



## TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended  
As of December 31, 2014 and 2013

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

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ThCh\$ : Thousands of Chilean Pesos

MCh\$ : Millions of Chilean Pesos

SVS : Superintendency of Securities and Insurance

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



ASSETS	Notes	12.31.2014	12.31.2013
		ThCh\$	ThCh\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	(5)	48,880,754	223,756,247
Other current financial assets	(6)	130,206,662	52,430,287
Other current non-financial assets	(7)	38,983,938	43,398,421
Trade and other current accounts receivable	(8a)	122,289,283	135,429,401
Current accounts receivable from related companies	(9a)	30,668,985	21,953,487
Inventory	(10a)	52,031,325	61,022,815
<b>Total current operating assets</b>		<b>423,060,947</b>	<b>537,990,658</b>
<b>TOTAL CURRENT ASSETS</b>		<b>423,060,947</b>	<b>537,990,658</b>
<b>NON-CURRENT ASSETS</b>			
Other non-current financial assets	(6)	28,848,652	21,978,735
Other non-current non-financial assets	(7)	1,072,404	1,159,902
Accounts receivable from related entities, non-current	(9b)	73,072,214	-
Investments in associates accounted for using the equity method	(12a)	9,432,252	6,210,509
Intangible assets other than goodwill	(13a)	87,867,124	75,957,043
Goodwill	(14)	483,179,725	483,179,725
Property, plant and equipment	(15a)	354,710,241	345,056,919
Deferred tax assets	(11d)	3,891,911	17,525,621
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,042,074,523</b>	<b>951,068,454</b>
<b>TOTAL ASSETS</b>		<b>1,465,135,470</b>	<b>1,489,059,112</b>

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

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



LIABILITIES	Notes	12.31.2014	12.31.2013
		ThCh\$	ThCh\$
<b>CURRENT LIABILITIES</b>			
Other current financial liabilities	(16)	188,065,444	62,207,697
Trade and other accounts payables	(17a)	119,282,908	178,582,313
Current accounts payable to related companies	(9c)	61,261,241	57,249,386
Other short term provisions	(19a)	201,315	320,365
Current tax liabilities	(11c)	9,590,394	15,430,236
Other current non-financial liabilities	(21)	44,180,128	47,677,798
<b>TOTAL CURRENT LIABILITIES</b>		<b>422,581,430</b>	<b>361,467,795</b>
<b>NON-CURRENT LIABILITIES</b>			
Other non-current financial liabilities	(16)	281,763,172	426,984,398
Non-current accounts payable to related companies	(9d)	1,366,521	1,366,521
Other long-term provisions	(19b)	13,392,183	12,312,990
Non-current employee benefits accrual	(20a)	128,399	-
Other non-current non-financial liabilities	(21)	864,595	1,053,906
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>297,514,870</b>	<b>441,717,815</b>
<b>TOTAL LIABILITIES</b>		<b>720,096,300</b>	<b>803,185,610</b>
<b>EQUITY</b>			
Issued capital	(22a)	941,098,241	941,098,241
Retained earnings		125,749,378	77,232,082
Other reserves	(22d)	(321,808,393)	(332,456,767)
Shareholders' equity attributable to owners of the parent		745,039,226	685,873,556
Non-controlling interests	(22f)	(56)	(54)
<b>TOTAL EQUITY</b>		<b>745,039,170</b>	<b>685,873,502</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>1,465,135,470</b>	<b>1,489,059,112</b>

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME BY NATURE**

As of December 31, 2014 and 2013

<b>COMPREHENSIVE INCOME STATEMENT</b>	<b>Notes</b>	<b>For the years ended December 31</b>	
		<b>2014</b>	<b>2013</b>
		<b>ThCh\$</b>	<b>ThCh\$</b>
Income from ordinary operations	(24a)	960,982,860	1,006,803,377
Other income	(24b)	8,881,234	12,039,187
Employee benefits expenses	(20d)	(1,252,474)	(2,873,515)
Depreciation and amortization expense	(13b-15b)	(95,196,063)	(125,248,083)
Other expenses, by nature	(24c)	(723,170,701)	(765,798,348)
<b>Profit from operating activities</b>		<b>150,244,856</b>	<b>124,922,618</b>
Finance income	(24d)	12,141,546	14,167,797
Finance costs	(24d)	(26,302,842)	(27,367,211)
Share in earnings (losses) of associates accounted for using the equity method	(12b-19b)	2,844,069	3,725,090
Foreign exchange differences	(24e)	(598,417)	(37,630)
Indexation units	(24e)	621,346	271,927
<b>Profit before tax from continuing operations</b>		<b>138,950,558</b>	<b>115,682,591</b>
Income tax expense	(11f)	(31,459,386)	(22,460,322)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>107,491,172</b>	<b>93,222,269</b>
<b>Profit attributable to:</b>			
Profit attributable to owners of the parent		107,491,174	93,222,268
Profit attributable to non-controlling interests	(22f)	(2)	1
<b>PROFIT</b>		<b>107,491,172</b>	<b>93,222,269</b>
<b>EARNINGS PER SHARE</b>		<b>Ch\$</b>	<b>Ch\$</b>
<b>Earnings per basic share:</b>			
Earnings per basic share for continuing operations	(23)	910.74	789.84
Earnings per basic share for discontinued operations		-	-
<b>Earnings per basic share:</b>		<b>910.74</b>	<b>789.84</b>
<b>Diluted earnings per share:</b>			
Diluted earnings per share from continuing operations		910.74	789.84
Diluted earnings per share from discontinued operations		-	-
<b>Diluted earnings per share:</b>		<b>910.74</b>	<b>789.84</b>

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME BY NATURE**  
As of December 31, 2014 and 2013

	Notes	For the years ended as of December 31,	
		2014 ThCh\$	2013 ThCh\$
<b>COMPREHENSIVE INCOME STATEMENT</b>			
<b>PROFIT</b>		<b>107,491,172</b>	<b>93,222,269</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Components of other comprehensive income that will not be reclassified to income for the period, before taxes</b>			
Other comprehensive income, before income taxes (losses) from new measurement of benefit plans		(955,174)	-
<b>Other comprehensive income that will not be reclassified to income for the period, before taxes</b>	(22d)	<b>(955,174)</b>	-
<b>Components of other comprehensive income that will be reclassified to income for the period, before taxes</b>			
Profits from cash flow hedging, before taxes		15,011,667	502,316
<b>Other comprehensive income that will be reclassified to income for the period, before taxes</b>		<b>15,011,667</b>	<b>502,316</b>
<b>Other components of other comprehensive income, before taxes</b>		<b>14,056,493</b>	<b>502,316</b>
<b>Income taxes related to components of other comprehensive income that will not be reclassified to income for the period</b>			
Income taxes related to new measurement of other comprehensive income benefits plans	(22d)	4,030	-
<b>Income taxes related to components of other comprehensive income that are reclassified to income for the period</b>			
Income taxes related to other comprehensive income cash flows hedging		(3,412,149)	(90,044)
<b>Total income tax related to components of other comprehensive income</b>		<b>(3,408,119)</b>	<b>(90,044)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>10,648,374</b>	<b>412,272</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>118,139,546</b>	<b>93,634,541</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>			
Comprehensive income attributable to owners of the parent		118,139,548	93,634,540
Comprehensive income attributable to non-controlling interests		(2)	1
<b>TOTAL COMPREHENSIVE INCOME AND EXPENSES</b>		<b>118,139,546</b>	<b>93,634,541</b>

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

STATEMENTS OF CHANGES IN EQUITY  
As of December 31, 2014 and 2013



	Changes in issued capital	Changes in other reserves				Retained earnings	Equity attributable to owners of the parent	Non controlling interests	Total equity
	(Note 22 a)	(Note 22 d)				(losses)		(Nota 22 f)	
	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
<b>Changes in equity</b>									
<b>Comprehensive income</b>									
Profit	-	-	-	-	-	107,491,174	107,491,174	(2)	107,491,172
Other comprehensive income	-	11,599,518	(951,144)	-	10,648,374	-	10,648,374	-	10,648,374
<b>Comprehensive income</b>	-	<b>11,599,518</b>	<b>(951,144)</b>	-	<b>10,648,374</b>	<b>107,491,174</b>	<b>118,139,548</b>	<b>(2)</b>	<b>118,139,546</b>
Dividends	-	-	-	-	-	(63,000,000)	(63,000,000)	-	(63,000,000)
Increase (decrease) from transfers and other changes, equity	-	-	-	-	-	4,026,122 (1)	4,026,122	-	4,026,122
<b>Total increase (decrease) in equity</b>	-	-	-	-	-	<b>(58,973,878)</b>	<b>(58,973,878)</b>	-	<b>(58,973,878)</b>
<b>Equity december 31, 2014</b>	<b>941,098,241</b>	<b>12,836,178</b>	<b>(3,072,694)</b>	<b>(331,571,877)</b>	<b>(321,808,393)</b>	<b>125,749,378</b>	<b>745,039,226</b>	<b>(56)</b>	<b>745,039,170</b>
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
<b>Changes in equity</b>									
<b>Comprehensive income</b>									
Profit	-	-	-	-	-	93,222,268	93,222,268	1	93,222,269
Other comprehensive income	-	412,272	-	-	412,272	-	412,272	-	412,272
<b>Comprehensive income</b>	-	<b>412,272</b>	-	-	<b>412,272</b>	<b>93,222,268</b>	<b>93,634,540</b>	-	<b>93,634,541</b>
Dividends	-	-	-	-	-	(86,828,888)	(86,828,888)	-	(86,828,888)
Increase (decrease) from transfers and other changes, equity	-	-	-	-	-	-	-	-	-
<b>Total increase (decrease) in equity</b>	-	-	-	-	-	<b>(86,828,888)</b>	<b>(86,828,888)</b>	-	<b>(86,828,888)</b>
<b>Equity december 31, 2013</b>	<b>941,098,241</b>	<b>1,236,660</b>	<b>(2,121,550)</b>	<b>(331,571,877)</b>	<b>(332,456,767)</b>	<b>77,232,082</b>	<b>685,873,556</b>	<b>(54)</b>	<b>685,873,502</b>

(1) According to Circular 856 issued by the Superintendency of Securities and Insurance, dated October 17, differences in assets and liabilities for the concept of deferred taxes produced as a direct effect of the increase in the first category tax rate introduced by Law 20,780, must be accounted for in the year against shareholders' equity (retained earnings) (see Note 22e).

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

STATEMENTS OF CONSOLIDATED CASH FLOWS, DIRECT METHOD  
As of December 31, 2014 and 2013



	Notes	For the years ended december 31	
		2014	2013
		ThCh\$	ThCh\$
<b>CASH FLOWS PROVIDED (USED IN) BY OPERATING ACTIVITIES:</b>			
<b>Classes of operating activity charges</b>			
Proceeds from sale of assets and services rendered		1.126.693.015	1.138.417.586
Other operating activity charges		23.273.711	39.339.821
<b>Classes of payments</b>			
Payments to suppliers for supplying goods and services		(878.743.321)	(876.154.898)
Payments to and on account of employees		(1.426.993)	(4.014.629)
Other operating activity payments		(33.843.280)	(48.433.822)
<b>Income taxes (paid) reimbursed classified as operating activities</b>		(23.516.496)	(26.161.645)
<b>Cash flows provided (used in) by operating activities:</b>		<b>212.436.636</b>	<b>222.992.413</b>
<b>CASH FLOWS PROVIDED (USED IN) BY INVESTMENT ACTIVITIES:</b>			
Loans to related entities		(280.285.000)	(187.370.000)
Additions to property, plant and equipment		(147.956.401)	(145.884.677)
Collection from related entities		205.060.000	211.780.000
Interest received		7.521.992	11.164.762
Other cash inflows (outflows)		(23.788.713)	(10.605.765)
<b>Net cash flows provided (used in) by investment activities</b>		<b>(239.448.122)</b>	<b>(120.915.679)</b>
<b>CASH FLOWS PROVIDED (USED IN) BY FINANCING ACTIVITIES:</b>			
Proceeds from long term loans		-	68.618.928
Loan repayments		(58.000.000)	-
Dividends paid		(63.000.000)	(87.803.203)
Interest paid		(26.603.641)	(25.367.445)
Other cash inflows (outflows)		(260.366)	2.038.667
<b>Net cash flows provided (used in) by financing activities</b>		<b>(147.864.007)</b>	<b>(42.513.053)</b>
<b>Net Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate</b>		<b>(174.875.493)</b>	<b>59.563.680</b>
<b>Effects of the change in exchange rate on cash and cash equivalents:</b>			
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(174.875.493)	59.563.680
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		223.756.247	164.192.567
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	(5)	<b>48.880.754</b>	<b>223.756.247</b>

The accompanying notes 1 to 30 form an integral part of these consolidated 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 december 31, 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, “financial statements”) cover the years ended December 31, 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).

### c) Basis of preparation

These consolidated financial statements as of December 31, 2014 have been prepared in accordance with instructions and standards for preparation and presentation of financial information issued by the Superintendency of Securities and Insurance (“SVS”), which are composed of International Financial Reporting Standards (“IFRS”) and Circular 856 dated October 17, 2014 which instructs the entities that the SVS oversees to record differences in deferred tax assets and liabilities produced as a direct effect of the increase in the first category (corporate) tax rate introduced by Law 20,780 plus specific standards set forth by the SVS, in the respective year, and charge them to shareholders' equity. Consequently, these financial statements have not been prepared in accordance with IFRS (for further details, refer to Note 22e).

The figures included in these financial statements are expressed in thousands of Chilean pesos, since the Chilean peso is the Company's functional and reporting currency. All values are rounded to the nearest thousands, except when otherwise indicated.

## 2. Significant Accounting Policies, continued

### c) Basis of preparation, continued

The Company's Board of Directors is responsible for the information contained in these financial statements, and it expressly manifests its responsibility for the consistent and reliable nature of the application of financial reporting standards issued by the SVS.

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

### 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 december 31, 2014 and 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 22f).

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			
				12.31.2014		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 december 31, 2014 of the companies included in the consolidation is the following:

Taxpayer No.	Company	% Participation	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Equity	Operating income	Net profit (loss)
			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	580,364	-	580,364	(559,242)	-	(5,664)
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA	100	1,537,733	20,826	1,558,559	1,322,609	128,399	1,451,008	107,552	311,000	168,236
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	100	17,389,772	-	17,389,772	10,249,192	-	10,249,192	7,140,580	-	660,059

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

Taxpayer No.	Company	% Participation	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Equity	Operating income	Net profit (loss)
			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
December 31, 2014	606.75	738.05	43,798	24,627.10
December 31, 2013	524.61	724.30	40,772	23,309.56

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.

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

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

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 rates used are determined before taxes and are adjusted for the corresponding country risk and business risk. Thus, as of December 31, 2014 and 2013 the rate used was 8.24% and 10.08% respectively. No impairment adjustments were recorded for 2014 and 2013.

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. At the end of the years 2014 and 2013 were not identified leasing implicit.

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 21% and 20% at december 31, 2014 and 2013 respectively.

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.

In the case of the recently approved Chilean tax reform of Law 20,780 and Official Circular 856 issued by the Superintendency of Securities and Insurance, the effects on deferred taxes originated from changes in tax rates were charged to equity accounts.

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 december 31, 2014 and 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 recognizes an obligation for assets that will be dismantled, corresponding to future disbursements that the company must make for removal of certain installations. These future disbursements are incorporated in the restated value of the asset, recognizing the corresponding dismantling provision.

Changes in the valuation of existing dismantling liabilities, derived from changes in the amount or temporary structure of outflow of resources that incorporate economic benefits required to settle the obligation, or a change in the discount rate, shall be added to or deducted from the cost of the corresponding asset in the current year. The amount deducted from the cost of the asset must not exceed its carrying amount. If the decrease in the liability should exceed the carrying amount of the asset, the excess is immediately recognized in income for the year.

An asset's dismantling cost is recognized in the income statement through depreciation over its useful life, under depreciation and amortization expense. The provision discount process is recognized in income for the year as finance cost.

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.

2. Significant Accounting Policies, continued

i) Property, plant and equipment, continued

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. At year-end 2014 and 2013, there are 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.

The Company's average annual financial depreciation rate is approximately 13.37% and 20.53% for December 2014 and 2013 respectively (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.

2. Significant Accounting Policies, continued

o) Provisions

i) Post-employment benefits

The Company is obligated to pay staff severance indemnities in respect of collective negotiation agreements, which are provisioned using the method of actuarial value of the accrued cost of the benefit, using an nominal annual discount rate of 4.51% at December 31, 2014, considering estimations such as future permanence, employee mortality rate and future salary increases determined on the basis of actuarial calculations. Discount rates are determined by reference to market interest curves.

ii) Provision for dismantling expenses

Corresponds to the cost that will be incurred in the future 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 4.8% 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.

iii) Other provisions

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

p) Income and expenses

Income and 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.

2. Significant Accounting Policies, continued

p) Income and expenses, continued

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 "Club Movistar" that provides multiple benefits to our customers, which can be provided or delivered by third parties or by the Company. This loyalty program also provides "points" to customers that can be cashed-in for services and products within a certain period of time. Points are generated for the equivalent of 2% of the total value of the bill associated to contracted or hybrid plans and only for voice and data traffic, excluding reconnection, interest and collection charges. Accumulated Club Movistar points that have not been cashed after 24 months, automatically expire.

Points provided in sales transactions are recorded as a component, separate from the sale in accordance with IFRIC 13 Customer Loyalty Programs, i.e. they are recorded as deferred income at the market value of the points provided (1 point is equivalent to Ch\$1), adjusted by the estimated rate of points not cashed due to expiration of the benefit. The estimated rate of points not cashed is determined using historical statistics on expiration of points that have not been cashed.

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).
- The Innova Chile Committee, in order to perform research and development (R&D), technological transfer and marketing activities, in the information and communications technology areas. These resources, called government subsidies, are initially recorded as deferred income, under other non-financial liabilities, and are charged to income as the projects are being developed (see Note 21).

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.



## 2. Significant Accounting Policies, continued

### q) Use of Estimates, continued

#### 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) Deferred taxes

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

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

#### iii) Provisions

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

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.

#### iv) Income recognition: agreements combining more than one element

Commercial packages that combine different elements are analyzed to determine if these elements must be separated, applying the appropriate 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.

## 2. Significant Accounting Policies, continued

### q) Use of Estimates, continued

#### v) 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.

#### vi) Post-employment benefits

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

### 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.

2. Significant Accounting Policies, continued

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:

	<b>New Standard</b>	<b>Mandatory application date</b>
IFRS 9	Financial instruments	January 1, 2018
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Income from Customer Contracts	January 1, 2017

**IFRS 9 "Financial Instruments"**

The final version of IFRS 9 Financial Instruments, was issued in July 2014, gathering all the phases of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard includes new requirements based on principles for the classification and measurement, it introduces a "more prospective" model of expected credit losses for impairment accounting and a substantially reformed focus for hedge accounting. Entities will also have the option for early application of accounting for profits and losses due to changes in fair value related to "inherent credit risk" for financial liabilities designated at fair value through profit or loss, without applying the other requirements of IFRS 9. Application of the standard shall be mandatory for annual periods commencing as of January 1, 2018. Early application is allowed.

**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 is 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.

2. Significant Accounting Policies, continued

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

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 and January 1, 2016
IAS 16	Property, Plant and Equipment	January 1, 2016
IAS 38	Intangible Assets	January 1, 2016
IFRS 11	Joint Arrangements	January 1, 2016
IAS 27	Separate Financial Statements	January 1, 2016
IAS 28	Investments in Associates and Joint Ventures	January 1, 2016
IFRS 10	Consolidated Financial Statements	January 1, 2016
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	January 1, 2016
IFRS 7	Financial Instruments: Disclosures	January 1, 2016
IAS 34	Interim Financial Reporting	January 1, 2016
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2016
IAS 1	Presentation of Financial Statements	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 independent of the years of service of the employee. For example, contributions of employees that are calculated based on a fixed percentage of their salary. The application of amendments is mandatory for annual periods commencing as of July 1, 2014. Early application is allowed.

"Annual Improvements cycle 2012–2014", issued in September 2014, clarifies that the depth of the high credit quality corporate bonds market is assessed based on the currency in which the obligation is denominated, instead of on the country where the obligation is located. When there is no deep market for these bonds in that currency, bonds issued by the government in that same currency and for those terms will be used. Application of the amendments is mandatory for annual periods commencing as of January 1, 2016. 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.

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.

IAS 27 "Separate Financial Statements"

Amendments to IAS 27, issued in August 2014, reestablish the option to use the equity method for accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements. The application of the amendments will be mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

IAS 28 "Investments in Associates and Joint Ventures", IFRS 10 "Consolidated Financial Statements"

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address a recognized inconsistency between the requirements of IFRS 10 and those of IAS 28 (2011) in the treatment of the sale or contribution of assets between an investor and its associate or joint venture. The amendments, issued in September 2014, establish that when the transaction involves a business (whether in a subsidiary or not) the full profit or loss is recognized. A partial profit or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are located in a subsidiary. Application of the amendments is mandatory for annual periods beginning as of January 1, 2016. Early application is allowed.

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

"Annual Improvements Cycle 2012–2014", issued in September 2014, clarifies that if the entity reclassifies an asset (or disposal group) from held for sale directly to held for distribution to owners, or from held for distribution to owners directly to held for sale, then the change in classification is considered a continuation in the original sales plan. The IASB clarifies that in these cases the requirements for accounting for changes in a sales plan shall not be applicable. Application of the amendments is mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

IFRS 7 "Financial Instruments: Disclosures"

"Annual Improvements Cycle 2012–2014", issued in September 2014, clarifies that service agreements may constitute continued implication in a transferred asset for the purpose of disclosure of financial asset transfers. This will generally be the case when the manager has an interest in the future yield of the financial assets transferred as a consequence of that contract. Application of amendments shall be mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

## 2. Criterios contables aplicados, continuación

### s) Nuevas IFRS e Interpretaciones del Comité de Interpretaciones IFRS, continuación

#### IAS 34 "Interim Financial Reporting"

"Annual Improvements cycle 2012–2014", issued in September 2014, clarifies that the required disclosures should either be in the interim financial statements or should be indicated with a cross-reference between the interim financial statements and any other report that contains them. Application of the amendments is mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

#### IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 28 "Investments in Associates and Joint Ventures"

Amendments to IFRS 10, IFRS 12 and IAS 28 introduce minor clarifications regarding the requirements for accounting for investment entities. In addition, these amendments provide relief under certain circumstances, which will reduce the cost of applying these standards. Application of the amendments is mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

#### IAS 1 "Presentation of Financial Statements"

In December 2014 the IASB published amendments to IAS 1 "Disclosure Initiatives". These amendments to IAS 1 address certain concerns expressed regarding presentation and disclosure requirements, and ensure that entities have the possibility to exercise judgment when applying IAS 1. Application of the amendments is mandatory for annual periods commencing 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.

### t) Statement of cash flows

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

- i. Operating activities: are activities that constitute the main source of the Company's ordinary income, as well as other activities that cannot be qualified as from investing or financing activities.
- ii. Investing activities: are activities such as acquisition, alienation or disposal of non-current assets by other means and other investments not included in cash and cash equivalents.
- iii. Financing activities: are activities that produce changes in the size and composition of total shareholders' equity and in liabilities of a financial nature.

### 3. Changes in Accounting Policy and Disclosures

By virtue of its powers, on October 17, 2014, the SVS issued Circular 856 instructing the entities it oversees to record differences in deferred tax assets and liabilities produced as a direct effect of the increase in the first category (corporate) tax rate introduced by Law 20,780 in the respective year and charge them to shareholders' equity.

This changes the framework for preparing and presenting the financial information adopted up to that date, since the previous framework (IFRS) requires full, explicit and unreserved adoption.

As of December 31, 2014 there have been no other changes in accounting or estimates applied to these financial statements, that could affect year-to-year comparison.

### 4. Financial Information by Segment

The 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	12.31.2014 ThCh\$	12.31.2013 ThCh\$
<b>Cash (a)</b>		<b>653,948</b>	<b>998,517</b>
	USD	-	4,243
	EUR	-	7,215
	CLP	653,948	987,059
<b>Banks (b)</b>		<b>3,264,356</b>	<b>574,427</b>
	CLP	3,241,295	436,388
	USD	-	138,039
	EUR	23,061	-
<b>Time deposits (c)</b>		<b>44,962,450</b>	<b>215,965,212</b>
	CLP	44,962,450	170,696,396
	USD	-	45,268,816
<b>Repurchase agreements (d)</b>		<b>-</b>	<b>6,218,091</b>
	CLP	-	6,060,707
	USD	-	157,384
<b>Total cash and cash equivalents</b>		<b>48,880,754</b>	<b>223,756,247</b>
<b>Subtotal by currency</b>	<b>CLP</b>	<b>48,857,693</b>	<b>178,180,550</b>
	<b>USD</b>	<b>-</b>	<b>45,568,482</b>
	<b>EUR</b>	<b>23,061</b>	<b>7,215</b>

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 december 31, 2014 and 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	12.31.2014
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
Time deposit	CLP	44,890,000	3.72%	30	44,890,000	72,450	-	44,962,450
<b>Total</b>					<b>44,890,000</b>	<b>72,450</b>	<b>-</b>	<b>44,962,450</b>

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
<b>Totales</b>					<b>216,433,500</b>	<b>249,852</b>	<b>(718,140)</b>	<b>215,965,212</b>

5. Cash and cash equivalents, continued

d) Repurchase agreements

At december 31, 2014 the Company has no repurchase agreements. The balances at 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 12.31.2013 ThCh\$
	Beginning	Ending							
CRV	12-30-2013	01-28-2014	BBVA	CLP	6,060,000	4,2%	6,060,707	BCP0600515	6,060,707
CRV	12-27-2013	01-28-2014	BCI	USD	157,572	0,96%	157,384	BCP0600515	157,384
<b>Total</b>					<b>6,217,572</b>		<b>6,218,091</b>		<b>6,218,091</b>

As of december 31, 2014 and 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	12.31.2014		12.31.2013	
	Current ThCh\$	Non-Current ThCh\$	Current ThCh\$	Non-Current ThCh\$
Other investments (a)	3,028,380	1	-	1
Highly liquid financial instruments (b)	79,924,481	-	50,680,565	-
Hedging instruments (18 b)	47,253,801	28,848,651	1,749,722	21,978,734
<b>Total</b>	<b>130,206,662</b>	<b>28,848,652</b>	<b>52,430,287</b>	<b>21,978,735</b>

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

As of December 31, 2014 time deposits in excess of 90 days are detailed as follows:

Type of Investment	Currency	Capital in original currency (thousands)	Average annual rate	Average days to maturity	Capital	Accrued interest	Foreign currency translation	Total as of
					in local currency ThCh\$	in local currency ThCh\$	in local currency ThCh\$	12.31.2014 ThCh\$
Time deposits	Ch\$	3,000,000	3.96%	91	3,000,000	28,380	-	3,028,380
<b>Total</b>					<b>3,000,000</b>	<b>28,380</b>	<b>-</b>	<b>3,028,380</b>

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	Accrued interest in local currency	Foreign currency translation local currency	Total as of
					ThCh\$	ThCh\$	ThCh\$	12.31.2014 ThCh\$
Highly liquid financial instruments	USD	115,129	6.96%	30	70,918,736	21,961	(1,064,216)	69,876,481
Highly liquid financial instruments	CLP	10,000,000	3.84%	30	10,000,000	48,000	-	10,048,000
<b>Total</b>					<b>80,918,736</b>	<b>69,961</b>	<b>(1,064,216)</b>	<b>79,924,481</b>

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency	Accrued interest in local currency	Foreign currency translation local moneda local	Total as of
					ThCh\$	ThCh\$	ThCh\$	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
<b>Total</b>					<b>50,600,400</b>	<b>188,365</b>	<b>(108,200)</b>	<b>50,680,565</b>

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

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

Description	12.31.2014		12.31.2013	
	Current ThCh\$	Non-Current ThCh\$	Current ThCh\$	Non-Current ThCh\$
Deferred handset costs (1)	15,150,303	-	19,216,222	-
Advance payments (2)	12,709,544	1,061,561	12,614,324	1,061,561
Other prepaid expenses (3)	10,582,285	10,843	10,377,595	98,341
Customer guarantees	281,893	-	677,729	-
Other taxes (4)	259,913	-	512,551	-
<b>Total</b>	<b>38,983,938</b>	<b>1,072,404</b>	<b>43,398,421</b>	<b>1,159,902</b>

- (1) Corresponds to the cost of prepaid handset delivered that have not been activated  
(2) Includes advance payments associated with leases of sites.  
(3) Corresponds to the concepts of non-current to current, which include commissions paid to franchisees on additions and replacement of handsets and other equipment items that 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	12.31.2014			12.31.2013		
	Gross value ThCh\$	Uncollectable debts ThCh\$	Net value ThCh\$	Gross value ThCh\$	Uncollectable debts ThCh\$	Net value ThCh\$
<b>Current receivables on credit operations</b>	<b>177,212,832</b>	<b>(54,923,878)</b>	<b>122,288,954</b>	<b>192,711,892</b>	<b>(57,282,820)</b>	<b>135,429,072</b>
Services billed	124,759,907	(54,923,878)	69,836,029	130,589,592	(57,282,820)	73,306,772
Services provided and not billed	52,452,925	-	52,452,925	62,122,300	-	62,122,300
<b>Miscellaneous receivables</b>	<b>329</b>	<b>-</b>	<b>329</b>	<b>329</b>	<b>-</b>	<b>329</b>
<b>Total</b>	<b>177,213,161</b>	<b>(54,923,878)</b>	<b>122,289,283</b>	<b>192,712,221</b>	<b>(57,282,820)</b>	<b>135,429,401</b>

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	12.31.2014					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	16,241,663	2,451,933	-	-	18,693,596	11,470,846	617,506	-	-	12,088,352
<b>Total</b>	<b>16,241,663</b>	<b>2,451,933</b>	<b>-</b>	<b>-</b>	<b>18,693,596</b>	<b>11,470,846</b>	<b>617,506</b>	<b>-</b>	<b>-</b>	<b>12,088,352</b>

## 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	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
<b>Beginning balance</b>	<b>57,282,820</b>	<b>54,832,478</b>
Increases	22,793,721	24,680,550
Eliminations/ Additions	(25,152,663)	(22,230,208)
<b>Movements, subtotal</b>	<b>(2,358,942)</b>	<b>2,450,342</b>
<b>Closing balance</b>	<b>54,923,878</b>	<b>57,282,820</b>

- d) Movements of the provision for doubtful accounts to reflect the composition of the portfolio as of december 31, 2014 and 2013 are as follows:

Provisions and write-offs	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Accrual for portfolio that has not been renegotiated	22,081,042	23,857,457
Accrual for renegotiated portfolio	712,679	823,093
Write-offs for the year	(25,152,663)	(22,230,208)
<b>Total</b>	<b>(2,358,942)</b>	<b>2,450,342</b>

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

Portfolio of protested and in legal collection as of 12.31.2014	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	1,201		717	-
Portfolio of protested or in legal collection ThCh\$	5,722,596		544,885	-

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 for the year 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	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
period December 2014	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
<b>Individuals</b>											
Number of clients w/o renegotiation	612,780	79,914	39,160	32,875	33,527	32,760	23,013	30,873	35,907	1,713,658	2,634,467
Gross portfolio w/o renegotiation	36,479,624	3,541,234	2,205,831	2,027,921	-	-	-	-	-	-	44,254,610
Debt	36,479,624	3,541,234	2,205,831	2,027,921	1,530,436	1,618,659	951,572	1,364,586	1,547,871	26,816,053	78,083,787
Accrual	-	-	-	-	(1,530,436)	(1,618,659)	(951,572)	(1,364,586)	(1,547,871)	(26,816,053)	(33,829,177)
Number of clients with renegotiation	7,832	8,848	1,756	1,537	1,416	1,278	720	1,165	1,632	22,828	49,012
Gross portfolio with renegotiation	762,764	50,324	170	128	-	-	-	-	-	-	813,386
Debt	1,252,062	319,224	126,099	116,549	97,726	100,891	64,295	84,156	115,710	1,378,330	3,655,042
Accrual	(489,298)	(268,900)	(125,929)	(116,421)	(97,726)	(100,891)	(64,295)	(84,156)	(115,710)	(1,378,330)	(2,841,656)
<b>Total number of clients</b>	<b>620,612</b>	<b>88,762</b>	<b>40,916</b>	<b>34,412</b>	<b>34,943</b>	<b>34,038</b>	<b>23,733</b>	<b>32,038</b>	<b>37,539</b>	<b>1,736,486</b>	<b>2,683,479</b>
<b>Total Individuals portfolio</b>	<b>37,242,388</b>	<b>3,591,558</b>	<b>2,206,001</b>	<b>2,028,049</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,067,996</b>
<b>Debt</b>	<b>37,731,686</b>	<b>3,860,458</b>	<b>2,331,930</b>	<b>2,144,470</b>	<b>1,628,162</b>	<b>1,719,550</b>	<b>1,015,867</b>	<b>1,448,742</b>	<b>1,663,581</b>	<b>28,194,383</b>	<b>81,738,829</b>
<b>Accrual</b>	<b>(489,298)</b>	<b>(268,900)</b>	<b>(125,929)</b>	<b>(116,421)</b>	<b>(1,628,162)</b>	<b>(1,719,550)</b>	<b>(1,015,867)</b>	<b>(1,448,742)</b>	<b>(1,663,581)</b>	<b>(28,194,383)</b>	<b>(36,670,833)</b>
<b>Companies</b>											
Number of clients w/o renegotiation	90,701	15,950	4,435	2,961	2,836	2,866	1,969	2,506	3,051	66,580	193,855
Gross portfolio w/o renegotiation	60,964,424	4,621,803	2,623,673	1,161,005	918,825	915,283	617,608	-	-	-	71,822,621
Debt	60,964,424	4,621,803	2,623,673	1,161,005	918,825	915,283	617,608	35,891	613,343	16,206,072	88,677,927
Accrual	-	-	-	-	-	-	-	(35,891)	(613,343)	(16,206,072)	(16,855,306)
<b>Total number of clients</b>	<b>91,890</b>	<b>17,605</b>	<b>4,727</b>	<b>3,202</b>	<b>3,059</b>	<b>3,038</b>	<b>2,104</b>	<b>2,692</b>	<b>3,317</b>	<b>71,065</b>	<b>202,699</b>
<b>Total Companies portfolio</b>	<b>61,144,794</b>	<b>4,631,273</b>	<b>2,623,770</b>	<b>1,161,013</b>	<b>918,834</b>	<b>915,422</b>	<b>617,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,012,784</b>
<b>Debt</b>	<b>61,354,301</b>	<b>4,729,178</b>	<b>2,661,102</b>	<b>1,194,558</b>	<b>954,952</b>	<b>955,965</b>	<b>649,128</b>	<b>75,263</b>	<b>663,139</b>	<b>17,028,242</b>	<b>90,265,828</b>
<b>Accrual</b>	<b>(209,507)</b>	<b>(97,905)</b>	<b>(37,332)</b>	<b>(33,545)</b>	<b>(36,118)</b>	<b>(40,543)</b>	<b>(31,450)</b>	<b>(75,263)</b>	<b>(663,139)</b>	<b>(17,028,242)</b>	<b>(18,253,044)</b>
<b>Other</b>											
Number of clients w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Debt	5,209,763	-	-	-	-	-	-	-	-	-	5,209,763
<b>Total number of clients</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total companies portfolio</b>	<b>5,209,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,209,763</b>
<b>Debt</b>	<b>5,209,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,209,763</b>
<b>Accrual</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Portfolio Consolidated</b>											
Number of clients w/o renegotiation	703,481	95,864	43,595	35,836	36,363	35,626	24,982	33,379	38,958	1,780,238	2,828,322
Gross portfolio w/o renegotiation	102,653,811	8,163,037	4,829,504	3,188,926	918,825	915,283	617,608	-	-	-	121,286,994
Debt	102,653,811	8,163,037	4,829,504	3,188,926	2,449,261	2,533,942	1,569,180	1,400,477	2,161,214	43,022,125	171,971,477
Accrual	-	-	-	-	(1,530,436)	(1,618,659)	(951,572)	(1,400,477)	(2,161,214)	(43,022,125)	(50,684,483)
Number of clients with renegotiation	9,021	10,503	2,048	1,778	1,639	1,450	855	1,351	1,898	27,313	57,856
Gross portfolio with renegotiation	943,134	59,794	267	136	9	139	70	-	-	-	1,003,549
Debt	1,641,939	426,599	163,528	150,102	133,853	141,573	95,815	123,528	165,506	2,200,500	5,242,943
Accrual	(698,805)	(366,805)	(163,261)	(149,966)	(133,844)	(141,434)	(95,745)	(123,528)	(165,506)	(2,200,500)	(4,239,394)
<b>Total number of clients</b>	<b>712,502</b>	<b>106,367</b>	<b>45,643</b>	<b>37,614</b>	<b>38,002</b>	<b>37,076</b>	<b>25,837</b>	<b>34,730</b>	<b>40,856</b>	<b>1,807,551</b>	<b>2,886,178</b>
<b>Total Consolidated portfolio</b>	<b>103,595,685</b>	<b>8,222,831</b>	<b>4,829,771</b>	<b>3,189,062</b>	<b>918,834</b>	<b>915,422</b>	<b>617,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,289,283</b>
<b>Debt</b>	<b>104,294,491</b>	<b>8,589,636</b>	<b>4,993,032</b>	<b>3,339,028</b>	<b>2,583,114</b>	<b>2,675,515</b>	<b>1,664,995</b>	<b>1,524,005</b>	<b>2,326,720</b>	<b>45,222,625</b>	<b>177,213,161</b>
<b>Accrual</b>	<b>(698,806)</b>	<b>(366,805)</b>	<b>(163,261)</b>	<b>(149,966)</b>	<b>(1,664,280)</b>	<b>(1,760,093)</b>	<b>(1,047,317)</b>	<b>(1,524,005)</b>	<b>(2,326,720)</b>	<b>(45,222,625)</b>	<b>(54,923,878)</b>

(1) The information referring to this line represents the current number of customers and those that have been commercially derecognized and which are still in collections.

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8. Trade and Other Accounts Receivable, continued

The portfolio composition stratified by segment for the year 2013 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	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
period Diciembre 2013											
<b>Individuals</b>											
Number of clients w/o renegotiation	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	39,304,134	3,118,050	2,957,955	2,256,687	-	-	-	-	-	-	47,636,826
Debt	39,304,134	3,118,050	2,957,955	2,256,687	2,706,056	2,042,934	1,219,046	2,064,064	2,648,568	27,731,158	86,048,652
Accrual	-	-	-	-	(2,706,056)	(2,042,934)	(1,219,046)	(2,064,064)	(2,648,568)	(27,731,158)	(38,411,826)
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	669,935	37,297	798	155	-	-	-	-	-	-	708,185
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	(358,969)	(165,650)	(84,112)	(87,564)	(97,981)	(90,658)	(57,967)	(90,065)	(122,444)	(1,105,124)	(2,260,534)
<b>Total number of clients</b>	<b>574,636</b>	<b>82,399</b>	<b>41,005</b>	<b>29,920</b>	<b>44,397</b>	<b>38,043</b>	<b>26,906</b>	<b>43,018</b>	<b>51,663</b>	<b>1,587,663</b>	<b>2,519,650</b>
<b>Total Individuals portfolio</b>	<b>39,974,069</b>	<b>3,155,347</b>	<b>2,958,753</b>	<b>2,256,842</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,345,011</b>
<b>Debt</b>	<b>40,333,038</b>	<b>3,320,997</b>	<b>3,042,865</b>	<b>2,344,406</b>	<b>2,804,037</b>	<b>2,133,592</b>	<b>1,277,013</b>	<b>2,154,129</b>	<b>2,771,012</b>	<b>28,836,282</b>	<b>89,017,371</b>
<b>Accrual</b>	<b>(358,969)</b>	<b>(165,650)</b>	<b>(84,112)</b>	<b>(87,564)</b>	<b>(2,804,037)</b>	<b>(2,133,592)</b>	<b>(1,277,013)</b>	<b>(2,154,129)</b>	<b>(2,771,012)</b>	<b>(28,836,282)</b>	<b>(40,672,360)</b>
<b>Companies</b>											
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	81,989,746	1,776,852	647,707	807,895	370,300	422,959	348,907	-	-	-	86,364,366
Debt	81,989,746	1,776,852	647,707	807,895	773,526	798,230	606,447	5,433,983	1,134,768	7,739,491	101,708,645
Accrual	-	-	-	-	(403,226)	(375,271)	(257,540)	(5,433,983)	(1,134,768)	(7,739,491)	(15,344,279)
Number of clients with renegotiation	1,613	1,545	288	245	291	256	200	248	347	3,960	8,993
Gross portfolio with renegotiation	257,043	12,405	309	188	26	22	42	-	-	-	270,035
Debt	568,277	125,904	52,473	48,042	55,366	45,122	34,665	41,181	50,950	514,236	1,536,216
Accrual	(311,234)	(113,499)	(52,164)	(47,854)	(55,340)	(45,100)	(34,623)	(41,181)	(50,950)	(514,236)	(1,266,181)
<b>Total number of clients</b>	<b>91,155</b>	<b>14,412</b>	<b>4,809</b>	<b>3,170</b>	<b>3,934</b>	<b>3,272</b>	<b>2,239</b>	<b>3,353</b>	<b>4,528</b>	<b>62,816</b>	<b>193,688</b>
<b>Total companies portfolio</b>	<b>82,246,789</b>	<b>1,789,257</b>	<b>648,016</b>	<b>808,083</b>	<b>370,326</b>	<b>422,981</b>	<b>348,949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,634,401</b>
<b>Debt</b>	<b>82,558,023</b>	<b>1,902,756</b>	<b>700,180</b>	<b>855,937</b>	<b>828,892</b>	<b>843,352</b>	<b>641,112</b>	<b>5,475,164</b>	<b>1,185,718</b>	<b>8,253,727</b>	<b>103,244,861</b>
<b>Accrual</b>	<b>(311,234)</b>	<b>(113,499)</b>	<b>(52,164)</b>	<b>(47,854)</b>	<b>(458,566)</b>	<b>(420,371)</b>	<b>(292,163)</b>	<b>(5,475,164)</b>	<b>(1,185,718)</b>	<b>(8,253,727)</b>	<b>(16,610,460)</b>
<b>Other</b>											
Number of clients w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio w/o renegotiation	449,989	-	-	-	-	-	-	-	-	-	449,989
Debt	449,989	-	-	-	-	-	-	-	-	-	449,989
Accrual	-	-	-	-	-	-	-	-	-	-	-
<b>Total number of clients</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total companies portfolio</b>	<b>449,989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>449,989</b>
<b>Debt</b>	<b>449,989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>449,989</b>
<b>Accrual</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Portfolio Consolidated</b>											
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	121,743,869	4,894,902	3,605,662	3,064,582	370,300	422,959	348,907	-	-	-	134,451,181
Debt	121,743,869	4,894,902	3,605,662	3,064,582	3,479,582	2,841,164	1,825,493	7,498,047	3,783,336	35,470,649	188,207,286
Accrual	-	-	-	-	(3,109,282)	(2,418,205)	(1,476,586)	(7,498,047)	(3,783,336)	(35,470,649)	(53,756,105)
Number of clients with renegotiation	10,895	8,135	1,567	1,458	1,696	1,314	877	1,429	2,132	25,476	54,979
Gross portfolio with renegotiation	926,978	49,702	1,107	343	26,000	22,000	42,000	-	-	-	978,220
Debt	1,597,181	328,851	137,383	135,761	153,347	135,780	92,632	131,246	173,394	1,619,360	4,504,935
Accrual	(670,203.00)	(279,149.00)	(136,276.00)	(135,418.00)	(153,321)	(135,758)	(92,590)	(131,246)	(173,394)	(1,619,360)	(3,526,715)
<b>Total number of clients (1)</b>	<b>665,791</b>	<b>96,811</b>	<b>45,814</b>	<b>33,090</b>	<b>48,331</b>	<b>41,315</b>	<b>29,145</b>	<b>46,371</b>	<b>56,191</b>	<b>1,650,479</b>	<b>2,713,338</b>
<b>Total Consolidated portfolio</b>	<b>122,670,847</b>	<b>4,944,604</b>	<b>3,606,769</b>	<b>3,064,925</b>	<b>370,326</b>	<b>422,981</b>	<b>348,949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,429,401</b>
<b>Debt</b>	<b>123,341,050</b>	<b>5,223,753</b>	<b>3,743,045</b>	<b>3,200,343</b>	<b>3,632,929</b>	<b>2,976,944</b>	<b>1,918,125</b>	<b>7,629,293</b>	<b>3,956,730</b>	<b>37,090,009</b>	<b>192,712,221</b>
<b>Accrual</b>	<b>(670,203)</b>	<b>(279,149)</b>	<b>(136,276)</b>	<b>(135,418)</b>	<b>(3,262,603)</b>	<b>(2,553,963)</b>	<b>(1,569,176)</b>	<b>(7,629,293)</b>	<b>(3,956,730)</b>	<b>(37,090,009)</b>	<b>(57,282,820)</b>

(1) The information referring to this line represents the current number of customers and those that have been commercially derecognized and which are still in collections.

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**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	12.31.2014	12.31.2013
							ThCh\$	ThCh\$
						<b>TOTAL</b>	<b>15.722.193</b>	<b>13.478.460</b>
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	Mercantile Current Account	CLP	60 days	13.367.460	12.111.808
				Professional Serv.	CLP	60 days	2.354.733	1.366.652
						<b>TOTAL</b>	<b>10.221.814</b>	<b>5.168.022</b>
Telefónica Chile S.A.	90.635.000-9	Chile	Related to the parent company	Access inbound and CPP	CLP	60 days	1.974.610	5.168.022
				Collection	CLP	60 days	8.247.204	-
Telfisa Global B.V.	Foreign	Spain	Related to the parent company	Commission administration	CLP	90 days	958.898	-
Vivo S.A.	Foreign	Brazil	Related to the parent company	Serv. Provided	USD	90 days	711.063	190.881
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Related to the parent company	Serv. Provided	CLP	60 days	599.119	315.191
Telefónica Larga Distancia S.A.	96.672.160-K	Chile	Related to the parent company	Serv. Provided	CLP	60 days	403.307	773.862
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Related to the parent company	Serv. Provided	USD	90 days	400.961	330.335
Telefónica Móviles España S.A.	Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	332.851	211.354
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Related to the parent company	Serv. Provided	USD	90 days	289.135	6.553
Telefónica O2 Germany GmbH & Co Ohg	Foreign	Germany	Related to the parent company	Serv. Provided	USD	90 days	272.940	141.500
Telcel Venezuela	Foreign	Venezuela	Related to the parent company	Serv. Provided	USD	90 days	199.878	159.670
Telefónica Móviles Soluciones y Aplicaciones S.A.(1)	96.990.810-7	Chile	Related to the parent company	Serv. Provided	CLP	60 days	108.689	908.967
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Related to the parent company	Serv. Provided	CLP	60 days	105.101	-
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Related to the parent company	Serv. Provided	CLP	60 days	86.832	60.805
Telefónica Móviles Perú S.A.	Foreign	Peru	Related to the parent company	Serv. Provided	USD	90 days	41.175	20.755
Telefónica Móviles de Panamá	Foreign	Panama	Related to the parent company	Serv. Provided	USD	90 days	39.774	2.864
O2 UK	Foreign	England	Related to the parent company	Serv. Provided	USD	90 days	33.801	56.134
Telefónica Factoring Chile, S.A.	76.096.189-2	Chile	Related to the parent company	Serv. Provided	CLP	60 days	27.127	-
Telefónica Asset Management Chile S.A.	76.173.568-3	Chile	Common parent company	Serv. Provided	CLP	60 days	27.100	7.100
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Related to the parent company	Serv. Provided	CLP	60 days	24.911	46.731
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Related to the parent company	Serv. Provided	CLP	60 days	14.667	10.718
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Related to the parent company	Serv. Provided	USD	90 days	9.679	19.809
Intertel S.A.	96.898.630-9	Chile	Common parent company	Serv. Provided	CLP	60 days	9.500	4.500
Telefónica Slovakia	Foreign	Slovakia	Related to the parent company	Serv. Provided	CLP	60 days	9.248	7.210
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Related to the parent company	Serv. Provided	USD	90 days	7.391	16.487
Terra Networks Chile S.A.	96.834.230-4	Chile	Related to the parent company	Serv. Provided	CLP	60 days	5.693	3.861
Telefónica Móviles El Salvador	Foreign	El Salvador	Related to the parent company	Serv. Provided	USD	90 days	4.434	580
Otecel S.A.	Foreign	Equator	Related to the parent company	Serv. Provided	USD	90 days	834	8.448
Telefónica O2 Ireland Ltda	Foreign	Ireland	Related to the parent company	Serv. Provided	USD	90 days	416	1.114
Telefónica Móviles Guatemala	Foreign	Guatemala	Related to the parent company	Serv. Provided	USD	90 days	260	1.077
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Related to the parent company	Serv. Provided	USD	90 days	194	499
							<b>30.668.985</b>	<b>21.953.487</b>

(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.



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9. Accounts receivable and payable to related companies, continued

b) Non-current accounts receivable from related parties:

Company	Taxpayer #	Country of origin	Nature of the relationship	Origin of the transaction	Currency	Term	12.31.2014 ThCh\$	12.31.2013 ThCh\$
Telefónica Chile S.A.	90.635.000-9	Chile	Related to the Parent	Comm. curr. acct.	Ch\$	-	73,072,214	-
<b>Total</b>							<b>73,072,214</b>	<b>-</b>

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9. Accounts receivable and payable to related companies, continued

c) Accounts payable to related companies current

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	12.31.2014	12.31.2013	
							ThCh\$	ThCh\$	
							<b>TOTAL</b>	<b>30,559,789</b>	<b>19,327,698</b>
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	Professional services	CLP	60 days	29,109,906	19,327,698	
				Others			1,449,883	-	
							<b>TOTAL</b>	<b>10,779,196</b>	<b>14,139,589</b>
Telefónica Chile S.A.(1)	90.635.000-9	Chile	Related to the parent company	W Serv Lease - Space and Energy	CLP	60 days	5,748,648	5,053,010	
				Access Charge and Links	CLP	60 days	4,946,322	4,875,043	
				Others	EUR	90 days	84,226	4,211,536	
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Related to the parent company	Management Services	CLP	60 days	4,672,234	5,438,025	
Telefónica S.A.		Foreign	Spain	Related to the parent company	Servicios de Brand Fee	CLP	60 days	3,885,505	8,270,328
Telefónica Internacional S.A.U.		Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	2,644,806	3,681,287
Telefónica Larga Distancia S.A.	96.672.160-K	Chile	Related to the parent company	Serv. Provided	CLP	60 days	1,938,059	2,015,743	
Telefónica Global Technology Chile S.A.	59.165.120-K	Chile	Related to the parent company	Serv. Provided	CLP	60 days	1,440,487	-	
Telefónica Móviles Argentina S.A.		Foreign	Argentina	Related to the parent company	Serv. Provided	USD	90 days	910,253	129,664
Telefónica International Wholesale Services Chile S.A.	96.910.730.-9	Chile	Related to the parent company	Serv. Provided	CLP	60 days	714,752	216,152	
Vivo S.A.		Foreign	Brazil	Related to the parent company	Serv. Provided	USD	90 days	588,051	110,460
Telefónica International Wholesale Services España		Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	545,920	14,322
Telefónica Móviles Perú S.A.		Foreign	Peru	Related to the parent company	Serv. Provided	CLP	90 days	419,303	96,968
Telefónica Móviles Soluciones y Aplicaciones S.A.(2)	76.172.003-1	Chile	Related to the parent company	Mercantile Current Account	CLP	60 days	327,186	2,567,495	
Telefónica Digital España		Foreign	Spain	Related to the parent company	Serv. Provided	USD	90 days	316,017	-
Telefónica Móviles España S.A.		Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	311,348	201,793
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Related to the parent company	Serv. Provided	CLP	60 days	272,446	312,651	
Pegaso PCS, S.A. de C.V.		Foreign	Mexico	Related to the parent company	Serv. Provided	USD	90 days	156,794	67,106
Telfisa Global B.V.		Foreign	Spain	Related to the parent company	commission administration	CLP	90 days	146,456	159,564
Terra Networks Chile S.A.	96.834.230-4	Chile	Related to the parent company	Serv. Provided	CLP	60 days	111,463	230,034	
Telefónica Global Roaming GmbH		Foreign	Germany	Related to the parent company	Serv. Provided	EUR	90 days	77,191	-
Telefónica Asset Management Chile S.A.	76.173.568-3	Chile	Common parent company	Serv. Provided	CLP	60 days	76,473	45,206	
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	
Colombia Telecomunicaciones S.A.E.S.P (Telecom)		Foreign	Colombia	Related to the parent company	Serv. Provided	USD	90 days	55,423	-
Telcel Venezuela		Foreign	Venezuela	Related to the parent company	Serv. Provided	USD	90 days	52,532	19,723
Otecel S.A.		Foreign	Equator	Related to the parent company	Serv. Provided	USD	90 days	49,957	15,759
Telefónica Móviles del Uruguay S.A.		Foreign	Uruguay	Related to the parent company	Serv. Provided	USD	90 days	48,979	12,704
Telefónica Global Technology		Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	39,964	-
Telefónica Slovakia		Foreign	Slovakia	Related to the parent company	Serv. Provided	CLP	60 days	29,485	-
Telefónica Móviles Panamá		Foreign	Panama	Related to the parent company	Serv. Provided	USD	90 days	13,670	6,013
Telefónica on the Spot Services S.A.U.		Foreign	Spain	Related to the parent company	Serv. Provided	CLP	30 days	3,897	3,891
Telefónica O2 Ireland Ltda		Foreign	Ireland	Related to the parent company	Serv. Provided	USD	90 days	2,034	995
Telefónica Móviles El Salvador		Foreign	El Salvador	Related to the parent company	Serv. Provided	USD	90 days	946	1,968
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Related to the parent company	Serv. Provided	CLP	60 days	704	704	
Telefonía Celular de Nicaragua S.A.		Foreign	Nicaragua	Related to the parent company	Serv. Provided	USD	90 days	441	1,889
Telefónica Móviles Guatemala		Foreign	Guatemala	Related to the parent company	Serv. Provided	USD	90 days	318	2,642
Telefónica Global Applications S.L.		Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	-	67,715
Telefónica O2 Germany GmbH & Co Ohg		Foreign	Germany	Related to the parent company	Serv. Provided	USD	90 days	-	22,136
<b>Total</b>							<b>61,261,241</b>	<b>57,249,386</b>	

(1) On November 30, 2014, Telefónica Gestión de Servicios Compartidos merged with Telefónica Chile S.A. leaving the latter as the continuer.

(2) 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 Consolidated Financial Statements  
As of December 31, 2014 and 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	12.31.2014 ThCh\$	12.31.2013 ThCh\$
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Related to the parent company	CLP	<b>SUB TOTAL</b>	<b>(60.458.557)</b>	<b>(62.133.121)</b>
					Services staff seconded from other	(63.574.210)	(64.847.592)
					Sales	2.765.001	1.365.774
					Financial income financial expenses	360.221 (9.569)	1.348.697 -
Telefónica Chile S.A.	90.635.000-9	Chile	Related to the parent company	CLP	<b>SUB TOTAL</b>	<b>(29.361.224)</b>	<b>(19.543.530)</b>
					Costs access charges	3.930.416	11.810.023
					Leasing land and plots	1.329.334	1.249.984
					Others	1.041.912	1.075.392
Telefónica Chile S.A.	90.635.000-9	Chile	Related to the parent company	CLP	<b>Costs</b>		
					Rental national circuits	(25.069.798)	(23.007.256)
					Services staff seconded from other	(6.749.222)	(6.310.415)
					Costs access charges	(3.916.081)	(4.361.258)
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Related to the parent company	CLP	<b>SUB TOTAL</b>	<b>(16.590.791)</b>	<b>(14.917.951)</b>
					Professional Serv.	(17.137.215)	(17.411.102)
					Others	(85.853)	(6.067)
					Service cellphones	632.277	2.499.218
Telefónica S.A.	Foreign	Spain	Shareholder	EUR	<b>SUB TOTAL</b>	<b>(15.351.307)</b>	<b>(15.373.548)</b>
					Brand Fee	(15.334.807)	(15.345.881)
					Others	(16.500)	(27.667)
Telefónica Larga Distancia S.A.	96.672.160-K	Chile	Related to the parent company	CLP	<b>SUB TOTAL</b>	<b>(8.305.746)</b>	<b>(7.552.772)</b>
					Fixed Income - Mobile	1.533.346	2.172.300
					Others	-	868.753
					Costs	(9.796.795)	(10.593.825)
Telefónica Global Technology Chile S.A.	59.165.120-K	Chile	Related to the parent company	CLP	<b>SUB TOTAL</b>	<b>(5.747.024)</b>	<b>-</b>
					Costs	(5.743.069)	-
					financial expenses	(3.955)	-
Telefónica Internacional S.A.U.	Foreign	Spain	Related to the parent company	EUR	Management Fee	(1.947.927)	(2.249.279)
					Others	(35.927)	-
					<b>SUB TOTAL</b>	<b>1.347.800</b>	<b>3.360.316</b>
Telfisa Global B.V.	Foreign	Spain	Related to the parent company	CLP	Financial income	1.489.122	3.464.705
					commission administration	(141.322)	(104.389)
					<b>SUB TOTAL</b>	<b>(724.193)</b>	<b>(268.946)</b>
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Related to the parent company	CLP	Costs	(847.904)	(325.308)
					Sales	123.711	56.362
					<b>SUB TOTAL</b>	<b>(497.829)</b>	<b>(387.406)</b>
Telefónica International Wholesale Services	Foreign	Spain	Related to the parent company	CLP	Costs	(534.541)	-
					<b>SUB TOTAL</b>	<b>(497.829)</b>	<b>(387.406)</b>
Telefónica Móviles Perú S.A.	Foreign	Peru	Related to the parent company	USD	Costos	(589.847)	(511.297)
					Sales	92.018	123.891
					<b>SUB TOTAL</b>	<b>(497.638)</b>	<b>(487.759)</b>
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Related to the parent company	CLP	Costs	(564.084)	(524.090)
					Sales	66.446	36.331
					<b>SUB TOTAL</b>	<b>(334.822)</b>	<b>(756.652)</b>
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Related to the parent company	CLP	Sales	479.216	147.750
					<b>SUB TOTAL</b>	<b>(334.822)</b>	<b>(756.652)</b>
Terra Networks Chile S.A.	96.834.230-4	Chile	Related to the parent company	CLP	Costs	(350.738)	(773.216)
					Sales	15.916	16.564
					<b>SUB TOTAL</b>	<b>(295.358)</b>	<b>(2.148.978)</b>
Telefónica Móviles España S.A.	Foreign	Spain	Related to the parent company	EUR	Costs	(681.078)	(1.129.880)
					Sales	385.720	(1.019.098)
					<b>SUB TOTAL</b>	<b>(284.229)</b>	<b>(471.645)</b>
Telefónica Digital España	Foreign	Spain	Related to the parent company	EUR	Digital Services	(351.944)	(471.645)
					Transmission Servicios	67.715	-
					<b>SUB TOTAL</b>	<b>(272.939)</b>	<b>(110.365)</b>
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Related to the parent company	EUR	Costs	(311.319)	(228.452)
					Sales	38.380	118.087
					<b>SUB TOTAL</b>	<b>(272.939)</b>	<b>(110.365)</b>
Telefónica Global Roaming GmbH	Foreign	Germany	Related to the parent company	EUR	Costs	(169.512)	(50.201)

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9. Accounts receivable and payable to related companies, continued

d) Transactions, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	12.31.2014 ThCh\$	12.31.2013 ThCh\$
					<b>SUB TOTAL</b>	<b>153.856</b>	<b>738.654</b>
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Relacionado con la Matriz	USD	Sales	974.704	1.258.200
					Costs	(820.848)	(519.546)
					<b>SUB TOTAL</b>	<b>(132.145)</b>	<b>(171.883)</b>
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Relacionado con la Matriz	USD	Costs	(147.524)	(200.266)
					Sales	15.379	28.383
O2 UK	Foreign	England	Relacionado con la Matriz	USD	Sales	74.316	-
					<b>SUB TOTAL</b>	<b>(50.046)</b>	<b>(24.540)</b>
Otecel S.A.	Foreign	Equator	Relacionado con la Matriz	USD	Costs	(71.691)	(52.708)
					Sales	21.645	28.168
					<b>SUB TOTAL</b>	<b>46.430</b>	<b>443.639</b>
Vivo S.A.	Foreign	Brazil	Relacionado con la Matriz	USD	Costs	(548.762)	(301.197)
					Sales	595.192	744.836
					<b>SUB TOTAL</b>	<b>(39.060)</b>	<b>11.756</b>
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Relacionado con la Matriz	USD	Costs	(85.772)	(52.866)
					Sales	46.712	64.622
Telefónica Asset Management Chile S.A.	76.173.568-3	Chile	Relacionado con la Matriz	CLP	Costs	(31.265)	-
					<b>SUB TOTAL</b>	<b>(28.024)</b>	<b>6.737</b>
Telefónica Slovakia	Foreign	Slovakia	Relacionado con la Matriz	CLP	Costs	(30.084)	-
					Sales	2.060	6.737
					<b>SUB TOTAL</b>	<b>(21.968)</b>	<b>(16.043)</b>
Telefónica Móviles Panamá	Foreign	Panama	Relacionado con la Matriz	USD	Costs	(32.871)	(35.715)
					Sales	10.903	19.672
					<b>SUB TOTAL</b>	<b>-</b>	<b>33.402</b>
Telefónica on the Spot Services S.A.U.	Foreign	Spain	Relacionado con la Matriz	EUR	Costs	(14.943)	(11.216)
					<b>SUB TOTAL</b>	<b>(9.187)</b>	<b>74.486</b>
O2 Germany Gmbh & Co Ohg	Foreign	Germany	Relacionado con la Matriz	USD	Costs	(36.985)	49.616
					Ventas	27.798	24.870
					<b>SUB TOTAL</b>	<b>3.382</b>	<b>(3.109)</b>
Telefónica Móviles El Salvador	Foreign	El Salvador	Relacionado con la Matriz	USD	Costs	3.141	(3.854)
					Sales	241	745
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Relacionado con la Matriz	CLP	Sales	3.249	1.497
					<b>SUB TOTAL</b>	<b>2.817</b>	<b>13.164</b>
Telcel Venezuela	Foreign	Venezuela	Relacionado con la Matriz	USD	Sales	31.875	32.273
					Costs	(29.058)	(19.109)
					<b>SUB TOTAL</b>	<b>2.324</b>	<b>(894.335)</b>
Telefónica Móviles Soluciones y Aplicaciones S.A.	96.990.810-7	Chile	Relacionado con la Matriz	CLP	Financial income	2.324	2.829
					Sales	-	29.840
					Costs	-	(927.004)
					<b>SUB TOTAL</b>	<b>(1.833)</b>	<b>(5.683)</b>
Telefónica Móviles Guatemala	Foreign	Guatemala	Relacionado con la Matriz	USD	Costs	(2.366)	(7.939)
					Sales	533	2.256
					<b>SUB TOTAL</b>	<b>(936)</b>	<b>2.525</b>
Telefónica O2 Ireland Ltda	Foreign	Ireland	Relacionado con la Matriz	USD	Costs	(3.175)	(2.948)
					Sales	2.239	5.473
					<b>SUB TOTAL</b>	<b>(732)</b>	<b>(1.950)</b>
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Relacionado con la Matriz	USD	Costs	(1.267)	(3.621)
					Sales	535	1.671
					<b>SUB TOTAL</b>	<b>-</b>	<b>295.407</b>
O2 Manx Telecom Ltd	Foreign	England	Relacionado con la Matriz	USD	Costs	-	196.575
					Sales	-	98.832
Telefónica Global Tecnología	Foreign	Spain	Relacionado con la Matriz	EUR	financial expenses	-	(2.725)
Telefónica USA Inc.	Foreign	USA	Relacionado con la Matriz	USD	Costs	-	8.815

(1) For comparison purposes, as of December 31, 2014 the transactions of Telefónica Gestión de Servicios Compartidos are presented in Telefónica Chile S.A., due to the merger occurred in November 2014.

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

d) 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 signed a commercial current account agreement with Telefónica Móviles Soluciones S.A, which replaces the contracts signed on December 23, 2011 with Miraflores 130 S.A. This contract, in the same manner as the previous one, considers an annual commission charge of 0.2% on the average annual amount of the investment. That mandate is for an indefinite term.

On December 17, 2014, the Company signed a commercial current account agreement with Telefónica Chile S.A., which establishes remittances in monthly nominal TAB (annual base) in Chilean pesos. The commercial current account and its administration is for a 5-year term, and the parties can agree, in writing, to extend the term of the current account for annual periods, without the need for its final settlement. However, any of the parties can terminate this contract, producing its immediate full and final settlement.

e) Non-current accounts payable to related companies:

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

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currenc	Term	12.31.2014 ThCh\$	12.31.2013 ThCh\$
Telefonica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Common Shareholder	HR obligation	CLP	-	1,366,521	1,366,521
<b>Total</b>							<b>1,366,521</b>	<b>1,366,521</b>

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

As of december 31, 2014 and 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 69 executives considered: General Manager, 12 Directors and 55 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..

9. Accounts receivable and payable to related companies, continued

f) Salaries and benefits received by the Company's key personnel, continued

As of december 31, 2014, subsidiary Telefónica Investigación y Desarrollo Chile SpA. Is managed by a Board of Directors composed of 7 members, who serve on the Board for a period of one year with no remunerations.

The number of executives considered is 4: 1 Director and 3 Managers.

Transactions with the Company's key employees are detailed as follows:

Conceptos	12.31.2014 ThCh\$
Salaries and wages	82.482
Post-employment benefits obligations expense	-
<b>Total</b>	<b>82.482</b>

10. Inventory

a) Inventory is detailed as follows:

Description	12.31.2014			12.31.2013		
	Gross value ThCh\$	Provision for obsolescence ThCh\$	Net Value ThCh\$	Gross value ThCh\$	Provision for obsolescence ThCh\$	Net Value ThCh\$
Mobile equipment (net)	58,357,352	(6,340,084)	52,017,268	68,864,081	(7,844,746)	61,019,335
Accessories	84,268	(70,211)	14,057	265,889	(262,409)	3,480
<b>Total</b>	<b>58,441,620</b>	<b>(6,410,295)</b>	<b>52,031,325</b>	<b>69,129,970</b>	<b>(8,107,155)</b>	<b>61,022,815</b>

As of december 31, 2014 and 2013 there have been no inventory write-offs and there is no inventory in guarantee. The balance of the obsolescence accrual amounts to ThCh\$ 6,410,295 for 2014 and ThCh\$ 8,107,155 for 2013.

b) Inventory movements are detailed as follows:

Description	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
<b>Beginning balance</b>	<b>61,022,815</b>	<b>52,482,983</b>
Purchases	249,297,029	240,897,687
Sales	(259,985,379)	(231,104,355)
Obsolescence provision (period to effect result)	1,696,860	(1,253,500)
<b>Movements, subtotal</b>	<b>(8,991,490)</b>	<b>8,539,832</b>
<b>Closing balance</b>	<b>52,031,325</b>	<b>61,022,815</b>

## 11. Taxes

### a) Income Taxes

As of december 31, 2014 and 2013, the Company has established a consolidated first category income tax reserve since it determined a positive taxable base of ThCh\$ 87,050,038 and ThCh\$ 95,559,478, 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. Based on the information available to date, management believes that there are no significant liabilities other than those recorded for this concept in the financial statements.

As of december 31, 2014, the parent company has a positive Taxable Income Fund balance in the amount of ThCh\$ 32,533,070.

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\$ 738,027.

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

Subsidiarias	Year	Tax Rate	Taxable Net	Taxable Net	Factor	Amount
			Income with Credit ThCh\$	Income Without credit ThCh\$		
Telefónica Móviles Chile S.A.	2014	21%	14,027,833	18,280,508	0.26582	3,728,918
T. Investigación y Desarrollo Chile SpA	2014	21%	177,536	47,193	0.26582	47,193
<b>Totales</b>	-	-	<b>14,252,562</b>	<b>18,327,701</b>		<b>3,776,111</b>

### b) Current tax assets

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

### c) Current tax liabilities

Movements	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Income tax accrual (1)	9,590,394	15,430,236
<b>Final balance</b>	<b>9,590,394</b>	<b>15,430,236</b>

(1) As of december 31, 2014 the provision for income tax is presented net of estimated monthly payments for ThCh\$19,201,235 and 2013 for ThCh\$ 14,165,115.



11. Taxes, continued

d) Deferred tax assets and liabilities

As of december 31,2014 and 2013, accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh\$ 3,891,911 and ThCh\$ 17,525,621, respectively which are detailed as follows:

Disclosure of temporary differences, losses and unused tax credits - As of december 31, 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 (1)	Temporary differences	Temporary differences, losses and unused tax credits
<b>Deferred tax assets and liabilities</b>											
Deferred tax assets	2,326,995	12,712,667	1,422,852	4,211,407	2,779,561		3,202,700		(22,764,271)	3,891,911	3,891,911
Deferred tax liabilities	313,988					5,774,861	16,675,422		(22,764,271)	-	-
<b>Deferred tax liabilities (assets)</b>	<b>(2,013,007)</b>	<b>(12,712,667)</b>	<b>(1,422,852)</b>	<b>(4,211,407)</b>	<b>(2,779,561)</b>	<b>5,774,861</b>	<b>13,472,722</b>			<b>(3,891,911)</b>	<b>(3,891,911)</b>
<b>Deferred tax assets and liabilities, net</b>											
Deferred tax assets, net	(2,013,007)	(12,712,667)	(1,422,852)	(4,211,407)	(2,779,561)					(23,139,494)	(23,139,494)
Deferred tax liabilities, net	-	-	-	-	-	5,774,861	13,472,722.00			19,247,583	19,247,583
<b>Deferred tax expense (benefit)</b>											
Deferred tax expense (benefit)	208,685	3,905,924	421,900	163,672	(150,826)	(803,743)	12,910,657			16,656,269	16,656,269
Deferred tax expense (benefit) recognized in income	208,685	3,905,924	421,900	163,672	(150,826)	(803,743)	12,910,657			16,656,269	16,656,269
<b>Reconciliation of changes in deferred tax liabilities (assets)</b>											
Deferred tax liabilities (assets) - Beginning balance Dec. 2013	(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)
<b>Changes in deferred tax liabilities (assets)</b>											
Deferred tax expense (benefit) recognized in income	208,685	3,905,924	421,900	163,672	(150,826)	(803,743)	12,910,657			16,656,269	16,656,269
Deferred taxes related to items credited (charged) directly to equity	(686,632)	(1,623,416)	(223,321)	(5,939)	(263,716)	589,613	(499,996)	(309,152)		(3,022,559)	(3,022,559)
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	-		-	-
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)	-	-	-	-	-	-	-	-		-	-
<b>Increase (decrease) in deferred tax liabilities (assets)</b>	<b>(477,947)</b>	<b>2,282,508</b>	<b>198,579</b>	<b>157,733</b>	<b>(414,542)</b>	<b>(214,130)</b>	<b>12,410,661</b>	<b>(309,152)</b>		<b>13,633,710</b>	<b>13,633,710</b>
Deferred tax liabilities (assets)	(2,013,007)	(12,712,667)	(1,422,852)	(4,211,407)	(2,779,561)	5,774,861	13,472,722			(3,891,911)	(3,891,911)

(1) 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 (1)	Temporary differences	Temporary differences, losses and unused tax credits
<b>Deferred tax assets and liabilities</b>											
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)	-	-
<b>Deferred tax liabilities (assets)</b>	<b>(1,535,060)</b>	<b>(14,995,175)</b>	<b>(1,621,431)</b>	<b>(4,369,140)</b>	<b>(2,365,019)</b>	<b>5,988,991</b>	<b>1,062,061</b>	<b>309,152</b>	<b>-</b>	<b>(17,525,621)</b>	<b>(17,525,621)</b>
<b>Deferred tax assets and liabilities, net</b>											
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
<b>Deferred tax expense (benefit)</b>											
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
<b>Reconciliation of changes in deferred tax liabilities (assets)</b>											
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)
<b>Changes in deferred tax liabilities (assets)</b>											
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)	-	-	-	-	-	-	-	-	-	-	-
<b>Increase (decrease) in deferred tax liabilities (assets)</b>	<b>(192,847)</b>	<b>(490,068)</b>	<b>(250,700)</b>	<b>(571,772)</b>	<b>-</b>	<b>1,187,168</b>	<b>2,021,437</b>	<b>100,463</b>	<b>-</b>	<b>1,803,681</b>	<b>1,803,681</b>
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

e) Taxable Income:

As of december 31,2014 and 2013, a first category income tax provision has been established, since a positive taxable base was determined in the amount of ThCh\$71,026,440 and ThCh\$ 95,559,478, respectively for each period, detailed as follows:

Description	Liquid Taxable Income	
	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Finance income	107,491,172	93,222,269
Recorded tax expense	31,459,386	22,460,322
Additions	57,843,498	62,061,018
Deductions	(125,767,616)	(82,184,131)
Taxable Net Income	71,026,440	95,559,478
First category tax rate 21% and 20% (1)	14,915,552	19,111,896
Art. 21 rejected expenses tax base	424,345	480,138
Art. 21 non-deductible expenses (35% rate)	148,521	168,048
<b>Total Tax Provision</b>	<b>15,064,073</b>	<b>19,279,944</b>
Contingencies provision	-	1,000,000
Previous year deficit (surplus)	(260,956)	466,740
<b>Total first category taxes</b>	<b>14,803,117</b>	<b>20,746,684</b>

(1) First category (corporate) income tax has been accounted for considering the increase in the rate from 20% to 21%, due to the tax reform of Law 20,780. The effect of the change in the first category tax rate from 20% to 21% for 2014, amounted to ThCh\$ 710,264.



11. Taxes, continued

f) Income tax reconciliation:

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

Concepts	12.31.2014		12.31.2013	
	Taxable base ThCh\$	Tax Rate 21% ThCh\$	Taxable base ThCh\$	Tax Rate 20% ThCh\$
<b>Based on accounting income before taxes:</b>				
Finance income	107,491,172		93,222,269	
Recorded tax expense	31,459,386		22,460,322	
<b>Income before taxes</b>	<b>138,950,558</b>	<b>29,179,617</b>	<b>115,682,551</b>	<b>23,136,510</b>
<b>Permanent differences</b>				
Price-level restatement of taxable equity	(18,671,702)	(3,921,057)	(7,543,213)	(1,508,643)
Investment income related companies	(2,178,346)	(457,453)	(2,596,096)	(519,219)
Equity exchange rate effect (1)	12,901,790	2,709,376	-	-
Effect of exchange rate tax reform	279,242	58,641	-	-
Others	18,525,058	3,890,262	6,758,366	1,351,673
<b>Total corporate tax expense</b>	<b>149,806,600</b>	<b>31,459,386</b>	<b>112,301,608</b>	<b>22,460,321</b>
<b>Based on taxable net income and deferred taxes calculated on the basis of temporary differences:</b>				
21% and 20% income tax		14,915,552		19,111,896
35% income tax		148,521		168,048
Provision for tax contingencies		-		1,000,000
Prior years deficit		(260,956)		466,740
<b>Total Income tax expense</b>		<b>14,803,117</b>		<b>20,746,684</b>
<b>Total Deferred tax expense (2)</b>		<b>16,656,269</b>		<b>1,713,638</b>
<b>Total corporate tax expense</b>		<b>31,459,386</b>		<b>22,460,322</b>
<b>Effective rate(3)</b>		<b>22.64%</b>		<b>19.42%</b>

- (1) As per Official Letter No. 856 issued by the Superintendency of Securities and Insurance (SVS) dated October 17, 2014, the sum of ThCh\$2,709,376 (revenue) has been recorded with an effect on equity, in order to recognize deferred taxes at their rate of reversal, due to the tax reform of Law 20,780 dated September 29, 2014.
- (2) On September 29, 2014, Law No. 20,780 was issued, which contains the Tax Reform which introduces, among other things, changes in the tax regime of companies that pay first category (corporate) income taxes.
- (3) Effective rate determined considering the tax expense accounted for in income in respect to finance income after taxes. The effective rate determined, considering the tax expense and the effect accounted for in equity in respect to finance income before taxes amounts to 22.64%.



## 11. Taxes, continued

### g) Tax reform

On September 29, 2014, Law No. 20,780 was published, which contains the Tax Reform which introduces, among other things, changes in the tax regime of companies that pay first category (corporate) income tax. The income tax rate is increased gradually from the current rate of 20% to 21% as of 2014, up to a rate of 27% in 2018, in the so-called semi-integrated, or shared or distributed tax system. In the case of attributed income, incorporated with this legal modification, the maximum rate will be 25%.

For the purpose of preparing this financial statement, we have incorporated the maximum rate of 27% in the determination of deferred taxes, considering the semi integrated system. That system has been chosen for this purpose, however that decision must be ratified by the Board of Directors and the Shareholders' Meeting (deadline in 2016).

The tax rates are detailed as follows:

Commercial year	Rate %
2014	21.0
2015	22.5
2016	24.0
2017	25.5
2018	27.0

The rate change implied an effect on deferred taxes as of September 2014 in the amount of ThCh\$ 2,709,376 (with an effect on equity) in accordance with what is indicated in Note 2c) and 2j) and of ThCh\$929,765 in income tax from 20% to 21% (with an effect on income) for 2014.

In addition it shows an effect on equity due to the share in Telefónica Chile Servicios Corporativos Ltda. in the amount of ThCh\$1,316,746.

## 12. Investments accounted for using the equity method

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

Taxpayer No.	Name	Investment	Participation percentage %	Current assets	Non-current	Current	Non-current	Ordinary	Ordinary	Income
		balance 12.31.2014		ThCh\$	assets ThCh\$	liabilities ThCh\$	liabilities ThCh\$	income ThCh\$	expenses ThCh\$	
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	9,432,252	48	83,858,065	48,078,699	79,825,490	32,460,748	182,936,724	172,015,563	5,926,930

  

Taxpayer No.	Name	Investment	Participation percentage %	Current assets	Non-current	Current	Non-current	Ordinary	Ordinary	Income
		balance 12.31.2013		ThCh\$	assets ThCh\$	liabilities ThCh\$	liabilities ThCh\$	income ThCh\$	expenses 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



12. Investments accounted for using the equity method, continued

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

Movements	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
<b>Beginning balance</b>	<b>6,210,509</b>	<b>2,484,207</b>
Participation in ordinary income current period	2,844,926	3,726,302
Other increases (decreases) (1)	376,817	-
<b>Movements, subtotal</b>	<b>3,221,743</b>	<b>3,726,302</b>
<b>Final balance</b>	<b>9,432,252</b>	<b>6,210,509</b>

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.

13. Intangible Assets other than goodwill,

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

Description	12.31.2014		12.31.2013			
	Intangibles, gross ThCh\$	Accumulated amortization ThCh\$	Intangible, net ThCh\$	Intangibles, gross ThCh\$	Accumulated amortization ThCh\$	Intangible, net ThCh\$
Intangible assets (1)	125.901.281	(95.321.835)	30.579.446	125.901.281	(93.571.337)	32.329.944
Licenses and software	220.729.443	(163.441.765)	57.287.678	180.157.292	(136.530.193)	43.627.099
<b>Total</b>	<b>346.630.724</b>	<b>(258.763.600)</b>	<b>87.867.124</b>	<b>306.058.573</b>	<b>(230.101.530)</b>	<b>75.957.043</b>

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

b) Movements in intangible assets other than goodwill for december 31, 2014 are as follows:

Movements	Intangible assets, net	Licenses and software, net	Intangibles, net
	ThCh\$	ThCh\$	ThCh\$
<b>Beginning balance as of 01.01.14</b>	<b>32,329,944</b>	<b>43,627,099</b>	<b>75,957,043</b>
Amortization	(1,750,498)	(26,911,572)	(28,662,070)
Other Increase (decrease)	-	40,572,151	40,572,151
<b>Movements, subtotal</b>	<b>(1,750,498)</b>	<b>13,660,579</b>	<b>11,910,081</b>
<b>Ending balance as of 12.31.2014</b>	<b>30,579,446</b>	<b>57,287,678</b>	<b>87,867,124</b>
<b>Remaining average useful life</b>	<b>2 years</b>		



13. Intangible Assets other than goodwill, continued

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\$
<b>Beginning balance as of 01.01.13</b>	<b>33,824,644</b>	<b>27,416,605</b>	<b>61,241,249</b>
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
<b>Movements, subtotal</b>	<b>(1,494,700)</b>	<b>16,210,494</b>	<b>14,715,794</b>
<b>Ending balance as of 12.31.2013</b>	<b>32,329,944</b>	<b>43,627,099</b>	<b>75,957,043</b>
<b>Remaining average useful life</b>		<b>2 years</b>	

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

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

At december 31, 2014 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 5.7%, growth rate that is consistent with historical behavior.
- ii) Discount: The rate used to discount future cash flows is 8.24% (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 8.24%, 12% and 14%.

The financial statements of december 31, 2014 was not picked up any impact as a result of the impairment tests performed on intangible assets.



#### 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 december 31, 2014.

The balance of goodwill for december 31, 2014 and 2013 are detailed as follows:

Movements	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Telefónica Móviles Chile S.A.	483,179,725	483,179,725
<b>Total</b>	<b>483,179,725</b>	<b>483,179,725</b>

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.).

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 5.7%, growth rate that is consistent with historical behavior.
- ii) Discount rate: the rate used to discount future cash flows is 8.24% (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.



**14. Goodwill, continued**

- 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 8.24%, 12% and 14%.

Based on the impairment calculations performed by management, as of 2014 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.



## 15. Property, Plant and Equipment

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

Concepts	12.31.2014			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	3,310,387	-	3,310,387	3,328,133	-	3,328,133
Buildings	146,091,153	(102,176,612)	43,914,541	129,458,750	(99,139,683)	30,319,067
Transport equipment	17,214	(17,214)	-	17,214	(17,214)	-
Supplies and accessories	10,405,029	(7,759,565)	2,645,464	10,408,998	(7,335,035)	3,073,963
Office equipment	768,924	(681,111)	87,813	768,107	(660,742)	107,365
Construction in progress	91,640,476	-	91,640,476	86,529,902	-	86,529,902
Information equipment	21,713,988	(17,541,222)	4,172,766	18,838,321	(15,700,292)	3,138,029
Network and communications equipment	805,676,257	(597,609,414)	208,066,843	755,183,862	(537,701,979)	217,481,883
Other property, plant & equipment	3,853,098	(2,981,147)	871,951	3,592,075	(2,513,498)	1,078,577
<b>Total</b>	<b>1,083,476,526</b>	<b>(728,766,285)</b>	<b>354,710,241</b>	<b>1,008,125,362</b>	<b>(663,068,443)</b>	<b>345,056,919</b>

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\$	ThCh\$	ThCh\$
<b>Beginning balance as of 01.01.14</b>	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	-	-	-	-	116,782,315	-	-	-	116,782,315
Reduction	(17,746)	(830,296)	(8,249)	-	-	-	(2,709)	-	(859,000)
Depreciation reduction	-	830,296	4,301	-	-	-	1,554	-	836,151
Depreciation expense	-	(4,111,129)	(428,831)	(20,369)	-	(1,840,930)	(59,665,085)	(467,649)	(66,533,993)
Other Increase (decrease) (1)	-	17,706,603	4,280	817	(111,671,741)	2,875,667	50,251,200	261,023	(40,572,151)
<b>Movements, subtotal</b>	<b>(17,746)</b>	<b>13,595,474</b>	<b>(428,499)</b>	<b>(19,552)</b>	<b>5,110,574</b>	<b>1,034,737</b>	<b>(9,415,040)</b>	<b>(206,626)</b>	<b>9,653,322</b>
<b>Ending balance as of 12.31.2014</b>	<b>3,310,387</b>	<b>43,914,541</b>	<b>2,645,464</b>	<b>87,813</b>	<b>91,640,476</b>	<b>4,172,766</b>	<b>208,066,843</b>	<b>871,951</b>	<b>354,710,241</b>

(1) Corresponds to net the movement of transferring from buildings in progress to assets in service and the traspasos the intangibles assets ThCh\$ (40,572,151).

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\$	ThCh\$	ThCh\$
<b>Beginning balance as of 01.01.13</b>	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	-	(2,648,259)	(389,320)	(20,295)	-	(1,914,989)	(52,346,637)	(44,631,359)	(101,950,859)
Other Increase (decrease)(1)	(171,683)	24,362,107	339,903	-	(132,059,913)	872,589	66,496,374	3,448,851	(36,711,772)
<b>Movements, subtotal</b>	<b>(258,295)</b>	<b>21,626,000</b>	<b>(49,417)</b>	<b>(20,295)</b>	<b>(14,383,018)</b>	<b>(1,042,400)</b>	<b>14,149,737</b>	<b>(43,271,681)</b>	<b>(23,249,369)</b>
<b>Ending balance as of 12.31.2013</b>	<b>3,328,133</b>	<b>30,319,067</b>	<b>3,073,963</b>	<b>107,365</b>	<b>86,529,902</b>	<b>3,138,029</b>	<b>217,481,883</b>	<b>1,078,577</b>	<b>345,056,919</b>

(1) 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 december 31, 2014 and 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 december 31, 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 equipment, gross	Supplies and accessories, gross	Office equipment, gross	Information equipment, gross	Network and communications equipment, gross	Property, plant and equipment, gross
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
<b>Total</b>	<b>81,664,316</b>	<b>17,214</b>	<b>6,270,333</b>	<b>563,521</b>	<b>13,273,452</b>	<b>357,691,563</b>	<b>12,027,808</b>

## 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	12.31.2014		12.31.2013	
	Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Bank loans	(a) 278,928	92,913,547	26,319,745	85,927,691
Unguaranteed obligations (Bonds)	(b) 184,659,846	188,849,625	33,849,509	341,056,707
Hedge instruments	(see note 18b) 3,126,670	-	2,038,443	-
<b>Total</b>	<b>188,065,444</b>	<b>281,763,172</b>	<b>62,207,697</b>	<b>426,984,398</b>



## 16. Other Current and Other Non-current Financial Liabilities

a) The detail of bank loans for december 31, 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
Bilateral 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
Bilateral 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
Bilateral Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Estado	-	-	-	49,000,000	49,000,000	-	-	-	-	-	49,000,000
<b>Total</b>					<b>- 26,000,000</b>			<b>81,637,500</b>	<b>81,637,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107,637,500</b>

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current					Non-current					Total Non current as of 12.31.2014 ThCh\$
					Expiration					Expiration					
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$	Total current as of 12.31.2014 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	20,024	-	20,024	42,271,107	-	42,271,107	-	-	-	-	42,271,107
Bilateral Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Estado	-	258,904	258,904	50,642,440	-	50,642,440	-	-	-	-	50,642,440
<b>Total</b>					<b>20,024</b>	<b>258,904</b>	<b>278,928</b>	<b>92,913,547</b>	<b>-</b>	<b>92,913,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,913,547</b>

(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.



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
Bilateral 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
Bilateral 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
Bilateral Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Estado	-	-	-	49,000,000	49,000,000	-	-	-	-	-	49,000,000
Bilateral Loan (3)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Chile	-	26,000,000	-	-	-	-	-	-	-	-	26,000,000
<b>Total</b>					-	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			Expiration							
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$	Total current as of 12.31.2013 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
Bilateral 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
Bilateral Loan (3)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Banco Chile	-	26,057,128	26,057,128	-	-	-	-	-	-	-	-
<b>Total</b>					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 december 31, 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
144A Bond (1)	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 (2)	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 (3)	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 (4)	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	
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
<b>Total</b>					-	<b>32,000,000</b>	<b>146,889,507</b>	<b>110,375,180</b>	<b>257,264,687</b>	-	-	-	<b>66,928,680</b>	<b>356,193,367</b>



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

b) Details of unsecured obligations (Bonds) for december 31, 2014 is as follows, continued

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current		Total current as of 12.31.2014 ThCh\$	Non-current						Total Non-current as of 12.31.2014 ThCh\$	
					Expiration			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 144 (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Bank of New York	-	183,746,877	183,746,877	-	-	-	-	-	-	-	-
Bono Serie C (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	271,705	271,705	66,860,044	-	66,860,044	-	-	-	-	66,860,044
Bono Serie D (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	118,352	118,352	49,159,238	-	49,159,238	-	-	-	-	49,159,238
Bono Serie F (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	522,912	522,912	-	-	-	-	-	-	72,830,343	72,830,343
<b>Total</b>					-	<b>184,659,846</b>	<b>184,659,846</b>	<b>116,659,846</b>	-	<b>116,659,846</b>	-	-	-	<b>72,830,343</b>	<b>188,849,625</b>

(1) 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.

(2) 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.

(3) 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.

(4) 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
<b>Total</b>						<b>32,000,000</b>	<b>146,889,507</b>	<b>110,375,180</b>		<b>257,264,687</b>			<b>66,928,680</b>	<b>356,193,367</b>





## 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 12.31.2014 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
<b>Total</b>					<b>811,758</b>	<b>33,037,751</b>	<b>33,849,509</b>	<b>159,721,587</b>	<b>112,509,468</b>	<b>272,231,055</b>	-	-	-	<b>68,825,652</b>	<b>341,056,707</b>

(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	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Purchases or services payable, billed (1)	73.156.038	73.466.460
Purchases or services payable, accrued (1)	42.091.791	63.648.496
Suppliers or property, plant and equipment, billed	3.150.581	23.818.725
Suppliers of property, plant and equipment, accrued	867.290	17.648.632
Accounts payable to employees	17.209	-
<b>Total current</b>	<b>119.282.908</b>	<b>178.582.313</b>

(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	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Domestic	70.473.385	95.698.613
Foreign	44.774.444	41.416.343
<b>Total</b>	<b>115.247.829</b>	<b>137.114.956</b>

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 December 31, 2014 the main suppliers, (considering 5% of total as a margin), are Cge Distribución S.A with 5.95% and for December 2013, Samsung Electronics Chile Ltda. with 10.55%; Celistics Holdings with 9.22%; Cía. Ericsson de Chile with 6.98%; Sistemas Oracle de Chile S.A. with 5.91%; Entel PCS Telecomunicaciones S.A. with 5.27% and Nokia Sales International with 5.10%.

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

Suppliers with up to date payments	Goods	Services	Total
As of 12.31.2014	ThCh\$	ThCh\$	ThCh\$
<b>Trade accounts to date</b>			
Up to 30 days	201,623	769,930	971,553
From 31 to 60 days	-	-	-
From 61 to 90 days	-	-	-
From 91 to 120 days	-	-	-
From 121 to 365 days	-	-	-
<b>Total</b>	<b>201,623</b>	<b>769,930</b>	<b>971,553</b>
Average period of payment of up to date accounts			

17. Trade and Other Accounts Payable, continued

b) Accounts payable payment terms, continued

Suppliers with up to date payments As of 12.31.2013	Goods ThCh\$	Services ThCh\$	Total ThCh\$
<b>Trade accounts to date</b>			
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
<b>Total</b>	<b>22.929.995</b>	<b>128.298</b>	<b>23.058.293</b>
Average period of payment of up to date accounts	<b>26,56</b>	<b>30,00</b>	

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

Suppliers with overdue terms As of 12.31.2014	Goods ThCh\$	Services ThCh\$	Total ThCh\$
<b>Overdue trade accounts payable by term</b>			
Up to 30 days	13,618,406	11,508,801	25,127,207
From 31 to 60 days	5,488,366	21,714,502	27,202,868
From 61 to 90 days	833,805	15,455,376	16,289,181
From 91 to 120 days	-	5,018,143	5,018,143
From 121 to 180 days	-	1,697,667	1,697,667
More than 180 days	-	-	-
<b>Total</b>	<b>19,940,577</b>	<b>55,394,489</b>	<b>75,335,066</b>
Average period of payment of up to date accounts	<b>26.94</b>	<b>47.66</b>	

Suppliers with overdue terms As of 12.31.2013	Goods ThCh\$	Services ThCh\$	Total ThCh\$
<b>Overdue trade accounts payable by term</b>			
Up to 30 days	888.730	15.710.021	16.598.751
From 31 to 60 days	-	24.199.462	24.199.462
From 61 to 90 days	-	24.426.627	24.426.627
From 91 to 120 days	-	4.162.911	4.162.911
From 121 to 180 days	-	601.851	601.851
More than 180 days	-	4.237.290	4.237.290
<b>Total</b>	<b>888.730</b>	<b>73.338.162</b>	<b>74.226.892</b>
Average period of payment of up to date accounts	<b>40,45</b>	<b>43,74</b>	



## 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 december 31, 2014 is as follows:

Description of financial assets	ASSETS RECORDED AT FAIR VALUE										ASSETS RECORDED AT AMORTIZED COST		TOTAL	TOTAL	
					Valuation hierarchy					Investments held to maturity		Subtotal of assets at amortized cost		Total	Total
	Other financial assets at FV through P&L		Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Level 1	Level 2	Level 3	Loans and items receivable				Total carrying amount	Total fair value	
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	Market prices	Estimates based on market data	Estimates not based on market data	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	
<b>Derivative instrument assets</b>	-	-	28,848,651	28,848,651	-	28,848,651	-	-	-	-	-	28,848,651	28,848,651		
Non-current derivative instrument of assets	See Note 18 b	-	28,848,651	28,848,651	-	28,848,651	-	-	-	-	-	28,848,651	28,848,651		
<b>Non-current financial assets</b>	-	-	28,848,651	28,848,651	-	28,848,651	-	-	-	-	-	28,848,651	28,848,651		
<b>Current trade accounts receivable</b>	-	-	-	-	-	-	-	152,959,528	-	152,959,528	-	152,959,528	152,959,528		
Trade and other accounts receivable	See Note 8 a	-	-	-	-	-	-	122,290,543	-	122,290,543	-	122,290,543	122,290,543		
Accounts receivable from related entities	See Note 9 a	-	-	-	-	-	-	30,668,985	-	30,668,985	-	30,668,985	30,668,985		
<b>Current deposits and pledges established</b>	-	-	-	-	-	-	-	-	73,938,451	73,938,451	-	73,938,451	73,938,451		
Current deposits	-	-	-	-	-	-	-	-	-	-	-	-	-		
Current deposits and pledges	See Note 6 b	-	-	-	-	-	-	-	73,938,451	73,938,451	-	73,938,451	73,938,451		
<b>Derivative instrument of assets</b>	-	-	47,253,801	47,253,801	-	47,253,801	-	-	-	-	-	47,253,801	47,253,801		
Derivative instrument of assets	See Note 18 b	-	47,253,801	47,253,801	-	47,253,801	-	-	-	-	-	47,253,801	47,253,801		
<b>Cash and cash equivalents</b>	-	-	-	-	-	-	-	48,880,754	-	48,880,754	-	48,880,754	48,880,754		
Cash and cash equivalents	See Note 5	-	-	-	-	-	-	48,880,754	-	48,880,754	-	48,880,754	48,880,754		
<b>Current financial assets</b>	-	-	47,253,801	47,253,801	-	47,253,801	-	201,840,282	73,938,451	275,778,733	-	323,032,534	323,032,534		
<b>Total assets financieros</b>	-	-	76,102,452	76,102,452	-	76,102,452	-	201,840,282	73,938,451	275,778,733	-	351,881,185	351,881,185		



## 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	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Market prices	Estimates based on other observable market data	Estimates not based on observable market data	Loans and items receivable	Investments held to maturity	Subtotal of assets at amortized cost	Total carrying amount	Total fair value
ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	
<b>Non-current derivative instruments</b>	-	-	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
<b>Non-current financial assets</b>	-	-	21,978,734	21,978,734	-	21,978,734	-	-	-	-	21,978,734	21,978,734
<b>Current trade accounts receivable</b>	-	-	-	-	-	-	-	157,382,888	-	157,382,888	157,382,888	157,382,888
Trade and other accounts receivable	See Note 8 a	-	-	-	-	-	-	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
<b>Current deposits and pledges established</b>	-	-	-	-	-	-	-	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	
<b>Derivative instrument of assets</b>	-	-	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	
<b>Cash and cash equivalents</b>	-	-	-	-	-	-	-	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	
<b>Current financial assets</b>	-	-	1,749,722	1,749,722	-	1,749,722	-	381,139,135	50,680,565	431,819,700	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 december 31, 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	Level 2	Level 3			
				Market prices ThCh\$	Estimates based on other ThCh\$	Estimates not based on ThCh\$			
Issuance of obligations and other non-current marketable securities	See Note 16 b	-	-	-	-	-	188,849,625	188,849,625	188,849,625
Non-current debts with loan entities	See Note 16 a	-	-	-	-	-	92,913,547	92,913,547	92,913,547
Long-term hedge derivative instrument liabilities		-	-	-	-	-	-	-	-
Trade and other accounts payable	See Note 9 d	-	-	-	-	-	1,366,521	1,366,521	1,366,521
<b>Non-current financial liabilities</b>		-	-	-	-	-	<b>283,129,693</b>	<b>283,129,693</b>	<b>283,129,693</b>
Issuance of short-term obligations and other marketable securities	See Note 16 b	-	-	-	-	-	184,659,846	184,659,846	184,659,846
Short-term debts with credit entities	See Note 16 a	-	-	-	-	-	278,928	278,928	278,928
Short-term derivative instrument liabilities	See Note 18 b	3,126,670	3,126,670	-	3,126,670	-	-	3,126,670	3,126,670
Trade and other accounts payable	See Note 17 b	-	-	-	-	-	119,283,885	119,283,885	119,283,885
Accounts payable to related entities	See Note 9 b	-	-	-	-	-	61,261,241	61,261,241	61,261,241
<b>Current financial liabilities</b>		<b>3,126,670</b>	<b>3,126,670</b>	-	<b>3,126,670</b>	-	<b>365,483,900</b>	<b>368,610,570</b>	<b>368,610,570</b>
<b>Total financial liabilities</b>		<b>3,126,670</b>	<b>3,126,670</b>	-	<b>3,126,670</b>	-	<b>648,613,593</b>	<b>651,740,263</b>	<b>651,740,263</b>



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
<b>Non-current financial liabilities</b>		-	-	-	-	-	<b>428,350,919</b>	<b>428,350,919</b>	<b>428,350,919</b>
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
<b>Current financial liabilities</b>		<b>2,038,443</b>	<b>2,038,443</b>	-	<b>2,038,443</b>	-	<b>295,550,964</b>	<b>297,589,407</b>	<b>297,589,407</b>
<b>Total financial liabilities</b>		<b>2,038,443</b>	<b>2,038,443</b>	-	<b>2,038,443</b>	-	<b>723,901,883</b>	<b>725,940,326</b>	<b>725,940,326</b>

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 at december 31, 2014 and 2013 is as follows:

Description	Underlying	Net Total as of 12.31.2014 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	7,020,812	6,058,581	962,231	7,176,850	(156,038)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	1,149,957	1,149,957	-	1,171,572	(21,615)	-	-	-	-
Interest rate – cash flow hedge (3)	Financial Debt	2,488,107	-	(314,346)	2,006,622	(2,320,968)	2,802,453	-	2,802,454	-
Exchange rate and interest rate – cash flow hedge (4)	Financial Debt	62,316,905	(29,194)	36,299,902	36,898,757	(628,049)	15,682,834	10,363,363	26,046,197	-
<b>Total</b>		<b>72,975,781</b>	<b>7,179,344</b>	<b>36,947,787</b>	<b>47,253,801</b>	<b>(3,126,670)</b>	<b>18,485,287</b>	<b>10,363,363</b>	<b>28,848,651</b>	<b>-</b>

Hedging instruments have generated an effect on income of ThCh\$ 32,124,414 and ThCh\$ 12,836,180 in shareholders' equity as of december 31, 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)	4,097,308	-	4,097,308	-
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		-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>21,690,014</b>	<b>968,111</b>	<b>(1,256,832)</b>	<b>1,749,722</b>	<b>(2,038,443)</b>	<b>21,951,648</b>	<b>27,086</b>	<b>21,978,734</b>	<b>-</b>

Hedging instruments have generated an effect on income of ThCh\$ 9,797,837 and ThCh\$ 1,236,660 in shareholders' equity as of December 31, 2013.

Description of hedging instruments:

- (1) Exchange rate cash flow hedge: As of december 31, 2014 and 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 december 31, 2014 and 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 december 31, 2014 and 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 december 30, 2014 and 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	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Civil and regulatory	201,315	320,365
<b>Total</b>	<b>201,315</b>	<b>320,365</b>

As of december 31, 2014 civil and regulatory provisions are composed mainly of complaints from the Chilean Telecommunications Undersecretary (Subtel), composed of various fines amounting to ThCh\$ 7.560 for 2014 and ThCh\$ 18,513 for 2013 and civil lawsuits in the amount of ThCh\$ 193,755 and ThCh\$ 301,852 for 2014 and 2013 respectively.

As of december 31, 2014 and 2013, movements of provisions are detailed as follows:

Movements	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
<b>Beginning balance</b>	<b>320,365</b>	<b>360,415</b>
Increase in existing provisions	153,877	212,560
Provision used	(272,927)	(252,610)
<b>Movements, subtotal</b>	<b>(119,050)</b>	<b>(40,050)</b>
<b>Ending balance</b>	<b>201,315</b>	<b>320,365</b>

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.

b) Other non-current provisions

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

Description	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Dismantling provision (ii)	13,388,617	12,310,280
Investment in associated company reserve (i)	3,566	2,709
<b>Total</b>	<b>13,392,183</b>	<b>12,312,989</b>

19. Other Provisions, continued

b) Other non-current provisions, continued

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

RUT	Nombre	Investment	Participation percentage %	Current assets	Non-current	Current	Non-current	Ordinary	Income
		balance 12.31.2014		ThCh\$	assets ThCh\$	liabilities ThCh\$	liabilities ThCh\$	expenses ThCh\$	
96.898.630-9	Intertel S.A. (1)	(3.566)	50	4.075	-	1.707,00	9.500	(1.714)	(1.714)

RUT	Nombre	Investment	Participation percentage %	Current assets	Non-current	Current	Non-current	Ordinary	Income
		balance 12.31.2013		ThCh\$	assets ThCh\$	liabilities ThCh\$	liabilities ThCh\$	expenses ThCh\$	
96.898.630-9	Intertel S.A.	(2.709)	50	788	-	1.707	4.500	(1.949)	(2.421)

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

Movimientos	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
<b>Beginning balance</b>	<b>(2,709)</b>	<b>(1,498)</b>
Share in ordinary profit for the current year	(857)	(1,211)
<b>Movements, subtotal</b>	<b>(857)</b>	<b>(1,211)</b>
<b>Ending balance</b>	<b>(3,566)</b>	<b>(2,709)</b>

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

Movements	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
<b>Beginning balance</b>	<b>12,310,280</b>	<b>15,671,825</b>
Increase in existing provisions	1,199,034	2,263,412
financial update	365,965	-
Decrease in the provision	(486,663)	(5,624,957)
<b>Movements, subtotal</b>	<b>1,078,336</b>	<b>(3,361,545)</b>
<b>Ending balance</b>	<b>13,388,616</b>	<b>12,310,280</b>

## 20. Current employee benefits provision

### a) Post employment benefits

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

Current and non-current employee benefits as of december 31, 2014 and 2013 are detailed as follows:

Description	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Non-current termination benefits (1)	128,399	-
<b>Total</b>	<b>128,399</b>	<b>-</b>

(1) Corresponds to employee benefits arising from subsidiary Telefónica Investigación y Desarrollo Chile SpA.

Movements for employee benefits provisions as of december 31, 2014 and 2013 are detailed as follows:

Movements	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
<b>Beginning balance</b>	-	-
Current service costs for the period	4,470	-
Actuarial gains or losses by hypothesis (1)	15,119	-
Actuarial gains or losses by experience	125	-
Intercompany transfers (2)	108,684	-
<b>Subtotal movements</b>	<b>128,399</b>	<b>-</b>
<b>Ending balance</b>	<b>128,399</b>	<b>-</b>

(1) In December 2014 the actuarial variables used to calculate the provision were reviewed, generating a decrease in the discount rate to 5.8% for 2013 (arising from the company of origin, see point (2)) and 4.51% for 2014.

(2) Employees transferred from associate Telefónica Chile Servicios Corporativos Ltda. on October and December 2014.

20. **Employee benefits accrual**, continued

a) **Post employment benefits**, continued

**Actuarial Hypotheses**

The hypotheses used for the actuarial calculation of employee benefits obligations are reviewed once a year and for the periods ended december 31, 2014.

- **Discount Rate:** A 4.51% nominal annual rate is used, which must be representative of the time value of money, for which a risk-free rate is used represented by BCP (Chilean Central Bank Bonds issued in Chilean pesos) for the relevant term, around 15 years.
- **Incremental Salary Rate:** An increase table is used according to the inflation projection established by the Central Bank of Chile. The rate used for the 2014 period was 3%.
- **Mortality:** The RV 2009 mortality tables established by the Superintendency of Securities and Insurance are used to calculate social life insurance reserves in Chile.
- **Turnover rate:** Based on the historical Company data, turnover rate used is 5.46% for both periods.
- **Years of service:** The Company assumes that the employees will remain until they are of legal retirement age, (women up to 60 years old and men up to 65 years old).

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

b) **Sensitivity of assumptions**

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

Description	Base	Plus 1% ThCh\$	Less 1% ThCh\$
Discount rate	4.51%	11,679	(13,568)

## 20. Employee benefits accrual, continued

### c) Expected cash flows

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

Description	Year 1	Year 2	Year 3
	ThCh\$	ThCh\$	ThCh\$
Future payment flows	9,323	9,032	8,754

### b) Expenses Employee

The composition of the costs to employees is as follows:

Description	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Salaries and wages	152,216	-
Expense Benefit Obligation employees (1)	1,100,258	2,873,515
<b>Total</b>	<b>1,252,474</b>	<b>2,873,515</b>

(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	12.31.2014		12.31.2013	
	Current	Non Current	Current	Non Current
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Deferred income, current (1)	37,521,642	599,952	42,089,806	645,333
Other taxes (2)	5,456,150	-	5,587,992	-
Subsidies (3)	1,202,336	264,643	-	408,574
<b>Total</b>	<b>44,180,128</b>	<b>864,595</b>	<b>47,677,798</b>	<b>1,053,907</b>

## 21. Other Current Non-financial Liabilities, continued

(1) Deferred income is detailed as follows:

Description	12.31.2014		12.31.2013	
	Current ThCh\$	Non Current ThCh\$	Current ThCh\$	Non Current ThCh\$
Sale of telecommunications infrastructure (a)	12,579,259	599,952	15,333,024	645,333
Equipment sold not activated (see note 2 p)	8,850,881	-	11,982,479	-
Club Movistar (see note 2 p)	5,663,396	-	5,201,562	-
Prepayment top-ups (see note 2 p)	4,481,011	-	5,170,952	-
Services charged but not rendered	4,280,076	-	3,704,564	-
Other deferred income(b)	1,667,017	-	697,225	-
<b>Total deferred income</b>	<b>37,521,642</b>	<b>599,952</b>	<b>42,089,806</b>	<b>645,333</b>

a) As of december 31, 2014 and 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\$ 2,076,311 for 2014 and ThCh\$4,830,076 for December,2013.

(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\$102,183 non-current.
- Mobile Telephony to Routes in the Region of Antofagasta in the amount of ThCh\$92,837 current and ThCh\$162,460 non-current.
- Investigation and development by ThCh\$1,058,408.

Movement of deferred income is detailed as follows:

Deferred revenues	12.31.2014 ThCh\$	12.31.2013 ThCh\$
<b>Beginning balance</b>	42,089,806	55,084,436
deferred during the year	481,371,227	437,720,197
Recognized in income for the year	(484,737,055)	(450,714,827)
<b>Movements, subtotal</b>	<b>(3,365,828)</b>	<b>(12,994,630)</b>
<b>Ending balance</b>	<b>38,723,978</b>	<b>42,089,806</b>

## 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 december 31, 2014 and 2013.



## 22. Equity, continued

### a) Capital:

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

#### Number of shares:

Serie	No. of shares subscribed	12.31.2014		12.31.2013		
		No. of paid shares	No. of shares with voting rights	No. of shares subscribed	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	118,026,145
<b>Total</b>	<b>118,026,145</b>	<b>118,026,145</b>	<b>118,026,145</b>	<b>118,026,145</b>	<b>118,026,145</b>	<b>118,026,145</b>

#### Capital:

Serie	12.31.2014		12.31.2013	
	Subscribed capital ThCh\$	Paid - in capital ThCh\$	Subscribed capital ThCh\$	Paid - in capital ThCh\$
SINGLE	941,098,241	941,098,241	941,098,241	941,098,241
<b>Total</b>	<b>941,098,241</b>	<b>941,098,241</b>	<b>941,098,241</b>	<b>941,098,241</b>

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

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

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

## 22. Equity, continued

### 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 december 31, 2014 are detailed as follows:

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

As of december 31, 2014 and 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.

On November 20, the Board of Directors of Telefónica Móviles Chile S.A. agreed to distribute an interim dividend of ThCh\$63,000,000, equivalent to Ch\$ 533.78004 per share, with a charge to 2014 profits for the year. The dividend was paid on december 12, 2014.

#### ii) Decrease in capital and dividends distributed:

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

Date	Dividend	Amount Distributed ThCh\$	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
11-20-2014	Provisory	63,000,000	Fiscal year 2014	12/12/2014

## 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
	12.31.2014	movement	12.31.2013
	ThCh\$	ThCh\$	ThCh\$
Business combination reserve (i)	(97,886,550)	-	(97,886,550)
Cash flows hedge reserve (ii)	12,836,178	11,599,518	1,236,660
Employee benefits reserve (iii)	(3,072,694)	(951,144)	(2,121,550)
Revaluation issued capital (iv)	(233,685,327)	-	(233,685,327)
<b>Total</b>	<b>(321,808,393)</b>	<b>10,648,374</b>	<b>(332,456,767)</b>

#### 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. and Telefonica Investigation y Desarrollo Chile SpA, 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.

#### e) Official Circular No. 856 issued by the Superintendency of Securities and Insurance

As per Official Circular No. 856 issued by the Superintendency of Securities and Insurance, dated October 17, 2014, differences in deferred tax assets and liabilities produced as a direct effect of the increase in the first category (corporate) income tax rate introduced by Law 20,780, must be accounted for in the year and charged to equity, as of the financial statements issued as of december 31, 2014. The equity effect generated by the interest in Telefonica Chile Servicios Corporativos Ltda., for this same concept is also reflected.

## 22. Equity, continued

### f) Non-controlling interests

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

As of december 31, 2014 and 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	56	54	2	1
<b>Total</b>			<b>56</b>	<b>54</b>	<b>2</b>	<b>1</b>

## 23. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Earnings attributable to owners of the parent	107,491,173	93,222,268
<b>Profit available for shareholders</b>	<b>107,491,173</b>	<b>93,222,268</b>
Weighted average number of shares	118,026,145	118,026,145
<b>Basic earnings per share in Ch\$</b>	<b>910.74</b>	<b>789.84</b>

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 december 31, 2014 and 2013 is detailed as follows:

Operating income	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Sale of goods (1)	85,652,973	80,287,172
Services rendered	875,329,887	926,516,205
<b>Total</b>	<b>960,982,860</b>	<b>1,006,803,377</b>

(1) As of december 31, 2014 and 2013, includes income from sale of handsets and contract and prepaid mobile telephone equipment.

b) Other income as of december 31, 2014 and 2013 is detailed as follows:

Other income	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Other current management earnings	3,279,773	3,450,012
Gains on disposal of fixed assets	2,740,436	8,133,136
Indemnity	2,861,025	456,040
<b>Total</b>	<b>8,881,234</b>	<b>12,039,187</b>

c) The detail of other expenses by nature of the operation as of december 31, 2014 and 2013 are as follows:

Other expenses	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Cost of sales of equipment	230,974,212	208,757,003
Rent	89,760,987	76,422,244
Interconnections and roaming	89,114,109	167,171,405
Employee expenses transferred by other companies and other	68,538,720	69,727,451
Sales commission	61,537,128	56,483,608
Administrative and management services	38,167,996	39,714,012
Customer services	32,574,477	32,111,550
Allowance for doubtful accounts	22,509,022	24,680,550
Advertising	19,322,092	18,477,147
Others (1)	17,335,092	18,681,581
Maintenance	13,878,271	17,057,659
Compensation to suppliers for messaging services	11,797,968	11,688,190
External services	10,587,607	10,770,064
Electrical energy for technical installations	8,868,521	10,926,469
Computer services	8,204,497	3,129,414
<b>Total</b>	<b>723,170,701</b>	<b>765,798,348</b>

(1) As of December 31, 2014 and 2013, includes expenses for strategic consulting, transportation, insurance, events and surveillance, among other things.

24. Income and Expenses, continued

d) Details of finance income and cost for the periods as of december 31, 2014 and 2013 are as follows:

Net financial expenses	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
<b>Finance income</b>		
Interest earned on deposits	8,293,103	8,618,372
Derivative contracts (Forward)	3,416,008	4,200,728
Other finance income	432,436	1,348,697
<b>Total finance income</b>	<b>12,141,546</b>	<b>14,167,797</b>
<b>Finance cost</b>		
Interest on loans from bank institutions	5,587,108	5,586,731
Interest on obligations and bonds	15,483,562	13,231,645
Derivative contracts (Forward)	-	78,259
Interest rate hedges (cross currency swap)	4,638,949	8,240,366
Other financial cost	593,222	230,210
<b>Total finance cost</b>	<b>26,302,842</b>	<b>27,367,211</b>
<b>Net finance income</b>	<b>(14,161,296)</b>	<b>(13,199,414)</b>

e) Foreign currency translation and indexation units as of december 31, 2014 and 2013 are detailed as follows:

Description	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Current accounts receivable from related entities	82,976	(7,264)
Current accounts payable to related entities	(287,566)	(404,338)
Current trade and other accounts receivable	(106,356)	(254,560)
Trade and other accounts payable	(2,657,572)	(897,021)
Cash and cash equivalents	48,272	(733,368)
Financial investments	10,865,463	6,471,535
Financial debt	(30,461,332)	(16,393,378)
Derivatives	21,914,970	12,101,347
Other	2,728	79,417
<b>Total</b>	<b>(598,417)</b>	<b>(37,630)</b>

24. Income and Expenses, continued

e) Foreign currency translation and indexation units as of december 31, 2014 and 2013 are detailed as follows, continued

Description	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Current tax assets	448,614	-
Current trade and other accounts receivable	154,207	4,825
Trade accounts payable and other payables	(72,142)	42,070
Financial investments	-	62,345
Financial debt	(6,498,588)	(1,459,064)
Derivatives	6,587,700	1,449,503
Other items	1,555	172,248
<b>Totales</b>	<b>621,346</b>	<b>271,927</b>

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.

	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
Minimum operating lease payments recognized as an expense	60,458,949	51,830,888

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

	12.31.2014			
	Up to 1 year	From 1 to 5 years	More than 5 years	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Minimum payments of operating leases payable	30,991,920	93,213,877	58,975,100	183,180,895

	12.31.2013			
	Up to 1 year	From 1 to 5 years	More than 5 years	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Minimum payments of operating leases payable	31,897,443	88,302,428	62,467,145	182,667,017

## 26. Local and Foreign Currency

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

Current assets	12.31.2014	12.31.2013
	ThCh\$	ThCh\$
<b>Cash and cash equivalents</b>	<b>48.880.754</b>	<b>223.756.247</b>
US dollars	-	45.568.483
Euros	23.061	7.215
Chilean pesos	48.857.693	178.180.549
<b>Other current financial assets</b>	<b>130.206.662</b>	<b>52.430.287</b>
US dollars	115.714.089	40.571.033
Euros	17.707	13.206
Chilean pesos	14.474.866	11.846.048
<b>Trade and other current accounts receivable</b>	<b>122.289.283</b>	<b>135.429.401</b>
US dollars	10.217.975	605.596
Chilean pesos	107.161.525	134.427.126
U.F.	4.909.783	396.679
<b>Accounts receivable from related companies</b>	<b>30.668.985</b>	<b>21.953.487</b>
US dollars	2.011.935	956.706
Euros	332.851	211.354
Chilean pesos	28.324.199	20.785.427
<b>Other current assets (1)</b>	<b>91.015.263</b>	<b>104.421.236</b>
Pesos	90.733.370	103.743.507
U.F.	281.893	677.729
<b>Total current assets</b>	<b>423.060.947</b>	<b>537.990.658</b>
US dollars	127.943.999	87.701.818
Euros	373.619	231.775
Chilean pesos	289.551.653	448.982.657
U.F.	5.191.676	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	12.31.2014 ThCh\$	12.31.2013 ThCh\$
<b>Other non-current financial assets</b>	<b>28,848,652</b>	<b>21,978,735</b>
US dollars	9,862,056	17,864,299
U.F.	16,184,141	2,806,369
Pesos	2,802,455	1,308,067
<b>Other non-current non-financial assets</b>	<b>1,072,404</b>	<b>1,159,902</b>
Chilean pesos	1,072,404	1,159,902
<b>Other non-current assets (2)</b>	<b>1,012,153,467</b>	<b>927,929,817</b>
Chilean pesos	1,012,153,467	927,929,817
<b>Total non-current assets</b>	<b>1,042,074,523</b>	<b>951,068,454</b>
US dollars	9,862,056	17,864,299
Chilean pesos	1,016,028,326	930,397,786
U.F.	16,184,141	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	12.31.2014 Up 90 days ThCh\$	12.31.2013 ThCh\$	12.31.2014 De 91 days to 1 years ThCh\$	12.31.2013 ThCh\$
<b>Other current financial liabilities</b>	<b>3.146.694</b>	<b>1.011.961</b>	<b>184.918.750</b>	<b>61.195.736</b>
US dollars	20.024	16.294	183.746.877	138.576
Chilean pesos	3.126.670	995.667	530.609	60.442.766
U.F.	-	-	641.264	614.394
<b>Trade and other accounts payable</b>	<b>119.282.908</b>	<b>178.582.313</b>	-	-
US dollars	41.204.729	29.721.224	-	-
Euros	363.152	8.294.122	-	-
Other currencies	237.996	168.162	-	-
Chilean pesos	73.752.298	135.724.721	-	-
U.F.	3.724.733	4.674.084	-	-
<b>Current accounts payable to related companies</b>	<b>61.261.241</b>	<b>57.249.386</b>	-	-
US dollars	2.195.415	391.059	-	-
Euros	3.703.455	4.146.376	-	-
Chilean pesos	55.362.371	52.711.951	-	-
<b>Other current liabilities (1)</b>	<b>9.791.709</b>	<b>15.750.601</b>	<b>44.180.128</b>	<b>47.677.798</b>
Chilean pesos	9.791.709	15.750.601	44.180.128	47.677.798
<b>Total current liabilities</b>	<b>193.482.552</b>	<b>252.594.261</b>	<b>229.098.878</b>	<b>108.873.534</b>
US dollars	43.420.168	30.128.577	183.746.877	138.576
Euros	4.066.607	12.440.498	-	-
Other currencies	237.996	168.162	-	-
Chilean pesos	142.033.048	205.182.940	44.710.737	108.120.564
U.F.	3.724.733	4.674.084	641.264	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	12.31.2014	12.31.2013	12.31.2014	12.31.2013	12.31.2014	12.31.2013
	1 to 3 yaers ThCh\$		3 to 5 years ThCh\$		5 years ThCh\$	
<b>Other non-current financial liabilities</b>	<b>208,932,829</b>	<b>358,158,746</b>	-	-	<b>72,830,343</b>	<b>68,825,652</b>
US dollars	42,271,107	196,151,891	-	-	-	-
U.F.	49,159,238	46,429,879	-	-	72,830,343	68,825,652
Chilean pesos	117,502,484	115,576,976	-	-	-	-
<b>Other non-current liabilities (2)</b>	<b>15,751,698</b>	<b>14,733,417</b>	-	-	-	-
Chilean pesos	15,751,698	14,733,417	-	-	-	-
<b>Total non-current liabilities</b>	<b>224,684,527</b>	<b>372,892,163</b>	-	-	<b>72,830,343</b>	<b>68,825,652</b>
US dollars	42,271,107	196,151,891	-	-	-	-
U.F.	49,159,238	46,429,879	-	-	72,830,343	68,825,652
Chilean pesos	133,254,182	130,310,393	-	-	-	-

(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 filed by the tax authority against Telefónica Móviles:

As of december 31, 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 december 31, 2014, which altogether amounts to ThCh\$146,317.

### d) Financial restrictions:

As of december 31, 2014 and 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.

The Company has closed the settlement process for the corresponding all risk and business interruption insurance claim filed as a consequence of the earthquake occurred in the north zone of the country and the fire that affected the Valparaiso Region, both events that occurred in April 2014.

## 27. Contingencies and Restrictions, continued

### f) Guarantee Deposits

Guarantee deposits are detailed as follows:

Creditor of guarantee	Debtor			Liberation of guarantee			
	Name	Relationship	Type of guarantee	Ballots in force ThCh\$	2015 ThCh\$	2016 ThCh\$	2017 and after ThCh\$
Subsecretaría de Telecomunicaciones	TMCH	Parent company	Guarantee	43,773,188	-	-	43,773,188
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	178,276	-	178,276	-
Corporación de Fomento de la producción Metro S.A.	TMCH	Parent company	Guarantee	123,600	3,600	120,000	-
Subsecretaría de Transportes	TMCH	Parent company	Guarantee	104,399	-	104,399	-
Subsecretaría de Prevención del Delito	TMCH	Parent company	Guarantee	96,095	96,095	-	-
Ilustre Municipalidad de Vitacura	TMCH	Parent company	Guarantee	78,000	78,000	-	-
Agus Andinas S.A.	TMCH	Parent company	Guarantee	73,686	73,686	-	-
Constructora y Administradora Uno S.A.	TMCH	Parent company	Guarantee	66,000	66,000	-	-
Empresa de los Ferrocarriles	TMCH	Parent company	Guarantee	53,856	19,649	-	34,207
Banco Santander	TMCH	Parent company	Guarantee	51,880	-	-	51,880
Nuevos Desarrollos S.A.	TMCH	Parent company	Guarantee	37,922	37,922	-	-
Comando de Bienestar	TMCH	Parent company	Guarantee	35,871	11,762	-	24,109
Subsecretaría de Economía y Empresas de menor tamaño	TMCH	Parent company	Guarantee	34,730	-	-	34,730
Celulosa Arauco y Constitución	TMCH	Parent company	Guarantee	34,510	-	-	34,510
Comercializadora Costanera Center S.A.	TMCH	Parent company	Guarantee	28,315	-	-	28,315
Dirección General de Aeronautica Civil	TMCH	Parent company	Guarantee	23,361	23,361	-	-
Others (1)	TMCH	Parent company	Guarantee	22,416	-	9,161	13,255
				553,472	301,398	145,659	106,415
<b>Total</b>				<b>45,819,577</b>	<b>711,473</b>	<b>1,007,496</b>	<b>44,100,609</b>

(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 december 31, 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.

There are six Virtual Mobile Operators (VMO), Virgin Mobile, Netline (GTEL) and GTD began operating in 2012, Falabella and Telestar (Colo Colo And Wanders franchises) began in the 4th quarter of 2013. Additionally VTR signed a service contract with Movistar.

For 2014, income from the mobile sector fell approximately 7% in comparison to the previous year, mainly due to the 75% decrease in the rates for mobile access charges. In addition, during the year differentiation between on and off net calls was terminated, which also affected the growth of the mobile sector.

As of 2014 year-end it was estimated that the mobile voice service market would reach close to 25.5 million lines, which represents a slight drop in respect to the previous year.

## 29. Financial Risk Management, continued (Not audited)

### a) Characterization of the Market and Competition, continued

The mobile lines that have decreased in the industry are the prepaid segment, influenced by lower access charges and the commercial strategy of migrating high-value prepayments to contract, leaving the share of the contract segment at 27% of the total market.

Access to mobile Internet has experienced explosive growth thanks to the higher penetration of smartphones, which allow personalized Internet navigation at any location, at an affordable price. It is thus that the number of connections to mobile Internet exceeded 9.4 million in 2014, a growth of 48%, in comparison to 2013, reaching a rate of 53 connections per 100 inhabitants.

### b) Competition risk

The mobile voice business is at a maturation stage, but the incorporation of Virtual Operators together with portability has resulted in operators intensifying the competition, making their offers more flexible and offering a broad range of handsets, in order to maintain their customers and capture new ones. This has generated benefits for the customer in respect to offers, service quality, coverage and capacity.

From its inception to December 31, 2014, portability accumulated 2.94 million customers ported, equivalent to 11% of total mobile voice customers in the industry.

### 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, finally decreeing an average reduction of 76,4% in the rate of Cargo Mobile Access.

On June 4, 2014, the new mobile decree was published in the Official Gazette, therefore as of 00:00 hours on June 5, Telefónica Móviles Chile S.A. began the effective application of the new rates for the 2014-2019 five-year term. The rates applied from January 25 to June 4 were recalculated in accordance with current standards.

Due to the above, mobile access charges dropped by approximately 76.4% 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.

### 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.

## 29. Financial Risk Management, continued (Not audited)

### d) Financial risk management objectives and policies, continued

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.

#### 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 december 31, 2014 the company had 16.1% 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 december 31, 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\$76.857 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.



**29. Financial Risk Management, continued (Not audited)**

**d) Financial risk management objectives and policies, continued**

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.

**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.

29. Financial Risk Management, continued (Not audited)

d) Financial risk management objectives and policies, continued

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's main objective regarding capital management is to ensure that it has sound credit rating and adequate capital ratios to support its businesses and maximize shareholder value. Profitability of equity (income/total average equity) as of december 31, 2014 amounts to 15.02%, an increase of 10% in comparison to december 2013, where it reached 13.66%. The latter as a consequence of higher final income as of december 2014 due to a ThCh\$30,052,020 decrease in depreciation expenses in comparison to december 2013.

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 december 31, 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.

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 december 31, 2014 were approved and authorized for issuance at the Board of Directors Meeting held on january 29, 2015.

In the period from January 1 to 29, 2015, there have been no significant events after the reporting date that might affect these financial statements.

Alejandro Gil Ibarra  
Accounting Manager

Juan Parra Hidalgo  
Director of Finance and Management Control

Roberto Muñoz Laporte  
General Manager