

Telefónica

CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2015 (not audited), December 31, 2014 and June 30, 2014 (not audited)

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

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ThCh\$: Thousands of Chilean Pesos

MCh\$: Millions of Chilean Pesos

CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2015 and December 31, 2014



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

	Notes	06.30.2015 ThCh\$	12.31.2014 ThCh\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	97,681,846	120,638,713
Other current financial assets	(6)	3,921,001	6,396,473
Other current non-financial assets	(7)	22,831,282	15,007,653
Current trade and other accounts receivable	(8a)	128,847,548	127,158,359
Current receivables from related companies	(9a)	56,309,330	55,738,039
Inventory	(10a)	16,333,778	5,036,459
Current tax assets	(11b)	4,856,882	3,762,578
Total current assets other than assets groups of assets for disposal, classified as available for sale or as held for distribution to owners		330,781,667	333,738,274
Non-current assets or groups of assets for disposal, classified as available for sale or held for distribution to owners	(16)	157,909	159,244
TOTAL CURRENT ASSETS		330,939,576	333,897,518
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	125,269,381	108,075,246
Other non-current non-financial assets	(7)	4,275,171	1,022,442
Non-current trade and other accounts receivable	(12)	13,534,773	17,817,548
Non-current receivables from related companies	(9b)	1,366,521	1,366,521
Intangible assets other than goodwill, net	(13a)	51,729,136	43,796,059
Goodwill	(14)	21,660,128	21,660,128
Property, plant and equipment, net	(15a)	975,873,115	996,058,664
Deferred tax assets	(11c)	8,285,836	10,771,710
TOTAL NON-CURRENT ASSETS		1,201,994,061	1,200,568,318
TOTAL ASSETS		1,532,933,637	1,534,465,836

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2015 and December 31, 2014



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

	Notes	06.30.2015	12.31.2014
		ThCh\$	ThCh\$
LIABILITIES			
CURRENT LIABILITIES			
Other current financial liabilities	(17)	10,229,782	13,308,865
Trade and other payables	(18a)	128,089,153	143,963,646
Current payables to related companies	(9c)	64,599,778	79,702,322
Other current provisions	(20)	1,737,767	1,754,983
Current tax liabilities	(11f)	6,782,291	2,741,836
Current employee benefits accrual	(21a)	5,304,099	4,837,090
Other current non-financial liabilities	(22)	22,313,402	20,930,879
TOTAL CURRENT LIABILITIES		239,056,272	267,239,621
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(17)	435,730,388	415,609,529
Non-current Current payables to related companies	(9d)	74,723,925	73,072,215
Other non-current provisions		543,244	543,244
Deferred tax liabilities	(11c)	75,815,725	76,691,852
Non-current employee benefits accrual	(21a)	27,442,763	25,901,322
Other non-current non-financial liabilities	(22)	5,755,221	6,191,689
TOTAL NON-CURRENT LIABILITIES		620,011,266	598,009,851
TOTAL LIABILITIES		859,067,538	865,249,472
NET SHAREHOLDERS' EQUITY			
Issued capital	(23a)	578,078,382	578,078,382
Retained earnings		74,429,989	79,323,406
Other reserves	(23d)	10,162,952	2,107,165
Shareholders' equity attributable to owners of the parent		662,671,323	659,508,953
Non-controlling interest	(23e)	11,194,776	9,707,411
TOTAL NET SHAREHOLDERS' EQUITY		673,866,099	669,216,364
TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY		1,532,933,637	1,534,465,836

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

As of June 30, 2015 and June 30, 2014 (not audited)

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



	Notes	For the period from April 1 to June 30, 2015 <u>ThCh\$</u>	For the six-month period ended June 30, 2015 <u>ThCh\$</u>	For the period from April 1 to June 30, 2014 <u>ThCh\$</u>	For the six-month period ended June 30, 2014 <u>ThCh\$</u>
STATEMENTS OF COMPREHENSIVE INCOME					
Income from ordinary operations	(25a)	176,692,874	345,898,517	167,673,810	333,021,516
Other income, by segment	(25b)	531,843	563,819	83,100	130,889
Employee benefits expenses	(21d)	(18,514,482)	(38,032,822)	(19,084,260)	(41,948,101)
Depreciation and amortization expense	(13b)(15b)	(49,960,358)	(96,444,623)	(46,108,263)	(90,635,721)
Other expenses, by nature	(25c)	(95,049,877)	(189,295,397)	(80,236,067)	(161,870,977)
Profit from operating activities		13,700,000	22,689,494	22,328,320	38,697,606
Interest income	(25d)	1,263,344	2,510,793	778,286	2,712,300
Interest expense	(25d)	(5,740,535)	(11,239,058)	(6,280,017)	(13,877,170)
Foreign exchange differences	(25e)	135,527	20,725	(94,041)	(15,900)
Income from indexation units	(25e)	34,328	35,336	37,172	(12,278)
Profits before tax from continuing operations		9,392,664	14,017,290	16,769,720	27,504,558
Income tax expense	(11e)	(3,567,468)	(4,947,686)	(1,629,945)	(2,994,797)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		5,825,196	9,069,604	15,139,775	24,509,761
Profit attributable to holders of equity instruments of the controller and minority interest:					
Profit attributable to owners of the parent		4,621,753	7,549,626	13,944,641	22,426,635
Profit attributable to non-controlling interest	(23e)	1,203,443	1,519,978	1,195,134	2,083,126
PROFIT FOR THE PERIOD		5,825,196	9,069,604	15,139,775	24,509,761
EARNINGS PER SHARE					
		<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>
Earnings per basic share					
Earnings per basic share for continuing operations	(24)	4.83	7.89	14.57	23.43
Earnings per basic share for discontinuing operations		-	-	-	-
Earnings per basic share		4.83	7.89	14.57	23.43
Diluted earnings per share					
Diluted earnings per share from continuing operations		4.83	7.89	14.57	23.43
Diluted earnings per share from discontinuing operations		-	-	-	-
Diluted earnings per share		4.83	7.89	14.57	23.43

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

As of June 30, 2015 and June 30, 2014 (not audited)

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



	For the period from April 1 to June 30. 2015	For the six-month period ended June 30. 2015	For the period from April 1 to June 30. 2014	For the six-month period ended June 30. 2014
	M\$	M\$	M\$	M\$
STATEMENTS OF COMPREHENSIVE INCOME				
PROFIT FOR THE PERIOD	5,825,196	9,069,604	15,139,775	24,509,761
OTHER COMPREHENSIVE INCOME				
Components of other comprehensive income that will not be reclassified to income				
Other comprehensive income, before taxes, profits (losses) on new measurements of defined benefits plans	-	-	(284,444)	(284,444)
Total other comprehensive income that will not be reclassified to income for	-	-	(284,444)	(284,444)
Components of other comprehensive income that will be reclassified to income for the period				
Profit (loss) on new measurement of financial assets available for sale	(347,915)	(1,147,780)	(210,377)	670,629
Profit (loss) on cash flow hedges	(3,575,566)	(3,364,875)	4,239,815	(1,740,775)
Total Components of other comprehensive income that will be reclassified to income for the period	(3,923,481)	(4,512,655)	4,029,438	(1,070,146)
Total other components of other comprehensive income, before taxes	(3,923,481)	(4,512,655)	3,744,994	(1,354,590)
Income taxes associated to components of other comprehensive income which will not be reclassified to income for the period				
Income taxes associated to new measurements of defined benefits plans of other comprehensive income	5,864	5,864	56,891	56,891
Total income taxes associated to components of other comprehensive income which will not be reclassified to income for the period	5,864	5,864	56,891	56,891
Income taxes associated to components of other comprehensive income which will be reclassified to income for the period				
Income tax related to hedging cash flows from other comprehensive income	801,731	757,097	(847,963)	348,155
Total income taxes associated to components of other comprehensive income which will be reclassified to income for the year	801,731	757,097	(847,963)	348,155
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	(3,115,886)	(3,749,694)	2,953,922	(949,544)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,709,310	5,319,910	18,093,697	23,560,217
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Comprehensive income attributable to owners of the parent	1,505,866	3,799,932	16,898,563	21,591,079
Comprehensive income attributable to non-controlling interest	1,203,444	1,519,978	1,195,134	1,969,138
TOTAL COMPREHENSIVE INCOME	2,709,310	5,319,910	18,093,697	23,560,217

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As of June 30, 2015 and June 30, 2014 (not audited)

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



	Changes in capital (Note 23a)	Changes in the other reserves (Note 23d)					Retained earnings	Equity attributable to owners of the parent	Non controlling interests (Note 23e)	Total equity
	Issued capital	Cash flow hedge reserves	Benefit plan gain and loss reserve	Accrual of profits or losses on remeasurement of financial assets available for sale	Other miscellaneous reserves	Total other reserves				
Beginning balance as of 01.01.2015	578,078,382	14,549,944	(3,279,142)	2,641,844	(11,805,481)	2,107,165	79,323,406	659,508,953	9,707,411	669,216,364
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	7,549,626	7,549,626	1,519,978	9,069,604
Other comprehensive income	-	(2,607,778)	5,864	(1,147,780)	-	(3,749,694)	-	(3,749,694)	-	(3,749,694)
Comprehensive income	-	(2,607,778)	5,864	(1,147,780)	-	(3,749,694)	7,549,626	3,799,932	1,519,978	5,319,910
Dividends	-	-	-	-	-	-	-	-	-	-
Other increase (decrease) from transfers and other changes	-	-	-	-	11,805,481	11,805,481	-	11,805,481	(32,613)	11,772,868
Total changes in shareholders' equity	-	(2,607,778)	5,864	(1,147,780)	11,805,481	8,055,787	(4,893,417)	3,162,370	1,487,365	4,649,735
Ending balance as of 06.30.2015	578,078,382	11,942,166	(3,273,278)	1,494,064	-	10,162,952	74,429,989	662,671,323	11,194,776	673,866,099
Beginning balance as of 01.01.2014	578,078,382	7,978,286	(2,415,709)	2,496,132	(10,849,812)	(2,791,103)	67,065,016	642,352,295	6,412,973	648,765,268
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	22,426,635	22,426,635	2,083,126	(3,903,466)
Other comprehensive income	-	(1,392,620)	(113,565)	670,629	-	(835,556)	-	(835,556)	(113,988)	5,466,520
Comprehensive income	-	(1,392,620)	(113,565)	670,629	-	(835,556)	22,426,635	21,591,079	1,969,138	23,560,217
Dividends	-	-	-	-	-	-	10,850,332	10,850,332	-	10,850,332
Other increase (decrease) from transfers and other changes	-	-	-	-	10,849,812	10,849,812	-	10,849,812	(1,815)	10,847,997
Total changes in shareholders' equity	-	(1,392,620)	(113,565)	670,629	10,849,812	10,014,256	11,576,303	21,590,559	1,967,323	23,557,882
Ending balance as of 06.30.2014	578,078,382	6,585,666	(2,529,274)	3,166,761	-	7,223,153	78,641,319	663,942,854	8,380,296	672,323,150

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS DIRECT

As of June 30, 2015 and June 30, 2014 (not audited)

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

Telefónica

	For the six-month period ended June 30,	
	2015	2014
Notes	ThCh\$	ThCh\$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Classes of operating activity charges		
Proceeds from sale of assets and services rendered		
	551,701,835	529,174,959
Proceeds from sales and services	467,283,531	434,472,881
Proceeds from related entities	84,418,304	94,702,078
Classes of payments		
Payments to suppliers for supplying goods and services	(312,974,012)	(268,408,063)
Payments to and on account of employees	(77,248,506)	(83,047,378)
Other operating activity payments	(50,039,116)	(46,697,880)
Net cash flows provided by (used in) operating activities	111,440,201	131,021,638
Income taxes paid reimbursed classified as operating activities (less)	(4,399,944)	(5,832,071)
Cash flows provided by (used in) operating activities	107,040,257	125,189,567
CASH FLOWS PROVIDED BY (USED IN) INVESTMENT ACTIVITIES		
Proceeds from sale of property, plant and equipment, classified as investing activities	-	-
Additions to property, plant and equipment, classified as investing activities	(107,161,303)	(121,131,812)
Dividends received, classified as investing activities	(6b) 231,287	176,312
Interest received, classified as investing activities	1,981,082	2,827,385
Other cash inputs (outputs), classified as investing activities	-	746,000
Net cash flows provided by (used in) investment activities	(104,948,934)	(117,382,115)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds from loans, classified as financing activities		
Proceeds from non-current loans	(17b) -	47,000,000
Reimbursement of loans classified as financing activities	(17b) (881,458)	(139,399,524)
Payments of financial lease liabilities, classified as financing activities	(272,227)	(1,018,145)
Dividends paid, classified as financing activities	(23c) (12,443,042)	(10,850,332)
Payments of loans to related entities	(5,686,785)	(9,285,000)
Interest paid, classified as financing activities	(7,387,002)	(13,799,787)
Other cash inputs (outputs), classified as financing activities	1,622,324	13,118,100
Net cash flows provided by (used in) financing activities	(25,048,190)	(114,234,688)
Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate	(22,956,867)	(106,427,236)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,956,867)	(106,427,236)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	120,638,713	173,015,722
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(5) 97,681,846	66,588,486

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

1. Corporate information:

Telefónica Chile S.A. and Subsidiaries ("the Company") provides telecommunications services in Chile, consisting of fixed telecommunications, television, long distance, corporate communications and other services. The Company is located on Avenida Providencia No. 111, Santiago, Chile.

The Company is a publicly traded corporation registered with the Securities Registry, under No. 009 and therefore is subject to supervision by the Chilean Superintendency of Securities and Insurance ("SVS").

At the Extraordinary Shareholders' Meeting held on April 23, 2009 the shareholders agreed to change the name of "Compañía de Telecomunicaciones de Chile S.A" to "Telefónica Chile S.A.".

Telefónica Chile S.A. is part of the Telefónica Group. Its parent company is Telefónica Móviles Holding S.A., which is indirect subsidiary of Telefonica S.A., headquartered in Spain.

The subsidiary company registered in the Securities Registry is:

Subsidiary	Taxpayer number	Registration number	Participation percentage (direct and indirect)	
			06.30.2015 %	12.31.2014 %
Telefónica Larga Distancia S.A.	96.672.160-K	1061	99.93	99.93

2. Significant accounting principles:

a) Accounting period

These consolidated financial statements (hereinafter, "financial statements") cover the following periods: Statements of Financial Position are presented as of June 30, 2015 and December 31, 2014; Statement of Changes in Equity for the six-month periods ended as June 30, 2015 and 2014, Statements of Comprehensive Income for the period between April 1 and June 30, 2015 and 2014, and for the six-month periods ended as of June 30, 2015 and 2014, and Statement of Cash Flows for the six-month periods ended as of June 30, 2015 and 2014.

b) Basis of presentation

The financial statements for December 31, 2014 and their corresponding notes are shown in a comparative manner in accordance with Note 2a).

c) Basis of preparation

These consolidated financial statements as of June 30, 2015 have been prepared in accordance with instructions and standards for preparation and presentation of financial information issued by the Superintendency of Securities and Insurance ("SVS"), which are composed of International Financial Reporting Standards ("IFRS") and Circular 856 dated October 17, 2014 which instructs the entities that the SVS oversees to record differences in deferred tax assets and liabilities produced as a direct effect of the increase in the first category (corporate) tax rate introduced by Law 20,780 plus specific standards set

2. Significant accounting principles, continued

c) Basis of preparation, continued

forth by the SVS, in the year 2014, and charge them to shareholders' equity. Consequently, the financial statements as December 31, 2014 statements have not been prepared in accordance with IFRS.

The financial statements as of June 30, 2014 have been prepared in accordance with IFRS. However although the interim consolidated comprehensive income statements for the six and three month periods ended as of June 30, 2015 and 2014, and the corresponding interim consolidated statements of changes in equity and cash flows for the six-month period then ended, (which are presented for comparison purposes) were prepared using different bases, differences in deferred tax assets and liabilities have been recorded in income in both periods.

The figures included in these financial statements are expressed in thousands of Chilean pesos, since the Chilean peso is the Company's functional and reporting currency. All values are rounded to the nearest thousands, except when otherwise indicated.

The information contained in these financial statements is the responsibility of the Company's Board of Directors, which expressly manifests its responsibility for the consistent and reliable nature of the application of IFRS.

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

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries, including assets, liabilities, income, expenses and cash flows after making adjustments and eliminations related to transactions between the companies that are part of the consolidation. Minority investments have been recognized under "Non-controlling Interests" (note 23e).

Control is achieved when the Company is exposed to or has rights to variable returns from its interest in the investee and has the capacity to influence these returns through its power over it. In order to comply with the definition of control the following points must be fulfilled:

- Power over the investee (i.e. existing rights that give it the capacity to direct the relevant activities of the investee).
- Exposure, or right to variable returns from its interest in the investee; and
- Capacity to use its power over the investee to influence the amount of the returns of the investor.

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 Chile S.A. and have been prepared using the same accounting policies.

Non-controlling interest represents 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.

2. Significant accounting principles, continued

d) Basis of consolidation

The following subsidiaries are included in consolidation:

Taxpayer No.	Company Name	Country of origin	Functional currency	Participation percentage			
				06.30.2015			12.31.2014
				Direct	Indirect	Total	Total
78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CLP	99.99	-	99.99	99.99
96.672.160-k	Telefónica Larga Distancia S.A.	Chile	CLP	99.93	-	99.93	99.93
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	Chile	CLP	49.00	2.00	51.00	51.00

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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



2. Significant accounting principles, continued

d) Basis of consolidation, continued

The summarized financial information at June 30, 2015 of the companies included in the consolidation is as follows:

Taxpayer No.	Company Name	% Participation	Currents assets	Non-currents assets	Total assets	Currents liabilities	Non-currents liabilities	Total liabilities	Equity	Revenues from ordinary operations	Profit (loss), Net
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
78.703.410-1	Telefónica Empresas Chile S.A.	99.9999997	146,606,540	108,879,477	255,486,017	118,597,742	1,898,964	120,496,706	134,989,311	136,752,548	(6,243,906)
96.672.160-k	Telefónica Larga Distancia S.A.	99.9297221	27,995,042	62,785,131	90,780,173	21,423,679	3,692,683	25,116,362	65,663,811	30,242,561	8,608,043
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	51.0000000	73,064,722	42,360,257	115,424,979	58,683,454	33,989,220	92,672,674	22,752,305	90,165,905	3,089,649

The summarized financial information at December 31, 2014 of the companies included in the consolidation is as follows:

Taxpayer No.	Company Name	% Participation	Currents assets	Non-currents assets	Total assets	Currents liabilities	Non-currents liabilities	Total liabilities	Equity	Revenues from ordinary operations	Profit (loss), Net
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
78.703.410-1	Telefónica Empresas Chile S.A.	99.9999997	158,056,250	121,338,674	279,394,924	135,588,255	2,014,312	137,602,567	141,792,357	247,167,820	(1,976,800)
96.672.160-k	Telefónica Larga Distancia S.A.	99.9297221	72,913,986	63,171,264	136,085,250	20,285,730	3,883,730	24,169,460	111,915,790	65,343,192	14,824,145
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	51.0000000	83,858,065	48,078,699	131,936,764	79,825,490	32,460,748	112,286,238	19,650,526	182,936,724	5,926,930

2. Significant accounting principles, continued

e) Foreign exchange differences

Balances of monetary assets and liabilities denominated in foreign currency are presented valued at the closing exchange rate for each year. Foreign currency translation resulting from the application of this standard is recognized in income for the year under “foreign currency translation” and differences resulting from the valuation of the UF are recognized in income for the year under “income from indexation units”.

Non-monetary items in foreign currency measured at historical cost are converted using the exchange rate on the date of the transaction and non-monetary items that are measured at fair value are converted using the exchange rate on the date on which this fair value is measured.

When a gain or loss derived from a non-monetary item is recognized in other comprehensive income, any foreign currency translation included in this gain or loss will also be recognized in other comprehensive income. On the contrary, when the gain or loss, derived from a non-monetary item is recognized in income for the period, any foreign currency translation included in this gain or loss is also recognized in income for the period.

Assets and liabilities in US\$ (United States dollars), Euros, Brazilian Real, JPY (Japanese Yen) and UF (Unidades de Fomento), have been converted to Chilean Pesos using the observed exchange rates as of each period-end, detailed as follows:

DATE	USD	EURO	REAL	UF
June.30.2015	639.04	712.34	206.31	24,982.96
Dec.31.2014	606.75	738.05	228.27	24,627.10
June.30.2014	552.72	756.84	249.76	24,023.61

f) Financial assets and liabilities

1. Financial assets other than derivatives

Classification and presentation

The Company classifies its financial assets into the following categories: loans and accounts receivable, financial assets at fair value through profit and loss, financial assets held to maturity and assets-held-for-sale. The classification depends on the purpose for which the financial assets were acquired. The Company determines the classification of its financial assets at the time of initial recognition.

i) Loans and accounts receivable

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

i) Loans and accounts receivable, continued

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

Loans and accounts receivable are included in "Trade and other accounts receivable" in the statement of financial position, except for those with due dates in excess of 12 months from the closing date which are classified as Non-current trade and other accounts receivable.

They are recorded at amortized cost using the effective interest rate method, which is its initial fair value.

The effective interest rate method is a method for calculating the amortized cost of a financial asset or liability and imputing finance income or expenses throughout the relevant period. The effective interest rate is the discount rate that exactly matches the estimated cash flows receivable or payable throughout the expected life of the financial instrument (or, when adequate in a shorter period) with the net carrying amount of the financial asset or liability.

Short-term trade receivables 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.

ii) Financial assets at fair value through profit or loss

Financial assets are classified to the category of financial assets at fair value through profit or loss when they are held for trading or designated in their initial recognition at fair value through profit or loss. A financial asset is classified in this category if it is mainly acquired for the purpose of being sold in the short-term. Profits and losses on assets held for trading are recognized in income.

The financial assets are recorded in the statement of financial position at fair value and changes in value are recorded directly in income when they occur as are the costs of the initial transaction.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

iii) Financial assets held to maturity

Financial assets held to maturity are financial assets with fixed and determinable payments and fixed maturity, that the Company has the positive intention and capacity to hold to maturity. If the Company sold a significant amount of its financial assets held to maturity, the entire category would be reclassified to financial assets held for sale.

Investments are recognized initially at fair value plus transaction costs and are subsequently recorded at amortized cost using the effective interest rate method.

iv) Financial assets available for sale

Financial assets available for sale are non-derivative assets that are designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Company intends to dispose of the investment in the 12 months following the closing date.

Investments are initially recognized at fair value less transaction costs and are subsequently recorded at their fair value.

These investments figure in the statement of financial position at their fair value when it is possible to determine it reliably. In the case of interests in companies that are not quoted or that are not very liquid, normally the market value cannot be reliably determined, therefore when this occurs, they are valued at acquisition cost or a lower amount when there is evidence of impairment.

Changes in fair value, net of their tax effect, are recorded in the comprehensive income statement: other comprehensive income, up to the time of disposal of these investments, time at which the accumulated amount in this heading is imputed fully to profit or loss for the year.

Should the fair value be less than the cost of acquisition, if there is objective evidence that the asset has suffered impairment that cannot be considered temporary, the difference is recorded directly in loss for the year.

It should be noted that the Company will stop recognizing this asset when the contractual rights over the cash flows of the financial asset have expired or this financial asset is transferred if, and only if the contractual rights to receive the cash flows of the financial asset are retained, but it assumes the contractual obligation to pay them to one or more beneficiaries.

Purchases and sales of financial assets are accounted for using the trading date.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

2. 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 original maturity of ninety days or less. These items are recorded at their historical cost, which does not significantly differ from their realization value.

There are no restrictions on the use of cash and cash equivalents contained in this heading.

3. Financial liabilities

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss, trade accounts payable, interest bearing loans or derivatives designated as effective hedge instruments (see Note 19).

The Company determines the classification of its financial liabilities at the time of initial recognition.

Financial liabilities are derecognized when the obligation is cancelled, liquidated or expires. When an existing financial liability is replaced by another from the same lender under substantially different terms, or the terms of an existing liability are substantially modified, that exchange or modification is treated as an accounting derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Financial liabilities are initially recognized at fair value and in the case of loans, include costs that are directly attributable to the transaction. Subsequent measurement of financial liabilities depends on their classification as explained below.

i) Financial liabilities at fair value through profit or loss

Financial liabilities are classified to the category of financial liabilities at fair value through profit or loss when they are held for trading or designated at fair value through profit or loss in their initial recognition.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling them in the short-term.

Profits or losses on liabilities held for trading are recognized with a charge or credit to comprehensive income. This category includes derivative instruments not designated for hedge accounting and also considers embedded derivatives.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

3. Financial liabilities, continued

ii) Trade accounts payable

Balances payable to suppliers are subsequently valued at amortized cost using the effective interest rate method. Trade accounts payable expiring in accordance with generally accepted commercial terms are not discounted.

iii) Interest-bearing loans

Loans are valued at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any premium or discount of the acquisition and includes transaction costs that are an integral part of the effective interest rate. The difference between the cash received and the reimbursement value is imputed directly to income over the term of the contract. Financial obligations are presented as non-current liabilities when their expiry exceeds 12 months.

4. Derivative financial instruments

The Company holds hedge derivatives to manage its exposure to interest and/or exchange rate risks. The Company's objective in respect to derivatives is to minimize these risks using the most effective method to eliminate or reduce the impact on underlying hedged transactions.

Derivative instruments are recognized at fair value on the date of the statement of financial position under "Other financial assets" or "Other financial 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 long-term items are presented as non-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 recorded in the comprehensive income statement netting the effects of the part of the underlying for which the risk is being hedged

In the case of cash flow hedges, changes in the fair value of derivatives are recorded, for the effective part of those hedges, in an equity reserve called "Cash flow hedge reserve". The accumulated deficit or profit in that heading is transferred to the comprehensive statement of income to the extent that the underlying has an impact on the comprehensive income statement for the hedged risk, netting that effect. The part of the hedge considered to be ineffective is recorded directly in the comprehensive income statement.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

4. Derivative financial instruments, continued

Initially, 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 as well as 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 were 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.

g) Inventory

Materials for consumption and replacement are valued at cost or net realization value, whichever is lower.

The net realizable value is the estimated sales value during the normal course of business, less costs related to the sale and costs related to finishing the product.

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.

The value of products that are obsolete, defective or have a slow turnover has been reduced to their possible net realization value, which has been determined on the basis of a study of materials with slow turnover, which according to the Company's policies have been defined as materials that have not been commercialized and/or have not had any turnover in a period of 24 months or more. Likewise, products or accessories in warehouse for scrapping are considered a total loss.

h) Non-current assets destined for sale

Non-current assets destined for sale are measured at the lower end of the book and fair values, less the cost to sell. Assets are included in this heading when the book value can be recovered through a sales transaction, which is highly likely to take place when they are immediately available in their present condition. Management must be committed to a plan to sell the asset and must have actively begun a program to find a buyer and complete the plan. Likewise, it must be expected that the sale will qualify for full completion within a year following its classification date.

Property, plant and equipment classified as held for sale is not depreciated.

2. Significant accounting principles, continued

i) 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 cost 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. Thus, as of December 31, 2014 the rate used was 7.29%. At June 30, 2015 and 2014 no impairment adjustments were made.

j) 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. Future obligations on these contracts are detailed in Note 26.

Leased assets for which the significant risks and rewards of ownership are transferred to the Company are considered finance leases. Initially, the asset and associated liability are recorded at the fair value of the leased asset or the present value of the minimum agreed-upon lease payments if lower. Interest expense is charged to income throughout the life of the lease. Depreciation of these assets is included in depreciation of Property, Plant and Equipment. The Company reviews all contracts to determine if they contain an embedded lease. At the end of the periods 2015 and 2014 were not identified leasing implicit.

k) Income taxes

The income tax expense for each year comprises current and deferred income taxes.

Tax assets and liabilities for the current and prior periods are measured at the amount the Company estimates it will recover or pay to tax authorities. Tax rates and government regulations used to calculate these amounts are those in force as of each period-end 22.5% and 20% at June 30, 2015 and June 30, 2014 respectively.

The deferred tax amount is obtained from analyzing temporary differences that arise due to differences between the tax and book values of assets and liabilities, mainly allowance for doubtful accounts, depreciation of Property, plant and equipment and staff severance indemnities.

Under Chilean tax regulations tax loss carry forwards can be realized as future tax benefits with no time restrictions.

2. Significant accounting principles, continued

k) Income taxes, continued

Temporary differences generally become taxable or deductible when the related asset is recovered or the related liability is settled. A deferred tax liability or asset represents the amount of tax payable or refundable in future years under the currently enacted tax laws and rates as a result of temporary differences at the end of the current year.

Deferred tax assets and liabilities are not discounted at their current value and are classified as non-current.

l) Goodwill

Represent the difference between acquisition cost and fair value, as of the date of the assets acquired, liabilities assumed and identifiable contingent liabilities acquired from an associate. After initial recognition, goodwill is recorded at cost, less any accumulated impairment loss.

The Company tests goodwill impairment annually and when there are indicators that the net carrying amount might not be fully recoverable. The impairment test which is based on fair value is performed for each cash generating unit, for which the goodwill has been allocated. If that fair value is less than the carrying amount, an irreversible impairment loss is recognized in the income statement.

m) Intangibles

Intangibles includes software licenses and the right to use underwater cable, which are recorded at acquisition or production cost, less accumulated amortization and less any accumulated impairment loss.

Software licenses and rights to use underwater cable have finite useful lives and are amortized over their estimated useful lives. As of the close of each period date there is an analysis underway to determine whether there are events or changes that indicate that the net book value might not be recoverable, in which case impairment tests will be carried out.

The methods and periods of amortization applied are reviewed as of each year-end and if applicable, adjusted in a prospective manner.

The Company amortizes software licenses and the right to use underwater cable using the straight-line method over their estimated useful lives, which for software licenses is 3 years and for rights to use underwater cables, a maximum of 15 years.

2. Significant accounting principles, continued

n) Property, plant and equipment

Property, plant and equipment items are valued at acquisition cost, less accumulated depreciation and less applicable impairment losses. Land is not depreciated.

Acquisition cost includes external costs plus internal costs necessary to carry out the investment, comprised of direct costs, direct labor costs used in the installation and any other cost necessary to carry out the investment. In addition, the Company recognizes an obligation for assets that will be dismantled, corresponding to future disbursements that the company must make for removal of certain installations. These future disbursements are incorporated in the restated value of the asset, recognizing the corresponding dismantling provision.

Changes in the valuation of existing dismantling liabilities, derived from changes in the amount or temporary structure of outflow of resources that incorporate economic benefits required to settle the obligation, or a change in the discount rate, shall be added to or deducted from the cost of the corresponding asset in the current period. The amount deducted from the cost of the asset must not exceed its carrying amount. If the decrease in the liability should exceed the carrying amount of the asset, the excess is immediately recognized in income for the year.

An asset's dismantling cost is recognized in the income statement through depreciation over its useful life, under depreciation and amortization expense. The provision discount process is recognized in income for the period as finance cost.

Interest and other financial expenses incurred and directly attributable to the acquisition or construction of qualifying assets, may be capitalized. Qualifying assets, under the criteria of the Telefónica Group, are assets that require at least 18 months of preparation for their use or sale. At period-end of 2015 and 2014 there are no capitalized interests.

Costs for improvements that result in increased productivity, efficiency, or extension of the useful lives of assets, are capitalized as higher cost of such assets when they comply with the requirements to be recognized as an asset.

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

2. Significant accounting principles, 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. Projects classified under building in progress, for which their estimated termination date as of each period closing has expired, but are in usable condition are also included.

The average annual financial depreciation rate of the Company is approximately 10.42% and 10.95% to June 30, 2015 and 2014, respectively.

Estimated useful lives are summarized in the following detail:

Assets	Useful lives in years	
	Minimum	Maximum
Buildings	5	40
Transportation equipment	7	10
Supplies and accessories	7	10
Office equipment	10	10
Information equipment	4	4
Network and communications equipment	7	20
Property, plant and equipment under financial leases	4	40
Other property, plant and equipment	2	7

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

o) Provisions

i) Post-employment benefits

The Company is obligated to pay staff severance indemnities in respect of collective negotiation agreements, which are provisioned using the method of actuarial value of the accrued cost of the benefit, using an nominal annual discount rate of 4.51% and 5.8% at June 30, 2015 and 2014 respectively, considering estimations such as future permanence, employee mortality rate and future salary increases determined on the basis of actuarial calculations. Discount rates are determined by reference to market interest curves.

ii) Provision for dismantling expenses

Corresponds to the cost that will be incurred in the future for dismantling microwave antennas from the telecommunications infrastructure once the third-party site rental contract ends. This cost is calculated at current value and recorded as a property, plant and equipment item in assets and as a non-current accrual for future obligations. That property, plant and equipment item is amortized over the duration of the asset associated to that accrual.

2. Significant accounting principles, continued

o) Provisions, continued

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.

p) Income and expenses

Income and expenses are recognized in the income statement based on the accrual criteria, i.e. when the real flow of goods and services that they represent is produced and can be reliably measured, regardless of the moment at which the cash flows or financing derived from it is produced.

The Company's income is produced mainly by providing the following telecommunications services: traffic voice and broadband traffic, international business (correspondents), multiservice network services and capacities, television, connection charges, interconnection, network and equipment rental, sale of equipment and other services, such as value added services. Products and services can be sold separately or jointly, in commercial packages.

Income from traffic is based on the call initiation establishment tariff, plus tariffs per call, which vary depending on the time consumed by the user, the distance of the call and type of service. Traffic is recorded as income as it is used.

The amount corresponding to traffic that has been pre-paid and use is pending generates deferred income which is recorded in liabilities. Electronic top-ups usually have an expiry period of up to 90 days, and any unused prepaid traffic is recognized directly in income when the top-up expires, since as of that moment the Company has no remaining obligations to provide the service.

In the case of sale of traffic, as well as of other services, through a fixed tariff for a certain period of time (flat rate), income is recognized using the straight-line method over the period of time covered by the rate paid by the customer.

Income from connection charges originate when customers connect to the Company's network are deferred and recognized in income over the average estimated term of the duration of the relationship with the customer, and vary depending on the type of service. All associated costs, except those related to extension of the network, and administrative and commercial expenses, are recognized in the income statement when they are incurred.

Monthly fees are recognized as income using the straight-line method in the corresponding period. Rentals and other services are recognized as income as the service is provided.

2. Significant accounting principles, continued

p) Income and expenses, continued

Income from interconnection of fixed-mobile and mobile-fixed calls, as well as from other services used by customers, are recognized in the period in which those calls are made.

The commercial package offers a combination of different elements, in the activities of telephone service, internet and television, are analyzed to determine whether it is necessary to separate the different elements identified, applying in each case the appropriate income recognition criteria. Total income from the package is distributed among its identified elements by function of their respective fair values (i.e. the fair value of each individual component in relation to the total fair value of the package).

Income from capacities and multiservice networks is accrued to the extent that the service is rendered and invoiced, generally as of the following period.

The Company has current agreements with foreign correspondents, with conditions which are established to regulate international traffic and their collection or payment is performed in accordance with net traffic exchange and the rates set in each agreement. Accounting for this exchange is on an accrual basis, recognizing the costs and income in the period in which they are produced, recording balances receivable or payable for each correspondent under "Trade and other accounts receivable" or "Trade and Other Payables", as applicable.

All expenses related to these mixed commercial offers are recognized in the income statement as they are incurred.

The Company has a customer loyalty program customer fidelity program called "Puntos Club Movistar" that provides multiple benefits to our customers, which can be provided or delivered by third parties or by the Company. Income destined to the points program is composed of a percentage of billing and is treated as unearned income at fair value in accordance with the value of the goods or services that customers consume in the future.

The Company applies for government projects associated to the Telecommunications Development Fund in order to receive resources for the installation of assets for public service operation and exploitation. These resources, which are called government subsidies, are initially recorded as deferred income, under other non-financial liabilities and are charged to the income statement over the useful lives of the assets associated to such subsidies.

2. Significant accounting principles, continued

q) Use estimates

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 use of assets. Hypotheses regarding technological framework and its future development imply a significant degree of judgment, as the timing and nature of future technological change is difficult to predict.

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.

2. Significant accounting principles, continued

q) Use estimates, continued

iv) Income recognition: agreements combining more than one element

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

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

A change in relative fair value estimates could affect distribution of income among components.

v) Post-employment benefits

The cost of defined benefit post retirement plans as well as the present value of the obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. All assumptions are reviewed once a year. In determining the appropriate discount rate management considers the interest rates of instruments issued by the Central Bank of Chile. The mortality rate is based on publicly available mortality tables for the specific country.

Future salary increases and pension increases are based on expected future inflation rates for the specific country. View details of the actuarial hypotheses used in Note 21a).

vi) Financial assets and liabilities

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

r) Methods of consolidation

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.

2. Significant accounting principles, continued

r) Methods of consolidation, continued

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

s) New IFRS and Interpretations of the IFRS Interpretations Committee

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

New Standard		Mandatory application date
IFRS 9	Financial instruments	January 1, 2018
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Income from Customer Contracts	January 1, 2017

IFRS 9 “Financial instruments”

The final version of IFRS 9 Financial Instruments, was issued in July 2014, gathering all the phases of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard includes new requirements based on principles for the classification and measurement, it introduces a “more prospective” model of expected credit losses for impairment accounting and a substantially reformed focus for hedge accounting. Entities will also have the option for early application of accounting for profits and losses due to changes in fair value related to “inherent credit risk” for financial liabilities designated at fair value through profit or loss, without applying the other requirements of IFRS 9. Application of the standard shall be mandatory for annual periods commencing as of January 1, 2018. Early application is allowed.

IFRS 14 “Regulatory Deferral Accounts”

IFRS 14 Regulatory Deferral Accounts, issued in January 2014, is a provisional standard that is intended to improve the comparability of the financial information of entities that are involved in activities with regulated prices. Many countries have industrial sectors that are subject to price regulation (for example gas, water and electricity), which can have a significant impact on the entity's recognition of income (timing and amount). This standard allows entities that adopt IFRS for the first time to continue recognizing the amounts related to price regulation in accordance with the requirements of previous GAAP, however, showing it in a separate manner. An entity that already presents financial statements under IFRS must not apply this standard. Application of the standard shall be mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

2. Significant accounting principles, continued

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

IFRS 15 “Income from Customer Contracts”

IFRS 15 Revenue from Contracts with Customers, issued in May 2014, is a new standard which is applicable to all contracts with customers, except for leases, financial instruments and insurance contracts. This a joint project with the FASB to eliminate differences in recognition of income existing between IFRS and US GAAP. This new standard is intended to improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparison of companies in different industries and regions. The standard provides a new model for recognition of income and more detailed requirements for contracts with multiple elements, and requires more detailed disclosures. Application of the standard shall be mandatory for annual periods commencing as of January 1, 2017. Early application is allowed.

The Company has evaluated the impact that the application of these standards might have on the date of its coming into effect and has determined that it will have no significant impact on the consolidated financial statements, with the exception of IFRS 15 which is at the evaluation stage.

Improvements and amendments		Mandatory application date
IAS 19	Employee Benefits	January 1, 2016
IAS 16	Property, Plant and Equipment	January 1, 2016
IAS 38	Intangible Assets	January 1, 2016
IFRS 11	Joint Arrangements	January 1, 2016
IAS 27	Separate Financial Statements	January 1, 2016
IAS 28	Investments in Associates and Joint Ventures	January 1, 2016
IFRS 10	Consolidated Financial Statements	January 1, 2016
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	January 1, 2016
IFRS 7	Financial Instruments: Disclosures	January 1, 2016
IAS 34	Interim Financial Reporting	January 1, 2016
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2016
IAS 1	Presentation of Financial Statements	January 1, 2016

IAS 19 “Employee Benefits”

“Annual Improvements cycle 2012–2014”, issued in September 2014, clarifies that the depth of the high credit quality corporate bonds market is assessed based on the currency in which the obligation is denominated, instead of on the country where the obligation is located. When there is no deep market for these bonds in that currency, bonds issued by the government in that same currency and for those terms will be used. Application of the amendments is mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

2. Significant accounting principles, continued

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

IAS 16 “Property, Plant and Equipment”, IAS 38 “Intangible Assets”

IAS 16 and IAS 38 establish the principle that the expected pattern of consumption of the future economic benefits of an asset is the basis for depreciation and amortization. In its amendments to IAS 16 and IAS 38 published in May 2014, the IASB clarified that the use of income-based methods to calculate depreciation of an asset is not adequate because income generated by an activity that includes the use of an asset generally reflects factors other than consumption of the economic benefits incorporated in the asset. The IASB also clarified that income is generally not an adequate basis to measure consumption of the economic benefits incorporated in an intangible asset. However, this assumption can be refuted in certain limited circumstances. The application of the amendments will be mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

IFRS 11 “Joint Arrangements”

Amendments to IFRS 11, issued in May 2014, apply to the acquisition of interest in a joint arrangement which constitutes a business. Amendments clarify that the acquirers of this interest must apply all accounting principles for business combinations included in IFRS 3 Business Combinations and other standards that are not in conflict with the guidelines of IFRS 11 Joint Arrangements. The application of the amendments will be mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

IAS 27 “Separate Financial Statements”

Amendments to IAS 27, issued in August 2014, reestablish the option to use the equity method for accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements. The application of the amendments will be mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

IAS 28 “Investments in Associates and Joint Ventures”, IFRS 10 “Consolidated Financial Statements”

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address a recognized inconsistency between the requirements of IFRS 10 and those of IAS 28 (2011) in the treatment of the sale or contribution of assets between an investor and its associate or joint venture. The amendments, issued in September 2014, establish that when the transaction involves a business (whether in a subsidiary or not) the full profit or loss is recognized. A partial profit or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are located in a subsidiary. Application of the amendments is mandatory for annual periods beginning as of January 1, 2016. Early application is allowed.

2. Significant accounting principles, continued

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

IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”

“Annual Improvements Cycle 2012–2014”, issued in September 2014, clarifies that if the entity reclassifies an asset (or disposal group) from held for sale directly to held for distribution to owners, or from held for distribution to owners directly to held for sale, then the change in classification is considered a continuation in the original sales plan. The IASB clarifies that in these cases the requirements for accounting for changes in a sales plan shall not be applicable. Application of the amendments is mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

IFRS 7 “Financial Instruments: Disclosures”

“Annual Improvements Cycle 2012–2014”, issued in September 2014, clarifies that service agreements may constitute continued implication in a transferred asset for the purpose of disclosure of financial asset transfers. This will generally be the case when the manager has an interest in the future yield of the financial assets transferred as a consequence of that contract. Application of amendments shall be mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

IAS 34 “Interim Financial Reporting”

“Annual Improvements cycle 2012–2014”, issued in September 2014, clarifies that the required disclosures should either be in the interim financial statements or should be indicated with a cross-reference between the interim financial statements and any other report that contains them. Application of the amendments is mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities”, IAS 28 “Investments in Associates and Joint Ventures”

Amendments to IFRS 10, IFRS 12 and IAS 28 introduce minor clarifications regarding the requirements for accounting for investment entities. In addition, these amendments provide relief under certain circumstances, which will reduce the cost of applying these standards. Application of the amendments is mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

IAS 1 “Presentation of Financial Statements”

In December 2014 the IASB published amendments to IAS 1 “Disclosure Initiatives”. These amendments to IAS 1 address certain concerns expressed regarding presentation and disclosure requirements, and ensure that entities have the possibility to exercise judgment when applying IAS 1. Application of the amendments is mandatory for annual periods commencing as of January 1, 2016. Early application is allowed.

The Company has determined that the application of these new accounting improvements and amendments will not have a significant impact on the consolidated financial statements.

2. Significant accounting principles, continued

t) Statement of cash flows

The statement of cash flows includes movements of cash performed during the period, determined using the direct method. Cash flows are understood to be cash inflows and outflows or inflows and outflows of other equivalent means, such as highly liquid time deposits maturing in less than three months with low risk of change in value. The following expressions are used in the following sense:

- i. Operating activities: are activities that constitute the main source of the Company's ordinary income, as well as other activities that cannot be qualified as from investing or financing activities.
- ii. Investing activities: are activities such as acquisition, alienation or disposal of non-current assets by other means and other investments not included in cash and cash equivalents.
- iii. Financing activities: are activities that produce changes in the size and composition of total shareholders' equity and in liabilities of a financial nature.

3. Changes in Accounting Policy and Disclosures

IFRS have been consistently applied during the period covered by these financial statements.

4. Financial information by segment

Telefónica Chile S.A. discloses segment information in accordance with IFRS 8, "Operating Segments" which establishes the standards for reporting operating segments and related disclosures for products and services and geographical areas. Operating segments are defined as components of an entity for which there is separate financial information that is regularly used by the main decision maker to decide how to assign resources and to evaluate performance. The Company presents segment information that is used by management for internal decision making purposes.

The Company manages and measures the performance of its operations by business segment. Since the Company's corporate organization coincides basically with that of the businesses, and therefore the segments, distribution established in the information presented below, is based on the financial information of the companies. These are integrated in each segment. The operating segments reported internally are as follows:

a) Fixed Telecommunications

Fixed telephone services include basic services, line connections and installations, value added services, handset commercialization marketing, broad band and dedicated lines. Consistent with the financial statements, income is recorded as the services are provided or the equipment is sold.

Assets and liabilities correspond to those directly attributable to the segment.

4. Financial information by segment, continued

b) Television Services

Multimedia services include direct and indirect development, installation, maintenance, marketing and operations of television services via cable, satellite, broadband or any other physical means using any physical or technical means, including individual paid services or multiple basic channels, special or paid, videos on demand and interactive or multimedia television services. Corresponding with the financial statements, income is recognized as the services are delivered.

Assets and liabilities correspond to those directly attributable to the segment.

c) Long Distance

The Company provides national and international long distance services. The long distance business segment also rents its long distance network to other telecommunications operators, such as long distance carriers, mobile telephone operators and Internet service suppliers. Consistent with the financial statements, income is recognized as the services are provided.

Assets and liabilities correspond to those directly attributable to the segment.

d) Corporate Communications and Data

The corporate communications service includes sale and rental of telecommunications equipment and sale of networks to corporate customers, rental of networks associated with public and private projects, and data transmission services. Income is recognized as the services are provided.

Assets and liabilities correspond to those directly attributable to the segment.

e) Other

“Other” includes logistics, personnel and management services.

4. Financial information by segment, continued

Relevant information regarding Telefónica Chile S.A. and its main subsidiaries, which represent different segments, together with information regarding other subsidiaries, corresponding to June 30, 2015, December 31, 2014 and June 30, 2014 is detailed as follows:

For the period ended as of June 30, 2015	Fixed Telecommunications	Long Distance	Corporate Communication and Data	Television Services	Other	Eliminations	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Income from external customers	195,593,655	15,037,618	51,927,841	83,339,403	-	-	345,898,517
Income from ordinary activities arising from transactions with other operating segments of the same entity	40,174,656	15,204,940	1,484,273	-	90,165,905	(147,029,774)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	235,768,311	30,242,558	53,412,114	83,339,403	90,165,905	(147,029,774)	345,898,517
Cost of sales	100,505,019	12,277,691	43,867,129	51,649,504	10,095,701	(100,596,518)	117,798,526
Administrative expenses	51,315,250	3,012,086	10,898,325	14,146,041	2,765,064	(10,639,895)	71,496,871
Employee benefits expenses	584,058	17,175	30,607	-	73,059,568	(35,658,586)	38,032,822
Income from ordinary activities arising from interest							
Interest expense	11,246,815	50,077	717,387	227,090	269,900	(1,272,211)	11,239,058
Interest income	3,469,952	322,318	(6,353)	(2,913)	-	(1,272,211)	2,510,793
Depreciation and amortization	68,477,799	4,677,664	12,619,350	10,669,810	-	-	96,444,623
Participation in profit of associated companies accounted for using the equity method	3,881,284	12,359	40,165	-	-	(3,933,808)	-
Income tax expense	4,337,081	2,011,776	(6,453,698)	4,128,430	924,097	-	4,947,686
Other significant non-cash items	896,101	77,277	(141,634)	(384,713)	38,074	134,775	619,880
Profits(loss) before tax	11,886,707	10,619,819	(14,828,506)	6,259,332	4,013,746	(3,933,808)	14,017,290
Profit (loss) for the period from continuing operations	7,549,626	8,608,043	(8,374,808)	2,130,902	3,089,649	(3,933,808)	9,069,604
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-	-
Profit (loss) for the period	7,549,626	8,608,043	(8,374,808)	2,130,902	3,089,649	(3,933,808)	9,069,604
Assets	1,478,072,613	90,780,173	142,750,908	112,735,109	115,424,979	(406,830,145)	1,532,933,637
Investments in associates accounted for using the equity method	211,823,858	91,009	295,780	-	91,009	(212,301,656)	-
Increases in non-current assets	71,646,091	4,285,734	3,358,279	5,143,693	-	-	84,433,797
Liabilities	815,401,290	25,116,362	66,271,673	54,225,033	92,672,674	(194,619,494)	859,067,538
Shareholders' equity	662,671,323	65,663,811	76,479,235	58,510,076	22,752,305	(212,210,651)	673,866,099
Liabilities & Shareholders' equity	478,072,613	90,780,173	142,750,908	112,735,109	115,424,979	(406,830,145)	1,532,933,637
Cash flows provided by (used in) operating activities	122,168,016	11,735,013	10,106,700	15,456,233	7,008,821	(59,203,239)	107,271,544
Cash flows provided by (used in) investment activities	(88,135,875)	(4,839,349)	(4,025,015)	(6,765,478)	-	(1,414,504)	(105,180,221)
Cash flows provided by (used in) from in financing activities	(55,224,184)	(8,500,709)	(8,800,293)	(6,230,863)	(6,909,884)	60,617,743	(25,048,190)

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014



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

4. Financial information by segment, continued

For the year ended as of December 31, 2014	Fixed Telecommunications	Long Distance	Corporate Communication and Data	Television Services	Other	Eliminations	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Income from external customers	407,394,464	35,389,870	107,430,964	136,085,962	89,185	-	686,390,445
Income from ordinary activities arising from transactions with other operating segments of the same entity	78,663,951	30,038,202	3,712,162	-	182,858,422	(295,272,737)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	486,058,415	65,428,072	111,143,126	136,085,962	182,947,607	(295,272,737)	686,390,445
Cost of sales	199,303,100	28,441,570	85,859,859	79,162,181	20,195,405	(198,578,751)	214,383,364
Administrative expenses	99,721,216	6,913,541	20,884,153	21,938,944	5,465,846	(25,964,072)	128,959,628
Employee benefits expenses	4,703,390	-	436,408	-	146,354,312	(70,829,595)	80,664,515
Income from ordinary activities arising from interest							
Interest expense	26,911,225	645,138	268,777	161,055	360,222	(2,417,065)	25,929,352
Interest income	4,898,705	1,296,623	609,713	97,430	9,776	(2,417,065)	4,495,182
Depreciation and amortization	129,740,912	9,470,709	22,460,180	18,990,348	-	-	180,662,149
Participation in profit of associated companies accounted for using the equity method	15,758,903	23,708	77,050	-	-	(15,859,661)	-
Income tax expense	7,422,739	7,248,930	(4,074,361)	3,208,034	4,705,479	-	18,510,821
Other significant non-cash items	438,166	795,630	(309,790)	(384,713)	50,811	(99,681)	490,423
Profits(loss) before tax	46,774,346	22,073,075	(18,389,278)	15,546,151	10,632,409	(15,859,661)	60,777,042
Profit (loss) for the year from continuing operations	39,351,607	14,824,145	(14,314,917)	12,338,117	5,926,930	(15,859,661)	42,266,221
Profit (loss) for the year from discontinuing operations	-	-	-	-	-	-	-
Profit (loss) for the year	39,351,607	14,824,145	(14,314,917)	12,338,117	5,926,930	(15,859,661)	42,266,221
Assets	1,548,652,664	136,085,250	166,659,815	112,735,109	131,936,764	(561,603,766)	1,534,465,836
Investments in associates accounted for using the equity method	263,317,203	78,602	255,457	-	78,602	(263,729,864)	-
Increases in non-current assets	102,948,524	1,052,639	19,210,823	31,887,978	-	-	155,099,964
Liabilities	889,143,711	24,169,460	83,377,534	54,225,033	112,286,238	(297,952,504)	865,249,472
Shareholders' equity	659,508,953	111,915,790	83,282,281	58,510,076	19,650,526	(263,651,262)	669,216,364
Liabilities & Shareholders' equity	1,548,652,664	136,085,250	166,659,815	112,735,109	131,936,764	(561,603,766)	1,534,465,836
Cash flows provided by (used in) operating activities	248,680,068	32,252,836	(13,290,655)	(16,915,377)	(1,161,906)	(11,143,261)	238,421,705
Cash flows provided by (used in) investment activities	(138,018,757)	(2,061,037)	(37,486,049)	(28,278,949)	-	-	(205,844,792)
Cash flows provided by (used in) from in financing activities	(63,684,022)	(28,304,313)	35,217,505	59,964,940	905,000	10,946,968	(84,953,922)

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014



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

4. Financial information by segment, continued

For the period ended as of June 30, 2014	Fixed Telecommunications	Long Distance	Corporate Communication and Data	Television Services	Other	Eliminations	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Income from external customers	200,459,379	18,963,855	49,215,165	64,357,877	25,240	-	333,021,516
Income from ordinary activities arising from transactions with other operating segments of the same entity	37,784,979	15,326,746	2,303,101	-	87,488,966	(142,903,792)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	238,244,358	34,290,601	51,518,266	64,357,877	87,514,206	(142,903,792)	333,021,516
Cost of sales	95,129,019	15,391,031	39,865,104	35,954,976	8,204,352	(94,046,347)	100,498,135
Administrative expenses	49,005,857	3,704,541	11,854,659	10,023,254	2,180,903	(15,527,261)	61,241,953
Employee benefits expenses	3,661,786	-	292,018	-	71,372,340	(33,378,043)	41,948,101
Income from ordinary activities arising from interest							
Interest expense	14,930,969	39,327	62,271	6,457	261,621	(1,423,475)	13,877,170
Interest income	2,728,054	613,050	603,811	53,088	137,773	(1,423,476)	2,712,300
Depreciation and amortization	64,474,506	4,857,656	9,231,267	12,071,985	307	-	90,635,721
Participation in profit of associated companies accounted for using the equity method	10,006,408	16,949	55,086	-	12,712	(10,091,155)	-
Income tax expense	1,749,105	1,439,387	(478,331)	(892,451)	1,177,087	-	2,994,797
Other significant non-cash items	399,057	202,914	(203,688)	(384,713)	6,111	(47,859)	(28,178)
Profits(loss) before tax	24,175,740	11,130,959	(9,331,844)	5,969,580	5,651,279	(10,091,156)	27,504,558
Profit (loss) for the period from continuing operations	22,426,635	9,691,572	(8,853,513)	6,862,031	4,474,192	(10,091,156)	24,509,761
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-	-
Profit (loss) for the period	22,426,635	9,691,572	(8,853,513)	6,862,031	4,474,192	(10,091,156)	24,509,761
Assets	1,398,035,272	128,879,215	112,220,468	106,516,722	103,047,079	(445,535,039)	1,03,163,717
Investments in associates accounted for using the equity method	264,918,772	67,773	220,263	-	67,773	(265,274,581)	-
Increases in non-current assets	70,797,990	813,672	14,716,387	19,245,028	-	-	105,573,077
Liabilities	734,092,418	17,871,532	50,039,177	29,567,980	79,546,857	(180,277,397)	730,840,567
Shareholders' equity	663,942,854	111,007,683	62,181,291	76,948,742	23,500,222	(265,257,642)	672,323,150
Liabilities & Shareholders' equity	1,398,035,272	128,879,215	112,220,468	106,516,722	103,047,079	(445,535,039)	1,403,163,717
Cash flows provided by (used in) operating activities	136,435,746	17,100,964	(14,012,772)	(17,505,095)	7,418,094	(4,247,370)	125,189,567
Cash flows provided by (used in) investment activities	(77,482,082)	(933,586)	(16,885,201)	(22,081,246)	-	-	(117,382,115)
Cash flows provided by (used in) from in financing activities	(170,231,367)	(12,186,313)	32,272,279	39,443,895	(7,780,552)	4,247,370	(114,234,688)

4. Financial information by segment, continued

There are no differences in the criteria used, in respect to the previous year, in relation to measurement and valuation of segment income and valuation of their assets and liabilities, as well as transactions between segments.

There are no changes in the measurement methods used to determine income presented by the segments in respect to the previous year.

Accounting criteria regarding transactions between subsidiaries of Telefónica Chile S.A. which are performed at market prices, independently and in a manner similar to transactions with third parties, consider that balances, transactions and profits or losses remain in the segment of origin and are only eliminated in the consolidated financial statements of the entity.

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Concepts	Currency	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Cash (a)		43,364	57,979
	CLP	11,589	10,651
	USD	23,028	28,731
	EUR	8,747	18,597
Banks (b)		8,711,354	11,270,269
	CLP	8,215,219	10,042,161
	USD	480,992	1,187,154
	EUR	15,143	40,954
Time deposits (c)		88,927,128	109,310,465
	CLP	68,806,184	81,978,672
	USD	20,120,944	27,331,793
Total cash and cash equivalents		97,681,846	120,638,713
Sub-total by currency	CLP	77,032,992	92,031,484
	USD	20,624,964	28,547,678
	EUR	23,890	59,551

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

a) Cash

The cash balance is composed of funds to be rendered destined to minor expenses and the book value is the same as the fair value.

b) Banks

The balance in banks is composed of money held in checking accounts and the book value is the same as the fair value.

5. Cash and cash equivalents, continued

c) Time deposits

Time deposits maturing in less than 90 days are recorded at fair value and as of June 30, 2015 and December 31, 2014 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\$	06.30.2015 ThCh\$
Time deposits	CLP	68,694,000	3.47%	31	68,694,000	112,184	68,806,184
Time deposits	USD	20,113,967	-	42	20,113,967	6,977	20,120,944
Total					88,807,967	119,161	88,927,128

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\$	12.31.2014 ThCh\$
Time deposits	CLP	81,925,000	3.70%	14	81,925,000	53,672	81,978,672
Time deposits	USD	41,048	1.50%	31	27,331,073	720	27,331,793
Total					109,256,073	54,392	109,310,465

6. Other current and non-current financial assets

Other current financial assets are detailed as follows:

Concepts		06.30.2015		12.31.2014	
		Current ThCh\$	Non-Current ThCh\$	Current ThCh\$	Non-Current ThCh\$
Guarantees established	(a)	242,912	50,468	257,912	50,468
Other investments	(b)	-	7,173,874	-	6,468,525
Exchange rate hedge	(See Note 19.2)	3,678,089	118,045,039	6,138,561	101,556,253
Total		3,921,001	125,269,381	6,396,473	108,075,246

a) Guarantees are those established for clients, official organizations and other institutions.

b) Other investments are detailed as follows:

Participation	Country	Investment currency	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Telefónica Brasil (1) (2)	Brazil	REAL	7,170,020	6,464,671
Other participation	Chile	CLP	3,854	3,854
Total			7,173,874	6,468,525

(1) This investment is valued at market value through the trading of its shares, information obtained in the Sao Paulo Stock Exchange (Bovespa), and variations in their value are recorded when they occur, directly in equity under other reserves.

(2) As of June 30, 2015 and December 31, 2014 dividends in the amount of ThCh\$441,731 and ThCh\$478,613, respectively, were accrued on the 0.06% share in the equity of Telefónica Brasil. As of June 30, 2015, ThCh\$231,287 have been received for this concept.

7. Other current and non-current non-financial assets

Other non-financial assets correspond to prepayments are detailed as follows:

Concepts	06.30.2015		12.31.2014	
	Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Support and repair services	1,246,184	-	1,484,010	-
Insurance	1,541,302	-	632,759	-
Leases	325,987	-	9,986	-
Franchised commissions	7,326,541	-	6,065,827	-
Other amortizable expenses (1)	7,393,158	4,275,171	4,538,951	1,022,442
Other taxes (2)	4,998,110	-	2,276,120	-
Total	22,831,282	4,275,171	15,007,653	1,022,442

(1) This item includes early payment of bonuses in the amount of ThCh\$911,970 current and ThCh\$992,753 non-current that the Company negotiated with some of its employees from different unions, as a product of collective agreements. In addition this item includes ThCh\$4,353,527 current and ThCh\$3,257,279 non-current, for depreciable expenses due to the new commercial model for television services.

(2) This item includes: Sence credit, remaining VAT credit and other recoverable taxes.

8. Current trade and other accounts receivable

a) The composition of current trade and other accounts receivables as follows:

Concepts	06.30.2015			12.31.2014		
	Gross value ThCh\$	Allowance for doubtful accounts ThCh\$	Net value ThCh\$	Gross value ThCh\$	Allowance for doubtful accounts ThCh\$	Net value ThCh\$
Receivables on current loan transactions	228,907,827	(116,810,051)	112,097,776	226,287,419	(112,973,095)	113,314,324
Invoiced services	200,112,559	(116,810,051)	83,302,508	199,897,605	(112,973,095)	86,924,510
Services provided and not invoiced	28,795,268	-	28,795,268	26,389,814	-	26,389,814
Miscellaneous receivables	16,749,772	-	16,749,772	13,844,035	-	13,844,035
Total	245,657,599	(116,810,051)	128,847,548	240,131,454	(112,973,095)	127,158,359

b) The composition of current trade and other accounts receivable with overdue balances that have not been collected and have not been provisioned based on due dates is detailed as follows:

Concepts	06.30.2015					12.31.2014				
	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
Miscellaneous receivables	22,870,147	3,035,822	-	-	25,905,969	23,214,753	2,416,268	-	485,328	26,116,349
Total	22,870,147	3,035,822	-	-	25,905,969	23,214,753	2,416,268	-	485,328	26,116,349

8. Current trade and other accounts receivable, continued

- c) The movement of allowance for doubtful accounts, which includes “Current trade and other accounts receivable” and “Non-current trade and other accounts receivable” found in Note 12, is detailed as follows:

Movements	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Beginning balance	114,513,557	116,419,084
Increases	8,211,700	16,376,113
Eliminations/ Additions	(4,818,799)	(18,281,640)
Movements, subtotal	3,392,901	(1,905,527)
Ending balance	117,906,458	114,513,557

- d) Allowance for doubtful account movements according to the composition of the portfolio as of June 30, 2015 and 2014 are detailed as follows:

Provisions and write-offs	04.01.15 al 06.30.15 ThCh\$	06.30.2015 ThCh\$	04.01.14 al 06.30.14 ThCh\$	06.30.2014 ThCh\$
Accrual for portfolio that has not been renegotiated	3,534,823	8,055,952	4,219,645	8,430,662
Accrual for renegotiated portfolio	155,749	155,748	10,181	170,768
Write-offs for the period	(4,749,826)	(4,818,799)	-	-
Recoveries for the period	-	-	-	-
Total	(1,059,254)	3,392,901	4,229,826	8,601,430

- e) As of June 30, 2015 and December 31, 2014 the portfolio of returned documents and those in judicial collection is detailed as follows:

Portfolio of returned documents and judicial collection as of 06.30.2015	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	9,954	-	-	-
Portfolio of returned documents or those in judicial collection (ThCh\$)	2,089,749	-	-	-

Portfolio of returned documents and judicial collection as of 12.31.2014	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	9,954	-	-	-
Portfolio of returned documents or those in judicial collection (ThCh\$)	2,089,749	-	-	-

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014



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

8. Current trade and other accounts receivable, continued

The composition of the portfolio stratified by segment as of June 30, 2015 is detailed as follows:

Aging of portfolio by segment for the period-ended June 30, 2015	Up to date ThCh\$	From 1 to 30 days ThCh\$	From 31 to 60 days ThCh\$	From 61 to 90 day ThCh\$	From 91 to 120 days ThCh\$	From 121 to 150 days ThCh\$	From 151 to 180 days ThCh\$	From 181 to 210 days ThCh\$	From 211 to 250 days ThCh\$	More than 250 days ThCh\$	Total portfolio w/o guarantee ThCh\$
Fixed Telecommunications											
Number of clients w/o renegotiation (1)	240,345	296,441	33,810	21,889	20,257	18,946	17,823	17,012	15,823	1,787,180	2,469,526
Gross portfolio w/o renegotiation	31,231,155	6,195,692	2,283,810	2,027,415	665,879	471,941	344,821	-	-	-	43,220,713
Debt	31,231,155	6,195,692	2,283,810	2,027,415	1,848,777	1,215,533	1,273,016	1,181,696	982,208	75,082,690	123,321,992
Accrual	-	-	-	-	(1,182,898)	(743,592)	(928,195)	(1,181,696)	(982,208)	(75,082,690)	(80,101,279)
Number of clients w/renegotiation	118,522	949	485	721	976	1,189	1,321	1,343	3,088	63,098	191,692
Gross renegotiated portfolio	1,093,649	-	-	-	-	-	-	-	-	-	1,093,649
Debt	1,445,320	10,616	5,071	7,586	10,185	12,802	14,320	14,627	32,712	535,442	2,088,681
Accrual	(351,671)	(10,616)	(5,071)	(7,586)	(10,185)	(12,802)	(14,320)	(14,627)	(32,712)	(535,442)	(995,032)
Total number of clients	358,867	297,390	34,295	22,610	21,233	20,135	19,144	18,355	18,911	1,850,278	2,661,218
Total Fixed Telephone Portfolio	32,324,804	6,195,692	2,283,810	2,027,415	665,879	471,941	344,821	-	-	-	44,314,362
Debt	32,676,475	6,206,308	2,288,881	2,035,001	1,858,962	1,228,335	1,287,336	1,196,323	1,014,920	75,618,132	125,410,673
Accrual	(351,671)	(10,616)	(5,071)	(7,586)	(1,193,083)	(756,394)	(942,515)	(1,196,323)	(1,014,920)	(75,618,132)	(81,096,311)
Long Distance											
Number of clients w/o renegotiation (1)	21,313	19,231	7,213	5,986	6,594	7,206	3,995	6,235	13,525	1,282,339	1,373,637
Gross portfolio w/o renegotiation	4,510,468	3,192,415	1,613,352	226,210	37,060	60,293	35,809	-	-	-	9,675,607
Debt	4,510,468	3,192,415	1,613,352	226,210	186,994	200,903	82,486	130,514	239,747	21,266,811	31,649,900
Accrual	-	-	-	-	(149,934)	(140,610)	(46,677)	(130,514)	(239,747)	(21,266,811)	(21,974,293)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	21,313	19,231	7,213	5,986	6,594	7,206	3,995	6,235	13,525	1,282,339	1,373,637
Total Long Distance Portfolio	4,510,468	3,192,415	1,613,352	226,210	37,060	60,293	35,809	-	-	-	9,675,607
Debt	4,510,468	3,192,415	1,613,352	226,210	186,994	200,903	82,486	130,514	239,747	21,266,811	31,649,900
Accrual	-	-	-	-	(149,934)	(140,610)	(46,677)	(130,514)	(239,747)	(21,266,811)	(21,974,293)
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	2,004	848	530	22	538	342	21	264	391	2,677	7,637
Gross portfolio w/o renegotiation	28,794,719	3,200,153	1,322,097	55,292	923,270	436,444	48,098	-	-	-	34,780,073
Debt	28,806,649	3,212,807	1,334,751	61,816	973,035	466,806	56,456	207,004	271,783	2,790,824	38,181,931
Accrual	(11,930)	(12,654)	(12,654)	(6,524)	(49,765)	(30,362)	(8,358)	(207,004)	(271,783)	(2,790,824)	(3,401,858)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	2,004	848	530	22	538	342	21	264	391	2,677	7,637
Total Corporate Communication and Data Portfolio	28,794,719	3,200,153	1,322,097	55,292	923,270	436,444	48,098	-	-	-	34,780,073
Debt	28,806,649	3,212,807	1,334,751	61,816	973,035	466,806	56,456	207,004	271,783	2,790,824	38,181,931
Accrual	(11,930)	(12,654)	(12,654)	(6,524)	(49,765)	(30,362)	(8,358)	(207,004)	(271,783)	(2,790,824)	(3,401,858)

(1) The information mentioned in this line represents the number of current clients and to those that have been commercially eliminated and which are still in collections management

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014



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

8. Current trade and other accounts receivable, continued

Aging of portfolio by segment for the year-ended June 30, 2015	Up to date ThCh\$	From 1 to 30 days ThCh\$	From 31 to 60 days ThCh\$	From 61 to 90 day ThCh\$	From 91 to 120 days ThCh\$	From 121 to 150 days ThCh\$	From 151 to 180 days ThCh\$	From 181 to 210 days ThCh\$	From 211 to 250 days ThCh\$	More than 250 days ThCh\$	Total portfolio w/o guarantee ThCh\$
Television											
Number of clients w/o renegotiation (1)	372,002	53,103	24,631	29,689	30,066	18,585	26,275	23,286	16,685	162,033	756,355
Gross portfolio w/o renegotiation	21,372,609	1,389,213	631,388	733,110	4,408	4,266	3,531	-	-	-	24,138,525
Debt	21,372,609	1,389,213	631,388	733,110	798,423	450,272	637,727	571,848	444,929	7,446,595	34,476,114
Accrual	-	-	-	-	(794,015)	(446,006)	(634,196)	(571,848)	(444,929)	(7,446,595)	(10,337,589)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	372,002	53,103	24,631	29,689	30,066	18,585	26,275	23,286	16,685	162,033	756,355
Total Television Portfolio	21,372,609	1,389,213	631,388	733,110	4,408	4,266	3,531	-	-	-	24,138,525
Debt	21,372,609	1,389,213	631,388	733,110	798,423	450,272	637,727	571,848	444,929	7,446,595	34,476,114
Accrual	-	-	-	-	(794,015)	(446,006)	(634,196)	(571,848)	(444,929)	(7,446,595)	(10,337,589)
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio w/o renegotiation	15,938,981	-	-	-	-	-	-	-	-	-	15,938,981
Debt	15,938,981	-	-	-	-	-	-	-	-	-	15,938,981
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total Other Portfolio	15,938,981	-	-	-	-	-	-	-	-	-	15,938,981
Debt	15,938,981	-	-	-	-	-	-	-	-	-	15,938,981
Accrual	-	-	-	-	-	-	-	-	-	-	-
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	635,664	369,623	66,184	57,586	57,455	45,079	48,114	46,797	46,424	3,234,229	4,607,155
Gross portfolio w/o renegotiation	101,847,932	13,977,473	5,850,647	3,042,027	1,630,617	972,944	432,259	-	-	-	127,753,899
Debt	101,859,862	13,990,127	5,863,301	3,048,551	3,807,229	2,333,514	2,049,685	2,091,062	1,938,667	106,586,920	243,568,918
Accrual	(11,930)	(12,654)	(12,654)	(6,524)	(2,176,612)	(1,360,570)	(1,617,426)	(2,091,062)	(1,938,667)	(106,586,920)	(115,815,019)
Number of clients w/renegotiation	118,522	949	485	721	976	1,189	1,321	1,343	3,088	63,098	191,692
Gross renegotiated portfolio	1,093,649	-	-	-	-	-	-	-	-	-	1,093,649
Debt	1,445,320	10,616	5,071	7,586	10,185	12,802	14,320	14,627	32,712	535,442	2,088,681
Accrual	(351,671)	(10,616)	(5,071)	(7,586)	(10,185)	(12,802)	(14,320)	(14,627)	(32,712)	(535,442)	(995,032)
Total number of clients	754,186	370,572	66,669	58,307	58,431	46,268	49,435	48,140	49,512	3,297,327	4,798,847
Total Consolidated Portfolio	102,941,581	13,977,473	5,850,647	3,042,027	1,630,617	972,944	432,259	-	-	-	128,847,548
Debt	103,305,182	14,000,743	5,868,372	3,056,137	3,817,414	2,346,316	2,064,005	2,105,689	1,971,379	107,122,362	245,657,599
Accrual	(363,601)	(23,270)	(17,725)	(14,110)	(2,186,797)	(1,373,372)	(1,631,746)	(2,105,689)	(1,971,379)	(107,122,362)	(116,810,051)

(1) The information mentioned in this line represents the number of current clients and to those that have been commercially eliminated and which are still in collections management.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014



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

8. Current trade and other accounts receivable, continued

The composition of the portfolio stratified by segment for the year 2014 is detailed as follows:

Aging of portfolio by segment for the year-ended December 31, 2014	Up to date ThCh\$	From 1 to 30 days ThCh\$	From 31 to 60 days ThCh\$	From 61 to 90 day ThCh\$	From 91 to 120 days ThCh\$	From 121 to 150 days ThCh\$	From 151 to 180 days ThCh\$	From 181 to 210 days ThCh\$	From 211 to 250 days ThCh\$	More than 250 days ThCh\$	Total portfolio w/o guarantee ThCh\$
Fixed Telecommunications											
Number of clients w/o renegotiation (1)	387,589	129,456	32,550	20,707	17,179	16,625	15,454	15,141	14,009	1,012,418	1,661,128
Gross portfolio w/o renegotiation	35,700,370	10,848,067	2,029,304	1,866,322	534,118	475,432	211,647	-	-	-	51,665,260
Debt	36,215,283	10,852,338	2,029,512	1,866,526	1,466,833	1,390,723	1,117,028	876,570	842,740	73,361,161	130,018,714
Accrual	(514,913)	(4,271)	(208)	(204)	(932,715)	(915,291)	(905,381)	(876,570)	(842,740)	(73,361,161)	(78,353,454)
Number of clients w/renegotiation	32,951	358	79	81	86	92	97	98	112	791	34,745
Gross renegotiated portfolio	483,244	1,650	-	-	-	-	-	-	-	51,482	536,376
Debt	810,257	53,353	29,262	19,873	13,333	9,381	5,621	4,415	538,013	201,839	1,685,347
Accrual	(327,013)	(51,703)	(29,262)	(19,873)	(13,333)	(9,381)	(5,621)	(4,415)	(538,013)	(150,357)	(1,148,971)
Total number of clients	420,540	129,814	32,629	20,788	16,717	15,551	15,239	15,239	14,121	1,013,209	1,695,873
Total Fixed Telephone Portfolio	36,183,614	10,849,717	2,029,304	1,866,322	534,118	475,432	211,647	-	-	51,482	52,201,636
Debt	37,025,540	10,905,691	2,058,774	1,886,399	1,480,166	1,400,104	1,122,649	880,985	1,380,753	73,563,000	131,704,061
Accrual	(841,926)	(55,974)	(29,470)	(20,077)	(946,048)	(924,672)	(911,002)	(880,985)	(1,380,753)	(73,511,518)	(79,502,425)
Long Distance											
Number of clients w/o renegotiation (1)	20,219	20,696	8,594	5,213	5,673	6,207	6,123	6,771	8,018	918,195	1,005,709
Gross portfolio w/o renegotiation	5,776,014	1,545,221	995,056	714,975	76,782	87,871	72,089	-	-	47,020	9,315,028
Debt	5,776,014	1,545,221	995,056	714,975	191,371	193,578	152,785	169,531	224,831	21,283,185	31,246,547
Accrual	-	-	-	-	(114,589)	(105,707)	(80,696)	(169,531)	(224,831)	(21,236,165)	(21,931,519)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	20,219	20,696	8,594	5,213	5,673	6,207	6,123	6,771	8,018	918,195	1,005,709
Total Long Distance Portfolio	5,776,014	1,545,221	995,056	714,975	76,782	87,871	72,089	-	-	47,020	9,315,028
Debt	5,776,014	1,545,221	995,056	714,975	191,371	193,578	152,785	169,531	224,831	21,283,185	31,246,547
Accrual	-	-	-	-	(114,589)	(105,707)	(80,696)	(169,531)	(224,831)	(21,236,165)	(21,931,519)
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	2,094	918	23	518	380	502	341	309	520	2,862	8,467
Gross portfolio w/o renegotiation	28,755,423	2,086,733	116,171	989,641	350,231	351,723	242,672	-	-	386,828	33,279,422
Debt	29,074,522	2,104,434	116,171	1,001,091	361,681	362,343	252,104	181,767	293,125	2,451,376	36,198,614
Accrual	(319,099)	(17,701)	-	(11,450)	(11,450)	(10,620)	(9,432)	(181,767)	(293,125)	(2,064,548)	(2,919,192)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	2,094	918	23	518	380	502	341	309	520	2,862	8,467
Total Corporate Communication and Data Portfolio	28,755,423	2,086,733	116,171	989,641	350,231	351,723	242,672	-	-	386,828	33,279,422
Debt	29,074,522	2,104,434	116,171	1,001,091	361,681	362,343	252,104	181,767	293,125	2,451,376	36,198,614
Accrual	(319,099)	(17,701)	-	(11,450)	(11,450)	(10,620)	(9,432)	(181,767)	(293,125)	(2,064,548)	(2,919,192)

(1) The information mentioned in this line represents the number of current clients and to those that have been commercially eliminated and which are still in collections management.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014



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

8. Current trade and other accounts receivable, continued

Aging of portfolio by segment for the year-ended December 31, 2014	Up to date ThCh\$	From 1 to 30 days ThCh\$	From 31 to 60 days ThCh\$	From 61 to 90 day ThCh\$	From 91 to 120 days ThCh\$	From 121 to 150 days ThCh\$	From 151 to 180 days ThCh\$	From 181 to 210 days ThCh\$	From 211 to 250 days ThCh\$	More than 250 days ThCh\$	Total portfolio w/o guarantee ThCh\$
Television											
Number of clients w/o renegotiation (1)	221,346	17,643	12,345	13,564	12,043	11,980	12,678	9,645	5,674	563,279	880,197
Gross portfolio w/o renegotiation	16,394,683	1,050,088	472,944	560,281	5,532	4,735	3,435	-	-	-	18,491,698
Debt	16,394,683	1,050,088	472,944	560,281	542,478	530,862	538,220	404,547	216,213	6,401,341	27,111,657
Accrual	-	-	-	-	(536,946)	(526,127)	(534,785)	(404,547)	(216,213)	(6,401,341)	(8,619,959)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	221,346	17,643	12,345	13,564	12,043	11,980	12,678	9,645	5,674	563,279	880,197
Total Television Portfolio	16,394,683	1,050,088	472,944	560,281	5,532	4,735	3,435	-	-	-	18,491,698
Debt	16,394,683	1,050,088	472,944	560,281	542,478	530,862	538,220	404,547	216,213	6,401,341	27,111,657
Accrual	-	-	-	-	(536,946)	(526,127)	(534,785)	(404,547)	(216,213)	(6,401,341)	(8,619,959)
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Gross portfolio w/o renegotiation	13,870,575	-	-	-	-	-	-	-	-	-	13,870,575
Debt	13,870,575	-	-	-	-	-	-	-	-	-	13,870,575
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Gross renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total Other Portfolio	13,870,575	-	-	-	-	-	-	-	-	-	13,870,575
Debt	13,870,575	-	-	-	-	-	-	-	-	-	13,870,575
Accrual	-	-	-	-	-	-	-	-	-	-	-
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	631,248	168,713	53,512	40,002	35,275	35,314	34,596	31,866	28,221	2,496,754	3,555,501
Gross portfolio w/o renegotiation	100,497,065	15,530,109	3,613,475	4,131,219	966,663	919,761	529,843	-	-	433,848	126,621,983
Debt	101,331,077	15,552,081	3,613,683	4,142,873	2,562,363	2,477,506	2,060,137	1,632,415	1,576,909	103,497,063	238,446,107
Accrual	(834,012)	(21,972)	(208)	(11,654)	(1,595,700)	(1,557,745)	(1,530,294)	(1,632,415)	(1,576,909)	(103,063,215)	(111,824,124)
Number of clients w/renegotiation	32,951	358	79	81	86	92	97	98	112	791	34,745
Gross renegotiated portfolio	483,244	1,650	-	-	-	-	-	-	-	51,482	536,376
Debt	810,257	53,353	29,262	19,873	13,333	9,381	5,621	4,415	538,013	201,839	1,685,347
Accrual	(327,013)	(51,703)	(29,262)	(19,873)	(13,333)	(9,381)	(5,621)	(4,415)	(538,013)	(150,357)	(1,148,971)
Total number of clients	664,199	169,071	53,591	40,083	35,361	35,406	34,693	31,964	28,333	2,497,545	3,590,246
Total Consolidated Portfolio	100,980,309	15,531,759	3,613,475	4,131,219	966,663	919,761	529,843	-	-	485,330	127,158,359
Debt	102,141,334	15,605,434	3,642,945	4,162,746	2,575,696	2,486,887	2,065,758	1,636,830	2,114,922	103,698,902	240,131,454
Accrual	(1,161,025)	(73,675)	(29,470)	(31,527)	(1,609,033)	(1,567,126)	(1,535,915)	(1,636,830)	(2,114,922)	(103,213,572)	(112,973,095)

(1) The information mentioned in this line represents the number of current clients and to those that have been commercially eliminated and which are still in collections management.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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



9. Receivables from and payable to related companies

a) Currents receivables from related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent Co.	Total			46,773,841	48,757,351
				Professional Serv,	CLP	60 days	27,370,281	35,444,431
				Access & interc, charges	CLP	60 days	15,748,783	10,208,198
				Media rental	CLP	60 days	3,396,707	2,746,794
				Other	CLP	60 days	258,070	357,928
Telefónica International Wholesale Services	Foreign	Spain	Relationship w/parent Co.	Correspondent	EUR	90 days	2,730,621	1,688,466
Telefónica International Wholesale Services Chile	96.910.730-9	Chile	Relationship w/parent Co.	Serv, Provided,	CLP	60 days	2,082,867	980,240
Telefónica Argentina S.A.	Foreign	Argentina	Relationship w/parent Co.	Serv, Provided,	USD	180 days	1,639,271	2,573,773
Telefónica Digital España	Foreign	Spain	Relationship w/parent Co.	Serv, Provided,	EUR	60 days	712,879	-
Telefónica Internacional S.A.U.	Foreign	Spain	Relationship w/parent Co.	Serv, Provided,	EUR	90 days	615,473	672,229
Telefónica Brasil	Foreign	Brazil	Relationship w/parent Co.	Serv, Provided	USD	90 days	353,289	143,232
Telefónica Global Technology Chile	59.165.120-K	Chile	Relationship w/parent Co.	Serv, Provided,	CLP	60 days	277,432	181,392
Telefónica S.A.	Foreign	Spain	Relationship w/parent Co.	Serv, Provided,	EUR	90 days	186,757	53,075
Telefónica Gestión de Servicios Compartidos España	Foreign	Spain	Relationship w/parent Co.	Serv, Provided,	EUR	60 días	177,459	-
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Relationship w/parent Co.	Serv, Provided,	CLP	60 days	167,874	64,008
Telcel Venezuela	Foreign	Venezuela	Relationship w/parent Co.	Serv, Provided,	USD	180 days	121,452	198,045
Media Networks Perú	Foreign	Perú	Relationship w/parent Co.	Serv, Provided,	USD	90 days	119,878	92,521
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Relationship w/parent Co.	Serv, Provided,	CLP	60 days	99,045	82,827
Telefónica Global Technology S.A.U.	Foreign	Spain	Relationship w/parent Co.	Serv, Provided	EUR	90 days	95,962	95,962
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Relationship w/parent Co.	Serv, Provided	CLP	60 days	57,591	19,855
Terra Networks Chile S.A.	96.834.230-4	Chile	Relationship w/parent Co.	Serv, Provided	CLP	60 days	42,177	44,587
Telefónica Investigación y Desarrollo Chile Spa	76.378.279-4	Chile	Relationship w/parent Co.	Serv, Provided	CLP	60 days	15,579	-
Telefónica On The Spot Soluciones Digitales de Chi Spa	76.338.291-5	Chile	Relationship w/parent Co.	Serv, Provided	CLP	60 days	10,083	-
Telefónica Móviles Guatemala	Foreign	Guatemala	Relationship w/parent Co.	Serv, Provided	USD	90 days	9,190	8,725
Telefónica Larga Distancia Puerto Rico	Extranjera	Puerto Rico	Relationship w/parent Co.	Serv, Provided	USD	90 días	7,543	62,843
Colombia Telecomunicaciones S.A.E.S.P	Foreign	Colombia	Relationship w/parent Co.	Serv, Provided	USD	60 days	6,333	6,525
Telefónica On The Spot Services SAU	Foreign	Spain	Relationship w/parent Co.	Serv, Provided	EUR	90 days	2,617	-
Telefónica Factoring Chile S.A.	76.096.189-2	Chile	Associated	Serv, Provided	CLP	60 days	1,619	-
Inversiones Telefónica Internacional Holding Ltda.	77.363.730-k	Chile	Parent company	Serv, Provided	CLP	60 days	1,285	2,054
Telefónica USA Inc.	Foreign	USA	Relationship w/parent Co.	Serv, Provided	USD	60 days	1,213	1,213
Telefónica de España S.A.U.	Foreign	Spain	Relationship w/parent Co.	Serv, Provided	EUR	180 days	-	7,832
Otecel S.A.	Foreign	Colombia	Relationship w/parent Co.	Serv, Provided	USD	60 days	-	1,284
Total							56,309,330	55,738,039

There are no allowances for doubtful accounts or guarantees related to amounts included in outstanding balances. For amounts in excess of 5% of their total heading the origin of the service rendered is specified.

b) Non-currents receivables from related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent Co.	H.R. obligation	CLP	-	1,366,521	1,366,521
Total							1,366,521	1,366,521

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014



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

9. Receivables from and payable to related companies, continued

c) Currents payables to related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent co.	Total			20,765,814	26,581,922
				mercantile mandate	CLP	60 days	7,367,360	13,367,459
				Fixed – Mobile cost	CLP	60 days	1,013,007	880,978
				Collection payable	CLP	60 days	7,703,348	8,229,610
				Access charges	CLP	60 days	1,410,278	1,503,536
				Professional Serv.	CLP	60 days	1,404,282	1,498,605
			Other	CLP	60 days	1,867,539	1,101,734	
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Relationship w/parent co.	Total			17,259,023	19,230,342
				mercantile mandate	CLP	60 days	7,928,411	8,254,955
				IP Voice Traffic	CLP	60 days	6,566,594	6,039,995
				Data and Links	CLP	60 days	1,817,879	3,929,527
				Other	CLP	60 days	946,139	1,005,865
Telefónica S.A.	Extranjera	Spain	Relationship w/parent co.	Total			5,670,064	4,604,301
				Brand Fee	EUR	90 days	4,757,699	3,597,296
				Other	EUR	90 days	912,365	1,007,005
Media Networks Perú	Foreign	Peru	Relationship w/parent co.	Space satellite	USD	90 days	4,274,005	2,490,597
Telefónica Global Technology Chile	59.165.120-k	Chile	Relationship w/parent co.	Information services	CLP	60 days	4,066,927	1,748,131
Telefónica Internacional S.A.U. - España	Foreign	Spain	Relationship w/parent co.	Total			3,255,110	3,500,396
				Cost Sharing Agreement	EUR	90 days	2,494,511	2,728,984
				Management Fee	EUR	90 days	760,599	771,412
Telefónica International Wholesale Services España	Extranjera	Spain	Relationship w/parent co.	Total			2,966,604	1,461,146
				Correspondent	EUR	90 days	2,499,686	1,461,146
				Otros	EUR	90 days	466,918	-
Telefónica Digital España	Foreign	Spain	Relationship w/parent co.	Serv, Provided	EUR	60 days	1,995,444	872,773
						180		
Telefónica Argentina S.A.	Foreign	Argentina	Relationship w/parent co.	Serv, Provided	USD	days	1,148,424	1,924,221
Telefónica Compras Electrónicas	Foreign	Spain	Relationship w/parent co.	Serv, Provided	EUR	90 days	790,940	1,742,592
Telefónica Global Technology	Foreign	Spain	Relationship w/parent co.	Serv, Provided	EUR	90 days	573,244	1,464,249
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Relationship w/parent co.	Serv, Provided	CLP	60 days	567,734	277,105
Fundación Telefónica Chile	74.944.200-k	Chile	Relationship w/parent co.	Serv, Provided	CLP	60 days	396,119	585,226
						180		
Telefónica del Perú S.A.	Foreign	Peru	Relationship w/parent co.	Serv, Provided	USD	days	221,632	886,393
Telefónica Brasil	Foreign	Brasil	Relationship w/parent co.	Serv, Provided	USD	90 days	139,450	434,360
Telefónica USA Inc.	Foreign	USA	Relationship w/parent co.	Serv, Provided	USD	60 days	107,440	159,449
Telefónica Gestión de Servicios Compartidos - España	Foreign	Spain	Relationship w/parent co.	Serv, Provided	EUR	60 days	101,441	87,812
Telefónica Investigación y Desarrollo Chile Spa	76.378.279-4	Chile	Relationship w/parent co.	Serv, Provided	CLP	60 days	73,481	-
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Relationship w/parent co.	Serv, Provided	CLP	60 days	54,701	-
Telefónica Gestión de Servicios Compartidos – Perú	Foreign	Perú	Relationship w/parent co.	Serv, Provided	USD	60 days	52,081	-
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Relationship w/parent co.	Serv, Provided	USD	60 days	49,249	48,013
						180		
Telcel Venezuela	Foreign	Venezuela	Relationship w/parent co.	Serv, Provided	USD	days	16,137	15,204
Terra Networks Chile S.A.	96.834.230-4	Chile	Relationship w/parent co.	Serv, Provided	CLP	60 days	14,528	7,679
Telefónica On The Spot Services S.A.U.	Foreign	Spain	Relationship w/parent co.	Serv, Provided	EUR	90 days	28,256	3,034
Telefónica O2 Germany GmbH & Co Ohg	Foreign	Germany	Relationship w/parent co.	Serv, Provided	USD	90 days	13,448	-
Telefónica Larga Distancia Puerto Rico	Foreign	Puerto Rico	Relationship w/parent co.	Serv, Provided	USD	90 days	11,542	10,959
Televisión Federal Telefe – Argentina	Foreign	Argentina	Relationship w/parent co.	Serv, Provided	USD	90 days	8,313	4,126
Telefónica On The Spot Services S.A.U.	Foreign	Spain	Relationship w/parent co.	Serv, Provided	EUR	90 days	3,195	3,034
Inversiones Telefónica Móviles Holding S.A.	76.124.890-1	Chile	Relationship w/parent co.	Serv, Provided	CLP	60 days	1,528	11,559,435
Telefónica Factoring - España	Foreign	Spain	Relationship w/parent co.	Serv, Provided	USD	60 days	1,476	1,409
Telefónica Global Services , GmbH	Foreign	Germany	Relationship w/parent co.	Serv, Provided	USD	90 days	684	705
						180		
Telefónica de España S.A.U	Foreign	Spain	Relationship w/parent co.	Serv, Provided	EUR	days	-	301
Telefónica Learning	Foreign	Spain	Relationship w/parent co.	Serv, Provided	EUR	60 days	-	442
Total							64,599,778	79,702,322

9. Receivables from and payable to related companies, continued

c) Current payables to related companies, continued:

There are no guarantees related to amounts included in outstanding balances.

For amounts in excess of 5% of their total heading the origin of the service rendered is specified.

d) Accounts payable to related entities noncurrent

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent co.	Mercantile Current	CLP	-	74,723,925	73,072,215
Total							74,723,925	73,072,215

e) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2015 ThCh\$	06.30.2014 ThCh\$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Relationship w/parent co.	Total		61,133,697	57,755,323
				Prof. Services	CLP	46,241,717	42,654,849
				Access charges and Interconnects	CLP	18,038,543	17,295,265
				Fixed - Mobile	CLP	3,731,180	4,094,834
				Other	CLP	1,650,411	489,470
				Interest income	CLP	73,961	4,959
				Cost	CLP	(3,852,784)	(3,316,936)
				Other	CLP	(2,827,720)	(3,205,497)
				Interest expense	CLP	(1,921,611)	(261,621)
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Relationship w/parent co.	Total		(6,575,232)	(6,405,630)
				Sale	CLP	1,424,428	939,204
				International access to Internet - IP Traffic	CLP	(7,468,815)	(6,579,937)
				Other	CLP	(492,977)	(666,088)
				Interest expense	CLP	(37,868)	(98,809)
Telefónica S.A.	Foreign	Spain	Relationship w/parent co.	Total		(5,320,545)	437,318
				Sale	EUR	129,631	437,318
				Brand Fee	EUR	(5,117,121)	-
				Other	EUR	(333,055)	-
Media Networks Perú	Foreign	Peru	Relationship w/parent co.	Total		(5,022,634)	(3,275,957)
				Sale	USD	62,567	55,797
				Lease space	USD	(3,574,335)	(2,931,263)
				Other	USD	(1,510,866)	(400,491)
Telefónica Global Technology Chile	56.165.120-K	Chile	Relationship w/parent co.	Sale	CLP	81,238	94,043
				Information services	CLP	(4,224,203)	(2,949,390)
Telefónica Argentina S.A.	Foreign	Argentina	Relationship w/parent co.	Sales	USD	10,875	8,742
				Media rental	USD	(3,444,445)	(3,078,304)
Telefónica Global Technology S.A.U.	Foreign	Spain	Relationship w/parent co.	Costs	EUR	(2,291,017)	(355,753)
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Relationship w/parent co.	Sales	CLP	98,443	7,465
				Costs	CLP	(767,558)	(620,532)
Telefónica Compras Electrónica S.A.	Foreign	Spain	Relationship w/parent co.	Costs	EUR	(662,228)	(665,949)
Telefónica International Wholesale Services España	Foreign	Spain	Relationship w/parent co.	Sale	EUR	1,483,243	2,684,704
				Costs	EUR	(2,094,164)	(1,752,269)
Telefónica Digital España	Foreign	Spain	Relationship w/parent co.	Sales	EUR	712,879	180,119
				Costs	EUR	(1,122,671)	(286,923)
Telefónica Internacional S.A.U.	Foreign	Spain	Relationship w/parent co.	Sales	EUR	504,998	108,900
				Costs	EUR	(129,642)	(818,956)

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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



9. Receivables from and payable to related companies, continued

e) Transaction, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2015 ThCh\$	06.30.2014 ThCh\$
Telefónica Sol. Inf.Com. España	Foreign	Spain	Relationship w/parent co.	Costs	EUR	(347,502)	-
Telefónica Internacional Wholesale Services América	Foreign	Uruguay Costa Rica	Relationship w/parent co.	Costs	USD	(238,099)	(714,298)
Telefónica De Costa Rica S. A.	Foreign	Rica	Relationship w/parent co.	Sale	USD	165,537	-
Telefónica Brasil	Foreign	Brasil	Relationship w/parent co.	Sale	USD	-	343,813
				Costs	USD	(139,450)	-
Telefónica del Perú S.A.	Foreign	Perú	Relationship w/parent co.	Sale	USD	(62,819)	(50,498)
Telefónica USA Inc.	Foreign	USA	Relationship w/parent co.	Costs	USD	(52,711)	(58,450)
Telefónica Gestión de Servicios Compartidos - Perú	Foreign	Perú	Relationship w/parent co.	Costs	USD	(52,081)	-
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Relationship w/parent co.	Sale	CLP	8,475	-
				Costs	CLP	(45,967)	-
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Relationship w/parent co.	Sale	CLP	32,027	20,836
Telefónica Gestión de Servicios Compartidos - España	Extranjera	Spain	Relationship w/parent co.	Sale	EUR	177,459	-
				Costs	EUR	(147,910)	(135,851)
Televisión Federal Telefe – Argentina	Foreign	Argentina	Relationship w/parent co.	Costs	USD	(25,225)	(22,259)
Telcel Venezuela	Foreign	Venezuela	Relationship w/parent co.	Costs	USD	17,590	-
Telefónica Investigación y Desarrollo Chile Spa	76.378.279-4	Chile	Relationship w/parent co.	Sale	CLP	13,092	-
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Relationship w/parent co.	Sale	CLP	16,535	-
				Interest expense	CLP	(3,895)	(9,635)
Telefónica Learning	Foreign	Spain	Relationship w/parent co.	Costs	EUR	(10,563)	(689)
Media Network Chile	76.243.733-3	Chile	Relationship w/parent co.	Sale	CLP	8,853	-
Terra Networks Chile S.A.	93.834.230-4	Chile	Relationship w/parent co.	Sale	CLP	15,246	37,439
				Costs	CLP	(23,385)	(64,600)
Telefónica On The Spot Services SAU	Foreign	Spain	Relationship w/parent co.	Sale	EUR	2,617	-
				Costs	EUR	-	(147,285)
Inversiones Telefónica Internacional Holding S.A.	77.363.730-K	Chile	Relationship w/parent co.	Sale	CLP	1,279	140,449
Telefónica Factoring Chile S.A.	76.096.189-2	Chile	Associated	Sale	CLP	1,361	-
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Relationship w/parent co.	Sale	USD	-	25,241
			Relationship w/parent co.	Costs	USD	(1,236)	(9,818)
Telefónica de España S.A.U.	Foreign	Spain	Relationship w/parent co.	Sale	EUR	-	133,473
				Costs	EUR	302	(689)
Telefónica Global Services , GmbH	Foreign	Germany	Relationship w/parent co.	Costs	EUR	-	(3,650)

For amounts greater than 10% of their total heading the origin of the specified transaction is reported.

Title XVI of the Company's Law, and other relevant standards, requires that a publicly traded corporation's transactions with related companies are carried out under terms similar to those commonly prevailing in the market.

There have been charges and credits to current accounts in the receivables of companies due to billing for sale of materials, equipment and services.

9. Receivables from and payable to related companies, continued

e) Transaction, continued

The conditions of the Mercantile Current Account and Mandate are currents, accruing interest at a variable interest rate that adjusts to market conditions.

Sales and service rendering expire in the short-term (less than one year) and the expiry conditions for each case vary by virtue of the transaction that generates them.

f) Remuneration and benefits received by the Company's key employees:

The Company is managed by a Board of Directors composed of 14 members and its key employees are 73 and 71 executives for June 30, 2015 and December 31, 2014, respectively.

Concepts	04.01.15 to	06.30.2015	04.01.14 to	06.30.2014
	06.30.15	ThCh\$	06.30.14	ThCh\$
Salaries	2,286,632	7,501,317	2,148,664	6,871,452
Post employment benefits	195,308	397,387	151,118	784,124
Total	2,481,940	7,898,704	2,299,782	7,655,576

10. Inventory

a) The detail of inventory is as follows:

Concepts	Gross value	06.30.2015	Net value	Gross value	12.31.2014	Net value
	ThCh\$	Allowance for obsolescence ThCh\$	ThCh\$	ThCh\$	Allowance for obsolescence ThCh\$	ThCh\$
Modems and Router	5,701,969	(847,866)	4,854,103	2,722,815	(1,229,766)	1,493,049
Basic telephony, public telephony and switchboard ("centralitas") components	2,407,007	(1,296,801)	1,110,206	3,114,420	(1,157,333)	1,957,087
Decoders and antennas (1)	9,716,250	(370,327)	9,345,923	818,156	(68,379)	749,777
IP Solutions Projects	279,236	-	279,236	249,116	-	249,116
Other	943,787	(199,477)	744,310	1,012,518	(425,088)	587,430
Total	19,048,249	(2,714,471)	16,333,778	7,917,025	(2,880,566)	5,036,459

(1) As of February 1, 2015, the Company implemented a new commercial model for television services, whereby associated decoders qualify as inventory and are classified as such.

As of June 30, 2015 and December 31, 2014 there have been no inventory write-offs, there is no inventory in guarantee.

b) The movement of inventory is as follows:

Movements	06.30.2015	12.31.2014
	ThCh\$	ThCh\$
Beginning balance	5,036,459	6,781,814
Purchases	23,825,520	12,326,533
Sales	(12,622,434)	(13,598,288)
Allowance for obsolescence	166,094	17,441
Transfer to materials allocated to the investment (note 15b)	(71,861)	(491,041)
Movement, subtotal	11,297,319	(1,745,355)
Ending balance	16,333,778	5,036,459

11. Income Taxes

a) Income Taxes:

As of June 30, 2015 and 2014, a first category income tax accrual has been established, therefore a positive tax base was determined in the amount of ThCh\$ 19,079,458 and ThCh\$ 37,536,838, respectively for each periods.

The previous figures correspond to the income of the parent company and subsidiaries with a positive base of ThCh\$ 10,146,761 and ThCh\$ 8,932,698 for June 2015, respectively and ThCh\$ 28,549,573 and ThCh\$ 8,987,265 for June 2014, respectively.

During the course of its normal operations, the Company is subject to the regulations and supervision of the Chilean Internal Revenue Service, which could cause differences to arise in the application of tax determination criteria.

As of Junio 30, 2015, the parent company has a positive Retained Taxable Earnings Registry in the amount of ThCh\$ 692,609,658.

The Companies of the group with a positive balance in the Retained Taxable Earnings Registry and their associated credits are as follows:

Subsidiaries	Taxable net	Taxable net	Taxable net	Taxable net	Taxable net	Taxable net	Taxable net	Taxable net	Income without credit	Amount of credit
	income with	income with	income with	income with	income with	income with	income with	income with		
	15% credit	16% credit	16.5% credit	17% credit	20% credit	21% credit	22.5% credit			
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Telefónica Chile S.A.	2,981,233	1,129,499	808,592	360,702,482	219,579,307	41,047,428	13,146,980	6,383,162	144,402,8	
Telefónica Larga Distancia S.A.	-	-	-	-	-	-	-	197,077	-	
Telefónica Chile Servicios Corporativos Ltda.	-	-	-	-	10,224,313	27,525,708	-	71,334	9,873,038	
Telefónica Empresas Chile S.A.	-	-	-	-	7,108,994	-	-	1,703,549	1,777,249	
Total	2,981,233	1,129,499	808,592	360,702,482	236,912,614	68,573,136	13,146,980	8,355,122	156,053,16	

b) Current tax assets

As of June 30, 2015 and December 31, 2014, current income tax assets are detailed as follows:

Concepts	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Monthly prepaid tax installments	1,831,841	3,762,578
Net income consumed by loss (PPUA) (1)	3,025,041	-
Total	4,856,882	3,762,578

(1) Includes provisional payment on net income consumed by loss (PPUA) of subsidiaries Telefónica Chile Servicios Corporativos Ltda. and Telefónica Empresas Chile S.A. in the amount of ThCh\$895,869 and ThCh\$2,698,834 respectively, generated by absorption of tax losses for the quarter with taxable retained earnings accumulated as of June 30, 2015.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

Telefónica

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

11. Income Taxes, continued

c) Deferred taxes

As of June 30, 2015, December 31, 2014 and June 30, 2014, the cumulative balances of temporary differences resulted in net deferred tax liabilities of ThCh\$ 67,529,889, ThCh\$ 65,920,142 and ThCh\$ 45,079,074, respectively, detailed as follows:

Disclosure of temporary differences, losses and unused tax credits June 30, 2015	Other temporary differences	Allowance for doubtful accounts	Vacation provision	Staff severance indemnities	Property, plant and equipment and IRUS amortization	Deferred income	Incentive bonus (Provisiones del personal)	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets	1,270,462	27,789,139	1,138,451	8,852,561	4,249,559	856,645	2,436,296	2,700,899	(41,008,176)	8,285,836	8,285,836
Deferred tax liabilities	1,061,974	-	-	11,800,793	103,289,011	-	262,683	409,440	(41,008,176)	75,815,725	75,815,725
Deferred tax liabilities (assets)	(208,488)	(27,789,139)	(1,138,451)	2,948,232	99,039,452	(856,645)	(2,173,613)	(2,291,459)	-	67,529,889	67,529,889
Deferred tax assets and liabilities, net											
Deferred tax assets, net	(208,488)	(27,789,139)	(1,138,451)	-	-	-	(856,645)	(2,173,613)	(2,291,459)	-	(34,457,795)
Deferred tax liabilities, net	-	-	-	2,948,232	99,039,452	-	-	-	-	-	101,987,684
Deferred tax expense (benefit)											
Deferred tax expense (benefit)	1,610,353	(1,639,224)	136,433	(687,449)	(185,896)	-	186,405	2,200,930	-	-	1,621,552
Deferred tax expense (benefit) recognized in income	1,610,353	(1,639,224)	136,433	(687,449)	(185,896)	-	186,405	2,200,930	-	-	1,621,552
Reconciliation of changes in deferred tax liabilities (assets)											
Deferred tax liabilities (assets) - Beginning balance Dec, 2014	(1,549,861)	(26,149,915)	(1,274,884)	3,635,681	99,225,348	(1,043,050)	(4,374,543)	(2,548,634)	-	65,920,142	65,920,142
Changes in deferred tax liabilities (assets)											
Deferred tax expense (benefit) recognized in income	1,610,353	(1,639,224)	136,433	(687,449)	(185,896)	-	186,405	2,200,930	-	-	1,621,552
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	(268,980)	-	-	-	-	-	-	-	257,175	-	(11,805)
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	1,341,373	(1,639,224)	136,433	(687,449)	(185,896)	186,405	2,200,930	257,175	-	1,609,747	1,609,747
Deferred tax liabilities (assets)	(208,488)	(27,789,139)	(1,138,451)	2,948,232	99,039,452	(856,645)	(2,173,613)	(2,291,459)	-	67,529,889	67,529,889

(1) Corresponds to netting of deferred tax assets and liabilities.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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

Telefónica

11. Income Taxes, continued

c) Deferred taxes, continued

Disclosure of temporary differences, losses and unused tax credits December 31, 2014	Other temporary differences	Allowance for doubtful accounts	Vacation provision	Staff severance indemnities	Property, plant and equipment and IRUS amortization	Deferred income	Incentive bonus	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets	2,647,899	26,149,915	1,274,884	8,188,902	4,318,573	1,043,050	4,374,543	2,955,600	(40,181,656)	10,771,710	10,771,710
Deferred tax liabilities	1,098,038	-	-	11,824,583	103,543,921	-	-	406,966	(40,181,656)	76,691,852	76,691,852
Deferred tax liabilities (assets)	(1,549,861)	(26,149,915)	(1,274,884)	3,635,681	99,225,348	(1,043,050)	(4,374,543)	(2,548,634)	-	65,920,142	65,920,142
Deferred tax assets and liabilities, net											
Deferred tax assets, net	(1,549,861)	(26,149,915)	(1,274,884)	-	-	(1,043,050)	(4,374,543)	(2,548,634)	-	(36,940,887)	(36,940,887)
Deferred tax liabilities, net	-	-	-	3,635,681	99,225,348	-	-	-	-	102,861,029	102,861,029
Deferred tax expense (benefit)											
Deferred tax expense (benefit)	(1,245,816)	113,356	(338,733)	3,402,909	5,615,034	(322,173)	(898,715)	(265,312)	-	6,060,550	6,060,550
Deferred tax expense (benefit) recognized in income	(1,245,815)	113,356	(338,733)	3,402,909	5,615,034	(322,173)	(898,715)	(265,312)	-	6,060,550	6,060,550
Reconciliation of changes in deferred tax liabilities (assets)											
Deferred tax liabilities (assets) - Beginning balance Dec, 2013	(196,120)	(23,283,817)	(884,163)	2,380,384	73,244,693	(720,877)	(3,312,492)	845,388	-	48,072,996	48,072,996
Changes in deferred tax liabilities (assets)											
Deferred tax expense (benefit) recognized in income	(1,245,816)	113,356	(338,733)	3,402,909	5,615,034	(322,173)	(898,715)	(265,312)	-	6,060,550	6,060,550
Deferred taxes related to items credited (charged) directly to equity	(107,925)	(2,979,454)	(51,988)	(2,147,612)	20,365,621	-	(163,336)	-	-	14,915,306	14,915,306
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	(3,128,710)	-	(3,128,710)	(3,128,710)
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	(1,353,741)	(2,866,098)	(390,721)	1,255,297	25,980,655	(322,173)	(1,062,051)	(3,394,022)	-	17,847,146	17,847,146
Deferred tax liabilities (assets)	(1,549,861)	(26,149,915)	(1,274,884)	3,635,681	99,225,348	(1,043,050)	(4,374,543)	(2,548,634)	-	65,920,142	65,920,142

(1) Corresponds to netting of deferred tax assets and liabilities.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

Telefónica

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

11. Income Taxes, continued

c) Deferred taxes, continued

Disclosure of temporary differences, losses and unused tax credits	Other temporary differences	Allowance for doubtful accounts	Vacation provision	Staff severance indemnities	Property, plant and equipment and IRUS amortization	Deferred income	Provision of worker staff	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
June 30, 2014											
Deferred tax assets	1,506,224	25,004,104	637,685	6,215,077	4,015,194	617,008	1,792,657	1,528,373	(34,352,599)	6,963,723	6,963,723
Deferred tax liabilities	1,192,232	-	-	8,465,292	74,769,157	-	-	1,968,715	(34,352,599)	52,042,797	52,042,797
Deferred tax liabilities (assets)	(313,992)	(25,004,104)	(637,685)	2,250,215	70,753,963	(617,008)	(1,792,657)	440,342	-	45,079,074	45,079,074
Deferred tax assets and liabilities, net											
Deferred tax assets, net	(313,992)	(25,004,104)	(637,685)	-	-	(617,008)	(1,792,657)	-	-	(28,365,446)	(28,365,446)
Deferred tax liabilities, net	-	-	-	2,250,215	70,753,963	-	-	440,342	-	73,444,520	73,444,520
Deferred tax expense (benefit)											
Deferred tax expense (benefit)	(117,872)	(1,720,287)	246,478	(130,169)	(2,490,730)	103,869	1,519,835	-	-	(2,588,876)	(2,588,876)
Deferred tax expense (benefit) recognized in income	(117,872)	(1,720,287)	246,478	(130,169)	(2,490,730)	103,869	1,519,835	-	-	(2,588,876)	(2,588,876)
Reconciliation of changes in deferred tax liabilities (assets)											
Deferred tax liabilities (assets) - Beginning balance Dec, 2013	(196,120)	(23,283,817)	(884,163)	2,380,384	73,244,693	(720,877)	(3,312,492)	845,388	-	48,072,996	48,072,996
Changes in deferred tax liabilities (assets)											
Deferred tax expense (benefit) recognized in income	(117,872)	(1,720,287)	246,478	(130,169)	(2,490,730)	103,869	1,519,835	-	-	(2,588,876)	(2,588,876)
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	(56,891)	-	(56,891)	(56,891)
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	(348,155)	-	(348,155)	(348,155)
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	(117,872)	(1,720,287)	246,478	(130,169)	(2,490,730)	103,869	1,519,835	(405,046)	-	(2,993,922)	(2,993,922)
Deferred tax liabilities (assets)	(313,992)	(25,004,104)	(637,685)	2,250,215	70,753,963	(617,008)	(1,792,657)	440,342	-	45,079,074	45,079,074
	-	-	-	-	-	-	-	-	-	-	-

(1) Corresponds to netting of deferred tax assets and liabilities.

11. Income Taxes, continued

d) Taxable Income

As of June 30, 2015 and 2014 a first category income tax provision has been established, therefore a taxable positive base was determined in the amount of ThCh\$ 19,079,459 and ThCh\$ 37,536,838 respectively for each year, detailed as follows:

Concepts	Taxable Net Income		Taxable Net Income	
	04.01.15 to 06.30.15	06.30.2015	04.01.14 to 06.30.2014	06.30.2014
	M\$	M\$	M\$	M\$
Finance income	5,825,196	9,069,604	15,139,775	24,509,761
Recorded tax expense	3,567,468	4,947,686	1,629,945	2,994,797
Additions	(537,070)	22,820,300	26,551,969	68,216,317
Deductions	1,168,607	(17,758,132)	(22,345,968)	(58,184,037)
Taxable net income	10,024,201	19,079,458	20,975,721	37,536,838
First category tax rate 22.5 and 20%	2,255,445	4,292,878	4,195,145	7,507,368
Art, 21 rejected expenses tax base	159,813	269,857	690,766	1,056,585
Art, 21 non-deductible expenses (35% rate)	55,935	94,450	241,767	369,804
Total tax provision	2,311,380	4,387,328	4,436,912	7,877,172
Prior year deficit/(surplus)	2,533,509	2,533,509	(499,769)	(499,769)
Third party absorbed net income provisional payment	377,841	(3,594,703)	1,085,219	(1,793,730)
Total first category taxes	5,222,730	3,326,134	5,022,362	5,583,673

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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

Telefónica

11. Income Taxes, continued

e) Income tax reconciliation

The income tax expense reconciliation for the periods ended June 30, 2015 and 2014 (not audited) are detailed as follows:

Concepts	04.01.15 al 06.30.15		06.30.2015		04.01.14 al 06.30.14		06.30.2014	
	Taxable base ThCh\$	22.5% Tax Rate ThCh\$	Taxable base ThCh\$	22.5% Tax Rate ThCh\$	Taxable base ThCh\$	20% Tax Rate ThCh\$	Taxable base ThCh\$	20% Tax Rate ThCh\$
Based on accounting income before taxes:								
Finance income	5,825,196		9,069,604		15,139,775		24,509,761	
Recorded tax expense	3,567,468		4,947,686		1,629,945		2,994,797	
Income before taxes	9,392,664	2,113,349	14,017,290	3,153,890	16,769,720	3,353,944	27,504,558	5,500,912
Permanent differences								
Price-level restatement of taxable equity	(9,245,246)	(2,080,180)	(9,245,246)	(2,080,180)	(12,456,985)	(2,491,397)	(21,154,821)	(4,230,964)
Price-level restatement of investments	3,186,172	716,889	3,913,476	880,532	3,744,950	748,990	7,046,912	1,409,382
Income from investment in related parties	-	-	-	-	307	61	307	61
Adjustment of derivatives to equity	(211,008)	(47,477)	-	-	-	-	-	-
Fines and provision fines	602,997	135,674	603,304	135,743	-	-	-	-
Difference change of PPUA	2,098,751	472,219	2,098,751	472,219	-	-	-	-
Exchange rate effect	(1,599,395)	(359,864)	(1,599,395)	(359,864)	-	-	-	-
Adjustment on deferred tax beginning balances	(36,626)	(8,241)	321,092	72,246	(40,830)	(8,166)	(18,549)	(3,710)
Prior year income tax deficit (surplus)	11,260,041	2,533,509	11,260,041	2,533,509	(2,498,844)	(499,769)	(2,498,844)	(499,769)
Other	407,067	91,590	620,406	139,591	2,631,405	526,282	4,094,423	818,885
Total corporate tax expense	15,855,417	3,567,468	21,989,719	4,947,686	8,149,723	1,629,945	14,973,986	2,994,797
Based on taxable net income and deferred taxes calculated on the basis of temporary differences								
22.5% and 20% income tax		2,255,445		4,292,878		4,195,145		7,507,368
35% income tax		55,935		94,450		241,767		369,804
Provisional payment on third party absorbed profits		377,841		(3,594,703)		1,085,219		(1,793,730)
Prior period deficit (surplus)		2,533,509		2,533,509		(499,769)		(499,769)
Contingencies provision tax		-		-		-		-
Income tax expense		5,222,730		3,326,134		5,022,362		5,583,673
Deferred tax expense (income)		(1,655,262)		1,621,552		(3,392,417)		(2,588,876)
Total corporate tax expense		3,567,468		4,947,686		1,629,945		2,994,797
Effective income tax rate		37.98%		35.30%		9.72%		10.89%

11. Income Taxes, continued

f) Current income tax liabilities

As of June 30, 2015 and December 31, 2014, current income tax liabilities are detailed as follows:

Concepts	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Income tax accrual (1)	6,782,291	2,741,836
Total	6,782,291	2,741,836

(1) First Category income tax is presented net of prepaid monthly tax installments for ThCh\$4,625,972 as of June 30, 2015 and ThCh\$4,230,468 for December 31, 2014.

g) Other

On April 30, 2013, when it obtained full ownership of the shares of its subsidiary Telefónica Multimedia Chile Dos S,A, the Company absorbed that company which resulted from the division of Telefónica Multimedia Chile S,A, held in November 2011. This transaction led to the possibility of recording tax goodwill in the amount of approximately ThCh\$ 44,136,000 which must be distributed among non-monetary assets received due to the operation. This tax goodwill is generated when one compares the tax cost of the acquisition of the absorbed company to the value of tax assets.

Management deemed it reasonable not to reflect the effects of recognition of the mentioned goodwill in the amount of approximately ThCh\$ 8,827,000 in the Company's deferred taxes as of December 31, 2013.

h) Tax reform

On September 29, 2014, Law No. 20,780 was published, which contains the Tax Reform which introduces, among other things, changes in the tax regime of companies that pay first category (corporate) income tax. The income tax rate is increased gradually rises to 27% in 2018, in the so-called semi-integrated, or shared or distributed tax system. In the case of attributed income, incorporated with this legal modification, the maximum rate will be 25%.

For the purpose of preparing this financial statement, we have incorporated the maximum rate of 27% in the determination of deferred taxes, considering the semi integrated system. That system has been chosen for this purpose, however that decision must be ratified by the Board of Directors and the Shareholders' Meeting (deadline in 2016).

The tax rates are detailed as follows:

Commercial year	Rate %
2014	21.0
2015	22.5
2016	24.0
2017	25.5
2018	27.0

12. Non-current trade and other accounts receivable

a) Non-current trade and other accounts receivable are detailed as follows:

Concepts	06.30.2015			12.31.2014		
	Gross value ThCh\$	Allowance for doubtful accounts ThCh\$	Net value ThCh\$	Gross value ThCh\$	Allowance for doubtful accounts ThCh\$	Net value ThCh\$
Deudores por ventas	5,031,545	(1,096,407)	3,935,138	5,705,820	(1,540,462)	4,165,358
Deudores varios (1)	9,599,635	-	9,599,635	13,652,190	-	13,652,190
Total	14,631,180	(1,096,407)	13,534,773	19,358,010	(1,540,462)	17,817,548

(1) Mainly includes loans related to employees.

b) As of June 30, 2015 and December 31, 2014 Non-current trade and other accounts receivable by due date are detailed as follows:

Concepts	As of June 30, 2015								
	Gross Portfolio value in ThCh\$				Allowance for doubtful accounts ThCh\$				Net Total
	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh\$	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh\$	
Trade receivables	(659,897)	3,894,638	1,796,804	5,031,545	(850,288)	(196,277)	(49,842)	(1,096,407)	3,935,138
Miscellaneous receivables	1,681,964	708,172	7,209,499	9,599,635	-	-	-	-	9,599,635
Total	1,022,067	4,602,810	9,006,303	14,631,180	(850,288)	(196,277)	(49,842)	(1,096,407)	13,534,773

Concepts	As of December 31, 2014								
	Gross Portfolio value in ThCh\$				Allowance for doubtful accounts ThCh\$				Net Total
	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh\$	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh\$	
Trade receivables	2,852,001	1,038,899	1,814,920	5,705,820	(1,333,971)	(164,674)	(41,817)	(1,540,462)	4,165,358
Miscellaneous receivables	2,392,017	1,007,131	10,253,042	13,652,190	-	-	-	-	13,652,190
Total	5,244,018	2,046,030	12,067,962	19,358,010	(1,333,971)	(164,674)	(41,817)	(1,540,462)	17,817,548

13. Intangible Assets other than goodwill

a) Intangible assets other than goodwill as of June 30, 2015 and December 31, 2014 are detailed as follows:

Concepts	Intangible, gross ThCh\$	06.30.2015 Accumulated amortization ThCh\$	Intangible, net ThCh\$	Intangible, gross ThCh\$	12.31.2014 Accumulated amortization ThCh\$	Intangible, net ThCh\$
Intangible assets in development (1)	8,471,468	-	8,471,468	5,097	-	5,097
Licenses and franchises	220,927,018	(181,499,220)	39,427,798	208,007,429	(168,764,130)	39,243,299
Other intangible assets (2)	21,832,500	(18,002,630)	3,829,870	21,832,500	(17,284,837)	4,547,663
Total	251,230,986	(199,501,850)	51,729,136	229,845,026	(186,048,967)	43,796,059

(1) Corresponds to work in progress in development of licenses and software.

(2) Corresponds to rights to use underwater cable.

b) As of June 30, 2015 the movements of intangible assets other than goodwill are detailed as follows:

Movements	Intangible assets in development, net ThCh\$	Licenses and franchises, net ThCh\$	Other intangible assets, net ThCh\$	Intangible, net ThCh\$
Beginning balance as of 01.01.2015	5,097	39,243,299	4,547,663	43,796,059
Additions	299,988	-	-	299,988
Amortization	-	(12,735,090)	(717,793)	(13,452,883)
Transfer from work in progress (Note 15b)	8,166,383	12,919,589	-	21,085,972
Movement, subtotal	8,466,371	184,499	(717,793)	7,933,077
Ending balance as of 06.30.2015	8,471,468	39,427,798	3,829,870	51,729,136
Remaining average useful life	-	1,2 años	2,7 años	-

As of December 31, 2014 the movements of intangible assets other than goodwill are detailed as follows:

Movements	Intangible assets in development, net ThCh\$	Licenses and franchises, net ThCh\$	Other intangible assets, net ThCh\$	Intangible, net ThCh\$
Beginning balance as of 01.01.2014	16,984	30,364,790	5,990,886	36,372,660
Amortization	-	(21,092,631)	(1,443,223)	(22,535,854)
Transfer from work in progress (Note 15b)	(11,887)	29,971,140	-	29,959,253
Movement, subtotal	(11,887)	8,878,509	(1,443,223)	7,423,399
Ending balance as of 12.31.2014	5,097	39,243,299	4,547,663	43,796,059
Remaining average useful life	-	2.1 years	3.2 years	-

Licenses correspond to software licenses, which are obtained through non-renewable contracts therefore the Company has defined that they have definite useful lives of 3 years.

13. Intangible Assets other than goodwill, continued

Intangible assets with defined useful lives 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.

As of December 31, 2014 impairment testing was determined taking into consideration the following estimated variables:

- i. Projected income: The projection performed in respect to growth in the volume of future services rendered is 1,2%, growth rate that is consistent with historical behavior.
- ii. Discount: The rate used to discount future cash flows is 7,29% (WACC rate according to the market), that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.
- iii. Market assumptions: The future cash flows projection takes into account market assumptions on industry growth, country growth and projected inflation.
- iv. Sensibility analysis: A sensibility analysis was performed in respect to the market recoverable value, modifying the discount rate and growth rate values. The sensitivity contemplated increasing the discount rate by 12%.

In the financial statements for December 31, 2014 no impact resulted from the impairment testing of intangible assets. As of June 30, 2015 no indications of impairment have been detected for those assets, therefore no impairment testing has been performed.

The main additions to intangible assets other than goodwill as of June 30, 2015 and December 31, 2014 are investments in information applications.

14. Goodwill

Goodwill movement for the periods 2015 and 2014 is as follows:

Taxpayer No,	Company	01.01.2015 ThCh\$	Additions ThCh\$	Eliminations ThCh\$	06.30.2015 ThCh\$
96.672.160-k	Telefónica Larga Distancia S,A,	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S,A,	620,232	-	-	620,232
Total		21,660,128	-	-	21,660,128

Taxpayer No,	Company	01.01.2014 ThCh\$	Additions ThCh\$	Eliminations ThCh\$	12.31.2014 ThCh\$
96.672.160-k	Telefónica Larga Distancia S,A,	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S,A,	620,232	-	-	620,232
Total		21,660,128	-	-	21,660,128

Assets indicated in goodwill are tested for impairment once a year, at each year-end. As of December 31, 2014 impairment testing was determined taking into consideration the following estimated variables:

- i. Projected income: The projection performed in respect to growth in the volume of future services rendered is 1.2%, growth rate that is consistent with historical behavior.
- ii. Discount: The rate used to discount future cash flows is 7,29% (WACC rate according to the market), that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.
- iii. Market assumptions: The future cash flows projection takes into account market assumptions on industry growth, country growth and projected inflation.
- iv. Sensibility analysis: A sensibility analysis was performed in respect to the market recoverable value, modifying the discount rate and growth rate values. The sensitivity contemplated increasing the discount rate by 12%.

According to the impairment calculations performed by management, as of 2014 year-end there has been no need detected to make significant adjustments since the recoverable value is greater than the book value in all cases. As of June 30, 2015 there has been no impairment testing.

15. Property, plant and equipment

- a) The detail of Property, plant and equipment items for the periods June 30, 2015 and December 31, 2014, and their corresponding accumulated depreciation is as follows:

Concepts	06.30.2015		12.31.2014			
	Property, plant & equipment, Gross ThCh\$	Accumulated depreciation ThCh\$	Property, plant & equipment, Net ThCh\$	Property, plant & equipment, Gross ThCh\$	Accumulated depreciation ThCh\$	Property, plant & equipment, Net ThCh\$
Land	21,113,391	-	21,113,391	21,139,808	-	21,139,808
Buildings	742,344,622	(469,211,120)	273,133,502	737,590,485	(460,501,195)	277,089,290
Transport equipments	517,639	(500,646)	16,993	517,639	(493,880)	23,759
Supplies and accessories	22,296,070	(20,638,682)	1,657,388	22,139,613	(20,382,542)	1,757,071
Office equipments	2,299,948	(971,078)	1,328,870	2,295,851	(864,333)	1,431,518
Construction in progress	128,911,248	-	128,911,248	145,675,062	-	145,675,062
Information equipment	44,093,062	(32,195,337)	11,897,725	42,145,861	(30,587,371)	11,558,490
Network and communications equipment (1)	2,387,777,941	(1,943,147,350)	444,630,591	2,352,563,387	(1,907,528,770)	445,034,617
Property, plant and equipment under financial leases	5,304,293	(4,965,891)	338,402	5,304,293	(4,962,016)	342,277
Other property, plant & equipment (2)	302,127,319	(209,282,314)	92,845,005	279,370,426	(187,363,654)	92,006,772
Total	3,656,785,533	(2,680,912,418)	975,873,115	3,608,742,425	(2,612,683,761)	996,058,664

- (1) As of June 30, 2015 and 2014 this heading includes an allowance in the amount of ThCh\$543,244, corresponding to the estimated cost of dismantling telecommunications infrastructure microwave antennas. The obligation is presented under non-current liabilities, in other non-current provisions.
- (2) Includes general equipment and subscriber equipment.

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

15. Property, plant and equipment, continued

b) As of June 30, 2015 the movements of property, plant and equipment items are as follows:

Movements	Land	Buildings, net	Transport equipments, net	Supplies and accessories, net	Office equipment, net	Construction in progress net	Information equipment, net	Network and communications equipment, net	Property, plant and equipment under financial leases, net	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.2015	21,139,808	277,089,290	23,759	1,757,071	1,431,518	145,675,062	11,558,490	445,034,617	342,277	92,006,772	996,058,664
Additions	-	-	-	-	-	84,133,810	-	-	-	-	84,133,810
Retirements	(26,417)	(312,604)	-	-	-	-	(831,332)	(2,712,164)	-	(11,194,074)	(15,076,591)
Acc. Dep, retirements	-	287,134	-	-	-	-	772,728	2,540,743	-	11,162,478	14,763,083
Depreciation expense	-	(8,997,059)	(6,766)	(256,140)	(106,745)	-	(2,380,694)	(38,504,187)	(3,875)	(32,736,274)	(82,991,740)
Other Increase (decrease) (1)	-	5,066,741	-	156,457	4,097	(100,897,624)	2,778,533	37,926,718	-	33,950,967	(21,014,111)
Movements, subtotal	(26,417)	(3,955,788)	(6,766)	(99,683)	(102,648)	(16,763,814)	339,235	(404,026)	(3,875)	838,233	(20,185,549)
Ending balance as of 06.30.2015	21,113,391	273,133,502	16,993	1,657,388	1,328,870	128,911,248	11,897,725	444,630,591	338,402	92,845,005	975,873,115

(1) Includes net movement of transfers from construction in progress to intangible assets in the amount of ThCh\$(21,085,972) (note 13b) and transfers from inventory to investment projects in the amount of ThCh\$71,861 (note 10b).

As of June 30, 2015, the property, plant and equipment items that are fully depreciated and still in use are detailed as follows:

Fully depreciated assets still in use	Land	Buildings, gross	Transport equipments, gross	Supplies and accessories, gross	Office equipment, gross	Construction in progress gross	Information equipment, gross	Network and communication s equipment, gross	Property, plant and equipment under financial leases, gross	Other property, plant & equipment, gross	Property, plant and equipment, gross
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Total	-	172,835,080	339,359	18,789,792	465,544	-	28,847,142	1,596,799,654	-	129,776,981	1,947,853,552

15. Property, plant and equipment, continued

c) As of December 31, 2014 the movements of property, plant and equipment items are as follows:

Movements	Land	Buildings, net	Transport equipments, net	Supplies and accessories, net	Office equipment, net	Construction in progress net	Information equipment, net	Network and communications equipment, net	Property, plant and equipment under financial leases, net	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.2014	21,247,855	283,445,361	50,979	2,115,817	1,191,681	166,734,210	9,171,251	412,582,141	652,548	80,251,905	977,443,748
Additions	-	-	-	-	-	207,856,229	-	-	-	-	207,856,229
Retirements	(116,198)	(2,440,676)	(60,126)	(30)	-	-	(214,565)	(33,896,815)	-	(37,853,055)	(74,581,465)
Acc, Dep, retirements	-	2,062,505	58,338	30	-	-	214,565	33,411,762	-	37,157,297	72,904,497
Depreciation expense	-	(17,757,680)	(25,432)	(512,551)	(212,704)	-	(4,413,254)	(73,617,545)	(310,271)	(61,276,858)	(158,126,295)
Other Increase (decrease) (1)	8,151	11,779,780	-	153,805	452,541	(228,915,377)	6,800,493	106,555,074	-	73,727,483	(29,438,050)
Movements, subtotal	(108,047)	(6,356,071)	(27,220)	(358,746)	239,837	(21,059,148)	2,387,239	32,452,476	(310,271)	11,754,867	18,614,916
Ending balance as of 12.31.2014	21,139,808	277,089,290	23,759	1,757,071	1,431,518	145,675,062	11,558,490	445,034,617	342,277	92,006,772	996,058,664

(1) Includes net movement of transfers from construction in progress to intangible assets in the amount of ThCh\$(29,959,253) (note 13b) and transfers from inventory to investment projects in the amount of ThCh\$491,041 (note 10b) and assets transferred from assets held for sale in the amount of ThCh\$ 30,162.

As of December 31, 2014 the property, plant and equipment items that are fully depreciated and still in use are detailed as follows:

Fully depreciated assets still in use	Land	Buildings, gross	Transport equipments, gross	Supplies and accessories, gross	Office equipment, gross	Construction in progress gross	Information equipment, gross	Network and communications equipment, gross	Property, plant and equipment under financial leases, gross	Other property, plant & equipment, gross	Property, plant and equipment, gross
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Total	-	164,183,139	405,070	18,484,282	147,718	-	28,346,548	1,482,859,999	-	119,518,311	1,813,945,067

15. Property, plant and equipment, continued

Additions for the year 2015 fundamentally show the effect of incorporation of customer residential equipment (fixed telephone, broadband and television), long-distance transmission and voice and data equipment.

As of June 30, 2015 Property, plant and equipment items originating from net financial lease operations amount to ThCh\$338,402 in the categories of buildings and the other property, plant and equipment, As of December 31, 2014, the amount for this concept was ThCh\$342,277 corresponding to the buildings category and equipment of information technology.

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

No significant obligations were identified after reviewing financial lease agreements for the real estate that the Company has with private entities and government organization involving the location of certain of the Company's assets in those installations, such as switchboard equipment, radio stations, antennas and other equipment in relation to possible obligations at the end of the contract, considering their term and renewal conditions. In cases where the lease contracts were not renewed no significant withdrawal costs were incurred. Considering the above and the nature of the real estate lease agreements, the Company has established a provision for dismantling costs presented in Other non-current provisions.

16. Non-current assets and surrendered units available for sale or held for distribution to the owners

Non-current assets and surrendered units available for sale correspond to land and buildings that have been destined for sale in accordance with the Company's rationalization program carried out and are recorded in the Fixed Telephone and Communications segments and company information in financial information by segment (note 4).

As of June 30, 2015 and December 31, 2014 the detail is as follows:

Concepts	06.30.2015	12.31.2014
	ThCh\$	ThCh\$
Land	82,367	83,702
Buildings	75,542	75,542
Total	157,909	159,244

17. Other current and other non-current financial liabilities

The composition of other current and other non-current financial liabilities that accrue interest is as follows:

Concepts		06.30.2015		12.31.2014	
		Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Bank loans	(a)	52,906	62,014,480	90,022	58,756,067
Unguaranteed obligations (Bonds)	(b)	4,742,323	361,813,322	4,678,911	345,965,788
Financial leases	(c)	408,308	-	650,393	16,086
Hedge instruments	(see note 19.2)	5,026,245	11,902,586	7,889,539	10,871,588
Total		10,229,782	435,730,388	13,308,865	415,609,529

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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



17. Other current and other non-current financial liabilities, continued

a) As of June 30, 2015 the detail of bank loans is as follows:

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Syndicated Loan	90,635,000-9	Telefónica Chile S,A,	Chile	Foreign	Sovereign Bank N,A,	USA	USD	At expiry	2.50%	2.14%	USD 97,5 mm	2017

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands) To Maturity									
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total nominal amounts in original currency
Syndicated Loan(1)	90,635,000-9	Telefónica Chile S,A,	Chile	Sovereign Bank N,A,	-	-	97,500	-	97,500	-	-	-	-	97,500
Total					-	-	97,500	-	97,500	-	-	-	-	97,500

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Current		Total current as of 06.30.2015 ThCh\$	Non-current					Total Non-current as of 06.30.2015 ThCh\$		
					To Maturity			To Maturity							
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Syndicated Loan(1)	90,635,000-9	Telefónica Chile S,A,	Chile	Sovereign Bank N,A,	52,906	-	52,906	-	62,014,480	62,014,480	-	-	-	-	62,014,480
Total					93,670	-	52,906	-	52,906	-	62,014,480	62,014,480	-	-	-

(1) On April 3, 2012 an international 5-year bullet loan agreement was signed with Sovereign Bank N,A, subsidiary of Santander in the USA, in the amount of USD 97.5 million with an interest rate of $\text{libor} + 1.95\%$ annually.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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



17. Other current and other non-current financial liabilities, continued

a) As of December 31, 2014 the detail of bank loans is as follows:

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Syndicated Loan	90,635,000-9	Telefónica Chile S.A,	Chile	Foreign	Sovereign Bank N.A,	USA	USD	At expiry	2,47%	2,11%	MMUSD 97,5	2017

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands) To Maturity										Total nominal amounts in original currency
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over		
Syndicated Loan(1)	90,635,000-9	Telefónica Chile S.A,	Chile	Sovereign Bank N.A,	-	-	-	97,500	97,500	-	-	-	-	-	97,500
Total					-	-	-	97,500	97,500	-	-	-	-	-	97,500

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 12.31.2014 ThCh\$	Non-current To Maturity					Total Non-current as of 12.31.2014 ThCh\$		
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years		Total 3 to 5 years	5 years and over
Syndicated Loan(1)	90,635,000-9	Telefónica Chile S.A,	Chile	Sovereign Bank N.A,	90,022	-	90,022	-	58,756,067	58,756,067	-	-	-	-	58,756,067
Total					90,022	-	90,022	-	58,756,067	58,756,067	-	-	-	-	58,756,067

(1) On April 3, 2012 an international 5-year bullet loan agreement was signed with Sovereign Bank N.A, subsidiary of Santander in the USA, in the amount of USD 97.5 million with an interest rate of $\text{libor} + 1.95\%$ annually.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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



17. Other current and other non-current financial liabilities, continued

b) As of June 30, 2015 the detail of unguaranteed obligations (Bonds) is as follows:

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series F Bond	90,635,000-9	Telefónica Chile S.A,	Chile	97,080,000-K	Banco Bice	Chile	UF	Biannual	6.43%	6.00%	UF 1,500,000	2016
Series 144A Bond (1)	90,635,000-9	Telefónica Chile S.A,	Chile	Foreign	The Bank of New York Mellon	USA	USD	At expiry	4.06%	3.88%	MMUSD 500	2022
Series Q Bond (2)	90,635,000-9	Telefónica Chile S.A,	Chile	97,004,000-5	Banco Chile	Chile	CLP	At expiry	6.17%	5.75%	MCh\$47,000	2019

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands)										
					To Maturity										Total nominal amounts in original currency
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over		
Series F Bond	90,635,000-9	Telefónica Chile S.A,	Chile	Banco Bice	-	71	-	-	-	-	-	-	-	-	71
Series 144A Bond (1)	90,635,000-9	Telefónica Chile S.A,	Chile	The Bank of New York Mellon	-	-	-	-	-	-	-	-	500,000	-	500,000
Series Q Bond (2)	90,635,000-9	Telefónica Chile S.A,	Chile	Banco Chile	-	-	-	-	-	47,000,000	-	47,000,000	-	-	47,000,000
Total					-	71	-	-	-	47,000,000	-	47,000,000	500,000	-	47,500,071

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current			Non-current								
					To Maturity		Total current as of 06.30.2015	To Maturity							Total Non-current as of 06.30.2015	
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$		ThCh\$\$	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years		5 years and over
Series F Bond	90,635,000-9	Telefónica Chile S.A,	Chile	Banco Bice	-	1,712,344	1,712,344	-	-	-	-	-	-	-	-	-
Series 144A Bond (1)	90,635,000-9	Telefónica Chile S.A,	Chile	The Bank of New York Mellon	2,402,356	-	2,402,356	-	-	-	-	-	-	-	314,328,021	314,328,021
Series Q Bond (2)	90,635,000-9	Telefónica Chile S.A,	Chile	Banco Chile	627,623	-	627,623	-	-	-	47,485,301	-	47,485,301	-	-	47,485,301
Total					3,029,979	1,712,344	4,742,323	-	-	-	47,485,301	-	47,485,301	314,328,021	361,813,322	

(1) On October 12, 2012, Telefónica Chile S.A, issued Reg S 144A Bonds in the American capitals market in the amount of US\$500,000,000 (equivalent to ThCh\$236,400,000 historical), at an effective annual interest rate in US dollars of 3.887% and a 10-year bullet maturing on October 12, 2022, Placement banks were Banco Bilbao Vizcaya Argentaria, S.A. Citigroup Global Markets Inc, and J.P. Morgan Securities LLC, Funds resulting from the issuance shall be destined to refinancing of liabilities and others corporate purposes.

(2) On March 26, 2014, Telefónica Chile S.A. placed series Q 5-year bullet Bonds in the local market in the amount of MCh\$ 47,000 at a nominal annual rate of 5.75%, maturing on March 14, 2019, The amount collected by this operation amounted to MCh\$46,406.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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



17. Other current and other non-current financial liabilities, continued

b) As of December 31, 2014 the detail of unguaranteed obligations (Bonds) is as follows:

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series F Bond	90,635,000-9	Telefónica Chile S.A,	Chile	97,080,000-K	Banco Bice	Chile	UF	Biannual	6.43%	6.00%	UF 1,500,000	2016
Series 144A Bond (1)	90,635,000-9	Telefónica Chile S.A,	Chile	Foreign	The Bank of New York Mellon	USA	USD	At expiry	4.07%	3.88%	MMUSD 500	2022
Series Q Bond (2)	90,635,000-9	Telefónica Chile S.A,	Chile	97,004,000-5	Banco Chile	Chile	CLP	At expiry	6.17%	5.75%	MCh\$47,000	2019

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands)										
					To Maturity										Total nominal amounts in original currency
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over		
Series F Bond	90,635,000-9	Telefónica Chile S.A,	Chile	Banco Bice	36	36	71	-	-	71	-	-	-	-	143
Series 144A Bond (1)	90,635,000-9	Telefónica Chile S.A,	Chile	The Bank of New York Mellon	-	-	-	-	-	-	-	-	-	500,000	500,000
Series Q Bond (2)	90,635,000-9	Telefónica Chile S.A,	Chile	Banco Chile	-	-	-	-	-	-	-	47,000,000	47,000,000	-	47,000,000
Total					36	36	71	-	-	71	-	47,000,000	47,000,000	500,000	47,500,143

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current					Non-current					Total Non-current as of 12.31.2014 ThCh\$
					To Maturity		Total current as of 12.31.2014 ThCh\$	To Maturity							
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Series F Bond	90,635,000-9	Telefónica Chile S.A,	Chile	Banco Bice	905,368	879,539	1,784,907	878,517	-	878,517	-	-	-	-	878,517
Series 144A Bond (1)	90,635,000-9	Telefónica Chile S.A,	Chile	The Bank of New York Mellon	-	2,248,660	2,248,660	-	-	-	-	-	-	297,083,895	297,083,895
Series Q Bond (2)	90,635,000-9	Telefónica Chile S.A,	Chile	Banco Chile	645,344	-	645,344	-	-	-	-	48,003,376	48,003,376	-	48,003,376
Total					1,550,712	3,128,199	4,678,911	878,517	-	878,517	-	48,003,376	48,003,376	297,083,895	345,965,788

(1) On October 12, 2012, Telefónica Chile S.A, issued Reg S 144A Bonds in the American capitals market in the amount of US\$500,000,000 (equivalent to ThCh\$236,400,000 historical), at an effective annual interest rate in US dollars of 3.887% and a 10-year bullet maturing on October 12, 2022, Placement banks were Banco Bilbao Vizcaya Argentaria, S.A, Citigroup Global Markets Inc, and J.P, Morgan Securities LLC, Funds resulting from the issuance shall be destined to refinancing of liabilities and others corporate purposes.

(2) On March 26, 2014, Telefónica Chile S.A. placed series Q 5-year bullet Bonds in the local market in the amount of MCh\$ 47,000 at a nominal annual rate of 5.75%, maturing on March 14, 2019, The amount collected by this operation amounted to MCh\$46,406.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014



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

17. Other current and other non-current financial liabilities, continued

c) As of June 30, 2015 the detail of financial leases is as follows:

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Financial Lease	90,635,000-9	Telefónica Chile S,A,	Chile	97,036,000-K	Banco Santander	Chile	UF	Monthly	-	8.10%	-	2016
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	76,402,700-0	CSI Renting Chile S,A,	Chile	UF	Monthly	-	2.36%	-	2015
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	76,402,700-0	CSI Renting Chile S,A,	Chile	UF	Monthly	-	2.99%	-	2015
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	76,402,700-0	CSI Renting Chile S,A,	Chile	UF	Monthly	-	2.99%	-	2015

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands) To Maturity										Total nominal amounts in original currency
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over		
Financial Lease	90,635,000-9	Telefónica Chile S,A,	Chile	Banco Santander	1	1	-	-	-	-	-	-	-	-	2
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	5	10	-	-	-	-	-	-	-	-	15
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	2	2	-	-	-	-	-	-	-	-	4
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	1	2	-	-	-	-	-	-	-	-	3
Total					9	15	-	-	-	-	-	-	-	-	24

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 06.30.2015 ThCh\$\$	Non-current To Maturity					Total Non-current as of 06.30.2015 ThCh		
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years		Total 3 to 5 years	5 years and over
Financial Lease	90,635,000-9	Telefónica Chile S,A,	Chile	Banco Santander	10,103	28,471	38,574	-	-	-	-	-	-	-	-
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	105,698	157,462	263,160	-	-	-	-	-	-	-	-
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	31,714	31,164	62,878	-	-	-	-	-	-	-	-
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	22,039	21,657	43,696	-	-	-	-	-	-	-	-
Total					169,554	238,754	408,308	-	-	-	-	-	-	-	-

As of June 30, 2015 the present value of minimum current financial lease net payments is ThCh\$408,308 and the total imputable interest is ThCh\$3,856.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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



17. Other current and other non-current financial liabilities, continued

c) As of December 31, 2014 the detail of financial leases is as follows:

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Financial Lease	90,635,000-9	Telefónica Chile S,A,	Chile	97,036,000-K	Banco Santander	Chile	UF	Monthly	-	8.10%	-	2016
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	76,402,700-0	CSI Renting Chile S,A,	Chile	UF	Monthly	-	2.36%	-	2015
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	76,402,700-0	CSI Renting Chile S,A,	Chile	UF	Monthly	-	2.99%	-	2015
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	76,402,700-0	CSI Renting Chile S,A,	Chile	UF	Monthly	-	2.99%	-	2015

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands) To Maturity									Total nominal amounts in original currency
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Financial Lease	90,635,000-9	Telefónica Chile S,A,	Chile	Banco Santander	1	2	1	-	1	-	-	-	-	4
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	4	9	-	-	-	-	-	-	-	13
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	1	4	-	-	-	-	-	-	-	5
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	1	2	-	-	-	-	-	-	-	3
Total					7	17	1	-	1	-	-	-	-	25

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current			Non-current					Total Non-current as of 12.31.2014 ThCh		
					To Maturity		Total current as of 12.31.2014	To Maturity							
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$	12.31.2014 ThCh\$	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Financial Lease	90,635,000-9	Telefónica Chile S,A,	Chile	Banco Santander	11,419	37,451	48,870	13,630	-	13,630	-	-	-	-	13,630
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	182,337	218,628	400,965	2,456	-	2,456	-	-	-	-	2,456
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	31,262	87,066	118,328	-	-	-	-	-	-	-	-
Financial Lease	78,703,410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	21,725	60,505	82,230	-	-	-	-	-	-	-	-
Total					246,743	403,650	650,393	16,086	-	16,086	-	-	-	-	16,086

As of December 31, 2014 the present value of minimum current and non-current financial lease net payments is ThCh\$666,479 and the total imputable interest is ThCh\$15,118.

18. Trade and other payables

a) The composition of Trade and other payables is as follows:

Concepts	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Debts due to purchases or services provided (1)	71,049,299	67,964,931
Real property providers	39,712,215	39,670,632
Payables to employees	16,293,625	33,085,709
Dividends pending payment	511,149	791,425
Other	522,865	2,450,949
Total	128,089,153	143,963,646

(1) The "Debts due to purchases or services provided" corresponding to foreign and domestic suppliers for the periods ended June 30, 2015 and December 31, 2014 according to the following detail:

Debts due to purchases or services provided	06.30.2015	12.31.2014
Domestic	61,571,587	56,685,083
Foreign	9,477,712	11,279,848
Total	71,049,299	67,964,931

b) Accounts payable payment terms

The Company has a policy of paying its suppliers in an average period of 60 days,

The Company does not present interest associated to debts in this heading,

As of June 30, 2015 the main suppliers, considering as a minimum margin 4% of the total, are Cobra Chile Servicios S.A. with 9.66%, Alcatel-Lucent de Chile S.A 7.46%, Ezentis Chile S.A. 7.3%, Huawei Chile S.A. 7.27% and Coasin Instalaciones Ltda. 5.09% and for December 2014, VTR Banda Ancha S.A with 9%; Cobra Chile Servicios S.A with 5.82%; Coasín Instalaciones Ltda. with 4.98% and Huawei Chile Ltda. with 4.44%.

The terms of accounts payable to suppliers with up to date payments as of June 30, 2015 and December 31, 2014 are detailed as follows:

Suppliers with up to date payments As of 06.30.2015	Goods	Services	Other	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Trade accounts to date				
Up to 30 days	6,966,623	38,106,126	31,515,304	76,588,053
From 31 to 60 days	-	-	-	-
From 61 to 90 days	-	-	-	-
Total	6,966,623	38,106,126	31,515,304	76,588,053
Average period of payment of up to date accounts	29	28	28	

18. Trade and other payables, continued

b) Accounts payable payment terms, continued

Suppliers with up to date payments As of 12.31.2014	Goods	Services	Other	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Trade accounts to date				
Up to 30 days	8,030,513	43,925,407	36,328,084	88,284,004
From 31 to 60 days	-	-	-	-
From 61 to 90 days	-	-	-	-
Total	8,030,513	43,925,407	36,328,084	88,284,004
Average period of payment of up to date accounts	28	29	28	

The terms of accounts payable to suppliers with overdue payments as of June 30, 2015 and December 31, 2014 are detailed as follows:

Overdue trade accounts payable by term As of 06.30.2015	Goods	Services	Other	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Overdue trade accounts payable by term				
Up to 30 days	10,811,918	11,333,616	-	22,145,534
From 31 to 60 days	12,513,218	12,381,508	-	24,894,726
From 61 to 90 days	1,557,195	1,481,688	-	3,038,883
From 91 to 120 days	97,134	251,692	-	348,826
From 121 to 180 days	505,330	567,801	-	1,073,131
Total	25,484,795	26,016,305	-	51,501,100
Average payment period of overdue accounts	35	48	-	

Overdue trade accounts payable by term As of 12.31.2014	Goods	Services	Other	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Overdue trade accounts payable by term				
Up to 30 days	17,221,578	14,575,621	-	31,797,199
From 31 to 60 days	12,168,089	7,468,781	-	19,636,870
From 61 to 90 days	1,542,648	1,105,876	-	2,648,524
From 91 to 120 days	262,029	728,759	-	990,788
From 121 to 180 days	160,487	445,774	-	606,261
Total	31,354,831	24,324,811	-	55,679,642
Average payment period of overdue accounts	37	46	-	

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

19. Financial instruments

1. Classification of financial instruments by nature and category

a) Details of financial instruments of assets classified by nature and category as of June 30, 2015 is as follows:

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST			TOTAL	
		Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Valuation hierarchy			Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	Total Carrying amount	Total fair value
						Level 1	Level 2	Level 3					
						Market prices	Estimates based on other observable market data	Estimates not based on observable market data					
ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$		
Other participations (net)		3,854	7,170,020	-	7,173,874	7,170,020	3,854	-	-	-	-	7,173,874	7,173,874
Other participations	See note 6b	3,854	7,170,020	-	7,173,874	7,170,020	3,854	-	-	-	-	7,173,874	7,173,874
Derivative instrument assets		-	-	118,045,039	118,045,039	-	118,045,039	-	-	-	-	118,045,039	118,045,039
Derivative instrument assets	See note 19-2	-	-	118,045,039	118,045,039	-	118,045,039	-	-	-	-	118,045,039	118,045,039
Non-current deposits and pledges		50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current deposits and pledges	See note 6a	50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current trade accounts receivable		-	-	-	-	-	-	-	14,901,294	-	14,901,294	14,901,294	14,901,294
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	13,534,773	-	13,534,773	13,534,773	13,534,773
Account receivable from relate entities	See note 9b	-	-	-	-	-	-	-	1,366,521	-	1,366,521	1,366,521	1,366,521
Non-current financial assets		54,322	7,170,020	118,045,039	125,269,381	7,170,020	118,099,361	-	14,901,294	-	14,901,294	140,170,675	140,170,675
Current trade accounts receivable		-	-	-	-	-	-	-	185,156,878	-	185,156,878	185,156,878	185,156,878
Current trade and other accounts receivable	See note 8a	-	-	-	-	-	-	-	128,847,548	-	128,847,548	128,847,548	128,847,548
Account receivable from relate entities	See note 9a	-	-	-	-	-	-	-	56,309,330	-	56,309,330	56,309,330	56,309,330
Current pledges and deposits		242,912	-	-	242,912	-	242,912	-	-	-	-	242,912	242,912
Current pledges and deposits	See note 6a	242,912	-	-	242,912	-	242,912	-	-	-	-	242,912	242,912
Derivative instrument of assets		-	-	3,678,089	3,678,089	-	3,678,089	-	-	-	-	3,678,089	3,678,089
Derivative instrument of assets	See note 19-2	-	-	3,678,089	3,678,089	-	3,678,089	-	-	-	-	3,678,089	3,678,089
Cash and cash equivalents		-	-	-	-	-	-	-	97,681,846	-	97,681,846	97,681,846	97,681,846
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	97,681,846	-	97,681,846	97,681,846	97,681,846
Current financial assets		242,912	-	3,678,089	3,921,001	-	3,921,001	-	282,838,724	-	282,838,724	286,759,725	286,759,725
Total financial assets		297,234	7,170,020	121,723,128	129,190,382	7,170,020	122,020,362	-	297,740,018	-	297,740,018	426,930,400	426,930,400

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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



19. Financial instruments, continued

1. Classification of financial instruments by nature and category, continued

a) Details of financial instruments of assets classified by nature and category as of December 31, 2014 is as follows:

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE						ASSETS RECORDED AT AMORTIZED COST				TOTAL	
		Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Valuation hierarchy			Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	Total Carrying amount	Total fair value
						Level 1	Level 2	Level 3					
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	Market prices	Estimates based on other observable market data	Estimates not based on observable market data	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Other participations (net)		3,854	6,464,671	-	6,468,525	6,464,671	3,854	-	-	-	6,468,525	6,468,525	6,468,525
Other participations	See note 6b	3,854	6,464,671	-	6,468,525	6,464,671	3,854	-	-	-	6,468,525	6,468,525	6,468,525
Derivative instrument assets		-	-	101,556,253	101,556,253	-	101,556,253	-	-	-	101,556,253	101,556,253	101,556,253
Derivative instrument assets	See note 19-2	-	-	101,556,253	101,556,253	-	101,556,253	-	-	-	101,556,253	101,556,253	101,556,253
Non-current deposits and pledges		50,468	-	-	50,468	-	50,468	-	-	-	50,468	50,468	50,468
Non-current deposits and pledges	See note 6a	50,468	-	-	50,468	-	50,468	-	-	-	50,468	50,468	50,468
Non-current trade accounts receivable		-	-	-	-	-	-	-	19,184,069	-	19,184,069	19,184,069	19,184,069
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	17,817,548	-	17,817,548	17,817,548	17,817,548
Account receivable from relate entities	See note 9b	-	-	-	-	-	-	-	1,366,521	-	1,366,521	1,366,521	1,366,521
Non-current financial assets		54,322	6,464,671	101,556,253	108,075,246	6,464,671	101,610,575	-	19,184,069	-	19,184,069	127,259,315	127,259,315
Current trade accounts receivable		-	-	-	-	-	-	-	182,896,398	-	182,896,398	182,896,398	182,896,398
Current trade and other accounts receivable	See note 8a	-	-	-	-	-	-	-	127,158,359	-	127,158,359	127,158,359	127,158,359
Account receivable from relate entities	See note 9a	-	-	-	-	-	-	-	55,738,039	-	55,738,039	55,738,039	55,738,039
Current pledges and deposits		257,912	-	-	257,912	-	257,912	-	-	-	257,912	257,912	257,912
Current pledges and deposits	See note 6a	257,912	-	-	257,912	-	257,912	-	-	-	257,912	257,912	257,912
Derivative instrument of assets		-	-	6,138,561	6,138,561	-	6,138,561	-	-	-	6,138,561	6,138,561	6,138,561
Derivative instrument of assets	See note 19-2	-	-	6,138,561	6,138,561	-	6,138,561	-	-	-	6,138,561	6,138,561	6,138,561
Cash and cash equivalents		-	-	-	-	-	-	-	120,638,713	-	120,638,713	120,638,713	120,638,713
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	120,638,713	-	120,638,713	120,638,713	120,638,713
Current financial assets		257,912	-	6,138,561	6,396,473	-	6,396,473	-	303,535,111	-	303,535,111	309,931,584	309,931,584
Total financial assets		312,234	6,464,671	107,694,814	114,471,719	6,464,671	108,007,048	-	322,719,180	-	322,719,180	437,190,899	437,190,899

19. Financial instruments, continued

1. Classification of financial instruments by nature and category, continued

The book value of financial assets such as cash and cash equivalents and the current portion of accounts receivable from related entities approximates their fair values, due to the short-term nature of their expiries.

The book value of the current portion of trade and other accounts receivable approximates their fair values, due to the short-term nature of their expiries.

Instruments recorded under other current and non-current financial assets classified as financial assets at fair value through profit or loss and hedge derivatives are presented at their fair value in the Statement of Financial Position.

Financial instruments recorded under other non-current financial assets and classified as financial assets available for sale, mainly include the investment in Telefonica Brasil which is recorded at fair value (see note 6).

Instruments recorded under other current financial assets classified as held to maturity mainly include time deposits maturing in more than 90 days.

Notes to the consolidated financial statements, continued

As of June 30, 2015 (no audited) and December 31, 2014

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



19. Financial instruments, continued

1. Classification of financial instruments by nature and category, continued

b) Details of financial instruments of liabilities classified by nature and category as of June 30, 2015 is as follows:

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST		TOTAL	
		Hedge derivative liabilities	Subtotal of liabilities at fair value	Valuation hierarchy			Debits and items payable	Total Carrying amount	Total Carrying amount	
				Level 1	Level 2	Level 3				
				Market prices	Estimates based on other observable market data	Estimates not based on observable market data				
ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$			
Issuance of obligations and other non-current marketable securities	See note 17 b	-	-	-	-	-	361,813,322	361,813,322	363,371,203	
Non-current debts with loan entities	See note 17 a/c	-	-	-	-	-	62,014,480	62,014,480	62,067,386	
Long-term hedge derivative instrument of liabilities	See note 19-2	11,902,586	11,902,586	-	11,902,586	-	-	11,902,586	11,902,586	
Trade and other accounts payable		-	-	-	-	-	-	-	-	
Accounts payable to related entities		-	-	-	-	-	-	-	-	
Non-current financial liabilities		11,902,586	11,902,586	-	11,902,586	-	423,827,802	435,730,388	437,341,175	
Issuance of short-term obligations and other marketable securities	See note 17 b	-	-	-	-	-	4,742,323	4,742,323	4,742,323	
Short-term debts with credit entities	See note 17 a/c	-	-	-	-	-	461,214	461,214	461,214	
Short-term derivative instrument of liabilities	See note 19-2	5,026,245	5,026,245	-	5,026,245	-	-	5,026,245	5,026,245	
Trade and other accounts payable	See note 18	-	-	-	-	-	128,089,153	128,089,153	128,089,153	
Accounts payable to related entities	See note 9 c	-	-	-	-	-	64,599,778	64,599,778	64,599,778	
Current financial liabilities		5,026,245	5,026,245	-	5,026,245	-	197,892,468	202,918,713	202,918,713	
Total financial liabilities		16,928,831	16,928,831	-	16,928,831	-	621,720,270	638,649,101	640,259,888	

Notes to the consolidated financial statements, continued

As of June 30, 2015 (no audited) and December 31, 2014

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



19. Financial instruments, continued

1. Classification of financial instruments by nature and category, continued

b) Details of financial instruments of liabilities classified by nature and category as of December 31, 2014 is as follows:

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST		TOTAL	
		Hedge derivative liabilities	Subtotal of liabilities at fair value	Valuation hierarchy			Debits and items payable	Total Carrying amount	Total Carrying amount	
				Level 1	Level 2	Level 3				
				Market prices	Estimates based on other observable market data	Estimates not based on observable market data				
ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$			
Issuance of obligations and other non-current marketable securities	See note 17 b	-	-	-	-	-	345,965,788	345,965,788	351,847,132	
Non-current debts with loan entities	See note 17 a/c	-	-	-	-	-	58,772,153	58,772,153	58,846,089	
Long-term hedge derivative instrument of liabilities	See note 19-2	10,871,588	10,871,588	-	10,871,588	-	-	10,871,588	10,871,588	
Trade and other accounts payable		-	-	-	-	-	-	-	-	
Accounts payable to related entities		-	-	-	-	-	-	-	-	
Non-current financial liabilities		10,871,588	10,871,588	-	10,871,588	-	404,737,941	415,609,529	421,564,809	
Issuance of short-term obligations and other marketable securities	See note 17 b	-	-	-	-	-	4,678,911	4,678,911	4,678,911	
Short-term debts with credit entities	See note 17 a/c	-	-	-	-	-	740,415	740,415	740,415	
Short-term derivative instrument of liabilities	See note 19-2	7,889,539	7,889,539	-	7,889,539	-	-	7,889,539	7,889,539	
Trade and other accounts payable	See note 18	-	-	-	-	-	143,963,646	143,963,646	143,963,646	
Accounts payable to related entities	See note 9 c	-	-	-	-	-	79,702,322	79,702,322	79,702,322	
Current financial liabilities		7,889,539	7,889,539	-	7,889,539	-	229,085,294	236,974,833	236,974,833	
Total financial liabilities		18,761,127	18,761,127	-	18,761,127	-	633,823,235	652,584,362	658,539,642	

19. Financial instruments, continued

1. Classification of financial instruments by nature and category, continued

The book value of the current portion of accounts payable to related entities and trade accounts receivable approximates their fair values, due to the short-term nature of their due dates.

Instruments recorded under other current and non-current financial liabilities classified as financial liabilities at fair value through profit or loss and hedge derivatives are presented at their fair value in the statement of financial position.

Financial instruments recorded under other current and non-current financial liabilities which correspond to interest bearing loans, are generally recorded for the cash received, net of costs incurred in the transaction, These obligations are valued at amortized cost, using the effective interest rate method, and mainly include bank loans and unguaranteed obligations (bonds), among other things (see note 17).

Notes to the consolidated financial statements, continued

As of June 30, 2015 (not audited) and December 31, 2014

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



19. Financial instruments, continued

2. Hedging instruments

As of June 30, 2015, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as	Up to	90 days to	Total current		To Maturity		Total non-current	
		06.30.2015	90 days	1 year	Assets (note 6)	Liabilities (note 17)	1 to 3 years	3 to 5 years	Assets (note 6)	Liabilities (note 17)
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Exchange rate – cash flow hedge (1)	Supplier Debt	2,268,503	1,907,974	360,529	2,268,503	-	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	59,323	59,323	-	59,323	-	-	-	-	-
Interest rate – fair value hedge (3)	Financial Debt	1,073,765	22,541	-	22,541	-	-	1,051,224	1,353,978	-
Interest rate – cash flows hedge (4)	Financial Debt	8,848,784	(3,053,802)	-	1,327,722	(4,381,524)	-	11,902,586	10,287,108	(11,902,586)
Exchange rate and interest rate – fair value hedge (5)	Financial Debt	101,456,871	(644,721)	-	-	(644,721)	15,144,743	86,956,849	106,403,953	-
Total		113,707,246	(1,708,685)	360,529	3,678,089	(5,026,245)	15,144,743	99,910,659	118,045,039	(11,902,586)

Hedge instruments have generated an effect on income of ThCh\$18,134,957, As of June 30, 2015 the accumulated effect on equity is ThCh\$11,942,166 (see note 23d).

As of December 31, 2014, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as	Up to	90 days to	Total current		To Maturity		Total non-current	
		12.31.2014	90 days	1 year	Assets (note 6)	Liabilities (note 17)	1 to 3 years	3 to 5 years	Assets (note 6)	Liabilities (note 17)
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Exchange rate – cash flow hedge (1)	Supplier Debt	2,699,383	(25,096)	2,724,479	4,725,156	(2,025,772)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	192,751	192,751	-	207,386	(14,635)	-	-	-	-
Interest rate – fair value hedge (3)	Financial Debt	1,757,885	209,615	-	209,615	-	-	1,548,270	1,548,270	-
Interest rate – cash flows hedge (4)	Financial Debt	(6,903,078)	675,540	(3,950,920)	996,404	(4,271,784)	-	(3,627,698)	7,243,890	(10,871,588)
Exchange rate and interest rate – fair value hedge (5)	Financial Debt	91,186,745	(1,577,348)	-	-	(1,577,348)	13,354,819	79,409,274	92,764,093	-
Total		88,933,687	(524,538)	(1,226,441)	6,138,561	(7,889,539)	13,354,819	77,329,847	101,556,253	(10,871,588)

Hedge instruments have generated an effect on income of ThCh\$58,186,476, As of December 31, 2014 the accumulated effect on equity is ThCh\$14,549,944 (see note 23d).

Description of hedge instruments:

1. Exchange rate – cash flow hedge: This category includes derivative instruments used to hedge highly probable trade debt future cash flows.
2. Exchange rate – fair value hedge: This category includes derivative instruments entered into to hedge existing commercial debt.
3. Interest rate – fair value hedge: This category includes derivative instruments entered into to hedge the risk of valuation of variable interest debt instrument.
4. Interest rate – cash flows hedge: This category includes, derivative instruments entered into to hedge debt instrument interest rate risk, whose interest cash flows payable are denominated at a variable interest rate.
5. Exchange rate and interest rate – fair value hedge: This category includes derivative instruments entered into to hedge foreign currency risk on debt instrument capital.

19. Financial instruments, continued

3. Valuation of hedging instruments

The Company has financial derivative valuation models that use local and international financial market interest rate curves, to determine cash flows associated to each derivative and to discount those cash flows to present value, once this valuation is obtained, it is compared to the valuation certificates provided to us by the banks. Should there be material differences, a review of the internal model is carried out and it is verified if the bank is making a correct valuation”.

The main assumptions used in the valuation models of derivative instruments are as follows:

a) Market assumptions such as spot prices and other price projections, credit risk (own and counterparty) and rates, using observable market information and through techniques commonly used among its participants.

b) Discount rates like risk free rates and counterparty rates (based on risk profiles and information available in the market)

c) In addition variables are incorporated to the model such as: volatility, correlation, regression formulas and market spread.

The methodologies and assumptions used to determine the fair value of financial derivative instruments are applied consistently from one year to another. The Company considers that what has been previously described is used in a fair manner, since it is in line with those used by the market and result in a measurement of fair value that is appropriate for the purposes of measuring the financial statements and disclosures. It should be noted that these disclosures are complete and adequate.

4. Fair value hierarchy of financial instruments

Financial instruments recognized at fair value in the statement of financial position are classified according to the following hierarchies (see note 19.1):

Level 1: Corresponds to methodologies of fair value measurement using market rates (without adjustments) in an active market considering the same assets and liabilities valued.

Level 2: Corresponds to methodologies of fair value measurement using data on market rates, not included in Level 1, that are observable for assets and liabilities valued, whether directly (i.e, as a price) or indirectly (i.e, derived from a price).

Level 3: Corresponds to methodologies of fair value measurement using valuation techniques that include information on assets and liabilities valued, which are not based on observable market information.

20. Other current provisions

The balance of short-term provisions is detailed as follows:

Concepts	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Civil and regulatory(1)	1,737,767	1,754,983
Total	1,737,767	1,754,983

(1) Mainly includes provisions on civil lawsuits for both periods.

Based on the progress of the proceedings, the Company's management considers that the provisions recorded in the financial statements adequately cover the litigation risks described in Note 28, therefore they do not foresee that they will result in liabilities other than those recorded.

Due to the characteristics of the risks that cover these provisions, it is impossible to determine a reasonable payment date schedule.

As of June 30, 2015 and December 31, 2014 the movements in provisions is as follows:

Movements	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Beginning balance	1,754,983	1,704,344
Increase in existing provisions	1,540,721	1,747,283
Provision used	(1,557,937)	(1,696,644)
Movement subtotal	(17,216)	50,639
Ending balance	1,737,767	1,754,983

21. Employee benefits accrual

a) Post employment benefits

The employee benefits provision corresponds to liabilities for future termination benefits that are estimated to be accrued for employees both in the general and private payroll, which are subject to severance pay whether through collective or individual employee contracts, and is recorded at actuarial value, determined using the projected credit unit method. Actuarial profits and losses on severance pay derived from changes in estimates in the turnover rates, mortality, salary increases or discount rate, are recorded in accordance with International Accounting Standard 19 R (IAS 19R), under other comprehensive income, affecting equity directly, procedure that the Company has applied since the beginning of the convergence application of the International Standard.

As of June 30, 2015 and December 31, 2014 current and non-current employee benefits accrual are as follows:

Concepts	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Current amount of liability recognized for termination benefits	5,304,099	4,837,090
Non-current amount of liability recognized for termination benefits	27,442,763	25,901,322
Total	32,746,862	30,738,412

As of June 30, 2015 and December 31, 2014 the movements for current employee benefits provisions are detailed as follows:

Movements	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Beginning balance	30,738,412	28,780,665
Service costs	1,452,364	1,505,911
Interest costs	685,507	1,247,918
Actuarial (profits)/losses, net due to hypothesis (2)	-	3,740,733
Actuarial (profits)/losses, net due to experience	442	(783,644)
Others	-	(1,940,287)
Benefits paid	(129,863)	(1,699,313)
Intercompany transfers (1)	-	(113,571)
Movement subtotal	2,008,450	1,957,747
Ending balance	32,746,862	30,738,412

- (1) As of December 31, 2014 to amounts transferred from Telefónica Chile Servicios Corporativos Ltda, to Telefónica Global Technology Chile and Telefonica Investigation and Chile SpA.
- (2) In December 2014 the actuarial variables used to calculate the provision were reviewed, generating a decrease in the discount rate to 5.8% for 2013 and 4.51% for 2014.

21. Employee benefits accrual, continued

a) Post employment benefits, continued

Actuarial Hypotheses

The hypotheses used for the actuarial calculation of employee benefits obligations are reviewed once a year and for the 2015 and 2014 periods are detailed as follows:

- **Discount Rate:** A 4.51% nominal annual rate is used, which must be representative of the time value of money, for which a risk-free rate is used represented by BCP (Chilean Central Bank Bonds issued in Chilean pesos) for the relevant term, around 15 years.
- **Incremental Salary Rate:** An increase table is used according to the inflation projection established by the Central Bank of Chile. The rate used for the 2015 and 2014 period was 3%.
- **Mortality:** The RV 2009 mortality tables established by the Superintendency of Securities and Insurance are used to calculate social life insurance reserves in Chile.
- **Turnover rate:** Based on the historical Company data, turnover rate used is 5.46% for both periods.
- **Years of service:** The Company assumes that the employees will remain until they are of legal retirement age, (women up to 60 years old and men up to 65 years old).

The model for calculating employee termination benefits has been prepared by an external qualified actuary. The model uses variables and market estimates in accordance with the methodology established by IAS 19 to determine this provision.

b) Sensitivity of assumptions

Based on the actuarial calculation as of June 30, 2015, the sensitivity of the main assumptions has been reviewed, determining the following possible effects on equity:

Description	Base	Plus 1% ThCh\$	Less 1% ThCh\$
Discount rate	4,51%	2,300,950	(2,049,083)

21. Employee benefits accrual, continued

c) Expected cash flows

In accordance with the employee benefits obligation, future cash flows for the following periods are detailed as follows:

Description	1st year ThCh\$	2nd year ThCh\$	3rd year ThCh\$
Future payment cash flows	5,335,727	3,413,136	3,665,534

d) Employee benefits expenses

Employee expenses recognized in the Comprehensive Income Statement are detailed as follows:

Concepts	04.01.15 al 06.30.15 ThCh\$	06.30.2015 ThCh\$	04.01.14 al 06.30.14 ThCh\$	06.30.2014 ThCh\$
Wages and salaries	17,644,971	36,246,212	18,643,082	40,627,956
Post employment benefit obligations expense	869,511	1,786,610	441,178	1,320,145
Total	18,514,482	38,032,822	19,084,260	41,948,101

22. Other current and non-current non-financial liabilities

Other non-financial liabilities are detailed as follows:

Concepts	06.30.2015		12.31.2014	
	Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Deferred income	7,077,829	5,755,221	5,349,300	6,191,689
Connection installments	943,120	241,470	1,238,512	370,891
Subsidies (1)	143,003	1,388,388	143,003	1,459,889
Deferred income (2)	5,991,706	4,125,363	3,967,785	4,360,909
Other taxes (3)	15,235,573	-	15,581,579	-
Total	22,313,402	5,755,221	20,930,879	6,191,689

- (1) Corresponds to the balance pending recognition on the following projects:
- Fiber optics network between Puerto Natales and Cerro Castillo in the amount of ThCh\$640,248 in non-current and ThCh\$ 52,623 in current.
 - Connectivity for Service Networks and their Respective Neighborhoods and Community Information Tele-centers in the amount of ThCh\$748,140 in non-current and ThCh\$90,380 in current.
- (2) The current portion mainly includes self-financed projects in the amount of MCh\$1,925 and an insurance premium refund advance on the mudslide occurred in the north in the amount of MCh\$2,470. The non-current portion includes entitlements for the use of underwater cables in the amount of MCh\$1.802 and sold capacity in the amount of MCh\$957.
- (3) Includes tax withholdings, value added tax, pension and health insurance institutions and others

Movements of the deferred income are as follows:

Movements	06.30.2015		12.31.2014	
	Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Beginning balance	5,349,300	6,191,689	5,017,761	5,469,891
Endowments	6,064,665	972,743	16,481,345	3,540,044
Reduction/applications	(4,336,136)	(1,409,211)	(16,149,806)	(2,818,246)
Movement subtotal	1,728,529	(436,468)	331,539	721,798
Ending balance	7,077,829	5,755,221	5,349,300	6,191,689

23. Equity

The Company manages its capital for the purpose of safeguarding the capacity to continue as a going concern, for the purpose of generating returns to its shareholders and with the objective of maintaining a strong credit rating and prosperous capital ratio to support its businesses and guarantee ongoing and expedite access to the financial markets maximizing shareholder value. The Company manages its capital structure and adjusts it, in accordance with changes in existing economic conditions.

No changes were introduced in the objectives, policies or processes during the periods ended as of June 30, 2015 and December 31, 2014.

a) Capital

As of June 30, 2015 and 2014, the Company's paid-in capital is composed as follows:

Number of shares

Series	N° of shares subscribed	06.30.2015		N° of shares subscribed	12.31.2014	
		N° of shares paid	N° of shares with voting rights		N° of shares paid	N° of shares with voting rights
A	873,995,447	873,995,447	873,995,447	873,995,447	873,995,447	873,995,447
B	83,161,638	83,161,638	83,161,638	83,161,638	83,161,638	83,161,638
Total	957,157,085	957,157,085	957,157,085	957,157,085	957,157,085	957,157,085

Capital

Series	06.30.2015		12.31.2014	
	Subscribed capital ThCh\$	Paid-in capital ThCh\$	Subscribed capital ThCh\$	Paid-in capital ThCh\$
A	527,852,620	527,852,620	527,852,620	527,852,620
B	50,225,762	50,225,762	50,225,762	50,225,762
Total	578,078,382	578,078,382	578,078,382	578,078,382

Series A and B shares are registered and each series is correlatively numbered, Series A and B shares have the same dividend distribution rights.

Series A shares can elect 13 of the 14 Directors. The shareholders of Series B elect one regular Director and one deputy Director.

23. Equity, continued

b) Distribution of shareholders

As established in Circular No, 792 issued by the Superintendency of Securities and Insurance ("SVS") of Chile, the distribution of shareholders based on their participation in the Company as of June 31, 2015 is as follows:

Type of Shareholder	Participation percentage %	Number of shareholders
Participation of 10% or more	97.903	1
Less than 10% participation:		
Investment equal to or exceeding UF 200	1.527	229
Investment under UF 200	0.570	8,102
Total	100	8,332
Company's parent	97.903	1

As of June 30, 2015 and December 31, 2014, the indirect participation of Telefónica S.A. (Spain) in the equity of Telefónica Chile S.A. reached 97.903%.

In 2013 this percentage was distributed among Inversiones Telefónica Internacional Holding S.A. with 52.99% and Telefónica Internacional Chile S.A. with 44.9%. In June 2014, these companies merged without modifying the existing share percentage, with Inversiones Telefónica Internacional Holding S.A. being the continuer with a 97.903% share. As of September 30, 2014 the latter company concurred in the capital increase of Inversiones Telefónica Móviles Holding S.A. which was paid by transferring the investment it had in Telefónica Chile S.A., with which Telefónica Móviles Holding S.A. became the majority shareholder.

c) Dividends:

i) Dividends policy:

In accordance with Law No, 18,046, unless a different agreement is adopted unanimously at the Shareholders' Meeting, when there is net income, at least 30% of it must be distributed as dividends.

At the Ordinary Shareholders' Meeting held on April 19, 2011, the Company agreed to distribute as of 2011 and following years, at least 30% of distributable net income generated during the respective year, through an interim dividend paid during the fourth quarter of each year and a final dividend paid during the year following year-end which will be proposed at the corresponding Ordinary Shareholders' Meeting. This policy was ratified by the shareholders at the Ordinary Shareholders' Meeting held on April 30, 2015

ii) Capital decrease and dividends distributed:

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

Date	Number dividend	Dividend	Amount distributed ThCh\$	Value per share Ch\$	Charge to net income	Payment date
Apr-23-2014		Final	10,850,332	11.3360	Fiscal year 2013	May - 2014
May-11-2015		Final	12,443,043	13.0000	Fiscal year 2014	May - 2015

23. Equity, continued

d) Other reserves:

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

Concepts	Balance of 12.31.2014 ThCh\$	Net movement ThCh\$	Balance of 06.30.2015 ThCh\$
Cash flows hedge reserve	14,549,944	(2,607,778)	11,942,166
Employee benefits reserve, net tax	(3,279,142)	5,864	(3,273,278)
Reserve for financial assets available for sale	2,641,844	(1,147,780)	1,494,064
Proposed dividends reserve	(11,805,481)	11,805,481	-
Total	2,107,165	8,055,787	10,162,952

i) Cash flows hedge reserve

Transactions designated as expected transaction cash flow hedges are probable, and where the Company can execute the transaction, the Company has a positive intention and ability to consummate the expected transaction. Expected transactions designated in our cash flow hedges are maintained as probably occurring on the same date and amount as originally designated, otherwise the ineffectiveness shall be measured and recorded when appropriate.

ii) Employee benefits reserve

Corresponds to amounts recorded in equity originated by the change in actuarial hypotheses, of the employee benefits reserve.

iii) Reserves for financial assets available for sale

Corresponds to the effect of fair value valuation of financial assets available for sale.

iv) Proposed dividends reserve

In order to recognize the payment obligation of a minimum dividend equivalent to 30% of income, this reserve is established at each year-end and is used when the Ordinary Shareholders' Meeting agrees on the final distribution of dividends.

23. Equity, continued

e) Non-controlling interest

As of June 30, 2015 and December 31, 2014 recognition of the share of equity belonging to third parties is detailed as follows:

Subsidiaries	Non-controlling Interest percentage		Shareholders' equity Non-controlling interest	
	2015 %	2014 %	2015 ThCh\$	2014 ThCh\$
Telefónica Larga Distancia S.A,	0.070000	0.070000	46,147	78,653
Telefónica de Chile Servicios Corporativos Ltda,	49.000000	49.000000	11,148,629	9,628,758
Total			11,194,776	9,707,411

As of June 30, 2015 and 2014 recognition of the share in income of subsidiaries is detailed as follows:

Filiales	Non-controlling Interest percentage		Participation in profit income (loss)			
	2015 %	2014 %	04.01.15 al 06.30.15 ThCh\$	06.30.2015 ThCh\$	04.01.14 al 06.30.14 ThCh\$	06.30.2014 ThCh\$
Telefónica Larga Distancia S.A.	0.070000	0.070000	3,176	6,050	3,560	6,811
Telefónica Gestión de Servicios Compartidos Chile S.A.	-	0.001000	-	-	1	2
Telefónica Chile Servicios Corporativos Ltda.	49.000000	49.000000	1,200,267	1,513,928	1,191,573	2,076,313
Total			1,203,443	1,519,978	1,195,134	2,083,126

24. Earnings per Share

The details of Earnings per share are as follows:

Basic earnings per share	04.01.15 al 06.30.15 ThCh\$	06.30.2015 ThCh\$	04.01.14 al 06.30.14 ThCh\$	06.30.2014 ThCh\$
Earnings attributable to owners of the parent	4,621,753	7,549,626	13,944,641	22,426,635
Profit available for shareholders	4,621,753	7,549,626	13,944,641	22,426,635
Weighted average number of shares	957,157,085	957,157,085	957,157,085	957,157,085
Basic earnings per share in Ch\$	4.83	7.89	14.57	23.43

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

25. Income and Expenses

a) The details of income from ordinary operations for the periods 2015 and 2014 are as follows:

Ordinary income	04.01.15 al	06.30.2015	04.01.14 al	06.30.2014
	06.30.15	ThCh\$	06.30.14	ThCh\$
Fixed Telecommunications	55,195,653	110,873,676	61,203,532	123,747,713
Broadband (1)	45,546,846	89,079,587	43,526,351	81,284,719
Television	43,493,276	83,339,403	33,315,255	64,357,876
Long Distance	6,925,562	14,041,466	8,325,812	18,363,576
Corporate Communication	25,474,919	48,466,181	21,302,860	45,242,392
Other Businesses	56,618	98,204	-	25,240
Total	176,692,874	345,898,517	167,673,810	333,021,516

(1) Includes recognized in its parent services and Subsidiaries Telefonica Chile SA and Telefonica Larga Distancia S.A.

b) The detail of other operating income for the periods 2015 and 2014 are as follows:

Other income	04.01.15 al	06.30.2015	04.01.14 al	06.30.2014
	06.30.15	ThCh\$	06.30.14	ThCh\$
Other current management income	50,566	60,128	59,552	88,150
Income from indemnities, complaints and others	37,394	57,812	21,553	38,748
Income from disposal of real property	443,883	445,879	1,995	3,991
Total	531,843	563,819	83,100	130,889

c) The detail of other expenses by nature of the operation for the periods 2015 and 2014 are as follows:

Other expenses	04.01.15 al	06.30.2015	04.01.14 al	06.30.2014
	06.30.15	ThCh\$	06.30.14	ThCh\$
Interconnections	10,409,254	20,217,413	9,235,279	20,322,098
Media rental	24,015,872	47,768,413	18,779,894	35,880,925
Cost of sale of inventory	9,717,438	12,622,434	4,747,395	8,181,242
Other exterior services	6,886,970	15,838,645	4,116,789	12,132,445
Sales commissions	7,960,031	17,439,525	7,222,050	14,371,724
Customer service	6,298,464	12,911,627	6,763,935	13,570,462
Plant maintenance	11,175,639	22,576,839	10,636,623	20,007,816
Allowance for doubtful accounts	3,690,571	8,211,700	4,229,825	8,601,430
Advertising	4,064,625	8,415,753	3,424,232	6,480,884
Expenses related to real estate	3,845,450	7,643,589	4,058,271	7,961,352
Information services	4,617,410	10,576,848	4,877,438	10,124,511
Other	2,368,153	5,072,611	2,144,336	4,236,088
Total	95,049,877	189,295,397	80,236,067	161,870,977

25. Income and Expenses, continued

d) The detail of financial expenses, net, for the periods 2015 and 2014 is as follows:

Financial expenses, net	01.04.15 al 30.06.15 ThCh\$	30.06.2015 ThCh\$	01.04.14 al 30.06.14 ThCh\$	30.06.2014 ThCh\$
Interest income				
Interest earned on deposits	921,105	1,737,677	384,123	1,993,728
Interest on financial instruments	3,221	4,564	27,948	60,655
Other interest income	339,018	768,552	366,215	657,917
Total interest income	1,263,344	2,510,793	778,286	2,712,300
Interest expense				
Interest on loans from bank institutions	373,637	739,282	510,609	1,020,923
Interest on obligations and bonds	3,761,174	7,670,595	3,472,931	7,660,835
Finance leases	3,599	9,115	12,476	27,731
Interest on mercantile mandate	942,407	1,963,372	183,884	396,094
Interest rate hedges (Cross Currency Swap)	339,374	536,350	1,789,519	4,300,224
Other financial expenses	320,344	320,344	310,598	471,363
Total interest expense	5,740,535	11,239,058	6,280,017	13,877,170
Total finance income and costs, net	(4,477,191)	(8,728,265)	(5,501,731)	(11,164,870)

e) Foreign currency translation and indexation units for the periods 2015 and 2014 are detailed as follows:

Currency translation	04.01.15 al 06.30.15 ThCh\$	06.30.2015 ThCh\$	04.01.14 al 06.30.14 ThCh\$	06.30.2014 ThCh\$
Other financial transactions	(34,005)	56,000	4,076	40,797
Current accounts receivable from related entities	75,454	355,063	(41,405)	60,228
Current accounts payable to related entities	(145,003)	(491,342)	(70,157)	(286)
Current trade and other accounts receivable	35,222	18,332	32,752	145,394
Trade and other accounts payable	(156,300)	(503,770)	(112,950)	(934,353)
Cash and cash equivalents	78,478	209,371	(115,903)	(15,800)
Financial investments	411,201	1,182,482	(461,958)	240,230
Financial debt	(6,970,618)	(18,705,736)	(1,039,585)	(18,945,728)
Leasing financial debt	(32,760)	(92,204)	(4,125)	(57,274)
Hedge instruments	6,873,858	17,992,529	1,715,214	19,450,892
Total	135,527	20,725	(94,041)	(15,900)

Indexation units	04.01.15 al 06.30.15 ThCh\$	06.30.2015 ThCh\$	04.01.14 al 06.30.14 ThCh\$	06.30.2014 ThCh\$
Other financial transactions	-	-	32,919	(11,690)
Current trade and other accounts receivable	41	(10)	18,724	33,621
Trade and other accounts payable	157	60	(3,417)	(5,488)
Financial debt	(3,490)	(3,029)	(61,775)	(1,622,733)
Leasing financial debt	(13,833)	(12,522)	(11,368)	(27,236)
Hedge instruments	51,453	50,837	62,089	1,621,248
Total	34,328	35,336	37,172	(12,278)

26. Leases

Leases which substantially transfer all risks and benefits inherent to ownership are classified as financial leases; all other leases are classified as operating leases.

Financial leases where the Company acts as lessee are recognized at the beginning of the contract, recording an asset based on its nature and a liability for the same amount, for the fair value amount of the leased asset or at the present value of minimum lease payments. Subsequently, minimum lease payments are divided between the finance cost and reduction of the debt.

The finance cost is recognized as an expense and is distributed over the years that constitute the term of the lease, in order to obtain a constant interest rate for each year on the balance of the debt pending amortization. The asset is depreciated under the same terms as the rest of similar depreciable assets, if there is reasonable certainty that the lessee will acquire ownership of the asset at the end of the lease, If such certainty does not exist, the asset is depreciated over the useful life of the asset or the term of the lease, whichever is less.

The main operating lease contracts are associated directly to the line of business, such as leases for commercial office real estate and telecommunications technical facilities space.

Operating lease expenses accrued are presented under other expenses by nature, in the statement of income, The Company has operating lease contracts that contain various clauses referred to dates and terms of renewal and readjustments, Should a decision be made for early termination of a contract, the payments stipulated in those clauses must be made.

	04.01.15 al 06.30.15 ThCh\$	06.30.2015 ThCh\$	04.01.14 al 06.30.14 ThCh\$	06.30.2014 ThCh\$
Minimum operating lease payments recognized as expenses	2,489,875	3,803,547	2,202,391	4,266,350

Financial leases corresponding to Property, plant and equipment are detailed as follows:

	06.30.2015			12.31.2014		
	Gross amount	Accumulated depreciation	Net value	Gross amount	Accumulated depreciation	Net value
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Financial leases recognized as assets	5,304,293	(4,965,891)	338,402	5,304,293	(4,962,015)	342,278

26. Leases, continued

Future obligations on financial and operating leases for the 2015 and 2014 periods are detailed as follows:

	06.30.2015			Total ThCh\$
	Up to one year ThCh\$	From one to five years ThCh\$	More than 5 years ThCh\$	
Minimum financial lease payments payable	412,164	-	-	412,164
Future financial burden due to financial leases	3,856	-	-	3,856
Minimum operating lease payments payable	5,745,753	10,079,637	813,094	16,638,484

	06.30.2014			Total ThCh\$
	Up to one year ThCh\$	From one to five years ThCh\$	More than 5 years ThCh\$	
Minimum financial lease payments payable	1,017,431	338,413	-	1,355,844
Future financial burden due to financial leases	31,785	5,466	-	37,251
Minimum operating lease payments payable	5,755,554	14,501,590	1,417,110	21,674,254

27. Local and Foreign Currency

The detail for currency of current assets and non-currents assets are the following:

Currents assets	06.30.2015	12.31.2014
	ThCh\$	ThCh\$
Cash and cash equivalents	97,681,846	120,638,713
US Dollars	20,624,964	28,547,678
Euros	23,890	59,551
Chilean Pesos	77,032,992	92,031,484
Other current financial assets	3,921,001	6,396,473
US Dollars	3,240,178	3,749,151
Chilean Pesos	630,500	2,647,322
U.F.	50,323	-
Current trade and other accounts receivable	128,847,548	127,158,359
US Dollars	-	141,042
Euros	91,223	86,951
Chilean Pesos	128,657,963	126,875,568
U.F.	98,362	54,798
Receivables from related companies, current	56,309,330	55,738,039
US Dollars	4,451,352	3,090,215
Euros	-	2,517,564
Chilean Pesos	51,769,373	50,130,260
Other currencies	88,605	-
Other current assets (1)	44,021,942	23,806,690
Chilean Pesos	44,021,942	23,806,690
Non-currents assets or groups of assets for disposal classified as held for sale	157,909	159,244
Chilean Pesos	157,909	159,244
Total current assets	330,939,576	333,897,518
US Dollars	28,316,494	35,528,086
Euros	115,113	2,664,066
Chilean Pesos	302,270,679	295,650,568
U.F.	148,685	54,798
Other currencies	88,605	-

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

Non-currents assets	06.30.2015	12.31.2014
	ThCh\$	ThCh\$
Other non-current financial assets	125,269,381	108,075,246
US Dollars	117,092,708	101,515,856
Chilean Pesos	8,176,673	6,518,993
U.F.	-	40,397
Non-current trade and other accounts receivable	13,534,773	17,817,548
Chilean Pesos	13,534,773	17,817,548
Non-current receivables from related companies	1,366,521	1,366,521
Chilean Pesos	1,366,521	1,366,521
Other non-current assets (2)	1,061,823,386	1,073,309,003
Chilean Pesos	1,061,823,386	1,073,309,003
Total non-current assets	1,201,994,061	1,200,568,318
US Dollars	117,092,708	101,515,856
Chilean Pesos	1,084,901,353	1,099,012,065
U.F.	-	40,397

(2) Includes: Other non-current non-financial assets, intangible assets other than goodwill, goodwill, property, plant and equipment and deferred tax assets.

27. Local and Foreign Currency, continued

The detail for currency of current liabilities is as follows:

Currents liabilities	06.30.2015	12.31.2014	06.30.2015	12.31.2014
	to 90 days ThCh\$		De 91 days a 1 years ThCh\$	
Other current financial liabilities	8,278,684	9,532,232	1,951,098	3,776,633
US Dollars	52,906	1,765,150	-	2,493,444
Chilean Pesos	5,653,868	6,614,971	-	-
U.F.	2,571,910	1,152,111	1,951,098	1,283,189
Trade and other payables	128,089,153	143,913,961	-	49,685
US Dollars	24,681,271	22,034,033	-	-
Euros	652,748	504,400	-	-
Chilean Pesos	90,243,484	100,197,725	-	49,685
U.F.	12,511,650	21,159,560	-	-
Other currency	-	18,243	-	-
Payables to related companies, current	64,599,778	79,702,322	-	-
US Dollars	2,522,464	9,475,832	-	-
Euros	-	10,236,650	-	-
Chilean Pesos	62,077,314	59,989,840	-	-
Other current liabilities (1)	6,782,291	2,741,836	29,355,268	27,522,952
Chilean Pesos	6,782,291	2,741,836	29,355,268	27,522,952
Total current liabilities	207,749,906	235,890,351	31,306,366	31,349,270
US Dollars	27,256,641	33,275,015	-	2,493,444
Euros	652,748	10,741,050	-	-
Other currency	-	18,243	-	-
Chilean Pesos	164,756,957	169,544,372	29,355,268	27,572,637
U.F.	15,083,560	22,311,671	1,951,098	1,283,189

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

The detail for currency of non-current liabilities is as follows:

Non-current liabilities	03.31.2015	12.31.2014	03.31.2015	12.31.2014	03.31.2015	12.31.2014
	1 to 3 years ThCh\$		3 to 5 years ThCh\$		5 years and over ThCh\$	
Other non-current financial liabilities	73,917,066	59,650,670	47,485,301	355,958,859	314,328,021	-
US Dollars	62,014,480	58,756,067	-	297,083,895	314,328,021	-
Chilean Pesos	11,902,586	-	47,485,301	58,874,964	-	-
U.F.	-	894,603	-	-	-	-
Account payable to related entities noncurrent	-	-	74,723,925	73,072,215	-	-
Chilean Pesos	-	-	74,723,925	73,072,215	-	-
Other non-current liabilities (2)	4,913,408	8,368,129	21,295,135	20,881,369	83,348,410	80,078,609
Chilean Pesos	4,913,408	8,368,129	21,295,135	20,881,369	83,348,410	80,078,609
Other non-current liabilities	78,830,474	68,018,799	143,504,361	449,912,443	397,676,431	80,078,609
US Dollars	62,014,480	58,756,067	-	297,083,895	314,328,021	-
Chilean Pesos	16,815,994	8,368,129	143,504,361	152,828,548	83,348,410	80,078,609
U.F.	-	894,603	-	-	-	-

(2) Includes: Deferred tax liabilities, non-current employee benefits accrual and other non-current non-financial liabilities.

28. Contingencies and restrictions

In the normal development of its line of business, Telefónica Chile S.A, is part of certain proceedings, involving civil, labor, special and penal matters for different concepts and amounts, In general, management and its legal counsel, both internal and external periodically monitor the evolution of those lawsuits and contingencies affecting Telefónica Chile S.A, in the normal course of its operations, analyzing in each case the possible effect on the financial statements. Taking into consideration the legal and de facto arguments exposed in those proceedings, especially those in which the Company is the defendant party, and historical results obtained by Telefónica Chile S.A. in proceedings with similar characteristics in the opinion of the legal advisors, the risk that it will be condemned to pay the amounts claimed in the mentioned lawsuits is remote.

Notwithstanding there are certain proceedings in which due to the aforementioned considerations it is believed that there is a risk of loss that is rated as probable, which has motivated the establishment of provisions for the amount of what would be the estimated loss as of June 30, 2015, which altogether amounts to ThCh\$1,737,767. It is estimated that Telefónica Chile S.A. must pay the amount of ThCh\$365,400 before September 30, 2015 and the rest, during the fourth quarter of 2015.

In addition to the above, the following proceedings should be especially mentioned:

a) Miscellaneous lawsuits

i) Labor lawsuits

During the normal course of operations, labor lawsuits have been filed against Telefónica Chile S.A. which to date do not represent significant.

ii) Tax contingency

On August 29, 2014 through Notification No, 383-14/G4, the Chilean Internal Revenue Service notified tax assessment No, 42, in which it determined differences in the first category (corporate) tax for the 2011 tax year, which resulted in rejection of items in the amount of MCh\$18,967, which resulted from the review of the Company's tax loss carry forward. On August 22, 2014, a request was filed by the Company for review of the supervising action stating its response.

28. Contingencies and restrictions, continued

b) Financial restrictions:

In order to develop its investment plans, the Company has obtained financing both in the local market and in the external market (see Note 17).

The Company has current loan agreements signed by the parent, Telefonica Chile S.A. with financial entities:

- i) International loan with Sovereign Bank N.A, in the amount of US\$ 97,5 million, expiring in April 2017.

This financial entity impose obligations of several types on the Company during the term of the loans, which are usual for this type of financing. The Company reports in a quarterly manner to that entity in accordance with agreed upon terms and dates, Compliance with that financial index is reported through a certificate of covenants issued by the external audit firm.

On the other hand, the Company has current obligations with the public derived from the placement of the following bonds:

- i) Series F Bond, dated April 15, 1991 in the amount of UF 1,5 million, placed at 25 years with biannual maturity.
- ii) Series 144A Bond dated October 12, in the amount of US\$ 500 million placed at 10 year bullet.
- iii) Series Q Bond dated March 26, 2014 in the amount of MCh\$47,000 placed at 5 years bullet.

Bond issuance contracts impose certain limits on the Company's financial debt indicator and obligations to do and not to do, usual for this type of financing. The Company reports the debt ratio in a quarterly manner to the representatives of the bondholders, in accordance with the agreed-upon dates. The clause establishes that the debt ratio cannot exceed 2.5, measured by the quotient between demand liabilities (deducting hedge assets associated to the financial debt) and consolidated equity, Compliance with that financial index is reported through the certificate of covenants issued by the external audit firm.

In summary the debt agreements contemplate the following financial restrictions:

	Financial restrictions
Local Bonds (Series F)	Debt index < = 2.5
144A Bond	There are none
Q Bond	There are none
International loan with Sovereign Bank N.A,	There are none

28. Contingencies and restrictions, continued

b) Financial restrictions, continued

The obligations arising from the financing contracts mentioned above have been fulfilled as of June 30, 2015 and December 31, 2014, the debt ratio is calculated on the consolidated financial statements, and the values determined are:

	06.30.2015 ThCh\$	12.31.2014 ThCh\$
Total debt	737,344,410	757,554,658
Total Current Liabilities	239,056,272	267,239,621
Total Non-current Liabilities	620,011,266	598,009,851
Current Hedge Assets (less)*	3,678,089	6,138,561
Non-current Hedge Assets (less)*	118,045,039	101,556,253
Net shareholders' equity	673,866,099	669,216,364
Total debt	737,344,410	757,554,658
Net shareholders' equity	673,866,099	669,216,364
Debt ratio	1.09	1.13

* Financial liabilities are deducted since they are hedges associated to financial debt,

Non-compliance with this clause implies that all obligations assumed in these financing contracts would become due and payable, however a period is provided to overcome the non-compliance.

The Covenants ratio has been fulfilled as of June 30, 2015 and December 31, 2014.

28. Contingencies and restrictions, continued

c) Guarantee deposits:

The detail of guarantee deposits is as follows:

Guarantee creditor	Debtor		Type of guarantee	Current guarantee deposits ThCh\$	Liberated guarantees		2017 & thereon ThCh\$
	Name	Relationship			2015 ThCh\$	2016 ThCh\$	
Tesorería del Estado Mayor General del Ejército	TCH	Parent company	Deposit	1,779,859	1,779,859	-	-
Comité Innova	TCH	Parent company	Deposit	1,191,097	1,191,097	-	-
Serviu Región Metropolitana	TCH	Parent company	Deposit	608,206	362,476	245,730	-
MOP- Dirección Región de Vialidad Coquimbo	TCH	Parent company	Deposit	443,289	246,272	197,017	-
Subsecretaría de Telecomunicaciones	TCH	Parent company	Deposit	267,331	-	267,331	-
Sociedad Concesionaria Ruta de Limarí	TCH	Parent company	Deposit	241,898	241,898	-	-
Others Guarantees (1)	TCH	Parent company	Deposit	796,849	521,432	219,490	55,927
Subsecretaría de Telecomunicaciones	TLD	Subsidiary	Deposit	1,030,536	-	-	1,030,536
Others Guarantees (1)	TLD	Subsidiary	Deposit	82,971	82,602	369	-
Gendarmería de Chile	TEM	Subsidiary	Deposit	1,372,614	-	369,262	1,003,352
Tesorería del Estado Mayor General del Ejército	TEM	Subsidiary	Deposit	1,072,090	287,568	359,524	424,998
Dirección Nacional de Gendarmería de Chile	TEM	Subsidiary	Deposit	738,524	-	738,524	-
Cemento BIO BIO S.A.	TEM	Subsidiary	Deposit	546,577	-	-	546,577
Banco del Estado de Chile	TEM	Subsidiary	Deposit	510,901	-	-	510,901
Subsecretaría de Telecomunicaciones	TEM	Subsidiary	Deposit	298,235	298,235	-	-
Consejo de Defensa del Estado	TEM	Subsidiary	Deposit	251,553	-	251,553	-
European Southern Observatory	TEM	Subsidiary	Deposit	169,348	169,348	-	-
Banco Vizcaya Argentina	TEM	Subsidiary	Deposit	143,614	143,614	-	-
Redbanc S.A.	TEM	Subsidiary	Deposit	124,915	-	-	124,915
Terminal Aéreo de Santiago	TEM	Subsidiary	Deposit	107,476	-	107,476	-
Others Guarantees (1)	TEM	Subsidiary	Deposit	4,116,247	1,268,085	1,492,976	1,355,186
Total				15,894,130	6,592,486	4,249,252	5,052,392

(1) This item includes all guarantees with a value of less than ThCh\$100,000, for each company.

TCH: Telefónica Chile S.A.

TEM: Telefónica Empresas Chile S.A.

TLD: Telefónica Larga Distancia S.A.

28. Contingencies and restrictions, continued

d) Insurance:

The Company has Property All Risk and Business Interruption insurance, among others, on all its facilities.

As of December 31, 2014 the Company closed the insurance settlement processes associated to the earthquake occurred in the north of the country, and the fire that affected the Valparaíso Region. Both events occurred in April 2014, and all costs related to these events have been recognized.

As of June 30, 2015, the Company is surveying the damages associated to the mudslide occurred in the extreme north zone of the country in March 2015.

29. Environment

Due to the nature of its line of business, the activities it develops and the technology associated to its management, the Company has not been affected by legal or regulatory provisions obligating it to make investments or material disbursements referring to protection of the environment during this year, whether in a direct or indirect manner.

Law No, 20,599 was published on June 11, 2012 regulating the installation of telecommunications services emitting and transmitting antennas, The approved indications include i) installation restrictions in saturated zones; more rigorous approval conditions are imposed for towers higher than 12 meters; ii) limited installation of towers close to sensitive places as determined by the Telecommunications Undersecretary (schools, hospitals, daycares, nursing homes and others); and iii) compensation is established with community improvements which must be agreed upon by the Neighborhood Councils and Municipal Council, for 30% of the total cost of the tower, should some type of camouflage be used in the structure and 50% in cases where no camouflage is used.

Restrictive measures for installation in saturated zones and close to sensitive zones are applied retroactively for facilities that are already installed, In the case of sensitive zones, retroactivity is applicable in function of stretches and all those structures will have the obligation of "co-location" with other operators.

Law No, 20,599 was amended in December 2012 to regulate the case where there is no agreement between the operators in the amount of payments for the co-location, This controversy must obligatorily be submitted to the knowledge and decision of an arbitrator that will be obligated to make a decision in favor of one of the two proposals of the parties current when the case is submitted for arbitration and the parties must fully accept the decision.

The Company is in the process of evaluating each phase contemplated by Law to identify and quantify its impact, As of June 30, 2015 the Company's expenditures in relation to the implementation of the corresponding phases are not significant.

30. Risk management (Not audited)

a) Competition

Telefónica Chile faces strong competition in all its business areas and believes that this high level of competitiveness will be maintained. In order to confront this situation, the Company permanently adapts its business strategies and products, seeking to satisfy the demands of its current and potential customers, innovating and developing excellence in its attention.

b) New Tariff Decree

The process of establishing new prices for Telefónica Chile S.A. for the 2014 - 2019 periods began at the end of 2013, in conformity with the procedure regulated by law. In this process Telefónica Chile used all instances available to defend its points of view, and we wish to highlight those undertaken before the Expert Commission to resolve the controversies referring to the Report on Objections and Counterproposals issued by Subtel, and before the mentioned Undersecretary.

Decree No. 77, issued on May 5, 2014 by the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism was published in the Official Gazette on February 23, 2015, and establishes for Telefónica Chile S.A., the tariff levels for charges in the Local Tranche and other services associated to Public Telephone Services provided to the end user, the tariffs applied to the Concessionary under the ministry of Articles 24 bis and 25 of the law (mainly access charges) and tariff indexation mechanisms. The decree was published once the "Contraloría General de la República" performed its review of the mentioned decree and it came into effect as of May 8, 2014. The difference in the amount charged had to be retroactively settled. In its first year of application, approved decree No. 77 considers a reduction of 37% in access charges and 58% in the local tranche. As of June 2015 the Company began refunding the difference to current customers.

Interconnection tariffs that will be in force for Telefónica Móviles Chile S.A., for the 2014 – 2019 periods and will affect Telefónica Chile S.A., are established in Decree No. 21, dated January 9, 2014, issued by the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism. It established that as of January 25 the access charge will begin to decrease by 73% on average. The Contraloría General de la República made observations in its review process of Decree No. 21 and ultimately, on May 29 it decided to accept the technical and economic information presented by Subtel and reviewed the tariff decrees that establish access charges for mobile companies for the 2014-2019 five-year terms.

Due to the above, mobile access charges dropped by approximately 75% and replace the tariff decrees established in 2009, therefore it is established that the value of the access charge which as of December 2013 averaged Ch\$59 per minute, without taxes, now has a value of Ch\$14.6 on average per minute, without taxes for the first year. This tariff will continue dropping in the next years until it reaches an average value of Ch\$7.6 per minute in 2019, which will imply a difference of approximately 87% in comparison to the tariff that was in force in December 2013.

On June 4, 2014, the Official Gazette published the new access charges tariffs for Telefónica Móviles Chile S.A. for the 2014-2019 five-year periods.

30. Risk management (Not audited), continued

c) Technological changes

The telecommunications industry is a sector that is subject to quick and important technological progress and the introduction of new products and services. It is not possible to assure what will be the effect of such technological changes on the market or on Telefónica Chile, or that the disbursement of significant financial resources will not be required to develop or implement new and competitive technologies. nor can the Company anticipate whether those technologies or services will be substitutive or complementary to the products and services it currently offers. Telefónica Chile is continually evaluating the incorporation of new technologies to the business, taking into consideration both the costs and benefits.

d) Level of Chilean economic activity

Since the Company's operations are located in Chile, these are sensitive to and dependent on the country's level of economic activity. In periods of low economic growth, high unemployment rates and reduced internal demand, there has been a negative impact on the local and long distance telephone traffic, as well as on the level of customer default.

e) Financial risk management objectives and policies

The Company's main financial liabilities, in addition to derivatives, comprise bank loans and bond obligations, payables and other payables. The main purpose of those financial liabilities is to obtain financing for the Company's operations. The Company has trade receivables, cash and short-term deposits, which arise directly from its operations.

The Company also has investments held for sale and derivative transactions. The Company is exposed to market risk, credit risk and liquidity risk.

The Company's Management supervises that financial risks are identified, measured and managed in accordance with defined policies. All activities derived from risk management are carried out by specialist teams with adequate skills, experience and supervision. It is the Company's policy that there is no commercialization of derivatives for speculative purposes.

The policies for managing such risks, which are reviewed and ratified by the Board of Directors, are summarized below:

Market Risk

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

30. Risk management (Not audited), continued

e) Financial risk management objectives and policies, continued

Interest rate risk

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

The Company manages its interest rate risk maintaining a balanced portfolio of loans and debts at variable and fixed interest rates. The Company has interest rate swaps in which it agrees to interchange, at certain intervals, the difference between the amounts of fixed and variable interest rates, calculated in reference to a notional agreed upon capital amount. These swaps are designated to hedge underlying debt obligations.

The Company periodically determines the efficient exposure to short and long-term debt due to changes in interest rates, considering its own expectations regarding future evolution of rates. As of June 30, 2015 the Company had 19.7% of its current and non-current financial debt accruing interest at a fixed rate.

The Company believes it is reasonable to measure the risk associated to interest on the financial debt such as the sensitivity of the monthly financial accrual expense in case of a change of 25 basic points in the reference interest rate of the debt, which as of June 30, 2015 corresponds to the Nominal Average Chamber Rate (TCPN) ("Tasa Promedio de Cámara Nominal"). In this manner, an increase of 25 basic points in the monthly TCPN would mean an increase in the monthly financial accrual expense for 2014 of approximately ThCh\$56,460, whereas a decrease in the TCPN would mean a reduction of ThCh\$56,460 in the monthly financial accrual expense for 2015.

Foreign currency risk

Foreign currency risk is the risk that the future fair values or cash flows of a financial instrument may fluctuate due to exchange rate. The Company's exposure to exchange variation risks is related mainly to obtaining short and long-term financial debt in foreign currency and to a lesser extent to its operating activities. The Company's policy is to negotiate derivative financial instruments to help minimize this risk.

After the hedge actions taken to manage the main foreign currency risk identified by the Company, one can establish that the sensitivity of the fair value of future cash flows of the hedged items in case of changes in the foreign exchange levels is close to zero, fundamentally because the foreign currency hedge for debt items is 100%.

30. Risk management (Not audited), continued

e) Financial risk management objectives and policies, continued

Credit risk

Credit risk is the risk that a counterpart may not fulfill its obligations under a financial instrument or customer contract, which leads to a financial loss. The Company is exposed to credit risk from its operating activities (mainly due to receivables and credit notes) and from its financial activities, including bank deposits, transactions in foreign currency and other financial instruments.

Credit risks related to customer loans is managed in accordance with the policies, procedures and controls established by the Company to manage customer credit risk. Customer credit quality is evaluated in an ongoing manner, Outstanding customer charges are supervised. The maximum exposure to credit risk as of the report presentation date is the value of each class of financial asset.

Credit risk related to balances with banks, financial instruments and negotiable values is managed by the Finance Management Department in conformity with the Company's policies. Surplus funds are only invested with an approved counterpart and within the credit limits assigned to each entity, Counterpart limits are reviewed annually, and can be updated during the year. The limits are established to reduce counterpart risk concentration.

Liquidity risk

The Company monitors its risk of lack of funds using a recurrent liquidity planning tool. The Company's objective is to maintain an investment profile that allows it to cover its obligations.

Capital management

Capital includes shares and equity attributable to the equity of the parent less unearned income reserves.

The Company's main objective related to capital management is to ensure that it has a strong credit rating and prosperous capital ratios to support its businesses and maximize shareholder value. The return on equity (income/average total equity) as of June 30, 2015 amounts to 1.12%, a decrease of 66.89% in comparison to June 2014, where it reached 3.4%. This is mainly due to lower operating income as a consequence of higher expense due to nature.

The Company manages its capital structure and makes adjustments to it, in response to changes in economic conditions.

There were no changes in the objectives, policies or processes during the periods ended as of June 30, 2015 and December 31, 2014.

30. Risk management (Not audited), continued

f) Regulatory Framework

Numeric Portability

Mobile and Fixed Telephone Number Portability was enabled in conformity with the calendar established by Subtel, through Resolution No. 6.367 of 2011. Portability of Internet Voice, Rural Telephone Services and Mobile Party Pays Numbers began on March 16, 2013. Exempt Resolution No. 1022 dated March 31, 2014, issued by the Telecommunications Undersecretary, modified the beginning date of Portability of Complementary Services, which began operating as of October 13, 2014.

Subtel established the timeline for Geographic Portability and Intermodal Portability through Official Circular No. 118, which establishes that Geographic Portability must be enabled on August 10, 2015, and the addition of one digit to mobile telephone numbers and Intermodal Portability must be enabled on February 8, 2016. Subtel has called telecommunications operators to attend technical meetings in this respect.

Elimination of National Long Distance Service

Elimination of the Domestic Long Distance Service was completed, without affecting the telephone service of users, in accordance with the timeline defined by the Telecommunications Undersecretary which established the beginning of gradual elimination of domestic long distance calls, which became local calls, beginning on March 29, 2014 in the Region of Arica y Parinacota, and ending in the Metropolitan Region on August 9, 2014.

The above in accordance with Law 20,704, published on November 6, 2013 in the Official Gazette, which eliminated domestic long distance.

31. Subsequent events

The consolidated financial statements of Telefónica Chile S.A., for the period ended as of June 30, 2015, were approved and their issuance was authorized at the Board of Directors Meeting held on July 23, 2015.

In the period from April 1 to July 23, 2015, there have been no other significant subsequent events that affect these consolidated financial statements.

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Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager