



## **TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES**

### **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

# TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

---

## ***CONTENT***

Consolidated Statements of Financial Position  
Consolidated Statements of Comprehensive Income  
Consolidated Statement of Changes in Equity  
Consolidated Statements of Cash Flows  
Notes to the Consolidated Financial Statements

ThCh\$ : Thousands of Chilean pesos

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

ASSETS	Notas	<u>06.30.2011</u>	<u>12.31.2010</u>
		ThCh\$	ThCh\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	(5)	87,572,019	131,273,568
Other current financial assets	(9)	2,230,486	211,182
Other current non-financial assets	(10)	37,346,471	32,769,008
Trade and other current accounts receivable	(6a)	127,632,192	150,117,776
Current accounts receivable from related companies	(7a)	17,804,687	21,109,095
Inventory	(8a)	51,445,830	53,343,297
Tax assets, current		445,926	445,917
<b>Total current operating assets</b>		<u>324,477,611</u>	<u>389,269,843</u>
<b>TOTAL CURRENT ASSETS</b>		<u>324,477,611</u>	<u>389,269,843</u>
<b>NON-CURRENT ASSETS</b>			
Intangible assets other than goodwill, net	(12)	55,499,971	62,763,244
Goodwill	(13)	483,179,725	483,179,725
Property, plant and equipment	(14)	378,426,553	394,480,621
Deferred tax assets	(11c)	14,796,069	38,543,422
<b>TOTAL NON-CURRENT ASSETS</b>		<u>931,902,318</u>	<u>978,967,012</u>
<b>TOTAL ASSETS</b>		<u>1,256,379,929</u>	<u>1,368,236,855</u>

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements

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

<b>LIABILITIES</b>	<b>Notas</b>	<b>06.30.2011</b>	<b>12.31.2010</b>
		<b>M\$</b>	<b>M\$</b>
<b>CURRENT LIABILITIES</b>			
Other current financial liabilities	(17)	3,232,428	110,847,025
Trade and other accounts payable	(19)	144,236,242	187,629,295
Current accounts payable to related companies	(7b)	23,631,976	47,782,229
Other short-term provisions	(20a)	507,426	464,466
Current tax liabilities	(11b)	8,587,934	5,632,253
Current employee benefits accrual	(20b)	1,748,595	4,389,599
Other current non-financial liabilities	(18)	41,267,024	36,065,177
<b>TOTAL CURRENT LIABILITIES</b>		<b>223,211,625</b>	<b>392,810,044</b>
<b>NON-CURRENT LIABILITIES</b>			
Other non-current financial liabilities	(17)	241,568,600	215,158,204
Other long-term provisions	(20c)	12,233,197	10,866,678
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>253,801,797</b>	<b>226,024,882</b>
<b>NET SHAREHOLDERS' EQUITY</b>			
Issued capital	(15a)	941,101,241	941,101,241
Retained earnings (losses)		171,184,930	139,654,640
Other reserves	(15d)	(332,919,664)	(331,353,952)
Shareholders' equity attributable to owners of the parent		779,366,507	749,401,929
Non-controlling interests		-	-
<b>TOTAL NET SHAREHOLDERS' EQUITY</b>		<b>779,366,507</b>	<b>749,401,929</b>
<b>TOTAL NET LIAB. &amp; SHAREHOLDERS EQUITY</b>		<b>1,256,379,929</b>	<b>1,368,236,855</b>

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements

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

	Notas	From April 1 to	From January 1 to	From April 1 to	From January 1 to
		June 30	June 30	June 30	June 30
		2011	2011	2010	2010
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
<b>STATEMENTS OF INCOME</b>					
Operating income	(22a)	228,689,437	457,153,067	206,944,749	407,825,367
Other income, by nature	(22a)	4,609,807	5,186,468	2,993,512	4,596,374
Employee benefits expenses	(21)	(7,890,856)	(17,670,260)	(11,026,491)	(21,344,466)
Depreciation and amortization expense	(12b-14)	(46,576,561)	(91,966,099)	(40,718,140)	(80,916,504)
Other expenses, by nature	(22a)	(126,473,452)	(247,447,347)	(109,063,655)	(213,798,270)
Finance income	(22b)	726,663	1,431,983	890,272	899,160
Finance costs	(22b)	(3,387,842)	(6,618,207)	(1,396,105)	(2,816,162)
Foreign currency translation		71,381	(4,722)	214,477	337,903
<b>Profits before tax from continuing operations</b>		<b>49,768,577</b>	<b>100,064,883</b>	<b>48,838,619</b>	<b>94,783,402</b>
Income tax expense	(11d)	(13,355,611)	(24,224,300)	(6,244,514)	(12,762,178)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>36,412,966</b>	<b>75,840,583</b>	<b>42,594,105</b>	<b>82,021,224</b>
<b>Profit (loss) attributable to:</b>					
Profit (loss) attributable to owners of the parent		36,412,966	75,840,583	42,594,105	82,021,224
Profit (loss) attributable to non-controlling interests		-	-	-	-
<b>PROFIT FOR THE PERIOD</b>		<b>36,412,966</b>	<b>75,840,583</b>	<b>42,594,105</b>	<b>82,021,224</b>
<b>EARNINGS PER SHARE</b>					
		\$	\$	\$	\$
<b>Earnings per basic share:</b>					
Earnings per basic share for continuing operations	(16)	308.52	642.57	231.44	445.68
<b>Diluted earnings per share:</b>					
Diluted earnings per share from continuing operations		308.52	642.57	231.44	445.68

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements

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

	From April 1 to June 30 <u>2011</u> ThCh\$	From January 1 to June 30 <u>2011</u> ThCh\$	From April 1 to June 30 <u>2010</u> ThCh\$	From January 1 to June 30 <u>2010</u> ThCh\$
<b>STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>PROFIT FOR THE PERIOD</b>	36,412,966	75,840,583	42,594,105	82,021,224
<b>Components of other comprehensive income before taxes</b>				
<b>Cash flow hedges:</b>				
Profit (loss) on cash flow hedges, before taxes	(1,649,273)	(2,086,409)	(121,861)	1,213,179
<b>Other components of other comprehensive income, before taxes</b>	<u>(1,649,273)</u>	<u>(2,086,409)</u>	<u>(121,861)</u>	<u>1,213,179</u>
<b>Income taxes related to components of other comprehensive income:</b>				
Income tax related to hedging cash flows from other comprehensive income	329,855	417,282	20,716	(206,240)
<b>Sum of income taxes related to components of other comprehensive income</b>	<u>329,855</u>	<u>417,282</u>	<u>20,716</u>	<u>(206,240)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>(1,319,418)</u>	<u>(1,669,127)</u>	<u>(101,145)</u>	<u>1,006,939</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>35,093,548</u>	<u>74,171,456</u>	<u>42,492,960</u>	<u>83,028,163</u>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO</b>				
Comprehensive income attributable to owners of the parent	35,093,548	74,171,456	42,492,960	83,028,163
Comprehensive income attributable to non-controlling interests	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>35,093,548</u>	<u>74,171,456</u>	<u>42,492,960</u>	<u>83,028,163</u>

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements

**TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
June 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\$
<b>Beginning balance as of 01.01.2011</b>	<b>941,101,241</b>	<b>(37,577)</b>	<b>256,001</b>	<b>(331,572,377)</b>	<b>(331,353,953)</b>	<b>139,654,641</b>	<b>749,401,929</b>	-	<b>749,401,929</b>
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	75,840,583	75,840,583	-	75,840,583
Other comprehensive income	-	(1,669,127)	-	-	(1,669,127)	-	(1,669,127)	-	(1,669,127)
Dividends	-	-	-	-	-	(44,310,294)	(44,310,294)	-	(44,310,294)
Increase (decrease) from transfers and other changes	-	-	103,416	-	103,416	-	103,416	-	103,416
<b>Total changes in equity</b>	<b>-</b>	<b>(1,669,127)</b>	<b>103,416</b>	<b>-</b>	<b>(1,565,711)</b>	<b>31,530,289</b>	<b>29,964,578</b>	<b>-</b>	<b>29,964,578</b>
<b>Ending balance as of 06.30.2011</b>	<b>941,101,241</b>	<b>(1,706,704)</b>	<b>359,417</b>	<b>(331,572,377)</b>	<b>(332,919,664)</b>	<b>171,184,930</b>	<b>779,366,507</b>	<b>-</b>	<b>779,366,507</b>
<b>Beginning balance as of 01.01.2010</b>	<b>1,980,350,053</b>	<b>645,545</b>	<b>313,177</b>	<b>(1,414,869,867)</b>	<b>(1,413,911,145)</b>	<b>272,837,717</b>	<b>839,276,625</b>	-	<b>839,276,625</b>
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	82,021,224	82,021,224	-	82,021,224
Other comprehensive income	-	1,006,939	-	-	1,006,939	-	1,006,939	-	1,006,939
Dividends	-	-	-	44,048,779	44,048,779	(100,000,000)	(55,951,221)	-	(55,951,221)
Increase (decrease) from transfers and other changes	-	-	59,972	-	59,972	-	59,972	-	59,972
<b>Total changes in equity</b>	<b>-</b>	<b>1,006,939</b>	<b>59,972</b>	<b>-</b>	<b>45,115,690</b>	<b>(17,978,776)</b>	<b>27,136,914</b>	<b>-</b>	<b>27,136,914</b>
<b>Ending balance as of 06.30.2010</b>	<b>1,980,350,053</b>	<b>1,652,484</b>	<b>373,149</b>	<b>(1,414,869,867)</b>	<b>(1,368,795,455)</b>	<b>254,858,941</b>	<b>866,413,539</b>	<b>-</b>	<b>866,413,539</b>

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements

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

	For the six-month periods ended June 30	
	2011	2010
	ThCh\$	ThCh\$
<b>Cash flows provided by operating activities:</b>		
<b>Profit</b>	<b>75,840,583</b>	<b>82,021,224</b>
<b>Adjustments to reconcile profits to net cash flows:</b>		
Adjustments due to income tax expense	24,224,300	12,762,178
Adjustments due to decrease (increase) in inventory	2,023,591	(18,655,171)
Adjustments due to decrease (increase) in trade accounts receivable	9,315,332	(3,798,291)
Adjustments due to decrease (increase) in other accounts receivable derived from operating activities	(56,054,143)	(53,968,287)
Adjustments due to increase (decrease) in trade accounts payable	(34,873,942)	55,590,088
Adjustments due to increase (decrease) in other accounts payable derived from operating activities	32,833,476	3,903,242
Adjustments due to depreciation and amortization expenses	91,966,099	80,916,504
Adjustments due to provisions	8,160,538	1,986,533
Adjustments due to unrealized losses (profits) in foreign currency	4,722	(337,903)
<b>Total adjustments due to reconciliation of profit (losses)</b>	<b>77,599,973</b>	<b>78,398,893</b>
Income taxes reimbursed (paid)	248	-
<b>Cash flows provided by operating activities:</b>	<b>153,440,804</b>	<b>160,420,117</b>
<b>Cash flows used in investment activities:</b>		
Loans to related entities	(6,390,200)	-
Proceeds from sale of property, plant and equipment	1,066,162	-
Additions to property, plant and equipment	(53,904,244)	(34,043,633)
Collection from related entities	4,540,000	-
Interest received	7,925,288	(473,865)
Other cash inputs (outputs)	(2,000,000)	-
<b>Net cash flows used in investment activities</b>	<b>(48,762,994)</b>	<b>(34,517,498)</b>
<b>Cash flows from financing activities:</b>		
Amounts arising from long-term loans	33,569,239	-
Payment of financial lease liabilities	(14,738)	(39,688)
Loan payments	(115,868,338)	-
Dividends paid	(65,000,000)	(100,000,000)
Interest paid	(1,065,522)	(2,484,963)
<b>Net cash flows used in financing activities</b>	<b>(148,379,359)</b>	<b>(102,524,651)</b>
<b>Net increase in cash and cash equivalents, before effects of exchange rate changes:</b>	<b>(43,701,549)</b>	<b>23,377,968</b>
<b>Effects of changes in the exchange rate on cash and cash equivalents:</b>		
Net increase in cash and cash equivalents	(43,701,549)	23,377,968
Cash and cash equivalents, beginning of period	131,273,568	68,690,295
<b>Cash and cash equivalents, end of period</b>	<b>87,572,019</b>	<b>92,068,263</b>

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements



TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**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 June 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 June 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 June 30, 2011 and December 31, 2010; Statement of Changes in Equity for the periods ended June 30, 2011 and 2010, Statements of Income and Statements of Comprehensive Income for the three and six-month periods ended as of June 30, 2011 and 2010 and Statement of Cash Flows for the six-month periods ended as of June 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 June 30, 2011 and December 31, 2010, and Statements of Financial Position are presented as of June 30, 2011 and December 31, 2010; Statement of Changes in Equity for the periods ended June 30, 2011 and 2010, Statements of Income and Statements of Comprehensive Income for the three and six-month periods ended as of June 30, 2011 and 2010 and Statement of Cash Flows for the six-month periods ended as of June 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”.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

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:

RUT	Nombre Sociedad	País origen	Moneda funcional	Porcentaje de participación			
				Directo	06.30.2011 Indirecto	Total	12.31.2010 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
06-30-2011	468.15	679.66	21,889.89
12-31-2010	468.01	621.53	21,455.55
06-30-2010	547.19	669.51	21,202.16

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".

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**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 Company has established an allowance for doubtful accounts based on an analysis of its customer portfolio and the age of the debt. Debt is considered uncollectible once 90 days past due and at this time an allowance covering 100% of the debt is established.

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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**2. Summary of Significant Accounting Policies, 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 June 30, 2011 and December 31, 2010 no embedded leases were identified.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**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.

As of June 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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**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 June 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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**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.



TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

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

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

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

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

	<b>Improvements and Amendments</b>	<b>Mandatory application date</b>
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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**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	31.03.2011	31.12.2010
		ThCh\$	ThCh\$
<b>Cash and banks</b>		<b>8.997.519</b>	<b>4.648.258</b>
	CLP	8.925.415	4.595.858
	USD	62.783	43.862
	EUR	9.321	8.538
<b>Time deposits</b>		<b>77.511.125</b>	<b>125.125.050</b>
	CLP	76.584.748	124.052.483
	UF	-	1.072.567
	USD	926.377	
<b>Repurchase agreements</b>		<b>1.063.375</b>	<b>1.500.260</b>
	CLP	1.030.000	1.500.260
	USD	33.375	
<b>Total cash and cash equivalents</b>		<b>87.572.019</b>	<b>131.273.568</b>
<b>Subtotal by currency</b>	<b>CLP</b>	<b>86.540.163</b>	<b>130.148.601</b>
	<b>USD</b>	<b>1.022.535</b>	<b>43.862</b>
	<b>UF</b>	<b>-</b>	<b>1.072.567</b>
	<b>EUR</b>	<b>9.321</b>	<b>8.538</b>

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**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 June 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	Accrued interest in local currency	currency translation local currency	Total as of 06.30.2011
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
Time deposit	CLP	76,452,000	5.63%	17	76,452,000	132,748		76,584,748
Time deposit	USD	1,978.75	6.00%	9	933,062	24	(6,709)	926,377
<b>Totales</b>					<b>77,385,062</b>	<b>132,772</b>	<b>(6,709)</b>	<b>77,511,125</b>

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate %	Average days to maturity	Principal in local currency	Accrued interest in local currency	Total as of 12.31.2010
					ThCh\$	ThCh\$	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
<b>Totales</b>					<b>124,744,637</b>	<b>380,413</b>	<b>125,125,050</b>

**c) Repurchase agreements**

Investments in instruments with repurchase agreements maturing in 90 days are recorded at fair value and for 2011 and 2010 are detailed as follows:

Code	Dates		Counterparty	Original currency	Subscription value ThCh\$	Annual rate %	Final value ThCh\$	Identification of instruments	Book value ThCh\$ 06.30.2011
	Beginning	Ending							
CRV	30-Jun-11	01-Jul-11	BANCO DE CREDITO E INVERSIONES	CLP	1,030,000	4.80%	1,030,137	BCU0300413	1,030,000
CRV	30-Jun-11	01-Jul-11	BANCO DE CREDITO E INVERSIONES	USD	33,587	0.60%	33,375		33,375
<b>Totales</b>					<b>1,063,587</b>		<b>1,063,512</b>		<b>1,063,375</b>

Code	Dates		Counterparty	Original currency	Subscription value ThCh\$	Annual rate %	Final value ThCh\$	Identification of instruments	Book value ThCh\$ 12.31.2011
	Beginning	Ending							
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
<b>Totales</b>					<b>1,500,000</b>		<b>1,500,780</b>		<b>1,500,260</b>



TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**6. Trade and Other Accounts Receivable**

a) Current accounts receivable are detailed as follows:

Description	06.30.2011			12.31.2010		
	Current			Current		
	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	181.859.314	(56.194.971)	125.664.343	176.276.973	(48.023.155)	128.253.818
Misc. Receivables	1.967.849	-	1.967.849	21.863.958	-	21.863.958
<b>Total</b>	<b>183.827.163</b>	<b>(56.194.971)</b>	<b>127.632.192</b>	<b>198.140.931</b>	<b>(48.023.155)</b>	<b>150.117.776</b>

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

Movements	06.30.2011	12.31.2010
	ThCh\$	ThCh\$
Beginning balance	48.023.155	36.810.903
Increases	17.273.564	35.107.637
Eliminations/ Additions	(9.101.748)	(23.895.385)
<b>Ending balance</b>	<b>56.194.971</b>	<b>48.023.155</b>

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	06.30.2011					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	6,971,844				6,971,844	6,221,801			
<b>Total</b>	<b>6,971,844</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,971,844</b>	<b>6,221,801</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,221,801</b>

**TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**7. Related Party Disclosures**

a) Current notes and accounts receivable:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2011	12.31.2010
						ThCh\$	ThCh\$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Accionista común	Prest. Servicios	CLP	1,045	1,856
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	España	Accionista común	Prest. Servicios	EUR	561,966	792,321
TELEFONICA INTERNACIONAL, S.A.	0-E	España	Accionista	Prest. Servicios	EUR	39,485	38,023
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Accionista común	Prest. Servicios	CLP	12,148,196	7,851,350
TELEFONICA MOVILES SAO PAULO	0-E	Brasil	Accionista común	Prest. Servicios	USD	57,053	51,919
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Accionista común	Prest. Servicios	USD	812	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	19,438	16,637
FUNDACION TELEFONICA CHILE	74.944.200-K	Chile	Accionista común	Prest. Servicios	CLP	59	-
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Accionista común	Prest. Servicios	CLP	3,936	6,651
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Accionista común	Prest. Servicios	USD	271,815	164,122
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Accionista común	Prest. Servicios	CLP	1,163,322	608,619
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Accionista común	Prest. Servicios	CLP	(441,598)	2,707,489
OTECCEL, S.A. ECUADOR	0-E	Ecuador	Accionista común	Prest. Servicios	USD	2,468	4,647
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Accionista común	Prest. Servicios	CLP	173,255	87,276
TELEFONICA MULTIMEDIA CHILE S.A.	78.703.410-1	Chile	Accionista común	Prest. Servicios	CLP	596	5,536
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Accionista común	Prest. Servicios	CLP	13,999	5,787
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Accionista común	Prest. Servicios	CLP	15,878	7,442
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	México	Accionista común	Prest. Servicios	USD	1,875	261,664
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Accionista común	Prest. Servicios	USD	9,212	6,854
TELEFONICA MOVILES PANAMA	0-E	Panamá	Accionista común	Prest. Servicios	USD	1,100	4,459
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Accionista común	Prest. Servicios	USD	1,934	-
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Accionista común	Prest. Servicios	USD	143,834	151,480
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Accionista común	Prest. Servicios	USD	7,555	10,608
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Accionista común	Prest. Servicios	USD	5,755	11,889
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Accionista común	Prest. Servicios	USD	1,357	616
VIVO, S.A.	0-E	Brasil	Accionista común	Prest. Servicios	USD	24,475	50,676
VIVO BRASIL COMUNICACIONES	0-E	Brasil	Accionista común	Prest. Servicios	USD	1,264	1,186
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Accionista común	Prest. Servicios	CLP	11,278	-
	76.096.189-2	Chile	Accionista común	Cuenta Corriente Mercantil	CLP	1,165,632	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	1,940	1,239
O2 (UK) (ANTES VP COMMUNIC)	0-E	Inglaterra	Accionista común	Prest. Servicios	USD	68,927	210,591
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Accionista común	Prest. Servicios	CLP	344,554	-
	76.086.148-0	Chile	Accionista común	Cuenta Corriente Mercantil	CLP	1,904,735	-
INVERSIONES TELEFONICA MOVILES HOLDING LTDA.	76.124.890-1	Chile	Accionista común	Prest. Servicios	EUR	67,000	67,000
<b>Total</b>						<b>17,804,687</b>	<b>21,109,095</b>

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

**TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**7. Related Party Disclosures**, continued

b) Current notes and accounts receivable:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2011	12.31.2010
						ThCh\$	ThCh\$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Accionista común	Prest. Servicios	CLP	75,236	286,934
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	España	Accionista común	Prest. Servicios	EUR	236,611	346,591
TELEFONICA INTERNACIONAL, S.A.	0-E	España	Accionista	Prest. Servicios	EUR	2,480,324	2,386,305
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Accionista común	Prest. Servicios	CLP	7,007,393	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	218	242
TELEFONICA, S.A.	0-E	España	Accionista	Prest. Servicios	EUR	3,535,870	3,154,938
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	0-E	España	Accionista común	Prest. Servicios	EUR	458,691	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	3,635,042	3,447,055
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Accionista común	Prest. Servicios	CLP	240,460	166,953
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Accionista común	Prest. Servicios	USD	92,668	100,552
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Accionista común	Prest. Servicios	CLP	2,177,825	2,430,630
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Accionista común	Prest. Servicios	CLP	121	3,706,608
OTECEL, S.A. ECUADOR	0-E	Ecuador	Accionista común	Prest. Servicios	USD	4,886	6,717
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Accionista común	Prest. Servicios	CLP	368,642	210,906
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Accionista común	Prest. Servicios	CLP	252,187	291,193
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Accionista común	Prest. Servicios	CLP	512,259	569,863
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	México	Accionista común	Prest. Servicios	USD	11,720	9,402
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Accionista común	Prest. Servicios	USD	7,814	9,120
TELEFONICA MOVILES PANAMA	0-E	Panamá	Accionista común	Prest. Servicios	USD	1,503	3,652
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Accionista común	Prest. Servicios	USD	130	458
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Accionista común	Prest. Servicios	USD	12,148	14,415
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Accionista común	Prest. Servicios	USD	17,059	13,265
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Accionista común	Prest. Servicios	USD	35,056	53,951
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Accionista común	Prest. Servicios	USD	90	71
VIVO, S.A.	0-E	Brasil	Accionista común	Prest. Servicios	USD	16,238	28,163
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Irlanda	Accionista común	Prest. Servicios	USD	19,250	762
O2 GERMANY GMBH & CO OHG	0-E	Alemania	Accionista común	Prest. Servicios	USD	37,078	12,055
MANX TELECOM LTD	0-E	Inglaterra	Accionista común	Prest. Servicios	USD	361	209
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.	96.910.730-9	Chile	Accionista común	Prest. Servicios	CLP	204,107	176,768
TELEFONICA INTERNATIONAL WHOLESALE S.L. UNIPERSONAL	0-E	España	Accionista común	Prest. Servicios	EUR	12,780	12,765
TELEATENTO DEL PERU S.A.C.	0-E	Perú	Accionista común	Prest. Servicios	USD	420,701	307,459
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Accionista común	Prest. Servicios	CLP	1,677,508	-
INVERSIONES TELEFONICA MOVILES HOLDING LTDA.	76.124.890-1	Chile	Accionista común	Prest. Servicios	EUR	-	20,689,707
<b>Total</b>						<b>23,631,976</b>	<b>47,782,229</b>

**TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**7. Related Party Disclosures, continued**

c) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	01.04.2011 to	01.01.2011 to	01.04.2010 to	01.01.2010 to
					30.06.2011	30.06.2011	30.06.2010	30.06.2010
					ThCh\$	ThCh\$	ThCh\$	ThCh\$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Accionista común	Ventas	2,279	4,614	1,423	2,474
	59.083.900-0	Chile	Accionista común	Costos	(17,797)	(91,030)	(120,166)	(212,546)
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	España	Accionista común	Ventas	(680,285)	(88,998)	531,848	1,087,985
	0-E	España	Accionista común	Costos	(51,654)	(303,219)	(295,201)	(551,908)
TELEFONICA INTERNACIONAL, S.A.	0-E	España	Accionista	Costos	264,751	(498,923)	428,938	71,548
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Accionista común	Ventas	11,301,066	20,907,883	6,728,112	13,787,044
	90.635.000-9	Chile	Accionista común	Costos	(6,352,928)	(12,558,337)	(6,780,900)	(12,743,340)
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Accionista común	Ventas	444	881	995	2,246
	0-E	El Salvador	Accionista común	Costos	(184)	(405)	(459)	(794)
TELEFONICA, S.A.	0-E	España	Accionista	Costos	(3,511,407)	(7,335,133)	(12,000)	(594,515)
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	0-E	España	Accionista común	Costos	(357,672)	(386,552)	-	-
ATENTO CHILE S.A.	96.895.220-K	Chile	Accionista común	Ventas	49,491	94,141	47,153	73,257
	96.895.220-K	Chile	Accionista común	Costos	(2,734,628)	(5,932,520)	(1,839,655)	(3,366,419)
FUNDACION TELEFONICA CHILE	74.944.200-K	Chile	Accionista común	Ventas	59	59	-	-
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Accionista común	Ventas	9,394	72,885	10,982	23,683
	96.834.230-4	Chile	Accionista común	Costos	(429,341)	(587,956)	(213,710)	(363,117)
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Accionista común	Ventas	267,454	781,383	95,256	246,239
	0-E	Argentina	Accionista común	Costos	(215,040)	(435,207)	(144,917)	(341,070)
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Accionista común	Ventas	799,942	1,663,959	779,056	1,737,031
	96.672.160-K	Chile	Accionista común	Costos	(2,381,636)	(4,898,766)	(2,322,790)	(5,104,286)
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Accionista común	Ventas	774,053	1,555,114	821,376	1,628,469
	90.430.000-4	Chile	Accionista común	Costos	(34)	(34)	(194,624)	(297,959)
OTECEL, S.A. ECUADOR	0-E	Ecuador	Accionista común	Ventas	8,801	18,884	8,535	18,181
	0-E	Ecuador	Accionista común	Costos	(11,955)	(30,589)	(8,594)	(23,508)
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Accionista común	Ventas	77,367	165,453	16,649	28,071
	96.961.230-5	Chile	Accionista común	Costos	26,150	(298,730)	(282,503)	(712,127)
TELEFONICA MULTIMEDIA CHILE S.A.	78.703.410-1	Chile	Accionista común	Ventas	197	1,436	13,974	22,704
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Accionista común	Ventas	4,239	8,884	542	(10,972)
	96.811.570-7	Chile	Accionista común	Costos	(6,037)	(12,005)	(4,993)	(17,986)
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Accionista común	Ingresos financieros	4,151	52,198	-	-
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Accionista común	Ventas	30,471	60,628	-	-
	76.086.148-0	Chile	Accionista común	Costos	(2,913,033)	(5,075,146)	-	-
	76.086.148-0	Chile	Accionista común	Ingresos financieros	51,747	54,535	-	-
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Accionista común	Ventas	27,994	43,534	13,610	24,490
	96.990.810-7	Chile	Accionista común	Costos	(361,380)	(526,799)	(421,065)	(543,142)
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	México	Accionista común	Ventas	3,715	7,239	991,204	994,644
	0-E	México	Accionista común	Costos	(8,895)	(28,252)	(7,675)	(22,309)
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Accionista común	Ventas	12,620	21,589	11,725	19,887
	0-E	Uruguay	Accionista común	Costos	(11,584)	(42,287)	(8,103)	(28,430)
TELEFONICA MOVILES PANAMA	0-E	Panamá	Accionista común	Ventas	3,521	8,346	4,294	7,488
	0-E	Panamá	Accionista común	Costos	(3,702)	(7,572)	(4,396)	(8,218)
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Accionista común	Ventas	2,225	3,829	1,669	3,435
	0-E	Guatemala	Accionista común	Costos	(190)	(497)	(942)	(1,428)
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Accionista común	Ventas	7,223	16,584	5,211	13,422
	0-E	Venezuela	Accionista común	Costos	(3,462)	(9,050)	(5,524)	(18,735)
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Accionista común	Ventas	10,599	21,180	8,297	15,500
	0-E	Colombia	Accionista común	Costos	(25,565)	(49,352)	(16,496)	(34,966)
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Accionista común	Ventas	14,562	28,613	959,887	973,824
	0-E	Perú	Accionista común	Costos	(101,338)	(207,348)	(75,396)	(148,305)
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Accionista común	Ventas	406	1,563	948	2,413
	0-E	Nicaragua	Accionista común	Costos	72	(314)	(499)	(621)
VIVO, S.A.	0-E	Brasil	Accionista común	Ventas	44,727	103,544	37,416	89,513
	0-E	Brasil	Accionista común	Costos	(24,428)	(64,531)	(32,494)	(92,380)
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Irlanda	Accionista común	Ventas	(18,700)	(12,365)	(8,526)	7,191
	0-E	Irlanda	Accionista común	Costos	(916)	(1,441)	49,853	49,025
O2 GERMANY GMBH & CO OHG	0-E	Alemania	Accionista común	Ventas	(13,409)	12,192	(4,191)	16,151
	0-E	Alemania	Accionista común	Costos	(46,557)	(82,530)	(28,997)	(47,856)
MANX TELECOM LTD	0-E	Inglaterra	Accionista común	Ventas	2,004	2,419	396	963
	0-E	Inglaterra	Accionista común	Costos	(436)	(1,405)	(726)	(1,248)
O2 (UK) (ANTES VP COMMUNIC)	0-E	Inglaterra	Accionista común	Ventas	(163,048)	19,488	25,153	149,045
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730-9	Chile	Accionista común	Costos	(34,949)	(158,636)	(100,992)	(148,316)
TELEFONICA LEARNING SERVICES	0-E	España	Accionista común	Costos	-	(705)	-	-
TELEATENTO DEL PERU S.A.C.	0-E	Perú	Accionista común	Costos	(244,695)	(554,937)	(327,420)	(366,537)

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

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 September 23, 2010 the term of this contract was modified, extending it to June 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 plus 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	06.30.2011 ThCh\$	06.30.2010 ThCh\$
Wages, salaries and bonuses (1)	-	1,455,228
<b>Total</b>	<b>-</b>	<b>1,455,228</b>

(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 June 30, 2011 and December 31, 2010 is ThCh\$359,417 and ThCh\$255,902, respectively.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**8. Inventory**

a) Inventory is detailed as follows:

Description	06.30.2011	12.31.2010
	ThCh\$	ThCh\$
Merchandise	59,859,479	59,383,070
Obsolescence provision	(8,413,649)	(6,039,773)
<b>Total</b>	<b>51,445,830</b>	<b>53,343,297</b>

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

b) Inventory movements are detailed as follows:

Description	06.30.2011	12.31.2010
	ThCh\$	ThCh\$
Beginning balance	53,343,297	46,845,159
Purchases	85,984,780	167,193,331
Sales	(33,858,455)	(64,900,458)
Transfer to materials allocated to the investment	(51,649,916)	(86,969,958)
Obsolescence provision	(2,373,876)	(1,166,560)
Other	-	(7,658,217)
<b>Total</b>	<b>51,445,830</b>	<b>53,343,297</b>

**9. Other Current Financial Assets**

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

Description	06.30.2011	12.31.2010
	Assets ThCh\$	Assets ThCh\$
Exchange rate hedge	195,025	211,182
Investment contracts	2,035,461	-
<b>Total</b>	<b>2,230,486</b>	<b>211,182</b>

**TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES**  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

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

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

Debtor's Taxpayer No.	Debtor	Country of Debtor	Creditor's Taxpayer No.	Creditor	Creditor's country	Currency	Expiration date		Total current as of 06.30.2011
							Up to 90 days ThCh\$	90 days to 1 year ThCh\$	
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	USD	2,231	-	2,231
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	CLP	17,624	-	17,624
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	EUR	7,811	-	7,811
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	USD	2,578	-	2,578
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.004.000-5	CHILE	Chile	CLP	4,405	-	4,405
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.030.000-7	ESTADO	Chile	USD	3,062	-	3,062
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.043.000-8	JP MORGAN	Chile	USD	1,857	-	1,857
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	EUR	1,468	-	1,468
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	USD	751	153,238	153,989
<b>Total activos por instrumentos derivados</b>							<b>41,787</b>	<b>153,238</b>	<b>195,025</b>

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 06.30.2011 ThCh\$
Time deposit	UF	92,817.37	6.96%	126	2,000,000	3,699	31,762	2,035,461
<b>Totales</b>					<b>2,000,000</b>	<b>3,699</b>	<b>31,762</b>	<b>2,035,461</b>

Debtor's Taxpayer No.	Debtor	Country of Debtor	Creditor's Taxpayer No.	Creditor	Creditor's country	Currency	Expiration date		Total current as of 12.31.2010
							Up to 90 days ThCh\$	90 days to 1 year ThCh\$	
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
<b>Total derivative instrument assets</b>							<b>211,182</b>	<b>-</b>	<b>211,182</b>

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

Description	06.30.2011	12.31.2010
	ThCh\$	ThCh\$
Advance payments (1)	9,457,524	10,035,572
Deferred handset costs	12,607,412	8,755,993
Customer guarantees	1,709,234	1,582,537
Other prepaid expenses (2)	13,572,301	12,394,906
<b>Total</b>	<b>37,346,471</b>	<b>32,769,008</b>

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

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**11. Income Taxes**

**a) General information:**

As of June 30, 2011 the Company has taxable net income of ThCh\$75,840,583 therefore a first category income tax reserve was established in the amount of ThCh\$24,224,300 and as of December 31, 2010 no first category income tax reserve was established since the Company had tax losses of ThCh\$44,749,747.

**b) Current income tax liabilities**

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

Description	06.30.2011 ThCh\$	12.31.2010 ThCh\$
Social security institutions	1,554,520	455,860
Individual tax withholdings	79,718	145,422
Value added tax, net	5,485,642	2,975,925
Other taxes	1,468,054	2,055,046
<b>Total</b>	<b>8,587,934</b>	<b>5,632,253</b>

**c) Deferred taxes:**

As of June 30, 2011 and December 31, 2010, the cumulative balances of temporary differences resulted in net deferred tax assets of ThCh\$ 14,796,069 and ThCh\$ 38,543,422, respectively, detailed as follows:

Conceptos	06.30.2011		12.31.2010	
	Asset ThCh\$	Liability ThCh\$	Asset ThCh\$	Liability ThCh\$
Trade and notes receivable	11,553,944	-	9,919,580	-
Obsolescence provision	1,556,525	-	1,162,656	-
Miscellaneous provisions	153,941	-	88,690	-
Unearned income	3,786,530	-	6,017,342	-
Vacation accrual	373,162	-	531,250	-
Personnel accruals	678,802	-	972,114	-
Lease obligation	36,862	-	106,376	-
Tax loss	-	-	7,607,457	-
Other events	109,599	-	104,727	-
Provision for dismantling expenses	1,753,141	-	-	-
Financial instrument valuation adjustments	-	50,537	-	850,900
Deferred customs duties differences in financial-tax value	-	471,073	-	396,484
Capitalized software	-	16,798	-	19,268
Syndicated loan capitalized expenses	-	101,365	-	101,365
Deferred selling cost and deferred sales commissions	-	5,235,943	-	4,228,345
Tax value of staff severance indemnities	-	31,143	-	29,840
Property, plant and equipment	33,574,326	32,873,904	40,317,429	22,657,997
<b>Sub totales</b>	<b>53,576,832</b>	<b>38,780,763</b>	<b>66,827,621</b>	<b>28,284,199</b>
<b>Reclasification</b>			<b>(1,111,530)</b>	<b>(1,111,530)</b>
<b>Total</b>	<b>53,576,832</b>	<b>38,780,763</b>	<b>65,716,091</b>	<b>27,172,669</b>



TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

11. **Income Taxes**, continued

d) **Income tax reconciliation:**

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

Conceptos	01.04.2011 to 30.06.2011		01.01.2011 to 30.06.2011		01.04.2010 to 30.06.2010		01.01.2010 to 30.06.2010	
	Taxable base	20% Tax Rate	Taxable base	20% Tax Rate	Taxable base	20% Tax Rate	Taxable base	20% Tax Rate
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
<b>Based on accounting income before taxes:</b>								
Income before taxes	49,768,577	9,953,715	100,064,883	20,012,977	48,838,619	8,302,565	94,783,402	16,113,178
<b>Permanent differences</b>	<b>17,009,468</b>	<b>3,401,896</b>	<b>21,056,608</b>	<b>4,211,323</b>	<b>(12,106,190)</b>	<b>(2,058,051)</b>	<b>296,119</b>	<b>50,339</b>
Accrued investment income	(79,106)	(15,821)	(14,431)	(2,886)	(12,353)	(2,100)	(241,864)	(41,118)
Price-level restatement of taxable equity	(9,356,185)	(1,871,236)	(14,896,549)	(2,979,309)	(8,680,499)	(1,475,685)	(13,752,999)	(2,338,010)
Difference due to change of rate due to legal modification	(27,916,432)	(5,583,285)	35,967,588	7,193,518	7,276,497	1,237,005	12,057,160	2,049,717
Others	54,361,191	10,872,238	-	-	(10,689,835)	(1,817,271)	2,233,822	379,750
<b>Total corporate tax expense</b>	<b>66,778,045</b>	<b>13,355,611</b>	<b>121,121,491</b>	<b>24,224,300</b>	<b>36,732,429</b>	<b>6,244,514</b>	<b>95,079,521</b>	<b>16,163,517</b>
<b>Based on taxable net income and deferred taxes calculated on the basis of temporary differences:</b>								
17% income tax	-	(10,391,125)	-	477,564	-	3,401,341	-	3,401,341
35% income tax	-	368	-	368	-	-	-	-
Prior years deficit	-	-	-	-	-	-	-	-
<b>Income tax expense</b>		<b>(10,390,757)</b>		<b>477,932</b>		<b>3,401,341</b>		<b>3,401,341</b>
<b>Deferred tax expense (1)</b>		<b>23,746,368</b>		<b>23,746,368</b>		<b>2,843,173</b>		<b>9,360,837</b>
<b>Total corporate tax expense</b>		<b>13,355,611</b>		<b>24,224,300</b>		<b>6,244,514</b>		<b>12,762,178</b>
<b>Effective income tax rate</b>		<b>26.84%</b>		<b>24.21%</b>		<b>12.79%</b>		<b>13.46%</b>

- (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 in the deferred tax rate is higher net income of ThCh\$7,193,518.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**12. Intangible Assets other than goodwill**

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

Description	06.30.2011			12.31.2010		
	Intangibles, gross	Accumulated amortization	Intangible, net	Intangibles, gross	Accumulated amortization	Intangible, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Licencias y software	232,253,570	(176,753,599)	55,499,971	232,090,302	(169,327,058)	62,763,244
<b>Total</b>	<b>232,253,570</b>	<b>(176,753,599)</b>	<b>55,499,971</b>	<b>232,090,302</b>	<b>(169,327,058)</b>	<b>62,763,244</b>

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

Movements	Administrative concessions, net ThCh\$	Licenses and software, net ThCh\$	Intangibles, net ThCh\$
<b>Beginning balance as of 01.01.11</b>	-	<b>62,763,244</b>	<b>62,763,244</b>
Additions	-	(35,985)	(35,985)
Amortization expense	-	(7,310,646)	(7,310,646)
Other Increase (decrease)	-	83,358	83,358
<b>Ending balance as of 03.31.2011</b>	-	<b>55,499,971</b>	<b>55,499,971</b>

Movements	Administrative concessions, net ThCh\$	Information technology applications, net ThCh\$	Intangibles, net ThCh\$
<b>Beginning balance as of 01.01.10</b>	<b>39,132,947</b>	<b>15,113,571</b>	<b>54,246,518</b>
Additions	-	18,254,208	18,254,208
Amortization expense	-	(9,737,482)	(9,737,482)
<b>Ending balance as of 12.31.2010</b>	<b>39,132,947</b>	<b>23,630,297</b>	<b>62,763,244</b>

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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**13. Goodwill**

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

<b>Description</b>	<b>06.30.2011 ThCh\$</b>	<b>12.31.2010 ThCh\$</b>
Telefónica Móviles Chile S.A. (1) (2)	483,179,725	483,179,725
<b>Total</b>	<b>483,179,725</b>	<b>483,179,725</b>

- (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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**14. Property, Plant and Equipment**

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

Movements	06.30.2011			12.31.2010		
	Gross PP&E	Accumulated depreciation	Net PP&E	Gross PP&E	Accumulated depreciation	Net PP&E
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Work in progress	75,359,288	-	75,359,288	59,603,651	-	59,603,651
Land	3,829,393	-	3,829,393	3,829,393	-	3,829,393
Buildings (1)	128,128,213	(109,435,050)	18,693,163	127,745,486	(106,347,884)	21,397,602
Plant and equipment	738,329,159	(461,782,828)	276,546,331	928,438,263	(623,563,124)	304,875,139
Information technology equipment	21,108,247	(18,341,432)	2,766,815	21,108,247	(17,659,333)	3,448,914
Fixed installations and accessories	8,672,372	(7,571,708)	1,100,664	8,672,372	(7,495,714)	1,176,658
Vehicles	274,331	(143,432)	130,899	274,331	(125,067)	149,264
<b>Totals</b>	<b>975,701,003</b>	<b>(597,274,450)</b>	<b>378,426,553</b>	<b>1,149,671,743</b>	<b>(755,191,122)</b>	<b>394,480,621</b>

- (1) The book values of items received through finance leases as of June 30, 2010 and December 31, 2010 are ThCh\$ 3,652,957 and ThCh\$ 3,711,404, respectively and are presented under constructions.

Movements of major categories of Property, plant and equipment for June 30, 2011 period 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	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	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	68,648,757	0	-	-	0	-	-	68,648,757
Retirements	-	-	-	199,984,903	0	-	-	(199,984,903)
Acc. Dep. retirements	-	-	-	199,984,903	0	-	-	199,984,903
Depreciation expense	-	0	3,087,165	(80,791,830)	682,099	75,994	18,365	(84,655,453)
Other Increase (decrease) (1)	(52,893,120)	-	382,726	52,463,022	0	0	0	(47,372)
<b>Ending balance as of 06.30.2011</b>	<b>75,359,288</b>	<b>3,829,393</b>	<b>18,693,163</b>	<b>276,546,331</b>	<b>2,766,815</b>	<b>1,100,664</b>	<b>130,899</b>	<b>378,426,553</b>

- (1) Corresponds to net movement of transfers from construction in progress to assets in service, transfer to intangible assets, in the amount of ThCh\$35,985, classes of property, plant and equipment in the amount of ThCh\$(83,357).

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**14. 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)
<b>Ending balance as of 12.31.2010</b>	<b>59,603,651</b>	<b>3,829,393</b>	<b>21,397,602</b>	<b>304,875,139</b>	<b>3,448,914</b>	<b>1,176,658</b>	<b>149,264</b>	<b>394,480,621</b>

(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).



TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

15. **Shareholders' Equity**, continued

a) **Capital**, continued

**Capital:**

Serie	06.30.2011		12.31.2010	
	Subscribed capital ThCh\$	Issued capital ThCh\$	Subscribed capital ThCh\$	Paid capital ThCh\$
SINGLE	941,101,241	941,101,241	941,101,241	941,101,241
<b>Total</b>	<b>941,101,241</b>	<b>941,101,241</b>	<b>941,101,241</b>	<b>941,101,241</b>

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 June 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 1	0.0000	0
Investment less than UF 200	0,000001	1
<b>Totales</b>	<b>100.0</b>	<b>2</b>
Company controller	99,999999	1

As of June 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%.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

15. **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 April 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.

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	Provisorio	65,000,000	Ejercicio 2010	03-29-2011



TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

15. **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 06.30.2011 ThCh\$
Business combination reserve	(97,886,668)		(97,886,668)
Cash flows hedge reserve	(37,577)	(1,669,127)	(1,706,704)
Employee benefits reserve	256,001	103,416	359,417
Revaluation issued capital	(233,685,708)	(1)	(233,685,709)
<b>Totals</b>	<b>(331,353,952)</b>	<b>(1,565,712)</b>	<b>(332,919,664)</b>

**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 June 30, 2011, the Company has non-controlling interests arising from the investment in Telefónica Móviles Chile Inversiones S.A. in the amount of Ch\$23.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**16. Earnings per Share**

Earnings per share are detailed as follows:

Basic earnings per share	01.04.2011 to 30.06.2011 ThCh\$	01.01.2011 to 30.06.2011 ThCh\$	01.04.2011 to 30.06.2010 ThCh\$	01.01.2010 to 30.06.2010 ThCh\$
Earnings attributable to owners of the parent	36,412,966	75,840,583	42,594,105	82,021,224
Profit available for shareholders	36,412,966	75,840,583	42,594,105	82,021,224
Weighted average number of shares	118,026,145	118,026,145	184,035,620	184,035,620
<b>Basic earnings per share in Ch\$</b>	<b>308.52</b>	<b>642.57</b>	<b>231.44</b>	<b>445.68</b>

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.

**17. Other Current and Other Non-current Financial Liabilities**

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

Description	06.30.2011		12.31.2010	
	Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Bank loans (a)	97,574	63,193,601	107,693,802	30,944,410
Unguaranteed obligations (Bonds) (a)	2,137,827	170,547,660	1,820,104	170,309,977
Hedge liabilities, swap contracts, cross currency (b)	997,027	7,827,339	1,333,119	13,903,817
<b>Total</b>	<b>3,232,428</b>	<b>241,568,599</b>	<b>110,847,025</b>	<b>215,158,204</b>

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

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

**a) Interest bearing loans,** continued

i) The following table details interest-bearing loans as of June 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 06.30.2011 ThCh\$	To Maturity			Total Non current as of 06.30.2011 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\$	
Crédito Sindicado (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	Al vencimiento	6.87%	6.41%	MMS 31.000	2012	82.731	-	82.731	30.935.935	-	-	30.935.935
Crédito Sindicado (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	D-E	BBVA BANCOMER	México	US\$	Al vencimiento	1.44%	1.09%	US\$ 70 mm	2016	14.843	-	14.843	-	32.257.666	-	32.257.666
<b>Total Préstamos bancarios</b>													<b>97.574</b>	<b>-</b>	<b>97.574</b>	<b>30.935.935</b>	<b>32.257.666</b>	<b>-</b>	<b>63.193.601</b>
Bono Serie A (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Al vencimiento	5.62%	5.60%	MMS 32.000	2014	810.564	-	810.564	31.987.186	-	-	31.987.186
Bono 144A (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	D-E	Bank of New York	USA	US\$	Al vencimiento	3.23%	2.88%	US\$ 300 mm	2015	-	1.327.263	1.327.263	-	138.560.474	-	138.560.474
<b>Total Obligaciones no garantizadas</b>													<b>810.564</b>	<b>1.327.263</b>	<b>2.137.827</b>	<b>31.987.186</b>	<b>138.560.474</b>	<b>-</b>	<b>170.547.660</b>

- (1) Matures on November 15, 2012. On November 15, 2010, a principal payment of ThCh\$23,000,000 was made on the local syndicated loan.
- (2) On November 3, 2010 first bonuses were placed in the foreign market. The characteristics of this placement are:

These are registered bonuses, which does not prevent them from being freely transferred to qualified institutional investors as provided in Rule 144 of the Securities Act of the United States of America or to investors outside the United States as provided in section S of the same Securities Act. There is a single series of bonuses maturing on November 9, 2015. The issue does not consider guarantees, save for the general right of lien on the Issuer's property.

Funds arising out of the bond issue will be used to refinance liabilities and other corporate purposes.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**17. 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 06.30.2011 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\$	
Crédito Sindicado (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	Calyon New York Branch	USA	US\$	Al vencimiento	1.099%	0.865%	US\$ 179 mm	2011	84,359,335	23,334,467	107,693,802	-	-	-	-
Crédito Sindicado (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	Al vencimiento	3.55%	3.41%	MMS 54.000	2012	-	-	-	30,944,410	-	-	30,944,410
<b>Total Préstamos bancarios</b>													<b>84,359,335</b>	<b>23,334,467</b>	<b>107,693,802</b>	<b>30,944,410</b>	<b>-</b>	<b>-</b>	<b>30,944,410</b>
Bono Serie A (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Al vencimiento	5.615%	5.60%	MMS 32.000	2014	811,758	-	811,758	31,985,278	-	-	31,985,278
Bono 144A (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	Bank of New York	USA	US\$	Al vencimiento	3.229%	2.875%	US\$ 300 mm	2015	-	1,008,346	1,008,346	-	138,324,699	-	138,324,699
<b>Total Obligaciones no garantizadas</b>													<b>811,758</b>	<b>1,008,346</b>	<b>1,820,104</b>	<b>31,985,278</b>	<b>138,324,699</b>	<b>-</b>	<b>170,309,977</b>

(1) Matures on January 5, 2011

(2) Matures on November 15, 2012. On November 15, 2009, a principal payment of ThCh\$23,000,000 was made on the local syndicated loan.

(3) On August 5, 2009 the first bond placement took place local market.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

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

b) As of June 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			Non-current			
							Maturity		Total current as of 09.30.2010	Maturity			Total current as of 06.30.2011
							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	-	471,250	471,250	-	4,580,198	-	4,580,198
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	USD	-	186,573	186,573	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.030.000-7	Banco del Estado de Chile	Chile	USD	-	186,691	186,691	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	USD	-	34,976	34,976	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.023.000-9	CORPBANCA	Chile	USD	-	60,863	60,863	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.004.000-5	BANCHILE	Chile	USD	-	41,882	41,882	-	3,181,418	-	3,181,418
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	SANTANDER	Chile	CLP	-	-	-	-	65,723	-	65,723
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	EUR	-	14,792	14,792	-	-	-	-
<b>Total derivative instrument liabilities</b>							-	997,026	997,026	-	7,827,339	-	7,827,339

Debtor taxpayer No.	Debtor	Country of debtor	Creditor taxpayer No.	Creditor	Creditor 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
<b>Total derivative instrument liabilities</b>							244,377	1,088,742	1,333,119	8,764,253	5,139,565	-	13,903,817

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**18. Other Current Non-financial Liabilities**

Other current non-financial liabilities are detailed as follows:

Description	06.30.2011 ThCh\$	12.31.2010 ThCh\$
Short-term creditors on financial lease transactions	184,312	531,882
Deferred income, current (1)	40,241,618	33,501,232
Others	841,094	2,032,063
<b>Total</b>	<b>41,267,024</b>	<b>36,065,177</b>

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

Deferred revenues	06.30.2011 Current ThCh\$	12.31.2010 Current ThCh\$
<b>Opening balance</b>	33,501,232	27,794,921
Endowments	222,994,708	441,392,349
Reduction/applications	(216,254,322)	(435,686,038)
<b>Movements, subtotal</b>	<b>6,740,386</b>	<b>5,706,311</b>
<b>Final balance</b>	<b>40,241,618</b>	<b>33,501,232</b>

**19. Trade and Other Accounts Payable**

Trade and other accounts payable are detailed as follows:

Description	06.30.2011 ThCh\$	12.31.2010 ThCh\$
Accounts payable due to purchases or services rendered (1)	105,986,560	114,938,141
Property, plant and equipment suppliers	34,718,244	69,937,302
Other accounts payable	3,531,438	2,753,852
<b>Total</b>	<b>144,236,242</b>	<b>187,629,295</b>

(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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**20. Other Provisions**

The balance of provisions is detailed as follows:

**a) Other short-term provisions**

Description	06.30.2011 ThCh\$	12.31.2010 ThCh\$
Legal contingencies provision	507,426	464,466
<b>Total</b>	<b>507,426</b>	<b>464,466</b>

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	06.30.2011 ThCh\$	12.31.2010 ThCh\$
Goal achievement bonuses	1,748,595	4,389,599
<b>Total</b>	<b>1,748,595</b>	<b>4,389,599</b>

**c) Other long-term provisions**

Description	06.30.2011 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
<b>Total</b>	<b>12,233,197</b>	<b>10,866,678</b>

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**20. Other Provisions, continued**

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

Movements	06.30.2011 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)
<b>Movements, subtotal</b>	<b>1,366,519</b>	<b>1,053,499</b>
<b>Ending balance</b>	<b>12,233,197</b>	<b>10,866,678</b>

**21. Employee benefit expenses**

Personnel expenses are detailed as follows:

Conceptos	01.04.2011 to 30.06.2011 ThCh\$	01.01.2011 to 30.06.2011 ThCh\$	01.04.2010 to 30.06.2010 ThCh\$	01.01.2010 to 30.06.2010 ThCh\$
Wages and salaries	6,905,322	13,519,134	9,257,022	18,045,053
Benefits obligation expense	319,168	2,427,389	909,228	1,283,652
Health and life insurance	356,316	711,749	426,436	862,584
Other employee expenses	310,050	1,011,988	433,805	1,153,177
<b>Total</b>	<b>7,890,856</b>	<b>17,670,260</b>	<b>11,026,491</b>	<b>21,344,466</b>

**22. Revenue and Expenses**

**a) Operating income and expenses**

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

Operating income	01.04.2011 to 30.06.2011 ThCh\$	01.01.2011 to 30.06.2011 ThCh\$	01.04.2010 to 30.06.2010 ThCh\$	01.01.2010 to 30.06.2010 ThCh\$
Sales and equipment rental	13,734,175	27,161,715	13,316,668	23,354,345
Telecommunications services rendered	214,955,262	429,991,352	193,628,081	384,471,022
<b>Total</b>	<b>228,689,437</b>	<b>457,153,067</b>	<b>206,944,749</b>	<b>407,825,367</b>



TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**22. Revenue and Expenses, continued**

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

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

Other income	01.04.2011 al 30.06.2011 ThCh\$	01.01.2011 al 30.06.2011 ThCh\$	01.04.2010 al 30.06.2010 ThCh\$	01.01.2010 al 30.06.2010 ThCh\$
Subleased space	1,459,878	1,866,551	1,087,714	1,669,364
Administration and management	67,651	135,260	760,385	1,532,897
Other common management earnings	89,466	191,845	70,769	770,484
Earnings from transfer of investment company	992,352	992,352	1,074,644	623,629
<b>Total</b>	<b>4,609,808</b>	<b>5,186,469</b>	<b>2,993,512</b>	<b>4,596,374</b>

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

Other expenses	01.04.2011 to 30.06.2011 ThCh\$	01.01.2011 to 30.06.2011 ThCh\$	01.04.2010 to 30.06.2010 ThCh\$	01.01.2010 to 30.06.2010 ThCh\$
Interconnections	39,198,176	74,295,265	30,847,859	61,875,723
Rent	2,681,156	5,276,150	2,577,296	5,336,207
Cost of sales of equipment and cards	26,608,879	55,451,593	24,392,750	46,057,593
External services	1,117,279	3,882,792	2,500,877	4,813,242
Sales commission	15,200,527	31,175,919	14,170,719	27,571,206
Customer services services	6,536,117	11,701,026	6,599,970	12,740,753
Maintenance	5,129,387	10,872,996	5,450,382	10,854,200
Allowance for doubtful accounts	7,870,864	13,828,202	6,376,291	13,432,365
Advertising	5,733,103	10,958,824	4,123,914	8,764,377
Employee exp. transferred by other comp.	4,611,291	7,733,759	1,328,493	2,516,634
Electrical energy for technical installations	2,550,798	5,231,151	2,285,139	4,219,570
Administrative and management services	3,741,982	7,730,640	2,876,069	5,558,937
Others	5,493,893	9,309,030	5,533,896	10,057,463
<b>Total</b>	<b>126,473,452</b>	<b>247,447,347</b>	<b>109,063,655</b>	<b>213,798,270</b>

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**22. Revenues and Expenses, continued**

**b) Finance income and expenses**

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

Net financial income	01.04.2011 to 30.06.2011 ThCh\$	01.01.2011 to 30.06.2011 ThCh\$	01.04.2010 to 30.06.2010 ThCh\$	01.01.2010 to 30.06.2010 ThCh\$
<b>Finance income</b>				
Interest earned on deposits and agreements	654,458	1,325,250	203,478	474,532
Derivative contracts (Forward)	-	-	686,794	424,628
Other finance income	72,205	106,733	-	-
<b>Total finance income</b>	<b>726,663</b>	<b>1,431,983</b>	<b>890,272</b>	<b>899,160</b>
<b>Finance expenses</b>				
Interest on loans from bank institutions	574,816	805,863	587,992	1,210,916
Interest on obligations and bonds	2,807,269	4,938,509	445,257	893,721
Finance leases	5,757	14,772	18,274	39,406
Derivative contracts (Forward)	-	95,817	-	-
Interest rate hedges (cross currency swap)	-	763,246	344,582	672,119
<b>Total finance expenses</b>	<b>3,387,842</b>	<b>6,618,207</b>	<b>1,396,105</b>	<b>2,816,162</b>
<b>Net finance income</b>	<b>(2,661,178)</b>	<b>(5,186,224)</b>	<b>(505,833)</b>	<b>(1,917,002)</b>

**23. Contingencies and Restrictions**

a) Direct and indirect guarantees:

As of June 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\$128,649 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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**23. 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\$198,600, 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 June 30, 2011 there are no other contingencies and restrictions to report.

d) Insurance:

On June 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 June 31, 2011 and 2010 the company has no financial restrictions.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**24. Local and Foreign Currency**

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

Current assets	06.30.2011 ThCh\$	12.31.2010 ThCh\$
<b>Cash and cash equivalents</b>	<b>87,572,019</b>	<b>131,273,568</b>
US dollars	1,022,535	43,862
Euros	9,321	8,538
Chilean pesos	86,540,163	130,148,601
U.F.	-	1,072,567
<b>Other current financial assets</b>	<b>2,230,486</b>	<b>211,182</b>
US dollars	163,717	210,860
Euros	9,279	-
Chilean pesos	22,029	-
U.F.	2,035,461	322
<b>Trade and other accounts receivable, current</b>	<b>127,632,192</b>	<b>150,117,776</b>
Chilean pesos	127,632,192	150,117,776
<b>Accounts receivable from related companies</b>	<b>17,804,687</b>	<b>21,109,095</b>
US dollars	601,376	954,995
Euros	678,986	907,879
Chilean pesos	16,524,325	19,246,221
<b>Other current assets (1)</b>	<b>89,238,227</b>	<b>86,558,222</b>
US dollars	17,765	16,949
Chilean pesos	82,099,852	77,587,728
U.F.	7,120,610	8,953,545
<b>Total current assets</b>	<b>324,477,611</b>	<b>389,269,843</b>
US dollars	1,805,393	1,226,666
Euros	697,586	916,417
Chilean pesos	312,818,561	377,100,326
U.F.	9,156,071	10,026,434

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

Non-current assets	06.30.2011 ThCh\$	12.31.2010 ThCh\$
<b>Other non-current assets (2)</b>	<b>931,902,318</b>	<b>978,967,012</b>
Chilean pesos	931,902,318	978,967,012
<b>Total non-current assets</b>	<b>931,902,318</b>	<b>978,967,012</b>
US dollars	-	-
Chilean pesos	931,902,318	978,967,012

(2) Includes: Intangible assets, property, plant and equipment and deferred tax assets

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**24. Local and Foreign Currency**, continued

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

Current liabilities	06.30.2011 ThCh\$	12.31.2010 ThCh\$
<b>Other current financial liabilities</b>	<b>3,232,428</b>	<b>110,847,025</b>
US dollars	2,324,341	85,367,682
Euros	14,792	-
Chilean pesos	893,295	25,479,343
<b>Trade and other accounts payable</b>	<b>144,236,242</b>	<b>187,629,295</b>
US dollars	146,782,826	116,213,222
Euros	48,270,851	42,247,518
Chilean pesos	(59,367,098)	25,060,044
U.F.	8,535,887	3,974,690
CHF	812	11,824
GBP	12,964	91,291
ILS	-	30,706
<b>Accounts payable to related companies, current</b>	<b>23,631,976</b>	<b>47,782,229</b>
US dollars	756,920	640,493
Euros	6,724,276	27,317,792
Chilean pesos	16,150,780	19,823,944
<b>Other current liabilities (1)</b>	<b>52,110,979</b>	<b>46,551,495</b>
Chilean pesos	51,926,667	46,019,613
U.F.	184,312	531,882
<b>Total current liabilities</b>	<b>223,211,625</b>	<b>392,810,044</b>
US dollars	149,864,087	202,221,397
Euros	55,009,918	69,565,310
Chilean pesos	9,603,644	116,382,944
CHF	812	11,824
GBP	12,964	91,291
ILS	-	30,706
U.F.	8,720,199	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	06.30.2011 ThCh\$	12.31.2010 ThCh\$
<b>Other non-current financial liabilities</b>	<b>241,568,600</b>	<b>215,158,204</b>
US dollars	178,579,756	138,324,699
Chilean pesos	62,988,844	76,833,505
<b>Other non-current liabilities (2)</b>	<b>12,233,197</b>	<b>10,866,678</b>
Chilean pesos	12,233,197	10,866,678
U.F.	-	-
<b>Total non-current liabilities</b>	<b>253,801,797</b>	<b>226,024,882</b>
US dollars	178,579,756	138,324,699
Chilean pesos	75,222,041	87,700,183
U.F.	-	-

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

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**25. Environment:**

As of June 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, which define maximum radiation density for cellular antennas and with Exempt Resolution 1672 of 2002 regarding electromagnetic radiation from portable phones.

**26. 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 second quarter of 2011, the industry had 22,5 million customers, with a year-on-year growth of 20%. Such figures are in line with expectations for a mature market in which 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 end of 2011.

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 the first half of the year 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 messages (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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**26. 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

**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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

26. **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 June 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 June 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.



TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

26. **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.

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

**27. Subsequent Events**

The consolidated financial statements of Telefónica Móviles Chile S.A. for the year ended as of June 30, 2011, were approved and authorized for issuance at the Board Meeting held on July 19, 2011.

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.

Between July 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.