TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended as of
As of June 30, 2017 (not audited), December 31, 2016 and June 30, 2016

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

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Notes to the Consolidated Financial Statements

ThCh$: Thousands of Chilean Pesos
MCh$: Millions of Chilean Pesos

	Notes	06.30.2017	12.31.2016
		ThCh$	ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	139,374,127	221,274,945
Other current financial assets	(6)	19,811,438	21,222,612
Other current non-financial assets	(7)	59,547,224	56,989,206
Current trade and other accounts receivable	(8a)	300,441,119	243,664,414
Current receivables from related companies	(9a)	152,757,939	131,471,353
Inventory	(10a)	61,105,840	49,462,283
Current tax assets	(11b)	20,321,856	21,993,673
Total current assets other than assets or disposal groups of assets classified as held for sale or for distribution to the owners.		753,359,543	746,078,486
TOTAL CURRENT ASSETS		753,359,543	746,078,486
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	140,056,916	140,840,344
Other non-current non-financial assets	(7)	7,378,246	7,446,384
Non-current trade and other accounts receivable	(12a)	18,806,881	19,210,095
Intangible assets other than goodwill, net	(13a)	214,629,581	211,444,367
Goodwill	(14)	504,839,853	504,839,853
Property, plant and equipment, net	(15a)	1,259,710,258	1,277,374,224
Deferred tax assets	(11c)	139,783,346	8,362,026
TOTAL NON-CURRENT ASSETS		2,285,205,081	2,169,517,293
TOTAL ASSETS		3,038,564,624	2,915,595,779

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements

	Notes	06.30.2017	12.31.2016
		ThCh$	ThCh$
LIABILITIES			
CURRENT LIABILITIES			
Other current financial liabilities	(16)	18,909,731	79,385,443
Trade and other payables	(17a)	269,999,673	317,449,042
Current payables to related companies	(9b)	60,189,219	102,270,637
Other current provisions	(19a)	11,191,413	11,036,140
Current tax liabilities	(11f)	27,702,339	23,340,546
Current employee benefits accrual	(20a)	6,398,652	5,989,507
Other current non-financial liabilities	(21)	59,233,599	62,819,414
TOTAL CURRENT LIABILITIES		453,624,626	602,290,729
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(16)	809,896,769	764,153,852
Other non-current provisions	(19a)	18,641,450	17,161,751
Deferred tax liabilities	(11c)	72,937,556	90,159,443
Non-current employee benefits accrual	(20a)	31,044,308	30,769,516
Other non-current non-financial liabilities	(21)	5,846,672	6,213,514
TOTAL NON-CURRENT LIABILITIES		938,366,755	908,458,076
TOTAL LIABILITIES		1,391,991,381	1,510,748,805
NET SHAREHOLDERS' EQUITY			
Issued capital	(22a)	1,257,872,285	1,257,872,279
Retained earnings		829,261,194	588,963,184
Other reserves	(22d)	(454,807,323)	(455,942,013)
Shareholders' equity attributable to owners of the parent		1,632,326,156	1,390,893,450
Non-controlling interest	(22e)	14,247,087	13,953,524
TOTAL NET SHAREHOLDERS' EQUITY		1,646,573,243	1,404,846,974
TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY		3,038,564,624	2,915,595,779

The accompanying notes 1 to 30 form an integral part of these consolidated financial statement

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

As of June 30, 2017 and 2016 (not audited)

STATEMENTS OF COMPREHENSIVE INCOME	Notes	For the period from April 1 to June 30, 2017	For the six-month period ended June 30, 2017	For the period from April 1 to June 30, 2016	For the six-month period ended June 30, 2016
		ThCh$	ThCh$	ThCh$	ThCh$
Income from ordinary operations	(24a)	393,957,653	784,290,694	401,901,844	797,976,020
Other income	(24b)	3,739,137	5,242,965	4,583,529	5,725,554
Employee benefits expenses	(20d)	(31,925,380)	(66,248,822)	(32,189,126)	(64,472,057)
Depreciation and amortization expense	(13b)(15b)	(71,222,574)	(142,696,210)	(74,227,208)	(146,871,125)
Other expenses, by nature	(24c)	(252,962,446)	(496,524,492)	(254,065,862)	(490,692,874)
Profit from operating activities		41,586,390	84,064,135	46,003,177	101,665,518
Interest income	(24d)	2,706,085	6,004,794	1,857,474	4,120,006
Interest expense	(24d)	(9,577,549)	(20,110,587)	(14,334,447)	(25,994,128)
Foreign exchange differences	(24e)	859,977	635,927	(773,641)	27,561
Income from indexation units	(24f)	(306,263)	71,314	(186,530)	(578,480)
Profits before tax from continuing operations		35,268,640	70,665,583	32,566,033	79,240,477
Income tax expense	(11e)	144,608,402	129,655,642	(8,148,779)	(16,896,114)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		179,877,042	200,321,225	24,417,254	62,344,363
Profit attributable to holders of equity instruments of the controller and minority interest:					
Profit attributable to owners of the parent		179,558,825	200,022,967	24,337,997	62,027,646
Profit attributable to non-controlling interest	(22e)	318,217	298,258	79,257	316,717
PROFIT (LOSS)		179,877,042	200,321,225	24,417,254	62,344,363

EARNINGS PER SHARE		Ch$	Ch$	Ch$	Ch$
Earnings per basic share					
Earnings per basic share for continuing operations	(23)	0.202	0.225	0.042	0.0107
Earnings per basic share for discontinuing operations		0.202	0.225	0.042	0.0107
Earnings per basic share		0.202	0.225	0.042	0.0107
Diluted earnings per share					
Diluted earnings per share from continuing operations		0.202	0.225	0.042	0.0107
Diluted earnings per share from discontinuing operations		0.202	0.225	0.042	0.0107
Diluted earnings per share		0.202	0.225	0.042	0.0107

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

As of June 30, 2017 and 2016 (not audited)

	For the period from April 1 to June 30, 2017 ThCh$	For the six-month period ended June 30, 2017 ThCh$	For the period from April 1 to June 30, 2016 ThCh$	For the six-month period ended June 30, 2016 ThCh$
STATEMENTS OF COMPREHENSIVE INCOME				
PROFIT (LOSS) FOR THE PERIOD	179,877,042	200,321,225	24,417,254	62,344,363
OTHER COMPREHENSIVE INCOME				
Components of other comprehensive income that will not be reclassified to income for the period				
Other comprehensive income, before taxes, profits (losses) on new measurements of defined benefits plans	261,099	(281,477)	292,366	425,744
Total other comprehensive income that will not be reclassified to income for the period	261,099	(281,477)	292,366	425,744
Components of other comprehensive income that will be reclassified to income for the period				
Profits (losses) on foreign currency translation differences, before taxes	-	-	(28,673,547)	(37,880,740)
Profit (loss) on new measurement of financial assets available for sale	(223,066)	(179,166)	596,479	1,649,994
Profit (loss) on cash flow hedges	6,632,205	2,462,176	2,513,701	(6,712,644)
Total Components of other comprehensive income that will be reclassified to income for the period	6,409,139	2,283,010	(25,563,367)	(42,943,390)
Total other components of other comprehensive income, before taxes	6,670,238	2,001,533	(25,271,001)	(42,517,646)
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	3,363	6,730	79,873	117,332
Income taxes associated to components of other comprehensive income which will be reclassified to income for the period	3,363	6,730	79,873	117,332
Income tax related to hedging cash flows from other comprehensive income	(1,880,547)	(862,575)	(822,168)	463,085
Total income taxes associated to components of other comprehensive income	(1,877,184)	(855,845)	(742,295)	580,417
TOTAL OTRO RESULTADO INTEGRAL	4,793,054	1,145,688	(26,013,296)	(41,937,229)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	184,670,096	201,466,913	(1,596,042)	20,407,134
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Comprehensive income attributable to owners of the parent	184,247,859	201,157,604	(1,815,023)	19,907,096
Comprehensive income attributable to non-controlling interest	422,237	309,309	218,981	500,038
TOTAL COMPREHENSIVE INCOME	184,670,096	201,466,913	(1,596,042)	20,407,134

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements

CONSOLITED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As of June 30, 2017 and 2016 (not audited)

	Changes in capital (Note 22a)	Changes in the other reserves (Note 22d)					Retained earnings	Equity attributable to owners of the parent	Non controlling interests (Note 22e)	Total equity
	Issued capital	Cash flow hedge reserves	Reserves of actuarial gains or losses on defined benefit plans	Accrual of profits or losses on remeasurement of financial assets available for sale	Other miscellaneo us reserves	Total other reserves				
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance of tax year	1,257,872,279	9,954,496	(9,891,218)	1,336,599	(457,341,890)	(455,942,013)	588,963,184	1,390,893,450	13,953,524	1,404,846,974
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	200,022,967	200,022,967	298,258	200,321,225
Other comprehensive income	-	1,581,789	(271,713)	(175,439)	-	1,134,637	-	1,134,637	11,051	1,145,688
Comprehensive income	-	1,581,789	(271,713)	(175,439)	-	1,134,637	200,022,967	201,157,604	309,309	201,466,913
Dividends	-	-	-	-	-	-	40,266,680	40,266,680	(15,686)	40,250,994
Increase capital	6	-	-	-	-	-		6	-	6
Other increase (drecrease) from transfers And other changes	-	-	-	-	53	53	8,363	8,416	(60)	8,356
Other increase (decrease) from transactions with treasury shares	-	-	-	-	-	-	-	-	-	-
Total changes in shareholders' equity	6	-	-	-	53	53	40,275,043	40,275,102	(15,746)	40,259,356
Ending balance as of 06.30.2017	1,257,872,285	11,536,285	(10,162,931)	1,161,160	(457,341,837)	(454,807,323)	829,261,194	1,632,326,156	14,247,087	1,646,573,243
Beginning balance of tax year	720,091,083	24,035,341	(6,220,814)	4,830	(498,261,111)	(480,441,754)	504,696,805	744,346,134	13,920,669	758,266,803
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	62,027,646	62,027,646	316,717	62,344,363
Other comprehensive income	-	(6,392,676)	537,192	1,615,674	(37,880,740)	(42,120,550)	-	(42,120,550)	183,321	(41,937,229)
Resultado integral	-	(6,392,676)	537,192	1,615,674	(37,880,740)	(42,120,550)	62,027,646	19,907,096	500,038	20,407,134
Dividends	-	-	-	-	-	-	43,635,722	43,635,722	-	43,635,722
Other increase (decrease) from transfers and other changes	-	-	-	-	89,820,214	89,820,214	(19,160,987)	70,659,227	(185,204)	70,474,023
Other increase (decrease) from transactions with treasury shares	-	-	-	-	(7,406,043)	(7.406,043)	-	(7,406,043)	-	(7,406,043)
Total changes in shareholders' equity	-	-	-	-	82,414,171	82,414,171	24,474,735	106,888,906	(185,204)	106,703,702
Ending balance as of 06.30.2016	720,091,083	17,642,665	(5,683,622)	1,620,504	(453,727,680)	(440,148,133)	591,199,186	871,142,136	14,235,503	885,377,639

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements

	Notes	For the six-month period ended June 30, 2017 ThCh$	2016 ThCh$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Classes of operating activity charges			
Proceeds from sale of assets and services rendered			
Proceeds from sales and services		877,009,969	902,327,378
Proceeds from related entities		3,485,310	3,287,761
Other operating activities charges		-	9,942,469
Classes of payments			
Payments to suppliers for supplying goods and services		(527,815,375)	(486,573,436)
Payments to and on account of employees		(86,345,177)	(82,067,271)
Payments from related entities		(30,645,125)	(44,669,087)
Other operating activities payments		(87,821,742)	(73,623,080)
Net cash flows provided by (used in) operating activities		147,867,860	228,624,734
Income taxes paid reimbursed classified as operating activities (less)		(13,873,003)	(24,106,315)
Other cash inputs (outputs), classified as operating activities		(4,410,000)	2,712,523
Cash flows provided by (used in) operating activities		129,584,857	207,230,942
CASH FLOWS PROVIDED BY (USED IN) INVESTMENT ACTIVITIES			
Additions to property, plant and equipment, classified as investing activities		(171,817,846)	(163,835,883)
(Payments) proceeds Loans to related entities		(12,992,070)	(100,596,670)
Dividends received		-	-
Interest received, classified as investing activities		3,424,824	4,587,416
Other cash inputs (outputs), classified as investing activities		(2,509,400)	(29,816,563)
Net cash flows provided by (used in) investment activities		(183,894,492)	(289,661,700)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from loans, classified as financing activities			
Pagos por adquirir o rescatar las acciones de la entidad		-	(7,583,762)
Amounts from the issuance of debt instruments		-	99,057,000
Loans to related entities		(6,310,850)	3,918,000
Repaymen of loan, classified as financing activities		(64,488,450)	(52,336,929)
Payments of financial lease liabilities, classified as financing activities		-	(122,100)
Dividends paid, classified as financing activities		(64,385)	(71,674)
Payments of loans to related entities		48,795,050	-
Interest paid, classified as financing activities		(19,604,468)	(20,299,758)
Other cash inputs (outputs), classified as financing activities		14,081,971	(817,087)
Net cash flows provided by (used in) financing activities		(27,591,132)	21,743,690
Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate		(81,900,767)	(60,687,068)
Effects of changes in the exchange rate over cash and cash equivalents		(51)	(342,791)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(81,900,818)	(61,029,859)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		221,274,945	222,299,345
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(5)	139,374,127	161,269,486

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements

1. Corporate information:

Telefónica Móviles Chile S.A. (formerly Inversiones Telefónica Móviles Holding S.A., (hereinafter "the Company"), was established as a limited liability company on July 12, 2004. On December 30, 2011 the partners agreed to change it to a closely held company. The Company's capital is divided into 10 billion common, single series registered shares, without par value, which have been fully subscribed and paid. The Company's line of business is: i) operating the public telephone service concessions which it may come to hold by virtue of Supreme Decrees issued by the Ministry of Transportation and Telecommunications; ii) performing all types of activities in the field of telecommunications services (fixed and mobile), comprising the installation, operation, exploitation and management, in general, of all types of networks, systems and services; iii) purchasing and selling all types of articles and products in the communications area; iv) offering data processing services to third parties; v) performing research and development activities in the telecommunications and telematics fields; vi) investing in tangible and tangible personal property, in shares of public companies, rights in other companies, bonds, commercial papers and other transferable securities, as well as their administration and operation. The Company is located at Avenida Providencia No. 111, Santiago, Chile.

At the Extraordinary Shareholders' Meeting of Inversiones Telefónica Móviles Holding S.A. the shareholders approved the merger by absorption of subsidiary Telefónica Móviles Chile S.A., subject to the condition that the Company is to be registered in the Securities Registry of the Superintendency of Securities and Insurance. The registration process was completed on May 2, 2017 and the Company was incorporated to the Securities Registry under Number 1145. This merger did not generate financial effects except for those described in Note 11.

At the same Extraordinary Shareholders' Meeting held on March 22, 2017 the shareholders approved changing the Company's name from Inversiones Telefónica Móviles Holding S.A. to Telefónica Móviles Chile S.A., as well as the wording of the new bylaws which as of the date of these financial statements are in force.

Telefónica Móviles Chile S.A. forms part of the Telefónica Group, and its majority shareholders are indirect subsidiaries of Telefónica S.A., whose activities are headquartered in Spain.

The subsidiary registered in the Securities Registry is:

Subsidiary	Taxpayer No.	Registration No.	Participation percentage	
			06.30.2017	12.31.2016
			%	%
Telefónica Chile S.A.	90.635.000-9	009	97.92	97.92

2. Significant accounting principles:

a) Accounting period

The interim consolidated financial statements (hereinafter, the "financial statements") cover the following periods: Consolidated Statements of Financial Position, for the periods ended as of June 30, 2017 and December 31, 2016; Consolidated Comprehensive Income Statements for the three and six-month periods ended as of June 30, 2017 and 2016 and the corresponding Statements of Changes in Equity and Statements of Cash Flows for the six-month periods ended as of June 30, 2017 and 2016.

b) Basis of presentation

The consolidated financial statements for December 31, 2016 and their corresponding notes are shown in a comparative manner in accordance with Note 2a). Certain minor reclassifications have been made for comparison purposes to the 2016 financial statements.

c) Basis of preparation

The consolidated financial statements as of June 30, 2017, and December 31, 2016, and the comprehensive income statements, statements of changes in equity and statements of cash flows for the 6-month periods ended as of June 30, 2017 and 2016 have been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting", incorporated in International Financial Reporting Standards (IFRS)

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

d) Exchange Method

Balances of monetary assets and liabilities denominated in foreign currency are presented valued at the closing exchange rate for each period. Foreign currency translation differences arising from the application of this standard are recognized in income for the period through the "Foreign currency translation differences account and differences resulting from valuation of the UF are recognize in income for the period in the "income from indexation units" account.

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

2. Significant accounting principles, continued

d) Exchange Method, continued

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

Assets and liabilities in US$ (United States dollars), Euros, Brazilian Real and UF (Unidades de Fomento), have been converted to Chilean pesos at the observed exchange rates as of the closing date of each period, detailed as follows:

DATE	USD	EURO	REAL	UF
30-Jun-2017	664.29	758.32	200.94	26,665.09
31-Dic-2016	669.47	705.60	205.82	26,347.98
30-Jun-2016	661.37	731.93	206.52	26,052.07

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries (hereinafter, "the Company"), 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 22e).

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

2. Significant accounting principles, continued

e) Basis of consolidation, continued

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.

The following subsidiaries are included in consolidation:

Taxpayer No.	Company Name	Origin Country	Currency	% of participation 06.30.2017 Direct	Indirect	Total	12.31.2016 Total
96.990.810-7	Telefónica Móviles Soluciones y Aplicaciones S.A.	Chile	CLP	99.99	1.00	100.00	100.00
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA	Chile	CLP	-	100.00	100.00	100.00
90.635.000-9	Telefónica Chile S.A.	Chile	CLP	97.92	-	97.92	97.92
76.703.410-1	Telefónica Empresas Chile S.A.	Chile	CLP	-	99.99	99.99	99.99
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	Chile	CLP	1.00	99.00	100.00	100.00
87.845.500-2	Telefónica Móviles Chile S.A (1)	Chile	CLP	-	-	99.99	99.99

(1) On May 2, 2017, this subsidiary was absorbed by the Company.

2. **Significant accounting principles**, continued

e) **Basis of consolidation**, continued

The summarized financial information at June 30, 2017 of the companies included in the consolidation is as follows:

Taxpayer No.	Company Name	% Participation	Currents assets ThCh$	Non-currents assets ThCh$	Total Assets ThCh$	Currents liabilities ThCh$	Non-currents liabilities ThCh$	Total liabilities ThCh$	Equity ThCh$	Revenues from ordinary operations ThCh$	Profit (loss), Net ThCh$
96.990.810-7	Telefónica Móviles Soluciones y Aplicaciones S.A.	100.00	1,747,893	-	1,747,893	115,766	-	115,766	1,632,127	-	17,108
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA	100.00	4,019,849	632,889	4,652,738	5,068,117	109,732	5,177,849	(525,111)	1,075,000	(1,009,140)
90.635.000-9	Telefónica Chile S.A.	97.92	273,765,485	1,192,159,789	1,465,925,274	246,541,730	534,427,521	780,969,251	684,956,023	245,572,506	14,339,291
78.703.410-1	Telefónica Empresas Chile S.A.	99.9999973	171,172,496	91,677,250	262,849,746	155,732,673	1,814,847	157,547,520	105,302,226	154,346,087	1,852,141
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	100.00	142,946,628	44,461,138	187,407,766	109,183,385	37,290,401	146,473,786	40,933,980	97,898,872	6,520,230

The summarized financial information at December 31, 2016 of the companies included in the consolidation is as follows:

Taxpayer No.	Company Name	% Participation	Currents assets ThCh$	Non-currents assets ThCh$	Total Assets ThCh$	Currents liabilities ThCh$	Non-currents liabilities ThCh$	Total liabilities ThCh$	Equity ThCh$	Revenues from ordinary operations ThCh$	Profit (loss), Net ThCh$
96.990.810-7	Telefónica Móviles Soluciones y Aplicaciones S.A.	100.00	1,743,080	-	1,743,080	138,386	-	138,386	1,604,694	-	45,599
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA	100.00	3,405,264	942,350	4,347,614	3,758,390	104,694	3,863,084	484,530	1,178,025	(72,921)
90.635.000-9	Telefónica Chile S.A.	97.92	316,792,118	1,196,888,626	1,513,680,744	325,125,393	517,715,987	842,841,380	670,839,364	518,771,429	19,570,736
76.703.410-1	Telefónica Empresas Chile S.A.	99.99	147,802,580	96,185,133	243,987,713	138,474,636	1,830,967	140,305,603	103,682,110	312,789,879	(22,477,298)
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	100.00	98,739,864	45,228,006	143,967,870	72,238,364	37,053,841	109,292,205	34,675,665	186,725,320	9,515,223
87.845.500-2	Telefónica Móviles Chile S.A.	99.99	318,378,975	1,029,205,018	1,347,583,993	290,296,245	409,061,175	699,357,420	648,226,573	935,625,512	84,862,253

2. Significant accounting principles, continued

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.

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 consolidated 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.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

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.

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 consolidated 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.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

iv) Financial assets available for sale, continued

Changes in fair value, net of their tax effect, are recorded in the consolidated 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 period.

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 period.

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. 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 18).

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.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

3. Financial liabilities, continued

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.

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 (see Note 18.2). 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.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

4. Derivative financial instruments, continued

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.

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.

2. Significant accounting principles, continued

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.

Obsolescence is determined on the basis of the commercial turnover of equipment and accessories. According to the Company's policies, marketable materials with a turnover in excess of 360 days have been defined as having slow turnover. Likewise, stored scrapped products or accessories are considered to be a total loss.

h) Impairment of non-current assets

At each year-end non-current assets are evaluated for possible indications of impairment. If such indications exist, the Company estimates the asset's recoverable amount, which is its value in use or its fair value, less 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.

The discount rate used to discount future cash flows as of December 31, 2016 was 7.05%. There are no indications of possible impairment of assets for the period ended as of June 30, 2017, therefore no impairment testing has been performed.

i) Leases

Leased assets for which the lessor retains a significant part of the risks and rewards of ownership are classified as operating leases. Payments made on this type of lease are charged to income on a straight-line basis over the term of the lease. Future obligations on these contracts are detailed in Note 25.

2. Significant accounting principles, continued

i) Leases, continued

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 2017 and 2016 were not identified leasing implicit.

j) 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 25.5% at June 30, 2017, 24% at June 30 and December 31, 2016, 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.

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.

k) Goodwill

Represent the difference between acquisition cost and fair value, 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.

2. **Significant accounting principles**, continued

k) Goodwill, continued

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.

l) Intangibles (concession licenses)

Concession licenses correspond to the cost incurred to obtain mobile cellular telephone public services concessions. They are presented at their acquisition cost less accumulated amortization and less any impairment loss, should there be any.

The Company amortizes these licenses over the concession period (30 years from the date of publication of the decree that accredits the respective license in the Official Gazette), which began in December 2003.

ii) Licenses and softwares

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. Also includes intangible assets being developed which correspond to commercial systems applications, mainly billing, collecting and collections, to be used by the Company in the normal course of its operations in relation to its customer. These intangible assets being developed are recorded at acquisition cost plus all costs associated to their implementation and are amortized over the period in which their use is expected to generate income.

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 20 years.

2. **Significant accounting principles**, continued

m) 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 period.

An asset's dismantling provisioned 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 the closure of periods of 2017 and 2016 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.

n) 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.

2. Significant accounting principles, continued

n) Depreciation of property, plant and equipment, continued

The average annual financial depreciation rate of the Company is approximately 10.79% and 10.44% to June 30, 2017 and 2016, 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.

ñ) 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% at june 30, 2017 and 2016 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

ñ) 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.

o) 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:

i) Fixed telecommunications

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.

2. Significant accounting principles, continued

o) Income and expenses, continued

i) Fixed telecommunications, continued

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.

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 charged to the income account as they are incurred.

2. Significant accounting principles, continued

o) Income and expenses, continued

ii) Mobile telecommunications

The Company's revenue arises mainly from the providing of mobile telecommunication services and is recognized when it is probable that future economic benefits will flow to the Company and can be reliably measured. In order to measure and estimate the telephone services provided and not billed as well as measuring unearned income, the Company has computer systems and processes that allow it to balance, validate and price the traffic processed and contracted by subscribers from the records it obtains from its different switchboards.

The services provided and not billed, are determined on the basis of contracts, traffic and current prices and conditions for the year. The amounts for this concept are presented under "net current trade and other accounts receivable".

Revenue generated from the sale of prepaid electronic top-up, is recognized as revenue in the month in which the traffic is used or in the month when balances pending consumption expire, whichever happens first. Deferred income is included in current liabilities.

Revenue and costs on the sale of handheld prepaid equipment are recognized once these are activated.

iii) Customer loyalty program:

Consists mainly in a program called "Club Movistar" which provides multiple benefits to customers which can be provided by third parties or by the Company. This loyalty program also gives "points" to customers which can be exchanged for services and products within a specified period. The generation of points is equivalent to a percentage of the total value of the bill associated to contracted plans or hybrids and only for voice and data traffic, excluding reconnection charges, interest and collections. Accumulated Club Movistar points that have not been exchanged automatically expire after 18 months.

The points provided in sales transactions are recorded as a component, separate from the sale in accordance with what is stated in IFRIC 13 Customer Loyalty Programs, i.e. they are recorded as deferred income at the market value of the points provided (1 point is equivalent to $1), adjusted by the estimated rate of points not exchanged due to expiry of the benefit. The estimated exchange rate is determined using historical statistics of expiry of points before they are exchanged.

2. Significant accounting principles, continued

o) Income and expenses, continued

iii) Government subidies:

Operating subsidiaries Telefónica Chile S.A. and Telefónica Móviles Chile S.A. participate in tenders for State projects associated to the Telecommunications Development Fund, for the purpose of receiving resources to install operating assets for the operation and exploitation of public services. These resources, called government subsidies, are initially recorded as deferred income, under other non-financial liabilities, and charged against income over the useful lives of the assets associated to those subsidies (see Note 21).

Subsidiary Telefónica Investigación y Desarrollo Chile SpA participates in tenders for State projects associated to the Innova Chile Committee, in order to carry out research and development, technology transfer and marketing activities, in the area of information and communication technologies. These government subsidies are initially recorded as deferred revenue under "other non-financial liabilities", and are recoded in income as the projects progress in their development (see Note 21).

p) 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.

2. **Significant accounting principles**, continued

o) Income and expenses, continued

ii) Deferred taxes, continued

This analysis takes into consideration the forecasted reversal calendar for deferred tax liabilities as well as estimates of taxable income, based on internal projections that are updated to reflect recent trends.

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

iii) Provisions

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

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

iv) Income recognition: agreements combining more than one element

Commercial packages that combine different elements are analyzed to determine if these elements must be separated, applying the appropriate 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.

2. Significant accounting principles, continued

p) Use estimates, continued

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 20a).

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.

q) 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.

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.

2. Significant accounting principles, continued

r) 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 15	Income from Customer Contracts	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IFRIC 22	Transaction in foreign currency and advance consideration	January 1, 2018
IFRIC 23	Uncertainty Over Income Tax Treatment	January 1, 2019

IFRS 9 "Financial instruments"

Published in July 2014. The IASB has published the full version of IFRS 9, which substitutes the guide for application of IAS 39. This final version includes requirements related to classification and measurement of financial assets and liabilities and an expected credit losses model that replaces the current incurred loss impairment model. The part of the final version of IFRS 9 related to hedge accounting had already been published in November 2013. Early adoption is allowed.

IFRS 15 **"Income from Customer Contracts"**

Published in May 2014. It establishes principles that an entity must apply to report information that is useful to users of the financial statements in relation to the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. The basic principle is that an entity shall recognize revenue that represents the transfer of goods or services promised to a customer for an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. Its application replaces IAS 11 Construction Contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programs; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 18 Transfer of Assets from Customers; and SIC-31 Barter Transactions Involving Advertising. Early application is allowed.

IFRS 16 "Lease"

Published in January 2016 it establishes the principle for recognition, measurement, presentation and disclosure of leases. IFRS 16 substitutes current IAS 17 and introduces a single model for lessee accounting and requires a lessee to recognize the assets and liabilities of all lease agreements with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and early application is allowed for entities that apply IFRS 15 before the date of the initial application of IFRS 16.

2. Significant accounting principles, continued

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

IFRS 17 "Insurance Contracts"

Published in May 2017, it replaces current IFRS 4. IFRS 17 will mainly change the accounting for all entities that issue investment contract insurance contracts with discretional interest characteristics. The standard is applicable to annual periods commencing as of January 1, 2021. Early application is allowed only when IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments are applied.

IFRIC 22 "Transactions in Foreign Currency and Advance Consideration"

Published in December 2016. This interpretation is applicable to a transaction in foreign currency (or part of it) when an entity recognizes a non-financial asset or non-financial liability that arises from payment or collection of an advance consideration before the entity recognizes the related asset, expense or income (or the applicable part of it). The interpretation provides a guide for when a single payment is made/received, as well as for situations in which multiple payments are made/received. Its objective is to reduce diversity in practice.

IFRIC 23 "Uncertainty Over Income Tax Treatment"

Published in June 2016. This interpretation clarifies how the recognition and measurement requirements of IAS 12 are applied when there is uncertainty about the tax treatment.

This Interpretation will be applicable for annual periods commencing as of January 1, 2018. Early application is allowed. If an entity applies this Interpretation to previous periods, it shall disclose this fact.

The Company is evaluating the impact that the application of IFRS 9, IFRS 15, IFRS 16, IFRS 17 and IFRIC 22 and 23 could have when they come into effect.

	Improvements and amendments	Mandatory application date
IFRS 2	Share-based payments	January 1, 2018
IFRS 4	Insuranse contracts	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IAS 40	Investment properties	January 1, 2018
IFRS 10	Consolidated Financial Statements	Determined

2. Significant accounting principles, continued

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

IFRS 2 "Share-based Payments"

Published in June 2016, the amendment clarifies the measurement of share-based payments settled in cash and the accounting for modifications that change those payments to settlement with equity instruments. In addition, it introduces an exception to the principles of IFRS 2 that will require the treatment of premiums as if they were all settlements with an equity instrument, when the employer is obligated to withhold the tax related to share-based payments.

IFRS 4 "Insurance Contracts"

Published in September 2016. The amendment introduces two approaches: (1) overlay approach, which provides all companies that issue insurance contracts with the option to recognize the volatility that might arise when IFRS 9 is applied before the new standard on insurance contracts, in other comprehensive income instead of profit and loss and (2) temporary exemption of IFRS 9, which allows companies whose activities are predominantly related to insurance, to optionally apply a temporary exemption to IFRS up to 2021, continuing until then with the application of IAS 39.

IFRS 15 "Revenue from Contracts with Customers"

Published in April 2016. The amendment introduces clarification to the guide for identifying performance obligations in contracts with customers, accounting for intellectual property licenses and evaluation of the principal versus agent (gross versus net presentation of revenue). Includes new and amended illustrative examples as a guide, as well as practical examples related to the transition to the new revenue standard.

IAS 40 "Investment Properties"

Published in December 2016. The amendment clarifies that in order to transfer to or from investment properties, there must be a change in use. To conclude whether the use of a property has changed there must be an evaluation (supported by evidence) of whether the property complies with the definition.

IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"

Published in September 2014. This amendment addresses an inconsistency in the requirements of IFRS 10 and IAS 28 related to the treatment of the sale or contributions of assets between an investor and its associate or joint venture. The main consequence of the amendment is that a full gain or loss is recognized when the transaction involves a business (whether it is in a subsidiary or not) and a partial gain or loss when the transaction involves assets that do not constitute a business, even if these are in a subsidiary.

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 Móviles 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.

4. Financial information by segment, continued

The operating segments reported internally are as follows:

a) Mobile Telephone

Mobile telephone services mainly include revenue from the providing of mobile telecommunications services, sale of electronic prepaid top-up and the sale of handheld equipment. Revenue is recognized as the services are provided.

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

b) Fixed Telecommunications

Landline telephone services include primary services, connections and line installations, value added services, marketing of handsets, broadband, dedicated lines, international long distance services and circuit and other media rentals. Income in the financial statements is recognized as the services are provided or the equipment is sold.

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

c) 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.

d) Long Distance

Long distance services include international long distance services. The long distance business segment also leases its long distance network to other telecommunications operators, such as long-distance carriers, mobile telephone service operators and Internet services suppliers. Revenue is recognized as the services are rendered.

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

e) Corporate Communications and Data

Corporate communications services include revenue from the sale and rental of telecommunications equipment and the sale of networks to corporate customers, rental of networks associated to public or private projects and data transmission services. Revenue is recognized as the services are provided.

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

f) Others

"Other" includes logistics, personnel and management services.

4. Financial information by segment, continued

Relevant information regarding Telefónica Móviles Chile S.A. and its main subsidiaries, which represent different segments, together with information regarding other subsidiaries, corresponding to June 30, 2017, December 31, 2016 and June 30, 2016 is detailed as follows:

For the period ended as of June 30, 2017	Mobile Telecommunications	Fixed Telecommunications	Corporate Communication and Data	Television Services	Other	Eliminations	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Income from external customers	453,375,249	181,392,040	51,505,964	87,094,033	39,193,294	(28,269,886)	784,290,694
Income from ordinary activities arising from transactions with other operating segments of the same entity	6,211,818	68,216,122	15,746,090	-	58,705,578	(148,879,608)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	459,587,067	249,608,162	67,252,054	87,094,033	97,898,872	(177,149,494)	784,290,694
Cost of sales	176,209,173	28,699,330	40,614,143	57,150,931	-	(82,793,072)	219,880,504
Administrative expenses	172,430,286	128,360,210	23,113,024	19,714,603	37,192,470	(104,166,605)	276,643,988
Employee benefits expenses	1,051,000	-	-	-	76,275,382	(11,077,560)	66,248,822
Income from ordinary activities arising from interest		-	-	-	-	-	-
Interest expense	8,910,480	10,658,761	528,319	10,171	1,526,712	(1,523,856)	20,110,587
Interest income	4,246,200	2,484,946	779,071	-	19,828	(1,525,251)	6,004,794
Depreciation and amortization	55,962,317	71,003,098	7,608,296	8,122,499	-	-	142,696,210
Participation in profit of associated companies accounted for using the equity method	17,253,055	5,092,696	84,763	-	-	(22,430,514)	-
Income tax expense	(129,213,565)	1,276,233	1,137,918	2,274,581	1,694,189	(6,824,998)	(129,655,642)
Other significant non-cash items	4,286,337	1,186,775	91,707	-	25,307,391	(24,922,004)	5,950,206
Profits(loss) before tax	70,809,403	19,651,180	(3,656,187)	2,095,829	8,231,527	(26,466,169)	70,665,583
Profit (loss) for the period from continuing operations	200,022,968	18,374,947	(4,794,105)	(178,751)	6,537,338	(19,641,171)	200,321,225
Profit (loss) for the period from discontinuing operations							
Profit (loss) for the period	200,022,968	18,374,947	(4,794,105)	(178,751)	6,537,338	(19,641,171)	200,321,225
Assets	2,345,927,854	1,465,925,274	115,653,888	147,195,858	189,155,660	(1,225,293,910)	3,038,564,624
Investments in associates accounted for using the equity method	693,017,449	125,646,415	532,142	-	-	(819,196,006)	-
Increases in non-current assets	50,052	64,692,323	8,239,850	-	-	-	72,982,225
Liabilities	709,877,512	780,969,251	88,226,611	69,320,909	146,589,552	(402,992,454)	1,391,991,381
Shareholders' equity	1,636,050,342	684,956,023	27,427,277	77,874,949	42,566,108	(822,301,456)	1,646,573,243
Liabilities & Shareholders' equity	2,345,927,854	1,465,925,274	115,653,888	147,195,858	189,155,660	(1,225,293,910)	3,038,564,624
Cash flows provided by (used in) operating activities	72,125,193	53,439,533	536,063	763,362	(41,802,349)	44,523,055	129,584,857
Cash flows provided by (used in) investment activities	(115,280,195)	(88,143,001)	(7,775,452)	(13,822,729)	(1,300,000)	42,426,885	(183,894,492)
Cash flows provided by (used in) from in financing activities	8,453,122	37,637,098	(583,649)	(692,013)	42,675,000	(115,080,690)	(27,591,132)

4. Financial information by segment, continued

For the period ended as of December 31, 2016	Mobile Telecommunications ThCh$	Fixed Telecommunications ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	924,601,794	388,738,198	115,844,366	173,924,162	-	23,957,462	1,627,065,982
Income from ordinary activities arising from transactions with other operating segments of the same entity	10,988,932	132,362,414	23,021,351	-	326,025,192	(492,397,889)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	935,590,726	521,100,612	138,865,717	173,924,162	326,025,192	(468,440,427)	1,627,065,982
Cost of sales	363,845,731	57,350,605	90,076,322	107,908,195	-	396,350,181	1,015,531,034
Administrative expenses	333,924,359	248,040,387	42,571,582	51,215,829	53,892,682	(729,644,839)	-
Employee benefits expenses	2,064,158	-	-	-	145,028,174	1,547,963	148,640,295
Income from ordinary activities arising from interest							
Interest expense	25,813,983	22,921,519	902,776	728,901	7,615,706	(3,440,484)	54,542,401
Interest income	7,502,684	3,735,700	455,443	178,079	358,168	(3,455,502)	8,774,572
Depreciation and amortization	112,224,360	150,079,885	14,394,987	25,905,532	-	-	302,604,764
Participation in profit of associated companies accounted for using the equity method	4,567,307	(17,748,231)	123,698	-	-	13,057,226	-
Income tax expense	30,516,410	9,694,016	(2,426,584)	6,156,385	1,365,683	-	45,305,910
Other significant non-cash items	5,590,537	569,067	762,879	646,649	25,301,974	(3,959,548)	28,911,558
Profits(loss) before tax	115,378,663	29,264,752	(7,737,930)	(11,009,567)	145,148,772	(127,611,072)	143,433,618
Profit (loss) for the period from continuing operations	84,862,253	19,570,736	(5,311,346)	(17,165,952)	143,783,089	(127,611,072)	98,127,708
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-	-
Profit (loss) for the period	84,862,253	19,570,736	(5,311,346)	(17,165,952)	143,783,089	(127,611,072)	98,127,708
Assets	1,346,231,631	1,513,680,744	109,134,338	134,853,375	1,827,433,236	(2,015,737,545)	2,915,595,779
Investments in associates accounted for using the equity method	16,644,319	120,915,916	-	-	-	(137,560,235)	-
Increases in non-current assets	111,111	143,413,966	34,140,972	-	-	136,091,194	313,757,243
Liabilities	698,005,058	842,841,380	61,981,636	78,323,967	153,063,177	(323,466,413)	1,510,748,805
Shareholders' equity	648,226,573	670,839,364	47,152,702	56,529,408	1,674,370,060	(1,692,271,133)	1,404,846,974
Liabilities & Shareholders' equity	1,346,231,631	1,513,680,744	109,134,338	134,853,375	1,827,433,237	(2,015,737,546)	2,915,595,779
Cash flows provided by (used in) operating activities	242,570,582	239,113,761	2,076,596	2,957,103	4,507,299	51,696,940	542,922,281
Cash flows provided by (used in) investment activities	(116,540,064)	(132,753,121)	(11,710,692)	(20,818,560)	(1,300,000)	55,783,774	(227,338,663)
Cash flows provided by (used in) from in financing activities	(172,602,912)	(64,654,711)	12,223,611	14,493,119	(4,385,000)	(49,853,230)	(264,779,123)

4. Financial information by segment, continued

For the period ended as of June 30, 2016	Mobile Telecommunications ThCh$	Fixed Telecommunications ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	455,689,244	230,104,037	49,978,599	86,473,006	7,293,607	(31,562,473)	797,976,020
Income from ordinary activities arising from transactions with other operating segments of the same entity	5,673,763	66,152,905	13,015,722	-	92,676,412	(177,518,802)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	461,363,007	296,256,942	62,994,321	86,473,006	99,970,019	(209,081,275)	797,976,020
Cost of sales	178,524,944	29,276,598	41,137,101	52,635,660	-	(73,478,011)	228,096,292
Administrative expenses	158,604,825	122,382,549	20,523,193	25,943,034	19,734,775	(84,591,794)	262,596,582
Employee benefits expenses	1,037,426	-	-	-	73,487,763	(10,053,132	64,472,057
Income from ordinary activities arising from interest		-	-	-	-	-	-
Interest expense	11,710,137	11,348,620	425,783	349,999	4,003,532	(1,843,943)	25,994,128
Interest income	3,859,759	1,820,836	189,865	26,780	100,325	(1,877,559)	4,120,006
Depreciation and amortization	52,698,436	73,339,761	6,632,730	14,200,198	-	-	146,871,125
Participation in profit of associated companies accounted for using the equity method	2,040,925	(7,790,344)	55,275	-	-	5,694,144	-
Income tax expense	16,501,898	625,476	(3,722,503)	2,879,027	612,216	-	16,896,114
Other significant non-cash items	3,354,563	(691,518)	444,741	916,682	5,537,109	(10,112,496)	(550,919)
Profits(loss) before tax	68,042,486	53,248,388	(5,034,605)	(5,712,423)	8,381,383	(45,410,306)	73,514,923
Profit (loss) for the period from continuing operations	51,540,588	52,622,912	(1,312,102)	(8,591,450)	7,769,167	(45,410,306)	56,618,809
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-	-
Profit (loss) for the period	51,540,588	52,622.912	(1,312,102)	(8,591,450)	7,769,167	(45,410,306)	56,618,809
Assets	1,548,858,912	1,478,456,120	134,890,340	125,450,900	1,726,384,207	(2,051,610,566)	2,962,429,913
Investments in associates accounted for using the equity method	16,139,237	130,612,726	-	-	-	(146,751,963)	-
Increases in non-current assets	72,297,495	66,931,036	20,184,343	5,934,864	-	-	165,347,738
Liabilities	802,449,782	794,060,521	92,214,315	54,225,033	689,341,844	(355,239,222)	2,077,052,273
Shareholders' equity	746,409,130	684,395,599	42,676,025	71,225,867	1,037,042,364	(1,696,371,346)	885,377,639
Liabilities & Shareholders' equity	1,548,858,912	1,478,456,120	134,890,340	125,450,900	1,726,384,208	(2,051,610,568)	2,962,429,912
Cash flows provided by (used in) operating activities	136,122,240	81,683,814	18,910,009	(4,306,110)	(20,286,428)	(4,892,583)	207,230,942
Cash flows provided by (used in) investment activities	(214,416,388)	(71,974,380)	(25,031,252)	(3,450,870)	780,106	2,.431,084	(289,661,700)
Cash flows provided by (used in) from in financing activities	36,112,170	(35,949,751)	5,462,789	8,756,980	20,432,917	(13,071,415)	21,743,690

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

Accounting criteria regarding transactions between subsidiaries of Telefónica Móviles 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	06.30.2017 ThCh$	12.31.2016 ThCh$
Cash (a)		368,445	97,567
	CLP	333,998	97,567
	USD	18,040	-
	EUR	16,407	-
Banks (b)		13,121,168	20,838,977
	CLP	12,733,561	18,048,256
	USD	367,176	2,741,779
	EUR	20,431	48,942
Time deposits (c)		120,383,854	187,957,415
	CLP	120,383,854	187,812,803
	USD	-	144,612
Repurchase agreement (d)		5,500,660	12,380,986
	CLP	5,500,660	12,380,986
Total cash and cash equivalents		139,374,127	221,274,945
Sub-total by currency	CLP	138,952,073	218,339,612
	USD	385,216	2,886,391
	EUR	36,838	48,942

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, 2017 and December 31, 2016 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$	06.30.2017 ThCh$
Time deposits	CLP	120,285,000	2.80%	12	120,285,000	98,854	120,383,854
Total					120,285,000	98,854	120,383,854

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$	12.31.2016 ThCh$
Time deposits	CLP	187,576,000	3.83%	12	187,576,000	236,803	187,812,803
Time deposits	USD	226	0.80%	6	144,606	6	144,612
Total					187,720,606	236,809	187,957,415

d) Repurchase agreement

The Repurchase agreement at June 30, 2017 are as follows:

Code	Date		counterparty	Currency Origin	Subscription value of currency origin (ThCh$)	Annual rate	Total Value ThCh$	accounting value ThCh$
	Start	Term				%		06.30.2017
CRV	28-jun-17	03-jul-17	BBVA	CLP	4,500,000	2.16%	4,501,350	4,500,540
CRV	28-jun-17	03-jul-17	BBVA	CLP	1,000,000	2.16%	1,000,300	1,000,120
	Total				5,500,00		5,501,650	5,500,660

The Repurchase agreement at December 31, 201 are as follows:

Code	Date		counterparty	Currency Origin	Subscription value of currency origin (ThCh$)	Annual rate	Total Value ThCh$	accounting value ThCh$
	Start	Term				%		12.31.2016
CRV	30-dic-16	04-jan-17	BCI	CLP	950,000	2.76%	950,073	950,073
CRV	30-dic-16	04-jan-17	BBVA	CLP	7,310,000	2.88%	7,310,585	7,310,585
CRV	30-dic-16	04-jan-17	BCI	CLP	500,000	2.76%	500,192	500,038
CRV	30-dic-16	04-jan-17	BBVA	CLP	3,620,000	2.88%	3,621,448	3,620,290
	Total				12,380,000		12,382,298	12,380,986

6. Other current and non-current financial assets

Other current and non-current financial assets are detailed as follows:

Concepts		06.30.2017 Current ThCh$	06.30.2017 Non-Current ThCh$	12.31.2016 Current ThCh$	12.31.2016 Non-Current ThCh$
Guarantees established	(a)	56,680	50,468	56,680	50,468
Other investments	(b)	3,002,430	6,865,637	-	7,044,801
Highly liquid financial instruments	(c)	12,978,195	-	-	-
Exchange rate hedge	(See Note 18.2)	3,774,133	133,140,811	21,165,932	133,745,075
Total		19,811,438	140,056,916	21,222,612	140,840,344

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

b) Other current investments are detailed as follows:

Type of investment	Currency	Capital in original currency (thousands)	Average annual rate	Average days to maturity	Capital in local currency ThCh$	Local Currency accrued interest ThCh$	06.30.2017 ThCh$	12.31.2016 ThCh$
Time deposits	CLP	3,000,000	0.27%	91	3,000,000	2,430	3,002.430	-
Total					3,000,000	2,430	3,002,430	-

Other non-current investments are detailed as follows:

Participation	Country	Investment currency	06.30.2017 ThCh$	12.31.2016 ThCh$
Telefónica Brasil (1) (2)	Brazil	REAL	6,861,780	7,040,946
Other participation	Chile	CLP	3,857	3,855
Total			6,865,637	7,044,801

(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, 2017 dividends in the amount of ThCh$306,970, were accrued on the 0.06% share in the equity of Telefónica Brasil. As of December 31,2016, have been received dividends for ThCh$331,860.

c) Highly Liquid Financial Instruments are detailed as follows:

Type of investment	Currency	Capital in original currency (thousands)	Effective rate	Average days to maturity	Capital in local currency ThCh$	Accrued interest ThCh$	Difference Remainder ThCh$	06.30.2017 ThCh$	12.31.2016 ThCh$
Highly liquid financial instruments	USD	19,500	1.55%	30	12,992,070	24,540	(38,415)	12,978,195	-
Total		19,500			12,992,070	24,540	(38,415)	12,978,195	-

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

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

Concepts	06.30.2017 Current ThCh$	06.30.2017 Non-current ThCh$	12.31.2016 Current ThCh$	12.31.2016 Non-current ThCh$
Deferred cost of handsets (1)	11,410,273	-	9,994,381	-
Unearned leasing	13,773,162	908,863	17,604,653	616,926
Franchisee commissions (2)	13,776,249	-	11,787,935	-
Other prepaid expenses (3)	18,820,475	6,469,383	15,098,842	6,829,458
Other (4)	1,767,065	-	2,503,395	
Total	59,547,224	7,378,246	56,989,206	7,446,384

(1) Corresponds to the cost of dispatched prepaid units, that have not been activated by the end customers.

(2) This item includes commissions paid to franchisees for additions and replacement of mobile equipment and others, which are deferred over six months.

(3) As of June 30, 2017, ThCh$12,101,031 have been recorded in current and ThCh$6,469,383 in non-current, for amortizable expenses arising from the commercial model for television services.

(4) This item mainly includes remaining VAT and recoverable taxes in the amount of ThCh$ 1,280,068, prepaid insurance in the amount of ThCh$ 454,537 and other concepts in the amount of ThCh$ 32,460.

8. Current trade and other accounts receivable

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

Concepts	06.30.2017 Gross value ThCh$	06.30.2017 Allowance for doubtful accounts ThCh$	06.30.2017 Net value ThCh$	12.31.2016 Gross value ThCh$	12.31.2016 Allowance for doubtful accounts ThCh$	12.31.2016 Net value ThCh$
Receivables on current loan transactions	457,194,202	(176,381,943)	280,812,259	394,562,259	(168,321,803)	226,240,456
Invoiced services	362,575,006	(176,381,943)	186,193,063	294,943,453	(168,321,803)	126,621,650
Services provided and not invoiced	94,619,196	-	94,619,196	99,618,806	-	99,618,806
Miscellaneous receivables	19,628,860	-	19,628,860	17,423,958	-	17,423,958
Total	476,823,062	(176,381,943)	300,441,119	411,986,217	(168,321,803)	243,664,414

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	06.30.2017 Less than 3 months	06.30.2017 3 to 6 months	06.30.2017 6 to 12 months	06.30.2017 Greater than 12 months	06.30.2017 Total	12.31.2016 Less than 3 months	12.31.2016 3 to 6 months	12.31.2016 6 to 12 months	12.31.2016 Greater than 12 months	12.31.2016 Total
Miscellaneous receivables	39,456,265	9,938,143	-	-	49,394,408	38,113,979	6,308,276	-	-	44,422,255
Total	39,456,265	9,938,143	-	-	49,394,408	38,113979	6,308,276	-	-	44,422,255

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	06.30.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	169,687,736	163,907,614
Increases	23,788,869	44,814,726
Eliminations/ Additions	(15,655,674)	(39,034,604)
Movements, subtotal	8,133,195	5,780,122
Ending balance	177,820,931	169,687,736

d) Allowance for doubtful account movements according to the composition of the portfolio as of June 30, 2017 and 2016 are detailed as follows:

Provisions and write-offs	06.30.2017 ThCh$	06.30.2016 ThCh$
Accrual for portfolio that has not been renegotiated	16,136,686	18,245,171
Accrual for renegotiated portfolio	7,652,183	3,476,776
Write-offs for the period	(15,655,674)	(13,512,653)
Total	8,133,195	8,209,294

e) As of June 30, 2017 and December 31, 2016 the portfolio of returned documents and those in judicial collection is detailed as follows:

Portfolio of returned documents and judicial collection as of 06.30.2017	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	6,767	-	176	-
Portfolio of returned documents or those in judicial collection (ThCh$)	3,575,109	-	151,191	-

Portfolio of returned documents and judicial collection as of 12.31.2016	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	7,003	-	176	-
Portfolio of returned documents or those in judicial collection (ThCh$)	3,777,512	-	151,191	-

8. Current trade and other accounts receivable, continued

The composition of the portfolio stratified by segment as of June 30, 2017 is detailed as follows:

Aging of portfolio by segment for the period June 30, 2017	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)	1,022,394	107,605	93,741	50,656	64,596	65,445	62,518	63,363	72,246	3,182,822	4,785,386
Net portfolio w/o renegotiation	41,243,324	6,366,751	4,446,641	1,280,345	435,032	274,751	157,456	-	-	-	54,204,300
Debt	41,638,827	6,370,294	4,447,752	1,282,292	1,397,455	1,244,885	1,002,115	1,042,737	1,307,691	99,200,732	158,934,780
Accrual	(395,503)	(3,543)	(1,111)	(1,947)	(962,423)	(970,134)	(844,659)	(1,042,737)	(1,307,691)	(99,200,732)	(104,730,480)
Number of clients w/renegotiation	48,116	351	373	352	368	326	359	354	409	71,366	122,374
Net renegotiated portfolio	427,717	-	-	-	-	-	-	-	-	-	427,717
Debt	788,441	3,646	3,983	3,739	3,713	3,145	3,554	3,310	4,355	623,265	1,441,151
Accrual	(360,724)	(3,646)	(3,983)	(3,739)	(3,713)	(3,145)	(3,554)	(3,310)	(4,355)	(623,265)	(1,013,434)
Total number of clients	1,070,510	107,956	94,114	51,008	64,964	65,771	62,877	63,717	72,655	3,254,188	4,907,760
Total Fixed Telephone Portfolio	41,671,041	6,366,751	4,446,641	1,280,345	435,032	274,751	157,456	-	-	-	54,632,017
Debt	42,427,268	6,373,940	4,451,735	1,286,031	1,401,168	1,248,030	1,005,669	1,046,047	1,312,046	99,823,997	160,375,931
Accrual	(756,227)	(7,189)	(5,094)	(5,686)	(966,136)	(973,279)	(848,213)	(1,046,047)	(1,312,046)	(99,823,997)	(105,743,914)
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	2,394	1,399	528	26	343	349	225	174	243	1,555	7,236
Net portfolio w/o renegotiation	39,631,905	1,038,689	3,956,290	1,728,804	1,257,253	57,659	6,127,059	-	-	-	53,797,659
Debt	39,892,775	1,038,689	3,968,701	1,740,766	1,307,638	58,091	6,161,765	192,507	266,628	2,688,201	57,315,761
Accrual	(260,870)	-	(12,411)	(11,962)	(50,385)	(432)	(34,706)	(192,507)	(266,628)	(2,688,201)	(3,518,102)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	2,394	1,399	528	26	343	349	225	174	243	1,555	7,236
Total Corporate Communication and Data Portfolio	39,631,905	1,038,689	3,956,290	1,728,804	1,257,253	57,659	6,127,059	-	-	-	53,797,659
Debt	39,892,775	1,038,689	3,968,701	1,740,766	1,307,638	58,091	6,161,765	192,507	266,628	2,688,201	57,315,761
Accrual	(260,870)	-	(12,411)	(11,962)	(50,385)	(432)	(34,706)	(192,507)	(266,628)	(2,688,201)	(3,518,102)
Television											
Number of clients w/o renegotiation (1)	376,844	34,736	41,337	24,570	40,407	31,510	28,045	27,816	30,958	254,155	890,378
Net portfolio w/o renegotiation	26,958,977	620,069	920,059	427,927	-	-	-	-	-	-	28,927,032
Debt	26,958,977	620,069	920,059	427,927	793,321	617,970	691,416	763,772	945,218	13,699,626	46,438,355
Accrual	-	-	-	-	(793,321)	(617,970)	(691,416)	(763,772)	(945,218)	(13,699,626)	(17,511,323)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	376,844	34,736	41,337	24,570	40,407	31,510	28,045	27,816	30,958	254,155	890,378
Total Television Portfolio	26,958,977	620,069	920,059	427,927	-	-	-	-	-	-	28,927,032
Debt	26,958,977	620,069	920,059	427.927	793,321	617,970	691,416	763,772	945,218	13,699,626	46,438,355
Accrual	-	-	-	-	(793,321)	(617,970)	(691,416)	(763,772)	(945,218)	(13,699,626)	(17,511,323)

(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

8. Current trade and other accounts receivable, continued

Aging of portfolio by segment for the period June 30, 2017	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$
Mobile Business											
Number of clients w/o renegotiation (1)	799,807	114,645	49,379	43,854	39,714	41,670	40,066	39,479	36,903	1,371,329	2,576,846
Net portfolio w/o renegotiation	122,790,458	3,584,370	10,273,766	4,770,381	340,483	241,268	1,047,171	-	-	-	143,047,897
Debt	122,790,458	3,584,370	10,273,766	4,770,381	2,173,956	1,971,567	2,701,449	1,792,446	2,205,638	37,629,572	189,893,603
Accrual	-	-	-	-	(1,833,473)	(1,730,299)	(1,654,278)	(1,792,446)	(2,205,638)	(37,629,572)	(46,845,706)
Number of clients w/renegotiation	6,450	6,277	1,462	1,363	1,218	1,097	1,085	992	793	17,303	38,040
Net renegotiated portfolio	365,469	41,892	183	99	11	-	-	-	-	-	407,654
Debt	556,941	229,570	89,201	79,680	69,403	63,508	57,368	51,890	54,730	1,918,261	3,170,552
Accrual	(191,472)	(187,678)	(89,018)	(79,581)	(69,392)	(63,508)	(57,368)	(51,890)	(54,730)	(1,918,261)	(2,762,898)
Total number of clients	806,257	100,654	48,494	44,477	45,802	45,122	41,926	27,828	43,492	1,343,323	2,547,375
Total Other Portfolio	123,155,927	3,626,262	10,273,949	4,770,480	340,494	241,268	1,047,171	-	-	-	143,455,551
Debt	123,347,399	3,813,940	10,362,967	4,850,061	2,243,359	2,035,075	2,758,817	1,844,336	2,260,368	39,547,833	193,064,155
Accrual	(191,472)	(187,678)	(89,018)	(79,581)	(1,902,865)	(1,793,807)	(1,711,646)	(1,844,336)	(2,260,368)	(39,547,833)	(49,608,604)
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Net portfolio w/o renegotiation	19,628,860	-	-	-	-	-	-	-	-	-	19,628,860
Debt	19,628,860	-	-	-	-	-	-	-	-	-	19,628,860
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total Other Portfolio	19,628,860	-	-	-	-	-	-	-	-	-	19,628,860
Debt	19,628,860	-	-	-	-	-	-	-	-	-	19,628,860
Accrual	-	-	-	-	-	-	-	-	-	-	-
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	2,201,439	258,385	184,985	119,106	145,060	138,974	130,854	130,832	140,350	4,809,861	8,259,846
Net portfolio w/o renegotiation	250,253,524	11,609,879	19,596,756	8,207,457	2,032,768	573,678	7,331,686	-	-	-	299,605,748
Debt	250,909,897	11,613,422	19,610,278	8,221,366	5,672,370	3,892,513	10,556,745	3,791,462	4,725,175	153,218,131	472,211,359
Accrual	(656,373)	(3,543)	(13,522)	(13,909)	(3,639,602)	(3,318,835)	(3,225,059)	(3,791,462)	(4,725,175)	(153,218,131)	(172,605,611)
Number of clients w/renegotiation	54,566	6,628	1,835	1,715	1,586	1,423	1,444	1,346	1,202	88,669	160,414
Net renegotiated portfolio	793,186	41,892	183	99	11	-	-	-	-	-	835,371
Debt	1,345,382	233,216	93,184	83,419	73,116	66,653	60,922	55,200	59,085	2,541,526	4,611,703
Accrual	(552,196)	(191,324)	(93,001)	(83,320)	(73,105)	(66,653)	(60,922)	(55,200)	(59,085)	(2,541,526)	(3,776,332)
Total number of clients	2,256,005	265,013	186,820	120,821	146,646	140,397	132,298	132,178	141,552	4,898,530	8,420,260
Total Consolidated Portfolio	251,046,710	11,651,771	19,596,939	8,207,556	2,032,779	573,678	7,331,686	-	-	-	300,441,119
Debt	252,255,279	11,846,638	19,703,462	8,304,785	5,745,486	3,959,166	10,617,667	3,846,662	4,784,260	155,759,657	476,823,062
Accrual	(1,208,569)	(194,867)	(106,523)	(97,229)	(3,712,707)	(3,385,488)	(3,285,981)	(3,846,662)	(4,784,260)	(155,759,657)	(176,381,943)

(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.

8. Current trade and other accounts receivable, continued

The composition of the portfolio stratified by segment for 2016 is detailed as follows:

Aging of portfolio by segment for the period-ended December 31, 2016	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)	207,424	230,699	75,258	68,469	35,952	20,657	9,364	1,282	954	1,832,581	2,842,640
Net portfolio w/o renegotiation	35,561,395	5,482,418	1,865,042	2,532,866	1,984,977	424,241	278,753	-	-	-	48,129,692
Debt	35,561,395	5,495,036	1,867,280	2,534,833	3,727,943	1,232,385	1,134,872	1,138,842	1,142,790	95,483,090	149,318,466
Accrual	-	(12,618)	(2,238)	(1,967)	(1,742,966)	(808,144)	(856,119)	(1,138,842)	(1,142,790)	(95,483,090)	(101,188,774)
Number of clients w/renegotiation	63,845	809	530	478	434	350	271	188	213	75,564	142,682
Net renegotiated portfolio	413,227	-	-	-	-	-	-	-	-	-	413,227
Debt	752,787	9,440	5,823	5,424	4,859	3,957	3,010	1,878	2,056	665,767	1,455,001
Accrual	(339,560)	(9,440)	(5,823)	(5,424)	(4,859)	(3,957)	(3,010)	(1,878)	(2,056)	(665,767)	(1,041,774)
Total number of clients	271,269	231,508	75,788	68,947	36,386	21,007	9,635	1,470	1,167	1,908,145	2,625,322
Total Fixed Telephone Portfolio	35,974,622	5,482,418	1,865,042	2,532,866	1,984,977	424,241	278,753	-	-	-	48,542,919
Debt	36,314,182	5,504,476	1,873,103	2,540,257	3,732,802	1,236,342	1,137,882	1,140,720	1,144,846	96,148,857	150,773,467
Accrual	(339,560)	(22,058)	(8,061)	(7,391)	(1,747,825)	(812,101)	(859,129)	(1,140,720)	(1,144,846)	(96,148,857)	(102,230,548)
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	2,558	1,391	981	469	355	324	266	195	282	1,655	8,476
Net portfolio w/o renegotiation	37,319,980	8,092,546	1,786,086	1,019,991	600,981	390,375	271,609	-	-	-	49,481,568
Debt	37,606,376	8,133,126	1,826,680	1,060,585	665,407	450,421	325,059	143,963	276,033	2,524,460	53,012,110
Accrual	(286,396)	(40,580)	(40,594)	(40,594)	(64,426)	(60,046)	(53,450)	(143,963)	(276,033)	(2,524,460)	(3,530,542)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	2,558	1,391	981	469	355	324	266	195	282	1,655	8,476
Total Corporate Communication and Data Portfolio	37,319,980	8,092,546	1,786,086	1,019,991	600,981	390,375	271,609	-	-	-	49,481,568
Debt	37,606,376	8,133,126	1,826,680	1,060,585	665,407	450,421	325,059	143,963	276,033	2,524,460	53,012,110
Accrual	(286,396)	(40,580)	(40,594)	(40,594)	(64,426)	(60,046)	(53,450)	(143,963)	(276,033)	(2,524,460)	(3,530,542)
Television											
Number of clients w/o renegotiation (1)	275,578	119,571	34,711	19,569	29,241	33,268	24,115	21,534	24,356	185,599	767,542
Net portfolio w/o renegotiation	25,295,896	3,174,939	936,422	385,529	464,940	275,772	328,024	-	-	-	30,861,522
Debt	25,295,896	3,174,939	936,422	385,529	534,835	605,755	407,613	600,739	770,347	9,689,444	42,401,519
Accrual	-	-	-	-	(69,895)	(329,983)	(79,589)	(600,739)	(770,347)	(9,689,444)	(11,539,997)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	275,578	119,571	34,711	19,569	29,241	33,268	24,115	21,534	24,356	185,599	767,542
Total Television Portfolio	25,295,896	3,174,939	936,422	385,529	464,940	275,772	328,024	-	-	-	30,861,522
Debt	25,295,896	3,174,939	936,422	385,529	534,835	605,755	407,613	600,739	770,347	9,689,444	42,401,519
Accrual	-	-	-	-	(69,895)	(329,983)	(79,589)	(600,739)	(770,347)	(9,689,444)	(11,539,997)

(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.

8. Current trade and other accounts receivable, continued

Aging of portfolio by segment for the year-ended December 31, 2016	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$
Mobile Business											
Number of clients w/o renegotiation (1)	753,793	93,776	47,405	43,462,	44,767	44,154	40,882	27,072	42,004	1,323,564	2,460,879
Net portfolio w/o renegotiation	82,779,012	6,056,533	3,280,394	3,456,520	406,887	510,813	370,900	-	-	-	96,861,059
Debt	82,779,012	6,056,533	3,280,394	3,456,520	2,372,606	2,404,002	2,168,354	1,773,838	1,639,711	38,962,611	144,893,581
Accrual	-	-	-	-	(1,965,719)	(1,893,189)	(1,797,454)	(1,773,838)	(1,639,711)	(38,962,611)	(48,032,522)
Number of clients w/renegotiation	6,722	6,878	1,089	1,015	1,035	968	1,044	756	1,488	19,759	40,754
Net renegotiated portfolio	448,624	43,675	800	217	4	-	-	-	-	-	493,320
Debt	642,029	184,571	67,961	69,042	73,842	79,395	86,884	73,969	131,057	2,072,764	3,481,514
Accrual	(193,405)	(140,896)	(67,161)	(68,825)	(73,838)	(79,395)	(86,884)	(73,969)	(131,057)	(2,072,764)	(2,988,194)
Total number of clients	760,515	100,654	48,494	44,477	45,802	45,122	41,926	27,828	43,492	1,343,323	2,501,633
Total Other Portfolio	83,227,636	6,100,208	3,281,194	3,456,737	406,891	510,813	370,900	-	-	-	97,354,379
Debt	83,421,041	6,241,104	3,348,355	3,525,562	2,446,448	2,483,397	2,255,238	1,847,807	1,770,768	41,035,375	148,375,095
Accrual	(193,405)	(140,896)	(67,161)	(68,825)	(2,039,557)	(1,972,584)	(1,884,338)	(1,847,807)	(1,770,768)	(41,035,375)	(51,020,716)
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Net portfolio w/o renegotiation	17,423,958	-	-	-	-	-	-	-	-	-	17,423,958
Debt	17,423,958	-	-	-	-	-	-	-	-	-	17,423,958
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total Other Portfolio	17,423,958	-	-	-	-	-	-	-	-	-	17,423,958
Debt	17,423,958	-	-	-	-	-	-	-	-	-	17,423,958
Accrual	-	-	-	-	-	-	-	-	-	-	-
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	1,239,353	445,437	158,355	131,969	110,315	98,403	74,627	50,083	67,596	3,343,399	5,719,537
Net portfolio w/o renegotiation	198,380,241	22,806,436	7,867,944	7,394,906	3,457,785	1,601,201	1,249,286	-	-	-	242,757,799
Debt	198,666,637	22,859,634	7,910,776	7,437,467	7,300,791	4,692,563	4,035,898	3,657,382	3,828,881	146,659,605	407,049,634
Accrual	(286,396)	(53,198)	(42,832)	(42,561)	(3,843,006)	(3,091,362)	(2,786,612)	(3,657,382)	(3,828,881)	(146,659,605)	(164,291,835)
Number of clients w/renegotiation	70,567	7,687	1,619	1,493	1,469	1,318	1,315	944	1,701	95,323	183,436
Net renegotiated portfolio	861,851	43,675	800	217	4	-	-	-	-	-	906,547
Debt	1,394,816	194,011	73,784	74,466	78,701	83,352	89,894	75,847	133,113	2,738,531	4,936,515
Accrual	(532,965)	(150,336)	(72,984)	(74,249)	(78,697)	(83,352)	(89,894)	(75,847)	(133,113)	(2,738,531)	(4,029,968)
Total number of clients	1,309,920	453,124	159,974	133,462	111,784	99,721	75,942	51,027	69,297	3,438,722	5,902,973
Total Consolidated Portfolio	199,242,160	22,850,111	7,868,744	7,395,123	3,457,789	1,601,201	1,249,286	-	-	-	243,664,414
Debt	200,061,521	23,053,645	7,984,560	7,511,933	7,379,492	4,775,915	4,125,792	3,733,229	3,961,994	149,398,136	411,986,217
Accrual	(819,361)	(203,534)	(115,816)	(116,810)	(3,921,703)	(3,174,714)	(2,876,506)	(3,733,229)	(3,961,994)	(149,398,136)	(168,321,803)

(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.

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	06.30.2017 ThCh$	12.31.2016 ThCh$
Inversiones Telefónica Internacional Holding S.A.	77.363.730-K	Spain	End controller	Total			128,596,325	115,426,397
				Financials Loans	EUR	180 days	128,596,325	115,336,015
				Serv. Provided	CLP	60 days	-	90,382
Telxius Torres Chile, S.A.	76.558.575-9	Chile	Common end controller	Serv. Provided	CLP	60 days	5,601,459	3,571,051
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	5,105,730	4,528,364
Telefónica Brasil	Foreign	Brazil	Common end controller	Serv. Provided	USD	90 days	1,887,231	647,311
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	1,815,927	1,180,195
Telxius Cable Chile(Ex Telef.Int.Wholesale ServiceChile SA)	96.910.730-9	Chile	Common end controller	Serv. Provided	CLP	60 days	1,315,875	994,011
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	1,138,739	117,193
Pegaso PCS, S.A. de C.V.	Foreign	México	Common end controller	Serv. Provided	USD	90 days	1,009,146	839,548
Telefónica O2 Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	Serv. Provided	USD	90 days	885,896	486,000
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	180 days	884,923	1,003,637
Telefónica Uk Ltd (antes O2 (UK) Ltd)	Foreign	UK	Common end controller	Serv. Provided	EUR	90 days	756,641	-
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	654,298	719,662
Colombia Telecomunicaciones S.A.E.S.P	Foreign	Colombia	Common end controller	Serv. Provided	USD	60 days	651,196	230,293
Telefónica Global Tecnology Chile	59.165.120-K	Chile	Common end controller	Serv. Provided	CLP	60 days	460,471	164,981
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	90 days	363,968	318,280
Telefónica del Perú	Foreign	Perú	Common end controller	Serv. Provided	CLP	60 days	318,954	-
Telefónica S.A.	Foreign	Spain	End controller	Serv. Provided	EUR	90 days	223,201	129,893
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	219,923	209,915
Otecel S.A.	Foreign	Ecuador	Common end controller	Serv. Provided	USD	60 days	219,515	116,689
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	143,200	144,236
Telefónica Móviles de Panamá	Foreign	Panamá	Common end controller	Serv. Provided	USD	90 days	131,635	83,793
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Common end controller	Serv. Provided	CLP	60 days	84,022	96,556
Media Networks Perú	Foreign	Perú	Common end controller	Serv. Provided	USD	90 days	78,556	53,221
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	74,122	38,920
Media Networks Chile	76.243.733-3	Chile	Common end controller	Serv. Provided	CLP	60 days	27,656	16,520
Telefónica Learning Services Chile Capacitación Ltda.	76.131.334-7	Chile	Common end controller	Serv. Provided	CLP	60 days	23,775	18,384
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv. Provided	USD	90 days	23,096	-
Telefónica On The Spot Soluciones Digitales De Chile Spa	76.338.291-5	Chile	Common end controller	Serv. Provided	CLP	60 days	19,913	24,106
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Serv. Provided	USD	90 days	17,310	8,754
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Serv. Provided	USD	90 days	12,513	8,849
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Serv. Provided	CLP	60 days	5,700	4,111
Telefónica Investigación y Desarrollo, S.A. (Tidsa)	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	3,840	-
Telefónica Factoring Chile S.A.	76.096.189-2	Chile	Common end controller	Serv. Provided	CLP	60 days	1,558	30,206

9. Receivables from and payable to related companies

a) Currents receivables from related companies, continued:

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2017 ThCh$	12.31.2016 ThCh$
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv. Provided	USD	60 days	1,213	1,213
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Serv. Provided.	USD	90 days	395	11,815
Telfisa Global B.V.	Foreign	Holland	Common end controller	Comisión administración	CLP	90 days	17	239
Telefónica Global Tecnology S.A.U.	Foreign	Spain	Common end controller	Serv. Provided.	EUR	90 days	-	247,010
Total							152,757,939	131,471,353

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.

9. Receivables from and payable to related companies, continued

b) Current payables to related companies:

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2017 ThCh$	12.31.2016 ThCh$
Telxius Cable Chile (Ex Telef. Int. Wholesale Services Chile SA)	96.910.730-9	Chile	Common and controller	Total			13,156,011	14,599,762
				Comercial Mandate	CLP	60 days	5,793,913	7,885,715
				Ip voice traffic	CLP	60 days	4,441,295	3,166,605
				Data and links	CLP	60 days	1,876,572	1,168,325
				Others	CLP	60 days	1,044,231	752,251
				Serv. Provided.	CLP	60 days	-	1,626,866
Telefónica S.A.	Foreign	Spain	End controller	Total			8,625,461	8,534,359
				Brand Fee	EUR / CLP	90 days	7,544,291	6,707,435
				Others	EUR	90 days	1,081,170	1,373,282
				Dividend	EUR	30 days	-	453,642
Telxius Torres Chile S.A.	76.558.575-9	Chile	Common and controller	Total			7,292,642	4,286,030
				Leasing of space	CLP	60 days	6,076,220	2,099,698
				Leasing of infraestructura	CLP	60 days	730,156	1,477,071
				Leasing of Co-locations	CLP	60 days	475,824	698,820
				Serv. Provided	CLP	60 days	10,442	10,441
Telefónica International Wholesale Services España	Foreign	Spain	Common and controller	Serv. Provided	EUR	90 days	5,184,693	4,635,414
Telefónica Argentina S.A.	Foreign	Argentina	Common and controller	Serv. Provided.	USD	180 days	4,395,082	4,869,899
Media Networks Perú	Foreign	Peru	Common and controller	Satellite Space	USD	90 days	3,736,520	2,058,227
Telefónica Latam Holding	Foreign	Spain	Common and controller	Total			2,574,797	1,475,235
				Management Fee	EUR	90 days	2,568,925	1,473,436
				Cost Sharing Agreement	EUR	90 days	-	1,799
				Others	EUR	90 days	5,872	-
Telefónica Digital España	Foreign	Spain	Common and controller	Serv. Provided.	EUR	60 days	2,476,668	4,523,544
Telefónica USA Inc.	Foreign	USA	Common and controller	Serv. Provided.	USD	60 days	1,994,081	1,600,230
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common and controller	Serv. Provided.	CLP	60 days	1,950,658	1,321,727
Telefónica Brasil	Foreign	Brazil	Common and controller	Serv. Provided.	USD	90 days	1,442,236	155,591
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common and controller	Serv. Provided.	USD	90 days	1,003,703	-
Telefónica Global Tecnology S.A.U.	Foreign	Spain	Common and controller	Serv. Provided.	EUR	90 days	922,571	770,553
Telefónica del Perú S.A.	Foreign	Peru	Common and controller	Serv. Provided.	USD	180 days	873,600	798,620
Telefónica Uk Ltd	Foreign	England	Common and controller	Serv. Provided	USD	90 days	827,835	1,522,219
Telefónica Compras Electrónicas	Foreign	Spain	Common and controller	Serv. Provided.	EUR	90 days	735,765	625,430
Fundación Telefónica Chile	74.944.200-k	Chile	Common and controller	Serv. Provided.	CLP	60 days	601,782	429,371
Telefónica Móviles España S.A.	Foreign	Spain	Common and controller	Serv. Provided.	EUR	90 days	494,661	-
Telefónica Global Tecnology Chile	59.165.120-k	Chile	Common and controller	Services computer	CLP	60 days	380,655	8,752,270
Terra Networks Chile S.A.	96.834.230-4	Chile	Common and controller	Serv. Provided.	CLP	60 days	314,067	392,078
Telefónica Global Roaming Gmbh	Foreign	Germany	Common and controller	Serv. Provided.	EUR	90 days	285,340	310,332
Telefónica O2 Germany Gmbh & Co Ohg	Foreign	Germany	Common and controller	Serv. Provided.	EUR	30 days	149,680	

9. Receivables from and payable to related companies, continued

b) Current payables to related companies:

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2017 ThCh$	12.31.2016 ThCh$
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Common and controller	Serv. Provided	USD	60 days	137,493	5,639
Otecel S.A.	Foreign	Ecuador	Common and controller	Serv. Provided	USD	90 days	124,290	-
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common and controller	Serv. Provided	USD	90 days	92,154	72,731
Telcel Venezuela	Foreign	Venezuela	Common and controller	Serv. Provided	USD	180 days	74,339	30,053
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common and controller	Serv. Provided	CLP	60 days	69,162	69,161
Telfisa Global B.V.	Foreign	Spain	Common and controller	Commissions administración	CLP	90 days	55,000	-
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common and controller	Serv. Provided	USD	90 days	54,807	-
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common and controller	Serv. Provided	CLP	60 days	52,583	305,948
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Common and controller	Serv. Provided	CLP	60 days	45,990	79,076
				Total			25,771	14,167,684
Inversiones Telefónica International Holding Ltda.	77.363.730-K	Chile	End controller	Dividend	EUR	30 days	-	14,141,913
				Serv. Provided	CLP	90 days	25,771	25,771
Telefónica Móviles Panamá	Foreign	Panamá	Common and controller	Serv. Provided	USD	90 days	12,530	
Telefónica Servicios Audiovisuales	Foreign	Spain	Common and controller	Serv. Provided	EUR	60 days	11,765	11,902
Telefónica On The Spot Services S.A.U.	Foreign	Spain	Common and controller	Serv. Provided	EUR	90 days	3,321	29,371
Telefónica Global Services , GmbH	Foreign	Germany	Common and controller	Serv. Provided	USD	90 days	2,973	103,891
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common and controller	Serv. Provided	USD	90 days	2,251	-
Telefónica Móviles El Salvador	Foreign	El Salvador	Common and controller	Serv. Provided	USD	90 days	2,047	-
Telefónica Móviles Guatemala	Foreign	Guatemala	Common and controller	Serv. Provided	USD	90 days	1,664	-
Telefónica Factoring – España	Foreign	Spain	Common and controller	Serv. Provided	USD	60 days	1,528	1,538
Telefónica de España S.A.U	Foreign	Spain	Common and controller	Serv. Provided	EUR	180 days	1,043	49,878
Televisión Federal Telefé – Argentina	Foreign	Argentina	Common and controller	Serv. Provided	USD	90 days	-	9,105
Telefónica Móviles Solutions	96.942.730-3	Chile	Common and controller	Serv. Provided	CLP	60 days	-	2,644
Telefónica Chile Holdings, S.L.	Foreign	Spain	Final Controller	Dividend	EUR	30 days	-	25,671,125
Total							60,189,219	102,270,637

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.

9. Receivables from and payable to related companies, continued

c) Transactions

Company	RUT	Country of Origin	Nature of the relationship	Transaction description	Currency	06.30.2017 Amount M$	06.30.2017 Effect on income (Charge)/credit M$	06.30.2016 Amount M$	06.30.2016 Effect on income (Charge)/credit M$
Telefónica Ireland Ltd Antes O2 Communication	Foreign	Ireland	Common end controller	Cost	USD	-	-	1,358	(1,358)
				Sales	USD	-	-	572	(572)
Telefónica International Wholesale Services América	Foreign	Uruguay	Common end controller	Cost	USD	151,458	(151,458)	1,021,296	(1,021,296)
Telefónica S.A.	Foreign	Spain	Final controller	Sales	EUR	5,690,451	(5,690,451)	24,122	(24,122)
				Brand Fee	EUR	7,456,466	(7,456,466)	12,296,537	(12,296,537)
				Others	EUR	93,532	93,532	723,492	(723,492)
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Sales	USD	-	-	117	(117)
				Media rentals	USD	3,880,575	(3,880,575)	6,246,160	(6,246,160)
Telefónica Global Technology Chile	56.165.120-K	Chile	Common end controller	Sales	CLP	118,238	118,238	201,346	201,346
				Services computer	CLP	386,199	(386,199)	10,181,623	(10,181,623)
Media Networks Perú	Foreign	Perú	Common end controller	Sales	USD	66,013	66,013	69,221	69,221
				Space rental	USD	4,079,380	(4,079,380)	2,941,129	(2,941,129)
				Others	USD	191,425	(191,425)	1,530,075	(1,530,075)
Telefónica Global Tecnology	Foreign	Spain	Common end controller	Cost	EUR	2,071,945	(2,071,945)	4,184,660	(4,184,660)
				Financial expenses	EUR	9,037	(9,037)	1,938	(1,938)
Telefónica UK Ltd	Foreign	UK	Common end controller	Sales	USD	5,048	5,048	323,178	(323,178)
Vivo S.A.	Foreign	Brazil	Common end controller	Sales	USD	522,855	(522,855)	203,943	203,943
				Cost	USD	461,643	461,643	218,900	(218,900)
Telxius Torres Chile Holding, S.A.	76.558.575-9	Chile	Common end controller	Sales	CLP	265,057	265,057	114,498	114,498
				Cost	CLP	2,577,373	(2,577,373)	620,689	(620,689)
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Sales	CLP	95,715	95,715	92,585	92,585
				Cost	CLP	1,964,223	(1,964,223)	1,203,836	(1,203,836)
Telefónica Digital España	Foreign	Spain	Common end controller	Sales	EUR	465,974	465,974	37,387	(37,387)
				Cost	EUR	2,037,486	(2,037,486)	1,286,824	(1,286,824)
Telefónica Compras Electrónica S.A.	Foreign	Spain	Common end controller	Cost	EUR	765,986	(765,986)	740,493	(740,493)
Telefónica USA Inc.	Foreign	USA	Common end controller	Cost	USD	393,850	(393,850)	388,951	(388,951)
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Sales	USD	15,449	15,449	448,816	448,816
				Cost	USD	185,253	(185,253)	135,482	(135,482)
Telfisa Global B.V.	Foreign	Spain	Common end controller	Financial income	CLP	186,040	186,040	117,850	117,850
				Management comm.	CLP	55,823	(55,823)	1,310	(1,310)
Telefónica On The Spot Services SAU	Foreign	Spain	Common end controller	Cost	EUR	5,232	(5,232)	16,082	(16,082)
Telefónica Latam Holding	Foreign	Spain	Common end controller	Sales	EUR	-	-	529,416	(529,416)
				Cost	EUR	879,303	(879,303)	1,520,333	1,520,333
				Management Fee	EUR	658,458	(658,458)	247,286	(247,286)

9. Receivables from and payable to related companies, continued

c) Transactions, continued

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2017 Amount ThCh$	06.30.2017 Effect on income (Charge)/Credit ThCh$	06.30.2016 Amount ThCh$	06.30.2016 Effect on income (Charge)/Credit ThCh$
Telefónica Global Roaming Gmbh	Foreign	Germany	Common end controller	Cost	EUR	135,543	(135,543)	242,621	(242,621)
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Sales	EUR	608,339	608,339	2,730,621	2,730,621
				Cost	EUR	1,449,713	(1,449,713)	2,070,850	(2,070,850)
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Sales	USD	5,261	5,261	11,000	11,000
				Cost	USD	25,350	(25,350)	30,942	(30,942)
Telefónica Soluciones Inf. Com. España	Foreign	Spain	Common end controller	Cost	EUR	-	-	84,763	84,763
Telefónica Gestión de Servicios Compartidos - España	Foreign	Spain	Common end controller	Cost	EUR	-	-	158,505	(158,505)
Telefónica de España S.A.U.	Foreign	Spain	Common end controller	Cost	EUR	47,104	(47,104)	106,947	(106,947)
Inversiones Telefónica Internacional Holding S.A.	77.363.730-K	Chile	Common end controller	Sales	CLP	412,700	412,700	21,379	21,379
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Common end controller	Sales	CLP	2,838	2,838	3,931	3,931
				Cost	CLP	64,121	(64,121)	45,736	(45,736)
Telefónica Servicios Audiovisuales	Foreign	Spain	Common end controller	Cost	EUR	27,726	(27,726)	35,648	(35,648)
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Sales	CLP	139,171	139,171	150,606	150,606
Televisión Federal Telefé – Argentina	Foreign	Argentina	Common end controller	Cost	USD	-	-	27,747	(27,747)
Telefónica Learning	Foreign	Spain	Common end controller	Cost	EUR	-	-	49	49
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Common end controller	Sales	USD	23,472	(23,472)	42,979	42,979
				Cost	USD	32,464	(32,464)	59,134	(59,134)
Media Network Chile	76.243.733-3	Chile	Common end controller	Sales	CLP	9,500	9,500	9,259	9,259
				Cost	CLP	51,233	(51,233)	297,581	(297,581)
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Sales	CLP	7,814	7,814	5,375	5,375
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Associate	Sales	CLP	2,138	2,138	3,187	(3,187)
				Financial expenses	CLP	6,115	(6,115)	8,092	(8,092)
T. Learning Services Chile Capacitación Limitada	76.131.334-7	Chile	Common end controller	Sales	CLP	23,417	23,417	14,074	14,074
Telefónica Móviles Panamá	Foreign	Panama	Common end controller	Sales	USD	945	(945)	2,776	2,776
				Cost	USD	24,102	24,102	11,919	(11,919)
Telcel Venezuela	Foreign	Venezuela	Common end controller	Sales	USD	4,981	4,981	1,882	1,882
				Cost	CLP	208	208	596	(596)
Terra Networks Chile S.A.	93.834.230-4	Chile	Common end controller	Sales	CLP	78,347	78,347	93,050	93,050
				Cost	CLP	566,747	(566,747)	612,087	(612,087)
Telefónica Factoring Chile S.A.	76.096.189-2	Chile	Common end controller	Sales	CLP	-	-	14,346	(14,346)

9. Receivables from and payable to related companies, continued

c) Transaction, continued

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2017 Amount ThCh$	06.30.2017 Effect on income (Charge)/Credit ThCh$	06.30.2016 Amount ThCh$	06.30.2016 Effect on income (Charge)/Credit ThCh$
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Sales	EUR	59,863	59,863	312,234	312,234
				Cost	EUR	273,725	(273,725)	773,600	(773,600)
Telefónica Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	Sales	USD	6,583	(6,583)	15,207	(15,207)
				Cost	USD	39,553	(39,553)	39,672	39,672
Telefónica Móviles Perú S.A.	Foreign	Perú	Common end controller	Sales	USD	11,340	(11,340)	15,335	15,335
				Cost	USD	112,630	(112,630)	195,414	(195,414)
Telxius Cable Chile	96.910.730-9	Chile	Common end controller	Sales	CLP	1,987,657	1,987,657	1,617,299	1,617,299
				Access and crossing	CLP	8,248,699	(8,248,699)	7,204,691	(7,204,691)
				Financial expenses	CLP	108,260	(108,260)	220,594	(220,594)
				Others	CLP	353,857	(353,857)	1,589,151	(1,589,151)
Pegaso PCS, S.A. de C.V.	Foreign	México	Common end controller	Sales	USD	817	(817)	5,494	5,494
				Cost	USD	45,583	(45,583)	90,543	(90,543)
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Sales	USD	1,076	(1,076)	625	625
				Cost	USD	1,982	1,982	1,056	(1,056)
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Sales	USD	27,158	27,158	524	524
				Cost	USD	25,486	(25,486)	1,949	(1,949)
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Sales	USD	318	318	326	326
				Cost	USD	1,212	1,212	2,411	(2,411)
Otecel S.A.	Foreign	Ecuador	Common end controller	Sales	USD	12,085	(12,085)	4,890	4,890
				Cost	USD	14,188	(14,188)	3,312	3,312
Telefonica Global Services, GmbH	Foreign	Germany	Common end controller	Cost	USD	100,801	(100,801)	-	-

9. Receivables from and payable to related companies, continued

d) Transaction, continued

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. 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.

On July 15, 2015, subsidiary Telefónica Móviles Chile S.A. signed a commercial current account contract with Telefónica Investigación y Desarrollo Chile SpA., which establishes remittances in Chilean pesos, is not indexed and accrues interest at an annual interest rate. The commercial current account and its administration is for a 5-year term, and the parties can agree, in writing, to extend the term of the commercial current account for annual periods, without the need for final settlement of the current account. Notwithstanding, each party can terminate this contract, producing its immediate total and final settlement. The parties agree that no commissions will accrue.

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

The Company is managed by a Board of Directors composed of 5 members and its key employees are 64 and 73 executives for June 30, 2017 and 2016, respectively.

Concepts	04.01.17 to 06.30.17	06.30.2017	04.01.16 to 06.30.16	06.30.2016
	ThCh$	ThCh$	ThCh$	ThCh$
Salaries	2,244,341	6,736,398	2,987,331	8,747,171
Post employment benefits	313,852	2,897,383	1,487,703	1,949,940
Total	2,558,193	9,633,781	4,475,034	10,697,111

10. Inventory

a) The detail of inventory is as follows:

Concepts	06.30.2017 Gross value ThCh$	06.30.2017 Allowance for obsolescence ThCh$	06.30.2017 Net value ThCh$	12.31.2016 Gross value ThCh$	12.31.2016 Allowance for obsolescence ThCh$	12.31.2016 Net value ThCh$
Mobile equipment	43,824,467	(1,632,614)	42,191,853	36,927,924	(1,579,800)	35,348,124
Modems and Router	5,924,361	(635,138)	5,289,223	6,642,585	(682,071)	5,960,514
Basic telephony, public telephony and switchboard ("centralitas") components	10,647,284	(393,026)	10,254,258	5,775,945	(514,106)	5,261,839
Decoders and antennas	2,278,684	(664,619)	1,614,065	2,894,235	(775,358)	2,118,877
IP Solutions Projects	1,117,452	-	1,117,452	251,440	-	251,440
Mobile accesory	21,581	(12,810)	8,771	14,436	(4,215)	10,221
Other	702,721	(72,503)	630,218	599,455	(88,187)	511,268
Total	64,516,550	(3,410,710)	61,105,840	53,106,020	(3,643,737)	49,462,283

As of June 30,2017 and December 31,2016 there have been no inventory write-offs, there is no inventory in guarantee

b) The movement of inventory is as follows:

Movements	06.30.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	49,462,283	61,463,193
Purchases	135,539,405	245,383,944
Sales	(124,128,875)	(260,440,784)
Allowance for obsolescence	233,027	3,054,910
Transfer to materials allocated to the investment (note 15b)	-	1,020
Movement, subtotal	11,643,557	(12,000,910)
Ending balance	61,105,840	49,462,283

11. Income Taxes

a) Income Taxes:

As of June 30, 2017 and 2016, the Parent Company and its subsidiaries have established a first category income tax provision since a positive taxable base was determined in the amount of ThCh$24,133,604 and ThCh$101,777,264 respectively for each period.

In the normal development of their operations, the Parent Company and its subsidiaries are subject to regulation and oversight by the Chilean Internal Revenue Service, whereby differences may arise in the application of the criteria for determining taxes.

11. Taxes, continued

a) Income Taxes, continued

As of June 30, 2017, corporate income is detailed as follows:

Subsidiaries	Control	Income subject to Global Complementary or Additional Tax (RAI)	Difference between Accelerated Devaluation And normal(DDAN)	Exempt income (REX) Non-taxable income	Saldos acumulados de Créditos (SAC) Accumulated as of 01.01.2017 Current loan rate (factor of 25.5%) Subject to restitution entitled to return	No Subject to restitution entitled to return	Accumulated up to 12.31.2016 Effective rate 22.71% entitled to return	TOTAL BALANCE OF TAXABLE NET INCOME (STUT)
	M$	M$	M$	M$	M$	M$	M$	M$
Telefónica Móviles Chile S.A.	773,527,232	771,237,315	2,289,918	-	10,779,629	1,480,745	77,977,876	422,438,332
Telefónica Chile S.A.	4,631,349	-		4,631,349	6,130,828	-	161,275,478	714,564,064
Telefónica Chile Servicios Corporativos Ltda.	40,995,626	40,995,626	-	-	-	-	16,269,337	60,592,115
Total	819,154,207	812,232,941	2,289,918	4,631,349	16,910,457	1,480,745	255,522,691	1,197,594,511

b) Current tax assets

As of June 30, 2017 and December 31, 2016, current income tax assets are detailed as follows:

Concepts	06.30.2017 ThCh$	12.31.2016 ThCh$
Monthly prepaid tax installments (1)	15,859,167	14,216,059
Provisional payment on absorbed profits (2)	3,260,062	6,226,195
Sence	988,166	848,192
Otros	214,461	703,227
Total	20,321,856	21,993,673

(1) Corresponds to the net amount between monthly prepaid tax installments and the income tax provision of period.

(2) Is composed by provisional payment on absorbed profits (PPUA) of the Parent in the amount of ThCh$ 2,879,782 for the 2017 tax year and of subsidiaries Telefónica Empresas Chile S.A. in the amount of ThCh$ 364,357 and Telefónica Investigación y Desarrollo Chile SpA in the amount of ThCh$ 15,923, arising from the 2016 tax year.

11. **Income Taxes,** continued

c) Deferred tax assets and liabilities

As of June 30, 2017, accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh$ 66,845,790, whereas, as of December 31, 2016 and June 30, 2016, accumulated balances of temporary differences originated net deferred tax liabilities in the amount of ThCh$ 81,797,417 and ThCh$ 52,057,169, respectively, which are detailed as follows:

Disclosure of temporary differences, losses and unused tax credits June 30, 2017	Other temporary differences	Allowance for doubtful accounts	Obsolescence provision	Dismanting provision	Deferred Cost of saleand deferred sales commissions	Deferred income	Effect or taxable goodwill on merger of subsidiary	Amortization and depreciation of assets	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities												
Deferred tax assets	31,002,003	47,111,002	769,950	3,661,438	-	8,431,020	137,422,135	12,485,932	4,259,923	(105,360,057)	139,783,346	139,783,346
Deferred tax liabilities	22,476,355	-	-		5,771,109	-	-	149,622,995	427,154	(105,360,057)	72,937,556	72,937,556
Deferred tax liabilities (assets)	(8,525,648)	(47,111,002)	(769,950)	(3,661,438)	5771,109	(8,431,020)	(137,422,135)	137,137,063	(3,832,769)	-	(66,845,790)	(66,845,790)
Deferred tax assets, net	(8,525,648)	(47,111,002)	(769,950)	(3,661,438)	-	(8,431,020)	(137,422,135)	-	(3,832,769)	-	(209,753,962)	(209,753,962)
Deferred tax liabilities, net	-	-	-	-	5,771,109	-	-	137,137,063	-	-	142,908,172	142,908,172
Deferred tax expense (benefit												
Deferred tax expense (benefit)	(2,268,063)	(3,179,454)	(350,564)	(124,393)	1,265,669	(753,770)	(137,422,135)	(5,803,767)	-	-	(148,636,477)	(148,636,477)
Deferred tax expense (benefit) recognized in income	(2,268,063)	(3,179,454)	(350,564)	(124,393)	1,265,669	(753,770)	(137,422,135)	(5,803,767)	-	-	(148,636,477)	(148,636,477)
Deferred tax liabilities (assets) - Beginning balance Dec, 2016	(6,257,585)	(43,931,548)	(419,386)	(3,537,045)	4,505,440	(7,677,250)	-	142,940,830	(3,826,039)	-	81,797,417	81,797,417
Changes in deferred tax liabilities (assets)												
Deferred tax expense (benefit) recognized in income	(2,268,063)	(3,179,454)	(350,564)	(124,393)	1,265,669	(753,770)	(137,422,135)	(5,803,767)	-	-	(148,636,477)	(148,636,477)
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	(6,730)	-	(6,730)	(6,730)
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
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)	(2,268,063)	(3,179,454)	(350,564)	(124,393)	1,265,669	(753,770)	(137,422,135)	(5,803,767)	(6,730)	-	(148,643,207)	(148,643,207)
Deferred tax liabilities (assets)	(8,525,648)	(47,111,002)	(769,950)	(3,661,438)	5,771,109	(8,431,020)	(137,422,135)	137,137,063	(3,832,769)	-	(66,845,790)	(66,845,790)

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

11. Income Taxes, continued

c) Assets and Liability by Deferred taxes, continued

Disclosure of temporary differences, losses and unused tax credits December 31, 2016	Other temporary differences	Allowance for doubtful accounts	Obsolescence provision	Dismanting provision	Deferred Cost of saleand deferred sales commissions	Deferred income	Amortization and depreciation of assets	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities											
Deferred tax assets	25,122,583	43,931,548	419,386	3,537,045	-	7,677,250	8,878,247	4,252,443	(85,456,476)	8,362,026	8,362,026
Deferred tax liabilities	18,864,998	-	-	-	4,505,440	-	151,819,077	426,404	(85,456,476)	90,159,443	90,159,443
Deferred tax liabilities (assets)	(6,257,585)	(43,931,548)	(419,386)	(3,537,045)	4,505,440	(7,677,250)	142,940,830	(3,826,039)	-	81,797,417	81,797,417
Deferred tax assets, net	(6,257,585)	(43,931,548)	(419,386)	(3,537,045)	-	(7,677,250)	-	(3,826,039)	-	(65,648,853)	(65,648,853)
Deferred tax liabilities, net	-	-	-	-	4,505,440	-	142,940,830	-	-	147,446,270	147,446,270
Deferred tax expense (benefit)											
Deferred tax expense (benefit)	(4,721,978)	(3,837,135)	470,478	(270,648)	1,371,486	(3,171,999)	33,038,396	(137,274)	-	22,741,326	22,741,326
Deferred tax expense (benefit) recognized in income	(4,721,978)	(3,837,135)	470,478	(270,648)	1,371,486	(3,171,999)	33,038,396	(137,274)	-	22,741,326	22,741,326
Deferred tax liabilities (assets) - Beginning balance Dec, 2015	(1,535,608)	(40,094,413)	(889,864)	(3,266,394)	3,133,954	(4,505,251)	109,902,434	(2,307,052)	-	60,437,806	60,437,806
Deferred tax expense (benefit) recognized in income	(4,721,977)	(3,837,135)	470,478	(657,535)	1,371,486	(3,171,999)	33,289,243	(1,235)	-	22,741,326	22,741,326
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	(1,517,752)	-	(1,517,752)	(1,517,752)
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	386,884	-	-	(250,847)	-	-	136,037	136,037
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)	(4,721,977)	(3,837,135)	470,478	(270,651)	1,371,486	(3,171,999)	33,038,396	(1,518,987)	-	21,359,611	21,359,611
Deferred tax liabilities (assets)	(6,257,585)	(43,931,548)	(419,386)	(3,537,045)	4,505,440	(7,677,250)	142,940,830	(3,826,039)	-	81,797,417	81,797,417
	-	-	-	-	-		-	-	-	-	-

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

11. Income Taxes, continued

c) Assets and Liability by Deferred taxes, continued

Disclosure of temporary differences, losses and unused tax credits June 30, 2016	Other temporary differences	Allowance for doubtful accounts	Obsolescence provision	Dismanting provision	Deferred Cost of saleand deferred sales commissions	Deferred income	Amortization and depreciation of assets	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities											
Deferred tax assets	21,559,756	43,040,737	724,370	3,309,422	-	6,372,951	13,893,600	2,833,335	(74,950,971)	16,783,200	16,783,200
Deferred tax liabilities	15,474,546	-	-	-	4,565,661	-	123,338,096	413,037	(74,950,971)	68,840,369	68,840,369
Deferred tax liabilities (assets)	(6,085,210)	(43,040,737)	(724,370)	(3,309,422)	4,565,661	(6,372,951)	109,444,496	(2,420,298)	-	52,057,169	52,057,169
Deferred tax assets and liabilities, net											
Deferred tax assets, net	(6,085,210)	(43,040,737)	(724,370)	(3,309,422)	-	(6,372,951)	-	(2,420,298)	-	(61,952,988)	(61,952,988)
Deferred tax liabilities, net	-	-	-	-	4,565,661	-	109,444,496	-	-	114,010,157	114,010,157
Deferred tax expense (benefit)											
Deferred tax expense (benefit)	2,091,621	(2,946,324)	165,494	(43,028)	1,431,707	(1,867,700)	(7,099,145)	4,071	-	(8,263,304)	(8,263,304)
Deferred tax expense (benefit) recognized in income	2,091,621	(2,946,324)	165,494	(43,028)	1,431,707	(1,867,700)	(7,099,145)	4,071	-	(8,263,304)	(8,263,304)
Reconciliation of changes in deferred tax liabilities (assets)											
Deferred tax liabilities (assets) - Beginning balance Dec, 2015	(8,176,816)	(40,094,413)	(889,864)	(3,266,394)	3,133,954	(4,505,251)	116,543,641	(2,307,052)	-	60,437,805	60,437,805
Changes in deferred tax liabilities (assets)											
Deferred tax expense (benefit) recognized in income	2,091,621	(2,946,324)	165,494	(43,028)	1,431,707	(1,867,700)	(7,099,145)	4,071	-	(8,263,304)	(8,263,304)
Deferred taxes related to items credited (charged) directly to equity	(15)	-	-	-	-	-	-	(117,317)	-	(117,332)	(117,332)
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
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)	2,091,606	(2,946,324)	165,494	(43,028)	1,431,707	(1,867,700)	(7,099,145)	(113,246)	-	(8,380,636)	(8,380,636)
Deferred tax liabilities (assets)	(6,085,210)	(43,040,737)	(724,370)	(3,309,422)	4,565,661	(6,372,951)	109,444,496	(2,420,298)	-	52,057,169	52,057,169

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

11. Income Taxes, continued

c) Deferred tax assets and liabilities, continued

As indicated in Note 1, on May 2, 2017 the Company merged its subsidiary Telefónica Móviles Chile S.A. by absorption, thus generating recognition of deferred taxes in the amount of MCh$ 140,183, with a credit to income under income tax, resulting from the difference between the tax value of the investment and taxable capital.

As of June 30, 2017, the balance of this deferred tax asset, amounts to ThCh$ 137,422,135 and represents an interim value since the Company is in the process of evaluating the allocable merged assets for tax purposes, process that will be completed during the second half of 2017.

d) Taxable Income

As of June 30, 2017 and 2016 a first category income tax provision has been established, therefore a taxable positive base was determined in the amount of ThCh$ 24,133,604 and ThCh$ 101,177,264 respectively for period, detailed as follows:

Concepts	Taxable Net Income			
	04.01.17 to 06.30.17	06.30.2017	04.01.16 to 06.30.16	06.30.2016
	ThCh$	ThCh$	ThCh$	ThCh$
Finance income	179,877,042	200,321,225	24,417,254	62,344,363
Recorded tax expense	(144,608,402)	(129,655,642)	8,148,779	16,896,114
Additions	169,952,635	131,365,030	54,124,828	130,284,793
Deductions	(242,421,229)	(177,897,009)	(42,050,030)	(107,748,006)
Taxable net income	(37,199,954)	24,133,604	44,640,831	101,777,264
First category tax rate 25.5% and 24%	(9,485,988)	6,154,069	10,713,799	24,426,543
Art, 21 rejected expenses tax base	(248,930)	99,391	23,995	211,135
Art, 21 non-deductible expenses (40% and 35% rate)	(99,572)	39,756	8,398	73,897
Total tax provision	(9,585,560)	6,193,825	10,722,197	24,500,440
Hedging instrument income tax provision (1)	(100,602)	15,299	1,344,063	2,285,730
Deficit/exceso period anterior	(2,192,884)	(2,192,887)	768,303	768,303
Provision for wind up tax of subsidiary	14,964,598	14,964,598	-	-
Third party absorbed net income provisional payment	-	-	1,044,862	(2,395,055)
Total first category taxes (2)	3,085,552	18,980,835	13,879,425	25,159,418

(1) Corresponds to the deficit in the tax provision calculated on 2015 and 2016 hedging instruments (liquidated), This tax provision deficit is presented as higher expense for the year,

(2) First category tax has been accounted for considering the increase in the rate from 24% to 25,5%, due to the tax reform of Law 20,780, The effect of the change in the first category tax rate as of June 2017, amounts to ThCh$362,004,

11. Income Taxes, continued

e) Income tax reconciliation

The income tax expense reconciliation for June 30, 2017 and 2016 are detailed as follows

Conceptos	04.01.17 to 06.30.17 Taxable base ThCh$	25.5% Tax Rate ThCh$	06.30.2017 Taxable base ThCh$	25.5% Tax Rate ThCh$	04.01.16 to 06.30.16 Taxable base ThCh$	24% Tax Rate ThCh$	06.30.2016 Taxable base ThCh$	24% Tax Rate ThCh$
Based on accounting income before taxes:								
Finance income	179,877,042		200,321,225		24,417,254		62,344,363	
Recorded tax expense	(144,608,402)		(129,655,642)		8,148,779		16,896,114	
Income before taxes	35,268,640	8,993,503	70,665,583	18,019,724	32,566,033	7,815,848	79,240,477	19,017,714
Permanent differences	(602,360,412)	(153,601,905)	(579,119,079)	(147,675,366)	1,387,214	332,931	(8,840,000)	(2,121,600)
Price-level restatement of taxable equity	(16,919,690)	(4,314,521)	(33,567,359)	(8,559,677)	(8,233,023)	(1,975,927)	(17,093,408)	(4,102,418)
Income from investment in related parties	(842,555)	(214,852)	(505,648)	(128,940)	687,786	165,069	738,878	177,331
Effect of rate change in the result (1)	(34,235,423)	(8,730,033)	(34,903,505)	(8,900,394)	825,220	198,053	(5,110,113)	(1,226,427)
Effect or taxable goodwill on merger of subsidiary	(520,087,229)	(132,622,243)	(520,087,229)	(132,622,243)	-	-	-	-
Taxes provisions of results end subsidiary (2)	58,684,694	14,964,597	58,684,694	14,964,597	-	-	-	-
Adjustment on deferred tax balances	(14,272,353)	(3,639,450)	(16,606,047)	(4,234,542)	(54,305)	(13,033)	(1,678,734)	(402,896)
Others (3)	(74,687,856)	(19,045,403)	(32,133,985)	(8,194,167)	8,161,536	1,958,769	14,303,377	3,432,810
Total corporate tax expense	(567,091,772)	(144,608,402)	(508,453,496)	(129,655,642)	33,953,247	8,148,779	70,400,477	16,896,114
Based on taxable net income and deferred taxes calculated on the basis of temporary differences								
25.5% and 24% income tax		(9,485,988)		6,154,069		10,713,799		24,426,543
40% and 35% income tax		(99,572)		39,756		8,398		73,897
Provisional payment on net income absorbed by third parties		-		-		1,044,862		(2,395,055)
Settlement of derivatives from previous years		(100,602)		15,299		1,344,063		2,285,730
Wind up tax provision Telefónica Móviles		14,964,598		14,964,598		-		-
Deficit (Surplus) previous period		(2,192,884)		(2,192,887)		768,303		768,303
Income tax expense		3,085,552		18,980,835		13,879,425		25,159,418
Deferred tax expense (income)		(147,693,954)		(148,636,477)		(5,730,646)		(8,263,304)
Total corporate tax expense		(144,608,402)		(129,655,642)		8,148,779		16,896,114
Effective income tax rate		410.02%		183.48%		25.02%		21.32%

(1) The effect due to the change in the first category tax rate from 24% to 25.5% for 2017 reached the sum of ThCh$ 8,900,394.
(2) Corresponds to the income tax provision due to wind up of Telefónica Móviles Chile S.A. due to its merger with Inversiones Telefónica Móviles Holding S.A. (See Note 1).
(3) This item includes subsidies from tax organizations, tax fines, price-level restatement of investments, and financial write-offs, among others.

11. Income Taxes, continued

f) Current income tax liabilities

As of June 30, 2017 and December 31, 2016, current income tax liabilities are detailed as follows:

Concepts	06.30.2017 ThCh$	12.31.2016 ThCh$
Income tax provision (1)	4,209,130	-
Contingency provision (see note 27 a)	23,493,209	23,340,546
Total	27,702,339	23,340,546

(1) Corresponds to the income tax provision for the period arising from subsidiary Telefónica Chile S.A. which is net of monthly prepaid tax installments in the amount of ThCh$ 2,428,399 as of June 30, 2017.

g) Tax reform

Law No, 20,780 which contains the Tax Reform which introduces amendments to the tax system of companies that pay first category tax, among other things, was published on September 29, 2014, In this context the income tax rate increases gradually, in this year to 25.5%, reaching a rate of 27% in 2018, in the partially integrated tax system, In the attributed income system incorporated with this same legal amendment, the maximum rate will be 25%,

For the purpose of preparing these financial statements, the Company has incorporated the maximum rate of 27% in the determination of deferred taxes, due to the incorporation of the Company in the partially integrated tax system established in article 14, letter B of the Income Tax Law.

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	06.30.2017			12.31.2016		
	Gross value	Allowance for doubtful accounts	Net value	Gross value	Allowance for doubtful accounts	Net value
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Trade receivables	9,203,987	(1,438,988)	7,764,999	9,272,719	(1,365,933)	7,906,786
Miscellaneous receivables (1)	11,041,882	-	11,041,882	11,303,309	-	11,303,309
Total	20,245,869	(1,438,988)	18,806,881	20,576,028	(1,365,933)	19,210,095

(1) Mainly includes loans related to employees.

b) As of June 30, 2017 and December 31 2016, Non-current trade and other accounts receivable by due date are detailed as follows:

As of June 30, 2017									
Concepts	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	360,381	6,051,332	2,792,274	9,203,987	(1,255,441)	(65,130)	(118,417)	(1,438,988)	7,764,999
Miscellaneous receivables	1,954,740	812,771	8,274,371	11,041,882	-	-	-	-	11,041,882
Total	2,315,121	6,864,103	11,066,645	20,245,869	(1255,441)	(65,130)	(118,417)	(1,438,988)	18,806,881

As of December 31, 2016									
Concepts	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	363,073	6,096,521	2,813,125	9,272,719	(1,215,646)	(53,328)	(96,959)	(1,365,933)	7,906,786
Miscellaneous receivables	2,000,546	832,056	8,470,707	11,303,309	-	-	-	-	11,303,309
Total	2,363,619	6,928,577	11,283,832	20,576,028	(1,215,646)	(53,328)	(96,959)	(1,365,933)	19,210,095

13. Intangible Assets other than goodwill

a) Intangible assets other than goodwill as of June 30, 2017 and December 31, 2016 are detailed as follows:

Concepts	06.30.2017 Intangible, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$	12.31.2016 Intangible, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$
Intangible assets in development (1)	56,048,639	-	56,048,639	38,455,822	-	38,455,822
Licenses and softwares	631,855,814	(505,779,569)	126,076,245	609,650,339	(470,383,884)	139,266,455
Administratives grantings	130,169,199	(99,850,614)	30,318,585	130,169,199	(98,936,497)	31,232,702
Other intangible assets (2)	21,832,500	(19,646,388)	2,186,112	21,832,500	(19,343,112)	2,489,388
Total	839,906,152	(625,276,571)	214,629,581	800,107,860	(588,663,493)	211,444,367

(1) Corresponds mainly to evolutionary development of commercial systems (billing, collecting and collections) in the amount of ThCh$3,468,568, Believe evolutionary development in the amount of ThCh$7,199,963, information developments in the amount of ThCh$ 6,888,078 and other IT Projects in the amount of ThCh$ 36,205.

(2) Corresponds to rights to use underwater cable.

b) As of June 30, 2017 the movements of intangible assets other than goodwill are detailed as follows:

Movements	Intangible assets in development, net ThCh$	Licenses and franchises, net ThCh$	Administratives Grantings Net ThCh$	Other intangible assets, Net ThCh$	Intangible, net ThCh$
Beginning balance as of 01.01.2017	38,455,822	139,266,455	31,232,702	2,489,388	211,444,367
Additions	19,668,081	-	-	-	19,668,081
Low	-	(1,505,380)	-	-	(1,505,380)
Low Amortization	-	1,505,380			1,505,380
Amortization		(36,901,065)	(914,117)	(303,276)	(38,118,458)
Transfer from work in progress (Note 15b)	1,735,436	19,900,155	-	-	21,635,591
Transfer from costs of developing to service	(3,810,700)	3,810,700	-	-	-
Movement, subtotal	17,592,817	(13,190,210)	(914,117)	(303,276)	3,185,214
Ending balance as of 06.30.2017	56,048,639	126,076,245	30,318,585	2,186,112	214,629,581
Remaining average useful life	-	1.9 years	18.5 years	2.2 years	-

As of December 31, 2016 the movements of intangible assets other than goodwill are detailed as follows:

Movements	Intangible assets in development, net ThCh$	Licenses and franchises, net ThCh$	Administratives Grantings Net ThCh$	Other intangible assets, Net ThCh$	Intangible, net ThCh$
Beginning balance as of 01.01.2016	6,086,406	119,767,365	33,060,934	3,112,882	162,027,587
Additions	16,812,292	35	-	-	16,812,327
Amortization		(74,495,093)	(1,828,232)	(623,494)	(76,946,819)
Transfer from work in progress (Note 15c)	63,974,716	45,576,556	-	-	109,551,272
Transfer from costs of developing to service	(48,417,592)	48,417,592	-	-	-
Movement, subtotal	32,369,416	19,499,090	(1,828,232)	(623,494)	49,416,780
Ending balance as of 12.31.2016	38,455,822	139,266,455	31,232,702	2,489,388	211,444,367
Remaining average useful life	-	1.9 years	18.5 years	2.2 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 year 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 June 30, 2017 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, 2017 and December 31, 2016 are investments in information applications.

Items in the intangibles heading that are fully depreciated and in use are licenses and franchises and amount to ThCh$ 400,450,574 and ThCh$ 386,434,393, as of June 30, 2017 and December 31, 2016, respectively.

14. Goodwill

Current goodwill as of this period was generated before the date of transition to and adoption of International Financial Reporting Standards, and as of June 30, 2017 the value recorded as of that date remains the same.

Taxpayer No,	Company	12.31.2016 ThCh$	Additions ThCh$	Eliminations ThCh$	06.30.2017 ThCh$
87.845.500-2	Telefónica Móviles Chile S.A. (1)	483,179,725	-	-	483,179,725
96.672.160-k	Telefónica Chile S.A. (Ex Telefónica Larga Distancia S.A.) (2)	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S.A.	620,232	-	-	620,232
	Total	504,839,853	-	-	504,839,853

(1) On May 2, 2017, subsidiary Telefónica Móviles Chile S.A. was merged by absorption and the Company's name was changed.
(2) On April 30, 2016, the merger by incorporation of subsidiary Telefónica Larga Distancia S.A. in Telefónica Chile S.A. took place, with the latter absorbing the former, acquiring all its assets and liabilities and succeeding it in all it rights and obligations

Taxpayer No,	Company	01.01.2016 ThCh$	Additions ThCh$	Eliminations ThCh$	12.31.2016 ThCh$
87.845.500-2	Telefónica Móviles Chile S.A. (1)	483,179,725	-	-	483,179,725
96.672.160-k	Telefónica Chile S.A. (Ex Telefónica Larga Distancia S.A.) (2)	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S.A.	620,232	-	-	620,232
	Total	504,839,853	-	-	504,839,853

14. Goodwill, continued

Assets indicated in goodwill are tested for impairment once a year, at each year-end. As of December 31, 2016 impairment testing was determined taking into consideration the following estimated variables:

i. Projected operating income and costs are based on the 2016 budget and on the Strategic Plan for 2018 and 2019, projecting a fourth and fifth year as a terminal value. These projections have been made taking into consideration the Company's best estimate, using sector projections, historical behavior of the business and future expectations.

ii. Cash flow projections are calculated at terminal value, covering a 5-year period, with the last period being the terminal value.

iii. Discount: The rate used to discount future cash flows is 7.73% (WACC), 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.

   The growth rate for perpetual future cash flows is a conservative rate of 1%

iv. The valuation is determined using the Value in Use (VU) mechanism, that requires that the VU be determined through the net present value of the cash flows that the Company expects to receive from the use of the asset or Cash Generating Unit (CGUs).

According to the impairment calculations performed by management, as of 2016 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.

15. Property, plant and equipment

a) The detail of Property, plant and equipment items for the periods June 30, 2017 and December 31, 2016, and their corresponding accumulated depreciation is as follows:

Concepts	06.30.2017			12.31.2016		
	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	24,411,498	-	24,411,498	24,444,737	-	24,444,737
Buildings	934,359,992	(617,764,851)	316,595,141	928,054,287	(605,678,051)	322,376,236
Transport equipments	534,853	(529,447)	5,406	534,853	(528,366)	6,487
Supplies and accessories	33,767,425	(30,577,841)	3,189,584	33,679,434	(30,082,377)	3,597,057
Office equipments	3,393,479	(2,134,500)	1,258,979	3,096,118	(2,013,224)	1,082,894
Construction in progress	169,534,178	-	169,534,178	159,862,603	-	159,862,603
Information equipment	85,766,538	(65,408,106)	20,358,432	85,026,346	(60,484,509)	24,541,837
Network and communications equipment (1)	3,378,164,830	(2,695,362,681)	682,802,149	3,313,843,987	(2,628,694,962)	685,149,025
Property, plant and equipment under financial leases	5,304,293	(4,981,390)	322,903	5,304,293	(4,976,869)	327,424
Other property, plant & equipment (2)	281,190,703	(239,958,715)	41,231,988	286,339,806	(230,353,882)	55,985,924
Total	4,916,427,789	(3,656,717,531)	1,259,710,258	4,840,186,464	(3,562,812,240)	1,277,374,224

(1) As of June 30, 2017 and December 31, 2016 this heading includes an allowance in the amount of ThCh$ 18,641,450 and ThCh$ 17,161,751, respectively, 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.

15. Property, plant and equipment, continued

b) As of June 30, 2017 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 01.01.2017	24,444,737	322,376,236	6,487	3,597,057	1,082,894	159,862,603	24,541,837	685,149,025	327,424	55,985,924	1,277,374,224
Additions	-	-	-	-	-	108,636,543	-	-	-	-	108,636,543
Retirements	(33,239)	(693,493)	-	-	-	-	(1,127)	3,415,134	-	(13,446,902)	(10,759,628)
Acc, Dep, retirements	-	580,517	-	-	-	-	1,127	(3,326,082)	-	13,416,899	10,672,462
Depreciation expense	-	(12,667,317)	(1,081)	(495,464)	(121,276)	-	(4,924,724)	(63,341,637)	(4,521)	(23,021,732)	(104,577,752)
Other Increase (decrease) (1)	-	6,999,198	-	87,991	297,361	(98,964,968)	741,319	60,905,709	-	8,297,799	(21,635,591)
Movements, subtotal	(33,239)	(5,781,095)	(1,081)	(407,473)	176,085	9,671,575	(4,183,405)	(2,346,876)	(4,521)	(14,753,936)	(17,663,966)
Ending balance as of 06.30.2017	24,411,498	316,595,141	5,406	3,189,584	1,258,979	169,534,178	20,358,432	682,802,149	322,903	41,231,988	1,259,710,258

(1) Incl Includes movement of transfers from construction in progress to intangible assets in the amount of ThCh$ 21,635,591 (Note 13b).

As of June 30, 2017, the property, plant and equipment items that are fully depreciated and still in use are detailed as follows:

	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$
Fully depreciated assets still in use	-	280,886,055	513,226	25,453,477	712,252	-	52,463,116	2,018,200,252	-	173,641,373	2,551,869,751

15. **Property, plant and equipment**, continued

c) As of December 31, 2016 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 01.01.2016	24,342,330	323,563,103	10,227	3,941,545	1,301,644	208,280,368	16,293,940	681,892,632	334,528	76,584,303	1,336,544,620
Additions	-	-	-	-	-	286,746,018	-	-	-	-	286,746,018
Retirements	(616,778)	(12,533,894)	-	(10,863)	(2,755)	-	(1,265,164)	(123,152,243)	-	(60,498,231)	(198,079,928)
Acc, Dep, retirements	-	7,041,731	-	7,785	2,043	-	1,265,162	120,196,346	-	60,229,109	188,742,176
Depreciation expense	-	(25,883,817)	(3,740)	(1,018,756)	(235,817)	-	(7,743,585)	(131,950,490)	(7,104)	(58,814,636)	(225,657,945)
Other Increase (decrease) (1)	719,185	30,189,113	-	677,346	17,779	(335,163,783)	15,991,484	138,162,780	-	38,485,379	(110,920,717)
Movements, subtotal	102,407	(1,186,867)	(3,740)	(344,488)	(218,750)	(48,417,765)	8,247,897	3,256,393	(7,104)	(20,598,379)	(59,170,396)
Ending balance as of 12.31.2016	24,444,737	322,376,236	6,487	3,597,057	1,082,894	159,862,603	24,541,837	685,149,025	327,424	55,985,924	1,277,374,224

(1) Includes the movement of transfer of construction in progress to intangible assets ThCh$ (109,551,272) (Note 13b), elimination of ThCh $(1,368,425) from profitability for the year of Telefónica Chile Servicios Corporativos arising from labor that Telefónica Chile S.A. and Telefónica Móviles Chile S.A capitalized, and transfers from inventory to investment projects in the amount of ThCh$ (1,020) (Note 13b).

As of December 31, 2016 the property, plant and equipment items that are fully depreciated and still in use are detailed as follows:

	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$
Fully depreciated assets still in use	-	275,488,337	513,226	25,438,956	712,253	-	50,765,205	1,981,531,238	-	150,189,882	2,484,639,097

15. Property, plant and equipment, continued

Additions for the period 2017 fundamentally show the effect of incorporation of customer residential equipment (fixed telephone and broadband), long-distance transmission and voice and data equipment.

As of June 30, 2017 Property, plant and equipment items originating from net financial lease operations amount to ThCh$322,903 in the categories of buildings and the other property, plant and equipment, As of December 31, 2016, the amount for this concept was ThCh$327,424.

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 (Note 19b).

16. 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		06.30.2017		12.31.2016	
		Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bank loans	(a)	18,862	98,851,228	65,384,901	99,551,945
Unguaranteed obligations (Bonds)	(b)	7,130,574	705,130,483	6,117,450	656,843,352
Hedge instruments	(see note 18.2)	11,760,247	5,915,058	7,883,092	7,758,555
Others financials debts		48	-	-	-
Total		18,909,731	809,896,769	79,385,443	764,153,852

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

a) As of June 30, 2017 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
Bilateral Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97.030.000-7	Bank of Tokyo	Tokyo	USD	At expiry	1.47%	1.23%	MMUS$150	2021

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands) To Maturity									Total nominal amounts in local 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	
Bilateral Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Bank of Tokyo	-	-	-	-	-	99,057,000	-	99,057,000	-	99.057.000
	Total				-	-	-	-	-	99,057,000	-	99,057,000	-	99,057,000

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 06.30.2017	Non-current To Maturity							Total Non-current as of 06.30.2017
					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	ThCh$
Crédito Bilateral (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Bank of Tokyo	18,862	-	18,862	-	-	-	98,851,228	-	98,851,228	-	98.851.228
	Total				18,862	-	18,862	-	-	-	98,851,228	-	98,851,228	-	98,851,228

(1) On April 15, 2016, an international loan was obtained from The Bank of Tokyo-Mitsubishi and Export Development Canada in the amount of US$ 150 million (Ch$ 99,057 million).

16. **Other current and other non-current financial liabilities**, continued

a) As of December 31, 2016 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
Bilateral Loan(1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97.030.000-7	Bank of Tokyo	Tokyo	USD	At expiry	1.47%	1.23%	MMUS$150	2021
Syndicated Loan (2)	90.635.000-9	Telefónica Chile S.A.	Chile	Foreign	Sovereing Bank N.A.	USA	USD	At expiry	2.52%	2.14%	MMUS97.5	2017

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands) To Maturity									Total nominal amounts in local 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	
Bilateral Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Bank of Tokyo	-	-	-	-	-	-	99,057,000	99,057,000	-	99,057,000
Syndicated Loan (2)	90.635.000-9	Telefónica Chile S.A.	Chile	Sovereing Bank N.A.	-	47,775,000	-	-	-	-	-	-	-	47,775,000
Total					-	47,775,000	-	-	-	-	99,057,000	99,057,000	-	146,832,000

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 12.31.2016 ThCh$	Non-current To Maturity							Total Non-current as of 12.31.2016 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	
Bilateral Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Bank of Tokyo	51,683	-	51,683	-	-	-	-	99,551,945	99,551,945	-	99,551,945
Syndicated Loan (2)	90.635.000-9	Telefónica Chile S.A.	Chile	Sovereing Bank N.A.	-	65,333,218	65,333,218	-	-	-	-	-	-	-	-
Total					51,683	65,333,218	65,384,901	-	-	-	-	99,551,945	99,551,945	-	99,551,945

(1) On April 15, 2016, an international loan was obtained from The Bank of Tokyo-Mitsubishi and Export Development Canada in the amount of US$ 150 million (Ch$ 99,057 million).

(2) An international 5-year bullet loan was signed on April 3, 2012 with Sovereing Bank N.A., subsidiary of Santander in the United States, for US$ 97.5 million with an annual interest rate of libor + 1.95%.

16. **Other current and other non-current financial liabilities**, continued

b) As of June 30, 2017 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 Bond F (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At expiry	3.82%	3.60%	MM UF 3	2023
Series Bond G (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At expiry	2.01%	2.20%	MM UF 2	2020
Series Bond I (3)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At expiry	2.00%	1.95%	MM UF 2	2020
Series Bond K (4)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	CLP	At expiry	4.91%	4.90%	MM$ 94,410	2021
Series Bond 144A (5)	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 Bond Q (6)	90.635.000-9	Telefónica Chile S.A.	Chile	97.004.000-5	Banco Chile	Chile	CLP	At expiry	6.17%	5.75%	MM$47,000	2019
Series Bond T (7)	90.635.000-9	Telefónica Chile S.A.	Chile	97.004.000-5	Banco Chile	Chile	CLP	At expiry	6.09%	4.90%	MM$ 48,000	2023

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands) To Maturity									Total nominal amounts in local 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 Bond F (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Seires Bond G (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	50,108,620	50,108,620	-	-	-	-	50,108,620
Series Bond I (3)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	50,317,080	-	50,317,080	-	50,317,080
Series Bond K (4)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	94,410,000	94,410,000	-	94,410,000
Series Bond 144A (5)	90.635.000-9	Telefónica Chile S.A.	Chile	The Bank of New York Mellon	-	-	-	-	-	-	-	-	236,400,000	236,400,000
Series Bond Q (6)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	-	-	47,000,000	-	47,000,000	-	-	-	-	47,000,000
Series Bond T (7)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	-	-	-	-	-	-	-	-	48,000,000	48,000,000
Total					-	-	47,000,000	50,108,620	97,108,620	50,317,080	94,410,000	144,727,080	351,328,680	593,164,380

16. **Other current and other non-current financial liabilities**, continued

b) As of June 30, 2017 the detail of unguaranteed obligations (Bonds) is as follows, continued:

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current			Non-current							
					To Maturity		Total current as of 06.30.2017	To Maturity							Total Non-current as of 06.30.2017
					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	ThCh$
Serie Bond F (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	678,502	678,502	-	-	-	-	-	-	79,052,525	79,052,525
Serie Bond G (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	31,882	31,882	-	53,613,888	53,613,888	-	-	-	-	53,613,888
Serie Bond I (3)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	388,812	-	388,812	-	-	-	53,245,926	-	53,245,926	-	53,245,926
Serie Bond K (4)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	1,341,420	-	1,341,420	-	-	-	-	94,378,599	94,378,599	-	94,378,599
Serie Bond 144A (5)	90.635.000-9	Telefónica Chile S.A.	Chile	The Bank of New York Mellon	-	2,778,084	2,778,084	-	-	-	-	-	-	329,789,276	329,789,276
Serie Bond Q (6)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	782,035	-	782,035	46,749,383	-	46,749,383	-	-	-	-	46,749,383
Serie Bond T (7)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	-	1,129,839	1,129,839	-	-	-	-	-	-	48,300,886	48,300,886
	Total				2,512,267	4,618,307	7,130,574	46,749,383	53,613,888	100,363,271	53,245,926	94,378,599	147,624,525	457,142,687	705,130,483

(1) On October 15, 2013, a placement was made in the local market for a 10-year bullet bond in the amount of UF3,000,000, maturing on October 4, 2023.

(2) On July 23, 2015, a placement was made in the local market for a 5-year bullet bond in the amount of UF 2,000,000, maturing on June 20, 2020, with no covenants or control clauses.

(3) On August 20, 2015, a placement was made in the local market for a 5-year bullet bond in the amount of UF 2,000,000, maturing on August 14, 2020, with no covenants or control clauses.

(4) On September 13, 2016, a placement was made in the local market for a 5-year bullet bond in the amount of ThCh$ 94,410,000, maturing on September 13, 2021, with no covenants or control clauses.

(5) On October 12, 2012, Telefónica Chile S.A. issued 10-year Reg S 144A bullet bonds in the American capitals market in the amount of US$500,000,000 (equivalent to ThCh$236,400,000 historical), in US dollars, at an effective annual interest rate of 3.887%, 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 other corporate purposes.

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

(7) On January 5, 2017, Telefónica Chile S.A. placed series T, 5-year Bond in the local market in the amount of MCh$ 48,000 at a nominal annual rate of 4.9%, maturing on July 5, 2023. The amount collected by this operation amounted to MCh$ 48,795.

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

b) As of December 31, 2016 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 Bond F (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At expiry	3.82%	3.60%	MM UF 3	2023
Series Bond G (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At expiry	2.01%	2.20%	MM UF 2	2020
Series Bond I (3)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At expiry	2.00%	1.95%	MM UF 2	2020
Series Bond K (4)	90.635.000-9	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	CLP	At expiry	4.91%	4.90%	MM$ 94,410	2021
Series Bond 144A (5)	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 Bond Q (6)	90.635.000-9	Telefónica Chile S.A.	Chile	97.004.000-5	Banco Chile	Chile	CLP	At expiry	6.17%	5.75%	MM$47.000	2019

Classes	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (capital in thousands) To Maturity									Total nominal Amounts in local currency
					Up to 90 days ThCh$	90 days to 1 years ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	Total 1 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Total 3 to 5 years ThCh$	5 years and over ThCh$	ThChh$
Series Bond F (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Series Bond G (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	50,108,620	-	50,108,620	-	50,108,620
Series Bond I (3)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	50,317,080	-	50,317,080	-	50,317,080
Series Bond K (4)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	94,410,000	94,410,000	-	94,410,000
Series Bond 144A (5)	90.635.000-9	Telefónica Chile S.A.	Chile	The Bank of New York Mellon	-	-	-	-	-	-	236,400,000	236,400,000	-	236,400,000
Series Bond Q (6)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	-	-	47,000,000	-	47,000,000	-	-	-	-	47,000,000
Total					-	-	47,000,000	-	47,000,000	100,425,700	330,810,000	431,235,700	66,928,680	545,164,380

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

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current – To Maturity: Up to 90 days ThCh$	Current – To Maturity: 90 days to 1 years ThCh$	Total current as of 31.12.2017 ThCh$$	Non-current – To Maturity: 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 Non-current as of 31.12.2017 ThCh$
Series Bond F (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	681,866	681,866	-	-	-	-	-	-	78,046,970	78,046,970
Series Bond G (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	34,843	34,843	-	-	-	53,021,574	-	53,021,574	-	53,021,574
Series Bond I (3)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	386,261	-	386,261	-	-	-	52,600,159	-	52,600,159	-	52,600,159
Series Bond K (4)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	1,368,718	-	1,368,718	-	-	-	-	94,378,258	94,378,258	-	94,378,258
Series Bond 144A (5)	90.635.000-9	Telefónica Chile S.A.	Chile	The Bank of New York Mellon	-	2,850,765	2,850,765	-	-	-	-	-	-	332,181,886	332,181,886
Series Bond Q (6)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	794,997	-	794,997	-	46,614,505	46,614,505	-	-	-	-	46,614,505
Total					2,549,976	3,567,474	6,117,450	-	46,614,505	46,614,505	105,621,733	94,378,258	199,999,991	410,228,856	656,843,352

b) As of December 31, 2016 the detail of unguaranteed obligations (Bonds) is as follows, continued:

(1) On October 15, 2013, a placement was made in the local market in the amount of UF3,000,000 for a 10-year term bullet, maturing on October 4, 2023.

(2) On July 23, 2015, a 5-year bullet bond was placed in the local market in the amount of UF 2,000,000, maturing on June 20, 2020, with no covenants or control clauses.

(3) On August 20, 2015, a 5-year bullet bond was placed in the local market in the amount of UF 2,000,000, maturing on August 14, 2020, with no covenants or control clauses.

(4) On September 13, 2016, a 5-year bullet bond was placed in the local market in the amount of ThCh$ 94,410,000, maturing on September 13, 2021, with no covenants or control clauses.

(5) On October 12, 2012, Telefónica Chile S.A. issued 10-year Reg S 144A bullet bonds in the American capitals market in the amount of US$500,000,000 (equivalent to ThCh$236,400,000 historical), in US dollars, at an effective annual interest rate of 3.887%, 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 other corporate purposes.

(6) On March 26, 2014, Telefónica Chile S.A. placed a 5-year, series Q bullet bond 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 in this operation was MCh$46,406.

17. Trade and other payables

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

Concepts	06.30.2017 ThCh$	12.31.2016 ThCh$
Debts due to purchases or services provided, invoiced (1)	50,021,519	117,487,536
Real property providers, invoiced	28,487,029	70,613,906
Debts due to purchases or services provided, provisioned (1)	131,860,842	69,516,830
Payables to employees	19,723,791	33,448,318
Real property providers, provisioned	39,581,475	25,975,454
Dividends pending payment	325,017	406,998
Total	269,999,673	317,449,042

(1) "Debts from purchases or services rendered" corresponding to foreign and domestic suppliers, for the period ended as of June 30, 2017 and December 31, 2016 are detailed as follows:

Debts due to purchases or services provided	06.30.2017 ThCh$	12.31.2016 ThCh$
Domestic	160,332,045	160,011,971
Foreign	21,550,316	26,992,395
Total	181,882,361	187,004,366

b) Accounts payable payment terms

The Company has a policy of paying its suppliers in an average period of 60 days as of the date of reception of the respective invoice. There are cases in which due to specific circumstances, other than general policy, the established period is not complied with, for example, contracts that have specific agreed-upon deadlines, or delay on the part of the supplier in the issuance of invoices, or the closing of agreements with suppliers for delivery of goods or providing of the service, etc.

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

As of June 30, 2017 the main suppliers, in the Mobile operation are: Samsung Electronics Chile Ltda. with 28.9%, Apple Chile Comercial Limitada with 6.0%, LG Electronics with 5.9%, Huawei Chile S.A. with 5.7%, Atento Chile S.A. with 4.5%, and Huawei Device (Hong Kong) CO. LTD with 4.3. As of December 31, 2016 the main suppliers were: Samsung Electronics Chile Ltda. with 14.86%, Atento Chile S.A. with 12.94%, Apple Chile Comercial Limitada with 11.36%, and LG Electronics with 7.99%.

As of June 30, 2017 the main suppliers, are the Ministry of Public Works with 23.8%, Ezentis Chile S.A. with 19.8%, CAM Servicios de Telecomunicaciones with 12.4%, Cobra Chile Servicios S.A. with 10.5%, Accenture Chile Asesorías y Servicios Ltda. with 7%, Atento Chile S.A. with 6.5%, Alcatel-Lucent de Chile S.A. with 5.8%, I.B.M. de Chile S.A.C. with 5.7%, Digitex Internacional SAS with 5.3%, FOX Internacional Channels CHILE LT with 5.3%, and Lari Obras y Servicios Spa with 5.2%, and for December 31, 2016 the main suppliers are the ministry of Public Works with 7.29%, Ezentis Chile S.A. with 7.19%, Atento Chile S.A. with 6.70%, Coasin Instalaciones Ltda. with 6.50% and Cobra Chile Servicios S.A. with 6.44%

17. Trade and other payables, continued

b) Accounts payable payment terms, continued

The terms of accounts payable to suppliers with up to date payments as of June 30, 2017 and December 31, 2016 are detailed as follows:

Suppliers with up to date payments As of 06.30.2017	Goods ThCh$	Services ThCh$	Total ThCh$
Trade accounts to date			
Up to 30 days	27,685,810	47,732,659	75,418,469
From 31 to 60 days	-	-	-
From 61 to 90 days	-	-	-
Total	27,685,810	47,732,659	75,418,469
Average period of payment of up to date accounts	30	31	-

Suppliers with up to date payments As of 12.31.2016	Goods ThCh$	Services ThCh$	Total ThCh$
Trade accounts to date			
Up to 30 days	74,191,784	93,043,370	167,235,154
From 31 to 60 days	-	5,343,229	5,343,229
From 61 to 90 days	-	-	-
Total	74,191,784	98,386,599	172,578,383
Average period of payment of up to date accounts	30	32	

The terms of accounts payable to suppliers with overdue payments as of June 30, 2017 and December 31, 2016 are detailed as follows:

Overdue trade accounts payable by term As of 06.30.2017	Goods ThCh$	Services ThCh$	Total ThCh$
Overdue trade accounts payable by term			
Up to 30 days	223,474	2,132,930	2,356,404
From 31 to 60 days	19,171	422,117	441,288
From 61 to 90 days	7,252	1,146,143	1,153,395
From 91 to 120 days	101,007	67,067	168,074
From 121 to 180 days	409,305	(1,732,623)	(1,323,318)
More than 180 days	41,010	253,226	294,236
Total	801,219	2,288,860	3,090,079
Average payment period of overdue accounts	97	123	

17. Trade and other payables, continued

b) Accounts payable payment terms, continued

Overdue trade accounts payable by term As of 12.31.2016	Goods ThCh$	Services ThCh$	Total ThCh$
Overdue trade accounts payable by term			
Up to 30 days	2,575,402	6,490,799	9,066,201
From 31 to 60 days	514,564	2,632,969	3,147,533
From 61 to 90 days	-	35,619	35,619
From 91 to 120 days	5,297	347,722	353,019
From 121 to 180 days	710,908	2,209,779	2,920,687
More than 180 days	-	-	-
Total	3,806,171	11,716,888	15,523,059
Average payment period of overdue accounts	80	112	

18. 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, 2017 is as follows:

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST			TOTAL	
						Valuation hierarchy							
		Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Level 1 Market prices	Level 2 Estimates based on other observable market data	Level 3 Estimates not based on observable market data	Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	Total Carrying amount	Total fair value
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Other participations	See note 6 b	3,857	6,861,780	-	6,865,637	6,861,780	3,857	-	-	-	-	6,865,637	6,865,637
Derivative instrument assets	See note 18-2	-	-	133,140,811	133,140,811	-	133,140,811	-	-	-	-	133,140,811	133,140,811
Deposits and pledges	See note 6 a	6,916,105	-	-	6,916,105	-	6,916,105	-	-	-	-	6,916,105	6,916,105
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	18,806,881	-	18,806,881	18,806,881	18,806,881
Non-current financial assets		6,919,962	6,861,780	133,140,811	146,922,553	6,861,780	140,060,773	-	18,806,881	-	18,806,881	165,729,434	165,729,434
Current trade accounts receivable		-	-	-	-	-	-	-	453,199,058	-	453,199,058	453,199,058	453,199,058
Current trade and other accounts receivable	See note 8 a	-	-	-	-	-	-	-	300,441,119	-	300,441,119	300,441,119	300,441,119
Account receivable from relate entities	See note 9 a	-	-	-	-	-	-	-	152,757,939	-	152,757,939	152,757,939	152,757,939
Current deposits and pledges		13,034,875	-	-	13,034,875	-	13,034,875	-	-	-	13,034,875	13,034,875	13,034,875
Short-term deposits	See note 5c	-	-	-	-	-	-	-	-	-	-	-	-
Current pledges and deposits	See note 6 a	13,034,875	-	-	13,034,875	-	13,034,875	-	-	-	13,034,875	13,034,875	13,034,875
Derivative instrument of assets	See note 18-2	-	-	6,776,563	6,776,563	-	6,776,563	-	-	-	-	6,776,563	6,776,563
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	139,374,127	-	139,374,127	139,374,127	139,374,127
Current financial assets		13,034,875	-	6,776,563	19,811,438	-	19,811,438	-	592,573,185	-	605,608,060	612,384,623	612,384,623
Total financial assets		19,954,837	6,861,780	139,917,374	166,733,991	6,861,780	159,872,211	-	611,380,066	-	624,414,941	778,114,057	778,114,057

18. 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, 2016 is as follows:

		ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST			TOTAL	
						Valuation hierarchy							
						Level 1	Level 2	Level 3					
Description of financial assets	Financial instrument expiry	Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Market prices	Estimates based on other observable market data	Estimates not based on observable market data	Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	Total Carrying amount	Total fair value
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Other participations	See note 6 b	3,855	7,040,946	-	7,044,801	7,040,946	3,855	-	-	-	-	7,044,801	7.044.801
Derivative instrument assets	See note 18-2	-	-	133,745,075	133,745,075	-	133,745,075	-	-	-	-	133,745,075	133.745.075
Deposits and pledges	See note 6 a	50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50.468
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	19,210,095	-	19,210,095	19,210,095	19.210.095
Non-current financial assets		54,323	7,040,946	133,745,075	140,840,344	7,040,946	133,799,398	-	19,210,095	-	19,210,095	160,050,439	160.050.439
Current trade accounts receivable		-	-	-	-	-	-	-	375,135,767	-	375,135,767	375,135,767	375.135.767
Current trade and other accounts receivable	See note 8 a	-	-	-	-	-	-	-	243,664,414	-	243,664,414	243,664,414	244.490.841
Account receivable from relate entities	See note 9 a	-	-	-	-	-	-	-	131,471,353	-	131,471,353	131,471,353	131.471.353
Current deposits and pledges		56,680	-	-	56,680	-	56,680	-	-	-	-	56,680	56.680
Short-term deposits	See note 5c	-			-			-	-	-	-	-	-
Current pledges and deposits	See note 6 a	56,680	-	-	56,680	-	56,680	-	-	-	-	56,680	56.680
Derivative instrument of assets	See note 18-2	-	-	21,165,932	21,165,932	-	21,165,932	-	-	-	-	21,165,932	21.165.932
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	221,274,945	-	221,274,945	221,274,945	221.274.945
Current financial assets		56,680	-	21,165,932	21,222,612	-	21,222,612	-	596,410,712	-	596,410,712	617,633,324	617.633.324
Total financial assets		111.003	7,040,946	154,911,007	162,062,956	7,040,946	155,022,010	-	615,620,807	-	615,620,807	777,683,763	777,683,763

18. 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.

18. **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, 2017 is as follows:

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE		Valuation hierarchy			LIABILITIES RECORDED AT AMORTIZED COST	TOTAL	
		Hedge derivative liabilities	Subtotal of liabilities at fair value	Level 1	Level 2	Level 3			
				Market prices	Estimates based on other observable market data	Estimates not based on observable market data	Debits and items payable	Total Carrying amount	Total Carrying amount
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Issuance of obligations and other non-current marketable securities	See note 16 b	-	-	-	-	-	705,130,483	705,130,483	730,971,460
Non-current debts with loan entities	See note 16 a	-	-	-	-	-	98,851,228	98,851,228	98,851,228
Long-term hedge derivative instrument of liabilities		5,915,058	5,915,058		5,915,058			5,915,058	5,915,058
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities		-	-	-	-	-	-	-	-
Non-current financial liabilities		5,915,058	5,915,058	-	5,915,058	-	803,981,711	809,896,769	835,737,746
Issuance of short-term obligations and other marketable securities	See note 16 b	-	-	-	-	-	7,130,574	7,130,574	7,390,018
Short-term debts with credit entities	See note 16 a/c	-	-	-	-	-	18,862	18,862	18,862
Short-term derivative instrument of liabilities	See note 18-2	11,760,247	11,760,247	-	11,760,247	-	-	11,760,247	11,760,247
Trade and other accounts payable	See note 17	-	-	-	-	-	269,999,673	269,999,673	269,999,673
Accounts payable to related entities	See note 9 b	-	-	-	-	-	60,189,219	60,189,219	60,189,219
Current Other Financial Debt		-	-	-	-	-	-	-	-
Current financial liabilities		11,760,247	11,760,247	-	11,760,247	-	337,338,328	349,098,575	349,358,019
Total financial liabilities		17,675,305	17,675,305	-	17,675,305	-	1,141,320,039	1,158,995,344	1,185,095,765

18. 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, 2016 is as follows:

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE: Hedge derivative liabilities	Subtotal of liabilities at fair value	Valuation hierarchy: Level 1 Market prices	Level 2 Estimates based on other observable market data	Level 3 Estimates not based on observable market data	LIABILITIES RECORDED AT AMORTIZED COST: Debits and items payable	TOTAL: Total Carrying amount	Total Carrying amount
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Issuance of obligations and other non-current marketable securities	See note 16 b	-	-	-	-	-	656,843,352	656,843,352	662,402,564
Non-current debts with loan entities	See note 16 a	-	-	-	-	-	99,551,945	99,551,945	99,551,945
Long-term hedge derivative instrument of liabilities		7,758,555	7,758,555	-	7,758,555	-	-	7,758,555	7,758,555
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities		-	-	-	-	-	-	-	-
Non-current financial liabilities		7,758,555	7,758,555	-	7,758,555	-	756,395,297	764,153,852	769,713,064
Issuance of short-term obligations and other marketable securities	See note 16 b	-	-	-	-	-	6,117,450	6,117,450	6,170,955
Short-term debts with credit entities	See note 16 a/c	-	-	-	-	-	65,384,901	65,384,901	65,384,901
Short-term derivative instrument of liabilities	See note 18-2	7,883,092	7,883,092	-	7,883,092	-	-	7,883,092	7,883,092
Trade and other accounts payable	See note 17	-	-	-	-	-	317,449,042	317,449,042	317,449,042
Accounts payable to related entities	See note 9 b	-	-	-	-	-	102,270,637	102,270,637	102,270,637
Current Other Financial Debt		-	-	-	-	-	11,904,146	11,904,146	11,904,146
Current financial liabilities		7,883,092	7,883,092	-	7,883,092	-	503,126,176	511,009,268	511,062,773
Total financial liabilities		15,641,647	15,641,647	-	15,641,647	-	1,259,521,473	1,275,163,120	1,280,775,837

18. **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 16).

18. Financial instruments, continued

2. Hedging instruments

As of June 30, 2017, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as 06.30.2017	Up to 90 days	90 days to 1 year	Total current		To Maturity		Total non-current	
					Assets (note 6)	Liabilities (note 16)	1 to 3 years	3 to 5 years	Assets (note 6)	Liabilities (note 16)
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	2,544,026	1,517,526	1,026,500	2,682,081	(138,055)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(6,302,661)	(6,302,661)		264,709	(6,567,370)	-	-	-	-
Interest rate – cash flows hedge (4)	Financial Debt	(2,313,206)	(4,206,611)	(20,868)	827,343	(5,054,822)	-	1,914,273	7,829,331	(5.915.058)
Exchange rate and interest rate – fair value hedge (5)	Financial Debt	125,311,480	-		-		-	125,311,480	125,311,480	-
	Total	119.239.639	(8,991,746)	1,005,632	3,774,133	(11,760,247)	-	127,225,753	133,140,811	(5,915,058)

Hedge instruments have generated an effect on income of ThCh$ (11,995,546), As of June 30, 2017 the accumulated effect on equity is ThCh$ 11,536,285 (see note 22d).

As of December 31, 2016, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as 12,31,2016	Up to 90 days	90 days to 1 year	Total current		To Maturity		Total non-current	
					Assets (note 6)	Liabilities (note 16)	1 to 3 years	3 to 5 years	Assets (note 6)	Liabilities (note 16)
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	775,689	(111,422)	887,111	2,320,112	(1,544,423)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(97,878)	(97,878)	-	44,586	(142,464)	-	-	-	-
Interest rate – cash flows hedge (4)	Financial Debt	(4,395,293)	(5,171,117)	(172,718)	852,370	(6,196,205)	-	948,542	8,707,097	(7.758.555)
Exchange rate and interest rate – fair value hedge (5)	Financial Debt	142,986,842	-	17,948,864	17,948,864	-	-	125,037,978	125,037,978	-
	Total	139.269.360	(5,380,417)	18,663,257	21,165,932	(7,883,092)	-	125,986,520	133,745,075	(7,758,555)

Hedge instruments have generated an effect on income of ThCh$ (22,102,715), As of December 31, 2016 the accumulated effect on equity is ThCh$9,954,496 (see note 22d).

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 hedging – fair value: This category includes, derivative instruments entered into to hedge valuation of debt instruments at a variable interest rate.
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.

18. 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 18.1):

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 (that is, as a price) or indirectly (that is, 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.

19. Other currents provisions

a) The balance of currents provisions is detailed as follows:

Concepts	06.30.2017 ThCh$	12.31.2016 ThCh$
Civil and regulatory	11,191,413	11,036,140
Total	11,191,413	11,036,140

As of June 30, 2017, civil and regulatory provisions are mainly composed of the OPS Limitada civil proceeding in the amount of ThCh$ 9,421,788 (see Note 27b).

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 27,a), therefore they do not foresee that they will result in liabilities other than those recorde,

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, 2017 and December 31, 2016 the movements in provisions is as follows:

Movements	06.30.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	11,036,140	1,557,784
Increase in existing provisions	702,232	11,799,856
Provision used	(546,959)	(2,321,500)
Movement subtotal	155,273	9,478,356
Ending balance	11,191,413	11,036,140

b) Other non-currents provisions:

As of June 30, 2017 and December 31, 2016 the balance of other non-currents provisions is detailed as follows:

Concepts	06.30.2017 ThCh$	12.31.2016 ThCh$
Dismantling provision	18,641,450	17,161,751
Total	18,641,450	17,161,751

Movements of the dismantling provision as of June 30, 2017 and as of December 31, 2016 are detailed as follows:

Movements	06.30.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	17,161,751	16,603,544
Increase in existing provisions	1,018,932	676,372
Financial restatement	460,767	1,334,926
Derecognitions (1)	-	(1,453,091)
Movement subtotal	1,479,699	558,207
Ending balance	18,641,450	17,161,751

(1) Corresponds to the value spun-off to Telxius Torres Chile S.A. (formerly Towerco Chile S.A.) due to the division of the Company in April 2016.

20. 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, 2017 and December 31, 2016 current and non-current employee benefits accrual are as follows:

Concepts	06,30,2017 ThCh$	12,31,2016 ThCh$
Current amount of liability recognized for termination benefits	6,398,652	5,989,507
Non-current amount of liability recognized for termination benefits	31,044,308	30,769,516
Total	37,442,960	36,759,023

As of June 30, 2017 and December 31, 2016 the movements for current employee benefits provisions are detailed as follows:

Movements	06,30,2017 ThCh$	12,31,2016 ThCh$
Beginning balance	36,759,023	30,621,825
Service costs	424,854	2,085,703
Interest costs	829,835	1,503,624
Actuarial (profits)/losses, net due to experience	281,477	5,228,561
Benefits paid	(1,168,477)	(2,315,172)
Others	316,248	(365,518)
Movement subtotal	683,937	6,137,198
Ending balance	37,442,960	36,759,023

20. 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 as of June 30, 2017 and December 31, 2016 are detailed as follows:

- Discount rate: An annual nominal rate of 4,51% is used as of June 30, 2017 and December 31, 2016 respectively, This rate must be representative of the time value of money, for which a risk-free rate is used represented by BCP (Central Bank of Chile Bonds issued in Chilean pesos) instruments, for a relevant term of close to 20 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 periods ended June 30, 2017 and December 31, 2016 was 3%.
- Mortality: The RV 2014 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, the rotation used for both periods are as follows:

benefit group	rotation rate resignation	rotation rate dismissal
Compensation frozen	0.38%	2.53%
Compensation post-frozen	3.77%	5.37%
Quotas system	2.73%	2.73%
Decease	2.73%	2.73%

- **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, 2017, 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%	(2,599,932)	2,946,571

20. 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$
Future payment cash flows	3,542,668

d) Employee benefits expenses

Expenses recognized in the comprehensive income statement for this concept are composed of payroll for personnel hired by subsidiaries Telefónica Investigación y Desarrollo SpA and Telefónica Chile Servicios Corporativos Ltda. detailed as follows:

Concepts	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$	04.01.16 to 06.30.16 ThCh$	06.30.2016 ThCh$
Wages and salaries	31,584,528	65,823,968	31,378,814	62,689,796
Post employment benefit obligations expense	340,852	424,854	810,312	1,782,261
Total	31,925,380	66,248,822	32,189,126	64,472,057

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

Other non-financial liabilities are detailed as follows:

Concepts	06.30.2017		12.31.2016	
	Current	Non-current	Current	Non-current
	ThCh$	ThCh$	ThCh$	ThCh$
Deferred income	37,071,442	3,405,657	36,799,669	3,674,406
Services charged and not rendered	9,018,059	-	7,754,150	-
Top-up of prepayment cards (see Note 2 p)	4,899,808	-	5,334,465	-
Club Movistar (see Note 2 p)	3,979,664	-	4,063,018	-
Handsets sold and not activated (see Note 2 p)	12,400,633	-	10,319,846	-
Sale of telecommunications infrastructure (1)	68,629	486,498	68,629	509,189
Connection installments	107,004	136,844	114,467	163,057
Other Deferred income (2)	6,597,645	2,782,315	9,145,094	3,002,160
Subsidies	276,985	2,441,015	414,244	2,539,108
Subsidy for Tierra del Fuego base stations (3)	-	1,055,332	-	1,055,332
Puerto Natales and Cerro Castillo Fiber Optics Network	90,380	567,380	90,380	609,322
Connectivity for service networks and Community Telecommunications Centers	52,623	535,002	52,623	561,313
Extreme zones (4)	59,681	283,301	59,680	313,141
Telefónica Móvil public services	51,092	-	51,092	-
Mobile telephone service to routes in the Region of Antofagasta	23,209	-	69,628	-
Research and Development	-	-	90,841	-
Other taxes (2)	21,885,172	-	25,605,501	-
Others non-financial liabilities	59,233,599	5,846,672	62,819,414	6,213,514

(1) Corresponds to income from sale of towers.
(2) As of June 30, 2017, current mainly includes self-financed projects in the amount of MCh$3,724 and non-current includes revenue received from other operators for rights to use underwater cable in the amount of MCh$ 1,379 and capacity sales in the amount of MCh$ 866.
(3) Corresponds to the subsidy provided by the government for the Tierra del Fuego project carried out in conjunction with Entel S.A.
(4) Corresponds to the subsidy granted by the Chilean Internal Revenue Service for extreme zones.
(5) Includes tax withholding, value added tax, pension and healthcare institutions and others.

21. Other current and non-current non-financial liabilities, continued

Movements of deferred income and subsidies are detailed as follows:

Movements	06.30.2017		12.31.2016	
	Current	Non-current	Current	Non-current
	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance	36,158,653	6,213,514	26,790,557	7,791,302
Endowments	173,247,775	965,021	363,136,655	2,173,692
Reduction/applications	(172,058,001)	(1,331,863)	(352,713,299)	(3,751,480)
Movement subtotal	1,189,774	(366,842)	10,423,356	(1,577,788)
Ending balance	37,348,427	5,846,672	37,213,913	6,213,514

22. 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 years ended as of June 30, 2017 and December 31, 2016.

a) Capital

As of June 30, 2017 anda December 31, 2016, the Company's paid-in capital is composed as follows:

Number of shares

Series	06.30.2017			12.31.2016		
	N° of shares subscribed	N° of shares paid	N° of shares with voting rights	N° of shares subscribed	N° of shares paid	N° of shares with voting rights
UNICA	887,631,908,214	887,631,908,214	887,631,908,214	887,631,905,238	887,631,905,238	887,631,905,238
Total	887,631,908,214	887,631,908,214	887,631,908,214	887,631,905,238	887,631,905,238	887,631,905,238

Capital

Series	06.30.2017		12.31.2016	
	Subscribed capital ThCh$	Paid-in capital ThCh$	Subscribed capital ThCh$	Paid-in capital ThCh$
UNICA	1,257,872,285	1,257,872,285	1,257,872,279	1,257,872,279
Total	1,257,872,285	1,257,872,285	1,257,872,279	1,257,872,279

22. Equity, continued

a) Capital, continued

At the Extraordinary Shareholders' Meeting held on March 22, 2017, the shareholders approved a capital increase from ThCh$ 1,257,872,279, divided into 887,631,905,238 ordinary shares, to ThCh$ 1,257,872,285, divided into 887,631,908,214 ordinary shares.

At the Extraordinary Shareholders' Meeting held on September 30, 2016, the shareholders approved a capital increase of ThCh$ 537,781,196, equivalent to 309,751,261,839 shares, paid by shareholder Inversiones Telefónica International Holding S.A., who obtained control of the Company. The object of this increase was to comply with the corporate reorganization of the Telefónica Group in Chile.

Based on the above, as of June 30, 2017, the Company's shareholder structure is detailed as follows:

Company	Shares
Telefónica Chile Holdings SL	565,889,947,795
Inversiones Telefónica International Holding S.A.	311,741,957,443
Telefónica S.A.	10,000,002,976
Total	887,631,908,214

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 30, 2017 is as follows:

Type of Shareholder	Participation percentage %	Number of shareholders
Participation of 10% or more	98.8734	2
Less than 10% participation:	1.1266	1
Investment equal to or exceeding UF 200	-	-
Investment under UF 200	-	-
Total	100.0000	3
Company's parent	63.7528%	1

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.

ii) Dividends distributed:

On April 30, 2017, there was a reversal of ThCh$40,266,680 corresponding to the minimum legal dividend for 2016.

22. Equity, continued

d) Other reserves:

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

Concepts	Balance of 12.31.2016 ThCh$	Net movement ThCh$	Balance of 06.30.2017 ThCh$
Capital revaluation reserve (i)	(233,685,304)	(23)	(233,685,327)
Business combination reserve (ii)	(95,176,546)	(10)	(95,176,556)
Others reserves (iii)	(121,015,687)	(7,405,957)	(128,421,644)
Employee benefits reserve (iv)	(9,891,218)	(271,713)	(10,162,931)
Treasury stock reserve (v)	(7,406,043)	7,406,043	-
Foreign currency translation reserve (vi)	(58,310)	-	(58,310)
Cash flows hedge reserve (vii)	9,954,496	1,581,789	11,536,285
Reserve for financial assets available for sale (viii)	1,336,599	(175,439)	1,161,160
Total	(455,942,013)	1,134,690	(454,807,323)

i) Capital revaluation

In accordance with Law No. 18,046, second paragraph of Article 10 and in accordance with Official Circular No. 456 issued by the Superintendency of Securities and Insurance, the revaluation of the Company's capital as of December 31, 2008, must be presented in this account.

ii) Business combination reserve

Corresponds to company reorganizations performed in previous years.

iii) Other miscellaneous reserves

Contains the difference between the valuation of the investments that Telefónica Móviles S.A. has in the consolidated subsidiaries and the capital of each one of these. This effect is in the amount of ThCh$53,430,874.

During 2014, the Company made a capital increase paid by Telefónica Internacional Holding S.A. with the contribution in dominion of a group of assets and liabilities. This transaction generated a difference between the carrying amount of those assets and liabilities and the contribution value of ThCh$61,567,621 (83,297 thousand euros) that were recognized in this heading, since it corresponds to a corporate reorganization.

In July 2010, the Company purchased the investment of Dutch company Telefónica Chile Holding B.V. in Telefónica Internacional S.A. This transaction generated a 20% withholding tax that was assessed by the Chilean Internal Revenue Service in 2013 and which had to be paid by the Company since it is jointly and severally liable. This tax in the amount of ThCh$3,722,259 (5,036 thousand euros) was recognized as other reserves.

In addition, it is composed of the accumulated revaluation reserve and of the adjustment for first-time adoption of International Financial Reporting Standards (IFRS) assumed by subsidiary Telefónica Móviles Soluciones y Aplicaciones S.A. in the amount of ThCh$2,365,462.

22. Equity, continued

d) Other reserves, continued

iv) Employee benefits reserve

Corresponds to the effect arising from changes in the actuarial hypotheses for the employee benefits provision, originated in subsidiaries Telefónica Chile Servicios Corporativos Ltda. and Telefónica Investigación y Desarrollo Chile SpA.

v) Treasury shares reserves

Corresponds to the disbursement made for the purchase of company shares from dissident shareholders due to the merger by incorporation of subsidiary Telefónica Larga Distancia S.A. with Telefónica Chile S.A.

As of June 30, 2017 there was a capital decrease in subsidiary Telefónica Chile S.A. as a consequence of the right to withdraw exercised through the agreements adopted at the Extraordinary Shareholders' Meeting held on March 30, 2016 in the amount of ThCh$ 7,563,362, which was charged to other reserves.

vi) Foreign currency translation difference reserve

Corresponds to the differences generated by the conversion of the Company's financial statements.

vii) 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.

viii) Reserves for financial assets available for sale

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

e) Non-controlling interest

As of June 30, 2017 and December 31, 2016 recognition of the share of equity belonging to third parties is detailed as follows:

Subsidiaries	Minority Interest percentage		Equity minority interest	
	2017 %	2016 %	06.30.2017 ThCh$	12.31.2016 ThCh$
Telefónica Chile S.A.	2.08	2.08	14,247,087	13,953,459
Telefónica Móviles Chile S.A.	-	0.01	-	65
Total			14,247,087	13,953,524

22. Equity, continued

e) Non-controlling interest, continued

As of June 30, 2017 and 2016 recognition of the share in income of subsidiaries is detailed as follows:

Filiales	Minority Interest percentage 2017 %	Minority Interest percentage 2016 %	Participation in profit income (loss) 04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$	04.01.16 to 06.30.16 ThCh$	06.30.2016 ThCh$
Telefónica Chile S.A.	2.08	2.08	318,219	298,258	82,312	316,712
Telefónica Móviles Chile S.A.	-	0.01	(2)	-	2	5
Telefónica Larga Distancia S.A.	-	0.07	-	-	(3,057)	-
Total			318,217	298,258	79,257	316,717

23. Earnings per Share

The details of Earnings per share are as follows:

Basic earnings per share	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$	04.01.16 to 06.30.16 ThCh$	06.30.2016 ThCh$
Earnings attributable to owners of the parent	179,558,825	200,022,967	24,337,997	62,027,646
Profit available for shareholders	179,558,825	200,002,967	24,337,997	62,027,646
Weighted average number of shares	887,631,908,214	887,631,908,214	577,880,643,399	577,880,643,399
Basic earnings per share in Ch$	0,202	0,225	0,042	0,107

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

24. Income and Expenses

a) The details of income from ordinary operations as of June 30, 2017 and 2016 are as follows:

Ordinary income	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$	04.01.16 to 06.30.16 ThCh$	06.30.2016 ThCh$
Mobile Telecommunications	196,522,677	398,619,380	204,272,942	411,920,724
Broadband (1)	48,169,047	96,767,543	48,777,484	95,756,752
Television	45,183,411	87,807,632	44,136,152	86,473,007
Fixed Telecommunications	43,027,295	81,431,503	46,554,304	89,422,130
Corporate Communication	31,010,380	56,989,518	31,171,330	57,489,117
Long Distance	4,831,575	9,289,554	6,109,349	13,278,003
Other Businesses	25,213,268	53,385,564	20,880,283	43,636,287
Total	393,957,653	784,290,694	401,901,844	797,976,020

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

b) The detail of other operating income as of June 30, 2017 and 2016 are as follows:

Other income	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$	04.01.16 to 06.30.16 ThCh$	06.30.2016 ThCh$
Other current management income (1)	2,338,477	3,311,867	2,198,966	2,502,824
Surcharges due to default	1,115,824	1,115,824	1,200,515	1,200,515
Income from disposal of real property(2)	103,064	625,450	932,082	1,768,199
Income from indemnities, complaints and others(3)	181,772	189,824	251,966	254,016
Total	3,739,137	5,242,965	4,583,529	5,725,554

(1) Corresponds to indemnity for breach of distributor contracts, Movistar One intelligent purchase, electronic top up commissions, extreme zone subsidies and others.
(2) Corresponds to indemnity for theft at sites and branches.
(3) Corresponds to income from sale of towers and land.

c) The detail of other expenses by nature of the operation as of June 30, 2017 and 2016 are as follows:

Other expenses	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$	04.01.16 to 06.30.16 ThCh$	06.30.2016 ThCh$
Cost of sale of inventory	58,799,142	115,977,872	57,243,417	103,781,704
Media rental	56,543,247	112,768,924	54,621,138	109,615,643
Sales commissions	23,325,459	45,892,200	22,726,691	45,474,852
Other exterior services	21,461,207	37,799,048	25,832,122	46,603,033
Plant maintenance	15,883,077	31,323,564	13,689,223	27,550,217
Customer service	13,520,735	26,693,394	14,491,568	27,302,285
Allowance for doubtful accounts	12,494,072	23,788,870	10,305,823	21,721,947
Interconnections and roaming	7,520,467	21,048,061	13,450,844	34,486,305
Information services	9,349,868	17,816,299	11,637,140	20,374,936
Advertising	7,656,717	14,907,026	7,185,219	14,742,698
Energy	6,267,930	13,279,482	10,048,745	12,954,957
Gasto	2,286,678	4,463,079	(518,284)	4,105,697
Others (1)	17,853,847	30,766,673	13,352,216	21,978,600
Total	252,962,446	496,524,492	254,065,862	490,692,874

(1) As of June 30, 2017 and 2016, includes transportation expenses, insurance, consulting, events, fines, sanctions, and security and surveillance expenses, among others.

24. Income and Expenses, continued

d) The detail of financial expenses, net, as of June 30, 2017 and 2016, is as follows:

Financial expenses, net	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$	04.01.16 to 06.30.16 ThCh$	06.30.2016 ThCh$
Interest income				
Interest earned on deposits	547,217	2,283,295	1,358,434	2,725,330
Dividend to accounts of the group	866,297	1,924,689	419,089	828,372
Interest on financial instruments	244,046	263,445	3,407	16,534
Other interest income	1,048,525	1,533,365	76,544	549,770
Total interest income	2,706,085	6,004,794	1,857,474	4,120,006
Interest expense				
Interest on loans from bank institutions	6,852,089	13,756,178	6,939,038	13,617,386
Interest on obligations banking institutions	510,140	1,425,275	3,308,495	6,523,491
Interest rate hedges (Cross Currency Swap)	1,135,345	2,822,215	2,612,822	3,727,115
Interest on mercantile mandate	482,569	1,152,855	1,096,940	1,421,525
Financial restatement of dismantling obligation	217,068	425,312	188,091	418,887
Finance lease	-	-	-	1,284
Other financial expenses	380,338	528,752	189,061	284,440
Total interest expense	9,577,549	20,110,587	14,334,447	25,994,128
Total finance income and costs, net	(6,871,464)	(14,105,793)	(12,476,973)	(21,874,122)

e) Foreign currency translation as of June 30, 2017 and 2016 are detailed as follows:

Currency translation	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$	04.01.16 to 06.30.16 ThCh$	06.30.2016 ThCh$
Cash and cash equivalents	3,906,460	3,655,095	(7,909,202)	(8,158,384)
Current accounts receivable from related entities	(133,933)	(504,109)	638,336	(1,612,111)
Current trade and other accounts receivable	3,160,837	2,931,563	1,832,322	(1,349,228)
Current accounts payable to related entities	978,473	1,398,976	379,370	1,497,316
Trade and other accounts payable	1,499,636	2,032,465	1,700,922	2,603,304
Others financial liabilities	13,749	38,838	-	-
Financial investment	-	-	-	-
Financial debt	80,800	4,161,598	5,519,271	32,269,502
Lease financial debt	-	-	-	-
Derivative	-	-	(1,394,409)	-
Hedge instruments	(8,646,045)	(13,078,499)	(1,784,828)	(25,244,707)
Others headings	-	-	244,577	21,869
Total	859,977	635,927	(773,641)	27,561

24. Income and Expenses, continued

f) Indexation units as of June 30, 2017 and 2016 are detailed as follows:

Indexation units	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$	04.01.16 to 06.30.16 ThCh$	06.30.2016 ThCh$
Derivatives	-	-	(1,766,750)	-
Current trade and other accounts receivable	61,660	485,813	2,880	373,455
Trade and other accounts payable	(312,507)	(363,501)	(145,678)	(1,011,906)
Cash and cash equivalents	(203,037)	(198,055)	271	-
Current tax assets	124,640	125,389	103,181	103,181
Financial debt	(1,346,681)	(2,210,682)	(2,153,637)	(3,800,038)
Leasing financial debt		-	-	(27)
Current tax liabilities	-	(5,033)	(33,617)	(49,965)
Hedge instruments	1,369,662	2,237,383	3,806,820	3,806,820
Total	(306,263)	71,314	(186,530)	(578,480)

25. 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.

25. **Leases,** continued

Concepts	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$	04.01.16 to 06.30.16 ThCh$	06.30.2016 ThCh$
Minimum operating lease payments recognized as expenses	(32,764,367)	43,854,442	22,954,705	41,889,122

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

Concepts	06.30.2017			12.31.2016		
	Gross amount ThCh$	Accumulated depreciation ThCh$	Net value ThCh$	Gross amount ThCh$	Accumulated depreciation ThCh$	Net value ThCh$
Financial leases recognized as assets	5,304,293	(4,981,390)	322,903	5,304,293	(4,976,869)	327,424

Future obligations on financial and operating leases as of June 30, 2017 and 2016 are detailed as follows:

Concepts	06.30.2017			
	Up to one year ThCh$	From one to five years ThCh$	More than 5 years ThCh$	Total ThCh$
Minimum financial lease payments payable	-	-	-	-
Future financial burden due to financial leases	-	-	-	-
Minimum operating lease payments payable	33,274,394	93,402,402	21,283,313	147,960,109
Total	33,274,394	93,402,402	21,283,313	147,960,109

Concepts	06.30.2016			
	Up to one year ThCh$	From one to five years ThCh$	More than 5 years ThCh$	Total ThCh$
Minimum financial lease payments payable	-	-	-	-
Future financial burden due to financial leases	-	-	-	-
Minimum operating lease payments payable	36,314,592	106,177,862	38,229,049	180,721,503
Total	36,314,592	106,177,862	38,229,049	180,721,503

26. Local and Foreign Currency

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

Currents assets	06.30.2017 ThCh$	12.31.2016 ThCh$
Cash and cash equivalents	139,374,127	221,274,945
US Dollars	385,216	2,886,391
Euros	36,838	48,942
Chilean Pesos	138,952,073	218,339,612
Other current financial assets	19,811,438	21,222,612
US Dollars	14,098,666	1,489,383
Euros	994,639	59,485
Chilean Pesos	4,718,133	19,673,744
U,F,	-	-
Current trade and other accounts receivable	300,441,119	243,664,414
Us Dollars	-	655,768
Euros	22,362	31,730
Chilean Pesos	299,622,009	241,458,785
U,F	786,127	1,518,131
Others currencies	10,621	-
Current receivables from related companies	152,757,939	131,471,353
US Dollars	11,989,589	8,150,682
Euros	2,585,915	116,591,500
Chilean Pesos	137,877,078	6,657,049
Other currencies	305,357	72,122
Other current assets (1)	140,974,920	128,445,162
Chilean Pesos	140,974,920	128,445,162
U,F,	-	-
Total current assets	753,359,543	746,078,486
US Dollars	26,473,471	13,182,224
Euros	3,639,754	116,731,657
Chilean Pesos	722,144,213	614,574,352
U,F,	786,127	1,518,131
Other currencies	315,978	72,122

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

Non-currents assets	06.30.2017 ThCh$	12.31.2016 ThCh$
Other non-current financial assets	140,056,916	140,840,344
US Dollars	2,850,708	1,853,129
Chilean Pesos	114,416,548	117,544,139
U,F,	22,789,660	21,443,076
Non-current trade and other accounts receivable	18,806,881	19,210,095
Chilean Pesos	18,806,881	19,210,095
Other non-currents non-financial assets	7,378,246	7,446,384
Chilean Pesos	7,378,246	7,446,384
Other non-current assets (2)	2,118,963,038	2,002,020,470
Chilean Pesos	2,118,963,038	2,002,020,470
Total non-current assets	2,285,205,081	2,169,517,293
US Dollars	2,850,708	1,853,129
Chilean Pesos	2,259,564,713	2,146,221,088
U,F,	22,789,660	21,443,076

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

26. Local and Foreign Currency, continued

The detail for currency of current liabilities is as follows:

Currents liabilities	06.30.2017	12.31.2016	06.30.2017	12.31.2016
	to 90 days		De 91 days a 1 years	
	ThCh$		ThCh$	
Other current financial liabilities	14,270,556	10,276,031	4,639,175	69,109,412
US Dollars	107,878	1,557,851	2,778,084	68,183,983
Euros	60,487	144,716	-	36,003
Chilean Pesos	13,713,379	8,187,203	1,150,707	172,717
U.F.	388,812	386,261	710,384	716,709
Trade and other payables	269,999,673	317,449,042	-	-
US Dollars	48,184,833	43,238,216	-	-
Euros	10,623,792	2,588,670	-	-
Chilean Pesos	189,141,569	257,636,261	-	-
U.F.	22,047,179	13,979,190	-	-
Others currencies	2,300	6,705	-	-
Current receivables from related companies	60,189,219	102,270,637	-	-
US Dollars	5,833,647	6,539,299	-	-
Euros	3,123,353	1,273,678	-	-
Chilean Pesos	51,224,753	94,457,660	-	-
U.F.	7,466	-	-	-
Other current liabilities (1)	75,667,066	72,712,808	28,858,937	30,472,799
Chilean Pesos	75,667,066	71,732,131	28,858,937	30,398,261
Euros	-	980,677	-	74,538
Total current liabilities	420,126,514	502,708,518	33,498,112	99,582,211
US Dollars	54,126,358	51,335,366	2,778,084	68,183,983
Euros	13,807,632	4,987,741	-	110,541
Chilean Pesos	329,746,766	432,013,255	30,009,644	30,570,978
U.F.	22,443,457	14,365,451	710,384	716,709
Others currencies	2,300	6,705	-	-

(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	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016
	1 to 3 years		3 to 5 years		5 years and over	
	ThCh$		ThCh$		ThCh$	
Other non-current financial liabiliti	100,363,271	46,614,505	252,390,811	307,310,491	457,142,687	410,228,856
US Dollars	-	-	98,851,228	99,551,945	329,789,276	332,181,886
Chilean Pesos	46,749,383	46,614,505	100,293,657	102,136,813	48,300,886	-
U,F,	53,613,888	-	53,245,926	105,621,733	79,052,525	78,046,970
Other non-current liabilities (1)	20,579,355	38,730,543	22,895,286	41,117,635	84,995,345	64,456,046
Chilean Pesos	20,579,355	38,730,543	22,895,286	41,117,635	84,995,345	64,456,046
Other non-current liabilities	120,942,626	85,345,048	275,286,097	348,428,126	542,138,032	474,684,902
US Dollars		-	98,851,228	99,551,945	329,789,276	332,181,886
Chilean Pesos	67,328,738	85,345,048	123,188,943	143,254,448	133,296,231	64,456,046
U,F,	53,613,888	-	53,245,926	105,621,733	79,052,525	78,046,970

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

27. 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, 2017, which altogether amounts to ThCh$11,191,413.

These contingencies include the proceeding entitled “Conadecus vs Telefónica Móviles et.al”, Rol C 275-2014 of the Tribunal for the Defense of Free Competition (TDLC or Tribunal de Defensa de la Libre Competencia) currently before the Supreme Court for hearing and sentencing on the complaint filed by the plaintiff against the judgment of acquittal dictated by the TDLC (registered under Rol 73.923-2016). The attorney representing Telefónica Móviles Chile S.A. modified the qualification from remote to possible, as a conservative and prudent appreciation due to the dictation of measures to provide additional evidence by the Supreme Court.

On the other hand, there are several proceedings for which the estimated risk of loss is qualified as possible, for a total amount of ThCh$1,145,028.

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

a) Tax contingecy

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.

On July 31, 2014, the Chilean Internal Revenue Service issued Tax Assessments: No. 25 for the 2011 tax year First Category Tax, No. 26 for the 2012 tax year First Category tax and No. 27 for reimbursement of income tax. Through the mentioned tax assessments, the Chilean IRS has determined tax differences, due to objection of various items declared by the Company. To date the Company has established tax provisions associated to the mentioned tax assessments in the sum of ThCh$18,315,407 (Note 11f).

27. Contingencies and restrictions, continued

b) Miscellaneous lawsuits:

In the judicial proceeding entitled "OPS Ingeniería Limitada vs Telefónica Móviles Chile S.A.", complaint filed before the 22nd Civil Court of Santiago, Rol C No. 20.891-2013, dated January 17, 2017, the Court of Appeals of Santiago dictated final sentencing in Civil Record No. 8249-2015, rejecting the appeal filed by Telefónica Móviles Chile S.A. and the appeal filed by the plaintiff OPS against the first instance final sentence, and partially accepting the appeal filed by Telefónica. In accordance with the above, that Court reduced the amount of the judgment from UF 510,011.92 to UF357,590.52. Management has established a contingency provision for this proceeding which is recorded under "other current provisions" (see Note 19 a).

c) Financial restrictions:

As of June 30, 2017 the Company has no financial restrictions.

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

The Company has current obligations with the public arising from the placement of the following bonds by subsidiary Telefónica Chile S.A.:

i) Series 144A 10-year bullet bond, on October 12, 2012, in the amount of US$ 500 million.

ii) Series Q, 5-year bullet bond, on March 26, 2014, in the amount of MCh$ 47,000.

iii) Series T, 6.5-year bullet bond, on January 5, 2017, in the amount of MCh$ 48,000.

To date there are no bond issuance contracts that impose limits on the Company's financial debt index or to do and not to do obligations, usual for this type of financing.

27. Contingencies and restrictions, continued

d) Guarantee deposits:

The detail of guarantee deposits is as follows:

Guarantee creditor	Debtor		Type of guarantee	Current guarantee deposits	Liberated guarantees		
	Name	Relationship			2017	2018	2019 & thereon
				ThCh$	ThCh$	ThCh$	ThCh$
Subsecretaria De Telecomunicaciones	TMCH	Subsidiary	Deposit	70,004,632	38,389,451		31,615,181
Corfo	TMCH	Subsidiary	Deposit	1,959,623	1,959,623		
Junta Nacional De Jardines Infantiles	TMCH	Subsidiary	Deposit	683,756	674,706	9,050	
Administrador A Plaza Vespucio S.A.	TMCH	Subsidiary	Deposit	264,964	57,448	207,516	
I Municipalidad De Arica	TMCH	Subsidiary	Deposit	137,268		11,814	125,454
Metro S.A.	TMCH	Subsidiary	Deposit	118,835			118,835
Otras Garantías (1)	TMCH	Subsidiary	Deposit	2,336,176	687,701	822,668	825,807
Conect S.A.	TCH	Subsidiary	Deposit	1,039,823	-	-	1,039,823
Subsecretaría de Telecomunicaciones	TCH	Subsidiary	Deposit	1,030,536	-	1,030,536	-
Otras Garantías (1)	TCH	Subsidiary	Deposit	1,511,958	747,932	695,305	68,721
Subsecretaría de Educación	TEM	Subsidiary	Deposit	1,668,080	-	-	1,668,080
Fundación Integra	TEM	Subsidiary	Deposit	770,322	-	-	770,322
Cemento Bio Bio S.A.	TEM	Subsidiary	Deposit	542,125	-	-	542,125
Banco del Estado de Chile	TEM	Subsidiary	Deposit	531,372	223,665	-	307,707
Banca Corporativa	TEM	Subsidiary	Deposit	364,435	364,435	-	-
Asociación Chilena de Seguridad	TEM	Subsidiary	Deposit	324,293	-	324,293	-
CDEC Sing. Ltda.	TEM	Subsidiary	Deposit	281,068	-	-	281,068
Gendarmería de Chile	TEM	Subsidiary	Deposit	222,884	-	222,884	-
Empresa Nacional de Electricidad S.A.	TEM	Subsidiary	Deposit	222,396	-	-	222,396
Comando Logístico de la Fuerza Aérea	TEM	Subsidiary	Deposit	163,030	-	-	163,030
Aguas Andinas S.A.	TEM	Subsidiary	Deposit	151,306	-	-	151,306
Coordinador Independiente del Sistema Eléctrico Nacional.	TEM	Subsidiary	Deposit	142,054	-	-	142,054
Redbanc S.A.	TEM	Subsidiary	Deposit	120,768	120,768	-	-
Intendencia Región Antofagasta	TEM	Subsidiary	Deposit	110,544	110,544	-	-
Otras Garantías (1)	TEM	Subsidiary	Deposit	6,989,816	1,441,743	2,844,317	2,703,756
Total				91,692,064	44,778,016	6,168,383	40,745,665

(1) This item includes all guarantees with a value of less than ThCh$100,000, for each company.
TMCH: Telefónica Móviles Chile S.A.
TCH: Telefónica Chile S.A.
TEM: Telefónica Empresas Chile S.A.

e) Insurance:

The Company has insurance covering property all risk and loss of revenue due to service interruption, among others, on all its facilities.

28. 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 September 11, 2012 regulating the installation of telecommunications services emitting and transmitting antennas. The provisions adopted include: i) restrictions and new regulations for the installation of new sites based on the height of the tower, its location and its closeness to sensitive entities and to other previously installed towers. New and stricter approval conditions are imposed for these new sites; ii) there is retroactive regulation of the height of towers installed before the law was enacted, which are close to the sensitive places determined by the Telecommunications Undersecretary (schools, hospitals, playschools, preschool, old age homes and others); and iii) also in a retroactive manner, there is regulation of tower concentration in denominated Saturated Zones, for which solutions contemplated are based on reducing the number of structures or else, compensation is established with work to improve the community, which must be agreed upon by the Neighborhood Groups and the Municipal Council, for 20% 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.

In compliance with this law, there are site dismantling activities or reduction of the height of existing structures, which implies responsible handling of the waste produced. For this purpose, we have a current contract with companies responsible for recycling, and have the certificates of recycling and final disposal of project residues.

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.

Due to the obligations associated to the award for LTE on the 700 Mhz band, the Company must implement new cellular sites in isolated zones predefined by the authority. Due to the location of these sites various previous studies must be undertaken to validate the feasibility of construction. In this respect the Company has detected the need to prepare Declarations of Environmental Impact in 11 of these sites, 7 archeological studies, 19 Project Pertinence Letters and approximately 34 Forestry Handling Plans. All these prior studies have costs that are additional to the habitual projects and could imply work that goes beyond what is necessary to implement a cellular site.

The Company is in the process of evaluating each phase contemplated by Law to identify and quantify its impact, As of June 30, 2017 the Company's expenditures in relation to the implementation of the corresponding phases are not significant.

28. Environment, continued

The Company bases itself on what is required in the environmental assessment in reference to levels of emission of associated electromagnetic waves and also in the urbanistic and environmental area.

In this respect, the Company is currently working on implementing the tender projects indicated by Subtel where there are polygons placed in protection areas referred to in Law No. 19,300. In these cases, Environmental Impact Studies are carried out when projecting the installation of infrastructure in these protection areas to submit them to evaluation by the authority.

Approximately three years since the law that regulates the installation of towers came into effect, there have been instances of review of the manner in which this law has been implemented. In this manner, there are current projects to modify the Law so that the installation of transmission and broadcasting antennas for telecommunication services has to be submitted to the Environmental Impact Evaluation System, therefore the ongoing future execution of these studies is something to be taken into consideration.

29. Risk management (Not audited)

a) Characterization of the market and 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.

The mobile telephone market is comprised of ten operators, of which four have their own network and the rest correspond to virtual mobile operators.

Operators with their own network are: Telefónica Móviles Chile S.A. (Movistar), owned by the Telefónica Group; Entel S.A., owned by the Almendral Group; Claro, belonging to the América Móvil Group and WOM (formerly Nextel which in March 2015 was sold to the English group Novator Partners LLP who began operating in July 2015 under a new fantasy name and absorbing customers and infrastructure).

There are seven Virtual Mobile Operators. In 2012 Virgin Mobile, Netline (GTEL) and GTD Móvil entered the market. During 2013 Móvil Falabella and Telestar (which owns the Colo-Colo and Wanderers franchises) entered it. At the end of 2013, VTR signed a contract with Movistar to provide roaming services. In April 2015, VMO began commercial operations and lastly, in May of 2017, WOM signed a contract with Movistar to provide roaming services.

Mobile Voice

At the end of the second quarter of 2017, it is estimated that the mobile telephone market will have close to 26.23 million accesses, growing 2.0% in comparison to the same period the year before. With this, mobile telephone penetration per 100 inhabitants would reach 143.5%, decreasing 1.3 percentage points in a year.

29. Risk management (not audited), continued

a) Characterization of the market and competition, continued

Prepayment customers continue growing in the industry, influenced by less dynamism in the economy, the effect of lower access charges and the commercial strategy of the companies to migrate these customers to postpaid plans. When comparing the second half of 2017 and 2016, prepay customers decreased by 350 thousand customers, whereas customers with contracts grew by 853 thousand customers. The proportion of prepayment closed at 67% of total customers in the market, -2.7 percentage points in comparison to as of June 2016.

Mobile Internet

Mobile Internet access experienced a high level of growth thanks to the higher penetration of smartphones with 3G and 4G technology, which allow greater mobility and personalized Internet navigation. It is estimated that the number of units connected to Mobile Internet will reach 12.7 million as of June 2017, growing 20.7% in respect to the second quarter of 2016. Market penetration per inhabitant is 69.4%, increasing 11.3 percentage points in a year.

Technology

During the fourth quarter of the year, WOM and virtual mobile operator GTD, launched the 4G service for users with units with LTE technology and compatibility in the corresponding spectrum, AWG band for WOM and 2,600 MHz in GTD. These companies join operators Movistar, Claro and Entel, who operate LTE in the 2,600 MHz spectrum and for some time now offer this technology, which is characterized for considerably increasing the navigating speed and improving the data use experience.

b) Competition Risk

The mobile voice business is at a maturing stage, but it is becoming more complex due to portability and the entry of new players, which has caused operators to intensify the competition, make their offers more flexible and making better equipment offers, in order to maintain customers and capture new ones that are being incorporated to the market.

There were more than 1,083,000 mobile porting instances, specifically in June a record figure was recorded since the system started in 2012 with approximately 387,000 mobile porting instances. Mobile portability has accumulated 9.5 million ported from when it began to March 2017, which is equivalent to 35.6% of total voice customers in the industry.

c) Regulatory Environment

Regulation plays a relevant role in the telecommunications industry. Stable standards and criteria allow adequate evaluation of growing projects and reduce the risk level of investments. The correct setting of tariffs, in turn allows the creation of a competitive and healthy environment.

29. Risk management (Not audited), continued

c) Regulatory Environment, continued

It is in the interest of both the companies and the authorities, for delivery of services to increase and the digital breach to decrease in Chile. For this, in addition to correct tariffs, it is necessary for the associated regulations to be adequate and permit speedy resolution of the conflicts that necessarily arise between companies.

i) Tariff system for mobile telephones:

On January 24, 2014 the Ministries of Transportation and Telecommunications and of Economy Development and Tourism, issued decrees establishing the maximum tariff for access charges for the use of mobile networks by all operators with a network for the 2014-2019 period and, in addition, their hourly structure was modified. The new tariffs came into effect as of January 25, 2014, for the 2014-2019 period.

In addition, in December 2012 the Tribunal for the Defense of Free Competition issued a General Instruction regulating joint offers of Fixed-Mobile services and On Net/Off Net mobile market rates.

In accordance with Law No. 18,168 (General Telecommunications Law), the prices of public telecommunication services and of intermediate services contracted between the different companies, entities or persons that intervene in providing them, will be freely established by the suppliers of the respective service, notwithstanding the agreements that could be arrived at between them and the users.

Notwithstanding, the mentioned Law establishes the following three exceptions at the beginning of the mentioned price freedom:

In the case of public telephone, local and international long distance services, excluding mobile telephone services, and of switchboard and/or transmission of signal services provided, whether as an intermediate service, or as private circuits, if there was an express qualification by the Tribunal for the Defense of Free Competition (TDLC) in respect to the conditions existing in the market not being sufficient to guarantee a regimen of freedom of tariffs.

In the case of services provided though interconnections, the interconnection of public and intermediate telecommunications services is mandatory for telecommunications operators.

In the case of facilities that, in accordance with the mentioned Law, telephone companies must provide to carriers. In all the previous cases, the tariffs for those services are established as maximums by the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism (hereinafter, “the Ministries”) every five years, on the basis of a model for a theoretic efficient company.

29. Risk management (Not audited), continued

d) Regulatory Environment, continued

i) Tariff system for mobile telephones, continued:

Even though mobile traffic tariffs are free and are established by the market, interconnection tariffs must be established by the Ministries. It is thus that in Chile since 1999, for mobile telephone companies the "CPP" (Calling Party Pays, i.e. whoever makes the call is responsible for paying it all) system has been applied, whose tariff is determined through the dictation and publication of a decree from the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism, every 5 years, which establishes the maximum interconnection rates that each company can charge for calls ending in their network.

The tariffs that will be in place for Telefónica Móviles Chile S.A., for the 2014 – 2019 period were established through the publication of Decree No. 21, 2014, issued by the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism in the Official Gazette on June 4, 2014. In accordance with the trajectory of the Price Cap established in this decree, in January 2016 a rate reduction of 18.7% was applied, and in January 2017 a last reduction of 23% was applied.

ii) Tariff system for fixed telephone services:

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, including those carried out before the Experts Commissions established in the procedure for establishing tariffs and contesting the Tariff Decree before the Contraloría General de la República.

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 December 2015 the Company has done refunding the difference to current customers.

Approved Decree No. 77 considers for the first year of application, a reduction of 37% in the access charge and 58% in the local tranche. For years 2 and 3 it considers reductions in access charges of 8.2% and 8.8%, respectively, whereas in the local tranche the reductions reach 4.2% and 4.5% in each year. In May of this year the last tier of reductions established in the mentioned decree was applied.

29. Risk management (not audited), continued

c) Regulatory Environment, continued

ii) Tariff system for fixed telephone services, continued

The interconnection rates that will be applicable for Telefónica Móviles Chile S.A., for the 2014 – 2019 period and which will affect Telefónica Chile S.A., were established in Decree 21, of January 9, 2014, issued by the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism, which established that as of January 25, the access charge will begin to decrease on average by 73%. The General Controllership of the Republic made observations in the process of recording Decree No. 21 and ultimately, on May 29 it decided to accept the technical and economic information presented by Subtel and registered the tariff decrees that set the access charges for mobile telephones for the 2014-2019 five-year term.

On September 4, 2014, the new tariffs for access charges applicale to Telefónica Móviles Chile S.A. were published in the Official Gazette for the 2014-2019 five-year term.

iii) Spectrum Allocation

There are two mechanisms for allocating frequencies in Chile: direct allocation and allocation through public tender.

The Company has telecommunications concessions that allow it to operate in the 700 MHz, 850 MHz, 1,900 MHz and 2,600 MHz, frequency bands, which are granted by the Ministry of Transportation and Telecommunications.

Through Decree No. 71, of 2015, published in the Official Gazette on September 14, 2015, Telefónica Móviles Chile S.A. was granted a Public Service Data Transmission concession, with the allocation of block A of the 713- 748 MHz and 768 – 803 MHz frequency bands. This was carried out in accordance with the regulated procedure that governs public tenders for the allocation of concessions. As of that date there is a period of 18 months to provide the service in the 366 mandatory locations, 2 routes and 158 schools; and 24 months to implement the committed network on the 700 MHz band. The Supreme Court accepted the appeal filed by the organization of consumers, Conadecus, resolving that it has active legitimacy to act in the process of allocating frequencies and ordering the TDLC to make a pronouncement on the basis of the matter submitted to it. Through sentence dictated on September 15, 2016, that Tribunal rejected the basis of the complaint filed by Conadecus, therefore that organization of consumers filed an appeal before the Supreme Court, which is the last instance for appeal and whose decision is pending.

On March 14, 2017, within the established deadline, Telefónica Móviles Chile S.A. began providing the services corresponding to the considerations established in the tender documents for the 700 MHz spectrum tender. Movistar continues deploying the commercial project it committed to in the spectrum tender, whose final implementation deadline is September 14, 2017.

A bill is beings discussed in the House of Representatives whose purpose is to allow partial transactions involving radio electric spectrum between operators, with a prior favorable report from the National Economic Prosecutor's Office ("Fiscalía Nacional Económica").

29. Risk management (not audited), continued

c) Regulatory Environment, continued

iii) Spectrum Allocation, continued

On May 25, 2017, the Supreme Court dictated a resolution, in which it decrees, as a measure to provide additional evidence, the issuance of an expert's report regarding: i) minimum bands which technically allow the 4G technology services to be provided at a national level, and, (ii) the technical feasibility of providing 4G services with the bands currently allocated to the incumbents, analyzing the economic impact and the impact on efficiency. Likewise, it requested a report from Subtel regarding the allocation of frequency bands for mobile services and on the bands that allow 4G services to be offered.

Conadecus, Claro, Entel and Movistar, all filed appeals against that resolution which were rejected.

Subtel has already issued its report to the Court, where it explains in detail the situation in Chile in terms of allocation and use of the allocated frequencies.

iv) Number Portability

Mobile and Fixed Number Portability was enabled in accordance with the schedule established by Subtel, through Resolution No. 6,367 of 2011. Number portability for Internet voice services, rural telephones and mobile party pays began on March 16, 2013. Portability of complementary services began on October 13, 2014 as provided for in Exempt Resolution No. 1022, issued by Subtel on March 31, 2014.

Regarding geographic portability and intermodal portability, through Exempt Resolution No. 4,535, dated August 4, 2015, Subtel's timeline established that geographic portability must be enabled as of November 2, 2015; the adding of one digit to mobile telephone numbers must be implemented as of February 6, 2016 and intermodal portability must be carried out on September 5, 2016.

On the other hand, in conformity with article 31 of Decree No. 16, of 2011, issued by the Ministry of Transportation and Telecommunications, which establishes the tender procedure for designating the Number Portability Administration Center (OAP or "Organismo Administrador de la Portabilidad Numérica"), in compliance with the regulated procedure, the Portability Board awarded the new OAP position to Telcordia Technologies, Inc.

New standards regarding multiple band mobile handsets and on Emergency Alert Messages.

Subtel dictated a new standard that establishes that as of March 2017 all mobile handsets that are commercialized in Chile must support all frequency bands that are commercially in use within the national territory (700, 850, 900, AWS 1700, 1900 and 2600 MHz) for at least one of the different technologies (2G, 3G and 4G) deployed as of the date of such commercialization.

Handsets that do not allow use on all bands, for at least one technology will not be able to be commercialized.

As of March 2017, all handsets commercialized in Chile must support the Emergency Warning System, which is operated centrally by the National Emergencies Office of Chile (ONEMI or "Oficina Nacional de Emergencias", in compliance with the associated technical characteristics (sound and vibration warning and viewing of information on screen) which cannot be modified by the customer.

29. Risk management (not audited), continued

c) Regulatory Environment, continued

iv) Number Portability, continued

Handsets that do not fulfill these characteristics will not be able to be commercialized in the country.

In addition, only mobile handsets whose models comply with the homologation procedure and have been registered in the IMEI's single and centralized database will be enabled in the public network, except for those that are temporarily in the country operating in international roaming mode.

The technical implementation of the location (technical laboratory), where all handsets commercialized in Chile will be certified from September 23 and thereon, as being equipped with the Emergency Warning System took place in April of this year.

Through Exempt Resolution No. 1179/2017, Subtel delayed beginning the operation of EMEI's database and final labeling of handsets until September 23, 2017.

d) 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. The industry's growth has been driven, to a great extent, by the need of customers to be connected through mobile devices. This translates into a demand for permanent investment to allow the Company to stay on the leading edge of technology. Subsidiaries Telefónica Chile S.A. and Telefónica Móviles Chile S.A. are constantly assessing the incorporation of new technologies to the business, taking into consideration both the costs and benefits.

e) 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.

f) Financial risk management objectives and polices

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.

29. Risk management (Not audited), continued

f) Financial risk management objectives and polices, continued

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.

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, 2017 the Company had 59% 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, 2017 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 2017 of approximately ThCh$59,297, whereas a decrease in the TCPN would mean a reduction of ThCh$59,297 in the monthly financial accrual expense for 2017.

29. Risk management (Not audited), continued

f) Financial risk management objectives and polices, continued

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.

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 anticipate the financing needs and maintain an investment profile that allows it to cover its obligations.

29. Risk management (Not audited), continued

f) Financial risk management objectives and polices, continued

Capital management

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

The Company's main objective in respect to capital management is to ensure that it maintains a strong credit rating and prosperous capital ratios to support its businesses and maximize shareholder value. Return on equity (income/total average equity) as of June 30, 2017 amounts to 15.80%, an increase of 8.76% in comparison to June 2016, where it reached 7.04%. The above is mainly due to a lower tax expense in comparison to the previous year, and the capital increase carried out in September 2016.

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 years ended as of June 30, 2017 and 2016.

30. Subsequent events

The consolidated financial statements of Telefónica Chile S.A., for the period as of June 30, 2017, were approved and authorized for issuance at the Board of Directors Meeting held on April 27, 2017.

In the period from April 1 to July 27, 2017, there have been no other significant subsequent effects that affect these consolidated financial statements.

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Alejandro Gil Ibarra
Accounting Manager

Juan Parra Hidalgo
Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager