TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
December 31, 2012 and 2011

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

INDEX

ThCh$: Thousands of Chilean Pesos
MCh$: Millions of Chilean Pesos

CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2012 and 2011

ASSETS	Notes	12.31.2012	12.31.2011
		ThCh$	ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	164,192,567	235,709,827
Other current financial assets	(6)	44,551,680	6,449,206
Other current non-financial assets	(7)	35,431,056	41,836,504
Trade and other current accounts receivable	(8)	127,609,827	186,886,517
Current accounts receivable from related companies	(9a)	48,145,501	39,692,996
Inventory	(10)	52,482,983	45,473,880
Total current assets other than assets groups of assets for disposal, classified as available for sale or as held for distribution to owners		**472,413,614**	**556,048,930**
TOTAL CURRENT ASSETS		**472,413,614**	**556,048,930**
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	1,134,018	10,942,691
Other non-current non-financial assets	(7)	1,169,017	1,983,081
Non-current rights receivable	(8f)	-	96,063
Investments in associates accounted for using the equity method	(12a)	2,484,207	656,874
Intangible assets other than goodwill, net	(13)	61,241,249	75,072,678
Goodwill	(14)	483,179,725	483,179,725
Property, plant and equipment	(15)	368,306,288	367,485,550
Deferred tax assets	(11c)	19,329,303	15,316,046
TOTAL NON-CURRENT ASSETS		**936,843,807**	**954,732,708**
TOTAL ASSETS		**1,409,257,421**	**1,510,781,638**

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements

CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2012 and 2011

LIABILITIES	Notes	12.31.2012	12.31.2011
		ThCh$	ThCh$
CURRENT LIABILITIES			
Other current financial liabilities	(16)	5,256,302	33,959,611
Trade and other payables	(17)	165,163,710	164,734,438
Current accounts payable to related companies	(9b)	67,453,667	91,356,160
Other current provisions	(18a)	360,415	1,843,816
Current tax liabilities	(11d)	21,050,961	3,778,164
Current employee benefits accrual	(19a)	-	343,329
Other current non-financial liabilities	(20)	56,668,168	63,368,235
TOTAL CURRENT LIABILITIES		**315,953,223**	**359,383,753**
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(16)	396,643,892	406,036,230
Current accounts payable to related companies, non-current	(9d)	1,366,521	-
Other long-term provisions	(18b)	15,673,323	14,792,412
Non-current employee benefits accrual	(19a)	-	406,656
Other non-financial, non-current liabilities		552,613	226,257
TOTAL NON-CURRENT LIABILITIES		**414,236,349**	**421,461,555**
TOTAL LIABILITIES		**730,189,572**	**780,845,308**
NET SHAREHOLDERS' EQUITY			
Issued capital	(21a)	941,098,241	941,099,241
Retained earnings		70,838,702	122,059,601
Other reserves	(21d)	(332,869,039)	(333,222,468)
Shareholders' equity attributable to owners of the parent		679,067,904	729,936,374
Non-controlling interests	(21e)	(55)	(44)
TOTAL NET SHAREHOLDERS' EQUITY		**679,067,849**	**729,936,330**
TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY		**1,409,257,421**	**1,510,781,638**

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements

		For the years ended December 31,	
	Notes	**2012**	**2012**
STATEMENTS OF COMPREHENSIVE INCOME		**ThCh$**	**ThCh$**
Revenues from ordinary operations	(23a)	973,923,449	943,694,335
Other income	(23b)	27,885,823	32,225,899
Employee benefits expenses	(19b)	(1,076,741)	(20,044,875)
Depreciation and amortization expense	(13-15b)	(216,282,423)	(191,600,893)
Other expenses, by nature	(23c)	(652,246,612)	(556,824,289)
Profits from operating activities		**132,203,496**	**207,450,177**
Finance income	(23d)	17,879,250	5,230,085
Finance costs	(23d)	(27,352,433)	(17,524,861)
Share in earnings (losses) of associates accounted for using the equity method	(12b-18i)	2,895,637	1,255,963
Foreign exchange differences		295,953	40,480
Profits before tax from continuing operations		**125,921,903**	**196,451,844**
Income tax expense	(11e)	(24,723,768)	(33,847,867)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**101,198,135**	**162,603,977**
Profit (loss) attributable to:			
Profit attributable to owners of the parent		101,198,146	162,603,977
Profit attributable to non-controlling interests		(11)	-
PROFIT FOR THE YEAR		**101,198,135**	**162,603,977**

EARNINGS PER SHARE		**$**	**$**
Earnings per basic share:			
Earnings per basic share for continuing operations	(22)	857.42	1,377.69
Earnings per basic share for discontinued operations		-	-
Earnings per basic share:		**857.42**	**1,377.69**
Diluted earnings per share:			
Diluted earnings per share from continuing operations		857.42	1,377.69
Diluted earnings per share from discontinued operations		-	-
Diluted earnings per share:		**857.42**	**1,377.69**

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements

	For the years ended December 31,	
	2012	2012
	ThCh$	ThCh$
OTHER COMPREHENSIVE INCOME STATEMENT		
PROFIT FOR THE YEAR	**101,198,135**	**162,603,977**
Components of other comprehensive income before taxes		
Cash flow hedges:		
Profit (loss) on cash flow hedges, before taxes	(149,556)	1,227,013
Other comprehensive income before taxes, actuarial gains on defined benefits plans	841,925	(3,493,736)
Other components of other comprehensive income, before taxes	**692,369**	**(2,266,723)**
Income taxes related to components of other comprehensive income:		
Income tax related to hedging cash flows from other comprehensive income	29,911	(245,403)
Income taxes related to defined benefits plans in other comprehensive income	(168,385)	698,747
Sum of income taxes related to components of other comprehensive income	**(138,474)**	**453,344**
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**553,895**	**(1,813,379)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**101,752,030**	**160,790,598**
COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Comprehensive income attributable to owners of the parent	101,752,030	160,790,598
Comprehensive income attributable to non-controlling interests	-	-
TOTAL COMPREHENSIVE INCOME	**101,752,030**	**160,790,598**

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements

STATEMENTS OF CHANGES IN EQUITY
As of December 31, 2012 and 2011

	Changes in issued capital (Note 21 a)	Changes in other reserves (Note 21 d)				earnings (losses) Retained	Equity attributable to owners of the parent	Non controlling interests (Nota 21 e)	Total equity
	Issued Capital	reserves of hedge Cash flow (Note 6b)	Actuarial profits or losses reserve on defined benefits plans	Other miscellaneous reserves	Total other reserves				
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Equity at beginning of period	941,099,241	944,033	(2,594,624)	(331,571,877)	(333,222,468)	122,059,601	729,936,374	(44)	729,936,330
Changes in equity									
Comprehensive income									
Profit	-	-	-	-	-	101,198,146	101,198,146	(11)	101,198,135
Other comprehensive income	-	(119,645)	673,540	-	553,895	-	553,895	-	553,895
Comprehensive income	-	(119,645)	673,540	-	553,895	101,198,146	101,752,041	- 11	101,752,030
Dividends	-	-	-	-	-	(152,419,045)	(152,419,045)	-	(152,419,045)
Increase (decrease) from transfers and other changes, equity	(1,000)	-	(200,466)	-	(200,466)	-	(201,466)	-	(201,466)
Total increase (decrease) in equity	- 1,000	-	(200,466)	-	(200,466)	(152,419,045)	(152,620,511)	-	(152,620,511)
Equity 31 december 2012	941,098,241	824,388	(2,121,550)	(331,571,877)	(332,869,039)	70,838,702	679,067,904	(55)	679,067,849
Equity at beginning of period	941,101,241	(37,577)	256,001	(331,572,377)	(331,353,953)	139,654,641	749,401,929	-	749,401,929
Changes in equity									
Comprehensive income									
Profit	-	-	-	-	-	162,603,977	162,603,977	-	162,603,977
Other comprehensive income	-	981,610	- 2,794,989	-	(1,813,379)	-	(1,813,379)	-	(1,813,379)
Comprehensive income	-	981,610	- 2,794,989	-	(1,813,379)	162,603,977	160,790,598	-	160,790,598
Dividends	-	-	-	-	-	(180,199,017)	(180,199,017)	-	(180,199,017)
Increase (decrease) from transfers and other changes, equity	(2,000)	-	(55,535)	399	(55,136)	-	(57,136)	(44)	(57,180)
Total increase (decrease) in equity	(2,000)	-	(55,535)	399	(55,136)	(180,199,017)	(180,256,153)	-	(180,256,153)
Equity 31 december 2011	941,099,241	944,033	(2,594,624)	(331,571,877)	(333,222,468)	122,059,601	729,936,374	(44)	729,936,330

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS, INDIRECT METHOD
As of December 31, 2012 and 2011

	For the years ended December 31	
	2012	2011
	ThCh$	ThCh$
CASH FLOWS PROVIDED (USED IN) BY OPERATING ACTIVITIES:		
Profit	**101,198,135**	**162,603,977**
Adjustments to reconcile profits (losses):		
Adjustments due to income tax expense	24,723,768	33,847,867
Adjustments due to decrease (increase) in inventory	(4,117,270)	7,692,409
Adjustments due to decrease (increase) in trade accounts receivable	63,442,074	(52,679,057)
Adjustments due to decrease (increase) in other accounts receivable derived from operating activities	(157,164,303)	(118,669,533)
Adjustments due to increase (decrease) in trade accounts payable	2,231,137	42,330,520
Adjustments due to increase (decrease) in other accounts payable derived from operating activities	(15,689,502)	15,478,521
Adjustments due to depreciation and amortization expenses	216,282,423	191,600,893
Adjustments due to provisions	(4,671,428)	11,482,871
Adjustments due to unrealized losses (profits) in foreign currency	(295,953)	(40,480)
Adjustments for non-controlling interests	(2,895,637)	(1,255,963)
Other adjustments for which the effects on cash are cash flows from investing or financing	8,267,478	10,067,401
Total adjustments due to reconciliation of profit	**130,112,787**	**139,855,449**
Income taxes (paid) reimbursed classified as operating activities	(11,600,310)	-
Cash flows provided (used in) operating activities:	**219,710,612**	**302,459,426**
CASH FLOWS PROVIDED (USED IN) BY INVESTMENT ACTIVITIES:		
Loans to related entities	(187,424,519)	(65,684,200)
Proceeds from sale of property, plant and equipment	84,179,055	1,314,366
Additions to property, plant and equipment	(106,465,145)	(101,314,910)
Collection from related entities	192,323,030	63,778,294
Interest received	15,362,704	4,320,285
Other cash inputs (outputs)	(40,074,800)	(3,584,671)
Net cash flows provided (used in) investment activities	**(42,099,675)**	**(101,170,836)**
CASH FLOWS PROVIDED (USED IN) BY FINANCING ACTIVITIES:		
Amounts arising from non-current loans	-	218,080,956
Payments of financial lease liabilities	-	(16,684)
Loan payments	(31,000,000)	(115,868,338)
Dividends paid	(180,225,922)	(172,107,530)
Interest paid	(23,630,182)	(14,358,670)
Other cash inputs (outputs)	(14,272,093)	(12,582,065)
Net cash flows provided (used in) financing activities	**(249,128,197)**	**(96,852,331)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(71,517,260)**	**104,436,259**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	235,709,827	131,273,568
CASH AND CASH EQUIVALENTS, END OF YEAR	**164,192,567**	**235,709,827**

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements

1. Corporate Information:

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

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

At the Extraordinary Shareholders' Meeting held on September 15, 2011, the shareholders agreed to approve the division of Telefonica Moviles Chile S.A. into two companies, under the terms of articles 94 and following of Law No. 18,046, one to remain as the continuing company with the same name and a new company to be established with the name Miraflores 130 S.A. which is allocated assets and liabilities composed mainly of accounts payable and non-essential assets (0.29% of total assets) which represent 0.00015% of the shareholders' equity of the company that is divided according to the latest financial statements reported as of June 30, 2011. This division shall not alter or modify the operation of the continuing company, Telefonica Moviles Chile S.A..

At the Extraordinary Shareholders' Meeting held on December 12, 2011, the shareholders agreed to approve the division of Telefonica Moviles Chile S.A. into two companies, under the terms of articles 94 and following of Law No. 18,046, one remaining as the continuing company with the same name and a new company, Torres Uno S.A., which then became a limited liability company and its name was changed to Operadora de Torres de Telefonía Ltda. which was allocated mainly non-essential assets and liabilities representing 0.00010625860632358% of the shareholders' equity of the company which is divided according to the latest financial statements reported as of September 30, 2011. This division did not alter or modify the operation of the continuing company, Telefonica Moviles Chile S.A..

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

As of december 31, 2012, the Company's direct parent is Inversiones Telefonica Moviles Holding S.A., which belongs to the Spanish group Telefonica, S.A..

2. Significant Accounting Policies:

a) Accounting period

These consolidated financial statements (hereinafter, "financial statements") cover the years ended December 31, 2012 and 2011.

2. Significant Accounting Policies, continued

b) Basis of presentation

The financial statements as of December 31, 2011, and their corresponding notes are shown in a comparative manner in accordance with Note 2a).

The following changes were made in the consolidation perimeter in 2012: i) on April 30, 2012, subsidiary Wayra Chile Tecnología e Innovación Ltda. (formerly Telefónica Móviles Chile Inversiones S.A.) sold its interest in Intertel S.A. to Inversiones Telefónica Móviles Holding S.A.; and ii) on November 27, 2012, the Company transferred its rights over subsidiary Wayra Chile Tecnología e Innovación Ltda. to Wayra Investigación y Desarrollo, SLU. Due to the above, and what is described in Note 3c), the effect of these transactions was recorded retroactively in the pro forma financial statements as of December 31, 2011; therefore the pro forma financial statements for the aforementioned date have not been consolidated with the companies sold in 2012, Intertel S.A. and Wayra Chile Tecnología e Innovación Ltda.

Additionally, for comparison purposes, certain minor reclassifications have been performed to the 2011 financial statements. Reclassifications are mainly related to the statement of financial position, comprehensive income statement and other comprehensive income statement.

i) Non-current provisions related to employees were reclassified from Other Non-current Provisions to Non-current Employee Benefits Provisions in the amount of ThCh$ 406,656.
ii) The investment in Telefónica Chile Servicios Corporativos Ltda. was reclassified from Other Non-current Financial Liabilities to Other Non-current Provisions in the amount of ThCh$ 1,540,017.
iii) Income from leased land and solar and management income was reclassified from Other Income to Income from Ordinary Activities in the amount of ThCh $ 4,135,270.
iv) Income from Overdue Charges were reclassified from Income from Ordinary Activities to Other Income in the amount of ThCh$ 759,855.

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). The figures included in the attached financial statements are expressed in thousands of Chilean pesos, which is the Company's functional currency. All values are rounded to thousands of Chilean pesos, unless otherwise indicated.

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

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

2. Significant Accounting Policies, continued

d) Basis of consolidation

i) Entities, subsidiaries and joint ventures

The financial statements of Telefonica Moviles Chile S.A. and its subsidiaries include assets and liabilities as of December 31, 2012 and 2011. Balances with related companies, unrealized income and expenses and net income and losses have been eliminated and non-controlling interests have been recognized under the category "Non-controlling interests" (nota 21e).

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

The following subsidiaries are included in consolidation:

				Participation percentage			
		Country	Funct	12.31.2012			12.31.2011
Taxpayer No.	Company	Of origin	currency	Direct	Indirecto	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 informatión at december 31, 2012 of the companies included in the consolidation are as follows:

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

The summarized financial informatión at December 31, 2011 of the companies included in the consolidation are as follows:

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	21,225	111,498	132,723	569,730	-	569,730	(437,008)	-	6,931
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	100	49,153,717	-	49,153,717	47,531,845	-	47,531,845	1,621,872	-	-

ii) Change in the corporate consolidation perimeter

On April 30, 2012, Telefónica Móviles Chile S.A. stopped having indirect control of Intertel S.A., since on the same date subsidiary Wayra Chile Tecnología e Innovación Ltda. (formerly Telefónica Móviles Chile Inversiones S.A.), sold the shares of Intertel S.A. (corresponding to 50% of equity), to Inversiones Telefónica Móviles Holding S.A. (parent company of Telefónica Móviles Chile S.A.).

On June 29, 2012, there was a capital increase in Wayra Chile Tecnología e Innovación Ltda. in the amount of ThCh$1,100,000, leaving capital at ThCh $ 24,884,565, corresponding to 99.999997% of stock capital.

On November 27, 2012, the rights over Wayra Chile Tecnología e Innovación Ltda. were transferred to Wayra Investigación y Desarrollo, SLU.

Due to the above, for comparison purposes the Company prepared pro forma consolidated financial statements for 2011, eliminating Intertel S.A. and Wayra Chile Tecnología e Innovación Ltda.

2. Significant Accounting Policies, continued

e) Foreign currency translation and indexation

Assets and liabilities in foreign currency 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
12-31-2012	479.96	634.45	40,206.00	22,840.75
12-31-2011	519.20	672.97	39,021.00	22,294.03

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

f) Financial assets and liabilities

All purchases and sales of financial assets are recognized at fair value as of the trading date, which is the date on which the commitment to buy or sell the asset is made.

i) Financial investments

Marketable financial assets, (i.e. investments made to obtain short-term returns from price variations) are classified as “at fair value through profit and loss” and presented as current assets. This category is used for those financial assets for which an investments and disinvestments strategy is established, on a fair value basis. All financial assets included in this category are recorded at fair value, which is obtained from observable market data. Realized or unrealized profits or losses arising from variations in fair value at each year-end are recorded in the income statement.

ii) Receivables

Receivables consist of 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, and an adjustment is recorded if there is objective evidence of customer payment risk.

Allowance for doubtful accounts have been determined on uncollectable debts based on stratification of the customer portfolio and age of the debts. Total uncollectability is reached 90 days after the due date of the debt, with a 100% allowance, except for the customer portfolio for the corporate segment, where the total accrual is reached 180 days after the due date.

Short-term trade accounts receivable are not discounted. The Company has determined no difference between the amount invoiced and the amortized cost, as the transaction has no significant associated costs.

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

iii) Cash and cash equivalents

Cash and cash equivalents recognized in the financial statements includes cash balances, checking accounts, time deposits and investments in instruments with repurchase agreements maturing in less than 90 days.

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

iv) Interest-bearing loans

Financial liabilities are valued at amortized cost using the effective interest rate method. Any difference between the cash received and the reimbursement value is charged directly to income during the term of the agreement. Financial obligations maturing in more than twelve months are presented as non-current liabilities.

v) 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 hedged transactions.

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.

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

v) Derivative financial instruments, continued

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 deficit or profit in that heading is transferred to the comprehensive statement of income 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.

g) Inventory

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

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

Obsolescence is determined on the basis of the commercial turnover of equipment and accessories. According to the Company's policies, items with a rotation of more than 721 days have been defined as with slow rotation. 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.

2. Significant Accounting Policies, continued

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 costs 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.

Discount rates used are determined before taxes and adjusted for the respective country and business risk. Accordingly a rate of 10.67 % and 12% was used in 2012 and 2011, and no impairment adjustments were made.

i) Leases

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

Leased assets for which the significant risks and rewards of ownership are transferred to the Company are considered finance leases. Initially, the asset and associated liability are recorded at the fair value of the leased asset or the present value of the minimum agreed-upon lease payments if lower. Interest expense is charged to income throughout the life of the lease. 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 december 31, 2012 and 2011 no embedded leases were identified.

2. Significant Accounting Policies, continued

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 2012 and 2011).

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 allowance for doubtful accounts, allowance for obsolescence, deferred income, 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 no expiry.

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.

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 it records net income or losses directly in its net shareholders' equity, the Company also recognizes the participation corresponding to it in those items.

The investment that the Company has in Telefonica Chile Servicios Corporativos Limitada and Intertel S.A. on which it exercises significant influence without exercising control, is recorded using the equity method (see Note 12 and 18 b).

As of december 31, 2012 and 2011, the investment in Buenaventura S.A. has negative shareholders' equity and, therefore the investment was valued at one Chilean peso for control purposes.

2. Significant Accounting Policies, continued

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 tests goodwill impairment annually and when there are indicators that the net book value might not be fully recoverable. If that fair value is less than the net book value, an irreversible impairment loss is recognized in the income statement.

m) Intangibles

i) Intangible assets (Concession lecenses)

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 to check whether there have been events or changes that indicate that the net book value might not be recoverable, case in which they are tested for impairment.

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 the period 3 years.

2. Significant Accounting Policies, continued

n) Property, plant and equipment

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

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

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

The Company maintains service agreements with customers to which it has leased phones, which are depreciated on a straight-line basis over a period of 12 months. The above is applicable to contracts signed until September 30, 2012.

The Company capitalizes borrowing costs incurred in and directly attributable to the purchase and construction of qualified assets. Qualified assets under the criteria of the Telefonica Group are those that require at least 18 months of preparation for their use or sale. As of December 31, 2012 and 2011, no capitalized interest.

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 were incurred.

ñ) Depreciation of property, plant and equipment

The Company depreciates Property, plant and equipment from the moment 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 31.65% for december 2012, and 25.24% for 2011.

2. Significant Accounting Policies, continued

ñ) 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
Building	5	40
Transport equipment	7	7
Supplies and accessories	10	10
Office equipment	10	10
Other property, plant & equipment (1)	1.2	20

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

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 charged to income for the years.

o) Provisions

i) Provision for dismantling expenses

Corresponds to the cost that will be incurred in future due to dismantling of microwave antennas from the telecommunications infrastructure after expiry of the third-party site space rental contract. This cost is calculated at current value with a discount rate of 4.4% and is recorded as a Property, Plant and Equipment item under assets, 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 under contract 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 receivables, net, current".

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

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

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

q) Use of Estimates

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

2. Significant Accounting Policies, continued

q) Use of Estimates, continued

i) Property, plant and equipment and intangibles

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

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.

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 as of 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.

2. Significant Accounting Policies, continued

q) Use of Estimates, continued

iv) Financial assets and liabilities

Where 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 where 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 financial instrument.

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 statement of comprehensive income and consolidated cash flows gather, respectively, the income and, 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 "income attributable to non-controlling interests", respectively.

2. Significant Accounting Policies, continued

s) Nuevas IFRS e Interpretaciones del Comité de Interpretaciones IFRS

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 9	Financial instruments: Classification and measurement	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint agreements	January 1, 2013
IFRS 12	Disclosure of participation in other entities	January 1, 2013
IFRS 13	Fair-value measurement	January 1, 2013

IFRS 9 "Financial instruments"

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

IFRS 10 "Consolidated Financial Statements" / IAS 27 "Separate and Consolidated Financial Statements"

This standard replaces the portion of IAS 27 Separate and Consolidated Financial Statements that deals with accounting for consolidated financial statements. In addition, it includes matters occurring in SIC 12 Special Purpose Entities. IFRS 10 establishes a single control model that is applicable to all entities (including special purpose entities, or structured entities). The changes introduced by IFRS 10 will place significant demands on management to exercise professional judgment to determine which entity is controlled and must be consolidated, in comparison with the requirements of IAS 27.

2. Significant Accounting Policies, continued

s) Nuevas IFRS e Interpretaciones del Comité de Interpretaciones IFRS, continued

IFRS 11 "Joint Agreements" / IAS 28 "Investments in associates and joint ventures"

IFRS 11 replaces IAS 31 Participation in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contribution of Participants. IFRS 11 uses certain terms used in IAS 31, but with different meanings. While IAS 31 identifies 3 forms of joint ventures, IFRS 11 speaks of only 2 forms of joint agreements (joint ventures and joint operations) when there is joint control. Because IFRS 11 uses the principle of control of IFRS 10 to identify control, the determination as to whether there is joint control can change. In addition IFRS 11 removes the option to account for joint control entities (JCEs) using proportional consolidation. JECs, which fulfill the definition of joint ventures, must be accounted for using the equity method. For joint operations, which include jointly controlled assets, initial joint operations (former jointly controlled operations) and initial joint control entities (JCEs), an entity recognizes the assets, liabilities, income and expenses involved in its existence. The issuing of IFRS 11 amended IAS 28 in a limited manner regarding issues related to entities associated to joint control entities available for sale and changes in interest detained in associated entities and joint control entities.

IFRS 12 "Disclosure of Interesests in Other Entities"

IFRS 12 includes all disclosures, that were previously in IAS 27, related to consolidation, as well as all disclosures previously included in IAS 31 and IAS 28. These disclosures refer to the participation in an entity's related companies, joint agreements, associates and structured entities. A number of new disclosures are also required.

IFRS 13 "Fair-value Measurement"

IFRS 13 establishes a single source of guidance on the manner of measuring fair value, when it is required or permitted by IFRS. It does not change when an entity must use fair value. The standard changes the definition of fair value – Fair Value: the price that could have been received when selling an assets or the price that could be paid when liquidating a liability in a habitual transaction between market participants on the valuation date (exit price). In addition incorporates certain new disclosures.

2. Significant Accounting Policies, continued

s) Nuevas IFRS e Interpretaciones del Comité de Interpretaciones IFRS, continued

	Improvements and Amendments	Mandatory application date
IFRS 7	Financial instruments: Information to be disclosed	January 1, 2013
IFRS 10	Consolidated Financial Statements	January 1, 2013 and January 1, 2014
IFRS 11	Joint Agreements	January 1, 2013
IFRS 12	Disclosure of Participation in other Entities	January 1, 2013 and January 1, 2014
IAS 1	Financial Statement Presentation	January 1, 2013
IAS 16	Property, plant and equipment	January 1, 2013
IAS 19	Employee Benefits	January 1, 2013
IAS 27	Separate Financial Statements	January 1, 2013 and January 1, 2014
IAS 28	Investments in Associates and Joint Ventures	January 1, 2013
IAS 32	Financial instruments: Presentation	January 1, 2013 and January 1, 2014
IAS 34	Interim Financial Information	January 1, 2013

IFRS 7 "Financial instruments: Information to be Disclosed"

In December 2011 an amendment was issued to IFRS 7 requiring that entities disclose in their financial information the effects or possible effects of compensation agreements in financial statements regarding the entity's financial position. The standard is applicable as of January 1, 2013.

IFRS 10 "Consolidated financial statements", IFRS 11 "Joint agreements", IFRS 12 "Disclosure of interesests in other entities"

On June 28, 2012, the IASB published amendments to clarify the transition orientation of IFRS 10 Consolidated Financial Statements. The modifications also provide additional transitory exceptions for the application of IFRS 10, IFRS 11 Joint Agreements and IFRS 12 Disclosure of Interests in Other Entities, limiting the requirement of providing comparative information adjusted only for the previous comparative period. On the other hand, for disclosures related to non-consolidated structured entities, the requirement to present comparative information for periods before the first-time application of IFRS 12 will be eliminated. The amendments are effective for annual periods beginning on or after January 1, 2013, also in line with the effective date of IFRS 10, 11 and 12.

2. Significant Accounting Policies, continued

s) Nuevas IFRS e Interpretaciones del Comité de Interpretaciones IFRS, continued

IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interesests in other entities", IAS 27 "Separate Financial Statements"

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

IAS 1 "Financial Statement Presentation"

"Annual Improvements 2009–2011 Cycle", issued in May 2012, modified paragraphs 10, 38 and 41, eliminated paragraphs 39-40 and added paragraphs 38A-38D and 40A-40D, which clarifies the difference between the voluntary additional comparative information and the minimum comparative information required. In general, the minimum comparative period required is the previous period. An entity must include corporate information in the notes to the financial statements when the entity voluntarily provides comparative information beyond the minimum comparative period required. The additional comparative period does not need to contain a full set of financial statement. In addition, beginning balances of the statement of financial position (known as the third balance sheet) must be presented under the following circumstances: when the entity changes its accounting policies; performs retroactive re-expressions or reclassifications, and this is a change with a material effect on the statement of financial position.

The beginning balance of the statement of financial position would be at the beginning of the previous period. However, unlike voluntary comparative information, there is no obligation to accompany related notes to the third balance sheet. An entity shall apply these modifications retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods as of January 1, 2013. Early application is allowed and must be disclosed.

IAS 16 "Property, plant and equipment"

"Annual Improvements 2009–2011 Cycle", issued in May 2012, modified paragraph 8. The modification clarifies that the spare parts and auxiliary equipment items that comply with the definition of property, plant and equipment are not inventory. An entity shall apply these modifications retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods commencing as of January 1, 2013. Early application is allowed and must be disclosed.

2. Significant Accounting Policies, continued

s) Nuevas IFRS e Interpretaciones del Comité de Interpretaciones IFRS, continued

IAS 19 "Employee Benefits"

On June 16, 2011, the IASB published amendments to IAS 19, Employee Benefits, which change the accounting for defined benefits plans and termination benefits. Amendments require recognition of changes in the defined benefits obligation and in plan assets when these changes occur, eliminating the corridor focus and accelerating recognition of past service costs. Changes in the defined benefits obligation and plan assets are broken down into three components: cost of service, net interest on net defined benefit liabilities (assets) and re measuring defined benefit net liabilities (assets). Net interest is calculated using a rate of return for high quality corporate bonds. This could be less than the rate currently used to calculate the expected return on plan assets, resulting in a decrease in net income for the year. Amendments are effective for annual periods commencing on or after January 1, 2013, and early application is allowed. Retrospective application is mandatory, with certain exceptions.

IAS 27 "Separate Financial Statements"

In May 2011 the IASB published revised IAS 27 with amended title—Separate Financial Statements. IFRS 10 Consolidated Financial Statements establishes a single model of control applicable to all entities and requirements related to the preparation of consolidated financial statements.

IAS 28 "Investments in Associates and Joint Ventures"

Issued in May 2011, IAS 28 Investments in Associates and Joint Ventures describes the accounting for investments in associates and establishes the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IAS 32 "Financial instruments: Presentation"

"Annual Improvements 2009–2011 Cycle", issued in May 2012, modified paragraphs 35, 37 and 39 and added paragraph 35A, which clarifies that income taxes on distributions to the shareholders of the entity are accounted for in accordance with IAS 12 Income Taxes. The modification eliminates the existing income tax requirements of IAS 32 and requires that entities apply the requirements of IAS 12 to any income tax on distributions to the shareholders of the entity. An entity shall apply these modifications retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods commencing as of January 1, 2013. Early application is allowed and must be disclosed. The amendments to IAS 32 issued in December 2011 are destined to clear up differences in the application related to compensation and reducing the level of diversity in current practice. The standard is applicable as of January 1, 2014 and its early adoption is allowed.

2. Significant Accounting Policies, continued

s) Nuevas IFRS e Interpretaciones del Comité de Interpretaciones IFRS, continued

IAS 34 "Interim Financial Reporting"

"Annual Improvements 2009–2011 Cycle", issued in May 2012, modified paragraph 16A. The modification clarifies the requirements of IAS 34 related to information on the operating segments of total assets and liabilities for each of the operating segments in order to increase the coherence with the requirements of IFRS 8 Operating Segments. Amended paragraph 16A establishes that total assets and liabilities for a particular operating segment shall only be disclosed when the amounts are regularly measured by senior management and there was a material change in the comparison with the information disclosed in the previous financial statements for this operating segment. An entity shall apply this modification retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods commencing as of January 1, 2013. Early application is allowed and must be disclosed.

3. Changes in Accounting Policy and Disclosures

a) Accounting changes:

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

b) Changes in estimates:

On October 1, 2012, the Company modified the accounting treatment of mobile equipment rented to post pay customers. This modification arose as a direct consequence of introduction of changes in voice and data service contracts (mainly to the term) limiting the term to 12 months.

Until September 30, 2012 post pay equipment, considered a cost necessary to the line of business, was presented as part of property, plant and equipment and in accordance with the Company's policy was depreciated over the shorter of the average period of permanence of the customer or the expected period of use of the equipment by customers, which until that date was 14 months.

Considering the change in the term of the contract and the Company's accounting policy, since October 1, 2012 the shorter between the period of permanence and the period of equipment use is 12 months, generating a change in the estimated useful lives assigned to the equipment. Due to the new estimated useful life, mobile equipment stopped complying with the condition needed to qualify as investment assets, therefore the cost is recognized directly in income for the year.

In the last quarter of 2012 this modification had a negative effect on income for the year in the amount of ThCh$ 19,112,089, generated by the net effect of the increase in cost of sales of mobile equipment in the amount of ThCh$ 18,513,389, depreciation in the amount of ThCh$ 7,527,753, and an increase in ordinary income in the amount of ThCh$ 6,929,053.

3. Changes in Accounting Policy and Disclosures, continued

c) changes in the reporting entity

i) On April 30, 2012, subsidiary Wayra Chile Tecnología e Innovación Ltda. sold its interest in Intertel S.A. to Inversiones Telefónica Móviles Holding S.A..

ii) On November 27, 2012, the rights over subsidiary Wayra Chile Tecnología e Innovación Ltda. were transferred to Wayra Investigación y Desarrollo, SLU.

These transactions were recorded with a retroactive effect in the pro forma financial statements as of December 31, 2011. Consequently, in the mentioned pro forma financial statements the companies sold during 2012, Intertel S.A. and Wayra Chile Tecnología e Innovación Ltda. have not been consolidated.

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 chief operating decision maker to make decisions about resource allocation and assess its performance.

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

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

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Concepts	Currency	12.31.2012 ThCh$	12.31.2011 ThCh$
Cash (a)		**2,848,779**	**4,915,363**
	USD	4,243	3,817
	EUR	7,215	6,700
	CLP	2,837,321	4,904,846
Banks (b)		**3,698,428**	**4,882,285**
	CLP	3,698,428	4,876,702
	USD	-	4,955
	EUR	-	628
Time deposits (c)		**151,247,866**	**125,738,512**
	CLP	151,247,866	125,393,882
	USD	-	344,630
Highly liquid financial instruments (d)		**-**	**100,173,667**
	CLP	-	100,173,667
Repurchase agreements (e)		**6,397,494**	**-**
	CLP	6,397,494	-
Total cash and cash equivalents		**164,192,567**	**235,709,827**
Subtotal by currency	**CLP**	**164,181,109**	**235,349,097**
	USD	**4,243**	**353,402**
	EUR	**7,215**	**7,328**

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

a) Cash

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

b) Banks

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

5. Cash and cash equivalents, continued

c) Time deposits,

Time deposits maturing in less than 90 days are recorded at fair value and as of december 31, 2012 and 2011 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 12.31.2012 ThCh$
Time deposit	CLP	151,068,000	5.64%	18	151,068,000	179,866	-	151,247,866
Total					**151,068,000**	**179,866**	**-**	**151,247,866**

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 12.31.2011 ThCh$
Time deposit	CLP	125,138,000	5.78%	26	125,138,000	255,882	-	125,393,882
Time deposit	USD	663.41	10.80%	27	337,455	189	6,986	344,630
Totales					**125,475,455**	**256,071**	**6,986**	**125,738,512**

5. Cash and cash equivalents, continued

d) Money market securities

For december 31, 2011 is 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 12.31.2011 ThCh$
Highly liquid financial	CLP	100,000,000	6.58%	30	100,000,000	173,667	-	100,173,667
Total					**100,000,000**	**173,667**	**-**	**100,173,667**

e) Repurchase agreements

For december 31, 2012 is detailed as follows:

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

As of december31, 2012 and 2011 there are no restrictions on the use of cash and cash equivalents.

6. Other Current and Non-current Financial Assets

The breakdown of other current financial assets is as follows:

Concepts	12.31.2012 Current ThCh$	12.31.2012 Non-Current ThCh$	12.31.2011 Current ThCh$	12.31.2011 Non-Current ThCh$
Investment contracts (a)	-	-	3,349,418	-
Exchange rate hedge (b)	4,476,880	1,134,018	3,099,788	10,942,691
Money market securities (c)	40,074,800	-	-	-
Total	**44,551,680**	**1,134,018**	**6,449,206**	**10,942,691**

a) The detail of financial investments 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 12.31.2011 ThCh$
Time deposit	UF	150.00	5.20%	176	3,340,552	5,313	3,553	3,349,418
Totales					**3,340,552**	**5,313**	**3,553**	**3,349,418**

6. Other Current and Non-current Financial Assets , continued

b) The detail of the hedging instruments is as follows :

					To Maturity					
		Net Total as of 12.31.2012	Up to 90 days	90 days to 1 years	Total current		1 a 3 years	3 a 5 years	Total non-current	
					Assets	Liabilities (see note 16)			Assets	Liabilities (see note 16)
Description	**Underlying**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Exchange rate – cash flow hedge (1)	Supplier Debt	43,468	43,468	-	159,985	(116,517)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	29,926	29,926	-	51,956	(22,030)	-	-	-	-
Interest rate – cash flows hedge (3)	Financial Debt	1,954,428	-	1,954,428	4,264,939	(2,310,511)	-	-	-	-
Exchange rate and interest rate – cash flows hedge (4)	Financial Debt	(2,883,557)	(54,435)	(1,041,233)	-	(1,095,668)	(2,921,907)	1,134,018	1,134,018	(2,921,907)
Change of security		-	-	-	-	-	-	-	-	-
Totales		**(855,735)**	**18,959**	**913,195**	**4,476,880**	**(3,544,726)**	**(2,921,907)**	**1,134,018**	**1,134,018**	**(2,921,907)**

					To Maturity					
		Net Total as of 12.31.2011	Up to 90 days	90 days to 1 years	Total current		1 a 3 years	3 a 5 years	Total non-current	
					Assets	Liabilities (see note 16)			Assets	Liabilities (see note 16)
Description	**Underlying**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Exchange rate – cash flow hedge (1)	Supplier Debt	245,139	245,139	-	285,887	(40,748)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(52,632)	(50,273)	(2,359)	8,637	(61,269)	-	-	-	-
Interest rate – cash flows hedge (3)	Financial Debt	2,732,228	-	2,732,228	2,805,264	(73,036)	-	-	-	-
Exchange rate and interest rate – cash flows hedge (4)	Financial Debt	10,022,337	-	(920,354)	-	(920,354)	-	10,942,691	10,942,691	-
Change of security		-	-	-	-	-	-	-		-
Totales		**12,947,072**	**194,866**	**1,809,515**	**3,099,788**	**(1,095,407)**	**-**	**10,942,691**	**10,942,691**	**-**

Description of hedge instruments:

(1) Exchange rate – cash flow hedge: As of december 31, 2012 and 2011 this category includes derivative instruments used to hedge highly probable trade debt future cash flows.

(2) Exchange rate – fair value hedge: As of december 31, 2012 and 2011 this category includes derivative instruments entered into to hedge debt instrument capital foreign currency risk.

(3) Interest rate – cash flows hedge: As of december 31, 2012 and 2011 this category includes, derivative instruments entered into to hedge debt instrument interest rate risk, whose interest cash flows payable are denominated at a variable interest rate.

(4) Exchange rate and interest rate – cash flows hedge: As of december 31, 2012 and 2011 this category includes, derivative instruments entered into to hedge debt instrument capital foreign currency risk, whose interest cash flows payable after hedges are denominated in the functional currency.

6. Other Current and Non-current Financial Assets , continued

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

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

7. Other non-financial assets and non-current

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

Description	12.31.2012 Current ThCh$	12.31.2012 Non-Current ThCh$	12.31.2011 Current ThCh$	12.31.2011 Non-Current ThCh$
Deferred handset costs	14,382,125	-	20,099,786	-
Advance payments (1)	10,384,231	1,061,561	8,032,283	1,983,081
Other prepaid expenses (2)	9,620,835	107,456	11,901,148	-
Customer guarantees	691,324	-	1,303,283	-
Other taxes (3)	352,541	-	500,004	-
Total	**35,431,056**	**1,169,017**	**41,836,504**	**1,983,081**

(1) Includes advance payments associated with insurance and rent.
(2) Includes deferred commissions that are paid to franchises for mobile equipment additions and exchanges.
(3) Includes SENCE credit and other taxes.

8. Trade and Other Current Receivable

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

Description	12.31.2012 Gross Value ThCh$	12.31.2012 All. f/doubt. accts. ThCh$	12.31.2012 Net Value ThCh$	12.31.2011 Gross Value ThCh$	12.31.2011 All. f/doubt. accts. ThCh$	12.31.2011 Net Value ThCh$
Current receivables on credit operations	**182,341,851**	**(54,832,478)**	**127,509,373**	**189,505,279**	**(51,919,527)**	**137,585,752**
Services billed	122,843,413	(54,832,478)	68,010,935	130,678,175	(51,919,527)	78,758,648
Services provided and not billed	59,498,438	-	59,498,438	58,827,104	-	58,827,104
Miscellaneous receivables (1)	**100,454**	-	**100,454**	**49,300,765**	-	**49,300,765**
Total	**182,442,305**	**(54,832,478)**	**127,609,827**	**238,806,044**	**(51,919,527)**	**186,886,517**

(1) As of December 31, 2011, this heading presents ThCh$49,153,717 corresponding to the account receivable with ATC Sitios de Chile S.A. generated by the sale of Operadora de Torres de Telefonía Limitada.

b) The composition of trade and other current receivables that are pastdue amounts, not collected and provisioned according maturity is as follows:

Description	12.31.2012 Less than 3 months ThCh$	12.31.2012 3 to 6 months ThCh$	12.31.2012 6 to 12 months ThCh$	12.31.2012 Greater than 12 months ThCh$	12.31.2012 Total ThCh$	12.31.2011 Less than 3 months ThCh$	12.31.2011 3 to 6 months ThCh$	12.31.2011 6 to 12 months ThCh$	12.31.2011 than 12 months ThCh$	12.31.2011 Total ThCh$
Miscellaneous receivables	28,677,425	340,599	-	-	29,018,024	16,725,613	-	-	-	16,725,613
Total	**28,677,425**	**340,599**	**-**	**-**	**29,018,024**	**16,725,613**	**-**	**-**	**-**	**16,725,613**

c) Movements in the provision for doubtful accounts which include the "Trade and other current accounts receivable" is as follows:

Movements	12.31.2012 ThCh$	12.31.2011 ThCh$
Beginning balance	**51,919,527**	**48,023,155**
Increases	29,895,264	25,680,942
Eliminations/ Additions	(26,982,313)	(21,784,570)
Movements, subtotal	**2,912,951**	**3,896,372**
Closing balance	**54,832,478**	**51,919,527**

8. Trade and Other Accounts Receivable, continued

d) Movements in the provision for doubtful accounts to reflect the composition of the portfolio at december 31, 2012 and 2011 is as follows:

Provisions and write-offs	12.31.2012 ThCh$	12.31.2011 ThCh$
Accrual for portfolio that has not been renegotiated	29,102,348	24,992,022
Accrual for renegotiated portfolio	792,915	688,920
Write-offs for the year	(26,982,312)	(21,784,570)
Total	**2,912,951**	**3,896,372**

e) The composition of the portfolio protested and legal collection to december 31, 2012 and 2011 is as follows:

Portfolio of returned documents and judicial collection as of 12.31.2012	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	2,154	-	370	-
Portfolio of returned documents or those in judicial collection ThCh$	6,388,018	-	256,975	-

Portfolio of returned documents and judicial collection as of 12.31.2011	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	2,389	-	638	-
Portfolio of returned documents or those in judicial collection ThCh$	6,178,317	-	477,504	-

f) Non-current accounts receivable are detailed as follows:

Description	12.31.2012			12.31.2011		
	Gross value ThCh$	All. f/doubt. accts. ThCh$	Net value ThCh$	Gross value ThCh$	All. f/doubt. accts. ThCh$	Net value ThCh$
Miscellaneous receivables	-	-	-	96,063	-	96,063
Total	**-**	**-**	**-**	**96,063**	**-**	**96,063**

8. Trade and Other Accounts Receivable, continued

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

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

8. Trade and Other Accounts Receivable, continued

The portfolio composition stratified by segment for the year 2011 is as follows:

Aging of portfolio by segment for the December 2011 period	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 31 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	680,615	171,494	239,276	189,437	159,586	192,339	179,354	164,756	159,295	818,704	2,954,856
Gross portfolio w/o renegotiation	36,237,172	4,827,571	3,531,804	3,265,789	-	-	-	-	-	-	47,862,336
Debt	36,237,172	4,827,571	3,531,804	3,265,789	4,567,450	2,835,556	2,653,838	1,908,931	2,473,115	23,798,883	86,100,109
Accrual	-	-	-	-	(4,567,450)	(2,835,556)	(2,653,838)	(1,908,931)	(2,473,115)	(23,798,883)	(38,237,773)
Number of clients w/o renegotiation	23,402	14,763	8,484	7,740	7,277	7,377	7,132	6,473	5,813	11,179	99,640
Gross portfolio w/o renegotiation	1,351,903	271,329	132,590	124,511	-	-	-	-	-	-	1,880,333
Debt	1,351,903	271,329	132,590	124,511	111,231	112,304	106,738	96,694	106,865	426,495	2,840,660
Accrual	-	-	-	-	(111,231)	(112,304)	(106,738)	(96,694)	(106,865)	(426,495)	(960,327)
Total number of clients	**704,017**	**186,257**	**247,760**	**197,177**	**166,863**	**199,716**	**186,486**	**171,229**	**165,108**	**829,883**	**3,054,496**
Total Individuals portfolio	**37,589,075**	**5,098,900**	**3,664,394**	**3,390,300**	-	-	-	-	-	-	**49,742,669**
Debt	**37,589,075**	**5,098,900**	**3,664,394**	**3,390,300**	**4,678,681**	**2,947,860**	**2,760,576**	**2,005,625**	**2,579,980**	**24,225,378**	**88,940,769**
Accrual	-	-	-	-	**(4,678,681)**	**(2,947,860)**	**(2,760,576)**	**(2,005,625)**	**(2,579,980)**	**(24,225,378)**	**(39,198,100)**
Companies											
Number of clients w/o renegotiation	420,999	207,356	21,972	58,633	85,302	44,501	41,620	35,501	33,693	215,075	1,164,652
Gross portfolio w/o renegotiation	129,738,908	5,837,106	324,309	1,010,792	52,466	70,682	109,585	-	-	-	137,143,848
Debt	129,738,908	5,837,106	324,309	1,010,792	2,488,614	656,057	615,843	406,113	523,096	8,264,437	149,865,275
Accrual	-	-	-	-	(2,436,148)	(585,375)	(506,258)	(406,113)	(523,096)	(8,264,437)	(12,721,427)
Number of clients w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**420,999**	**207,356**	**21,972**	**58,633**	**85,302**	**44,501**	**41,620**	**35,501**	**33,693**	**215,075**	**1,164,652**
Total Individuals portfolio	**129,834,971**	**5,837,106**	**324,309**	**1,010,792**	**52,466**	**70,682**	**109,585**	-	-	-	**137,239,911**
Debt	**129,834,971**	**5,837,106**	**324,309**	**1,010,792**	**2,488,614**	**656,057**	**615,843**	**406,113**	**523,096**	**8,264,437**	**149,961,338**
Accrual	-	-	-	-	**(2,436,148)**	**(585,375)**	**(506,258)**	**(406,113)**	**(523,096)**	**(8,264,437)**	**(12,721,427)**
Portfolio Consolidated											
Number of clients w/o renegotiation	1,101,614	378,850	261,248	248,070	244,888	236,840	220,974	200,257	192,988	1,033,779	4,119,508
Gross portfolio w/o renegotiation	165,976,080	10,664,677	3,856,113	4,276,581	52,466	70,682	109,585	-	-	-	185,006,184
Debt	165,976,080	10,664,677	3,856,113	4,276,581	7,056,064	3,491,613	3,269,681	2,315,044	2,996,211	32,063,320	235,965,384
Accrual	-	-	-	-	(7,003,598)	(3,420,931)	(3,160,096)	(2,315,044)	(2,996,211)	(32,063,320)	(50,959,200)
Number of clients w/o renegotiation	23,402	14,763	8,484	7,740	7,277	7,377	7,132	6,473	5,813	11,179	99,640
Gross portfolio w/o renegotiation	1,351,903	271,329	132,590	124,511	-	-	-	-	-	-	1,880,333
Debt	1,351,903	271,329	132,590	124,511	111,231	112,304	106,738	96,694	106,865	426,495	2,840,660
Accrual	-	-	-	-	(111,231)	(112,304)	(106,738)	(96,694)	(106,865)	(426,495)	(960,327)
Total number of clients	**1,125,016**	**393,613**	**269,732**	**255,810**	**252,165**	**244,217**	**228,106**	**206,730**	**198,801**	**1,044,958**	**4,219,148**
Total Individuals portfolio	**167,327,983**	**10,936,006**	**3,988,703**	**4,401,092**	**52,466**	**70,682**	**109,585**	-	-	-	**186,886,517**
Debt	**167,327,983**	**10,936,006**	**3,988,703**	**4,401,092**	**7,167,295**	**3,603,917**	**3,376,419**	**2,411,738**	**3,103,076**	**32,489,815**	**238,806,044**
Accrual	-	-	-	-	**(7,114,829)**	**(3,533,235)**	**(3,266,834)**	**(2,411,738)**	**(3,103,076)**	**(32,489,815)**	**(51,919,527)**

9. Accounts receivable and payable to related

a) Accounts receivable from related parties current:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	12.31.2012 ThCh$	12.31.2011 ThCh$
						TOTAL	**36,520,634**	**27,137,902**
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common shareholder	Professional Serv.	CLP		35,173,112	24,545,298
				Mercantile Current Account	CLP	60 días	1,347,522	2,592,604
						TOTAL	**8,526,718**	**10,094,414**
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholder	Access inbound and CPP	CLP	60 días	4,878,119	5,551,928
				takings	CLP	60 días	3,582,973	422,672
				Others	CLP	60 días	65,626	4,119,814
MIRAFLORES 130 S.A. (1)	76.172.003-1	Chile	Common shareholder	Serv. Provided	CLP	60 días	907,076	-
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholder	Serv. Provided	CLP	60 días	792,081	585,414
TELEFONICA MOVILES ARGENTINA, S.A.	Foreign	Argentina	Common shareholder	Serv. Provided	USD	90 días	287,499	203,627
TELEFONICA MOVILES ESPAÑA, S.A.	Foreign	España	Common shareholder	Serv. Provided	EUR	90 días	245,914	451,541
TELEFONICA MOVILES VENEZUELA	Foreign	Venezuela	Common shareholder	Serv. Provided	USD	90 días	151,805	147,891
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholder	Serv. Provided	CLP	60 días	150,771	205,805
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730.-9	Chile	Common shareholder	Serv. Provided	CLP	60 días	147,564	112,545
WAYRA CHILE TECNOLOGIA E INNOVACIÓN LTDA. (2)	96.672.150-2	Chile	Common shareholder	Serv. Provided	CLP	60 días	125,476	-
VIVO, S.A.	Foreign	Brasil	Common shareholder	Serv. Provided	USD	90 días	95,820	42,360
O2 (UK)	Foreign	Inglaterra	Common shareholder	Serv. Provided	USD	90 días	30,264	116,439
TELEFONICA EMPRESAS CHILE S.A.	78.703.410-1	Chile	Common shareholder	Serv. Provided	CLP	60 Días	30,141	-
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholder	Serv. Provided	CLP	60 días	28,114	1,743
TELEFONICA MOVILES COLOMBIA	Foreign	Colombia	Common shareholder	Serv. Provided	USD	90 días	26,418	13,241
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	Foreign	Uruguay	Common shareholder	Serv. Provided	USD	90 días	15,736	8,584
FUNDACION TELEFONICA CHILE	74.944.200-K	Chile	Common shareholder	Serv. Provided	CLP	60 días	10,919	11,627
TELEMING CELULAR	Foreign	Brasil	Common shareholder	Serv. Provided	USD	90 días	9,904	-
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholder	Serv. Provided	CLP	60 días	9,037	46,123
TELEFONICA MOVILES PERU, S.A.	Foreign	Perú	Common shareholder	Serv. Provided	USD	90 días	7,746	13,708
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Common shareholder	Serv. Provided	CLP	60 días	7,313	7,686
OTECEL, S.A. ECUADOR	Foreign	Ecuador	Common shareholder	Serv. Provided	USD	90 días	4,859	5,268
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholder	Serv. Provided	CLP	60 días	3,311	3,157
PEGASO PCS, S.A.DE C.V.	Foreign	México	Common shareholder	Serv. Provided	USD	90 días	3,120	-
INTERTEL CHILE	96.898.630-9	Chile	Common shareholder	Serv. Provided	CLP	60 días	3,000	1,000
TELEFONICA MOVILES PANAMA	Foreign	Panamá	Common shareholder	Serv. Provided	USD	90 días	1,742	5,774
O2 MANX TELECOM LTD	Foreign	Inglaterra	Common shareholder	Serv. Provided	USD	90 días	1,177	551
TELEFONICA MOVILES GUATEMALA	Foreign	Guatemala	Common shareholder	Serv. Provided	USD	90 días	749	1,116
TELEFONICA MOVILES NICARAGUA, S.A.	Foreign	Nicaragua	Common shareholder	Serv. Provided	USD	90 días	472	769
TELEFONICA SLOVAKIA	Foreign	Eslovaquia	Common shareholder	Serv. Provided	CLP	60 días	121	-
						TOTAL	**-**	**337,561**
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Common shareholder	Mercantile Current Account	CLP	60 días	-	268,582
				Serv. Provided	CLP	60 días	-	68,979
TELEFONICA MOVILES SAO PAULO	Foreign	Brasil	Common shareholder	Serv. Provided	USD	90 días	-	63,274
TELEFONICA INTERNACIONAL, S.A.	Foreign	España	Common shareholder	Serv. Provided	EUR	90 días	-	43,884
ATENTO CHILE S.A. (3)	96.895.220-K	Chile	Common shareholder	Serv. Provided	CLP	60 días	-	20,263
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	Foreign	México	Common shareholder	Serv. Provided	USD	90 días	-	5,686
O2 GERMANY GMBH & CO OHG	Foreign	Alemania	Common shareholder	Serv. Provided	USD	90 días	-	2,361
VIVO BRASIL COMUNICACIONES	Foreign	Brasil	Common shareholder	Serv. Provided	USD	90 días	-	1,402
TELEFONICA MOVILES EL SALVADOR, S.A.c.v	Foreign	El Salvador	Common shareholder	Serv. Provided	USD	90 días	-	280
							48,145,501	**39,692,996**

(1) The Extraordinary Shareholders' Meeting held on September 15, 2011 approved the division of Telefonica Moviles Chile S.A. thus originating Miraflores 130 S.A..

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

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

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, continued

b) Accounts payable to related current

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	12.31.2012 ThCh$	12.31.2011 ThCh$
						TOTAL	**1,054,446**	**28,782,633**
INVERSIONES TELEFONICA MOVILES HOLDING LTDA.	76.124.890-1	Chile	Common sharehold	Dividends	CLP	60 días	974,315	28,781,193
				Others	CLP		80,131	1,440
						TOTAL	**29,470,366**	**21,779,946**
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common sharehold	Management Services	CLP	60 días	27,583,868	20,418,779
				Others			1,624,082	1,170,354
				Mercantile Current Account			262,416	190,813
						TOTAL	**7,122,807**	**12,596,675**
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common sharehold	Access Charge and Links	CLP	60 días	4,321,162	7,641,970
				Weather Serv Lease - Space and Energy	CLP	60 días	1,325,961	2,344,960
				Others	EUR	90 días	1,475,684	2,609,745
TELEFONICA EMPRESAS CHILE S.A. (1)	78.703.410-1	Chile	Common sharehold	Management Services	CLP	60 días	12,450,231	4,227,375
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common sharehold	General Services	CLP	60 días	3,207,938	1,381,828
MIRAFLORES 130 S.A. (2)	76.172.003-1	Chile	Common sharehold	Mercantile Current Account	CLP	60 días	2,494,434	4,760,000
TELEFONICA INTERNACIONAL, S.A.	Foreign	España	Common sharehold	Serv. Provided	EUR	90 días	1,926,514	3,710,354
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common sharehold	Serv. Provided	CLP	60 días	1,818,982	2,410,100
TELEFONICA, S.A.	Foreign	España	Shareholder	Servicios de Brand Fee	CLP	60 días	4,476,829	4,464,682
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common sharehold	Serv. Provided	CLP	60 días	692,373	75,172
CHILE S.A.	96.910.730.-9	Chile	Common sharehold	Serv. Provided	CLP	60 días	669,758	388,209
S.A.	96.990.810-7	Chile	Common sharehold	Serv. Provided	CLP	60 días	601,901	1,291,207
TELFISA GLOBAL B.V.	Foreign	España	Common sharehold	administration Commission	CLP	90 días	283,028	-
TELEFONICA MOVILES ESPAÑA, S.A.	Foreign	España	Common sharehold	Serv. Provided	EUR	90 días	256,505	377,663
O2 MANX TELECOM LTD	Foreign	Inglaterra	Common sharehold	Serv. Provided	USD	90 días	201,961	-
TELEFONICA MOVILES ARGENTINA, S.A.	Foreign	Argentina	Common sharehold	Serv. Provided	USD	90 días	148,149	124,754
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common sharehold	Serv. Provided	CLP	60 días	145,979	466,825
VIVO, S.A.	Foreign	Brasil	Common sharehold	Serv. Provided	USD	90 días	83,514	40,777
TELEFONICA GLOBAL APPLICATIONS S.L.	Foreign	España	Common sharehold	Serv. Provided	EUR	90 días	67,715	-
TELEFONICA MOVILES COLOMBIA	Foreign	Colombia	Common sharehold	Serv. Provided	USD	90 días	49,352	13,137
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common sharehold	Serv. Provided	CLP	60 días	48,404	61,128
O2 GERMANY GMBH & CO OHG	Foreign	Alemania	Common sharehold	Serv. Provided	USD	90 días	37,414	9,198
TELEFONICA MOVILES PERU HOLDING S.A	Foreign	Peru	Common sharehold	Serv. Provided	CLP	90 días	27,957	145,179
TELEFONICA MOVILES VENEZUELA	Foreign	Venezuela	Common sharehold	Serv. Provided	USD	90 días	25,829	7,962
TELEFONICA USA INC	Foreign	USA	Common sharehold	Serv. Provided	USD	60 días	22,231	-
O2 COMMUNICATIONS (IRELAND) LTD.	Foreign	Irlanda	Common sharehold	Serv. Provided	USD	90 días	21,400	20,259
PEGASO PCS, S.A. C.V	Foreign	México	Common sharehold	Serv. Provided	USD	90 días	14,451	-
TELEFONICA INTERNATIONAL WHOLESALE S.L.	Foreign	España	Common sharehold	Serv. Provided	EUR	90 días	13,103	14,174
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	Foreign	Uruguay	Common sharehold	Serv. Provided	USD	90 días	11,705	15,009
OTECEL, S.A. ECUADOR	Foreign	Ecuador	Common sharehold	Serv. Provided	USD	90 días	2,685	9,560
TELEFONICA MOVILES PANAMA	Foreign	Panamá	Common sharehold	Serv. Provided	USD	90 días	2,484	3,665
FUNDACIÓN TELEFÓNICA CHILE	74.944.200-K	Chile	Common sharehold	Serv. Provided	CLP	60 días	2,333	6,786
TELEFONICA MOVILES GUATEMALA	Foreign	Guatemala	Common sharehold	Serv. Provided	USD	90 días	1,108	458
TELEFONICA MOVILES EL SALVADOR, S.A.	Foreign	El Salvador	Common sharehold	Serv. Provided	USD	90 días	(219)	193
ATENTO CHILE S.A. (3)	96.895.220-K	Chile	Common sharehold	Call Center and Telesales Services	CLP	60 días	-	3,302,292
TELEATENTO DEL PERU S.A.C.	Foreign	Perú	Common sharehold	Serv. Provided	USD	90 días	-	526,741
TELEFONICA MOVILES CHILE INVRS. S.A	96.672.150-2	Chile	Common sharehold	Serv. Provided	CLP	60 días	-	168,477
TELEFONICA MOVILES SAO PAULO	Foreign	Brasil	Common sharehold	Serv. Provided	USD	90 días	-	80,000
TELEFONICA INVESTIGACION Y DESARROLLO, S.A.	Foreign	España	Common sharehold	Serv. Provided	EUR	90 días	-	63,403
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	Foreign	México	Common sharehold	Serv. Provided	USD	90 días	-	29,438
MANX TELECOM LTD	Foreign	Inglaterra	Common sharehold	Serv. Provided	USD	90 días	-	838
TELEFONICA MOVILES NICARAGUA, S.A.	Foreign	Nicaragua	Common sharehold	Serv. Provided	USD	90 días	-	63
TELEFONICA GLOBAL TECHNOLOGY SAU	Foreign	España	Common sharehold	Serv. Provided	EUR	90 días	-	-
TELEFONICA DE ARGENTINA S.A.	Foreign	Argentina	Common sharehold	Serv. Provided	USD	90 días	-	-
MIRAFLORES 130 S.A. (1)	76.172.003-1	Chile	Common sharehold	Intereses	CLP	60 días	-	
Total							**67,453,667**	**91,356,160**

(1) At Extraordinary Shareholders' Meeting held on December 30, 2011, the shareholders approved the merger by incorporation of Telefonica Multimedia S.A. and Telefonica Empresas Chile S.A., with Telefonica Multimedia S.A. as the legal continuer. On the same date they agreed to change the name of the continuer to Telefonica Empresas Chile S.A.

(2) The Extraordinary Shareholders' Meeting held on September 15, 2011 approved the division of Telefonica Moviles Chile S.A. thus originating Miraflores 130 S.A..

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

9. Accounts receivable and payable to related, continued

c) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	12.31.2012 ThCh$	12.31.2011 ThCh$
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common shareholder	CLP	**TOTAL**	**(67,050,234)**	**(31,874,535)**
					Financial income	1,980,069	720,098
					Sales	1,265,625	840,015
					Costs		
					Services staff seconded from other companies	(70,161,173)	(33,434,648)
					Financial Expenses	(134,755)	-
					TOTAL	**(15,457,372)**	**(15,527,888)**
TELEFONICA, S.A.	Foreign	España	Shareholder	EUR	Brand Fee	(15,348,865)	(15,418,885)
					Other	(108,507)	(109,003)
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholder	CLP	**TOTAL**	**(11,829,622)**	**9,498,098**
					Sales		
					Access charges and Interconnects	12,233,425	29,200,580
					800 Service	3,092,593	7,381,867
					Other	522,779	1,247,848
	90.635.000-9	Chile	Common shareholder	CLP	**Costs**		
					Access charges and Interconnects	(26,985,914)	(27,623,335)
					Servicio Telefonico	(412,616)	(422,362)
					Other	(279,889)	(286,500)
TELEFONICA EMPRESAS CHILE S.A. (1)	78.703.410-1	Chile	Common shareholder	CLP	**TOTAL**	**(10,209,474)**	**(890,761)**
					Sales		
					Telephone services	2,287,405	3,430,144
					Other	(24,812)	-
					Costs		
					Professional Services	(12,248,603)	(4,243,487)
					Other	(223,464)	(77,418)
					TOTAL	**(9,034,398)**	**(11,438,482)**
ATENTO CHILE S.A.	96.895.220-K	Chile	Common shareholder	CLP	Costs	(9,198,927)	(11,653,256)
					Sales	164,529	214,774
					TOTAL	**8,598,811**	**-**
TELFISA GLOBAL B.V.	Foreign	España	Common shareholder	CLP	Financial income	8,598,811	-
			Common shareholder	CLP	Costs	(283,028)	-
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholder	CLP	**TOTAL**	**3,049,125**	**3,293,278**
					Costs	(11,640,481)	(10,410,993)
					Sales		
					Fixed Income - Mobile	2,385,361	2,576,332
					800 Service	419,763	453,484
					Other	244,001	263,462
					TOTAL	**(2,631,240)**	**(1,141,365)**
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholder	CLP	Costs	(2,672,252)	(1,476,662)
					Sales	41,012	335,297
					TOTAL	**(1,227,803)**	**(3,763,906)**
TELEFONICA INTERNACIONAL, S.A.	Foreign	España	Common shareholder	EUR	Costs	(1,227,803)	(3,807,790)
				EUR	Sales		43,884
					TOTAL	**(1,138,481)**	**(57,964)**
TELEFONICA MOVILES ESPAÑA, S.A.	Foreign	España	Common shareholder	EUR	Sales	(884,874)	945,582
	Foreign	España	Common shareholder	EUR	Costs	(253,607)	(1,003,546)
					TOTAL	**(1,065,801)**	**(1,113,601)**
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholder	CLP	Costs	(1,096,577)	(1,150,231)
					Sales	30,776	36,630
					TOTAL	**(723,422)**	**(439,800)**
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730-9	Chile	Common shareholder	CLP	Costs	(751,726)	(544,446)
	96.910.730-9	Chile	Common shareholder	CLP	Sales	28,304	104,646
					TOTAL	**(440,045)**	**(1,249,575)**
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Common shareholder	CLP	Costs	(481,632)	(1,359,514)
					Sales	41,587	109,939
					TOTAL	**(415,497)**	**(406,986)**
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholder	CLP	Costs	(440,032)	(423,245)
	59.083.900-0	Chile	Common shareholder	CLP	Sales	24,535	16,259
					TOTAL	**353,760**	**259,849**
TELEFONICA MOVILES ARGENTINA, S.A.	Foreign	Argentina	Common shareholder	USD	Sales	924,564	1,186,420
					Costs	(570,804)	(926,571)
					TOTAL	**(200,724)**	**(1,326)**
O2 MANX TELECOM LTD	Foreign	Inglaterra	Common shareholder	USD	Costs	(204,085)	(3,456)
				USD	Sales	3,361	2,130.00
					TOTAL	**121,937**	**4,592**
TELEFONICA MOVILES PANAMA	Foreign	Panamá	Common shareholder	USD	Sales	149,140	19,525
	Foreign	Panamá	Common shareholder	USD	Costs	(27,203)	(14,933)

(1) At Extraordinary Shareholders' Meeting held on December 30, 2011, the shareholders approved the merger by incorporation of Telefonica Multimedia S.A. and Telefonica Empresas Chile S.A., with Telefonica Multimedia S.A. as the legal continuer. On the same date they agreed to change the name of the continuer to Telefonica Empresas Chile S.A.

9. Accounts receivable and payable to related, continued

c) Transactions, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	12.31.2012 ThCh$	12.31.2011 ThCh$
					TOTAL	**113,031**	**44,778**
VIVO, S.A.	Foreign	Brasil	Common shareholder	USD	Sales	362,880	194,845
	Foreign	Brasil	Common shareholder	USD	Costs	(249,849)	(150,067)
					TOTAL	**(111,197)**	**(54,962)**
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholder	CLP	Costs	(138,975)	(92,170)
					Sales	27,778	37,208
					TOTAL	**93,193**	**(519,035)**
TELEFONICA MOVILES PERU, S.A.	Foreign	Perú	Common shareholder	USD	Sales	93,193	66,361
	Foreign	Perú	Common shareholder	USD	Costs	-	(585,396)
					TOTAL	**(86,990)**	**(44,021)**
PEGASO PCS, S.A. DE C.V.	Foreign	México	Common shareholder	USD	Costs	(109,293)	(59,878)
					Sales	22,303	15,857
					TOTAL	**(78,981)**	**(22,369)**
TELEFONICA MOVILES COLOMBIA	Foreign	Colombia	Common shareholder	USD	Costs	(161,708)	(377,266)
	Foreign	Colombia	Common shareholder	USD	Sales	82,727	354,897
					TOTAL	**(62,691)**	**(66,585)**
O2 GERMANY GMBH & CO OHG	Foreign	Alemania	Common shareholder	USD	Costs	(57,526)	(105,921)
	Foreign	Alemania	Common shareholder	USD	Sales	(5,165)	39,336
					TOTAL	**(17,582)**	**3,467**
O2 COMMUNICATIONS (IRELAND) LTDA	Foreign	Irlanda	Common shareholder	USD	Sales	(20,250)	5,195
	Foreign	Irlanda	Common shareholder	USD	Costs	2,668	(1,728)
					TOTAL	**(14,047)**	**(20,102)**
OTECEL, S.A. ECUADOR	Foreign	Ecuador	Common shareholder	USD	Costs	(44,355)	(56,336)
					Sales	30,308	36,234
					TOTAL	**(9,378)**	**-**
TELECOMUNICACIONES SAO PAULO	Foreign	Brasil	Common shareholder	USD	Costs	(61,722)	-
					Sales	52,344	-
					TOTAL	**(9,062)**	**12,716**
TELEFONICA MOVILES VENEZUELA	Foreign	Venezuela	Common shareholder	USD	Costs	(153,429)	(19,054)
	Foreign	Venezuela	Common shareholder	USD	Sales	144,367	31,770
					TOTAL	**8,244**	**(24,875)**
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	Foreign	Uruguay	Common shareholder	USD	Sales	61,189	50,174
	Foreign	Uruguay	Common shareholder	USD	Costs	(52,945)	(75,049)
					TOTAL	**(1,328)**	**316**
TELEFONICA MOVILES EL SALVADOR, S.A.	Foreign	El Salvador	Common shareholder	USD	Costs	(1,328)	(855)
					Sales	-	1,171
					TOTAL	**1,111**	**4,185**
TELEFONICA MOVILES GUATEMALA	Foreign	Guatemala	Common shareholder	USD	Sales	2,667	5,132
	Foreign	Guatemala	Common shareholder	USD	Costs	(1,556)	(947)
					TOTAL	**893**	**392**
TELEFONICA MOVILES NICARAGUA, S.A.	Foreign	Nicaragua	Common shareholder	USD	Sales	1,439	1,287
	Foreign	Nicaragua	Common shareholder	USD	Costs	(546)	(895)
					TOTAL	**119**	**-**
TELEFONICA SLOVAKIA	Foreign	Eslovaquia	Common shareholder	CLP	Sales	119	-
					Costs		
WAYRA CHILE TECNOLOGIA E INNOVACION LTDA.	96.672.150-2	Chile	Common shareholder	CLP	Sales	133,467	-
TELEMIG CELULAR	Foreign	Brasil	Common shareholder	USD	Sales	9,411	-
FUNDACION TELEFONICA CHILE	74.944.200-K	Chile	Common shareholder	CLP	Sales	2,541	1,138
TELEATENTO DEL PERU S.A.C.	Foreign	Perú	Common shareholder	USD	Costs	(1,413,326)	(1,362,175)
TELEFONICA MOVILES PERU HOLDING S.A	Foreign	Perú	Common shareholder	CLP	Costs	(351,234)	-
O2 (UK) (ANTES VP COMMUNIC)	Foreign	Inglaterra	Common shareholder	USD	Sales	(270,523)	245,682
TELEFONICA GLOBAL APLLICATIONS	Foreign	España	Common shareholder	EUR	Costs	(67,715)	(240,851)
TELEFONICA ARGENTINA, S.A.	Foreign	Argentina	Common shareholder	USD	Costs	(16,002)	(68,941)
TELEFONICA USA INC	Foreign	USA	Common shareholder	USD	Costs	(8,815)	-
T. GLOBAL SERVICES GMBH	Foreign	España	Common shareholder	EUR	Costs	(7,516)	-
TELEFONICA SERVICIOS DE MUSICA ESPAÑA	Foreign	España	Common shareholder	EUR	Costs	(2,472)	-
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	Foreign	España	Common shareholder	EUR	Costs	(997)	(1,007,638)
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Common shareholder	USD	Financial income	-	65,148
TELEFONICA LEARNING SERVICES	Foreign	España	Common shareholder	EUR	Costs	-	(705)

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, 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 company accounts receivable there have been charges and credits to current accounts due to billing on sale of equipment and services.

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

On March 1, 2011, the Company signed a mercantile current account agreement with Telefonica Chile Servicios Corporativos Limitada, which establishes remittances in Chilean pesos at a nominal monthly TAB Rate (annual base). The agreed-upon term of the mercantile current account and its management is two years. The parties can agree in writing to extend the term of the current account for annual periods, without the need to ultimately liquidate the Current Account.

On December 23, 2011, the Company signed a mercantile current account with Miraflores 130 S.A. which establishes management of cash surpluses, which shall be provided to Telefonica Moviles Chile S.A. for investment, rendering of accounts on the results obtained and eventually the application of resulting net income for the purpose instructed by Miraflores 130 S.A. all for a 0.2% annual commission on the average annual amount of the investment. That mandate is for an indefinite term.

On December 30, 2011, the Company signed a mercantile current account with Fondo de inversión Privado Infraestrutura Uno which establishes management of cash surpluses, which shall be provided to Telefonica Moviles Chile S.A. for investment, rendering of accounts on the results obtained and eventually the application of resulting net income for the purpose instructed by Fondo de inversión Privado Infraestrutura Uno all for a 0.2% annual commission on the average annual amount of the investment. That mandate is for an indefinite term.

d) Current accounts payable to related companies, non-current:

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

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	12.31.2012 ThCh$	12.31.2011 ThCh$
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common Shareholder	HR obligation	CLP	-	1,366,521	-
Total							**1,366,521**	**-**

9. Accounts receivable and payable to related, continued

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

As of December 31, 2012 and 2011, 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 76 executives considered: Chairman, General Manager, 13 Directors and 62 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	12.31.2012 ThCh$	12.31.2011 ThCh$
Mobile teams	52,191,501	43,942,411
Accessories	291,482	1,531,469
Total	**52,482,983**	**45,473,880**

As of december 31, 2012 and 2011 there have been no inventory write-offs and there is no inventory in guarantee as reversals in obsolescence accruals. The balance of the obsolescence accrual amounts to Th$6,853,655 for 2012 and ThCh$7,047,467 for 2011.

b) Inventory movements are detailed as follows:

Description	12.31.2012 ThCh$	12.31.2011 ThCh$
Beginning balance	**45,473,880**	**53,343,297**
Purchases	210,004,194	188,110,739
Sales	(98,559,438)	(88,181,894)
Obsolescence provision	193,812	(1,007,694)
Transfer to materials allocated to the investment (15b)	(104,629,465)	(106,790,568)
Movements, subtotal	**7,009,103**	**(7,869,417)**
Closing balance	**52,482,983**	**45,473,880**

11. Taxes

a) Income Taxes

As of December 31, 2012 and 2011, the Company has established a first category income tax reserve Consolidated since it determined a positive taxable base of ThCh$ 97,954,251 and ThCh$ 50,700,345, 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.

The parent company and its subsidiaries do not have a positive balance in the taxable retained earnings registry since the parent company distributed all taxable net income as of December 31, 2012.

Law No. 20,630 was published on September 27, 2012, setting the first category tax rate at 20% as of the 2013 tax year. Due to the above, for the purpose of this year-end we have applied this reform to determine the respective current and deferred income taxes, which resulted in greater income from first category and deferred taxes in the amount of ThCh$ 1,461,385.

b) Current tax assets

As of December 31, 2012 and 2011, the Company does not have current tax assets.

c) Deferred tax assets and liabilities

As of December 31, 2012 and 2011, accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh$ 19,329,303 and ThCh$ 15,316,045, respectively which are detailed as follows:

	12.31.2012		12.31.2011	
Concepts	**Asset ThCh$**	**Liability ThCh$**	**Asset ThCh$**	**Liability ThCh$**
Allowance for doubtful accounts	14,505,107	-	11,312,704	-
Obsolescence provision	1,370,731	-	1,250,925	-
Unearned income	3,797,368	-	4,040,951	-
Provision for dismantling expenses	2,365,020	-	2,010,266	-
Deferred selling cost and deferred sales commissions	-	4,801,823	-	5,924,909
Amortization and depreciation of assets	11,212,484	10,253,108	25,929,739	24,319,210
Other events (1)	2,102,511	968,987	2,138,871	1,123,291
Sub totales	**35,353,221**	**16,023,918**	**46,683,456**	**31,367,410**
Reclasification	**(16,023,918)**	**(16,023,918)**	**(31,367,410)**	**(31,367,410)**
Total	**19,329,303**	**-**	**15,316,046**	**-**

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

11. Taxes, continued

d) Current tax liabilities

As of December 31, 2012 and 2011, detail of balances accounts payable for the concept of taxes are detailed as follows:

Movements	12.31.2012 ThCh$	12.31.2011 ThCh$
Income tax accrual (1)	21,050,961	3,778,164
Final balance	**21,050,961**	**3,778,164**

(1) As of December 31, 2012 the provision for income tax is presented net of estimated monthly payments for ThCh$8.427.857 and other concepts.

e) Income tax reconciliation:

The income tax expense reconciliation as of december 31, 2012 and 2011 are detailed as follows:

Concepts	12.31.2012 Taxable base ThCh$	12.31.2012 Tax Rate 20% ThCh$	12.31.2011 Taxable base ThCh$	12.31.2011 Tax Rate 20% ThCh$
Based on accounting income before taxes:				
Income before taxes	**125,921,903**	**25,184,380**	**196,451,844**	**39,290,368**
Permanent differences	**(2,303,062)**	**(460,612)**	**(27,212,507)**	**(5,442,502)**
Price-level restatement of taxable equity	(7,014,921)	(1,402,984)	(32,140,907)	(6,428,181)
Accrued investment income	18,181,351	3,636,270	(1,251,715)	(250,343)
Foreign currency translation due to modification of legal	(9,300,965)	(1,860,193)	-	-
Others (1)	(4,168,527)	(833,705)	6,180,115	1,236,022
Total corporate tax expense	**123,618,840**	**24,723,768**	**169,239,337**	**33,847,866**
Based on taxable net income and deferred taxes calculated on the basis of temporary differences:				
18.5 and 20% income tax		19,590,850		10,140,069
35% income tax		6,298		2,543
Provision for tax contingencies		9,388,962		-
Prior years deficit		(167,062)		-
Income tax expense		**28,819,048**		**10,142,612**
Deferred tax expense (2) (3)		**(4,095,280)**		**23,705,255**
Total corporate tax expense		**24,723,768**		**33,847,867**
Effective income tax rate		**19.63%**		**17.23%**

(1) The variation for this concept is due to absorption of the Company's tax loss carry forward, rate changes and other minor adjustments. Additionally includes a tax contingencies accrual in the sum of ThCh$2,764,697, corresponding to litigation with tax authorities regarding the 2007 tax year (citation No. 29 dated April 29, 2011).

(2) On September 27, 2012 Law No. 20.630 was published, which establishes a 20% first category tax rate as of the 2013 tax year. Due to the above, for the purpose of this closing, we have factored in the effects of that reform in the determination of the respective current and deferred income taxes.

(3) The change in net deferred tax assets in the years presented in Note 11 c) versus that presented in the income tax reconciliation is due to movements with a charge to shareholders' equity due to a derivative instruments adjustment in the amount of ThCh$ 29,910 and credit on property, plant and equipment items due to the division of Telefónica Móviles Chile S.A. and Torres Dos S.A. in the amount of ThCh$ (111,933).

12. Investments accounted for using the equity method

a) For the 2012 and 2011 years investments in associated companies as well as a summary of their information is detailed as follows:

Taxpayer No.	Name	Investment balance 12.31.2012	Participation percentage %	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Income ThCh$
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda. (1)	2,484,207	48.00	75,555,181	46,815,222	85,818,722	31,376,249	175,075,825	164,426,046	6,980,594

(1) On July 25, 2011, the company acquired 48% of equity rights of related company Telefonica Chile Servicios Corporativos Ltda.

Taxpayer No.	Name	Investment balance 12.31.2011	Participation percentage %	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Income ThCh$
96.672.150-2	Wayra Chile Tecnología e Innovación Ltda. (1)	656,874	99.99	818,500	-	161,598	28	446,300	458,711	3,872

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

Of December 31, 2011 Telefónica Chile Servicios Corporativos Ltda. has negative equity therefore it is classified under non-current provisions. (see Note 18b)i).

b) The movement in investments in associates during the years 2012 and 2011 is as follows:

Movements	12.31.2012 ThCh$	12.31.2011 ThCh$
Beginning balance (1)	**(883,199)**	**656,818**
Participation in ordinary income current period (2)	2,895,637	1,255,963
Acquisitión participation in Telefónica Chile Servicios Corporativos Ltda.	-	2,970
Capital Increase Wayra Chile Ltda. Technology and Innovation	1,100,000	-
Sales Wayra Chile Tecnología e Innovación Ltda. (3)	(1,303,297)	-
Other increases in reserve (4)	673,540	(2,794,989)
Other increases (5)	28	(3,961)
Movements, subtotal	**3,365,908**	**(1,540,017)**
Final balance (1)	**2,482,709**	**(883,199)**

(1) Corresponds to the interest in Wayra Chile Tecnología e Innovación Ltda. in the amount of ThCh$ 656,874 and the provision for share in associates with negative equity in the amount of ThCh$ 1,540,073 (see Note 18b).

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

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

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

(5) Corresponds to the sale of shares of Intertel S.A. carried out by subsidiary Wayra Chile Tecnología e Innovación Ltda. on April 30, 2012.

13. Intangible Assets other than goodwill,

a) For 2012 and 2011 intangible assets other than goodwill are detailed as follows:

Description	Intangibles, gross ThCh$ (12.31.2012)	Accumulated amortization ThCh$ (12.31.2012)	Intangible, net ThCh$ (12.31.2012)	Intangibles, gross ThCh$ (12.31.2011)	Accumulated amortization ThCh$ (12.31.2011)	Intangible, net ThCh$ (12.31.2011)
Intangible assets for exploration and evaluation (1)	125,647,598	(91,822,954)	33,824,644	125,647,598	(90,080,912)	35,566,686
Licenses and software	142,411,224	(114,994,619)	27,416,605	134,914,923	(95,408,931)	39,505,992
Total	**268,058,822**	**(206,817,573)**	**61,241,249**	**260,562,521**	**(185,489,843)**	**75,072,678**

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

b) Movements in intangible assets other than goodwill for 2012 is as follows:

Movements	Intangible assets for exploration and evaluation ThCh$	Licenses and software, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.12	**35,566,686**	**39,505,992**	**75,072,678**
Amortization expense	(1,742,042)	(19,585,688)	(21,327,730)
Transfer from construction in progress (note 15b)	-	7,496,301	7,496,301
Movements, subtotal	**(1,742,042)**	**(12,089,387)**	**(13,831,429)**
Ending balance as of 12.31.2012	**33,824,644**	**27,416,605**	**61,241,249**
Remaining average useful life		**3 years**	

Movements in intangible assets other than goodwill for 2011 is as follows:

Movements	Intangible assets for exploration and evaluation ThCh$	Licenses and software, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.11	**37,305,066**	**25,458,178**	**62,763,244**
Amortization expense	(1,738,380)	(14,308,509)	(16,046,889)
Other Increase (decrease)	-	28,356,323	28,356,323
Movements, subtotal	**(1,738,380)**	**14,047,814**	**12,309,434**
Ending balance as of 12.31.2012	**35,566,686**	**39,505,992**	**75,072,678**
Remaining average useful life		**4 years**	

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

13. Intangible Assets other than goodwill, continued

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

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

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

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

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

In the financial statements for the years 2012 and 2011 was not included any impact as a result of the impairment tests performed on these assets.

14. Goodwill

Current goodwill as of this year was generated prior to the date of transition and adoption of International Financial Reporting Standards, maintaining the value recorded as of that date.

The balance of goodwil for december 31, 2012 and 2011 are detailed as follows:

Movements	12.31.2012 ThCh$	12.31.2011 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 shareholder controller 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 property, plant and equipment of the acquired company, which was at the book value of the assets.

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

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

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

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

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

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

Based on the impairment calculations performed by management, as of 2012 and 2011 year-end there has been no need to carry out significant adjustments since the recoverable value is higher than the carrying amount in all cases.

15. Property, Plant and Equipment

a) As of december 31, 2012 and 2011 the major categories of Property, plant and equipment and their corresponding accumulated depreciation are detailed as follows:

Concepts	12.31.2012 equipment, Gross ThCh$	Accumulated depreciation ThCh$	Net PP&E ThCh$	12.31.2011 Property, plant & equipment, Gross ThCh$	Accumulated depreciation ThCh$	Net PP&E ThCh$
Land	3,586,428	-	3,586,428	3,829,393	-	3,829,393
Buildings (1)	104,714,781	(96,021,714)	8,693,067	119,453,253	(101,152,789)	18,300,464
Transport equipment	17,214	(17,214)	-	106,528	(66,747)	39,781
Supplies and accessories	10,069,095	(6,945,715)	3,123,380	9,282,617	(7,011,306)	2,271,311
Office equipment	768,107	(640,447)	127,660	591,520	(443,327)	148,193
Construction in progress	100,912,920	-	100,912,920	40,463,920	-	40,463,920
(2)	876,445,830	(624,582,997)	251,862,833	824,208,941	(521,776,453)	302,432,488
Totales	**1,096,514,375**	**(728,208,087)**	**368,306,288**	**997,936,172**	**(630,450,622)**	**367,485,550**

1) On September 15, 2011 this financial lease was transferred to Miraflores 130 S.A. (See Note 22 a).

2) On December 11, 2012 there was withdrawal of telecommunications infrastructure in the amount of ThCh$ 3,528,675, as a product of the division of the company into two: Telefónica Móviles Chile S.A. and Torres Dos S.A. On December 12, 2011 there was withdrawal of telecommunications infrastructure in the amount of ThCh$ 1,622,720, due to the division of the Company in two: Telefónica Móviles Chile S.A. and Torres Uno S.A. (becoming Operadora de Torres de Telefonía Ltda.) (see Note 1).

Property, plant and equipment items are detailed as follows:

Concepts	12.31.2012 Property, plant & equipment, Gross ThCh$	Accumulated depreciation ThCh$	Net PP&E ThCh$	12.31.2011 Property, plant & equipment, Gross ThCh$	Accumulated depreciation ThCh$	Net PP&E ThCh$
General Equipment	3,450,091	(2,100,237)	1,349,854	3,250,741	(1,483,432)	1,767,309
Teams subscribers	166,342,519	(123,342,115)	43,000,404	147,724,749	(83,678,554)	64,046,195
Computer processing equipment	17,965,732	(13,785,303)	4,180,429	15,929,573	(11,546,168)	4,383,405
Central offices	688,687,488	(485,355,342)	203,332,146	657,303,878	(425,068,299)	232,235,579
Totales	**876,445,830**	**(624,582,997)**	**251,862,833**	**824,208,941**	**(521,776,453)**	**302,432,488**

15. Property, Plant and Equipment, continued

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

Movements	Land ThCh$	Buildings, net ThCh$	Transport equipment, net ThCh$	Supplies and accessories, net ThCh$	Office equipment, net ThCh$	Construction in progress ThCh$	Other property, plant & equipment, net ThCh$	Property, plant and equipment, net ThCh$
Beginning balance as of 01.01.12	3,829,393	18,300,464	39,781	2,271,311	148,193	40,463,920	302,432,488	367,485,550
Additions (1)	-	-	-	-	-	102,447,804	104,629,467	207,077,271
Retirements	(242,965)	(14,985,416)	(89,314)	-	-	-	(85,745,223)	(101,062,918)
Acc. Dep. retirements	-	11,456,741	55,415	-	-	-	85,745,223	97,257,379
Depreciation expense (2)	-	(6,477,106)	(5,882)	(339,275)	(20,296)	-	(188,112,134)	(194,954,693)
Transfer of depreciation (3)	-	151,440	-	404,866	(176,824)	-	(439,635)	(60,153)
Other Increase (decrease) (3)	-	246,943	-	786,479	176,587	(41,998,804)	33,352,647	(7,436,148)
Movements, subtotal	**(242,965)**	**(9,607,398)**	**(39,781)**	**852,070**	**(20,533)**	**60,449,000**	**(50,569,655)**	**820,738**
Ending balance as of 12.31.2012	**3,586,428**	**8,693,066**	**-**	**3,123,381**	**127,660**	**100,912,920**	**251,862,833**	**368,306,288**

(1) Include additions for the concept of commodatum agreement (on loan) in the amount of ThCh$ 104,629,465.

(2) 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. This change affected equipment rented until September 30, 2012 in the amount of ThCh$7,527,753.

(3) Corresponds to the net movement of transfer of construction in progress to assets in service, transfers to intangible assets in the amount of ThCh$(7,496,301)

Movements of major categories of Property, plant and equipment for 2011 period are detailed as follows:

Movements	Land ThCh$	Buildings, net ThCh$	Transport equipment, net ThCh$	Supplies and accessories, net ThCh$	Office equipment, net ThCh$	Construction in progress ThCh$	Other property, plant & equipment, net ThCh$	Property, plant and equipment, net ThCh$
Beginning balance as of 01.01.11	3,829,393	21,397,602	149,264	999,883	176,774	59,603,651	308,324,053	394,480,620
Additions (1)	-	-	-	-	-	73,572,205	106,790,568	180,362,773
Retirements	-	(16,863,592)	(167,803)	(12,031)	(212,926)	-	(281,061,755)	(298,318,107)
Acc. Dep. retirements	-	13,327,843	95,051	12,031	212,926	-	279,438,766	293,086,617
Depreciation expense	-	(6,866,930)	(36,731)	(143,264)	(28,581)	-	(168,478,498)	(175,554,004)
Other Increase (decrease) (2)	-	7,305,541	-	1,414,692	-	(92,711,936)	57,419,354	(26,572,349)
Movements, subtotal	-	**(3,097,138)**	**(109,483)**	**1,271,428**	**(28,581)**	**(19,139,731)**	**(5,891,565)**	**(26,995,070)**
Ending balance as of 12.31.2011	**3,829,393**	**18,300,464**	**39,781**	**2,271,311**	**148,193**	**40,463,920**	**302,432,488**	**367,485,550**

(1) Include additions for the concept of commodatum agreement (on loan) in the amount of M$ 106,790,568.
(2) Corresponds to the net movement of transfer of construction in progress to assets in service, transfers to intangible assets in the amount of ThCh$(28,272,966) and transfer due to reclassification of beginning balances (tangible and intangible) for an amount of ThCh$(83,357), increase in tangible value of Site Dismantling Provision in the amount of ThCh$1,780,903 and transfer from equipment held for sale to investment materials in the amount of ThCh$3,070.

15. Property, Plant and Equipment, continued

The net amount of Property, plant and equipment items that are temporarily out of service as of december 31, 2012 and 2011 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 financial liabilities and non-interest bearing current is:

Description		12.31.2012 Current ThCh$	12.31.2012 Non-current ThCh$	12.31.2011 Current ThCh$	12.31.2011 Non-current ThCh$
Bank loans	(a)	343,991	107,926,600	31,463,261	110,428,690
Unguaranteed obligations (Bonds)	(b)	1,367,585	285,795,385	1,400,943	295,607,540
Hedge instruments	(see note 6b)	3,544,726	2,921,907	1,095,407	-
Total		**5,256,302**	**396,643,892**	**33,959,611**	**406,036,230**

16. Other Current and Other Non-current Financial Liabilities

a) The detail of bank loans for 2012 is as follows:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term	Nominal amounts (ThCh$) Expiration Up to 90 days	90 days to 1 years	1 to 3 years	3 to 5 years	5 years and over	Total nominal amounts
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	Foreign	BBVA BANCOMER	México	US$	Al vencimiento	1.46%	1.11%	US$ 70mm	2016	-	-	-	32,637,500	-	32,637,500
Syndicated Loan (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	Al vencimiento	7.20%	6.79%	MM$49.000	2016	-	-	-	49,000,000	-	49,000,000
Syndicated Loan (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97004000-5	Banco Chile	Chile	CLP	Al vencimiento	7.41%	6.95%	MM$26.000	2014	-	-	26,000,000	-	-	26,000,000
	Total bank loans												-	-	**26,000,000**	**81,637,500**		**107,637,500**

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

(1) On June 15, 2011, a syndicated loan was entered into 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 entered into 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 entered into 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

a) The detail of bank loans for 2011 is as follows:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term	Nominal amounts (ThCh$) Expiration Up to 90 days	90 days to 1 years	1 to 3 years	3 to 5 years	5 years and over	Total nominal amounts
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A	Chile	97030000-7	Banco Estado	Chile	CLP	Al vencimiento	7.48%	7.03%	MM$ 31.000	2012	-	31,000,000				31,000,000
Syndicated Loan (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	Foreign	BBVA Bancomer	México	US$	Al vencimiento	1.48%	1,09%	US$ 70 mm	2016	-	-	-	32,637,500	-	32,637,500
Syndicated Loan (3)	87845500-2	Telefónica Móviles Chile S.A	Chile	97030000-7	Banco Estado	Chile	CLP	Al vencimiento	6.98%	6.79%	MM$49.000	2016	-	-	-	49,000,000	-	49,000,000
Syndicated Loan (4)	87845500-2	Telefónica Móviles Chile S.A	Chile	97004000-5	Banco Chile	Chile	CLP	Al vencimiento	7.43%	7.20%	MM$ 26.000	2014	-	-	26,000,000	-	-	26,000,000
	Total bank loans												-	**31,000,000**	**26,000,000**	**81,637,500**	**-**	**138,637,500**

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Current Expiration Up to 90 days ThCh$	90 days to 1 years ThCh$	Total current as of 12.31.2011 ThCh$	Non-current Expiration 1 to 3 years ThCh$	3 to 5 years ThCh$	5 years and over ThCh$	Total Non current as of 12.31.2011 ThCh$
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A	Chile	97030000-7	Banco Estado	Chile	CLP	31,073,278	-	31,073,278				-
Syndicated Loan (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	Extranjero	BBVA Bancomer	México	US$	19,667	-	19,667	-	35,829,063	-	35,829,063
Syndicated Loan (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	-	268,173	268,173	-	48,703,107	-	48.703.107
Syndicated Loan (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97004000-5	Banco Chile	Chile	CLP	-	102,143	102,143	25,896,520	-	-	25.896.520
	Total bank loans							**31,092,945**	**370,316**	**31,463,261**	**25,896,520**	**84,532,170**	**-**	**110,428,690**

(1) Becomes due on November 15, 2012. On June 15, 2011, there was a capital amortization of the local syndicated loan in the amount of ThCh$23,000,000.

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

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

(4) On December 1, 2011, a bilateral loan was entered into 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 2012 is as follows:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term	Nominal amounts (ThCh$) Expiration: Up to 90 days	90 days to 1 years	1 to 3 years	3 to 5 years	5 years and over	Total nominal amounts
Series A Bond (1)	878455000-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	CLP	Al vencimiento	5.62%	5.60%	MM$ 32.000	2014	-	-	32,000,000	-	-	32,000,000
144A Bond (2)	878455000-2	Telefónica Móviles Chile S.A	Chile	Foreign	Bank of New York	Chile	US$	Al vencimiento	3.23%	2.88%	US$ 300 mm	2015	-	-	-	146,889,507	-	146,889,507
Series C Bond (3)	878455000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	CLP	Al vencimiento	6.73%	6.30%	MM$ 66.000	2016	-	-	-	66,000,000	-	66,000,000
Series D Bond (4)	878455000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	Al vencimiento	3.83%	3,60%	UF 2 mm	2016	-	-	-	44,375,180	-	44,375,180
Total unguaranteed obligations													-	-	**32,000,000**	**257,264,687**	**-**	**289,264,687**

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

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

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

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

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

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

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

b) Details of unsecured obligations (Bonds) for 2011 is as follows:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term	Nominal amounts (ThCh$)					
															Expiration			
													Up to 90 days	90 days to 1 years	Up to 90 days	90 days to 1 years	Up to 90 days	Total nominal amounts 90 days to 1 years
Series A Bond (1)	878455000-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	CLP	Al vencimiento	5.62%	5.60%	MM$ 32.000	2014	-	-	32,000,000	-	-	32,000,000
144A Bond (2)	878455000-2	Telefónica Móviles Chile S.A	Chile	Foreign	Bank of New York	EE.UU.	US$	Al vencimiento	3.23%	2.88%	US$ 300 mm	2015	-	-	-	145,889,507	-	145,889,507
Series C Bond (3)	878455000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	CLP	Al vencimiento	6.73%	6.30%	MM$ 66.000	2016	-	-	-	66,000,000	-	66,000,000
Series D Bond (4)	878455000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	Al vencimiento	3.83%	3,60%	UF 2 mm	2016	-	-	-	44,375,180	-	44,375,180
Total unguaranteed obligations													**-**	**-**	**32,000,000**	**257,264,687**	**-**	**289,264,687**

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Current			Non-current			
								Expiration						
								Up to 90 days ThCh$	90 days to 1 years ThCh$	Total current as of 12.31.2011 ThCh$	1 a 3 años ThCh$	3 a 5 años ThCh$	5 años y más ThCh$	Total Non current as of 12.31.2011 ThCh$
Series A Bond (1)	878455000-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	Banco Santander	Chile	CLP	807,667	-	807,667	31,993,244	-	-	31,993,244
144A Bond (2)	878455000-2	Telefónica Móviles Chile S.A	Chile	Foreign	Bank of New York	EE.UU	US$	-	164,537	164,537	-	154,317,657	-	154,317,657
Series C Bond (3)	878455000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	CLP	-	312,694	312,694	-	65,069,375	-	65,069,375
Series D Bond (4)	878455000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	-	116,045	116,045	-	44,227,264	-	44,227,264
Total unguaranteed obligations								**807,667**	**593,276**	**1,400,943**	**31,993,244**	**263,614,296**	**-**	**295,607,540**

(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 MCh $ 66,000 for a 5-year bullet term.

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

17. Trade and Other Accounts Payable

Trade and other accounts current payable are detailed as follows

Description	12.31.2012 ThCh$	12.31.2011 ThCh$
Debts due to purchases or services rendered (1)	116,518,522	117,749,023
Suppliers of fixed assets	48,645,188	46,985,415
Total currents	**165,163,710**	**164,734,438**

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

Accounts payable due to purchases or services rendered	12.31.2012 ThCh$	12.31.2011 ThCh$
Domestic	79,511,662	65,773,376
Foreign	37,006,860	51,975,647
Total	**116,518,522**	**117,749,023**

18. Other Provisions

a) Other short-term provisions

The balance of provisions is detailed as follows:

Description	12.31.2012 ThCh$	12.31.2011 ThCh$
Civil and regulatory	360,415	1,843,816
Total	**360,415**	**1,843,816**

For December 2012 civil and regulatory provisions are mainly composed of complaints from the Undersecretary of Telecommunications of Chile (Subtel) in the amount of ThCh$ 176,080 and civil lawsuits in the amount of ThCh$ 128,739. The main amount for 2011 corresponds to fines from the Antitrust Commission in the amount of ThCh$ 1,404,756.

Movements in provisions for the períods 2012 y 2011 son los siguientes:

Movements	12.31.2012 ThCh$	12.31.2011 ThCh$
Beginning balance	**1,843,816**	**464,466**
Increase in existing provisions	329,534	1,602,659
Provision used (1)	(1,812,935)	(223,309)
Movements, subtotal	**(1,483,401)**	**1,379,350**
Ending balance	**360,415**	**1,843,816**

(1) Includes payment As of December 31, 2011, includes ThCh$ 1,404,756 corresponding to a fine imposed by the Antitrust Commission in the amount of 3,000 U.T.A.

18. Other Provisions, continued

a) Other short-term provisions

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 26, 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 provisions, long term

As of December 31, 2012, the balance of other non-current provisions

Description	12.31.2012 ThCh$	12.31.2011 ThCh$
Investment in related company reserve (i)	1,498	1,540,073
Dismantling provision (ii)	15,671,825	13,252,339
Total	**15,673,323**	**14,792,412**

i) As of December 31, 2012 and 2011, other investments in associated companies with negative equity are detailed as follows:

Taxpayer No.	Name	Investment balance 12.31.2012	Participation percentage %	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Income ThCh$
96.898.630-9	Intertel S.A. (1)	(1,498)	50.00	612	472	4,079	-	-	3,413	(2,942)

(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.

Taxpayer No.	Name	Investment balance 12.31.2011	Participation percentage %	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Income ThCh$
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda. (1)	(1,540,017)	48.00	58,925,873	41,032,486	71,988,399	31,178,329	82,886,162	78,646,356	2,611,525
96.898.630-9	Intertel S.A.	(56)	50.00	944	-	1,000	-	-	68	180

(1) On July 25, 2011, the Company acquired 48% interest in related company Telefonica Chile Servicios Corporativos Limitada, which as of March 31, 2012 and December 31, 2011 shows negative equity.

As of December 31, 2012 and 2011, the movement of investments in associated companies with negative equity is included in movement of shares in associated companies in Note 12 b).

18. Other Provisions, continued

ii) Movements of the dismantling provision as of December 31, 2012 and 2011 are detailed as follows:

Movements	12.31.2012 ThCh$	12.31.2011 ThCh$
Beginning balance	13,252,339	10,312,591
Increase in existing provisions	2,419,486	2,939,748
Movements, subtotal	**2,419,486**	**2,939,748**
Ending balance	**15,671,825**	**13,252,339**

19. Current employee benefits provision

a) Employee benefits

Current and non-current employee benefits accrual for the 2012 and 2011 periods are detailed as follows:

Description	12.31.2012 ThCh$	12.31.2011 ThCh$
Goal achievement bonuses, currents	-	343,329
Non-current termination benefits	-	406,656
Total	**-**	**749,985**

Movements for current and non-current provisions for termination benefits to employees for the periods 2012 and 2011 are as follows:

Movements	12.31.2012 ThCh$	12.31.2011 ThCh$
Beginning balance	**749,985**	**4,819,773**
Past service costs	-	41,547
Interest costs	-	21,509
Actuarial profits, net	-	1,306,243
Benefits paid	-	(1,392,818)
Goal achievement bonuses, currents		1,834,772
Eliminations/ Additions		(4,389,598)
Intercompany transfer (1)	(749,985)	(1,491,443)
Movements, subtotal	**(749,985)**	**(4,069,788)**
Ending balance	**-**	**749,985**

(1) Corresponds to the values transferred from Telefónica Móviles Chile S.A. to subsidiary Telefónica Chile Servicios Corporativos Ltda. for the concept of termination benefits of employees transferred in the integration process.

19. Current employee benefits provision, continued

b) Employee expenses

The composition of the costs to employee is as follows:

Description	12.31.2012 ThCh$	12.31.2011 ThCh$
Wages and salaries (1)	-	14,870,215
Benefits obligation expense	-	2,957,932
Health and life insurance	-	818,197
Other employee expenses (2)	1,076,741	1,398,531
Total	**1,076,741**	**20,044,875**

(1) As of December 31, 2011 all the company's employees were transferred to related company Telefónica Gestión Servicios Compartidos Chile S.A. Service costs for this concept are classified under other expenses (Note 23 c), in the expenses for employees transferred from other companies item.

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

20. Other Current Non-financial Liabilities

Other current non-financial liabilities are detailed as follows:

Description	12.31.2012 ThCh$	12.31.2011 ThCh$
Deferred income, current (1)	55,084,436	62,404,619
Other taxes (2)	1,583,732	963,616
Total currents	**56,668,168**	**63,368,235**

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

As of December 31, 2012, this heading includes deferred income in the amount of ThCh$ 10,502,948 from the sale of Torres Dos S.A., which was sold on December 21, 2012 to Torres Unidas Chile SpA (Torrecom). As of December 31, 2011, includes deferred income in the amount of ThCh$ 17,544,106 generated by the operation performed on December 12, 2011, where Telefónica Móviles Chile S.A. sold telecommunications infrastructure to ATC Sitios de Chile S.A., the rest corresponds to deferred income originated from activities inherent to the line of business

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

Movements of deferred income are detailed as follows:

Deferred revenues	12.31.2012 ThCh$	12.31.2011 ThCh$
Begining balance	62,404,619	33,501,232
Endowments	466,823,784	468,390,061
Reduction/applications	(474,143,967)	(439,486,674)
Movements, subtotal	**(7,320,183)**	**28,903,387**
Ending balance	**55,084,436**	**62,404,619**

21. Equity

a) Capital:

As of december 31, 2012 and 2011, the Company's paid-in capital is detailed as follows:

Number of shares:

Serie	12.31.2012 No. of shares subscribed	12.31.2012 No. of paid shares	12.31.2012 No. of shares with voting rights	12.31.2011 No. of shares subscribed	12.31.2011 No. of paid shares	12.31.2011 No. of shares with voting rights
SINGLE	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145
Total	**118,026,145**	**118,026,145**	**118,026,145**	**118,026,145**	**118,026,145**	**118,026,145**

Capital:

Serie	12.31.2012 Subscribed capital ThCh$	12.31.2012 Paid - in capital ThCh$	12.31.2011 Subscribed capital ThCh$	12.31.2011 Paid - in capital ThCh$
SINGLE	941,098,241	941,098,241	941,099,241	941,099,241
Total	**941,098,241**	**941,098,241**	**941,099,241**	**941,099,241**

At the Extraordinary Shareholders' Meeting of the company held on September 15, 2011, the shareholders agreed to approve the division of Telefonica Moviles Chile S.A. establishing Miraflores 130 S.A., generating a capital decrease of ThCh$ 1,000 (see Note 1).

At the Extraordinary Shareholders' Meeting of the company held on December 12, 2011, the shareholders approved the division of Telefonica Moviles Chile S.A., establishing Operadora de Torres de Telefonía Ltda., generating a capital decrease of ThCh$ 1,000 (see Note 1).

At the Extraordinary Shareholders' Meeting held on December 11, 2012 the shareholders approved the division of Telefónica Móviles Chile S.A., creating Torres Dos S.A., generating a capital decrease of ThCh$ 1,000 (see Note 1).

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.

21. Equity, continued

b) Distribution of shareholders:

In accordance with Circular No. 792 issued by the Superintendency of Securities and Insurance (S.V.S.), the Company's shareholders and their ownership interest as of December 31, 2012 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 december 31, 2012 and 2011, 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, 2012, 30% of net income for the year which should be paid as a dividend amounts to ThCh$ 30,359,444. A part of this value was paid in November 2012 (see Note 21c)ii)) and the difference in the amount of ThCh$ 974,315 has been provisioned and is presented under accounts payable to related companies.

At the Ordinary Shareholders' Meeting held on April 19, 2012, the Company agreed to consider and approve as a final dividend, the amount already distributed in December 2011, which amounts to 12.3% of net income for the year, in order to have retained earnings for the purpose of being subsequently distributed as eventual dividends. Due to the above, the minimum legal provision in the amount of ThCh$ 28,781,193, recognized as of December 31, 2011 to comply with existing standards, was reversed and restored to retained earnings.

21. Equity, continued

c) Dividends, continued

ii) Decreased capital and dividends distributed:

As of December 31, 2012 net income for 2010 and 2011 has been fully distributed.

The Company has distributed the following dividends during these reporting periods:

Date	Dividend	Amount Distributed ThCh$	Charge to net income	Payment date
03-02-2011	Final	65,000,000	Fiscal year 2010	03-29-2011
07-01-2011	Interim	37,000,000	Fiscal year 2010	07-26-2011
12-02-2011	Eventual	50,107,530	Fiscal year 2010	12-28-2011
12-02-2011	Interim	20,000,000	Fiscal year 2011	12-28-2011
11-19-2012	Eventual	8,236,817	Fiscal year 2010	12-19-2012
11-19-2012	Eventual	142,603,976	Fiscal year 2011	12-19-2012
11-19-2012	Interim	29,385,129	Fiscal year 2012	12-19-2012

d) Other reserves

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

Description	Balance as of 12.31.2011 ThCh$	Net movement ThCh$	Balance as of 12.31.2012 ThCh$
Business combination reserve	(97,886,550)	-	(97,886,550)
Cash flows hedge reserve	944,033	(119,645)	824,388
Employee benefits reserve	(2,594,523)	473,074	(2,121,449)
Revaluation issued capital	(233,685,428)	-	(233,685,428)
Totales	**(333,222,468)**	**353,429**	**(332,869,039)**

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.

21. Equity, continued

d) Other reserves, continued

iii) Reserve for employee benefits

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) Price-level restatement of issued capital

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

e) Non-controlling interests

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

As of december 31, 2012, the Company has non-controling interests arising from the investment in Telefónica Móviles Chile Distribución S.A..

Subsidiares	Non-controlling Interest percentage		Shareholders' equity Non-controlling interest		Participation in profit income (loss)	
	2012	2011	2012	2011	2012	2011
	%	%	ThCh$	ThCh$	ThCh$	ThCh$
Telefónica Móviles Chile Distribución S.A.	0.01	0.01	55	44	11	-
Total			**55**	**44**	**11**	**-**

22. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	12.31.2012 ThCh$	12.31.2011 ThCh$
Earnings attributable to owners of the parent	101,198,146	162,603,977
Profit available for shareholders	**101,198,146**	**162,603,977**
Weighted average number of shares	118,026,145	118,026,145
Basic earnings per share in Ch$	**857.42**	**1,377.69**

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 outstanding 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.

23. Income and Expenses

a) Income from ordinary activities for 2012 and 2011 is detailed as follows:

Operating income	12.31.2012 ThCh$	12.31.2011 ThCh$
Sale of goods (1)	68,624,839	63,211,635
Services rendered	905,298,610	880,482,700
Total	**973,923,449**	**943,694,335**

(1) As of December 31, 2012, income from post paid mobile equipment rental from October to December is included in the amount of ThCh $ 6,929,053.

b) Other operating income for the periods ended , 2012 and 2011 is detailed as follows:

Other income	12.31.2012 ThCh$	12.31.2011 ThCh$
Indemnity (1)	87,470	460
Other common management earnings	1,532,158	1,098,059
Gains on disposal of fixed assets (1)	26,266,195	31,127,380
Total	**27,885,823**	**32,225,899**

(1) As of December 31, 2012 mainly includes income generated from the sale of Torres Dos S.A. to Torres Unidas Chile Spa, carried out on December 21, 2012 in the amount of ThCh$ 24,527,585.

As of December 31, 2011, includes the value of the sale of rights of the operating company of Torres de Telefónica Ltda. in the amount of ThCh$49,153,717 and deferred income in the amount of ThCh$ 17,544,106 generated by the transaction performed on December 30, 2011, where Telefónica Móviles Chile S.A. sold telecommunications infrastructure to ATC Sitios de Chile S.A. at a net carrying amount of ThCh$ 1,622,720.

23. Income and Expenses, continued

c) The detail of other expenses , by nature of the operation for the periods 2012 and 2011 are as follows:

Other expenses	12.31.2012 ThCh$	12.31.2011 ThCh$
Interconnections and roaming	163,169,338	145,259,366
Rent	66,063,913	51,088,976
Cost of sales of equipment (1)	99,217,569	81,327,603
External services	12,263,929	9,908,985
Sales commission	62,647,574	66,157,130
Customer services	32,212,268	25,988,796
Maintenance	15,193,929	23,749,468
Allowance for doubtful accounts	29,895,264	25,680,942
Advertising	21,609,886	19,672,678
Employee exp. transferred by other comp.	75,409,582	38,890,368
Electrical energy for technical installations	9,505,135	9,648,610
Administrative and management services	36,750,119	25,883,893
Compensation to suppliers for messaging services	10,563,123	16,534,109
Others	17,744,983	17,033,365
Total	**652,246,612**	**556,824,289**

(1) As of December 31, 2012, includes the cost of post paid mobile equipment rental during the last quarter of the year in the amount of ThCh$ 18,513,389.

d) Details of income and financial costs for the periods 2012 and 2011 are as follows:

Net financial expenses	12.31.2012 ThCh$	12.31.2011 ThCh$
Finance income		
Interest earned on deposits and agreements	15,647,760	4,392,832
Derivative contracts (Forward)	222,300	52,007
Other finance income	2,009,190	785,246
Total finance income	**17,879,250**	**5,230,085**
Finance expenses		
Interest on loans from bank institutions	6,083,730	3,335,264
Interest on obligations and bonds	12,331,292	7,235,160
Finance leases	-	16,721
Derivative contracts (Forward)	165,979	547,792
Interest rate hedges (cross currency swap)	8,559,120	4,877,423
Other financial expenses	212,312	1,512,501
Total finance expenses	**27,352,433**	**17,524,861**
Net finance income	**(9,473,183)**	**(12,294,776)**

24. Operating leases

The Company has operating lease contracts for concepts associated directly to the line of business, such as leases for commercial office real estate and telecommunications technical facilities space.

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

Description	12.31.2012 Minimum payments ThCh$	12.31.2011 Minimum payments ThCh$
Expenses for the period	30,629,313	28,982,338
Up to 1 year	31,240,394	29,547,792
From 1 to 5 years	85,097,930	97,591,004
More than 5 years	60,991,502	76,591,686
Total	**207,959,139**	**232,712,820**

25. Local and Foreign Currency

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

Current assets	12.31.2012 ThCh$	12.31.2011 ThCh$
Cash and cash equivalents	**164,192,567**	**235,709,827**
US dollars	4,243	353,402
Euros	7,215	7,328
Chilean pesos	164,181,109	235,349,097
Other current financial assets	**44,551,680**	**6,449,206**
US dollars	4,304,007	2,688,570
Euros	15,992	-
Chilean pesos	40,231,681	411,218
U.F.	-	3,349,418
Trade and other receivable, current	**127,609,827**	**186,886,517**
US dollars	1,687,127	146,492
Euros	42,424	21,207
Chilean pesos	125,880,276	186,718,818
Receivable from related companies	**48,145,501**	**39,692,996**
US dollars	650,840	632,331
Euros	197,968	495,425
Chilean pesos	47,296,693	38,565,240
Other current assets (1)	**87,914,039**	**87,310,384**
Pesos	87,240,466	86,367,852
U.F.	673,573	942,532
Total current assets	**472,413,614**	**556,048,930**
US dollars	6,646,217	3,820,795
Euros	263,599	523,960
Chilean pesos	464,830,225	547,412,225
U.F.	673,573	4,291,950

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

25. Local and Foreign Currency, continued

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

Non-current assets	12.31.2012 ThCh$	12.31.2011 ThCh$
Other non-current financial assets	**1,134,018**	**10,942,691**
US dollars	417,110	4,474,493
U.F.	716,908	6,468,198
Chilean pesos		-
Other non-current financial assets	**1,169,017**	**1,983,081**
Chilean pesos	1,169,017	1,983,081
Non-current receivables	**-**	**96,063**
Chilean pesos	-	96,063
Other non-current assets (2)	**934,540,772**	**941,710,873**
Chilean pesos	934,540,772	941,710,873
Total non-current assets	**936,843,807**	**954,732,708**
US dollars	417,110	4,474,493
Chilean pesos	935,709,789	943,790,017
U.F.	716,908	6,468,198

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

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

Current liabilities	12.31.2012 Up 90 days ThCh$	12.31.2011 Up 90 days ThCh$	12.31.2012 De 91 days to 1 years ThCh$	12.31.2011 De 91 days to 1 years ThCh$
Other current financial liabilities	**4,173,671**	**33,589,295**	**1,082,631**	**370,316**
US dollars	14,490	184,204	192,982	-
Chilean pesos	4,159,181	33,289,046	889,649	370,316
U.F.	-	116,045	-	-
Trade and other payable	**165,163,710**	**164,734,438**	-	-
US dollars	44,915,579	38,242,904	-	-
Euros	3,909,189	3,037,629	-	-
Other currencies	41,408	44,526,195	-	-
Chilean pesos	113,301,609	69,126,220	-	-
U.F.	2,995,925	9,801,490	-	-
Payable to related companies, current	**67,453,667**	**91,356,160**	**-**	**-**
US dollars	1,272,039	1,027,231	-	-
Euros	5,459,559	37,412,909	-	-
Chilean pesos	60,722,069	52,916,020	-	-
Other current liabilities (1)	**21,411,376**	**5,971,616**	**56,668,168**	**63,361,928**
Chilean pesos	21,411,376	5,971,616	56,668,168	63,361,928
Total current liabilities	**258,202,424**	**295,651,509**	**57,750,799**	**63,732,244**
US dollars	46,202,108	39,454,339	192982	-
Euros	9,368,748	40,450,538	-	-
Other currencies	41,408	44,526,195	-	-
Chilean pesos	199,594,235	161,302,902	57,557,817	63,732,244
U.F.	2,995,925	9,917,535	-	-

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

25. Local and Foreign Currency, continued

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

Non-current liabilities	12.31.2012	12.30.2011	12.31.2012	12.30.2011	12.31.2012	12.30.2011
	1 to 3 yaers		3 to 5 years		5 years	
	ThCh$		ThCh$		ThCh$	
Other non-current financial liabilities	**60,861,973**	**59,429,781**	**335,781,919**	**346,606,449**	**-**	**-**
US dollars	-	-	176,330,767	190,146,720	-	-
U.F.	-	-	45,402,231	44,227,264	-	-
Chilean pesos	60,861,973	59,429,781	114,048,921	112,232,465	-	-
Other non-current liabilities (2)	**17,592,457**	**15,018,669**	**-**	**-**	**-**	**406,656**
Chilean pesos	17,592,457	15,018,669	-	-	-	406,656
Total non-current liabilities	**78,454,430**	**74,448,450**	**335,781,919**	**346,606,449**	**-**	**406,656**
US dollars	**-**	**-**	176,330,767	190,146,720	-	-
U.F.	**-**	**-**	45,402,231	44,227,264	-	-
Chilean pesos	78,454,430	74,448,450	114,048,921	112,232,465	-	406,656

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

26. Contingencies and Restrictions

a) Complaints against the government:

As of december 31, 2012 there are no complaints against the government.

b) Complaints filed by the Government against Telefónica Móviles:

As of december 31, 2012 there are no complaints filed by the Government against Telefónica Móviles.

c) Lawsuits several

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

Notwithstanding the above, there are certain processes where, due to the aforementioned considerations, we have estimated that there is a risk of loss qualified as probable, which has motivated it to establish provisions for the amount of what would be the estimated loss as of December 31, 2012, which altogether amounts to ThCh$360,415.

d) Other contingencies:

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

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

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

e) Financial restrictions:

As of december 31, 2012 and December 31, 2011 the company has no financial restrictions.

26. Contingencies and Restrictions , continued

f) Guarantee Deposits

Guarantee deposits are detailed as follows:

	Debtor				Guarantee liberation		
Guarantee creditor	Name	Relationship	Type of guarantee	In force ballots ThCh$	2012 ThCh$	2013 ThCh$	2014 and thereon ThCh$
Subsecretaría de Telecomunicaciones	TMCH	Parent company	Guarantee	686,380,060	-	2,015,233	684,364,828
Aguas Andinas S.A.	TMCH	Parent company	Guarantee	71,000,000	-	5,000,000	66,000,000
Tesoreria del Estado Mayor del Ejercito	TMCH	Parent company	Guarantee	34,375,130	-	34,375,130	-
Ilustre Municipalidad De Vitacura	TMCH	Parent company	Guarantee	14,565,600	-	-	14,565,600
Subsecretaría de Transportes	TMCH	Parent company	Guarantee	14,000,000	9,000,000	5,000,000	-
Gendarmeria de Chile	TMCH	Parent company	Guarantee	13,395,331	-	13,395,331	-
Camara de Diputados	TMCH	Parent company	Guarantee	10,000,000	-	10,000,000	-
Corporación Administrativa Del Poder Judicial	TMCH	Parent company	Guarantee	10,000,000	10,000,000	-	-
Subsecretaría de Economía	TMCH	Parent company	Guarantee	9,150,000	-	-	9,150,000
Empresa de los Ferrocarriles del Estado	TMCH	Parent company	Guarantee	6,752,907	-	-	6,752,907
Ilustre Municipalidad de Lo Barnechea	TMCH	Parent company	Guarantee	6,705,517	-	-	6,705,517
Dirección del Trabajo	TMCH	Parent company	Guarantee	6,453,476	-	100,000	6,353,476
Ilustre Municipalidad de Estacion Central	TMCH	Parent company	Guarantee	5,369,280	5,369,280	-	-
Ilustre Municipalidad de Macul	TMCH	Parent company	Guarantee	5,336,550	-	-	5,336,550
Dirección General de Aeronautica Civil	TMCH	Parent company	Guarantee	10,262,880	-	10,262,380	500
Presidencia de la Republica	TMCH	Parent company	Guarantee	4,500,000	-	-	4,500,000
Ilustre Municipalidad de Valparaiso	TMCH	Parent company	Guarantee	4,200,000	-	-	4,200,000
Servicio de Bienestar del Personal de la SVS	TMCH	Parent company	Guarantee	3,552,336	-	3,552,336	-
Fondo de Solidaridad e Inversion Social	TMCH	Parent company	Guarantee	3,275,094	-	1,637,547	1,637,547
Banco Central de Chile	TMCH	Parent company	Guarantee	3,000,000	3,000,000	-	-
Ministerio de Obras Publicas	TMCH	Parent company	Guarantee	3,000,000	3,000,000	-	-
Ilustre Municipalidad de Molina	TMCH	Parent company	Guarantee	2,982,257	200,000	2,782,257	-
Others	TMCH	Parent company	Guarantee	19,979,515	1,350,140	15,450,801	3,178,574
				948,235,933	**31,919,420**	**103,571,015**	**812,745,499**

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

TMCH: Telefónica Móviles Chile S.A.

27. Environment

Due to the nature of its line of business, 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 protection of the environment during this year, whether in a direct or indirect manner.

Law No. 20,599 was published on June 11, 2012 regulating the installation of telecommunications services emitting and transmitting antennas. The approved indications include i) installation restrictions in saturated zones; more rigorous approval conditions are imposed for towers higher than 12 meters; ii) limited installation of towers close to sensitive places as determined by the Telecommunications Undersecretary (schools, hospitals, daycares, nursing homes and others); and iii) compensation is established with community improvements which must be agreed upon by the Neighborhood Councils and Municipal Council, for 30% of the total cost of the tower, should some type of camouflage be used in the structure and 50% in cases where no camouflage is used.

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

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

The Company is in the process of evaluating each phase contemplated by Law to identify and quantify its impact. As of December 31, 2012 the Company's expenditures in relation to the implementation of the corresponding phases are not significant.

Based on the progress made in project planning we estimate that implementation of the indicated Law will mean that the Company will have to make expenditures that can be capitalized and expenditures that cannot be capitalized in a process that should be ending in the last quarter of 2013.

28. Financial Risk Management (Not audited)

a) Characterization of the Market and Competition

The Mobile Telephony Market is characterized by its high penetration rate of approximately 139%, which is explained by strong competition and the search for new customer services and solutions. The above implies high levels of investment in networks and equipment in order to increase capacity and improve the strategies carried out by the concessionaries which have as a common factor offering better quality of service at competitive prices.

28. Financial Risk Management (Not audited), continued

a) Characterization of the Market and Competition, continued

Currently, the industry is composed of five operators with a network and a series of Virtual Mobile Operators that use these networks to provide their services. Companies with a network are Movistar, Entel, Claro, VTR and Nextel. The number of mobile subscribers as of December 2012 exceeds 24 million, with Movistar being a relevant market competitor with more than 10 million customers and with a total market share bordering 39%.

Nextel and VTR began operating in 2012 and the following Virtual Mobile Operators (VMOs) also began their commercial offer: GTD Móvil, Virgin Mobile and Netline (GTEL). For the time being they have a small.

Main landmarks as of december 2012:

- Coming into effect of Mobile and Fixed Numeric Portability in the country.
- Law No. 20,599 regulating the installation of antennas was published in the Official Gazette.
- The number of Internet connections through mobile telephones grew 128% in comparison to 2011. There are approximately 5.4 million 3G mobile connections.
- In 2012, the investment in the mobile sector is estimated to have reached amounts in excess of US$1,700 million.

b) Competition risk

New competitors such as Nextel, VTR, GTD, will position themselves in all products in the mid-term. Virtual Mobile Operators (VMOs) on the other hand, are a new business whose offer will mainly focus on market niches. The entry of Falabella, main retailer in Chile is foreseen during the first half of 2013.

In order to sustain the solid position that Movistar currently holds, it will continue developing its strategic position based on innovation, transforming the Company and making it into a more competitive company accepted by customers, adding value to the brand.

c) Regulatory environment

Regulation plays an important role in the mobile telephone industry. Stable standards and criteria allow market players to properly assess growth projects and reduce investment risk levels. Correctly rate-setting, in turn, permits creation of a healthy competitive environment.

28. Financial Risk Management (Not audited), continued

c) Regulatory environment, continued

In this sense, rate setting of regulated services can alter economic rationality, promoting the creation of new services or even discouraging the rendering of those services. It is of interest to both companies and authorities to provide more services and decrease the digital gap in Chile. To do so, in addition to proper rates, regulation must be appropriate and allow for timely resolution of conflicts that arise between companies.

On the regulatory front, the interconnection rates for mobile services are set for the period 2009 to 2013. The process that will result in new established prices for Telefónica Móviles Chile S.A. to be effective as of January 2014, began at the end of 2012.

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 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.

28. Financial Risk Management (Not audited), continued

Interest rate risk, continued

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

The Company periodically determines the efficient exposure of its short and long-term debt to changes in interest rates, based on the future evolution of rates. At the end of the first half of 2012 the company had 36% of its debt and short-term bearing interest at a fixed rate.

The company believes it is reasonable to measure the risk associated to financial debt interest rate as the sensitivity of monthly financial expense accrual in case of a change of 25 base points in the debt reference interest rate, which as of September 30, 2012 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 2012 of approximately Ch$53.2 million, whereas a drop in the TCPN would mean a reduction of Ch$53.2 million in the monthly financial accrual expense for 2012.

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. The Company's policy calls for trading derivative financial instruments that help minimize this risk.

After hedging activities to manage the main foreign currency risk that the company has identified, you can set the sensitivity of the fair value or future cash flows of hedged against changes in the level of exchange rate is close to zero, mainly because the coverage of foreign currency debt items is 100%. For the year to 31 December 2012 the company has 45% of its total debt in foreign currency.

As a result, the Company has entered into forward and swap contracts with local financial institutions to hedge the risks associated to purchases in foreign currency and its international syndicated loan.

28. Financial Risk Management (Not audited), continued

Credit risk :

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

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

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

Liquidity risk:

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

Capital management:

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

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

No changes were introduced in the objectives, policies or processes during the periods ended December 31, 2012 and 2011.

28. Financial Risk Management (Not audited), continued

e) Technological changes

Given the nature of the market and competition from other operators, coupled with the progressive evolution of telecommunications technology, the Company must continually invest in network infrastructure, handsets and technical platforms, among other assets, in order to provide consumers with optimum telecommunications and other related services.

f) Perspectivas

In the near term is expected to remain highly competitive scenario, with high penetration levels achieved, along with aggressive marketing activities carried out by all operators, mainly focused on increasing the use of data services, especially services Mobile Broadband via 3G networks. Both current operators, as new entrants (Nextel and VTR Móvil) resulting from public competitive spectrum auction, and shall further OMV demanding commercial offering investments in human and financial resources to new customer segments. demanding investments in human and financial resources.

Numeric portability resulted in 698 thousand subscribers being ported between January 16 and December 5, 2012 (source: Subtel), which represents 2.9% of total mobile users. According to international evidence, we expect that the tendency will decrease.

In the medium term is expected exponential increase in data traffic, given the increasing availability of applications in Smartphones, tablets and other devices that have an impact on the growth of mobile broadband, either through 3G or 4G networks.

29. Subsequent Events

The consolidated financial statements of Telefonica Moviles Chile S.A., for the year ended as of december 31, 2012 were approved and authorized for issuance at the Board of Directors Meeting held on january 29, 2013.

In the period from January 1 to 29, 2013, there have been no other significant subsequent events that affect these financial statements.

Rodolfo Escalante Fiestas
Gerente de Contabilidad

Roberto Muñoz Laporte
Gerente General

ANNEX N°1
STATEMENTS OF CONSOLIDATED CASH FLOWS, DIRECT METHOD (PROFORMA)

	For the year ended December 31, 2012
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CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Classes of operating activity charges	
Proceeds from sale of assets and services rendered	1.147.006.859
Other operating activity charges	3.155.597
Classes of payments	
Payments to suppliers for supplying goods and services	(855.059.939)
Payments to and on account of employees	(3.515.034)
Other operating activity payments	(60.276.561)
Income taxes (paid) reimbursed classified as operating activities	(11.600.310)
Cash flows used in operating activities:	**219.710.612**
CASH FLOWS PROVIDED BY INVESTMENT ACTIVITIES:	
Loans to related entities	(187.424.519)
Proceeds from sale of property, plant and equipment	84.179.055
Additions to property, plant and equipment	(106.465.145)
Collection from related entities	192.323.030
Interest received	15.362.704
Other cash inputs (outputs)	60.098.867
Net cash flows used in investment activities	**58.073.992**
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:	
Loan payments	(31.000.000)
Dividendos pagados	(180.225.922)
Interest paid	(23.630.182)
Other cash inputs (outputs)	(14.272.093)
Net cash flows used in financing activities	**(249.128.197)**
Net Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate	**28.656.407**
Effects of the change in exchange rate on cash and cash equivalents:	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28.656.407
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	135.536.160
CASH AND CASH EQUIVALENTS, END OF YEAR	**164.192.567**