



TELEFONICA MOVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended
March 31, 2011 and December 31, 2010

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

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

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ThCh\$: Thousands of Chilean pesos

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

ASSETS	Notas	<u>31.03.2011</u>	<u>31.12.2010</u>
		ThCh\$	ThCh\$
CURRENT ASSETS			
Cash and cash equivalents	(5)	26,788,401	131,273,568
Other current financial assets	(9)	2,706,579	211,182
Other current non-financial assets	(10)	38,129,185	32,769,008
Trade and other current accounts receivable	(6a)	127,631,517	150,117,776
Current accounts receivable from related companies	(7a)	16,433,001	21,109,095
Inventory	(8a)	45,331,762	53,343,297
Tax assets, current		445,931	445,917
Total current operating assets		<u>257,466,376</u>	<u>389,269,843</u>
TOTAL CURRENT ASSETS		<u>257,466,376</u>	<u>389,269,843</u>
NON-CURRENT ASSETS			
Intangible assets other than goodwill, net	(12)	59,033,656	62,763,244
Goodwill	(13)	483,179,725	483,179,725
Property, plant and equipment	(14)	380,543,229	394,480,621
Deferred tax assets	(11c)	27,674,733	38,543,422
TOTAL NON-CURRENT ASSETS		<u>950,431,343</u>	<u>978,967,012</u>
TOTAL ASSETS		<u>1,207,897,719</u>	<u>1,368,236,855</u>

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

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

LIABILITIES	Notas	31.03.2011	31.12.2010
		ThCh\$	ThCh\$
CURRENT LIABILITIES			
Other current financial liabilities	(17)	27,666,482	110,847,025
Trade and other accounts payable	(19)	137,303,314	187,629,295
Current accounts payable to related companies	(7b)	25,069,771	47,782,229
Other short-term provisions	(20a)	502,305	464,466
Current tax liabilities	(11b)	11,025,019	5,632,253
Current employee benefits accrual	(20b)	928,159	4,389,599
Other current non-financial liabilities	(18)	40,616,916	36,065,177
TOTAL CURRENT LIABILITIES		243,111,966	392,810,044
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(17)	208,320,483	215,158,204
Other long-term provisions	(20c)	12,233,197	10,866,678
TOTAL NON-CURRENT LIABILITIES		220,553,680	226,024,882
NET SHAREHOLDERS' EQUITY			
Issued capital	(15a)	941,101,241	941,101,241
Retained earnings (losses)		134,771,964	139,654,640
Other reserves	(15d)	(331,641,133)	(331,353,952)
Shareholders' equity attributable to owners of the parent		744,232,072	749,401,929
Non-controlling interests		-	-
TOTAL NET SHAREHOLDERS' EQUITY		744,232,072	749,401,929
TOTAL NET LIAB. & SHAREHOLDERS EQUITY		1,207,897,718	1,368,236,855

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

March 31, 2011 and December 31, 2010

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

STATEMENTS OF INCOME	Notas	For the three-month periods ended March 31	
		2011	2010
		ThCh\$	ThCh\$
Operating income	(22a)	228,463,630	200,880,615
Other income, by nature	(22a)	576,660	1,602,863
Employee benefits expenses	(21)	(9,779,401)	(10,317,974)
Depreciation and amortization expense	(12b-14)	(45,389,538)	(40,198,365)
Other expenses, by nature	(22a)	(120,973,895)	(104,734,616)
Finance income	(22b)	718,839	271,055
Finance costs	(22b)	(3,243,884)	(1,682,224)
Foreign currency translation		(76,105)	123,427
Profits before tax from continuing operations		50,296,306	45,944,781
Income tax expense	(11d)	(10,868,689)	(6,517,664)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		39,427,617	39,427,117
Profit (loss) attributable to:			
Profit (loss) attributable to owners of the parent		39,427,617	39,427,117
Profit (loss) attributable to non-controlling interests		-	-
PROFIT FOR THE PERIOD		39,427,617	39,427,117
 EARNINGS PER SHARE		\$	\$
Earnings per basic share:			
Earnings per basic share for continuing operations	(16)	334.06	374.24
Diluted earnings per share:			
Diluted earnings per share from continuing operations		334.06	374.24

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

March 31, 2011 and December 31, 2010

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

	For the three-month periods ended March 31	
	2011	2010
	ThCh\$	ThCh\$
STATEMENT OF COMPREHENSIVE INCOME		
PROFIT FOR THE PERIOD	39,427,617	39,427,117
Components of other comprehensive income before taxes		
Cash flow hedges:		
Profit (loss) on cash flow hedges, before taxes	(437,136)	1,335,041
Other components of other comprehensive income, before taxes	(437,136)	1,335,041
Income taxes related to components of other comprehensive income:		
Income tax related to hedging cash flows from other comprehensive income	87,427	(226,957)
Sum of income taxes related to components of other comprehensive income	87,427	(226,957)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	(349,709)	1,108,084
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	39,077,908	40,535,201
COMPREHENSIVE INCOME ATTRIBUTABLE TO		
Comprehensive income attributable to owners of the parent	39,077,908	40,535,201
Comprehensive income attributable to non-controlling interests	-	-
TOTAL COMPREHENSIVE INCOME	39,077,908	40,535,201

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
 March 31, 2011 and 2010
 (Translation of Financial Statements originally issued in Spanish – See Note 2b)

	Issued capital	Cash flow hedge reserves	Benefit plan gain and loss reserve	Other miscellaneous reserves	Total other reserves	Retained earnings	Equity attributable to owners of the parent	Non controlling interests	Total equity
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.2011	941,101,241	(37,577)	256,001	(331,572,377)	(331,353,953)	139,654,641	749,401,929	-	749,401,929
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	39,427,617	39,427,617	-	39,427,617
Other comprehensive income	-	(349,709)	-	-	(349,709)	-	(349,709)	-	(349,709)
Dividends	-	-	-	-	-	(44,310,294)	(44,310,294)	-	(44,310,294)
Increase (decrease) from transfers and other changes	-	-	62,529	-	62,529	-	62,529	-	62,529
Total changes in equity	-	(349,709)	62,529	-	(287,180)	(4,882,677)	(5,169,857)	-	(5,169,857)
Ending balance as of 03.31.2011	941,101,241	(387,286)	318,530	(331,572,377)	(331,641,133)	134,771,964	744,232,072	-	744,232,072
Beginning balance as of 01.01.2010	1,980,350,053	645,545	313,177	(1,414,869,867)	(1,413,911,145)	272,837,717	839,276,625	-	839,276,625
Changes in equity:									
Comprehensive income:									
Profit	-	-	-	-	-	39,427,117	39,427,117	-	39,427,117
Other comprehensive income	-	1,108,084	-	-	1,108,084	-	1,108,084	-	1,108,084
Dividends	-	-	-	-	-	(50,000,000)	(50,000,000)	-	(50,000,000)
Increase (decrease) from transfers and other changes	-	-	36,566	-	36,566	-	36,566	-	36,566
Total changes in equity	-	1,108,084	36,566	-	1,144,650	(10,572,883)	(9,428,233)	-	(9,428,233)
Ending balance as of 03.31.2010	1,980,350,053	1,753,629	349,743	(1,414,869,867)	(1,412,766,495)	262,264,834	829,848,392	-	829,848,392

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
March 31, 2011 and December 31, 2010

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

	For the three-month periods ended March 31	
	2011	2010
	ThCh\$	ThCh\$
Cash flows provided by operating activities:		
Profit	39,427,617	39,427,117
Adjustments to reconcile profits to net cash flows:		
Adjustments due to income tax expense	10,868,689	(6,517,664)
Adjustments due to decrease (increase) in inventory	5,258,088	(9,179,626)
Adjustments due to decrease (increase) in trade accounts receivable	21,735,054	(11,556,080)
Adjustments due to decrease (increase) in other accounts receivable derived from operating activities	(25,554,262)	(3,095,901)
Adjustments due to increase (decrease) in trade accounts payable	(11,421,148)	19,164,558
Adjustments due to increase (decrease) in other accounts payable derived from operating activities	3,191,936	5,651,759
Adjustments due to depreciation and amortization expenses	45,389,538	40,198,365
Adjustments due to provisions	1,730,181	4,322,712
Adjustments due to unrealized losses (profits) in foreign currency	76,106	(123,427)
Total adjustments due to reconciliation of profit (losses)	51,274,182	38,864,696
Interest received	-	-
Cash flows provided by operating activities:	90,701,799	78,291,813
Cash flows used in investment activities:		
Loans to related entities	(1,381,200)	-
Additions to property, plant and equipment	(42,930,047)	(20,753,177)
Interest received	958,871	(270,922)
Other cash inputs (outputs)	6,659,000	-
Net cash flows used in investment activities	(36,693,376)	(21,024,099)
Cash flows from financing activities:		
Payment of finance lease liabilities	(9,001)	(21,095)
Loan payments	(92,868,338)	-
Dividends paid	(65,000,000)	(50,000,000)
Interest paid	(616,252)	(885,176)
Net cash flows used in financing activities	(158,493,591)	(50,906,271)
Net increase in cash and cash equivalents, before effects of exchange rate changes:	(104,485,168)	6,361,443
Effects of changes in the exchange rate on cash and cash equivalents:		
Net increase in cash and cash equivalents	(104,485,168)	6,361,443
Cash and cash equivalents, beginning of period	131,273,569	68,690,295
Cash and cash equivalents, end of period	26,788,401	75,051,738

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

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

Note 1. Corporate Information

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

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

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

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

As of March 31, 2011, the Company’s direct parent is Inversiones Telefónica Móviles Holding Limitada, which belongs to the Spanish group Telefónica, S.A.

Note 2. Summary of Significant Accounting Policies

a) Periods covered

The consolidated financial statements (hereinafter, the “financial statements”) cover the period ended March 31, 2011 and December 31, 2010.

b) Basis of presentation

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

c) Basis of preparation

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

d) Basis of consolidation

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

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

2. Summary of Significant Accounting Policies, continued

d) Basis of consolidation, continued

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

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

The following subsidiaries are included in consolidation:

Taxpayer No.	Company	Count. of origin	Funct. currency	Participation percentage			
				Direct	03.31.2011 Indirecto	Total	12.31.2010 Total
96.672.150-2	Telefónica Móviles Chile Inversiones S.A.	Chile	CLP	99.999996	-	99.999996	99.999996
99.578.440-8	Telefónica Móviles Chile Distribución S.A.	Chile	CLP	99.99	-	99.99	99.99
96.898.630-9	Intertel S.A.	Chile	CLP	50	50	100	100

e) Foreign currency translation and indexation

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

Date	US\$	EURO	UF
03-31-2011	479,46	680,47	21.578,26
12-31-2010	468,01	621,53	21.455,55
03-31-2010	524,46	709,30	20.998,52

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

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

2. Summary of Significant Accounting Policies, continued

f) Financial assets and liabilities

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

i) Financial investments

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

ii) Accounts receivable

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

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

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

iii) Cash and cash equivalents

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

iv) Interest-bearing loans

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

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

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

f) **Financial assets and liabilities**, continued

v) **Derivative financial instruments**

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

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

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

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

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

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

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

TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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2. **Summary of Significant Accounting Policies**, continued

g) Inventory

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

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

Obsolescence is determined based on rotation of equipment and accessories.

h) Impairment of non-current assets

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

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

Discount rates used are determined before taxes and adjusted for the respective country and business risk. Accordingly a rate of 12% was used in 2011 and 2010, and no impairment adjustments were made.

i) Leases

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

Leased assets for which the significant risks and rewards of ownership are transferred to the Company are considered finance leases. At inception the asset and associated liability are recorded at the fair value of the leased asset or the present value of the minimum agreed-upon lease payments if lower. Interest expense is charged to income throughout the life of the lease. Depreciation of these assets is included in depreciation of Property, Plant and Equipment. The Company reviews all contracts to determine if they contain an embedded lease. As of March 31, 2011 and December 31, 2010 no embedded leases were identified.

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Notes to the Consolidated Financial Statements
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2. Summary of Significant Accounting Policies, continued

j) Income taxes

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

Tax assets and liabilities for the current and prior periods are measured at the amount the Company estimates it will recover or pay to tax authorities. Tax rates and regulations used to calculate these amounts are those in force as of each period-end (20% for 2011 and 17% for 2010).

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

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

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

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

k) Investment in associates

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

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

l) Goodwill

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

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

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

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

m) Intangibles

i) Concession licenses

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

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

ii) Software licenses

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

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

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

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 March 31, 2011 and December 31, 2010, no interest was capitalized.

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

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

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Notes to the Consolidated Financial Statements
(Translation of Financial Statements originally issued in Spanish – See Note 2b)

2. Summary of Significant Accounting Policies, continued

ñ) Depreciation of property, plant and equipment

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

Estimated useful lives are detailed as follows:

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

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

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

o) Provisions

i) Employee benefits

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

ii) Provision for dismantling expenses

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

iii) Other provisions

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

iv) Employee bonuses

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

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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.

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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.

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2. Summary of Significant Accounting Policies, continued

vi) Financial assets and liabilities

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

r) Consolidation methods

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

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

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

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

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

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

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

Mandatory application date		Mandatory application date
IFRS 9	Instrumentos Financieros	1 de enero de 2013

IFRS 9 – Financial instruments

This Standard introduces new requirements for the classification and measurement of financial assets, allowing early application. Requires that all financial assets be classified totally on the basis of the entity's business model for managing financial assets and the characteristics of contractual cash flows of financial assets. Financial assets under this standard are measured either at amortized cost or fair value. Only financial assets classified as measured at amortized cost must be tested for impairment. Application is effective for annual periods beginning on or after January 1, 2013. Early adoption is allowed for 2011 financial statements.

The Company is still assessing the impact that the mentioned modification might have on the financial statements.

3. **Changes in Accounting Policy and Disclosures**

a) **Accounting changes:**

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

b) **Changes in estimates:**

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

4. **Financial Information by Segment**

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

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4. Financial Information by Segment, continued

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

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

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Description	Currency	31.03.2011 ThCh\$	31.12.2010 ThCh\$
Cash and banks		3,166,536	4,648,258
	CLP	1,097,713	4,595,858
	USD	1,412,675	43,862
	EUR	656,148	8,538
Time deposits		23,621,865	125,125,050
	CLP	23,621,865	124,052,483
	UF	-	1,072,567
Repurchase agreements		-	1,500,260
	CLP	-	1,500,260
Total cash and cash equivalents		26,788,401	131,273,568
Subtotal by currency	CLP	24,719,578	130,148,601
	USD	1,412,675	43,862
	UF	-	1,072,567
	EUR	656,148	8,538

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 March 31, 2011 and December 31, 2010 are detailed as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate %	Average days to maturity	Principal in local currency ThCh\$	Accrued interest in local currency ThCh\$	Total as of 03.31.2011 ThCh\$
Time deposit	CLP	23,600,000	4.05%	16	23,600,000	21,865	23,621,865
Totales					23,600,000	21,865	23,621,865

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

c) **Repurchase agreements**

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

Code	Dates		Counterparty	Original currency	Subscription value ThCh\$	Annual rate %	Final value ThCh\$	Identification of instruments	Book value ThCh\$ 03.31.2011
	Beginning	Ending							
CRV	29-Dic-10	04-Ene-11	BANCO DE CREDITO E INVERSIONES	CLP	1,500,000	3,12%	1,500,780	PDBC050309	1,500,260
Totales					1,500,000		1,500,780		1,500,260

As of March 31, 2011 the Company did not record balances for these transactions.

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6. Trade and Other Accounts Receivable

a) Current accounts receivable are detailed as follows:

Description	03.31.2011			31.12.2010		
	Current			Current		
	Gross value ThCh\$	All. f/doubt. accts. ThCh\$	Net value ThCh\$	Gross value ThCh\$	All. f/doubt. accts. ThCh\$	Net value ThCh\$
Trade A/R	176,986,808	(51,484,667)	125,502,141	176,276,973	(48,023,155)	128,253,818
Misc. Receivables	2,129,376	-	2,129,376	21,863,958	-	21,863,958
Total	179,116,184	(51,484,667)	127,631,517	198,140,931	(48,023,155)	150,117,776

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

Movements	03.31.2011	12.31.2010
	ThCh\$	ThCh\$
Beginning balance	48,023,155	36,810,903
Increases	8,054,545	35,107,637
Eliminations/ Additions	(4,593,033)	(23,895,385)
Ending balance	51,484,667	48,023,155

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

Description	03.31.2011					12.31.2010				
	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	9,526,736				9,526,736	6,221,801				6,221,801
Total	9,526,736	0	0	0	9,526,736	6,221,801	0	0	0	6,221,801

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7. Related Party Disclosures

a) Current notes and accounts receivable:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	03.31.2011	12.31.2010
						ThCh\$	ThCh\$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Accionista común	Prest. Servicios	CLP	4,191	1,856
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	España	Accionista común	Prest. Servicios	EUR	567,903	792,321
TELEFONICA INTERNACIONAL, S.A.	0-E	España	Accionista	Prest. Servicios	EUR	40,439	38,023
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Accionista común	Prest. Servicios	CLP	10,891,612	7,851,350
TELEFONICA MOVILES SAO PAULO	0-E	Brasil	Accionista común	Prest. Servicios	USD	58,431	51,919
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Accionista común	Prest. Servicios	USD	876	4,853
TELEFONICA, S.A.	0-E	España	Accionista	Prest. Servicios	EUR	10,535	10,535
ATENTO CHILE S.A.	96.895.220-K	Chile	Accionista común	Prest. Servicios	CLP	14,089	16,637
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Accionista común	Prest. Servicios	CLP	59,408	6,651
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Accionista común	Prest. Servicios	USD	617,021	164,122
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Accionista común	Prest. Servicios	CLP	1,164,130	608,619
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Accionista común	Prest. Servicios	CLP	(600,139)	2,707,489
OTECEL, S.A. ECUADOR	0-E	Ecuador	Accionista común	Prest. Servicios	USD	6,501	4,647
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Accionista común	Prest. Servicios	CLP	127,121	87,276
TELEFONICA MULTIMEDIA CHILE S.A.	78.703.410-1	Chile	Accionista común	Prest. Servicios	CLP	1,220	5,536
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Accionista común	Prest. Servicios	CLP	10,448	5,787
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Accionista común	Prest. Servicios	CLP	10,218	7,442
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	México	Accionista común	Prest. Servicios	USD	1,391	261,664
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Accionista común	Prest. Servicios	USD	5,998	6,854
TELEFONICA MOVILES PANAMA	0-E	Panamá	Accionista común	Prest. Servicios	USD	4,700	4,459
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Accionista común	Prest. Servicios	USD	158,733	151,480
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Accionista común	Prest. Servicios	USD	8,908	10,608
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Accionista común	Prest. Servicios	USD	8,995	11,889
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Accionista común	Prest. Servicios	USD	1,413	616
VIVO, S.A.	0-E	Brasil	Accionista común	Prest. Servicios	USD	56,493	50,676
VIVO BRASIL COMUNICACIONES	0-E	Brasil	Accionista común	Prest. Servicios	USD	1,295	1,186
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Accionista común	Cuenta Corriente Mercantil	CLP	1,362,664	7,947,578
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Irlanda	Accionista común	Prest. Servicios	USD	6,314	5,312
O2 GERMANY GMBH & CO OHG	0-E	Alemania	Accionista común	Prest. Servicios	USD	26,094	12,880
MANX TELECOM LTD	0-E	Inglaterra	Accionista común	Prest. Servicios	USD	699	1,239
O2 (UK) (ANTES VP COMMUNIC)	0-E	Inglaterra	Accionista común	Prest. Servicios	USD	177,417	210,591
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Accionista común	Prest. Servicios	CLP	179,683	-
	76.086.148-0	Chile	Accionista común	Cuenta Corriente Mercantil	CLP	1,381,200	-
INVERSIONES TELEFONICA MOVILES HOLDING LTDA.	76.124.890-1	Chile	Accionista común	Prest. Servicios	EUR	67,000	67,000
Total						16,433,001	21,109,095

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

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7. Related Party Disclosures, continued

b) Current notes and accounts receivable:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	31.03.2011	31.12.2010
						ThCh\$	ThCh\$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Accionista común	Prest. Servicios	CLP	74,653	286,934
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	España	Accionista común	Prest. Servicios	EUR	243,388	346,591
TELEFONICA INTERNACIONAL, S.A.	0-E	España	Accionista	Prest. Servicios	EUR	2,708,281	2,386,305
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Accionista común	Prest. Servicios	CLP	7,977,398	8,537,034
TELEFONICA MOVILES SAO PAULO	0-E	Brasil	Accionista común	Prest. Servicios	USD	80,000	80,000
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Accionista común	Prest. Servicios	USD	5,294	242
TELEFONICA, S.A.	0-E	España	Accionista	Prest. Servicios	EUR	3,498,988	3,154,938
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	0-E	España	Accionista común	Prest. Servicios	EUR	-	712,113
TELEFONICA INVESTIGACION Y DESARROLLO, S.A.	0-E	España	Accionista común	Prest. Servicios	EUR	-	15,373
ATENTO CHILE S.A.	96.895.220-K	Chile	Accionista común	Prest. Servicios	CLP	3,100,268	3,447,055
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Accionista común	Prest. Servicios	CLP	65,067	166,953
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Accionista común	Prest. Servicios	USD	213,756	100,552
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Accionista común	Prest. Servicios	CLP	3,159,218	2,430,630
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Accionista común	Prest. Servicios	CLP	80	3,706,608
OTECEL, S.A. ECUADOR	0-E	Ecuador	Accionista común	Prest. Servicios	USD	19,470	6,717
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Accionista común	Prest. Servicios	CLP	1,012,860	210,906
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Accionista común	Prest. Servicios	CLP	275,667	291,193
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Accionista común	Prest. Servicios	CLP	217,978	569,863
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	México	Accionista común	Prest. Servicios	USD	41,217	9,402
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Accionista común	Prest. Servicios	USD	17,938	9,120
TELEFONICA MOVILES PANAMA	0-E	Panamá	Accionista común	Prest. Servicios	USD	3,684	3,652
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Accionista común	Prest. Servicios	USD	301	458
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Accionista común	Prest. Servicios	USD	15,868	14,415
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Accionista común	Prest. Servicios	USD	26,509	13,265
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Accionista común	Prest. Servicios	USD	104,957	53,951
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Accionista común	Prest. Servicios	USD	232	71
VIVO, S.A.	0-E	Brasil	Accionista común	Prest. Servicios	USD	40,806	28,163
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Irlanda	Accionista común	Prest. Servicios	USD	501	762
O2 GERMANY GMBH & CO OHG	0-E	Alemania	Accionista común	Prest. Servicios	USD	36,205	12,055
MANX TELECOM LTD	0-E	Inglaterra	Accionista común	Prest. Servicios	USD	803	209
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A	96.910.730-9	Chile	Accionista común	Prest. Servicios	CLP	240,806	176,768
TELEFONICA INTERNATIONAL WHOLESALE S.L. UNIPERSONAL	0-E	España	Accionista común	Prest. Servicios	EUR	13,089	12,765
TELEATENTO DEL PERU S.A.C.	0-E	Perú	Accionista común	Prest. Servicios	USD	352,601	307,459
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Accionista común	Prest. Servicios	CLP	1,521,888	-
INVERSIONES TELEFONICA MOVILES HOLDING LTDA.	76.124.890-1	Chile	Accionista común	Prest. Servicios	EUR	-	20,689,707
Total						25,069,771	47,782,229

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7. Related Party Disclosures, continued

c) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	03.31.2011	03.31.2010
					ThCh\$	ThCh\$
TELEFONICA INGENIERIA SEGURIDAD S.A.	59.083.900-0	Chile	Accionista común	Ventas	2,335	1,051
	59.083.900-0	Chile	Accionista común	Costos	(73,233)	(92,380)
TELEFONICA MOVILES ESPAÑA, S.A.	0-E	España	Accionista común	Ventas	591,287	556,137
	0-E	España	Accionista común	Costos	(251,565)	(256,707)
TELEFONICA INTERNACIONAL, S.A.	0-E	España	Accionista	Costos	(763,674)	(357,390)
TELEFONICA CHILE S.A.	90.635.000-9	Chile	Accionista común	Ventas	9,606,817	7,058,932
	90.635.000-9	Chile	Accionista común	Costos	(6,205,409)	(5,962,440)
TELEFONICA MOVILES EL SALVADOR, S.A.	0-E	El Salvador	Accionista común	Ventas	437	1,251
	0-E	El Salvador	Accionista común	Costos	(221)	(335)
TELEFONICA, S.A.	0-E	España	Accionista	Costos	(3,823,726)	(582,515)
TELEFONICA GLOBAL TECHNOLOGY S.A.U.	0-E	España	Accionista común	Costos	(28,880)	-
ATENTO CHILE S.A.	96.895.220-K	Chile	Accionista común	Ventas	44,650	26,104
	96.895.220-K	Chile	Accionista común	Costos	(3,197,892)	(1,526,764)
TERRA NETWORKS CHILE S.A.	96.834.230-4	Chile	Accionista común	Ventas	63,491	12,701
	96.834.230-4	Chile	Accionista común	Costos	(158,615)	(149,407)
TELEFONICA MOVILES ARGENTINA, S.A.	0-E	Argentina	Accionista común	Ventas	513,929	150,983
	0-E	Argentina	Accionista común	Costos	(220,167)	(196,153)
TELEFONICA LARGA DISTANCIA S.A.	96.672.160-K	Chile	Accionista común	Ventas	864,017	957,975
	96.672.160-K	Chile	Accionista común	Costos	(2,517,130)	(2,781,496)
TELEFONICA EMPRESAS CHILE S.A.	90.430.000-4	Chile	Accionista común	Ventas	781,061	807,093
	90.430.000-4	Chile	Accionista común	Costos	-	(103,335)
OTECCEL, S.A. ECUADOR	0-E	Ecuador	Accionista común	Ventas	10,083	9,646
	0-E	Ecuador	Accionista común	Costos	(18,634)	(14,914)
TELEFONICA GESTION SERVICIOS COMPARTIDOS CHILE S.A.	96.961.230-5	Chile	Accionista común	Ventas	88,086	11,422
	96.961.230-5	Chile	Accionista común	Costos	(324,880)	(429,624)
TELEFONICA MULTIMEDIA CHILE S.A.	78.703.410-1	Chile	Accionista común	Ventas	1,239	8,730
INSTITUTO TELEFONICA CHILE S.A.	96.811.570-7	Chile	Accionista común	Ventas	4,645	(11,514)
	96.811.570-7	Chile	Accionista común	Costos	(5,968)	(12,993)
TELEFONICA FACTORING CHILE S.A.	76.096.189-2	Chile	Accionista común	Ingresos financieros	48,047	-
TELEFONICA CHILE SERVICIOS CORPORATIVOS LTDA.	76.086.148-0	Chile	Accionista común	Ventas	30,157	-
	76.086.148-0	Chile	Accionista común	Costos	(2,162,113)	-
TELEFONICA MOVILES SOLUCIONES Y APLICACIONES S.A.	96.990.810-7	Chile	Accionista común	Ventas	15,540	10,880
	96.990.810-7	Chile	Accionista común	Costos	(165,419)	(122,077)
TELEFONICA MOVILES MEXICO, S.A. DE C.V.	0-E	México	Accionista común	Ventas	3,524	3,440
	0-E	México	Accionista común	Costos	(19,357)	(14,634)
TELEFONICA MOVILES URUGUAY HOLD	0-E	Uruguay	Accionista común	Ventas	8,969	8,162
	0-E	Uruguay	Accionista común	Costos	(30,703)	(20,327)
TELEFONICA MOVILES PANAMA	0-E	Panamá	Accionista común	Ventas	4,825	3,194
	0-E	Panamá	Accionista común	Costos	(3,870)	(3,822)
TELEFONICA MOVILES GUATEMALA	0-E	Guatemala	Accionista común	Ventas	1,604	1,766
	0-E	Guatemala	Accionista común	Costos	(307)	(486)
TELEFONICA MOVILES VENEZUELA	0-E	Venezuela	Accionista común	Ventas	9,361	8,211
	0-E	Venezuela	Accionista común	Costos	(5,588)	(13,211)
TELEFONICA MOVILES COLOMBIA	0-E	Colombia	Accionista común	Ventas	10,581	7,203
	0-E	Colombia	Accionista común	Costos	(23,787)	(18,470)
TELEFONICA MOVILES PERU, S.A.	0-E	Perú	Accionista común	Ventas	14,051	13,937
	0-E	Perú	Accionista común	Costos	(106,010)	(72,909)
TELEFONICA MOVILES NICARAGUA, S.A.	0-E	Nicaragua	Accionista común	Ventas	1,157	1,465
	0-E	Nicaragua	Accionista común	Costos	(386)	(122)
VIVO, S.A.	0-E	Brasil	Accionista común	Ventas	58,817	52,097
	0-E	Brasil	Accionista común	Costos	(40,103)	(59,886)
O2 COMMUNICATIONS (IRELAND) LTD.	0-E	Irlanda	Accionista común	Ventas	6,335	15,717
	0-E	Irlanda	Accionista común	Costos	(525)	(828)
O2 GERMANY GMBH & CO OHG	0-E	Alemania	Accionista común	Ventas	25,601	20,342
	0-E	Alemania	Accionista común	Costos	(35,973)	(18,859)
MANX TELECOM LTD	0-E	Inglaterra	Accionista común	Ventas	415	567
	0-E	Inglaterra	Accionista común	Costos	(969)	(522)
O2 (UK) (ANTES VP COMMUNIC)	0-E	Inglaterra	Accionista común	Ventas	182,536	123,892
TELEFONICA INTERNATIONAL WHOLESALE SERVICES CHILE S.A.	96.910.730-9	Chile	Accionista común	Costos	(123,687)	(47,324)
TELEFONICA LEARNING SERVICES	0-E	España	Accionista común	Costos	(705)	-
TELEATENTO DEL PERU S.A.C.	0-E	Perú	Accionista común	Costos	(310,242)	(39,117)

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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	03.31.2011 ThCh\$	03.31.2010 ThCh\$
Wages, salaries and bonuses	-	678,968
Total	-	678,968

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

The Company has a director’s remuneration plan, with share-based payment. The amount as of March 31, 2011 and December 31, 2010 is ThCh\$318,431 and ThCh\$255,902, respectively.

8. Inventory

a) Inventory is detailed as follows:

Description	03.31.2011 ThCh\$	12.31.2010 ThCh\$
Merchandise	54,237,411	59,383,070
Obsolescence provision	(8,905,649)	(6,039,773)
Total	45,331,762	53,343,297

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

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8. Inventory, continued

a) Inventory movements are detailed as follows:

Description	03.31.2011	12.31.2010
	ThCh\$	ThCh\$
Beginning balance	53,343,297	46,845,159
Purchases	38,138,541	167,193,331
Sales	(18,077,437)	(64,900,458)
Transfer to materials allocated to the investment	(25,206,763)	(86,969,958)
Obsolescence provision	(2,865,876)	(1,166,560)
Other	-	(7,658,217)
Total	45,331,762	53,343,297

9. Other Current Financial Assets

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

Description	32.03.2011	12.31.2010
	Assets ThCh\$	Assets ThCh\$
Exchange rate hedge	703,032	211,182
Investment contracts	2,003,547	-
Total	2,706,579	211,182

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

Debtor's Taxpayer No.	Debtor	Country of Debtor	Creditor's Taxpayer No.	Creditor	Creditor's country	Currency	Expiration date		Total current as of 03.31.2011
							Up to 90 days ThCh\$	90 days to 1 year ThCh\$	
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	USD	19,822	-	19,822
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	EUR	60,656	-	60,656
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	USD	2,664	1,175	3,839
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.004.000-5	CHILE	Chile	EUR	148,657	-	148,657
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.004.000-5	CHILE	Chile	UF	-	2,133	2,133
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.023.000-9	CORPBANCA	Chile	USD	58,595	-	58,595
87.845.500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	USD	3,972	405,358	409,330
Total derivative instrument assets							294,366	408,666	703,032

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate %	Average days to maturity	Principal in local	Accrued interest	Total current as
					currency ThCh\$	in local currency ThCh\$	of 03.31.2011 ThCh\$
Time deposit	UF	92.817,37	6,96%	126	2.000.000	3.547	2.003.547
Totales					2.000.000	3.547	2.003.547

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9. Other Current Financial Assets, continued

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

10. Other Current Non- Financial Assets, continued

Description	03.31.2011	12.31.2010
	ThCh\$	ThCh\$
Advance payments (1)	8,262,117	10,035,572
Deferred handset costs	12,288,631	8,755,993
Customer guarantees	1,593,784	1,582,537
Other prepaid expenses (2)	15,984,653	12,394,906
Total	38,129,185	32,769,008

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

(2) Includes deferred commissions

11. Income Taxes

a) General information:

As of March 31, 2011 and December 31, 2010 the Company has not established a first category income tax provision, since it has tax losses of ThCh\$ 16,452,612 and ThCh\$ 44,749,747, respectively.

b) Current income tax liabilities

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

Description	03.31.2011	12.31.2010
	ThCh\$	ThCh\$
Social security institutions	1,521,962	455,860
Individual tax withholdings	152,668	145,422
Value added tax, net	7,235,856	2,975,925
Other taxes	2,114,533	2,055,046
Total	11,025,019	5,632,253

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11. Income Taxes, continued

c) Deferred taxes:

As of March 31, 2011 and December 31, 2010, the cumulative balances of temporary differences resulted in net deferred tax assets of ThCh\$ 27,674,733 and ThCh\$ 38,543,422, respectively, detailed as follows:

Conceptos	03.31.2011		12.31.2010	
	Asset ThCh\$	Liability ThCh\$	Asset ThCh\$	Liability ThCh\$
Trade and notes receivable	10,611,883	-	9,919,580	-
Obsolescence provision	1,723,879	-	1,162,656	-
Miscellaneous provisions	60,838	-	88,690	-
Unearned income	6,371,942	-	6,017,342	-
Vacation accrual	357,184	-	531,250	-
Personnel accruals	569,753	-	972,114	-
Lease obligation	69,733	-	106,376	-
Tax loss	2,796,944	-	7,607,457	-
Other events	104,724	-	104,727	-
Financial instrument valuation adjustments	-	936,128	-	850,900
Deferred customs duties differences in financial-tax value	-	-	-	396,484
Capitalized software	-	19,397	-	19,268
Syndicated loan capitalized expenses	-	101,365	-	101,365
Deferred selling cost and deferred sales commissions	-	5,652,812	-	4,228,345
Tax value of staff severance indemnities	-	30,264	-	29,840
Property, plant and equipment	38,203,175	26,455,356	40,317,429	22,657,997
Sub totales	60,870,055	33,195,322	66,827,621	28,284,199
Reclasification			(1,111,530)	(1,111,530)
Total	60,870,055	33,195,322	65,716,091	27,172,669

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11. **Income Taxes**, continued

d) **Income tax reconciliation:**

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

Conceptos	31.03.2011		12.31.2010	
	Taxable base	17% Tax Rate	Taxable base	17% Tax Rate
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Based on accounting income before taxes:				
Income before taxes	50,296,306	10,059,261	45,944,781	7,810,613
Permanent differences	4,047,140	809,428	(7,605,581)	(1,292,949)
Accrued investment income	64,675	12,935	(229,511)	(39,017)
Price-level restatement of taxable equity	(5,540,364)	(1,108,073)	(5,072,500)	(862,325)
Difference due to change of rate due to legal modification	27,916,432	5,583,286	-	-
Others	(18,393,603)	(3,678,720)	(2,303,570)	(391,607)
Total corporate tax expense	54,343,446	10,868,689	38,339,200	6,517,664
Based on taxable net income and deferred taxes calculated on the basis of temporary differences:				
17% income tax	-	-	-	-
35% income tax	-	-	-	-
Prior years deficit	-	-	-	-
Income tax expense		-		-
Deferred tax expense (1)		10,868,689		6,517,664
Total corporate tax expense		10,868,689		6,517,664
Effective income tax rate		21.61%		14.19%

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

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12. Intangible Assets other than goodwill

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

Description	03.31.2011			12.31.2010		
	Intangibles, gross	Accumulated amortization	Intangibles, net	Intangibles, gross	Accumulated amortization	Intangibles, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Administrative concessions	127,098,767	(90,094,050)	37,004,717	127,098,767	(89,668,404)	37,430,363
Information technology applications	104,955,550	(82,926,611)	22,028,939	104,991,535	(79,658,654)	25,332,881
Total	232,054,317	(173,020,661)	59,033,656	232,090,302	(169,327,058)	62,763,244

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

Movements	Administrative concessions, net ThCh\$	Information technology applications, net ThCh\$	Intangibles, net ThCh\$
Beginning balance as of 01.01.11	37,430,363	25,332,881	62,763,244
Transfers	-	(35,985)	(35,985)
Amortization expense	(425,646)	(3,267,957)	(3,693,603)
Ending balance as of 03.31.2011	37,004,717	22,028,939	59,033,656

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

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

Intangible assets are tested for impairment whenever there is an indication of a potential loss in value, and in any case at each year-end. The financial statements for 2011 and 2010 have not been affected as a result of the impairment tests performed on these assets.

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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 goodwill for March 31, 2011 and December 31, 2010 are detailed as follows:

Description	03.31.2011 ThCh\$	12.31.2010 ThCh\$
Telefónica Móviles Chile S.A. (1) (2)	483,179,725	483,179,725
Total	483,179,725	483,179,725

- (1) Corresponds to the difference between the acquisition value of the shares of Telefónica Móviles Chile S.A. and the equity value of that investment as of the purchase date, arising from the merger by incorporation with TEM Inversiones Chile Limitada, as indicated in Note 1.
- (2) The Company tests goodwill for impairment in an annual manner. The impairment test, which is based on fair-value, is performed at a reporting unit level. If that fair value is less than the net book value, an irreversible impairment loss is recognized in the income statement account.

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14. Property, Plant and Equipment

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

Movements	03.31.2011			12.31.2010		
	Gross PP&E	Accumulated depreciation	Net PP&E	Gross PP&E	Accumulated depreciation	Net PP&E
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Land	3,829,393	-	3,829,393	3,829,393	-	3,829,393
Work in progress	62,155,388	-	62,155,388	59,603,651	-	59,603,651
Buildings (1)	48,870,053	(43,121,381)	5,748,672	48,870,053	(42,937,985)	5,932,068
Network investments	865,180,400	(626,615,723)	238,564,677	865,180,357	(608,022,833)	257,157,524
Leased equipment	130,175,705	(74,624,230)	55,551,475	121,642,719	(68,729,539)	52,913,180
Furniture	7,993,400	(6,854,740)	1,138,660	7,993,399	(6,816,742)	1,176,657
Computer equipment	21,276,205	(18,174,746)	3,101,459	21,276,204	(17,834,530)	3,441,674
Vehicles	274,331	(134,250)	140,081	274,331	(125,067)	149,264
Other PP&E	21,153,746	(10,840,322)	10,313,424	21,117,532	(10,840,322)	10,277,210
Totals	1,160,908,621	(780,365,392)	380,543,229	1,149,787,639	(755,307,018)	394,480,621

(1) The book values of items received through finance leases as of March 31, 2010 and December 31, 2010 are ThCh\$ 3,682,181 and ThCh\$ 3,711,404, respectively and are presented under constructions.

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

Movements	Land	Work	Buildings,	Network	Leased	Furniture,	Computer	Vehicles,	Other property	Property, plant
	ThCh\$	in progress	net	investments, net	equipment, net	net	equipment, net	net	plant & equip. net	& equip. Net
	ThCh\$		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.11	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
Additions	-	2,515,795	-	-	25,206,763	-	-	-	-	27,722,558
Retirements	-	-	-	-	(16,673,777)	-	-	-	36,214	(16,637,563)
Acc. Dep. retirements	-	-	-	24,184	16,613,379	-	-	-	-	16,637,563
Transfers	-	35,942	-	43	-	-	-	-	-	35,985
Depreciation expense	-	-	(183,396)	(18,617,074)	(22,508,070)	(37,997)	(340,215)	(9,183)	-	(41,695,935)
Ending balance as of 03.31.2010	3,829,393	62,155,388	5,748,672	238,564,677	55,551,475	1,138,660	3,101,459	140,081	10,313,424	380,543,229

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14. Property, Plant and Equipment, continued

Movements of major categories of Property, plant and equipment for December 31, 2010 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 01.01.10	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

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15. **Shareholders' Equity**, continued

a) **Capital**, continued

Capital:

Serie	03.31.2011		12.31.2010	
	Subscribed capital	Issued capital	Subscribed capital	Paid capital
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
SINGLE	941,101,241	941,101,241	941,101,241	941,101,241
Total	941,101,241	941,101,241	941,101,241	941,101,241

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 March 31, 2011 are detailed as follows:

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

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

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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 to be entered into in April 2011.

ii) **Dividends distributed:**

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

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

Date	Dividend	Amount Distributed ThCh\$	Charge to net income	Payment date
02-03-2011	Provisional	65,000,000	Fiscal year 2010	29-03-2011

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15. **Shareholders' Equity**, continued

d) Other reserves

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

Description	Balance as of 12.31.2010 ThCh\$	Net movement ThCh\$	Balance as of 03.31.2011 ThCh\$
Business combination reserve	(97,886,668)		(97,886,668)
Cash flows hedge reserve	(37,576)	(349,710)	(387,286)
Employee benefits reserve	256,001	62,529	318,530
Revaluation issued capital	(233,685,709)		(233,685,709)
Totales	(331,353,952)	(287,181)	(331,641,133)

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 March 31, 2011, the Company has non-controlling interests arising from the investment in Telefónica Móviles Chile Inversiones S.A. in the amount of Ch\$24.

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16. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	01.01.2011 al	01.01.2010 al
	03.31.2011	12.31.2010
	ThCh\$	ThCh\$
Earnings attributable to owners of the parent	39,427,617	39,427,117
Profit available for shareholders	39,427,617	39,427,117
Weighted average number of shares	118,026,145	105,351,617
Basic earnings per share in Ch\$	334.06	374.24

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

17. Other Current and Other Non-current Financial Liabilities

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

Description	03.31.2011		12.31.2010	
	Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Bank loans (a)	24,076,420	30,953,689	107,693,802	30,944,410
Unguaranteed obligations (Bonds) (a)	3,141,767	173,804,701	1,820,104	170,309,977
Hedge liabilities, swap contracts, cross currency (b)	448,295	3,562,093	1,333,119	13,903,817
Total	27,666,482	208,320,483	110,847,025	215,158,204

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

a) Interest bearing loans, continued

i) The following table details interest-bearing loans as of March 31, 2011:

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 03.31.2011
									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\$	ThCh\$	ThCh\$	ThCh\$						
Local syndicated loan (1)			\$	To maturity	3.546%	3.405%	\$ 100,000	2012	-	-	-	24,076,420	24,076,420	30,953,689	-	30,953,689
	97006000-6	Banco Crédito e Inversiones					19,000	2012				4,574,520	4,574,520	5,881,201		5,881,201
	97036000-k	Banco Santander Chile					19,000	2012				4,574,520	4,574,520	5,881,201		5,881,201
	97030000-7	Estado					19,000	2012				4,574,520	4,574,520	5,881,201		5,881,201
	97023000-9	Corpbanca					19,000	2012				3,611,463	3,611,463	4,643,053		4,643,053
	97032000-8	BBVA					19,000	2012				1,926,114	1,926,114	2,476,295		2,476,295
	97018001-k	Scotiabank Sud Americano					19,000	2012				1,926,114	1,926,114	2,476,295		2,476,295
	97080000-K	Banco BICE					19,000	2012				1,444,585	1,444,585	1,857,221		1,857,221
	97008000-7	Citibank N.A.					19,000	2012				1,444,584	1,444,584	1,857,222		1,857,222
Total bank loans									-	-	-	24,076,420	24,076,420	30,953,689		30,953,689
Bono A Bond	97036000-k	Banco Santander Chile	\$	To maturity	5.615%	5.60%	\$ 32,000	2014	-	-	366,219	366,219	31,986,223			31,986,223
144A Bond (3)	0-E	Bank of New York	US\$	To maturity	3.229%	2.875%	US\$ 300	2015	-	-	-	2,775,548	2,775,548	141,818,478		141,818,478
Total unguaranteed obligations									-	-	366,219	2,775,548	3,141,767	173,804,701	-	173,804,701

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

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

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

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

a) Interest-bearing loans, continued

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

Types	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\$	ThCh\$	ThCh\$	ThCh\$							
Foreign syndicated loan (1)			US\$	To maturity	1.099%	0.865%	US\$ 179	2011	-	84,359,335			84,359,335				
	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				23,334,467	23,334,467	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	
	97080000-7	Citibank N.A.					6,000	2012				1,400,068	1,400,068	1,856,665		1,856,665	
Total bank loans												84,359,335	-	23,334,467	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

(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.

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

b) As of March 31, 2011 and December 31, 2010 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 03.31.2011
							up to 90 days	90 days to 1 year		1 to 3 years	3 to 5 years	5 and over	
ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$				
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.032.000-8	BBVA	Chile	USD	232.424	9.441	241.865	-	2.079.467	-	2.079.467
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	USD	78.435	6.769	85.204	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.030.000-7	Banco del Estado de Chile	Chile	USD	74.567	744	75.311	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.018.000-1	SCOTIABANK	Chile	USD	25.077	-	25.077	-	-	-	-
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.004.000-5	BANCHILE	Chile	USD	16.600	1.780	18.380	-	1.482.626	-	1.482.626
87845500-2	Telefónica Móviles Chile S.A.	Chile	97.006.000-6	BCI	Chile	EUR	2.458	-	2.458	-	-	-	-
Total derivative instrument liabilities							429.561	18.734	448.295	-	3.562.093	-	3.562.093

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\$	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

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18. Other Current Non-financial Liabilities

Other current non-financial liabilities are detailed as follows:

Description	03.31.2011 ThCh\$	12.31.2010 ThCh\$
Short-term creditors on financial lease transactions	359.974	531.882
Deferred income, current (1)	38.224.856	33.501.232
Others	2.032.086	2.032.063
Total	40.616.916	36.065.177

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

Deferred revenues	03.31.2011 Current ThCh\$	12.31.2010 Current ThCh\$
Opening balance	33,501,232	27,794,921
Endowments	112,928,310	441,392,349
Reduction/applications	(108,204,686)	(435,686,038)
Movements, subtotal	4,723,624	5,706,311
Final balance	38,224,856	33,501,232

19. Trade and Other Accounts Payable

Trade and other accounts payable are detailed as follows:

Description	03.31.2011 ThCh\$	12.31.2010 ThCh\$
Accounts payable due to purchases or services rendered (1)	103,821,762	114,938,141
Property, plant and equipment suppliers	30,184,087	69,937,302
Other accounts payable	3,297,465	2,753,852
Total	137,303,314	187,629,295

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

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20. Other Provisions

The balance of provisions is detailed as follows:

a) Other short-term provisions

Description	03.31.2011 ThCh\$	12.31.2010 ThCh\$
Legal contingencies provision	502,305	464,466
Total	502,305	464,466

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

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

b) Current employee benefits provision

Description	03.31.2011 ThCh\$	12.31.2010 ThCh\$
Goal achievement bonuses	928,159	4,389,599
Total	928,159	4,389,599

c) Other long-term provisions

Description	03.31.2011 ThCh\$	12.31.2010 ThCh\$
Staff severance indemnities	1,796,694	430,175
Management personnel pension plan accrual	123,912	123,912
Dismantling provision	10,312,591	10,312,591
Total	12,233,197	10,866,678

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20. Other Provisions, continued

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

Movements	03.31.2011 ThCh\$	12.31.2010 ThCh\$
Beginning balance	10,866,678	9,813,179
Increase in existing provisions	1,366,519	1,125,323
Provision used	-	(71,824)
Movements, subtotal	1,366,519	1,053,499
Ending balance	12,233,197	10,866,678

21. Employee benefit expenses

Personnel expenses are detailed as follows:

Conceptos	01.01.2011 al 03.31.2011 ThCh\$	01.01.2010 al 12.31.2010 ThCh\$
Wages and salaries	6.613.812	8.788.031
Benefits obligation expense	2.108.220	374.424
Health and life insurance	355.432	436.147
Other employee expenses	701.937	719.372
Total	9.779.401	10.317.974

22. Revenue and Expenses

a) Operating income and expenses

Operating income for the periods ended March 31, 2011 and 2010 is detailed as follows:

Operating income	01.01.2011 al 03.31.2011 ThCh\$	01.01.2010 al 12.31.2010 ThCh\$
Sales and equipment rental	13.427.540	10.037.677
Telecommunications services rendered	215.036.090	190.842.938
Total	228.463.630	200.880.615

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22. Revenue and Expenses, continued

a) Operating income and expenses, continued

Other operating income for the periods ended March 31, 2011 and 2010 is detailed as follows:

Other income	01.01.2011 al 03.31.2011 ThCh\$	01.01.2010 al 12.31.2010 ThCh\$
Subleased space	406.673	581.650
Administration and management	67.609	772.512
Other common management earnings	102.378	229.287
Earnings from transfer of investment company	-	19.414
Total	576.660	1.602.863

Other miscellaneous operating expenses for the three and nine-month periods ended March 31, 2011 and 2010 are detailed as follows:

Other expenses	01.01.2011 al 31.03.2011 ThCh\$	01.01.2010 al 31.03.2010 ThCh\$
Interconnections	35.097.089	31.027.865
Rent	2.594.994	2.758.911
Cost of sales of equipment and cards	28.842.714	21.664.843
External services	2.765.513	2.312.366
Sales commission	15.975.392	13.400.487
Customer services services	5.164.909	6.140.783
Maintenance	5.743.609	5.403.819
Allowance for doubtful accounts	5.957.338	7.056.074
Advertising	5.225.721	4.640.461
Employee exp. transferred by other comp.	3.122.468	1.188.141
Electrical energy for technical installations	2.680.353	1.934.431
Administrative and management services	3.988.658	2.682.869
Others	3.815.137	4.523.566
Total	120.973.895	104.734.616

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22. **Revenues and Expenses**, continued

b) **Finance income and expenses**

Finance income and expenses for the periods ended March 31, 2011 and 2010 are detailed as follows:

Net financial income	01.01.2011 al 31.03.2011 ThCh\$	01.01.2010 al 31.03.2010 ThCh\$
Finance income		
Interest earned on deposits and agreements	670.792	271.055
Other finance income	48.047	-
Total finance income	718.839	271.055
Finance expenses		
Interest on loans from bank institutions	231.047	611.075
Interest on obligations and bonds	2.131.240	460.312
Finance leases	9.014	21.132
Derivative contracts (Forward)	109.337	262.167
Interest rate hedges (cross currency swap)	763.246	327.538
Total finance expenses	3.243.884	1.682.224
Net finance income	(2.525.045)	(1.411.169)

23. **Contingencies and Restrictions**

a) Direct and indirect guarantees:

As of March 31, 2011, the Company has not provided any direct or indirect guarantees to third parties.

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

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

- Ordinary Labor Lawsuits: there are contingencies caused by ordinary lawsuits filed before the Department of Labor against the Company, which claim its direct or subsidiary liability. A total sum of ThCh\$123,309 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.

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23. Contingencies and Restrictions, continued

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

- Consumer Rights Protection Law: complaints have been filed against the Company for infraction of the Consumer Rights Protection Law, with damage indemnity lawsuits and associated fines. These represent a probable contingency in the amount of ThCh\$32,958.

- 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 March 31, 2011 there are no other contingencies and restrictions to report.

d) Insurance:

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

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

e) Financial restrictions:

As of March 31, 2011 and 2010 the company has no financial restrictions.

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24. Local and Foreign Currency

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

Current assets	03.31.2011	12.31.2010
	ThCh\$	ThCh\$
Cash and cash equivalents	26,788,401	131,273,568
US dollars	1,412,675	43,862
Euros	656,148	8,538
Chilean pesos	24,719,578	130,148,601
U.F.	-	1,072,567
Other current financial assets	2,706,579	211,182
US dollars	-	210,860
U.F.	2,706,579	322
Trade and other accounts receivable, current	127,631,517	150,117,776
Chilean pesos	127,631,517	150,117,776
Accounts receivable from related companies	16,433,001	21,109,095
US dollars	1,141,279	954,995
Euros	685,877	907,879
Chilean pesos	14,605,845	19,246,221
Other current assets (1)	83,906,878	86,558,222
US dollars	16,359	16,949
Chilean pesos	77,357,998	77,587,728
U.F.	6,532,521	8,953,545
Total current assets	257,466,376	389,269,843
US dollars	2,570,313	1,226,666
Euros	1,342,025	916,417
Chilean pesos	244,314,938	377,100,326
U.F.	9,239,100	10,026,434

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

Non-current assets	03.31.2011	12.31.2010
	ThCh\$	ThCh\$
Other non-current assets (2)	950,431,343	978,967,012
Chilean pesos	950,431,343	978,967,012
Total non-current assets	950,431,343	978,967,012
US dollars	-	-
Chilean pesos	950,431,343	978,967,012

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

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24. Local and Foreign Currency, continued

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

Current liabilities	03.31.2011 ThCh\$	12.31.2010 ThCh\$
Other current financial liabilities	27,666,482	110,847,025
US dollars	-	85,367,682
Chilean pesos	27,666,482	25,479,343
Trade and other accounts payable	137,303,314	187,629,295
US dollars	128,040,315	116,213,222
Euros	42,724,041	42,247,518
Chilean pesos	(38,424,729)	25,060,044
U.F.	4,941,391	3,974,690
CHF	6,448	11,824
GBP	15,848	91,291
ILS	-	30,706
Accounts payable to related companies, current	25,069,771	47,782,229
US dollars	960,142	640,493
Euros	6,463,746	27,317,792
Chilean pesos	17,645,883	19,823,944
Other current liabilities (1)	53,072,399	46,551,495
Chilean pesos	52,712,425	46,019,613
U.F.	359,974	531,882
Total current liabilities	243,111,966	392,810,044
US dollars	129,000,457	202,221,397
Euros	49,187,787	69,565,310
Chilean pesos	59,600,061	116,382,944
CHF	6,448	11,824
GBP	15,848	91,291
ILS	-	30,706
U.F.	5,301,365	4,506,572

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

Non-current liabilities	03.31.2011 ThCh\$	12.31.2010 ThCh\$
Other non-current financial liabilities	208,320,483	215,158,204
US dollars	145,380,571	138,324,699
Chilean pesos	62,939,912	76,833,505
Other non-current liabilities (2)	12,233,197	10,866,678
Chilean pesos	12,233,197	10,866,678
U.F.	-	-
Total non-current liabilities	220,553,681	226,024,882
US dollars	145,380,571	138,324,699
Chilean pesos	75,173,109	87,700,183
U.F.	-	-

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

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25. Environment:

As of March 31, 2011 and 2010, the Company has not made any investments or incurred any expenses for this concept.

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

26. Financial Risk Management

a) Characterization of the Market and Competition

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

Based on the Company's estimates, at the end of the first quarter of 2011, the industry had 22 million customers, with a year-on-year growth of 20.9%. Such figures are in line with expectations for a mature market in which growth comes from increased traffic instead of additional users. Value added services, especially mobile broadband, play a key role, showing more than double growth compared to the previous year.

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

During the last quarter of 2010 one of the most significant reforms was approved, Numeric Portability, which will allow customers to migrate from an operator and maintain their telephone number. This will strongly increase the competitiveness of the industry since a great barrier for capturing the customers of the competition will be eliminated. Operators are therefore already adjusting their platforms and working on their subscriber fidelity in order to begin with this great reform at the end of 2011.

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

Main landmarks of the first quarter of 2011:

- Movistar and Entel increased their coverage in an extensive zone of the Second Region.
- It has been announced that Chile shall implement the Early Tsunami Warning System used in Japan, which will initially use text messages (SMS) as a means.
- Numeric Portability might be delayed and be applied in December 2011.
- The network neutrality law was enacted.

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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.

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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 March 31, 2011, 86% 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 March 31, 2011, 62,8% 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.

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26. **Financial Risk Management**, continued

d) Financial risk management objectives and policies, continued

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

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

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

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

e) Technological changes

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

f) Perspectives

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

During this year we expect to strong competitive pressure, both due to current operators as well as new entrants (Nextel and VTR Móvil) resulting from the public tender for 90Mhz spectrum. In addition it should be noted that at the end of 2011 numeric portability will be applied. This new scenario shall increase the competitive magnitude and demand human resource and financial investments, which will result in incorporating users that are unhappy with the service that their operator is currently providing.

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

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27. Subsequent Events

The consolidated financial statements of Telefónica Móviles Chile S.A. for the year ended as of March 31, 2011, were approved and authorized for issuance at the Board Meeting held on April 18, 2011.

On February 16, 2011, the Company closed the settlement process for the all risk property damages and loss of income due to lack of services insurance due to the earthquake occurred on February 27, 2010. Payments received cover damages caused to our infrastructure and income not received due to the casualty.

Between April 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.