TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES

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CONTENT

ThCh$: Thousands of Chilean pesos

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and December 31, 2011

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

ASSETS	Notes	06.30.2012	12.31.2011
		ThCh$	ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	219.619.485	135.767.861
Other current financial assets	(9)	74.538.714	106.622.873
Other current non-financial assets	(10)	37.698.051	42.203.223
Trade and other current accounts receivable	(6a)	123.884.498	186.886.517
Current accounts receivable from related companies	(7a)	38.503.640	39.691.996
Inventory	(8a)	56.780.832	45.473.880
Total current operating assets		**551.025.220**	**556.646.350**
TOTAL CURRENT ASSETS		**551.025.220**	**556.646.350**
NON-CURRENT ASSETS			
Other non-current financial assets	(9)	4.211.611	10.942.691
Other non-current non-financial assets	(10)	1.564.829	1.983.081
Non-current rights receivable	(6a)	0	96.063
Intangible assets other than goodwill, net	(13)	66.159.935	75.072.678
Goodwill	(14)	483.179.725	483.179.725
Property, plant and equipment	(15)	372.187.839	367.485.550
Investments in associates accounted for using the equity method	(12)	425.707	-
Deferred tax assets	(11d)	20.191.253	15.316.046
		947.920.899	**954.075.834**
TOTAL NON-CURRENT ASSETS		**1.498.946.119**	**1.510.722.184**
TOTAL ASSETS			

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and December 31, 2011
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

LIABILITIES	Notes	06.30.2012	12.31.2011
		ThCh$	ThCh$
CURRENT LIABILITIES			
Other current financial liabilities	(18)	3.641.769	33.959.611
Trade and other accounts payable	(20)	128.660.618	164.849.824
Current accounts payable to related companies	(7b)	95.883.569	91.187.683
Other short-term provisions	(21a)	749.060	1.843.816
Current tax liabilities	(11c)	12.018.001	3.778.164
Current employee benefits accrual	(21b)	-	343.329
Other current non-financial liabilities	(19)	64.755.652	63.361.928
TOTAL CURRENT LIABILITIES		**305.708.669**	**359.324.355**
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(18)	400.835.628	406.036.230
Current accounts payable to related companies, non-current	(7d)	1.366.519	-
Other long-term provisions	(21c)	13.253.218	15.199.012
Other non-financial, non-current liabilities		411.592	226.213
TOTAL NON-CURRENT LIABILITIES		**415.866.957**	**421.461.455**
NET SHAREHOLDERS' EQUITY			
Issued capital	(16)	941.099.241	941.099.241
Retained earnings (losses)		169.669.614	122.059.601
Other reserves	(16)	(333.398.362)	(333.222.468)
Shareholders' equity attributable to owners of the parent		777.370.493	729.936.374
Non-controlling interests		-	-
TOTAL NET SHAREHOLDERS' EQUITY		**777.370.493**	**729.936.374**
TOTAL NET LIAB. & SHAREHOLDERS EQUITY		**1.498.946.119**	**1.510.722.184**

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME BY NATURE
June 30, 2012 and 2011

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

		For the six-month periods			
		For the period from April 1 to June 30,	**For the period ended June 30,**	**For the period from April 1 to June 30,**	**For the period ended June 30,**
	Notes	**2012**	**2012**	**2011**	**2011**
STATEMENTS OF INCOME		**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Operating income	(23a)	234.029.643	475.886.122	228.689.437	457.153.067
Other income, by nature	(23a)	2.247.632	3.486.571	4.609.807	5.186.468
Employee benefits expenses	(22)	(579.319)	(587.837)	(7.890.856)	(17.670.260)
Depreciation and amortization expense	(13b-15)	(54.152.818)	(105.268.337)	(46.576.561)	(91.966.099)
Other expenses, by nature	(23a)	(152.284.555)	(311.737.061)	(126.473.452)	(247.447.347)
Finance income	(23b)	4.828.974	8.914.665	726.663	1.431.983
Finance costs	(23b)	(7.951.315)	(13.957.139)	(3.387.842)	(6.618.207)
Share in earnings (losses) of associates accounted for using the equity method	(18)	679.234	1.964.872	-	-
Foreign currency translation		(160.447)	110.122	71.381	(4.722)
Profits before tax from continuing operations		**26.657.029**	**58.811.978**	**49.768.577**	**100.064.883**
Income tax expense	(11e)	(6.319.383)	(11.201.965)	(13.355.611)	(24.224.300)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**20.337.646**	**47.610.013**	**36.412.966**	**75.840.583**
Profit (loss) attributable to:					
Profit (loss) attributable to owners of the parent		20.337.646	47.610.013	36.412.966	75.840.583
Profit (loss) attributable to non-controlling interests		-	-	-	-
PROFIT FOR THE PERIOD		**20.337.646**	**47.610.013**	**36.412.966**	**75.840.583**
EARNINGS PER SHARE		**$**	**$**	**$**	**$**
Earnings per basic share:					
Earnings per basic share for continuing operations	(17)	172,31	403,39	308,52	642,57
Diluted earnings per share:					
Diluted earnings per share from continuing operations		172,31	403,39	308,52	642,57

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME BY NATURE
For the periods ended June 30, 2012 and 2011
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

	For the period from April 1 to June 30,	For the period ended June 30,	For the period from April 1 to June 30,	For the period ended June 30,
	2012	2012	2011	2011
	ThCh$	ThCh$	ThCh$	ThCh$
STATEMENT OF COMPREHENSIVE INCOME				
PROFIT FOR THE PERIOD	**20.337.646**	**47.610.013**	**36.412.966**	**75.840.583**
Components of other comprehensive income before taxes				
Cash flow hedges:				
Profit (loss) on cash flow hedges, before taxes	5.914.261	12.092	(1.649.273)	(2.086.409)
Other comprehensive income, before taxes, actuarial gains on defined benefits plans	-	-		
Other components of other comprehensive income, before taxes	**5.914.261**	**12.092**	**(1.649.273)**	**(2.086.409)**
Income taxes related to components of other comprehensive income:				
Income tax related to hedging cash flows from other comprehensive income	(1.094.138)	(2.237)	329.855	417.282
Income tax related to other comprehensive income defined benefits plans	-	-		
Sum of income taxes related to components of other comprehensive income	**(1.094.138)**	**(2.237)**	**329.855**	**417.282**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**4.820.123**	**9.855**	**(1.319.418)**	**(1.669.127)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**25.157.769**	**47.619.868**	**35.093.548**	**74.171.456**
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Comprehensive income attributable to owners of the parent	25.157.769	47.619.868	35.093.548	74.171.456
Comprehensive income attributable to non-controlling interests	-	-	-	-
TOTAL COMPREHENSIVE INCOME	**25.157.769**	**47.619.868**	**35.093.548**	**74.171.456**

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
June 30, 2012 and 2011

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

	Issued capital	**Cash flow hedge reserves**	**Benefit plan gain and loss reserve**	**Other miscellaneous reserves**	**Total other reserves**	**Retained earnings**	**Equity attributable to owners of the parent**	**Non controlling interests**	**Total equity**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Beginning balance as of 01.01.2012	**941.099.241**	**944.033**	**(2.594.624)**	**(331.571.877)**	**(333.222.468)**	**122.059.601**	**729.936.374**	**-**	**729.936.374**
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	47.610.013	47.610.013	-	47.610.013
Other comprehensive income	-	9.855	-	-	9.855	-	9.855	-	9.855
Dividends	-	-	-	-	-	-	-	-	-
Increase (decrease) from transfers and other changes	-	-	(185.749)	0	(185.749)	-	(185.749)	-	(185.749)
Total changes in equity	**-**	**9.855**	**(185.749)**	**-**	**(175.894)**	**47.610.013**	**47.434.119**	**-**	**47.434.119**
Ending balance as of 06.30.2012	**941.099.241**	**953.888**	**(2.780.373)**	**(331.571.877)**	**(333.398.362)**	**169.669.614**	**777.370.493**	**-**	**777.370.493**
Beginning balance as of 01.01.2011	**941.101.241**	**(37.577)**	**256.001**	**(331.572.377)**	**(331.353.953)**	**139.654.641**	**749.401.929**	**-**	**749.401.929**
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	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
Total changes in equity	**-**	**(1.669.127)**	**103.416**	**-**	**(1.565.711)**	**31.530.289**	**29.964.578**	**-**	**29.964.578**
Ending balance as of 06.30.2011	**941.101.241**	**(1.706.704)**	**359.417**	**(331.572.377)**	**(332.919.664)**	**171.184.930**	**779.366.507**	**-**	**779.366.507**

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
June 30, 2012 and 2011
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

	For the period six month ended June 30, 2012 ThCh$	2011 ThCh$
Cash flows provided by operating activities:		
Profit	**47.610.013**	**75.840.583**
Adjustments to reconcile profits to net cash flows:		
Adjustments due to income tax expense	11.201.965	24.224.300
Adjustments due to decrease (increase) in inventory	(10.919.107)	2.023.591
Adjustments due to decrease (increase) in trade accounts receivable	55.799.446	9.315.332
Adjustments due to decrease (increase) in other accounts receivable derived from operating activities	(126.671.292)	(56.054.143)
Adjustments due to increase (decrease) in trade accounts payable	(2.857.977)	(34.873.942)
Adjustments due to increase (decrease) in other accounts payable derived from operating activities	4.158.462	32.833.476
Adjustments due to depreciation and amortization expenses	105.268.337	91.966.099
Adjustments due to provisions	8.652.048	8.160.538
Adjustments due to unrealized losses (profits) in foreign currency	(110.122)	4.722
Adjustments for non-controlling interests	(1.964.872)	-
Other adjustments for which the effects on cash are cash flows from investing or financing	3.244.688	-
Total adjustments due to reconciliation of profit (losses)	45.801.576	77.599.973
Income taxes reimbursed (paid)	**-**	**248**
Cash flows provided by operating activities:	**93.411.589**	**153.440.804**
Cash flows used in investment activities:		
Loans to related entities	(99.909.519)	(6.390.200)
Proceeds from sale of property, plant and equipment	49.110.510	1.066.162
Additions to property, plant and equipment	(54.244.218)	(53.904.244)
Collection from related entities	108.287.888	4.540.000
Interest received	7.971.534	7.925.288
Other cash inputs (outputs)	35.712.155	(2.000.000)
Net cash flows used in investment activities	**46.928.350**	**(48.762.994)**
Cash flows from financing activities:		
Amounts arising from non-current loans	-	33.569.239
Payments of financial lease liabilities		-14738
Loan payments	(31.000.000)	(115.868.338)
Dividends paid	-	(65.000.000)
Interest paid	(11.216.222)	(1.065.522)
Other cash inputs (outputs)	(14.272.093)	-
Net cash flows used in financing activities	**(56.488.315)**	**(148.379.359)**
Net increase in cash and cash equivalents, before effects of exchange rate changes:	83.851.624	(43.701.549)
Effects of changes in the exchange rate on cash and cash equivalents:		
Net increase in cash and cash equivalents	83.851.624	(43.701.549)
Cash and cash equivalents, beginning of period	135.767.861	131.273.568
Cash and cash equivalents, end of period	**219.619.485**	**87.572.019**

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS DIRECT PROFORMA
June 30, 2012 and December 31, 2011

	For the six month period ended June 30 2012 ThCh$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Classes of operating activity charges	
Proceeds from sale of assets and services rendered	583.096.989
Other operating activity charges	1.852.301
Classes of payments	
Payments to suppliers for supplying goods and services	(465.732.871)
Payments to and on account of employees	(1.978.575)
Other operating activity payments	(23.826.255)
Cash flows provided by operating activities	**93.411.589**
CASH FLOWS USED IN INVESTMENT ACTIVITIES:	
Loans to related entities	(99.909.519)
Proceeds from sale of property, plant and equipment	49.110.510
Additions to property, plant and equipment	(54.244.218)
Charges to related entities	108.287.888
Interest received	7.971.534
Other cash inputs (outputs)	35.712.155
Cash flows used in investment activities	**46.928.350**
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:	
Loan payments	(31.000.000)
Interest paid	(11.216.222)
Other cash inputs	(14.272.093)
Net cash flows provided by financing activities	**(56.488.315)**
Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate	83.851.624
Effects of the change in exchange rate on cash and cash equivalents:	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	83.851.624
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	135.767.861
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**219.619.485**

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

1. Corporate Information

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

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

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

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

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

2. Significant Accounting Policies

a) Accounting period

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

b) Basis of presentation

The financial statements for December 31, 2011 and their corresponding notes are shown in a comparative manner in accordance with Note 2a. Certain minor reclassifications have been performed in the 2011 financial statements.

c) Basis of preparation

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

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

2. Significant Accounting Policies, continued

d) Basis of consolidation

The financial statements of Telefonica Moviles Chile S.A. and its subsidiaries include assets and liabilities as of June 30, 2012 and December 31, 2011. Balances with related companies, unrealized income and expenses and net income and losses have been eliminated and non-controlling interests have been recognized under “Non-controlling interests”.

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

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

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

The following subsidiaries are included in consolidation:

Taxpayer No.	Company	Count. of origin	Funct. currency	Participation percentage 06.30.2012 Direct	Indirecto	Total	12.31.2011 Total
96.672.150-2	Wayra Chile Tecnología e Innovación Limitada (1)	Chile	CLP	99,999996	-	99,999996	99,999996
99.578.440-8	Telefónica Móviles Chile Distribución S.A.	Chile	CLP	99,99	-	99,99	99,99
96.898.630-9	Intertel S.A.	Chile	CLP	50	50	100	100
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	Chile	CLP	100	-	100	-

(1) On May 22, 2012, there was a change in the name and line of business of Telefonica Moviles Chile Inversiones S.A.
(2) On April 30, 2012, Wayra Chile Tecnologia e Innovacion Limitada (formerly Telefonica Moviles Chile Inversiones S.A.), sold shares of Intertel S.A. to Inversiones Telefonica Moviles Holding S.A..

d) Foreign currency translation and indexation

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

Date	US$	EURO	UF
30-06-2012	501,84	635,08	22.627,36
31-12-2011	519,20	672,97	22.294,03
30-06-2011	468,15	679,66	21.889,89

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

2. 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) Receivables

Receivables consist of financial assets with fixed and determinable payments that are not quoted in an active market. Trade accounts receivable are recognized for the amount of the invoice, and an adjustment is recorded if there is objective evidence of customer payment risk.

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

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

iii) Cash and cash equivalents

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

iv) Interest-bearing loans

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

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

v) Derivative financial instruments

The Company uses hedge derivatives to manage its exposure to interest and exchange rate risks. The Company's objective for maintaining derivatives is to minimize these risks using the most effective method for eliminating or reducing the impact of such exposure.

Derivative instruments are initially recognized at fair value, which normally coincides with the cost, and subsequently the book value is adjusted to fair value, presenting them as financial assets or liabilities depending on whether their fair value is positive or negative respectively. They are classified as current or non-current depending on whether they mature in less than or more than twelve months. Derivative instruments that meet all the requirements for being treated as hedge instruments for short-term items are presented as current assets or liabilities, based on their balance separately from the hedged items, as indicated in IAS 39.

Hedges for risks of variations in exchange rates in firmly committed transactions may be treated indistinctly as either a fair value hedge or cash flow hedge.

Variations in the fair value of derivatives that have been designated as and meet the requirements for being treated as fair value hedge instruments are recognized in the income statement.

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

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

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

2. 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 on the basis of the commercial turnover of equipment and accessories. According to the Company's policies, items with a rotation of more than 721 days have been defined as with slow rotation. Should items be commercially discontinued, slow rotation is considered to be 360 days. Likewise, warehouse scrap products or accessories are considered to be a total loss.

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 2012 and 2011, and no impairment adjustments were made.

i) Leases

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

Leased assets for which the significant risks and rewards of ownership are transferred to the Company are considered finance leases. Initially, the asset and associated liability are recorded at the fair value of the leased asset or the present value of the minimum agreed-upon lease payments if lower. Interest expense is charged to income throughout the life of the lease. Depreciation of these assets is included in depreciation of Property, Plant and Equipment. The Company reviews all contracts to determine if they contain an embedded lease. As of June 30, 2012 and December 31, 2011 no embedded leases were identified.

2. 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 government regulations used to calculate these amounts are those in force as of each year-end (18.5% for 2012 and 20% for 2011).

Deferred taxes are calculated based on an analysis of the temporary differences that arise from differences between the tax and book value of assets and liabilities. These differences correspond primarily to the allowance for doubtful accounts, allowance for obsolescence, deferred income, depreciation of property, plant and equipment 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 tax payable or refundable in future years under the currently enacted tax laws and rates as a result of temporary differences at the end of the current year.

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

k) Investment in associates

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

The investment that the Company has in Telefonica Chile Servicios Corporativos Limitada on which it exercises significant influence without exercising control, is recorded using the equity method (see Note 12 and 21C).

The investment that the Company has in Intertel S.A. on which it exercises significant influence without exercising control, is recorded using the equity method (see Note 21C).

As of June 30, 2012 and December 31, 2011, the investment in Buenaventura S.A. has negative shareholders' equity and, therefore the investment was valued at one Chilean peso for control purposes.

l) Goodwill

Goodwill consists of the difference between the purchase value of the shares of Telefonica Moviles 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.

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

2. 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 Telefonica Group are those that require at least 18 months of preparation for their use or sale. As of June 30, 2012 and December 31, 2011, no interest was capitalized.

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

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

2. 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 summarized in the following detail:

Assets	Minimum life or rate	Maximum life or rate
Building	40	40
Network investments	7	15
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) 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 using the current cost value method with a 4.4% discount rate.

ii) Other provisions

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

2. Significant Accounting Policies, continued

p) Income and expenses

Income and costs are recognized on an accrual basis, (i.e. when the right to receive 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 Income is derived primarily from providing mobile telecommunications services and is recognized to the extent that it is likely that economic benefits will flow to the Company and can be reliably measured. For the purpose of measuring and estimating telephone services provided but not yet invoiced as well as measuring Income received in advance, the Company uses computer systems and processes to tally, validate and apply rates to airtime used and under contract by customers using records from various commutation centers.

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

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

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

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

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

q) Significant accounting judgments, estimates and assumptions

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

i) Property, plant and equipment and intangibles

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

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

2. 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) Income recognition: agreements combining more than one element

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

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

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

v) Financial assets and liabilities

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instrument.

2. Significant Accounting Policies, continued

r) Consolidation methods

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

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

The accounts in the 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.

s) New IFRS and Interpretations of the IFRS Interpretations Committee

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

	New Standard	**Mandatory application date**
IFRS 7	Financial Instruments: Disclosure	1 de enero de 2013
IFRS 9	Financial instruments	1 de enero de 2015
IFRS 10	Consolidated Financial Statements	1 de enero de 2013
IFRS 11	Joint 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

2. Significant Accounting Policies, continued

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

IFRS 7 "Financial instruments: Information to be Disclosed"

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

IFRS 9 "Financial instruments"

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

IFRS 10 "Consolidated Financial Statements"

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

IFRS 11 "Joint Agreements"

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

IFRS 12 "Disclosure of 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.

2. **Significant Accounting Policies**, continued

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.

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	Mejoras y Enmiendas	Fecha de aplicación obligatoria
IAS 1	Presentación de Estados Financieros	1 de enero de 2013
IAS 16	Propiedades, Planta y Equipo	1 de enero de 2013
IAS 19	Beneficios a los Empleados	1 de enero de 2013
IAS 32	Instrumentos Financieros: Presentación	1 de enero de 2013
IAS 34	Información financiera intermedia	1 de enero de 2013

IAS 1 "Financial Statement Presentation"

"Annual Improvements 2009–2011 Cycle", issued in May 2012, modified paragraphs 10, 38 and 41, eliminated paragraphs 39-40 and added paragraphs 38A-38D and 40A-40D, which clarifies the difference between the voluntary additional comparative information and the minimum comparative information required. In general, the minimum comparative period required is the previous period. An entity must include corporate information in the notes to the financial statements when the entity voluntarily provides comparative information beyond the minimum comparative period required. The additional comparative period does not need to contain a full set of financial statement. In addition, beginning balances of the statement of financial position (known as the third balance sheet) must be presented under the following circumstances: when the entity changes its accounting policies; performs retroactive re-expressions or reclassifications, and this is a change with a material effect on the statement of financial position. The beginning balance of the statement of financial position would be at the beginning of the previous period. However, unlike voluntary comparative information, there is no obligation to accompany related notes to the third balance sheet. An entity shall apply these modifications retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods as of January 1, 2013. Early application is allowed and must be disclosed.

IAS 16 "Property, plant and equipment"

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

2. Significant Accounting Policies, continued

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

IAS 19 "Employee Benefits"

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

IAS 32 "Financial instruments: Presentation"

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

IAS 34 "Interim Financial Information"

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

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

3. Changes in Accounting Policy and Disclosures

a) Accounting changes:

During the years covered by these financial statements, accounting policies have been consistently applied.

b) Changes in estimates:

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

4. Financial Information by Segment

Telefonica Moviles Chile S.A. discloses segment information in accordance with IFRS 8, “Operating Segments” which establishes the standards for reporting on operating segments and related disclosures for products and services and geographic areas. Operating segments are defined as components of an entity for which discrete financial information is available and is regularly reviewed by the Company’s chief operating decision maker to make decisions about resource allocation and assess its performance.

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

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

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Description	Currency	06.30.2012 ThCh$	12.31.2011 ThCh$
Cash and banks (a)		**6.410.634**	**9.778.741**
	CLP	6.366.320	9.762.641
	USD	33.948	8.772
	EUR	10.366	7.328
Time deposits (b)		**213.208.851**	**125.989.120**
	CLP	213.208.851	125.644.490
	USD	-	344.630
Total cash and cash equivalents		**219.619.485**	**135.767.861**
Subtotal by currency	**CLP**	**219.575.171**	**135.407.131**
	USD	**33.948**	**353.402**
	EUR	**10.366**	**7.328**

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, 2012 and December 31, 2011 are detailed as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate %	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	Foreign currency translation local currency ThCh$	Total as of 06.30.2012 ThCh$
Time deposit	CLP	212.744.000	5,83%	32	212.744.000	464.851	-	213.208.851
Totales					**212.744.000**	**464.851**	**0**	**213.208.851**

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate %	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	Foreign currency translation local currency ThCh$	Total as of 12.31.2011 ThCh$
Time deposit	CLP	125.388.000	5,78%	26	125.388.000	256.490	-	125.644.490
Time deposit	USD	663,41	10,80%	27	337.455	189	6.986	344.630
Totales					**125.725.455**	**256.679**	**6.986**	**125.989.120**

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

a) Current accounts receivable are detailed as follows:

Description	06.30.2012						12.31.2011					
	Current			Non-current			Current			Non-current		
	Gross value ThCh$	All. f/doubt. accts. ThCh$	Net value ThCh$	Gross value ThCh$	All. f/doubt. accts. ThCh$	Net value ThCh$	Gross value ThCh$	All. f/doubt. accts. ThCh$	Net value ThCh$	Gross value ThCh$	All. f/doubt. accts. ThCh$	Net value ThCh$
Trade A/R	191.941.064	(68.155.955)	123.785.109	-	-	-	197.165.702	(59.579.950)	137.585.752	-	-	-
Misc. Receivables (1)	99.389	-	99.389	-	-	-	49.300.765	-	49.300.765	96.063	-	96.063
Total	**192.040.453**	**(68.155.955)**	**123.884.498**	-	-	-	**246.466.467**	**(59.579.950)**	**186.886.517**	**96.063**	-	**96.063**

(1) As of December 31, 2011, this heading shows an amount of ThCh$ 49,153,717 corresponding to the account receivable from ATC arising from Fondo de InversiOn Privado Infraestructura Uno, generated by the sale of Operadora de Torres de Telefonía Limitada.

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

Movements	06.30.2012 ThCh$	12.31.2011 ThCh$
Beginning balance	**59.579.950**	**48.023.155**
Increases	20.670.819	33.327.235
Eliminations/ Additions	(12.094.814)	(21.770.440)
Ending balance	**68.155.955**	**59.579.950**

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	06.30.2012					12.31.2011				
	Less than 3 months	3 to 6 months	6 to 12 months	Greater than 12 months	Total	Less than 3 months	3 to 6 months	6 to 12 months	Greater than 12 months	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Trade A/R	14.639.257	798.005	-	-	15.437.262	16.725.613	-	-	-	16.725.613
Total	**14.639.257**	**798.005**	-	-	**15.437.262**	**16.725.613**	-	-	-	**16.725.613**

6. **Trade and Other Accounts Receivable and Non-current Rights Receivable,** continued

d) Stratification of the portfolio in segments of individuals and companies, stating amounts of debt and provisions based on aging as of June 30, 2012.

	Unsecured portfolio as of 06.30.2012										
Aging of portfolio by segment for the June 2012 period	**Up to date**	**From 1 to 30 days**	**From 31 to 60 days**	**From 31 to 90 days**	**From 91 to 120 days**	**From 121 to 150 days**	**From 151 to 180 days**	**From 181 to 210 days**	**From 211 to 250 days**	**More than 250 days**	**Total portfolio w/o guarantee**
Individuals											
Number of clients w/o renegotiation	573.648	229.749	182.702	171.951	156.646	186.066	186.691	178.461	192.243	872.909	2.931.066
Gross portfolio w/o renegotiation	33.846.021	4.865.401	2.970.228	2.672.841	-	-	-	-	-	-	44.354.491
Debt	33.846.021	4.865.401	2.970.228	2.672.841	4.137.597	2.704.336	2.647.915	2.044.017	2.629.784	38.143.981	96.662.121
Accrual	-	-	-	-	(4.137.597)	(2.704.336)	(2.647.915)	(2.044.017)	(2.629.784)	(38.143.981)	(52.307.630)
Number of clients w/renegotiation	26.965	16.180	9.386	8.579	8.037	7.482	7.048	6.634	6.945	13.925	111.181
Gross renegotiated portfolio	1.582.568	311.917	149.913	136.990	-	-	-	-	-	-	2.181.388
Debt	1.582.568	311.917	149.913	136.990	125.984	118.232	113.564	102.717	131.714	586.031	3.359.630
Accrual	-	-	-	-	(125.984)	(118.232)	(113.564)	(102.717)	(131.714)	(586.031)	(1.178.242)
Total number of clients	**600.613**	**245.929**	**192.088**	**180.530**	**164.683**	**193.548**	**193.739**	**185.095**	**199.188**	**886.834**	**3.042.247**
Total Individuals portfolio	**35.428.589**	**5.177.318**	**3.120.141**	**2.809.831**	-	-	-	-	-	-	**46.535.879**
Debt	**35.428.589**	**5.177.318**	**3.120.141**	**2.809.831**	**4.263.581**	**2.822.568**	**2.761.479**	**2.146.734**	**2.761.498**	**38.730.012**	**100.021.751**
Accrual	-	-	-	-	**(4.263.581)**	**(2.822.568)**	**(2.761.479)**	**(2.146.734)**	**(2.761.498)**	**(38.730.012)**	**(53.485.872)**
Companies											
Number of clients w/o renegotiation	489.421	10.642	122.149	84.970	104.093	67.310	53.949	44.921	48.380	248.583	1.274.418
Gross portfolio w/o renegotiation	73.018.647	225.359	1.985.831	1.320.778	296.532	297.406	204.066	-	-	-	77.348.619
Debt	73.018.647	225.359	1.985.831	1.320.778	2.795.289	978.304	765.167	514.500	661.814	9.753.013	92.018.702
Accrual	-	-	-	-	(2.498.757)	(680.898)	(561.101)	(514.500)	(661.814)	(9.753.013)	(14.670.083)
Number of clients w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**489.421**	**10.642**	**122.149**	**84.970**	**104.093**	**67.310**	**53.949**	**44.921**	**48.380**	**248.583**	**1.274.418**
Total Portfolio Companies	**73.018.647**	**225.359**	**1.985.831**	**1.320.778**	**296.532**	**297.406**	**204.066**	-	-	-	**77.348.619**
Debt	**73.018.647**	**225.359**	**1.985.831**	**1.320.778**	**2.795.289**	**978.304**	**765.167**	**514.500**	**661.814**	**9.753.013**	**92.018.702**
Accrual	-	-	-	-	**(2.498.757)**	**(680.898)**	**(561.101)**	**(514.500)**	**(661.814)**	**(9.753.013)**	**(14.670.083)**
Portfolio Consolidated											
Number of clients w/o renegotiation	1.063.069	240.391	304.851	256.921	260.739	253.376	240.640	223.382	240.623	1.121.492	4.205.484
Gross portfolio w/o renegotiation	106.864.668	5.090.760	4.956.059	3.993.619	296.532	297.406	204.066	-	-	-	121.703.110
Debt	106.864.668	5.090.760	4.956.059	3.993.619	6.932.886	3.682.640	3.413.082	2.558.517	3.291.598	47.896.994	188.680.823
Accrual	-	-	-	-	(6.636.354)	(3.385.234)	(3.209.016)	(2.558.517)	(3.291.598)	(47.896.994)	(66.977.713)
Number of clients w/o renegotiation	26.965	16.180	9.386	8.579	8.037	7.482	7.048	6.634	6.945	13.925	111.181
Gross portfolio w/o renegotiation	1.582.568	311.917	149.913	136.990	-	-	-	-	-	-	2.181.388
Debt	1.582.568	311.917	149.913	136.990	125.984	118.232	113.564	102.717	131.714	586.031	3.359.630
Accrual	-	-	-	-	(125.984)	(118.232)	(113.564)	(102.717)	(131.714)	(586.031)	(1.178.242)
Total number of clients	**1.090.034**	**256.571**	**314.237**	**265.500**	**268.776**	**260.858**	**247.688**	**230.016**	**247.568**	**1.135.417**	**4.316.665**
Total Portfolio Consolidated	**108.447.236**	**5.402.677**	**5.105.972**	**4.130.609**	**296.532**	**297.406**	**204.066**	-	-	-	**123.884.498**
Debt	**108.447.236**	**5.402.677**	**5.105.972**	**4.130.609**	**7.058.870**	**3.800.872**	**3.526.646**	**2.661.234**	**3.423.312**	**48.483.025**	**192.040.453**
Accrual	-	-	-	-	**(6.762.338)**	**(3.503.466)**	**(3.322.580)**	**(2.661.234)**	**(3.423.312)**	**(48.483.025)**	**(68.155.955)**

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

d) Stratification of the portfolio in segments of individuals and companies, stating amounts of debt and provisions based on aging as of December 31, 2011

	Unsecured portfolio as of 06.30.2012										
Aging of portfolio by segment for the June 2012 period	**Up to date**	**From 1 to 30 days**	**From 31 to 60 days**	**From 31 to 90 days**	**From 91 to 120 days**	**From 121 to 150 days**	**From 151 to 180 days**	**From 181 to 210 days**	**From 211 to 250 days**	**More than 250 days**	**Total portfolio w/o guarantee**
Individuals											
Number of clients w/o renegotiation	680.615	171.494	239.276	189.437	159.586	192.339	179.354	164.756	159.295	818.704	2.954.856
Gross portfolio w/o renegotiation	36.237.172	4.827.571	3.531.804	3.265.789	-	-	-	-	-	-	47.862.336
Debt	36.237.172	4.827.571	3.531.804	3.265.789	4.567.450	2.835.556	2.653.838	1.908.931	2.473.115	31.459.306	93.760.532
Accrual	-	-	-	-	(4.567.450)	(2.835.556)	(2.653.838)	(1.908.931)	(2.473.115)	(31.459.306)	(45.898.196)
Number of clients w/renegotiation	23.402	14.763	8.484	7.740	7.277	7.377	7.132	6.473	5.813	11.179	99.640
Gross renegotiated portfolio	1.351.903	271.329	132.590	124.511	-	-	-	-	-	-	1.880.333
Debt	1.351.903	271.329	132.590	124.511	111.231	112.304	106.738	96.694	106.865	426.495	2.840.660
Accrual	-	-	-	-	(111.231)	(112.304)	(106.738)	(96.694)	(106.865)	(426.495)	(960.327)
Total number of clients	**704.017**	**186.257**	**247.760**	**197.177**	**166.863**	**199.716**	**186.486**	**171.229**	**165.108**	**829.883**	**3.054.496**
Total Individuals portfolio	**37.589.075**	**5.098.900**	**3.664.394**	**3.390.300**	**-**	**-**	**-**	**-**	**-**	**-**	**49.742.669**
Debt	**37.589.075**	**5.098.900**	**3.664.394**	**3.390.300**	**4.678.681**	**2.947.860**	**2.760.576**	**2.005.625**	**2.579.980**	**31.885.801**	**96.601.192**
Accrual	**-**	**-**	**-**	**-**	**(4.678.681)**	**(2.947.860)**	**(2.760.576)**	**(2.005.625)**	**(2.579.980)**	**(31.885.801)**	**(46.858.523)**
Companies											
Number of clients w/o renegotiation	420.999	207.356	21.972	58.633	85.302	44.501	41.620	35.501	33.693	215.075	1.164.652
Gross portfolio w/o renegotiation	129.834.971	5.837.106	324.309	1.010.792	52.466	70.682	109.585	-	-	-	137.239.911
Debt	129.834.971	5.837.106	324.309	1.010.792	2.488.614	656.057	615.843	406.113	523.096	8.264.437	149.961.338
Accrual	-	-	-	-	(2.436.148)	(585.375)	(506.258)	(406.113)	(523.096)	(8.264.437)	(12.721.427)
Number of clients w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio w/o renegotiation	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**420.999**	**207.356**	**21.972**	**58.633**	**85.302**	**44.501**	**41.620**	**35.501**	**33.693**	**215.075**	**1.164.652**
Total Portfolio Companies	**129.834.971**	**5.837.106**	**324.309**	**1.010.792**	**52.466**	**70.682**	**109.585**	**-**	**-**	**-**	**137.239.911**
Debt	**129.834.971**	**5.837.106**	**324.309**	**1.010.792**	**2.488.614**	**656.057**	**615.843**	**406.113**	**523.096**	**8.264.437**	**149.961.338**
Accrual	**-**	**-**	**-**	**-**	**(2.436.148)**	**(585.375)**	**(506.258)**	**(406.113)**	**(523.096)**	**(8.264.437)**	**(12.721.427)**
Portfolio Consolidated											
Number of clients w/o renegotiation	1.101.614	378.850	261.248	248.070	244.888	236.840	220.974	200.257	192.988	1.033.779	4.119.508
Gross portfolio w/o renegotiation	166.072.143	10.664.677	3.856.113	4.276.581	52.466	70.682	109.585	-	-	-	185.102.247
Debt	166.072.143	10.664.677	3.856.113	4.276.581	7.056.064	3.491.613	3.269.681	2.315.044	2.996.211	39.723.743	243.721.870
Accrual	-	-	-	-	(7.003.598)	(3.420.931)	(3.160.096)	(2.315.044)	(2.996.211)	(39.723.743)	(58.619.623)
Number of clients w/o renegotiation	23.402	14.763	8.484	7.740	7.277	7.377	7.132	6.473	5.813	11.179	99.640
Gross portfolio w/o renegotiation	1.351.903	271.329	132.590	124.511	-	-	-	-	-	-	1.880.333
Debt	1.351.903	271.329	132.590	124.511	111.231	112.304	106.738	96.694	106.865	426.495	2.840.660
Accrual	-	-	-	-	(111.231)	(112.304)	(106.738)	(96.694)	(106.865)	(426.495)	(960.327)
Total number of clients	**1.125.016**	**393.613**	**269.732**	**255.810**	**252.165**	**244.217**	**228.106**	**206.730**	**198.801**	**1.044.958**	**4.219.148**
Total Portfolio Consolidated	**167.424.046**	**10.936.006**	**3.988.703**	**4.401.092**	**52.466**	**70.682**	**109.585**	**-**	**-**	**-**	**186.982.580**
Debt	**167.424.046**	**10.936.006**	**3.988.703**	**4.401.092**	**7.167.295**	**3.603.917**	**3.376.419**	**2.411.738**	**3.103.076**	**40.150.238**	**246.562.530**
Accrual	**-**	**-**	**-**	**-**	**(7.114.829)**	**(3.533.235)**	**(3.266.834)**	**(2.411.738)**	**(3.103.076)**	**(40.150.238)**	**(59.579.950)**

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

e) The composition of the account is separated into services provided and not billed and those billed as of June 30, 2012 and as of December 31, 2011.

	06.30.2012		
Trade and other receivable	**Assets before provisions**	**Allowance for doubtful accounts**	**Net trade accounts receivable assets**
Trade and other current accounts receivable	ThCh$	ThCh$	ThCh$
Trade and other current accounts receivable	**192.040.453**	**68.155.955**	**123.884.498**
Current trade accounts receivable	**192.040.453**	**68.155.955**	**123.884.498**
Current receivables on credit operations	191.941.064	68.155.955	123.785.109
Services billed	138.321.799	68.155.955	70.165.844
Services provided and not billed	53.619.265	0	53.619.265
Miscellaneous current receivables	99.389	0	99.389
Non-current accounts receivable	**0**	**0**	**0**
Non-current trade accounts receivable	**0**	**0**	**0**
Miscellaneous non-current receivables	0	0	0
Trade and other receivable	**192.040.453**	**68.155.955**	**123.884.498**

	12.31.2011		
Trade and other receivable	**Assets before provisions**	**Allowance for doubtful accounts**	**Net trade accounts receivable assets**
Trade and other current accounts receivable	ThCh$	ThCh$	ThCh$
Trade and other current accounts receivable	**246.466.467**	**59.579.950**	**186.886.517**
Current trade accounts receivable	**246.466.467**	**59.579.950**	**186.886.517**
Current receivables on credit operations	197.165.702	59.579.950	137.585.752
Services billed	138.338.598	59.579.950	78.758.648
Services provided and not billed	58.827.104	0	58.827.104
Miscellaneous current receivables	49.300.765	0	49.300.765
Non-current accounts receivable	**96.063**	**0**	**96.063**
Non-current trade accounts receivable	**96.063**	**0**	**96.063**
Miscellaneous non-current receivables	96.063	0	96.063
Trade and other receivable	**246.562.530**	**59.579.950**	**186.982.580**

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

f) Allowance for doubtful account movements according to the composition of the portfolio as of June 30, 2012 and 2011 are detailed as follows:

Provisions and write-offs	04.01.12 to 06.30.12 ThCh$	01.01.12 to 06.30.12 ThCh$	04.01.11 to 06.30.11 ThCh$	01.01.11 to 06.30.11 ThCh$
Accrual for portfolio that has not beer	7.919.199	15.657.962	7.809.068	13.605.315
Accrual for renegotiated portfolio	64.245	275.448	61.796	222.887
Write-offs for the period	-	-	-	-
Recoveries for the period	-	-	-	-
Total	**7.983.444**	**15.933.410**	**7.870.864**	**13.828.202**

Provisions and write-offs	06.30.2012 ThCh$	12.31.2011 ThCh$
Accrual for portfolio that has nc	66.977.712	58.619.624
Accrual for renegotiated portfol	1.178.242	960.327
Write-offs for the period		
Recoveries for the period		
Total	**68.155.954**	**59.579.950**

g) As of June 30, 2012 and December 31, 2011 the portfolio of returned documents and those in judicial collection is detailed as follows:

Portfolio of returned documents and judicial collection as of 06.30.2012	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	1.547	-	831	-
Portfolio of returned documents or those in judicial collection	5.843.982.776	-	623.757.148	-

Portfolio of returned documents and judicial collection as of 06.30.2012	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	2.389	-	638	-
Portfolio of returned documents or those in judicial collection	6.178.316.989	-	477.503.939	-

7. Related Party Disclosures

b) Current notes and accounts receivable:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2012 ThCh$	12.31.2011 ThCh$
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common shareholder	Mercantile Current Account	CLP	27.306.864	24.545.298
			Common shareholder	Human Resources Professional Servi	CLP	1.919.133	2.592.604
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholder	Entry Traffic Access and CPP	CLP	3.841.835	5.551.928
				Others	CLP	3.034.887	4.542.486
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholder	Prest. Servicios	CLP	883.399	585.414
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Common shareholder	Prest. Servicios	USD	331.458	203.627
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	Spain	Common shareholder	Prest. Servicios	EUR	254.942	451.541
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholder	Prest. Servicios	CLP	171.948	205.805
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.	96.910.730.-9	Chile	Common shareholder	Prest. Servicios	CLP	176.291	112.545
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Common shareholder	Prest. Servicios	USD	141.143	147.891
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Common shareholder	Prest. Servicios	CLP	0	68.979
			Common shareholder	Mercantile Current Account	CLP	136.901	268.582
TELEFONICA MOVILES PANAMA	0-E	Panamá	Common shareholder	Prest. Servicios	USD	1.741	5.774
O2 (UK) (ANTES VP COMMUNIC)	0-E	Inglaterra	Common shareholder	Prest. Servicios	USD	145.566	116.439
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholder	Prest. Servicios	CLP	10.087	46.123
TELEFONICA MOVILES SAO PAULO	0-E	Brazil	Common shareholder	Prest. Servicios	USD	0	63.274
VIVO, S.A.	0-E	Brazil	Common shareholder	Prest. Servicios	USD	68.111	42.360
ATENTO CHILE S.A.	96.895.220-K	Chile	Common shareholder	Prest. Servicios	CLP	17.477	20.263
FUNDACION TELEFONICA CHILE	74.944.200-K	Chile	Common shareholder	Prest. Servicios	CLP	10.892	11.627
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Common shareholder	Prest. Servicios	USD	5.543	13.708
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholder	Prest. Servicios	CLP	10.331	1.743
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Common shareholder	Prest. Servicios	USD	5.840	13.241
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Common shareholder	Prest. Servicios	CLP	8.200	7.686
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholder	Prest. Servicios	CLP		3.157
OTECEL, S.A. ECUADOR	0-E	Ecuador	Common shareholder	Prest. Servicios	USD	3.728	5.268
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	México	Common shareholder	Prest. Servicios	USD	2.664	5.686
VIVO BRASIL COMUNICACIONES	0-E	Brasil	Common shareholder	Prest. Servicios	USD	0	1.402
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Common shareholder	Prest. Servicios	USD	1.003	1.116
O2 MANX TELECOM LTD	0-E	England	Common shareholder	Prest. Servicios	USD	648	551
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Common shareholder	Prest. Servicios	USD	311	769
TELEFONICA INTERNACIONAL, S.A.	0-E	Spain	Common shareholder	Prest. Servicios	EUR	0	43.884
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	0-E	Uruguay	Common shareholder	Prest. Servicios	USD	10.162	8.584
O2 GERMANY GMBH & CO OHG	0-E	Germany	Common shareholder	Prest. Servicios	USD	0	2.361
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Common shareholder	Prest. Servicios	USD	0	280
MIRAFLORES 130 S.A.	76.172.003-1	Chile	Common shareholder	Commissions	CLP	2.534	0
Total						**38.503.640**	**39.691.996**

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

7. **Related Party Disclosures**, continued

b) Current notes and accounts receivable:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2012 ThCh$	12.31.2011 ThCh$
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common shareholder	Individuals Management Support Supply	CLP	21.478.297	21.779.946
TELEFONICA EMPRESAS CHILE S.A. (2)	78.703.410-1	Chile	Common shareholder	Management Services	CLP	11.852.374	4.227.375
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholder	Access and Link charges	CLP	5.188.897	6.783.915
				Leased Climate – Space and Energy Service:	CLP	918.188	1.200.431
			Common shareholder	Others	CLP	3.527.890	4.612.329
TELEFONICA, S.A.	0-E	Spain	Shareholder	Brand Fee Services	EUR	7.739.635	4.464.682
ATENTO CHILE S.A.	96.895.220-K	Chile	Common shareholder	Call Center and Telesales Services	CLP	3.742.477	3.302.292
TELEFONICA INTERNACIONAL, S.A.	0-E	Spain	Common shareholder	Prest. Servicios	EUR	2.454.420	3.710.354
INVERSIONES TELEFONICA MOVILES HOLDING LTDA.	76.124.890-1	Chile	Common shareholder	Dividends	EUR	28.782.637	28.782.633
MIRAFLORES 130 S.A. (1)	76.172.003-1	Chile	Common shareholder	Mercantile Current Account	CLP	1.395.220	4.760.000
			Common shareholder	Interest	CLP	70.569	0
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholder	Prest. Servicios	CLP	2.825.699	2.410.100
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholder	Prest. Servicios	CLP	2.758.056	1.381.828
TELEATENTO DEL PERU S.A.C.	0-E	Perú	Common shareholder	Prest. Servicios	USD	789.797	526.741
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	España	Common shareholder	Prest. Servicios	EUR	756.485	377.663
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730.-9	Chile	Common shareholder	Prest. Servicios	CLP	316.524	388.209
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Common shareholder	Prest. Servicios	USD	186.385	124.754
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Common shareholder	Prest. Servicios	CLP	173.215	1.291.207
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholder	Prest. Servicios	CLP	171.926	61.128
TELEFONICA GLOBAL TECHNOLOGY SAU	0-E	Spain	Common shareholder	Prest. Servicios	EUR	128.521	0
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholder	Prest. Servicios	CLP	118.587	466.825
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholder	Prest. Servicios	CLP	114.905	75.172
VIVO, S.A.	0-E	Brazil	Common shareholder	Prest. Servicios	USD	65.430	40.777
TELEFONICA GLOBAL APPLICATIONS S.L.	0-E	Spain	Common shareholder	Prest. Servicios	EUR	52.340	0
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	0-E	Uruguay	Common shareholder	Prest. Servicios	USD	19.774	15.009
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Common shareholder	Prest. Servicios	USD	19.060	13.137
OTECEL, S.A. ECUADOR	0-E	Ecuador	Common shareholder	Prest. Servicios	USD	18.897	9.560
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	México	Common shareholder	Prest. Servicios	USD	15.329	29.438
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Common shareholder	Prest. Servicios	USD	15.320	7.962
TELEFONICA INTERNATIONAL WHOLESALE S.L. UNIPERSONAL	0-E	Spain	Common shareholder	Prest. Servicios	EUR	13.700	14.174
TELEFONICA MOVILES SAO PAULO	0-E	Brazil	Common shareholder	Prest. Servicios	USD	9.378	80.000
O2 GERMANY GMBH & CO OHG	0-E	Alemania	Common shareholder	Prest. Servicios	USD	8.697	9.198
TELEFONICA MOVILES PANAMA	0-E	Panamá	Common shareholder	Prest. Servicios	USD	3.457	3.665
FUNDACIÓN TELEFÓNICA CHILE	74.944.200-K	Chile	Common shareholder	Prest. Servicios	CLP	3.365	6.786
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Common shareholder	Prest. Servicios	USD	1.214	458
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Common shareholder	Prest. Servicios	USD	695	63
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Ireland	Common shareholder	Prest. Servicios	USD	350	20.259
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Common shareholder	Prest. Servicios	USD	219	193
TELEFONICA INVESTIGACION Y DESARROLLO, S.A.	0-E	Spain	Common shareholder	Prest. Servicios	EUR	0	63.403
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Common shareholder	Prest. Servicios	USD	0	145.179
TELFISA GLOBAL B.V.	0-E	Spain	Common shareholder	Management commissions	CLP	145.640	0
MANX TELECOM LTD	0-E	Germany	Common shareholder	Prest. Servicios	USD	0	838
Total						**95.883.569**	**91.187.683**

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

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

7. **Related Party Disclosures**, continued

c) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	04.01.2012 to 06.30.2012 ThCh$	01.01.2012 to 06.30.2012 ThCh$	04.01.2011 to 06.30.2011 ThCh$	01.01.2011 to 06.30.2011 ThCh$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholder	Sales	3.060	8.001	2.279	4.614
	59.083.900-0	Chile	Common shareholder	Costs	(39.213)	(191.516)	(17.797)	(91.030)
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	Spain	Common shareholder	Sales	154.519	286.675	(680.285)	(88.998)
	0-E	Spain	Common shareholder	Costs	(267.073)	(614.780)	(51.654)	(303.219)
TELEFONICA INTERNACIONAL, S.A.	0-E	Spain	Shareholder	Sales	0	0	264.751	(498.923)
	0-E	Spain	Shareholder	Costs	(261.025)	(132.052)	0	0
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholder	**Sales**				
				Time interconnection measured services	4.185.859	8.196.656	11.301.066	20.907.883
	90.635.000-9	Chile	Common shareholder	**Costs**				
				Services ceded by other companies and management work	(574.384)	(1.183.695)	(1.372.106)	(2.712.351)
				Circuit Leases – local and solar	(4.768.453)	(9.826.869)	(3.566.989)	(7.051.151)
				Interconnection and Roaming Service	(1.336.806)	(2.754.901)	(1.413.833)	(2.794.835)
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Common shareholder	Sales	0	0	444	881
	0-E	El Salvador	Common shareholder	Costs	(188)	(656)	(184)	(405)
TELEFONICA, S.A.	0-E	España	Shareholder	**Costs**				
				Brand Fee	(3.572.826)	(7.334.428)	(3.511.407)	(7.335.133)
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	0-E	Spain	Common shareholder	Costs	(33.275)	(127.524)	(357.672)	(386.552)
ATENTO CHILE S.A.	96.895.220-K	Chile	Common shareholder	Sales	30.077	60.618	49.491	94.141
	96.895.220-K	Chile	Common shareholder	Costs	(2.692.563)	(5.112.625)	(2.734.628)	(5.932.520)
FUNDACION TELEFONICA CHILE	74.944.200-K	Chile	Common shareholder	Sales	552	1.288	59	59
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholder	Sales	10.232	15.454	9.394	72.885
	96.834.230-4	Chile	Common shareholder	Costs	(147.481)	(309.304)	(429.341)	(587.956)
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Common shareholder	Sales	195.383	514.262	267.454	781.383
	0-E	Argentina	Common shareholder	Costs	(141.949)	(297.577)	(215.040)	(435.207)
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholder	Sales	783.961	1.594.337	799.942	1.663.959
	96.672.160-K	Chile	Common shareholder	Costs	(3.081.424)	(5.777.697)	(2.381.636)	(4.898.766)
TELEFONICA EMPRESAS CHILE S.A. (1)	78.703.410-1	Chile	Common shareholder	Sales	383.755	995.706	774.053	1.555.114
	78.703.410-1	Chile	Common shareholder	**Costs**				
				Administration and management work	(3.447.692)	(6.943.694)	(34)	(34)
OTECEL, S.A. ECUADOR	0-E	Ecuador	Common shareholder	Sales	9.032	17.412	8.801	18.884
	0-E	Ecuador	Common shareholder	Costs	(8.577)	(41.900)	(11.955)	(30.589)
TELEFONICA GLOBAL APLLICATIONS	0-E	Spain	Common shareholder	Costs	(52.340)	(52.340)	0	0
TELEFONICA ARGENTINA, S.A.	0-E	Argentina	Common shareholder	Costs	0	(16.002)	0	0
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholder	Sales	(50.039)	(13.924)	77.367	165.453
	96.961.230-5	Chile	Common shareholder	Costos	(1.053.279)	(1.674.167)	26.150	(298.730)
TELEFONICA MULTIMEDIA CHILE S.A.	78.703.410-1	Chile	Common shareholder	Sales	0	0	197	1.436
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholder	Sales	15.898	27.263	4.239	8.884
	96.811.570-7	Chile	Common shareholder	Costs	(119.577)	(119.577)	(6.037)	(12.005)
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Common shareholder	Financial income	41.999	60.304	4.151	52.198
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common shareholder	Sales	326.324	657.378	30.471	60.628
	76.086.148-0	Chile	Common shareholder	Financial income	468.215	994.066	51.747	54.535
	76.086.148-0	Chile	Common shareholder	**Costs**				
				Services of employees ceded by other companies	(16.145.113)	(35.052.843)	(2.913.033)	(5.075.146)

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

7. <u>Related Party Disclosures</u>, continued

c) Transactions continued:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	04.01.2012 to 06.30.2012 ThCh$	01.01.2012 to 06.30.2012 ThCh$	04.01.2011 to 06.30.2011 ThCh$	01.01.2011 to 06.30.2011 ThCh$
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Common sharehold	Sales	6.724	16.673	27.994	43.534
	96.990.810-7	Chile	Common sharehold	Costs	(279.189)	(146.386)	(361.380)	(526.799)
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	México	Common sharehold	Sales	4.307	13.018	3.715	7.239
	0-E	México	Common sharehold	Costs	(21.615)	(43.865)	(8.895)	(28.252)
TELEFÓNICA MÓVILES DEL URUGUAY S.A.	0-E	Uruguay	Common sharehold	Sales	22.196	29.886	12.620	21.589
	0-E	Uruguay	Common sharehold	Costs	(9.598)	(46.006)	(11.584)	(42.287)
TELEFONICA MOVILES PANAMA	0-E	Panamá	Common sharehold	Sales	(118.005)	7.576	3.521	8.346
	0-E	Panamá	Common sharehold	Costs	(4.934)	(13.186)	(3.702)	(7.572)
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Common sharehold	Sales	1.120	1.760	2.225	3.829
	0-E	Guatemala	Common sharehold	Costs	(481)	(1.045)	(190)	(497)
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Common sharehold	Sales	124.896	132.845	7.223	16.584
	0-E	Venezuela	Common sharehold	Costs	(137.084)	(142.420)	(3.462)	(9.050)
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Common sharehold	Sales	18.620	32.682	10.599	21.180
	0-E	Colombia	Common sharehold	Costs	(36.091)	(64.624)	(25.565)	(49.352)
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Common sharehold	Sales	22.376	45.940	14.562	28.613
	0-E	Perú	Common sharehold	Costs	55.944	0	(101.338)	(207.348)
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Common sharehold	Sales	507	756	406	1.563
	0-E	Nicaragua	Common sharehold	Costs	(631)	(928)	72	(314)
VIVO, S.A.	0-E	Brazil	Common sharehold	Sales	76.795	154.989	44.727	103.544
	0-E	Brazil	Common sharehold	Costs	(46.685)	(109.505)	(24.428)	(64.531)
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Ireland	Common sharehold	Sales	1.294	2.596	(18.700)	(12.365)
	0-E	Ireland	Common sharehold	Costs	(2.072)	(546)	(916)	(1.441)
O2 GERMANY GMBH & CO OHG	0-E	Germany	Common sharehold	Sales	5.236	11.607	(13.409)	12.192
	0-E	Germany	Common sharehold	Costs	(11.263)	(14.341)	(46.557)	(82.530)
MANX TELECOM LTD	0-E	England	Common sharehold	Sales	(972)	0	2.004	2.419
	0-E	England	Common sharehold	Costs	312	0	(436)	(1.405)
O2 (UK) (ANTES VP COMMUNIC)	0-E	England	Common sharehold	Sales	28.969	60.805	(163.048)	19.488
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730-9	Chile	Common sharehold	Sales	31.584	66.244	0	
	96.910.730-9	Chile	Common sharehold	Costs	(94.127)	(217.260)	(34.949)	(158.636)
MIRAFLORES 130 S.A.	76.172.003-1	Chile	Common sharehold	Management Commission	(22.484)	25.340	0	0
TELFISA GLOBAL B.V.	0-E	Spain	Common sharehold	Financial income	0	697.000	0	0
	0-E	Spain	Common sharehold	Management Commission	(75.056)	(145.639)	0	0
TELEFONICA LEARNING SERVICES	0-E	Spain	Common sharehold	Costs	0	0	0	(705)
TELEATENTO DEL PERU S.A.C.	0-E	Perú	Common sharehold	Costs	(1.098.970)	(1.098.970)	(244.695)	(554.937)
TELEFONICA BRASIL (antes Telesp, Participaçoes Fij	0-E	Brazil	Common sharehold	Sales	52.344	52.344	0	0
	0-E	Brazil	Common sharehold	Costs	(61.722)	(61.722)	0	0

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

7. **Related Party Disclosures**, continued

c) Transactions, continued

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

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

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

On September 23, 2010 the Company signed a mercantile current account agreement with Telefonica Factoring Chile S.A., which establishes remittances in Chilean pesos at a nominal monthly TAB rate (annual base). The agreed-upon term of the mercantile current account and its management expires on December 31, 2012. An extension of the term can be agreed upon for a period of 12 months each.

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

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

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

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2012 ThCh$	12.31.2011 ThCh$
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Common shareholder	Transfer of Long-term Termination Benefits	CLP	1.366.519	-
Total						**1.366.519**	**-**

7. Related Party Disclosures, continued

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

As of June 30, 2012 and 2011, there is no key personnel, since in January 2011 key personnel was transferred to Telefonica Chile Servicios Corporativos Ltda. a direct subsidiary of Telefonica Chile S.A..

As of June 30, 2011 the company had a share-based remuneration plan for directors. The amount to date was ThCh$359,417.

8. Inventory

a) Inventory is detailed as follows:

Description	06.30.2012 ThCh$	12.31.2011 ThCh$
Merchandise (Mobile equipment, accessories and prepay cards)	56.780.832	45.473.880
Total	**56.780.832**	**45.473.880**

As of June 30, 2012 and December 31, 2011 there have been no inventory write-offs and there is no inventory in guarantee as reversals in obsolescence accruals. The balance of the obsolescence accrual amounts to Th$8,007,078 for 2012 and ThCh$7,047,467 for 2011.

b) Inventory movements are detailed as follows:

Description	06.30.2012 ThCh$	12.31.2011 ThCh$
Beginning balance	45.473.880	53.343.297
Purchases	120.744.247	188.110.739
Sales	(34.195.456)	(88.181.894)
Transfer to materials allocated to the investment	(74.282.228)	(106.790.568)
Obsolescence provision	(959.611)	(1.007.694)
Total	**56.780.832**	**45.473.880**

9. Other Current and Non-current Financial Assets

Other current and non-current financial assets of June 30, 2012 and December 31, 2011 are detailed as follows:

	06.30.2012		12.31.2011	
	Current ThCh$	Non-Current ThCh$	Current ThCh$	Non-Current ThCh$
Investment contracts (a)	4.555.469	-	3.349.418	-
Exchange rate hedge (b)	4.286.245	4.211.611	3.099.788	10.942.691
Money market securities ©	65.697.000	-	100.173.667	-
Total	**74.538.714**	**4.211.611**	**106.622.873**	**10.942.691**

a) Financial investments for more than 90 days as of June 30, 2012 and December 31, 2011 are detailed as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate %	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	Foreign currency translation local currency ThCh$	Total as of 06.30.2012 ThCh$
Time deposit	UF	200,00	2,375%	120	4.501.192	29.997	24.280	4.555.469
Total					**4.501.192**	**29.997**	**24.280**	**4.555.469**

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate %	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	Foreign currency translation local currency ThCh$	Total as of 12.31.2011 ThCh$
Time deposit	UF	150,00	5,20%	176	3.340.552	5.313	3.553	3.349.418
Total					**3.340.552**	**5.313**	**3.553**	**3.349.418**

9. **Other Current and Non-current Financial Assets**, continued

b) Hedge and investment assets as of June 30, 2012 and December 31, 2011 are detailed as follows:

Description	Underlying	Net Total as of 06.30.2012	To Maturity								Effect on	
			Up to 90 days	90 days to 1 year	Total current		1 to 3 years	3 to 5 years	Total non-current		Statements of Income	Shareholders' Equity
					Assets	Liabilities			Assets	Liabilities (Nota 17)		
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	(4.843)	(13.167)	8.324	84.911	(89.754)	-	-	-	-	-	31.491
Exchange rate – fair value hedge (2)	Supplier Debt	(69.331)	(69.331)	-	115.962	(185.293)	-	-	-	-	(133.883)	2.911
Interest rate – cash flows hedge (3)	Financial Debt	3.573.553	-	3.573.553	4.085.372	(511.819)	-	-	-	-	(4.552.113)	2.501.631
Exchange rate and interest rate – cash flows hedge (4)	Financial Debt	3.108.786	(57.306)	(1.045.519)	-	(1.102.825)	-	4.211.611	4.211.611	-	6.412.090	(1.582.145)
Change of security		-	-	-	-	-	-	-	-	-	(12.512.383)	-
Totales		**6.608.165**	**(139.804)**	**2.536.358**	**4.286.245**	**(1.889.691)**	**-**	**4.211.611**	**4.211.611**	**-**	**(10.786.289)**	**953.888**

Description	Underlying	Net Total as of 12.31.2011	To Maturity								Effect on	
			Up to 90 days	90 days to 1 year	Total current		1 to 3 años	3 to 5 años	Total non-current		Statements of Income	Shareholders' Equity
					Assets	Liabilities			Assets	Liabilities (Nota 17)		
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	245.139	245.139	-	285.887	(40.748)	-	-	-	-	-	48.535
Exchange rate – fair value hedge (2)	Supplier Debt	(52.632)	(50.273)	(2.359)	8.637	(61.269)	-	-	-	-	(29.811)	(18.598)
Interest rate – cash flows hedge (3)	Financial Debt	2.732.228	-	2.732.228	2.805.264	(73.036)	-	-	-	-	(764.943)	1.913.236
Exchange rate and interest rate – cash flows hedge (4)	Financial Debt	10.022.337	-	(920.354)	-	(920.354)	-	10.942.691	10.942.691	-	(12.168.630)	(999.140)
Change of security		-	-	-		-	-	-		-	513.978	-
Totales		**12.947.072**	**194.866**	**1.809.515**	**3.099.788**	**(1.095.407)**	**-**	**10.942.691**	**10.942.691**	**-**	**(12.449.406)**	**944.033**

Description of hedge instruments:

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

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

(3) Interest rate – cash flows hedge: As of June 30, 2012 and December 31, 2011 this category includes, derivative instruments entered into to hedge debt instrument interest rate risk, whose interest cash flows payable are denominated at a variable interest rate.

(4) Exchange rate and interest rate – cash flows hedge: As of June 30, 2012 and December 31, 2011 this category includes, derivative instruments entered into to hedge debt instrument capital foreign currency risk, whose interest cash flows payable after hedges are denominated in the functional currency.

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

c) Money market securities of June 30, 2012 and December 31, 2011:

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 06.30.2012 ThCh$
Money market securities	CLP	65.000.000	6,27%	30	65.000.000	697.000	-	65.697.000
Totales					**65.000.000**	**697.000**	**-**	**65.697.000**

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate %	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	Foreign currency translation local currency ThCh$	Total as of 12.31.2011 ThCh$
Money market securities	CLP	100.000.000	6,58%	30	100.000.000	173.667	-	100.173.667
Totales					**100.000.000**	**173.667**	**-**	**100.173.667**

10. Other current and non-current financial assets

Description	06.30.2012 Current ThCh$	06.30.2012 Non-Current ThCh$	12.31.2011 Current ThCh$	12.31.2011 Non-Current ThCh$
Advance payments (1)	10.355.275	-	8.032.283	-
Deferred handset costs	14.198.079	-	20.099.786	-
Customer guarantees	1.357.820	-	1.615.563	-
Other prepaid expenses (2)	11.421.791	-	11.901.148	-
Other amortizable expenses (3)	-	1.564.829	-	1.983.081
Other taxes (4)	365.086	-	554.443	-
Total	**37.698.051**	**1.564.829**	**42.203.223**	**1.983.081**

(1) Includes advance payments associated with insurance and rent.
(2) Includes deferred commissions that are paid to franchises for mobile equipment additions and exchanges.
(3) The Company negotiated a collective agreement with some of its employees, granting them, a negotiation termination bonus among other benefits. That bonus is deferred using the straight-line method over the term of the collective agreement.
(4) Includes SENCE credit and other taxes.

11. Income Taxes

a) General information

As of June 30, 2012, Telefonica Moviles Chile S.A. presents First Category (corporate) income tax in the amount of ThCh$ 72,720,109 therefore a tax reserve is established in the amount of ThCh$ 13,453,220 (current tax rate is 18.5%). As of December 31, 2011 the Company presented first category taxable net income of ThCh$ 50,700,345 therefore a tax reserve was established in the amount of ThCh$ 10,140,069 (current tax rate of 20%).

11. Income Taxes, continued

b) Income Taxes

The positive taxable retained earnings registry and associated credits is detailed as follows:

Company	Taxable net income with credit 18,5% ThCh$	Taxable net income without credit ThCh$	Amount of the credit ThCh$
Telefónica Móviles Chile S.A.	57.526.024	13.453.220	13.453.220
Totales	**57.526.024**	**13.453.220**	**13.453.220**

c) Current income tax liabilities

As of June 30, 2012 and December 31, 2011, current income tax liabilities are detailed as follows:

Conceptos	06.30.2012 ThCh$	12.31.2011 ThCh$
Income tax accrual (1)	12.018.001	3.778.164
Final balance	**12.018.001**	**3.778.164**

(1) First Category income tax is presented net of prepaid monthly tax installments.

d) Deferred taxes:

As of June 30, 2012 and December 31, 2011, the cumulative balances of temporary differences resulted in net deferred tax assets of ThCh$ 20,191,253 and ThCh$ 15,316,046, respectively, detailed as follows:

Description	06.30.2012		12.31.2011	
	Asset ThCh$	Liability ThCh$	Asset ThCh$	Liability ThCh$
Trade and notes receivable	12.377.576	-	11.312.704	-
Obsolescence provision	1.391.230	-	1.250.925	-
Unearned income	499.596	-	4.040.951	-
Provision for dismantling expenses	2.081.216	-	2.010.266	-
Deferred selling cost and deferred sales commissions	-	2.774.705	-	5.924.908
Property, plant and equipment	12.957.820	6.969.141	25.929.739	24.319.210
Other events	1.452.083	824.422	2.138.871	1.123.292
Sub totales	**30.759.521**	**10.568.268**	**46.683.456**	**31.367.410**
Reclasification	**(10.568.268)**	**(10.568.268)**	**(31.367.410)**	**(31.367.410)**
Total	**20.191.253**	**-**	**15.316.046**	**-**

11. Income Taxes, continued

e) Income tax reconciliation:

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

Concepts	04.01.12 to 06.30.12		06.30.2012		04.01.11 to 06.30.11		06.30.2011	
	Taxable base ThCh$	18.5% Tax Rate ThCh$	Taxable base ThCh$	18.5% Tax Rate ThCh$	Taxable base ThCh$	20% Tax Rate ThCh$	Taxable base ThCh$	20% Tax Rate ThCh$
Based on accounting income before taxes:								
Income before taxes	**26.657.029**	**4.931.550**	**58.811.978**	**10.880.216**	**49.768.577**	**9.953.715**	**100.064.883**	**20.012.978**
Permanent differences	**7.501.797**	**1.387.832**	**1.739.184**	**321.749**	**17.009.468**	**3.401.896**	**21.056.608**	**4.211.323**
Accrued investment income	(521.237)	(96.429)	(1.684.596)	(311.650)	(79.106)	(15.821)	(14.431)	(2.886)
Price-level restatement of taxable equity	(8.332.782)	(1.541.565)	(17.814.121)	(3.295.612)	(9.356.185)	(1.871.236)	(14.896.549)	(2.979.309)
Foreign currency translation due to modification of legal rate	1.894.853	350.548	6.190.157	1.145.179	(27.916.432)	(5.583.285)	35.967.588	7.193.518
Others (1)	14.460.963	2.675.278	15.047.744	2.783.832	54.361.191	10.872.238	-	-
Total corporate tax expense	**34.158.826**	**6.319.383**	**60.551.162**	**11.201.965**	**66.778.045**	**13.355.611**	**121.121.491**	**24.224.300**
Based on taxable net income and deferred taxes calculated on the basis of temporary differences:								
18.5 and 20% income tax	-	7.722.236		16.224.515		(10.391.125)	-	477.564
35% income tax	-					368	-	368
Prior years deficit	-	(167.062)		(167.062)		-	-	-
Income tax expense		**7.555.174**		**16.057.453**		**(10.390.757)**		**477.932**
Deferred tax expense (2)		**(1.235.792)**		**(4.855.488)**		**23.746.368**		**23.746.368**
Total corporate tax expense		**6.319.383**		**11.201.965**		**13.355.611**		**24.224.300**
Effective income tax rate		**23,71%**		**19,05%**		**26,84%**		**24,21%**

(1) The variation for this concept is due to absorption of the Company's tax loss carry forward, rate changes and other minor adjustments.
(2) Due to a change in legal regulations for 2011 and 2012, the income tax rate will increase from 20% and 18.5%, respectively. From 2013 and thereon, it will go back to 17%.

12. Investment in associated companies

As of June 30, 2012 and 2011, balances are as follows:

Taxpayer No.	Name	Investment balance 06.30.2012	Participation percentage	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income	Ordinary expenses	Income
96.961.230-5	Telefónica Chile Servicios Corporativos Ltda. (1)	425.707	48,00	58.001.360	41.564.855	65.817.072	32.862.252	88.460.398	82.444.109	4.095.260

(1) On July 25, 2011, the company acquired 48% of equity rights of related company Telefonica Chile Servicios Corporativos Ltda, which as of June 30, 2012 shows equity of ThCh$886,891.

13. Intangible Assets other than goodwill

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

Description	06.30.2012			12.31.2011		
	Intangibles, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$	Intangibles, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$
Intangible assets for exploration and evaluation	125.647.598	(90.951.933)	34.695.665	125.647.598	(90.080.912)	35.566.686
Licenses and software	136.458.824	(104.994.554)	31.464.270	134.914.923	(95.408.931)	39.505.992
Total	**262.106.422**	**(195.946.487)**	**66.159.935**	**260.562.521**	**(185.489.843)**	**75.072.678**

b) Movements in intangible assets other than goodwill for June 30, 2012 and December 31, 2011 are detailed as follows:

Movements	Administrative concessions, net ThCh$	Licenses and software, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.12	**35.566.686**	**39.505.992**	**75.072.678**
Amortization expense	(871.021)	(9.585.623)	(10.456.644)
Other Increase (decrease)	-	1.543.901	1.543.901
Ending balance as of 06.30.2012	**34.695.665**	**31.464.270**	**66.159.935**

Movements	Administrative concessions, net ThCh$	Licenses and software, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.11	**37.305.066**	**25.458.178**	**62.763.244**
Amortization expense	(1.738.380)	(14.308.509)	(16.046.889)
Other Increase (decrease)	-	28.356.323	28.356.323
Ending balance as of 12.31.2011	**35.566.686**	**39.505.992**	**75.072.678**

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

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

14. Goodwill

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

The balance of goodwil for June 30, 2012 and December 31, 2011 are detailed as follows:

Description	06.30.2012 ThCh$	12.31.2011 ThCh$
Telefónica Móviles Chile S.A.	483.179.725	483.179.725
Total	**483.179.725**	**483.179.725**

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

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

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

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

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

15. Property, Plant and Equipment

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

Movements	06.30.2012			12.31.2011		
	Gross PP&E ThCh$	Accumulated depreciation ThCh$	Net PP&E ThCh$	Gross PP&E ThCh$	Accumulated depreciation ThCh$	Net PP&E ThCh$
Land	3.767.773	-	3.767.773	3.829.393	-	3.829.393
Buildings (1)	119.260.410	(105.829.399)	13.431.011	119.453.253	(101.152.789)	18.300.464
Transport equipment	46.090	(37.152)	8.938	106.528	(66.747)	39.781
Supplies and accessories	8.869.616	(6.736.403)	2.133.213	9.282.617	(7.011.306)	2.271.311
Office equipment	768.344	(630.313)	138.031	591.520	(443.327)	148.193
Construction in progress	57.820.381	-	57.820.381	40.463.920	-	40.463.920
Other property, plant & equipment (2)	868.163.650	(573.275.158)	294.888.492	824.208.941	(521.776.453)	302.432.488
Totales	**1.058.696.264**	**(686.508.425)**	**372.187.839**	**997.936.172**	**(630.450.622)**	**367.485.550**

(1) On September 15, 2011 this financial lease was transferred to Miraflores 130 S.A. (See Note 16 a).
(2) On December 12, 2011 telecommunications infrastructure was withdrawn in the amount of ThCh$1,622,720, due to the division of the company in two: Telefonica Moviles Chile S.A. and Operadora de Torres de Telefonía Ltda. (See Note 1).

Movements of major categories of Property, plant and equipment for June 30, 2012 period are detailed as follows:

Movements	Land ThCh$	Buildings, net ThCh$	Transport equipment, net ThCh$	Supplies and accessories, net ThCh$	Office equipment, net ThCh$	Construction in progress ThCh$	Other property, plant & equipment, net ThCh$	Property, plant and equipment, net ThCh$
Beginning balance as of 01.01.12	3.829.393	18.300.464	39.781	2.271.311	148.193	40.463.920	302.432.488	367.485.550
Additions (1)	-	-	-	-	-	26.863.268	74.282.228	101.145.496
Retirements	(61.620)	(54.118)	(60.438)	-	-	-	(38.725.481)	(38.901.657)
Acc. Dep. retirements	-	54.118	34.445	-	-	-	38.725.481	38.814.044
Depreciation expense	-	(4.882.167)	(4.850)	(129.964)	(10.162)	-	(89.784.550)	(94.811.693)
Transfer of depreciation	-	151.439	-	404.867	(176.824)	-	(439.633)	(60.151)
Other Increase (decrease) (2)	-	(138.725)	-	(413.001)	176.824	(9.506.807)	8.397.959	(1.483.750)
Ending balance as of 06.30.2012	**(61.620)**	**(4.869.453)**	**(30.843)**	**(138.098)**	**(10.162)**	**17.356.461**	**(7.543.996)**	**4.702.289**
	3.767.773	**13.431.011**	**8.938**	**2.133.213**	**138.031**	**57.820.381**	**294.888.492**	**372.187.839**

(1) Include additions for the concept of commodatum agreement (on loan) in the amount of ThCh$ 74,282,228.
(2) Corresponds to the net movement of transfer of construction in progress to assets in service, transfers to intangible assets in the amount of ThCh$(1,543,901). and a transfer for inclusion of assets due to initial load of ThCh$60,151.

15. Property, Plant and Equipment continued

Movements of major categories of Property, plant and equipment for December 31, 2011 are detailed as follows:

Movements	Land	Buildings, net	Transport equipment, net	Supplies and accessories, net	Office equipment, net	Construction in progress	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.11	3.829.393	21.397.602	149.264	999.883	176.774	59.603.651	308.324.053	394.480.620
Additions (1)	-	-	-	-	-	180.362.773	-	180.362.773
Retirements	-	(16.863.592)	(167.803)	(12.031)	(212.926)	-	(281.061.755)	(298.318.107)
Acc. Dep. retirements	-	13.327.843	95.051	12.031	212.926	-	279.438.766	293.086.617
Depreciation expense	-	(6.866.930)	(36.731)	(143.264)	(28.581)	-	(168.478.498)	(175.554.004)
Other Increase (decrease) (2)	-	7.305.541	-	1.414.692	-	(199.502.504)	164.209.922	(26.572.349)
Ending balance as of 12.31.2011	**0**	**(3.097.138)**	**(109.483)**	**1.271.428**	**(28.581)**	**(19.139.731)**	**(5.891.565)**	**(26.995.070)**
	3.829.393	**18.300.464**	**39.781**	**2.271.311**	**148.193**	**40.463.920**	**302.432.488**	**367.485.550**

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

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

The net amount of Property, plant and equipment items that are temporarily out of service as of June 30, 2012 and December 31, 2011 is not significant.

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

16. **Equity**

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

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

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

Company	Shares
Inversiones Telefónica Móviles Holding Limitada	118.026.144
Telefónica, S.A.	1
Total	118.026.145

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

a) **Capital**:

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

Number of shares:

Series	06.30.2012			12.31.2011		
	No. of shares subscribed	No. of paid shares	No. of shares with voting rights	No. of shares subscribed	No. of paid shares	No. of shares with voting rights
SINGLE	118.026.145	118.026.145	118.026.145	118.026.145	118.026.145	118.026.145
Total	**118.026.145**	**118.026.145**	**118.026.145**	**118.026.145**	**118.026.145**	**118.026.145**

16. Shareholders' Equity, continued

a) Capital, continued

Capital:

	06.30.2012		12.31.2011	
Serie	**Subscribed capital ThCh$**	**Isuued capital ThCh$**	**Subscribed capital ThCh$**	**Paid capital ThCh$**
SINGLE	941.099.241	941.099.241	941.099.241	941.099.241
Total	**941.099.241**	**941.099.241**	**941.099.241**	**941.099.241**

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

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

b) Distribution of shareholders:

In accordance with Circular No. 792 issued by the Superintendency of Securities and Insurance (S.V.S.), the Company's shareholders and their ownership interest as of June 31, 2012 are detailed as follows:

Type of Shareholder	**Participation percentage %**	**Number of shareholders**
10% o más de participación	99,999999	1
Menos de 10% de participación:		
Inversión igual o superior a UF 200	0,000000	0
200	0,000001	1
Totales	**100,0000000**	**2**
Controlador de la Sociedad	99,999999	1

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

16. Shareholders' Equity, continued

c) Dividends

i) Dividends policy:

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

On December 31, 2011 an minimum dividend has been approved in the amount of ThCh$ 28,781,193.

ii) Dividends distributed:

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

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

Date	Dividend	Amount Distributed ThCh$	Charge to net income	Payment date
2/3/2011 (1)	Final	65.000.000	Fiscal year 2010	03-29-2011
07-01-2011	Interim	37.000.000	Fiscal year 2010	07-26-2011
12-02-2011	Eventual	50.107.530	Fiscal year 2010	12-28-2011
12-02-2011	Interim	20.000.000	Fiscal year 2011	12-28-2011
12-31-2011	Minimum	28.781.193	Fiscal year 2011	-

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

16. Shareholders' Equity, continued

d) Other reserves

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

Description	Balance as of 12.31.2011 ThCh$	Net movement ThCh$	Balance as of 06.30.2012 ThCh$
Business combination reserve	(97.886.550)	-	(97.886.550)
Cash flows hedge reserve	944.033	9.855	953.888
Employee benefits reserve	(2.594.523)	(185.749)	(2.780.272)
Revaluation issued capital	(233.685.428)	-	(233.685.428)
Totals	**(333.222.468)**	**(175.894)**	**(333.398.362)**

i) Business combination reserve

This reserve corresponds to corporate reorganizations undertaken by the Telefonica Moviles 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

Corresponds to the equity effect generated by the share in Telefonica Chile Servicios Corporativos Ltda., subsidiary of Telefonica Chile S.A., corresponding to termination benefits.

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, 2012, the Company has non-controling interests arising from the investment in Wayra Chile Tecnología e Innovacion Limitada (ex Telelfonica Moviles Chile Inversiones S.A). in the amount of Ch$48.

17. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	04.01.2012 to 06.30.2012 ThCh$	01.01.2012 to 06.30.2012 ThCh$	04.01.2011 to 06.30.2011 ThCh$	01.01.2011 to 06.30.2011 ThCh$
Earnings attributable to owners of the parent	20.337.646	47.610.013	36.412.966	75.840.583
Profit available for shareholders	20.337.646	47.610.013	36.412.966	75.840.583
Weighted average number of shares	118.026.145	118.026.145	118.026.145	118.026.145
Basic earnings per share in Ch$	**172,31**	**403,39**	**308,52**	**642,57**

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

18. Other Current and Other Non-current Financial Liabilities

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

Description	06.30.2012		12.31.2011	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bank loans (a)	385.535	109.339.445	31.463.261	110.428.690
Unguaranteed obligations (Bonds) (a)	1.366.543	291.496.183	1.400.943	295.607.540
Hedge liabilities, swap contracts, cross currency (see note 9b)	1.889.691	-	1.095.407	-
Total	**3.641.769**	**400.835.628**	**33.959.611**	**406.036.230**

18. **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, 2012:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Country of debtor	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term	Nominal amounts					
													Maturity					Total nominal amounts
													Up to 90 days ThCh$	90 days to 1 years ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	5 years and over ThCh$	
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	BBVA BANCOMER	México	US$	Upon maturity	1,50%	1,14%	US$ 70 mm	2016	-	-	-	32.637.500	-	32.637.500
Bilateral Loan (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	Upon maturity	7,20%	6,79%	MM$ 49.000	2016	-	-	-	49.000.000	-	49.000.000
Bilateral Loan (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	9700400-5	Banco Chile	Chile	CLP	Upon maturity	7,26%	6,80%	MM$ 26.000	2014	-	-	26.000.000	-	-	26.000.000
Total bank loans													**-**	**0**	**26.000.000**	**81.637.500**	**-**	**107.637.500**
Series A Bond (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Upon maturity	5,62%	5,60%	MM$ 32.000	2014	-	-	32.000.000	0	-	32.000.000
144A Bond (5)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	Bank of New York	USA	US$	Upon maturity	3,23%	2,88%	US$ 300 mm	2015	-	-	-	146.889.507	-	146.889.507
Series C Bond (6)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Upon maturity	6,73%	6,30%	MM$ 66.000	2016			-	66.000.000		66.000.000
Series D Bond (7)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	U.F.	Upon maturity	3,83%	3,60%	UF 2 mm	2016	-	-	-	44.375.180	-	44.375.180
Total unguaranteed obligations													**-**	**-**	**32.000.000**	**257.264.687**	**-**	**289.264.687**

Types	**Debtor taxpayer No.**	**Debtor**	**Debtor Country**	**Creditor taxpayer No.**	**Creditor**	**Country of debtor**	**Currency**	**Amortization type**	**Effective rate**	**Nominal rate**	**Nominal value**	**Term**	**Current**			**Non-current**			
													To Maturity		**Total current as of 03.31.2012 ThCh$**	**To Maturity**			**Total Non current as of 06.30.2012 ThCh$**
													Up to 90 days ThCh$	**90 days to 1 years ThCh$**		**1 to 3 years ThCh$**	**3 to 5 years ThCh$**	**5 years and over ThCh$**	
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	BBVA BANCOMER	México	US$	Upon maturity	1,50%	1,14%	US$ 70 mm	2016	16.712	-	16.712	-	34.685.152	-	34.685.152
Bilateral Loan (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	Upon maturity	7,20%	6,79%	MM$ 49.000	2016	-	270.584	270.584	-	48.741.804	-	48.741.804
Bilateral Loan (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	9700400-5	Banco Chile	Chile	CLP	Upon maturity	7,26%	6,80%	MM$ 26.000	2014	-	98.239	98.239	25.912.489	-	-	25.912.489
Total bank loans													**16.712**	**368.823**	**385.535**	**25.912.489**	**83.426.956**	**-**	**109.339.445**
Series A Bond (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Upon maturity	5,62%	5,60%	MM$ 32.000	2014	806.763	-	806.763	31.995.372	-	-	31.995.372
144A Bond (5)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	Bank of New York	USA	US$	Upon maturity	3,23%	2,88%	US$ 300 mm	2015	-	145.325	145.325	-	149.391.793	-	149.391.793
Series C Bond (6)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Upon maturity	6,73%	6,30%	MM$ 66.000	2016	-	300.463	300.463	-	65.176.331	-	65.176.331
Series D Bond (7)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	U.F.	Upon maturity	3,83%	3,60%	UF 2 mm	2016	-	113.992	113.992	-	44.932.687	-	44.932.687
Total unguaranteed obligations													**806.763**	**559.780**	**1.366.543**	**31.995.372**	**259.500.811**	**-**	**291.496.183**

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

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

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

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

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

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

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

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

18. **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, 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	Nominal amounts					
													Maturity					Total nominal amounts
													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	0,00%	7,03%	MM$ 31.000	2012	-	31.000.000	-	-	-	31.000.000
Crédito Sindicado (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	BBVA BANCOMER	México	US$	Al vencimiento	0,00%	1,09%	US$ 70 mm	2016	-	-	-	32.637.500	-	32.637.500
Crédito Bilateral (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	Al vencimiento	0,00%	6,79%	MM$ 49.000	2016	-	-	-	49.000.000	-	49.000.000
Crédito Bilateral (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97004000-5	Banco Chile	Chile	CLP	Al vencimiento	0,00%	7,20%	MM$ 26.000	2014	-	-	26.000.000	-	-	26.000.000
Total bank loans													-	**31.000.000**	**26.000.000**	**81.637.500**	-	**138.637.500**
Bono Serie A (5)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Al vencimiento	5,62%	5,60%	MM$ 32.000	2014	-	-	32.000.000	-	-	32.000.000
Bono 144A (6)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	Bank of New York	USA	US$	Al vencimiento	3,23%	2,88%	US$ 300 mm	2015	-	-	-	146.889.507	-	146.889.507
Bono Serie C (7)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Al vencimiento	0,00%	6,30%	MM$ 66.000	2016	-	-	-	66.000.000	-	66.000.000
Bono Serie D (8)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	U.F.	Al vencimiento	0,00%	3,60%	UF 2 mm	2016	-	-	-	44.375.180	-	44.375.180
Total unguaranteed obligations													-	-	**32.000.000**	**257.264.687**	-	**289.264.687**

Types	**Debtor taxpayer No.**	**Debtor**	**Debtor Country**	**Creditor taxpayer No.**	**Creditor**	**Country of debtor**	**Currency**	**Amortization type**	**Effective rate**	**Nominal rate**	**Nominal value**	**Term**	**Current**			**Non-current**			
													To Maturity		**Total current as of 12.31.2011 ThCh$**	**To Maturity**			**Total Non current as of 12.31.2011 ThCh$**
													Up to 90 days ThCh$	**90 days to 1 years ThCh$**		**1 to 3 years ThCh$**	**3 to 5 years ThCh$**	**5 years and over ThCh$**	
Syndicated Loan (1)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	Upon maturity	7,48%	7,03%	MM$ 31.000	2012	31.073.278	-	31.073.278	-	-	-	-
Syndicated Loan (2)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	BBVA BANCOMER	México	US$	Upon maturity	1,48%	1,09%	US$ 70 mm	2016	19.667	-	19.667	-	35.829.063	-	35.829.063
Bilateral Loan (3)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97030000-7	Banco Estado	Chile	CLP	Upon maturity	6,98%	6,79%	MM$ 49.000	2016		268.173	268.173	-	48.703.107	-	48.703.107
Bilateral Loan (4)	87845500-2	Telefónica Móviles Chile S.A.	Chile	9700400-5	Banco Chile	Chile	CLP	Upon maturity	7,43%	7,20%	MM$ 26.000	2014		102.143	102.143	25.896.520	-	-	25.896.520
Total bank loans													**31.092.945**	**370.316**	**31.463.261**	**25.896.520**	**84.532.170**	**-**	**110.428.690**
Series A Bond (5)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Upon maturity	5,62%	5,60%	MM$ 32.000	2014	807.667	-	807.667	31.993.244	-	-	31.993.244
144A Bond (6)	87845500-2	Telefónica Móviles Chile S.A.	Chile	0-E	Bank of New York	USA	US$	Upon maturity	3,23%	2,88%	US$ 300 mm	2015	-	164.537	164.537	-	154.317.657	-	154.317.657
Series C Bond (7)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	CLP	Upon maturity	6,73%	6,30%	MM$ 66.000	2016	-	312.694	312.694	-	65.069.375	-	65.069.375
Series D Bond (8)	87845500-2	Telefónica Móviles Chile S.A.	Chile	97036000-K	Banco Santander	Chile	U.F.	Upon maturity	3,83%	3,60%	UF 2 mm	2016	-	116.045	116.045	-	44.227.264	-	44.227.264
Total unguaranteed obligations													**807.667**	**593.276**	**1.400.943**	**31.993.244**	**263.614.296**	**-**	**295.607.540**

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

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

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

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

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

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

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

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

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

19. Other Current Non-financial Liabilities

Other current non-financial liabilities are detailed as follows:

Description	06.30.2012 ThCh$	12.31.2011 ThCh$
Deferred income, current (1)	60.910.094	62.404.619
Other taxes (2)	3.845.558	957.309
Total	**64.755.652**	**63.361.928**

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

Movements of deferred income are detailed as follows:

Deferred revenues	06.30.2012 Current ThCh$	12.31.2011 Current ThCh$
Opening balance	62.404.619	33.501.232
Endowments	229.758.744	468.390.061
Reduction/applications	(231.253.269)	(439.486.674)
Movements, subtotal	**(1.494.525)**	**28.903.387**
Final balance	**60.910.094**	**62.404.619**

20. Trade and Other Accounts Payable

Trade and other accounts payable are detailed as follows:

Description	06.30.2012 ThCh$	12.31.2011 ThCh$
Accounts payable due to purchases or services rendered (1)	106.470.843	117.864.409
Property, plant and equipment suppliers	22.189.775	46.985.415
Total	**128.660.618**	**164.849.824**

(1) “Debts for purchases or services rendered” correspond to foreign and domestic suppliers, for purchase of handsets, interconnection services, circuit rentals, marketing, call center, network maintenance and information services, among other things.

21. Other Provisions

The balance of provisions is detailed as follows:

a) Other short-term provisions

Description	06.30.2012 ThCh$	12.31.2011 ThCh$
Legal contingencies provision (1)	749.060	1.843.816
Total	**749.060**	**1.843.816**

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

Based on the development of legal proceedings, the Company's management considers that the provisions recorded in the consolidated financial statements adequately cover the risks for the lawsuits described in Note 24, and therefore, they do not expect additional liabilities to arise.

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

b) Current employee benefits provision

Description	06.30.2012 ThCh$	12.31.2011 ThCh$
Goal achievement bonuses (1)	-	343.329
Total	**-**	**343.329**

(1) During January 2011, key personnel was transferred to Telefonica Chile Servicios Corporativos Ltda. a direct subsidiary of Telefonica Chile S.A. and as of March 31, 2012 almost all employees have been transferred to Telefonica Gestion Servicios Compartidos Chile S.A..

c) Other long-term provisions

Description	06.30.2012 ThCh$	12.31.2011 ThCh$
Staff severance indemnities (1)	-	406.656
Investment in related company reserve (2)	879	1.540.017
Dismantling provision	13.252.339	13.252.339
Total	**13.253.218**	**15.199.012**

(1) During January 2011, key personnel was transferred to Telefonica Chile Servicios Corporativos Ltda. a direct subsidiary of Telefonica Chile S.A. and as of December 31, 2011 almost all employees have been transferred to Telefonica Gestion Servicios Compartidos Chile S.A..

21. **Other Provisions**, continued

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

Movements	**06.30.2012 ThCh$**	**12.31.2011 ThCh$**
Beginning balance	**15.199.012**	**10.866.678**
Increase in existing provisions	0	5.679.232
Provision used	(1.945.794)	(1.346.898)
Movements, subtotal	**(1.945.794)**	**4.332.334**
Ending balance	**13.253.218**	**15.199.012**

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

Taxpayer No.	Name	Investment balance 06.30.2012	Participation percentage	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income	Ordinary expenses	Income
96.898.630-9	Intertel S.A. (1)	(879)	50,00	242	0	2.000	0	0	1.702	(1.702)

(1) As of December 31, 2011, T. Moviles Chile S.A. consolidated this company since it had direct control of 50% and indirect control over the remaining 50%. The latter interest was sold on April 30, 2012 to Inversiones Telefonica Moviles Holding S.A.

Taxpayer No.	Name	Investment balance 12.31.2011	Participation percentage	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income	Ordinary expenses	Income
96.961.230-5	Telefónica Chile Servicios Corporativos Ltda. (1)	(1.540.017)	48,00	58.925.873	41.032.486	73.354.918	29.811.810	82.886.162	78.646.356	2.611.525

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

21. Other Provisions, continued

Movements in investments accounted for using the equity method for June 30, 2012 and December 31, 2011 are detailed as follows:

Movements	06.30.2012 Intertel S.A. ThCh$
Beginning balance	28
Participation in ordinary earnings	851
Dividends received	
Movements, subtotal	**851**
Ending balance	**879**

22. Employee benefit expenses

Personnel expenses are detailed as follows:

Description	04.01.2012 to 06.30.2012 ThCh$	01.01.2012 to 06.30.2012 ThCh$	04.01.2011 to 06.30.2011 ThCh$	01.01.2011 to 06.30.2011 ThCh$
Wages and salaries (1)	-	-	6.905.322	13.519.134
Benefits obligation expense	-	-	319.168	2.427.389
Health and life insurance	-	-	356.316	711.749
Other employee expenses (2)	579.319	587.837	310.050	1.011.988
Total	**579.319**	**587.837**	**7.890.856**	**17.670.260**

(1) During January 2011, key personnel was transferred to Telefonica Chile Servicios Corporativos Ltda. a direct subsidiary of Telefonica Chile S.A. and as of December 31, 2011 almost all employees have been transferred to Telefonica Gestion Servicios Compartidos Chile S.A. The cost of services received for this concept is classified under other expenses (Note 22a iii), in the expenses for personnel transferred from other companies item.

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

22. Revenue and Expenses

a) Operating income and expenses

i) Operating income for the periods ended June 30, 2012 and 2011 is detailed as follows:

Operating income	04.01.2012 to 06.30.2012 ThCh$	01.01.2012 to 06.30.2012 ThCh$	04.01.2011 to 06.30.2011 ThCh$	01.01.2011 to 06.30.2011 ThCh$
Sales and equipment rental	14.211.895	28.315.565	13.734.175	27.161.715
Telecommunications services rendered	219.817.748	447.570.557	214.955.262	429.991.352
Total	**234.029.643**	**475.886.122**	**228.689.437**	**457.153.067**

ii) Other operating income for the periods ended June 30, 2012 and 2011 is detailed as follows:

Other income	04.01.2012 to 06.30.2012 ThCh$	01.01.2012 to 06.30.2012 ThCh$	04.01.2011 to 06.30.2011 ThCh$	01.01.2011 to 06.30.2011 ThCh$
Subleased space	1.053.822	1.926.312	1.459.878	1.866.551
Administration and management	0	-	67.651	135.260
Indemnity (1)	876.701	876.701	2.000.460	2.000.460
Other common management earnings	78.730	203.304	89.466	191.845
Beneficios por enajenación sociedad de inversión	**238.379**	480.254	992.352	992.352
Total	**2.247.632**	**3.486.571**	**4.609.807**	**5.186.468**

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

iii) As of June 30, 2012 and 2011, other miscellaneous operating expenses are detailed as follows:

Other expenses	04.01.2012 to 06.30.2012 ThCh$	01.01.2012 to 06.30.2012 ThCh$	04.01.2011 to 06.30.2011 ThCh$	01.01.2011 to 06.30.2011 ThCh$
Interconnections	39.917.717	80.870.097	40.530.475	74.295.265
Rent	17.319.985	31.100.998	12.601.312	25.372.319
Cost of sales of equipment and cards	18.116.012	39.653.687	16.688.723	35.355.424
External services	3.317.343	6.194.961	1.117.279	3.882.792
Sales commission	14.825.400	31.562.737	15.200.527	31.175.919
Customer services	8.784.989	16.319.246	6.536.117	11.701.026
Maintenance	3.617.352	7.182.720	5.129.387	10.872.996
Allowance for doubtful accounts	7.938.444	15.933.410	7.870.864	13.828.202
Advertising	5.289.476	12.108.015	5.733.103	10.958.824
Employee exp. transferred by other comp.	17.413.796	37.357.265	4.611.291	7.733.759
Electrical energy for technical installations	1.989.630	4.451.608	2.550.798	5.231.151
Administrative and management services	7.767.495	15.026.204	3.741.982	7.730.640
Others	5.986.916	13.976.113	4.161.594	9.309.030
Total	**152.284.555**	**311.737.061**	**126.473.452**	**247.447.347**

23. Revenues and Expenses, continued

b) Finance income and expenses

Finance income and expenses for the periods ended June 30, 2012 and 2011 are detailed as follows:

Net financial income	04.01.2012 to 06.30.2012 ThCh$	01.01.2012 to 06.30.2012 ThCh$	04.01.2011 to 06.30.2011 ThCh$	01.01.2011 to 06.30.2011 ThCh$
Finance income				
Interest earned on deposits and agreements	4.815.130	8.857.440	654.458	1.325.250
Derivative contracts (Forward)	11.344	51.518	-	-
Other finance income	2.500	5.707	72.205	106.733
Total finance income	**4.828.974**	**8.914.665**	**726.663**	**1.431.983**
Finance expenses				
Interest on loans from bank institutions	1.503.262	3.040.418	574.816	805.863
Interest on obligations and bonds	3.091.388	6.150.347	2.807.269	4.938.509
Finance leases	-	-	5.757	14.772
Derivative contracts (Forward)	(8.060)	95.601	-	95.817
Interest rate hedges (cross currency swap)	3.246.064	4.552.112	-	763.246
Other financial expenses	118.661	118.661	-	-
Total finance expenses	**7.951.315**	**13.957.139**	**3.387.842**	**6.618.207**
Net finance income	**(3.122.341)**	**(5.042.474)**	**(2.661.178)**	**(5.186.224)**

24. Contingencies and Restrictions

a) Direct and indirect guarantees:

As of June 30, 2012, the Company has not provided any direct or indirect guarantees to third parties.

	Debtor		Type of guarantee	Current receipts	Guarantee liberation		
Guarantee creditor	Name	Relationship		M$	2012	2013	2014 and thereon
Adm. De Fondos de Inversión Privados San Bernardo	TMCH	Parent company	Guarantee	3.738	3.738	-	-
Administradora Plaza Vespucio S.A.	TMCH	Parent company	Guarantee	178.276	-	-	178.276
Anglo American Chile Limitada	TMCH	Parent company	Guarantee	21.260	-	21.260	-
Cai Gestion Inmobiliaria	TMCH	Parent company	Guarantee	13.455	-	-	13.455
Camara De Diputados	TMCH	Parent company	Guarantee	10.000	10.000	-	-
Cencosud Shopping Center S.A.	TMCH	Parent company	Guarantee	5.224	-	-	5.224
Constructora Y Administradora Uno S.A.	TMCH	Parent company	Guarantee	14.767	-	-	14.767
Corporación Nacional Forestal	TMCH	Parent company	Guarantee	7.916	-	7.916	-
Departamento De Educacion Municipal	TMCH	Parent company	Guarantee	200	200	-	-
Desarrollos Inmobiliarios San Antonio S.A.	TMCH	Parent company	Guarantee	3.107	3.107	-	-
Direccion De Bibliotecas, Archivos y Museos	TMCH	Parent company	Guarantee	1.000	1.000	-	-
Direccion Del Trabajo	TMCH	Parent company	Guarantee	500	500	-	-
Dirección Del Trabajo	TMCH	Parent company	Guarantee	6.353	-	-	6.353
Direccion General de Aeronautica Civil	TMCH	Parent company	Guarantee	16.095	-	5.327	10.768
Empresa De Transportes De Pasajeros Metro S.A.	TMCH	Parent company	Guarantee	113.889	6.779	2.711	104.399
Fondo De Solidaridad E Inversion Social	TMCH	Parent company	Guarantee	1.000	1.000	-	-
Fundacion Cultural Y Agricola De La Dehesa De Santiago	TMCH	Parent company	Guarantee	1.697	-	-	1.697
Gendarmeria De Chile	TMCH	Parent company	Guarantee	16.777	3.381	13.395	-
Gobierno Regional De Arica Y Parinacota	TMCH	Parent company	Guarantee	750	250	-	500
I. Municipalidad De Molina	TMCH	Parent company	Guarantee	200	200	-	-
I. Municipalidad De Valparaiso	TMCH	Parent company	Guarantee	4.200	-	-	4.200
Ilustre Municipalidad De Antofagasta	TMCH	Parent company	Guarantee	300	300	-	-
Ilustre Municipalidad De El Quisco	TMCH	Parent company	Guarantee	1.020	900	120	-
Ilustre Municipalidad De Iquique	TMCH	Parent company	Guarantee	1.000	1.000	-	-
Ilustre Municipalidad De La Pintana	TMCH	Parent company	Guarantee	700	-	700	-
Ilustre Municipalidad De Molina	TMCH	Parent company	Guarantee	1.520	-	1.520	-
Ilustre Municipalidad De Mulchen	TMCH	Parent company	Guarantee	46	-	46	-
Ilustre Municipalidad De Padre Las Casas	TMCH	Parent company	Guarantee	93	-	93	-
Ilustre Municipalidad De Providencia	TMCH	Parent company	Guarantee	855	855	-	-
Ilustre Municipalidad De Punitaqui	TMCH	Parent company	Guarantee	100	100	-	-
Ilustre Municipalidad De Quillon	TMCH	Parent company	Guarantee	4.517	-	-	4.517
Inmobiliaria Mall Calama S.A.	TMCH	Parent company	Guarantee	4.945	-	-	4.945
Inmobiliaria Mall Viña Del Mar S.A.	TMCH	Parent company	Guarantee	9.922	2.116	7.806	-
Mall Del Centro Concepcion	TMCH	Parent company	Guarantee	6.065	-	-	6.065
Melon S.A.	TMCH	Parent company	Guarantee	6.150	4.523	-	1.628
Ministerio De Bienes Nacionales	TMCH	Parent company	Guarantee	4.004	3.469	-	535
Ministerio Público	TMCH	Parent company	Guarantee	65.818	-	65.818	-
Municipalidad De Estacion Central	TMCH	Parent company	Guarantee	5.369	5.369	-	-
Municipalidad De Molina	TMCH	Parent company	Guarantee	1.262	-	1.262	-
Municipalidad De Vitacura	TMCH	Parent company	Guarantee	16.566	2.000	-	14.566
Municipalidad Padre Las Casas	TMCH	Parent company	Guarantee	531	-	531	-
Parque Arauco S.A.	TMCH	Parent company	Guarantee	14.772	-	-	14.772
Plaza Antofagasta S.A.	TMCH	Parent company	Guarantee	2.631	-	-	2.631
Plaza Estación S.A.	TMCH	Parent company	Guarantee	861	861	-	-
Plaza Oeste	TMCH	Parent company	Guarantee	3.351	-	-	3.351
Seremi De Bienes Nacionales Region De Aysen	TMCH	Parent company	Guarantee	351	-	-	351
Servicio De Registro Civil E Identificación	TMCH	Parent company	Guarantee	1.498	-	1.498	-
Servicio Nacional De La Mujer	TMCH	Parent company	Guarantee	100	100	-	-
Subsecretaria De Economía Y Empresas De Menor Tamaño	TMCH	Parent company	Guarantee	9.150	-	-	9.150
Subsecretaria De Telecomunicaciones	TMCH	Parent company	Guarantee	3.249.490	79.717	340.088	2.829.685
Subsecretaria De Transportes	TMCH	Parent company	Guarantee	9.000	9.000	-	-
Wal-Mart Chile Inmobiliaria S.A.	TMCH	Parent company	Guarantee	4.969	-	-	4.969
				3.847.360	140.465	470.091	3.236.804

24. Contingencies and Restrictions

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$ 392,801 is estimated as a probable contingency.

- Civil lawsuits: Civil matters include actions, collection and damage indemnity. The probable contingency is estimated at the total sum of ThCh $ 100,000.

- Contentious-administrative: due to the lawsuits filed before the Undersecretary of Telecommunications and Ordinary Courts, the probable contingency amounts to ThCh$ 176,082, for the concept of fines, including those applied daily as a court action.

- Consumer Rights Protection Law: complaints have been filed against the Company for infraction of the Consumer Rights Protection Law, with damage indemnity lawsuits and associated fines. These represent a probable contingency in the amount of ThCh$ 32,739.

- Tax affairs: there are two processes being followed before Customs for collection of customs duties on imported handsets, due to the application of the Free Trade Agreements signed by Chile and Mexico and South Korea. They currently represent a probable contingency amounting to ThCh$ 47,438.

c) Other contingencies:

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

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

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

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

As of June 30, 2012 there are no other contingencies and restrictions to report.

d) Insurance:

As of June 30, 2012 no insurance has been used.

e) Financial restrictions:

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

25. Local and Foreign Currency

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

Current assets	06.30.2012 ThCh$	12.31.2011 ThCh$
Cash and cash equivalents	**219.619.485**	**135.767.861**
US dollars	33.948	353.402
Euros	10.366	7.328
Chilean pesos	219.575.171	135.407.131
Other current financial assets	**74.538.714**	**106.622.873**
US dollars	4.006.582	2.688.570
Euros	503	-
Chilean pesos	65.976.160	100.584.885
U.F.	4.555.469	3.349.418
Trade and other accounts receivable, current	**123.884.498**	**186.886.517**
US dollars	-	146.492
Euros	0	21.207
Chilean pesos	123.884.498	186.718.818
Accounts receivable from related companies	**38.503.640**	**39.691.996**
US dollars	717.918	632.331
Euros	254.942	495.425
Chilean pesos	37.530.780	38.564.240
Other current assets (1)	**94.478.883**	**87.677.103**
Chilean pesos	93.536.351	86.734.571
U.F.	942.532	942.532
Total current assets	**551.025.220**	**556.646.350**
US dollars	4.758.448	3.820.795
Euros	265.812	523.960
Chilean pesos	540.502.959	548.009.645
U.F.	5.498.001	4.291.950

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

Non-current assets	06.30.2012 ThCh$	12.31.2011 ThCh$
Other non-current financial assets	**4.211.611**	**10.942.691**
US dollars	3.558.710	4.474.493
U.F.	652.901	6.468.198
Otros activos no financieros no corrientes	**1.564.829**	**1.983.081**
Chilean pesos	1.564.829	1.983.081
Non-current rights receivable	**-**	**96.063**
Chilean pesos	-	96.063
Other non-current assets (2)	**942.144.459**	**941.053.999**
Chilean pesos	942.144.459	941.053.999
Total non-current assets	**947.920.899**	**954.075.834**
US dollars	3.558.710	4.474.493
Chilean pesos	943.709.288	943.133.143
U.F.	652.901	6.468.198

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

24. Local and Foreign Currency, continued

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

Current liabilities	**06.30.2012** ThCh$	**12.31.2011** ThCh$
Other current financial liabilities	**3.641.769**	**33.959.611**
US dollars	162.037	184.204
U.F.	113.992	116.045
Chilean pesos	3.365.740	33.659.362
Trade and other accounts payable	**128.660.618**	**164.849.824**
US dollars	57.525.384	38.242.904
Euros	9.769.219	3.037.629
Chilean pesos	58.682.155	69.241.606
U.F.	2.574.466	9.801.490
Other currencies	109.394	44.526.195
Accounts payable to related companies, current	**95.883.570**	**91.187.683**
US dollars	1.154.002	1.027.231
Euros	39.927.738	37.412.909
Chilean pesos	54.801.830	52.747.543
Other current liabilities (1)	**77.522.713**	**69.327.237**
Chilean pesos	77.522.713	69.327.237
U.F.	-	-
Total current liabilities	**305.708.671**	**359.324.355**
US dollars	58.841.423	39.454.339
Euros	49.696.957	40.450.538
Chilean pesos	194.372.438	224.975.748
Other currencies	109.394	44.526.195
U.F.	2.688.458	9.917.535

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

Non-current liabilities	**06.30.2012**	**12.31.2011**	**06.30.2012**	**12.31.2011**	**06.30.2012**	**12.31.2011**
	1 a 3 años M$		**3 a 5 años M$**		**más de 5 años M$**	
Other non-current financial liabilities	**57.907.861**	**59.429.781**	**342.927.767**	**346.606.449**	**-**	**-**
US dollars	-	-	184.076.945	190.146.720	-	-
U.F.	-	-	44.932.687	44.227.264	-	-
Chilean pesos	57.907.861	59.429.781	113.918.135	112.232.465	-	-
U.F.	-	-	-	-		
Other non-current liabilities (2)	**-**	**-**	**1.366.519**	**406.656**	**13.664.810**	**15.018.569**
Chilean pesos	-	-	1.366.519	406.656	13.664.810	15.018.569
Total non-current liabilities	**57.907.861**	**59.429.781**	**344.294.286**	**347.013.105**	**13.664.810**	**15.018.569**
US dollars	-	-	184.076.945	190.146.720	-	-
U.F.	-	-	44.932.687	44.227.264	-	-
Chilean pesos	57.907.861	59.429.781	115.284.654	112.639.121	13.664.810	15.018.569

(2) Incluye: Otras provisiones a largo plazo y otros pasivos no financieros no corrientes.

.26. Environment:

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

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

27. Financial Risk Management

a) Characterization of the Market and Competition

The Mobile Market is characterized for having a high penetration rate which exceeds 130% and also for being extremely competitive and intense in its search for new customer services and solutions. In order to comply with these requirements, high levels of investment are required in transmission networks and access in order to increase the capacity and quality of the services provided.

The number of mobile subscribers in 2012 reached 23.9 million. Movistar has a 38.1% share, and the main markets participating in the industry together with Movistar are Entel and Claro. During the second quarter Nextel and VTR began their mobile voice operations. In addition Virtual Mobil Operators (VMO) such as Virgin Mobile and GTD Movil have joined the commercial offer, but still with minor participation. We expect that during the second half of this year new VMO will be incorporated to the commercial offer.

The industry is currently composed of five operators. Movistar is an active market participant with more than 9.6 million customers. The strategies carried out by the concessionaries have a common factor of offering better quality service and being price competitive.

Main landmarks of the first half of the year ended as of June 30, 2012:

- Mobile Numeric Portability began on January 16.
- Fixed Portability arrived to the Metropolitan Region on March 12
- On May 10 technical projects were presented in public tenders called by Subtel to award three public fixed and/or mobile data transmission concessions on the 2,505 – 2,565 MHz and 2,625 – 2,685 MHz frequencies band.
- On June 11, 2012 Law No. 20,599 regulating the installation of telecommunications services transmitter and broadcasting antennas was published in the Official Gazzette.

In the same manner as in the last quarter, we believe that the main landmark occurred to date this year is the coming into effect of Mobile Numeric Portability throughout the country and Fixed Portability which is soon to be completed (it is already present in the country's main cities). This has forced the industry to focus on investments, adjust its platforms and place its efforts on improving plans and quality of service to its subscribers. The financial effects at Movistar produced by the coming into effect of numeric portability in the six-months ended June 30, 2012 have not been relevant to date.

27. Financial Risk Management, continued

b) Competition risk

In the mid-term new competitors Nextel and VTR will compete in all products.

Virtual Mobile Operators on the other hand are a new business that is still not embedded in discussions and whose niche-targeted offer might alter the composition of the market.

In order to maintain its current solid position, Movistar shall continue developing its competitive strategy based on innovation, aligning with it the performance of key business variables and the reliability, reputation and advantages that the brand represents to 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.

27. Financial Risk Management, continued

d) Financial risk management objectives and policies

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

The Company's management oversees that financial risks are identified, measured and managed in accordance with policies defined for such purposes. All risk management activities are carried out by teams of specialists with appropriate skills, experience and supervision.

The policies for managing these risks are summarized below:

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

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

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

The Company periodically determines the efficient exposure of its short and long-term debt to changes in interest rates, based on the future evolution of rates. As of June 30, 2012, 36% of the Company's short and long-term financial debt is maintained at fixed interest rates.

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.

27. Financial Risk Management, continued

d) Financial risk management objectives and policies, continued

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, 2012, the Company maintains 45% of its total debt in foreign currency.

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

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

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

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.

27. Financial Risk Management, continued

f) Perspectives

In the short-term it is expected that a highly competitive scenario will continue, due to the high levels of penetration reached together with aggressive commercial actions carried out by all operators, focusing mainly on increasing the use of data transmission services, especially Mobile Broadband services through the 3G networks. Both current operators and new entrants (Nextel and VTR Movil) resulting from the public tender process for the 90Mhz spectrum and the VMOs will increase their commercial offer demanding investments in human and financial resources, which will result in incorporating users that are currently outside the industry or the transfer of customers that are unhappy with the service currently provided by their operator.

In the long-term it is expected that there will be an exponential increase in data traffic, due to the growing supply of Smartphones and Tablet applications and other devices that communicate Machine to Machine (M2M) which will affect the growth of Mobile Broadband, in 3G or 4G networks.

28. Subsequent Events

The consolidated financial statements of Telefonica Moviles Chile S.A., for the year ended as of June 30, 2012 were approved and authorized for issuance at the Board of Directors Meeting held on July 19, 2012.

From July 1 and 19, 2012 , there have been no other events of a financial or other nature that might significantly affect their balances or interpretation.