TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the years ended as of
March 31, 2016 (not audited), December 31, 2015 and March 31, 2015 (not audited)

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

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Notes to the Consolidated Interim Financial Statements

ThCh$: Thousands of Chilean Pesos
MCh$: Millions of Chilean Pesos
SVS : Superintendency of Securities and Insurance

CONSOLIDATED INTERIM CLASSIFIED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2016 (not audited), December 31, 2015

ASSETS	Notes	03.31.2016	12.31.2015
		ThCh$	ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	107,677,394	135,142,296
Other current financial assets	(6)	67,591,632	29,627,151
Other current non-financial assets	(7)	33,671,939	33,346,034
Trade and other current accounts receivable	(8a)	121,537,955	109,644,656
Current accounts receivable from related companies	(9a)	40,742,221	31,394,527
Inventory	(10a)	44,742,273	43,559,170
Total current asset other than assets or disposal groups classifield as help for sale or held for distribution to the owners		415,963,414	382,713,834
Non-current assets or disposal groups classifield as held for sale or held for distribution to the owners	(16)	6,055,166	-
TOTAL CURRENT ASSETS		422,018,580	382,713,834
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	15,198,418	12,691,026
Other non-current non-financial assets	(7)	571,288	571,288
Non-current trade and other accounts receivable		24,342	24,342
Accounts receivable from related entities, non-current	(9b)	21,428,586	21,181,406
Investments in associates accounted for using the equity method	(12b)	14,394,216	13,846,544
Intangible assets other than goodwill	(13b)	112,362,979	116,602,359
Goodwill	(14)	483,179,725	483,179,725
Property, plant and equipment	(15a)	365,447,835	362,187,439
Deferred tax assets	(11c)	4,475,333	2,421,834
TOTAL NON-CURRENT ASSETS		1,017,082,722	1,012,705,963
TOTAL ASSETS		1,439,101,302	1,395,419,797

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statements

CONSOLIDATED INTERIM CLASSIFIED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2016 (not audited), December 31, 2015

LIABILITIES	Notes	03.31.2016	12.31.2015
		ThCh$	ThCh$
CURRENT LIABILITIES			
Other current financial liabilities	(17)	234,055,932	230,946,093
Trade and other accounts payables	(18a)	124,775,097	109,076,914
Current accounts payable to related companies	(9c)	90,337,746	81,855,445
Other short term provisions	(20a)	732,824	966,530
Current tax liabilities	(11b)	32,526,890	28,730,738
Other current non-financial liabilities	(22)	24,963,937	31,944,878
TOTAL CURRENT LIABILITIES		507,392,426	483,520,598
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(17)	179,948,337	178,643,762
Non-current accounts payable to related companies	(9e)	1,366,521	1,366,521
Other long-term provisions	(20b)	14,520,345	15,633,210
Non-current employee benefits accrual	(21a)	149,975	143,847
Other non-current non-financial liabilities	(22)	2,244,964	2,312,850
TOTAL NON-CURRENT LIABILITIES		198,230,142	198,100,190
TOTAL LIABILITIES		705,622,568	681,620,788
EQUITY			
Issued capital	(23a)	941,098,241	941,098,241
Retained earnings		120,496,361	92,002,224
Other reserves	(23d)	(328,115,868)	(319,301,456)
Shareholders' equity attributable to owners of the parent		733,478,734	713,799,009
Non-controlling interests	(23f)	-	-
TOTAL EQUITY		733,478,734	713,799,009
TOTAL LIABILITIES & EQUITY		1,439,101,302	1,395,419,797

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statements

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME BY NATURE
As of March 31, 2016 and 2015 (not audited)

COMPREHENSIVE INCOME STATEMENT	Notes	For the three-month period ended March 31, 2016 ThCh$	2015 ThCh$
Income from ordinary operations	(25a)	232,243,871	243,106,624
Other income	(25b)	993,171	1,862,497
Employee benefits expenses	(21d)	(576,935)	(298,869)
Depreciation and amortization expense	(13b-15b)	(26,671,149)	(24,914,257)
Other expenses, by nature	(25c)	(165,440,671)	(183,297,350)
Profit from operating activities		40,548,287	36,458,645
Finance income	(25d)	1,797,739	2,160,291
Finance costs	(25d)	(5,174,719)	(5,265,689)
Share in earnings (losses) of associates accounted for using the equity method	(12b-20b)	469,812	307,260
Foreign exchange differences	(25e)	585,196	287,491
Indexation units	(25f)	(368,752)	(661,595)
Profit before tax from continuing operations		37,857,563	33,286,403
Income tax expense	(11e)	(9,363,427)	(6,829,962)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		28,494,136	26,456,441
Profit attributable to:			
Profit attributable to owners of the parent		28,494,136	26,456,441
Profit attributable to non-controlling interests	(23f)	-	-
PROFIT		28,494,136	26,456,441

EARNINGS PER SHARE	Notes	Ch$	Ch$
Earnings per basic share:			
Earnings per basic share for continuing operations	(24)	241.42	224.16
Earnings per basic share for discontinued operations		-	-
Earnings per basic share:		241.42	224.16
Diluted earnings per share:			
Diluted earnings per share from continuing operations		241.42	224.16
Diluted earnings per share from discontinued operations		-	-
Diluted earnings per share:		241.42	224.16

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statement

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME BY NATURE

As of March 31, 2016 and 2015 (not audited)

	Notes	For the three-month period ended March 31, 2016	2015
		ThCh$	ThCh$
COMPREHENSIVE INCOME STATEMENT			
PROFIT		28,494,136	26,456,441
OTHER COMPREHENSIVE INCOME			
Components of other comprehensive income that will not be reclassified to income for the period, before taxes			
Other comprehensive income, before income taxes (losses) from new measurement of benefit plans	(12b)	77,861	2,912
Other comprehensive income that will not be reclassified to income for the period, before taxes		77,861	2,912
Components of other comprehensive income that will be reclassified to income for the period, before taxes			
Profits from cash flow hedging, before taxes		(11,626,349)	2,896,083
Other comprehensive income, before taxes, actuarial profits on defined benefit plans		1,560	-
Other comprehensive income that will be reclassified to income for the period, before taxes		(11,624,789)	2,896,083
Other components of other comprehensive income, before taxes		(11,546,928)	2,898,995
Income taxes related to components of other comprehensive income that will not be reclassified to income for the period			
Income taxes related to new measurement of other comprehensive income benefits plans		-	-
Income taxes related to components of other comprehensive income that are reclassified to income for the period			
Income taxes related to other comprehensive income cash flows hedging		2,732,516	(651,619)
Total income tax related to components of other comprehensive income		2,732,516	(651,619)
OTHER COMPREHENSIVE INCOME		(8,814,412)	2,247,376
TOTAL COMPREHENSIVE INCOME		19,679,724	28,703,817
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Comprehensive income attributable to owners of the parent		19,679,724	28,703,817
Comprehensive income attributable to non-controlling interests		-	-
TOTAL COMPREHENSIVE INCOME AND EXPENSES		19,679,724	28,703,817

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statements

STATEMENTS INTERIM OF CHANGES IN EQUITY

As of March 31, 2016 and 2015 (not audited)

	Changes in issued capital (Note 23 a)	Changes in other reserves (Note 23 d)				Retained earnings (losses)	Equity attributable to owners of the parent	Non controlling interests (Nota 23 f)	Total equity
	Issued Capital	Reserves from cash flow hedge (Note 23d)	Reserves from actuarial gains (losses) on defined benefits plans	Other miscellaneous reserves	Total other reserves				
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Equity at the beginning of the period	**941,098,241**	**15,292,059**	-	**(334,593,515)**	**(319,301,456)**	**92,002,225**	**713,799,010**	-	**713,799,010**
Changes in equity									
Comprehensive income									
Profit	-	-	-	-	-	28,494,136	28,494,136	-	28,494,136
Other comprehensive income	-	(8,893,833)	-	79,421	(8,814,412)	-	(8,814,412)	-	(8,814,412)
Comprehensive income	-	**(8,893,833)**	-	**79,421**	**(8,814,412)**	**28,494,136**	**19,679,724**	-	**19,679,724**
Dividends	-	-	-	-	-	-	-	-	-
Increase (decrease) from transfers and other changes, equity	-	-	-	-	-	-	-	-	-
Total increase (decrease) in equity	-	-	-	-	-	-	-	-	-
Equity march 31, 2016	**941,098,241**	**6,398,226**	-	**(334,514,094)**	**(328,115,868)**	**120,496,361**	**733,478,734**	-	**733,478,734**
Equity at the beginning of the period	**941,098,241**	**12,836,178**	-	**(334,644,571)**	**(321,808,393)**	**125,749,378**	**745,039,226**	**(56)**	**745,039,170**
Changes in equity									
Comprehensive income									
Profit	-	-	-	-	-	26,456,441	26,456,441	-	26,456,441
Other comprehensive income	-	2,244,464	-	2,912	2,247,376	-	2,247,376	-	2,247,376
Comprehensive income	-	**2,244,464**	-	**2,912**	**2,247,376**	**26,456,441**	**28,703,817**	-	**28,703,817**
Dividends	-	-	-	-	-		-	-	-
Increase (decrease) from transfers and other changes, equity	-	-	-	-	-		-	-	-
Total increase (decrease) in equity	-	-	-	-	-	-	-	-	-
Equity March 31, 2015	**941,098,241**	**15,080,642**	-	**(334,641,659)**	**(319,561,017)**	**152,205,819**	**773,743,043**	**(56)**	**773,742,987**

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statements

STATEMENTS INTERIM OF CONSOLIDATED CASH FLOWS, DIRECT METHOD
As of March 31, 2016 and 2015 (not audited)

	Notes	For the three-month period ended March 31, 2016 ThCh$	2015 ThCh$
CASH FLOWS PROVIDED (USED IN) BY OPERATING ACTIVITIES:			
Classes of operating activity charges			
Proceeds from sale of assets and services rendered		274,457,263	280,864,328
Other operating activity charges		3,664,702	2,254,719
Classes of payments			
Payments to suppliers for supplying goods and services		(179,561,777)	(191,383,152)
Payments to and on account of employees		(625,168)	(546,732)
Other operating activity payments		(21,013,023)	(12,486,262)
Income taxes (paid) reimbursed classified as operating activities		(5,023,961)	(4,947,133)
Cash flows provided (used in) by operating activities:		71,898,036	73,755,768
CASH FLOWS PROVIDED (USED IN) BY INVESTMENT ACTIVITIES:			
Loans to related entities		-	(64,760,000)
Additions to property, plant and equipment		(31,377,283)	(51,375,071)
Collection from related entities (1)		45,800,000	38,600,000
Interest received		1,399,833	670,033
Other cash inflows (outflows) (2)		(101,649,988)	31,822,005
Net cash flows provided (used in) by investment activities		(85,827,438)	(45,043,033)
CASH FLOWS PROVIDED (USED IN) BY FINANCING ACTIVITIES:			
Loan repayments		(10,999,589)	-
Interest paid		(2,535,911)	(328,905)
Other cash inflows (outflows)		-	375,470
Net cash flows provided (used in) by financing activities		(13,535,500)	46,565
Net Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate		(27,464,902)	28,759,300
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(27,464,902)	28,759,300
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		135,142,296	48,880,754
CASH AND CASH EQUIVALENTS, END OF YEAR	(5)	107,677,395	77,640,054

(1) and (2) correspond to charges and payments of the mandate and financial investments between related parties.

The accompanying notes 1 to 31 form an integral part of these consolidated interim financial statements

1. Corporate Information:

Telefonica Moviles Chile S.A. and Subsidiaries (or "the Company") provides mobile telecommunications services in Chile. The registered office of the Company and its Subsidiaries is located in Avenida Providencia 111, Santiago, Chile.

Telefónica Móviles Chile S.A. is a privately held corporation registered in the Securities Registry under No. 922 and is therefore subject to the supervision of the Superintendency of Securities and Insurance of Chile.

At the Shareholders' Meeting held on March 27, 2014 the shareholders approved broadening of the line of business as follows: "Incorporating telecommunications, information and technology research and development activities".

As of March 31, 2016, the Company's direct parent is Inversiones Telefonica Moviles Holding S.A., which belongs to the Spanish group Telefonica, S.A..

2. Significant Accounting Policies:

a) Accounting period

The consolidated financial statements (hereinafter, the "financial statements") cover the following periods: Statement of Financial Position, for the periods ended as of March 31, 2016 and December 31, 2015; Statement of Changes in Equity, Comprehensive Income Statement and Statement of Cash Flows, for the three-month periods ended as of March 31, 2016 and 2015.

b) Basis of presentation

The financial statements as of December 31, 2015, and their corresponding notes are shown in a comparative manner in accordance with Note 2a).

c) Basis of preparation

The Financial statements as of December 31, 2015, and the comprehensive income statements, statements of changes in equity and statements of cash flows for the 3-month periods ended as of March 31, 2016 and 2015 have been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting", incorporated in International Financial Reporting Standards (IFRS).

The financial statements as of December 31, 2015 and the comprehensive income statement, statement of changes in equity and statement of cash flows for the 3-month period ended as of March 31, 2016, were originally prepared in accordance with instructions and standards for preparation and presentation of financial information issued by the Superintendency of Securities and Insurance ("SVS"), which are composed of International Financial Reporting Standards ("IFRS") and Circular 856 dated October 17, 2014 which instructs the entities that the SVS oversees to record differences in deferred tax assets and liabilities produced as a direct effect of the increase in the first category (corporate) tax rate introduced by Law 20,780 plus specific standards set forth by the SVS.

2. Significant Accounting Policies, continued

c) Basis of preparation, continued

In the re-adoption of IFRS as of January 1, 2016, the Company has applied IFRS as if it had never stopped applying IFRS in its financial statements. Consequently, the Company has not opted for any of the alternatives contemplated in IFRS 1 "First-time Adoption of International Financial Reporting Standards".

The figures included in these 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 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 financial statements of Telefonica Moviles Chile S.A. and its subsidiaries include assets and liabilities as of march 31, 2016 and December 31, 2015. Balances with related companies, income and expenses and unrealized gains and losses have been eliminated and non-controlling interests have been recognized under the category "Non-controlling interests" (note 23f).

Control is achieved when the Company is exposed to or has a 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 years ended on the same dates as the individual financial statements of the parent company, Telefónica Moviles Chile S.A. and have been prepared using homogenous accounting policies.

Non-controlling interests represent 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.

2. Significant Accounting Policies, continued

d) Basis of consolidation, continued

The following subsidiaries are included in consolidation:

Taxpayer No.	Company	Country of origin	Funct currency	Participation percentage 03.31.2016 Direct	Indirect	Total	5 Total
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA	Chile	CLP	100	-	100	100
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	Chile	CLP	100	-	100	100

2. Significant Accounting Policies, continued

d) Basis of consolidation, continued

The summarized financial information as of March 31, 2016 of the companies included in the consolidation is the following:

Taxpayer No.	Company	% Participation	Current Assets ThCh$	Non-Current Assets ThCh$	Total Assets ThCh$	Current Liabilities ThCh$	Non-Current Liabilities ThCh$	Total Liabilities ThCh$	Equity ThCh$	Operating income ThCh$	Net profit (loss) ThCh$
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA (1)	100	1,974,085	442,629	2,416,714	2,078,223	149,976	2,228,199	188,515	275,438	302,807
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	100	14,233,852	-	14,233,852	12,182	-	12,182	14,221,670	-	108,453

The summarized financial information as of December 31, 2015 of the companies included in the consolidation is the following:

Taxpayer No.	Company	% Participation	Current Assets ThCh$	Non-Current Assets ThCh$	Total Assets ThCh$	Current Liabilities ThCh$	Non-Current Liabilities ThCh$	Total Liabilities ThCh$	Equity ThCh$	Operating income ThCh$	Net profit (loss) ThCh$
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA (1)	100	1,968,279	348,165	2,316,444	1,759,063	143,847	1,902,910	413,534	1,303,647	352,437
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno	100	14,121,954	-	14,121,954	8,858,625	-	8,858,625	5,263,329	-	10,648,803

(1) The purpose of this company is to generate knowledge and develop solutions within a technological framework, mainly focusing on Mining, Agricultural Industry and Cities. In accordance with the business model, projects are at the research stage.

2. Significant Accounting Policies, continued

e) Foreign currency translation

Assets and liabilities in foreign currencies and in Unidades de Fomento (UF) have been converted to Chilean Pesos using the observed exchange rates as of each period-end, detailed as follows:

Date	US$	EURO	UF
March 31,2016	669.80	762.26	25,812.05
December 31,2015	710.16	774.61	25,629.09
March 31,2015	626.58	672.73	24,622.78

All differences resulting from foreign currency translation in the application of this standard are recognized in the income statement of the period under "Foreign Exchange Differences" and differences resulting from the aluation of the UF are recognized in income for the year under "income from indexation units".

Information at the end subsequent periods for reporting:

a) Monetary items in foreign currency shall be converted to using the closing exchange rate;

b) Non-monetary items in foreign currency measured at historical cost are converted using the exchange rate on the date of the transaction; and

c) 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.

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.

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

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 accounts receivable are recognized for the amount of the invoice, recording the corresponding adjustment should there be objective evidence of risk of payment on the part of the customer.

An allowance for doubtful accounts has been determined on uncollectable debts on the basis of stratification of the customer portfolio and age of the debts. Total uncollectibility is reached after the debt has been overdue for 90 days, accruing 100%, except for the customer portfolio of the companies segment where full accrual is established after 180 days.

Loans and accounts receivable are included in "trade and other accounts receivable" in the 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 mehod 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.

Current trade accounts are not discounted. The Company has determined that the calculation of amortized cost is no different than the billed amount because the transaction does not have significant associated costs.

ii) Financial assets at fair value through profit or loss

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

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

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

iii) Financial assets held to maturity

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

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

iv) Financial assets available for sale

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

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

These investments figure in the 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 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 the year.

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 the year.

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

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

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

2. Cash and cash equivalents

Cash and cash equivalents recognized in the statements of financial position comprise cash, bank current accounts, time deposits, investments in instruments with resale agreements and easily liquidated financial instruments that are free of risk maturing in less than three months. 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.

3. Financial liabilities

The Company classifies its financial liabilities into the following categories: at fair value through profit or loss and/or amortized cost (see Note 17, 18 and 19).

Management 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.

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

3. Financial liabilities, continued

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 in profit or loss. This category includes derivative instruments not designated for hedge accounting accounting and also considers embedded derivatives.

ii) Trade and other accounts payables

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

iii) Interest-bearing loans

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

4. Derivative financial instruments

The Company uses derivative financial instruments such as currency forward contracts, cross-currency swaps and interest rate swaps (IRS) (see Note 18b)) to manage their risks associated to fluctuations in the interest rate and in foreign exchange. The Company's purpose for maintaining derivatives is to minimize these risks using the most effective method to eliminate or reduce the impact on the underlying transactions that are being hedged (see Note 19b).

2. Significant Accounting Policies, continued

f) Financial assets and liabilities, continued

4. Derivative financial instruments, continued

Derivative instruments are recognized at their 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.

Exchange risk hedges 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 loss or profit in that reserve is taken to the comprehensive income statement 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.

At inception, 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 and 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 was 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 Policies, continued

g) Inventory

Consumption and replacement materials are valued at weighted average cost, or at net realization value, whichever is lower.

The net realizable value is the estimated selling 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, items with a rotation of more than 360 days have been defined as slow rotating. Likewise, warehouse scrap 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, 2015 was 7.59%. Thus, in the three-month periods 2016 no impairment adjustments were made.

i) Leasing

Leased assets for which the lessor retains a significant part of the risks and rewards of ownership are classified as operating leases. Payments made for this type of leasing are taken to income statement on a straight-line basis over the term of the lease. Future obligations arising from these contracts are detailed in Note 26.

2. Significant Accounting Policies, continued

i) Leasing, continued

Leased assets for which the significant risks and rewards of ownership are transferred to the Company are considered finance leases. Initially, the asset and the associated liability are recorded at the fair value of the leased asset or if lower the present value of the minimum agreed-upon lease payments. Interest expense is taken to the income statement throughout the life of the leasing contract. 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 2016 and 2015 were not identified leasing implicit.

j) Taxes

The income tax expense for each period includes 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 year-end 24% and 22.5% at march 31, 2016 and December 31, 2015, respectively.

The amount of deferred taxes is obtained from analyzing the temporary differences that arise between the tax and accounting values of assets and liabilities. These differences correspond mainly to the allowance for doubtful accounts, obsolescence provision, deferred income, dismantling provision, hedge insurance and depreciation of property, plant and equipment.

In accordance with Chilean tax laws, a tax loss from prior periods can be used in future as a tax benefit without expiration date.

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 to present value and are classified as non-current.

2. Significant Accounting Policies, continued

k) Investments in associates accounted for using the equity method

The investment is recorded initially at cost and its book value is modified based on the participation in the income of the associated company end of each year. If the investment records gains or losses directly in its net equity, the Company also recognizes its participation in those items.

The investment that the Company has in Telefonica Chile Servicios Corporativos Limitada. on which it exercises significant influence without exercising control, is recorded using the equity method (see Note 12a).

The Company owns 50% of Buenaventura S.A. which as of march 31, 2016 and December 31, 2015, presents negative shareholders' equity; therefore its recording using the equity method was discontinued, leaving the investment reflected at one Chilean peso for control purposes.

l) Goodwill

Goodwill represents the acquisition cost of identifiable assets, liabilities and contingent liabilities acquired from an associate in excess of their fair values as of the date of acquisition. After initial recognition goodwill is recorded for the cost less any accumulated impairment loss.

The Company performs impairment tests on an annual basis and when there are indicators that the net carrying amount might not be fully recoverable. Impairment tests, which are based on fair value, are carried out at a reporting unit level. If that fair value is less than the net carrying amount, an irreversible impairment loss is recognized in the income statement.

m) Intangibles

i) Intangible assets (Concession licenses)

Consist of the cost incurred to obtain mobile telephone public service concessions. They are presented at purchase cost less accumulated amortization and any accumulated impairment losses that may exist.

