TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended
March 31, 2014, December 31, 2013 and March 31, 2013

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

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Notes to the Consolidated Interim Financial Statements

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 March 31, 2014 and December 31, 2013

ASSETS	Notes	03.31.2014	12.31.2013
		ThCh$	ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	193,665,869	223,756,247
Other current financial assets	(6)	70,597,051	52,430,287
Other current non-financial assets	(7)	37,222,195	43,398,421
Trade and other current accounts receivable	(8)	111,680,910	134,979,412
Current accounts receivable from related companies	(9a)	30,554,755	21,953,487
Inventory	(10)	51,472,067	61,022,815
Total current operating assets		**495,192,847**	**537,540,669**
TOTAL CURRENT ASSETS		**495,192,847**	**537,540,669**
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	37,879,604	21,978,735
Other non-current non-financial assets	(7)	1,159,902	1,159,902
Investments in associates accounted for using the equity method	(12a)	7,077,193	6,210,509
Intangible assets other than goodwill	(13a)	69,645,772	75,957,043
Goodwill	(14)	483,179,725	483,179,725
Property, plant and equipment	(15)	346,093,672	345,056,919
Deferred tax assets	(11c)	16,128,129	17,525,621
TOTAL NON-CURRENT ASSETS		**961,163,997**	**951,068,454**
TOTAL ASSETS		**1,456,356,844**	**1,488,609,123**

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

LIABILITIES	Notes	03.31.2014	12.31.2013
		ThCh$	ThCh$
CURRENT LIABILITIES			
Other current financial liabilities	(16)	69,185,451	62,207,697
Trade and other accounts payables	(17)	106,788,925	178,132,324
Current accounts payable to related companies	(9b)	53,961,772	57,249,386
Other short term provisions	(19a)	87,430	320,365
Current tax liabilities	(11d)	13,810,513	15,430,236
Other current non-financial liabilities	(21)	43,885,659	47,677,798
TOTAL CURRENT LIABILITIES		**287,719,750**	**361,017,806**
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(16)	439,660,801	426,984,398
Non-current accounts payable to related companies	(9d)	1,366,521	1,366,521
Other long-term provisions	(19b)	13,044,374	12,312,990
Other non-current non-financial liabilities		1,006,576	1,053,906
TOTAL NON-CURRENT LIABILITIES		**455,078,272**	**441,717,815**
TOTAL LIABILITIES		**742,798,022**	**802,735,621**
EQUITY			
Issued capital	(22a)	941,098,241	941,098,241
Retained earnings		102,979,308	77,232,082
Other reserves	(22d)	(330,518,673)	(332,456,767)
Shareholders' equity attributable to owners of the parent		713,558,876	685,873,556
Non-controlling interests	(22e)	(54)	(54)
TOTAL EQUITY		**713,558,822**	**685,873,502**
TOTAL LIABILITIES & EQUITY		**1,456,356,844**	**1,488,609,123**

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

	Notes	For the three-month period ended March 31 2014	2013
COMPREHENSIVE INCOME STATEMENT		**ThCh$**	**ThCh$**
Income from ordinary operations	(24a)	244,828,846	243,167,447
Other income	(24b)	1,049,843	506,128
Employee benefits expenses	(20a)	(633,503)	(1,163,943)
Depreciation and amortization expense	(13b-15b)	(23,068,984)	(44,099,248)
Other expenses, by nature	(24c)	(187,812,222)	(181,858,277)
Profit from operating activities		**34,363,980**	**16,552,107**
Finance income	(24d)	3,317,506	3,194,096
Finance costs	(24d)	(7,872,389)	(6,572,549)
Share in earnings (losses) of associates accounted for using the equity method	(12b-19b)	866,684	874,797
Foreign exchange differences	(24e)	242,740	(139,210)
Indexation units	(24e)	22,408	42,674
Profit before tax from continuing operations		**30,940,929**	**13,951,915**
Income tax expense	(11e)	(5,193,703)	(2,423,393)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**25,747,226**	**11,528,522**
Profit attributable to:			
Profit attributable to owners of the parent		25,747,226	11,528,522
Profit attributable to non-controlling interests		-	-
PROFIT		**25,747,226**	**11,528,522**

EARNINGS PER SHARE		**ThCh$**	**ThCh$**
Earnings per basic share:			
Earnings per basic share for continuing operations	(23)	218.15	97.68
Earnings per basic share for discontinued operations		-	-
Earnings per basic share:		**218.15**	**97.68**
Diluted earnings per share:			
Diluted earnings per share from continuing operations		218.15	97.68
Diluted earnings per share from discontinued operations		-	-
Diluted earnings per share:		**218.15**	**97.68**

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

	For the three-month period ended March 31	
	2014	2013
	ThCh$	ThCh$
OTHER COMPREHENSIVE INCOME STATEMENT		
PROFIT	**25,747,226**	**11,528,522**
Components of other comprehensive income before taxes		
Cash flow hedges:		
Profit (loss) on cash flow hedges, before taxes	2,422,617	(584,971)
Other comprehensive income before taxes, actuarial gains on defined benefits plans	-	-
Other components of other comprehensive income, before taxes	**2,422,617**	**(584,971)**
Income taxes related to components of other comprehensive income:		
Income tax related to cash flow hedges from other comprehensive income	(484,523)	116,994
Income taxes related to defined benefits plans in other comprehensive income	-	-
Income taxes related to components of other comprehensive income	**(484,523)**	**116,994**
OTHER COMPREHENSIVE INCOME	**1,938,094**	**(467,977)**
TOTAL COMPREHENSIVE INCOME	**27,685,320**	**11,060,545**
COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Comprehensive income attributable to owners of the parent	27,685,320	11,060,545
Comprehensive income attributable to non-controlling interests	-	-
TOTAL COMPREHENSIVE INCOME	**27,685,320**	**11,060,545**

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

STATEMENTS INTERIM OF CHANGES IN EQUITY

As of March 31, 2014 and 2013

	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	1,236,660	(2,121,550)	(331,571,877)	(332,456,767)	77,232,082	685,873,556	(54)	685,873,502
Changes in equity									
Comprehensive income									
Profit	-	-	-	-	-	25,747,226	25,747,226	-	25,747,226
Other comprehensive income	-	1,938,094	-	-	1,938,094	-	1,938,094	-	1,938,094
Comprehensive income	-	1,938,094	-	-	1,938,094	25,747,226	27,685,320	-	27,685,320
Dividends	-	-	-	-	-	-	-	-	-
Increase (decrease) from transfers and other changes, equity	-	-	-	-	-		-	-	-
Total increase (decrease) in equity	-	-	-	-	-	-	-	-	-
Equity march 31, 2014	941,098,241	3,174,754	(2,121,550)	(331,571,877)	(330,518,673)	102,979,308	713,558,876	(54)	713,558,822
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	-	-	-	-	-	11,528,522	11,528,522	-	11,528,522
Other comprehensive income	-	(467,977)	-	-	(467,977)	-	(467,977)	-	(467,977)
Comprehensive income	-	(467,977)	-	-	(467,977)	11,528,522	11,060,545	-	11,060,545
Dividends	-	-	-	-	-	-	-	-	-
Increase (decrease) from transfers and other changes, equity	-	-	-	-	-	-	-	-	-
Total increase (decrease) in equity	-	-	-	-	-	-	-	-	-
Equity march 31, 2013	941,098,241	356,411	(2,121,550)	(331,571,877)	(333,337,016)	82,367,224	690,128,449	(55)	690,128,394

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

STATEMENTS OF CONSOLIDATED CASH FLOWS INTERIM, DIRECT METHOD

As of March 31, 2014 and 2013

	For the three-month period ended March 31	
	2014	2013
	ThCh$	ThCh$
CASH FLOWS PROVIDED (USED IN) BY OPERATING ACTIVITIES:		
Classes of operating activity charges		
Proceeds from sale of assets and services rendered	307,418,085	275,768,610
Other operating activity charges	9,418,406	20,385,713
Classes of payments		
Payments to suppliers for supplying goods and services	(250,221,095)	(172,114,022)
Payments to and on account of employees	(583,028)	(531,443)
Other operating activity payments	(15,786,822)	(60,263,436)
Interest paid	(1,311,555)	(1,589,753)
Interest received	2,105,266	1,770,932
Income taxes (paid) reimbursed classified as operating activities	(5,889,215)	(1,933,502)
Cash flows provided (used in) by operating activities:	**45,150,042**	**61,493,099**
CASH FLOWS PROVIDED (USED IN) BY INVESTMENT ACTIVITIES:		
Loans to related entities	(61,425,000)	(60,200,000)
Additions to property, plant and equipment	(46,277,005)	(47,185,276)
Collection from related entities	51,120,000	57,100,000
Other cash inflows (outflows)	(18,658,415)	(30,000,000)
Net cash flows provided (used in) by investment activities	**(75,240,420)**	**(80,285,276)**
CASH FLOWS PROVIDED (USED IN) BY FINANCING ACTIVITIES:		
Other cash inflows (outflows)	-	(10,495,095)
Net cash flows provided (used in) by financing activities	-	**(10,495,095)**
Net Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate	**(30,090,378)**	**(29,287,272)**
Effects of the change in exchange rate on cash and cash equivalents:		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(30,090,378)	(29,287,272)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	223,756,247	164,192,567
CASH AND CASH EQUIVALENTS, END OF YEAR	**193,665,869**	**134,905,295**

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

1. Corporate Information:

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

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

As of march 31, 2014, the Company's direct parent is Inversiones Telefonica Moviles Holding S.A., which belongs to the Spanish group Telefonica, S.A..

2. Significant Accounting Policies:

a) Accounting period

The consolidated financial statements (hereinafter, "financial statements") cover the following periods: Statements of Financial Position as of March 31, 2014 and December 31, 2013; Statements of Changes in Equity, Income Statements by Nature and Statements of Cash Flows for the three-month period ended as of March 31, 2014 and 2013.

b) Basis of presentation

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

c) Basis of preparation

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

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 march 31, 2014 and December 31,2013. Balances with related companies, income and expenses and unrealized gains and losses have been eliminated and non-controlling interests have been recognized under the category "Non-controlling interests" (nota 22e).

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

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

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

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

The following subsidiaries are included in consolidation:

				Participation percentage			
				03.31.2014			12.31.2013
Taxpayer No.	Company	Country of origin	Funct 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 march 31, 2014 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	16,153	-	16,153	569,730	-	569,730	(553,577)	-	-
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	100	16,925,149	-	16,925,149	11,412,913	-	11,412,913	5,512,236	-	160,903

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

Taxpayer No.	Company	% Participation	Current Assets 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	5,633	569,730	575,363	(553,577)	-	(5,672)
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	100	16,748,820	-	16,748,820	10,268,300	-	10,268,300	6,480,520	-	1,129,188

2. Significant Accounting Policies, continued

e) Foreign currency translation

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

Date	US$	EURO	UTM	UF
March 31,2014	551.18	759.10	41,263	23,606.97
December 31,2013	524.61	723.49	40,772	23,309.56
March 31,2013	472.03	605.40	40,085	22,869.38

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

Information at the end subsequent periods for reporting:

a) Monetary items in foreign currency shall be converted to utlizando the closing exchange rate;

b) Non-monetary items in foreign currency measured at historical cost are converted using the exchange rate on the date of the transaction; and

c) Non-monetary items that are measured at fair value are converted using the exchange rate on the date on which this fair value is measured.

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

f) Financial assets and liabilities

1. Financial assets other than derivatives

Classification and presentation

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

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

i) Loans and accounts receivable

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

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

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

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

The effective interest rate method is a 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.

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

iii) Financial assets held to maturity

Financial assets held to maturity are financial assets with fixed and determinable payments and fixed maturity, that the Company has the positive intention and capacity to hold to maturity. If the Company sold a significant amount of its financial assets held to maturity, the entire category would be reclassified to financial assets held for sale.
Investments are recognized initially at fair value plus transaction costs and are subsequently recorded at amortized cost using the effective interest rate method.

iv) Financial assets available for sale

Financial assets available for sale are non-derivative assets that are designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Company intends to dispose of the investment in the 12 months following the closing date.
Investments are initially recognized at fair value less transaction costs and are subsequently recorded at their fair value.

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

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

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

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

3. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

2. Cash and cash equivalents

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

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

3. Financial liabilities

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

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

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

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

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

3. Financial liabilities, continued

i) Financial liabilities at fair value through profit or loss

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

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

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

ii) Trade accounts payable

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

iii) Interest-bearing loans

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

4. Derivative financial instruments

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

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

4. Derivative financial instruments, continued

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

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

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

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

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

2. Significant Accounting Policies, continued

g) Inventory

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

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

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

Obsolescence is determined on the basis of the commercial turnover of equipment and accessories. According to the Company's policies, items with a rotation of more than 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 the rate used was 9.44%. For period the three months to march 31, 2014 no adjustments were made for impairment.

i) Leasing

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

2. Significant Accounting Policies, continued

i) Leasing, continued

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

j) Taxes

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

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

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

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

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

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

2. Significant Accounting Policies, continued

k) Investments in associates accounted for using the equity method

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

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

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

l) Goodwill

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

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

m) Intangibles

i) Intangible assets (Concession licenses)

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

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

ii) Licenses and Software

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

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

2. Significant Accounting Policies, continued

m) Intangibles, continued

ii) Licenses and Software, continued

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

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

n) Property, plant and equipment and Depreciation

i) Property, plant and equipment

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

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

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

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

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

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

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

ii) Depreciation of property, plant and equipment

The Company depreciates Property, plant and equipment 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 13.94% for march 2014, and 31.57% for 2013.

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 3.02% and is recorded as a Property, Plant and Equipment item under assets, and as a non-current provision on a future obligation. That Property, Plant and Equipment item is amortized over the duration of the asset associated to that provision.

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

ii) Other provisions

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

2. Significant Accounting Policies, continued

p) Income and expenses

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

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

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

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

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

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

2. Significant Accounting Policies, continued

q) Use of Estimates

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

i) Property, plant and equipment and intangibles

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

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

ii) Provisions

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

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

iii) Income recognition: agreements combining more than one element

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

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

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

iv) Financial assets and liabilities

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

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

2. Significant Accounting Policies, continued

r) Consolidation methods

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

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

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

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

s) New IFRS and Interpretations of the IFRS Interpretations Committee

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

	New Standard	**Mandatory application date**
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 9	Financial instruments: Classification and measurement	Date yet to be determined

IFRS 9 "Financial instruments"

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

2. Significant Accounting Policies, continued

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

IFRS 14 "Regulatory Deferral Accounts"

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

	Improvements and Amendments	Mandatory application date
IAS 19	Employee Benefits	July 1, 2014
IFRS 3	Business Combinations	July 1, 2014
IAS 40	Investment Properties	July 1, 2014

IAS 19 "Employee Benefits"

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

2. Significant Accounting Policies, continued

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

IFRS 3 "Business Combinations"

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

IAS 40 "Investment Properties"

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

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

3. Changes in Accounting Policy and Disclosures

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

a) Change in estimates

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

i) Useful lives of property, plant and equipment:

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

3. Changes in Accounting Policy and Disclosures, continued

b) Change in estimates, continued

ii) Dismantling allowance:

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

At march 31, 2014, no accounting estimates or changes to these financial statements, wiich may affect the comparison between each period were perfomed.

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	03.31.2014 ThCh$	12.31.2013 ThCh$
Cash (a)		**2,558,854**	**998,517**
	USD	-	4,243
	EUR	-	7,215
	CLP	2,558,854	987,059
Banks (b)		**932,260**	**574,427**
	CLP	760,520	436,388
	USD	171,740	138,039
Time deposits (c)		**188,959,755**	**215,965,212**
	CLP	188,959,755	170,696,396
	USD	-	45,268,816
Repurchase agreements (d)		**1,215,000**	**6,218,091**
	CLP	1,215,000	6,060,707
	USD	-	157,384
Total cash and cash equivalents		**193,665,869**	**223,756,247**
Subtotal by currency	**CLP**	**193,494,129**	**178,180,550**
	USD	**171,740**	**45,568,482**
	EUR	**-**	**7,215**

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

a) Cash

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

b) Banks

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

5. Cash and cash equivalents, continued

c) Time deposits,

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

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	Foreign currency translation local currency ThCh$	Total as of 03.31.2014 ThCh$
Time deposit	CLP	188,640,000	4.38%	31	188,640,000	319,755	-	188,959,755
Total					**188,640,000**	**319,755**	**-**	**188,959,755**

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 12.31.2013 ThCh$
Time deposit	CLP	136,645,000	4.78%	32	170,465,000	231,396	-	170,696,396
Time deposit	USD	86,255	6.29%	25	45,968,500	18,456	(718,140)	45,268,816
Totales					**216,433,500**	**249,852**	**(718,140)**	**215,965,212**

5. Cash and cash equivalents, continued

d) Repurchase agreements

The amounts for march 31, 2014 and december 31, 2013 are detailed as follows:

Code	Dates Beginning	Dates Ending	Counterparty	Original currency	Subscription value ThCh$	Annual rate	Final value ThCh$	Identification of instruments	Book value 03.31.2014 ThCh$
CRV	03.31.2014	04.03.2014	BBVA	CLP	1,215,000	3,72%	1,215,000	BCP090914	1,215,000
			Total		**1,215,000**		**1,215,000**		**1,215,000**

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

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

6. Other Current and Non-current Financial Assets

The breakdown of other current financial assets is as follows:

Concepts	03.31.2014 Current ThCh$	03.31.2014 Non-Current ThCh$	12.31.2013 Current ThCh$	12.31.2013 Non-Current ThCh$
Highly liquid financial instruments (a)	70,076,000	-	50,680,565	-
Hedging instruments (18 b)	521,051	37,879,604	1,749,722	21,978,735
Total	**70,597,051**	**37,879,604**	**52,430,287**	**21,978,735**

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 currency ThCh$	Total as of 03.31.2014 ThCh$
Highly liquid financial instruments	CLP	70,000,000	4.62%	30	70,000,000	76,000	-	70,076,000
Total					**70,000,000**	**76,000**	**-**	**70,076,000**

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

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

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

Description	03.31.2014		12.31.2013	
	Current ThCh$	Non-Current ThCh$	Current ThCh$	Non-Current ThCh$
Deferred handset costs (1)	15,526,006	-	19,216,222	-
Advance payments (2)	11,377,567	1,061,561	12,614,324	1,061,561
Other prepaid expenses (3)	9,672,207	98,341	10,377,595	98,341
Customer guarantees	599,394	-	677,729	-
Other taxes (4)	47,021	-	512,551	-
Total	**37,222,195**	**1,159,902**	**43,398,421**	**1,159,902**

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

8. Trade and Other Current Accounts Receivable

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

Description	03.31.2014			12.31.2013		
	Gross value ThCh$	Uncollectable debts ThCh$	Net value ThCh$	Gross value ThCh$	Uncollectable debts ThCh$	Net value ThCh$
Current receivables on credit operations	**170,653,558**	**(58,972,977)**	**111,680,581**	**192,261,903**	**(57,282,820)**	**134,979,083**
Services billed	119,832,376	(58,972,977)	60,859,399	130,139,603	(57,282,820)	72,856,783
Services provided and not billed	50,821,182	-	50,821,182	62,122,300	-	62,122,300
Miscellaneous receivables	**329**	-	**329**	**329**	-	**329**
Total	**170,653,887**	**(58,972,977)**	**111,680,910**	**192,262,232**	**(57,282,820)**	**134,979,412**

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	03.31.2014					12.31.2013				
	Less than 3 months ThCh$	3 to 6 months ThCh$	6 to 12 months ThCh$	Greater than 12 months ThCh$	Total ThCh$	Less than 3 months ThCh$	3 to 6 months ThCh$	6 to 12 months ThCh$	than 12 months ThCh$	Total ThCh$
Miscellaneous receivables	27,644,120	745,714	-	-	28,389,834	11,470,846	617,506	-	-	12,088,352
Total	**27,644,120**	**745,714**	**-**	**-**	**28,389,834**	**11,470,846**	**617,506**	**-**	**-**	**12,088,352**

8. Trade and Other Current Accounts Receivable

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

Movements	03.31.2014 ThCh$	12.31.2013 ThCh$
Beginning balance	**57,282,820**	**54,832,478**
Increases	6,496,815	24,680,550
Eliminations/ Additions	(4,806,658)	(22,230,208)
Movements, subtotal	**1,690,157**	**2,450,342**
Closing balance	**58,972,977**	**57,282,820**

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

Provisions and write-offs	03.31.2014 ThCh$	03.31.2013 ThCh$
Accrual for portfolio that has not been renegotiated	6,239,347	6,589,346
Accrual for renegotiated portfolio	257,468	139,086
Write-offs for the year	(4,806,658)	(5,796,122)
Total	**1,690,157**	**932,310**

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

Portfolio of prosted and in legal collection as of 03.31.2014	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	1,252		776	-
Portfolio of protested or in legal collection ThCh$	5,747,662		568,229	-

Portfolio of prosted and in legal collection as of 12.31.2013	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	1,256	-	777	-
Portfolio of protested or in legal collection ThCh$	5,749,557	-	569,110	-

8. Trade and Other Accounts Receivable, continued

The portfolio composition stratified by segment as of march 31, 2014 is as follows:

Aging of portfolio by segment for the 2014 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	565,327	69,232	37,829	34,533	31,983	31,989	26,725	41,046	36,179	1,622,661	2,497,504
Gross portfolio w/o renegotiation	25,977,020	3,389,068	2,182,784	1,938,645	-	-	-	-	-	1.00	33,487,518
Debt	25,977,020	3,389,068	2,182,784	1,938,645	3,327,290	1,982,476	2,048,349	2,087,941	2,719,657	28,308,671	73,961,901
Accrual	-	-	-	-	(3,327,290)	(1,982,476)	(2,048,349)	(2,087,941)	(2,719,657)	(28,308,670)	(40,474,383)
Number of clients with renegotiation	9,407	6,736	1,760	1,483	1,374	1,016	1,090	1,315	1,012	21,039	46,232
Gross portfolio with renegotiation	1,057,928	233,630	105,676	85,728	-	-	-	-	-	-	1,482,962
Debt	1,057,928	233,630	105,676	85,728	85,139	75,843	81,182	85,614	76,342	1,160,892	3,047,974
Accrual	-	-	-	-	(85,139)	(75,843)	(81,182)	(85,614)	(76,342)	(1,160,892)	(1,565,012)
Total number of clients	**574,734**	**75,968**	**39,589**	**36,016**	**33,357**	**33,005**	**27,815**	**42,361**	**37,191**	**1,643,700**	**2,543,736**
Total Individuals portfolio	**27,034,948**	**3,622,698**	**2,288,460**	**2,024,373**	-	-	-	-	-	1.00	**34,970,480**
Debt	**27,034,948**	**3,622,698**	**2,288,460**	**2,024,373**	**3,412,429**	**2,058,319**	**2,129,531**	**2,173,555**	**2,795,999**	**29,469,563**	**77,009,875**
Accrual	-	-	-	-	**(3,412,429)**	**(2,058,319)**	**(2,129,531)**	**(2,173,555)**	**(2,795,999)**	**(29,469,562)**	**(42,039,395)**
Companies											
Number of clients w/o renegotiation	90,528	12,154	4,525	3,290	2,881	2,783	2,352	3,223	2,977	61,858	186,571
Gross portfolio w/o renegotiation	56,255,797	15,041,385	2,453,168	2,214,037	395,425	227,594	122,695	-	-	-	76,710,101
Debt	56,255,797	15,041,385	2,453,168	2,214,037	831,714	652,785	543,400	1,141,799	1,468,772	13,040,826	93,643,683
Accrual	-	-	-	-	(436,289)	(425,191)	(420,705)	(1,141,799)	(1,468,772)	(13,040,826)	(16,933,582)
Number of clients with renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio with renegotiation	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**90,528**	**12,154**	**4,525**	**3,290**	**2,881**	**2,783**	**2,352**	**3,223**	**2,977**	**61,858**	**186,571**
Total Companies portfolio	**56,255,797**	**15,041,385**	**2,453,168**	**2,214,037**	**395,425**	**227,594**	**122,695**	-	-	-	**76,710,101**
Debt	**56,255,797**	**15,041,385**	**2,453,168**	**2,214,037**	**831,714**	**652,785**	**543,400**	**1,141,799**	**1,468,772**	**13,040,826**	**93,643,683**
Accrual	-	-	-	-	**(436,289)**	**(425,191)**	**(420,705)**	**(1,141,799)**	**(1,468,772)**	**(13,040,826)**	**(16,933,582)**
Portfolio Consolidated											
Number of clients w/o renegotiation	655,855	81,386	42,354	37,823	34,864	34,772	29,077	44,269	39,156	1,684,519	2,684,075
Gross portfolio w/o renegotiation	82,232,817	18,430,453	4,635,952	4,152,682	395,425	227,594	122,695	-	-	1.00	110,197,619
Debt	82,232,817	18,430,453	4,635,952	4,152,682	4,159,004	2,635,261	2,591,749	3,229,740	4,188,429	41,349,497	167,605,584
Accrual	-	-	-	-	(3,763,579)	(2,407,667)	(2,469,054)	(3,229,740)	(4,188,429)	(41,349,496)	(57,407,965)
Number of clients with renegotiation	9,407	6,736	1,760	1,483	1,374	1,016	1,090	1,315	1,012	21,039	46,232
Gross portfolio with renegotiation	1,057,928	233,630	105,676	85,728	-	-	-	-	-	-	1,482,962
Debt	1,057,928	233,630	105,676	85,728	85,139	75,843	81,182	85,614	76,342	1,160,892	3,047,974
Accrual	-	-	-	-	(85,139)	(75,843)	(81,182)	(85,614)	(76,342)	(1,160,892)	(1,565,012)
Total number of clients	**665,262**	**88,122**	**44,114**	**39,306**	**36,238**	**35,788**	**30,167**	**45,584**	**40,168**	**1,705,558**	**2,730,307**
Total Consolidated portfolio	**83,290,745**	**18,664,083**	**4,741,628**	**4,238,410**	**395,425**	**227,594**	**122,695**	-	-	1.00	**111,680,581**
Debt	**83,290,745**	**18,664,083**	**4,741,628**	**4,238,410**	**4,244,143**	**2,711,104**	**2,672,931**	**3,315,354**	**4,264,771**	**42,510,389**	**170,653,558**
Accrual	-	-	-	-	**(3,848,718)**	**(2,483,510)**	**(2,550,236)**	**(3,315,354)**	**(4,264,771)**	**(42,510,388)**	**(58,972,977)**

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

8. Trade and Other Accounts Receivable, continued

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

Aging of portfolio by segment for the 2013 period	Up to date 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	565,354	75,809	39,726	28,707	42,992	36,985	26,229	41,837	49,878	1,566,147	2,473,664
Gross portfolio w/o renegotiation	39,304,133	3,118,050	2,261,660	2,256,687	-	-	-	-	-	-	46,940,530
Debt	39,304,133	3,118,050	2,261,660	2,256,687	3,402,351	2,042,934	1,219,046	2,064,064	2,648,568	27,731,158	86,048,651
Accrual	-	-	-	-	(3,402,351)	(2,042,934)	(1,219,046)	(2,064,064)	(2,648,568)	(27,731,158)	(39,108,121)
Number of clients with renegotiation	9,282	6,590	1,279	1,213	1,405	1,058	677	1,181	1,785	21,516	45,986
Gross portfolio with renegotiation	1,028,904	202,947	84,910	87,719	-	-	-	-	-	-	1,404,480
Debt	1,028,904	202,947	84,910	87,719	97,981	90,658	57,967	90,065	122,444	1,105,124	2,968,718
Accrual	-	-	-	-	(97,981)	(90,658)	(57,967)	(90,065)	(122,444)	(1,105,124)	(1,564,239)
Total number of clients	**574,636**	**82,399**	**41,005**	**29,920**	**44,397**	**38,043**	**26,906**	**43,018**	**51,663**	**1,587,663**	**2,519,650**
Total Individuals portfolio	**40,333,037**	**3,320,997**	**2,346,570**	**2,344,406**	-	-	-	-	-	-	**48,345,010**
Debt	**40,333,037**	**3,320,997**	**2,346,570**	**2,344,406**	**3,500,332**	**2,133,592**	**1,277,013**	**2,154,129**	**2,771,012**	**28,836,282**	**89,017,369**
Accrual	-	-	-	-	**(3,500,332)**	**(2,133,592)**	**(1,277,013)**	**(2,154,129)**	**(2,771,012)**	**(28,836,282)**	**(40,672,360)**
Companies											
Number of clients w/o renegotiation	89,542	12,867	4,521	2,925	3,643	3,016	2,039	3,105	4,181	58,856	184,695
Gross portfolio w/o renegotiation	82,558,023	1,902,756	700,180	855,937	195,412	248,064	174,032	-	-	-	86,634,404
Debt	82,558,023	1,902,756	700,180	855,937	653,976	668,435	466,195	5,999,915	1,185,718	8,253,727	103,244,862
Accrual	-	-	-	-	(458,566)	(420,371)	(292,163)	(5,999,915)	(1,185,718)	(8,253,727)	(16,610,460)
Number of clients with renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio with renegotiation	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**89,542**	**12,867**	**4,521**	**2,925**	**3,643**	**3,016**	**2,039**	**3,105**	**4,181**	**58,856**	**184,695**
Total companies portfolio	**82,558,023**	**1,902,756**	**700,180**	**855,937**	**195,410**	**248,064**	**174,032**	**-**	**-**	**-**	**86,634,402**
Debt	**82,558,023**	**1,902,756**	**700,180**	**855,937**	**653,976**	**668,435**	**466,195**	**5,999,915**	**1,185,718**	**8,253,727**	**103,244,862**
Accrual	-	-	-	-	**(458,566)**	**(420,371)**	**(292,163)**	**(5,999,915)**	**(1,185,718)**	**(8,253,727)**	**(16,610,460)**
Portfolio Consolidated											
Number of clients w/o renegotiation	654,896	88,676	44,247	31,632	46,635	40,001	28,268	44,942	54,059	1,625,003	2,658,359
Gross portfolio w/o renegotiation	121,862,156	5,020,806	2,961,840	3,112,624	195,410	248,064	174,032	-	-	-	133,574,932
Debt	121,862,156	5,020,806	2,961,840	3,112,624	4,056,327	2,711,369	1,685,241	8,063,979	3,834,286	35,984,885	189,293,513
Accrual	-	-	-	-	(3,860,917)	(2,463,305)	(1,511,209)	(8,063,979)	(3,834,286)	(35,984,885)	(55,718,581)
Number of clients with renegotiation	9,282	6,590	1,279	1,213	1,405	1,058	677	1,181	1,785	21,516	45,986
Gross portfolio with renegotiation	1,028,904	202,947	84,910	87,719	-	-	-	-	-	-	1,404,480
Debt	1,028,904	202,947	84,910	87,719	97,981	90,658	57,967	90,065	122,444	1,105,124	2,968,718
Accrual	-	-	-	-	(97,981)	(90,658)	(57,967)	(90,065)	(122,444)	(1,105,124)	(1,564,239)
Total number of clients	**664,178**	**95,266**	**45,526**	**32,845**	**48,040**	**41,059**	**28,945**	**46,123**	**55,844**	**1,646,519**	**2,704,345**
Total Consolidated portfolio	**122,891,060**	**5,223,753**	**3,046,750**	**3,200,343**	**195,410**	**248,064**	**174,032**	-	-	-	**134,979,412**
Debt	**122,891,060**	**5,223,753**	**3,046,750**	**3,200,343**	**4,154,308**	**2,802,027**	**1,743,208**	**8,154,044**	**3,956,730**	**37,090,009**	**192,262,232**
Accrual	-	-	-	-	**(3,958,898)**	**(2,553,963)**	**(1,569,176)**	**(8,154,044)**	**(3,956,730)**	**(37,090,009)**	**(57,282,820)**

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

9. Accounts receivable and payable to related companies

a) Accounts receivable from related companies current:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2014 ThCh$	12.31.2013 ThCh$
						Sub-Total	**24,217,978**	**13,478,460**
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Associated	Mercantile Current Account	CLP	60 days	22,585,909	12,111,808
				Professional Serv.	CLP	60 days	1,632,069	1,366,652
						Sub-Total	**2,671,050**	**5,028,899**
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Related to the parent company	Access inbound and CPP	CLP	60 days	1,821,568	5,028,899
				takings	CLP	60 days	531,252	-
				Others	CLP	60 days	318,230	-
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.(1)	96.990.810-7	Chile	Related to the parent company	Serv. Provided	CLP	60 days	972,621	908,967
TELEFONICA MOVILES ARGENTINA, S.A.	Foreign	Argentina	Related to the parent company	Serv. Provided	USD	90 days	895,005	330,335
TELEFONICA MOVILES ESPAÑA, S.A.	Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	497,031	211,354
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Related to the parent company	Serv. Provided	CLP	60 days	291,378	773,862
VIVO, S.A.	Foreign	Brazil	Related to the parent company	Serv. Provided	USD	90 days	255,625	190,881
WAYRA CHILE TECNOLOGIA E INNOVACIÓN LTDA.	96.672.150-2	Chile	Related to the parent company	Serv. Provided	CLP	60 days	254,050	315,191
TELCEL VENEZUELA	Foreign	Venezuela	Related to the parent company	Serv. Provided	USD	90 days	172,291	159,670
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Related to the parent company	Serv. Provided	CLP	60 days	71,921	60,805
02 MANX TELECOM LTDA.	Foreign	England	Related to the parent company	Serv. Provided	USD	90 days	67,614	56,134
TELEFONICA MOVILES PERU, S.A.	Foreign	Peru	Related to the parent company	Serv. Provided	USD	90 days	44,724	20,755
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	Foreign	Uruguay	Related to the parent company	Serv. Provided	USD	90 days	29,792	16,487
COLOMBIA TELECOMUNICACIONES S.A.E.S.P (TELECOM)	Foreign	Colombia	Related to the parent company	Serv. Provided	USD	60 days	28,200	19,809
TELEFONICA ASSET MANAGEMENT CHILE	76.173.568-3	Chile	Common parent company	Serv. Provided	CLP	60 days	17,100	7,100
OTECEL, S.A. ECUADOR	Foreign	Equator	Related to the parent company	Serv. Provided	USD	90 days	14,134	8,448
FUNDACION TELEFONICA CHILE	74.944.200-K	Chile	Related to the parent company	Serv. Provided	CLP	60 days	11,414	10,718
TELEFONICA SLOVAKIA	Foreign	Slovakia	Related to the parent company	Serv. Provided	CLP	60 days	8,203	7,210
PEGASO PCS, S.A.DE C.V.	Foreign	Mexico	Related to the parent company	Serv. Provided	USD	90 days	7,688	6,553
TELEFONICA MOVILES PANAMA	Foreign	Panama	Related to the parent company	Serv. Provided	USD	90 days	5,768	2,864
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Related to the parent company	Serv. Provided	CLP	60 days	4,971	3,861
INTERTEL CHILE	96.898.630-9	Chile	Common parent company	Serv. Provided	CLP	60 days	4,500	4,500
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Related to the parent company	Serv. Provided	CLP	60 days	3,481	137,621
S.A.	96.910.730.-9	Chile	Related to the parent company	Serv. Provided	CLP	60 days	2,325	46,731
TELEFONICA 02 IRELAND LTDA	Foreign	Irland	Related to the parent company	Serv. Provided	USD	90 days	2,301	1,114
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Related to the parent company	Serv. Provided	CLP	60 days	1,502	1,502
TELEFONICA MOVILES GUATEMALA	Foreign	Guatemala	Related to the parent company	Serv. Provided	USD	90 days	1,016	1,077
TELEFÓNICA MÓVILES EL SALVADOR S.A.	Foreign	El Salvador	Related to the parent company	Serv. Provided	USD	90 days	590	580
TELEFONICA CELULAR DE NICARAGUA S.A.	Foreign	Nicaragua	Related to the parent company	Serv. Provided	USD	90 days	482	499
Telefónica O2 Germany Gmbh & Co Ohg	Foreign	Germany	Related to the parent company	Serv. Provided	USD	90 days	-	141,500
TELEFONICA EMPRESAS CHILE S.A.	78.703.410-1	Chile	Related to the parent company	Serv. Provided	CLP	60 days	-	-
							30,554,755	**21,953,487**

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

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) Accounts payable to related companies current

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2014 ThCh$	12.31.2013 ThCh$
						Sub-Total	**21,378,815**	**19,327,698**
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Associated	Management Services	CLP	60 days	17,345,274	18,995,960
				Others		60 days	1,540,418	-
				Mercantile Current Account		60 days	2,493,123	331,738
						Sub-Total	**8,460,982**	**10,109,312**
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Related to the parent company	Access Charge and Links	CLP	60 days	4,650,143	4,875,043
				W Serv Lease - Space and Energy	CLP	60 days	3,353,678	5,053,010
				Others	EUR	90 days	457,161	181,259
TELEFONICA, S.A.	Foreign	Spain	Related to the parent company	Servicios de Brand Fee	CLP	60 days	8,128,844	8,270,328
TELEFONICA EMPRESAS CHILE S.A.	78.703.410-1	Chile		Management Services	CLP	60 days	7,031,432	5,438,025
TELEFONICA INTERNACIONAL, S.A.U.	Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	3,542,813	3,681,287
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Related to the parent company	Serv. Provided	EUR	60 days	2,040,679	2,015,743
TELEFONICA GLOBAL TECNOLOGY CHILE S.A.	59.165.120-k	Chile	Related to the parent company	Serv. Provided	CLP	60 days	951,382	-
TELEFONICA MOVILES ESPAÑA, S.A.	Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	453,255	201,793
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Related to the parent company	Serv. Provided	CLP	60 days	373,594	312,651
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730-9	Chile	Related to the parent company	Serv. Provided	CLP	60 days	244,058	216,152
TELEFONICA MOVILES ARGENTINA, S.A.	Foreign	Argentina	Related to the parent company	Serv. Provided	USD	90 days	192,251	129,664
TELFISA GLOBAL B.V.	Foreign	Spain	Related to the parent company	commission administration	CLP	90 days	185,801	159,564
PEGASO PCS, S.A. C.V	Foreign	Mexico	Related to the parent company	Serv. Provided	USD	90 days	184,754	67,106
TELEFONICA DIGITAL ESPAÑA	Foreign	Spain	Related to the parent company	Serv. Provided	USD	90 days	170,184	-
TELEFONICA MOVILES PERU S.A	Foreign	Peru	Related to the parent company	Serv. Provided	CLP	90 days	131,185	96,968
WAYRA CHILE TECNOLOGIA E INNOVACIÓN LTDA.	96.672.150-2	Chile	Related to the parent company	Serv. Provided	CLP	60 days	69,162	69,162
TELEFONICA GLOBAL APPLICATIONS S.L.	Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	67,715	67,715
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Related to the parent company	Serv. Provided	CLP	60 days	61,728	230,034
TELEFÓNICA ASSET MANAGEMENT CHILE S.A.	76.173.568-3	Chile	Common parent company	Serv. Provided	CLP	60 days	52,919	45,206
VIVO, S.A.	Foreign	Brazil	Related to the parent company	Serv. Provided	CLP	90 days	48,997	110,460
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Related to the parent company	Serv. Provided	CLP	60 days	43,079	43,079
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	Foreign	Uruguay	Related to the parent company	Serv. Provided	USD	90 days	27,433	12,704
TELCEL VENEZUELA	Foreign	Venezuela	Related to the parent company	Serv. Provided	USD	90 days	26,565	19,723
OTECEL, S.A.	Foreign	Ecuador	Related to the parent company	Serv. Provided	USD	90 days	24,189	15,759
TELEFONICA INTERNATIONAL WHOLESALE SERVICES ESPAÑA	Foreign	Spain	Related to the parent company	Serv. Provided	EUR	90 days	15,047	14,322
TELEFONICA MOVILES PANAMA	Foreign	Panama	Related to the parent company	Serv. Provided	USD	90 days	15,018	6,013
O2 MANX TELECOM LTD	Foreign	England	Related to the parent company	Serv. Provided	USD	90 days	8,752	-
TELEFONICA MOVILES GUATEMALA	Foreign	Guatemala	Related to the parent company	Serv. Provided	USD	90 days	4,491	2,642
TELEFONICA MOVILES EL SALVADOR, S.A.	Foreign	El Salvador	Related to the parent company	Serv. Provided	USD	90 days	2,826	1,968
TELEFÓNICA MOVILES NICARAGUA, S.A.	Foreign	Nicaragua	Related to the parent company	Serv. Provided	USD	90 days	2,666	1,889
TELEFONCIA ON THE SPOT SERVICES S.A.U.	Foreign	Spain	Related to the parent company	Serv. Provided	CLP	30 days	2,574	3,891
TELEFONICA O2 IRELAND LTDA.	Foreign	Irland	Related to the parent company	Serv. Provided	USD	90 days	1,547	995
FUNDACIÓN TELEFÓNICA CHILE S.A.	74.944.200-K	Chile	Related to the parent company	Serv. Provided	CLP	60 days	706	704
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Related to the parent company	General Services	CLP	60 days	-	3,987,198
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.(1)	76.172.003-1	Chile	Related to the parent company	Mercantile Current Account	CLP	60 days	-	2,567,495
TELEFONICA 02 GERMANY GMBH &CO OHG	Foreign	Germany	Related to the parent company	Serv. Provided	USD	90 days	16,329	22,136
Total							**53,961,772**	**57,249,386**

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

9. Accounts receivable and payable to related companies, continued

c) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	03.31.2014 ThCh$	03.31.2013 ThCh$
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Related to the parent company	CLP	**TOTAL**	**(15,519,914)**	**(16,831,592)**
					Services staff seconded from other companies	(16,272,076)	(17,583,542)
					Sales	573,062	329,026
					Financial income	179,100	422,924
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Related to the parent company	CLP	**TOTAL**	**(5,998,389)**	**(4,038,903)**
					Access charges and Interconnects	(7,169,465)	(6,097,968)
					Other	(661,592)	(910,380)
					Servicio Telefonico	(85,270)	(123,428)
	90.635.000-9	Chile	Related to the parent company	CLP	**Costs**		
					Access charges and Interconnects	1,657,333	2,526,476
					Other	260,605	140,739
					800 Service	-	425,658
TELEFONICA EMPRESAS CHILE S.A.	78.703.410-1	Chile	Related to the parent company	CLP	**TOTAL**	**(4,221,191)**	**(3,343,805)**
					Sales	28,837	668,997
					Costs		
					Professional Services	(4,102,829)	(3,962,484)
					Other	(147,199)	(50,318)
					TOTAL	**(3,970,232)**	**(2,782,876)**
TELEFONICA, S.A.	Foreign	Spain	Shareholder	EUR	Brand Fee	(3,965,742)	(2,776,727)
					Other	(4,490)	(6,149)
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Related to the parent company	CLP	**TOTAL**	**(1,959,597)**	**(2,451,268)**
					Costs	(2,444,241)	(3,301,510)
					Fixed Income - Mobile	345,800	662,437
					Other	138,844	187,805
Telefónica Global Technology Chile S.A.	59.165.120-K	Chile	Related to the parent company	CLP	Costs	(951,382)	-
					TOTAL	**(874,036)**	**139,050**
TELEFONICA INTERNACIONAL, S.A.U.	Foreign	Spain	Related to the parent company	EUR	Costs	(874,036)	139,050
					TOTAL	**530,001**	**312,392**
TELEFONICA MOVILES ARGENTINA, S.A.	Foreign	Argentina	Related to the parent company	USD	Sales	691,075	395,990
					Costs	(161,074)	(83,598)
WAYRA CHILE TECNOLOGIA E INNOVACION LTDA.	96.672.150-2	Chile	Related to the parent company	CLP	Sales	201,690	40,759
VIVO S.A.	Foreign	Brazil	Related to the parent company	USD	**TOTAL**	**195,748**	**56,209**
				USD	Costs	(37,032)	(67,111)
				USD	Sales	232,780	123,320
					TOTAL	**(183,093)**	**306,813**
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730-9	Chile	Related to the parent company	CLP	Costs	(194,515)	294,678
					Sales	11,422	12,135
TELEFONICA DIGITAL ESPAÑA	Foreign	Spain	Related to the parent company	EUR	Costs	(170,184)	-
					TOTAL	**(147,645)**	**(46,953)**
PEGASO PCS, S.A. DE C.V.	Foreign	Mexico	Related to the parent company	USD	Costs	(154,169)	(57,923)
					Sales	6,524	**10,970**
					TOTAL	**(88,290)**	**(118,669)**
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Related to the parent company	CLP	Costs	(100,334)	(126,356)
					Sales	12,044	7,687
					TOTAL	**(74,530)**	**(122,386)**
TELEFONICA MOVILES PERU, S.A.	Foreign	Peru	Related to the parent company	USD	Sales	35,251	28,444
					Costs	(109,781)	(150,830)
					TOTAL	**(55,863)**	**(8,675)**
TELEFONICA O2 GERMANY GMBH & CO OHG	Foreign	Geramny	Related to the parent company	USD	Sales	11,423	6,229
					Costs	(67,286)	(14,904)
					TOTAL	**48,406**	**(350,887)**
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Related to the parent company	CLP	Costs	43,707	(355,515)
					Sales	4,699	4,628
COLOMBIA TELECOMUNICACIONES S.A.E.S.P (Telecom)	Foreign	Colombia	Related to the parent company		**TOTAL**	**(34,308)**	**(13,966)**
					Costs	(69,228)	(45,275)
					Sales	34,920	31,309
					TOTAL	**(31,783)**	**48,288**
TELEFONICA MOVILES ESPAÑA, S.A.	Foreign	Spain	Related to the parent company	EUR	Sales	281,021	180,977
					Costs	(312,804)	(132,689)
					TOTAL	**28,000**	**31,747**
O2 MANX TELECOM LTDA.	Foreign	England	Related to the parent company	USD	Costs	(6,396)	(877)
					Sales	34,396	32,624
					TOTAL	**(18,525)**	**744,939**
TELFISA GLOBAL B.V.	Foreign	Spain	Related to the parent company	CLP	Financial income	7,712	763,717
					Commission	(26,237)	(18,778)

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	03.31.2014 ThCh$	03.31.2013 ThCh$
					TOTAL	**(8,146)**	**(7,750)**
TELEFONICA MOVILES PANAMA	Foreign	Panama	Related to the parent company	USD	Sales	4,540	5,009
					Costs	(12,686)	(12,759)
					TOTAL	**(5,302)**	**(5,950)**
OTECEL, S.A.	Foreign	Equator	Related to the parent company	USD	Costs	(13,836)	(12,055)
					Sales	8,534	6,105
					TOTAL	**(4,717)**	**(3,392)**
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	Foreign	Uruguay	Related to the parent company	USD	Sales	20,742	15,045
					Costs	(25,459)	(18,437)
					TOTAL	**4,639**	**2,137**
TELCEL VENEZUELA	Foreign	Venezuela	Related to the parent company	USD	Costs	(6,087)	(4,522)
					Sales	10,726	6,659
					TOTAL	**3,887**	**(611,342)**
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Related to the parent company	CLP	Costs	-	(621,063)
					Sales	3,887	9,721
TELEFONCIA ON THE SPOT SERVICES S.A.U.	Foreign	Spain	Related to the parent company	EUR	Costs	(2,435)	(1,319)
					TOTAL	**(1,497)**	**163**
TELEFONICA MOVILES GUATEMALA	Foreign	Guatemala	Related to the parent company	USD	Sales	338	1,062
					Costs	(1,835)	(899)
					TOTAL	**(1,000)**	**325**
TELEFONICA CELULAR NICARAGUA S.A.	Foreign	Nicaragua	Related to the parent company	USD	Costs	(1,164)	(638)
					Sales	164	963
					TOTAL	**(999)**	**(619)**
TELEFONICA MOVILES EL SALVADOR, S.A.	Foreign	El Salvador	Related to the parent company	USD	Costs	(1,097)	(619)
					Sales	98	-
TELEFONICA SLOVAKIA	Foreign	Slovakia	Related to the parent company	CLP	Sales	630	2,852
					TOTAL	**599**	**1,693**
TELEFONICA 02 IRELAND LTDA.	Foreign	Irlanda	Related to the parent company	USD	Costs	(547)	(262)
					Sales	1,146	1,955
					TOTAL	**721**	**(134,237)**
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.(1)	96.990.810-7	Chile	Related to the parent company	CLP	Finance income	721	698
					Sales	-	9,065
					Costs	-	(144,000)
FUNDACION TELEFONICA CHILE S.A.	74.944.200-K	Chile	Related to the parent company	CLP	Sales	448	503
TELEFONICA GLOBAL TECNOLOGY	Foreign	Spain	Related to the parent company	EUR	Financial expenses	(344)	(580)
TELEFONICA LATINOAMERICA HOLDING S.L.	Foreign	Spain	Related to the parent company	CLP	Management Free	-	(248,655)

(1) For comparison purposes, the transactions of Miraflores 130 S.A. as of March 31, 2013 are presented in Telefónica Móviles Soluciones y Aplicaciones S.A., due to the merger carried out in December 2013.

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

9. Accounts receivable and payable to related companies, continued

c) Transactions, continued

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

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

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

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	03.31.2014 ThCh$	12.31.2013 ThCh$
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA	76.086.148-0	Chile	Common Shareholder	HR obligation	CLP	-	1,366,521	1,366,521
Total							**1,366,521**	**1,366,521**

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

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

There are 73 executives considered: Chairman, General Manager, 13 Directors and 58 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	03.31.2014 ThCh$	12.31.2013 ThCh$
Mobile equipment (net)	51,472,067	61,019,335
Accessories	-	3,480
Total	**51,472,067**	**61,022,815**

As of march 31, 2014 and december 31, 2013 there have been no inventory write-offs and there is no inventory in guarantee. The balance of the obsolescence accrual amounts to ThCh$ 9,323,425 for 2014 and ThCh$ 8,107,154 for 2013.

b) Inventory movements are detailed as follows:

Description	03.31.2014 ThCh$	12.31.2013 ThCh$
Beginning balance	**61,022,815**	**52,482,983**
Purchases	47,906,658	240,897,687
Sales	(56,241,135)	(231,104,355)
Obsolescence provision (period to effect result)	(1,216,271)	(1,253,500)
Movements, subtotal	**(9,550,748)**	**8,539,832**
Closing balance	**51,472,067**	**61,022,815**

11. Taxes

a) Income Taxes

As of march 31, 2014 and December 31, 2013, the Company has established a consolidated first category income tax reserve since it determined a positive taxable base of ThCh$ 21,049,275 and ThCh$ 95,559,478, respectively for each year.

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

As of march 31, 2014, the parent company has a positive Taxable Income Fund balance in the amount of ThCh$ 28,610,774.

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$ 699,710.

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

Subsidiares	Taxable Net Income with 20% Credit ThCh$	Taxable Net Income Without credit ThCh$	Amount of credit ThCh$
Telefónica Móviles Chile S.A.	16,821,335	11,789,439	4,205,334
Totales	**16,821,335**	**11,789,439**	**4,205,334**

b) Current tax assets

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

11. Taxes, continued

c) Deferred tax assets and liabilities

As of march 31,2014 and December 31, 2013, accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh$ 16,128,129 and ThCh$ 17,525,620, respectively which are detailed as follows:

	03.31.2014		12.31.2013		Perid effect		Efect of previous period	
Concepts	Asset ThCh$	Liability ThCh$	Asset ThCh$	Liability ThCh$	Profit (loss) ThCh$	Equity ThCh$	Profit (loss) ThCh$	Equity ThCh$
Allowance for doubtful accounts	12,109,969	-	14,995,175	-	2,885,206	-	(186,462)	-
Obsolescence provision	1,864,685	-	1,621,431	-	(243,254)	-	(35,375)	-
Defered income	3,537,715	-	4,369,140	-	831,425	-	(231,119)	-
Provision for dismantling expenses	2,511,295	-	2,365,019	-	(146,276)	-	-	-
Deferred selling cost and deferred sales commissions	-	5,020,964	-	5,988,991	(968,027)	-	170,527	-
Amortization and depreciation of assets	4,375,415	4,043,311	5,469,853	6,531,914	(1,394,165)	-	261,871	-
Other events (1)	1,948,451	1,155,126	1,953,707	727,800	(40,695)	473,277	52,671	(116,994)
Sub total	**26,347,530**	**10,219,401**	**30,774,325**	**13,248,705**	**924,214**	**473,277**	**32,113**	**(116,994)**
Reclasification	**(10,219,401)**	**(10,219,401)**	**(13,248,705)**	**(13,248,705)**	-	-	-	-
Total	**16,128,129**	**-**	**17,525,620**	**-**	**924,214**	**473,277**	**32,113**	**(116,994)**

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

d) Current tax liabilities

Movements	03.31.2014 ThCh$	12.31.2013 ThCh$
Income tax accrual (1)	13,810,513	15,430,236
Final balance	**13,810,513**	**15,430,236**

(1) As of march 31, 2014 the provision for income tax is presented net of estimated monthly payments for ThCh$20,054,328 and december 31, 2013 for ThCh$ 14.165.115.

11. Taxes, continued

e) Taxable Income:

As of march 31, 2014 and December 31, 2013, a first category income tax provision has been established, since a positive taxable base was determined in the amount of ThCh$21,049,275 and ThCh$ 11,766,077, respectively for each period, detailed as follows:

Description	Taxable Net Income 03.31.2014 ThCh$	03.31.2013 ThCh$
Finance income	25,747,226	11,528,522
Recorded tax expense	5,193,703	2,423,393
Additions	26,839,790	16,913,023
Deductions	(36,731,444)	(19,098,861)
Taxable Net Income	21,049,275	11,766,077
First category tax rate 20%	4,209,855	2,353,215
Art. 21 rejected expenses tax base	170,383	108,756
Art. 21 non-deductible expenses (35% rate)	59,634	38,065
Total Tax Provision	**4,269,489**	**2,391,280**
Contingencies provision	-	-
Previous year deficit (surplus)	-	-
Total first category taxes	**4,269,489**	**2,391,280**

f) Income tax reconciliation:

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

Concepts	03.31.2014 Taxable base ThCh$	03.31.2014 Tax Rate 20% ThCh$	03.31.2013 Taxable base ThCh$	03.31.2013 Tax Rate 20% ThCh$
Based on accounting income before taxes:				
Finance income	**25,747,226**		**11,528,522**	
Recorded tax expense	**5,193,703**		**2,423,393**	
Income before taxes	**30,940,929**	**6,188,186**	**13,951,915**	**2,790,383**
Permanent differences	**(4,972,413)**	**(994,483)**	**(1,834,949)**	**(366,990)**
Price-level restatement of taxable equity	(4,430,876)	(886,175)	(1,057,502)	(211,500)
Investment income related companies	(705,781)	(141,156)	(874,797)	(174,959)
Others (1)	164,244	32,848	97,350	19,470
Total corporate tax expense	**25,968,516**	**5,193,703**	**12,116,966**	**2,423,393**
Based on taxable net income and deferred taxes calculated on the basis of temporary differences:				
20% income tax		4,209,855		2,353,215
35% income tax		59,634		38,065
Provision for tax contingencies		-		-
Prior years deficit		-		-
Total Income tax expense		**4,269,489**		**2,391,280**
Total Deferred tax expense		**924,214**		**32,113**
Total corporate tax expense		**5,193,703**		**2,423,393**
Effective rate		**16.79%**		**17.37%**

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

12. Investments accounted for using the equity method

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

Taxpayer No.	Name	Investment balance 03.31.2014	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.	7,077,193	48	65,365,887	41,939,741	61,781,979	30,779,496	43,494,827	41,061,981	1,805,592

Taxpayer No.	Name	Investment balance 12.31.2013	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.	6,210,509	48	58,970,030	45,038,590	60,940,844	30,129,215	171,059,838	171,061,513	7,763,130

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

Movements	03.31.2014 ThCh$	12.31.2013 ThCh$
Beginning balance	**6,210,509**	**2,484,207**
Participation in ordinary income current period	866,684	3,726,302
Movements, subtotal	**866,684**	**3,726,302**
Final balance	**7,077,193**	**6,210,509**

13. Intangible Assets other than goodwill,

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

Description	03.31.2014 Intangibles, gross ThCh$	03.31.2014 Accumulated amortization ThCh$	03.31.2014 Intangible, net ThCh$	12.31.2013 Intangibles, gross ThCh$	12.31.2013 Accumulated amortization ThCh$	12.31.2013 Intangible, net ThCh$
Intangible assets (1)	125,901,281	(94,008,962)	31,892,319	125,901,281	(93,571,337)	32,329,944
Licenses and software	180,350,354	(142,596,901)	37,753,453	180,157,292	(136,530,193)	43,627,099
Total	**306,251,635**	**(236,605,863)**	**69,645,772**	**306,058,573**	**(230,101,530)**	**75,957,043**

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

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

Movements	Intangible assets, net ThCh$	Licenses and software, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.14	**32,329,944**	**43,627,099**	**75,957,043**
Amortization	(437,625)	(6,066,708)	(6,504,333)
Other Increase (decrease)	-	193,062	193,062
Movements, subtotal	**(437,625)**	**(5,873,646)**	**(6,311,271)**
Ending balance as of 03.31.2014	**31,892,319**	**37,753,453**	**69,645,772**
Remaining average useful life		**2 years**	

The movements in intangible assets other than goodwill for 31 december, 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	(1,748,383)	(21,548,841)	(23,297,224)
Transfer from construction in progress (note 15b)	253,683	37,759,335	38,013,018
Movements, subtotal	**(1,494,700)**	**16,210,494**	**14,715,794**
Ending balance as of 12.31.2013	**32,329,944**	**43,627,099**	**75,957,043**
Remaining average useful life		**2 years**	

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

13. Intangible Assets other than goodwill, continued

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

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

i) Projected income: The projection performed in respect to growth in the volume of future services rendered is 1.2%, growth rate that is consistent with historical behavior.

ii) Discount: The rate used to discount future cash flows is 8.79% (WACC), rate that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.

iii) Market assumptions: The future cash flows projection takes into account market assumptions on industry growth, country growth and projected inflation.

iv) Sensibility analysis: A sensibility analysis was performed in respect to the market recoverable value, modifying the discount rate and growth rate values. The sensitivity contemplated increasing the discount rate by 12%.

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

14. Goodwill

Goodwill as of this period was generated before the date of transition and adoption of IFRS, and the value recorded as of that date is maintained as of march 31, 2014.

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

Movements	03.31.2014 ThCh$	12.31.2013 ThCh$
Telefónica Móviles Chile S.A.	483,179,725	483,179,725
Total	**483,179,725**	**483,179,725**

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

14. Goodwill, continued

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

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

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

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 1.8%, growth rate that is consistent with historical behavior.

ii) Discount rate: the rate used to discount future cash flows is 8.79% (WACC), rate that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.

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

iv) Sensitivity analysis: a sensibility analysis was performed in respect to recoverable market value, modifying the discount rate and growth rate. The sensitivity contemplated increasing the discount rate by 12% and 14%.

Based on the impairment calculations performed by management, as of 2013 year-end there has been no need to carry out significant adjustments since the recoverable value is higher than the carrying amount in all cases. At march 31, 2014 have not been tested for impairment.

15. Property, Plant and Equipment

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

Concepts	03.31.2014 Property, plant & equipment, gross ThCh$	03.31.2014 Accumulated depreciation ThCh$	03.31.2014 Property, plant & equipment, net ThCh$	12.31.2013 Property, plant & equipment, gross ThCh$	12.31.2013 Accumulated depreciation ThCh$	12.31.2013 Property, plant & equipment, net ThCh$
Land	3,310,386	-	3,310,386	3,328,133	-	3,328,133
Buildings	129,010,010	(99,263,086)	29,746,924	129,458,750	(99,139,683)	30,319,067
Transport equipment	17,214	(17,214)	-	17,214	(17,214)	-
Supplies and accessories	10,400,749	(7,434,195)	2,966,554	10,408,998	(7,335,035)	3,073,963
Office equipment	768,107	(665,816)	102,291	768,107	(660,742)	107,365
Construction in progress	103,605,482	-	103,605,482	86,529,902	-	86,529,902
Information equipment	18,838,321	(16,215,103)	2,623,218	18,838,321	(15,700,292)	3,138,029
Network and communications equipment	755,348,271	(552,578,362)	202,769,909	755,183,862	(537,701,979)	217,481,883
Other property, plant & equipment	3,592,075	(2,623,167)	968,908	3,592,075	(2,513,498)	1,078,577
Total	**1,024,890,615**	**(678,796,943)**	**346,093,672**	**1,008,125,362**	**(663,068,443)**	**345,056,919**

15. Property, Plant and Equipment, continued

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

Movements	Land ThCh$	Buildings, net ThCh$	Supplies and accessories, net ThCh$	Office equipment, net ThCh$	Construction in progress ThCh$	Information equipment	Other property, plant & equipment	Other property, plant & equipment, net ThCh$	Property, plant and equipment, net ThCh$
Beginning balance as of 01.01.14	3,328,133	30,319,067	3,073,963	107,365	86,529,902	3,138,029	217,481,883	1,078,577	345,056,919
Additions	-	-	-	-	17,817,314	-	-	-	17,817,314
Reduction	(17,747)	(830,296)	(8,249)	-	-	-	-	(2,707)	(858,999)
Depreciation reduction	-	830,296	4,301	-	-	-	-	1,554	836,151
Depreciation expense	-	(953,699)	(103,461)	(5,074)	-	(514,811)	(14,876,383)	(111,223)	(16,564,651)
Other Increase (decrease) (1)	-	381,556	-	-	(741,734)	-	164,409	2,707	(193,062)
Movements, subtotal	**(17,747)**	**(572,143)**	**(107,409)**	**(5,074)**	**17,075,580**	**(514,811)**	**(14,711,974)**	**(109,669)**	**1,036,753**
Ending balance as of 03.31.2014	**3,310,386**	**29,746,924**	**2,966,554**	**102,291**	**103,605,482**	**2,623,218**	**202,769,909**	**968,908**	**346,093,672**

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

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

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

(1) Includes the effect of depreciation of equipment being rented until September 30, 2012, which was calculated on the basis of allocated useful lives of 14 months. From October 1, 2012, useful lives were modified to 12 months, based on the term of the plan or service agreement.
(2) Corresponds to net the movement of transferring from buildings in progress to assets in service and to the transferring of the amount of ThCh$(38,013,018) to net intangible assets.

15. Property, Plant and Equipment, continued

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

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

16. Other Current and Other Non-current Financial Liabilities

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

		03.31.2014		12.31.2013	
Description		**Current ThCh$**	**Non-current ThCh$**	**Current ThCh$**	**Non-current ThCh$**
Bank loans	(a)	27,671,950	88,496,226	26,319,745	85,927,691
Unguaranteed obligations (Bonds)	(b)	36,653,515	351,164,575	33,849,509	341,056,707
Hedge instruments	(see note 18b)	4,859,986	-	2,038,443	-
Total		**69,185,451**	**439,660,801**	**62,207,697**	**426,984,398**

16. Other Current and Other Non-current Financial Liabilities

a) The detail of bank loans for march 31, 2014 is as follows:

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

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

ypes	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current Expiration Up to 90 days ThCh$	90 days to 1 years ThCh$	Total current as of 03.31.2014 ThCh$	Non-current Expiration 1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total Non current as of 03.31.2014 ThCh$
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	BBVA BANCOMER	14,698	-	14,698	-	38,305,891	38,305,891	-	-	-	-	38,305,891
Syndicated Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Estado	1,076,602	-	1,076,602	-	50,190,335	50,190,335	-	-	-	-	50,190,335
Syndicated Loan (3)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Chile	413,260	26,167,390	26,580,650	-	-	-	-	-	-	-	-
Total					**1,504,560**	**26,167,390**	**27,671,950**	-	**88,496,226**	**88,496,226**	-	**-**	-	-	**88,496,226**

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

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

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

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

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

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

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

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

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

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

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

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

b) Details of unsecured obligations (Bonds) for march 31, 2014 is as follows:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
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
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
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
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
Series F Bond (5)	878455000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	3.82%	3,60%	UF 3 mm	2023

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh$) Expiration: Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total nominal amounts
Series A Bond (1)	878455000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander		32,000,000	-	-	-	-	-	-	-	32,000,000
144A Bond (2)	878455000-2	Telefónica Móviles Chile S.A	Chile	Bank of New York	-	-	146,889,507	-	146,889,507	-	-	-	-	146,889,507
Series C Bond (3)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	66,000,000	66,000,000	-	-	-	-	66,000,000
Series D Bond (4)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	44,375,180	44,375,180	-	-	-	-	44,375,180
Series F Bond (5)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
	Total				-	32,000,000	146,889,507	110,375,180	257,264,687	-	-		66,928,680	356,193,367

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

a) Details of unsecured obligations (Bonds) for march 31, 2014 is as follows, continued

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current		Total current as of 03.31.2014 ThCh$	Non-current							Total Non-current as of 03.31.2014 ThCh$
					Expiration			Expiration							
					Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Bono Serie A (1)	878455000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	-	32,364,898	**32,364,898**	-	-	-	-	-	-	-	-
Bono 144 (2)	878455000-2	Telefónica Móviles Chile S.A	Chile	Bank of New York	1,323,232	-	**1,323,232**	167,677,567	-	167,677,567	-	-	-	-	167,677,567
Bono Serie C (3)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	1,301,381	-	**1,301,381**	-	66,709,577	66,709,577	-	-	-	-	66,709,577
Bono Serie D (4)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	535,027	-	**535,027**	-	47,046,966	47,046,966	-	-	-	-	47,046,966
Bono Serie F (5)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	1,128,977	-	**1,128,977**	-	-	-	-	-	-	69,730,465	69,730,465
	Total				**4,288,617**	**32,364,898**	**36,653,515**	**167,677,567**	**113,756,543**	**281,434,110**	**-**	-	-	**69,730,465**	**351,164,575**

(1) On August 5, 2009, there was a first placement in the local market.
(2) On November 3, 2010, there was a first placement in the foreign market. The Bond characteristics are:

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

(3) On November 15, 2011, there was a placement in the local market in the amount of ThCh $ 66,000 for a 5-year bullet term.
(4) On November 15, 2011, there was a placement in the local market in the amount of UF 2,000,000 for a 5-year bullet term.

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

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

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

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series A Bond (1)	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
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
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
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
Series F Bond (5)	878455000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	3.82%	3,60%	UF 3 mm	2023

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh$)									
					Expiration									Total nominal amounts
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Series A Bond (1)	878455000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander		32,000,000	-	-	-	-	-	-	-	32,000,000
144A Bond (2)	878455000-2	Telefónica Móviles Chile S.A	Chile	Bank of New York	-	-	146,889,507	-	146,889,507	-	-	-	-	146,889,507
Series C Bond (3)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	66,000,000	66,000,000	-	-	-	-	66,000,000
Series D Bond (4)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	44,375,180	44,375,180	-	-	-	-	44,375,180
Series F Bond (5)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
	Total				-	**32,000,000**	**146,889,507**	**110,375,180**	**257,264,687**	-	-		**66,928,680**	**356,193,367**

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

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

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current		Total current as of 03.31.2014 ThCh$	No corriente							Total Non-current as of 12.31.2013 ThCh$
					Expiration			Vencimientos							
					Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Bono Serie A (1)	878455000-2	Telefónica Móviles Chile S.A.	Chile	Banco Santander	811,758	31,997,565	**32,809,323**	-	-	-	-	-	-	-	-
Bono 144 (2)	878455000-2	Telefónica Móviles Chile S.A	Chile	Bank of New York	-	138,576	**138,576**	159,721,587	-	159,721,587	-	-	-	-	159,721,587
Bono Serie C (3)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	287,216	**287,216**	-	66,079,589	66,079,589	-	-	-	-	66,079,589
Bono Serie D (4)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	115,617	**115,617**	-	46,429,879	46,429,879	-	-	-	-	46,429,879
Bono Serie F (5)	878455000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	498,777	**498,777**	-	-	-	-	-	-	68,825,652	68,825,652
	Total				**811,758**	**33,037,751**	**33,849,509**	**159,721,587**	**112,509,468**	**272,231,055**	**-**	-	-	**68,825,652**	**341,056,707**

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

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

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

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

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

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

17. Trade and Other Accounts Payable

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

Description	03.31.2014 ThCh$	12.31.2013 ThCh$
Debts due to purchases or services rendered (1)	103,811,241	148,280,767
Suppliers of fixed assets	2,977,684	29,851,557
Total currents	**106,788,925**	**178,132,324**

(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	03.31.2014 ThCh$	12.31.2013 ThCh$
Domestic	70,137,394	109,744,781
Foreign	33,673,847	38,535,986
Total	**103,811,241**	**148,280,767**

b) Accounts payable payment terms

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

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

As of March 31, 2014 the main suppliers, considering as margin 5% of total, are LG Electronics with 9.43%; Nokia Solutions and Networks Chile with 5.80%; Samsung Electronics Chile Ltda. with 5.74%; Tesorería General de la República with 5.17%; and Entel PCS Telecomunicaciones S.A. with 6.46%.

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

Suppliers with up to date payments As of 03.31.2014	Goods ThCh$	Services ThCh$	Total ThCh$
Trade accounts to date			
Up to 30 days	(3,353,539)	88,042,007	84,688,468
From 31 to 60 days	4,668,738	7,183,444	11,852,182
From 61 to 90 days	97,226	318,996	416,222
From 91 to 120 days	6,694	-	6,694
From 121 to 365 days	-	(433)	(433)
Total	**1,419,119**	**95,544,014**	**96,963,133**
Average period of payment of up to date accounts	**24.32**	**21.59**	

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

b) Accounts payable payment terms, continued

Suppliers with up to date payments As of 12.31.2013	Goods ThCh$	Services ThCh$	Total ThCh$
Cuentas comerciales al día según plazo			
Up to 30 days	13,198,570	121,961,433	135,160,003
From 31 to 60 days	14,778,735	11,141,336	25,920,071
From 61 to 90 days	888,296	549,202	1,437,498
From 121 to 365 days	97,226	(433)	96,793
Total	**28,962,827**	**133,651,538**	**162,614,365**
Average period of payment of up to date accounts	**26.56**	**24.29**	

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

Suppliers with overdue terms As of 03.31.2014	Goods ThCh$	Services ThCh$	Total ThCh$
Overdue trade accounts payable by term			
Up to 30 days	1,541,890	8,603,259	10,145,149
From 31 to 60 days	-	3,382,504	3,382,504
From 61 to 90 days	16,675	167,670	184,345
From 91 to 120 days	-	(697,112)	(697,112)
From 121 to 180 days	-	(2,180,892)	(2,180,892)
More than 180 days	-	(1,008,202)	(1,008,202)
Total	**1,558,565**	**8,267,227**	**9,825,792**
Average period of payment of up to date accounts	**36.08**	**58.1**	

Suppliers with overdue terms As of 12.31.2013	Goods ThCh$	Services ThCh$	Total ThCh$
Overdue trade accounts payable by term			
Hasta 30 días	888,730	16,007,664	16,896,394
Entre 31 y 60 días	-	1,058,410	1,058,410
Entre 61 y90 días	-	(1,678,619)	(1,678,619)
Entre 91 y 120 días	-	155,019	155,019
Entre 121 y 180 días	-	(383,251)	(383,251)
Más de 180 días	-	(529,994)	(529,994)
Total	**888,730**	**14,629,229**	**15,517,959**
Average period of payment of up to date accounts	**40.45**	**40.87**	

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 march 31, 2014 is as follows:

		ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST			TOTAL	TOTAL
						Valuation hierarchy							
						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$
Derivative instrument assets		-	-	**37,879,604**	**37,879,604**	**-**	**37,879,604**	**-**	**-**	**-**	**-**	**37,879,604**	**37,879,604**
Non-current derivative instrument of assets	See Note 18 b	-	-	37,879,604	37,879,604	-	37,879,604	-	-	-	-	37,879,604	37,879,604
Non-current financial assets		**-**	**-**	**37,879,604**	**37,879,604**	**-**	**37,879,604**	**-**	**-**	**-**	**-**	**37,879,604**	**37,879,604**
Current trade accounts receivable		-	-	-	-	-	-	-	**142,235,665**	**-**	**142,235,665**	**142,235,665**	**142,235,665**
Trade and other accounts receivable	See Note 8	-	-	-	-	-	-	-	111,680,910	-	111,680,910	111,680,910	111,680,910
Accounts receivable from related entities	See Note 9 a	-	-	-	-	-	-	-	30,554,755	-	30,554,755	30,554,755	30,554,755
Current deposits and pledges established		-	-	-	-	-	-	-	**-**	**70,076,000**	**70,076,000**	**70,076,000**	**70,076,000**
Current deposits		-	-	-	-	-	-	-	-	70,076,000	70,076,000	70,076,000	70,076,000
Current deposits and pledges	See Note 6 a	-	-	-	-	-	-	-	-	-	-	-	-
Derivative instrument of assets		-	-	**521,051**	**521,051**	-	**521,051**	-	-	**-**	**-**	**521,051**	**521,051**
Derivative instrument of assets	See Note 18 b	-	-	521,051	521,051	-	521,051	-	-	-	-	521,051	521,051
Cash and cash equivalents		-	-	-	-	-	-	-	**193,665,869**	**-**	**193,665,869**	**193,665,869**	**193,665,869**
Cash and cash equivalents	See Note 5	-	-	-	-	-	-	-	193,665,869	-	193,665,869	193,665,869	193,665,869
Current financial assets		-	-	**521,051**	**521,051**	-	**521,051**	-	**335,901,534**	**70,076,000**	**405,977,534**	**406,498,585**	**406,498,585**

18. Financial instruments

a) Classification of financial instruments by nature and category

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

		ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST			TOTAL	
						Valuation hierarchy							
						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		-	-	**21,978,734**	**21,978,734**	-	**21,978,734**	-	-	-	-	**21,978,734**	**21,978,734**
Non-current derivative instrument of assets	See Note 18 b	-	-	21,978,734	21,978,734	-	21,978,734	-	-	-	-	21,978,734	21,978,734
Non-current financial assets		-	-	**21,978,734**	**21,978,734**	-	**21,978,734**	-	-	-	-	**21,978,734**	**21,978,734**
Current trade accounts receivable		-	-	-	-	-	-	-	**156,932,899**	-	**156,932,899**	**156,932,899**	**156,932,899**
Trade and other accounts receivable	See Note 8	-	-	-	-	-	-	-	134,979,412	-	134,979,412	134,979,412	134,979,412
Accounts receivable from related entities	See Note 9 a	-	-	-	-	-	-	-	21,953,487	-	21,953,487	21,953,487	21,953,487
Current deposits and pledges established		-	-	-	-	-	-	-	-	**50,680,565**	**50,680,565**	**50,680,565**	**50,680,565**
Current deposits		-	-	-	-	-	-	-	-	-	-	-	-
Current deposits and pledges	See Note 6 a	-	-	-	-	-	-	-	-	50,680,565	50,680,565	50,680,565	50,680,565
Derivative instrument of assets		-	-	**1,749,722**	**1,749,722**	-	**1,749,722**	-	-	-	-	**1,749,722**	**1,749,722**
Derivative instrument of assets	See Note 18 b	-	-	1,749,722	1,749,722	-	1,749,722	-	-	-	-	1,749,722	1,749,722
Cash and cash equivalents		-	-	-	-	-	-	-	**223,756,247**	-	**223,756,247**	**223,756,247**	223,756,247
Cash and cash equivalents	See Note 5	-	-	-	-	-	-	-	223,756,247	-	223,756,247	223,756,247	223,756,247
Current financial assets		-	-	**1,749,722**	**1,749,722**	-	**1,749,722**	-	**380,689,146**	**50,680,565**	**431,369,711**	**433,119,433**	**433,119,433**

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 march 31, 2014 is as follows:

Breakdown of financial liabilities		LIABILITIES RECORDED AT FAIR VALUE Hedge derivative liabilities ThCh$	Subtotal liabilities at fair value ThCh$	Valuation hierarchy Level 1 Market prices ThCh$	Level 2 Estimates based on other ThCh$	Level 3 Estimates not based on 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	-	-	-	-	-	351,164,575	351,164,575	351,164,575
Non-current debts with loan entities	See Note 16 a	-	-	-	-	-	88,496,226	88,496,226	88,496,226
Long-term hedge derivative instrument liabilities		-	-	-	-	-	-	0	0
Trade and other accounts payable	See Note 9 d	-	-	-	-	-	1,366,521	1,366,521	1,366,521
Non-current financial liabilities		-	-	-	-	-	**441,027,322**	**441,027,322**	**441,027,322**
Issuance of short-term obligations and other marketable securities	See Note 16 b	-	-	-	-	-	36,653,515	36,653,515	36,653,515
Short-term debts with credit entities	See Note 16 a	-	-	-	-	-	27,671,950	27,671,950	27,671,950
Short-term derivative instrument liabilities	See Note 18 b	4,859,986	4,859,986	-	4,859,986	-	-	4,859,986	4,859,986
Trade and other accounts payable	See Note 17	-	-	-	-	-	106,788,925	106,788,925	106,788,925
Accounts payale to related entities	See Note 9 b	-	-	-	-	-	53,961,772	53,961,772	53,961,772
Current financial liabilities		**4,859,986**	**4,859,986**	-	**4,859,986**	-	**225,076,162**	**229,936,148**	**229,936,148**
Total financial liabilities		**4,859,986**	**4,859,986**	-	**4,859,986**	-	**666,103,484**	**670,963,470**	**670,963,470**

18. Financial instruments, continued

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

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

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

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

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

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

18. Financial instruments, continued

b) Hedging instruments

The detail of the hedging instruments is as follows:

Description	Underlying	Net Total as of 03.31.2014	Up to 90 days	90 days to 1 years	To Maturity: Total current – Assets (see note 6)	Total current – Liabilities (see note 16)	1 a 3 years	3 a 5 years	Total non-current – Assets	Total non-current – Liabilities (see note 18)
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	(251,333)	(294,131)	42,798	205,218	(456,551)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(67,037)	(67,037)	-	8,476	(75,513)	-	-	-	-
Interest rate – cash flow hedge (3)	Financial Debt	4,381,783	(727,991)	-	307,357	(1,035,348)	5,109,774	-	5,109,774	-
Exchange rate and interest rate – cash flow hedge (4)	Financial Debt	29,477,256	(3,292,574)	-	-	(3,292,574)	28,699,359	4,070,471	32,769,830	-
Exchange insurance expired during the year		-	-	-		-	-	-	-	-
Total		**33,540,669**	**(4,381,733)**	**42,798**	**521,051**	**(4,859,986)**	**33,809,133**	**4,070,471**	**37,879,604**	-

Hedgeing instruments have generated an effect on income of ThCh$ 8,184,913 and ThCh$ 3,174,754 in shareholders' equity as of march 31, 2014.

Description	Underlying	Net Total as of 12.31.2013	Up to 90 days	90 days to 1 years	To Maturity: Total current – Assets (see note 6)	Total current – Liabilities (see note 16)	1 a 3 years	3 a 5 years	Total non-current – Assets	Total non-current – Liabilities (see note 18)
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	94,904	94,904	-	181,379	(86,475)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	923,664	923,664	-	970,640	(46,976)	-	-	-	-
Interest rate – cash flow hedge (3)	Financial Debt	4,188,720	-	91,411	597,703	(506,292)	4,097,309	-	4,097,309	-
Exchange rate and interest rate – fair value hegde (4)	Financial Debt	16,482,726	(50,457) -	1,348,243	-	(1,398,700)	17,854,340	27,086	17,881,426	-
Exchange insurance expired during the year		-	-	-	-	-	-	-	-	-
Total		**21,690,014**	**968,111**	**(1,256,832)**	**1,749,722**	**(2,038,443)**	**21,951,649**	**27,086**	**21,978,735**	-

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

Description of hedging instruments:

(1) Exchange rate cash flow hedge: As of march 31, 2014 and December 31, 2013 this category includes derivative instruments used to hedge highly probable future cash flow from trade debt.

(2) Exchange rate fair value hedge: As of march 31, 2014 and December 31, 2013 this category includes derivative instruments entered into to hedge the foreign currency risk of debt instrument capital.

(3) Interest rate cash flow hedge: As of march 31, 2014 and December 31,2013 this category includes, derivative instruments entered into to hedge interest rate risk, from debt instruments whose interest cash flow payable are denominated at a variable interest rate.

(4) Exchange rate and interest rate cash flow hedge: As of march 31, 2014 and December 31, 2013 this category includes, derivative instruments entered into to hedge the foreign currency risk of debt instrument capital, whose interest cash flow payable after hedging are denominated in the functional currency.

18. Financial instruments, continued

c) Valuation of hedging instruments

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

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

a) Market assumptions such as spot prices and other price projections, credit risk (own and counterparty) and rates, using observable market information and through techniques commonly used among its participants.

b) Discount rates like risk free rates and counterparty rates (based on risk profiles and information available in the market).

c) In addition variables are incorporated to the model such as: volatility, correlation, regression formulas and market spread.

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

d) Fair value hierarchy of financial instruments

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

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

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

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

19. Other Provisions

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

Description	03.31.2014 ThCh$	12.31.2013 ThCh$
Civil and regulatory	87,430	320,365
Total	**87,430**	**320,365**

As of march 31, 2014 civil and regulatory provisions are composed mainly of complaints from the Chilean Telecommunications Undersecretary (Subtel), composed of various fines amounting to ThCh$ 18,513 for 2014 and ThCh$ 18,513 for 2013 and civil lawsuits in the amount of ThCh$ 68,917 and ThCh$ 301,852 for 2014 and 2013 respectively.

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

Movements	03.31.2014 ThCh$	12.31.2013 ThCh$
Beginning balance	**320,365**	**360,415**
Increase in existing provisions	87,786	212,560
Provision used	(320,721)	(252,610)
Movements, subtotal	**(232,935)**	**(40,050)**
Ending balance	**87,430**	**320,365**

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

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

b) Other non-current provisions

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

Description	03.31.2014 ThCh$	12.31.2013 ThCh$
Dismantling provision (ii)	13,041,664	12,310,280
Investment in associated company reserve (i)	2,710	2,710
Total	**13,044,374**	**12,312,990**

19. Other Provisions, continued

b) Other non-current provisions, continued

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

RUT	Nombre	Investment balance 03.31.2014	Participation percentage %	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary expenses ThCh$	Income ThCh$
96.898.630-9	Intertel S.A. (1)	(2,710)	50	(918)	-	-	4,500	-	-

(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 12.31.2013	Participation percentage %	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary expenses ThCh$	Income ThCh$
96.898.630-9	Intertel S.A. (1)	(2,710)	50	788	-	1,707	4,500	(1,949)	(2,421)

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

Movimientos	03.31.2014 ThCh$	12.31.2013 ThCh$
Beginning balance	**(2,710)**	**(1,498)**
Share in ordinary profit for the current year	-	(1,212)
Movements, subtotal	-	**(1,212)**
Ending balance	**(2,710)**	**(2,710)**

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

Movements	03.31.2014 ThCh$	12.31.2013 ThCh$
Beginning balance	12,310,280	15,671,825
Increase in existing provisions	-	2,263,412
financial update	731,384	-
Decrease in the provision (1)	-	(5,624,957)
Movements, subtotal	**731,384**	**(3,361,545)**
Ending balance	**13,041,664**	**12,310,280**

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

20. Current employee benefits provision

The composition of the costs to employees is as follows:

Description	03.31.2014 ThCh$	03.31.2013 ThCh$
Employee expenses (1)	633,503	1,163,943
Total	**633,503**	**1,163,943**

(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	03.31.2014 ThCh$	12.31.2013 ThCh$
Deferred income, current (1)	37,922,319	42,089,806
Other taxes (2)	5,963,340	5,587,992
Total currents	**43,885,659**	**47,677,798**

(1) Deferred income is detailed as follows:

Description	03.31.2014 ThCh$	12.31.2013 ThCh$
Sale of telecommunications infrastructure (a)	15,333,024	15,333,024
Equipment sold not activated (see note 2 p)	8,030,176	11,982,479
Club Movistar (see note 2 p)	5,191,201	5,201,562
Prepayment top-ups (see note 2 p)	4,695,177	5,170,952
Services charged but not rendered	4,294,545	3,704,564
Other deferred income	378,196	697,225
Total deferred income	**37,922,319**	**42,089,806**

a) As of march 31, 2014 and December 31, 2013, this account includes deferred income detailed as follows:

- for the sale of Sociedad Torres Dos S.A., to Torres Unidas Chile SpA (Torrecom) carried out on December 21, 2012 in the amount of ThCh$ 10,502,948 for 2014 and 2013.
- Deferred income in the amount generated by the transaction performed on December 12, 2011, where Telefónica Móviles Chile S.A. sold telecommunications infrastructure to ATC Sitios de Chile S.A., ThCh$ 4,830,076 for 2014 and 2013.

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

Movement of deferred income is detailed as follows:

Deferred revenues	03.31.2014 ThCh$	12.31.2013 ThCh$
Begining balance	42,089,806	55,084,436
deferred during the year	101,888,426	437,720,197
Recognized in income for the year	(106,055,914)	(450,714,827)
Movements, subtotal	**(4,167,487)**	**(12,994,630)**
Ending balance	**37,922,319**	**42,089,806**

22. Equity

a) Capital:

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

Number of shares:

Serie	03.31.2014 No. of shares subscribed	No. of paid shares	No. of shares with voting rights	12.31.2013 No. of shares subscribed	No. of paid shares	No. of shares with voting rights
SINGLE	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145
Total	**118,026,145**	**118,026,145**	**118,026,145**	**118,026,145**	**118,026,145**	**118,026,145**

Capital:

	03.31.2014		12.31.2013	
Serie	Subscribed capital ThCh$	Paid - in capital ThCh$	Subscribed capital ThCh$	Paid - in capital ThCh$
SINGLE	941,098,241	941,098,241	941,098,241	941,098,241
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, continued

b) Distribution of shareholders:

In accordance with Circular No. 792 issued by the Superintendency of Securities and Insurance (S.V.S.), the Company's shareholders and their ownership interest as of march 31, 2014 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 march 31, 2014 and December 31, 2013, the direct participation of Inversiones Telefonica Moviles Holding S.A., in the equity of Telefonica Moviles Chile S.A., reaches 99.999999%.

c) Dividends

i) Dividends policy:

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

As of December 31, 2013, 30% of profits for the year amount to ThCh$ 27,966,681, which to date have been fully paid (see Note 22c)ii)).

ii) Decrease in capital and dividends distributed:

To March 31, 2014 has not distributed dividends.

Regarding utilities 2013, the following dividend was performed:

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

22. Equity, continued

d) Other reserves

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

Description	Balance as of 12.31.2013 ThCh$	Net movement ThCh$	Balance as of 03.31.2014 ThCh$
Business combination reserve (i)	(97,886,550)	-	(97,886,550)
Cash flows hedge reserve (ii)	1,236,660	1,938,094	3,174,754
Employee benefits reserve (iii)	(2,121,550)	-	(2,121,550)
Revaluation issued capital (iv)	(233,685,327)	-	(233,685,327)
Total	**(332,456,767)**	**1,938,094**	**(330,518,673)**

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 march 31, 2014 and december 31, 2013 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)	
	2014	2013	2014	2013	2014	2013
	%	%	ThCh$	ThCh$	ThCh$	ThCh$
Telefónica Móviles Chile Distribución S.A.	0.01	0.01	54	54	-	1
Total			**54**	**54**	**-**	**1**

23. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	03.31.2014 ThCh$	03.31.2013 ThCh$
Earnings attributable to owners of the parent	25,747,226	11,528,522
Profit available for shareholders	**25,747,226**	**11,528,522**
Weighted average number of shares	118,026,145	118,026,145
Basic earnings per share in Ch$	**218.15**	**97.68**

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

24. Income and Expenses

a) Income from ordinary operations As of march 31, 2014 and 2013 is detailed as follows:

Operating income	03.31.2014 ThCh$	03.31.2013 ThCh$
Sale of goods (1)	20,430,314	20,270,378
Services rendered	224,398,532	222,897,069
Total	**244,828,846**	**243,167,447**

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

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

Other income	03.31.2014 ThCh$	03.31.2013 ThCh$
Other current management earnings	664,435	422,464
Gains on disposal of fixed assets	277,153	6,736
Indemnity	108,255	76,928
Total	**1,049,843**	**506,128**

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

Other expenses	03.31.2014 ThCh$	03.31.2013 ThCh$
Cost of sales of equipment	57,821,986	47,637,028
Interconnections and roaming	27,407,559	39,587,464
Rent	21,076,349	17,365,763
Employee expenses transferred by other companies and other	17,604,686	18,894,193
Sales commission	15,032,866	13,988,589
Administrative and management services	9,836,695	7,172,401
Customer services	8,803,571	8,769,526
Compensation to suppliers for messaging services	6,496,815	6,728,432
Others	6,373,963	4,507,393
External services	2,533,746	3,376,841
Advertising	5,688,366	4,552,907
Allowance for doubtful accounts	3,041,336	3,096,323
Maintenance	3,916,277	3,608,706
Electrical energy for technical installations	2,178,008	2,572,710
Total	**187,812,222**	**181,858,277**

24. Income and Expenses, continued

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

Net financial expenses	03.31.2014 ThCh$	03.31.2013 ThCh$
Finance income		
Interest earned on deposits	2,673,304	2,734,067
Derivative contracts (Forward)	465,102	37,106
Other finance income	179,100	422,923
Total finance income	**3,317,506**	**3,194,096**
Finance cost		
Interest on loans from bank institutions	1,411,164	1,452,248
Interest on obligations and bonds	3,969,438	3,049,188
Derivative contracts (Forward)	34,823	36,408
Interest rate hedges (cross currency swap)	1,707,404	1,948,204
Other financial cost	749,560	86,501
Total finance cost	**7,872,389**	**6,572,549**
Net finance income	**(4,554,883)**	**(3,378,453)**

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

Description	As of march 31, 2014 Accumulated ThCh$	As of march 31, 2013 Accumulated ThCh$
Current accounts receivable from related entities	20,257	(12,895)
Current accounts payable to related entities	108,047	96,063
Current trade and other accounts receivable	821	(157,034)
Trade and other accounts payable	(545,899)	240,913
Cash and cash equivalents	(27,683)	(30,421)
Financial investments	2,515,677	(67,933)
Financial debt	(9,762,238)	2,904,713
Derivatives	7,940,832	(3,130,420)
Other	(7,074)	17,804
Total	**242,740**	**(139,210)**

24. Income and Expenses, continued

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

Description	As of march 31, 2014 Accumulated ThCh$	As of march 31, 2013 Accumulated ThCh$
Current trade and other accounts receivable	16,669	1,622
Trade and other accounts payable	(13,618)	2,401
Financial investments	-	38,173
Financial debt	(1,467,538)	(56,782)
Derivatives	1,487,050	57,260
Other	(155)	-
Total	**22,408**	**42,674**

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 march 31, 2014 and 2013, in the amount of ThCh$ 14,701,651 and ThCh$ 8,022,565 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	03.31.2014 Minimum payments ThCh$	03.31.2013 Minimum payments ThCh$
Up to 1 year	31,461,759	31,173,142
From 1 to 5 years	85,781,878	84,692,164
More than 5 years	58,880,868	62,807,072
Total	**176,124,505**	**178,672,378**

26. Local and Foreign Currency

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

Current assets	03.31.2014 ThCh$	12.31.2013 ThCh$
Cash and cash equivalents	**193,665,869**	**223,756,247**
US dollars	171,741	45,568,483
Euros	-	7,215
Chilean pesos	193,494,128	178,180,549
Other current financial assets	**70,597,051**	**52,430,287**
US dollars	134,871	40,571,033
Euros	30,164	13,206
Chilean pesos	70,432,016	11,846,048
Trade and other current accounts receivable	**111,680,910**	**134,979,412**
US dollars	5,418,327	605,596
Chilean pesos	103,914,343	133,977,137
U.F.	2,348,240	396,679
Accounts receivable from related companies	**30,554,755**	**21,953,487**
US dollars	1,525,230	956,706
Euros	497,031	211,354
Chilean pesos	28,532,494	20,785,427
Other current assets (1)	**88,694,262**	**104,421,236**
Pesos	88,094,468	103,743,507
U.F.	599,794	677,729
Total current assets	**495,192,847**	**537,540,669**
US dollars	7,250,169	87,701,818
Euros	527,195	231,775
Chilean pesos	484,467,449	448,532,668
U.F.	2,948,034	1,074,408

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

26. Local and Foreign Currency, continued

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

Non-current assets	03.31.2014 ThCh$	12.31.2013 ThCh$
Other non-current financial assets	**37,879,604**	**21,978,735**
US dollars	27,244,889	17,864,299
U.F.	8,185,805	2,806,369
Pesos	2,448,910	1,308,067
Other non-current non-financial assets	**1,159,902**	**1,159,902**
Chilean pesos	1,159,902	1,159,902
Other non-current assets (2)	**922,124,491**	**927,929,817**
Chilean pesos	922,124,491	927,929,817
Total non-current assets	**961,163,997**	**951,068,454**
US dollars	27,244,889	17,864,299
Chilean pesos	925,733,303	930,397,786
U.F.	8,185,805	2,806,369

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

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

Current liabilities	03.31.2014	12.31.2013	03.31.2014	12.31.2013
	Up 90 days ThCh$		De 91 days to 1 years ThCh$	
Other current financial liabilities	**10,653,163**	**1,011,961**	**58,532,288**	**61,195,736**
US dollars	1,337,930	16,294	-	138576
Chilean pesos	7,651,229	995,667	58,532,288	60,442,766
U.F.	1,664,004	-	-	614394
Trade and other accounts payable	**106,788,925**	**178,132,324**	-	-
US dollars	21,928,605	29,721,224	-	-
Euros	6,318,770	8,294,122	-	-
Other currencies	203,976	168,162	-	-
Chilean pesos	74,514,556	135,274,732	-	-
U.F.	3,823,018	4,674,084	-	-
Current accounts payable to related companies	**53,961,772**	**57,249,386**	**-**	**-**
US dollars	726,002	391,059	-	-
Euros	4,535,991	4,146,376	-	-
Chilean pesos	48,699,779	52,711,951	-	-
Other current liabilities (1)	**57,783,602**	**15,750,601 -**		**47,677,798**
Chilean pesos	57,783,602	15,750,601	-	47,677,798
Total current liabilities	**229,187,462**	**252,144,272**	**58,532,288**	**108,873,534**
US dollars	23,992,537	30,128,577	-	138,576
Euros	10,854,761	12,440,498	-	-
Other currencies	203,976	168,162	-	-
Chilean pesos	188,649,166	204,732,951	58,532,288	108,120,564
U.F.	3,823,018	4,674,084	-	614,394

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

26. Local and Foreign Currency, continued

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

Non-current liabilities	03.31.2014	12.31.2013	03.31.2014	12.31.2013	03.31.2014	12.31.2013
	1 to 3 yaers		3 to 5 years		5 years	
	ThCh$		ThCh$		ThCh$	
Other non-current financial liabilities	**167,677,567**	**159,721,587**	**202,252,769**	**198,437,159**	**69,730,465**	**68,825,652**
US dollars	167,677,567	159,721,587	38,305,891	36,430,304	-	-
U.F.	-	-	47,046,966	46,429,879	69,730,465	68,825,652
Chilean pesos	-	-	116,899,912	115,576,976	-	-
Other non-current liabilities (2)	**15,417,471**	**14,733,418**	**-**	**-**	**-**	-
Chilean pesos	15,417,471	14,733,418	-	-	-	-
Total non-current liabilities	**183,095,038**	**174,455,005**	**202,252,769**	**198,437,159**	**69,730,465**	**68,825,652**
US dollars	167,677,567	159,721,587	38,305,891	36,430,304	-	-
U.F.	-	-	47,046,966	46,429,879	69,730,465	68,825,652
Chilean pesos	15,417,471	14,733,418	116,899,912	115,576,976	-	-

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

27. Contingencies and Restrictions

a) Complaints against the tax authority:

As of march 31, 2014 there are no complaints against the tax authority.

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

As of march 31, 2014 there are no complaints filed by the tax authority against Telefónica Móviles S.A..

c) Lawsuits several

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

Notwithstanding there are certain processes in which, due to the aforementioned considerations, it has been deemed that there is a risk of loss qualified as probable, which has motivated the establishment of an allowance for the amount that would be the estimated loss as of march 31, 2014, which altogether amounts to ThCh$87,429. Regarding this figure, it is estimated that Telefónica Móviles Chile S.A. must pay the amount of ThCh$23,000 before June 30, 2014 and the rest before the end of 2014.

d) Financial restrictions:

As of march 31, 2014 and december 31, 2013 the company has no financial restrictions.

e) Insurance:

The Company has insurance on all its facilities, associated to property risks and loss of income due to business interruption, among other risks. The Company does not foresee a significant impact on its financial situation due to the above and due to the latest events occurred in the north zone of the country and in the Valparaíso region.

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$	2014 ThCh$	2015 ThCh$	2016 and after ThCh$
Subsecretaría de Telecomunicaciones	TMCH	Parent company	Guarantee	47,143,673	2,080,000		45,063,673
Adm.de Servicios y Sistemas Automatizados Falabella Ltda.	TMCH	Parent company	Guarantee	450,000	-	-	450,000
Administradora Plaza Vespucio S.A.	TMCH	Parent company	Guarantee	186,150	-	-	186,150
Metro S.A.	TMCH	Parent company	Guarantee	109,064	-	-	109,064
Aguas Andinas S.A.	TMCH	Parent company	Guarantee	66,000	-	66,000	-
Subsecretaria de Prevención del Delito	TMCH	Parent company	Guarantee	78,000	-	78,000	-
I. Municipalidad de Santiago	TMCH	Parent company	Guarantee	32,000	32,000	-	-
Celulosa Arauco Y Constitución	TMCH	Parent company	Guarantee	28,328	-	-	28,328
Nuevos Desarrollos S.A.	TMCH	Parent company	Guarantee	23,629	23,629	-	-
Comercializadora Costanera Center S.P.A.	TMCH	Parent company	Guarantee	22,875	22,875	-	-
Others (1)	TMCH	Parent company	Guarantee	493,069	102,986	182,768	207,315
				48,632,788	**2,261,490**	**326,768**	**46,044,530**

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

TMCH: Telefónica Móviles Chile S.A.

28. Environment

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

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

28. Environment, continued

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

The Company is in the process of closing the project on regularization of these sites. The only work pending is the work of compensation with the municipalities which is progressing at the pace that the communities and the municipalities themselves impose.

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

29. Financial Risk Management (Not audited)

a) Characterization of the Market and Competition

The mobile telephone market is characterized by its high penetration rate, reached 145%, 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.

The mobile telephone market in Chile is composed of 10 operators with their own network and 5 virtual operators. The operators with their own network are: Telefónica Móviles Chile S.A.(Movistar), 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 and during the fourth quarther of 2013 and entered Falabella Telestar.

It is estimated that in the first quarter of 2014, the mobile voice telephone system will have 25.3 million lines, which is equivalent to no growth in comparison to the 4Q-2013 and an increase of 0.9% in comparison to the first quarter of 2013. The participation of the contract segment remains at 26% or total lines.

The current focus of the mobile business concentrates on mass use of “mobile data”. For the first quarter of 2014 it is estimated that there will be 6.5 million users connected to mobile Internet (3G), i.e. 2.9% growth in comparison to the first quarter of 2013.

29. Financial Risk Management, continued (Not audited)

b) Competition risk

Strong competition continues among the traditional players in this market, reflected in significant use of number portability, which as of March 2014 amounted to 1.8 million numbers ported, equivalent to 7.0% of total mobile voice customers in the industry.

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

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

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

c) Regulatory environment

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

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

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

The Controller General of the Republic (Contraloría General de la República) made observations on its study of Decree No. 21, of 2014, issued by the Ministries of Transportation and Telecommunications and Economy, Development and Tourism, which establishes the tariffs for access charges for the 2014 - 2019 five-year period. The Telecommunications Undersecretary must once again present the document to the Controllership, correcting the points mentioned by the controllership. However, Movistar decided to begin voluntary application of the maximum tariffs and time frames for Mobile Access Charges established in Decree No. 21. Management is evaluating the impact of its application.

29. Financial Risk Management, continued (Not audited)

d) Financial risk management objectives and policies

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

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

The policies for managing these risks are summarized below:

Market risk:

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

Interest rate risk:

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

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

The Company periodically determines the efficient exposure of its short and long-term debt to changes in interest rates, based on the future evolution of rates. As of march 31, 2014 the company had 21% of its debt and short-term bearing interest at a fixed rate.

29. Financial Risk Management, continued (Not audited)

d) Financial risk management objectives and policies, continued

Interest rate risk, continued

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 march 31, 2014 is the Nominal Chamber Average Rate (TCPN or Tasa Promedio de Cámara Nominal in Spanish). In this manner, an increase of 25 base points in the monthly TCPN would mean an increase in the monthly financial accrual expense for 2014 of approximately Ch$76.8 million, whereas a drop in the TCPN would mean a reduction of Ch$76.8 million in the monthly financial accrual expense for year.

Foreign currency risk:

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

After the hedging activities carried out to manage the main foreign currency risk identified by the Company, the fair value or future cash flows sensitivity of hedged items to changes in the exchange rate is close to zero, mainly because the foreign currency hedge for debt items is 100%. For the year to march 31, 2014 the Company has 39% 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.

29. Financial Risk Management, continued (Not audited)

d) Financial risk management objectives and policies, continued

Credit risk, continued

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

Liquidity risk:

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

Capital management:

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

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

No changes were introduced in the objectives, policies or processes during the periods ended march 31, 2014 and december 31, 2013.

e) Technological changes

During the second half of 2013, Claro launched its LTE technological offer, which in its first stage encompassed certain areas of Santiago, whereas Movistar launched 4G in November 2013 at a national level. Lastly, Entel launched its 4G services at a national level in March 2014.

Due to the characteristics of the mobile market, involving strong competition and progressive technological evolution, mobile operators must not only continue deploying the new 4G or LTE technology, they must also continue with the 3G expansion, 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 march 31, 2014 were approved and authorized for issuance at the Board of Directors Meeting held on april 24, 2014.

In the period between 1 and april 30, 2014, there have been no financial or other significant events, which affect these financial statements.

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Accounting Manager

Juan Parra Hidalgo
Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager