TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended
September 30, 2011 December 31, 2010 and September 30, 2010

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

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

.

CONTENT

ThCh$: Thousands of Chilean pesos

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and December 31, 2010
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

ASSETS	**Notas**	**09.30.2011**	**12.31.2010**
		ThCh$	**ThCh$**
CURRENT ASSETS			
Cash and cash equivalents	(5)	72,432,538	131,273,568
Other current financial assets	(9)	11,424,124	211,182
Other current non-financial assets	(10)	26,882,775	32,769,008
Trade and other current accounts receivable	(6a)	128,331,935	150,117,776
Current accounts receivable from related companies	(7a)	36,410,240	21,109,095
Inventory	(8a)	52,994,733	53,343,297
Tax assets, current		554,441	445,917
Total current operating assets		**329,030,786**	**389,269,843**
TOTAL CURRENT ASSETS		**329,030,786**	**389,269,843**
NON-CURRENT ASSETS			
Other non-current financial assets	(9)	12,343,699	-
Non-current rights receivable	(6a)	38,230	-
Investments accounted for using the equity method	(12)	684,645	-
Intangible assets other than goodwill, net	(13)	59,944,846	62,763,244
Goodwill	(14)	483,179,725	483,179,725
Property, plant and equipment	(15)	360,639,100	394,480,621
Deferred tax assets	(11c)	8,564,500	38,543,422
TOTAL NON-CURRENT ASSETS		**925,394,745**	**978,967,012**
TOTAL ASSETS		**1,254,425,531**	**1,368,236,855**

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and December 31, 2010
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

LIABILITIES	Notas	09.30.2011	12.31.2010
		M$	M$
CURRENT LIABILITIES			
Other current financial liabilities	(18)	4,965,520	110,847,025
Trade and other accounts payable	(20)	125,705,497	187,629,295
Current accounts payable to related companies	(7b)	35,606,673	47,782,229
Other short-term provisions	(21a)	539,060	464,466
Current tax liabilities	(11b)	14,643,805	5,632,253
Current employee benefits accrual	(21b)	1,815,819	4,389,599
Other current non-financial liabilities	(19)	39,558,491	36,065,177
TOTAL CURRENT LIABILITIES		**222,834,865**	**392,810,044**
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(18)	253,407,010	215,158,204
Other long-term provisions	(21c)	12,233,197	10,866,678
Other non-financial, non-current liabilities		237,523	-
TOTAL NON-CURRENT LIABILITIES		**265,877,730**	**226,024,882**
NET SHAREHOLDERS' EQUITY			
Issued capital	(16a)	941,100,241	941,101,241
Retained earnings (losses)		152,845,823	139,654,641
Other reserves	(16d)	(328,233,128)	(331,353,953)
Shareholders' equity attributable to owners of the parent		765,712,936	749,401,929
Non-controlling interests		-	-
TOTAL NET SHAREHOLDERS' EQUITY		**765,712,936**	**749,401,929**
TOTAL NET LIAB. & SHAREHOLDERS EQUITY		**1,254,425,531**	**1,368,236,855**

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME BY NATURE
For the nine-month periods ended September 30, 2011 and 2010
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

	Notas	From July 1 to September 30 2011	From January 1 to September 30 2011	From July 1 to September 30 2010	From January 1 to September 30 2010
STATEMENTS OF INCOME		**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Operating income	(23a)	234,797,700	691,950,770	212,943,814	621,083,329
Other income, by nature	(23a)	830,710	6,017,177	8,177,973	12,460,199
Employee benefits expenses	(22)	(1,576,937)	(19,247,200)	(10,462,035)	(31,806,499)
Depreciation and amortization expense	(13b-15)	(50,009,822)	(141,975,920)	(42,813,518)	(123,730,021)
Other expenses, by nature	(23a)	(148,844,922)	(396,292,271)	(107,037,725)	(320,835,998)
Finance income	(23b)	1,184,212	2,548,204	856,856	1,756,016
Finance costs	(23b)	(4,034,992)	(10,585,208)	(1,567,150)	(4,383,311)
Share in earnings (losses) of associates accounted for using the equity method	(2k)	681,675	681,675	-	-
Foreign currency translation		61,576	56,854	257,213	595,117
Profits before tax from continuing operations		**33,089,200**	**133,154,081**	**60,355,428**	**155,138,832**
Income tax expense	(11d)	(14,428,304)	(38,652,605)	(10,609,674)	(23,371,852)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**18,660,896**	**94,501,476**	**49,745,754**	**131,766,980**
Profit (loss) attributable to:					
Profit (loss) attributable to owners of the parent		18,660,896	94,501,476	49,745,754	131,766,980
Profit (loss) attributable to non-controlling interests		-	-	-	-
PROFIT FOR THE PERIOD		**18,660,896**	**94,501,476**	**49,745,754**	**131,766,980**
EARNINGS PER SHARE		**$**	**$**	**$**	**$**
Earnings per basic share:					
Earnings per basic share for continuing operations	(17)	158.11	800.68	307.01	745.70
Diluted earnings per share:					
Diluted earnings per share from continuing operations		158.11	800.68	307.01	745.70

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME BY NATURE
For the nine-month periods ended September 30, 2011 and 2010
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

	From July 1 to September 30 2011	From January 1 to September 30 2011	From July 1 to September 30 2010	From January 1 to September 30 2010
	ThCh$	ThCh$	ThCh$	ThCh$
STATEMENT OF COMPREHENSIVE INCOME				
PROFIT FOR THE PERIOD	**18,660,896**	**94,501,476**	**49,745,754**	**131,766,980**
Components of other comprehensive income before taxes				
Cash flow hedges:				
Profit (loss) on cash flow hedges, before taxes	6,076,142	3,989,733	(2,518,026)	(1,304,847)
Other components of other comprehensive income, before taxes	**6,076,142**	**3,989,733**	**(2,518,026)**	**(1,304,847)**
Income taxes related to components of other comprehensive income:				
Income tax related to hedging cash flows from other comprehensive income	(1,215,228)	(797,947)	428,064	221,824
Sum of income taxes related to components of other comprehensive income	**(1,215,228)**	**(797,947)**	**428,064**	**221,824**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**4,860,914**	**3,191,786**	**(2,089,962)**	**(1,083,023)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**23,521,810**	**97,693,262**	**47,655,792**	**130,683,957**
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Comprehensive income attributable to owners of the parent	23,521,810	97,693,262	47,655,792	130,683,957
Comprehensive income attributable to non-controlling interests	-	-	-	-
TOTAL COMPREHENSIVE INCOME	**23,521,810**	**97,693,262**	**47,655,792**	**130,683,957**

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
September 30, 2011 and 2010

(Translation of Financial Statements originally issued in Spanish – See Note 2b)

	Issued capital	Cash flow hedge reserves	Benefit plan gain and loss reserve	Other miscellaneous reserves	Total other reserves	Retained earnings	Equity attributable to owners of the parent	Non controlling interests	Total equity
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.2011	**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
Dividends	-	-	-	-	-	(81,310,294)	(81,310,294)	-	(81,310,294)
Increase (decrease) from transfers and other changes	1,000	-	(70,961)	-	(70,961)	-	(69,961)	-	(69,961)
Total changes in equity	**1,000**	**3,191,786**	**(70,961)**	**-**	**3,120,825**	**13,191,182**	**16,313,007**	**-**	**16,313,007**
Ending balance as of 09.30.2011	**941,102,241**	**3,154,209**	**185,040**	**(331,572,377)**	**(328,233,128)**	**152,845,823**	**765,714,936**	**-**	**765,714,936**
Beginning balance as of 01.01.2010	**1,980,350,053**	**645,545**	**313,177**	**(1,414,869,867)**	**(1,413,911,145)**	**272,837,717**	**839,276,625**	**-**	**839,276,625**
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	131,766,980	131,766,980	-	131,766,980
Other comprehensive income	-	(1,083,023)	-	-	(1,083,023)	-	(1,083,023)	-	(1,083,023)
Dividends	-	-	-	44,048,779	44,048,779	(187,000,000)	(142,951,221)	-	(142,951,221)
Increase (decrease) from transfers and other changes	(1,039,248,812)	-	(38,696)	1,039,248,812	1,039,210,116	-	(38,696)	-	(38,696)
Total changes in equity	**(1,039,248,812)**	**(1,083,023)**	**(38,696)**	**1,083,297,591**	**1,082,175,872**	**(55,233,020)**	**(12,305,960)**	**-**	**(12,305,960)**
Ending balance as of 09.30.2010	**941,101,241**	**(437,478)**	**274,481**	**(331,572,276)**	**(331,735,273)**	**217,604,697**	**826,970,665**	**-**	**826,970,665**

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine-month periods ended September 30, 2011 and 2010
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

	For the nine-month periods ended September 30	
	2011	**2010**
	ThCh$	**ThCh$**
Cash flows provided by operating activities:		
Profit	**94,501,476**	**131,766,980**
Adjustments to reconcile profits to net cash flows:		
Adjustments due to income tax expense	38,652,605	23,371,852
Adjustments due to decrease (increase) in inventory	216,242	(15,050,727)
Adjustments due to decrease (increase) in trade accounts receivable	8,922,863	(11,293,886)
Adjustments due to decrease (increase) in other accounts receivable derived from operating activities	(85,710,008)	(66,574,010)
Adjustments due to increase (decrease) in trade accounts payable	(25,379,459)	50,703,830
Adjustments due to increase (decrease) in other accounts payable derived from operating activities	46,870,246	5,359,551
Adjustments due to depreciation and amortization expenses	141,975,920	123,730,021
Adjustments due to provisions	8,059,579	2,626,321
Adjustments due to unrealized losses (profits) in foreign currency	(56,854)	(595,117)
Adjustments for non-controlling interests	(681,675)	-
Other adjustments for which the effects on cash are cash flows from investing or financing	6,194,310	-
Total adjustments due to reconciliation of profit (losses)	139,063,769	112,277,835
Income taxes reimbursed (paid)	-	-
Cash flows provided by operating activities:	**233,565,245**	**244,044,815**
Cash flows used in investment activities:		
Loans to related entities	(33,809,200)	-
Proceeds from sale of property, plant and equipment	1,133,162	-
Additions to property, plant and equipment	(83,417,530)	(53,568,842)
Collection from related entities	24,005,288	-
Interest received	2,431,515	(1,101,033)
Other cash inputs (outputs)	(5,043,084)	-
Net cash flows used in investment activities	**(94,699,849)**	**(54,669,875)**
Cash flows from financing activities:		
Amounts arising from long-term loans	33,569,239	-
Payment of financial lease liabilities	(16,684)	(54,985)
Loan payments	(115,868,338)	-
Dividends paid	(102,000,000)	(187,000,000)
Interest paid	(8,625,825)	(3,782,903)
Other cash inputs (outputs)	(4,764,818)	-
Net cash flows used in financing activities	**(197,706,426)**	**(190,837,888)**
Net increase in cash and cash equivalents, before effects of exchange rate changes:	(58,841,030)	(1,462,948)
Effects of changes in the exchange rate on cash and cash equivalents:		
Net increase in cash and cash equivalents	(58,841,030)	(1,462,948)
Cash and cash equivalents, beginning of period	131,273,568	68,690,295
Cash and cash equivalents, end of period	**72,432,538**	**67,227,347**

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements

Note 1. Corporate Information

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

Telefónica Móviles Chile S.A. is a 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.

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, making Telefónica Móviles Chile S.A. the legal continuer (see Note 5).

On December 29, 2009, Telefónica Móviles Chile S.A. and Telefónica Móviles Chile Inversiones S.A. sold 100% of their respective interests in subsidiary Telefónica Móviles Chile Larga Distancia S.A. to Telefónica Chile S.A. and Telefónica Gestión de Servicios Compartidos Chile S.A.

As of September 30, 2011, the Company's direct parent is Inversiones Telefónica Móviles Holding Limitada, which belongs to the Spanish group Telefónica, S.A.

Note 2. Summary of Significant Accounting Policies

a) Periods covered

The consolidated financial statements (hereinafter, the "financial statements") cover the period ended September 30, 2011 and 2010.

b) Basis of presentation

The consolidated financial statements (hereinafter, the "financial statements") cover the following periods: Statements of Financial Position are presented as of September 30, 2011 and December 31, 2010; Statement of Changes in Equity for the periods ended September 30, 2011 and 2010, Statements of Income and Statements of Comprehensive Income for the three and nueve-month periods ended as of September 30, 2011 and 2010 and Statement of Cash Flows for the nine-month periods ended as of September 30, 2011 and 2010.

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.

d) Basis of consolidation

The financial statements of Telefónica Móviles Chile S.A. and its subsidiaries include assets and liabilities as of September 30, 2011 and December 31, 2010, and Statements of Financial Position are presented as of September 30, 2011 and December 31, 2010; Statement of Changes in Equity for the periods ended September 30, 2011 and 2010, Statements of Income and Statements of Comprehensive Income for the three and six-month periods ended as of September 30, 2011 and 2010 and Statement of Cash Flows for the six-month periods ended as of September 30, 2011 and 2010.
Balances with related companies, unrealized income and expenses and net income and losses have been eliminated and non-controlling interests have been recognized under "Non-controlling interests".

2. **Summary of Significant Accounting Policies**, continued

d) **Basis of consolidation**¸ continued

The financial statements of the consolidated companies cover the periods ended on the same dates as the individual financial statements of the parent company, Telefónica Móviles 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	Count. of origin	Funct. currency	Participation percentage			
				09.30.2011			12.31.2010
				Direct	Indirecto	Total	Total
96.672.150-2	Telefónica Móviles Chile Inversiones S.A.	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.	Chile	CLP	50	50	100	100

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 current exchange rates as of each period-end, detailed as follows:

Date	US$	EURO	UF
09-30-2011	521.76	700.63	22,012.69
12-31-2010	468.01	621.53	21,455.55
09-30-2010	483.65	659.46	21,339.99

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".

2. Summary of Significant Accounting Policies, continued

f) Financial assets and liabilities

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

i) Financial investments

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

ii) Accounts receivable

Accounts receivable 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.

The allowance is calculated applying different percentages, taking into account age factors until 100% is reached on debts over 90 days overdue for the telephone service portfolio and 120 days for the rest of the portfolios.

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.

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.

2. Summary of Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

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.

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.

2. **<u>Summary of Significant Accounting Policies</u>**, continued

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 based on rotation of equipment and accessories.

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 12% was used in 2011 and 2010, 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. At inception 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, 2011 and December 31, 2010 no embedded leases were identified.

2. Summary of Significant Accounting Policies, continued

j) Income 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 regulations used to calculate these amounts are those in force as of each period-end (20% for 2011 and 17% for 2010).

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 and tax losses.

In accordance with Chilean tax laws, a tax loss from prior periods can be used in future as a tax benefit with no time restraints.

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 taxes payable or recoverable in future periods based on current tax rates as a result of temporary differences as of the end of the current period.

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

k) Investment in associates

These investments are initially recorded at cost and their book value is subsequently adjusted based on the Company's interest in the associate's net income for each reporting period. If the associate records gains or losses directly in net equity, the Company also recognizes its corresponding portion of these items.

The investment that the Company has in Telefónica Chile Servicios Corporativos Limitada on which it exercises significant influence without exercising control, is recorded using the equity method.

As of September 30, 2010 and December 31, 2010, the investment in Buenaventura S.A. has negative shareholders' equity and, therefore the investment was valued at one Chilean peso for control purposes.

l) Goodwill

Goodwill consists of the difference between the purchase value of the shares of Telefónica Móviles Chile S.A. and the equity value of that investment as of the purchase date, as a result of the merger by incorporation of TEM Inversiones Chile Limitada, as indicated in Note 1.

The Company performs impairment testing on goodwill on a yearly basis. Impairment tests, which are based on fair value, are conducted at a reporting unit level. If that fair value is less than the net book value, an irreversible impairment loss is recognized in the income statement.

2. **Summary of Significant Accounting Policies**, continued

m) Intangibles

i) Concession licenses

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

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

These licenses are amortized on a straight-line basis over their estimated useful lives which do not exceed 3 years. As of the balance sheet date the Company analyzes if any events or changes exist to indicate that the net carrying amount may not be recoverable, in which case impairment testing is performed.

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.

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 indirect costs necessary to carry out the investment. Work in progress includes the cost of labor originated during the construction stage. The initial cost also includes the future estimate of dismantling and removal expenses, for which the criteria is applied uniformly and has not changed during the year.

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 Telefónica Group are those that require at least 18 months of preparation for their use or sale. As of September 30, 2011 and December 31, 2010, no interest was capitalized.

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.

2. **Summary of Significant Accounting Policies**, continued

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.

Estimated useful lives are detailed as follows:

Assets	Minimum life or rate	Maximum life or rate
Building	40	40
Network investments	7	7
Leased equipment	1.2	1.2
Office furniture and equipment	10	10
Computer equipment	4	4

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) Employee benefits

The Company is obligated to pay staff severance indemnities by virtue of collective negotiation agreements with certain Company executives, which are accrued using the actuarial value of the accrued cost of the benefit method, using the following actuarial variables: annual interest rate of 5.0%, annual turnover rate of 2.4%, annual salary increase of 1.5%, retirement age of 65 years old for men and 60 years old for women. Discount rates are determined by reference to market interest rate curves, which correspond to the average rates used by the market for these actuarial calculations, certified by independent mathematical actuaries registered for these purposes.

ii) Provision for dismantling expenses

This corresponds to the cost to be incurred in future to uninstall telecommunications infrastructure once the site lease agreements have expired. This cost, at present value, is recorded as part of the cost of an item of Property, plant and equipment and as a non-current provision for the obligation. The item within Property, plant and equipment is amortized over the average duration of the site lease agreements, which is 15 years. The obligation is recorded by applying the present value of costs method with a 5.5% discount rate.

iii) Other provisions

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

iv) Employee bonuses

This corresponds to provisions for performance bonuses (goal achievement bonuses) given to personnel

2. Summary of Significant Accounting Policies, continued

o) Revenue and expenses

Revenues and costs are recognized on an accrual basis, (i.e. when the right to receive or the obligation to pay arises). 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 revenue 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 revenue 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".

Revenue 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.

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

Revenue from traffic included in the sale of prepaid phones is recognized once minutes are consumed.

Revenue 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) Significant accounting judgments, estimates and assumptions

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.

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.

2. **Summary of Significant Accounting Policies**, continued

q) **Significant accounting judgments, estimates and assumptions**, continued

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.

iv) Revenue 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 revenues among components and, consequently, could affect income for future periods.

v) Employee benefits

The current value of obligations for staff severance indemnities is determined using actuarial evaluations. Actuarial evaluations involve making assumptions about discount rates, future salary increases, mortality rates and future pension increases. All those assumptions are reviewed at each reporting date.

2. **Summary of Significant Accounting Policies**, continued

vi) Financial assets and liabilities

When the book value of financial assets and liabilities recorded in the balance sheet cannot be derived from active markets, it is determined using valuation techniques including the discounted cash flows model. Entries to these models are taken from observable markets when possible, but when it is not possible to do so, a certain degree of judgment is necessary to establish fair values. Determination includes consideration of aspects such as liquidity risk, credit risk and volatility. Changes in assumptions regarding these factors might affect the regular value of the financial instrument.

r) Consolidation methods

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

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

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

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

2. <u>Summary of Significant Accounting Policies</u>, continued

s) New IFRS and Interpretations of the IFRS Interpretations Committee

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

	New Standards	Mandatory application date
IFRS 9	Financial instruments	1 de enero de 2013
IFRS 10	Consolidated Financial Statements	1 de enero de 2013
IFRS 11	Joint Agreements	1 de enero de 2013
IFRS 12	Disclosure of Participation in other Entities	1 de enero de 2013
IFRS 13	Fair-value Measurement	1 de enero de 2013

IFRS 9 – Financial instruments

This Standard introduces new requirements for the classification and measurement of financial assets, allowing early application. 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, 2013. Early adoption is allowed for 2011 financial statements.

IFRS 10 "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 includes matters occurring in SIC 12 Special Purpose Entities. IFRS 10 establishes a single control model that is applicable to all entities (including special purpose entities, or structured entities). The changes introduced by IFRS 10 will place significant demands on management to exercise professional judgment to determine which entity is controlled and must be consolidated, in comparison with the requirements of IAS 27.

2. Summary of Significant Accounting Policies, continued

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

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

IFRS 12 "Disclosure of Participation 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.

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

2. Summary of Significant Accounting Policies, continued

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

	Improvements and Amendments	Mandatory application date
IFRS 1	First-time Adoption of IFRS	1 de enero de 2012
IFRS 7	Financial Instruments: Disclosure	1 de enero de 2012
IAS 12	Income Taxes	1 de enero de 2012

IFRS 1 "First-time Adoption of IFRS"

The IASB has provided a guide as to how an entity must summarize the presentation of financial statements under IFRS when its functional currency ceases to be the subject of severe hyperinflation. When the transition date of an entity is on or after the date on which its functional currency ceases to be the object of severe hyperinflation, the entity can chose to measure all its assets and liabilities maintained before the date of normalization of its functional currency which was subject to severe hyperinflation, at fair value, as of the date of transition to IFRS. Its application is obligatory for annual periods commencing on or after July 2011 (annual periods in Chile begin on the first day of January; therefore the mandatory application of this improvement is as of January 1, 2012).

IFRS 7 "Financial Instruments: Disclosure"

Amendments to IFRS 7 issued in May 2010 by the IASB incorporate certain clarifications of disclosures in the financial statements, mainly in respect to the nature and scope of the risks derived from the financial statements, as well as in respect to the interaction between quantitative and qualitative disclosures. Its mandatory application for annual periods commencing on or after July 2011 (annual periods in Chile begin on January 1, therefore mandatory application of this improvement is as of January 1, 2012).

IAS 12 "Income Taxes"

IAS12 introduces a refutable assumption that deferred taxes on investments in properties measured at fair value shall be recognized on a sales basis, unless the entity has a business model that can indicate that the investment in properties shall be consumed during the business. If consumed, a consumption basis must be adopted. In addition the improvement introduces the requirement that deferred taxes on non-depreciable assets measured using the revaluation model in IAS 16 must always be measured on the basis of sales. Its application is mandatory for annual periods beginning on or after July 2012.

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 periods covered by these financial statements, accounting policies have been consistently applied.

b) Changes in estimates:

During the periods 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

Telefónica Móviles 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	09.30.2011 ThCh$	12.31.2010 ThCh$
Cash and banks		**10,824,735**	**4,648,258**
	CLP	10,994,361	4,595,858
	USD	(178,244)	43,862
	EUR	8,618	8,538
Time deposits		**61,607,803**	**125,125,050**
	CLP	61,607,803	124,052,483
	UF	-	1,072,567
Repurchase agreements		**-**	**1,500,260**
	CLP	-	1,500,260
Total cash and cash equivalents		**72,432,538**	**131,273,568**
Subtotal by currency	**CLP**	**72,602,164**	**130,148,601**
	USD	**(178,244)**	**43,862**
	UF	**-**	**1,072,567**
	EUR	**8,618**	**8,538**

5. Cash and Cash Equivalents, continued

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

a) Available balances

This corresponds to balances maintained in cash and bank balances, whose book value equals their fair value.

b) Time deposits

Time deposits maturing in less than 90 days are recorded at fair value and as of September 30, 2011 and December 31, 2010 are detailed as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate %	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	currency translation local currency ThCh$	Total as of 09.30.2011 ThCh$
Time deposit	CLP	61,508,000	5,53%	20	61,508,000	99,803	-	61,607,803
Totales					**61,508,000**	**99,803**	**-**	**61,607,803**

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$	Total as of 12.31.2010 ThCh$
Time deposit	CLP	123,681,260	0.30%	33	123,681,260	371,223	124,052,483
Time deposit	UF	49,761.86	2.36%	73	1,063,377	9,190	1,072,567
Totales					**124,744,637**	**380,413**	**125,125,050**

c) Repurchase agreements

Investments in instruments with repurchase agreements maturing in 90 days are recorded at fair value for December 31, 2010 is detailed as follows:

Code	Dates Beginning	Dates Ending	Counterparty	Original currency	Subscription value ThCh$	Annual rate %	Final value ThCh$	Identification of instruments	Book value ThCh$ 12.31.2010
CRV	29-Dic-10	04-Ene-11	BANCO DE CREDITO E INVERSIONES	CLP	1,500,000	3,12%	1,500,780	PDBC050309	1,500,260
			Totales		**1,500,000**		**1,500,780**		**1,500,260**

As of September 30, 2011 the Company did not record balances for these transactions.

6. Trade and Other Accounts Receivable and Non-current Rights Receivable

a) Current accounts receivable are detailed as follows:

Description	09.30.2011			09.30.2011			12.31.2010		
	Current			Non-current			Current		
	Gross value ThCh$	All. f/doubt. accts. ThCh$	Net value ThCh$	Gross value ThCh$	All. f/doubt. accts. ThCh$	Net value ThCh$	Gross value ThCh$	All. f/doubt. accts. ThCh$	Net value ThCh$
Trade A/R	184,282,580	(56,087,679)	128,194,901	-	-	-	176,276,973	(48,023,155)	128,253,818
Misc. Receivables	137,034	-	137,034	38,230	-	38,230	21,863,958	-	21,863,958
Total	**184,419,614**	**(56,087,679)**	**128,331,935**	**38,230**	-	**38,230**	**198,140,931**	**(48,023,155)**	**150,117,776**

b) The following table details movements in allowance for doubtful accounts:

Movements	09.30.2011 ThCh$	12.31.2010 ThCh$
Beginning balance	**48,023,155**	**36,810,903**
Increases	24,111,982	35,107,637
Eliminations/ Additions	(16,047,458)	(23,895,385)
Ending balance	**56,087,679**	**48,023,155**

c) The following table contains trade accounts receivable that are past due and have not been paid or covered by the valuation allowance, listed in order of maturity:

Description	09.30.2011					12.31.2010				
	Less than 3 months ThCh$	3 to 6 months ThCh$	6 to 12 months ThCh$	Greater than 12 months ThCh$	Total ThCh$	Less than 3 months ThCh$	3 to 6 months ThCh$	6 to 12 months ThCh$	Greater than 12 months ThCh$	Total ThCh$
Trade A/R	6,651,950	-	-	-	6,651,950	6,221,801	-	-	-	6,221,801
Total	**6,651,950**	-	-	-	**6,651,950**	**6,221,801**	-	-	-	**6,221,801**

7. Related Party Disclosures

a) Current notes and accounts receivable:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	09.30.2011 ThCh$	12.31.2010 ThCh$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Accionista común	Prest. Servicios	CLP	1,563	1,856
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	España	Accionista común	Prest. Servicios	EUR	594,322	792,321
TELEFONICA INTERNACIONAL, S.A.	0-E	España	Accionista	Prest. Servicios	EUR	44,007	38,023
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Accionista común	Prest. Servicios	CLP	8,669,096	7,851,350
TELEFONICA MOVILES SAO PAULO	0-E	Brasil	Accionista común	Prest. Servicios	USD	63,586	51,919
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Accionista común	Prest. Servicios	USD	795	4,853
TELEFONICA, S.A.	0-E	España	Accionista	Prest. Servicios	EUR	10,535	10,535
ATENTO CHILE S.A.	96.895.220-K	Chile	Accionista común	Prest. Servicios	CLP	18,750	16,637
FUNDACION TELEFONICA CHILE	74.944.200-K	Chile	Accionista común	Prest. Servicios	CLP	11,075	-
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Accionista común	Prest. Servicios	CLP	6,965	6,651
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Accionista común	Prest. Servicios	USD	221,600	164,122
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Accionista común	Prest. Servicios	CLP	747,506	608,619
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Accionista común	Prest. Servicios	CLP	(351,651)	2,707,489
OTECEL, S.A. ECUADOR	0-E	Ecuador	Accionista común	Prest. Servicios	USD	5,793	4,647
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Accionista común	Prest. Servicios	CLP	383,022	87,276
TELEFONICA MULTIMEDIA CHILE S.A.	78.703.410-1	Chile	Accionista común	Prest. Servicios	CLP	514	5,536
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Accionista común	Prest. Servicios	CLP	30,961	5,787
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Accionista común	Prest. Servicios	CLP	17,588	7,442
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	México	Accionista común	Prest. Servicios	USD	4,312	261,664
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Accionista común	Prest. Servicios	USD	9,973	6,854
TELEFONICA MOVILES PANAMA	0-E	Panamá	Accionista común	Prest. Servicios	USD	3,936	4,459
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Accionista común	Prest. Servicios	USD	1,729	-
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Accionista común	Prest. Servicios	USD	147,363	151,480
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Accionista común	Prest. Servicios	USD	13,576	10,608
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Accionista común	Prest. Servicios	USD	12,678	11,889
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Accionista común	Prest. Servicios	USD	1,306	616
VIVO, S.A.	0-E	Brasil	Accionista común	Prest. Servicios	USD	39,905	50,676
VIVO BRASIL COMUNICACIONES	0-E	Brasil	Accionista común	Prest. Servicios	USD	1,409	1,186
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Accionista común	Cuenta Corriente Mercantil	CLP	177,434	7,947,578
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Irlanda	Accionista común	Prest. Servicios	USD	-	5,312
O2 GERMANY GMBH & CO OHG	0-E	Alemania	Accionista común	Prest. Servicios	USD	-	12,880
MANX TELECOM LTD	0-E	Inglaterra	Accionista común	Prest. Servicios	USD	594	1,239
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730-9	Chile	Accionista común	Prest. Servicios	CLP	82,012	-
O2 (UK) (ANTES VP COMMUNIC)	0-E	Inglaterra	Accionista común	Prest. Servicios	USD	190,681	210,591
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Accionista común	Prest. Servicios	CLP	3,280,606	-
	76.086.148-0	Chile	Accionista común	Cuenta Corriente Mercantil	CLP	21,966,699	-
INVERSIONES TELEFONICA MOVILES HOLDING LTDA.	76.124.890-1	Chile	Accionista común	Prest. Servicios	EUR	-	67,000
Total						**36,410,240**	**21,109,095**

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

7. **Related Party Disclosures**, continued

b) Current notes and accounts receivable:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	09.30.2011 ThCh$	12.31.2010 ThCh$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Accionista común	Prest. Servicios	CLP	143,034	286,934
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	España	Accionista común	Prest. Servicios	EUR	347,877	346,591
TELEFONICA INTERNACIONAL, S.A.	0-E	España	Accionista	Prest. Servicios	EUR	2,778,032	2,386,305
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Accionista común	Prest. Servicios	CLP	6,562,165	8,537,034
TELEFONICA MOVILES SAO PAULO	0-E	Brasil	Accionista común	Prest. Servicios	USD	80,000	80,000
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Accionista común	Prest. Servicios	USD	155	242
TELEFONICA, S.A.	0-E	España	Accionista	Prest. Servicios	EUR	3,600,782	3,154,938
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	0-E	España	Accionista común	Prest. Servicios	EUR	68,606	712,113
TELEFONICA INVESTIGACION Y DESARROLLO, S.A.	0-E	España	Accionista común	Prest. Servicios	EUR	-	15,373
ATENTO CHILE S.A.	96.895.220-K	Chile	Accionista común	Prest. Servicios	CLP	3,584,683	3,447,055
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Accionista común	Prest. Servicios	CLP	299,767	166,953
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Accionista común	Prest. Servicios	USD	110,755	100,552
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Accionista común	Prest. Servicios	CLP	2,454,965	2,430,630
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Accionista común	Prest. Servicios	CLP	1,801,415	3,706,608
OTECEL, S.A. ECUADOR	0-E	Ecuador	Accionista común	Prest. Servicios	USD	4,135	6,717
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Accionista común	Prest. Servicios	CLP	459,105	210,906
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Accionista común	Prest. Servicios	CLP	69,770	291,193
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Accionista común	Prest. Servicios	CLP	152,522	569,863
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	México	Accionista común	Prest. Servicios	USD	12,553	9,402
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Accionista común	Prest. Servicios	USD	9,667	9,120
TELEFONICA MOVILES PANAMA	0-E	Panamá	Accionista común	Prest. Servicios	USD	1,499	3,652
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Accionista común	Prest. Servicios	USD	412	458
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Accionista común	Prest. Servicios	USD	6,441	14,415
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Accionista común	Prest. Servicios	USD	20,146	13,265
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Accionista común	Prest. Servicios	USD	136,428	53,951
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Accionista común	Prest. Servicios	USD	319	71
VIVO, S.A.	0-E	Brasil	Accionista común	Prest. Servicios	USD	20,197	28,163
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Irlanda	Accionista común	Prest. Servicios	USD	16,787	762
O2 GERMANY GMBH & CO OHG	0-E	Alemania	Accionista común	Prest. Servicios	USD	20,928	12,055
MANX TELECOM LTD	0-E	Inglaterra	Accionista común	Prest. Servicios	USD	745	209
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730.-9	Chile	Accionista común	Prest. Servicios	CLP	187,428	176,768
TELEFONICA INTERNATIONAL WHOLESALE S.L. UNIPERSONAL	0-E	España	Accionista común	Prest. Servicios	EUR	14,244	12,765
TELEATENTO DEL PERU S.A.C.	0-E	Perú	Accionista común	Prest. Servicios	USD	428,674	307,459
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Accionista común	Prest. Servicios	CLP	12,210,997	-
INVERSIONES TELEFONICA MOVILES HOLDING LTDA.	76.124.890-1	Chile	Accionista común	Prest. Servicios	EUR	1,440	20,689,707
Total						**35,606,673**	**47,782,229**

7. **Related Party Disclosures**, continued

c) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	07.01.2011 to 09.30.2011 ThCh$	01.01.2011 to 09.30.2011 ThCh$	07.01.2010 to 09.30.2010 ThCh$	01.01.2010 to 09.30.2010 ThCh$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholder	Sales	4,241	8,855	934	3,408
	59.083.900-0	Chile	Common shareholder	Costs	(17,197)	(108,227)	(62,750)	(275,296)
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	Spain	Common shareholder	Sales	573,589	484,591	365,871	1,453,856
	0-E	Spain	Common shareholder	Costs	(324,869)	(628,088)	(291,745)	(843,653)
TELEFONICA INTERNACIONAL, S.A.	0-E	Spain	Shareholder	Costs	(1,659,556)	(2,158,479)	(465,059)	(981,866)
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholder	Sales	6,882,868	27,790,751	7,042,520	20,829,564
	90.635.000-9	Chile	Common shareholder	Costs	(5,407,156)	(17,965,493)	(6,963,345)	(19,706,685)
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Common shareholder	Sales	379	1,260	762	3,008
	0-E	El Salvador	Common shareholder	Costs	(273)	(678)	3,042	2,248
TELEFONICA, S.A.	0-E	Spain	Shareholder	Costs	(3,595,272)	(10,930,405)	(2,685,816)	(8,132,074)
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	0-E	Spain	Common shareholder	Costs	(231,823)	(618,375)	-	-
ATENTO CHILE S.A.	96.895.220-K	Chile	Common shareholder	Sales	69,651	163,792	37,874	111,131
	96.895.220-K	Chile	Common shareholder	Costs	(2,941,855)	(8,874,375)	(1,964,047)	(5,330,466)
FUNDACION TELEFONICA CHILE	74.944.200-K	Chile	Common shareholder	Sales	527	586	-	-
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholder	Sales	(43,137)	29,748	9,202	32,885
	96.834.230-4	Chile	Common shareholder	Costs	448,913	(139,043)	21,657	(341,460)
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Common shareholder	Sales	145,540	926,923	75,970	322,209
	0-E	Argentina	Common shareholder	Costs	(171,391)	(606,598)	(120,292)	(461,362)
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholder	Sales	826,067	2,490,026	835,783	2,572,814
	96.672.160-K	Chile	Common shareholder	Costs	(2,710,768)	(7,609,534)	(3,196,696)	(8,300,982)
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Common shareholder	Sales	848,181	2,403,295	807,422	2,435,891
	90.430.000-4	Chile	Common shareholder	Costs	(1,894,912)	(1,894,946)	(95,399)	(393,358)
OTECEL, S.A. ECUADOR	0-E	Ecuador	Common shareholder	Sales	9,006	27,890	11,745	29,926
	0-E	Ecuador	Common shareholder	Costs	(7,829)	(38,418)	(9,988)	(33,496)
TELEFONICA GLOBAL APLLICATIONS	0-E	Spain	Common shareholder	Costs	(235,060)	(235,060)	0	0
TELEFONICA ARGENTINA, S.A.	0-E	Argentina	Common shareholder	Costs	(68,941)	(68,941)	0	0
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholder	Sales	86,246	251,699	14,180	42,251
	96.961.230-5	Chile	Common shareholder	Costs	(393,245)	(691,975)	(245,817)	(957,944)
TELEFONICA MULTIMEDIA CHILE S.A.	78.703.410-1	Chile	Common shareholder	Sales	238	1,674	14,408	37,112
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholder	Sales	12,207	21,091	3,136 -	7,836
	96.811.570-7	Chile	Common shareholder	Costs	(30,151)	(42,156)	-	-
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Common shareholder	Financial income	11,801	63,999	-	1,159
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common shareholder	Sales	375,579	436,207	-	-
	76.086.148-0	Chile	Common shareholder	Costs	(14,471,258)	(19,546,404)	(62,111)	(80,097)
	76.086.148-0	Chile	Common shareholder	Financial income	181,964	236,499	-	-
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Common shareholder	Sales	46,766	90,300	10,862	35,352
	96.990.810-7	Chile	Common shareholder	Costs	(439,282)	(966,081)	(199,919)	(743,061)
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	Mexico	Common shareholder	Sales	5,016	12,255	4,803	999,447
	0-E	Mexico	Common shareholder	Costs	(9,890)	(38,142)	(11,893)	(34,202)
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Common shareholder	Sales	14,393	35,982	11,899	31,786
	0-E	Uruguay	Common shareholder	Costs	(12,476)	(54,763)	(34,958)	(63,388)
TELEFONICA MOVILES PANAMA	0-E	Panama	Common shareholder	Sales	5,260	13,606	3,806	11,294
	0-E	Panama	Common shareholder	Costs	(2,801)	(10,373)	(2,747)	(10,965)
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Common shareholder	Sales	582	4,411	1,583	5,018
	0-E	Guatemala	Common shareholder	Costs	(281)	(778)	(713)	(2,141)
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Common shareholder	Sales	7,174	23,758	6,667	20,089
	0-E	Venezuela	Common shareholder	Costs	(4,259)	(13,309)	(3,300)	(22,035)
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Common shareholder	Sales	19,363	40,543	8,754	24,254
	0-E	Colombia	Common shareholder	Costs	(28,355)	(77,707)	(17,505)	(52,471)
TELEFONICA MOVILES PERU, S.A.	0-E	Peru	Common shareholder	Sales	17,492	46,105	14,206	988,030
	0-E	Peru	Common shareholder	Costs	(173,265)	(380,613)	(72,152)	(220,457)
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Common shareholder	Sales	155	1,718	1,157	3,570
	0-E	Nicaragua	Common shareholder	Costs	(479)	(793)	(213)	(834)
VIVO, S.A.	0-E	Brazil	Common shareholder	Sales	39,593	143,137	59,448	148,961
	0-E	Brazil	Common shareholder	Costs	(21,650)	(86,181)	(19,938)	(112,318)
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Ireland	Common shareholder	Sales	6,848	(5,517)	4,566	11,757
	0-E	Ireland	Common shareholder	Costs	(97)	(1,538)	(1,310)	47,715
O2 GERMANY GMBH & CO OHG	0-E	Germany	Common shareholder	Sales	10,567	22,759	7,239	23,390
	0-E	Germany	Common shareholder	Costs	(17,486)	(100,016)	(37,376)	(85,232)
MANX TELECOM LTD	0-E	England	Common shareholder	Sales	(514)	1,905	1,079	2,042
	0-E	England	Common shareholder	Costs	(913)	(2,318)	(524)	(1,772)
O2 (UK) (ANTES VP COMMUNIC)	0-E	England	Common shareholder	Sales	133,263	152,751	104,615	253,660
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730-9	Chile	Common shareholder	Sales	232,749	74,113	-	-
	96.910.730-9	Chile	Common shareholder	Costs	(257,127)	(257,127)	(125,841)	(274,157)
TELEFONICA LEARNING SERVICES	0-E	Spain	Common shareholder	Costs	- -	705	-	-
TELEFONICA SERVICIOS INTEGRALES DE DISTRIBUCION, S.A.U.	0-E	Spain	Common shareholder	Costs	-	(151,594)	-	-
TELEATENTO DEL PERU S.A.C.	0-E	Peru	Common shareholder	Costs	(356,401)	(911,338) -	250,495 -	617,032

7. **Related Party Disclosures**, continued

c) Transactions, continued

Article 89 of the Companies Act requires that transactions between a company and its related parties (defined as companies belonging to the same economic group) be carried out on terms similar to those 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 Telefónica Factoring Chile S.A. which establishes remittances in Chilean pesos with monthly nominal TAB rate (annual basis) appearing on the Bloomberg page under code "CLTN30DN" at 11 a.m. on the same day as the beginning of the following interest period plus 15 base points. The term agreed upon for the mercantile account and its management is December 31, 2010. On March 31, 2011 the term of this contract was modified, extending it to December 30, 2011 and allowing for the expiration date to be extended for 12-months periods.

On March 1, 2011, the Company signed a mercantile current account agreement with Telefónica Chile Servicios Corporativos Limitada, which establishes remittances in Chilean pesos with monthly nominal TAB rate (annual base) appearing on the Bloomberg page under code "CLTN30DN" at 11 a.m. on the same day of the beginning of the following period of interest pus 15 base points. The 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 finally liquidate the Current Account.

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

Description	09.30.2011 ThCh$	09.30.2010 ThCh$
Wages, salaries and bonuses (1)	-	2,159,231
Total	**-**	**2,159,231**

(1) During January 2011, key employees were transferred to Telefónica Chile Servicios Corporativos Limitada.

The Company has a director's remuneration plan, with share-based payment. The amount as of September 30, 2011 and December 31, 2010 is ThCh$184,941 and ThCh$255,902, respectively.

8. Inventory

a) Inventory is detailed as follows:

Description	09.30.2011 ThCh$	12.31.2010 ThCh$
Merchandise	60,553,100	59,383,070
Obsolescence provision	(7,558,367)	(6,039,773)
Total	**52,994,733**	**53,343,297**

As of September 30, 2011 and December 31, 2010 there have been no inventory write-offs.

b) Inventory movements are detailed as follows:

Description	09.30.2011 ThCh$	12.31.2010 ThCh$
Beginning balance	53,343,297	46,845,159
Purchases	128,283,629	167,193,331
Sales	(49,727,202)	(64,900,458)
investment	(77,386,396)	(86,969,958)
Obsolescence provision	(1,518,595)	(1,166,560)
Other	-	(7,658,217)
Total	**52,994,733**	**53,343,297**

9. Other Current and Non-current Financial Assets

Other current and non-current financial assets of September 30, 2011 and December 31, 2010 are detailed as follows:

Description	Current		Non-Current	
	09.30.2011 Assets ThCh$	12.31.2010 Assets ThCh$	09.30.2011 Assets ThCh$	12.31.2010 Assets ThCh$
Exchange rate hedge	6,381,040	211,182	12,343,699	-
Investment contracts	5,043,084	-	-	-
Total	**11,424,124**	**211,182**	**12,343,699**	**-**

9. **Other Current Financial Assets,** continued

Hedge and investment assets as of September 30, 2011 and December 31, 2010 are detailed as follows:

							Current			Non-current			
							Expiration date			Expirition date			
Debtor's Taxpayer No.	Debtor	Country of Debtor	Creditor's Taxpayer No.	Creditor	Creditor's country	Currency	Up to 90 days ThCh$	90 days to 1 year ThCh$	Total current as of 09.30.2011	1 to 3 years ThCh$	3 to 5 years ThCh$	5 years and over ThCh$	Total non-current as of 09.30.2011
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	USD	3,577,002	-	3,577,002	-	7,519,354	-	7,519,354
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BANCO CREDIT	Chile	USD	179,787	-	179,787	-	-	-	-
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.004.000-5	BANCO CHILE	Chile	USD	22,449	-	22,449	-	3,970,870	-	3,970,870
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.030.000-7	BANCO ESTAD	Chile	USD	483,669	-	483,669	-	-	-	-
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.951.000-4	HSBC	Chile	USD	169,537	-	169,537	-	-	-	-
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	USD	1,033,943	-	1,033,943	-	-	-	-
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.043.000-8	JP MORGAN	Chile	USD	664,887	-	664,887	-	-	-	-
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	BANCO SANTA	Chile	USD	-	-	-	-	853,475	-	853,475
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	CLP	21,171	-	21,171	-	-	-	-
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	CLP	145,044	-	145,044	-	-	-	-
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BANCO CREDIT	Chile	EUR	56,207	-	56,207	-	-	-	-
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.951.000-4	HSBC	Chile	EUR	9,651	-	9,651	-	-	-	-
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	EUR	17,693	-	17,693	-	-	-	-
Total derivative instrument assets							**6,381,040**	**-**	**6,381,040**	**-**	**12,343,699**	**-**	**12,343,699**

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 09.30.2011 ThCh$
Time deposit	UF	101,867.89	4.00%	129	2,236,006	14,700	6,380	2,257,086
Time deposit	CLP	2,750,000	6.12%	91	2,750,000	35,998	-	2,785,998
Total					**4,986,006**	**50,698**	**6,380**	**5,043,084**

							Expiration date		
Debtor's Taxpayer No.	**Debtor**	**Country of Debtor**	**Creditor's Taxpayer No.**	**Creditor**	**Creditor's country**	**Currency**	**Up to 90 days ThCh$**	**90 days to 1 year ThCh$**	**Total current as of 12.31.2010**
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	USD	322	-	322
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	UF	136,829	-	136,829
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.023.000-9	CORPBANCA	Chile	USD	74,031	-	74,031
Total derivative instrument assets							**211,182**	**-**	**211,182**

10. **Other Current Non- Financial Assets,**

Description	**09.30.2011 ThCh$**	**12.31.2010 ThCh$**
Advance payments (1)	9,007,247	10,035,572
Deferred handset costs	12,223,886	8,755,993
Customer guarantees	1,615,563	1,582,537
Other prepaid expenses (2)	4,036,079	12,394,906
Total	**26,882,775**	**32,769,008**

(1) Includes advance payments associated with insurance and rent.
(2) Includes deferred commissions

11. Income Taxes

a) General information:

As of September 30, 2011 Telefónica Móviles de Chile S.A. has First Category (Corporate) taxable net income of ThCh$43,063,051, therefore it established an income tax reserve of ThCh$8,612,610. As of December 31, 2010, the Company did not establish a First Category income tax reserve, since as of that date it had a tax loss in the amount of ThCh$ 44,749,747.

b) Current income tax liabilities

As of September 30, 2011 and December 31, 2010, current income tax liabilities are detailed as follows:

Description	09.30.2011 ThCh$	12.31.2010 ThCh$
Social security institutions	1,190,871	455,860
Individual tax withholdings	7,921	145,422
Value added tax, net	6,052,579	2,975,925
Other taxes	7,392,434	2,055,046
Total	**14,643,805**	**5,632,253**

c) Deferred taxes:

As of September 30, 2011 and December 31, 2010, the cumulative balances of temporary differences resulted in net deferred tax assets of ThCh$ 8,564,500 and ThCh$ 38,543,422, respectively, detailed as follows:

	09.30.2011		12.31.2010	
Conceptos	Asset ThCh$	Liability ThCh$	Asset ThCh$	Liability ThCh$
Trade and notes receivable	10,882,849	-	9,919,580	-
Obsolescence provision	1,383,679	-	1,162,656	-
Miscellaneoud provisions	58,527	-	88,690	-
Unearned income	3,337,544	-	6,017,342	-
Vacation accrual	383,246	-	531,250	-
Personnel accruals	330,866	-	972,114	-
Lease obligation	-	-	106,376	-
Tax loss	-	-	7,607,457	-
Other events	110,136	656,157	104,727	-
Provision for dismantling expenses	1,938,767	-	-	-
Staff severance indemnities at financial value	307,575	-	-	
Financial instrument valuation adjustments	-	850,900	-	850,900
Deferred customs duties differences in financial-tax value	-	-	-	396,484
Capitalized software	-	-	-	19,268
Syndicated loan capitalized expenses	-	101,365	-	101,365
Deferred selling cost and deferred sales commissions	-	4,306,691	-	4,228,345
Tax value of staff severance indemnities	-	27,038	-	29,840
Property, plant and equipment	21,124,501	25,351,039	40,317,429	22,657,997
Sub totales	**39,857,690**	**31,293,190**	**66,827,621**	**28,284,199**
Reclasification			**(1,111,530)**	**(1,111,530)**
Total	**39,857,690**	**31,293,190**	**65,716,091**	**27,172,669**

11. Income Taxes, continued

d) Income tax reconciliation:

The income tax expense reconciliation as of September 30, 2011 and December 31, 2010 are detailed as follows:

Concepts	07.01.2011 to 09.30.2011 Taxable base ThCh$	07.01.2011 to 09.30.2011 20% Tax Rate ThCh$	01.01.2011 to 09.30.2011 Taxable base ThCh$	01.01.2011 to 09.30.2011 20% Tax Rate ThCh$	07.01.2010 to 09.30.2010 Taxable base ThCh$	07.01.2010 to 09.30.2010 20% Tax Rate ThCh$	01.01.2010 to 09.30.2010 Taxable base ThCh$	01.01.2010 to 09.30.2010 20% Tax Rate ThCh$
Based on accounting income before taxes:								
Income before taxes	**33,089,200**	**6,617,840**	**133,154,081**	**26,630,816**	**60,355,428**	**10,260,423**	**155,138,832**	**26,373,601**
Permanent differences	**39,052,332**	**7,810,464**	**60,108,940**	**12,021,789**	**2,054,417**	**349,251**	**(17,657,350)**	**(3,001,749)**
Accrued investment income	(676,715)	(135,343)	(691,146)	(138,229)	35,433	6,024	(206,431)	(35,093)
Price-level restatement of taxable equity	(5,095,167)	(1,019,033)	(19,991,716)	(3,998,342)	(5,787,000)	(983,790)	(19,539,999)	(3,321,800)
Difference due to change of rate due to legal modification	44,824,214	8,964,840	80,791,802	16,158,360	-	-	-	-
Others	-	-	-	-	7,805,984	1,327,017	2,089,080	355,144
Total corporate tax expense	**72,141,532**	**14,428,304**	**193,263,021**	**38,652,605**	**62,409,845**	**10,609,674**	**137,481,482**	**23,371,852**
Based on taxable net income and deferred taxes calculated on the basis of temporary differences:								
17% income tax	-	8,134,797	-	8,612,361	-	-	-	-
35% income tax	-	881	-	1,249	-	-	-	-
Prior years deficit	-	-	-	-	-	-	-	1,291,538
Income tax expense		**8,135,678**		**8,613,610**		**-**		**1,291,538**
Deferred tax expense (1)		**6,292,626**		**30,038,995**		**10,609,674**		**22,080,314**
Total corporate tax expense		**14,428,304**		**38,652,605**		**10,609,674**		**23,371,852**
Effective income tax rate		**43.60%**		**29.03%**		**17.58%**		**15.07%**

(1) Due to a change in the Chilean Internal Revenue Service regulations for 2011 and 2012, the income tax rate will temporarily increase from 17% to 20% and 18.5%, respectively. Effective 2013 it will return to 17%. The effect generated by the change n the deferred tax rate is higher net income of ThCh$16,158,360.

12. Investments accounted for using the equity method

As of September 30, 2011 and December 31, 2010, investments in associated companies are detailed as follows:

Taxpayer No.	Name	Investment balance 09.30.2011	Participation percentage	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income	Ordinary expenses	Income
96.961.230-5	Telefónica Chile Servicios Corporativos Ltda. (1)	684,645	48.00	70,031,449	13,821,521	59,603,193	22,823,433	25,413,147	45,265,794	1,423,344

(1) On July 25, 2011, the Company acquired 48% interest in related company Telefónica Chile Servicios Corporativos Limitada.

12. **Investments accounted for using the equity method**, continued

Movements in investments accounted for using the equity method for September 30, 2011 and December 31, 2010 are detailed as follows:

Movements	09.30.2011 Telefónica Chile Servicios Corporativos Ltda. M$	12.31.2010 Telefónica Chile Servicios Corporativos Ltda. M$
Beginning balance	-	-
Share of ordinary earnings (losses) for 2011	681,675	-
Acquisition of share in Telefónica Chile Servicios Corporativos Ltda.	2,970	-
Other increase (decrease)	-	-
Movements, subtotal	**684,645**	-
Ending balance	**684,645**	-

13. **Intangible Assets other than goodwill**

a) Intangible assets other than goodwill as of September 30, 2011 and December 31, 2010 are detailed as follows:

Description	09.30.2011			12.31.2010		
	Intangibles, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$	Intangibles, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$
Licenses and software	241,292,419	(181,347,573)	59,944,846	232,090,302	(169,327,058)	62,763,244
Total	**241,292,419**	**(181,347,573)**	**59,944,846**	**232,090,302**	**(169,327,058)**	**62,763,244**

b) Movements in intangible assets other than goodwill for September 30, 2011 and December 31, 2010 are detailed as follows:

Movements	Administrative concessions, net ThCh$	Licenses and software, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.11	-	**62,763,244**	**62,763,244**
Additions	-	-	0
Amortization expense	-	(11,904,619)	(11,904,619)
Other Increase (decrease)	-	9,086,221	9,086,221
Ending balance as of 09.30.2011	-	**59,944,846**	**59,944,846**

13. **Intangible Assets other than goodwill**, continued

Movements	Administrative concessions, net ThCh$	Information technology applications, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.10	**-**	**54,246,518**	**54,246,518**
Amortization expense	-	(9,737,482)	(9,737,482)
Other Increase (decrease)	-	18,254,208	18,254,208
Ending balance as of 12.31.2010	**-**	**62,763,244**	**62,763,244**

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 2011 and 2010 have not been affected as a result of the impairment tests performed on these assets.

14. **Goodwill**

The balance of goodwil for September 30, 2011 and December 31, 2010 are detailed as follows:

Description	09.30.2011 ThCh$	12.31.2010 ThCh$
Telefónica Móviles Chile S.A. (1) (2)	483,179,725	483,179,725
Total	**483,179,725**	**483,179,725**

(1) Corresponds to the difference between the acquisition value of the shares of Telefónica Móviles Chile S.A. and the equity value of that investment as of the purchase date, arising from the merger by incorporation with TEM Inversiones Chile Limitada, as indicated in Note 1.

(2) The Company tests goodwill for impairment in an annual manner. The impairment test, which is based on fair-value, is performed at a reporting unit level. If that fair value is less than the net book value, an irreversible impairment loss is recognized in the income statement account.

15. Property, Plant and Equipment

As of September 30, 2011 and December 31, 2010 the major categories of Property, plant and equipment and their corresponding accumulated depreciation are detailed as follows:

Movements	09.30.2011 Gross PP&E ThCh$	09.30.2011 Accumulated depreciation ThCh$	09.30.2011 Net PP&E ThCh$	12.31.2010 Gross PP&E ThCh$	12.31.2010 Accumulated depreciation ThCh$	12.31.2010 Net PP&E ThCh$
Work in progress	62,419,751	-	62,419,751	59,603,651	-	59,603,651
Land	3,829,393	-	3,829,393	3,829,393	-	3,829,393
Buildings (1)	124,197,088	(109,627,663)	14,569,425	127,745,486	(106,347,884)	21,397,602
Plant and equipment	759,086,019	(484,941,473)	274,144,546	928,438,263	(623,563,124)	304,875,139
Information technology equipment	23,400,741	(18,933,981)	4,466,760	21,108,247	(17,659,333)	3,448,914
Fixed installations and accessories	8,696,383	(7,608,874)	1,087,509	8,672,372	(7,495,714)	1,176,658
Vehicles	274,331	(152,615)	121,716	274,331	(125,067)	149,264
Totals	**981,903,706**	**(621,264,606)**	**360,639,100**	**1,149,671,743**	**(755,191,122)**	**394,480,621**

(1) The book values of assets received through financial leases as of December 31, 2010 is ThCh$ 3,711,404, presented under buildings. On September 15, 2011 this financial lease was transferred to Miraflores 130 S.A. (See Note 16 a).

Movements of major categories of Property, plant and equipment for September 30, 2011 period are detailed as follows:

Movements	Work in progress ThCh$	Land ThCh$	Buildings, net ThCh$	Plant and equipment, net ThCh$	Information technology equipment, net ThCh$	Fixed installations and accessories, net ThCh$	Vehicles net ThCh$	Property, plant and equipment, net ThCh$
Beginning balance as of 01.01.11	59,603,651	3,829,393	21,397,602	304,875,139	3,448,914	1,176,658	149,264	394,480,621
Additions	108,498,363	-	-	-	-	-	-	108,498,363
Retirements	-	-	(5,058,404)	(254,901,858)	-	(12,031)	-	(259,972,293)
Acc. Dep. retirements	-	-	1,876,042	254,901,858	-	12,031	-	256,789,931
Depreciation expense	-	-	(5,155,820)	(123,500,125)	(1,274,648)	(113,160)	(27,548)	(130,071,301)
Other Increase (decrease) (1)	(105,682,263)	-	1,510,005	92,769,532	2,292,494	24,011	-	(9,086,221)
Ending balance as of 09.30.2011	**62,419,751**	**3,829,393**	**14,569,425**	**274,144,546**	**4,466,760**	**1,087,509**	**121,716**	**360,639,100**

(1) Corresponds to net movement of transfers from construction in progress to assets in service, transfer to intangible assets, in the amount of ThCh$(9,002,864), classes of property, plant and equipment in the amount of ThCh$(83,357).

15. **Property, Plant and Equipment**, continued

Movements of major categories of Property, plant and equipment for December 31, 2010 are detailed as follows:

Movements	Work in progress	Land	Buildings, net	Plant and equipment, net	Information technology equipment, net	Fixed installations and accessories, net	Vehicles net	Propiedad, planta y equipos, net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.10	47,598,226	10,748,421	60,610,381	250,388,044	1,630,435	1,269,390	185,996	372,430,893
Additions	198,415,853	-	-	-	-	-	-	198,415,853
Retirements	-	-	(504,969)	(67,674,758)	-	-	-	(68,179,727)
Acc. Dep. retirements	-	-	504,969	66,840,115	-	-	-	67,345,084
Depreciation expense	-	-	(39,986,964)	(116,326,086)	(779,863)	(147,629)	(36,732)	(157,277,274)
Other Increase (decrease) (1)	(186,410,428)	(6,919,028)	774,185	171,647,824	2,598,342	54,897	-	(18,254,208)
Ending balance as of 12.31.2010	**59,603,651**	**3,829,393**	**21,397,602**	**304,875,139**	**3,448,914**	**1,176,658**	**149,264**	**394,480,621**

(1) Corresponds to net movement of transfers from construction in progress to assets in service, transfer to intangible assets, in the amount of ThCh$(18,254,208).

15. Property, Plant and Equipment, continued

The net amount of Property, plant and equipment items that are temporarily out of service as of September 30, 2011 and December 31, 2010 is not significant.

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

16. Equity

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, Telefónica Móviles 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 Telefónica Móviles Chile S.A.

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

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

Company	Shares
Inversiones Telefónica Móviles Holding Limitada	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.

a) Capital:

As of September 30, 2011 and December 31, 2010, the Company's paid-in capital is detailed as follows:

Number of shares:

Series	09.30.2011			12.31.2010		
	No. of shares subscribed	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**

16. Shareholders' Equity, continued

a) Capital, continued

Capital:

Serie	09.30.2011 Subscribed capital ThCh$	09.30.2011 Issued capital ThCh$	12.31.2010 Subscribed capital ThCh$	12.31.2010 Paid capital ThCh$
SINGLE	941,100,241	941,100,241	941,101,241	941,101,241
Total	**941,100,241**	**941,100,241**	**941,101,241**	**941,101,241**

On September 15, 2011, the Extraordinary Shareholders' Meeting agreed the division of Telefónica Móviles Chile SA in two different companies, in accordance to Articles 94 and following articles of Law No. 18,046. One of the divided companies remained as Telefónica Móviles Chile SA with the same name and the other one is constituted as a new company. Some assets and liabilities will be allocated on that new company, mainly composed by accounts payable and non-core assets which represents 0.29% of total assets and a 0.00015% of equity of the original Company as reported in the income statements as of June 30, 2011. This division does not change or modify the operations of Telefónica Móviles Chile SA. which is the continued Company.

b) Distribution of shareholders:

In accordance with Circular No. 792 issued by the Superintendency of Securities and Insurance (SVS), the Company's shareholders and their ownership interest as of September 30, 2011 are detailed as follows:

Type of Shareholder	Participation percentage %	Number of shareholders
10% or more	99,999999	1
Less than 10%		
Investment equal to or greater than UF :	0.0000	0
Investment less than UF 200	0,000001	1
Totales	**100.0**	**2**
Company controller	99,999999	1

As of September 30, 2011 and December 31, 2010, the direct participation of Inversiones Telefónica Móviles Holding Ltda. in the equity of Telefónica Móviles Chile S.A. reaches 99.999999%.

16. Shareholders' Equity, continued

c) 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.

As of December 31, 2010 proposed dividends amount to ThCh$ 20,689,707, which were reversed with the approval of the final dividend of Ch$65,000,000 on March 29, 2011.

ii) Dividends distributed:

On March 02, 2011, the Board of Directors agreed to distribute an eventual dividend in the amount of ThCh$65,000,000 on March 29, 2011 with a charge to 2010 income.

On July 1, 2011, a Board Meeting was held where the directors agreed to distribute an interim dividend of ThCh$37,000,000 on July 26, 2011, with a charge to 2010 income.

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

Date	Dividend	Amount Distributed ThCh$	Charge to net income	Payment date
03-02-2011	Final	65,000,000	Ejercicio 2010	03-29-2011
07-01-2011	Interim	37,000,000	Ejercicio 2010	07-26-2011

16. Shareholders' Equity, continued

d) Other reserves

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

Description	Balance as of 12.31.2010 ThCh$	Net movement ThCh$	Balance as of 09.30.2011 ThCh$
Business combination reserve	(97,886,668)	-	(97,886,668)
Cash flows hedge reserve	(37,577)	3,191,786	3,154,209
Employee benefits reserve	256,001	(70,961)	185,040
Revaluation issued capital	(233,685,709)	-	(233,685,709)
Totals	**(331,353,953)**	**3,120,825**	**(328,233,128)**

i) Business combination reserve

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

ii) Cash flows hedge reserve

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

iii) Employee benefit reserve

This reserve corresponds to the amounts recorded in equity related to the Performance Share Plan (PSP) which lasts seven years with five cycles (or deliveries independent of one another) of three years each, beginning July 1, 2006.

Additionally as of July 2010, the Global Share Purchase Plan for employees of Telefónica began to be recognized.

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, 2011, the Company has non-controling interests arising from the investment in Telefónica Móviles Chile Inversiones S.A. in the amount of Ch$23.

17. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	07.01.2011 to 09.30.2011 ThCh$	01.01.2011 to 09.30.2011 ThCh$	07.01.2011 to 09.30.2010 ThCh$	01.01.2010 to 09.30.2010 ThCh$
Earnings attributable to owners of the parent	18,660,896	94,501,476	49,745,754	131,766,980
Profit available for shareholders	18,660,896	94,501,476	49,745,754	131,766,980
Weighted average number of shares	118,026,145	118,026,145	162,032,462	176,701,234
Basic earnings per share in Ch$	**158.11**	**800.68**	**307.01**	**745.70**

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.

18. Other Current and Other Non-current Financial Liabilities

Current and non-current interest bearing loans are detailed as follows:

Description	09.30.2011		12.31.2010	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bank loans (a)	97,975	66,935,547	107,693,802	30,944,410
Unguaranteed obligations (Bonds) (a)	2,130,794	186,471,463	1,820,104	170,309,977
Hedge liabilities, swap contracts, cross currency (b)	2,736,751	-	1,333,119	13,903,817
Total	**4,965,520**	**253,407,010**	**110,847,025**	**215,158,204**

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

a) Interest bearing loans, continued

i) The following table details interest-bearing loans as of September 30, 2011:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Country of debtor	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term	Current			Non-current			
													To Maturity		Total current as of 09.30.2011 ThCh$	To Maturity			Total Non current as of 09.30.2011 ThCh$
													Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 3 years ThCh$	3 to 5 years ThCh$	5 years and over ThCh$	
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	Upon maturity	6.87%	6.41%	MM$ 31.000	2012	80,794	-	80,794	30,957,942		-	30,957,942
Syndicated Loan (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	BBVA BANCOMER	México	US$	Upon maturity	1.44%	1.09%	US$ 70 mm	2016	17,181	-	17,181	-	35,977,605	-	35,977,605
Total bank loans													**97,975**	**-**	**97,975**	**30,957,942**	**35,977,605**	**-**	**66,935,547**
Series A Bond (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Upon maturity	5.62%	5.60%	MM$ 32.000	2014	-	369,854	369,854	31,988,168	-	-	31,988,168
144A Bond (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	Bank of New York	USA	US$	Upon maturity	3.23%	2.88%	US$ 300 mm	2015	1,760,940	-	1,760,940	-	154,483,295	-	154,483,295
Total unguaranteed obligations													**1,760,940**	**369,854**	**2,130,794**	**31,988,168**	**154,483,295**	**-**	**186,471,463**

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

(3) 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.

(4) 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.

18. **Other Current and Non-current Financial Liabilities,** continued

a) **Interest-bearing loans**, continued

ii) The following table details interest-bearing loans as of December 31, 2010:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Country of debtor	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term	Current			Non-current			
													To Maturity		Total current as of 06.30.2011 ThCh$	To Maturity			Total Non current as of 12.31.2011 ThCh$
													Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 3 years ThCh$	3 to 5 years ThCh$	5 years and over ThCh$	
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	Calyon New York Branc	USA	US$	Upon maturity	1.10%	0.87%	US$ 179 mm	2011	84,359,335	23,334,467	107,693,802	-	-	-	-
Syndicated Loan (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	Upon maturity	3.55%	3.41%	MM$ 54.000	2012	-	-	-	30,944,410	-	-	30,944,410
Total bank loans													**84,359,335**	**23,334,467**	**107,693,802**	**30,944,410**	**-**	**-**	**30,944,410**
Series A Bond (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Upon maturity	5.62%	5.60%	MM$ 32.000	2014	811,758	-	811,758	31,985,278	-	-	31,985,278
144A Bond (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	Bank of New York	USA	US$	Upon maturity	3.23%	2.88%	US$ 300 mm	2015	-	1,008,346	1,008,346	-	138,324,699	-	138,324,699
Total unguaranteed obligations													**811,758**	**1,008,346**	**1,820,104**	**31,985,278**	**138,324,699**	**-**	**170,309,977**

(1) Becomes due on on January 5, 2011

(2) Becomes due on November 15, 2012. On November 15, 2010, there was a capital amortization of the local syndicated loan in the amount of ThCh$ 23,000,000

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

(4) On November 3, 2010, there was a first placement on the foreign market.

18. **Other Current and Non-current Financial Liabilities,** continued

b) As of September 30, 2011 and December 31, 2010 hedge and investment liabilities are detailed as follows:

Debtor taxpayer No.	Debtor	Country of debtor	Creditor taxpayer No.	Creditor	Creditor country	Curr.	Current		
							Maturity		Total current as of 09.30.2011
							up to 90 days	90 days to 1 year	
							ThCh$	ThCh$	ThCh$
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	USD	32,997	-	32,997
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BANCO CREDITO E INVESIO	Chile	USD	48,716	-	48,716
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.004.000-5	BANCO CHILE	Chile	CLP	1,123,011	-	1,123,011
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	CLP	490	-	490
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	BANCO SANTANDER	Chile	CLP	15,902	-	15,902
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	CLP	1,515,635	-	1,515,635
Total derivative instrument liabilities							**2,736,751**	**-**	**2,736,751**

Debtor taxpayer No.	Debtor	Country of debtor	Creditor taxpayer No.	Creditor	Creditr country	Curr.	Current			Non-current			
							Maturity		Total current as of 09.30.2010	Maturity			Total current as of 12.31.2010
							up to 90 days	90 days to 1 year		1 to 3 years	3 to 5 years	5 and over	
							ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	USD	49,586	568,586	618,172	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	USD	6,951	134,143	141,094	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.030.000-7	Banco del Estado de Chile	Chile	USD	78,588	230,619	309,207	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	USD	31,324	110,896	142,220	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.023.000-9	CORPBANCA	Chile	USD	77,928	-	77,928	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.004.000-5	BANCHILE	Chile	USD	-	44,498	44,498	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	CLP	-	-	-	1,456,162	-	-	1,456,162
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	CLP	-	-	-	978,470	-	-	978,470
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	SANTANDER	Chile	CLP	-	-	-	4,882,017	3,100,090	-	7,982,106
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.004.000-5	BANCHILE	Chile	CLP	-	-	-	-	2,039,475	-	2,039,475
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.919.000-K	ABNCHILE	Chile	CLP	-	-	-	1,447,604	-	-	1,447,604
Total derivative instrument liabilities							244,377	1,088,742	1,333,119	8,764,253	5,139,565	-	13,903,817

19. Other Current Non-financial Liabilities

Other current non-financial liabilities are detailed as follows:

Description	09.30.2011 ThCh$	12.31.2010 ThCh$
Short-term creditors on financial lease transactions	-	531,882
Deferred income, current (1)	39,320,022	33,501,232
Others	238,469	2,032,063
Total	**39,558,491**	**36,065,177**

(1) Movements of deferred income are detailed as follows:

Deferred revenues	09.30.2011 Current ThCh$	12.31.2010 Current ThCh$
Opening balance	33,501,232	27,794,921
Endowments	328,512,349	441,392,349
Reduction/applications	(322,693,559)	(435,686,038)
Movements, subtotal	**5,818,790**	**5,706,311**
Final balance	**39,320,022**	**33,501,232**

20. Trade and Other Accounts Payable

Trade and other accounts payable are detailed as follows:

Description	09.30.2011 ThCh$	12.31.2010 ThCh$
Accounts payable due to purchases or services rendered (1)	101,572,767	114,938,141
Property, plant and equipment suppliers	21,724,170	69,937,302
Other accounts payable	2,408,560	2,753,852
Total	**125,705,497**	**187,629,295**

(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.

21. Other Provisions

The balance of provisions is detailed as follows:

a) Other short-term provisions

Description	09.30.2011 ThCh$	12.31.2010 ThCh$
Legal contingencies provision	539,060	464,466
Total	**539,060**	**464,466**

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 23, and therefore, they do not expect additional liabilities to arise.

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

b) Current employee benefits provision

Description	09.30.2011 ThCh$	12.31.2010 ThCh$
Goal achievement bonuses	1,815,819	4,389,599
Total	**1,815,819**	**4,389,599**

c) Other long-term provisions

Description	09.30.2011 ThCh$	12.31.2010 ThCh$
Staff severance indemnities	1,796,694	430,175
Management personnel pension plan accrual	123,912	123,912
Dismantling provision	10,312,591	10,312,591
Total	**12,233,197**	**10,866,678**

21. **Other Provisions**, continued

Movements in non-current provisions for the periods ended September 30, 2011 and December 31, 2010 are detailed as follows:

Movements	09.30.2011 ThCh$	12.31.2010 ThCh$
Beginning balance	**10,866,678**	**9,813,179**
Increase in existing provisions	1,366,519	1,125,323
Provision used	-	(71,824)
Movements, subtotal	**1,366,519**	**1,053,499**
Ending balance	**12,233,197**	**10,866,678**

22. **Employee benefit expenses**

Personnel expenses are detailed as follows:

Conceptos	07.01.2011 to 09.30.2011 ThCh$	01.01.2011 to 09.30.2011 ThCh$	07.01.2010 to 09.30.2010 ThCh$	01.01.2010 to 09.30.2010 ThCh$
Wages and salaries	936,726	14,455,860	8,849,046	26,894,098
Benefits obligation expense	529,764	2,957,153	737,491	2,021,142
Health and life insurance	56,119	767,868	348,424	1,211,008
Other employee expenses	54,328	1,066,319	527,074	1,680,251
Total	**1,576,937**	**19,247,200**	**10,462,035**	**31,806,499**

23. **Revenue and Expenses**

a) Operating income and expenses

Operating income for the periods ended September 30, 2011 and 2010 is detailed as follows:

Operating income	07.01.2011 to 09.30.2011 ThCh$	01.01.2011 to 09.30.2011 ThCh$	07.01.2010 to 09.30.2010 ThCh$	01.01.2010 to 09.30.2010 ThCh$
Sales and equipment rental	15,180,707	42,342,421	12,076,029	35,430,374
Telecommunications services rendered	219,616,993	649,608,349	200,867,785	585,652,955
Total	**234,797,700**	**691,950,770**	**212,943,814**	**621,083,329**

23. **Revenue and Expenses**, continued

a) **Operating income and expenses,** continued

Other operating income for the periods ended September 30, 2011 and 2010 is detailed as follows:

Other income	07.01.2011 to 09.30.2011 ThCh$	01.01.2011 to 09.30.2011 ThCh$	07.01.2010 to 09.30.2010 ThCh$	01.01.2010 to 09.30.2010 ThCh$
Subleased space	879,428	2,745,978	529,611	2,198,975
Administration and management	67,895	203,155	768,149	2,301,046
Indemnity payment for contract non-compliance (1)	(295,883)	1,704,577	6,111,106	6,735,697
Other common management earnings	82,539	274,384	268,732	414,625
Earnings from transfer of investment company	96,731	1,089,083	500,375	809,856
Total	**830,710**	**6,017,177**	**8,177,973**	**12,460,199**

Other miscellaneous operating expenses for the three and nine-month periods ended September 30, 2011 and 2010 are detailed as follows:

Other expenses	07.01.2011 to 09.30.2011 ThCh$	01.01.2011 to 09.30.2011 ThCh$	07.01.2010 to 09.30.2010 ThCh$	01.01.2010 to 09.30.2010 ThCh$
Interconnections	44,342,471	118,637,736	32,258,126	94,133,850
Rent	2,553,997	7,830,147	2,850,250	8,186,457
Cost of sales of equipment and cards	24,548,216	79,999,809	21,743,499	67,801,092
External services	2,791,618	6,674,410	1,924,158	6,737,400
Sales commission	17,465,309	48,641,228	14,379,264	41,950,470
Customer services	7,139,906	18,840,932	6,696,169	19,436,922
Maintenance	5,336,680	16,209,676	6,403,789	17,257,991
Allowance for doubtful accounts	4,985,790	18,813,992	3,502,918	16,935,283
Advertising	4,862,049	15,820,873	3,908,105	12,672,480
Employee exp. transferred by other comp.	15,508,361	23,242,120	1,377,145	3,893,779
Electrical energy for technical installations	2,362,924	7,594,075	2,281,785	6,501,355
Administrative and management services	6,131,430	13,862,070	3,165,230	8,773,630
Others	10,816,171	20,125,203	6,547,287	16,555,289
Total	**148,844,922**	**396,292,271**	**107,037,725**	**320,835,998**

23. Revenues and Expenses, continued

b) Finance income and expenses

Finance income and expenses for the periods ended September 30, 2011 and 2010 are detailed as follows:

Net financial income	07.01.2011 to 09.30.2011 ThCh$	01.01.2011 to 09.30.2011 ThCh$	07.01.2010 to 09.30.2010 ThCh$	01.01.2010 to 09.30.2010 ThCh$
Finance income				
Interest earned on deposits and agreements	922,456	2,247,707	629,566	1,104,098
Derivative contracts (Forward)	-	-	227,290	651,918
Other finance income	261,756	300,497	-	-
Total finance income	**1,184,212**	**2,548,204**	**856,856**	**1,756,016**
Finance expenses				
Interest on loans from bank institutions	356,958	1,094,832	755,787	1,966,703
Interest on obligations and bonds	3,451,892	8,390,401	444,028	1,337,750
Finance leases	1,949	16,721	15,319	54,726
Derivative contracts (Forward)	42,887	138,703	-	-
Interest rate hedges (cross currency swap)	181,306	944,551	352,016	1,024,132
Total finance expenses	**4,034,992**	**10,585,208**	**1,567,150**	**4,383,311**
Net finance income	**(2,850,780)**	**(8,037,004)**	**(710,294)**	**(2,627,295)**

24. Contingencies and Restrictions

a) Direct and indirect guarantees:

As of September 30, 2011, the Company has not provided any direct or indirect guarantees to third parties.

b) Lawsuits or other legal actions in which the Company is involved in:

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:

- 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$182,801 is estimated as a probable contingency.

- Civil Lawsuits: civil matters include collection of damage indemnities claimed. To date there are probable contingencies in the amount of ThCh$100,000.

24. Contingencies and Restrictions, continued

- 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.

- 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$32,739.

- 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.

c) Other contingencies:

As of September 30, 2011 there are no other contingencies and restrictions to report.

d) Insurance:

On March 3, 2010, and due to the earthquake of February 27, 2010, the Superintendency of Securities and Insurance was informed that the Company has property damages all risk and loss of income from service shutdown, among other insurance on all its facilities. Therefore as reported, the real estate and its contents as well as eventual shutdown of activities, are insured.

On February 16, 2011 the Superintendency of Securities and Insurance was informed that the Company had closed the insurance settlement process for all risk of damage and loss of income due to lack of services as a consequence of the mentioned earthquake. The payments received by the Company are consistent with and correspond to the reserves informed and recognized in the Financial Statements filed before that Superintendency.

e) Financial restrictions:

As of September 30, 2011 and 2010 the company has no financial restrictions.

25. Local and Foreign Currency

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

Current assets	09.30.2011 ThCh$	12.31.2010 ThCh$
Cash and cash equivalents	**72,432,538**	**131,273,568**
US dollars	(178,244)	43,862
Euros	8,618	8,538
Chilean pesos	72,602,164	130,148,601
U.F.	-	1,072,567
Other current financial assets	**11,424,124**	**211,182**
US dollars	6,131,274	210,860
Euros	83,551	-
Chilean pesos	2,952,213	-
U.F.	2,257,086	322
Trade and other accounts receivable, current	**128,331,935**	**150,117,776**
US dollars	661,240	-
Euros	43,442	-
Chilean pesos	127,627,253	150,117,776
Accounts receivable from related companies	**36,410,240**	**21,109,095**
US dollars	719,236	954,995
Euros	648,864	907,879
Chilean pesos	35,042,140	19,246,221
Other current assets (1)	**80,431,948**	**86,558,222**
US dollars	7,654	16,949
Chilean pesos	77,537,575	77,587,728
U.F.	2,886,719	8,953,545
Total current assets	**329,030,785**	**389,269,843**
US dollars	7,341,161	1,226,666
Euros	784,475	916,417
Chilean pesos	315,761,344	377,100,326
U.F.	5,143,805	10,026,434

(1) Includes: Other current non-financial assets, inventory, current tax assets.

Non-current assets	09.30.2011 ThCh$	12.31.2010 ThCh$
Other non-current financial assets	**12,343,699**	**-**
US dollars	12,343,699	-
Non-current rights receivable	**38,230**	**-**
Chilean pesos	38,230	-
Other non-current assets (2)	**913,012,816**	**978,967,012**
Chilean pesos	913,012,816	978,967,012
Total non-current assets	**925,394,745**	**978,967,012**
US dollars	12,343,699	-
Chilean pesos	913,051,046	978,967,012

(2) Includes: Intangible assets, property, plant and equipment and 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	**09.30.2011** ThCh$	**12.31.2010** ThCh$
Other current financial liabilities	**4,965,520**	**110,847,025**
US dollars	1,859,834	85,367,682
Chilean pesos	3,105,686	25,479,343
Trade and other accounts payable	**125,705,497**	**187,629,295**
US dollars	72,122,206	116,213,222
Euros	3,989,668	42,247,518
Chilean pesos	47,947,048	25,060,044
U.F.	1,615,141	3,974,690
Other currencies	31,434	133,821
Accounts payable to related companies, current	**35,606,673**	**47,782,229**
US dollars	869,841	640,493
Euros	6,810,981	27,317,792
Chilean pesos	27,925,851	19,823,944
Other current liabilities (1)	**56,557,175**	**46,551,495**
Chilean pesos	56,557,175	46,019,613
U.F.	-	531,882
Total current liabilities	**222,834,865**	**392,810,044**
US dollars	74,851,881	202,221,397
Euros	10,800,649	69,565,310
Chilean pesos	135,535,760	116,382,944
Other currencies	31,434	133,821
U.F.	1,615,141	4,506,572

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

Non-current liabilities	**09.30.2011** ThCh$	**12.31.2010** ThCh$
Other non-current financial liabilities	**253,407,010**	**215,158,204**
US dollars	190,460,900	138,324,699
Chilean pesos	62,946,110	76,833,505
Other non-current liabilities (2)	**12,470,720**	**10,866,678**
Chilean pesos	12,470,720	10,866,678
Total non-current liabilities	**265,877,730**	**226,024,882**
US dollars	190,460,900	138,324,699
Chilean pesos	75,416,830	87,700,183

(2) Includes: Other long-term provisions and other non-current financial liabilities.

.26. Environment:

As of September 30, 2011 and 2010, 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, wich define maximum radiation density for cellular antennas and with Exempt Resolution 1672 of 2002 regarding electromagnetic radiation from portable phones.

27. Financial Risk Management

a) Characterization of the Market and Competition

The mobile services industry in Chile is very competitive in nature, which has allowed it to grow at significant rates. This means that permanent investments are necessary in order to maintain the technological leading edge, reflected in the deployment of third generation (3G) networks, greater coverage and a growing commercial supply of data services and products.

Based on the Company's estimates, at the end of the third quarter of 2011, the industry had 23 million customers, with a year-on-year growth of 17.7%. Such figures are in line with expectations for a mature market in wich growth comes from increased traffic instead of additional users. Value added services, especially mobile broadband, play a key role, showing more than double growth compared to the previous year.

The industry is currently composed of three operators: Movistar is the market leader with 9.1 million customers, followed by Entel PCS and Claro. The strategies employed by these concessionaries are all aimed at offering better service quality and competitive pricing.

During the last quarter of 2010 one of the most significant reforms was approved, Numeric Portability, which will allow customers to migrate from an operator and maintain their telephone number. This will strongly increase the competitiveness of the industry since a great barrier for capturing the customers of the competition will be eliminated. Operators are therefore already adjusting their platforms and working on their subscriber fidelity in order to begin with this great reform at the begin of 2012.

All activities of mobile telephone concessionaries are regulated by General Telecommunications Law No. 18,168 and its regulations, and the application and control of these standards is provided by the Ministry of Transportation and Telecommunications through the Telecommunications Undersecretary.

Main landmarks of September 2011:

- Movistar and Entel increased their coverage in an extensive zone of the Second Region.
- It has been announced that Chile shall implement the Early Tsunami Warning System used in Japan, which will initially use text massages (SMS) as a means.
- Numeric Portability might be delayed and be applied in December 2011.
- The network neutrality law was enacted.
- VTR shall offer mobile telephone services in January – March 2012
- GTD signed an agreement with Movistar to enter the mobile business, being the first firm to debut as a Virtual Mobile Operator.
- Companies delay the execution of numeric portability until 2012.

27. Financial Risk Management, continued

a) Characterization of the Market and Competition, continued

- Approval of a bill modifying Law 18,168 in order to indefinitely extend the Telecommunications Development Fund, which finances extension of coverage of telecommunications services
- Virgin will launch a virtual mobile operation in Chile in July 2012
- The Fiscalía Nacional Económica asked the Antitrust Commission to prohibit fixed and mobile Internet packages

b) Competition risk

The Company faces a high degree of competition, characterized by aggressive commercial strategies and considerable efforts to obtain and maintain customers. The Company estimates that this risk stems primarily from the entry of new players into the mobile telecommunications industry and from strong competition in mobile broadband sales.

In order to improve its already strong position, the Company will continue to develop its competitive strategy based on innovation, aligning this strategy with the performance of key business variables and the reliability, reputation and convenience that the brand represents for its customers.

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.

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.

27. Financial Risk Management, continued

d) Financial risk management objectives and policies

The policies for managing these risks are summarized below:

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

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

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

The Company periodically determines the efficient exposure of its short and long-term debt to changes in interest rates, based on the future evolution of rates. As of September 30, 2011, 87% of the Company's short and long-term financial debt is maintained at floating interest rates, considering as variable any debt that must be refinanced in a term of less than one year, or the hedges for which expire in that time period.

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.

Thanks to hedging activities to manage the Company's main currency risk, the sensitivity of the fair value of future cash flows of the hedged item to exchange rate variations is close to zero, fundamentally because 100% of the company's debt in foreign currency is hedged. For the year ended as of September 30, 2011, 74% of the Company's total debt is denominated 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.

27. Financial Risk Management, continued

d) Financial risk management objectives and policies, continued

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

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

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

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

e) Technological changes

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

f) Perspectives

In the short-term the Company expects the highly competitive scenario to continue, due to the high levels of penetration already reached, together with aggressive commercial actions undertaken by operators, focusing mainly on increasing the use of data transmission services, especially mobile broadband services through new 3G networks.

During this year we expect to strong competitive pressure, both due to current operators as well as new entrants (Nextel and VTR Móvil) resulting from the public tender for 90Mhz spectrum. In addition it should be noted that at the end of 2012 numeric portability will be applied. This new scenario shall increase the competitive magnitude and demand human resource and financial investments, which will result in incorporating users that are unhappy with the service that their operator is currently providing.

In the long-term an exponential increase in data traffic is expected, due to the growing offer of application in smartphones and the growth of Mobile Broad Band.

28. Subsequent Events

The consolidated financial statements of Telefónica Móviles Chile S.A. for the year ended as of September 30, 2011, were approved and authorized for issuance at the Board Meeting held on October 17, 2011.

Between October 1 and the date of issuance of these financial statements there have been no events of a financial or other nature that significantly affect their balances or interpretation.