TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended
December 31, 2010 and 2009

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

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

.

CONTENT

ThCh$: Thousands of Chilean pesos

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Report of Independent Auditors
(A free translation from the original report issued in Spanish)

To the Shareholders and Directors of
Telefónica Móviles Chile S.A.:

We have audited the accompanying consolidated statements of financial position of Telefónica Móviles Chile S.A. and its subsidiaries (the "Company") as of December 31, 2010 and 2009 and the related consolidated statements of comprehensive income, changes in shareholders equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of significant misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Telefónica Móviles Chile S.A. and subsidiaries as of December 31, 2010 and 2009 and the results of their operations and their cash flows for the years then ended, in conformity with International Financial Reporting Standards.

Fernando Zavala C.

ERNST & YOUNG LTDA.

Santiago, January 27, 2011

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

ASSETS	**Notas**	**12.31.2010**	**12.31.2009**
		ThCh$	**ThCh$**
CURRENT ASSETS			
Cash and cash equivalents	(5)	131,273,568	68,690,295
Other current financial assets	(9)	211,182	1,431,693
Other current non-financial assets	(10)	32,769,008	22,544,931
Trade and other current accounts receivable	(6a)	150,117,776	126,659,637
Current accounts receivable from related companies	(7a)	21,109,095	9,577,257
Inventory	(8a)	53,343,297	46,845,159
Tax assets, current		445,916	581,168
Total current operating assets		**389,269,842**	**276,330,140**
TOTAL CURRENT ASSETS		**389,269,842**	**276,330,140**
NON-CURRENT ASSETS			
Intangible assets, net	(12)	62,763,245	537,426,243
Goodwill	(13)	483,179,725	
Property, plant and equipment	(14)	394,480,621	372,430,893
Deferred tax assets	(11c)	38,543,422	65,342,214
TOTAL NON-CURRENT ASSETS		**978,967,013**	**975,199,350**
TOTAL ASSETS		**1,368,236,855**	**1,251,529,490**

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

LIABILITIES	**Notas**	**12.31.2010**	**12.31.2009**
		ThCh$	**ThCh$**
CURRENT LIABILITIES			
Other current financial liabilities	(17)	110,847,025	24,294,521
Trade and other accounts payable	(19)	187,629,295	94,909,015
Current accounts payable to related companies	(7b)	47,782,229	62,969,239
Other short-term provisions	(20a)	464,466	467,788
Current tax liabilities	(11b)	5,632,253	6,705,737
Current employee benefits accrual	(20b)	4,389,599	5,264,483
Other current non-financial liabilities	(18)	36,065,177	28,442,925
TOTAL CURRENT LIABILITIES		**392,810,044**	**223,053,708**
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(17)	215,158,204	178,866,806
Other long-term provisions	(20c)	10,866,678	9,813,179
Other non-financial non-current liabilities		-	519,172
TOTAL NON-CURRENT LIABILITIES		**226,024,882**	**189,199,157**
NET SHAREHOLDERS' EQUITY			
Issued capital	(15a)	941,101,241	1,980,350,053
Retained earnings (losses)		199,506,629	272,837,717
Other reserves	(15d)	(391,205,941)	(1,413,911,145)
Shareholders' equity attributable to owners of the parent		749,401,929	839,276,625
Non-controlling interests		-	-
TOTAL NET SHAREHOLDERS' EQUITY		**749,401,929**	**839,276,625**
TOTAL NET LIAB. & SHAREHOLDERS EQUITY		**1,368,236,855**	**1,251,529,490**

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME BY NATURE
December 31, 2010 and 2009
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

		For the years ended December 31	
	Notas	2010	2009
STATEMENTS OF INCOME		**ThCh$**	**ThCh$**
Operating income	(22a)	853,861,636	783,007,097
Other income, by nature	(22a)	28,910,239	15,377,843
Employee benefits expenses	(21)	(41,386,901)	(41,967,206)
Depreciation and amortization expense	14)	(167,014,758)	(148,852,012)
Other expenses, by nature	(22a)	(441,246,466)	(419,982,615)
Finance income	(22b)	3,048,054	2,307,141
Finance costs	(22b)	(7,806,881)	(8,639,276)
Foreign currency translation		(544,197)	(182,212)
Profits before tax from continuing operations		**227,820,726**	**181,068,760**
Income tax expense	(11c)	(28,314,096)	(33,016,830)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**199,506,630**	**148,051,930**
Profit (loss) attributable to:			
Profit (loss) attributable to owners of the parent		199,506,630	148,051,930
Profit (loss) attributable to non-controlling interests		-	-
PROFIT FOR THE YEAR		**199,506,630**	**148,051,930**
EARNINGS PER SHARE		**$**	**$**
Earnings per basic share:			
Earnings per basic share for continuing operations	(16)	1,231.28	1,405.31
Diluted earnings per share:			
Diluted earnings per share from continuing operations		1,231.28	1,405.31

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME BY NATURE
December 31, 2010 and 2009
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

	For the years ended December 31	
	2010	2009
	ThCh$	ThCh$
STATEMENT OF COMPREHENSIVE INCOME		
PROFIT FOR THE YEAR	**199,506,630**	**148,051,930**
Components of other comprehensive income before taxes		
Cash flow hedges:		
Profit (loss) on cash flow hedges, before taxes	(799,253)	777,765
Other components of other comprehensive income, before taxes	**(799,253)**	**777,765**
Income taxes related to components of other comprehensive income:		
Income tax related to hedging cash flows from other comprehensive income	116,131	(132,220)
Sum of income taxes related to components of other comprehensive income	**116,131**	**(132,220)**
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**(683,122)**	**645,545**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**198,823,508**	**148,697,475**
COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Comprehensive income attributable to owners of the parent	198,823,508	148,697,475
Comprehensive income attributable to non-controlling interests	-	-
TOTAL COMPREHENSIVE INCOME	**198,823,508**	**148,697,475**

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
December 31, 2010 and 2009(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 01.01.2010	**1,980,350,053**	**645,545**	**313,278**	**(1,370,821,189)**	**(1,369,862,366)**	**228,788,938**	**839,276,625**	-	**839,276,625**
Changes in equity:									
Comprehensive income									
Profit	-	-	-	-	-	199,506,630	199,506,630	-	199,506,630
Other comprehensive income	-	(683,122)	-	-	(683,122)	-	(683,122)	-	(683,122)
Dividends	-	-	-	-	-	(288,640,927)	(288,640,927)	-	(288,640,927)
Increase (decrease) from transfers and other changes	(1,039,248,812)	-	(57,277)	1,039,248,812	1,039,191,535	-	(57,277)	-	(57,277)
Total changes in equity	**(1,039,248,812)**	**(683,122)**	**(57,277)**	**1,039,248,812**	**1,038,508,413**	**(89,134,297)**	**(89,874,696)**	-	**(89,874,696)**
Ending balance as of 09.30.2010	**941,101,241**	**(37,577)**	**256,001**	**(331,572,377)**	**(331,353,953)**	**139,654,641**	**749,401,929**	-	**749,401,929**
Beginning balance as of 01.01.2009	**2,165,350,053**	-	**338,198**	**(1,323,236,562)**	**(1,322,898,364)**	**77,339,257**	**919,790,946**	**946**	**919,791,892**
Changes in equity:									
Comprehensive income									
Profit	-	-	-	-	0	148,051,930	148,051,930		148,051,930
Other comprehensive income	-	645,545	-	-	645,545	-	645,545	-	645,545
Resulting from business combinations			-	(47,584,627)	(47,584,627)	47,446,530	(138,097)		(138,097)
Dividends			-	-	0	(44,048,779)	(44,048,779)		(44,048,779)
Capital reduction	(185,000,000)		-	-	0	-	(185,000,000)		(185,000,000)
Transfers to (from) retained earnings				-	0	-	0		0
Increase (decrease) from transfers and other changes	-	-	(24,920)	-	(24,920)		(24,920)	(946)	(25,866)
Total changes in equity	**(185,000,000)**	**645,545**	**(24,920)**	**(47,584,627)**	**(46,964,002)**	**151,449,681**	**(80,514,321)**	**(946)**	**(80,515,267)**
Ending balance as of 09.30.2009	**1,980,350,053**	**645,545**	**313,278**	**(1,370,821,189)**	**(1,369,862,366)**	**228,788,938**	**839,276,625**	**0**	**839,276,625**

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

TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
December 31, 2010 and 2009
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

	For the years ended December 31,	
	2010	**2009**
	ThCh$	**ThCh$**
Cash flows provided by operating activities:		
Profit	**199,506,630**	**148,051,930**
Adjustments to reconcile profits to net cash flows:		
Adjustments due to income tax expense	28,314,097	33,016,830
Adjustments due to decrease (increase) in inventory	(7,664,698)	12,977,811
Adjustments due to decrease (increase) in trade accounts receivable	(42,406,198)	108,677,693
Adjustments due to decrease (increase) in other accounts receivable derived from operating activities	(99,393,033)	(82,366,254)
Adjustments due to increase (decrease) in trade accounts payable	63,772,059	(69,504,530)
Adjustments due to increase (decrease) in other accounts payable derived from operating activities	18,874,024	552,565
Adjustments due to depreciation and amortization expenses	167,014,758	148,852,012
Adjustments due to provisions	47,413	(3,939,248)
Adjustments due to unrealized losses (profits) in foreign currency	544,199	182,212
Adjustments due to fair value losses (profits)	-	13,013
Other adjustments due to items other than cash	-	(116,274)
Total adjustments due to reconciliation of profit (losses)	129,102,621	148,345,830
Interest received	-	(16,001)
Cash flows provided by operating activities:	**328,609,251**	**296,381,759**
Cash flows used in investment activities:		
Amounts arising from the sale of property, plant and equipment	-	2,454,436
Additions to property, plant and equipment	(75,863,587)	(77,896,198)
Interest received	3,572,880	4,444,543
Net cash flows used in investment activities	**(72,290,707)**	**(70,997,219)**
Cash flows from financing activities:		
Proceeds from long-term loans	146,889,500	31,979,990
Payment of finance lease liabilities	(67,174)	(113,910)
Loan payments	(23,000,000)	(23,000,000)
Dividends paid	(312,000,000)	(185,000,000)
Interest paid	(5,557,597)	(6,929,227)
Net cash flows used in financing activities	**(193,735,271)**	**(183,063,147)**
Net increase in cash and cash equivalents, before effects of exchange rate changes:	62,583,273	42,321,393
Effects of changes in the exchange rate on cash and cash eqivalents:		
Net increase in cash and cash equivalents	62,583,273	42,321,393
Cash and cash equivalents, beginning of year	68,690,295	26,368,902
Cash and cash equivalents, end of year	**131,273,568**	**68,690,295**

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

Note 1. Corporate Information

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

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

On September 8, 2009, at an Extraordinary Shareholders' Meeting, the shareholders approved the merger by incorporation of the partners and equity of TEM Inversiones Chile Limitada, making Telefónica Móviles Chile S.A. the legal continuer (see Note 5).

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

As of December 31, 2010, the Company's direct parent is Inversiones Telefónica Móviles Holding Limitada, which belongs to the Spanish group Telefónica, S.A.

Note 2. Summary of Significant Accounting Policies

a) Periods covered

The consolidated financial statements (hereinafter, the "financial statements") cover the years ended December 31, 2010 and 2009.

b) Basis of presentation

The financial statements as of December 31, 2009 and their corresponding notes are presented in a comparative manner as indicated in Note 2 a). For the convenience of the reader, these consolidated financial statements and their accompanying notes have been translated from Spanish to English.

c) Basis of preparation

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

d) Basis of consolidation

The financial statements of Telefónica Móviles Chile S.A. and its subsidiaries include assets and liabilities as of December 31, 2010 and 2009. Balances with related companies, unrealized income and expenses and net income and losses have been eliminated and non-controlling interests have been recognized under "Non-controlling interests".

2. Summary of Significant Accounting Policies, continued

d) Basis of consolidation¸ continued

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

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

The following subsidiaries are included in consolidation:

Taxpayer No.	Company	Count. of origin	Funct. currency	Participation percentage				
				12.31.2010			12.31.2009	09.30.2009
				Direct	Indirecto	Total	Total	Total
96.672.150-2	Telefónica Móviles Chile Inversiones S.A.	Chile	CLP	99.999996	-	99.999996	99.999996	99.99
99.578.440-8	Telefónica Móviles Chile Distribución S.A.	Chile	CLP	99.99	-	99.99	99.99	99.99
96.898.630-9	Intertel S.A.	Chile	CLP	50	50	100	100	100

e) Foreign currency translation and indexation

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

Date	US$	EURO	UF
12-31-2010	468.01	621.53	21,455.55
12-31-2009	507.10	726.82	20,942.88

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

2. Summary of Significant Accounting Policies, continued

f) Financial assets and liabilities

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

i) Financial investments

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

ii) Accounts receivable

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

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

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

iii) Cash and cash equivalents

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

iv) Interest-bearing loans

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

2. Summary of Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

v) Derivative financial instruments

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies, continued

g) Inventory

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

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

Obsolescence is determined based on rotation of equipment and accessories.

h) Impairment of non-current assets

At each year-end non-current assets are evaluated for possible indications of impairment. If such indications exist, the Company estimates the asset's recoverable amount, which is its value in use or its fair value, less costs to sell, whichever is greater. Value in use is determined by discounting estimated future cash flows. When an asset's recoverable amount is less than its net book value, impairment is recorded.

To calculate impairment, the Company estimates the return on assets assigned to the different cash generating units based on expected cash flows.

Discount rates used are determined before taxes and adjusted for the respective country and business risk. Accordingly a rate of 10.7% was used in 2010 and 2009, and no impairment adjustments were made.

i) Leases

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

Leased assets for which the significant risks and rewards of ownership are transferred to the Company are considered finance leases. At inception the asset and associated liability are recorded at the fair value of the leased asset or the present value of the minimum agreed-upon lease payments if lower. Interest expense is charged to income throughout the life of the lease. Depreciation of these assets is included in depreciation of Property, Plant and Equipment. The Company reviews all contracts to determine if they contain an embedded lease. As of December 31, 2010 and 2009 no embedded leases were identified.

2. Summary of Significant Accounting Policies, continued

j) Income taxes

The income tax expense for each period includes current and deferred income taxes.

Tax assets and liabilities for the current and prior periods are measured at the amount the Company estimates it will recover or pay to tax authorities. Tax rates and regulations used to calculate these amounts are those in force as of each year-end (17% for 2010 and 2009).

Deferred taxes are calculated based on an analysis of the temporary differences that arise from differences between the tax and book value of assets and liabilities. These differences correspond primarily to the allowance for doubtful accounts, allowance for obsolescence, deferred income, depreciation of property, plant and equipment and tax losses.

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

Temporary differences generally become taxable or deductible when the related asset is recovered or the related liability is settled. A deferred tax liability or asset represents the amount of taxes payable or recoverable in future periods based on current tax rates as a result of temporary differences as of the end of the current period.

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

k) Investment in associates

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

As of December 31, 2010 and 2009, the investment in Buenaventura S.A. has negative shareholders' equity and, therefore the investment was valued at one Chilean peso for control purposes.

l) Goodwill

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

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

2. Summary of Significant Accounting Policies, continued

m) Intangibles

i) Concession licenses

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

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

ii) Software licenses

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

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

The amortization methods and periods used are reviewed at each period end and, if appropriate, are adjusted prospectively.

n) Property, plant and equipment

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

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

The Company maintains service agreements with customers to which it has leased phones, which are depreciated on a straight-line basis over a period of 14 months.

The Company capitalizes borrowing costs incurred in and directly attributable to the purchase and construction of qualified assets. Qualified assets under the criteria of the Telefónica Group are those that require at least 18 months of preparation for their use or sale. As of December 31, 2010 and 2009, no interest was capitalized.

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

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

2. Summary of Significant Accounting Policies, continued

ñ) Depreciation of property, plant and equipment

The Company depreciates Property, plant and equipment from the moment when the assets are in condition to be used, distributing the cost of the assets on a straight-line basis over the respective estimated useful life.

Estimated useful lives are detailed as follows:

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

Estimated residual values, amortization methods and periods are reviewed as of each year-end and if appropriate, adjusted prospectively.

The Company also applies procedures to evaluate any indications that assets have been impaired. If an asset's carrying amount exceeds its market value or capacity to generate net income, impairment adjustments are charged to income for the period

o) Provisions

i) Employee benefits

The Company must pay staff severance indemnities in accordance with collective bargaining agreements and other agreements with certain Company executives, which are accounted for using the accrued benefit cost method based on the following actuarial variables: annual interest rate of 5.0%, annual rotation rate of 2.4%, annual salary increase of 1.5%, retirement age of 65 for men and 60 for women. Discount rates are determined by referencing market interest curves and are certified by independent actuaries.

ii) Provision for dismantling expenses

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

iii) Other provisions

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

iv) Employee bonuses

This corresponds to provisions for performance bonuses given to personnel.

2. Summary of Significant Accounting Policies, continued

o) Revenue and expenses

Revenues and costs are recognized on an accrual basis, (i.e. when the right to receive or the obligation to pay arises). The moment when goods are delivered or received and services are provided is considered for these purposes, regardless of the timing of the cash flow receivable or payable (in advance, simultaneous or with credit).

The Company's revenue is derived primarily from providing mobile telecommunications services and is recognized to the extent that it is likely that economic benefits will flow to the Company and can be reliably measured. For the purpose of measuring and estimating telephone services provided but not yet invoiced as well as measuring revenue received in advance, the Company uses computer systems and processes to tally, validate and apply rates to airtime used and under contract by customers using records from various commutation centers.

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

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

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

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

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

q) Significant accounting judgments, estimates and assumptions

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

i) Property, plant and equipment and intangibles

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

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

2. Summary of Significant Accounting Policies, continued

q) Significant accounting judgments, estimates and assumptions, continued

ii) Deferred taxes

The Company evaluates probability of recovery of deferred tax assets based on estimates of future earnings. This probability of recovery ultimately depends on the Company's capacity to generate taxable income throughout the period in which the deferred tax assets are deductible. This analysis takes into consideration the forecasted reversal calendar for deferred tax liabilities as well as estimates of taxable income, based on internal projections that are updated to reflect recent trends.

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

iii) Provisions

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

Determination of the amounts of provisions is based on the best estimate of the disbursements that must be made for the corresponding obligations, taking into consideration all information available as of period-end, including the opinion of independent experts such as legal advisors and consultants.

iv) Revenue recognition: agreements combining more than one element

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

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

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

v) Employee benefits

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

vi) Financial assets and liabilities

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

2. Summary of 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 year are detailed below. As of the closing date, these standards are still not in force and the Company has not opted for early application of any of them:

	Improvements and Amendments	Mandatory application date
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 1, 2011
IFRS 3	Business Combinations	January 1, 2011
IFRS 7	Financial instruments: Disclosures	January 1, 2011
IFRS 9	Financial Instruments	January 1, 2013
IAS 1	Presentation of Financial Statements	January 1, 2011
IAS 24R	Related Party Disclosures	January 1, 2011
IAS 27	Consolidated and Separate Financial Statements	January 1, 2011
IAS 32	Financial Instruments: Presentation	January 1, 2011
IAS 34	Interim Financial Information	January 1, 2011
IFRIC 13	Customer Loyalty Programs	January 1, 2011
IFRIC 14 Amendment	Prepayment of Minimum Financing Requirements	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	January 1, 2011

The Company estimates that adoption of these Standards will not have a significant impact on the financial statements in the year of their initial application.

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 year-to-year comparison.

4. Financial Information by Segment

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

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

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

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Description	Currency	12.31.2010 ThCh$	12.31.2009 ThCh$
Cash and banks		**4,648,258**	**7,116,648**
	CLP	4,595,858	7,014,282
	USD	43,862	82,209
	EUR	8,538	20,157
Time deposits		**125,125,050**	**61,573,647**
	CLP	124,052,483	54,268,002
	UF	1,072,567	7,305,645
Repurchase agreements		**1,500,260**	-
	CLP	1,500,260	-
Total cash and cash equivalents		**131,273,568**	**68,690,295**
Subtotal by currency	**CLP**	**130,148,601**	**61,282,284**
	USD	**43,862**	**82,209**
	UF	**1,072,567**	**7,305,645**
	EUR	**8,538**	**20,157**

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 December 31, 2010 and 2009 are detailed as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate %	Average days to maturity	Principal in local currency	Accrued interest in local currency	Total as of 12.31.2010
					M$	M$	M$
Time deposit	CLP	123,681,260	0.30%	33	123,681,260	371,223	124,052,483
Time deposit	UF	49,761.86	2.36%	73	1,063,377	9,190	1,072,567
Totales					**124,744,637**	**380,413**	**125,125,050**

5. Cash and Cash Equivalents, continued

b) Time deposits, continued

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate %	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	Total as of 12.31.2009 ThCh$
Time deposit	CLP	54,267,212	0.74%	32	54,267,212	790	54,268,002
Time deposit	UF	348.11	6.83%	76	7,290,433	15,212	7,305,645
					61,557,645	**16,002**	**61,573,647**

c) Repurchase agreements

Investments in instruments with repurchase agreements maturing in 90 days are recorded at fair value and for 2010 and 2009 are detailed as follows:

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

As of December 31, 2009 the Company did not record balances for these transactions.

6. Trade and Other Accounts Receivable

a) Current accounts receivable are detailed as follows:

Description	12.31.2010			12.31.2009		
	Current			Current		
	Gross value ThCh$	All. f/doubt. accts. ThCh$	Net value ThCh$	Gross value ThCh$	All. f/doubt. accts. ThCh$	Net value ThCh$
Trade A/R	176,276,973	(48,023,155)	128,253,818	162,637,117	(36,810,903)	125,826,214
Misc. receivables (1)	21,863,958	-	21,863,958	833,423	-	833,423
Total	**198,140,931**	**(48,023,155)**	**150,117,776**	**163,470,540**	**(36,810,903)**	**126,659,637**

(1) Includes ThCh$21,168,324, corresponding to accounts receivable from insurance companies, associated to damages caused by the earthquake of February 2010.

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

Movements	12.31.2010 ThCh$	12.31.2009 ThCh$
Beginning balance	**36,810,903**	**28,368,536**
Increases	35,107,637	36,122,466
Eliminations/ Additions	(23,895,385)	(27,680,099)
Ending balance	**48,023,155**	**36,810,903**

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	12.31.2010					12.31.2009				
	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	6,221,801				6,221,801	31,386,543				31,386,543
Total	**6,221,801**	**0**	**0**	**0**	**6,221,801**	**31,386,543**	**0**	**0**	**0**	**31,386,543**

7. Related Party Disclosures

a) Current notes and accounts receivable:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	12.31.2010 ThCh$	12.31.2009 ThCh$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholder	Service rendered	CLP	1,856	348
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	Spain	Common shareholder	Service rendered	EUR	792,321	559,816
TELEFONICA INTERNACIONAL, S.A.	0-E	Spain	Shareholder	Service rendered	EUR	38,023	-
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholder	Service rendered	CLP	7,851,350	7,511,915
TELEFONICA MOVILES SAO PAULO	0-E	Brazil	Common shareholder	Service rendered	USD	51,919	61,799
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Common shareholder	Service rendered	USD	4,853	4,019
TELEFONICA, S.A.	0-E	Spain	Shareholder	Service rendered	EUR	10,535	10,535
ATENTO CHILE S.A.	96.895.220-K	Chile	Common shareholder	Service rendered	CLP	16,637	19,943
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholder	Service rendered	CLP	6,651	14,613
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Common shareholder	Service rendered	USD	164,122	88,238
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholder	Service rendered	CLP	608,619	541,145
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Common shareholder	Service rendered	CLP	2,707,489	238,770
OTECEL, S.A. ECUADOR	0-E	Ecuador	Common shareholder	Service rendered	USD	4,647	8,479
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholder	Service rendered	CLP	87,276	38,300
TELEFONICA MULTIMEDIA CHILE S.A.	78.703.410-1	Chile	Common shareholder	Service rendered	CLP	5,536	8,665
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholder	Service rendered	CLP	5,787	288
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Common shareholder	Service rendered	CLP	7,442	9,549
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	Mexico	Common shareholder	Service rendered	USD	261,664	1,204
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Common shareholder	Service rendered	USD	6,854	9,365
TELEFONICA MOVILES PANAMA	0-E	Panama	Common shareholder	Service rendered	USD	4,459	3,264
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Common shareholder	Service rendered	USD	-	780
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Common shareholder	Service rendered	USD	151,480	187,343
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Common shareholder	Service rendered	USD	10,608	4,937
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Common shareholder	Service rendered	USD	11,889	6,433
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Common shareholder	Service rendered	USD	616	431
VIVO, S.A.	0-E	Brazil	Common shareholder	Service rendered	USD	50,676	61,873
VIVO BRASIL COMUNICACIONES	0-E	Brazil	Common shareholder	Service rendered	USD	1,186	-
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Common shareholder	Current trade account	CLP	7,947,578	-
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Ireland	Common shareholder	Service rendered	USD	5,312	7,761
O2 GERMANY GMBH & CO OHG	0-E	Alemania	Common shareholder	Service rendered	USD	12,880	5,226
MANX TELECOM LTD	0-E	England	Common shareholder	Service rendered	USD	1,239	155
O2 (UK) (ANTES VP COMMUNIC)	0-E	England	Common shareholder	Service rendered	USD	210,591	172,063
TELEFONICA ASISTENCIA Y SEGURIDAD S.A.	96.971.150-8	Chile	Common shareholder	Service rendered	CLP	-	-
INVERSIONES TELEFONICA MOVILES HOLDING LTDA.	76.124.890-1	Chile	Common shareholder	Service rendered	EUR	67,000	-
Total						**21,109,095**	**9,577,257**

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	12.31.2010 ThCh$	12.31.2009 ThCh$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholder	Services rendered	CLP	286,934	142,789
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	Spain	Common shareholder	Services rendered	EUR	346,591	300,365
TELEFONICA INTERNACIONAL, S.A.	0-E	Spain	Shareholder	Services rendered	EUR	2,386,305	-
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholder	Services rendered	CLP	8,537,034	7,140,496
TELEFONICA MOVILES SAO PAULO	0-E	Brazil	Common shareholder	Services rendered	USD	80,000	80,000
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Common shareholder	Services rendered	USD	242	130
TELEFONICA, S.A.	0-E	Spain	Shareholder	Services rendered	EUR	3,154,938	2,418,631
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	0-E	Spain	Common shareholder	Services rendered	EUR	712,113	-
TELEFONICA INVESTIGACION Y DESARROLLO, S.A.	0-E	Spain	Common shareholder	Services rendered	EUR	15,373	-
ATENTO CHILE S.A.	96.895.220-K	Chile	Common shareholder	Services rendered	CLP	3,447,055	2,574,110
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholder	Services rendered	CLP	166,953	288,965
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Common shareholder	Services rendered	USD	100,552	46,120
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholder	Services rendered	CLP	2,430,630	2,561,549
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Common shareholder	Services rendered	CLP	3,706,608	91,201
OTECEL, S.A. ECUADOR	0-E	Ecuador	Common shareholder	Services rendered	USD	6,717	6,523
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholder	Services rendered	CLP	210,906	122,478
TELEFONICA MULTIMEDIA CHILE S.A.	78.703.410-1	Chile	Common shareholder	Services rendered	CLP	-	-
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholder	Services rendered	CLP	291,193	79,494
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Common shareholder	Services rendered	CLP	569,863	601,337
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	Mexico	Common shareholder	Services rendered	USD	9,402	2,498
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Common shareholder	Services rendered	USD	9,120	9,289
TELEFONICA MOVILES PANAMA	0-E	Panama	Common shareholder	Services rendered	USD	3,652	1,484
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Common shareholder	Services rendered	USD	458	133
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Common shareholder	Services rendered	USD	14,415	22,845
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Common shareholder	Services rendered	USD	13,265	3,609
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Common shareholder	Services rendered	USD	53,951	23,363
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Common shareholder	Services rendered	USD	71	149
VIVO, S.A.	0-E	Brazil	Common shareholder	Services rendered	USD	28,163	49,272
VIVO BRASIL COMUNICACIONES	0-E	Brazil	Common shareholder	Services rendered	USD	-	-
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Common shareholder	Current trae account	CLP	-	-
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Ireland	Common shareholder	Services rendered	USD	762	909
O2 GERMANY GMBH & CO OHG	0-E	Alemania	Common shareholder	Services rendered	USD	12,055	5,508
MANX TELECOM LTD	0-E	England	Common shareholder	Services rendered	USD	209	524
O2 (UK) (ANTES VP COMMUNIC)	0-E	England	Common shareholder	Services rendered	USD	-	-
TELEFONICA ASISTENCIA Y SEGURIDAD S.A.	96.971.150-8	Chile	Common shareholder	Services rendered	CLP		-
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730.-9	Chile	Common shareholder	Services rendered	CLP	176,768	363,274
TELEFONICA INTERNATIONAL WHOLESALE S.L. UNIPERSONAL	0-E	Spain	Common shareholder	Services rendered	EUR	12,765	13,844
TELEFONICA MOVILES ESPAÑA, S.A.U.	0-E	Spain	Common shareholder	Services rendered	EUR	-	1,906,945
TELEATENTO DEL PERU S.A.C.	0-E	Perú	Common shareholder	Services rendered	USD	307,459	57,115
TELEFONICA GESTION SERVICIOS COMPARTIDOS ARGENTINA	0-E	Argentina	Common shareholder	Services rendered	USD	-	5,510
INVERSIONES TELEFONICA MOVILES HOLDING LTDA.	76.124.890-1	Chile	Common shareholder	Services rendered	EUR	20,689,707	44,048,780
Total						**47,782,229**	**62,969,239**

7. Related Party Disclosures, continued

c) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	12.31.2010 ThCh$	12.31.2009 ThCh$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Common shareholc	Sales	2,494	2,526
	59.083.900-0	Chile	Common shareholc	Costs	(353,890)	(677,876)
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	Spain	Common shareholc	Sales	1,772,226	1,872,822
	0-E	Spain	Common shareholc	Costs	(1,000,444)	(1,296,431)
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Common shareholc	Sales	28,063,941	26,758,371
	90.635.000-9	Chile	Common shareholc	Costs	(26,870,329)	(18,093,190)
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Common shareholc	Sales	3,137	6,000
	0-E	El Salvador	Common shareholc	Costs	(2,152)	(639)
TELEFONICA, S.A.	0-E	Spain	Shareholder	Costs	(608,320)	(7,733,028)
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	0-E	Spain	Common shareholc	Costs	(10,853,141)	-
ATENTO CHILE S.A.	96.895.220-K	Chile	Common shareholc	Sales	153,417	219,305
	96.895.220-K	Chile	Common shareholc	Costs	(7,610,360)	(7,780,602)
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Common shareholc	Sales	40,386	40,080
	96.834.230-4	Chile	Common shareholc	Costs	(427,455)	(299,250)
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Common shareholc	Sales	377,997	754,573
	0-E	Argentina	Common shareholc	Costs	(590,323)	(773,378)
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Common shareholc	Sales	3,541,883	1,926,930
	96.672.160-K	Chile	Common shareholc	Costs	(10,538,508)	(7,005,338)
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Common shareholc	Sales	3,289,654	1,860,152
	90.430.000-4	Chile	Common shareholc	Costs	(564,634)	(68,948)
OTECEL, S.A. ECUADOR	0-E	Ecuador	Common shareholc	Sales	36,784	56,264
	0-E	Ecuador	Common shareholc	Costs	(41,248)	(38,959)
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Common shareholc	Sales	83,379	4,361
	96.961.230-5	Chile	Common shareholc	Costs	(1,176,467)	(799,909)
TELEFONICA MULTIMEDIA CHILE S.A.	78.703.410-1	Chile	Common shareholc	Sales	55,516	8,610
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Common shareholc	Sales	7,822	242
	96.811.570-7	Chile	Common shareholc	Costs	(211,517)	-
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Common shareholc	Finance income	52,578	-
	96.811.570-7	Chile	Common shareholc	Costos	(182,524)	(58,069)
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Common shareholc	Sales	46,602	40,416
	96.990.810-7	Chile	Common shareholc	Costs	(907,729)	(717,714)
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	Mexico	Common shareholc	Sales	1,003,403	1,262,405
	0-E	Mexico	Common shareholc	Costs	(45,407)	(40,467)
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Common shareholc	Sales	41,535	60,318
	0-E	Uruguay	Common shareholc	Costs	(73,978)	(70,083)
TELEFONICA MOVILES PANAMA	0-E	Panama	Common shareholc	Sales	14,453	17,677
	0-E	Panama	Common shareholc	Costs	(14,159)	(12,361)
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Common shareholc	Sales	6,934	8,498
	0-E	Guatemala	Common shareholc	Costs	(2,670)	(1,883)
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Common shareholc	Sales	28,328	36,636
	0-E	Venezuela	Common shareholc	Costs	(24,003)	(26,124)
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Common shareholc	Sales	34,165	49,156
	0-E	Colombia	Common shareholc	Costs	(66,705)	(79,118)
TELEFONICA MOVILES PERU, S.A.	0-E	Peru	Common shareholc	Sales	1,002,461	57,436
	0-E	Peru	Common shareholc	Costs	(291,102)	(383,998)
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Common shareholc	Sales	4,356	5,025
	0-E	Nicaragua	Common shareholc	Costs	(898)	(1,199)
VIVO, S.A.	0-E	Brazil	Common shareholc	Sales	195,181	195,613
	0-E	Brazil	Common shareholc	Costs	(135,023)	(199,425)
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Ireland	Common shareholc	Sales	63,977	25,423
	0-E	Ireland	Common shareholc	Costs	-	(2,796)
O2 GERMANY GMBH & CO OHG	0-E	Germany	Common shareholc	Sales	38,755	40,047
	0-E	Germany	Common shareholc	Costs	(98,033)	(124,431)
MANX TELECOM LTD	0-E	England	Common shareholc	Sales	2,441	994
	0-E	England	Common shareholc	Costs	(2,077)	(7,510)
O2 (UK) (ANTES VP COMMUNIC)	0-E	England	Common shareholc	Sales	395,474	332,069
	0-E	England	Common shareholc	Costs	-	(31,524)
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730-9	Chile	Common shareholc	Costs	(413,043)	(557,599)
TELEFONICA SERVICIOS INTEGRALES DE DISTRIBUCION, S.A.U.	0-E	Spain	Common shareholc	Costs	(151,594)	-
TELEFONICA MOVILES ESPAÑA, S.A.U.	0-E	Spain	Common shareholc	Costs	(1,767,153)	(1,933,805)
COLOMBIA TELECOMUNICACIONES, ESP	0-E	Colombia	Common shareholc	Costs	(56,830)	-
TELEATENTO DEL PERU S.A.C.	0-E	Peru	Common shareholc	Costs	(726,019)	(733,912)

7. Related Party Disclosures, continued

c) Transactions, continued

Article 89 of the Companies Act requires that transactions between a company and its related parties (defined as companies belonging to the same economic group) be carried out on terms similar to those prevailing in the market.

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

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

On September 23, 2010, the Company signed a mercantile current account agreement with Telefónica Factoring Chile S.A. which establishes remittances in Chilean pesos with monthly nominal TAB rate (annual basis) appearing on the Bloomberg page under code "CLTN30DN" at 11 a.m. on the same day as the beginning of the following interest period plus 15 base points. The term agreed upon for the mercantile account and its management is December 31, 2010. On September 23, 2010 the term of this contract was modified, extending it to March 31, 2011 and allowing for the expiration date to be extended for 12-months periods.

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

Description	12.31.2010 ThCh$	12.31.2009 ThCh$
Wages, salaries and bonuses	2,808,775	3,039,790
Total	**2,808,775**	**3,039,790**

The Company has a share-based director remuneration plan. The amount for December 31,2010 and 2009 is ThCh$233,726 and ThCh$313,178, respectively.

8. Inventory

a) Inventory is detailed as follows:

Description	12.31.2010 ThCh$	12.31.2009 ThCh$
Merchandise	59,383,070	51,718,372
Obsolescence provision	(6,039,773)	(4,873,213)
Total	**53,343,297**	**46,845,159**

As of December 31, 2010 and 2009 there have been no inventory write-offs.

8. **Inventory,** continued

a) Inventory movements are detailed as follows:

Description	12.31.2010 ThCh$	12.31.2009 ThCh$
Beginning balance	46,845,159	57,595,972
Purchases	167,193,331	115,600,986
Sales	(64,900,458)	(43,492,095)
Transfer to materials allocated to the investment	(86,969,958)	(80,681,147)
Obsolescence provision	(1,166,560)	(2,178,557)
Other	(7,658,217)	-
Total	**53,343,297**	**46,845,159**

9. **Other Current Financial Assets**

Other current financial assets for 2010 and 2009 are detailed as follows:

Description	12.31.2010 Assets ThCh$	12.31.2009 Assets ThCh$
Exchange rate hedge	211,182	1,405,127
Investment contracts	-	26,566
Total	**211,182**	**1,431,693**

Hedge and investment assets as of December 31, 2010 and 2009 are detailed as follows:

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

Debtor's Taxpayer No.	Debtor	Country of Debtor	Creditor's Taxpayer No.	Creditor	Creditor's country	Currency	Expiration date		Total current as of 12.31.2009
							Up to 90 days ThCh$	90 days to 1 year ThCh$	
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	USD	58,265	335,877	394,142
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	USD	33,295	381,832	415,127
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	UF	11,211	-	11,211
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.023.000-9	CORPBANCA	Chile	USD	-	15,627	15,627
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.030.000-7	ESTADO	Chile	USD	45,578	105,066	150,644
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.030.000-7	ESTADO	Chile	UF	15,354	-	15,354
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	SANTANDER	Chile	USD	-	26,775	26,775
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	USD	164,358	238,455	402,813
Total derivative instrument assets							**328,061**	**1,103,632**	**1,431,693**

10. Other Current Financial Assets, continued

Description	12.31.2010 ThCh$	12.31.2009 ThCh$
Advance payments (1)	10,035,572	8,246,333
Deferred handset costs	8,755,993	1,442,463
Customer guarantees	1,582,537	1,559,803
Other prepaid expenses (2)	12,394,906	11,296,332
Total	**32,769,008**	**22,544,931**

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

(2) Includes deferred commissions

11. Income Taxes

a) General information:

As of December 31, 2010 and 2009 the Company has not established a first category income tax provision, since it has tax losses of ThCh$ 44,749,747 and ThCh$ 42,804,576, respectively.

b) Current income tax liabilities

As of December 31, 2010 and 2009, current income tax liabilities are detailed as follows:

Description	12.31.2009 ThCh$	12.31.2009 ThCh$
Social security institutions	455,860	473,604
Individual tax withholdings	145,422	284,792
Value added tax, net	2,975,925	5,365,547
Other taxes	2,055,046	581,794
Total	**5,632,253**	**6,705,737**

11. Income Taxes, continued

c) Deferred taxes:

As of December 31, 2010 and 2009, the cumulative balances of temporary differences resulted in net deferred tax assets of ThCh$ 42,294,152 and ThCh$ 65,342,214, respectively, detailed as follows:

Description	12.31.2010		12.31.2009	
	Asset ThCh$	Liability ThCh$	Asset ThCh$	Liability ThCh$
Trade and notes receivable	9,919,580	-	6,525,560	-
Obsolescence provision	1,162,656	-	828,446	-
Miscellaneoud provisions	88,690	-	2,443,809	-
Unearned income	6,017,342	-	4,183,978	-
Vacation accrual	531,250	-	414,790	-
Personnel accruals	972,114	-	995,945	-
Lease obligation	106,376	-	281,884	-
Tax loss	7,607,457	-	7,276,778	-
Other events	104,727	-	111,667	-
Financial instrument valuation adjustments	-	850,900	314,126	-
Deferred customs duties differences in financial-tax value	-	396,484	-	250,451
Capitalized software	-	19,268	-	23,358
Syndicated loan capitalized expenses	-	101,365	-	101,365
Deferred selling cost and deferred sales commissions	-	4,228,345	-	2,164,074
Tax value of staff severance indemnities	-	29,840	-	42,187
Property, plant and equipment	40,317,429	22,657,997	45,976,599	1,429,933
Subtotals	**66,827,621**	**28,284,199**	**69,353,582**	**4,011,368**
Reclassification	**(1,111,530)**	**(1,111,530)**	**(1,569,401)**	**(1,569,401)**
Total	**65,716,091**	**27,172,669**	**67,784,181**	**2,441,967**

11. Income Taxes, continued

d) Income tax reconciliation:

The income tax expense reconciliation as of December 31, 2010 and 2009 are detailed as follows:

Description	12.31.2010 Taxable base ThCh$	12.31.2010 17% Tax Rate ThCh$	12.31.2009 Taxable base ThCh$	12.31.2009 17% Tax Rate ThCh$
Based on accounting income before taxes:				
Income before taxes	**227,820,726**	**38,729,523**	**181,068,760**	**30,781,689**
Permanent differences	**(61,267,219)**	**(10,415,427)**	**13,147,888**	**2,235,141**
Accrued investment income	2,820	479	(2,816,877)	(478,869)
Price-level restatement of taxable equity	(44,219,369)	(7,517,293)	(8,278)	(1,407)
Others	(17,050,671)	(2,898,613)	15,973,043	2,715,417
Total corporate tax expense	**166,553,506**	**28,314,096**	**194,216,648**	**33,016,830**
Based on taxable net income and deferred taxes calculated on the basis of temporary differences:				
17% income tax	-	-	-	-
35% income tax	-	-	-	-
Prior years deficit	-	1,291,538	-	-
Income tax expense		**1,291,538**		**-**
Deferred tax expense (1)		**27,022,558**		**33,016,830**
Total corporate tax expense		**28,314,096**		**33,016,830**
Effective income tax rate		**12.43%**		**18.23%**

(1) Due to a change in the Chilean Internal Revenue Service regulations for 2011 and 2012, the income tax rate will temporarily increase from 17% to 20% and 18.5%, respectively. Effective 2013 it will return to 17%. The effect generated by the change n the deferred tax rate is higher net income of ThCh$1,276,306.

12. Intangible Assets

a) Intangible assets as of December 31, 2010 and 2009 are detailed as follows:

Description	12.31.2010			12.31.2009		
	Intangibles, gross ThCh$	Accumulated amortization ThCh$	Intangibles, net ThCh$	Intangibles, gross ThCh$	Accumulated amortization ThCh$	Intangibles, net ThCh$
Administrative concessions	127,098,767	(89,668,404)	37,430,363	127,098,767	(87,965,820)	39,132,947
Information technology applications	104,991,535	(79,658,654)	25,332,881	86,737,327	(71,623,756)	15,113,571
Total	**232,090,302**	**(169,327,058)**	**62,763,244**	**213,836,094**	**(159,589,576)**	**54,246,518**

b) Movements in intangible assets for 2010 and 2009 are detailed as follows:

Movements	Administrative concessions, net ThCh$	Information technology applications, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.10	**39,132,947**	**15,113,571**	**54,246,518**
Transfers	-	18,254,208	18,254,208
Amortization expense	(1,702,584)	(8,034,898)	(9,737,482)
Ending balance as of 12.31.2010	**37,430,363**	**25,332,881**	**62,763,244**

Movements	Administrative concessions, net ThCh$	Information technology applications, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.10	**40,835,527**	**20,313,893**	**61,149,420**
Transfers	-	8,729,143	8,729,143
Amortization expense	(1,702,580)	(13,929,465)	(15,632,045)
Ending balance as of 12.31.2009	**39,132,947**	**15,113,571**	**54,246,518**

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 2010 and 2009 have not been affected as a result of the impairment tests performed on these assets.

13. Goodwill

Based on impairment tests performed by management, as of December 31, 2010 there is no need to make impairment adjustments to goodwill, as the recoverable amount exceeds the book value.

The balance of goodwil for 2010 and 2009 are detailed as follows:

Description	12.31.2010 ThCh$	12.31.2009 ThCh$
Telefónica Móviles Chile S.A. (1) (2)	483,179,725	483,179,725
Total	**483,179,725**	**483,179,725**

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

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

14. Property, Plant and Equipment

As of December 31, 2010 and 2009 the major categories of Property, plant and equipment and their corresponding accumulated depreciation are detailed as follows:

Movements	12.31.2010			12.31.2009		
	Gross PP&E ThCh$	Accumulated depreciation ThCh$	Net PP&E ThCh$	Gross PP&E ThCh$	Accumulated depreciation ThCh$	Net PP&E ThCh$
Land	3,829,393	-	3,829,393	3,829,393	-	3,829,393
Work in progress	59,603,651	-	59,603,651	47,946,598	-	47,946,598
Buildings (1)	48,870,053	(42,937,985)	5,932,068	49,375,022	(42,378,286)	6,996,736
Network investments	865,180,357	(608,022,833)	257,157,524	789,411,491	(537,756,697)	251,654,794
Leased equipment	121,642,719	(68,729,539)	52,913,180	100,269,259	(51,591,373)	48,677,886
Furniture	7,993,399	(6,816,742)	1,176,657	7,938,503	(6,669,113)	1,269,390
Computer equipment	21,276,204	(17,834,530)	3,441,674	18,677,862	(17,055,507)	1,622,355
Vehicles	274,331	(125,067)	149,264	274,331	(88,335)	185,996
Other PP&E	21,117,532	(10,840,322)	10,277,210	20,083,262	(9,835,517)	10,247,745
Totals	**1,149,787,639**	**(755,307,018)**	**394,480,621**	**1,037,805,721**	**(665,374,828)**	**372,430,893**

(1) The book values of items received through finance leases as of December 31, 2010 and 2009 are ThCh$ 3,740,628 and ThCh$ 3,828,299, respectively and are presented under constructions.

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

Movements	Land ThCh$	Work in progress	Buildings, net ThCh$	Network investments, net ThCh$	Leased equipment, net ThCh$	Furniture, net ThCh$	Computer equipment, net ThCh$	Vehicles, net ThCh$	Other property plant & equip. net ThCh$	Property, plant & equip. Net ThCh$
Beginning balance as of 01.01.10	3,829,393	47,946,598	6,996,736	251,654,794	48,677,886	1,269,390	1,622,355	185,996	10,247,745	372,430,893
Additions	-	111,097,612	-	-	86,969,958	-	-	-	348,283	198,415,853
Retirements	-	-	(504,969)	(2,078,260)	(65,596,498)	-	-	-	-	(68,179,727)
Acc. Dep. retirements	-	-	504,969	2,078,171	64,761,944	-	-	-	-	67,345,084
Transfers	-	(99,440,559)	-	77,847,126	-	54,896	2,598,342	-	685,987	(18,254,208)
Depreciation expense	-	-	(1,064,668)	(72,344,307)	(81,900,110)	(147,629)	(779,023)	(36,732)	(1,004,805)	(157,277,274)
Ending balance as of 12.31.2010	**3,829,393**	**59,603,651**	**5,932,068**	**257,157,524**	**52,913,180**	**1,176,657**	**3,441,674**	**149,264**	**10,277,210**	**394,480,621**

14. Property, Plant and Equipment, continued

Movements of major categories of Property, plant and equipment for 2009 are detailed as follows:

Movements	Land	Work in progress	Buildings, net	Network investments, net	Leased equipment, net	Furniture, net	Computer equipment, net	Vehicles, net	Other property plant & equip. net	Property, plant & equip. Net
	ThCh$		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.09	3,859,977	70,227,312	8,038,161	240,011,550	36,732,669	945,269	2,467,974	284,359	8,584,676	371,151,947
Additions	-	62,622,427	-	-	80,681,147	-	-	-	-	143,303,574
Retirements	(30,584)	-	(3,054,619)	(5,130,477)	(116,282,628)	(2,200,623)	(6,522,559)	(210,765)	-	(133,432,255)
Accumulated depreciation retirements	-	-	3,027,091	5,130,477	116,282,628	2,200,623	6,522,559	184,832	-	133,348,210
Transfers	-	(84,903,141)	-	72,671,932	-	782,833	816,411	-	1,911,349	(8,720,616)
Depreciation expense	-	-	(1,013,897)	(61,028,688)	(68,735,930)	(458,712)	(1,662,030)	(72,430)	(248,280)	(133,219,967)
Ending balance as of 12.31.2009	**3,829,393**	**47,946,598**	**6,996,736**	**251,654,794**	**48,677,886**	**1,269,390**	**1,622,355**	**185,996**	**10,247,745**	**372,430,893**

14. Property, Plant and Equipment, continued

The net amount of Property, plant and equipment items that are temporarily out of service as of December 31, 2010 and 2009 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.

15. Equity

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

In September 2010, the 66,009,475 own issue shares resulting from the merger indicated in the previous paragraph for ThCh$1,039,248,812, were legally decreased, therefore the Company's new capital is ThCh$ 941,101,241.

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

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

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

a) Capital:

As of December 31, 2010 and 2009, the Company's paid-in capital is detailed as follows:

Number of shares:

Series	12.31.2010			12.31.2009		
	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	184,035,620	184,035,620	118,026,145
Total	**118,026,145**	**118,026,145**	**118,026,145**	**184,035,620**	**184,035,620**	**118,026,145**

15. Shareholders' Equity, continued

a) Capital, continued

Capital:

Serie	12.31.2010		12.31.2009	
	Subscribed capital ThCh$	Isuued capital ThCh$	Subscribed capital ThCh$	Paid capital ThCh$
SINGLE	941,101,241	941,101,241	1,980,350,053	1,980,350,053
Total	**941,101,241**	**941,101,241**	**1,980,350,053**	**1,980,350,053**

b) Distribution of shareholders:

In accordance with Circular No. 792 issued by the Superintendency of Securities and Insurance (SVS), the Company's shareholders and their ownership interest as of December 31, 2010 are detailed as follows:

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

As of December 31, 2010 and 2009, the direct participation of Inversiones Telefónica Móviles Holding Ltda. in the equity of Telefónica Móviles Chile S.A. reaches 99.999999%.

15. Shareholders' Equity, continued

c) Dividends

i) Dividends policy:

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

As of December 31, 2010 proposed dividends amount to ThCh$ 20,689,707, pending approval until next shareholder meeting.

ii) Dividends distributed:

On February 23, 2010, the Board of Directors agreed to distribute an eventual dividend in the amount of ThCh$50,000,000 on March 23, 2010 with a charge to 2009 income.

On May 25, 2010, the Board of Directors agreed to distribute an eventual dividend in the amount of ThCh$50,000,000 on June 22, 2010 with a charge to 2009 income.

On August 10, 2010, the Board of Directors agreed to distribute an eventual dividend in the amount of ThCh$87,000,000 on September 27, 2010 with a charge to 2009 income.

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

Date	Dividend	Amount Distributed ThCh$	Charge to net income	Payment date
23-02-2010	Eventual	50,000,000	Fiscal year 2009	03-23-2010
25-05-2010	Eventual	50,000,000	Fiscal year 2009	06-22-2010
10-08-2010	Eventual	87,000,000	Fiscal year 2009	09-27-2010
25-11-2010	Eventual	85,837,718	Fiscal year 2009	12-27-2010
25-11-2010	Provisional	39,162,282	Fiscal year 2010	12-27-2010
25-11-2010	Proposed	20,689,707	Fiscal year 2010	-

15. Shareholders' Equity, continued

d) Other reserves

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

Description	Balance as of 12.31.2009 ThCh$	Net movement ThCh$	Balance as of 12.31.2009 ThCh$
Business combination reserve	(1,137,135,480)	1,039,248,812	(97,886,668)
Cash flows hedge reserve	645,545	(683,122)	(37,577)
Employee benefits reserve	313,278	(57,277)	256,001
Revaluation issued capital	(233,685,709)	-	(233,685,709)
Totals	**(1,369,862,366)**	**1,038,508,413**	**(331,353,953)**

i) Business combination reserve

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

ii) Cash flows hedge reserve

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

iii) Employee benefit reserve

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

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

iv) Price-level restatement of issued capital

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

v) Proposed dividends reserve

In order to recognize the payment obligation of the minimum dividend equivalent to 30% of net income, this reserve is established at each year-end and used once the final dividend distribution is agreed upon at the Ordinary Shareholders' Meeting.

e) Non-controlling interests

As of December 31, 2010, the Company has non-controling interests arising from the investment in Telefónica Móviles Chile Inversiones S.A. in the amount of Ch$26.

16. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	01.01.2010 al 12.31.2010 M$	01.01.2009 al 12.31.2009 M$
Earnings attributable to owners of the parent	199,506,630	148,051,930
Profit available for shareholders	199,506,630	148,051,930
Weighted average number of shares	162,032,462	105,351,617
Basic earnings per share in Ch$	**1,231.28**	**1,405.31**

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

17. Other Current and Non-current Financial Liabilities

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

Description	12.31.2010		12.31.2009	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bank loans (a)	107,693,802	201,254,387	23,279,486	144,832,605
Unguaranteed obligations (Bonds) (a)	1,820,104	-	802,476	31,981,592
Financial derivatives, forward contracts (b)	-	-	212,559	1,726,882
Hedge liabilities, swap contracts, cross currency (b)	1,333,119	13,903,817	-	325,727
Total	**110,847,025**	**215,158,204**	**24,294,521**	**178,866,806**

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

a) Interest bearing loans, continued

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

Types	Creditor taxpayer No.	Creditor	Currency	Amortization type	Effective rate	Nominal rate	Nominal value (millions)	Term	Current					Non-current		
									To Maturity				Total current as of 09.30.2010	To Maturity		Total Non-current as of 12.31.2010
									Indeterminate	Up to 1 month	1 to 3 months	3 to 12 months		1 to 5 years	5 years and over	
									ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Foreign syndicated loan (1)			US$	To maturity	1.099%	0.865%	US$ 179	2011	-	84,359,336	-	-	84,359,336	-	-	-
	0-E	Cajamadrid					16	2011		7,704,338			7,704,338	-		-
	0-E	Santander Overseas Bank, Inc					16	2011		7,704,338			7,704,338	-		-
	0-E	Calyon New York Branch					16	2011		7,704,338			7,704,338	-		-
	0-E	West LB AG, New York Branch					16	2011		7,704,338			7,704,338	-		-
	0-E	Banco de Sabadell S.A.					15	2011		7,044,998			7,044,998	-		-
	0-E	Bayerische LB					15	2011		7,044,998			7,044,998	-		-
	0-E	Export Development Canada					15	2011		7,044,998			7,044,998	-		-
	0-E	Rebobank Coracao N.V.					15	2011		7,044,998			7,044,998	-		-
	0-E	The Royal Bank of Scotland					15	2011		7,044,998			7,044,998	-		-
	0-E	Unicaja					13	2011		5,635,996			5,635,996	-		-
	0-E	Caja de Ahorros del Mediterráneo					9	2011		4,226,999			4,226,999	-		-
	0-E	San Paolo IMI					9	2011		4,226,999			4,226,999	-		-
	0-E	Société Générale					9	2011		4,226,999			4,226,999	-		-
Local syndicated loan (2)			$	To maturity	3.546%	3.405%	$ 100,000	2012	-	-	-	23,334,466	23,334,466	30,944,410	-	30,944,410
	97006000-6	Banco Crédito e Inversiones					19,000	2012				4,433,549	4,433,549	5,879,437		5,879,437
	97036000-k	Banco Santander Chile					19,000	2012				4,433,549	4,433,549	5,879,437		5,879,437
	97030000-7	Estado					19,000	2012				4,433,549	4,433,549	5,879,437		5,879,437
	97023000-9	Corpbanca					15,000	2012				3,500,170	3,500,170	4,641,663		4,641,663
	97032000-8	BBVA					8,000	2012				1,866,757	1,866,757	2,475,553		2,475,553
	97018001-k	Scotiabank Sud Americano					8,000	2012				1,866,757	1,866,757	2,475,553		2,475,553
	97080000-K	Banco BICE					6,000	2012				1,400,068	1,400,068	1,856,665		1,856,665
	97008000-7	Citibank N.A.					6,000	2012				1,400,068	1,400,068	1,856,665		1,856,665
Total bank loans									**-**	**84,359,336**	**-**	**23,334,466**	**107,693,802**	**30,944,410**		**30,944,410**
Serie A Bond	97036000-k	Banco Santander Chile	$	To maturity	5.615%	5.60%	$ 32.000	2014	-	-	811,758		811,758	31,985,278		31,985,278
144A Bond (3)	0-E	Bank of New York	US$	To maturity	3.229%	2.875%	US$ 300	2015				1,008,346	1,008,346	138,324,699		138,324,699
Total unguaranteed obligations									**-**	**-**	**811,758**	**1,008,346**	**1,820,104**	**170,309,977**	**-**	**170,309,977**

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

a) Interest-bearing loans, continued

(1) Matures on January 5, 2011
(2) Matures on November 15, 2012. On November 15, 2010, a principal payment of ThCh$23,000,000 was made on the local syndicated loan.
(3) On November 3, 2010 first bonuses were placed in the foreign market. The characteristics of this placement are:

Amount to be placed	US$300,000,000
Interest rate	2.875%
Number of bonuses	3,000

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

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

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

a) Interest-bearing loans, continued

ii) The following table details interest-bearing loans as of December 31, 2009:

Types	Creditor taxpayer No.	Creditor	Currency	Amortization type	Effective rate	Nominal rate	Nominal value (millions)	Term	Current					Non-current		
									To Maturity				Total current as of 12.31.2009	To Maturity		Total Non-current as of 12.31.2009
									Indeterminate	Up to 1 month	1 to 3 months	3 to 12 months		1 to 5 years	5 years and over	
									ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Foreign syndicated loan			US$	To maturity	1.129%	0.895%	US$ 179	2011	-	-	-	174,694	174,694	90,964,931	-	90,964,931
	0-E	Cajamadrid					16	2011				15,954	15,954	8,307,611		8,307,611
	0-E	Santander Overseas Bank, Inc					16	2011				15,954	15,954	8,307,611		8,307,611
	0-E	Calyon New York Branch					16	2011				15,954	15,954	8,307,611		8,307,611
	0-E	West LB AG, New York Branch					16	2011				15,954	15,954	8,307,611		8,307,611
	0-E	Banco de Sabadell S.A.					15	2011				14,589	14,589	7,596,643		7,596,643
	0-E	Bayerische LB					15	2011				14,589	14,589	7,596,643		7,596,643
	0-E	Export Development Canada					15	2011				14,589	14,589	7,596,643		7,596,643
	0-E	Rebobank Coracao N.V.					15	2011				14,589	14,589	7,596,643		7,596,643
	0-E	The Royal Bank of Scotland					15	2011				14,589	14,589	7,596,643		7,596,643
	0-E	Unicaja					13	2011				11,674	11,674	6,077,314		6,077,314
	0-E	Caja de Ahorros del Mediterráneo					9	2011				8,753	8,753	4,557,986		4,557,986
	0-E	San Paolo IMI					9	2011				8,753	8,753	4,557,986		4,557,986
	0-E	Société Générale					9	2011				8,753	8,753	4,557,986		4,557,986
Local syndicated loan			$	To maturity	1.956%	1.815%	$ 100,000	2012	-	-	-	23,104,792	23,104,792	53,867,674	-	53,867,674
	97006000-6	Banco Crédito e Inversiones					19,000	2012				4,389,911	4,389,911	10,234,859		10,234,859
	97036000-k	Banco Santander Chile					19,000	2012				4,389,911	4,389,911	10,234,859		10,234,859
	97030000-7	Estado					19,000	2012				4,389,911	4,389,911	10,234,858		10,234,858
	97023000-9	Corpbanca					15,000	2012				3,465,717	3,465,717	8,080,150		8,080,150
	97032000-8	BBVA					8,000	2012				1,848,383	1,848,383	4,309,414		4,309,414
	97018001-k	Scotiabank Sud Americano					8,000	2012				1,848,383	1,848,383	4,309,414		4,309,414
	97080000-K	Banco BICE					6,000	2012				1,386,288	1,386,288	3,232,060		3,232,060
	97008000-7	Citibank N.A.					6,000	2012				1,386,288	1,386,288	3,232,060		3,232,060
Total bank loans									-	-	-	**23,279,486**	**23,279,486**	**144,832,605**		**144,832,605**
Series A bond	97036000-k	Banco Santander Chile	$	To maturity	5.690%	5.60%	$ 32.000	2014	-	-	802,476		802,476	31,981,592		31,981,592
Total unguaranteed obligations									-	-	**802,476**	-	**802,476**	**31,981,592**	-	**31,981,592**

(1) Matures on January 5, 2011
(2) Matures on November 15, 2012. On November 15, 2009, a principal payment of ThCh$23,000,000 was made on the local syndicated loan.
(3) On August 5, 2009 the first bond placement took place local market.

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

b) As of December 31, 2010 and 2009 hedge and investment liabilities are detailed as follows:

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

Debtor taxpayer No.	Debtor	Country of debtor	Creditor taxpayer No.	Creditor	Creditr country	Curr.	Current			Non-current			
							Maturity		Total current as of 12.31.2009	Maturity			Total current as of 12.31.2009
							up to 90 days	90 days to 1 year		1 to 3 years	3 to 5 years	5 and over	
							ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	USD	152,048	- 1,065,891	- 913,842	402,167	-	-	402,167
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	USD	40,892	-	40,892	400,815	-	-	400,815
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.036.000-K	SANTANDER	Chile	USD	-	-	-	966,971	-	-	966,971
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.919.000-K	ABN AMRO	Chile	USD	-	-	-	282,656	-	-	282,656
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	UF	400	19,219	19,619	-	-	-	-
Total derivative instrument liabilities							193,340	- 1,046,672	- 853,331	2,052,609	-	-	2,052,609

18. Other Current Non-financial Liabilities

Other current non-financial liabilities are detailed as follows:

Description	12.31.2010 ThCh$	12.31.2009 ThCh$
Short-term creditors on financial lease transactions	531,882	648,004
Deferred income, current (1)	33,501,232	27,794,921
Others	2,032,063	-
Total	**36,065,177**	**28,442,925**

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

Deferred revenues	12.31.2010 Current ThCh$	12.31.2009 Current ThCh$
Opening balance	27,794,921	29,606,043
Endowments	441,392,349	406,777,024
Reduction/applications	(435,686,038)	(408,588,146)
Movements, subtotal	**5,706,311**	**(1,811,122)**
Final balance	**33,501,232**	**27,794,921**

19. Trade and Other Accounts Payable

Trade and other accounts payable are detailed as follows:

Description	12.31.2010 ThCh$	12.31.2009 ThCh$
Accounts payable due to purchases or services rendered (1)	114,938,141	62,016,412
Property, plant and equipment suppliers	69,937,302	32,738,797
Other accounts payable	2,753,852	153,806
Total	**187,629,295**	**94,909,015**

(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.

20. Other Provisions

The balance of provisions is detailed as follows:

a) Other short-term provisions

Description	12.31.2010 ThCh$	12.31.2009 ThCh$
Legal contingencies provision	464,466	467,788
Total	**464,466**	**467,788**

Based on the development of legal proceedings, the Company's management considers that the provisions recorded in the consolidated financial statements adequately cover the risks for the lawsuits described in Note 23, and therefore, they do not expect additional liabilities to arise.

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

b) Current employee benefits provision

Description	12.31.2010 ThCh$	12.31.2009 ThCh$
Performance bonds	4,389,599	5,264,483
Total	**4,389,599**	**5,264,483**

c) Other long-term provisions

Description	12.31.2010 ThCh$	12.31.2009 ThCh$
Staff severance indemnities	430,175	456,642
Management personnel pension plan accrual	123,912	137,375
Dismantling provision	10,312,591	9,219,162
Total	**10,866,678**	**9,813,179**

20. Other Provisions, continued

Movements in non-current provisions for the periods ended December 31, 2010 and 2009 are detailed as follows:

Movements	12.31.2010 ThCh$	12.31.2009 ThCh$
Beginning balance	**9,813,179**	**10,321,015**
Increase in existing provisions	1,125,323	775,860
Provision used	(71,824)	(1,551,019)
Other increase	-	267,323
Movements, subtotal	**1,053,499**	**(507,836)**
Ending balance	**10,866,678**	**9,813,179**

21. Employee benefit expenses

Personnel expenses are detailed as follows:

Description	01.01.2010 al 12.31.2010 M$	01.01.2009 al 12.31.2009 M$
Wages and salaries	35,205,430	35,421,546
Benefits obligation expense	2,453,355	2,930,367
Health and life insurance	1,560,617	1,436,522
Other employee expenses	2,167,499	2,178,771
Total	**41,386,901**	**41,967,206**

22. Revenue and Expenses

a) Operating income and expenses

Operating income for the year ended December 31, 2010 and 2009 is detailed as follows:

Operating income	01.01.2010 al 12.31.2010 ThCh$	01.01.2009 al 12.31.2009 ThCh$
Sales and equipment rental	52,758,575	63,580,786
Telecommunications services rendered	801,103,061	719,426,311
Total	**853,861,636**	**783,007,097**

22. Revenue and Expenses, continued

a) Operating income and expenses, continued

Other operating income for the years ended December 31, 2010 and 2009 is detailed as follows:

Other income	01.01.2010 al 12.31.2010 ThCh$	01.01.2009 al 12.31.2009 ThCh$
Subleased space	3,400,847	1,675,859
Administration and management	3,069,150	8,593,239
Other common management earnings (1)	21,630,201	90,124
Proceeds from sale of materials	-	4,994,534
Earnings from transfer of investment company	810,041	24,086
Total	**28,910,239**	**15,377,843**

(1) Includes ThCh$ 21,077,916 corresponding to partial indemnities received from the insurance company due to the earthquake that occurred in February 2010. As explained in Note 23 d.

Other miscellaneous operating expenses for the three and nine-month periods ended December 31, 2010 and 2009 are detailed as follows:

Other expenses	01.01.2010 al 12.31.2010 M$	01.01.2009 al 12.31.2009 M$
Interconnections	128,112,312	124,825,992
Rent	11,363,790	9,790,697
Cost of sales of equipment and cards	96,690,738	94,951,397
External services	9,646,396	9,885,091
Sales commission	57,447,228	46,589,101
Customer services services	25,464,816	23,330,990
Maintenance	22,476,194	17,717,570
Allowance for doubtful accounts	21,776,238	35,422,467
Advertising	17,870,997	21,031,099
Employee exp. transferred by other comp.	5,790,181	4,758,549
Electrical energy for technical installations	8,694,342	7,673,401
Administrative and management services	11,638,899	8,996,918
Others	24,274,335	15,009,343
Total	**441,246,466**	**419,982,615**

22. Revenues and Expenses, continued

b) Finance income and expenses

Finance income and expenses for the years ended December 31, 2010 and 2009 are detailed as follows:

Net financial income	01.01.2010 al 12.31.2010 M$	01.01.2009 al 12.31.2009 M$
Finance income		
Interest earned on deposits and agreements	2,525,866	2,307,141
Derivative contracts (Forward)	469,609	-
Other finance income	52,579	-
Total finance income	**3,048,054**	**2,307,141**
Finance expenses		
Interest on loans from bank institutions	3,104,369	5,019,572
Interest on obligations and bonds	2,866,283	804,078
Finance leases	66,951	104,098
Derivative contracts (Forward)	-	243,964
Interest rate hedges (cross currency swap)	1,024,132	2,199,617
Dismantling provisions	745,146	267,949
Total finance expenses	**7,806,881**	**8,639,276**
Net finance income	**(4,758,827)**	**(6,332,135)**

23. Contingencies and Restrictions

a) Direct and indirect guarantees:

As of December 31, 2010 and 2009, the Company has not provided any direct or indirect guarantees to third parties.

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

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

- Ordinary Labor Lawsuits: there are contingencies caused by ordinary lawsuits filed before the Department of Labor against the Company, which claim its direct or subsidiary liability. A total sum of ThCh$88,188 is estimated as a probable contingency.

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

23. Contingencies and Restrictions, continued

- Contentious-administrative: due to the lawsuits filed before the Undersecretary of Telecommunications and Ordinary Courts, the probable contingency amounts to ThCh$198,600, for the concept of fines, including those applied daily as a court action.

- Consumer Rights Protection Law: complaints have been filed against the Company for infraction of the Consumer Rights Protection Law, with damage indemnity lawsuits and associated fines. These represent a probable contingency in the amount of ThCh$30,240.

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

c) Other contingencies:

As of December 31, 2010 there are no other contingencies and restrictions to report.

d) Insurance:

The Company has all risk property damages and loss of income from business interruption insurance, among others, for all its facilities. Therefore, real estate contents as well as possible interruption of activities are insured.

The Company is in the process of closing and settling claims with Reinsurance Companies, by virtue of the insurance policies subscribed which cover property, inventory and business interruption (as a consequence of the loss caused by the earthquake occurred on February 27, 2010).

To date, the Company has recognized the loss payable on recovery of claims accredited to insurance companies, determined on the basis of expert appraisals which have quantified the damaged and all losses caused have been recognized. Likewise repairs, damaged installations and loss of infrastructure affected by total loss have been recorded with a charge to income

e) Financial restrictions:

As of December 31, 2010 and 2009 the company has no financial restrictions.

24. Local and Foreign Currency

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

Current assets	12.31.2010 ThCh$	12.31.2009 ThCh$
Cash and cash equivalents	**131,273,568**	**68,690,295**
US dollars	43,862	82,209
Euros	8,538	20,157
Chilean pesos	130,148,601	61,282,284
U.F.	1,072,567	7,305,645
Other current financial assets	**211,182**	**1,431,693**
US dollars	210,860	1,405,127
U.F.	322	26,566
Trade and other accounts receivable, current	**150,117,776**	**126,659,637**
Chilean pesos	150,117,776	126,659,637
Accounts receivable from related companies	**21,109,095**	**9,577,257**
US dollars	954,995	623,370
Euros	907,879	570,351
Chilean pesos	19,246,221	8,383,536
U.F.		
Other current assets (1)	**86,558,221**	**69,971,258**
US dollars	16,949	13,542
Chilean pesos	77,587,727	61,682,959
U.F.	8,953,545	8,274,757
Total current assets	**389,269,842**	**276,330,140**
US dollars	1,226,666	2,124,248
Euros	916,417	590,508
Chilean pesos	377,100,325	258,008,416
U.F.	10,026,434	15,606,968

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

Non-current assets	12.31.2010 ThCh$	12.31.2009 ThCh$
Other non-current assets (2)	**978,967,013**	**975,199,350**
Chilean pesos	978,967,013	975,199,350
Total non-current assets	**978,967,013**	**975,199,350**
US dollars	-	-
Chilean pesos	978,967,013	975,199,350

(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	12.31.2010 ThCh$	12.31.2009 ThCh$
Other current financial liabilities	**110,847,025**	**24,294,521**
US dollars	85,367,682	23,472,426
Euros	-	-
Chilean pesos	25,479,343	802,476
U.F.	-	19,619
Trade and other accounts payable	**187,629,295**	**94,909,015**
US dollars	116,213,222	263,858
Euros	42,247,518	2,730,042
Chilean pesos	25,060,044	91,915,115
U.F.	3,974,690	-
CHF	11,824	-
GBP	91,291	-
ILS	30,706	-
Accounts payable to related companies, current	**47,782,229**	**62,969,239**
US dollars	640,493	394,475
Euros	27,317,792	4,639,785
Chilean pesos	19,823,944	57,934,979
Other current liabilities (1)	**46,551,495**	**40,880,933**
Chilean pesos	46,019,613	40,232,929
U.F.	531,882	648,004
Total current liabilities	**392,810,044**	**223,053,708**
US dollars	202,221,397	24,130,759
Euros	69,565,310	7,369,827
Chilean pesos	116,382,944	190,885,499
CHF	11,824	-
GBP	91,291	-
ILS	30,706	-
U.F.	4,506,572	667,623

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

Non-current liabilities	12.31.2010 ThCh$	12.31.2009 ThCh$
Other non-current financial liabilities	**215,158,204**	**178,866,806**
US dollars	138,324,699	92,691,813
Chilean pesos	76,833,505	86,174,993
Other non-current liabilities (2)	**10,866,678**	**10,332,351**
Chilean pesos	10,866,678	9,813,179
U.F.	-	519,172
Total non-current liabilities	**226,024,882**	**189,199,157**
US dollars	138,324,699	92,691,813
Chilean pesos	87,700,183	95,988,172
U.F.	-	519,172

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

25. Environment:

As of December 31, 2010 and 2009, 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.

26. Financial Risk Management

a) Characterization of the Market and Competition

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

Based on the Company's estimates, at the end of the fourth quarter of 2010, the industry had 20.8 million customers, with a year-on-year growth of 15%. Such figures are in line with expectations for a mature market in wich growth comes from increased traffic instead of additional users. Value added services, especially mobile broadband, play a key role, showing more than double growth compared to the previous year.

The industry is currently composed of three operators: Movistar is the market leader with 8.8 million customers, followed by Entel PCS and Claro. The strategies employed by these concessionaries are all aimed at offering better service quality and competitive pricing.

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

26. Financial Risk Management, continued

b) Competition risk

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

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

c) Regulatory environment

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

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

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

d) Financial risk management objectives and policies

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

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

26. Financial Risk Management, continued

d) Financial risk management objectives and policies

The policies for managing these risks are summarized below:

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

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

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

The Company periodically determines the efficient exposure of its short and long-term debt to changes in interest rates, based on the future evolution of rates. As of December31, 2010, 90% of the Company's short and long-term financial debt is maintained at floating interest rates, considering as variable any debt that must be refinanced in a term of less than one year, or the hedges for which expire in that time period.

Foreign currency risk: Foreign currency risk is the risk that the fair value or future cash flows from a financial instrument fluctuate due to changes in exchange rates. The Company's exposure to the risk of exchange rate variation is related principally to securing short and long-term financing in foreign currencies and to operating activities related to handset purchases. The Company's policy calls for trading derivative financial instruments that help minimize this risk.

Thanks to hedging activities to manage the Company's main currency risk, the sensitivity of the fair value of future cash flows of the hedged item to exchange rate variations is close to zero, fundamentally because 100% of the company's debt in foreign currency is hedged. For the year ended as of December 31, 2010, 73% of the Company's total debt is denominated in foreign currency.

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

26. Financial Risk Management, continued

d) Financial risk management objectives and policies, continued

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

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

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

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

e) Technological changes

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

f) Perspectives

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

In the medium and long-term the Company expects to maintain strong competitive pressure, both from current operators and from new entrants (Nextel and VTR Móvil) resulting from the public tender of 90Mhz spectrum.

In addition it should be noted that within the next two years numerical portability will be applied. This new scenario will increase competition and demand investments in human and financial resources, with the benefit of incorporating users who are dissatisfied with the service currently provided by their operator.

27. Subsequent Events

The consolidated financial statements of Telefónica Móviles Chile S.A. for the year ended as of December 31, 2010, were approved and authorized for issuance at the Board Meeting held on January 27, 2010.

On February 16, 2011, the Company concluded the all-risk property and business interruption insurance claim settlement process for damages caused by the earthquake of February 27, 2010. Payments received cover damages caused to the Company's infrastructure and income not received due to the natural disaster.

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