The Company amortizes these licenses over the concession period (30 years from publication in the Official Gazette of the decrees confirming the respective licenses, which occurred in December 2003).

ii) Licenses and Software

Software licenses are recorded at purchase or production cost less accumulated amortization and any accumulated impairment losses. This account also includes intangible assets in development which correspond to commercial systems applications, mainly billing, revenue collection and collection services to be used by the Company in the normal course of its operations with its customers. These intangible assets in development are recorded at acquisition cost plus all costs associated to their implementation, and are amortized over the period in which their use is expected to generate revenues.

2. Significant Accounting Policies, continued

m) Intangibles, continued

ii) Licenses and Software, continued

These licenses have finite useful lives and are amortized over their estimated useful lives. As of the balance sheet date they are analyzed in regards to whether there have been events or changes that indicate that the net book value might not be recoverable, in which case they are tested for impairment.

The amortization methods and periods used are reviewed at each period end and, if appropriate, are adjusted prospectively.

The Company amortizes these software licenses using the straight-line method over a maximum period of 3 years.

n) Property, plant and equipment and Depreciation

i) Property, plant and equipment

Property, plant and equipment items are measured at purchase cost, less accumulated depreciation and any possible impairment losses. Land is not depreciated.

Acquisition cost includes external costs plus internal costs necessary to carry out the investment, composed of direct costs and direct labor costs used in the installation and any other cost necessary to carry out the investment.

Additionally, initial cost includes the estimate for future dismantling and removal costs (criteria applied in a uniform manner) which the Company is obligated to incur as a consequence of the use of those assets (see note 20 bii).

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 year. 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 the year.

2. Significant Accounting Policies, continued

i) Property, plant and equipment, continued

An asset's dismantling 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 year as finance cost.

The Company capitalizes borrowing costs incurred in and directly attributable to the purchase and construction of qualified assets. Qualified assets under the criteria of the Telefonica Group are those assets that require at least 18 months of preparation for their use or sale. At march 31, 2016 and 2015, there are no capitalized interest exists.

Costs of improvements that represent an increase in productivity, capacity or efficiency or a longer useful life are capitalized as greater cost for the corresponding asset when they meet the requirements for being recognized as an asset.

Repair and maintenance expenses are charged to the income statement for the period in which they incur.

ii) Depreciation of property, plant and equipment

The Company depreciates property, plant and equipment items from the time they are in usable condition, distributing the cost of the assets using the straight-line method, over their estimated useful lives. 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 Company's average annual financial depreciation rate is approximately 10.10% and 11.77% for march 31, 2016 and 2015, respectively.

Estimated useful lives are summarized in the following detail:

Assets	Useeful lives in years	
	Minimum	Maximum
Buildings	5	40
Transport equipment	7	7
Supplies and accessories	10	10
Office equipment	10	10
Other property, plant & equipment (1)	1	20

(1) Relate to investments in network equipment and computer equipment.

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

2. Significant Accounting Policies, continued

o) 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 march 31, 2016 and 2015 respectively, considering estimations such as future permanence, employee mortality rate and future salary increases determined on the basis of actuarial calculations. Discount rates are determined by reference to market interest curves.

ii) Provision for dismantling expenses

Corresponds to the cost that will be incurred in the future for dismantling microwave antennas from the telecommunications infrastructure once the third-party site lease contract expires. This cost, is calculated at current value and is recorded as a property, plant and equipment item in assets and as a non-current provision for the future obligation. That property, plant and equipment item is amortized over the duration of the asset associated to that provision.

The estimate for the site exit period was calculated on the basis of the term of operating lease agreements for the same sites where the radiofrequency antennas are built, which is 10 years on average.

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.

p) Income and expenses

Income and costs are recognized on an accrual basis, i.e. when the right to receive a payment or the obligation to make a payment becomes effective. The moment when goods are delivered or received and services are provided is considered for these purposes, regardless of the timing of the cash flow receivable or payable (in advance, simultaneous or with credit).

The Company's income is derived primarily from providing mobile telecommunications services and is recognized to the extent that it is likely that economic benefits will flow to the Company and can be reliably measured. For the purpose of measuring and estimating telephone services provided but not yet invoiced as well as measuring income received in advance, the Company uses computer systems and processes to tally, validate and apply rates to airtime used and contracted by customers using records from various commutation centers.

2. Significant Accounting Policies, continued

p) Income and expenses, continued

Services provided but not yet invoiced are determined based on contracts, traffic, prices and conditions in force during the period. Amounts for this concept are presented within "trade and other current accounts receivable".

Income from the sale of electronic prepaid minutes top-up is recognized in the month in which the traffic is used or the minutes expire, whichever comes first. Deferred income is included in current liabilities.

Income and costs for the sale of prepaid handsets are recognized once they are activated. All expenses related to these mixed commercial offers are charged to the income statement account as they are incurred.

Customer fidelity program: Consists mainly of a program called "Club Movistar" that provides multiple benefits to our customers, which can be provided or delivered by third parties or by the Company. This loyalty program also provides "points" to customers that can be cashed-in for services and products within a certain period of time. Points are generated for the equivalent of 2% of the total value of the bill associated to contracted or hybrid plans and only for voice and data traffic, excluding reconnection, interest and collection charges. Accumulated Club Movistar points that have not been cashed after 18 months, automatically expire.

Points provided in sales transactions are recorded as a component, separate from the sale in accordance with IFRIC 13 Customer Loyalty Programs, i.e. they are recorded as deferred income at the market value of the points provided (1 point is equivalent to Ch$1), adjusted by the estimated rate of points not cashed due to expiration of the benefit. The estimated rate of points not cashed is determined using historical statistics on expiration of points that have not been cashed.

Government subsidies: 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 (see Note 22).

- The Innova Chile Committee, in order to perform research and development (R&D), technological transfer and marketing activities, in the information and communications technology areas. These resources, called government subsidies, are initially recorded as deferred income, under other non-financial liabilities, and are charged to income as the projects are being developed (see Note 22).

2. Significant Accounting Policies, continued

q) Use of Estimates

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

q) Use of Estimates

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.

The determination of useful lives requires estimates regarding expected technological progress and alternative uses for assets. Hypotheses regarding technological framework and its future development imply a significant degree of judgment, as the timing and nature of future technological changes 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.

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

2. Significant Accounting Policies, continued

q) Use of Estimates, continued

iv) Income recognition: agreements combining more than one element

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

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

A change in relative fair value estimates could affect distribution of income among components and, consequently, could affect income for future periods.

v) Financial assets and liabilities

When the fair value of financial assets and financial liabilities recorded in the balance sheet 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 when 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 the financial instrument.

vi) Post-employment benefits

The cost of defined post retirement plans and the current value of the obligation are determined using actuarial evaluations. An actuarial evaluation implies making assumptions regarding the types of discounts, future salary increases, mortality rates and future pension increases. All assumptions are reviewed once a year. The interest rates of instruments issued by the Central Bank of Chile are used as reference to determine the discount rate. The mortality rate is based on publicly available mortality tables for the country.

Future salary and pension increases are based on increases in the country's inflation rate foreseen for the future. (For details of actuarial hypotheses used, refer to Note 21a).

2. Significant Accounting Policies, continued

r) Consolidation methods

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

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

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

s) Non-current assets classified as held for distribution to the owners

Non-current assets destined to be distributed to the owners are measured at carrying amount or fair value, less cost of sales, whichever is lower. Assets are classified in this account when it is more likely than not that they will be realized. Management must be committed to a plan for the distribution of net assets to the owners.

Property, plant and equipment assets classified as held for distribution to the owners are not depreciated.

t) 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

2. Significant Accounting Policies, continued

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

IFRS 9 "Financial Instruments"

The final version of IFRS 9 Financial Instruments, was issued in July 2014, gathering all the phases of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. This standard includes new requirements based on principles for the classification and measurement, it introduces a "more prospective" model of expected credit losses for impairment accounting and a substantially reformed focus for hedge accounting. Entities will also have the option for early application of accounting for profits and losses due to changes in fair value related to "inherent credit risk" for financial liabilities designated at fair value through profit or loss, without applying the other requirements of IFRS 9. Application of the standard shall be mandatory for annual periods commencing as of January 1, 2018. Early application is allowed.

IFRS 15 "Revenue from Contracts with customers"

IFRS 15 Revenue from Contracts with Customers, issued in May 2014, is a new standard which is applicable to all contracts with customers, except for leases, financial instruments and insurance contracts. This a joint project with the FASB to eliminate differences in recognition of income existing between IFRS and US GAAP. This new standard is intended to improve the inconsistencies and weaknesses of IAS 18 and provide a model that will facilitate the comparison of companies in different industries and regions. The standard provides a new model for recognition of income and more detailed requirements for contracts with multiple elements, and requires more detailed disclosures. Application of the standard is effective as of January 1, 2018 and early application is allowed.

IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16 Leases. IFRS 16 establishes the definition of a lease contract and specifies the accounting treatment of assets and liabilities originated by these contracts from the point of view of the lessor and lessee. The new standard does not differ significantly from the standard that precedes it, IAS 17 Leases, in respect to the accounting treatment from the point of view of the lessor. However, from the point of view of the lessee, the new standard requires recognition of assets and liabilities for most of the lease contracts. The application of IFRS 16 shall be mandatory for annual periods beginning as of January 1, 2019. Early application is allowed if it is adopted together with IFRS 15 Revenue from Contracts with Customers.

The Company has evaluated the impact that the application of these standards could generate on their effective date and has determined that they will not have a significant impact on the consolidated financial statements, with the exception of IFRS 15 and IFRS 16, which is at the evaluation stage.

	Improvements and amendments	Mandatory Application date
IAS 7	Statement of Cash Flows	January 1, 2017
IAS 12	Income taxes	January 1, 2017
IAS 28	Investments in associates and joint ventures	indetermined
IFRS 10	Consolidated financial state ments	indetermined

2. Significant Accounting Policies, continued

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

IAS 7 "Statement of Cash Flows"

Amendments to IAS 7 Statement of Cash Flows, issued in January 2016 as part of the Disclosure Initiative project, require that an entity disclose information that allows users of the financial statements to assess the changes in the obligations derived from financing activities, including both changes derived from cash flows and changes that do not involve cash. The application of amendments will be mandatory for annual periods commencing as of January 1, 2017. Early application is allowed.

IAS 12 "Income Taxes"

These amendments, issued by the IASB in January 2016, clarify how to record deferred tax assets corresponding to debt instruments measured at fair value. The application of the amendments will be mandatory for annual periods commencing as of January 1, 2017. Early application is allowed.

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

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address a recognized inconsistency between the requirements of IFRS 10 and those of IAS 28 (2011) in the treatment of the sale or contribution of assets between an investor and its associate or joint venture. The amendments, issued in September 2014, establish that when the transaction involves a business (whether in a subsidiary or not) the full profit or loss is recognized. A partial profit or loss is recognized when the transaction involves assets that do not constitute a business, even when the assets are located in a subsidiary. The date of mandatory application of these amendments is yet to be determined since the IASB plans a detailed investigation that could result in simplification of the accounting for associates and joint ventures. Immediate application is allowed.

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

u) 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.

2. Significant Accounting Policies, continued

u) Statement of cash flows

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

The IFRS 8, "Operating Segments" which establishes the standards for reporting on operating segments and related disclosures for products and services and geographic areas. Operating segments are defined as components of an entity for which discrete financial information is available and is regularly reviewed by the Company's principal decision maker to make decisions about resource allocation and assess its performance.

The Company provides mobile telecommunications services in Chile. As established by the Undersecretary of Telecommunications, companies that provide mobile telephone services cannot engage in other activities outside their main line of business. Therefore the Company is in itself a single segment.

At march 31, 2016 there have been no changes in the measurement methods used to determine segment results with respect to the prior year.

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Concepts	Currency	03.31.2016 ThCh$	12.31.2015 ThCh$
Cash (a)		1,861,558	1,113,190
	CLP	1,861,558	1,113,190
Banks (b)		771,950	4,776,327
	CLP	771,950	4,574,725
	EUR	-	201,602
Time deposits (c)		93,343,028	129,252,779
	CLP	93,343,028	129,252,779
Resale agreements (d)		11,700,858	-
	CLP	11,700,858	-
	USD	-	-
Total cash and cash equivalents		107,677,394	135,142,296
Subtotal by currency	CLP	107,677,394	134,940,694
	EUR	-	201,602

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 their book value is the same as their fair value.

b) Banks

Bank balances are composed of money maintained in bank checking accounts and their book value is the same as their fair value.

5. Cash and cash equivalents, continued

c) Time deposits,

Time deposits maturing in less than 90 days are recorded at fair value and detail to march 31, 2016 and December 31, 2015 it is 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$	Foreign currency translation local currency ThCh$	Total as of 03.31.2016 ThCh$
Time deposit	CLP	74,447,000	0.33%	13	74,447,000	98,450	-	74,545,450
Time deposit	USD	19,300,000	0.58%	13	19,300,000	7,408	(509,830)	18,797,578
Total					93,747,000	105,858	-	93,343,028

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$	Foreign currency translation local currency ThCh$	Total as of 12.31.2015 ThCh$
Time deposit	CLP	#########	3.96%	25	129,127,270	125,509	-	129,252,779
Total					129,127,270	125,509	-	129,252,779

5. Cash and cash equivalents, continued

d) Resale agreements,

Balances as of March 31, 2016 are detailed as follows:

Code	Dates Beginning	Dates Ending	Counterparty	Original currency	Subscription value ThCh$	Annual rate	Final value ThCh$	Identification of instruments	Book value 03.31.2016 ThCh$
BCP	03-30-16	04-01-16	BCI	CLP	1,700,000	4.9496%	1,700,125	BCP0450620	1,700,125
BCP	03-30-16	04-04-16	BCI	CLP	10,000,000	4.9496%	10,000,733	BCP0450620	10,000,733
			Total		11,700,000		11,700,858		11,700,858

As of December 31, 2015, the Company has no resale agreements.

6. Other Current and Non-current Financial Assets

The breakdown of other current financial assets is as follows:

Concepts	03.31.2016 Current ThCh$	03.31.2016 Non-Current ThCh$	12.31.2015 Current ThCh$	12.31.2015 Non-Current ThCh$
Other investments (a)	-	1	-	1
Highly liquid financial instruments (b)	42,875,066.00	-	-	-
Hedging instruments (18 b)	24,716,566	15,198,417	29,627,151	12,691,025
Total	67,591,632	15,198,418	29,627,151	12,691,026

a) As of March 31, 2016 and 2015, there are no other investments in current assets.

b) As of march 31, 2016, the detail of highly liquid financial instruments is as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Capital in local currency ThCh$	Accrued interest in local currency ThCh$	Foreign currency translation local currency ThCh$	Total as of 03.31.2016 ThCh$
Highly liquid financial instruments	USD	43,000,000	0.75%	31	29,375,880	600	(574,481)	28,801,999
Highly liquid financial instruments	USD	21,000,000	0.60%	29	14,472,780	7,267	(406,980)	14,073,067
Total					43,848,660	7,867	(981,461)	42,875,066

As of December 31, 2015, the Company has no highly liquid financial instruments.

7. Other Non-Financial Assets, Current and Non Current

Other non-financial assets correspond to advance payments, which are detailed as follows:

Description	03.31.2016 Current ThCh$	03.31.2016 Non-Current ThCh$	12.31.2015 Current ThCh$	12.31.2015 Non-Current ThCh$
Advance payments (1)	18,337,745	-	18,402,235	-
Other prepaid expenses (2)	10,199,759	571,288	10,592,885	571,288
Deferred handset costs (3)	4,074,351	-	2,296,655	-
Other taxes (4)	778,191	-	1,772,366	-
Customer guarantees	281,893	-	281,893	-
Total	33,671,939	571,288	33,346,034	571,288

(1) Includes advance payments associated to site leases.
(2) Corresponds to commissions paid to franchisees for additions and replacement of mobile equipment and others, which are deferred over six months.
(3) Corresponds to the cost of prepaid handsets dispatched, which have been activated by end customers.
(4) Includes recoverable taxes ThCh$242,496 for the 2015 tax year, customs duties refund and other taxes.

8. Trade and Other Current Accounts Receivable

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

Description	03.31.2016 Gross value ThCh$	03.31.2016 Uncollectable debts ThCh$	03.31.2016 Net value ThCh$	12.31.2015 Gross value ThCh$	12.31.2015 Uncollectable debts ThCh$	12.31.2015 Net value ThCh$
Current receivables on credit operations	171,180,276	(49,651,038)	121,529,238	155,537,217	(45,903,233)	109,633,984
Services billed	110,248,718	(49,651,038)	60,597,680	95,987,349	(45,903,233)	50,084,116
Services provided and not billed	60,931,558	-	60,931,558	59,549,868	-	59,549,868
Miscellaneous receivables	8,716	-	8,716	10,672	-	10,672
Total	171,188,992	(49,651,038)	121,537,954	155,547,889	(45,903,233)	109,644,656

b) The composition of trade and other current accounts receivables that shows past due amounts, not collected and provisioned according maturity is as follows:

Description	03.31.2016 Less than 3 months ThCh$	03.31.2016 3 to 6 months ThCh$	03.31.2016 6 to 12 months ThCh$	03.31.2016 than 12 months ThCh$	03.31.2016 Total ThCh$	12.31.2015 Less than 3 months ThCh$	12.31.2015 3 to 6 months ThCh$	12.31.2015 6 to 12 months ThCh$	12.31.2015 than 12 months ThCh$	12.31.2015 Total ThCh$
Miscellaneous receivables	21,248,234	1,408,054	-	-	22,656,288	12,093,796	2,126,330	-	-	14,220,126
Total	21,248,234	1,408,054	-	-	22,656,288	12,093,796	2,126,330	-	-	14,220,126

8. Trade and Other Current Accounts Receivable, continued

c) Movements of the provision for doubtful accounts which consider "Trade and other current accounts receivable" are as follows:

Movements	03.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	45,903,233	54,923,878
Increases	5,999,260	23,010,589
Eliminations/ Additions	(2,251,455)	(32,031,234)
Movements, subtotal	3,747,805	(9,020,645)
Closing balance	49,651,038	45,903,233

d) Movements of the provision for doubtful accounts to reflect the composition of the portfolio as of march 31, 2016 and 2015 are as follows:

Provisions and write-offs	03.31.2016 ThCh$	03.31.2015 ThCh$
Accrual for portfolio that has not been renegotiated	2,131,786	5,479,842
Accrual for renegotiated portfolio	3,867,474	241,952
Write-offs for the year	(2,251,455)	(4,423,761)
Total	3,747,805	1,298,033

e) The composition of the portfolio protested and in legal collection as of march 31, 2016 and december 31, 2015 is as follows:

Portfolio of prosted and in legal collection as of 03.31.2016	Porfolio of accounts receivable protested w/o guarantee	Porfolio of accounts receivable protested w/guarantee	Porfolio of accounts receivable in legal collection w/o guarantee	Porfolio of accounts receivable in legal collection w/guarantee
Number of customers in portfolio protested or in legal collection	1,577	-	176	-
Portfolio of protested or in legal collection ThCh$	6,210,033	-	151,191	-

8. Trade and Other Current Accounts Receivable, continued

Portfolio of prosted and in legal collection as of 12.31.2015	Porfolio of accounts receivable protested w/o guarantee	Porfolio of accounts receivable protested w/guarantee	Porfolio of accounts receivable in legal collection w/o guarantee	Porfolio of accounts receivable in legal collection w/guarantee
Number of customers in portfolio protested or in legal collection	1,596	-	177	-
Portfolio of protested or in legal collection ThCh$	6,212,940	-	151,356	-

8. Trade and Other Accounts Receivable, continued

The portfolio composition stratified by segment for march 31, 2016 is as follows:

Aging of portfolio by segment Period March 31	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 61 to 90 days ThCh$	From 91 to 120 days ThCh$	From 121 to 150 days ThCh$	From 151 to 180 days ThCh$	From 181 to 210 days ThCh$	From 211 to 250 days ThCh$	More than 250 days ThCh$	Total portfolio w/o guarantee ThCh$
Individuals											
Number of clients w/o renegotiation	684,573	75,317	36,333	30,154	33,396	29,871	30,681	30,167	28,041	1,297,685	2,276,218
Gross portfolio w/o renegotiation	30,956,991	3,501,429	2,218,447	2,076,025	-	-	-	-	-	-	38,752,892
Debt	30,956,991	3,501,429	2,218,447	2,076,025	1,719,161	1,731,468	1,636,714	1,620,791	987,915	20,665,572	67,114,513
Accrual	-	-	-	-	(1,719,161)	(1,731,468)	(1,636,714)	(1,620,791)	(987,915)	(20,665,572)	(28,361,621)
Number of clients with renegotiation	7,192	7,971	1,635	1,489	1,404	1,335	1,496	1,317	1,399	18,227	43,465
Gross portfolio with renegotiation	518,674	33,005	136	4	-	-	-	-	-	-	551,819
Debt	923,316	271,566	124,397	120,379	116,179	120,389	129,404	124,557	133,670	1,290,980	3,354,837
Accrual	(404,642)	(238,561)	(124,261)	(120,375)	(116,179)	(120,389)	(129,404)	(124,557)	(133,670)	(1,290,980)	(2,803,018)
Total number of clients	691,765	83,288	37,968	31,643	34,800	31,206	32,177	31,484	29,440	1,315,912	2,319,683
Total Individuals portfolio	31,475,665	3,534,434	2,218,583	2,076,029	-	-	-	-	-	-	39,304,711
Debt	31,880,307	3,772,995	2,342,844	2,196,404	1,835,340	1,851,857	1,766,118	1,745,348	1,121,585	21,956,552	70,469,350
Accrual	(404,642)	(238,561)	(124,261)	(120,375)	(1,835,340)	(1,851,857)	(1,766,118)	(1,745,348)	(1,121,585)	(21,956,552)	(31,164,639)
Companies											
Number of clients w/o renegotiation	93,206	11,032	4,020	2,667	2,426	2,528	2,228	2,067	2,041	56,144	178,359
Gross portfolio w/o renegotiation	65,909,101	4,503,494	5,399,517	3,509,112	480,452	105,474	822,111	-	-	-	80,729,261
Debt	65,909,101	4,503,494	5,399,517	3,509,112	480,452	105,474	822,111	729,241	430,313	16,262,389	98,151,204
Accrual	-	-	-	-	-	-	-	(729,241)	(430,313)	(16,262,389)	(17,421,943)
Number of clients with renegotiation	962	1,205	212	183	152	170	203	166	208	3,416	6,877
Gross portfolio with renegotiation	108,974	6,996	26	43	17	-	-	-	-	-	116,056
Debt	209,814	62,477	26,622	25,654	24,418	25,491	25,158	24,088	27,470	729,320	1,180,512
Accrual	(100,840)	(55,481)	(26,596)	(25,611)	(24,401)	(25,491)	(25,158)	(24,088)	(27,470)	(729,320)	(1,064,456)
Total number of clients	94,168	12,237	4,232	2,850	2,578	2,698	2,431	2,233	2,249	59,560	185,236
Total companies portfolio	66,018,075	4,510,490	5,399,543	3,509,155	480,469	105,474	822,111	-	-	-	80,845,317
Debt	66,118,915	4,565,971	5,426,139	3,534,766	504,870	130,965	847,269	753,329	457,783	16,991,709	99,331,716
Accrual	(100,840)	(55,481)	(26,596)	(25,611)	(24,401)	(25,491)	(25,158)	(753,329)	(457,783)	(16,991,709)	(18,486,399)
Other											
Number of clients w/o renegotiation											
Gross portfolio w/o renegotiation	1,387,926										1,387,926
Debt	1,387,926	-	-	-	-	-	-	-	-	-	1,387,926
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total companies portfolio	1,387,926	-	-	-	-	-	-	-	-	-	1,387,926
Debt	1,387,926	-	-	-	-	-	-	-	-	-	1,387,926
Accrual	-	-	-	-	-	-	-	-	-	-	-
Portfolio Consolidated											
Number of clients w/o renegotiation	777,779	86,349	40,353	32,821	35,822	32,399	32,909	32,234	30,082	1,353,829	2,454,577
Gross portfolio w/o renegotiation	98,254,018	8,004,923	7,617,964	5,585,137	480,452	105,474	822,111	-	-	-	120,870,079
Debt	98,254,018	8,004,923	7,617,964	5,585,137	2,199,613	1,836,942	2,458,825	2,350,032	1,418,228	36,927,961	166,653,643
Accrual	-	-	-	-	(1,719,161)	(1,731,468)	(1,636,714)	(2,350,032)	(1,418,228)	(36,927,961)	(45,783,564)
Number of clients with renegotiation	8,154	9,176	1,847	1,672	1,556	1,505	1,699	1,483	1,607	21,643	50,342
Gross portfolio with renegotiation	627,648	40,001	162	47	17	-	-	-	-	-	667,875
Debt	1,133,130	334,043	151,019	146,033	140,597	145,880	154,562	148,645	161,140	2,020,300	4,535,349
Accrual	(505,482)	(294,042)	(150,857)	(145,986)	(140,580)	(145,880)	(154,562)	(148,645)	(161,140)	(2,020,300)	(3,867,474)
Total number of clients (1)	785,933	95,525	42,200	34,493	37,378	33,904	34,608	33,717	31,689	1,375,472	2,504,919
Total Consolidated portfolio	98,881,666	8,044,924	7,618,126	5,585,184	480,469	105,474	822,111	-	-	-	121,537,954
Debt	99,387,148	8,338,966	7,768,983	5,731,170	2,340,210	1,982,822	2,613,387	2,498,677	1,579,368	38,948,261	171,188,992
Accrual	(505,482)	(294,042)	(150,857)	(145,986)	(1,859,741)	(1,877,348)	(1,791,276)	(2,498,677)	(1,579,368)	(38,948,261)	(49,651,038)

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

8. Trade and Other Accounts Receivable, continued

The portfolio composition stratified by segment for december 31, 2015 is as follows:

Aging of portfolio by segment Period December 2015	Up to date	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 120 days	From 121 to 150 days	From 151 to 180 days	From 181 to 210 days	From 211 to 250 days	More than 250 days	Total portfolio w/o guarantee
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Individuals											
Number of clients w/o renegotiation	650,201	79,064	37,613	35,080	32,810	29,814	29,990	18,458	33,922	1,268,629	2,215,581
Gross portfolio w/o renegotiation	29,654,648	3,472,155	2,302,015	2,070,427	-	-	-	-	-	-	37,499,245
Debt	29,654,648	3,472,155	2,302,015	2,070,427	1,785,135	1,649,781	1,513,155	928,086	1,336,403	17,854,120	62,565,925
Accrual	-	-	-	-	(1,785,135)	(1,649,781)	(1,513,155)	(928,086)	(1,336,403)	(17,854,120)	(25,066,680)
Number of clients with renegotiation	8,085	9,112	1,657	1,623	1,386	1,483	1,478	977	1,714	15,612	43,127
Gross portfolio with renegotiation	643,907	38,334	138	167	-	-	-	-	-	-	682,546
Debt	1,124,642	296,533	135,450	144,925	138,263	146,881	137,941	84,285	126,776	1,132,177	3,467,873
Accrual	(480,735)	(258,199)	(135,312)	(144,758)	(138,263)	(146,881)	(137,941)	(84,285)	(126,776)	(1,132,177)	(2,785,327)
Total number of clients	658,286	88,176	39,270	36,703	34,196	31,297	31,468	19,435	35,636	1,284,241	2,258,708
Total Individuals portfolio	30,298,555	3,510,489	2,302,153	2,070,594	-	-	-	-	-	-	38,181,791
Debt	30,779,290	3,768,688	2,437,465	2,215,352	1,923,398	1,796,662	1,651,096	1,012,371	1,463,179	18,986,297	66,033,798
Accrual	(480,735)	(258,199)	(135,312)	(144,758)	(1,923,398)	(1,796,662)	(1,651,096)	(1,012,371)	(1,463,179)	(18,986,297)	(27,852,007)
Companies											
Number of clients w/o renegotiation	91,428	10,860	3,969	3,011	2,500	2,218	2,237	1,494	2,601	54,284	174,602
Gross portfolio w/o renegotiation	63,787,139	279,582	1,297,347	2,625,651	1,469,681	599,775	56,874	-	-	-	70,116,049
Debt	63,787,139	279,582	1,297,347	2,625,651	1,469,681	599,775	56,874	218,900	249,877	16,470,938	87,055,764
Accrual	-	-	-	-	-	-	-	(218,900)	(249,877)	(16,470,938)	(16,939,715)
Number of clients with renegotiation	1,181	1,475	240	243	183	215	179	115	200	3,275	7,306
Gross portfolio with renegotiation	127,811	7,921	50	9	-	-	-	-	-	-	135,791
Debt	265,443	79,263	30,495	28,587	27,578	29,418	27,313	18,684	26,079	714,441	1,247,301
Accrual	(137,632)	(71,342)	(30,445)	(28,578)	(27,578)	(29,418)	(27,313)	(18,684)	(26,079)	(714,441)	(1,111,510)
Total number of clients	92,609	12,335	4,209	3,254	2,683	2,433	2,416	1,609	2,801	57,559	181,908
Total Companies portfolio	63,914,950	287,503	1,297,397	2,625,660	1,469,681	599,775	56,874	-	-	-	70,251,840
Debt	64,052,582	358,845	1,327,842	2,654,238	1,497,259	629,193	84,187	237,584	275,956	17,185,379	88,303,065
Accrual	(137,632)	(71,342)	(30,445)	(28,578)	(27,578)	(29,418)	(27,313)	(237,584)	(275,956)	(17,185,379)	(18,051,225)
Other											
Number of clients w/o renegotiation											
Gross portfolio w/o renegotiation	1,211,025	-	-	-	-	-	-	-	-	-	1,211,025
Debt	1,211,025	-	-	-	-	-	-	-	-	-	1,211,025
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total companies portfolio	1,211,025	-	-	-	-	-	-	-	-	-	1,211,025
Debt	1,211,025	-	-	-	-	-	-	-	-	-	1,211,025
Accrual	-	-	-	-	-	-	-	-	-	-	-
Portfolio Consolidated											
Number of clients w/o renegotiation	741,629	89,924	41,582	38,091	35,310	32,032	32,227	19,952	36,523	1,322,913	2,390,183
Gross portfolio w/o renegotiation	94,652,812	3,751,737	3,599,362	4,696,078	1,469,681	599,775	56,874	-	-	-	108,826,319
Debt	94,652,812	3,751,737	3,599,362	4,696,078	3,254,816	2,249,556	1,570,029	1,146,986	1,586,280	34,325,058	150,832,714
Accrual	-	-	-	-	(1,785,135)	(1,649,781)	(1,513,155)	(1,146,986)	(1,586,280)	(34,325,058)	(42,006,395)
Number of clients with renegotiation	9,266	10,587	1,897	1,866	1,569	1,698	1,657	1,092	1,914	18,887	50,433
Gross portfolio with renegotiation	771,718	46,255	188	176	-	-	-	-	-	-	818,337
Debt	1,390,085	375,796	165,945	173,512	165,841	176,299	165,254	102,969	152,855	1,846,618	4,715,174
Accrual	(618,367)	(329,541)	(165,757)	(173,336)	(165,841)	(176,299)	(165,254)	(102,969)	(152,855)	(1,846,618)	(3,896,837)
Total number of clients	750,895	100,511	43,479	39,957	36,879	33,730	33,884	21,044	38,437	1,341,800	2,440,616
Total Consolidated portfolio	95,424,530	3,797,992	3,599,550	4,696,254	1,469,681	599,775	56,874	-	-	-	109,644,656
Debt	96,042,897	4,127,533	3,765,307	4,869,590	3,420,657	2,425,855	1,735,283	1,249,955	1,739,135	36,171,676	155,547,889
Accrual	(618,367)	(329,541)	(165,757)	(173,336)	(1,950,976)	(1,826,080)	(1,678,409)	(1,249,955)	(1,739,135)	(36,171,676)	(45,903,233)

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

9. Accounts receivable and payable to related companies

a) Accounts receivable from related companies current:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2016 ThCh$	12.31.2015 ThCh$
						TOTAL	28,038,792	16,256,170
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	Mercantile Current Account	CLP	60 days	26,380,704	14,256,211
				Professional Serv.	CLP	60 days	1,449,198	1,210,177
				Others	CLP	60 days	208,890	789,782
						TOTAL	7,915,445	9,343,921
Telefónica Chile S.A.	90.635.000-9	Chile	Common parent company	Collection	CLP	60 days	4,252,375	7,021,767
				Acces fee	CLP	60 days	2,154,740	1,854,645
				Others	CLP	61 days	772,661	140,099
				Mobile fixed cost	CLP	60 days	735,669	327,410
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Roaming	EUR	90 days	1,634,816	-
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common end controller	Roaming	USD	90 days	722,822	678,676
Telefónica O2 Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	Serv. Provided	USD	90 days	332,424	332,488
Telefónica Brasil	Foreign	Brazil	Common end controller	Roaming	USD	90 days	312,758	1,762,963
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	296,485	291,885
Telefónica Larga Distancia S.A.	96.672.160-K	Chile	Common end controller	Serv. Provided	CLP	60 days	253,683	349,212
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	90 days	205,511	210,925
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Common end controller	Serv. Provided	USD	90 days	176,445	44,727
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	171,637	209,748
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Common end controller	Serv. Provided	CLP	60 days	163,094	163,744
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	101,873	67,525
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	USD	90 days	81,367	-
Telefónica International Wholesale Services Chile S.A.	96.910.730.-9	Chile	Common end controller	Serv. Provided	CLP	60 days	72,459	131,192
Telefónica Móviles de Panamá	Foreign	Panama	Common end controller	Serv. Provided	USD	90 days	66,275	81,968
Telefónica del Perú	Foreign	Peru	Common end controller	Serv. Provided	CLP	60 days	47,274	49,457
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	43,294	43,591
Telefónica Factoring Chile, S.A.	76.096.189-2	Chile	Common end controller	Serv. Provided	CLP	60 days	28,588	-
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Serv. Provided	USD	90 days	26,025	31,555
Otecel S.A.	Foreign	Equator	Common end controller	Serv. Provided	USD	90 days	16,421	15,911
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Common end controller	Serv. Provided	CLP	60 days	15,539	14,514
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Serv. Provided	USD	90 days	9,749	11,377
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv. Provided	USD	90 days	8,959	12,824
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Serv. Provided	USD	90 days	247	331
Telfisa Global B.V.	Foreign	Chile	Common end controller	Serv. Provided	CLP	90 days	239	630,092
Telefónica Costa Rica	Foreign	Costa Rica	Common end controller	Serv. Provided	USD	90 days	-	510,568
Telefónica Móviles Soluciones y Aplicaciones S.A.	96.990.810-K	Chile	Common end controller	Serv. Provided	CLP	60 days	-	111,502
Intertel S.A. (1)	96.898.630-9	Chile	Common parent company	Serv. Provided	CLP	60 days	-	9,500
Telefónica Ireland Ltda	Foreign	Ireland	Common end controller	Serv. Provided	USD	90 days	-	28,161
Total							40,742,221	31,394,527

(1) On March 31, 2016, Intertel merged with Telefónica móviles Chile S.A.

Common end controller: Telefónica S.A.
Parent Company: Inversiones Telefónica Móviles Holding S.A.

9. Accounts receivable and payable to related companies, continued

b) Non-current accounts receivable from related parties:

Company	Taxpayer #	Country of origin	Nature of the relationship	Origin of the transaction	Currency	Term	12.31.2015 ThCh$	12.31.2014 ThCh$
Telefónica Chile S.A.	90.635.000-9	Chile	Common parent company	Comm. curr. acct.	CLP	3 years	21,428,586	21,181,406
Total							21,428,586	21,181,406

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

9. Accounts receivable and payable to related companies, continued

c) Accounts payable to related companies current

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2016 ThCh$	12.31.2015 ThCh$
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	Professional services	CLP	60 days	30,644,189	31,117,227
						TOTAL	27,759,542	20,647,532
				Access Charge and Links	CLP	60 days	22,460,078	15,930,769
Telefónica Chile S.A.	90.635.000-9	Chile	Common end controller	W Serv Lease - Space and Energy	CLP	60 days	4,122,852	4,633,442
				Others	CLP	90 days	1,176,612	83,321
Telefónica S.A.	Foreign	Spain	End controller	Servicios de Brand Fee	CLP	60 days	7,157,845	3,638,479
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Common end controller	Management Services	CLP	60 days	6,793,242	7,147,632
Telefónica Global Technology Chile S.A.	59.165.120-K	Chile	Common end controller	Serv. Provided	CLP	60 days	3,640,162	2,334,027
						TOTAL	2,856,616	3,031,219
Telefónica Internacional S.A.U.	Foreign	Spain	Common end controller	Management Fee	EUR	90 days	1,662,825	1,335,372
				Cost Sharing Agreement	EUR	90 days	1,193,791	1,695,847
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	2,294,862	694,743
Telefónica Larga Distancia S.A.	96.672.160-K	Chile	Common end controller	Serv. Provided	CLP	60 days	2,192,649	3,148,783
Telefónica Móviles Soluciones y Aplicaciones S.A.	96.990.810-7	Chile	Common end controller	Serv. Provided	CLP	60 days	1,691,439	1,677,778
Telefónica Uk Ltd	Foreign	England	Common end controller	Serv. Provided	USD	90 days	1,591,904	1,689,504
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	850,533	1,082,009
Telefónica del Perú	Foreign	Peru	Common end controller	Serv. Provided	CLP	90 days	529,940	490,846
Telefónica International Wholesale Services Chile S.A.	96.910.730.-9	Chile	Common end controller	Serv. Provided	CLP	60 days	478,863	2,321,803
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv. Provided	USD	60 days	406,114	11,005
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	221,679	108,721
Telefónica Global Roaming Gmbh	Foreign	Germany	Common end controller	Serv. Provided	EUR	90 days	208,973	161,088
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	188,872	184,653
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common end controller	Serv. Provided	USD	90 days	165,267	154,763
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	144,263	289,123
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Serv. Provided	USD	90 days	100,909	88,211
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Common end controller	Serv. Provided	USD	90 days	84,800	2,511
Telefónica Brasil	Foreign	Brazil	Common end controller	Serv. Provided	CLP	90 days	81,887	1,427,730
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	69,162	69,161
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	90 days	66,358	69,526
Otecel S.A.	Foreign	Equator	Common end controller	Serv. Provided	USD	90 days	52,013	59,460
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	USD	90 days	20,222	18,297
Telefónica Móviles Panamá	Foreign	Panama	Common end controller	Serv. Provided	USD	90 days	12,086	29,306
Telefónica on the Spot Services S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	30 days	11,282	4,183
Telefónica Asset Management Chile	76.173.568-3	Chile	Common parent company	Serv. Provided	CLP	60 days	6,606	3,159
Telefónica Global Tecnology	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	6,567	20,407
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Serv. Provided	USD	90 days	4,218	5,154
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv. Provided	USD	90 days	3,235	6,835
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Common end controller	Serv. Provided	CLP	60 days	704	704
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Serv. Provided	USD	90 days	621	358
Inversiones Telefónica Moviles Holding Limitada	76.124.890-1	Chile	Parent company	Serv. Provided	CLP	60 days	122	-
Telfisa Global B.V.	Foreign	Spain	Common end controller	commission administration	CLP	90 days	-	119,508
Total							90,337,746	81,855,445

9. Accounts receivable and payable to related companies, continued

d) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	03.31.2016 ThCh$	Effect on income debits / credits	12.31.2015 ThCh$	Effect on income debits / credits
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	CLP	**TOTAL**	**(14,900,010)**	**(14,900,010)**	**(14,319,797)**	**(14,319,797)**
					Services staff seconded from other companies	(15,378,813)	(15,378,813)	(14,969,853)	(14,969,853)
					Sales	478,803	478,803	465,743	465,743
					Financial income	-	-	184,313	184,313
Telefónica Chile S.A.	90.635.000-9	Chile	Common end controller	CLP	**TOTAL**	**(9,141,951)**	**(9,141,951)**	**(6,462,557)**	**(6,462,557)**
					Costs access charges	(10,388,380)	(10,388,380)	(8,093,928)	(8,093,928)
					Others	(562,140)	(562,140)	(730,626)	(730,626)
					Service Telephone	(114,144)	(114,144)	(99,141)	(99,141)
					Others	853,363	853,363	761,180	761,180
					Costs access charges	822,170	822,170	864,903	864,903
					Financial income	247,180	247,180	835,055	835,055
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Common end controller	CLP	**TOTAL**	**(6,178,482)**	**(6,178,482)**	**(3,873,783)**	**(3,873,783)**
					Professional Serv.	(6,360,011)	(6,360,011)	(3,943,476)	(3,943,476)
					Others	-	-	(5,972)	(5,972)
					Sales	181,529	181,529	75,665	75,665
Telefónica S.A.	Foreign	Spain	End controller	EUR	Brand Fee	(3,564,183)	(3,564,183)	(3,846,217)	(3,846,217)
Telefónica Larga Distancia S.A.	96.672.160-K	Chile	Common end controller	CLP	**TOTAL**	**(2,123,950)**	**(2,123,950)**	**(2,166,973)**	**(2,166,973)**
					Costs	(2,339,541)	(2,339,541)	(2,540,579)	(2,540,579)
					Sales	215,591	215,591	373,606	373,606
Telefónica Global Technology Chile S.A.	59.165.120-K	Chile	Common end controller	CLP	**TOTAL**	**(2,836,972)**	**(2,836,972)**	**(1,961,332)**	**(1,961,332)**
					Services computer	(2,826,425)	(2,826,425)	(1,959,558)	(1,959,558)
					Financial expenses	(15,538)	(15,538)	(1,774)	(1,774)
					Sales	4,991	4,991	-	-
O2 Manx Telecom Ltda	Foreign	England	Common end controller	USD	Sales	70,852	70,852	(123,196)	(123,196)

9. Accounts receivable and payable to related companies, continued

d) Transactions, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	03.31.2016 ThCh$	Effect on income debits / credits	12.31.2015 ThCh$	Effect on income debits / credits
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Common end controller	CLP	**TOTAL**	**245,637**	**245,637**	**(265,085)**	**(265,085)**
					Costs	286,965	286,965	(291,088)	(291,088)
					Sales	(41,328)	(41,328)	26,003	26,003
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	CLP	**TOTAL**	**(104,383)**	**(104,383)**	**(183,145)**	**(183,145)**
					Costs	(188,033)	(188,033)	(185,387)	(185,387)
					Sales	83,650	83,650	2,242	2,242
Telefónica Internacional S.A.U.	Foreign	Spain	Common end controller	EUR	**TOTAL**	**(845,285)**	**(845,285)**	**151,778**	**151,778**
					Management Fee	(327,452)	(327,452)	-	-
					Sales	(510,568)	(510,568)	-	-
					Costs	22,828	22,828	151,778	151,778
					Others	(30,093)	(30,093)	-	-
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	CLP	**TOTAL**	**(132,665)**	**(132,665)**	**(162,818)**	**(162,818)**
					Costs	(170,389)	(170,389)	(181,839)	(181,839)
					Sales	37,724	37,724	19,021	19,021
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	EUR	**TOTAL**	**(38,783)**	**(38,783)**	**34,964**	**34,964**
					Sales	234,198	234,198	117,518	117,518
					Costs	(272,981)	(272,981)	(82,554)	(82,554)
Telefónica Digital España	Foreign	Spain	Common end controller	EUR	Costs	66,367	66,367	4,330	4,330
O2 Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	USD	**TOTAL**	**(23,647)**	**(23,647)**	**(75,512)**	**(75,512)**
					Sales	4,215	4,215	(50,233)	(50,233)
					Costs	(27,862)	(27,862)	(25,279)	(25,279)
Telefónica Global Roaming Gmbh	Foreign	Germany	Common end controller	EUR	Costs	(47,884)	(47,884)	(42,365)	(42,365)
Telefónica USA Inc.	Foreign	USA	Common end controller	USD	Costs	-	-	(65,350)	(65,350)
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	EUR	Costs	(50,662)	(50,662)	(60,436)	(60,436)
Telefónica Móviles Perú S.A.	Foreign	Peru	Common end controller	USD	**TOTAL**	**(38,377)**	**(38,377)**	**19,491**	**19,491**
					Costs	(46,608)	(46,608)	(118)	(118)
					Sales	8,231	8,231	19,609	19,609

9. Accounts receivable and payable to related companies, continued

d) Transactions, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	03.31.2016 ThCh$	Effect on income debits / credits	12.31.2015 ThCh$	Effect on income debits / credits
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Common end controller	USD	**TOTAL**	**(33,974)**	**(33,974)**	**(164)**	**(164)**
					Costs	(44,583)	(44,583)	1,680	1,680
					Sales	10,609	10,609	(1,844)	(1,844)
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common end controller	USD	**TOTAL**	**(64,000)**	**(64,000)**	**3,634**	**3,634**
					Costs	(67,519)	(67,519)	787	787
					Sales	3,519	3,519	2,847	2,847
Telefónica Asset Management Chile	76.173.568-3	Chile	Common parent company	CLP	Costs	-	-	(7,710)	(7,710)
Telefónica on the Spot Services S.A.U.	Foreign	Spain	Common end controller	EUR	Costs	(9,182)	(9,182)	(6,065)	(6,065)
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	USD	**TOTAL**	**(528)**	**(528)**	**1,286**	**1,286**
					Costs	(780)	(780)	920	920
					Sales	252	252	366	366
Telefónica Ireland	Foreign	Ireland	Common end controller	USD	**TOTAL**	**(319)**	**(319)**	**(35,362)**	**(35,362)**
					Sales	1,021	1,021	(34,752)	(34,752)
					Costs	(1,340)	(1,340)	(610)	(610)
Telefónica Slovakia	Foreign	Slovakia	Common end controller	USD	**TOTAL**	**-**	**-**	**(5,020)**	**(5,020)**
					Costs	-	-	(5,068)	(5,068)
					Sales	-	-	48	48
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	USD	**TOTAL**	**(1,075)**	**(1,075)**	**1,143**	**1,143**
					Costs	(1,255)	(1,255)	1,135	1,135
					Sales	180	180	8	8
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	USD	**TOTAL**	**(1,550)**	**(1,550)**	**19**	**19**
					Costs	(1,713)	(1,713)	(108)	(108)
					Sales	163	163	127	127
Otecel S.A.	Foreign	Equator	Common end controller	USD	**TOTAL**	**8,952**	**8,952**	**11,200**	**11,200**
					Costs	5,634	5,634	8,000	8,000
					Sales	3,318	3,318	3,200	3,200
Telefónica Móviles Panamá	Foreign	Panama	Common end controller	USD	**TOTAL**	**(7,315)**	**(7,315)**	**8,881**	**8,881**
					Costs	(8,831)	(8,831)	5,693	5,693
					Sales	1,516	1,516	3,188	3,188

9. Accounts receivable and payable to related companies, continued

d) Transactions, continued

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	03.31.2016 ThCh$	Effect on income debits / credits	12.31.2015 ThCh$	Effect on income debits / credits
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Common end controller	CLP	Sales	395	395	538	538
Telefónica Móviles Soluciones y Aplicaciones S.A.	96.990.810-K	Chile	Common end controller	CLP	Financial income	-	-	695	695
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	USD	**TOTAL**	**(19,298)**	**(19,298)**	**2,789**	**2,789**
					Sales	6,169	6,169	12,009	12,009
					Costs	(25,467)	(25,467)	(9,220)	(9,220)
Telefónica Global Tecnology	Foreign	Spain	Common end controller	EUR	Costs	-	-	(7,592)	(7,592)
					Financial expenses	(1,289)	(1,289)	-	-
Telcel Venezuela	Foreign	Venezuela	Common end controller	USD	**TOTAL**	**409**	**409**	**(709)**	**(709)**
					Costs	(945)	(945)	723	723
					Sales	1,354	1,354	(1,432)	(1,432)
Telfisa Global B.V.	Foreign	Spain	Common end controller	CLP	**TOTAL**	**6,557**	**6,557**	**63,082**	**63,082**
					Financial income	7,867	7,867	92,694	92,694
					Commission administration	(1,310)	(1,310)	(29,612)	(29,612)
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	CLP	Sales	63,052	63,052	67,676	67,676
Vivo S.A.	Foreign	Brazil	Common end controller	USD	**TOTAL**	**(91,103)**	**(91,103)**	**177,167**	**177,167**
					Sales	124,275	124,275	36,895	36,895
					Costs	(215,378)	(215,378)	140,272	140,272
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	USD	**TOTAL**	**214,738**	**214,738**	**244,130**	**244,130**
					Sales	309,136	309,136	254,555	254,555
					Costs	(94,398)	(94,398)	(10,425)	(10,425)

9. Accounts receivable and payable to related companies, continued

d) Transactions, continued

Title XVI of the Company's Law, and other relevant standards, requires that a Company's transactions with related companies (defined as entities belonging to the same group of companies) are carried out under terms similar to those commonly prevailing in the market.

In the accounts receivable of the Company there have been charges and credits to current accounts due to billing on sale of equipment and services.

In the case of sales and services provided, these are due in the short-term (less than one year) and expiry conditions in each case vary on the basis of the transaction that generates them.

On January 1, 2014 the Company signed a commercial current account agreement with Telefónica Móviles Soluciones S.A, which replaces the contracts signed on December 23, 2011 with Miraflores 130 S.A. This contract, in the same manner as the previous one, considers an annual commission charge of 0.2% on the average annual amount of the investment. That mandate is for an indefinite term.

On December 17, 2014, the Company signed a commercial current account agreement with Telefónica Chile S.A., which establishes remittances in monthly nominal TAB (annual base) in Chilean pesos. The commercial current account and its administration is for a 5-year term and the parties can agree, in writing, to extend the term of the current account for annual periods, without the need for its final settlement. However, any of the parties can terminate this contract, producing its immediate full and final settlement.

On July 15, 2015, the Company signed a commercial current account contract with Telefónica Investigación y Desarrollo Chile SpA., which establishes remittances in Chilean pesos, is not indexed and accrues interest at an annual interest rate. The term and management of the commercial current account is for five years, the parties may agree in writing to extend the term of the current account for annual periods, without liquidating the current account in a final manner. Notwithstanding, either party can terminate this contract, producing its immediate total and final liquidation. The parties agree that no commissions will be paid.

e) Non-current accounts payable to related companies:

Non-current notes and accounts payable are detailed as follows:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2016 ThCh$	12.31.2015 ThCh$
Telefonica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	HR obligation	CLP	-	1,366,521	1,366,521
Total							1,366,521	1,366,521

9. Accounts receivable and payable to related companies, continued

f) Salaries and benefits received by the Company's key personnel.

As of march 31, 2016 and December 31, 2015, the parent company is managed by a Board of Directors composed of five members, who serve for a term of three years and are not remunerated. As of march 31, 2016, subsidiary Telefónica Investigación y Desarrollo Chile SpA. Is managed by a Board of Directors composed of 7 members, who serve on the Board for a period of one year with no remunerations. The number of executives considered is 4: 1 Director and 3 Managers.

During the first quarter of 2011, the Company developed a resources optimization plan that contemplated, among other things, transferring its employees to related company Telefónica Chile Servicios Corporativos Ltda..

Transactions with the Company's key employees are detailed as follows:

Description	03.31.2016 ThCh$	03.31.2015 ThCh$
Salaries and wages	121,289	92,330
Total	121,289	92,330

10. Inventory

a) Inventory is detailed as follows:

Description	03.31.2016 Gross value ThCh$	03.31.2016 Provision for obsolescence ThCh$	03.31.2016 Net Value ThCh$	12.31.2015 Gross value ThCh$	12.31.2015 Provision for obsolescence ThCh$	12.31.2015 Net Value ThCh$
Mobile equipment (net)	48,535,102	(3,793,098)	44,742,004	47,430,997	(3,876,222)	43,554,775
Accessories	4,476	(4,207)	269	10,270	(5,875)	4,395
Total	48,539,578	(3,797,305)	44,742,273	47,441,267	(3,882,097)	43,559,170

As of march 31, 2016 and December 31, 2015 there have been no inventory write-offs and there is no inventory in guarantee.

10. Inventory; continued

b) Inventory movements are detailed as follows:

Description	03.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	43,559,170	52,031,325
Purchases	47,891,520	218,377,066
Sales	(46,793,209)	(229,377,419)
Obsolescence provision (period to effect result)	84,792	2,528,198
Movements, subtotal	1,183,103	(8,472,155)
Closing balance	44,742,273	43,559,170

11. Taxes

a) Income Taxes

As of march 31, 2016 and December 31, 2015, the Parent Company has established a first category income tax provision, since the Company determined a taxable income base of ThCh$43,891,320 and ThCh$43,903,055 respectively for each year.

As of December 31, 2015, the parent company has no taxable retained earnings registry (FUT) balance.

Subsidiary Telefónica Inversiones y Desarrollo Chile SpA has a negative FUT balance, and a first category tax loss in the amount of ThCh$1,610,255.

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 March 31, 2016, the parent company presents a positive balance in the Taxable Retained Earnings Registry in the amount of Ch$43,763,956

Subsidiares	Year	Tax Rate	Taxable Net Income with Credit ThCh$	Taxable Net Income Without credit ThCh$	Factor ThCh$	Amount of credit ThCh$
Telefónica Móviles Chile S.A.	2016	24%	33,230,039	10,533,917	0.31579	10,493,681
Totales	-	-	33,230,039	10,533,917		10,493,681

11. Taxes, continued

b) Current tax liabilities

At march 31, 2016 and december 31, 2015, the current tax liabilities are detailed as follows:

Movements	03.31.2016 ThCh$	12.31.2015 ThCh$
Income tax accrual (1)	13,974,907	8,313,357
Tax accrual derivatives	236,577	2,101,975
Accrual for contingencies	18,315,406	18,315,406
Final balance	32,526,890	28,730,738

(1) As of march 31, 2016 and December 31, 2015, the provision for income tax is presented net of estimated monthly payments for ThCh$23,193,204 and ThCh$18,169,242.

11. Taxes, continued

c) Deferred tax assets and liabilities

As of march 31, 2016, December 31, 2015, and march 31, 2015, accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh$4,475,333 and ThCh$2,421,834 and ThCh$6,893,460 , respectively which are detailed as follows:

Disclosure of temporary differences, losses and unused tax credits - As of March 31, 2016	Other temporary differences [member] (1)	Allowance for doubtful accounts	Obsolescence provision	Deferred income	Dismantling provision	Deferred cost of sale and deferred sales commissions	Amortization and depreciation of assets	Reclassification	Temporary differences	Temporary differences, losses and unused tax credits
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Deferred tax assets and liabilities										
Deferred tax assets	2,867,072	12,486,801	882,043	3,941,171	3,096,747	-	1,660,212	(20,709,560)	4,224,486	4,224,486
Deferred tax liabilities	115,187	-	-	-	-	3,458,634	16,884,892	(20,709,560)	(250,847)	(250,847)
Deferred tax liabilities (assets)	2,751,885	12,486,801	882,043	3,941,171	3,096,747	(3,458,634)	(15,224,680)	-	4,475,333	4,475,333
Deferred tax assets and liabilities, net										
Deferred tax assets, net	(2,751,885)	(12,486,801)	(882,043)	(3,941,171)	(3,096,747)	-	-	-	(23,158,647)	(23,158,647)
Deferred tax liabilities, net	-	-	-	-	-	3,458,634	15,224,680.00	-	18,683,314	18,683,314
Deferred tax expense (benefit)										
Deferred tax expense (benefit)	(40,400)	(1,091,577)	7,821	(167,354)	169,647	324,680	(1,256,309)	-	(2,053,492)	(2,053,492)
Deferred tax expense (benefit) recognized in income	(40,400)	(1,091,577)	7,821	(167,354)	169,647	324,680	(1,256,309)	-	(2,053,492)	(2,053,492)
Reconciliation of changes in deferred tax liabilities (assets)										
Deferred tax liabilities (assets) - Beginning balance Dec. 2015	(2,711,478)	(11,395,224)	(889,864)	(3,773,817)	(3,266,394)	3,133,954	16,480,989	-	(2,421,834)	(2,421,834)
Changes in deferred tax liabilities (assets)										
Deferred tax expense (benefit) recognized in income	(40,400)	(1,091,577)	7,821	(167,354)	169,647	324,680	(1,256,309)	-	(2,053,492)	(2,053,492)
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	(7)	-	-	-	-	-	-	-	(7)	(7)
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)	(40,407)	(1,091,577)	7,821	(167,354)	169,647	324,680	(1,256,309)	-	(2,053,499)	(2,053,499)
Deferred tax liabilities (assets)	(2,751,885)	(12,486,801)	(882,043)	(3,941,171)	(3,096,747)	3,458,634	15,224,680	-	(4,475,333)	(4,475,333)

(1) This item considers vacation, usufruct, personnel and indemnity provisions at present value and current value and capitalization of bond placement expenses, among other things.

11. Taxes, continued

c) Deferred tax assets and liabilities, continued

Disclosure of temporary differences, losses and unused tax credits - As of december 31, 2015	Other temporary differences [member] (1)	Allowance for doubtful accounts	Obsolescence provision	Deferred income	Dismantling provision	Deferred cost of sale and deferred sales commissions	Amortization and depreciation of assets	Reclassification	Temporary differences	Temporary differences, losses and unused tax credits
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Deferred tax assets and liabilities										
Deferred tax assets	2,793,258	11,395,224	889,864	3,773,817	3,266,394	-	1,943,485	(21,640,208)	2,421,834	2,421,834
Deferred tax liabilities	81,780					3,133,954	18,424,474	(21,640,208)	-	-
Deferred tax liabilities (assets)	(2,711,478)	(11,395,224)	(889,864)	(3,773,817)	(3,266,394)	3,133,954	16,480,989	-	(2,421,834)	(2,421,834)
Deferred tax assets and liabilities, net										
Deferred tax assets, net	(2,711,478)	(11,395,224)	(889,864)	(3,773,817)	(3,266,394)	-	-	-	(22,036,777)	(22,036,777)
Deferred tax liabilities, net	-	-	-	-	-	3,133,954	16,480,989	-	19,614,943	19,614,943
Deferred tax expense (benefit)										
Deferred tax expense (benefit)	(698,320)	1,317,443	532,988	437,590	(486,833)	(2,640,907)	3,008,267	-	1,470,228	1,470,228
Deferred tax expense (benefit) recognized in income	(698,320)	1,317,443	532,988	437,590	(486,833)	(2,640,907)	3,008,267	-	1,470,228	1,470,228
Reconciliation of changes in deferred tax liabilities (assets)										
Deferred tax liabilities (assets) - Beginning balance Dec. 2014	(2,013,007)	(12,712,667)	(1,422,852)	(4,211,407)	(2,779,561)	5,774,861	13,472,722	-	(3,891,911)	(3,891,911)
Changes in deferred tax liabilities (assets)										
Deferred tax expense (benefit) recognized in income	(698,320)	1,317,443	532,988	437,590	(486,833)	(2,640,907)	3,008,267	-	1,470,228	1,470,077
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	(151)	-	-	-	-	-	-	-	(151)	(151)
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)	(698,471)	1,317,443	532,988	437,590	(486,833)	(2,640,907)	3,008,267	-	1,470,228	1,470,228
Deferred tax liabilities (assets)	(2,711,478)	(11,395,224)	(889,864)	(3,773,817)	(3,266,394)	3,133,954	16,480,989	-	(2,421,834)	(2,421,834)

(1) Corresponds mainly to the concept of usufruct, termination benefits, lawsuits, vacation and other expenses.

11. Taxes, continued

c) Deferred tax assets and liabilities, continued

	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Deferred tax assets and liabilities										
Deferred tax assets	2,345,848	13,221,470	1,408,614	3,209,453	2,981,647	-	2,734,591	(19,003,163)	6,898,460	6,898,460
Deferred tax liabilities	299,481	-	-	-	-	3,930,300	14,773,382	(19,003,163)	-	-
Deferred tax liabilities (assets)	(2,046,367)	(13,221,470)	(1,408,614)	(3,209,453)	(2,981,647)	3,930,300	12,038,791	-	(6,898,460)	(6,898,460)
Deferred tax assets and liabilities, net										
Deferred tax assets, net	(2,046,367)	(13,221,470)	(1,408,614)	(3,209,453)	(2,981,647)	-	-	-	(22,867,551)	(22,867,551)
Deferred tax liabilities, net	-	-	-	-	-	5,988,991	1,062,061	-	15,969,091	15,969,091
Deferred tax expense (benefit)										
Deferred tax expense (benefit)	(33,360)	(508,803)	14,238	1,001,954	(202,086.00)	(1,844,561)	(1,433,931)	-	(3,006,549)	(3,006,549)
Deferred tax expense (benefit) recognized in income	(33,360)	(508,803)	14,238	1,001,954	(202,086.00)	(1,844,561)	(1,433,931)	-	(3,006,549)	(3,006,549)
Reconciliation of changes in deferred tax liabilities (assets)										
Deferred tax liabilities (assets) - Beginning balance Dec. 2014	(2,013,007)	(12,712,667)	(1,422,852)	(4,211,407)	(2,779,561)	5,774,861	13,472,722		(3,891,911)	(3,891,911)
Changes in deferred tax liabilities (assets)										
Deferred tax expense (benefit) recognized in income	(33,360)	(508,803)	14,238	1,001,954	(202,086)	(1,844,561)	(1,433,931)	-	(3,006,549)	(3,006,549)
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	(33,360)	(508,803)	14,238	1,001,954	(202,086)	(1,844,561)	(1,433,931)	-	(3,006,549)	(3,006,549)
Deferred tax liabilities (assets)	(2,046,367)	(13,221,470)	(1,408,614)	(3,209,453)	(2,981,647)	3,930,300	12,038,791	-	(6,898,460)	(6,898,460)

11. Taxes, continued

d) Taxable Income:

As of march 31, 2016 and December 31, 2015, a first category income tax provision has been established, since a positive taxable base was determined in the amount of ThCh$43,891,320 and ThCh$43,903,055, respectively for each period, detailed as follows:

Description	03.31.2016 ThCh$	03.31.2015 ThCh$
Finance income	28,494,136	26,456,441
Recorded tax expense	9,363,427	6,829,962
Additions	52,761,063	25,820,306
Deductions	(46,727,306)	(15,203,654)
Taxable Net Income	43,891,320	43,903,055
First category tax rate 22.5% and 21%	10,533,917	9,878,187
Art. 21 rejected expenses tax base	45,382	20,864
Art. 21 non-deductible expenses (35% rate)	15,884	7,302
Total Tax Provision	10,549,801	9,885,489
PPUA I + D	-	(48,978)
Settlement of derivaties from previous years (1)	867,118	-
Total first category taxes (2)	11,416,919	9,836,511

(1) Corresponds to derivatives that as of December 31, 2014 and 2015 were provisioned and for which first category tax was paid, and which were settled in the 2016 period.

(2) First category tax has been accounted for considering the increase in the rate from 22,5% to 24%, due to the tax reform of Law 20,780. The effect of the change in the first category income tax rate as of march 31, 2016, amounts to ThCh$666,872.

11. Taxes, continued

f) Income tax reconciliation:

At march 31, 2016 and 2015 reconciliation of income tax expense is as follows:

Concepts	03.31.2016 Taxable base ThCh$	03.31.2016 Tax Rate 24% ThCh$	03.31.2015 Taxable base ThCh$	03.31.2015 Tax Rate 22.5% ThCh$
Based on accounting income before taxes:				
Finance income	28,494,136		26,456,441	
Recorded tax expense	9,363,427		6,829,962	
Income before taxes	37,857,563	9,085,815	33,286,403	7,489,441
Permanent differences	1,156,719	277,612	(2,931,014)	(659,479)
Price-level restatement of taxable equity	(2,430,897)	(583,415)	-	-
Investment income related companies	(469,811)	(112,755)	(307,260)	(69,134)
Exchange rate effect heritage				
Exchange rate effect on tax reform (1)	2,537,096	608,903	(1,616,296)	(363,667)
Set initial deferred tax balances	71,171	17,081	-	-
Deficit (Surplus) prior year income tax			-	-
contingency provision			-	-
Others (2)	1,449,160	347,798	(1,007,458)	(226,678)
Total corporate tax expense	39,014,282	9,363,427	30,355,389	6,829,962
Based on taxable net income and deferred taxes				
calculated on the basis of temporary differences:				
22.5 % and 21% income tax		10,533,917		9,878,187
35% income tax		15,884		7,302
PPUA T. I + D		-		(48,978)
Settlement of derivaties from previous years		867,118		-
Total Income tax expense		11,416,919		9,836,511
Total Deferred tax (income) (3)		(2,053,492)		(3,006,549)
Total corporate tax expense		9,363,427		6,829,962
Effective rate (4)		24.73%		20.52%

(1) The effect of the change in the first category tax rate from 22.5% to 24% for 2016, amounts to ThCh$ 608,903.

(2) Corresponds to fiscal agency subsidies, fiscal fines, price-level restatement of investments and financial write-offs, among others.

(3) Law No. 20,780 was published on September 29, and contains the Tax Reform, which, among other things introduces modifications to the tax system for companies that pay first category income taxes. In this context, the income tax rate gradually rises from the current rate of 20% to 21% in 2014, 22.5% in 2015, 24% this year up to a rate of 27% in 2018, in the so-called semi-integrated or allotment or distribution tax system. In the case of the attributed income system, incorporated with this legal modification, the maximum rate will be 25%.

In order to prepare this financial statement, deferred taxes have been determined considering the maximum rate of 27%, using the semi-integrated system. That system has been chosen for this purpose, however, such decision must be ratified by the Board of Directors and the Shareholders' Meeting.

(4) Effective rate determined considering the tax expense accounted for in income in respect to finance income before taxes in the amount of 24.73%.

11. Taxes, continued

g) Tax reform

On September 29, 2014, Law No. 20,780 was published, which contains the Tax Reform which introduces, among other things, changes in the tax regime of companies that pay first category (corporate) income tax. The income tax rate is increased gradually from the current rate of 20% to 21% starting from the year 2014, up to a rate of 27% in 2018, in the so-called semi-integrated, or shared or distributed tax system. In the case of attributed income, incorporated with this legal modification, the maximum rate will be 25%.

For the purpose of preparing this financial statement, we have incorporated the maximum rate of 27% in the determination of deferred taxes. That is the rate considered in the taxation system indicated in Letter B of article 14 of the Income Tax Law, which is the tax system that the Company must adopt as of January 1, 2017.

The tax rates are detailed as follows:

Commercial year	Rate %
2014	21.0
2015	22.5
2016	24.0
2017	25.5
2018	27.0

12. Investments accounted for using the equity method

a) As of march 31, 2016 and December 31, 2015, in associated companies as well as a summary of their information is detailed as follows:

Taxpayer No.	Name	Investment balance 03.31.2016	Participation percentage %	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Income ThCh$
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	14,394,216	48	106,613,531	41,469,405	84,183,598	33,911,387	45,115,190	6,600,278	978,773

Taxpayer No.	Name	Investment balance 12.31.2015	Participation percentage %	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Income ThCh$
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	13,846,544	48	97,525,861	44,424,075	79,524,546	33,578,423	185,636,242	174,389,897	9,108,420

b) The movements in investments in associates as of march 31, 2016 and December 31, 2015 is as follows:

Movements	03.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	13,846,544	9,432,252
Participation in ordinary income current period	469,811	4,372,042
Other increases (decreases) (1)	77,861	42,250
Movements, subtotal	547,672	4,414,292
Ending balance	14,394,216	13,846,544

1) Corresponds to the equity effect generated by the interest in Telefónica Chile Servicios Corporativos Ltda., subsidiary of Telefónica Chile S.A., due to hedging derivatives and changes in the employee benefits provision.

13. Intangible Assets other than goodwill,

a) As of march 31, 2016 and December 31, 2015, intangible assets other than goodwill are detailed as follows:

	03.31.2016			12.31.2015		
Description	Intangibles, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$	Intangibles, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$
Intangible assets (1)	139,122,922	(97,656,069)	41,466,853	139,123,197	(97,108,265)	42,014,932
Licenses and software	278,478,428	(212,800,513)	65,677,915	274,469,836	(201,945,264)	72,524,572
Developing intangible assets (2)	5,218,211	-	5,218,211	2,062,855	-	2,062,855
Total	422,819,561	(310,456,582)	112,362,979	415,655,888	(299,053,529)	116,602,359

(1) Represents administrative concessions (see Note 2m i)).
(2) Corresponds mainly to evolutionary developments of commercial systems (RTD), and network management equipment.

b) Movements in intangible assets other than goodwill for march 31, 2016 are as follows:

Movements	Intangible assets, net ThCh$	Developing intangible assets ThCh$	Licenses and software, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.16	42,014,932	2,062,855	72,524,572	116,602,359
Additions	-	4,172,820	-	4,172,820
Amortization	(547,804)	-	(10,855,249)	(11,403,053)
Transfer from construction in progress (note 15b)	(275)	(1,017,464)	4,008,592	2,990,853
Movements, subtotal	(548,079)	3,155,356	(6,846,657)	(4,239,380)
Ending balance as of 03.31.2016	41,466,853	5,218,211	65,677,915	112,362,979
Remaining average useful life	18.9 years		1.6 years	

13. Intangible Assets other than goodwill, continued

The movements in intangible assets other than goodwill for december 31, 2015 are as follows:

Movements	Intangible assets, net ThCh$	Developing intangible assets ThCh$	Licenses and software, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.15	30,579,446	-	57,287,678	87,867,124
Additions	-	3,451,232	-	3,451,232
Amortization	(1,786,430)	-	(38,503,499)	(40,289,929)
Transfer from construction in progress (note 15b)	13,221,916	(1,388,377)	53,740,393	65,573,932
Movements, subtotal	11,435,486	2,062,855	15,236,894	28,735,235
Ending balance as of 12.31.2015	42,014,932	2,062,855	72,524,572	116,602,359
Remaining average useful life	18.5 years		1.9 years	

13. Intangible Assets other than goodwill

Intangible assets are amortized on a straight-line basis over their estimated useful lives. Amortization for each period 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 march 31, 2016 no indications of impairment of assets have been detected, therefore no impairment testing has been performed.

The items included in the intangible assets account as of March 31, 2016, which have been fully depreciated and are still in use, are detailed as follows:

Fully depreciated assets which are still in use	Information applications ThCh$
Total	146,313,076

14. Goodwill

Goodwill as of this period was generated before the date of transition and adoption of IFRS, and the value recorded as of that date is maintained as of march 31, 2016.

The balance of goodwill for march 31, 2016 and December 31, 2015, are detailed as follows:

Movements	03.31.2016 ThCh$	12.31.2015 ThCh$
Telefónica Móviles Chile S.A.	483,179,725	483,179,725
Total	483,179,725	483,179,725

At the Extraordinary Shareholders' Meeting of Telefonica Moviles Chile S.A. held on September 8, 2009, the shareholders approved the merger by incorporation of the partners and equity of TEM Inversiones Chile Ltda. to Telefonica Moviles Chile S.A. with the latter being the legal continuer. The assets of TEM Inversiones Chile Ltda. included goodwill recorded on the shares of Telefonica Movil de Chile S.A. purchased on July 23, 2004 from Telefonica Chile S.A. (formerly Compañía de Telecomunicaciones de Chile S.A.- CTC Chile S.A.).

As of the share purchase date, the controlling shareholder of CTC Chile S.A., (company that sold the shares), was Chilean company Telefonica Internacional Chile S.A. which had a 44.89% interest. The shareholders of Telefonica Internacional Chile S.A. were Telefonica Chile Holding B.V. with 99.99% interest and Telefonica Internacional Holding B.V. with 0.01%, both Dutch companies controlled by Telefonica S.A. de España. The shareholder controller of TEM Inversiones Chile Ltda., (the purchasing company) was Telefonica Moviles de España.

Goodwill, determined as of the date of acquisition of the shares was generated by the valuation assigned to the fixed assets of the acquired company, which was at the book value of the assets.

The Company tests goodwill impairment annually. The impairment test which is based on fair value is performed at a reporting unit level. If that fair value is lower than the net book value, an irreversible impairment loss is recognized in the income statement account.

Assets are listed in goodwill tested for impairment whenever there is an indication of a potential loss in value, and in any case at each year-end. Impairment testing is determined taking into consideration the following estimated variables:

i) projected operating income and costs are based on the 2016 budget and on the Strategic Plan for 2017 and 2018, projecting a fourth and fifth year as a terminal value. These projections have been made using the Company's best estimates, using sector projections, historical behavior of the business and future expectations.

14. Goodwill, continued

ii) Cash flow projections are made at a terminal value, covering a period of 5 years, with the last year being the terminal value.

iii) The rate used to discount future cash flows is 7.59% (WACC rate), which represents the market value of the specific business and industry risk, taking into consideration the time value of money and the individual risks of the assets being analyzed.

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

iv) Valuation is determined using the Value of Use (VU) mechanism, which requires that the VU be determined using the net present value of cash flows that the Company expects to receive from the use of the asset or cash generating unit (CGUs).

v) Sensitivity analysis: a sensibility analysis was performed in respect to recoverable market value, modifying the discount rate and growth rate. The sensitivity contemplated increasing the discount rate by 7.59% and 12%.

Based on the impairment calculations performed by management, as of 2015 year-end there has been no need to carry out significant adjustments since the recoverable value is higher than the book value in all cases.

15. Property, Plant and Equipment

a) As of march 31, 2016 and December 31, 2015 the major categories of Property, plant and equipment and their corresponding accumulated depreciation are detailed as follows:

Concepts	03.31.2016 Property, plant & equipment, gross ThCh$	03.31.2016 Accumulated depreciation ThCh$	03.31.2016 Property, plant & equipment, net ThCh$	12.31.2015 Property, plant & equipment, gross ThCh$	12.31.2015 Accumulated depreciation ThCh$	12.31.2015 Property, plant & equipment, net ThCh$
Land	3,298,580	-	3,298,580	3,298,580	-	3,298,580
Buildings	164,666,046	(110,955,634)	53,710,412	162,303,011	(109,069,415)	53,233,596
Transport equipment	17,214	(17,214)	-	17,214	(17,214)	-
Supplies and accessories	10,642,719	(8,278,612)	2,364,107	10,601,991	(8,171,720)	2,430,271
Office equipment	781,146	(707,187)	73,959	781,146	(701,787)	79,359
Construction in progress	111,926,121	-	111,926,121	88,903,253	-	88,903,253
Information equipment	22,475,979	(18,804,563)	3,671,416	23,517,386	(19,344,369)	4,173,017
Network and communications equipment (1)	838,455,034	(648,574,956)	189,880,078	858,758,888	(649,289,541)	209,469,347
Other property, plant & equipment	4,030,892	(3,507,730)	523,162	4,030,893	(3,430,877)	600,016
Total	1,156,293,731	(790,845,896)	365,447,835	1,152,212,362	(790,024,923)	362,187,439

(1) Balances as of March 31, 2016, are presented with amounts reclassified to assets held for distribution to the owners, which are detailed in gross property, plant and equipment in the amount of ThCh$ 16,605,749 and cumulative depreciation in the amount of ThCh$ 9,233,530.

15. Property, Plant and Equipment, continued

b) Movements of major categories of Property, plant and equipment for 2016 period are detailed as follows:

Movements	Land	Buildings, net	Supplies and accessories, net	Office equipment, net	Construction in progress	Information equipment	Other property, plant & equipment	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$			ThCh$	ThCh$
Beginning balance as of 01.01.16	3,298,580	53,233,596	2,430,271	79,359	88,903,253	4,173,017	209,469,347	600,016	362,187,439
Additions	-	-	-	-	29,017,372	-	-	-	29,017,372
Reduction	-	(16,891)	-	-	-	(1,041,407)	(4,281,102)	-	(5,339,400)
Depreciation reduction	-	7,633	-	-	-	1,041,407	4,164,553	-	5,213,593
Depreciation expense	-	(1,893,852)	(106,892)	(5,399)	-	(501,599)	(12,683,499)	(76,855)	(15,268,096)
Transfer of depreciation	-	-	-	-	-	-	-	-	-
Other Increase (decrease) (1)	-	2,379,926	40,729	-	(5,994,505)	-	582,997	-	(2,990,853)
Distribution to the owners	-	-	-	-	-	-	(7,372,220)	-	(7,372,220)
Movements, subtotal	-	476,816	(66,163)	(5,399)	23,022,867	(501,599)	(19,589,271)	(76,855)	3,260,396
Ending balance as of 03.31.2016	3,298,580	53,710,412	2,364,108	73,960	111,926,120	3,671,418	189,880,076	523,161	365,447,835

(1) Corresponds to net the movement of transferring from buildings in progress to assets in service and the traspasos the intangibles assets ThCh$65,573,932

Movements of major categories of Property, plant and equipment for 2015 period are detailed as follows:

Movements	Land	Buildings, net	Supplies and accessories, net	Office equipment, net	Construction in progress	Information equipment	Other property, plant & equipment	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.15	3,310,387	43,914,541	2,645,464	87,813	91,640,476	4,172,766	208,066,843	871,951	354,710,241
Additions	-	-	-	-	135,852,683	-	-	-	135,852,683
Reduction	(11,807)	(351,720)	-	-	-	-	(1,179,388)	-	(1,542,915)
Depreciation reduction	-	157,385	-	-	-	-	1,158,287	-	1,315,672
Depreciation expense	-	(7,050,188)	(412,155)	(20,676)	-	(1,803,147)	(52,838,414)	(449,730)	(62,574,310)
Other Increase (decrease)(1)	-	16,563,578	196,962	12,222	(138,589,906)	1,803,398	54,262,019	177,795	(65,573,932)
Movements, subtotal	(11,807)	9,319,055	(215,193)	(8,454)	(2,737,223)	251	1,402,504	(271,935)	7,477,198
Ending balance as of 12.31.2015	3,298,580	53,233,596	2,430,271	79,359	88,903,253	4,173,017	209,469,347	600,016	362,187,439

(1) Corresponds to net the movement of transferring from buildings in progress to assets in service and the traspasos the intangibles assets ThCh$ (40,572,151).

15. Property, Plant and Equipment, continued

By Company policy in the accounting, the net amount of property, plant and equipment items that are temporarily out of service as of march 31, 2016 and December 31, 2015 continue to be depreciated using the straight-line method as defined at the time of their capitalization.

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.

As of march 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	Buildings, gross ThCh$	Transportation equipment, gross ThCh$	Supplies and accessories, gross ThCh$	Office equipment, gross ThCh$	Information equipment, gross ThCh$	Network and communications equipment, gross ThCh$	Other property, plant & equipment, gloss M$	Property, plant and equipment, gross ThCh$
Total	93,937,073	17,214	6,270,333	563,521	16,311,495	417,369,250	2,558,628	537,027,514

16. Assets held for distribution to the owners

At the Extraordinary Shareholders' Meeting of Telefónica Móviles Chile S.A. held on March 30, 2016, the shareholders approved the division of the Company, which will be effective as of April 1, 2016.

Due to the division of Telefónica Móviles Chile S.A. a new stock company will be formed that will be called Towerco Latam Chile S.A.

Accounting aspects
As of March 31, 2016, after complying with the requirements of IFRS 5 “Non-current Assets Available for Sale and Discontinued Operations”, the following accounting entries have been booked:

Assets and liabilities
All assets and liabilities related to the telecommunications infrastructure business have been considered as “non-current assets or disposal group classified as held for distribution to the owners”, which have been reclassified as follows:

16. Assets held for distribution to the owners, continued

As of March 31, 2016, the main groups of assets and liabilities classified as held for distribution to the owners are detailed as follows:

ASSETS	03.31.2016
	ThCh$
NON-CURRENT ASSETS	
Property, plant and equipment	7,372,219
Deferred tax assets	136,038
TOTAL NON-CURRENT ASSETS	**7,508,257**
TOTAL ASSETS	**7,508,257**
LIABILITIES	
NON-CURRENT LIABILITIES	
Other long-term provisions	1,453,091
TOTAL NON-CURRENT LIABILITIES	**1,453,091**
TOTAL LIABILITIES	**1,453,091**
TOTAL NON-CURRENT ASSETS AND LIABILITIES	**6,055,166**

17. Other Current and Other Non-current Financial Liabilities

The composition of other current and non-current financial liabilities which are interest- bearing is:

Description		03.31.2016		12.31.2015	
		Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bank loans	(16 a)	97,016,682	-	98,936,652	-
Unguaranteed obligations (Bonds)	(16 b)	121,351,583	179,948,337	118,698,542	178,643,762
Hedge instruments	(see note 18 b)	8,260,894	-	1,707,098	-
Other financial debts (1)		7,426,773	-	11,603,801	-
Total		234,055,932	179,948,337	230,946,093	178,643,762

(1) Corresponds to supplier Huawei Chile S.A. and Samsung Electronics Chile S.A. with which an extension of the payment period has been negotiates for a total of ThCh$5,059,242 and of ThCh$1,797,218 which includes interest in the amount of ThCh$142,835.

17. Other Current and Other Non-current Financial Liabilities, continued

a) The detail of bank loans for march 31, 2016 is as follows:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Foreign	BBVA Bancomer	Mexico	US$	At maturity	1.46%	1,10%	US$70 mm	2016
Bilateral Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97030000-7	Banco Estado	Chile	CLP	At maturity	6.98%	6.79%	MM$49,000	2016

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh$) Expiration: 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	Total nominal amounts
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	BBVA BANCOMER	-	32,637,500	-	-		-	-	-	-	32,637,500
Bilateral Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Estado	-	49,000,000	-	-		-	-	-	-	49,000,000
Total					-	81,637,500	-	-		-	-	-	-	81,637,500

ypes	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current Expiration: Up to 90 days ThCh$	90 days to 1 years ThCh$	Total current as of 03.31.2016 ThCh$	Non-current Expiration: 1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total Non current as of 03.31.2016 ThCh$
Crédito Sindicado(1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	BBVA BANCOMER	27,844	46,851,282	46,879,126	-	-	-	-	-	-	-	-
Crédito Bilateral (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Estado	-	50,137,556	50,137,556	-	-	-	-	-	-	-	-
Total					27,844	96,988,838	97,016,682	-	-	-	-	-	-	-	-

(1) On June 15, 2011, a syndicated loan was taken into agent bank BBVA Bancomer, in the amount of US$ 70,000,000 for a 5-year term.

(2) On November 24, 2011, a bilateral loan was taken with Banco Estado, in the amount of ThCh$ 49,000 for a 5-year bullet term.

17. Other Current and Other Non-current Financial Liabilities, continued

a) The detail of bank loans for december 31, 2015 is as follows, continued:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A.	Chile	Foreign	BBVA Bancomer	México	US$	At maturity	1.46%	1.11%	US$70 mm	2016
Bilateral Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97030000-7	Banco Estado	Chile	CLP	At maturity	7.20%	6.79%	MM$49,000	2016

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh$) Expiration 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	Total nominal amounts
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	BBVA BANCOMER	-	32,637,500	-	-	-	-	-	-	-	32,637,500
Bilateral Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Estado	-	49,000,000	-	-	-	-	-	-	-	49,000,000
Total					-	81,637,500	-	-	-	-	-	-	-	81,637,500

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current Expiration Up to 90 days ThCh$	Current Expiration 90 days to 1 years ThCh$	Total current as of 12.31.2015 ThCh$	Non-current Expiration 1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total Non current as of 12.31.2015 ThCh$
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	BBVA BANCOMER	27,187	49,636,911	49,664,098	-	-	-	-	-	-	-	-
Bilateral Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Estado	-	49,272,555	49,272,555	-	-	-	-	-	-	-	-
Total					21,187	98,909,466	98,936,652	-	-	-	-	-	-	-	-

(1) On June 15, 2011, a syndicated loan was taken with agent bank BBVA Bancomer, in the amount of US$ 70,000,000 for a 5-year term.

(2) On November 24, 2011, a bilateral loan was taken with Banco Estado, in the amount of MCh$ 49,000 for a 5-year bullet term.

17. Other Current and Other Non-current Financial Liabilities, continued

b) Details of unsecured obligations (Bonds) for march 31, 2016 is as follows:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series C Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	CLP	At maturity	6.73%	6.30%	MM$ 66.000	2016
Series D Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	3.83%	3.60%	UF 2 mm	2016
Series F Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	3.82%	3.60%	UF 3 mm	2023
Series G Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	2.01%	2.20%	UF 2 mm	2020
Series I Bond (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	2.00%	1.95%	UF 2 mm	2020

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh$) Expiration									Total nominal amounts
					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 C Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	66,000,000	-	-	-	-	-	-	-	66,000,000
Series D Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	44,375,180	-	-	-	-	-	-	-	44,375,180
Series F Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Series G Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	50,108,620	50,108,620	-	50,108,620
Series I Bond (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	50,317,080	50,317,080	-	50,137,080
	Total				-	110,375,180	-	-	-	-	100,425,700	100,425,700	66,928,680	277,729,560

17. Other Current and Other Non-current Financial Liabilities, continued

b) Details of unsecured obligations (Bonds) for march 31, 2016 is as follows, continued

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current Expiration Up to 90 days ThCh$	Current Expiration 90 days to 1 years ThCh$	Total current as of 03.31.2016 ThCh$	Non-current Expiration 1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total Non-current as of 03.31.2016 ThCh$
Bono Serie C (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	67,375,247	-	67,375,247	-	-	-	-	-	-	-	
Bono Serie D (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	52,246,431	-	52,246,431	-	-	-	-	-	-	-	
Bono Serie F (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	1,225,522	-	1,225,522	-	-	-	-	-	-	76,491,103	76,491,103
Bono Serie G (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	402,652	402,652	-	-	-	-	51,921,039	51,921,039	-	51,921,039
Bono Serie I (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	101,731	101,731	-	-	-	-	51,536,195	51,536,195	-	51,536,195
	Total				120,847,200	504,383	121,351,583	-	-	-	-	103,457,234	103,457,234	76,491,103	179,948,337

(1) On November 15, 2011, there was a placement in the local market in the amount of ThCh $ 66,000 for a 5-year bullet term.

(2) On November 15, 2011, there was a placement in the local market in the amount of UF 2,000,000 for a 5-year bullet term.

(3) On October 15, 2013, there was a placement of a 10-year bullet bond expiring on October 4, 2023 in the local market in the amount of UF 3,000,000

(4) On July 23, 2015, there was a local market placement in the amount of UF2,000,000, for a 5-year bullet term, maturing on June 20, 2020, without covenants or control clauses.

(5) On August 20, 2015, there was a local market placement in the amount of UF 2,000,000 for a 5-year bullet term, maturing on August14, 2020, without covenants or control clauses.

17. Other Current and Other Non-current Financial Liabilities, continued

b) Details of unsecured obligations (Bonds) for december 31, 2015 is as follows, continued:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
144A Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Foreign	Bank of New York	U.S.A.	US$	At maturity	3.23%	2.88%	US$ 300 mm	2015
Series C Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	CLP	At maturity	6.73%	6.30%	MM$ 66.000	2016
Series D Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	3.83%	3.60%	UF 2 mm	2016
Series F Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	3.82%	3.60%	UF 3 mm	2023
Series G Bond (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	2.01%	2.20%	UF 2 mm	2020
Series I Bond (6)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	2.00%	1.95%	UF 2 mm	2020

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh$) Expiration									Total nominal amounts
					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	
144A Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Bank of New York	-	-	-	-	-	-	-	-	-	-
Series C Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	66,000,000	-	-	-	-	-	-	-	66,000,000
Series D Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	44,375,180	-	-	-	-	-	-	-	44,375,180
Series F Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Bono Serie G (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-		50,108,620	50,108,620	-	50,108,620
Bono Serie I (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-		50,317,080	50,317,080		50,317,080
	Total				-	110,375,180	-	-	-	-	100,425,700	100,425,700	66,928,680	277,729,560

17. Other Current and Other Non-current Financial Liabilities, continued

b) Details of unsecured obligations (Bonds) for december 31, 2015 is as follows, continued:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current – Expiration – Up to 90 days ThCh$	Current – Expiration – 90 days to 1 years ThCh$	Total current as of 12.31.2015 ThCh$	Non - current – Expiration – 1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total Non-current as of 12.31.2015 ThCh$
Bono 144 (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Bank of New York	-	-	-	-	-	-	-	-	-	-	-
Bono Serie C (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	66,286,866	66,286,866	-	-	-	-	-	-	-	-
Bono Serie D (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	51,390,491	51,390,491	-	-	-	-	-	-	-	-
Bono Serie F (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	535,689	535,689	-	-	-	-	-	-	75,917,502	75,917,502
Bono Serie G (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	115,662	115,662	-	-	-	-	51,580,262	51,580,262	-	51,580,262
Bono Serie I (6)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	369,834	-	369,834	-	-	-	-	51,145,998	51,145,998	-	51,145,998
Total					369,834	118,328,708	118,698,542	-	-	-	-	102,726,260	102,726,260	75,917,502	178,643,762

(1) On November 3, 2010, there was a first placement in the foreign market. The Bond characteristics are:

- They are registered, which does not prevent their free transferability to qualifying institutional investors, in accordance with Rule 144 of the Securities Law of the United States of America, or to investors outside the United States, in accordance with Regulation S of the same securities law. They are of a single series maturing on November 9, 2015. The issuance does not consider guarantees, except for the right to general pledge over the assets of the Investee.
- The funds arising from the issuance were destined to refinancing liabilities and to other corporate purposes.

(2) On November 15, 2011, there was a placement in the local market in the amount of ThCh $ 66,000 for a 5-year bullet term.

(3) On November 15, 2011, there was a placement in the local market in the amount of UF 2,000,000 for a 5-year bullet term.

(4) On October 15, 2013, there was a placement of a 10-year bullet bond expiring on October 4, 2023 in the local market in the amount of UF 3,000,000.

(5) On July 23, 2015, there was a local market placement in the amount of UF2,000,000, for a 5-year bullet term, maturing on June 20, 2020, without covenants or control clauses.

(6) On August 20, 2015, there was a local market placement in the amount of UF 2,000,000 for a 5-year bullet term, maturing on August14, 2020, without covenants or control clauses.

18. Trade and Other Accounts Payable

a) Current trade and other accounts payable are detailed as follows:

Description	03.31.2016 ThCh$	12.31.2015 ThCh$
Purchases or services payable, billed (1)	46,165,406	44,091,585
Purchases or services payable, accrued (1)	46,753,901	43,393,199
Suppliers or property, plant and equipment, billed	27,569,212	19,522,606
Suppliers of property, plant and equipment, accrued	4,166,431	1,759,879
Accounts payable to employees	120,147	309,645
Total current	124,775,097	109,076,914

(1) The "Debts due to purchases or services provided" correspond to foreign and domestic suppliers, for purchase of handsets, interconnection services, circuit rentals, marketing, call center, network maintenance and information services, among other things

Accounts payable due to purchases or services rendered	03.31.2016 ThCh$	12.31.2015 ThCh$
Domestic	81,903,112	77,124,669
Foreign	11,016,195	10,360,107
Total	92,919,307	87,484,776

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 external to the general policy, the established dates are not met, for example, contracts with specific agreed upon terms, or delay in the issuance f invoices by the supplier, or closing of agreements with suppliers for delivery of goods or providing of services, etc.

The Company has no interests for this accounts.

As of march 31, 2016 the main suppliers, considering a margin of 5% of the total, are Samsung Electronics Chile Ltda. with 17%, Huawei Chile S.A. with 14%, Apple Chile Comercial Ltda. with 11%, Nokia Solutions and Networks Chile with 9%, Huawei with 7% and Atento Chile S.A. with 4%.

18. Trade and Other Accounts Payable, continued

b) Accounts payable payment terms, continued

The terms of accounts payable to suppliers with up to date payments as of march 31, 2016 and december 31, 2015 are detailed as follows:

Suppliers with up to date payments As of 03.31.2016	Goods ThCh$	Services ThCh$	Total ThCh$
Trade accounts to date			
Up to 30 days	20,974,516	34,099,643	55,074,159
From 31 to 60 days	-	-	-
From 61 to 90 days	-	-	-
Total	20,974,516	34,099,643	55,074,159
Average period of payment of up to date accounts	29	26	

Suppliers with up to date payments As of 12.31.2015	Goods ThCh$	Services ThCh$	Total ThCh$
Trade accounts to date			
Up to 30 days	25,385,095	25,768,162	51,153,257
From 31 to 60 days	-	-	-
From 61 to 90 days	-	-	-
Total	25,385,095	25,768,162	51,153,257
Average period of payment of up to date accounts	-	-	

The terms of accounts payable to suppliers with overdue payments as of march 31, 2016 and december 31, 2015 are detailed as follows:

Suppliers with overdue terms As of 03.31.2016	Goods ThCh$	Services ThCh$	Total ThCh$
Overdue trade accounts payable by term			
Up to 30 days	6,383,359	8,983,586	15,366,945
From 31 to 60 days	13,650	1,183,887	1,197,537
From 61 to 90 days	208	957,291	957,499
From 91 to 120 days	-	315,503	315,503
From 121 to 180 days	-	352,548	352,548
More than 180 days	470,427	-	470,427
Total	6,867,644	11,792,815	18,660,459
Average period of payment of up to date accounts	58	52	

Suppliers with overdue terms As of 12.31.2015	Goods ThCh$	Services ThCh$	Total ThCh$
Overdue trade accounts payable by term			
Up to 30 days	736,139	3,389,790	4,125,929
From 31 to 60 days	96,559	1,942,075	2,038,634
From 61 to 90 days	-	609,386	609,386
From 91 to 120 days	-	1,003,421	1,003,421
From 121 to 180 days	-	1,314,501	1,314,501
More than 180 days	-	3,369,063	3,369,063
Total	832,698	11,628,236	12,460,934
Average period of payment of up to date accounts	27	52	

19. Financial instruments

a) Classification of financial instruments by nature and category

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

Description of financial assets		Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Valuation hierarchy Level 1 Market prices	Level 2 Estimates based on other observable market data	Level 3 Estimates not based on observable market data	Loans and items receivable	Investments held to maturity	Subtotal of assets at amortized cost	Total carrying amount	Total fair value
		ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST			TOTAL	
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Non-current derivative instruments		-	-	15,198,418	15,198,418	-	15,198,418	-	-	-	-	15,198,418	15,198,418
Non-current derivative instrument of assets	See Note 19 b	-	-	15,198,418	15,198,418	-	15,198,418	-	-	-	-	15,198,418	15,198,418
Accounts receivable long-term business operations		-	-	-	-	-	-	-	21,428,586	-	21,428,586	21,428,586	21,428,586
Accounts receivable from related entities	See Note 9 b	-	-	-	-	-	-	-	21,428,586	-	21,428,586	21,428,586	21,428,586
Non-current financial assets		-	-	15,198,418	15,198,418	-	15,198,418	-	21,428,586	-	21,428,586	36,627,004	36,627,004
Current trade accounts receivable		-	-	-	-	-	-	-	162,280,176	-	162,280,176	162,280,176	162,280,176
Trade and other accounts receivable	See Note 8 a	-	-	-	-	-	-	-	121,537,955	-	121,537,955	121,537,955	121,537,955
Accounts receivable from related entities	See Note 9 a	-	-	-	-	-	-	-	40,742,221	-	40,742,221	40,742,221	40,742,221
Current deposits and pledges established		-	-	-	-	-	-	-	-	42,875,066	42,875,066	42,875,066	42,875,066
Current deposits		-	-	-	-	-	-	-	-	-	-	-	-
Current deposits and pledges	See Note 6 b	-	-	-	-	-	-	-	-	42,875,066	42,875,066	42,875,066	42,875,066
Derivative instrument of assets		-	-	24,716,566	24,716,566	-	24,716,566	-	-	-	-	24,716,566	24,716,566
Derivative instrument of assets	See Note 19 b	-	-	24,716,566	24,716,566	-	24,716,566	-	-	-	-	24,716,566	24,716,566
Cash and cash equivalents		-	-	-	-	-	-	-	107,677,394	-	107,677,394	107,677,394	107,677,394
Cash and cash equivalents	See Note 5	-	-	-	-	-	-	-	107,677,394	-	107,677,394	107,677,394	107,677,394
Current financial assets		-	-	24,716,566	24,716,566	-	24,716,566	-	269,957,570	42,875,066.00	312,832,636	337,549,202	337,549,202
Total assets financial		-	-	39,914,984	39,914,984	-	39,914,984	-	291,386,156	42,875,066	334,261,222	374,176,206	374,176,206

19. Financial instruments, continued

a) Classification of financial instruments by nature and category

i) Details of financial instruments of assets classified by nature and category as December 31, 2015 is as follows:

		ASSETS RECORDED AT FAIR VALUE				Valuation hierarchy			ASSETS RECORDED AT AMORTIZED COST			TOTAL	
						Level 1	Level 2	Level 3					
Description of financial assets		Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Market prices	Estimates based on other observable market data	Estimates not based on observable market data	Loans and items receivable	Investments held to maturity	Subtotal of assets at amortized cost	Total carrying amount	Total fair value
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Non-current derivative instruments		-	-	12,691,026	12,691,026	-	12,691,026	-	-	-	-	12,691,026	12,691,026
Non-current derivative instrument of assets	See Note 19 b	-	-	12,691,026	12,691,026	-	12,691,026	-	-	-	-	12,691,026	12,691,026
Accounts receivable long-term business operations		-	-	-	-	-	-	-	21,181,406	-	21,181,406	21,181,406	21,181,406
Accounts receivable from related entities	See Note 9 b	-	-	-	-	-	-	-	21,181,406	-	21,181,406	21,181,406	21,181,406
Non-current financial assets		-	-	12,691,026	12,691,026	-	12,691,026	-	21,181,406	-	21,181,406	33,872,432	33,872,432
Current trade accounts receivable		-	-	-	-	-	-	-	141,039,183	-	141,039,183	141,039,183	141,039,183
Trade and other accounts receivable	See Note 8 a	-	-	-	-	-	-	-	109,644,656	-	109,644,656	109,644,656	109,644,656
Accounts receivable from related entities	See Note 9 a	-	-	-	-	-	-	-	31,394,527	-	31,394,527	31,394,527	31,394,527
Current deposits and pledges established		-	-	-	-	-	-	-	-	-	-	-	-
Current deposits		-	-	-	-	-	-	-	-	-	-	-	-
Current deposits and pledges		-	-	-	-	-	-	-	-	-	-	-	-
Derivative instrument of assets		-	-	29,627,151	29,627,151	-	29,627,151	-	-	-	-	29,627,151	29,627,151
Derivative instrument of assets	See Note 19 b	-	-	29,627,151	29,627,151	-	29,627,151	-	-	-	-	29,627,151	29,627,151
Cash and cash equivalents		-	-	-	-	-	-	-	135,142,296	-	135,142,296	135,142,296	135,142,296
Cash and cash equivalents	See Note 5	-	-	-	-	-	-	-	135,142,296	-	135,142,296	135,142,296	135,142,296
Current financial assets		-	-	29,627,151	29,627,151	-	29,627,151	-	276,181,479	-	276,181,479	305,808,630	305,808,630
Total assets financial		-	-	42,318,177	42,318,177	-	42,318,177	-	297,362,885	-	297,362,885	339,681,062	339,681,062

19. Financial instruments, continued

a) Classification of financial instruments by nature and category, continued

The fair 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.

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.

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

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

19. Financial instruments, continued

a) Classification of financial instruments by nature and category, continued

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

Description of financial liabilities		LIABILITIES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST	TOTAL	
				Valuation hierarchy					
				Level 1	Level 2	Level 3			
		Hedge derivative liabilities	Subtotal liabilities at fair value	Market prices	Estimates based on other observable market data	Estimates not based on observable market data	Debits and items payable	Total carrying amount	Total fair value
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Issuance of obligations and other non-current marketable securities	See Note 17 b	-	-	-	-	-	179,948,337	179,948,337	185,756,254
Non-current debts with loan entities	See Note 17 a	-	-	-	-	-	-	-	-
Long-term hedge derivative instrument liabilities		-	-	-	-	-	-	-	-
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities	See Note 9 e	-	-	-	-	-	1,366,521	1,366,521	1,366,521
Non-current financial liabilities		-	-	-	-	-	181,314,858	181,314,858	187,122,775
Issuance of short-term obligations and other marketable securities	See Note 17 b	-	-	-	-	-	121,351,583	121,351,583	120,810,734
Short-term debts with credit entities	See Note 17 a	-	-	-	-	-	97,016,682	97,016,682	97,016,682
Short-term derivative instrument liabilities	See Note 19 b	8,260,894	8,260,894	-	8,260,894	-	-	8,260,894	8,260,894
Trade and other accounts payable	See Note 18 a	-	-	-	-	-	124,775,097	124,775,097	124,775,097
Accounts payale to related entities	See Note 9 c	-	-	-	-	-	90,337,746	90,337,746	90,337,746
Current financial liabilities		8,260,894	8,260,894	-	8,260,894	-	433,481,108	441,742,002	441,201,153
Total financial liabilities		8,260,894	8,260,894	-	8,260,894	-	614,795,966	623,056,860	628,323,928

19. Financial instruments, continued

a) Classification of financial instruments by nature and category, continued

ii) Details of financial instruments of liabilities classified by nature and category as of december 31, 2015 is as follows:

Description of financial liabilities		Hedge derivative liabilities	Subtotal liabilities at fair value	LIABILITIES RECORDED AT FAIR VALUE – Valuation hierarchy – Level 1 – Market prices	Level 2 – Estimates based on other observable market data	Level 3 – Estimates not based on observable market data	LIABILITIES RECORDED AT AMORTIZED COST – Debits and items payable	TOTAL – Total carrying amount	TOTAL – Total fair value
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Issuance of obligations and other non-current marketable securities	See Note 17 b	-	-	-	-	-	178,643,762	178,643,762	180,180,019
Non-current debts with loan entities	See Note 17 a	-	-	-	-	-	-	-	-
Long-term hedge derivative instrument liabilities		-	-	-	-	-	-	-	-
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities	See Note 9 e	-	-	-	-	-	1,366,521	1,366,521	1,366,521
Non-current financial liabilities		-	-	-	-	-	180,010,283	180,010,283	181,546,540
Issuance of short-term obligations and other marketable securities	See Note 17 b	-	-	-	-	-	118,698,542	118,698,542	118,620,636
Short-term debts with credit entities	See Note 17 a	-	-	-	-	-	98,936,652	98,936,652	98,936,652
Short-term derivative instrument liabilities	See Note 19 b	1,707,098	1,707,098	-	1,707,098	-	-	1,707,098	1,707,098
Trade and other accounts payable	See Note 18 a	-	-	-	-	-	109,076,914	109,076,914	109,076,914
Accounts payale to related entities	See Note 9 c	-	-	-	-	-	81,855,445	81,855,445	81,855,445
Current financial liabilities		1,707,098	1,707,098	-	1,707,098	-	408,567,553	410,274,651	410,196,745
Total financial liabilities		1,707,098	1,707,098	-	1,707,098	-	588,577,836	590,284,934	591,743,285

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).

19. Financial instruments, continued

b) Hedging instruments

The detail of the hedging instruments at march 31, 2016 and December 31, 2015 is as follows:

Description	Underlying	Net Total as of 03.31.2016	Up to 90 days	90 days to 1 years	Total current Assets (see note 6)	Total current Liabilities (see note 16)	1 a 3 years	3 a 5 years	Total non-current Assets	Total non-current Liabilities
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	(6,006,664)	(5,365,888)	(640,776)	192,152	(6,198,817)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	1,521,786	1,521,786	-	1,860,077	(338,291)	-	-	-	-
Interest rate – cash flow hedge (3)	Financial Debt	(492,977)	(492,977)	-	1,230,810	(1,723,786)	-	-	-	-
Exchange rate and interest rate – fair value hegde (4)	Financial Debt	36,631,945	-	21,433,527	21,433,527	-	-	15,198,418	15,198,418	-
Total		31,654,090	(4,337,079)	20,792,751	24,716,566	(8,260,894)	-	15,198,418	15,198,418	-

Hedgeing instruments have generated an effect on income of ThCh$2,607,093 and ThCh$6,398,227 in shareholders' equity as of march 31, 2016.

Description	Underlying	Net Total as of 12.31.2015	Up to 90 days	90 days to 1 years	Total current Assets (see note 6)	Total current Liabilities (see note 16)	1 a 3 years	3 a 5 years	Total non-current Assets	Total non-current Liabilities
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	3,835,814	3,918,417	(82,603)	4,021,992	(186,178)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(16,613)	(16,613)	-	19,356	(35,969)	-	-	-	-
Interest rate – cash flow hedge (3)	Financial Debt	(318,121)	404,616	(722,737)	1,166,830	(1,484,951)	-	-	-	-
Exchange rate and interest rate – cash flow hedge (4)	Financial Debt	37,109,998	-	24,418,973	24,418,973	-	-	12,691,025	12,691,025	-
Total		40,611,078	4,306,420	23,613,633	29,627,151	(1,707,098)	-	12,691,025	12,691,025	-

Hedging instruments have generated an effect on income of ThCh$23,125,493 and ThCh$15,292,060 in shareholders' equity as of December 31, 2015.

Description of hedging instruments:

(1) Exchange rate cash flow hedge: As of march 31, 2016 and December 31, 2015 this category includes derivative instruments used to hedge highly probable future cash flow from trade debt.

(2) Exchange rate fair value hedge: As of march 31, 2016 and December 31, 2015 this category includes derivative instruments entered into to hedge the foreign currency risk of debt instrument capital.

(3) Interest rate cash flow hedge: As of march 31, 2016 and December 31, 2015 this category includes, derivative instruments entered into to hedge interest rate risk, from debt instruments whose interest cash flow payable are denominated at a variable interest rate.

(4) Exchange rate and interest rate cash flow hedge: As of march 31, 2016 and December 31, 2015 this category includes, derivative instruments entered into to hedge the foreign currency risk of debt instrument capital, whose interest cash flow payable after hedging are denominated in the functional currency.

19. **Financial instruments,** continued

c) 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 period 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.

d) 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 19 a):

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.

20. Other Provisions Current and non - Current

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

Description	03.31.2016 ThCh$	12.31.2015 ThCh$
Civil and regulatory	732,824	966,530
Total	732,824	966,530

As of march 31, 2016 civil and regulatory provisions are mainly composed of complaints from the Chilean Telecommunications Undersecretary (Subtel o Subsecretaria de Telecomunicaciones de Chile) and miscellaneous fines.

Based on the progress of each proceeding, the Company's management considers that the provisions recorded in the consolidated financial statements adequately cover the litigation risks described in Note 28, therefore they do not expect any additional liabilities to be recorded.

Due to the characteristics of the risks that cover these provisions, it is not always possible to determine a schedule of payment dates. However, the Company estimates that 31% will be paid in june 2016 and the rest during the second quarter of 2016

As of march 31, 2016 and December 31, 2015, movements of provisions are detailed as follows:

Movements	03.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	966,530	201,315
Increase in existing provisions	41,618	1,470,531
Provision used	(275,324)	(705,316)
Movements, subtotal	(233,706)	765,215
Ending balance	732,824	966,530

b) Other non-current provisions

As of march 31, 2016 and December 31, 2015 the balance of other non-current provisions is detailed as follows:

Description	03.31.2016 ThCh$	12.31.2015 ThCh$
Investment in associated company reserve (i)	-	4,411
Dismantling provision (ii)	14,520,345	15,628,799
Total	14,520,345	15,633,210

20. Other Provisions Current and non - Current, continued

b) Other non-current provisions

i) Corresponds to the investment in associated company Intertel S.A., which on March 31, 2016 merged with Telefónica móviles Chile S.A., in accordance with the approval of the Extraordinary Board Meeting held on the same date.

As of december 31, 2015, investments in associated companies with negative equity are detailed as follows:

RUT	Nombre	Investment balance 12.31.2015	Participation percentage %	Current assets ThCh$	Non-current assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Ordinary income ThCh$	Ordinary expenses ThCh$	Income ThCh$
96.898.630-9	Intertel S.A.	(4,411)	50	2,368	-	1,690	9,500	-	(1,690)	(1,690)

The movement of interests in associated companies with negative shareholders' equity as of march 31, 2016 and December 31, 2015 is detailed as follows:

Movements	03.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	(4,411)	(3,566)
Share in ordinary profit for the current year	-	(845)
Fusión por absorción	4,411	-
Movements, subtotal	4,411	(845)
Ending balance	-	(4,411)

Movements of the dismantling provision as of march 31, 2016 and December 31, 2015 are detailed as follows:

Movements	03.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	15,628,799	13,388,617
Increase in existing provisions	126,747	980,583
financial update	217,890	1,259,599
Decrease to be classified as held for distribution to the owners	(1,453,091)	-
Movements, subtotal	(1,108,454)	2,240,182
Ending balance	14,520,345	15,628,799

21. Current employee benefits provision

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.

Current and non-current employee benefits as of march 31, 2016 and December 31, 2015 are detailed as follows:

Description	03.31.2016 ThCh$	12.31.2015 ThCh$
Non-current termination benefits (1)	149,975	143,847
Total	149,975	143,847

(1) Corresponds to employee benefits arising from subsidiary Telefónica Investigación y Desarrollo Chile SpA.

Movements for employee benefits provisions as of march 31, 2016 and December 31, 2015 are detailed as follows:

Movements	03.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	143,847	128,399
Current service costs for the period	7,681	21,239
Actuarial gains or losses by experience	(1,553)	(5,791)
Subtotal movements	6,128	15,448
Ending balance	149,975	143,847

Actuarial Hypotheses

The hypotheses used for the actuarial calculation of employee benefits obligations are reviewed once a year and correspond to the following, for the periods march 31, 2016 and December 31, 2015:

- **Discount Rate:** A 4.51% nominal annual rate is used, which must be representative of the time value of money, for which a risk-free rate is used represented by BCP (Chilean Central Bank Bonds issued in Chilean pesos) for the relevant term, around 15 years.

21. Current employee benefits provision, continued

a) Post employment benefits, continued

- **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 march 31, 2016 and December 31, 2015 was 3%.

- **Mortality:** The RV 2009 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, turnover rate used is 5.46% for both periods.

- **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 march 31, 2016, 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%	13,160	(15,194)

c) Expected cash flows

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

Description	Year 1 ThCh$	Year 2 ThCh$	Year 3 ThCh$
Future payment flows	10,835	10,502	10,167

21. Current employee benefits provision, continued

d) Expenses Employee

The composition of the costs to employees is as follows:

Description	03.31.2016 ThCh$	03.31.2015 ThCh$
Salaries and wages (1)	570,806	274,708
Expense Benefit Obligation employees (2)	6,129	24,161
Total	576,935	298,869

(1) Corresponds to remuneration of employee hired by subsidiary Telefónica Investigación y Desarrollo SpA.
(2) Corresponds to costs of compensation for years of service recognized by the subsidiary.

22. Other Current Non-financial Liabilities

Other current non-financial liabilities are detailed as follows:

Description	03.31.2016 Current ThCh$	03.31.2016 Non Current ThCh$	12.31.2015 Current ThCh$	12.31.2015 Non Current ThCh$
Deferred income, current (1)	21,714,199	543,225	21,255,327	554,569
Other taxes (2)	2,559,745	-	9,481,392	-
Subsidies (3)	689,993	1,701,741	739,062	1,758,281
Others	-	-	469,097	-
Total	24,963,937	2,244,966	31,944,878	2,312,850

(1) Deferred income is detailed as follows:

Description	03.31.2016 Current ThCh$	03.31.2016 Non Current ThCh$	12.31.2015 Current ThCh$	12.31.2015 Non Current ThCh$
Services charged but not rendered	5,753,856	-	6,176,391	-
Prepayment top-ups (see note 2 p)	5,743,263	-	5,795,243	-
Club Movistar (see note 2 p)	5,587,513	-	5,571,754	-
Other deferred income	1,238,515	-	1,887,708	-
Equipment sold not activated (see note 2 p)	3,322,422	-	1,709,845	-
Sale of telecommunications infrastructure (i)	68,630	543,225	114,386	554,569
Total deferred income	21,714,199	543,225	21,255,327	554,569

(i) As of December 31, 2015, the Company has recognized 100% of deferred income recorded in Fondo de Inversión Privado Infraestructura Uno, due to fulfillment of all the contract clauses generated in the following transactions:
- Sale of Torres Dos S.A., carried out on December 21, 2012 to Torres Unidas Chile SpA (Torrecom).
- Sale of telecommunications infrastructure to ATC Sitios de Chile S.A., on December 12, 2011.

22. Other Current Non-financial Liabilities, continued

(2) Other taxes correspond mainly to VAT debit and withholdings.

(3) Subsidies correspond to the balance pending recognition for the following projects:

Concepts Grants	03.31.2016 Current ThCh$	03.31.2016 Non Current ThCh$	12.31.2015 Current ThCh$	12.31.2015 Non Current ThCh$
Investigation and development	463,138	-	595,134	-
Subsidy base stations Tierra del Fuego (i)	-	1,055,332	-	1,055,331
Arica end zone (ii)	82,927	561,672	-	582,231
Mobile telephony routes in the region of Antofagasta	92,837	46,418	92,837	69,628
Public services Telefonica Movil	51,091	38,319	51,091	51,091
Total Grants	689,993	1,701,741	739,062	1,758,281

(i) Corresponds to the subsidy granted by the government for the Tierra del Fuego project carried out jointly with Entel S.A.
(ii) Corresponds to the subsidy granted by the SII for extreme zones.

Movement of deferred income is detailed as follows:

Deferred revenues	03.31.2016 ThCh$	12.31.2015 ThCh$
Begining balance	21,399,256	38,723,978
Deferred during the year	83,777,891	389,271,581
Recognized in income for the year	(82,771,398)	(406,596,303)
Movements, subtotal	1,006,493	(17,324,722)
Ending balance (1)/(3)	22,405,749	21,399,256

23. Equity

The Company manages its capital with the objective of safeguarding capacity and continuing as a going concern, in order to generate returns to its shareholders and to maintain a strong credit rating and prosperous capital ratios to support its businesses and guarantee ongoing quick access to the financial markets maximizing shareholder value. The Company manages its capital structure and makes adjustments to it, based on changes in existing economic conditions.

There were no changes introduced in the objectives, policies or processes during the periods ended as of march 31, 2016 and December 31, 2015.

23. Equity, continued

a) Capital:

As of march 31, 2016 and December 31, 2015, the Company's paid-in capital is detailed as follows:

Number of shares:

Serie	03.31.2016 No. of shares subscribed	03.31.2016 No. of paid shares	03.31.2016 No. of shares with voting rights	12.31.2015 No. of shares subscribed	12.31.2015 No. of paid shares	12.31.2015 No. of shares with voting rights
SINGLE	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145
Total	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145

Capital:

Serie	03.31.2016 Subscribed capital ThCh$	03.31.2016 Paid - in capital ThCh$	12.31.2015 Subscribed capital ThCh$	12.31.2015 Paid - in capital ThCh$
SINGLE	941,098,241	941,098,241	941,098,241	941,098,241
Total	941,098,241	941,098,241	941,098,241	941,098,241

Based on the above, the Company's shareholders are detailed as follows:

Company	Shares
Inversiones Telefónica Móviles Holding S.A.	118,026,144
Telefónica, S.A.	1
Total	118,026,145

The 118,026,145 shares are common, registered, single series shares without par value.

23. Equity, continued

b) Distribution of shareholders:

In accordance with Circular No. 792 issued by the Superintendency of Securities and Insurance (S.V.S.), the Company's shareholders and their ownership interest as of march 31, 2016 are detailed as follows:

Type of Shareholder	Participation percentage %	Number of shareholders
10% or more of participation	99.999999	1
Less than 10% of participation:		
Or more Investment UF 200	-	-
Less than 200 UF Investment	0.000001	1
Totales	100	2
Controller of the Company	99.999999	1

As of march 31, 2016 and December 31, 2015, the direct participation of Inversiones Telefonica Moviles Holding S.A., in the equity of Telefonica Moviles Chile S.A., reaches 99.999999%.

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 30, 2015, the shareholders agreed to consider as a final dividend the amount of ThCh$63,000,000 distributed in November 2014, equivalent to Ch$533.78004.

As of march 31, 2016 and December 31, 2015, the Company has distributed the following dividends during the reported periods:

Date	Dividend	Amount Distributed ThCh$	Charge to net income	Payment date
11-10-2015	Eventual	118,026,145	Fiscal year 2014	11-30-2015
11-10-2015	Provisory	39,973,856	Fiscal year 2015	11-30-2015
Total		158,000,001		

23. Equity, continued

d) Other reserves

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

Description	Balance as of 03.31.2016 ThCh$	Net movement ThCh$	Balance as of 12.31.2015 ThCh$
Business combination reserve (i)	(97,886,550)	-	(97,886,550)
Cash flows hedge reserve (ii)	6,398,226	(8,893,833)	15,292,059
Employee benefits reserve (iii)	(2,942,217)	79,421	(3,021,638)
Revaluation issued capital (iv)	(233,685,327)	-	(233,685,327)
Total	(328,115,868)	(8,814,412)	(319,301,456)

i) Business combination reserve

This reserve corresponds to corporate reorganizations undertaken by the Telefónica Móviles Chile Group in prior years.

ii) Cash flows hedge reserve

Transactions designated as cash flow hedges of expected transactions are probable, and when the Company can carry out the transaction, the Company has the positive intention and capacity to consummate the expected transaction. Expected transactions designated in our cash flow hedges are still probable on the same date and for the same amount as originally designated, otherwise the ineffectiveness will be measured and recorded when appropriate.

iii) Employee benefits reserve

Corresponds to the equity effect generated by the share in Telefonica Chile Servicios Corporativos Ltda., subsidiary of Telefonica Chile S.A. and Telefonica Investigation y Desarrollo Chile SpA, corresponding to termination benefits; whose effect originates from the change in actuarial hypotheses for the employee benefits accrual.

iv) Revaluation issued capital

In accordance with article 10-2 of Law 18,046 and Circular 456 issued by the SVS, price-level restatement of issued capital as of December 31, 2008 must be presented in this account.

e) Official Circular No. 856 issued by the Superintendency of Securities and Insurance

As per Official Circular No. 856 issued by the Superintendency of Securities and Insurance, dated October 17, 2014, differences in deferred tax assets and liabilities produced as a direct effect of the increase in the first category (corporate) income tax rate introduced by Law 20,780, must be accounted for in the year and charged to equity, as of the financial statements issued as of december 31, 2014. The equity effect generated by the interest in Telefonica Chile Servicios Corporativos Ltda. for this same concept is also reflected.

23. Equity, continued

f) Non-controlling interests

This heading corresponds to the recognition of the portion of equity and income of subsidiaries belonging to third parties.

As of December 31, 2015 Telefónica Móviles Chile Distribución S.A. was absorbed by Telefónica Móviles Chile S.A. (see Note 2d).

24. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	03.31.2016 ThCh$	12.31.2015 ThCh$
Earnings attributable to owners of the parent	28,494,136	26,456,441
Profit available for shareholders	28,494,136	26,456,441
Weighted average number of shares	118,026,145	118,026,145
Basic earnings per share in Ch$	241.42	224.16

Earnings per share have been calculated by dividing profit for the year attributable to the parent company by the weighted average number of common shares in circulation during the year. The Company has not issued any convertible debt or other equity securities. Consequently, there are no potentially dilutive effects on the Company's earnings per share.

25. Income and Expenses

a) Income from ordinary operations as of march 31, 2016 and 2015 is detailed as follows:

Operating income	03.31.2016 ThCh$	03.31.2015 ThCh$
Services rendered	210,199,238	221,823,281
Sale of goods (1)	22,044,633	21,283,343
Total	232,243,871	243,106,624

(1) As of march 31, 2016 and 2015, includes income from sale of handsets and contract and prepaid mobile telephone equipment.

25. Income and Expenses, continued

b) Other income as of march 31, 2016 and 2015 is detailed as follows:

Other income	03.31.2016 ThCh$	03.31.2015 ThCh$
Other current management earnings (2)	852,467	1,246,364
Indemnity	140,704	181,523
Gains on disposal of fixed assets (1)	-	434,610
Total	993,171	1,862,497

(1) It corresponds to sales revenue of towers and land
(2) Corresponds to extra charge for late payment, subsidy for extreme zones and others

c) The detail of other expenses by nature of the operation as of march 31, 2016 and 2015 are as follows:

Other expenses	03.31.2016 ThCh$	03.31.2015 ThCh$
Cost of sales of equipment	37,735,727	61,178,548
Rent	28,664,605	26,162,701
Interconnections and roaming	20,665,858	17,686,049
Employee expenses transferred by other companies and other	16,685,638	16,191,077
Sales commission	14,196,953	14,986,909
Administrative and management services	10,654,207	8,728,259
Customer services	6,722,608	8,979,708
Allowance for doubtful accounts	5,721,943	5,721,794
Advertising	4,615,906	3,950,616
Maintenance	3,763,501	3,050,002
Compensation to suppliers for messaging services	3,436,506	2,562,351
External services	2,987,602	3,268,302
Electrical energy for technical installations	2,906,212	2,495,467
Others (1)	6,683,405	8,335,568
Total	165,440,671	183,297,350

(1) As of march 31, 2016 and 2015, includes transportation expenses, insurance, information services, consulting, events, fines, sanctions, security and surveillance, among other things.

25. Income and Expenses, continued

d) Details of finance income and cost for the periods as of march 31, 2016 and 2015 are as follows:

Net financial expenses	03.31.2016 ThCh$	03.31.2015 ThCh$
Finance income		
Interest earned on deposits	896,783	606,620
Derivative contracts (Forward)	409,283	629,351
Other finance income	491,673	924,320
Total finance income	1,797,739	2,160,291
Finance cost		
Interest on obligations and bonds	2,815,598	3,746,075
Interest on loans from bank institutions	1,067,110	1,007,798
Interest rate hedges (cross currency swap)	971,994	339,895
Financial updating of dismantling obligation	230,796	171,047
Other financial cost	89,221	874
Total finance cost	5,174,719	5,265,689
Net finance income	(3,376,980)	(3,105,398)

e) Foreign currency translation and indexation units as of march 31, 2016 and 2015 are detailed as follows:

Description	03.31.2016 ThCh$	03.31.2015 ThCh$
Financial debt	2,826,709	(7,310,280)
Derivatives	1,394,409	5,345,437
Cash and cash equivalents	-	142,893
Financial investments	-	2,658,762
Current trade and other accounts receivable	(3,034,167)	274,278
Current accounts receivable from related entities	(996,088)	42,615
Current accounts payable to related entities	345,542	(35,489)
Trade accounts payable and other payables	283,566	(830,725)
Other	(234,775)	-
Total	585,196	287,491

25. Income and Expenses, continued

f) Foreign currency translation and indexation units as of march 31, 2016 and 2015 are detailed as follows:

Description	03.31.2016 ThCh$	03.31.2015 ThCh$
Financial debt	(1,639,890)	21,353
Derivatives	1,766,750	(679,301)
Trade accounts payable and other payables	(866,228)	8,953
Current accounts receivable from related entities	-	(3)
Current trade and other accounts receivable	370,616	(12,597)
Totales	(368,752)	(661,595)

26. Operating leases

The main operating lease agreements are associated directly to the line of business, such as the lease for the commercial offices building and spaces for technical telecommunications installations.

Are presented under other expenses by nature, in the statement of income. The Company has operating lease agreements which contain various clauses in reference to term of the lease and renewal and readjustment conditions. Should the Company decide to terminate an agreement in advance, it must pay the amounts stipulated in those clauses.

	03.31.2016 ThCh$	03.31.2015 ThCh$
Minimum operating lease payments recognized as an expense	18,300,989	17,963,665

As of march 31, 2016 and 2015 the Company has no future finance lease obligations.

The future operating lease obligations at march 31, 2016 and 2015 are detailed as follows:

	03.31.2016			
	Up to 1 year ThCh$	From 1 to 5 years ThCh$	More than 5 years ThCh$	Total ThCh$
Minimum payments of operating leases payable	30,686,335	101,156,326	44,114,541	175,957,202

	03.31.2015			
	Up to 1 year ThCh$	From 1 to 5 years ThCh$	More than 5 years ThCh$	Total ThCh$
Minimum payments of operating leases payable	29,198,242	91,080,022	53,885,433	174,163,697

27. Local and Foreign Currency

Current and non-current assets in local and foreign currency are detailed as follows:

Current assets	03.31.2016 ThCh$	12.31.2015 ThCh$
Cash and cash equivalents	107,677,394	135,142,296
Euros	-	201,602
Chilean pesos	107,677,394	134,940,694
Other current financial assets	67,591,632	29,627,151
US dollars	57,432,861	20,765,808
Euros	1,264	-
Chilean pesos	2,417,355	1,166,830
U.F.	7,740,152	7,694,513
Trade and other current accounts receivable	121,537,955	109,644,656
US dollars	2,470,878	2,320,274
Chilean pesos	117,849,360	106,278,136
U.F.	1,217,717	1,046,246
Accounts receivable from related companies	40,742,221	31,394,527
US dollars	2,255,488	3,986,197
Euros	1,634,816	-
Chilean pesos	36,851,917	27,408,330
Other current assets (1)	78,414,212	76,905,204
Pesos	78,132,319	76,623,311
U.F.	281,893	281,893
Total current assets	415,963,414	382,713,834
US dollars	62,159,227	27,072,279
Euros	1,636,080	201,602
Chilean pesos	342,928,345	346,417,301
U.F.	9,239,762	9,022,652

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

27. Local and Foreign Currency, continued

Current and non-current assets in local and foreign currency are detailed as follows

Non-current assets	03.31.2016 ThCh$	12.31.2015 ThCh$
Other non-current financial assets	15,198,418	12,691,026
U.F.	15,198,418	12,691,026
Other non-current non-financial assets	571,288	571,288
Chilean pesos	571,288	571,288
Other non-current assets (2)	1,001,313,016	999,443,649
Chilean pesos	1,001,313,016	999,443,649
Total non-current assets	1,017,082,722	1,012,705,963
US dollars	-	-
Chilean pesos	1,001,884,304	1,000,014,937
U.F.	15,198,418	12,691,026

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

27. Local and Foreign Currency, continued

Current and non-current liabilities in local and foreign currency are detailed as follows:

Current liabilities	03.31.2016	12.31.2015	12.31.2015	12.31.2014
	Up 90 days ThCh$		De 91 days to 1 years ThCh$	
Other current financial liabilities	135,921,935	13,591,469	98,133,997	217,354,624
US dollars	6,038,066	101,687	47,492,058	49,753,360
Euros	28,945	28,945	-	-
Chilean pesos	76,382,971	13,460,837	50,137,556	115,559,420
U.F.	53,471,953	-	504,383	52,041,844
Trade and other accounts payable	124,775,097	109,076,914	-	-
US dollars	21,433,470	28,479,406	-	-
Euros	179,992	1,873,639	-	-
Other currencies	166,823	160,811	-	-
Chilean pesos	99,249,368	76,531,999	-	-
U.F.	3,745,444	2,031,059	-	-
Current accounts payable to related companies	90,337,746	81,855,445	-	-
US dollars	3,358,280	3,216,939	-	-
Euros	5,522,563	4,200,763	-	-
Chilean pesos	81,456,903	74,437,743	-	-
Other current liabilities (1)	58,223,651	61,642,146	-	-
Chilean pesos	58,223,651	61,642,146	-	-
Total current liabilities	409,258,429	266,165,974	98,133,997	217,354,624
US dollars	30,829,816	31,798,032	47,492,058	49,753,360
Euros	5,731,500	6,103,347	-	-
Other currencies	166,823	160,811	-	-
Chilean pesos	315,312,893	226,072,725	50,137,556	115,559,420
U.F.	57,217,397	2,031,059	504,383	52,041,844

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

Non-current liabilities	03.31.2016	12.31.2015	03.31.2016	12.31.2015	03.31.2016	12.31.2015
	1 to 3 years ThCh$		3 to 5 years ThCh$		over 5 years ThCh$	
Other non-current financial liabilities	-	-	103,457,234	102,726,260	76,491,103	75,917,502
US dollars	-	-	-	-	-	-
U.F.	-	-	103,457,234	102,726,260	76,491,103	75,917,502
Chilean pesos	-	-	-	-	-	-
Other non-current liabilities (2)	18,281,805	19,456,428	-	-	-	-
Chilean pesos	18,281,805	19,456,428	-	-	-	-
Total non-current liabilities	18,281,805	19,456,428	103,457,234	102,726,260	76,491,103	75,917,502
US dollars	-	-	-	-	-	-
U.F.	-	-	103,457,234	102,726,260	76,491,103	75,917,502
Chilean pesos	18,281,805	19,456,428	-	-	-	-

(2) Includes: Non-current accounts payable to related entities, other long-term provisions, employee benefits provision and other non-current non financial liabilities.

28. Contingencies and Restrictions

a) Complaints filed by the tax authority against Telefónica Móviles:

As of march 31, 2016 there are no complaints filed by the tax authority against Telefónica Móviles S.A.

b) Lawsuits several

In the development of its normal line of business, Telefónica Móviles Chile S.A. is a party in several processes, involving civil, labor, special and penal matters for different concepts and amounts. In general, management and its internal and external legal counsel periodically monitor the evolution of lawsuits and contingencies affecting Telefónica Móviles Chile S.A. during 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 made in those proceedings, especially in those where it appears as the defendant, and the historical results obtained by Telefónica Móviles Chile S.A. in processes with similar characteristics, in the opinion of legal counsel, the risk that it will be condemned to pay the amounts claimed in the mentioned lawsuits is remote.

Notwithstanding, there are certain processes in which, due to the aforementioned considerations, it has been deemed that there is a risk of loss qualified as probable, which has motivated the recording of a provision for the estimated loss as of march 31, 2016, in the amount of ThCh$732,824. It is believed that Telefónica Móviles Chile S.A. will have to pay the amount of ThCh$228,000 before june 31, 2016 and the rest of the aforementioned amount during the quarter second of 2016.

On the other hand, there are proceedings for which it is deemed that the risk of loss is qualified as possible, which amount to a total of ThCh$2,023,814.

c) Financial restrictions:

As of march 31, 2016 and December 31, 2015 the company has no financial restrictions.

d) Insurance

The Company has property all risk and business interruption insurance, among others, on all its facilities.

As of December 31, 2015 the Company closed the process of settling the insurance claims associated to the earthquake which occurred in the country's extreme north, and the fire that affected the Valparaiso Region, both of which occurred in April 2014, recognizing all the costs related to those events.

As of December 31, 2015 the Company closed the insurance claim settlement process associated to the mudslide of March and earthquake of September 2015, both of which occurred in the country's extreme north, recognizing all the costs related to those events.

28. Contingencies and Restrictions, continued

e) Tax Contingency

On July 31, 2014, the Chilean Internal Revenue Service (SII) issued the following Tax Assessments: No. 25 for the 2011 tax year First Category Tax, No. 26 for the 2012 tax year First Category Tax and No. 27 Income Tax reinstatement. Through the mentioned Tax Assessments the SII determined tax difference, due to the rejection of various items declared by the Company. To date the Company has established tax provisions associated to the mentioned Tax Assessments in the amount of TcCh$18,315,407.

f) Guarantee Deposits

Guarantee deposits are detailed as follows:

Creditor of guarantee	Debtor		Type of guarantee	Ballots in force ThCh$	Liberation of guarantee		
	Name	Relationship			2016 ThCh$	2017 ThCh$	2018 and after ThCh$
Subsecretaría de Telecomunicaciones	TMCH	Parent company	Guarantee	66,508,236	-	40,423,202	26,085,034
CAI Gestión Inmobiliaria S.A.	TMCH	Parent company	Guarantee	7,247,014	7,247,014	-	-
Corporación de Fomento de la Producción	TMCH	Parent company	Guarantee	1,691,368	1,565,296	126,072	-
Administradora Plaza Vespucio S.A.	TMCH	Parent company	Guarantee	178,276	178,276	-	-
Municipalidad de Arica	TMCH	Parent company	Guarantee	137,268	-	-	137,268
Empresa de Transportes de pasajeros Metro S.A.	TMCH	Parent company	Guarantee	118,835	-	-	118,835
Constructora Administradora Uno S.A.	TMCH	Parent company	Guarantee	96,108	21,196	5,227	69,685
Municipalidad de Vitacura	TMCH	Parent company	Guarantee	90,925	89,225	-	1,700
Empresa de Ferrocarriles del Estado	TMCH	Parent company	Guarantee	76,819	22,426	-	54,393
Parque Arauco S.A.	TMCH	Parent company	Guarantee	71,190	26,236	-	44,954
Banco Estado	TMCH	Parent company	Guarantee	63,463	-	-	63,463
Sociedad Concesionaria Costanera Norte	TMCH	Parent company	Guarantee	63,048	-	-	63,048
Chilectra S.A.	TMCH	Parent company	Guarantee	61,263	-	-	61,263
Comando de Bienestar	TMCH	Parent company	Guarantee	58,053	-	34,730	23,323
Subsecretaría de Desarrollo Regional	TMCH	Parent company	Guarantee	52,839	-	-	52,839
Aguas Andinas S.A.	TMCH	Parent company	Guarantee	45,500	-	-	45,500
Endesa	TMCH	Parent company	Guarantee	36,783	-	-	36,783
Subsecretaría de Economía	TMCH	Parent company	Guarantee	34,510	-	34,510	-
Comercial Eccsa	TMCH	Parent company	Guarantee	33,749	-	33,749	-
Nuevos Desarrollos S.A.	TMCH	Parent company	Guarantee	32,847	8,738	24,109	-
Ministerio de Bienes Nacionales	TMCH	Parent company	Guarantee	30,213	-	12,600	17,613
Celulosa Arauco y Constitución	TMCH	Parent company	Guarantee	28,315	-	28,315	-
Dirección General de Aeronautica Civil	TMCH	Parent company	Guarantee	26,577	9,161	9,882	7,534
Comercializadora Costanera Center S.P.A.	TMCH	Parent company	Guarantee	24,426	24,426	-	-
Junta Nacional de Jardines Infantiles	TMCH	Parent company	Guarantee	24,393	4,825	2,039	17,529
Plaza El Roble S.A.	TMCH	Parent company	Guarantee	23,363	-	-	23,363
Ilustre Municipalidad de Cerro Navia	TMCH	Parent company	Guarantee	22,824	22,824	-	-
Servicio Nacional de Geología y Minería	TMCH	Parent company	Guarantee	22,400	-	-	22,400
Subsecretaría de Prevención del Delito	TMCH	Parent company	Guarantee	21,500	2,000	-	19,500
Enersis S.A.	TMCH	Parent company	Guarantee	20,050	-	-	20,050
Otros (1)	TMCH	Parent company	Guarantee	721,495	308,093	262,229	151,173
Total				77,663,650	9,529,736	40,996,664	27,137,250

(1) This item includes all guarantees with a value of less than ThCh$ 20,000.

TMCH: Telefónica Móviles Chile S.A.

29. Environment

Due to the nature of its business line, 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 the protection of the environment during this year, whether in a direct or indirect manner.

The Official Gazette of June 11, 2012 published Law No. 20,599 regulating transmission antennas and telecommunications services transmitters.

Law No. 20,599 regulating the installation of telecommunications service broadcasting and transmission antennae was published in the Official Gazette in 2012. The provisions adopted include: i) restrictions and new regulations for the installation of new sites based on the height of the tower, its location and its closeness to sensitive entities and to other towers already in place; new and more demanding conditions for approval of these new sites; ii) retroactively, regulates the height of towers installed before the enactment of the law, which are close to sensitive places determined by the Telecommunications Undersecretary (schools, hospitals, playschools, daycares, nursing homes and others); and iii) also retroactively, regulates the concentration of towers in Saturated Zones, for which solutions are contemplated on the basis of reducing the number of structures or else, compensation is established with community improvement projects which must be agreed upon by the Neighborhood Councils (Juntas de Vecinos) and the Municipal Council, in the amount of 20% of the total cost of the tower, if camouflage is used in the structure and 50% if no camouflage is used.

In compliance with the present law, activities are underway to dismantle sites, or reduce the height of existing structures, which implies responsible handling of the waste produced. For this purpose we have a current contract with responsible recycling companies, with certificates of recycling and final disposal of the project's residues.

The Company is in compliance with what is required in the environmental evaluation in reference to the levels of emission of associated electromagnetic waves, and also in urban and environmental areas.

In this respect the Company is currently working on implementing the competition projects indicated by Subtel where there are polygons placed in the protection areas referred to in Law No. 19,300. In these cases Environmental Impact Studies are performed when there is a plan to install infrastructure in these protection areas to submit them to evaluation by the authorities.

After approximately 3 years from the enactment of the law that regulates the installation of towers, there have been instances of review of the manner in which this law has been implemented. Thus, there are currently projects underway to modify the Law in order for the installation of telecommunication services broadcasting and transmission antennae to be subject to the Environmental Impact Evaluation System, therefore the future ongoing preparation of these studies must be addressed.

30. Financial Risk Management (Not audited)

a) Characterization of the Market and Competition

The mobile telephone market is composed of eleven operators, of which four have their own network and the rest are virtual operators.

Operators with their own network are: Telefónica Móviles Chile (Movistar), owned by the Telefónica Group; Entel S.A., owned by the Almendral Group; Claro, owned by the América Móvil Group and Nextel (sold in January to the English Group Novator Partners LLP, who began operating in July under a new name: WOM, operator that absorbed the customers and infrastructure of what was formerly Nextel).

There are seven virtual mobile operators (VMO). Virgin Mobile, Netline (GTEL) and GTD Móvil entered the market in 2012. Móvil Falabella and Telestar (which owns the Colo-Colo and Wanders franchise) entered the market in 2013. At the end of 2013, VTR signed a roaming services contract with Movistar. In April 2015, VMO Simple began its commercial operations.

Mobile Voice

At march 31, 2016 the mobile telephone services market will have close to 25.6 million connections, a 1% drop in comparison to the previous year. With this, mobile telephone penetration per 100 inhabitants would reach 142%.

Prepaid mobile lines continue decreasing in the industry, influenced by a less dynamic economy, the effect of lower access charges and the commercial strategy of companies to migrate these customers to plans. In absolute terms, the decrease in prepaid customers was more than the increase of customers with contracts, generating a drop of approximately 670,000 in total customers with mobile lines in the quarter. The prepaid proportion closed at 71% of total lines in the market, a difference of 2 percentage points in comparison to March 2015.

Mobile Internet

Access to Mobile Internet has experienced explosive growth thanks to the increased penetration of smartphones; with 3 and 4G technology, which allow personalized Internet navigation anywhere, at an affordable price. Thus the number of connections to Mobile Internet exceeded 10.8 million as of march 2016, a growth of 13% in comparison to the first quarter of 2015. Market penetration by inhabitants is also 58%.

Technology

During the fourth quarter of the year, WOM and virtual mobile operator GTD, launched the 4G service for users that have LTE technology and compatibility in the corresponding spectrum, AWG band for WOM and 2,600 MHz for GTD. These companies join operators, Movistar, Claro and Entel, which operate LTE within the 2,600 MHz spectrum and for some time now have offered this technology, whose characteristic is to considerably increasing navigation speed and improve the data use experience.

30. Financial Risk Management, continued (Not audited)

b) Competition risk

The mobile voice business is at the maturation stage, but it has been made more complex by portability and the entry of new players has led operators to intensified competition, making more flexible offers and to offering better handsets, in order to maintain their customers and capture new ones that are entering the market.

In the first quarter of 2016 more than 600,000 mobile customers were ported, specifically in March there was a record figure recorded since the system began in 2012 with approximately 213,000 mobile lines ported. From its inception to date mobile portability accumulates 5.4 million lines ported as of March 2016, which is equivalent to 21% of the total mobile voice customers in the industry.

c) Regulatory environment

Regulation plays a relevant role in the mobile telephone industry. Stable standards and criteria allow adequate evaluation of growth projects and reduction of investment risk levels. Correct price establishment in turn allows the creation of a competitive and healthy environment.

Both companies and authorities are interested in increasing services provided and in decreasing the digital breach in Chile. For this, in addition to the right rates, it is necessary that the associated regulations are adequate and allow quick resolution of conflicts that necessarily arise among companies.

Tariff System

In the regulatory area, at the end of 2012 a process began that will derive in a new rate setting for mobile services in the 2014-2019 period, which becomes effective on January 25, 2014.

In addition, in December 2012 the Antitrust Committee ("TDLC") issued General Instructions regulating joint service offers in the market consisting of Fixed-Mobile and On Net/Off Net mobile services.

In January 2014, the Chilean Telecommunications Undersecretary (Subtel) announced a new tariff decree for mobile telephony that will be in force for the next five years for the country's operators; it establishes that as of January 25, the access charge will begin to decrease (tariff that mobile companies charge each other for the use of their networks) by 73% on average. The Contraloría General de la República made observations on the recording ("toma de razón") process of Decree 21, dated 2014, issued by the Ministries of Transportation, Telecommunications and of Economy, Development and Tourism. Finally on May 29, the Contraloría General de la República decided to accept the technical and economic information presented by Subtel and recorded the tariff decrees that establish the access charges of mobile companies for the 2014-2019 five-year period. finally decreeing an average reduction of 76.4% in the rate of Cargo Mobile Access.

30. Financial Risk Management, continued (Not audited)

c) Regulatory environment, continued

Decree No. 21 of 2014 issued by the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism, published in the Official Gazette of June 4, 2014, established the tariffs that will be in force for Telefónica Móviles Chile S.A., for the 2014 – 2019 period. The aforementioned publication completed the tariff-setting process which began at the end of 2012, in conformity with the procedure regulated by law. In this process Telefónica Móviles Chile S.A. used all instances available to defend its points of view, and we wish to highlight those undertaken before the Expert Commission to define the Final Technical Economic Bases, and to resolve controversies referring to the Report on Objections and Counterproposals issued by Subtel, and the "Contraloría General de la República".

Allocation of Spectrum

In Chile there are two mechanisms for allocation of frequencies: direct allocation and public tender allocation.

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

The last two frequency block allocations awarded to Telefónica Móviles Chile S.A. were the 2.6 GHz and 700 MHz. frequency blocks, as indicated below.

In the tender process called by Subtel, to allocate the data, fixed and/or mobile data transmission public service concessions, in the 2,505 – 2,565 MHz and 2,625 - 2,685 MHz frequency bands, through Decree No. 176, dated 2012, issued by the Ministry of Transportation and Telecommunications, published in the Official Gazette of March 28, 2013, TMCH was awarded the concession allocating block "C" of frequencies that operate with 4G technology. The technical project was undertaken within the period of one year committed to in the public tender.

In the public tender called by Subtel through publication in the Official Gazette on October 15, 2013, to allocate three data transmission public service concessions in the 713 - 748 MHz and 768 – 803 MHz frequency bands, TMCh was awarded the "A" block of frequencies whose concession was awarded by Decree No. 71 of 2015, published in the Official Gazette on September 14, 2015, for a term of 30 years. As of the mentioned date, there is a period of 18 months granted to provide voice service and Internet access in 366 mandatory locations and 2 routes; and the 1 Mbps/256 Kbps Internet access service to 158 schools. To provide service to the public with the band allocated in the rest of the country it has a period of 24 months, which expires on September 14, 2017.

30. Financial Risk Management, continued (Not audited)

c) Regulatory environment, continued

Amendments to the Regulatory Framework

On November 27, 2015, the President of the Republic presented the 2020 Digital Agenda, which contains 60 measures grouped in five areas: Digital Development Law; Digital Connectivity; Digital Government; Digital Economy and Digital Competency.

- **Fixed Digital** Connectivity the goal is to provide access to high speed and top quality networks to everyone, so that the benefits can reach 90% of homes; 100% of public schools; and for the average Internet access speed be at least 10 Mbps. Through the Telecommunications Development Fund (FDT or Fondo de Desarrollo de las Telecomunicaciones) subsidies will be provided for end user access networks, prioritizing telecommunications connectivity and Internet access projects, focusing on native, rural and vulnerable urban sector communities (7,000 locations and zones). Promoting the bill on high speed Internet, which would obligate suppliers to guarantee the access speeds offered. The Austral Optic Fiber project is in this strategic line.

- **Digital Government** the intention is to have a State that offers better public services and achieve a digital clinical sheet for everyone in the public system, to facilitate diagnosis, follow-up and online appointment reserves.

- **Digital Economy** indicates that the goal is to reach at least a third of smaller companies that purchase and sell on the Internet to use the technologies.

- **Digital Competency** proposes, among other actions, to contribute toward improving the quality of education through digital resources and content oriented to teachers and students.

Number Portability

Number Portability for Mobile and Landline telephones was enabled in accordance with the calendar established by Subtel, though Resolution No. 6,367 dated 2011. On March 16, 2013 Number Portability began for Internet Voice services, Rural Telephony and Mobile Party Pays. Portability of Complementary Services began on October 13, 2014 as provided for in Exempt Resolution No. 1022, dated March 31, 2014, issued by Subtel.

Regarding Geographic Portability and Intermodal Portability, in 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 will be implemented as of February 6, 2016 and Intermodal Portability will take place on September 5, 2016.

30. Financial Risk Management, continued (Not audited)

c) Regulatory environment, continued

On the other hand, in accordance with Article 31 of Decree No. 16, dated 2011, issued by the Ministry of Transportation and Telecommunications, which establishes the tender procedure to designate the Number Portability Management Organization (OAP or Organismo Administrador de la Portabilidad), in compliance with the regulated procedure, the Portability Board awarded the new Number Portability Management Organization (OAP) to Telcordia Technologies, Inc.

d) Financial risk management objectives and policies

The Company's main financial liabilities, in addition to derivatives, comprise bank loans and bond obligations, accounts payable and other accounts payable. The main purpose of these financial liabilities is to obtain financing for the Company's operations. These transactions lead to Company entitlements, mainly trade accounts receivable, cash and short-term deposits.

The Company also has held-for-sale investments and derivative transactions. During its normal course of its operations the Company faces credit risk and liquidity risk.

The Company's management oversees that financial risks are identified, measured and managed in accordance with policies defined for such purposes. All risk management activities are carried out by teams of specialists with appropriate skills, experience and supervision. The Company has a policy not to enter into derivative contracts for speculative purposes.

The Board of Directors reviews and ratifies the policies for managing those risks, which are summarized as follows.

Market risk:

Market risk is the risk that the fair value of future cash flows from a financial instrument may fluctuate due to changes in market prices. Market prices include three types of risk: interest rate risk, exchange rate risk and other price risks such as equity risk. Financial instruments affected by market risk include loans, deposits 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.

30. Financial Risk Management, continued (Not audited)

d) Financial risk management objectives and policies, continued

The Company manages its interest rate risk by maintaining a balanced portfolio of loans and variable and fixed-rate debt. The Company maintains interest rate swaps in which it agrees to exchange, at given intervals, the difference between the fixed-rate amounts and the variable-rate amounts calculated for an agreed-upon notional principal amount. These swaps are designated to hedge the underlying debt obligations.

The Company periodically determines the efficient exposure of its short and long-term debt to changes in interest rates, based on the future evolution of rates. As of march 31, 2016 the company had 46% of its debt and short-term bearing interest at a fixed rate.

The company believes it is reasonable to measure the risk associated to financial debt interest rate as the sensitivity of monthly financial expense accrual in case of a change of 25 base points in the debt reference interest rate, which as of march 31, 2016 is the Nominal Chamber Average Rate (TCPN or Tasa Promedio de Cámara Nominal in Spanish). In this manner, an increase of 25 base points in the monthly TCPN would mean an increase in the monthly financial accrual expense for 2016 of approximately Ch$41,729 million, whereas a drop in the TCPN would mean a reduction of Ch$41,729 million in the monthly financial accrual expense for year.

Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows from a financial instrument fluctuate due to changes in exchange rates. The Company's exposure to the risk of exchange rate variation is related principally to securing short and long-term financing in foreign currencies and to operating activities related to handset purchases, other service and assets. The Company's policy calls for trading derivative financial instruments that help minimize this risk.

Credit risk:

Credit risk is the risk that a counterparty is not meeting its obligations stemming from a financial instrument or customer agreement, which could lead to financial loss. The Company is exposed to credit risk from its operating activities (principally accounts receivable) and financing activities, including bank deposits, foreign exchange transactions and other financial instruments.

Credit risks related to customer credits are managed in accordance with policies, procedures and controls established by the Company for managing customer credit risk. Customer credit quality is evaluated on an ongoing basis. Amounts pending collection from customers are monitored. The maximum exposure to credit risk as of the date of presentation of the report is the value of each class of financial assets.

30. Financial Risk Management, continued (Not audited)

Credit risk related to bank balances, financial instruments and marketable securities is managed by the Chief Financial Officer based on Company policies. Surplus funds are only invested with approved counterparties and within the credit limits assigned to each entity. Counterparty limits are reviewed annually and may be updated at other times during the year. These limits are established to reduce the counterparty's risk concentration to a minimum.

Liquidity risk:

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

Capital management:

Capital includes shares and equity attributable to the parent company's equity less unearned income reserves.

The Company's main objective related to capital management is to ensure that it has a strong credit rating and adequate capital ratios to support its businesses and maximize shareholder value. The return on equity (income/average total equity) as of march 31, 2016 amounts to 3.78%, an increase of 4.3% in comparison to march 2015. This was a consequence of higher income for the period, due to the decrease in expenses, mainly for a cost of equipment sales.

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

No changes were introduced in the objectives, policies or processes during the periods ended march 31, 2016 and December 31, 2015.

e) Technological changes

The growth of the industry has been driven, to a large extent by the need of customers to be permanently connected through their mobile devices. This translates into ongoing investment requirements to allow.

The competitive intensity in the mobile broadband industry has reduced rates and increased access to the product, producing an explosive growth in mobile data traffic which requires both investments and spectrum availability, a key factor in this industry's evolution. It is thus how the 3 main mobile companies have the LTE or 4G service available in the 2,600 MHz bands, allowing customers to have a better experience in the use of mobile data.

The investment of operators in 3G networks has allowed the Company to withstand the current demand for data, and 4G services will allow it to support growing future mobile data demand.

30. Financial Risk Management, continued (Not audited)

f) Perspective

We expect the competitive scenario to continue, due to the high levels of penetration reached, together with aggressive commercial actions carried out by all operators, focused mainly on increasing the use of data transmission services, especially Internet services from mobile equipment. The higher number of operators and VMOs shall increase the commercial offer to new customer segments, demanding investments in human and financial resources.

31. Subsequent Events

The consolidated financial statements of Telefonica Moviles Chile S.A., for the period ended as of march 31, 2016 were approved and authorized for issuance at the Board of Directors Meeting held on april 21, 2016.

At the Extraordinary Shareholders' Meeting held on April 1, 2016, the shareholders approved the division of the Company through the transfer of assets in the amount of ThCh$7,508,257, liabilities in the amount of ThCh$1,453,091 and equity in the amount of ThCh$6,055,166, to the new company, Towerco Latam Chile S.A.

On April 15, 2016 Telefónica Móviles Chile S.A. obtained an international loan for US$ 150 million (Ch$ 99,057 million), from The Bank of Tokyo-Mitsubishi and Export Development Canada, at an interest rate of Libor + 80 bps, 5-year bullet without financial covenants. The purpose of the loan is to partially refinance obligations in accordance with the Company's 2016 financial plan.

In the period from april 1 to 21, 2016, there have been no significant events after the reporting date that might affect these financial statements.

Alejandro Gil Ibarra
Accounting Manager

Juan Parra Hidalgo
Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager