

Telefónica

CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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ThCh\$: Thousands of Chilean Pesos

MCh\$: Millions of Chilean Pesos

CONSOLIDATED INTERIM CLASSIFIED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2017 (not audited) and December 31, 2016



	Notes	06.30.2017	12.31.2016
		ThCh\$	ThCh\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	82,402,823	127,307,052
Other current financial assets	(6)	4,605,103	19,673,744
Other current non-financial assets	(7)	23,474,712	20,596,890
Current trade and other accounts receivable	(8a)	155,181,715	144,725,272
Current receivables from related companies	(9a)	100,863,445	83,554,655
Inventory	(10a)	18,905,217	14,103,938
Current tax assets	(11b)	4,093,117	7,507,735
TOTAL CURRENT ASSETS		389,526,132	417,469,286
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	116,263,242	119,397,268
Other non-current non-financial assets	(7)	6,481,079	6,829,458
Non-current trade and other accounts receivable	(12a)	18,782,538	19,185,750
Non-current receivables from related companies	(9b)	1,366,521	1,366,521
Intangible assets other than goodwill, net	(13a)	45,143,455	43,823,361
Goodwill	(14)	21,660,128	21,660,128
Property, plant and equipment, net	(15a)	948,278,263	963,438,461
Deferred tax assets	(11c)	11,163,601	7,444,019
TOTAL NON-CURRENT ASSETS		1,169,138,827	1,183,144,966
TOTAL ASSETS		1,558,664,959	1,600,614,252

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

CONSOLIDATED INTERIM CLASSIFIED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2017 (not audited) and December 31, 2016

Telefónica

	Notes	06.30.2017	12.31.2016
		ThCh\$	ThCh\$
LIABILITIES			
CURRENT LIABILITIES			
Other current financial liabilities	(16)	7,425,008	73,562,377
Trade and other payables	(17a)	150,649,447	195,083,237
Current payables to related companies	(9c)	117,588,292	85,904,101
Other current provisions	(19)	306,017	218,680
Current tax liabilities	(11f)	9,386,932	5,025,140
Current employee benefits accrual	(20a)	6,398,652	5,989,507
Other current non-financial liabilities	(21)	22,154,268	24,190,074
TOTAL CURRENT LIABILITIES		313,908,616	389,973,116
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(16)	430,754,603	386,554,946
Non-current Current payables to related companies	(9d)	-	22,174,222
Other non-current provisions	(15a)	1,094,393	1,058,938
Deferred tax liabilities	(11c)	72,937,556	78,021,916
Non-current employee benefits accrual	(20a)	30,934,576	30,664,822
Other non-current non-financial liabilities	(21)	4,021,542	4,335,852
TOTAL NON-CURRENT LIABILITIES		539,742,670	522,810,696
TOTAL LIABILITIES		853,651,286	912,783,812
NET SHAREHOLDERS' EQUITY			
Issued capital	(22a)	570,535,420	578,098,782
Retained earnings		111,391,188	97,805,807
Other reserves	(22d)	3,029,415	(5,065,225)
Shareholders' equity attributable to owners of the parent		684,956,023	670,839,364
Non-controlling interest	(22e)	20,057,650	16,991,076
TOTAL NET SHAREHOLDERS' EQUITY		705,013,673	687,830,440
TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY		1,558,664,959	1,600,614,252

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

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

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



	Notes	For the period from	For the six-month	For the period from	For the six-month period
		April 1 to June 30,	period ended June 30,	April 1 to June 30,	ended June 30,
		2017	2017	2016	2016
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
STATEMENTS OF COMPREHENSIVE INCOME					
Income from ordinary operations	(24a)	200,221,504	394,012,293	205,605,968	402,153,454
Other income	(24b)	628,671	1,432,884	687,180	2,009,338
Employee benefits expenses	(20d)	(34,287,227)	(70,292,225)	(33,806,789)	(68,107,214)
Depreciation and amortization expense	(13b)(15b)	(43,053,062)	(86,733,893)	(48,199,921)	(94,172,689)
Other expenses, by nature	(24c)	(108,199,892)	(212,099,060)	(110,609,452)	(212,344,884)
Profit from operating activities		15,309,994	26,319,999	13,676,986	29,538,005
Interest income	(24d)	1,316,666	2,779,112	685,735	1,349,881
Interest expense	(24d)	(5,706,449)	(12,237,976)	(6,832,885)	(12,114,434)
Foreign exchange differences	(24e)	754,537	569,935	(572,122)	(360,857)
Income from indexation units	(24e)	(335,013)	(338,943)	65,896	43,765
Profits before tax from continuing operations		11,339,735	17,092,127	7,023,610	18,456,360
Income tax expense	(11e)	7,180,779	442,077	(1,465,508)	(1,146,390)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		18,520,514	17,534,204	5,558,102	17,309,970
Profit attributable to holders of equity instruments of the controller and minority interest:					
Profit attributable to owners of the parent		15,298,973	14,339,291	3,957,313	15,226,525
Profit attributable to non-controlling interest	(22e)	3,221,541	3,194,913	1,600,789	2,083,445
PROFIT (LOSS)		18,520,514	17,534,204	5,558,102	17,309,970
EARNINGS PER SHARE					
		Ch\$	Ch\$	Ch\$	Ch\$
Earnings per basic share					
Earnings per basic share for continuing operations	(23)	16,15	15,15	4,13	15,91
Earnings per basic share for discontinuing operations		-	-	-	-
Earnings per basic share		16,15	15,15	4,13	15,91
Diluted earnings per share					
Diluted earnings per share from continuing operations		16,15	15,15	4,13	15,91
Diluted earnings per share from discontinuing operations					
Diluted earnings per share		16,15	15,15	4,13	15,91

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

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

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

Telefónica

	For the period from April 1 to June 30, 2017 ThCh\$	For the six-month period ended June 30, 2017 ThCh\$	For the period from April 1 to June 30, 2016	For the six-month period ended June 30, 2016
STATEMENTS OF COMPREHENSIVE INCOME				
PROFIT (LOSS) FOR THE PERIOD	18,520,514	17,534,204	5,558,102	17,309,970
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	260,319	(280,997)	290,754	422,572
Total other comprehensive income that will not be reclassified to income for the period	260,319	(280,997)	290,754	422,572
Components of other comprehensive income that will be reclassified to income for Profit (loss) on new measurement of financial assets available for sale	(223,066)	(179,166)	596,479	1,649,994
Profit (loss) on cash flow hedges	6,858,416	1,215,382	7,809,902	10,209,906
Total Components of other comprehensive income that will be reclassified to income for the period	6,635,350	1,036,216	8,406,381	11,859,900
Total other components of other comprehensive income, before taxes	6,895,669	755,219	8,697,135	12,282,472
Income taxes associated to components of other comprehensive income which will not be reclassified to income for the period				
Income taxes associated to new measurements of defined benefits plans of other comprehensive income	3,376	6,752	79,860	117,319
Income taxes associated to components of other comprehensive income which will be reclassified to income for the period	3,376	6,752	79,860	117,319
Income tax related to hedging cash flows from other comprehensive income	(1,760,670)	(359,032)	(1,881,949)	(3,329,212)
Total income taxes associated to components of other comprehensive income	(1,760,670)	(359,032)	(1,881,949)	(3,329,212)
TOTAL OTRO RESULTADO INTEGRAL	5,138,375	402,939	6,895,046	9,070,579
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	23,658,889	17,937,143	12,453,148	26,380,549
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Comprehensive income attributable to owners of the parent	20,299,902	14,870,569	10,852,359	24,217,620
Comprehensive income attributable to non-controlling interest	3,358,987	3,066,574	1,600,789	2,162,929
TOTAL COMPREHENSIVE INCOME	23,658,889	17,937,142	12,453,148	26,380,549

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

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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



	Changes in capital (Note 22a)	Changes in the other reserves (Note 22d)				Retained earnings	Equity attributable to owners of the parent	Non controlling interests (Note 22e)	Total equity	
		Issued capital	Cash flow hedge reserves	Reserves of actuarial gains or losses on defined benefit plans	Accrual of profits or losses on remeasurement of financial assets available for sale					Other miscellaneous reserves
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	
Beginning balance as of 01.01.2017	578,098,782	6,278,643	(5,145,497)	1,364,990	(7,563,361)	(5,065,225)	97,805,807	670,839,364	16,991,076	687,830,440
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	14,339,291	14,339,291	3,194,913	17,534,204
Other comprehensive income	-	856,350	(145,906)	(179,166)	-	531,278	-	531,278	(128,339)	402,939
Comprehensive income	-	856,350	(145,906)	(179,166)	-	531,278	14,339,291	14,870,569	3,066,574	17,937,143
Dividends	-	-	-	-	-	-	-	-	-	-
Other increase (decrease) from transactions with treasury shares	(7,563,362)	-	-	-	7,563,362	7,563,362	-	-	-	-
Total changes in shareholders' equity	(7,563,362)	856,350	(145,906)	(179,166)	7,563,362	8,094,640	13,585,381	14,116,659	3,066,574	17,183,233
Ending balance as of 06.30.2017	570,535,420	7,134,994	(5,291,403)	1,185,824	-	3,029,415	111,391,188	684,956,023	20,057,650	705,013,673
Beginning balance as of 01.01.2016	578,078,382	8,929,007	(3,202,898)	4,932	(7,375,148)	(1,644,107)	91,464,194	667,898,469	14,183,722	682,082,191
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	15,226,525	15,226,525	2,083,445	17,309,970
Other comprehensive income	-	6,880,694	282,878	1,649,994	-	8,813,566	-	8,813,566	257,013	9,070,579
Resultado integral	-	6,880,694	282,878	1,649,994	-	8,813,566	15,226,525	24,040,091	2,340,458	26,380,549
Dividends	-	-	-	-	-	-	7,375,149	7,375,149	-	7,375,149
Other increase (decrease) from transfers and other changes	20,400	-	-	-	7,375,149	7,375,149	-	7,395,549	(48,709)	7,346,840
Other increase (decrease) from transactions with treasury shares	-	-	-	-	(7,563,361)	(7,563,361)	-	(7,563,361)	-	(7,563,361)
Total changes in shareholders' equity	20,400	6,880,694	282,878	1,649,994	(188,212)	8,625,354	7,851,376	16,497,130	2,291,749	18,788,879
Ending balance as of 06.01.2016	578,098,782	15,809,701	(2,920,019)	1,654,926	(7,563,361)	6,981,247	99,315,570	684,395,599	16,475,471	700,871,070

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

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS DIRECT

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



For the six-month
period ended June 30,

	Notes	For the six-month period ended June 30,	
		2017 ThCh\$	2016 ThCh\$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Classes of operating activity charges			
Proceeds from sale of assets and services rendered		461,726,707	435,061,709
Proceeds from sales and services		387,061,416	364,044,208
Proceeds from related entities		74,665,291	71,017,501
Other operating activities charges		-	8,977,850
Classes of payments			
Payments to suppliers for supplying goods and services		(251,531,890)	(234,177,218)
Payments to and on account of employees		(85,113,726)	(80,912,295)
Other operating activities payments		(56,850,929)	(51,427,768)
Net cash flows provided by (used in) operating activities		68,230,162	77,522,278
Income taxes paid reimbursed classified as operating activities (less)		(794,660)	(3,672,086)
Other cash inputs (outputs), classified as operating activities		(4,410,000)	2,712,523
Cash flows provided by (used in) operating activities		<u>63,025,502</u>	<u>76,562,715</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTMENT ACTIVITIES			
Additions to property, plant and equipment, classified as investing activities		(108,552,272)	(101,488,178)
Interest received, classified as investing activities		1,811,090	1,011,676
Other cash inputs (outputs), classified as investing activities		(3,000,000)	-
Net cash flows provided by (used in) investment activities		<u>(109,741,182)</u>	<u>(100,476,502)</u>
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from loans, classified as financing activities			
Pagos por adquirir o rescatar las acciones de la entidad		-	(7,583,762)
Amounts from the issuance of debt instruments		48,795,050	-
Loans to related entities		40,642,000	23,898,000
Repayment of loan, classified as financing activities		(64,488,450)	(923,398)
Payments of financial lease liabilities, classified as financing activities		-	(122,100)
Dividends paid, classified as financing activities		(6,625,131)	(7,375,149)
Payments of loans to related entities		(22,493,155)	-
Interest paid, classified as financing activities		(8,100,834)	(8,768,459)
Other cash inputs (outputs), classified as financing activities		14,081,971	(991,156)
Net cash flows provided by (used in) financing activities		<u>1,811,451</u>	<u>(1,866,024)</u>
Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate		(44,904,229)	(25,779,811)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(44,904,229)	(25,779,811)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(5)	127,307,052	86,977,350
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(5)	<u>82,402,823</u>	<u>61,197,539</u>

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

1. Corporate information:

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

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

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

On March 22, 2017, at the Extraordinary Shareholders' Meeting of the Parent Company, Inversiones Telefónica Móviles Holding S.A. changed its name to Telefónica Móviles Chile S.A..

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

2. Significant accounting principles:

a) Accounting period

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

b) Basis of presentation

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

c) Basis of preparation

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

2. Significant accounting principles, continued

c) Basis of preparation, continued

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

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

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

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries (hereinafter, "the Company"), including assets, liabilities, income, expenses and cash flows after making adjustments and eliminations related to transactions between the companies that are part of the consolidation. Minority investments have been recognized under "Non-controlling Interests" (note 22e).

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

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

The financial statements of the consolidated companies cover the periods ended on the same dates as the individual financial statements of the parent Company, Telefónica 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	Country of origin	Functional currency	Participation percentage			
				06.30.2017			12.31.2016
				Direct	Indirect	Total	Total
78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CLP	99.99	-	99.99	99.99
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	Chile	CLP	49.30	1.70	51.00	51.00

2. Significant accounting principles, continued

d) Basis of consolidation, continued

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

Taxpayer No.	Company Name	% Participation	Currents assets	Non-currents assets	Total assets	Currents liabilities	Non-currents liabilities	Total liabilities	Equity	Revenues from ordinary operations	Profit (loss), Net
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
78.703.410-1	Telefónica Empresas Chile S.A.	99.9999973	171,172,496	91,677,250	262,849,746	155,732,673	1,814,847	157,547,520	105,302,226	154,346,087	1,852,141
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	51.0000000	142,946,628	44,461,138	187,407,766	109,183,385	37,290,401	146,473,786	40,933,980	97,898,872	6,520,230

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

Taxpayer No.	Company Name	% Participation	Currents assets	Non-currents assets	Total assets	Currents liabilities	Non-currents liabilities	Total liabilities	Equity	Revenues from ordinary operations	Profit (loss), Net
			ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
78.703.410-1	Telefónica Empresas Chile S.A.	99.9999973	147,802,580	96,185,133	243,987,713	138,474,636	1,830,967	140,305,603	103,682,110	312,789,879	(22,477,298)
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	51.0000000	98,739,864	45,228,006	143,967,870	72,238,364	37,053,841	109,292,205	34,675,665	186,725,320	9,515,223

2. Significant accounting principles, continued

e) Foreign exchange differences

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

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

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

Assets and liabilities in US\$ (United States dollars), Euros, Brazilian Real and UF (Unidades de Fomento), have been converted to Chilean pesos at the observed exchange rate as of each year-end as follows:

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

f) Financial assets and liabilities

1. Financial assets other than derivatives

Classification and presentation

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

i) Loans and accounts receivable

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

i) Loans and accounts receivable, continued

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

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

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

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

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

ii) Financial assets at fair value through profit or loss

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

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

iii) Financial assets held to maturity

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

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

iv) Financial assets available for sale

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

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

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

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

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

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

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

2. Cash and cash equivalents

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

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

3. Financial liabilities

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss, trade accounts payable, interest bearing loans or derivatives designated as effective hedge instruments (see Note 18).

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

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

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

i) Financial liabilities at fair value through profit or loss

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

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

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

ii) Trade accounts payable

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

iii) Interest-bearing loans

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

- 2. Significant accounting principles, continued
 - f) Financial assets and liabilities, continued
 - 4. Derivative financial instruments

The Company holds hedge derivatives to manage its exposure to interest and/or exchange rate risks (see Note 18.2). The Company's objective in respect to derivatives is to minimize these risks using the most effective method to eliminate or reduce the impact on underlying hedged transactions.

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

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

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

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

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

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

2. Significant accounting principles, continued

g) Inventory

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

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

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

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

h) Impairment of non-current assets

At each year-end non-current assets are evaluated for possible indications of impairment. If such indications exist, the Company estimates the asset's recoverable amount, which is its value in use or its fair value, less cost to sell, whichever is greater. Value in use is determined by discounting estimated future cash flows. When an asset's recoverable amount is less than its net book value, impairment is recorded.

To calculate impairment, the Company estimates the return on assets assigned to the different cash generating units based on expected cash flows.

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

i) Leases

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

Leased assets for which the significant risks and rewards of ownership are transferred to the Company are considered finance leases. Initially, the asset and associated liability are recorded at the fair value of the leased asset or the present value of the minimum agreed-upon lease payments if lower. Interest expense is charged to income throughout the life of the lease. Depreciation of these assets is included in depreciation of Property, Plant and Equipment. The Company reviews all contracts to determine if they contain an embedded lease. At the end of the periods 2017 and 2016 were not identified leasing implicit.

2. Significant accounting principles, continued

j) Income taxes

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

Tax assets and liabilities for the current and prior periods are measured at the amount the Company estimates it will recover or pay to tax authorities. Tax rates and government regulations used to calculate these amounts are those in force as of each period 25.5% and 24% at June 30, 2017 and December 31, 2016, respectively.

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

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

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

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

k) Goodwill

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

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

l) Intangibles

Intangibles includes software licenses and the right to use underwater cable, which are recorded at acquisition or production cost, less accumulated amortization and less any accumulated impairment loss. Also includes intangible assets being developed which correspond to commercial systems applications, mainly billing, collecting and collections, to be used by the Company in the normal course of its operations in relation to its customer. These intangible assets being developed are recorded at acquisition cost plus all costs associated to their implementation and are amortized over the period in which their use is expected to generate income.

2. Significant accounting principles, continued

l) Intangibles, continued

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

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

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

m) Property, plant and equipment

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

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

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

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

Interest and other financial expenses incurred and directly attributable to the acquisition or construction of qualifying assets, may be capitalized. Qualifying assets, under the criteria of the Telefónica Group, are assets that require at least 18 months of preparation for their use or sale. At the closure of periods of 2017 and 2016 there are no capitalized interests.

2. Significant accounting principles, continued

m) 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.

n) Depreciation of property, plant and equipment

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

The average annual financial depreciation rate of the Company is approximately 8.91% and 10.10% to June 30, 2017 and 2016, respectively.

Estimated useful lives are summarized in the following detail:

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

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

ñ) Provisions

i) Post-employment benefits

The Company is obligated to pay staff severance indemnities in respect of collective negotiation agreements, which are provisioned using the method of actuarial value of the accrued cost of the benefit, using an nominal annual discount rate of 4.51% at June 30, 2017 and 2016 respectively, considering estimations such as future permanence, employee mortality rate and future salary increases determined on the basis of actuarial calculations. Discount rates are determined by reference to market interest curves.

2. Significant accounting principles, continued

f) 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 obligations. That property, plant and equipment item is amortized over the duration of the asset associated to that accrual.

iii) Other provisions

Provisions are recognized when the Company has a present legal or constructive obligation, as a result of a past event, whose settlement requires an outflow of resources that is considered likely and can be reliably estimated. This obligation can be legal or constructive, derived from among other factors, regulations, contracts, common practices or public commitments that create a valid third-party expectation that the Company will assume certain responsibilities.

o) Income and expenses

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

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

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

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

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

2. Significant accounting principles, continued

o) Income and expenses, continued

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

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

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

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

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

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

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

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

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

2. Significant accounting principles, continued

p) Use estimates

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

i) Property, plant and equipment and intangibles

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

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

ii) Deferred taxes

The Company evaluates probability of recovery of deferred tax assets based on estimates of future earnings. This probability of recovery ultimately depends on the Company's capacity to generate taxable income throughout the period in which the deferred tax assets are deductible. This analysis takes into consideration the forecasted reversal calendar for deferred tax liabilities as well as estimates of taxable income, based on internal projections that are updated to reflect recent trends.

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

iii) Provisions

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

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

iv) Income recognition: agreements combining more than one element

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

2. Significant accounting principles, continued

p) Use estimates, continued

iv) Income recognition: agreements combining more than one element, continued

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

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

v) Post-employment benefits

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

Future salary increases and pension increases are based on expected future inflation rates for the specific country. View details of the actuarial hypotheses used in Note 20a).

vi) Financial assets and liabilities

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

q) Methods of consolidation

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

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

2. Significant accounting principles, continued

q) Methods of consolidation, continued

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

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

r) New IFRS and Interpretations of the IFRS Interpretations Committee

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

	New Standard	Mandatory application date
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Income from Customer Contracts	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2018
IFRIC 22	Transaction in foreign currency and advance consideration	January 1, 2018
IFRIC 23	Uncertainty Over Income Tax Treatment	January 1, 2019

IFRS 9 "Financial instruments"

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

IFRS 15 "Income from Customer Contracts"

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

2. Significant accounting principles, continued

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

IFRS 16 "Lease"

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

IFRS 17 "Insurance Contracts"

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

IFRIC 22 "Transactions in Foreign Currency and Advance Consideration"

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

IFRIC 23 "Uncertainty Over Income Tax Treatment"

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

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

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

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

2. Significant accounting principles, continued

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

IFRS 2 "Share-based Payments"

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

IFRS 4 "Insurance Contracts"

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

IFRS 15 "Revenue from Contracts with Customers"

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

IAS 40 "Investment Properties"

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

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

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

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

2. Significant accounting principles, continued

t) Statement of cash flows

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

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

3. Changes in Accounting Policy and Disclosures

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

4. Financial information by segment

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

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

The operating segments reported internally are as follows:

a) Fixed Telecommunications

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

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

4. Financial information by segment, continued

b) Corporate Communications and Data

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

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

c) Television Services

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

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

d) Other

"Other" includes logistics, personnel and management services.

4. Financial information by segment, continued

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

For the period ended as of June 30, 2017	Fixed Telecommunications	Corporate Communication and Data	Television Services	Other	Eliminations	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Income from external customers	205,755,572	61,969,394	87,094,033	39,193,294	-	394,012,293
Income from ordinary activities arising from transactions with other operating segments of the same entity	43,852,590	5,282,660	-	58,705,578	(107,840,828)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	249,608,162	67,252,054	87,094,033	97,898,872	(107,840,828)	394,012,293
Cost of sales	28,699,330	40,614,143	57,150,931	-	(23,677,722)	102,786,682
Administrative expenses	128,360,210	23,113,024	19,714,603	12,051,086	(73,926,545)	109,312,378
Employee benefits expenses	-	-	-	76,275,382	(5,983,157)	70,292,225
Income from ordinary activities arising from interest						
Interest expense	10,658,761	528,319	10,171	1,526,708	(485,983)	12,237,976
Interest income	2,484,946	779,071	-	1,078	(485,983)	2,779,112
Depreciation and amortization	71,003,098	7,608,296	8,122,499	-	-	86,733,893
Participation in profit of associated companies accounted for using the equity method	5,092,696	84,763	-	-	(5,177,459)	-
Income tax expense	1,276,233	1,137,918	2,274,581	1,694,189	(6,824,998)	(442,077)
Other significant non-cash items	1,186,775	91,707	-	167,645	217,749	1,663,876
Profits(loss) before tax	19,651,180	(3,656,187)	2,095,829	8,214,419	(9,213,114)	17,092,127
Profit (loss) for the period from continuing operations	18,374,947	(2,518,269)	4,370,410	6,520,230	(2,388,116)	17,534,204
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-
Profit (loss) for the period	18,374,947	(2,518,269)	4,370,410	6,520,230	(2,388,116)	17,534,204
Assets	1,465,925,274	115,653,888	147,195,858	187,407,766	(357,517,827)	1,558,664,959
Investments in associates accounted for using the equity method	125,646,415	532,142	-	-	(126,178,557)	-
Increases in non-current assets	64,692,323	8,239,850	-	-	-	72,932,173
Liabilities	780,969,251	88,226,611	69,320,909	146,473,786	(231,339,271)	853,651,286
Shareholders' equity	684,956,023	27,427,277	77,874,949	40,933,980	(126,178,556)	705,013,673
Liabilities & Shareholders' equity	1,465,925,274	115,653,888	147,195,858	187,407,766	(357,517,827)	1,558,664,959
Cash flows provided by (used in) operating activities	53,439,533	536,063	763,362	(41,766,805)	50,053,349	63,025,502
Cash flows provided by (used in) investment activities	(88,143,001)	(7,775,452)	(13,822,729)	-	-	(109,741,182)
Cash flows provided by (used in) from in financing activities	37,637,098	(583,649)	(692,013)	42,675,000	(77,224,985)	1,811,451

4. Financial information by segment, continued

For the period ended as of December 31, 2016	Fixed Telecommunications ThCh\$	Corporate Communication and Data ThCh\$	Television Services ThCh\$	Other ThCh\$	Eliminations ThCh\$	Total ThCh\$
Income from external customers	436,333,287	134,229,774	173,924,162	-	-	744,487,223
Income from ordinary activities arising from transactions with other operating segments of the same entity	84,767,325	4,635,943	-	186,725,320	(276,128,588)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	521,100,612	138,865,717	173,924,162	186,725,320	(276,128,588)	744,487,223
Cost of sales	57,350,605	90,076,322	107,908,195	-	(44,930,290)	210,404,832
Administrative expenses	248,040,387	42,571,582	51,215,829	27,220,754	(159,085,830)	209,962,722
Employee benefits expenses	-	-	-	145,028,174	(71,981,612)	73,046,562
Income from ordinary activities arising from interest						
Interest expense	22,921,519	902,776	728,901	2,611,157	(1,296,509)	25,867,844
Interest income	3,735,700	455,443	178,079	32,515	(1,308,706)	3,093,031
Depreciation and amortization	150,079,885	14,394,987	25,905,532	-	-	190,380,404
Participation in profit of associated companies accounted for using the equity method	(17,748,231)	123,698	-	-	17,624,533	-
Income tax expense	9,694,016	(2,426,584)	6,156,385	2,476,744	-	15,900,561
Other significant non-cash items	569,067	762,879	646,649	94,217	143,053	2,215,865
Profits(loss) before tax	29,264,752	(7,737,930)	(11,009,567)	11,991,967	17,624,533	40,133,755
Profit (loss) for the period from continuing operations	19,570,736	(5,311,346)	(17,165,952)	9,515,223	17,624,533	24,233,194
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-
Profit (loss) for the period	19,570,736	(5,311,346)	(17,165,952)	9,515,223	17,624,533	24,233,194
Assets	1,514,357,850	109,303,615	135,135,503	143,967,870	(302,150,586)	1,600,614,252
Investments in associates accounted for using the equity method	120,915,916	-	-	-	(120,915,916)	-
Increases in non-current assets	143,413,966	34,140,972	-	-	-	177,554,938
Liabilities	843,518,486	62,150,913	78,606,095	109,292,205	(180,783,887)	912,783,812
Shareholders' equity	670,839,364	47,152,702	56,529,408	34,675,665	(121,366,699)	687,830,440
Liabilities & Shareholders' equity	1,514,357,850	109,303,615	135,135,503	143,967,870	(302,150,586)	1,600,614,252
Cash flows provided by (used in) operating activities	239,113,761	2,076,596	2,957,103	4,542,843	(377,623)	248,312,680
Cash flows provided by (used in) investment activities	(132,753,121)	(11,710,692)	(20,818,560)	-	-	(165,282,373)
Cash flows provided by (used in) from in financing activities	(64,654,711)	12,223,611	14,493,119	(4,385,000)	(377,624)	(42,700,605)

4. Financial information by segment, continued

For the period ended as of June 30, 2016	Fixed Telecommunications ThCh\$	Corporate Communication and Data ThCh\$	Television Services ThCh\$	Other ThCh\$	Eliminations ThCh\$	Total ThCh\$
Income from external customers	254,523,374	61,157,074	86,473,006	-	-	402,153,454
Income from ordinary activities arising from transactions with other operating segments of the same entity	41,733,568	1,837,247	-	92,675,504	(136,246,319)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	296,256,942	62,994,321	86,473,006	92,675,504	(136,246,319)	402,153,454
Cost of sales	29,276,598	41,137,101	52,635,660	-	(14,417,608)	108,631,751
Administrative expenses	122,382,549	20,523,193	25,943,034	12,981,330	(78,116,973)	103,713,133
Employee benefits expenses	-	-	-	73,487,763	(5,380,549)	68,107,214
Income from ordinary activities arising from interest						
Interest expense	11,348,620	425,783	349,999	679,624	(689,592)	12,114,434
Interest income	1,820,836	189,865	26,780	14,189	(701,789)	1,349,881
Depreciation and amortization	73,339,761	6,632,730	14,200,198	-	-	94,172,689
Participation in profit of associated companies accounted for using the equity method	(7,790,344)	55,275	-	-	7,735,069	-
Income tax expense	625,476	(3,722,503)	2,879,027	1,364,390	-	1,146,390
Other significant non-cash items	(691,518)	444,741	916,682	75,342	946,999	1,692,246
Profits(loss) before tax	53,248,388	(5,034,605)	(5,712,423)	5,616,318	(29,661,318)	18,456,360
Profit (loss) for the period from continuing operations	52,622,912	(1,312,102)	(8,591,450)	4,251,928	(29,661,318)	17,309,970
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-
Profit (loss) for the period	52,622,912	(1,312,102)	(8,591,450)	4,251,928	(29,661,318)	17,309,970
Assets	1,478,456,120	134,890,340	125,450,900	152,543,159	(322,614,113)	1,568,726,406
Investments in associates accounted for using the equity method	130,612,726	-	-	-	(130,612,726)	-
Increases in non-current assets	66,931,036	20,184,343	5,934,864	-	-	93,050,243
Liabilities	794,060,521	92,214,315	54,225,033	307,403,123	(380,047,656)	867,855,336
Shareholders' equity	684,395,599	42,676,025	71,225,867	181,148,712	(278,575,133)	700,871,070
Liabilities & Shareholders' equity	1,478,456,120	134,890,340	125,450,900	488,551,835	(658,622,789)	1,568,726,406
Cash flows provided by (used in) operating activities	81,683,814	18,910,009	(4,306,110)	(20,287,717)	562,719	76,562,715
Cash flows provided by (used in) investment activities	(71,974,380)	(25,031,252)	(3,450,870)	-	(20,000)	(100,476,502)
Cash flows provided by (used in) from in financing activities	(35,949,751)	5,462,789	8,756,980	20,406,677	(542,719)	(1,866,024)

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

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

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

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Concepts	Currency	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Cash (a)		69,084	-
	CLP	34,637	-
	USD	18,040	-
	EUR	16,407	-
Banks (b)		10,795,695	12,227,118
	CLP	10,425,006	12,080,481
	USD	352,613	99,979
	EUR	18,076	46,658
Time deposits (c)		67,037,504	110,959,606
	CLP	67,037,504	110,814,994
	USD	-	144,612
Repurchase agreement (d)		4,500,540	4,120,328
	CLP	4,500,540	4,120,328
Total cash and cash equivalents		82,402,823	127,307,052
Sub-total by currency	CLP	81,997,687	127,015,803
	USD	370,653	244,591
	EUR	34,483	46,658

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

a) Cash

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

b) Banks

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

c) Time deposits

Time deposits maturing in less than 90 days are recorded at fair value and as of June 30, 2017 and December 31, 2016 are detailed as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh\$	Accrued interest in local currency ThCh\$	06.30.2017 ThCh\$
Time deposits	CLP	66,980,000	2.75%	17	66,980,000	57,504	67,037,504
Total					66,980,000	57,504	67,037,504

5. Cash and cash equivalents, continued

c) Time deposits, continued

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh\$	Accrued interest in local currency ThCh\$	12.31.2016 ThCh\$
Time deposits	CLP	110,666,000	3.88%	25	110,666,000	148,994	110,814,994
Time deposits	USD	144,606	0.80%	6	144,606	6	144,612
Total					110,810,606	149,000	110,959,606

d) Repurchase agreement

The Repurchase agreement at June 30, 2017 and December 31, 2016 are as follows:

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

Code	Date		counterparty	Currency Origin	Subscription value of currency origin (ThCh\$)	Annual rate %	Total Value ThCh\$	accounting value ThCh\$
	Start	Term						12.31.2016
CRV	30-dic-16	04-jan-17	BCI	CLP	500,000	2.76%	500,192	500,038
CRV	30-dic-16	04-jan-17	BBVA	CLP	3,620,000	2.88%	3,621,448	3,620,290
Total					4,120,000		4,121,640	4,120,328

6. Other current and non-current financial assets

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

Concepts		06.30.2017		12.31.2016	
		Current ThCh\$	Non-Current ThCh\$	Current ThCh\$	Non-Current ThCh\$
Guarantees established	(a)	56,680	50,468	56,680	50,468
Other investments	(b)	3,002,430	6,865,634	-	7,044,800
Exchange rate hedge	(See Note 18.2)	1,545,993	109,347,140	19,617,064	112,302,000
Total		4,605,103	116,263,242	19,673,744	119,397,268

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

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

b) Other current investments are detailed as follows:

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

Other non-current investments are detailed as follows:

Participation	Country	Investment currency	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Telefónica Brasil (1) (2)	Brazil	REAL	6,861,780	7,040,946
Other participation	Chile	CLP	3,854	3,854
Total			6,865,634	7,044,800

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

(2) As of June 30, 2017 dividends in the amount of ThCh\$306,970, were accrued on the 0.06% share in the equity of Telefónica Brasil. As of December 31, 2016, have been received dividends for ThCh\$331,860.

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

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

Concepts	06.30.2017		12.31.2016	
	Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Support and repair services (2)	2,602,551	-	626,255	-
Insurance	197,840	-	949,781	-
Leases	180,814	11,696	54,812	-
Franchised commissions	6,120,597	-	5,456,521	-
Other amortizable expenses (1)	13,900,948	6,469,383	13,337,663	6,829,458
Other taxes (3)	471,962	-	171,858	-
Total	23,474,712	6,481,079	20,596,890	6,829,458

(1) This item includes ThCh\$12,101,031 and ThCh\$11,424,090 in current and ThCh\$6,469,383 and ThCh\$6,817,369 in non-current, as of June 30, 2017 and December 31, 2016, respectively, for expenses that can be amortized due to the new commercial model for television services.

(2) For 2017 this item corresponds to renewal, maintenance and support of ELA licenses in the amount of ThCh\$ 625,592 and other licenses/maintenance in the amount of ThCh\$ 1,976,959.

(3) This item includes: remaining VAT credit and other recoverable taxes.

8. Current trade and other accounts receivable

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

Concepts	06.30.2017		12.31.2016			
	Gross value ThCh\$	Allowance for doubtful accounts ThCh\$	Net value ThCh\$	Gross value ThCh\$	Allowance for doubtful accounts ThCh\$	Net value ThCh\$
Receivables on current loan transactions	264,130,045	(126,773,341)	137,356,704	246,187,096	(117,301,087)	128,886,009
Invoiced services	217,921,344	(126,773,341)	91,148,003	198,704,265	(117,301,087)	81,403,178
Services provided and not invoiced	46,208,701	-	46,208,701	47,482,831	-	47,482,831
Miscellaneous receivables	17,825,011	-	17,825,011	15,839,263	-	15,839,263
Total	281,955,056	(126,773,341)	155,181,715	262,026,359	(117,301,087)	144,725,272

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

Concepts	06.30.2017					12.31.2016				
	Less than 3 months	3 to 6 months	6 to 12 months	Greater than 12 months	Total	Less than 3 months	3 to 6 months	6 to 12 months	Greater than 12 months	Total
Miscellaneous receivables	20,785,574	8,309,210	-	-	29,094,784	25,275,840	5,019,672	-	-	30,295,512
Total	20,785,574	8,309,210	-	-	29,094,784	25,275,840	5,019,672	-	-	30,295,512

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

Movements	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Beginning balance	118,667,020	118,004,381
Increases	9,545,309	18,666,633
Eliminations/ Additions	-	(18,003,994)
Movements, subtotal	9,545,309	662,639
Ending balance	128,212,329	118,667,020

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

Provisions and write-offs	06.30.2017 ThCh\$	06.30.2016 ThCh\$
Accrual for portfolio that has not been renegotiated	4,656,023	10,282,678
Accrual for renegotiated portfolio	4,889,286	-
Write-offs for the period	-	(3,271,160)
Total	9,545,309	7,011,518

8. Financial information by segment, continued

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

Portfolio of returned documents and judicial collection as of 06.30.2017	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	5,276	-	-	-
Portfolio of returned documents or those in judicial collection (ThCh\$)	2,418,203	-	-	-

Portfolio of returned documents and judicial collection as of 12.31.2016	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	5,475	-	-	-
Portfolio of returned documents or those in judicial collection (ThCh\$)	2,615,766	-	-	-

Notes to the consolidated financial statements, continued

As of June 30, 2017 (not audited) and December 31, 2016



8. Current trade and other accounts receivable, continued

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

Aging of portfolio by segment for the period June 30, 2017	Up to date ThCh\$	From 1 to 30 days ThCh\$	From 31 to 60 days ThCh\$	From 61 to 90 day ThCh\$	From 91 to 120 days ThCh\$	From 121 to 150 days ThCh\$	From 151 to 180 days ThCh\$	From 181 to 210 days ThCh\$	From 211 to 250 days ThCh\$	More than 250 days ThCh\$	Total portfolio w/o guarantee ThCh\$
Fixed Telecommunications											
Number of clients w/o renegotiation (1)	1,022,394	107,605	93,741	50,656	64,596	65,445	62,518	63,363	72,246	3,182,822	4,785,386
Net portfolio w/o renegotiation	41,243,324	6,366,751	4,446,641	1,280,345	435,032	274,751	157,452	-	-	-	54,204,296
Debt	41,638,827	6,370,294	4,447,752	1,282,292	1,397,455	1,244,885	1,002,113	1,042,737	1,307,691	99,200,732	158,934,778
Accrual	(395,503)	(3,543)	(1,111)	(1,947)	(962,423)	(970,134)	(844,661)	(1,042,737)	(1,307,691)	(99,200,732)	(104,730,482)
Number of clients w/renegotiation	48,116	351	373	352	368	326	359	354	409	71,366	122,374
Net renegotiated portfolio	427,717	-	-	-	-	-	-	-	-	-	427,717
Debt	788,441	3,646	3,983	3,739	3,713	3,145	3,554	3,310	4,355	623,265	1,441,151
Accrual	(360,724)	(3,646)	(3,983)	(3,739)	(3,713)	(3,145)	(3,554)	(3,310)	(4,355)	(623,265)	(1,013,434)
Total number of clients	1,070,510	107,956	94,114	51,008	64,964	65,771	62,877	63,717	72,655	3,254,188	4,907,760
Total Fixed Telephone Portfolio	41,671,041	6,366,751	4,446,641	1,280,345	435,032	274,751	157,452	-	-	-	54,632,013
Debt	42,427,268	6,373,940	4,451,735	1,286,031	1,401,168	1,248,030	1,005,667	1,046,047	1,312,046	99,823,997	160,375,929
Accrual	(756,227)	(7,189)	(5,094)	(5,686)	(966,136)	(973,279)	(848,215)	(1,046,047)	(1,312,046)	(99,823,997)	(105,743,916)
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	2,394	1,399	528	26	343	349	225	174	243	1,555	7,236
Net portfolio w/o renegotiation	39,631,905	1,038,689	3,956,290	1,728,804	1,257,253	57,659	6,127,059	-	-	-	53,797,659
Debt	39,892,775	1,038,689	3,968,701	1,740,766	1,307,638	58,091	6,161,765	192,507	266,628	2,688,201	57,315,761
Accrual	(260,870)	-	(12,411)	(11,962)	(50,385)	(432)	(34,706)	(192,507)	(266,628)	(2,688,201)	(3,518,102)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	2,394	1,399	528	26	343	349	225	174	243	1,555	7,236
Total Corporate Communication and Data Portfolio	39,631,905	1,038,689	3,956,290	1,728,804	1,257,253	57,659	6,127,059	-	-	-	53,797,659
Debt	39,892,775	1,038,689	3,968,701	1,740,766	1,307,638	58,091	6,161,765	192,507	266,628	2,688,201	57,315,761
Accrual	(260,870)	-	(12,411)	(11,962)	(50,385)	(432)	(34,706)	(192,507)	(266,628)	(2,688,201)	(3,518,102)
Television											
Number of clients w/o renegotiation (1)	376,844	34,736	41,337	24,570	40,407	31,510	28,045	27,816	30,958	254,155	890,378
Net portfolio w/o renegotiation	26,958,977	620,069	920,059	427,927	-	-	-	-	-	-	28,927,032
Debt	26,958,977	620,069	920,059	427,927	793,321	617,970	691,416	763,772	945,218	13,699,626	46,438,355
Accrual	-	-	-	-	(793,321)	(617,970)	(691,416)	(763,772)	(945,218)	(13,699,626)	(17,511,323)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	376,844	34,736	41,337	24,570	40,407	31,510	28,045	27,816	30,958	254,155	890,378
Total Television Portfolio	26,958,977	620,069	920,059	427,927	-	-	-	-	-	-	28,927,032
Debt	26,958,977	620,069	920,059	427,927	793,321	617,970	691,416	763,772	945,218	13,699,626	46,438,355
Accrual	-	-	-	-	(793,321)	(617,970)	(691,416)	(763,772)	(945,218)	(13,699,626)	(17,511,323)

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

Notes to the consolidated financial statements, continued

As of June 30, 2017 (not audited) and December 31, 2016



8. Current trade and other accounts receivable, continued

Aging of portfolio by segment for the period June 30, 2017	Up to date	From 1 to 30 days	From 31 to 60 days	From 61 to 90 day	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\$
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Net portfolio w/o renegotiation	17,825,011	-	-	-	-	-	-	-	-	-	17,825,011
Debt	17,825,011	-	-	-	-	-	-	-	-	-	17,825,011
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total Other Portfolio	17,825,011	-	-	-	-	-	-	-	-	-	17,825,011
Debt	17,825,011	-	-	-	-	-	-	-	-	-	17,825,011
Accrual	-	-	-	-	-	-	-	-	-	-	-
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	1,401,632	143,740	135,606	75,252	105,346	97,304	90,788	91,353	103,447	3,438,532	5,683,000
Net portfolio w/o renegotiation	125,659,217	8,025,509	9,322,990	3,437,076	1,692,285	332,410	6,284,511	-	-	-	154,753,998
Debt	126,315,590	8,029,052	9,336,512	3,450,985	3,498,414	1,920,946	7,855,294	1,999,016	2,519,537	115,588,559	280,513,905
Accrual	(656,373)	(3,543)	(13,522)	(13,909)	(1,806,129)	(1,588,536)	(1,570,783)	(1,999,016)	(2,519,537)	(115,588,559)	(125,759,907)
Number of clients w/renegotiation	48,116	351	373	352	368	326	359	354	409	71,366	122,374
Net renegotiated portfolio	427,717	-	-	-	-	-	-	-	-	-	427,717
Debt	788,441	3,646	3,983	3,739	3,713	3,145	3,554	3,310	4,355	623,265	1,441,151
Accrual	(360,724)	(3,646)	(3,983)	(3,739)	(3,713)	(3,145)	(3,554)	(3,310)	(4,355)	(623,265)	(1,013,434)
Total number of clients	1,449,748	144,091	135,979	75,604	105,714	97,630	91,147	91,707	103,856	3,509,898	5,805,374
Total Consolidated Portfolio	126,086,934	8,025,509	9,322,990	3,437,076	1,692,285	332,410	6,284,511	-	-	-	155,181,715
Debt	127,104,031	8,032,698	9,340,495	3,454,724	3,502,127	1,924,091	7,858,848	2,002,326	2,523,892	116,211,824	281,955,056
Accrual	(1,017,097)	(7,189)	(17,505)	(17,648)	(1,809,842)	(1,591,681)	(1,574,337)	(2,002,326)	(2,523,892)	(116,211,824)	(126,773,341)

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

Notes to the consolidated financial statements, continued

As of June 30, 2017 (not audited) and December 31, 2016



8. Current trade and other accounts receivable, continued

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

Aging of portfolio by segment for the period-ended December 31, 2016	Up to date	From 1 to 30 days	From 31 to 60 days	From 61 to 90 day	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\$
Fixed Telecommunications											
Number of clients w/o renegotiation (1)	207,424	230,699	75,258	68,469	35,952	20,657	9,364	1,282	954	1,832,581	2,482,640
Net portfolio w/o renegotiation	35,561,395	5,482,418	1,865,042	2,532,866	1,984,977	424,241	278,753	-	-	-	48,129,692
Debt	35,561,395	5,495,036	1,867,280	2,534,833	3,727,943	1,232,385	1,134,872	1,138,842	1,142,790	95,483,090	149,318,466
Accrual	-	(12,618)	(2,238)	(1,967)	(1,742,966)	(808,144)	(856,119)	(1,138,842)	(1,142,790)	(95,483,090)	(101,188,774)
Number of clients w/renegotiation	63,845	809	530	478	434	350	271	188	213	75,564	142,682
Net renegotiated portfolio	413,227	-	-	-	-	-	-	-	-	-	413,227
Debt	752,787	9,440	5,823	5,424	4,859	3,957	3,010	1,878	2,056	665,767	1,455,001
Accrual	(339,560)	(9,440)	(5,823)	(5,424)	(4,859)	(3,957)	(3,010)	(1,878)	(2,056)	(665,767)	(1,041,774)
Total number of clients	271,269	231,508	75,788	68,947	36,386	21,007	9,635	1,470	1,167	1,908,145	2,625,322
Total Fixed Telephone Portfolio	35,974,622	5,482,418	1,865,042	2,532,866	1,984,977	424,241	278,753	-	-	-	48,542,919
Debt	36,314,182	5,504,476	1,873,103	2,540,257	3,732,802	1,236,342	1,137,882	1,140,720	1,144,846	96,148,857	150,773,467
Accrual	(339,560)	(22,058)	(8,061)	(7,391)	(1,747,825)	(812,101)	(859,129)	(1,140,720)	(1,144,846)	(96,148,857)	(102,230,548)
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	2,558	1,391	981	469	355	324	266	195	282	1,655	8,476
Net portfolio w/o renegotiation	37,319,980	8,092,546	1,786,086	1,019,991	600,981	390,375	271,609	-	-	-	49,481,568
Debt	37,606,376	8,133,126	1,826,680	1,060,585	665,407	450,421	325,059	143,963	276,033	2,524,460	53,012,110
Accrual	(286,396)	(40,580)	(40,594)	(40,594)	(64,426)	(60,046)	(53,450)	(143,963)	(276,033)	(2,524,460)	(3,530,542)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	2,558	1,391	981	469	355	324	266	195	282	1,655	8,476
Total Corporate Communication and Data Portfolio	37,319,980	8,092,546	1,786,086	1,019,991	600,981	390,375	271,609	-	-	-	49,481,568
Debt	37,606,376	8,133,126	1,826,680	1,060,585	665,407	450,421	325,059	143,963	276,033	2,524,460	53,012,110
Accrual	(286,396)	(40,580)	(40,594)	(40,594)	(64,426)	(60,046)	(53,450)	(143,963)	(276,033)	(2,524,460)	(3,530,542)
Television											
Number of clients w/o renegotiation (1)	275,578	119,571	34,711	19,569	29,241	33,268	24,115	21,534	24,356	185,599	767,542
Net portfolio w/o renegotiation	25,295,896	3,174,939	936,422	385,529	464,940	275,772	328,024	-	-	-	30,861,522
Debt	25,295,896	3,174,939	936,422	385,529	534,835	605,755	407,613	600,739	770,347	9,689,444	42,401,519
Accrual	-	-	-	-	(69,895)	(329,983)	(79,589)	(600,739)	(770,347)	(9,689,444)	(11,539,997)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	275,578	119,571	34,711	19,569	29,241	33,268	24,115	21,534	24,356	185,599	767,542
Total Television Portfolio	25,295,896	3,174,939	936,422	385,529	464,940	275,772	328,024	-	-	-	30,861,522
Debt	25,295,896	3,174,939	936,422	385,529	534,835	605,755	407,613	600,739	770,347	9,689,444	42,401,519
Accrual	-	-	-	-	(69,895)	(329,983)	(79,589)	(600,739)	(770,347)	(9,689,444)	(11,539,997)

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

Notes to the consolidated financial statements, continued

As of June 30, 2017 (not audited) and December 31, 2016



8. Current trade and other accounts receivable, continued

Aging of portfolio by segment for the year-ended December 31, 2016	Up to date	From 1 to 30 days	From 31 to 60 days	From 61 to 90 day	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\$
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Net portfolio w/o renegotiation	15,839,263	-	-	-	-	-	-	-	-	-	15,839,263
Debt	15,839,263	-	-	-	-	-	-	-	-	-	15,839,263
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total Other Portfolio	15,839,263	-	-	-	-	-	-	-	-	-	15,839,263
Debt	15,839,263	-	-	-	-	-	-	-	-	-	15,839,263
Accrual	-	-	-	-	-	-	-	-	-	-	-
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	485,560	351,661	110,950	88,507	65,548	54,249	33,745	23,011	25,592	2,019,835	3,258,658
Net portfolio w/o renegotiation	114,016,534	16,749,903	4,587,550	3,938,386	3,050,898	1,090,388	878,386	-	-	-	144,312,045
Debt	114,302,930	16,803,101	4,630,382	3,980,947	4,928,185	2,288,561	1,867,544	1,883,544	2,189,170	107,696,994	260,571,358
Accrual	(286,396)	(53,198)	(42,832)	(42,561)	(1,877,287)	(1,198,173)	(989,158)	(1,883,544)	(2,189,170)	(107,696,994)	(116,259,313)
Number of clients w/renegotiation	63,845	809	530	478	434	350	271	188	213	75,564	142,682
Net renegotiated portfolio	413,227	-	-	-	-	-	-	-	-	-	413,227
Debt	752,787	9,440	5,823	5,424	4,859	3,957	3,010	1,878	2,056	665,767	1,455,001
Accrual	(339,560)	(9,440)	(5,823)	(5,424)	(4,859)	(3,957)	(3,010)	(1,878)	(2,056)	(665,767)	(1,041,774)
Total number of clients	549,405	352,470	111,480	88,985	65,982	54,599	34,016	23,199	25,805	2,095,399	3,401,340
Total Consolidated Portfolio	114,429,761	16,749,903	4,587,550	3,938,386	3,050,898	1,090,388	878,386	-	-	-	144,725,272
Debt	115,055,717	16,812,541	4,636,205	3,986,371	4,933,044	2,292,518	1,870,554	1,885,422	2,191,226	108,362,761	262,026,359
Accrual	(625,956)	(62,638)	(48,655)	(47,985)	(1,882,146)	(1,202,130)	(992,168)	(1,885,422)	(2,191,226)	(108,362,761)	(117,301,087)

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

9. Receivables from and payable to related companies

a) Currents receivables from related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Telefónica Móviles Chile S.A.	76.124.890-1	Chile	Parent Co.	Total			91,237,258	74,957,64
				Professional Serv.	CLP	60 days	52,984,739	39,170,768
				Access Charge and Links	CLP	60 days	37,420,476	33,515,023
				Others	CLP	60 days	832,043	2,271,853
Telefónica International Wholesale Services España	Extranjera	Spain	Common end controller	Serv. Provided	EUR	90 days	5,105,730	4,528,364
Telxius Cable Chile S.A.	96.910.730-9	Chile	Common end controller	Serv. Provided	CLP	60 days	1,211,305	934,473
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	180 days	884,923	891,844
Telefónica Global Technology Chile	59.165.120-K	Chile	Common end controller	Serv. Provided	CLP	60 days	449,281	153,791
Telefonica Brasil	Foreign	Brazil	Common end controller	Serv. Provided	USD	90 days	440,500	197,995
Telefonica Digital España	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	573,462	644,372
Telefónica S.A.	Foreign	Spain	End controller	Serv. Provided	EUR	90 days	213,694	129,893
Telefónica Investigación y Desarrollo Chile Spa	76.378.279-4	Chile	Common end controller	Serv. Provided	CLP	60 days	102,249	162,910
Telefónica Global Technology S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	-	247,010
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	180 days	111,971	112,607
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Associated	Serv. Provided	CLP	60 days	84,022	83,590
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	80,177	75,384
Media Networks Perú	Foreign	Perú	Common end controller	Serv. Provided	USD	90 days	78,556	53,221
Telxius Torres Chile S.A.	76.558.575-9	Chile	Common end controller	Space rental	CLP	60 days	74,921	50,006
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	51,558	116,660
Terra Networks Chile S.A.	93.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	42,560	38,218
Media Networks Chile	76.243.733-3	Chile	Common end controller	Serv. Provided	CLP	60 days	27,656	16,520
Inversiones Telefónica Internacional Holding L.S.A.	77.363.730-K	Chile	Common end controller	Serv. Provided	CLP	60 days	22,380	90,382
Telefónica On The Spot Soluciones Digitales De Chile Spa	76.338.291-5	Chile	Common end controller	Serv. Provided	CLP	60 days	19,915	24,106
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Common end controller	Serv. Provided	USD	60 days	19,020	20,338
Telefónica Learning Services Chile Capacitación Limitada	76.131.334-7	Chile	Common end controller	Serv. Provided	CLP	60 days	23,775	18,384
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Serv. Provided	CLP	60 days	5,700	4,111
Telefónica Factoring Chile, S.A.	76.096.189-2	Chile	Common end controller	Serv. Provided	CLP	60 days	1,619	1,619
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv. Provided	USD	60 days	1,213	1,213
Total							100,863,445	83,554,655

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

b) Non-currents receivables from related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Telefónica Móviles Chile S.A.	76.124.890-1	Chile	Common parent Co.	H.R. obligation	CLP	-	1,366,521	1,366,521
Total							1,366,521	1,366,521

9. Receivables from and payable to related companies, continued

c) Currents payables to related companies:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Telefónica Móviles Chile S.A.	76.124.890-1	Chile	Parent Co.	Total			77,022,164	42,896,382
				Commercial mandate	CLP	60 days	54,416,310	11,022,372
				Recaudación por Pagar	CLP	60 days	16,367,611	18,655,256
				Costs access charges	CLP	60 days	3,917,575	2,831,517
				Professional Serv.	CLP	60 days	1,339,411	1,014,038
				Dividends	CLP	60 days	-	5,814,162
			Others	CLP	60 days	981,257	3,559,037	
Telxius Cable Chile S.A.	96.910.730-9	Chile	Common end controller	Total			12,361,082	12,972,896
				Serv. Financial	CLP	60 days	5,793,913	7,885,715
				IP Voice Traffic	CLP	60 days	4,441,295	3,166,605
				Data and Links	CLP	60 days	1,876,572	1,168,325
				Others	CLP	60 days	249,302	752,251
Telefónica S.A.	Extranjera	Spain	End controller	Total			5,066,475	4,290,135
				Brand Fee	EUR	90 days	3,985,305	2,916,853
				Others	EUR	90 days	1,081,170	1,373,282
Telefónica Latinoamericana Holding S.L.	Extranjera	Spain	Common end controller	Total			1,073,080	631,976
				Cost Sharing Agreement	EUR	90 days	-	1,799
				Management Fee	EUR	90 days	1,067,208	630,195
				Others	EUR	90 days	5,872	-
Telefónica International Wholesale Services España	Extranjera	Spain	Common end controller	Serv. Provided	EUR	90 days	4,732,526	3,867,949
Telefónica Argentina S.A.	Extranjera	Argentina	Common end controller	Serv. Provided	USD	180 days	4,331,757	4,869,899
Media Networks Perú	Extranjera	Perú	Common end controller	Satellite Space	USD	90 days	3,736,520	2,058,227
Telefonica Digital España	Extranjera	Spain	Common end controller	Serv. Provided	EUR	60 days	2,337,566	4,392,947
Telefonica USA Inc.	Extranjera	USA	Common end controller	Serv. Provided	USD	60 days	1,994,081	1,600,230
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	1,697,205	1,181,383
Telefónica Compras Electrónicas	Extranjera	Spain	Common end controller	Serv. Provided	EUR	90 days	735,765	625,430
Telefónica Global Technology S.A.U.	Extranjera	Spain	Common end controller	Serv. Provided	EUR	90 days	682,783	561,086
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Associated	Serv. Provided	CLP	60 days	601,782	428,667
Telefónica del Perú S.A.	Extranjera	Perú	Common end controller	Serv. Provided	USD	180 days	461,188	418,099
Telefónica Global Technology Chile	59.165.120-K	Chile	Common end controller	Serv. Provided	CLP	60 days	356,849	4,302,261
Telefonica Brasil	Extranjera	Brazil	Common end controller	Serv. Provided	USD	90 days	147,806	138,968
Telefónica Investigación y Desarrollo Chile Spa	76.378.279-4	Chile	Common end controller	Serv. Provided	CLP	60 days	87,050	87,050
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Serv. Provided	CLP	60 days	52,583	305,948
Telefónica On The Spot Soluciones Digitale de Chile Spa	76.338.291-5	Chile	Common end controller	Serv. Provided	CLP	60 days	44,393	57,898
Telefónica Latinoamérica S.L.	Extranjera	Spain	Common end controller	Serv. Provided	EUR	90 days	25,771	25,771
Telefónica Servicios Audiovisuales	Extranjera	Spain	Common end controller	Serv. Provided	EUR	60 days	11,765	11,902
Telxius Torres Chile S.A.	76.558.575-9	Chile	Common end controller	Space rental	CLP	60 days	10,441	10,441
Televisión Federal S.A.	Extranjera	Argentina	Common end controller	Serv. Provided	USD	90 days	-	9,105
Terra Networks Chile S.A.	93.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	8,766	-
Telefónica On The Spot Services SAU	Extranjera	Spain	Common end controller	Serv. Provided	EUR	90 days	3,321	3,347
Telefonica Global Services, GmbH	Extranjera	Germany	Common end controller	Serv. Provided	USD	90 days	2,973	103,891
Telefónica Factoring - España	Extranjera	Spain	Common end controller	Serv. Provided	USD	60 days	1,528	1,539
Telefónica de España S.A.U	Extranjera	Spain	Common end controller	Serv. Provided	EUR	180 days	657	45,035
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Extranjera	Colombia	Common end controller	Serv. Provided	USD	60 days	415	5,639
Total							117,588,292	85,904,101

9. Receivables from and payable to related companies, continued

c) Current payables to related companies, continued:

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

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

d) Accounts payable to related entities noncurrent

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Telefónica Móviles Chile S.A.	76.124.890-1	Chile	Common parent Co.	Mercantile Current	CLP	-	-	22,174,222
Total							-	22,174,222

e) Transactions:

Sociedad	RUT	País origen	Naturaleza de la relación	Descripción de la transacción	Moneda	06.30.2017		06.30.2016	
						Monto M\$	Efecto en resultados (Cargo)/Abono M\$	Monto M\$	Efecto en resultados (Cargo)/Abono M\$
Telefónica Móviles Chile S.A.	76.124.890-1	Chile	Common parent Co.	Professional Serv.	CLP	39,195,563	39,195,563	36,696,032	36,696,032
				Access Charge and Links	CLP	22,234,483	22,234,483	19,227,512	19,227,512
				Fijo-Móvil	CLP	392,240	392,239	2,430,422	2,430,422
				Others	CLP	1,192,768	1,192,768	2,847,472	2,847,472
				Access Charge and Links commissions	CLP	3,188,560	(3,188,560)	4,180,301	(4,180,301)
				Financial expenses	CLP	10,387,797	10,387,797	9,421,245	9,421,245
				Others	CLP	1,037,872	(1,037,872)	1,174,367	(1,174,367)
Telxius Cable Chile S.A.	96.910.730-9	Chile	Common end controller	Sales	CLP	2,267,384	(2,267,384)	184,544	(184,544)
				Access to International					
				Internet - IP Traffic	CLP	1,822,763	1,822,763	1,647,651	1,647,651
				Others	CLP	7,664,963	(7,664,963)	7,074,550	(7,074,550)
				Financial expenses	CLP	353,857	(353,857)	1,589,151	(1,589,151)
Telefónica S.A.	Foreign	Spain	End controller	Others	CLP	108,265	(108,265)	220,594	(220,594)
				Brand Fee	EUR	93,532	93,532	-	-
				Plan of shares	EUR	5,690,453	(5,690,453)	5,174,466	(5,174,466)
				Others	EUR	353,087	(353,087)	747,614	(747,614)

9. Receivables from and payable to related companies, continued

e) Transaction, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2017		06.30.2016	
						Amount	Effect on income (Charge)/Credit	Amount	Effect on income (Charge)/Credit
						ThCh\$	ThCh\$	ThCh\$	ThCh\$
Media Networks Perú	Foreign	Perú	Common end controller	Sales	USD	66,013	66,013	69,221	69,221
				Space rental	USD	4,079,380	(4,079,380)	2,941,129	(2,941,129)
				Others	USD	191,425	(191,425)	1,530,075	(1,530,075)
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Sales	USD	-	-	117	117
				Media rentals	USD	3,880,575	(3,880,575)	6,246,160	(6,246,160)
Telefónica Global Technology Chile	56,165,120-K	Chile	Common end controller	Sales	CLP	-	-	196,355	196,355
				Services computer	CLP	16,104	(16,104)	3,597,077	(3,597,077)
Telefónica Global Technology S.A.U, Telefónica Ingeniería de Seguridad S.A.	Foreign	Spain	Common end controller	Costs	EUR	1,879,506	(1,879,506)	3,026,995	(3,026,995)
				Chile	Common end controller	Sales	CLP	12,009	12,009
		Chile	Common end controller	Costs	CLP	1,652,650	(1,652,650)	954,362	(954,362)
Telefónica Digital España	Foreign	Spain	Common end controller	Costs	EUR	1,524,293	(1,524,293)	1,381,662	(1,381,662)
Telefónica Compras Electrónica S.A.	Foreign	Spain	Common end controller	Costs	EUR	765,986	(765,986)	740,493	(740,493)
Telefónica USA Inc.	Foreign	USA	Common end controller	Costs	USD	393,850	(393,850)	388,951	(388,951)
Telefónica International Wholesale Services América	Foreign	Uruguay	Common end controller	Costs	USD	151,458	(151,458)	1,021,296	(1,021,296)
Telefónica Latam Holding	Foreign	Spain	Common end controller	Sales	EUR	-	-	18,848	(18,848)
				Costs	EUR	879,303	(879,303)	1,527,598	1,527,598
				Sales	EUR	608,339	608,339	2,730,621	2,730,621
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Costs	EUR	1,004,522	(1,004,522)	1,881,083	(1,881,083)
Telefónica Gestión de Servicios Compartidos- España	Foreign	Spain	Common end controller	Costs	EUR	-	-	84,763	84,763
Telefónica del Perú S.A.	Foreign	Perú	Common end controller	Costs	USD	43,089	(43,089)	41,554	(41,554)
Telefónica Brasil	Foreign	Brazil	Common end controller	Costs	USD	315,808	315,808	7,596	7,596
Telefónica On The Spot Soluciones Digitales de Chile Spa	76,338,291-5	Chile	Common end controller	Sales	CLP	2,838	2,838	3,931	3,931
				Costs	CLP	61,032	(61,032)	39,249	(39,249)
Telefónica Servicios Audiovisuales	Foreign	Spain	Common end controller	Costs	EUR	27,726	(27,726)	35,648	(35,648)
Wayra Chile Tecnología e Innovación Ltda, Televisión Federal S.A.	96,672,150-2	Chile	Common end controller	Sales	CLP	15,657	15,657	32,524	32,524
				Argentina	Common end controller	Costs	USD	-	-

9. Receivables from and payable to related companies, continued

e) Transaction, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	06.30.2017		06.30.2016	
						Amount ThCh\$	Effect on income (Charge)/Credit ThCh\$	Amount ThCh\$	Effect on income (Charge)/Credit ThCh\$
Telefónica Investigación y Desarrollo Chile Spa	76,378,279-4	Chile	Common end controller	Sales	CLP	81,794	81,794	66,131	66,131
Telefónica Learning	Foreign	Spain	Common end controller	Costs	EUR	-	-	49	49
Colombia Telecomunicaciones S,A,E,S,P, (Telecom.)	Foreign	Colombia	Common end controller	Sales	USD	20,103	20,103	24,121	24,121
				Costs	USD	-	-	15,379	15,379
Media Network Chile	76,243,733-3	Chile	Common end controller	Sales	CLP	9,500	9,500	9,259	9,259
				Costs	CLP	51,233	(51,233)	297,581	(297,581)
Telefónica Learning Services Chile Spa	76,318,959-7	Chile	Common end controller	Sales	CLP	7,814	7,814	5,375	5,375
Fundación Telefónica Chile S,A,	74,944,200-k	Chile	Associated	Sales	CLP	364	364	355	355
				Financial expenses	CLP	6,115	(6,115)	8,092	(8,092)
Inversiones Telefónica Internacional Holding S,A,	77,363,730-K	Chile	Common end controller	Sales	CLP	8,469	8,469	21,379	21,379
T, Learning Services Chile Capacitación Limitada	76,131,334-7	Chile	Common end controller	Sales	CLP	23,417	23,417	14,074	14,074
Terra Networks Chile S,A,	96,834,230-4	Chile	Common end controller	Sales	CLP	5,198	5,198	7,668	7,668
Telefónica de España S,A,U,	Foreign	Spain	Common end controller	Costs	EUR	42,448	(42,448)	96,264	(96,264)
Telefónica Factoring Chile, S.A.	76,096,189-2	Chile	Common end controller	Sales	CLP	-	-	14,346	(14,346)
Telxius Torres Chile S.A.	76,558,575-9	Chile	Common end controller	Sales	CLP	23,842	23,842	-	-
Telefonica Global Services, GmbH	Foreign	Germany	Common end controller	Costs	USD	100,801	(100,801)	-	-

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

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

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

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

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

9. Receivables from and payable to related companies, continued

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

The Company is managed by a Board of Directors composed of 10 members and its key employees are 61 and 72 executives for June 30, 2017 and 2016, respectively.

Concepts	04.01.17 to	06.30.2017	04.01.16 to	06.30.2016
	06.30.17	ThCh\$	06.30.16	ThCh\$
Salaries	2,160,782	6,537,075	2,926,259	8,564,810
Post employment benefits	313,852	2,897,383	1,487,703	1,949,940
Total	2,474,634	9,434,458	4,413,962	10,514,750

10. Inventory

a) The detail of inventory is as follows:

Concepts	06.30.2017		Net value	12.31.2016		Net value
	Gross value	Allowance for obsolescence		Gross value	Allowance for obsolescence	
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Modems and Router	5,924,361	(635,138)	5,289,223	6,642,585	(682,071)	5,960,514
Basic telephony, public telephony and switchboard ("centralitas") components	2,278,684	(664,619)	1,614,065	2,894,235	(775,358)	2,118,877
Decoders and antennas	10,647,284	(393,026)	10,254,258	5,775,945	(514,106)	5,261,839
IP Solutions Projects	1,117,452	-	1,117,452	251,440	-	251,440
Other	702,722	(72,503)	630,219	599,455	(88,187)	511,268
Total	20,670,503	(1,765,286)	18,905,217	16,163,660	(2,059,722)	14,103,938

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

b) The movement of inventory is as follows:

Movements	06.30.2017	12.31.2016
	ThCh\$	ThCh\$
Beginning balance	14,103,938	17,904,023
Purchases	29,822,913	47,144,054
Sales	(25,316,070)	(51,701,987)
Allowance for obsolescence	294,436	756,828
Transfer to materials allocated to the investment (note 15b)	-	1,020
Movement, subtotal	4,801,279	(3,800,085)
Ending balance	18,905,217	14,103,938

11. Income Taxes

a) Income Taxes:

As of June 30, 2017 and 2016, the Parent Company has established a first category income tax provision, since a positive tax base of ThCh\$24,133,603 and ThCh\$22,290,076, was determined for each period, respectively.

The previous figures correspond to income of the Parent Company, since the subsidiaries present tax losses in both periods. As of June 30, 2017, subsidiaries Telefónica Empresas Chile S.A. and Telefónica Chile Servicios Corporativos Ltda. present a loss carry forward of ThCh\$11,557,864 and ThCh \$16,695,212 respectively.

In the normal development of their operation, the parent company and its subsidiaries are subject to the regulation and oversight of the Chilean Internal Revenue Service, and differences can arise in the application of criteria used to determine taxes.

As of June 31, 2017, corporate income is detailed as follows:

Subsidiaries	Control	Income subject to Global Complementary or Additional Tax (RAI)	Exempt income (REX) Non-taxable income	Saldos acumulados de Créditos (SAC)		TOTAL BALANCE OF TAXABLE NET INCOME (STUT)
				Accumulated as of 01.01.2017 Current loan rate (factor of 25.5%) Subject to restitution entitled to return	Accumulated up to 12.31.2016 Effective rate 22.71% entitled to return	
	M\$	M\$	M\$	M\$	M\$	
Telefónica Chile Servicios Corporativos Ltda.	40,995,626	40,995,626	-	-	16,269,337	60,592,115
Telefónica Chile S.A.	4,631,349	-	4,631,349	6,130,828	161,275,478	714,564,064
Total	45,626,975	40,995,626	4,631,349	6,130,828	177,544,815	775,156,179

b) Current tax assets

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

Concepts	06.30.2017	12.31.2016
	ThCh\$	ThCh\$
Monthly prepaid tax installments(1)	3,205,747	2,665,679
Net income consumed by loss own (2)	569,218	3,459,548
cumulative provisional payment on net income consumed by loss (3)	-	364,356
Other	318,152	1,018,152
Total	4,093,117	7,507,735

(1) Corresponds to recovery of taxes in the income tax process for 2017 and previous years.

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

(3) (2) Corresponds to absorption of the tax loss as of December 2015 with the retained earnings of subsidiary Telefónica Empresas Chile S.A. This generated a cumulative provisional payment on net income consumed by loss (PPUA) of ThCh\$364,356 as of December 2016.

11. Income Taxes, continued

c) Deferred taxesx

As of June 30, 2017 and december 31, 2016, and June 30, 2016 the cumulative balances of temporary differences resulted in net deferred tax liabilities of ThCh\$61,773,955, ThCh\$ 70,577,897, and ThCh\$ 59,194,985 respectively, detailed as follows:

Disclosure of temporary differences, losses and unused tax credits	Other temporary differences	Allowance for doubtful accounts	Vacation provision	Staff severance indemnities	Property, plant and equipment and IRUS amortization	Effect of assets and liabilities from Decos	Deferred income	Personnel provisions	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
June 30, 2017												
Deferred tax assets and liabilities												
Deferred tax assets												
7,838,541		33,674,817	1,701,876	9,106,537	12,485,932	-	1,110,444	4,319,082	4,255,824	(63,329,452)	11,163,601	11,163,601
Pasivo por impuestos diferidos	1,259,084	-	-	18,293,208	113,576,111	3,039,872	-	(315,223)	413,956	(63,329,452)	72,937,556	72,937,556
Pasivo (activo) por impuestos diferidos	(6,579,457)	(33,674,817)	(1,701,876)	9,186,671	101,090,179	3,039,872	(1,110,444)	(4,634,305)	(3,841,868)	-	61,773,955	61,773,955
Activos y pasivos por impuestos diferidos netos												
Activos por impuestos diferidos netos	(6,579,457)	(33,674,817)	(1,701,876)	-	-	-	(1,110,444)	(4,634,305)	(3,841,868)	-	(51,542,767)	(51,542,767)
Pasivos por impuestos diferidos netos	-	-	-	9,186,671	101,090,179	3,039,872	-	-	-	-	113,316,722	113,316,722
Gasto (ingreso) por impuestos diferidos												
Gasto (ingreso) por impuestos diferidos	(6,021,203)	(3,155,653)	164,676	3,069,657	(5,355,949)	227,647	(20,281)	2,293,916	-	-	(8,797,190)	(8,797,190)
Gasto (ingreso) por impuestos diferidos reconocidos como resultados	(6,021,203)	(3,155,653)	164,676	3,069,657	(5,355,949)	227,647	(20,281)	2,293,916	-	-	(8,797,190)	(8,797,190)
Pasivo (activo) por impuestos diferidos - Saldo Inicial Diciembre 2016	(558,256)	(30,519,164)	(1,866,552)	6,117,014	106,446,128	2,812,225	(1,090,163)	(6,928,221)	(3,835,114)	-	70,577,897	70,577,897
Cambios en pasivos (activos) por impuestos diferidos												
Gasto (ingreso) por impuestos diferidos reconocidos como resultados	(6,021,203)	(3,155,653)	164,676	3,069,657	(5,355,949)	227,647	(20,281)	2,293,916	-	-	(8,797,190)	(8,797,190)
Impuestos diferidos relacionados con partidas acreditadas (cargadas) directamente a patrimonio	1	-	-	-	-	-	-	-	(6,754)	-	(6,752)	(6,752)
Impuesto a las ganancias relacionado con componentes de otro resultado integral	-	-	-	-	-	-	-	-	-	-	-	-
Incrementos (disminuciones) por combinaciones de negocios, pasivos (activos) por impuestos diferidos	-	-	-	-	-	-	-	-	-	-	-	-
Incrementos (disminuciones) por pérdidas de control de subsidiaria, pasivos (activos) por impuestos diferidos	-	-	-	-	-	-	-	-	-	-	-	-
Incrementos (disminuciones) por diferencias de cambio netas, pasivos (activos) por impuestos diferidos	-	-	-	-	-	-	-	-	-	-	-	-
Incrementos (disminuciones) de pasivos (activos) por impuestos diferidos	(6,021,201)	(3,155,653)	164,676	3,069,657	(5,355,949)	227,647	(20,281)	2,293,916	(6,754)	-	(8,803,942)	(8,803,942)
Pasivo (activo) por impuestos diferidos	(6,579,457)	(33,674,817)	(1,701,876)	9,186,671	101,090,179	3,039,872	(1,110,444)	(4,634,305)	(3,841,868)	-	61,773,955	61,773,955

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

11. Income Taxes, continued

c) Deferred taxes, continued

Disclosure of temporary differences, losses and unused tax credits December 31, 2016	Other temporary differences	Allowance for doubtful accounts	Vacation provision	Staff severance indemnities	Property, plant and equipment and IRUS amortization	Effect of assets and liabilities from Decos	Deferred income	Personnel provisions	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities												
Deferred tax assets												
1,989,233		30,519,164	1,866,552	8,615,530	8,878,247	-	1,090,163	6,586,325	4,248,343	(56,349,538)	7,444,019	7,444,019
Deferred tax liabilities	1,430,977	-	-	14,732,544	115,324,375	2,812,225	-	(341,896)	413,229	(56,349,538)	79,786,110	78,021,916
Deferred tax liabilities (assets)	(558,256)	(30,519,164)	(1,866,552)	6,117,014	106,446,128	2,812,225	(1,090,163)	(6,928,221)	(3,835,114)	-	71,826,359	70,577,897
Deferred tax assets and liabilities, net												
Deferred tax assets, net	(558,256)	(30,519,164)	(1,866,552)	-	-	-	(1,090,163)	(6,928,221)	(3,835,114)	-	(42,619,540)	(44,797,470)
Deferred tax liabilities, net	780,851	-	-	6,117,014	106,446,128	2,812,225	-	-	-	-	114,445,899	115,375,367
Deferred tax expense (benefit)												
Deferred tax expense (benefit)	816,121	(1,819,975)	(252,559)	3,309,972	5,038,123	4,157,578	(358,729)	(1,640,139)	(1,235)	-	9,171,776	9,249,157
Deferred tax expense (benefit) recognized in income	816,121	(1,819,975)	(252,559)	3,309,972	5,038,123	4,157,578	(358,729)	(1,640,139)	(1,235)	-	9,171,776	9,249,157
Reconciliation of changes in deferred tax liabilities (assets)												
Deferred tax liabilities (assets) - Beginning balance Dec, 2015	(1,347,377)	(28,699,189)	(1,613,993)	2,807,042	101,408,005	(1,345,353)	(731,434)	(5,288,082)	(2,302,979)	-	62,859,640	62,859,640
Changes in deferred tax liabilities (assets)												
Deferred tax expense (benefit) recognized in income	816,121	(1,819,975)	(252,559)	3,309,972	5,038,123	4,157,578	(358,729)	(1,640,139)	(1,235)	-	9,171,776	9,249,157
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	-	(1,530,900)	-	(1,530,900)	(1,530,900)
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	816,121	(1,819,975)	(252,559)	3,309,972	5,038,123	4,157,578	(358,729)	(1,640,139)	(1,532,134)	-	7,718,258	7,718,258
Deferred tax liabilities (assets)	(558,256)	(30,519,164)	(1,866,552)	6,117,014	106,446,128	2,812,225	(1,090,163)	(6,928,221)	(3,835,114)	-	70,577,897	70,577,897

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

11. Income Taxes, continued

c) Deferred taxes, continued

Disclosure of temporary differences, losses and unused tax credits June 30, 2016	Other temporary differences	Allowance for doubtful accounts	Vacation provision	Staff severance indemnities	Property, plant and equipment and IRUS amortization	Effect of assets and liabilities from Decos	Deferred income	Personnel provisions	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities												
Deferred tax assets												
4,671,581		30,992,963	1,518,282	9,844,289	12,278,362	-	965,891	2,279,280	2,833,335	(55,738,599)	9,645,384	9,645,384
Deferred tax liabilities	411,092	-	-	12,323,736	108,974,581	2,588,707	-	(132,185)	413,037	(55,738,599)	68,840,369	68,840,369
Deferred tax liabilities (assets)	(4,260,489)	(30,992,963)	(1,518,282)	2,479,447	96,696,219	(2,588,707)	(965,891)	(2,411,465)	(2,420,298)	-	59,194,985	59,194,985
Deferred tax assets and liabilities, net												
Deferred tax assets, net	(4,260,489)	(30,992,963)	(1,518,282)	-	-	-	(965,891)	(2,411,465)	(2,420,298)	-	(42,569,388)	(42,569,388)
Deferred tax liabilities, net	-	-	-	2,479,447	96,696,219	2,588,707	-	-	-	-	101,764,373	101,764,373
Deferred tax expense (benefit)												
Deferred tax expense (benefit)	(2,886,111)	(2,293,774)	95,711	(327,595)	(4,711,786)	3,934,060	(234,457)	2,876,617	-	-	(3,547,335)	(3,547,335)
Deferred tax expense (benefit) recognized in income	(2,886,111)	(2,293,774)	95,711	(327,595)	(4,711,786)	3,934,060	(234,457)	2,876,617	-	-	(3,547,335)	(3,547,335)
Reconciliation of changes in deferred tax liabilities (assets)												
Deferred tax liabilities (assets) - Beginning balance Dec, 2015	(1,374,377)	(28,699,189)	(1,613,993)	2,807,042	101,408,005	(1,345,353)	(731,434)	(5,288,082)	(2,302,979)	-	62,859,640	62,859,640
Changes in deferred tax liabilities (assets)												
Deferred tax expense (benefit) recognized in income	(2,886,111)	(2,293,774)	95,711	(327,595)	(4,711,786)	3,934,060	(234,457)	2,876,617	-	-	(3,547,335)	(3,547,335)
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	-	(117,319)	-	(117,319)	(117,319)
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	(2,886,111)	(2,293,774)	95,711	(327,595)	(4,711,786)	3,934,060	(234,457)	2,876,617	(117,319)	-	(3,664,655)	(3,664,655)
Deferred tax liabilities (assets)	(4,260,489)	(30,992,963)	(1,518,282)	2,479,447	96,696,219	(2,588,707)	(965,891)	(2,411,465)	(2,420,298)	-	59,194,985	59,194,985

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

11. Income Taxes, continued

d) Taxable Income

As of June 31, 2017 and 2016 a first category income tax provision has been established, therefore a taxable positive base was determined in the amount of ThCh\$ 24,133,605 and ThCh\$ 22,290,076 respectively for period, detailed as follows:

Concepts	Taxable Net Income			
	04.01.17 to 06.30.17	06.30.2017	04.01.16 to 06.30.16	06.30.2016
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Finance income	18,520,514	17,534,204	5,558,102	17,309,970
Recorded tax expense	(7,180,779)	(442,077)	1,465,508	1,146,390
Additions	8,905,703	63,086,838	38,850,803	59,628,572
Deductions	(16,310,305)	(56,045,362)	(36,257,357)	(55,794,856)
Taxable net income	3,935,133	24,133,603	9,617,056	22,290,076
First category tax rate 25.5% and 24%	903,428	6,154,069	2,308,093	5,349,618
Art. 21 rejected expenses tax base	83,642	94,677	11,825	153,583
Art. 21 non-deductible expenses (40% and 35% rate)	28,047	37,871	4,139	53,754
Total tax provision	931,475	6,191,940	2,312,232	5,403,372
Hedging instrument income tax provision (1)	(134,132)	(147,021)	3,606	78,156
Deficit/exceso period anterior	2,310,194	2,310,194	852,690	852,690
Third party absorbed net income provisional payment	-	-	1,501,187	(1,640,493)
Total first category taxes (2)	3,107,537	8,355,113	4,669,715	4,693,725

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

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

11. Income Taxes, continued

e) Income tax reconciliation

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

Conceptos	04.01.17 to 06.30.17		06.30.2017		04.01.16 to 06.30.16		06.30.2016	
	Taxable base ThCh\$	25.5% Tax Rate ThCh\$	Taxable base ThCh\$	25.5% Tax Rate ThCh\$	Taxable base ThCh\$	24% Tax Rate ThCh\$	Taxable base ThCh\$	24% Tax Rate ThCh\$
Based on accounting income before taxes:								
Finance income	18,520,514		17,534,204		5,558,102		17,309,970	
Recorded tax expense	(7,180,779)		(442,077)		1,465,508		1,146,390	
Income before taxes	11,339,735	2,891,632	17,092,127	4,358,492	7,023,610	1,685,666	18,456,360	4,429,526
Permanent differences	(39,499,656)	(10,072,411)	(18,825,764)	(4,800,569)	(917,331)	(220,159)	(13,679,733)	(3,283,136)
Price-level restatement of taxable equity	(5,165,696)	(1,317,252)	(9,590,573)	(2,445,596)	(5,634,958)	(1,352,390)	(12,063,892)	(2,895,334)
Price-level restatement of investments	906,871	231,252	1,457,468	371,654	169,370	40,649	156,020	37,445
Income from investment in related parties	(586,038)	(149,440)	(392,275)	(100,030)	-	-	-	-
Adjustment of derivatives to equity	50,551	12,891	-	-	(310,622)	(74,549)	-	-
Fines and provision fines	(271,735)	(69,292)	277,924	70,871	343,492	82,438	100,510	24,122
Difference of tax loss without credit	(22,795,688)	(5,812,901)	2,258,365	575,883	5,858,860	1,406,126	8,535,622	2,048,549
Effect of rate change in the result	(4,295,013)	(1,095,228)	(3,116,182)	(794,626)	4,222,265	1,013,344	(4,250,164)	(1,020,039)
Adjustment on deferred tax balances	(7,450,417)	(1,899,856)	(12,497,287)	(3,186,808)	2,970,430	712,903	1,274,830	305,959
Othe	107,507	27,415	2,776,796	708,083	(8,536,168)	(2,048,679)	(7,432,659)	(1,783,838)
Total corporate tax expense	(28,159,921)	(7,180,779)	(1,733,637)	(442,077)	6,106,279	1,465,508	4,776,627	1,146,390
Based on taxable net income and deferred taxes calculated on the basis of temporary differences								
25.5% and 24% income tax		903,428		6,154,069		2,308,093		5,349,618
40% and 35% income tax		28,047		37,871		4,139		53,754
Derivatives adjustment		(134,132)		(147,021)		3,606		78,156
Provisional payment on net income absorbed by third parties		-		-		1,501,187		(1,640,493)
Deficit (Surplus) previous period		2,310,194		2,310,194		852,690		852,690
Income tax expense		3,107,537		8,355,113		4,669,715		4,693,725
Deferred tax expense (income)		(10,288,316)		(8,797,190)		(3,204,207)		(3,547,335)
Total corporate tax expense		(7,180,779)		(442,077)		1,465,508		1,146,390
Effective income tax rate		-63.32%		-2.59%		20.87%		6.21%

11. Income Taxes, continued

f) Current income tax liabilities

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

Concepts	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Contingency provision (1)	5,177,802	5,025,140
income tax provision	4,209,130	-
Total	9,386,932	5,025,140

(1) contingency provision (see note 27).

g) Tax reform

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

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

Tax rates are detailed as follows:

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

12. Non-current trade and other accounts receivable

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

Concepts	06.30.2017			12.31.2016		
	Gross value	Allowance for doubtful accounts	Net value	Gross value	Allowance for doubtful accounts	Net value
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Trade receivables	9,203,987	(1,438,988)	7,764,999	9,272,719	(1,365,933)	7,906,786
Miscellaneous receivables (1)	11,017,539	-	11,017,539	11,278,964	-	11,278,964
Total	20,221,526	(1,438,988)	18,782,538	20,551,683	(1,365,933)	19,185,750

(1) Mainly includes loans related to employees.

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

Concepts	As of June 30, 2017								Net Total
	Gross Portfolio value in ThCh\$				Allowance for doubtful accounts ThCh\$				
	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh\$	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh\$	
Trade receivables	360,381	6,051,332	2,792,274	9,203,987	(1,255,441)	(65,130)	(118,417)	(1,438,988)	7,764,999
Miscellaneous receivables	1,930,397	812,771	8,274,371	11,017,539	-	-	-	-	11,017,539
Total	2,290,778	6,864,103	11,066,645	20,221,526	(1,255,441)	(65,130)	(118,417)	(1,438,988)	18,782,538

Concepts	As of December 31, 2016								Net Total
	Gross Portfolio value in ThCh\$				Allowance for doubtful accounts ThCh\$				
	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh\$	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh\$	
Trade receivables	363,073	6,096,520	2,813,126	9,272,719	(1,215,647)	(53,327)	(96,959)	(1,365,933)	7,906,786
Miscellaneous receivables	1,976,202	832,057	8,470,705	11,278,964	-	-	-	-	11,278,964
Total	2,339,275	6,928,577	11,283,831	20,551,683	(1,215,647)	(53,327)	(96,959)	(1,365,933)	19,185,750

13. Intangible Assets other than goodwill

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

Concepts	06.30.2017		12.31.2016		Intangible, net ThCh\$	
	Intangible, gross ThCh\$	Accumulated amortization ThCh\$	Intangible, net ThCh\$	Intangible, gross ThCh\$		Accumulated amortization ThCh\$
Intangible assets in development (1)	12,762,330	-	12,762,330	5,838,045	-	5,838,045
Licenses and franchises	260,005,706	(229,810,693)	30,195,013	254,972,379	(219,476,451)	35,495,928
Other intangible assets (2)	21,832,500	(19,646,388)	2,186,112	21,832,500	(19,343,112)	2,489,388
Total	294,600,536	(249,457,081)	45,143,455	282,642,924	(238,819,563)	43,823,361

(1) Corresponds to the investment of the period mainly platforms and evolutionary development in the amount of MCh\$ 6,888 and other project of MCh\$ 36

(2) Corresponds to rights to use underwater cable.

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

Movements	Intangible assets in development, net	Licenses and franchises, net	Other intangible assets, net	Intangible, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.2017	5,838,045	35,495,928	2,489,388	43,823,361
Additions	8,646,288	-	-	8,646,288
Transfer from costs of developing to service	(1,722,003)	1,722,003	-	-
Low	-	(1,505,380)	-	(1,505,380)
Low Amortization	-	1,505,380	-	1,505,380
Amortization	-	(11,839,622)	(303,276)	(12,142,898)
Transfer from work in progress (Note 15b)	-	4,816,704	-	4,816,704
Movement, subtotal	6,924,285	(5,300,915)	(303,276)	1,320,094
Ending balance as of 06.30.2017	12,762,330	30,195,013	2,186,112	45,143,455
Remaining average useful life	-	1,4 años	2 años	

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

Movements	Intangible assets in development, net	Licenses and franchises, net	Other intangible assets, net	Intangible, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.2016	4,023,551	38,288,795	3,112,882	45,425,228
Additions	7,430,128	35	-	7,430,163
Transfer from costs of developing to service	(8,386,525)	8,386,525	-	-
Amortization	-	(25,532,924)	(623,494)	(26,156,418)
Transfer from work in progress (Note 15b)	2,770,891	14,353,497	-	17,124,388
Movement, subtotal	1,814,494	(2,792,867)	(623,494)	(1,601,867)
Ending balance as of 12.31.2016	5,838,045	35,495,928	2,489,388	43,823,361
Remaining average useful life	-	2,7 años	4 años	

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

13. Intangible Assets other than goodwill, continued

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

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

As of June 30, 2017 no indications of impairment have been detected for those assets, therefore no impairment testing has been performed.

The main additions to intangible assets other than goodwill as of June 30, 2017 and December 31, 2016 are investments in information applications.

14. Goodwill

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

Taxpayer No.	Company	01.01.2017 ThCh\$	Additions ThCh\$	Eliminations ThCh\$	06.30.2017 ThCh\$
90.635.000-9	Telefónica Chile S.A. (Ex Telefónica Larga Distancia S.A.)(1)	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S.A.	620,232	-	-	620,232
Total		21,660,128	-	-	21,660,128

(1) On April 30, 2016, the merger by incorporation of subsidiary Telefónica Larga Distancia S.A. in Telefónica Chile S.A. took place, with the latter absorbing the former, acquiring all its assets and liabilities and succeeding it in all its rights and obligations

Taxpayer No.	Company	01.01.2016 ThCh\$	Additions ThCh\$	Eliminations ThCh\$	12.31.2016 ThCh\$
90.635.000-9	Telefónica Chile S.A.	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S.A.	620,232	-	-	620,232
Total		21,660,128	-	-	21,660,128

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

- i. Projected operating income and costs are based on the 2017 budget and on the Strategic Plan for 2018 and 2019, projecting a fourth and fifth year as a terminal value. These projections have been made taking into consideration the Company's best estimate, using sector projections, historical behavior of the business and future expectations.
- ii. Cash flow projections are calculated at terminal value, covering a 5-year period, with the last period being the terminal value.
- iii. Discount: The rate used to discount future cash flows is 7.05% (WACC), that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.

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

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

According to the impairment calculations performed by management, as of 2016 year-end there has been no need detected to make significant adjustments since the recoverable value is greater than the book value in all cases.

15. Property, plant and equipment

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

Concepts	06.30.2017		12.31.2016		Property, plant & equipment, Net ThCh\$	
	Property, plant & equipment, Gross ThCh\$	Accumulated depreciation ThCh\$	Property, plant & equipment, Net ThCh\$	Property, plant & equipment, Gross ThCh\$		Accumulated depreciation ThCh\$
Land	21,336,653	-	21,336,653	21,336,653	-	21,336,653
Buildings	770,034,333	(503,759,537)	266,274,796	767,707,983	(495,207,299)	272,500,684
Transport equipments	517,639	(512,233)	5,406	517,639	(511,152)	6,487
Supplies and accessories	23,071,822	(21,761,749)	1,310,073	22,983,831	(21,484,290)	1,499,541
Office equipments	2,615,088	(1,402,656)	1,212,432	2,317,727	(1,292,042)	1,025,685
Construction in progress	105,174,632	-	105,174,632	97,676,629	-	97,676,629
Information equipment	56,186,523	(43,535,795)	12,650,728	55,927,903	(40,161,281)	15,766,622
Network and communications equipment (1)	2,580,525,408	(2,084,566,780)	495,958,628	2,536,732,496	(2,042,177,914)	494,554,582
Property, plant and equipment under financial leases	5,304,293	(4,981,390)	322,903	5,304,293	(4,976,869)	327,424
Other property, plant & equipment (2)	280,235,748	(236,203,736)	44,032,012	285,409,492	(226,665,338)	58,744,154
Total	3,845,002,139	(2,896,723,876)	948,278,263	3,795,914,646	(2,832,476,185)	963,438,461

- (1) As of December As of June 30, 2017 and December 31, 2016 this heading includes an allowance in the amount of ThCh\$ 1,094,393 and ThCh\$ 1,058,938, respectively, corresponding to the estimated cost of dismantling telecommunications infrastructure microwave antennas. The obligation is presented under non-current liabilities, in other non-current provisions.
- (2) Includes general equipment and subscriber equipment.

15. Property, plant and equipment, continued

b) As of June 30, 2017 the movements of property, plant and equipment items are as follows:

Movements	Land	Buildings, net	Transport equipments, net	Supplies and accessories, net	Office equipment, net	Construction in progress net	Information equipment, net	Network and communications equipment, net	Property, plant and equipment under financial leases, net	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.2017	21,336,653	272,500,684	6,487	1,499,541	1,025,685	97,676,629	15,766,622	494,554,582	327,424	58,744,154	963,438,461
Additions	-	-	-	-	-	64,288,944	-	-	-	-	64,288,944
Retirements	-	(517,802)	-	-	-	-	(1,128)	3,581,085	-	(13,446,902)	(10,384,747)
Acc, Dep, retirements	-	417,310	-	-	-	-	1,128	(3,492,033)	-	13,416,899	10,343,304
Depreciation expense	-	(8,969,548)	(1,081)	(277,459)	(110,614)	-	(3,375,642)	(38,896,833)	(4,521)	(22,955,297)	(74,590,995)
Other Increase (decrease) (1)	-	2,844,152	-	87,991	297,361	(56,790,941)	259,748	40,211,827	-	8,273,158	(4,816,704)
Movements, subtotal	-	(6,225,888)	(1,081)	(189,468)	186,747	7,498,003	(3,115,894)	1,404,046	(4,521)	(14,712,142)	(15,160,198)
Ending balance as of 06.30.2017	21,336,653	266,274,796	5,406	1,310,073	1,212,432	105,174,632	12,650,728	495,958,628	322,903	44,032,012	948,278,263

(1) Incl Includes movement of transfers from construction in progress to intangible assets in the amount of ThCh\$ (4,816,704) (Note 13b).

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

Fully depreciated assets still in use	Land	Buildings, gross	Transport equipments, gross	Supplies and accessories, gross	Office equipment, gross	Construction in progress gross	Information equipment, gross	Network and communication s equipment, gross	Property, plant and equipment under financial leases, gross	Other property, plant & equipment, gross	Property, plant and equipment, gross
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Total	-	191,315,262	496,012	19,183,144	148,731	-	34,921,320	1,630,372,322	-	170,333,365	2,046,770,156

15. Property, plant and equipment, continued

c) As of December 31, 2016 the movements of property, plant and equipment items are as follows:

Movements	Land	Buildings, net	Transport equipments, net	Supplies and accessories, net	Office equipment, net	Construction in progress net	Information equipment, net	Network and communications equipment, net	Property, plant and equipment under financial leases, net	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Beginning balance as of 01.01.2016	21,043,750	270,329,507	10,227	1,511,274	1,222,285	119,377,115	12,120,923	472,423,285	334,528	77,721,312	976,094,206
Additions	-	-	-	-	-	170,124,775	-	-	-	-	170,124,775
Retirements	(426,282)	(1,456,036)	-	-	-	-	(222,779)	(6,447,147)	-	(60,498,231)	(69,050,475)
Acc. Dep. retirements	-	1,193,892	-	-	-	-	222,779	5,973,569	-	60,229,109	67,619,349
Depreciation expense	-	(18,634,641)	(3,740)	(584,604)	(214,379)	-	(5,722,343)	(80,500,206)	(7,104)	(58,556,969)	(164,223,986)
Other Increase (decrease) (1)	719,185	21,067,962	-	572,871	17,779	(191,825,261)	9,368,042	103,105,081	-	39,848,933	(17,125,408)
Movements, subtotal	292,903	2,171,177	(3,740)	(11,733)	(196,600)	(21,700,486)	3,645,699	22,131,297	(7,104)	(18,977,158)	(12,655,745)
Ending balance as of 12.31.2016	21,336,653	272,500,684	6,487	1,499,541	1,025,685	97,676,629	15,766,622	494,554,582	327,424	58,744,154	963,438,461

(1) Includes net Includes movement of transfers from construction in progress to intangible assets in the amount of ThCh\$ (17,124,388) (Note 13b) and transfers made from investment projects to inventory in the amount of ThCh\$(1,020) (Note 10b).

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

Fully depreciated assets still in use	Land	Buildings, gross	Transport equipments, gross	Supplies and accessories, gross	Office equipment, gross	Construction in progress gross	Information equipment, gross	Network and communication s equipment, gross	Property, plant and equipment under financial leases, gross	Other property, plant & equipment, gross	Property, plant and equipment, gross
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Total	-	185,765,360	496,012	19,168,623	148,731	-	33,691,446	1,612,944,619	-	146,881,874	1,999,096,665

15. Property, plant and equipment, continued

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

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

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

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

16. Other current and other non-current financial liabilities

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

Concepts		06.30.2017		12.31.2016	
		Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Bank loans	(a)	-	-	65,333,218	-
Unguaranteed obligations (Bonds)	(b)	4,689,958	424,839,545	3,645,762	378,796,391
Hedge instruments	(see note 18.2)	2,735,050	5,915,058	4,583,397	7,758,555
Total		7,425,008	430,754,603	73,562,377	386,554,946

The composition the movements of other current and other non-current financial liabilities arising from financing activities as of June 30, 2017 is as follows:

Conciliation other current financial liabilities	12.31.2016 ThCh\$	Cash Flow		other items different of cash flow			06.30.2017 ThCh\$
		high ThCh\$	low ThCh\$	exchange rate ThCh\$	accrued interest ThCh\$	other movements ThCh\$	
Bank loans	65,333,218	-	(64,919,172)	16,712,449	-	(17,126,495)	-
Unguaranteed obligations (Bonds)	3,645,762	-	(7,670,112)	-	4,963,467	3,750,841	4,689,958
Hedge instruments	4,583,397	16,395,600	(1,017,751)	(16,447,393)	621,750	(1,400,553)	2,735,050
Commercial mandate Related entities	11,022,372	40,642,000	-	-	833,321	1,918,617	54,416,310
other debts	-	-	(7,921,009)	-	-	6,625,131	(1,295,878)
Total	84,584,749	57,037,600	(81,528,044)	265,056	6,418,538	(6,232,459)	60,545,440

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

Conciliation other non-current financial liabilities	12.31.2016 ThCh\$	Cash Flow		other items different of cash flow			06.30.2017 ThCh\$
		high ThCh\$	low ThCh\$	exchange rate ThCh\$	accrued interest ThCh\$	other movements ThCh\$	
Unguaranteed obligations (Bonds)	378,796,391	48,795,050	-	3,391,848	-	(6,143,744)	424,839,545
Hedge instruments	7,758,555	-	-	-	-	(1,843,497)	5,915,058
Commercial mandate Related entities	22,174,222	-	(22,493,155)	-	318,933	-	-
Total	408,729,168	48,795,050	(22,493,155)	3,391,848	318,933	(7,987,241)	430,754,603

The composition the movements of other current and other non-current financial liabilities arising from financing activities as of June 30, 2016 is as follows:

Conciliation other current financial liabilities	12.31.2015 ThCh\$	Cash Flow		other items different of cash flow			06.30.2016 ThCh\$
		high ThCh\$	low ThCh\$	exchange rate ThCh\$	accrued interest ThCh\$	other movements ThCh\$	
Bank loans	101,607	-	(1,720,968)	(16,682,819)	103,735	82,632,799	64,434,354
Unguaranteed obligations (Bonds)	4,155,334	-	(7,970,889)	(17,171)	3,819,320	3,561,314	3,547,908
Hedge instruments	3,427,938	-	(426,686)	3,241,244	1,679,774	(1,121,620)	6,800,650
Commercial mandate Related entities	23,926,955	23,898,000	-	-	926,782	56,315	48,808,052
Financial Leases	122,871	-	(122,100)	-	-	(771)	-
other debts	300,345	-	(15,523,381)	-	-	652,756	(14,570,280)
Total	32,035,050	23,898,000	(25,764,024)	(13,458,746)	6,529,611	85,780,793	109,020,684

Conciliation other non-current financial liabilities	12.31.2015 ThCh\$	Cash Flow		other items different of cash flow			06.30.2016 ThCh\$
		high ThCh\$	low ThCh\$	exchange rate ThCh\$	accrued interest ThCh\$	other movements ThCh\$	
Bank loans	68,972,097	-	-	-	-	(68,972,097)	-
Unguaranteed obligations (Bonds)	398,986,215	-	-	(94,392,703)	-	69,908,593	374,502,105
Hedge instruments	7,656,345	-	-	-	-	(7,656,345)	-
Commercial mandate Related entities	21,181,406	-	-	-	494,743	-	21,676,149
Total	496,796,063	-	-	(94,392,703)	494,743	(6,719,849)	396,178,254

Notes to the consolidated financial statements, continued

As of June 30, 2017 (not audited) and December 31, 2016



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

a) As of December 31, 2016 the detail of bank loans is as follows:

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Syndicated Loan	90.635.000-9	Telefónica Chile S.A,	Chile	Foreign	Sovereign Bank N.A,	USA	USD	At expiry	2.52%	2.14%	MMUSD 97.5	2017

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands)									Total nominal amounts in local currency
					To Maturity									
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Syndicated Loan(1)	90.635.000-9	Telefónica Chile S.A,	Chile	Sovereign Bank N.A,	-	47,775,000	-	-	-	-	-	-	-	47,775,000
Total					-	47,775,000	-	-	-	-	-	-	-	47,775,000

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Current			Non-current					Total Non-current as of 12.31.2016 ThCh\$		
					To Maturity		Total current as of 12.31.2016 ThCh\$	To Maturity							
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$	12.31.2016 ThCh\$	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Syndicated Loan(1)	90.635.000-9	Telefónica Chile S.A,	Chile	Sovereign Bank N.A,	-	65,333,218	65,333,218	-	-	-	-	-	-	-	-
Total					-	65,333,218	65,333,218	-	-	-	-	-	-	-	-

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

Notes to the consolidated financial statements, continued

As of June 30, 2017 (not audited) and December 31, 2016



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

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

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S.A,	Chile	Foreign	The Bank of New York Mellon	USA	USD	At expiry	4.06%	3.88%	MMUSD 500	2022
Series Q Bond (2)	90.635.000-9	Telefónica Chile S.A,	Chile	97.004.000-5	Banco Chile	Chile	CLP	At expiry	6.17%	5.75%	MCh\$47,000	2019
Series T Bond (3)	90.635.000-9	Telefónica Chile S.A,	Chile	97.004.000-5	Banco Chile	Chile	CLP	At expiry	5.09%	4.90%	MCh\$48,000	2023

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands)										
					To Maturity										Total nominal amounts in local currency
Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over							
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S.A,	Chile	The Bank of New York Mellon	-	-	-	-	-	-	-	-	-	236,400,000	236,400,000
Series Q Bond (2)	90.635.000-9	Telefónica Chile S.A,	Chile	Banco Chile	-	-	-	47,000,000	47,000,000	-	-	-	-	-	47,000,000
Series T Bond (3)	90.635.000-9	Telefónica Chile S.A,	Chile	Banco Chile	-	-	-	-	-	-	-	-	-	48,000,000	48,000,000
Total					--	-	-	47,000,000	47,000,000	-	-	-	-	-281,400,000	331,400,000

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current			Non-current					Total Non-current as of 06.30.2017 ThCh\$		
					To Maturity		Total current as of 06.30.2017 ThCh\$\$	To Maturity							
Up to 90 days ThCh\$	90 days to 1 years ThCh\$			1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over					
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S.A,	Chile	The Bank of New York Mellon	-	2,778,084	2,778,084	-	-	-	-	-	-	329,789,276	329,789,276
Series Q Bond (2)	90.635.000-9	Telefónica Chile S.A,	Chile	Banco Chile	782,035	-	782,035	46,749,383	-	46,749,383	-	-	-	-	46,749,383
Series T Bond (3)	90.635.000-9	Telefónica Chile S.A,	Chile	Banco Chile	-	1,129,839	1,129,839	-	-	-	-	-	-	48,300,886	48,300,886
Total					782,035	3,907,923	4,689,958	3,907,923	4,689,958	46,749,383	-	-	-	378,090,162	424,839,545

- On October 12, 2012, Telefónica Chile S.A, issued Reg S 144A Bonds in the American capitals market in the amount of US\$500,000,000 (equivalent to ThCh\$236,400,000 historical), at an effective annual interest rate in US dollars of 3.887% and a 10-year bullet maturing on October 12, 2022, Placement banks were Banco Bilbao Vizcaya Argentaria, S.A, Citigroup Global Markets Inc, and J.P, Morgan Securities LLC, Funds resulting from the issuance shall be destined to refinancing of liabilities and others corporate purposes.
- On March 26, 2014, Telefónica Chile S.A. placed series Q 5-year bullet Bonds in the local market in the amount of MCh\$ 47,000 at a nominal annual rate of 5.75%, maturing on March 14, 2019, The amount collected by this operation amounted to MCh\$46,406.
- On January 5, 2017, Telefónica Chile S.A. placed series T 5-year in the local market in the amount of MCh\$ 48,000 at a nominal annual rate of 4.9% , maturing on July 5, 2023. The amount collected by this operation amounted To MCh\$ 48,795.

Notes to the consolidated financial statements, continued

As of June 30, 2017 (not audited) and December 31, 2016



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

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

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S.A,	Chile	Foreign	The Bank of New York Mellon	USA	USD	At expiry	4.06%	3.88%	MMUSD 500	2022
Series Q Bond (2)	90.635.000-9	Telefónica Chile S.A,	Chile	97.004.000-5	Banco Chile	Chile	CLP	At expiry	6.17%	5.75%	MCh\$47,000	2019

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands)								Total nominal amounts in local currency	
					To Maturity									
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Series 144A Bond (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
Series Q Bond (2)	90.635.000-9	Telefónica Chile S.A,	Chile	Banco Chile	-	-	-	47,000,000	47,000,000	-	-	-	-	47,000,000
Total					--	-	-	47,000,000	47,000,000	-	236,400,000	236,400,000	-	283,400,000

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current			Non-current					Total Non-current as of 12.31.2016 ThCh\$		
					To Maturity		Total current as of 12.31.2016 ThCh\$\$	To Maturity							
					Up to 90 days ThCh\$	90 days to 1 years ThCh\$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S.A,	Chile	The Bank of New York Mellon	-	2,850,765	2,850,765	-	-	-	-	-	-	332,181,886	332,181,886
Series Q Bond (2)	90.635.000-9	Telefónica Chile S.A,	Chile	Banco Chile	794,997	-	794,997	-	46,614,505	46,614,505	-	-	-	-	46,614,505
Total					794,997	2,850,765	3,645,762	-	46,614,505	46,614,505	-	-	-	332,181,886	378,796,391

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

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

17. Trade and other payables

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

Concepts	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Debts due to purchases or services provided, invoiced (1)	8,921,736	60,037,630
Debts due to purchases or services provided, provisioned (1)	85,588,430	40,037,370
Real property providers, invoiced	18,108,984	42,386,182
Real property providers, provisioned	18,196,762	19,014,535
Payables to employees	19,508,518	33,200,522
Dividends pending payment	325,017	406,998
Total	150,649,447	195,083,237

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

Debts due to purchases or services provided	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Domestic	70,654,511	85,438,837
Foreign	23,855,655	14,636,163
Total	94,510,166	100,075,000

b) Accounts payable payment terms

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

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

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

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

Suppliers with up to date payments As of 06.30.2017	Goods	Services	Total
	ThCh\$	ThCh\$	ThCh\$
Trade accounts to date			
Up to 30 days	17,617,896	4,526,941	22,144,837
From 31 to 60 days	-	-	-
From 61 to 90 days	-	-	-
Total	17,617,896	4,526,941	22,144,837
Average period of payment of up to date accounts	30	29	-

17. Trade and other payables, continued

b) Accounts payable payment terms, continued

Suppliers with up to date payments As of 12.31.2016	Goods	Services	Other	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Trade accounts to date				
Up to 30 days	49,697,506	38,905,186	-	88,602,692
From 31 to 60 days	-	380,262	-	380,262
From 61 to 90 days	-	-	-	-
Total	49,697,506	39,285,448	-	88,982,954
Average period of payment of up to date accounts	30	32	-	

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

Overdue trade accounts payable by term As of 06.30.2017	Goods	Services	Total
	ThCh\$	ThCh\$	ThCh\$
Overdue trade accounts payable by term			
Up to 30 days	56,610	1,665,937	1,722,547
From 31 to 60 days	18,956	699,853	718,809
From 61 to 90 days	7,252	381,751	389,003
From 91 to 120 days	-	153,722	153,722
From 121 to 180 days	408,270	1,493,532	1,901,802
Total	491,088	4,394,795	4,885,883
Average payment period of overdue accounts	126	121	

Overdue trade accounts payable by term As of 12.31.2016	Goods	Services	Other	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Overdue trade accounts payable by term				
Up to 30 days	2,255,738	5,676,271	-	7,932,009
From 31 to 60 days	514,351	2,632,969	-	3,147,320
From 61 to 90 days	-	35,619	-	35,619
From 91 to 120 days	-	318,681	-	318,681
From 121 to 180 days	710,907	1,296,321	-	2,007,228
Total	3,480,996	9,959,861	-	13,440,857
Average payment period of overdue accounts	92	98	-	

18. Financial instruments

1. Classification of financial instruments by nature and category

a) Details of financial instruments of assets classified by nature and category as of June 30, 2017 is as follows:

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE						ASSETS RECORDED AT AMORTIZED COST			TOTAL		
		Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Valuation hierarchy			Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	Total Carrying amount	Total fair value
						Level 1	Level 2	Level 3					
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	Market prices	Estimates based on other observable market data	Estimates not based on observable market data	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Other participations (net)		3,854	6,861,780	-	6,865,634	6,861,780	3,854	-	-	-	-	6,865,634	6,865,634
Other participations	See note 6 b	3,854	6,861,780	-	6,865,634	6,861,780	3,854	-	-	-	-	6,865,634	6,865,634
Derivative instrument assets		-	-	109,347,140	109,347,140	-	109,347,140	-	-	-	-	109,347,140	109,347,140
Derivative instrument assets	See note 18-2	-	-	109,347,140	109,347,140	-	109,347,140	-	-	-	-	109,347,140	109,347,140
Non-current deposits and pledges		50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current deposits and pledges	See note 6 a	50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current trade accounts receivable		-	-	-	-	-	-	-	20,149,059	-	20,149,059	20,149,059	20,149,059
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	18,782,538	-	18,782,538	18,782,538	18,782,538
Account receivable from relate entities	See note 9 b	-	-	-	-	-	-	-	1,366,521	-	1,366,521	1,366,521	1,366,521
Non-current financial assets		54,322	6,861,780	109,347,140	116,263,242	6,861,780	109,401,462	-	20,149,059	-	20,149,059	136,412,301	136,412,301
Current trade accounts receivable		-	-	-	-	-	-	-	256,045,160	-	256,045,160	256,045,160	256,045,160
Current trade and other accounts receivable	See note 8 a	-	-	-	-	-	-	-	155,181,715	-	155,181,715	155,181,715	155,181,715
Account receivable from relate entities	See note 9 a	-	-	-	-	-	-	-	100,863,445	-	100,863,445	100,863,445	100,863,445
Current pledges and deposits		3,059,110	-	-	3,059,110	-	3,059,110	-	-	-	-	3,059,110	3,059,110
Current pledges and deposits	See note 6 a	3,059,110	-	-	3,059,110	-	3,059,110	-	-	-	-	3,059,110	3,059,110
Derivative instrument of assets		-	-	1,545,993	1,545,993	-	1,545,993	-	-	-	-	1,545,993	1,545,993
Derivative instrument of assets	See note 18-2	-	-	1,545,993	1,545,993	-	1,545,993	-	-	-	-	1,545,993	1,545,993
Cash and cash equivalents		-	-	-	-	-	-	-	82,402,823	-	82,402,823	82,402,823	82,402,823
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	82,402,823	-	82,402,823	82,402,823	82,402,823
Current financial assets		3,059,110	-	1,545,993	4,605,103	-	4,605,103	-	338,447,983	-	338,447,983	343,053,086	343,053,086
Total financial assets		3,113,432	6,861,780	110,893,133	120,868,345	6,861,780	114,006,565	-	358,597,042	-	358,597,042	479,465,387	479,465,387

18. Financial Instruments, continued

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

a) Details of financial instruments of assets classified by nature and category as of December 31, 2016 is as follows:

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST			TOTAL	
		Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Valuation hierarchy			Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	Total Carrying amount	Total fair value
						Level 1	Level 2	Level 3					
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	Market prices	Estimates based on other observable market data	Estimates not based on observable market data	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Other participations (net)		3,854	7,419,955	-	7,423,809	7,419,955	3,854	-	-	-	7,423,809	7,423,809	7,423,809
Other participations	See note 6b	3,854	7,419,955	-	7,423,809	7,419,955	3,854	-	-	-	7,423,809	7,423,809	7,423,809
Derivative instrument assets		-	-	112,302,000	112,302,000	-	112,302,000	-	-	-	-	112,302,000	112,302,000
Derivative instrument assets	See note 18-2	-	-	112,302,000	112,302,000	-	112,302,000	-	-	-	-	112,302,000	112,302,000
Non-current deposits and pledges		50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current deposits and pledges	See note 6a	50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current trade accounts receivable		-	-	-	-	-	-	-	20,552,271	-	20,552,271	20,552,271	20,552,271
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	19,185,750	-	19,185,750	19,185,750	19,185,750
Account receivable from relate entities	See note 9b	-	-	-	-	-	-	-	1,366,521	-	1,366,521	1,366,521	1,366,521
Non-current financial assets		54,322	7,419,955	112,302,000	119,776,277	7,419,955	112,356,322	-	20,552,271	-	20,552,271	140,328,548	140,328,548
Current trade accounts receivable		-	-	-	-	-	-	-	228,279,927	-	228,279,927	228,279,927	228,279,927
Current trade and other accounts receivable	See note 8a	-	-	-	-	-	-	-	144,725,272	-	144,725,272	144,725,272	144,725,272
Account receivable from relate entities	See note 9a	-	-	-	-	-	-	-	83,554,655	-	83,554,655	83,554,655	83,554,655
Current pledges and deposits		56,680	-	-	56,680	-	56,680	-	-	-	-	56,680	56,680
Current pledges and deposits	See note 6a	56,680	-	-	56,680	-	56,680	-	-	-	-	56,680	56,680
Derivative instrument of assets		-	-	19,617,064	19,617,064	-	19,617,064	-	-	-	-	19,617,064	19,617,064
Derivative instrument of assets	See note 18-2	-	-	19,617,064	19,617,064	-	19,617,064	-	-	-	-	19,617,064	19,617,064
Cash and cash equivalents		-	-	-	-	-	-	-	127,307,052	-	127,307,052	127,307,052	127,307,052
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	127,307,052	-	127,307,052	127,307,052	127,307,052
Current financial assets		56,680	-	19,617,064	19,673,744	-	19,673,744	-	355,586,979	-	355,586,979	375,260,723	375,260,723
Total financial assets		111,002	7,419,955	131,919,064	139,450,021	7,419,955	132,030,066	-	376,139,250	-	376,139,250	515,589,271	515,589,271

18. Financial instruments, continued

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

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

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

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

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

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

18. Financial instruments, continued

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

b) Details of financial instruments of liabilities classified by nature and category as of June 30, 2017 is as follows:

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST		TOTAL	
		Hedge derivative liabilities	Subtotal of liabilities at fair value	Valuation hierarchy			Debits and items payable	Total Carrying amount	Total Carrying amount	
				Level 1	Level 2	Level 3				
				Market prices	Estimates based on other observable market data	Estimates not based on observable market data				
ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$			
Issuance of obligations and other non-current marketable securities	See note 16 b	-	-	-	-	-	424,839,545	424,839,545	439,606,376	
Non-current debts with loan entities	See note 16 a	-	-	-	-	-	-	-	-	
Long-term hedge derivative instrument of liabilities	See note 18-2	5,915,058	5,915,058	-	5,915,058	-	-	5,915,058	5,915,058	
Trade and other accounts payable		-	-	-	-	-	-	-	-	
Accounts payable to related entities		-	-	-	-	-	-	-	-	
Non-current financial liabilities		5,915,058	5,915,058	-	5,915,058	-	424,839,545	430,754,603	445,521,434	
Issuance of short-term obligations and other marketable securities	See note 16 b	-	-	-	-	-	4,689,958	4,689,958	4,852,973	
Short-term derivative instrument of liabilities	See note 18-2	2,735,050	2,735,050	-	2,735,050	-	-	2,735,050	2,735,050	
Trade and other accounts payable	See note 17	-	-	-	-	-	150,649,447	150,649,447	150,649,447	
Accounts payable to related entities	See note 9 c	-	-	-	-	-	117,588,292	117,588,292	117,588,292	
Current Other Financial Debt		-	-	-	-	-	-	-	-	
Current financial liabilities		2,735,050	2,735,050	-	2,735,050	-	272,927,697	275,662,747	275,825,762	
Total financial liabilities		8,650,108	8,650,108	-	8,650,108	-	697,767,242	706,417,350	721,347,196	

18. Financial instruments, continued

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

b) Details of financial instruments of liabilities classified by nature and category as of December 31, 2016 is as follows:

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST		TOTAL	
		Hedge derivative liabilities	Subtotal of liabilities at fair value	Valuation hierarchy			Debits and items payable	Total Carrying amount	Total Carrying amount	
				Level 1	Level 2	Level 3				
				Market prices	Estimates based on other observable market data	Estimates not based on observable market data				
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$		
Issuance of obligations and other non-current marketable securities	See note 16 b	-	-	-	-	-	378,796,391	378,796,391	384,355,603	
Non-current debts with loan entities	See note 16 a	-	-	-	-	-	-	-	-	
Long-term hedge derivative instrument of liabilities	See note 18-2	7,758,555	7,758,555	-	7,758,555	-	-	7,758,555	7,758,555	
Trade and other accounts payable		-	-	-	-	-	-	-	-	
Accounts payable to related entities		-	-	-	-	-	22,174,222	22,174,222	22,174,222	
Non-current financial liabilities		7,758,555	7,758,555	-	7,758,555	-	400,970,613	408,729,168	414,288,380	
Issuance of short-term obligations and other marketable securities	See note 16 b	-	-	-	-	-	3,645,762	3,645,762	3,699,267	
Short-term debts with credit entities	See note 16 a/c	-	-	-	-	-	65,333,218	65,333,218	65,333,218	
Short-term derivative instrument of liabilities	See note 18-2	4,583,397	4,583,397	-	4,583,397	-	-	4,583,397	4,583,397	
Trade and other accounts payable	See note 17	-	-	-	-	-	195,083,237	195,083,237	195,083,237	
Accounts payable to related entities	See note 9 c	-	-	-	-	-	85,904,101	85,904,101	85,904,101	
Current Other Financial Debt		-	-	-	-	-	-	-	-	
Current financial liabilities		4,583,397	4,583,397	-	4,583,397	-	349,966,318	354,549,715	354,603,220	
Total financial liabilities		12,341,952	12,341,952	-	12,341,952	-	750,936,931	763,278,883	768,891,600	

18. Financial instruments, continued

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

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

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

Financial instruments recorded under other current and non-current financial liabilities which correspond to interest bearing loans, are generally recorded for the cash received, net of costs incurred in the transaction, These obligations are valued at amortized cost, using the effective interest rate method, and mainly include bank loans and unguaranteed obligations (bonds), among other things (see note 16).

Notes to the consolidated financial statements, continued

As of June 30, 2017 (not audited) and December 31, 2016



18. Financial instruments, continued

2. Hedging instruments

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

Type of hedge	Underlying	Net total as	Up to	90 days to	Total current		To Maturity		Total non-current	
		06.30.2017	90 days	1 year	Assets (note 6)	Liabilities (note 17)	1 to 3 years	3 to 5 years	Assets (note 6)	Liabilities (note 17)
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
	668,837	456,145	212,692	719,433	(50,596)	-	-	-	-	-
	35,061	35,061	-	44,945	(9,884)	-	-	-	-	-
	14,886	(1,892,955)	-	781,615	(2,674,570)	-	1,907,841	7,822,899	(5,915,058)	-
	101,524,241	-	-	-	-	-	101,524,241	101,524,241	-	-
	102,243,025	(1,401,749)	212,692	1,545,993	(2,735,050)	-	103,432,082	109,347,140	(5,915,058)	-

Hedge instruments have generated an effect on income of ThCh\$ (4,212,803), As of June 30, 2017 the accumulated effect on equity is ThCh\$ 7,134,993 (see note 22d),

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

Type of hedge	Underlying	Net total as	Up to	90 days to	Total current		To Maturity		Total non-current	
		12.31.2016	90 days	1 year	Assets (note 6)	Liabilities (note 17)	1 to 3 years	3 to 5 years	Assets (note 6)	Liabilities (note 17)
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Exchange rate – cash flow hedge (1)	Supplier Debt	(92,982)	(445,188)	352,206	806,903	(899,885)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	202	202	-	8,927	(8,725)	-	-	-	-
Interest rate – cash flows hedge (3)	Financial Debt	(1,873,875)	(2,822,417)	-	852,370	(3,674,787)	-	948,542	8,707,097	(7,758,555)
Exchange rate and interest rate – fair value hedge (4)	Financial Debt	121,543,767	-	17,948,864	17,948,864	-	-	103,594,903	103,594,903	-
	Total	119,577,112	(3,267,403)	18,301,070	19,617,064	(4,583,397)	-	104,543,445	112,302,000	(7,758,555)

Hedge instruments have generated an effect on income of ThCh\$ (26,146,302), As of December 31, 2016 the accumulated effect on equity is ThCh\$6,278,644 (see note 22d),

Description of hedge instruments:

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

18. Financial Instruments, continued

3. Valuation of hedging instruments

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

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

- a) Market assumptions such as spot prices and other price projections, credit risk (own and counterparty) and rates, using observable market information and through techniques commonly used among its participants.
- b) Discount rates like risk free rates and counterparty rates (based on risk profiles and information available in the market).
- c) In addition variables are incorporated to the model such as: volatility, correlation, regression formulas and market spread,

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

4. Fair value hierarchy of financial instruments

Financial instruments recognized at fair value in the statement of financial position are classified according to the following hierarchies (see note 18.1):

- Level 1: Corresponds to methodologies of fair value measurement using market rates (without adjustments) in an active market considering the same assets and liabilities valued.
- Level 2: Corresponds to methodologies of fair value measurement using data on market rates, not included in Level 1, that are observable for assets and liabilities valued, whether directly (i.e, as a price) or indirectly (i.e, derived from a price).
- Level 3: Corresponds to methodologies of fair value measurement using valuation techniques that include information on assets and liabilities valued, which are not based on observable market information.

19. Other current provisions

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

Concepts	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Civil and regulatory(1)	306,017	218,680
Total	306,017	218,680

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

Based on the progress of the proceedings, the Company's management considers that the provisions recorded in the financial statements adequately cover the litigation risks described in Note 27a), therefore they do not foresee that they will result in liabilities other than those recorded.

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

As of June 30, 2017 and December 31, 2016 the movements in provisions is as follows:

Movements	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Beginning balance	218,680	591,254
Increase in existing provisions	566,195	1,009,238
Provision used	(478,858)	(1,381,812)
Movement subtotal	87,337	(372,574)
Ending balance	306,017	218,680

20. Employee benefits accrual

a) Post employment benefits

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

As of June 30, 2017 and December 31, 2016 current and non-current employee benefits accrual are as follows:

Concepts	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Current amount of liability recognized for termination benefits	6,398,652	5,989,507
Non-current amount of liability recognized for termination benefits	30,934,576	30,664,822
Total	37,333,228	36,654,329

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

Movements	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Beginning balance	36,654,329	30,477,978
Service costs	422,658	2,080,586
Interest costs	827,471	1,496,561
Actuarial (profits)/losses, net due to experience	378,063	5,279,894
Benefits paid	(1,168,477)	(2,315,172)
Others	219,184	(365,518)
Movement subtotal	678,899	6,176,351
Ending balance	37,333,228	36,654,329

20. Employee benefits accrual, continued

a) Post employment benefits, continued

Actuarial Hypotheses

The hypotheses used for the actuarial calculation of employee benefits obligations are reviewed once a year and as of June 30, 2017 and December 31, 2016 are detailed as follows:

- **Discount rate:** an annual nominal rate of 4.51% is used as of June 30, 2017 and December 31, 2016 respectively, This rate must be representative of the time value of money, for which a risk-free rate is used represented by BCP (Central Bank of Chile Bonds issued in Chilean pesos) instruments, for a relevant term of close to 20 years.
- **Incremental Salary Rate:** An increase table is used according to the inflation projection established by the Central Bank of Chile, The rate used for the periods ended June 30, 2017 and December 31, 2016 was 3%.
- **Mortality:** The RV 2014 mortality tables established by the Superintendency of Securities and Insurance are used to calculate social life insurance reserves in Chile.
- **Turnover rate:** Based on the historical Company data, the rotation used for both periods are as follows:

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

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

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

b) Sensitivity of assumptions

Based on the actuarial calculation as of June 30, 2017, the sensitivity of the main assumptions has been reviewed, determining the following possible effects on equity:

Description	Base	Plus 1% ThCh\$	Less 1% ThCh\$
Discount rate	4.51%	(2,593,272)	2,939,238

20. Employee benefits accrual, continued

c) Expected cash flows

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

Description	1st year ThCh\$
Future payment cash flows	3,534,571

d) Employee benefits expenses

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

Concepts	04.01.17 to 06.30.17 ThCh\$	06.30.2017 ThCh\$	04.01.16 to 06.30.16 ThCh\$	06.30.2016 ThCh\$
Wages and salaries	33,947,454	69,869,567	33,347,235	66,339,342
Post employment benefit obligations expense	339,773	422,658	459,554	1,767,872
Total	34,287,227	70,292,225	33,806,789	68,107,214

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

Other non-financial liabilities are detailed as follows:

Concepts	06.30.2017		12.31.2016	
	Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Deferred income	5,220,664	2,919,160	5,910,960	3,165,217
Connection installments	107,004	136,844	114,467	163,057
Other Deferred income (1)	5,113,660	2,782,316	5,796,493	3,002,160
Subsidies	143,003	1,102,382	143,003	1,170,635
Puerto Natales and Cerro Castillo Fiber Optics Network	52,623	535,002	52,623	561,313
Connectivity for service networks and Community Telecommunications Centers	90,380	567,380	90,380	609,322
Other taxes (2)	16,790,601	-	18,136,111	-
Total	22,154,268	4,021,542	24,190,074	4,335,852

(1) The current portion mainly includes self-financed projects in the amount of MCh\$ 3,724 and MCh\$3,667 and non-current portion includes entitlements for the use of underwater cables in the amount of MCh\$1,379 and MCh\$1,883 and sold capacity in the amount of MCh\$866 and MCh\$922 of the June 30, 2017 and December 31, 2016, respectively.

(2) Includes tax withholdings, value added tax, pension and health insurance institutions and others

Movements of deferred income and subsidies are detailed as follows:

Movements	06.30.2017		12.31.2016	
	Current ThCh\$	Non-current ThCh\$	Current ThCh\$	Non-current ThCh\$
Beginning balance	6,053,963	4,335,852	4,796,168	5,478,452
Endowments	22,113,289	532,338	25,112,036	1,238,866
Reduction/applications	(22,803,585)	(846,648)	(23,854,241)	(2,381,466)
Movement subtotal	(690,296)	(314,310)	1,257,795	(1,142,600)
Ending balance	5,363,667	4,021,542	6,053,963	4,335,852

22. Equity

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

No changes were introduced in the objectives, policies or processes during the years ended as of June 30, 2017 and December 31, 2016.

a) Capital

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

Number of shares

Series	N° of shares subscribed	06.30.2017		12.31.2016		
		N° of shares paid	N° of shares with voting rights	N° of shares subscribed	N° of shares paid	N° of shares with voting rights
A	864,442,610	864,442,610	864,442,610	874,049,316	864,442,610	864,442,610
B	82,004,664	82,004,664	82,004,664	83,161,638	82,004,664	82,004,664
Total	946,447,274	946,447,274	946,447,274	957,210,954	946,447,274	946,447,274

Capital

Series	06.30.2017		12.31.2016	
	Subscribed capital ThCh\$	Paid-in capital ThCh\$	Subscribed capital ThCh\$	Paid-in capital ThCh\$
A	521,101,535	521,101,535	528,009,572	528,009,572
B	49,433,885	49,433,885	50,089,210	50,089,210
Total	570,535,420	570,535,420	578,098,782	578,098,782

The shareholders approved the merger by incorporation of subsidiary Telefónica Larga Distancia S.A. with Telefónica Chile S.A., whereby the latter absorbed the former, acquiring all its assets and liabilities and succeeding it in all its rights and obligations, effective as of April 30, 2016.

Due to the merger of both Companies, a total of 10,763,680 shareholders decided to withdraw from the Company, in accordance with Law No. 18,046, article 69, number 2). The Company disbursed ThCh\$7,563,361 for this concept, which have been recorded in equity waiting for their resolution by the Company.

Due to the above the shareholders at the Extraordinary Shareholders' Meeting approved a capital increase for the Company in the sum of Ch\$20,399,716 through the issuance of 53,951 Series A paid shares to be distributed among the shareholders of Telefónica Larga Distancia S.A., which will materialize on the same date as the merger, April 30, 2016.

On June 30, 2017 as a consequence of the right to withdrawals exercised by the agreements adopted by the shareholders at the Extraordinary Shareholders' Meeting held on March 30, 2016, the stock capital was legally reduced in accordance with Law No. 18,046 from ThCh\$578,098,782, divided into 957,210,954 shares as of May 31, 2017, to ThCh\$570,535,420, divided into 946,447,274 shares.

22. Equity, continued

b) Distribution of shareholders

As established in Circular No. 792 issued by the Superintendency of Securities and Insurance ("SVS") of Chile, the distribution of shareholders based on their participation in the Company as of June 30, 2017 is as follows:

Type of Shareholder	Participation percentage %	Number of shareholders
Participation of 10% or more	97.915	1
Less than 10% participation:		
Investment equal to or exceeding UF 200	1.553	174
Investment under UF 200	0.532	8,826
Total	100	9,001
Company's parent	97.915	1

As of June 30, 2017 and December 2016, the indirect participation of Telefónica Chile Holding BV, in the equity of Telefónica Chile S.A. reached 96.82%.

In 2013 this percentage was distributed among Inversiones Telefónica Internacional Holding S.A. with 52.99% and Telefónica Internacional Chile S.A. with 44.9%. In September 2014, these companies merged without modifying the existing share percentage, with Inversiones Telefónica Internacional Holding S.A. being the continuer. As of September 30, 2014 the latter company concurred in the capital increase of Inversiones Telefónica Móviles Holding S.A. which was paid by transferring the investment it had in Telefónica Chile S.A., with which Inversiones Telefónica Móviles Holding S.A. became the majority shareholder of Telefónica Chile S.A. On March 22, 2017 Inversiones Telefónica Móviles Holding S.A. changed its name to Telefónica Móviles Chile S.A.

c) Dividends:

i) Dividends policy:

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

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

22. Equity, continued

c) Dividends:

ii) Capital decrease and dividends distributed:

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

Date	Number dividend	Dividend	Amount distributed ThCh\$	Value per share Ch\$	Charge to net income	Payment date
May-13-2016		Final	7,375,148	7,8000	Fiscal year 2015	May - 2016
Apr-04-2017		Final	6,625,131	7,0000	Fiscal year 2016	May - 2017

d) Other reserves:

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

Concepts	Balance of 12.31.2016 ThCh\$	Net movement ThCh\$	Balance of 06.30.2017 ThCh\$
Cash flows hedge reserve	6,278,643	856,350	7,134,994
Employee benefits reserve, net tax	(5,145,497)	(145,906)	(5,291,403)
Reserve for financial assets available for sale	1,364,990	(179,166)	1,185,824
Treasury stock reserve	(7,563,361)	7,563,362	-
Total	(5,065,225)	8,094,640	3,029,415

i) Cash flows hedge reserve

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

ii) Employee benefits reserve

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

iii) Reserves for financial assets available for sale

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

iv) Treasury stock reserve

As of June 30, 2017 capital was reduced by ThCh\$7,563,362, amount that corresponds to what was disbursed in the purchase of treasury shares from dissident shareholders due to the merger by incorporation of subsidiary Telefonía Larga Distancia S.A. with Telefonía Chile S.A..

22. Equity, continued

e) Non-controlling interest

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

Subsidiaries	Non-controlling Interest percentage		Shareholders' equity	
	2017 %	2016 %	2017 ThCh\$	2016 ThCh\$
Telefónica de Chile Servicios Corporativos Ltda,	49.000000	49.000000	20,057,650	16,991,076
Total			20,057,650	16,991,076

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

Filiales	Non-controlling Interest percentage		Participation in profit income (loss)			
	2017 %	2016 %	04.01.17 to 06.30.17 ThCh\$	06.30.2017 ThCh\$	04.01.16 to 06.30.16 ThCh\$	06.30.2016 ThCh\$
Telefónica Larga Distancia S.A, Telefónica Chile Servicios Corporativos Ltda,	-	0.070000	-	-	(3,057)	-
	49.000000	49.000000	3,221,541	3,194,913	1,603,846	2,083,445
Total			3,221,541	3,194,913	1,600,789	2,083,445

23. Earnings per Share

The details of Earnings per share are as follows:

Basic earnings per share	04.01.17 to 06.30.17 ThCh\$	06.30.2017 ThCh\$	04.01.16 to 06.30.16 ThCh\$	06.30.2016 ThCh\$
	Earnings attributable to owners of the parent	15,298,973	14,339,291	3,957,313
Profit available for shareholders	15,298,973	14,339,291	3,957,313	15,226,525
Weighted average number of shares	946,447,274	946,447,274	957,210,954	957,210,954
Basic earnings per share in Ch\$	16.15	15.15	4.13	15.91

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

24. Income and Expenses

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

Ordinary income	04.01.17 to	06.30.2017	04.01.16 to	06.30.2016
	06.30.17	ThCh\$	06.30.16	ThCh\$
Fixed Telecommunications	50,014,841	102,999,605	56,237,153	111,080,065
Broadband (1)	48,169,047	96,767,543	48,777,827	95,756,752
Television	45,183,411	87,807,632	44,136,075	86,473,007
Corporate Communication	31,010,380	56,989,518	31,171,188	57,489,117
Personnel services	19,875,784	39,193,296	18,717,221	36,696,032
Long Distance	4,831,575	9,289,554	6,110,014	13,278,003
Other Businesses	1,136,466	965,145	456,490	1,380,478
Total	1,136,466	965,145	456,490	1,380,478

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

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

Other income	04.01.17 to	06.30.2017	04.01.16 to	06.30.2016
	06.30.17	ThCh\$	06.30.16	ThCh\$
late fee	541,902	1,115,824	585,512	1,200,515
Income from indemnities, complaints and others	77,022	297,567	39,712	735,125
Income from disposal of real property	-	-	52,209	54,205
Other current management income	9,747	19,493	9,747	19,493
Total	628,671	1,432,884	687,180	2,009,338

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

Other expenses	04.01.17 to	06.30.2017	04.01.16 to	06.30.2016
	06.30.17	ThCh\$	06.30.16	ThCh\$
Media rental	27,181,788	54,522,916	25,874,937	52,204,837
Other exterior services	11,633,255	23,018,047	12,796,933	22,550,367
Cost of sale of inventory	14,390,058	25,316,070	12,939,077	21,729,062
Plant maintenance	10,845,134	20,990,634	10,129,198	20,340,737
Interconnections	7,848,698	16,548,670	8,998,236	19,304,544
Sales commissions	7,426,865	14,141,742	8,140,358	16,691,566
Information services	6,002,642	11,890,073	6,426,535	12,476,193
Customer service	4,965,996	10,612,794	6,923,191	13,011,300
Allowance for doubtful accounts	4,889,287	9,545,309	4,865,814	10,282,678
Advertising	3,785,646	7,263,621	3,219,504	6,224,177
Energy	4,806,285	7,777,270	3,596,635	6,934,138
Real Estate Spending	2,286,678	4,463,079	2,063,977	4,105,697
Other	2,137,560	6,008,835	4,635,057	6,489,588
Total	108,199,892	212,099,060	110,609,452	212,344,884

24. Income and Expenses, continued

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

Financial expenses, net	04.01.17 to 06.30.17 ThCh\$	06.30.2017 ThCh\$	04.01.16 to 06.30.16 ThCh\$	06.30.2016 ThCh\$
Interest income				
Interest earned on deposits	449,384	1,596,526	312,610	757,880
Dividend to accounts of the group	248,520	306,970	-	216,144
Interest on financial instruments	52,803	72,202	3,407	16,534
Other interest income	565,959	803,414	369,718	359,323
Total interest income	1,316,666	2,779,112	685,735	1,349,881
Interest expense				
Interest on loans from bank institutions	4,438,788	8,954,731	4,112,620	7,975,370
Interest on mercantile mandate	481,968	1,152,254	929,853	1,421,525
Interest on obligations banking institutions	27,514	521,146	446,411	899,211
Interest rate hedges (Cross Currency Swap)	24,711	233,359	772,423	914,722
Finance lease	-	-	-	1,284
Other financial expenses	733,468	1,376,486	571,578	902,322
Total interest expense	5,706,449	12,237,976	6,832,885	12,114,434
Total finance income and costs, net	(4,389,783)	(9,458,864)	(6,147,150)	(10,764,553)

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

Currency translation	04.01.17 to 06.30.17 ThCh\$	06.30.2017 ThCh\$	04.01.16 to 06.30.16 ThCh\$	06.30.2016 ThCh\$
Cash and cash equivalents	(544,166)	(694,330)	(411,601)	(665,525)
Current trade and other accounts receivable	46,591	(6,765)	(466,477)	(613,861)
Current accounts receivable from related entities	(73,566)	(342,891)	(141,440)	(1,395,799)
Current accounts payable to related entities	717,824	1,069,476	495,862	1,268,266
Trade and other accounts payable	807,091	941,261	196,527	827,410
Financial debt	128,357	3,391,848	5,002,761	28,926,285
Other financial transactions	27,658	52,747	-	-
Hedge instruments	(355,252)	(3,841,411)	(5,247,754)	(28,707,633)
Total	754,537	569,935	(572,122)	(360,857)

Indexation units	04.01.17 to 06.30.17 ThCh\$	06.30.2017 ThCh\$	04.01.16 to 06.30.16 ThCh\$	06.30.2016 ThCh\$
Cash and cash equivalents	(198,166)	(198,362)	(796)	-
Current trade and other accounts receivable	9,080	10,379	(1,315)	(1,357)
Trade and other accounts payable	(268,917)	(268,917)	-	-
Financial debt	-	-	(1,556)	(8,067)
Current tax liabilities	-	-	(33,618)	(49,965)
Current tax assets	122,990	117,957	103,181	103,181
Leasing financial debt	-	-	-	(27)
Total	(335,013)	(338,943)	65,896	43,765

25. Leases

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

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

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

The main operating lease contracts are associated directly to the line of business, such as leases for commercial office real estate and telecommunications technical facilities space, Operating lease expenses accrued are presented under other expenses by nature, in the statement of income.

The Company has operating lease contracts that contain various clauses referred to dates and terms of renewal and readjustments, Should a decision be made for early termination of a contract, the payments stipulated in those clauses must be made.

Concepts	04.01.17 to	06.30.2017	04.01.16 to	06.30.2016
	06.30.17		06.30.16	
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Minimum operating lease payments recognized as expenses	2,313,702	4,564,240	2,160,652	4,388,859

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

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

25. Leases, continued

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

Concepts	06.30.2017			Total ThCh\$
	Up to one year ThCh\$	From one to five years ThCh\$	More than 5 years ThCh\$	
Minimum financial lease payments payable	-	-	-	-
Future financial burden due to financial leases	-	-	-	-
Minimum operating lease payments payable	4,721,848	3,196,413	16,266	7,934,527

Concepts	06.30.2016			Total ThCh\$
	Up to one year ThCh\$	From one to five years ThCh\$	More than 5 years ThCh\$	
Minimum financial lease payments payable	-	-	-	-
Future financial burden due to financial leases	-	-	-	-
Minimum operating lease payments payable	5,973,761	6,997,817	132,538	13,104,116

26. Local and Foreign Currency

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

Currents assets	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Cash and cash equivalents	82,402,823	127,307,052
US Dollars	370,653	244,591
Euros	34,483	46,658
Chilean Pesos	81,997,687	127,015,803
Other current financial assets	4,605,103	19,673,744
US Dollars	-	-
Chilean Pesos	4,605,103	19,673,744
U,F,	-	-
Current trade and other accounts receivable	155,181,715	144,725,272
Euros	22,362	26,308
Chilean Pesos	154,927,415	144,549,466
U,F	231,938	149,498
Current receivables from related companies	100,863,445	83,554,655
US Dollars	6,139,604	5,501,304
Chilean Pesos	94,418,484	77,981,229
Other currencies	305,357	72,122
Other current assets (1)	46,473,046	42,208,563
Chilean Pesos	46,473,046	42,208,563
Total current assets	389,526,132	417,469,286
US Dollars	6,510,257	5,745,895
Euros	56,845	72,966
Chilean Pesos	382,421,735	411,428,805
U,F,	231,938	149,498
Other currencies	305,357	72,122

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

Non-currents assets	06.30.2017 ThCh\$	12.31.2016 ThCh\$
Other non-current financial assets	116,263,242	119,397,268
US Dollars	1,853,129	1,853,129
Chilean Pesos	114,410,113	117,544,139
Non-current trade and other accounts receivable	18,782,538	19,185,750
Chilean Pesos	18,782,538	19,185,750
Non-current receivables from related companies	1,366,521	1,366,521
Chilean Pesos	1,366,521	1,366,521
Other non-current assets (2)	1,032,726,526	1,043,195,427
Chilean Pesos	1,032,726,526	1,043,195,427
Total non-current assets	1,169,138,827	1,183,144,966
US Dollars	1,853,129	1,853,129
Chilean Pesos	1,167,285,698	1,181,291,837

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

26. Local and Foreign Currency, continued

The detail for currency of current liabilities is as follows:

Currents liabilities	06.31.2017	12.31.2016	06.31.2017	12.31.2016
	to 90 days ThCh\$		De 91 days a 1 years ThCh\$	
Other current financial liabilities	3,517,085	5,378,394	3,907,923	68,183,983
US Dollars	-	863,194	2,778,084	68,183,983
Euros	60,480	45,415	-	-
Chilean Pesos	3,456,605	4,469,785	1,129,839	-
Trade and other payables	150,649,447	195,083,237	-	-
US Dollars	40,744,169	34,383,323	-	-
Euros	1,876,890	1,091,443	-	-
Chilean Pesos	91,219,101	153,418,512	-	-
U.F.	16,809,287	6,189,959	-	-
Current receivables from related companies	117,588,292	85,904,101	-	-
US Dollars	3,298,524	4,281,623	-	-
Euros	-	98,789	-	-
Chilean Pesos	114,282,302	81,523,689	-	-
Other current liabilities (1)	9,386,932	5,025,140	28,858,937	30,398,261
Chilean Pesos	9,386,932	5,025,140	28,858,937	30,398,261
Total current liabilities	281,141,756	291,390,872	32,766,860	98,582,244
US Dollars	44,042,693	39,528,140	2,778,084	68,183,983
Euros	1,937,370	1,235,647	-	-
Chilean Pesos	218,344,940	244,437,126	29,988,776	30,398,261
U.F.	16,816,753	6,189,959	-	-

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

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

Non-current liabilities	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016
	1 to 3 years ThCh\$		3 to 5 years ThCh\$		5 years and over ThCh\$	
Other non-current financial liabilities	46,749,383	46,614,505	5,915,058	7,758,555	378,090,162	332,181,886
US Dollars	-	-	-	-	329,789,276	332,181,886
Chilean Pesos	46,749,383	46,614,505	5,915,058	7,758,555	48,300,886	-
Non-current Current payables to related companies	-	-	-	22,174,222	-	-
Chilean Pesos	-	-	-	22,174,222	-	-
Other non-current liabilities (2)	1,097,436	8,507,847	22,895,286	41,117,635	84,995,345	64,456,046
Chilean Pesos	1,097,436	8,507,847	22,895,286	41,117,635	84,995,345	64,456,046
Other non-current liabilities	47,846,819	55,122,352	28,810,344	71,050,412	463,085,507	396,637,932
US Dollars	-	-	-	-	329,789,276	332,181,886
Chilean Pesos	47,846,819	55,122,352	28,810,344	71,050,412	133,296,231	64,456,046

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

27. Contingencies and restrictions

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

Notwithstanding there are certain proceedings in which due to the aforementioned considerations it is believed that there is a risk of loss that is rated as probable, which has motivated the establishment of provisions for the amount of what would be the estimated loss as of June 30, 2017, which altogether amounts to ThCh\$306,018.

It is estimated that Telefónica Chile S.A. must pay the amount of ThCh\$34,590 before the day, september 30, 2017 and the rest during the four quarter of 2017.

On the other hand, there is a set of processes for which it is estimated that there is a risk of loss that is qualified as possible, for a total amount of ThCh\$641,541.

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

a) Miscellaneous lawsuits

i) Tax contingency

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

b) Financial restrictions:

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

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

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

Series 144A Bond dated October 12, in the amount of US\$ 500 million placed at 10 year bullet.

Series Q Bond dated March 26, 2014 in the amount of MCh\$47,000 placed at 5 years bullet.

Series T Bond dated January 05, 2017 in the amount of MCh\$48,000 placed at 6,5 years bullet.

27. Contingencies and restrictions, continued

b) Financial restrictions:, continued

To date, there are no bond issue contracts that impose on the Company limits to the financial indicator of indebtedness and obligations of doing and not doing, customary for this type of financing.

In summary the debt agreements contemplate the following financial restrictions:

	Financial restrictions
144A Bond	There are none
Q Bond	There are none
T Bond	There are none
International loan with Sovereign Bank N.A.	There are none

c) Guarantee deposits:

The detail of guarantee deposits is as follows:

Guarantee creditor	Debtor			Current guarantee deposits ThCh\$	Liberated guarantees		
	Name	Relationship	Type of guarantee		2017	2018	2019 & thereon
					ThCh\$	ThCh\$	ThCh\$
Conect S.A.	TCH	Parent company	Deposit	1,039,823	-	-	1,039,823
Subsecretaría de Telecomunicaciones	TCH	Parent company	Deposit	1,030,536	-	1,030,536	-
Otras Garantías (1)	TCH	Parent company	Deposit	1,511,958	747,932	695,305	68,721
Subsecretaría de Educación	TEM	Subsidiary	Deposit	1,668,080	-	-	1,668,080
Fundación Integra	TEM	Subsidiary	Deposit	770,322	-	-	770,322
Cemento Bio Bio S.A.	TEM	Subsidiary	Deposit	542,125	-	-	542,125
Banco del Estado de Chile	TEM	Subsidiary	Deposit	531,372	223,665	-	307,707
Banca Corporativa	TEM	Subsidiary	Deposit	364,435	364,435	-	-
Asociación Chilena de Seguridad	TEM	Subsidiary	Deposit	324,293	-	324,293	-
CDEC Sing. Ltda.	TEM	Subsidiary	Deposit	281,068	-	-	281,068
Gendarmería de Chile	TEM	Subsidiary	Deposit	222,884	-	222,884	-
Empresa Nacional de Electricidad S.A.	TEM	Subsidiary	Deposit	222,396	-	-	222,396
Comando Logístico de la Fuerza Aérea	TEM	Subsidiary	Deposit	163,030	-	-	163,030
Aguas Andinas S.A.	TEM	Subsidiary	Deposit	151,306	-	-	151,306
Coordinador Independiente del Sistema Eléctrico Nacional.	TEM	Subsidiary	Deposit	142,054	-	-	142,054
Redbanc S.A.	TEM	Subsidiary	Deposit	120,768	120,768	-	-
Intendencia Región Antofagasta	TEM	Subsidiary	Deposit	110,544	110,544	-	-
Otras Garantías (1)	TEM	Subsidiary	Deposit	6,989,818	1,441,745	2,844,317	2,703,756
Total				16,186,812	3,009,089	5,117,335	8,060,388

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

TCH: Telefonía Chile S.A.

TEM: Telefonía Empresas Chile S.A.

28. Environment

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

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

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

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

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

29. Risk management (Not audited)

a) Competition

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

b) New Tariff Decree

The process of establishing new prices for Telefónica Chile S.A. for the 2014 - 2019 periods began at the end of 2013, in conformity with the procedure regulated by law. In this process Telefónica Chile used all instances available to defend its points of view, including those carried out before the Experts Commissions established in the procedure for establishing tariffs and contesting the Tariff Decree before the Contraloría General de la República.

29. Risk management (Not audited)

b) New Tariff Decree, continued

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

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

Though decrees issued by the Ministries of Transportation and Telecommunications and of Economy Development and Tourism on January 24, 2014 the maximum access charge rates were established for the 2014 - 2019 period for the use of mobile networks for all operators with a network and the hourly structure was also changed. The new tariffs are effective as of January 25, 2014, for the 2014-2019 period.

c) Technological changes

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

d) Level of Chilean economic activity

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

29. Risk management (Not audited), continued

e) Financial risk management objectives and policies

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

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

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

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

Market Risk

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

Interest rate risk

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

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

The Company periodically determines the efficient exposure to short and long-term debt due to changes in interest rates, considering its own expectations regarding future evolution of rates. As of June 30, 2017 the Company had 36% of its current and non-current financial debt accruing interest at a fixed rate.

29. Risk management (Not audited), continued

e) Financial risk management objectives and policies, continued

The Company believes it is reasonable to measure the risk associated to interest on the financial debt such as the sensitivity of the monthly financial accrual expense in case of a change of 25 basic points in the reference interest rate of the debt, which as of June 30, 2017 corresponds to the Nominal Average Chamber Rate (TCPN) ("Tasa Promedio de Cámara Nominal"). In this manner, an increase of 25 basic points in the monthly TCPN would mean an increase in the monthly financial accrual expense for 2017 of approximately ThCh\$43,331, whereas a decrease in the TCPN would mean a reduction of ThCh\$43,331 in the monthly financial accrual expense for 2017.

Foreign currency risk

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

Credit risk

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

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

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

Liquidity risk

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

29. Risk management (Not audited), continued

e) Financial risk management objectives and policies, continued

Capital management

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

The Company's main objective related to capital management is to ensure that it has a strong credit rating and prosperous capital ratios to support its businesses and maximize shareholder value. Return on equity (income/total average equity) as of June 30, 2017 is negative by 2.06%, with a decrease of 6.5% in relation to June 2016, where it reached 2.2%. The above is mainly due to a decrease in income for the period.

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

There were no changes in the objectives, policies or processes during the years ended as of June 30, 2017 and 2016.

f) Regulatory Framework

Numeric Portability

Mobile and Fixed Telephone Number Portability was enabled in conformity with the calendar established by Subtel, through Resolution No. 6,367 of 2011. Portability of Internet Voice, Rural Telephone Services and Mobile Party Pays Numbers began on March 16, 2013. Exempt Resolution No. 1022 dated March 31, 2014, issued by the Telecommunications Undersecretary, modified the beginning date of Portability of Complementary Services, which began operating as of October 13, 2014.

In relation to Geographic Portability and Intermodal Portability, through Exempt Resolution No. 4,535 dated August 4, 2015 Subtel established the timeline that establishes that Geographic Portability will be enabled as of November 2, 2015, the extension of mobile telephone numbers by one digit was implemented seamlessly as of February 6, 2016 and Intermodal Portability was successfully implemented on September 05, 2016.

On the other hand, in conformity with article 31 of Decree No. 16, dated 2011, issued by the Ministry of Transportation and Telecommunications, which establishes the tender process to designate the Numeric Portability Management Organization (OAP), the Portability Board in compliance with the regulated procedures awarded the new Portability Administration Organization (OAP) to Telcordia Technologies Chile, S.A.

30. Subsequent events

The consolidated financial statements of Telefónica Chile S.A., for the period as of June 30, 2017, were approved and authorized for issuance at the Board of Directors Meeting held on July 20, 2017.

In the period from July 1 to July 20, 2017, there have been no other significant subsequent effects that affect these consolidated financial statements.

Alejandro Gil Ibarra
Accounting Manager

Juan Parra Hidalgo
Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager