



TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
September 30, 2012 and December 31, 2011

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

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CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION
September 30, 2012 and December 31, 2011



ASSETS	Notes	09.30.2012	12.31.2011
		ThCh\$	ThCh\$
CURRENT ASSETS			
Cash and cash equivalents	(5)	248,638,042	135,767,861
Other current financial assets	(6)	60,418,128	106,622,873
Other current non-financial assets	(7)	37,295,168	42,203,223
Trade and other current accounts receivable	(8)	125,279,444	186,886,517
Current accounts receivable from related companies	(9a)	38,611,659	39,691,996
Current Inventory	(10)	59,213,738	45,473,880
Total current assets other than assets classified as held for sale		569,456,179	556,646,350
TOTAL CURRENT ASSETS		569,456,179	556,646,350
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	708,690	10,942,691
Other non-current non-financial assets	(7)	1,403,620	1,983,081
Non-current rights receivable	(12)	-	96,063
Investments in associates accounted for using the equity method	(13a)	889,041	-
Intangible assets other than goodwill, net	(14)	65,329,595	75,072,678
Goodwill	(15)	483,179,725	483,179,725
Property, plant and equipment	(16)	366,621,541	367,485,550
Deferred tax assets	(11c)	15,454,662	15,316,045
TOTAL NON-CURRENT ASSETS		933,586,874	954,075,833
TOTAL ASSETS		1,503,043,053	1,510,722,183

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

CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION
September 30, 2012 and December 31, 2011



LIABILITIES	Notes	09.30.2012	12.31.2011
		ThCh\$	ThCh\$
CURRENT LIABILITIES			
Other current financial liabilities	(17)	10,396,911	33,959,611
Trade accounts payable and other payables, current	(18)	107,564,098	164,849,824
Current accounts payable to related companies	(9b)	60,833,683	91,187,683
Other short-term provisions	(19a)	376,984	1,843,816
Current tax liabilities	(11d)	13,365,961	3,778,164
Provisions for employee benefits, current	(20a)	-	343,329
Other current non-financial liabilities	(21)	67,154,418	63,361,928
TOTAL CURRENT LIABILITIES		259,692,055	359,324,355
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(17)	395,791,593	406,036,230
Current accounts payable to related companies, non-current	(9d)	1,366,521	-
Other long-term provisions	(19b)	13,253,218	14,792,356
Provisions for employee benefits, noncurrent	(20a)	-	406,656
Other non-financial, non-current liabilities		396,433	226,256
TOTAL NON-CURRENT LIABILITIES		410,807,765	421,461,498
TOTAL LIABILITIES		670,499,820	780,785,853
NET SHAREHOLDERS' EQUITY			
Issued capital	(22a)	941,099,241	941,099,241
Retained earnings		223,726,890	122,059,601
Other reserves	(22d)	(332,282,855)	(333,222,468)
Shareholders' equity attributable to owners of the parent		832,543,276	729,936,374
Non-controlling interests	(22e)	(43)	(44)
TOTAL NET SHAREHOLDERS' EQUITY		832,543,233	729,936,330
TOTAL NET LIAB. & SHAREHOLDERS EQUITY		1,503,043,053	1,510,722,183

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME BY NATURE
September 30, 2012 and 2011



	Notes	For the period from July	For the period ended	For the period from July	For the period ended
		1 to September 30,	September 30,	1 to September 30,	September 30,
		2012	2012	2011	2011
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
STATEMENTS OF COMPREHENSIVE INCOME					
Income from ordinary activities	(24a)	238,478,754	715,806,021	235,558,183	694,341,238
Other income	(24b)	(515,025)	1,530,401	70,229	3,626,709
Employee benefits expenses	(20b)	(327,473)	(915,310)	(1,576,937)	(19,247,200)
Depreciation and amortization expense	(14-16b)	(54,947,800)	(160,216,137)	(50,009,822)	(141,975,920)
Other expenses, by nature	(24c)	(148,233,728)	(459,970,789)	(148,844,922)	(396,292,271)
Profits from operating activities		34,454,728	96,234,186	35,196,731	140,452,556
Finance income	(24d)	4,423,936	13,338,601	1,184,212	2,548,204
Finance costs	(24d)	(6,795,310)	(20,752,449)	(4,034,992)	(10,585,208)
Share in earnings (losses) of associates accounted for using the equity method	(13b-19bii)	463,335	2,428,207	681,675	681,675
Foreign currency translation		190,074	300,196	61,576	56,854
Profits before tax from continuing operations		32,736,763	91,548,741	33,089,202	133,154,081
Income tax expense	(11e)	(7,460,680)	(18,662,645)	(14,428,304)	(38,652,605)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		25,276,083	72,886,096	18,660,898	94,501,476
Profit (loss) attributable to:					
Profit (loss) attributable to owners of the parent		25,276,083	72,886,096	18,660,898	94,501,476
Profit (loss) attributable to non-controlling interests		-	-	-	-
PROFIT FOR THE PERIOD		25,276,083	72,886,096	18,660,898	94,501,476
EARNINGS PER SHARE					
Earnings per basic share:					
Earnings per basic share for continuing operations	(23)	214.16	617.54	158.11	800.68
Diluted earnings per share:					
Diluted earnings per share from continuing operations		214.16	617.54	158.11	800.68

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME BY NATURE
September 30, 2012 and 2011



	For the period from July 1 to September 30, 2012 <u>ThCh\$</u>	For the period ended September 30, 2012 <u>ThCh\$</u>	For the period from July 1 to September 30, 2011 <u>ThCh\$</u>	For the period ended September 30, 2011 <u>ThCh\$</u>
OTHER COMPREHENSIVE INCOME STATEMENT				
PROFIT FOR THE PERIOD	25,276,083	72,886,096	18,660,898	94,501,476
Components of other comprehensive income before taxes				
Cash flow hedges:				
Profit (loss) on cash flow hedges, before taxes	1,394,611	1,406,703	6,076,142	3,989,733
Other components of other comprehensive income, before taxes	1,394,611	1,406,703	6,076,142	3,989,733
Income taxes related to components of other comprehensive income:				
Income tax related to hedging cash flows from other comprehensive income	(279,103)	(281,340)	(1,215,228)	(797,947)
Sum of income taxes related to components of other comprehensive income	(279,103)	(281,340)	(1,215,228)	(797,947)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	1,115,508	1,125,363	4,860,914	3,191,786
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	26,391,591	74,011,459	23,521,812	97,693,262
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Comprehensive income attributable to owners of the parent	26,391,591	74,011,459	23,521,812	97,693,262
Comprehensive income attributable to non-controlling interests	-	-	-	-
TOTAL COMPREHENSIVE INCOME	26,391,591	74,011,459	23,521,812	97,693,262

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STATEMENTS OF CHANGES IN EQUITY
September 30, 2012 and 2011



	Changes in issued capital	Changes in other reserves			earnings (losses) Retained	Equity attributable to owners of the parent	Non controlling interests	Total equity	
	(Note 22 a)	(Note 22 d)					(Nota 22 e)		
	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\$	
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	-	-	-	-	-	72,886,096	72,886,096	-	72,886,096
Other comprehensive income	-	1,125,363	-	-	1,125,363	-	1,125,363	-	1,125,363
Comprehensive income	-	1,125,363	-	-	1,125,363	72,886,096	74,011,459	-	74,011,459
Dividends	-	-	-	-	-	28,781,193	28,781,193	-	28,781,193
Increase (decrease) from transfers and other changes, equity	-	-	(185,649)	(101)	(185,750)	-	(185,750)	1	(185,749)
Total increase (decrease) in equity	-	-	(185,649)	(101)	(185,750)	28,781,193	28,595,443	1	28,595,444
Equity 30 September 2012	941,099,241	2,069,396	(2,780,273)	(331,571,978)	(332,282,855)	223,726,890	832,543,276	(43)	832,543,233
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	-	-	-	-	-	94,501,476	94,501,476	-	94,501,476
Other comprehensive income	-	3,191,786	-	-	3,191,786	-	3,191,786	-	3,191,786
Comprehensive income	-	3,191,786	-	-	3,191,786	94,501,476	97,693,262	-	97,693,262
Dividends	-	-	-	-	-	(81,310,294)	(81,310,294)	-	(81,310,294)
Increase (decrease) from transfers and other changes, equity	(1,000)	-	(70,961)	-	(70,961)	-	(71,961)	-	(71,961)
Total increase (decrease) in equity	(1,000)	-	(70,961)	-	(70,961)	(81,310,294)	(81,382,255)	-	(81,382,255)
Equity 30 September 2011	941,100,241	3,154,209	185,040	(331,572,377)	(328,233,128)	152,845,823	765,712,936	-	765,712,936

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

CONSOLIDATED STATEMENTS OF CASH FLOWS, INDIRECT METHOD
September 30, 2012 and 2011



	For the period nine month ended September 30,	
	2012	2011
	ThCh\$	ThCh\$
CASH FLOWS PROVIDED (USED IN) BY OPERATING ACTIVITIES:		
Profit	72,886,096	94,501,476
Adjustments to reconcile profits (losses):		
Adjustments due to income tax expense	18,662,645	38,652,605
Adjustments due to decrease (increase) in inventory	(12,214,547)	216,242
Adjustments due to decrease (increase) in trade accounts receivable	50,089,913	8,922,863
Adjustments due to decrease (increase) in other accounts receivable derived from operating activities	(125,040,263)	(85,710,008)
Adjustments due to increase (decrease) in trade accounts payable	(48,613,343)	(25,379,459)
Adjustments due to increase (decrease) in other accounts payable derived from operating activities	8,820,705	46,870,246
Adjustments due to depreciation and amortization expenses	160,216,137	141,975,920
Adjustments due to provisions	9,305,280	8,059,579
Adjustments due to unrealized losses (profits) in foreign currency	(300,196)	(56,854)
Adjustments for non-controlling interests	(2,428,207)	(681,675)
Other adjustments for which the effects on cash are cash flows from investing or financing	(170,191)	6,194,310
Total adjustments due to reconciliation of profit	58,327,933	139,063,769
Cash flows provided (used in) operating activities:	131,214,029	233,565,245
CASH FLOWS PROVIDED (USED IN) BY INVESTMENT ACTIVITIES:		
Other payments to acquire equity or debt instruments of other entities	(82,500)	-
Loans to related entities	(141,189,519)	(33,809,200)
Proceeds from sale of property, plant and equipment	49,110,510	1,133,162
Additions to property, plant and equipment	(83,707,835)	(83,417,530)
Collection from related entities	157,453,731	24,005,288
Interest received	12,373,705	2,431,515
Other cash inputs (outputs)	45,173,667	(5,043,084)
Net cash flows provided (used in) investment activities	39,131,759	(94,699,849)
CASH FLOWS PROVIDED (USED IN) BY FINANCING ACTIVITIES:		
Amounts arising from non-current loans	-	33,569,239
Payments of financial lease liabilities	-	(16,684)
Loan payments	(31,000,000)	(115,868,338)
Dividends paid	-	(102,000,000)
Interest paid	(12,203,514)	(8,625,825)
Other cash inputs (outputs)	(14,272,093)	(4,764,818)
Net cash flows provided (used in) financing activities	(57,475,607)	(197,706,426)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	112,870,181	(58,841,030)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	135,767,861	131,273,568
CASH AND CASH EQUIVALENTS, END OF PERIOD	248,638,042	72,432,538

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.

Telefonica Moviles Chile S.A. is a closely held corporation which voluntarily adheres to the regulations of the Superintendency of Securities and Insurance (SVS) ("Superintendencia de Valores y Seguros") and is registered in that entity's registry under Number 922.

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 established with the name Operadora de Torres de Telefonía Limitada, which is allocated mainly non-essential assets and liabilities representing 0.00010625860632358% of the shareholders' equity of the company that is divided according to the latest financial statements reported as of September 30, 2011. This division shall not alter or modify the operation of the continuing company, Telefonica Moviles Chile S.A..

As of September 30, 2012, the Company's direct parent is Inversiones Telefonica Moviles Holding Limitada, which belongs to the Spanish group Telefonica, S.A.

2. Significant Accounting Policies:

a) Accounting period

These consolidated financial statements (hereinafter, "financial statements") cover the following periods: Statements of Financial Position are presented as of september 30, 2012 and december 31, 2011; Statement of Changes in Equity for the periods ended september 30, 2012 and 2011, Statements of Comprehensive Income for the period between july 1 and september 30, 2012 and 2011, and for the nine-month periods ended as of september 30, 2012 and 2011, and Statement of Cash Flows for the nine-month periods ended as of september 30, 2012 and 2011.



2. Significant Accounting Policies, continued

b) Basis of presentation

The financial statements for December 31, 2011 and their corresponding notes are shown in a comparative manner in accordance with Note 2a. Certain minor reclassifications have been performed in the 2011 financial statements, in the categories of assets, liabilities current, and non-current, and outcome.

c) Basis of preparation

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

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

d) Basis of consolidation

The financial statements of Telefonica Moviles Chile S.A. and its subsidiaries include assets and liabilities as of September 30, 2012 and December 31, 2011, and equity, results and cash flows at September 30, 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 22e).

The financial statements of the consolidated companies cover the years ended on the same dates as the individual financial statements of the parent company, Telefonica 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:

Taxpayer No.	Company	Country Of origin	Funct currency	Participation percentage			
				Direct	Indirecto	Total	Total
96.672.150-2	Wayra Chile Tecnología e Innovación Limitada (1)	Chile	CLP	99,999996	-	99,999996	99,999996
99.578.440-8	Telefónica Móviles Chile Distribución S.A.	Chile	CLP	99,99	-	99,99	99,99
96.898.630-9	Intertel S.A. (2)	Chile	CLP	50	-	50	100
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	Chile	CLP	100	-	100	100

(1) On May 22, 2012, there was a change in the name and line of business of Telefonica Moviles Chile Inversiones S.A.

(2) On April 30, 2012, Wayra Chile Tecnología e Innovacion Limitada (formerly Telefonica Moviles Chile Inversiones S.A.), sold shares of Intertel S.A. to Inversiones Telefonica Moviles Holding S.A..



2. Significant Accounting Policies, continued

a) Basis of consolidation, continued

The summarized financial information at September 30, 2012 of the companies included in the consolidation are as follows:

Taxpayer No.	Company	% Participation	Non-Current			Current		Non-Current		Equity ThCh\$	Operating income ThCh\$	Net profit (loss) ThCh\$
			Current Assets ThCh\$	Assets ThCh\$	Total Assets ThCh\$	Liabilities ThCh\$	Liabilities ThCh\$	Total Liabilities ThCh\$				
96.672.150-2	Wayra Chile Tecnología e Innovación Limitada	99.999996	1,396,402	82,500	1,478,902	144,344	-	144,344	1,334,558	-	(124,809)	
99.578.440-8	Telefónica Móviles Chile Distribución S.A.	99.99	21,825	113,839	135,664	570,331	-	570,331	(434,667)	-	2,341	
96.898.630-9	Intertel S.A.	50	3,577,733	-	-	-	-	-	-	-	-	
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	100	1,689,378	-	1,689,378	2,414	-	2,414	1,686,964	-	65,092	

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

Taxpayer No.	Company	% Participation	Non-Current			Current		Non-Current		Equity ThCh\$	Operating income ThCh\$	Net profit (loss) ThCh\$
			Current Assets ThCh\$	Assets ThCh\$	Total Assets ThCh\$	Liabilities ThCh\$	Liabilities ThCh\$	Total Liabilities ThCh\$				
96.672.150-2	Telefónica Móviles Chile Inversiones S.A.	99.999996	793,009	(28)	792,982	136,108	-	136,108	656,874	-	3,871	
99.578.440-8	Telefónica Móviles Chile Distribución S.A.	99.99	21,225	111,498	132,722	569,730	-	569,730	(437,008)	-	6,931	
96.898.630-9	Intertel S.A.	50	944	-	944	1,000	-	1,000	(56)	-	180	
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	-	-	

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	UF
09-30-2012	473.77	609.35	22,591.05
12-31-2011	519.20	672.97	22,294.03
09-30-2011	521.76	700.63	22,012.69

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 .

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.

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 for maintaining derivatives is to minimize these risks using the most effective method for eliminating or reducing the impact of such exposure.

Derivative instruments are initially recognized at fair value, which normally coincides with the cost, and subsequently the book value is adjusted to fair value, presenting them as financial assets or 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 short-term items are presented as current assets or liabilities, based on their balance separately from the hedged items, as indicated in IAS 39.

Hedges for risks of variations in exchange rates 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 recognized in the income statement.

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

v) Derivative financial instruments, continued

Variations in the fair value of derivatives that meet the requirements for and have been designated as cash flow hedges are recognized in equity when highly effective. The portion considered ineffective is charged directly to income. When the forecasted transaction or firm commitment results in recording a non-financial asset or liability, profits and losses accumulated in equity become part of the initial cost of the respective asset or liability. Otherwise, profits and losses previously recognized in equity are charged to income in the same period in which the hedged transaction affects net income.

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.

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 11.08% 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 September 30, 2012 and December 31, 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 at each period-end. 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 13 and 19 b).

As of september 30, 2012 and December 31, 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 for exploration and evaluation (Concession licenses)

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

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

ii) Software licenses and franchises

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 14 months.

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 September 30, 2012 and December 31, 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 29.59% for September 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	40	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 period.

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.

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 prepaid cards is recognized in the month in which the traffic is used or the card expires, whichever occurs first. Deferred income is included in current liabilities.

Income from new phone plans is deferred over a period of 14 months from the signing of the lease agreement.

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) Deferred taxes

The Company evaluates probability of recovery of deferred tax assets based on estimates of future earnings. This probability of recovery ultimately depends on the Company's capacity to generate taxable income throughout the period in which the deferred tax assets are deductible.

This analysis takes into consideration the forecasted reversal calendar for deferred tax liabilities as well as estimates of taxable income, based on internal projections that are updated to reflect recent trends.

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

iii) Provisions

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

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.

2. Significant Accounting Policies, continued

q) Use of Estimates, continued

iv) Income recognition: agreements combining more than one element

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

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

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

v) 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.

2. Significant Accounting Policies, continued

q) Use of Estimates, continued

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.

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 7	Financial Instruments: Disclosure	1 de Enero de 2013
IFRS 9	Financial instruments	1 de Enero de 2015
IFRS 10	Consolidated Financial Statements	1 de Enero de 2013
IFRS 11	Joint Arrangements	1 de Enero de 2013
IFRS 12	Disclosure of interests in other Entities	1 de Enero de 2013
IFRS 13	Fair-value Measurement	1 de Enero de 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.

2. Significant Accounting Policies, continued

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

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.

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. JCEs, 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.

2. Significant Accounting Policies, continued

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

IFRS 12 "Disclosure of Interests 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.

Improvements and Amendments		Mandatory application date
IAS 1	Financial Statement Presentation	1 de Enero de 2013
IAS 16	Property, plant and equipment	1 de Enero de 2013
IAS 19	Employee Benefits	1 de Enero de 2013
IAS 32	Financial instruments: Presentation	1 de Enero 2013 y 1 de Enero 2014
IAS 34	Interim Financial Reporting	1 de Enero de 2013

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.

2. Significant Accounting Policies, continued

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

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.

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.

2. Criterios contables aplicados, continuación

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

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.

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.

IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities"

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

The Company is evaluating the impact that the new standards could have on the financial statements.

3. Changes in Accounting Policy and Disclosures

a) Accounting changes:

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

b) Changes in estimates:

During the years covered by these financial statements, the Company has made no changes in estimates that could affect the comparison between each financial statement.

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 period.

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Description	Currency	09.30.2012	12.31.2011
		ThCh\$	ThCh\$
Cash (a)		5,214,215	4,915,363
	USD	4,243	3,817
	EUR	7,215	6,700
	CLP	5,202,757	4,904,846
banks (b)		3,012,175	4,863,378
	CLP	2,881,393	4,857,795
	USD	128,082	4,955
	EUR	2,700	628
Time deposits (c)		220,851,860	125,989,120
	CLP	212,734,061	125,644,490
	USD	8,117,799	344,630
Resale agreements (d)		19,559,792	-
	CLP	19,559,792	-
Total cash and cash equivalents		248,638,042	135,767,861
Subtotal by currency	CLP	240,378,003	135,407,131
	USD	8,250,124	353,402
	EUR	9,915	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.

c) Time deposits

Time deposits maturing in less than 90 days are recorded at fair value and as of september 30, 2012 and December 31, 2011 are detailed as follows:



5. Cash and cash equivalents, continued

c) Time deposits, continued

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in	Accrued	Foreign currency	Total as of
					local currency	interest in	translation local	09.30.2012
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
Time deposit	CLP	212,427,000	5.83%	22	212,427,000	307,061	-	212,734,061
Time deposit	USD	17,109		28	8,261,070	11,997	(155,268)	8,117,799
Total					220,688,070	319,058	(155,268)	220,851,860

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in	Accrued	Foreign currency	Total as of
					local currency	interest in	translation local	09.30.2012
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
Time deposit	CLP	125,388,000	5.78%	26	125,388,000	256,490	-	125,644,490
Time deposit	USD	663.41	10.80%	27	337,455	189	6,986	344,630
Totales					125,725,455	256,679	6,986	125,989,120



5. Cash and cash equivalents, continued

d) Repurchase agreements

For september 30, 2012 is detailed as follows:

Code	Dates		Counterparty	Original currency	Subscription value	Annual rate	Final value	Identification of instruments	Book value
	Beginning	Ending			MUSD		ThCh\$		09.30.2012 ThCh\$
CRV	09.26.2012	10.01.2012	BBVA	USD	13,000,000	4,92%	13,008,883	BTP0600714	13,007,106
CRV	09.27.2012	10.01.2012	BBVA	USD	2,000,000	4,92%	2,001,093	BTU0300115	2,000,820
CRV	09.27.2012	10.03.2012	BBVA	USD	4,550,000	4,92%	4,553,731	BTU0300115	4,551,866
Total					19,550,000		19,563,707		19,559,792

Notes to the Consolidated Financial Statements
September 30, 2012 and December 31, 2011

6. Other Current and Non-current Financial Assets

The breakdown of other current financial assets is as follows:

Concepts	09.30.2012		12.31.2011	
	Current ThCh\$	Non-Current ThCh\$	Current ThCh\$	Non-Current ThCh\$
Investment contracts (a)	-	-	3,349,418	-
Exchange rate hedge (b)	5,325,361	626,190	3,099,788	10,942,691
Money market securities (c)	55,092,767	-	100,173,667	-
Other investments (d)	-	82,500	-	-
Total	60,418,128	708,690	106,622,873	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	Total as of 09.30.2012 ThCh\$
							translation local currency 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 :

Description	Underlying	Net Total as of 09.30.2012 ThCh\$	Up to 90 days ThCh\$	90 days to 1 years ThCh\$	To Maturity				Total non-current		Effect on	
					Total current		1 a 3 years	3 a 5 years	Activo	Pasivo	Statements of Income	Shareholders' Equity
					Assets ThCh\$	Liabilities ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Exchange rate – cash flow hedge (1)	Supplier Debt	(900,410)	(900,410)	-	7,677	(908,087)	-	-	-	-	-	188,006
Exchange rate – fair value hedge (2)	Supplier Debt	181,599	181,599	-	223,076	(41,477)	-	-	-	-	41,589	(7,686)
Interest rate – cash flows hedge (3)	Financial Debt	688,474	688,474	-	5,094,608	(4,406,134)	-	-	-	-	(6,800,726)	2,307,467
Exchange rate and interest rate – cash flows hedge (4)	Financial Debt	(4,464,822)	-	-	-	-	-	(4,464,822)	626,190	(5,091,012)	(16,215,060)	(418,391)
Change of security		-	-	-	-	-	-	-	-	-	(1,229,521)	-
Totales		(4,495,159)	(30,337)	-	5,325,361	(5,355,698)	-	(4,464,822)	626,190	(5,091,012)	(24,203,718)	2,069,396

Description	Underlying	Net Total as of 12.31.2012 ThCh\$	Up to 90 days ThCh\$	90 days to 1 years ThCh\$	To Maturity				Total non-current		Effect on	
					Total current		1 a 3 years	3 a 5 years	Activo	Pasivo	Statements of Income	Shareholders' Equity
					Assets ThCh\$	Liabilities ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Exchange rate – cash flow hedge (1)	Deuda a proveedores	245,139	245,139	-	285,887	(40,748)	-	-	-	-	-	48,535
Exchange rate – fair value hedge (2)	Deuda a proveedores	(52,632)	(50,273)	(2,359)	8,637	(61,269)	-	-	-	-	(29,811)	(18,598)
Interest rate – cash flows hedge (3)	Deuda financiera	2,732,228	-	2,732,228	2,805,264	(73,036)	-	-	-	-	(764,943)	1,913,236
Exchange rate and interest rate – cash flows hedge (4)	Deuda financiera	10,022,337	-	(920,354)	-	(920,354)	-	10,942,691	10,942,691	-	(12,168,630)	(999,140)
Change of security		-	-	-	-	-	-	-	-	-	513,978	-
Totales		12,947,072	194,866	1,809,515	3,099,788	(1,095,407)	-	10,942,691	10,942,691	-	(12,449,406)	944,033

Description of hedge instruments:

(1) Exchange rate – cash flow hedge: As of September 30, 2012 and December 31, 2011 this category includes derivative instruments used to hedge highly probable trade debt future cash flows.

(2) Exchange rate – fair value hedge: As of September 30, 2012 and December 31, 2011 this category includes derivative instruments entered into to hedge debt instrument capital foreign currency risk.

(3) Interest rate – cash flows hedge: As of September 30, 2012 and December 31, 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 September 30, 2012 and December 31, 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 09.30.2012 ThCh\$
Money market securities	CLP	55,000,000	5.52%	30	55,000,000	92,767	-	55,092,767
Total					55,000,000	92,767	-	55,092,767

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\$
Money market securities	CLP	100,000,000	6.58%	30	100,000,000	173,667	-	100,173,667
Total					100,000,000	173,667	-	100,173,667

d) Details of other investments is as follows :

Participación	Country	Currency Investment	09.30.2012 ThCh\$	12.31.2011 ThCh\$
Fanchimp SPA	Chile	CLP	10,000	-
Inpactme SPA	Chile	CLP	10,000	-
Cuiker SPA	Chile	CLP	17,500	-
Poliglota SPA	Chile	CLP	10,000	-
Cowork Cooeet SPA	Chile	CLP	7,500	-
Mindscore SPA	Chile	CLP	10,000	-
Masstige SPA	Chile	CLP	10,000	-
Nibu SPA	Chile	CLP	7,500	-
Total			82,500	-

7. Other non-financial assets and non-current

Details of non-financial assets and non-current flows is as follows :

Description	09.30.2012		12.31.2011	
	Current ThCh\$	Non-Current ThCh\$	Current ThCh\$	Non-Current ThCh\$
Advance payments (1)	11,728,261	-	8,032,283	-
Deferred handset costs	13,594,807	-	20,099,786	-
Customer guarantees	1,357,820	-	1,615,563	-
Other prepaid expenses (2)	10,248,861	-	11,901,148	-
Other amortizable expenses (3)	-	1,403,620	-	1,983,081
Other taxes (4)	365,419	-	554,443	-
Total	37,295,168	1,403,620	42,203,223	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) The Company negotiated a collective agreement with some of its employees, granting them, a negotiation termination bonus among other benefits. That bonus is deferred using the straight-line method over the term of the collective agreement.
- (4) Includes SENCE credit and other taxes.

8. Trade and Other Current Receivable

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

Description	09.30.2012			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\$
Current receivables on credit operations	193,988,176	(68,809,186)	125,178,990	197,165,702	(59,579,950)	137,585,752
Services billed	140,135,569	(68,809,186)	71,326,383	138,338,598	(59,579,950)	78,758,648
Services provided and not billed	53,852,607	-	53,852,607	58,827,104	-	58,827,104
Miscellaneous receivables (1)	100,454	-	100,454	49,300,765	-	49,300,765
Total	194,088,630	(68,809,186)	125,279,444	246,466,467	(59,579,950)	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. arising from Fondo de Inversión Privado Infraestructura Uno, 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	09.30.2012					12.31.2011				
	Less than 3 months	3 to 6 months	6 to 12 months	Greater than 12 months	Total	Less than 3 months	3 to 6 months	6 to 12 months	than 12 months	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Trade A/R	20,700,204	1,132,318	-	-	21,832,522	16,725,613	-	-	-	16,725,613
Total	20,700,204	1,132,318	-	-	21,832,522	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	09.30.2012 ThCh\$	12.31.2011 ThCh\$
Beginning balance	59,579,950	48,023,155
Increases	28,999,411	33,327,235
Eliminations/ Additions	(19,770,175)	(21,770,440)
Movements, subtotal	9,229,236	11,556,795
Closing balance	68,809,186	59,579,950

8. Trade and Other Accounts Receivable, continued

d) Movements in the provision for doubtful accounts to reflect the composition of the portfolio at september 30, 2012 and 2011 is as follows:

Provisions and write-offs	07.01.2012 to		07.01.2011 to	
	09.30.2012	09.30.2012	09.30.2011	09.30.2011
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Accrual for portfolio that has not been renegotiated	8,129,251	28,582,155	6,665,907	23,770,949
Accrual for renegotiated portfolio	199,341	417,256	167,567	336,088
Write-offs for the period	(7,675,361)	(19,770,175)	(6,945,710)	(16,047,458)
Recoveries for the period	-	-	-	-
Total	653,231	9,229,236	(112,236)	8,059,579

e) The composition of the portfolio protested and legal collection to september 30, 2012 and december 31, 2011 is as follows:

Portfolio of returned documents and judicial collection as of 09.30.2012	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	2,227	-	832	-
Portfolio of returned documents or those in judicial collection ThCh\$	6,427,829	-	624,595	-

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	-

8. Trade and Other Accounts Receivable, continued

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

Aging of portfolio by segment for the September 2012 period	Up to date	From 1 to 30 days	From 31 to 60 days	From 31 to 90 days	From 91 to 120 days	From 121 to 150 days	From 151 to 180 days	From 181 to 210 days	From 211 to 250 days	More than 250 days	Total portfolio w/o guarantee
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Individuals											
Number of clients w/o renegotiation	729,630	396,443	230,234	201,662	280,826	181,642	168,031	147,717	153,929	954,107	3,444,221
Gross portfolio w/o renegotiation	34,788,826	6,154,828	3,094,353	2,781,790	-	-	-	-	-	-	46,819,797
Debt	34,788,826	6,154,828	3,094,353	2,781,790	3,920,531	2,484,494	2,357,588	2,076,345	2,683,790	39,795,483	100,138,028
Accrual	-	-	-	-	(3,920,531)	(2,484,494)	(2,357,588)	(2,076,345)	(2,683,790)	(39,795,483)	(53,318,231)
Number of clients w/o renegotiation	31,025	19,884	10,949	9,572	9,010	8,181	7,776	7,233	6,830	15,340	125,800
Gross portfolio w/o renegotiation	1,247,073	256,351	173,894	153,537	-	-	-	-	-	-	1,830,855
Debt	1,247,073	256,351	173,894	153,537	146,112	128,623	124,109	114,368	134,281	730,090	3,208,438
Accrual	-	-	-	-	(146,112)	(128,623)	(124,109)	(114,368)	(134,281)	(730,090)	(1,377,583)
Total number of clients	760,655	416,327	241,183	211,234	289,836	189,823	175,807	154,950	160,759	969,447	3,570,021
Total Individuals portfolio	36,035,899	6,411,179	3,268,247	2,935,327	-	-	-	-	-	-	48,650,652
Debt	36,035,899	6,411,179	3,268,247	2,935,327	4,066,643	2,613,117	2,481,697	2,190,713	2,818,071	40,525,573	103,346,466
Accrual	-	-	-	-	(4,066,643)	(2,613,117)	(2,481,697)	(2,190,713)	(2,818,071)	(40,525,573)	(54,695,814)
Companies											
Number of clients w/o renegotiation	572,847	164,356	54,859	43,197	42,052	39,762	29,549	217,952	22,170	70,086	1,256,830
Gross portfolio w/o renegotiation	67,411,023	5,380,174	1,521,297	1,183,980	489,173	420,730	222,415	-	-	-	76,628,792
Debt	67,411,023	5,380,174	1,521,297	1,183,980	1,150,534	1,053,411	786,272	5,652,646	713,678	5,889,149	90,742,164
Accrual	-	-	-	-	(661,361)	(632,681)	(563,857)	(5,652,646)	(713,678)	(5,889,149)	(14,113,372)
Number of clients w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	572,847	164,356	54,859	43,197	42,052	39,762	29,549	217,952	22,170	70,086	1,256,830
Total Individuals portfolio	67,411,023	5,380,174	1,521,297	1,183,980	489,173	420,730	222,415	-	-	-	76,628,792
Debt	67,411,023	5,380,174	1,521,297	1,183,980	1,150,534	1,053,411	786,272	5,652,646	713,678	5,889,149	90,742,164
Accrual	-	-	-	-	(661,361)	(632,681)	(563,857)	(5,652,646)	(713,678)	(5,889,149)	(14,113,372)
Portfolio Consolidated											
Number of clients w/o renegotiation	1,302,477	560,799	285,093	244,859	322,878	221,404	197,580	365,669	176,099	1,024,193	4,701,051
Gross portfolio w/o renegotiation	102,199,849	11,535,002	4,615,650	3,965,770	489,173	420,730	222,415	-	-	-	123,448,589
Debt	102,199,849	11,535,002	4,615,650	3,965,770	5,071,065	3,537,905	3,143,860	7,728,991	3,397,468	45,684,632	190,880,192
Accrual	-	-	-	-	(4,581,892)	(3,117,175)	(2,921,445)	(7,728,991)	(3,397,468)	(45,684,632)	(67,431,603)
Number of clients w/o renegotiation	31,025	19,884	10,949	9,572	9,010	8,181	7,776	7,233	6,830	15,340	125,800
Gross portfolio w/o renegotiation	1,247,073	256,351	173,894	153,537	-	-	-	-	-	-	1,830,855
Debt	1,247,073	256,351	173,894	153,537	146,112	128,623	124,109	114,368	134,281	730,090	3,208,438
Accrual	-	-	-	-	(146,112)	(128,623)	(124,109)	(114,368)	(134,281)	(730,090)	(1,377,583)
Total number of clients	1,333,502	580,683	296,042	254,431	331,888	229,585	205,356	372,902	182,929	1,039,533	4,826,851
Total Individuals portfolio	103,446,922	11,791,353	4,789,544	4,119,307	489,173	420,730	222,415	-	-	-	125,279,444
Debt	103,446,922	11,791,353	4,789,544	4,119,307	5,217,177	3,666,528	3,267,969	7,843,359	3,531,749	46,414,722	194,088,630
Accrual	-	-	-	-	(4,728,004)	(3,245,798)	(3,045,554)	(7,843,359)	(3,531,749)	(46,414,722)	(68,809,186)



8. Trade and Other Accounts Receivable, continued

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

Aging of portfolio by segment for the September 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	31,459,306	93,760,532
Accrual	-	-	-	-	(4,567,450)	(2,835,556)	(2,653,838)	(1,908,931)	(2,473,115)	(31,459,306)	(45,898,196)
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	31,885,801	96,601,192
Accrual	-	-	-	-	(4,678,681)	(2,947,860)	(2,760,576)	(2,005,625)	(2,579,980)	(31,885,801)	(46,858,523)
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	129,834,971	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)
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	166,072,143	10,664,677	3,856,113	4,276,581	52,466	70,682	109,585	-	-	-	185,102,247
Debt	166,072,143	10,664,677	3,856,113	4,276,581	7,056,064	3,491,613	3,269,681	2,315,044	2,996,211	39,723,743	243,721,870
Accrual	-	-	-	-	(7,003,598)	(3,420,931)	(3,160,096)	(2,315,044)	(2,996,211)	(39,723,743)	(58,619,623)
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	167,424,046	10,936,006	3,988,703	4,401,092	52,466	70,682	109,585	-	-	-	186,982,580
Debt	167,424,046	10,936,006	3,988,703	4,401,092	7,167,295	3,603,917	3,376,419	2,411,738	3,103,076	40,150,238	246,562,530
Accrual	-	-	-	-	(7,114,829)	(3,533,235)	(3,266,834)	(2,411,738)	(3,103,076)	(40,150,238)	(59,579,950)



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	09.30.2012 ThCh\$	12.31.2011 ThCh\$
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common shareholder	Mercantile Current Account Human Resources	CLP	60 días	24,630,054	24,545,298
				Professional Services Entry Traffic Access and	CLP	60 días	1,685,825	2,592,604
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholder	CPP	CLP	60 días	5,484,614	5,551,928
			Common shareholder	Others	CLP	60 días	4,544,119	4,542,486
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholder	Prest. Servicios	CLP	60 días	724,238	585,414
TELEFONICA MOVILES ARGENTINA, S.A.	Extranjera	Argentina	Common shareholder	Prest. Servicios	USD	90 días	250,003	203,627
TELEFONICA MOVILES ESPAÑA, S.A.	Extranjera	Spain	Common shareholder	Prest. Servicios	EUR	90 días	197,968	451,541
TELEFONICA MOVILES CHILE INVRS. S.A	96.672.150-2	Chile	Common shareholder	Prest. Servicios	CLP	60 días	175,216	-
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholder	Prest. Servicios	CLP	60 días	151,166	205,805
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730.-9	Chile	Common shareholder	Prest. Servicios	CLP	60 días	152,696	112,545
O2 (UK) (ANTES VP COMMUNIC)	Extranjera	England	Common shareholder	Prest. Servicios	USD	90 días	151,587	116,439
TELEFONICA MOVILES VENEZUELA	Extranjera	Venezuela	Common shareholder	Prest. Servicios	USD	90 días	145,504	147,891
VIVO, S.A.	Extranjera	Brazil	Common shareholder	Prest. Servicios	USD	90 días	68,096	42,360
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Common shareholder	Prest. Servicios	CLP	60 días	-	68,979
			Common shareholder	Mercantile Current Account	CLP	60 días	136,906	268,582
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholder	Prest. Servicios	CLP	60 días	19,358	1,743
ATENTO CHILE S.A.	96.895.220-K	Chile	Common shareholder	Prest. Servicios	CLP	60 días	18,897	20,263
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Common shareholder	Prest. Servicios	CLP	60 días	13,052	7,686
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	Extranjera	Uruguay	Common shareholder	Prest. Servicios	USD	90 días	10,821	8,584



9. Accounts receivable and payable to related

a) Accounts receivable from related parties current, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	09.30.2012 ThCh\$	12.31.2011 ThCh\$
FUNDACION TELEFONICA CHILE	74.944.200-K	Chile	Common shareholder	Prest. Servicios	CLP	60 días	10,693	11,627
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholder	Prest. Servicios	CLP	60 días	9,037	46,123
TELEFONICA MOVILES COLOMBIA	Extranjera	Colombia	Common shareholder	Prest. Servicios	USD	90 días	6,071	13,241
TELEFONICA MOVILES PERU, S.A.	Extranjera	Perú	Common shareholder	Prest. Servicios	USD	90 días	5,750	13,708
OTECEL, S.A. ECUADOR	Extranjera	Ecuador	Common shareholder	Prest. Servicios	USD	90 días	4,372	5,268
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholder	Prest. Servicios	CLP	60 días	3,733	3,157
MIRAFLORES 130 S.A.	76.172.003-1	Chile	Common shareholder	Prest. Servicios	CLP	60 días	3,247	-
O2 GERMANY GMBH & CO OHG	Extranjera	Germany	Common shareholder	Prest. Servicios	USD	90 días	2,520	2,361
TELEFONICA MOVILES PANAMA	Extranjera	Panamá	Common shareholder	Prest. Servicios	USD	90 días	2,012	5,774
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	Extranjera	México	Common shareholder	Prest. Servicios	USD	90 días	1,907	5,686
TELEFONICA MOVILES GUATEMALA	Extranjera	Guatemala	Common shareholder	Prest. Servicios	USD	90 días	755	1,116
O2 MANX TELECOM LTD	Extranjera	England	Common shareholder	Prest. Servicios	USD	90 días	567	551
TELEFONICA MOVILES NICARAGUA, S.A.	Extranjera	Nicaragua	Common shareholder	Prest. Servicios	USD	90 días	475	769
O2 COMMUNICATIONS (IRELAND) LTD.	Extranjera	Irlanda	Common shareholder	Prest. Servicios	USD	90 días	400	-
TELEFONICA MOVILES SAO PAULO	Extranjera	Brazil	Common shareholder	Prest. Servicios	USD	90 días	-	63,274
TELEFONICA INTERNACIONAL, S.A.	Extranjera	España	Common shareholder	Prest. Servicios	EUR	90 días	-	43,884
VIVO BRASIL COMUNICACIONES	Extranjera	Brazil	Common shareholder	Prest. Servicios	USD	90 días	-	1,402
TELEFONICA MOVILES EL SALVADOR, S.A.	Extranjera	El Salvador	Common shareholder	Prest. Servicios	USD	90 días	-	280
Total							38,611,659	39,691,996

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



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			09.30.2012	12.31.2011
				origin	Currency	Term	ThCh\$	ThCh\$
				Individuals Management				
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common shareholder	Support Supply	CLP	60 días	21,917,087	21,779,946
TELEFONICA EMPRESAS CHILE S.A. (2)	78.703.410-1	Chile	Common shareholder	Management Services	CLP	60 días	10,212,621	4,227,375
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholder	Access and Link charges	CLP	60 días	3,925,550	6,783,915
				Leased Climate – Space and				
				Energy Services	CLP	60 días	1,907,157	1,200,431
				Others	CLP	60 días	2,662,597	4,612,329
TELEFONICA, S.A.	Extranjero	Spain	Shareholder	Brand Fee Services	EUR	90 días	3,688,582	4,464,682
				Call Center and Telesales				
ATENTO CHILE S.A.	96.895.220-K	Chile	Common shareholder	Services	CLP	60 días	3,967,741	3,302,292
TELEFONICA INTERNACIONAL, S.A.	Extranjero	Spain	Shareholder	Prest. Servicios	EUR	90 días	1,295,787	3,710,354
INVERSIONES TELEFONICA MOVILES HOLDING LTDA.	76.124.890-1	Chile	Common shareholder	Dividends	EUR	60 días	1,440	28,782,633
MIRAFLORES 130 S.A. (1)	76.172.003-1	Chile	Common shareholder	Intereses	CLP	60 días	90,401	-
				Mercantile Current Account	CLP	60 días	1,395,220	4,760,000
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholder	Prest. Servicios	CLP	60 días	3,628,406	2,410,100
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholder	Prest. Servicios	CLP	60 días	2,824,700	1,381,828
TELEATENTO DEL PERU S.A.C.	Extranjero	Perú	Common shareholder	Prest. Servicios	USD	90 días	720,250	526,741
TELEFONICA INTERNATIONAL WHOLESAL SERVICES CHILE S.A.	96.910.730.-9	Chile	Common shareholder	Prest. Servicios	CLP	60 días	650,684	388,209
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Common shareholder	Prest. Servicios	CLP	60 días	332,331	1,291,207
TELEFONICA MOVILES ESPAÑA, S.A.	Extranjero	Spain	Common shareholder	Prest. Servicios	EUR	90 días	231,590	377,663
TELFISA GLOBAL B.V.	Extranjero	Spain	Common shareholder	Management commissions	CLP	90 días	222,028	-
O2 MANX TELECOM LTD	Extranjero	England	Common shareholder	Prest. Servicios	USD	90 días	204,700	-
TELEFONICA GLOBAL TECHNOLOGY SAU	Extranjero	Spain	Common shareholder	Prest. Servicios	EUR	90 días	176,886	-
TELEFONICA MOVILES ARGENTINA, S.A.	Extranjero	Argentina	Common shareholder	Prest. Servicios	USD	90 días	126,289	124,754
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholder	Prest. Servicios	CLP	60 días	101,025	466,825
VIVO, S.A.	Extranjero	Brazil	Common shareholder	Prest. Servicios	USD	90 días	89,506	40,777



9. Accounts receivable and payable to related, continued

b) Accounts payable to related current, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	09.30.2012 ThCh\$	12.31.2011 ThCh\$
TELEFONICA MOVILES PERU HOLDING S.A	Extranjero	Peru	Common shareholder	Prest. Servicios	CLP	90 días	74,418	-
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholder	Prest. Servicios	CLP	60 días	69,908	75,172
TELEFONICA MOVILES CHILE INVRS. S.A	96.672.150-2	Chile	Common shareholder	Prest. Servicios	CLP	60 días	69,162	-
TELEFONICA GLOBAL APPLICATIONS S.L.	Extranjero	Spain	Common shareholder	Prest. Servicios	EUR	90 días	52,340	-
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholder	Prest. Servicios	CLP	60 días	48,454	61,128
TELEFONICA MOVILES COLOMBIA	Extranjero	Colombia	Common shareholder	Prest. Servicios	USD	90 días	35,985	13,137
O2 GERMANY GMBH & CO OHG	Extranjero	Germany	Common shareholder	Prest. Servicios	USD	90 días	24,193	9,198
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	Extranjero	México	Common shareholder	Prest. Servicios	USD	90 días	23,569	29,438
TELEFONICA MOVILES VENEZUELA	Extranjero	Venezuela	Common shareholder	Prest. Servicios	USD	90 días	19,878	7,962
TELEFONICA INTERNATIONAL WHOLESALE S.L. UNIPERSONAL	Extranjero	Spain	Common shareholder	Prest. Servicios	EUR	90 días	12,934	14,174
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	Extranjero	Uruguay	Common shareholder	Prest. Servicios	USD	90 días	11,955	15,009
TELEFONICA MOVILES PANAMA	Extranjero	Panamá	Common shareholder	Prest. Servicios	USD	90 días	8,283	3,665
OTECEL, S.A. ECUADOR	Extranjero	Ecuador	Common shareholder	Prest. Servicios	USD	90 días	5,857	9,560
FUNDACIÓN TELEFÓNICA CHILE	74.944.200-K	Chile	Common shareholder	Prest. Servicios	CLP	60 días	2,595	6,786
TELEFONICA MOVILES GUATEMALA	Extranjero	Guatemala	Common shareholder	Prest. Servicios	USD	90 días	1,343	458
TELEFONICA MOVILES NICARAGUA, S.A.	Extranjero	Nicaragua	Common shareholder	Prest. Servicios	USD	90 días	122	63
O2 COMMUNICATIONS (IRELAND) LTD.	Extranjero	Irlanda	Common shareholder	Prest. Servicios	USD	90 días	109	20,259
TELEFONICA MOVILES SAO PAULO	Extranjero	Brazil	Common shareholder	Prest. Servicios	USD	90 días	-	80,000
TELEFONICA MOVILES EL SALVADOR, S.A.	Extranjero	El Salvador	Common shareholder	Prest. Servicios	USD	90 días	-	193
TELEFONICA INVESTIGACION Y DESARROLLO, S.A.	Extranjero	Spain	Common shareholder	Prest. Servicios	EUR	90 días	-	63,403
TELEFONICA DE ARGENTINA S.A.	Extranjero	Argentina	Common shareholder	Prest. Servicios	USD	90 días	-	-
TELEFONICA MOVILES PERU, S.A.	Extranjero	Perú	Common shareholder	Prest. Servicios	USD	90 días	-	145,179
MANX TELECOM LTD	Extranjero	England	Common shareholder	Prest. Servicios	USD	90 días	-	838
Total							60,833,683	91,187,683

- (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)) 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.

Notes to the Consolidated Financial Statements
September 30, 2012 and December 31, 2011



9. Accounts receivable and payable to related, continued

c) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	09.30.2012	09.30.2011
					ThCh\$	ThCh\$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholder	Sales	17,160	8,855
				Costs	(290,379)	(108,227)
TELEFONICA MOVILES ESPAÑA, S.A.	Extranjera	Spain	Common shareholder	Sales	396,671	484,591
				Costs	(254,974)	(628,088)
TELEFONICA INTERNACIONAL, S.A.	Extranjera	Spain	Shareholder	Costs	(641,805)	(2,158,479)
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholder	Sales		
				Time interconnection measured services	11,722,630	27,790,751
				Costs		
				companies and management work	(2,141,850)	(3,813,969)
				Circuit Leases – local and solar	(14,444,585)	(14,151,524)
TELEFONICA MOVILES EL SALVADOR, S.A.	Extranjera	El Salvador	Common shareholder	Interconnection and Roaming Service	(4,000,141)	-
				Sales	-	1,260
TELEFONICA, S.A.	Extranjera	Spain	Shareholder	Costs	(884)	(678)
				Costs		
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	Extranjera	Spain	Common shareholder	Brand Fee	(10,890,831)	(10,930,405)
				Other	(138,610)	-
ATENTO CHILE S.A.	96.895.220-K	Chile	Common shareholder	Costs	(175,888)	(618,375)
				Sales	136,301	163,792
FUNDACION TELEFONICA CHILE	74.944.200-K	Chile	Common shareholder	Costs	(7,659,750)	(8,874,375)
				Sales	1,999	586
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholder	Sales	24,760	29,748
				Costs	(385,570)	(139,043)
TELEFONICA MOVILES ARGENTINA, S.A.	Extranjera	Argentina	Common shareholder	Sales	700,852	926,923
				Costs	(418,474)	(606,598)
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholder	Sales	2,291,624	2,490,026
				Costs	(8,668,602)	(7,609,534)
TELEFONICA EMPRESAS CHILE S.A. (1)	78.703.410-1	Chile	Common shareholder	Sales	1,872,080	2,403,295
				Costs		
OTECEL, S.A. ECUADOR	Extranjera	Ecuador	Common shareholder	Administration and management work	(9,364,041)	(1,894,946)
				Sales	23,353	27,890
TELEFONICA GLOBAL APLICACIONES	Extranjera	Spain	Common shareholder	Costs	(34,072)	(38,418)
				Costs	(52,340)	(235,060)
TELEFONICA ARGENTINA, S.A.	Extranjera	Argentina	Common shareholder	Costs	(16,001)	(68,941)
				Costs		
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholder	Sales	30,860	251,699
				Costs	(2,219,527)	(691,975)
TELEFONICA MULTIMEDIA CHILE S.A.	78.703.410-1	Chile	Common shareholder	Sales	-	1,674
				Sales	27,778	21,091
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholder	Costs	(138,975)	(42,156)
				Financial income	84,755	63,999
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Common shareholder	Sales	2,778,638	436,207
				Financial income	-	236,499
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common shareholder	Costs		
				Services of employees ceded by other companies	(51,960,653)	(19,546,404)

(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	Transaction origin	09.30.2012	09.30.2011
					ThCh\$	ThCh\$
	96.990.810-7	Chile	Common shareholder	Costs	(314,029)	(966,081)
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	Extranjera	México	Common shareholder	Sales	16,552	12,255
	Extranjera	México	Common shareholder	Costs	(73,397)	(38,142)
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	Extranjera	Uruguay	Common shareholder	Sales	45,771	35,982
	Extranjera	Uruguay	Common shareholder	Costs	(42,095)	(54,763)
TELEFONICA MOVILES PANAMA	Extranjera	Panamá	Common shareholder	Ventas	143,854	13,606
	Extranjera	Panamá	Common shareholder	Costs	(19,649)	(10,373)
TELEFONICA MOVILES GUATEMALA	Extranjera	Guatemala	Common shareholder	Sales	2,168	4,411
	Extranjera	Guatemala	Common shareholder	Costs	(1,158)	(778)
TELEFONICA MOVILES VENEZUELA	Extranjera	Venezuela	Common shareholder	Sales	138,426	23,758
	Extranjera	Venezuela	Common shareholder	Costs	(146,367)	(13,309)
TELEFONICA MOVILES COLOMBIA	Extranjera	Colombia	Common shareholder	Sales	55,413	40,543
	Extranjera	Colombia	Common shareholder	Costs	(109,411)	(77,707)
TELEFONICA MOVILES PERU, S.A.	Extranjera	Perú	Common shareholder	Sales	67,554	46,105
	Extranjera	Perú	Common shareholder	Costs	-	(380,613)
TELEFONICA MOVILES NICARAGUA, S.A.	Extranjera	Nicaragua	Common shareholder	Sales	1,112	1,718
	Extranjera	Nicaragua	Common shareholder	Costs	(379)	(793)
VIVO, S.A.	Extranjera	Brazil	Common shareholder	Sales	278,550	143,137
	Extranjera	Brazil	Common shareholder	Costs	(182,708)	(86,181)
O2 COMMUNICATIONS (IRELAND) LTD.	Extranjera	Ireland	Common shareholder	Sales	3,379	(5,517)
	Extranjera	Ireland	Common shareholder	Costs	1,084	(1,538)
O2 GERMANY GMBH & CO OHG	Extranjera	Germany	Common shareholder	Sales	15,629	22,759
	Extranjera	Germany	Common shareholder	Costs	(40,656)	(100,016)
MANX TELECOM LTD	Extranjera	England	Common shareholder	Sales	-	1,905
	Extranjera	England	Common shareholder	Costs	-	(2,318)
O2 (UK) (ANTES VP COMMUNIC)	Extranjera	England	Common shareholder	Sales	74,906	152,751
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CI	96.910.730-9	Chile	Common shareholder	Sales	42,686	74,113
	96.910.730-9	Chile	Common shareholder	Costs	(584,357)	(257,127)
MIRAFLORES 130 S.A.	76.172.003-1	Chile	Common shareholder	Service Delivery	3,247	-
TELFISA GLOBAL B.V.	Extranjera	Spain	Common shareholder	Financial income	6,936,633	-
			Common shareholder	Management Commission	(222,028)	-
TELEFONICA LEARNING SERVICES	Extranjera	Spain	Common shareholder	Costs	-	(705)
TELEFONICA SERVICIOS INTEGRALES DE DISTRIBUCION	Extranjera	Spain	Common shareholder	Costs	-	(151,594)
TELEATENTO DEL PERU S.A.C.	Extranjera	Perú	Common shareholder	Costs	(1,386,721)	(911,338)
TELEFONICA BRASIL (antes Telesp, Participações Fij	Extranjera	Brazil	Common shareholder	Sales	52,344	-
	Extranjera	Brazil	Common shareholder	Costs	(61,722)	-
TELEFONICA MOVILES PERU HOLDING S.A	Extranjera	Perú	Common shareholder	Costs	(263,771)	-
O2 MANX TELECOM LTD	Extranjera	England	Common shareholder	Sales	2,419	-
			Common shareholder	Costs	(204,508)	-
TELEFONICA MOVILES CHILE INVRS. S.A	96.672.150-2	Chile	Common shareholder	Sales	24,038	-
			Common shareholder	Costs	(255,060)	-
TGS TEL GLOBAL SERVICES			Common shareholder	Costs	(7,516)	-
TELEFONICA ION THE SPOT SERVICE			Common shareholder	Costs	(2,472)	-

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

9. Accounts receivable and payable to related, continued

c) Transactions, continued

Title XVI of the Company's Law 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 September 23, 2010 the Company signed a mercantile current account agreement with Telefonica Factoring Chile S.A., 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 expires on December 31, 2012. An extension of the term can be agreed upon for a period of 12 months each.

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.

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

Company	Taxpayer	Country of	Nature of the	Transaction			09.30.2012	12.31.2011
	No.	origin	relationship	origin	Currency	Term	ThCh\$	ThCh\$
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	75.086.148-0	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 september 30, 2012 and 2011, there is no key personnel, since in January 2011 key personnel was transferred to Telefonica Chile Servicios Corporativos Ltda. a direct subsidiary of Telefonica Chile S.A..

As of september 30, 2011 the company had a share-based remuneration plan for directors. The amount to date was ThCh\$ 184,941

10. Inventory

a) Inventory is detailed as follows:

Description	09.30.2012	12.31.2011
	ThCh\$	ThCh\$
Merchandise (Mobile equipment, accessories and prepay cards)	59,213,738	45,473,880
Total	59,213,738	45,473,880

As of september 30, 2012 and December 31, 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\$5,490,421 for 2012 and ThCh\$7,047,467 for 2011.

b) Inventory movements are detailed as follows:

Description	09.30.2012	12.31.2011
	ThCh\$	ThCh\$
Beginning balance	45,473,880	53,343,297
Purchases	168,262,908	188,110,739
Sales	(51,450,631)	(88,181,894)
Obsolescence provision	1,557,046	(1,007,694)
Transfer to materials allocated to the investment (1)	(104,629,465)	(106,790,568)
Movements, subtotal	13,739,858	(7,869,417)
Closing balance	59,213,738	45,473,880

1) Corresponds to the transfer point explained in note 16b 1.

11. Taxes

a) Income Taxes

As of September 30, 2012 and 2011, the Company has established a first category income tax reserve, since it determined a positive taxable base of ThCh\$ 82,391,992 and ThCh\$ 50,700,345, respectively.

As of September 30, 2012 and December 31, 2011 accumulated tax losses of subsidiaries amount to ThCh\$ 1,878,497 and ThCh\$ 1,430,200 respectively

According to current legislation, tax years subject to review by the tax authorities, contemplate most of the taxes affecting the operations of the Company for transactions generated from 2010 to date.

As of September 30, 2012 income includes the effects of changes in the income tax rate from 18.5% to 20% in accordance with the tax reform published on September 27, 2012. As a product of the above, deferred tax rates were also modified in function of their period of reversal. Total net income from this effect is ThCh\$ 891,180.

In the development of its normal operations the Company is subject to regulation and oversight by the Chilean Internal Revenue Service, therefore differences might arise in the application of criteria in the determination of taxes. Based on the information available to date management believes that there are no significant additional liabilities other than those already recorded for this concept in the financial statements.

The balance of the positive retained earnings registry and associated credits is detailed as follows:

Subsidiarias	Taxable Net	Taxable Net	Taxable Net	Taxable Net	Amount of credit ThCh\$
	Income	Income	Income	Income	
	with 16.5% Credit ThCh\$	with 17% Credit ThCh\$	with 20% Credit ThCh\$	Without credit ThCh\$	
Telefónica Móviles Chile S.A.	-	-	64,187,181	64,010,243	16,046,795
Totales	-	-	64,187,181	64,010,243	16,046,795

b) Current tax assets

As of September 30, 2012 and December 31, 2011, the Company does not have current tax assets.

11. Taxes, continued

c) Deferred tax assets and liabilities

As of September 30, 2012 and December 31, 2011, accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh\$ 15,454,662 and ThCh\$ 15,316,045, respectively which are detailed as follows:

Conceptos	09.30.2012		12.31.2011	
	Asset	Liability	Asset	Liability
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Allowance for doubtful accounts	14,077,210	-	11,312,704	-
Obsolescence provision	1,568,811	-	1,250,925	-
Unearned income	4,030,004	-	4,040,951	-
Provision for dismantling expenses	2,365,019	-	2,010,266	-
Deferred selling cost and deferred sales commissions	-	4,748,408	-	5,924,909
Amortización and depreciación of assets	13,014,976	15,021,266	25,929,739	24,319,210
Other events	1,589,365	1,421,049	2,138,871	1,123,291
Sub totales	36,645,385	21,190,723	46,683,456	31,367,410
Reclasificación	(21,190,723)	(21,190,723)	(31,367,410)	(31,367,410)
Total	15,454,662	-	15,316,046	-

d) Current tax liabilities

As of September 30, 2012 and December 31, 2011, accounts payable for the concept of taxes are detailed as follows:

Movements	09.30.2012	12.31.2011
	ThCh\$	ThCh\$
Income tax accrual (1)	13,365,961	3,778,164
Final balance	13,365,961	3,778,164

(1) The provision for income tax is presented net of estimated monthly payments for ThCh\$6.376.411 and other concepts.

11. Taxes, continued

e) Income tax reconciliation:

The income tax expense reconciliation as of september 30, 2012 and December 31, 2011 are detailed as follows:

Concepts	07.01.12 al 09.30.12		09.30.2012		07.01.11 al 09.30.11		09.30.2011	
	Taxable base ThCh\$	Tax Rate 20% and 18,5% ThCh\$	Taxable base ThCh\$	Tax Rate 20% ThCh\$	Taxable base ThCh\$	Tax Rate 20% ThCh\$	Taxable base ThCh\$	Tax Rate 20% ThCh\$
Based on accounting income before taxes:								
Income before taxes	32,736,763	7,429,532	91,548,741	18,309,748	33,089,202	6,617,840	133,154,081	26,630,816
Permanent differences	25,301	31,148	1,764,485	352,897	39,052,332	7,810,464	60,108,940	12,021,789
Price-level restatement of taxable equity	13,720,392	2,476,867	(4,093,729)	(818,746)	(5,095,167)	(1,019,033)	(19,991,716)	(3,998,342)
Accrued investment income	(110,217)	(47,313)	(1,794,813)	(358,963)	(676,715)	(135,343)	(691,146)	(138,229)
Foreign currency translation due to modification of legal	(11,921,254)	(2,291,398)	(5,731,097)	(1,146,219)	44,824,214	8,964,840	80,791,802	16,158,360
Others (1)	(1,663,620)	(107,008)	13,384,124	2,676,825	-	-	-	-
Total corporate tax expense	32,762,064	7,460,680	93,313,226	18,662,645	72,141,534	14,428,304	193,263,021	38,652,605
Based on taxable net income and deferred taxes								
calculated on the basis of temporary differences:								
18.5 and 20% income tax		3,018,580		19,243,095		8,134,797		8,612,361
35% income tax		6,570		6,570		881		1,249
Prior years deficit		-		(167,062)		-		-
Income tax expense		3,025,150		19,082,603		8,135,678		8,613,610
Deferred tax expense (2)		4,435,530		(419,958)		6,292,626		30,038,995
Total corporate tax expense		7,460,680		18,662,645		14,428,304		38,652,605
Effective income tax rate		22.79%		20.39%		43.60%		29.03%

- (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.

12. Non-current accounts receivable

Non-current accounts receivable are detailed as follows:

Description	09.30.2012			12.31.2011		
	Gross value	All. f/doubt. accts.	Net value	Gross value	All. f/doubt. accts.	Net value
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Misc. Receivables	-	-	-	96,063	-	96,063
Total	-	-	-	96,063	-	96,063

13. Investments accounted for using the equity method

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

Taxpayer No.	Name	Investment		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income	Ordinary expenses	Income
		balance 06.30.2012	Participation percentage							
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda. (1)	889,041	48.00	61,132,861	43,824,711	70,269,818	32,835,588	130,395,656	125,335,121	5,060,535

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

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

Movements	09.30.2012	12.31.2011
	ThCh\$	ThCh\$
Beginning balance	(1,540,017)	-
Participación in ordinary income current period	2,429,058	1,252,002
Acquisición participación in Telefónica Chile Servicios Corporativos Ltda.	-	2,970
Other increases in reserve	-	(2,794,989)
Movements, subtotal	2,429,058	(1,540,017)
Final balance (1)	889,041	(1,540,017)

1) of December 31, 2011 Telefónica Chile Servicios Corporativos Ltda. has negative equity (see Note 19bii).

14. Intangible Assets other than goodwill

- a) Intangible assets other than goodwill as of september 30, 2012 and December 31, 2011 are detailed as follows:

Description	Intangibles,	09.30.2012	Intangible,	Intangibles,	12.31.2011	Intangible,
	gross	Accumulated	net	gross	Accumulated	net
	ThCh\$	amortization	ThCh\$	ThCh\$	amortization	ThCh\$
		ThCh\$			ThCh\$	
Intangible assets for exploration and evaluation (1)	125,647,598	(91,387,443)	34,260,155	125,647,598	(90,080,912)	35,566,686
Licenses and software	141,388,182	(110,318,743)	31,069,440	134,914,923	(95,408,931)	39,505,992
Total	267,035,780	(201,706,186)	65,329,595	260,562,521	(185,489,843)	75,072,678

(1) Represents administrative concessions.

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

Movements	Intangible assets for	Licenses and	Intangibles,
	exploration and evaluation	software, net	net
	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.12	35,566,686	39,505,992	75,072,678
Amortization expense	(1,306,531)	(14,909,812)	(16,216,343)
Other Increase (decrease) (1)	-	6,473,260	6,473,260
Movements, subtotal	(1,306,531)	(8,436,552)	(9,743,083)
Final balance al 09.30.2012	34,260,155	31,069,440	65,329,595
Mean remaining useful life		3,3 años	

1) See note 16b.

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

Movements	Intangible assets for	Licenses and	Intangibles,
	exploration and evaluation	software, net	net
	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.12	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
Final balance al 12.31.2011	35,566,686	39,505,992	75,072,678
Mean remaining useful life		4 años	

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

Intangible assets are tested for impairment whenever there is an indication of a potential loss in value, and in any case at each year-end. The financial statements for 2012 and 2011 have not been affected as a result of

the impairment tests performed on these assets.

15. 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 goodwill for september 30, 2012 and December 31, 2011 are detailed as follows:

Movements	09.30.2012	12.31.2011
	ThCh\$	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.).

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.

In accordance with existing policy, based on the impairment assessment as of 2011 year-end and cash flows projections from 2012 to 5 years in the future, prepared by the cash generating unit associated to that goodwill, Management has concluded on the basis of available information that there is no evidence of impairment of this asset.

16. Property, Plant and Equipment

- a) As of september 30, 2012 and December 31, 2011 the major categories of Property, plant and equipment and their corresponding accumulated depreciation are detailed as follows:

Movements	09.30.2012			12.31.2011		
	Gross PP&E	Accumulated depreciation	Net PP&E	Gross PP&E	Accumulated depreciation	Net PP&E
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Land	3,767,773	-	3,767,773	3,829,393	-	3,829,393
Buildings (1)	119,563,827	(106,640,637)	12,923,190	119,453,253	(101,152,789)	18,300,464
Transport equipment	17,214	(17,214)	-	106,528	(66,747)	39,781
Supplies and accessories	10,068,592	(6,801,385)	3,267,207	9,282,617	(7,011,306)	2,271,311
Office equipment	768,344	(635,394)	132,950	591,520	(443,327)	148,193
Construction in progress	67,656,709	-	67,656,709	40,463,920	-	40,463,920
Other property, plant & equipment (2)	868,493,533	(589,619,821)	278,873,712	824,208,941	(521,776,453)	302,432,488
Totales	1,070,335,992	(703,714,451)	366,621,541	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 12, 2011 telecommunications infrastructure was withdrawn in the amount of ThCh\$1,622,720, due to the division of the company in two: Telefonía Móviles Chile S.A. and Operadora de Torres de Telefonía Ltda. (See Note 1).

16. 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)	-	-	-	-	-	149,704,562	-	149,704,562
Retirements	(61,620)	(54,118)	(89,314)	-	-	-	(70,686,585)	(70,891,637)
Acc. Dep. retirements	-	54,118	55,415	-	-	-	70,686,585	70,796,118
Depreciation expense	-	(5,693,405)	(5,882)	(194,945)	(15,243)	-	(138,090,319)	(143,999,794)
Transfer of depreciation	-	151,439	-	404,867	(176,824)	-	(439,633)	(60,151)
Other Increase (decrease) (2)	-	164,692	-	785,974	176,824	(122,511,773)	114,971,176	(6,413,107)
Movements, subtotal	(61,620)	(5,377,274)	(39,781)	995,896	(15,243)	27,192,789	(23,558,776)	(864,009)
Ending balance as of 09.30.2012	3,767,773	12,923,190	-	3,267,207	132,950	67,656,709	278,873,712	366,621,541

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

(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\$(6,473,260)

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)	-	-	-	-	-	180,362,773	-	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	-	(199,502,504)	164,209,922	(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.

16. Property, Plant and Equipment, continued

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

17. Other Current and Other Non-current Financial Liabilities

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

Description		09.30.2012		12.31.2011	
		Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Bank loans	(a)	1,683,736	107,441,834	31,463,261	110,428,690
Unguaranteed obligations (Bonds)	(b)	3,357,477	283,258,746	1,400,943	295,607,540
Hedge liabilities, swap contracts, cross currency	(see note 6b)	5,355,698	5,091,013	1,095,407	-
Total		10,396,911	395,791,592	33,959,611	406,036,230



17. 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	Country of debtor	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term	Nominal amounts (ThCh\$)					Total nominal amounts (a)
													Expiration			5 years and over		
													90 days to 1 years	1 to 3 years	3 to 5 years	5 years and over		
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	Extranjero	BBVA BANCOMER	México	US\$	At maturity	1.48%	1.12%	US\$ 70 mm	2016	-	-	-	32,637,500	-	32,637,500
Syndicated Loan (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	At maturity	7.20%	6.79%	MM\$ 49.000	2016	-	-	-	49,000,000	-	49,000,000
Syndicated Loan (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97004000-5	Banco Chile	Chile	CLP	At maturity	7.46%	6.99%	MM\$ 26.000	2014	-	-	26,000,000	-	26,000,000	
Total bank loans													-	-	26,000,000	81,637,500	-	107,637,500

(a) Corresponds to the foreign exchange nominal value as of the date each loan was obtained

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Country of debtor	Currency	Current			Non-current			Total Non current as of 09.30.2012
								Expiration		Total current as of 09.30.2012	Expiration		Total Non current as of 09.30.2012	
								Up to 90 days	90 days to 1 years		1 to 3 years	3 to 5 years		
								ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	Extranjero	BBVA BANCOMER	México	US\$	10,324	-	10,324	-	32,765,998	-	32,765,998
Syndicated Loan (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	1,115,027	-	1,115,027	-	48,748,673	-	48,748,673
Syndicated Loan (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97004000-5	Banco Chile	Chile	CLP	558,385	-	558,385	25,927,163	-	-	25,927,163
Total bank loans								1,683,736	-	1,683,736	25,927,163	81,514,671	-	107,441,834

(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.



17. 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	Country of debtor	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term	Nominal amounts (ThCh\$)					
													Up to 90 days	90 days to 1 years	Expiration		5 years and over	Total nominal amounts
													1 to 3 years	3 to 5 years				
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	At maturity	0.00%	7.03%	MM\$ 31.000	2012	-	31,000,000	-	-	-	31,000,000
Syndicated Loan (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	Extranjero	BBVA BANCOMER	México	US\$	At maturity	0.00%	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	At maturity	0.00%	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	At maturity	0.00%	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	Country of debtor	Currency	Current			Non-current			Total Non current as of 09.30.2012 ThCh\$
								Expiration		Total current as of 09.30.2012 ThCh\$	Expiration		5 years and over ThCh\$	
								Up to 90 days	90 days to 1 years		1 to 3 years	3 to 5 years		
								ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	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.



17. 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	Country of debtor	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term	Nominal amounts (ThCh\$)					Total nominal amounts
													Up to 90 days	90 days to 1 years	Expiration 1 to 3 years	3 to 5 years	5 years and over	
Series A Bond (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	At maturity	5.62%	5.60%	MM\$ 32.000	2014	-	-	32,000,000	-	-	32,000,000
144A Bond (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	Extranjero	Bank of New York	EE.UU.	US\$	At maturity	3.23%	2.88%	US\$ 300 mm	2015	-	-	-	146,889,507	-	146,889,507
Series C Bond (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	At maturity	6.73%	6.30%	MM\$ 66.000	2016	-	-	-	66,000,000	-	66,000,000
Series D Bond (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	U.F.	At maturity	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	Country of debtor	Currency	Current			Non-current			Total Non current as of 09.30.2012
								Expiration		Total current as of 09.30.2012	Expiration		Total Non current as of 09.30.2012	
								Up to 90 days	90 days to 1 years		1 to 3 years	3 to 5 years		
								ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Series A Bond (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	-	365,591	365,591	31,996,468	-	-	31,996,468
144A Bond (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	Extranjero	Bank of New York	EE.UU.	US\$	1,155,239	-	1,155,239	-	141,147,894	-	141,147,894
Series C Bond (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	1,320,619	-	1,320,619	-	65,231,352	-	65,231,352
Series D Bond (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	U.F.	516,028	-	516,028	-	44,883,032	-	44,883,032
Total unguaranteed obligations								2,991,886	365,591	3,357,477	31,996,468	251,262,278	-	283,258,746

- (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. Otros pasivos financieros corrientes y no corrientes, continuación

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

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Country of debtor	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term	Nominal amounts (ThCh\$)					Total nominal amounts
													Up to 90 days	90 days to 1 years	Expiration		5 years and over	
													1 to 3 years	3 to 5 years				
Series A Bond (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	At maturity	5.62%	5.60%	MM\$ 32.000	2014	-	-	32,000,000	-	-	32,000,000
144A Bond (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	Extranjero	Bank of New York	EE.UU.	US\$	At maturity	3.23%	2.88%	US\$ 300 mm	2015	-	-	-	146,889,507	-	146,889,507
Series C Bond (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	At maturity	0.00%	6.30%	MM\$ 66.000	2016	-	-	-	66,000,000	-	66,000,000
Series D Bond (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	U.F.	At maturity	0.00%	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	Country of debtor	Currency	Current			Non-current			Total Non current as of 09.30.2012
								Expiration		Total current as of 09.30.2012	Expiration		Total Non current as of 09.30.2012	
								Up to 90 days	90 days to 1 years		1 to 3 years	3 to 5 years		
							ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Series A Bond (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	807,667	-	807,667	31,993,244	-	-	31,993,244
144A Bond (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	Extranjero	Bank of New York	EE.UU.	US\$	-	164,537	164,537	-	154,317,657	-	154,317,657
Series C Bond (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	-	312,694	312,694	-	65,069,375	-	65,069,375
Series D Bond (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	U.F.	-	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.

18. Trade and Other Accounts Payable

Trade and other accounts current payable are detailed as follows

Description	09.30.2012 ThCh\$	12.31.2011 ThCh\$
Accounts payable due to purchases or services rendered (1)	93,265,865	117,864,409
Suppliers of fixed assets	14,298,233	46,985,415
Total currents	107,564,098	164,849,824

(1) "Debts for purchases or services rendered" 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

19. Other Provisions

a) Other short-term provisions

The balance of provisions is detailed as follows:

Description	09.30.2012 ThCh\$	12.31.2011 ThCh\$
Civil and regulatory (1)	376,984	1,843,816
Total	376,984	1,843,816

(1) (1) 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.

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 24, 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.

19. Other Provisions, continued

a) Other short-term provisions, continued

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

Movements	09.30.2012	12.31.2011
	ThCh\$	ThCh\$
Beginning balance	1,843,816	464,466
Increase in existing provisions	814,084	1,602,659
Provision used	(2,280,916)	(223,309)
Movements, subtotal	(1,466,832)	1,379,350
Ending balance	376,984	1,843,816

b) Other provisions, long term

Description	09.30.2012	12.31.2011
	ThCh\$	ThCh\$
Investment in related company reserve (bi)	879	1,540,017
Dismantling provision	13,252,339	13,252,339
Total	13,253,218	14,792,356

bi) Movements in non-current provisions for the periods ended septiembre 30, 2012 and December 31, 2011 are detailed as follows:

Movements	09.30.2012	12.31.2011
	ThCh\$	ThCh\$
Beginning balance	14,792,356	10,866,678
Increase in existing provisions	-	5,679,232
Provision used	(1,539,138)	(1,346,898)
Reclasificación	-	(406,656)
Movements, subtotal	(1,539,138)	3,925,678
Ending balance	13,253,218	14,792,356

19. Other Provisions, continued

b) Other provisions, long term, continued

bii) As of septiembre 30, 2012 and December 31, 2011, investments in associated companies are detailed as follows:

Taxpayer No.	Name	Investment	Participation percentage %	Current assets ThCh\$	Non-current assets ThCh\$	Current liabilities ThCh\$	Non-current liabilities ThCh\$	Ordinary income ThCh\$	Ordinary expenses ThCh\$	Income ThCh\$
		balance 09.30.2012								
96.898.630-9	Intertel S.A. (1)	(879)	50.00	242	0	2,000	0	0	1,702	(1,702)

(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.

Taxpayer No.	Name	Investment	Participation percentage %	Current assets ThCh\$	Non-current assets ThCh\$	Current liabilities ThCh\$	Non-current liabilities ThCh\$	Ordinary income ThCh\$	Ordinary expenses ThCh\$	Income ThCh\$
		balance 12.31.2012								
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda. (1)	(1,540,017)	48.00	58,925,873	41,032,486	73,354,918	29,811,810	82,886,162	78,646,356	2,611,525

(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 septiembre 30, 2012 and December 31, 2011, investments in associated companies are detailed as follows:

Movements	09.30.2012
	Intertel S.A. ThCh\$
Beginning balance	28
Share in ordinary income for the periods	851
Acquisition of share in Telefónica Chile Servicios Corporativos Ltda.	-
Movements, subtotal	851
Ending balance	879

20. 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	09.30.2012	12.31.2011
	ThCh\$	ThCh\$
Goal achievement bonuses, currents	-	343,329
Non-current termination benefits	-	406,656
Total	-	749,985

20. Current employee benefits provision , continued

a) Employee benefits, continued

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

Movements	09.30.2012	12.31.2011
	ThCh\$	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) The transfer of termination benefits , no bonus stream and current compliance objectives.

b) Employee expenses

The composition of the costs to employee is as follows:

Description	07.01.12 al	09.30.2012	07.01.11 al	09.30.2011
	09.30.12		09.30.11	
	ThCh\$		ThCh\$	
Wages and salaries (1)	-	-	936,726	14,455,860
Benefits obligation expense	-	-	529,764	2,957,153
Health and life insurance	-	-	56,119	767,868
Other employee expenses (2)	327,473	915,310	54,328	1,066,319
Total	327,473	915,310	1,576,937	19,247,200

(1) In January 2011, key employees began to be transferred to Telefonica Chile Servicios Corporativos Ltda. a direct subsidiary of Telefonica Chile S.A. and as of December 31, 2011 all employees have been transferred to Telefonica Gestion Servicios Compartidos Chile S.A. The cost of services received for this concept is classified under other expenses (Note 24 c), in the expenses for personnel transferred from other companies item.

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

21. Other Current Non-financial Liabilities

Other current non-financial liabilities are detailed as follows:

Description	09.30.2012 ThCh\$	12.31.2011 ThCh\$
Deferred income, current (1)	59,484,373	62,404,619
Other taxes (2)	7,670,045	957,309
Total currents	67,154,418	63,361,928

- (1) As of December 31, 2011 includes deferred income in the amount of ThCh\$ 17,544,106 generated by the transaction carried out on December 12, 2011, where Telefonica Moviles Chile S.A. sold communications infrastructure to ATC Sitios de Chile S.A.
(2) Includes withholding tax, Value Added Tax, social security institutions and others.

Movements of deferred income are detailed as follows:

Deferred revenues	09.30.2012 ThCh\$	12.31.2011 ThCh\$
Opening balance	62,404,619	33,501,232
Endowments	343,041,752	468,390,061
Reduction/applications	(345,961,998)	(439,486,674)
Movements, subtotal	(2,920,246)	28,903,387
Final balance	59,484,373	62,404,619

22. Equity

a) Capital:

As of september 30, 2012 and December 31, 2011, the Company's paid-in capital is detailed as follows:

Number of shares:

Serie	No. of shares subscribed	09.30.2012		12.30.2011		
		No. of paid shares	No. of shares with voting rights	No. of shares subscribed	No. of paid shares	No. of shares with voting rights
SINGLE	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145
Total	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145

22. Equity, continued

Capital:

Serie	09.30.2012		12.31.2011	
	Subscribed capital ThCh\$	Issued capital ThCh\$	Subscribed capital ThCh\$	Paid capital ThCh\$
SINGLE	941,099,241	941,099,241	941,099,241	941,099,241
Total	941,099,241	941,099,241	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).

In September 2010, the 66,009,475 own issue shares resulting from the merger indicated in the previous paragraph, were legally decreased, therefore to December 31, 2010 the Company's new capital is ThCh\$ 941,101,241.

On September 8, 2009, at an Extraordinary Shareholders' Meeting, the shareholders approved the merger by incorporation of the partners and equity of TEM Inversiones Chile Limitada. Thus, Telefonica Moviles Chile S.A. absorbed TEM Inversiones Chile Limitada, which was dissolved early with no need to liquidate, incorporating the partners and all assets, liabilities and equity leaving the Company as legal successor. The merger involved incorporating the partners of TEM Inversiones Chile Limitada who became shareholders of Telefonica Moviles Chile S.A.

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

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

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

22. Equity, continued

b) Distribution of shareholders:

In accordance with Circular No. 792 issued by the Superintendency of Securities and Insurance (S.V.S.), the Company's shareholders and their ownership interest as of September 30, 2012 are detailed as follows:

Type of Shareholder	Participation percentage %	Number of shareholders
10% or more of participación	99,999999	1
Less than 10% of participación:		
Or more Investment UF 200	-	-
Less than 200 UF Investment	0,000001	1
Totales	100	2
Controller of the Company	99,999999	1

As of September 30, 2012 and December 31, 2011, the direct participation of Inversiones Telefonica Moviles Holding Ltda., in the equity of Telefonica Moviles Chile S.A., reaches 99.999999%.

b) Dividends

i) Dividends policy:

As established in Law 18,046, when it reports net income, the Company must distribute at least 30% of that net income each year as dividends unless otherwise unanimously agreed upon by the shareholders of all issued shares.

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 dividend accrual of ThCh\$28,781,193 recognized as of December 31, 2011 was reversed.

22. Equity, continued

c) Dividends, continued

ii) Decreased capital and dividends:

As of september 30, 2012, no dividends have been distributed.

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

Date	Dividend	Amount Distributed	Charge to net income	Payment date
		ThCh\$		
2/3/2011 (1)	Final	65,000,000	Fiscal year 2010	03-29-2011
1/7/2011	Interim	37,000,000	Fiscal year 2010	07-26-2011
2/12/2011	Eventual	50,107,530	Fiscal year 2010	12-28-2011
2/12/2011	Interim	20,000,000	Fiscal year 2011	12-28-2011

(1) Defined dividends had already been accrued as of December 31, 2010 in the amount of ThCh\$20,689,706 and as of March 2, 2011 the remaining dividends were accrued in the amount of ThCh\$44,310,294.

d) Other reserves

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

Description	Balance as of 12.31.2011	Net movement	Balance as of 09.30.2012
		ThCh\$	ThCh\$
Business combination reserve	(97,886,550)	-	(97,886,550)
Cash flows hedge reserve	944,033	1,125,363	2,069,396
Employee benefits reserve	(2,594,523)	(185,750)	(2,780,273)
Revaluation issued capital	(233,685,428)	-	(233,685,428)
Totales	(333,222,468)	939,613	(332,282,855)

i) Business combination reserve

This reserve corresponds to corporate reorganizations undertaken by the Telefonica Moviles Chile Group in prior periods

22. Equity, continued

d) Other reserves , continued

ii) Cash flows hedge reserve

This reserve corresponds to cross currency swap contracts and foreign exchange futures contracts used as hedges.

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

As of september 30, 2012, the Company has non-controlling interests arising from the investment in Wayra Chile Tecnología e Innovacion Limitada (ex Telefonica Moviles Chile Inversiones S.A). and Telefónica Móviles Chile Distribución S.A..

Subsidiaries	Percentage minority interest		minority interest equity		Participación in result income (loss)	
	2012	2011	2012	2011	2012	2011
	%	%	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Wayra Chile Tecnología e Innovación Limitada	0.000003	0.000004	-	-	-	-
Telefónica Móviles Chile Distribución S.A.	0.01	0.01	43	44	-	-
Total			43	44	-	-

23. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	07.01.12 al		07.01.11 al	
	09.30.12	09.30.2012	09.30.11	09.30.2011
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Earnings attributable to owners of the parent	25,276,083	72,886,096	18,660,898	94,501,476
Profit available for shareholders	25,276,083	72,886,096	18,660,898	94,501,476
Weighted average number of shares	118,026,145	118,026,145	118,026,145	118,026,145
Basic earnings per share in Ch\$	214.16	617.54	158.11	800.68

Earnings per share have been calculated by dividing profit for the year attributable to the parent company by the weighted average number of common shares 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.

24. Revenues and Expenses

a) Finance income and expenses for the periods ended, 2012 and 2011 are detailed as follows:

Operating income	07.01.12 al		07.01.11 al	
	09.30.12	09.30.2012	09.30.11	09.30.2011
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Sale of goods	16,195,656	46,415,901	15,180,707	42,342,421
Services rendered	222,283,098	669,390,120	222,007,464	651,238,337
Total	238,478,754	715,806,021	237,188,171	693,580,758

24. Revenues and Expenses , continued

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

Other income	07.01.12 al		07.01.11 al	
	09.30.12	09.30.2012	09.30.11	09.30.2011
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Indemnity (1)	(876,701)	-	(295,883)	1,704,577
Other common management earnings	361,676	1,050,146	269,381	833,049
Benefits from disposal of tangible property, plant and equipment	-	480,255	96,731	1,089,083
Total	(515,025)	1,530,401	70,229	3,626,709

(1) The payment of the insurance indemnity for outstanding debt to Commercial PCS.

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

Other expenses	07.01.12 al		07.01.11 al	
	09.30.12	09.30.2012	09.30.11	09.30.2011
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Interconnections and roaming	40,017,549	120,887,646	36,694,066	105,997,298
Rent	17,428,715	48,529,713	14,629,857	40,002,175
Cost of sales of equipment and cards	13,222,424	52,876,111	13,904,203	49,259,626
External services	2,717,533	8,912,494	2,791,618	6,674,410
Sales commission	15,826,177	47,388,914	17,465,309	48,641,228
Customer services	8,295,296	24,614,542	7,139,906	18,840,932
Maintenance	3,830,389	11,013,109	7,797,588	18,670,584
Allowance for doubtful accounts	6,642,376	22,575,786	4,985,791	18,813,992
Advertising	5,397,115	17,505,130	7,174,982	18,133,805
Employee exp. transferred by other comp.	18,394,495	55,751,760	15,508,361	23,242,120
Electrical energy for technical installations	2,997,665	7,449,273	4,393,720	9,624,871
Administrative and management services	6,976,222	22,002,426	6,131,430	13,862,070
Compensation to suppliers for messaging services	2,659,603	8,294,605	7,648,406	12,640,439
Others	3,828,169	12,169,279	2,579,686	11,888,721
Total	148,233,728	459,970,789	148,844,922	396,292,271

24. Revenues and Expenses , continued

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

Net financial income	07.01.12 al	09.30.2012	07.01.11 al	09.30.2011
	09.30.12		09.30.11	
	ThCh\$		ThCh\$	
Finance income				
Interest earned on deposits and agreements	4,331,581	13,189,021	922,456	2,247,707
Derivative contracts (Forward)	92,400	143,918	-	-
Other finance income	(45)	5,662	261,756	300,497
Total finance income	4,423,936	13,338,601	1,184,212	2,548,204
Finance expenses				
Interest on loans from bank institutions	1,444,538	4,484,956	356,958	1,094,832
Interest on obligations and bonds	3,035,632	9,185,979	3,451,892	8,390,401
Finance leases	-	-	1,949	16,721
Derivative contracts (Forward)	23,453	119,054	42,887	138,703
Interest rate hedges (cross currency swap)	2,248,614	6,800,726	181,306	944,551
Other financial expenses	43,073	161,734	-	-
Total finance costs	6,795,310	20,752,449	4,034,992	10,585,208
Net finance income	(2,371,374)	(7,413,848)	(2,850,780)	(8,037,004)

25. Local and Foreign Currency

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

Current assets	09.30.2012 ThCh\$	12.31.2011 ThCh\$
Cash and cash equivalents	248,638,042	135,767,861
US dollars	8,250,124	353,402
Euros	9,915	7,328
Chilean pesos	240,378,003	135,407,131
Other current financial assets	60,418,128	106,622,873
US dollars	66,120	2,688,570
Euros	5,639	-
Chilean pesos	60,346,369	100,584,885
U.F.	-	3,349,418
Trade and other accounts receivable, current	125,279,444	186,886,517
US dollars	-	146,492
Euros	-	21,207
Chilean pesos	125,279,444	186,718,818
Accounts receivable from related companies	38,611,659	39,691,996
US dollars	650,840	632,331
Euros	197,968	495,425
Chilean pesos	37,762,851	38,564,240
Other current assets (1)	96,508,906	87,677,103
Pesos	96,508,906	86,734,571
U.F.	-	942,532
Total current assets	569,456,179	556,646,350
US dollars	8,967,084	3,820,795
Euros	213,522	523,960
Chilean pesos	560,275,573	548,009,645
U.F.	-	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	09.30.2012	12.31.2011
	ThCh\$	ThCh\$
Other non-current financial assets	708,690	10,942,691
US dollars	22,874	4,474,493
U.F.	603,316	6,468,198
Chilean pesos	82,500	-
	1,403,620	1,983,081
Other non-current financial assets		
Chilean pesos	1,403,620	1,983,081
	-	96,063
Non-current receivables		
Chilean pesos	-	96,063
	931,474,564	941,053,998
Other non-current assets (2)		
Chilean pesos	931,474,564	941,053,998
Total non-current assets	933,586,874	954,075,833
US dollars	22,874	4,474,493
Chilean pesos	932,960,684	943,133,142
U.F.	603,316	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.

25. Local and Foreign Currency, continued

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

Current liabilities	09.30.2012	12.31.2011	09.30.2012	12.31.2011
	Up 90 days ThCh\$		De 91 days to 1 years ThCh\$	
Other current financial liabilities	10,031,320	33,589,295	365,591	370,316
US dollars	1,205,250	184,204	-	-
Chilean pesos	8,310,042	33,289,046	365,591	370,316
U.F.	516,028	116,045	-	-
Trade and other accounts payable	107,564,098	164,849,824	-	-
US dollars	45,205,262	38,242,904	-	-
Euros	2,115,951	3,037,629	-	-
Other currencies	117,890	44,526,195	-	-
Chilean pesos	57,372,068	69,241,606	-	-
U.F.	2,752,927	9,801,490	-	-
Accounts payable to related companies, current	60,833,683	91,187,683	-	-
US dollars	1,272,039	1,027,231	-	-
Euros	5,459,559	37,412,909	-	-
Chilean pesos	54,102,085	52,747,543	-	-
Other current liabilities (1)	13,742,945	5,965,309	67,154,418	63,361,928
Chilean pesos	13,742,945	5,965,309	67,154,418	63,361,928
Total current liabilities	192,172,046	295,592,111	67,520,009	63,732,244
US dollars	47,682,551	39,454,339	-	-
Euros	7,575,510	40,450,538	-	-
Other currencies	117,890	44,526,195	-	-
Chilean pesos	133,527,140	161,243,504	67,520,009	63,732,244
U.F.	3,268,955	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	09.30.2012	12.30.2011	09.30.2012	12.30.2011	09.30.2012	12.30.2011
	1 to 3 yaers ThCh\$		3 to 5 years ThCh\$		5 years ThCh\$	
Other non-current financial liabilities	57,923,631	59,429,781	337,867,962	346,606,449	-	-
US dollars	-	-	173,913,892	190,146,720	-	-
U.F.	-	-	44,883,032	44,227,264	-	-
Chilean pesos	57,923,631	59,429,781	119,071,038	112,232,465	-	-
Other non-current liabilities (2)	15,016,172	15,018,612	-	-	-	406,656
Chilean pesos	15,016,172	15,018,612	-	-	-	406,656
Total non-current liabilities	72,939,803	74,448,393	337,867,962	346,606,449	-	406,656
US dollars	-	-	173,913,892	190,146,720	-	-
U.F.	-	-	44,883,032	44,227,264	-	-
Chilean pesos	72,939,803	74,448,393	119,071,038	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 September 30, 2012 there are no complaints against the government.

b) Complaints filed by the Government against Telefónica Móviles:

As of September 30, 2012 there are no complaints filed by the Government against Telefónica Móviles.

c) Lawsuits several

The following section discloses contingencies regarding lawsuits and other legal actions in which the Company is involved that have been judged to be probable or reasonably possible by our legal counsel:

- i) Ordinary Labor Lawsuits: There are contingencies caused by ordinary lawsuits filed before the Department of Labor against the Company, which claim its direct or subsidiary liability. A total sum of ThCh\$ 24,726 is estimated as a probable contingency.
- ii) Civil lawsuits: Civil matters include actions, collection and damage indemnity. The probable contingency is estimated at the total sum of ThCh \$ 100,000.
- iii) Contentious-administrative: due to the lawsuits filed before the Undersecretary of Telecommunications and Ordinary Courts, the probable contingency amounts to ThCh\$ 176,082, for the concept of fines, including those applied daily as a court action.
- iv) Consumer Rights Protection Law: complaints have been filed against the Company for infraction of the Consumer Rights Protection Law, with damage indemnity lawsuits and associated fines. These represent a probable contingency in the amount of ThCh\$ 28,739.
- v) Tax affairs: there are two processes being followed before Customs for collection of customs duties on imported handsets, due to the application of the Free Trade Agreements signed by Chile and Mexico and South Korea. They currently represent a probable contingency amounting to ThCh\$ 47,438.
- vi) Cause filed with the Antitrust Commission: there are no current processes.

26. Contingencies and Restrictions , continued

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.

The Company is in the process of evaluating the implications of the application of this Law.

e) Financial restrictions:

As of september 30, 2012 and December 31, 2011 the company has no financial restrictions.

26. Contingencies and Restrictions , continued

f) Guarantee Deposit

Guarantee deposits are detailed as follows:

Guarantee creditor	Debtor		Type of guarantee	In force ballots ThCh\$	Guarantee liberation		
	Name	Relationship			2012 ThCh\$	2013 ThCh\$	2014 and thereon ThCh\$
Adm. De Fondos De Inversión Privados San Bernardo	TMCH	Parent company	Guarantee	3,738	3,738	-	-
Administradora De Los Tribunales Tributarios Y Aduaneros	TMCH	Parent company	Guarantee	5,000	5,000	-	-
Administradora Plaza Vespucci S.A.	TMCH	Parent company	Guarantee	178,276	-	-	178,276
Aguas Andinas S.A.	TMCH	Parent company	Guarantee	5,000	-	5,000	-
Anglo American Chile Limitada	TMCH	Parent company	Guarantee	21,260	-	21,260	-
Banco Central De Chile	TMCH	Parent company	Guarantee	3,000	3,000	-	-
Cai Gestion Inmobiliaria	TMCH	Parent company	Guarantee	13,455	-	-	13,455
Camara De Diputados	TMCH	Parent company	Guarantee	20,000	10,000	10,000	-
Cementos Polpaico	TMCH	Parent company	Guarantee	11,400	11,400	-	-
Cencosud Shopping Center S.A.	TMCH	Parent company	Guarantee	5,224	-	-	5,224
Comercializadora Costanera Center S.P.A.	TMCH	Parent company	Guarantee	21,860	-	21,860	-
Consejo Nacional De La Cultura Y Las Artes	TMCH	Parent company	Guarantee	100	100	-	-
Constructora Y Administradora Uno S.A.	TMCH	Parent company	Guarantee	14,767	-	-	14,767
Corporacion Administrativa Del Poder Judicial	TMCH	Parent company	Guarantee	10,000	10,000	-	-
Corporación Nacional Forestal	TMCH	Parent company	Guarantee	7,916	-	7,916	-
Desarrollos Inmobiliarios San Antonio S.A.	TMCH	Parent company	Guarantee	3,107	3,107	-	-
Dirección De Bibliotecas, Archivos Y Museos	TMCH	Parent company	Guarantee	600	600	-	-
Dirección Del Trabajo	TMCH	Parent company	Guarantee	6,353	-	-	6,353
Dirección General De Aeronautica Civil	TMCH	Parent company	Guarantee	16,095	-	5,327	10,768
Empresa De Transportes De Pasajeros Metro S.A.	TMCH	Parent company	Guarantee	113,889	6,779	2,711	104,399
Fondo De Solidaridad E Inversión Social	TMCH	Parent company	Guarantee	1,638	-	1,638	-
Fundacion Cultural Y Agrícola De La Dehesa De Santiago	TMCH	Parent company	Guarantee	1,697	-	-	1,697
Gendarmeria De Chile	TMCH	Parent company	Guarantee	16,777	3,381	13,395	-
Gobierno Regional De Arica Y Parinacota	TMCH	Parent company	Guarantee	500	-	-	500
Gobierno Regional Region Metropolitana	TMCH	Parent company	Guarantee	1,000	1,000	-	-
I. Municipalidad De Cauquenes	TMCH	Parent company	Guarantee	100	100	-	-
I. Municipalidad De El Quisco	TMCH	Parent company	Guarantee	120	-	120	-
I. Municipalidad De Estacion Central	TMCH	Parent company	Guarantee	5,369	5,369	-	-
I. Municipalidad De Hijuelas	TMCH	Parent company	Guarantee	2,256	-	-	2,256
I. Municipalidad De La Pintana	TMCH	Parent company	Guarantee	700	-	700	-
I. Municipalidad De Lo Barnechea	TMCH	Parent company	Guarantee	600	600	-	-
I. Municipalidad De Macul	TMCH	Parent company	Guarantee	250	250	-	-
I. Municipalidad De Molina	TMCH	Parent company	Guarantee	2,982	200	2,782	-
I. Municipalidad De Mulchen	TMCH	Parent company	Guarantee	46	-	46	-
I. Municipalidad De Ñiquen	TMCH	Parent company	Guarantee	100	100	-	-

26. Contingencies and Restrictions , continued

f) Guarantee Deposit, continued

Guarantee creditor	Debtor			Current receipts ThCh\$	Guarantee liberation		
	Name	Relationship	Type of guarantee		2012 ThCh\$	2013 ThCh\$	2014 and thereon ThCh\$
I. Municipalidad De Nuñoa	TMCH	Parent company	Guarantee	500	500	-	-
I. Municipalidad De Padre Las Casas	TMCH	Parent company	Guarantee	152	-	152	-
I. Municipalidad De Parral	TMCH	Parent company	Guarantee	100	100	-	-
I. Municipalidad De Providencia	TMCH	Parent company	Guarantee	866	-	866	-
I. Municipalidad De Purranque	TMCH	Parent company	Guarantee	150	150	-	-
I. Municipalidad De Quillon	TMCH	Parent company	Guarantee	4,517	-	-	4,517
I. Municipalidad De San Miguel	TMCH	Parent company	Guarantee	1,460	500	-	960
I. Municipalidad De Valparaiso	TMCH	Parent company	Guarantee	4,200	-	-	4,200
I. Municipalidad De Vitacura	TMCH	Parent company	Guarantee	14,566	-	-	14,566
I. Municipalidad De Yerbas Buenas	TMCH	Parent company	Guarantee	900	400	-	500
I. Municipalidad Padre Las Casas	TMCH	Parent company	Guarantee	531	-	531	-
Inmobiliaria Mall Calama S.A.	TMCH	Parent company	Guarantee	4,945	-	-	4,945
Inmobiliaria Mall Viña Del Mar S.A.	TMCH	Parent company	Guarantee	9,922	2,116	7,806	-
Junta Nacional De Jardines Infantiles	TMCH	Parent company	Guarantee	490	-	490	-
Mall Del Centro Concepcion	TMCH	Parent company	Guarantee	6,065	-	-	6,065
Mall Paseo San Bernardo	TMCH	Parent company	Guarantee	3,835	-	3,835	-
Melon S.A.	TMCH	Parent company	Guarantee	4,523	4,523	-	-
Metro S.A.	TMCH	Parent company	Guarantee	10,651	-	9,024	1,628
Ministerio De Bienes Nacionales	TMCH	Parent company	Guarantee	535	-	-	535
Ministerio Público	TMCH	Parent company	Guarantee	65,818	-	65,818	-
Parque Arauco S.A.	TMCH	Parent company	Guarantee	14,772	-	-	14,772
Petroleos Trasandinos S.A.	TMCH	Parent company	Guarantee	200	200	-	-
Plaza Estación S.A.	TMCH	Parent company	Guarantee	861	861	-	-
Presidencia De La Republica	TMCH	Parent company	Guarantee	4,500	-	-	4,500
Secretaria Y Administracion General Del Ministerio De Justicia	TMCH	Parent company	Guarantee	6,750	6,750	-	-
Seremi De Bienes Nacionales Region De Aysen	TMCH	Parent company	Guarantee	351	-	-	351
Servicio De Bienestar De La Superintendencia De Valores Y Seguros	TMCH	Parent company	Guarantee	500	500	-	-
Servicio De Bienestar Del Personal De La Svs	TMCH	Parent company	Guarantee	1,302	-	1,302	-
Servicio De Registro Civil E Identificación	TMCH	Parent company	Guarantee	1,498	-	1,498	-
Subsecretaría De Economía Y Empresas De Menor Tamaño	TMCH	Parent company	Guarantee	9,150	-	-	9,150
Subsecretaría De Prevencion Del Delito	TMCH	Parent company	Guarantee	500	-	500	-
Subsecretaría De Telecomunicaciones	TMCH	Parent company	Guarantee	41,638,941	79,717	340,088	41,219,136
Subsecretaría De Transportes	TMCH	Parent company	Guarantee	9,000	9,000	-	-
Superintendencia De Valores Y Seguros	TMCH	Parent company	Guarantee	500	500	-	-
Superintendencia De Valores Y Seguros Servicio De Bienestar Personal	TMCH	Parent company	Guarantee	500	500	-	-
Tesoreria Municipal De Parral	TMCH	Parent company	Guarantee	100	100	-	-
Universidad Arturo Prat	TMCH	Parent company	Guarantee	500	500	-	-
Wal-Mart Chile Inmobiliaria S.A.	TMCH	Parent company	Guarantee	4,969	-	-	4,969
				42,324,795	171,641	524,665	41,628,489

27. Environment

As of September 30, 2012 and December 31, 2011, the Company has not made any investments or incurred any expenses for this concept.

In the opinion of its management and legal counsel the Company's operations have no significant environmental impact and currently comply with standards issued by the Undersecretary of Telecommunications, published in the Official Gazette on May 8, 2000, which define maximum radiation density for cellular antennas and with Exempt Resolution 1672 of 2002 regarding electromagnetic radiation from portable phones.

28. Financial Risk Management

a) Characterization of the Market and Competition

The Mobile Telephony Market is characterized by its high penetration rate of approximately 130%, 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.

The industry is currently composed of five operators, the main being Movistar, Entel and Claro. The number of mobile subscribers as of September 2012 is approximately 24 million, with Movistar being a relevant market competitor with more than 9.6 million customers with 39% market share.

In the second quarter began operations Nextel, VTR and started commercial supply of Mobile Virtual Network Operators (MVNOs), such as GTD Mobile, Virgin Mobile and Netline, which for the moment are a low market share.

Main landmarks as of September 2012:

- Coming into effect of Mobile and Fixed Numeric Portability in the country.
- Movistar, Claro and Entel were each awarded one of the three bands associated to the fixed and/or mobile data broadcasting public service tender on the 2.505 - 2.565 MHz and 2.625 - 2.685 MHz band frequencies.
- On June 11, 2012 Law No. 20,599 regulating installation of telecommunications services transmitter antennas was published in the Official Gazette.
- Companies began work associated to normalization of sensitive zone structures indicated in Transitory Article 5 of the Law.

28. Financial Risk Management, continued

a) Characterization of the Market and Competition, continued

In the same manner as in the first half of the present year, the coming into force of Mobile and Fixed Numeric Portability in the country is what has had the most impact on the Industry. This has forced the industry to focus on investments, adjusting their platforms and placing its efforts into improving the plans and quality of service of their subscribers.

b) Competition risk

New competitors such as Nextel, VTR, GTD in the mid-term will gain positions in all products. In addition the entry of Chile's main retailer, Falabella is expected although it is still not known which network operator it will operate with, therefore it will not begin operating at least until the first half of next year.

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.

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.

Interconnection rates for mobile services have been set for the 2009 – 2013 period.

On the regulatory front, the interconnection rates for mobile services are set for the period 2009 to 2013.

28. Financial Risk Management, continued

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.

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

28. Financial Risk Management, continued

Riesgo de tasa de interés, continued

The company believes it is reasonable to measure the risk associated to financial debt interest rate as the sensitivity of monthly financial expense accrual in case of a change of 25 base points in the debt reference interest rate, which as of 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 30 September 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.

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 reporting date is equal to the value of each type of financial assets.

28. Financial Risk Management, continued

Credit risk, continued

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

Liquidity risk:

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

Capital management:

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

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

No changes were introduced in the objectives, policies or processes during the periods ended September 30, 2012 and 2011

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.

28. Financial Risk Management, continued

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.

On the other hand the effects of number portability would no longer be relevant in the short term as international evidence.

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 september 30, 2012 were approved and authorized for issuance at the Board of Directors Meeting held on october 17, 2012.

From october 1 and 17, 2012, there have been no other events of a financial or other nature that might significantly affect their balances or interpretation.



Rodolfo Escalante Fiestas
Gerente de Contabilidad



Roberto Muñoz Laporte
Gerente General

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



	For the period nine month ended September 30, 2012 <hr style="border: 0.5px solid black;"/> ThCh\$
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Classes of operating activity charges	
Proceeds from sale of assets and services rendered	845,858,525
Other operating activity charges	1,852,301
Classes of payments	
Payments to suppliers for supplying goods and services	(669,925,728)
Payments to and on account of employees	(2,816,545)
Other operating activity payments	(43,754,524)
Cash flows used in operating activities:	<u>131,214,029</u>
CASH FLOWS PROVIDED BY INVESTMENT ACTIVITIES:	
Other payments to acquire equity or debt instruments of other entities	(82,500)
Loans to related entities	(141,189,519)
Proceeds from sale of property, plant and equipment	49,110,510
Additions to property, plant and equipment	(83,707,835)
Collection from related entities	157,453,731
Interest received	12,373,705
Other cash inputs (outputs)	45,173,667
Net cash flows used in investment activities	<u>39,131,759</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:	
Loan payments	(31,000,000)
Interest paid	(12,203,514)
Other cash inputs (outputs)	(14,272,093)
Net cash flows used in financing activities	<u>(57,475,607)</u>
Net Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate	112,870,181
Effects of the change in exchange rate on cash and cash equivalents:	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	112,870,181
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	135,767,861
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>248,638,042</u>