TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the years ended as of
March 31, 2017 (not audited), December 31, 2016 and March 31, 2016 (not audited)

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

INDEX

Notes to the Consolidated Interim Financial Statements

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

CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2017 (not audited), December 31, 2016

ASSETS	Notes	03.31.2017	12.31.2016
		ThCh$	ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	45,635,652	88,602,271
Other current financial assets	(6)	16,523,419	1,548,868
Other current non-financial assets	(7)	36,686,123	36,633,415
Current trade and other accounts receivable	(8a)	118,607,612	99,765,569
Current accounts receivable from related companies	(9a)	67,852,974	44,467,943
Inventory	(10a)	44,691,583	35,358,345
Current tax assets	(11b)	6,940,085	10,192,381
Total current asset other than assets or disposal groups classifield as help for sale or held for distribution to the owners		336,937,448	316,568,792
TOTAL CURRENT ASSETS		336,937,448	316,568,792
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	22,937,140	21,443,076
Other non-current non-financial assets	(7)	616,926	616,926
Non-current trade and other accounts receivable		24,343	24,345
Non-current receivables from related companies	(9b)	-	22,174,222
Investments in associates accounted for using the equity method	(12a)	16,357,873	16,644,319
Intangible assets other than goodwill	(13a)	166,202,583	167,621,006
Goodwill	(14)	483,179,725	483,179,725
Property, plant and equipment	(15a)	317,889,650	317,041,213
Deferred tax assets	(11d)	408,772	918,007
TOTAL NON-CURRENT ASSETS		1,007,617,012	1,029,662,839
TOTAL ASSETS		1,344,554,460	1,346,231,631

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

CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2017 (not audited), December 31, 2016

LIABILITIES	Notes	03.31.2017	12.31.2016
		ThCh$	ThCh$
CURRENT LIABILITIES			
Other current financial liabilities	(16)	3,737,383	5,767,415
Trade and other accounts payables	(17a)	101,791,013	123,695,237
Current accounts payable to related companies	(9c)	100,180,842	94,411,039
Other short term provisions	(19a)	10,809,929	10,817,460
Current tax liabilities	(11c)	18,315,406	18,315,406
Other current non-financial liabilities	(21)	33,542,112	35,832,629
TOTAL CURRENT LIABILITIES		268,376,685	288,839,186
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(16)	377,701,737	377,598,906
Non-current accounts payable to related companies	(9e)	1,366,521	1,366,521
Other long-term provisions	(19b)	17,163,325	16,102,813
Pasivos por impuestos diferidos	(11d)	9,174,570	12,115,276
Non-current employee benefits accrual	(20a)	108,253	104,694
Other non-current non-financial liabilities	(21)	1,851,396	1,877,662
TOTAL NON-CURRENT LIABILITIES		407,365,802	409,165,872
TOTAL LIABILITIES		675,742,487	698,005,058
NET SHAREHOLDERS' EQUITY			
Issued capital	(22a)	933,327,971	933,327,971
Retained earnings		64,273,582	43,851,585
Other reserves	(22d)	(328,789,580)	(328,952,983)
Shareholders' equity attributable to owners of the parent		668,811,973	648,226,573
Non-controlling interests		-	-
TOTAL NET SHAREHOLDERS' EQUITY		668,811,973	648,226,573
TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY		1,344,554,460	1,346,231,631

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

STATEMENTS OF CHANGES IN EQUITY
As of March 31, 2017 and 2016 (not audited)

	Notes	2017 ThCh$	2016 ThCh$
		For the years ended March 31	
STATEMENTS OF COMPREHENSIVE INCOME			
Income from ordinary operations	(24a)	233,383,095	232,816,034
Other income	(24b)	1,275,231	421,008
Employee benefits expenses	(20d)	(520,663)	(576,935)
Depreciation and amortization expense	(13b-15b)	(27,792,805)	(26,671,149)
Other expenses, by nature	(24c)	(174,728,360)	(165,440,671)
Profit from operating activities		31,616,498	40,548,287
Interest income	(24d)	1,182,558	1,797,739
Interest expense	(24d)	(4,610,387)	(5,174,719)
Share in earnings (losses) of associates accounted for using the equity method	(12b-19bi)	(26,084)	469,812
Foreign exchange differences	(24e)	(44,707)	585,196
Indexation units	(24f)	381,507	(368,752)
Profit before tax from continuing operations		28,499,385	37,857,563
Income tax expense	(11f)	(8,077,388)	(9,363,427)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		20,421,997	28,494,136
Profit attributable to:			
Profit attributable to owners of the parent		20,421,997	28,494,136
Profit attributable to non-controlling interests		-	-
PROFIT		20,421,997	28,494,136

EARNINGS PER SHARE		Ch$	Ch$
Earnings per basic share:			
Earnings per basic share for continuing operations	(23)	173.03	241.42
Earnings per basic share for discontinued operations		-	-
Earnings per basic share:		173.03	241.42
Diluted earnings per share:			
Diluted earnings per share from continuing operations		173.03	241.42
Diluted earnings per share from discontinued operations		-	-
Diluted earnings per share:		173.03	241.42

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

STATEMENTS OF CHANGES IN EQUITY
As of March 31, 2017 and 2016 (not audited)

		For the years ended March 31	
		2017	2016
		ThCh$	ThCh$
COMPREHENSIVE INCOME STATEMENT			
PROFIT		20,421,997	28,494,136
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	(20a)	(1,260)	1,553
Share of other comprehensive income of associates and joint ventures accounted for using the equity method which will not be reclassified to income for the period, before taxes	(12b)	(260,362)	77,861
Other comprehensive income that will not be reclassified to income for the period, before taxes		(261,622)	79,414
Components of other comprehensive income that will be reclassified to income for the period, before taxes			
(Losses) profits from cash flow hedging, before taxes		581,319	(11,626,349)
Other comprehensive income that will be reclassified to income for the period, before taxes		581,319	(11,626,349)
Other components of other comprehensive income, before taxes		319,697	(11,546,935)
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		(8)	7
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		(156,286)	2,732,516
Total income tax related to components of other comprehensive income		(156,294)	2,732,523
OTHER COMPREHENSIVE INCOME		163,403	(8,814,412)
TOTAL COMPREHENSIVE INCOME		20,585,400	19,679,724
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Comprehensive income attributable to owners of the parent		20,585,400	19,679,724
Comprehensive income attributable to non-controlling interests		-	
TOTAL COMPREHENSIVE INCOME AND EXPENSES		20,585,400	19,679,724

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

STATEMENTS OF CHANGES IN EQUITY
As of March 31, 2017 and 2016 (not audited)

	Changes in issued capital (Note 22 a)	Changes in other reserves (Note 22 d)			Retained earnings (losses)	Equity attributable to owners of the parent	Non controlling interests (Nota 22 e)	Total equity
	Issued Capital	Reserves from cash flow hedge (Note 22d)	Other miscellaneous reserves	Total other reserves				
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Equity at the beginning of the period	933,327,971	4,661,884	(334,593,515)	(329,931,631)	43,851,585	647,247,925	-	647,247,925
Changes in equity								
Comprehensive income								
Profit	-	-	-	-	20,421,997	20,421,997	-	20,421,997
Other comprehensive income	-	(10,630,175)	(261,630)	(10,891,805)	-	(10,891,805)	-	(10,891,805)
Comprehensive income	-	(10,630,175)	(261,630)	(10,891,805)	20,421,997	9,530,192	-	9,530,192
Dividends	-	-	-	-	-	-	-	-
Increase (decrease) from transfers and other changes, equity	-	-	-	-	-	-	-	-
Total increase (decrease) in equity	-	-	-	-	-	-	-	-
Equity march 31, 2017	933,327,971	(5,968,291)	(334,855,145)	(340,823,436)	64,273,582	656,778,117	-	656,778,117
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

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

STATEMENTS OF CONSOLIDATED CASH FLOWS, DIRECT METHOD
As of March 31, 2017 and 2016 (not audited)

	Notes	For the three-month period ended March 31, 2017	2016
		ThCh$	ThCh$
CASH FLOWS PROVIDED (USED IN) BY OPERATING ACTIVITIES:			
Classes of operating activity charges			
Proceeds from sale of assets and services rendered		279,749,806	274,457,263
Other operating activity charges		6,501,351	3,664,702
Classes of payments			
Payments to suppliers for supplying goods and services		(190,495,295)	(179,561,777)
Paymentd from related companies		(39,380,413)	-
Payments to and on account of employees		(628,194)	(625,168)
Other operating activity payments		(14,214,014)	(21,013,023)
Income taxes (paid) reimbursed classified as operating activities		(7,412,858)	(5,023,961)
Cash flows provided (used in) by operating activities:		34,120,383	71,898,036
CASH FLOWS PROVIDED (USED IN) BY INVESTMENT ACTIVITIES:			
Loans to related entities			-
Additions to property, plant and equipment		(46,288,062)	(31,377,283)
Collection from related entities (1)		(48,475,000)	45,800,000
Interest received		808,154	1,399,833
Other cash inflows (outflows) (2)		489,600	(101,649,988)
Net cash flows provided (used in) by investment activities		(93,465,307)	(85,827,438)
CASH FLOWS PROVIDED (USED IN) BY FINANCING ACTIVITIES:			
Loan repayments		22,493,155	(10,999,589)
Interest paid		(6,114,849)	(2,535,910)
Net cash flows provided (used in) by financing activities		16,378,306	(13,535,499)
Net Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate		(42,966,619)	(27,464,901)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(42,966,619)	(27,464,901)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(5)	88,602,271	135,142,296
CASH AND CASH EQUIVALENTS, END OF YEAR	(5)	45,635,652	107,677,395

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

The accompanying notes 1 to 30 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".

In consideration of the corporate restructuring process that is being carried out by the Telefónica Group in Chile, at the Extraordinary Shareholders' Meeting held on April 1, 2016, the shareholders agreed to approve the division of Telefónica Móviles Chile S.A. into two companies, under the terms of articles 94 and following of Law No. 18.046. One of the companies to be the continuer for the current company, with the same name, and a new company, Towerco Latam Chile S.A. will be allocated mainly non-essential assets and liabilities representing 0.00203571451% of the equity of the company that is being divided according to the latest financial statements reported as of December 31, 2015. This division did not alter or modify the operation of the continuing company, Telefónica Móviles Chile S.A..

At the Extraordinary Shareholders' Meeting held on March 22, 2017, the shareholders approved the merger by incorporation of Telefónica Móviles Chile S.A. and its Parent Company, Inversiones Telefónica Móviles Holding S.A. which will be subject exclusively to a suspensive condition consisting in the registration of Inversiones Telefónica Móviles Holding S.A. in the Securities Registry of the Superintendency of Securities and Insurance. As of the date of issuance of these consolidated financial statements, the registration process of the Parent Company is underway.

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

These consolidated financial statements (hereinafter, "financial statements") cover the years ended March 31, 2017 and December 31, 2016.

b) Basis of presentation

The financial statements as of December 31, 2016, and their corresponding notes are shown in a comparative manner in accordance with Note 2a).

2. Significant Accounting Policies, continued

c) Basis of preparation, continued

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

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 consolidated financial statements comprise the financial statements of the parent company and its subsidiaries, including their assets and liabilities, income, expenses and cash flows after making adjustments and eliminations related to transactions between the companies that form part of the consolidation. The interest of minority investors has been recognized under "Non-controlling interests" (Note 22e).

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.

2. Significant Accounting Policies, continued

d) Basis of consolidation, continued

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.

The following subsidiaries are included in consolidation:

				Participation percentage			
		Country	Funct	03.31.2017			12.31.2016
Taxpayer No.	Company	of origin	currency	Direct	Indirect	Total	Total
76.378.279-4	Telefónica Investigación y Desarrollo Chile SpA	Chile	CLP	100	-	100	100

2. Significant Accounting Policies, continued

d) Basis of consolidation, continued

The summarized financial information as of March 31, 2017 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	3,158,027	433,115	3,591,142	4,011,052	108,253	4,119,305	(528,163)	285,000	(1,011,426)

The summarized financial information as of December 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	3,405,594	942,350	4,347,944	3,758,720	104,694	3,863,414	484,530	1,178,025	(72,921)

(1) The purpose of this company is to generate knowledge and develop solutions in the technological framework, focusing mainly on Mining, Agroindustry and Cities. According to the business model, the projects are in the research, development, executed and testing phases, with possible marketing contracts for 2018

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 31,2017	663.97	709.37	26,471.94
December 31,2016	669.47	705.60	26,347.98
March 31,2016	669.80	762.26	25,812.05

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 year.

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

1. Financial assets other than derivatives, 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 twelve 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 financial statements comprise cash and bank checking accounts, time deposits and other highly liquid investments with original maturity equal to or less than 90 days. These items are recorded at historical cost, which does not significantly differ from their realization value.

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

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 18).

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 twelve 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 18b).

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, 2016 was 7.05%. There are no indications of possible impairment of assets for the period ended as of March 31, 2017.

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 25.

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 2017 and 2016 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 25.5% and 24% at March 31, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, 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 three years.

n) 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, cost of direct labor used in the installation and any other cost necessary to carry out the investment. In addition, the company recognizes an obligation for assets that will be dismantled, which corresponds to future disbursements that the Company must make in relation to removal of its installations. These future disbursements are incorporated in the updated value of the asset, recognizing the corresponding decommissioning 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.

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, 2017 and December 31, 2016, there are no capitalized interest exists.

2. Significant Accounting Policies, continued

n) Property, plant and equipment, continued

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.

ñ) 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 10.92% and 11.93% for March 31, 2017 and December 31, 2016, respectively.

Estimated useful lives are summarized in the following detail:

	Useeful lives in years	
Assets	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.

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, 2017 and December 31, 2016 respectively, considering estimations such as future permanence, employee mortality rate and future salary increases determined on the basis of actuarial calculations. Discount rates are determined by reference to market interest curves.

2. Significant Accounting Policies, continued

o) Provisions, continued

ii) Provision for dismantling expenses

Corresponds to the cost that will be incurred in the future for dismantling microwave antennas from the telecommunications infrastructure once the third-party site 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 ten 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 expenses are charged to the income statement using the accrual method, i.e. to the extent that it is probable that economic benefits will flow to the Company and can be reliably measured, regardless of when the payment or financing derived from it is generated.

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.

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.

2. Significant Accounting Policies, continued

p) Income and expenses, continued

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 12 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 parent 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 21).

Subsidiary Telefónica Investigación y Desarrollo Chile Spa has the following government grant associated to:

- 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 21).

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:

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.

2. Significant Accounting Policies, continued

q) Use of Estimates, continued

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.

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.

2. Significant Accounting Policies, continued

q) Use of Estimates, continued

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 20a).

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) 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
IFRIC 22	Transactions in Foreign Currency and Advance Consideration	January 1, 2018
IFRS 16	Leases	January 1, 2019

2. Significant Accounting Policies, continued

s) 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.

IFRIC 22 "Transactions in Foreign Currency and Advance Consideration"

The interpretation addresses the way to determine the transaction date in order to establish the exchange rate to be used in the initial recognition of the related asset, expense or income (or their applicable part), in the derecognition in accounts of a non-monetary asset or non-monetary liability that arises from the payment or collection of the advance consideration in foreign currency. For this purpose the transaction date corresponds to the moment at which an entity initially recognizes the non-monetary asset or non-monetary liability that arises from the payment or collection of the advance consideration. If there are multiple advance payments or collection, the entity will determine a transaction date for each payment or collection of the advance consideration.

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

2. Significant Accounting Policies, continued

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

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 is evaluating the impact that the application of IFRS 9, IFRS 15, IFRIC 22 and IFRS 16 on their effective date.

Improvements and amendments		Mandatory Application date
IFRS 2	Share-based Payment	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 4	Insurance Contracts	January 1, 2018
IAS 40	Investment Properties	January 1, 2018
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 1, 2018
IFRS 12	Disclosure of Interest in Other Entities	January 1, 2017
IAS 28	Investments in associates and joint ventures	January 1, 2018
IFRS 10	Consolidated financial state ments	indetermined

IFRS 2 "Share – based Payment"

Published in June 2016. The amendment clarifies the measurement of share-based payments settled in cash and the accounting for amendments that change such payments to settled in equity instruments. Additionally, it introduces an exception to the principles of IFRS 2 that will require awards to be treated as if they were all settled as equity instruments, when the employer is obligated to withholds the tax related to share-based payments.

IFRS 15 "Revenue from Contracts with Customers"

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

IFRS 4 "Insurance Contracts"

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

2. Significant Accounting Policies, continued

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

IAS 40 "Investment Properties"

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

IFRS 1 "First-time Adoption of IFRS"

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IAS 28 "Investments in Associates and Joint Ventures"

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

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

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

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

t) Statement of cash flows

The statement of cash flows includes movements of cash performed during the period, determined using the direct method. Cash flows are understood to be cash inflows and outflows or inflows and outflows of other equivalent means, such as highly liquid time deposits maturing in less than 90 days with low risk of change in value. The following expressions are used in the following sense:

i. Operating activities: are activities that constitute the main source of the Company's ordinary income, as well as other activities that cannot be qualified as from investing or financing activities.

ii. Investing activities: are activities such as acquisition, alienation or disposal of non-current assets by other means and other investments not included in cash and cash equivalents.

iii. Financing activities: are activities that produce changes in the size and composition of total shareholders' equity and in liabilities of a financial nature.

3. Changes in Accounting Policy and Disclosures

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

4. Financial Information by Segment

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, 2017 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	03.31.2017 ThCh$	12.31.2016 ThCh$
Cash (a)		691,558	97,567
	CLP	691,558	97,567
Banks (b)		1,504,013	5,047,197
	CLP	1,224,170	2,410,088
	USD	279,843	2,637,109
Time deposits (c)		34,439,621	75,196,849
	CLP	33,642,835	75,196,849
	USD	796,786	-
Resale agreements (d)		9,000,460	8,260,658
	CLP	9,000,460	8,260,658
Total cash and cash equivalents		45,635,652	88,602,271
Subtotal by currency	CLP	44,559,023	85,965,162
	USD	1,076,629	2,637,109

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, 2017 and December 31, 2016 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 03.31.2017 ThCh$
Time deposit	CLP	33,635,000	0.00%	8	33,635,000	7,835	-	33,642,835
Time deposit	USD	1,200	1.00%	6	796,332	22	432	796,786
Total					34,431,332	7,857	-	34,439,621

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 12.31.2016 ThCh$
Time deposit	CLP	75,110,000	0.33%	13	75,110,000	86,849	-	75,196,849
Total					75,110,000	86,849	-	75,196,849

5. Cash and cash equivalents, continued

d) Resale agreements,

Balances as of March 31, 2017 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 03.31.2017 ThCh$
CRV	30-03-17	03-04-17	BBVA	CLP	6,000,000	2.760%	6,001,840	BTP06000120	6,000,460
CRV	31-03-17	03-04-17	BBVA	CLP	1,000,000	2.760%	1,000,230	BTP06000124	1,000,000
CRV	31-03-17	03-04-17	BCI	CLP	2,000,000	2.520%	2,000,420	BTP06000124	2,000,000
			Total		9,000,000		9,002,490		9,000,460

Balances as of December 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 12.31.2016 ThCh$
BCP	12-31-2016	01-abr-17	BCI	CLP	950,000	0.03	950,073	BCU0300118	950,073
BCP	12-31-2016	01-abr-17	BBVA	CLP	7,310,000	0.03	7,310,585	BCU0300118	7,310,585
			Total		8,260,000		8,260,658		8,260,658

6. Other Current and Non-current Financial Assets

The breakdown of other financial assets current and non-current is as follows:

Concepts	03.31.2017 Current ThCh$	03.31.2017 Non-Current ThCh$	12.31.2016 Current ThCh$	12.31.2016 Non-Current ThCh$
Highly liquid financial instruments (a)	15,100,000	-	-	-
Hedging instruments (18 b)	1,423,419	22,937,140	1,548,868	21,443,076
Total	16,523,419	22,937,140	1,548,868	21,443,076

a) As of March 31, 2017, 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	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	Foreign currency translation ThCh$	Total as of 03.31.2017 ThCh$
Highly liquid financial instruments	CLP	15,000,000	0.75%	30	15,000,000	100,000	-	15,100,000
Total					15,000,000	100,000	-	15,100,000

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

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

Description	03.31.2017 Current ThCh$	03.31.2017 Non-Current ThCh$	12.31.2016 Current ThCh$	12.31.2016 Non-Current ThCh$
Advance payments (1)	15,132,583	616,926	18,237,474	616,926
Other prepaid expenses (2)	10,755,769	-	7,491,635	-
Deferred handset costs (3)	9,782,905	-	9,994,381	-
Other taxes (4)	998,651	-	909,925	-
Customer guarantees	16,215	-	-	-
Total	36,686,123	616,926	36,633,415	616,926

(1) Includes advance payments associated to housing leases in the amount of ThCh$14,789,135 and insurance in the amount of ThCh$343,448.
(2) Corresponds to commissions paid to franchisees for additions and replacement of mobile equipment and others, which are deferred over six months. in the amount of ThCh$7,553,598; maintenance and licenses in the amount of ThCh$2,274,565; commercial leases in the amount of ThCh$361,549 and other expenses in the amount of ThCh$ 566,057.
(3) Corresponds to the cost of prepaid handsets dispatched, which have been activated by end customers.
(4) Includes recoverable taxes ThCh$258,419 for the 2016 tax year, customs duties refund ThCh$537,245 and other taxes in the amount of ThCh$202,987.

8. Trade and Other Current Accounts Receivable

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

Description	03.31.2017			12.31.2016		
	Gross value ThCh$	Uncollectable debts ThCh$	Net value ThCh$	Gross value ThCh$	Uncollectable debts ThCh$	Net value ThCh$
Current receivables on credit operations	166,110,165	(48,655,317)	117,454,848	149,201,590	(51,020,716)	98,180,874
Services billed	118,921,176	(48,655,317)	70,265,859	97,065,615	(51,020,716)	46,044,899
Services provided and not billed	47,188,989	-	47,188,989	52,135,975	-	52,135,975
Miscellaneous receivables	1,152,764	-	1,152,764	1,584,695	-	1,584,695
Total	167,262,929	(48,655,317)	118,607,612	150,786,285	(51,020,716)	99,765,569

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	03.31.2017					12.31.2016				
	Less than 3 months ThCh$	3 to 6 months ThCh$	6 to 12 months ThCh$	Greater than 12 months ThCh$	Total ThCh$	Less than 3 months ThCh$	3 to 6 months ThCh$	6 to 12 months ThCh$	Greater than 12 months ThCh$	Total ThCh$
Miscellaneous receivables	17,682,812	3,551,542	-	-	21,234,354	12,838,139	1,288,604	-	-	14,126,743
Total	17,682,812	3,551,542	-	-	21,234,354	12,838,139	1,288,604	-	-	14,126,743

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

Movements	03.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	51,020,716	45,903,233
Increases	6,638,776	26,148,093
Eliminations/ Additions	(9,004,175)	(21,030,610)
Movements, subtotal	(2,365,399)	5,117,483
Closing balance	48,655,317	51,020,716

d) Movements of the provision for doubtful accounts to reflect the composition of the portfolio as of March 31, 2017 and December 31, 2016 are as follows:

Provisions and write-offs	03.31.2017 ThCh$	03.31.2016 ThCh$
Accrual for portfolio that has not been renegotiated	3,828,081	2,131,786
Accrual for renegotiated portfolio	2,810,695	3,867,474
Write-offs for the year	(9,004,175)	(2,251,455)
Total	(2,365,399)	3,747,805

8. Trade and Other Current Accounts Receivable, continued

e) The composition of the portfolio protested and in legal collection as of March 31, 2017 and December 31, 2016 is as follows:

Portfolio of prosted and in legal collection as of 03.31.2017	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	1,507	-	176	-
Portfolio of protested or in legal collection ThCh$	1,159,866	-	151,191	-

Portfolio of prosted and in legal collection as of 12.31.2016	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	1,526	-	176	-
Portfolio of protested or in legal collection ThCh$	1,161,746	-	151,191	-

8. Trade and Other Accounts Receivable, continued

The portfolio composition stratified by segment for March 31, 2017 is as follows:

Aging of portfolio by segment	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
mar-17	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Individuals											
Number of clients w/o renegotiation	691,710	87,527	48,394	41,502	39,166	35,566	36,444	39,372	39,657	1,298,869	2,358,207
Gross portfolio w/o renegotiation	44,668,207	3,904,839	2,524,751	2,251,308	-	-	-	-	-	-	53,349,105
Debt	44,668,207	3,904,839	2,524,751	2,251,308	1,839,962	1,645,065	1,707,956	1,818,336	1,703,321	19,185,989	81,249,734
Accrual	-	-	-	-	(1,839,962)	(1,645,065)	(1,707,956)	(1,818,336)	(1,703,321)	(19,185,989)	(27,900,629)
Number of clients with renegotiation	6,483	6,426	1,190	1,096	970	810	827	847	789	15,105	34,543
Gross portfolio with renegotiation	465,424	41,499	130	19	-	-	-	-	-	-	507,072
Debt	625,353	179,997	59,386	51,977	48,842	48,568	51,162	53,986	59,203	1,096,227	2,274,701
Accrual	(159,929)	(138,498)	(59,256)	(51,958)	(48,842)	(48,568)	(51,162)	(53,986)	(59,203)	(1,096,227)	(1,767,629)
Total number of clients	698,193	93,953	49,584	42,598	40,136	36,376	37,271	40,219	40,446	1,313,974	2,392,750
Total Individuals portfolio	45,133,631	3,946,338	2,524,881	2,251,327	-	-	-	-	-	-	53,856,177
Debt	45,293,560	4,084,836	2,584,137	2,303,285	1,888,804	1,693,633	1,759,118	1,872,322	1,762,524	20,282,216	83,524,435
Accrual	(159,929)	(138,498)	(59,256)	(51,958)	(1,888,804)	(1,693,633)	(1,759,118)	(1,872,322)	(1,762,524)	(20,282,216)	(29,668,258)
Companies											
Number of clients w/o renegotiation	97,466	11,142	3,989	2,784	2,665	2,350	2,386	2,608	3,044	61,615	190,049
Gross portfolio w/o renegotiation	51,004,979	5,437,509	1,896,640	1,619,971	2,522,963	690,793	337,690	-	-	-	63,510,545
Debt	51,004,979	5,437,509	1,896,640	1,619,971	2,522,963	690,793	337,690	591,771	707,332	16,644,890	81,454,538
Accrual	-	-	-	-	-	-	-	(591,771)	(707,332)	(16,644,890)	(17,943,993)
Number of clients with renegotiation	687	785	143	128	99	82	85	84	91	3,222	5,406
Gross portfolio with renegotiation	81,887	5,898	125	122	35	41	14	4	-	-	88,126
Debt	130,156	39,098	13,378	12,196	10,098	10,944	9,880	10,671	12,149	882,622	1,131,192
Accrual	(48,269)	(33,200)	(13,253)	(12,074)	(10,063)	(10,903)	(9,866)	(10,667)	(12,149)	(882,622)	(1,043,066)
Total number of clients	98,153	11,927	4,132	2,912	2,764	2,432	2,471	2,692	3,135	64,837	195,455
Total companies portfolio	51,086,866	5,443,407	1,896,765	1,620,093	2,522,998	690,834	337,704	4	-	-	63,598,671
Debt	51,135,135	5,476,607	1,910,018	1,632,167	2,533,061	701,737	347,570	602,442	719,481	17,527,512	82,585,730
Accrual	(48,269)	(33,200)	(13,253)	(12,074)	(10,063)	(10,903)	(9,866)	(602,438)	(719,481)	(17,527,512)	(18,987,059)
Other											
Number of clients w/o renegotiation	1,152,764	-	-	-	-	-	-	-	-	-	1,152,764
Debt	1,152,764	-	-	-	-	-	-	-	-	-	1,152,764
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total companies portfolio	1,152,764	-	-	-	-	-	-	-	-	-	1,152,764
Debt	1,152,764	-	-	-	-	-	-	-	-	-	1,152,764
Accrual	-	-	-	-	-	-	-	-	-	-	-
Portfolio Consolidated											
Number of clients w/o renegotiation	789,176	98,669	52,383	44,286	41,831	37,916	38,830	41,980	42,701	1,360,484	2,548,256
Gross portfolio w/o renegotiation	96,825,950	9,342,348	4,421,391	3,871,279	2,522,963	690,793	337,690	-	-	-	118,012,414
Debt	96,825,950	9,342,348	4,421,391	3,871,279	4,362,925	2,335,858	2,045,646	2,410,107	2,410,653	35,830,879	163,857,036
Accrual	-	-	-	-	(1,839,962)	(1,645,065)	(1,707,956)	(2,410,107)	(2,410,653)	(35,830,879)	(45,844,622)
Number of clients with renegotiation	7,170	7,211	1,333	1,224	1,069	892	912	931	880	18,327	39,949
Gross portfolio with renegotiation	547,311	47,397	255	141	35	41.00	14	4.00	-	-	595,198
Debt	755,509	219,095	72,764	64,173	58,940	59,512	61,042	64,657	71,352	1,978,849	3,405,893
Accrual	(208,198)	(171,698)	(72,509)	(64,032)	(58,905)	(59,471)	(61,028)	(64,653)	(71,352)	(1,978,849)	(2,810,695)
Total number of clients (1)	796,346	105,880	53,716	45,510	42,900	38,808	39,742	42,911	43,581	1,378,811	2,588,205
Total Consolidated portfolio	97,373,261	9,389,745	4,421,646	3,871,420	2,522,998	690,834	337,704	4	-	-	118,607,612
Debt	97,581,459	9,561,443	4,494,155	3,935,452	4,421,865	2,395,370	2,106,688	2,474,764	2,482,005	37,809,728	167,262,929
Accrual	(208,198)	(171,698)	(72,509)	(64,032)	(1,898,867)	(1,704,536)	(1,768,984)	(2,474,760)	(2,482,005)	(37,809,728)	(48,655,317)

(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, 2016 is as follows:

Aging of portfolio by segment	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
dec-16	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Individuals											
Number of clients w/o renegotiation	658,981	82,878	43,519	40,344	41,718	40,963	37,873	25,080	39,246	1,264,129	2,274,731
Gross portfolio w/o renegotiation	44,108,982	3,548,303	2,272,126	2,195,248	-	-	-	-	-	-	52,124,659
Debt	44,108,982	3,548,303	2,272,126	2,195,248	1,965,719	1,893,189	1,797,454	1,145,554	1,456,586	20,614,229	80,997,390
Accrual	-	-	-	-	(1,965,719)	(1,893,189)	(1,797,454)	(1,145,554)	(1,456,586)	(20,614,229)	(28,872,731)
Number of clients with renegotiation	5,985	6,069	986	913	936	872	946	689	1,336	16,226	34,958
Gross portfolio with renegotiation	377,017	37,042	743	203	-	-	-	-	-	-	415,005
Debt	527,031	147,792	55,167	57,575	61,471	66,148	71,719	59,029	106,365	1,163,383	2,315,680
Accrual	(150,014)	(110,750)	(54,424)	(57,372)	(61,471)	(66,148)	(71,719)	(59,029)	(106,365)	(1,163,383)	(1,900,675)
Total number of clients	664,966	88,947	44,505	41,257	42,654	41,835	38,819	25,769	40,582	1,280,355	2,309,689
Total Individuals portfolio	44,485,999	3,585,345	2,272,869	2,195,451	-	-	-	-	-	-	52,539,664
Debt	44,636,013	3,696,095	2,327,293	2,252,823	2,027,190	1,959,337	1,869,173	1,204,583	1,562,951	21,777,612	83,313,070
Accrual	(150,014)	(110,750)	(54,424)	(57,372)	(2,027,190)	(1,959,337)	(1,869,173)	(1,204,583)	(1,562,951)	(21,777,612)	(30,773,406)
Companies											
Number of clients w/o renegotiation	94,812	10,898	3,886	3,118	3,049	3,191	3,009	1,992	2,758	59,435	186,148
Gross portfolio w/o renegotiation	39,496,525	2,508,230	1,008,268	1,261,272	406,887	510,813	370,900	-	-	-	45,562,895
Debt	39,496,525	2,508,230	1,008,268	1,261,272	406,887	510,813	370,900	628,284	183,125	18,348,382	64,722,686
Accrual	-	-	-	-	-	-	-	(628,284)	(183,125)	(18,348,382)	(19,159,791)
Number of clients with renegotiation	737	809	103	102	99	96	98	67	152	3,533	5,796
Gross portfolio with renegotiation	71,607	6,633	57	14	4	-	-	-	-	-	78,315
Debt	114,998	36,779	12,794	11,467	12,371	13,247	15,165	14,940	24,692	909,381	1,165,834
Accrual	(43,391)	(30,146)	(12,737)	(11,453)	(12,367)	(13,247)	(15,165)	(14,940)	(24,692)	(909,381)	(1,087,519)
Total number of clients	95,549	11,707	3,989	3,220	3,148	3,287	3,107	2,059	2,910	62,968	191,944
Total companies portfolio	39,568,132	2,514,863	1,008,325	1,261,286	406,891	510,813	370,900	-	-	-	45,641,210
Debt	39,611,523	2,545,009	1,021,062	1,272,739	419,258	524,060	386,065	643,224	207,817	19,257,763	65,888,520
Accrual	(43,391)	(30,146)	(12,737)	(11,453)	(12,367)	(13,247)	(15,165)	(643,224)	(207,817)	(19,257,763)	(20,247,310)
Other											
Number of clients w/o renegotiation	1,584,695	-	-	-	-	-	-	-	-	-	1,584,695
Debt	1,584,695	-	-	-	-	-	-	-	-	-	1,584,695
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total companies portfolio	1,584,695	-	-	-	-	-	-	-	-	-	1,584,695
Debt	1,584,695	-	-	-	-	-	-	-	-	-	1,584,695
Accrual	-	-	-	-	-	-	-	-	-	-	-
Portfolio Consolidated											
Number of clients w/o renegotiation	753,793	93,776	47,405	43,462	44,767	44,154	40,882	27,072	42,004	1,323,564	2,460,879
Gross portfolio w/o renegotiation	85,190,133	6,056,533	3,280,394	3,456,520	406,887	510,813	370,900	-	-	-	99,272,180
Debt	85,190,133	6,056,533	3,280,394	3,456,520	2,372,606	2,404,002	2,168,354	1,773,838	1,639,711	38,962,611	147,304,702
Accrual	-	-	-	-	(1,965,719)	(1,893,189)	(1,797,454)	(1,773,838)	(1,639,711)	(38,962,611)	(48,032,522)
Number of clients with renegotiation	6,722	6,878	1,089	1,015	1,035	968	1,044	756	1,488	19,759	40,754
Gross portfolio with renegotiation	448,624	43,675	800	217	4	-	-	-	-	-	493,320
Debt	642,029	184,571	67,961	69,042	73,842	79,395	86,884	73,969	131,057	2,072,764	3,481,514
Accrual	(193,405)	(140,896)	(67,161)	(68,825)	(73,838)	(79,395)	(86,884)	(73,969)	(131,057)	(2,072,764)	(2,988,194)
Total number of clients (1)	760,515	100,654	48,494	44,477	45,802	45,122	41,926	27,828	43,492	1,343,323	2,501,633
Total Consolidated portfolio	85,638,826	6,100,208	3,281,194	3,456,737	406,891	510,813	370,900	-	-	-	99,765,569
Debt	85,832,231	6,241,104	3,348,355	3,525,562	2,446,448	2,483,397	2,255,238	1,847,807	1,770,768	41,035,375	150,786,285
Accrual	(193,405)	(140,896)	(67,161)	(68,825)	(2,039,557)	(1,972,584)	(1,884,338)	(1,847,807)	(1,770,768)	(41,035,375)	(51,020,716)

(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	03.31.2017 ThCh$	12.31.2016 ThCh$
						TOTAL	46,430,288	12,376,667
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	Commercial mandate	CLP	60 days	44,787,915	11,022,370
				Professional Serv.	CLP	60 days	967,595	858,910
				Others	CLP	60 days	674,778	495,387
						TOTAL	9,428,521	24,858,641
Telefónica Chile S.A.	90.635.000-9	Chile	Common end controller	Collection	CLP	60 days	7,587,660	18,787,271
				Costs access charges	CLP	60 days	1,840,861	2,097,261
				Others	CLP	60 days	-	3,974,109
Telxius Torres Chile, S.A	76.558.575-9	Chile	Common end controller	Serv. Provided	CLP	60 dias	4,693,445	2,694,618
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Roaming	EUR	90 days	1,477,086	1,180,195
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	1,177,248	117,193
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common end controller	Roaming	USD	90 days	971,019	839,548
Telefónica Uk Ltd (Antes O2 (Uk) Ltd)	Foreign	United Kingdom	Common end controller	Serv. Provided	EUR	90 days	736,545	-
Telefónica Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	Serv. Provided	USD	90 days	635,982	486,000
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Common end controller	Serv. Provided	USD	90 days	571,729	209,955
Telefónica Brasil	Foreign	Brazil	Common end controller	Roaming	USD	90 days	345,545	449,316
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	90 days	248,309	205,673
Telxius Cable Chile	96.910.730.-9	Chile	Common end controller	Serv. Provided	CLP	60 days	230,962	59,538
Otecel S.A.	Foreign	Ecuador	Common end controller	Serv. Provided	USD	90 days	176,073	116,689
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	152,835	93,255
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Common end controller	Serv. Provided	CLP	60 days	139,872	242,644
Telefónica Argentina	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	110,875	111,793
Telefónica Móviles de Panamá	Foreign	Panama	Common end controller	Serv. Provided	USD	90 days	101,179	83,793
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	63,583	68,852
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	34,611	702
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Serv. Provided	USD	90 days	21,743	8,754
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Serv. Provided	USD	90 days	21,726	-
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv. Provided	USD	90 days	20,039	11,815
Telefónica Móviles Soluciones y Aplicaciones S.A.	96.990.810-K	Chile	Common end controller	Serv. Provided	CLP	60 days	15,272	113,618
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Common end controller	Serv. Provided	CLP	60 days	13,843	12,966
Telefonica Global Technology Chile S.A. AG	59.165.120-k	Chile	Common end controller	Serv. Provided	CLP	90 days	11,222	11,190
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Serv. Provided	USD	90 days	9,917	8,851
Telefónica del Perú	Foreign	Peru	Common end controller	Serv. Provided	CLP	60 days	4,489	-
Telefónica Investigación y Desarrollo, S.A. (Tidsa)	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	3,840	-
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	USD	90 days	3,374	75,290
Inversiones Telefónica Móviles Holding S.A.	76.124.890-1	Chile	Parent company	Serv. Provided	CLP	90 days	1,563	1,562
Telfisa Global B.V.	Foreign	Chile	Common end controller	Serv. Provided	CLP	90 days	239	238
Telefónica Factoring Chile, S.A.	76.096.189-2	Chile	Common end controller	Serv. Provided	CLP	60 days	-	28,587
Total							67,852,974	44,467,943

9. Accounts receivable and payable to related companies, continued

b) Non-current accounts receivable from related parties:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2017 ThCh$	12.31.2016 ThCh$
Telefónica Chile S.A.	90.635.000-9	Chile	Common parent company	Mercantile Current	CLP	3 years	-	22,174,222
Total							-	22,174,222

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.

On March 30, 2017 the entire commercial account was charged.

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	03.31.2017 ThCh$	12.31.2016 ThCh$
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	Professional Serv.	CLP	60 days	46,868,473	33,217,956
						TOTAL	24,991,598	34,810,582
Telefónica Chile S.A.	90.635.000-9	Chile	Common end controller	Access Charge and Links	CLP	60 days	20,357,071	21,120,401
				Spaces and Energy	CLP	60 days	4,634,527	13,148,949
				Others	CLP	60 days	-	541,232
Telefónica S.A.	Foreign	Spain	End controller	Brand Fee	CLP	60 days	7,425,505	3,790,582
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Common end controller	Professional Serv.	CLP	60 days	6,927,292	5,576,415
						TOTAL	5,816,785	4,275,588
Telxius Torres Chile, S.A	76.558.575-9	Chile	Common end controller	Rented infrastucture	CLP	60 days	1,977,306	1,477,070
				Co-rented location	CLP	60 days	838,816	698,820
				Space rental	CLP	60 days	3,000,663	2,099,698
Telefónica Móviles Soluciones y Aplicaciones S.A.	96.990.810-K	Chile	Common end controller	Mercantile Current Account	CLP	60 days	1,715,371	1,722,678
Telefónica Latam Holding (TISA)	Foreign	Spain	Common end controller	Management Fee	EUR	90 days	1,182,933	843,258
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	827,415	767,465
Telefónica Uk Ltd	Foreign	United Kingdom	Common end controller	Serv. Provided	USD	90 days	820,756	1,522,219
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	798,703	-
Telxius Cable Chile	96.910.730.-9	Chile	Common end controller	Serv. Provided	CLP	60 days	602,080	1,626,866
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	484,461	392,078
Telefónica Global Roaming Gmbh	Foreign	Germany	Common end controller	Serv. Provided	EUR	90 days	249,111	310,332
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Common end controller	Serv. Provided	USD	90 days	227,342	-
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	222,708	140,344
Telefónica del Perú	Foreign	Peru	Common end controller	Serv. Provided	CLP	90 days	166,937	380,521
Telefónica Global Tecnology	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	164,157	209,474
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Serv. Provided	USD	90 days	144,750	72,731
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	USD	90 days	83,234	130,597
Otecel S.A.	Foreign	Ecuador	Common end controller	Serv. Provided	USD	90 days	74,023	-
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	90 days	71,507	30,053
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	69,172	69,161
Telefónica Brasil	Foreign	Brazil	Common end controller	Serv. Provided	CLP	90 days	64,452	16,623
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	43,222	-
Telfisa Global B.V.	Foreign	Spain	Common end controller	Commission administration	CLP	90 days	37,000	-
Pegaso PCS, S.A. de C.V.	Foreign	Mexico	Common end controller	Serv. Provided	USD	90 days	33,535	-
Telefónica Global Technology Chile S.A.	59.165.120-K	Chile	Common end controller	Serv. Provided	CLP	60 days	23,806	4,450,009
Telefónica On the Spot Soluciones	76.338.291-5	Chile	Common end controller	Serv. Provided	CLP	60 days	12,598	21,172
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Serv. Provided	USD	90 days	10,008	-
Telefónica on the Spot Services S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	30 days	8,118	26,024
Telefónica de Espana, SAU	Foreign	Spain	Common end controller	Serv. Provided	CLP	90 days	4,870	4,843
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv. Provided	USD	90 days	3,719	-
Telefónica Móviles Solutions	96.942.730-3	Chile	Common end controller	Serv. Provided	CLP	60 days	2,644	2,643
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Serv. Provided	USD	90 days	1,730	-
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Common end controller	Serv. Provided	CLP	60 days	704	704
Inversiones Telefónica Moviles Holding S.A.	76.124.890-1	Chile	Parent company	Serv. Provided	CLP	60 days	123	121
Total							100,180,842	94,411,039

9. Accounts receivable and payable to related companies, continued

d) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	03.31.2017 ThCh$	Effect on income debits / credits	03.31.2016 ThCh$	Effect on income debits / credits
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Common end controller	CLP	TOTAL	17,712,882	(16,226,634)	(14,900,010)	14,900,010
					Services staff seconded from other companies	16,969,758	(16,969,758)	(15,378,813)	15,378,813
					Sales	452,580	452,580	478,803	(478,803)
					Financial income	290,544	290,544	-	-
Telefónica Chile S.A.	90.635.000-9	Chile	Common end controller	CLP	TOTAL	15,425,804	(9,361,438)	(9,141,951)	9,141,951
					Costs access charges	2,683,665	2,683,665	(10,388,380)	10,388,380
					Others	872,715	(872,715)	(562,140)	562,140
					Cargos de acceso e Interconexiones	11,520,906	(11,520,906)	822,170	(822,170)
					Others	29,584	29,584	739,219	(739,219)
					Financial income	318,934	318,934	247,180	(247,180)
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Common end controller	CLP	TOTAL	5,138,873	(4,516,053)	(6,178,482)	6,178,482
					Professional Serv.	4,827,463	(4,827,463)	(6,360,011)	6,360,011
					Sales	311,410	311,410	181,529	(181,529)
Telefónica S.A.	Extranjera	Spain	End controller	EUR	TOTAL	3,497,386	(3,497,386)	(3,564,183)	3,564,183
					Brand Fee	3,487,346	(3,487,346)	(3,564,183)	3,564,183
					Others	10,040	(10,040)	-	-
Telxius Torres Chile S.A.	76.558.575-9	Chile	Common end controller	CLP	TOTAL	1,455,298	(1,215,140)	-	-
					Costs	1,335,219	(1,335,219)	-	-
					Sales	120,079	120,079	-	-
Telefónica Móviles Argentina S.A.	Extranjera	Argentina	Common end controller	USD	TOTAL	599,196	227,306	214,738	(214,738)
					Sales	413,251	413,251	309,136	(309,136)
					Costs	185,945	(185,945)	(94,398)	94,398
Telxius Cable Chile	96.910.730-9	Chile	Common end controller	CLP	TOTAL	415,971	(128,401)	(328,293)	328,293
					Costs	272,186	(272,186)	(286,965)	286,965
					Sales	143,785	143,785	(41,328)	41,328
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	CLP	TOTAL	347,701	(252,941)	(104,383)	104,383
					Costs	300,321	(300,321)	(188,033)	188,033
					Sales	47,380	47,380	83,650	(83,650)
Telefónica Latam Holding	Extranjera	Spain	Common end controller	EUR	TOTAL	339,674	(339,674)	(845,285)	845,285
					Management Fee	339,674	(339,674)	(327,452)	327,452
					Sales	-	-	(540,661)	540,661
					Costs	-	-	22,828	(22,828)

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	03.31.2017 ThCh$	Effect on income debits / credits	03.31.2016 ThCh$	Effect on income debits / credits
Telefónica Global Technology Chile S.A.	59.165.120-K	Chile	Common end controller	CLP	TOTAL	326,573	(90,097)	(2,821,434)	2,821,434
					Services computer	208,335	(208,335)	(2,826,425)	2,826,425
					Sales	118,238	118,238	4,991	(4,991)
Telefónica International Wholesale Services España					TOTAL	293,187	(293,187)	(50,662)	50,662
	Extranjero	Spain	Common end controller	EUR	Costs	293,187	(293,187)	(50,662)	50,662
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	CLP	TOTAL	267,404	(185,261)	(132,665)	132,665
					Costs	226,333	(226,333)	(170,389)	170,389
					Sales	41,072	41,072	37,724	(37,724)
Telfisa Global B.V.	Extranjera	Spain	Common end controller	CLP	TOTAL	225,000	151,000	6,557	(6,557)
					Financial income	188,000	188,000	7,867	(7,867)
					Costs	37,000	(37,000)	(1,310)	1,310
Telefónica Móviles España S.A.	Extranjera	Spain	Common end controller	EUR	TOTAL	201,658	(76,718)	(38,783)	38,783
					Costs	139,188	(139,188)	(272,981)	272,981
					Sales	62,470	62,470	234,198	(234,198)
Vivo S.A.	Extranjera	Brazil	Common end controller	USD	TOTAL	189,632	(33,218)	(91,103)	91,103
					Sales	78,207	78,207	124,275	(124,275)
					Costs	111,425	(111,425)	(215,378)	215,378
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Extranjera	Colombia	Common end controller		TOTAL	68,353	21,719	(33,974)	33,974
					Costs	23,317	(23,317)	(44,583)	44,583
					Sales	45,036	45,036	10,609	(10,609)
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	CLP	TOTAL	69,370	69,370	63,052	(63,052)
					Sales	69,370	69,370	63,052	(63,052)
Telefónica Global Tecnology	Extranjera	Spain	Common end controller	EUR	TOTAL	62,162	(62,162)	-	-
					Services computer	57,744	(57,744)	-	-
					Financial expenses	4,418	(4,418)	-	-
Pegaso PCS, S.A. de C.V.	Extranjera	Mexico	Common end controller	USD	TOTAL	49,415	(44,691)	(64,000)	64,000
					Costs	47,053	(47,053)	(67,519)	67,519
					Sales	2,362	2,362	3,519	(3,519)
Telefónica Móviles del Uruguay S.A.	Extranjera	Uruguay	Common end controller	USD	TOTAL	45,014	(31,960)	(19,298)	19,298
					Costs	38,487	(38,487)	(25,467)	25,467
					Sales	6,527	6,527	6,169	(6,169)

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	03.31.2017 ThCh$	Effect on income debits / credits	03.31.2016 ThCh$	Effect on income debits / credits
Telefónica Móviles Perú S.A.	Extranjera	Peru	Common end controller	USD	TOTAL	35,695	(9,855)	(38,377)	38,377
					Costs	22,775	(22,775)	(46,608)	46,608
					Sales	12,920	12,920	8,231	(8,231)
Telefónica Digital España	Extranjera	Spain	Common end controller	EUR	TOTAL	24,958	(24,958)	66,367	(66,367)
					Costs	24,958	(24,958)	66,367	(66,367)
Telefónica Global Roaming Gmbh	Extranjero	Germany	Common end controller	EUR	Costs	26,961	(26,961)	(47,884)	47,884
Telefónica Uk Ltd	Extranjera	United Kingdom	Common end controller	USD	TOTAL	23,753	16,365	70,852	(70,852)
					Financial expenses	3,694	(3,694)	70,852	(70,852)
					Costs	20,059	20,059	-	-
Telefónica Móviles Guatemala	Extranjera	Guatemala	Common end controller	USD	TOTAL	19,734	(64)	(1,075)	1,075
					Costs	9,835	9,835	(1,255)	1,255
					Sales	9,899	(9,899)	180	(180)
Otecel S.A.	Extranjera	Ecuador	Common end controller	USD	TOTAL	14,162	(11,612)	8,952	(8,952)
					Costs	12,887	(12,887)	5,634	(5,634)
					Sales	1,275	1,275	3,318	(3,318)
Telefónica Germany Gmbh & Co Ohg	Extranjera	Germany	Common end controller	USD	TOTAL	12,704	(3,132)	(23,647)	23,647
					Sales	4,786	4,786	4,215	(4,215)
					Costs	7,918	(7,918)	(27,862)	27,862
Telefónica On The Spot Soluciones Digitales De Chile Spa	76.338.291-5	Chile	Common end controller	CLP	TOTAL	10,586	(10,586)	-	-
					Costs	10,586	(10,586)	-	-
Telefónica Móviles Panamá	Extranjera	Panama	Common end controller	USD	TOTAL	6,729	(5,873)	(7,315)	7,315
					Costs	6,301	(6,301)	(8,831)	8,831
					Sales	428	428	1,516	(1,516)
Telcel Venezuela	Extranjera	Venezuela	Common end controller	USD	TOTAL	5,918	4,044	409	(409)
					Costs	937	(937)	(945)	945
					Sales	4,981	4,981	1,354	(1,354)
Telefónica on the Spot Services S.A.U.	Extranjera	Spain	Common end controller	EUR	Costs	5,818	(5,818)	(9,182)	9,182
Telefónica de Espana, SAU	Extranjera	Spain	Common end controller	EUR	TOTAL	4,656	(4,656)	-	-
					Costs	4,656	(4,656)	-	-
Telefonía Celular de Nicaragua S.A.	Extranjera	Nicaragua	Common end controller	USD	TOTAL	1,834	(1,688)	(1,550)	1,550
					Costs	1,761	(1,761)	(1,713)	1,713
					Sales	73	73	163	(163)
Telefónica Móviles El Salvador	Extranjera	El Salvador	Common end controller	USD	TOTAL	1,290	964	(528)	780
					Costs	163	(163)	(780)	780
					Sales	1,127	1,127	252	(252)
					Sales	955	955	395	(395)
Telefónica Móviles Soluciones y Aplicaciones S.A.	96.990.810-K	Chile	Common end controller	CLP	TOTAL	694	694	-	-
					Financial income	694	694	-	-
Telefónica Ireland Ltd	Extranjera	Ireland	Common end controller	USD	TOTAL	-	-	(319)	(319)
					Sales	-	-	1,021	1,021
					Costs	-	-	(1,340)	(1,340)

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 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.

On April 1, 2016, Telefónica Móviles Chile, S.A. signed a commercial mandate with Telxius Torres Chile, S.A (formerly Tawerco Latam Chile S.A.). which is for the purpose of exercising all the rights and executing all the obligations that arise from the different current contracts or agreements related to the support Towers transferred to Telxius Torres Chile, S.A (formerly Tawerco Latam Chile S.A.). Therefore, it will carry out all the acts that directly or indirectly lead to the conservation, repair and use of the acts, contracts and/or goods that it is entrusted to execute and administrate, including collecting rent income from the operators that are located in those towers, paying for the use of the superficial land on which the facilities are located and other disbursements necessary for operating continuity. Telefónica Móviles Chile, S.A. will not be remunerated for managing this mandate, which will have a duration of one year from the signing date, with any of the parties being able to terminate it at any time by giving notice 30 days prior to the desired ending date.

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	03.31.2017 ThCh$	12.31.2016 ThCh$
Telefonica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Common parent company	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, 2017 and December 31, 2016, 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, 2017, subsidiary Telefónica Investigación y Desarrollo Chile SpA. Is managed by a Board of Directors composed of eight members, who serve on the Board for a period of one year with no remunerations. The number of executives considered is two: one Director and one 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	03.31.2017 ThCh$	12.31.2016 ThCh$
Salaries and wages	115,763	121,289
Total	115,763	121,289

10. Inventory

a) Inventory is detailed as follows:

Description	03.31.2017			12.31.2016		
	Gross value ThCh$	Provision for obsolescence ThCh$	Net Value ThCh$	Gross value ThCh$	Provision for obsolescence ThCh$	Net Value ThCh$
Mobile equipment (net)	46,023,306	(1,339,786)	44,683,520	36,927,924	(1,579,800)	35,348,124
Accessories	23,622	(15,559)	8,063	14,436	(4,215)	10,221
Total	46,046,928	(1,355,345)	44,691,583	36,942,360	(1,584,015)	35,358,345

As of March 31, 2017 and December 31, 2016 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	03.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	35,358,345	43,559,170
Purchases	67,811,935	198,239,890
Sales	(58,707,367)	(208,738,797)
Obsolescence provision (period to effect result)	228,670	2,298,082
Movements, subtotal	9,333,238	(8,200,825)
Closing balance	44,691,583	35,358,345

11. Taxes

a) Income Taxes

As of March 31, 2017 and 2016, the Parent Company has established a first category income tax provision, since the Company determined a taxable income base of ThCh$40,198,326 and ThCh$43,891,320 respectively for each year.

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, 2017, the registry of corporate income is detailed as follows:

Detail	Control	Income subject to Global Complementary or Additional Tax (RAI)	Exempt income (REX) Non-taxable income	Saldos acumulados de Créditos (SAC)		TOTAL BALANCE OF TAXABLE NET INCOME (STUT)
				Accumulated as of 01.01.2017 Current loan rate (factor of 25.5%) Subject to restitution Entitled to return	Accumulated up to 31.12.2016 Effective rate 22.71% Entitled to return	
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	
Telefónica Móviles Chile, S.A.	-	-	-	10,248,556	-	10,248,556
Total	-	-	-	10,248,556	-	10,248,556

11. Taxes, continued

b) Current tax assets

At March 31, 2017 and December 31, 2016, the current tax assets are detailed as follows:

Movements	03.31.2017 ThCh$	12.31.2016 ThCh$
Income tax accrual (1)	6,939,757	10,192,053
Tax accrual derivatives	328	328
Final balance	6,940,085	10,192,381

(1) Corresponds to the netted amount of monthly prepaid tax installments and income tax provision

c) Current tax liabilities

At March 31, 2017 and December 31, 2016, the current tax liabilities are detailed as follows:

Movements	03.31.2017 ThCh$	12.31.2016 ThCh$
Accrual for contingencies	18,315,406	18,315,406
Final balance	18,315,406	18,315,406

11. Taxes, continued

d) Deferred tax assets and liabilities

As of March 31, 2017 and December 31, 2016 accumulated balances of temporary differences originated net deferred tax Liabilities in the amount of ThCh$8,756,798 and ThCh$11,197,269, respectively; whereas as of March 31, 2016 they originated net assets in the amount of ThCh$4,475,333 and which are detailed as follows:

Disclosure of temporary differences, losses and unused tax credits - As of March 31, 2017	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	5,556,708	12,997,577	282,526	6,184,340	3,597,974	-	-	(28,210,353)	408,772	408,772
Deferred tax liabilities	201,110	-	-	-	-	5,329,231	31,854,582	(28,210,353)	9,174,570	9,174,570
Deferred tax liabilities (assets)	(5,355,598)	(12,997,577)	(282,526)	(6,184,340)	(3,597,974)	5,329,231	31,854,582		8,765,798	8,765,798
Deferred tax assets and liabilities, net										
Deferred tax assets, net	(5,355,598)	(12,997,577)	(282,526)	(6,184,340)	(3,597,974)	-	-	-	(28,418,015)	(28,418,015)
Deferred tax liabilities, net	-	-	-	-	-	5,329,231	31,854,582	-	37,183,813	37,183,813
Deferred tax expense (benefit)										
Deferred tax expense (benefit)	570,204	414,807	58,022	402,747	(60,931)	823,792	(4,640,120)	-	(2,431,479)	(2,431,479)
Deferred tax expense (benefit) recognized in income	570,204	414,807	58,022	402,747	(60,931)	823,792	(4,640,120)	-	(2,431,479)	(2,431,479)
Reconciliation of changes in deferred tax liabilities (assets)										
Deferred tax liabilities (assets) - Beginning balance Dec. 2016	(5,925,810)	(13,412,384)	(340,548)	(6,587,087)	(3,537,043)	4,505,439	36,494,702	-	11,197,269	11,197,269
Changes in deferred tax liabilities (assets)										
Deferred tax expense (benefit) recognized in income	570,204	414,807	58,022	402,747	(60,931)	823,792	(4,640,120)	-	(2,431,479)	(2,431,479)
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	8	-	-	-	-	-	-	-	8	8
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)	570,212	414,807	58,022	402,747	(60,931)	823,792	(4,640,120)	-	(2,431,471)	(2,431,471)
Deferred tax liabilities (assets)	(5,355,598)	(12,997,577)	(282,526)	(6,184,340)	(3,597,974)	5,329,231	31,854,582	-	8,765,798	8,765,798

(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

d) Deferred tax assets and liabilities, continued

Disclosure of temporary differences, losses and unused tax credits - As of December 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	6,147,883	13,412,384	340,548	6,587,087	3,537,043	-	-	(29,106,938)	918,007	918,007
Deferred tax liabilities	222,073	-	-	-	-	4,505,439	36,494,702	(29,106,938)	12,115,276	12,115,276
Deferred tax liabilities (assets)	(5,925,810)	(13,412,384)	(340,548)	(6,587,087)	(3,537,043)	4,505,439	36,494,702		11,197,269	11,197,269
Deferred tax assets and liabilities, net										
Deferred tax assets, net	(5,925,810)	(13,412,384)	(340,548)	(6,587,087)	(3,537,043)	-	-	-	(29,802,872)	(29,802,872)
Deferred tax liabilities, net	-	-	-	-	-	4,505,439	36,494,702	-	41,000,141	41,000,141
Deferred tax expense (benefit)										
Deferred tax expense (benefit)	(3,363,517)	(2,017,160)	549,316	(2,813,270)	(657,535)	1,371,485	20,013,713	-	13,469,918	13,469,918
Deferred tax expense (benefit) recognized in income	(3,363,517)	(2,017,160)	549,316	(2,813,270)	(657,535)	1,371,485	20,013,713	-	13,469,918	13,469,918
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	(3,363,517)	(2,017,160)	549,316	(2,813,270)	(657,535)	1,371,485	20,013,713	-	13,469,918	13,469,918
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	13,147	-	-	-	-	-	-	-	13,147	13,147
Increase (decrease) from business combinations, deferred tax liabilities (assets) (2)	-	-	-	-	386,886	-	-	-	136,038	136,038
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)	(3,350,370)	(2,017,160)	549,316	(2,813,270)	(270,649)	1,371,485	20,013,713	-	13,619,103	13,619,103
Deferred tax liabilities (assets)	(5,925,810)	(13,412,384)	(340,548)	(6,587,087)	(3,537,043)	4,505,439	36,494,702	-	11,197,269	11,197,269

(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.
(2) Corresponds to transfer of deferred tax assets and liabilities to Telxius Torres Chile, S.A. (Formerly Towerco S.A.) for the concept of Decommissioning Provision and the difference between the financial and tax value of property, plant and equipment

11. Taxes, continued

d) Deferred tax assets and liabilities, continued

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	-	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

e) Taxable Income:

As of March 31, 2017 and 2016, a first category income tax provision has been established, since a positive taxable base was determined in the amount of ThCh$40,198,326 and ThCh$43,891,320, respectively for each year, detailed as follows:

Description	03.31.2017 ThCh$	03.31.2016 ThCh$
Finance income	20,421,997	28,494,136
Recorded tax expense	8,077,388	9,363,427
Additions	36,279,700	52,761,063
Deductions	(24,580,759)	(46,727,306)
Taxable Net Income	40,198,326	43,891,320
First category tax rate 25.5% and 24%	10,250,573	10,533,917
Art. 21 rejected expenses tax base	323,759	45,382
Art. 21 non-deductible expenses (40% and 35% rate)	129,504	15,884
Total Tax Provision	10,380,077	10,549,801
Settlement of derivaties from previous years (1)	128,790	867,118
Total first category taxes (2)	10,508,867	11,416,919

(1) Corresponds to hedging instruments that were provisioned as of December 2016 and for which first category tax was paid, and which were liquidated in 2017.

(2) First category tax has been accounted for considering the increase in the rate from 24% to 25.5%, due to the tax reform of Law 20,780. The effect of the change in the first category income tax rate as of March 31, 2017, amounts to ThCh$602,975.

11. Taxes, continued

f) Income tax reconciliation:

At March 31, 2017 and 2016 reconciliation of income tax expense is as follows:

Concepts	03.31.2017 Taxable base ThCh$	03.31.2017 Tax Rate 25.5% ThCh$	03.31.2016 Taxable base ThCh$	03.31.2016 Tax Rate 24% ThCh$
Based on accounting income before taxes:				
Finance income	20,421,997		28,494,136	
Recorded tax expense	8,077,388		9,363,427	
Income before taxes	28,499,385	7,267,343	37,857,563	9,085,815
Permanent differences	3,176,650	810,045	1,156,719	277,612
Price-level restatement of taxable equity	(1,156,583)	(294,929)	(2,430,897)	(583,415)
Investment income related companies	26,084	6,651	(469,811)	(112,755)
Exchange rate effect on tax reform	(1,846,553)	(470,871)	2,537,096	608,903
Set initial deferred tax balances	2,713,176	691,860	71,171	17,081
Others (1)	3,440,526	877,334	1,449,160	347,798
Total corporate tax expense	31,676,035	8,077,388	39,014,282	9,363,427
Based on taxable net income and deferred taxes calculated on the basis of temporary differences:				
25.5 % and 24% income tax		10,250,573		10,533,917
40% and 35% income tax		129,504		15,884
Settlement of derivaties from previous years		128,790		867,118
Total Income tax expense		10,508,867		11,416,919
Total Deferred tax (income)		(2,431,479)		(2,053,492)
Total corporate tax expense		8,077,388		9,363,427
Effective rate		28.34%		24.73%

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

11. Taxes, continued

g) Tax reform

Law No. 20.780 which contains the Tax Reform which introduces amendments to the tax system of companies that pay first category tax, among other things, was published on September 29, 2014. In this context the income tax rate increases gradually, in this year to 25.5%, reaching a rate of 27% in 2018, in the partially integrated tax system. In the attributed income system incorporated with this same legal amendment, the maximum rate will be 25%.

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

Tax rates are detailed as follows:

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

12. Investments accounted for using the equity method

a) As of March 31, 2017 and December 31, 2016, in associated companies as well as a summary of their information is detailed as follows:

Taxpayer No.	Name	Investment balance 03.31.2017	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.	16,357,873	48	127,310,911	41,484,693	97,318,628	37,398,072	48,343,869	6,207,719	(54,342)

Taxpayer No.	Name	Investment balance 12.31.2016	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.	16,644,319	48	98,739,864	45,228,006	72,238,364	37,053,841	186,725,320	27,220,754	9,515,222

b) The movements in investments in associates as of March 31, 2017 and December 31, 2016 is as follows:

Movements	03.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	16,644,319	13,846,544
Participation in ordinary income current period	(26,084)	4,567,307
Other increases (decreases) (1)	(260,362)	(1,769,532)
Movements, subtotal	(286,446)	2,797,775
Ending balance	16,357,873	16,644,319

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

13. Intangible Assets other than goodwill,

a) As of March 31, 2017 and December 31, 2016, intangible assets other than goodwill are detailed as follows:

Description	03.31.2017 Intangibles, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$	12.31.2016 Intangibles, gross ThCh$	Accumulated amortization ThCh$	Intangible, net ThCh$
Intangible assets (1)	130,169,199	(99,393,555)	30,775,644	130,169,199	(98,936,497)	31,232,702
Licenses and software	363,530,308	(264,676,387)	98,853,921	354,677,960	(250,907,433)	103,770,527
Developing intangible assets (2)	36,573,018	-	36,573,018	32,617,777	-	32,617,777
Total	530,272,525	(364,069,942)	166,202,583	517,464,936	(349,843,930)	167,621,006

(1) Represents administrative concessions (see Note 2m i)).
(2) Corresponds mainly to information developments (Full Stack) MCh$15,974 Operation Data Store MCh$4,823. Complementary networks MCh$3,652.

b) Movements in intangible assets other than goodwill for March 31, 2017 are as follows:

Movements	Intangible assets, net ThCh$	Licenses and software, net ThCh$	Developing intangible assets ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.17	31,232,702	103,770,527	32,617,777	167,621,006
Additions	-	-	4,032,325	4,032,325
Amortization	(457,058)	(13,768,954)	-	(14,226,012)
Transfer from construction in progress (note 15b)	-	7,039,827	1,735,437	8,775,264
Transfer of development costs to service	-	1,812,521	(1,812,521)	-
Movements, subtotal	(457,058)	(4,916,606)	3,955,241	(1,418,423)
Ending balance as of 03.31.2017	30,775,644	98,853,921	36,573,018	166,202,583
Remaining average useful life	15.9 years	2.2 years		

13. Intangible Assets other than goodwill, continued

The movements in intangible assets other than goodwill for December 31, 2016 are as follows:

Movements	Intangible assets, net ThCh$	Licenses and software, net ThCh$	Developing intangible assets ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.16	33,060,934	81,478,570	2,062,855	116,602,359
Additions	-	-	9,382,164	9,382,164
Amortization	(1,828,232)	(48,962,169)	-	(50,790,401)
Transfer from construction in progress (note 15b)	-	31,223,059	61,203,825	92,426,884
Transfer of development costs to service	-	40,031,067	(40,031,067)	-
Movements, subtotal	(1,828,232)	22,291,957	30,554,922	51,018,647
Ending balance as of 12.31.2016	31,232,702	103,770,527	32,617,777	167,621,006
Remaining average useful life	16.2 years	1.9 years		

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, 2017 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, 2017 and December 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 03.31.2017 ThCh$	12.31.2016 ThCh$
Total	191,523,728	163,579,702

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, 2017.

The balance of goodwill for March 31, 2017 and December 31, 2016, are detailed as follows:

Movements	03.31.2017 ThCh$	12.31.2016 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 2017 budget and on the Strategic Plan for 2018 and 2019, projecting a fourth and fifth year as a terminal value. These projections have been made 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 7.05% (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).

Based on the impairment calculations performed by management, as of 2016 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, 2017 and December 31, 2016 the major categories of Property, plant and equipment and their corresponding accumulated depreciation are detailed as follows:

Concepts	03.31.2017			12.31.2016		
	Property, plant & equipment, gross ThCh$	Accumulated depreciation ThCh$	Property, plant & equipment, net ThCh$	Property, plant & equipment, gross ThCh$	Accumulated depreciation ThCh$	Property, plant & equipment, net ThCh$
Land	3,108,084	-	3,108,084	3,108,084	-	3,108,084
Buildings	161,629,176	(112,260,316)	49,368,860	160,346,304	(110,470,752)	49,875,552
Transport equipment	17,214	(17,214)	-	17,214	(17,214)	-
Supplies and accessories	10,695,603	(8,707,200)	1,988,403	10,695,603	(8,598,087)	2,097,516
Office equipment	778,391	(726,513)	51,878	778,391	(721,182)	57,209
Construction in progress	64,252,057	-	64,252,057	62,185,974	-	62,185,974
Information equipment	29,582,480	(21,065,655)	8,516,825	29,098,443	(20,323,228)	8,775,215
Network and communications equipment	787,453,197	(597,189,066)	190,264,131	777,111,491	(586,517,048)	190,594,443
Other property, plant & equipment	4,060,402	(3,720,990)	339,412	4,035,764	(3,688,544)	347,220
Total	1,061,576,604	(743,686,954)	317,889,650	1,047,377,268	(730,336,055)	317,041,213

15. Property, Plant and Equipment, continued

a) As of March 31, 2017 movements of property, plant and equipment items 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 01.01.17	3,108,084	49,875,552	2,097,516	57,209	62,185,974	8,775,215	190,594,443	347,220	317,041,213
Additions	-	-	-	-	23,190,517	-	-	-	23,190,517
Reduction	-	(49,967)	-	-	-	-	(165,950)	-	(215,917)
Depreciation reduction	-	49,943	-	-	-	-	165,951	-	215,894
Depreciation expense	-	(1,839,507)	(109,113)	(5,331)	-	(742,426)	(10,837,970)	(32,446)	(13,566,793)
Other Increase (decrease) (1)	-	1,332,839	-	-	(21,124,434)	484,036	10,507,657	24,638	(8,775,264)
Movements, subtotal	-	(506,692)	(109,113)	(5,331)	2,066,083	(258,390)	(330,312)	(7,808)	848,437
Ending balance as of 03.31.2017	3,108,084	49,368,860	1,988,403	51,878	64,252,057	8,516,825	190,264,131	339,412	317,889,650

(1) Corresponds to net the movement of transferring from buildings in progress to assets in service and the traspasos the intangibles assets ThCh$8,775,264 (note 13b).

As of March 31, 2017, the property, plant and equipment items that are fully depreciated and still in use are detailed as follows:

Fully depreciated assets still in use	Buildings, gross	Transportation equipment, gross	Supplies and accessories, gross	Office equipment, gross	Information equipment, gross	Network and communications equipment, gross	Other property, plant & equipment, gloss	Property, plant and equipment, gross
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Total	89,675,824	17,214	6,270,333	563,521	17,073,759	380,384,993	3,308,008	497,293,652

15. Property, Plant and Equipment, continued

b) As of December 31, 2016 movements of property, plant and equipment items 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 01.01.16	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	-	-	-	-	116,621,243	-	-	-	116,621,243
Reduction	(190,496)	(11,077,858)	(10,863)	(2,755)	-	(1,042,385)	(116,705,096)	-	(129,029,453)
Depreciation reduction	-	5,847,839	7,785	2,043	-	1,042,383	114,222,777	-	121,122,827
Depreciation expense	-	(7,249,176)	(434,152)	(21,438)	-	(2,021,242)	(51,450,284)	(257,667)	(61,433,959)
Other Increase (decrease)(1)	-	9,121,151	104,475	-	(143,338,522)	6,623,442	35,057,699	4,871	(92,426,884)
Movements, subtotal	(190,496)	(3,358,044)	(332,755)	(22,150)	(26,717,279)	4,602,198	(18,874,904)	(252,796)	(45,146,226)
Ending balance as of 12.31.2016	3,108,084	49,875,552	2,097,516	57,209	62,185,974	8,775,215	190,594,443	347,220	317,041,213

(1) Corresponds to net the movement of transferring from buildings in progress to assets in service and the traspasos the intangibles assets ThCh$ 92,426,884 (note 13b).

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

Fully depreciated assets still in use	Buildings, gross	Transportation equipment, gross	Supplies and accessories, gross	Office equipment, gross	Information equipment, gross	Network and communications equipment, gross	Other property, plant & equipment, gloss	Property, plant and equipment, gross
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Total	92,996,739	17,214	6,270,333	563,521	15,826,246	408,978,298	1,863,893	526,516,244

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, 2017 and December 31, 2016 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.

16. Other Current and Other Non-current Financial Liabilities

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

Description		03.31.2017		12.31.2016	
		Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bank loans	(16 a)	39,334	98,775,718	51,683	99,551,945
Unguaranteed obligations (Bonds)	(16 b)	2,046,014	278,926,019	2,471,688	278,046,961
Hedge instruments	(see note 18 b)	1,652,035	-	3,244,043	-
Total		3,737,383	377,701,737	5,767,415	377,598,906

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

Current and non-current financial liabilities movements derived from financing activities as of March 31, 2017 are detailed as follows

Reconciliation		Cash Flows		Other items other than cash flow			
Other current financial liabilities	12.31.2016	Additions	Retreats	Foreign currency translation	Accrued interest	Other movements	03.31.2017
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Bank loans	51,683	-	(392,772)	-	421,503	(41,080)	39,334
Unguaranteed obligations (Bonds)	2,471,688	-	(2,796,272)	-	2,388,146	(17,548)	2,046,014
Hedge instruments	3,244,044	-	(2,769,591)	(487,323)	1,478,222	186,683	1,652,035
Other debts	-	-	(156,214)	-	-	156,214	-
Total	5,767,415	-	(6,114,849)	(487,323)	4,287,871	284,269	3,737,383

Reconciliation		Cash Flows		Other items other than cash flow			
Other non-current financial assets and liabilities	12.31.2016	Additions	Retreats	Foreign currency translation	Accrued interest	Other movements	03.31.2017
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Bank loans	99,551,945	-	-	(823,780)	-	47,553	98,775,718
Unguaranteed obligations (Bonds)	278,046,961	-	-	866,238	-	12,820	278,926,019
Commercial mandate from related companies	-	22,493,155	-	-	-	-	22,493,155
Total	377,598,906	22,493,155	-	42,458	-	60,373	400,194,892

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

Current and non-current financial liabilities movements derived from financing activities as of March 31, 2016 are detailed as follows

Reconciliation		Cash Flows		Other items other than cash flow			
Other current financial liabilities	12.31.2015	Additions	Retreats	Foreign currency translation	Accrued interest	Other movements	03.31.2016
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Bank loans	98,936,652	-	(161,166)	(2,828,043)	1,067,110	2,129	97,016,682
Unguaranteed obligations (Bonds)	118,698,542	-	(497,872)	364,890	2,815,598	(29,575)	121,351,583
Hedge instruments	1,707,098	-	(1,085,070)	6,690,400	971,994	(23,528)	8,260,894
Mandato mercantil entidades relacionadas	-	-	-	-	-	-	-
Other debts	11,603,801	-	(4,177,028)	-	-	-	7,426,773
Total	230,946,093	-	(5,921,136)	4,227,247	4,854,702	(50,974)	234,055,932

Reconciliation		Cash Flows		Other items other than cash flow			
Other non-current financial assets and liabilities	12.31.2015	Additions	Retreats	Foreign currency translation	Accrued interest	Other movements	03.31.2016
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Unguaranteed obligations (Bonds)	178,643,762	-	-	1,276,212	-	28,363	179,948,337
Total	178,643,762	-	-	1,276,212	-	28,363	179,948,337

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

a) The detail of bank loans for March 31, 2017 is as follows:

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Bilateral Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97030000-7	Bank of Tokyo	Tokyo	USD	At maturity	1.47%	1.23%	MMUS$150	2021

					Nominal amounts (ThCh$)									
					Expiration									
Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	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
Bilateral Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Bank of Tokyo	-		-	-	-	99,057,000	-	99,057,000	-	99.057.000
Total					-	-	-	-	-	99,057,000	-	99,057,000-	-	99,057,000

					Current			Non-current							
					Expiration			Expiration							
ypes	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Up to 90 days ThCh$	90 days to 1 years ThCh$	Total current as of 03.31.2017 ThCh$	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total Non current as of 03.31.2017 ThCh$
Bilateral Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Bank of Tokyo	39,334	-	39,334	-	-	-	98,775,718	-	98,775,718	-	98,775,718
Total					39,334	-	39,334	-	-	-	99,775,718	-	98,775,718	-	98,775,718

(1) On April 15, 2016, the company obtained an international loan from The Bank of Tokyo-Mitsubishi and Export Development Canada in the amount of US$ 150 million (Ch$ 99,057 million) with an interest rate of libor + 0.8% monthly with a 5-year bullet term, expiring on April 11, 2021.

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

a) The detail of bank loans for December 31, 2016 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
Bilateral Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	97030000-7	Bank of Tokyo	Tokyo	USD	At maturity	1.47%	1.23%	MMUS$150	2021

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh$)									Total nominal amounts
					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	
Bilateral Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Bank of Tokyo	-		-	-	-	-	99,057,000	99,057,000	-	99.057.000
	Total				-	-	-	-	-	-	99,057,000	99,057,000-	-	99,057,000

ypes	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current		Total current as of 12.31.2016 ThCh$	Non-current							Total Non current as of 12.31.2016 ThCh$
					Expiration			Expiration							
					Up to 90 days ThCh$	90 days to 1 years ThCh$		1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Bilateral Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Bank of Tokyo	51,683	-	51,683	-	-	-	-	99,551,945	99,551,945	-	99.551.945
	Total				51.683	-	51,683	-	-	-	-	99,551,945	99,551,945	-	99,551,945

(1) On April 15, 2016, an international loan was taken with Bank of Tokyo, Mitsubishi and Export Development Canada, in the amount of MMUS$ 150. (MCh$ 99,057)

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

a) Details of unsecured obligations (Bonds) for March 31, 2017 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 F Bond (1)	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 (2)	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 (3)	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
Series K Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	CLP	At maturity	4.91%	4.90%	MMThCh$ 94,410	2021

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 F Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Series G Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	50,108,620	-	50,108,620	-	50,108,620
Series I Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	50,317,080	-	50,317,080	-	50,137,080
Series K Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	94,410,000	94,410,000	-	94,410,000
	Total				-	-	-	-	-	100,425,700	94,410,000	194,835,700	66,928,680	261,764,380

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

b) Details of unsecured obligations (Bonds) for March 31, 2017 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 03.31.2017 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 03.31.2017 ThCh$
Series F Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	1,385,717	-	1,385,717	-	-	-	-	-	-	78,446,507	78,446,507
Series G Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	321,428	-	321,428	-	-	-	53,248,410	-	53,248,410	-	53,248,410
Series I Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	127,719	127,719	-	-	-	52,853,727	-	52,853,727	-	52,853,727
Series K Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	211,150	211,150	-	-	-	-	94,377,375	94,377,375		94,377,375
	Total				1,707,145	338,869	2,046,014	-	-	-	106,102,137	94,377,375	200,479,512	78,446,507	278,926,019

(1) 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

(2) 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.

(3) 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.

(4) On September 13, 2016, there was a placement in the local market in the amount of MCh $ 94,410 for a 5-year bullet term, maturing on September 13, 2021, without covenants or control clauses.

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

b) Details of unsecured obligations (Bonds) for December 31, 2016 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
Series F Bond (1)	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 (2)	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 (3)	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
Series K Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	CLP	At maturity	4.91%	4.90%	MMThCh$ 94,410	2021

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 F Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Series G Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	50,108,620	-	50,108,620	-	50,108,620
Series I Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	50,317,080	-	50,317,080	-	50,137,080
Series K Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	94,410,000	94,410,000	-	94,410,000
	Total				-	-	-	-	-	100,425,700	94,410,000	194,835,700	66,928,680	261,764,380

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

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

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current – Expiration: Up to 90 days ThCh$	90 days to 1 years ThCh$	Total current as of 12.31.2016 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 12.31.2016 ThCh$
Series F Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	681,866	681,866	-	-	-	-	-	-	78,046,970	78,046,970
Series G Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	34,843	34,843	-	-	-	53,021,574	-	53,021,574	-	53,021,574
Series I Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	386.261	-	386,261	-	-	-	52,600,159	-	52,600,159	-	52,600,159
Series K Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	1.368.718	-	1,368,718	-	-	-	-	94,378,258	94,378,258		94,378,258
	Total				1,754,979	716,709	2,471,688	-		-	105,621,733	94,378,258	199,999,991	78,046,970	278,046,961

(1) 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

(2) 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.

(3) 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.

(4) On September 13, 2016, there was a placement in the local market in the amount of MCh $ 94,410 for a 5-year bullet term, maturing on September 13, 2021, without covenants or control clauses.

17. Trade and Other Accounts Payable

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

Description	03.31.2017 ThCh$	12.31.2016 ThCh$
Purchases or services payable, billed (1)	50,613,622	57,449,767
Purchases or services payable, accrued (1)	30,935,581	30,809,031
Suppliers or property, plant and equipment, billed	13,219,254	28,227,724
Suppliers of property, plant and equipment, accrued	6,917,581	6,960,919
Accounts payable to employees	104,975	247,796
Total current	101,791,013	123,695,237

(1) "Accounts payable on purchases or services provided" correspond to foreign and domestic suppliers, for acceptance of LTE + 3G, civil works, access charges, licenses and software attention and expansion services, among others.

Accounts payable due to purchases or services rendered	03.31.2017 ThCh$	12.31.2016 ThCh$
Domestic	80,655,804	75,902,566
Foreign	893,399	12,356,232
Total	81,549,203	88,258,798

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, 2017 the main suppliers are Samsung Electronics Chile Ltda. 17.60%; Huawei Device (Hong Kong) CO., LTD 7.65%, Atento Chile S.A. 7.54%; Entel PCS Telecomunicaciones S.A. 7.37% and LG Electronics 4.45%. As of December 31, 2016 the main suppliers, considering as margin 54% of the total, are Samsung Electronics Chile Ltda. 14.86%; Atento Chile S.A. 12.94%; Apple Chile Comercial Ltda. 11.36% and LG Electronics 7.99%.

17. 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, 2017 and December 31, 2016 are detailed as follows:

Suppliers with up to date payments As of 03.31.2017	Goods ThCh$	Services ThCh$	Total ThCh$
Trade accounts to date			
Up to 30 days	8,952,713	47,566,987	56,519,700
From 31 to 60 days	-	1,338,173	1,338,173
From 61 to 90 days	-	-	-
Total	8,952,713	48,905,160	57,857,873
Average period of payment of up to date accounts	30	33	

Suppliers with up to date payments As of 12.31.2016	Goods ThCh$	Services ThCh$	Total ThCh$
Trade accounts to date			
Up to 30 days	24,494,139	54,138,184	78,632,323
From 31 to 60 days	-	4,962,967	4,962,967
From 61 to 90 days	-	-	-
Total	24,494,139	59,101,151	83,595,290
Average period of payment of up to date accounts	30	32	

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

Suppliers with overdue terms As of 03.31.2017	Goods ThCh$	Services ThCh$	Total ThCh$
Overdue trade accounts payable by term			
Up to 30 days	14,991	642,502	657,493
From 31 to 60 days	27,181	2,763,324	2,790,505
From 61 to 90 days	-	464,959	464,959
From 91 to 120 days	5,005	1,474,556	1,479,561
From 121 to 180 days	36,005	546,480	582,485
More than 180 days	-	-	-
Total	83,182	5,891,821	5,975,003
Average period of payment of up to date accounts	68	125	

Suppliers with overdue terms As of 12.31.2016	Goods ThCh$	Services ThCh$	Total ThCh$
Overdue trade accounts payable by term			
Up to 30 days	319,664	814,528	1,134,192
From 31 to 60 days	213	-	213
From 61 to 90 days	-	-	-
From 91 to 120 days	5,297	29,041	34,338
From 121 to 180 days	-	913,458	913,458
More than 180 days	-	-	-
Total	325,174	1,757,027	2,082,201
Average period of payment of up to date accounts	68	125	

18. 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, 2017 is as follows:

Description of financial assets		ASSETS RECORDED AT FAIR VALUE				Valuation hierarchy			ASSETS RECORDED AT AMORTIZED COST			TOTAL	
		Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	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
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Non-current derivative instruments		-	-	22,937,140	22,937,140	-	22,937,140	-	-	-	-	22,937,140	22,937,140
Non-current derivative instrument of assets	See Note 18 b	-	-	22,937,140	22,937,140	-	22,937,140	-	-	-	-	22,937,140	22,937,140
Accounts receivable long-term business operations		-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable from related entities	See Note 9 b	-	-	-	-	-	-	-	-	-	-	-	-
Non-current financial assets		-	-	22,937,140	22,937,140	-	22,937,140	-	-	-	-	22,937,140	22,937,140
Current trade accounts receivable		-	-	-	-	-	-	-	186,460,586	-	186,460,586	186,460,586	186,460,586
Trade and other accounts receivable	See Note 8 a	-	-	-	-	-	-	-	118,607,612	-	118,607,612	118,607,612	118,607,612
Accounts receivable from related entities	See Note 9 a	-	-	-	-	-	-	-	67,852,974	-	67,852,974	67,852,974	67,852,974
Current deposits and pledges established		-	-	-	-	-	-	-	-	15,100,000	15,100,000	15,100,000	15,100,000
Current deposits		-	-	-	-	-	-	-	-	-	-	-	-
Current deposits and pledges	See Note 6 b	-	-	-	-	-	-	-	-	15,100,000	15,100,000	15,100,000	15,100,000
Derivative instrument of assets		-	-	1,423,419	1,423,419	-	1,423,419	-	-	-	-	1,423,419	1,423,419
Derivative instrument of assets	See Note 19 b	-	-	1,423,419	1,423,419	-	1,423,419	-	-	-	-	1,423,419	1,423,419
Cash and cash equivalents		-	-	-	-	-	-	-	45,635,652	-	45,635,652	45,635,652	45,635,652
Cash and cash equivalents	See Note 5	-	-	-	-	-	-	-	45,635,652	-	45,635,652	45,635,652	45,635,652
Current financial assets		-	-	1,423,419	1,423,419	-	1,423,419	-	232,096,238	15,100,000	247,196,238	248,619,657	248,619,657
Total assets financial		-	-	24,360,559	24,360,559	-	24,360,559	-	232,096,238	15,100,000	247,196,238	271,556,797	271,556,797

18. 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, 2016 is as follows:

Description of financial assets		ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST			TOTAL	
						Valuation hierarchy							
						Level 1	Level 2	Level 3					
		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		-	-	21,443,076	21,443,076	-	21,443,076	-	-	-	-	21,443,076	21,443,076
Non-current derivative instrument of assets	See Note 18 b	-	-	21,443,076	21,443,076	-	21,443,076	-	-	-	-	21,443,076	21,443,076
Accounts receivable long-term business operations		-	-	-	-	-	-	-	22,174,222	-	22,174,222	22,174,222	22,174,222
Accounts receivable from related entities	See Note 9 b	-	-	-	-	-	-	-	22,174,222	-	22,174,222	22,174,222	22,174,222
Non-current financial assets		-	-	21,443,076	21,443,076	-	21,443,076	-	22,174,222	-	22,174,222	43,617,298	43,617,298
Current trade accounts receivable		-	-	-	-	-	-	-	144,233,512	-	144,233,512	144,233,512	144,233,512
Trade and other accounts receivable	See Note 8 a	-	-	-	-	-	-	-	99,765,569	-	99,765,569	99,765,569	99,765,569
Accounts receivable from related entities	See Note 9 a	-	-	-	-	-	-	-	44,467,943	-	44,467,943	44,467,943	44,467,943
Current deposits and pledges established		-	-	-	-	-	-	-	-	-	-	-	-
Current deposits	See Note 5 c	-	-	-		-	-	-	-	-	-	-	-
Current deposits and pledges		-	-	-	-	-	-	-	-				
Derivative instrument of assets		-	-	1,548,868	1,548,868	-	1,548,868	-	-	-	-	1,548,868	1,548,868
Derivative instrument of assets	See Note 18 b	-	-	1,548,868	1,548,868	-	1,548,868	-	-	-	-	1,548,868	1,548,868
Cash and cash equivalents		-	-	-	-	-	-	-	88,602,271	-	88,602,271	88,602,271	88,602,271
Cash and cash equivalents	See Note 5	-	-	-	-	-	-	-	88,602,271	-	88,602,271	88,602,271	88,602,271
Current financial assets		-	-	1,548,868	1,548,868	-	1,548,868	-	232,835,783	-	232,835,783	234,384,651	234,384,651
Total assets financial		-	-	22,991,944	22,991,944	-	22,991,944	-	255,010,005	-	255,010,005	278,001,949	278,001,949

18. 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.

18. Financial instruments, continued

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

i) Details of financial instruments of liabilities classified by nature and category as of March 31, 2017 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 16 b	-	-	-	-	-	278,926,019	278,926,019	290,958,544
Non-current debts with loan entities	See Note 16 a	-	-	-	-	-	98,775,718	98,775,718	98,775,718
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		-	-	-	-	-	379,068,258	379,068,258	391,100,783
Issuance of short-term obligations and other marketable securities	See Note 16 b	-	-	-	-	-	2,046,014	2,046,014	2,213,219
Short-term debts with credit entities	See Note 16 a	-	-	-	-	-	39,334	39,334	39,334
Short-term derivative instrument liabilities	See Note 18 b	1,652,035	1,652,035	-	1,652,035	-	-	1,652,035	1,652,035
Trade and other accounts payable	See Note 17 a	-	-	-	-	-	101,791,013	101,791,013	101,791,013
Accounts payale to related entities	See Note 9 c	-	-	-	-	-	100,180,842	100,180,842	100,180,842
Current financial liabilities		1,652,035	1,652,035	-	1,652,035	-	204,057,203	205,709,238	205,876,443
Total financial liabilities		1,652,035	1,652,035	-	1,652,035	-	583,125,461	584,777,497	596,977,226

18. 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, 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 16 b	-	-	-	-	-	278,046,961	278,046,961	285,409,296
Non-current debts with loan entities	See Note 16 a	-	-	-	-	-	99,551,945	99,551,945	99,551,945
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		-	-	-	-	-	378,965,427	378,965,427	386,327,762
Issuance of short-term obligations and other marketable securities	See Note 16 b	-	-	-	-	-	2,471,688	2,471,688	2,535,987
Short-term debts with credit entities	See Note 16 a	-	-	-	-	-	51,683	51,683	51,683
Short-term derivative instrument liabilities	See Note 18 b	3,244,044	3,244,044	-	3,244,044	-	-	3,244,044	3,244,044
Trade and other accounts payable	See Note 17 a	-	-	-	-	-	123,695,237	123,695,237	123,695,237
Accounts payale to related entities	See Note 9 c	-	-	-	-	-	94,411,039	94,411,039	94,411,039
Current financial liabilities		3,244,044	3,244,044	-	3,244,044	-	220,629,647	223,873,691	223,937,990
Total financial liabilities		3,244,044	3,244,044	-	3,244,044	-	599,595,074	602,839,118	610,265,752

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).

18. Financial instruments, continued

b) Hedging instruments

The detail of the hedging instruments at March 31, 2017 and December 31, 2016 is as follows:

Description	Underlying	Net Total as of 03.31.2017	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	1,271,087	504,754	766,333	1,373,919	(102,832)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(25,377)	(25,377)	-	49,500	(74,877)	-	-	-	-
Interest rate – cash flow hedge (3)	Financial Debt	(1,474,326)	(1,224,586)	(249,740)	-	(1,474,326)	-	-	-	-
Exchange rate and interest rate – fair value hegde (4)	Financial Debt	22,937,140	-	-	-	-	-	22,937,140	22,937,140	-
Total		22,708,524	(745,209)	516,593	1,423,419	(1,652,035)	-	22,937,140	22,937,140	-

Hedging instruments have generated an effect on income of ThCh$ 1,631,688 and ThCh$ 5,086,917 in equity net of taxes as of March 31, 2017.

Description	Underlying	Net Total as of 12.31.2016	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	868,671	333,766	534,905	1,513,209	(644,538)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(42,429)	(42,429)	-	35,659	(78,087)	-	-	-	-
Interest rate – cash flow hedge (3)	Financial Debt	(2,521,418)	(2,348,700)	(172,718)	-	(2,521,418)	-	-	-	-
Exchange rate and interest rate – fair value hegde (4)	Financial Debt	21,443,076	-	-	-	-	-	21,443,076	21,443,076	-
Total		19,747,900	(2,057,363)	362,187	1,548,868	(3,244,043)	-	21,443,076	21,443,076	-

Hedgeing instruments have generated an effect on income of ThCh$4,869,190 and ThCh$4,661,885 in shareholders' equity as of December 31, 2016.

Description of hedging instruments:

(1) Exchange rate cash flow hedge: As of March 31, 2017 and December 31, 2016 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, 2017 and December 31, 2016 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, 2017 and December 31, 2016 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, 2017 and December 31, 2016 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.

18. 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 18 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.

19. Other Provisions Current and non - Current

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

Description	03.31.2017 ThCh$	12.31.2016 ThCh$
Civil and regulatory	10,809,929	10,817,460
Total	10,809,929	10,817,460

As of March 31, 2017 the provisions are mainly composed of the OPS Limitada civil proceeding of ThCh$9,421,788.

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 27b, 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 12.33% will be paid in June 2017 and the rest during the trimester third of 2017.

As of March 31, 2017 and December 31, 2016, movements of provisions are detailed as follows:

Movements	03.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	10,817,460	966,530
Increase in existing provisions	16,469	10,790,618
Provision used	(24,000)	(939,688)
Movements, subtotal	(7,531)	9,850,930
Ending balance	10,809,929	10,817,460

b) Other non-current provisions

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

Description	03.31.2017 ThCh$	12.31.2016 ThCh$
Dismantling provision (i)	17,163,325	16,102,813
Total	17,163,325	16,102,813

19. Other Provisions Current and non - Current, continued

b) Other non-current provisions, continued

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

Movements	03.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	16,102,813	15,628,799
Increase in existing provisions	852,268	676,372
financial update	208,244	1,250,733
Retreats (1)	-	(1,453,091)
Movements, subtotal	1,060,512	474,014
Ending balance	17,163,325	16,102,813

(1) Corresponds to the value split in the division of the company in April 2016.

20. 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, 2017 and December 31, 2016 are detailed as follows:

Description	03.31.2017 ThCh$	12.31.2016 ThCh$
Non-current termination benefits (1)	108,253	104,694
Total	108,253	104,694

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

20. Current employee benefits provision, continued

a) Post employment benefits, continued

Movements for employee benefits provisions as of March 31, 2017 and December 31, 2016 are detailed as follows:

Movements	03.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	104,694	143,847
Current service costs for the period	1,117	5,118
Interest costs	1,182	7,062
Actuarial gains or losses by experience	1,260	(51,333)
Subtotal movements	3,559	(39,153)
Ending balance	108,253	104,694

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, 2017 and December 31, 2016:

- **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.

- **Salary increase rate:** the calculation uses a table of increases based on the inflation projection established by the Central Bank of Chile. The rate used for 2017 and 2016, was 3%.

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

- **Turnover rate:** according to the Company's historical data, the turnover used is 5.46%, for both years.

- **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, 2017, the sensitivity of the main assumptions has been reviewed, determining the following possible effects on equity:

Description	Base	Plus 1% ThCh$	Less 1% ThCh$
Discount rate	4.51%	(6,705)	7,398

20. Current employee benefits provision, continued

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$
Future payment flows	8,033

d) Expenses Employee

The composition of the expenses recognized in the Statement of Comprehensive Income by employees corresponds to the remuneration of the personnel hired by the Subsidiary Telefónica Investigación y Desarrollo SpA and is as follows:

Description	03.31.2017 ThCh$	03.31.2016 ThCh$
Salaries and wages	519,546	570,806
Expense Benefit Obligation employees	1,117	6,129
Total	520,663	576,935

21. Other Current Non-Financial Liabilities

a) Other non-financial liabilities are detailed as follows:

Description	03.31.2017		12.31.2016	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Deferred income	27,804,492	497,844	29,833,449	509,189
Non-activated handsets sold (see Note 2 p)	10,121,829	-	10,319,846	-
Services charged and not provided	7,156,223	-	7,754,150	-
Prepayment card top-ups (see Note 2 p)	4,924,589	-	5,334,465	-
Club Movistar (see Note 2 p)	3,943,667	-	4,063,018	-
Other deferred income	1,589,555	-	2,293,341	-
Sale of telecommunications infrastructure (1)	68,629	497,844	68,629	509,189
Subsidies	157,190	1,353,552	271,241	1,368,473
Research and development	46,418	-	90,841	-
Mobile telephone service to routes in the Antofagasta region	41,374	230,607	69,628	-
Mobile Telephone public services	51,092	-	51,092	-
Southern extreme zone (2)	-	-	41,374	240,951
Arica extreme zone (2)	18,306	67,613	18,306	72,190
Tierra del Fuego base station subsidy (3)		1,055,332	-	1,055,332
Other taxes (4)	5,580,430	-	5,727,939	-
Total other financial liabilities	33,542,112	1,851,396	35,832,629	1,877,662

(1) Corresponds to proceeds from the sale of towers.

(2) Corresponds to subsidy granted by the Chilean Internal Revenue Service (S.I.I.) for extreme zones.

(3) Corresponds to the subsidy granted by the Government for the Tierra del Fuego Project carried out in conjunction with Entel S.A.

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

21. Other current non-financial liabilities, continued

b) Movements of deferred income and subsidies are detailed as follows:

Movements	03.31.2017 Current ThCh$	03.31.2017 Non-current ThCh$	12.31.2016 Current ThCh$	12.31.2016 Non-current ThCh$
Beginning balance	30,104,690	1,877,662	21,994,389	2,312,850
Staffing for the year	76,977,159	193,961	336,969,359	934,826
Applications for the year	(79,120,167)	(220,227)	(328,859,058)	(1,370,014)
Movements, subtotal	(2,143,008)	(26,266)	8,110,301	(435,188)
Ending balance	27,961,682	1,851,396	30,104,690	1,877,662

22. 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 years ended as of March 31, 2017 and December 31, 2016.

a) Capital:

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

Number of shares:

Serie	03.31.2017 No. of shares subscribed	03.31.2017 No. of paid shares	03.31.2017 No. of shares with voting rights	12.31.2016 No. of shares subscribed	12.31.2016 No. of paid shares	12.31.2016 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

22. Equity, continued

a) Capital, continued

Serie	03.31.2017 Subscribed capital ThCh$	03.31.2017 Paid - in capital ThCh$	12.31.2016 Subscribed capital ThCh$	12.31.2016 Paid - in capital ThCh$
SINGLE	933,327,971	933,327,971	933,327,971	933,327,971
Total	933,327,971	933,327,971	933,327,971	933,327,971

At the Company's Extraordinary Shareholders' Meeting held on April 1, 2016, the shareholders approved the division of Telefónica Móviles Chile S.A., giving rise to Towerco Latam Chile S.A., which was allocated mainly non-essential assets and liabilities that represent 0.000203571451% of the Company's equity which is split according to the latest financial statements reported as of December 31, 2015.

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.

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, 2017 are detailed as follows:

Type of Shareholder	Participation percentage %	Number of shareholders
10% or more of participatión	99.999999	1
Less than 10% of participatión:		
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, 2017 and December 31, 2016, the direct participation of Inversiones Telefonica Moviles Holding S.A., in the equity of Telefonica Moviles Chile S.A., reaches 99.999999%.

22. Equity, continued

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 29, 2016, the shareholders agreed to consider as a final dividend the amount of ThCh$158,000,001 distributed in November 2016, equivalent to Ch$338.68645 per share.

As of March 31, 2017 and December 31, 2016, the Company has distributed the following dividends during the reported periods:

Date	Dividend	Amount Distributed ThCh$	Charge to net income	Payment date
12-21-2016	Eventual	82,447,022	Fiscal year 2016	12-29-2016
12-21-2016	Interim	49,570,981	Fiscal year 2015	12-29-2016
Total		132,018,003		

d) Other reserves

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

Description	Balance as of 03.31.2017 ThCh$	Net movement ThCh$	Balance as of 12.31.2016 ThCh$
Business combination reserve (i)	(95,176,556)	-	(95,176,556)
Cash flows hedge reserve (ii)	5,086,917	425,033	4,661,884
Employee benefits reserve (iii)	(5,014,614)	(261,630)	(4,752,984)
Revaluation issued capital (iv)	(233,685,327)	-	(233,685,327)
Total	(328,789,580)	163,403	(328,952,983)

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.

22. Equity, continued

d) Other reserves, continued

iii) Employee benefits reserve

Corresponds to the equity effect generated by the share in Telefonica Chile Servicios Corporativos Ltda. 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) Non-controlling interests

This heading corresponds to the recognition of the portion of equity and income of subsidiaries belonging to third parties.As of March 31, 2017 and December 31, 2016 the Company has no subsidiaries with third-party participation.

23. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	03.31.2017	03.31.2016
	ThCh$	ThCh$
Earnings attributable to owners of the parent	20,421,997	28,494,136
Profit available for shareholders	20,421,997	28,494,136
Weighted average number of shares	118,026,145	118,026,145
Basic earnings per share in Ch$	173.03	241.42

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.

24. Income and Expenses

a) Income from ordinary operations as of March 31, 2017 and 2016 is detailed as follows:

Operating income	03.31.2017	03.31.2016
	ThCh$	ThCh$
Services rendered	204,780,368	210,199,238
Sale of goods (1)	28,602,727	22,616,796
Total	233,383,095	232,816,034

(1) As of March 31, 2017 and 2016, includes income from sale of handsets and contract and prepaid mobile telephone equipment.

24. Income and Expenses, continued

b) Other income as of March 31, 2017 and 2016 is detailed as follows:

Other income	03.31.2017 ThCh$	03.31.2016 ThCh$
Other current management earnings (1)	973,390	280,303
Indemnity (2)	301,841	140,705
Total	1,275,231	421,008

(1) Corresponds to indemnity for non-compliance with distributor contracts, intelligent purchase Movistar One, electronic top-up commissions, extreme zone subsidy and others.
(2) Corresponds to indemnities paid for thefts from sites and branches.

c) The detail of other expenses by nature of the operation as of March 31, 2017 and 2016 are as follows:

Other expenses	03.31.2017 ThCh$	03.31.2016 ThCh$
Cost of sales of equipment	46,252,718	37,735,727
Rent	28,884,549	28,664,605
Employee expenses transferred by other companies and other	18,168,277	16,685,638
Interconnections and roaming	16,348,528	20,665,858
Sales commission	15,851,864	14,196,953
Administrative and management services	8,581,993	10,654,207
Customer services	7,525,862	6,722,608
Allowance for doubtful accounts	6,638,776	5,999,260
Others (1)	6,177,188	3,193,627
Maintenance	5,294,987	3,763,501
Electrical energy for technical installations	4,040,567	2,906,212
Advertising	3,772,334	4,615,906
Services computer	2,579,000	3,212,461
Compensation to suppliers for messaging services	2,539,471	3,436,506
External services	2,072,246	2,987,602
Total	174,728,360	165,440,671

(1) As of March 31, 2017 and 2016, includes transportation expenses, insurance, information services, consulting, events, fines, sanctions, security and surveillance, among other things.

24. Income and Expenses, continued

d) Details of finance income and cost for the periods as of March 31, 2017 and 2016 are as follows:

Net financial expenses	03.31.2017 ThCh$	03.31.2016 ThCh$
Finance income		
Interest earned on deposits	572,386	896,783
Derivative contracts (Forward)	694	409,283
Other finance income	609,478	491,673
Total finance income	1,182,558	1,797,739
Finance cost		
Interest on obligations and bonds	2,388,146	2,815,598
Interest on loans from bank institutions	421,503	1,067,110
Interest rate hedges (cross currency swap)	1,478,222	971,994
Financial updating of dismantling obligation	208,244	230,796
Other financial cost	114,272	89,221
Total finance cost	4,610,387	5,174,719
Net finance income	(3,427,829)	(3,376,980)

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

Description	03.31.2017 ThCh$	03.31.2016 ThCh$
Current accounts receivable from related entities	(100,851)	(996,088)
Current accounts payable to related entities	68,851	345,542
Current trade and other accounts receivable	(175,918)	(3,034,167)
Trade accounts payable and other payables	398,650	283,566
Cash and cash equivalents	(106,451)	-
Financial debt	817,307	2,826,709
Derivatives	(946,295)	1,394,409
Other	-	(234,775)
Total	(44,707)	585,196

24. Income and Expenses, continued

f) Foreign currency translation and indexation units as of March 31, 2017 and 2016 are detailed as follows:

Description	03.31.2017 ThCh$	03.31.2016 ThCh$
Current trade and other accounts receivable	422,854	370,616
Trade accounts payable and other payables	(50,994)	(866,228)
Cash and cash equivalents	5,179	-
Financial debt	(864,001)	(1,639,890)
Current tax assets	749	-
Derivatives	867,720	1,766,750
Totales	381,507	(368,752)

25. 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.

	03.31.2017 ThCh$	03.31.2016 ThCh$
Minimum operating lease payments recognized as an expense	19,463,220	18,300,989

As of March 31, 2017 and 2016 the Company has no future finance lease obligations.

The future operating lease obligations at March 31, 2017 and 2016 are detailed as follows:

	03.31.2017			
	Up to 1 year ThCh$	From 1 to 5 years ThCh$	More than 5 years ThCh$	Total ThCh$
Minimum payments of operating leases payable	29,681,373	91,812,755	2,687,773	124,181,901

	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

26. Local and Foreign Currency

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

Current assets	03.31.2017 ThCh$	12.31.2016 ThCh$
Cash and cash equivalents	45,635,652	88,602,271
US dollars	1,076,629	2,637,109
Euros		-
Chilean pesos	44,559,023	85,965,162
Other current financial assets	16,523,419	1,548,868
US dollars	1,355,846	1,489,383
Euros	67,573	59,485
Chilean pesos	15,100,000	-
U.F.		
Trade and other current accounts receivable	118,607,612	99,765,569
US dollars	10,647	655,768
Other currencies	58,372	-
Euros	161,968	5,422
Chilean pesos	117,572,829	97,735,746
U.F.	803,796	1,368,633
Accounts receivable from related companies	67,852,974	44,467,943
US dollars	4,414,758	2,649,378
Euros	2,217,471	1,255,485
Chilean pesos	61,220,745	40,563,080
Other current assets (1)	88,317,792	82,184,141
Chilean pesos	88,317,792	82,184,141
Total current assets	336,937,448	316,568,792
US dollars	6,857,880	7,431,638
Other currencies	58,372	-
Euros	2,447,012	1,320,392
Chilean pesos	326,770,388	306,448,129
U.F.	803,796	1,368,633

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

26. Local and Foreign Currency, continued

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

Non-current assets	03.31.2017 ThCh$	12.31.2016 ThCh$
Other non-current financial assets	22,937,140	21,443,076
US dollars	261,645	-
U.F.	22,675,495	21,443,076
Other non-current non-financial assets	616,926	616,926
Chilean pesos	616,926	616,926
Other non-current assets (2)	984,062,946	1,007,602,837
Chilean pesos	984,062,946	1,007,602,837
Total non-current assets	1,007,617,012	1,029,662,839
US dollars	261,645	-
Chilean pesos	984,679,872	1,008,219,763
U.F.	22,675,495	21,443,076

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

26. Local and Foreign Currency, continued

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

Current liabilities	03.31.2017	12.31.2016	03.31.2017	12.31.2016
	Up 90 days ThCh$		91 days to 1 years ThCh$	
Other current financial liabilities	3,148,774	4,877,989	732,537	889,426
US dollars	163,728	694,657	-	-
Euros	53,315	79,653	-	-
Chilean pesos	2,931,731	3,717,418	604,818	172,717
U.F.	-	386261	127,719	716,709
Trade and other accounts payable	101,791,013	123,695,237	-	-
US dollars	2,109,246	8,854,893	-	-
Euros	3,118,746	1,497,227	-	-
Other currencies	325	6,705	-	-
Chilean pesos	90,024,115	106,026,905	-	-
U.F.	6,538,581	7,309,507	-	-
Current accounts payable to related companies	100,180,842	94,411,039	-	-
US dollars	2,269,307	2,257,676	-	-
Euros	2,474,956	1,174,889	-	-
Chilean pesos	95,436,579	90,978,474	-	-
Other current liabilities (1)	62,523,519	64,965,495	-	-
Chilean pesos	62,523,519	64,965,495	-	-
Total current liabilities	267,644,148	287,949,760	732,537	889,426
US dollars	4,542,281	11,807,226	-	-
Euros	5,647,017	2,751,769	-	-
Other currencies	325	6,705	-	-
Chilean pesos	250,915,944	265,688,292	604,818	172,717
U.F.	6,538,581	7,309,507	127,719	716,709

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

Non-current liabilities	03.31.2017	12.31.2016	03.31.2017	12.31.2016	03.31.2017	12.31.2016
	1 to 3 years ThCh$		3 to 5 years ThCh$		over 5 years ThCh$	
Other non-current financial liabilities	-	-	299,255,231	299,551,935	78,446,507	78,046,970
US dollars	-	-	98,775,718	99,551,944	-	-
U.F.	-	-	106,102,138	105,621,733	78,446,507	78,046,970
Chilean pesos	-	-	94,377,375	94,378,258	-	-
Other non-current liabilities (2)	29,664,065	31,566,967	-	-	-	-
Chilean pesos	29,664,065	31,566,967	-	-	-	-
Total non-current liabilities	29,664,065	31,566,967	299,255,231	299,551,935	78,446,507	78,046,970
US dollars	-	-	98,775,718	99,551,944	-	-
U.F.	-	-	106,102,138	105,621,733	78,446,507	78,046,970
Chilean pesos	29,664,065	31,566,967	94,377,375	94,378,258	-	-

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

27. Contingencies and Restrictions

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

As of March 31, 2017 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, 2017, in the amount of ThCh$10,808,929. It is believed that Telefónica Móviles Chile S.A. will have to pay the amount of ThCh$1,332,839 before June 30, 2017 and the rest of the aforementioned amount during the trimester third of 2017.

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$517,042.

In the judicial proceeding "OPS Ingeniería Limitada vs Telefónica Móviles Chile S.A.", complaint filed before the 22nd Civil Court of Santiago, Case No. 20.891-2013, on January 17, 2017, the Court of Appeals of Santiago dictated the final judgment in civil entry No. 8249-2015, rejecting the form of the writ of cassation filed by Telefónica Móviles Chile S.A. and the appeal filed by the plaintiff OPS against the final first instance judgment, and partially accepting the appeal filed by Telefónica. In accordance with the above, that Court reduced the amount of the award from UF 510,011.92 to UF357,590.52. Management has established a contingency provision for this proceeding which is recorded under "Other current provisions" (see Note 19 a).

c) Financial restrictions:

As of March 31, 2017 and December 31, 2016 the company has no financial restrictions.

d) Insurance

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

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$18,315,406 (note 11c).

27. Contingencies and Restrictions

f) Guarantee Deposits

Guarantee deposits are detailed as follows:

Creditor of guarantee	Debtor		Type of guarantee	Ballots in force	Liberation of guarantee		
	Name	Relationship		ThCh$	2017 ThCh$	2018 ThCh$	2019 and after ThCh$
Subsecretaría de Telecomunicaciones	TMCH	Guarantee	Guarantee	66,508,236	40,423,202	-	26,085,034
Corporación de Fomento de la Producción	TMCH	Guarantee	Guarantee	2,083,859	2,083,859	-	-
Administradora Plaza Vespucio S.A.	TMCH	Guarantee	Guarantee	203,878	203,878	-	-
Municipalidad de Arica	TMCH	Guarantee	Guarantee	137,268	-	11,814	125,454
Empresa de Transportes de pasajeros Metro S.A.	TMCH	Guarantee	Guarantee	118,835	-	-	118,835
Banco Estado	TMCH	Guarantee	Guarantee	110,900	19,760	-	91,140
Municipalidad de Vitacura	TMCH	Guarantee	Guarantee	78,998	78,998	-	-
Constructora Administradora Uno S.A.	TMCH	Guarantee	Guarantee	74,912	5,227	-	69,685
Parque Arauco S.A.	TMCH	Guarantee	Guarantee	74,383	29,429	-	44,954
Chilectra S.A.	TMCH	Guarantee	Guarantee	72,778	11,515	61,263	-
Comercial Eccsa	TMCH	Guarantee	Guarantee	63,462	33,749	29,713	-
Sociedad Concesionaria Costanera Norte	TMCH	Guarantee	Guarantee	63,048	-	-	63,048
Comando de Bienestar	TMCH	Guarantee	Guarantee	58,053	34,730	-	23,323
Aguas Andinas S.A.	TMCH	Guarantee	Guarantee	56,565	7,000	49,565	-
Subsecretaría de Desarrollo Regional	TMCH	Guarantee	Guarantee	52,839	-	-	52,839
Empresa de Ferrocarriles del Estado	TMCH	Guarantee	Guarantee	51,880	-	51,880	-
Ministerio de Bienes Nacionales	TMCH	Guarantee	Guarantee	48,898	12,600	7,150	29,148
Nuevos Desarrollos S.A.	TMCH	Guarantee	Guarantee	39,654	30,488	9,166	-
Endesa	TMCH	Guarantee	Guarantee	36,783	-	36,783	-
Junta Nacional de Jardines Infantiles	TMCH	Guarantee	Guarantee	35,961	2,039	33,922	-
Subsecretaría del Trabajo	TMCH	Guarantee	Guarantee	35,452	-	12,027	23,425
Corporación Administrativa del Poder Judicial	TMCH	Guarantee	Guarantee	35,048	4,213	18,145	12,690
Subsecretaría de Economía	TMCH	Guarantee	Guarantee	34,510	34,510	-	-
Ilustre Municipalidad de Los Angeles	TMCH	Guarantee	Guarantee	32,928	15,472	-	17,456
Celulosa Arauco y Constitución	TMCH	Guarantee	Guarantee	28,315	28,315	-	-
Ilustre Municipalidad de Vitacura	TMCH	Guarantee	Guarantee	25,704	-	-	25,704
Comercializadora Costanera Center S.P.A.	TMCH	Guarantee	Guarantee	25,411	25,411	-	-
Presidencia de la Republica	TMCH	Guarantee	Guarantee	24,991	10,000	-	14,991
Soc.Concesionaria Nuevo Pudahuel S.A.	TMCH	Guarantee	Guarantee	23,473	23,473	-	-
Plaza El Roble S.A.	TMCH	Guarantee	Guarantee	23,363	-	-	23,363
Arauco Mall Chile S.A.	TMCH	Guarantee	Guarantee	22,406	22,406	-	-
Servicio Nacional de Geología y Minería	TMCH	Guarantee	Guarantee	22,400	-	22,400	-
Subsecretaría de Servicios Sociales	TMCH	Guarantee	Guarantee	22,312	-	-	22,312
Dirección General de Aeronautica Civil	TMCH	Guarantee	Guarantee	20,657	13,124	3,612	3,921
Enersis S.A.	TMCH	Guarantee	Guarantee	20,050	-	20,050	-
Otros (1)	TMCH	Guarantee	Guarantee	777,666	362,386	257,162	158,118
Total				71,145,876	43,515,784	624,652	27,005,440

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

28. 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.

Due to the obligations associated to the awarding for LTE in the 700 Mhz band, the Company must implement new cellular sites in isolated zones predefined by the authorities. Due to the location of these sites several previous studies must be undertaken to validate the construction feasibility. In this respect we have detected the need to make Environmental Impact Declarations in eleven of these sites, seven Archeological Studies, nineteen Letters of Relevance and approximately thirty four Forest Management Plans. All these previous studies involve costs that are in addition to the normal project and could imply work that goes beyond that which is necessary for the implementation of a cellular site.

29. Financial Risk Management (Not audited)

a) Characterization of the Market and Competition

The mobile telephone market is composed of ten 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 March 2015 to the English Group Novator Partners LLP, who began operating in July 2015 under a new name: WOM, operator that absorbed the customers and infrastructure of what was formerly Nextel).

There are six 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, 2017 the mobile telephone services market will have close to 26.4 million connections, a growth of 0.03% in comparison to the previous year. With this, mobile telephone penetration per 100 inhabitants would reach 142.8%, decreasing 1.4 percentage points in one year

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 postpaid plans. Comparing the first quarter of 2017 and 2016, prepaid customers decreased approximately 720,000 customers, whereas customers with contracts (postpaid) grew by 729,000 customers. The prepaid proportion closed at 68% of total lines in the market, -2.8 percentage points in comparison to March 2016.

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 12.5 million as of March 2017, a growth of 26.3% in comparison to the first quarter of 2016. Market penetration by inhabitants is also 68.6%. increasing 13.7 percentage points in one year.

Technology

During the fourth quarter of 2016, 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.

29. 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 2017 more than 976,000 mobile customers were ported, specifically in March there was a record figure recorded since the system began in 2012 with approximately 375,000 mobile lines ported. From its inception to date mobile portability accumulates 7.3 million lines ported as of December 2016, which is equivalent to 32.2% 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.

According to Law 18,168 (General Telecommunications Law), the prices of public telecommunications services and of intermediary services contracted between the different companies, entities or individuals that intervene in providing them, will be freely established by the suppliers of the respective service, notwithstanding the agreements that may be reached between them and the users.

Notwithstanding, the mentioned Law establishes the following three exceptions to the principle of the mentioned price freedom:

In the case of local and long distance public telephone services, excluding mobile telephone service, and switching and/or transmission services for signal provided either as an intermediary service, or as private circuits, if there is an express qualification by the Court for the Protection of Free Competition (TDLC or Tribunal de Defensa de la Libre Competencia) since the existing market conditions are not sufficient to guarantee a free tariff regime.

In the case of services provided through interconnections. The interconnection of public and intermediary telecommunications services is mandatory for telecommunications operators.

29. Financial Risk Management, continued (Not audited)

c) Regulatory environment, continued

Tariff System, continued

In the case of the facilities which, according to the mentioned Law, telephone companies must provide to Carriers. In all the previous cases, the maximum rates for these services are established by the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism (hereinafter "the Ministries") every five years, on the basis of a theoretic efficient company model.

Even though mobile traffic tariffs are free and fixed by the market, the tariffs for interconnection must be established by the Ministries. It is thus that in Chile since 1999, the "CPP" system (Calling Party Pays, i.e. whoever begins the communication is responsible for paying for the entire call) has been applied by mobile telephone companies, whose tariff is determined through the dictating and publication of a decree from the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism, every 5 years, which establishes the maximum tariffs for interconnections that each company can charge for calls that end in their network.

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. Due to the price cap trajectory in this decree, in January 2016 there was an 18.7% tariff reduction and in January 2017 the last 23% reduction was applied.

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.

Through Decree No. 71, dated 2015, published in the Official Gazette on September 14, 2015, Telefónica Móviles Chile S.A. was granted a Data Transmission Public Service concession allocating block A of the 713-748 MHz and 768 – 803 MHz frequency bands to it. The above is in conformity with the regulated procedure that governs public tenders for the allocation of concessions. As of that date there is a period of 18 months granted to provide service in the 366 mandatory locations, 2 routes and 158 schools; and, a period of 24 months to implement the committed network in the 700 MHz band. The Supreme Court accepted the recourse filed by the Conadecus consumer organization, resolving that it has active legitimacy to act in the process of frequency allocation and ordering the TDLC to make a pronouncement on the basis of the matter presented to it. Through judgment dated September 15, 2016, that Court rejected the merits of the complaint filed by Conadecus, in light of which this consumer organization filed an appeal before the Supreme Court, the last instance of complaint, which is pending judgment

29. Financial Risk Management, continued (Not audited)

c) Regulatory environment, continued

On March 14, 2017, within the established deadline, Telefónica Móviles Chile S.A. began providing the services corresponding to the considerations established in the tender documents for the 700 MHz spectrum. Movistar continues with the deployment of the commercial project it committed to in the spectrum tender, whose final implementation deadline is September 14, 2017.

The House of Representatives ("Cámara de Diputados") is processing a bill whose object is to allow partial radio electric spectrum transactions between operators, with a prior favorable report from the "Fiscalía Nacional Económica".

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.

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.

New regulations for multiband mobile handsets and Emergency Alert Messaging

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

The handsets that do not permit use in all bands, for at least one technology, will not be able to be commercialized.

As of March 2017, all handsets commercialized in Chile must support deployment of the Emergency Alert System, centrally operated by the Chilean National Department of Emergencies (ONEMI or "Oficina Nacional de Emergencias de Chile"), and comply with the associated technical characteristics (Sound alert; vibration and deployment of information on screen) without the customer being able to modify them.

The handsets that do not fulfill these characteristics, will not be able to be commercialized in the country.

In addition, the only handsets that will be enabled in the public network shall be those corresponding to models that have already complied with the homologation procedure, except for those that are temporarily in the country operating on international roaming mode, i.e. only units with valid IMEI.

29. Financial Risk Management, continued (Not audited)

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.

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, 2017 the company had 54% of its debt and short-term bearing interest at a fixed rate.

29. Financial Risk Management, continued (Not audited)

d) Financial risk management objectives and policies, continued

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, 2017 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 2017 of approximately Ch$35,094 million, whereas a drop in the TCPN would mean a reduction of Ch$35,094 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.

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.

29. Financial Risk Management, continued (Not audited)

d) Financial risk management objectives and policies, continued

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, 2017 amounts to 2.91%, a decrease of 23% in comparison to March 2016. This is a consequence of a decrease in expenses that is insufficient to offset the drop in income.

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 years ended March 31, 2017 and December 31, 2016.

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.

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.

30. Subsequent Events

The consolidated financial statements of Telefonica Moviles Chile S.A., for the period ended as of March 31, 2017 were approved and authorized for issuance at the Board of Directors Meeting held on April 28, 2017.

From January 1 to April 28, 2017, there have been no other significant events after the reporting period that affect these financial statements.

Alejandro Gil Ibarra
Accounting Manager

Juan Parra Hidalgo
Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager