TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the periods ended as of

June 30, 2018 (not audited), december 31, 2017 and June 30, 2017 (not audited)

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

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Notes to the Consolidated Financial Statements

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

	Notes	06.30.2018	12.31.2017
		ThCh$	ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	154,370,276	206,793,908
Other current financial assets	(6)	24,285,733	776,868
Other current non-financial assets	(7)	44,910,646	65,880,486
Current trade and other accounts receivable	(8a)	289,698,782	258,940,140
Current receivables from related companies	(9a)	24,098,782	20,826,616
Inventory	(10a)	47,741,341	49,212,817
Current tax assets	(11b)	12,294,075	11,040,372
TOTAL CURRENT ASSETS		**597,399,635**	**613,471,207**
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	126,521,526	110,462,910
Other non-current non-financial assets	(7)	2,762,769	7,334,487
Non-current trade and other accounts receivable	(12a)	32,320,684	19,370,390
Intangible assets other than goodwill, net	(13a)	205,494,570	194,713,920
Goodwill	(14)	504,839,853	504,839,853
Property, plant and equipment, net	(15a)	1,232,618,250	1,265,184,023
Deferred tax assets	(11c)	125,436,145	129,200,809
TOTAL NON-CURRENT ASSETS		**2,229,993,797**	**2,231,106,392**
TOTAL ASSETS		**2,827,393,432**	**2,844,577,599**

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

	Notes	06.30.2018	12.31.2017
		ThCh$	ThCh$
LIABILITIES			
CURRENT LIABILITIES			
Other current financial liabilities	(16)	58,519,352	14,160,658
Trade and other payables	(17a)	313,894,582	384,691,746
Current payables to related companies	(9b)	51,189,105	113,523,203
Other current provisions	(19a)	10,101,431	10,387,867
Current tax liabilities	(11f)	21,075,302	21,863,202
Current employee benefits accrual	(20a)	7,755,141	7,589,974
Other current non-financial liabilities	(21)	39,892,965	63,760,925
TOTAL CURRENT LIABILITIES		**502,427,878**	**615,977,575**
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(16)	771,733,375	787,644,639
Other non-current provisions	(19b)	19,859,037	19,479,651
Deferred tax liabilities	(11c)	78,270,310	86,548,566
Non-current employee benefits accrual	(20a)	27,152,658	29,653,740
Other non-current non-financial liabilities	(21)	8,639,710	6,978,962
TOTAL NON-CURRENT LIABILITIES		**905,655,090**	**930,305,558**
TOTAL LIABILITIES		**1,408,082,968**	**1,546,283,133**
NET SHAREHOLDERS' EQUITY			
Issued capital	(22a)	1,294,872,285	1,257,872,285
Retained earnings		571,065,791	487,027,163
Other reserves	(22d)	(452,930,103)	(453,146,171)
Shareholders' equity attributable to owners of the parent		1,413,007,973	1,291,753,277
Non-controlling interest	(22e)	6,302,491	6,541,189
TOTAL NET SHAREHOLDERS' EQUITY		**1,419,310,464**	**1,298,294,466**
TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY		**2,827,393,432**	**2,844,577,599**

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

	Notes	For the period from April 1 to June 30,	For the six-month period ended June 30,	For the period from April 1 to June 30,	For the six-month period ended June 30,
		2018	2018	2017	2017
STATEMENTS OF COMPREHENSIVE INCOME		ThCh$	ThCh$	ThCh$	ThCh$
Income from ordinary operations	(24a)	388,700,588	777,736,228	392,682,126	784,344,210
Other income	(24b)	2,543,207	4,004,275	2,601,039	5,189,449
Employee benefits expenses	(20d)	(31,256,132)	(62,810,179)	(31,925,380)	(66,248,822)
Depreciation and amortization expense	(13b)(15b)	(70,490,989)	(142,124,801)	(71,222,574)	(142,696,210)
Other expenses, by nature	(24c)	(251,048,505)	(506,575,960)	(250,548,821)	(496,524,492)
Profit from operating activities		**38,448,169**	**70,229,563**	**41,586,390**	**84,064,135**
Interest income	(24d)	758,519	2,463,297	2,706,085	6,004,794
Interest expense	(24d)	(10,022,524)	(19,631,893)	(9,577,549)	(20,110,587)
Foreign exchange differences	(24e)	(9,810)	(35,323)	859,977	635,927
Income from indexation units	(24f)	(159,120)	(134,958)	(306,263)	71,314
Profits before tax from continuing operations		**29,015,234**	**52,890,686**	**35,268,640**	**70,665,583**
Income tax expense	(11e)	(13,314,844)	(9,240,047)	144,608,402	129,655,642
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**15,700,390**	**43,650,639**	**179,877,042**	**200,321,225**
Profit attributable to holders of equity instruments of the controller and minority interest:					
Profit attributable to owners of the parent		15,664,823	43,552,422	179,558,825	200,022,967
Profit attributable to non-controlling interest	(22e)	35,567	98,217	318,217	298,258
PROFIT (LOSS) FOR THE PERIOD		**15,700,390**	**43,650,639**	**179,877,042**	**200,321,225**
EARNINGS PER SHARE		Ch$	Ch$	Ch$	Ch$
Earnings per basic share					
Earnings per basic share for continuing operations	(23)	0.017	0.048	0.202	0.225
Earnings per basic share for discontinuing operations					
Earnings per basic share		0.017	0.048	0.202	0.225
Diluted earnings per share					
Diluted earnings per share from continuing operations		0.017	0.048	0.202	0.225
Diluted earnings per share from discontinuing operations					
Diluted earnings per share		0.017	0.048	0.202	0.225

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

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
As of june 30, 2018 and 2017 (not audited)

STATEMENTS OF COMPREHENSIVE INCOME	For the period from April 1 to June 30, 2018 ThCh$	For the six-month period ended June 30, 2018 ThCh$	For the period from April 1 to June 30, 2017 ThCh$	For the six-month period ended June 30, 2017 ThCh$
PROFIT (LOSS) FOR THE PERIOD	**15,700,390**	**43,650,639**	**179,877,042**	**200,321,225**
OTHER COMPREHENSIVE INCOME				
Components of other comprehensive income that will not be reclassified to income for the period				
Other comprehensive income, before taxes, profits (losses) on new measurements of defined benefits plans	211,106	(254,113)	261,099	(281,477)
Total other comprehensive income that will not be reclassified to income for the period	**211,106**	**(254,113)**	**261,099**	**(281,477)**
Components of other comprehensive income that will be reclassified to income for the period				
Profit (loss) to difference of conversion, before taxes			-	-
Profit (loss) on new measurement of financial assets available for sale	(907,513)	(517,701)	(223,066)	(179,166)
Profit (loss) on cash flow hedges	6,763,623	(1,666,855)	6,632,205	2,462,176
Total Components of other comprehensive income that will be reclassified to income for the period	**5,856,110**	**(2,184,556)**	**6,409,139**	**2,283,010**
Total other components of other comprehensive income, before taxes	**6,067,216**	**(2,438,669)**	**6,670,238**	**2,001,533**
Income taxes associated to components of other comprehensive income which will not be reclassified to income for the period				
Income taxes associated to new measurements of defined benefits plans of other comprehensive income	-	-	3,363	6,730
Total income taxes associated to components of other comprehensive income which will not be reclassified to income for the period	**-**	**-**	**3,363**	**6,730**
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	580,335	2,615,295	(1,880,547)	(862,575)
Total income taxes associated to components of other comprehensive income which will be reclassified to income for the period	**580,335**	**2,615,295**	**(1,877,184)**	**(855,845)**
TOTAL OTHER COMPREHENSIVE INCOME	**6,647,551**	**176,626**	**4,793,054**	**1,145,688**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**22,347,941**	**43,827,265**	**184,670,096**	**201,466,913**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Comprehensive income attributable to owners of the parent	22,299,706	43,768,490	184,247,859	201,157,604
Comprehensive income attributable to non-controlling interest	48,235	58,775	422,237	309,309
TOTAL COMPREHENSIVE INCOME	**22,347,941**	**43,827,265**	**184,670,096**	**201,466,913**

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

CONSOLITED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As of june 30, 2018 and 2017 (not audited)

	Changes in capital (Note 22a)	Changes in the other reserves (Note 22d)					Retained earnings	Equity attributable to owners of the parent	Non controlling interests (Note 22e)	Total equity
	Issued capital	Cash flow hedge reserves	Reserves of actuarial gains or losses on defined benefit plans	Accrual of profits or losses on remeasurement of financial assets available for sale	Other miscellaneou s reserves	Total other reserves				
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance of tax year	**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**
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	43,552,422	43,552,422	98,217	43,650,639
Other comprehensive income	-	981,532	(252,795)	(512,669)	-	216,068	-	216,068	(39,442)	176,626
Comprehensive income	**-**	**981,532**	**(252,795)**	**(512,669)**	**-**	**216,068**	**43,552,422**	**43,768,490**	**58,775**	**43,827,265**
Dividends	-	-	-	-	-	-	60,417,721	60,417,721	(27,558)	60,390,163
Increase capital	37,000,000	-	-	-	-	-	-	37,000,000	-	37,000,000
Other increase (decrease) from transactions with treasury shares	-	-	-	-	-	-	-	-	-	-
Other increase (drecrease) from transfers And other changes	-	-	-	-	-	-	(19,931,515)	(19,931,515)	(269,915)	(20,201,430)
Total changes in shareholders' equity	**37,000,000**	**-**	**-**	**-**	**-**	**-**	**40,486,206**	**77,486,206**	**(297,473)**	**77,188,733**
Ending balance as of 06.30.2018	**1,294,872,285**	**6,154,194**	**(8,290,889)**	**981,065**	**(451,774,473)**	**(452,930,103)**	**571,065,791**	**1,413,007,973**	**6,302,491**	**1,419,310,464**
Beginning balance of tax year	**1,257,872,279**	**9,954,496**	**(9,891,218)**	**1,336,599**	**(457,341,890)**	**(455,942,013)**	**588,963,184**	**1,390,893,450**	**13,953,524**	**1,404,846,974**
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-		200,022,967	200,022,967	298,258	200,321,225
Other comprehensive income	-	1,581,789	(271,713)	(175,439)	-	1,134,637	-	1,134,637	11,051	1,145,688
Resultado integral	**-**	**1,581,789**	**(271,713)**	**(175,439)**	**-**	**1,134,637**	**200,022,967**	**201,157,604**	**309,309**	**201,466,913**
Dividends	-	-	-	-	-	-	40,266,680	40,266,680	(15,686)	40,250,994
Increase capital	6	-	-	-	-	-	-	6	-	6
Other increase (decrease) from transfers and other changes	-	-	-	-	53	53	8363	8,416	(60)	8,356
Other increase (decrease) from transactions with treasury shares	-	-	-	-	-	-	-	-	-	-
Total changes in shareholders' equity	6	-	-	-	53	53	**40,275,043**	**40,275,102**	**(15,746)**	**40,259,356**
Ending balance as of 06.30.2017	**1,257,872,285**	**11,536,285**	**(10,162,931)**	**1,161,160**	**(457,341,837)**	**(454,807,323)**	**829,261,194**	**1,632,326,156**	**14,247,087**	**1,646,573,243**

(1) Movements in equity correspond to the effects of the first-time application of IFRS 9 and IFRS 15 both current as of January 1, 2018, at the Parent Company and subsidiaries Telefónica Chile S.A. and Telefónica Empresas S.A.

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

	Notes	For the six-month period ended June 30, 2017	2016
		ThCh$	ThCh$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Classes of operating activity charges			
Proceeds from sale of assets and services rendered		**888,818,852**	**892,033,479**
Proceeds from sales and services		883,701,310	888,548,169
Proceeds from related entities		5,117,542	3,485,310
Classes of payments		**(777,148,767)**	**(748,575,619)**
Payments to suppliers for supplying goods and services		(520,072,570)	(527,815,375)
Payments to and on account of employees		(98,957,617)	(86,345,177)
Payments from related entities		(25,398,877)	(30,645,125)
Other operating activities payments		(132,719,703)	(103,769,942)
Net cash flows provided by (used in) operating activities		**111,670,085**	**147,867,860**
Income taxes paid reimbursed classified as operating activities (less)		(7,036,450)	(13,873,003)
Cash flows provided by (used in) operating activities		**104,633,635**	**129,584,857**
CASH FLOWS PROVIDED BY (USED IN) INVESTMENT ACTIVITIES			
Additions to property, plant and equipment, classified as investing activities		(163,689,317)	(171,817,846)
(Payments) proceeds Loans to related entities		(13,000,000)	(12,992,070)
Interest received, classified as investing activities		2,443,620	3,424,824
Other cash inputs (outputs), classified as investing activities		(49,297)	(2,509,400)
Net cash flows provided by (used in) investment activities		**(174,294,994)**	**(183,894,492)**
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from loans, classified as financing activities			
Payments of loans to related entities		-	48,795,050
Loans to related entities	(9d)	(1,087,000)	(6,310,850)
Repaymen of loan, classified as financing activities		-	(64,488,450)
Amounts from the issuance of shares	(22a)	37,000,000	-
Dividends paid, classified as financing activities		(24,475)	(64,385)
Interest paid, classified as financing activities		(14,353,225)	(13,761,851)
Other cash inputs (outputs), classified as financing activities		(4,297,573)	8,239,354
Net cash flows provided by (used in) financing activities		**17,237,727**	**(27,591,132)**
Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate		**(52,423,632)**	**(81,900,767)**
Effects of changes in the exchange rate over cash and cash equivalents		**-**	**(51)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(52,423,632)**	**(81,900,818)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**206,793,908**	**221,274,945**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(5)	**154,370,276**	**139,374,127**

(1) Corresponds to interest paid on bonds and loans as of june 30, 2018 and 2017. See note 16.

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 (direct and indirect) 06.30.2018 %	12.31.2017 %
Telefónica Chile S.A.	90.635.000-9	009	99.0281653	99.0281653

2. Significant accounting principles:

a) Accounting period

The interim consolidated financial statements (hereinafter, the “financial statements”) cover the following periods: Interim Consolidated Statements of Financial Position, ended as of june 30, 2018 and december 31, 2017; Interim Statements of Changes in Equity, Interim Consolidated Comprehensive Income Statements and interim Statements of Cash Flows for the six-month periods ended as of june 30, 2018 and 2017.

b) Basis of presentation

The consolidated financial statements for december 31, 2017 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 2017 financial statements.

c) Basis of preparation

The consolidated financial statements as of june 30, 2018, and december 31, 2017, and the comprehensive income statements, statements of changes in equity and statements of cash flows for the six-month periods ended as of june 30, 2018 and 2017 have been prepared in accordance with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting", incorporated in International Financial Reporting Standards.

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.

2. Significant accounting principles:

d) Exchange Method, continued

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

DATE	USD	EURO	REAL	UF
06.30.2018	651,21	760,32	168,49	27.158,77
12.31.2017	614.75	739.15	185.64	26,798.14
06.30.2017	664,29	758,32	200,94	26.665,09

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 06.30.2018			12.31.2017
				Direct	Indirect	Total	Total
96.990.810-7	Telefónica Móviles Soluciones y Aplicaciones S.A.	Chile	CLP	99.9999996	-	99.9999996	99.9999996
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA	Chile	CLP	100.0000000	-	100.0000000	100.0000000
90.635.000-9	Telefónica Chile S.A.	Chile	CLP	99.0281653	-	99.0281653	99.0281653
76.703.410-1	Telefónica Empresas Chile S.A.	Chile	CLP	-	99.9999973	99.9999973	99.9999973
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	Chile	CLP	49.0000000	51.0000000	100.0000000	100.0000000

2. Significant accounting principles, continued

e) Basis of consolidation, continued

The summarized financial information at june 30, 2018 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	1,682,638	-	1,682,638	774,707	-	774,707	907,931	-	(49,478)
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA	100.00	8,866,532	167,507	9,034,039	7,104,629	101,943	7,206,572	1,827,467	3,304,692	878,98
90.635.000-9	Telefónica Chile S.A.	99.0281653	265,838,871	1,182,326,376	1,448,165,247	300,075,405	498,201,166	798,276,571	649,888,676	238,123,799	10,610,826
78.703.410-1	Telefónica Empresas Chile S.A.	99.99	153,960,887	93,088,078	247,048,965	142,855,917	3,280,834	146,136,751	100,912,214	156,548,229	3,559,966
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	100.00	102,596,789	46,804,147	149,400,936	58,086,264	34,312,509	92,398,773	57,002,163	103,906,735	11,763,697

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

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) Amortized cost

Financial assets that comply with the following two conditions will be measured at amortized cost: the objective of the business model supporting them is to hold the financial assets to obtain contractual cash flows and in turn, the contractual conditions of the financial assets lead to cash flows composed of principal and interest payments only on specific dates.

The Company's financial assets that comply with the conditions established in IFRS 9, for valuation at amortized cost are: accounts receivable, loans and cash and cash equivalents.

Trade receivables are recognized for the amount of the invoice, and an adjustment is recorded if there is objective evidence of customer payment risk.

The allowance for doubtful accounts is determined on the basis of the expected loss of the assets, determined by assessing the historical payment behavior of customers from the various segments that compose the portfolio. Recoverability matrices are prepared for this assessment, composed of aging periods, which provide the percentages of uncollectible debt expected over the life of the asset, which are recognized from inception.

Loans and accounts receivable are included in "Trade and other accounts receivable" in the consolidated statement of financial position, except for those with due dates in excess of 12 months from the closing date which are classified as Non-current trade and other accounts receivable. They are recorded at amortized cost using the effective interest rate method, which is its initial fair value.

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

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

Classification and presentation, continued

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.

ii) Financial assets at fair value though other comprehensive income

Financial assets that comply with the following two conditions are measured at fair value through other comprehensive income: they are classified within a business model whose objective is to hold financial assets both to collect contractual cash flows and to sell them and in turn, contractual conditions lead to payment of principal and interest on the amount of the outstanding principal.

The Company will apply this valuation to factoring transactions, as long as the following conditions are met by sales subject to this transaction: significant, frequent sales, not motivated by credit risk and far from their due date.

iii) Financial assets at fair value through profit or loss

Financial assets will be considered in this category when they are not classified in the two previous categories or are irrevocably designated at their initial recognition at fair value through profit or loss.

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

2. Financial liabilities

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

Financial liabilities are initially recognized at fair value and in the case of loans, include costs directly attributable to the transaction. Subsequent measurement of financial liabilities depends on their classification: amortized cost, fair value through profit or loss or held for trading.

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

2. Financial liabilities, continued

i) Financial liabilities at amortized cost

The Company classifies all its financial liabilities at amortized cost, except for liabilities held for trading or that decrease an accounting asymmetry, which are valued at fair value through profit or loss.

ii) Financial liabilities at fair value through profit or loss

Financial liabilities are classified in the category of financial liabilities at fair value through profit or loss when they are initially recognized at fair value through profit or loss, in order to reduce accounting asymmetries.

This classification includes derivatives designated as effective hedging instruments (see note 18).

iii) Financial liabilities held for trading

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.

3. Derivative financial instruments

The Company holds hedge derivatives to manage its exposure to interest and/or exchange rate risks (see Note 18.2) to manage its risks associated to changes in interest rate and exchange rate. 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 9.

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.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

3. Derivative financial instruments, continued

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

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

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

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

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.

2. Significant accounting principles, continued

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.

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 periods 2018 and 2017 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 27% and 25.5% and june 30, 2018 and 2017, 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 liability is settled or the related asset is recovered. 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 determined as of the date of issuance of the financial statements. Deferred tax assets and liabilities are not discounted at their current value and are classified as non-current.

2. Significant accounting principles, continued

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.

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

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.

2. **Significant accounting principles**, continued

m) Property, plant and equipment

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

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

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

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

Interest and other financial expenses incurred and directly attributable to the acquisition or construction of qualifying assets, may be capitalized. Qualifying assets, under the criteria of the Telefónica Group, are assets that require at least 18 months of preparation for their use or sale. At the closure of periods of 2018 and 2017 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 10.39% and 10.79% to june 30, 2018 and 2017, 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. This obligation is provisioned using the actuarial value of the accrued benefit cost method, using an nominal annual discount rate of 5.1% y 4.51% at june 30, 2018 and 2017 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) Telecommunications

It is composed of traffic voice and broadband, international business (correspondents), multiservice network services and capacities, television, interconnection, network and equipment rental, sale of equipment and other services, such as value added services or maintenance. Products and services can be sold separately or jointly, in commercial packages.

In the case of commercial offers where the customer pays a flat rate, which can include minutes, broadband and pay TV plans, revenue is recognized in a straight-line over the period covered by the rate paid by the customer.

In the case of revenue generated only by traffic, it is recorded as it is consumed.

In equipment sales, revenue is recognized at the time of delivery of the equipment to the customer; in case of sales including installation, configuration, startup or other complementary activities, revenue is recognized upon satisfactory reception by the customer.

Revenue from capacity and multi-service networks, is accrued as the services are rendered.

Interconnection revenue derived from fixed-mobile and mobile-fixed calls, as well as from other services used by customers, is recognized in the period in which such calls are placed.

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.

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 traffic is consumed or when the top-up expires, since as of that moment the Company has no remaining obligations to provide the service.

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

2. **Significant accounting principles**, continued

o) Income and expenses, continued

i) Telecommunications, continued

In 2018 and in accordance with IFRS 15, income from commercial package offers that combine different goods and services for fixed telephone service, data, Internet and television, the Company determines whether it is necessary to separate the different elements identified, applying the appropriate revenue recognition criterion for each case. Total revenue for the package is allocated to its identified elements on the basis of their respective fair values (i.e. the fair value of each individual component, in relation to the total fair value of the package), unlike the criteria applied up to last year (in accordance with IAS 18) where no amounts contingent on delivery of the remaining elements to be provided to customers were allocated. To the extent that packages are commercialized with an equipment discount, the application of the new criteria will involve an increase in the recognition of income from sale of equipment, which will generally be recognized coinciding with the time of delivery to the customer, at the expense of periodic income from providing services in subsequent periods.

Likewise, IFRS 15 requires the recognition of an asset for any incremental costs which are expected to be recovered, incurred to obtain and comply with a contract, and their subsequent allocation to profit or loss in the same extent in which income related to that asset is allocated.

When comparing the new standard to the standard in force as of december 31, 2017, IFRS 15 establishes requirements that are much more detailed in respect to the accounting treatment of contract modifications. Thus, modifications determined have been recorded with a retroactive effect (as a continuation of the original contract) whereas others have been recognized prospectively as a separate contract, accounting for termination of the existing contract and the creation of a new one.

All costs directly associated to obtaining revenue are recognized in profit and loss to the extent that the revenue is generated. The rest of the expenses are recognized in profit and loss when they are accrued.

ii) 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. These benefits will be reflected as a discount in revenue from products exchanged for points. As of june 30, 2018, the valuation of this loyalty program is immaterial in relation to the contracts for which they have been generated.

2. **Significant accounting principles,** continued

o) Income and expenses, continued

iii) Government subidies:

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

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.

2. Significant accounting principles, continued

p) Use estimates, continued

ii) Deferred taxes, continued

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$140,423,552. That amount arises from the allocation of tax goodwill generated in the merger, to the non-monetary assets of the absorbed entity, which is ultimately reflected in the recording of a deferred tax asset under IFRS. This allocation requires that management determine the fair value of those assets using their best estimate. As of march 31, the Company has concluded the process of estimating the fair value of non-monetary assets involved in the merger and has determined deferred taxes in the amount of ThCh$ 148,606,473.

iii) Provisions

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

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

iv) 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).

2. **Significant accounting principles**, continued

p) Use estimates, continued

v) Financial assets and liabilities

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

q) Methods of consolidation

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

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

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

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

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 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IFRICC 23	Uncertainty Over Income Tax Treatment	January 1, 2019

2. **Significant accounting principles**, continued

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

i. Publication of new standards, 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 that a lessee 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.

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.

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.

ii. Publication of standards modifications

	Improvements and amendments	Mandatory application date
IFRS 9	Financial Instruments	January 1, 2019
IAS 28	Investments in Associates and Joint Ventures	January 1, 2019
IFRS 3	Business Combinations	January 1, 2019
IFRS 11	Joint Arrangements	January 1, 2019
IAS 12	Income Taxes	January 1, 2019
IAS 23	Borrowing Costs	January 1, 2019
IAS 19	Employee Benefits	January 1, 2019
IFRS 10	Consolidated Financial Statements	Determined
IAS 28	Investments in Associates and Joint Ventures	Determined

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 ".

2. **Significant accounting principles**, continued

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

ii. Publication of standards modifications, continued

IAS 28 "Investments in Associates and Joint Ventures"

Published in October 2017. This amendment clarifies that companies that account for long-term interests in an associate or joint venture – in which the equity method is not applicable – must be accounted for use IFRS 9. The Board 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 a joint venture.

IFRS 3 "Business Combinations"

Published in december 2017. The amendment clarified that obtaining control of a company that is a joint operation, is a business combination that is achieved in stages. The acquirer must remeasure its previous participation in the joint operation at fair value on the date of acquisition.

IFRS 11 "Joint Arrangements"

Published in december 2017. The amendment clarifies, that the party that obtains joint control of a company that is a joint operation, cannot remeasure its previously held participation in the joint operation.

IAS 12 "Income Taxes"

Published in december 2017. The amendment clarified that the consequences of income tax on dividends from financial instruments classified as equity, must be recognized on the basis of where the past transactions or events that generated the distributable benefits were recognized.

IAS 23 "Borrowing Costs"

Published in december 2017. The amendment clarified that, if a specific loan is still outstanding after the qualified asset is ready for its foreseen use or sale, it becomes part of general borrowings.

IAS 19 "Employee Benefits"

Published in February 2018. The amendment requires that entities use updated assumptions to determine the cost of current service and net interest for the rest of the period after a modification, reduction or liquidation of the plan; and recognize any reduction in a surplus of profits or losses as part of the past cost of service, or a profit or loss in the settlement, even if this surplus was not previously recognized because it did not exceed the upper limit of the asset.

2. **Significant accounting principles**, continued

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

ii. Publication of standards modifications, continued

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:

- **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.

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.

2. **Significant accounting principles**, continued

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, except for the application of IFRS 9 and IFRS 15, current since January 1, 2018.

The effect of these changes is as follows:

a) **IFRS 9 Financial Instruments**

IFRS 9 establishes the criteria for recording and valuating financial instruments. After analyzing the effects of the new criteria introduced by this standard, the most significant aspects identified by the Company are, among others, that:

- It 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 comprehensive income, based on the business model and characteristics of the contractual cash flows. There are no significant changes in comparison to the criteria used as of december 31, 2017, in respect to recording and valuation of financial liabilities.

- It introduces a new model for financial asset impairment, the expected loan losses model, that substitutes the incurred loss model under IAS 39. Consequently, the application of the new requirements has led to an acceleration in the recognition of financial asset impairment losses.

- It introduces a new model for accounting for hedges, that is less restrictive, requiring an economic relationship between the hedged item and the hedging instrument and that the hedging relationship ratio be the same that is applied by the entity for its risk management. Likewise, the new standard modifies the hedging relationship documentation criteria.

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

a) IFRS 9 Financial Intruments, continued

The main change focuses on documentation of the hedging policies and strategies, as well as on the process for expected financial asset impairment loss estimate and the time of its recognition. The Company has decided to adhere to the option that allows it to re-express the figures for comparative periods presented in the year of first application of the new criteria.

As of January 1, 2018, the date of initial application of IFRS 9, the Company has recorded a net effect of ThCh$ 20,312,088, as a decrease in retained earnings, under equity, composed by ThCh$ 27,824,778 of effect of first-time application of IFRS 9 and ThCh$ 7,512,690 of deferred taxes.

b) **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 allows two alternative transition methods: retroactive for each period presented, or retroactive with the cumulative effect of initial application recognized on the date of first application. The Company has adopted this second method of transition. The main practical solutions that the Company has applied are:

- The standard has not been applied retrospectively to contracts that were completed on a date prior to January 1, 2018.

- The requirements of the standard have been applied to groups of contracts with similar characteristics, since for this collective, the effects do not differ significantly in comparison to an individualized application per contract.

- The financial component is not considered significant when the period between the moment in which the goods or services committed to with the customer are transferred, and the moment at which the customer pays for these goods or services is one year or less, or when it does not exceed 7% of the total amount of the contract.

- The costs incurred for obtaining contracts have been recognized as expenses as they are incurred when their foreseen amortization period is one year or less.

The most relevant impact due to the amendments introduced by IFRS 15 refer to the increase in revenue recognized on sale of equipment, which is recognized at the time of delivery to the customer, at the expense of periodic revenue from providing services in subsequent periods, capitalizing and deferring incremental costs, related to obtaining and complying with contracts, and the criteria for identification of elements in contracts with customers.

As of January 1, 2018, date of initial application of IFRS 15, the Company has recorded a net effect of ThCh$ 110,658, as an increase in retained earnings, under equity, composed of ThCh$ 2,705,197 of effect of first-time application of IFRS 15 and ThCh$ 2,594,539 of deferred taxes.

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

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.

b) Fixed Telecommunications

Landline telephone services include basic telephone services, connections and line installations, value added services, broadband, dedicated lines, international long-distance services ,marketing of handsets, and circuit media rental and others. According to the financial statements, the income is recognized as the services are provided or the equipment is sold.

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.

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.

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 june 30, 2018, december 31, 2017 and june 30, 2018 is detailed as follows:

For the exercise ended as of june 30, 2018	Mobile Telecommunications ThCh$	Fixed Telecommunications ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	453,418,184	173,977,370	64,141,307	86,199,367	-	-	777,736,228
Income from ordinary activities arising from transactions with other operating segments of the same entity	4,617,830	64,146,429	6,207,555	-	103,906,739	(178,878,553)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	**458,036,014**	**238,123,799**	**70,348,862**	**86,199,367**	**103,906,739**	**(178,878,553)**	**777,736,228**
Cost of sales	192,356,186	24,530,616	39,816,924	54,879,295	-	(85,570,062)	226,012,959
Administrative expenses	168,232,564	133,777,846	25,169,000	21,346,407	38,260,268	(106,223,084)	280,563,001
Employee benefits expenses	1,146,128	(586,908)	6,963	-	74,034,162	(11,790,166)	62,810,179
Cost of interest	8,928,417	9,405,840	424,739	121,228	1,230,768	(479,099)	19,631,893
Interest income	1,051,603	1,334,634	538,064	-	19,464	(480,468)	2,463,297
Depreciation and amortization	57,649,051	73,511,406	7,266,715	3,689,534	8,095	-	142,124,801
Participation in profit of associated companies accounted for using the equity method	16,222,441	9,406,524	152,928	-	-	(25,781,893)	-
Income tax expense	4,305,974	740,001	(957,160)	1,257,597	3,893,635	-	9,240,047
Other significant non-cash items	1,622,145	2,825,411	(658,013)	-	25,214,948	(25,170,497)	3,833,994
Profits(loss) before tax	**48,619,857**	**11,051,568**	**(2,302,500)**	**6,162,903**	**15,607,858**	**(26,249,000)**	**52,890,686**
Profit (loss) for the period from continuing operations	**44,313,883**	**10,311,567**	**(1,345,340)**	**4,905,306**	**11,714,223**	**(26,249,000)**	**43,650,639**
Profit (loss) for the period from discontinuing operations							
Profit (loss) for the period	**44,313,883**	**10,311,567**	**(1,345,340)**	**4,905,306**	**11,714,223**	**(26,249,000)**	**43,650,639**
Assets	2,158,725,811	1,448,165,247	108,701,545	138,347,420	151,083,574	(1,177,630,165)	2,827,393,432
Investments in associates accounted for using the equity method	673,308,559	129,242,287	741,028	-	-	(803,291,874)	-
Increases in non-current assets	34,749,164	73,928,616	19,774,197	-	300,325	-	128,752,302
Liabilities	740,346,918	798,276,571	81,836,581	64,300,170	93,173,481	(369,850,753)	1,408,082,968
Shareholders' equity	1,418,378,893	649,888,676	26,864,964	74,047,250	57,910,093	(807,779,412)	1,419,310,464
Liabilities & Shareholders' equity	2,158,725,811	1,448,165,247	108,701,545	138,347,420	151,083,574	(1,177,630,165)	2,827,393,432
Cash flows provided by (used in) operating activities	58,795,334	111,820,599	(1,949,358)	(2,348,168)	(6,046,774)	(55,637,998)	104,633,635
Cash flows provided by (used in) investment activities	(102,707,934)	(311,484,947)	71,569,141	127,234,029	-	41,094,717	(174,294,994)
Cash flows provided by (used in) from in financing activities	27,103,186	25,817,793	(87,497,684)	(106,941,613)	6,495,001	152,261,044	17,237,727

4. **Financial information by segment**, continued

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

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

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

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Concepts	Currency	06.30.2018 ThCh$	12.31.2017 ThCh$
Cash (a)		**639,385**	**681,583**
	CLP	604,030	640,992
	USD	21,093	22,599
	EUR	14,262	17,992
Banks (b)		**15,404,138**	**20,465,814**
	CLP	12,886,422	18,055,979
	USD	1,842,550	2,357,492
	EUR	476,096	52,343
	Others currencies	199,070	-
Time deposits (c)		**134,326,545**	**170,614,407**
	CLP	134,326,545	170,614,407
Repurchase agreement (d)		**4,000,208**	**15,032,103**
	CLP	4,000,208	15,032,103
Total cash and cash equivalents		**154,370,276**	**206,793,908**
Sub-total by currency	**CLP**	**151,817,205**	**204,343,482**
	USD	**1,863,643**	**2,380,091**
	EUR	**490,358**	**70,335**
	Others currencies	**199,070**	**-**

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

a) Cash

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

b) Banks

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

5. Cash and cash equivalents, continued

c) Time deposits

Time deposits maturing in less than 90 days are recorded at fair value and as of june 30, 2018 and december 31, 2017 are detailed as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	06.30.2018 ThCh$
Time deposits	CLP	134,263,000	2.53%	10	134,263,000	63,545	134.326.545
Total					**134,263,000**	**63,545**	**134,326,545**

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**

d) Repurchase agreement

The Repurchase agreement at june 30, 2018 and december 31, 2017 are as follows:

Code	Date		counterparty	Currency Origin	Subscription value of currency origin (ThCh$)	Annual rate	Total Value ThCh$	accounting value ThCh$
	Start	Term				%		06.30.2018
CRV	Jun-29-18	Jul-03-18	Santander	CLP	2,000,000	1.92%	2,000,427	2,000,108
CRV	Jun-29-18	Jul-04-18	BBVA	CLP	2,000,000	1.80%	2,000,500	2,000,100
	Total				**4,000,000**		**4,000,927**	**4,000,208**

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	Dec-28-17	Jan-02-18	BBVA	CLP	12,000,000	1.80%	12,003,000	12,001,800
CRV	Dec-29-17	Jan-01-18	BCI	CLP	1,030,000	1.80%	1,030,206	1,030,103
CRV	Dec-29-17	Jan-02-18	BBVA	CLP	2,000,000	1.80%	2,000,400	2,000,200
	Total				**15,030,000**		**15,033,606**	**15,032,103**

6. Other current and non-current financial assets

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

Concepts		06.30.2018 Current ThCh$	06.30.2018 Non-Current ThCh$	12.31.2017 Current ThCh$	12.31.2017 Non-Current ThCh$
Guarantees established	(a)	116,684	50,468	86,315	50,468
Other investments	(b)	-	6,670,506	-	7,188,206
Financial instruments	(c)	13,036,877	-	-	-
Exchange rate hedge	(See Note 18.2)	11,132,172	119,800,552	690,553	103,224,236
Total		**24,285,733**	**126,521,526**	**776,868**	**110,462,910**

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

b) Non-current investments are detailed as follows:

Participation	Country	Investment currency	06.30.2018 ThCh$	12.31.2017 ThCh$
Telefónica Brasil (1) (2)	Brazil	REAL	6,666,649	7,184,349
Other participation	Chile	CLP	3,857	3,857
Total			**6,670,506**	**7,188,206**

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

(2) As of june 30, 2018, dividends in the amount of ThCh$191,996, were accrued on the 0.06% share in the equity of Telefónica Brasil. As of december 31, 2017, dividends in the amount of ThCh$386,594 were received, which are recorded in finance income in the income statement.

c) Financial Instruments are detailed as follows:

Type of investment	Currency	Capital in original currency (thousands)	Effective rate	Average days to maturity	Capital in local currency ThCh$	Accrued interest ThCh$	06.30.2018 ThCh$
Financial instruments	CLP	13,000,000	2.76%	11	13,000,000	36,877	13,036,877
Total					**13.000.000**	**36,877**	**13,036,877**

As of December 31, 2017, the Company did not have financial investments.

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

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

Concepts	06.30.2018 Current ThCh$	06.30.2018 Non-current ThCh$	12.31.2017 Current ThCh$	12.31.2017 Non-current ThCh$
Deferred cost of handsets (1)	7,848,541	-	15,770,669	-
Unearned leasing	14,081,383	847,075	14,434,194	980,618
Franchisee commissions (2)	856,053	-	18,495,019	-
Other prepaid expenses (3)	19,798,770	1,915,694	14,139,527	6,353,869
Other (4)	2,325,899	-	3,041,077	-
Total	**44,910,646**	**2,762,769**	**65,880,486**	**7,334,487**

(1) Corresponds to the cost of dispatched prepaid units, that have not been activated by the end customers. As of june 30, 2018, and december 31, 2017, the number of handsets pending activation is ThCh$ 110,606 and ThCh$ 229,759, respectively.

(2) Up until December 31, 2017, this item was used to capitalize all commissions on capturing derecognized customers, which were deferred over 6 months; with the coming into effect of IFRS 15, as of January 1, 2018 only variable customer capture commissions are capitalized and amortized over a period of 18 months.

(3) This item includes ThCh$ 13,786,468 and ThCh$ 12,418,654 in current and ThCh$ 1,879,090 and ThCh$ 6,299,533 in non-current, as of june 30, 2018 and december 31, 2017, respectively, for the capitalization of compliance costs associated to television equipment; Under IFRS 15 the amortization period was reduced in comparison to the period in which the previous standard was applied. In addition, it includes ThCh$ 4,649,237 in current, for SAP Global maintenance ThCh$ 538,643, corresponding to ELA license maintenance and support in the amount of ThCh$ 520,106, RedHat licensing in the amount of ThCh$ 362,321 and other licenses and prepaid expanses in the amount ThCh$ 3,228,167.

(4) This item mainly includes remaining VAT and recoverable taxes in the amount of ThCh$ 1,976,743 and ThCh$ 1,901,685, and advance insurance in the amount of ThCh$ 349,156 and ThCh$ 1,139,392, as of june 30, 2018 and december 31, 2017, respectively.

8. Current trade and other accounts receivable

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

Concepts	06.30.2018 Gross value ThCh$	06.30.2018 Allowance for doubtful accounts ThCh$	06.30.2018 Net value ThCh$	12.31.2017 Gross value ThCh$	12.31.2017 Allowance for doubtful accounts ThCh$	12.31.2017 Net value ThCh$
Receivables on current loan transactions	**487,902,506**	**(215,303,379)**	**272,599,127**	**416,595,242**	**(173,091,668)**	**243,503,574**
Invoiced services	368,347,617	(211,572,168)	156,775,449	305,264,245	(173,091,668)	132,172,577
Services provided and not invoiced	93,731,037	(2,747,807)	90,983,230	111,330,997	-	111,330,997
Contractual asset (1)	25,823,852	(983,404)	24,840,448	-	-	-
Miscellaneous receivables	**17,099,655**	**-**	**17,099,655**	**15,436,566**	**-**	**15,436,566**
Total	**505,002,161**	**(215,303,379)**	**289,698,782**	**432,031,808**	**(173,091,668)**	**258,940,140**

(1) Under IFRS 15, the contractual asset corresponds to the difference between income from sale of handsets and the amount received from the customer at the beginning of the contract.

b) The composition of current trade and other accounts receivable with overdue net balances that have not been collected and have not been provisioned as a whole is detailed as follows:

Concepts	06.30.2018 Less than 3 months	06.30.2018 3 to 6 months	06.30.2018 6 to 12 months	06.30.2018 Greater than 12 months	06.30.2018 Total	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
Miscellaneous receivables	26,187,850	3,414,244	-	-	29,602,094	30,875,776	5,735,933	-	-	36,611,709
Total	**26,187,850**	**3,414,244**	**-**	**-**	**29,602,094**	**30,875,776**	**5,735,933**	**-**	**-**	**36,611,709**

8. Current trade and other accounts receivable, continued

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

Movements	06.30.2018 ThCh$	12.31.2017 ThCh$
Beginning balance	**174,489,215**	**169,687,736**
Increases	24,437,762	46,229,952
Eliminations/ Additions	(9,911,351)	(41,428,473)
Adjustment on first-time application of IFRS 9 (see note 3)	27,824,778	-
Movements, subtotal	**42,351,189**	**4,801,479**
Ending balance	**216,840,404**	**174,489,215**

d) Allowance for doubtful account movements according to the composition of the portfolio as of june 30, 2018 and december 31, 2017 are detailed as follows:

Provisions and write-offs	06.30.2018 ThCh$	12.31.2017 ThCh$
Accrual for portfolio that has not been renegotiated	24,284,176	46,757,086
Accrual for renegotiated portfolio	153,586	(527,134)
Ajuste primera aplicación NIIF 9 (ver nota 3)	27,824,778	-
Write-offs for the exercise	(9,911,351)	(41,428,473)
Total	**42,351,189**	**4,801,479**

e) As of june 30, 2018 and december 31, 2017 the portfolio of returned documents and those in judicial collection is detailed as follows:

Portfolio of returned documents and judicial collection as of 06.30.2018	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	6,671	-	-	-
Portfolio of returned documents or those in judicial collection (ThCh$)	3,259,647	-	-	-

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	-	-

8. **Current trade and other accounts receivable,** continued

The composition of the portfolio stratified by segment as of june 30, 2018 is detailed as follows:

Aging of portfolio by segment for the period june 30, 2018	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)	751,336	308,492	76,665	50,963	65,424	70,966	44,213	63,306	935,564	2,236,557	4,603,486
Net portfolio w/o renegotiation	41,954,377	5,457,995	2,332,477	772,460	467,641	80,296	9,029	-	-	-	51,074,275
Debt	42,425,652	6,036,065	3,529,459	2,141,886	1,688,258	1,008,050	1,572,805	988,645	1,814,078	107,651,869	168,856,767
Accrual	(471,275)	(578,070)	(1,196,982)	(1,369,426)	(1,220,617)	(927,754)	(1,563,776)	(988,645)	(1,814,078)	(107,651,869)	(117,782,492)
Number of clients w/renegotiation	57,057	347	370	349	364	324	355	351	405	71,249	131,171
Net renegotiated portfolio	164,546	-	-	-	-	-	-	-	-	-	164,546
Debt	674,902	3,605	3,947	3,704	3,672	3,121	3,512	3,288	4,327	621,871	1,325,949
Accrual	(510,356)	(3,605)	(3,947)	(3,704)	(3,672)	(3,121)	(3,512)	(3,288)	(4,327)	(621,871)	(1,161,403)
Total number of clients	**808,393**	**308,839**	**77,035**	**51,312**	**65,788**	**71,290**	**44,568**	**63,657**	**935,969**	**2,307,806**	**4,734,657**
Total Fixed Telephone Portfolio	**42,118,923**	**5,457,995**	**2,332,477**	**772,460**	**467,641**	**80,296**	**9,029**	**-**	**-**	**-**	**51,238,821**
Debt	**43,100,554**	**6,039,670**	**3,533,406**	**2,145,590**	**1,691,930**	**1,011,171**	**1,576,317**	**991,933**	**1,818,405**	**108,273,740**	**170,182,716**
Accrual	**(981,631)**	**(581,675)**	**(1,200,929)**	**(1,373,130)**	**(1,224,289)**	**(930,875)**	**(1,567,288)**	**(991,933)**	**(1,818,405)**	**(108,273,740)**	**(118,943,895)**
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	1,957	1,143	432	21	280	285	184	142	199	1,271	5,914
Net portfolio w/o renegotiation	23,653,019	3,209,530	2,251,871	154,291	1,227,682	482,029	155,764	-	-	-	31,134,186
Debt	23,725,116	3,300,287	2,404,303	175,211	1,527,157	685,869	533,988	13,191	260,455	2,003,308	34,628,885
Accrual	(72,097)	(90,757)	(152,432)	(20,920)	(299,475)	(203,840)	(378,224)	(13,191)	(260,455)	(2,003,308)	(3,494,699)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**1,957**	**1,143**	**432**	**21**	**280**	**285**	**184**	**142**	**199**	**1,271**	**5,914**
Total Corporate Communication and Data Portfolio	**23,653,019**	**3,209,530**	**2,251,871**	**154,291**	**1,227,682**	**482,029**	**155,764**	**-**	**-**	**-**	**31,134,186**
Debt	**23,725,116**	**3,300,287**	**2,404,303**	**175,211**	**1,527,157**	**685,869**	**533,988**	**13,191**	**260,455**	**2,003,308**	**34,628,885**
Accrual	**(72,097)**	**(90,757)**	**(152,432)**	**(20,920)**	**(299,475)**	**(203,840)**	**(378,224)**	**(13,191)**	**(260,455)**	**(2,003,308)**	**(3,494,699)**
Television											
Number of clients w/o renegotiation (1)	398,185	38,262	40,651	42,767	34,400	24,078	40,033	24,411	39,747	280,241	962,775
Net portfolio w/o renegotiation	19,092,487	568,809	207,179	83,874	17,813	1,142	291	-	-	-	19,971,595
Debt	19,932,853	765,849	1,108,682	1,260,739	878,288	604,639	1,126,175	594,747	1,089,680	15,789,224	43,150,876
Accrual	(840,366)	(197,040)	(901,503)	(1,176,865)	(860,475)	(603,497)	(1,125,884)	(594,747)	(1,089,680)	(15,789,224)	(23,179,281)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**398,185**	**38,262**	**40,651**	**42,767**	**34,400**	**24,078**	**40,033**	**24,411**	**39,747**	**280,241**	**962,775**
Total Television Portfolio	**19,092,487**	**568,809**	**207,179**	**83,874**	**17,813**	**1,142**	**291**	**-**	**-**	**-**	**19,971,595**
Debt	**19,932,853**	**765,849**	**1,108,682**	**1,260,739**	**878,288**	**604,639**	**1,126,175**	**594,747**	**1,089,680**	**15,789,224**	**43,150,876**
Accrual	**(840,366)**	**(197,040)**	**(901,503)**	**(1,176,865)**	**(860,475)**	**(603,497)**	**(1,125,884)**	**(594,747)**	**(1,089,680)**	**(15,789,224)**	**(23,179,281)**

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

8. **Current trade and other accounts receivable,** continued

Aging of portfolio by segment for the period june 30, 2018	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)	946,133	131,610	48,072	36,744	40,374	36,080	35,865	36,082	46,284	1,405,357	2,762,601
Net portfolio w/o renegotiation	133,187,159	4,029,970	4,076,836	3,039,363	425,017	58,098	489,396	-	-	-	145,305,839
Debt	137,227,889	6,376,309	6,173,824	5,352,233	2,749,645	2,191,791	2,816,382	2,821,828	2,217,380	43,585,641	211,512,921
Accrual	(4,040,730)	(2,346,339)	(2,096,988)	(2,312,870)	(2,324,628)	(2,133,693)	(2,326,986)	(2,821,828)	(2,217,380)	(43,585,641)	(66,207,083)
Number of clients w/renegotiation	4,581	2,555	678	601	612	752	708	807	1,014	17,451	29,759
Net renegotiated portfolio	104,997	2,659	370	166	2	25	19	-	-	-	108,238
Debt	293,846	106,561	37,410	34,473	37,322	45,925	47,581	46,630	59,250	1,894,257	2,603,255
Accrual	(188,849)	(103,902)	(37,040)	(34,307)	(37,320)	(45,900)	(47,562)	(46,630)	(59,250)	(1,894,257)	(2,495,017)
Total number of clients	**950,714**	**134,165**	**48,750**	**37,345**	**40,986**	**36,832**	**36,573**	**36,889**	**47,298**	**1,422,808**	**2,792,360**
Total Other Portfolio	**133,292,156**	**4,032,629**	**4,077,206**	**3,039,529**	**425,019**	**58,123**	**489,415**	**-**	**-**	**-**	**145,414,077**
Debt	**137,521,735**	**6,482,870**	**6,211,234**	**5,386,706**	**2,786,967**	**2,237,716**	**2,863,963**	**2,868,458**	**2,276,630**	**45,479,898**	**214,116,177**
Accrual	**(4,229,579)**	**(2,450,241)**	**(2,134,028)**	**(2,347,177)**	**(2,361,948)**	**(2,179,593)**	**(2,374,548)**	**(2,868,458)**	**(2,276,630)**	**(45,479,898)**	**(68,702,100)**
Contractual asset and Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Net portfolio w/o renegotiation	41,940,103	-	-	-	-	-	-	-	-	-	41,940,103
Debt	42,923,507	-	-	-	-	-	-	-	-	-	42,923,507
Accrual	(983,404)	-	-	-	-	-	-	-	-	-	(983,404)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Other Portfolio	**41,940,103**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41,940,103**
Debt	**42,923,507**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42,923,507**
Accrual	**(983,404)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(983,404)**
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	2,097,611	479,507	165,820	130,495	140,478	131,409	120,295	123,941	1,021,794	3,923,426	8,334,776
Net portfolio w/o renegotiation	259,827,145	13,266,304	8,868,363	4,049,988	2,138,153	621,565	654,480	-	-	-	289,425,998
Debt	266,235,017	16,478,510	13,216,268	8,930,069	6,843,348	4,490,349	6,049,350	4,418,411	5,381,593	169,030,042	501,072,957
Accrual	(6,407,872)	(3,212,206)	(4,347,905)	(4,880,081)	(4,705,195)	(3,868,784)	(5,394,870)	(4,418,411)	(5,381,593)	(169,030,042)	(211,646,959)
Number of clients w/renegotiation	61,638	2,902	1,048	950	976	1,076	1,063	1,158	1,419	88,700	160,930
Net renegotiated portfolio	269,543	2,659	370	166	2	25	19	-	-	-	272,784
Debt	968,748	110,166	41,357	38,177	40,994	49,046	51,093	49,918	63,577	2,516,128	3,929,204
Accrual	(699,205)	(107,507)	(40,987)	(38,011)	(40,992)	(49,021)	(51,074)	(49,918)	(63,577)	(2,516,128)	(3,656,420)
Total number of clients	**2,159,249**	**482,409**	**166,868**	**131,445**	**141,454**	**132,485**	**121,358**	**125,099**	**1,023,213**	**4,012,126**	**8,495,706**
Total Consolidated Portfolio	**260,096,688**	**13,268,963**	**8,868,733**	**4,050,154**	**2,138,155**	**621,590**	**654,499**	**-**	**-**	**-**	**289,698,782**
Debt	**267,203,765**	**16,588,676**	**13,257,625**	**8,968,246**	**6,884,342**	**4,539,395**	**6,100,443**	**4,468,329**	**5,445,170**	**171,546,170**	**505,002,161**
Accrual	**(7,107,077)**	**(3,319,713)**	**(4,388,892)**	**(4,918,092)**	**(4,746,187)**	**(3,917,805)**	**(5,445,944)**	**(4,468,329)**	**(5,445,170)**	**(171,546,170)**	**(215,303,379)**

(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 as of 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.

9. Receivables from and payable to related companies

a) Currents receivables from related companies:

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2018 ThCh$	12.31.2017 ThCh$
Telxius Torres Chile, S.A. (1)	76.558.575-9	Chile	Common end controller	Prest. de Serv	CLP	60 days	10,650,658	6,152,453
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Prest. de Serv	EUR	90 days	6,751,132	6,175,148
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	1,212,510	1,100,870
Telefónica O2 Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	Serv. Provided	USD	90 days	720,776	645,683
Media Networks Perú	Foreign	Peru	Common end controller	Serv. Provided	USD	90 days	622,700	60,947
Telefónica S.A.	Foreign	Spain	End controller	Serv. Provided	EUR	90 days	570,414	237,104
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	485,842	397,484
Telefónica Brasil	Foreign	Brazil	Common end controller	Serv. Provided	USD	90 days	432,615	234,095
Colombia Telecomunicaciones S.A.E.S.P	Foreign	Colombia	Common end controller	Serv. Provided	USD	60 days	392,323	739,848
Telefónica del Perú	Foreign	Peru	Common end controller	Serv. Provided	CLP	60 days	344,237	248,607
Telxius Cable Chile	96.910.730-9	Chile	Common end controller	Serv. Provided	CLP	60 days	338,356	504,860
Tiws Chile II Spa	76.540.944-6	Chile	Common end controller	Serv. Provided	CLP	60 days	338,077	977,050
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	244,288	155,011
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	207,211	172,043
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	90 days	174,438	334,639
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	121,047	181,172
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Common end controller	Serv. Provided	CLP	60 days	91,176	84,026
Media Networks Chile	76.243.733-3	Chile	Common end controller	Serv. Provided	CLP	60 days	86,485	25,871
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	71,366	54,203
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	180 days	56,623	819,203
Telefónica Factoring Chile S.A.	76.096.189-2	Chile	Common end controller	Serv. Provided	CLP	60 days	44,430	202,336
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common end controller	Serv. Provided	USD	90 days	31,001	1,050,005
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Serv. Provided	USD	90 days	24,044	10,455
Telefónica Learning Services Chile Capacitación Ltda.	76.131.334-7	Chile	Common end controller	Serv. Provided	CLP	60 days	17,526	13,773
Telefónica Uk Ltd (antes O2 (UK) Ltd)	Foreign	UK	Common end controller	Serv. Provided	EUR	90 days	17,240	85,740
Telefónica Global Tecnology Chile	59.165.120-K	Chile	Common end controller	Serv. Provided	CLP	60 days	11,331	11,890
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv. Provided	USD	90 days	11,225	44,559
Inversiones Telefónica Internacional Holding S.A. (2)	77.363.730-K	Chile	Shareholder	Serv. Provided	CLP	60 days	8,767	20,716
Telefónica On The Spot Soluciones Digitales De Chile Spa	76.338.291-5	Chile	Common end controller	Serv. Provided	CLP	60 days	7,090	18,529
Telefónica Investigación y Desarrollo, S.A.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	3,840	3,840
Telefónica Móviles de Panamá	Foreign	Panama	Common end controller	Serv. Provided	USD	90 days	3,632	40,999
Otecel S.A.	Foreign	Ecuador	Common end controller	Serv. Provided	USD	60 days	2,706	2,647
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Serv. Provided	CLP	60 days	1,829	2,599
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Serv. Provided	USD	90 days	1,115	16,389
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Serv. Provided	USD	90 days	732	605

9. Receivables from and payable to related companies

a) Currents receivables from related companies, continued:

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2018 ThCh$	12.31.2017 ThCh$
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv. Provided	USD	60 days	-	1,202
Telfisa Global B.V.	Foreign	Holland	Common end controller	Administration commission	CLP	90 days	-	15
Total							**24,098,782**	**20,826,616**

(1) On June 29, 2018, Telefónica Móviles Chile S.A. sold 37 towers to Telxius Torres Chile S.A. generating an account receivable in the amount of ThCh$ 3,346,280, with payment terms of 30 consecutive days from the date of sale.

(2) 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	06.30.2018 ThCh$	12.31.2017 ThCh$
Telxius Torres Chile S.A.	76.558.575-9	Chile	Common end controller	**Subtotal**			**8,758,672**	**6,133,604**
				Spaces lease	CLP	60 days	6,597,939	5,072,415
				Infrastructure lease	CLP	60 days	156,485	584,234
				Colocalization lease	CLP	60 days	1,958,598	466,514
				Serv. Provided	CLP	60 days	45,650	10,441
Telefónica S.A.	Foreign	Spain	End controller	**Subtotal**			**8,406,012**	**9,710,253**
				Brand Fee	EUR	90 days	7,547,784	8,356,591
				Others	EUR	90 days	858,228	1,353,662
Telxius Cable Chile (Ex Telef. Int. Wholesale Services Chile SA)	96.910.730-9	Chile	Common end controller	**Subtotal**			**7,384,001**	**7,517,014**
				Data and links	CLP	60 days	3,837,566	3,091,423
				Commercial Mandate	CLP	60 days	2,674,934	1,156,108
				Serv. Provided	CLP	60 days	719,352	1,744,056
				Others	CLP	60 days	127,867	1,500,127
				Data and links	CLP	60 days	24,282	25,300
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	6,805,028	5,981,745
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	180 days	4,310,790	5,781,301
Telefónica Global Tecnology S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	3,426,837	2,143,335
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	2,718,840	3,349,186
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	1,889,186	2,073,917
Media Networks Perú	Foreign	Peru	Common end controller	Satellite Space	USD	90 days	1,807,970	1,816,562
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv. Provided	USD	60 days	1,206,381	2,387,367
Telefónica Latam Holding	Foreign	Spain	Common end controller	**Subtotal**			**915,875**	**1,679,982**
				Management Fee	EUR	90 days	915,875	1,677,726
				Others	EUR	90 days	-	2,256
Telefónica Compras Electrónicas	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	651,287	681,241
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	627,478	699,325
Tiws Chile II Spa	76.540.944-6	Chile	Common end controller	Serv. Provided	CLP	60 days	433,619	1,586,106
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	294,898	485,711
Fundación Telefónica Chile	74.944.200-k	Chile	Common end controller	Serv. Provided	CLP	60 days	209,201	732,887
Telefónica de España S.A.U	Foreign	Spain	Common end controller	Serv. Provided	EUR	180 days	198,351	14,904
Telefónica O2 Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	Serv. Provided	EUR	90 days	191,457	23,629
Telefónica del Perú S.A.	Foreign	Peru	Common end controller	Serv. Provided	USD	180 days	178,762	139,303
Telefónica Brasil	Foreign	Brazil	Common end controller	Serv. Provided	USD	90 days	161,514	181,924
Telefónica Global Roaming Gmbh	Foreign	Germany	Common end controller	Serv. Provided	EUR	90 days	142,859	137,426
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Common end controller	Serv. Provided	USD	60 days	131,844	127,228
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	105,604	51,574
Telefónoca Learning Services Chile SpA	76.318.959-7	Chile	Common end controller	Serv. Provided	CLP	60 days	86,135	-
Telefónica Uk Ltd	Foreign	England	Common end controller	Serv. Provided	USD	90 days	57,864	17,090
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Common end controller	Serv. Provided	CLP	60 days	37,182	29,855
Telefónica Global Tecnology Chile	59.165.120-k	Chile	Common end controller	Computer services	CLP	60 days	16,105	68,130

9. Receivables from and payable to related companies, continued

b) Current payables to related companies:

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2018 ThCh$	12.31.2017 ThCh$
Telefónica Servicios Audiovisuales	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	12,184	23,840
Otecel S.A.	Foreign	Ecuador	Common end controller	Serv. Provided	USD	90 days	7,031	4,784
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Serv. Provided	USD	90 days	5,513	55,316
Telefónica Global Services , GmbH	Foreign	Germany	Common end controller	Serv. Provided	USD	90 days	3,767	1,035
Telfisa Global B.V.	Foreign	Spain	Common end controller	Administration commission	CLP	90 days	3,714	31,220
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv. Provided	USD	90 days	1,180	9,022
Tgestiona Logistica Peru Sac	Foreign	Peru	Common end controller	Serv. Provided	USD	90 days	941	-
Telefónica Móviles Panamá	Foreign	Panama	Common end controller	Serv. Provided	USD	90 days	851	1,845
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Serv. Provided	USD	90 days	143	78
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Serv. Provided	USD	90 days	29	72
Inversiones Telefónica International Holding Ltda.	77.363.730-K	Chile	Shareholder	**Subtotal**			**-**	**59,738,627**
				Dividend	EUR	30 days	-	59,712,856
				Serv. Provided	CLP	90 days	-	25,771
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	-	69,162
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common end controller	Serv. Provided	USD	90 days	-	18,951
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	180 days	-	12,606
Telefónica On The Spot Services S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	-	3,074
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
Total							**51,189,105**	**113,523,203**

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	06.30.2018 Amount ThCh$	06.30.2018 Effect on income (Charge)/Credit ThCh$	06.30.2017 Amount ThCh$	06.30.2017 Effect on income (Charge)/Credit ThCh$
Telefónica International Wholesale Services América	Foreign	Uruguay	Common end controller	Costs	USD	64,659	(64,659)	151,458	(151,458)
Telefónica S.A.	Foreign	Spain	End controller	**Total**	**EUR**	**12,708,420**	**(12,030,264)**	**13,240,449**	**(13,053,385)**
				Sales		-	-	93,532	93,532
				Brand Fee		12,369,342	(12,369,342)	13,146,917	(13,146,917)
				Others		339,078	339,078	-	-
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	**Total**	**USD**	**3,083,206**	**(3,083,206)**	**3,880,575**	**(3,880,575)**
				Sales		-	-	-	-
				Costs		3,083,206	(3,083,206)	3,880,575	(3,880,575)
Telefónica Global Technology Chile	56.165.120-K	Chile	Common end controller	**Total**	**CLP**	**21,696**	**(21,696)**	**504,437**	**(267,961)**
				Sales		-	-	118,238	118,238
				Computer services		21,696	(21,696)	386,199	(386,199)
Media Networks Perú	Foreign	Peru	Common end controller	**Total**	**USD**	**4,707,508**	**(2,946,906)**	**4,336,818**	**(4,204,792)**
				Sales		628,993	628,993	66,013	66,013
				Spaces lease		3,827,207	(3,827,207)	4,079,380	(4,079,380)
				Others		251,308	251,308	191,425	(191,425)
Telefónica Global Tecnology	Foreign	Spain	Common end controller	**Total**	**EUR**	**2,155,589**	**(2,155,589)**	**2,080,982**	**(2,080,982)**
				Costs		2,146,736	(2,146,736)	2,071,945	(2,071,945)
				Financial expenses		8,853	(8,853)	9,037	(9,037)
Telefónica UK Ltd	Foreign	UK	Common end controller	**Total**	**USD**	**32,642**	**(32,642)**	**5,048**	**5,048**
				Sales		-	-	5,048	5,048
				Costs		32,642	(32,642)	-	-
Telefónica Brasil	Foreign	Brazil	Common end controller	**Total**	**USD**	**272,304**	**172,460**	**984,498**	**(61,212)**
				Sales		222,382	222,382	522,855	(522,855)
				Costs		49,922	(49,922)	461,643	461,643
Telxius Torres Chile Holding, S.A.	76.558.575-9	Chile	Common end controller	**Total**	**CLP**	**2,757,051**	**(2,468,259)**	**2,842,430**	**(2,312,316)**
				Sales		144,396	144,396	265,057	265,057
				Costs		2,612,655	(2,612,655)	2,577,373	(2,577,373)
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	**Total**	**CLP**	**2,318,109**	**(2,071,891)**	**2,059,938**	**(1,868,508)**
				Sales		123,109	123,109	95,715	95,715
				Costs		2,195,000	(2,195,000)	1,964,223	(1,964,223)
Telefónica Digital España	Foreign	Spain	Common end controller	**Total**	**EUR**	**3,250,757**	**(2,782,543)**	**2,503,460**	**(1,571,512)**
				Sales		234,107	234,107	465,974	465,974
				Costs		3,016,650	(3,016,650)	2,037,486	(2,037,486)
Telefónica Compras Electrónica S.A.	Foreign	Spain	Common end controller	Costs	EUR	820,069	(820,069)	765,986	(765,986)
Telefónica USA Inc.	Foreign	USA	Common end controller	Costs	USD	325,171	(325,171)	393,850	(393,850)
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	**Total**	**USD**	**509,884**	**237,878**	**200,702**	**(169,804)**
				Sales		373,881	373,881	15,449	15,449
				Costs		136,003	(136,003)	185,253	(185,253)

9. Receivables from and payable to related companies, continued

d) Transactions, continued

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2018 Amount ThCh$	06.30.2018 Effect on income (Charge)/Credit ThCh$	06.30.2017 Amount ThCh$	06.30.2017 Effect on income (Charge)/Credit ThCh$
Telfisa Global B.V.	Foreign	Spain	Common end controller	**Total**	**CLP**	**131,924**	**76,912**	**241,863**	**130,217**
				Financial income		104,418	104,418	186,040	186,040
				Administration commission		27,506	(27,506)	55,823	(55,823)
Telefónica On The Spot Services SAU	Foreign	Spain	Common end controller	Costs	EUR	-	-	5,232	(5,232)
Telefónica Latam Holding	Foreign	Spain	Common end controller	**Total**	**USD**	**1,060,614**	**(1,060,614)**	**1,537,761**	**(1,537,761)**
				Sales		-	-	-	-
				Costs		4,806	(4,806)	879,303	(879,303)
				Management Fee		1,055,808	(1,055,808)	658,458	(658,458)
Telefónica Global Roaming Gmbh	Foreign	Germany	Common end controller	Costs	EUR	124,240	(124,240)	135,543	(135,543)
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	**Total**	**EUR**	**1,999,034**	**(361,834)**	**2,058,052**	**(841,374)**
				Sales		818,600	818,600	608,339	608,339
				Costs		1,180,434	(1,180,434)	1,449,713	(1,449,713)
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	**Total**	**USD**	**22,649**	**(9,531)**	**30,611**	**(20,089)**
				Sales		6,559	6,559	5,261	5,261
				Costs		16,090	(16,090)	25,350	(25,350)
Telefónica de España S.A.U.	Foreign	Spain	Common end controller	Costs	EUR	104,841	(104,841)	47,104	(47,104)
Inversiones Telefónica Internacional Holding S.A.	77.363.730-K	Chile	Common end controller	Sales	CLP	8,618	8,618	412,700	412,700
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Common end controller	**Total**	**CLP**	**48,720**	**(43,852)**	**66,959**	**(61,283)**
				Sales		2,434	2,434	2,838	2,838
				Costs		46,286	(46,286)	64,121	(64,121)
Telefónica Servicios Audiovisuales	Foreign	Spain	Common end controller	Costs	EUR	-	-	27,726	(27,726)
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Sales	CLP	169,093	169,093	139,171	139,171
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Common end controller	**Total**	**USD**	**33,835**	**(14,391)**	**55,936**	**(55,936)**
				Sales		9,722	9,722	23,472	(23,472)
				Costs		24,113	(24,113)	32,464	(32,464)
Media Network Chile	76.243.733-3	Chile	Common end controller	**Total**	**CLP**	**118,525**	**24,591**	**60,733**	**(41,733)**
				Sales		71,558	71,558	9,500	9,500
				Costs		46,967	(46,967)	51,233	(51,233)
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Sales	CLP	5,322	5,322	7,814	7,814
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Associate	**Total**	**CLP**	**4,835**	**(4,835)**	**8,253**	**(3,977)**
				Sales		-	-	2,138	2,138
				Financial expenses		4,835	(4,835)	6,115	(6,115)
T. Learning Services Chile Capacitación Limitada	76.131.334-7	Chile	Common end controller	Sales	CLP	94,227	94,227	23,417	23,417
Telefónica Móviles Panamá	Foreign	Panama	Common end controller	**Total**	**USD**	**7,400**	**(1,232)**	**25,047**	**23,157**
				Sales		3,084	3,084	945	(945)
				Costs		4,316	(4,316)	24,102	24,102

9. Receivables from and payable to related companies, continued

d) Transactions, continued

Company	Taxpayer No,	Country Of origin	Nature of the relationship	Transaction origin	Currency	06.30.2018 Amount ThCh$	06.30.2018 Effect on income (Charge)/Credit ThCh$	30.06.2017 Amount ThCh$	30.06.2017 Effect on income (Charge)/Credit ThCh$
Terra Networks Chile S.A.	93.834.230-4	Chile	Common end controller	**Total**	**CLP**	**539,436**	**(487,758)**	**645,094**	**(488,400)**
				Sales	CLP	25,839	25,839	78,347	78,347
				Costs	CLP	513,597	(513,597)	566,747	(566,747)
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	**Total**	**EUR**	**145,831**	**16,215**	**333,588**	**(213,862)**
				Sales		81,023	81,023	59,863	59,863
				Costs		64,808	(64,808)	273,725	(273,725)
Telefónica Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	**Total**	**USD**	**93,926**	**(91,788)**	**46,136**	**(46,136)**
				Sales		1,069	1,069	6,583	(6,583)
				Costs		92,857	(92,857)	39,553	(39,553)
Telefónica Móviles Perú S.A.	Foreign	Peru	Common end controller	**Total**	**USD**	**97,691**	**(75,381)**	**123,970**	**(123,970)**
				Sales		11,155	11,155	11,340	(11,340)
				Costs		86,536	(86,536)	112,630	(112,630)
Telxius Cable Chile	96.910.730-9	Chile	Common end controller	**Total**	**CLP**	**9,357,679**	**(6,738,205)**	**10,698,473**	**(6,723,159)**
				Sales		1,309,737	1,309,737	1,987,657	1,987,657
				Access and transit		8,035,633	(8,035,633)	8,248,699	(8,248,699)
				Financial expenses		12,308	(12,308)	108,260	(108,260)
				Others		-	-	353,857	(353,857)
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common end controller	**Total**	**USD**	**296,813**	**(295,203)**	**46,400**	**(46,400)**
				Sales		805	805	817	(817)
				Costs		296,008	(296,008)	45,583	(45,583)
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	**Total**	**USD**	**876**	**410**	**3,058**	**906**
				Sales		643	643	1,076	(1,076)
				Costs		233	(233)	1,982	1,982
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	**Total**	**USD**	**4,771**	**958**	**52,644**	**1,672**
				Sales		3,500	2,229	27,158	27,158
				Costs		1,271	(1,271)	25,486	(25,486)
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	**Total**	**USD**	**1,338**	**(864)**	**1,530**	**1,530**
				Sales		237	237	318	318
				Costs		1,101	(1,101)	1,212	1,212
Otecel S.A.	Foreign	Ecuador	Common end controller	**Total**	**USD**	**6,712**	**(3,238)**	**26,273**	**(26,273)**
				Sales		1,737	1,737	12,085	(12,085)
				Costs		4,975	(4,975)	14,188	(14,188)
Telefonica Global Services, GmbH	Foreign	Germany	Common end controller	Costs	USD	3,650	(3,650)	100,801	(100,801)
TIWS Chile II	76.540.944-6	Chile	Common end controller	Costs	CLP	59,952	(59,952)	-	-
Telcel Venezuela	Foreign	Venezuela	Common end controller	**Total**	**USD**	**(14,452)**	**14,452**	**5,189**	**5,189**
				Sales		-	-	4,981	4,981
				Costs		(14,452)	14,452	208	208

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.

On June 14, 2018 the Company granted a loan to subsidiary Telefónica Chile S.A. in the amount of Ch$32,000,000,000, at a fixed annual rate of 3.18%, with capital and interest payable in a single instalment on December 14, 2018.

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

The Company is managed by a Board of Directors composed of 14 members and its key employees are 69 and 64 executives for june 30, 2018 and 2017, respectively.

Concepts	04.01.18 to 06.30.18 ThCh$	06.30.2018 ThCh$	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$
Salaries	2,351,974	7,193,511	2,244,341	6,736,398
Post employment benefits	632,162	896,250	313,852	2,897,383
Total	**2,984,136**	**8,089,761**	**2,558,193**	**9,633,781**

10. Inventory

a) The detail of inventory is as follows:

Concepts	06.30.2018 Gross value ThCh$	06.30.2018 Allowance for obsolescence ThCh$	06.30.2018 Net value ThCh$	12.31.2017 Gross value ThCh$	12.31.2017 Allowance for obsolescence ThCh$	12.31.2017 Net value ThCh$
Mobile equipment	37,701,865	(1,888,770)	35,813,095	39,252,788	(1,950,616)	37,302,172
Modems and Router	3,364,158	(715,481)	2,648,677	3,387,832	(574,361)	2,813,471
Basic telephony, public telephony and switchboard ("centralitas") components	7,119,641	(640,465)	6,479,176	7,808,213	(484,649)	7,323,564
Decoders and antennas	1,994,137	(817,356)	1,176,781	1,951,659	(700,686)	1,250,973
IP Solutions Projects	1,241,115	-	1,241,115	132,635	-	132,635
Mobile accesory	18,355	(7,334)	11,021	17,749	(7,403)	10,346
Other	377,673	(6,197)	371,476	395,274	(15,618)	379,656
Total	**51,816,944**	**(4,075,603)**	**47,741,341**	**52,946,150**	**(3,733,333)**	**49,212,817**

As of june 30, 2018 and December 31, 2017 there have been no inventory write-offs, there is no inventory in guarantee

b) The movement of inventory is as follows:

Movements	06.30.2018 ThCh$	12.31.2017 ThCh$
Beginning balance	**49,212,817**	**49,462,283**
Purchases	116,815,658	253,361,805
Sales	(117,944,782)	(253,521,675)
Allowance for obsolescence	(342,270)	(89,596)
Transfer to materials allocated to the investment (note 15b)	(82)	-
Movement, subtotal	**(1,471,476)**	**(249,466)**
Ending balance	**47,741,341**	**49,212,817**

11. Income Taxes

a) Income Taxes:

As of june 30, 2018, the subsidiaries Telefónica Chile S.A., Telefónica Chile Servicios Corporativos Ltda., and Telefónica Investigación y Desarrollo SpA, have established a first category income tax provision since a positive taxable base was determined in the amount of ThCh$ 13,193,976. As of june 30, 2017, the taxable base was determined in the amount of ThCh$ 24,133,604, from the Telefónica Chile S.A. subsidiary.

As of june 30, 2018 and 2017, the Parent and subsidiaries presents the next tax losses of first category:

- Telefónica Móviles Chile S.A. ThCh$ 15,358,254 and ThCh$ 9,800,169.
- Telefónica Chile Servicios Corporativos Ltda. ThCh$ 16,694,925.
- Telefónica Investigación y Desarrollo SpA. ThCh$ 2,282,473.
- Telefónica Empresa S.A. ThCh$ 10,475,323 and ThCh$ 11,557,864, respectively.
- Telefónica Móviles Soluciones y Aplicaciones S.A. ThCh$ 3,097,671 and ThCh$ 2,901,774, respectively.

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

11. Taxes, continued

a) Income Taxes, continued

As of june 30, 2018, 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.	365,061,843	365,061,843	-	-	11,039,795	-	28,173,832	152,629,332
Telefónica Chile S.A.	728,505,528	723,813,806	-	4,691,723	2,721,179	-	163,363,122	723,813,806
Telefónica Chile Servicios Corporativos Ltda.	76,266,292	76,266,292	-	-	327,339	-	16,480,260	61,377,660
Total	**1,169,833,663**	**1,165,141,941**	**-**	**4,691,723**	**14,088,313**	**-**	**208,017,214**	**937,820,798**

b) Current tax assets

As of june 30, 2018 and december 31, 2017, current income tax assets are detailed as follows:

Concepts	06.30.2018 ThCh$	12.31.2017 ThCh$
Taxes for recovering previous years (1)	5.201.308	739,892
Monthly prepaid tax installments (2)	2.238.001	4,590,180
Provisional payment on absorbed profits (3)	4.376.465	4,740,822
Sence	450.853	755,015
Others	27.448	214,463
Total	**12.294.075**	**11,040,372**

(1) Corresponds to taxes recovering rental operation 2018 and 2017, respectively.

(2) Corresponds to the net amount between monthly prepaid tax installments and the income tax provision of exercise. As of june 30, 2018, ThCh$ 357,804 from the Parent Company, ThCh$ 1,180,312 from subsidiary Telefónica Chile S.A., ThCh$ 699,885 from Telefónica Chile Servicios Corporativos Ltda. As of december 31, 2017, ThCh$ 813,801 from the Parent Company, and ThCh$ 3,776,379 from subsidiary Telefónica Chile S.A.

(3) Is composed by provisional payment on absorbed profits (PPUA) of the Parent in the amount of ThCh$ 1,480,760 for the 2018 tax year and ThCh$ 2,879,782 for the 2016 and 2015 tax year, and of subsidiary Telefónica Investigación y Desarrollo Chile SpA in the amount of ThCh$ 15,923, arising from the 2016 tax year.

11. Income Taxes, continued

c) Deferred tax assets and liabilities

As of june 30, 2018, december 31, 2017 and june 30, 2017, accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh$ 47,165,835, ThCh$ 42,652,243 and ThCh$ 66,845,790 respectively, and which are detailed as follows:

Disclosure of temporary differences, losses and unused tax credits june 30, 2018	Other temporary differences	Allowance for doubtful accounts	Obsolescence provision	Dismanting provision	Deferred Cost of saleand deferred sales commissions	Deferred income	Effect or taxable goodwill on merger of subsidiary	Amortization and depreciation of assets	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities												
Deferred tax assets	31,112,964	48,422,686	1,023,007	4,173,449	-	5,672,484	117,127,093	10,634,150	4,263,303	(96,992,991)	**125,436,145**	**125,436,145**
Deferred tax liabilities	26,084,119		-	-	3,001,192		-	145,736,434	441,556	(96,992,991)	**78,270,310**	**78,270,310**
Deferred tax liabilities (assets)	**(5,028,845)**	**(48,422,686)**	**(1,023,007)**	**(4,173,449)**	**3,001,192**	**(5,672,484)**	**(117,127,093)**	**135,102,284**	**(3,821,747)**	**-**	**(47,165,835)**	**(47,165,835)**
Deferred tax assets, net	(5,028,845)	(48,422,686)	(1,023,007)	(4,173,449)	-	(5,672,484)	(117,127,093)	-	(3,821,747)	-	**(185,269,311)**	**(185,269,311)**
Deferred tax liabilities, net	-	-	-	-	3,001,192	-	-	135,102,284	-	-	**138,103,476**	**138,103,476**
Deferred tax expense (benefit												
Deferred tax expense (benefit)	(4,635,508)	(3,959,369)	(92,412)	(111,156)	(1,951,662)	3,072,563	10,355,547	(2,207,737)	17,738	-	**488,004**	**488,004**
Deferred tax expense (benefit) recognized in income	(4,635,508)	(3,959,369)	(92,412)	(111,156)	(1,951,662)	3,072,563	10,355,547	(2,207,737)	17,738	-	**488,004**	**488,004**
Deferred tax liabilities (assets) - Beginning balance Dec, 2017	(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)**
Changes in deferred tax liabilities (assets)												
Deferred tax expense (benefit) recognized in income	(4,635,508)	(3,959,369)	(92,412)	(111,156)	(1,951,662)	3,072,563	10,355,547	(2,207,737)	17,738	-	**488,004**	**488,004**
Deferred taxes related to items credited (charged) directly to equity	5,990,701	(7,512,690)	-	-	(3,819,336)	1,433,319	-	(1,093,591)	1	-	**(5,001,596)**	**(5,001,596)**
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)	**1,355,193**	**(11,472,059)**	**(92,412)**	**(111,156)**	**(5,770,998)**	**4,505,882**	**10,355,547**	**(3,301,328)**	**17,739**	**-**	**(4,513,592)**	**(4,513,592)**
Deferred tax liabilities (assets)	**(5,028,846)**	**(48,422,686)**	**(1,023,007)**	**(4,173,449)**	**3,001,192**	**(5,672,484)**	**(117,127,093)**	**135,102,284**	**(3,821,746)**	**-**	**(47,165,835)**	**(47,165,835)**

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

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 during 2017 in the amount of ThCh$ 140,423,552, adjusting this estimate as of march 31, 2018 to ThCh$ 148,606,473. In both cases the adjustment was made with a credit to income under income tax, resulting from the difference between the tax value of the investment and taxable capital, value that was allocated to non-monetary assets arising from the merger.

As of june 30, 2018 and december 31, 2017, the balance of this deferred tax asset, amounts to ThCh$ 137,422,135 and ThCh$ 127,482,640, respectively.

d) Taxable Income

As of june 30, 2018 and 2017 a first category income tax provision has been established, therefore a taxable positive base was determined in the amount of ThCh$ 13,193,976 and ThCh$ 24,133,604 respectively for period, detailed as follows:

Concepts	Taxable Net Income			
	04.01.18 to 06.30.18	06.30.2018	04.01.17 to 06.30.17	06.30.2017
	ThCh$	ThCh$	ThCh$	ThCh$
Finance income	15,700,390	43,650,639	179,877,042	200,321,225
Recorded tax expense	13,314,844	9,240,047	(144,608,402)	(129,655,642)
Additions	141,315,474	266,379,592	169,952,635	131,365,030
Deductions	(179,781,689)	(306,076,302)	(242,421,229)	(177,897,009)
Taxable net income	(9,450,981)	13,193,976	(37,199,954)	24,133,604
First category tax rate 27% and 25.5%	**(2,551,765)**	**3,562,374**	**(9,485,988)**	**6,154,069**
Art, 21 rejected expenses tax base	1,036,806	2,356,827	(248,930)	99,391
Art, 21 non-deductible expenses (40% rate)	**414,722**	**942,731**	**(99,572)**	**39,756**
Total tax provision	**(2,137,043)**	**4,505,105**	**(9,585,560)**	**6,193,825**
Provision contingencies (1)	1,817,599	1,817,599	-	-
Hedging instrument income tax provision (2)	(10,510)	(14,825)	(100,602)	15,299
Deficit/exceso period anterior	2,444,164	2,444,164	(2,192,884)	(2,192,887)
Provision for wind up tax of subsidiary	-	-	14,964,598	14,964,598
Total first category taxes (3)	**2,114,210**	**8,752,043**	**3,085,552**	**18,980,835**

(1) Corresponds to contingencies of the parent company and subsidiary Telefónica Móviles Soluciones y Aplicaciones S.A. (see Note 27 b)

(2) Corresponds to the deficit (surplus) in the tax provision calculated on 2016 and 2017 hedging instruments (liquidated), This tax provision deficit (surplus) is presented as higher o menor expense for the period.

(3) First category tax has been accounted for considering the increase in the rate from 25.5% to 27%, due to the tax reform of Law 20.780.

11. Income Taxes, continued

e) Income tax reconciliation

The income tax expense reconciliation for june 30, 2018 and 2017 are detailed as follows:

Conceptos	04.01.18 to 06.30.18 Taxable base ThCh$	27% Tax Rate ThCh$	06.30.2018 Taxable base ThCh$	27% Tax Rate ThCh$	04.01.17 to 06.30.17 Taxable base ThCh$	25.5% Tax Rate ThCh$	06.30.2017 Taxable base ThCh$	24% Tax Rate ThCh$
Based on accounting income before taxes:								
Finance income	15,700,390		43,650,639		179,877,042		200,321,225	
Recorded tax expense	13,314,844		9,240,047		(144,608,402)		(129,655,642)	
Income before taxes	**29,015,234**	**7,834,113**	**52,890,686**	**14,280,485**	**35,268,640**	**8,993,503**	**70,665,583**	**18,019,724**
Permanent differences	**20,299,004**	**5,480,731**	**(18,668,291)**	**(5,040,438)**	**(602,360,412)**	**(153,601,905)**	**(579,119,079)**	**(147,675,366)**
Price-level restatement of taxable equity	(15,377,500)	(4,151,925)	(32,378,257)	(8,742,129)	(16,919,690)	(4,314,521)	(33,567,359)	(8,559,677)
Corrección monetaria Valor tributario Inversiones EERR	8,788,042	2,372,771	15,374,811	4,151,199	-	-	-	-
Income from investment in related parties	411,324	111,057	766,362	206,918	(842,555)	(214,852)	(505,648)	(128,940)
Effect of rate change in the result	-	-	-	-	(34,235,423)	(8,730,033)	(34,903,505)	(8,900,394)
Effect or taxable goodwill on merger of subsidiary	-	-	-	-	(520,087,229)	(132,622,243)	(520,087,229)	(132,622,243)
Provision contingencies	6,731,841	1,817,597	6,731,841	1,817,597	-	-	-	-
Adjustment on deferred tax balances	14,640,632	3,952,971	(15,910,601)	(4,295,862)	(14,272,353)	(3,639,450)	(16,606,047)	(4,234,542)
Others (1)	5,104,665	1,378,260	6,747,553	1,821,839	(16,003,162)	(4.080.806)	26.550.709	6.770.430
Total corporate tax expense	**49,314,238**	**13,314,844**	**34,222,394**	**9,240,047**	**(567,091,772)**	**(144,608,402)**	**(508,453,496)**	**(129,655,642)**
Based on taxable net income and deferred taxes calculated on the basis of temporary differences								
27% and 25.5% income tax		(2,551,765)		3,562,374		(9,485,988)		6,154,069
40% income tax		414,722		942,731		(99,572)		39,756
Provision contingencies		1,817,599		1,817,599		-		-
Settlement of derivatives from previous years		(10,510)		(14,825)		(100,602)		15,299
Wind up tax provision Telefónica Móviles		-		-		14,964,598		14,964,598
Deficit (Surplus) previous period		2,444,164		2,444,164		(2,192,884)		(2,192,887)
Income tax expense		**2,114,210**		**8,752,043**		**3,085,552**		**18,980,835**
Deferred tax expense (income)		**11,200,634**		**488,004**		**(147,693,954)**		**(148,636,477)**
Total corporate tax expense		**13,314,844**		**9,240,047**		**(144,608,402)**		**(129,655,642)**
Effective income tax rate		**45.89%**		**17.47%**		**410.02%**		**183.48%**

(1) This item includes subsidies from tax organizations, tax fines, price-level restatement of tax losses, price-level restatement of non-monetary assets goodwill, termination benefits through income, non-deductible expenses, financial write-offs, among others.

11. Income Taxes, continued

f) Current income tax liabilities

As of june 30, 2018 and december 31, 2017, current income tax liabilities are detailed as follows:

Concepts	06.30.2018 ThCh$	03.31.2017 ThCh$
Contingency provision (note 27 a)	20,414,022	18,424,224
Income tax accrual	305,854	2,362,100
Unic income tax	123,733	845,186
Others	231,693	231,692
Total	**21,075,302**	**21,863,202**

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	06.30.2018 Gross value ThCh$	06.30.2018 Allowance for doubtful accounts ThCh$	06.30.2018 Net value ThCh$	12.31.2017 Gross value ThCh$	12.31.2017 Allowance for doubtful accounts ThCh$	12.31.2017 Net value ThCh$
Receivables on non-current loan transactions	**16,578,576**	**(1,537,025)**	**15,041,551**	**9,302,468**	**(1,397,547)**	**7,904,921**
Trade receivables	13,964,739	(1,437,477)	12,527,262	9,302,468	(1,397,547)	7,904,921
Contractual asset (1)	2,613,837	(99,548)	2,514,289	-	-	-
Miscellaneous receivables (2)	**17,279,133**	**-**	**17,279,133**	**11,465,469**	**-**	**11,465,469**
Total	**33,857,709**	**(1,537,025)**	**32,320,684**	**20,767,937**	**(1,397,547)**	**19,370,390**

(1) Under IFRS 15, the contractual asset is the difference between revenue from sale of handsets and the amount received from the customer at the beginning of the contract.
(2) Mainly includes loans related to employees.

b) As of june 30, 2018 and december 31, 2017, Non-current trade and other accounts receivable by due date are detailed as follows:

As of june 30, 2018

Concepts	Gross Portfolio value in ThCh$: 1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Allowance for doubtful accounts ThCh$: 1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Net Total
Trade receivables	6,769,561	7,582,640	2,226,375	**16,578,576**	(1,319,169)	(168,954)	(48,902)	**(1,537,025)**	**15,041,551**
Miscellaneous receivables	3,027,499	1,274,693	12,976,941	**17,279,133**	-	-	-	-	**17,279,133**
Total	**9,797,060**	**8,857,333**	**15,203,316**	**33,857,709**	**(1,319,169)**	**(168,954)**	**(48,902)**	**(1,537,025)**	**32,320,684**

As of december 31, 2017

Concepts	Gross Portfolio value in ThCh$: 1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Allowance for doubtful accounts ThCh$: 1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Net Total
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**

13. Intangible Assets other than goodwill

a) Intangible assets other than goodwill as of june 30, 2018 and december 31, 2017 are detailed as follows:

Concepts	06.30.2018 Intangible, gross ThCh$	06.30.2018 Accumulated amortization ThCh$	06.30.2018 Intangible, net ThCh$	12.31.2017 Intangible, gross ThCh$	12.31.2017 Accumulated amortization ThCh$	12.31.2017 Intangible, net ThCh$
Intangible assets in development (1)	21,833,328	-	21,833,328	3,872,270	-	3,872,270
Licenses and softwaresm (1)	741,637,208	(588,051,717)	153,585,491	706,433,221	(546,880,694)	159,552,527
Administratives grantings	130,169,199	(101,678,846)	28,490,353	130,169,199	(100,764,730)	29,404,469
Other intangible assets (2)	21,832,500	(20,247,102)	1,585,398	21,832,500	(19,947,846)	1,884,654
Total	**915,472,235**	**(709,977,665)**	**205,494,570**	**862,307,190**	**(667,593,270)**	**194,713,920**

(1) As of june 2018, the following new investments were made in Evolutionary Developments (includes Believe) in the amount of ThCh$ 6,312,833, operating continuity in the amount of ThCh$ 5,003,049, licenses in the amount of the ThCh$ 4,011 and other projects in the amount of ThCh$ 2,633,613.

(2) Corresponds to rights to use underwater cable.

b) As of june 30, 2018 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 01.01.2018	**3,872,270**	**159,552,527**	**29,404,469**	**1,884,654**	**194,713,920**
Additions	24,198,254	-	-	-	24,198,254
Amortization	-	(41,171,023)	(914,116)	(299,256)	(42,384,395)
Transfer from work in progress (Note 15b)	(200,778)	29,167,569	-	-	28,966,791
Transfer from costs of developing to service	(6,036,418)	6,036,418	-	-	-
Movement, subtotal	**17,961,058**	**(5,967,036)**	**(914,116)**	**(299,256)**	**10,780,650**
Ending balance as of 06.30.2018	**21,833,328**	**153,585,491**	**28,490,353**	**1,585,398**	**205,494,570**
Remaining average useful life	**-**	**1.9 years**	**18.5 years**	**2.2 years**	**-**

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**	**-**

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

13. **Intangible Assets other than goodwill**, continued

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

Intangible assets are tested for impairment whenever there is an indication of a potential loss in value, and in any case at each year-end.

As of june 30, 2018 no indications of impairment have been detected for those assets, therefore no impairment testing has been performed.

The main additions to intangible assets other than goodwill as of june 30, 2018 and december 31, 2017 are investments in information application and licenses.

Items in the intangibles heading that are fully depreciated and in use are licenses and franchises and amount to ThCh$ 489,257,447 and ThCh$ 445,050,849, as of june 30, 2018 and december 31, 2017, respectively.

14. Goodwill

Current goodwill as of this period was generated before the date of transition to and adoption of International Financial Reporting Standards, and as of june 30, 2018 the value recorded as of that date remains the same.

Goodwill movement as of june 30, 2018 and december 31, 2017 is as follows:

Taxpayer No,	Company	01.01.2018 ThCh$	Additions ThCh$	Eliminations ThCh$	06.30.2018 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	01.01.2017 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**

(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 3%

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.

There has been no impairment testing as of june 30, 2018.

15. Property, plant and equipment

a) The detail of Property, plant and equipment items for the periods june 30, 2018 and december 31, 2017, and their corresponding accumulated depreciation is as follows:

Concepts	06.30.2018			12.31.2017		
	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	24,336,066	-	24,336,066	24,392,958	-	24,392,958
Buildings	952,352,888	(642,966,686)	309,386,202	945,418,035	(630,521,465)	314,896,570
Transport equipments	475,562	(472,318)	3,244	534,853	(530,528)	4,325
Supplies and accessories	34,102,515	(31,542,025)	2,560,490	33,901,928	(31,127,606)	2,774,322
Office equipments	3,518,714	(2,397,367)	1,121,347	3,393,481	(2,267,308)	1,126,173
Construction in progress	144,416,868	-	144,416,868	169,884,000	-	169,884,000
Information equipment	97,038,897	(74,377,272)	22,661,625	89,545,082	(69,749,125)	19,795,957
Network and communications equipment (1)	3,490,527,395	(2,811,163,211)	679,364,184	3,433,258,628	(2,752,552,501)	680,706,127
Property, plant and equipment under financial leases	5,304,293	(4,989,140)	315,153	5,304,293	(4,985,265)	319,028
Other property, plant & equipment (2)	297,010,293	(248,557,222)	48,453,071	293,877,894	(242,593,331)	51,284,563
Total	**5,049,083,491**	**(3,816,465,241)**	**1,232,618,250**	**4,999,511,152**	**(3,734,327,129)**	**1,265,184,023**

(1) As of june 30, 2018 and december 31, 2017 this heading includes an allowance in the amount of ThCh$ 19,704,140 and ThCh$ 19,331,353, respectively, corresponding to the estimated cost of dismantling telecommunications infrastructure microwave antennas. The obligation is presented under non-current liabilities, in other non-current provisions.

(2) Includes general equipment and subscriber equipment.

15. Property, plant and equipment, continued

b) As of june 30, 2018 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 01.01.2018	**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**
Additions	-	-	-	-	-	100,093,052	-	-	-	-	**100,093,052**
Retirements	(56,892)	(3,075,183)	(59,291)	(1,222)	-	-	(664,869)	(2,014,769)	-	(14,915,417)	**(20,787,643)**
Acc, Dep, retirements	-	458,585	59,291	1,221	-	-	646,107	1,570,530	-	14,866,560	**17,602,294**
Depreciation expense	-	(12,903,806)	(1,081)	(415,640)	(130,059)	-	(5,274,254)	(60,181,240)	(3,875)	(20,830,451)	**(99,740,406)**
Other Increase (decrease) (1)	-	10,010,036	-	201,809	125,233	(125,560,184)	8,158,684	59,283,536	-	18,047,816	**(29,733,070)**
Movements, subtotal	**(56,892)**	**(5,510,368)**	**(1,081)**	**(213,832)**	**(4,826)**	**(25,467,132)**	**2,865,668**	**(1,341,943)**	**(3,875)**	**(2,831,492)**	**(32,565,773)**
Ending balance as of 06.30.2018	**24,336,066**	**309,386,202**	**3,244**	**2,560,490**	**1,121,347**	**144,416,868**	**22,661,625**	**679,364,184**	**315,153**	**48,453,071**	**1,232,618,250**

(1) Corresponds to the movement of transfers from construction in progress to intangible assets in the amount of ThCh$ (28,966,791) (Note 13b), transfers from construction in progress to inventory in the amount of ThCh$ 82 (note 10b) 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$ (766,361).

As of june 30, 2018, 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	**-**	**305,033,467**	**453,935**	**27,316,571**	**1,213,107**	**-**	**57,873,112**	**2,285,582,722**	**-**	**197,226,453**	**2,874,699,367**

15. Property, plant and equipment, continued

c) 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

Additions for the period 2018 fundamentally show the effect of incorporation of customer residential equipment (fixed telephone and broadband), voice and data equipment, E- Solutions; antennas and transmission equipment (infrastructure), nodes and energy systems.

As of june 30, 2018 Property, plant and equipment items originating from net financial lease operations amount to ThCh$ 315,153 in the categories of buildings and the other property, plant and equipment, As of december 31, 2017, the amount for this concept was ThCh$ 319,028.

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).

The Company has no assets provided in guarantee.

16. Other current and other non-current financial liabilities

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

Concepts		06.30.2018		12.31.2017	
		Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bank loans	(a)	93,939	97,137,682	93,320	91,615,282
Unguaranteed obligations (Bonds)	(b)	53,655,799	656,125,411	7,028,581	681,739,322
Hedge instruments	(see note 18.2)	4,769,614	18,470,282	7,038,757	14,290,035
Total		**58,519,352**	**771,733,375**	**14,160,658**	**787,644,639**

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

As of june 30, 2018 the movements composition of current and non-current financial assets and liabilities from financial activities are as follows:

Conciliation of financing activities, current	12.31.2017	Cash flows		Other items than chash flow		06.30.2018
		Upward	Low	Exchange rate	Others movements	
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Financial liabilities	**14,160,658**	**154,633**	**(17,609,581)**	**(1,952,642)**	**63,766,284**	**58,519,352**
Banks loans (1)	93,320	-	(1,183,602)	-	1,184,221	93,939
Unguaranteed obligations (Bonds) (2)	7,028,581	-	(13,169,623)	-	59,796,841	53,655,799
Hedge instruments	7,038,757	154,633	(3,256,356)	(1,952,642)	2,785,222	4,769,614
Comercial mandate to related companies (3)	**1,744,056**	**5,408,000**	**(6,495,000)**	**-**	**62,296**	**719,352**
Issuance of shares	**-**	**37,000,000**	**-**	**-**	**(37,000,000)**	**-**
Dividends	**-**	**-**	**(24,475)**	**-**	**24,475**	**-**
Others	**-**	**-**	**(1,195,850)**	**-**	**1,195,850**	**-**
Total	**15,904,714**	**42,562,633**	**(25,324,906)**	**(1,952,642)**	**28,048,905**	**59,238,704**

Conciliation of financing activities, non-current	12.31.2017	Cash flows		Other items than chash flow		06.30.2018
		Upward	Low	Exchange rate	Others movements	
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Banks loans	91,615,282	-	-	5,447,942	74,458	97,137,682
Unguaranteed obligations (Bonds)	681,739,322	-	-	20,641,152	(46,255,063)	656,125,411
Hedge instruments	14,290,035	-	-	(5,469,000)	9,649,247	18,470,282
Total	**787,644,639**	**-**	**-**	**20,620,094**	**(36,531,358)**	**771,733,375**

(1) As of june 30, 2018, the cash flow movements in current of Banks loans are the amount to ThCh$ 1,183,602 of interest payment.

(2) As of june 30, 2018, the cash flow movements in current of Unguaranteed obligations are the amount to ThCh$ 13,169,623 of interest payment.

(3) Includes movements with related entities and other movements that do not form part of financial liabilities, but whose cash flows correspond to financing activities.

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

As of june 30, 2017 the movements composition of current and non-current financial liabilities from financial activities are as follows:

Conciliation of financing activities, current	12.31.2016	Cash flows		Other items than chash flow		06.30.2017
		Upward	Low	Exchange rate	Others movements	
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Financial liabilities	**79,329,791**	**16,395,600**	**(83,064,687)**	**5,751,756**	**497,223**	**18,909,683**
Banks loans (1)	65,384,901	-	(65,783,457)	16,712,449	(16,295,031)	18,862
Unguaranteed obligations (Bonds) (2)	6,117,450	-	(12,466,845)	-	13,479,969	7,130,574
Hedge instruments	7,827,440	16,395,600	(4,814,385)	(10,960,693)	3,312,285	11,760,247
Comercial mandate to related companies (3)	**7,885,715**	**-**	**(2,033,000)**	**-**	**(58,802)**	**5,793,913**
Financial loans to related companies (3)	**(115,336,015)**	**-**	**(4,277,850)**	**-**	**(8,982,460)**	**(128,596,325)**
Dividends	**-**	**-**	**(64,385)**	**-**	**64,385**	**-**
Others	**-**	**-**	**(3,341,860)**	**-**	**3,341,860**	**-**
Total	**(28,120,509)**	**16,395,600**	**(92,781,782)**	**5,751,756**	**(5,137,794)**	**(103,892,729)**

Conciliation of financing activities, non-current	12.31.2016	Cash flows		Other items than chash flow		06.30.2017
		Upward	Low	Exchange rate	Others movements	
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Banks loans	99,551,945	-	-	(1,166,182)	465,465	98,851,228
Unguaranteed obligations (Bonds) (2)	656,843,352	48,795,050	-	(119,277)	(618,178)	704,900,947
Hedge instruments	7,758,555	-	-	-	557,239	8,315,794
Total	**764,153,852**	**48,795,050**	**-**	**(1,285,459)**	**404,526**	**812,067,969**

(1) As of june 30, 2017, the cash flow movements in current of Banks loans are the amount to ThCh$ 1,295,007 of interest payment.

(2) As of june 30, 2017, the cash flow movements in current of Unguaranteed obligations are the amount to ThCh$ 12,466,844 of interest payment and upward of new debt in the non-current.

(3) Includes movements with related entities and other movements that do not form part of financial liabilities, but whose cash flows correspond to financing activities.

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

a) As of june 30, 2018 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)	76.021.780-8	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)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Bank of Tokyo	-	-	-	99,057,000	99,057,000	-	-	-	-	99,057,000
	Total				**-**	**-**	**-**	**99,057,000**	**99,057,000**	**-**	**-**	**-**	**-**	**99,057,000**

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 06.30.2018 ThCh$	Non-current To Maturity							Total Non-current as of 06.30.2018 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)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Bank of Tokyo	93,939	-	93,939	-	97,137,682	97,137,682	-	-	-	-	97.137.682
	Total				**93,939**	**-**	**93,939**	**-**	**97,137,682**	**97,137,682**	**-**	**-**	**-**	**-**	**97,137,682**

(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.

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)	76.021.780-8	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)	76.021.780-8	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)	76.021.780-8	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).

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

b) As of june 30, 2018 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)	76.021.780-8	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)	76.021.780-8	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)	76.021.780-8	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)	76.021.780-8	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)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Seires Bond G (2)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	50,108,620	50,108,620	-	-	-	-	50,108,620
Series Bond I (3)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	50,317,080	50,317,080	-	-	-	-	50,317,080
Series Bond K (4)	76.021.780-8	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
Series Bond T (7)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	-	-	9,600,000	19,200,000	28,800,000	-	-	-	19,200,000	48,000,000
Total					**-**	**47,000,000**	**9,600,000**	**119,625,700**	**129,225,700**	**94,410,000**	**236,400,000**	**330,810,000**	**86,128,680**	**593,164,380**

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

b) As of june 30, 2018 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 06.30.2018 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 06.30.2018 ThCh$
Series Bond F (1)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	691,065	**691,065**	-	-	-	-	-	-	80,654,299	**80,654,299**
Series Bond G (2)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	32,472	**32,472**	54,511,194	-	54,511,194	-	-	-	-	**54,511,194**
Series Bond I (3)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Banco Santander	396,010	-	**396,010**	-	54,258,620	54,258,620	-	-	-	-	**54,258,620**
Series Bond K (4)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Banco Santander	1,346,523	-	**1,346,523**	-	-	-	94,385,932	-	94,385,932	-	**94,385,932**
Series Bond 144A (5)	90.635.000-9	Telefónica Chile S.A.	Chile	The Bank of New York Mellon	-	2,329,669	**2,329,669**	-	-	-	-	324,124,475	324,124,475	-	**324,124,475**
Series Bond Q (6)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	47,656,153	-	**47,656,153**	-	-	-	-	-	-	-	**-**
Series Bond T (7)	90.635.000-9	Telefónica Chile S.A.	Chile	Banco Chile	1,203,907	-	**1,203,907**	9,710,593	19,255,402	28,965,995	-	19,224,896	19,224,896	-	**48,190,891**
	Total				**50,602,593**	**3,053,206**	**53,655,799**	**64,221,787**	**73,514,022**	**137,735,809**	**94,385,932**	**343,349,371**	**437,735,303**	**80,654,299**	**656,125,411**

(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, 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)	76.021.780-8	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)	76.021.780-8	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)	76.021.780-8	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)	76.021.780-8	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)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Seires Bond G (2)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	50,108,620	50,108,620	-	-	-	-	50,108,620
Series Bond I (3)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	50,317,080	50,317,080	-	-	-	-	50,317,080
Series Bond K (4)	76.021.780-8	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)	76.021.780-8	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	693,516	**693,516**	-	-	-	-	-	-	79,514,791	**79,514,791**
Series Bond G (2)	76.021.780-8	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)	76.021.780-8	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)	76.021.780-8	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$48,795,00

17. Trade and other payables

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

Concepts	06.30.2018 ThCh$	12.31.2017 ThCh$
Debts due to purchases or services provided, invoiced (1)	113,620,097	147,726,760
Real property providers, invoiced	45,499,833	69,555,272
Debts due to purchases or services provided, provisioned (1)	111,110,104	96,580,743
Payables to employees	22,107,000	41,205,473
Real property providers, provisioned	21,415,463	29,263,985
Dividends pending payment	142,085	359,513
Total	**313,894,582**	**384,691,746**

(1) "Debts from purchases or services rendered" corresponding to foreign and domestic suppliers, for the periods ended as of june 30, 2018 and december 31, 2017 are detailed as follows:

Debts due to purchases or services provided	06.30.2018 ThCh$	12.31.2017 ThCh$
Domestic	193,202,062	219,470,923
Foreign	31,528,139	24,836,580
Total	**224,730,201**	**244,307,503**

b)Accounts payable payment terms

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

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

As of june 30, 2018 the main suppliers, in the Mobile operation are: Huawei Chile S.A. with 15.3%, Samsung Electronics Chile Ltda. with 11.5%, Orange France with 5.7%, Import Export Celucion Limitada with 4.3%. As of december 31, 2017 the main suppliers were: Samsung Electronics Chile Ltda. with 14.86%, Atento Chile S.A. with 12.94%, Apple Chile Comercial Limitada with 11.36%, and LG Electronics with 7.99%.

As of june 30, 2018 the main suppliers, in the fixed operation are: Ministerio de obras públicas with 7.6%, Ezentis Chile S.A. with 5.2%, Cam Servicios de Telecomunicaciones with 4.3%. 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%

17. Trade and other payables, continued

b) Accounts payable payment terms, continued

The terms of accounts payable to suppliers with up to date payments as of june 30, 2018 and december 31, 2017 are detailed as follows:

Suppliers with up to date payments As of 06.30.2018	Goods ThCh$	Services ThCh$	Total ThCh$
Trade accounts to date			
Up to 30 days	22,181,573	57,690,027	79,871,600
From 31 to 60 days	19,637,928	24,125,144	43,763,072
From 61 to 90 days	-	40	40
Total	**41,819,501**	**81,815,211**	**123,634,712**
Average period of payment of up to date accounts	**60**	**53**	

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	29,228,754	40,490,828	69,719,582
From 31 to 60 days	26,561,342	43,744,863	70,306,205
From 61 to 90 days	-	2,864,074	2,864,074
Total	**55,790,096**	**87,099,765**	**142,889,861**
Average period of payment of up to date accounts	**60**	**56**	

The terms of accounts payable to suppliers with overdue payments as of june 30, 2018 and december 31, 2017 are detailed as follows:

Overdue trade accounts payable by term As of 06.30.2018	Goods ThCh$	Services ThCh$	Total ThCh$
Overdue trade accounts payable by term			
Up to 30 days	3,039,669	17,241,746	20,281,415
From 31 to 60 days	352,314	1,143,831	1,496,145
From 61 to 90 days	4,857	1,569,195	1,574,052
From 91 to 120 days	159,848	-	159,848
From 121 to 180 days	93,725	3,381,226	3,474,951
More than 180 days	29,919	8,468,888	8,498,807
Total	**3,680,332**	**31,804,886**	**35,485,218**
Average payment period of overdue accounts	**57**	**46**	

17. Trade and other payables, continued

b)Accounts payable payment terms, continued

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	10,409	8,226,250	8,236,659
From 31 to 60 days	162,874	8,482,234	8,645,108
From 61 to 90 days	5,996,332	23,870,256	29,866,588
From 91 to 120 days	6,625,845	7,586,083	14,211,928
From 121 to 180 days	969,716	1,712,971	2,682,687
More than 180 days	-	10,749,201	10,749,201
Total	**13,765,176**	**60,626,995**	**74,392,171**
Average payment period of overdue accounts	**59**	**47**	

18. Financial instruments

1. Classification of financial instruments by nature and category

a) Details of financial instruments of assets classified by nature and category as of june 30, 2018 is as follows:

Description of financial assets		ASSETS RECORDED AT FAIR VALUE						ASSETS RECORDED AT AMORTIZED COST			TOTAL	
					Valuation hierarchy							
		Financial assets - heritage instruments	Derivatives	Subtotal of assets at fair value	Level 1 Market prices	Level 2 Estimates based on other observable market data	Level 3 Estimates not based on observable market data	Loans and accounts receivable	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$
Other participations (net)		**6,670,506**	**-**	**6,670,506**	**6,666,649**	**3,857**	**-**	**-**	**-**	**-**	**6,670,506**	**6,670,506**
Other participations	See note 6 b	6,670,506	-	6,670,506	6,666,649	3,857	-	-	-	-	6,670,506	6,670,506
Derivative instrument assets		**-**	**119,800,552**	**119,800,552**	**-**	**119,800,552**	**-**	**-**	**-**	**-**	**119,800,552**	**119,800,552**
Derivative instrument assets	See note 18-2	-	119,800,552	119,800,552	-	119,800,552	-	-	-	-	119,800,552	119,800,552
Deposits and pledges		**50,468**	**-**	**50,468**	**-**	**50,468**	**-**	**-**	**-**	**-**	**50,468**	**50,468**
Deposits and pledges	See note 6 a	50,468	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current trade and other accounts receivable		**-**	**-**	**-**	**-**	**-**	**-**	**32,320,684**	**-**	**32,320,684**	**32,320,684**	**32,320,684**
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	32,320,684	-	32,320,684	32,320,684	32,320,684
Non-current financial assets		**6,720,974**	**119,800,552**	**126,521,526**	**6,666,649**	**119,854,877**	**-**	**32,320,684**	**-**	**32,320,684**	**158,842,210**	**158,842,210**
Current trade accounts receivable		**-**	**-**	**-**	**-**	**-**	**-**	**313,797,564**	**-**	**313,797,564**	**313,797,564**	**313,797,564**
Current trade and other accounts receivable	See note 8 a	-	-	-	-	-	-	289,698,782	-	289,698,782	289,698,782	289,698,782
Account receivable from relate entities	See note 9 a	-	-	-	-	-	-	24,098,782	-	24,098,782	24,098,782	24,098,782
Current deposits and pledges		**116,684**	**-**	**116,684**	**-**	**116,684**	**-**	**-**	**-**	**-**	**116,684**	**116,684**
Current pledges and deposits	See note 6 a	116,684	-	116,684	-	116,684	-	-	-	-	116,684	116,684
Derivative instrument of assets		**-**	**11,132,172**	**11,132,172**	**-**	**11,132,172**	-	-	-	-	**11,132,172**	**11,132,172**
Derivative instrument of assets	See note 18-2	-	11,132,172	11,132,172	-	11,132,172	-	-	-	-	11,132,172	11,132,172
Financial instruments		**-**	**-**	**-**	**-**	**-**	**-**	**13,036,877**	**-**	**13,036,877**	**13,036,877**	**13,036,877**
Financial instruments	See note 6 c	-	-	-	-	-	-	13,036,877	-	13,036,877	13,036,877	13,036,877
Cash and cash equivalents		**-**	**-**	**-**	**-**	**-**	**-**	**154,370,276**	**-**	**154,370,276**	**154,370,276**	**154,370,276**
Cash and cash equivalents	See note 5	-	-	-	-	-	-	154,370,276	-	154,370,276	154,370,276	154,370,276
Current financial assets		**116,684**	**11,132,172**	**11,248,856**	**-**	**11,248,856**	**-**	**481,204,717**	**-**	**481,204,717**	**492,453,573**	**492,453,573**
Total financial assets		**6,837,658**	**130,932,724**	**137,770,382**	**6,666,649**	**131,103,733**	**-**	**513,525,401**	**-**	**513,525,401**	**651,295,783**	**651,295,783**

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, 2017 is as follows:

Description of financial assets		ASSETS RECORDED AT FAIR VALUE						ASSETS RECORDED AT AMORTIZED COST			TOTAL	
					Valuation hierarchy							
		Financial assets - heritage instruments	Derivatives	Subtotal of assets at fair value	Level 1 Market prices	Level 2 Estimates based on other observable market data	Level 3 Estimates not based on observable market data	Loans and accounts receivable	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$
Other participations (net)		**7,188,206**	**-**	**7,188,206**	**7,184,349**	**3,857**	**-**	**-**	**-**	**-**	**7,188,206**	**7,188,206**
Other participations	See note 6 b	7,188,206	-	7,188,206	7,184,349	3,857	-	-	-	-	7,188,206	7,188,206
Derivative instrument assets		**-**	**103,224,236**	**103,224,236**	**-**	**103,224,236**	**-**	**-**	**-**	**-**	**103,224,236**	**103,224,236**
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		**50,468**	**-**	**50,468**	**-**	**50,468**	**-**	**-**	**-**	**-**	**50,468**	**50,468**
Deposits and pledges	See note 6 a	50,468	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current trade and other accounts receivable		**-**	**-**	**-**	**-**	**-**	**-**	**19,370,390**	**-**	**19,370,390**	**19,370,390**	**19,370,390**
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	19,370,390	-	19,370,390	19,370,390	19,370,390
Non-current financial assets		**7,238,674**	**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	86,315	-	86,315	-	86,315	-	-	-	-	86,315	86,315
Derivative instrument of assets		**-**	**690,553**	**690,553**	**-**	**690,553**	-	-	-	-	**690,553**	**690,553**
Derivative instrument of assets	See note 18-2	-	690,553	690,553	-	690,553	-	-	-	-	690,553	690,553
Financial instruments		**-**	**-**	**-**	**-**	**-**	**-**	**206,793,908**	**-**	**206,793,908**	**206,793,908**	**206,793,908**
Financial instruments	See note 6 c	-	-	-	-	-	-	206,793,908	-	206,793,908	206,793,908	206,793,908
Cash and cash equivalents		**-**	**-**	**-**	**-**	**-**	**-**	**279,766,756**	**-**	**279,766,756**	**279,766,756**	**279,766,756**
Cash and cash equivalents	See note 5	-	-	-	-	-	-	258,940,140	-	258,940,140	258,940,140	258,940,140
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		**7,324,989**	**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

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 june 30, 2018 is as follows:

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE			Valuation hierarchy		LIABILITIES RECORDED AT AMORTIZED COST	TOTAL	
		Hedge derivative liabilities	Subtotal of liabilities at fair value	Level 1	Level 2	Level 3			
				Market prices	Estimates based on other observable market data	Estimates not based on observable market data	Debits and items payable	Total Carrying amount	Total Carrying amount
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Issuance of obligations and other non-current marketable securities	See note 16 b	-	-	-	-	-	656,125,411	656,125,411	654,145,265
Non-current debts with loan entities	See note 16 a	-	-	-	-	-	97,127,682	97,127,682	97,127,682
Long-term hedge derivative instrument of liabilities		18,470,282	18,470,282	-	18,470,282	-	-	18,470,282	18,470,282
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities		-	-	-	-	-	-	-	-
Non-current financial liabilities		**18,470,282**	**18,470,282**	**-**	**18,470,282**	**-**	**753,253,093**	**771,723,375**	**769,743,229**
Issuance of short-term obligations and other marketable securities	See note 16 b	-	-	-	-	-	53,655,799	53,655,799	53,387,203
Short-term debts with credit entities	See note 16 a/c	-	-	-	-	-	93,939	93,939	93,939
Short-term derivative instrument of liabilities	See note 18-2	4,769,614	4,769,614	-	4,769,614	-	-	4,769,614	4,769,614
Trade and other accounts payable	See note 17	-	-	-	-	-	313,894,582	313,894,582	313,894,582
Accounts payable to related entities	See note 9 b	-	-	-	-	-	51,189,105	51,189,105	51,189,105
Current financial liabilities		**4,769,614**	**4,769,614**	**-**	**4,769,614**	**-**	**418,833,425**	**423,603,039**	**423,334,443**
Total financial liabilities		**23,239,896**	**23,239,896**	**-**	**23,239,896**	**-**	**1,172,086,518**	**1,195,326,414**	**1,193,077,672**

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:

		LIABILITES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST	TOTAL	
					Valuation hierarchy				
Description of financial liabilities	Financial instrument expiry	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 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

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 june 30, 2018, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as 06.30.2018 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$	To Maturity 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	8,981,897	4,879,330	4,102,567	8,981,897	-	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(2,411)	(2,411)	-	853,854	(856,265)	-	-	-	-
Interest rate – cash flows hedge (4)	Financial Debt	(14,207,251)	(2,637,281)	20,353	1,296,421	(3,913,349)	-	(11,590,323)	4,970,488	(16,560,811)
Exchange rate and interest rate – fair value hedge (5)	Financial Debt	112,920,593	-	-	-	-	-	112,920,593	114,830,064	(1,909,471)
	Total	**107,692,828**	**2,239,638**	**4,122,920**	**11,132,172**	**(4,769,614)**	**(4,769,614)**	**101,330,270**	**119,800,552**	**(18,470,282)**

Hedge instruments have generated an effect on result of ThCh$ 6,183,327, As of june 30, 2018 the accumulated effect on equity is ThCh$ 6,154,194 (see note 22d).

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$	To Maturity 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 result of ThCh$ (44,800,934), As of december 31, 2017 the accumulated effect on equity is ThCh$ 5,172,662 (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	06.30.2018 ThCh$	12.31.2017 ThCh$
Civil and regulatory	10,101,431	10,387,867
Total	**10,101,431**	**10,387,867**

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 june 30, 2018 and december 31, 2017 the movements in provisions is as follows:

Movements	06.30.2018 ThCh$	12.31.2017 ThCh$
Beginning balance	**10,387,867**	**11,036,140**
Increase in existing provisions	514,774	1,071,463
Provision used	(801,210)	(1,719,736)
Movement subtotal	**(286,436)**	**(648,273)**
Ending balance	**10,101,431**	**10,387,867**

b) Other non-currents provisions:

As of june 30, 2018 and december 31, 2017 the balance of other non-currents provisions is detailed as follows:

Concepts	06.30.2018 ThCh$	12.31.2017 ThCh$
Dismantling provision (1)	19,704,140	19,331,353
Non-currents provisions others	154,897	148,298
Total	**19,859,037**	**19,479,651**

(1) Movements of the dismantling provision as of june 30, 2018 and december 31, 2017 are detailed as follows:

Movements	06.30.2018 ThCh$	12.31.2017 ThCh$
Beginning balance	**19,331,353**	**17,161,751**
Increase in existing provisions	125,937	1,356,363
Financial restatement	411,697	835,449
Telxius transfer (1)	(164,847)	-
Applied provision	-	(22,210)
Movement subtotal	**372,787**	**2,169,602**
Ending balance	**19,704,140**	**19,331,353**

(1) Corresponds to the derecognition of the stripping allowance for the 37 towers sold to Telxius Torres Chile S.A. on June 29, 2018 (see Nota 9a)

20. Employee benefits accrual

a) Post employment benefits

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

As of june 30, 2018 and december 31, 2017 current and non-current employee benefits accrual are as follows:

Concepts	06.30.2018 ThCh$	12.31.2017 ThCh$
Current amount of liability recognized for termination benefits	7,755,141	7,589,974
Non-current amount of liability recognized for termination benefits	27,152,658	29,653,740
Total	**34,907,799**	**37,243,714**

As of june 30, 2018 and december 31, 2017 the movements for current employee benefits provisions are detailed as follows:

Movements	06.30.2018 ThCh$	12.31.2017 ThCh$
Beginning balance	**37,243,714**	**36,759,023**
Service costs	194,288	651,203
Interest costs	956,309	1,659,670
Actuarial (profits)/losses, net due to experience	254,113	(1,906,403)
Benefits paid	(4,048,725)	(1,758,260)
Others	308,100	1,838,481
Movement subtotal	**(2,335,915)**	**484,691**
Ending balance	**34,907,799**	**37,243,714**

20. Employee benefits accrual, continued

a) Post employment benefits, continued

Actuarial Hypotheses

The hypotheses used for the actuarial calculation of employee benefits obligations are reviewed once a year and correspond to detailed, to june 30, 2018 and december 31, 2017:

- **Discount rate:** An annual nominal rate of 5.1% and 5.196% are used as of june 30, 2018 and december 31, 2017 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 june 30, 2018 and december 31, 2017 was 3%.

- **Mortality:** The RV 2014 mortality tables established by the Superintendency of Securities and Insurance are used to calculate social life insurance reserves in Chile.

- **Turnover rate:** Based on the historical Company data, the rotation used for both periods are as follows:

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

- **Years of service:** The Company assumes that the employees will remain until they are of legal retirement age, (women up to 60 years old and men up to 65 years old).

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

b) Sensitivity of assumptions

Based on the actuarial calculation as of june 30, 2018, 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	5.1%	(2,194,777)	2,454,693

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	4,576,608

d) Employee benefits expenses

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

Concepts	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$
Wages and salaries	31,153,435	62,603,656	31,584,528	65,823,968
Post employment benefit obligations expense	102,697	206,523	340,852	424,854
Total	**31,256,132**	**62,810,179**	**31,925,380**	**66,248,822**

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

Other non-financial liabilities are detailed as follows:

Concepts	06.30.2018		12.31.2017	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Deferred income	**23,448,284**	**5,487,704**	**40,270,801**	**3,646,952**
Handsets sold and not activated (2) (see Note 2 p)	8,568,946	-	17,489,451	-
Services charged and not rendered (2)	3,869,484	-	8,035,017	-
Top-up of prepayment cards (2) (see Note 2 p)	4,503,814	-	4,512,341	-
Club Movistar (see Note 2 p)	-	-	2,755,297	-
Connection installments	82,520	67,263	92,584	99,808
Sale of telecommunications infrastructure (1)	250,719	441,117	68,629	463,808
Rights Of Use submarine cable (2)	372,645	3,265,115	-	-
Handsets IFRS 15 (2)	762,190	253,004	-	-
Other Deferred income (2) (3)	5,037,966	1,461,205	7,317,482	3,083,336
Subsidies	**1,615,404**	**3,152,006**	**1,615,404**	**3,332,010**
Research and Development (4)	1,261,892	-	1,261,892	-
Extreme zones (5)	112,697	577,408	112,697	633,757
Puerto Natales and Cerro Castillo Fiber Optics Network	90,380	473,752	90,380	522,190
Subsidy for Tierra del Fuego base stations (6)	70,356	879,443	70,356	914,621
Connectivity for service networks and Community Telecommunications Centers	52,623	482,379	52,623	508,690
Juan Fernandez Island Satellite links	27,456	739,024	27,456	752,752
Other taxes (7)	**14,829,277**	-	**21,874,720**	**-**
Others non-financial liabilities	**39,892,965**	**8,639,710**	**63,760,925**	**6,978,962**

(1) Corresponds to income from sale of towers.
(2) With the coming into effect of IFRS 15 as of January 1, 2018, income received from the sale of handsets that have not been activated, services charged but not rendered, topping-up of prepaid cards, IRUS rights of use, mobile contracts (services plus handset) and other in the amount of ThCh$ 343,930 in current and ThCh$ 73,265 in non-current are classified as contractual liabilities.
(3) The current portion mainly includes self-financed projects in the amount of MCh$ 3,500 and MCh$3,667and non-current portion includes Interest on sales on credit in the amount ThCh$ 1,089 and ThCh$ 922 of the june 30, 2018 and december 31, 2017, respectly.
(4) Corresponds to the fourth installment of the government subsidy received by subsidiary Telefónica Investigación y Desarrollo SpA on August 31, 2017.
(5) Corresponds to the subsidy granted by the Chilean Internal Revenue Service for extreme zones.
(6) Corresponds to the subsidy provided by the government for the Tierra del Fuego project carried out in conjunction with Entel S.A.
(7) Includes tax withholding, value added tax, pension and healthcare institutions and others.

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

Movements of deferred income and subsidies are detailed as follows:

Movements	06.30.2018		12.31.2017	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Beginning balance	**41,886,205**	**6,978,962**	**36,158,653**	**6,213,514**
Endowments	148,704,925	7,567,178	378,510,751	3,549,576
Reduction/applications	(165,527,442)	(5,906,430)	(372,783,199)	(2,784,128)
Movement subtotal	**(16,822,517)**	**1,660,748**	**5,727,552**	**765,448**
Ending balance	**25,063,688**	**8,639,710**	**41,886,205**	**6,978,962**

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 periods ended as of june 30, 2018 and december 31, 2017.

a) Capital

As of june 30, 2018 and december 31, 2017, the Company's paid-in capital is composed as follows:

Number of shares

Series	06.30.2018			12.31.2017		
	N° of shares subscribed	N° of shares paid	N° of shares with voting rights	N° of shares subscribed	N° of shares paid	N° of shares with voting rights
Unique	911,784,715,847	911,784,715,847	911,784,715,847	887,631,908,214	887,631,908,214	887,631,908,214
Total	**911,784,715,847**	**911,784,715,847**	**911,784,715,847**	**887,631,908,214**	**887,631,908,214**	**887,631,908,214**

Capital

Series	06.30.2018		12.31.2017	
	Subscribed capital ThCh$	Paid-in capital ThCh$	Subscribed capital ThCh$	Paid-in capital ThCh$
Unique	1,294,872,285	1,294,872,285	1,257,872,285	1,257,872,285
Total	**1,294,872,285**	**1,294,872,285**	**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, as of May 2, 2017, date on which the merger of former subsidiary Telefónica Móviles Chile S.A. took place.

At the Extraordinary Shareholders' Meeting held on May 9, 2018, the shareholders approved a capital increase from ThCh$1,257,872,285, divided into 887,631,908,214 ordinary shares to ThCh$ 1,294,872,285, divided into 911,784,715,847 ordinary shares.

Based on the above, as of june 30, 2018, the Company's shareholder structure is detailed as follows:

Company	Shares
Inversiones Telefónica International Holding S.A.	901,784,712,871
Telefónica S.A.	10,000,002,976
Total	**911,784,715,847**

b) Distribution of shareholders

As established in Circular No, 792 issued by the Superintendency of Securities and Insurance ("SVS") of Chile, the distribution of shareholders based on their participation in the Company as of june 30, 2018 is as follows:

Type of Shareholder	Participation percentage %	Number of shareholders
Participation of 10% or more	98.9032	1
Less than 10% participation:	1.0968	1
Investment equal to or exceeding UF 200	-	-
Investment under UF 200	-	-
Total	**100.0000**	**2**
Company's parent	98.9032%	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.

On April 30, 2018, the dividend allowance was reversed in the amount of ThCh$ 60,414,533 in accordance with decision of the shareholders at the Ordinary Shareholders' Meeting held on that date.

22. Equity, continued

d) Other reserves:

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

Concepts	Balance of 12.31.2017 ThCh$	Net movement ThCh$	Balance of 06.30.2018 ThCh$
Capital revaluation reserve (i)	(233,685,327)	-	(233,685,327)
Business combination reserve (ii)	(95,176,556)	-	(95,176,556)
Others reserves (iii)	(122,099,166)	-	(122,099,166)
Employee benefits reserve (iv)	(8,038,094)	(252,795)	(8,290,889)
Treasury stock reserve (v)	(755,114)	-	(755,114)
Foreign currency translation reserve (vi)	(58,310)	-	(58,310)
Cash flows hedge reserve (vii)	5,172,662	981,532	6,154,194
Reserve for financial assets available for sale (viii)	1,493,734	(512,669)	981,065
Total	**(453,146,171)**	**216,068**	**(452,930,103)**

i) Capital revaluation

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

ii) Business combination reserve

Corresponds to company reorganizations performed in previous years.

iii) Other miscellaneous reserves

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

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.

22. Equity, continued

d) Other reserves, continued

iii) Other miscellaneous reserves, continued

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.

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, whose term expires in August 2018. 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 market valuation of the investment of subsidiary Telefónica Chile S.A. in Telefónica Brasil.

22. Equity, continued

e) Non-controlling interest

As of june 30, 2018 and december 31, 2017 recognition of the share of equity belonging to third parties is detailed as follows:

Subsidiaries	Minority Interest percentage		Equity minority interest	
	2018 %	2017 %	06.30.2018 ThCh$	12.31.2017 ThCh$
Telefónica Chile S.A.	0.9718347	0.9718347	6,302,491	6,541,189
Total			**6,302,491**	**6,541,189**

As of june 30, 2018 and 2017 recognition of the share in income belonging to third parties is detailed as follows:

Filiales	Minority Interest percentage		Participation in profit income (loss)			
	2018 %	2017 %	04.01.18 to 06.30.18 ThCh$	06.30.2018 ThCh$	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$
Telefónica Chile S.A.	2.08	2.08	35,567	98,217	318,219	298,258
Telefónica Móviles Chile S.A.	-	0.01	-	-	(2)	-
Total			**35,567**	**98,217**	**318,217**	**298,258**

23. Earnings per Share

The details of Earnings per share are as follows:

Basic earnings per share	04.01.18 to 06.30.18 ThCh$	06.30.2018 ThCh$	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$
Earnings attributable to owners of the parent	15,664,823	43,552,422	179,558,825	200,022,967
Profit available for shareholders	**15,664,823**	**43,552,422**	**179,558,825**	**200,002,967**
Weighted average number of shares	911,784,715,847	911,784,715,847	887,631,908,214	887,631,908,214
Basic earnings per share in Ch$	**0,017**	**0,048**	**0,202**	**0,225**

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

24. Income and Expenses

a) The details of income from ordinary operations as of June 30, 2018 and 2017 are as follows:

Ordinary income	04.01.18 to 06.30.18 ThCh$	06.30.2018 ThCh$	01.04.17 to 06.30.17 ThCh$	06.30.2017 ThCh$
Mobile Telecommunications	225,606,830	453,418181	224,031,873	453,428,765
Broadband (1)	48,543,386	96,711,734	48,111,333	96,648,295
Fixed Telecommunications	32,942,696	66,291,301	37,622,765	75,067,198
Television	43,992,200	87,118,996	45,183,411	87,807,632
Corporate Communication	32,450,350	63,265,023	32,837,524	60,793,657
Wholesale	5,165,126	10,930,993	4,895,220	10,598,663
Total	**388,700,588**	**777,736,228**	**392,682,126**	**784,344,210**

(1) Includes quota services, dedicated access and other internet revenues

b) The detail of other operating income as of June 30, 2018 and 2017 are as follows:

Other income	04.01.18 to 06.30.18 ThCh$	06.30.2018 ThCh$	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$
Other current management income (1)	63,765	165,650	2,338,477	3,258,351
Surcharges due to default	1,099,639	2,098,936	1,115,824	1,115,824
Income from disposal of real property(2)	141,748	454,284	103,064	625,450
Subvenciones	857,347	857,347	-	-
Income from indemnities, complaints and others(3)	380,708	428,058	181,772	189,824
Total	**2,543,207**	**4,004,275**	**3,739,137**	**5,189,449**

(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 operating income as of june 30, 2018 and 2017 are as follows:

Other expenses	04.01.18 to 06.30.18 ThCh$	06.30.2018 ThCh$	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$
Cost of sale of inventory	60,312,140	117,944,782	57,750,265	112,917,006
Media rental	41,230,589	80,616,197	42,400,611	80,953,893
Sales commissions	36,858,587	71,832,100	35,690,294	70,068,427
Other exterior services	23,952,540	48,463,982	23,420,378	46,162,004
Plant maintenance	18,841.282	38,941,653	19,963,402	42,098,547
Customer service	11,361,502	24,437,763	12,494,072	23,788,871
Allowance for doubtful accounts	12,490,627	25,484,755	12,771,869	25,052,739
Interconnections and roaming	11,669,920	24,436,312	13,401,886	26,370,069
Information services	11,740,664	23,608,164	11,989,506	23,421,501
Advertising	3,240,969	7,922,128	(1,627,368)	(1,415,892)
Energy	5,732,739	12,070,758	5,677,182	11,879,701
Gasto	5,722,437	11,818,554	6,771,830	14,040,261
Real estate spending	5,375,375	10,938,527	6,476,348	12,386,935
Others (1)	2,519,134	8,060,285	3,368,546	8,800,430
Total	**251,048,505**	**506,575,960**	**250,548,821**	**496,524,492**

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

4. Income and Expenses, continued

d) The detail of financial expenses, net, as of june 30, 2018 and 2017, is as follows:

Financial expenses, net	04.01.18 al 06.30.18 M$	06.30.2018 M$	04.01.17 al 06.30.17 M$	06.30.2017 M$
Interest income				
Interest earned on deposits	687,991	1,433,967	754,935	2,283,295
Contract derivatives (forward)	(459,261)	316,827	327,360	327,360
Interest earned on projects	103,517	199,372	73,813	144,381
Dividends on account of group companies	191,997	94,579	248,520	306,970
Interest on financial instruments	35,809	50,294	52,878	263,445
Interest on mercantile mandate	13	13	85,297	85,297
Other interest income	198,453	368,245	1,163,282	2,594,046
Total interest income	**758,519**	**2,463,297**	**2,706,085**	**6,004,794**
Interest expense				
Interest on bond	6,922,613	13,545,133	6,852,089	13,756,178
Interest rate hedges (Cross Currency Swap)	917,895	1,859,030	1,135,345	2,822,215
Interest on loans from bank institutions	683,577	1,268,121	506,509	1,421,644
Interest on update of employee termination benefits	473,909	956,309	413,920	644,462
Interest on projects	151,311	236,542	31,676	63,872
Interest on mercantile mandate	15,788	28,223	54,175	114,983
Other financial expenses	857,431	1,738,535	583,835	1,287,233
Total interest expense	**10,022,524**	**19,631,893**	**9,577,549**	**20,110,587**
Total finance income and costs, net	**(9,264,005)**	**(17,168,596)**	**(6,871,464)**	**(14,105,793)**

e) Foreign currency translation as of june 30, 2018 and 2017 are detailed as follows:

Currency translation	04.01.18 to 06.30.18 ThCh$	06.30.2018 ThCh$	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$
Cash and cash equivalents	(556,452)	(948,396)	3,906,460	3,655,095
Current accounts receivable from related entities	211,690	25,494	(133,933)	(504,109)
Current trade and other accounts receivable	95	(310,855)	3,160,837	2,931,563
Current accounts payable to related entities	(114,908)	338,571	978,473	1,398,976
Trade and other accounts payable	(668,027)	171,697	1,499,636	2,032,465
Others financial liabilities	-	-	13,749	38,838
Financial debt	(30,895,656)	(23,561,732)	80,800	4,161,598
Hedge instruments	32,013,448	24,249,898	(8,646,045)	(13,078,499)
Total	**(9,810)**	**(35,323)**	**859,977**	**635,927**

24. Income and Expenses, continued

f) Indexation units as of june 30, 2018 and 2017 are detailed as follows:

Indexation units	04.01.18 to 06.30.18 ThCh$	06.30.2018 ThCh$	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$
Current trade and other accounts receivable	303,714	328,886	61,660	485,813
Trade and other payables	(334,548)	(430,493)	(312,507)	(363,501)
Cash and cash equivalents	(183,419)	(110,771)	(203,037)	(198,055)
Current accounts receivable from related entities	(21,667)	(21,667)	-	-
Current accounts payable to related entities	5,044	5,182	-	-
Current tax assets	-	23,046	124,640	125,389
Financial debt	(1,350,800)	(2,527,362)	(1,346,681)	(2,210,682)
Tax liabilities	(32,609)	(38,193)	-	(5,033)
Hedge instruments	1,455,165	2,636,414	1,369,662	2,237,383
Total	**(159,120)**	**(134,958)**	**(306,263)**	**71,314**

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.

Concepts	04.01.18 to 06.30.18 ThCh$	06.30.2018 ThCh$	04.01.17 to 06.30.17 ThCh$	06.30.2017 ThCh$
Minimum operating lease payments recognized as expenses	17,822,330	39,381,413	(32,764,367)	43,854,442

25. Leases, continued

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

Concepts	06.30.2018 Gross amount ThCh$	06.30.2018 Accumulated depreciation ThCh$	06.30.2018 Net value ThCh$	12.31.2017 Gross amount ThCh$	12.31.2017 Accumulated depreciation ThCh$	12.31.2017 Net value ThCh$
Financial leases recognized as assets	5,304,293	(4,989,140)	315,153	5,304,293	(4,985,265)	319,028

Future obligations on financial and operating leases as of june 30, 2018 and 2017 are detailed as follows:

Concepts	06.30.2018 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	30,867,129	99,916,846	37,500,749	168,284,724
Total	**30,867,129**	**99,916,846**	**37,500,749**	**168,284,724**

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

26. Local and Foreign Currency

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

Currents assets	06.30.2018 ThCh$	12.31.2017 ThCh$
Cash and cash equivalents	**154,370,276**	**206,793,908**
US Dollars	1,863,643	1,961,076
Euros	490,358	51,852
Chilean Pesos	151,817,205	204,780,980
Others currencies	199,070	-
Other current financial assets	**24,285,733**	**776,868**
US Dollars	10,559,604	369,695
Euros	263,221	543
Chilean Pesos	13,462,908	400,869
U.F.	-	5,761
Current trade and other accounts receivable	**289,698,782**	**258,940,140**
Us Dollars	7,504	54,527
Euros	42,764	20,951
Chilean Pesos	289,344,699	258,473,061
U.F.	303,815	391,601
Current receivables from related companies	**24,098,782**	**20,826,616**
US Dollars	10,183,871	11,564,381
Euros	92,893	63,183
Chilean Pesos	13,448,422	8,947,832
Others currencies	373,596	251,220
Other current assets (1)	**104,946,062**	**126,133,675**
Chilean Pesos	104,946,062	126,133,675
Total current assets	**597,399,635**	**613,471,207**
US Dollars	**22,614,622**	**13,949,679**
Euros	**889,236**	**136,529**
Chilean Pesos	**573,019,296**	**598,736,417**
U.F.	**303,815**	**397,362**
Otras monedas	**572,666**	**251,220**

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

Non-currents assets	06.30.2018 ThCh$	12.31.2017 ThCh$
Other non-current financial assets	**126,521,526**	**110,462,910**
US Dollars	88,766,571	78,446,134
Chilean Pesos	11,691,462	32,016,776
U.F.	26,063,493	-
Non-current trade and other accounts receivable	**32,320,684**	**19,370,390**
Chilean Pesos	32,320,684	19,370,390
Other non-currents non-financial assets	**2,762,769**	**7,334,487**
Chilean Pesos	2,762,769	7,334,487
Other non-current assets (2)	**2,068,388,818**	**2,093,938,605**
Chilean Pesos	2,068,388,818	2,093,938,605
Total non-current assets	**2,229,993,797**	**2,231,106,392**
US Dollars	**88,766,571**	**78,446,134**
Chilean Pesos	**2,115,163,733**	**2,152,660,258**
U.F.	**26,063,493**	**-**

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

26. Local and Foreign Currency, continued

The detail for currency of current liabilities is as follows:

Currents liabilities	06.30.2018	12.31.2017	06.30.2018	12.31.2017
	to 90 days		De 91 days a 1 years	
	ThCh$		ThCh$	
Other current financial liabilities	**6,606,086**	**8,420,606**	**51,913,266**	**5,740,052**
US Dollars	93,939	2,028,505	2,329,669	3,085,739
Euros	-	211,084	-	-
Chilean Pesos	6,116,137	5,788,157	48,860,060	1,925,359
U.F.	396,010	392,860	723,537	728,954
Trade and other payables	**313,894,582**	**384,691,746**	**-**	**-**
US Dollars	50,143,554	42,041,998	-	-
Euros	8,718,462	13,676,788	-	-
Chilean Pesos	220,530,482	305,595,950	-	-
U.F.	34,500,127	23,377,010	-	-
Others currencies	1,957	-	-	-
Current receivables from related companies	**51,189,105**	**113,523,203**	**-**	**-**
US Dollars	7,978,120	11,910,709	-	-
Euros	3,324,407	1,045,179	-	-
Chilean Pesos	39,886,578	100,567,299	-	-
U.F.	-	16		-
Other current liabilities (1)	**55,456,948**	**77,814,251**	**23,367,891**	**25,787,717**
Chilean Pesos	55,456,948	77,814,251	23,367,891	25,787,717
Total current liabilities	**427,146,721**	**584,449,806**	**75,281,157**	**31,527,769**
US Dollars	**58,215,613**	**55,981,212**	**2,329,669**	**3,085,739**
Euros	**12,042,869**	**14,933,051**	**-**	**-**
Chilean Pesos	**321,990,145**	**489,765,657**	**72,227,951**	**27,713,076**
U.F.	**34,896,137**	**23,769,886**	**723,537**	**728,954**
Others currencies	**1,957**	**-**	**-**	**-**

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

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

Non-current liabilities	06.30.2018	12.31.2017	06.30.2018	12.31.2017	06.30.2018	12.31.2017
	1 to 3 years		3 to 5 years		5 years and over	
	ThCh$		ThCh$		ThCh$	
Other non-current financial liabilities	**234,873,491**	**154,142,672**	**456,205,585**	**505,686,458**	**80,654,299**	**127,815,509**
US Dollars	97,137,682	-	345,258,842	395,490,036	-	-
Chilean Pesos	28,965,995	46,783,466	110,946,743	110,196,422	-	48,300,718
U.F.	108,769,814	107,359,206	-	-	80,654,299	79,514,791
	48,762,092	**25,735,421**	**24,422,392**	**16,432,272**	**60,737,231**	**100,493,226**
Other non-current liabilities (1)	48,762,092	25,735,421	24,422,392	16,432,272	60,737,231	100,493,226
Chilean Pesos	**283,635,583**	**179,878,093**	**480,627,977**	**522,118,730**	**141,391,530**	**228,308,735**
Other non-current liabilities	**97,137,682**	**-**	**345,258,842**	**395,490,036**	**-**	**-**
US Dollars	**77,728,087**	**72,518,887**	**135,369,135**	**126,628,694**	**60,737,231**	**148,793,944**
Chilean Pesos	**108,769,814**	**107,359,206**	**-**	**-**	**80,654,299**	**79,514,791**
U.F.	**234,873,491**	**154,142,672**	**456,205,585**	**505,686,458**	**80,654,299**	**127,815,509**

(1) Includes: Other current provisions, current income tax liabilities 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 june 30, 2018, which altogether amounts to ThCh$9,621,116 in the Telefónica Móviles Chile S.A. and the amount to ThCh$480,315 in the subsidiaries. Regarding this figure, it is estimated that Telefónica Móviles Chile S.A. will have to pay the amount of ThCh$191,000 and the subsidiaries the amount of ThCh$226,359 before september 30, 2018 and the rest before culminate first quarter of 2019.

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$ 8,274,505.

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

a) Voissnet proceeding

On March 31, 2016, the 4th Civil Court of Santiago dictated final sentence in the judicial proceeding called "Voissnet S.A. vs Telefónica Chile S.A.", Rol No. 26.086-2014, completely rejecting the lawsuit. On June 19, 2018, the Court of Appeals of Santiago, aware of the writ of appeal filed by the plaintiff, revoked that sentence and condemned subsidiary Telefónica Chile S.A. to pay the amount of Ch$5,526,164,936. Subsidiary Telefónica Chile S.A. filed an appeal for dismissal in form and substance before the Supreme Court, whose foundation make its legal advisors believe that the sentence will be set aside by the Supreme Court.

b) Tax contingecy

i. On August 29, 2014 through Notification No, 383-14/G4, the Chilean Internal Revenue Service notified tax assessment No, 42, to Telefónica Larga Distancia S.A, subsidiary of Telefónica Chile S.A. as of the date, 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 ThCh$ 18,967,328, equivalent to a tax contingency of ThCh$ 5,459,780, which resulted from the review of the Company's tax loss carry forward. On december 18, 2014, a complaint was filed before the 3rd Tax and Customs Court of Santiago, case RUC/RIT 15-9-0000055-0/GR-17-00279-2014, which is currently awaiting the reception to the evidence stage.

   On April 30, 2016 Telefónica Larga Distancia S.A. merged by incorporation in Telefónica Chile S.A., with the latter absorbing the former, acquiring all its assets and liabilities and succeeding it in all its rights and obligations

27. Contingencies and restrictions, continued

b) Tax contingency, continued

ii. 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$ 14,214,246 including taxes and legal surcharges. During 2016 a complaint was filed before the 3rd Tax and Customs Court of Santiago, case RUC/RIT 16-9-0000307-6/GR-17-00070-2016, which is pending reception to the evidence stage.

iii. 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$ 739,996, figure that includes taxes and legal surcharges.

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.

c) Financial restrictions:

As of june 30, 2018 the Company has no financial restrictions.

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			2018	2019	2020 y más
				ThCh$	ThCh$	ThCh$	ThCh$
Subsecretaría de Telecomunicaciones	TMCH	Parent	Deposit	31,615,181	-	2,099,752	29,515,429
Corfo	TMCH	Parent	Deposit	2,134,686	2,134,686	-	-
Administradora Plaza Vespucio S.A.	TMCH	Parent	Deposit	269,820	58,288	211,532	-
I Municipalidad De Vitacura	TMCH	Parent	Deposit	132,639	80,345	25,704	26,590
Nuevos Desarrollos S.A.	TMCH	Parent	Deposit	125,734	39,960	78,799	6,975
I Municipalidad De Arica	TMCH	Parent	Deposit	125,454	-	125,454	-
Aguas Andinas S.A.	TMCH	Parent	Deposit	124,040	-	124,040	-
Metro S.A.	TMCH	Parent	Deposit	118,835	-	118,835	-
Empresa Nacional del Petróleo	TMCH	Parent	Deposit	108,972	-	108,972	-
Conect S.A.	TCH	Subsidiary	Deposit	1,039,823	-	-	1,039,823
Subsecretaría de Telecomunicaciones	TCH	Subsidiary	Deposit	1,442,376	1,030,536	-	411,840
Serviu Región Metropolitana	TCH	Subsidiary	Deposit	645,879	455,863	190,016	-
Others Guarantee (1)	TCH	Subsidiary	Deposit	762,232	618,951	95,978	47,303
Organización Europea para la Investigación Astronómica en el Hemisferio Austral	TEM	Subsidiary	Deposit	3,549,548	3,549,548	-	-
Estado Mayor Conjunto	TEM	Subsidiary	Deposit	3,393,697	3,131,814	261,883	-
Subsecretaría de Educación	TEM	Subsidiary	Deposit	1,668,080	-	-	1,668,080
Empresa de transporte de pasajeros Metro S.A.	TEM	Subsidiary	Deposit	1,091,867	-	-	1,091,867
Subsecretaría de Telecomunicaciones	TEM	Subsidiary	Deposit	898,547	898,547	-	-
Fundación Integra	TEM	Subsidiary	Deposit	770,322	-	-	770,322
Cemento Bio Bio S.A.	TEM	Subsidiary	Deposit	542,125	-	542,125	-
Banco del Estado de Chile	TEM	Subsidiary	Deposit	496,996	-	496,996	-
Tesorería del Estado Mayor General del Ejercito	TEM	Subsidiary	Deposit	424,998	-	424,998	-
Asociación Chilena de Seguridad	TEM	Subsidiary	Deposit	324,293	324,293	-	-
Fisco Dirección General de Aeronáutica Civil	TEM	Subsidiary	Deposit	310,904	310,904	-	-
Los Héroes C.C.A.F	TEM	Subsidiary	Deposit	290,973	-	-	290,973
CDEC Sing. Ltda.	TEM	Subsidiary	Deposit	281,068	-	-	281,068
Cía. Minera TECK Quebrada Blanca	TEM	Subsidiary	Deposit	269,093	269,093	-	-
Fundación Educacional para el Desarrollo Integral del Menor	TEM	Subsidiary	Deposit	239,666	-	-	239,666
Redbanc S.A.	TEM	Subsidiary	Deposit	229,712	-	-	229,712
Gendarmería de Chile	TEM	Subsidiary	Deposit	222,884	222,884	-	-
Empresa Nacional de Electricidad S.A.	TEM	Subsidiary	Deposit	222,396	-	-	222,396
Banco Santander Chile	TEM	Subsidiary	Deposit	201,877	-	-	201,877
Dirección General del crédito prendario - DICREP	TEM	Subsidiary	Deposit	166,511	-	-	166,511
Comando Logístico de la Fuerza Aérea	TEM	Subsidiary	Deposit	163,030	-	-	163,030
Aguas Andinas S.A.	TEM	Subsidiary	Deposit	151,306	-	-	151,306
SMU S.A.	TEM	Subsidiary	Deposit	146,182	-	-	146,182
Coordinador Independiente del Sist. Eléctrico Nacional.	TEM	Subsidiary	Deposit	142,054	-	-	142,054
Comercial ECCSA S.A.	TEM	Subsidiary	Deposit	124,043	-	-	124,043
Minera Centinela	TEM	Subsidiary	Deposit	119,934	-	119,934	-
Caja Compensación de Asignación Familiar La Araucana	TEM	Subsidiary	Deposit	110,964	-	-	110,964

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			2018	2019	2020 y más
				ThCh$	ThCh$	ThCh$	ThCh$
Fundación de Beneficencia Hogar de Cristo	TEM	Subsidiary	Deposit	109,680	-	-	109,680
Servicio Agrícola Ganadera SAG	TEM	Subsidiary	Deposit	104,147	-	-	104,147
Others Guarantee (1)	TEM	Subsidiary	Deposit	5,352,730	1,568,554	1,420,585	2,363,591
TOTAL				**60,765,298**	**14,694,266**	**6,445,603**	**39,625,429**

(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 june 30, 2018 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 second quarter of 2018, it is estimated that the mobile telephone market will have close to 27.4 million accesses, growing 6.2% in comparison to the same period the year before. With this, mobile telephone penetration per 100 inhabitants would reach 148.1%, increase 7.32 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 second quarter of 2018 and 2017, prepay customers decreased by 46 thousand customers, whereas customers with contracts grew by 1,558 thousand customers. The proportion of prepayment closed at 93% of total customers in the market, -3.7 percentage points in comparison to as of june 2017.

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 better Internet navigation in the device. It is estimated that the number of units connected to Mobile Internet will reach 16.8 million as of june 2018, growing 29.5% in respect to the secund quarter of 2017. With the above, market penetration per inhabitant is 91.0%, increasing 20.0 percentage points in a year.

b) Competition Risk

The mobile voice business is at a maturing stage, but without decreasing its dynamism due to the effects of portability and the entry of new players. This has caused operators to intensify the competition and improve their offers in order to maintain customers and capture new ones that are being incorporated to the market.

There were more than 1,050,000 mobile porting instances. Mobile portability has accumulated 13.8 million ported from when it began to june 2018, which is equivalent to 50.3% 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.

i) Tariff system for mobile telephones:

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.

29. Risk management (not audited), continued

c) Regulatory Environment, continued

i) Tariff system for mobile telephones, continued

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.

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 to 2024.

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.

On February 26, 2018 Subtel dictated the Final Technical Basis that will govern the mobile tariff setting process for the five-year period 2019-2024.

The concessionaries subject to tariff regulation must present their study on July 29, 2018.

29. Risk management (not audited), continued

c) Regulatory Environment, continued

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 began to be in force since May 8, 2014. The difference in the amount charged had to be retroactively settled.

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.

The Telecommunications Undersecretary has begun the new tariff process corresponding to the 2019-2024 five-year period, dictating the Final Technical Documents on June 11, 2018. The new regulated tariffs that arise from this tariff process will begin to be in force as of May 2019.

Through decrees from the Ministries of Transportation and Telecommunications and of Economy Development and Tourism, on January 24, 2014 the maximum access charge rates were established for the 2014 -2019 period, for the use of mobile networks by all operators with networks and, in addition the hourly structure was modified. The new tariffs became effective as of January 25, 2014, for the 2014-2019 period.

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.

29. Risk management (not audited), continued

c) Regulatory Environment, continued

iii) Spectrum Allocation, continued

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.

At the time, a Consumers' Association (Conadecus) filed a complaint before the TDLC against the companies that allocated the 700 spectrum. The TDLC rejected the complaint since it considered that Conadecus did not have active legitimization to file a lawsuit. 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 on September 28, that organization of consumers filed an appeal before the Supreme Court, which is the last instance for appeal and whose decision is pending.

In the meantime, 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.

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

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

Subtel issued the report requested by to the Court, explaining Chile's situation in detail in terms of allocation and use of the assigned frequencies. The Supreme Court ordered the annulment of the measures to provide additional evidence of the expert report decreed on May 25, 2017. Finally, on June 25, 2018 the Court issued its ruling.

29. Risk management (not audited), continued

c) Regulatory Environment, continued

iii) Spectrum Allocation, continued

On June 25, 2018, the Supreme Court dictated a resolution by which it accepted the writ of appeal filed by the plaintiff against the sentence of the "Tribunal de Defensa de la Libre Competencia" (TDLC), dated September 15, 2016, which rejected the complaint. The resolution of the Supreme Court stated:

I.- That the defendants, Movistar, Claro and Entel have engaged in anti-competitive conduct by obtaining blocks in the 700 band public tender, without respecting the limit of 60 MHz imposed as the maximum that each incumbent can have in the advanced mobile communications services market, in violation of Article 3 of D.L. 211;

II.- That the defendants dispose of the same amount of radioelectric spectrum that was acquired in the tender for the 700 band, leaving the election of the band that will be disposed to them;

III.- Subtel will ensure timely and adequate compliance with what is ordered in the preceding subparagraphs, adopting the measures necessary to carry it out.

IV.- Should Subtel deem that a review of the maximum limit of radioelectric spectrum that each operator can have is necessary, it must begin a consultation process before the "Tribunal de Defensa de la Libre Competencia" (TDLC) for this purpose. Otherwise, it must begin the necessary procedures to adjust the limit established to the defined parameters of 60 MHz for each operator participating in the mentioned radioelectric spectrum.

V.- The resolution did not apply fines.

In light of the foregoing, the final conclusion of the issue is awaiting the decision of Subtel. Management is assessing the scope of this decision and the next steps to be taken. Likewise, the Company's management is assessing the potential effects that these could have (see Note 30).

On the other hand, on June 21, 2018, Subtel published Exempt Resolution No. 1289 through which it ordered the suspension of operations in the 3400-3800 MHz band to all operators that are operating in that band, which includes Telefónica Chile which has 50 MHz to provide services in the XI and XII Regions in the south of Chile, which to date do not have customers.

According to Subtel, since this is a key band for the future deployment of 5G, the State must carefully study the use of this band, in accordance with international use, and ensure efficient use of the spectrum.

Subtel mandates that: 1) operators that provide services in that band must suspend operations and request modification of the concession to transfer customers to 4G bands; 2) no new concessions or concessional modifications will be granted on the 3400 – 3800 band.

The Chamber of Deputies is still processing a bill whose object is to allow partial radioelectric spectrum transactions between operators, with a preliminary favorable ex ante report before the National Economic Prosecutor's Office ("Fiscalía Nacional Económica").

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.

29. Risk management (not audited), continued

c) Regulatory Environment, continued

iii) Spectrum Allocation, continued

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.

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.

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

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

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

29. Risk management (not audited), continued

c) Regulatory Environment, continued

iv) Number Portability

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 the Company certifies that 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.

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.

On June 28, 2018, Subtel issued Exempt Resolution No. 1372 through which the deadline for resumption of the operation of the IMEI database is extended until November 10, 2018.

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.

29. Risk management (not audited), continued

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:

Market Risk

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

Interest rate risk

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

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

The Company periodically determines the efficient exposure to short and long-term debt due to changes in interest rates, considering its own expectations regarding future evolution of rates. As of june 30, 2018 the Company had 59% of its current and non–current financial debt accruing interest at a fixed rate.

The Company believes it is reasonable to measure the risk associated to interest on the financial debt such as the sensitivity of the monthly financial accrual expense in case of a change of 25 basic points in the reference interest rate of the debt, which as of june 30, 2018 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 2018 of approximately ThCh$ 59,297, whereas a decrease in the TCPN would mean a reduction of ThCh$ 59,297 in the monthly financial accrual period for 2018.

29. Risk management (Not audited), continued

f) Financial risk management objectives and polices, continued

Foreign currency risk

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

Credit risk

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

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

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

Liquidity risk

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

29. Risk management (Not audited), continued

f) Financial risk management objectives and polices, continued

Capital management

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

The Company's main objective in respect to capital management is to ensure that it maintains a strong credit rating and prosperous capital ratios to support its businesses and maximize shareholder value. Return on equity (income/total average equity) as of june 30, 2018 amounts to 3.21%, a decrease of 75.55% in comparison to period 2017, where it reached 13.11%. The above is mainly due to a decrease in profits attributable to the owners in amount of ThCh$ 156,470,546.

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

There were no changes in the objectives, policies or processes during the years ended as of june 30, 2018 and 2017.

30. Subsequent events

In relation to the Decision of the Supreme Court, described in Note 29 c) iii), on July 17, 2018, Subtel has issued an Official Circular, whereby it requires information from the operators regarding determination of the band they choose to dispose of indicating the compliance plan. That Official Circular gives the operators a period of 15 business days, and the Company is assessing its response to it.

The consolidated financial statements of Telefónica Móviles Chile S.A. and subsidiaries, for the period as of june 30, 2018, were approved and authorized for issuance at the Board of Directors Meeting held on july 30, 2018.

In the period from july 1 to 30, 2018, there have been no other significant subsequent effects that affect these consolidated financial statements.

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Julio Jorge Vega
Accounting Manager

Rafael Zamora Sanhueza
Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager