



TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020 (not audited), December 31, 2019 and September 30, 2019 (not audited)

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

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ThCh\$: Thousands of Chilean Pesos

MCh\$: Millions of Chilean Pesos

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2020 (not audited), and December 31, 2019



| | Notes | 09.30.2020 | 12.31.2019 |
|---|-------|----------------------|----------------------|
| | | ThCh\$ | ThCh\$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | (5) | 185,355,743 | 234,466,421 |
| Other current financial assets | (6) | 31,778,450 | 24,825,391 |
| Other current non-financial assets | (7) | 61,547,757 | 41,185,320 |
| Current trade and other accounts receivable | (8a) | 327,551,675 | 233,716,006 |
| Current receivables from related companies | (9a) | 26,029,588 | 21,109,235 |
| Inventory | (10a) | 72,229,260 | 59,288,009 |
| Current tax assets | (11b) | 6,981,266 | 7,531,100 |
| TOTAL CURRENT ASSETS | | 711,473,739 | 622,121,482 |
| NON-CURRENT ASSETS | | | |
| Other non-current financial assets | (6) | 210,625,172 | 195,990,996 |
| Other non-current non-financial assets | (7) | 38,639,479 | 12,877,869 |
| Non-current trade and other accounts receivable | (12a) | 34,479,504 | 27,422,344 |
| Intangible assets other than goodwill, net | (13a) | 154,492,466 | 159,339,848 |
| Goodwill | (14) | 504,774,872 | 504,774,872 |
| Property, plant and equipment, net | (15a) | 1,170,079,507 | 1,226,827,465 |
| Investment properties | (16) | 4,155,647 | - |
| Right of-use assets | (17) | 188,093,131 | 221,022,849 |
| Deferred tax assets | (11c) | 124,875,257 | 116,368,421 |
| TOTAL NON-CURRENT ASSETS | | 2,430,215,035 | 2,464,624,664 |
| TOTAL ASSETS | | 3,141,688,774 | 3,086,746,146 |

The accompanying notes 1 to 35 are an integral part of these interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2020 (not audited), and December 31, 2019



| | Notes | 09.30.2020 | 12.31.2019 |
|---|-------|----------------------|----------------------|
| | | ThCh\$ | ThCh\$ |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Other current financial liabilities | (18) | 248,187,107 | 126,078,253 |
| Current leases liabilities | (19) | 64,639,968 | 78,739,697 |
| Trade and other payables | (20a) | 319,919,824 | 304,290,564 |
| Current payables to related companies | (9b) | 64,839,659 | 66,055,208 |
| Other current provisions | (22a) | 1,526,483 | 1,601,625 |
| Current tax liabilities | (11f) | 6,999,894 | 5,252,731 |
| Current employee benefits accrual | (23a) | 10,690,612 | 9,397,635 |
| Other current non-financial liabilities | (24) | 39,437,513 | 51,935,044 |
| TOTAL CURRENT LIABILITIES | | 756,241,060 | 643,350,758 |
| NON-CURRENT LIABILITIES | | | |
| Other non-current financial liabilities | (18) | 696,727,910 | 783,162,410 |
| Non current leases liabilities | (19) | 98,813,418 | 122,547,855 |
| Trade and other payables non-current | (20a) | 1,361,047 | 2,160,741 |
| Current payables to related companies non-current | (9c) | 38,900,538 | 38,027,645 |
| Other non-current provisions | (22b) | 17,240,737 | 18,800,555 |
| Deferred tax liabilities | (11c) | 94,802,880 | 93,901,530 |
| Non-current employee benefits accrual | (23a) | 26,786,049 | 26,723,862 |
| Other non-current non-financial liabilities | (24) | 6,026,342 | 7,656,136 |
| TOTAL NON-CURRENT LIABILITIES | | 980,658,921 | 1,092,980,734 |
| TOTAL LIABILITIES | | 1,736,899,981 | 1,736,331,492 |
| NET SHAREHOLDERS' EQUITY | | | |
| Issued capital | (25a) | 1,364,872,285 | 1,329,872,285 |
| Retained earnings | | 493,729,660 | 472,507,995 |
| Other reserves | (25d) | (459,533,074) | (457,825,500) |
| Shareholders' equity attributable to owners of the parent | | 1,399,068,871 | 1,344,554,780 |
| Non-controlling interest | (25e) | 5,719,922 | 5,859,874 |
| TOTAL NET SHAREHOLDERS' EQUITY | | 1,404,788,793 | 1,350,414,654 |
| TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY | | 3,141,688,774 | 3,086,746,146 |

The accompanying notes 1 to 35 are an integral part of these interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

As of September 30, 2020 and 2019 (not audited)



| | Notes | For the period from | For the nine-month | For the period | For the nine-month |
|--|-------------------|---------------------|--------------------|-------------------|--------------------|
| | | July 1 to | period ended | from July 1 to | period ended |
| | | Septiembre 30, | September 30, | September 30, | September 30, |
| | | 2020 | 2020 | 2019 | 2019 |
| STATEMENTS OF COMPREHENSIVE INCOME | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Income from ordinary operations | (27a) | 362,326,407 | 1,040,570,629 | 369,482,771 | 1,121,014,318 |
| Other income | (27b) | 2,849,532 | 10,989,028 | 14,257,774 | 16,997,352 |
| Employee benefits expenses | (23d) | (32,643,799) | (97,079,440) | (27,131,828) | (91,038,917) |
| Depreciation and amortization expense | (13b) (15b) (16a) | (80,637,271) | (246,281,807) | (83,409,716) | (249,683,030) |
| Impairment losses (reversal of impairment losses) | (28a) | (15,789,086) | (49,726,882) | (17,678,587) | (48,185,457) |
| Other expenses, by nature | (28b) | (207,487,612) | (597,344,861) | (203,761,487) | (623,851,268) |
| Profit from operating activities | | 28,618,171 | 61,126,667 | 51,758,927 | 125,252,998 |
| Interest income | (29a) | 1,325,940 | 3,098,829 | 1,219,740 | 4,114,556 |
| Interest expense | (29a) | (10,685,123) | (37,524,505) | (11,242,689) | (33,366,782) |
| Foreign exchange differences | (29b) | (1,670,331) | (1,306,621) | (20,452) | (876,871) |
| Income from indexation units | (29b) | 65,645 | 204,813 | (548,630) | (312,614) |
| Profits before tax from continuing operations | | 17,654,302 | 25,599,183 | 41,166,896 | 94,811,287 |
| Income tax expense | (11e) | (6,508,193) | (4,493,907) | (14,437,947) | (22,914,811) |
| PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS | | 11,146,109 | 21,105,276 | 26,728,949 | 71,896,476 |
| Profit attributable to holders of equity instruments of the controller and minority interest: | | | | | |
| Profit attributable to parent owners | (26) | 11,158,388 | 21,146,585 | 26,600,608 | 71,674,989 |
| Profit attributable to non-controlling interest | (25e) | (12,279) | (41,309) | 128,341 | 221,487 |
| PROFIT (LOSS) | | 11,146,109 | 21,105,276 | 26,728,949 | 71,896,476 |
| EARNINGS PER SHARE | | | | | |
| Earnings per basic share | | | | | |
| Earnings per basic share for continuing operations | (26) | 0.018 | 0.022 | 0.028 | 0.077 |
| Earnings per basic share for discontinuing operations | | | | | |
| Earnings per basic share | | 0.018 | 0.022 | 0.028 | 0.077 |
| Diluted earnings per share | | | | | |
| Diluted earnings per share from continuing operations | | 0.018 | 0.022 | 0.028 | 0.077 |
| Diluted earnings per share from discontinuing operations | | | | | |
| Diluted earnings per share | | 0.018 | 0.022 | 0.028 | 0.077 |

The accompanying notes 1 to 35 are an integral part of these interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

As of September 30, 2020 and 2019 (not audited)



| | For the period from July 1 to September 30, | For the nine-month period ended September 30, | For the period from July 1 to September 30, | For the nine-month period ended September 30, |
|--|--|---|--|--|
| | 2020 | 2020 | 2019 | 2019 |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| STATEMENTS OF OTHER COMPREHENSIVE INCOME | | | | |
| PROFIT (LOSS) | 11,146,109 | 21,105,276 | 26,728,949 | 71,896,476 |
| 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 | 74,186 | (1,155,729) | (2,204,680) | (4,815,010) |
| Other comprehensive income, before taxes. profits (losses) from investment in equity instruments | (576,846) | (2,066,413) | 402,960 | 402,182 |
| Total other comprehensive income that will not be reclassified to income for the period | (502,660) | (3,222,142) | (1,801,720) | (4,412,828) |
| Components of other comprehensive income that will be reclassified to income for the period | | | | |
| Profit (loss) on cash flow hedges | (7,874,463) | 1,622,178 | (1,692,597) | (1,642,988) |
| Total Components of other comprehensive income that will be reclassified to income for the period | (7,874,463) | 1,622,178 | (1,692,597) | (1,642,988) |
| Total other components of other comprehensive income. before taxes | (8,377,123) | (1,599,964) | (3,494,317) | (6,055,816) |
| 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 | (20,030) | 312,047 | 595,264 | 1,300,263 |
| Total income taxes associated to components of other comprehensive income which will not be reclassified to income for the period | (20,030) | 312,047 | 595,264 | 1,300,263 |
| 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 | 2,126,111 | (437,983) | 3,962,673 | 3,949,275 |
| Total income taxes associated to components of other comprehensive income | 2,106,081 | (125,936) | 4,557,937 | 5,249,538 |
| TOTAL OTHER COMPREHENSIVE INCOME | (6,271,042) | (1,725,900) | 1,063,620 | (806,278) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 4,875,067 | 19,379,376 | 27,792,569 | 71,090,198 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Comprehensive income attributable to parent owners | 3,409,358 | 17,940,788 | 27,598,150 | 70,827,781 |
| Comprehensive income attributable to non-controlling interest | 1,465,709 | 1,438,588 | 194,419 | 262,417 |
| TOTAL COMPREHENSIVE INCOME | 4,875,067 | 19,379,376 | 27,792,569 | 71,090,198 |

The accompanying notes 1 to 35 are an integral part of these interim consolidated financial statements

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As of September 30, 2020 and 2019 (not audited)



| | Changes in capital (Note 25 a) | Changes in the other reserves (Note 25 d) | | | | Retained earnings | Equity attributable to parent owners | Non controlling interests (Note 25 e) | Total Equity | |
|--|-----------------------------------|--|--|--|------------------------------|----------------------|--------------------------------------|--|--------------|---------------|
| | Issued capital (Note 22 a) | Cash flow hedge reserves | Reserves of actuarial gains or losses on defined benefit plans | Accrual of profits or losses on remeasurement of financial assets available for sale | Other miscellaneous reserves | Total other reserves | | | | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | |
| Balance at the beginning of the period | 1,329,872,285 | 1,099,249 | (9,945,809) | 2,155,257 | (451,134,197) | (457,825,500) | 472,507,995 | 1,344,554,780 | 5,859,874 | 1,350,414,654 |
| Changes in equity | | | | | | | | | | |
| Comprehensive income | | | | | | | | | | |
| Profit | - | - | - | - | - | - | 21,146,585 | 21,146,585 | (41,309) | 21,105,276 |
| Other comprehensive income | - | 1,181,063 | (839,983) | (2,048,654) | - | (1,707,574) | - | (1,707,574) | (18,326) | (1,725,900) |
| Comprehensive income | - | 1,181,063 | (839,983) | (2,048,654) | - | (1,707,574) | 21,146,585 | 19,439,011 | (59,635) | 19,379,376 |
| Dividends | - | - | - | - | - | - | 75,080 | 75,080 | (80,317) | (5,237) |
| Capital increase | 35,000,000 | - | - | - | - | - | - | 35,000,000 | - | 35,000,000 |
| Other increase (decrease) from transfers and other changes | - | - | - | - | - | - | - | - | - | - |
| Total changes in shareholders' equity | 35,000,000 | 1,181,063 | (839,983) | (2,048,654) | - | (1,707,574) | 21,221,665 | 54,514,091 | (139,952) | 54,374,139 |
| Ending balance as of 09.30.2020 | 1,364,872,285 | 2,280,312 | (10,785,792) | 106,603 | (451,134,197) | (459,533,074) | 493,729,660 | 1,399,068,871 | 5,719,922 | 1,404,788,793 |
| Balance at the beginning of the period | 1,294,872,285 | 338,921 | (8,203,551) | 1,271,402 | (451,134,197) | (457,727,425) | 465,582,534 | 1,302,727,394 | 5,604,555 | 1,308,331,949 |
| Changes in equity | | | | | | | | | | |
| Comprehensive income | | | | | | | | | | |
| Profit | - | - | - | - | - | - | 71,674,989 | 71,674,989 | 221,487 | 71,896,476 |
| Other comprehensive income | - | 2,253,436 | (3,500,141) | 399,497 | - | (847,208) | - | (847,208) | 40,930 | (806,278) |
| Comprehensive income | - | 2,253,436 | (3,500,141) | 399,497 | - | (847,208) | 71,674,989 | 70,827,781 | 262,417 | 71,090,198 |
| Dividends | - | - | - | - | - | - | 39,974 | 39,974 | (40,620) | (646) |
| Capital increase | 35,000,000 | - | - | - | - | - | - | 35,000,000 | - | 35,000,000 |
| Other increase (decrease) from transfers and other changes (1) | - | - | - | - | - | - | (261,326) | (261,326) | (18) | (261,344) |
| Total changes in shareholders' equity | 35,000,000 | 2,253,436 | (3,500,141) | 399,497 | - | (847,208) | 71,453,637 | 105,606,429 | 221,779 | 105,828,208 |
| Ending balance as of 09.30.2019 | 1,329,872,285 | 2,592,357 | (11,703,692) | 1,670,899 | (451,134,197) | (458,574,633) | 537,036,171 | 1,408,333,823 | 5,826,334 | 1,414,160,157 |

(1) Movements in equity correspond to the effects of the first-time application of IFRS 16, both at the Parent Company and subsidiary Telefónica Chile S.A., effective from January 1, 2019.

The accompanying notes 1 to 35 are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
As of September 30, 2020 and 2019 (not audited)



| Notes | For nine-month periods ended September 30, | |
|--|--|------------------------|
| | 2020 | 2019 |
| | ThCh\$ | ThCh\$ |
| CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Types of operating activity charges | | |
| Proceeds from sale of assets and services rendered | 1,217,139,131 | 1,281,312,942 |
| Proceeds from sales and services | 1,205,002,421 | 1,275,916,526 |
| Proceeds from related entities | 12,136,710 | 5,396,416 |
| Types of payments | (1,021,824,023) | (1,050,514,098) |
| Payments to suppliers for supplying goods and services | (617,897,096) | (674,288,200) |
| Payments to and on account of employees | (102,731,069) | (110,067,540) |
| Payments from related entities | (66,209,246) | (95,890,748) |
| Other operating activities payments (1) | (234,986,612) | (170,267,610) |
| Net cash flows provided by (used in) operating activities | 195,315,108 | 230,798,844 |
| Income taxes paid | (9,933,664) | (4,686,831) |
| Cash flows provided by (used in) operating activities | 185,381,444 | 226,112,013 |
| CASH FLOWS PROVIDED BY (USED IN) INVESTMENT ACTIVITIES | | |
| Amounts from sales of property, plant and equipment | 13,294,214 | 23,727,169 |
| Additions to property, plant and equipment | (201,619,182) | (265,362,644) |
| Interest received | 1,992,080 | 2,559,717 |
| Dividends received | 239,221 | 248,806 |
| Other cash inputs (outputs) | 1,000 | (10,000,000) |
| Net cash flows provided by (used in) investment activities | (186,092,667) | (248,826,952) |
| CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES | | |
| (Payments) collections loans to related entities | 482,080 | (179,900) |
| Proceeds from loans | 119,999,216 | - |
| Reimbursement of loans, classified as financing activities | (124,335,600) | (47,000,000) |
| Proceeds from shares issued | 35,000,000 | 35,000,000 |
| Lease obligation payments in accordance with IFRS 16 | (60,384,791) | (30,712,784) |
| Interest paid (2) | (22,373,499) | (21,605,512) |
| (Payments) dividends | (81,249) | (40,625) |
| Other cash inputs (outputs) | 3,294,387 | (2,430,624) |
| Net cash flows provided by (used in) financing activities | (48,399,456) | (66,609,645) |
| Increase (decrease) in cash and cash equivalents, before the effects of changes in he exchange rate | (49,110,679) | (89,324,584) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (49,110,679) | (89,324,584) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | (note 5) 234,466,421 | 263,376,456 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | (note 5) 185,355,743 | 174,051,872 |

- (1) Corresponds to the net amount of factoring, portfolio sales, VAT payments and fee transactions.
(2) Corresponds to interest paid on bonds and loans, (See note 18.)

The accompanying notes 1 to 35 form an integral part of these interim 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 become the owner 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 intangible 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.

Telefónica Móviles Chile S.A. is part of the Telefónica Group, where its majority shareholder Inversiones Telefónica Internacional Holding SpA is an indirect subsidiary of Telefónica S.A., which has its headquarters in Spain.

The subsidiary registered in the Securities Registry is:

| Subsidiary | Taxpayer No. | Registration No. | Participation percentage (direct and indirect) | |
|-----------------------|--------------|------------------|--|--------------|
| | | | 09.30.2020 % | 12.31.2019 % |
| Telefónica Chile S.A. | 90.635.000-9 | 009 | 99.1405597 | 99.140.5597 |

2. Significant accounting principles:

a) Accounting period

The Interim Consolidated Financial Statements (hereinafter, the “financial statements”) cover the following periods: Interim Consolidated Statement of Financial Position, ended as of September 30, 2020 and Annual Consolidated Statements of Financial Position ended as of December 31, 2019; Interim Consolidated Statements of Changes in Shareholders’ Equity, Interim Consolidated Statements of Comprehensive Income and Interim Consolidated Statement of Cash Flows for the nine-month periods ended as of September 30, 2020 and 2019.

b) Basis of presentation

The Interim Consolidated Financial Statements for September 30, 2020 and December 31, 2019 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 2019 financial statements, for better comparison with the financial statements as of September 30, 2020.

c) Basis of preparation

The Interim Consolidated Financial Statements as of September 30, 2020, and the Interim Consolidated Statements of Comprehensive Income, Interim Consolidated Statements of Changes in Shareholders’ Equity, and Interim Consolidated Statement of Cash Flows for the nine-month periods ended as of September 30, 2020 and 2019 have been prepared in accordance with International Accounting.

2. Significant accounting principles, continued:

c) Basis of preparation, continued

Standard 34 (IAS 34) "Interim Financial Reporting", incorporated in International Financial Reporting Standards.

The figures included in these interim 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 where otherwise indicated.

The Company's Board of Directors is responsible for the information contained in these interim 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 year. 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 period.

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

| DATE | USD | EURO | REAL | UF |
|------------|--------|--------|--------|-----------|
| 09.30.2020 | 788.15 | 923.11 | 140.04 | 28,707.85 |
| 12.31.2019 | 748.74 | 839.58 | 186.51 | 28,309.94 |
| 09.30.2019 | 728.21 | 793.86 | 175.10 | 28,048.53 |

e) Basis of consolidation

The interim 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. For its part, minority investments have been recognized under "Non-controlling Interests" (note 25e).

2. Significant accounting principles, continued:

e) Basis of consolidation, continued

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

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

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

The following subsidiaries are included in consolidation:

| Taxpayer No. | Company Name | Origin Country | Currency | % of participation | | | 12.31.2019 Total |
|--------------|---|----------------|----------|--------------------|---------------------|------------------|------------------|
| | | | | 09.30.2020 Direct | 09.30.2020 Indirect | 09.30.2020 Total | |
| 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 | 99.1405597 | - | 99.1405597 | 99.1405597 |
| 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 |
| 77.122.635-3 | InfraCo SpA (1) | Chile | CLP | - | 100.0000000 | 100.0000000 | - |

On November 22, 2019, Telefónica Móviles Chile S.A. purchased from Telefónica Chile S.A. the shares of Telefónica Móviles Soluciones y Aplicaciones S.A., becoming 100% owner of the shares, generating the dissolution of the Company.

(1) On January 31, 2020, company InfraCo SpA was established, in which Telefónica Chile S.A. subscribed all of its shares, obtaining 100% interest in this company.



2. Significant accounting principles, continued

e) Basis of consolidation, continued

The summarized financial information at September 30, 2020 of the companies included in the consolidation is as follows:

| Taxpayer No. | Company Name | % Participation (*) | Currents assets | Non-currents assets | Total Assets | Currents liabilities | Non-currents liabilities | Total liabilities | Equity | Revenues from ordinary operations | Profit (loss), Net |
|--------------|---|---------------------|-----------------|---------------------|---------------|----------------------|--------------------------|-------------------|-------------|-----------------------------------|--------------------|
| | | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| 76.378.279-4 | Telefónica Investigación y Desarrollo Chile SpA | 100,000000 | 9,101,551 | 408,801 | 9,510,352 | 7,926,700 | 3,319 | 7,930,019 | 1,580,333 | 132,800 | (541,178) |
| 78.703.410-1 | Telefónica Empresas Chile S.A. | 99,999973 | 213,675,561 | 81,148,507 | 294,824,068 | 192,305,075 | 3,850,476 | 196,155,551 | 98,668,517 | 218,482,291 | (8,668,039) |
| 90.635.000-9 | Telefónica Chile S.A. | 99,1405597 | 278,762,305 | 1,289,829,269 | 1,568,591,574 | 195,736,848 | 703,844,478 | 899,581,326 | 669,010,248 | 316,068,090 | (4,158,281) |
| 76.086.148-0 | Telefónica Chile Servicios Corporativos Ltda. | 100,000000 | 101,045,912 | 49,646,204 | 150,692,116 | 57,565,836 | 30,101,344 | 87,667,180 | 63,024,936 | 131,756,279 | 3,940,091 |
| 77.122.635-3 | InfraCo SpA (1) | 100,000000 | 1,000 | - | 1,000 | - | - | - | 1,000 | - | - |

(*) Direct and indirect participation.

(1) On January 31, 2020, Telefónica Chile S.A. purchased a million registered shares of InfraCo SpA, obtaining 100% interest in this company.

The summarized financial information at September 30, 2019 of the companies included in the consolidation is as follows:

| Taxpayer No. | Company Name | % Participation (*) | Currents assets | Non-currents assets | Total Assets | Currents liabilities | Non-currents liabilities | Total liabilities | Equity | Revenues from ordinary operations | Profit (loss), Net |
|--------------|---|---------------------|-----------------|---------------------|---------------|----------------------|--------------------------|-------------------|-------------|-----------------------------------|--------------------|
| | | | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| 76.378.279-4 | Telefónica Investigación y Desarrollo Chile SpA | 100.000000 | 8,944,225 | 223,693 | 9,167,918 | 7,084,115 | 3,971 | 7,088,086 | 2,079,832 | 1,072,646 | 38,769 |
| 78.703.410-1 | Telefónica Empresas Chile S.A. | 99.999999 | 184,736,786 | 87,930,996 | 272,667,782 | 147,401,583 | 5,335,212 | 152,736,795 | 119,930,987 | 246,171,713 | 13,012,652 |
| 90.635.000-9 | Telefónica Chile S.A. | 99.140559 | 267,419,952 | 1,256,992,971 | 1,524,412,923 | 295,651,188 | 548,159,872 | 843,811,060 | 680,601,863 | 346,761,986 | 26,537,025 |
| 76.086.148-0 | Telefónica Chile Servicios Corporativos Ltda. | 100.000000 | 87,055,506 | 54,682,529 | 141,738,035 | 51,664,061 | 33,397,565 | 85,061,626 | 56,676,409 | 131,693,205 | 4,708,763 |
| 96.990.810-7 | Telefónica Móviles Soluciones y Aplicaciones S.A. | 100.000000 | 827,130 | - | 827,130 | 31,940 | - | 31,940 | 795,190 | - | (97,681) |

(*) Direct and indirect participation.

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 estimated impairment of accounts receivable, is determined on the basis of the expected loss throughout the lives of the assets, determined by assessing the historical payment behavior and current information demonstrating the present and future condition 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 based on past behavior, in addition to gathering timely customer information and monitoring changes in macroeconomic factors, thus recognizing impairment which are 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.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

Classification and presentation, continued

i) Amortized cost, continued

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.

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 through 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. Significant accounting principles, continued

f) Financial assets and liabilities, continued

2. Financial liabilities, continued

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 and fair value through profit or loss.

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.

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 to 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 21,2).

The underlying items associated to these derivatives, which are measured at amortized cost, consider the amount determined by rate risk at fair value.

3. Derivative financial instruments

The Company holds hedge derivatives to manage its exposure to interest and/or exchange rate risks (see Note 21.2) 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.

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

3. Derivative financial instruments, continued

Derivative instruments are recognized at fair value on the date of the statement of financial position under “Other financial assets” or “Other financial liabilities” depending on whether their fair value is positive or negative respectively. They are classified as current or non-current depending on whether they mature in less than or more than twelve months. Derivative instruments that meet all the requirements for being treated as hedge instruments for long-term items are presented as non-current assets or liabilities, based on their balance separately from the hedged items, as indicated in IFRS 9.

Hedging the risk associated with the variation of exchange rates in a firmly committed transaction, may be treated as a fair value hedge or cash flow hedge, indistinctly.

Variations in the fair value of derivatives that have been designated and meet the requirements for being treated as fair value hedge instruments, are recorded in the comprehensive income statement offsetting 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 income statement to the extent that the underlying has an impact on the comprehensive income statement for the hedged risk, offsetting that effect. The part of the hedge considered to be ineffective is recorded directly in the comprehensive income statement.

The Company formally documents, at the initial moment, the hedging relationship between the derivative and the hedged item, as well as the objectives and risk management strategies pursued when 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 item, either 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 derivatives portfolio reflects estimates based on calculations made from observable market data, using specific assessment and risk management tools widely used among diverse financial entities.

2. Significant accounting principles, continued

g) Inventory

Materials for consumption and replacement are valued at their weighted average cost or at net realizable 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 age and commercial rotation of equipment and accessories. According to the Company's policies, a provision has been made for inventories whose age since the purchase is greater than 360 days and whose rotation is greater than 12 months. Likewise, stored scrapped products or accessories are considered to be a total loss.

h) Impairment of non-current assets

At each year-end, non-current assets are evaluated for signs of possible impairment. If such signs 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 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

Leases are recognized in accordance with IFRS 16, as a right of use asset and a corresponding liability as of the date on which the leased asset is available for use by the Company. The financial cost is charged to income over the term of the lease. The right of use asset is depreciated using the straight-line method over the useful life of the asset or the term of the lease, whichever is shorter.

1) Initial recognition

Right of use assets are measured at cost including the following:

- The initial measurement amount of the lease liability
- Any lease payment made on or before the commencement date less any lease incentive received.
- Any direct initial cost and
- Restoration or decommissioning costs.

2. Significant accounting principles, continued

i) Leases, continued

1) Initial recognition, continued

Lease liabilities include the present value, as of the commencement date of the lease, net of the following payments:

- Fixed payments (including those that are so in substance), less lease incentives receivable.
- Variable lease payments based on an index or rate.
- The amounts that are expected to be payable by the lessee as guarantee for the residual value;
- Payment of fines for lease contract termination, if the lease termination reflects the lessee that exercises that option.

2) Subsequent measurement

The right of use asset must be measured using the cost model, that is, cost less accumulated depreciation and any accumulated impairment loss, adjusted for any new measurement of the lease liability, including restatement of indexation units (UF).

The lease liability will be measured increasing the carrying amount to reflect the interest on the lease liability and reducing the carrying amount to reflect lease payments made. In addition, it must include new evaluations or modifications.

Lease payments are discounted using the implicit interest rate in the lease contract, if it can be determined, or the incremental interest rate.

Payments associated to short-term leases and low value asset leases are recognized in income as an expense, based on accrual of the service. Short-term leases are those that are equal to or less than 12 months (that do not contain a purchase option). Low value assets comprise equipment for information processes, office furniture and equipment.

j) Income taxes

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

Tax assets and liabilities for the current and prior periods are measured at the amount the Company estimates it will recover or pay to tax authorities. Tax rates and government regulations used to calculate these amounts are those in force as of each period, being 27% as of September 30, 2020 and December 31, 2019, 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.

2. Significant accounting principles, continued

j) Income taxes, continued

Under Chilean tax regulations, the tax loss from previous periods can be used in the future as a tax benefit with no expiration period.

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.

k) Goodwill

Represents the difference between the acquisition cost and the fair values 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.

Impairment testing was determined considering the following estimated variables:

- i) Forecasted operating revenue and costs are based on the Strategic Plan for 2020, 2021 and 2022, forecasting a fourth and fifth year as terminal value. These projections have been made considering the Company's best estimates, using sectorial projections, historical behavior of the business and future expectations.
- ii) Cash flow projections are made at a terminal value, covering a 5-year period, with the last period being the terminal value.
- iii) The rate used to discount future cash flows considers the time value of money and the individual risks of the assets under analysis.
- iv) The valuation is determined using the value in use (VU) mechanism, which requires that the VU be determined using the net present value of the cash flows that the Company expects to receive from the Cash Generating Unit (CGU). Telefónica Chile S.A. and its subsidiary Telefónica Empresas Chile S.A. have been considered to be a CGU and provide fixed broadband, television, fixed telephone and technology services for companies.

2. Significant accounting principles, continued

l) Investment properties

Investment properties correspond to buildings held for the purpose of obtaining income instead of using them in the production process, or in the supply of goods or services, or for administrative purposes, or to sell them in the course of the Company's ordinary activities.

If the elements can be disaggregated for rental, they receive a separate accounting treatment. They are recognized as an asset when it is probable that they will generate future benefits that will flow to the Company and their cost can be reliably measured.

Investment properties are initially recognized at cost, and the standard subsequently establishes two valuation alternatives, at fair value or cost. The latter includes the original cost, plus accumulated amortization, less accumulated impairment losses.

The criterion chosen by the Telefónica Group is to value them at cost.

m) Intangibles

i) Administrative concessions

Concession licenses correspond to the cost incurred to obtain mobile cellular telephone public services concessions. They are registered 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 software

This item 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 under development 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 customers. These intangible assets under development 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.

2. Significant accounting principles, continued

m) Intangibles, continued

ii) Licenses and software

The Company amortizes software licenses and the right to use underwater cable using the straight-line method over their estimated useful lives, which is 3 years for software licenses and a maximum of 20 years for rights to use underwater cable.

There are no restrictions on ownership of software licenses or the right of use of underwater cable, and they have not been pledged as guarantee of compliance with obligations.

n) Property, plant and equipment

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

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

Changes in the valuation of the existing dismantling liabilities, derived from changes in the amount or in the temporary structure of the outflow of resources that incorporate economic benefits required to cancel 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 book value. If the decrease in the liability should exceed the book value of the asset, the excess is immediately recognized in income for the period.

An asset's dismantling provisioned cost is recognized in the income statement through depreciation over its useful life, under the item 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 end of the 2020 and 2019 periods there are no capitalized interests.

2. Significant accounting principles, continued

n) Property, plant and equipment, continued

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.

Property, plant and equipment assets do not have ownership restrictions and are not used as guarantees of compliance with obligations.

ñ) Depreciation of property, plant and equipment

The Company depreciates Property, plant and equipment from the moment when the assets are in condition to be used, distributing the cost of the assets on a straight-line basis over the respective estimated useful life. Projects classified under building in progress, for which their estimated termination date as of each closing period has expired but are in usable condition, are also included.

The average annual financial depreciation rate of the Company is approximately 10.12% and 11.20% at September 30, 2020 and 2019, respectively.

Estimated useful lives are summarized as follows:

| 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 |
| Other property, plant and equipment | 2 | 7 |

Estimated residual values, as well as the methods and applied amortization periods are reviewed as of each closing period and, if appropriate, adjusted prospectively.

o) Provisions

i) Post-employment benefits

The Company is obligated to pay staff severance indemnities in respect of collective negotiation agreements. This obligation is provisioned using the actuarial value of the accrued benefit cost method, using a nominal annual discount rate of 3.261% and 3.59% at September 30, 2020 and December 31, 2019 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.

2. Significant accounting principles, continued

o) Provisions, continued

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 obligation. 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 implicit 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 tacit, derived from, among other factors, regulations, contracts, customary practices or public commitments that create a valid expectation before third parties that the Company will assume certain responsibilities.

p) Income and expenses

Income and expenses are recognized in the income statement based on the accrual criteria, regardless of the moment at which the cash flows or financing derived from it is produced.

The Company's income comes mainly from the provision of the following services:

i) Telecommunications

It is composed of voice and data packages, international business (carrier payments), multiservice network and capacities, pay TV, 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 revenues generated only by traffic, they are recorded as they are consumed.

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

2. Significant accounting principles, continued

p) Income and expenses, continued

i) Telecommunications, continued

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

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

Interconnection income derived from fixed-mobile and mobile-fixed calls, as well as from other services used by customers, are recognized in the period in which they make said calls.

The Company has current agreements with foreign correspondents, with which the conditions governing international traffic are set, and the same is charged or paid in accordance with the net traffic exchanges and at the rates set in each agreement. Accounting for this exchange is carried out on an accrual basis, recognizing costs and income in the period in which they are produced, recording the balances receivable or payable for each correspondent in the headings of "Accounts trade receivables and other accounts receivable" and "Accounts receivable from related entities, current" or "Trade creditors and Other accounts payable" and "Accounts payable to entities related, current", as applicable.

In the case of prepayment, the amount corresponding to the paid traffic pending generates a deferred income which is recorded within 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 from 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.

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). 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, due to IFRS 15 the Company will recognize an asset for the cost of obtaining contracts as long as these are incremental, it is estimated that they will be recovered, they can be allocated to a contract and it is estimated that they will be amortized over more than one year. In addition, the Company will recognize an asset for contract compliance costs as long as these are directly identified with a specific contract,

2. Significant accounting principles, continued

p) Income and expenses, continued

i) Telecommunications, continued

generate or improve the Company's resources that will be used to satisfy or continue to satisfy compliance obligations in the future and the Company expects to recover those costs over time. For both cases, the amortization period is determined based on the transfer to the customer of the goods or services related to those assets.

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

The Company has a customer loyalty program called "Club Movistar" which provides multiple benefits to its customers which can be provided by third parties or by the Company. These benefits will be reflected as a discount in revenue when points from the program are exchanged for products. As of September 30, 2020 and December 31, 2019, the valuation of this loyalty program is immaterial in relation to the contracts for which it was generated.

iii) Government subsidies

Parent Company and the subsidiary Telefónica Chile S.A. participate in tenders for Government 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", in the case to be obtained from January 1, 2018, must be presented in the statement of financial position recognizing them as deductions from the book value of the associated assets. The subsidies obtained prior to January 1, 2018 were initially recorded as a deferred income, in the item "Other non-financial liabilities", and are allocated to results in the period of useful life of the assets associated with these subsidies (Note 24a).

Subsidiary Telefónica Investigación y Desarrollo Chile SpA participates in tenders for Government projects associated to the Chile Innova Committee, in order to carry out Research and Development, technology transfer and marketing activities in the area of Information and Communication technologies. In the case of obtaining a project, these resources, called Government subsidies, are initially recorded as deferred revenue under "other non-financial liabilities", and recorded in income as the projects progress in their development (Note 24).

2. Significant accounting principles, continued

q) Use estimates

The following section shows the main future hypotheses assumed and other relevant sources of uncertainty in estimates as of the reported periods that could have a significant effect on the financial statements in the future.

i) Property, plant and equipment and intangibles

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

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

ii) Deferred taxes

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

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

Determining the proper classification of tax items depends on various factors, including timing estimates, realization of deferred tax assets and the expected timing of tax payment. 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 c), during 2017 the Company merged by absorption with its subsidiary Telefónica Móviles Chile S.A., generating an impact on Results 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, 2018, 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, which will be amortized over the useful lives of the corresponding assets.

2. Significant accounting principles, continued

q) Use estimates, continued

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 amount 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 the end of period, including the opinion of independent experts, such as legal advisors and consultants.

iv) Post-employment benefits

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, it is considered the interest rates of instruments issued by the Central Bank of Chile. The mortality rate is based on publicly available mortality tables for the country.

Future salary increases and pension increases are based on expected future inflation rates for the country. See details of the actuarial hypotheses used in Note 23a).

v) Financial assets and liabilities

When the fair value of financial assets and financial liabilities recorded in the balance sheet and disclosed in the notes can not 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 when possible, but when not, a degree of judgment is required in establishing fair values. The variables 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 the financial instrument.

r) Methods of consolidation

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

All balances and transactions among consolidated companies have been eliminated in the consolidation process. Likewise, the margins included in the operations carried out by subsidiaries to other companies of the Company for capitalizable goods or services, have been eliminated in the consolidation process.

2. Significant accounting principles, continued

r) Methods of consolidation, continued

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

The value of the participation of minority shareholders in the equity and results of companies subsidiaries consolidated by the global integration method is presented in the items "non-controlling interests" and "profit attributable to non-controlling interests", respectively.

s) 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 period, are detailed below. As of the closing date, these standards are still not in force and the Company has not opted for early application of any of them:

| | New Standard | Mandatory application date |
|---------|---------------------|-----------------------------------|
| IFRS 17 | Insurance Contracts | January 1, 2021 |

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 discretionary participation characteristics. The standard is applicable to annual years 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.

Based on the analysis performed to date, the Company believes that the application of many of these standards, will not have a significant impact on the financial statements in the period of initial application.

ii. Publication of standards modifications

| | Improvements and amendments | Mandatory application date |
|------------------|---|-----------------------------------|
| NIC 1 | Presentation of financial statements | January 1, 2022 |
| NIIF 3 | Business combinations, implementation guide review | January 1, 2022 |
| NIC 16 | Property, plant and equipment | January 1, 2022 |
| NIC 37 | Provisions, contingent liabilities and contingent assets | January 1, 2022 |
| NIIF 10 y NIC 28 | Interim consolidated financial statements and investments in associates and joint ventures. | To determinate |

2. Significant accounting principles, continued

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

ii. Publication of standards modifications, continued

IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”

Published in October 2018, it uses a definition of “materiality” that is consistent with all IFRS and the Conceptual Framework for Financial Reporting; also clarify the explanation of the definition of “material” and incorporates some of the guidelines in IAS 1 on immaterial information.

IFRS 3 “Business Combinations”

It revises the definition of a business. Based on the feedback received by the IASB, the application of the current guideline is often thought to be too complex and results in too many transactions that qualify as “business combinations”.

IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

Published in September 2019, these amendments provide certain simplifications in relation to the benchmark interest rate Reform. The simplifications are related to hedge accounting and have an effect on the IBOR Reform, which generally should not result in the end of hedge accounting. However, any hedging inefficiency must continue being recorded in Results.

IFRS 10 “Interim 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.

Based on the analysis performed to date, the Company believes that the application of many of these amendments will not have a significant impact on the financial statements in the period of initial application.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: “IBOR Interest Rate Benchmark Reform”

Published in August 2020. This amendment corresponds to Phase 2 of the IBOR reform and addresses matters related to the implementation of the reforms. It incorporates a practical case on changes in cash flows for financial instruments in which amortized cost is applied. No immediate results are recognized as a result of the above. Furthermore, this practical solution is applied to lessees that modify future lease payments as a result of the IBOR reform. The amendment considers certain special additional exemptions in matters of specific hedge accounting requirements.

2. Significant accounting principles, continued

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

iii) Application of new standards and amendment of standards

| Improvements and amendments | | Mandatory application date |
|-----------------------------|--------------------------------------|----------------------------|
| NIC 1 | Presentation of financial statements | January 1, 2020 |
| NIIF 3 | Business combinations | January 1, 2020 |
| NIIF 9, NIC 39 y NIIF 7 | Benchmark interest rate reform | January 1, 2020 |
| NIIF 16 | Lease concessions | January 1, 2020 |
| Conceptual framework | Financial reports | January 1, 2020 |

The application of these standards and standard amendments have not had a significant impact as of the closing date of these financial statements.

t) Statement of cash flows

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

- i. Operating activities: are activities that constitute the main source of the Company's ordinary income, as well as other activities that can not be qualified as investing or financing.
- 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 financial liabilities.

3. Changes in Accounting Policy and Disclosures

International Financial Reporting Standards have been consistently applied in the period covered by these financial statements.

4. Financial information by segment

Telefónica Móviles Chile S.A. and subsidiaries disclose 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 of the segments, the distributions established in the information presented below, are based on the financial information of the companies of each business 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 revenues from the provision of mobile telecommunications services, sale of electronic prepaid top-ups and the sale of handsets. Revenues are recognized as these 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, incomes are recognized as the services are provided or the equipment is sold.

c) Corporate Communications and Data

Corporate communications services include revenues 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. Revenues are recognized as the services are provided.

d) 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. Consistent with the financial statements, incomes are recognized as the services are delivered.

e) Others

“Other” includes logistics, personnel and management services.

4. Financial information by segment, continued

Relevant information regarding Telefónica Móviles Chile S.A. and its subsidiaries, which represent different segments, together with information regarding other subsidiaries, corresponding to September 30, 2020, December 31, 2019 and September 30, 2019, is detailed as follows:

| For the exercise ended as of september 30, 2020 | Mobile Telecommunications | Fixed Telecommunications | Corporate Communication and Data | Television Services | Other | Eliminations | Total |
|---|------------------------------|-----------------------------|--|------------------------|--------------------|----------------------|----------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Income from external customers | 604,824,385 | 226,114,862 | 123,578,755 | 86,052,627 | - | - | 1,040,570,629 |
| Income from ordinary activities arising from transactions with other operating segments of the same entity | 5,092,844 | 89,953,228 | 8,850,909 | - | 131,756,280 | (235,653,261) | - |
| Total income from operating activities from external customers and transactions with other operating segments of the same entity | 609,917,229 | 316,068,090 | 132,429,664 | 86,052,627 | 131,756,280 | (235,653,261) | 1,040,570,629 |
| Cost of sales | 246,338,178 | 29,513,065 | 90,098,622 | 70,169,835 | - | 203,123,444 | 639,243,144 |
| Administrative expenses | 196,396,203 | 161,063,868 | 39,135,735 | 18,553,572 | 13,744,736 | (421,065,515) | 7,828,599 |
| Employee benefits expenses | 1,075,262 | 258,321 | 29,704 | - | 110,466,233 | (14,750,080) | 97,079,440 |
| Cost of interest | 27,002,972 | 18,044,410 | 152,908 | 234,530 | 1,104,296 | (9,014,611) | 37,524,505 |
| Interest income | 2,781,550 | 8,074,288 | 1,087,040 | - | 170,562 | (9,014,611) | 3,098,829 |
| Depreciation and amortization | 117,081,524 | 116,603,030 | 10,176,520 | 2,874,346 | 1,549,872 | (2,003,485) | 246,281,807 |
| Participation in profit of associated companies accounted for using the equity method | (2,191,899) | (6,709,814) | 51,221 | - | - | 8,850,492 | - |
| Income tax expense | 4,882,649 | 1,967,821 | (751,210) | (2,740,193) | 1,134,840 | (8,987,814) | (4,493,907) |
| Other significant non-cash items | 4,367,674 | 5,859,670 | (449,115) | 94,891 | 13,227 | 873 | 9,887,220 |
| Profits(loss) before tax | 26,980,415 | (2,190,460) | (6,474,679) | (5,684,765) | 5,074,932 | 7,893,740 | 25,599,183 |
| Profit (loss) for the period from continuing operations | 22,099,766 | (4,158,281) | (5,723,469) | (2,944,572) | 3,940,092 | 7,891,740 | 21,105,276 |
| Profit (loss) for the period from discontinuing operations | - | - | - | - | - | - | - |
| Profit (loss) for the period | 22,099,766 | (4,158,281) | (5,723,469) | (2,944,572) | 3,940,092 | 7,891,740 | 21,105,276 |
| Assets | 2,420,726,455 | 1,568,591,574 | 129,722,590 | 165,101,478 | 150,692,116 | (1,293,145,440) | 3,141,688,773 |
| Investments in associates accounted for using the equity method | 694,142,724 | 129,992,907 | 819,324 | - | - | (824,954,954) | - |
| Increases in non-current assets | 37,203,660 | 62,316,148 | 8,162,731 | - | - | - | 107,682,539 |
| Liabilities | 1,012,829,531 | 899,581,326 | 109,847,109 | 86,308,442 | 87,667,180 | (459,333,607) | 1,736,899,981 |
| Shareholders' equity | 1,407,896,924 | 669,010,248 | 19,875,481 | 78,793,036 | 63,024,936 | (833,811,832) | 1,404,788,793 |
| Liabilities & Shareholders' equity | 2,420,726,455 | 1,568,591,574 | 129,722,590 | 165,101,478 | 150,692,116 | (1,293,145,439) | 3,141,688,774 |
| Cash flows provided by (used in) operating activities | 112,000,214 | (369,832) | (5,894,889) | (7,100,898) | (555,662) | 87,302,511 | 185,381,444 |
| Cash flows provided by (used in) investment activities | (46,153,634) | (126,308,415) | (1,554,093) | (2,762,832) | - | (9,313,693) | (186,092,667) |
| Cash flows provided by (used in) financing activities | (111,372,576) | 37,726,802 | 7,443,654 | 9,097,800 | (608,925) | 9,313,791 | (48,399,456) |

4. Financial information by segment, continued

| For the period ended as of December 31, 2019 | Mobile Telecommunications | Fixed Telecommunications | Corporate Communication and Data | Television Services | Other | Eliminations | Total |
|---|------------------------------|-----------------------------|--|------------------------|--------------------|----------------------|----------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Income from external customers | 858,683,220 | 331,703,403 | 167,707,061 | 145,384,806 | - | - | 1,503,478,490 |
| Income from ordinary activities arising from transactions with other operating segments of the same entity | 9,113,737 | 129,212,087 | 15,442,700 | - | 179,743,289 | (333,511,813) | - |
| Total income from operating activities from external customers and transactions with other operating segments of the same entity | 867,796,957 | 460,915,490 | 183,149,761 | 145,384,806 | 179,743,289 | (333,511,813) | 1,503,478,490 |
| Cost of sales | 289,946,721 | 44,431,389 | 121,144,183 | 94,202,465 | - | (138,123,541) | 411,601,217 |
| Administrative expenses | 331,473,190 | 230,279,089 | 55,261,789 | 36,119,115 | 25,034,018 | (168,568,068) | 509,599,133 |
| Employee benefits expenses | 1,351,094 | 195,606 | 4,157 | - | 144,084,632 | (22,569,365) | 123,066,124 |
| Cost of interest | 32,940,630 | 21,882,681 | 630,646 | 203,870 | 1,916,914 | (6,792,991) | 50,781,750 |
| Interest income | 4,893,517 | 5,201,144 | 1,219,354 | - | 825,761 | (6,792,991) | 5,346,785 |
| Depreciation and amortization | 154,975,164 | 157,307,885 | 13,769,708 | 5,243,970 | 1,846,571 | (2,523,400) | 330,619,898 |
| Participation in profit of associated companies accounted for using the equity method | 32,152,011 | 12,948,179 | 80,552 | - | - | (45,180,742) | - |
| Income tax expense | 16,159,607 | 7,381,986 | (680,085) | 3,714,292 | 1,567,808 | - | 28,143,608 |
| Other significant non-cash items | 5,915,154 | 11,781,980 | 9,648,244 | - | 77,218 | 29,370 | 27,451,966 |
| Profits(loss) before tax | 100,070,840 | 36,750,143 | 3,287,428 | 9,615,386 | 7,764,133 | (46,878,811) | 110,609,119 |
| Profit (loss) for the period from continuing operations | 83,911,233 | 29,368,157 | 3,967,513 | 5,901,094 | 6,196,325 | (46,878,811) | 82,465,511 |
| Profit (loss) for the period from discontinuing operations | - | - | - | - | - | - | - |
| Profit (loss) for the period | 83,911,233 | 29,368,157 | 3,967,513 | 5,901,094 | 6,196,325 | (46,878,811) | 82,465,511 |
| Assets | 2,372,658,197 | 1,540,217,136 | 129,497,179 | 164,814,592 | 150,572,258 | (1,271,013,216) | 3,086,746,146 |
| Investments in associates accounted for using the equity method | 708,160,121 | 146,581,758 | 779,073 | - | - | (855,520,952) | - |
| Increases in non-current assets | 40,645,192 | 144,492,739 | 16,468,090 | - | - | - | 201,606,021 |
| Liabilities | 1,020,228,549 | 864,272,442 | 101,066,105 | 79,409,082 | 90,643,496 | (419,288,184) | 1,736,331,490 |
| Shareholders' equity | 1,352,429,648 | 675,944,694 | 28,431,074 | 85,405,510 | 59,928,762 | (851,725,034) | 1,350,414,654 |
| Liabilities & Shareholders' equity | 2,372,658,197 | 1,540,217,136 | 129,497,179 | 164,814,592 | 150,572,258 | (1,271,013,218) | 3,086,746,146 |
| Cash flows provided by (used in) operating activities | 209,936,521 | 181,094,399 | 13,476,926 | 16,234,110 | (21,921,027) | 30,956,907 | 429,777,836 |
| Cash flows provided by (used in) investment activities | (58,658,413) | (235,188,434) | 2,025,482 | 3,600,857 | 3,490,951 | (4,686,248) | (289,415,805) |
| Cash flows provided by (used in) financing activities | (132,824,442) | (26,478,805) | (15,410,280) | (18,834,787) | 19,590,000 | 4,686,248 | (169,272,066) |

4. Financial information by segment, continued

| For the period ended as of September 30, 2019 | Mobile Telecommunications | Fixed Telecommunications | Corporate Communication and Data | Television Services | Other | Eliminations | Total |
|---|------------------------------|-----------------------------|--|------------------------|--------------------|----------------------|----------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Income from external customers | 639,384,884 | 247,459,237 | 117,651,149 | 116,519,048 | - | - | 1,121,014,318 |
| Income from ordinary activities arising from transactions with other operating segments of the same entity | 5,357,062 | 96,885,153 | 12,001,512 | - | 131,693,205 | (245,936,932) | - |
| Total income from operating activities from external customers and transactions with other operating segments of the same entity | 644,741,946 | 344,344,390 | 129,652,661 | 116,519,052 | 131,693,205 | (245,936,936) | 1,121,014,318 |
| Cost of sales | 210,778,131 | 28,915,746 | 77,111,273 | 83,629,382 | - | (100,932,276) | 299,502,256 |
| Administrative expenses | 243,904,066 | 173,492,816 | 34,929,721 | 28,473,296 | 17,278,705 | (125,544,135) | 372,534,469 |
| Employee benefits expenses | 1,020,078 | 195,606 | 4,157 | - | 106,591,932 | (16,772,856) | 91,038,917 |
| Interest expense | 19,902,813 | 16,451,887 | 406,344 | 37,794 | 1,449,340 | (4,881,396) | 33,366,782 |
| Interest income | 3,652,756 | 3,858,092 | 879,959 | - | 653,681 | (4,929,932) | 4,114,556 |
| Depreciation and amortization | 118,547,471 | 117,237,582 | 10,504,173 | 4,024,348 | 1,254,120 | (1,884,664) | 249,683,030 |
| Participation in profit of associated companies accounted for using the equity method | 28,518,569 | 15,352,907 | 61,214 | - | - | (43,932,690) | - |
| Income tax expense | 13,055,203 | 3,250,921 | (855,445) | 6,185,265 | 1,278,867 | - | 22,914,811 |
| Other significant non-cash items | 3,169,524 | 2,090,654 | 10,350,071 | - | 117,160 | 80,457 | 15,807,866 |
| Profits(loss) before tax | 85,930,236 | 29,352,406 | 17,988,237 | 354,232 | 5,889,949 | (44,703,774) | 94,811,286 |
| Profit (loss) for the period from continuing operations | 72,875,033 | 26,101,485 | 18,843,682 | (5,831,033) | 4,611,082 | (44,703,774) | 71,896,475 |
| Profit (loss) for the period from discontinuing operations | - | - | - | - | - | - | - |
| Profit (loss) for the period | 72,875,033 | 26,101,485 | 18,843,682 | (5,831,033) | 4,611,082 | (44,703,774) | 71,896,475 |
| Assets | 2,401,060,917 | 1,524,412,923 | 119,973,824 | 152,693,958 | 142,565,165 | (1,260,742,851) | 3,079,963,936 |
| Investments in associates accounted for using the equity method | 703,319,126 | 148,099,159 | 736,912 | - | - | (852,155,197) | - |
| Increases in non-current assets | 27,899,834 | 79,880,337 | 10,665,241 | - | 38,953,169 | - | 157,398,581 |
| Liabilities | 985,341,530 | 843,811,060 | 85,532,605 | 67,204,190 | 85,093,566 | (401,179,172) | 1,665,803,779 |
| Shareholders' equity | 1,415,719,387 | 680,601,863 | 34,441,219 | 85,489,768 | 57,471,599 | (859,563,679) | 1,414,160,157 |
| Liabilities & Shareholders' equity | 2,401,060,917 | 1,524,412,923 | 119,973,824 | 152,693,958 | 142,565,165 | (1,260,742,851) | 3,079,963,936 |
| Cash flows provided by (used in) operating activities | 88,948,481 | 144,822,599 | (5,606,538) | (6,753,554) | (17,697,881) | 22,398,860 | 226,111,967 |
| Cash flows provided by (used in) investment activities | (63,183,601) | (181,870,675) | 2,672,144 | 4,750,477 | 3,490,951 | (14,686,247) | (248,826,951) |
| Cash flows provided by (used in) financing activities | (75,875,873) | (28,297,040) | 3,032,241 | 3,706,072 | 14,289,999 | 16,534,955 | (66,609,646) |

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

Accounting criteria regarding transactions among subsidiaries of Telefónica Móviles Chile S.A., which are carried out at market prices, independently and in a manner similar to transactions with third parties, consider that, the 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 composition is detailed as follows:

| Concepts | Currency | 09.30.2020 ThCh\$ | 12.31.2019 ThCh\$ |
|--|-------------------------|----------------------|----------------------|
| Cash (a) | | 691,068 | 320,322 |
| | CLP | 691,068 | 320,322 |
| Banks (b) | | 118,664,109 | 82,702,268 |
| | CLP | 114,425,801 | 75,244,771 |
| | USD | 4,044,058 | 7,379,053 |
| | EUR | 117,249 | 65,979 |
| | Others currencies | 77,001 | 12,465 |
| Time deposits (c) | | 66,000,566 | 151,443,831 |
| | CLP | 66,000,566 | 151,443,831 |
| Total cash and cash equivalents | | 185,355,743 | 234,466,421 |
| Sub-total by currency | CLP | 181,117,435 | 227,008,924 |
| | USD | 4,044,058 | 7,379,053 |
| | EUR | 117,249 | 65,979 |
| | Other currencies | 77,001 | 12,465 |

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

a) Cash

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

b) Banks

The balance in banks is made up of money held in checking accounts and its 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 September 30, 2020 and December 31, 2019, 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\$ | 09.30.2020 ThCh\$ |
|--------------------|----------|--|---------------------|--------------------------|------------------------------------|---|-------------------|
| Time deposits | CLP | 66,000,000 | 0,30% | 13 | 66,000,000 | 566 | 66,000,566 |
| Total | | | | | 66,000,000 | 566 | 66,000,566 |

| 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\$ | 12.31.2019 ThCh\$ |
|--------------------|----------|--|---------------------|--------------------------|------------------------------------|---|--------------------|
| Time deposits | CLP | 151,400,000 | 1.92% | 4 | 151,400,000 | 43,831 | 151.443.831 |
| Total | | | | | 151,400,000 | 43,831 | 151,443,831 |

In accordance with working capital management policies, all investments in time deposits are only with well-known domestic banks that are ranked in Chile with the highest credit quality.

6. Other current and non-current financial assets

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

| Concepts | | 09.30.2020 | | 12.31.2019 | |
|------------------------|-----------------|-------------------|--------------------|-------------------|--------------------|
| | | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ |
| Hedging instruments | (See Note 21,2) | 31,698,006 | 204,841,567 | 20,248,206 | 188,086,659 |
| Other investments | (a) | - | 5,783,605 | - | 7,853,869 |
| Other credits | (b) | - | - | 4,496,741 | - |
| Guarantees established | (c) | 80,444 | - | 80,444 | 50,468 |
| Total | | 31,778,450 | 210,625,172 | 24,825,391 | 195,990,996 |

a) Other current and non-current investments are detailed as follows:

| Participation | Country | Investment currency | 09.30.2020 ThCh\$ | 12.31.2019 ThCh\$ |
|---------------------------|---------|---------------------|-------------------|-------------------|
| Telefónica Brasil (1) (2) | Brazil | REAL | 5,783,483 | 7,849,897 |
| Other participation | Chile | CLP | 118 | 3,972 |
| Total | | | 5,783,605 | 7,853,869 |

(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 September 30, 2020 and 2019, dividends in the amount of ThCh\$502,256 and ThCh\$412,248, respectively, have been received.

6. Other current and non-current financial assets, continued

- b) Correspond to the loan granted to Digital Holding SpA for the sale of the Data Center and to interest accrued on this transaction as of the date of the corresponding financial statements. This loan expires in July 2020.
- c) Guarantees are those established for clients, official organizations and other institutions.

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

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

| Concepts | 09.30.2020 | | 12.31.2019 | |
|----------------------------------|-------------------|-----------------------|-------------------|-----------------------|
| | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ |
| Contract compliance costs (1) | 27,048,220 | 31,806,064 | 14,419,167 | 11,882,149 |
| Deferred cost of handsets | 9,614,931 | - | 7,566,293 | - |
| Costs of obtaining contracts (2) | 7,132,170 | 6,398,552 | 3,984,596 | - |
| Other Taxes (3) | 5,803,270 | - | 9,090,974 | - |
| Support and repair services (4) | 5,471,289 | 17,317 | 2,083,463 | 25,532 |
| Insurance | 2,868,456 | - | 1,221,391 | - |
| Advance leases (5) | 2,726,914 | 400,032 | 2,318,902 | 970,188 |
| Amortizable expenses | 882,507 | 17,514 | 500,534 | - |
| Total | 61,547,757 | 38,639,479 | 41,185,320 | 12,877,869 |

- (1) This item includes capitalization of compliance costs associated to television equipment, broadband equipment and project management in the amounts of ThCh\$ 27,048,220 and ThCh\$ 14,419,167 in current and ThCh\$ 31,806,064 and ThCh\$ 11,882,149 in non-current, respectively for 2020 and 2019. The contractual conditions for the broadband service changed in the first quarter of 2020, which caused the Company to review the behavior of the average life of customers to calculate amortizable expenses. Quarterly, the Company reviews the behavior of the average life of customers to calculate the amortizable expense.
- (2) Corresponds mainly to the capitalization of customer addition capture commissions. As of July 1, 2020, it includes capitalization of addition costs associated to commissions for capturing new customers for the mobile telephone, basic telephone, broadband and television services. This is due to the change in estimating the amortization period of these costs (average customer life) for the costs of adding customer whose contracts have indefinite lives. Quarterly, the Company reviews the behavior of the average life of customers, to calculate the amortizable expense.
- (3) This item includes remaining VAT credit and recoverable taxes.
- (4) Current assets correspond to support and repair Services in the amount of MCh\$5,471,289 and MCh\$2,083,463, respectively for 2020 and 2019.
- (5) This item includes operating leases outside the IFRS 16 standard.

8. Current trade and other accounts receivable

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

| Concepts | 09.30.2020 | | | 12.31.2019 | | |
|---|-----------------------|---------------------------------------|---------------------|-----------------------|---------------------------------------|---------------------|
| | Gross value ThCh\$ | Provision for impairment ThCh\$ | Net value ThCh\$ | Gross value ThCh\$ | Provision for impairment ThCh\$ | Net value ThCh\$ |
| Receivables on current loan transactions | 550,062,262 | (244,086,320) | 305,975,942 | 423,049,240 | (223,356,438) | 199,692,802 |
| Invoiced services (1) | 397,240,767 | (241,988,715) | 155,252,052 | 307,725,835 | (221,264,838) | 86,460,997 |
| Services provided and not invoiced | 135,404,085 | (1,205,793) | 134,198,292 | 92,279,760 | (1,154,434) | 91,125,326 |
| Contractual asset (2) | 17,417,410 | (891,812) | 16,525,598 | 23,043,645 | (937,166) | 22,106,479 |
| Miscellaneous receivables (3) | 21,575,733 | - | 21,575,733 | 34,023,204 | - | 34,023,204 |
| Total | 571,637,995 | (244,086,320) | 327,551,675 | 457,072,444 | (223,356,438) | 233,716,006 |

(1) As of the September 2020 and December 2019 closing dates, large company portfolio sales were carried out, massive services and mobile handset installments for a total amount of MCh\$11,448,269 and MCh\$112,102,848, respectively, The Company has become the collection agent for massive service transactions.

(2) Under IFRS 15, contractual assets correspond to the difference between revenue from the sale of post-payment handsets and the amount received from the customer at the beginning of the contract.

(3) This item mainly includes personnel loans in the amount of MCh\$9,044, advances to suppliers in the amount of MCh\$2,878,663 and Voissnet contingency (see Note 32a) (i).

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 | 09.30.2020 | | | | | 12.31.2019 | | | | |
|---------------------------|-----------------------|-------------------|-------------------|----------------------------|-------------------|-----------------------|-------------------|-------------------|----------------------------|-------------------|
| | Less than 3 months | 3 to 6 months | 6 to 12 months | Older than 12 months | Total | Less than 3 months | 3 to 6 months | 6 to 12 months | Older than 12 months | Total |
| Miscellaneous receivables | 42,443,783 | 15,159,427 | 3,210,790 | - | 60,814,000 | 41,065,554 | 12,141,347 | - | - | 53,206,901 |
| Total | 42,443,783 | 15,159,427 | 3,210,790 | - | 60,814,000 | 41,065,554 | 12,141,347 | - | - | 53,206,901 |

c) The movement of Provision for impairment, 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 | 09.30.2020 | 12.31.2019 |
|----------------------------|--------------------|--------------------|
| | ThCh\$ | ThCh\$ |
| Beginning balance | 226,399,971 | 206,149,882 |
| Increases | 49,726,881 | 65,902,786 |
| Eliminations/ Additions | (27,100,783) | (45,652,697) |
| Movements, subtotal | 22,626,098 | 20,250,089 |
| Ending balance | 249,026,069 | 226,399,971 |

8. Current trade and other accounts receivable, continued

The Company has evaluated impairment of trade accounts receivable due to Covid-19 and considers the following:

Regulatory measures due to the health contingency.

Company measures related to new service plans offered to customers.

Differentiated analysis by segment.

- Update of rates as of September 2020 for each of the segments resulting from recoverability matrices under the habitual procedure.
- Evolution and follow-up of collection.

Based on the analyses performed, at the closing date of these Financial Statements, an additional bad debt expense of MCh\$4,640,373 has been recorded in the Company's results. Due to the collection efforts carried out, collection recoverability rates have improved during the third quarter, reaching similar levels to the rates existing before of the contingency.

In addition, there are certain gaps in customer payments of large business segments that the Company believes will not generate additional expected losses in excess of those already calculated, but they do have an impact on the portfolio value increase.

- d) Provision for impairment movements according to the composition of the portfolio as of September 30, 2020 and December 31, 2019 are detailed as follows:

| Provisions and write-offs | 09.30.2020 ThCh\$ | 12.31.2019 ThCh\$ |
|--|----------------------|----------------------|
| Provision for non renegotiated portfolio | 50,106,202 | 66,342,696 |
| Provision for renegotiated portfolio | (379,321) | (229,785) |
| Write-offs for the exercise | (27,100,783) | (45,862,822) |
| Total | 22,626,098 | 20,250,089 |

- e) As of September 30, 2020 and December 31, 2019 the portfolio of returned documents and those in judicial collection is detailed as follows:

| Portfolio of returned documents and judicial collection as of 09.30.2020 | 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 | 1,412 | - | - | - |
| Portfolio of returned documents or those in judicial collection (ThCh\$) | 1,761,444 | - | - | - |

| Portfolio of returned documents and judicial collection as of 12.31.2019 | 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 | 1,432 | - | - | - |
| Portfolio of returned documents or those in judicial collection (ThCh\$) | 1,142,026 | - | - | - |



8. Current trade and other accounts receivable, continued

f) The composition of the portfolio stratified by segment as of September 30, 2020 is detailed as follows:

| Stratification of portfolio by segment for the period September 30, 2020 | 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) | 609,496 | 57,165 | 44,280 | 42,817 | 48,307 | 51,326 | 55,986 | 54,543 | 62,748 | 3,188,029 | 4,214,697 |
| Net portfolio w/o renegotiation | 45,986,445 | 7,538,107 | 270,054 | 1,931,527 | 623,906 | 1,789,453 | 572,111 | - | - | - | 58,711,603 |
| Debt | 47,695,064 | 9,373,670 | 1,407,381 | 6,637,278 | 1,698,592 | 3,212,179 | 1,399,847 | 1,075,252 | 1,049,587 | 90,163,695 | 163,712,545 |
| Accrual | (1,708,619) | (1,835,563) | (1,137,327) | (4,705,751) | (1,074,686) | (1,422,726) | (827,736) | (1,075,252) | (1,049,587) | (90,163,695) | (105,000,942) |
| Number of clients w/renegotiation | 23,248 | 7,251 | 1,102 | 458 | 226 | 119 | 86 | 88 | 149 | 90,036 | 122,763 |
| Net renegotiated portfolio | 21,127 | 97 | 4 | - | - | - | - | - | - | - | 21,228 |
| Debt | 264,304 | 69,929 | 10,529 | 4,555 | 2,059 | 1,058 | 754 | 766 | 1,380 | 825,514 | 1,180,848 |
| Accrual | (243,177) | (69,832) | (10,525) | (4,555) | (2,059) | (1,058) | (754) | (766) | (1,380) | (825,514) | (1,159,620) |
| Total number of clients | 632,744 | 64,416 | 45,382 | 43,275 | 48,533 | 51,445 | 56,072 | 54,631 | 62,897 | 3,278,065 | 4,337,460 |
| Total Fixed Telephone Portfolio | 46,007,572 | 7,538,204 | 270,058 | 1,931,527 | 623,906 | 1,789,453 | 572,111 | - | - | - | 58,732,831 |
| Debt | 47,959,368 | 9,443,599 | 1,417,910 | 6,641,833 | 1,700,651 | 3,213,237 | 1,400,601 | 1,076,018 | 1,050,967 | 90,989,209 | 164,893,393 |
| Accrual | (1,951,796) | (1,905,395) | (1,147,852) | (4,710,306) | (1,076,745) | (1,423,784) | (828,490) | (1,076,018) | (1,050,967) | (90,989,209) | (106,160,562) |
| Corporate Communication and Data | | | | | | | | | | | |
| Number of clients w/o renegotiation (1) | 2,120 | 1,228 | 45 | 774 | 673 | 637 | 563 | 490 | 567 | 4,598 | 11,695 |
| Net portfolio w/o renegotiation | 45,041,364 | 6,195,297 | 356,457 | 2,481,827 | 1,858,166 | 1,142,358 | 1,305,435 | 434,854 | 530,583 | 2,245,353 | 61,591,694 |
| Debt | 45,206,519 | 6,646,669 | 422,342 | 2,814,533 | 2,338,079 | 1,578,223 | 1,746,293 | 775,012 | 1,433,083 | 9,891,105 | 72,851,858 |
| Accrual | (165,155) | (451,372) | (65,885) | (332,706) | (479,913) | (435,865) | (440,858) | (340,158) | (902,500) | (7,645,752) | (11,260,164) |
| Number of clients w/renegotiation | - | - | - | - | - | - | - | - | - | - | - |
| Net renegotiated portfolio | - | - | - | - | - | - | - | - | - | - | - |
| Debt | - | - | - | - | - | - | - | - | - | - | - |
| Accrual | - | - | - | - | - | - | - | - | - | - | - |
| Total number of clients | 2,120 | 1,228 | 45 | 774 | 673 | 637 | 563 | 490 | 567 | 4,598 | 11,695 |
| Total Corporate Communication and Data Portfolio | 45,041,364 | 6,195,297 | 356,457 | 2,481,827 | 1,858,166 | 1,142,358 | 1,305,435 | 434,854 | 530,583 | 2,245,353 | 61,591,694 |
| Debt | 45,206,519 | 6,646,669 | 422,342 | 2,814,533 | 2,338,079 | 1,578,223 | 1,746,293 | 775,012 | 1,433,083 | 9,891,105 | 72,851,858 |
| Accrual | (165,155) | (451,372) | (65,885) | (332,706) | (479,913) | (435,865) | (440,858) | (340,158) | (902,500) | (7,645,752) | (11,260,164) |
| Television | | | | | | | | | | | |
| Number of clients w/o renegotiation (1) | 263,403 | 11,414 | 11,974 | 13,264 | 17,146 | 20,513 | 22,382 | 21,923 | 26,772 | 257,345 | 666,136 |
| Net portfolio w/o renegotiation | 15,798,230 | 181,515 | 40,398 | 15,656 | 11,073 | 4,045 | 2,502 | - | - | - | 16,053,419 |
| Debt | 16,361,007 | 230,515 | 231,312 | 135,105 | 275,584 | 461,581 | 508,610 | 481,957 | 629,764 | 9,977,980 | 29,293,415 |
| Accrual | (562,777) | (49,000) | (190,914) | (119,449) | (264,511) | (457,536) | (506,108) | (481,957) | (629,764) | (9,977,980) | (13,239,996) |
| Number of clients w/renegotiation | - | - | - | - | - | - | - | - | - | - | - |
| Net renegotiated portfolio | - | - | - | - | - | - | - | - | - | - | - |
| Debt | - | - | - | - | - | - | - | - | - | - | - |
| Accrual | - | - | - | - | - | - | - | - | - | - | - |
| Total number of clients | 263,403 | 11,414 | 11,974 | 13,264 | 17,146 | 20,513 | 22,382 | 21,923 | 26,772 | 257,345 | 666,136 |
| Total Television Portfolio | 15,798,230 | 181,515 | 40,398 | 15,656 | 11,073 | 4,045 | 2,502 | - | - | - | 16,053,419 |
| Debt | 16,361,007 | 230,515 | 231,312 | 135,105 | 275,584 | 461,581 | 508,610 | 481,957 | 629,764 | 9,977,980 | 29,293,415 |
| Accrual | (562,777) | (49,000) | (190,914) | (119,449) | (264,511) | (457,536) | (506,108) | (481,957) | (629,764) | (9,977,980) | (13,239,996) |

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

8. Current trade and other accounts receivable, continued

f) The composition of the portfolio stratified by segment as of September 30, 2020 is detailed as follows, continued

| Stratification of portfolio by segment for the period September 30, 2020 | 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) | 856,439 | 238,731 | 33,792 | 33,162 | 23,748 | 32,766 | 38,187 | 52,363 | 64,554 | 1,978,072 | 3,351,814 |
| Net portfolio w/o renegotiation | 121,789,178 | 11,822,508 | 4,871,512 | 6,738,824 | 2,189,517 | 3,208,336 | 2,452,525 | - | - | - | 153,072,400 |
| Debt | 130,597,010 | 13,664,667 | 7,381,200 | 8,318,165 | 7,815,169 | 10,576,335 | 6,637,824 | 5,725,889 | 5,297,483 | 68,205,432 | 264,219,174 |
| Accrual | (8,807,832) | (1,842,159) | (2,509,688) | (1,579,341) | (5,625,652) | (7,367,999) | (4,185,299) | (5,725,889) | (5,297,483) | (68,205,432) | (111,146,774) |
| Number of clients w/renegotiation | - | - | - | - | - | - | - | - | - | 10,556 | 10,556 |
| Net renegotiated portfolio | - | - | - | - | - | - | - | - | - | - | - |
| Debt | 140 | 26 | 26 | 26 | 26 | 9 | 26 | 26 | 44 | 1,386,663 | 1,387,012 |
| Accrual | (140) | (26) | (26) | (26) | (26) | (9) | (26) | (26) | (44) | (1,386,663) | (1,387,012) |
| Total number of clients | 856,439 | 238,731 | 33,792 | 33,162 | 23,748 | 32,766 | 38,187 | 52,363 | 64,554 | 1,988,628 | 3,362,370 |
| Total Other Portfolio | | | | | | | | | | | |
| Debt | 130,597,150 | 13,664,693 | 7,381,226 | 8,318,191 | 7,815,195 | 10,576,344 | 6,637,850 | 5,725,915 | 5,297,527 | 69,592,095 | 265,606,186 |
| Accrual | (8,807,972) | (1,842,185) | (2,509,714) | (1,579,367) | (5,625,678) | (7,368,008) | (4,185,325) | (5,725,915) | (5,297,527) | (69,592,095) | (112,533,786) |
| Contractual Asset and Others | | | | | | | | | | | |
| Number of clients w/o renegotiation (1) | - | - | - | - | - | - | - | - | - | - | - |
| Net portfolio w/o renegotiation | 38,101,331 | - | - | - | - | - | - | - | - | - | 38,101,331 |
| Debt | 38,993,143 | - | - | - | - | - | - | - | - | - | 38,993,143 |
| Accrual | (891,812) | - | - | - | - | - | - | - | - | - | (891,812) |
| Number of clients w/renegotiation | - | - | - | - | - | - | - | - | - | - | - |
| Net renegotiated portfolio | - | - | - | - | - | - | - | - | - | - | - |
| Debt | - | - | - | - | - | - | - | - | - | - | - |
| Accrual | - | - | - | - | - | - | - | - | - | - | - |
| Total number of clients | - | - | - | - | - | - | - | - | - | - | - |
| Total Other Portfolio | 38,101,331 | - | - | - | - | - | - | - | - | - | 38,101,331 |
| Debt | 38,993,143 | - | - | - | - | - | - | - | - | - | 38,993,143 |
| Accrual | (891,812) | - | - | - | - | - | - | - | - | - | (891,812) |
| Consolidated Portfolio | | | | | | | | | | | |
| Number of clients w/o renegotiation (1) | 1,731,458 | 308,538 | 90,091 | 90,017 | 89,874 | 105,242 | 117,118 | 129,319 | 154,641 | 5,428,044 | 8,244,342 |
| Net portfolio w/o renegotiation | 266,716,548 | 25,737,427 | 5,538,421 | 11,167,834 | 4,682,662 | 6,144,192 | 4,332,573 | 434,854 | 530,583 | 2,245,353 | 327,530,447 |
| Debt | 278,852,743 | 29,915,521 | 9,442,235 | 17,905,081 | 12,127,424 | 15,828,318 | 10,292,574 | 8,058,110 | 8,409,917 | 178,238,212 | 569,070,135 |
| Accrual | (12,136,195) | (4,178,094) | (3,903,814) | (6,737,247) | (7,444,762) | (9,684,126) | (5,960,001) | (7,623,256) | (7,879,334) | (175,992,859) | (241,539,688) |
| Number of clients w/renegotiation | 23,248 | 7,251 | 1,102 | 458 | 226 | 119 | 86 | 88 | 149 | 100,592 | 133,319 |
| Net renegotiated portfolio | 21,127 | 97 | 4 | - | - | - | - | - | - | - | 21,228 |
| Debt | 264,444 | 69,955 | 10,555 | 4,581 | 2,085 | 1,067 | 780 | 792 | 1,424 | 2,212,177 | 2,567,860 |
| Accrual | (243,317) | (69,858) | (10,551) | (4,581) | (2,085) | (1,067) | (780) | (792) | (1,424) | (2,212,177) | (2,546,632) |
| Total number of clients | 1,754,706 | 315,789 | 91,193 | 90,475 | 90,100 | 105,361 | 117,204 | 129,407 | 154,790 | 5,528,636 | 8,377,661 |
| Total Consolidated Portfolio | | | | | | | | | | | |
| Debt | 279,117,187 | 29,985,476 | 9,452,790 | 17,909,662 | 12,129,509 | 15,829,385 | 10,293,354 | 8,058,902 | 8,411,341 | 180,450,389 | 571,637,995 |
| Accrual | (12,379,512) | (4,247,952) | (3,914,365) | (6,741,828) | (7,446,847) | (9,685,193) | (5,960,781) | (7,624,048) | (7,880,758) | (178,205,036) | (244,086,320) |

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



8. Current trade and other accounts receivable, continued

f) The composition of the portfolio stratified by segment as of December 31, 2019 is as follows, continued

| Stratification of portfolio by segment As of December 31, 2019 | Up to date ThCh\$ | From 1 to 30 days ThCh\$ | From 31 to 60 days ThCh\$ | From 61 to 90 days 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 customers w/o renegotiation (1) | 670,218 | 283,048 | 76,151 | 47,298 | 62,845 | 69,603 | 44,844 | 62,006 | 66,440 | 2,922,723 | 4,305,176 |
| Gross portfolio w/o renegotiation | 19,180,998 | 6,419,055 | 1,129,367 | 2,742,475 | 932,538 | 453,987 | 788,434 | - | - | - | 31,646,854 |
| Debt | 19,371,760 | 7,097,728 | 2,624,559 | 3,675,548 | 2,075,325 | 1,777,154 | 1,631,368 | 960,914 | 1,092,639 | 90,491,419 | 130,798,414 |
| Provision | (190,762) | (678,673) | (1,495,192) | (933,073) | (1,142,787) | (1,323,167) | (842,934) | (960,914) | (1,092,639) | (90,491,419) | (99,151,560) |
| Number of customers w/renegotiation | 46,443 | 9,044 | 2,337 | 1,422 | 683 | 620 | 779 | 844 | 1,098 | 86,123 | 149,393 |
| Net renegotiated portfolio | 90,364 | 559 | 9 | 2 | - | - | - | - | - | - | 90,934 |
| Debt | 454,475 | 90,262 | 25,346 | 15,513 | 7,507 | 5,770 | 7,068 | 7,621 | 9,943 | 790,734 | 1,414,239 |
| Provision | (364,111) | (89,703) | (25,337) | (15,511) | (7,507) | (5,770) | (7,068) | (7,621) | (9,943) | (790,734) | (1,323,305) |
| Total number of customers | 716,661 | 292,092 | 78,488 | 48,720 | 63,528 | 70,223 | 45,623 | 62,850 | 67,538 | 3,008,846 | 4,454,569 |
| Total Fixed Telephone Portfolio | 19,271,362 | 6,419,614 | 1,129,376 | 2,742,477 | 932,538 | 453,987 | 788,434 | - | - | - | 31,737,788 |
| Debt | 19,826,235 | 7,187,990 | 2,649,905 | 3,691,061 | 2,082,832 | 1,782,924 | 1,638,436 | 968,535 | 1,102,582 | 91,282,153 | 132,212,653 |
| Provision | (554,873) | (768,376) | (1,520,529) | (948,584) | (1,150,294) | (1,328,937) | (850,002) | (968,535) | (1,102,582) | (91,282,153) | (100,474,865) |
| Corporate Communication and Data | | | | | | | | | | | |
| Number of customers w/o renegotiation (1) | 3,801 | 2,220 | 839 | 41 | 544 | 553 | 357 | 277 | 386 | 2,468 | 11,486 |
| Gross portfolio w/o renegotiation | 35,789,835 | 11,645,455 | 665,168 | 1,946,875 | 4,470,981 | 844,835 | 555,190 | - | - | - | 55,918,339 |
| Debt | 35,877,578 | 11,857,142 | 731,021 | 2,224,253 | 4,788,224 | 1,100,719 | 871,459 | 279,638 | 698,587 | 5,837,887 | 64,266,508 |
| Provision | (87,743) | (211,687) | (65,853) | (277,378) | (317,243) | (255,884) | (316,269) | (279,638) | (698,587) | (5,837,887) | (8,348,169) |
| Number of customers w/renegotiation | - | - | - | - | - | - | - | - | - | - | - |
| Net renegotiated portfolio | - | - | - | - | - | - | - | - | - | - | - |
| Debt | - | - | - | - | - | - | - | - | - | - | - |
| Provision | - | - | - | - | - | - | - | - | - | - | - |
| Total number of customers | 3,801 | 2,220 | 839 | 41 | 544 | 553 | 357 | 277 | 386 | 2,468 | 11,486 |
| Total Corporate Communication and Data Portfolio | 35,789,835 | 11,645,455 | 665,168 | 1,946,875 | 4,470,981 | 844,835 | 555,190 | - | - | - | 55,918,339 |
| Debt | 35,877,578 | 11,857,142 | 731,021 | 2,224,253 | 4,788,224 | 1,100,719 | 871,459 | 279,638 | 698,587 | 5,837,887 | 64,266,508 |
| Provision | (87,743) | (211,687) | (65,853) | (277,378) | (317,243) | (255,884) | (316,269) | (279,638) | (698,587) | (5,837,887) | (8,348,169) |
| Television | | | | | | | | | | | |
| Number of customers w/o renegotiation (1) | 13,065 | 30,483 | 29,610 | 14,747 | 20,072 | 28,063 | 15,591 | 20,061 | 19,607 | 153,173 | 344,472 |
| Gross portfolio w/o renegotiation | 6,805,221 | 273,982 | 103,455 | 25,101 | 12,158 | 2,338 | 1,785 | - | - | - | 7,224,040 |
| Debt | 6,826,057 | 435,048 | 675,154 | 339,931 | 454,780 | 648,166 | 367,078 | 485,015 | 568,239 | 9,356,274 | 20,155,742 |
| Provision | (20,836) | (161,066) | (571,699) | (314,830) | (442,622) | (645,828) | (365,293) | (485,015) | (568,239) | (9,356,274) | (12,931,702) |
| Number of customers w/renegotiation | - | - | - | - | - | - | - | - | - | - | - |
| Net renegotiated portfolio | - | - | - | - | - | - | - | - | - | - | - |
| Debt | - | - | - | - | - | - | - | - | - | - | - |
| Provision | - | - | - | - | - | - | - | - | - | - | - |
| Total number of customers | 13,065 | 30,483 | 29,610 | 14,747 | 20,072 | 28,063 | 15,591 | 20,061 | 19,607 | 153,173 | 344,472 |
| Total Television Portfolio | 6,805,221 | 273,982 | 103,455 | 25,101 | 12,158 | 2,338 | 1,785 | - | - | - | 7,224,040 |
| Debt | 6,826,057 | 435,048 | 675,154 | 339,931 | 454,780 | 648,166 | 367,078 | 485,015 | 568,239 | 9,356,274 | 20,155,742 |
| Provision | (20,836) | (161,066) | (571,699) | (314,830) | (442,622) | (645,828) | (365,293) | (485,015) | (568,239) | (9,356,274) | (12,931,702) |

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

8. Current trade and other accounts receivable, continued

f) The composition of the portfolio stratified by segment as of December 31, 2019 is as follows, continued

| Stratification of portfolio by segment As of December 31, 2019 | Up to date | From 1 to 30 days | From 31 to 60 days | From 61 to 90 days | From 91 to 120 days | From 121 to 150 days | From 151 to 180 days | From 181 to 210 days | From 211 to 250 days | More than 250 days | Total portfolio w/o guarantee |
|---|--------------------|----------------------|-----------------------|-----------------------|------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|----------------------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Mobile Business | | | | | | | | | | | |
| Number of customers w/o renegotiation (1) | 849,343 | 226,843 | 58,179 | 60,881 | 40,610 | 53,899 | 52,759 | 53,546 | 64,361 | 1,870,818 | 3,331,239 |
| Gross portfolio w/o renegotiation | 62,438,933 | 7,310,058 | 3,671,880 | 5,131,803 | 1,225,807 | 1,996,806 | 856,488 | - | - | - | 82,631,775 |
| Debt | 70,192,340 | 8,931,685 | 5,881,123 | 6,522,074 | 6,177,989 | 8,482,751 | 4,540,747 | 5,040,418 | 4,663,298 | 61,261,238 | 181,693,663 |
| Provision | (7,753,407) | (1,621,627) | (2,209,243) | (1,390,271) | (4,952,182) | (6,485,945) | (3,684,259) | (5,040,418) | (4,663,298) | (61,261,238) | (99,061,888) |
| Number of customers w/renegotiation | 50 | 47 | 17 | 12 | 6 | 16 | 4 | 6 | 4 | 12,618 | 12,780 |
| Net renegotiated portfolio | 74,071 | 198 | 112 | - | - | - | - | - | - | - | 74,381 |
| Debt | 70,508 | 5,380 | 3,127 | 2,444 | 2,036 | 1,718 | 782 | 627 | 348 | 1,590,059 | 1,677,029 |
| Provision | 3,563 | (5,182) | (3,015) | (2,444) | (2,036) | (1,718) | (782) | (627) | (348) | (1,590,059) | (1,602,648) |
| Total number of customers | 849,393 | 226,890 | 58,196 | 60,893 | 40,616 | 53,915 | 52,763 | 53,552 | 64,365 | 1,883,436 | 3,344,019 |
| Total Other Portfolio | 62,513,004 | 7,310,256 | 3,671,992 | 5,131,803 | 1,225,807 | 1,996,806 | 856,488 | - | - | - | 82,706,156 |
| Debt | 70,262,848 | 8,937,065 | 5,884,250 | 6,524,518 | 6,180,025 | 8,484,469 | 4,541,529 | 5,041,045 | 4,663,646 | 62,851,297 | 183,370,692 |
| Provision | (7,749,844) | (1,626,809) | (2,212,258) | (1,392,715) | (4,954,218) | (6,487,663) | (3,685,041) | (5,041,045) | (4,663,646) | (62,851,297) | (100,664,536) |
| Contractual asset and Other | | | | | | | | | | | |
| Number of customers w/o renegotiation (1) | - | - | - | - | - | - | - | - | - | - | - |
| Net portfolio w/o renegotiation | 56,129,683 | - | - | - | - | - | - | - | - | - | 56,129,683 |
| Debt | 57,066,849 | - | - | - | - | - | - | - | - | - | 57,066,849 |
| Provision | (937,166) | - | - | - | - | - | - | - | - | - | (937,166) |
| Number of customers w/renegotiation | - | - | - | - | - | - | - | - | - | - | - |
| Net renegotiated portfolio | - | - | - | - | - | - | - | - | - | - | - |
| Debt | - | - | - | - | - | - | - | - | - | - | - |
| Provision | - | - | - | - | - | - | - | - | - | - | - |
| Total number of customers | - | - | - | - | - | - | - | - | - | - | - |
| Total Contractual Asset and Other Portfolio | 56,129,683 | - | - | - | - | - | - | - | - | - | 56,129,683 |
| Debt | 57,066,849 | - | - | - | - | - | - | - | - | - | 57,066,849 |
| Provision | (937,166) | - | - | - | - | - | - | - | - | - | (937,166) |
| Consolidated Portfolio | | | | | | | | | | | |
| Number of customers w/o renegotiation (1) | 1,536,427 | 542,594 | 164,779 | 122,967 | 124,071 | 152,118 | 113,551 | 135,890 | 150,794 | 4,949,182 | 7,992,373 |
| Net portfolio w/o renegotiation | 180,344,670 | 25,648,550 | 5,569,870 | 9,846,254 | 6,641,484 | 3,297,966 | 2,201,897 | - | - | - | 233,550,691 |
| Debt | 189,334,584 | 28,321,603 | 9,911,857 | 12,761,806 | 13,496,318 | 12,008,790 | 7,410,652 | 6,765,985 | 7,022,763 | 166,946,818 | 453,981,176 |
| Provision | (8,989,914) | (2,673,053) | (4,341,987) | (2,915,552) | (6,854,834) | (8,710,824) | (5,208,755) | (6,765,985) | (7,022,763) | (166,946,818) | (220,430,485) |
| Number of customers w/renegotiation | 46,493 | 9,091 | 2,354 | 1,434 | 689 | 636 | 783 | 850 | 1,102 | 98,741 | 162,173 |
| Net renegotiated portfolio | 164,435 | 757 | 121 | 2 | - | - | - | - | - | - | 165,315 |
| Debt | 524,983 | 95,642 | 28,473 | 17,957 | 9,543 | 7,488 | 7,850 | 8,248 | 10,291 | 2,380,793 | 3,091,268 |
| Provision | (360,548) | (94,885) | (28,352) | (17,955) | (9,543) | (7,488) | (7,850) | (8,248) | (10,291) | (2,380,793) | (2,925,953) |
| Total number of customers | 1,582,920 | 551,685 | 167,133 | 124,401 | 124,760 | 152,754 | 114,334 | 136,740 | 151,896 | 5,047,923 | 8,154,546 |
| Total Consolidated Portfolio | 180,509,105 | 25,649,307 | 5,569,991 | 9,846,256 | 6,641,484 | 3,297,966 | 2,201,897 | - | - | - | 233,716,006 |
| Debt | 189,859,567 | 28,417,245 | 9,940,330 | 12,779,763 | 13,505,861 | 12,016,278 | 7,418,502 | 6,774,233 | 7,033,054 | 169,327,611 | 457,072,444 |
| Provision | (9,350,462) | (2,767,938) | (4,370,339) | (2,933,507) | (6,864,377) | (8,718,312) | (5,216,605) | (6,774,233) | (7,033,054) | (169,327,611) | (223,356,438) |

(1) The information mentioned in this line represents the number of current customers and those that have been commercially removed and are still in collection 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 | 09.30.2020 ThCh\$ | 12.31.2019 ThCh\$ |
|--|--------------|-------------------|----------------------------|--------------------|----------|---------|----------------------|----------------------|
| Telxius Torres Chile, S,A, (1) | 76,558,575-9 | Chile | Common end controller | Prest, de Serv | CLP | 60 days | 13,323,264 | 12,096,459 |
| Telefónica Internacional Wholesale Services España | Foreign | Spain | Common end controller | Prest, de Serv | EUR | 90 days | 6,604,287 | 4,721,355 |
| Tiws Chile II Spa | 76,540,944-6 | Chile | Common end controller | Serv, Provided | CLP | 60 days | 2,868,052 | 953,832 |
| Media Networks Perú | Foreign | Peru | Common end controller | Serv, Provided | USD | 90 days | 703,274 | 195,900 |
| Telefónica S,A, | Foreign | Spain | End controller | Serv, Provided | EUR | 90 days | 393,792 | 712,499 |
| Telefónica Brasil | Foreign | Brazil | Common end controller | Serv, Provided | USD | 60 days | 370,531 | 125,183 |
| Telefónica Digital España | Foreign | Spain | Common end controller | Serv, Provided | EUR | 60 days | 358,211 | 627,459 |
| Telefónica Ingeniería de Seguridad S,A, | 59,083,900-0 | Chile | Common end controller | Serv, Provided | CLP | 60 days | 308,667 | 254,661 |
| Telxius Cable Chile | 96,910,730-9 | Chile | Common end controller | Serv, Provided | CLP | 60 days | 185,420 | 788,480 |
| Wayra Chile Tecnología e Innovación Ltda, | 96,672,150-2 | Chile | Common end controller | Serv, Provided | CLP | 60 days | 145,831 | 147,444 |
| Colombia Telecomunicaciones S,A,E,S,P | Foreign | Colombia | Common end controller | Serv, Provided | USD | 90 days | 134,071 | 3,866 |
| Telefónica Móviles Argentina S,A, | Foreign | Argentina | Common end controller | Serv, Provided | USD | 90 days | 123,810 | 198,813 |
| Telcel Venezuela | Foreign | Venezuela | Common end controller | Serv, Provided | USD | 90 days | 103,596 | 33,091 |
| Telefónica Factoring Chile, S,A | 76,096,189-2 | Chile | Associate | Serv, Provided | USD | 90 days | 107,418 | - |
| Telefónica del Perú | Foreign | Peru | Common end controller | Serv, Provided | CLP | 60 days | 56,670 | 59,981 |
| Telefónica Móviles España S,A, | Foreign | Spain | Common end controller | Serv, Provided | EUR | 90 days | 50,816 | 92,113 |
| Pegaso PCS, S,A, de C,V, | Foreign | Mexico | Common end controller | Serv, Provided | USD | 90 days | 49,943 | 4,845 |
| Telefónica Uk Ltd (antes O2 (UK) Ltd) | Foreign | UK | Common end controller | Serv, Provided | EUR | 90 days | 44,654 | 22,067 |
| Terra Networks Chile S,A, | 96,834,230-4 | Chile | Common end controller | Serv, Provided | CLP | 60 days | 32,028 | 24,194 |
| Media Networks Chile | 76,243,733-3 | Chile | Common end controller | Serv, Provided | CLP | 60 days | 27,209 | 27,209 |
| Telefónica Móviles del Uruguay | Foreign | Uruguay | Common end controller | Serv, Provided | USD | 90 days | 20,450 | - |
| Inversiones Telefónica Internacional Holding S,A, (2) | 77,363,730-K | Chile | Common end controller | Serv, Provided | CLP | 60 days | 5,262 | 5,262 |
| Terra Networks Brasil | Foreign | Brazil | Common end controller | Serv, Provided | USD | 90 days | 5,148 | 5,148 |
| Telefónica Cybersecurity Tech SpA | 77,145,256-6 | Chile | Common end controller | Serv, Provided | USD | 60 days | 4,308 | - |
| Telefónica On The Spot Soluciones Digitales De Chile Spa | 76,338,291-5 | Chile | Common end controller | Serv, Provided | CLP | 60 days | 2,302 | 6,296 |
| Telefónica Móviles El Salvador | Foreign | El Salvador | Common end controller | Serv, Provided | USD | 90 days | 574 | 582 |
| Telefónica Learning Services Chile Capacitación Ltda, | 76,131,334-7 | Chile | Common end controller | Serv, Provided | CLP | 60 days | - | 1,453 |
| Otecel S,A, | Foreign | Ecuador | Common end controller | Serv, Provided | USD | 60 days | - | 1,043 |
| Total | | | | | | | 26,029,588 | 21,109,235 |

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 | 09.30.2020 ThCh\$ | 12.31.2019 ThCh\$ |
|--|--------------|-------------------|----------------------------|----------------------|----------|---------|----------------------|----------------------|
| Telefónica S.A. | Foreign | Spain | End controller | Subtotal | | | 15,095,277 | 8,375,772 |
| | | | | Brand Fee | EUR/CLP | 60 days | 15,002,577 | 7,917,019 |
| | | | | Others | EUR | 60 days | 92,700 | 458,753 |
| Telxius Torres Chile S.A. | 76,558,575-9 | Chile | Common end controller | Subtotal | | | 12,252,972 | 15,383,448 |
| | | | | Spaces lease | CLP | 60 days | 8,493,360 | 8,942,700 |
| | | | | Colocalization lease | CLP | 60 days | 3,712,934 | 6,372,666 |
| | | | | Serv, Provided | CLP | 60 days | 46,678 | 68,082 |
| Telefónica Argentina S.A. | Foreign | Argentina | Common end controller | Serv, Provided | USD | 60 days | 10,684,128 | 12,209,013 |
| Telefónica International Wholesale Services España | Foreign | Spain | Common end controller | Serv, Provided | EUR | 60 days | 5,827,450 | 5,667,001 |
| Telefónica Digital España | Foreign | Spain | Common end controller | Serv, Provided | EUR | 60 days | 5,720,666 | 5,798,222 |
| Media Networks Perú | Foreign | Peru | Common end controller | Satellite Space | USD | 60 days | 4,736,791 | 1,516,382 |
| Tiws Chile II Spa | 76,540,944-6 | Chile | Common end controller | Serv, Provided | CLP | 60 days | 2,539,032 | 1,715,810 |
| Telefónica Latam Holding | Foreign | Spain | Common end controller | Management Fee | EUR | 60 days | 1,393,958 | 1,860,017 |
| Telefónica Ingeniería de Seguridad S.A. | 59,083,900-0 | Chile | Common end controller | Serv, Provided | CLP | 60 days | 1,309,936 | 3,324,888 |
| Telxius Cable América SA | Foreign | Uruguay | Common end controller | Serv, Provided. | USD | 60 days | 1,286,588 | - |
| Telefónica Global Technology S.A.U. | Foreign | Spain | Common end controller | Serv, Provided | EUR | 60 days | 1,101,429 | 573,922 |
| Telefónica Compras Electrónicas | Foreign | Spain | Common end controller | Serv, Provided | EUR | 60 days | 613,127 | 688,623 |
| Telxius Cable Chile (Ex Telef. Int. Wholesale Services Chile SA) | 96,910,730-9 | Chile | Common end controller | Subtotal | | | 537,791 | 7,095,059 |
| | | | | Ip voice traffic | CLP | 60 days | 271,430 | 4,432,682 |
| | | | | Data and links | CLP | 60 days | 125,896 | 2,298,835 |
| | | | | Commercial Mandate | CLP | 60 days | 88,151 | 87,574 |
| | | | | others | CLP | 60 days | 52,314 | 275,968 |
| | | | | Serv, Provided | USD | 60 days | 583,052 | 209,586 |
| Telefónica del Perú S.,A. | Foreign | Peru | Common end controller | Serv, Provided | USD | 60 days | 370,462 | - |
| Telefónica Cybersecurity Tech SpA | 77,145,256-6 | Chile | Common end controller | Prest. de Serv | CLP | 60 days | 187,755 | 376,358 |
| Telefónica Brasil | Foreign | Brazil | Common end controller | Serv, Provided | USD | 60 days | 140,745 | 48,414 |
| Telefónica USA Inc., | Foreign | USA | Common end controller | Serv, Provided | USD | 60 days | 140,844 | 89,361 |
| Telefónica Global Roaming Gmbh | Foreign | Germany | Common end controller | Serv, Provided | EUR | 60 days | 113,561 | 24,475 |
| Telefónica On The Spot Soluciones Digitales de Chile Spa | 76,338,291-5 | Chile | Common end controller | Serv, Provided | CLP | 60 days | 84,338 | 133,778 |
| Telefónica O2 Germany Gmbh & Co Ohg | Foreign | Germany | Common end controller | Serv, Provided | EUR | 60 days | 67,000 | - |
| Telefónica Global Services GmbH (antes O2 GMBH) | Foreign | Alemania | Common end controller | Serv, Provided. | EUR | 60 days | 20,352 | 46,018 |
| Telefónica Servicios Audiovisuales | Foreign | Spain | Common end controller | Serv, Provided | EUR | 60 days | 16,105 | 16,105 |
| Telefónica Global Technology Chile | 59,165,120-k | Chile | Common end controller | Computer services | CLP | 60 days | 8,579 | 105,127 |
| Telefónica Móviles Argentina S.A. | Foreign | Argentina | Common end controller | Serv, Provided | USD | 60 days | 3,420 | 1,611 |
| Telefónica de España S.A.U | Foreign | Spain | Common end controller | Serv, Provided | EUR | 60 days | 3,368 | 8,762 |
| Otecel S.A. | Foreign | Ecuador | Common end controller | Serv, Provided | USD | 60 days | | |

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 | 09.30.2020 ThCh\$ | 12.31.2019 ThCh\$ |
|--|--------------|-------------------|----------------------------|---------------------------|----------|---------|----------------------|----------------------|
| Telefónica Uk Ltd (antes O2 (UK) Ltd) | Foreign | Reino Unido | Common end controller | Serv, Provided | EUR | 60 days | 933 | - |
| Terra Networks Chile S.A. | 96,834,230-4 | Chile | Common end controller | Serv, Provided | CLP | 60 days | - | 147,832 |
| Tgestiona Logística Peru Sac | Foreign | Peru | Common end controller | Serv, Provided | USD | 60 days | - | 39,305 |
| Colombia Telecomunicaciones S.A.E.S.P. (Telecom.) | Foreign | Colombia | Common end controller | Serv, Provided | USD | 60 days | - | 109,716 |
| Telefónica Móviles España S.A. | Foreign | Spain | Common end controller | Serv, Provided | EUR | 60 days | - | 67,643 |
| Telefónica Learning Services Chile Capacitación Ltda | 76,131,334-7 | Chile | Common end controller | Serv, Provided | CLP | 60 days | - | 382,084 |
| Telefónica Investigación y Desarrollo S.A. (TIDSA) | Foreign | Spain | Common end controller | Serv, Provided | USD | 60 days | - | 19,000 |
| Telefónica Móviles del Uruguay S.A. | Foreign | Uruguay | Common end controller | Serv, Provided | USD | 60 days | - | 7,768 |
| Telefónica Móviles Panamá (1) | Foreign | Panama | Common end controller | Serv, Provided | USD | 60 days | - | 4,343 |
| Telfisa Global B.V. | Foreign | Spain | Common end controller | Administration commission | CLP | 60 days | - | 9,664 |
| Telefónica Móviles El Salvador | Foreign | El Salvador | Common end controller | Serv, Provided | USD | 60 days | - | 101 |
| Total | | | | | | | 64.839.659 | 66.055.208 |

(1) During the 2020 period, this company was no longer related

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.

c) Non-current payables to related companies:

| Sociedad | RUT | Country of origin | Nature of the relationship | Transaction origin | Currency | 09.30.2020 ThCh\$ | 12.31.2019 ThCh\$ |
|------------------------------|--------------|-------------------|----------------------------|-----------------------|----------|----------------------|----------------------|
| Telxius Torres Chile S.A.(1) | 76,558,575-9 | Chile | Common end controller | Co-localization lease | CLP | 37,666,182 | 37,179,398 |
| Telefónica S.A. | Foreign | Spain | End controller | HR obligation | CLP | 1,234,356 | 848,247 |
| Total | | | | | | 38,900,538 | 38,027,645 |

(1) With the entry into force of IFRS 16, current contracts with Telxius Torres Chile S.A. as of January 1, 2019 have been recognized as a financial obligation.



9. Receivables from and payable to related companies, continued

d) The most significant transactions and their effects on Results:

| Company | Taxpayer No, | Country of origin | Nature of the relationship | Transaction origin | Currency | 09.30.2020 | | 09.30.2019 | |
|--|--------------|-------------------|----------------------------|--------------------|----------|---------------|---|---------------|---|
| | | | | | | Amount ThCh\$ | Effect on income (Charge)/Credit ThCh\$ | Amount ThCh\$ | Effect on income (Charge)/Credit ThCh\$ |
| Telefónica S.A. | Foreign | Spain | End controller | Brand Fee | EUR | 17,753,715 | (17,753,715) | 20,152,319 | (20,152,319) |
| Media Networks Perú | Foreign | Peru | Common end controller | Spaces lease | USD | 4,766,828 | (4,766,828) | 6,493,617 | (6,493,617) |
| Telefónica Global Technology | Foreign | Spain | Common end controller | Costs | EUR | 4,115,321 | (4,115,321) | 3,645,538 | (3,645,538) |
| Telefónica Ingeniería de Seguridad S.A. | 59,083,900-0 | Chile | Common end controller | Costs | CLP | 5,415,022 | (5,415,022) | 8,198,201 | (8,198,201) |
| Telefónica Argentina S.A. | Foreign | Argentina | Common end controller | Media rental | USD | 4,427,427 | (4,427,427) | 6,178,245 | (6,178,245) |
| Telefónica Digital España | Foreign | Spain | Common end controller | Costs | EUR | 4,497,181 | (4,497,181) | 5,867,748 | (5,867,748) |
| Telefónica International Wholesale Services España | Foreign | Spain | Common end controller | Sales | EUR | 1,391,553 | 1,391,553 | 1,428,123 | 1,428,123 |
| | | | | Costs | EUR | 2,300,608 | (2,300,608) | 1,277,382 | (1,277,382) |
| Telxius Cable Chile | 96,910,730-9 | Chile | Common end controller | Sales | | 1,448,357 | 1,448,357 | 2,212,181 | 2,212,181 |
| | | | | Access and transit | | 6,843,478 | (6,843,478) | 11,400,807 | (11,400,807) |
| Tiws Chile II Spa | 76,540,944-6 | Chile | Common end controller | Sales | CLP | 1,673,470 | 1,673,470 | 1,064,651 | 1,064,651 |
| | | | | Costs | CLP | 6,439,737 | (6,439,737) | 4,882,029 | (4,882,029) |
| Telxius Torres Chile S.A. | 76.558.575-9 | Chile | Common end controller | Rental | CLP | 2,138,117 | (2,138,117) | 1,503,992 | (1,503,992) |
| Telefónica Latinoamérica Holding S.L. | Foreign | España | Common end controller | Costs | EUR | 1,084,037 | (1,084,037) | 1,257,425 | (1,257,425) |

As of September 30, 2020, only transactions between related parties in excess of ThCh\$1,000,000 are disclosed.

9. Receivables from and payable to related companies, continued

d) The most significant transactions and their effects on results, continued

Title XVI of the Corporations Law, and other relevant regulations, 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 current, 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.

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

The Company is managed by a Board of Directors composed of 11 members and its key employees are 62 and 67 executives for September 30, 2020 and 2019, respectively.

| Concepts | 07.01.2020 to | 09.30.2020 | 07.01.19 to | 09.30.2019 |
|--------------------------|------------------|-------------------|------------------|-------------------|
| | 09.30.2020 | | 09.30.19 | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Salaries | 2,261,140 | 8,826,000 | 2,365,792 | 10,100,181 |
| Post employment benefits | 67,328 | 3,215,648 | - | 817,504 |
| Total | 2,328,468 | 12,041,648 | 2,365,792 | 10,917,685 |

10. Inventory

a) The detail of inventory is as follows:

| Concepts | 09.30.2020 | | | 12.31.2019 | | |
|--|-----------------------|---|---------------------|-----------------------|---|---------------------|
| | Gross value ThCh\$ | Allowance for obsolescence ThCh\$ | Net value ThCh\$ | Gross value ThCh\$ | Allowance for obsolescence ThCh\$ | Net value ThCh\$ |
| Mobile equipment | 39,150,845 | (91,857) | 39,058,988 | 37,151,692 | (364,271) | 36,787,421 |
| Modems and Router (1) | 17,693,786 | (1,088,723) | 16,605,063 | 7,305,621 | (748,032) | 6,557,589 |
| IP Solutions Projects (2) | 7,888,904 | - | 7,888,904 | 4,000,524 | - | 4,000,524 |
| Decoders and antennas (3) | 5,295,157 | (541,257) | 4,753,900 | 9,548,024 | (578,411) | 8,969,613 |
| Basic telephony, public telephony and switchboard ("centralitas") components (4) | 3,352,922 | (182,710) | 3,170,212 | 2,489,027 | (381,658) | 2,107,369 |
| Mobile accessory | 440,990 | (36,983) | 404,007 | 143,022 | (3,290) | 139,732 |
| Other | 368,848 | (20,662) | 348,186 | 782,170 | (56,409) | 725,761 |
| Total | 74,191,452 | (1,962,192) | 72,229,260 | 61,420,080 | (2,132,071) | 59,288,009 |

- (1) In the first quarter of 2020 the contractual conditions of the broadband service changed with fiber optics technology, which caused the Company to record all equipment associated to that service as inventory, whereas until the previous year this was recorded as property, plant and equipment.
- (2) Mainly due to higher investment, Obrascon ThCh\$2,069,308 and Plaza S.A. ThCh\$1,751,432.
- (3) Decrease in decoders and antennae associated to commercial activities and therefore less purchases.
- (4) Corresponds to new private services projects.

As of September 30, 2020 and December 31, 2019 there have been no inventory write-offs, there is no inventory in guarantee.

The Company has assessed the possible impairment of inventory as of September 30, 2020 due to the macroeconomic effects generated by the health emergency (Covid 19). The analysis has considered: commercial dynamics, analysis of obsolescence and net realizable value, business decisions and stock planning.

Based on the previous analysis, it was determined that there is no obsolescence effect to record as a result of the contingency, as of September 30, 2020.

b) The movement of inventory is as follows:

| Movements | 09.30.2020 ThCh\$ | 12.31.2019 ThCh\$ |
|----------------------------|----------------------|----------------------|
| Beginning balance | 59,288,009 | 55,566,162 |
| Purchases | 217,045,228 | 265,136,170 |
| Sales | (204,273,854) | (262,562,080) |
| Allowance for obsolescence | 169,877 | 1,147,757 |
| Movement, subtotal | 12,942,251 | 3,721,847 |
| Ending balance | 72,229,260 | 59,288,009 |

11. Income Taxes

a) Income Taxes:

As of Sep 30, 2020, the Parent company, Telefónica Móviles Chile S.A. and subsidiary Telefónica Chile S.A. have established a first category income tax provision, since it determined a positive taxable base in the amount of ThCh\$38,690,355 and ThCh\$540,387 respectively. The rest of the companies of the Group have tax losses.

As of September 30, 2019, Telefónica Móviles Chile S.A., established a first category income tax provision, since it determined a positive taxable base of ThCh\$ 48,246,367.

As of September 30, 2020 and 2019, the Parent and subsidiaries presents the next tax losses of first category:

- Telefónica Chile S.A. ThCh\$8,156,577 at September 30, 2019.
- Telefónica Empresas S.A. ThCh\$51,549,688 and ThCh\$22,239,836 at September 30, 2020 and 2019, respectively.
- Telefónica Chile Servicios Corporativos Ltda. ThCh\$101,550 and ThCh\$4,314,426 at September 30, 2020 and 2019, respectively.
- Telefónica Investigación y Desarrollo SpA. ThCh\$1,157,340 y ThChM\$386,740 at September 30, 2020 and 2019, respectively.
- Telefónica Móviles Soluciones y Aplicaciones S.A. ThCh\$386,730 at September 30, 2019.

Regarding the current tax results of the Parent company and its subsidiaries, it should be noted that, in the normal development of their operations, they are subject to regulation and supervision by the Internal Revenue Service, as a result of which differences may arise in the application of criteria for determining taxes.

Merger of Telefónica Móviles Soluciones y Aplicaciones S.A. with Telefónica Móviles S.A.

On November 22, 2019, Telefónica Móviles Chile S.A. purchased from Telefónica Chile S.A. the shares of Telefónica Móviles Soluciones y Aplicaciones S.A., becoming the owner of 100% of its shares, generating the dissolution of the Company.

On December 5, 2019, public deed Repertoire No. 50871-2019, evidenced the dissolution of Telefónica Móviles Soluciones y Aplicaciones S.A. This company through a merger process was absorbed by Telefónica Móviles S.A., generating a non-depreciable Goodwill that, as of June 30, 2020, amounts to ThCh\$3,293,966.

11. Income Taxes, continued

a) Income Taxes, continued

As of September 30, 2020, corporate income is detailed as follows:

| Subsidiaries | Accumulated credit balances (SAC) | | | | | | | | |
|---|-----------------------------------|--|--|--|---|--|---|---|--|
| | Control | Income subject to Global Complementary or Additional Tax (RAI) | Difference between Accelerated Devaluation And normal (DDAN) | Exempt income (REX) Non-taxable income | Accumulated as of 01.01.2017 | | Current loan rate (factor of 25.5%) Total available credit against final taxes (art 41 A & 41 C of ITL) | Accumulated up to 12.31.2016 Effective rate 22,77% Entitled to return | Total Balance of Taxable Net Income (STUT) |
| | | | | | Subject to restitution entitled to return | No Subject to restitution entitled to return | | | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Telefónica Móviles Chile S.A. | 103,660,818 | 103,660,818 | - | - | 21,811,092 | - | - | 1,073,000 | 4,756,541 |
| Telefónica Chile S.A. | - | - | - | - | 71,591 | - | - | 170,631,430 | 756,130,833 |
| Telefónica Empresas Chile S.A. | 2,913,618 | - | - | 2,913,618 | (245,754) | - | - | - | - |
| Telefónica Chile Servicios Corporativos Ltda. | 84,012,710 | 84,012,710 | - | - | 13,683,614 | - | - | 17,554,435 | 65,378,225 |
| Telefónica Investigación y Desarrollo SPA | 1,309,307 | 1,309,307 | - | - | 694,657 | - | - | - | - |
| Total | 191,896,453 | 188,982,835 | - | 2,913,618 | 36,015,200 | - | - | 189,258,865 | 826,265,599 |

b) Current tax assets

As of September 30, 2020 and December 31, 2019, current income tax assets are detailed as follows:

| Concepts | 09.30.2020 | 12.31.2019 |
|---|------------------|------------------|
| | ThCh\$ | ThCh\$ |
| Monthly prepaid tax installments (1) | 400,681 | 1,519,311 |
| Taxes for recovering previous years (2) | 3,861,856 | 2,455,060 |
| Provisional payment on absorbed profits (3) | 2,718,729 | 2.718.729 |
| Sence and others | - | 838,000 |
| Total | 6,981,266 | 7,531,100 |

(1) Corresponds to the net balance between monthly provisional payments and the income tax provision at 2021.

(2) Corresponds to Telefónica Chile S.A. For ThCh \$932,012 (Income Statement AT2019 and AT2020), Telefónica Móviles S.A. for ThCh \$ 739,892 (Income Statement AT2017) and Telefónica Chile Servicios Corporativos Ltda. for ThCh \$2,199,685 (Income Statement AT2020 and previous years).

(3) Tax refunds from Inversiones Telefónica Móviles Holding S.A. for fiscal years 2015 and 2016.

During the second quarter of 2020, the tax measures adopted by the Government due to Covid-19, involved the suspension of the monthly provisional payment (PPM) during April, May and June, which implied lower cash flow of approximately ThCh\$2,600,000.

11. Income Taxes, continued

c) Deferred tax assets and liabilities

As of September 30, 2020, December 31, 2019 and September 30, 2019, accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh\$30,072,378 and ThCh\$22,466,891 respectively and which are detailed as follows:

| Disclosure of temporary differences, losses and unused tax credits September 30, 2020 | Provision for impairment | Obsolescence provision | Deferred income | Effect or taxable goodwill on merger of subsidiary | Dismantling provision | Deferred cost of sales & deferred sales commissions | Personnel provisions | Amortization and depreciation of assets | Tax loss | Right of use and leasing obligations | Other temporary differences | Reclassification (1) | Temporary differences | Temporary differences, losses and unused tax credits |
|--|--------------------------|------------------------|--------------------|--|-----------------------|---|----------------------|---|---------------------|--------------------------------------|-----------------------------|----------------------|-----------------------|--|
| Deferred tax assets and liabilities | | | | | | | | | | | | | | |
| Deferred tax assets | 42,421,221 | 452,386 | 6,011,673 | 89,444,629 | 4,995,127 | - | 16,653,236 | 8,599,335 | 14,258,317 | 9,487,816 | 5,125,239 | (72,573,722) | 124,875,257 | 124,875,257 |
| Deferred tax liabilities | - | - | 5,224,536 | - | - | 5,184,161 | 11,032,707 | 139,913,045 | - | 9,179,110 | (3,156,958) | (72,573,722) | 94,802,879 | 94,802,879 |
| Deferred tax liabilities (assets) | (42,421,221) | (452,386) | (787,137) | (89,444,629) | (4,995,127) | 5,184,161 | (5,620,529) | 131,313,710 | (14,258,317) | (308,706) | (8,282,197) | - | (30,072,378) | (30,072,378) |
| Deferred tax assets and liabilities, net | | | | | | | | | | | | | | |
| Deferred tax assets, net | (42,421,221) | (452,386) | (787,137) | (89,444,629) | (4,995,127) | - | (5,620,529) | - | (14,258,317) | (308,706) | (8,282,197) | - | (166,570,249) | (166,570,249) |
| Deferred tax liabilities, net | - | - | 1,179,602 | - | - | 5,184,161 | - | 131,313,710 | - | - | - | - | 136,497,871 | 136,497,871 |
| Deferred tax expense (benefit) | | | | | | | | | | | | | | |
| Deferred tax expense (benefit) | (6,109,048) | 45,867 | (3,286,032) | 7,435,728 | 62,087 | 1,522,223 | 1,275,533 | (180,877) | (3,745,379) | (1,280,920) | (3,191,166) | - | (7,451,984) | (7,451,984) |
| Deferred tax expense (benefit) recognized in income | (6,109,048) | 45,867 | (3,286,032) | 7,435,728 | 62,087 | 1,522,223 | 1,275,533 | (180,877) | (3,745,379) | (1,280,920) | (3,191,166) | - | (7,451,984) | (7,451,984) |
| Changes in deferred tax liabilities (assets) | | | | | | | | | | | | | | |
| Deferred tax liabilities (assets) – Beginning balance Dec, 2019 | (36,312,173) | (498,253) | 2,498,895 | (96,880,357) | (5,057,214) | 3,661,938 | (6,584,013) | 131,494,587 | (10,671,484) | 972,214 | (5,091,031) | - | (22,466,891) | (22,466,891) |
| Changes in deferred tax liabilities (assets) | | | | | | | | | | | | | | |
| Deferred tax expense (benefit) recognized in income | (6,109,048) | 45,867 | (3,286,032) | 7,435,728 | 62,087 | 1,522,223 | 1,275,533 | (180,877) | (3,745,379) | (1,280,920) | (3,191,166) | - | (7,451,984) | (7,451,984) |
| Deferred taxes related to items credited (charged) directly to equity | - | - | - | - | - | - | - | - | 158,546 | - | - | - | 158,546 | 158,546 |
| Income taxes related to components of other comprehensive income | - | - | - | - | - | - | (312,049) | - | - | - | - | - | (312,049) | (312,049) |
| 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 (assets) liabilities | (6,109,048) | 45,867 | (3,286,032) | 7,435,728 | 62,087 | 1,522,223 | 963,484 | (180,877) | (3,586,833) | (1,280,920) | (3,191,166) | - | (7,605,487) | (7,605,487) |
| Deferred tax liabilities (assets) | (42,421,221) | (452,386) | (787,137) | (89,444,629) | (4,995,127) | 5,184,161 | (5,620,529) | 131,313,710 | (14,258,317) | (308,706) | (8,282,197) | - | (30,072,378) | (30,072,378) |

(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 | Other temporary differences | Provision for impairment | Obsolescence provision | Deferred income | Effect or taxable goodwill on merger of subsidiary | Dismantling provision | Deferred cost of sales & deferred sales commissions | Personnel provisions | Amortization and depreciation of assets | Tax loss | Reclassification (1) | Temporary differences | Temporary differences, losses and unused tax credits |
|--|-----------------------------|--------------------------|------------------------|---------------------|--|-----------------------|---|----------------------|---|----------------|----------------------|-----------------------|--|
| December 31, 2019 | | | | | | | | | | | | | |
| Deferred tax assets and liabilities | | | | | | | | | | | | | |
| Deferred tax assets | 36,312,173 | 498,253 | 4,472,265 | 96,880,357 | 5,057,214 | - | 17,713,195 | 9,946,286 | 10,671,484 | 8,286,817 | 4,781,690 | (78,251,313) | 116,368,421 |
| Deferred tax liabilities | - | - | 6,971,160 | - | - | 3,661,938 | 11,129,182 | 141,440,873 | - | 9,259,031 | (309,341) | (78,251,313) | 93,901,530 |
| Deferred tax liabilities (assets) | (36,312,173) | (498,253) | 2,498,895 | (96,880,357) | (5,057,214) | 3,661,938 | (6,584,013) | 131,494,587 | (10,671,484) | 972,214 | (5,091,031) | | (22,466,891) |
| Deferred tax assets and liabilities, net | | | | | | | | | | | | | |
| Deferred tax assets, net | (36,312,173) | (498,253) | - | (96,880,357) | (5,057,214) | - | (6,584,013) | - | (10,671,484) | - | (5,091,031) | - | (161,094,525) |
| Deferred tax liabilities, net | - | - | 2,498,895 | - | - | 3,661,938 | - | 131,494,587 | - | 972,214 | - | - | 138,627,634 |
| Deferred tax expense (benefit) | | | | | | | | | | | | | |
| Deferred tax expense (benefit) | (3,041,618) | 309,894 | (224,954) | 15,256,154 | 376,262 | 1,237,260 | 1,043,635 | (3,760,986) | 2,398,275 | 1,068,874 | (2,388,765) | - | 12,274,031 |
| Deferred tax expense (benefit) recognized in income | (3,041,618) | 309,894 | (224,954) | 15,256,154 | 376,262 | 1,237,260 | 1,043,635 | (3,760,986) | 2,398,275 | 1,068,874 | (2,388,765) | - | 12,274,031 |
| Changes in deferred tax liabilities (assets) | | | | | | | | | | | | | |
| Deferred tax liabilities (assets) – Beginning balance Dec, 2017 | (33,270,555) | (808,147) | 2,723,849 | (112,136,511) | (5,433,476) | 2,424,678 | (6,980,422) | 135,255,573 | (13,048,516) | - | (2,702,266) | - | (33,975,793) |
| Changes in deferred tax liabilities (assets) | | | | | | | | | | | | | |
| Deferred tax expense (benefit) recognized in income | (3,041,618) | 309,894 | (224,954) | 15,256,154 | 376,262 | 1,237,260 | 1,043,635 | (3,760,986) | 2,398,275 | 1,068,874 | (2,388,765) | - | 12,274,031 |
| Deferred taxes related to items credited (charged) directly to equity | - | - | - | - | - | - | - | - | (21,243) | (96,660) | - | - | (117,903) |
| Income taxes related to components of other comprehensive income | - | - | - | - | - | (647,226) | - | - | - | - | - | (647,226) | (647,226) |
| 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 (assets) liabilities | (3,041,618) | 309,894 | (224,954) | 15,256,154 | 376,262 | 1,237,260 | 396,409 | (3,760,986) | 2,377,032 | 972,214 | (2,388,765) | - | 11,508,902 |
| Deferred tax liabilities (assets) | (36,312,173) | (498,253) | 2,498,895 | (96,880,357) | (5,057,214) | 3,661,938 | (6,584,013) | 131,494,587 | (10,671,484) | 972,214 | (5,091,031) | - | (22,466,891) |

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

11. Income Taxes, continued

d) Taxable Income

As of September 30, 2020 and 2019 a first category income tax provision has been established, therefore a taxable positive base was determined in the amount of ThCh\$39,230,742 and ThCh\$48,246,367, respectively for period, detailed as follows:

| Concepts | Taxable Net Income | | | |
|--|-----------------------------------|----------------------|-----------------------------------|----------------------|
| | 07.01.20 to 09.30.20 ThCh\$ | 09.30.2020 ThCh\$ | 07.01.19 to 09.30.19 ThCh\$ | 09.30.2019 ThCh\$ |
| Finance income | 11,146,109 | 21,105,276 | 26,728,949 | 71,896,476 |
| Recorded tax expense | 6,508,193 | 4,493,907 | 14,437,947 | 22,914,811 |
| Additions | 111,719,469 | 392,409,400 | 122,079,631 | 451,966,197 |
| Deductions | (130,977,574) | (378,777,837) | (125,456,374) | (498,531,116) |
| Taxable net income | (1,603,809) | 39,230,746 | 37,790,153 | 48,246,367 |
| First category tax rate 27% | (433,027) | 10,592,301 | 10,203,341 | 13,026,520 |
| Art, 21 rejected expenses tax base | 1,160,283 | 3,123,314 | 5,259,647 | 6,877,539 |
| Art, 21 non-deductible expenses (40% rate) | 464,113 | 1,249,326 | 2,103,858 | 2,751,015 |
| Total tax provision | 31,086 | 11,841,627 | 12,307,199 | 15,777,535 |
| Provision contingencies (1) | 2,463 | 8,094 | 88,119 | 119,450 |
| Hedging instrument income tax provision (2) | 24,492 | 353,752 | 101,241 | 918,783 |
| Settlement of derivatives of previous periods (3) | (8,700) | 375,614 | - | (180,100) |
| Deficit (Excess) previous period | 2,169,255 | (633,196) | (1,768,444) | (1,768,444) |
| Total first category taxes | 2.218.596 | 11.945.891 | 10.728.115 | 14.867.224 |

(1) Corresponds to interest and contingency provision readjustments of the Parent company. (See Note 28).

(2) Taxable net income considers adjustment for derivative instruments recorded in equity.

(3) Corresponds to the tax expense (benefit) calculated on 2019 hedging instruments, which is carried out in the settlement of the derivative, which occurs in the following period to its provision. This tax provision is presented as a higher or lower expense for the period.

11. Income Taxes, continued

e) Income tax reconciliation

The income tax expense reconciliation for September 30, 2020 and 2019 is detailed as follows:

| Conceptos | 07.01.2020 to 09.30.2020 | | 09.30.2020 | | 07.01.2019 to 09.30.2019 | | 09.30.2019 | |
|--|--------------------------|------------------|--------------------|--------------------|--------------------------|-------------------|--------------------|--------------------|
| | Taxable Base | 27% Tax Rate | Taxable Base | 27% Tax Rate | Taxable Base | 27% Tax Rate | Taxable Base | 27% Tax Rate |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Based on accounting income before taxes: | | | | | | | | |
| Finance income | 11,146,109 | | 21,105,276 | | 26,728,949 | | 71,896,476 | |
| Recorded tax expense | 6,508,193 | | 4,493,907 | | 14,437,947 | | 22,914,811 | |
| Income before taxes | 17,654,302 | 4,766,662 | 25,599,183 | 6,911,779 | 41,166,896 | 11,115,062 | 94,811,287 | 25,599,047 |
| Permanent differences | 6,450,114 | 1,741,530 | (8,955,080) | (2,417,873) | 12,306,983 | 3,322,885 | (9,941,612) | (2,684,236) |
| Price-level restatement of taxable equity | (2,265,944) | (611,805) | (33,561,123) | (9,061,503) | (10,856,490) | (2,931,252) | (41,010,401) | (11,072,808) |
| Price-level restatement of taxable value of investments in related companies | 499,244 | 134,796 | 17,361,138 | 4,687,507 | 6,317,814 | 1,705,810 | 21,187,786 | 5,720,702 |
| Income from investment in related parties | 297,262 | 80,261 | 958,758 | 258,865 | 464,887 | 125,519 | 1,206,626 | 325,788 |
| Contingency provision | 9,122 | 2,463 | 29,978 | 8,094 | 326,366 | 88,119 | 442,407 | 119,450 |
| Adjustment on deferred tax balances | 239,804 | 64,747 | (5,868,749) | (1,584,562) | - | - | - | - |
| Previous year deficit (surplus) | (32,222) | (8,700) | 1,391,163 | 375,614 | - | - | (667,037) | (180,100) |
| Art. 21 non-deductible expenses | 1,718,940 | 464,114 | 4,627,133 | 1,249,326 | 7,792,066 | 2,103,858 | 10,188,944 | 2,751,015 |
| Uncollectible debtor write-offs | 90,715 | 24,493 | 1,310,198 | 353,753 | 8,655,004 | 2,336,851 | 3,402,899 | 918,783 |
| IFRS 16 adjustment | 3,328,176 | 898,608 | 396,369 | 107,020 | 1,562,230 | 421,802 | (164,255) | (44,349) |
| Others (1) | 2,565,017 | 692,555 | 4,400,055 | 1,188,015 | (1,954,894) | (527,822) | (4,528,581) | (1,222,717) |
| Permanent differences | 6,450,114 | 1,741,531 | (8,955,080) | (2,417,872) | 12,306,983 | 3,322,885 | (9,941,612) | (2,684,236) |
| Total corporate tax expense | 24,104,416 | 6,508,193 | 16,644,103 | 4,493,907 | 53,473,879 | 14,437,947 | 84,869,675 | 22,914,811 |
| Based on taxable net income and deferred taxes calculated on the basis of temporary differences | | | | | | | | |
| 27% income tax | | 1,736,228 | | 9,959,105 | | 10,203,341 | | 2,823,179 |
| 40% income tax | | 464,113 | | 1,249,326 | | 2,103,858 | | 647,157 |
| Contingency provision | | 2,463 | | 8,094 | | 88,119 | | 31,331 |
| Hedging instrument income tax provision | | 24,492 | | 353,752 | | 101,241 | | 817,543 |
| Previous year deficit (surplus) | | (8,700) | | 375,614 | | - | | (180,100) |
| Effect on income due to reclassification of derivatives | | - | | - | | (1,768,444) | | (1,768,444) |
| Income tax expense | | 2,218,596 | | 11,945,891 | | 10,728,115 | | 14,867,224 |
| Total deferred tax expense (income) | | 4,289,597 | | (7,451,984) | | 3,709,832 | | 8,047,587 |
| Total corporate tax expense (income) | | 6,508,193 | | 4,493,907 | | 14,437,947 | | 22,914,811 |
| Effective income tax rate (2) | | 36.86% | | 17.55% | | 35.07% | | 24.17% |

(1) This item includes tax fines, price-level of tax loss, price-level of non-monetary assets, goodwill, IPAS to result, decoders, among others.

(2) Effective rate determined considering the tax expense accounted for in result with respect to the financial result before tax amounts to 17.55%.

11. Income Taxes, continued

f) Current income tax liabilities

As of September 30, 2020 and December 31, 2019, current income tax liabilities are detailed as follows:

| Concepts | 09.30.2020 ThCh\$ | 12.31.2019 ThCh\$ |
|------------------------------------|----------------------|----------------------|
| Income tax accrual (1) | 5,363,239 | 1,830,065 |
| Unic income tax | 1,249,326 | 3,043,431 |
| Contingency provision (note 28 b) | 260,402 | 252,308 |
| Others | 126,927 | 126,927 |
| Total | 6,999,894 | 5,252,731 |

(1) Annual income taxes are presented net of monthly provisional payments in the amount of ThCh\$ 5,229,061 and ThCh\$ 9,945,111.

12. Non-current trade and other accounts receivable

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

| Concepts | 09.30.2020 | | | 12.31.2019 | | |
|---|-----------------------|---------------------------------------|---------------------|-----------------------|---------------------------------------|---------------------|
| | Gross value ThCh\$ | Provision for impairment ThCh\$ | Net value ThCh\$ | Gross value ThCh\$ | Provision for impairment ThCh\$ | Net value ThCh\$ |
| Receivables on non-current loan transactions | 28,621,312 | (4,939,749) | 23,681,563 | 18,284,092 | (3,043,533) | 15,240,559 |
| Trade receivables | 26,688,589 | (4,841,176) | 21,847,413 | 15,508,627 | (2,871,454) | 12,637,172 |
| Contractual asset (1) | 1,932,723 | (98,573) | 1,834,150 | 2,775,465 | (172,079) | 2,603,386 |
| Miscellaneous receivables (2) | 10,797,941 | - | 10,797,941 | 12,181,785 | - | 12,181,785 |
| Total | 39,419,253 | (4,939,749) | 34,479,504 | 30,465,877 | (3,043,533) | 27,422,344 |

(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) Non-current trade and other accounts receivable by due date, as of September 30, 2020 and December 31, 2019, are detailed as follows:

| Concepts | As of September 30, 2020 | | | | | | | | |
|------------------------------|---------------------------------|------------------|-------------------------|-----------------------|---------------------------------|-----------------|-------------------------|-----------------------|-------------------|
| | Gross Portfolio value in ThCh\$ | | | | Provision for impairment ThCh\$ | | | | Net Total |
| | 1 to 3 years | 3 to 5 years | Greater than 5 years | Gross Total ThCh\$ | 1 to 3 years | 3 to 5 years | Greater than 5 years | Gross Total ThCh\$ | |
| Trade receivables | 25,870,251 | 2,079,917 | 671,144 | 28,621,312 | (4,860,316) | (77,537) | (1,896) | (4,939,749) | 23,681,563 |
| Miscellaneous receivables | 206,214 | 515,708 | 10,076,019 | 10,797,941 | - | - | - | - | 10,797,941 |
| Total | 26,076,465 | 2,595,625 | 10,747,163 | 39,419,253 | (4,860,316) | (77,537) | (1,896) | (4,939,749) | 34,479,503 |

| Concepts | As of December 31, 2019 | | | | | | | | |
|------------------------------|---------------------------------|------------------|-------------------------|-----------------------|---------------------------------|------------------|-------------------------|-----------------------|-------------------|
| | Gross Portfolio value in ThCh\$ | | | | Provision for impairment ThCh\$ | | | | Net Total |
| | 1 to 3 years | 3 to 5 years | Greater than 5 years | Gross Total ThCh\$ | 1 to 3 years | 3 to 5 years | Greater than 5 years | Gross Total ThCh\$ | |
| Trade receivables | 14,718,527 | 2,905,784 | 659,781 | 18,284,093 | (2,843,717) | (195,549) | (4,267) | (3,043,532) | 15,240,560 |
| Miscellaneous receivables | 276,507 | 1,216,639 | 10,688,908 | 12,181,784 | - | - | - | - | 12,181,784 |
| Total | 14,995,034 | 4,122,153 | 11,348,690 | 30,465,877 | (2,843,717) | (195,549) | (4,267) | (3,043,532) | 27,422,344 |

13. Intangible Assets other than goodwill

a) Intangible assets other than goodwill as of September 30, 2020 and December 31, 2019 are detailed as follows:

| Concepts | 09.30.2020 | | | 12.31.2019 | | |
|--------------------------------------|-----------------------------|------------------------------------|---------------------------|-----------------------------|------------------------------------|---------------------------|
| | Intangible, gross ThCh\$ | Accumulated amortization ThCh\$ | Intangible, net ThCh\$ | Intangible, gross ThCh\$ | Accumulated amortization ThCh\$ | Intangible, net ThCh\$ |
| Licenses and franchises (1) | 672,574,156 | (585,170,179) | 87,403,977 | 31,563,423 | - | 31,563,423 |
| Intangible assets in development (2) | 42,426,306 | - | 42,426,306 | 641,270,703 | (539,955,665) | 101,315,038 |
| Administratives grantings (3) | 130,169,199 | (105,792,369) | 24,376,830 | 130,169,199 | (104,421,195) | 25,748,004 |
| Other intangible assets (4) | 21,689,823 | (21,404,470) | 285,353 | 21,689,823 | (20,976,440) | 713,383 |
| Total | 866,859,484 | (712,367,018) | 154,492,466 | 824,693,148 | (665,353,300) | 159,339,848 |

- (1) Mainly corresponds to IBM and Microsoft Licenses for ThCh \$ 6.812.765, FTH Software, Switching and Administrative for ThCh\$ 49.302.894, "Believe" project ThCh \$ 26.939.665 and Other Licenses and Franchises for ThCh \$ 4.348.653.
- (2) Mainly corresponds to: evolutionary developments for ThCh \$ 19.782.399, licenses for ThCh \$ 10.615.304 and operational continuity for ThCh \$ 12.028.601.
- (3) This item records licenses for right of use of spectrum.
- (4) Corresponds to submarine cable usage rights.

b) As of September 30, 2020 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 01.01.2020 | 31,563,423 | 101,315,038 | 25,748,004 | 713,383 | 159,339,848 |
| Additions | 37,720,875 | - | - | - | 37,720,875 |
| Transfer from costs of developing to service | (23,013,023) | 23,013,023 | - | - | - |
| Cancellations | - | (25,171) | - | - | (25,171) |
| Amortization of cancellations | - | 25,171 | - | - | 25,171 |
| Amortization | - | (45,626,500) | (1,371,174) | (428,030) | (47,425,704) |
| Transfer amortization | - | 386,815 | - | - | 386,815 |
| Transfer from work in progress (Note 15b) | (3,844,969) | 8,315,601 | - | - | 4,470,632 |
| Movement, subtotal | 10,862,883 | (13,911,061) | (1,371,174) | (428,030) | (4,847,382) |
| Ending balance as of 09.30.2020 | 42,426,306 | 87,403,977 | 24,376,830 | 285,353 | 154,492,466 |
| Remaining average useful life | - | 1.44 years | 13.3 years | 0.5 years | |

As of December 31, 2019 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 | 20,363,160 | 130,724,849 | 27,576,237 | 1,291,601 | 179,955,847 |
| Additions | 41,863,338 | - | - | - | 41,863,338 |
| Cancellations | - | (25,035,402) | - | (142,677) | (25,178,079) |
| Amortization of cancellations | - | 24,946,873 | - | 142,677 | 25,089,550 |
| Amortization | - | (63,661,599) | (1,828,233) | (578,218) | (66,068,050) |
| Transfer from work in progress (Note 15b) | (712,307) | 4,389,549 | - | - | 3,677,242 |
| Transfer from costs of developing to service | (29,950,768) | 29,950,768 | - | - | - |
| Movement, subtotal | 11,200,263 | (29,409,811) | (1,828,233) | (578,218) | (20,615,999) |
| Ending balance as of 12.31.2019 | 31,563,423 | 101,315,038 | 25,748,004 | 713,383 | 159,339,848 |
| Remaining average useful life | - | 1.6 year | 14 year | 1.2 year | |

13. Intangible Assets other than goodwill, continued

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.

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 signs of a potential loss in value, and in any case at each year-end.

As of September 30, 2020, there were no signs of loss of value of assets, therefore no impairment testing was carried out.

The Company has evaluated the possible impairment of intangible assets as of September 30, 2020 due to the macroeconomic effects generated by the health emergency (Covid-19) and impairment testing did not result in loss of value of intangible assets.

The main additions to intangible assets, other than goodwill, as of September 30, 2020 and December 31, 2019, are investments in computer application and licenses.

Items in the intangibles heading that are fully depreciated and in use are licenses and franchises which amount to ThCh\$473,090,872 and ThCh\$444,474,965, as of September 30, 2020 and December 31, 2019, 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 September 30, 2020, the value recorded as of that date remains the same.

Goodwill movement as of September 30, 2020 and December 31, 2019 is as follows:

| Taxpayer No. | Company | 01.01.2020 ThCh\$ | Additions ThCh\$ | Eliminations ThCh\$ | 09.30.2020 ThCh\$ |
|--------------|--|----------------------|---------------------|------------------------|----------------------|
| 76.124.890-1 | 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. (3) | 555,251 | - | - | 555,251 |
| Total | | 504.774.872 | - | - | 504,774,872 |

(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 Telefónica Larga Distancia S.A. was merged by incorporation with Telefónica Chile S.A. with the latter absorbing the former and acquiring its assets and liabilities and succeeding it in all its rights and obligations.

(3) On July 24, 2019, the Company sold a Data Center that was associated to this cash generating unit (CGU), therefore, on the same date, goodwill was proportionately derecognized and charged to income from the sale transaction as indicated in IAS 36.

| Taxpayer No. | Company | 01.01.2019 ThCh\$ | Additions ThCh\$ | Eliminations ThCh\$ | 12.31.2019 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 | - | 64,981 | 555,251 |
| Total | | 504,839,853 | - | 64.981 | 504,774,872 |

14. Goodwill, continued

Assets indicated in goodwill are tested for impairment once a year, at each year-end.

The Company has evaluated the possible impairment of goodwill as of September 30, 2020 due to the macroeconomic effects generated by the health emergency (Covid-19) and impairment testing did not result in a loss of goodwill value, the recoverable value was higher than its book value.

Impairment testing was determined taking into consideration the following estimated variables:

- i) Projected revenue and operating costs are based on the Strategic Plan for 2020, 2021 and 2022, projecting a fourth and fifth year as terminal value. These projections have been made considering the Company's best estimates, using sectorial 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) The rate used to discount future cash flows takes into consideration the time value of money and the individual risks of the assets analyzed.
- iv) The valuation is determined using the Value in Use (VU) mechanism, which requires that the VU be determined through the net present value of the cash flows that the Company expects to receive from the Cash Generating Unit (CGUs). Two CGUs have been defined:
 - Telefónica Móviles Chile S.A., which mainly provides broadband and mobile telephone services.
 - Telefónica Chile S.A. and its subsidiary, Telefónica Empresas Chile S.A., which provide fixed broadband, television, fixed telephone and technology services for companies.

15. Property, plant and equipment

- a) The detail of Property, plant and equipment items for the periods as of September 30, 2020 and December 31, 2019 and their corresponding accumulated depreciation, is as follows:

| Concepts | 09.30.2020 | | Property, plant & equipment, Net ThCh\$ | Property, plant & equipment, Gross ThCh\$ | 12.31.2019 | | Property, plant & equipment, Net ThCh\$ |
|--|--|------------------------------------|--|--|------------------------------------|--|--|
| | Property, plant & equipment, Gross ThCh\$ | Accumulated depreciation ThCh\$ | | | Accumulated depreciation ThCh\$ | Property, plant & equipment, Gross ThCh\$ | |
| Land | 23,448,557 | - | 23,448,557 | 23,677,584 | - | 23,677,584 | |
| Buildings (1) | 913,847,161 | (613,451,710) | 300,395,451 | 925,636,992 | (618,001,090) | 307,635,902 | |
| Supplies and accessories | 33,728,969 | (32,422,831) | 1,306,138 | 33,713,419 | (32,051,084) | 1,662,335 | |
| Office equipment | 3,811,006 | (2,913,824) | 897,182 | 3,642,424 | (2,756,811) | 885,613 | |
| Construction in progress | 160,320,189 | - | 160,320,189 | 156,074,976 | - | 156,074,976 | |
| Information equipment | 73,973,044 | (60,769,140) | 13,203,904 | 74,847,517 | (56,624,441) | 18,223,076 | |
| Network and communication Equipment (2) | 3,595,032,332 | (2,936,198,087) | 658,834,245 | 3,553,656,427 | (2,873,291,394) | 680,365,033 | |
| Other property, plant & equipment (3) | 348,536,619 | (336,862,778) | 11,673,841 | 345,823,214 | (307,520,268) | 38,302,946 | |
| Total | 5,152,697,877 | (3,982,618,370) | 1,170,079,507 | 5,117,072,553 | (3,890,245,088) | 1,226,827,465 | |

- (1) A decrease is appreciated in Buildings due to the derecognition of gross value in the amount of MCh\$ (16,337) and accumulated depreciation of MCh\$ (16,303), mainly for poles and cross arms
- (2) As of September 30, 2020 and December 31, 2019, there is a provision in the amount of ThCh\$17,083,779 and ThCh\$18,730,421, respectively, corresponding to the estimated cost of dismantling telecommunications infrastructure microwave antennae. The obligation is presented under Non-current liabilities in Other non-current provisions. (see Note 22b).
- (3) Includes subscriber equipment, private switchboards, satellite equipment, general equipment and transportation equipment.

15. Property, plant and equipment, continued

b) As of September 30, 2020 the movements in Property, plant and equipment items are as follows:

| Movements | Land | Buildings, net | Supplies and accessories, net | Office equipment, net | Construction in progress Net | Information equipment, net | Network and communications equipment, net | Other property, plant & equipment, net | Property, plant and equipment, net |
|---|-------------------|--------------------|-------------------------------|-----------------------|------------------------------|----------------------------|---|--|------------------------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Beginning balance as of 01.01.2020 | 23,677,584 | 307,635,902 | 1,662,335 | 885,613 | 156,074,976 | 18,223,076 | 680,365,033 | 38,302,946 | 1,226,827,465 |
| Additions (1) | - | - | - | - | 107,682,539 | - | - | - | 107,682,539 |
| Withdrawals | (250,382) | (16,393,458) | (3,579) | (389) | (2,521,836) | (3,129,622) | (22,560,986) | (12,076,030) | (56,936,282) |
| Withdrawals depreciation | - | 16,359,607 | 3,579 | 389 | - | 2,333,538 | 21,511,919 | 10,491,580 | 50,700,612 |
| Depreciation expense | - | (16,664,242) | (375,326) | (166,996) | - | (6,478,237) | (86,021,380) | (39,837,034) | (149,543,215) |
| Other Increase (decrease) (2) | 21,355 | 13,593,069 | 19,129 | 184,528 | (100,915,490) | 2,255,149 | 65,553,916 | 14,792,379 | (4,495,965) |
| Transfer of gross value to investment property (3) | - | (8,989,442) | - | (15,557) | - | - | (1,617,025) | (2,944) | (10,624,968) |
| Transfer of depreciation to investment property (3) | - | 4,854,015 | - | 9,594 | - | - | 1,602,768 | 2,944 | 6,469,321 |
| Movements, subtotal | (229,027) | (7,240,451) | (356,197) | 11,569 | 4,245,213 | (5,019,172) | (21,530,788) | (26,629,105) | (56,747,958) |
| Ending balance as of 09.30.2020 | 23,448,557 | 300,395,451 | 1,306,138 | 897,182 | 160,320,189 | 13,203,904 | 658,834,245 | 11,673,841 | 1,170,079,507 |

(1) Additions for the period 2020 fundamentally show the effect of incorporation of network improvement (Broadband), systems and software development ("Believe" project, others), antennas and transmission equipment (infrastructure), energy system (Operating Continuity).

(2) Corresponds to the movement of net transfers from intangible assets to Property, plant and equipment in the amount of ThCh\$ 4.470.632 (Note 13 b).

(3) Corresponds to transfer of the net value from Property, plant and equipment to Investment properties (Note 16).

As of September 30, 2020, the Property, plant and equipment items, which are fully depreciated and still in use, are detailed as follows: **CORREGIDO**

| | Land | Buildings, gross | Supplies and accessories, gross | Office equipment, gross | Construction in progress gross | Information equipment, gross | Network and communications equipment, gross | Other property, plant & equipment, gross | Property, plant and equipment, gross |
|--|----------|--------------------|---------------------------------|-------------------------|--------------------------------|------------------------------|---|--|--------------------------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Fully depreciated assets still in use | - | 285,453,887 | 29,386,221 | 1,772,799 | - | 53,014,653 | 2,384,910,367 | 258,782,378 | 3,013,320,305 |

The Company has evaluated the possible impairment of Property, plant and equipment as of September 30, 2020 due to the macroeconomic effects generated by the health emergency (Covid-19) and impairment testing did not result in any loss of value. Furthermore, should there be signs of impairment, the respective testing will be carried out.

To date, the Company has no Property, plant and equipment that is temporarily out of service and not actively in use. Should any of these situations occur, they will be destined for sale or will be derecognized.

15. Property, plant and equipment, continued

c) As of December 31, 2019 the movements of Property, plant and equipment items are as follows:

| Movements | Land | Buildings, net | Transport equipment, Net | Supplies and accessories, net | Office equipment, net | Construction in progress Net | Information equipment, net | Network and communications equipment, net | Other property, plant & equipment, net | Property, plant and equipment, net |
|---|-------------------|--------------------|--------------------------|-------------------------------|-----------------------|------------------------------|----------------------------|---|--|------------------------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Beginning balance as of 01.01.19 | 24,309,203 | 307,915,023 | 2,162 | 2,206,289 | 1,022,807 | 157,874,623 | 20,052,119 | 681,131,821 | 68,404,518 | 1,262,916,403 |
| Additions | - | - | - | - | - | 201,606,021 | - | - | - | 201,606,021 |
| Withdrawals | (866,507) | (71,720,316) | - | (543,568) | - | - | (2,625,728) | (84,587,885) | (44,785,318) | (205,129,322) |
| Deprec. withdrawals | - | 57,397,725 | - | 333,483 | - | - | 2,405,896 | 82,703,534 | 34,428,971 | 177,269,609 |
| Depreciation expense | - | (25,479,613) | (2,162) | (627,833) | (232,204) | - | (9,328,618) | (88,135,793) | (81,692,193) | (205,496,254) |
| Other increase (decrease) (1) | 234,888 | 39,523,083 | - | 293,964 | 95,010 | (203,405,668) | 7,719,407 | 89,253,356 | 61,946,968 | (4,338,992) |
| Movements, subtotal | (631,619) | (279,121) | (2,162) | (543,954) | (137,194) | (1,799,647) | (1,829,043) | (766,788) | (30,101,572) | (36,088,938) |
| Ending balance as of 12.31.19 | 23,677,584 | 307,635,902 | - | 1,662,335 | 885,613 | 156,074,976 | 18,223,076 | 680,365,033 | 38,302,946 | 1,226,827,465 |

(1) Corresponds to the movement of transfers from construction in progress to intangible assets in the amount of ThCh\$ (5,013,839) (Note 13 b).

As of December 31, 2019, the Property, plant and equipment items that are fully depreciated and still in use are detailed as follows:

| | Land | Buildings, 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 ThCh\$ | Other property, plant & equipment, gross | Property, plant and equipment, gross |
|--|----------|--------------------|---------------------------------|-------------------------|--------------------------------|------------------------------|---|--|--|--------------------------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Fully depreciated assets still in use | - | 296,418,373 | 29,196,537 | 1,717,836 | - | 40,642,659 | 2,372,264,159 | - | 222,324,183 | 2,962,563,747 |

The Company, in its normal course of operations, monitors both new and existing assets, and their depreciation rates, standardizing them to the technological evolution and to the development in the markets in which it competes. The Company does not have assets provided in guarantee.

For real estate lease agreements, the Company has considered it is necessary to establish a provision for dismantling costs, which is presented in Other non-current provisions

16. Investment properties

The composition of this item corresponds to eleven rental floors in the Corporate Building and its related assets and the detail is as follows:

| Concepts | 09.30.2020 | | |
|--------------------------------------|-----------------------|------------------------------------|---------------------|
| | Gross value ThCh\$ | Accumulated amortization ThCh\$ | Net value ThCh\$ |
| Buildings | 8,989,442 | (4,854,015) | 4,135,423 |
| Network and communications equipment | 1,617,025 | (1,602,768) | 14,257 |
| Office equipment | 15,557 | (9,594) | 5,963 |
| Plant and equipment | 2,944 | (2,944) | - |
| Total | 10,624,968 | (6,469,321) | 4,155,647 |

17. Right of use assets

a) As of September 30, 2020 and December 31, 2019, the items that compose this account and their corresponding accumulated depreciation are detailed as follows:

| Concepts | 09.30.2020 | | | 12.31.2019 | | |
|---------------------|--|----------------------------------|--|--|----------------------------------|--|
| | 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 | 68,409,680 | (33,815,180) | 34,594,500 | 66,604,501 | (19,281,531) | 47,322,970 |
| Constructions | 190,700,403 | (65,517,469) | 125,182,934 | 184,652,847 | (36,131,266) | 148,521,581 |
| Plant and machinery | 21,634,747 | (3,287,291) | 18,347,456 | 21,209,264 | (1,971,986) | 19,237,278 |
| Other Rights of use | 15,622,262 | (5,654,021) | 9,968,241 | 7,611,831 | (1,670,811) | 5,941,020 |
| Total | 296,367,092 | (108,273,961) | 188,093,131 | 280,078,443 | (59,055,594) | 221,022,849 |

b) As of September 30, 2020 the movements of right of use assets items are as follows:

| Movements | Rights of use on land and natural properties, net ThCh\$ | Rights of use on buildings, net ThCh\$ | Rights of use on plant and machinery, net ThCh\$ | Other rights of use, net ThCh\$ | Rights of use, net ThCh\$ |
|---|---|---|---|------------------------------------|------------------------------|
| Beginning balance as of 01.01.20 | 47,322,970 | 148,521,581 | 19,237,278 | 5,941,020 | 221,022,849 |
| Additions (1) | 1,778,641 | 3,649,684 | 425,483 | 8,210,308 | 14,064,116 |
| Withdrawals | (128,134) | (98,935) | - | - | (227,069) |
| Depreciation withdrawals | 47,503 | 47,018 | - | - | 94,521 |
| Depreciation expense | (14,581,152) | (29,433,221) | (1,315,305) | (3,983,210) | (49,312,888) |
| Other increases (decreases) | 154,672 | 2,496,807 | - | (199,877) | 2,451,602 |
| Movements, subtotal | (12,728,470) | (23,338,647) | (889,822) | 4,027,221 | (32,929,718) |
| Ending balance as of 09.30.20 | 34,594,500 | 125,182,934 | 18,347,456 | 9,968,241 | 188,093,131 |

(1) Considers a provision for the sale to Telxius of DAS in the amount of ThCh\$813,896 and land in the amount of ThCh\$66,137.

17. Right of use assets, continued

b) As of December 31, 2019 the movements of right of use assets items are as follows:

| Movements | Rights of use on land and natural properties, net | Rights of use on buildings, net | Rights of use on plant and machinery, net | Other rights of use, net | Advance payments for rights of use, net | Rights of use, net |
|--------------------------------------|---|---------------------------------|---|--------------------------|---|---------------------|
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Beginning balance as of 01.01.19 | 49,450,161 | 173,919,988 | 8,697,995 | 951,936 | - | 233,020,080 |
| Additions | 17,154,340 | 10,732,859 | 12,511,269 | 5,998,145 | 661,750 | 47,058,363 |
| Depreciation expense | (19,281,531) | (36,131,266) | (1,971,986) | (1,670,811) | - | (59,055,594) |
| Others | - | - | - | - | - | - |
| Movements, subtotal | (2,127,191) | (25,398,407) | 10,539,283 | 4,327,334 | 661,750 | (11,997,231) |
| Ending balance as of 12.31.19 | 47,322,970 | 148,521,581 | 19,237,278 | 5,279,270 | 661,750 | 221,022,849 |

18. 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 | | 09.30.2020 | | 12.31.2019 | |
|--------------------------------------|-----------------|--------------------|-----------------------|--------------------|-----------------------|
| | | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ |
| Bank loans | (a) | 118,231,670 | 163,354,044 | 204,520 | 163,025,228 |
| Unguaranteed obligations (Bonds) (1) | (b) | 122,215,902 | 519,753,471 | 119,507,903 | 614,538,045 |
| Hedge instruments | (see Note 21.2) | 5,479,898 | 13,620,395 | 3,538,527 | 5,599,137 |
| Other financial debts (2) | | 2,259,637 | - | 2,827,303 | - |
| Total | | 248,187,107 | 696,727,910 | 126,078,253 | 783,162,410 |

(1) Includes mark-to-market of loans subject to fair value hedging. As of September 2020, the amount corresponds to ThCh\$ 21,247,003 in non-current

(2) Corresponds to the generation of financial liabilities for portfolio sales operations.

The Company has evaluated its financial liabilities as of September 30, 2020 due to the macroeconomic effects generated by the health emergency (Covid-19) and has determined that the obligations continue to be true and there are no additional changes in their valuation.

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

a) As of September 30, 2020 the detail of bank loans is as follows:

| Types | 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) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Foreign | Bank of Tokyo | Tokyo | USD | At maturity | 1.17% | 1.23% | MMUS\$150 | 04-15-2021 |
| Bilateral Loan (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | 97.018.000-1 | Bank Scotiabank | Chile | USD | At maturity | 1.55% | 3.62% | MMUS\$68,6 | 11-13-2023 |
| Bilateral Loan (3) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Foreign | Bank of Nova Scotia | Chile | USD | At maturity | 3.37% | 3.05% | MMUS\$140,19 | 09-29-2023 |

| Types | Debtor taxpayer No. | Debtor | Debtor country | Creditor | Nominal amounts (capital in thousands) | | | | | | | | | Total nominal amounts in local currency ThCh\$ | |
|--------------------|---------------------|-------------------------------|----------------|---------------------|--|---------------------------|---------------------|---------------------|---------------------------|---------------------|---------------------|---------------------------|-------------------------|--|--------------------|
| | | | | | To Maturity | | | | | | | | | | |
| | | | | | 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) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Bank of Tokyo | - | 99,057,000 | - | - | - | - | - | - | - | - | 99.057.000 |
| Bilateral Loan (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Bank Scotiabank | - | - | - | - | - | 47,022,556 | - | 47,022,556 | - | - | 47.022.556 |
| Bilateral Loan (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Bank of Nova Scotia | - | - | - | 119,080,998 | 119,080,998 | - | - | - | - | - | 119.080.998 |
| Total | | | | | - | 99,057,000 | - | 119,080,998 | 119,080,998 | 47,022,556 | - | 47,022,556 | - | - | 265,160,554 |

| Types | Debtor taxpayer No. | Debtor | Debtor country | Creditor | Current | | | Non-current | | | | | | Total Non-current as of 09.30.2020 ThCh\$ | | |
|--------------------|---------------------|-------------------------------|----------------|---------------------|----------------------|---------------------------|---------------------------------------|---------------------|---------------------|---------------------------|---------------------|---------------------|---------------------------|---|-------------------------|--------------------|
| | | | | | To Maturity | | Total current as of 09.30.2020 ThCh\$ | To Maturity | | | | | | | | |
| | | | | | 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) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Bank of Tokyo | 47,663 | 118,091,724 | 118,139,387 | - | - | - | - | - | - | - | - | - |
| Bilateral Loan (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Bank Scotiabank | 92,284 | - | 92,284 | - | - | - | 53,663,943 | - | 53,663,943 | - | - | 53.663.943 |
| Bilateral Loan (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Bank of Nova Scotia | - | - | - | - | 109,690,101 | 109,690,101 | - | - | - | - | - | 109.690.101 |
| Total | | | | | 139,947 | 118,091,724 | 118,231,671 | - | 109,690,101 | 109,690,101 | 53,663,943 | - | 53,663,943 | - | - | 163,354,044 |

- 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 a monthly interest rate of Libor + 0,8% for 5 years bullet, maturing on April 11, 2021.
- 2) On November 13, 2018, a loan was obtained from Scotiabank in the amount of US\$68.6 million (Ch\$47,023 million) with an interest rate of Libor (3M) + 1% annual for a 5-year bullet, maturing on November 13, 2023.
- 3) On April 20 de abril de 2020, a loan was obtained from Bank of Nova Scotia in the amount of US\$140.19 million (Ch\$119,080 million) with an interest rate of Libor (6M) + 1.9%, maturing on April 20, 2021. On September 30, 2020, the due date was extended to September 29, 2023 with an interest rate of Libor (6M) + 1.53%.

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

a) As of December 31, 2019 the detail of bank loans is as follows:

| Types | 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) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | 97.030.000-7 | Bank of Tokyo | Tokyo | USD | At expiry | 3.57% | 3.26% | MMUS\$150 | 04-15-2021 |
| Bilateral Loan (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | 97.018.000-1 | Bank Scotiabank | Chile | USD | At expiry | 4.07% | 3.62% | MMUS\$68.6 | 11-13-2023 |

| Types | 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) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Bank of Tokyo | - | - | 99,057,000 | - | - | 99,057,000 | - | - | - | - | 99.057.000 |
| Bilateral Loan (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Bank Scotiabank | - | - | - | - | - | - | 47,022,556 | - | 47,022,556 | - | 47.022.556 |
| Total | | | | | - | - | 99,057,000 | - | - | 99,057,000 | - | 47,022,556 | 47,022,556 | - | 146,079,556 |

| Types | Debtor taxpayer No. | Debtor | Debtor country | Creditor | Current | | | | | Non-current | | | | | Total Non-current as of 12.31.2019 ThCh\$ |
|--------------------|---------------------|-------------------------------|----------------|-----------------|----------------------|---------------------------|---------------------------------------|---------------------|---------------------|---------------------------|-------------------------|---------------------|---------------------|---------------------------|---|
| | | | | | To Maturity | | Total current as of 12.31.2019 ThCh\$ | To Maturity | | | 5 years and over 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\$ | |
| Bilateral Loan (1) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Bank of Tokyo | 118,852 | - | 118,852 | 112,022,697 | - | 112,022,697 | - | - | - | - | 112.022.697 |
| Bilateral Loan (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Bank Scotiabank | 85,668 | - | 85,668 | - | - | - | 51,002,531 | - | 51,002,531 | - | 51.002.531 |
| Total | | | | | 204.520 | - | 204,520 | 112,022,697 | - | 112,022,697 | 51,002,531 | - | 51,002,531 | - | 163,025,228 |

1) On April 15, 2016, an international loan was obtained from The Bank of Tokyo-Mitsubishi and Export Development Canada in the amount of US\$150 million (Ch\$99,057 million), with a monthly interest rate of Libor + 0,8% for 5 years bullet, maturing on April 11, 2021.

2) On November 13, 2018, a loan was obtained from Scotiabank in the amount of US\$68.6 million (Ch\$47,023 million) with an interest rate of Libor (3M) + 1% annual for a 5-year bullet term, maturing on November 13, 2023.

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

b) As of September 30, 2020 the detail of unguaranteed obligations (Bonds) is as follows:

| Types | Debtor taxpayer No. | Debtor | Debtor country | Creditor taxpayer No. | Creditor | Creditor country | Currency | Amortization type | Effective rate | Nominal rate | Nominal value | Term |
|-------------------|---------------------|-------------------------------|----------------|-----------------------|-----------------------------|------------------|----------|-------------------|----------------|--------------|---------------|------------|
| Bond 144A (1) | 90.635.000-9 | Telefónica Chile S.A. | Chile | 0-E | The Bank of New York Mellon | EE.UU. | USD | At expiry | 4.06% | 3.88% | US\$ 500 mm | 10-12-2022 |
| Bond series K (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | 97.036.000-K | Banco Santander | Chile | CLP | At expiry | 4.91% | 4.90% | MM\$ 94.410 | 09-13-2021 |
| Bond series F (3) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | 97.036.000-K | Banco Santander | Chile | U.F. | At expiry | 3.82% | 3.60% | UF 3 mm | 10-04-2023 |
| Bond series T (4) | 90.635.000-9 | Telefónica Chile S.A. | Chile | 97.004.000-5 | Banco Chile | Chile | CLP | At expiry | 4.72% | 4.90% | MM\$ 48.000 | 07-05-2023 |

| Types | Debtor taxpayer No. | Debtor | Debtor country | Creditor | Nominal amounts (capital in thousands) | | | | | | | | | Total nominal amounts in local currency ThCh\$ | |
|------------------|---------------------|-------------------------------|----------------|-----------------------------|--|---------------------------|---------------------|---------------------|---------------------------|---------------------|---------------------|---------------------------|-------------------------|--|--------------------|
| | | | | | To Maturity | | | | | | | | | | |
| | | | | | 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\$ | | |
| Bono 144A (1) | 90.635.000-9 | Telefónica Chile S.A. | Chile | The Bank of New York Mellon | - | - | - | 236,400,000 | 236,400,000 | - | - | - | - | - | 236,400,000 |
| Bono Serie K (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Banco Santander | - | 94,410,000 | - | - | - | - | - | - | - | - | 94,410,000 |
| Bono Serie F (3) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Banco Santander | - | - | - | - | - | 66,928,680 | - | 66,928,680 | - | - | 66,928,680 |
| Bono Serie T (4) | 90.635.000-9 | Telefónica Chile S.A. | Chile | Banco Chile | - | 19,200,000 | - | 19,200,000 | 19,200,000 | - | - | - | - | - | 38,400,000 |
| Total | | | | | - | 113,610,000 | - | 255,600,000 | 255,600,000 | 66,928,680 | - | 66,928,680 | - | - | 436,138,680 |

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

b) As of September 30, 2020 the detail of unguaranteed obligations (Bonds) is as follows, continued:

| Types | Debtor taxpayer No, | Debtor | Debtor country | Creditor | Current | | | Non-current | | | | | Total Non-current as of 09.30.2020 ThCh\$ | | |
|------------------|---------------------|-------------------------------|----------------|-----------------------------|-------------------------|------------------------------|--|------------------------|------------------------|------------------------------|------------------------|------------------------|--|------------------------------|----------------------------|
| | | | | | To Maturity | | Total current as of 09.30.2020 ThCh\$ | To Maturity | | | | | | | |
| | | | | | 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\$ |
| Bono 144A (1) | 90.635.000-9 | Telefónica Chile S.A. | Chile | The Bank of New York Mellon | 6,586,703 | - | 6,586,703 | - | 404,645,560 | 404,645,560 | - | - | - | - | 404,645,560 |
| Bono Serie K (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Banco Santander | - | 94,604,456 | 94,604,456 | - | - | - | - | - | - | - | - |
| Bono Serie F (3) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Banco Santander | 1,337,307 | - | 1,337,307 | - | - | - | 95,858,535 | - | 95,858,535 | - | 95,858,535 |
| Bono Serie T (4) | 90.635.000-9 | Telefónica Chile S.A. | Chile | Banco Chile | - | 19,687,436 | 19,687,436 | - | 19,249,376 | 19,249,376 | - | - | - | - | 19,249,376 |
| Total | | | | | 7.924.010 | 114.291.892 | 122,215,902 | - | 423,894,936 | 423,894,936 | 95,858,535 | - | 95,858,535 | - | 519,753,471 |

- (1) On October 12, 2012, Telefónica Chile S.A. issued a 10-year 144A Reg S bullet Bond in the American Capital Market for an amount of US\$ 500,000,000 (equivalent to ThCh\$ 236,400,000 historical), with an effective annual interest rate of 3.887% in US dollars and 10-year bullet, maturing on October 12, 2022. The placement banks were Banco Bilbao Vizcaya Argentaria, S.A., Citigroup Global Markets Inc. and J.P. Morgan Securities LLC. The funds resulting from the issuance were used for refinancing liabilities and other corporate purposes.
- (2) On September 13, 2016, there was a 5-year bullet placement in the local market for an amount of ThCh\$ 94,410,000, maturing on September 13, 2021, with no covenants or control clauses.
- (3) On October 15, 2013, there was a 10-year bullet placement in the local market for an amount of UF 3,000,000, maturing on October 4, 2023
- (4) On January 5, 2017, Telefónica Chile S.A. placed a 6.5-year bullet Bond Series T in the local market with a nominal annual interest rate of 4.9%, maturing on July 5, 2023. The amount collected on this transaction amounted to ThCh\$48,795,000

On June 22, 2020, Telefónica Móviles Chile S.A. paid the Banco Santander G Bond for a total capital amount of UF 2,000,000 and interest in the amount of UF 21,880, equivalent to ThCh \$ 57,408,140 and ThCh \$ 628,045 respectively.

On August 14, 2020, Telefónica Móviles Chile S.A. paid the Banco Santander I Bond for a total capital amount of UF2,000,000 and interest in the amount of UF 19,406 equivalent to ThCh \$ 57,327,460 and ThCh \$ 556,248 respectively.

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

b) As of December 31, 2019 the detail of unguaranteed obligations (Bonds) is as follows:

| Types | Debtor taxpayer No. | Debtor | Debtor country | Creditor taxpayer No. | Creditor | Creditor country | Currency | Amortization type | Effective rate | Nominal rate | Nominal value | Term |
|------------------|---------------------|-------------------------------|----------------|-----------------------|-----------------------------|------------------|----------|-------------------|----------------|--------------|---------------|------------|
| Bono 144A (1) | 90.635.000-9 | Telefónica Chile S.A. | Chile | 0-E | The Bank of New York Mellon | EE.UU. | USD | Upon maturity | 4,06% | 3,88% | US\$ 500 mm | 10-12-2022 |
| Bono Serie K (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | 97.036.000-K | Banco Santander | Chile | CLP | Upon maturity | 4,91% | 4,90% | MM\$ 94.410 | 09-13-2021 |
| Bono Serie F (3) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | 97.036.000-K | Banco Santander | Chile | U.F. | Upon maturity | 3,82% | 3,60% | UF 3 mm | 10-04-2023 |
| Bono Serie I (4) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | 97.036.000-K | Banco Santander | Chile | U.F. | Upon maturity | 2,00% | 1,95% | UF 2 mm | 08-14-2020 |
| Bono Serie G (5) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | 97.036.000-K | Banco Santander | Chile | U.F. | Upon maturity | 2,01% | 2,20% | UF 2 mm | 06-20-2020 |
| Bono Serie T (6) | 90.635.000-9 | Telefónica Chile S.A. | Chile | 97.004.000-5 | Banco Chile | Chile | CLP | Upon maturity | 5,09% | 4,90% | MCh\$48,000 | 07-05-2023 |

| Types | Debtor taxpayer No. | Debtor | Debtor country | Creditor | Nominal amounts (capital in thousands) | | | | | | | | Total nominal amounts in local currency ThCh\$ | |
|------------------|---------------------|-------------------------------|----------------|-----------------------------|--|---------------------------|---------------------|---------------------|---------------------------|---------------------|---------------------|---------------------------|--|-------------------------|
| | | | | | To Maturity | | | | | | | | | |
| | | | | | 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\$ |
| Bono 144A (1) | 90.635.000-9 | Telefónica Chile S.A. | Chile | The Bank of New York Mellon | - | - | - | 236,400,000 | 236,400,000 | - | - | - | - | 236,400,000 |
| Bono Serie K (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Banco Santander | - | - | 94,410,000 | - | 94,410,000 | - | - | - | - | 94,410,000 |
| Bono Serie F (3) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Banco Santander | - | - | - | - | - | - | 66,928,680 | 66,928,680 | - | 66,928,680 |
| Bono Serie I (4) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Banco Santander | - | 50,317,080 | - | - | - | - | - | - | - | 50,317,080 |
| Bono Serie G (5) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Banco Santander | - | 50,108,620 | - | - | - | - | - | - | - | 50,108,620 |
| Bono Serie T (6) | 90.635.000-9 | Telefónica Chile S.A. | Chile | Banco Chile | - | - | 28,800,000 | - | 28,800,000 | 19,200,000 | - | 19,200,000 | - | 48,000,000 |
| Total | | | | | - | 100,425,700 | 123,210,000 | 236,400,000 | 359,610,000 | 19,200,000 | 66,928,680 | 86,128,680 | - | 546,164,380 |

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

b) As of December 31, 2019, the detail of unguaranteed obligations (Bonds) is as follows, continued:

| Types | Debtor taxpayer No. | Debtor | Debtor country | Creditor | Current | | | Non-current | | | | | Total Non-current as of 12.31.2019 ThCh\$ | | |
|------------------|---------------------|-------------------------------|----------------|-----------------------------------|-------------------------|------------------------------|--|------------------------|------------------------|------------------------------|------------------------|------------------------|--|------------------------------|----------------------------|
| | | | | | To Maturity | | Total current as of 12.31.2019 ThCh\$ | To Maturity | | | | | | | |
| | | | | | 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\$ |
| Bono 144A (1) | 90.635.000-9 | Telefónica Chile S.A. | Chile | The Bank of New York Mellon Banco | - | 2,665,112 | 2,665,112 | - | 378,096,842 | 378,096,842 | - | - | - | - | 378,096,842 |
| Bono Serie K (2) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Santander Banco | 1,348,498 | - | 1,348,498 | 94,404,420 | - | 94,404,420 | - | - | - | - | 94,404,420 |
| Bono Serie F (3) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Santander Banco | - | 570,317 | 570,317 | - | - | - | 93,955,291 | - | 93,955,291 | - | 93,955,291 |
| Bono Serie I (4) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Santander Banco | - | 57,016,652 | 57,016,652 | - | - | - | - | - | - | - | - |
| Bono Serie G (5) | 76.124.890-1 | Telefónica Móviles Chile S.A. | Chile | Santander | - | 56,705,915 | 56,705,915 | - | - | - | - | - | - | - | - |
| Bono Serie T (6) | 90.635.000-9 | Telefónica Chile S.A. | Chile | Banco Chile | 1,201,409 | - | 1,201,409 | 28,856,596 | - | 28,856,596 | 19,224,896 | - | 19,224,896 | - | 48,081,492 |
| Total | | | | | 2,549,907 | 116,957,996 | 119,507,903 | 123,261,016 | 378,096,842 | 501,357,858 | 113,180,187 | - | 113,180,187 | - | 614,538,045 |

- (1) On October 12, 2012, Telefónica Chile S.A. issued 144A Reg S bullet Bonds in the American Capital Market for an amount of US\$ 500,000,000 (equivalent to ThCh\$ 236,400,000 historical), at an annual effective interest rate of 3,887% and 10-year bullet, maturing on October 12, 2022. The placement banks were Banco Bilbao Vizcaya Argentaria, S.A. Citigroup Global Markets Inc. and J.P. Morgan Securities LLC. The funds resulting from the issuance were used for refinancing liabilities and other corporate purposes.
- (2) On September 13, 2016, a 5-year bullet placement was made in the local market for an amount of ThCh\$ 94,410,000, maturing on September 13, 2021, with no covenants or control clauses.
- (3) On October 15, 2013, a 10-year bullet placement was made in the local market for an amount of UF 3,000,000, maturing on October 4, 2023.
- (4) On August 20, 2015, a 5-year bullet placement was made in the local market for an amount of UF 2,000,000, maturing on August 14, 2020, with no covenants or control clauses.
- (5) On July 23, 2015, a 5-year bullet placement was made in the local market for an amount of UF 2,000,000, maturing on June 20, 2020, with no covenants or control clauses.
- (6) On January 5, 2017, Telefónica Chile S.A. placed a 6.5-year bullet Bond Series T in the local market, for an amount of MTh\$48,000 with an annual nominal rate of 4.9%, maturing on July 5, 2023. The amount collected on this transaction was ThCh\$48,795,000

On March 14, 2019, subsidiary Telefónica Chile S.A. paid Q Bond of Banco de Chile for a total capital amount of ThCh\$47,000,000 and interest in the amount of ThCh\$1,332,356.

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

c) As of September 30, 2020 the composition of movements in current and non-current financial assets and liabilities from financial activities are as follows:

| Conciliation of financing activities, current | Cash flows | | | | Items other than cash flows | | | 09.30.2020 |
|---|----------------------|--------------------|----------------------|------------------|-----------------------------|--|----------------------|----------------------|
| | 12.31.2019 | Charges | Payments | Exchange rate | Accrued interest | Reclassification current / non-current | Others (*) movements | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | |
| Financial liabilities | 204,817,950 | 126,263,080 | (206,176,549) | 7,016,197 | 21,682,950 | 142,345,400 | 16,878,046 | 312,827,074 |
| Banks loans (1) | 204,520 | 119,999,216 | (4,027,552) | 19,186,829 | 3,781,137 | (20,023,998) | (888,482) | 118,231,670 |
| Unguaranteed obligations (Bonds) (1) | 119,507,903 | - | (129,117,843) | (12,748,751) | 20,854,885 | 123,210,000 | 509,708 | 122,215,902 |
| Hedge instruments (2) | 3,538,527 | 5,774,361 | (6,152,283) | 766,491 | (5,155,429) | - | 6,708,231 | 5,479,898 |
| Leases (3) | 78,739,697 | - | (56,497,973) | (188,372) | 2,202,357 | 39,159,398 | 1,224,860 | 64,639,967 |
| Other financial debts (4) | 2,827,303 | 489,503 | (10,380,898) | - | - | - | 9,323,729 | 2,259,637 |
| Related companies commercial mandate (5) | 87,574 | 1,002,080 | (520,000) | - | - | - | (481,503) | 88,151 |
| Related companies leases (3) | 12,087,801 | - | (3,886,818) | (17,846) | 449,534 | 1,708,141 | 3,179,455 | 13,520,267 |
| Issued Capital | 1,329,872,285 | 35,000,000 | - | - | - | - | - | 1,364,872,285 |
| Dividends pending of payment (6) | 75,721 | - | (81,249) | - | - | - | 5,528 | - |
| Total | 1,546,941,331 | 162,265,160 | (210,664,616) | 6,998,351 | 22,132,484 | 144,053,541 | 19,581,526 | 1,691,307,777 |

(*) Others

- (1) Corresponds to recognition of amortized cost, 4% tax and stamp tax.
- (2) Corresponds to recognition of the fair value of interest rate insurance and transfer from financial assets.
- (3) Corresponds to recognition of the obligation for liabilities on lease contracts that qualify under IFRS 16.
- (4) Corresponds to portfolio sales settlement.
- (5) Corresponds to movements of related-party transactions with Fundación Telefónica Chile.
- (6) Corresponds to dividends paid in May 2020.

| Conciliation of financing activities, Non-current | Cash flows | | | | Items other than cash flows | | | 09.30.2020 |
|---|--------------------|----------|----------|------------------|-----------------------------|--|----------------------|--------------------|
| | 12.31.2019 | Charges | Payments | Exchange rate | Accrued interest | Reclassification current / non-current | Others (*) movements | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | |
| Financial liabilities | 905,710,265 | - | - | 7,422,042 | - | (139,488,012) | 21,669,617 | 795,541,328 |
| Banks loans | 163,025,228 | - | - | (19,188,838) | - | 20,023,998 | (733,759) | 163,354,044 |
| Unguaranteed obligations (Bonds) | 614,538,045 | - | - | 20,986,825 | - | (123,210,000) | 7,438,601 | 519,753,471 |
| Hedge instruments | 5,599,137 | - | - | - | - | - | 8,021,258 | 13,620,395 |
| Leases (1) | 122,547,855 | - | - | 5,624,055 | - | (36,302,010) | 6,943,518 | 98,813,418 |
| Related companies leases | 37,396,656 | - | - | - | - | (4,565,529) | 4,911,402 | 37,742,529 |
| Total | 943,106,921 | - | - | 7,422,042 | - | (144,053,541) | 26,581,019 | 833,283,857 |

(*) Others

- (1) Corresponds to recognition of lease agreements that qualify under IFRS 16.

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

c) As of September 30, 2019, the composition of movements in current and non-current financial liabilities from financial activities are as follows:

| Conciliation of financing activities, current | Cash flows | | | | Items other than cash flows | | | 30.09.2019 ThCh\$ |
|--|----------------------|-------------------|----------------------|-------------------|-----------------------------|--|----------------------|----------------------|
| | 12.31.2018 | Charges | Payments | Exchange rate | Accrued interest | Reclassification current / non-current | Others (*) movements | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | |
| Financial liabilities | 58,886,127 | 6,627,592 | (107,214,510) | 10,158,327 | 24,523,482 | 202,066,919 | (1,533,065) | 193,514,872 |
| Banks loans (1) | 360,837 | - | (3,918,136) | (1,898) | 3,764,255 | - | 17,392 | 222,450 |
| Unguaranteed obligations (Bonds) (1) | 54,011,525 | - | (65,210,469) | 11,712,380 | 19,680,584 | 100,347,926 | 417,226 | 120,959,172 |
| Hedge instruments (2) | 4,513,765 | 3,197,084 | (5,625,952) | (1,546,067) | (1,221,776) | - | 2,129,158 | 1,446,212 |
| Leases (3) | - | - | (29,550,513) | (6,088) | 2,300,419 | 101,718,993 | (7,005,665) | 67,457,146 |
| Other financial debts (4) | - | 3,430,508 | (2,909,440) | - | - | - | 2,908,824 | 3,429,892 |
| Related companies commercial mandate (5) | 729,747 | 900,000 | (720,100) | - | - | - | (822,944) | 86,703 |
| Related companies leases (3) | - | - | (1,162,271) | - | 366,887 | 11,421,617 | (3,747,078) | 6,879,155 |
| Issued capital (4) | 1,294,872,285 | 35,000,000 | - | - | - | - | - | 1,329,872,285 |
| Dividends pending of payment (6) | - | - | (40,356) | - | - | - | 40,356 | - |
| Total | 1,354,488,159 | 42,527,592 | (109,137,237) | 10,158,327 | 24,523,482 | 202,066,919 | (2,315,653) | 1,523,473,860 |

(*) Others

- (1) Corresponds to recognition of amortized cost, 4% tax and stamp tax.
- (2) Corresponds to recognition of the fair value of interest rate insurance and transfer from financial assets.
- (3) Corresponds to recognition of obligations for liabilities on lease contracts that qualify under IFRS 16.
- (4) Corresponds to portfolio sales settlement.
- (5) Corresponds to movements of related-party transactions with Telxius Cable Chile S.A. and Fundación Telefónica Chile.
- (6) Corresponds to dividends paid to minority interests in 2019.

| Reconciliation of non-current financing activities | Cah flows | | | | Otras partidas distintas al flujo de efectivo | | | 09.30.2019 ThCh\$ |
|---|--------------------|---------|----------|------------------------------|---|--|---------------------|----------------------|
| | 12.31.2018 | Charges | Payments | Foreign currency translation | Accrued interest | Reclassification current / non-current | Other (*) movements | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | |
| Financial liabilities | 844,037,498 | - | - | 15,514,047 | - | (210,955,707) | 248,473,905 | 897,069,743 |
| Bank loans | 150,851,556 | - | - | 7,310,272 | - | - | 312,874 | 158,474,702 |
| Unguaranteed obligations (Bonds) | 680,876,592 | - | - | 8,230,242 | - | (100,347,926) | 12,141,912 | 600,900,820 |
| Hedging instruments | 12,309,350 | - | - | 49 | - | - | (8,440,910) | 3,868,489 |
| Lease obligations (1) | - | - | - | (26,516) | - | (110,607,781) | 244,460,029 | 133,825,732 |
| Related party leases | - | - | - | - | - | - | 32,406,757 | 29,873,928 |
| Total | 844,037,498 | - | - | 15,514,047 | - | (210,955,707) | 248,473,905 | 897,069,743 |

(*) Others

- (1) Corresponds to recognition of lease agreements that qualify under IFRS 16.

19. Current and non-current lease liabilities

a) The composition of the Liabilities for current and non-current leases that accrue interest is as follows:

| Concepts | 09.30.2020 | | 12.31.2019 | |
|-----------------------|-------------------|-------------------|-------------------|--------------------|
| | Current | Non-current | Current | Non-current |
| | M\$ | M\$ | M\$ | M\$ |
| Lease obligations (1) | 64,639,968 | 98,813,418 | 78,739,697 | 122,547,855 |
| Total | 64,639,968 | 98,813,418 | 78,739,697 | 122,547,855 |

- (1) Corresponds to the recognition of the liability for the lease contracts that qualify under IFRS 16.

19. Current and non-current lease liabilities, continued

b) The detail of the expirations of the current and non-current financial liabilities for leases as of September 30, 2020, December 31, 2019 and September 30, 2019 is as follows:

| Due date | | Total current 09.30.2020 ThCh\$ | 1 to 3 years ThCh\$ | Due dates | | Total non-current as of 09.30.2020 ThCh\$ |
|-------------------------|-----------------------------|---------------------------------------|------------------------|------------------------|------------------------|---|
| Up to 90 days ThCh\$ | 91 days to 1 year ThCh\$ | | | 3 to 5 years ThCh\$ | Over 5 years ThCh\$ | |
| 31,049,772 | 33,590,196 | 64,639,968 | 55,388,539 | 26,303,555 | 17,121,324 | 98,813,418 |

| Due date | | Total current 12.31.2019 ThCh\$ | 1 to 3 years ThCh\$ | Due dates | | Total non-current as of 12.31.2019 ThCh\$ |
|-------------------------|-----------------------------|---------------------------------------|------------------------|------------------------|------------------------|---|
| Up to 90 days ThCh\$ | 91 days to 1 year ThCh\$ | | | 3 to 5 years ThCh\$ | Over 5 years ThCh\$ | |
| 21,225,047 | 57,514,650 | 78,739,697 | 75,104,661 | 22,918,495 | 24,524,699 | 122,547,855 |

| Due date | | Total current 09.30.2019 ThCh\$ | 1 to 3 years ThCh\$ | Due dates | | Total non-current as of 09.30.2019 ThCh\$ |
|-------------------------|-----------------------------|---------------------------------------|------------------------|------------------------|------------------------|---|
| Up to 90 days ThCh\$ | 91 days to 1 year ThCh\$ | | | 3 to 5 years ThCh\$ | Over 5 years ThCh\$ | |
| 33,425,806 | 34,031,340 | 67,457,146 | 85,742,521 | 27,603,107 | 20,480,104 | 133,825,732 |

20. Trade and other payables

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

| Description | 09.30.2020 | | 12.31.2019 | |
|--|--------------------|------------------|--------------------|------------------|
| | Current | No-current | Current | No-current |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Debts due to purchases or services provided, invoiced (1) | 135,453,314 | - | 126,078,371 | - |
| Debts due to purchases or services provided, provisioned (1) (2) | 100,287,295 | 1,361,047 | 88,312,397 | 2,160,741 |
| Real property providers, invoiced | 54,175,026 | - | 46,503,948 | - |
| Real property providers, provisioned | 4,398,460 | - | 13,400,376 | - |
| Payables to employees | 25,519,968 | - | 29,848,647 | - |
| Dividends pending of payment | 85,761 | - | 146,825 | - |
| Total | 319,919,824 | 1,361,047 | 304,290,564 | 2,160,741 |

(1) "Debts from purchases or services rendered" corresponding to foreign and domestic suppliers, for the periods ended as of September 30, 2020 and December 31, 2019 are detailed as follows:

| Debts due to purchases or services provided | 09.30.2020 | 12.31.2019 |
|---|--------------------|--------------------|
| | ThCh\$ | ThCh\$ |
| Domestic | 196,796,928 | 195,000,648 |
| Foreign | 38,943,681 | 19,390,120 |
| Total | 235,740,609 | 214,390,768 |

(2) Non-current balances correspond to equipment purchase obligations.

20. Trade and other payables, continued

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, among others.

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

As of September 30, 2020, the main suppliers in mobile operations are Samsung Electronics Chile Ltda. with 19.9%, Apple Chile Comercial Ltda. with 15.7%, Huawei Chile S.A. with 14.9%, Nokia Solutions and Networks Chile with 6.7%, Brightstar Corp. Chile Ltda. with 4.8%, Motorola Mobility LLC with 4.4%;. As of December 31, 2019, the main suppliers were Huawei Chile S.A. with 17.8%, Samsung Electronics Chile Ltda. with 8.5%, and Nokia Solutions and Networks Chile with 5.7%.

The terms of accounts payable to suppliers with up to date payments as of September 30, 2020 and December 31, 2019 are detailed as follows:

| Suppliers with up to date payments As of 09.30.2020 | Goods (Immobilized) ThCh\$ | Services and Purchases ThCh\$ | Total ThCh\$ |
|---|----------------------------------|-------------------------------------|--------------------|
| Trade accounts to date | | | |
| Up to 30 days | 19,544,254 | 43,875,963 | 63,420,217 |
| From 31 to 60 days | 14,814,939 | 31,418,610 | 46,233,549 |
| From 61 to 90 days | - | 6,427,988 | 6,427,988 |
| From 91 to 120 days | 13,724,633 | 21,519,467 | 35,244,100 |
| From 121 to 180 days | 506,649 | 171,559 | 678,208 |
| More than 180 days | 362,431 | - | 362,431 |
| Total | 48,952,906 | 103,413,587 | 152,366,494 |
| Average period of payment of up to date accounts | 105 | 84 | |

| Suppliers with up to date payments As of 12.31.2019 | Goods (Immobilized) ThCh\$ | Services and Shopping Purchases ThCh\$ | Total ThCh\$ |
|---|----------------------------------|---|--------------------|
| Trade accounts to date | | | |
| Up to 30 days | 22,294,299 | 55,751,801 | 78,046,100 |
| From 31 to 60 days | 12,657,376 | 27,078,772 | 39,736,148 |
| From 61 to 90 days | - | 1,955 | 1,955 |
| Total | 34,951,675 | 82,832,528 | 117,784,203 |
| Average period of payment of up to date accounts | 60 | 59 | |

20. Trade and other payables, continued

b) Payment terms of accounts payable, continued

The terms of accounts payable to suppliers with overdue payments as of September 30, 2020 and December 31, 2019 are detailed as follows:

| Overdue suppliers by term As of 09.30.2020 | Goods (Immobilized) ThCh\$ | Services and Purchases ThCh\$ | Total ThCh\$ |
|---|----------------------------------|-------------------------------------|-------------------|
| Overdue trade accounts payable by term | | | |
| Up to 30 days | 4,726,307 | 18,296,274 | 23,022,581 |
| From 31 to 60 days | 84,977 | 3,719,122 | 3,804,099 |
| From 61 to 90 days | 9,636 | 594,315 | 603,951 |
| From 91 to 120 days | 146,462 | 887,609 | 1,034,071 |
| From 121 to 180 days | 27,379 | 665,542 | 692,921 |
| More than 180 days | 227,359 | 7,876,864 | 8,104,223 |
| Total | 5,222,120 | 32,039,726 | 37,261,846 |
| Average payment period of overdue accounts | 57 | 22 | |

| Overdue suppliers by term As of 12.31.2019 | Goods (In ThCh\$ | Services and Purchases ThCh\$ | Total ThCh\$ |
|---|---------------------|----------------------------------|-------------------|
| Overdue trade accounts payable by term | | | |
| Up to 30 days | 4,619,541 | 35,164,250 | 39,783,791 |
| From 31 to 60 days | 5,408,114 | - | 5,408,114 |
| From 61 to 90 days | 1,045,001 | 58,889 | 1,103,890 |
| From 91 to 120 days | 147,660 | - | 147,660 |
| From 121 to 180 days | - | 1,692,128 | 1,692,128 |
| More than 180 days | 331,957 | 6,330,576 | 6,662,533 |
| Total | 11,552,273 | 43,245,843 | 54,798,116 |
| Average payment period of overdue accounts | 58 | 38 | |

21. 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 September 30, 2020 is as follows:

| Description of financial assets | Note | Assets recorded at amortized cost | | Financial assets booked at fair value = book value | | | | | | | | | Total financial assets | | |
|--|------|------------------------------------|--|--|---|-------------------------------------|---|-------------------------|-------------|---|--|--|------------------------|--------------------------------------|--------------------------------------|
| | | Financial assets at amortized cost | Fair Value of financial assets at amortized cost | Through profit and loss | | | Through other comprehensive income (equity) | | Hedges | Subtotal financial assets at fair value | Fair value measurement hierarchy | | | Total Book Value of Financial Assets | Total Fair Value of Financial Assets |
| | | | | Financial Assets - held for trading | Financial assets - fair value to P&L option | Financial assets - Debt instruments | Financial assets - Equity instruments | Level 1 (market prices) | | | Level 2 (observable inputs other than market prices) | Level 3 (inputs not based on observable market data) | | | |
| | | | | | | | | | | | | | ThCh\$ | | |
| Other participations (net) | 6-a | - | - | - | - | - | 5,783,605 | - | 5,783,605 | 5,783,605 | - | - | 5,783,605 | 5,783,605 | |
| Other participations | | - | - | - | - | - | 5,783,605 | - | 5,783,605 | 5,783,605 | - | - | 5,783,605 | 5,783,605 | |
| Derivative instrument assets | | - | - | - | - | - | - | 204,841,567 | 204,841,567 | - | 204,841,567 | - | 204,841,567 | 204,841,567 | |
| Derivative instrument assets | 21-2 | - | - | - | - | - | - | 204,841,567 | 204,841,567 | - | 204,841,567 | - | 204,841,567 | 204,841,567 | |
| Non-current Deposits and pledges | | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Deposits and pledges | | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Non-current trade and other accounts receivable | | 34,479,503 | 34,479,503 | - | - | - | - | - | - | - | - | - | 34,479,503 | 34,479,503 | |
| Non-current trade and other accounts receivable | 12 | 34,479,503 | 34,479,503 | - | - | - | - | - | - | - | - | - | 34,479,503 | 34,479,503 | |
| Non-current financial assets | | 34,479,503 | 34,479,503 | - | - | - | 5,783,605 | 204,841,567 | 210,625,172 | 5,783,605 | 204,841,567 | - | 245,104,675 | 245,104,675 | |
| Current trade accounts receivable | | 353,563,348 | 353,563,348 | - | - | - | - | - | - | - | - | - | 353,563,348 | 353,563,348 | |
| Current trade and other accounts receivable | 8-a | 327,551,675 | 327,551,675 | - | - | - | - | - | - | - | - | - | 327,551,675 | 327,551,675 | |
| Account receivable from relate entities | 9-a | 26,011,673 | 26,011,673 | - | - | - | - | - | - | - | - | - | 26,011,673 | 26,011,673 | |
| Current deposits and pledges | | 80,444 | 80,444 | - | - | - | - | - | - | - | - | - | 80,444 | 80,444 | |
| Current pledges and deposits | 6-c | 80,444 | 80,444 | - | - | - | - | - | - | - | - | - | 80,444 | 80,444 | |
| Derivative instrument of assets | | - | - | - | - | - | - | 31,698,006 | 31,698,006 | - | 31,698,006 | - | 31,698,006 | 31,698,006 | |
| Derivative instrument of assets | 21-2 | - | - | - | - | - | - | 31,698,006 | 31,698,006 | - | 31,698,006 | - | 31,698,006 | 31,698,006 | |
| Cash and cash equivalents | | 185,355,742 | 185,355,742 | - | - | - | - | - | - | - | - | - | 185,355,742 | 185,355,742 | |
| Cash and cash equivalents | 5 | 185,355,742 | 185,355,742 | - | - | - | - | - | - | - | - | - | 185,355,742 | 185,355,742 | |
| Current financial assets | | 538,999,534 | 538,999,534 | - | - | - | - | 31,698,006 | 31,698,006 | - | 31,698,006 | - | 570,697,540 | 570,697,540 | |
| Total financial assets | | 573,479,037 | 573,479,037 | - | - | - | 5,783,605 | 236,539,573 | 242,323,178 | 5,783,605 | 236,539,573 | - | 815,802,215 | 815,802,215 | |

21. Financial instruments, continued

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

b) Details of financial instruments of assets classified by nature and category as of December 31, 2019 is as follows:

| Description of financial assets | Note | Assets recorded at amortized cost | | Financial assets booked at fair value = book value | | | | | | | | | Total financial assets | | |
|--|---------|------------------------------------|--|--|---|---|---------------------------------------|-------------------------|-------------|---|--|--|------------------------|--------------------------------------|--------------------------------------|
| | | Financial assets at amortized cost | Fair Value of financial assets at amortized cost | Through profit and loss | | Through other comprehensive income (equity) | | | Hedges | Subtotal financial assets at fair value | Fair value measurement hierarchy | | | Total Book Value of Financial Assets | Total Fair Value of Financial Assets |
| | | | | Financial Assets - held for trading | Financial assets - fair value to P&L option | Financial assets - Debt instruments | Financial assets - Equity instruments | Level 1 (market prices) | | | Level 2 (observable inputs other than market prices) | Level 3 (inputs not based on observable market data) | | | |
| ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | |
| Other participations (net) | 6-a | - | - | - | - | - | 7,853,872 | - | 7,853,872 | 7,849,896 | 3,976 | - | 7,853,872 | 7,853,872 | |
| Other participations | | - | - | - | - | - | 7,853,872 | - | 7,853,872 | 7,849,896 | 3,976 | - | 7,853,872 | 7,853,872 | |
| Derivative instrument assets | | - | - | - | - | - | - | 188,086,656 | 188,086,656 | - | 188,086,656 | - | 188,086,656 | 188,086,656 | |
| Derivative instrument assets | 21-2 | - | - | - | - | - | - | 188,086,656 | 188,086,656 | - | 188,086,656 | - | 188,086,656 | 188,086,656 | |
| Deposits and pledges | | 50,468 | 50,468 | - | - | - | - | - | - | - | - | - | 50,468 | 50,468 | |
| Deposits and pledges | 6-c | 50,468 | 50,468 | - | - | - | - | - | - | - | - | - | 50,468 | 50,468 | |
| Non-current trade and other accounts receivable | | 27,422,344 | 27,422,344 | - | - | - | - | - | - | - | - | - | 27,422,344 | 27,422,344 | |
| Non-current trade and other accounts receivable | 12 | 27,422,344 | 27,422,344 | - | - | - | - | - | - | - | - | - | 27,422,344 | 27,422,344 | |
| Non-current financial assets | | 27,472,812 | 27,472,812 | - | - | - | 7,853,872 | 188,086,656 | 195,940,528 | 7,849,896 | 188,090,632 | - | 223,413,340 | 223,413,340 | |
| Current trade accounts receivable | | 259,321,982 | 259,321,982 | - | - | - | - | - | - | - | - | - | 259,321,982 | 259,321,982 | |
| Current trade and other accounts receivable | 6-b 8-a | 238,212,747 | 238,212,747 | - | - | - | - | - | - | - | - | - | 238,212,747 | 238,212,747 | |
| Account receivable from relate entities | 9-a | 21,109,235 | 21,109,235 | - | - | - | - | - | - | - | - | - | 21,109,235 | 21,109,235 | |
| Current deposits and pledges | | 80,444 | 80,444 | - | - | - | - | - | - | - | - | - | 4,577,185 | 4,577,185 | |
| Current pledges and deposits | 6-c | 80,444 | 80,444 | - | - | - | - | - | - | - | - | - | 4,577,185 | 4,577,185 | |
| Derivative instrument of assets | | - | - | - | - | - | - | 20,248,206 | 20,248,206 | - | 20,248,206 | - | 20,248,206 | 20,248,206 | |
| Derivative instrument of assets | 21-2 | - | - | - | - | - | - | 20,248,206 | 20,248,206 | - | 20,248,206 | - | 20,248,206 | 20,248,206 | |
| Cash and cash equivalents | | 234,466,421 | 234,466,421 | - | - | - | - | - | - | - | - | - | 234,466,421 | 234,466,421 | |
| Cash and cash equivalents | 5 | 234,466,421 | 234,466,421 | - | - | - | - | - | - | - | - | - | 234,466,421 | 234,466,421 | |
| Current financial assets | | 493,868,847 | 493,868,847 | - | - | - | - | 20,248,206 | 20,248,206 | - | 20,248,206 | - | 514,117,053 | 514,117,053 | |
| Total financial assets | | 521,341,659 | 521,341,659 | - | - | - | 7,853,872 | 208,334,862 | 216,188,734 | 7,849,896 | 208,338,838 | - | 737,530,393 | 737,530,393 | |

21. 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 maturities.

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 maturities.

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 mainly, include the investment in Telefonica Brazil which is recorded at fair value (Note 6a).

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

21. Financial instruments, continued

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

c) Details of financial instruments of liabilities classified by nature and category as of September 30, 2020 is as follows:

| Description of financial liabilities | Note | Financial liabilities at amortized cost | | Financial liabilities booked at fair value = booked value | | | | | | Total financial liabilities | | |
|---|--------|---|---|---|---|-------------------|--|----------------------------------|--|--|---|---|
| | | Financial liabilities at amortized cost | Fair value of liabilities at amortized cost | With changes in the income statement | | Hedges | SUBTOTAL FINANCIAL LIABILITIES AT FAIR VALUE | Fair value measurement hierarchy | | | Total Book Value of Financial Liabilities | Total Fair Value of Financial Liabilities |
| | | | | Financial liabilities - Held for trading | Financial liabilities - Fair value option to PL | | | Level 1 (market prices) | Level 2 (observable inputs other than market prices) | Level 3 (inputs not based on observable market data) | | |
| ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | |
| Issuance of obligations and other non-current marketable securities | 18-b | 519,753,471 | 551,540,071 | - | - | - | - | - | - | - | 519,753,471 | 551,540,071 |
| Non-current debts with loan entities | 18-a | 163,354,044 | 163,446,328 | - | - | - | - | - | - | - | 163,354,044 | 163,446,328 |
| Long-term hedge derivative instrument of liabilities | 21-2 | - | - | - | - | 13,620,395 | 13,620,395 | - | 13,620,395 | - | 13,620,395 | 13,620,395 |
| Trade and other accounts payable | 20-a | 1,361,047 | 1,361,047 | - | - | - | - | - | - | - | 1,361,047 | 1,361,047 |
| Accounts payable to related entities | 9-c | 38,900,538 | 38,900,538 | - | - | - | - | - | - | - | 38,900,538 | 38,900,538 |
| Other non-current financial debts | 19 | 98,813,418 | 98,813,418 | - | - | - | - | - | - | - | 98,813,418 | 98,813,418 |
| Non-current financial liabilities | | 822,182,518 | 854,061,402 | - | - | 13,620,395 | 13,620,395 | - | 13,620,395 | - | 835,802,913 | 867,681,797 |
| Issuance of short-term obligations and other marketable securities | 18-b | 122,215,902 | 127,224,993 | - | - | - | - | - | - | - | 122,215,902 | 127,224,993 |
| Short-term debts with credit entities | 18-a | 118,231,670 | 118,231,670 | - | - | - | - | - | - | - | 118,231,670 | 118,231,670 |
| Short-term derivative instrument of liabilities | 21-2 | - | - | - | - | 5,479,898 | 5,479,898 | - | 5,479,898 | - | 5,479,898 | 5,479,898 |
| Trade and other accounts payable | 20-a | 319,919,824 | 319,919,824 | - | - | - | - | - | - | - | 319,919,824 | 319,919,824 |
| Accounts payable to related entities | 9-c | 64,839,659 | 64,839,659 | - | - | - | - | - | - | - | 64,839,659 | 64,839,659 |
| Other non-current financial debts (1) | 19 | 66,899,605 | 66,899,605 | - | - | - | - | - | - | - | 66,899,605 | 66,899,605 |
| Current financial liabilities | | 692,106,660 | 630,216,146 | - | - | 5,479,898 | 5,479,898 | - | 5,479,898 | - | 697,586,558 | 702,595,649 |
| Total financial liabilities | | 1,514,289,178 | 1,484,277,548 | - | - | 19,100,293 | 19,100,293 | - | 19,100,293 | - | 1,533,389,471 | 1,570,277,446 |

(1) Includes sale of portfolio to Banco Santander (See Note 18 Other financial debts).

21. 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, 2019 is as follows:

| Description of financial liabilities | Note | Financial liabilities at amortized cost | | Financial liabilities booked at fair value = booked value | | | | | | Total financial liabilities | | |
|---|--------|---|---|---|---|------------------|--|----------------------------------|--|--|---|---|
| | | Financial liabilities at amortized cost | Fair value of liabilities at amortized cost | With changes in the income statement | | Hedges | SUBTOTAL FINANCIAL LIABILITIES AT FAIR VALUE | Fair value measurement hierarchy | | | Total Book Value of Financial Liabilities | Total Fair Value of Financial Liabilities |
| | | | | Financial liabilities - Held for trading | Financial liabilities - Fair value option to PL | | | Level 1 (market prices) | Level 2 (observable inputs other than market prices) | Level 3 (inputs not based on observable market data) | | |
| ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ | |
| Issuance of obligations and other non-current marketable securities | 18-b | 614,538,045 | 636,502,212 | - | - | - | - | - | - | - | 614,538,045 | 636,502,212 |
| Non-current debts with loan entities | 18-a | 163,025,228 | 163,252,642 | - | - | - | - | - | - | - | 163,025,228 | 163,252,642 |
| Long-term hedge derivative instrument of liabilities | 21-2 | - | - | - | - | 5,599,137 | 5,599,137 | - | 5,599,137 | - | 5,599,137 | 5,599,137 |
| Trade and other accounts payable | 20-a | 2,160,741 | 2,160,741 | - | - | - | - | - | - | - | 2,160,741 | 2,160,741 |
| Accounts payable to related entities | 9-c | 38,027,645 | 38,027,645 | - | - | - | - | - | - | - | 38,027,645 | 38,027,645 |
| Other long-term financial debts | 19 | 122,547,855 | 122,547,855 | - | - | - | - | - | - | - | 122,547,855 | 122,547,855 |
| Non-current financial liabilities | | 940,299,514 | 962,491,095 | - | - | 5,599,137 | 5,599,137 | - | 5,599,137 | - | 945,898,651 | 968,090,232 |
| Issuance of short-term obligations and other marketable securities | 18-b | 119,507,902 | 120,216,089 | - | - | - | - | - | - | - | 119,507,902 | 120,216,089 |
| Short-term debts with credit entities | 18-a | 204,521 | 204,521 | - | - | - | - | - | - | - | 204,521 | 204,521 |
| Short-term derivative instrument of liabilities | 21-2 | - | - | - | - | 3,538,527 | 3,538,527 | - | 3,538,527 | - | 3,538,527 | 3,538,527 |
| Trade and other accounts payable | 20-a | 304,290,564 | 304,290,564 | - | - | - | - | - | - | - | 304,290,564 | 304,290,564 |
| Accounts payable to related entities | 9-b | 66,055,208 | 66,055,208 | - | - | - | - | - | - | - | 66,055,208 | 66,055,208 |
| Other long-term financial debts (1) | 19 | 81,566,999 | 81,566,999 | - | - | - | - | - | - | - | 81,566,999 | 81,566,999 |
| Current financial liabilities | | 571,625,195 | 572,333,381 | - | - | 3,538,527 | 3,538,527 | - | 3,538,527 | - | 575,163,721 | 575,871,908 |
| Total financial liabilities | | 1,511,924,708 | 1,534,824,476 | - | - | 9,137,664 | 9,137,664 | - | 9,137,664 | - | 1,521,062,372 | 1,543,962,140 |

(1) Includes sale of portfolio to Banco Santander (See Note 18 Other financial debts).

21. 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) (see note 18).

21. Financial instruments, continued

2. Hedging instruments

As of September 30, 2020, hedging instruments are detailed as follows:

| Type of hedge | Underlying | To Maturity | | | | | | | |
|--|----------------|-------------------------|-----------------------------|-------------------------|-----------------------------|------------------------|------------------------|------------------------|------------------------|
| | | Current Assets | | Current Liabilities | | Non-current Assets | | Non-current Assets | |
| | | Up to 90 days ThCh\$ | 90 days to 1 year ThCh\$ | Up to 90 days ThCh\$ | 90 days to 1 year ThCh\$ | 1 to 3 years ThCh\$ | 3 to 5 years ThCh\$ | 1 to 3 years ThCh\$ | 3 to 5 years ThCh\$ |
| Exchange rate hedge – cash flow (1) | Suppliers Debt | 1,299,747 | 3,534,147 | (1,874,048) | (819,813) | - | - | (187,282) | - |
| Exchange rate hedge – fair value (2) | Suppliers Debt | 1,354,484 | 18,119,444 | (700,747) | - | - | - | (11,784,997) | - |
| Interest rate hedge – cash flow (3) | Financial Debt | 7,286,345 | - | (2,085,291) | - | 1,489,911 | 15,794,848 | (1,578,321) | (69,795) |
| Exchange rate and interest rate hedge – fair value (4) | Financial Debt | 103,839 | - | - | - | - | 187,556,809 | - | - |
| Total | | 10,044,415 | 21,653,591 | (4,660,086) | (819,813) | 1,489,911 | 203,351,657 | (13,550,600) | (69,795) |

Hedge instruments have generated an effect on result of ThCh\$29,403,186, as of September 30, 2020 and the accumulated effect on equity, net of taxes, is ThCh\$2,280,310 (see note 25d)

As of December 31, 2019, hedging instruments are detailed as follows:

| Type of hedge | Underlying | To Maturity | | | | | | | |
|--|----------------|-------------------------|-----------------------------|-------------------------|-----------------------------|------------------------|------------------------|------------------------|------------------------|
| | | Current Assets | | Current Liabilities | | Non-current Assets | | Non-current Assets | |
| | | Up to 90 days ThCh\$ | 90 days to 1 year ThCh\$ | Up to 90 days ThCh\$ | 90 days to 1 year ThCh\$ | 1 to 3 years ThCh\$ | 3 to 5 years ThCh\$ | 1 to 3 years ThCh\$ | 3 to 5 years ThCh\$ |
| Exchange rate hedge – cash flow (1) | Suppliers Debt | 1,712,483 | 3,797,289 | (3,323) | (36,660) | - | - | - | - |
| Exchange rate hedge – fair value (2) | Suppliers Debt | 553,571 | - | (149,439) | - | - | - | - | - |
| Interest rate hedge – cash flows (3) | Financial Debt | 2,424,304 | - | (3,349,105) | - | - | 5,035,550 | (4,582,403) | (980,600) |
| Exchange rate and interest rate hedge – fair value (4) | Financial Debt | 582,684 | 11,177,875 | - | - | - | 183,051,109 | (36,134) | - |
| Total | | 5,273,042 | 14,975,164 | (3,501,867) | (36,660) | - | 188,086,659 | (4,618,537) | (980,600) |

Hedge instruments have generated an effect on result of ThCh\$43,482,286, as of December 31, 2019 and the accumulated effect on equity, net of taxes, is ThCh\$1,099,249 (see note 25d).

Description of hedge instruments:

1. Exchange rate hedge – cash flow: This category includes derivative instruments used to hedge highly probable future cash flows of trade debt.
2. Exchange rate hedge – fair value: This category includes derivative instruments entered into to hedge existing commercial debt.
3. Interest rate hedge – cash flows: 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.
4. Exchange rate and interest rate hedge – fair value: This category includes derivative instruments entered into to hedge foreign currency risk on capital of debt instrument.

21. 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, both 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 such as: volatility, correlation, regression formulas and market spread, are incorporated to the model.

The methodologies and assumptions used to determine the fair value of financial derivative instruments apply 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. Hierarchy of financial instruments fair value

Financial instruments recognized at fair value in the Statement of financial position are classified according to the following hierarchies (note 21.1):

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.

22. Other currents provisions

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

| Concepts | 09.30.2020 | 12.31.2019 |
|---------------------------------|------------------|------------------|
| | ThCh\$ | ThCh\$ |
| Civil and regulatory provisions | 1,526,483 | 1,601,625 |
| Total | 1,526,483 | 1,601,625 |

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 28b, therefore they do not foresee that they will result in liabilities other than those recorded.

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

As of September 30, 2020 and December 31, 2019, the movements in provisions are as follows:

| Movements | 09.30.2020 | 12.31.2019 |
|---------------------------------|------------------|--------------------|
| | ThCh\$ | ThCh\$ |
| Beginning balance | 1,601,625 | 5,745,139 |
| Increase in existing provisions | 1,296,684 | 2,256,777 |
| Provision application | (1,371,826) | (6,400,291) |
| Movements subtotal | (75,142) | (4,143,514) |
| Ending balance | 1,526,483 | 1,601,625 |

b) Other non-currents provisions:

As of September 30, 2020 and December 31, 2019, the balance of other non-current provisions are detailed as follows:

| Concepts | 09.30.2020 | 12.31.2019 |
|------------------------------------|-------------------|-------------------|
| | ThCh\$ | ThCh\$ |
| Dismantling provision (2) | 17,083,779 | 18,730,421 |
| Non-currents provisions others (1) | 156,958 | 70,134 |
| Total | 17,240,737 | 18,800,555 |

(1) Includes provisions for municipal licenses and mutual support.

(2) Movements of the dismantling provision as of September 30, 2020 and December 31, 2019 are detailed as follows:

| Movements | 09.30.2020 | 12.31.2019 |
|----------------------------------|--------------------|--------------------|
| | ThCh\$ | ThCh\$ |
| Beginning balance | 18,730,421 | 20,123,983 |
| Financial update | 105,818 | 701,762 |
| Upward | 58,111 | 319,997 |
| Reverse of dismantling provision | (1,810,571) | (2,415,321) |
| Movement subtotal | (1,646,642) | (1,393,562) |
| Ending balance | 17,083,779 | 18,730,421 |

23. Employee benefits accrual

a) Post-employment benefits

The employee benefits provision corresponds to liabilities for future severance pay for years of service that are estimated to be accrued for employees, both in the general and private payroll, through collective or individual employee contracts, and are 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. This procedure has been applied by the Company since the beginning of the convergence to International Standard.

As of September 30, 2020 and December 31, 2019 current and non-current employee benefits accrual are as follows:

| Concepts | 09.30.2020 | 12.31.2019 |
|---|-------------------|-------------------|
| | ThCh\$ | ThCh\$ |
| Current amount of liability recognized for termination benefits | 10,690,612 | 9,397,635 |
| Non-current amount of liability recognized for termination benefits | 26,786,049 | 26,723,862 |
| Total | 37,476,661 | 36,121,497 |

As of September 30, 2020 and December 31, 2019 the movements for current employee benefits provisions are detailed as follows:

| Movements | 09.30.2020 | 12.31.2019 |
|--|-------------------|-------------------|
| | ThCh\$ | ThCh\$ |
| Beginning balance | 36,121,497 | 35,439,905 |
| Service costs | 271,513 | (114,271) |
| Interest costs (see note 24 d) | 971,759 | 1,656,106 |
| Actuarial profits, net due to experience | 1,155,729 | 2,397,133 |
| Benefits paid | (638,236) | (3,607,413) |
| Others | (405,601) | 350,037 |
| Movement subtotal | 1,355,164 | 681,592 |
| Ending balance | 37,476,661 | 36,121,497 |

23. 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 the following detail, as of September 30, 2020 and December 31, 2019:

- **Discount rate:** An annual nominal rate of 3.261% and 3.59% is used as of September 30, 2020 and December 31, 2019, respectively. This rate must be representative of the time value of money, for which a risk-free rate, represented by BCP financial instruments (Central Bank of Chile Bonds issued in Chilean pesos), is used for a relevant term of around 20 years.
- **Incremental Salary Rate:** for calculation, an increase table is used according to the inflation projection established by the Central Bank of Chile. The rate used for the periods ended September 30, 2020 and December 31, 2019 was 3%.
- **Mortality:** The RV-2014 mortality tables established by the Financial Market Commission (CMF) 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 | Turnover rate for resignation | Turnover rate for dismissal |
|--------------------------|-------------------------------|-----------------------------|
| Frozen Compensation | 0.14% | 1.79% |
| Post-frozen Compensation | 3.41% | 6.02% |
| Quotas system | 2.73% | 2.73% |
| Decease | 2.73% | 2.73% |

- **Years of service:** The Company assumes that the employees will remain until their 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 a qualified external 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 September 30, 2020, 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 | 3.261% | (2,127,479) | 2,376,873 |

23. 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 | 5,372,972 |

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 | 07.01.2020 to | 09.30.2020 | 07.01.2019 to | 09.30.2019 |
|---|-------------------|-------------------|-------------------|-------------------|
| | 09.30.2020 | ThCh\$ | 09.30.2019 | ThCh\$ |
| Wages and salaries | 32,556,218 | 96,807,927 | 27,538,486 | 91,248,674 |
| Post employment benefit obligations expense | 87,581 | 271,513 | (406,658) | (209,757) |
| Total | 32,643,799 | 97,079,440 | 27,131,828 | 91,038,917 |

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

Other non-financial liabilities are detailed as follows:

| Concepts | 09.30.2020 | | 12.31.2019 | |
|--|-------------------|-----------------------|-------------------|-----------------------|
| | Current ThCh\$ | Non-current ThCh\$ | Current ThCh\$ | Non-current ThCh\$ |
| Contractual liabilities (1) | 18,517,275 | 2,358,399 | 14,259,915 | 2,673,550 |
| Handsets sold and not activated | 8,817,557 | - | 5,687,633 | - |
| Services charged and not rendered | 5,892,661 | - | 5,167,858 | - |
| IRUS rights of use | 415,540 | 2,358,399 | 396,020 | 2,672,552 |
| Others contractual liabilities (2) | 3,391,517 | - | 3,008,404 | 998 |
| Deferred income | 3,956,547 | 1,244,513 | 3,880,359 | 1,709,923 |
| Corporate projects to be undertaken (3) | 1,019,081 | 487,761 | 1,265,884 | 744,484 |
| Sale of telecommunications infrastructure | 1,182,528 | 444,303 | 1,320,124 | 518,074 |
| Other Deferred income (4) | 1,754,938 | 312,449 | 1,294,351 | 447,365 |
| Subsidies | 359,756 | 2,423,430 | 523,355 | 3,272,663 |
| Extreme zones | 118,942 | 387,415 | 282,541 | 1,056,038 |
| Subsidy for Tierra del Fuego base stations | 70,355 | 721,143 | 70,355 | 773,910 |
| Puerto Natales and Cerro Castillo Fiber Optics Network | 52,623 | 363,977 | 52,623 | 403,444 |
| Connectivity for service networks and telecentre | 90,380 | 273,647 | 90,380 | 341,431 |
| Juan Fernandez Island Satellite links | 27,456 | 677,248 | 27,456 | 697,840 |
| Taxes | 16,603,935 | - | 33,271,416 | - |
| VAT (5) | 13,655,233 | - | 30,900,052 | - |
| Other taxes (6) | 2,948,702 | - | 2,371,364 | - |
| Others non-financial liabilities | 39,437,513 | 6,026,342 | 51,935,045 | 7,656,136 |

(1) With the coming into effect of IFRS 15 as of January 1, 2018, the obligations that arise from contracts signed with our customers are classified as contractual liabilities.

(2) Includes connection instalments, electronic prepay top-up and unaccrued interest on sales paid in instalments.

(3) Corresponds to billing of projects of companies that are recorded in revenue to the extent of their degree of progress.

(4) Corresponds mainly to commissions for collection management, generated on the sale of the portfolio to BID.

(5) Corresponds to the net effect between VAT debit and tax credit.

(6) Includes withholding tax and other taxes.

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

Movements of contractual liabilities, deferred income and subsidies as of September 30, 2020 are as follows:

| Movements | 09.30.2020 | | | | | |
|--------------------------|-------------------------|-----------------------|-------------------|-----------------------|-------------------|-----------------------|
| | Contractual liabilities | | Deferred Income | | Subsidies | |
| | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ |
| Beginning balance | 14,259,915 | 2,673,550 | 3,880,359 | 1,709,923 | 523,355 | 3,272,663 |
| Endowments | 184,393,106 | - | 2,870,532 | 155,202 | - | - |
| Reduction/applications | (180,450,897) | - | (3,414,956) | - | (1,012,832) | - |
| Transfers | 315,151 | (315,151) | 620,612 | (620,612) | 849,233 | (849,233) |
| Movement subtotal | 4,257,360 | (315,151) | 76,188 | (465,410) | (163,599) | (849,233) |
| Ending balance | 18,517,275 | 2,358,399 | 3,956,547 | 1,244,513 | 359,756 | 2,423,430 |

Movements of contractual liabilities, deferred income and subsidies as of December 31, 2019 are as follows:

| Movements | 12.31.2019 | | | | | |
|----------------------------|-------------------------|-----------------------|-------------------|-----------------------|-------------------|-----------------------|
| | Contractual liabilities | | Deferred Income | | Subsidies | |
| | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ | Current ThCh\$ | Non-Current ThCh\$ |
| Beginning balance | 13,840,015 | 3,072,995 | 4,833,085 | 1,916,567 | 1,305,643 | 3,053,002 |
| Endowments | 273,326,534 | 14,544 | 5,721,293 | 167,775 | 163,600 | 579,417 |
| Write downs/applications | (273,243,059) | (77,564) | (6,976,331) | (72,107) | (1,128,941) | (176,703) |
| Transfers | 336,425 | (336,425) | 302,312 | (302,312) | 183,053 | (183,053) |
| Movements, subtotal | 419,900 | (399,445) | (952,726) | (206,644) | (782,288) | 219,661 |
| Ending balance | 14,259,915 | 2,673,550 | 3,880,359 | 1,709,923 | 523,355 | 3,272,663 |

c) The detail of the expirations of the current non-financial liabilities as of September 30, 2020 and December 31, 2019 is as follows:

| Expirations | | | Total Current to 09.30.2020 ThCh\$ | Expirations | | | Total non-current to 09.30.2020 ThCh\$ |
|-------------------------|-----------------------------|------------------------|--|------------------------|----------------------------|-----------|--|
| until 90 days ThCh\$ | 91 days to 1 year ThCh\$ | 1 to 3 years ThCh\$ | | 3 to 5 years ThCh\$ | 5 years and more ThCh\$ | | |
| 36,296,278 | 3,141,235 | 39,437,513 | 3,214,848 | 906,443 | 1,905,051 | 6,026,342 | |

| Expirations | | | Total Current to 12.31.2019 ThCh\$ | Expirations | | | Total non-current to 12.31.2019 ThCh\$ |
|-------------------------|-----------------------------|------------------------|--|------------------------|----------------------------|-----------|--|
| until 90 days ThCh\$ | 91 days to 1 year ThCh\$ | 1 to 3 years ThCh\$ | | 3 to 5 years ThCh\$ | 5 years and more ThCh\$ | | |
| 15,345,017 | 36,590,027 | 51,935,044 | 3,920,652 | 1,604,439 | 2,131,045 | 7,656,136 | |

25. Equity

The Company manages its capital for the purpose of safeguarding its capacity to continue as a going concern for the purpose of generating returns to its shareholders. As well with the objective of maintaining a strong credit rating and favorable capital ratios in order to support its businesses and guarantee ongoing and expedite access to the financial markets, maximizing the shareholders' 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 September 30, 2020 and 2019.

a) Capital

As of September 30, 2020 and December 31, 2019, the Company's paid-in capital is composed as follows:

Number of shares

| Series | No. of shares subscribed | 09.30.2020 | | No. of shares subscribed | 12.31.2019 | |
|--------------|--------------------------|------------------------|----------------------------------|--------------------------|------------------------|----------------------------------|
| | | No. of shares paid | No. of shares with voting rights | | No. of shares paid | No. of shares with voting rights |
| Unique | 960,392,966,349 | 960,392,966,349 | 960,392,966,349 | 936,165,609,040 | 936,165,609,040 | 936,165,609,040 |
| Total | 960,392,966,349 | 960,392,966,349 | 960,392,966,349 | 936,165,609,040 | 936,165,609,040 | 936,165,609,040 |

Capital

| Series | 09.30.2020 | | 12.31.2019 | |
|--------------|------------------------------|---------------------------|------------------------------|---------------------------|
| | Subscribed capital ThCh\$ | Paid-in capital ThCh\$ | Subscribed capital ThCh\$ | Paid-in capital ThCh\$ |
| Unique | 1,364,872,285 | 1,364,872,285 | 1,329,872,285 | 1,329,872,285 |
| Total | 1,364,872,285 | 1,364,872,285 | 1,329,872,285 | 1,329,872,285 |

At the Extraordinary Shareholders' Meeting held on March 13, 2019, the shareholders approved a Capital increase from ThCh\$1,294,872,285, that was divided into 911,784,715,847 ordinary shares, to ThCh\$1,329,872,285, divided into 936,165,609,040 ordinary shares.

At the Extraordinary Shareholders' Meeting held on February 26, 2020, the shareholders approved a Capital increase from ThCh\$1,329,872,285, that was divided into 936,165,609,040 ordinary shares, to ThCh\$1,364,872,285, divided into 960,392,966,349 ordinary shares.

25. Equity, continued

Based on the above, as of September 30, 2020, the Company's shareholder structure is detailed as follows:

| Company | Shares |
|---|------------------------|
| Inversiones Telefónica International Holding S.A. | 950,392,963,373 |
| Telefónica S.A. | 10,000,002,976 |
| Total | 960,392,966,349 |

On March 31, 2020 according to contract of purchase sale of shares, Telefónica S.A. transferred all its shareholding of 10,000,002,976 shares of Telefónica Móviles Chile S.A. to Latin América Cellular Holdings S.L. at a selling price of € 26,159,899.63.

b) Distribution of shareholders

As established in Circular No. 792 issued by the Financial Market Commission (CMF) (ex-Superintendency of Securities and Insurance) of Chile, the distribution of shareholders, based on their participation in the Company as of September 30, 2020, is as follows:

| Type of Shareholder | Participation % | Number of shareholders |
|---|--------------------|---------------------------|
| Participation of 10% or more | 98.9588 | 1 |
| Less than 10% participation: | 1.0412 | 1 |
| Investment equal to or exceeding UF 200 | - | - |
| Investment under UF 200 | - | - |
| Total | 100.0000 | 2 |
| Parent Company | 98.9588% | 1 |

c) Dividends:

i) Dividends policy:

In accordance with Law No. 18,046, unless a different agreement is adopted unanimously at the Shareholders' Meeting, when the Company makes profits, at least 30% of them must be distributed as dividends.

As of December 27, 2019, a final dividend of MCh\$ 75,000 was paid, corresponding to 89% of the result of the 2019 financial year.

As of September 30, 2020, there have been no dividends distributed. As of December 31, 2019, the following dividend distribution was made:

| Date | Dividend | Distributed amount ThCh\$ | Value per share ThCh\$ | Charge to utilities | Payment date |
|----------|----------|------------------------------|---------------------------|------------------------|-----------------|
| 12.27.19 | Interim | 75,000,000 | 0.0801 | 2019 | December - 2019 |

25. Equity, continued
d) Other reserves:

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

| Concepts | Balance as of 12.31.2019 ThCh\$ | Net movement ThCh\$ | Balance as of 09.30.2020 ThCh\$ |
|---|---------------------------------------|------------------------|---------------------------------------|
| Capital revaluation reserve (i) | (233,685,327) | - | (233,685,327) |
| Business combination reserve (ii) | (95,176,556) | - | (95,176,556) |
| Other miscellaneous reserves (iii) | (122,214,004) | - | (122,214,004) |
| Employee benefits reserve (iv) | (9,945,809) | (839,983) | (10,785,792) |
| Foreign currency translation difference reserve (v) | (58,310) | - | (58,310) |
| Cash flow hedges reserve (vi) | 1,099,249 | 1,181,063 | 2,280,312 |
| Reserve for financial assets (vii) | 2,155,257 | (2,048,654) | 106,603 |
| Total | (457,825,500) | (1,707,574) | (459,533,074) |

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 Financial Market Commission (ex-Superintendency of Securities and Insurance), the revaluation of the Company's Capital as of December 31, 2008, date of application of international financial reporting standards, must be presented in this item.

ii) Business combination reserve

Corresponds to corporate 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 (Note 25)v), 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 Inversiones Telefónica Internacional Holding S.A. with the contribution in dominion of a group of assets and liabilities. This transaction generated a difference between the book value of those assets and liabilities and the contribution value of ThCh\$61,567,621 that were recognized in this item, since it corresponds to a corporate reorganization.

In July 2010, the Company purchased, from the Dutch company Telefónica Chile Holding B.V., the investment 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 for being jointly responsible. This tax, in the amount of ThCh\$3,722,259, was recognized as "Other reserves".

In addition, it is composed of the accumulated revaluation reserve and of the adjustment for first-time adoption of International Financial Reporting Standards (IFRS) assumed by subsidiary Telefónica Móviles Soluciones y Aplicaciones S.A. in the amount of ThCh\$2,365,462, and other negative concepts for ThCh\$70,619.

25. Equity, continued

d) Other reserves, continued

iv) Employee benefits reserve

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

v) Foreign currency translation difference reserve

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

vi) Cash Flow hedges reserves

Transactions designated as cash flow hedges for expected transactions are probable, and if the Company can carry out the transaction, the Company has the positive intention and ability to consummate the expected transaction. Expected transactions designated in our cash flow hedges remain probable of occurrence on the same date and amount as originally designated, otherwise, the ineffectiveness will be measured and recorded when appropriate. In addition, this includes fair value effects associated to interest rate insurance.

vii) Reserves for financial assets

Corresponds to the effect of market valuation of the investment of Telefónica Chile S.A. subsidiary in Telefónica Brazil.

e) Non-controlling interest

As of September 30, 2020 and 2019, recognition of the portion of Equity belonging to third parties is detailed as follows:

| Subsidiaries | Percentage Non-controlling interest | | Non-controlling interest Shareholders' Equity | |
|-----------------------|-------------------------------------|-----------|---|----------------------|
| | 2020 % | 2019 % | 09.30.2020 ThCh\$ | 12.31.2019 ThCh\$ |
| Telefonica Chile S.A. | 0.8594402 | 0.8594402 | 5,719,922 | 5,859,874 |
| Total | | | 5,719,922 | 5,859,874 |

As of September 30, 2020 and 2019 recognition of the portion of Results belonging to third parties is detailed as follows:

| Subsidiaries | Percentage Non-controlling interest | | Non-controlling interest in result Profit (loss) | | | |
|-----------------------|-------------------------------------|-----------|--|----------------------|---------------------------------------|----------------------|
| | 2020 % | 2019 % | 07.01.2020 to 09.30.2020 ThCh\$ | 09.30.2020 ThCh\$ | 07.01.2019 to 09.30.2019 ThCh\$ | 09.30.2019 ThCh\$ |
| Telefonica Chile S.A. | 0.8594402 | 0.8594402 | (12,279) | (41,309) | 128,341 | 221,487 |
| Total | | | (12,279) | (41,309) | 128,341 | 221,487 |

26. Earnings per Share

The detail of Earnings per share is as follows:

| Basic earnings per share | 07.01.20 to 09.30.20 ThCh\$ | 09.30.2020 ThCh\$ | 07.01.19 to 09.30.19 ThCh\$ | 09.30.2019 ThCh\$ |
|--|-----------------------------------|----------------------|-----------------------------------|----------------------|
| Earnings attributable to parent owners | 11,146,109 | 21,105,276 | 26,728,949 | 71,896,476 |
| Resultado disponible para accionistas | 11,146,109 | 21,105,276 | 26,728,949 | 71,896,476 |
| Weighted average number of shares | 957,701,037,759 | 957,701,037,759 | 936,165,609,040 | 936,165,609,040 |
| Basic earnings per share in Ch\$ | 0.018 | 0.022 | 0.026 | 0.048 |

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

27. Incomes

a) The detail of incomes from ordinary operations, as of September 30, 2020 and 2019, is as follows:

| Ordinary incomes | 07.01.20 to 09.30.20 ThCh\$ | 09.30.2020 ThCh\$ | 07.01.19 to 09.30.19 ThCh\$ | 09.30.2019 ThCh\$ |
|--|-----------------------------------|----------------------|-----------------------------------|----------------------|
| Mobile Telecommunications | 215,359,001 | 604,824,385 | 210,466,319 | 639,384,884 |
| Fixed Telecommunications | 75,700,544 | 226,114,862 | 81,785,253 | 247,459,237 |
| Data services and technology solutions companies | 44,340,162 | 123,578,755 | 40,308,362 | 117,651,149 |
| Television services and equipment | 26,926,700 | 86,052,627 | 36,922,837 | 116,519,048 |
| Total | 362,326,407 | 1,040,570,629 | 369,482,771 | 1,121,014,318 |

b) The detail of Other operating incomes, as of September 30, 2020 and 2019, is as follows:

| Other incomes | 07.01.20 al 09.30.20 ThCh\$ | 09.30.2020 ThCh\$ | 07.01.19 al 09.30.19 ThCh\$ | 09.30.2019 ThCh\$ |
|---|-----------------------------------|----------------------|-----------------------------------|----------------------|
| Incomes from indemnities, complaints and others (1) | 90,453 | 5,651,901 | 390,131 | 774,334 |
| Profits from sale of fixed assets (2) | 1,715,420 | 1,727,025 | 12,693,434 | 12,888,503 |
| Surcharges due to default | 226,133 | 1,362,270 | 771,401 | 2,668,558 |
| Subsidies | 89,938 | 1,012,833 | 73,223 | 237,383 |
| Other current management income | 727,588 | 1,234,999 | 329,585 | 428,574 |
| Total | 2,849,532 | 10,989,028 | 14,257,774 | 16,997,352 |

(1) Contains a figure of ThCh\$ 5,056,608 corresponding to collection from the insurance company, associated to policies that cover damages caused by the national contingency due to social conflict that began on October 18, 2019.

(2) On July 24, 2019, the Data Center was sold for ThCh\$10,795,589.

28. Expenses

a) Impairment loss, net:

| Provision for impairment | 07.01.20 al | 09.30.2020 | 07.01.19 al | 09.30.2019 |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | 09.30.20 | | 09.30.19 | |
| | M\$ | M\$ | M\$ | M\$ |
| Trade accounts receivable | 15,789,086 | 49,726,882 | 17,678,587 | 48,185,457 |
| Total | 15,789,086 | 49,726,882 | 17,678,587 | 48,185,457 |

b) The detail of Other expenses, by nature, as of September 30, 2020 and 2019, is as follows:

| Other expenses | 07.01.20 to | 09.30.2020 | 07.01.19 to | 09.30.2019 |
|--|--------------------|--------------------|--------------------|--------------------|
| | 09.30.20 | | 09.30.19 | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Media rental and other exterior services (1) | 86,625,036 | 261,935,780 | 89,603,249 | 286,067,311 |
| Sale cost of inventory and commissions (2) | 95,905,766 | 256,975,598 | 81,064,051 | 243,608,498 |
| Customer service | 11,254,593 | 34,860,696 | 16,953,817 | 38,026,331 |
| Interconnections and roaming (3) | 5,824,058 | 18,462,974 | 5,956,543 | 25,303,138 |
| Others (4) | 7,878,159 | 25,109,813 | 10,183,827 | 30,845,990 |
| | 207,487,612 | 597,344,861 | 203,761,487 | 623,851,268 |

- (1) This account includes media rental, exterior services, maintenance, information services, energy supply and real estate expenses.
- (2) Increase associated with greater handset sales, as well as includes handsets activated in the period and accrual of deferred costs for handsets sold the previous year which had not been activated by the end user as of September 30, 2020 and 2019, respectively.
- (3) At a cumulative level, the cost of roaming decreased ThCh\$1,989,547 due to less traffic and rate reductions as per commercial agreements; in addition, interconnection presents a lower cost of ThCh\$6,255,493 mainly due to changes in the Tariff Decree and less traffic in the first two quarters of the year, which was offset in the third quarter with more traffic in the amount of ThCh\$1,250,186.
- (4) As of September 30, 2020 and 2019, it includes transportation expenses, insurance, consulting, events, fines, penalties, security and surveillance, advertising, among others.

29. Financial incomes and expenses

a) The detail of net financial incomes and expenses, as of September 30, 2020 and 2019, is as follows:

| Financial expenses, net | 07.01.20 to | 09.30.2020 | 07.01.19 to | 09.30.2019 |
|---|--------------------|---------------------|---------------------|---------------------|
| | 09.30.20 | | 09.30.19 | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Financial incomes | | | | |
| Interest earned on deposits and investments | 393,252 | 1,600,547 | 905,736 | 2,545,910 |
| Interest earned on projects | 216,792 | 690,753 | 277,178 | 855,120 |
| Dividends received and accrued | 463,801 | 502,256 | - | 412,248 |
| Interests by mercantile mandate | - | 2,882 | 6,448 | 18,786 |
| Other financial incomes | 252,095 | 302,391 | 30,378 | 282,492 |
| Total financial incomes | 1,325,940 | 3,098,829 | 1,219,740 | 4,114,556 |
| Financial expenses | | | | |
| Interest on obligations (bonds) (1) | 3,655,475 | 15,101,432 | 6,047,827 | 20,010,058 |
| Interest on loans from bank institutions | 1,938,056 | 5,568,302 | 1,635,291 | 4,431,549 |
| Portfolio sale | 2,600,376 | 9,822,089 | 779,744 | 2,144,615 |
| Leasing costs | 1,122,474 | 2,773,537 | 778,552 | 2,346,898 |
| Interest on update of employee termination benefits | 323,920 | 971,759 | 414,027 | 1,242,080 |
| Cost of remittances abroad | 253,192 | 681,913 | 184,545 | 516,040 |
| Interest on projects | 63,738 | 143,778 | 83,570 | 192,379 |
| Interest on mercantile mandate | 626 | 1,489 | 489 | 7,546 |
| Other financial expenses (2) | 727,266 | 2,460,206 | 1,318,644 | 2,475,617 |
| Total financial expenses | 10,685,123 | 37,524,505 | 11,242,689 | 33,366,782 |
| Total financial incomes and expenses, net | (9,359,184) | (34,425,677) | (10,022,949) | (29,252,226) |

(1) This item is presented net of interest rate hedge.

(2) Composed mainly by factoring and other financial costs.

b) The detail of the differences and units of currency exchange readjustments as of September 30, 2020 and 2019 is as follows:

| Description | 07.01.20 to | 09.30.2020 | 07.01.19 to | 09.30.2019 |
|---|--------------------|--------------------|------------------|------------------|
| | 09.30.20 | | 09.30.19 | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Hedge instruments | (29,541,978) | 23,165,905 | 35,790,011 | 24,260,638 |
| Cash and cash equivalents | 84,393 | 732,278 | (750,113) | (1,243,736) |
| Others Financial debts | - | - | 28,928 | 53,788 |
| Current accounts receivable from related entities | (246,069) | (731,216) | 225,538 | (342,642) |
| Current trade and other accounts receivable | 501,693 | 282,672 | 79,342 | 453,655 |
| Trade and other accounts payable | (805,372) | (4,269,826) | (379,313) | 379,988 |
| Current accounts payable to related entities | 29,168 | (897,281) | (261,992) | 459,647 |
| Financial debt | 28,304,333 | (19,592,654) | (35,144,984) | (24,881,385) |
| Other non-current financial debts | 3,501 | 3,501 | (16,824) | (16,824) |
| Total | (1,670,331) | (1,306,621) | (429,407) | (876,871) |

29. Financial income and costs

| Description | 07.01.20 to | 09.30.2020 | 07.01.19 al | 09.30.2019 |
|---|---------------|----------------|------------------|------------------|
| | 09.30.20 | | 09.30.19 | |
| | ThCh\$ | ThCh\$ | ThCh\$ | ThCh\$ |
| Receivables from related companies | - | 105,873 | 31,272 | 31,124 |
| Payables to related companies | 1,286 | 9,757 | 447,931 | 369,552 |
| Current trade and other accounts receivable | 189 | 28,422 | (813,004) | (422,232) |
| Trade and other payables | 142,956 | 93,878 | (158,522) | (287,868) |
| Cash and cash equivalents | (43,401) | (50,418) | 226,205 | (145,006) |
| Current tax assets | 147 | 103,742 | - | - |
| Financial debt | 31,310 | (2,680,970) | (893,414) | (3,256,408) |
| Tax Payables | (35,753) | (95,042) | (5,579) | 979 |
| Hedge instruments | (31,089) | 2,689,571 | 1,025,432 | 3,397,244 |
| Total | 65,645 | 204,813 | (139,679) | (312,615) |

30. Leases

The main low value, short-term (less than 12 months) and variable payments lease contracts, that were not considered under IFRS 16, are directly associated with the business line, such as leases for commercial offices and spaces for technical telecommunications facilities. These items are presented in the Income Statement as "Other expenses by nature".

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.

As of September 30, 2020, lease expenses amount to ThCh\$ 2,882,618.

Future lease obligations, as of September 30, 2020 are detailed as follows:

| Concepto | 09.30.2020 | | | Total ThCh\$ |
|--|-------------------|---------------------------|----------------------|-----------------|
| | Up to one year | From one to five years | More than 5 years | |
| | ThCh\$ | ThCh\$ | ThCh\$ | |
| Minimum operating lease payments payable | 4,367,650 | 8,694,224 | 6,072,255 | 19,134,129 |

31. Local and Foreign Currency

Currency breakdown of current assets and non-currents assets is as follows:

| Currents assets | 09.30.2020 | 12.31.2019 |
|--|--------------------|--------------------|
| | ThCh\$ | ThCh\$ |
| Cash and cash equivalents | 185,355,743 | 234,466,421 |
| Chilean Pesos | 181,117,435 | 227,008,924 |
| US Dollars | 4,044,058 | 7,379,053 |
| Euros | 117,249 | 65,979 |
| Other currencies | 77,001 | 12,465 |
| Other current financial assets | 31,778,450 | 24,825,391 |
| US Dollars | 28,643,212 | 8,060,222 |
| Chilean Pesos | 2,725,271 | 4,835,258 |
| Euros | 409,967 | 169,352 |
| U.F. | - | 11,760,559 |
| Current trade and other accounts receivable | 327,551,675 | 233,716,006 |
| Chilean Pesos | 326,998,682 | 233,216,824 |
| U.F. | 520,310 | 438,438 |
| Euros | 32,683 | 60,744 |
| Current receivables from related companies | 26,029,588 | 21,109,235 |
| Chilean Pesos | 19,232,988 | 16,002,833 |
| US Dollars | 6,555,104 | 5,048,821 |
| Other currencies | 241,496 | 57,581 |
| Other current assets (1) | 140,758,283 | 108,004,429 |
| Chilean Pesos | 140,758,283 | 108,004,429 |
| Total current assets | 711,473,739 | 622,121,482 |
| Chilean Pesos | 670,832,659 | 589,068,268 |
| US Dollars | 39,242,374 | 20,488,096 |
| U.F. | 520,310 | 12,198,997 |
| Euros | 559,899 | 296,075 |
| Other currencies | 318,497 | 70,046 |

(1) Includes: Other current non-financial assets and current inventories.

| Non-currents assets | 09.30.2020 | 12.31.2019 |
|--|----------------------|----------------------|
| | ThCh\$ | ThCh\$ |
| Other non-current financial assets | 210,625,172 | 195,990,996 |
| US Dollars | 160,738,577 | 158,017,808 |
| U.F. | 26,818,232 | 30,068,849 |
| Chilean Pesos | 17,284,880 | 54,444 |
| Other currencies | 5,783,483 | 7,849,895 |
| Non-current trade and other accounts receivable | 34,479,503 | 27,422,344 |
| Chilean Pesos | 34,479,503 | 27,422,344 |
| Other non-currents non-financial assets | 38,639,479 | 12,877,869 |
| Chilean Pesos | 38,639,479 | 12,877,869 |
| Right of use | 188,093,131 | 226,379,109 |
| Chilean Pesos | 187,754,342 | 226,379,109 |
| U.F. | 338,789 | - |
| Other non-current assets (2) | 1,958,377,750 | 2,001,954,346 |
| Chilean Pesos | 1,958,377,750 | 2,001,954,346 |
| Total non-current assets | 2,430,215,035 | 2,464,624,664 |
| Chilean Pesos | 2,236,535,954 | 2,268,688,112 |
| US Dollars | 160,738,577 | 158,017,808 |
| U.F. | 27,157,021 | 30,068,849 |
| Other currencies | 5,783,483 | 7,849,895 |

(2) Includes: Investments accounting for using the equity method, intangible assets other than goodwill, goodwill, property, plant and equipment and deferred tax assets.

31. Local and Foreign Currency, continued

Currency breakdown of current liabilities is as follows:

| Currents liabilities | Up to 90 days | | From 91 days to 1 year | |
|---|--------------------|--------------------|------------------------|--------------------|
| | 09.30.2020 | 12.31.2019 | 09.30.2020 | 12.31.2019 |
| | ThCh\$ | | ThCh\$ | |
| Other current financial liabilities | 13,687,329 | 66,101,366 | 234,499,779 | 59,976,886 |
| US Dollars | 9,301,151 | 346,855 | 118,911,343 | 2,665,112 |
| Chilean Pesos | 3,048,871 | 8,729,508 | 115,588,436 | 35,543 |
| U.F. | 1,337,307 | 57,016,652 | - | 57,276,231 |
| Euros | - | 8,351 | - | - |
| Finance leases | 31,049,773 | 21,225,047 | 33,590,195 | 57,514,650 |
| U.F. | 21,863,501 | 18,864,472 | 24,906,004 | 50,245,572 |
| Chilean Pesos | 9,004,122 | 2,303,157 | 8,502,041 | 7,093,608 |
| US Dollars | 182,150 | 57,418 | 182,150 | 175,470 |
| Trade and other payables | 319,919,824 | 304,290,564 | - | - |
| Chilean Pesos | 259,299,358 | 258,856,935 | - | - |
| US Dollars | 38,360,060 | 28,472,557 | - | - |
| U.F. | 17,846,119 | 12,871,579 | - | - |
| Euros | 4,396,723 | 4,071,790 | - | - |
| Other currencies | 17,564 | 17,703 | - | - |
| Current receivables from related companies | 64,821,744 | 66,055,208 | - | - |
| US Dollars | 31,025,364 | 3,402,129 | - | - |
| Chilean Pesos | 23,328,601 | 58,011,843 | - | - |
| U.F. | 7,621,524 | 4,162,968 | - | - |
| Euros | 2,846,255 | 478,268 | - | - |
| Other current liabilities (1) | 55,513,267 | 31,597,009 | 3,141,235 | 36,590,027 |
| Chilean Pesos | 55,513,267 | 31,597,009 | 3,141,235 | 36,590,027 |
| Total current liabilities | 484,991,937 | 489,269,194 | 271,231,209 | 154,081,563 |
| Chilean Pesos | 350,194,219 | 359,498,452 | 127,231,712 | 43,719,177 |
| US Dollars | 78,868,725 | 32,278,959 | 119,093,493 | 2,840,582 |
| U.F. | 48,668,451 | 92,915,671 | 24,906,004 | 107,521,804 |
| Euros | 7,242,978 | 4,558,409 | - | - |
| Other currencies | 17,564 | 17,703 | - | - |

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

31. Local and Foreign Currency, continued

Currency breakdown of non-current liabilities is as follows:

| Non-current liabilities | 1 to 3 years | | 3 to 5 years | | 5 years and over | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 09.30.2020 | 12.31.2019 | 09.30.2020 | 12.31.2019 | 09.30.2020 | 12.31.2019 |
| | ThCh\$ | | ThCh\$ | | ThCh\$ | |
| Other non-current financial liabilities | 547,135,637 | 617,999,093 | 149,592,273 | 165,163,317 | - | - |
| US Dollars | 526,307,940 | 494,701,943 | 53,663,943 | 51,002,531 | - | - |
| Chilean Pesos | 20,827,697 | 123,297,150 | 69,795 | 20,205,496 | - | - |
| U.F. | - | - | 95,858,535 | 93,955,290 | - | - |
| Finance leases | 55,388,538 | 75,104,661 | 26,303,556 | 22,918,495 | 17,121,324 | 24,524,699 |
| U.F. | 39,247,045 | 58,401,751 | 18,501,852 | 21,407,020 | 7,010,455 | 13,054,223 |
| Chilean Pesos | 15,717,370 | 16,063,300 | 7,801,704 | 1,511,475 | 10,110,869 | 11,470,476 |
| US Dollars | 424,123 | 639,610 | - | - | - | - |
| Non-current accounts payable | 1,361,047 | 2,160,741 | - | - | - | - |
| Chilean Pesos | 1,361,047 | 2,160,741 | - | - | - | - |
| Non-current accounts payable to related companies | 38,900,538 | 38,027,645 | - | - | - | - |
| Chilean Pesos | 33,257,552 | 29,796,210 | - | - | - | - |
| U.F. | 5,642,986 | 8,231,435 | - | - | - | - |
| Other non-current liabilities (1) | 26,876,585 | 27,175,257 | 28,618,337 | 14,993,292 | 89,361,086 | 104,913,534 |
| Chilean Pesos | 26,876,585 | 27,175,257 | 28,618,337 | 14,993,292 | 89,361,086 | 104,913,534 |
| Total Non-current liabilities | 669,662,345 | 760,467,397 | 204,514,166 | 203,075,104 | 106,482,410 | 129,438,233 |
| US Dollars | 526,732,063 | 495,341,553 | 53,663,943 | 51,002,531 | - | - |
| Chilean Pesos | 98,040,251 | 198,492,658 | 36,489,836 | 36,710,264 | 99,471,955 | 116,384,009 |
| U.F. | 44,890,031 | 66,633,186 | 114,360,387 | 115,362,309 | 7,010,455 | 13,054,224 |

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

32. Contingencies and restrictions

a) Legal proceedings

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 factual 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 processes in which, due to the aforementioned considerations, it has been considered that there is a probable risk of loss. This has led to the provisions at a parent company level, for the amount of the estimated loss as of September 30, 2020, which altogether amounts to ThCh\$1,526,483, of which ThCh\$555,621 correspond to subsidiaries. In respect to these figures, it is estimated that Telefónica Móviles Chile S.A. will have to pay the amount of ThCh\$1,092,962 on its part, during the fourth quarter of 2020 and the rest during the first quarter of 2021.

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\$7,681,400 in the Parent company and the amount of ThCh\$4,238,880 in the subsidiaries.

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

i) Voissnet Proceeding

On March 31, 2016, the 4th Civil Court of Santiago dictated final sentence in the legal proceeding “Voissnet S.A. vs Telefónica Chile S.A.”, case No. 26.086-2014, completely rejecting the complaint. On June 19, 2018, the Court of Appeals of Santiago, after hearing the 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 leads its legal counsel to believe that this sentence will be annulled by the Supreme Court.

b) Financial restrictions:

As of September 30, 2020, the Company has no financial restrictions.

32. Contingencies and restrictions, continued

c) Insurances:

The companies of the Telefónica Group in Chile have an insurance program that protects their assets from losses derived from events involving acts of terrorism, sabotage, disturbances and malicious damages, among others, as well as extraordinary expenses to minimize damages and to execute contingency plans to reestablish services. All in accordance with the conditions, limits and deductibles established in the contracted policies.

From the beginning of the massive social demonstrations unrest on October 18, 2019, Telefónica in Chile has suffered damages that have been notified to the insurance company Orion. As of September 30, 2020, a total amount of ThCh\$5,056,608 has been recognized in the income statement for the settlement associated to coverage of the damages to commercial offices, to the headquarters and telephone exchanges, among others, whose recovered amounts are in accordance with the settlement previously received from the insurance company.

d) Guarantee deposits:

The detail of guarantee deposits is as follows:

| Guarantee creditor | Debtor | | | Current guarantee deposits | Liberated guarantees | | |
|--|--------|--------------|-------------------|----------------------------|----------------------|-------------------|-------------------|
| | Name | Relationship | Type of guarantee | | 2020 | 2021 | 2022 and more |
| | | | | | ThCh\$ | ThCh\$ | ThCh\$ |
| Public and Private Organisms | | | | 2,967,487 | 2,401,658 | 123,335 | 442,494 |
| Public Organisms - Undersecretaries and Ministries | TCH | Subsidiary | Deposit | 1,503,149 | 1,035,278 | 27,577 | 440,294 |
| Private Organisms - Others | TCH | Subsidiary | Deposit | 1,057,532 | 1,045,772 | 11,760 | - |
| Public Organisms - Municipalities | TCH | Subsidiary | Deposit | 219,692 | 216,771 | 721 | 2,200 |
| Public Organisms - Others | TCH | Subsidiary | Deposit | 187,114 | 103,837 | 83,277 | - |
| Public and Private Organisms | | | | 21,719,574 | 4,589,895 | 9,401,609 | 7,728,070 |
| Public Organisms - Others | TEM | Subsidiary | Deposit | 9,309,393 | 1,905,881 | 4,269,095 | 3,134,417 |
| Private Organisms - Others | TEM | Subsidiary | Deposit | 7,106,435 | 1,969,525 | 2,578,744 | 2,558,166 |
| Public Organisms - Undersecretaries and Ministries | TEM | Subsidiary | Deposit | 2,260,177 | 413,741 | 1,216,554 | 629,882 |
| Banks | TEM | Subsidiary | Deposit | 1,656,782 | 43,977 | 786,851 | 825,954 |
| Public Organisms - Municipalities | TEM | Subsidiary | Deposit | 1,137,811 | 255,771 | 401,039 | 481,001 |
| Universities | TEM | Subsidiary | Deposit | 248,976 | 1,000 | 149,326 | 98,650 |
| Public and Private Organisms | | | | 11,614,626 | 7,377,805 | 1,655,442 | 2,581,379 |
| Public Organisms - Undersecretaries and Ministries | TMCH | Parent | Deposit | 7,627,653 | 6,518,194 | 492,554 | 616,905 |
| Private Organisms - Others | TMCH | Parent | Deposit | 2,507,509 | 620,789 | 522,069 | 1,364,651 |
| Public Organisms - Municipalities | TMCH | Parent | Deposit | 785,324 | 192,920 | 320,643 | 271,761 |
| Public Organisms - Others | TMCH | Parent | Deposit | 551,398 | 45,402 | 183,165 | 322,831 |
| Banks | TMCH | Parent | Deposit | 121,361 | - | 121,361 | - |
| Universities | TMCH | Parent | Deposit | 21,381 | 500 | 15,650 | 5,231 |
| Total | | | | 36,301,687 | 14,369,358 | 11,180,386 | 10,751,943 |

TMCH: Telefónica Móviles Chile S.A.
TCH: Telefónica Chile S.A.
TEM: Telefónica Empresas Chile S.A.

33. Environment

The Company, due to the nature of its line of business, the activities it develops and the technology associated to its management, has not been affected by any 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 emitting and transmitting antennas of telecommunication services.

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 are based on reducing the number of structures or, failing that, compensations related to tasks for improving the community, which must be agreed by the Neighborhood Groups and the Municipal Council, and that correspond to a 20% of the total cost of the tower in case that some type of camouflage be used in the structure and to 50% in case that no camouflage is used.

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 the residues of the projects.

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

The 2019-2022 environmental investment plan was activated nationwide, for comprehensive management of dangerous residues generated from production processes involving the implementation and operation of Telefónica's technical sites. This plan addresses from the generation of residues to their segregation, transitory storage, transportation and final disposal, with adequate infrastructure and with the corresponding environmental authorizations. The plan also includes improvements to the current fuel storage facilities.

The regime established by Law No. 20,920 framework for Waste Management, the Extended Responsibility of the Producer and Encouragement of Recycling, pays special attention to the wording of the Regulations that are in 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 movements of dangerous and non-dangerous waste.

33. Environment, continued

For the purpose of evaluating the impact that this regulation might have on the current operations of subsidiary Telefónica Chile and, particularly, regarding its waste management, we have taken into account drafts of the contracts and tender documents existing to date.

The Company is in the process of evaluating each phase contemplated by the Law to identify and quantify the impacts. As of September 30, 2020, the Company's expenditures in relation to the implementation of the corresponding phases are not significant.

From June 14, 2019, the Company went through the process of supervision of the ISO 14001:2015 international certification valid until 2021, in conformity with the implementation of an Environmental Management System for Telefónica Chile. This is a full-scope certification, which provides us with coverage from the design, deployment and maintenance of the mobile network, plus commercialization of telecommunications services to our end customers. We continue progressing in the deployment plan for the environmental management system nationwide, complemented with the environmental mitigation plan which allows Telefónica to evaluate and address environmental risks in all its technical facilities. In addition, we have successfully performed the external follow-up audit, carried out in August 2020, to strengthen our action plans for certification renewal which will occur in 2021.

34. Risk management

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 demand of its current and potential customers, innovating and developing excellence in its customer service.

The mobile telephone market is composed of 9 operators, of which four have their own network and the rest are Virtual Mobile Operators (VMO).

Operators with their own network are: Telefónica Móviles Chile (Movistar), owned by the Telefónica Group; Entel S.A., owned by the Almendral Group; Claro, belonging to the América Móvil Group and WOM belonging to the Novator Partners LLP Group.

There are five Virtual Mobile Operators. In 2012, Virgin Mobile, Netline (GTEL) and GTD Móvil entered the market. At the end of 2013, VTR signed a contract with Movistar for the delivery of roaming services. In April 2015, Virtual Mobile Operator "Simple" started its commercial operations.

Mobile Voice

At the end of the third quarter of 2020, it is estimated that the mobile telephone market have close to 26.1 million accesses, decreasing 4.1% in comparison to the same period of the previous year. According to this, mobile telephone penetration per 100 inhabitants would reach 138.7%, decreasing 7.3 p.p. (percentage points) in a year.

34. Risk management, continued

a) Characterization of the market and competition, continued

Mobile Voice, continued

Mobile prepay customer base has shown an accelerated decrease in the industry, this would be due to the lower dynamism of the economy and the commercial strategy of companies to accelerate the migration of these customers to post-pay plans, through portability offers of 2 x 1 or more lines. When comparing the third quarter of 2019 and 2020, prepayment customers decreased by 2,037,000 customers, whereas customers with contracts grew by 921,000 customers. The proportion of prepayment customers closed at 49.8% over the total customers in the market, decreasing by 5.4 p.p. in respect to September 2019.

Mobile Internet

Access to mobile Internet has experienced high growth rates thanks to the greater penetration of smartphones with 3G and 4G technology, which allow a better navigation in the device. It was estimated that the number of handsets connected to mobile Internet would reach 19.3 million as of September 2020, a growth of 4.6% in comparison to the third quarter of 2019. Following the above, it was estimated that market penetration by inhabitants would be 102.4%, a growth of 3.6 p.p. in one year. Including Smart, BAM y M2M.

The following table summarizes estimated penetration of mobile services by the end of the third quarter of 2020:

| Mobile Services | Market penetration by inhabitants 09.30.2020 |
|-----------------------------|---|
| Mobile telephony | 138.70% |
| Mobile Internet (conexions) | 102.40% |

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.

In the third quarter of 2020, more than 807,000 mobile customers were ported. Mobile portability, from its inception in September 2020, has accumulated 21.2 million of ported customers, which would be equivalent to 81.0% of total mobile voice customers of the industry.

c) Regulatory Environment

The installation, operation and exploitation of the telecommunications services located in the national territory are regulated by General Telecommunications Law No. 18,168, and its complementary regulations. The Ministry of Transportation and Telecommunications, through the Telecommunications Undersecretary (Subtel), applies and controls that regulation.

34. Risk management, continued

c) Regulatory Environment, continued

i) Tariff system for mobile telephones:

According to General Telecommunications Law No. 18.168, mobile service tariffs are free and established by the market. Interconnection tariffs between operators are fixed by the Ministry of Economy and the Ministry of Transportation and Telecommunications.

In the case of mobile telephone service, the current Decree applies from January 26, 2019 for a 5-year term.

In the case of fixed telephone service, the current Decree applies from May 9, 2019 for a 5-year term.

ii) Radio electric spectrum assignation:

The Company owns telecommunications concessions that allow it to operate in the 850 MHz, 1.900 MHz, 2.600 and 700 MHz band frequencies granted by the Ministry of Transportation and Telecommunications.

In the case of returning the spectrum ordered by sentence from the Supreme Court in June 2018, Telefónica opted for two ways of complying:

1. To renounce to two concessions in the 3400 – 3600 MHz band, in the XI and XII Regions (south zone of the country), equivalent to 10 MHz of spectrum nationwide. This renouncement was presented to Subtel on November 9, 2019.
2. Tender for a 10 MHz concession in the 1900 MHz band: tender documents were presented in Subtel and in the Antitrust Commission (“Tribunal for Defense of Free Competition” or Tribunal de Defensa de la Libre Competencia TDLC, in Spanish) in November 2019. Both organizations have made observations, therefore a new version of the tender documents was presented on June 25, 2020, which has been approved by Subtel and the “TDLC”. Therefore, the timeline for the tender process came into effect on September 4, as follows:
 - ✓ Sale of tender documents: September 25 – November 9
 - ✓ Tender consultation: October 9 – November 9
 - ✓ Consultation response: November 23
 - ✓ Delivery of offers: December 7

On December 5, 2019, the “TDLC” dictated Resolution No. 59-2019, through which new spectrum caps were established. Among its main aspects, the “TDLC” resolution dictates the following:

- A structure of 5 macro bands was defined: Low (less than 1 GHz); Medium Low (from 1 to 3 GHz); Medium (from 3 to 6 GHz); Medium High (from 6 to 24 GHz) and High (greater than 24 GHz).
- For low bands, a spectrum ownership cap was established at 35% by operator.
- For medium low bands, a cap of 30% was established.
- For medium bands, which include 3.500 MHz, short, medium and long-term measures are established.

34. Risk management, continued

c) Regulatory Environment, continued

ii) Radio electric spectrum assignation, continued

In the short-term, Subtel can not auction contiguous blocks which, altogether, add up less than 40 MHz per operator and, in a first auction, must have at least 80 MHz, to ensure the existence of a minimum of two operators. For the medium term, Subtel must ensure that there are at least 4 operators with a minimum of 40 MHz contiguous per operator. Finally, in the long-term, a maximum cap of 30% will be in force for this macroband, with a minimum of 80 contiguous MHz per operator.

No limits are established for medium high bands, due to the absence of mobile service attributions and assignments in the bands that compose them. Once Subtel has attributed spectrum, it must consult with the "TDLC" to establish a cap for this macroband.

Short, medium and long-term special measures are also established for high bands. In the short-term, Subtel must ensure the assignment of contiguous blocks which, altogether, add up no less than 400 MHz per operator. In the medium term, Subtel must ensure the existence of at least 4 operators with a minimum of 400 MHz contiguous in this macroband. In the long-term a cap of 25% will be in force and Subtel must ensure that there are at least 4 operators with a minimum of 800 contiguous MHz each.

Resolution No. 59-2019 issued by the "TDLC" was appealed before the Supreme Court by the consumer organization "Conadecus" and by operators WOM and Netline, although WOM desisted from its complaint. The allegations for the other two appeals took place at the end of April and, on July 13, 2020, the Court issued its decision which establishes the following:

- Confirms all caps proposed by the "TDLC", except for the microband associated to low bands (< than 1 GHz), which it adjusts from 35% to 32% and eliminates the validity of the short, medium and long-term period for those caps.
- Complementary measures are decreed: 1) Mandatory and temporary national roaming; 2) Offer of Facilities and Resale for VMOs, approved by the National Economic Prosecutor's Office ("Fiscalía Nacional Económica" or FNE, in spanish), with prior report from Subtel; 3) audits, paid by mobile network operators, to permanently monitor roaming and VMO offer obligations; 4) commitment for effective use of the spectrum, under penalty of being obligated to make available to third parties the part of the spectrum that is not being used; 5) before another spectrum allocation tender, Subtel must analyze whether the incumbent operators can reasonably offer it in their preexisting frequencies in an immediate manner or after optimizing those networks in the available frequencies within a deadline and at reasonable costs.

34. Risk management, continued

c) Regulatory Environment, continued

ii) Radio electric spectrum assignation, continued

On the other hand, on January 14, 2020, Subtel called a new Citizen Consultation to define the “Technical Model for allocating Telecommunications Service Concessions operating 5G networks”, with a deadline of until February 14 for all interested parties to issue opinions. Subsequently, on August 1 and 17, Subtel published in the Official Gazette the tenders for “Granting Telecommunication Service Concessions that Operate High Speed Wireless Networks”. The project considers four public tenders:

- 700 MHz Band: 20 MHz bandwidth
- AWS Band: 30 MHz bandwidth
- 3.5 GHz Band: 150 MHz bandwidth
- 26 GHz Band: 1600 MHz bandwidth

In September 7, 2020 was the deadline for all those interested in participating in the tenders, called by Subtel for “Granting Telecommunication Service Concessions that Operate High Speed Wireless Networks”, to make their consultations and clarifications on the tender documents published on August 17. On September 28, 2020, an Exempt Resolution was issued to provide a response to the consultations made by the interested parties. In that Resolution, Subtel announced that it would make amendments to the Tender Documents, stating that one of those amendments would be that the deadline for presenting proposals would be extended from its original date, October 19, 2020, to a new date, November 18, 2020. The rest of the amendments have still not been informed by Subtel.

In addition, the “TDLC” allegations audience took place in August 2019 regarding the non-contentious consultation made by Telefónica Móviles Chile S.A. in respect to the decisions adopted by Subtel on the use of the spectrum in the 3.400–3.600 MHz band (where it first suspended the use of this band and subsequently freed part of the spectrum for the use of fixed wireless services). Regarding this consultation, on August 31, 2020, the “TDLC” issued Resolution No. 62 in which, although it was resolved that with its administrative actions Subtel would not be violating free competition and that no advantage would be granted to the “first mover”, also stated in its Recitals 141 to 150 and in Resolution 2) that there must be a public tender to grant mobile service concessions on the 3400 – 3600 MHz band and that the current concessionaries of local wireless public telephone service operating on the 3400 – 3600 MHz band cannot be exempted from that tender.

On September 11, 2020, Telefónica Móviles Chile S.A. filed a complaint before the Supreme Court.

34. Risk management, continued

c) Regulatory Environment, continued

iii) New Law: Internet access minimum guaranteed speed

Law No. 21.046 was published in the Official Gazette on November 25, 2017.

This Law No. 21.046 also establishes the dictation of a Regulation that regulates the implementation of those obligations.

On December 20, 2019, Subtel submitted for the acknowledgement of the General Controller of the Republic, the Regulation on Organization, Operation and Tender of the Independent Technical Organization (“OTI” or “Organismo Técnico Independiente”), which centers on the creation, governance and tender of that organization, which is in charge of taking centralized measurements of speed and other technical parameters. The technical aspects of speed measurements, both the individual ones to be carried out by users and the centralized service quality measurements, are postponed for a subsequent regulation. The full operation of the Law will begin after the enactment of this Regulation and the Technical Standard.

On March 16, 2020, through ATELMO, companies in the industry made Comptroller General of the Republic (“Contraloría General de la República”) aware of a series of observations regarding the legality of the Regulation that is in the process of being approved, after which it was removed and once again presented by Subtel.

Finally, on July 27, 2020, the Official Gazette published the regulation that “ESTABLISHES THE ORGANIZATION, OPERATION AND PUBLIC TENDER MECHANISM OF THE INDEPENDENT TECHNICAL ORGANIZATION” which is the entity in charge of implementing and managing an Internet speed measurement system in the country, by virtue of Law No. 21,046 dated in 2017.

Additionally, on August 3, 2020, Subtel published Exempt Resolution No. 1251 in the Official Gazette. This resolution establishes the obligation of a minimum guaranteed Internet speed.

The Comptroller General of the Republic still has to make a pronouncement on the appeal filed by the industry, through ATELMO, against this regulation.

iv) Law on removal of unused cable

After concluding its legislative process, the Bill, that obligates concessionaries and holders of telecommunications services to take responsibility for the adequate installation, identification, modification, maintenance, order and transfer of all aerial and underground cables associated to telecommunications services, was published as the new Law No. 21,172, in the Official Gazette, on August 20, 2019.

On March 2, 2020, Subtel submitted a new Fundamental Technical Plan (“PTF”) for Network Management and Maintenance that regulates the installation and removal of lines and other overhead and underground elements. When this regulation is enacted, it will allow to put into operation what is ordered in the law.

34. Risk management, continued

c) Regulatory Environment, continued

v) Bill on the use of facilities to provide Virtual Mobile Operation and Automatic National Roaming

In August 2019, the Executive power sent a bill to the legislature that establishes the obligation to permit access and use of the facilities to provide virtual mobile operation and automatic national roaming. After complying with all its legislative process, this bill was finally approved by the National Congress and sent to the Executive Branch. It was published in the Official Gazette on July 15, 2020 (Law No. 21,245).

This project obligates public service concessionaries, who have been allocated spectrum, to sign reciprocal agreements to have a national roaming offer in a group of locations, routes or zones that are isolated; those with low population density; those benefitted by Telecommunications Development Fund (FDT) projects; those with mandatory service; or with the presence of a single operator. In addition, the signing of agreements will also be mandatory nationwide, to mitigate interruptions of the mobile network in emergency situations.

In addition, for the rest of the country, in order to promote investment in networks and facilitate the entry of new operators, it will also be mandatory to sign agreements with new entrants, whose subscription by the new operator will be for a maximum period that must not exceed five years counted from the beginning of the services.

Subtel must dictate a regulation in a period of 90 days from the date of publication of the new law and the obligations will begin to be in force in a period of 60 days from the date of publication of that regulation. However, in the case of locations, routes or zones that are isolated, or with low density, benefitting from FDT or with the presence of a single operator, the agreement between the parties and the beginning of the service must not exceed a period of 60 days from the date of publication of the new Law, deadline that expires on October 9, 2020.

v) Public Consultation on regulations for the operation of International Roaming at a local price between Chile and Argentina

Subtel published the new local price roaming regulation in the Official Gazette on August 28, 2020, with immediate application as of August 29, 2020.

vi) Cybersecurity regulations

On Friday, August 14, Subtel published Exempt Resolution No. 1318 in the Official Gazette, approving the technical regulations on cybersecurity. The specific matters contained in this regulation include a set of administrative requirements on reporting reports and protocols that must be complied with in case of cyber incident events affecting the networks and systems used to provide telecommunications service, in order to guarantee operating continuity.

vii) Bill declaring Internet as a Public Service

This Bill, firstly presented on March 9, 2018, has gone back into the process and is still in the first legislative procedure in the Senate's Transportation and Communications Commission.

34. Risk management, continued

c) Regulatory Environment, continued

vii) Bill declaring the Internet to be Public Service, continued

Mainly, the proposal is to modify the General Telecommunications Law to include access to Internet as a public service and obligate to companies, in a maximum period of 6 months from when the request is presented by the user, to provide all services defined as “public” in the law . A set of indications for the project were presented, which are being analyzed in the Senate Commission.

viii) Bill that creates the Superintendency of Telecommunications

A project, that was first presented in 2011 and which creates the Superintendency of Telecommunications, has been resumed. It is at the stage of the second constitutional process, at the Senate’s Transportation and Telecommunications Commission. This project seeks to modify the sector’s regulatory institution, separating the supervising function from dictating public policy in telecommunications matters function.

ix) 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.

On January 30, 2020, the World Health Organization designated the outbreak of coronavirus 2019 (“COVID-19”) as a public health emergency of international significance. In Chile, on March 16, 2020, the Ministry of Health declared COVID-19 at stage 4, which implied a series of measures to contain its spreading and, on March 18, 2020, a State of Constitutional Exception and Catastrophe was declared throughout the national territory. The health measures adopted to address this situation, both at local and international levels, include, among other things, restricting the circulation of persons and closing of borders, which is expected to significantly affect the economic activity and the markets in general. In addition, the Government has launched the so-called “Solidarity Connectivity Plan” (“Plan Solidario de Conectividad” in Spanish) which grants access to basic services for 60 days and the Company at the same time has offered its customers an “Unemployment Benefit”, which consists of a reduction of 50% in their invoice for 3 months.

d) Financial risk management objectives and policies

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

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

34. Risk management, continued

d) Financial risk management objectives and policies, continued

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

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

Market Risk

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

Interest rate risk

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

The Company manages its interest rate risk maintaining a balanced portfolio of loans and debts at variable and fixed interest rates. The Company has interest rate swaps in which it agrees to exchange, 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 intended 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 September 30, 2020, the Company had 69% 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 the interest rate of the financial debt as the sensitivity of the monthly finance cost of accrual in case of a change in 25 basis points in the debt's benchmark interest rate, which, as of September 30, 2020, corresponds to the "Tasa Promedio de Cámara Nominal" (TCPN). In this manner, an increase of 25 basis points in the monthly TCPN would mean an increase in the accrual monthly financial cost, for 2020, of approximately ThCh\$45,257; whereas a drop in the TCPN would mean a reduction of ThCh\$45,257 in the accrual monthly financial cost for 2020.

34. Risk management, continued

d) Financial risk management objectives and policies, continued

Interest rate risk, continued

Due to the COVID-19 effect on the local economy, the Central Bank of Chile has decreased the monetary policy rate by a total of 125 bps, which is beneficial for the Company as it has debt with variable interest rates, resulting in lower finance costs.

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 rate variation risks is mainly related 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 to minimize this risk.

The impact of COVID-19 on the exchange rate should be noted since it has caused depreciation of the local currency and, therefore, an important edge in the foreign currency risk. Telefónica foresees this impact will not be relevant in the short-term, since its total financial debt is hedged against fluctuations in the exchange rate until its expiry.

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.

34. Risk management, continued

d) Financial risk management objectives and policies, continued

Credit risk, continued

The limits are established to reduce counterpart risk concentration.

Regarding COVID-19, the credit risk related to bank balances, financial instruments and marketable securities has not been affected due to the strength of the banking sector.

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 to maintain an investment profile that allows it to cover its obligations.

The consequence of the health crisis produced by COVID-19 has been to lower presential collection, due to the closing of several commercial branches throughout Chile. However, the lower presential collection has been partially counteracted by higher collection via Internet.

Capital management

The Capital includes shares and equity attributable to the equity of the Parent company less unearned income reserves.

The Company's main objective in respect to capital management is to ensure that it has a strong credit rating and prosperous capital ratios to support its businesses and maximize shareholders' value. Equity return on investment (income/equity), as of September 30, 2020, is 1.50%, a 3.60 p.p. of decrease in comparison to September 2019, when it reached 5.10%. This is mainly due to the decrease in income for the period of 70.65% and the capital increase (see Note 25).

The Company manages its Capital structure and adjusts it, according to changes in economic conditions.

No changes were introduced in the objectives, policies or processes during the periods ended as of September 30, 2020 and December 31, 2019.

35. Subsequent events

The consolidated financial statements of Telefónica Móviles Chile S.A. and subsidiaries, for the period ended as of September 30, 2020, were approved and authorized for issuance at the Board of Directors Meeting held on October 29, 2020.

On October 6, 2020, the Company acquired an obligation with Banco de Chile for the sum of ThCh\$30,000,000, with a monthly interest rate of 0.1584%, due in September 2024.

On October 13, 2020, Subtel issued new resolutions through which it introduced modifications to the Tender Documents of the four tenders called for “Granting Telecommunications Services Concessions that Operate High Speed Wireless Networks”. The modifications involve: formalizing a new deadline of November 18, 2020, for presenting proposals; it announces a technical regulation on the Plan for Effective and Efficient Use of Spectrum; it adds the figure of consideration for the 700 MHz band tender; and highlights the reduction of the minimum speed required for the technical projects for the 3.5 GHz and 26 GHz band tenders.

In the period from October 1 to October 29, 2020, there have been no other significant subsequent events that affect these interim consolidated financial statements.

Julio Jorge Vega
Finance and Accounting Director

Rafael Zamora Sanhueza
Finance, Strategy and Management control Director

Roberto Muñoz Laporte
General Manager