TELEFÓNICA MÓVILES CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the years ended as of
December 31, 2016 and 2015

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

INDEX

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

CONSOLIDATED CLASSIFIED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015

ASSETS	Notes	12.31.2016	12.31.2015
		ThCh$	ThCh$
CURRENT ASSETS			
Cash and cash equivalents	(5)	88,602,271	135,174,665
Other current financial assets	(6)	1,548,868	29,909,045
Other current non-financial assets	(7)	36,633,415	33,064,140
Current trade and other accounts receivable	(8a)	99,765,569	109,612,287
Current accounts receivable from related companies	(9a)	44,467,943	31,394,527
Inventory	(10a)	35,358,345	43,559,170
Current tax assets	(11b)	10,192,381	-
Total current asset other than assets or disposal groups classifield as help for sale or held for distribution to the owners		316,568,792	382,713,834
TOTAL CURRENT ASSETS		316,568,792	382,713,834
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	21,443,076	12,691,026
Other non-current non-financial assets	(7)	616,926	571,288
Non-current trade and other accounts receivable		24,345	24,343
Non-current receivables from related companies	(9b)	22,174,222	21,181,406
Investments in associates accounted for using the equity method	(12b)	16,644,319	13,846,544
Intangible assets other than goodwill	(13b)	167,621,006	116,602,359
Goodwill	(14)	483,179,725	483,179,725
Property, plant and equipment	(15a)	317,041,213	362,187,439
Deferred tax assets	(11d)	918,007	2,421,834
TOTAL NON-CURRENT ASSETS		1,029,662,839	1,012,705,964
TOTAL ASSETS		1,346,231,631	1,395,419,798

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

LIABILITIES	Notes	12.31.2016 ThCh$	12.31.2015 ThCh$
CURRENT LIABILITIES			
Other current financial liabilities	(16)	5,767,415	230,946,093
Trade and other accounts payables	(17a)	123,695,237	109,076,914
Current accounts payable to related companies	(9c)	94,411,039	81,855,445
Other short term provisions	(19a)	10,817,460	966,530
Current tax liabilities	(11c)	18,315,406	28,730,738
Other current non-financial liabilities	(21)	35,832,629	31,944,878
TOTAL CURRENT LIABILITIES		288,839,186	483,520,598
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(16)	377,598,906	178,643,762
Non-current accounts payable to related companies	(9e)	1,366,521	1,366,521
Other long-term provisions	(19b)	16,102,813	15,633,210
Pasivos por impuestos diferidos	(11d)	12,115,276	-
Non-current employee benefits accrual	(20a)	104,694	143,847
Other non-current non-financial liabilities	(21)	1,877,662	2,312,850
TOTAL NON-CURRENT LIABILITIES		409,165,872	198,100,190
TOTAL LIABILITIES		698,005,058	681,620,788
NET SHAREHOLDERS' EQUITY			
Issued capital	(22a)	933,327,971	941,098,241
Retained earnings		43,851,585	92,002,225
Other reserves	(22d)	(328,952,983)	(319,301,456)
Shareholders' equity attributable to owners of the parent		648,226,573	713,799,010
Non-controlling interests		-	-
TOTAL NET SHAREHOLDERS' EQUITY		648,226,573	713,799,010

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

		For the years ended December 31	
		2016	2015
	Notes	ThCh$	ThCh$
STATEMENTS OF COMPREHENSIVE INCOME			
Income from ordinary operations	(24a)	935,590,726	951,321,186
Other income	(24b)	6,547,584	18,308,763
Employee benefits expenses	(20d)	(2,064,158)	(1,816,125)
Depreciation and amortization expense	(13b-15b)	(112,224,360)	(102,864,239)
Other expenses, by nature	(24c)	(697,770,090)	(694,917,016)
Profit from operating activities		130,079,702	170,032,569
Interest income	(24d)	7,502,684	11,653,801
Interest expense	(24d)	(25,813,983)	(27,012,544)
Share in earnings (losses) of associates accounted for using the equity method	(12b-20b)	4,567,307	4,371,197
Foreign exchange differences	(24e)	(972,223)	154,975
Indexation units	(24f)	15,176	559,013
Profit before tax from continuing operations		115,378,663	159,759,011
Income tax expense	(11e)	(30,516,410)	(35,506,163)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		84,862,253	124,252,848
Profit attributable to:			
Profit attributable to owners of the parent		84,862,253	124,252,848
Profit attributable to non-controlling interests		-	-
PROFIT		84,862,253	124,252,848

EARNINGS PER SHARE		Ch$	Ch$
Earnings per basic share:			
Earnings per basic share for continuing operations	(23)	719.01	1,052.76
Earnings per basic share for discontinued operations		-	-
Earnings per basic share:		719.01	1,052.76
Diluted earnings per share:			
Diluted earnings per share from continuing operations		719.01	1,052.76
Diluted earnings per share from discontinued operations		-	-
Diluted earnings per share:		719.01	1,052.76

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

	Note	For the years ended December 31	
		2016	2016
		ThCh$	ThCh$
COMPREHENSIVE INCOME STATEMENT			
PROFIT		84,862,253	124,252,848
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		51,333	8,655
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)	(1,769,532)	42,250
Other comprehensive income that will not be reclassified to income for the period, before taxes		(1,718,199)	50,905
Components of other comprehensive income that will be reclassified to income for the period, before taxes			
(Losses) profits from cash flow hedging, before taxes		(13,531,150)	3,286,105
Other comprehensive income that will be reclassified to income for the period, before taxes		(13,531,150)	3,286,105
Other components of other comprehensive income, before taxes		(15,249,349)	3,337,010
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	-	13,147	151
Income taxes related to components of other comprehensive income that are reclassified to income for the period			
Income taxes related to other comprehensive income cash flows hedging		2,900,975	(830,224)
Total income tax related to components of other comprehensive income		2,887,828	(830,073)
OTHER COMPREHENSIVE INCOME		(12,361,521)	2,506,937
TOTAL COMPREHENSIVE INCOME		72,500,732	126,759,785
COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Comprehensive income attributable to owners of the parent		72,500,732	126,759,785
Comprehensive income attributable to non-controlling interests		-	
TOTAL COMPREHENSIVE INCOME AND EXPENSES		72,500,732	126,759,785

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

STATEMENTS OF CHANGES IN EQUITY

As of December 31, 2016 and 2015

	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 f)	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	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	-	-	-	-	84,862,253	84,862,253	-	84,862,253
Other comprehensive income	-	(10,630,175)	(1,731,346)	(12,361,521)	-	(12,361,521)	-	(12,361,521)
Comprehensive income	-	(10,630,175)	(1,731,346)	(12,361,521)	84,862,253	72,500,732	-	72,500,732
Dividends	-	-	-	-	(132,018,003)	(132,018,003)	-	-
Increase (decrease) from transfers and other changes, equity	(7,770,270)	-	2,709,994	2,709,994	(994,890)	(6,055,166)	-	(6,055,166)
Total increase (decrease) in equity	(7,770,270)	-	2,709,994	2,709,994	(133,012,893)	(138,073,169)	-	(138,073,169)
Equity december 31, 2016	933,327,971	4,661,884	(333,614,867)	(328,952,983)	43,851,585	648,226,573	-	648,226,573
Equity at the beginning of the period	941,098,241	12,836,178	(334,644,571)	(321,808,393)	125,749,378	745,039,226	(56)	745,039,170
Changes in equity								
Comprehensive income								
Profit	-	-	-	-	124,252,848	124,252,848	-	124,252,848
Other comprehensive income	-	2,455,881	51,056	2,506,937	-	2,506,937	56	2,506,993
Comprehensive income	-	2,455,881	51,056	2,506,937	124,252,848	126,759,785	56	126,759,841
Dividends	-	-	-	-	(158,000,001)	(158,000,001)	-	(158,000,001)
Increase (decrease) from transfers and other changes, equity	-	-	-	-	-	-	-	-
Total increase (decrease) in equity	-	-	-	-	(158,000,001)	(158,000,001)	-	(158,000,001)
Equity december 31, 2015	941,098,241	15,292,059	(334,593,515)	(319,301,456)	92,002,225	713,799,010	-	713,799,010

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 December 31, 2016 and 2015

	Notes	2016	2015
		For the years ended December 31	
		ThCh$	ThCh$
CASH FLOWS PROVIDED (USED IN) BY OPERATING ACTIVITIES:			
Classes of operating activity charges			
Proceeds from sale of assets and services rendered		1,116,397,299	1,106,827,053
Proceeds from related entities		9,665,825	15,444,741
Classes of payments			
Payments to suppliers for supplying goods and services		(618,310,013)	(580,423,831)
Payments from related entities		(172,883,164)	(158,200,178)
Payments to and on account of employees		(2,628,000)	(2,484,941)
Other operating activity payments		(55,072,253)	(46,247,470)
Income taxes (paid) reimbursed classified as operating activities		(34,599,112)	(18,577,007)
Cash flows provided (used in) by operating activities:		242,570,582	316,338,367
CASH FLOWS PROVIDED (USED IN) BY INVESTMENT ACTIVITIES:			
Additions to property, plant and equipment		(130,299,056)	(147,817,212)
Collection from related entities (1)		4,377,367	136,158,011
Interest received		8,924,242	8,314,766
Other cash inflows (outflows) (2)		457,382	199,998
Net cash flows provided (used in) by investment activities		(116,540,064)	(3,144,437)
CASH FLOWS PROVIDED (USED IN) BY FINANCING ACTIVITIES:			
Total proceeds from loans		194,248,656	101,084,240
Loan repayments		(210,788,711)	(208,047,000)
Dividends paid		(132,018,003)	(158,000,001)
Interest paid		(24,044,854)	(23,094,759)
Other cash inflows (outflows)		-	61,157,500
Net cash flows provided (used in) by financing activities		(172,602,912)	(226,900,020)
Net Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate		(46,572,394)	86,293,911
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(46,572,394)	86,293,911
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		135,174,665	48,880,754
CASH AND CASH EQUIVALENTS, END OF YEAR	(5)	88,602,271	135,174,665

(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..

As of December 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 December 31, 2016 and 2015.

b) Basis of presentation

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

c) Basis of preparation

The Financial statements as of December 31, 2016 have been prepared in accordance with, incorporated in International Financial Reporting Standards (IFRS).

2. Significant Accounting Policies, continued

c) Basis of preparation, continued

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

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

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

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

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

d) Basis of consolidation

The 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.

2. Significant Accounting Policies, continued

d) Basis of consolidation, continued

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

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

The following subsidiaries are included in consolidation:

				Participation percentage			
		Country	Funct	12.31.2016			12.31.2015
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
76.182.386-8	Fondo de Inversión Privado Infraestructura Uno (1)	Chile	CLP	-	-	-	100

(1) At the meeting held on September 22, 2016, the contributors to the "Fondo de Inversión Privado Infraestructura Uno", agreed to distribute a final dividend of MCh$8,926 to their only contributor, Telefónica Móviles Chile S.A.

At the Extraordinary Meeting of Contributors held on September 23, 2016 the contributors approved the dissolution of Fondo de Inversión Privado Infraestructura Uno, liquidating its assets and liabilities, to its only contributor, Telefónica Móviles Chile S.A.

2. Significant Accounting Policies, continued

d) Basis of consolidation, continued

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)

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

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

(1) The purpose of this company is to generate knowledge and develop solutions 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.

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
December 31,2015	710.16	774.61	25,629.09
December 31,2016	669.47	705.60	26,347.98

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.

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 and 2015 was 7.05% and 7.30%, respectively.

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 2016 and 2015 were not identified leasing implicit.

j) Taxes

The income tax expense for each period includes current and deferred income taxes.

Tax assets and liabilities for the current and prior periods are measured at the amount the Company estimates it will recover or pay to tax authorities. Tax rates and government regulations used to calculate these amounts are those in force as of each year-end 24% and 22.5% at December 31, 2016 and 2015, respectively.

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

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

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

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

2. Significant Accounting Policies, continued

k) Investments in associates accounted for using the equity method

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

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

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

l) Goodwill

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

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

m) Intangibles

i) Intangible assets (Concession licenses)

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

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

ii) Licenses and Software

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

2. Significant Accounting Policies, continued

m) Intangibles, continued

ii) Licenses and Software, continued

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

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

The Company amortizes these software licenses using the straight-line method over a maximum period of 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 December 31, 2016 and 2015, 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 11.93% and 11.91% for December 31, 2016 and 2015, respectively.

Estimated useful lives are summarized in the following detail:

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

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

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

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

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
IFRIC 22	Transactions in Foreign Currency and Advance Consideration	January 1, 2018
IFRS 15	Income from customer contracts	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 has evaluated the impact that the application of IFRS 19 could generate on their effective date and has determined that they will not have a significant impact on the consolidated financial statements, IFRS 15, IFRIC 22 and IFRS 16, which is at the evaluation stage.

	Improvements and amendments	Mandatory Application date
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2017
IAS 7	Statement of Cash Flows	January 1, 2017
IAS 12	Income taxes	January 1, 2017
IFRS 2	Share-based Payment	January 1, 2018
IFRS 4	Insurance Contracts	January 1, 2018
IAS 28	Investments in associates and joint ventures	January 1, 2018
IAS 40	Investment Properties	January 1, 2018
IFRS 10	Consolidated financial state ments	indetermined

IFRS 12 "Disclosure of Interests in Other Entities"

The modifications clarify the disclosure requirements of IFRS 12, applicable to the participation of an entity in a subsidiary, a joint venture or an associate that is classified as held for sale. The amendments will be effective as of January 1, 2017 and will be applied retrospectively.

IAS 7 "Statement of Cash Flows"

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

2. Significant Accounting Policies, continued

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

IAS 12 "Income Taxes"

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

IFRS 2 "Share-based Payments"

In June 2016, the IASB issued amendments to IFRS 2 Share-based Payments, which addressed the following areas:

- Compliance conditions when share-based payments are liquidated in cash.
- Classification of share-based payment transactions, net of income tax withholding.
- Accounting for amendments made to contract terms that modify the classification of payments liquidated in cash or liquidated in treasury shares.

At the effective date of the amendment, restructuring of the financial statements from previous periods is not mandatory, but its retrospective adoption is allowed. Early adoption is allowed.

IFRS 4 "Insurance Contracts"

The amendments address concerns derived from the application of new pronouncements included in IFRS 9, before implementing new insurance contracts. The amendments introduce the following two options for entities that issue insurance contracts:

- The temporary and optional exemption from the application of IFRS 9, which will be available for entities whose activities are predominantly connected with insurance. The exemption will allow entities to continue applying IAS 39 Financial Instruments, Recognition and Valuation until January 1, 2021.
- The overlay approach is an option that is available for entities that adopt IFRS 9 and issue insurance contracts, to adjust profits or losses for certain financial assets; the adjustment eliminates the volatility in the valuation of financial instruments that might arise from the application of IFRS 9, allowing reclassification of these effects from income for the year to other comprehensive income.

IAS 28 "Investments in Associates and Joint Ventures"

The amendment clarifies that an entity that is a risk capital organization, or other qualifying entity, can choose, upon initial recognition, to evaluate its investments in associates and joint ventures at fair value through profit and loss. If an entity that is not in itself an investment entity has an interest in an associate or joint venture that is an investment entity, it can opt to maintain the fair value measurement applied by its associate. The amendments must be applied retrospectively and are effective as of January 1, 2018. Early application is allowed.

2. Significant Accounting Policies, continued

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

IAS 40 "Investment Properties"

The amendments clarify when an entity must reclassify assets, including assets under construction or development of investment assets, indicating that the reclassification must be performed when the property complies or stops complying with the definition of investment property and there is evidence of the change in the use of the asset. A change in management's intentions for the use of a property does not provide evidence of a change in use. Amendments must be applied prospectively, are effective as of January 1, 2018 and early application is allowed.

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

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

The Company has determined that the application of these 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 September 30, 2016 there have been no changes in the measurement methods used to determine segment results with respect to the prior year.

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Concepts	Currency	12.31.2016 ThCh$	12.31.2015 ThCh$
Cash (a)		97,567	1,113,190
	CLP	97,567	1,113,190
Banks (b)		5,047,197	4,808,696
	CLP	2,410,088	4,607,094
	USD	2,637,109	-
	EUR	-	201,602
Time deposits (c)		75,196,849	129,252,779
	CLP	75,196,849	129,252,779
Resale agreements (d)		8,260,658	-
	CLP	8,260,658	-
	USD	-	-
Total cash and cash equivalents		88,602,271	135,174,665
Subtotal by currency	CLP	85,965,162	134,973,063
	USD	2,637,109	-
	EUR	-	201,602

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

a) Cash

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

b) Banks

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

5. Cash and cash equivalents, continued

c) Time deposits,

Time deposits maturing in less than 90 days are recorded at fair value and detail to December 31, 2016 and 2015 it is as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	Foreign currency translation local currency ThCh$	Total as of 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

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	Foreign currency translation local currency ThCh$	Total as of 12.31.2015 ThCh$
Time deposit	CLP	129,127,270	3.96%	25	129,127,270	125,509	-	129,252,779
Total					129,127,270	125,509	-	129,252,779

5. Cash and cash equivalents, continued

d) Resale agreements,

Balances as of 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	01-04-17	BCI	CLP	950,000	2.760%	950,073	BCU0300118	950,073
BCP	12-31-2016	01-04-17	BBVA	CLP	7,310,000	2.880%	7,310,585	BCU0300118	7,310,585
			Total		8,260,000		8,260,658		8,260,658

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

6. Other Current and Non-current Financial Assets

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

Concepts	12.31.2016 Current ThCh$	12.31.2016 Non-Current ThCh$	12.31.2015 Current ThCh$	12.31.2015 Non-Current ThCh$
Hedging instruments (18 b)	1,548,868	22,174,222	29,627,151	12,691,026
Guarantees established	-	-	281,894	-
Total	1,548,868	22,174,222	29,909,045	12,691,026

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

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

Description	12.31.2016 Current ThCh$	12.31.2016 Non-Current ThCh$	12.31.2015 Current ThCh$	12.31.2015 Non-Current ThCh$
Advance payments (1)	18,237,474	616,926	18,402,235	571,288
Other prepaid expenses (2)	7,491,635	-	10,592,885	-
Deferred handset costs (3)	9,994,381	-	2,296,655	-
Other taxes (4)	909,925	-	1,772,365	-
Total	36,633,415	616,926	33,064,140	571,288

(1) Includes advance payments associated to site leases.
(2) Corresponds to commissions paid to franchisees for additions and replacement of mobile equipment and others, which are deferred over six months.
(3) Corresponds to the cost of prepaid handsets dispatched, which have been activated by end customers.
(4) Includes recoverable taxes ThCh$258,419 for the 2015 tax year, customs duties refund ThCh$479.114 and other taxes.

8. Trade and Other Current Accounts Receivable

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

Description	12.31.2016 Gross value ThCh$	12.31.2016 Uncollectable debts ThCh$	12.31.2016 Net value ThCh$	12.31.2015 Gross value ThCh$	12.31.2015 Uncollectable debts ThCh$	12.31.2015 Net value ThCh$
Current receivables on credit operations	149,201,590	(51,020,716)	98,180,874	154,304,495	(45,903,233)	108,401,262
Services billed	97,065,615	(51,020,716)	46,044,899	94,754,627	(45,903,233)	48,851,394
Services provided and not billed	52,135,975	-	52,135,975	59,549,868	-	59,549,868
Miscellaneous receivables	1,584,695	-	1,584,695	1,211,025	-	1,211,025
Total	150,786,285	(51,020,716)	99,765,569	155,515,520	(45,903,233)	109,612,287

8. Trade and Other Current Accounts Receivable, continued

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	12.31.2016 Less than 3 months ThCh$	12.31.2016 3 to 6 months ThCh$	12.31.2016 6 to 12 months ThCh$	12.31.2016 than 12 months ThCh$	12.31.2016 Total ThCh$	12.31.2015 Less than 3 months ThCh$	12.31.2015 3 to 6 months ThCh$	12.31.2015 6 to 12 months ThCh$	12.31.2015 than 12 months ThCh$	12.31.2015 Total ThCh$
Miscellaneous receivables	12,838,139	1,288,604	-	-	14,126,743	12,093,796	2,126,330	-	-	14,220,126
Total	12,838,139	1,288,604	-	-	14,126,743	12,093,796	2,126,330	-	-	14,220,126

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

Movements	12.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	45,903,233	54,923,878
Increases	26,148,093	23,010,589
Eliminations/ Additions	(21,030,610)	(32,031,234)
Movements, subtotal	5,117,483	(9,020,645)
Closing balance	51,020,716	45,903,233

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

Provisions and write-offs	12.31.2016 ThCh$	12.31.2015 ThCh$
Accrual for portfolio that has not been renegotiated	23,159,896	23,353,146
Accrual for renegotiated portfolio	2,988,197	(342,557)
Write-offs for the year	(21,030,610)	(32,031,234)
Total	5,117,483	(9,020,645)

8. Trade and Other Current Accounts Receivable, continued

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

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	Porfolio of accounts receivable in legal collection
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	-

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

8. Trade and Other Accounts Receivable, continued

The portfolio composition stratified by segment for 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.

8. Trade and Other Accounts Receivable, continued

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

Aging of portfolio by segment	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-15	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Individuals											
Number of clients w/o renegotiation	650,201	79,064	37,613	35,080	32,810	29,814	29,990	18,458	33,922	1,268,629	2,215,581
Gross portfolio w/o renegotiation	40,476,787	3,472,155	2,302,015	2,070,427	-	-	-	-	-	-	48,321,384
Debt	40,476,787	3,472,155	2,302,015	2,070,427	1,785,135	1,649,781	1,513,155	928,086	1,336,403	17,854,120	73,388,064
Accrual	-	-	-	-	(1,785,135)	(1,649,781)	(1,513,155)	(928,086)	(1,336,403)	(17,854,120)	(25,066,680)
Number of clients with renegotiation	8,085	9,112	1,657	1,623	1,386	1,483	1,478	977	1,714	15,612	43,127
Gross portfolio with renegotiation	643,907	38,334	138	167	-	-	-	-	-	-	682,546
Debt	1,124,642	296,533	135,450	144,925	138,263	146,881	137,941	84,285	126,776	1,132,177	3,467,873
Accrual	(480,735)	(258,199)	(135,312)	(144,758)	(138,263)	(146,881)	(137,941)	(84,285)	(126,776)	(1,132,177)	(2,785,327)
Total number of clients	658,286	88,176	39,270	36,703	34,196	31,297	31,468	19,435	35,636	1,284,241	2,258,708
Total Individuals portfolio	41,120,694	3,510,489	2,302,153	2,070,594	-	-	-	-	-	-	49,003,930
Debt	41,601,429	3,768,688	2,437,465	2,215,352	1,923,398	1,796,662	1,651,096	1,012,371	1,463,179	18,986,297	76,855,937
Accrual	(480,735)	(258,199)	(135,312)	(144,758)	(1,923,398)	(1,796,662)	(1,651,096)	(1,012,371)	(1,463,179)	(18,986,297)	(27,852,007)
Companies											
Number of clients w/o renegotiation	91,428	10,860	3,969	3,011	2,500	2,218	2,237	1,494	2,601	54,284	174,602
Gross portfolio w/o renegotiation	52,932,631	279,582	1,297,347	2,625,651	1,469,681	599,775	56,874	-	-	-	59,261,541
Debt	52,932,631	279,582	1,297,347	2,625,651	1,469,681	599,775	56,874	218,900	249,877	16,470,938	76,201,256
Accrual	-	-	-	-	-	-	-	(218,900)	(249,877)	(16,470,938)	(16,939,715)
Number of clients with renegotiation	1,181	1,475	240	243	183	215	179	115	200	3,275	7,306
Gross portfolio with renegotiation	127,811	7,921	50	9	-	-	-	-	-	-	135,791
Debt	265,443	79,263	30,495	28,587	27,578	29,418	27,313	18,684	26,079	714,441	1,247,301
Accrual	(137,632)	(71,342)	(30,445)	(28,578)	(27,578)	(29,418)	(27,313)	(18,684)	(26,079)	(714,441)	(1,111,510)
Total number of clients	92,609	12,335	4,209	3,254	2,683	2,433	2,416	1,609	2,801	57,559	181,908
Total Companies portfolio	53,060,442	287,503	1,297,397	2,625,660	1,469,681	599,775	56,874	-	-	-	59,397,332
Debt	53,198,074	358,845	1,327,842	2,654,238	1,497,259	629,193	84,187	237,584	275,956	17,185,379	77,448,557
Accrual	(137,632)	(71,342)	(30,445)	(28,578)	(27,578)	(29,418)	(27,313)	(237,584)	(275,956)	(17,185,379)	(18,051,225)
Other											
Gross portfolio w/o renegotiation	1,211,025	-	-	-	-	-	-	-	-	-	1,211,025
Debt	1,211,025	-	-	-	-	-	-	-	-	-	1,211,025
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total companies portfolio	1,211,025	-	-	-	-	-	-	-	-	-	1,211,025
Debt	1,211,025	-	-	-	-	-	-	-	-	-	1,211,025
Accrual	-	-	-	-	-	-	-	-	-	-	-
Portfolio Consolidated											
Number of clients w/o renegotiation	741,629	89,924	41,582	38,091	35,310	32,032	32,227	19,952	36,523	1,322,913	2,390,183
Gross portfolio w/o renegotiation	94,652,812	3,751,737	3,599,362	4,696,078	1,469,681	599,775	56,874	-	-	-	108,826,319
Debt	94,652,812	3,751,737	3,599,362	4,696,078	3,254,816	2,249,556	1,570,029	1,146,986	1,586,280	34,325,058	150,832,714
Accrual	-	-	-	-	(1,785,135)	(1,649,781)	(1,513,155)	(1,146,986)	(1,586,280)	(34,325,058)	(42,006,395)
Number of clients with renegotiation	9,266	10,587	1,897	1,866	1,569	1,698	1,657	1,092	1,914	18,887	50,433
Gross portfolio with renegotiation	771,718	46,255	188	176	-	-	-	-	-	-	818,337
Debt	1,390,085	375,796	165,945	173,512	165,841	176,299	165,254	102,969	152,855	1,846,618	4,715,174
Accrual	(618,367)	(329,541)	(165,757)	(173,336)	(165,841)	(176,299)	(165,254)	(102,969)	(152,855)	(1,846,618)	(3,896,837)
Total number of clients (1)	750,895	100,511	43,479	39,957	36,879	33,730	33,884	21,044	38,437	1,341,800	2,440,616
Total Consolidated portfolio	95,392,161	3,797,992	3,599,550	4,696,254	1,469,681	599,775	56,874	-	-	-	109,612,287
Debt	96,010,529	4,127,533	3,765,307	4,869,590	3,420,657	2,425,855	1,735,283	1,249,955	1,739,135	36,171,676	155,515,520
Accrual	(618,368)	(329,541)	(165,757)	(173,336)	(1,950,976)	(1,826,080)	(1,678,409)	(1,249,955)	(1,739,135)	(36,171,676)	(45,903,233)

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

9. Accounts receivable and payable to related companies

a) Accounts receivable from related companies current:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	12.31.2016 ThCh$	12.31.2015 ThCh$
						TOTAL	24,858,641	9,693,134
Telefónica Chile S.A.	90.635.000-9	Chile	Common end controller	Collection	CLP	60 days	18,787,271	7,370,980
				Costs access charges	CLP	60 days	2,097,261	1,854,645
				Others	CLP	60 days	3,974,109	467,509
						TOTAL	12,376,668	16,256,170
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	Commercial mandate	CLP	60 days	11,022,370	14,256,211
				Professional Serv.	CLP	60 days	858,911	1,210,177
				Others	CLP	60 days	495,387	789,782
						60 days		
Telxius Torres Chile Holding, S.A.	76.558.575-9	Chile	Common end controller	Professional Serv.	CLP	60 days	2,694,618	-
Pegaso PCS, S.A. de C.V.	Foreign	México	Common end controller	Roaming	USD	90 days	839,548	678,676
Telefónica Brasil	Foreign	Brasil	Common end controller	Roaming	USD	90 days	449,316	1,762,963
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Common end controller	Serv. Provided	USD	90 days	209,955	44,727
Telefónica Germany Gmbh & Co Ohg	Foreign	Alemania	Common end controller	Serv. Provided	USD	90 days	486,000	332,488
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	90 days	205,673	210,925
Otecel S.A.	Foreign	Ecuador	Common end controller	Serv. Provided	USD	90 days	116,689	15,911
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	93,255	209,748
Telefónica Móviles Soluciones y Aplicaciones S.A.	96.990.810-K	Chile	Common end controller	Serv. Provided	CLP	60 days	113,618	111,502
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Common end controller	Serv. Provided	CLP	60 days	242,644	163,744
Telefónica Móviles de Panamá	Foreign	Panamá	Common end controller	Serv. Provided	USD	90 days	83,793	81,968
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	117,193	291,885
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	702	67,525
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	68,852	43,591
Telxius Cable Chile	96.910.730.-9	Chile	Common end controller	Serv. Provided	CLP	60 days	59,538	131,192
Telefónica Factoring Chile, S.A.	76.096.189-2	Chile	Common end controller	Serv. Provided	CLP	60 days	28,587	28,161
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Serv. Provided	USD	90 days	-	31,555
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv. Provided	USD	90 days	11,815	12,824
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Common end controller	Serv. Provided	CLP	60 days	12,966	14,514
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Serv. Provided	USD	90 days	8,849	11,377
Telefónica del Perú	Foreign	Perú	Common end controller	Serv. Provided	CLP	60 days	-	49,457
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Serv. Provided	USD	90 days	8,754	330
Telfisa Global B.V.	Foreign	Chile	Common end controller	Serv. Provided	CLP	90 days	238	630,092
Telefónica Latam Holding	Foreign	Spain	Common end controller	Serv. Provided	CLP	90 days	-	510,568
Intertel S.A.(1)	96.898.630-9	Chile	Common end controller	Serv. Provided	CLP	60 days	-	9,500
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	75,290	-
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Roaming	EUR	90 days	1,180,195	-
Telefónica Argentina	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	111,793	-
Inversiones Telefónica Móviles Holding S.A.	76.124.890-1	Chile	Common end controller	Serv. Provided	CLP	90 days	1,562	-
Telefonica Global Technology Chile S.A. AG	59.165.120-k	Chile	Controlador final común	Prest. Servicios	CLP	90 días	11,191	-
							44,467,944	31,394,527

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

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	12.31.2016 ThCh$	12.31.2015 ThCh$
Telefónica Chile S.A.	90.635.000-9	Chile	Common parent company	Mercantile Current	CLP	3 years	22,174,222	21,181,406
Total							22,174,222	21,181,406

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

9. Accounts receivable and payable to related companies, continued

c) Accounts payable to related companies current

Company	Taxpayer No.	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	12.31.2016 ThCh$	12.31.2015 ThCh$
						TOTAL	34,810,582	23,796,315
Telefónica Chile S.A.	90.635.000-9	Chile	Common end controller	Access Charge and Links	CLP	60 days	21,120,401	17,660,409
				Spaces and Energy	CLP	60 days	13,148,949	2,896,044
				Others	CLP	60 days	541,231	3,239,862
						TOTAL	33,217,956	31,117,227
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	HR obligation	CLP	60 days	33,217,956	29,639,116
				Others	CLP	60 days	-	1,478,111
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Common end controller	Professional Serv.	CLP	60 days	5,576,415	7,147,632
Telefónica Global Technology Chile S.A.	59.165.120-K	Chile	Common end controller	Services computer	CLP	60 days	4,450,009	2,334,027
Telefónica S.A.	Foreign	Spain	End controller	Brand Fee	CLP	60 days	3,790,582	3,638,480
						TOTAL	4,275,589	-
Telxius Torres Chile Holding, S.A.	76.558.575-9	Chile	Common end controller	Rented infrastucture	CLP	60 days	1,477,071	-
				Co-rented location	CLP	60 days	698,820	-
				Space rental	CLP	60 days	2,099,698	-
Telefónica Uk Ltd	Foreign	Reino Unido	Common end controller	Serv. Provided	USD	90 days	1,522,219	1,689,504
Telefónica Móviles Soluciones y Aplicaciones S.A.	96.990.810-K	Chile	Common end controller	Mercantile Current Account	CLP	60 days	1,722,678	1,677,778
Telxius Cable Chile	96.910.730.-9	Chile	Common end controller	Serv. Provided	CLP	60 days	1,626,866	2,321,803
						TOTAL	843,258	3,031,219
Telefónica Latam Holding	Foreign	Spain	Common end controller	Management Fee	EUR	90 days	843,258	1,335,372
				Cost Sharing Agreement	EUR	90 days	-	1,695,847
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	392,078	184,653
Telefónica del Perú	Foreign	Peru	Common end controller	Serv. Provided	CLP	90 days	380,521	490,846
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	-	1,082,009
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	767,465	289,123
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	140,344	108,721
Otecel S.A.	Foreign	Ecuador	Common end controller	Serv. Provided	USD	90 days	-	59,460
Inversiones Telefónica Moviles Holding Limitada	76.124.890-1	Chile	Common end controller	Serv. Provided	CLP	60 days	121	-
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Common end controller	Serv. Provided	USD	90 days	-	2,511
Pegaso PCS, S.A. de C.V.	Foreign	México	Common end controller	Serv. Provided	USD	90 days	-	154,763
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	Serv. Provided	USD	90 days	72,731	88,211
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	90 days	30,053	69,526
Telefónica Global Roaming Gmbh	Foreign	Alemania	Common end controller	Serv. Provided	EUR	90 days	310,332	161,088
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	USD	90 days	130,597	18,297
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	69,161	69,161
Telfisa Global B.V.	Foreign	Spain	Common end controller	commission administration	CLP	90 days	-	119,508
Telefónica Brasil	Foreign	Brasil	Common end controller	Serv. Provided	CLP	90 days	16,623	1,427,730
Telefónica on the Spot Services S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	30 days	26,024	4,183
Telefónica Móviles Panamá	Foreign	Panamá	Common end controller	Serv. Provided	USD	90 days	-	29,306
Telefónica de Espana, SAU	Foreign	Spain	Common end controller	Serv. Provided	CLP	90 days	4,843	-
Telefónica Global Tecnology	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	209,467	20,406
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	Serv. Provided	USD	90 days	-	358
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv. Provided	USD	90 days	-	6,835
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	Serv. Provided	USD	90 days	-	5,154
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Common end controller	Serv. Provided	CLP	60 days	704	704
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	-	694,743
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv. Provided	USD	60 days	-	11,005
Telefónica Asset Management Chile	76.173.568-3	Chile	Common end controller	Serv. Provided	CLP	60 days	-	3,159
Telefónica Móviles Solutions	96.942.730-3	Chile	Common end controller	Serv. Provided	CLP	60 days	2,643	-
Telefónica On the Spot Soluciones Di	76.338.291-5	Chile	Common end controller	Serv. Provided	CLP	60 days	21,178	-
Total							94,411,039	81,855,445

9. Accounts receivable and payable to related companies, continued

d) Transactions:

Company	Taxpayer No.	Country of origin	Nature of the relationship	Currency	Transaction origin	12.31.2016 ThCh$	Effect on income debits / credits	12.31.2015 ThCh$	Effect on income debits / credits
Telefónica Chile Servicios Corporativos Ltda.	76.086.148-0	Chile	Associated	CLP	TOTAL	(60,303,778)	(60,303,778)	(67,983,081)	(67,983,081)
					Services staff seconded from other companies	(63,172,376)	(63,172,376)	(72,313,685)	(72,313,685)
					Sales	1,717,438	1,717,438	3,921,853	3,921,853
					Financial income	1,151,160	1,151,160	424,619	424,619
					Financial expenses	-	-	(15,868)	(15,868)
Telefónica Chile S.A.	90.635.000-9	Chile	Common end controller	CLP	TOTAL	(39,092,128)	(39,092,128)	(28,677,586)	(28,677,586)
					Costs access charges	(47,924,829)	(47,924,829)	6,500,816	6,500,816
					Others	(106,886)	(106,886)	(6,837,151)	(6,837,151)
					Costs access charges	3,523,110	3,523,110	(28,823,567)	(28,823,567)
					Financial income	992,815	992,815	3,109,192	3,109,192
					Others	4,423,662	4,423,662	(2,626,876)	(2,626,876)
Telefónica Empresas Chile S.A.	78.703.410-1	Chile	Common end controller	CLP	TOTAL	(20,753,464)	(20,753,464)	(18,471,358)	(18,471,358)
					Professional Serv.	(21,740,549)	(21,740,549)	(18,973,395)	(18,973,395)
					Others	(7,153)	(7,153)	-	-
					Sales	994,238	994,238	502,037	502,037
Telefónica Global Technology Chile S.A.	59.165.120-K	Chile	Common end controller	CLP	TOTAL	(11,244,286)	(11,244,286)	(7,290,957)	(7,290,957)
					Services computer	(11,283,548)	(11,283,548)	(7,290,957)	(7,290,957)
					Sales	39,262	39,262	-	-
Telefónica S.A.	Foreign	Spain	End controller	EUR	TOTAL	(10,833,463)	(10,833,463)	(15,227,912)	(15,227,912)
					Brand Fee	(10,721,926)	(10,721,926)	(15,215,870)	(15,215,870)
					Services computer	(11,069)	(11,069)	-	-
					Others	(183,697)	(183,697)	(12,042)	(12,042)
					Sales	83,229	83,229	-	-
Telxius Torres Chile S.A.	76.558.575-9	Chile	Common end controller	CLP	TOTAL	(3,210,733)	(3,210,733)	-	-
					Sales	420,463	420,463	-	-
					Costs	(3,631,196)	(3,631,196)	-	-
Telefónica Global Tecnology	Foreign	Spain	Common end controller	EUR	TOTAL	(1,278,873)	(1,278,873)	(59,612)	(59,612)
					Services computer	(1,315,309)	(1,315,309)	(50,854)	(50,854)
					Financial expenses	-	-	(8,758)	(8,758)
					Others	(28,883)	(28,883)	-	-

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	12.31.2016 ThCh$	Effect on income debits / credits	12.31.2015 ThCh$	Effect on income debits / credits
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	CLP	TOTAL	(991,700)	(991,700)	(660,970)	(660,970)
					Costs	(1,264,430)	(1,264,430)	(798,800)	(798,800)
					Sales	272,730	272,730	137,830	137,830
Telefónica Latam Holding	Foreign	Spain	Common end controller	EUR	TOTAL	919,418	919,418	(1,260,831)	(1,260,831)
					Management Fee	491,699	491,699	(1,221,410)	(1,221,410)
					Sales	427,719	427,719	(39,421)	(39,421)
Telxius Cable Chile	96.910.730-9	Chile	Common end controller	CLP	TOTAL	(697,036)	(697,036)	(2,088,102)	(2,088,102)
					Costs	(700,383)	(700,383)	(2,183,984)	(2,183,984)
					Sales	3,347	3,347	95,882	95,882
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	CLP	TOTAL	(354,291)	(354,291)	(399,358)	(399,358)
					Costs	(523,668)	(523,668)	(514,618)	(514,618)
					Sales	169,377	169,377	115,260	115,260
Telefónica Móviles Perú S.A.	Foreign	Perú	Common end controller	USD	TOTAL	(280,384)	(280,384)	(323,212)	(323,212)
					Costs	(314,483)	(314,483)	(415,096)	(415,096)
					Sales	34,099	34,099	91,884	91,884
Telefónica Global Roaming Gmbh	Foreign	Germany	Common end controller	EUR	TOTAL	(350,305)	(350,305)	(168,251)	(168,251)
					Costs	(355,127)	(355,127)	(168,251)	(168,251)
					Sales	4,822	4,822	-	-
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	EUR	TOTAL	(669,463)	(669,463)	(266,372)	(266,372)
					Costs	(685,974)	(685,974)	(266,372)	(266,372)
					Sales	21,585	21,585	-	-
					Services computer	(5,074)	(5,074)	-	-
Telefónica Móviles España S.A.	Foreign	Spain	Common end controller	EUR	TOTAL	(241,176)	(241,176)	(853,220)	(853,220)
					Sales	(789,907)	(789,907)	(57,220)	(57,220)
					Costs	548,731	548,731	(796,000)	(796,000)
Pegaso PCS, S.A. de C.V.	Foreign	México	Common end controller	USD	TOTAL	(118,060)	(118,060)	(99,659)	(99,659)
					Costs	(134,643)	(134,643)	(110,044)	(110,044)
					Sales	16,583	16,583	10,385	10,385

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	12.31.2016 ThCh$	Effect on income debits / credits	12.31.2015 ThCh$	Effect on income debits / credits
Telcel Venezuela	Foreign	Venezuela	Common end controller	USD	TOTAL	(444,147)	(444,147)	(16,376)	(16,376)
					Costs	(425,772)	(425,772)	(15,369)	(15,369)
					Sales	(18,375)	(18,375)	(1,007)	(1,007)
Colombia Telecomunicaciones S.A.E.S.P (Telecom)	Foreign	Colombia	Common end controller		TOTAL	(124,928)	(124,928)	(182,690)	(182,690)
					Costs	(163,418)	(163,418)	(177,154)	(177,154)
					Sales	38,490	38,490	(5,536)	(5,536)
Telefónica Móviles del Uruguay S.A.	Foreign	Uruguay	Common end controller	USD	TOTAL	(21,558)	(21,558)	(16,653)	(16,653)
					Sales	22,511	22,511	46,358	46,358
					Costs	(44,068)	(44,068)	(63,011)	(63,011)
Telefónica on the Spot Services S.A.U.	Foreign	Spain	Common end controller	EUR	Costs	(28,493)	(28,493)	(25,143)	(25,143)
Telefónica de Espana, SAU	Foreign	Spain	Common end controller	CLP	TOTAL	(19,811)	(19,811)	-	-
					Costs	(20,701)	(20,701)	-	-
					Sales	890	890	-	-
Telefonía Celular de Nicaragua S.A.	Foreign	Nicaragua	Common end controller	USD	TOTAL	1,397	1,397	(5,172)	(5,172)
					Costs	159	159	(5,867)	(5,867)
					Sales	1,238	1,238	695	695
Telefónica Móviles Panamá	Foreign	Panamá	Common end controller	USD	TOTAL	(23,329)	(23,329)	(8,576)	(8,576)
					Costs	(30,458)	(30,458)	(20,760)	(20,760)
					Sales	7,129	7,129	12,184	12,184
Otecel S.A.	Foreign	Ecuador	Common end controller	USD	TOTAL	(12,699)	(12,699)	(18,155)	(18,155)
					Costs	(24,337)	(24,337)	(35,254)	(35,254)
					Sales	11,638	11,638	17,099	17,099
Telefónica On The Spot Soluciones Digitales De Chile Spa	76.338.291-5	Chile	Common end controller	CLP	Costs	(27,660)	(27,660)	(13,088)	(13,088)
Fundación Telefónica Chile S.A.	74.944.200-K	Chile	Common end controller	CLP	Costs	(1,468)	(1,468)	2,419	2,419
Telefónica Móviles El Salvador	Foreign	El Salvador	Common end controller	USD	TOTAL	224	224	(385)	(385)
					Costs	(2,382)	(2,382)	(1,112)	(1,112)
					Sales	2,606	2,606	727	727
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	USD	TOTAL	(9,610)	(9,610)	(4,134)	(4,134)
					Costs	(20,058)	(20,058)	(4,291)	(4,291)
					Sales	10,447	10,447	157	157

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	12.31.2016 ThCh$	Effect on income debits / credits	12.31.2015 ThCh$	Effect on income debits / credits
Telefónica Ireland Ltd Antes O2 Communication	Foreign	Irland	Common end controller	USD	TOTAL	46,365	46,365	-	-
					Sales	(8,896)	(8,896)	-	-
					Costs	55,261	55,261	-	-
Telefónica Asset Management Chile	76.173.568-3	Chile	Common end controller	CLP	Costs	-	-	(31,258)	(31,258)
Telefónica Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	USD	TOTAL	1,407	1,407	(57,803)	(57,803)
					Sales	(62,851)	(62,851)	(49,462)	(49,462)
					Costs	64,258	64,258	(8,341)	(8,341)
Vivo S.A.	Foreign	Brasil	Common end controller	USD	TOTAL	71,564	71,564	232,555	232,555
					Sales	358,263	358,263	490,380	490,380
					Costs	(286,699)	(286,699)	(257,825)	(257,825)
Telefónica Móviles Soluciones y Aplicaciones S.A.	96.990.810-K	Chile	Common end controller	CLP	Financial income	2,821	2,821	2,813	2,813
Telfisa Global B.V.	Foreign	Spain	Common end controller	CLP	TOTAL	86,036	86,036	309,438	309,438
					Financial income	219,560	219,560	282,490	282,490
					Costs	(133,525)	(133,525)	26,948	26,948
Telefónica Digital España	Foreign	Spain	Common end controller	EUR	Costs	(61,154)	(61,154)	(61,098)	(61,098)
Telefónica USA Inc.	Foreign	USA	Common end controller	USD	TOTAL	47,831	47,831	(88,043)	(88,043)
					Costs	(456)	(456)	(88,043)	(88,043)
					Sales	48,287	48,287	-	-
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	CLP	Sales	215,023	215,023	263,470	263,470
Telefónica Uk Ltd	Foreign	United Kingdom	Common end controller	USD	TOTAL	157,280	157,280	(766,914)	(766,914)
					Financial expenses	135,001	135,001	(766,914)	(766,914)
					Costs	22,279	22,279	-	-
Telefónica Móviles Argentina S.A.	Foreign	Argentina	Common end controller	USD	TOTAL	552,106	552,106	164,666	164,666
					Sales	832,913	832,913	588,313	588,313
					Costs	(280,807)	(280,807)	(423,647)	(423,647)
Telefónica Costa Rica	Foreign	Costa Rica	Common end controller	USD	Costs	-	-	(510,568)	(510,568)

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	12.31.2016 ThCh$	12.31.2015 ThCh$
Telefónica 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 December 31, 2016 and 2015, the parent company is managed by a Board of Directors composed of five members, who serve for a term of three years and are not remunerated. As of December 31, 2016, 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	12.31.2016 ThCh$	12.31.2015 ThCh$
Salaries and wages	302,354	270,757
Total	302,354	270,757

10. Inventory

a) Inventory is detailed as follows:

Description	Gross value	12.31.2016 Provision for obsolescence	Net Value	Gross value	12.31.2015 Provision for obsolescence	Net Value
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Mobile equipment (net)	36,927,924	(1,579,800)	35,348,124	47,430,997	(3,876,222)	43,554,775
Accessories	14,436.000	(4,215)	10,221	10,270	(5,875)	4,395
Total	36,942,360	(1,584,015)	35,358,345	47,441,267	(3,882,097)	43,559,170

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

10. Inventory; continued

b) Inventory movements are detailed as follows:

Description	12.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	43,559,170	52,031,325
Purchases	198,239,890	218,377,066
Sales	(208,738,797)	(229,377,419)
Obsolescence provision (period to effect result)	2,298,082	2,528,198
Movements, subtotal	(8,200,825)	(8,472,155)
Closing balance	35,358,345	43,559,170

11. Taxes

a) Income Taxes

As of December 31, 2016 and 2015, the Parent Company has established a first category income tax provision, since the Company determined a taxable income base of ThCh$56,728,857 and ThCh$115,925,737 respectively for each year.

As of December 31, 2016, the Parent Company does not have a Retained Taxable Earnings Registry balance.

Subsidiary Telefónica Inversiones y Desarrollo Chile SpA has a negative FUT balance, and a first category tax loss in the amount of ThCh$3,409,781.

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.

b) Current tax assets

At December 31, 2016 and 2015, the current tax assets are detailed as follows:

Movements	12.31.2016 ThCh$	12.31.2015 ThCh$
Income tax accrual (1)	10,192,053	-
Tax accrual derivatives	328	-
Final balance	10,192,381	-

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

11. Taxes, continued

c) Current tax liabilities

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

Movements	12.31.2016 ThCh$	12.31.2015 ThCh$
Income tax accrual (1)	-	8,313,357
Tax accrual derivatives	-	2,101,975
Accrual for contingencies	18,315,406	18,315,406
Final balance	18,315,406	28,730,738

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

11. Taxes, continued

d) Deferred tax assets and liabilities

As of December 31, 2016 and 2015 accumulated balances of temporary differences originated net deferred tax assets in the amount of ThCh$11.197,269 and ThCh$2,421,834, respectively which are detailed as follows:

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)	(3,227,479)	(2,017,160)	549,316	(2,813,270)	(657,535)	1,371,485	20,264,560	-	13,469,918	13,469,918
Deferred tax expense (benefit) recognized in income	(3,227,479)	(2,017,160)	549,316	(2,813,270)	(657,535)	1,371,485	20,264,560	-	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	(3,227,479)	(2,017,160)	549,316	(2,813,270)	(657,535)	1,371,485	20,264,560	-	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)	-	-	-	-	386,886	-	(250,847)	-	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 december 31, 2015	Other temporary differences [member] (1)	Allowance for doubtful accounts	Obsolescence provision	Deferred income	Dismantling provision	Deferred cost of sale and deferred sales commissions	Amortization and depreciation of assets	Reclassification	Temporary differences	Temporary differences, losses and unused tax credits
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Deferred tax assets and liabilities										
Deferred tax assets	2,793,258	11,395,224	889,864	3,773,817	3,266,394	-	1,943,485	(21,640,208)	2,421,834	2,421,834
Deferred tax liabilities	81,780					3,133,954	18,424,474	(21,640,208)	-	-
Deferred tax liabilities (assets)	(2,711,478)	(11,395,224)	(889,864)	(3,773,817)	(3,266,394)	3,133,954	16,480,989	-	(2,421,834)	(2,421,834)
Deferred tax assets and liabilities, net										
Deferred tax assets, net	(2,711,478)	(11,395,224)	(889,864)	(3,773,817)	(3,266,394)	-	-	-	(22,036,777)	(22,036,777)
Deferred tax liabilities, net	-	-	-	-	-	3,133,954	16,480,989	-	19,614,943	19,614,943
Deferred tax expense (benefit)										
Deferred tax expense (benefit)	(698,320)	1,317,443	532,988	437,590	(486,833)	(2,640,907)	3,008,267	-	1,470,228	1,470,228
Deferred tax expense (benefit) recognized in income	(698,320)	1,317,443	532,988	437,590	(486,833)	(2,640,907)	3,008,267	-	1,470,228	1,470,228
Reconciliation of changes in deferred tax liabilities (assets)										
Deferred tax liabilities (assets) - Beginning balance Dec. 2014	(2,013,007)	(12,712,667)	(1,422,852)	(4,211,407)	(2,779,561)	5,774,861	13,472,722	-	(3,891,911)	(3,891,911)
Changes in deferred tax liabilities (assets)										
Deferred tax expense (benefit) recognized in income	(698,320)	1,317,443	532,988	437,590	(486,833)	(2,640,907)	3,008,267	-	1,470,228	1,470,228
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	(151)	-	-	-	-	-	-	-	(151)	(151)
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	(698,471)	1,317,443	532,988	437,590	(486,833)	(2,640,907)	3,008,267	-	1,470,077	1,470,077
Deferred tax liabilities (assets)	(2,711,478)	(11,395,224)	(889,864)	(3,773,817)	(3,266,394)	3,133,954	16,480,989	-	(2,421,834)	(2,421,834)

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

11. Taxes, continued

e) Taxable Income:

As of December 31, 2016 and 2015, a first category income tax provision has been established, since a positive taxable base was determined in the amount of ThCh$56,728,857 and ThCh$115,925,737, respectively for each year, detailed as follows:

Description	12.31.2016 ThCh$	12.31.2015 ThCh$
Finance income	84,862,253	124,252,848
Recorded tax expense	30,516,410	35,506,163
Additions	224,049,518	80,165,571
Deductions	(282,699,324)	(123,998,845)
Taxable Net Income	56,728,857	115,925,737
First category tax rate 24% and 22.5%	13,614,926	26,083,291
Art. 21 rejected expenses tax base	115,013	1,140,880
Art. 21 non-deductible expenses (35% rate)	40,254	399,308
Total Tax Provision	13,655,180	26,482,599
Contingency provision	-	5,956,350
Derivatives tax provision (1)	3,155,582	1,271,750
Prior years deficit	235,730	2,596,986
Total first category taxes (2)	17,046,492	34,035,935

(1) Corresponds to hedging instruments that were provisioned as of December 2014 and 2015 and for which first category tax was paid, and which were liquidated in 2016..

(2) First category tax has been accounted for considering the increase in the rate from 22,5% to 24%, due to the tax reform of Law 20,780. The effect of the change in the first category income tax rate as of March 30, 2016, amounts to ThCh$850,993.

11. Taxes, continued

f) Income tax reconciliation:

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

Concepts	12.31.2016 Taxable base ThCh$	12.31.2016 Tax Rate 24% ThCh$	12.31.2015 Taxable base ThCh$	12.31.2015 Tax Rate 22.5% ThCh$
Based on accounting income before taxes:				
Finance income	84,862,253		124,252,848	
Recorded tax expense	30,516,410		35,506,163	
Income before taxes	115,378,663	27,690,879	159,759,011	35,945,777
Permanent differences	11,773,045	2,825,531	(1,953,838)	(439,614)
Price-level restatement of taxable equity	(8,350,935)	(2,004,224)	(12,664,670)	(2,849,551)
Investment income related companies	(4,567,307)	(1,096,154)	(4,371,199)	(983,520)
Exchange rate effect on tax reform	6,146,363	1,475,127	(3,981,542)	(895,847)
Set initial deferred tax balances	7,931,949	1,903,668	902,135	202,980
Deficit (Surplus) prior year income tax	982,207	235,730	5,889,938	1,325,236
contingency provision	0	0	22,028,222	4,956,350
Others (1)	9,630,768	2,311,384	(9,756,722)	(2,195,262)
Total corporate tax expense	127,151,708	30,516,410	157,805,173	35,506,163
Based on taxable net income and deferred taxes calculated on the basis of temporary differences:				
24 % and 22.5% income tax		13,614,926		26,083,291
35% income tax		40,254		399,308
contingency provision		-		4,956,350
Derivatives tax provision		3,155,582		1,271,750
Prior years deficit		235,730		1,325,236
Total Income tax expense		17,046,492		34,035,935
Total Deferred tax expense		13,469,918		1,470,228
Total corporate tax expense		30,516,410		35,506,163
Effective rate		26.45%		22.22%

(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 24%, 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%
2014	21.0
2015	22.5
2016	24.0
2017	25.5
2018	27.0

12. Investments accounted for using the equity method

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

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.	317,041,213	48	98,739,864	45,228,806	72,238,364	37,053,841	186,725,320	27,220,754	9,515,222

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

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

Movements	12.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	13,846,544	9,432,252
Participation in ordinary income current period	4,567,307	4,372,042
Other increases (decreases) (1)	(1,769,532)	42,250
Movements, subtotal	2,797,775	4,414,292
Ending balance	16,644,319	13,846,544

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

13. Intangible Assets other than goodwill,

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

Description	12.31.2016 Intangibles, gross ThCh$	12.31.2016 Accumulated amortization ThCh$	12.31.2016 Intangible, net ThCh$	12.31.2015 Intangibles, gross ThCh$	12.31.2015 Accumulated amortization ThCh$	12.31.2015 Intangible, net ThCh$
Intangible assets (1)	130,169,199	(98,936,497)	31,232,702	139,123,197	(97,108,265)	42,014,932
Licenses and software	354,677,960	(250,907,433)	103,770,527	274,469,836	(201,945,264)	72,524,572
Developing intangible assets (2)	32,617,777	-	32,617,777	2,062,855	-	2,062,855
Total	517,464,936	(349,843,930)	167,621,006	415,655,888	(299,053,529)	116,602,359

(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$3,352.

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

Movements	Intangible assets, net ThCh$	Developing intangible assets ThCh$	Licenses and software, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.16	33,060,934	2,062,855	81,478,570	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)		61,203,825	31,223,059	92,426,884
Transfer of development costs to service	-	(40,031,067.00)	40,031,067.00	-
Movements, subtotal	(1,828,232)	30,554,922	22,291,957	51,018,647
Ending balance as of 12.31.2016	31,232,702	32,617,777	103,770,527	167,621,006
Remaining average useful life	16.2 years		1.9 years	

13. Intangible Assets other than goodwill, continued

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

Movements	Intangible assets, net ThCh$	Developing intangible assets ThCh$	Licenses and software, net ThCh$	Intangibles, net ThCh$
Beginning balance as of 01.01.15	30,579,446	-	57,287,678	87,867,124
Additions	-	3,451,232	-	3,451,232
Amortization	(1,786,430)	-	(38,503,499)	(40,289,929)
Transfer from construction in progress (note 15b)	4,267,918	(1,388,377)	62,694,391	65,573,932
Movements, subtotal	2,481,488	2,062,855	24,190,892	28,735,235
Ending balance as of 12.31.2015	33,060,934	2,062,855	81,478,570	116,602,359
Remaining average useful life	18.5 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 December 31, 2016 no indications of impairment of assets have been detected, therefore no impairment testing has been performed.

The items included in the intangible assets account as of December 31, 2016 and 2015, which have been fully depreciated and are still in use, are detailed as follows:

Fully depreciated assets which are still in use	Information applications 12.31.2016 ThCh$	Information applications 12.31.2015 ThCh$
Total	163,579,702	142,861,198

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 December 31, 2016.

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

Movements	12.31.2016 ThCh$	12.31.2015 ThCh$
Telefónica Móviles Chile S.A.	483,179,725	483,179,725
Total	483,179,725	483,179,725

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

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

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

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

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

i) projected operating income and costs are based on the 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 December 31, 2016 and 2015 the major categories of Property, plant and equipment and their corresponding accumulated depreciation are detailed as follows:

Concepts	12.31.2016 Property, plant & equipment, gross ThCh$	12.31.2016 Accumulated depreciation ThCh$	12.31.2016 Property, plant & equipment, net ThCh$	12.31.2015 Property, plant & equipment, gross ThCh$	12.31.2015 Accumulated depreciation ThCh$	12.31.2015 Property, plant & equipment, net ThCh$
Land	3,108,084	-	3,108,084	3,298,580	-	3,298,580
Buildings	160,346,304	(110,470,752)	49,875,552	162,303,011	(109,069,415)	53,233,596
Transport equipment	17,214	(17,214)	-	17,214	(17,214)	-
Supplies and accessories	10,695,603	(8,598,087)	2,097,516	10,601,991	(8,171,720)	2,430,271
Office equipment	778,391	(721,182)	57,209	781,146	(701,787)	79,359
Construction in progress	62,185,974	-	62,185,974	88,903,253	-	88,903,253
Information equipment	29,098,443	(20,323,228)	8,775,215	23,517,386	(19,344,369)	4,173,017
Network and communications equipment	777,111,491	(586,517,048)	190,594,443	858,758,888	(649,289,541)	209,469,347
Other property, plant & equipment	4,035,764	(3,688,544)	347,220	4,030,893	(3,430,877)	600,016
Total	1,047,377,268	(730,336,055)	317,041,213	1,152,212,362	(790,024,923)	362,187,439

15. Property, Plant and Equipment, continued

a) 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	89,722,977	17,214	6,270,333	563,521	17,073,759	368,586,619	3,308,008	485,542,432

15. Property, Plant and Equipment, continued

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

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

(1) Corresponds to net the movement of transferring from buildings in progress to assets in service and the traspasos the intangibles assets ThCh$ 65,573,932 (note 13b).

As of December 31, 2015, 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 December 31, 2016 and 2015 continue to be depreciated using the straight-line method as defined at the time of their capitalization.

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

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		12.31.2016 Current ThCh$	12.31.2016 Non-current ThCh$	12.31.2015 Current ThCh$	12.31.2015 Non-current ThCh$
Bank loans	(16 a)	51,683	99,551,945	98,936,652	-
Unguaranteed obligations (Bonds)	(16 b)	2,471,688	278,046,961	118,698,542	178,643,762
Hedge instruments	(see note 18 b)	3,244,043	-	1,707,098	-
Other financial debts		-	-	11,603,801	-
Total		5,767,415	377,598,906	230,946,093	178,643,762

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

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

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
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$) 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	
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 Expiration		Total current as of 12.31.2016 ThCh$	Non-current Expiration							Total Non current as of 12.31.2016 ThCh$
					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) The detail of bank loans for December 31, 2015 is as follows, continued:

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

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

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Current		Total current as of 12.31.2015 ThCh$	Non-current							Total Non current as of 12.31.2015 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	
Syndicated Loan (1)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	BBVA BANCOMER	27,187	49,636,911	49,664,098	-	-	-	-	-	-	-	-
Bilateral Loan (2)	87.845.500-2	Telefónica Móviles Chile S.A	Chile	Banco Estado	-	49,272,554	49,272,554	-	-	-	-	-	-	-	-
	Total				21,187	98,909,465	98,936,652	-	-	-	-	-	-	-	-

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

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

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

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

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor taxpayer No.	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series F Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	3.82%	3.60%	UF 3 mm	2023
Series G Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	2.01%	2.20%	UF 2 mm	2020
Series I Bond (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	97.036.000-K	Banco Santander	Chile	UF	At maturity	2.00%	1.95%	UF 2 mm	2020
Series K Bond (6)	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 (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Series G Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	50,108,620	-	50,108,620	-	50,108,620
Series I Bond (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	50,317,080	-	50,317,080	-	50,137,080
Series K Bond (6)	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$	Current Expiration 90 days to 1 years ThCh$	Total current as of 12.31.2016 ThCh$	Non-current Expiration 1 to 2 years	Non-current Expiration 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 (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	681,866	681,866	-	-	-	-	-	-	77,778,270	77,778,270
Series G Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	34,843	34,843	-	-	-	53,021,574	-	53,021,574	-	52,704,613
Series I Bond (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	386.261	-	386,261	-	-	-	52,600,159	-	52,600,159	-	52,372,235
Series K Bond (6)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	1.368.718	-	1,368,718	-	-	-	-	94,378,258	94,378,258		94,389,350
	Total				1,754,979	716,709	2,471,688	-		-	105,621,733	94,378,258	199,999,991	77,778,270	277,244,468

(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, 2015 is as follows, continued:

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

Types	Debtor taxpayer No.	Debtor	Debtor Country	Creditor	Nominal amounts (ThCh$)									
					Expiration									Total nominal amounts
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
144A Bond (1)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Bank of New York	-	-	-	-	-	-	-	-	-	-
Series C Bond (2)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	66,000,000	-	-	-	-	-	-	-	66,000,000
Series D Bond (3)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	44,375,180	-	-	-	-	-	-	-	44,375,180
Series F Bond (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-	-	-	-	66,928,680	66,928,680
Bono Serie G (4)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-		50,108,620	50,108,620	-	50,108,620
Bono Serie I (5)	87.845.000-2	Telefónica Móviles Chile S.A	Chile	Banco Santander	-	-	-	-	-		50,317,080	50,317,080		50,317,080
	Total				-	110,375,180	-	-	-	-	100,425,700	100,425,700	66,928,680	277,729,560

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

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

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

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

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

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

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

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

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

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

17. Trade and Other Accounts Payable

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

Description	12.31.2016 ThCh$	12.31.2015 ThCh$
Purchases or services payable, billed (1)	57,449,767	44,091,585
Purchases or services payable, accrued (1)	30,809,031	43,393,191
Suppliers or property, plant and equipment, billed	28,227,724	19,522,606
Suppliers of property, plant and equipment, accrued	6,960,919	1,759,879
Accounts payable to employees	247,796	309,653
Total current	123,695,237	109,076,914

(1) "Accounts payable on purchases or services provided" correspond to foreign and domestic suppliers, for access charges, licenses and software attention and expansion services, among others

Accounts payable due to purchases or services rendered	12.31.2016 ThCh$	12.31.2015 ThCh$
Domestic	75,902,566	77,124,669
Foreign	12,356,232	10,360,107
Total	88,258,798	87,484,776

b) Accounts payable payment terms

The Company has a policy of paying its suppliers in an average period of 60 days as of the date of reception of the respective invoice. There are cases in which due to specific circumstances external to the general policy, the established dates are not met, for example, contracts with specific agreed upon terms, or delay in the issuance f invoices by the supplier, or closing of agreements with suppliers for delivery of goods or providing of services, etc.

The Company has no interests for this accounts.

As of 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% (as of December 31, 2015 the main suppliers are Inversiones y Asesorías en Telecomunicaciones 8.57%; Coasin Instalaciones Ltda. 5.35%; Ezentis Chile S.A. 5.33%; Cobra Chile Servicios S.A. 4.67%; Huawei Chile S.A. 4.65% and Nokia Solutions and Networks Chile 4.04%).

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 December 31, 2016 and 2015 are detailed as follows:

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	

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

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

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	

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

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 December 31, 2016 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		-	-	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		75,196,849.00	-	-	75,196,849.00	-	-	-	-	-	-	75,196,849.00	75,196,849.00
Current deposits	See Note 5 c	75,196,849.00	-	-	75,196,849.00	-	-	-	-	-	-	75,196,849.00	75,196,849.00
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	76,745,717	-	1,548,868	-	232,835,783	-	232,835,783	309,581,500	309,581,500
Total assets financial		-	-	22,991,944	98,188,793	-	22,991,944	-	255,010,005	-	255,010,005	353,198,798	353,198,798

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, 2015 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		-	-	12,691,026	12,691,026	-	12,691,026	-	-	-	-	12,691,026	12,691,026
Non-current derivative instrument of assets	See Note 19 b	-	-	12,691,026	12,691,026	-	12,691,026	-	-	-	-	12,691,026	12,691,026
Accounts receivable long-term business operations		-	-	-	-	-	-	-	21,181,406	-	21,181,406	21,181,406	21,181,406
Accounts receivable from related entities	See Note 9 b	-	-	-	-	-	-	-	21,181,406	-	21,181,406	21,181,406	21,181,406
Non-current financial assets		-	-	12,691,026	12,691,026	-	12,691,026	-	21,181,406	-	21,181,406	33,872,432	33,872,432
Current trade accounts receivable		-	-	-	-	-	-	-	141,039,183	-	141,039,183	141,039,183	141,039,183
Trade and other accounts receivable	See Note 8 a	-	-	-	-	-	-	-	109,644,656	-	109,644,656	109,644,656	109,644,656
Accounts receivable from related entities	See Note 9 a	-	-	-	-	-	-	-	31,394,527	-	31,394,527	31,394,527	31,394,527
Current deposits and pledges established		-	-	-	-	-	-	-	-	-	-	-	-
Current deposits		-	-	-	-	-	-	-	-	-	-	-	-
Current deposits and pledges		-	-	-	-	-	-	-	-	-	-	-	-
Derivative instrument of assets		-	-	29,627,151	29,627,151	-	29,627,151	-	-	-	-	29,627,151	29,627,151
Derivative instrument of assets	See Note 19 b	-	-	29,627,151	29,627,151	-	29,627,151	-	-	-	-	29,627,151	29,627,151
Cash and cash equivalents		-	-	-	-	-	-	-	135,142,296	-	135,142,296	135,142,296	135,142,296
Cash and cash equivalents	See Note 5	-	-	-	-	-	-	-	135,142,296	-	135,142,296	135,142,296	135,142,296
Current financial assets		-	-	29,627,151	29,627,151	-	29,627,151	-	276,181,479	-	276,181,479	305,808,630	305,808,630
Total assets financial		-	-	42,318,177	42,318,177	-	42,318,177	-	297,362,885	-	297,362,885	339,681,062	339,681,062

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

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

Desglose de pasivos financieros		PASIVOS REGISTRADOS A VALOR RAZONABLE					PASIVOS REGISTRADOS A COSTE AMORTIZADO	TOTALES	
				Jerarquía de valoración					
				Nivel 1	Nivel 2	Nivel 3		Total valor contable	Total valor razonable
		Derivados de cobertura de pasivos	Subtotal pasivos a valor razonable	Precios de mercado	Estimaciones basadas en otros datos de mercado observable	Estimaciones no basadas en datos de mercado observable	Débitos y partidas a pagar		
		M$	M$	M$	M$	M$	M$	M$	M$
Emisiones de obligaciones y otros valores negociables a largo plazo	Ver nota 16 b	-	-	-	-	-	278,046,961	278,046,961	285,409,296
Deudas con entidades de crédito largo plazo	Ver nota 16 a	-	-	-	-	-	99,551,945	99,551,945	99,551,945
Instrumentos derivados de pasivo a largo plazo		-	-	-	-	-	-	-	-
Cuentas por pagar comerciales y otras cuentas por pagar		-	-	-	-	-	-	-	-
Cuentas por pagar a entidades relacionadas	Ver nota 9 e	-	-	-	-	-	104,694	104,694	104,694
Pasivos financieros no corrientes		-	-	-	-	-	377,703,600	377,703,600	385,065,935
Emisiones de obligaciones y otros valores negociables a corto plazo	Ver nota 16 b	-	-	-	-	-	2,471,688	2,471,688	2,535,987
Deudas con entidades de crédito a corto plazo	Ver nota 16 a	-	-	-	-	-	51,683	51,683	51,683
Instrumentos derivados de pasivo a corto plazo	Ver nota 18 b	3,244,044	3,244,044	-	3,244,044	-	-	3,244,044	3,244,044
Cuentas por pagar comerciales y otras cuentas por pagar	Ver nota 17 a	-	-	-	-	-	18,315,406	18,315,406	18,315,406
Cuentas por pagar a entidades relacionadas	Ver nota 9 c	-	-	-	-	-	0	0	0
Pasivos financieros corrientes		3,244,044	3,244,044	-	3,244,044	-	20,838,777	24,082,821	24,147,121
Total pasivos financieros		3,244,044	3,244,044	-	3,244,044	-	398,542,378	401,786,422	409,213,055

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, 2015 is as follows:

Desglose de pasivos financieros		PASIVOS REGISTRADOS A VALOR RAZONABLE		Jerarquía de valoración Nivel 1	Nivel 2	Nivel 3	PASIVOS REGISTRADOS A COSTE AMORTIZADO	TOTALES	
		Derivados de cobertura de pasivos M$	Subtotal pasivos a valor razonable M$	Precios de mercado M$	Estimaciones basadas en otros datos de mercado observable M$	Estimaciones no basadas en datos de mercado observable M$	Débitos y partidas a pagar M$	Total valor contable M$	Total valor razonable M$
Emisiones de obligaciones y otros valores negociables a largo plazo	Ver nota 17 b	-	-	-	-	-	178,643,762	178,643,762	180,180,019
Deudas con entidades de crédito largo plazo	Ver nota 17 a	-	-	-	-	-	-	-	-
Instrumentos derivados de pasivo a largo plazo		-	-	-	-	-	-	-	-
Cuentas por pagar comerciales y otras cuentas por pagar		-	-	-	-	-	-	-	-
Cuentas por pagar a entidades relacionadas	Ver nota 9 e	-	-	-	-	-	1,366,521	1,366,521	1,366,521
Pasivos financieros no corrientes		-	-	-	-	-	180,010,283	180,010,283	181,546,540
Emisiones de obligaciones y otros valores negociables a corto plazo	Ver nota 17 b	-	-	-	-	-	118,698,542	118,698,542	118,620,636
Deudas con entidades de crédito a corto plazo	Ver nota 17 a	-	-	-	-	-	98,936,652	98,936,652	98,936,652
Instrumentos derivados de pasivo a corto plazo	Ver nota 19 b	1,707,098	1,707,098	-	1,707,098	-	-	1,707,098	1,707,098
Cuentas por pagar comerciales y otras cuentas por pagar	Ver nota 18 a	-	-	-	-	-	109,076,914	109,076,914	109,076,914
Cuentas por pagar a entidades relacionadas	Ver nota 9 c	-	-	-	-	-	81,855,445	81,855,445	81,855,445
Pasivos financieros corrientes		1,707,098	1,707,098	-	1,707,098	-	408,567,553	410,274,651	410,196,745
Total pasivos financieros		1,707,098	1,707,098	-	1,707,098	-	588,577,836	590,284,934	591,743,285

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

Instruments recorded under other current and non-current financial liabilities classified as financial liabilities at fair value through profit or loss and hedge derivatives are presented at their fair value in the statement of financial position.
Financial instruments recorded under other current and non-current financial liabilities which correspond to interest bearing loans, are generally recorded for the cash received, net of costs incurred in the transaction. These obligations are valued at amortized cost, using the effective interest rate method, and mainly include bank loans and unguaranteed obligations (bonds), among other things, (see Note 16).

18. Financial instruments, continued

b) Hedging instruments

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

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	21,443,075	-	-	-	-	-	21,443,076	21,443,076	-
Total		19,747,899	(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	Underlying	Net Total as of 12.31.2015	Up to 90 days	90 days to 1 years	Total current Assets (see note 6)	Total current Liabilities (see note 16)	1 a 3 years	3 a 5 years	Total non-current Assets	Total non-current Liabilities
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	3,835,814	3,918,417	(82,603)	4,021,992	(186,178)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(16,613)	(16,613)	-	19,356	(35,969)	-	-	-	-
Interest rate – cash flow hedge (3)	Financial Debt	(318,121)	404,616	(722,737)	1,166,830	(1,484,951)	-	-	-	-
Exchange rate and interest rate – cash flow hedge (4)	Financial Debt	37,109,998	-	24,418,973	24,418,973	-	-	12,691,026	12,691,026	-
Total		40,611,078	4,306,420	23,613,633	29,627,151	(1,707,098)	-	12,691,026	12,691,026	-

Hedging instruments have generated an effect on income of ThCh$23,125,492 and ThCh$15,292,060 in shareholders' equity as of December 31, 2015.
Description of hedging instruments:

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

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

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

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

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	12.31.2016 ThCh$	12.31.2015 ThCh$
Civil and regulatory	10,817,460	966,530
Total	10,817,460	966,530

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

Based on the progress of each proceeding, the Company's management considers that the provisions recorded in the consolidated financial statements adequately cover the litigation risks described in Note 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% will be paid in March 2017 and the rest during the trimester second of 2017.

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

Movements	12.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	966,530	201,315
Increase in existing provisions	10,790,618	1,470,531
Provision used	(939,688)	(705,316)
Movements, subtotal	9,850,930	765,215
Ending balance	10,817,460	966,530

b) Other non-current provisions

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

Description	12.31.2016 ThCh$	12.31.2015 ThCh$
Investment in associated company reserve (i)	-	4,411
Dismantling provision (ii)	16,102,813	15,628,799
Total	16,102,813	15,633,210

19. Other Provisions Current and non - Current, continued

b) Other non-current provisions, continued

i) Corresponds to the investment in associated company Intertel S.A., which on March 31, 2016 merged with Telefónica móviles Chile S.A.

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

RUT	Nombre	balance	percentage	assets	assets	liabilities	liabilities	income	expenses	Income
		12.31.2015	%	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
96.898.630-9	Intertel S.A.	(4,411)	50	2,368	0	1,690	9,500	0	(1,690)	(1,690)

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

Movements	12.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	(4,411)	(3,566)
Share in ordinary profit for the current year	-	(845)
Fusion by absortion	4,411	-
Movements, subtotal	4,411	(845)
Ending balance	-	(4,411)

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

Movements	12.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	13,846,544	9,432,252
Participation in ordinary income current period	4,567,307	4,372,042
Other increases (decreases) (1)	(1,769,532)	42,250
Movements, subtotal	2,797,775	4,414,292
Ending balance	16,644,319	13,846,544

(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 December 31, 2016 and 2015 are detailed as follows:

Description	12.31.2016 ThCh$	12.31.2015 ThCh$
Non-current termination benefits (1)	104,694	143,847
Total	104,694	143,847

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

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

Movements	12.31.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	143,847	128,399
Current service costs for the period	5,118	21,239
Interest costs	7,062	-
Actuarial gains or losses by experience	(51,333)	(5,791)
Subtotal movements	(39,153)	15,448
Ending balance	104,694	143,847

Actuarial Hypotheses

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

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

20. Current employee benefits provision, continued

a) Post employment benefits, continued

- **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 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 December 31, 2016, the sensitivity of the main assumptions has been reviewed, determining the following possible effects on equity:

Description	Base	Plus 1% ThCh$	Less 1% ThCh$
Discount rate	4.51%	4,033	(10,319)

c) Expected cash flows

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

Description	Year 1 ThCh$	Year 2 ThCh$	Year 3 ThCh$
Future payment flows	9,738	9,997	9,879

20. Current employee benefits provision, continued

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	12.31.2016 ThCh$	12.31.2015 ThCh$
Salaries and wages	2,059,040	1,800,677
Expense Benefit Obligation employees	5,118	15,448
Total	2,064,158	1,816,125

21. Other Current Non-Financial Liabilities

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

Description	12.31.2016		12.31.2015	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Deferred income	29,833,449	509,189	21,255,327	554,569
Non-activated handsets sold (see Note 2 p)	10,319,846	-	1,709,845	-
Services charged and not provided	7,754,150	-	6,176,391	-
Prepayment card top-ups (see Note 2 p)	5,334,465	-	5,795,243	-
Club Movistar (see Note 2 p)	4,063,018	-	5,571,754	-
Other deferred income	2,293,341	-	1,887,708	-
Sale of telecommunications infrastructure (1)	68,629	509,189	114,386	554,569
Subsidies	271,241	1,368,473	739,062	1,758,281
Research and development	90,841	-	595,134	-
Mobile telephone service to routes in the Antofagasta region	69,628	-	92,837	69,628
Mobile Telephone public services	51,092	-	51,091	51,091
Southern extreme zone (2)	41,374	240,951	-	-
Arica extreme zone (2)	18,306	72,190	-	582,231
Tierra del Fuego base station subsidy (3)	-	1,055,332	-	1,055,331
Other taxes (4)	5,727,939	-	9,481,392	-
Other	-	-	469,097	-
Total other financial liabilities	35,832,629	1,877,662	31,944,878	2,312,850

(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	12.31.2016 Current ThCh$	12.31.2016 Non-current ThCh$	12.31.2015 Current ThCh$	12.31.2015 Non-current ThCh$
Beginning balance	21,994,389	2,312,850	38,723,978	864,599
Staffing for the year	336,969,359	934,826	389,866,714	9,544,548
Applications for the year	(328,859,058)	(1,370,014)	(406,596,303)	(8,096,297)
Movements, subtotal	8,110,301	(435,188)	(16,729,589)	1,448,251
Ending balance	30,104,690	1,877,662	21,994,389	2,312,850

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 December 31, 2016 and 2015.

a) Capital:

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

Number of shares:

Serie	12.31.2016 No. of shares subscribed	12.31.2016 No. of paid shares	12.31.2016 No. of shares with voting rights	12.31.2015 No. of shares subscribed	12.31.2015 No. of paid shares	12.31.2015 No. of shares with voting rights
SINGLE	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145
Total	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145	118,026,145

22. Equity, continued

a) Capital, continued

Serie	12.31.2016 Subscribed capital ThCh$	12.31.2016 Paid - in capital ThCh$	12.31.2015 Subscribed capital ThCh$	12.31.2015 Paid - in capital ThCh$
SINGLE	933,327,971	933,327,971	941,098,241	941,098,241
Total	933,327,971	933,327,971	941,098,241	941,098,241

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

Date	Dividend	Amount Distributed ThCh$	Charge to net income	Payment date
11-10-2015	Eventual	118,026,145	Fiscal year 2014	11-30-2015
11-10-2015	Eventual	39,973,856	Fiscal year 2015	11-30-2015
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		290,018,004		

d) Other reserves

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

Description	Balance as of 12.31.2016 ThCh$	Net movement ThCh$	Balance as of 12.31.2015 ThCh$
Business combination reserve (i)	(95,176,556)	2,709,994	(97,886,550)
Cash flows hedge reserve (ii)	4,661,884	(10,630,175)	15,292,059
Employee benefits reserve (iii)	(4,752,984)	(1,731,346)	(3,021,638)
Revaluation issued capital (iv)	(233,685,323)	1/4/1900	(233,685,327)
Total	(328,952,979)	(9,651,523)	(319,301,456)

i) Business combination reserve

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

22. Equity, continued

d) Other reserves, continued

ii) Cash flows hedge reserve

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

iii) Employee benefits reserve

Corresponds to the equity effect generated by the share in Telefonica Chile Servicios Corporativos Ltda. 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 December 31, 2016 and 2015 the Company has no subsidiaries with third-party participation.

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

23. Earnings per Share

Earnings per share are detailed as follows:

Basic earnings per share	12.31.2016 ThCh$	12.31.2015 ThCh$
Earnings attributable to owners of the parent	84,862,253	124,252,848
Profit available for shareholders	84,862,253	124,252,848
Weighted average number of shares	118,026,145	118,026,145
Basic earnings per share in Ch$	719.01	1,052.76

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 December 31, 2016 and 2015 is detailed as follows:

Operating income	12.31.2016	12.31.2015
	ThCh$	ThCh$
Services rendered	838,183,130	871,431,354
Sale of goods (1)	97,407,596	79,889,832
Total	935,590,726	951,321,186

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

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

Other income	12.31.2016	12.31.2015
	ThCh$	ThCh$
Other current management earnings (1)	4,128,191	3,204,089
Indemnity (2)	1,787,561	2,372,620
Gains on disposal of fixed assets (3)	631,832	12,732,054
Total	6,547,584	18,308,763

(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.
(3) It corresponds to sales revenue of towers and land

24. Income and Expenses, continued

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

Other expenses	12.31.2016 ThCh$	12.31.2015 ThCh$
Cost of sales of equipment	177,082,668	203,185,955
Rent	113,261,104	103,329,892
Interconnections and roaming	76,195,966	72,696,848
Employee expenses transferred by other companies and other	67,778,578	67,380,075
Sales commission	61,875,638	59,850,036
Administrative and management services	36,711,194	41,540,498
Customer services	30,257,596	32,440,609
Allowance for doubtful accounts	26,148,093	23,010,589
Advertising	15,083,180	16,142,911
Computer services	16,255,506	9,690,284
Maintenance	14,309,386	12,832,535
Compensation to suppliers for messaging services	11,344,808	11,653,067
Electrical energy for technical installations	12,166,923	10,229,318
External services	10,565,370	11,290,953
Others (1)	28,734,080	19,643,446
Total	697,770,090	694,917,016

(1) As of December 30, 2016 and 2015, includes transportation expenses, insurance, information services, consulting, events, fines, sanctions, security and surveillance, among other things.

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

Net financial expenses	12.31.2016 ThCh$	12.31.2015 ThCh$
Finance income		
Interest earned on deposits	4,584,954	3,673,001
Derivative contracts (Forward)	773,682	4,445,473
Other finance income	2,144,048	3,535,327
Total finance income	7,502,684	11,653,801
Finance cost		
Interest on obligations and bonds	11,946,470	15,443,227
Interest on loans from bank institutions	4,455,612	4,116,469
Interest tax contingency	-	3,024,304
Interest rate hedges (cross currency swap - IRS)	5,888,030	2,463,615
Financial updating of dismantling obligation	1,250,733	1,259,599
Other financial cost	2,273,137	705,330
Total finance cost	25,813,983	27,012,544
Net finance income	(18,311,299)	(15,358,743)

24. Income and Expenses, continued

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

Description	12.31.2016 ThCh$	12.31.2015 ThCh$
Current accounts receivable from related entities	(231,779)	801,716
Current accounts payable to related entities	330,571	(959,662)
Current trade and other accounts receivable	(1,310,820)	1,123,038
Trade accounts payable and other payables	1,387,415	(842,084)
Cash and cash equivalents	(9,253,500)	8,775,989
Financial investments	-	6,226,967
Financial debt	2,139,571	(35,953,056)
Derivatives	5,966,319	20,982,067
Total	(972,223)	154,975

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

Description	12.31.2016 ThCh$	12.31.2015 ThCh$
Accounts receivable from related parties, current	-	(7)
Accounts payable to related parties, current	-	(27,737)
Current trade and other accounts receivable	334,634	253,133
Trade accounts payable and other payables	(420,213)	(391,195)
Cash and cash equivalents	18,035	(1,277)
Financial investments	-	(56)
Financial debt	(6,324,142)	(6,748,303)
Other non-financial assets	19,518	4,867
Tax liabilities	122,107	369,788
Derivatives	6,265,237	7,099,800
Totales	15,176	559,013

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.

	12.31.2016 ThCh$	12.31.2015 ThCh$
Minimum operating lease payments recognized as an expense	76,618,809	67,433,316

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

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

	12.31.2016			
	Up to 1 year ThCh$	From 1 to 5 years ThCh$	More than 5 years ThCh$	Total ThCh$
Minimum payments of operating leases payable	31,309,213	95,362,844	30,292,512	156,964,570

	12.31.2015			
	Up to 1 year ThCh$	From 1 to 5 years ThCh$	More than 5 years ThCh$	Total ThCh$
Minimum payments of operating leases payable	31,492,650	102,977,348	49,933,467	184,403,466

26. Local and Foreign Currency

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

Current assets	12.31.2016 ThCh$	12.31.2015 ThCh$
Cash and cash equivalents	88,602,271	135,174,665
US dollars	2,637,109	-
Euros	-	201,602
Chilean pesos	85,965,162	134,973,063
Other current financial assets	1,548,868	29,909,045
US dollars	1,489,383	20,765,808
Euros	59,485	-
Chilean pesos	-	1,448,724
U.F.		7,694,513
Trade and other current accounts receivable	99,765,569	109,612,287
US dollars	655,768	2,320,274
Euros	5,422	
Chilean pesos	97,735,746	106,245,767
U.F.	1,368,633	1,046,246
Accounts receivable from related companies	44,467,943	31,394,527
US dollars	2,649,378	3,986,197
Euros	1,255,485	-
Chilean pesos	40,563,080	27,408,330
Other current assets (1)	82,184,141	76,905,204
Chilean pesos	82,184,141	76,623,311
U.F.	-	281,893
Total current assets	316,568,792	382,995,728
US dollars	7,431,638	27,072,279
Euros	1,320,392	201,602
Chilean pesos	306,448,129	346,699,195
U.F.	1,368,633	9,022,652

(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	12.31.2016 ThCh$	12.31.2015 ThCh$
Other non-current financial assets	21,443,076	12,691,026
Chilean pesos		-
U.F.	21,443,076	12,691,026
Other non-current non-financial assets	616,926	571,288
Chilean pesos	616,926	571,288
Other non-current assets (2)	1,007,602,837	999,443,649
Chilean pesos	1,007,602,837	999,443,649
Total non-current assets	1,029,662,839	1,012,705,963
Chilean pesos	1,008,219,763	1,000,014,937
U.F.	21,443,076	12,691,026

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

26. Local and Foreign Currency, continued

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

Current liabilities	12.3.2016	12.31.2015	12.31.2016	12.31.2015
	Up 90 days ThCh$		91 days to 1 years ThCh$	
Other current financial liabilities	4,877,989	13,591,469	889,426	217,354,624
US dollars	694,657	101,687		49,753,360
Euros	79,653	28,945	-	-
Chilean pesos	3,717,418	13,460,837	172,717	115,559,420
U.F.	386,261	-	716,709	52,041,844
Trade and other accounts payable	123,695,237	109,076,914	-	-
US dollars	8,854,893	28,479,406	-	-
Euros	1,497,227	1,873,639	-	-
Other currencies	6,705	160,811	-	-
Chilean pesos	106,026,905	76,531,999	-	-
U.F.	7,309,507	2,031,059	-	-
Current accounts payable to related companies	94,411,039	81,855,445	-	-
US dollars	2,257,676	3,216,939	-	-
Euros	1,174,889	4,200,763	-	-
Chilean pesos	90,978,474	74,437,743	-	-
Other current liabilities (1)	64,965,495	61,642,146	-	-
Chilean pesos	64,965,495	61,642,146	-	-
Total current liabilities	287,949,760	266,165,974	889,426	217,354,624
US dollars	11,807,226	31,798,032	-	49,753,360
Euros	2,751,769	6,103,347	-	-
Other currencies	6,705	160,811	-	-
Chilean pesos	265,688,292	226,072,725	172,717	115,559,420
U.F.	7,695,768	2,031,059	716,709	52,041,844

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

Non-current liabilities	12.31.2016	12.31.2015	12.31.2016	12.31.2015	12.31.2016	12.31.2015
	1 to 3 years ThCh$		3 to 5 years ThCh$		over 5 years ThCh$	
Other non-current financial liabilities	-	-	299,551,936	102,726,260	78,046,970	75,917,502
US dollars	-	-	99,551,945	-	-	-
U.F.	-	-	105,621,733	102,726,260	78,046,970	75,917,502
Chilean pesos	-	-	94,378,258	-	-	-
Other non-current liabilities (2)	31,566,967	19,456,428	-	-	-	-
Chilean pesos	31,566,967	19,456,428	-	-	-	-
Total non-current liabilities	31,566,967	19,456,428	299,551,936	102,726,260	78,046,970	75,917,502
US dollars	-	-	99,551,945	-	-	-
U.F.	-	-	105,621,733	102,726,260	78,046,970	75,917,502
Chilean pesos	31,566,967	19,456,428	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 December 31, 2016 there are no complaints filed by the tax authority against Telefónica Móviles S.A.

b) Lawsuits several

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

Notwithstanding, there are certain processes in which, due to the aforementioned considerations, it has been deemed that there is a risk of loss qualified as probable, which has motivated the recording of a provision for the estimated loss as of December 31, 2016, in the amount of ThCh$10,817,460. It is believed that Telefónica Móviles Chile S.A. will have to pay the amount of ThCh$1,351,369 before March 31, 2017 and the rest of the aforementioned amount during the trimester second 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$724,654.

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

d) Insurance

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

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

27. Contingencies and Restrictions, continued

e) Tax Contingency

On July 31, 2014, the Chilean Internal Revenue Service (SII) issued the following Tax Assessments: No. 25 for the 2011 tax year First Category Tax, No. 26 for the 2012 tax year First Category Tax and No. 27 Income Tax reinstatement. Through the mentioned Tax Assessments the SII determined tax difference, due to the rejection of various items declared by the Company. To date the Company has established tax provisions associated to the mentioned Tax Assessments in the amount of TcCh$18,315,407 (note 11c).

f) Guarantee Deposits

Guarantee deposits are detailed as follows:

Creditor of guarantee	Debtor		Type of guarantee	Ballots in force ThCh$	Liberation of guarantee		
	Name	Relationship			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 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 December 31, 2016 the mobile telephone services market will have close to 25.8 million connections, a 1.5% drop in comparison to the previous year. With this, mobile telephone penetration per 100 inhabitants would reach 141.6%, decreasing 3.6 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 fourth quarter of 2015 and 2016, prepaid customers decreased approximately one million customers, whereas customers with contracts (postpaid) grew by 688,000 customers. The prepaid proportion closed at 69% of total lines in the market, -3.1 percentage points in comparison to December 2015.

Mobile Internet

Access to Mobile Internet has experienced explosive growth thanks to the increased penetration of smartphones; with 3 and 4G technology, which allow personalized Internet navigation anywhere, at an affordable price. Thus the number of connections to Mobile Internet exceeded 11.2 million as of December 2016, a growth of 23% in comparison to the fourth quarter of 2015. Market penetration by inhabitants is also 64.6%. increasing 11.6 percentage points in one year.

Technology

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

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 fourth quarter of 2016 more than 940,000 mobile customers were ported, specifically in December there was a record figure recorded since the system began in 2012 with approximately 350,000 mobile lines ported. From its inception to date mobile portability accumulates 7.3 million lines ported as of December 2016, which is equivalent to 28.3% 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. The aforementioned publication completed the tariff-setting process which began at the end of 2012, in conformity with the procedure regulated by law. In this process Telefónica Móviles Chile S.A. used all instances available to defend its points of view, and we wish to highlight those undertaken before the Expert Commission to define the Final Technical Economic Bases, and to resolve controversies referring to the Report on Objections and Counterproposals issued by Subtel, and the "Contraloría General de la República".

Allocation of Spectrum

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

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

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

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".

Amendments to the Regulatory Framework

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

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

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

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

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

Number Portability

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

Regarding Geographic Portability and Intermodal Portability, in Exempt Resolution No. 4,535, dated August 4, 2015, Subtel established the timeline that establishes that Geographic Portability will be enabled as of November 2, 2015; the extension of mobile telephone numbers by one digit will be implemented as of February 6, 2016 and Intermodal Portability will take place on September 5, 2016.

29. Financial Risk Management, continued (Not audited)

c) Regulatory environment, continued

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

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.

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.

29. Financial Risk Management, continued (Not audited)

c) Financial risk management objetives and policies, continued

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 December 31, 2016 the company had 54% of its debt and short-term bearing interest at a fixed rate.

The company believes it is reasonable to measure the risk associated to financial debt interest rate as the sensitivity of monthly financial expense accrual in case of a change of 25 base points in the debt reference interest rate, which as of December 31, 2016 is the Nominal Chamber Average Rate (TCPN or Tasa Promedio de Cámara Nominal in Spanish). In this manner, an increase of 25 base points in the monthly TCPN would mean an increase in the monthly financial accrual expense for 2016 of approximately Ch$34,363 million, whereas a drop in the TCPN would mean a reduction of Ch$34,363 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.

29. Financial Risk Management, continued (Not audited)

d) Financial risk management objetives and policies, continued

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.

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 December 31, 2016 amounts to 12.46%, an increase of 26.8% in comparison to December 2015. 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 December 31, 2016 and 2015.

29. Financial Risk Management, continued (Not audited)

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 December 31, 2016 were approved and authorized for issuance at the Board of Directors Meeting held on Junary 26, 2017.

On January 17, 2017, the Santiago Court of Appeals dictated final judgment on civil entry No. 8249-2015, rejecting the form of the writ of cassation filed by Telefónica Móviles Chile S.A. and of 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. As of the date of issuance of this note, management is analyzing the scope of the judgment, and in the following days will decide in this respect.

From January 1 to January 26, 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