Telefónica

CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2016 (not audited), December 31, 2015 and September 30, 2015 (not audited)

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

INDEX

Page N°

Notes to the Consolidated Financial Statements

ThCh$: Thousands of Chilean Pesos
MCh$: Millions of Chilean Pesos

	Notes	09.30.2016	12.31.2015
		ThCh$	ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	74,407,005	86,977,350
Other current financial assets	(6)	19,705,255	3,357,124
Other current non-financial assets	(7)	31,728,657	22,261,161
Current trade and other accounts receivable	(8a)	148,653,314	134,403,204
Current receivables from related companies	(9a)	86,792,197	71,651,761
Inventory	(10a)	15,377,216	17,904,023
Current tax assets	(11b)	3,365,958	6,606,309
Total current assets other than assets groups of assets for disposal, classified as available for sale or as held for distribution to owners		380,029,602	343,160,932
TOTAL CURRENT ASSETS		380,029,602	343,160,932
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	116,627,955	159,888,748
Other non-current non-financial assets	(7)	6,966,928	5,309,107
Non-current trade and other accounts receivable	(12)	19,115,391	15,222,532
Non-current receivables from related companies	(9b)	1,366,521	1,366,521
Intangible assets other than goodwill, net	(13a)	42,719,167	45,425,228
Goodwill	(14)	21,660,128	21,660,128
Property, plant and equipment, net	(15a)	957,907,670	976,094,206
Deferred tax assets	(11c)	7,959,751	11,977,280
TOTAL NON-CURRENT ASSETS		1,174,323,511	1,236,943,750
TOTAL ASSETS		1,554,353,113	1,580,104,682

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

	Notes	09.30.2016	12.31.2015
		ThCh$	ThCh$
LIABILITIES			
CURRENT LIABILITIES			
Other current financial liabilities	(16)	77,449,246	8,108,095
Trade and other payables	(17a)	133,961,113	176,752,011
Current payables to related companies	(9c)	110,269,254	81,567,128
Other current provisions	(19)	998,203	591,254
Current tax liabilities	(11f)	2,879,310	4,829,667
Current employee benefits accrual	(20a)	3,816,542	3,416,667
Other current non-financial liabilities	(21)	22,017,694	17,610,179
TOTAL CURRENT LIABILITIES		351,391,362	292,875,001
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(16)	372,976,117	475,614,657
Non-current Current payables to related companies	(9d)	21,922,562	21,181,406
Other non-current provisions		1,033,984	974,745
Deferred tax liabilities	(11c)	79,786,110	74,836,919
Non-current employee benefits accrual	(20a)	26,426,555	27,061,311
Other non-current non-financial liabilities	(21)	4,467,665	5,478,452
TOTAL NON-CURRENT LIABILITIES		506,612,993	605,147,490
TOTAL LIABILITIES		858,004,355	898,022,491
NET SHAREHOLDERS' EQUITY			
Issued capital	(22a)	578,098,782	578,078,382
Retained earnings		96,902,333	91,464,194
Other reserves	(22d)	3,448,246	(1,644,107)
Shareholders' equity attributable to owners of the parent		678,449,361	667,898,469
Non-controlling interest	(22e)	17,899,397	14,183,722
TOTAL NET SHAREHOLDERS' EQUITY		696,348,758	682,082,191
TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY		1,554,353,113	1,580,104,682

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

STATEMENTS OF COMPREHENSIVE INCOME	Notes	For the period from July 1 to September 30, 2016	For the nine-month period ended September 30, 2016	For the period from July 1 to September 30, 2015	For the nine-month period ended September 30, 2015
		ThCh$	ThCh$	ThCh$	ThCh$
Income from ordinary operations	(24a)	181,788,308	546,545,375	179,784,069	525,682,586
Other income	(24b)	138,161	1,145,967	396,224	960,043
Employee benefits expenses	(20d)	(17,643,940)	(55,161,612)	(18,809,892)	(56,842,714)
Depreciation and amortization expense	(13b)(15b)	(50,011,552)	(144,184,241)	(48,222,295)	(144,666,918)
Other expenses, by nature	(24c)	(100,035,835)	(304,572,342)	(100,686,925)	(289,982,322)
Profit from operating activities		14,235,142	43,773,147	12,461,181	35,150,675
Interest income	(24d)	792,791	2,142,672	1,003,210	3,514,003
Interest expense	(24d)	(5,869,424)	(17,983,858)	(5,886,076)	(17,125,134)
Foreign exchange differences	(24e)	(232,427)	(593,284)	(529,746)	(509,021)
Income from indexation units	(24e)	123,408	167,173	586,289	621,625
Profits before tax from continuing operations		9,049,490	27,505,850	7,634,858	21,652,148
Income tax expense	(11e)	(10,251,089)	(11,397,479)	3,554,621	(1,393,065)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		(1,201,599)	16,108,371	11,189,479	20,259,083
Profit attributable to holders of equity instruments of the controller and minority interest:					
Profit attributable to owners of the parent		(2,430,484)	12,796,041	9,839,891	17,389,517
Profit attributable to non-controlling interest	(22e)	1,228,885	3,312,330	1,349,588	2,869,566
PROFIT (LOSS) FOR THE PERIOD		(1,201,599)	16,108,371	11,189,479	20,259,083
EARNINGS PER SHARE		Ch$	Ch$	Ch$	Ch$
Earnings per basic share					
Earnings per basic share for continuing operations	(23)	(2.54)	13.37	10.28	18.17
Earnings per basic share for discontinuing operations		-	-	-	-
Earnings per basic share		(2.54)	13.37	10.28	18.17
Diluted earnings per share					
Diluted earnings per share from continuing operations		(2.54)	13.37	10.28	18.17
Diluted earnings per share from discontinuing operations					
Diluted earnings per share		(2.54)	13.37	10.28	18.17

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

STATEMENTS OF COMPREHENSIVE INCOME	For the period from July 1 to September 30, 2016 ThCh$	For the nine-month period ended September 30, 2016 ThCh$	For the period from July 1 to September 30, 2015 ThCh$	For the nine-month period ended September 30, 2015 ThCh$
PROFIT (LOSS) FOR THE PERIOD	(1,201,599)	16,108,371	11,189,479	20,259,083
OTHER COMPREHENSIVE INCOME				
Components of other comprehensive income that will not be reclassified to income for the period				
Other comprehensive income, before taxes, profits (losses) on new measurements of defined benefits plans	318,807	741,380	-	-
Total other comprehensive income that will not be reclassified to income for the period	318,807	741,380	-	-
Components of other comprehensive income that will be reclassified to income for the period				
Profit (loss) on new measurement of financial assets available for sale	89,073	1,739,067	(2,058,676)	(3,206,456)
Profit (loss) on cash flow hedges	(5,188,099)	5,021,807	4,104,442	739,567
Total Components of other comprehensive income that will be reclassified to income for the period	(5,099,026)	6,760,874	2,045,766	(2,466,889)
Total other components of other comprehensive income, before taxes	(4,780,219)	7,502,254	2,045,766	(2,466,889)
Income taxes associated to components of other comprehensive income which will not be reclassified to income for the period				
Income taxes associated to new measurements of defined benefits plans of other comprehensive income	87,735	205,054	2,062	7,926
Income taxes associated to components of other comprehensive income which will be reclassified to income for the period	87,735	205,054	2,062	7,926
Income taxes associated to components of other comprehensive income which will be reclassified to income for the period				
Income tax related to hedging cash flows from other comprehensive income	1,354,525	(1,974,687)	(1,084,842)	(327,745)
Total income taxes associated to components of other comprehensive income	1,354,525	(1,974,687)	(1,084,842)	(327,745)
TOTAL OTRO RESULTADO INTEGRAL	(3,337,959)	5,732,621	962,986	(2,786,708)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(4,539,558)	21,840,992	12,152,465	17,472,375
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Comprehensive income attributable to owners of the parent	(5,768,444)	18,449,178	10,802,876	14,602,809
Comprehensive income attributable to non-controlling interest	1,228,886	3,391,814	1,349,589	2,869,566
TOTAL COMPREHENSIVE INCOME	(4,539,558)	21,840,992	12,152,465	17,472,375

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

CONSOLITED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As of September 30, 2016 and September 30, 2015 (not audited)

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

	Changes in capital (Note 22a)	Changes in the other reserves (Note 22d)					Retained earnings	Equity attributable to owners of the parent	Non controlling interests (Note 22e)	Total equity
	Issued capital	Cash flow hedge reserves	Reserves of actuarial gains or losses on defined benefit plans	Accrual of profits or losses on remeasurement of financial assets available for sale	Other miscellaneous reserves	Total other reserves				
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.2016	578,078,382	8,929,007	(3,202,897)	4,932	(7,375,149)	(1,644,107)	91,464,194	667,898,469	14,183,722	682,082,191
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	12,796,041	12,796,041	3,312,330	16,108,371
Other comprehensive income	-	3,047,120	494,380	1,739,067	-	5,280,567	-	5,280,567	452,054	5,732,621
Comprehensive income	-	3,047,120	494,380	1,739,067	-	5,280,567	12,796,041	18,076,608	3,764,384	21,840,992
Dividends	-	-	-	-	-	-	7,375,149	7,375,149	-	7,375,149
Other increase (decrease) from transfers and other changes	20,400	-	-	-	7,375,149	7,375,149	17,247	7,412,796	(48,709)	7,364,087
Other increase (decrease) from transactions with treasury shares	-	-	-	-	(7,563,361)	(7,563,361)	-	(7,563,361)	-	(7,563,361)
Total changes in shareholders' equity	20,400	3,047,120	494,380	1,739,067	(188,214)	5,092,353	5,438,139	10,550,892	3,715,675	14,266,567
Ending balance as of 09.30.2016	578,098,782	11,976,127	(2,708,517)	1,743,999	(7,563,363)	3,448,246	96,902,333	678,449,361	17,899,397	696,348,758
Beginning balance as of 01.01.2015	578,078,382	14,549,944	(3,279,142)	2,641,844	(11,805,481)	2,107,165	79,323,406	659,508,953	9,707,411	669,216,364
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	17,389,517	17,389,517	2,869,566	20,259,083
Other comprehensive income	-	411,822	7,926	(3,206,456)	-	(2,786,708)	-	(2,786,708)	-	(2,786,708)
Resultado integral	-	411,822	7,926	(3,206,456)	-	(2,786,708)	17,389,517	14,602,809	2,869,566	17,472,375
Dividends	-	-	-	-	-	-	12,443,043	12,443,043	-	12,443,043
Other increase (decrease) from transfers and other changes	-	-	-	-	11,805,481	11,805,481	-	11,805,481	(30,629)	11,774,852
Total changes in shareholders' equity	-	411,822	7,926	(3,206,456)	11,805,481	9,018,773	4,946,474	13,965,247	2,838,937	16,804,184
Ending balance as of 09.30.2015	578,078,382	14,961,766	(3,271,216)	(564,612)	-	11,125,938	84,269,880	673,474,200	12,546,348	686,020,548

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

	Notes	For the nine-month period ended September 30, 2016	2015
		ThCh$	ThCh$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Classes of operating activity charges			
Proceeds from sale of assets and services rendered		833,423,782	808,637,758
Proceeds from sales and services		713,463,566	686,714,512
Proceeds from related entities		119,960,216	121,923,246
Other operating activity charges		10,961,011	-
Classes of payments			
Payments to suppliers for supplying goods and services		(495,859,244)	(461,895,224)
Payments to and on account of employees		(117,398,598)	(105,097,979)
Other operating activity payments		(94,572,031)	(76,950,331)
Net cash flows provided by (used in) operating activities		136,554,920	164,694,224
Income taxes paid reimbursed classified as operating activities (less)		(4,667,621)	(6,902,971)
Cash flows provided by (used in) operating activities		131,887,299	157,791,253
CASH FLOWS PROVIDED BY (USED IN) INVESTMENT ACTIVITIES			
Other payments to acquire equity or debt instruments of other entities, classified as investment activities.		-	(1,853,128)
Amounts from sales of property, plant and equipment, classified as investment activities		1,488,456	-
Additions to property, plant and equipment, classified as investing activities		(145,416,514)	(144,406,383)
Dividends received, classified as investing activities	(6b)	130,249	231,287
Interest received, classified as investing activities		1,499,021	3,199,123
Other cash inputs (outputs), classified as investing activities		-	(2,500,000)
Net cash flows provided by (used in) investment activities		(142,298,788)	(145,329,101)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from loans, classified as financing activities			
Payments to acquire or redeem shares of the entity		(7,583,762)	-
Loans to related entities		25,486,812	-
Repayments loans, classified as financing activities	(17b)	(1,036,105)	(881,458)
Payments of financial lease liabilities, classified as financing activities		(122,100)	(407,741)
Dividens paid, classified as financing activities	(22c)	(7,375,149)	(12,443,043)
Payments of loans to related entities		-	(14,170,785)
Interest paid, classified as financing activities		(10,501,899)	(9,128,882)
Other cash inputs (outputs), classified as financing activities		(1,026,653)	2,024,589
Net cash flows provided by (used in) financing activities		(2,158,856)	(35,007,320)
Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate		(12,570,345)	(22,545,168)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(12,570,345)	(22,545,168)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		86,977,350	120,638,713
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(5)	74,407,005	98,093,545

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

1. Corporate information:

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

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

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

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

The subsidiary company registered in the Securities Registry is:

Subsidiary	Taxpayer number	Registration number	Participation percentage (direct and indirect) 09.30.2015 %	12.31.2015 %
Telefónica Larga Distancia S.A.	96.672.160-K	1061	-	99.93

(1) On April 30, 2016 Telefónica Chile S.A. absorbed subsidiary Telefónica Larga Distancia S.A., acquiring all its assets and liabilities, and will succeed it in all its rights and obligations as the legal continuer, incorporating all equity in it.

2. Significant accounting principles:

a) Accounting period

These consolidated financial statements intermediate (hereinafter, "financial statements") cover the following periods: Statements of Financial Position are presented as of September 30, 2016 and December 31, 2015; Statements of Comprehensive Income for the nine-month and three-month periods ended as September 30, 2016 and 2015, Statement of Changes in Equity and Statement of Cash Flows for the nine-month periods ended as of September 30, 2016 and 2015.

b) Basis of presentation

The financial statements for 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 September 30, 2016, and the comprehensive income statements, statements of changes in equity and statements of cash flows for the nine-month periods ended as of September 30, 2016 and 2015 have been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting", incorporated in International Financial Reporting Standards (IFRS).

2. Significant accounting principles, continued

c) Basis of preparation, continued

The financial statements as of December 31, 2015 and the comprehensive income statement, statement of changes in equity and statement of cash flows for the nine-month period ended as of September 30, 2015, were originally prepared in accordance with the 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 what is established in Circular 856 issued on October 17, 2014 which instructs the entities it oversees to record in 2014 the differences in assets and liabilities for the concept of deferred taxes produced as a direct effect of the increase in the first category tax rate introduced by Law 20,780 plus the 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 information contained in these financial statements is the responsibility of the Company's Board of Directors, which 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 assets, liabilities, income, expenses and cash flows after making adjustments and eliminations related to transactions between the companies that are part of the consolidation. Minority investments have been recognized under "Non-controlling Interests" (note 22e).

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

-Power over the investee (i.e. existing rights that give it the capacity to direct the relevant activities of the investee).

-Exposure, or right to variable returns from its interest in the investee; and

-Capacity to use its power over the investee to influence the amount of the returns of the investor.

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

2. Significant accounting principles, continued

d) Basis of consolidation, continued

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

The following subsidiaries are included in consolidation:

Taxpayer No.	Company Name	Country of origin	Functional currency	Participation percentage 09.30.2016			09.30.2015
				Direct	Indirect	Total	Total
78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CLP	99.99	-	99.99	99.99
96.672.160-k	Telefónica Larga Distancia S.A. (1)	Chile	CLP	-	-	-	99.93
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	Chile	CLP	49.30	1.70	51.00	51.00

(1) On April 30, 2016 Telefónica Chile S.A. absorbed subsidiary Telefónica Larga Distancia S.A., acquiring all its assets and liabilities, and will succeed it in all its rights and obligations as the legal continuer, incorporating all equity in it.

2. Significant accounting principles, continued

d) Basis of consolidation, continued

The summarized financial information at September 30, 2016 of the companies included in the consolidation is as follows:

Taxpayer No.	Company Name	% Participation	Currents assets ThCh$	Non-currents assets ThCh$	Total assets ThCh$	Currents liabilities ThCh$	Non-currents liabilities ThCh$	Total liabilities ThCh$	Equity ThCh$	Revenues from ordinary operations ThCh$	Profit (loss), Net ThCh$
78.703.410-1	Telefónica Empresas Chile S.A.	99.9999973	147,203,572	105,172,107	252,375,679	142,515,649	1,912,365	144,428,014	107,947,665	225,243,174	(16,318,708)
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	51.0000000	117,213,588	43,741,459	160,955,047	91,515,031	32,910,634	124,425,665	36,529,382	137,768,300	6,759,857

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

Taxpayer No.	Company Name	% Participation	Currents assets ThCh$	Non-currents assets ThCh$	Total assets ThCh$	Currents liabilities ThCh$	Non-currents liabilities ThCh$	Total liabilities ThCh$	Equity ThCh$	Revenues from ordinary operations ThCh$	Profit (loss), Net ThCh$
78.703.410-1	Telefónica Empresas Chile S.A.	99.9999973	142,751,578	101,038,889	243,790,467	114,453,618	1,928,235	116,381,853	127,408,614	291,435,829	(13,721,407)
96.672.160-k	Telefónica Larga Distancia S.A.	99.9297221	36,498,966	62,023,420	98,522,386	25,713,238	3,501,636	29,214,874	69,307,512	60,478,685	17,480,653
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	51.0000000	97,525,861	44,424,075	141,949,936	79,524,546	33,578,423	113,102,969	28,846,967	185,636,242	9,108,420

2. Significant accounting principles, continued

e) Foreign exchange differences

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

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

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

Assets and liabilities in US$ (United States dollars), Euros, Brazilian Real and UF (Unidades de Fomento), have been converted to Chilean Pesos using the observed exchange rates as of each period-end, detailed as follows:

DATE	USD	EURO	REAL	UF
Sep.30.2016	658.02	738.77	202.82	26,224.30
Dec.31.2015	710.16	774.61	178.31	25,629.09
Sep.30.2015	698.72	781.22	176.08	25,346.89

f) Financial assets and liabilities

1. Financial assets other than derivatives

Classification and presentation

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

i) Loans and accounts receivable

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

i) Loans and accounts receivable, continued

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

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

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

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

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

ii) Financial assets at fair value through profit or loss

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

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

2. Significant accounting principles, 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 principles, continued

f) Financial assets and liabilities, continued

2. Cash and cash equivalents

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

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

3. Financial liabilities

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

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

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

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

i) Financial liabilities at fair value through profit or loss

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

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

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

3. Financial liabilities, continued

ii) Trade accounts payable

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

iii) Interest-bearing loans

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

4. Derivative financial instruments

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

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

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

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

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

4. Derivative financial instruments, continued

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

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

g) Inventory

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

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

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

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

h) Current assets destined for sale

Current assets destined for sale are measured at the lower end of the book and fair values, less the cost to sell. Assets are included in this heading when the book value can be recovered through a sales transaction, which is highly likely to take place when they are immediately available in their present condition. Management must be committed to a plan to sell the asset and must have actively begun a program to find a buyer and complete the plan. Likewise, it must be expected that the sale will qualify for full completion within a year following its classification date.

Property, plant and equipment classified as held for sale is not depreciated.

2. Significant accounting principles, continued

i) Impairment of non-current assets

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

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

The discount rate used to discount future cash flows as of December 31, 2015 was 7.30%. For the period ended as of September 30, 2016 there have been no indications of possible impairment of assets.

j) Leases

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

Leased assets for which the significant risks and rewards of ownership are transferred to the Company are considered finance leases. Initially, the asset and associated liability are recorded at the fair value of the leased asset or the present value of the minimum agreed-upon lease payments if lower. Interest expense is charged to income throughout the life of the lease. Depreciation of these assets is included in depreciation of Property, Plant and Equipment. The Company reviews all contracts to determine if they contain an embedded lease. At the end of the periods 2016 and 2015 were not identified leasing implicit.

k) Income taxes

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

Tax assets and liabilities for the current and prior periods are measured at the amount the Company estimates it will recover or pay to tax authorities. Tax rates and government regulations used to calculate these amounts are those in force as of each period 24% and 22.5% at September 30, 2016 and December 2015 respectively.

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

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

2. Significant accounting principles, continued

k) Income taxes, continued

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

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

l) Goodwill

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

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

m) Intangibles

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

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

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

The Company amortizes software licenses and the right to use underwater cable using the straight-line method over their estimated useful lives, which for software licenses is 3 years and for rights to use underwater cables, a maximum of 15 years.

2. Significant accounting principles, continued

n) Property, plant and equipment

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

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

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

Interest and other financial expenses incurred and directly attributable to the acquisition or construction of qualifying assets, may be capitalized. Qualifying assets, under the criteria of the Telefónica Group, are assets that require at least 18 months of preparation for their use or sale. At period-end of 2016 and 2015 there are no capitalized interests.

Costs for improvements that result in increased productivity, efficiency, or extension of the useful lives of assets, are capitalized as higher cost of such assets when they comply with the requirements to be recognized as an asset.

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

2. Significant accounting principles, continued

ñ) Depreciation of property, plant and equipment

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

The average annual financial depreciation rate of the Company is approximately 10.36% to September 30, 2016 and 2015, respectively.

Estimated useful lives are summarized in the following detail:

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

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

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 September 30, 2016 and 2015 respectively, considering estimations such as future permanence, employee mortality rate and future salary increases determined on the basis of actuarial calculations. Discount rates are determined by reference to market interest curves.

ii) Provision for dismantling expenses

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

2. Significant accounting principles, continued

o) Provisions, continued

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

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

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

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

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

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

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

2. Significant accounting principles, continued

p) Income and expenses, continued

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

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

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

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

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

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

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

2. Significant accounting principles, continued

q) Use estimates

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

i) Property, plant and equipment and intangibles

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

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

ii) Deferred taxes

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

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

iii) Provisions

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

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

2. Significant accounting principles, continued

q) Use estimates, continued

iv) Income recognition: agreements combining more than one element

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

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

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

v) Post-employment benefits

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

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

vi) Financial assets and liabilities

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

r) Methods of consolidation

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

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

2. Significant accounting principles, continued

r) Methods of consolidation, continued

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

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

s) New IFRS and Interpretations of the IFRS Interpretations Committee

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

	New Standard	Mandatory application date
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Income from Customer Contracts	January 1, 2018
IFRS 16	Leases	January 1, 2019

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 "Income from Customer Contracts"

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 shall be mandatory for annual periods commencing as of January 1, 2018. Early application is allowed.

2. Significant accounting principles, continued

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

IFRS 16 "Lease"

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 thee contracts from the point of view of the lessor and the lessee. The new standard does not differ significantly from the standard that precedes it, IAS 17 Leases, in relation 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 the recognition of assets and liabilities for most lease contracts. The application of IFRS 16 is mandatory for annual periods commencing as of January 1, 2019. Early application is allowed if it is adopted in conjunction with IFRS 15 Revenue from Contracts with Customers.

The Company has evaluated the impact that the application of IFRS 9 on the date of its coming into effect and has determined that it will have no significant impact on the consolidated financial statements, with the exception of IFRS 15 and IFRS 16 which is at the evaluation stage.

	Improvements and amendments	Mandatory application date
IAS 7	Statements of cash flows	January 1, 2017
IAS 12	Income tax	January 1, 2017
IFRS 2	Share-based payments	January 1, 2018
IAS 28	Investments in Associates and Joint Ventures	Determined
IFRS 10	Consolidated Financial Statements	Determined

IAS 7 "Statement of Cash Flows"

The amendments to IAS 7 Statement of Cash Flows, issued in January 2016 as part of the Disclosures Initiative, require that an entity disclose information that allows the users of the Financial Statements to assess changes in the obligations derived from financing activities.

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. Application of the amendments will be mandatory for annual periods commencing as of January 1, 2017. Early application is allowed.

2. Significant accounting principles, continued

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

IFRS 2 "Share-based payments"

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

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

The restructuring of the financial statements for previous periods is not mandatory as of the effective date of application, but retrospective adoption is allowed. Early adoption 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 to be determined since the IASB plans a detailed investigation that could result in simplification of the accounting for associates and joint ventures. Immediate adoption is allowed.

t) Statement of cash flows

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

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

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

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

3. Changes in Accounting Policy and Disclosures

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

4. Financial information by segment

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

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

The operating segments reported internally are as follows:

a) Fixed Telecommunications

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

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

b) Television Services

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

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

c) Corporate Communications and Data

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

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

4. Financial information by segment, continued

d) Other

"Other" includes logistics, personnel and management services.

Relevant information regarding Telefónica Chile S.A. and its main subsidiaries, which represent different segments, together with information regarding other subsidiaries, corresponding to September 30, 2016, December 31, 2015 and September 30, 2015 is detailed as follows:

For the period ended as of September 30, 2016	Fixed Telecommunications	Corporate Communication and Data	Television Services	Other	Eliminations	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Income from external customers	324,489,243	92,106,903	129,949,229	-	-	546,545,375
Income from ordinary activities arising from transactions with other operating segments of the same entity	62,731,226	3,187,042	-	137,768,300	(203,686,568)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	387,220,469	95,293,945	129,949,229	137,768,300	(203,686,568)	546,545,375
Cost of sales	43,105,454	60,028,769	80,498,759	-	(33,195,102)	150,437,880
Administrative expenses	182,593,880	30,981,172	37,847,280	19,603,408	(116,891,278)	154,134,462
Employee benefits expenses	-	-	-	108,693,193	(53,531,581)	55,161,612
Income from ordinary activities arising from interest						
Interest expense	16,821,676	531,073	420,898	1,017,601	(807,390)	17,983,858
Interest income	2,530,770	290,112	113,450	27,927	(819,587)	2,142,672
Depreciation and amortization	113,238,403	10,373,518	20,572,320	-	-	144,184,241
Participation in profit of associated companies accounted for using the equity method	(12,959,058)	87,878	-	-	12,871,180	-
Income tax expense	7,501,106	(2,752,642)	4,725,754	1,923,261	-	11,397,479
Other significant non-cash items	(735,621)	356,897	816,682	201,093	80,805	719,856
Profits(loss) before tax	20,297,147	(5,885,700)	(8,459,896)	8,683,118	12,871,181	27,505,850
Profit (loss) for the period from continuing operations	12,796,041	(3,133,058)	(13,185,650)	6,759,857	12,871,181	16,108,371
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-
Profit (loss) for the period	12,796,041	(3,133,058)	(13,185,650)	6,759,857	12,871,181	16,108,371
Assets	1,467,041,303	117,522,304	134,853,375	160,955,047	(326,018,916)	1,554,353,113
Investments in associates accounted for using the equity method	126,102,769	-	-	-	(126,102,769)	-
Increases in non-current assets	92,946,148	31,625,422	-	-	-	124,571,570
Liabilities	788,591,942	66,104,047	78,323,967	124,425,665	(199,441,266)	858,004,355
Shareholders' equity	678,449,361	51,418,257	56,529,408	36,529,382	(126,577,650)	696,348,758
Liabilities & Shareholders' equity	1,467,041,303	117,522,304	134,853,375	160,955,047	(326,018,916)	1,554,353,113
Cash flows provided by (used in) operating activities	131,451,805	1,978,077	1,457,103	(25,997,727)	22,998,041	131,887,299
Cash flows provided by (used in) investment activities	(108,434,095)	(32,148,951)	(4,768,450)	-	3,052,708	(142,298,788)
Cash flows provided by (used in) from in financing activities	(35,167,424)	15,363,515	17,645,052	26,050,750	(26,050,749)	(2,158,856)

4. Financial information by segment, continued

For the year ended as of December 31, 2015	Fixed Telecommunications ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	430,559,087	118,270,146	170,233,713	-	-	719,062,946
Income from ordinary activities arising from transactions with other operating segments of the same entity	82,960,176	2,931,970	-	185,636,242	(271,528,388)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	513,519,263	121,202,116	170,233,713	185,636,242	(271,528,388)	719,062,946
Cost of sales	64,295,806	80,242,870	90,228,417	-	(45,048,258)	189,718,835
Administrative expenses	253,328,309	41,371,766	49,815,320	25,557,096	(158,550,779)	211,521,712
Employee benefits expenses	-	-	-	148,832,801	(67,986,276)	80,846,525
Income from ordinary activities arising from interest						
Interest expense	22,768,939	681,014	700,772	424,619	(1,291,516)	23,283,828
Interest income	5,399,182	184,513	26,780	87,953	(1,243,339)	4,455,089
Depreciation and amortization	146,748,793	9,083,716	36,381,574	-	-	192,214,083
Participation in profit of associated companies accounted for using the equity method	(9,076,112)	118,409	-	-	8,957,703	-
Income tax expense	8,521,912	(4,274,640)	(1,214,746)	2,425,312	-	5,457,838
Other significant non-cash items	10,405,257	(2,222,915)	(247,960)	624,053	25,592	8,584,027
Profits(loss) before tax	33,105,743	(12,097,243)	(7,113,550)	11,533,732	9,088,397	34,517,079
Profit (loss) for the year from continuing operations	24,583,831	(7,822,603)	(5,898,804)	9,108,420	9,088,397	29,059,241
Profit (loss) for the year from discontinuing operations	-	-	-	-	-	-
Profit (loss) for the year	24,583,831	(7,822,603)	(5,898,804)	9,108,420	9,088,397	29,059,241
Assets	1,500,505,094	131,294,591	112,735,109	141,949,936	(306,380,048)	1,580,104,682
Investments in associates accounted for using the equity method	141,745,555	375,011	-	-	(142,120,566)	-
Increases in non-current assets	155,737,190	10,270,248	8,445,890	-	-	174,453,328
Liabilities	832,310,592	62,396,053	54,225,033	113,102,969	(164,012,156)	898,022,491
Shareholders' equity	668,194,502	68,898,538	58,510,076	28,846,967	(142,367,892)	682,082,191
Liabilities & Shareholders' equity	1,500,505,094	131,294,591	112,735,109	141,949,936	(306,380,048)	1,580,104,682
Cash flows provided by (used in) operating activities	221,800,556	26,852,013	38,904,284	(468,014)	(60,398,328)	226,690,511
Cash flows provided by (used in) investment activities	(151,203,230)	(6,711,399)	(14,019,366)	-	-	(171,933,995)
Cash flows provided by (used in) from in financing activities	(105,278,983)	(19,082,264)	(24,934,960)	480,000	60,398,328	(88,417,879)

4. Financial information by segment, continued

For the period ended as of September 30, 2015	Fixed Telecommunications ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	317,591,678	81,635,684	126,455,224	-	-	525,682,586
Income from ordinary activities arising from transactions with other operating segments of the same entity	61,542,168	2,182,732	-	135,243,588	(198,968,488)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	379,133,846	83,818,416	126,455,224	135,243,588	(198,968,488)	525,682,586
Cost of sales	45,866,681	55,602,428	64,953,701	-	(33,676,562)	132,746,248
Administrative expenses	185,737,583	28,386,732	37,512,950	18,609,112	(113,010,303)	157,236,074
Employee benefits expenses	-	-	-	109,207,689	(52,364,975)	56,842,714
Income from ordinary activities arising from interest						
Interest expense	16,722,716	645,442	457,068	361,521	(1,061,613)	17,125,134
Interest income	4,484,934	42,939	8,755	15,868	(1,038,493)	3,514,003
Depreciation and amortization	110,067,993	6,096,363	28,502,562	-	-	144,666,918
Participation in profit of associated companies accounted for using the equity method	(6,747,667)	75,867	-	-	6,671,800	-
Income tax expense	4,149,022	(3,568,569)	(541,407)	1,354,019	-	1,393,065
Other significant non-cash items	3,062,399	(1,744,109)	(247,960)	108,789	(106,472)	1,072,647
Profits(loss) before tax	21,538,539	(8,537,852)	(5,210,262)	7,189,923	6,671,800	21,652,148
Profit (loss) for the period from continuing operations	17,389,517	(4,969,283)	(4,668,855)	5,835,904	6,671,800	20,259,083
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-
Profit (loss) for the period	17,389,517	(4,969,283)	(4,668,855)	5,835,904	6,671,800	20,259,083
Assets	1,520,123,415	137,433,261	112,735,109	115,855,832	(310,092,054)	1,576,055,563
Investments in associates accounted for using the equity method	215,229,501	331,534	-	102,010	(215,663,045)	-
Increases in non-current assets	111,534,348	5,858,526	8,445,890	-	-	125,838,764
Liabilities	846,649,215	64,484,794	54,225,033	90,353,229	(165,677,256)	890,035,015
Shareholders' equity	673,474,200	72,948,467	58,510,076	25,502,603	(144,414,798)	686,020,548
Liabilities & Shareholders' equity	1,520,123,415	137,433,261	112,735,109	115,855,832	(310,092,054)	1,576,055,563
Cash flows provided by (used in) operating activities	148,065,831	4,107,370	28,724,284	(13,688,072)	(9,418,160)	157,791,253
Cash flows provided by (used in) investment activities	(122,285,688)	(2,833,683)	(12,921,934)	-	(7,287,796)	(145,329,101)
Cash flows provided by (used in) from in financing activities	(46,146,062)	(2,578,047)	(14,329,607)	13,835,360	14,211,036	(35,007,320)

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

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

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

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Concepts	Currency	09.30.2016 ThCh$	12.31.2015 ThCh$
Cash (a)		65,474	67,704
	CLP	33,652	32,023
	USD	16,332	16,787
	EUR	15,490	18,894
Banks (b)		9,386,383	10,513,315
	CLP	9,302,722	9,839,204
	USD	66,974	647,940
	EUR	16,687	26,171
Time deposits (c)		52,334,635	76,396,331
	CLP	52,034,751	76,082,331
	USD	299,884	314,000
Repurchase agreement (d)		12,620,513	-
	CLP	12,620,513	-
Total cash and cash equivalents		74,407,005	86,977,350
Sub-total by currency	CLP	73,991,638	85,953,558
	USD	383,190	978,727
	EUR	32,177	45,065

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

a) Cash

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

b) Banks

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

c) Time deposits

Time deposits maturing in less than 90 days are recorded at fair value and as of September 30, 2016 and December 31, 2015 are detailed as follows:

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	09.30.2016 ThCh$
Time deposits	CLP	51,980,000	3.68%	18	51,980,000	54,751	52,034,751
Time deposits	USD	299,829	0.65%	4	299,829	55	299,884
Total					52,279,829	54,806	52,334,635

5. Cash and cash equivalents, continued

c) Time deposits, continued

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	12.31.2015 ThCh$
Time deposits	CLP	76,006,479	3.47%	23	76,006,479	75,852	76,082,331
Time deposits	USD	314,000	0.0%	1	314,000	-	314,000
Total					76,320,479	75,852	76,396,331

d) Repurchase agreement

The Repurchase agreement at September 30, 2016 are as follows:

Code	Date		counterparty	Currency Origin	Subscription value of currency origin (ThCh$)	Annual rate	Total Value ThCh$	accounting value ThCh$
	Start	Term				%		09.30.2016
CRV	09.29.16	10.03.16	BCI	CLP	7,000,000	2.64	7,000,513	7,000,513
CRV	09.30.16	10.04.16	BCI	CLP	1,100,000	2.64	1,100,000	1,100,000
CRV	09.30.16	10.05.16	BCI	CLP	2,630,000	2.64	2,630,000	2,630,000
CRV	09.30.16	10.04.16	BBVA	CLP	1,890,000	2.88	1,890,000	1,890,000
	Total				12,620,000		12,620,513	12,620,513

6. Other current and non-current financial assets

Other current financial assets are detailed as follows:

Concepts		09.30.2016		12.31.2015	
		Current ThCh$	Non-Current ThCh$	Current ThCh$	Non-Current ThCh$
Guarantees established	(a)	56,680	50,468	237,912	50,468
Other investments	(b)	-	7,423,809	-	5,684,742
Exchange rate hedge	(See Note 18.2)	19,648,575	109,153,678	3,119,212	154,153,538
Total		19,705,255	116,627,955	3,357,124	159,888,748

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

b) Other investments are detailed as follows:

Participation	Country	Investment currency	09.30.2016 ThCh$	12.31.2015 ThCh$
Telefónica Brasil (1) (2)	Brazil	REAL	7,419,955	5,680,888
Other participation	Chile	CLP	3,854	3,854
Total			7,423,809	5,684,742

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

(2) As of September 30, 2016 and December 31, 2015 dividends in the amount of ThCh$284,736 and ThCh$561,345 respectively, were accrued on the 0.06% share in the equity of Telefónica Brasil. As of December 31, 2015, ThCh$443,541 have been received for this concept. During the period 2016 dividends have been received for ThCh$130,249.

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

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

Concepts	09.30.2016 Current ThCh$	09.30.2016 Non-current ThCh$	12.31.2015 Current ThCh$	12.31.2015 Non-current ThCh$
Support and repair services (1)	2,017,179	-	694,781	-
Insurance	1,413,361	-	967,158	-
Leases	226,709	-	54,200	-
Franchised commissions	6,055,812	-	7,483,585	-
Other amortizable expenses (2)	13,912,928	6,966,928	10,363,551	5,309,107
Other taxes (3)	8,102,668	-	2,697,886	-
Total	31,728,657	6,966,928	22,261,161	5,309,107

(1) This item includes early services support SAP of MCh$ 688 and license of MCh$ 1,329.

(2) This item includes ThCh$11,389,353 current and ThCh$6,952,946 non-current, for depreciable expenses due to the new commercial model for television services.

(3) This item includes: Sence credit, remaining VAT credit and provisional payment on net income consumed by loss (PPUA).

8. Current trade and other accounts receivable

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

Concepts	09.30.2016 Gross value ThCh$	09.30.2016 Allowance for doubtful accounts ThCh$	09.30.2016 Net value ThCh$	12.31.2015 Gross value ThCh$	12.31.2015 Allowance for doubtful accounts ThCh$	12.31.2015 Net value ThCh$
Receivables on current loan transactions	260,861,245	(128,717,357)	132,143,888	237,234,877	(116,909,971)	120,324,906
Invoiced services	214,288,323	(128,717,357)	85,570,966	197,791,646	(116,909,971)	80,881,675
Services provided and not invoiced	46,572,922	-	46,572,922	39,443,231	-	39,443,231
Miscellaneous receivables	16,509,426	-	16,509,426	14,078,298	-	14,078,298
Total	277,370,671	(128,717,357)	148,653,314	251,313,175	(116,909,971)	134,403,204

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

Concepts	09.30.2016 Less than 3 months	09.30.2016 3 to 6 months	09.30.2016 6 to 12 months	09.30.2016 Greater than 12 months	09.30.2016 Total	12.31.2015 Less than 3 months	12.31.2015 3 to 6 months	12.31.2015 6 to 12 months	12.31.2015 Greater than 12 months	12.31.2015 Total
Miscellaneous receivables	22,107,473	2,954,386	-	-	25,061,859	29,054,287	1,998,174	-	-	31,052,461
Total	22,107,473	2,954,386	-	-	25,061,859	29,054,287	1,998,174	-	-	31,052,461

8. Current trade and other accounts receivable, continued

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

Movements	09.30.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	118,004,381	114,513,557
Increases	14,796,557	15,980,595
Eliminations/ Additions	(3,255,941)	(12,489,771)
Movements, subtotal	11,540,616	3,490,824
Ending balance	129,544,997	118,004,381

d) Allowance for doubtful account movements according to the composition of the portfolio as of September 30, 2016 and 2015 are detailed as follows:

Provisions and write-offs	07.01.2016 to 09.30.2016 ThCh$	09.30.2016 ThCh$	07.01.2015 to 09.30.2015 ThCh$	09.30.2015 ThCh$
Accrual for portfolio that has not been renegotiated	4,619,812	15,269,715	4,138,465	11,946,830
Accrual for renegotiated portfolio	(105,933)	(473,158)	(33,677)	369,658
Write-offs for the period		(3,255,941)	-	(4,818,799)
Recoveries for the period		-	-	-
Total	4,513,879	11,540,616	4,104,788	7,497,689

e) As of September 30, 2016 and December 31, 2015 the portfolio of returned documents and those in judicial collection is detailed as follows:

Portfolio of returned documents and judicial collection as of 09.30.2016	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	5,475	-	-	-
Portfolio of returned documents or those in judicial collection (ThCh$)	2,610,944	-	-	-

Portfolio of returned documents and judicial collection as of 12.31.2015	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	5,477	-	-	-
Portfolio of returned documents or those in judicial collection (ThCh$)	2,615,766	-	-	-

8. Current trade and other accounts receivable, continued

The composition of the portfolio stratified by segment as of September 30, 2016 is detailed as follows:

Aging of portfolio by segment for the period-ended September 30, 2016	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 61 to 90 day ThCh$	From 91 to 120 days ThCh$	From 121 to 150 days ThCh$	From 151 to 180 days ThCh$	From 181 to 210 days ThCh$	From 211 to 250 days ThCh$	More than 250 days ThCh$	Total portfolio w/o guarantee ThCh$
Fixed Telecommunications											
Number of clients w/o renegotiation (1)	205,469	228,524	74,549	67,823	35,613	20,462	9,276	1,270	945	1,815,308	2,459,239
Net portfolio w/o renegotiation	46,158,972	8,366,092	4,397,742	1,929,490	537,612	328,375	259,680	-	-	-	61,977,963
Debt	46,158,972	8,374,549	4,397,797	1,931,470	1,505,752	1,253,097	1,321,463	1,122,017	3,410,330	101,322,980	170,798,427
Accrual	-	(8,457)	(55)	(1,980)	(968,140)	(924,722)	(1,061,783)	(1,122,017)	(3,410,330)	(101,322,980)	(108,820,464)
Number of clients w/renegotiation	44,905	14,509	3,504	1,861	954	468	315	218	240	75,776	142,750
Net renegotiated portfolio	178,345	179,228	43,817	24,162	-	-	-	-	-	-	425,552
Debt	515,714	179,228	43,817	24,162	11,854	5,479	3,515	2,200	2,369	669,229	1,457,567
Accrual	(337,369)	-	-	-	(11,854)	(5,479)	(3,515)	(2,200)	(2,369)	(669,229)	(1,032,015)
Total number of clients	250,374	243,033	78,053	69,684	36,567	20,930	9,591	1,488	1,185	1,891,084	2,601,989
Total Fixed Telephone Portfolio	46,337,317	8,545,320	4,441,559	1,953,652	537,612	328,375	259,680	-	-	-	62,403,515
Debt	46,674,686	8,553,777	4,441,614	1,955,632	1,517,606	1,258,576	1,324,978	1,124,217	3,412,699	101,992,209	172,255,994
Accrual	(337,369)	(8,457)	(55)	(1,980)	(979,994)	(930,201)	(1,065,298)	(1,124,217)	(3,412,699)	(101,992,209)	(109,852,479)
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	2,294	33	911	519	361	346	319	201	254	1,978	7,216
Net portfolio w/o renegotiation	31,371,149	360,773	3,633,073	1,138,428	628,579	289,042	413,897	-	-	-	37,834,941
Debt	31,644,701	360,773	3,669,023	1,173,841	682,146	354,054	461,719	194,367	327,250	2,599,698	41,467,572
Accrual	(273,552)	-	(35,950)	(35,413)	(53,567)	(65,012)	(47,822)	(194,367)	(327,250)	(2,599,698)	(3,632,631)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	2,294	33	911	519	361	346	319	201	254	1,978	7,216
Total Corporate Communication and Data Portfolio	31,371,149	360,773	3,633,073	1,138,428	628,579	289,042	413,897	-	-	-	37,834,941
Debt	31,644,701	360,773	3,669,023	1,173,841	682,146	354,054	461,719	194,367	327,250	2,599,698	41,467,572
Accrual	(273,552)	-	(35,950)	(35,413)	(53,567)	(65,012)	(47,822)	(194,367)	(327,250)	(2,599,698)	(3,632,631)
Television											
Number of clients w/o renegotiation (1)	387,735	33,294	43,129	24,136	33,582	32,387	28,123	28,487	33,285	251,402	895,560
Net portfolio w/o renegotiation	29,373,565	642,932	987,839	403,894	102,180	215,460	179,562	-	-	-	31,905,432
Debt	29,373,565	642,932	987,839	403,894	575,100	658,001	623,603	585,208	801,241	12,486,296	47,137,679
Accrual	-	-	-	-	(472,920)	(442,541)	(444,041)	(585,208)	(801,241)	(12,486,296)	(15,232,247)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	387,735	33,294	43,129	24,136	33,582	32,387	28,123	28,487	33,285	251,402	895,560
Total Television Portfolio	29,373,565	642,932	987,839	403,894	102,180	215,460	179,562	-	-	-	31,905,432
Debt	29,373,565	642,932	987,839	403,894	575,100	658,001	623,603	585,208	801,241	12,486,296	47,137,679
Accrual	-	-	-	-	(472,920)	(442,541)	(444,041)	(585,208)	(801,241)	(12,486,296)	(15,232,247)

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

8. Current trade and other accounts receivable, continued

Aging of portfolio by segment for the year-ended September 30, 2016	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 61 to 90 day ThCh$	From 91 to 120 days ThCh$	From 121 to 150 days ThCh$	From 151 to 180 days ThCh$	From 181 to 210 days ThCh$	From 211 to 250 days ThCh$	More than 250 days ThCh$	Total portfolio w/o guarantee ThCh$
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Net portfolio w/o renegotiation	16,509,426	-	-	-	-	-	-	-	-	-	16,509,426
Debt	16,509,426	-	-	-	-	-	-	-	-	-	16,509,426
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total Other Portfolio	16,509,426	-	-	-	-	-	-	-	-	-	16,509,426
Debt	16,509,426	-	-	-	-	-	-	-	-	-	16,509,426
Accrual	-	-	-	-	-	-	-	-	-	-	-
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	595,498	261,851	118,589	92,478	69,556	53,195	37,718	29,958	34,484	2,068,688	3,362,016
Net portfolio w/o renegotiation	123,413,113	9,369,797	9,018,654	3,471,812	1,268,371	832,877	853,139	-	-	-	148,227,762
Debt	123,686,665	9,378,254	9,054,659	3,509,205	2,762,998	2,265,152	2,406,785	1,901,592	4,538,821	116,408,974	275,913,104
Accrual	(273,552)	(8,457)	(36,005)	(37,393)	(1,494,627)	(1,432,275)	(1,553,646)	(1,901,592)	(4,538,821)	(116,408,974)	(127,685,342)
Number of clients w/renegotiation	44,905	14,509	3,504	1,861	954	468	315	218	240	75,776	142,750
Net renegotiated portfolio	178,345	179,228	43,817	24,162	-	-	-	-	-	-	425,552
Debt	515,714	179,228	43,817	24,162	11,854	5,479	3,515	2,200	2,369	669,229	1,457,567
Accrual	(337,369)	-	-	-	(11,854)	(5,479)	(3,515)	(2,200)	(2,369)	(669,229)	(1,032,015)
Total number of clients	640,403	276,360	122,093	94,339	70,510	53,663	38,033	30,176	34,724	2,144,464	3,504,766
Total Consolidated Portfolio	123,591,458	9,549,025	9,062,471	3,495,974	1,268,371	832,877	853,139	-	-	-	148,653,314
Debt	124,202,379	9,557,482	9,098,476	3,533,367	2,774,852	2,270,631	2,410,300	1,903,792	4,541,190	117,078,203	277,370,671
Accrual	(610,921)	(8,457)	(36,005)	(37,393)	(1,506,481)	(1,437,754)	(1,557,161)	(1,903,792)	(4,541,190)	(117,078,203)	(128,717,357)

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

8. Current trade and other accounts receivable, continued

The composition of the portfolio stratified by segment for the year 2015 is detailed as follows:

Aging of portfolio by segment for the year-ended December 31, 2015	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 61 to 90 day ThCh$	From 91 to 120 days ThCh$	From 121 to 150 days ThCh$	From 151 to 180 days ThCh$	From 181 to 210 days ThCh$	From 211 to 250 days ThCh$	More than 250 days ThCh$	Total portfolio w/o guarantee ThCh$
Fixed Telecommunications											
Number of clients w/o renegotiation (1)	225,883	249,221	84,327	73,314	41,113	26,112	15,132	5,465	6,940	3,117,284	3,844,791
Netportfolio w/o renegotiation	31,757,535	8,536,665	4,247,128	1,544,876	436,045	199,218	248,335	-	-	-	46,969,802
Debt	31,757,535	8,536,665	4,247,128	1,544,876	1,581,459	1,506,215	1,299,920	853,042	847,930	96,147,756	148,322,526
Accrual	-	-	-	-	(1,145,414)	(1,306,997)	(1,051,585)	(853,042)	(847,930)	(96,147,756)	(101,352,724)
Number of clients w/renegotiation	404	918	476	396	404	355	378	366	419	71,606	75,722
Net renegotiated portfolio	633,780	-	-	-	-	-	-	-	-	-	633,780
Debt	1,264,957	10,525	5,489	4,244	4,137	3,453	3,751	3,442	4,466	626,262	1,930,726
Accrual	(631,177)	(10,525)	(5,489)	(4,244)	(4,137)	(3,453)	(3,751)	(3,442)	(4,466)	(626,262)	(1,296,946)
Total number of clients	226,287	250,139	84,803	73,710	41,517	26,467	15,510	5,831	7,359	3,188,890	3,920,513
Total Fixed Telephone Portfolio	32,391,315	8,536,665	4,247,128	1,544,876	436,045	199,218	248,335	-	-	-	47,603,582
Debt	33,022,492	8,547,190	4,252,617	1,549,120	1,585,596	1,509,668	1,303,671	856,484	852,396	96,774,018	150,253,252
Accrual	(631,177)	(10,525)	(5,489)	(4,244)	(1,149,551)	(1,310,450)	(1,055,336)	(856,484)	(852,396)	(96,774,018)	(102,649,670)
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	2,249	1,310	1,039	413	352	306	271	228	286	2,178	8,632
Net portfolio w/o renegotiation	34,030,305	6,218,947	2,640,768	928,182	594,569	347,168	110,322	-	-	-	44,870,261
Debt	34,030,305	6,218,947	2,640,768	928,182	594,569	347,168	158,846	162,661	182,383	2,592,629	47,856,458
Accrual	-	-	-	-	-	-	(48,524)	(162,661)	(182,383)	(2,592,629)	(2,986,197)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	2,249	1,310	1,039	413	352	306	271	228	286	2,178	8,632
Total Corporate Communication and Data Portfolio	34,030,305	6,218,947	2,640,768	928,182	594,569	347,168	110,322	-	-	-	44,870,261
Debt	34,030,305	6,218,947	2,640,768	928,182	594,569	347,168	158,846	162,661	182,383	2,592,629	47,856,458
Accrual	-	-	-	-	-	-	(48,524)	(162,661)	(182,383)	(2,592,629)	(2,986,197)
Television											
Number of clients w/o renegotiation (1)	278,002	122,145	34,382	29,363	29,583	26,920	24,205	15,112	14,876	170,263	744,851
Net portfolio w/o renegotiation	22,899,350	3,254,957	915,228	767,538	4,669	4,801	4,520	-	-	-	27,851,063
Debt	22,899,350	3,254,957	915,228	767,538	770,824	698,986	619,209	396,019	419,053	8,384,003	39,125,167
Accrual	-	-	-	-	(766,155)	(694,185)	(614,689)	(396,019)	(419,053)	(8,384,003)	(11,274,104)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	278,002	122,145	34,382	29,363	29,583	26,920	24,205	15,112	14,876	170,263	744,851
Total Television Portfolio	22,899,350	3,254,957	915,228	767,538	4,669	4,801	4,520	-	-	-	27,851,063
Debt	22,899,350	3,254,957	915,228	767,538	770,824	698,986	619,209	396,019	419,053	8,384,003	39,125,167
Accrual	-	-	-	-	(766,155)	(694,185)	(614,689)	(396,019)	(419,053)	(8,384,003)	(11,274,104)

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

8. Current trade and other accounts receivable, continued

Aging of portfolio by segment for the year-ended December 31, 2015	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 61 to 90 day ThCh$	From 91 to 120 days ThCh$	From 121 to 150 days ThCh$	From 151 to 180 days ThCh$	From 181 to 210 days ThCh$	From 211 to 250 days ThCh$	More than 250 days ThCh$	Total portfolio w/o guarantee ThCh$
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Net portfolio w/o renegotiation	14,078,298	-	-	-	-	-	-	-	-	-	14,078,298
Debt	14,078,298	-	-	-	-	-	-	-	-	-	14,078,298
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total Other Portfolio	14,078,298	-	-	-	-	-	-	-	-	-	14,078,298
Debt	14,078,298	-	-	-	-	-	-	-	-	-	14,078,298
Accrual	-	-	-	-	-	-	-	-	-	-	-
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	506,134	372,676	119,748	103,090	71,048	53,338	39,608	20,805	22,102	3,289,725	4,598,274
Net portfolio w/o renegotiation	102,765,488	18,010,569	7,803,124	3,240,596	1,035,283	551,187	363,177	-	-	-	133,769,424
Debt	102,765,488	18,010,569	7,803,124	3,240,596	2,946,852	2,552,369	2,077,975	1,411,722	1,449,366	107,124,388	249,382,449
Accrual	-	-	-	-	(1,911,569)	(2,001,182)	(1,714,798)	(1,411,722)	(1,449,366)	(107,124,388)	(115,613,025)
Number of clients w/renegotiation	404	918	476	396	404	355	378	366	419	71,606	75,722
Net renegotiated portfolio	633,780	-	-	-	-	-	-	-	-	-	633,780
Debt	1,264,957	10,525	5,489	4,244	4,137	3,453	3,751	3,442	4,466	626,262	1,930,726
Accrual	(631,177)	(10,525)	(5,489)	(4,244)	(4,137)	(3,453)	(3,751)	(3,442)	(4,466)	(626,262)	(1,296,946)
Total number of clients	506,538	373,594	120,224	103,486	71,452	53,693	39,986	21,171	22,521	3,361,331	4,673,996
Total Consolidated Portfolio	103,399,268	18,010,569	7,803,124	3,240,596	1,035,283	551,187	363,177	-	-	-	134,403,204
Debt	104,030,445	18,021,094	7,808,613	3,244,840	2,950,989	2,555,822	2,081,726	1,415,164	1,453,832	107,750,650	251,313,175
Accrual	(631,177)	(10,525)	(5,489)	(4,244)	(1,915,706)	(2,004,635)	(1,718,549)	(1,415,164)	(1,453,832)	(107,750,650)	(116,909,971)

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

9. Receivables from and payable to related companies

a) Currents receivables from related companies:

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	09.30.2016 ThCh$	12.31.2015 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Parent Co.	Total			79,120,005	62,155,497
				Professional Serv,	CLP	60 days	39,818,720	38,416,772
				Access & interc,	CLP	60 days	33,326,021	19,744,137
				Media rental	CLP	60 days	5,264,267	3,853,153
				Other	CLP	60 days	710,997	141,435
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Serv, Provided,	EUR	90 days	3,661,481	1,685,218
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Serv, Provided,	USD	180 days	877,668	1,815,738
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Common end controller	Serv, Provided,	CLP	60 days	685,658	1,966,033
Telefónica Digital España	Foreign	Spain	Common end controller	Serv, Provided,	EUR	60 days	540,682	1,175,069
Telefónica Brasil	Foreign	Brasil	Common end controller	Serv, Provided,	USD	90 days	346,179	171,999
Telefónica Internacional S.A.U.	Foreign	Spain	Common end controller	Serv, Provided,	EUR	90 days	252,197	436,744
Telefónica S.A.	Foreign	Spain	End controller	Serv, Provided,	EUR	90 days	223,050	427,906
Telefónica Global Tecnology Chile	59.165.120-K	Chile	Common end controller	Serv, Provided,	CLP	60 days	138,962	88,482
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv, Provided,	CLP	60 days	131,727	85,954
Media Networks Perú	Foreign	Perú	Common end controller	Serv, Provided,	USD	90 days	122,061	41,788
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv, Provided,	CLP	60 days	111,501	199,672
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv, Provided,	USD	180 days	111,202	117,597
Telefónica Investigación y Desarrollo Chile Spa	76.378.279-4	Chile	Common end controller	Serv, Provided,	CLP	60 days	107,940	53,957
Telefónica Global Tecnology S.A.U.	Foreign	Spain	Common end controller	Serv, Provided,	EUR	90 days	95,962	95,962
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Associated	Serv, Provided,	CLP	60 days	83,803	83,590
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv, Provided,	CLP	60 days	32,009	26,255
Inversiones Telefónica Internacional Holding L S.A.	77.363.730-K	Chile	Common end controller	Serv, Provided,	CLP	60 days	30,123	-
Telefónica Learning Services Chile Capacitación Ltda.	76.131.334-7	Chile	Common end controller	Serv, Provided,	CLP	60 days	27,884	15,603
Colombia Telecomunicaciones S.A.E.S.P	Foreign	Colombia	Common end controller	Serv, Provided,	USD	60 days	24,028	35,910
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Common end controller	Serv, Provided,	CLP	60 days	21,345	14,674
Media Networks Chile	76.243.733-3	Chile	Common end controller	Serv, Provided,	CLP	60 days	18,348	14,760
Towerco Latam Chile S.A.	76.558.575-9	Chile	Common end controller	Rent Site	CLP	60 days	14,586	-
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Serv, Provided,	CLP	60 days	10,964	6,274
Telefónica Factoring Chile S.A.	76.096.189-2	Chile	Common end controller	Serv, Provided,	CLP	60 days	1,619	1,619
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv, Provided,	USD	60 days	1,213	1,213
Telefónica De Costa Rica S.A.	Foreign	Costa Rica	Common end controller	Serv, Provided,	USD	90 days	-	693,052
Telefónica Gestión de Servicios Compartidos España	Foreign	Spain	Common end controller	Serv, Provided,	EUR	60 days	-	230,983
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Serv, Provided,	USD	90 days	-	10,212
Total							86,792,197	71,651,761

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

9. Receivables from and payable to related companies, continued

b) Non-currents receivables from related companies:

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	09.30.2016 ThCh$	12.31.2015 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Parent Co.	H.R. obligation	CLP	-	1,366,521	1,366,521
Total							1,366,521	1,366,521

c) Currents payables to related companies:

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	09.30.2016 ThCh$	12.31.2015 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Parent Co.	Total			69,884,013	26,556,856
				Mercantile mandate	CLP	60 days	41,108,813	14,256,211
				Collection payable	CLP	60 days	18,934,302	7,072,474
				Access charges	CLP	60 days	1,018,319	2,210,709
				Professional Serv.	CLP	60 days	-	1,935,301
				Fixed – Mobile cost	CLP	60 days	33,187	420,842
				Other	CLP	60 days	6,961,168	333,294
				Leases	CLP	60 days	1,828,224	328,025
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Common end controller	Total			14,946,415	20,781,346
				Mercantile mandate	CLP	60 days	9,578,491	9,670,744
				IP Voice Traffic	CLP	60 days	2,760,188	5,094,079
				Data and Links	CLP	60 days	2,284,488	5,125,204
				Other	CLP	60 days	323,248	891,319
Telefónica S.A.	Foreign	Spain	End controller	Total			3,862,672	5,235,704
				Brand Fee	EUR	90 days	2,682,298	4,174,644
				Other	EUR	90 days	1,180,374	1,061,060
Media Networks Perú	Foreign	Perú	Common end controller	Space satellite	USD	90 days	3,134,604	5,074,696
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Serv, Provided,	USD	180 days	3,088,303	1,991,525
Telefónica Global Technology Chile	59.165.120-k	Chile	Common end controller	Information services	CLP	60 days	3,018,809	2,415,927
Telefónica Digital España	Foreign	Spain	Common end controller	Serv, Provided,	EUR	60 days	2,961,553	1,464,235
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Serv, Provided,	EUR	90 days	2,878,923	1,457,379
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv, Provided,	USD	60 days	1,523,609	985,688
Telefónica Global Technology	Foreign	Spain	Common end controller	Serv, Provided,	EUR	90 days	1,400,464	701,778
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv, Provided,	CLP	60 days	815,215	629,211
Telefónica Compras Electrónicas	Foreign	Spain	Common end controller	Serv, Provided,	EUR	90 days	760,800	959,366
Fundación Telefónica Chile	74.944.200-k	Chile	Associated	Serv, Provided,	CLP	60 days	665,777	501,422
Telefónica Internacional S.A.U. - España	Foreign	Spain	Common end controller	Total			508,769	4,717,943
				Cost Sharing Agreement	EUR	90 days	495,091	2,797,862
				Management Fee	EUR	90 days	-	1,920,081
				Other	EUR	90 days	13,678	-
Telefónica del Perú S.A.	Foreign	Perú	Common end controller	Serv, Provided,	USD	180 days	390,749	402,049
Telefónica Brasil	Foreign	Brasil	Common end controller	Serv, Provided,	USD	90 days	145,567	152,267
Telefónica de España S.A.U	Foreign	Spain	Common end controller	Serv, Provided,	EUR	180 days	89,441	348
Telefónica Investigación y Desarrollo Chile Spa	76.378.279-4	Chile	Common end controller	Serv, Provided,	CLP	60 days	87,050	73,481
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Common end controller	Serv, Provided,	CLP	60 days	39,519	5,908
Inversiones Telefónica Internacional Holding L S.A.	77.363.730-K	Chile	Common end controller	Serv, Provided,	CLP	60 days	31,944	2,206
Telefónica Servicios Audiovisuales	Foreign	Spain	Common end controller	Serv, Provided,	EUR	60 days	16,547	6,462
Televisión Federal Telefé – Argentina	Foreign	Argentina	Common end controller	Serv, Provided,	USD	90 days	9,035	9,596
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Common end controller	Serv, Provided,	USD	60 days	3,910	62,954
Telefónica On The Spot Services S.A.U.	Foreign	Spain	Common end controller	Serv, Provided,	EUR	90 days	3,290	3,551
Telefónica Factoring - España	Foreign	Spain	Common end controller	Serv, Provided,	USD	60 days	1,515	1,623
Telefónica Global Services, GmbH	Extranjera	Germany	Common end controller	Serv, Provided,	USD	90 days	703	740
Inversiones Telefónica Móviles Holding S.A.	76.124.890-1	Chile	Parent Co.	Total			58	7,223,283
				Dividend	CLP	60 days	-	7,221,755
				Other	CLP	60 days	58	1,528
Telefónica Gestión de Servicios Compartidos - España	Foreign	Spain	Common end controller	Serv, Provided,	EUR	60 days	-	120,240
Telefónica O2 Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	Serv, Provided,	USD	90 days	-	14,262
Telefónica Learning	Foreign	Spain	Common end controller	Serv, Provided,	EUR	60 days	-	10,236
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv, Provided,	CLP	60 days	-	4,378
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Serv, Provided,	CLP	60 days	-	468
Total							110,269,254	81,567,128

9. Receivables from and payable to related companies, continued

c) Current payables to related companies, continued:

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

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

d) Accounts payable to related entities noncurrent

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	09.30.2016 ThCh$	12.31.2015 ThCh$
Telefónica Móviles Chile S,A,	87.845.500-2	Chile	Parent Co.	Mercantile Current	CLP	-	21,922,562	21,181,406
Total							21,922,562	21,181,406

e) Transactions:

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	09.30.2016 Amount ThCh$	09.30.2016 Effect on income (Charge)/Credit ThCh$	09.30.2015 Amount ThCh$	09.30.2015 Effect on income (Charge)/Credit ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Parent Co	Professional Serv.	CLP	71,451,290	71,451,290	67,417,870	67,417,870
				Access charges and Interconnections (Income)	CLP	34,006,335	34,006,335	32,114,951	32,114,951
				Other	CLP	2,165,180	2,165,180	2,821,110	2,821,110
				Financial income	CLP	-	-	15,868	15,868
				Access charges and Interconnections (expense)	CLP	3,068,353	(3,068,353)	3,385,845	(3,385,845)
				Interest expense	CLP	1,758,758	(1,758,758)	2,871,033	(2,871,033)
				Leases	CLP	1,571,876	(1,571,876)	1,056,884	(1,056,884)
				Other	CLP	3.843.571	(3.843.571)	3.816.370	(3.816.370)
Telefónica International Wholesale Services Chile S.A.	96.910.730-9	Chile	Common end controller	Sale	CLP	2,359,380	2,359,380	2,073,855	2,073,855
				Access internet - IP Traffic	CLP	11,048,255	(11,048,255)	13,322,692	(13,322,692)
				Other	CLP	693,559	(693,559)	40,989	(40,989)
				Interest expense	CLP	378,004	(378,004)	152,119	(152,119)
Telefónica S.A.	Foreign	Spain	End controller	Sale	EUR	103,014	103,014	178,208	178,208
				Brand Fee	EUR	6,234,897	(6,234,897)	7,872,583	(7,872,583)
				Other	EUR	809,664	(809,664)	627,194	(627,194)

9. Receivables from and payable to related companies, continued

e) Transaction, continued

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	09.30.2016 Amount ThCh$	09.30.2016 Effect on income (Charge)/Credit ThCh$	09.30..2015 Amount ThCh$	09.30..2015 Effect on income (Charge)/Credit ThCh$
Media Networks Perú	Foreign	Perú	Common end controller	Sale	USD	193,218	193,218	97,107	97,107
				Costs	USD	6,692,609	(6,692,609)	6,337,771	(6,337,771)
				Otros	USD	530,764	(530,764)	1,661,145	(1,661,145)
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Sale	USD	-	-	21,025	21,025
				Media rental	USD	5,586,526	(5,586,526)	5,349,625	(5,349,625)
Telefónica Global Technology Chile	56.165.120-K	Chile	Common end controller	Sale	CLP	199,250	199,250	123,254	123,254
				Information services	CLP	5,499,687	(5,499,687)	5,547,469	(5,547,469)
Telefónica Global Technology S.A.U.	Foreign	Spain	Common end controller	Costs	EUR	3,940,249	(3,940,249)	3,673,978	(3,673,978)
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Sale	CLP	18,399	18,399	106,387	106,387
				Costs	CLP	1,291,854	(1,291,854)	1,819,855	(1,819,855)
Telefónica Digital España	Foreign	Spain	Common end controller	Sale	EUR	226,554	226,554	860,725	860,725
				Costs	EUR	2,208,767	(2,208,767)	2,268,682	(2,268,682)
Telefónica Compras Electrónica S.A.	Foreign	Spain	Common end controller	Costs	EUR	1,225,195	(1,225,195)	1,100,367	(1,100,367)
Telefónica USA Inc.	Foreign	USA	Common end controller	Costs	USD	537,920	(537,920)	35,401	(35,401)
Telefónica De Costa Rica S.A.	Foreign	Costa Rica	Common end controller	Sale	USD	-	-	165,537	165,537
Telefónica International Wholesale Services América	Foreign	Uruguay	Common end controller	Costs	USD	865,777	(865,777)	357,149	(357,149)
				Costs	EUR	-	-	347,502	(347,502)
Telefónica Internacional S.A.U	Foreign	Spain	Common end controller	Sale	EUR	566,934	(566,934)	523,441	523,441
				Costs	EUR	70,558	70,558	348,862	(348,862)
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Sale	EUR	2,100,375	2,100,375	2,242,790	2,242,790
				Costs	EUR	1,815,370	(1,815,370)	2,804,362	(2,804,362)
Telefónica Soluciones Inf. Com. España	Foreign	Spain	Common end controller	Costs	EUR	84,762	84,762	-	-
Telefónica del Perú S.A.	Foreign	Perú	Common end controller	Costs	USD	60,240	(60,240)	139,904	(139,904)
Telefónica Brasil	Foreign	Brasil	Common end controller	Costs	USD	62,486	62,486	-	-
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Common end controller	Sale	CLP	5,924	5,924	9,747	9,747
				Costs	CLP	110,016	(110,016)	45,967	(45,967)
Telefónica Servicios Audiovisuales	Foreign	Spain	Common end controller	Costs	EUR	45,847	(45,847)	70,388	(70,388)
Telefónica Gestión de Servicios Compartidos – Perú	Foreign	Perú	Common end controller	Costs	USD	-	-	67,055	(67,055)
Telefónica Gestión de Servicios Compartidos - España	Foreign	Spain	Common end controller	Sale	EUR	-	-	185,985	185,985
				Costs	EUR	-	-	235,495	(235,495)
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Sale	CLP	40,259	40,259	45,029	45,029
Televisión Federal Telefé – Argentina	Foreign	Argentina	Common end controller	Costs	USD	41,198	(41,198)	38,718	(38,718)
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Associated	Sale	CLP	535	535	16,535	16,535
				Financial expenses	CLP	13,861	(13,861)	5,496	(5,496)
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Sale	CLP	9,235	9,235	21,253	(21,253)

9. Receivables from and payable to related companies, continued

e) Transaction, continued

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	09.30.2016 Amount ThCh$	09.30.2016 Effect on income (Charge)/Credit ThCh$	09.30.2015 Amount ThCh$	09.30.2015 Effect on income (Charge)/Credit ThCh$
Telefónica Investigación y Desarrollo Chile Spa	76.378.279-4	Chile	Common end controller	Sale	CLP	99,020	99,020	14,225	14,225
Telefónica Learning	Foreign	Spain	Common end controller	Costs	EUR	314	314	10,563	(10,563)
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Common end controller	Sale	USD	37,833	37,833	10,823	10,823
				Costs	USD	24,088	(24,088)	11,456	(11,456)
Media Network Chile	76.243.733-3	Chile	Common end controller	Sale	CLP	13,953	13,953	13,357	13,357
				Costs	CLP	324,305	(324,305)	-	-
Telcel Venezuela	Foreign	Venezuela	Associated	Sale	USD	20,144	20,144	15,188	15,188
Inversiones Telefónica Internacional Holding S.A.	77.363.730-K	Chile	Common end controller	Sale	CLP	11,217	11,217	5,923	5,923
T. Learning Services Chile Capacitación Limitada	76.131.334-7	Chile	Common end controller	Sale	CLP	25,643	25,643	-	-
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Sale	CLP	7,668	7,668	18,691	18,691
				Costs	CLP	-	-	30,375	(30,375)
Telefónica de España S.A.U.	Foreign	España	Common end controller	Costs	EUR	134,288	(134,288)	1,692	(1,692)
Telefónica Factoring Chile S.A.	76.096.189-2	Chile	Common end controller	Sale	CLP	-	-	1,361	1,361
Telefónica On The Spot Services SAU	Foreign	Spain	Common end controller	Sale	EUR	-	-	4,699	4,699
				Costs	EUR	931	931	-	-
Telecom Italia Sparkle S.P.A.	Foreign	Italy	Associated	Sale	EUR	78,785	78,785	-	-
Telecom Italia S.P.A.	Foreign	Italy	Associated	Costs	EUR	53,502	(53,502)	-	-
Towerco Latam Chile S.A.	76.558.575-9	Chile	Common end controller	Sale	CLP	14,586	14,586	-	-
Telefónica Móviles Guatemala	Foreign	Guatemala	Common end controller	Sale	EUR	3,685	3,685	-	-
Telefónica Factoring S.A.	Foreign	Spain	Common end controller	Costs	EUR	442	442	-	-
Telefónica Germany Gmbh & Co Ohg	Foreign	Germany	Common end controller	Costs	EUR	214	(214)	-	-
Telefónica Global Services Gmbh	Foreign	Germany	Common end controller	Costs	EUR	164	164	-	-

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

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

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

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

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

9. Receivables from and payable to related companies, continued

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

The Company is managed by a Board of Directors composed of 13 members and its key employees are 65 and 69 executives for September 30, 2016 and 2015, respectively.

Concepts	07.01.16 to 09.30.16 ThCh$	09.30.2016 ThCh$	07.01.15 to 09.30.15 ThCh$	09.30.2015 ThCh$
Salaries	2,411,385	10,976,195	2,268,422	9,769,739
Post employment benefits	329,619	2,279,559	103,153	500,540
Total	2,741,004	13,255,754	2,371,575	10,270,279

10. Inventory

a) The detail of inventory is as follows:

Concepts	09.30.2016 Gross value ThCh$	09.30.2016 Allowance for obsolescence ThCh$	09.30.2016 Net value ThCh$	12.31.2015 Gross value ThCh$	12.31.2015 Allowance for obsolescence ThCh$	12.31.2015 Net value ThCh$
Modems and Router	6,554,833	(938,416)	5,616,417	8,987,203	(573,181)	8,414,022
Basic telephony, public telephony and switchboard ("centralitas") components	2,400,933	(904,778)	1,496,155	3,008,823	(1,375,891)	1,632,932
Decoders and antennas (1)	6,398,282	(805,521)	5,592,761	7,893,044	(669,511)	7,223,533
IP Solutions Projects	2,126,161	-	2,126,161	294,164	-	294,164
Other	631,200	(85,478)	545,722	537,339	(197,967)	339,372
Total	18,111,409	(2,734,193)	15,377,216	20,720,573	(2,816,550)	17,904,023

(1) As of February 1, 2015, the Company implemented a new commercial model for television services, whereby associated decoders qualify as inventory and are classified as such.

As of September 30, 2016 and December 31, 2015 there have been no inventory write-offs, there is no inventory in guarantee.

b) The movement of inventory is as follows:

Movements	09.30.2015 ThCh$	12.31.2015 ThCh$
Beginning balance	17,904,023	5,036,459
Purchases	31,677,537	51,373,975
Sales	(34,287,721)	(38,342,202)
Allowance for obsolescence	82,357	64,016
Transfer to materials allocated to the investment (note 15b)	1,020	(228,225)
Movement, subtotal	(2,526,807)	12,867,564
Ending balance	15,377,216	17,904,023

11. Income Taxes

a) Income Taxes:

As of September 30, 2016 and 2015, a first category income tax accrual has been established, therefore a positive tax base was determined in the amount of ThCh$ 6,970,899 and ThCh$ 41,053,027, respectively for each periods.

The previous figures for 2016, correspond only to income from subsidiaries with a positive base of ThCh$ 6,970,899, since the parent company has tax losses as of the 2016 period closing date, and for September 2015 it presents a positive base of ThCh $21,892,406 and ThCh$19,160,621 for the parent company and subsidiaries, respectively.

During the course of its normal operations, the Company is subject to the regulations and supervision of the Chilean Internal Revenue Service, which could cause differences to arise in the application of tax determination criteria.

As of September 30, 2016, the parent company has a positive Retained Taxable Earnings Registry in the amount of ThCh$ 735,366,028.

The Companies of the group with a positive balance in the Retained Taxable Earnings Registry and their associated credits are as follows:

Subsidiaries	Taxable net income with 15% credit ThCh$	Taxable net income with 16% credit ThCh$	Taxable net income with 16.5% credit ThCh$	Taxable net income with 17% credit ThCh$	Taxable net income with 20% credit ThCh$	Taxable net income with 21% credit ThCh$	Taxable net income with 22.5% credit ThCh$	Taxable net income with 24% credit ThCh$	Taxable net Income without credit ThCh$	Tax Loss ThCh$	Amount of credit ThCh$
Telefónica Chile S.A.	3,101,523	1,175,073	841,218	367,209,012	227,534,047	42,332,063	30,971,315	4,374,733	8,800,137	-	154,658,213
Telefónica Chile Servicios Corporativos Ltda.	-	-	-	-	33,613,987	10,763,805	9,731,952	498,161	409,381	-	14,247,467
Telefónica Empresas Chile S.A.	-	-	-	-	-	-	-	-	-	(5,990,379)	-
Total	3,101,523	1,175,073	841,218	367,209,012	261,148,034	53,095,868	40,703,267	4,872,894	9,209,518	(5,990,379)	168,905,680

b) Current tax assets

As of September 30, 2016 and December 31, 2015, current income tax assets are detailed as follows:

Concepts	09.30.2016 ThCh$	12.31.2015 ThCh$
Monthly prepaid tax installments	2,175,421	1,050,582
Net income consumed by loss own (1)	472,384	4,586,338
Other	718,153	969,389
Total	3,365,958	6,606,309

(1) Corresponds to absorption of tax losses as of December 2015 and September 2016 with cumulative taxable net income of subsidiary Telefonica Empresas Chile S.A. and Telefonica Chile S.A. as of the same date. The above generated a provisional payment on net income consumed by loss of ThCh$109,732 and ThCh$ 362,652.

11. Income Taxes, continued

c) Deferred taxesx

As of September 30, 2016, December 31, 2015 and September 30, 2015, the cumulative balances of temporary differences resulted in net deferred tax liabilities of ThCh$ 71,826,359, ThCh$ 62,859,639 and ThCh$ 61,656,984, respectively, detailed as follows:

Disclosure of temporary differences, losses and unused tax credits September 30, 2016	Other temporary differences	Allowance for doubtful accounts	Vacation provision	Staff severance indemnities	Property, plant and equipment and IRUS amortization	Effect of assets and liabilities from Decos	Deferred income	Personnel provisions	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities												
Deferred tax assets	2,015,518	32,840,547	1,621,630	8,620,611	10,420,853	-	929,982	4,372,520	2,921,723	(55,783,633)	7,959,751	7,959,751
Deferred tax liabilities	2,796,369	-	-	12,649,012	117,259,139	2,798,361	-	(351,626)	418,488	(55,783,633)	79,786,110	79,786,110
Deferred tax liabilities (assets)	780,851	(32,840,547)	(1,621,630)	4,028,401	106,838,286	2,798,361	(929,982)	(4,724,146)	(2,503,235)	-	71,826,359	71,826,359
Deferred tax assets and liabilities, net												
Deferred tax assets, net	-	(32,840,547)	(1,621,630)	-	-	-	(929,982)	(4,724,146)	(2,503,235)	-	(42,619,540)	(42,619,540)
Deferred tax liabilities, net	780,851	-	-	4,028,401	106,838,286	2,798,361	-	-	-	-	114,445,899	114,445,899
Deferred tax expense (benefit)												
Deferred tax expense (benefit)	2,155,228	(4,141,358)	(7,637)	1,221,359	5,430,281	4,143,714	(198,548)	563,936	4,801	-	9,171,776	9,171,776
Deferred tax expense (benefit) recognized in income	2,155,228	(4,141,358)	(7,637)	1,221,359	5,430,281	4,143,714	(198,548)	563,936	4,801	-	9,171,776	9,171,776
Reconciliation of changes in deferred tax liabilities (assets)												
Deferred tax liabilities (assets) - Beginning balance Dec, 2015	(1,374,377)	(28,699,189)	(1,613,993)	2,807,042	101,408,005	(1,345,353)	(731,434)	(5,288,082)	(2,302,980)	-	62,859,639	62,859,639
Changes in deferred tax liabilities (assets)												
Deferred tax expense (benefit) recognized in income	2,155,228	(4,141,358)	(7,637)	1,221,359	5,430,281	4,143,714	(198,548)	563,936	4,801	-	9,171,776	9,171,776
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	-	(205,056)	-	(205,056)	(205,056)
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	2,155,228	(4,141,358)	(7,637)	1,221,359	5,430,281	4,143,714	(198,548)	563,936	(200,255)	-	8,966,720	8,966,720
Deferred tax liabilities (assets)	780,851	(32,840,547)	(1,621,630)	4,028,401	106,838,286	2,798,361	(929,982)	(4,724,146)	(2,503,235)	-	71,826,359	71,826,359
	-	-	-	-	-		-	-	-	-	-	-

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

11. Income Taxes, continued

c) Deferred taxes, continued

Disclosure of temporary differences, losses and unused tax credits December 31, 2015	Other temporary differences	Allowance for doubtful accounts	Vacation provision	Staff severance indemnities	Property, plant and equipment and IRUS amortization	Effect of assets and liabilities from Decos	Deferred income	Personnel provisions	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities												
Deferred tax assets	1,772,776	28,699,189	1,613,993	9,416,637	2,802,012	3,292,784	731,434	5,335,165	2,714,512	(44,401,222)	11,977,280	11,977,280
Deferred tax liabilities	398,399	-	-	12,223,679	104,210,017	1,947,431	-	47,083	411,532	(44,401,222)	74,836,919	74,836,919
Deferred tax liabilities (assets)	(1,374,377)	(28,699,189)	(1,613,993)	2,807,042	101,408,005	(1,345,353)	(731,434)	(5,288,082)	(2,302,980)	-	62,859,639	62,859,639
Deferred tax assets and liabilities, net												
Deferred tax assets, net	(1,374,377)	(28,699,189)	(1,613,993)	-	-	(1,345,353)	(731,434)	(5,288,082)	(2,302,980)	-	(41,355,408)	(41,355,408)
Deferred tax liabilities, net	-	-	-	2,807,042	101,408,005	-	-	-	-	-	104,215,047	104,215,047
Deferred tax expense (benefit)												
Deferred tax expense (benefit)	175,484	(2,549,274)	(339,109)	(828,639)	2,182,657	(1,345,353)	311,616	(913,539)	269,076	-	(3,037,081)	(3,037,081)
Deferred tax expense (benefit) recognized in income	175,484	(2,549,274)	(339,109)	(828,639)	2,182,657	(1,345,353)	311,616	(913,539)	269,076	-	(3,037,081)	(3,037,081)
Reconciliation of changes in deferred tax liabilities (assets)												
Deferred tax liabilities (assets) - Beginning balance Dec, 2014	(1,549,861)	(26,149,915)	(1,274,884)	3,635,681	99,225,348	-	(1,043,050)	(4,374,543)	(2,548,634)	-	65,920,142	65,920,142
Changes in deferred tax liabilities (assets)												
Deferred tax expense (benefit) recognized in income	175,484	(2,549,274)	(339,109)	(828,639)	2,182,657	(1,345,353)	311,616	(913,539)	269,076	-	(3,037,081)	(3,037,081)
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	-	(23,423)	-	(23,423)	(23,423)
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)	175,484	(2,549,274)	(339,109)	(828,639)	2,182,657	(1,345,353)	311,616	(913,539)	245,654	-	(3,060,503)	(3,060,503)
Deferred tax liabilities (assets)	(1,374,377)	(28,699,189)	(1,613,993)	2,807,042	101,408,005	(1,345,353)	(731,434)	(5,288,082)	(2,302,980)	-	62,859,639	62,859,639
	-	-	-	-	-	-	-	-	-	-	-	-

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

11. Income Taxes, continued

c) Deferred taxes, continued

Disclosure of temporary differences, losses and unused tax credits September 30, 2015	Other temporary differences	Allowance for doubtful accounts	Vacation provision	Staff severance indemnities	Property, plant and equipment and IRUS amortization	Effect of assets and liabilities from Decos	Deferred income	Personnel provisions	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities												
Deferred tax assets	1,409,901	29,206,848	1,379,846	9,018,965	9,311,579	2,414,502	1,054,851	4,508,908	2,708,007	(49,752,713)	11,260,694	11,260,694
Deferred tax liabilities	381,442	-	-	12,002,230	108,084,820	1,661,045	-	130,322	410,532	(49,752,713)	72,917,678	72,917,678
Deferred tax liabilities (assets)	(1,028,459)	(29,206,848)	(1,379,846)	2,983,265	98,773,241	(753,457)	(1,054,851)	(4,378,586)	(2,297,475)	-	61,656,984	61,656,984
Deferred tax assets and liabilities, net												
Deferred tax assets, net	(1,028,459)	(29,206,848)	(1,379,846)	-	-	(753,457)	(1,054,851)	(4,378,586)	(2,297,475)	-	(40,099,522)	(40,099,522)
Deferred tax liabilities, net	-	-	-	2,983,265	98,773,241	-	-	-	-	-	101,756,506	101,756,506
Deferred tax expense (benefit)												
Deferred tax expense (benefit)	521,402	(3,056,933)	(104,962)	(652,416)	(452,107)	(753,457)	(11,801)	(4,043)	439,853	-	(4,074,464)	(4,074,464)
Deferred tax expense (benefit) recognized in income	521,402	(3,056,933)	(104,962)	(652,416)	(452,107)	(753,457)	(11,801)	(4,043)	439,853	-	(4,074,464)	(4,074,464)
Reconciliation of changes in deferred tax liabilities (assets)												
Deferred tax liabilities (|assets) - Beginning balance Dec, 2014	(1,549,861)	(26,149,915)	(1,274,884)	3,635,681	99,225,348	-	(1,043,050)	(4,374,543)	(2,548,634)	-	65,920,142	65,920,142
Changes in deferred tax liabilities (assets)												
Deferred tax expense (benefit) recognized in income	521,402	(3,056,933)	(104,962)	(652,416)	(452,107)	(753,457)	(11,801)	(4,043)	439,853	-	(4,074,464)	(4,074,464)
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	-	(188,694)	-	(188,694)	(188,694)
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)	521,402	(3,056,933)	(104,962)	(652,416)	(452,107)	(753,457)	(11,801)	(4,043)	251,159	-	(4,263,158)	(4,263,158)
Deferred tax liabilities (assets)	(1,028,459)	(29,206,848)	(1,379,846)	2,983,265	98,773,241	(753,457)	(1,054,851)	(4,378,586)	(2,297,475)	-	61,656,984	61,656,984
	-	-	-	-	-	-	-	-	-	-	-	-

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

11. Income Taxes, continued

d) Taxable Income

As of September 30, 2016 and 2015 a first category income tax provision has been established, therefore a taxable positive base was determined in the amount of ThCh$ 6,970,899 and ThCh$ 41,053,027 respectively for period, detailed as follows:

Concepts	Taxable Net Income			
	07.01.16 to 09.30.16	09.30.2016	07.01.15 to 09.30.15	09.30.2015
	ThCh$	ThCh$	ThCh$	ThCh$
Finance income	(1,201,599)	16,108,371	11,189,479	20,259,083
Recorded tax expense	(10,251,089)	(11,397,479)	(3,554,621)	1,393,065
Additions	29,580,869	89,209,441	62,786,198	85,606,497
Deductions	(53,949,533)	(109,744,389)	(48,447,486)	(66,205,618)
Taxable net income	(15,319,177)	6,970,899	21,973,570	41,053,027
First category tax rate 24% and 22.5%	(3,676,602)	1,673,016	4,944,053	9,236,931
Art, 21 rejected expenses tax base	115,642	269,225	681,997	951,854
Art, 21 non-deductible expenses (35% rate)	40,475	94,229	238,699	333,149
Total tax provision	(3,636,127)	1,767,245	5,182,752	9,570,080
Derivatives tax provision (1)	(3)	78,153	-	-
Deficit / (Excess) previous year	-	852,690	(3,215,170)	(681,661)
Third party absorbed net income provisional payment	1,168,108	(472,385)	173,813	(3,420,890)
Total first category taxes (2)	(2,468,022)	2,225,703	2,141,395	5,467,529

(1) Corresponds to the tax deficit provision calculated on 2014 and 2015 derivatives (settled). This tax provision deficit is presented as a greater expense for the period.

(2) The first category tax has been accounted for considering the increase in the tax rate from 22.5% to 24%, due to the tax reform according to Law 20,780. The effect of the change in first category tax rate for September, 2016, amounts to ThCh$ 964,816.

11. Income Taxes, continued

e) Income tax reconciliation

The income tax expense reconciliation for the periods ended September 30, 2016 and 2015 are detailed as follows:

Concepts	07.01.2016 to 09.30.2016		09.30.3016		07.01.2015 to 09.30.2015		09.30.3016	
		24%		24%		22.5%		22.5%
	Taxable base ThCh$	Tax Rate ThCh$	Taxable base ThCh$	Tax Rate ThCh$	Taxable base ThCh$	Tax Rate ThCh$	Taxable base ThCh$	Tax Rate ThCh$
Based on accounting income before taxes:								
Finance income	(1,201,599)		16,108,371		11,189,479		20,259,083	
Recorded tax expense	10,251,089		11,397,479		(3,554,621)		1,393,065	
Income before taxes	9,049,490	2,171,878	27,505,850	6,601,404	7,634,858	1,717,843	21,652,148	4,871,733
Permanent differences								
Price-level restatement of taxable equity	33,663,384	8,079,211	19,983,649	4,796,075	(23,433,171)	(5,272,464)	(15,460,742)	(3,478,668)
Price-level restatement of investments	(5,550,398)	(1,332,096)	(17,614,290)	(4,227,430)	(10,233,499)	(2,302,538)	(19,478,745)	(4,382,718)
Adjustment to equity derivatives	861,906	206,857	1,017,926	244,302	5,360,558	1,206,126	9,274,034	2,086,658
Fines and provision fines	1	-	-	-				
Tax loss of T Empresas and Newco	627,164	150,520	727,674	174,642	(1,633,640)	(367,569)	(1,030,336)	(231,826)
Difference tax losses no credit	3,499,045	839,771	12,034,667	2,888,320	(1,995,452)	(448,977)	103,299	23,242
Effect of rate change in the result	4,020,068	964,816	(230,096)	(55,223)	(1,235,277)	(277,937)	(2,834,672)	(637,801)
Adjustment on deferred tax balances	(693,533)	(166,448)	(2,971,579)	(713,179)	695,674	156,526	1,016,766	228,772
Deficit / (Excess) of income tax previous year	-	-	3,552,876	852,690	(14,289,645)	(3,215,170)	(3,029,604)	(681,661)
Other	30,899,131	7,415,791	23,466,471	5,631,953	(101,890)	(22,925)	518,516	116,666
Total corporate tax expense	42,712,874	10,251,089	47,489,499	11,397,479	(15,798,313)	(3,554,621)	6,191,406	1,393,065
Based on taxable net income and deferred taxes calculated on the basis of temporary differences								
24% and 22.5% income tax		(3,676,602)		1,673,016		4,944,053		9,236,931
35% income tax		40,475		94,229		238,699		333,149
Derivatives adjustment		(3)		78,153		-		-
Provisional payment on net income absorbed by third parties		1,168,108		(472,385)		173,813		(3,420,890)
Deficit / (Excess) previous year		-		852,690		(3,215,170)		(681,661)
Income tax expense		(2,468,022)		2,225,703		2,141,395		5,467,529
Deferred tax expense (income)		12,719,111		9,171,776		(5,696,016)		(4,074,464)
Total corporate tax expense		10,251,089		11,397,479		(3,554,621)		1,393,065
Effective income tax rate		113.28%		41.44%		(46.56%)		6.43%

11. Income Taxes, continued

f) Current income tax liabilities

As of September 30, 2016 and December 31, 2015, current income tax liabilities are detailed as follows:

Concepts	09.30.2016 ThCh$	12.31.2015 ThCh$
Income tax accrual (1)	2,879,310	4,829,667
Total	2,879,310	4,829,667

(1) First Category income tax is presented net of prepaid monthly tax installments for ThCh$ 6,690,459 and ThCh$13,384,284 as of September 30 2016 and December 31, 2015, respectively. This item considers inspection contingency provision (see note 27).

g) Tax reform

The Official Gazette of September 29, 2014 published Law No. 20,780, which introduced various changes in the current tax system in Chile (Tax Reform Law). The Tax Reform considered a progressive increase in the First Category Income Tax rate for commercial years 2014, 2015, 2016, 2017, 2018 and thereon, changing from the current rate of 20%, to 21%, 22.5%, 24%, 25.5% and 27%, respectively, for those that apply the Partially Integrated System, and for those that opt for applying the Attributed Income System for commercial years 2014, 2015, 2016 and 2017 and thereon, the tax rate increases to 21%, 22.5%, 24% and 25%, respectively. As established in Law No. 20,780, the Partially Integrated System will be applied to the Company as a general rule, since it is a publicly traded stock company.

On February 8, 2016, the Official Gazette published Law No. 20,899, which introduces changes in the current tax system and amends certain aspects of Law No. 20,780. Law No. 20,899, establishes that the Partially Integrated System will be applied to the Company since it is a publicly traded stock company, not allowing it to opt for the Attributed Income System as previously established in Law No. 20,780. According to IAS 12 (Income Taxes) deferred tax assets and liabilities must be measured using tax rates that are expected to be applied in the period in which the asset is realized or the liability is cancelled based on the rates (and tax laws) that have been approved or whose approval process is practically complete at the end of the period, and in accordance with the above, the Company has applied the rates established and current for the Partially Integrated System.

On October 17, 2014 the SVS issued Circular 856 which establishes that notwithstanding what is established in IAS 12 and its respective interpretations, differences in assets and liabilities for the concept of Deferred taxes produced as a consequence of the increase in the First Category Tax rate, must be accounted for in equity in the respective year.

12. Non-current trade and other accounts receivable

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

Concepts	09.30.2016 Gross value	09.30.2016 Allowance for doubtful accounts	09.30.2016 Net value	12.31.2015 Gross value	12.31.2015 Allowance for doubtful accounts	12.31.2015 Net value
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Trade receivables	9,126,809	(827,640)	8,299,169	6,216,658	(1,094,410)	5,122,248
Miscellaneous receivables (1)	10,816,222	-	10,816,222	10,100,284	-	10,100,284
Total	19,943,031	(827,640)	19,115,391	16,316,942	(1,094,410)	15,222,532

(1) Mainly includes loans related to employees.

b) As of September 30, 2016 and December 31, 2015 Non-current trade and other accounts receivable by due date are detailed as follows:

	As of September 30, 2016								
	Gross Portfolio value in ThCh$				Allowance for doubtful accounts ThCh$				
Concepts	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Net Total
Trade receivables	357,360	6,000,589	2,768,860	9,126,809	(827,640)	-	-	(827,640)	8,299,169
Miscellaneous receivables	1,895,124	797,920	8,123,178	10,816,222	-	-	-	-	10,816,222
Total	2,252,484	6,798,509	10,892,038	19,943,031	(827,640)	-	-	(827,640)	19,115,391

	As of December 31, 2015								
	Gross Portfolio value in ThCh$				Allowance for doubtful accounts ThCh$				
Concepts	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Net Total
Trade receivables	1,209,803	2,153,036	2,853,819	6,216,658	(816,041)	(221,995)	(56,374)	(1,094,410)	5,122,248
Miscellaneous receivables	1,769,684	745,105	7,585,495	10,100,284	-	-	-	-	10,100,284
Total	2,979,487	2,898,141	10,439,314	16,316,942	(816,041)	(221,995)	(56,374)	(1,094,410)	15,222,532

13. Intangible Assets other than goodwill

a) Intangible assets other than goodwill as of September 30, 2016 and December 31, 2015 are detailed as follows:

Concepts	09.30.2016 Intangible, gross ThCh$	09.30.2016 Accumulated amortization ThCh$	09.30.2016 Intangible, net ThCh$	12.31.2015 Intangible, gross ThCh$	12.31.2015 Accumulated amortization ThCh$	12.31.2015 Intangible, net ThCh$
Intangible assets in development (1)	2,684,588	-	2,684,588	4,023,551	-	4,023,551
Licenses and franchises	250,683,580	(212,787,571)	37,896,009	232,232,322	(193,943,527)	38,288,795
Other intangible assets (2)	21,832,500	(19,693,930)	2,138,570	21,832,500	(18,719,618)	3,112,882
Total	275,200,668	(232,481,501)	42,719,167	258,088,373	(212,663,145)	45,425,228

(1) Corresponds mainly to the evolutionary development of commercial systems (billing, receipts, and collections) in the amount of ThCh$ 2,531,223 and evolutionary developments of SAP's 2016 materials module in the amount of ThCh$ 1,450,255.

(2) Corresponds to rights to use underwater cable.

b) As of September 30, 2016 the movements of intangible assets other than goodwill are detailed as follows:

Movements	Intangible assets in development, net ThCh$	Licenses and franchises, net ThCh$	Other intangible assets, net ThCh$	Intangible, net ThCh$
Beginning balance as of 01.01.2016	4,023,551	38,288,795	3,112,882	45,425,228
Additions	4,374,581	30,224	-	4,404,805
Eliminations	-	-	-	-
Amortization of eliminations	-	-	-	-
Amortization	-	(18,844,044)	(974,312)	(19,818,356)
Transfer from costs of developing to service	(5,713,544)	18,421,034	-	12,707,490
Transfer from work in progress (Note 15b)	(1,338,963)	(392,786)	(974,312)	(2,706,061)
Movement, subtotal	4,023,551	38,288,795	3,112,882	45,425,228
Ending balance as of 09.30.2016	2,684,588	37,896,009	2,138,570	42,719,167
Remaining average useful life	-	2.4 years	1.6 years	-

As of December 31, 2015 the movements of intangible assets other than goodwill are detailed as follows:

Movements	Intangible assets in development, net ThCh$	Licenses and franchises, net ThCh$	Other intangible assets, net ThCh$	Intangible, net ThCh$
Beginning balance as of 01.01.2015	5,097	39,243,299	4,547,663	43,796,059
Additions	457,494	-	-	457,494
Eliminations	-	(505,687)	-	(505,687)
Amortization of eliminations	-	505,687	-	505,687
Amortization	-	(25,685,084)	(1,434,781)	(27,119,865)
Transfer from work in progress (Note 15b)	3,560,960	24,730,580	-	28,291,540
Movement, subtotal	4,018,454	(954,504)	(1,434,781)	1,629,169
Ending balance as of 12.31.2015	4,023,551	38,288,795	3,112,882	45,425,228
Remaining average useful life	-	1.7 years	2.2 years	-

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

13. Intangible Assets other than goodwill, continued

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

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

As of September 30, 2016 no indications of impairment have been detected for those assets, therefore no impairment testing has been performed.

The main additions to intangible assets other than goodwill as of September 30, 2016 and December 31, 2015 are investments in information applications.

14. Goodwill

Goodwill movement as of September 30, 2016 and December 31, 2015 is as follows:

Taxpayer No,	Company	01.01.2016 ThCh$	Additions ThCh$	Eliminations ThCh$	09.30.2016 ThCh$
90.635.000-9	Telefónica Chile S.A. (Ex Telefónica Larga Distancia S.A.)	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S,A,	620,232	-	-	620,232
	Total	21,660,128	-	-	21,660,128

Taxpayer No,	Company	01.01.2015 ThCh$	Additions ThCh$	Eliminations ThCh$	12.31.2015 ThCh$
96.672.160-k	Telefónica Larga Distancia S,A,	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S,A,	620,232	-	-	620,232
	Total	21,660,128	-	-	21,660,128

Assets indicated in goodwill are tested for impairment once a year, at each year-end. As of December 31, 2015 impairment testing was determined taking into consideration the following estimated variables:

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

ii. Cash flow projections are calculated at terminal value, covering a 5-year period, with the last period being the terminal value.

iii. Discount: The rate used to discount future cash flows is 7.30% (WACC), that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.

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

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

According to the impairment calculations performed by management, as of 2015 year-end there has been no need detected to make significant adjustments since the recoverable value is greater than the book value in all cases.

15. Property, plant and equipment

a) The detail of Property, plant and equipment items for the periods September 30, 2016 and December 31, 2015, and their corresponding accumulated depreciation is as follows:

Concepts	09.30.2016			12.31.2015		
	Property, plant & equipment, Gross ThCh$	Accumulated depreciation ThCh$	Property, plant & equipment, Net ThCh$	Property, plant & equipment, Gross ThCh$	Accumulated depreciation ThCh$	Property, plant & equipment, Net ThCh$
Land	21,336,653	-	21,336,653	21,043,750	-	21,043,750
Buildings	766,702,522	(491,279,413)	275,423,109	748,096,057	(477,766,550)	270,329,507
Transport equipments	517,639	(510,611)	7,028	517,639	(507,412)	10,227
Supplies and accessories	22,983,831	(21,338,380)	1,645,451	22,410,960	(20,899,686)	1,511,274
Office equipments	2,317,728	(1,238,332)	1,079,396	2,299,948	(1,077,663)	1,222,285
Construction in progress	101,569,455	-	101,569,455	119,377,115	-	119,377,115
Information equipment	52,905,136	(38,476,295)	14,428,841	46,782,640	(34,661,717)	12,120,923
Network and communications equipment (1)	2,510,939,996	(2,026,682,471)	484,257,525	2,440,074,562	(1,967,651,277)	472,423,285
Property, plant and equipment under financial leases	5,304,293	(4,975,578)	328,715	5,304,293	(4,969,765)	334,528
Other property, plant & equipment (2)	280,975,054	(223,143,557)	57,831,497	306,058,790	(228,337,478)	77,721,312
Total	3,765,552,307	(2,807,644,637)	957,907,670	3,711,965,754	(2,735,871,548)	976,094,206

(1) As of September 30, 2016 and December 31, 2015 this heading includes an allowance in the amount of ThCh$ 1,033,984 and ThCh$ 974,745, respectively, corresponding to the estimated cost of dismantling telecommunications infrastructure microwave antennas. The obligation is presented under non-current liabilities, in other non-current provisions.

(2) Includes general equipment and subscriber equipment.

15. Property, plant and equipment, continued

b) As of September 30, 2016 the movements of property, plant and equipment items are as follows:

Movements	Land	Buildings, net	Transport equipments, net	Supplies and accessories, net	Office equipment, net	Construction in progress net	Information equipment, net	Network and communications equipment, net	Property, plant and equipment under financial leases, net	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.2016	21,043,750	270,329,507	10,227	1,511,274	1,222,285	119,377,115	12,120,923	472,423,285	334,528	77,721,312	976,094,206
Additions	-	-	-	-	-	120,166,766	-	-	-	-	120,166,766
Retirements	(426,282)	(387,959)	-	-	-	-	(222,779)	(2,960,572)	-	(49,874,111)	(53,871,703)
Acc, Dep, retirements	-	125,815	-	-	-	-	222,779	2,699,390	-	49,544,812	52,592,796
Depreciation expense	-	(13,638,678)	(3,199)	(438,694)	(160,669)	-	(4,037,357)	(61,730,584)	(5,813)	(44,350,891)	(124,365,885)
Transfer of depreciation	-	-	-	-	-	-	-	-	-	-	-
Other Increase (decrease) (1)	719,185	18,994,424	-	572,871	17,780	(137,974,426)	6,345,275	73,826,006	-	24,790,375	(12,708,510)
Movements, subtotal	292,903	5,093,602	(3,199)	134,177	(142,889)	(17,807,660)	2,307,918	11,834,240	(5,813)	(19,889,815)	(18,186,536)
Ending balance as of 09.30.2016	21,336,653	275,423,109	7,028	1,645,451	1,079,396	101,569,455	14,428,841	484,257,525	328,715	57,831,497	957,907,670

(1) Includes Includes transfer from work in progress to tangible assets in the amount of ThCh$ (12,707,490) (Note 13b) and transfer from inventory to investment projects in the amount of ThCh$(1,020) (Note 10b).

As of September 30, 2016, the property, plant and equipment items that are fully depreciated and still in use are detailed as follows:

Fully depreciated assets still in use	Land	Buildings, gross	Transport equipments, gross	Supplies and accessories, gross	Office equipment, gross	Construction in progress gross	Information equipment, gross	Network and communications equipment, gross	Property, plant and equipment under financial leases, gross	Other property, plant & equipment, gross	Property, plant and equipment, gross
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Total	-	185,717,383	496,012	18,934,617	148,731	-	32,085,448	1,614,889,200	-	158,893,796	2,011,165,187

15. Property, plant and equipment, continued

c) As of December 31, 2015 the movements of property, plant and equipment items are as follows:

Movements	Land	Buildings, net	Transport equipments, net	Supplies and accessories, net	Office equipment, net	Construction in progress net	Information equipment, net	Network and communications equipment, net	Property, plant and equipment under financial leases, net	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.2015	21,139,808	277,089,290	23,759	1,757,071	1,431,518	145,675,062	11,558,490	445,034,617	342,277	92,006,772	996,058,664
Additions	-	-	-	-	-	173,995,834	-	-	-	-	173,995,834
Retirements	(178,423)	(805,031)	-	-	-	-	(1,024,201)	(17,338,136)	-	(23,363,399)	(42,709,190)
Acc, Dep, retirements	-	686,174	-	-	-	-	965,597	16,928,146	-	23,326,514	41,906,431
Depreciation expense	-	(17,951,529)	(13,532)	(517,144)	(213,330)	-	(5,039,943)	(77,395,517)	(7,749)	(63,955,474)	(165,094,218)
Transfer of depreciation	-	-	-	-	-	-	-	344,864	-	(344,864)	-
Other Increase (decrease) (1)	82,365	11,310,603	-	271,347	4,097	(200,293,781)	5,660,980	104,849,311	-	50,051,763	(28,063,315)
Movements, subtotal	(96,058)	(6,759,783)	(13,532)	(245,797)	(209,233)	(26,297,947)	562,433	27,388,668	(7,749)	(14,285,460)	(19,964,458)
Ending balance as of 12.31.2015	21,043,750	270,329,507	10,227	1,511,274	1,222,285	119,377,115	12,120,923	472,423,285	334,528	77,721,312	976,094,206

(1) Includes net movement of transfers from construction in progress to intangible assets in the amount of ThCh$(28,291,540) (note 13b) and transfers from inventory to investment projects in the amount of ThCh$228,225 (note 10b).

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	Land	Buildings, gross	Transport equipments, gross	Supplies and accessories, gross	Office equipment, gross	Construction in progress gross	Information equipment, gross	Network and communications equipment, gross	Property, plant and equipment under financial leases, gross	Other property, plant & equipment, gross	Property, plant and equipment, gross
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Total	-	180,490,547	458,156	19,067,347	465,544	-	29,591,171	1,621,248,771	-	151,834,500	2,003,156,036

15. Property, plant and equipment, continued

Additions for the periods 2016 fundamentally show the effect of incorporation of customer residential equipment (fixed telephone and broadband), long-distance transmission and voice and data equipment.

As of September 30, 2016 Property, plant and equipment items originating from net financial lease operations amount to ThCh$328,715 in the categories of buildings and the other property, plant and equipment, As of December 31, 2015, the amount for this concept was ThCh$334,528.

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

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

16. Other current and other non-current financial liabilities

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

Concepts		09.30.2016 Current ThCh$	09.30.2016 Non-current ThCh$	12.31.2015 Current ThCh$	12.31.2015 Non-current ThCh$
Bank loans	(a)	64,155,362	-	101,607	68,972,097
Unguaranteed obligations (Bonds)	(b)	6,074,341	372,976,117	4,155,334	398,986,215
Financial leases	(c)	-	-	122,871	-
Hedge instruments	(see note 18.2)	7,219,543	-	3,427,938	7,656,345
Other Financial Debt (1)		-	-	300,345	-
Total		77,449,246	372,976,117	8,108,095	475,614,657

(1) Corresponds to supplier Huawei Chile S.A. with which an extension of the payment period has been negotiated for a total of ThCh$300,345 and includes interest of ThCh$1,147 December 31, 2015. Calculated on an interest rate (Libor 6m+3%) + 0.2% commission.

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

a) As of September 30, 2016 the detail of bank loans is as follows:

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Syndicated Loan	90.635.000-9	Telefónica Chile S,A,	Chile	Foreign	Sovereing Bank N,A,	USA	USD	At expiry	2.52%	2.14%	USD 97,5 mm	2017

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

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 09.30.2016	Non-current To Maturity							Total Non-current as of 09.30.2016
					Up to 90 days ThCh$	90 days to 1 years ThCh$	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	ThCh$
Syndicated Loan(1)	90.635.000-9	Telefónica Chile S,A,	Chile	Sovereing Bank N,A,	-	64,155,362	64,155,362	-	-	-	-	-	-	-	-
	Total				-	64,155,362	64,155,362	-	-	-	-	-	-	-	-

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

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

a) As of December 31, 2015 the detail of bank loans is as follows:

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Syndicated Loan	90.635.000-9	Telefónica Chile S,A,	Chile	Foreign	Sovereing Bank N,A,	USA	USD	At expiry	2.52%	2.14%	MMUSD 97,5	2017

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

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 12.31.2015	Non-current To Maturity							Total Non-current as of 12.31.2015
					Up to 90 days ThCh$	90 days to 1 years ThCh$	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	ThCh$
Syndicated Loan(1)	90.635.000-9	Telefónica Chile S,A,	Chile	Sovereing Bank N,A,	101,607	-	101,607	68,972,097	-	68,972,097	-	-	-	-	68,972,097
	Total				101,607	-	101,607	68,972,097	-	68,972,097	-	-	-	-	68,972,097

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

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

b) As of September 30, 2016 the detail of unguaranteed obligations (Bonds) is as follows:

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

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

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 09.30.2016 ThCh$$	Non-current To Maturity							Total Non-current as of 09.30.2016 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	
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S,A,	Chile	The Bank of New York Mellon	-	5,956,563	5,956,563	-	-	-	-	-	-	326,403,236	326,403,236
Series Q Bond (2)	90.635.000-9	Telefónica Chile S,A,	Chile	Banco Chile	-	117,778	117,778	-	46,572,882	46,572,882	-	-	-	-	46,572,882
Total					-	6,074,341	6,074,341	-	46,572,882	46,572,882	-	-	-	326,403,236	372,976,118

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

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

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

b) As of December 31, 2015 the detail of unguaranteed obligations (Bonds) is as follows:

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series F Bond	90.635.000-9	Telefónica Chile S,A,	Chile	97.080.000-K	Banco Bice	Chile	UF	Biannual	6.43%	6.00%	UF 1,500,000	2016
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S,A,	Chile	Foreign	The Bank of New York Mellon	USA	USD	At expiry	4.07%	3.88%	MMUSD 500	2022
Series Q Bond (2)	90.635.000-9	Telefónica Chile S,A,	Chile	97.004.000-5	Banco Chile	Chile	CLP	At expiry	6.17%	5.75%	MCh$47,000	2019

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands) To Maturity									Total nominal amounts in local currency
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Series F Bond	90.635.000-9	Telefónica Chile S,A,	Chile	Banco Bice	-	700,809	-	-	-	-	-	-	-	700,809
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S,A,	Chile	The Bank of New York Mellon	-	-	-	-	-	-	-	-	236,400,000	236,400,000
Series Q Bond (2)	90.635.000-9	Telefónica Chile S,A,	Chile	Banco Chile	-	-	-	-	-	47,000,000	-	47,000,000	-	47,000,000
Total					-	700,809	-	-	-	47,000,000	-	47,000,000	236,400,000	284,100,809

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 12.31.2015 ThCh$$	Non-current To Maturity							Total Non-current as of 12.31.2015 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	
Series F Bond	90.635.000-9	Telefónica Chile S,A,	Chile	Banco Bice	-	925,647	925,647	-	-	-	-	-	-	-	-
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S,A,	Chile	The Bank of New York Mellon	-	2,598,459	2,598,459	-	-	-	-	-	-	352,371,709	352,371,709
Series Q Bond (2)	90.635.000-9	Telefónica Chile S,A,	Chile	Banco Chile	631,228	-	631,228	-	-	-	46,614,506	-	46,614,506	-	46,614,506
Total					631,228	3,524,106	4,155,334	-	-	-	46,614,506	-	46,614,506	352,371,709	398,986,215

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

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

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

c) As of December 31, 2015 the detail of financial leases is as follows:

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Financial Lease	90.635.000-9	Telefónica Chile S,A,	Chile	97.036.000-K	Banco Santander	Chile	UF	Monthly	-	8.10%	-	2016
Financial Lease	78.703.410-1	Telefónica Empresas Chile S,A,	Chile	76.402.700-0	CSI Renting Chile S,A,	Chile	UF	Monthly	-	2.36%	-	2015

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands) To Maturity									Total nominal amounts in local currency
					Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	
Financial Lease	90.635.000-9	Telefónica Chile S,A,	Chile	Banco Santander	3,448	9,194	-	-	-	-	-	-	-	12,641
Financial Lease	78.703.410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	103,695	-	-	-	-	-	-	-	-	103,695
	Total				107,143	9,194	-	-	-	-	-	-	-	116,336

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 12.31.2015	Non-current To Maturity							Total Non-current as of 12.31.2015
					Up to 90 days ThCh$	90 days to 1 years ThCh$	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	ThCh
Financial Lease	90.635.000-9	Telefónica Chile S,A,	Chile	Banco Santander	4,135	10,304	14,439	-	-	-	-	-	-	-	-
Financial Lease	78.703.410-1	Telefónica Empresas Chile S,A,	Chile	CSI Renting Chile S,A,	108,432	-	108,432	-	-	-	-	-	-	-	-
	Total				112,567	10,304	122,871	-	-	-	-	-	-	-	-

As of December 31, 2015 the present value of minimum current and non-current financial lease net payments is ThCh$122,871 and the total imputable interest is ThCh$1,253.

17. Trade and other payables

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

Concepts	09.30.2016 ThCh$	12.31.2015 ThCh$
Debts due to purchases or services provided, invoiced (1)	54,015,809	47,352,775
Debts due to purchases or services provided, provisioned (1)	31,281,928	43,326,721
Real property providers, invoiced	17,764,089	38,074,653
Real property providers, provisioned	8,116,859	9,565,819
Payables to employees	22,432,488	36,143,126
Dividends pending payment	349,940	567,044
Total	133,961,113	175,030,138

(1) The "Debts due to purchases or services provided" corresponding to foreign and domestic suppliers for the periods ended September 30, 2016 and December 31, 2015 according to the following detail:

Debts due to purchases or services provided	09.30.2016	12.31.2015
Domestic	68,290,006	80,145,931
Foreign	17,007,731	10,533,565
Total	85,297,737	90,679,496

b) Accounts payable payment terms

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

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

As of September 30, 2016 the main suppliers, considering a minimum margin of 4% of total are the Ministry of Public Works 6.9%, Coasin Instalaciones Ltda. 6.65%, Cobra Chile Servicios S.A. 5.12%, Atento Chile S.A. 4.42% and Ezentis S.A. 4.11% and for December 31, 2015 the main supplier is 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%.

The terms of accounts payable to suppliers with up to date payments as of September 30, 2016 and December 31, 2015 are detailed as follows:

Suppliers with up to date payments As of 09.30.2016	Goods ThCh$	Services ThCh$	Other ThCh$	Total ThCh$
Trade accounts to date				
Up to 30 days	31,828,158	8,644,842	-	40,473,000
From 31 to 60 days	15,969,496	7,569,767	-	23,539,263
From 61 to 90 days	4,544,826	937,520	-	5,482,346
Total	52,342,480	17,152,129	-	69,494,609
Average period of payment of up to date accounts	32	31	-	

17. Trade and other payables, continued

b) Accounts payable payment terms, continued

Suppliers with up to date payments As of 12.31.2015	Goods ThCh$	Services ThCh$	Other ThCh$	Total ThCh$
Trade accounts to date				
Up to 30 days	36,972,766	37,743,144	-	74,715,910
From 31 to 60 days	-	2,935,578	-	2,935,578
From 61 to 90 days	-	1,258,105	-	1,258,105
Total	36,972,766	41,936,827	-	78,909,593
Average period of payment of up to date accounts	28	33	-	

The terms of accounts payable to suppliers with overdue payments as of September 30, 2016 and December 31, 2015 are detailed as follows:

Overdue trade accounts payable by term As of 09.30.2016	Goods ThCh$	Services ThCh$	Other ThCh$	Total ThCh$
Overdue trade accounts payable by term				
Up to 30 days	-	-	-	-
From 31 to 60 days	-	-	-	-
From 61 to 90 days	5,803	55,895	-	61,698
From 91 to 120 days	507,810	30,875	-	538,685
From 121 to 180 days	974,544	710,362	-	1,684,906
Total	1,488,157	797,132	-	2,285,289
Average payment period of overdue accounts	126	124	-	

Overdue trade accounts payable by term As of 12.31.2015	Goods ThCh$	Services ThCh$	Other ThCh$	Total ThCh$
Overdue trade accounts payable by term				
Up to 30 days	-	130,120	-	130,120
From 31 to 60 days	816,237	-	-	816,237
From 61 to 90 days	11,638	1,132,388	-	1,144,026
From 91 to 120 days	96,952	1,006,290	-	1,103,242
From 121 to 180 days	1,297,942	2,026,268	-	3,324,210
Total	2,222,769	4,295,066	-	6,517,835
Average payment period of overdue accounts	113	91	-	

18. Financial instruments

1. Classification of financial instruments by nature and category

a) Details of financial instruments of assets classified by nature and category as of September 30, 2016 is as follows:

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE: Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Valuation hierarchy: Level 1 Market prices	Level 2 Estimates based on other observable market data	Level 3 Estimates not based on observable market data	ASSETS RECORDED AT AMORTIZED COST: Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	TOTAL: Total Carrying amount	Total fair value
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Other participations (net)		3,854	7,419,955	-	7,423,809	7,419,955	3,854	-	-	-	-	7,423,809	7,423,809
Other participations	See note 6b	3,854	7,419,955	-	7,423,809	7,419,955	3,854	-	-	-	-	7,423,809	7,423,809
Derivative instrument assets		-	-	109,153,678	109,153,678	-	109,153,678	-	-	-	-	109,153,678	109,153,678
Derivative instrument assets	See note 18-2	-	-	109,153,678	109,153,678	-	109,153,678	-	-	-	-	109,153,678	109,153,678
Non-current deposits and pledges		50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current deposits and pledges	See note 6a	50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current trade accounts receivable		-	-	-	-	-	-	-	20,481,912	-	20,481,912	20,481,912	20,481,912
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	19,115,391	-	19,115,391	19,115,391	19,115,391
Account receivable from relate entities	See note 9b	-	-	-	-	-	-	-	1,366,521	-	1,366,521	1,366,521	1,366,521
Non-current financial assets		54,322	7,419,955	109,153,678	116,627,955	7,419,955	109,208,000	-	20,481,912	-	20,481,912	137,109,867	137,109,867
Current trade accounts receivable		-	-	-	-	-	-	-	235,445,511	-	235,445,511	235,445,511	235,445,511
Current trade and other accounts receivable	See note 8a	-	-	-	-	-	-	-	148,653,314	-	148,653,314	148,653,314	148,653,314
Account receivable from relate entities	See note 9a	-	-	-	-	-	-	-	86,792,197	-	86,792,197	86,792,197	86,792,197
Current pledges and deposits		52,391,314	-	-	52,391,314	-	52,391,314	-	-	-	-	52,391,314	52,391,314
Current deposits	See note 6a	52,334,634	-	-	52,334,634	-	52,334,634	-	-	-	-	52,334,634	52,334,634
Current pledges and deposits	See note 6a	56,680	-	-	56,680	-	56,680	-	-	-	-	56,680	56,680
Derivative instrument of assets		-	-	19,648,575	19,648,575	-	19,648,575	-	-	-	-	19,648,575	19,648,575
Derivative instrument of assets	See note 18-2	-	-	19,648,575	19,648,575	-	19,648,575	-	-	-	-	19,648,575	19,648,575
Cash and cash equivalents		-	-	-	-	-	-	-	74,407,005	-	74,407,005	74,407,005	74,407,005
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	74,407,005	-	74,407,005	74,407,005	74,407,005
Current financial assets		52,391,314	-	19,648,575	72,039,889	-	72,039,889	-	309,852,516	-	309,852,516	381,892,405	381,892,405
Total financial assets		52.445.636	7,419,955	128,802,253	188,667,844	7,419,955	181,247,889	-	330,334,428	-	330,334,428	519,002,272	519,002,272

18. Financial instruments, continued

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

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

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Valuation hierarchy Level 1 Market prices	Level 2 Estimates based on other observable market data	Level 3 Estimates not based on observable market data	ASSETS RECORDED AT AMORTIZED COST Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	TOTAL Total Carrying amount	Total fair value
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Other participations (net)		3,854	5,680,888	-	5,684,742	5,680,888	3,854	-	-	-	-	5,684,742	5,684,742
Other participations	See note 6b	3,854	5,680,888	-	5,684,742	5,680,888	3,854	-	-	-	-	5,684,742	5,684,742
Derivative instrument assets		-	-	154,153,538	154,153,538	-	154,153,538	-	-	-	-	154,153,538	154,153,538
Derivative instrument assets	See note 18-2	-	-	154,153,538	154,153,538	-	154,153,538	-	-	-	-	154,153,538	154,153,538
Non-current deposits and pledges		50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current deposits and pledges	See note 6a	50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current trade accounts receivable		-	-	-	-	-	-	-	16,589,053	-	16,589,053	16,589,053	16,589,053
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	15,222,532	-	15,222,532	15,222,532	15,222,532
Account receivable from relate entities	See note 9b	-	-	-	-	-	-	-	1,366,521	-	1,366,521	1,366,521	1,366,521
Non-current financial assets		54,322	5,680,888	154,153,538	159,888,748	5,680,888	154,207,860	-	16,589,053	-	16,589,053	176,477,801	176,477,801
Current trade accounts receivable		-	-	-	-	-	-	-	206,054,965	-	206,054,965	206,054,965	206,054,965
Current trade and other accounts receivable	See note 8a	-	-	-	-	-	-	-	134,403,204	-	134,403,204	134,403,204	134,403,204
Account receivable from relate entities	See note 9a	-	-	-	-	-	-	-	71,651,761	-	71,651,761	71,651,761	71,651,761
Current pledges and deposits		237,912	-	-	237,912	-	237,912	-	-	-	-	237,912	237,912
Current pledges and deposits	See note 6a	237,912	-	-	237,912	-	237,912	-	-	-	-	237,912	237,912
Derivative instrument of assets		-	-	3,119,212	3,119,212	-	3,119,212	-	-	-	-	3,119,212	3,119,212
Derivative instrument of assets	See note 18-2	-	-	3,119,212	3,119,212	-	3,119,212	-	-	-	-	3,119,212	3,119,212
Cash and cash equivalents		-	-	-	-	-	-	-	86,977,350	-	86,977,350	86,977,350	86,977,350
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	86,977,350	-	86,977,350	86,977,350	86,977,350
Current financial assets		237,912	-	3,119,212	3,357,124	-	3,357,124	-	293,032,315	-	293,032,315	296,389,439	296,389,439
Total financial assets		292,234	5,680,888	157,272,750	163,245,872	5,680,888	157,564,984	-	309,621,368	-	309,621,368	472,867,240	472,867,240

18. Financial instruments, continued

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

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

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

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

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

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

18. Financial instruments, continued

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

b) Details of financial instruments of liabilities classified by nature and category as of September 30, 2016 is as follows:

		LIABILITES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST	TOTAL	
				Valuation hierarchy					
Description of financial liabilities	Financial instrument expiry	Hedge derivative liabilities	Subtotal of liabilities 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	Debits and items payable	Total Carrying amount	Total Carrying amount
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Issuance of obligations and other non-current marketable securities	See note 16 b	-	-	-	-	-	372,976,117	372,976,117	387,979,465
Non-current debts with loan entities	See note 16 a	-	-	-	-	-	-	-	-
Long-term hedge derivative instrument of liabilities	See note 18-2	-	-	-	-	-	-	-	-
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities		-	-	-	-	-	-	-	-
Non-current financial liabilities		-	-	-	-	-	372,976,117	372,976,117	387,979,465
Issuance of short-term obligations and other marketable securities	See note 16 b	-	-	-	-	-	6,074,341	6,074,341	6,318,687
Short-term debts with credit entities	See note 16 a/c	-	-	-	-	-	64,155,362	64,155,362	64,155,362
Short-term derivative instrument of liabilities	See note 18-2	7,219,543	7,219,543	-	7,219,543	-	-	7,219,543	7,219,543
Trade and other accounts payable	See note 17	-	-	-	-	-	133,961,113	133,961,113	133,961,113
Accounts payable to related entities	See note 9 c	-	-	-	-	-	110,269,254	110,269,254	110,269,254
Current Other Financial Debt		-	-	-	-	-	-	-	-
Current financial liabilities		7,219,543	7,219,543	-	7,219,543	-	314,460,070	321,679,613	321,923,959
Total financial liabilities		7,219,543	7,219,543	-	7,219,543	-	687,436,187	694,655,730	709,903,424

18. Financial instruments, continued

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

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

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE: Hedge derivative liabilities	Subtotal of liabilities at fair value	Valuation hierarchy: Level 1 Market prices	Level 2 Estimates based on other observable market data	Level 3 Estimates not based on observable market data	LIABILITIES RECORDED AT AMORTIZED COST: Debits and items payable	TOTAL: Total Carrying amount	Total Carrying amount
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Issuance of obligations and other non-current marketable securities	See note 16 b	-	-	-	-	-	398,986,215	398,986,215	400,040,285
Non-current debts with loan entities	See note 16 a	-	-	-	-	-	68,972,097	68,972,097	69,073,704
Long-term hedge derivative instrument of liabilities	See note 18-2	7,656,345	7,656,345	-	7,656,345	-	-	7,656,345	7,656,345
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities		-	-	-	-	-	-	-	-
Non-current financial liabilities		7,656,345	7,656,345	-	7,656,345	-	467,958,312	475,614,657	476,770,334
Issuance of short-term obligations and other marketable securities	See note 16 b	-	-	-	-	-	4,155,334	4,155,334	4,155,334
Short-term debts with credit entities	See note 16 a/c	-	-	-	-	-	224,478	224,478	224,478
Short-term derivative instrument of liabilities	See note 18-2	3,427,938	3,427,938	-	3,427,938	-	-	3,427,938	3,427,938
Trade and other accounts payable	See note 17	-	-	-	-	-	175,030,138	175,030,138	175,030,138
Accounts payable to related entities	See note 9 c	-	-	-	-	-	81,567,128	81,567,128	81,567,128
Current Other Financial Debt							300,345	300,345	300,345
Current financial liabilities		3,427,938	3,427,938	-	3,427,938	-	261,277,423	264,705,361	264,705,361
Total financial liabilities		11,084,283	11,084,283	-	11,084,283	-	729,235,735	740,320,018	741,475,695

18. Financial instruments, continued

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

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

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

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

18. Financial instruments, continued

2. Hedging instruments

As of September 30, 2016, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as 09.30.2016	Up to 90 days	90 days to 1 year	Total current Assets (note 6)	Total current Liabilities (note 17)	To Maturity 1 to 3 years	To Maturity 3 to 5 years	Total non-current Assets (note 6)	Total non-current Liabilities (note 17)
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	(1,737,509)	(1,729,315)	(8,194)	-	(1,737,509)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(91,862)	(91,862)	-	29,333	(121,195)	-	-	-	-
Interest rate – cash flows hedge (4)	Financial Debt	13,477,460	(3,199,736)	228,524	2,389,627	(5,360,839)	-	16,448,672	16,448,672	-
Exchange rate and interest rate – fair value hedge (5)	Financial Debt	109,934,621	-	17,229,615	17,229,615	-	-	92,705,006	92,705,006	-
	Total	121,582,710	(5,020,913)	17,449,945	19,648,575	(7,219,543)	-	109,153,678	109,153,678	-

Hedge instruments have generated an effect on income of ThCh$ (32,603,934), As of September 30, 2016 the accumulated effect on equity is ThCh$ 11,976,127 (see note 22d).

As of December 31, 2015, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as 12.31.2015	Up to 90 days	90 days to 1 year	Total current Assets (note 6)	Total current Liabilities (note 17)	To Maturity 1 to 3 years	To Maturity 3 to 5 years	Total non-current Assets (note 6)	Total non-current Liabilities (note 17)
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	1,516,077	1,516,077	-	1,532,382	(16,305)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	16,489	16,489	-	49,404	(32,915)	-	-	-	-
Interest rate – fair value hedge (3)	Financial Debt	375,446	-	-	-	-	-	375,446	375,446	-
Interest rate – cash flows hedge (4)	Financial Debt	4,093,151	(2,180,739)	339,447	1,537,426	(3,378,718)	-	5,934,443	13,590,788	(7.656.345)
Exchange rate and interest rate – fair value hedge (5)	Financial Debt	140,187,304	-	-	-	-	22,659,002	117,528,302	140,187,304	-
	Total	146.188.467	(648,173)	339,447	3,119,212	(3,427,938)	22,659,002	123,838,191	154,153,538	(7,656,345)

Hedge instruments have generated an effect on income of ThCh$ 60,723,597, As of December 31, 2015 the accumulated effect on equity is ThCh$8,929,007 (see note 22d).

Description of hedge instruments:

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

18. Financial instruments, continued

3. Valuation of hedging instruments

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

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

a) Market assumptions such as spot prices and other price projections, credit risk (own and counterparty) and rates, using observable market information and through techniques commonly used among its participants.

b) Discount rates like risk free rates and counterparty rates (based on risk profiles and information available in the market)

c) In addition variables are incorporated to the model such as: volatility, correlation, regression formulas and market spread.

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

4. Fair value hierarchy of financial instruments

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

Level 1: Corresponds to methodologies of fair value measurement using market rates (without adjustments) in an active market considering the same assets and liabilities valued.

Level 2: Corresponds to methodologies of fair value measurement using data on market rates, not included in Level 1, that are observable for assets and liabilities valued, whether directly (i,e, as a price) or indirectly (i,e, derived from a price).

Level 3: Corresponds to methodologies of fair value measurement using valuation techniques that include information on assets and liabilities valued, which are not based on observable market information.

19. Other currents provisions

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

Concepts	09.30.2016 ThCh$	12.31.2015 ThCh$
Civil and regulatory(1)	998,203	591,254
Total	998,203	591,254

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

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

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

As of September 30, 2016 and December 31, 2015 the movements in provisions is as follows:

Movements	09.30.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	591,254	1,754,983
Increase in existing provisions	1,005,818	1,905,974
Provision used	(598,869)	(3,069,703)
Movement subtotal	406,949	(1,163,729)
Ending balance	998,203	591,254

20. Employee benefits accrual

a) Post employment benefits

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

As of September 30, 2016 and December 31, 2015 current and non-current employee benefits accrual are as follows:

Concepts	09.30.2016 ThCh$	12.31.2015 ThCh$
Current amount of liability recognized for termination benefits	3,816,542	3,416,667
Non-current amount of liability recognized for termination benefits	26,426,555	27,061,311
Total	30,243,097	30,477,978

As of September 30, 2016 and December 31, 2015 the movements for current employee benefits provisions are detailed as follows:

Movements	09.30.2016 ThCh$	12.31.2015 ThCh$
Beginning balance	30,477,978	30,738,412
Service costs	1,550,655	1,751,894
Interest costs	1,025,212	1,386,302
Actuarial (profits)/losses, net due to experience	(741,380)	(95,952)
Benefits paid	(2,069,368)	(358,766)
Others	-	(2,943,912)
Movement subtotal	(234,880)	(260,434)
Ending balance	30,243,097	30,477,978

20. Employee benefits accrual, continued

a) Post employment benefits, continued

Actuarial Hypotheses

The hypotheses used for the actuarial calculation of employee benefits obligations are reviewed once a year and as of September 30, 2016 and December 31, 2015 are detailed as follows:

- **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.
- **Incremental Salary Rate:** An increase table is used according to the inflation projection established by the Central Bank of Chile. The rate used for the September 30, 2016 and December 31, 2015 period was 3%.
- **Mortality:** The RV 2009 mortality tables established by the Superintendency of Securities and Insurance are used to calculate social life insurance reserves in Chile.
- **Turnover rate:** Based on the historical Company data, turnover rate used is 5.46% for both periods.
- **Years of service:** The Company assumes that the employees will remain until they are of legal retirement age, (women up to 60 years old and men up to 65 years old).

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

b) Sensitivity of assumptions

Based on the actuarial calculation as of September 30, 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%	(1,945,989)	2,180,936

20. Employee benefits accrual, continued

c) Expected cash flows

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

Description	1st year ThCh$	2nd year ThCh$	3rd year ThCh$
Future payment cash flows	4,268,048	2,863,812	2,842,880

d) Employee benefits expenses

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

Concepts	07.01.2016 to 09.30.2016 ThCh$	09.30.3016 ThCh$	07.01.2015 to 09.30.2015 ThCh$	09.30.2015 ThCh$
Wages and salaries	16,834,321	52,584,123	18,039,546	54,285,758
Post employment benefit obligations expense	809,618	2,577,489	770,346	2,556,956
Total	17,643,939	55,161,612	18,809,892	56,842,714

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

Other non-financial liabilities are detailed as follows:

Concepts	09.30.2016		12.31.2015	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Deferred income	5,058,263	3,264,528	4,653,165	4,161,566
Connection installments	116,840	177,543	393,983	220,726
Other Deferred income (1)	4,941,423	3,086,985	4,259,182	3,940,840
Subsidies	143,003	1,203,137	143,003	1,316,886
Puerto Natales and Cerro Castillo Fiber Optics Network	52,623	574,469	52,623	613,936
Connectivity for service networks and Community Telecommunications Centers	90,380	628,668	90,380	702,950
Other taxes (2)	16,816,428	-	14,535,884	-
Total	22,017,694	4,467,665	19,332,052	5,478,452

(1) The current portion mainly includes self-financed projects in the amount of MCh$ 2,617 and non-current portion includes entitlements for the use of underwater cables in the amount of MCh$1,535 and sold capacity in the amount of MCh$951.

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

Movements of the deferred income are as follows:

Movements	09.30.2016		12.31.2015	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Beginning balance	4,796,168	5,478,452	5,349,300	6,191,689
Endowments	14,478,722	826,386	12,695,304	1,641,540
Reduction/applications	(14,073,624)	(1,837,173)	(13,248,436)	(2,354,777)
Movement subtotal	405,098	(1,010,787)	(553,132)	(713,237)
Ending balance	5,201,266	4,467,665	4,796,168	5,478,452

22. Equity

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

No changes were introduced in the objectives, policies or processes during the periods ended as of September 30, 2016 and December 31, 2015.

a) Capital

As of September 30, 2016 and December 31, 2015, the Company's paid-in capital is composed as follows:

Number of shares

Series	09.30.2016 N° of shares subscribed	09.30.2016 N° of shares paid	09.30.2016 N° of shares with voting rights	12.31.2015 N° of shares subscribed	12.31.2015 N° of shares paid	12.31.2015 N° of shares with voting rights
A	874,049,316	864,442,610	864,442,610	873,995,447	873,995,447	873,995,447
B	83,161,638	82,004,664	82,004,664	83,161,638	83,161,638	83,161,638
Total	957,210,954	946,447,274	946,447,274	957,157,085	957,157,085	957,157,085

Capital

Series	09.30.2016 Subscribed capital ThCh$	09.30.2016 Paid-in capital ThCh$	12.31.2015 Subscribed capital ThCh$	12.31.2015 Paid-in capital ThCh$
A	528,009,572	528,009,572	527,852,620	527,852,620
B	50,089,210	50,089,210	50,225,762	50,225,762
Total	578,098,782	578,098,782	578,078,382	578,078,382

Series A and B shares are registered and each series is correlatively numbered, Series A and B shares have the same dividend distribution rights.

Series A shares can elect 13 of the 14 Directors. The shareholders of Series B elect one regular Director and one deputy Director.

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

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

As determined in the exchange equation, performed by experts for each share of Telefónica Larga Distancia S.A. based on the financial statements as of December 31, 2015.

22. Equity, continued

a) Capital, continued

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

b) Distribution of shareholders

As established in Circular No, 792 issued by the Superintendency of Securities and Insurance ("SVS") of Chile, the distribution of shareholders based on their participation in the Company as of September 30, 2016 is as follows:

Type of Shareholder	Participation percentage %	Number of shareholders
Participation of 10% or more	97.915	1
Less than 10% participation:		
Investment equal to or exceeding UF 200	1.554	184
Investment under UF 200	0.531	8,854
Total	100	9,039
Company's parent	97.915	1

As of September 30, 2016 and December 31, 2015, the indirect participation of Telefónica Chile Holding BV, in the equity of Telefónica Chile S.A. reached 96.22%.

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

c) Dividends:

i) Dividends policy:

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

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

22. Equity, continued

c) Dividends, continued

ii) Capital decrease and dividends distributed:

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

Date	Number dividend	Dividend	Amount distributed ThCh$	Value per share Ch$	Charge to net income	Payment date
May-11-2015		Final	12,443,043	13.0000	Fiscal year 2014	May - 2015
May-13-2016		Final	7,375,149	7.8000	Fiscal year 2015	May - 2016

d) Other reserves:

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

Concepts	Balance of 12.31.2015 ThCh$	Net movement ThCh$	Balance of 09.30.2016 ThCh$
Cash flows hedge reserve	8,929,007	3,047,120	11,976,127
Employee benefits reserve, net tax	(3,202,897)	494,380	(2,708,517)
Reserve for financial assets available for sale	4,932	1,739,067	1,743,999
Proposed dividends reserve	(7,375,149)	7,375,149	-
Treasury stock reserve	-	(7,563,363)	(7,563,363)
Total	(1,644,107)	5,092,353	3,448,246

i) Cash flows hedge reserve

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

ii) Employee benefits reserve

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

iii) Reserves for financial assets available for sale

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

iv) Proposed dividends reserve

In order to recognize the payment obligation of a minimum dividend equivalent to 30% of income, this reserve is established at each year-end and is used when the Ordinary Shareholders' Meeting agrees on the final distribution of dividends.

22. Equity, continued

d) Other reserves, continued

v) Treasury stock reserve

Corresponds to the disbursement for the purchase of the Company's shares from dissidents due to the merger by incorporation of Telefónica Larga Distancia S.A. in Telefónica Chile S.A.

e) Non-controlling interest

As of September 30, 2016 and December 31, 2015 recognition of the share of equity belonging to third parties is detailed as follows:

Subsidiaries	Non-controlling Interest percentage 2016 %	2015 %	Shareholders' equity Non-controlling interest 2016 ThCh$	2015 ThCh$
Telefónica Larga Distancia S,A,	-	0.070000	-	48,708
Telefónica de Chile Servicios Corporativos Ltda,	49.000000	49.000000	17,899,397	14,135,014
Total			17,899,397	14,183,722

As of September 30, 2016 and 2015 recognition of the share in income of subsidiaries is detailed as follows:

Filiales	Non-controlling Interest percentage 2016 %	2015 %	Participation in profit income (loss) 07.01.2016 to 09.30.2016 ThCh$	09.30.2016 ThCh$	07.01.2015 to 09.30.2015 ThCh$	09.30.2015 ThCh$
Telefónica Larga Distancia S.A.	-	0,070000	-	-	3,924	9,974
Telefónica Chile Servicios Corporativos Ltda.	49.000000	49.000000	1,228,885	3,312,330	1,345,664	2,859,592
Total			1,228,885	3,312,330	1,349,588	2,869,566

23. Earnings per Share

The details of Earnings per share are as follows:

Basic earnings per share	07.01.2016 to 09.30.2016 ThCh$	09.30.2016 ThCh$	07.01.2015 to 09.30.2015 ThCh$	09.30.2015 ThCh$
Earnings attributable to owners of the parent	(2,430,484)	12,796,041	9,839,891	17,389,517
Profit available for shareholders	(2,430,484)	12,796,041	9,839,891	17,389,517
Weighted average number of shares	957,210,954	957,210,954	957,157,085	957,157,085
Basic earnings per share in Ch$	(2.54)	13.37	10.28	18.17

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

24. Income and Expenses

a) The details of income from ordinary operations as of September 30, 2016 and 2015 are as follows:

Ordinary income	07.01.2016 to 09.30.2016 ThCh$	09.30.2016 ThCh$	07.01.2015 to 09.30.2015 ThCh$	09.30.2015 ThCh$
Fixed Telecommunications	55,621,864	167,138,550	55,673,114	166,546,790
Broadband (1)	49,018,971	144,775,723	46,711,660	135,791,247
Television	43,476,223	129,949,229	43,116,064	126,455,467
Corporate Communication	28,920,449	86,409,566	27,570,170	76,036,351
Long Distance	4,724,929	18,002,932	6,588,958	20,630,424
Other Businesses	25,872	269,375	124,103	222,307
Total	181,788,308	546,545,375	179,784,069	525,682,586

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

b) The detail of other operating income as of September 30, 2016 and 2015 are as follows:

Other income	07.01.2016 to 09.30.2016 ThCh$	09.30.2016 ThCh$	07.01.2015 to 09.30.2015 ThCh$	09.30.2015 ThCh$
Income from indemnities, complaints and others	45,864	780,989	36,886	94,698
Income from disposal of real property	162,163	235,861	260,030	705,909
Other current management income	(69,866)	129,117	99,308	159,436
Total	138,161	1,145,967	396,224	960,043

c) The detail of other expenses by nature of the operation as of September 30, 2016 and 2015 are as follows:

Other expenses	07.01.2016 to 09.30.2016 ThCh$	09.30.2016 ThCh$	07.01.2015 to 09.30.2015 ThCh$	09.30.2015 ThCh$
Media rental	26,320,394	78,525,231	25,896,153	73,664,566
Cost of sale of inventory	12,558,659	34,287,721	5,600,626	18,223,060
Plant maintenance	9,499,815	29,840,552	10,063,927	32,673,772
Interconnections	8,080,137	27,384,681	10,429,342	30,646,755
Other exterior services	9,302,105	25,745,982	11,064,813	24,211,222
Sales commissions	6,780,398	23,471,964	8,341,652	25,781,177
Information services	6,879,878	19,356,071	6,488,313	17,734,396
Customer service	5,657,230	18,668,530	6,056,602	18,968,229
Allowance for doubtful accounts	4,513,879	14,796,557	4,104,788	12,316,488
Energy	3,717,994	10,652,132	3,042,253	7,668,447
Advertising	3,987,215	10,211,392	3,652,963	12,157,082
Other	2,738,131	11,631,529	5,945,493	15,937,128
Total	100,035,835	304,572,342	100,686,925	289,982,322

24. Income and Expenses, continued

d) The detail of financial expenses, net, as of September 30, 2016 and 2015 is as follows:

Financial expenses, net	07.01.2016 to 09.30.2016 ThCh$	09.30.2016 ThCh$	07.01.2015 to 09.30.2015 ThCh$	09.30.2015 ThCh$
Interest income				
Interest earned on deposits	374,636	1,132,516	556,775	2,294,452
Interest on financial instruments	12,490	29,024	3,586	8,150
Other interest income	405,665	981,132	442,849	1,211,401
Total interest income	792,791	2,142,672	1,003,210	3,514,003
Interest expense				
Interest on loans from bank institutions	3,993,629	11,968,999	4,490,966	12,161,561
Interest on mercantile mandate	747,572	2,169,097	1,071,185	3,034,557
Interest on obligations banking institutions	448,095	1,347,306	413,121	1,152,403
Interest rate hedges (Cross Currency Swap)	361,444	1,276,166	(332,836)	203,514
Other financial expenses	318,684	1,222,290	243,640	573,099
Total interest expense	5,869,424	17,983,858	5,886,076	17,125,134
Total finance income and costs, net	(5,076,633)	(15,841,186)	(4,882,866)	(13,611,131)

e) Foreign currency translation and indexation units as of September 30, 2016 and 2015 are detailed as follows:

Currency translation	07.01.2016 to 09.30.2016 ThCh$	09.30.2016 ThCh$	07.01.2015 to 09.30.2015 ThCh$	09.30.2015 ThCh$
Other financial transactions	-	-	(16,157)	39,843
Current accounts receivable from related entities	(79,172)	(1,474,971)	102,715	457,778
Current accounts payable to related entities	8,152	1,276,418	(256,801)	(748,143)
Current trade and other accounts receivable	5,401	(608,460)	(786,796)	(768,464)
Trade and other accounts payable	235,134	1,062,544	(1,445,942)	(1,949,712)
Cash and cash equivalents	283,825	(381,700)	267,911	477,282
Financial investments	-	-	2,245,211	3,427,693
Financial debt	1,986,828	30,913,113	(33,946,356)	(52,652,092)
Leasing financial debt	-	-	69,001	(23,203)
Hedge instruments	(2,672,595)	(31,380,228)	33,237,468	51,229,997
Total	(232,427)	(593,284)	(529,746)	(509,021)

Indexation units	07.01.2016 to 09.30.2016 ThCh$	09.30.2016 ThCh$	07.01.2015 to 09.30.2015 ThCh$	09.30.2015 ThCh$
Cash and cash equivalents	(253)	(253)	9,879	9,879
Current trade and other accounts receivable	(1,310)	(2,667)	9,311	9,301
Trade and other accounts payable	4,788	4,788	(8,341)	(8,281)
Current payables to related companies	-	-	(25,725)	(25,725)
Current tax assets	112,116	165,331	-	-
Financial investments	-	-	32,859	32,859
Financial debt	8,067	-	(25,950)	(28,979)
Leasing financial debt	-	(26)	(1,799)	(14,321)
Hedge instruments	-	-	596,055	646,892
Total	123,408	167,173	586,289	621,625

25. Leases

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

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

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

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

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

Concepts	07.01.2016 to 09.30.2016 ThCh$	09.30.2016 ThCh$	07.01.2015 to 09.30.2015 ThCh$	09.30.2015 ThCh$
Minimum operating lease payments recognized as expenses	2,606,808	6,995,667	2,012,997	5,816,544

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

Concepts	09.30.2016			12.31.2015		
	Gross amount ThCh$	Accumulated depreciation ThCh$	Net value ThCh$	Gross amount ThCh$	Accumulated depreciation ThCh$	Net value ThCh$
Financial leases recognized as assets	5,304,293	(4,975,578)	328,715	5,304,293	(4,969,765)	334,528

25. Leases, continued

Future obligations on financial and operating leases as of September 30, 2016 and 2015 are detailed as follows:

Concepts	Up to one year ThCh$	From one to five years ThCh$	More than 5 years ThCh$	Total ThCh$
	09.30.2016			
Minimum financial lease payments payable	-	-	-	-
Future financial burden due to financial leases	-	-	-	-
Minimum operating lease payments payable	5,950,676	5,760,875	43,270	11,754,821

Concepts	Up to one year ThCh$	From one to five years ThCh$	More than 5 years ThCh$	Total ThCh$
	09.30.2015			
Minimum financial lease payments payable	269,132	-	-	269,132
Future financial burden due to financial leases	1,177	-	-	1,177
Minimum operating lease payments payable	5,804,648	9,144,101	686,541	15,635,290

26. Local and Foreign Currency

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

Currents assets	09.30.2016 ThCh$	12.31.2015 ThCh$
Cash and cash equivalents	74,407,005	86,977,350
US Dollars	383,190	978,727
Euros	32,177	45,065
Chilean Pesos	73,991,638	85,953,558
Other current financial assets	19,705,255	3,357,124
US Dollars	-	3,288,063
Chilean Pesos	19,705,255	-
U.F.	-	69,061
Current trade and other accounts receivable	148,653,314	134,403,204
Euros	24,076	11,709
Chilean Pesos	148,498,012	134,146,691
U.F	131,226	244,804
Current receivables from related companies	86,792,197	71,651,761
US Dollars	4,621,455	3,593,473
Chilean Pesos	81,955,596	68,058,288
Other currencies	215,146	-
Other current assets (1)	50,471,831	46,771,493
Chilean Pesos	50,471,831	46,771,493
Total current assets	380,029,602	343,160,932
US Dollars	5,004,645	7,860,263
Euros	56,253	56,774
Chilean Pesos	374,622,332	334,930,030
U.F.	131,226	313,865
Other currencies	215,146	-

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

Non-currents assets	09.30.2016 ThCh$	12.31.2015 ThCh$
Other non-current financial assets	116,627,955	159,888,748
US Dollars	1,853,129	140,187,305
Chilean Pesos	114,774,826	19,701,443
Non-current trade and other accounts receivable	19,115,391	15,222,532
Chilean Pesos	19,115,391	15,222,532
Non-current receivables from related companies	1,366,521	1,366,521
Chilean Pesos	1,366,521	1,366,521
Other non-current assets (2)	1,037,213,644	1,060,465,949
Chilean Pesos	1,037,213,644	1,060,465,949
Total non-current assets	1,174,323,511	1,236,943,750
US Dollars	1,853,129	140,187,305
Chilean Pesos	1,172,470,382	1,096,756,445

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

26. Local and Foreign Currency, continued

The detail for currency of current liabilities is as follows:

Currents liabilities	09.30.2016	12.31.2015	09.30.2016	12.31.2015
	to 90 days ThCh$		De 91 days a 1 years ThCh$	
Other current financial liabilities	7,211,350	4,573,685	70,237,896	3,534,410
US Dollars	1,848,959	101,721	70,120,119	2,598,459
Euros	1,552	-	-	-
Chilean Pesos	5,360,839	4,350,612	117,777	-
U.F.	-	121,352	-	935,951
Trade and other payables	133,961,113	176,752,011	-	-
US Dollars	24,840,896	31,414,721	-	-
Euros	269,390	659,099	-	-
Chilean Pesos	106,624,088	126,138,335	-	-
U.F.	2,226,739	18,539,856	-	-
Current receivables from related companies	110,269,254	81,567,128	-	-
US Dollars	3,802,596	3,868,571	-	-
Euros	67,840		-	
Chilean Pesos	106,398,818	77,698,557	-	-
Other current liabilities (1)	2,879,310	4,829,667	26,832,439	21,618,100
Chilean Pesos	2,879,310	4,829,667	26,832,439	21,618,100
Total current liabilities	254,321,027	267,722,491	97,070,335	25,152,510
US Dollars	30,492,451	35,385,013	70,120,119	2,598,459
Euros	338,782	659,099	-	-
Chilean Pesos	221,263,055	213,017,171	26,950,216	21,618,100
U.F.	2,226,739	18,661,208	-	935,951

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

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

Non-current liabilities	09.30.2016	12.31.2015	09.30.2016	12.31.2015	09.30.2016	12.31.2015
	1 to 3 years ThCh$		3 to 5 years ThCh$		5 years and over ThCh$	
Other non-current financial liabiliti	46,572,882	68,972,097	-	54,270,851	326,403,236	352,371,709
US Dollars	46,572,882	68,972,097	-	-	326,403,236	352,371,709
Chilean Pesos	-	-	-	54,270,851	-	-
Non-current Current payables to related companies	-	-	21,922,562	21,181,406	-	-
Chilean Pesos	-	-	21,922,562	21,181,406	-	-
Other non-current liabilities (2)	(9,793,494)	1,063,488	23,018,990	15,033,659	98,488,817	92,254,280
Chilean Pesos	(9,793,494)	1,063,488	23,018,990	15,033,659	98,488,817	92,254,280
Other non-current liabilities	36,779,388	70,035,585	44,941,552	90,485,916	424,892,053	444,625,989
US Dollars	-	68,972,097	-	-	326,403,236	352,371,709
Chilean Pesos	36,779,388	1,063,488	44,941,552	90,485,916	98,488,817	92,254,280

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

27. Contingencies and restrictions

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

Notwithstanding there are certain proceedings in which due to the aforementioned considerations it is believed that there is a risk of loss that is rated as probable, which has motivated the establishment of provisions for the amount of what would be the estimated loss as of September 30, 2016, which altogether amounts to ThCh$998,203. It is estimated that Telefónica Chile S.A. must pay the amount of ThCh$215,312 during the fourth quarter of 2016.

On the other hand, there is a set of processes for which it is estimated that there is a risk of loss that is qualified as possible, for a total amount of ThCh$1,334,818.

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

a) Miscellaneous lawsuits

i) Labor lawsuits

During the normal course of operations, labor lawsuits have been filed against Telefónica Chile S.A. for a total amount of ThCh$830,241.

ii) Tax contingency

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

27. Contingencies and restrictions, continued

b) Financial restrictions:

As of September 30, 2016 the Company has no financial restrictions.

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

The Company has current loan agreements signed by the parent, Telefonica Chile S.A. with financial entities:

i) International loan with Sovereing Bank N.A, in the amount of US$ 97.5 million, expiring in April 2017.

This financial entity impose obligations of several types on the Company during the term of the loans, which are usual for this type of financing. The Company reports in a quarterly manner to that entity in accordance with agreed upon terms and dates, Compliance with that financial index is reported through a certificate of covenants issued by the external audit firm.

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

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

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

Bond issuance contracts impose certain limits on the Company's financial debt indicator and obligations to do and not to do, usual for this type of financing. The Company reports the debt ratio in a quarterly manner to the representatives of the bondholders, in accordance with the agreed-upon dates. The clause establishes that the debt ratio cannot exceed 2.5, measured by the quotient between demand liabilities (deducting hedge assets associated to the financial debt) and consolidated equity, Compliance with that financial index is reported through the certificate of covenants issued by the external audit firm.

In summary the debt agreements contemplate the following financial restrictions:

	Financial restrictions
144A Bond	There are none
Q Bond	There are none
International loan with Sovereing Bank N.A,	There are none

27. Contingencies and restrictions, continued

b) Financial restrictions, continued

The obligations arising from the financing contracts mentioned above have been fulfilled as of September 30, 2016 and December 31, 2015, the debt ratio is calculated on the consolidated financial statements, and the values determined are:

	09.30.2016 ThCh$	12.31.2015 ThCh$
Total debt	729,202,102	740,749,741
Total Current Liabilities	351,391,362	292,875,001
Total Non-current Liabilities	506,612,993	605,147,490
Current Hedge Assets (less)*	19,648,575	3,119,212
Non-current Hedge Assets (less)*	109,153,678	154,153,538
Net shareholders' equity	696,348,758	682,082,191
Total debt	729,202,102	740,749,741
Net shareholders' equity	696,348,758	682,082,191
Debt ratio	1.05	1.09

* Financial liabilities are deducted since they are hedges associated to financial debt,

Non-compliance with this clause implies that all obligations assumed in these financing contracts would become due and payable, however a period is provided to overcome the non-compliance.

The Covenants ratio has been fulfilled as of September 30, 2016 and December 31, 2015.

27. Contingencies and restrictions, continued

c) Guarantee deposits:

The detail of guarantee deposits is as follows:

Guarantee creditor	Debtor		Type of guarantee	Current guarantee deposits	Liberated guarantees		
	Name	Relationship			2016	2017	2018 & thereon
				ThCh$	ThCh$	ThCh$	ThCh$
Conect S.A.	TCH	Parent company	Deposit	1,039,823	-	-	1,039,823
Subsecretaría de Telecomunicaciones	TCH	Parent company	Deposit	1,030,536	-	-	1,030,536
Serviu Región Metropolitana	TCH	Parent company	Deposit	373,875	245,730	-	128,145
MOP- Dirección Región de Vialidad Coquimbo	TCH	Parent company	Deposit	204,624	-	204,624	-
Corporación de Fomento de la Producción	TCH	Parent company	Deposit	122,400	-	122,400	-
Others guarantees (1)	TCH	Parent company	Deposit	760,642	267,350	355,218	138,074
Gendarmería de Chile	TEM	Subsidiary	Deposit	1,448,524	-	1,003,352	445,172
Servicio Electoral	TEM	Subsidiary	Deposit	1,380,289	-	1,380,289	-
Banco del Estado de Chile	TEM	Subsidiary	Deposit	842,100	160,923	489,908	191,269
Subsecretaría de Educación	TEM	Subsidiary	Deposit	834,040	-	-	834,040
Fundación Integra	TEM	Subsidiary	Deposit	578,476	150,000	-	428,476
Cemento Bio Bio S.A.	TEM	Subsidiary	Deposit	542,125	-	-	542,125
Estado Mayor Conjunto	TEM	Subsidiary	Deposit	449,099	-	449,099	-
Tesorería del Estado Mayor General del Ejercito	TEM	Subsidiary	Deposit	424,998	-	-	424,998
Banca Corporativa	TEM	Subsidiary	Deposit	364,435	-	364,435	-
Asociación Chilena de Seguridad	TEM	Subsidiary	Deposit	324,293	-	-	324,293
CDEC Sing. Ltda.	TEM	Subsidiary	Deposit	281,068	-	-	281,068
Comando Logístico de la Fuerza Aérea	TEM	Subsidiary	Deposit	163,030	-	-	163,030
Aguas Andinas S.A.	TEM	Subsidiary	Deposit	151,306	-	-	151,306
Org. Europea para la Investigación Astronómica en el Hemisferio Austral.	TEM	Subsidiary	Deposit	145,315	145,315	-	-
Redbanc S.A.	TEM	Subsidiary	Deposit	120,768	-	120,768	-
Policía de Investigaciones de Chile	TEM	Subsidiary	Deposit	111,629	-	111,629	-
Intendencia Región Antofagasta	TEM	Subsidiary	Deposit	110,544	-	110,544	-
Fundación de Beneficencia Hogar de Cristo	TEM	Subsidiary	Deposit	106,707	-	106,707	-
Empresa Nacional de Certificación Electrónica.	TEM	Subsidiary	Deposit	104,701	104,701	-	-
Minera Centinela	TEM	Subsidiary	Deposit	103,593	-	103,593	-
Others guarantees (1)	TEM	Subsidiary	Deposit	4,515,200	645,238	1,834,402	2,035,560
Total				16,634,140	1,719,257	6,756,968	8,157,915

(1) This item includes all guarantees with a value of less than ThCh$100,000, for each company.
TCH: Telefónica Chile S.A.
TEM: Telefónica Empresas Chile S.A.

28. Environment

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

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

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

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

The Company is in the process of evaluating each phase contemplated by Law to identify and quantify its impact, As of September 30, 2016 the Company's expenditures in relation to the implementation of the corresponding phases are not significant.

29. Risk management (Not audited)

a) Competition

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

b) New Tariff Decree

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

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

Interconnection tariffs that will be in force for Telefónica Móviles Chile S.A., for the 2014 – 2019 periods and will affect Telefónica Chile S.A., are established in Decree No. 21, dated January 9, 2014, issued by the Ministries of Transportation and Telecommunications and of Economy, Development and Tourism. It established that as of January 25 the access charge will begin to decrease by 73% on average. The Contraloría General de la República made observations in its review process of Decree No. 21 and ultimately, on May 29 it decided to accept the technical and economic information presented by Subtel and reviewed the tariff decrees that establish access charges for mobile companies for the 2014-2019 five-year terms.

Due to the above, mobile access charges dropped by approximately 75% and replace the tariff decrees established in 2009, therefore it is established that the value of the access charge which as of December 2013 averaged Ch$59 per minute, without taxes, now has a value of Ch$14.6 on average per minute, without taxes for the first year. This tariff will continue dropping in the next years until it reaches an average value of Ch$7.6 per minute in 2019, which will imply a difference of approximately 87% in comparison to the tariff that was in force in December 2013.

On September 4, 2014, the Official Gazette published the new access charges tariffs for Telefónica Móviles Chile S.A. for the 2014-2019 five-year periods.

29. Risk management (Not audited), continued

c) Technological changes

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

d) Level of Chilean economic activity

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

e) Financial risk management objectives and polices

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

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

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

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

Market Risk

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

29. Risk management (Not audited), continued

e) Financial risk management objectives and polices, continued

Interest rate risk

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

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

The Company periodically determines the efficient exposure to short and long-term debt due to changes in interest rates, considering its own expectations regarding future evolution of rates. As of September 30, 2016 the Company had 19% of its current and non–current financial debt accruing interest at a fixed rate.

The Company believes it is reasonable to measure the risk associated to interest on the financial debt such as the sensitivity of the monthly financial accrual expense in case of a change of 25 basic points in the reference interest rate of the debt, which as of September 30, 2016 corresponds to the Nominal Average Chamber Rate (TCPN) ("Tasa Promedio de Cámara Nominal"), In this manner, an increase of 25 basic points in the monthly TCPN would mean an increase in the monthly financial accrual expense for 2016 of approximately ThCh$56,460, whereas a decrease in the TCPN would mean a reduction of ThCh$52,460 in the monthly financial accrual expense for 2016.

Foreign currency risk

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

29. Risk management (Not audited), continued

e) Financial risk management objectives and polices, continued

Credit risk

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

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

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

The limits are established to reduce counterpart risk concentration.

Liquidity risk

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

Capital management

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

The Company's main objective related to capital management is to ensure that it has a strong credit rating and prosperous capital ratios to support its businesses and maximize shareholder value. Return on equity (income/total average equity) as of September 30, 2016 amounts to 1.86%, a 27.65% decrease in comparison to September 2015, where it reached 2.57%. The above is mainly due to an increase in tax expenses in comparison to the 2015 period.

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

There were no changes in the objectives, policies or processes during the periods ended as of September 30, 2016 and 2015.

29. Risk management (Not audited), continued

f) Regulatory Framework

Numeric Portability

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

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

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

30. Subsequent events

The consolidated financial statements of Telefónica Chile S.A., for the period ended as of September 30, 2016, were approved and their issuance was authorized at the Board of Directors Meeting held on October 25, 2016.

In the period from October 1 to 25, 2016, there have been no other significant subsequent events that affect these consolidated financial statements.

Alejandro Gil Ibarra Accounting Manager	Juan Parra Hidalgo Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager