TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended as of
December 31, 2017 and 2016

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

INDEX

Notes to the Consolidated Financial Statements

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

	Notes	12.31.2017	12.31.2016
		ThCh$	ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	206,793,908	221,274,945
Other current financial assets	(6)	776,868	21,222,612
Other current non-financial assets	(7)	65,880,486	56,989,206
Current trade and other accounts receivable	(8a)	258,940,140	243,664,414
Current receivables from related companies	(9a)	20,826,616	131,471,353
Inventory	(10a)	49,212,817	49,462,283
Current tax assets	(11b)	11,040,372	21,993,673
TOTAL CURRENT ASSETS		**613,471,207**	**746,078,486**
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	110,462,910	140,840,344
Other non-current non-financial assets	(7)	7,334,487	7,446,384
Non-current trade and other accounts receivable	(12a)	19,370,390	19,210,095
Intangible assets other than goodwill, net	(13a)	194,713,920	211,444,367
Goodwill	(14)	504,839,853	504,839,853
Property, plant and equipment, net	(15a)	1,265,184,023	1,277,374,224
Deferred tax assets	(11c)	129,200,809	8,362,026
TOTAL NON-CURRENT ASSETS		**2,231,106,392**	**2,169,517,293**
TOTAL ASSETS		**2.844.577.599**	**2,915,595,779**

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

	Notes	12.31.2017	12.31.2016
		ThCh$	ThCh$
LIABILITIES			
CURRENT LIABILITIES			
Other current financial liabilities	(16)	14,160,658	79,385,443
Trade and other payables	(17a)	384,691,746	317,449,042
Current payables to related companies	(9b)	113,523,203	102,270,637
Other current provisions	(19a)	10,387,867	11,036,140
Current tax liabilities	(11f)	21,863,202	23,340,546
Current employee benefits accrual	(20a)	7,589,974	5,989,507
Other current non-financial liabilities	(21)	63,760,925	62,819,414
TOTAL CURRENT LIABILITIES		**615,977,575**	**602,290,729**
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(16)	787,644,639	764,153,852
Other non-current provisions	(19b)	19,479,651	17,161,751
Deferred tax liabilities	(11c)	86,548,566	90,159,443
Non-current employee benefits accrual	(20a)	29,653,740	30,769,516
Other non-current non-financial liabilities	(21)	6,978,962	6,213,514
TOTAL NON-CURRENT LIABILITIES		**930,305,558**	**908,458,076**
TOTAL LIABILITIES		**1,546,283,133**	**1,510,748,805**
NET SHAREHOLDERS' EQUITY			
Issued capital	(22a)	1,257,872,285	1,257,872,279
Retained earnings		487,027,163	588,963,184
Other reserves	(22d)	(453,146,171)	(455,942,013)
Shareholders' equity attributable to owners of the parent		1,291,753,277	1,390,893,450
Non-controlling interest	(22e)	6,541,189	13,953,524
TOTAL NET SHAREHOLDERS' EQUITY		**1,298,294,466**	**1,404,846,974**
TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY		**2,844,577,599**	**2,915,595,779**

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

STATEMENTS OF COMPREHENSIVE INCOME	Notes	For years ended December 31, 2017 ThCh$	2016 ThCh$
Income from ordinary operations	(24a)	1,598,299,960	1,625,620,910
Other income	(24b)	12,495,754	13,442,542
Employee benefits expenses	(20d)	(128,914,317)	(127,587,602)
Depreciation and amortization expense	(13b)(15b)	(287,508,991)	(302,604,764)
Other expenses, by nature	(24c)	(1,052,414,016)	(1,018,464,326)
Profit from operating activities		**141,958,390**	**190,406,760**
Interest income	(24d)	11,218,637	8,774,572
Interest expense	(24d)	(41,250,476)	(54,542,401)
Foreign exchange differences	(24e)	(1,691,490)	(1,471,936)
Income from indexation units	(24f)	324,498	266,623
Profits before tax from continuing operations		**110,559,559**	**143,433,618**
Income tax expense	(11e)	89,310,461	(45,305,910)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**199,870,020**	**98,127,708**
Profit attributable to holders of equity instruments of the controller and minority interest:			
Profit attributable to owners of the parent		199,806,804	97,720,628
Profit attributable to non-controlling interest	(22e)	63,216	407,080
PROFIT (LOSS) FOR THE PERIOD		**199,870,020**	**98,127,708**

EARNINGS PER SHARE		Ch$	Ch$
Earnings per basic share			
Earnings per basic share for continuing operations	(23)	0.22500	0.11000
Earnings per basic share for discontinuing operations		-	-
Earnings per basic share		0.22500	0.11000
Diluted earnings per share			
Diluted earnings per share from continuing operations		0.22500	0.11000
Diluted earnings per share from discontinuing operations		-	-
Diluted earnings per share		0.22500	0.11000

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

	For years ended December 31,	
	2017	2016
STATEMENTS OF COMPREHENSIVE INCOME	ThCh$	ThCh$
PROFIT (LOSS) FOR THE PERIOD	**199,870,020**	**98,127,708**
OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income that will not be reclassified to incom		
Other comprehensive income, before taxes, profits (losses) on new measurements of defined benefits plans	1,906,403	(5,228,561)
Total other comprehensive income that will not be reclassified to income	**1,906,403**	**(5,228,561)**
Components of other comprehensive income that will be reclassified to income for the period		
Difference of conversion		
Profit (loss) to difference of conversion, before taxes	-	(30,859,033)
Financial assets available for sale		
Profit (loss) on new measurement of financial assets available for sale	143,403	1,360,058
Profit (loss) on cash flow hedges	(5,302,100)	(17,478,190)
Total Components of other comprehensive income that will be reclassified to income for the period	**(5,158,697)**	**(46,977,165)**
Total other components of other comprehensive income, before taxes	**(3,252,294)**	**(52,205,726)**
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	13,446	1,517,752
Income taxes associated to components of other comprehensive income which will be reclassified to income for the period		
Income tax related to hedging cash flows from other comprehensive income	412,849	3,342,215
Total income taxes associated to components of other comprehensive income	**426,295**	**4,859,967**
TOTAL OTHER COMPREHENSIVE INCOME	**(2,825,999)**	**(47,345,759)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**197,044,021**	**50,781,949**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Comprehensive income attributable to owners of the parent	197,035,229	50,442,115
Comprehensive income attributable to non-controlling interest	8,792	339,834
TOTAL COMPREHENSIVE INCOME	**197,044,021**	**50,781,949**

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

CONSOLITED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
As of December 31, 2017 and 2016

	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 miscellaneous 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	-	-	-	-	-	-	199,806,804	199,806,804	63,216	199,870,020
Other comprehensive income	-	(4,781,834)	1,853,124	157,135	-	(2,771,575)	-	(2,771,575)	(54,424)	(2,825,999)
Comprehensive income	**-**	**(4,781,834)**	**1,853,124**	**157,135**	**-**	**(2,771,575)**	**199,806,804**	**197,035,229**	**8,792**	**197,044,021**
Dividends	-	-	-	-	-	-	(302,826,674)	(302,826,674)	-	(302,826,674)
Increase capital	6	-	-	-	-	-		6	-	6
Other increase (drecrease) from transfers And other changes	-	-	-	-	6,322,531	6,322,531	1,083,849	7,406,380	(7,413,717)	(7,337)
Other increase (decrease) from transactions with treasury shares	-	-	-	-	(755,114)	(755,114)	-	(755,114)	(7,410)	(762,524)
Total changes in shareholders' equity	**6**	**-**	**-**	**-**	**5,567,417**	**5,567,417**	**(301,742,825)**	**(296,175,402)**	**(7,421,127)**	**(303,596,529)**
Ending balance as of 12.31.2017	**1,257,872,285**	**5,172,662**	**(8,038,094)**	**1,493,734**	**(451,774,473)**	**(453,146,171)**	**487,027,163**	**1,291,753,277**	**6,541,189**	**1,298,294,466**
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	-	-	-	-	-		97,720,628	97,720,628	407,080	98,127,708
Other comprehensive income	-	(14,080,845)	(3,670,404)	1,331,769	(30,859,033)	(47,278,513)	-	(47,278,513)	(67,246)	(47,345,759)
Resultado integral	**-**	**(14,080,845)**	**(3,670,404)**	**1,331,769**	**(30,859,033)**	**(47,278,513)**	**97,720,628**	**50,442,115**	**339,834**	**50,781,949**
Dividends	-	-	-	-	-	-	5,766,843	5,766,843	(212,209)	5,554,634
Other increase (decrease) from transfers and other changes	537,781,196	-	-	-	79,184,297	79,184,297	(19,221,092)	597,744,401	62,548	597,806,949
Other increase (decrease) from transactions with treasury shares	-	-	-	-	(7,406,043)	(7,406,043)	-	(7,406,043)	(157,318)	(7,563,361)
Total changes in shareholders' equity	**537,781,196**	**-**	**-**	**-**	**71,778,254**	**71,778,254**	**(13,454,249)**	**596,105,201**	**(306,979)**	**595,798,222**
Ending balance as of 12.31.2016	**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**

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

	Notes	For years ended December 31, 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		**1,849,824,195**	**1,856,727,814**
Proceeds from sales and services		1,842,509,982	1,848,374,166
Proceeds from related entities		7,314,213	8,353,648
Other operating activities charges		**37,597,679**	**52,214,725**
Classes of payments			
Payments to suppliers for supplying goods and services		(1,010,972,139)	(996,382,209)
Payments to and on account of employees		(147,564,791)	(150,402,212)
Payments from related entities		(62,741,171)	(88,372,680)
Other operating activities payments		(163,472,086)	(158,625,491)
Net cash flows provided by (used in) operating activities		**502,671,687**	**515,159,947**
Income taxes paid reimbursed classified as operating activities (less)		(24,895,840)	(37,910,376)
Other cash inputs (outputs), classified as operating activities		(8,848,877)	(370,002)
Cash flows provided by (used in) operating activities		**468,926,970**	**476,879,569**
CASH FLOWS PROVIDED BY (USED IN) INVESTMENT ACTIVITIES			
Amounts from sales of property, plant and equipment, classified as investment activities		235,000	1,488,456
Additions to property, plant and equipment, classified as investing activities		(279,157,606)	(286,322,086)
(Payments) proceeds Loans to related entities		10,742,310	4,665,538
Dividends received		386,594	331,860
Interest received, classified as investing activities		10,463,919	11,193,194
Other cash inputs (outputs), classified as investing activities		-	(131,722,682)
Net cash flows provided by (used in) investment activities		**(257,329,783)**	**(400,365,720)**
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from loans, classified as financing activities			
Payments to acquire or redeem the entity's shares		(762,524)	(7,563,361)
Amounts from the issuance of debt instruments		48,795,050	(69,609,444)
(Payments) collections loans to related entities	(16)	103,305,304	(3,104,318)
Repayment of loan		-	99,057,000
(Payments) collections loans	(16)	(64,488,450)	(49,000,000)
Payments of financial lease liabilities		-	(122,100)
Dividends paid		(282,286,750)	-
Interest paid	(16)	(28,090,816)	(32,758,271)
Other cash inputs (outputs)		(2,549,986)	(14,437,755)
Net cash flows provided by (used in) financing activities		**(226,078,172)**	**(77,538,249)**
Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate		**(14,480,985)**	**(1,024,400)**
Effects of changes in the exchange rate over cash and cash equivalents		**(52)**	**-**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(14,481,037)**	**(1,024,400)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**221,274,945**	**222,299,345**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(5)	**206,793,908**	**221,274,945**

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. held on March 22, 2017, 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 11c.

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	
			12.31.2017 %	12.31.2016 %
Telefónica Chile S.A.	90.635.000-9	009	99.0281653	97.92

2. Significant accounting principles:

a) Accounting period

These consolidated financial statements (hereinafter, “financial statements”) cover the years ended December 31, 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 financial statements as of December 31, 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

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 exercise. 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.

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 exercise.

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:

2. **Significant accounting principles,** continued

d) **Exchange Method,** continued

DATE	USD	EURO	REAL	UF
12.31.2017	614.75	739.15	185.64	26,798.14
12.31.2016	669.47	705.60	205.82	26,347.98

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.

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 12.31.2017			12.31.2016
				Direct	Indirect	Total	Total
96.990.810-7	Telefónica Móviles Soluciones y Aplicaciones S.A.	Chile	CLP	100.00	-	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	99.0281653	-	99.0281653	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	49.00	51.00	100.00	100.00
87.845.500-2	Telefónica Móviles Chile S.A (1)	Chile	CLP	-	-	-	99.99

(1) At the Extraordinary Shareholders' Meeting of Company held on March 22, 2017, the shareholders approved the merger by absorption of its subsidiary, Telefónica Móviles Chile S.A., and the company's name change from Inversiones Telefónica Móviles Holding S.A., to Telefónica Móviles Chile S.A. The merger took place on May 2, 2017.

2. Significant accounting principles, continued

e) Basis of consolidation, continued

The summarized financial information at December 31, 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	1,663,381	-	1,663,381	705,973	-	705,973	957,408	-	(657,611)
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA	100.00	8,251,725	192,790	8,444,515	7,532,985	107,437	7,640,422	804,093	4,892,017	448,279
90.635.000-9	Telefónica Chile S.A.	99.0281653	262,562,015	1,171,695,846	1,434,257,861	235,649,907	526,874,469	762,524,376	671,733,485	483,336,765	7,374,245
78.703.410-1	Telefónica Empresas Chile S.A.	99.99	150,389,926	94,072,499	244,462,425	134,164,770	2,372,945	136,537,715	107,924,710	332,812,643	5,505,534
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	100.00	112,944,740	42,531,067	155,475,807	74,035,410	35,939,583	109,974,993	45,500,814	202,915,658	8,956,915

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$
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
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
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)
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
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)
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

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.

ii) Financial assets at fair value through profit or loss

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

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

2. **Significant accounting principles,** continued

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

1. **Financial assets other than derivatives,** continued

iii) Financial assets held to maturity

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

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

iv) Financial assets available for sale

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

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

These investments figure in the 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.

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 exercise.

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 exercise.

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

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

2. Cash and cash equivalents

Cash and cash equivalents recognized in the financial statements includes cash balances, checking accounts, time deposits and investments in instruments with original maturity of ninety days or less. These items are recorded at their historical cost, which does not significantly differ from their realization value.

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

3. Financial liabilities

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

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

i) Financial liabilities at fair value through profit or loss

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

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

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

3. Financial liabilities, continued

ii) Trade accounts payable

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

iii) Interest-bearing loans

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

4. Derivative financial instruments

The Company holds hedge derivatives to manage its exposure to interest and/or exchange rate risks (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.

Derivative instruments are recognized at fair value on the date of the statement of financial position under "Other financial assets" or "Other financial liabilities" depending on whether their fair value is positive or negative respectively. They are classified as current or non-current depending on whether they mature in less than or more than twelve months. Derivative instruments that meet all the requirements for being treated as hedge instruments for long-term items are presented as non-current assets or liabilities, based on their balance separately from the hedged items, as indicated in IAS 39.

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

Variations in the fair value of derivatives that have been designated as and meet the requirements for being treated as fair value hedge instruments, are recorded in the comprehensive income statement netting the effects of the part of the underlying for which the risk is being hedged.

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

4. Derivative financial instruments, continued

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

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

g) Inventory

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

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

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

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.

2. Significant accounting principles, continued

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.

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 exercise 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 exercise 25.5% and 24.0% and December 31, 2017 and 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.

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.

2. Significant accounting principles, continued

l) Intangibles

i) 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.

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.

2. **Significant accounting principles**, continued

m) **Property, plant and equipment**, continued

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 exercise.

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 exercise 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.

The average annual financial depreciation rate of the Company is approximately 10.23% and 10.55% to December 31, 2017 and 2016, respectively.

2. Significant accounting principles, continued

n) Depreciation of property, plant and equipment, continued

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	5	20
Property, plant and equipment under financial leases	4	40
Other property, plant and equipment	2	7

Estimated residual values, amortization methods and exercise 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 5.196% y 4.51% at December 31, 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.

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.

2. Significant accounting principles, continued

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. 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.

2. Significant accounting principles, continued

o) Income and expenses, continued

i) Fixed telecommunications, continued

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.

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 (180 days), 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. All expenses related to these mixed commercial offers are charged to the income statement as they are incurred.

2. Significant accounting principles, continued

o) Income and expenses, continued

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.

iv) 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 (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 (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.

2. Significant accounting principles, continued

p) Use estimates, continued

i) Property, plant and equipment and intangibles

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

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

ii) Deferred taxes

The Company evaluates probability of recovery of deferred tax assets based on estimates of future earnings. This probability of recovery ultimately depends on the Company's capacity to generate taxable income throughout the period in which the deferred tax assets are deductible.

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

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

As described in Note 1 and Note 11 d), during 2017 the Company merged by absorption with its subsidiary Telefónica Móviles Chile S.A., generating an impact on income in the amount of ThCh$140,183. That amount arises from the allocation of tax goodwill generated in the merger, to the non-monetary assets of the absorbed entity, which is ultimately reflected in the recording of a deferred tax asset under IFRS. This allocation requires that management determine the fair value of those assets using their best estimate. At the closing date of these financial statements, this determination is still underway, therefore those values might be modified in the future with the consequent impact on deferred taxes and on the Company's income.

ii) Provisions

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

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

2. Significant accounting principles, continued

p) Use estimates, continued

iv) Income recognition: agreements combining more than one element

Commercial packages that combine different elements are analyzed to determine if these elements must be separated, applying the appropriate income recognition criteria in each case. Total income from the package is distributed among the identified elements based on their respective fair values. Determining the fair value of each identified element requires making estimates due to the particular nature of the business. A change in relative fair value estimates could affect distribution of income among components.

v) Post-employment benefits

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

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

2. Significant accounting principles, continued

q) Methods of consolidation, continued

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

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

r) New IFRS and Interpretations of the IFRS Interpretations Committee

i. Publication of new standards

IFRS improvements and amendments, as well as interpretations that have been published during the exercise 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 15	Income from Customer Contracts	January 1, 2018
IFRS 9	Financial instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRICC 23	Uncertainty Over Income Tax Treatment	January 1, 2019
IFRIC 22	Transaction in foreign currency and advance consideration	January 1, 2018
IFRS 17	Insurance Contracts	January 1, 2021

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 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.

2. **Significant accounting principles**, continued

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 exercises 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.

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

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.

IFRS 17 "Insurance Contracts"

Published in May 2017, it replaces current IFRS 4. IFRS 17 will mainly change accounting for all entities that issue insurance contracts and investment contracts with discretional participation characteristics. The standard is applicable to annual exercises 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.

ii. Publication of standards modifications

	Improvements and amendments	**Mandatory application date**
IAS 7	Statement of Cash Flows	January 1, 2017
IAS 12	Income Taxes	January 1, 2017
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 2	Share-based payments	January 1, 2018
IFRS 4	Insuranse contracts	January 1, 2018
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2017
IAS 40	Investment properties	January 1, 2018
IFRS 1	First-time Adoption of IFRS	January 1, 2018
IAS 28	Investments in Associates and Joint Ventures	January 1, 2018 and 2019
IFRS 9	Financial Instruments	January 1, 2019
IFRS 10	Consolidated Financial Statements	Determined

2. **Significant accounting principles**, continued

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

ii. Publication of standards modifications

IAS 7 "Statement of Cash Flows"

Published in February 2016. The amendment introduces an additional disclosure that allows users of the financial statements to evaluate changes in obligations arising from financial activities.

IAS 12 "Income Taxes"

Published in February 2016. The amendment clarifies how to account for deferred tax assets in relation to debt instruments valued at fair value.

IFRS 15 "Revenue from Contracts with Customers"

Published in April 2016. The amendment introduces clarifications to the guide for identifying performance obligations in contracts with customers, accounting for intellectual property licenses and evaluation of 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.

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 12 "Disclosure of Interests in Other Entities"

Published in December 2016. The amendment clarifies the scope of this standard. These amendments must be applied retroactively to annual exercises commencing as of January 1, 2017.

2. **Significant accounting principles**, continued

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

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 1 "First-time Adoption of IFRS"

Published in December 2016, related to suspension of the short-term exceptions for first-time adopters in respect to IFRS 7, IAS 19 and IFRS 10.

IAS 28 "Investments in Associates and Joint Ventures"

Published in December 2016 in relation to the fair value measurement of the associate or joint venture.

Published in October 2017. This amendment clarifies that companies account for long-term interests in an associate or joint venture -in which the equity method is not applied- using IFRS 9. The Council has published an example that illustrates how companies apply the requirements of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

IFRS 9 "Financial Instruments"

Published in October 2017. The amendment allows more assets to be measured at amortized cost than in the previous version of IFRS 9, particularly certain prepaid financial assets with negative compensation. The qualifying assets, which include certain loans and debt instruments, would have otherwise been measured at fair value through profit or loss (FVTPL). In order to qualify for amortized cost, the negative compensation must be "reasonable compensation for early termination of the contract ".

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.

iii. Application of new standards

Based on the analysis performed to date, the Company believes that the application of many of these standards, improvements, amendments and interpretations will not have a significant impact on the financial statements in the exercise of initial application. However, the following standards that have been published, but are not yet in effect will have a significant impact on the Company's consolidated financial statements at the time of their adoption and prospectively:

2. Significant accounting principles, continued

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

iii. Application of new standards, continued

- IFRS 15 Revenue from Contracts with Customers

Based on an analysis of the effects of this new standard, the Company has identified a series of expected effects related to the following aspects, among others:

Under IFRS 15, in commercial package offers that combine different fixed telephone, data, internet and television goods and services, revenue will be allocated to each compliance obligation based on selling prices, regardless of each individual component in relation to the total price of the package and will be recognized when (or as) the obligation is satisfied, regardless of whether there are elements pending delivery, unlike current criteria, where the transferred elements are not allocated amounts that are contingent on delivery of the rest of the elements pending delivery to customers. To the extent that packages are commercialized with equipment discounts, the new criteria will assume an increase in revenue recognized on sale of equipment, which will generally be recognized coinciding with the time of delivery to the customer, in detriment of exerciseic revenue for providing services in subsequent exercises.

The difference between income from sale of equipment and the amount received from the customer at the beginning of the contract will figure as a contractual asset in the statement of financial position.

According to currently applicable criteria, all expenses directly related to obtaining contracts (sales commissions and other third-party expenses) are charged to the income statement account as they are incurred. Likewise, IFRS 15 requires recognition of an asset for the costs that are incremental for obtaining a contract and that are expected to be recovered, and their subsequent allocation to the income statement account to the same extent in which revenue related to that asset is allocated.

In comparison with the standard that is currently in force, IFRS 15 establishes certain requirements that are much more detailed in respect to the accounting treatment of contract amendments. Thus, certain amendments will be recorded with a retroactive effect (as a continuation of the original contract) whereas others will be recognized retrospectively as separate contracts, accounting for the termination of the existing contract and the creation of a new one.

The Company is making progress on the process of implementing this standard. This process implies modifying the current information systems, implementing new information tools and making changes in the processes and controls of the entire revenue cycle. This implementation process is very complex due to factors such as a large number of contracts, numerous data source systems, diversity of business models, as well as the need to make complex estimates.

As of the date of these consolidated financial statements, the Company has determined that a reasonable quantification of the impact that the application of this standard will have on the date of initial application, is approximately Ch$110 million, that will be recorded as a decrease in retained earnings, in equity.

2. **Significant accounting principles**, continued

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

iii. Application of new standards, continued

- **IFRS 15 Revenue from Contracts with Customers**, continued

Based on the analysis performed on the operations in the last annual exercise considering commercial offers, as well as the volume of contracts affected, the Company estimates that the most relevant impact of the amendments introduced by IFRS 15 will refer to the the transfer of revenue between providing of services and equipment sales and consequent acceleration of revenue, and capitalization and deferring of incremental costs, related to obtaining contracts, and to the criteria for identifying elements in contracts with customers.

On the other hand, IFRS 15 allows two alternative transition methods: retrospectively for each exercise presented, or retroactively with the cumulative effect of the initial application recognized on the date of first application. The Company will adopt the latter transition method.

Likewise, the standard allows the adoption of certain practical solutions to facilitate the application of the new criteria. The Company has evaluated which will be adopted in the implementation of the standard in order to reduce the complexity of its application. The main practical solutions that the Company has foreseen applying are:

❖ Not applying the standard retrospectively to contracts that have been completed on a date prior to January 1, 2018.

❖ Pooling of contracts: the requirements of the standard will be applied to groups of contracts with similar characteristics, since for this collection the effects would not differ significantly in respect to an individualized application by contract.

❖ Financial concept: not considered significant when the exercise between the time that the goods or services committed to with the customer are transferred and the time when the customer pays for the goods or services is one year or less.

❖ Costs for obtaining contracts: will be recognized as expenses to the extent that they are incurred when their foreseen exercise of amortization is one year or less.

- **IFRS 9 Financial Instruments**

IFRSF 9 establishes the criteria for accounting for and valuating financial instruments. From the analysis of the effects of new criteria introduced by this standard a series of expected impacts related to the following aspects have been identified, among others:

❖ IFRS 9 simplifies the current financial asset valuation model and establishes three main categories: amortized cost, at fair value through profit or loss and at fair value through other global income, based on the business model and the characteristics of contractual cash flows. There are no significant changes in current criteria, in respect to accounting for and valuation financial liabilities.

2. **Significant accounting principles**, continued

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

iii. Application of new standards, continued

- **IFRS 9 Financial Instruments**, continued

❖ IFRS 9 introduces a new model for financial asset impairment losses, the model for expected credit losses, that substitutes the incurred loss model that is currently in force. Consequently, the application of the new requirements will lead to accelerated recognition of financial asset impairment losses.

❖ Under current criteria, a hedge must be highly effective both in a prospective and retrospective manner, whereas IFRS 9 introduces a new model for accounting for hedges, which is less restrictive, requiring an economic ratio between the hedged item and the hedging instrument and that the hedging ratio be the same applicable to the entity for its risk management. Likewise, the new standard amends the criteria for documenting hedge ratios.

After analyzing the new criteria, the Company believes that the main changes will focus on the documentation of hedging policies and strategies, as well as in the processes of estimating expected impairment losses on financial assets and when these are recognized. The Company has decided to use the option that allows it not to restate the figures for comparative exercises presented in the year of first application of the new criteria.

The Company is making progress on the process of implementing the standard and in adjusting its policies and processes to the new requirements. As of the date of these consolidated financial statements, the Company has determined that a reasonable quantification of the impact that the application of this standard will have on the date of initial application, is approximately Ch$27,900 million, that will be recorded in equity, as a decrease in retained earnings.

- IFRS 16 Leases

IFRS 16 establishes that companies that act as lessees must recognize the assets and liabilities derived from all lease contracts (except for short-term lease agreements and those involving assets with low value) in the statement of financial position.

The Company has a very large number of lease agreements where it acts as lessee for various assets, mainly: towers, circuits, real estate for offices and stores and land where its own towers are located. Under current regulations, a significant part of these contracts are classified as operating leases, recording the corresponding payments using the straight-line method throughout the term of the contract, generally. The Company is currently in the process of estimating the impact that this new standard will have on those contracts.

2. Significant accounting principles, continued

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

iii. Application of new standards, continued

- IFRS 16 Leases, continued

Due to the different alternatives available, as well as the complexity of the estimates and the large number of contracts, the Company has still not completed the implementation process, therefore to date it is not possible to make a reasonable estimate of the impact that the application of this standard will have.

Notwithstanding, considering the volume of affected contracts, and the magnitude of the committed lease payments that are reflected in the annual financial statements, the Company believes that the amendments introduced by IFRS 16 will have a significant impact.

s) 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 exercise 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 Telecommunications

Mobile Telecommunications 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) 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.

e) Others

"Other" includes logistics, personnel and management services.

4. Financial information by segment, continued

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

For the exercise ended as of December 31, 2017	Mobile Telecommunications ThCh$	Fixed Telecommunications ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	919,656,896	358,152,100	124,447,786	175,988,811	79,267,972	(59,213,605)	1,598,299,960
Income from ordinary activities arising from transactions with other operating segments of the same entity	12,460,092	125,216,745	32,376,046	-	123,615,606	(293,668,489)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	**932,116,988**	**483,368,845**	**156,823,832**	**175,988,811**	**202,883,578**	**(352,882,094)**	**1,598,299,960**
Cost of sales	369,620,955	54,117,295	99,442,236	114,952,846	-	(160,956,405)	477,176,926
Administrative expenses	352,493,712	265,283,357	52,356,422	40,093,347	59,043,301	(194,033,049)	575,237,090
Employee benefits expenses	2,119,269	-	-	-	149,059,472	(22,264,424)	128,914,317
Income from ordinary activities arising from interest	-	-	-	-	-	-	-
Cost of interest	19,822,436	19,714,309	1,053,578	132,128	2,833,547	(2,305,522)	41,250,476
Interest income	8,298,511	4,025,079	1,141,832	-	61,490	(2,308,275)	11,218,637
Depreciation and amortization	114,940,507	144,234,328	15,374,773	12,354,651	-	604,732	287,508,991
Participation in profit of associated companies accounted for using the equity method	11,033,858	9,957,120	116,440	-	-	(21,107,418)	-
Income tax expense	(101,142,754)	9,566,109	(3,042,907)	(3,750,970)	9,060,061	-	(89,310,461)
Other significant non-cash items	7,715,582	2,938,599	400,722	-	25,318,537	(25,244,677)	11,128,763
Profits(loss) before tax	**100,168,060**	**16,940,354**	**(9,744,182)**	**8,455,839**	**17,327,285**	**(22,587,797)**	**110,559,559**
Profit (loss) for the period from continuing operations	**201,310,814**	**7,374,245**	**(6,701,275)**	**12,206,809**	**8,267,224**	**(22,587,797)**	**199,870,020**
Profit (loss) for the period from discontinuing operations							
Profit (loss) for the period	**201,310,814**	**7,374,245**	**(6,701,275)**	**12,206,809**	**8,267,224**	**(22,587,797)**	**199,870,020**
Assets	2,173,905,425	1,434,257,861	107,563,467	136,898,958	157,139,188	(1,165,187,300)	2,844,577,599
Investments in associates accounted for using the equity method	692,315,993	130,538,611	591,511	-	-	(823,446,115)	-
Increases in non-current assets	88,271,497	141,843,740	19,172,733	-	-	-	249,287,970
Liabilities	877,542,685	762,524,376	76,461,120	60,076,595	110,680,966	(341,002,609)	1,546,283,133
Shareholders' equity	1,296,362,740	671,733,485	31,102,347	76,822,363	46,458,222	(824,184,691)	1,298,294,466
Liabilities & Shareholders' equity	2,173,905,425	1,434,257,861	107,563,467	136,898,958	157,139,188	(1,165,187,301)	2,844,577,599
Cash flows provided by (used in) operating activities	240,677,039	163,465,810	17,792,979	21,433,166	38,933,154	(13,375,178)	468,926,970
Cash flows provided by (used in) investment activities	(54,007,998)	(152,081,811)	(6,766,648)	(12,029,597)	-	(32,443,729)	(257,329,783)
Cash flows provided by (used in) from in financing activities	(175,411,226)	(35,347,811)	(9,062,293)	(11,076,136)	(38,705,000)	43,524,295	(226,078,171)

4. Financial information by segment, continued

For the exercise 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	922,552,614	389,342,307	115,844,366	173,924,162	73,529,575	(49,572,114)	1,625,620,910
Income from ordinary activities arising from transactions with other operating segments of the same entity	10,988,932	132,362,414	23,021,351	-	252,495,617	(418,868,314)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	933,541,546	521,704,721	138,865,717	173,924,162	326,025,192	(468,440,428)	1,625,620,910
Cost of sales	363,845,731	57,350,605	91,754,199	106,259,942	-	(151,660,233)	467,550,244
Administrative expenses	333,924,359	248,040,387	40,893,336	52,864,451	53,892,682	(178,701,133)	550,914,082
Employee benefits expenses	2,064,158	-	-	-	145,028,174	(19,504,730)	127,587,602
Income from ordinary activities arising from interest	-	-	-	-	-	-	-
Cost of interest	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	7,639,717	2,898,250	762,881	646,649	25,301,974	(25,012,242)	12,237,229
Profits(loss) before tax	**115,378,663**	**32,198,044**	**(7,737,560)**	**(11,009,936)**	**145,148,772**	**(130,544,365)**	**143,433,618**
Profit (loss) for the period from continuing operations	**84,862,253**	**22,504,028**	**(5,310,976)**	**(17,166,321)**	**143,783,089**	**(130,544,365)**	**98,127,708**
Profit (loss) for the period from discontinuing operations							
Profit (loss) for the period	**84,862,253**	**22,504,028**	**(5,310,976)**	**(17,166,321)**	**143,783,089**	**(130,544,365)**	**98,127,708**
Assets	1,346,231,631	1,514,357,850	109,303,615	135,135,503	1,827,433,236	(2,016,866,055)	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	843,518,486	62,150,913	78,606,095	153,063,177	(324,594,923)	1,510,748,805
Shareholders' equity	648,226,573	670,839,364	47,152,702	56,529,408	1,674,370,059	(1,692,271,132)	1,404,846,974
Liabilities & Shareholders' equity	1,346,231,631	1,514,357,850	109,303,615	135,135,503	1,827,433,236	(2,016,866,055)	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	(14,345,772)	476,879,569
Cash flows provided by (used in) investment activities	(116,507,696)	(132,753,121)	(11,710,692)	(20,818,560)	(1,300,000)	(117,275,651)	(400,365,720)
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)	137,387,644	(77,538,249)

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	12.31.2017 ThCh$	12.31.2016 ThCh$
Cash (a)		**528,264**	**169,133**
	CLP	484,859	131,876
	USD	24,925	19,654
	EUR	18,480	17,603
Banks (b)		**20,619,134**	**20,767,411**
	CLP	18,649,611	18,013,947
	USD	1,936,151	2,722,125
	EUR	33,372	31,339
Time deposits (c)		**170,614,407**	**187,957,415**
	CLP	170,614,407	187,812,803
	USD	-	144,612
Repurchase agreement (d)		**15,032,103**	**12,380,986**
	CLP	15,032,103	12,380,986
Total cash and cash equivalents		**206,793,908**	**221,274,945**
Sub-total by currency	**CLP**	**204,780,980**	**218,339,612**
	USD	**1,961,076**	**2,886,391**
	EUR	**51,852**	**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 December 31, 2017 and 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$	12.31.2017 ThCh$
Time deposits	CLP	170,570,000	2.91%	10	170,570,000	44,407	170.614.407
Total					**170.570.000**	**44,407**	**170,614,407**

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 December 31, 2017 and 2016 are as follows:

Code	Date		counterparty	Currency Origin	Subscription value of currency origin (ThCh$)	Annual rate	Total Value ThCh$	accounting value ThCh$
	Start	Term				%		12.31.2017
CRV	28-dec-17	02-jan-18	BBVA	CLP	12,000,000	1.80%	12,003,000	12,001,800
CRV	29-dec-17	01-jan-18	BCI	CLP	1,030,000	1.80%	1,030,206	1,030,103
CRV	29-dec-17	02-jan-18	BBVA	CLP	2,000,000	1.80%	2,000,400	2,000,200
	Total				**15,030,000**		**15,033,606**	**15,032,103**

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		12.31.2017 Current ThCh$	12.31.2017 Non-Current ThCh$	12.31.2016 Current ThCh$	12.31.2016 Non-Current ThCh$
Guarantees established	(a)	86,315	50,468	56,680	50,468
Other investments	(b)		7,188,206	-	7,044,801
Exchange rate hedge	(See Note 18.2)	690,553	103,224,236	21,165,932	133,745,075
Total		**776,868**	**110,462,910**	**21,222,612**	**140,840,344**

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

b) Non-current investments are detailed as follows:

Participation	Country	Investment currency	12.31.2017 ThCh$	12.31.2016 ThCh$
Telefónica Brasil (1) (2)	Brazil	REAL	7,184,349	7,040,946
Other participation	Chile	CLP	3,857	3,855
Total			**7,188,206**	**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 December 31, 2017 dividends in the amount of ThCh$594,657, were accrued on the 0.06% share in the equity of Telefónica Brasil. As of December 31 and December 31, 2017 and 2016, have been received dividends for ThCh$386,594 and ThCh$331,860.

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

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

Concepts	12.31.2017 Current ThCh$	12.31.2017 Non-current ThCh$	12.31.2016 Current ThCh$	12.31.2016 Non-current ThCh$
Deferred cost of handsets (1)	15,770,669	-	9,994,381	-
Unearned leasing	14,434,194	980,618	17,604,653	616,926
Franchisee commissions (2)	18,495,019	-	11,787,935	-
Other prepaid expenses (3)	14,139,527	6,353,869	15,098,842	6,829,458
Other (4)	3,041,077	-	2,503,395	
Total	**65,880,486**	**7,334,487**	**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) This item includes ThCh$12,418,654 and ThCh$11,424,090 in current and ThCh$6,299,533 and ThCh$6,817,369 in non-current, as of December 31, 2017 and December 31, 2016, respectively, for expenses that can be amortized due to the new commercial model for television services. In addition, it includes ThCh$ 83,686 in current, corresponding to ELA license renovation, maintenance and support and ThCh$ 344,902 for the concept of other licenses/maintenance as of December 31, 2017.

(4) This item mainly includes remaining VAT and recoverable taxes in the amount of ThCh$ 1,901,685 and other concepts in the amount of ThCh$ 1,139,392.

8. Current trade and other accounts receivable

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

Concepts	12.31.2017 Gross value ThCh$	12.31.2017 Allowance for doubtful accounts ThCh$	12.31.2017 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	**416,595,242**	**(173,091,668)**	**243,503,574**	**394,562,259**	**(168,321,803)**	**226,240,456**
Invoiced services	305,264,245	(173,091,668)	132,172,577	294,943,453	(168,321,803)	126,621,650
Services provided and not invoiced	111,330,997	-	111,330,997	99,618,806	-	99,618,806
Miscellaneous receivables	**15,436,566**	**-**	**15,436,566**	**17,423,958**	**-**	**17,423,958**
Total	**432,031,808**	**(173,091,668)**	**258,940,140**	**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	12.31.2017 Less than 3 months	12.31.2017 3 to 6 months	12.31.2017 6 to 12 months	12.31.2017 Greater than 12 months	12.31.2017 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	30,875,777	5,735,934	-	-	36,611,711	38,113,979	6,308,276	-	-	44,422,255
Total	**30,875,777**	**5,735,934**	**-**	**-**	**36,611,711**	**38,113,979**	**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	12.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	**169,687,736**	**163,907,614**
Increases	46,229,952	44,814,726
Eliminations/ Additions	(41,428,473)	(39,034,604)
Movements, subtotal	**4,801,479**	**5,780,122**
Ending balance	**174,489,215**	**169,687,736**

d) Allowance for doubtful account movements according to the composition of the portfolio as of December 31, 2017 and 2016 are detailed as follows:

Provisions and write-offs	12.31.2017 ThCh$	12.31.2016 ThCh$
Accrual for portfolio that has not been renegotiated	148,169,191	42,102,387
Accrual for renegotiated portfolio	(101,939,239)	2,712,339
Write-offs for the exercise	(41,428,473)	(39,034,604)
Total	**4,801,479**	**5,780,122**

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

Portfolio of returned documents and judicial collection as of 12.31.2017	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	6,748	-	175	-
Portfolio of returned documents or those in judicial collection (ThCh$)	3,573,601	-	150,474	-

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 Decembre 31, 2017 is detailed as follows:

Aging of portfolio by segment for the excersice December 31, 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)	728,189	303,861	77,401	50,075	63,648	69,172	42,670	62,287	71,850	3,015,230	4,484,383
Net portfolio w/o renegotiation	25,861,666	4,710,807	2,410,933	1,707,162	332,649	173,650	117,667	-	-	-	35,314,534
Debt	26,381,391	4,718,693	2,411,995	1,987,825	1,243,852	1,379,560	1,106,623	871,148	920,298	96,684,681	137,706,066
Accrual	(519,725)	(7,886)	(1,062)	(280,663)	(911,203)	(1,205,910)	(988,956)	(871,148)	(920,298)	(96,684,681)	(102,391,532)
Number of clients w/renegotiation	38,831	350	372	351	366	325	358	353	407	71,323	113,036
Net renegotiated portfolio	409,430	-	-	-	-	-	-	-	-	-	409,430
Debt	655,761	3,638	3,975	3,731	3,700	3,140	3,549	3,305	4,345	622,825	1,307,969
Accrual	(246,331)	(3,638)	(3,975)	(3,731)	(3,700)	(3,140)	(3,549)	(3,305)	(4,345)	(622,825)	(898,539)
Total number of clients	**767,020**	**304,211**	**77,773**	**50,426**	**64,014**	**69,497**	**43,028**	**62,640**	**72,257**	**3,086,553**	**4,597,419**
Total Fixed Telephone Portfolio	**26,271,096**	**4,710,807**	**2,410,933**	**1,707,162**	**332,649**	**173,650**	**117,667**	**-**	**-**	**-**	**35,723,964**
Debt	**27,037,152**	**4,722,331**	**2,415,970**	**1,991,556**	**1,247,552**	**1,382,700**	**1,110,172**	**874,453**	**924,643**	**97,307,506**	**139,014,035**
Accrual	**(766,056)**	**(11,524)**	**(5,037)**	**(284,394)**	**(914,903)**	**(1,209,050)**	**(992,505)**	**(874,453)**	**(924,643)**	**(97,307,506)**	**(103,290,071)**
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	2,466	1,440	544	27	353	359	232	179	251	1,601	7,452
Net portfolio w/o renegotiation	48,679,682	1,754,800	3,862,724	1,878,544	884,104	594,026	496,561	-	-	-	58,150,441
Debt	48,977,434	1,754,800	3,881,992	1,898,629	933,544	633,573	522,251	119,010	139,329	2,547,122	61,407,684
Accrual	(297,752)	-	(19,268)	(20,085)	(49,440)	(39,547)	(25,690)	(119,010)	(139,329)	(2,547,122)	(3,257,243)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**2,466**	**1,440**	**544**	**27**	**353**	**359**	**232**	**179**	**251**	**1,601**	**7,452**
Total Corporate Communication and Data Portfolio	**48,679,682**	**1,754,800**	**3,862,724**	**1,878,544**	**884,104**	**594,026**	**496,561**	**-**	**-**	**-**	**58,150,441**
Debt	**48,977,434**	**1,754,800**	**3,881,992**	**1,898,629**	**933,544**	**633,573**	**522,251**	**119,010**	**139,329**	**2,547,122**	**61,407,684**
Accrual	**(297,752)**	**-**	**(19,268)**	**(20,085)**	**(49,440)**	**(39,547)**	**(25,690)**	**(119,010)**	**(139,329)**	**(2,547,122)**	**(3,257,243)**
Television											
Number of clients w/o renegotiation (1)	384,200	36,431	35,492	38,693	21,163	30,257	23,442	19,454	21,438	223,835	834,405
Net portfolio w/o renegotiation	26,539,634	605,627	567,765	588,492	-	-	-	-	-	-	28,301,518
Debt	26,539,634	605,627	567,765	788,841	266,672	508,315	490,331	499,869	626,764	12,377,309	43,271,127
Accrual	-	-	-	(200,349)	(266,672)	(508,315)	(490,331)	(499,869)	(626,764)	(12,377,309)	(14,969,609)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**384,200**	**36,431**	**35,492**	**38,693**	**21,163**	**30,257**	**23,442**	**19,454**	**21,438**	**223,835**	**834,405**
Total Television Portfolio	**26,539,634**	**605,627**	**567,765**	**588,492**	**-**	**-**	**-**	**-**	**-**	**-**	**28,301,518**
Debt	**26,539,634**	**605,627**	**567,765**	**788,841**	**266,672**	**508,315**	**490,331**	**499,869**	**626,764**	**12,377,309**	**43,271,127**
Accrual	**-**	**-**	**-**	**(200,349)**	**(266,672)**	**(508,315)**	**(490,331)**	**(499,869)**	**(626,764)**	**(12,377,309)**	**(14,969,609)**

(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 exercise December 31, 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)	846,323	106,213	48,611	41,173	43,069	40,689	26,681	52,375	38,517	1,373,770	2,617,421
Net portfolio w/o renegotiation	105,072,802	5,240,448	3,953,669	3,594,531	1,223,407	651,479	1,262,195	-	-	-	120,998,531
Debt	105,072,802	5,240,448	3,953,669	3,594,531	3,006,154	2,396,647	2,462,784	2,786,654	1,768,837	39,686,456	169,968,982
Accrual	-	-	-	-	(1,782,747)	(1,745,168)	(1,200,589)	(2,786,654)	(1,768,837)	(39,686,456)	(48,970,451)
Number of clients w/renegotiation	11,397	932	940	1,002	1,179	1,188	1,218	735	1,403	14,856	34,850
Net renegotiated portfolio	328,651	-	92	182	175	20	-	-	-	-	329,120
Debt	635,263	56,125	65,901	78,804	82,457	75,401	64,455	34,485	56,790	1,783,733	2,933,414
Accrual	(306,612)	(56,125)	(65,809)	(78,622)	(82,282)	(75,381)	(64,455)	(34,485)	(56,790)	(1,783,733)	(2,604,294)
Total number of clients	**857,720**	**107,145**	**49,551**	**42,175**	**44,248**	**41,877**	**27,899**	**53,110**	**39,920**	**1,388,626**	**2,652,271**
Total Other Portfolio	**105,401,453**	**5,240,448**	**3,953,761**	**3,594,713**	**1,223,582**	**651,499**	**1,262,195**	**-**	**-**	**-**	**121,327,651**
Debt	**105,708,065**	**5,296,573**	**4,019,570**	**3,673,335**	**3,088,611**	**2,472,048**	**2,527,239**	**2,821,139**	**1,825,627**	**41,470,189**	**172,902,396**
Accrual	**(306,612)**	**(56,125)**	**(65,809)**	**(78,622)**	**(1,865,029)**	**(1,820,549)**	**(1,265,044)**	**(2,821,139)**	**(1,825,627)**	**(41,470,189)**	**(51,574,745)**
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Net portfolio w/o renegotiation	15,436,566	-	-	-	-	-	-	-	-	-	15,436,566
Debt	15,436,566	-	-	-	-	-	-	-	-	-	15,436,566
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Other Portfolio	**15,436,566**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,436,566**
Debt	**15,436,566**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,436,566**
Accrual	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	1,961,178	447,945	162,048	129,968	128,233	140,477	93,025	134,295	132,056	4,614,436	7,943,661
Net portfolio w/o renegotiation	221,590,350	12,311,682	10,795,091	7,768,729	2,440,160	1,419,155	1,876,423	-	-	-	258,201,591
Debt	222,407,827	12,319,568	10,815,421	8,269,826	5,450,222	4,918,095	4,581,989	4,276,681	3,455,228	151,295,568	427,790,425
Accrual	(817,477)	(7,886)	(20,330)	(501,097)	(3,010,062)	(3,498,940)	(2,705,566)	(4,276,681)	(3,455,228)	(151,295,568)	(169,588,834)
Number of clients w/renegotiation	50,228	1,282	1,312	1,353	1,545	1,513	1,576	1,088	1,810	86,179	147,886
Net renegotiated portfolio	738,081	-	92	182	175	20	-	-	-	-	738,549
Debt	1,291,024	59,763	69,876	82,535	86,157	78,541	68,004	37,790	61,135	2,406,558	4,241,383
Accrual	(552,943)	(59,763)	(69,784)	(82,353)	(85,982)	(78,521)	(68,004)	(37,790)	(61,135)	(2,406,558)	(3,502,834)
Total number of clients	2,011,406	449,227	163,360	131,321	129,778	141,990	94,601	135,383	133,866	4,700,615	8,091,547
Total Consolidated Portfolio	222,328,431	12,311,682	10,795,183	7,768,911	2,440,335	1,419,175	1,876,423	-	-	-	258,940,140
Debt	223,698,851	12,379,331	10,885,297	8,352,361	5,536,379	4,996,636	4,649,993	4,314,471	3,516,363	153,702,126	432,031,808
Accrual	(1,370,420)	(67,649)	(90,114)	(583,450)	(3,096,044)	(3,577,461)	(2,773,570)	(4,314,471)	(3,516,363)	(153,702,126)	(173,091,668)

(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 excercise 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 excercise 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	12.31.2017 ThCh$	12.31.2016 ThCh$
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	6,175,148	4,528,364
Telxius Torres Chile, S.A.	76.558.575-9	Chile	Common end controller	Serv. Provided	CLP	60 days	6,152,453	3,571,051
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	1,100,870	1,180,195
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common end controller	Serv. Provided	USD	90 days	1,050,005	839,548
Tiws Chile II Spa	76.540.944-6	Chile	Common end controller	Serv. Provided	CLP	60 days	977,050	-
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	180 days	819,203	1,003,637
Colombia Telecomunicaciones S.A.E.S.P	Foreign	Colombia	Common end controller	Serv. Provided	USD	60 days	739,848	230,293
Telefónica O2 Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	Serv. Provided	USD	90 days	645,683	486,000
Telxius Cable Chile	96.910.730-9	Chile	Common end controller	Serv. Provided	CLP	60 days	504,860	994,011
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	397,484	719,662
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	90 days	334,639	318,280
Telefónica del Perú	Foreign	Peru	Common end controller	Serv. Provided	CLP	60 days	248,607	-
Telefónica S.A.	Foreign	Spain	End controller	Serv. Provided	EUR	90 days	237,104	129,893
Telefónica Brasil	Foreign	Brazil	Common end controller	Serv. Provided	USD	90 days	234,095	647,311
Telefónica Factoring Chile S.A.	76.096.189-2	Chile	Common end controller	Serv. Provided	CLP	60 days	202,336	30,206
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	181,172	117,193
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	172,043	209,915
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	155,011	144,236
Telefónica Uk Ltd (antes O2 (UK) Ltd)	Foreign	UK	Common end controller	Serv. Provided	EUR	90 days	85,740	-
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Common end controller	Serv. Provided	CLP	60 days	84,026	96,556
Media Networks Perú	Foreign	Peru	Common end controller	Serv. Provided	USD	90 days	60,947	53,221
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	54,203	38,920
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv. Provided	USD	90 days	44,559	-
Telefónica Móviles de Panamá	Foreign	Panama	Common end controller	Serv. Provided	USD	90 days	40,999	83,793
Media Networks Chile	76.243.733-3	Chile	Common end controller	Serv. Provided	CLP	60 days	25,871	16,520
Inversiones Telefónica Internacional Holding S.A. (1)	77.363.730-K	Spain	End controller	**Subtotal**			**20,716**	**115,426,397**
				Financials Loans (1)	EUR	180 days	-	115,336,015
				Serv. Provided	CLP	60 days	20,716	90,382
Telefónica On The Spot Soluciones Digitales De Chile Spa	76.338.291-5	Chile	Common end controller	Serv. Provided	CLP	60 days	18,529	24,106
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Serv. Provided	USD	90 days	16,389	8,754
Telefónica Learning Services Chile Capacitación Ltda.	76.131.334-7	Chile	Common end controller	Serv. Provided	CLP	60 days	13,773	18,384
Telefónica Global Tecnology Chile	59.165.120-K	Chile	Common end controller	Serv. Provided	CLP	60 days	11,890	164,981
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Serv. Provided	USD	90 days	10,455	11,815
Telefónica Investigación y Desarrollo, S.A.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	3,840	-
Otecel S.A.	Foreign	Ecuador	Common end controller	Serv. Provided	USD	60 days	2,647	116,689
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Serv. Provided	CLP	60 days	2,599	4,111

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	12.31.2017 ThCh$	12.31.2016 ThCh$
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv. Provided	USD	60 days	1,202	1,213
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Serv. Provided	USD	90 days	605	8,849
Telfisa Global B.V.	Foreign	Holland	Common end controller	Administrative commission	CLP	90 days	15	239
Telefónica Global Tecnology S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	-	247,010
Total							**20,826,616**	**131,471,353**

(1) On December 20, 2017, Telefónica Móviles Chile S.A. offset its account receivable from its shareholder Inversiones Telefónica Holding Internacional S.A. in the amount of ThCh$ 125,152,778 (170,283 thousand euros) with the dividends payable decreed on the same date by the Shareholders' Meeting. See Note 22c (ii).

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	12.31.2017 ThCh$	12.31.2016 ThCh$
Inversiones Telefónica International Holding Ltda.	77.363.730-K	Chile	End controller	**Subtotal**			**59,738,627**	**14,167,684**
				Dividend	EUR	30 days	59,712,856	14,141,913
				Serv. Provided	CLP	90 days	25,771	25,771
Telefónica S.A.	Foreign	Spain	End controller	**Subtotal**			**9,710,253**	**8,534,359**
				Brand Fee	EUR / CLP	90 days	8,356,591	6,707,435
				Others	EUR	90 days	1,353,662	1,373,282
				Dividend	EUR	30 days	-	453,642
Telxius Cable Chile (Ex Telef. Int. Wholesale Services Chile SA)	96.910.730-9	Chile	Common end controller	**Subtotal**			**7,517,014**	**14,599,762**
				Voice IP transit	CLP	60 days	3,091,423	3,166,605
				Data and links	CLP	60 days	1,156,108	1,168,325
				Commercial Mandate	CLP	60 days	1,744,056	7,885,715
				Serv. Provided	CLP	60 days	1,500,127	1,626,866
				Others	CLP	60 days	25,300	752,251
Telxius Torres Chile S.A.	76.558.575-9	Chile	Common end controller	**Subtotal**			**6,133,604**	**4,286,030**
				Spaces lease	CLP	60 days	5,072,415	2,099,698
				Infrastructure lease	CLP	60 days	584,234	1,477,071
				Colocalization lease	CLP	60 days	466,514	698,820
				Serv. Provided	CLP	60 days	10,441	10,441
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	5,981,745	4,635,414
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	180 days	5,781,301	4,869,899
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	3,349,186	4,523,544
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv. Provided	USD	60 days	2,387,367	1,600,230
Telefónica Global Tecnology S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	2,143,335	770,553
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	2,073,917	1,321,727
Media Networks Perú	Foreign	Peru	Common end controller	Satellite Space	USD	90 days	1,816,562	2,058,227
Telefónica Latam Holding	Foreign	Spain	Common end controller	**Subtotal**			**1,679,982**	**1,475,235**
				Management Fee	EUR	90 days	1,677,726	1,473,436
				Cost Sharing Agreement	EUR	90 days	-	1,799
				Others	EUR	90 days	2,256	-
Tiws Chile II Spa	76.540.944-6	Chile	Common end controller	Serv. Provided	CLP	60 days	1,586,106	-
Fundación Telefónica Chile	74.944.200-k	Chile	Common end controller	Serv. Provided	CLP	60 days	732,887	429,371
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	699,325	-
Telefónica Compras Electrónicas	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	681,241	625,430
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	485,711	392,078
Telefónica Brasil	Foreign	Brazil	Common end controller	Serv. Provided	USD	90 days	181,924	155,591
Telefónica del Perú S.A.	Foreign	Peru	Common end controller	Serv. Provided	USD	180 days	139,303	798,620
Telefónica Global Roaming Gmbh	Foreign	Germany	Common end controller	Serv. Provided	EUR	90 days	137,426	310,332

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	12.31.2017 ThCh$	12.31.2016 ThCh$
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Common end controller	Serv. Provided	USD	60 days	127,228	5,639
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	69,162	69,161
Telefónica Global Tecnology Chile	59.165.120-k	Chile	Common end controller	Computer services	CLP	60 days	68,130	8,752,270
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Serv. Provided	USD	90 days	55,316	72,731
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	51,574	-
Telfisa Global B.V.	Foreign	Spain	Common end controller	Administration commission	CLP	90 days	31,220	-
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Common end controller	Serv. Provided	CLP	60 days	29,855	79,076
Telefónica Servicios Audiovisuales	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	23,840	11,902
Telefónica O2 Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	Serv. Provided	EUR	90 days	23,629	-
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common end controller	Serv. Provided	USD	90 days	18,951	-
Telefónica Uk Ltd	Foreign	UK	Common end controller	Serv. Provided	USD	90 days	17,090	1,522,219
Telefónica de España S.A.U	Foreign	Spain	Common end controller	Serv. Provided	EUR	180 days	14,904	49,878
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	180 days	12,606	30,053
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv. Provided	USD	90 days	9,022	-
Otecel S.A.	Foreign	Ecuador	Common end controller	Serv. Provided	USD	90 days	4,784	-
Telefónica On The Spot Services S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	3,074	29,371
Telefónica Móviles Panamá	Foreign	Panama	Common end controller	Serv. Provided	USD	90 days	1,845	-
Telefónica Soluciones de Informática y Comunicaciones	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	1,546	-
Telefónica Factoring - España	Foreign	Spain	Common end controller	Serv. Provided	USD	60 days	1,426	1,538
Telefónica Global Services , GmbH	Foreign	Germany	Common end controller	Serv. Provided	USD	90 days	1,035	103,891
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Serv. Provided	USD	90 days	78	-
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Serv. Provided	USD	90 days	72	-
Telefónica Chile Holdings, S.L.	Foreign	Spain	End controller	Dividend	EUR	30 days	-	25,671,125
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Serv. Provided	CLP	60 days	-	305,948
Televisión Federal Telefé – Argentina	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	-	9,105
Telefónica Móviles Solutions	96.942.730-3	Chile	Common end controller	Serv. Provided	CLP	60 days	-	2,644
Total							**113,523,203**	**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	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	12.31.2017 Amount ThCh$	12.31.2017 Effect on income (Charge)/Credit ThCh$	12.31.2016 Amount ThCh$	12.31.2016 Effect on income (Charge)/Credit ThCh$
Telxius Cable Chile	96.910.730-9	Chile	Common end controller	Sales	CLP	3,478,632	3,478,632	3,159,333	3,159,333
				Costs	CLP	1,471,838	(1,471,838)	16,755,723	(16,755,723)
				Internet Access	CLP	14,517,047	(14,517,047)	15,103,391	(15,103,391)
				Others	CLP	407,236	(407,236)	489,736	(489,736)
				Financial expenses	CLP	163,409	(163,409)	462,213	(462,213)
Media Networks Perú	Foreign	Peru	Common end controller	Sales	USD	129,762	129,762	254,198	254,198
				Spaces lease	USD	8,099,683	(8,099,683)	8,996,324	(8,996,324)
				Others	USD	870,215	(870,215)	598,206	(598,206)
Telefónica S.A.	Foreign	Spain	End controller	Sales	EUR	207,931	207,931	87,172	87,172
				Brand Fee	EUR	26,398,082	(26,398,082)	19,872,648	(19,872,648)
				Services computer	EUR	22,514	(22,514)	11,069	(11,069)
				Others	EUR	307,217	(307,217)	955,298	(955,298)
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Sales	USD	-	-	282,220	282,220
				Media lease	USD	7,398,081	(7,398,081)	7,715,612	(7,715,612)
Telefónica Global Technology Chile	56.165.120-K	Chile	Common end controller	Sales	CLP	118,238	118,238	169,345	169,345
				Services computer	CLP	521,866	(521,866)	18,611,846	(18,611,846)
Telefónica Global Technology S.A.U.	Foreign	Spain	Common end controller	Costs	EUR	4,155,437	(4,155,437)	6,081,686	(6,081,686)
				Others	EUR	234,355	(234,355)	28,883	(28,883)
				Sales	EUR	-	-	65,319	65,319
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Sales	CLP	199,723	199,723	193,902	193,902
				Costs	CLP	4,114,460	(4,114,460)	2,868,350	(2,868,350)
Telefónica Digital España	Foreign	Spain	Common end controller	Sales	EUR	821,147	821,147	609,004	609,004
				Costs	EUR	7,126,243	(7,126,243)	3,743,051	(3,743,051)
Telefónica Compras Electrónica S.A.	Foreign	Spain	Common end controller	Costs	EUR	1,603,844	(1,603,844)	-	-
Telefónica USA Inc.	Foreign	USA	Common end controller	Costs	USD	715,251	(715,251)	689,075	(689,075)
				Sales	USD	-	-	48,287	48,287
Telefónica International Wholesale Services América	Foreign	Uruguay	Common end controller	Costs	USD	355,201	(355,201)	-	-
Telefónica Latam Holding (Telefónica Internacional S.A.U)	Foreign	Spain	Common end controller	Sales	EUR	1,932,954	1,932,954	994,085	994,085
				Costs	EUR	-	-	70,036	(70,036)
				Management Fee	EUR	-	-	1,473,454	(1,473,454)
				Others	EUR	15,450	(15,450)	-	-
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Sales	EUR	(2,060,552)	2,060,552	2,981,937	2,981,937
				Costs	EUR	2,979,359	(2,979,359)	3,500,648	(3,500,648)
				Services computer	EUR	-	-	5,074	(5,074)

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	12.31.2017 Amount ThCh$	12.31.2017 Effect on income (Charge)/Credit ThCh$	12.31.2016 Amount ThCh$	12.31.2016 Effect on income (Charge)/Credit ThCh$
Telefónica Soluciones Inf. Com. España	Foreign	Spain	Common end controller	Costs	EUR	-	-	84,763	(84,763)
Telefónica Gestión de Servicios Compartidos - España	Foreign	Spain	Common end controller	Sales	EUR	-	-	12,828	(12,828)
				Costs	EUR	-	-	351,266	(351,266)
Telefónica del Perú S.A.	Foreign	Peru	Common end controller	Costs	USD	183,044	(183,044)	403,878	(403,878)
				Sales	USD	4,518	4,518	35,001	35,001
Telefónica Brasil	Foreign	Brazil	Common end controller	Sales	USD	467,540	467,540	358,263	358,263
				Costs	USD	(78,084)	78,084	286,699	(286,699)
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Common end controller	Sales	CLP	5,245	5,245	7,926	7,926
				Costs	CLP	109,125	(109,125)	158,299	(158,299)
Telefónica Servicios Audiovisuales	Foreign	Spain	Common end controller	Costs	EUR	71,522	(71,522)	-	-
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Sales	CLP	261,709	261,709	263,044	263,044
Televisión Federal Telefé – Argentina	Foreign	Argentina	Common end controller	Costs	USD	-	-	54,755	(54,755)
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Common end controller	Sales	USD	11,660	11,660	90,364	90,364
				Costs	USD	(71,382)	71,382	140,998	(140,998)
Media Network Chile	76.243.733-3	Chile	Common end controller	Sales	CLP	19,062	19,062	-	-
				Costs	CLP	100,873	(100,873)	-	-
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Sales	CLP	15,678	15,678	-	-
Telcel Venezuela	Foreign	Venezuela	Common end controller	Sales	USD	4,981	4,981	3,174	3,174
				Costs	CLP	4,597	(4,597)	425,772	(425,772)
Inversiones Telefónica Internacional Holding S.A.	77.363.730-K	Chile	Common end controller	Sales	CLP	847,280	847,280	-	-
Terra Networks Chile S.A.	93.834.230-4	Chile	Common end controller	Sales	CLP	125,457	125,457	285,612	285,612
				Costs	CLP	1,277,002	(1,277,002)	1,262,635	(1,262,635)
Telefónica de España S.A.U.	Foreign	Spain	Common end controller	Sales	EUR	-	-	890	890
				Costs	EUR	277,565	(277,565)	157,456	157,456
Telefonica On The Spot Services SAU	Foreign	Spain	Common end controller	Costs	EUR	5,232	(5,232)	27,619	(27,619)
Telefónica de Contenidos SAU	Foreign	Spain	Common end controller	Costs	EUR	-	-	172,194	(172,194)
Telefónica Global Roaming Gmbh	Foreign	Germany	Common end controller	Sales	EUR	-	-	4,822	4,822
				Costs	EUR	257,777	(257,777)	355,127	(355,127)
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Sales	EUR	(204,072)	(204,072)	548,731	548,731
				Costs	EUR	571,854	(571,854)	789,907	(789,907)
Telefónica Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	Sales	USD	(272)	(272)	64,258	64,258
				Costs	USD	162,344	(162,344)	62,637	(62,637)
Telxius Torres Chile S.A.	76.558.575-9	Chile	Common end controller	Sales	CLP	473,950	473,950	447,668	447,668
				Costs	CLP	5,079,107	(5,079,107)	3,631,196	(3,631,196)

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	12.31.2017 Amount ThCh$	12.31.2017 Effect on income (Charge)/Credit ThCh$	12.31.2016 Amount ThCh$	12.31.2016 Effect on income (Charge)/Credit ThCh$
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common end controller	Sales	USD	3,078	3,078	16,583	16,583
				Costs	USD	(14,852)	14,852	134,643	(134,643)
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Sales	USD	(437)	(437)	2,606	2,606
				Costs	USD	(1,825)	1,825	2,382	(2,382)
Telefónica Ireland	Foreign	Irlanda	Common end controller	Sales	USD	-	-	55,261	55,261
				Costs	USD	-	-	8,896	(8,896)
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Sales	USD	29,636	29,636	10,447	10,447
				Costs	USD	27,761	(27,761)	20,058	(20,058)
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Sales	USD	829	829	1,238	1,238
				Costs	USD	607	(607)	159	159
T. Learning Services Chile Capacitación Limitada	76.131.334-7	Chile	Common end controller	Sales	CLP	45,807	45,807	-	-
Telefónica Móviles Panamá	Foreign	Panama	Common end controller	Sales	USD	5,430	5,430	7,129	7,129
				Costs	USD	(16,240)	16,240	30,458	(30,458)
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Sales	USD	18,402	18,402	22,511	22,511
				Costs	USD	31,490	(31,490)	44,068	(44,068)
Telfisa Global B.V.	Foreign	Spain	Common end controller	Financial income	CLP	464,678	464,678	219,560	219,560
				Administration commission	CLP	32,043	(32,043)	133,525	(133,525)
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Sales	USD	329,611	329,611	832,913	832,913
				Costs	USD	291,464	(291,464)	(280,807)	(280,807)
Telefónica Uk Ltd	Foreign	UK	Common end controller	Financial expenses	USD	60,026	60,026	135,001	(135,001)
				Costs	USD	(386,882)	386,882	22,279	(22,279)
Telefonica Contenidos	Foreign	Spain	Common end controller	Costs	EUR	350,246	(350,246)	-	-
Telefónica Global Services GmbH (antes O2 GMBH)	Foreign	Germany	Common end controller	Costs	EUR	(100,804)	100,804	-	-
Tiws Chile II Spa	76.540.944-6	Chile	Common end controller	Sales	CLP	345,995	345,995	-	-
				Costs	CLP	1,556,463	(1,556,463)	-	-
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Associate	Sales	CLP	731	731	933	(933)
				Financial expenses	CLP	12,220	(12,220)	16,752	16,752
Otecel S.A.	Foreign	Ecuador	Common end controller	Sales	USD	(9,789)	(9,789)	11,638	11,638
				Costs	USD	21,852	(21,852)	24,337	(24,337)

9. **Receivables from and payable to related companies**, continued

c) 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.

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

The Company is managed by a Board of Directors composed of 12 members and its key employees are 68 and 67 executives for December 31, 2017 and 2016, respectively.

Concepts	12.31.2017 ThCh$	12.31.2016 ThCh$
Salaries	11,424,441	13,490,391
Post employment benefits	4,152,778	2,841,750
Total	**15,577,219**	**16,332,141**

10. Inventory

a) The detail of inventory is as follows:

Concepts	12.31.2017 Gross value ThCh$	12.31.2017 Allowance for obsolescence ThCh$	12.31.2017 Net value ThCh$	12.31.2016 Gross value ThCh$	12.31.2016 Allowance for obsolescence ThCh$	12.31.2016 Net value ThCh$
Mobile equipment	39,252,788	(1,950,616)	37,302,172	36,927,924	(1,579,800)	35,348,124
Modems and Router	3,387,832	(574,361)	2,813,471	6,642,585	(682,071)	5,960,514
Basic telephony, public telephony and switchboard ("centralitas") components	7,808,213	(484,649)	7,323,564	5,775,945	(514,106)	5,261,839
Decoders and antennas	1,951,659	(700,686)	1,250,973	2,894,235	(775,358)	2,118,877
IP Solutions Projects	132,635	-	132,635	251,440	-	251,440
Mobile accesory	17,749	(7,403)	10,346	14,436	(4,215)	10,221
Other	395,274	(15,618)	379,656	599,455	(88,187)	511,268
Total	**52,946,150**	**(3,733,333)**	**49,212,817**	**53,106,020**	**(3,643,737)**	**49,462,283**

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

b) The movement of inventory is as follows:

Movements	12.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	**49,462,283**	**61,463,193**
Purchases	277,979,310	245,383,944
Sales	(278,139,180)	(260,440,784)
Allowance for obsolescence	(89,596)	3,054,910
Transfer to materials allocated to the investment (note 15b)	-	1,020
Movement, subtotal	**(249,466)**	**(12,000,910)**
Ending balance	**49,212,817**	**49,462,283**

11. Income Taxes

a) Income Taxes:

As of December 31, 2017, the Telefónica Chile S.A., Telefónica Chile Servicios Corporativos Ltda and Telefónica Investigación y Desarrollo SpA, subsidiaries have established a first category income tax provision since a positive taxable base was determined in the amount of ThCh$22,481,102. As of December 31, 2016, the taxable base was determined in the amount of ThCh$80,629,419, from the subsidiaries Telefónica Chile S.A. y Telefónica Chile Servicios Corporativos Ltda.

The Parent and subsidiaries presents the next tax losses of first category:

- Telefónica Móviles Chile S.A. ThCh$ 632,507 as of December 31, 2017.
- Telefónica Investigación y Desarrollo SpA. ThCh$ 1,493,181 as of December 31, 2016.
- Telefónica Empresa S.A. ThCh$ 6,553,608 as of December 31, 2017 and ThCh$ 9,127,777 as of December 31, 2016.
- Telefónica Móviles Soluciones y Aplicaciones S.A. ThCh$ 3,032,656 as of December 31, 2017 and 2,860,698 as of December 31, 2016.

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 December 31, 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)
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Telefónica Móviles Chile S.A.	466,792,851	464,502,933	2,289,918	-	-	-	78,439,739	424,940,434
Telefónica Chile S.A.	723,506,274	718,847,165	-	4,659,109	1,131,287	-	162,242,165	718,847,165
Telefónica Chile Servicios Corporativos Ltda.	68,963,626	68,963,626	-	-	4,249,091	-	16,365,700	60,951,002
Total	**1,259,262,751**	**1,252,313,724**	**2,289,918**	**4,659,109**	**5,380,378**	**-**	**257,047,604**	**1,204,738,601**

b) Current tax assets

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

Concepts	12.31.2017 ThCh$	12.31.2016 ThCh$
Taxes for recovering previous years (1)	739,892	242,496
Monthly prepaid tax installments (2)	4,590,180	13,973,563
Provisional payment on absorbed profits (3)	4,740,822	6,226,195
Sence	755,015	848,192
Others	214,463	703,227
Total	**11,040,372**	**21,993,673**

(1) Corresponds to taxes recovering rental operation 2017 and previous years.
(2) Corresponds to the net amount between monthly prepaid tax installments and the income tax provision of exercise.
(3) Is composed by provisional payment on absorbed profits (PPUA) of the Parent in the amount of ThCh$ 4,360,542 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 December 31, 2017, accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh$ 42,652,243, whereas, as of December 31, 2016, accumulated balances of temporary differences originated net deferred tax liabilities in the amount of ThCh$ 81,797,417 which are detailed as follows:

Disclosure of temporary differences, losses and unused tax credits **December 31, 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	28,280,262	36,950,627	930,595	4,062,291	-	10,178,366	127,482,640	11,904,704	4,267,418	(94,856,094)	**129,200,809**	**129,200,809**
Deferred tax liabilities	21,896,223	-	-	-	8,772,190	-	-	150,308,316	427,931	(94,856,094)	**86,548,566**	**86,548,566**
Deferred tax liabilities (assets)	**(6,384,039)**	**(36,950,627)**	**(930,595)**	**(4,062,291)**	**8,772,190**	**(10,178,366)**	**(127,482,640)**	**138,403,612**	**(3,839,487)**	**-**	**(42,652,243)**	**(42,652,243)**
Deferred tax assets, net	(6,384,039)	(36,950,627)	(930,595)	(4,062,291)	-	(10,178,366)	(127,482,640)	-	(3,839,487)	-	**(189,828,045)**	**(189,828,045)**
Deferred tax liabilities, net	-	-	-	-	8,772,190	-	-	138,403,612	-	-	**147,175,802**	**147,175,802**
Deferred tax expense (benefit												
Deferred tax expense (benefit)	(126,454)	6,980,921	(511,209)	(525,248)	4,266,750	(2,501,116)	(127,482,640)	(4,537,218)	-	-	**(124,436,214)**	**(124,436,214)**
Deferred tax expense (benefit) recognized in income	(126,454)	6,980,921	(511,209)	(525,248)	4,266,750	(2,501,116)	(127,482,640)	(4,537,218)	-	-	**(124,436,214)**	**(124,436,214)**
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	(126,454)	6,980,921	(511,209)	(525,248)	4,266,750	(2,501,116)	(127,482,640)	(4,537,218)	-	-	**(124,436,214)**	**(124,436,214)**
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	(13,446)	-	**(13,446)**	**(13,446)**
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)	**(126,454)**	**6,980,921**	**(511,209)**	**(525,248)**	**4,266,750**	**(2,501,116)**	**(127,482,640)**	**(4,537,218)**	**(13,446)**	**-**	**(124,449,660)**	**(124,449,660)**
Deferred tax liabilities (assets)	**(6,384,039)**	**(36,950,627)**	**(930,595)**	**(4,062,293)**	**8,772,190**	**(10,178,366)**	**(127,482,640)**	**138,403,612**	**(3,839,485)**	**-**	**(42,652,243)**	**(42,652,243)**

(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) Deferred tax assets and liabilities, continued

ii) Effect of tax goodwill due to merger

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 ThCh$ 140,183,000 with a credit to income under income tax, resulting from the difference between the tax value of the investment and taxable capital.

As of December 31, 2017, the balance of this deferred tax asset, amounts to ThCh$ 127,482,640 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 first quarterly of 2018.

Any difference that arises between the final valuation of merged assets and the estimated value recorded as of the closing date of these consolidated financial statements will be recognized in 2018, with a charge or credit to income for that year, as applicable

d) Taxable Income

As of December 31, 2017 and 2016 a first category income tax provision has been established, therefore a taxable positive base was determined in the amount of ThCh$ 22,481,102 and ThCh$ 80,629,419 respectively for exercise, detailed as follows:

Concepts	Taxable Net Income	
	12.31.2017 ThCh$	12.31.2016 ThCh$
Finance income	199,870,020	98,127,708
Recorded tax expense	(89,310,461)	45,305,910
Additions	213,812,316	465,460,008
Deductions	(301,890,773)	(528,264,207)
Taxable net income	22,481,102	80,629,419
First category tax rate 25,5% and 24%	**5,732,681**	**19,351,061**
Art, 21 rejected expenses tax base	2,112,964	503,234
Art, 21 non-deductible expenses (40% and 35% rate)	**845,186**	**176,132**
Total tax provision	**6,577,867**	**19,527,193**
Contingency provision (1)	13,021,936	-
Hedging instrument income tax provision (2)	(127,620)	3,446,639
Deficit/exceso exercise anterior	2,169,733	1,088,420
Provision for wind up tax of subsidiary	14,964,597	-
Third party absorbed net income provisional payment	(1,480,760)	(1,497,668)
Total first category taxes (3)	**35,125,753**	**22,564,584**

(1) Corresponds to the contingency provision arising from adjustment No. 294 for FY 2013 of Telefónica Móviles Chile S.A. (formerly Inversiones Telefónica Móviles Holding S.A.) in the amount of the ThCh$12,451,243 and the adjustment issued on June 17, 2016 for FY 2012 of subsidiary Telefónica Móviles Soluciones y Aplicaciones S.A. in the amount of ThCh$ 570,693.

(2) 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,

(3) 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 December 2017, amounts to ThCh$337,217.

11. Income Taxes, continued

e) Income tax reconciliation

The income tax expense reconciliation for December 31, 2017 and 2016 are detailed as follows

Concepts	12.31.2017 Taxable base ThCh$	12.31.2017 25.5% Tax Rate ThCh$	12.31.2016 Taxable base ThCh$	12.31.2016 24% Tax Rate ThCh$
Based on accounting income before taxes:				
Finance income	199,870,020		98,127,708	
Recorded tax expense	(89,310,461)		45,305,910	
Income before taxes	**110,559,559**	**28,192,687**	**143,433,618**	**34,424,068**
Permanent differences	**(460,796,663)**	**(117,503,148)**	**45,341,012**	**10,881,842**
Price-level restatement of taxable equity	(49,038,350)	(12,504,779)	(28,792,415)	(6,910,180)
Income from investment in related parties	1,007,100	256,811	140,633,882	33,752,132
Effect of rate change in the result (1)	(35,472,796)	(9,045,563)	3,472,913	833,499
Effect or taxable goodwill on merger of subsidiary	(520,087,229)	(132,622,243)	-	-
Adjustment on deferred tax balances	9,726,560	2,480,273	5,427,202	1,302,528
Contingency provision	51,066,416	13,021,936	-	-
Third party absorbed net income provisional payment	(5,806,902)	(1,480,760)	(6,240,283)	(1,497,668)
Taxes provisions of results end subsidiary (2)	58,684,694	14,964,597	-	-
Dividends received related companies	-	-	(139,299,871)	(33,431,969)
Others (3)	29,123,844	7,426,580	70,139,584	16,833,500
Total corporate tax expense	**(350,237,104)**	**(89,310,461)**	**188,774,630**	**45,305,910**
Based on taxable net income and deferred taxes calculated on the basis of temporary differences				
25.5% and 24% income tax		5,732,681		19,351,062
40% and 35% income tax		845,186		176,131
Contingency provision		13,021,936		-
Third party absorbed net income provisional payment		(1,480,760)		(1,497,668)
Hedging instrument income tax provision		(127,620)		3,446,639
Provision for wind up tax of subsidiary		14,964,597		
Deficit/exceso exercise anterior		2,169,733		1,088,420
Income tax expense		**35,125,753**		**22,564,584**
Deferred tax expense (income)		**(124,436,214)**		**22,741,326**
Total corporate tax expense		**89,310,461**		**45,305,910**
Effective income tax rate		**80.78%**		**31.59%**

(1) The effect due to the change in the first category tax rate from 25.5% to 27% for 2017 reached the sum of ThCh$ 9,045,563.
(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. (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 December 31, 2017 and 2016, current income tax liabilities are detailed as follows:

Concepts	12.31.2017 ThCh$	12.31.2016 ThCh$
Contingency provision (note 27 a)	18,424,224	23,340,546
Income tax accrual	2,362,100	-
Unic income tax	845,186	-
Others	231,692	-
Total	**21,863,202**	**23,340,546**

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%
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	12.31.2017 Gross value ThCh$	12.31.2017 Allowance for doubtful accounts ThCh$	12.31.2017 Net value ThCh$	12.31.2016 Gross value ThCh$	12.31.2016 Allowance for doubtful accounts ThCh$	12.31.2016 Net value ThCh$
Trade receivables	9,302,468	(1,397,547)	7,904,921	9,272,719	(1,365,933)	7,906,786
Miscellaneous receivables (1)	11,465,469	-	11,465,469	11,303,309	-	11,303,309
Total	**20,767,937**	**(1,397,547)**	**19,370,390**	**20,576,028**	**(1,365,933)**	**19,210,095**

(1) Mainly includes loans related to employees.

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

As of December 31, 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	364,238	6,116,079	2,822,151	**9,302,468**	(1,220,545)	(62,807)	(114,195)	**(1,397,547)**	**7,904,921**
Miscellaneous receivables	2,009,982	845,717	8,609,770	**11,465,469**	-	-	-	**-**	**11,465,469**
Total	**2,374,220**	**6,961,796**	**11,431,921**	**20,767,937**	**(1,220,545)**	**(62,807)**	**(114,195)**	**(1,397,547)**	**19,370,390**

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 December 31, 2017 and 2016 are detailed as follows:

Concepts	12.31.2017			12.31.2016		
	Intangible, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$	Intangible, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$
Intangible assets in development (1)	3,872,270	-	3,872,270	38,455,822	-	38,455,822
Licenses and softwares	706,433,221	(546,880,694)	159,552,527	609,650,339	(470,383,884)	139,266,455
Administratives grantings	130,169,199	(100,764,730)	29,404,469	130,169,199	(98,936,497)	31,232,702
Other intangible assets (2)	21,832,500	(19,947,846)	1,884,654	21,832,500	(19,343,112)	2,489,388
Total	**862,307,190**	**(667,593,270)**	**194,713,920**	**800,107,860**	**(588,663,493)**	**211,444,367**

(1) As of December 2017, Believe capitalizations were recorded in the amount of ThCh$ 32,929,397 and development licenses and other projects in the amount of ThCh$ 2,189,412 and evolutionary development of commercial systems (billing, collecting and collections) in the amount of ThCh$535,257.

(2) Corresponds to rights to use underwater cable.

b) As of December 31, 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	25,040,523				25,040,523
Low		(1,505,380)			(1,505,380)
Low Amortization		1,505,380			1,505,380
Amortization		(78,002,190)	(1,828,233)	(604,734)	(80,435,157)
Transfer from work in progress (Note 15b)	1,735,437	36,928,750			38,664,187
Transfer from costs of developing to service	(61,359,512)	61,359,512			-
Movement, subtotal	**(34,583,552)**	**20,286,072**	**(1,828,233)**	**(604,734)**	**(16,730,447)**
Ending balance as of 12.31.2017	**3,872,270**	**159,552,527**	**29,404,469**	**1,884,654**	**194,713,920**
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 December 31, 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 December 31, 2017 and 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$ 445,050,849 and ThCh$ 386,434,393, as of December 31, 2017 and 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 December 31, 2017 the value recorded as of that date remains the same.

Goodwill movement as of December 31, 2017 and 2016 is as follows:

Taxpayer No,	Company	01.01.2017 ThCh$	Additions ThCh$	Eliminations ThCh$	12.31.2017 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**

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**

(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

14. Goodwill, continued

Assets indicated in goodwill are tested for impairment once a year, at each year-end. As of December 31, 2017 impairment testing was determined taking into consideration the following estimated variables:

i) Projected operating income and costs are based on the 2017 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 8.19% (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 2017 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 December 31, 2017 and 2016, and their corresponding accumulated depreciation is as follows:

Concepts	12.31.2017			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	24,392,958	-	24,392,958	24,444,737	-	24,444,737
Buildings	945,418,035	(630,521,465)	314,896,570	928,054,287	(605,678,051)	322,376,236
Transport equipments	534,853	(530,528)	4,325	534,853	(528,366)	6,487
Supplies and accessories	33,901,928	(31,127,606)	2,774,322	33,679,434	(30,082,377)	3,597,057
Office equipments	3,393,481	(2,267,308)	1,126,173	3,096,118	(2,013,224)	1,082,894
Construction in progress	169,884,000	-	169,884,000	159,862,603	-	159,862,603
Information equipment	89,545,082	(69,749,125)	19,795,957	85,026,346	(60,484,509)	24,541,837
Network and communications equipment (1)	3,433,258,628	(2,752,552,501)	680,706,127	3,313,843,987	(2,628,694,962)	685,149,025
Property, plant and equipment under financial leases	5,304,293	(4,985,265)	319,028	5,304,293	(4,976,869)	327,424
Other property, plant & equipment (2)	293,877,894	(242,593,331)	51,284,563	286,339,806	(230,353,882)	55,985,924
Total	**4,999,511,152**	**(3,734,327,129)**	**1,265,184,023**	**4,840,186,464**	**(3,562,812,240)**	**1,277,374,224**

(1) As of December 31, 2017 and 2016 this heading includes an allowance in the amount of ThCh$ 19,479,651 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 December 31, 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	-	-	-	-	-	235,590,192	-	-	-	-	**235,590,192**
Retirements	(68,886)	(1,063,384)	-	-	-	-	(434,908)	(1,769,782)	-	(32,751,893)	**(36,088,853)**
Acc, Dep, retirements	-	880,468	-	-	-	-	434,908	1,576,010	-	32,667,559	**35,558,945**
Depreciation expense	-	(25,723,882)	(2,162)	(1,045,229)	(254,084)	-	(9,699,524)	(125,433,549)	(8,396)	(44,907,008)	**(207,073,834)**
Other Increase (decrease) (1)	17,107	18,427,132	-	222,494	297,363	(225,568,795)	4,953,644	121,184,423	-	40,289,981	**(40,176,651)**
Movements, subtotal	**(51,779)**	**(7,479,666)**	**(2,162)**	**(822,735)**	**43,279**	**10,021,397**	**(4,745,880)**	**(4,442,898)**	**(8,396)**	**(4,701,361)**	**(12,190,201)**
Ending balance as of 12.31.2017	**24,392,958**	**314,896,570**	**4,325**	**2,774,322**	**1,126,173**	**169,884,000**	**19,795,957**	**680,706,127**	**319,028**	**51,284,563**	**1,265,184,023**

(1) Corresponds to the movement of transfers from construction in progress to intangible assets in the amount of ThCh$ (38,664,187) (Note 13b) and elimination of the profit for the year of Telefónica Chile Servicios Corporativos Ltda. arising from the labor that Telefónica Chile S.A. and Telefónica Móviles Chile S.A. capitalized in the amount of the ChTh$ (1,512,464).

As of December 31, 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	**-**	**296,749,949**	**513,226**	**26,883,955**	**1,106,409**	**-**	**57,739,031**	**2,222,709,862**	**-**	**191,065,309**	**2,796,767,741**

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 exercise 2017 fundamentally show the effect of incorporation of customer residential equipment (fixed telephone and broadband), long-distance transmission, voice and data equipment and transmission equipment and antennas (infrastructure), nodes and energy systems.

As of December 31, 2017 Property, plant and equipment items originating from net financial lease operations amount to ThCh$319,028 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		12.31.2017		12.31.2016	
		Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bank loans	(a)	93,320	91,615,282	65,384,901	99,551,945
Unguaranteed obligations (Bonds)	(b)	7,028,581	681,739,322	6,117,450	656,843,352
Hedge instruments	(see note 18.2)	7,038,757	14,290,035	7,883,092	7,758,555
Total		**14,160,658**	**787,644,639**	**79,385,443**	**764,153,852**

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

As of December 31, 2017 the movements composition of current and non-current financial assets and liabilities from financial activities are as follows:

Conciliation Current financial assets and liabilities	12.31.2016	Cash flows		Other items than chash flow			12.31.2017
		Upward	Low	Exchange rate	Accrued interest	Others movements	
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Banks loans (1)	65,384,901		(66,281,544)	16,716,762	93,320	(15,820,119)	93,320
Unguaranteed obligations (Bonds) (2)	6,117,450		(26,297,722)	(4,239,258)	4,556,893	26,891,218	7,028,581
Hedge instruments	7,827,440	17,478,765	(13,392,273)	(7,297,610)	3,055,596	(633,161)	7,038,757
Comercial mandate to related companies	7,885,715	6,370,000	(16,660,850)	-	-	4,149,191	1,744,056
Financial loans to related companies	(115,336,015)	113,596,154	-	909,574	830,287	-	-
Dividends	-		(282,286,750)	-	-	-	(282,286,750)
Others	-		(7,399,002)	-	-	-	(7,399,002)
Total	**(24,983,852)**	**137,444,919**	**(412,318,141)**	**6,089,468**	**8,536,096**	**14,587,129**	**(273,781,038)**

Conciliation Non-current financial assets and liabilities	12.31.2016	Cash flows		Other items tan chash flow			12.31.2017
		Upward	Low	Exchange rate	Accrued interest	Others movements	
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Banks loans	99,551,945	-	-	(8,183,460)	-	246,797	91,615,282
Unguaranteed obligations (Bonds) (2)	656,843,352	48,795,050	-	(24,208,330)	-	309,250	681,739,322
Hedge instruments	7,758,555	-	-	6,844,500	-	(313,020)	14,290,035
Total	**764,153,852**	**48,795,050**	**-**	**(25,547,290)**		**243,027**	**787,644,639**

(1) As of December 31, 2017, the cash flow movements in current of Banks loans are the amount to ThCh$ 64,488,450 of debt amortization and ThCh$ 1,793,094 of interest payment.

(2) As of December 31, 2017, the cash flow movements in current of Unguaranteed obligations are the amount to ThCh$ 26,297,722 of interest payments and upward of new debt in the non-current.

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

As of December 31, 2016 the movements composition of current and non-current financial liabilities from financial activities are as follows:

Conciliation Current financial assets and liabilities	12.31.2015	Cash flows		Other items than chash flow			12.31.2016
		Upward	Upward	Exchange rate	Accrued interest	Others movements	
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Banks loans (1)	99,038,259	-	(55,088,224)	(33,950,215)	439,293	54,945,788	65,384,901
Unguaranteed obligations (Bonds) (2)	122,853,876	-	(191,471,145)	(226,977)	4,299,809	70,661,887	6,117,450
Hedge instruments	5,135,036	-	(7,089,951)	6,074,146	4,091,095	(327,234)	7,883,092
Comercial mandate to related companies	23,926,955	41,877,000	(44,242,188)	-	-	(13,676,052)	7,885,715
Financial loans to related companies	(6,001,678)	-	-	(442,330)	107,993	(109,000,000)	(115,336,015)
Dividends	-	-	-	-	-	-	-
Financial leases	122,871	-	(122,100)	-	-	(771)	-
Others	11,904,146	-	(15,650,297)	-	-	652,756	(3,093,395)
Total	**256,979,465**	**41,877,000**	**(313,663,905)**	**(28,545,376)**	**8,938,190**	**3,256,374**	**(31,158,252)**

Conciliation Current financial assets and liabilities	12.31.2015	Cash flows		Other items than chash flow			12.31.2016
		Upward	Upward	Exchange rate	Accrued interest	Others movements	
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Banks loans (1)	68,972,097	99,057,000	-	1,357,201	-	(69,834,353)	99,551,945
Unguaranteed obligations (Bonds) (2)	577,629,977	95,191,656	-	(15,304,868)	-	(673,413)	656,843,352
Hedge instruments	7,656,345	-	-	-	-	102,210	7,758,555
Comercial mandate to related companie	21,181,406	-	-	-	992,816	-	22,174,222
Total	**675,439,825**	**194,248,656**	**-**	**(13,947,667)**	**992,816**	**(70,405,556)**	**786,328,074**

(1) As of December 31, 2016, the cash flow movements in current of Banks loans are the amount to ThCh$ 49,000,000 of debt amortization and ThCh$ 6,088,224 of interest payment and upward of new debt in the non-current.

(2) As of December 31, 2016, the cash flow movements in current of Unguaranteed obligations are the amount to ThCh$ 164,801,100 of debt amortization and ThCh$ 26,670,045 of interest payment and upward of new debt in the non-current.

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

a) As of December 31, 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 ThCh$
					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$	
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 12.31.2017 ThCh$	Non-current To Maturity							Total Non-current as of 12.31.2017 ThCh$
					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$	
Crédito Bilateral (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Bank of Tokyo	93,320	-	93,320	-	-	-	91,615,282	-	91,615,282	-	91,615,282
	Total				**93,320**	**-**	**93,320**	**-**	**-**	**-**	**91,615,282**	**-**	**91,615,282**	**-**	**91,615,282**

(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). with an monthly interest rate of libor + 0.8% for 5 years bullet.

On April 30, 2017 the international loan agreement with Sovereing Bank N.A. expired that the subsidiary Telefónica Chile S.A. maintained.

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 ThCh$
					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$	
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 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$	
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% for 5 years bullet.

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

b) As of December 31, 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 ThCh$
					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$	
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	-	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**	**100,425,700**	**147,425,700**	**94,410,000**	**236,400,000**	**330,810,000**	**114,928,680**	**593,164,380**

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

b) As of December 31, 2017 the detail of unguaranteed obligations (Bonds) is as follows, 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 12.31.2017 ThCh$	Non-current – To Maturity: 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$	Total Non-current as of 12.31.2017 ThCh$
Series Bond F (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	693,516	**693,516**	-	-	-	-	-	-	79.514.791	**79,514,791**
Series Bond G (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	35,438	**35,438**	-	53,834,343	53,834,343	-	-	-	-	**53,834,343**
Series Bond I (3)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	392,860	-	**392,860**	-	53,524,862	53,524,862	-	-	-	-	**53,524,862**
Series Bond K (4)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	1,363,654		**1,363,654**	-	-	-	94,382,524	-	94,382,524	-	**94,382,524**
Series Bond 144A (5)	90.635.000-9	Telefónica Chile S.A.	Chile	The Bank of New York Mellon	-	2,617,754	**2,617,754**	-	-	-	-	305,398,619	305,398,619	-	**305,398,619**
Series Bond Q (6)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	794,997	-	**794,997**	46,783,466	-	46,783,466	-	-	-	-	**46,783,466**
Series Bond T (7)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	1,130,362	-	**1,130,362**		-	-	-	-	-	48.300.717	**48,300,717**
Total					**3,681,873**	**3,346,708**	**7,028,581**	**46,783,466**	**107,359,205**	**154,142,671**	**94,382,524**	**305,398,619**	**399,781,143**	**127,815,508**	**681,739,322**

(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 ThCh$46,406,000

(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 ThCh$48,795,000

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

b) As of December 31, 2016 the detail of unguaranteed obligations (Bonds) is as follows, 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 12.31.2016 ThCh$	Non-current To Maturity 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$	Total Non-current as of 12.31.2016 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**

(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 ThCh$ 47,000,000 at a nominal annual rate of 5.75%, maturing on March 14, 2019. The amount collected in this operation was ThCh$46,406,000

17. Trade and other payables

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

Concepts	12.31.2017 ThCh$	12.31.2016 ThCh$
Debts due to purchases or services provided, invoiced (1)	147,726,760	117,487,536
Real property providers, invoiced	69,555,272	70,613,906
Debts due to purchases or services provided, provisioned (1)	96,580,743	69,516,830
Payables to employees	41,205,473	33,448,318
Real property providers, provisioned	29,263,985	25,975,454
Dividends pending payment	359,513	406,998
Total	**384,691,746**	**317,449,042**

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

Debts due to purchases or services provided	12.31.2017 ThCh$	12.31.2016 ThCh$
Domestic	219,470,923	160,011,971
Foreign	24,836,580	26,992,395
Total	**244,307,503**	**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 December 31, 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 December 31, 2017 the main suppliers, in the fixed operation are: Cam Servicios de Telecomunicaciones with 8.4%, Ezentis Chile S.A. with 7.1%, Ministerio de Obras Públicas with 6.2% and Huawei Chike S.A. with 4,2%. As of 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 December 31, 2017 and 2016 are detailed as follows:

Suppliers with up to date payments As of 12.31.2017	**Goods ThCh$**	**Services ThCh$**	**Total ThCh$**
Trade accounts to date			
Up to 30 days	61,959,711	127,678,503	189,638,214
From 31 to 60 days	-	-	-
From 61 to 90 days	-	-	-
Total	**61,959,711**	**127,678,503**	**189,638,214**
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 December 31, 2017 and 2016 are detailed as follows:

Overdue trade accounts payable by term As of 12.31.2017	**Goods ThCh$**	**Services ThCh$**	**Total ThCh$**
Overdue trade accounts payable by term			
Up to 30 days	6,625,845	7,586,083	14,211,928
From 31 to 60 days	1,379,041	2,266,694	3,645,735
From 61 to 90 days	35,328	45,260	80,588
From 91 to 120 days	3,460	-	3,460
From 121 to 180 days	20,398	72,150	92,548
More than 180 days	(468,510)	10,078,069	9,609,559
Total	**7,595,562**	**20,048,256**	**27,643,818**
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 December 31, 2017 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	3,857	7,184,349	-	7,188,206	7,184,349	3,857	-	-	-	-	7,188,206	7.188.206
Derivative instrument assets	See note 18-2	-	-	103,224,236	103,224,236	-	103,224,236	-	-	-	-	103,224,236	103.224.236
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 a	-	-	-	-	-	-	-	19,370,390	-	19,370,390	19,370,390	19.370.390
Non-current financial assets		**54,325**	**7,184,349**	**103,224,236**	**110,462,910**	**7,184,349**	**103,278,561**	**-**	**19,370,390**	**-**	**19,370,390**	**129,833,300**	**129,833,300**
Current trade accounts receivable		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**279,766,756**	**-**	**279,766,756**	**279,766,756**	**279,766,756**
Current trade and other accounts receivable	See note 8 a	-	-	-	-	-	-	-	258,940,140	-	258,940,140	258,940,140	258,940,140
Account receivable from relate entities	See note 9 a	-	-	-	-	-	-	-	20,826,616	-	20,826,616	20,826,616	20,826,616
Current deposits and pledges		**86,315**	**-**	**-**	**86,315**	**-**	**86,315**	**-**	**-**	**-**	**-**	**86,315**	**86,315**
Current pledges and deposits	See note 6 a / c	86,315	-	-	86,315	-	86,315	-	-	-	-	86,315	86,315
Derivative instrument of assets	**See note 18-2**	**-**	**-**	**690,553**	**690,553**	**-**	**690,553**	**-**	**-**	**-**	**-**	**690,553**	**690,553**
Cash and cash equivalents	**See note 5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**206,793,908**	**-**	**206,793,908**	**206,793,908**	**206,793,908**
Current financial assets		**86,315**	**-**	**690,553**	**776,868**	**-**	**776,868**	**-**	**486,560,664**	**-**	**486,560,664**	**487,337,532**	**487,337,532**
Total financial assets		**140,640**	**7,184,349**	**103,914,789**	**111,239,778**	**7,184,349**	**104,055,429**	**-**	**505,931,054**	**-**	**505,931,054**	**617,170,832**	**617,170,832**

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:

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE: Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets 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	ASSETS RECORDED AT AMORTIZED COST: Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	TOTAL: Total Carrying amount	Total fair value
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Others participations	See note 6 c	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 a	-	-	-	-	-	-	-	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**
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 (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 December 31, 2017 is as follows:

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST	TOTAL	
				Valuation hierarchy					
		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	-	-	-	-	-	681,739,322	681,739,322	701,312,120
Non-current debts with loan entities	See note 16 a	-	-	-	-	-	91,615,282	91,615,282	91,615,282
Long-term hedge derivative instrument of liabilities		14,290,035	14,290,035		14,290,035			14,290,035	14,290,035
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities		-	-	-	-	-	-	-	-
Non-current financial liabilities		**14,290,035**	**14,290,035**	**-**	**14,290,035**	**-**	**773,354,604**	**787,644,639**	**807,217,437**
Issuance of short-term obligations and other marketable securities	See note 16 b	-	-	-	-	-	7,028,581	7,028,581	7,213,386
Short-term debts with credit entities	See note 16 a/c	-	-	-	-	-	93,320	93,320	93,320
Short-term derivative instrument of liabilities	See note 18-2	7,038,757	7,038,757	-	7,038,757	-	-	7,038,757	7,038,757
Trade and other accounts payable	See note 17	-	-	-	-	-	384,691,746	384,691,746	384,691,746
Accounts payable to related entities	See note 9 b	-	-	-	-	-	113,523,203	113,523,203	113,523,203
Current Other Financial Debt		-	-	-	-	-	7,028,581	7,028,581	7,213,386
Current financial liabilities		**7,038,757**	**7,038,757**	**-**	**7,038,757**	**-**	**505,336,850**	**512,375,607**	**512,560,412**
Total financial liabilities		**21,328,792**	**21,328,792**	**-**	**21,328,792**	**-**	**1,278,691,454**	**1,300,020,246**	**1,319,777,849**

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 financial liabilities		**7,883,092**	**7,883,092**	**-**	**7,883,092**	**-**	**491,222,030**	**499,105,122**	**499,158,627**
Total financial liabilities		**15,641,647**	**15,641,647**	**-**	**15,641,647**	**-**	**1,247,617,327**	**1,263,258,974**	**1,268,871,691**

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 (note 16).

18. Financial instruments, continued

2. Hedging instruments

As of December 31, 2017, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as 12.31.2017 ThCh$	Up to 90 days ThCh$	90 days to 1 year ThCh$	Total current Assets (note 6) ThCh$	Total current Liabilities (note 16) ThCh$	To Maturity 1 to 3 years ThCh$	3 to 5 years ThCh$	Total non-current Assets (note 6) ThCh$	Total non-current Liabilities (note 16) ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	(1,794,705)	(865,321)	(929,384)	22,401	(1,817,106)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(853,306)	(785,635)	(67,671)	1,342	(854,648)	-	-	-	-
Interest rate – cash flows hedge (4)	Financial Debt	(8,172,822)	(3,709,725)	9,532	666,810	(4,367,003)	-	(4,472,629)	4,111,800	(8.584.429)
Exchange rate and interest rate – fair value hedge (5)	Financial Debt	93,406,830	-	-	-	-	-	93,406,830	99,112,436	(5.705.606)
	Total	**82,585,997**	**(5,360,681)**	**(987,523)**	**690,553**	**(7,038,757)**	**-**	**88,934,201**	**103,224,236**	**(14,290,035)**

Hedge instruments have generated an effect on income of ThCh$ (44,800,934), As of December 31, 2017 the accumulated effect on equity is ThCh$ 7,557,843 (see note 22d).

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

Type of hedge	Underlying	Net total as 12.31.2016 ThCh$	Up to 90 days ThCh$	90 days to 1 year ThCh$	Total current Assets (note 6) ThCh$	Total current Liabilities (note 16) ThCh$	To Maturity 1 to 3 years ThCh$	3 to 5 years ThCh$	Total non-current Assets (note 6) ThCh$	Total non-current Liabilities (note 16) 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 (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	12.31.2017 ThCh$	12.31.2016 ThCh$
Civil and regulatory	10,387,867	11,036,140
Total	**10,387,867**	**11,036,140**

As of December 31, 2017, civil and regulatory provisions are mainly composed of the OPS Limitada civil proceeding in the amount of ThCh$ 9,421,788 (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 27b, 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 December 31, 2017 and December 31, 2016 the movements in provisions is as follows:

Movements	12.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	**11,036,140**	**1,557,784**
Increase in existing provisions	1,071,463	11,799,856
Provision used	(1,719,736)	(2,321,500)
Movement subtotal	**(648,273)**	**9,478,356**
Ending balance	**10,387,867**	**11,036,140**

b) Other non-currents provisions:

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

Concepts	12.31.2017 ThCh$	12.31.2016 ThCh$
Dismantling provision (1)	19,331,353	17,161,751
Non-currents provisions others	148,298	-
Total	**19,479,651**	**17,161,751**

(1) Movements of the dismantling provision as of December 31, 2017 and 2016 are detailed as follows:

Movements	12.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	**17,161,751**	**16,603,544**
Increase in existing provisions	1,504,661	676,372
Financial restatement	835,449	1,334,926
Applied provision	(22,210)	
Derecognitions (1)	-	(1,453,091)
Movement subtotal	**2,317,900**	**558,207**
Ending balance	**19,479,651**	**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 December 31, 2017 and 2016 current and non-current employee benefits accrual are as follows:

Concepts	12.31.2017 ThCh$	12.31.2016 ThCh$
Current amount of liability recognized for termination benefits	7,589,974	5,989,507
Non-current amount of liability recognized for termination benefits	29,653,740	30,769,516
Total	**37,243,714**	**36,759,023**

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

Movements	12.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	**36,759,023**	**30,621,825**
Service costs	651,203	2,085,703
Interest costs	1,659,670	1,503,624
Actuarial (profits)/losses, net due to experience	(1,906,403)	5,228,561
Benefits paid	(1,758,260)	(2,315,172)
Others	1,838,481	(365,518)
Movement subtotal	**484,691**	**6,137,198**
Ending balance	**37,243,714**	**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, correspond to 2017 and 2016 fiscal years and are detailed as follows:

- Discount rate: An annual nominal rate of 5.196% and 4.51% are used as of December 31, 2017 and 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 excercise ended December 31, 2017 and 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 December 31, 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	5.196%	(2,413,377)	2,702,259

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	4,447,979

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	12.31.2017 ThCh$	12.31.2016 ThCh$
Wages and salaries	128,263,114	125,457,627
Post employment benefit obligations expense	651,203	2,129,975
Total	**128,914,317**	**127,587,602**

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

Other non-financial liabilities are detailed as follows:

Concepts	12.31.2017		12.31.2016	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Deferred income	**40,270,801**	**3,646,952**	**36,799,669**	**3,674,406**
Handsets sold and not activated (see Note 2 p)	17,489,451	-	10,319,846	-
Services charged and not rendered	8,035,017	-	7,754,150	-
Top-up of prepayment cards (see Note 2 p)	4,512,341	-	5,334,465	-
Club Movistar (see Note 2 p)	2,755,297	-	4,063,018	-
Connection installments	92,584	99,808	114,467	163,057
Sale of telecommunications infrastructure (1)	68,629	463,808	68,629	509,189
Other Deferred income (2)	7,317,482	3,083,336	9,145,094	3,002,160
Subsidies	**1,615,404**	**3,332,010**	**414,244**	**2,539,108**
Research and Development (3)	1,261,892	-	90,841	-
Extreme zones (4)	112,697	633,757	59,680	313,141
Puerto Natales and Cerro Castillo Fiber Optics Network	90,380	522,190	90,380	609,322
Subsidy for Tierra del Fuego base stations (5)	70,356	914,621	-	1,055,332
Connectivity for service networks and Community Telecommunications Centers	52,623	508,690	52,623	561,313
Juan Fernandez Island Satellite links	27,456	752,752	-	-
Telefónica Móvil public services	-	-	51,092	-
Mobile telephone service to routes in the Region of Antofagasta	-	-	69,628	-
Other taxes (6)	**21,874,720**	**-**	**25,605,501**	**-**
Others non-financial liabilities	**63,760,925**	**6,978,962**	**62,819,414**	**6,213,514**

(1) Corresponds to income from sale of towers.
(2) The current portion mainly includes self-financed projects in the amount of MCh$ 3,939 and MCh$3,667and non-current portion includes entitlements for the use of underwater cables in the amount of MCh$1,275 and Mch$1,883 and sold capacity in the amount of MCh$816 and MCh$922 of the December 31, 2017 and 2016, respectly.
(3) Corresponds to the fourth installment of the government subsidy received by subsidiary Telefónica Investigación y Desarrollo SpA on August 31, 2017.
(4) Corresponds to the subsidy granted by the Chilean Internal Revenue Service for extreme zones.
(5) Corresponds to the subsidy provided by the government for the Tierra del Fuego project carried out in conjunction with Entel S.A.
(6) 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	12.31.2017		12.31.2016	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Beginning balance	**36,158,653**	**6,213,514**	**26,790,557**	**7,791,302**
Endowments	378,510,751	3,549,576	363,136,655	2,173,692
Reduction/applications	(372,783,199)	(2,784,128)	(352,713,299)	(3,751,480)
Movement subtotal	**5,727,552**	**765,448**	**10,423,356**	**(1,577,788)**
Ending balance	**41,886,205**	**6,978,962**	**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 December 31, 2017 and 2016.

a) Capital

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

Number of shares

Series	12.31.2017			12.31.2016		
	Nº of shares subscribed	Nº of shares paid	Nº of shares with voting rights	Nº of shares subscribed	Nº of shares paid	Nº 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	12.31.2017		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 December 31, 2017, the Company's shareholder structure is detailed as follows:

Company	Shares
Inversiones Telefónica International Holding S.A.	877,631,905,238
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 December 31, 2017 is as follows:

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

On December 6, 2017, Telefónica Chile Holdings, S.L. transferred to Inversiones Telefónica Internacional Holding S.A. the 311,741,957,443 shares it had of Telefónica Móviles Chile S.A., due to the corporate reorganization of the Telefónica Group.

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.

22. Equity, continued

c) Dividends, continued:

ii) Dividends distributed:

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

In 2017 the Ordinary Shareholders' Meeting approved the following distributions of dividends with a charge to retained earnings:

Date	Dividend	Distributed amount ThCh$	Value per share ThCh$	Charge to utilities	Payment date
12-20-2017	Definitive	126,578,821	0.14260	Exercises	December - 2017
12-21-2017	Definitive	156,100,000	0.1759	Exercise 2017	December - 2017

The dividends distributed on December 20, 2017, offset the accounts receivable that Telefónica Móviles Chile S.A. had with its majority shareholder, Inversiones Telefónica Holding Internacional S.A. in the amount of ThCh$ 125,152,778 (170,283 thousand euros), since it was a transaction between related parties.

On December 31, 2017, the legal minimum dividend of 30% of income for 2017 was provisioned in the amount of ThCh$ 60,393,292 and the minimum legal dividend provision in the amount of ThCh$ 21,241 that consolidated subsidiary Telefónica Chile S.A. established for its minority shareholders was recognized.

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 12.31.2017 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)	(1,083,479)	(122,099,166)
Employee benefits reserve (iv)	(9,891,218)	1,853,124	(8,038,094)
Treasury stock reserve (v)	(7,406,043)	6,650,929	(755,114)
Foreign currency translation reserve (vi)	(58,310)	-	(58,310)
Cash flows hedge reserve (vii)	9,954,496	(4,781,834)	5,172,662
Reserve for financial assets available for sale (viii)	1,336,599	157,135	1,493,734
Total	**(455,942,013)**	**2,795,842**	**(453,146,171)**

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.

22. **Equity,** continued

d) **Other reserves**, continued

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.

In September 2017 and in reference to the withdrawal of 1,072,813 minority shareholders described in the treasury shares reserves (v) point, Telefónica Móviles Chile S.A. increased its interest in subsidiary Telefónica Chile S.A. from 97.92% to 99.0281653%, which generated an increase of ThCh$ 1,083,569 in the aforementioned effect.

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$2,365,462. And others negative concepts for ThCh$ 70,619.

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.

22. Equity, continued

d) Other reserves, continued

v) Treasury shares reserves

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. Consequently, the accumulated treasury shares reserves as of December 31, 2016 were settled in the amount of ThCh$ 7,406,043

As of September 30, 2017 in subsidiary Telefónica Chile S.A. 1,072,813 of Shareholders' decided to take retirement product of elimination of series A and B, as a consequence the subsidiary disburse the amount of ThCh$762,524, wich are registered in equity pending of Company resolution. Due to the above, Telefónica Móviles Chile S.A. recognized the corresponding ThCh$755,114 in its controlled shareholders' equity.

vi) Foreign currency translation difference reserve

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

vii) 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. In addition, the effects of fair value associated with rate insurance are included.

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

Subsidiaries	Minority Interest percentage		Equity minority interest	
	2017 %	2016 %	12.31.2017 ThCh$	12.31.2016 ThCh$
Telefónica Chile S.A.	0.9718347	2.08	6,541,189	13,953,459
Telefónica Móviles Chile S.A.	-	0.01	-	65
Total			**6,541,189**	**13,953,524**

22. Equity, continued

e) Non-controlling interest, continued

As of December 31, 2017 and 2016 recognition of the share in income of subsidiaries is detailed as follows:

Subsidiaries	Minority Interest percentage 2017 %	Minority Interest percentage 2016 %	Participation in profit income (loss) 12.31.2017 ThCh$	Participation in profit income (loss) 12.31.2016 ThCh$
Telefónica Chile S.A.	0.9718347	2.08	63,216	407,072
Telefónica Móviles Chile S.A.	-	0.01	-	8
Total			**63,216**	**407,080**

(1) As of September 30, 2016 Telefónica móviles Chile S.A. was subsidiary of the company. On May 02, 2017, this subsidiary was merged by absorption and the company changed its name to that subsidiary.

23. Earnings per Share

The details of Earnings per share are as follows:

Basic earnings per share	12.31.2017 ThCh$	12.31.2016 ThCh$
Earnings attributable to owners of the parent	199,806,804	98,127,628
Profit available for shareholders	**199,806,804**	**98,127,628**
Weighted average number of shares	887,631,908,214	887,631,905,238
Basic earnings per share in Ch$	**0.225**	**0.110**

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 December 31, 2017 and 2016 are as follows:

Ordinary income	12.31.2017 ThCh$	12.31.2016 ThCh$
Mobile Telecommunications	788,654,211	827,524,682
Broadband	191,982,759	193,070,118
Fixed Telecommunications	149,448,223	181,970,843
Television	177,661,054	173,924,162
Corporate Communication	148,998,296	134,725,830
Wholesalers	10,467,507	19,046,858
Other Businesses	131,087,910	95,358,417
Total	**1,598,299,960**	**1,625,620,910**

24. Income and Expenses, continued

b) The detail of other operating income as of December 31, 2017 and 2016 are as follows:

Other income	12.31.2017 ThCh$	12.31.2016 ThCh$
Other current management income (1)	6,732,455	4,393,507
Surcharges due to default	4,311,520	4,378,364
Income from indemnities, complaints and others (2)	1,078,447	3,600,392
Income from disposal of real property (3)	373,332	1,070,279
Total	**12,495,754**	**13,442,542**

(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 December 31, 2017 and 2016 are as follows:

Other expenses	12.31.2017 ThCh$	12.31.2016 ThCh$
Cost of sale of inventory	256,010,697	228,784,655
Media rental	218,526,651	218,389,004
Other exterior services	121,136,195	97,017,824
Sales commissions	97,417,345	92,646,407
Plant maintenance	54,755,444	49,267,284
Customer service	52,739,187	55,040,261
Interconnections and roaming	51,177,235	64,016,519
Computer services	49,826,455	47,424,666
Allowance for doubtful accounts	46,229,952	44,814,726
Energy	29,262,465	26,563,769
Advertising	26,825,185	28,525,237
Others (1)	48,507,205	65,973,974
Total	**1,052,414,016**	**1,018,464,326**

(1) As of December 31, 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 December 31, 2017 and 2016, is as follows:

Financial expenses, net	12.31.2017 ThCh$	12.31.2016 ThCh$
Interest income		
Interest earned on deposits	4,560,188	6,348,479
Contract derivatives (forward)	3,090,782	894,229
Interest on financial instruments	598,334	97,710
Other interest income (1)	2,969,333	1,434,154
Total interest income	**11,218,637**	**8,774,572**
Interest expense		
Interest on obligations banking institutions	27,328,765	28,100,602
Interest on loans from bank institutions	2,561,624	11,064,750
Interest rate hedges (Cross Currency Swap)	5,468,971	7,664,174
Interest tax contingency	114,709	-
Other financial expenses (2)	5,776,407	7,712,875
Total interest expense	**41,250,476**	**54,542,401**
Total finance income and costs, net	**(30,031,839)**	**(45,779,011)**

(1) Corresponds mainly to commercial mandate interest and other deferred revenue from handsets.
(2) Corresponds mainly to forward points on hedging instruments and tax contingency interest.

e) Foreign currency translation as of December 31, 2017 and 2016 are detailed as follows:

Currency translation	12.31.2017 ThCh$	12.31.2016 ThCh$
Current accounts receivable from related entities	(3,038,453)	(2,358,623)
Current accounts payable to related entities	2,512,800	2,262,315
Current trade and other accounts receivable	2,030,258	(2,199,705)
Trade and other accounts payable	3,757,880	3,268,875
Cash and cash equivalents	1,823,722	(9,734,322)
Financial debt	36,131,159	26,261,144
Hedge instruments	(44,959,559)	(18,971,620)
Others financial liabilities	50,703	-
Total	**(1,691,490)**	**(1,471,936)**

24. Income and Expenses, continued

f) Indexation units as of December 31, 2017 and 2016 are detailed as follows:

Indexation units	12.31.2017 ThCh$	12.31.2016 ThCh$
Cash and cash equivalents	247,795	17,743
Current trade and other accounts receivable	308,496	332,429
Trade and other accounts payable to related companies	-	(165)
Trade and other payables	(430,815)	(415,426)
Current tax assets	203,989	249,348
Financial debt	(3,138,537)	(6,324,142)
Financial debt leasing	-	(26)
Hedge instruments	3,168,732	6,265,237
Others	(35,162)	141,625
Total	**324,498**	**266,623**

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	12.31.2017 ThCh$	12.31.2016 ThCh$
Minimum operating lease payments recognized as expenses	79,634,651	77,099,372

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

Concepts	12.31.2017 Gross amount ThCh$	12.31.2017 Accumulated depreciation ThCh$	12.31.2017 Net value ThCh$	12.31.2016 Gross amount ThCh$	12.31.2016 Accumulated depreciation ThCh$	12.31.2016 Net value ThCh$
Financial leases recognized as assets	5,304,293	(4,985,265)	319,028	5,304,293	(4,976,869)	327,424

Future obligations on financial and operating leases as of December 31, 2017 and 2016 are detailed as follows:

Concepts	12.31.2017 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	23,184,034	86,738,236	14,908,510	124,830,780
Total	**23,184,034**	**86,738,236**	**14,908,510**	**124,830,780**

Concepts	12.31.2016 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	35,641,557	100,053,163	30,329,663	166,024,383
Total	**35,641,557**	**100,053,163**	**30,329,663**	**166,024,383**

26. Local and Foreign Currency

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

Currents assets	12.31.2017 ThCh$	12.31.2016 ThCh$
Cash and cash equivalents	**206,793,908**	**221,274,945**
US Dollars	1,961,076	2,886,391
Euros	51,852	48,942
Chilean Pesos	204,780,980	218,339,612
Other current financial assets	**776,868**	**21,222,612**
US Dollars	-	1,489,383
Euros	-	59,485
Chilean Pesos	771,107	19,673,744
U.F.	5,761	-
Current trade and other accounts receivable	**258,940,140**	**243,664,414**
Us Dollars	54,527	655,768
Euros	20,951	31,730
Chilean Pesos	258,473,061	241,458,785
U.F.	391,601	1,518,131
Others currencies	-	-
Current receivables from related companies	**20,826,616**	**131,471,353**
US Dollars	4,182,459	8,150,682
Euros	8,000,186	116,591,500
Chilean Pesos	8,643,971	6,657,049
Other currencies	-	72,122
Other current assets (1)	**126,133,675**	**128,445,162**
Chilean Pesos	126,133,675	128,445,162
U.F.	-	-
Total current assets	**613,471,207**	**746,078,486**
US Dollars	**6,198,062**	**13,182,224**
Euros	**8,072,989**	**116,731,657**
Chilean Pesos	**598,802,794**	**614,574,352**
U.F.	**397,362**	**1,518,131**
Other currencies	**-**	**72,122**

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

Non-currents assets	12.31.2017 ThCh$	12.31.2016 ThCh$
Other non-current financial assets	**110,462,910**	**140,840,344**
US Dollars	1,853,129	1,853,129
Chilean Pesos	108,609,781	117,544,139
U.F.	-	21,443,076
Non-current trade and other accounts receivable	**19,370,390**	**19,210,095**
Chilean Pesos	19,370,390	19,210,095
Other non-currents non-financial assets	**7,334,487**	**7,446,384**
Chilean Pesos	7,334,487	7,446,384
Other non-current assets (2)	**2,093,938,605**	**2,002,020,470**
Chilean Pesos	2,093,938,605	2,002,020,470
Total non-current assets	**2,231,106,392**	**2,169,517,293**
US Dollars	**1,853,129**	**1,853,129**
Chilean Pesos	**2,229,253,263**	**2,146,221,088**
U.F.	**-**	**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	12.31.2017	12.31.2016	12.31.2017	12.31.2016
	to 90 days ThCh$		De 91 days a 1 years ThCh$	
Other current financial liabilities	**8,420,606**	**10,276,031**	**5,740,052**	**69,109,412**
US Dollars	2,028,505	1,557,851	3,085,739	68,183,983
Euros	211,084	144,716	-	36,003
Chilean Pesos	5,788,157	8,187,203	1,925,359	172,717
U.F.	392,860	386,261	728,954	716,709
Trade and other payables	**384,691,746**	**317,449,042**	**-**	**-**
US Dollars	42,041,998	43,238,216	-	-
Euros	13,676,788	2,588,670	-	-
Chilean Pesos	305,595,950	257,636,261	-	-
U.F.	23,377,010	13,979,190	-	-
Others currencies	-	6,705	-	-
Current receivables from related companies	**113,523,203**	**102,270,637**	**-**	**-**
US Dollars	10,631,114	6,539,299	-	-
Euros	45,636,346	1,273,678	-	-
Chilean Pesos	57,255,743	94,457,660	-	-
U.F.	-	-	-	-
Other current liabilities (1)	**77,814,251**	**72,712,808**	**25,787,717**	**30,472,799**
US Dollars	-	-	-	-
Euros	-	980,677	-	74,538
Chilean Pesos	77,814,251	71,732,131	25,787,717	30,398,261
U.F.	-	-	-	-
Others currencies	-	-	-	-
Total current liabilities	**584,449,806**	**502,708,518**	**31,527,769**	**99,582,211**
US Dollars	**54,701,617**	**51,335,366**	**3,085,739**	**68,183,983**
Euros	**59,524,218**	**4,987,741**	**-**	**110,541**
Chilean Pesos	**446,454,101**	**432,013,255**	**27,713,076**	**30,570,978**
U.F.	**23,769,870**	**14,365,451**	**728,954**	**716,709**
Others currencies	**-**	**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	12.31.2017	12.31.2016	12.31.2017	12.31.2016	12.31.2017	12.31.2016
	1 to 3 years ThCh$		3 to 5 years ThCh$		5 years and over ThCh$	
Other non-current financial liabiliti	**154,142,672**	**46,614,505**	**505,686,458**	**307,310,491**	**127,815,509**	**410,228,856**
US Dollars	-	-	395,490,036	99,551,945	-	332,181,886
Chilean Pesos	46,783,466	46,614,505	110,196,422	102,136,813	48,300,718	-
U.F.	107,359,206	-	-	105,621,733	79,514,791	78,046,970
Other non-current liabilities (1)	**25,735,421**	**38,730,543**	**16,432,272**	**41,117,635**	**100,493,226**	**64,456,046**
Chilean Pesos	25,735,421	38,730,543	16,432,272	41,117,635	100,493,226	64,456,046
Other non-current liabilities	**179,878,093**	**85,345,048**	**522,118,730**	**348,428,126**	**228,308,735**	**474,684,902**
US Dollars	**-**	**-**	**395,490,036**	**99,551,945**	**-**	**332,181,886**
Chilean Pesos	**72,518,887**	**85,345,048**	**126,628,694**	**143,254,448**	**148,793,944**	**64,456,046**
U.F.	**107,359,206**	**-**	**-**	**105,621,733**	**79,514,791**	**78,046,970**

(1) Includes: Other current provisions, current income tax liabilities, current employee benefits accrual and other 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 December 31, 2017, which altogether amounts to ThCh$10,387,867 (see note 19 a). Regarding this figure, it is estimated that Telefónica Móviles Chile S.A. will have to pay the amount of ThCh$200,000 before March 31, 2018 and the rest during the second quarter of 2018.

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$1,836,847.

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 December 29, 2015 through Notification No. 1534, the Internal Revenue Service notified Tax Assessment No. 294 to Inversiones Telefónica Móviles Holding S.A. (currently Telefónica Móviles Chile S.A.), in which it determined a First Category Income Tax difference for FY 2013, associated to surplus credit granted to shareholders in respect to a remittance of dividends abroad. The amount of the contingency has been valued at ThCh$12,451,243 including taxes and legal surcharges. During 2016 the tax complaint was filed and the case is currently waiting to enter the evidence stage.

As part of a process of reviewing the taxable income of subsidiary Telefónica Móviles Soluciones y Aplicaciones S.A., on June 17, 2016, the Internal Revenue Service issued the recalculation corresponding to FY 2012. This recalculation led to differences in the non-deductible expenses of article 21 of the Income Tax Law. The amount of the contingency to date has been valued at ThCh$685,400, figure that includes taxes and legal surcharges. The contingency is currently in the process of being paid.

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. Both parties filed appeals for dismissal on this sentence, which were registered with the Supreme Court under Case No. 18.171-2017, and are ready to be heard. The report of the external attorneys in charge of defending the Company states that they consider a probable risk of loss in the amount of Ch$9,421,787,869. Management has established a contingency provision for this proceeding which is recorded under "other current provisions" (Note 19 a).

c) Financial restrictions:

As of December 31, 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 (Note 16).

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 for 10 years bullet.

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

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

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$
Subsecretaría de Telecomunicaciones	TMCH	Parent Company	Deposit	31,615,181	-	2,099,752	29,515,429
Corfo	TMCH	Parent Company	Deposit	2,134,686	2,134,686	-	-
Administradora Plaza Vespucio S.A.	TMCH	Parent Company	Deposit	323,252	323,252	-	-
I Municipalidad De Vitacura	TMCH	Parent Company	Deposit	213,738	161,443	25,704	26,590
Banco Del Estado De Chile	TMCH	Parent Company	Deposit	147,749	-	91,140	56,609
Plaza Oeste S.A.	TMCH	Parent Company	Deposit	140,518	140,518	-	-
I Municipalidad De Arica	TMCH	Parent Company	Deposit	137,268	11,814	125,454	-
Aguas Andinas S.A.	TMCH	Parent Company	Deposit	128,105	49,565	78,540	-
Metro S.A.	TMCH	Parent Company	Deposit	118,835	-	118,835	-
Nuevos Desarrollos S.A.	TMCH	Parent Company	Deposit	101,700	75,060	26,639	-
Others Guarantee (1)	TMCH	Parent Company	Deposit	2,174,113	1,215,866	476,007	482,240
Subsecretaría de Telecomunicaciones	TCH	Affiliate	Deposit	1,442,376	1,030,536	-	411,840
Conect S.A.	TCH	Affiliate	Deposit	1,039,823	-	-	1,039,823
Serviu Región Metropolitana	TCH	Affiliate	Deposit	631,272	631,272	-	-
Others Guarantee (1)	TCH	Affiliate	Deposit	851,865	764,753	44,038	43,074
Estado Mayor Conjunto	TEM	Affiliate	Deposit	3,630,914	3,369,031	261,883	-
Organización Europea para la Investigación Astronómica en el Hemisferio Austral	TEM	Affiliate	Deposit	3,549,548	3,549,548	-	-
Subsecretaría de Educación	TEM	Affiliate	Deposit	1,668,080	-	-	1,668,080
Servicio Electoral	TEM	Affiliate	Deposit	1,635,111	1,635,111	-	-
Empresa de Transporte de Pasajeros Metro S.A.	TEM	Affiliate	Deposit	1,091,867	-	-	1,091,867
Subsecretaría de Telecomunicaciones	TEM	Affiliate	Deposit	898,547	898,547	-	-
Fundación Integra	TEM	Affiliate	Deposit	770,322	-	-	770,322
Cemento Bio Bio S.A.	TEM	Affiliate	Deposit	542,125	-	542,125	-
Banco del Estado de Chile	TEM	Affiliate	Deposit	486,399	-	486,399	-
Tesorería del Estado Mayor General del Ejercito	TEM	Affiliate	Deposit	424,998	-	424,998	-
Asociación Chilena de Seguridad	TEM	Affiliate	Deposit	324,293	324,293	-	-
Fisco Dirección General de Aeronáutica Civil	TEM	Affiliate	Deposit	310,904	310,904	-	-
CDEC Sing. Ltda.	TEM	Affiliate	Deposit	281,068	-	-	281,068
Fundación Educacional para el Desarrollo Integral del Menor	TEM	Affiliate	Deposit	239,666	-	-	239,666
Gendarmería de Chile	TEM	Affiliate	Deposit	222,884	222,884	-	-
Empresa Nacional de Electricidad S.A.	TEM	Affiliate	Deposit	222,396	-	-	222,396
Redbanc S.A.	TEM	Affiliate	Deposit	229,712	-	-	229,712
Banco Santander Chile	TEM	Affiliate	Deposit	201,877	-	-	201,877
Empresas La Polar	TEM	Affiliate	Deposit	185,705	185,705	-	-
Comando Logístico de la Fuerza Aérea	TEM	Affiliate	Deposit	163,030	-	-	163,030
Aguas Andinas S.A.	TEM	Affiliate	Deposit	151,306	-	-	151,306
Coordinador Independiente del Sist. Eléctrico Nacional.	TEM	Affiliate	Deposit	142,054	-	-	142,054
Parque Arauco S.A.	TEM	Affiliate	Deposit	133,195	133,195	-	-
Comercial ECCSA S.A.	TEM	Affiliate	Deposit	124,043	-	-	124,043

27. Contingencies and restrictions, continued

d) Guarantee deposits, continued:

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$
Cía. Minera Doña Inés De Collahuasi SCM	TEM	Affiliate	Deposit	120,000	120,000	-	-
Caja Compensación de Asignación Familiar La Araucana	TEM	Affiliate	Deposit	110,964	-	-	110,964
Fundación de Beneficencia Hogar de Cristo	TEM	Affiliate	Deposit	109,680	-	-	109,680
Others Guarantee (1)	TEM	Affiliate	Deposit	5,343,581	2,329,277	1,125,032	1,889,274
Total				**64,514,750**	**19,617,260**	**5,926,546**	**38,970,944**

(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 June 11, 2012 regulating the installation of telecommunications services emitting and transmitting antennas.

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.

28. Environment, continued

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.

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.

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.

In order to comply with Supreme Decree 148, issued by the Ministry of Health, which approves the Health Regulation on Dangerous Waste (RESPEL), and establishes the minimum health and safety conditions which are applicable to the generation, holding, storage, transportation, treatment, reuse, recycling, final disposal and other forms of elimination of this waste. A Dangerous Waste Warehouse was implemented for temporary storage of waste identified as dangerous, resulting from activities involving implementation and operation of the fixed technical sites of Telefónica, in which the Company foresees the reception of dangerous waste from all its locations in the Metropolitan Region, in order to then have it removed to a final certified disposal site.

The regime established by Law No. 20,920 Framework for Waste Management, the Extended Responsibility of the Producer and Encouragement of Recycling, places special attention on the wording of the Regulations that are in the process of being dictated and which will implement its content, especially the regime of extended producer responsibility (which is applicable only to a group of priority products), as well as the control procedures for cross-border movement of dangerous and non-dangerous waste. For the purpose of evaluating the impact that this regulation might have on the current operations of Telefónica Chile and, particularly, regarding its waste management, we have seen drafts of the contracts and tender documents existing to date.

28. Environment, continued

The Company is in the process of evaluating each phase contemplated by Law to identify and quantify its impact, As of December 31, 2017 the Company's expenditures in relation to the implementation of the corresponding phases are not significant.

29. Risk management (Not audited)

a) Characterization of the market and competition

The Company 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 fourth quarter of 2017, it is estimated that the mobile telephone market will have close to 26.4 million accesses, growing 1.3% in comparison to the same period the year before. With this, mobile telephone penetration per 100 inhabitants would reach 143.5%, increase 0.33 percentage points in a year.

Prepayment customers present a decrease 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 fourth quarter of 2017 and 2016, prepay customers decreased by 663 thousand customers, whereas customers with contracts grew by 989 thousand customers. The proportion of prepayment closed at 65% of total customers in the market, -3.4 percentage points in comparison to as of December 2016.

29. Risk management (not audited), continued

a) Characterization of the market and competition, continued

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 14.0 million as of December 2017, growing 14.8% in respect to the fourth quarter of 2016. Market penetration per inhabitant is 76.2%, increasing 9.2 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 1,138,000 mobile porting instances, specifically in December a record figure was recorded since the system started in 2012 with approximately 417,000 mobile porting instances. Mobile portability has accumulated 11.8 million ported from when it began to December 2017, which is equivalent to 44.3% 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.

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.

29. Risk management (Not audited), continued

c) Regulatory Environment, continued

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.

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.

29. Risk management (Not audited), continued

c) Regulatory Environment, continued

i) Tariff system for mobile telephones, continued:

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.

Subtel has published the official timetable of dates which begins a new mobile tariff setting process for the 5-year period from 2019 to2024.

As a first milestone, on December 23, 2017 Subtel published an extract in the Official Gazette establishing January 2, 2018 as the deadline for interested third parties to register to participate as part of the processes of the different companies involved.

The concessionaries subject to tariff setting have until January 20, 2018 to present their Preliminary Technical-Economic Bases.

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. Telefónica Móviles Chile S.A. complied with the deployment of all the sites committed in the LTE Commercial Project.

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.

The Supreme Court has designated the experts that will be in charge of issuing the required technical report. Due to certain appeals filed by the parties, the court's resolution on the final destiny of the expert report it requested is still pending.

On November 25, 2017, the National Congress approved and published in the Official Gazette the law that governs the guaranteed minimum speed for Internet access.

The new law mainly establishes that:

- A percentage of the average speed offered for the hours with greatest and least congestion must be guaranteed.
- Contracts with users must establish the average speeds and main technical characteristics of the service.
- Users must be provided with a system or application that measures speed, which will have legal presumed value for the purpose of resolving complaints.
- An independent technical organization will carry out service quality measurements
- A company is required to be a Telecommunications Intermediary or Public Service concessionaire in order to be a provider of access to the Internet.

Subtel must dictate the regulation, which will come into effect 6 months after its publication.

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.

29. Risk management (not audited), continued

c) Regulatory Environment, continued

iv) Number Portability, continued

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.

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. The new system is already operating, thus complying with the new regulatory obligation within the period established for that purpose.

Through Exempt Resolution No. 1179/2017, Subtel delayed beginning the operation of EMEI's database and final labeling of handsets until September 23, 2017. The new system is already operating, thus complying with the new regulatory obligation within the period established for that purpose.

d) Technological changes

On December 1, Subtel published Exempt Resolution 2350 in the Official Gazette. In this Resolution it established that for a period of 120 days from the date of publication, the obligation of administrative registration of mobile equipment acquired abroad, or the registration of mobile handsets not registered in the IMEI single data base, will not be applicable.

29. Risk management (not audited), continued

d) Technological changes, continued

After the end of the period of 120 days, the handsets that are not registered in the central database will be able to handle traffic for a maximum period of 30 consecutive days, after which time the customer must carry out the administrative registration of the handset if applicable. If this process if not carried out, the handset will not be able to register in the mobile networks.

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.

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:

29. Risk management (Not audited), continued

f) Financial risk management objectives and polices, continued

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 December 31, 2017 the Company had 45% 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 December 31, 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$ 65,306, whereas a decrease in the TCPN would mean a reduction of ThCh$ 65,306 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 December 31, 2017 amounts to 14.78%, an increase of 5.75% in comparison to period 2016, where it reached 9.04%. The above is mainly due to a increase in profits attributable to the owners in amount of ThCh$ 102,086,176.

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 December 31, 2017 and 2016.

30. Subsequent events

The consolidated financial statements of Telefónica Chile S.A. and subsidiaries, for the exercise as of December 31, 2017, were approved and authorized for issuance at the Board of Directors Meeting held on January 31, 2018.

In the period from January 1 to 31, 2018, there have been no other significant subsequent effects that affect these consolidated financial statements.

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Alejandro Gil Ibarra	Juan Parra Hidalgo
Accounting Manager	Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager