
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	related to the parent company	CLP	SUB TOTAL	(30,501,758)	(32,610,543)
					Services staff seconded from		
					other companies	(32,045,859)	(34,222,012)
					Sales	1,287,439	642,214
					Financial income	256,662	969,255
Telefónica Chile S.A.	90.635.000-9	Chile	related to the parent company	CLP	SUB TOTAL	(13,405,044)	(8,021,332)
					Access charges and		
					Interconnects	(16,532,074)	(14,296,403)
					Servicio Telefonico	(215,268)	-
					Access charges and		
					Interconnects	3,342,298	6,275,071
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	related to the parent company	CLP	SUB TOTAL	(8,207,524)	(7,687,586)
					Professional Services	(8,461,520)	(9,007,425)
					Other	(69,568)	-
					Sales	323,564	1,319,839
Telefónica S.A.	Foreign	Spain	Shareholder	EUR	SUB TOTAL	(7,698,124)	(6,786,407)
					Brand Fee	(7,690,443)	(6,786,407)
					Other	(7,681)	-
Telefónica Larga Distancia S.A.	96.672.160-K	Chile	related to the parent company	CLP	SUB TOTAL	(3,985,284)	(4,452,368)
					Costs	(4,877,075)	(6,034,456)
					Fixed Income - Mobile	891,791	1,582,088
Telefónica Global Technology Chile S.A.	59.165.120-K	Chile	related to the parent company	CLP	Costs	(2,874,608)	-
Telefónica Internacional S.A.U.	Foreign	Spain	related to the parent company	EUR	Management Fee	(1,285,129)	(1,089,721)
Telefónica Internacional Wholesale Services España	Foreign	Spain	related to the parent company	EUR	Costs	(463,169)	-
					SUB TOTAL	(314,583)	185,006
Telefónica Internacional Wholesale Services Chile S.A.	96.910.730-9	Chile	related to the parent company	CLP	Costs	(391,656)	-
					Sales	77,073	185,006
					SUB TOTAL	(306,935)	153,677
Vivo S.A.	Foreign	Brazil	related to the parent company	USD	Costs	(803,600)	(92,592)
					Sales	496,665	246,269
					SUB TOTAL	(242,120)	(68,040)
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	related to the parent company	USD	Costs	(257,128)	(84,719)
					Sales	15,008	16,679
					SUB TOTAL	(197,395)	(200,076)
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	related to the parent company	CLP	Costs	(224,990)	(215,857)
					Sales	27,595	15,781
					SUB TOTAL	(175,578)	(230,598)
Telefónica Móviles Perú S.A.	Foreign	Peru	related to the parent company	USD	Costs	(250,857)	(288,847)
					Sales	75,279	58,249
					SUB TOTAL	(94,514)	136,800
O2 Germany GmbH & Co Ohg	Foreign	Germany	related to the parent company	USD	Costs	(109,842)	136,800
					Sales	15,328	-
					SUB TOTAL	(61,860)	(532,542)
Telefónica Móviles España S.A.	Foreign	Spain	related to the parent company	EUR	Costs	(536,069)	(900,167)
					Sales	474,209	367,625
					SUB TOTAL	(40,897)	(43,345)
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	related to the parent company		Costs	(112,219)	(96,545)
					Sales	71,322	53,200
					SUB TOTAL	(19,897)	(5,477)
Telefónica Móviles Panamá	Foreign	Panama	related to the parent company	USD	Costs	(28,824)	(15,803)
					Sales	8,927	10,326
					SUB TOTAL	(18,939)	(369,292)
Terra Networks Chile S.A.	96.834.230-4	Chile	related to the parent company	CLP	Costs	(28,215)	(377,950)
					Sales	9,276	8,658
					SUB TOTAL	(18,351)	(1,216,339)
Telefónica Gestión Servicios Compartidos Chile S.A.	96.961.230-5	Chile	related to the parent company	CLP	Costs	(18,351)	(1,235,171)
					Sales	-	18,832
Telefónica Asset Management Chile S.A.	76.173.568-3	Chile	Common parent company	CLP	Costs	(15,505)	-

Notes to the interim Consolidated Financial Statements
As of June 30, 2014 and December 31, 2013

9. Accounts receivable and payable to related companies, continued

c) Transactions, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	06.30.2014 ThCh\$	06.30.2013 ThCh\$
					SUB TOTAL	(7,446)	(19,710)
Otecel S.A.	Foreign	Ecuador	Relacionado con la Matriz	USD	Costs	(26,150)	(32,227)
					Sales	18,704	12,517
Telefónica on the Spot Services S.A.U.	Foreign	Spain	Relacionado con la Matriz	EUR	Costs	(6,129)	-
					SUB TOTAL	(4,374)	(1,229)
Telefónica Móviles El Salvador	Foreign	El Salvador	Relacionado con la Matriz	USD	Costs	(4,666)	(1,229)
					Sales	292	-
					SUB TOTAL	(3,244)	(1,876)
Telefónica Móviles Guatemala	Foreign	Guatemala	Relacionado con la Matriz	USD	Costs	(3,836)	(3,036)
					Sales	592	1,160
Telefónica Global Technology	Foreign	Spain	Relacionado con la Matriz	EUR	financial expenses	(1,404)	-
					SUB TOTAL	(361)	12
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Relacionado con la Matriz	USD	Costs	(938)	(1,260)
					Sales	577	1,272
					SUB TOTAL	1,032	2,492
Telefónica O2 Ireland Ltda	Foreign	Ireland	Relacionado con la Matriz	USD	Costs	(1,123)	(899)
					Sales	2,155	3,391
					SUB TOTAL	1,368	(418,312)
Telefónica Móviles Soluciones y Aplicaciones S.A.(1)	96.990.810-7	Chile	Relacionado con la Matriz	CLP	financial income	1,368	1,403
					Sales	-	16,459
					Costs	-	(434,771)
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Relacionado con la Matriz	CLP	Sales	1,664	929
Telefónica Slovakia	Foreign	Eslovaquia	Relacionado con la Matriz	CLP	Sales	1,872	3,001
					SUB TOTAL	1,877	2,644
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Relacionado con la Matriz	USD	Costs	(37,082)	(29,010)
					Sales	38,959	31,654
					SUB TOTAL	9,019	2,213
Telcel Venezuela	Foreign	Venezuela	Relacionado con la Matriz	USD	Sales	19,988	13,906
					Costos	(10,969)	(11,693)
O2 UK	Foreign	England	Relacionado con la Matriz	USD	Sales	59,874	51,598
Telefónica Global Applications S.L.	Foreign	Spain	Relacionado con la Matriz	EUR	Costs	67,715	-
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Relacionado con la Matriz	CLP	Sales	308,550	73,565
					SUB TOTAL	629,762	392,544
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Relacionado con la Matriz	USD	Roaming	992,083	645,702
					Costos	(362,321)	(253,158)
					SUB TOTAL	1,069,766	180,039
Telfisa Global B.V.	Foreign	Spain	Relacionado con la Matriz	CLP	commission administration	(49,922)	(36,361)
					financial income	1,119,688	216,400
Telefónica Factoring Chile S.A.	76.096.189-2	Chile	Relacionado con la Matriz	CLP	Mercantile Current Account	-	48,024
					SUB TOTAL	-	(98)
O2 Manx Telecom Ltd	Foreign	England	Relacionado con la Matriz	USD	Costs	-	(2,185)
					Sales	-	2,087

(1) For comparison purposes, the transactions of Miraflores 130 S.A. as of June 30, 2013 are presented in Telefónica Móviles Soluciones y Aplicaciones S.A., due to the merger carried out in December 2013.

Transactions in excess of 10% of total income and expenses have been separated according to the nature of the services that originate them.

9. Accounts receivable and payable to related companies, continued

c) Transactions, continued

Title XVI of the Company's Law, and other relevant standards, requires that a Company's transactions with related companies (defined as entities belonging to the same group of companies) are carried out under terms similar to those commonly prevailing in the market.

In the accounts receivable of the Company there have been charges and credits to current accounts due to billing on sale of equipment and services.

In the case of sales and services provided, these are due in the short-term (less than one year) and expiry conditions in each case vary on the basis of the transaction that generates them.

On January 1, 2014 the Company subscribed a mercantile current account contract with Telefónica Móviles Soluciones S.A. which replaces the contract signed on December 23, 2011 with Miraflores 130 S.A..

d) Non-current accounts payable to related companies:

Non-current notes and accounts payable are detailed as follows:

Company	Taxpayer	Country of	Nature of the	Transaction			06.30.2014	12.31.2013
	No.	origin	relationship	origin	Currenc	Term	ThCh\$	ThCh\$
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA	76.086.148-0	Chile	Common Shareholder	HR obligation	CLP	-	1,366,521	1,366,521
Total							1,366,521	1,366,521

e) Salaries and benefits received by the Company's key personnel.

As of June 30, 2014 and December 31, 2013, the parent company is managed by a Board of Directors composed of five members, who serve for a term of three years and are not remunerated.

There are 73 executives considered: General Manager, 13 Directors and 59 Managers.

During the first quarter of 2011, the Company developed a resources optimization plan that contemplated, among other things, transferring its employees to related company Telefónica Chile Servicios Corporativos Ltda..

Notes to the interim Consolidated Financial Statements
As of June 30, 2014 and December 31, 2013

10. Inventory

a) Inventory is detailed as follows:

Description	06.30.2014			12.31.2013		
	Gross value	Provision for obsolescence	Net Value	Gross value	Provision for obsolescence	Net Value
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Mobile equipment (net)	57,561,715	(8,413,559)	49,148,156	68,864,081	(7,844,746)	61,019,335
Accessories	360,537	(171,236)	189,301	265,889	(262,409)	3,480
Total	57,922,252	(8,584,795)	49,337,457	69,129,970	(8,107,155)	61,022,815

As of June 30, 2014 and December 31, 2013 there have been no inventory write-offs and there is no inventory in guarantee. The balance of the obsolescence accrual amounts to ThCh\$ 8,584,795 for 2014 and ThCh\$ 8,107,155 for 2013.

b) Inventory movements are detailed as follows:

Description	06.30.2014	12.31.2013
	ThCh\$	ThCh\$
Beginning balance	61,022,815	52,482,983
Purchases	108,757,087	240,897,687
Sales	(119,964,805)	(231,104,355)
Obsolescence provision (period to effect result)	(477,640)	(1,253,500)
Movements, subtotal	(11,685,358)	8,539,832
Closing balance	49,337,457	61,022,815

11. Taxes

a) Income Taxes

As of June 30, 2014 and December 31, 2013, the Company has established a consolidated first category income tax reserve since it determined a positive taxable base of ThCh\$ 49,892,853 and ThCh\$ 26,071,966, respectively for each year.

In the normal development of their operation, the parent company and its subsidiaries are subject to the regulation and oversight of the Chilean Internal Revenue Service, and differences can arise in the application of criteria used to determine taxes.

As of June 30, 2014, the parent company has a positive Taxable Income Fund balance in the amount of ThCh\$ 71,245,613.

Notes to the interim Consolidated Financial Statements
As of June 30, 2014 and December 31, 2013

11. Taxes, continued

a) Income Taxes, continued

The subsidiary Telefónica Móviles Chile Distribución S.A. has a negative Taxable Income Fund and a first category tax loss in the amount of ThCh\$ 712,143.

The balance of the positive Taxable Income Fund and associated credits are detailed as follows:

Subsidiaries	06.30.2014				12.31.2013			
	Taxable Net	Taxable Net	Taxable Net	Amount	Taxable Net	Taxable Net	Taxable Net	Amount
	Income	Income	Income		Income	Income	Income	
	with 17% Credit	with 20% Credit	Without credit	of credit	with 17% Credit	with 20% Credit	Without credit	of credit
ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	
Telefónica Móviles Chile S.A.	1,580	39,727,458	31,516,575	9,932,188	-	-	7,482,313	-
Totales	1,580	39,727,458	31,516,575	9,932,188	-	-	7,482,313	-

b) Current tax assets

As of June 30, 2014 and December 31, 2013, the Company does not have current tax assets.

c) Current tax liabilities

Movements	06.30.2014	12.31.2013
	ThCh\$	ThCh\$
Income tax accrual (1)	11,707,836	15,430,236
Final balance	11,707,836	15,430,236

(1) As of June 30, 2014 the provision for income tax is presented net of estimated monthly payments for ThCh\$8,643,969 and December 31, 2013 for ThCh\$ 14,165,115.



11. Taxes, continued

d) Deferred tax assets and liabilities

As of June 30, 2014 and December 31, 2013, accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh\$ 17,386,671 and ThCh\$ 17,525,620, respectively which are detailed as follows:

Disclosure of temporary differences, losses and unused tax credits - As of June 30, 2014	Other temporary differences [member]	Allowance for doubtful accounts	Obsolescence provision	Deferred income	Dismantling provision	Deferred cost of sale and deferred sales commissions	Amortization and depreciation of assets	Hedging insurance	Reclassification	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities											
Deferred tax assets	1,946,182	12,215,287	1,716,073	3,549,233	2,403,877	-	3,334,849	-	(7,778,829)	17,386,672	17,386,672
Deferred tax liabilities	353,264	-	-	-	-	5,183,694	1,243,604	998,267	(7,778,829)	-	-
Deferred tax liabilities (assets)	(1,592,918)	(12,215,287)	(1,716,073)	(3,549,233)	(2,403,877)	5,183,694	(2,091,245)	998,267	-	(17,386,672)	(17,386,672)
Deferred tax assets and liabilities, net											
Deferred tax assets, net	(1,592,918)	(12,215,287)	(1,716,073)	(3,549,233)	(2,403,877)	-	(2,091,245)	-	-	(23,568,633)	(23,568,633)
Deferred tax liabilities, net	-	-	-	-	-	5,183,694	-	998,267	-	6,181,961	6,181,961
Deferred tax expense (benefit)											
Deferred tax expense (benefit)	(57,857)	2,779,888	(94,642)	819,907	(38,858)	(805,297)	(3,153,306)	-	-	(550,165)	(550,165)
Deferred tax expense (benefit) recognized in income	(57,857)	2,779,888	(94,642)	819,907	(38,858)	(805,297)	(3,153,306)	-	-	(550,165)	(550,165)
Reconciliation of changes in deferred tax liabilities (assets)											
Deferred tax liabilities (assets) - Beginning balance Dec. 2012	(1,535,060)	(14,995,175)	(1,621,431)	(4,369,140)	(2,365,019)	5,988,991	1,062,061	309,152	-	(17,525,621)	(17,525,621)
Changes in deferred tax liabilities (assets)											
Deferred tax expense (benefit) recognized in income	(57,857)	2,779,888	(94,642)	819,907	(38,858)	(805,297)	(3,153,306)	-	-	(550,165)	(550,165)
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	689,115	-	689,115	689,115
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	(57,857)	2,779,888	(94,642)	819,907	(38,858)	(805,297)	(3,153,306)	689,115	-	138,950	138,950
Deferred tax liabilities (assets)	(1,592,917)	(12,215,287)	(1,716,073)	(3,549,233)	(2,403,877)	5,183,694	(2,091,245)	998,267	-	(17,386,671)	(17,386,671)

It is for the netting of assets and deferred tax liabilities.



11. Taxes, continued

d) Deferred tax assets and liabilities, continued

Disclosure of temporary differences, losses and unused tax credits - As of December 31, 2013	Other temporary differences [member]	Allowance for doubtful accounts	Obsolescence provision	Deferred income	Dismantling provision	Deferred cost of sale and deferred sales commissions	Amortization and depreciation of assets	Hedging insurance	Reclassification	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities											
Deferred tax assets	1.953.708	14.995.175	1.621.431	4.369.140	2.365.019	-	5.469.853	-	(13.248.705)	17.525.621	17.525.621
Deferred tax liabilities	418.648	-	-	-	-	5.988.991	6.531.914	309.152	(13.248.705)	-	-
Deferred tax liabilities (assets)	(1.535.060)	(14.995.175)	(1.621.431)	(4.369.140)	(2.365.019)	5.988.991	1.062.061	309.152	-	(17.525.621)	(17.525.621)
Deferred tax assets and liabilities, net											
Deferred tax assets, net	(1.535.060)	(14.995.175)	(1.621.431)	(4.369.140)	(2.365.019)	-	-	-	-	(24.885.825)	(24.885.825)
Deferred tax liabilities, net	-	-	-	-	-	5.988.991	1.062.061	309.152	-	7.360.204	7.360.204
Deferred tax expense (benefit)											
Deferred tax expense (benefit)	(192.847)	(490.068)	(250.700)	(571.772)	-	1.187.168	2.021.437	10.419	-	1.713.637	1.713.637
Deferred tax expense (benefit) recognized in income	(192.847)	(490.068)	(250.700)	(571.772)	-	1.187.168	2.021.437	10.419	-	1.713.637	1.713.637
Reconciliation of changes in deferred tax liabilities (assets)											
Deferred tax liabilities (assets) - Beginning balance Dec. 2012	(1.342.213)	(14.505.107)	(1.370.731)	(3.797.368)	(2.365.019)	4.801.823	(959.376)	208.689	-	(19.329.302)	(19.329.302)
Changes in deferred tax liabilities (assets)											
Deferred tax expense (benefit) recognized in income	(192.847)	(490.068)	(250.700)	(571.772)	-	1.187.168	2.021.437	10.419	-	1.713.637	1.713.637
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	90.044	-	90.044	90.044
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	(192.847)	(490.068)	(250.700)	(571.772)	-	1.187.168	2.021.437	100.463	-	1.803.681	1.803.681
Deferred tax liabilities (assets)	(1.535.060)	(14.995.175)	(1.621.431)	(4.369.140)	(2.365.019)	5.988.991	1.062.061	309.152	-	(17.525.621)	(17.525.621)

It is for the netting of assets and deferred tax liabilities.



11. Taxes, continued

d) Deferred tax assets and liabilities, continued

Disclosure of temporary differences, losses and unused tax credits - As of June 30 2013	Other temporary differences [member]	Allowance for doubtful accounts	Obsolescence provision	Deferred income	Dismantling provision	Deferred cost of sale and deferred sales commissions	Amortization and depreciation of assets	Hedging insurance	Reclassification	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities											
Deferred tax assets	2,606,853	14,641,379	1,434,822	3,772,195	2,365,019	-	7,367,893		(15,151,742)	17,036,419	17,036,419
Deferred tax liabilities	528,691	-	-	-	-	4,889,927	9,399,108	334,016	(15,151,742)	-	-
Deferred tax liabilities (assets)	(2,078,162)	(14,641,379)	(1,434,822)	(3,772,195)	(2,365,019)	4,889,927	2,031,215	334,016	-	(17,036,419)	(17,036,419)
Deferred tax assets and liabilities, net											
Deferred tax assets, net	(2,078,162)	(14,641,379)	(1,434,822)	(3,772,195)	(2,365,019)	-	-	-	-	(24,291,577)	(24,291,577)
Deferred tax liabilities, net	-	-	-	-	-	4,889,927	2,031,215	334,016	-	7,255,158	7,255,158
Deferred tax expense (benefit)											
Deferred tax expense (benefit)	(735,950)	(136,272)	(174,556)	25,173	-	88,104	2,990,591	-	-	2,057,090	2,057,090
Deferred tax expense (benefit) recognized in income	(735,950)	(136,272)	(174,556)	25,173	-	88,104	2,990,591	-	-	2,057,090	2,057,090
Reconciliation of changes in deferred tax liabilities (assets)											
Deferred tax liabilities (assets) - Beginning balance Dec. 2012	(1,342,213)	(14,505,107)	(1,370,731)	(3,797,368)	(2,365,019)	4,801,823	(959,376)	208,689	-	(19,329,302)	(19,329,302)
Changes in deferred tax liabilities (assets)											
Deferred tax expense (benefit) recognized in income	(735,950)	(136,272)	(174,556)	25,173	-	88,104	2,990,591	-	-	2,057,090	2,057,090
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	-	-	110,465	-	-	-	-	125,328	-	235,793	235,793
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	(735,950)	(136,272)	(64,091)	25,173	-	88,104	2,990,591	125,328	-	2,292,883	2,292,883
Deferred tax liabilities (assets)	(2,078,163)	(14,641,379)	(1,434,822)	(3,772,195)	(2,365,019)	4,889,927	2,031,215	334,017	-	(17,036,419)	(17,036,419)

Notes to the interim Consolidated Financial Statements
As of June 30, 2014 and December 31, 2013

11. Taxes, continued

e) Taxable Income:

As of June 30, 2014 and December 31, 2013, a first category income tax provision has been established, since a positive taxable base was determined in the amount of ThCh\$49,772,855 and ThCh\$ 26,071,966, respectively for each period, detailed as follows:

Description	Taxable Net Income			
	04.01.2014 at 06.30.2014	06.30.2014	04.01.2013 at 06.30.2013	06.30.2013
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Finance income	24,435,149	50,182,375	11,513,385	23,041,907
Recorded tax expense	4,031,574	9,225,277	6,445,496	8,868,889
Additions	18,786,986	45,626,776	14,854,794	31,767,817
Deductions	(18,530,130)	(55,261,574)	(18,507,786)	(37,606,647)
Taxable Net Income	28,723,580	49,772,855	14,305,889	26,071,966
First category tax rate 20%	5,744,716	9,954,571	2,861,178	5,214,393
base	63,409	233,792	234,796	343,552
(35% rate)	22,193	81,827	82,179	120,243
Total Tax Provision	5,766,909	10,036,398	2,943,357	5,334,636
Contingencies provision	-	-	1,000,000	1,000,000
Previous year deficit (surplus)	(260,956)	(260,956)	477,159	477,159
Total first category taxes	5,505,953	9,775,442	4,420,516	6,811,795

f) Income tax reconciliation:

The income tax expense reconciliation as of June 30, 2014 and December 31, 2013 are detailed as follows:

Concepts	04.01.2014 to 06.30.2014		06.30.2014		04.01.2013 to 06.30.2013		06.30.2013	
	Taxable base	Tax Rate 20%	Taxable base	Tax Rate 20%	Taxable base	Tax Rate 20%	Taxable base	Tax Rate 20%
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Based on accounting income before taxes:								
Finance income	24,435,149		50,182,375		11,513,385		23,041,907	
Recorded tax expense	4,031,574		9,225,277		6,445,496		8,868,889	
Income before taxes	28,466,723	5,693,338	59,407,652	11,881,530	17,958,881	3,591,776	31,910,796	6,382,159
Permanent differences								
Price-level restatement of taxable equity	(5,803,392)	(1,160,678)	(10,234,268)	(2,046,854)	368,008	73,602	(689,494)	(137,899)
Investment income related companies	(1,328,124)	(265,625)	(2,033,905)	(406,781)	(860,550)	(172,110)	(1,735,348)	(347,070)
Others (1)	(1,177,338)	(235,461)	(1,013,089)	(202,618)	14,761,140	2,952,228	14,858,489	2,971,699
Total corporate tax expense	20,157,869	4,031,574	46,126,390	9,225,277	32,227,479	6,445,496	44,344,443	8,868,889
Based on taxable net income and deferred taxes calculated on the basis of temporary differences:								
20% income tax		5,744,716		9,954,571		2,861,178		5,214,393
35% income tax		22,193		81,827		82,179		120,243
Provision for tax contingencies		-		-		1,000,000		1,000,000
Prior years deficit		(260,956)		(260,956)		477,159		477,159
Total Income tax expense		5,505,953		9,775,442		4,420,516		6,811,795
Total Deferred tax expense		(1,474,379)		(550,165)		2,024,980		2,057,093
Total corporate tax expense		4,031,574		9,225,277		6,445,496		8,868,889
Effective rate		14.16%		15.53%		35.89%		27.79%

This item includes fines, adjustment for proportion of VAT credit and 4% property, plant and equipment credit, among others.

Notes to the interim Consolidated Financial Statements
As of June 30, 2014 and December 31, 2013

12. Investments accounted for using the equity method

a) As of June 30, 2014 and December 31, 2013 in associated companies as well as a summary of their information is detailed as follows:

Taxpayer No.	Name	Investment	Participation	Current assets	Non-current	Current	Non-current	Ordinary	Ordinary	Income
		balance								
		06.30.2014	%	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	8,132,786	48	46,268,009	43,916,077	42,196,081	31,044,701	87,488,965	81,846,920	4,237,374

Taxpayer No.	Name	Investment	Participation	Current assets	Non-current	Current	Non-current	Ordinary	Ordinary	Income
		balance								
		12.31.2013	%	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	6,210,509	48	58,970,030	45,038,590	60,940,844	30,129,215	171,059,838	171,061,513	7,763,130

b) The movements in investments in associates as of June 30, 2014 and December 31, 2013 is as follows:

Movements	06.30.2014	12.31.2013
	ThCh\$	ThCh\$
Beginning balance	6,210,509	2,484,207
Participation in ordinary income current period	2,033,940	3,726,302
Other increases in reserve	(111,663)	-
Movements, subtotal	1,922,277	3,726,302
Final balance	8,132,786	6,210,509

1) Corresponds to the equity effect generated by the interest in Telefónica Chile Servicios Corporativos Ltda., subsidiary of Telefónica Chile S.A., due to hedging derivatives and changes in the employee benefits provision.

Notes to the interim Consolidated Financial Statements
As of June 30, 2014 and December 31, 2013

13. Intangible Assets other than goodwill,

a) As of June 30, 2014 and December 31, 2013, intangible assets other than goodwill are detailed as follows:

Description	Intangibles,	06.30.2014	Intangible, net	Intangibles,	12.31.2013	Intangible, net
	gross	Accumulated		gross	Accumulated	
	ThCh\$	amortization	ThCh\$	ThCh\$	amortization	ThCh\$
		ThCh\$			ThCh\$	
Intangible assets (1)	125,901,281	(94,446,586)	31,454,695	125,901,281	(93,571,337)	32,329,944
Licenses and software	180,529,199	(148,614,693)	31,914,506	180,157,292	(136,530,193)	43,627,099
Total	306,430,480	(243,061,279)	63,369,201	306,058,573	(230,101,530)	75,957,043

(1) Represents administrative concessions (see Note 2m i).

b) Movements in intangible assets other than goodwill for June 30, 2014 are as follows:

Movements	Intangible	Licenses and	Intangibles,
	assets, net	software, net	net
	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.14	32,329,944	43,627,099	75,957,043
Amortization	(875,249)	(12,084,500)	(12,959,749)
Other Increase (decrease)	-	371,907	371,907
Movements, subtotal	(875,249)	(11,712,593)	(12,587,842)
Ending balance as of 06.30.2014	31,454,695	31,914,506	63,369,201
Remaining average useful life	2 years		

The movements in intangible assets other than goodwill for December 31, 2013 are as follows:

Movements	Intangible	Licenses and	Intangibles,
	assets, net	software, net	net
	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.13	33,824,644	27,416,605	61,241,249
Elimination	-	(13,267)	(13,267)
Amortization of elimination	-	13,267	13,267
Amortization	(1,748,383)	(21,548,841)	(23,297,224)
Transfer from construction in progress (note 15b)	253,683	37,759,335	38,013,018
Movements, subtotal	(1,494,700)	16,210,494	14,715,794
Ending balance as of 12.31.2013	32,329,944	43,627,099	75,957,043
Remaining average useful life	2 years		

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

13. Intangible Assets other than goodwill, continued

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

At december 31, 2013 the determination of the impairment test was performed considering the following variables estimated:

- i) Projected income: The projection performed in respect to growth in the volume of future services rendered is 1.2%, growth rate that is consistent with historical behavior.
- ii) Discount: The rate used to discount future cash flows is 10.08% (WACC), rate that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.
- iii) Market assumptions: The future cash flows projection takes into account market assumptions on industry growth, country growth and projected inflation.
- iv) Sensibility analysis: A sensibility analysis was performed in respect to the market recoverable value, modifying the discount rate and growth rate values. The sensitivity contemplated increasing the discount rate by 12% and 14%.

The financial statements of december 31, 2013 was not picked up any impact as a result of the impairment tests performed on intangible assets. A June 30, 2014 have not detected signs of impairment on these assets which have not been tested for impairment.

14. Goodwill

Goodwill as of this period was generated before the date of transition and adoption of IFRS, and the value recorded as of that date is maintained as of June 30, 2014.

The balance of goodwill for June 30, 2014 and December 31, 2013 are detailed as follows:

Movements	06.30.2014 ThCh\$	12.31.2013 ThCh\$
Telefónica Móviles Chile S.A.	483,179,725	483,179,725
Total	483,179,725	483,179,725

At the Extraordinary Shareholders' Meeting of Telefonica Moviles Chile S.A. held on September 8, 2009, the shareholders approved the merger by incorporation of the partners and equity of TEM Inversiones Chile Ltda. to Telefonica Moviles Chile S.A. with the latter being the legal continuer. The assets of TEM Inversiones Chile Ltda. included goodwill recorded on the shares of Telefonica Movil de Chile S.A. purchased on July 23, 2004 from Telefonica Chile S.A. (formerly Compañía de Telecomunicaciones de Chile S.A.- CTC Chile S.A.).

14. Goodwill, continued

As of the share purchase date, the controlling shareholder of CTC Chile S.A., (company that sold the shares), was Chilean company Telefonica Internacional Chile S.A. which had a 44.89% interest. The shareholders of Telefonica Internacional Chile S.A. were Telefonica Chile Holding B.V. with 99.99% interest and Telefonica Internacional Holding B.V. with 0.01%, both Dutch companies controlled by Telefonica S.A. de España. The shareholder controller of TEM Inversiones Chile Ltda., (the purchasing company) was Telefonica Moviles de España.

Goodwill, determined as of the date of acquisition of the shares was generated by the valuation assigned to the fixed assets of the acquired company, which was at the book value of the assets.

The Company tests goodwill impairment annually. The impairment test which is based on fair value is performed at a reporting unit level. If that fair value is lower than the net book value, an irreversible impairment loss is recognized in the income statement account.

Assets are listed in goodwill tested for impairment whenever there is an indication of a potential loss in value, and in any case at each year-end. Impairment testing is determined taking into consideration the following estimated variables:

- i) Projected income: the projection performed regarding growth of volume of future services rendered is 1.8%, growth rate that is consistent with historical behavior.
- ii) Discount rate: the rate used to discount future cash flows is 10.08% (WACC), rate that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.
- iii) Market assumptions: the projection of future cash flows takes into consideration market assumptions such as industry growth, country growth and projected inflation.
- iv) Sensitivity analysis: a sensibility analysis was performed in respect to recoverable market value, modifying the discount rate and growth rate. The sensitivity contemplated increasing the discount rate by 12% and 14%.

Based on the impairment calculations performed by management, as of 2013 year-end there has been no need to carry out significant adjustments since the recoverable value is higher than the carrying amount in all cases. At June 30, 2014 have not been tested for impairment.

15. Property, Plant and Equipment

- a) As of June 30, 2014 and December 31, 2013 the major categories of Property, plant and equipment and their corresponding accumulated depreciation are detailed as follows:

Concepts	06.30.2014			12.31.2013		
	Property, plant & equipment, gross	Accumulated depreciation	Property, plant & equipment, net	Property, plant & equipment, gross	Accumulated depreciation	Property, plant & equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Land	3,310,386	-	3,310,386	3,328,133	-	3,328,133
Buildings	134,312,059	(100,280,319)	34,031,740	129,458,750	(99,139,683)	30,319,067
Transport equipment	17,214	(17,214)	-	17,214	(17,214)	-
Supplies and accessories	10,283,808	(7,529,424)	2,754,384	10,408,998	(7,335,035)	3,073,963
Office equipment	768,924	(670,922)	98,002	768,107	(660,742)	107,365
Construction in progress	136,057,766	-	136,057,766	86,529,902	-	86,529,902
Information equipment	18,748,287	(16,581,851)	2,166,436	18,838,321	(15,700,292)	3,138,029
Network and communications equipment	750,768,087	(568,147,463)	182,620,624	755,183,862	(537,701,979)	217,481,883
Other property, plant & equipment	3,461,506	(2,705,628)	755,878	3,592,075	(2,513,498)	1,078,577
Total	1,057,728,037	(695,932,821)	361,795,216	1,008,125,362	(663,068,443)	345,056,919

15. Property, Plant and Equipment, continued

b) Movements of major categories of Property, plant and equipment for 2014 period are detailed as follows:

Movements	Land	Buildings, net	Supplies and accessories, net	Office equipment, net	Construction in progress	Information equipment	Other property, plant & equipment	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$			ThCh\$	ThCh\$
Beginning balance as of 01.01.14	3,328,133	30,319,067	3,073,963	107,365	86,529,902	3,138,029	217,481,883	1,078,577	345,056,919
Additions	-	-	-	-	50,833,580	-	-	-	50,833,580
Reduction	(17,747)	(830,296)	(8,249)	-	-	-	(2,707)	-	(858,999)
Depreciation reduction	-	830,296	4,301	-	-	-	1,554	-	836,151
Depreciation expense	-	(1,970,932)	(198,690)	(10,180)	-	(881,559)	(30,447,038)	(192,130)	(33,700,529)
Other Increase (decrease) (1)	-	5,683,605	(116,941)	817	(1,305,716)	(90,034)	(4,413,068)	(130,569)	(371,906)
Movements, subtotal	(17,747)	3,712,673	(319,579)	(9,363)	49,527,864	(971,593)	(34,861,259)	(322,699)	16,738,297
Ending balance as of 06.30.2014	3,310,386	34,031,740	2,754,384	98,002	136,057,766	2,166,436	182,620,624	755,878	361,795,216

(1) Corresponds to net the movement of transferring from buildings in progress to assets in service.

Movements of major categories of Property, plant and equipment for 2013 period are detailed as follows:

Movements	Land	Buildings, net	Supplies and accessories, net	Office equipment, net	Construction in progress	Information equipment	Other property, plant & equipment	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$			ThCh\$	ThCh\$
Beginning balance as of 01.01.13	3,586,428	8,693,067	3,123,380	127,660	100,912,920	4,180,429	203,332,146	44,350,258	368,306,288
Additions	-	-	-	-	117,676,895	-	-	-	117,676,895
Reduction	(86,612)	(259,370)	-	-	-	-	-	(169,649,386)	(169,995,368)
Depreciation reduction	-	171,522	-	-	-	-	-	167,560,213	167,731,735
Depreciation expense (1)	-	(2,648,259)	(389,320)	(20,295)	-	(1,914,989)	(52,346,637)	(44,631,359)	(101,950,859)
Other Increase (decrease)(2)	(171,683)	24,362,107	339,903	-	(132,059,913)	872,589	66,496,374	3,448,851	(36,711,772)
Movements, subtotal	(258,295)	21,626,000	(49,417)	(20,295)	(14,383,018)	(1,042,400)	14,149,737	(43,271,681)	(23,249,369)
Ending balance as of 12.31.2013	3,328,133	30,319,067	3,073,963	107,365	86,529,902	3,138,029	217,481,883	1,078,577	345,056,919

(1) Includes the effect of depreciation of equipment being rented until September 30, 2012, which was calculated on the basis of allocated useful lives of 14 months. From October 1, 2012, useful lives were modified to 12 months, based on the term of the plan or service agreement.

(2) Corresponds to net the movement of transferring from buildings in progress to assets in service and to the transferring of the amount of ThCh\$(38,013,018) to net intangible assets.

15. Property, Plant and Equipment, continued

The net amount of Property, plant and equipment items that are temporarily out of service as of June 30, 2014 and December 31, 2013 is not significant.

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

As of June 30, 2014, the property, plant and equipment items that are fully depreciated and still in use are detailed as follows:

Fully depreciated assets still in use	Buildings, gross	Transportation	Supplies and	Office	Information	Network and	Property, plant and
	equipment, gross	equipment, gross	accessories, gross	equipment, gross	equipment, gross	communications equipment, gross	equipment, gross
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Total	90,951,657	17,214	6,270,333	563,521	12,661,736	337,023,005	1,409,127

16. Other Current and Other Non-current Financial Liabilities

The composition of other current and non-current financial liabilities which are interest-bearing is:

Description	06.30.2014		12.31.2013		
	Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$	
Bank loans	(a)	26,356,360	88,704,709	26,319,745	85,927,691
Unguaranteed obligations (Bonds)	(b)	33,822,991	353,449,451	33,849,509	341,056,707
Hedge instruments	(see note 18b)	3,548,730	-	2,038,443	-
Total		63,728,081	442,154,160	62,207,697	426,984,398



16. Other Current and Other Non-current Financial Liabilities

a) The detail of bank loans for June 30, 2014 is as follows:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	Foreign	BBVA Bancomer	Mexico	US\$	At maturity	1.46%	1,11%	US\$ 70 mm	2016
Syndicated Loan (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	At maturity	7.20%	6.79%	MM\$49.000	2016
Syndicated Loan (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97004000-5	Banco Chile	Chile	CLP	At maturity	7.41%	6.95%	MM\$ 26.000	2014

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh\$)										
					Expiration										Total nominal amounts
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over		
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	BBVA BANCOMER	-	-	-	32,637,500	32,637,500	-	-	-	-	-	32,637,500
Syndicated Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Estado	-	-	-	49,000,000	49,000,000	-	-	-	-	-	49,000,000
Syndicated Loan (3)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Chile	-	26,000,000	-	-	-	-	-	-	-	-	26,000,000
Total						- 26,000,000		81,637,500	81,637,500						107,637,500

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current			Non-current					Total Non current as of 06.30.2014 ThCh\$			
					Expiration		Total current as of 06.30.2014 ThCh\$	Expiration								
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years		Total 3 to 5 years	5 years and over	
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	BBVA BANCOMER	15,825	-	15,825	38,444,960	-	38,444,960	-	-	-	-	-	38,444,960
Syndicated Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Estado	-	235,912	235,912	-	50,259,749	50,259,749	-	-	-	-	-	50,259,749
Syndicated Loan (3)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Chile	-	26,104,623	26,104,623	-	-	-	-	-	-	-	-	
Total					15,825	26,340,535	26,356,360	38,444,960	50,259,749	88,704,709						88,704,709

(1) On June 15, 2011, a syndicated loan was taken into agent bank BBVA Bancomer, in the amount of US\$ 70,000,000 for a 5-year term.

(2) On November 24, 2011, a bilateral loan was taken with Banco Estado, in the amount of ThCh\$ 49,000 for a 5-year bullet term.

(3) On December 1, 2011, a bilateral loan was taken with Banco Chile, in the amount of ThCh\$ 26,000 for a 3-year bullet term.



16. Other Current and Other Non-current Financial Liabilities, continued

a) The detail of bank loans for december 31, 2013 is as follows, continued:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Foreign	BBVA Bancomer	México	US\$	At maturity	1.46%	1,11%	US\$ 70 mm	2016
Syndicated Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	At maturity	7.20%	6.79%	MM\$49.000	2016
Syndicated Loan (3)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97004000-5	Banco Chile	Chile	CLP	At maturity	7.41%	6.95%	MM\$ 26.000	2014

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh\$)										Total nominal amounts
					Expiration										
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over		
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	BBVA BANCOMER	-	-	-	32,637,500	32,637,500	-	-	-	-	-	32,637,500
Syndicated Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Estado	-	-	-	49,000,000	49,000,000	-	-	-	-	-	49,000,000
Syndicated Loan (3)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Chile	-	26,000,000	-	-	-	-	-	-	-	-	26,000,000
Total					-	26,000,000	-	81,637,500	81,637,500	-	-	-	-	-	107,637,500

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current			Non-current						Total Non current as of 12.31.2013 ThCh\$		
					Expiration		Total current as of 12.31.2013 ThCh\$	Expiration								
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years		5 years and over	
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	BBVA BANCOMER	16,294	-	16,294	-	36,430,304	36,430,304	-	-	-	-	-	36,430,304
Syndicated Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Estado	-	246,323	246,323	-	49,497,387	49,497,387	-	-	-	-	-	49,497,387
Syndicated Loan (3)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Chile	-	26,057,128	26,057,128	-	-	-	-	-	-	-	-	
Total					16,294	26,303,451	26,319,745	-	85,927,691	85,927,691	-	-	-	-	-	85,927,691

(1) On June 15, 2011, a syndicated loan was taken with agent bank BBVA Bancomer, in the amount of US\$ 70,000,000 for a 5-year term.

(2) On November 24, 2011, a bilateral loan was taken with Banco Estado, in the amount of MCh\$ 49,000 for a 5-year bullet term.

(3) On December 1, 2011, a bilateral loan was taken with Banco Chile, in the amount of MCh\$ 26,000 for a 3-year bullet term.



16. Other Current and Other Non-current Financial Liabilities, continued
b) Details of unsecured obligations (Bonds) for June 30, 2014 is as follows:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series A Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	CLP	At maturity	5.62%	5.60%	MM\$ 32.000	2014
144A Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Foreign	Bank of New York	U.S.A.	US\$	At maturity	3.23%	2.88%	US\$ 300 mm	2015
Series C Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	CLP	At maturity	6.73%	6.30%	MM\$ 66.000	2016
Series D Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	3.83%	3.60%	UF 2 mm	2016
Series F Bond (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	3.82%	3.60%	UF 3 mm	2023

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh\$)										
					Expiration										Total nominal amounts
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over		
Series A Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	32,000,000	-	-	-	-	-	-	-	-	32,000,000
144A Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Bank of New York	-	-	146,889,507	-	-	146,889,507	-	-	-	-	146,889,507
Series C Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	66,000,000	-	66,000,000	-	-	-	-	66,000,000
Series D Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	44,375,180	-	44,375,180	-	-	-	-	44,375,180
Series F Bond (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Total					-	32,000,000	146,889,507	110,375,180	257,264,687	-	-	-	66,928,680	356,193,367	



16. Other Current and Other Non-current Financial Liabilities, continued

b) Details of unsecured obligations (Bonds) for June 30, 2014 is as follows, continued

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current			Non-current					Total Non-current as of 06.30.2014 ThCh\$		
					Expiration		Total current as of 06.30.2014 ThCh\$	Expiration							
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years		Total 3 to 5 years	5 years and over
Bono Serie A (1)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	32,810,377	-	32,810,377	-	-	-	-	-	-	-	-
Bono 144 (2)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Bank of New York	-	126,210	126,210	167,903,097	-	167,903,097	-	-	-	-	167,903,097
Bono Serie C (3)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	271,047	271,047	-	66,654,711	66,654,711	-	-	-	-	66,654,711
Bono Serie D (4)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	113,743	113,743	-	47,902,725	47,902,725	-	-	-	-	47,902,725
Bono Serie F (5)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	501,614	501,614	-	-	-	-	-	-	70,988,918	70,988,918
Total					32,810,377	1,012,614	33,822,991	167,903,097	114,557,436	282,460,533	-	-	-	70,988,918	353,449,451

(1) On August 5, 2009, there was a first placement in the local market.

(2) On November 3, 2010, there was a first placement in the foreign market. The Bond characteristics are:

- They are registered, which does not prevent their free transferability to qualifying institutional investors, in accordance with Rule 144 of the Securities Law of the United States of America, or to investors outside the United States, in accordance with Regulation S of the same securities law. They are of a single series maturing on November 9, 2015. The issuance does not consider guarantees, except for the right to general pledge over the assets of the Investee.

- The funds arising from the issuance were destined to refinancing liabilities and to other corporate purposes.

(3) On November 15, 2011, there was a placement in the local market in the amount of ThCh \$ 66,000 for a 5-year bullet term.

(4) On November 15, 2011, there was a placement in the local market in the amount of UF 2,000,000 for a 5-year bullet term.

(5) On October 15, 2013, there was a placement of a 10-year bullet bond expiring on October 4, 2023 in the local market in the amount of UF 3,000,000



16. Other Current and Other Non-current Financial Liabilities, continued

b) Details of unsecured obligations (Bonds) for december 31, 2013 is as follows, continued:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series A Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	CLP	At maturity	5.62%	5.60%	MM\$ 32.000	2014
144A Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Foreign	Bank of New York	U.S.A.	US\$	At maturity	3.23%	2.88%	US\$ 300 mm	2015
Series C Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	CLP	At maturity	6.73%	6.30%	MM\$ 66.000	2016
Series D Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	3.83%	3.60%	UF 2 mm	2016
Series F Bond (5)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	3.82%	3.60%	UF 3 mm	2023

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh\$)								Total nominal amounts	
					Expiration									
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years		5 years and over
Series A Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	32,000,000	-	-	-	-	-	-	-	32,000,000
144A Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Bank of New York	-	-	146,889,507	-	-	146,889,507	-	-	-	146,889,507
Series C Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	-	-	66,000,000	-	66,000,000	-	-	-	66,000,000
Series D Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	-	-	44,375,180	-	44,375,180	-	-	-	44,375,180
Series F Bond (5)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Total						32,000,000	146,889,507	110,375,180		257,264,687			66,928,680	356,193,367



16. Other Current and Other Non-current Financial Liabilities, continued

b) Details of unsecured obligations (Bonds) for december 31, 2013 is as follows, continued:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current			No corriente						Total Non-current as of 12.31.2013 ThCh\$	
					Expiration		Total current as of 03.31.2014 ThCh\$	Vencimientos							
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years		5 years and over
Bono Serie A (1)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	811,758	31,997,565	32,809,323	-	-	-	-	-	-	-	-
Bono 144 (2)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Bank of New York	-	138,576	138,576	159,721,587	-	-	159,721,587	-	-	-	159,721,587
Bono Serie C (3)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	287,216	287,216	-	66,079,589	66,079,589	-	-	-	-	66,079,589
Bono Serie D (4)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	115,617	115,617	-	46,429,879	46,429,879	-	-	-	-	46,429,879
Bono Serie F (5)	87.845.000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	498,777	498,777	-	-	-	-	-	-	68,825,652	68,825,652
Total					811,758	33,037,751	33,849,509	159,721,587	112,509,468	272,231,055	-	-	-	68,825,652	341,056,707

(1) On August 5, 2009, there was a first placement in the local market.

(2) On November 3, 2010, there was a first placement in the foreign market. The Bond characteristics are:

- They are registered, which does not prevent their free transferability to qualifying institutional investors, in accordance with Rule 144 of the Securities Law of the United States of America, or to investors outside the United States, in accordance with Regulation S of the same securities law. They are of a single series maturing on November 9, 2015. The issuance does not consider guarantees, except for the right to general pledge over the assets of the Investee.
- The funds arising from the issuance were destined to refinancing liabilities and to other corporate purposes.

(3) On November 15, 2011, there was a placement in the local market in the amount of ThCh \$ 66,000 for a 5-year bullet term.

(4) On November 15, 2011, there was a placement in the local market in the amount of UF 2,000,000 for a 5-year bullet term.

(5) On October 15, 2013, there was a placement of a 10-year bullet bond expiring on October 4, 2023 in the local market in the amount of UF 3,000,000

17. Trade and Other Accounts Payable

a) Current trade and other accounts payable are detailed as follows:

Description	06.30.2014	12.31.2013
	ThCh\$	ThCh\$
Purchases or services payable, billed (1)	54,265,895	73,466,460
Purchases or services payable, accrued (1)	55,284,316	63,648,496
Suppliers or property, plant and equipment, billed	24,169,059	23,818,725
Suppliers of property, plant and equipment, accrued	11,061,902	17,648,632
Total current	144,781,172	178,582,313

(1) The "Debts due to purchases or services provided" correspond to foreign and domestic suppliers, for purchase of handsets, interconnection services, circuit rentals, marketing, call center, network maintenance and information services, among other things

Accounts payable due to purchases or services rendered	06.30.2014	12.31.2013
	ThCh\$	ThCh\$
Domestic	74,304,984	95,698,613
Foreign	35,245,227	41,416,343
Total	109,550,211	137,114,956

b) Accounts payable payment terms

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

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

As of June 30, 2014 the main suppliers, considering 5% of total suppliers as the margin are Samsung Electronics Chile Ltda. 11.39%; LG Electronics 10.91%; Cia. Ericsson de Chile 8.73%; Nokia Solutions and Networks Chile 8.14%; Celistics Holdings 7.56%. For 2013 considering the same criteria we have Huawei Chile S.A. 19.18%; Celistics Holdings 11.17%; Cía. Ericsson de Chile 9.89%; Samsung Electronics Chile Ltda. 7.27%; Nokia Sales International 5.80%; Entel PCS Telecomunicaciones S.A. 5.52% and Apple Chile Comercial Limitada 5.48%.

The terms of accounts payable to suppliers with up to date payments as of June 30, 2014 and December 31, 2013 are detailed as follows:

Suppliers with up to date payments	Goods	Services	Total
As of 06.30.2014	ThCh\$	ThCh\$	ThCh\$
Trade accounts to date			
Up to 30 days	1,522	635,931	637,453
From 31 to 60 days	-	-	-
From 61 to 90 days	-	-	-
From 91 to 120 days	-	-	-
From 121 to 365 days	-	9,407	9,407
Total	1,522	645,338	646,860
Average period of payment of up to date accounts	30.00	25.81	

17. Cuentas por pagar comerciales y otras cuentas por pagar, continuación

b) Accounts payable payment terms, continued

Suppliers with up to date payments As of 12.31.2013	Goods ThCh\$	Services ThCh\$	Total ThCh\$
Cuentas comerciales al día según plazo			
Up to 30 days	7,165,738	128,298	7,294,036
From 31 to 60 days	14,778,735	-	14,778,735
From 61 to 90 days	888,296	-	888,296
From 121 to 365 days	97,226	-	97,226
Total	22,929,995	128,298	23,058,293
Average period of payment of up to date accounts	26.56	30.00	

The terms of accounts payable to suppliers with overdue payments as of June 30, 2014 and December 31, 2013 are detailed as follows:

Suppliers with overdue terms As of 06.30.2014	Goods ThCh\$	Services ThCh\$	Total ThCh\$
Overdue trade accounts payable by term			
Up to 30 days	10,372,403	16,140,758	26,513,161
From 31 to 60 days	12,350,633	27,382,890	39,733,523
From 61 to 90 days	1,041,794	6,624,629	7,666,423
From 91 to 120 days	396,013	689,080	1,085,093
From 121 to 180 days	6,694	630,934	637,628
More than 180 days	-	2,152,266	2,152,266
Total	24,167,537	53,620,557	77,788,094
Average period of payment of up to date accounts	26.94	47.7	

Suppliers with overdue terms As of 12.31.2013	Goods ThCh\$	Services ThCh\$	Total ThCh\$
Overdue trade accounts payable by term			
Hasta 30 días	888,730	15,710,021	16,598,751
Entre 31 y 60 días	-	24,199,462	24,199,462
Entre 61 y 90 días	-	24,426,627	24,426,627
Entre 91 y 120 días	-	4,162,911	4,162,911
Entre 121 y 180 días	-	601,851	601,851
Más de 180 días	-	4,237,290	4,237,290
Total	888,730	73,338,162	74,226,892
Average period of payment of up to date accounts	40.45	43.74	

18. Financial instruments

a) Classification of financial instruments by nature and category

i) Details of financial instruments of assets classified by nature and category as of June 30, 2014 is as follows:

Description of financial assets	ASSETS RECORDED AT FAIR VALUE											TOTAL Total carrying amount ThCh\$	TOTAL Total fair value ThCh\$
					Valuation hierarchy			ASSETS RECORDED AT AMORTIZED COST					
					Level 1	Level 2	Level 3	Investments held to maturity		Subtotal of assets at amortized cost			
	Other financial assets at FV through P&L ThCh\$	Financial assets available for sale ThCh\$	Asset hedge derivatives ThCh\$	Subtotal of assets at fair value ThCh\$	Market prices ThCh\$	Estimates based on other observable market data ThCh\$	Estimates not based on observable market data ThCh\$	Loans and items receivable ThCh\$	ThCh\$	ThCh\$			
Derivative instrument assets	-	-	42,347,985	42,347,985	-	42,347,985	-	-	-	-	42,347,985	42,347,985	
Non-current derivative instrument of assets	See Note 18 b	-	42,347,985	42,347,985	-	42,347,985	-	-	-	-	42,347,985	42,347,985	
Non-current financial assets	-	-	42,347,985	42,347,985	-	42,347,985	-	-	-	-	42,347,985	42,347,985	
Current trade accounts receivable	-	-	-	-	-	-	-	128,310,978	-	128,310,978	128,310,978	128,310,978	
Trade and other accounts receivable	See Note 8	-	-	-	-	-	-	117,277,224	-	117,277,224	117,277,224	117,277,224	
Accounts receivable from related entities	See Note 9 a	-	-	-	-	-	-	11,033,754	-	11,033,754	11,033,754	11,033,754	
Current deposits and pledges established	-	-	-	-	-	-	-	-	71,224,467	71,224,467	71,224,467	71,224,467	
Current deposits	-	-	-	-	-	-	-	-	-	-	-	-	
Current deposits and pledges	See Note 6 b	-	-	-	-	-	-	-	71,224,467	71,224,467	71,224,467	71,224,467	
Derivative instrument of assets	-	-	1,330,383	1,330,383	-	1,330,383	-	-	-	-	1,330,383	1,330,383	
Derivative instrument of assets	See Note 18 b	-	1,330,383	1,330,383	-	1,330,383	-	-	-	-	1,330,383	1,330,383	
Cash and cash equivalents	-	-	-	-	-	-	-	233,614,157	-	233,614,157	233,614,157	233,614,157	
Cash and cash equivalents	See Note 5	-	-	-	-	-	-	233,614,157	-	233,614,157	233,614,157	233,614,157	
Current financial assets	-	-	1,330,383	1,330,383	-	1,330,383	-	361,925,135	71,224,467	433,149,602	434,479,985	434,479,985	
Total assets financieros	-	-	43,678,368	43,678,368	-	43,678,368	-	361,925,135	71,224,467	433,149,602	476,827,970	476,827,970	

18. Financial instruments

a) Classification of financial instruments by nature and category

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

Description of financial assets	ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST				TOTAL											
	Valuation hierarchy																						
	Level 1							Level 2				Level 3											
	Other financial assets at FV through P&L ThCh\$		Financial assets available for sale ThCh\$		Asset hedge derivatives ThCh\$		Subtotal of assets at fair value ThCh\$		Market prices ThCh\$		Estimates based on other observable market data ThCh\$		Estimates not based on observable market data ThCh\$		Loans and items receivable ThCh\$		Investments held to maturity ThCh\$		Subtotal of assets at amortized cost ThCh\$		Total carrying amount ThCh\$		Total fair value ThCh\$
Non-current derivative instruments	-	-	21,978,734	21,978,734	-	21,978,734	-	-	-	-	-	-	-	-	-	-	-	21,978,734	21,978,734	21,978,734	21,978,734		
Non-current derivative instrument of assets	See Note 18 b	-	-	21,978,734	21,978,734	-	21,978,734	-	-	-	-	-	-	-	-	-	-	-	21,978,734	21,978,734	21,978,734	21,978,734	
Non-current financial assets	-	-	21,978,734	21,978,734	-	21,978,734	-	-	-	-	-	-	-	-	-	-	-	-	21,978,734	21,978,734	21,978,734	21,978,734	
Current trade accounts receivable	-	-	-	-	-	-	-	-	-	-	-	157,382,888	-	-	-	-	157,382,888	-	157,382,888	157,382,888	157,382,888	157,382,888	
Trade and other accounts receivable	See Note 8	-	-	-	-	-	-	-	-	-	-	135,429,401	-	-	-	-	135,429,401	-	135,429,401	135,429,401	135,429,401	135,429,401	
Accounts receivable from related entities	See Note 9 a	-	-	-	-	-	-	-	-	-	-	21,953,487	-	-	-	-	21,953,487	-	21,953,487	21,953,487	21,953,487	21,953,487	
Current deposits and pledges established	-	-	-	-	-	-	-	-	-	-	-	-	50,680,565	-	-	-	50,680,565	-	50,680,565	50,680,565	50,680,565	50,680,565	
Current deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Current deposits and pledges	See Note 6 b	-	-	-	-	-	-	-	-	-	-	-	50,680,565	-	-	-	50,680,565	-	50,680,565	50,680,565	50,680,565	50,680,565	
Derivative instrument of assets	-	-	1,749,722	1,749,722	-	1,749,722	-	1,749,722	-	-	-	-	-	-	-	-	-	-	1,749,722	1,749,722	1,749,722	1,749,722	
Derivative instrument of assets	See Note 18 b	-	-	1,749,722	1,749,722	-	1,749,722	-	1,749,722	-	-	-	-	-	-	-	-	-	1,749,722	1,749,722	1,749,722	1,749,722	
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	223,756,247	-	-	-	-	223,756,247	-	223,756,247	223,756,247	223,756,247	223,756,247	
Cash and cash equivalents	See Note 5	-	-	-	-	-	-	-	-	-	-	223,756,247	-	-	-	-	223,756,247	-	223,756,247	223,756,247	223,756,247	223,756,247	
Current financial assets	-	-	1,749,722	1,749,722	-	1,749,722	-	1,749,722	-	-	-	381,139,135	50,680,565	-	-	-	431,819,700	-	433,569,422	433,569,422	433,569,422	433,569,422	

18. Financial instruments, continued

a) Classification of financial instruments by nature and category, continued

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

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

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

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



18. Financial instruments, continued

a) Classification of financial instruments by nature and category, continued

ii) Details of financial instruments of liabilities classified by nature and category as of June 30, 2014 is as follows:

Breakdown of financial liabilities		LIABILITIES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST Debits and items payable ThCh\$	TOTAL	
		Hedge derivative liabilities ThCh\$	Subtotal liabilities at fair value ThCh\$	Valuation hierarchy				Total carrying amount ThCh\$	Total fair value ThCh\$
				Level 1 Market prices ThCh\$	Level 2 Estimates based on other ThCh\$	Level 3 Estimates not based on ThCh\$			
Issuance of obligations and other non-current marketable securities	See Note 16 b	-	-	-	-	-	353.449.451	353.449.451	353.449.451
Non-current debts with loan entities	See Note 16 a	-	-	-	-	-	88.704.709	88.704.709	88.704.709
Long-term hedge derivative instrument liabilities		-	-	-	-	-	-	-	-
Trade and other accounts payable	See Note 9 d	-	-	-	-	-	1.366.521	1.366.521	1.366.521
Non-current financial liabilities		-	-	-	-	-	443.520.681	443.520.681	443.520.681
Issuance of short-term obligations and other marketable securities	See Note 16 b	-	-	-	-	-	33.822.991	33.822.991	33.822.991
Short-term debts with credit entities	See Note 16 a	-	-	-	-	-	26.356.360	26.356.360	26.356.360
Short-term derivative instrument liabilities	See Note 18 b	3.548.730	3.548.730	-	3.548.730	-	-	3.548.730	3.548.730
Trade and other accounts payable	See Note 17	-	-	-	-	-	144.809.420	144.809.420	144.809.420
Accounts payable to related entities	See Note 9 b	-	-	-	-	-	44.387.419	44.387.419	44.387.419
Current financial liabilities		3.548.730	3.548.730	-	3.548.730	-	249.376.190	252.924.920	252.924.920
Total financial liabilities		3.548.730	3.548.730	-	3.548.730	-	692.896.871	696.445.601	696.445.601



18. Financial instruments, continued

a) Classification of financial instruments by nature and category, continued

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

Description of financial liabilities		LIABILITIES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST	TOTAL	
		Hedge derivative liabilities ThCh\$	Subtotal liabilities at fair value ThCh\$	Valuation hierarchy				Debits and items payable ThCh\$	Total carrying amount ThCh\$
				Level 1	Level 2	Level 3			
				Market prices ThCh\$	Estimates based on other observable market data ThCh\$	Estimates not based on observable market data ThCh\$			
Issuance of obligations and other non-current marketable securities	See Note 16 b	-	-	-	-	-	341,056,707	341,056,707	341,056,707
Non-current debts with loan entities	See Note 16 a	-	-	-	-	-	85,927,691	85,927,691	85,927,691
Long-term hedge derivative instrument liabilities		-	-	-	-	-	-	-	-
Accounts payable to related entities	See Note 9 d	-	-	-	-	-	1,366,521	1,366,521	1,366,521
Non-current financial liabilities		-	-	-	-	-	428,350,919	428,350,919	428,350,919
Issuance of short-term obligations and other marketable securities	See Note 16 b	-	-	-	-	-	33,849,509	33,849,509	33,849,509
Short-term debts with credit entities	See Note 16 a	-	-	-	-	-	26,319,745	26,319,745	26,319,745
Short-term derivative instrument liabilities	See Note 18 b	2,038,443	2,038,443	-	2,038,443	-	-	2,038,443	2,038,443
Trade and other accounts payable	See Note 17 a	-	-	-	-	-	178,132,324	178,132,324	178,132,324
Accounts payable to related entities	See Note 9 b	-	-	-	-	-	57,249,386	57,249,386	57,249,386
Current financial liabilities		2,038,443	2,038,443	-	2,038,443	-	295,550,964	297,589,407	297,589,407
Total financial liabilities		2,038,443	2,038,443	-	2,038,443	-	723,901,883	725,940,326	725,940,326

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

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

Financial instruments recorded under other current and non-current financial liabilities which correspond to interest bearing loans, are generally recorded for the cash received, net of costs incurred in the transaction. These obligations are valued at amortized cost, using the effective interest rate method, and mainly include bank loans and unguaranteed obligations (bonds), among other things, (see Note 16).



18. Financial instruments, continued

b) Hedging instruments

The detail of the hedging instruments is as follows:

Description	Underlying	Net Total as of 06.30.2014 ThCh\$	Up to 90 days ThCh\$	90 days to 1 years ThCh\$	To Maturity					
					Total current		1 a 3 years ThCh\$	3 a 5 years ThCh\$	Total non-current	
					Assets (see note 6) ThCh\$	Liabilities (see note 16) ThCh\$			Assets ThCh\$	Liabilities ThCh\$
Exchange rate – cash flow hedge (1)	Supplier Debt	(268,539)	(274,918)	6,379	206,077	(474,616)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	600,902	600,902	-	645,275	(44,373)	-	-	-	-
Interest rate – cash flow hedge (3)	Financial Debt	3,253,198	-	(1,415,073)	479,031	(1,894,104)	4,668,271	-	4,668,271	-
Exchange rate and interest rate – cash flow hedge (4)	Financial Debt	36,544,077	(40,027)	(1,095,610)	-	(1,135,637)	30,533,636	7,146,078	37,679,714	-
Exchange insurance expired during the year		-	-	-	-	-	-	-	-	-
Total		40,129,638	285,957	(2,504,304)	1,330,383	(3,548,730)	35,201,907	7,146,078	42,347,985	-

Hedging instruments have generated an effect on income of ThCh\$ 11,298,821 and ThCh\$ 3,174,754 in shareholders' equity as of junio 30, 2014.

Description	Underlying	Net Total as of 12.31.2013 ThCh\$	Up to 90 days ThCh\$	90 days to 1 years ThCh\$	To Maturity					
					Total current		1 a 3 years ThCh\$	3 a 5 years ThCh\$	Total non-current	
					Assets (see note 6) ThCh\$	Liabilities (see note 16) ThCh\$			Assets ThCh\$	Liabilities ThCh\$
Exchange rate – cash flow hedge (1)	Supplier Debt	94,904	94,904	-	181,379	(86,475)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	923,664	923,664	-	970,640	(46,976)	-	-	-	-
Interest rate – cash flow hedge (3)	Financial Debt	4,188,720	-	91,411	597,703	(506,292)	4,097,309	-	4,097,309	-
Exchange rate and interest rate – fair value hedge (4)	Financial Debt	16,482,726	(50,457)	(1,348,243)	-	(1,398,700)	17,854,340	27,086	17,881,426	-
Exchange insurance expired during the year		-	-	-	-	-	-	-	-	-
Total		21,690,014	968,111	(1,256,832)	1,749,722	(2,038,443)	21,951,649	27,086	21,978,735	-

Hedging instruments have generated an effect on income of ThCh\$ 9,797,837 and ThCh\$ 1,236,659 in shareholders' equity as of December 31, 2013.

Description of hedging instruments:

- (1) Exchange rate cash flow hedge: As of June 30, 2014 and December 31, 2013 this category includes derivative instruments used to hedge highly probable future cash flow from trade debt.
- (2) Exchange rate fair value hedge: As of June 30, 2014 and December 31, 2013 this category includes derivative instruments entered into to hedge the foreign currency risk of debt instrument capital.
- (3) Interest rate cash flow hedge: As of June 30, 2014 and December 31, 2013 this category includes, derivative instruments entered into to hedge interest rate risk, from debt instruments whose interest cash flow payable are denominated at a variable interest rate.
- (4) Exchange rate and interest rate cash flow hedge: As of June 30, 2014 and December 31, 2013 this category includes, derivative instruments entered into to hedge the foreign currency risk of debt instrument capital, whose interest cash flow payable after hedging are denominated in the functional currency.

18. Financial instruments, continued

c) Valuation of hedging instruments

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

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

- a) Market assumptions such as spot prices and other price projections, credit risk (own and counterparty) and rates, using observable market information and through techniques commonly used among its participants.
- b) Discount rates like risk free rates and counterparty rates (based on risk profiles and information available in the market).
- c) In addition variables are incorporated to the model such as: volatility, correlation, regression formulas and market spread.

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

d) Fair value hierarchy of financial instruments

Financial instruments recognized at fair value in the statement of financial position are classified according to the following hierarchies (see Note 18 a):

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

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

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

19. Other Provisions

a) The balance of current provisions is detailed as follows:

Description	06.30.2014	12.31.2013
	ThCh\$	ThCh\$
Civil and regulatory	84,403	320,365
Total	84,403	320,365

As of June 30, 2014 civil and regulatory provisions are composed mainly of complaints from the Chilean Telecommunications Undersecretary (Subtel), composed of various fines amounting to ThCh\$ 18,513 for 2014 and ThCh\$ 18,513 for 2013 and civil lawsuits in the amount of ThCh\$ 65,890 and ThCh\$ 301,852 for 2014 and 2013 respectively.

As of June 30, 2014 and December 31, 2013, movements of provisions are detailed as follows:

Movements	06.30.2014	12.31.2013
	ThCh\$	ThCh\$
Beginning balance	320,365	360,415
Increase in existing provisions	27,797	212,560
Provision used	(263,759)	(252,610)
Movements, subtotal	(235,962)	(40,050)
Ending balance	84,403	320,365

Based on the development of legal proceedings, the Company's management considers that the provisions recorded in the consolidated financial statements adequately cover the risks for the lawsuits described in Note 27, and therefore, they do not expect additional liabilities to arise.

Given the characteristics of the risks covered by these provisions, the Company is unable to determine a reasonable timeframe for the dates of any payments that may be required.

b) Other non-current provisions

As of June 30, 2014 and December 31, 2013 the balance of other non-current provisions is detailed as follows:

Description	06.30.2014	12.31.2013
	ThCh\$	ThCh\$
Dismantling provision (ii)	11,342,604	12,310,280
Investment in associated company reserve (i)	2,713	2,710
Total	11,345,317	12,312,990

19. Other Provisions, continued

b) Other non-current provisions, continued

i) As of June 30, 2014 and December 31, 2013, investments in associated companies with negative equity are detailed as follows:

RUT	Nombre	Investment balance 06.30.2014	Participation percentage %	Current assets ThCh\$	Non-current assets ThCh\$	Current liabilities ThCh\$	Non-current liabilities ThCh\$	Ordinary expenses ThCh\$	Income ThCh\$
96.898.630-9	Intertel S.A. (1)	(2,713)	50	4,075	-	-	9,500	(7)	(7)

RUT	Nombre	Investment balance 12.31.2013	Participation percentage %	Current assets ThCh\$	Non-current assets ThCh\$	Current liabilities ThCh\$	Non-current liabilities ThCh\$	Ordinary expenses ThCh\$	Income ThCh\$
96.898.630-9	Intertel S.A. (1)	(2,709)	50	788	-	1,707	4,500	(1,949)	-

The movement of interests in associated companies with negative shareholders' equity as of June 30, 2014 and December 31, 2013 is detailed as follows:

Movimientos	06.30.2014 ThCh\$	12.31.2013 ThCh\$
Beginning balance	(2,709)	(1,498)
Share in ordinary profit for the current year	(4)	(1,211)
Movements, subtotal	(4)	(1,211)
Ending balance	(2,713)	(2,709)

ii) Movements of the dismantling provision as of June 30, 2014 and December 31, 2013 are detailed as follows:

Movements	06.30.2014 ThCh\$	12.31.2013 ThCh\$
Beginning balance	12,310,280	15,671,825
Increase in existing provisions	194,293	2,263,412
Decrease in the provision (1)	(1,161,969)	(5,624,957)
Movements, subtotal	(967,676)	(3,361,545)
Ending balance	11,342,604	12,310,280

(1) Corresponds to the change in lease contract variables (see Note 3b ii)

20. Current employee benefits provision

The composition of the costs to employees is as follows:

Description	04.01.14 to		04.01.13 to	
	06.30.14	06.30.2014	06.30.13	06.30.2013
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Employee expenses (1)	226,918	860,421	609,443	1,773,386
Total	226,918	860,421	609,443	1,773,386

(1) Corresponds to operator expenses paid by Telefonica Chile Servicios Corporativos Ltda. including vacations and termination benefits.

21. Other Current Non-financial Liabilities

Other current non-financial liabilities are detailed as follows:

Description	06.30.2014		12.31.2013	
	Current ThCh\$	Non ThCh\$	Current ThCh\$	Non Current ThCh\$
Deferred income, current (1)	38,047,725	622,636	42,089,806	645,333
Other taxes (2)	3,134,606	-	5,587,992	-
Subsidies (3)	-	336,613	-	408,573
Total	41,182,331	959,249	47,677,798	1,053,906

Description	06.30.2014		12.31.2013	
	Current ThCh\$	Non Current ThCh\$	Current ThCh\$	Non Current ThCh\$
Deferred income, current (1)	38,047,725	622,636	42,089,806	645,333
Other taxes (2)	3,134,606	-	5,587,992	-
Grants (3)	-	336,613	-	408,573
Total	41,182,331	959,249	47,677,798	1,053,906

(1) Deferred income is detailed as follows:

Description	06.30.2014		12.31.2013	
	Current ThCh\$	Non Current ThCh\$	Current ThCh\$	Non Current ThCh\$
Sale of telecommunications infrastructure (a)	15,333,024	622,636	15,333,024	645,333
Equipment sold not activated (see note 2 p)	8,863,276	-	11,982,479	-
Club Movistar (see note 2 p)	5,259,018	-	5,201,562	-
Prepayment top-ups (see note 2 p)	2,967,274	-	5,170,952	-
Services charged but not rendered	4,918,071	-	3,704,564	-
Other deferred income	707,062	-	697,225	-
Total deferred income	38,047,725	622,636	42,089,806	645,333

- a) As of march 31, 2014 and December 31, 2013, this account includes deferred income detailed as follows:
- for the sale of Sociedad Torres Dos S.A., to Torres Unidas Chile SpA (Torrecom) carried out on December 21, 2012 in the amount of ThCh\$ 10,502,948 for 2014 and 2013.
 - Deferred income in the amount generated by the transaction performed on December 12, 2011, where Telefónica Móviles Chile S.A. sold telecommunications infrastructure to ATC Sitios de Chile S.A., ThCh\$ 4,830,076 for 2014 and 2013.
- b) As of June 30, 2014, other current deferred income includes the amount of ThCh\$ 155,154 corresponding to the advance received from the insurance company for the casualties occurred in April 2014 (see Note 27).

(2) Includes tax withholding, Value Added Tax and others.

(3) Corresponds to the balance pending recognition of the subsidies for the following projects:

- Mobile Telephony Public Service in the amount of ThCh\$ 51,091 current and ThCh\$127,729 non-current.
- Mobile Telephony to Routes in the Region of Antofagasta in the amount of ThCh\$92,837 current and ThCh\$208,884 non-current.

21. Other Current Non-financial Liabilities, continued

Movement of deferred income is detailed as follows:

Deferred revenues	06.30.2014	12.31.2013
	ThCh\$	ThCh\$
Beginning balance	42,089,806	55,084,436
deferred during the year	247,976,914	437,720,197
Recognized in income for the year	(252,018,995)	(450,714,827)
Movements, subtotal	(4,042,081)	(12,994,630)
Ending balance	38,047,725	42,089,806

22. Equity

The Company manages its capital with the objective of safeguarding capacity and continuing as a going concern, in order to generate returns to its shareholders and to maintain a strong credit rating and prosperous capital ratios to support its businesses and guarantee ongoing quick access to the financial markets maximizing shareholder value. The Company manages its capital structure and makes adjustments to it, based on changes in existing economic conditions.

There were no changes introduced in the objectives, policies or processes during the periods ended as of June 30, 2014 and December 31, 2013.

a) Capital:

As of June 30, 2014 and December 31, 2013, the Company's paid-in capital is detailed as follows:

Number of shares:

Serie	No. of shares subscribed	06.30.2014		12.31.2013	
		No. of paid shares	No. of shares with voting rights	No. of paid shares	No. of shares with voting rights
SINGLE	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145
Total	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145

Capital:

Serie	06.30.2014		12.31.2013	
	Subscribed capital	Paid - in capital	Subscribed capital	Paid - in capital
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
SINGLE	941,098,241	941,098,241	941,098,241	941,098,241
Total	941,098,241	941,098,241	941,098,241	941,098,241

22. Equity, continued

Based on the above, the Company's shareholders are detailed as follows:

Company	Shares
Inversiones Telefónica Móviles Holding S.A. Telefónica, S.A.	118,026,144 1
Total	118,026,145

The 118,026,145 shares are common, registered, single series shares without par value.

b) Distribution of shareholders:

In accordance with Circular No. 792 issued by the Superintendency of Securities and Insurance (S.V.S.), the Company's shareholders and their ownership interest as of June 30, 2014 are detailed as follows:

Type of Shareholder	Participation percentage	Number of shareholders
10% or more of participation	99.999999	1
Less than 10% of participation:		
Or more Investment UF 200	-	-
Less than 200 UF Investment	0.000001	1
Totales	100	2
Controller of the Company	99.999999	1

As of June 30, 2014 and December 31, 2013, the direct participation of Inversiones Telefonica Moviles Holding S.A., in the equity of Telefonica Moviles Chile S.A., reaches 99.999999%.

c) Dividends

i) Dividends policy:

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

At the Ordinary Shareholders' Meeting held on April 30, 2014, the shareholders agreed to consider the amount of ThCh\$59,603,203 distributed in December 2013, which amounts to 63.9% of profits for 2013 as the final dividend.

ii) Decrease in capital and dividends distributed:

The Company has distributed the following dividends during the reported periods:

Date	Dividend	Amount Distributed	Charge to net income	Payment date
4/2/2013	Interim	20,000,000	Fiscal year 2013	4/29/2013
10/22/2013	Interim	8,200,000	Fiscal year 2013	10/30/2013
12/10/2013	Interim	59,603,203	Fiscal year 2013	12/23/2013

22. Equity, continued

d) Other reserves

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

Description	Balance as of	Net	Balance as of
	12.31.2013	movement	06.30.2014
	ThCh\$	ThCh\$	ThCh\$
Business combination reserve (i)	(97,886,550)	-	(97,886,550)
Cash flows hedge reserve (ii)	1,236,660	2,756,460	3,993,120
Employee benefits reserve (iii)	(2,121,550)	(83,415)	(2,204,965)
Revaluation issued capital (iv)	(233,685,327)	-	(233,685,327)
Total	(332,456,767)	2,673,045	(329,783,722)

i) Business combination reserve

This reserve corresponds to corporate reorganizations undertaken by the Telefónica Móviles Chile Group in prior years.

ii) Cash flows hedge reserve

Transactions designated as cash flow hedges of expected transactions are probable, and when the Company can carry out the transaction, the Company has the positive intention and capacity to consummate the expected transaction. Expected transactions designated in our cash flow hedges are still probable on the same date and for the same amount as originally designated, otherwise the ineffectiveness will be measured and recorded when appropriate.

iii) Employee benefits reserve

Corresponds to the equity effect generated by the share in Telefonica Chile Servicios Corporativos Ltda., subsidiary of Telefonica Chile S.A., corresponding to termination benefits; whose effect originates from the change in actuarial hypotheses for the employee benefits accrual.

iv) Revaluation issued capital

In accordance with article 10-2 of Law 18,046 and Circular 456 issued by the SVS, price-level restatement of issued capital as of December 31, 2008 must be presented in this account.

22. Equity, continued

e) Non-controlling interests

This heading corresponds to the recognition of the portion of equity and income of subsidiaries belonging to third parties.

As of June 30, 2014 and December 31, 2013 the Company has non-controlling interests arising from the investment in Telefónica Móviles Chile Distribución S.A..

Subsidiaries	Non-controlling Interest percentage		Equity Non-controlling interest		Participation in profit income (loss)	
	2014	2013	2014	2013	2014	2013
	%	%	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Telefónica Móviles Chile Distribución S.A.	0.01	0.01	55	54	1	1
Total			55	54	1	1

23. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	04.01.14 to		04.01.13 to	
	06.30.14	06.30.2014	06.30.13	06.30.2013
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Earnings attributable to owners of the parent	24,435,149	50,182,375	11,513,385	23,041,907
Profit available for shareholders	24,435,149	50,182,375	11,513,385	23,041,907
Weighted average number of shares	118,026,145	118,026,145	118,026,145	118,026,145
Basic earnings per share in Ch\$	207.03	425.18	97.55	195.23

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

24. Income and Expenses

a) Income from ordinary operations As of June 30, 2014 and 2013 is detailed as follows:

Operating income	04.01.14 to		04.01.13 to	
	06.30.14	06.30.2014	06.30.13	06.30.2013
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Sale of goods (1)	19,933,222	40,363,536	23,864,401	44,134,778
Services rendered	212,679,402	437,077,934	228,591,460	451,488,530
Total	232,612,624	477,441,470	252,455,861	495,623,308

(1) As of June 30, 2014 and 2013, includes income from sale of handsets and contract and prepaid mobile telephone equipment.

b) Other income as of June 30, 2014 and 2013 is detailed as follows:

Other income	04.01.14 to		04.01.13 to	
	06.30.14	06.30.2014	06.30.13	06.30.2013
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Other current management earnings	616,473	1,280,908	316,301	738,766
Gains on disposal of fixed assets	-	277,153	5,231,263	5,237,998
Indemnity	165,786	274,041	138,032	214,960
Total	782,259	1,832,102	5,685,596	6,191,723

c) The detail of other expenses by nature of the operation as of June 30, 2014 and 2013 are as follows:

Other expenses	04.01.14 to		04.01.13 to	
	06.30.14	06.30.2014	06.30.13	06.30.2013
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Cost of sales of equipment	86,910,523	114,318,082	67,516,516	107,103,980
Interconnections and roaming	27,494,435	48,570,785	62,747,700	80,113,463
Rent	(14,480,699)	43,341,287	(10,729,627)	36,907,401
Employee expenses transferred by other companies and other	32,022,488	34,556,234	33,462,298	36,839,138
Sales commission	15,677,236	30,710,102	14,001,364	27,989,952
Administrative and management services	9,872,968	18,676,539	10,961,309	19,730,835
Customer services	12,415,805	16,332,082	13,827,542	17,436,248
Compensation to suppliers for messaging services	5,706,736	12,203,551	5,739,298	12,467,731
Others	7,041,326	12,729,692	5,082,428	9,635,335
External services	(12,333,806)	5,270,881	(12,368,675)	6,525,518
Advertising	8,826,308	11,004,315	6,737,954	9,310,664
Allowance for doubtful accounts	(3,062,640)	6,774,055	(1,024,016)	6,148,385
Maintenance	4,701,548	7,742,883	4,079,565	7,175,888
Electrical energy for technical installations	(1,976,675)	4,397,287	1,023,066	5,530,461
Total	178,815,553	366,627,775	201,056,723	382,915,000

24. Income and Expenses, continued

d) Details of finance income and cost for the periods as of June 30, 2014 and 2013 are as follows:

Net financial expenses	04.01.14 to		04.01.13 to	
	06.30.14	06.30.2014	06.30.13	06.30.2013
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Finance income				
Interest earned on deposits	1,820,062	4,493,366	2,004,740	4,738,807
Derivative contracts (Forward)	1,313,784	1,778,886	743,574	780,680
Other finance income	82,521	261,621	546,332	969,255
Total finance income	3,216,367	6,533,873	3,294,646	6,488,742
Finance cost				
Interest on loans from bank institutions	1,371,834	2,782,998	1,449,547	2,901,795
Interest on obligations and bonds	4,033,934	8,003,372	3,114,907	6,164,095
Derivative contracts (Forward)	-	-	41,851	78,259
Interest rate hedges (cross currency swap)	1,388,869	3,096,273	1,999,105	3,947,309
Other financial cost	(482,216)	302,167	36,255	122,756
Total finance cost	6,312,421	14,184,810	6,641,665	13,214,214
Net finance income	(3,096,054)	(7,650,938)	(3,347,019)	(6,725,472)

e) Foreign currency translation and indexation units as of June 30, 2014 and 2013 are detailed as follows:

Description	1 april to	At June 30, 2014	1 april to	At June 30, 2013
	30 June 2014	Accumulated	30 June 2013	Accumulated
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Current accounts receivable from related entities	3,435	23,692	29,507	16,612
Current accounts payable to related entities	(51,549)	56,498	(591,262)	(495,199)
Current trade and other accounts receivable	(66,196)	(65,375)	79,277	(77,757)
Trade and other accounts payable	(1,433)	(547,332)	(1,147,180)	(906,266)
Cash and cash equivalents	(1,480)	(29,163)	(22,685)	(53,106)
Financial investments	(832,380)	1,683,297	3,983,079	3,915,146
Financial debt	(564,623)	(10,326,861)	(12,888,921)	(9,984,208)
Derivatives	1,030,708	8,971,540	10,794,668	7,664,248
Other	62,938	55,864	58,496	76,297
Total	(420,580)	(177,840)	294,979	155,767

24. Income and Expenses, continued

e) Foreign currency translation and indexation units as of June 30, 2014 and 2013 are detailed as follows, continued

Description	1 april to	At June 30,	1 april to	At June 30,
	30 June 2014	2014	30 June 2013	2013
	ThCh\$	Accumulated ThCh\$	ThCh\$	Accumulated ThCh\$
Current trade and other accounts receivable	50,604	67,273	(3,453)	(1,830)
Trade and other accounts payable	(17,917)	(31,535)	3,621	6,022
Financial investments	-	-	24,171	62,345
Financial debt	(2,057,084)	(3,524,622)	33,329	(23,453)
Derivatives	2,083,200	3,570,250	(57,457)	(197)
Other	(3,817)	(3,972)	342	342
Total	54,986	77,394	553	43,229

25. Operating leases

The main operating lease agreements are associated directly to the line of business, such as the lease for the commercial offices building and spaces for technical telecommunications installations.

Are presented under other expenses by nature, in the statement of income. The Company has operating lease agreements which contain various clauses in reference to term of the lease and renewal and readjustment conditions. Should the Company decide to terminate an agreement in advance, it must pay the amounts stipulated in those clauses.

	06.30.2014	06.30.2013
	M\$	M\$
Minimum operating lease payments recognized as an expense	29,702,309	16,991,377

Future financial obligations and operating leases for the period 2014 and 2013 are detailed below:

	06.30.2014			Total
	Up to 1 year	From 1 to 5	More than 5	
	ThCh\$	years ThCh\$	years ThCh\$	
Minimum operating lease payments payable	30,657,674	84,075,740	54,344,291	169,077,704

	06.30.2013			Total
	Up to 1 year	From 1 to 5	More than 5	
	ThCh\$	years ThCh\$	years ThCh\$	
Minimum operating lease payments payable	30,359,024	84,684,014	58,609,029	173,652,067

26. Local and Foreign Currency

Current and non-current assets in local and foreign currency are detailed as follows:

Current assets	06.30.2014 ThCh\$	12.31.2013 ThCh\$
Cash and cash equivalents	233,614,157	223,756,247
US dollars	42,897,893	45,568,483
Euros	-	7,215
Chilean pesos	190,716,264	178,180,549
Other current financial assets	71,224,467	52,430,287
US dollars	70,377,896	40,571,033
Euros	4,506	13,206
Chilean pesos	842,065	11,846,048
Trade and other current accounts receivable	117,277,224	135,429,401
US dollars	1,175,068	605,596
Chilean pesos	112,245,487	134,427,126
U.F.	3,856,669	396,679
Accounts receivable from related companies	11,033,754	21,953,487
US dollars	1,539,406	956,706
Euros	689,671	211,354
Chilean pesos	8,804,677	20,785,427
Other current assets (1)	89,904,321	104,421,236
Pesos	89,304,527	103,743,507
U.F.	599,794	677,729
Total current assets	523,053,924	537,990,658
US dollars	115,990,263	87,701,818
Euros	694,177	231,775
Chilean pesos	401,913,020	448,982,657
U.F.	4,456,463	1,074,408

(1) Includes: Other current non-financial assets and current inventories.

26. Local and Foreign Currency, continued

Current and non-current assets in local and foreign currency are detailed as follows

Non-current assets	06.30.2014	12.31.2013
	ThCh\$	ThCh\$
Other non-current financial assets	42,347,986	21,978,735
US dollars	28,111,465	17,864,299
U.F.	11,855,542	2,806,369
Pesos	2,380,979	1,308,067
Other non-current non-financial assets	1,159,902	1,159,902
Chilean pesos	1,159,902	1,159,902
Other non-current assets (2)	933,863,599	927,929,817
Chilean pesos	933,863,599	927,929,817
Total non-current assets	977,371,487	951,068,454
US dollars	28,111,465	17,864,299
Chilean pesos	937,404,480	930,397,786
U.F.	11,855,542	2,806,369

(2) Includes: Investments accounted for using the equity method, intangible assets other than goodwill, goodwill, property, plant and equipment, deferred tax assets.

Current and non-current liabilities in local and foreign currency are detailed as follows:

Current liabilities	06.30.2014	12.31.2013	06.30.2014	12.31.2013
		Up 90 days ThCh\$	De 91 days to 1 years ThCh\$	
Other current financial liabilities	33,329,077	1,011,961	30,399,004	61,195,736
US dollars	15,825	16,294	157,961	138,576
Chilean pesos	33,313,252	995,667	29,625,686	60,442,766
U.F.	-	-	615,357	614,394
Trade and other accounts payable	144,781,172	178,582,313	-	-
US dollars	39,616,900	29,721,224	-	-
Euros	5,333,824	8,294,122	-	-
Other currencies	238,512	168,162	-	-
Chilean pesos	93,609,327	135,724,721	-	-
U.F.	5,982,609	4,674,084	-	-
Current accounts payable to related companies	44,387,419	57,249,386	-	-
US dollars	1,943,409	391,059	-	-
Euros	4,957,542	4,146,376	-	-
Chilean pesos	37,486,468	52,711,951	-	-
Other current liabilities (1)	11,792,239	15,750,601	41,182,331	47,677,798
Chilean pesos	11,792,239	15,750,601	41,182,331	47,677,798
Total current liabilities	234,289,907	252,594,261	71,581,335	108,873,534
US dollars	41,576,134	30,128,577	157,961	138,576
Euros	10,291,366	12,440,498	-	-
Other currencies	238,512	168,162	-	-
Chilean pesos	176,201,286	205,182,940	70,808,017	108,120,564
U.F.	5,982,609	4,674,084	615,357	614,394

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

26. Local and Foreign Currency, continued

Current and non-current liabilities in local and foreign currency are detailed as follows

Non-current liabilities	06.30.2014	12.31.2013	06.30.2014	12.31.2013	06.30.2014	12.31.2013
	1 to 3 yaers		3 to 5 years		5 years	
	ThCh\$		ThCh\$		ThCh\$	
Other non-current financial liabilities	206,348,057	159,721,587	164,817,185	198,437,159	70,988,918	68,825,652
US dollars	206,348,057	159,721,587	-	36,430,304	-	-
U.F.	-	-	47,902,725	46,429,879	70,988,918	68,825,652
Chilean pesos	-	-	116,914,460	115,576,976	-	-
Other non-current liabilities (2)	13,671,087	14,733,417	-	-	-	-
Chilean pesos	13,671,087	14,733,417	-	-	-	-
Total non-current liabilities	220,019,144	174,455,004	164,817,185	198,437,159	70,988,918	68,825,652
US dollars	206,348,057	159,721,587	-	36,430,304	-	-
U.F.	-	-	47,902,725	46,429,879	70,988,918	68,825,652
Chilean pesos	13,671,087	14,733,417	116,914,460	115,576,976	-	-

(2) Includes: Non-current accounts payable to related entities, other long-term provisions, employee benefits provision and other non-current non financial liabilities.

27. Contingencies and Restrictions

a) Complaints against the tax authority:

As of June 30, 2014 there are no complaints against the tax authority.

b) Complaints filed by the tax authority against Telefónica Móviles:

As of June 30, 2014 there are no complaints filed by the tax authority against Telefónica Móviles S.A..

c) Lawsuits several

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

Notwithstanding there are certain processes in which, due to the aforementioned considerations, it has been deemed that there is a risk of loss qualified as probable, which has motivated the establishment of an allowance for the amount that would be the estimated loss as of June 30, 2014, which altogether amounts to ThCh\$83,802. Regarding this figure, it is estimated that Telefónica Móviles Chile S.A. must pay the amount of ThCh\$21,000 before September 30, 2014 and the rest before the end of 2014.

d) Financial restrictions:

As of June 30, 2014 and December 31, 2013 the company has no financial restrictions.

e) Insurance:

The Company maintains insurance covering property all risk and loss of profit due to service shutdown and other coverage on all its facilities.

As a consequence of the earthquake occurred in the north of the country and the fire that affected the Valparaíso region, both events occurred in April 2014, the Company is in the process of adjustment of the corresponding insurance claim affecting the all risk of damages and loss of profits due to service shutdown coverage. To date we are gathering and reviewing all the information and expert reports are being prepared.

On June 2, 2014, the insurance company paid the sum of ThCh\$222,416 as an advance on the previously indicated insurance coverage, which is included in "other current non-financial liabilities", as deferred income (see Note 21).

27. Contingencies and Restrictions, continued

f) Guarantee Deposits

Guarantee deposits are detailed as follows:

Creditor of guarantee	Debtor			Ballots in force ThCh\$	Liberation of guarantee		
	Name	Relationship	Type of guarantee		2014 ThCh\$	2015 ThCh\$	2016 and after ThCh\$
Subsecretaría de Telecomunicaciones	TMCH	Parent company	Guarantee	48,876,856	2,080,000	-	46,796,856
Adm.de Servicios y Sistemas Automatizados Falabella Ltda.	TMCH	Parent company	Guarantee	450,000	-	-	450,000
Administradora Plaza Vespucio S.A.	TMCH	Parent company	Guarantee	189,436	-	-	189,436
Metro S.A.	TMCH	Parent company	Guarantee	110,989	-	-	110,989
Subsecretaría de Transportes	TMCH	Parent company	Guarantee	102,190	6,095	96,095	-
Subsecretaría de Prevención del Delito	TMCH	Parent company	Guarantee	78,000	-	78,000	-
Aguas Andinas S.A.	TMCH	Parent company	Guarantee	66,000	-	66,000	-
Empresa de los Ferrocarriles	TMCH	Parent company	Guarantee	53,812	-	-	53,812
Constructora y Administradora Uno S.A.	TMCH	Parent company	Guarantee	50,162	-	15,856	34,306
Subsecretaría de Economía y Empresas de menor tamaño	TMCH	Parent company	Guarantee	43,660	9,150	-	34,510
Ilustre Municipalidad de Santiago	TMCH	Parent company	Guarantee	33,500	33,500	-	-
Nuevos Desarrollos S.A.	TMCH	Parent company	Guarantee	29,764	29,764	-	-
Celulosa Arauco y Constitución	TMCH	Parent company	Guarantee	28,828	-	-	28,828
Comercializadora Costanera Center S.P.A.	TMCH	Parent company	Guarantee	23,279	23,279	-	-
Others (1)	TMCH	Parent company	Guarantee	409,122	91,256	163,725	154,141
Total				50,545,598	2,273,044	419,676	47,852,878

(1) This item includes all guarantees with a value of less than ThCh\$ 20,000.

TMCH: Telefónica Móviles Chile S.A.

28. Environment

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

The Official Gazette of June 11, 2012 published Law No. 20,599 regulating transmission antennas and telecommunications services transmitters. The indications approved include i) restrictions and new regulations for the installation of new sites based on the height of the tower, its location and its closeness to sensitive entities and other already installed towers; new and more stringent conditions for approval of these new sites are imposed; ii) the height of installed towers is regulated retroactively, before the enactment of the law, in locations close to sensitive places determined by the Undersecretary of Telecommunications (schools, hospitals, playschools, daycare centers, old age homes and others); and iii) also retroactively regulates the concentration of towers, denominated Saturated Zones, for which solutions are contemplated which are based on reduction of the number of structures or else, compensation is established with community improvement work which must be agreed upon by the Neighborhood Councils and Municipal Council, for 20% of the total cost of the tower, should some type of camouflage be used in the structure and 50% in case no camouflage is used.

28. Environment, continued

Law No. 20,599 was amended in December 2012 to regulate cases where there is no agreement between the operators as to the amount of the payments for co-location, controversy which must mandatorily be subject to being heard by and decided upon by an arbitrator that will be obligated to decide in favor of one of the two proposals from the parties current when the case is subject to arbitration and must accept it completely.

The Company is in the process of closing the site regularization project for these sites. The compensation work with the municipalities is still pending, as these progress at the pace established by the communities and the municipalities themselves. As of June 30, 2014 the Company's expenditures in relation to this project are not significant.

Notwithstanding the above, the Company has implemented a process of sustainable reduction of waste material which implies a reduction in the height of towers in accordance with the new Law, for which it uses the services of Midas Chile who provides the recycling and final disposal certificates for project residues.

29. Financial Risk Management (Not audited)

a) Characterization of the Market and Competition

The mobile telephony market is known for its high penetration rate, which reaches 143%, explained by the strong competition and search for new services and customer solutions. The above results in high levels of investment in networks and equipment in order to increase capacity and improve the strategies carried out by the concessionaries in order to offer better quality of service and stay price competitive.

The Chilean mobile telephone service market is composed of ten operators, of which four have their own network and the rest are virtual operators. Operators with networks are: Telefónica Móviles Chile (Movistar), owned by the Telefónica Group; Entel, owned by the Almendral Group; Claro, owned by the América Móvil Group; Nextel, belonging to the NII Holding Group; and VTR, owned by Liberty Global Media.

In addition, the new Virtual Mobile Operators (OMV) which began operating in 2012 are Virgin Mobile and Netline (GTEL). GTD Móvil, Falabella and Telestar entered the market during the fourth quarter of 2013.

It is estimated that in the second quarter of 2014, the voice mobile telephone market will have 25.2 million lines, which represents a drop of 0.8% in comparison to the previous quarter and a drop of 0.6% in comparison to the second quarter of 2013, mainly influenced by the decrease in prepay customers.

The share in the contract segment will increase slightly to 27% of total lines and mobile voice penetration by inhabitants, would decrease from 145% to 143%.

The mobile voice business is at a maturing stage, but the incorporation of Virtual Operators together with portability has led operators to intensify competition, make their offers more flexible and offer top class equipment in order to retain their customers and capture new ones. The above has generated benefits for customers in respect to offers, quality of service, coverage and capacity.

29. Financial Risk Management, continued (Not audited)

a) Characterization of the Market and Competition, continued

It is estimated that in the second quarter of 2014 there will be 7.2 million users connected to mobile Internet, i.e. a growth of 6.2% in comparison to the 1Q-2014 and of 33% in comparison to the 2Q-2013. Of these mobile connections, 87% connects through smartphones.

The current focus of the mobile business concentrates on the growth of "mobile data". Data and mobile navigation services continue showing high growth rates within telecommunications services, due to their relatively quick implementation, multiple applications and value added services, and the increased penetration of smartphones.

b) Competition risk

Strong competition continues among the traditional players in this market, reflected in significant use of number portability, which as of May 2014 amounted to 2 million numbers ported, equivalent to 7.8% of total mobile voice customers in the industry.

The commercial strategy of the new operators that have entered the mobile market since 2012 can be classified into two:

GTD, Nextel and VTR offer mobile products for all segments, focusing on the postpaid or high value segment.

Virgin Mobile, Falabella and Telestar focus their offer on the prepay segment.

c) Regulatory environment

Regulation plays a relevant role in the mobile telephone industry. Stable standards and criteria allow adequate evaluation of growth projects and reduction of investment risk levels. Correct price establishment in turn allows the creation of a competitive and healthy environment.

Both companies and authorities are interested in increasing services provided and in decreasing the digital breach in Chile. For this, in addition to the right rates, it is necessary that the associated regulations are adequate and allow quick resolution of conflicts that necessarily arise among companies.

In the regulatory area, at the end of 2012 a process began that will derive in a new rate setting for mobile services in the 2014-2019 period, which becomes effective on January 25, 2014.

In addition, in December 2012 the Antitrust Committee ("TDLC") issued General Instructions regulating joint service offers in the market consisting of Fixed-Mobile and On Net/Off Net mobile services.

29. Financial Risk Management, continued (Not audited)

c) Regulatory environment, continued

In January 2014, the Chilean Telecommunications Undersecretary (Subtel) announced a new tariff decree for mobile telephony that will be in force for the next five years for the country's operators; it establishes that as of January 25, the access charge will begin to decrease (tariff that mobile companies charge each other for the use of their networks) by 73% on average. The Contraloría General de la República made observations on the recording ("toma de razón") process of Decree 21, dated 2014, issued by the Ministries of Transportation, Telecommunications and of Economy, Development and Tourism. Finally on May 29, the Contraloría General de la República decided to accept the technical and economic information presented by Subtel and recorded the tariff decrees that establish the access charges of mobile companies for the 2014-2019 five-year period.

Due to the above, mobile access charges dropped by approximately 75% and replace tariff decrees established in 2009. It is established is that the value of the access charge, which as of December 2013 averaged Ch\$59 pesos per minute, without taxes, will have a value of Ch\$14.6 pesos average per minute, without taxes, for the first year. This tariff will continue dropping in the next years, until it reaches an average value of Ch\$7.6 per minute in 2019, which will imply a difference of approximately 87% in comparison to the tariff that was in force in December 2013.

On June 4, 2014, the new tariff for access charges for Telefónica Móviles Chile S.A. was published in the Official Gazette for the 2014-2019 five-year period.

d) Financial risk management objectives and policies

The Company's main financial liabilities, in addition to derivatives, consist of bank loans, bond obligations and accounts payable mainly to suppliers. The main purpose of these financial liabilities is to secure financing for the Company's operations. The Company has trade accounts receivable, cash and short-term investments that arise directly from its operations. The Company is exposed to market risk, credit risk and liquidity risk.

The Company's management oversees that financial risks are identified, measured and managed in accordance with policies defined for such purposes. All risk management activities are carried out by teams of specialists with appropriate skills, experience and supervision. The Company has a policy not to enter into derivative contracts for speculative purposes.

The policies for managing these risks are summarized below:

Market risk:

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

29. Financial Risk Management, continued (Not audited)

d) Financial risk management objectives and policies, continued

Interest rate risk:

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

The Company manages its interest rate risk by maintaining a balanced portfolio of loans and variable and fixed-rate debt. The Company maintains interest rate swaps in which it agrees to exchange, at given intervals, the difference between the fixed-rate amounts and the variable-rate amounts calculated for an agreed-upon notional principal amount. These swaps are designated to hedge the underlying debt obligations.

The Company periodically determines the efficient exposure of its short and long-term debt to changes in interest rates, based on the future evolution of rates. As of June 30, 2014 the company had 21% of its debt and short-term bearing interest at a fixed rate.

The company believes it is reasonable to measure the risk associated to financial debt interest rate as the sensitivity of monthly financial expense accrual in case of a change of 25 base points in the debt reference interest rate, which as of June 30, 2014 is the Nominal Chamber Average Rate (TCPN or Tasa Promedio de Cámara Nominal in Spanish). In this manner, an increase of 25 base points in the monthly TCPN would mean an increase in the monthly financial accrual expense for 2014 of approximately Ch\$76.8 million, whereas a drop in the TCPN would mean a reduction of Ch\$76.8 million in the monthly financial accrual expense for year.

Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows from a financial instrument fluctuate due to changes in exchange rates. The Company's exposure to the risk of exchange rate variation is related principally to securing short and long-term financing in foreign currencies and to operating activities related to handset purchases, other service and assets. The Company's policy calls for trading derivative financial instruments that help minimize this risk.

After the hedging activities carried out to manage the main foreign currency risk identified by the Company, the fair value or future cash flows sensitivity of hedged items to changes in the exchange rate is close to zero, mainly because the foreign currency hedge for debt items is 100%.

As a result, the Company has entered into forward and swap contracts with local financial institutions to hedge the risks associated to purchases in foreign currency and financing obtained on international markets.

29. Financial Risk Management, continued (Not audited)

d) Financial risk management objectives and policies, continued

Credit risk:

Credit risk is the risk that a counterparty is not meeting its obligations stemming from a financial instrument or customer agreement, which could lead to financial loss. The Company is exposed to credit risk from its operating activities (principally accounts receivable) and financing activities, including bank deposits, foreign exchange transactions and other financial instruments.

Credit risks related to customer credits are managed in accordance with policies, procedures and controls established by the Company for managing customer credit risk. Customer credit quality is evaluated on an ongoing basis. Amounts pending collection from customers are monitored. The maximum exposure to credit risk as of the date of presentation of the report is the value of each class of financial assets.

Credit risk related to bank balances, financial instruments and marketable securities is managed by the Chief Financial Officer based on Company policies. Surplus funds are only invested with approved counterparties and within the credit limits assigned to each entity. Counterparty limits are reviewed annually and may be updated at other times during the year. These limits are established to reduce the counterparty's risk concentration to a minimum.

Liquidity risk:

The Company monitors its risk of lack of funds using a recurring liquidity planning tool. The Company's objective is to maintain a short-term investment profile that minimizes the need to resort to external short-term financing.

Capital management:

Capital includes shares, equity attributable to the equity of the parent less reserves for unearned profits.

The Company's main objective in respect to capital management is to ensure that it maintains a strong credit rating and adequate capital ratios to support its businesses and maximize shareholder value. The Company manages its capital structure and makes adjustments to it based on changes in economic conditions.

No changes were introduced in the objectives, policies or processes during the periods ended June 30, 2014 and December 31, 2013.

e) Technological changes

The growth of the industry has been driven, to a large extent by the need of customers to be permanently connected through their mobile devices. This translates into ongoing investment requirements to allow the Company to remain at the technological leading edge.

29. Financial Risk Management, continued (Not audited)

e) Technological changes, continued

The competitive intensity in the mobile broadband industry has reduced rates and increased access to the product, producing an explosive growth in mobile data traffic which requires both investments and spectrum availability, a key factor in this industry's evolution. It is thus how the 3 main mobile companies have the LTE or 4G service available in the 2,600 MHz bands, allowing customers to have a better experience in the use of mobile data.

The investment of operators in 3G networks has allowed the Company to withstand the current demand for data, and 4G services will allow it to support growing future mobile data demand.

f) Perspective

We expect the competitive scenario to continue, due to the high levels of penetration reached, together with aggressive commercial actions carried out by all operators, focused mainly on increasing the use of data transmission services, especially Internet services from mobile equipment. The higher number of operators and VMOs shall increase the commercial offer to new customer segments, demanding investments in human and financial resources.

30. Subsequent Events

The consolidated financial statements of Telefonica Moviles Chile S.A., for the period ended as of June 30, 2014 were approved and authorized for issuance at the Board of Directors Meeting held on July 23, 2014.

In the period between July 1 and July 23, 2014, there have been no financial or other significant events, which affect these financial statements.

Alejandro Gil Ibarra
Accounting Manager

Juan Parra Hidalgo
Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager