# TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES

## REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended
September 30, 2013 and December 31, 2012 and September 30, 2012

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

# INDEX



ThCh$ : Thousands of Chilean Pesos
MCh$ : Millions of Chilean Pesos
SVS : Superintendency of Securities and Insurance

## CONSOLIDATED INTERIM CLASSIFIED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2013 and December 31, 2012

| ASSETS | Notes | 09.30.2013 | 12.31.2012 |
|---|---|---|---|
| | | ThCh$ | ThCh$ |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | (5) | 163.841.399 | 164.192.567 |
| Other current financial assets | (6) | 66.433.605 | 44.551.680 |
| Other current non-financial assets | (7) | 31.609.910 | 35.431.056 |
| Trade and other current accounts receivable | (8) | 127.739.717 | 127.609.827 |
| Current accounts receivable from related companies | (9a) | 29.164.608 | 48.145.501 |
| Inventory | (10) | 65.913.384 | 52.482.983 |
| **Total current operating assets** | | **484.702.623** | **472.413.614** |
| **TOTAL CURRENT ASSETS** | | **484.702.623** | **472.413.614** |
| **NON-CURRENT ASSETS** | | | |
| Other non-current financial assets | (6) | 11.881.916 | 1.134.018 |
| Other non-current non-financial assets | (7) | 1.159.900 | 1.169.017 |
| Investments in associates accounted for using the equity method | (12a) | 5.095.514 | 2.484.207 |
| Intangible assets other than goodwill | (13a) | 49.844.268 | 61.241.249 |
| Goodwill | (14) | 483.179.725 | 483.179.725 |
| Property, plant and equipment | (15) | 348.204.587 | 368.306.288 |
| Deferred tax assets | (11c) | 18.769.965 | 19.329.303 |
| **TOTAL NON-CURRENT ASSETS** | | **918.135.875** | **936.843.807** |
| **TOTAL ASSETS** | | **1.402.838.498** | **1.409.257.421** |

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

## CONSOLIDATED INTERIM CLASSIFIED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2013 and December 31, 2012

| | | ThCh$ | ThCh$ |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Other current financial liabilities | (16) | 40.738.021 | 5.256.302 |
| Trade and other accounts payables | (17) | 143.359.097 | 165.163.710 |
| Current accounts payable to related companies | (9b) | 51.271.316 | 67.453.667 |
| Other short term provisions | (19a) | 290.513 | 360.415 |
| Current tax liabilities | (11d) | 13.217.791 | 21.050.961 |
| Other current non-financial liabilities | (21) | 44.343.587 | 56.668.168 |
| **TOTAL CURRENT LIABILITIES** | | **293.220.325** | **315.953.223** |
| **NON-CURRENT LIABILITIES** | | | |
| Other non-current financial liabilities | (16) | 375.033.343 | 396.643.892 |
| Non-current accounts payable to related companies | (9d) | 1.366.521 | 1.366.521 |
| Other long-term provisions | (19b) | 15.673.344 | 15.673.323 |
| Other non-current non-financial liabilities | | 1.101.234 | 552.613 |
| **TOTAL NON-CURRENT LIABILITIES** | | **393.174.442** | **414.236.349** |
| **TOTAL LIABILITIES** | | **686.394.767** | **730.189.572** |
| **EQUITY** | | | |
| Issued capital | (22a) | 941.098.241 | 941.098.241 |
| Retained earnings | | 107.726.814 | 70.838.702 |
| Other reserves | (22d) | (332.381.269) | (332.869.039) |
| Shareholders' equity attributable to owners of the parent | | 716.443.786 | 679.067.904 |
| Non-controlling interests | (22e) | (55) | (55) |
| **TOTAL EQUITY** | | **716.443.731** | **679.067.849** |
| **TOTAL LIABILITIES & EQUITY** | | **1.402.838.498** | **1.409.257.421** |

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

| COMPREHENSIVE INCOME STATEMENT | Notes | For the period from July 1, to September 30, 2013 | For the nine-month period ended September 30, 2013 | For the period from July 1, to September 30, 2012 | For the nine-month period ended September 30, 2012 |
|---|---|---|---|---|---|
| | | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Income from ordinary operations | (24a) | 247,671,335 | 743,294,643 | 238,478,754 | 715,806,021 |
| Other income | (24b) | 2,975,388 | 9,167,112 | (515,025) | 1,530,401 |
| Employee benefits expenses | (20a) | (663,866) | (2,437,252) | (327,473) | (915,310) |
| Depreciation and amortization expense | (13-15b) | (26,144,087) | (106,568,809) | (54,947,799) | (160,216,136) |
| Other expenses, by nature | (24c) | (183,479,199) | (566,394,199) | (148,189,183) | (459,826,257) |
| **Profit from operating activities** | | **40,359,571** | **77,061,495** | **34,499,274** | **96,378,719** |
| Finance income | (24d) | 3,507,759 | 9,996,501 | 4,410,346 | 13,318,878 |
| Finance costs | (24d) | (6,586,806) | (19,801,020) | (6,795,310) | (20,752,449) |
| Share in earnings (losses) of associates accounted for using the equity method | (12b-19b) | 875,938 | 2,611,286 | 432,379 | 2,303,397 |
| Foreign exchange differences | (24e) | (23,149) | 132,618 | 185,610 | 309,167 |
| Indexation units | (24e) | 25,444 | 68,673 | 4,467 | (8,971) |
| **Profit before tax from continuing operations** | | **38,158,757** | **70,069,553** | **32,736,766** | **91,548,741** |
| Income tax expense | (11e) | (5,286,866) | (14,155,755) | (7,460,680) | (18,662,645) |
| **PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS** | | **32,871,891** | **55,913,798** | **25,276,086** | **72,886,096** |
| **Profit attributable to:** | | | | | |
| Profit attributable to owners of the parent | | 32,871,891 | 55,913,798 | 25,276,086 | 72,886,096 |
| Profit attributable to non-controlling interests | | - | - | - | - |
| **PROFIT** | | **32,871,891** | **55,913,798** | **25,276,086** | **72,886,096** |

| EARNINGS PER SHARE | Notes | Ch$ | Ch$ | $ | $ |
|---|---|---|---|---|---|
| **Earnings per basic share:** | | | | | |
| Earnings per basic share for continuing operations | (23) | 278.51 | 473.74 | 214.16 | 617.54 |
| Earnings per basic share for discontinued operations | | - | - | | |
| **Earnings per basic share:** | | **278.51** | **473.74** | 214.16 | 617.54 |
| **Diluted earnings per share:** | | | | | |
| Diluted earnings per share from continuing operations | | 278.51 | 473.74 | 214.16 | 617.54 |
| Diluted earnings per share from discontinued operations | | - | - | | |
| **Diluted earnings per share:** | | **278.51** | **473.74** | **214.16** | **617.54** |

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

## CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME BY NATURE

As of September 30, 2013 and 2012

| | For the period from July 1, to September 30, 2013 | For the nine-month period ended September 30, 2013 | For the period from July 1, to September 30, 2012 | For the nine-month period ended September 30, 2012 |
|---|---|---|---|---|
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| **OTHER COMPREHENSIVE INCOME STATEMENT** | | | | |
| **PROFIT** | **32,871,891** | **55,913,798** | **25,276,086** | **72,886,096** |
| **Components of other comprehensive income before taxes** | | | | |
| **Cash flow hedges:** | | | | |
| Profit (loss) on cash flow hedges, before taxes | (582,274) | 596,689 | 1,394,611 | 1,406,703 |
| **Other components of other comprehensive income, before taxes** | **(582,274)** | **596,689** | **1,394,611** | **1,406,703** |
| **Income taxes related to components of other comprehensive income:** | | | | |
| Income tax related to cash flow hedges from other comprehensive income | 126,874 | (108,919) | (279,103) | (281,340) |
| **Income taxes related to components of other comprehensive income** | **126,874** | **(108,919)** | **(279,103)** | **(281,340)** |
| **OTHER COMPREHENSIVE INCOME** | **(455,400)** | **487,770** | **1,115,508** | **1,125,363** |
| **TOTAL COMPREHENSIVE INCOME** | **32,416,491** | **56,401,568** | **26,391,594** | **74,011,459** |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO** | | | | |
| Comprehensive income attributable to owners of the parent | 32,416,491 | 56,401,568 | 26,391,594 | 74,011,459 |
| Comprehensive income attributable to non-controlling interests | - | - | - | - |
| **TOTAL COMPREHENSIVE INCOME** | **32,416,491** | **56,401,568** | **26,391,594** | **74,011,459** |

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

# CONSOLITED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As of September 30, 2013 and 2012

| | Changes in issued capital (Note 22 a) | Changes in other reserves (Note 22 d) | | | | Retained earnings (losses) | Equity attributable to owners of the parent | Non controlling interests (Nota 22 e) | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | 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** | **824.388** | **(2.121.550)** | **(331.571.877)** | **(332.869.039)** | **70.838.702** | **679.067.904** | **(55)** | **679.067.849** |
| **Changes in equity** | | | | | | | | | |
| **Comprehensive income** | | | | | | | | | |
| Profit | - | - | - | - | - | 55.913.798 | 55.913.798 | - | 55.913.798 |
| Other comprehensive income | - | 487.770 | - | - | 487.770 | - | 487.770 | - | 487.770 |
| **Comprehensive income** | - | **487.770** | - | - | **487.770** | **55.913.798** | **56.401.568** | - | **56.401.568** |
| Dividends | - | - | - | - | - | (19.025.686) | (19.025.686) | - | (19.025.686) |
| Increase (decrease) from transfers and other changes, equity | - | - | - | - | - | | - | - | - |
| **Total increase (decrease) in equity** | **-** | **-** | **-** | **-** | **-** | **(19.025.686)** | **(19.025.686)** | **-** | **(19.025.686)** |
| **Equity september 30, 2013** | **941.098.241** | **1.312.158** | **(2.121.550)** | **(331.571.877)** | **(332.381.269)** | **107.726.814** | **716.443.786** | **(55)** | **716.443.731** |
| | | | | | | | | | |
| **Equity at the beginning of the period** | **941.099.241** | **944.033** | **(2.594.624)** | **(331.571.877)** | **(333.222.468)** | **122.059.601** | **729.936.374** | **(44)** | **729.936.330** |
| **Changes in equity** | | | | | | | | | |
| **Comprehensive income** | | | | | | | | | |
| Profit | - | - | - | - | - | 72.886.096 | 72.886.096 | - | 72.886.096 |
| Other comprehensive income | - | 1.125.363 | - | - | 1.125.363 | - | 1.125.363 | - | 1.125.363 |
| **Comprehensive income** | - | **1.125.363** | - | - | **1.125.363** | **72.886.096** | **74.011.459** | - | **74.011.459** |
| Dividends | - | - | - | - | - | 28.781.193 | 28.781.193 | - | 28.781.193 |
| Increase (decrease) from transfers and other changes, equity | - | - | (185.649) | - 101 | (185.750) | - | (185.750) | 1 | (185.749) |
| **Total increase (decrease) in equity** | - | - | **(185.649)** | **(101)** | **(185.750)** | **28.781.193** | **28.595.443** | **1** | **28.595.443** |
| **Equity september 30, 2012** | **941.099.241** | **2.069.396** | **(2.780.273)** | **(331.571.978)** | **(332.282.855)** | **223.726.890** | **832.543.276** | **(43)** | **832.543.233** |

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

| | For the nine-month period ended September 30 | |
|---|---|---|
| | 2013 | 2012 |
| | ThCh$ | ThCh$ |
| **CASH FLOWS PROVIDED (USED IN) BY OPERATING ACTIVITIES:** | | |
| **Classes of operating activity charges** | | |
| Proceeds from sale of assets and services rendered | 849,981,046 | 819,918,133 |
| Other operating activity charges | 21,650,324 | 37,819,374 |
| **Classes of payments** | | |
| Payments to suppliers for supplying goods and services | (661,685,710) | (669,925,728) |
| Payments to and on account of employees | (3,451,460) | (2,816,545) |
| Interest paid | (39,190,091) | (43,754,524) |
| Interest received | (13,761,847) | (12,203,514) |
| Other operating activity payments | 6,222,677 | 12,373,705 |
| Income taxes (paid) reimbursed classified as operating activities | (21,510,575) | (9,620,513) |
| **Cash flows provided (used in) by operating activities:** | **138,254,364** | **131,790,388** |
| **CASH FLOWS PROVIDED (USED IN) BY INVESTMENT ACTIVITIES:** | | |
| Loans to related entities | (141,775,000) | (142,925,273) |
| Proceeds from sale of property, plant and equipment | - | 49,110,510 |
| Additions to property, plant and equipment | (111,814,360) | (83,707,835) |
| Collection from related entities | 161,830,000 | 139,418,307 |
| Other cash inflows (outflows) | (26,842,500) | 45,173,667 |
| **Net cash flows provided (used in) by investment activities** | **(118,601,860)** | **7,069,376** |
| **CASH FLOWS PROVIDED (USED IN) BY FINANCING ACTIVITIES:** | | |
| Loan payments to related entities | - | (31,000,000) |
| Dividends paid | (20,000,000) | - |
| Other cash inflows (outflows) | (3,672) | 3,684,927 |
| **Net cash flows provided (used in) by financing activities** | **(20,003,672)** | **(27,315,073)** |
| **Net Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate** | **(351,168)** | **111,544,691** |
| **Effects of the change in exchange rate on cash and cash equivalents:** | | |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (351,168) | 111,544,691 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 164,192,567 | 135,709,827 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **163,841,399** | **247,254,518** |

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 Extraordinary Shareholders' Meeting held on December 11, 2012, the shareholders agreed to approve the division of Telefónica Móviles Chile S.A. into two companies under the terms of articles 94 and following of Law No. 18,046, one of them remains as the continuing company, with the same name and a new company, Torres Dos S.A., is formed to which mainly non-essential assets and liabilities are allocated which represent 0.0001511325068766% of the shareholders' equity of the divided company based on the latest financial statements reported as of November 30, 2012. This division does not alter or modify the operation of the continuing company, Telefónica Móviles Chile S.A..

As of september 30, 2013, 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 following periods: Statements of Financial Position are presented as of september 30, 2013 and december 31, 2012; Statement of Changes in Equity for the periods ended september 30, 2013 and 2012, Statements of Comprehensive Income for the period between july 1 and september 30, 2013 and 2012, and for the nine-month periods ended as of september 30, 2013 and 2012, and Statement of Cash Flows for the nine-month periods ended as of september 30, 2013 and 2012.

## 2. Significant Accounting Policies, continued

### b) Basis of presentation

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

### c) Basis of preparation

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

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

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

## 2. Significant Accounting Policies, continued

### 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 september 30, 2013 and December 31, 2012. Balances with related companies, income and expenses and unrealized gains and losses have been eliminated and non-controlling interests have been recognized under the category “Non-controlling interests” (nota 22e).

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:

| | | | | Participation percentage | | | |
|---|---|---|---|---|---|---|---|
| | | Country | Funct | 09.30.2013 | | | 12.31.2012 |
| Taxpayer No. | Company | of origin | currency | Direct | Indirect | Total | Total |
| 99.578.440-8 | Telefónica Móviles Chile Distribución S.A. | Chile | CLP | 99.99 | - | 99.99 | 99.99 |
| 76.182.386-8 | Fondo de Inversión Privado Infraestructura Uno | Chile | CLP | 100 | - | 100 | 100 |

## 2. Significant Accounting Policies, continued

### d) Basis of consolidation, continued

#### i) Entities, subsidiaries and joint ventures, continued

The summarized financial information as of september 30, 2013 of the companies included in the consolidation is the following:

| Taxpayer No. | Company | % Participation | Current Assets ThCh$ | Non-Current Assets ThCh$ | Total Assets ThCh$ | Current Liabilities ThCh$ | Non-Current Liabilities ThCh$ | Total Liabilities ThCh$ | Equity ThCh$ | Operating income ThCh$ | Net profit (loss) ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 99.578.440-8 | Telefónica Móviles Chile Distribución S.A. | 99.99 | 21,786 | - | 21,786 | 569,730 | - | 569,730 | (547,944) | - | (38) |
| 76.182.386-8 | Fondo de Inversión Privado Infraestructura Uno | 100 | 16,555,055 | - | 16,555,055 | 10,246,899 | - | 10,246,899 | 6,308,156 | - | 956,823 |

The summarized financial information as of December 31, 2012 of the companies included in the consolidation is the following:

| Taxpayer No. | Company | % Participation | Current Assets ThCh$ | Non-Current Assets ThCh$ | Total Assets ThCh$ | Current Liabilities ThCh$ | Non-Current Liabilities ThCh$ | Total Liabilities ThCh$ | Equity ThCh$ | Operating income ThCh$ | Net profit (loss) ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 99.578.440-8 | Telefónica Móviles Chile Distribución S.A. | 99.99 | 21,825 | - | 21,825 | 569,730 | - | 569,730 | (547,905) | 600 | (110,897) |
| 76.182.386-8 | Fondo de Inversión Privado Infraestructura Uno | 100 | 36,419,244 | - | 36,419,244 | 10,181,783 | - | 10,181,783 | 26,237,461 | 20,886,128 | 20,974,132 |

## 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 |
|---|---|---|---|---|
| September 30,2013 | 504.20 | 682.00 | 40,447.00 | 23,091.03 |
| December 31,2012 | 479.96 | 634.45 | 40,206.00 | 22,840.75 |
| September 30,2012 | 473.77 | 609.35 | 39,570.00 | 22,591.05 |

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".

### f) Financial assets and liabilities

**1.** Financial assets other than derivatives

#### Classification and presentation

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

#### i) Loans and accounts receivable

Loans and accounts receivable are financial assets with fixed and determinable payments that are not quoted in an active market. Trade 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.

## 2. Significant Accounting Policies, continued

### f) Financial assets and liabilities, continued

**1.** Financial assets other than derivatives, continued

i) Loans and accounts receivable, continued

The effective interest rate method is a mehod 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.

iii) Financial assets held to maturity

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

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

iv) Financial assets available for sale

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

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

## 2. Significant Accounting Policies, continued

### f) Financial assets and liabilities, continued

#### 1. Financial assets other than derivatives, continued

#### iv) Financial assets available for sale, continued

These investments figure in the statement of financial position at their fair value when it is possible to determine it reliably. In the case of interests in companies that are not quoted or that are not very liquid, normally the market value cannot be reliably determined, therefore when this occurs, they are valued at acquisition cost or a lower amount when there is evidence of impairment.
Changes in fair value, net of their tax effect, are recorded in the comprehensive income statement: other comprehensive income, up to the time of disposal of these investments, time at which the accumulated amount in this heading is imputed fully to profit or loss for the year.
Should the fair value be less than the cost of acquisition, if there is objective evidence that the asset has suffered impairment that cannot be considered temporary, the difference is recorded directly in loss for the year.

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

#### 2. Cash and cash equivalents

Cash and cash equivalents recognized in the 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 18).

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.

## 2. Significant Accounting Policies, continued

### f) Financial assets and liabilities, continued

#### 3. Financial liabilities, continued

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

##### i) Financial liabilities at fair value through profit or loss

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

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

##### 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

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.

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 721 days have been defined as slow rotating. Should items be commercially discontinued, slow rotation is considered to be 360 days. Likewise, warehouse scrap products or accessories are considered to be a total loss.

### h) Impairment of non-current assets

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

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

The discount rate used is determined before taxes and adjusted by the corresponding country risk and business risk. Thus, in 2013 and 2012 the rate used was 10.15% and 10.67% respectively. For the 2013 and 2012 periods there were no impairment adjustments performed.

### i) Leasing

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

## 2. Significant Accounting Policies, continued

### i) Leasing, continued

Leased assets for which the significant risks and rewards of ownership are transferred to the Company are considered finance leases. Initially, the asset and the associated liability are recorded at the fair value of the leased asset or if lower the present value of the minimum agreed-upon lease payments. Interest expense is taken to the income statement throughout the life of the leasing contract. Depreciation of these assets is included in depreciation of "Property, Plant and Equipment". The Company reviews all contracts to determine if they contain an embedded lease. As of september 30, 2013 and December 31, 2012 no embedded leases have been identified.

### j) Taxes

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

Tax assets and liabilities for the current and prior periods are measured at the amount the Company estimates it will recover or pay to tax authorities. Tax rates and government regulations used to calculate these amounts are those in force as of each year-end 20% for 2013 and 2012.

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

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

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

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

## 2. Significant Accounting Policies, continued

### k) Investments in associates accounted for using the equity method

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

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

The Company owns 50% of Buenaventura S.A. which as of September 30, 2013 and December 31, 2012, 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 maintains service agreements with customers to which it has leased phones, which are depreciated on a straight-line basis over a period of 12 months. The above is applicable to contracts signed until September 30, 2012.

The Company capitalizes borrowing costs incurred in and directly attributable to the purchase and construction of qualified assets. Qualified assets under the criteria of the Telefonica Group are those assets that require at least 18 months of preparation for their use or sale. As of september 30, 2013 and December 31, 2012, 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 from the moment on when the assets are in condition to be used, distributing the cost of the assets on a straight-line basis over the respective estimated useful life. The Company's average annual financial depreciation rate is approximately 26.43% for september 2013, and 31.65% for December 2012.

## 2. Significant Accounting Policies, continued

### ii) Depreciation of property, plant and equipment, continued

Estimated useful lives are summarized in the following detail:

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

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

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

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

### o) Provisions

#### i) Provision for dismantling expenses

Corresponds to the cost that will be incurred in the future due to the dismantling of microwave antennas from the telecommunications infrastructure after the expiration of the rental contract regarding a third-party site. This cost is calculated at current value with a discount rate of 4.4% and is recorded as a Property, Plant and Equipment item under assets, and as a non-current provision on a future obligation. That Property, Plant and Equipment item is amortized over the duration of the asset associated to that provision.

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

#### ii) Other provisions

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

## 2. Significant Accounting Policies, continued

### p) Income and expenses

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

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

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

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

As of October 1, 2012, income and costs for mobile equipment rental operations for postpaid contracts are recognized at the beginning of the transaction, since current contractual service agreement terms establish a term of twelve months for the plan or contract. For contracts signed until September 30, 2012, income from the initial rental installment is deferred over a term of twelve months as of the time of the signing of the rental contract.

Income from traffic included in the sale of prepaid phones is recognized once the minutes are consumed. Income from the sale of prepaid handsets is recognized once they are activated. All expenses related to these mixed commercial offers are charged to the income statement as incurred.

### q) Use of Estimates

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

#### i) Property, plant and equipment and intangibles

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

The determination of useful lives requires estimates regarding expected technological progress and alternative uses for assets.

## 2. Significant Accounting Policies, continued

### q) Use of Estimates, continued

#### i) Property, plant and equipment and intangibles, continued

Hypotheses regarding technological framework and its future development imply a significant degree of judgment, as the timing and nature of future technological changes is difficult to predict.

#### ii) Provisions

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

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

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

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

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

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

#### iv) Financial assets and liabilities

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

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

## 2. Significant Accounting Policies, continued

### r) Consolidation methods

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

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

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

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

### s) New IFRS and Interpretations of the IFRS Interpretations Committee

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

| | New Standard | Mandatory application date |
|---|---|---|
| IFRIC 21 | Levies | January 1, 2014 |
| IFRS 9 | Financial instruments: Classification and measurement | January 1, 2015 |

#### IFRIC 21 "Levies"

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

## 2. Significant Accounting Policies, continued

### s) New IFRS and Interpretations of the IFRS Interpretations Committee

#### IFRS 9 "Financial instruments"

This standard introduces new requirements for the classification and measurement of financial assets, allowing early application. It requires that all financial assets are totally classified on the basis of the entity's business model for managing financial assets and the characteristics of contractual cash flows of financial assets. Financial assets under this standard are measured either at amortized cost or fair value. Only financial assets classified as measured at amortized cost must be tested for impairment. Application is effective for annual periods beginning on or after January 1, 2015, early adoption is allowed.

| | Improvements and Amendments | Mandatory application date |
|---|---|---|
| IFRS 10 | Consolidated Financial Statements | January 1, 2014 |
| IFRS 12 | Disclosure of interests in other entities | January 1, 2014 |
| IAS 27 | Separate Financial Statements | January 1, 2014 |
| IAS 32 | Financial Instruments Presentation | January 1, 2014 |
| IAS 36 | Impairment of Assets | January 1, 2014 |
| IAS 39 | Financial Instruments: Recognition and Measurement | January 1, 2014 |

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

The amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements originate from proposals from the Standards Project on Investment Entities published in August 2011. The amendments define an investment entity and introduce an exception to consolidate certain subsidiaries belonging to investment entities. These amendments require that an investment entity measures its subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments in its consolidated and separate financial statements. The amendments also introduce new requirements on disclosure of information related to investment entities in IFRS 12 and in IAS 27. Entities are required to apply amendments to annual periods commencing as of January 1, 2014. Early application is allowed.

#### IAS 32 "Financial Instruments: Presentation"

Amendments to IAS 32 issued in December 2011, are destined to clarify differences in the application related to compensation and to reduce the level of diversity in current practice. The standard is applicable as of January 1, 2014 and its early adoption is allowed.

## 2. Significant Accounting Policies, continued

### s) New IFRS and Interpretations of the IFRS Interpretations Committee

#### IAS 36 "Impairment of Assets"

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

#### IAS 39 "Financial Instruments: Recognition and Measurement"

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

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

## 3. Changes in Accounting Policy and Disclosures

### a) Accounting changes:

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

### b) Changes in estimates:

There have been no changes in estimates made during the periods covered by these financial statements that might affect comparison of the financial statements.

## 4. Financial Information by Segment

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

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

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

## 5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

| Concepts | Currency | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|---|
| **Cash** (a) | | **602,185** | **2,848,779** |
| | USD | 4,243 | 4,243 |
| | EUR | 7,215 | 7,215 |
| | CLP | 590,727 | 2,837,321 |
| **Banks** (b) | | **1,287,277** | **3,698,428** |
| | CLP | 747,316 | 3,698,428 |
| | USD | 539,961 | |
| **Time deposits** (c) | | **159,951,937** | **151,247,866** |
| | CLP | 136,736,373 | 151,247,866 |
| | USD | 23,215,564 | - |
| **Repurchase agreements** (d) | | **2,000,000** | **6,397,494** |
| | CLP | 2,000,000 | 6,397,494 |
| **Total cash and cash equivalents** | | **163,841,399** | **164,192,567** |
| **Subtotal by currency** | **CLP** | **140,074,416** | **164,181,109** |
| | **USD** | **23,759,768** | **4,243** |
| | **EUR** | **7,215** | **7,215** |

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

a) Cash

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

b) Banks

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

## 5. Cash and cash equivalents, continued

### c) Time deposits,

Time deposits maturing in less than 90 days are recorded at fair value and as of september 30, 2013 and December 31, 2012 are detailed as follows:

| Type of investment | Currency | Principal in original currency (thousands) | Average annual rate | Average days to maturity | Principal in local currency | Accrued interest in local currency | Foreign currency translation local currency | Total as of 09.30.2013 |
|---|---|---|---|---|---|---|---|---|
| | | | | | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Time deposit | CLP | 136,645,000 | 5.27% | 15 | 136,645,000 | 91,373 | - | 136,736,373 |
| Time deposit | USD | 46,025.62 | 6.14% | 37 | 23,450,000 | 9,449 | (243,885) | 23,215,564 |
| **Totales** | | | | | **160,095,000** | **100,822** | **(243,885)** | **159,951,937** |

| 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 12.31.2012 |
|---|---|---|---|---|---|---|---|---|
| | | | | | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Time deposit | CLP | 151,068,000 | 5.64% | 25 | 151,068,000 | 179,866 | - | 151,247,866 |
| **Total** | | | | | **151,068,000** | **179,866** | **-** | **151,247,866** |

## 5. Cash and cash equivalents, continued

### d) Repurchase agreements

The amounts for September 30, 2013 and December 31, 2012 are detailed as follows:

| Code | Dates | | Counterparty | Original currency | Subscription value | Annual rate | Final value | Identification of instruments | Book value ThCh$ 09.30.2013 |
|---|---|---|---|---|---|---|---|---|---|
| | Beginning | Ending | | | ThUSD | | ThCh$ | | ThCh$ |
| CRV | 30-Sep-13 | 2-Oct-13 | BBVA | CLP | 2,000,000 | 4,8% | 2,000,000 | BCP0600515 | 2,000,000 |
| | | | **Total** | | **2,000,000** | | **2,000,000** | | **2,000,000** |

| Code | Dates | | Counterparty | Original currency | Subscription value | Annual rate | Final value | Identification of instruments | Book value ThCh$ 12.31.2012 |
|---|---|---|---|---|---|---|---|---|---|
| | Beginning | Ending | | | ThUSD | | ThCh$ | | ThCh$ |
| CRV | 12.28.2012 | 01.02.2013 | BBVA | CLP | 3,000,000 | 5,53% | 3,001,950 | BCP0600816 | 3,001,170 |
| CRV | 12.28.2012 | 01.02.2013 | BBVA | CLP | 3,395,000 | 5,41% | 3,397,207 | BCP0600514 | 3,396,324 |
| | | | **Total** | | **6,395,000** | | **6,399,157** | | **6,397,494** |

As of september 30, 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 | 09.30.2013 Current ThCh$ | 09.30.2013 Non-Current ThCh$ | 12.31.2012 Current ThCh$ | 12.31.2012 Non-Current ThCh$ |
|---|---|---|---|---|
| Highly liquid financial instruments (a) | 65,297,349 | - | 40,074,800 | - |
| Hedging instruments (18 b) | 1,136,256 | 11,881,916 | 4,476,880 | 1,134,018 |
| **Total** | **66,433,605** | **11,881,916** | **44,551,680** | **1,134,018** |

a) The detail of highly liquid financial instruments is as follows:

| Type of investment | Currency | Principal in original currency (thousands) | Average annual rate | Average days to maturity | Principal in local currency ThCh$ | Accrued interest in local currency ThCh$ | Foreign currency translation local moneda local ThCh$ | Total as of 09.30.2013 ThCh$ |
|---|---|---|---|---|---|---|---|---|
| Highly liquid financial instruments | USD | 20,000 | 6.36% | 30 | 10,059,400 | 149 | 24,600 | 10,084,149 |
| Highly liquid financial instruments | CLP | 55,000,000 | 5.88% | 30 | 55,000,000 | 213,200 | - | 55,213,200 |
| **Total** | | | | | **65,059,400** | **213,349** | **24,600** | **65,297,349** |

| Type of investment | Currency | Principal in original currency (thousands) | Average annual rate | Average days to maturity | Principal in local currency ThCh$ | Accrued interest in local currency ThCh$ | Foreign currency translation local currency ThCh$ | Total as of 12.31.2012 ThCh$ |
|---|---|---|---|---|---|---|---|---|
| Highly liquid financial instruments | CLP | 40,000,000 | 6.12% | 30 | 40,000,000 | 74,800 | - | 40,074,800 |
| **Total** | | | | | **40,000,000** | **74,800** | **-** | **40,074,800** |

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

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

| Description | 09.30.2013 Current ThCh$ | 09.30.2013 Non-Current ThCh$ | 12.31.2012 Current ThCh$ | 12.31.2012 Non-Current ThCh$ |
|---|---|---|---|---|
| Deferred handset costs (1) | 9,997,721 | - | 14,382,125 | - |
| Advance payments (2) | 11,169,782 | 1,061,561 | 10,384,231 | 1,061,561 |
| Other prepaid expenses (3) | 9,616,388 | 98,339 | 9,620,835 | 107,456 |
| Customer guarantees | 687,731 | - | 691,324 | - |
| Other taxes (4) | 138,288 | - | 352,541 | - |
| **Total** | **31,609,910** | **1,159,900** | **35,431,056** | **1,169,017** |

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

## 8. Trade and Other Current Accounts Receivable

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

| Description | 09.30.2013 Gross value ThCh$ | 09.30.2013 Uncollectable debts ThCh$ | 09.30.2013 Net value ThCh$ | 12.31.2012 Gross value ThCh$ | 12.31.2012 Uncollectable debts ThCh$ | 12.31.2012 Net value ThCh$ |
|---|---|---|---|---|---|---|
| **Current receivables on credit operations** | **186,169,154** | **(58,529,891)** | **127,639,263** | **182,341,851** | **(54,832,478)** | **127,509,373** |
| Services billed | 132,669,508 | (58,529,891) | 74,139,617 | 122,843,413 | (54,832,478) | 68,010,935 |
| Services provided and not billed | 53,499,646 | - | 53,499,646 | 59,498,438 | - | 59,498,438 |
| **Miscellaneous receivables** | **100,454** | - | **100,454** | **100,454** | - | **100,454** |
| **Total** | **186,269,608** | **(58,529,891)** | **127,739,717** | **182,442,305** | **(54,832,478)** | **127,609,827** |

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 | 09.30.2013 Less than 3 months ThCh$ | 09.30.2013 3 to 6 months ThCh$ | 09.30.2013 6 to 12 months ThCh$ | 09.30.2013 Greater than 12 months ThCh$ | 09.30.2013 Total ThCh$ | 12.31.2012 Less than 3 months ThCh$ | 12.31.2012 3 to 6 months ThCh$ | 12.31.2012 6 to 12 months ThCh$ | 12.31.2012 than 12 months ThCh$ | 12.31.2012 Total ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|
| Miscellaneous receivables | 22,151,239 | 858,248 | - | - | 23,009,487 | 28,677,425 | 340,599 | - | - | 29,018,024 |
| **Total** | **22,151,239** | **858,248** | **-** | **-** | **23,009,487** | **28,677,425** | **340,599** | **-** | **-** | **29,018,024** |

## 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 | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| **Beginning balance** | **54,832,478** | **51,919,527** |
| Increases | 18,833,816 | 29,895,264 |
| Eliminations/ Additions | (15,136,403) | (26,982,313) |
| **Movements, subtotal** | **3,697,413** | **2,912,951** |
| **Closing balance** | **58,529,891** | **54,832,478** |

d) Movements of the provision for doubtful accounts to reflect the composition of the portfolio as of September 30, 2013 and 2012 are as follows:

| Provisions and write-offs | 07.01.2013 as of 09.30.2013 ThCh$ | 09.30.2013 ThCh$ | 07.01.2012 as of 09.30.2012 ThCh$ | 09.30.2012 ThCh$ |
|---|---|---|---|---|
| Accrual for portfolio that has not been renegotiated | 6,014,146 | 18,062,133 | 8,129,251 | 28,582,155 |
| Accrual for renegotiated portfolio | 351,940 | 771,683 | 199,341 | 417,256 |
| Write-offs for the year | (3,350,033) | (15,136,403) | (7,675,361) | (19,770,175) |
| **Total** | **3,016,053** | **3,697,413** | **653,231** | **9,229,236** |

e) The composition of the portfolio protested and in legal collection as of september 30, 2013 and December 31, 2012 is as follows:

| Portfolio of prosted and in legal collection as of 09.30.2013 | Porfolio of accounts receivable protested w/o guarantee | Porfolio of accounts receivable protested w/guarantee | Porfolio of accounts receivable in legal collection w/o guarantee | Porfolio of accounts receivable in legal collection w/guarantee |
|---|---|---|---|---|
| Number of customers in portfolio protested or in legal collection | 1,274 | | 784 | - |
| Portfolio of protested or in legal collection ThCh$ | 5,757,382 | | 573,986 | - |

| Portfolio of prosted and in legal collection as of 12.31.2012 | Porfolio of accounts receivable protested w/o guarantee | Porfolio of accounts receivable protested w/guarantee | Porfolio of accounts receivable in legal collection w/o guarantee | Porfolio of accounts receivable in legal collection w/guarantee |
|---|---|---|---|---|
| Number of customers in portfolio protested or in legal collection | 2,154 | - | 370 | - |
| Portfolio of protested or in legal collection ThCh$ | 6,388,018 | - | 256,975 | - |

## 8. Trade and Other Accounts Receivable, continued

The portfolio composition stratified by segment as of september 30, 2013 is as follows:

| Aging of portfolio by segment for the 2013 period | Up to date ThCh$ | From 1 to 30 days ThCh$ | From 31 to 60 days ThCh$ | From 61 to 90 days ThCh$ | From 91 to 120 days ThCh$ | From 121 to 150 days ThCh$ | From 151 to 180 days ThCh$ | From 181 to 210 days ThCh$ | From 211 to 250 days ThCh$ | More than 250 days ThCh$ | Total portfolio w/o guarantee ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Individuals** | | | | | | | | | | | |
| Number of clients w/o renegotiation | 530,042 | 142,926 | 45,766 | 44,154 | 42,021 | 37,385 | 39,423 | 38,489 | 38,547 | 1,511,766 | 2,470,519 |
| Gross portfolio w/o renegotiation | 33,337,991 | 5,170,496 | 2,380,824 | 2,260,702 | (189.00) | 257.00 | 337.00 | - | - | - | 43,150,418 |
| Debt | 33,337,991 | 5,170,496 | 2,380,824 | 2,260,702 | 3,422,383 | 2,019,197 | 1,728,986 | 2,117,259 | 2,746,798 | 28,215,041 | 83,399,677 |
| Accrual | - | - | - | - | (3,422,572) | (2,018,940) | (1,728,649) | (2,117,259) | (2,746,798) | (28,215,041) | (40,249,259) |
| Number of clients with renegotiation | 8,139 | 6,538 | 1,367 | 1,273 | 1,319 | 1,296 | 1,515 | 1,625 | 1,800 | 22,066 | 46,938 |
| Gross portfolio with renegotiation | 855,493 | 218,056 | 101,486 | 100,808 | - | - | - | - | - | - | 1,275,843 |
| Debt | 855,493 | 218,056 | 101,486 | 100,808 | 101,363 | 102,684 | 106,511 | 105,134 | 112,025 | 1,078,381 | 2,881,941 |
| Accrual | - | - | - | - | (101,363) | (102,684) | (106,511) | (105,134) | (112,025) | (1,078,381) | (1,606,098) |
| **Total number of clients** | **538,181** | **149,464** | **47,133** | **45,427** | **43,340** | **38,681** | **40,938** | **40,114** | **40,347** | **1,533,832** | **2,517,457** |
| **Total Individuals portfolio** | **34,193,484** | **5,388,552** | **2,482,310** | **2,361,510** | (189.00) | 257.00 | 337.00 | - | - | - | **44,426,261** |
| **Debt** | **34,193,484** | **5,388,552** | **2,482,310** | **2,361,510** | **3,523,746** | **2,121,881** | **1,835,497** | **2,222,393** | **2,858,823** | **29,293,422** | **86,281,618** |
| **Accrual** | - | - | - | - | **(3,523,935)** | **(2,121,624)** | **(1,835,160)** | **(2,222,393)** | **(2,858,823)** | **(29,293,422)** | **(41,855,357)** |
| **Companies** | | | | | | | | | | | |
| Number of clients w/o renegotiation | 84,117 | 22,954 | 5,232 | 3,649 | 3,478 | 3,373 | 3,108 | 2,835 | 3,226 | 56,455 | 188,427 |
| Gross portfolio w/o renegotiation | 70,536,746 | 8,494,712 | 2,529,129 | 895,026 | 250,838 | 405,275 | 201,730 | - | - | - | 83,313,456 |
| Debt | 70,536,746 | 8,494,712 | 2,529,129 | 895,026 | 749,127 | 816,922 | 613,596 | 6,208,083 | 1,461,510 | 7,683,139 | 99,987,990 |
| Accrual | - | - | - | - | (498,289) | (411,647) | (411,866) | (6,208,083) | (1,461,510) | (7,683,139) | (16,674,534) |
| Number of clients with renegotiation | 1,580 | 1,792 | 370 | 302 | 273.00 | 259.00 | 308.00 | 297.00 | 325.00 | 3,870.00 | 9,376.00 |
| Gross portfolio with renegotiation | - | - | - | - | - | - | - | - | - | - | - |
| Debt | - | - | - | - | - | - | - | - | - | - | - |
| Accrual | - | - | - | - | - | - | - | - | - | - | - |
| **Total number of clients** | **85,697** | **24,746** | **5,602** | **3,951** | **3,751** | **3,632** | **3,416** | **3,132** | **3,551** | **60,325** | **197,803** |
| **Total companies portfolio** | **70,536,746** | **8,494,712** | **2,529,129** | **895,026** | **250,838** | **405,275** | **201,730** | **-** | **-** | **-** | **83,313,456** |
| **Debt** | **70,536,746** | **8,494,712** | **2,529,129** | **895,026** | **749,127** | **816,922** | **613,596** | **6,208,083** | **1,461,510** | **7,683,139** | **99,987,990** |
| **Accrual** | - | - | - | - | **(498,289)** | **(411,647)** | **(411,866)** | **(6,208,083)** | **(1,461,510)** | **(7,683,139)** | **(16,674,534)** |
| **Portfolio Consolidated** | | | | | | | | | | | |
| Number of clients w/o renegotiation | 614,159 | 165,880 | 50,998 | 47,803 | 45,499 | 40,758 | 42,531 | 41,324 | 41,773 | 1,568,221 | 2,658,946 |
| Gross portfolio w/o renegotiation | 103,874,737 | 13,665,208 | 4,909,953 | 3,155,728 | 250,649 | 405,532 | 202,067 | - | - | - | 126,463,874 |
| Debt | 103,874,737 | 13,665,208 | 4,909,953 | 3,155,728 | 4,171,510 | 2,836,119 | 2,342,582 | 8,325,342 | 4,208,308 | 35,898,180 | 183,387,667 |
| Accrual | - | - | - | - | (3,920,861) | (2,430,587) | (2,140,515) | (8,325,342) | (4,208,308) | (35,898,180) | (56,923,793) |
| Number of clients with renegotiation | 9,719 | 8,330 | 1,737 | 1,575 | 1,592 | 1,555 | 1,823 | 1,922 | 2,125 | 25,936 | 56,314 |
| Gross portfolio with renegotiation | 855,493 | 218,056 | 101,486 | 100,808 | - | - | - | - | - | - | 1,275,843 |
| Debt | 855,493 | 218,056 | 101,486 | 100,808 | 101,363 | 102,684 | 106,511 | 105,134 | 112,025 | 1,078,381 | 2,881,941 |
| Accrual | - | - | - | - | (101,363) | (102,684) | (106,511) | (105,134) | (112,025) | (1,078,381) | (1,606,098) |
| **Total number of clients** | **623,878** | **174,210** | **52,735** | **49,378** | **47,091** | **42,313** | **44,354** | **43,246** | **43,898** | **1,594,157** | **2,715,260** |
| **Total Consolidated portfolio** | **104,730,230** | **13,883,264** | **5,011,439** | **3,256,536** | **250,649** | **405,532** | **202,067** | - | - | - | **127,739,717** |
| **Debt** | **104,730,230** | **13,883,264** | **5,011,439** | **3,256,536** | **4,272,873** | **2,938,803** | **2,449,093** | **8,430,476** | **4,320,333** | **36,976,561** | **186,269,608** |
| **Accrual** | - | - | - | - | **(4,022,224)** | **(2,533,271)** | **(2,247,026)** | **(8,430,476)** | **(4,320,333)** | **(36,976,561)** | **(58,529,891)** |

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

## 8. Trade and Other Accounts Receivable, continued

### The portfolio composition stratified by segment for the year 2012 is as follows:

| Aging of portfolio by segment for the 2012 period | Up to date ThCh$ | From 1 to 30 days ThCh$ | From 31 to 60 days ThCh$ | From 61 to 90 days ThCh$ | From 91 to 120 days ThCh$ | From 121 to 150 days ThCh$ | From 151 to 180 days ThCh$ | From 181 to 210 days ThCh$ | From 211 to 250 days ThCh$ | More than 250 days ThCh$ | Total portfolio w/o guarantee ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Individuals** | | | | | | | | | | | |
| Number of clients w/o renegotiation | 748,803 | 271,441 | 215,998 | 194,036 | 289,975 | 192,974 | 178,259 | 144,927 | 151,184 | 956,164 | 3,343,761 |
| Gross portfolio w/o renegotiation | 35,702,984 | 4,214,162 | 2,903,013 | 2,676,602 | - | - | - | - | - | - | 45,496,761 |
| Debt | 35,702,984 | 4,214,162 | 2,903,013 | 2,676,602 | 4,048,264 | 2,639,503 | 2,501,098 | 2,037,139 | 2,635,930 | 23,765,099 | 83,123,794 |
| Accrual | - | - | - | - | (4,048,264) | (2,639,503) | (2,501,098) | (2,037,139) | (2,635,930) | (23,765,099) | (37,627,033) |
| Number of clients with renegotiation | 26,403 | 17,785 | 10,752 | 9,735 | 8,934 | 7,930 | 7,256 | 6,760 | 6,368 | 15,102 | 117,025 |
| Gross portfolio with renegotiation | 1,235,486 | 274,824 | 139,483 | 126,147 | - | - | - | - | - | - | 1,775,940 |
| Debt | 1,235,486 | 274,824 | 139,483 | 126,147 | 119,773 | 106,461 | 100,022 | 95,081 | 106,898 | 662,338 | 2,966,513 |
| Accrual | - | - | - | - | (119,773) | (106,461) | (100,022) | (95,081) | (106,898) | (662,338) | (1,190,573) |
| **Total number of clients** | **775,206** | **289,226** | **226,750** | **203,771** | **298,909** | **200,904** | **185,515** | **151,687** | **157,552** | **971,266** | **3,460,786** |
| **Total Individuals portfolio** | **36,938,470** | **4,488,986** | **3,042,496** | **2,802,749** | - | - | - | - | - | - | **47,272,701** |
| **Debt** | **36,938,470** | **4,488,986** | **3,042,496** | **2,802,749** | **4,168,037** | **2,745,964** | **2,601,120** | **2,132,220** | **2,742,828** | **24,427,437** | **86,090,307** |
| **Accrual** | - | - | - | - | **(4,168,037)** | **(2,745,964)** | **(2,601,120)** | **(2,132,220)** | **(2,742,828)** | **(24,427,437)** | **(38,817,606)** |
| **Companies** | | | | | | | | | | | |
| Number of clients w/o renegotiation | 523,919 | 485,444 | 55,923 | 32,888 | 23,139 | 25,837 | 28,679 | 218,620 | 23,218 | 93,510 | 1,511,177 |
| Gross portfolio w/o renegotiation | 61,653,332 | 15,890,958 | 1,550,809 | 901,428 | 37,677 | 132,572 | 170,350 | - | - | - | 80,337,126 |
| Debt | 61,653,332 | 15,890,958 | 1,550,809 | 901,428 | 633,082 | 684,479 | 763,135 | 5,669,985 | 747,420 | 7,857,370 | 96,351,998 |
| Accrual | | | | | (595,405) | (551,907) | (592,785) | (5,669,985) | (747,420) | (7,857,370) | (16,014,872) |
| Number of clients with renegotiation | - | - | - | - | - | - | - | - | - | - | - |
| Gross portfolio with renegotiation | - | - | - | - | - | - | - | - | - | - | - |
| Debt | - | - | - | - | - | - | - | - | - | - | - |
| Accrual | - | - | - | - | - | - | - | - | - | - | - |
| **Total number of clients** | **523,919** | **485,444** | **55,923** | **32,888** | **23,139** | **25,837** | **28,679** | **218,620** | **23,218** | **93,510** | **1,511,177** |
| **Total Companies portfolio** | **61,653,332** | **15,890,958** | **1,550,809** | **901,428** | **37,677** | **132,572** | **170,350** | - | - | - | **80,337,126** |
| **Debt** | **61,653,332** | **15,890,958** | **1,550,809** | **901,428** | **633,082** | **684,479** | **763,135** | **5,669,985** | **747,420** | **7,857,370** | **96,351,998** |
| **Accrual** | - | - | - | - | **(595,405)** | **(551,907)** | **(592,785)** | **(5,669,985)** | **(747,420)** | **(7,857,370)** | **(16,014,872)** |
| **Portfolio Consolidated** | | | | | | | | | | | |
| Number of clients w/o renegotiation | 1,272,722 | 756,885 | 271,921 | 226,924 | 313,114 | 218,811 | 206,938 | 363,547 | 174,402 | 1,049,674 | 4,854,938 |
| Gross portfolio w/o renegotiation | 97,356,316 | 20,105,120 | 4,453,822 | 3,578,030 | 37,677 | 132,572 | 170,350 | - | - | - | 125,833,887 |
| Debt | 97,356,316 | 20,105,120 | 4,453,822 | 3,578,030 | 4,681,346 | 3,323,982 | 3,264,233 | 7,707,124 | 3,383,350 | 31,622,469 | 179,475,792 |
| Accrual | - | - | - | - | (4,643,669) | (3,191,410) | (3,093,883) | (7,707,124) | (3,383,350) | (31,622,469) | (53,641,905) |
| Number of clients with renegotiation | 26,403 | 17,785 | 10,752 | 9,735 | 8,934 | 7,930 | 7,256 | 6,760 | 6,368 | 15,102 | 117,025 |
| Gross portfolio with renegotiation | 1,235,486 | 274,824 | 139,483 | 126,147 | - | - | - | - | - | - | 1,775,940 |
| Debt | 1,235,486 | 274,824 | 139,483 | 126,147 | 119,773 | 106,461 | 100,022 | 95,081 | 106,898 | 662,338 | 2,966,513 |
| Accrual | - | - | - | - | (119,773) | (106,461) | (100,022) | (95,081) | (106,898) | (662,338) | (1,190,573) |
| **Total number of clients** | **1,299,125** | **774,670** | **282,673** | **236,659** | **322,048** | **226,741** | **214,194** | **370,307** | **180,770** | **1,064,776** | **4,971,963** |
| **Total Consolidated portfolio** | **98,591,802** | **20,379,944** | **4,593,305** | **3,704,177** | **37,677** | **132,572** | **170,350** | - | - | - | **127,609,827** |
| **Debt** | **98,591,802** | **20,379,944** | **4,593,305** | **3,704,177** | **4,801,119** | **3,430,443** | **3,364,255** | **7,802,205** | **3,490,248** | **32,284,807** | **182,442,305** |
| **Accrual** | - | - | - | - | **(4,763,442)** | **(3,297,871)** | **(3,193,905)** | **(7,802,205)** | **(3,490,248)** | **(32,284,807)** | **(54,832,478)** |

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

## 9. Accounts receivable and payable to related companies

### a) Current accounts receivable from related companies:

| Company | Taxpayer No. | Country of origin | Nature of the relationship | Transaction origin | Currency | Term | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|---|---|---|---|---|---|
| | | | | | | **Sub-Total** | **17.649.796** | **36.520.634** |
| TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA. | 76.086.148-0 | Chile | Associated | Professional Serv. | CLP | 60 days | 1.312.210 | 1.347.522 |
| | | | | Mercantile Current Account | CLP | 60 days | 16.337.586 | 35.173.112 |
| | | | | | | **Sub-Total** | **7.842.924** | **8.526.718** |
| TELEFONICA CHILE S.A. | 90.635.000-9 | Chile | Related to the parent company | Access inbound and CPP | CLP | 60 days | 5.999.559 | 4.878.119 |
| | | | | takings | CLP | 60 days | 1.797.700 | 3.582.973 |
| | | | | Others | CLP | 60 days | 45.665 | 65.626 |
| MIRAFLORES 130 S.A. | 76.172.003-1 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 908.254 | 907.076 |
| TELEFONICA LARGA DISTANCIA S.A. | 96.672.160-K | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 739.006 | 792.081 |
| TELEFONICA MOVILES ARGENTINA, S.A. | Foreign | Argentina | Related to the parent company | Serv. Provided | USD | 90 days | 405.266 | 287.499 |
| VIVO, S.A. | Foreign | Brazil | Related to the parent company | Serv. Provided | USD | 90 days | 323.190 | 95.820 |
| TELEFONICA MOVILES ESPAÑA, S.A. | Foreign | Spain | Related to the parent company | Serv. Provided | EUR | 90 days | 255.362 | 245.914 |
| WAYRA CHILE TECNOLOGIA E INNOVACIÓN LTDA.(1) | 96.672.150-2 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 250.042 | 125.476 |
| TELEFONICA MOVILES VENEZUELA | Foreign | Venezuela | Related to the parent company | Serv. Provided | USD | 90 days | 177.360 | 151.805 |
| TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A. | 96.961.230-5 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 131.172 | 150.771 |
| TELEFONICA GERMANY GMBH &CO OHG | Foreign | Ireland | Related to the parent company | Serv. Provided | USD | 90 days | 97.344 | - |
| O2 (UK) | Foreign | England | Related to the parent company | Serv. Provided | USD | 90 days | 62.928 | 30.264 |
| TELEFONICA INGENIERIA SEGURIDAD S.A. | 59.083.900-0 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 49.376 | 28.114 |
| TELEMING CELULAR | Foreign | Brazil | Related to the parent company | Serv. Provided | USD | 90 days | 41.944 | 9.904 |
| TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A. | 96.910.730.-9 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 38.262 | 147.564 |
| TELEFONICA MOVILES PERU, S.A. | Foreign | Peru | Related to the parent company | Serv. Provided | USD | 90 days | 38.059 | 7.746 |
| TELEFONICA MOVILES COLOMBIA | Foreign | Colombia | Related to the parent company | Serv. Provided | USD | 60 days | 31.968 | 26.418 |
| TELEFÓNICA MÓVILES DEL URUGUAY S.A. | Foreign | Uruguay | Related to the parent company | Serv. Provided | USD | 90 days | 25.649 | 15.736 |
| TELEFONICA S.A. | Foreign | Spain | Related to the parent company | Serv. Provided | CLP | 60 days | 11.350 | - |
| TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A. | 96.990.810-7 | Chile | Shareholder | Serv. Provided | CLP | 60 days | 11.067 | 7.313 |
| FUNDACION TELEFONICA CHILE | 74.944.200-K | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 10.731 | 10.919 |
| OTECEL, S.A. ECUADOR | Foreign | Equator | Related to the parent company | Serv. Provided | USD | 90 days | 8.633 | 4.859 |
| TELEFÓNICA ASSET MANAGEMENT CHILE | 76.173.568-3 | Chile | Common parent company | Serv. Provided | CLP | 60 days | 7.100 | - |
| INSTITUTO TELEFONICA CHILE S.A. | 96.811.570-7 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 6.999 | 9.037 |
| PEGASO PCS, S.A.DE C.V. | Foreign | Mexico | Related to the parent company | Serv. Provided | USD | 90 days | 6.993 | 3.120 |
| TELEFONICA MOVILES PANAMA | Foreign | Panama | Related to the parent company | Serv. Provided | USD | 90 days | 6.743 | 1.742 |
| TELEFONICA FACTORING CHILE S.A. | 76.096.189-2 | Chile | Related to the parent company | Mercantile Current Account | CLP | 60 days | 6.601 | - |
| INTERTEL CHILE | 96.898.630-9 | Chile | Common parent company | Serv. Provided | CLP | 60 days | 4.500 | 3.000 |
| TELEFONICA SLOVAKIA | Foreign | Slovakia | Related to the parent company | Serv. Provided | CLP | 60 days | 3.853 | 121 |
| TELEFONICA EMPRESAS CHILE S.A. | 78.703.410-1 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 3.265 | 30.141 |
| TERRA NETWORKS CHILE S.A. | 96.834.230-4 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 2.821 | 3.311 |
| O2 MANX TELECOM LTD | Foreign | England | Related to the parent company | Serv. Provided | USD | 90 days | 2.129 | 1.177 |
| O2 COMMUNICATIONS (IRELAND) LTD. | Foreign | Irlanda | Related to the parent company | Serv. Provided | USD | 90 days | 1.831 | - |
| TELEFONICA MOVILES GUATEMALA | Foreign | Guatemala | Related to the parent company | Serv. Provided | USD | 90 days | 1.319 | 749 |
| TELEFONICA MOVILES NICARAGUA, S.A. | Foreign | Nicaragua | Related to the parent company | Serv. Provided | USD | 90 days | 546 | 472 |
| TELEFÓNICA MÓVILES EL SALVADOR S.A. | Foreign | El Salvador | Related to the parent company | Serv. Provided | USD | 90 days | 225 | - |
| | | | | | | | **29.164.608** | **48.145.501** |

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

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.

## 9. Accounts receivable and payable to related companies, continued

### b) Current accounts payable to related companies

| Company | Taxpayer No. | Country of origin | Nature of the relationship | Transaction origin | Currency | Term | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|---|---|---|---|---|---|
| | | | | | | **Sub-Total** | **18.619.013** | **29.470.366** |
| TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA. | 76.086.148-0 | Chile | Associated | Management Services | CLP | 60 days | 17.285.186 | 27.583.868 |
| | | | | Others | | 60 days | 1.333.827 | 1.624.082 |
| | | | | Mercantile Current Account | | 60 days | - | 262.416 |
| | | | | | | **Sub-Total** | **7.448.033** | **7.122.807** |
| TELEFONICA CHILE S.A. | 90.635.000-9 | Chile | Related to the parent company | Access Charge and Links | CLP | 60 days | 3.591.280 | 4.321.162 |
| | | | | W Serv Lease - Space and Energy | CLP | 60 days | 1.577.555 | 1.325.961 |
| | | | | Others | EUR | 90 days | 2.279.198 | 1.475.684 |
| TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A | 96.961.230-5 | Chile | | General Services | | 60 days | 5.583.340 | 3.207.938 |
| TELEFONICA EMPRESAS CHILE S.A. | 78.703.410-1 | Chile | | Management Services | | 60 days | 5.184.104 | 12.450.231 |
| TELEFONICA, S.A. | Foreign | Spain | Related to the parent company | Serv. Provided | CLP | 60 days | 3.815.191 | 4.476.829 |
| TELEFONICA INTERNACIONAL, S.A. | Foreign | Spain | Related to the parent company | Servicios de Brand Fee | EUR | 90 days | 2.685.700 | 1.926.514 |
| MIRAFLORES 130 S.A. | 76.172.003-1 | Chile | Related to the parent company | Mercantile Current Account | CLP | 60 days | 2.549.969 | 2.494.434 |
| TELEFONICA LARGA DISTANCIA S.A. | 96.672.160-K | Chile | Related to the parent company | Serv. Provided | EUR | 60 days | 2.082.972 | 1.818.982,00 |
| TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A. | 96.990.810-7 | Chile | Shareholder | Serv. Provided | CLP | 60 days | 936.659 | 601.901,00 |
| TELEFONICA MOVILES ESPAÑA, S.A. | Foreign | Spain | Related to the parent company | Serv. Provided | EUR | 90 days | 570.218 | 256.505,00 |
| TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILI | Foreign | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 237.222 | 669.758,00 |
| O2 MANX TELECOM LTD | Foreign | England | Related to the parent company | Serv. Provided | USD | 90 days | 207.864 | 201.961,00 |
| TELEFONICA MOVILES ARGENTINA, S.A. | Foreign | Argentina | Related to the parent company | Serv. Provided | USD | 90 days | 190.161 | 148.149,00 |
| TERRA NETWORKS CHILE S.A. | 96.834.230-4 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 179.643 | 692.373,00 |
| VIVO, S.A. | Foreign | Brazil | Related to the parent company | Serv. Provided | CLP | 90 days | 150.205 | 83.514,00 |
| TELEFONICA MOVILES PERU HOLDING S.A | Foreign | Peru | Related to the parent company | Serv. Provided | CLP | 90 days | 136.954 | 27.957,00 |
| TELEFONICA INGENIERIA SEGURIDAD S.A. | 59.083.900-0 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 115.113 | 145.979,00 |
| TELFISA GLOBAL B.V. | Foreign | Spain | Related to the parent company | commission administration | CLP | 90 days | 105.200 | 283.028,00 |
| PEGASO PCS, S.A. C.V | Foreign | Mexico | Related to the parent company | Serv. Provided | USD | 90 days | 70.872 | 14.451,00 |
| WAYRA CHILE TECNOLOGIA E INNOVACIÓN LTDA. (1) | 96.672.150-2 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 69.162 | - |
| TELEFONICA GLOBAL APPLICATIONS S.L. | Foreign | Spain | Related to the parent company | Serv. Provided | EUR | 90 days | 67.715 | 67.715 |
| COLOMBIA TELECOMUNICACIONES S.A. | Foreign | Colombia | Related to the parent company | Serv. Provided | USD | 90 days | 49.961 | - |
| TELEFONICA MOVILES VENEZUELA | Foreign | Venezuela | Related to the parent company | Serv. Provided | USD | 90 days | 43.482 | 25.829 |
| INSTITUTO TELEFONICA CHILE S.A. | 96.811.570-7 | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 43.079 | 48.404 |
| TELEFÓNICA ASSET MANAGEMENT CHILE | 76.173.568-3 | Chile | Common parent company | Serv. Provided | CLP | 60 days | 37.591 | - |
| TELEFONICA USA INC | Foreign | USA | Related to the parent company | Serv. Provided | USD | 60 days | 22.231 | 22.231 |
| OTECEL, S.A. ECUADOR | Foreign | Equator | Related to the parent company | Serv. Provided | USD | 90 days | 19.468 | 2.685 |
| TELEFÓNICA MÓVILES DEL URUGUAY S.A. | Foreign | Uruguay | Related to the parent company | Serv. Provided | USD | 90 days | 14.315 | 11.705 |
| TELEFONICA INTERNATIONAL WHOLESALE S.L. UNIPERSON | Foreign | Spain | Related to the parent company | Serv. Provided | EUR | 90 days | 13.765 | 13.103 |
| TELEFONICA MOVILES PANAMA | Foreign | Panama | Related to the parent company | Serv. Provided | USD | 90 days | 11.565 | 2.484 |
| TELEFONICA MOVILES GUATEMALA | Foreign | Guatemala | Related to the parent company | Serv. Provided | USD | 90 days | 4.523 | 1.108 |
| TELEFÓNICA SERVICIOS DE MÚSICA | Foreign | Spain | Related to the parent company | Serv. Provided | CLP | 30 days | 2.127 | - |
| | | | | | | **TOTAL** | **1.440** | **1.054.446** |
| INVERSIONES TELEFÓNICA MÓVILES HOLDING S.A. | 76.124.890-1 | Chile | Company | Legal Minimum Dividends | CLP | 90 days | - | 974.315 |
| | | | | Serv. Provided | CLP | 90 days | 1.440 | 1.440 |
| | | | | others | CLP | 90 days | - | 78.691 |
| O2 COMMUNICATIONS (IRELAND) LTD. | Foreign | Ireland | Related to the parent company | Serv. Provided | USD | 90 days | 920 | 21.400 |
| TELEFONICA MOVILES EL SALVADOR, S.A. | Foreign | El Salvador | Related to the parent company | Serv. Provided | USD | 90 days | 693 | (219) |
| TELEFÓNICA MOVILES NICARAGUA, S.A. | Foreign | Nicaragua | Related to the parent company | Serv. Provided | USD | 90 days | 591 | - |
| TELEFÓNICA INGENIERIA SEGURIDAD MÉXICO | Foreign | Mexico | Related to the parent company | Serv. Provided | USD | 90 days | 215 | - |
| FUNDACIÓN TELEFÓNICA CHILE | 74.944.200-K | Chile | Related to the parent company | Serv. Provided | CLP | 60 days | 40 | 2.333 |
| TELEFONICA MOVILES COLOMBIA | Foreign | Colombia | Related to the parent company | Serv. Provided | USD | 90 days | - | 49.352 |
| TELEFONICA GERMANY GMBH &CO OHG | Foreign | Germany | Related to the parent company | Serv. Provided | USD | | - | 37.414 |
| **Total** | | | | | | | **51.271.316** | **67.453.667** |

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

## 9. Accounts receivable and payable to related companies, continued

### c) Transactions:

| Company | Taxpayer No. | Country of origin | Nature of the relationship | Currency | Transaction origin | 09.30.2013 ThCh$ | 09.30.2012 ThCh$ |
|---|---|---|---|---|---|---|---|
| TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA. | 76.086.148-0 | Chile | Related to the parent compa | CLP | **TOTAL** | **(47.163.908)** | **(49.182.015)** |
| | | | | | Financial income | 1.219.474 | - |
| | | | | | Sales | 1.059.557 | 2.778.638 |
| | | | | | Services staff seconded from other companies | (49.442.939) | (51.960.653) |
| | | | | | **TOTAL** | **(11.144.633)** | **(11.029.441)** |
| TELEFONICA, S.A. | Foreign | Spain | Shareholder | EUR | Brand Fee | (11.130.836) | (10.890.831) |
| | | | | | Other | (13.797) | (138.610,00) |
| TELEFONICA CHILE S.A. | 90.635.000-9 | Chile | Related to the parent compa | CLP | **TOTAL** | **(11.918.827)** | **(8.863.946)** |
| | | | | | Access charges and Interconnects | 9.215.446 | 11.722.630 |
| | | | | | 800 Service | (12.805) | - |
| | | | | | Other | 277.085 | - |
| | 90.635.000-9 | Chile | Related to the parent compa | CLP | **Costs** | **(21.398.553)** | **(20.586.576)** |
| | | | | | Access charges and Interconnects | (3.862.324) | (4.000.141) |
| | | | | | Servicio Telefonico | (17.536.229) | (14.444.585) |
| | | | | | Other | - | (2.141.850,00) |
| TELEFONICA EMPRESAS CHILE S.A. | 78.703.410-1 | Chile | Related to the parent compa | CLP | **TOTAL** | **(11.223.390)** | **(7.491.961)** |
| | | | | | **Sales** | | |
| | | | | | Telephone services | 1.950.888 | 1.872.080 |
| | | | | | **Costs** | **(13.174.278)** | **(9.364.041)** |
| | | | | | Professional Services | (11.627.856) | (9.364.041) |
| | | | | | Other | (1.546.422) | - |
| | | | | | **TOTAL** | **-** | **(7.523.449)** |
| ATENTO CHILE S.A. (1) | 96.895.220-K | Chile | Related to the parent compa | CLP | Costs | - | 136.301 |
| | | | | | Sales | - | (7.659.750) |
| | | | | | **TOTAL** | **2.588.914** | **6.714.605** |
| TELFISA GLOBAL B.V. | Foreign | Spain | Related to the parent compa | CLP | Financial income | 2.666.641 | 6.936.633 |
| | | | Related to the parent compa | CLP | Costs | (77.727) | (222.028) |
| TELEFONICA LARGA DISTANCIA S.A. | 96.672.160-K | Chile | Related to the parent compa | CLP | **TOTAL** | **(6.073.632)** | **(6.376.978)** |
| | | | | | Costs | (8.390.039) | (8.668.602) |
| | | | | | Fixed Income - Mobile | 2.316.407 | 2.291.624 |
| | | | | | Other | - | - |
| | | | | | **TOTAL** | **(1.835.048)** | **(2.188.667)** |
| TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A. | 96.961.230-5 | Chile | Related to the parent compa | CLP | Costs | (1.859.714) | (2.219.527) |
| | | | | | Sales | 24.666 | 30.860 |
| | | | | | **TOTAL** | **(1.774.445)** | **(641.805)** |
| TELEFONICA INTERNACIONAL, S.A. | Foreign | Spain | Related to the parent compa | EUR | Costs | (1.774.445) | (641.805) |
| | | | | | **TOTAL** | **(2.323.384)** | **141.697** |
| TELEFONICA MOVILES ESPAÑA, S.A. | Foreign | Spain | Related to the parent compa | EUR | Sales | (1.313.579) | 396.671 |
| | Foreign | Spain | Related to the parent compa | EUR | Costs | (1.009.805) | (254.974) |
| | | | | | **TOTAL** | **(414.649)** | **(360.810)** |
| TERRA NETWORKS CHILE S.A. | 96.834.230-4 | Chile | Related to the parent compa | CLP | Costs | (427.490) | (385.570) |
| | | | | | Sales | 12.841 | 24.760 |
| | | | | | **TOTAL** | **(37.454)** | **(541.671)** |
| TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A. | 96.910.730-9 | Chile | Related to the parent compa | CLP | Costs | (79.467,00) | (584.357) |
| | 96.910.730-9 | Chile | Related to the parent compa | CLP | Sales | 42.013 | 42.686 |
| | | | | | **TOTAL** | **(698.703)** | **(314.029)** |
| TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A. | 96.990.810-7 | Chile | Shareholder | CLP | Costs | (725.905) | (314.029) |
| | | | | | Sales | 27.202 | - |
| | | | | | **TOTAL** | **(328.232)** | **(273.219)** |
| TELEFONICA INGENIERIA SEGURIDAD S.A. | 59.083.900-0 | Chile | Related to the parent compa | CLP | Costs | (353.029) | (290.379) |
| | 59.083.900-0 | Chile | Related to the parent compa | CLP | Sales | 24.797 | 17.160 |
| | | | | | **TOTAL** | **538.435** | **282.378** |
| TELEFONICA MOVILES ARGENTINA, S.A. | Foreign | Argentina | Related to the parent compa | USD | Sales | 913.214 | 700.852 |
| | | | | | Costs | (374.779) | (418.474) |
| | | | | | **TOTAL** | **65.200** | **(202.089)** |
| O2 MANX TELECOM LTD | Foreign | England | Related to the parent compa | USD | Costs | (3.875) | (204.508,00) |
| | | | | USD | Sales | 69.075 | 2.419,00 |
| | | | | | **TOTAL** | **(11.154)** | **124.205** |
| TELEFONICA MOVILES PANAMA | Foreign | Panamá | Related to the parent compa | USD | Sales | 15.240 | 143.854 |
| | Foreign | Panamá | Related to the parent compa | USD | Costs | - 26.394 | (19.649,00) |
| TELEFÓNICA MÓVILES MEXICO,SA DE C.V, | Foreign | México | Related to the parent company | | **TOTAL** | **(203)** | **(56.845)** |
| | | | | | Sales | - | 16.552 |
| | | | | | Costs | (203) | (73.397) |

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

## 9. Accounts receivable and payable to related companies, continued

### c) Transactions, continued

| Company | Taxpayer No. | Country of origin | Nature of the relationship | Currency | Transaction origin | 09.30.2013 ThCh$ | 09.30.2012 ThCh$ |
|---|---|---|---|---|---|---|---|
| | | | | | **TOTAL** | **286.817** | **95.842** |
| VIVO, S.A. | Foreign | Brazil | Related to the parent compa | USD | Sales | 496.680 | 278.550 |
| | Foreign | Brazil | Related to the parent compa | USD | Costs | (209.863) | (182.708) |
| | | | | | **TOTAL** | **-** | **(111.197)** |
| INSTITUTO TELEFONICA CHILE S.A. | 96.811.570-7 | Chile | Related to the parent compa | CLP | Sales | - | 27.778 |
| | 96.811.570-7 | Chile | Related to the parent compa | CLP | Costs | - | (138.975) |
| | | | | | **TOTAL** | **(284.589)** | **(196.217)** |
| TELEFONICA MOVILES PERU, S.A. | Foreign | Peru | Related to the parent compa | USD | Sales | 88.194 | 67.554 |
| | Foreign | Peru | Related to the parent compa | USD | Costs | (372.783) | (263.771) |
| | | | | | **TOTAL** | **(114.640)** | **-** |
| PEGASO PCS, S.A. DE C.V. | Foreign | Mexico | Related to the parent compa | USD | Costs | (136.533) | - |
| | | | | | Sales | 21.893 | - |
| | | | | | **TOTAL** | **113.178** | **(25.027)** |
| O2 GERMANY GMBH & CO OHG | Foreign | Germany | Related to the parent compa | USD | Costs | 97.306 | (40.656) |
| | Foreign | Germany | Related to the parent compa | USD | Sales | 15.872 | 15.629 |
| | | | | | **TOTAL** | **2.859** | **4.463** |
| O2 COMMUNICATIONS (IRELAND) LTDA | Foreign | Ireland | Related to the parent compa | USD | Sales | 4.344 | 3.379 |
| | Foreign | Ireland | Related to the parent compa | USD | Costs | (1.485) | 1.084 |
| | | | | | **TOTAL** | **(22.871)** | **(10.719)** |
| OTECEL, S.A. ECUADOR | Foreign | Equator | Related to the parent compa | USD | Costs | (42.196) | (34.072) |
| | | | | | Sales | 19.325 | 23.353 |
| | | | | | **TOTAL** | **7.622** | **(7.941)** |
| TELEFONICA MOVILES VENEZUELA | Foreign | Venezuela | Related to the parent compa | USD | Costs | (15.740) | (146.367) |
| | Foreign | Venezuela | Related to the parent compa | USD | Sales | 23.362 | 138.426 |
| | | | | | **TOTAL** | **9.602** | **3.676** |
| TELEFÓNICA MÓVILES DEL URUGUAY S.A. | Foreign | Uruguay | Related to the parent compa | USD | Sales | 47.893 | 45.771 |
| | Foreign | Uruguay | Related to the parent compa | USD | Costs | (38.291) | (42.095) |
| | | | | | **TOTAL** | **(1.412)** | **(884)** |
| TELEFONICA MOVILES EL SALVADOR, S.A. | Foreign | El Salvador | Related to the parent compa | USD | Costs | (1.632) | (884) |
| | | | | | Sales | 220 | - |
| | | | | | **TOTAL** | **(4.350)** | **1.010** |
| TELEFONICA MOVILES GUATEMALA | Foreign | Guatemala | Related to the parent compa | USD | Sales | 1.747 | 2.168 |
| | | | | | Costs | (6.097) | (1.158) |
| | | | | | **TOTAL** | **(187)** | **733** |
| TELEFONICA MOVILES NICARAGUA, S.A. | Foreign | Nicaragua | Related to the parent compa | USD | Sales | 1.469 | 1.112 |
| | Foreign | Nicaragua | Related to the parent compa | USD | Costs | (1.656) | (379) |
| | | | | | **TOTAL** | **3.540** | **-** |
| TELEFONICA SLOVAKIA | Foreign | Slovakia | Related to the parent compa | CLP | Sales | 3.540 | - |
| | | | | | **TOTAL** | **(63.821)** | **(53.998)** |
| COLOMBIA TELECOMUNICACIONES S.A. | Extranjera | Colombia | Related to the parent company | | Sales | 84.596 | 55.413 |
| | | | | | Costs | (148.417) | (109.411) |
| WAYRA CHILE TECNOLOGIA E INNOVACION LTDA. | 96.672.150-2 | Chile | Related to the parent compa | CLP | Sales | 110.714 | 24.038 |
| TELEMIG CELULAR | Foreign | Brazil | Related to the parent compa | USD | Sales | - | (255.060) |
| FUNDACION TELEFONICA CHILE | 74.944.200-K | Chile | Related to the parent compa | CLP | Sales | 31.047 | - |
| TELEATENTO DEL PERU S.A.C. | Foreign | Peru | Related to the parent compa | USD | Costs | 1.213 | 1.999 |
| O2 (UK) (ANTES VP COMMUNIC) | Foreign | England | Related to the parent compa | USD | Sales | - | 74.906 |
| TELEFONICA GLOBAL APLLICATIONS | Foreign | Spain | Related to the parent compa | EUR | Costs | - | (52.340) |
| TELEFONICA ARGENTINA, S.A. | Foreign | Argentina | Related to the parent compa | USD | Costs | - | (16.001) |
| T. GLOBAL SERVICES GMBH | Foreign | Spain | Related to the parent compa | EUR | Costs | (96.960) | - |
| TELEFONICA SERVICIOS DE MUSICA ESPAÑA | Foreign | Spain | Related to the parent compa | EUR | Finance Expenses | (1.926) | - |
| TELEFONICA GLOBAL TECHNOLOGY S.A.U. | Foreign | Spain | Related to the parent compa | EUR | Costs | - | (175.888) |
| MIRAFLORES 130 S.A. | 76.172.003-1 | Chile | Common parent company | CLP | Finance income | 2.116 | 3.247 |
| TELEFÓNICA BRASIL (antes Telesp. Participacoes Fij) | Extranjera | Brazil | Related to the parent compa | USD | Sales | - | 52.344 |
| | | | | | Costs | - | (61.722) |
| TELEFÓNICA FACTORING CHILE S.A. | 76.096.189-2 | Chile | Related to the parent compa | CLP | Finance income | - | 84.755 |
| TELEFÒNICA ION THE SPOT SERVICE | | | Related to the parent company | | Costs | - | (2.472) |

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

## 9. Accounts receivable and payable to related companies, continued

c) Transactions, continued

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

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

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

d) 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 | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|---|---|---|---|---|---|
| TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA. | 76.086.148-( | Chile | Common Shareholde | HR obligation | CLP | - | 1,366,521 | 1,366,521 |
| **Total** | | | | | | | **1,366,521** | **1,366,521** |

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

As of september 30, 2013 and December 31, 2012, 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 75 executives considered: Chairman, General Manager, 13 Directors and 60 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..

## 10. Inventory

a) Inventory is detailed as follows:

| Description | 09.30.2012 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| Mobile equipment | 65,786,459 | 52,191,501 |
| Accessories | 126,925 | 291,482 |
| **Total** | **65,913,384** | **52,482,983** |

As of september 30, 2013 and December 31, 2012 there have been no inventory write-offs and there is no inventory in guarantee. The balance of the obsolescence accrual amounts to ThCh$ 7,767,619 for 2013 and ThCh$ 6,853,654 for 2012.

b) Inventory movements are detailed as follows:

| Description | 09.30.2012 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| **Beginning balance** | **52,482,983** | **45,473,880** |
| Purchases | 175,591,858 | 210,004,194 |
| Sales | (161,247,492) | (98,559,436) |
| Obsolescence provision | (913,965) | 193,812 |
| Transfer to materials allocated to the investment (15b) | - | (104,629,467) |
| **Movements, subtotal** | **13,430,401** | **7,009,103** |
| **Closing balance** | **65,913,384** | **52,482,983** |

## 11. Taxes

a) Income Taxes

As of september 30, 2013 and December 31, 2012, the Company has established a consolidated first category income tax reserve since it determined a positive taxable base of ThCh$ 60,572,773 and ThCh$ 97,954,251, respectively for each year.

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

As of September 30, 2013, the parent company has a positive Taxable Income Fund balance in the amount of ThCh$ 40,387,661.

## 11. Taxes, continued

### a) Income Taxes , continued

The subsidiary Telefónica Móviles Chile Distribución S.A. has a negative Taxable Income Fund and a first category tax loss in the amount of ThCh$ 679,814.

Law No. 20,630 was published on September 27, 2012, setting the first category tax rate of 20% as of the 2013 tax year, for the purpose of this year-end, we have applied this reform to determine the respective current and deferred income taxes.

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

| Subsidiares | Taxable Net Income with 16.5% Credit ThCh$ | Taxable Net Income with 17% Credit ThCh$ | Taxable Net Income with 20% Credit ThCh$ | Taxable Net Income Without credit ThCh$ | Amount of credit ThCh$ |
|---|---|---|---|---|---|
| Telefónica Móviles Chile S.A. | - | - | 28,273,106 | 12,114,555 | 7,068,277 |
| **Totales** | **-** | **-** | **28,273,106** | **12,114,555** | **7,068,277** |

### b) Current tax assets

As of september 30, 2013 and December 31, 2012, the Company does not have current tax assets.

## 11. Taxes, continued

### c) Deferred tax assets and liabilities

As of September 30, 2013 and December 31, 2012, accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh$ 18,769,965 and ThCh$ 19,329,303, respectively which are detailed as follows:

| | 09.30.2013 | | 12.31.2012 | | 09.30.2013 | | 09.30.2012 | |
|---|---|---|---|---|---|---|---|---|
| | Asset | Liability | Asset | Liability | Profit (loss) | Equity | Profit (loss) | Equity |
| Concepts | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Allowance for doubtful accounts | 15.244.589 | - | 14.505.107 | - | (739.483) | - | (2.764.506) | - |
| Obsolescence provision | 1.553.524 | - | 1.370.731 | - | (158.537) | (24.255) | (317.886) | - |
| Defered income | 3.314.647 | - | 3.797.368 | - | 482.721 | - | 10.947 | - |
| Provision for dismantling expenses | 2.365.019 | - | 2.365.020 | - | - | - | (354.753) | - |
| Deferred selling cost and deferred sales commissions | | 4.043.231 | - | 4.801.823 | (758.592) | - | (1.176.501) | - |
| Amortization and depreciation of assets | 5.993.942 | 7.413.629 | 11.212.484 | 10.253.108 | 2.379.063 | - | 3.616.822 | - |
| Other events (1) | 2.495.141 | 740.037 | 2.102.513 | 968.987 | (765.172) | 143.593 | 565.919 | 281.340 |
| **Sub total** | **30.966.862** | **12.196.897** | **35.353.223** | **16.023.918** | **440.000** | **119.338** | **(419.958)** | **281.340** |
| **Reclasification** | **(12.196.897)** | **(12.196.897)** | **(16.023.918)** | **(16.023.918)** | - | - | - | - |
| **Total** | **18.769.965** | **-** | **19.329.303** | **-** | **440.000** | **119.338** | **(419.958)** | **281.340** |

(1) Includes among others, vacation, enjoyment, employee benefits and termination benefits provisions and capitalization of bond placement expenses.

### d) Current tax liabilities

| Movements | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| Income tax accrual (1) | 13,217,791 | 21,050,961 |
| **Final balance** | **13,217,791** | **21,050,961** |

(1) As of september 30, 2013 the provision for income tax is presented net of estimated monthly payments for ThCh$ 9.354.186 and december 31, 2012 for ThCh$ 8.427.857.

## 11. Taxes, continued

### e) Taxable Income :

As of september 30, 2013 and September 30, 2012, a first category income tax provision has been established, since a positive taxable base was determined in the amount of ThCh$60,572,772 and ThCh$ 82,391,991, respectively for each period, detailed as follows:

| Description | Taxable Net Income | | | |
|---|---|---|---|---|
| | 07.01.2013 as of 09.30.2013 | 09.30.2013 | 07.01.2012 as of 09.30.2012 | 09.30.2012 |
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Finance income | 32.871.891 | 55.913.798 | 25.276.086 | 72.886.096 |
| Recorded tax expense | 5.286.866 | 14.155.755 | 7.460.680 | 18.662.645 |
| Additions | 21.331.238 | 53.099.055 | (30.280.747) | 50.108.157 |
| Deductions | (249.891.193) | (62.595.836) | 12.669.873 | (59.264.907) |
| Taxable Net Income | 34.500.807 | 60.572.772 | 15.125.892 | 82.391.991 |
| First category tax rate 20% | 6.900.160 | 12.114.554 | 3.025.178 | 16.478.398 |
| Art. 21 rejected expenses tax base | 10.855 | 354.407 | (79) | 18.772 |
| Art. 21 non-deductible expenses (35% rate) | 3.799 | 124.042 | (28) | 6.570 |
| **Total Tax Provision** | **6.903.959** | **12.238.596** | **3.025.150** | **16.484.968** |
| Contingencies provision | - | 1.000.000 | - | 2.764.697 |
| Previous year deficit (surplus) | - | 477.159 | - | (167.062) |
| **Total first category taxes** | **6.903.959** | **13.715.755** | **3.025.150** | **19.082.603** |

### f) Income tax reconciliation:

The income tax expense reconciliation as of september 30, 2013 and December 31, 2012 are detailed as follows:

| Concepts | 07.01.2013 al 09.30.2013 | | 09.30.2013 | | 07.01.2012 al 09.30.2012 | | 09.30.2012 | |
|---|---|---|---|---|---|---|---|---|
| | Taxable base ThCh$ | Tax Rate 20% ThCh$ | Taxable base ThCh$ | Tax Rate 20% ThCh$ | Taxable base ThCh$ | Tax Rate 20% and 18.5% ThCh$ | Taxable base ThCh$ | Tax Rate 20% ThCh$ |
| **Based on accounting income before taxes:** | | | | | | | | |
| **Finance income** | **32,871,891** | | **55,913,798** | | **25,276,086** | | **72,886,096** | |
| **Recorded tax expense** | **5,286,866** | | **14,155,755** | | **7,460,680** | | **18,662,645** | |
| **Income before taxes** | **38,158,758** | **3,591,776** | **70,069,553** | **6,382,159** | **32,736,766** | **7,429,532** | **91,548,741** | **18,309,748** |
| **Permanent differences** | **(10,069,753)** | **(2,344,886)** | **709,224** | **141,845** | **25,301** | **31,148** | **1,764,485** | **352,897** |
| Price-level restatement of taxable equity | (3,558,168) | (711,634) | (4,247,662) | (849,532) | 13,720,392 | 2,476,867 | (4,093,729) | (818,746) |
| Investment income related companies | 1,735,364 | 16,139 | (1,654,655) | (330,931) | (110,217) | (47,313) | (1,794,813) | (358,963) |
| Foreign currency translation due to legal rate modification | - | - | - | - | (11,921,254) | (2,291,398) | (5,731,097) | (1,146,219) |
| Others (1) | (8,246,949) | (1,649,391) | 6,611,540 | 1,322,308 | (1,663,620) | (107,008) | 13,384,124 | 2,676,825 |
| **Total corporate tax expense** | **28,089,005** | **1,246,890** | **70,778,776** | **6,524,004** | **32,762,067** | **7,460,681** | **93,313,226** | **18,662,645** |
| **Based on taxable net income and deferred taxes calculated on the basis of temporary differences:** | | | | | | | | |
| 20% income tax | | 6,900,160 | | 12,114,554 | | 3,025,178 | | 16,478,398 |
| 35% income tax | | 3,799 | | 124,042 | | (28) | | 6,570 |
| Provision for tax contingencies | | - | | 1,000,000 | | - | | 2,764,697 |
| Prior years deficit | | - | | 477,159 | | - | | (167,062) |
| **Total Income tax expense** | | **6,903,959** | | **13,715,755** | | **3,025,150** | | **19,082,603** |
| **Total Deferred tax expense** | | **(1,617,093)** | | **440,000** | | **4,435,530** | | **(419,958)** |
| **Total corporate tax expense** | | **5,286,866** | | **14,155,755** | | **7,460,680** | | **18,662,645** |
| **Effective rate** | | **13.85%** | | **20.20%** | | **22.79%** | | **20.39%** |

(1) Law No. 20,630 was published on September 27, 2012, setting a first category (corporate) tax rate of 20% as of the 2013 tax year. Due to the above, as of December 2012 and September 2013 the effects of that reform have been reflected in the determination of current and deferred income taxes. Also includes fines and others.

## 12. Investments accounted for using the equity method

a) As of september 30, 2013 and December 31, 2012 in associated companies as well as a summary of their information is detailed as follows:

| Taxpayer No. | Name | Investment balance 09.30.2013 | Participation percentage % | Current assets ThCh$ | Non-current assets ThCh$ | Current liabilities ThCh$ | Non-current liabilities ThCh$ | Ordinary income ThCh$ | Ordinary expenses ThCh$ | Income ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|
| 76.086.148-0 | Telefónica Chile Servicios Corporativos Ltda. (1) | 5,095,514 | 48 | 59,058,300 | 44,400,025 | 62,175,228 | 30,667,442 | 129,055,324 | 121,068,631 | 5,440,223 |

| Taxpayer No. | Name | Investment balance 12.31.2012 | Participation percentage % | Current assets ThCh$ | Non-current assets ThCh$ | Current liabilities ThCh$ | Non-current liabilities ThCh$ | Ordinary income ThCh$ | Ordinary expenses ThCh$ | Income ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|
| 76.086.148-0 | Telefónica Chile Servicios Corporativos Ltda. (1) | 2,484,207 | 48 | 75,555,181 | 46,815,222 | 85,818,722 | 31,376,249 | 175,075,825 | 164,426,046 | 6,980,594 |

b) The movements in investments in associates as of september 30, 2013 and December 31, 2012 is as follows:

| Movements | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| **Beginning balance** | **2,484,207** | **(881,701)** |
| Participation in ordinary income current period (1) | 2,611,307 | 2,895,637 |
| Capital Increase Wayra Chile Ltda. Technology and Innovation | - | 1,100,000 |
| Sales of Wayra Chile Tecnología e Innovación Ltda. (2) | - | (1,303,297) |
| Other increases in reserve (3) | - | 673,540 |
| Other increases | - | 28 |
| **Movements, subtotal** | **2,611,307** | **3,365,908** |
| **Final balance** | **5,095,514** | **2,484,207** |

(1) At December 31, 2012 includes income accrued in subsidiary Wayra Chile Tecnología e Innovación Ltda. for the time of permanence of the investment until November 27, 2012 in the amount of ThCh$ 453,577.

(2) Corresponds to the transfer of rights of subsidiary Wayra Chile Tecnología e Innovación Ltda. to Wayra Investigación y Desarrollo, SLU performed on November 27, 2012.

(3) Corresponds to the equity effect generated by the participation in Telefónica Chile Servicios Corporativos Ltda., subsidiary of Telefónica Chile S.A., originated by the change made in actuarial hypothesis of the employee benefits provision as of December 31, 2012.

## 13. Intangible Assets other than goodwill,

a) As of september 30, 2013 and December 31, 2012, intangible assets other than goodwill are detailed as follows:

| Description | 09.30.2013 Intangibles, gross ThCh$ | 09.30.2013 Accumulated amortization ThCh$ | 09.30.2013 Intangible, net ThCh$ | 12.31.2012 Intangibles, gross ThCh$ | 12.31.2012 Accumulated amortization ThCh$ | 12.31.2012 Intangible, net ThCh$ |
|---|---|---|---|---|---|---|
| Intangible assets (1) | 125,647,598 | (93,129,485) | 32,518,113 | 125,647,598 | (91,822,954) | 33,824,644 |
| Licenses and software | 146,700,635 | (129,374,480) | 17,326,155 | 142,411,224 | (114,994,619) | 27,416,605 |
| **Total** | **272,348,233** | **(222,503,965)** | **49,844,268** | **268,058,822** | **(206,817,573)** | **61,241,249** |

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

b) Movements in intangible assets other than goodwill for 30 september, 2013 are as follows:

| Movements | Intangible assets, net ThCh$ | Licenses and software, net ThCh$ | Intangibles, net ThCh$ |
|---|---|---|---|
| **Beginning balance as of 01.01.13** | **33,824,644** | **27,416,605** | **61,241,249** |
| Elimination | - | (13,267) | (13,267) |
| Amortization of elimination | - | 13,267 | 13,267 |
| Amortization | (1,306,531) | (14,393,128) | (15,699,659) |
| Transfer from construction in progress (note 15b) | - | 4,302,678 | 4,302,678 |
| **Movements, subtotal** | **(1,306,531)** | **(10,090,450)** | **(11,396,981)** |
| **Ending balance as of 09.30.2013** | **32,518,113** | **17,326,155** | **49,844,268** |
| **Remaining average useful life** | | **3 years** | |

The movements in intangible assets other than goodwill for 31 december, 2012 are as follows:

| Movements | Intangible assets, net ThCh$ | Licenses and software, net ThCh$ | Intangibles, net ThCh$ |
|---|---|---|---|
| **Beginning balance as of 01.01.12** | **35,566,686** | **39,505,992** | **75,072,678** |
| Amortization | (1,742,042) | (19,585,688) | (21,327,730) |
| Other Increase (decrease) | - | 7,496,301 | 7,496,301 |
| **Movements, subtotal** | **(1,742,042)** | **(12,089,387)** | **(13,831,429)** |
| **Ending balance as of 12.31.2012** | **33,824,644** | **27,416,605** | **61,241,249** |
| **Remaining average useful life** | | **3 years** | |

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

## 13. Intangible Assets other than goodwill, continued

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

i) Projected income: The projection performed in respect to growth in the volume of future services rendered is 3.3%, growth rate that is consistent with historical behavior.

ii) Discount: The rate used to discount future cash flows is 10.67% (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 14%, and dropping the growth rate from 12% to 10.67%. No impairment whatsoever was identified in the values recorded in the Company's financial statements.

In the financial statements for the years 2012 was not included any impact as a result of the impairment tests performed on these assets. As of 30 september, 2013 there is no indication that impairment testing is required.

## 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 September 30, 2013.

The balance of goodwill for september 30, 2013 and 2012 are detailed as follows:

| Movements | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| Telefónica Móviles Chile S.A. | 483,179,725 | 483,179,725 |
| **Total** | **483,179,725** | **483,179,725** |

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

## 14. Goodwill, continued

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

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

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

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. 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 3.3%, growth rate that is consistent with historical behavior.

ii) Discount rate: the rate used to discount future cash flows is 10.67% (WACC), rate that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.

iii) Market assumptions: the projection of future cash flows takes into consideration market assumptions such as industry growth, country growth and projected inflation.

iv) Sensitivity analysis: a sensibility analysis was performed in respect to recoverable market value, modifying the discount rate and growth rate. The sensitivity contemplated increasing the discount rate by 14%, and dropping the growth rate from 12% to 10.67%. No impairment whatsoever was identified in the values recorded in the Company's financial statements.

Based on the impairment calculations performed by management, as of 2012 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. No impairment testing has been performed as of september 30, 2013 since these are carried out annually at year-end.

## 15. Property, Plant and Equipment

a) As of september 30, 2013 and December 31, 2012 the major categories of Property, plant and equipment and their corresponding accumulated depreciation are detailed as follows:

| Concepts | 09.30.2013 | | | 12.31.2012 | | |
|---|---|---|---|---|---|---|
| | Property, plant & equipment, gross ThCh$ | Accumulated depreciation ThCh$ | Property, plant & equipment, net ThCh$ | Property, plant & equipment, gross ThCh$ | Accumulated depreciation ThCh$ | Property, plant & equipment, net ThCh$ |
| Land | 3,405,021 | - | 3,405,021 | 3,586,428 | - | 3,586,428 |
| Buildings | 108,830,850 | (98,885,709) | 9,945,141 | 104,714,781 | (96,021,714) | 8,693,067 |
| Transport equipment | 17,214 | (17,214) | - | 17,214 | (17,214) | - |
| Supplies and accessories | 10,184,498 | (7,233,444) | 2,951,054 | 10,069,095 | (6,945,715) | 3,123,380 |
| Office equipment | 768,107 | (655,668) | 112,439 | 768,107 | (640,447) | 127,660 |
| Construction in progress | 169,993,953 | - | 169,993,953 | 100,912,920 | - | 100,912,920 |
| Other property, plant & equipment (1) | 873,425,470 | (711,628,491) | 161,796,979 | 876,445,830 | (624,582,997) | 251,862,833 |
| **Total** | **1,166,625,113** | **(818,420,526)** | **348,204,587** | **1,096,514,375** | **(728,208,087)** | **368,306,288** |

(1) On December 11, 2012 there was withdrawal of telecommunications infrastructure in the amount of ThCh$ 3,528,675, as a product of the division of the company into two: Telefónica Móviles Chile S.A. and Torres Dos S.A.

Other Property, plant and equipment items are detailed as follows:

| Concepts | 09.30.2013 | | | 12.31.2012 | | |
|---|---|---|---|---|---|---|
| | Property, plant & equipment, gross ThCh$ | Accumulated depreciation ThCh$ | Property, plant & equipment, net ThCh$ | Property, plant & equipment, gross ThCh$ | Accumulated depreciation ThCh$ | Property, plant & equipment, net ThCh$ |
| General Equipment | 3.450.091 | (2.407.207) | 1.042.884 | 3.450.091 | (2.100.237) | 1.349.854 |
| Equipment subscribers | 166.351.634 | (166.334.441) | 17.193 | 166.342.519 | (123.342.115) | 43.000.404 |
| Computer processing equipment | 17.990.438 | (15.296.950) | 2.693.488 | 17.965.732 | (13.785.303) | 4.180.429 |
| Central offices | 685.633.307 | (527.589.893) | 158.043.414 | 688.687.488 | (485.355.342) | 203.332.146 |
| **Total** | **873.425.470** | **(711.628.491)** | **161.796.979** | **876.445.830** | **(624.582.997)** | **251.862.833** |

## 15. Property, Plant and Equipment, continued

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

| Movements | Land | Buildings, net | Transport equipment, net | Supplies and accessories, net | Office equipment, net | Construction in progress | Other property, plant & equipment, net | Property, plant and equipment, net |
|---|---|---|---|---|---|---|---|---|
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| **Beginning balance as of 01.01.13** | 3,586,428 | 8,693,067 | - | 3,123,380 | 127,660 | 100,912,920 | 251,862,833 | 368,306,288 |
| Additions | - | - | - | - | - | 75,918,209 | - | 75,918,209 |
| Reduction | (9,723) | (119,996) | - | - | - | - | (3,317,552) | (3,447,271) |
| Acc. Dep. reduction | - | 69,564 | - | - | - | - | 1,228,379 | 1,297,943 |
| Depreciation expense (1) | - | (2,292,328) | - | (287,729) | (15,221) | - | (88,273,872) | (90,869,150) |
| Other Increase (decrease) | (171,684) | 3,594,834 | - | 115,403 | - | (6,837,176) | 297,191 | (3,001,432) |
| **Movements, subtotal** | **(181,407)** | **1,252,074** | **-** | **(172,326)** | **(15,221)** | **69,081,033** | **(90,065,854)** | **(20,101,701)** |
| **Ending balance as of 09.30.2013** | **3,405,021** | **9,945,141** | **-** | **2,951,054** | **112,439** | **169,993,953** | **161,796,979** | **348,204,587** |

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

### Movements of major categories of Property, plant and equipment for 2012 period are detailed as follows:

| Movements | Land | Buildings, net | Transport equipment, net | Supplies and accessories, net | Office equipment, net | Construction in progress | Other property, plant & equipment, net | Property, plant and equipment, net |
|---|---|---|---|---|---|---|---|---|
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| **Beginning balance as of 01.01.12** | 3,829,393 | 18,300,464 | 39,781 | 2,271,311 | 148,193 | 40,463,920 | 302,432,488 | 367,485,550 |
| Additions (1) | - | - | - | - | - | 102,447,804 | 104,629,467 | 207,077,271 |
| Reduction | (242,965) | (14,985,416) | (89,314) | - | - | - | (85,745,223) | (101,062,918) |
| Acc. Dep. reduction | - | 11,456,741 | 55,415 | - | - | - | 85,745,223 | 97,257,379 |
| Depreciation expense (2) | - | (6,477,106) | (5,882) | (339,275) | (20,296) | - | (188,112,134) | (194,954,693) |
| Transfer of depreciation (3) | - | 151,440 | - | 404,866 | (176,824) | - | (439,635) | (60,153) |
| Other Increase (decrease) (3) | - | 246,943 | - | 786,478 | 176,587 | (41,998,804) | 33,352,647 | (7,436,148) |
| **Movements, subtotal** | **(242,965)** | **(9,607,398)** | **(39,781)** | **852,069** | **(20,533)** | **60,449,000** | **(50,569,655)** | **820,738** |
| **Ending balance as of 12.31.2012** | **3,586,428** | **8,693,066** | **-** | **3,123,380** | **127,660** | **100,912,920** | **251,862,833** | **368,306,288** |

(1) Other property, plant and equipment includes additions for the concept of equipment on loan ("comodato") up to September 30, 2012 in the amount of ThCh$104,629,467.
(2) Includes the effect of depreciation of leased equipment up to September 30, 2012, which was calculated on the basis of the 14-month useful lives allocated. As of October 1, 2012 useful lives were modified to 12 months, based on the term of the service plan or contract. This change affected leased equipment up to September 30, 2012 with an effect of ThCh$7,527,753.
(3) Corresponds to net movement of transfer of constructions in progress to assets in service and to transfers to net intangibles in the amount of ThCh$(7,496,301).

## 15. Property, Plant and Equipment, continued

The net amount of Property, plant and equipment items that are temporarily out of service as of september 30, 2013 and December 31, 2012 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.

## 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 | | 09.30.2013 Current ThCh$ | 09.30.2013 Non-current ThCh$ | 12.31.2012 Current ThCh$ | 12.31.2012 Non-current ThCh$ |
|---|---|---|---|---|---|
| Bank loans | (a) | 1,542,203 | 109,800,672 | 343,991 | 107,926,600 |
| Unguaranteed obligations (Bonds) | (b) | 35,410,585 | 265,141,893 | 1,367,585 | 285,795,385 |
| Hedge instruments | (see note 18b) | 3,785,233 | 90,778 | 3,544,726 | 2,921,907 |
| **Total** | | **40,738,021** | **375,033,343** | **5,256,302** | **396,643,892** |

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

a) The detail of bank loans for September 30, 2013 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 | Nominal amounts (ThCh$) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Up to 90 days | 90 days to 1 years | Expiration 1 to 3 years | 3 to 5 years | 5 years and over | Total nominal amounts |
| Syndicated Loan (1) | 87845500-2 | Telefónica Móviles Chile S.A. | Chile | Foreign | BBVA BANCOMER | México | US$ | At maturity | 1.46% | 1.11% | US$ 70mm | 2016 | - | - | - | 32,637,500 | - | 32,637,500 |
| Syndicated Loan (2) | 87845500-2 | Telefónica Móviles Chile S.A. | Chile | 97030000-7 | Banco Estado | Chile | CLP | At maturity | 7.20% | 6.79% | MM$49.000 | 2016 | - | - | - | 49,000,000 | - | 49,000,000 |
| Syndicated Loan (3) | 87845500-2 | Telefónica Móviles Chile S.A. | Chile | 97004000-5 | Banco Chile | Chile | CLP | At maturity | 7.41% | 6.95% | MM$26.000 | 2014 | - | - | 26,000,000 | - | - | 26,000,000 |
| | **Total bank loans** | | | | | | | | | | | | | - | **26,000,000** | **81,637,500** | | **107,637,500** |

| Types | Debtor taxpayer No. | Debtor | Debtor Country | Creditor taxpayer No. | Creditor | Creditor country | Currency | Current | | | Non-current | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Expiration Up to 90 days ThCh$ | 90 days to 1 years ThCh$ | Total current as of 09.30.2013 ThCh$ | 1 to 3 years ThCh$ | Expiration 3 to 5 years ThCh$ | 5 years and over ThCh$ | Total Non-current as of 09.30.2013 ThCh$ |
| Syndicated Loan (1) | 87845500-2 | Telefónica Móviles Chile S.A. | Chile | Foreign | BBVA BANCOMER | México | US$ | 13,794 | - | 13,794 | - | 34,984,251 | - | 34,984,251 |
| Syndicated Loan (2) | 87845500-2 | Telefónica Móviles Chile S.A | Chile | 97030000-7 | Banco Estado | Chile | CLP | 1,115,638 | - | 1,115,638 | - | 48,826,858 | - | 48,826,858 |
| Syndicated Loan (3) | 87845500-2 | Telefónica Móviles Chile S.A | Chile | 97004000-5 | Banco Chile | Chile | CLP | - | 412,771 | 412,771 | 25,989,563 | - | - | 25,989,563 |
| | **Total bank loans** | | | | | | | **1,129,432** | **412,771** | **1,542,203** | **25,989,563** | **83,811,109** | - | **109,800,672** |

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

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

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

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

a) The detail of bank loans for december 31, 2012 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 | Nominal amounts (ThCh$) Up to 90 days | 90 days to 1 years | Expiration 1 to 3 years | 3 to 5 years | 5 years and over | Total nominal amounts |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Syndicated Loan (1) | 87845500-2 | Telefónica Móviles Chile S.A. | Chile | Foreign | BBVA Bancomer | México | US$ | At maturity | 1.46% | 1,11% | US$ 70 mm | 2016 | - | - | - | 32,637,500 | - | 32,637,500 |
| Syndicated Loan (2) | 87845500-2 | Telefónica Móviles Chile S.A | Chile | 97030000-7 | Banco Estado | Chile | CLP | At maturity | 7.20% | 6.79% | MM$49.000 | 2016 | - | - | - | 49,000,000 | - | 49,000,000 |
| Syndicated Loan (3) | 87845500-2 | Telefónica Móviles Chile S.A | Chile | 97004000-5 | Banco Chile | Chile | CLP | At maturity | 7.41% | 6.95% | MM$ 26.000 | 2014 | - | - | 26,000,000 | - | - | 26,000,000 |
| | Total bank loans | | | | | | | | | | | | - | | 26,000,000 | 81,637,500 | - | 107,637,500 |

| Types | Debtor taxpayer No. | Debtor | Debtor Country | Creditor taxpayer No. | Creditor | Creditor country | Currency | Current Expiration Up to 90 days ThCh$ | 90 days to 1 years ThCh$ | Total current as of 12.31.2012 ThCh$ | Non-current Expiration 1 to 3 years ThCh$ | 3 to 5 years ThCh$ | 5 years and over ThCh$ | Total Non current as of 12.31.2012 ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Syndicated Loan (1) | 87845500-2 | Telefónica Móviles Chile S.A. | Chile | Foreign | BBVA Bancomer | México | US$ | 14,490 | - | 14,490 | - | 33,222,932 | - | 33,222,932 |
| Syndicated Loan (2) | 87845500-2 | Telefónica Móviles Chile S.A. | Chile | 97030000-7 | Banco Estado | Chile | CLP | - | 247,524 | 247,524 | - | 48,761,167 | - | 48,761,167 |
| Syndicated Loan (3) | 87845500-2 | Telefónica Móviles Chile S.A. | Chile | 97004000-5 | Banco Chile | Chile | CLP | - | 81,977 | 81,977 | 25,942,501 | - | - | 25,942,501 |
| | Total bank loans | | | | | | | 14,490 | 329,501 | 343,991 | 25,942,501 | 81,984,099 | - | 107,926,600 |

(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 September 30, 2013 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 | Nominal amounts (ThCh$) Expiration Up to 90 days | 90 days to 1 years | 1 to 3 years | 3 to 5 years | 5 years and over | Total nominal amounts |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Series A Bond (1) | 878455000-2 | Telefónica Móviles Chile S.A. | Chile | 97.036.000-K | Banco Santander | Chile | CLP | At maturity | 5.62% | 5.60% | MM$ 32.000 | 2014 | - | - | 32,000,000 | - | - | 32,000,000 |
| 144A Bond (2) | 878455000-2 | 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 | - | - | - | 146,889,507 | - | 146,889,507 |
| Series C Bond (3) | 878455000-2 | Telefónica Móviles Chile S.A | Chile | 97.036.000-K | Banco Santander | Chile | CLP | At maturity | 6.73% | 6.30% | MM$ 66.000 | 2016 | - | - | - | 66,000,000 | - | 66,000,000 |
| Series D Bond (4) | 878455000-2 | Telefónica Móviles Chile S.A | Chile | 97.036.000-K | Banco Santander | Chile | UF | At maturity | 3.83% | 3,60% | UF 2 mm | 2016 | - | - | - | 44,375,180 | - | 44,375,180 |
| **Total unsecured obligations** | | | | | | | | | | | | | - | - | **32,000,000** | **257,264,687** | **-** | **289,264,687** |

| Types | Debtor taxpayer No. | Debtor | Debtor Country | Creditor taxpayer No. | Creditor | Creditor country | Currency | Current Expiration Up to 90 days ThCh$ | 90 days to 1 years ThCh$ | Total current as of 09.30.2013 ThCh$ | Non-current 1 to 3 years ThCh$ | Expiration 3 to 5 years ThCh$ | 5 years and over ThCh$ | Total Non-current as of 09.30.2013 ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Series A Bond (1) | 878455000-2 | Telefónica Móviles Chile S.A. | Chile | 97.036.000-K | Banco Santander | Chile | CLP | - | 32,366,322 | 32,366,322 | - | - | - | - |
| 144A Bond (2) | 878455000-2 | Telefónica Móviles Chile S.A | Chile | Foreign | Bank of New York | U.S.A. | US$ | 1,214,125 | - | 1,214,125 | 153,794,753 | | - | 153,794,753 |
| Series C Bond (3) | 878455000-2 | Telefónica Móviles Chile S.A | Chile | 97.036.000-K | Banco Santander | Chile | CLP | 1,306,157 | - | 1,306,157 | - | 65,376,799 | - | 65,376,799 |
| Series D Bond (4) | 878455000-2 | Telefónica Móviles Chile S.A | Chile | 97.036.000-K | Banco Santander | Chile | UF | 523,981 | - | 523,981 | - | 45,970,341 | - | 45,970,341 |
| **Total unsecured obligations** | | | | | | | | **3,044,263** | **32,366,322** | **35,410,585** | **153,794,753** | **111,347,140** | **-** | **265,141,893** |

(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.

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

### b) Details of unsecured obligations (Bonds) for december 31, 2012 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 | Nominal amounts (ThCh$) Expiration Up to 90 days | 90 days to 1 years | 1 to 3 years | 3 to 5 years | 5 years and over | Total nominal amounts 90 days to 1 years |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Series A Bond (1) | 878455000-2 | Telefónica Móviles Chile S.A. | Chile | 97.036.000-K | Banco Santander | Chile | CLP | At maturity | 5.62% | 5.60% | MM$ 32.000 | 2014 | - | - | 32,000,000 | - | - | 32,000,000 |
| 144A Bond (2) | 878455000-2 | 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 | - | - | - | 146,889,507 | - | 146,889,507 |
| Series C Bond (3) | 878455000-2 | Telefónica Móviles Chile S.A | Chile | 97.036.000-K | Banco Santander | Chile | CLP | At maturity | 6.73% | 6.30% | MM$ 66.000 | 2016 | - | - | - | 66,000,000 | - | 66,000,000 |
| Series D Bond (4) | 878455000-2 | Telefónica Móviles Chile S.A | Chile | 97.036.000-K | Banco Santander | Chile | UF | At maturity | 3.83% | 3,60% | UF 2 mm | 2016 | - | - | - | 44,375,180 | - | 44,375,180 |
| | **Total unsecured obligations** | | | | | | | | | | | | **-** | **-** | **32,000,000** | **257,264,687** | **-** | **289,264,687** |

| Types | Debtor taxpayer No. | Debtor | Debtor Country | Creditor taxpayer No. | Creditor | Creditor country | Currency | Current Expiration Up to 90 days ThCh$ | 90 days to 1 years ThCh$ | Total current as of 12.31.2012 ThCh$ | Non-current 1 to 3 years ThCh$ | 3 to 5 years ThCh$ | 5 years and over ThCh$ | Total Non current as of 12.31.2012 ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Series A Bond (1) | 878455000-2 | Telefónica Móviles Chile S.A. | Chile | 97.036.000-K | Banco Santander | Chile | CLP | 807,437 | - | 807,437 | 31,997,565 | - | - | 31,997,565 |
| 144A Bond (2) | 878455000-2 | Telefónica Móviles Chile S.A | Chile | Foreign | Bank of New York | U.S.A. | US$ | - | 141,477 | 141,477 | - | 143,107,835 | - | 143,107,835 |
| Series C Bond (3) | 878455000-2 | Telefónica Móviles Chile S.A | Chile | 97.036.000-K | Banco Santander | Chile | CLP | - | 301,918 | 301,918 | - | 65,287,754 | - | 65,287,754 |
| Series D Bond (4) | 878455000-2 | Telefónica Móviles Chile S.A | Chile | 97.036.000-K | Banco Santander | Chile | UF | - | 116,753 | 116,753 | - | 45,402,231 | - | 45,402,231 |
| | **Total unsecured obligations** | | | | | | | **807,437** | **560,148** | **1,367,585** | **31,997,565** | **253,797,820** | **-** | **285,795,385** |

(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.

## 17. Trade and Other Accounts Payable

### Current trade and other accounts payable are detailed as follows

| Description | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| Debts due to purchases or services rendered (1) | 124,269,942 | 116,518,522 |
| Suppliers of fixed assets | 19,089,155 | 48,645,188 |
| **Total currents** | **143,359,097** | **165,163,710** |

(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 | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| Domestic | 86,733,507 | 79,511,662 |
| Foreign | 37,536,435 | 37,006,860 |
| **Total** | **124,269,942** | **116,518,522** |

## 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 september 30, 2013 is as follows:

| | | ASSETS RECORDED AT FAIR VALUE | | | | Valuation hierarchy | | | ASSETS RECORDED AT AMORTIZED COST | | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Level 1 | Level 2 | Level 3 | | | | | |
| Description of financial assets | | Other financial assets at FV through P&L ThCh$ | Financial assets available for sale ThCh$ | Asset hedge derivatives ThCh$ | Subtotal of assets at fair value ThCh$ | Market prices ThCh$ | Estimates based on other observable market data ThCh$ | Estimates not based on observable market data ThCh$ | Loans and items receivable ThCh$ | Investments held to maturity ThCh$ | Subtotal of assets at amortized cost ThCh$ | Total carrying amount ThCh$ | Total fair value ThCh$ |
| **Non-current derivative instruments** | | - | - | **11,881,916** | **11,881,916** | - | - | - | - | - | - | **11,881,916** | **11,881,916** |
| Non-current derivative instrument of assets | See Note 18 b | - | - | 11,881,916 | 11,881,916 | - | - | - | - | - | - | 11,881,916 | 11,881,916 |
| **Non-current financial assets** | | - | - | **11,881,916** | **11,881,916** | - | - | - | - | - | - | **11,881,916** | **11,881,916** |
| **Current trade accounts receivable** | | - | - | - | - | - | - | - | **156,904,325** | - | **156,904,325** | **156,904,325** | **156,904,325** |
| Trade and other accounts receivable | See Note 8 | - | - | - | - | - | - | - | 127,739,717 | - | 127,739,717 | 127,739,717 | 127,739,717 |
| Accounts receivable from related entities | See Note 9 a | - | - | - | - | - | - | - | 29,164,608 | - | 29,164,608 | 29,164,608 | 29,164,608 |
| **Current deposits and pledges established** | | - | - | - | - | - | - | - | - | **65,297,349** | **65,297,349** | **65,297,349** | **65,297,349** |
| Current deposits | | - | - | - | - | - | - | - | - | - | - | - | - |
| Current deposits and pledges | See Note 6 a | - | - | - | - | - | - | - | - | 65,297,349 | 65,297,349 | 65,297,349 | 65,297,349 |
| **Derivative instrument of assets** | | - | - | **1,136,256** | **1,136,256** | - | **1,136,256** | - | - | - | - | **1,136,256** | **1,136,256** |
| Derivative instrument of assets | See Note 18 b | - | - | 1,136,256 | 1,136,256 | - | 1,136,256 | - | - | - | - | 1,136,256 | 1,136,256 |
| **Cash and cash equivalents** | | - | - | - | - | - | - | - | **163,841,399** | - | **163,841,399** | **163,841,399** | 163,841,399 |
| Cash and cash equivalents | See Note 5 | - | - | - | - | - | - | - | 163,841,399 | - | 163,841,399 | 163,841,399 | 163,841,399 |
| **Current financial assets** | | - | - | **1,136,256** | **1,136,256** | - | **1,136,256** | - | **320,745,724** | **65,297,349** | **386,043,073** | **387,179,329** | **387,179,329** |

# 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, 2012 is as follows:

| Description of financial assets | | Other financial assets at FV through P&L ThCh$ | Financial assets available for sale ThCh$ | Asset hedge derivatives ThCh$ | Subtotal of assets at fair value ThCh$ | Level 1 Market prices ThCh$ | Level 2 Estimates based on other observable market data ThCh$ | Level 3 Estimates not based on observable market data ThCh$ | Loans and items receivable ThCh$ | Investments held to maturity ThCh$ | Subtotal of assets at amortized cost ThCh$ | TOTAL Total carrying amount ThCh$ | TOTAL Total fair value ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ASSETS RECORDED AT FAIR VALUE | | | | Valuation hierarchy | | | ASSETS RECORDED AT AMORTIZED COST | | | | |
| **Derivative instrument assets** | | - | - | **1,134,018** | **1,134,018** | - | **1,134,018** | - | - | - | - | **1,134,018** | **1,134,018** |
| Non-current derivative instrument of assets | See Note 18 b | - | - | 1,134,018 | 1,134,018 | - | 1,134,018 | - | - | - | - | 1,134,018 | 1,134,018 |
| **Non-current financial assets** | | - | - | **1,134,018** | **1,134,018** | - | **1,134,018** | - | - | - | - | **1,134,018** | **1,134,018** |
| **Current trade accounts receivable** | | - | - | - | - | - | - | - | **175,755,328** | - | **175,755,328** | **175,755,328** | **175,755,328** |
| Trade and other accounts receivable | See Note 8 | - | - | - | - | - | - | - | 127,609,827 | - | 127,609,827 | 127,609,827 | 127,609,827 |
| Accounts receivable from related entities | See Note 9 a | - | - | - | - | - | - | - | 48,145,501 | - | 48,145,501 | 48,145,501 | 48,145,501 |
| **Current deposits and pledges established** | | - | - | - | - | - | - | - | - | **40,074,800** | **40,074,800** | **40,074,800** | **40,074,800** |
| Current deposits | | - | - | - | - | - | - | - | - | 40,074,800 | 40,074,800 | 40,074,800 | 40,074,800 |
| Current deposits and pledges | See Note 6 a | - | - | - | - | - | - | - | - | - | - | - | - |
| **Derivative instrument of assets** | | - | - | **4,476,880** | **4,476,880** | - | **4,476,880** | - | - | - | - | **4,476,880** | **4,476,880** |
| Derivative instrument of assets | See Note 18 b | - | - | 4,476,880 | 4,476,880 | - | 4,476,880 | - | - | - | - | 4,476,880 | 4,476,880 |
| **Cash and cash equivalents** | | - | - | - | - | - | - | - | **164,192,567** | - | **164,192,567** | **164,192,567** | **164,192,567** |
| Cash and cash equivalents | See Note 5 | - | - | - | - | - | - | - | 164,192,567 | - | 164,192,567 | 164,192,567 | 164,192,567 |
| **Current financial assets** | | - | - | **4,476,880** | **4,476,880** | - | **4,476,880** | - | **339,947,895** | **40,074,800** | **380,022,695** | **384,499,575** | **384,499,575** |

## 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 september 30, 2013 is as follows:

| Description of financial liabilities | | Hedge derivative liabilities ThCh$ | Subtotal liabilities at fair value ThCh$ | LIABILITIES RECORDED AT FAIR VALUE – Valuation hierarchy – Level 1 Market prices ThCh$ | Level 2 Estimates based on other observable market data ThCh$ | Level 3 Estimates not based on observable market data ThCh$ | LIABILITIES RECORDED AT AMORTIZED COST – Debits and items payable ThCh$ | TOTAL – Total carrying amount ThCh$ | Total fair value ThCh$ |
|---|---|---|---|---|---|---|---|---|---|
| Issuance of obligations and other non-current marketable securities | See Note 16 b | - | - | - | - | - | 265,141,893 | 265,141,893 | 265,141,893 |
| Non-current debts with loan entities | See Note 16 a | - | - | - | - | - | 109,800,672 | 109,800,672 | 109,800,672 |
| Long-term hedge derivative instrument liabilities | | 90,778 | 90,778 | - | 90,778 | - | - | 90,778 | 90,778 |
| Accounts payable to related entities | See Note 9 d | - | - | - | - | - | 1,366,521 | 1,366,521 | 1,366,521 |
| **Non-current financial liabilities** | | **90,778** | **90,778** | - | **90,778** | - | **376,309,086** | **376,399,864** | **376,399,864** |
| Issuance of short-term obligations and other marketable securities | See Note 16 b | - | - | - | - | - | 35,410,585 | 35,410,585 | 35,410,585 |
| Short-term debts with credit entities | See Note 16 a | - | - | - | - | - | 1,542,203 | 1,542,203 | 1,542,203 |
| Short-term derivative instrument liabilities | See Note 18 b | 3,785,233 | 3,785,233 | - | 3,785,233 | - | - | 3,785,233 | 3,785,233 |
| Trade and other accounts payable | | - | - | - | - | - | 143,359,097 | 143,359,097 | 143,359,097 |
| Accounts payale to related entities | | - | - | - | - | - | 51,073,377 | 51,073,377 | 51,073,377 |
| **Current financial liabilities** | | **3,785,233** | **3,785,233** | - | **3,785,233** | - | **231,385,262** | **235,170,495** | **235,170,495** |
| **Total financial liabilities** | | **3,876,011** | **3,876,011** | - | **3,876,011** | - | **607,694,348** | **611,570,359** | **611,570,359** |

## 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, 2012 is as follows:

| | | LIABILITIES RECORDED AT FAIR VALUE | | | | | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Valuation hierarchy | | | LIABILITIES RECORDED AT AMORTIZED COST | | |
| Breakdown of financial liabilities | | Hedge derivative liabilities ThCh$ | Subtotal liabilities at fair value ThCh$ | Level 1 Market prices ThCh$ | Level 2 Estimates based on other ThCh$ | Level 3 Estimates not based on ThCh$ | Debits and items payable ThCh$ | Total carrying amount ThCh$ | Total fair value ThCh$ |
| Issuance of obligations and other non-current marketable securities | See Note 16 b | - | - | - | - | - | 285.795.385 | 285.795.385 | 285.795.385 |
| Non-current debts with loan entities | See Note 16 a | - | - | - | - | - | 107.926.600 | 107.926.600 | 107.926.600 |
| Long-term hedge derivative instrument liabilities | See Note 18 b | 2.921.907 | 2.921.907 | - | 2.921.907 | - | - | 2.921.907 | 2.921.907 |
| Trade and other accounts payable | See Note 9 d | - | - | - | - | - | 1.366.521 | 1.366.521 | - |
| **Non-current financial liabilities** | | **2.921.907** | **2.921.907** | - | **2.921.907** | - | **395.088.506** | **398.010.413** | **396.643.892** |
| Issuance of short-term obligations and other marketable securities | See Note 16 b | - | - | - | - | - | 1.367.585 | 1.367.585 | 1.367.585 |
| Short-term debts with credit entities | See Note 16 a | - | - | - | - | - | 343.991 | 343.991 | 343.991 |
| Short-term derivative instrument liabilities | See Note 18 b | 3.544.726 | 3.544.726 | - | 3.544.726 | - | - | 3.544.726 | 3.544.726 |
| Trade and other accounts payable | | - | - | - | - | - | 165.163.710 | 165.163.710 | 165.163.710 |
| Accounts payale to related entities | | - | - | - | - | - | 67.453.667 | 67.453.667 | 67.453.667 |
| **Current financial liabilities** | | **3.544.726** | **3.544.726** | - | **3.544.726** | - | **234.328.953** | **237.873.679** | **237.873.679** |
| **Total financial liabilities** | | **6.466.633** | **6.466.633** | - | **6.466.633** | - | **629.417.459** | **635.884.092** | **634.517.571** |

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

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

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

## 18. Financial instruments, continued

### b) Hedging instruments

The detail of the hedging instruments is as follows:

| | | | | | To Maturity | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Net Total as of 09.30.2013 | Up to 90 days | 90 days to 1 years | Total current | | 1 a 3 years | 3 a 5 years | Total non-current | |
| | | | | | Assets | Liabilities (see note 16) | | | Assets | Liabilities (see note 16) |
| Description | Underlying | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Exchange rate – cash flow hedge (1) | Supplier Debt | (405.602) | (414.020) | 8.418 | 109.765 | (515.367) | - | - | - | - |
| Exchange rate – fair value hedge (2) | Supplier Debt | 283.231 | 283.231 | - | 359.318 | (76.087) | - | - | - | - |
| Interest rate – cash flow hedge (3) | Financial Debt | 3.530.538 | 554.274 | (28.024) | 667.173 | (140.923) | 3.088.125 | (83.837) | 3.095.066 | (90.778) |
| Exchange rate and interest rate – fair value hegde (5) | Financial Debt | 5.733.994 | (3.052.856) | - | - | (3.052.856) | 7.204.505 | 1.582.345 | 8.786.850 | - |
| Exchange insurance expired during the year | | - | - | - | | - | - | - | | - |
| **Total** | | **9.142.161** | **(2.629.371)** | **(19.606)** | **1.136.256** | **(3.785.233)** | **10.292.630** | **1.498.508** | **11.881.916** | **(90.778)** |

Hedgeing instruments have generated an effect on income of ThCh$ 5,782,300 and ThCh$ 1,312,158 in shareholders' equity as of september 30, 2013.

| | | | | | To Maturity | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Net Total as of 12.31.2012 | Up to 90 days | 90 days to 1 years | Total current | | 1 a 3 years | 3 a 5 years | Total non-current | |
| | | | | | Assets | Liabilities (see note 16) | | | Assets | Liabilities (see note 16) |
| Description | Underlying | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Exchange rate – cash flow hedge (1) | Supplier Debt | 43.468 | 43.468 | - | 159.985 | (116.517) | - | - | - | - |
| Exchange rate – fair value hedge (2) | Supplier Debt | 29.926 | 29.926 | - | 51.956 | (22.030) | - | - | - | - |
| Interest rate – cash flow hedge (3) | Financial Debt | 1.954.428 | - | 1.954.428 | 4.264.939 | (2.310.511) | - | - | - | - |
| Exchange rate and interest rate – cash flow hedge (4) | Financial Debt | (2.883.557) | (54.435) | (1.041.233) | - | (1.095.668) | (2.921.907) | 1.134.018 | 1.134.018 | (2.921.907) |
| Exchange insurance expired during the year | | - | - | - | - | - | - | - | - | - |
| **Total** | | **(855.735)** | **18.959** | **913.195** | **4.476.880** | **(3.544.726)** | **(2.921.907)** | **1.134.018** | **1.134.018** | **(2.921.907)** |

Hedging instruments have generated an effect on income of ThCh$ (23,170,634) and ThCh$ 824,388 in shareholders' equity as of December 31, 2012.

Description of hedging instruments:

(1) Exchange rate cash flow hedge: As of september 30, 2013 and December 31, 2012 this category includes derivative instruments used to hedge highly probable future cash flow from trade debt.

(2) Exchange rate fair value hedge: As of september 30, 2013 and December 31, 2012 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 september 30, 2013 and December 31,2012 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 september 30, 2013 and December 31, 2012 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.

(5) Exchange rate and interest rate fair value hedge: As of september 30, 2013 and December 31, 2012 this category includes derivative instruments entered into to hedge the risk of foreign currency of debt instruments capital, whose interest cash flows 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 short-term provisions is detailed as follows:

| Description | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| Civil and regulatory | 290,513 | 360,415 |
| **Total** | **290,513** | **360,415** |

To September 30, 2013 the civil and regulatory provisions are composed mainly of civil lawsuits in the amount of ThCh$180,000 and complaints from the Undersecretary of Telecommunications of Chile (Subtel) in the amount of ThCh$ 47,438. The main amount for 2012 corresponds to complaints from Subtel in the amount of ThCh$ 176,080.

As of september 30, 2013 and December 31, 2012, movements of provisions are detailed as follows:

| Movements | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| **Beginning balance** | **360,415** | **1,843,816** |
| Increase in existing provisions | 145,060 | 329,534 |
| Provision used | (214,962) | (1,812,935) |
| **Movements, subtotal** | **(69,902)** | **(1,483,401)** |
| **Ending balance** | **290,513** | **360,415** |

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

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

b) Other long term provisions,

As of september 30, 2013 and December 31, 2012 the balance of other non-current provisions is detailed as follows:

| Description | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| Investment in associated company reserve (i) | 1,519 | 1,498 |
| Dismantling provision (ii) | 15,671,825 | 15,671,825 |
| **Total** | **15,673,344** | **15,673,323** |

## 19. Other Provisions, continued

### b) Other long term provisions, continued

i) As of september 30, 2013 and December 31, 2012, investments in associated companies with negative equity are detailed as follows:

| RUT | Nombre | Investment balance 09.30.2013 | Participation percentage % | Current assets ThCh$ | Non-current assets ThCh$ | Current liabilities ThCh$ | Non-current liabilities ThCh$ | Ordinary income ThCh$ | Ordinary expenses ThCh$ | Income ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|
| 96.898.630-9 | Intertel S.A. (1) | (1,519) | 50 | 989 | 472 | 4,500 | - | - | 42 | (42) |

(1) As of December 31, 2011, T. Moviles Chile S.A. consolidated this company since it had direct control of 50% and indirect control over the remaining 50%. The latter interest was sold on April 30, 2012 to Inversiones Telefonica Moviles Holding S.A.leaving only direct participation.

| RUT | Nombre | Investment balance 12.31.2012 | Participation percentage % | Current assets ThCh$ | Non-current assets ThCh$ | Current liabilities ThCh$ | Non-current liabilities ThCh$ | Ordinary income ThCh$ | Ordinary expenses ThCh$ | Income ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|
| 96.898.630-9 | Intertel S.A. (1) | (1,498) | 50 | 612 | 472 | 4,079 | - | - | 3,413 | (2,942) |

The movement of interests in associated companies with negative shareholders' equity as of September 30, 2013 and as of December 31, 2012 is detailed as follows:

| Movimientos | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| **Beginning balance** | **(1,498)** | **(28)** |
| Share in ordinary profit for the current year | (21) | (1,470) |
| **Movements, subtotal** | **(21)** | **(1,470)** |
| **Ending balance** | **(1,519)** | **(1,498)** |

ii) Movements of the dismantling provision as of september 30, 2013 and December 31,2012 are detailed as follows:

| Movements | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| **Beginning balance** | 15,671,825 | 13,252,339 |
| Increase in existing provisions | - | 2,419,486 |
| **Movements, subtotal** | **-** | **2,419,486** |
| **Ending balance** | **15,671,825** | **15,671,825** |

## 20. Current employee benefits provision,

The composition of the costs to employees is as follows:

| Description | 07.01.13 al 09.30.13 ThCh$ | 09.30.2013 ThCh$ | 07.01.12 al 09.30.12 ThCh$ | 09.30.2012 ThCh$ |
|---|---|---|---|---|
| Employee expenses (1) | 663,866 | 2,437,252 | 327,473 | 915,310 |
| **Total** | **663,866** | **2,437,252** | **327,473** | **915,310** |

(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 | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| Deferred income, current (1) | 37,674,343 | 55,084,436 |
| Other taxes (2) | 6,669,244 | 1,583,732 |
| **Total currents** | **44,343,587** | **56,668,168** |

(1) Deferred income is detailed as follows:

| Description | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| Sale of telecommunications infrastructure (a) | 15,333,024 | 22,515,780 |
| Equipment sold not activated | 6,624,790 | 9,264,365 |
| Club Movistar | 6,058,564 | 5,606,803 |
| Prepayment top-ups | 5,570,158 | 5,033,119 |
| Services charged but not rendered | 3,569,201 | 3,204,147 |
| Activation installment (b) | - | 7,388,321 |
| Other deferred income | 518,606 | 2,071,901 |
| **Total deferred income** | **37,674,343** | **55,084,436** |

a) As of september 30, 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
- Deferred income in the amount of ThCh$ 4,830,076 generated by the transaction performed on December 12, 2011, whereby Telefónica Móviles Chile S.A. sold telecommunications infrastructure to ATC Sitios de Chile S.A.
- The rest corresponds to deferred income originated by activities inherent to the business.

b) Until September 30, 2012 income from equipment rentals was recorded as deferred income and amortized over 14 months. Starting October 1, 2012 the amortization term for income originated in the initial installment of the rented equipment and applicable to sales made until September 30, 2012 decreased to 12 months.

(2) Includes withholding tax, value added tax, pension and health institutions and others.

### Movement of deferred income is detailed as follows:

| Deferred revenues | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| **Begining balance** | 55,084,436 | 62,404,619 |
| Endowments | 321,651,719 | 466,823,784 |
| Reduction/applications | (339,061,811) | (474,143,967) |
| **Movements, subtotal** | **(17,410,092)** | **(7,320,183)** |
| **Ending balance** | **37,674,343** | **55,084,436** |

## 22. Equity

### a) Capital:

As of september 30, 2013 and December 31, 2012, the Company's paid-in capital is detailed as follows:

Number of shares:

| Serie | 09.30.2013 No. of shares subscribed | 09.30.2013 No. of paid shares | 09.30.2013 No. of shares with voting rights | 12.31.2012 No. of shares subscribed | 12.31.2012 No. of paid shares | 12.31.2012 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 |
| **Total** | **118,026,145** | **118,026,145** | **118,026,145** | **118,026,145** | **118,026,145** | **118,026,145** |

Capital:

| Serie | 09.30.2013 Subscribed capital ThCh$ | 09.30.2013 Paid - in capital ThCh$ | 12.31.2012 Subscribed capital ThCh$ | 12.31.2012 Paid - in capital ThCh$ |
|---|---|---|---|---|
| SINGLE | 941,098,241 | 941,098,241 | 941,098,241 | 941,098,241 |
| **Total** | **941,098,241** | **941,098,241** | **941,098,241** | **941,098,241** |

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 |
| Total | 118,026,145 |

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

## 22. Equity

### 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 september 30, 2013 are detailed as follows:

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

As of september 30, 2013 and December 31, 2012, 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 23, 2013, the shareholder agreed to consider the amount already distributed in November 2012 which amounts to 29.04% of net income for the year, as final dividend. Due to the above, the minimum legal dividend provision of ThCh$ 974,314 was reversed. This movement is reflected in the Statement of Changes in Equity, in the dividends line.

#### 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 |
|---|---|---|---|---|
| 11-19-2012 | final | 29,385,129 | Fiscal year 2012 | 12-19-2012 |
| 04-02-2013 | Interim | 20,000,000 | Fiscal year 2013 | 04-29-2013 |

## 22. Equity

### d) Other reserves

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

| Description | Balance as of 12.31.2012 ThCh$ | Net movement ThCh$ | Balance as of 09.30.2013 ThCh$ |
|---|---|---|---|
| Business combination reserve (i) | (97,886,550) | - | (97,886,550) |
| Cash flows hedge reserve (ii) | 824,388 | 487,770 | 1,312,158 |
| Employee benefits reserve (iii) | (2,121,550) | - | (2,121,550) |
| Revaluation issued capital (iv) | (233,685,327) | - | (233,685,327) |
| **Total** | **(332,869,039)** | **487,770** | **(332,381,269)** |

#### i) Business combination reserve

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

#### ii) Cash flows hedge reserve

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

#### iii) Employee benefits reserve

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

#### iv) Revaluation issued capital

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

## 22. Equity, continued

### e) Non-controlling interests

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

As of september 30, 2013 and December 31, 2012 the Company has non-controling interests arising from the investment in Telefónica Móviles Chile Distribución S.A..

| Subsidiares | Non-controlling Interest percentage | | Equity Non-controlling interest | | Participation in profit income (loss) | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | % | % | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Telefónica Móviles Chile Distribución S.A. | 0.01 | 0.01 | 55 | 55 | - | 11 |
| **Total** | | | **55** | **55** | **-** | **11** |

## 23. Earnings per Share

Earnings per share are detailed as follows:

| Basic earnings per share | 07.01.13 al 09.30.13 | 09.30.2013 | 07.01.12 al 09.30.12 | 09.30.2012 |
|---|---|---|---|---|
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Earnings attributable to owners of the parent | 32,871,891 | 55,913,798 | 25,276,086 | 72,886,096 |
| **Profit available for shareholders** | **32,871,891** | **55,913,798** | **25,276,086** | **72,886,096** |
| Weighted average number of shares | 118,026,145 | 118,026,145 | 118,026,145 | 118,026,145 |
| **Basic earnings per share in Ch$** | **278.51** | **473.74** | **214.16** | **617.54** |

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 for September, 2013 and 2012 is detailed as follows:

| Operating income | 07.01.13 al 09.30.13 ThCh$ | 09.30.2013 ThCh$ | 07.01.12 al 09.30.12 ThCh$ | 09.30.2012 ThCh$ |
|---|---|---|---|---|
| Sale of goods (1) | 19,210,098 | 65,598,775 | 16,195,656 | 46,415,901 |
| Services rendered | 228,461,237 | 677,695,868 | 222,283,098 | 669,390,120 |
| **Total** | **247,671,335** | **743,294,643** | **238,478,754** | **715,806,021** |

(1) As of September 30, 2013, includes the share of deferred income pending as of September 30, 2012, as per Note 21, number 1, letter b).

### b) Other income for the periods ended 2013 and 2012 is detailed as follows:

| Other income | 07.01.13 al 09.30.13 ThCh$ | 09.30.2013 ThCh$ | 07.01.12 al 09.30.12 ThCh$ | 09.30.2012 ThCh$ |
|---|---|---|---|---|
| Indemnity | 21,550 | 236,510 | (789,230) | 87,470 |
| Other current management earnings | 334,216 | 1,072,982 | 274,205 | 962,676 |
| Gains on disposal of fixed assets (1) | 2,619,621 | 7,857,620 | - | 480,255 |
| **Total** | **2,975,388** | **9,167,112** | **(515,025)** | **1,530,401** |

(1) As of September 30, 2013 income from ATC has been recognized in the amount of ThCh$ 7,695,449, for the sale of telecommunications infrastructure.

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

| Other expenses | 07.01.13 al 09.30.13 ThCh$ | 09.30.2013 ThCh$ | 07.01.12 al 09.30.12 ThCh$ | 09.30.2012 ThCh$ |
|---|---|---|---|---|
| Interconnections and roaming | 42,959,161 | 123,072,624 | 40,017,549 | 120,887,646 |
| Rent | 18,128,174 | 55,035,575 | 17,404,677 | 48,505,675 |
| Cost of sales of equipment (1) | 45,778,689 | 152,882,669 | 13,222,425 | 52,876,112 |
| External services | 2,942,682 | 9,468,200 | 2,717,533 | 8,912,494 |
| Sales commission | 13,947,586 | 41,937,538 | 15,826,177 | 47,388,914 |
| Customer services | 7,143,546 | 24,579,794 | 8,295,296 | 24,614,542 |
| Maintenance | 3,768,145 | 10,944,033 | 3,772,206 | 10,954,926 |
| Allowance for doubtful accounts | 6,366,085 | 18,833,816 | 6,642,376 | 22,575,786 |
| Advertising | 4,634,511 | 13,945,175 | 5,397,115 | 17,505,130 |
| Employee expenses transferred by other companies and other | 16,328,600 | 53,167,738 | 18,394,495 | 55,751,760 |
| Electrical energy for technical installations | 2,704,438 | 8,234,899 | 2,997,665 | 7,449,273 |
| Administrative and management services | 10,346,021 | 30,076,856 | 6,910,441 | 21,936,645 |
| Compensation to suppliers for messaging services | 2,862,841 | 9,011,226 | 2,659,603 | 8,294,605 |
| Others | 5,568,720 | 15,204,056 | 3,931,625 | 12,172,749 |
| **Total** | **183,479,199** | **566,394,199** | **148,189,183** | **459,826,257** |

(1) As of September 30, 2013, includes the cost or renting post-pay mobile equipment, for contracts signed up to October 01, 2013.

## 24. Income and Expenses, continued

### d) Details of finance income and cost for September, 2013 and 2012 are as follows:

| Net financial expenses | 07.01.13 al 09.30.13 ThCh$ | 09.30.2013 ThCh$ | 07.01.12 al 09.30.12 ThCh$ | 09.30.2012 ThCh$ |
|---|---|---|---|---|
| **Finance income** | | | | |
| Interest earned on deposits | 1.162.998 | 5.901.805 | 3.574.498 | 11.413.425 |
| Derivative contracts (Forward) | 2.094.542 | 2.875.222 | 92.355 | 149.580 |
| Other finance income | 250.219 | 1.219.474 | 743.493 | 1.755.873 |
| **Total finance income** | **3.507.759** | **9.996.501** | **4.410.346** | **13.318.878** |
| **Finance cost** | | | | |
| Interest on loans from bank institutions | 1.355.068 | 4.256.863 | 1.444.539 | 4.484.956 |
| Interest on obligations and bonds | 3.162.588 | 9.326.683 | 3.035.632 | 9.185.979 |
| Derivative contracts (Forward) | - | 78.259 | 23.453 | 119.054 |
| Interest rate hedges (cross currency swap) | 2.020.767 | 5.968.076 | 2.248.614 | 6.800.727 |
| Other financial cost | 48.383 | 171.139 | 43.072 | 161.733 |
| **Total finance cost** | **6.586.806** | **19.801.020** | **6.795.310** | **20.752.449** |
| **Net finance income** | **(3.079.047)** | **(9.804.519)** | **(2.384.964)** | **(7.433.571)** |

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

| Description | July 1 to september 30, 2013 ThCh$ | As of september 30, 2013 Accumulated ThCh$ | July 1 to september 30, 2012 ThCh$ | As of september 30, 2012 Accumulated ThCh$ |
|---|---|---|---|---|
| Current accounts receivable from related entities | (6,012) | 10,598 | (2,009) | 48,294 |
| Current accounts payable to related entities | 311,505 | (183,694) | 271,815 | 398,685 |
| Current trade and other accounts receivable | 101,347 | 23,589 | (79,694) | (240,570) |
| Trade and other accounts payable | 553,159 | (353,107) | 1,122,653 | 2,221,456 |
| Cash and cash equivalents | (684,726) | (737,832) | (95,743) | (592,437) |
| Financial investments | (2,131,598) | 1,783,548 | (326,713) | (316,450) |
| Financial debt | 1,086,006 | (8,898,202) | 10,266,564 | 16,596,496 |
| Derivatives | 739,286 | 8,403,534 | (11,103,513) | (17,900,926) |
| Other | 7,884 | 84,184 | 132,250 | 94,619 |
| **Total** | **(23,149)** | **132,618** | **185,610** | **309,167** |

## 24. Income and Expenses, continued

e) Foreign currency translation and indexation units for the periods 2013 and 2012 are detailed as follows, continued

| Description | July 1 to september 30, 2013 ThCh$ | As of september 30, 2013 Accumulated ThCh$ | July 1 to september 30, 2012 ThCh$ | As of september 30, 2012 Accumulated ThCh$ |
|---|---|---|---|---|
| Current accounts payable to related entities | - | - | - | (4) |
| Current trade and other accounts receivable | (31,333) | (33,163) | (4) | 34 |
| Trade and other accounts payable | 59,348 | 65,370 | 5,109 | (13,241) |
| Cash and cash equivalents | - | - | - | - |
| Financial investments | - | 62,345 | (4,603) | 120,942 |
| Financial debt | (473,209) | (496,663) | 71,945 | (587,926) |
| Derivatives | 476,720 | 476,523 | (67,980) | 471,224 |
| Other | (6,082) | (5,739) | - | - |
| **Total** | **25,444** | **68,673** | **4,467** | **(8,971)** |

## 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.

Operating lease expenses accrued as of September 30, 2013 and 2012, in the amount of ThCh$ 36,306 and ThCh$ 30,075 respectively, 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.

Based on the values indicated in these contracts, future obligations are detailed as follows:

| Description | 09.30.2013 Minimum payments ThCh$ | 09.30.2012 Minimum payments ThCh$ |
|---|---|---|
| Up to 1 year | 34.742.515 | 37.573.912 |
| From 1 to 5 years | 93.954.964 | 110.250.950 |
| More than 5 years | 65.394.647 | 83.841.216 |
| **Total** | **194.092.126** | **231.666.078** |

## 26. Local and Foreign Currency

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

| Current assets | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| **Cash and cash equivalents** | **163.841.399** | **164.192.567** |
| US dollars | 23.759.768 | 4.243 |
| Euros | 7.215 | 7.215 |
| Chilean pesos | 140.074.416 | 164.181.109 |
| **Other current financial assets** | **66.433.605** | **44.551.680** |
| US dollars | 55.859.082 | 4.304.007 |
| Euros | 21.952 | 15.992 |
| Chilean pesos | 10.552.571 | 40.231.681 |
| **Trade and other current accounts receivable** | **127.739.717** | **127.609.827** |
| US dollars | 4.822.461 | 1.687.127 |
| Euros | 42.535 | 42.424 |
| Chilean pesos | 119.077.211 | 125.880.276 |
| U.F. | 3.797.510 | - |
| **Accounts receivable from related companies** | **29.164.608** | **48.145.501** |
| US dollars | 1.232.127 | 650.840 |
| Euros | 266.712 | 197.968 |
| Chilean pesos | 27.665.769 | 47.296.693 |
| **Other current assets (1)** | **97.523.294** | **87.914.039** |
| Pesos | 96.835.563 | 87.240.466 |
| U.F. | 687.731 | 673.573 |
| **Total current assets** | **484.702.623** | **472.413.614** |
| US dollars | 85.673.438 | 6.646.217 |
| Euros | 338.414 | 263.599 |
| Chilean pesos | 394.205.530 | 464.830.225 |
| U.F. | 4.485.241 | 673.573 |

(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 | 09.30.2013 ThCh$ | 12.31.2012 ThCh$ |
|---|---|---|
| **Other non-current financial assets** | **11.881.916** | **1.134.018** |
| US dollars | 10.297.958 | 417.110 |
| U.F. | 1.582.345 | 716.908 |
| Pesos | 1.613 | - |
| **Other non-current non-financial assets** | **1.159.900** | **1.169.017** |
| Chilean pesos | 1.159.900 | 1.169.017 |
| **Other non-current assets (2)** | **905.094.059** | **934.540.772** |
| Chilean pesos | 905.094.059 | 934.540.772 |
| **Total non-current assets** | **918.135.875** | **936.843.807** |
| US dollars | 10.297.958 | 417.110 |
| Chilean pesos | 906.255.572 | 935.709.789 |
| U.F. | 1.582.345 | 716.908 |

(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 | 09.30.2013 Up 90 days ThCh$ | 12.31.2012 Up 90 days ThCh$ | 09.30.2013 De 91 days to 1 years ThCh$ | 12.31.2012 De 91 days to 1 years ThCh$ |
|---|---|---|---|---|
| **Other current financial liabilities** | **4.201.719** | **4.173.671** | **36.536.302** | **1.082.631** |
| US dollars | 1.227.919 | 14.490 | 22.476 | 192982 |
| Chilean pesos | 2.449.819 | 4.159.181 | 36.513.826 | 889.649 |
| U.F. | 523.981 | - | - | - |
| **Trade and other accounts payable** | **143.359.097** | **165.163.710** | - | - |
| US dollars | 37.489.355 | 44.915.579 | - | - |
| Euros | 2.969.584 | 3.909.189 | - | - |
| Other currencies | 170.819 | 41.408 | - | - |
| Chilean pesos | 99.937.059 | 113.301.609 | - | - |
| U.F. | 2.792.280 | 2.995.925 | - | - |
| **Current accounts payable to related companies** | **51.271.316** | **67.453.667** | **-** | **-** |
| US dollars | 787.066 | 1.272.039 | - | - |
| Euros | 5.616.596 | 5.459.559 | - | - |
| Chilean pesos | 44.867.654 | 60.722.069 | - | - |
| **Other current liabilities (1)** | **13.508.304** | **21.411.376** | **44.343.587** | **56.668.168** |
| Chilean pesos | 13.508.304 | 21.411.376 | 44.343.587 | 56.668.168 |
| **Total current liabilities** | **212.340.436** | **258.202.424** | **80.879.889** | **57.750.799** |
| US dollars | 39.504.340 | 46.202.108 | 22.476 | 192.982 |
| Euros | 8.586.180 | 9.368.748 | - | - |
| Other currencies | 170.819 | 41.408 | - | - |
| Chilean pesos | 160.762.836 | 199.594.235 | 80.857.413 | 57.557.817 |
| U.F. | 3.316.261 | 2.995.925 | - | - |

(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 | 09.30.2013 | 12.31.2012 | 09.30.2013 | 12.31.2012 | 09.30.2013 | 12.31.2012 |
|---|---|---|---|---|---|---|
| | 1 to 3 yaers | | 3 to 5 years | | 5 years | |
| | ThCh$ | | ThCh$ | | ThCh$ | |
| **Other non-current financial liabilities** | **179.791.257** | **60.861.973** | **195.242.086** | **335.781.919** | **-** | **-** |
| US dollars | 153.794.753 | - | 34.984.251 | 176.330.767 | - | - |
| U.F. | - | - | 45.970.341 | 45.402.231 | - | - |
| Chilean pesos | 25.996.504 | 60.861.973 | 114.287.494 | 114.048.921 | - | - |
| **Other non-current liabilities (2)** | **18.141.099** | **17.592.457** | **-** | **-** | **-** | - |
| Chilean pesos | 18.141.099 | 17.592.457 | - | - | - | - |
| **Total non-current liabilities** | **197.932.356** | **78.454.430** | **195.242.086** | **335.781.919** | **-** | - |
| US dollars | 153.794.753 | **-** | 34.984.251 | 176.330.767 | - | - |
| U.F. | **-** | **-** | 45.970.341 | 45.402.231 | - | - |
| Chilean pesos | 44.137.603 | 78.454.430 | 114.287.494 | 114.048.921 | - | - |

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

## 27. Contingencies and Restrictions

### a) Complaints against the tax authority:

As of september 30, 2013 there are no complaints against the tax authority.

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

As of september 30, 2013 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 the above, there are certain processes where, due to the aforementioned considerations, we have estimated that there is a risk of loss qualified as probable, which has motivated it to establish provisions for the amount of what would be the estimated loss as of september 30, 2013, which altogether amounts to ThCh$290,513.

### d) Other contingencies:

On June 11, 2012 Law No. 20,599 regulating the installation of telecommunications services transmitter and broadcasting antennas was published in the Official Gazette.

The approved indications include, among others, restrictions to installation in saturated zones and limitations on the installation of towers in sensitive locations. Another important point is the payment of compensations to community improvement projects.

On the other hand, restrictive measures for installations in saturated zones and close to sensitive zones are applied retroactively for those that are already installed.

### e) Financial restrictions:

As of september 30, 2013 and December 31, 2012 the company has no financial restrictions.

## 27. Contingencies and Restrictions, continued

### f) Guarantee Deposits

Guarantee deposits are detailed as follows:

| | Debtor | | | | Liberation of guarantee | | |
|---|---|---|---|---|---|---|---|
| Creditor of guarantee | Name | Relationship | Type of guarantee | Ballots in force ThCh$ | 2013 ThCh$ | 2014 ThCh$ | 2015 and after ThCh$ |
| Subsecretaría de Telecomunicaciones | TMCH | Parent company | Guarantee | 682,575 | - | 5 | 682,570 |
| Adm.de Servicios y Sistemas Automatizados Falabella Ltda. | TMCH | Parent company | Guarantee | 450,000 | - | - | 450,000 |
| Subsecretaria de Prevención del Delito | TMCH | Parent company | Guarantee | 78,000 | - | - | 78,000 |
| Aguas Andinas S.A. | TMCH | Parent company | Guarantee | 66,000 | - | - | 66,000 |
| Tesoreria del Estado Mayor del Ejercito | TMCH | Parent company | Guarantee | 34,375 | 34,375 | - | - |
| Camara de Diputados | TMCH | Parent company | Guarantee | 20,000 | 10,000 | 10,000 | - |
| Gendarmeria de Chile | TMCH | Parent company | Guarantee | 17,395 | 17,395 | - | - |
| Inversiones Parque Arauco Dos S.A. | TMCH | Parent company | Guarantee | 16,705 | - | - | 16,705 |
| Ilustre Municipalidad de Maipu | TMCH | Parent company | Guarantee | 16,001 | - | - | 16,001 |
| Ilustre Municipalidad De Nueva Imperial | TMCH | Parent company | Guarantee | 15,000 | - | - | 15,000 |
| Fisco Dirección General de Aeronautica | TMCH | Parent company | Guarantee | 14,810 | 5,554 | - | 9,256 |
| Ilustre Municipalidad De Vitacura | TMCH | Parent company | Guarantee | 14,566 | - | 14,566 | - |
| Empresa de Servicios Sanitarios de Los Lagos S.A. | TMCH | Parent company | Guarantee | 13,090 | - | - | 13,090 |
| Subsecretaría de Economía | TMCH | Parent company | Guarantee | 9,150 | - | 9,150 | - |
| Dirección General de Aeronautica Civil | TMCH | Parent company | Guarantee | 7,236 | - | - | 7,236 |
| Ilustre Municipalidad de Cerro Navia | TMCH | Parent company | Guarantee | 7,078 | - | - | 7,078 |
| Empresa de los Ferrocarriles del Estado | TMCH | Parent company | Guarantee | 6,753 | - | 6,753 | - |
| Ilustre Municipalidad de Lo Barnechea | TMCH | Parent company | Guarantee | 6,706 | - | - | 6,706 |
| Dirección del Trabajo | TMCH | Parent company | Guarantee | 6,353 | - | 6,353 | - |
| Subsecretaría de Transportes | TMCH | Parent company | Guarantee | 6,095 | - | 6,095 | - |
| Subsecretaria de Prevención del Delito | TMCH | Parent company | Guarantee | 6,000 | - | 6,000 | - |
| Servicio de Bienestar del Personal de la SVS | TMCH | Parent company | Guarantee | 5,500 | - | 3,250 | 2,250 |
| Ministerio de Bienes Nacionales | TMCH | Parent company | Guarantee | 5,498 | - | - | 5,498 |
| Ilustre Municipalidad de Macul | TMCH | Parent company | Guarantee | 5,337 | - | - | 5,337 |
| Ilustre Municipalidad de Linares | TMCH | Parent company | Guarantee | 4,518 | - | - | 4,518 |
| Presidencia de la Republica | TMCH | Parent company | Guarantee | 4,500 | - | 4,500 | - |
| Ilustre Municipalidad de Valparaiso | TMCH | Parent company | Guarantee | 4,200 | - | 4,200 | - |
| Sericio de Registro Civil e Identificación | TMCH | Parent company | Guarantee | 3,614 | 1,498 | 2,116 | - |
| Servicio Nacional de Pesca y Acuicultura | TMCH | Parent company | Guarantee | 3,000 | - | 3,000 | - |
| Instituto Nacional de Deportes | TMCH | Parent company | Guarantee | 2,500 | - | 2,500 | - |
| Others (1) | TMCH | Parent company | Guarantee | 29,861 | 13,090 | 9,243 | 7,528 |
| | | | | **1,562,416** | **81,912** | **87,731** | **1,392,773** |

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

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.

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

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

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

The Company is in the process of executing each phase contemplated in the Law. As of September 30, the Company is within the deadlines established by the standard for implementation of the corresponding phases.

Based on project planning progress, we believe that implementation of the indicated Law will imply that the Company will have to incur expenditures that can and cannot be capitalized in a process that should be completed in the last quarter of 2013.

## 29. Financial Risk Management (Not audited)

### a) Characterization of the Market and Competition

The mobile telephone market is characterized by its high penetration rate, which in 2013 reached 144%, which is explained by the strong competition and search for new customer services and solutions. The results of the above imply high levels of investment in networks and equipment, in order to increase capacity and improve the strategies carried out by the concessionaries whose common interest is to offer higher quality of service and be price competitive.

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

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

Since 2012, the mobile telephone market in Chile is composed of 5 operators with their own network and theee virtual operators. The operators with their own network are: Telefónica Móviles Chile S.A., owned by the Telefónica Group; Entel, owned by the Almendral Group; Claro, belonging to the América Móvil Group; Nextel, belonging to the NII Holding Group; and VTR, owned by Liberty Global Media.

In addition, new Virtual Mobile Operators (VMO) who began operating in 2012 are: Virgin Mobile, Netline (GTEL) and GTD Móvil.

In the third quarter 2013 the mobile voice telephony market began to show signs of stagnation. Closing is estimated at 25.3 million lines, which is equivalent to growth of 6.8% in comparison to the third quarter of 2012. The need to keep its customers and capture new ones has led operators to intensify competition, adapt their offers and offer a large range of equipment, generating customer benefits related to price, quality of service, coverage and capacity, however, the business has entered into a maturity stage that is reaching penetration of close to 144% per inhabitant.

The current market tendency concentrates on mass use of "mobile data". For the third quarter of 2013 we estimate there will be 6.2 million users connected to mobile Internet (3G), i.e. a 44% growth in comparison to the third quarter of 2012. Data and mobile navigation services continue to have the highest growth rates within telecommunications services, due to their relatively quick implementation and to the multiple applications and value added services they provide.

### b) Competition risk

The new operators that entered the mobile market in 2012 (GTD, Nextel and VTR), show interest in positioning themselves in all mobile segments and products, with the exception of Virgin Mobile, which focuses its offer on the prepay segment.

Falabella is preparing its launching as VMO for this second quarter, after signing a national roaming agreement with Entel in November 2012.

During the second quartes of 2013, numeric portability has been used by 219,722 mobile users, a 14% decrease in comparison to the second quarter of 2012. During this quarter the operators carried out strong campaigns to capture customers through numeric portability, mainly in the prepayment area, which grew 18%.

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

### 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 could come into effect in mid January 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.

On/off net rates are eliminated as of the effective date of the new mobile tariff decree. From March 2013 to January 2014 only plans with an off net and on net rate difference equal to or lower than the access charge will be able to be sold, and the proportion of on net/off net minutes included in a plan cannot exceed the proportion of the off net/on net prices.

### d) Financial risk management objectives and policies

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

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

The policies for managing these risks are summarized below:

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

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

**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. At the end of the second quarter of 2013 the company had 24.7% 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 september 30, 2013 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 2013 of approximately Ch$62.4 million, whereas a drop in the TCPN would mean a reduction of Ch$62.4 million in the monthly financial accrual expense for 2013.

**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%. For the year to september 30, 2013 the Company has 45% of its total debt in foreign currency.

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 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 september 30, 2013 and December 31, 2012.

### e) Technological changes

Due to the characteristics of the mobile market, with strong competition and progressive technological evolution, during this year mobile operators will not only have to deploy the new 4G or LTE technology, but must also continue with the expansion of 3G, both in capacity and coverage.

### 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 september 30, 2013 were approved and authorized for issuance at the Board of Directors Meeting held on october 25, 2013.

On October 15, 2013, Telefónica Móviles Chile S.A. has issued a 10-year bullet "Series F" bond in the domestic market, in the amount of UF 3,000,000, maturing on October 4, 2023. This placement obtained a fixed annual interest rate of 3.75% in UF, which results in a spread of 147 bps over the 10-year Central Bank rate (BCU10).

On October 22, the Board of Telefónica Móviles Chile S.A. agreed to distribute an interim dividend of MCh$8,200, equivalent to Ch$ 69.47613 per share, with a charge to net income for 2013.

In the period between october 1 and october 25, 2013, there have been no financial or other significant events, which affect these financial statements.

Rodolfo Escalante Fiestas
Accounting Manager

Juan Parra Hidalgo
Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager