Telefónica

CHILE S.A. AND SUBSIDIARIES

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended as of

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

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

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Notes to the Consolidated Financial Statements

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

	Notes	03.31.2017	12.31.2016
		ThCh$	ThCh$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	(5)	110,618,265	127,307,052
Other current financial assets	(6)	20,390,608	19,673,744
Other current non-financial assets	(7)	27,159,807	23,262,569
Current trade and other accounts receivable	(8a)	149,254,561	144,725,272
Current receivables from related companies	(9a)	89,982,562	83,554,655
Inventory	(10a)	16,836,401	14,103,938
Current tax assets	(11b)	2,050,509	4,842,056
TOTAL CURRENT ASSETS		416,292,713	417,469,286
NON-CURRENT ASSETS			
Other non-current financial assets	(6)	112,158,023	119,397,268
Other non-current non-financial assets	(7)	6,600,208	6,829,458
Non-current trade and other accounts receivable	(12a)	18,107,246	19,185,750
Non-current receivables from related companies	(9b)	1,366,521	1,366,521
Intangible assets other than goodwill, net	(13a)	44,919,387	43,823,361
Goodwill	(14)	21,660,128	21,660,128
Property, plant and equipment, net	(15a)	951,714,024	963,438,461
Deferred tax assets	(11c)	3,920,708	7,444,019
TOTAL NON-CURRENT ASSETS		1,160,446,245	1,183,144,966
TOTAL ASSETS		1.576.738.958	1,600,614,252

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

	Notes	03.31.2017	12.31.2016
		ThCh$	ThCh$
LIABILITIES			
CURRENT LIABILITIES			
Other current financial liabilities	(16)	77,141,124	73,562,377
Trade and other payables	(17a)	135,981,413	195,083,237
Current payables to related companies	(9c)	100,418,961	85,904,101
Other current provisions	(19)	645,857	218,680
Current tax liabilities	(11f)	5,086,662	5,025,140
Current employee benefits accrual	(20a)	6,080,801	5,989,507
Other current non-financial liabilities	(21)	24,056,182	24,190,074
TOTAL CURRENT LIABILITIES		349,411,000	389,973,116
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	(16)	432,925,803	386,554,946
Non-current Current payables to related companies	(9d)	-	22,174,222
Other non-current provisions	(15a)	1,076,666	1,058,938
Deferred tax liabilities	(11c)	75,986,356	78,021,916
Non-current employee benefits accrual	(20a)	31,015,014	30,664,822
Other non-current non-financial liabilities	(21)	4,215,425	4,335,852
TOTAL NON-CURRENT LIABILITIES		545,219,264	522,810,696
TOTAL LIABILITIES		894.630.264	912,783,812
NET SHAREHOLDERS' EQUITY			
Issued capital	(22a)	578,098,782	578,098,782
Retained earnings		96,846,125	97,805,807
Other reserves	(22d)	(9,534,876)	(5,065,225)
Shareholders' equity attributable to owners of the parent		665,410,031	670,839,364
Non-controlling interest	(22e)	16,698,663	16,991,076
TOTAL NET SHAREHOLDERS' EQUITY		682,108,694	687,830,440
TOTAL NET LIABILITIES & SHAREHOLDERS' EQUITY		1.576.738.958	1,600,614,252

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

	Notes	For the three-month period ended March 31, 2017	2016
STATEMENTS OF COMPREHENSIVE INCOME		ThCh$	ThCh$
Income from ordinary operations	(24a)	194,366,405	197,154,496
Other income	(24b)	228,597	715,148
Employee benefits expenses	(20d)	(36,004,998)	(34,300,425)
Depreciation and amortization expense	(13b)(15b)	(43,680,831)	(45,972,768)
Other expenses, by nature	(24c)	(103,899,168)	(101,735,432)
Profit from operating activities		11,010,005	15,861,019
Interest income	(24d)	1,462,446	664,146
Interest expense	(24d)	(6,531,527)	(5,281,549)
Foreign exchange differences	(24e)	(184,602)	212,332
Income from indexation units	(24e)	(3,930)	(23,198)
Profits before tax from continuing operations		5,752,392	11,432,750
Income tax expense	(11e)	(6,738,702)	319,118
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(986,310)	11,751,868
Profit attributable to holders of equity instruments of the controller and minority interest:			
Profit attributable to owners of the parent		(959,682)	11,269,212
Profit attributable to non-controlling interest	(22e)	(26,628)	482,656
PROFIT (LOSS)		(986,310)	11,751,868
EARNINGS PER SHARE		Ch$	Ch$
Earnings per basic share			
Earnings per basic share for continuing operations	(23)	(1.00)	11.77
Earnings per basic share for discontinuing operations		-	-
Earnings per basic share		(1.00)	11.77
Diluted earnings per share			
Diluted earnings per share from continuing operations		(1.00)	11.77
Diluted earnings per share from discontinuing operations		-	-
Diluted earnings per share		(1.00)	11.77

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

STATEMENTS OF COMPREHENSIVE INCOME	For the three-month period ended March 31, 2017 ThCh$	2016 ThCh$
PROFIT (LOSS) FOR THE PERIOD	(986,310)	11,751,868
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	(541,315)	131,818
Total other comprehensive income that will not be reclassified to income for the period	(541,315)	131,818
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	43,900	1,053,515
Profit (loss) on cash flow hedges	(5,643,034)	2,400,004
Total Components of other comprehensive income that will be reclassified to income for the period	(5,599,134)	3,453,519
Total other components of other comprehensive income, before taxes	(6,140,449)	3,585,337
Income taxes associated to components of other comprehensive income which will not be reclassified to income for the period		
Income taxes associated to new measurements of defined benefits plans of other comprehensive income	3,375	37,459
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	1,401,638	(1,447,263)
Total income taxes associated to components of other comprehensive income	1,405,013	(1,409,804)
TOTAL OTRO RESULTADO INTEGRAL	(4,735,436)	2,175,533
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(5,721,746)	13,927,401
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Comprehensive income attributable to owners of the parent	(5,960,903)	13,365,261
Comprehensive income attributable to non-controlling interest	(292,413)	562,140
TOTAL COMPREHENSIVE INCOME	(5,721,746)	13,927,401

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

CONSOLITED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	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 01.01.2017	578,098,782	6,278,643	(5,145,497)	1,364,990	(7,563,361)	(5,065,225)	97,805,807	670,839,364	16,991,076	687,830,440
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	(959,682)	(959,682)	(26,628)	(986,310)
Other comprehensive income	-	(4,241,396)	(272,155)	43,900	-	(4,469,651)	-	(4,469,651)	(265,785)	(4,735,436)
Comprehensive income	-	(4,241,396)	(272,155)	43,900	-	(4,469,651)	(959,682)	(5,429,333)	(292,413)	(5,721,746)
Dividends	-	-	-	-	-	-	-	-	-	-
Total changes in shareholders' equity	-	(4,241,396)	(272,155)	43,900	-	(4,469,651)	(959,682)	(5,429,333)	(292,413)	(5,721,746)
Ending balance as of 03.31.2017	578,098,782	2,037,247	(5,417,652)	1,408,890	(7,563,361)	(9,534,876)	96,846,125	665,410,031	16,698,663	682,108,694
Beginning balance as of 01.01.2016	578,078,382	8,929,007	(3,202,898)	4,932	(7,375,148)	(1,644,107)	91,464,194	667,898,469	14,183,722	682,082,191
Changes in equity										
Comprehensive income										
Profit	-	-	-	-	-	-	11,269,212	11,269,212	482,656	11,751,868
Other comprehensive income	-	952,741	89,793	1,053,515	-	2,096,049	-	2,096,049	79,484	2,175,533
Resultado integral	-	952,741	89,793	1,053,515	-	2,096,049	11,269,212	13,365,261	562,140	13,927,401
Dividends	-	-	-	-	-	-	-	-	-	-
Other increase (decrease) from transfers and other changes	-	-	-	-	-	-	-	-	(11,072)	(11,072)
Total changes in shareholders' equity	-	952,741	89,793	1,053,515	-	2,096,049	11,269,212	13,365,261	551,068	13,916,329
Ending balance as of 03.31.2016	578,078,382	9,881,748	(3,113,105)	1,058,447	(7,375,148)	451,942	102,733406	681,263,730	14,734,790	695,998,520

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

	Notes	For the three-month period ended March 31, 2017 ThCh$	2016 ThCh$
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Classes of operating activity charges			
Proceeds from sale of assets and services rendered		396,212,432	291,474,129
Proceeds from sales and services		358,107,010	250,139,621
Proceeds from related entities		38,105,422	41,334,508
Classes of payments			
Payments to suppliers for supplying goods and services		(316,790,900)	(195,407,887)
Payments to and on account of employees		(53,380,142)	(46,317,350)
Other operating activity payments		(26,939,189)	(29,847,316)
Net cash flows provided by (used in) operating activities		(897,799)	19,901,576
Income taxes paid reimbursed classified as operating activities (less)		(914,390)	(3,056,292)
Cash flows provided by (used in) operating activities		(1,812,189)	16,845,284
CASH FLOWS PROVIDED BY (USED IN) INVESTMENT ACTIVITIES			
Additions to property, plant and equipment, classified as investing activities		(72,068,937)	(62,344,921)
Interest received, classified as investing activities		1,090,871	603,455
Other cash inputs (outputs), classified as investing activities		541,836	-
Net cash flows provided by (used in) investment activities		(70,436,230)	(61,741,466)
CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Proceeds from loans, classified as financing activities			
Amounts from the issuance of debt instruments		48,795,050	-
Loans to related entities		31,620,000	21,319,000
Payments of financial lease liabilities, classified as financing activities		-	(122,100)
Payments of loans to related entities		(22,493,155)	-
Interest paid, classified as financing activities		(1,613,679)	(1,732,899)
Other cash inputs (outputs), classified as financing activities		(748,584)	(90,361)
Net cash flows provided by (used in) financing activities		55,559,632	19,373,640
Increase (decrease) in cash and cash equivalents, before the effects of changes in the exchange rate		(16,688,787)	(25,522,542)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(16,688,787)	(25,522,542)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	(5)	127,307,052	86,977,350
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(5)	110,618,265	61,454,808

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.

2. Significant accounting principles:

a) Accounting period

These consolidated financial statements (hereinafter, "financial statements") cover the following periods: Statements of Financial Position are presented as of March 31, 2017 and December 31, 2016; Statement of Changes in Equity, Statements of Comprehensive Income and Statement of Cash Flows for the three-month periods ended as of March 31, 2017 and 2016.

b) Basis of presentation

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

c) Basis of preparation

The consolidated financial statements as of March 31, 2017, and the comprehensive income statements, statements of changes in equity and statements of cash flows for the 3-month periods ended as of March 31, 2017 and 2016 have been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting", incorporated in International Financial Reporting Standards (IFRS).

2. Significant accounting principles, continued

c) Basis of preparation, continued

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

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

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

d) Basis of consolidation

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

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

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

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

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

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

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

The following subsidiaries are included in consolidation:

Taxpayer No.	Company Name	Country of origin	Functional currency	Participation percentage 03.31.2017			Participation percentage 12.31.2016
				Direct	Indirect	Total	Total
78.703.410-1	Telefónica Empresas Chile S.A.	Chile	CLP	99.99	-	99.99	99.99
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	Chile	CLP	49.30	1.70	51.00	51.00

2. Significant accounting principles, continued

d) Basis of consolidation, continued

The summarized financial information at March 31, 2017 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	150,235,018	89,853,701	240,088,719	145,105,100	2,206,339	147,311,439	92,777,280	72,705,612	(10,748,205)
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	51.0000000	127,310,911	41,484,693	168,795,604	97,318,628	37,398,072	134,716,700	34,078,904	48,343,869	(54,342)

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

Taxpayer No.	Company Name	% Participation	Currents assets 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	147,802,580	96,185,133	243,987,713	138,474,636	1,830,967	140,305,603	103,682,110	312,789,879	(22,477,298)
76.086.148-0	Telefónica Chile Servicios Corporativos Ltda.	51.0000000	98,739,864	45,228,006	143,967,870	72,238,364	37,053,841	109,292,205	34,675,665	186,725,320	9,515,223

2. Significant accounting principles, continued

e) Foreign exchange differences

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

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

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

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

DATE	USD	EURO	REAL	UF
31-mar-2017	663.97	709.37	211.98	26.471.94
31-dic-2016	669.47	705.60	205.82	26.347.98
31-mar-2016	669.80	762.26	187.33	25.812.05

f) Financial assets and liabilities

1. Financial assets other than derivatives

Classification and presentation

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

i) Loans and accounts receivable

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

2. Significant accounting principles, continued

f) Financial assets and liabilities, continued

1. Financial assets other than derivatives, continued

i) Loans and accounts receivable, continued

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

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

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

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

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

ii) Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

2. **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) Impairment of non-current assets

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

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

The discount rate used to discount future cash flows as of December 31, 2016 was 7.30%. There are no indications of possible impairment of assets for the period ended as of March 31, 2017.

2. Significant accounting principles, continued

i) Leases

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

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

j) Income taxes

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

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

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

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

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

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

2. **Significant accounting principles**, continued

k) Goodwill

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

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

l) Intangibles

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

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

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

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

m) Property, plant and equipment

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

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

2. Significant accounting principles, continued

m) Property, plant and equipment, continued

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

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

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

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

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

n) Depreciation of property, plant and equipment

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

The average annual financial depreciation rate of the Company is approximately 9.17% and 10.10% to March 31, 2017 and 2016, respectively.

Estimated useful lives are summarized in the following detail:

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

2. Significant accounting principles, continued

n) Depreciation of property, plant and equipment, continued

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

ñ) Provisions

i) Post-employment benefits

The Company is obligated to pay staff severance indemnities in respect of collective negotiation agreements, which are provisioned using the method of actuarial value of the accrued cost of the benefit, using an nominal annual discount rate of 4.51% at march 31, 2017 and 2016 respectively, considering estimations such as future permanence, employee mortality rate and future salary increases determined on the basis of actuarial calculations. Discount rates are determined by reference to market interest curves.

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.

ñ) 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.

o) Income and expenses

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

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

2. **Significant accounting principles**, continued

o) Income and expenses, continued

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.

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.

2. Significant accounting principles, continued

o) Income and expenses, continued

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.

p) Use estimates

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

i) Property, plant and equipment and intangibles

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

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

ii) Deferred taxes

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

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

2. Significant accounting principles, continued

p) Use estimates, continued

iii) Provisions

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

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

iv) Income recognition: agreements combining more than one element

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

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.

2. Significant accounting principles, continued

q) Methods of consolidation

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

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

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

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

r) New IFRS and Interpretations of the IFRS Interpretations Committee

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

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

IFRS 9 "Financial instruments"

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

2. **Significant accounting principles**, continued

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

IFRS 15 **"Income from Customer Contracts"**

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

IFRIC 22 "Transactions in Foreign Currency and Advance Consideration"

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

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

IFRS 16 "Lease"

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

The Company is evaluating the impact of the application of IFRS 9, IFRS 15, IFRS 16 and IFRIC 22 on the date of its entry into force.

	Improvements and amendments	Mandatory application date
IFRS 12	Disclosure of interests in other Entities	January 1, 2017
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 1	First-time Adoption of IFRS	January 1, 2018
IFRS 2	Share-based payments	January 1, 2018
IFRS 4	Insuranse contracts	January 1, 2018
IAS 28	Investments in Associates and Joint Ventures	January 1, 2018
IAS 40	Investment properties	January 1, 2018
IFRS 10	Consolidated Financial Statements	Determined

2. **Significant accounting principles**, continued

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

IFRS 2 "Share-based payments"

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

IFRS 15 "Revenue from Contracts with Customers"

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

IFRS 4 "Insurance Contracts"

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

IAS 40 "Investment Properties"

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

IFRS 1 "First-time Adoption of IFRS"

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

IFRS 12 "Disclosure of Interests in Other Entities"

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

IAS 28 "Investments in Associates and Joint Ventures"

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

2. Significant accounting principles, continued

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

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

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

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

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.

4. Financial information by segment, continued

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) Corporate Communications and Data

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

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

c) Television Services

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

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

d) Other

"Other" includes logistics, personnel and management services.

4. Financial information by segment, continued

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

For the period ended as of March 31, 2017	Fixed Telecommunications ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	104,355,510	28,069,447	42,624,221	19,317,227	-	194,366,405
Income from ordinary activities arising from transactions with other operating segments of the same entity	25,259,347	2,011,944	-	29,026,642	(56,297,933)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	129,614,857	30,081,391	42,624,221	48,343,869	(56,297,933)	194,366,405
Cost of sales	14,970,777	22,644,744	27,849,491	-	(15,789,831)	49,675,181
Administrative expenses	62,281,387	12,933,944	10,581,312	6,207,719	(37,780,375)	54,223,987
Employee benefits expenses	-	-	-	38,639,045	(2,634,047)	36,004,998
Income from ordinary activities arising from interest						
Interest expense	5,831,903	196,219	10,171	694,244	(201,010)	6,531,527
Interest income	1,437,668	225,237	-	551	(201,010)	1,462,446
Depreciation and amortization	35,269,116	3,827,932	4,583,783	-	-	43,680,831
Participation in profit of associated companies accounted for using the equity method	(10,775,212)	(706)	-	-	10,775,918	-
Income tax expense	2,864,096	247,961	666,182	2,960,463	-	6,738,702
Other significant non-cash items	172,067	(136,609)	-	102,709	(98,102)	40,065
Profits(loss) before tax	2,096,197	(9,433,526)	(400,536)	2,906,121	10,584,136	5,752,392
Profit (loss) for the period from continuing operations	(767,899)	(9,681,487)	(1,066,718)	(54,342)	10,584,136	(986,310)
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-
Profit (loss) for the period	(767,899)	(9,681,487)	(1,066,718)	(54,342)	10,584,136	(986,310)
Assets	1,481,649,062	105,235,344	134,853,375	168,795,604	(313,794,427)	1,576,738,958
Investments in associates accounted for using the equity method	109,714,497	-	-	-	(109,714,497)	-
Increases in non-current assets	11,038,129	1,127,889	-	-	-	12,166,018
Liabilities	816,047,249	33,701,457	113,609,982	134,716,700	(203,445,124)	894,630,264
Shareholders' equity	665,601,813	71,533,887	21,243,393	34,078,904	(110,349,303)	682,108,694
Liabilities & Shareholders' equity	1,481,649,062	105,235,344	134,853,375	168,795,604	(313,794,427)	1,576,738,958
Cash flows provided by (used in) operating activities	53,439,533	(15,414)	(21,949)	(56,376,703)	1,162,344	(1,812,189)
Cash flows provided by (used in) investment activities	(56,573,664)	(4,990,593)	(8,871,974)	-	-	(70,436,230)
Cash flows provided by (used in) from in financing activities	37,637,098	(17,901,304)	(21,224,966)	33,475,000	23,573,804	55,559,632

4. Financial information by segment, continued

For the period ended as of December 31, 2016	Fixed Telecommunications	Corporate Communication and Data	Television Services	Other	Eliminations	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Income from external customers	436,333,287	134,229,774	173,924,162	-	-	744,487,223
Income from ordinary activities arising from transactions with other operating segments of the same entity	84,767,325	4,635,943	-	186,725,320	(276,128,588)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	521,100,612	138,865,717	173,924,162	186,725,320	(276,128,588)	744,487,223
Cost of sales	57,350,605	90,076,322	107,908,195	-	(44,930,290)	210,404,832
Administrative expenses	248,040,387	42,571,582	51,215,829	27,220,754	(159,085,830)	209,962,722
Employee benefits expenses	-	-	-	145,028,174	(71,981,612)	73,046,562
Income from ordinary activities arising from interest						
Interest expense	22,921,519	902,776	728,901	2,611,157	(1,296,509)	25,867,844
Interest income	3,735,700	455,443	178,079	32,515	(1,308,706)	3,093,031
Depreciation and amortization	150,079,885	14,394,987	25,905,532	-	-	190,380,404
Participation in profit of associated companies accounted for using the equity method	(17,748,231)	123,698	-	-	17,624,533	-
Income tax expense	9,694,016	(2,426,584)	6,156,385	2,476,744	-	15,900,561
Other significant non-cash items	569,067	762,879	646,649	94,217	143,053	2,215,865
Profits(loss) before tax	29,264,752	(7,737,930)	(11,009,567)	11,991,967	17,624,533	40,133,755
Profit (loss) for the period from continuing operations	19,570,736	(5,311,346)	(17,165,952)	9,515,223	17,624,533	24,233,194
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-
Profit (loss) for the period	19,570,736	(5,311,346)	(17,165,952)	9,515,223	17,624,533	24,233,194
Assets	1,513,680,744	109,134,338	134,853,375	143,967,870	(302,150,585)	1,599,485,742
Investments in associates accounted for using the equity method	120,915,916	-	-	-	(120,915,916)	-
Increases in non-current assets	143,413,966	34,140,972	-	-	-	177,554,938
Liabilities	842,841,380	61,981,636	78,323,967	109,292,205	(180,783,886)	911,655,302
Shareholders' equity	670,839,364	47,152,702	56,529,408	34,675,665	(121,366,699)	687,830,440
Liabilities & Shareholders' equity	1,513,680,744	109,134,338	134,853,375	143,967,870	(302,150,585)	1,599,485,742
Cash flows provided by (used in) operating activities	239,113,761	2,454,220	2,957,103	4,542,843	(755,247)	248,312,680
Cash flows provided by (used in) investment activities	(132,753,121)	(11,710,692)	(20,818,560)	-	-	(165,282,373)
Cash flows provided by (used in) from in financing activities	(64,654,711)	11,845,987	14,493,119	(4,385,000)	-	(42,700,605)

4. Financial information by segment, continued

For the period ended as of March 31, 2016	Fixed Telecommunications ThCh$	Corporate Communication and Data ThCh$	Television Services ThCh$	Other ThCh$	Eliminations ThCh$	Total ThCh$
Income from external customers	108,754,531	28,084,299	42,336,855	17,978,811	-	197,154,496
Income from ordinary activities arising from transactions with other operating segments of the same entity	26,530,671	732,893	-	27,136,379	(54,399,943)	-
Total income from operating activities from external customers and transactions with other operating segments of the same entity	135,285,202	28,817,192	42,336,855	45,115,190	(54,399,943)	197,154,496
Cost of sales	21,550,951	17,456,136	26,320,343	-	(16,034,604)	49,292,826
Administrative expenses	60,947,584	10,466,073	10,663,951	6,600,278	(36,235,280)	52,442,606
Employee benefits expenses	-	-	-	36,488,898	(2,188,473)	34,300,425
Income from ordinary activities arising from interest						
Interest expense	5,092,869	156,243	120,898	244,493	(332,954)	5,281,549
Interest income	881,598	43,122	72,380	-	(332,954)	664,146
Depreciation and amortization	35,392,029	3,223,790	7,356,949	-	-	45,972,768
Participation in profit of associated companies accounted for using the equity method	5,122,778	12,724	-	-	(5,135,502)	-
Income tax expense	1,892,692	(3,768,567)	652,125	904,632	-	(319,118)
Other significant non-cash items	(794,669)	198,607	1,456,900	101,884	(58,440)	904,282
Profits(loss) before tax	17,511,476	(2,230,597)	(596,006)	1,883,405	(5,135,528)	11,432,750
Profit (loss) for the period from continuing operations	15,618,784	1,537,970	(1,248,131)	978,773	(5,135,528)	11,751,868
Profit (loss) for the period from discontinuing operations	-	-	-	-	-	-
Profit (loss) for the period	15,618,784	1,537,970	(1,248,131)	978,773	(5,135,528)	11,751,868
Assets	1,575,145,444	173,642,211	112,735,109	148,082,936	(451,941,978)	1,557,663,722
Investments in associates accounted for using the equity method	196,872,833	389,843	-	-	(197,262,676)	-
Increases in non-current assets	34,123,336	16,867,454	3,678,320	-	-	54,669,110
Liabilities	835,976,996	108,047,487	54,225,033	118,094,985	(254,679,299)	861,665,202
Shareholders' equity	739,168,448	65,594,724	58,510,076	29,987,951	(197,262,679)	695,998,520
Liabilities & Shareholders' equity	1,575,145,444	173,642,211	112,735,109	148,082,936	(451,941,978)	1,557,663,722
Cash flows provided by (used in) operating activities	61,203,497	(14,532,038)	(17,726,071)	(11,354,595)	(745,509)	16,845,284
Cash flows provided by (used in) investment activities	(17,709,650)	(17,983,344)	(3,979,366)	-	(22,069,106)	(61,741,466)
Cash flows provided by (used in) from in financing activities	(68,133,691)	30,688,013	22,233,740	11,770,963	22,814,615	19,373,640

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

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

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

5. Cash and cash equivalents

Cash and cash equivalents are detailed as follows:

Concepts	Currency	03.31.2017 ThCh$	12.31.2016 ThCh$
Cash (a)		75,220	-
	CLP	43,224	-
	USD	14,266	-
	EUR	17,730	-
Banks (b)		11,294,534	12,227,118
	CLP	10,957,944	12,080,481
	USD	299,461	99,979
	EUR	37,129	46,658
Time deposits (c)		96,153,511	110,959,606
	CLP	96,153,511	110,814,994
	USD	-	144,612
Repurchase agreement (d)		3,095,000	4,120,328
	CLP	3,095,000	4,120,328
Total cash and cash equivalents		110,618,265	127,307,052
Sub-total by currency	CLP	110,249,679	127,015,803
	USD	313,727	244,591
	EUR	54,859	46,658

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

a) Cash

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

b) Banks

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

c) Time deposits

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

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	03.31.2017 ThCh$
Time deposits	CLP	95,875,000	3.40%	26	95,875,000	278,511	96.153.511
Total					95.875.000	278,511	96,153,511

5. Cash and cash equivalents, continued

c) Time deposits, continued

Type of investment	Currency	Principal in original currency (thousands)	Average annual rate	Average days to maturity	Principal in local currency ThCh$	Accrued interest in local currency ThCh$	12.31.2016 ThCh$
Time deposits	CLP	110,666,000	3,88%	25	110,666,000	148,994	110,814,994
Time deposits	USD	144,606	0,80%	6	144,606	6	144,612
Total					110,810,606	149,000	110,959,606

d) Repurchase agreement

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

Code	Date Start	Date Term	counterparty	Currency Origin	Subscription value of currency origin (ThCh$)	Annual rate %	Total Value ThCh$	accounting value ThCh$ 03.31.2017
CRV	31-mar-17	03-apr-17	BCI	CLP	1,820,000	2.52%	1,820,382	1,820,000
CRV	31-mar-17	03-apr-17	BCI	CLP	1,095,000	2.52%	1,095,230	1,095,000
CRV	31-mar-17	03-apr-17	BBVA	CLP	180,000	2.76%	180,041	180,000
	Total				3,095,000		3,095,653	3,095,000

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

6. Other current and non-current financial assets

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

Concepts		03.31.2017 Current ThCh$	03.31.2017 Non-Current ThCh$	12.31.2016 Current ThCh$	12.31.2016 Non-Current ThCh$
Guarantees established	(a)	56,680	50,468	56,680	50,468
Other investments	(b)	-	7,088,701	-	7,044,800
Exchange rate hedge	(See Note 18.2)	20,333,928	105,018,854	19,617,064	112,302,000
Total		20,390,608	112,158,023	19,673,744	119,397,268

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

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

b) Other investments are detailed as follows:

Participation	Country	Investment currency	03.31.2017 ThCh$	12.31.2016 ThCh$
Telefónica Brasil (1) (2)	Brazil	REAL	7,084,847	7,040,946
Other participation	Chile	CLP	3,854	3,854
Total			7,088,701	7,044,800

(1) This investment is valued at market value through the trading of its shares, information obtained in the Sao Paulo Stock Exchange (Bovespa), and variations in their value are recorded when they occur, directly in equity under other reserves.
(2) As of March 31, 2017 dividends in the amount of ThCh$58,450, were accrued on the 0.06% share in the equity of Telefónica Brasil. As of December 31,2016, have been received dividends for ThCh$331,860.

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

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

Concepts	03.31.2017 Current ThCh$	03.31.2017 Non-current ThCh$	12.31.2016 Current ThCh$	12.31.2016 Non-current ThCh$
Support and repair services (2)	3,947,719	6,600,208	626,255	-
Insurance	200,759	-	949,781	-
Leases	155,834	-	54,812	-
Franchised commissions	5,449,693	-	5,456,521	-
Other amortizable expenses (1)	14,432,190	-	13,337,663	6,829,458
Other taxes (3)	2,973,612	-	2,837,537	-
Total	27,159,807	6,600,208	23,262,569	6,829,458

(1) This item includes ThCh$11,498,064 current and ThCh$6,588,386 non-current, for depreciable expenses due to the new commercial model for television services.

(2) For 2017 this item corresponds to SAP support services in the amount of ThCh$ 1,080,199 and licenses in the amount of ThCh$ 2,867,520.

(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	03.31.2017 Gross value ThCh$	03.31.2017 Allowance for doubtful accounts ThCh$	03.31.2017 Net value ThCh$	12.31.2016 Gross value ThCh$	12.31.2016 Allowance for doubtful accounts ThCh$	12.31.2016 Net value ThCh$
Receivables on current loan transactions	253,700,078	(121,897,158)	131,802,920	246,187,096	(117,301,087)	128,886,009
Invoiced services	209,117,454	(121,897,158)	87,220,296	198,704,265	(117,301,087)	81,403,178
Services provided and not invoiced	44,582,624	-	44,582,624	47,482,831	-	47,482,831
Miscellaneous receivables	17,451,641	-	17,451,641	15,839,263	-	15,839,263
Total	271,151,719	(121,897,158)	149,254,561	262,026,359	(117,301,087)	144,725,272

8. Current trade and other accounts receivable, continued

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	03.31.2017 Less than 3 months	03.31.2017 3 to 6 months	03.31.2017 6 to 12 months	03.31.2017 Greater than 12 months	03.31.2017 Total	12.31.2016 Less than 3 months	12.31.2016 3 to 6 months	12.31.2016 6 to 12 months	12.31.2016 Greater than 12 months	12.31.2016 Total
Miscellaneous receivables	37,958,365	3,348,046	-	-	41,306,411	25,275,840	5,019,672	-	-	30,295,512
Total	37,958,365	3,348,046	-	-	41,306,411	25,275,840	5,019,672	-	-	30,295,512

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

Movements	03.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	118.667.020	118,004,381
Increases	4.656.023	18,666,633
Eliminations/ Additions	-	(18,003,994)
Movements, subtotal	4.656.023	662,639
Ending balance	123.323.043	118,667,020

d) Allowance for doubtful account movements according to the composition of the portfolio as of March 31, 2017 and 2016 are detailed as follows:

Provisions and write-offs	03.31.2017 ThCh$	03.31.2016 ThCh$
Accrual for portfolio that has not been renegotiated	4,656,023	5,416,864
Accrual for renegotiated portfolio	-	-
Write-offs for the period	-	-
Recoveries for the period	-	-
Total	4,656,023	5,416,864

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

Portfolio of returned documents and judicial collection as of 03.31.2017	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	5,475	-	-	-
Portfolio of returned documents or those in judicial collection (ThCh$)	2,615,766	-	-	-

Portfolio of returned documents and judicial collection as of 12.31.2016	Returned notes receivable portfolio w/o guarantee	Returned notes receivable, portfolio w/guarantee	Notes receivable in judicial collection, portfolio w/o guarantee	Notes receivable in judicial collection, portfolio w/guarantee
Number of customers in portfolio of returned documents or those in judicial collection	5,477	-	-	-
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 Mach 31, 2017 is detailed as follows:

Aging of portfolio by segment for the period March 31, 2017	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 61 to 90 day ThCh$	From 91 to 120 days ThCh$	From 121 to 150 days ThCh$	From 151 to 180 days ThCh$	From 181 to 210 days ThCh$	From 211 to 250 days ThCh$	More than 250 days ThCh$	Total portfolio w/o guarantee ThCh$
Fixed Telecommunications											
Number of clients w/o renegotiation (1)	749,108	315,436	80,730	52,552	64,385	73,311	46,026	63,759	73,935	3,089,545	4,608,787
Net portfolio w/o renegotiation	37,751,041	9,099,639	2,435,970	1,864,674	753,541	758,423	280,928	-	-	-	52,944,216
Debt	38,095,186	9,109,180	2,437,931	1,866,638	1,693,889	1,893,655	968,564	1,085,565	1,371,896	97,310,523	155,833,027
Accrual	(344,145)	(9,541)	(1,961)	(1,964)	(940,348)	(1,135,232)	(687,636)	(1,085,565)	(1,371,896)	(97,310,523)	(102,888,811)
Number of clients w/renegotiation	44,468	12,612	3,527	1,609	670	172	114	130	128	76,478	139,908
Net renegotiated portfolio	525,135	-	-	-	-	-	-	-	-	-	525,135
Debt	676,568	167,347	42,861	19,560	7,642	1,800	1,293	1,493	1,427	675,375	1,595,366
Accrual	(151,433)	(167,347)	(42,861)	(19,560)	(7,642)	(1,800)	(1,293)	(1,493)	(1,427)	(675,375)	(1,070,231)
Total number of clients	793,576	328,048	84,257	54,161	65,055	73,483	46,140	63,889	74,063	3,166,023	4,748,695
Total Fixed Telephone Portfolio	38,276,176	9,099,639	2,435,970	1,864,674	753,541	758,423	280,928	-	-	-	53,469,351
Debt	38,771,754	9,276,527	2,480,792	1,886,198	1,701,531	1,895,455	969,857	1,087,058	1,373,323	97,985,898	157,428,393
Accrual	(495,578)	(176,888)	(44,822)	(21,524)	(947,990)	(1,137,032)	(688,929)	(1,087,058)	(1,373,323)	(97,985,898)	(103,959,042)
Corporate Communication and Data											
Number of clients w/o renegotiation (1)	2,597	1,517	573	28	372	378	244	189	264	1,686	7,848
Net portfolio w/o renegotiation	27,245,271	10,997,636	2,779,052	6,022,217	844,862	427,002	283,291	-	-	-	48,599,331
Debt	27,504,677	11,019,792	2,798,998	6,022,217	901,889	495,150	340,616	135,849	262,114	2,527,848	52,009,150
Accrual	(259,406)	(22,156)	(19,946)	-	(57,027)	(68,148)	(57,325)	(135,849)	(262,114)	(2,527,848)	(3,409,819)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	2,597	1,517	573	28	372	378	244	189	264	1,686	7,848
Total Corporate Communication and Data Portfolio	27,245,271	10,997,636	2,779,052	6,022,217	844,862	427,002	283,291	-	-	-	48,599,331
Debt	27,504,677	11,019,792	2,798,998	6,022,217	901,889	495,150	340,616	135,849	262,114	2,527,848	52,009,150
Accrual	(259,406)	(22,156)	(19,946)	-	(57,027)	(68,148)	(57,325)	(135,849)	(262,114)	(2,527,848)	(3,409,819)
Television											
Number of clients w/o renegotiation (1)	277,272	135,992	31,276	21,204	28,110	30,568	18,564	28,428	35,403	215,383	822,200
Net portfolio w/o renegotiation	24,975,062	3,602,388	714,277	442,511	-	-	-	-	-	-	29,734,238
Debt	24,975,062	3,602,388	714,277	442,511	526,171	670,774	255,207	600,739	1,023,498	11,451,908	44,262,535
Accrual	-	-	-	-	(526,171)	(670,774)	(255,207)	(600,739)	(1,023,498)	(11,451,908)	(14,528,297)
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	277,272	135,992	31,276	21,204	28,110	30,568	18,564	28,428	35,403	215,383	822,200
Total Television Portfolio	24,975,062	3,602,388	714,277	442,511	-	-	-	-	-	-	29,734,238
Debt	24,975,062	3,602,388	714,277	442,511	526,171	670,774	255,207	600,739	1,023,498	11,451,908	44,262,535
Accrual	-	-	-	-	(526,171)	(670,774)	(255,207)	(600,739)	(1,023,498)	(11,451,908)	(14,528,297)

(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 period March 31, 2017	Up to date ThCh$	From 1 to 30 days ThCh$	From 31 to 60 days ThCh$	From 61 to 90 day ThCh$	From 91 to 120 days ThCh$	From 121 to 150 days ThCh$	From 151 to 180 days ThCh$	From 181 to 210 days ThCh$	From 211 to 250 days ThCh$	More than 250 days ThCh$	Total portfolio w/o guarantee ThCh$
Other											
Number of clients w/o renegotiation (1)	-	-	-	-	-	-	-	-	-	-	-
Net portfolio w/o renegotiation	17,451,641	-	-	-	-	-	-	-	-	-	17,451,641
Debt	17,451,641	-	-	-	-	-	-	-	-	-	17,451,641
Accrual	-	-	-	-	-	-	-	-	-	-	-
Number of clients w/renegotiation	-	-	-	-	-	-	-	-	-	-	-
Net renegotiated portfolio	-	-	-	-	-	-	-	-	-	-	-
Debt	-	-	-	-	-	-	-	-	-	-	-
Accrual	-	-	-	-	-	-	-	-	-	-	-
Total number of clients	-	-	-	-	-	-	-	-	-	-	-
Total Other Portfolio	17,451,641	-	-	-	-	-	-	-	-	-	17,451,641
Debt	17,451,641	-	-	-	-	-	-	-	-	-	17,451,641
Accrual	-	-	-	-	-	-	-	-	-	-	-
Consolidated Portfolio											
Number of clients w/o renegotiation (1)	1,028,977	452,945	112,579	73,784	92,867	104,257	64,834	92,376	109,602	3,306,614	5,438,835
Net portfolio w/o renegotiation	107,423,015	23,699,663	5,929,299	8,329,402	1,598,403	1,185,425	564,219	-	-	-	148,729,426
Debt	108,026,566	23,731,360	5,951,206	8,331,366	3,121,949	3,059,579	1,564,387	1,822,153	2,657,508	111,290,279	269,556,353
Accrual	(603,551)	(31,697)	(21,907)	(1,964)	(1,523,546)	(1,874,154)	(1,000,168)	(1,822,153)	(2,657,508)	(111,290,279)	(120,826,927)
Number of clients w/renegotiation	44,468	12,612	3,527	1,609	670	172	114	130	128	76,478	139,908
Net renegotiated portfolio	525,135	-	-	-	-	-	-	-	-	-	525,135
Debt	676,568	167,347	42,861	19,560	7,642	1,800	1,293	1,493	1,427	675,375	1,595,366
Accrual	(151,433)	(167,347)	(42,861)	(19,560)	(7,642)	(1,800)	(1,293)	(1,493)	(1,427)	(675,375)	(1,070,231)
Total number of clients	1,073,445	465,557	116,106	75,393	93,537	104,429	64,948	92,506	109,730	3,383,092	5,578,743
Total Consolidated Portfolio	107,948,150	23,699,663	5,929,299	8,329,402	1,598,403	1,185,425	564,219	-	-	-	149,254,561
Debt	108,703,134	23,898,707	5,994,067	8,350,926	3,129,591	3,061,379	1,565,680	1,823,646	2,658,935	111,965,654	271,151,719
Accrual	(754,984)	(199,044)	(64,768)	(21,524)	(1,531,188)	(1,875,954)	(1,001,461)	(1,823,646)	(2,658,935)	(111,965,654)	(121,897,158)

(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 2016 is detailed as follows:

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

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

8. Current trade and other accounts receivable, continued

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

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

9. Receivables from and payable to related companies

a) Currents receivables from related companies:

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2017 ThCh$	12.31.2016 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Common parent Co.	Total			81,094,54	74,957,64
				Commercial mandate	CLP	60 days	49,830,338	39,170,768
				Access Charge and Links	CLP	60 days	26,601,323	24,536,993
				Spaces and Energy	CLP	60 days	3,743	8,978,030
				Others	CLP	60 days	4,659,139	2,271,853
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	4,942,961	4,528,364
Telxius Cable Chile	96.910.730-9	Chile	Common end controller	Serv. Provided	CLP	60 days	1,032,304	934,473
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	180 days	884,552	891,844
Telefónica Global Tecnology Chile	59.165.120-K	Chile	Common end controller	Serv. Provided	CLP	60 days	449,281	153,791
Telefónica Brasil	Foreign	Brazil	Common end controller	Serv. Provided	USD	90 days	250,756	197,995
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	231,698	644,372
Telefónica S.A.	Foreign	Spain	End controller	Serv. Provided	EUR	90 days	222,713	129,893
Telefónica Investigación y Desarrollo Chile Spa	76.378.279-4	Chile	Common end controller	Serv. Provided	CLP	60 days	168,092	162,910
Telefónica Global Tecnology S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	151,048	247,010
Telcel Venezuela	Foreign	Venezuela	Common end controller	Serv. Provided	USD	180 days	111,932	112,607
Fundación Telefónica Chile S.A.	74.944.200-k	Chile	Associated	Serv. Provided	CLP	60 days	84,022	83,590
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	75,384	75,384
Towerco Latam Chile S.A.	76.558.575-9	Chile	Common end controller	Space rental	CLP	60 days	61,079	50,006
Media Networks Perú	Foreign	Perú	Common end controller	Serv. Provided	USD	90 days	52,392	53,221
Wayra Chile Tecnología e Innovación Ltda.	96.672.150-2	Chile	Common end controller	Serv. Provided	CLP	60 days	51,432	116,660
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	24,216	38,218
Media Networks Chile	76.243.733-3	Chile	Common end controller	Serv. Provided	CLP	60 days	22,105	16,520
Inversiones Telefónica Internacional Holding L S.A.	77.363.730-K	Chile	Common end controller	Serv. Provided	CLP	60 days	19,033	90,382
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Common end controller	Serv. Provided	CLP	60 days	18,777	24,106
Colombia Telecomunicaciones S.A.E.S.P	Foreign	Colombia	Common end controller	Serv. Provided	USD	60 days	18,544	20,338
Telefónica Learning Services Chile Capacitación Ltda.	76.131.334-7	Chile	Common end controller	Serv. Provided	CLP	60 days	9,786	18,384
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Serv. Provided	CLP	60 days	2,580	4,111
Telefónica Factoring Chile S.A.	76.096.189-2	Chile	Common end controller	Serv. Provided	CLP	60 days	1,619	1,619
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv. Provided	USD	60 days	1,213	1,213
Total							89,982,562	83,554,655

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

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	03.31.2017 ThCh$	12.31.2016 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Common 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	03.31.2017 ThCh$	12.31.2016 ThCh$
Telefónica Móviles Chile S.A.	87.845.500-2	Chile	Common parent Co.	Total			55,858,197	37,082,162
				Commercial mandate	CLP	60 days	44,787,915	11,022,372
				Collection	CLP	60 days	5,433,948	18,655,256
				Costs access charges	CLP	60 days	2,351,512	2,831,517
				Professional Serv.	CLP	60 days	1,466,651	1,014,038
				Others	CLP	60 days	1,818,171	3,558,979
Telxius Cable Chile	96.910.730-9	Chile	Common end controller	Total			10,479,622	12,972,896
				Commercial mandate	CLP	60 days	6,073,900	7,885,715
				IP Voice Traffic	CLP	60 days	2,766,217	3,166,605
				Data and Links	CLP	60 days	1,142,109	1,168,325
				Others	CLP	60 days	497,396	752,251
Inversiones Telefónica Móviles Holding S.A.	76.124.890-1	Chile	Parent Co.	Total			5,814,220	5,814,220
				Dividends	CLP	60 days	5,814,162	5,814,162
				Others	CLP	60 days	58	58
Telefónica S.A.	Foreign	España	Common end controller	Total			5,685,195	4,290,135
				Brand Fee	EUR	90 days	2,971,012	2,916,853
				Others	EUR	90 days	2,714,183	1,373,282
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	4,257,249	3,867,949
Telefónica Digital España	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	3,909,844	4,392,947
Media Networks Perú	Foreign	Perú	Common end controller	Satellite Space	USD	90 days	2,737,068	2,058,227
Telefónica Global Technology S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	2,470,323	561,086
Telefónica Argentina S.A.	Foreign	Argentina	Common end controller	Serv. Provided	USD	180 days	2,433,868	4,869,899
Telefónica USA Inc.	Foreign	USA	Common end controller	Serv. Provided	USD	60 days	1,815,330	1,600,230
Telefónica Ingeniería de Seguridad S.A.	59.083.900-0	Chile	Common end controller	Serv. Provided	CLP	60 days	1,713,186	1,181,383
Telefónica Latinoamericana Holding S.L.	Foreign	Spain	Common end controller	Total			846,160	631,976
				Cost Sharing Agreement	EUR	90 days	-	1,799
				Management Fee	EUR	90 days	840,662	630,177
				Others	EUR	90 days	5,498	-
Telefónica Compras Electrónicas	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	768,944	625,430
Fundación Telefónica Chile	74.944.200-k	Chile	Common end controller	Serv. Provided	CLP	60 days	446,283	428,667
Telefónica del Perú S.A.	Foreign	Perú	Common end controller	Serv. Provided	USD	180 days	435,854	418,099
Telefónica Global Technology Chile	59.165.120-k	Chile	Common end controller	Services computer	CLP	60 days	356,849	4,302,261
Telefónica Brasil	Foreign	Brazil	Common end controller	Serv. Provided	USD	90 days	139,716	138,968
Telefónica Investigación y Desarrollo Chile Spa	76.378.279-4	Chile	Common end controller	Serv. Provided	CLP	60 days	87,050	87,050
Telefónica de España S.A.U	Foreign	Spain	Common end controller	Serv. Provided	EUR	180 days	44,158	45,035
Telefónica On The Spot Soluciones Digitales de Chile Spa	76.338.291-5	Chile	Common end controller	Serv. Provided	CLP	60 days	42,455	57,898
Telefónica Latam Holding	77.363.730-K	Chile	Common end controller	Serv. Provided	CLP	60 days	25,771	25,771
Telefónica Servicios Audiovisuales	Foreign	Spain	Common end controller	Serv. Provided	EUR	60 days	24,761	11,902
Towerco Latam Chile S.A.	76.558.575-9	Chile	Common end controller	Serv. Provided	CLP	60 days	10,441	10,441
Televisión Federal Telefé – Argentina	Foreign	Argentina	Common end controller	Serv. Provided	USD	90 days	4,980	9,105
Terra Networks Chile S.A.	96.834.230-4	Chile	Common end controller	Serv. Provided	CLP	60 days	3,857	-
Telefónica On The Spot Services S.A.U.	Foreign	Spain	Common end controller	Serv. Provided	EUR	90 days	3,320	3,347
Telefónica Global Services, GmbH	Foreign	Germany	Common end controller	Serv. Provided	USD	90 days	2,650	103,891
Telefónica Factoring - España	Foreign	Spain	Common end controller	Serv. Provided	USD	60 days	1,527	1,539
Colombia Telecomunicaciones S.A.E.S.P. (Telecom.)	Foreign	Colombia	Common end controller	Serv. Provided	USD	60 days	83	5,639
Telefónica Learning Services Chile Spa	76.318.959-7	Chile	Common end controller	Serv. Provided	CLP	60 days	-	305,948
Total							100,418,961	85,904,101

9. Receivables from and payable to related companies, continued

c) Current payables to related companies, continued:

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

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

d) Accounts payable to related entities noncurrent

Company	Taxpayer No,	Country of origin	Nature of the relationship	Transaction origin	Currency	Term	03.31.2017 ThCh$	12.31.2016 ThCh$
Telefónica Móviles Chile S,A,	87.845.500-2	Chile	Common parent Co.	Mercantile Current	CLP	-	-	22,174,222
Total							-	22,174,222

e) Transactions:

Sociedad	RUT	País origen	Naturaleza de la relación	Descripción de la transacción	Moneda	03.31.2017 Monto M$	03.31.2017 Efecto en resultados (Cargo)/Abono M$	03.31.2016 Monto M$	03.31.2016 Efecto en resultados (Cargo)/Abono M$
Telefónica Móviles Chile S,A,	87,845,500-2	Chile	Common parent Co,	Professional Serv,	CLP	21,730,851	21,730,851	24,274,379	24,274,379
				Access Charge and Links	CLP	10,300,026	10,300,026	10,040,124	10,040,124
				Fijo-Móvil		417,268	417,268	2,430,423	2,430,423
				Others	CLP	1,449,922	1,449,922	864,899	864,899
				Cto.Fijo-Móvil	CLP	89,368	(89,368)	1,770,956	(1,770,956)
				Others	CLP	688,728	(688,728)	885,093	(885,093)
				Financial expenses	CLP	609,478	(609,478)	491,673	(491,673)
Telxius Cable Chile S.A:	96,910,730-9	Chile	Common end controller	Sales	CLP	1,001,084	1,001,084	748,879	748,879
				Access to International Internet - IP Traffic	CLP	3,831,855	(3,831,855)	3,643,898	(3,643,898)
				Others	CLP	199,116	(199,116)	784,772	(784,772)
				Financial expenses	CLP	58,192	(58,192)	-	-
Telefónica S,A,	Foreign	Spain	End controller	Brand Fee	EUR	2,867,800	(2,867,800)	2,576,153	(2,576,153)
				Plan of shares	EUR	477,478	(477,478)	650,929	(650,929)
				Others	EUR	5,682	(5,682)	46,202	46,202

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	03.31.2017 Amount ThCh$	03.31.2017 Effect on income (Charge)/Credit ThCh$	03.31.2016 Amount ThCh$	03.31.2016 Effect on income (Charge)/Credit ThCh$
Media Networks Perú	Foreign	Perú	Common end controller	Sales	USD	32,732	32,732	35,090	35,090
				Space rental	USD	1,543,055	(1,543,055)	1,417,924	(1,417,924)
				Others	USD	544,351	(544,351)	745,115	(745,115)
Telefónica Argentina S,A,	Foreign	Argentina	Common end controller	Media rentals	USD	1,923,954	(1,923,954)	1,791,499	(1,791,499)
Telefónica Global Technology Chile	56,165,120-K	Chile	Common end controller	Sales	CLP	-	-	35,909	35,909
				Services computer	CLP	8,052	(8,052)	1,913,819	(1,913,819)
Telefónica Global Technology S,A,U,	Foreign	Spain	Common end controller	Costs	EUR	1,296,208	(1,296,208)	1,578,477	(1,578,477)
Telefónica Ingeniería de Seguridad S,A,	59,083,900-0	Chile	Common end controller	Sales	CLP	6,210	6,210	6,114	6,114
				Costs	CLP	733,661	(733,661)	407,846	(407,846)
Telefónica Digital España	Foreign	Spain	Common end controller	Sales	EUR	124,211	124,211	153,187	153,187
				Costs	EUR	215,902	(215,902)	711,664	(711,664)
Telefónica Compras Electrónica S,A,	Foreign	Spain	Common end controller	Costs	EUR	333,572	(333,572)	261,626	(261,626)
Telefónica USA Inc,	Foreign	USA	Common end controller	Costs	USD	215,100	(215,100)	218,174	(218,174)
Telefónica de Costa Rica	Foreign	Costa Rica	Common end controller	Sales	USD	-	-	593,052	(593,052)
Telefónica International Wholesale Services América	Foreign	Uruguay	Common end controller	Costs	USD	100,972	(100,972)	353,744	(353,744)
Telefónica Latam Holding	Foreign	Spain	Common end controller	Costs	EUR	215,745	(215,745)	906,534	906,534
Telefónica International Wholesale Services España	Foreign	Spain	Common end controller	Sales	EUR	447,057	447,057	718,168	718,168
				Costs	EUR	516,846	(516,846)	698,021	(698,021)
Telefónica Gestión de Servicios Compartidos- España	Foreign	Spain	Common end controller	Costs	EUR	-	-	83,889	(83,889)
Telefónica del Perú S,A,	Foreign	Perú	Common end controller	Costs	USD	17,755	(17,755)	16,665	(16,665)
Telefónica Brasil	Foreign	Brazil	Common end controller	Costs	USD	748	(748)	583	583
Telefónica On The Spot Soluciones Digitales de Chile Spa	76,338,291-5	Chile	Common end controller	Sales	CLP	1,414	1,414	1,956	1,956
				Costs	CLP	22,093	(22,093)	13,616	(13,616)
Telefónica Servicios Audiovisuales	Foreign	Spain	Common end controller	Costs	EUR	22,818	(22,818)	9,873	(9,873)
Wayra Chile Tecnología e Innovación Ltda,	96,672,150-2	Chile	Common end controller	Sales	CLP	7,795	7,795	20,513	20,513
Televisión Federal S.A.	Foreign	Argentina	Common end controller	Costs	USD	14,745	(14,745)	14,069	(14,069)

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	03.31.2017 Amount ThCh$	03.31.2017 Effect on income (Charge)/Credit ThCh$	03.31.2016 Amount ThCh$	03.31.2016 Effect on income (Charge)/Credit ThCh$
Telefónica Investigación y Desarrollo Chile Spa	76,378,279-4	Chile	Common end controller	Sales	CLP	41,153	41,153	30,614	30,614
Colombia Telecomunicaciones S,A,E,S,P, (Telecom,)	Foreign	Colombia	Common end controller	Sales	USD	7,842	7,842	10,439	10,439
				Costs	USD	5,555	(5,555)	7,931	7,931
Media Network Chile	76,243,733-3	Chile	Common end controller	Sales	CLP	4,731	4,731	4,606	4,606
				Costs	CLP	25,528	(25,528)	195,938	(195,938)
Telefónica Learning Services Chile Spa	76,318,959-7	Chile	Common end controller	Sales	CLP	3,892	3,892	2,673	2,673
Fundación Telefónica Chile S,A,	74,944,200-k	Chile	Associated	Sales	CLP	364	364	-	-
				Financial expenses	CLP	-	-	3,524	(3,524)
Inversiones Telefónica Internacional Holding S,A,	77,363,730-K	Chile	Common end controller	Sales	CLP	4,218	4,218	1,822	1,822
T, Learning Services Chile Capacitación Limitada	76,131,334-7	Chile	Common end controller	Sales	CLP	11,662	11,662	6,649	6,649
Terra Networks Chile S,A,	96,834,230-4	Chile	Common end controller	Sales	CLP	290	290	2,902	2,902
Telefónica de España S,A,U,	Foreign	Spain	Common end controller	Costs	EUR	-	-	350	(350)

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 60 and 69 executives for March 31, 2017 and 2016, respectively.

Concepts	03.31.2017 ThCh$	03.31.2016 ThCh$
Salaries	4,376,292	5,176,314
Post employment benefits	2,583,531	462,237
Total	6,959,823	5,638,551

10. Inventory

a) The detail of inventory is as follows:

Concepts	03.31.2017 Gross value	03.31.2017 Allowance for obsolescence	03.31.2017 Net value	12.31.2016 Gross value	12.31.2016 Allowance for obsolescence	12.31.2016 Net value
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Modems and Router	5,081,406	(858,874)	4,222,532	6,642,585	(682,071)	5,960,514
Basic telephony, public telephony and switchboard ("centralitas") components	3,292,339	(675,582)	2,616,757	2,894,235	(775,358)	2,118,877
Decoders and antennas	8,281,732	(583,795)	7,697,937	5,775,945	(514,106)	5,261,839
IP Solutions Projects	1,357,206	-	1,357,206	251,440	-	251,440
Other	1,013,963	(71,994)	941,969	599,455	(88,187)	511,268
Total	19,026,646	(2,190,245)	16,836,401	16,163,660	(2,059,722)	14,103,938

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

b) The movement of inventory is as follows:

Movements	03.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	14,103,938	17,904,023
Purchases	13,788,998	47,144,054
Sales	(10,926,012)	(51,701,987)
Allowance for obsolescence	(130,523)	756,828
Transfer to materials allocated to the investment (note 15b)	-	1,020
Movement, subtotal	2,732,463	(3,800,085)
Ending balance	16,836,401	14,103,938

11. Income Taxes

a) Income Taxes:

As of March 31, 2017 and 2016, a first category income tax accrual has been established, therefore a positive tax base was determined in the amount of ThCh$ 20,590,749 and ThCh$ 12,673,020, respectively for each period.

The previous figures correspond to the income of the parent company with a positive base of ThCh$ 20,590,749 and subsidiaries with a negative base for March 2017, of ThCh$ 8,352,391 and ThCh$ 4,320,630 for March 2016, respectively.

As of March 2017, subsidiary Telefónica Empresas Chile S.A. and subsidiary Telefónica Chile Servicios Corporativos Ltda. present a loss carry forward of ThCh$17,421,828 and ThCh$14,309,540 respectively.

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

				Saldos acumulados de Créditos (SAC)		
Subsidiaries	Control	Income subject to Global Complementary or Additional Tax (RAI)	Exempt income (REX) Non-taxable income	Accumulated as of 01.01.2017 Current loan rate (factor of 25.5%) Subject to restitution entitled to return	Accumulated up to 12.31.2016 Effective rate 22.71% entitled to return	TOTAL BALANCE OF TAXABLE NET INCOME (STUT)
	M$	M$	M$	M$	M$	
Telefónica Chile Servicios Corporativos Ltda.	45,508,427	45,508,427	-	-	15,943,267	61,925,322
Telefónica Chile S.A.	4,535,972	-	4,535,972	5,227,828	161,417,025	719,033,761
Total	50,044,399	45,508,427	4,535,972	5,227,828	177,360,292	780,959,083

b) Current tax assets

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

Concepts	03.31.2017 ThCh$	12.31.2016 ThCh$
Monthly prepaid tax installments(1)	528,001	3,459,548
Net income consumed by loss own (2)	364,356	364,356
Other	1,158,152	1,018,152
Total	2,050,509	4,842,056

(1) Corresponds to the net amount between monthly prepaid tax installments and the income tax provision.
(2) Corresponds to absorption of the tax loss as of December 2016 and 2015 with the retained earnings of subsidiary Telefónica Empresas Chile S.A. This generated a cumulative provisional payment on net income consumed by loss (PPUA) of ThCh$364,356 as of March 2017.

11. Income Taxes, continued

c) Deferred taxesx

As of March 31, 2017 and december 31, 2016, and March 31, 2016 the cumulative balances of temporary differences resulted in net deferred tax liabilities of ThCh$ 72,065,648 ,ThCh$ 70,577,897, and ThCh$ 62,479,054 respectively, detailed as follows:

Disclosure of temporary differences, losses and unused tax credits March 31, 2017	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	1,709,393	31,937,649	1,469,798	8,768,526	7,678,268	-	1,028,215	4,098,465	4,252,083	(57,021,689)	3,920,708	3,920,708
Pasivo por impuestos diferidos	1,413,887	-	-	14,595,742	114,054,998	2,773,110	-	(243,284)	413,592	(57,021,689)	75,986,356	75,986,356
Pasivo (activo) por impuestos diferidos	(295,506)	(31,937,649)	(1,469,798)	5,827,216	106,376,730	2,773,110	(1,028,215)	(4,341,749)	(3,838,491)	-	72,065,648	72,065,648
Activos y pasivos por impuestos diferidos netos												
Activos por impuestos diferidos netos	(295,506)	(31,937,649)	(1,469,798)	-	-	-	(1,028,215)	(4,341,749)	(3,838,491)	-	(42,911,408)	(42,911,408)
Pasivos por impuestos diferidos netos	-	-	-	5,827,216	106,376,730	2,773,110	-	-	-	-	114,977,056	114,977,056
Gasto (ingreso) por impuestos diferidos												
Gasto (ingreso) por impuestos diferidos	262,750	(1,418,485)	396,754	(289,798)	(69,398)	(39,115)	61,948	2,586,472	(2)	-	1,491,126	1,491,126
Gasto (ingreso) por impuestos diferidos reconocidos como resultados	262,750	(1,418,485)	396,754	(289,798)	(69,398)	(39,115)	61,948	2,586,472	(2)	-	1,491,126	1,491,126
Pasivo (activo) por impuestos diferidos - Saldo Inicial Diciembre 2016	(558,256)	(30,519,164)	(1,866,552)	6,117,014	106,446,128	2,812,225	(1,090,163)	(6,928,221)	(3,835,114)	-	70,577,897	70,577,897
Cambios en pasivos (activos) por impuestos diferidos												
Gasto (ingreso) por impuestos diferidos reconocidos como resultados	262,750	(1,418,485)	396,754	(289,798)	(69,398)	(39,115)	61,948	2,586,472	(2)	-	1,491,126	1,491,126
Impuestos diferidos relacionados con partidas acreditadas (cargadas) directamente a patrimonio	-	-	-	-	-	-	-	-	-	-	-	-
Impuesto a las ganancias relacionado con componentes de otro resultado integral	-	-	-	-	-	-	-	-	(3,375)	-	(3,375)	(3,375)
Incrementos (disminuciones) por combinaciones de negocios, pasivos (activos) por impuestos diferidos	-	-	-	-	-	-	-	-	-	-	-	-
Incrementos (disminuciones) por pérdidas de control de subsidiaria, pasivos (activos) por impuestos diferidos	-	-	-	-	-	-	-	-	-	-	-	-
Incrementos (disminuciones) por diferencias de cambio netas, pasivos (activos) por impuestos diferidos	-	-	-	-	-	-	-	-	-	-	-	-
Incrementos (disminuciones) de pasivos (activos) por impuestos diferidos	262,750	(1,418,485)	396,754	(289,798)	(69,398)	(39,115)	61,948	2,586,472	(3,377)	-	1,487,751	1,487,751
Pasivo (activo) por impuestos diferidos	(295,506)	(31,937,649)	(1,469,798)	5,827,216	106,376,730	2,773,110	(1,028,215)	(4,341,749)	(3,838,491)	-	72,065,648	72,065,648
	-	-	-	-	-		-	-	-	-	-	-

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

11. Income Taxes, continued

c) Deferred taxes, continued

Disclosure of temporary differences, losses and unused tax credits December 31, 2016	Other temporary differences	Allowance for doubtful accounts	Vacation provision	Staff severance indemnities	Property, plant and equipment and IRUS amortization	Effect of assets and liabilities from Decos	Deferred income	Personnel provisions	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities												
Deferred tax assets	1,989,233	30,519,164	1,866,552	8,615,530	8,878,247	-	1,090,163	6,586,325	4,248,343	(56,349,538)	7,444,019	7,444,019
Deferred tax liabilities	1,430,977	-	-	14,732,544	115,324,375	2,812,225	-	(341,896)	413,229	(56,349,538)	79,786,110	78,021,916
Deferred tax liabilities (assets)	(558,256)	(30,519,164)	(1,866,552)	6,117,014	106,446,128	2,812,225	(1,090,163)	(6,928,221)	(3,835,114)	-	71,826,359	70,577,897
Deferred tax assets and liabilities, net												
Deferred tax assets, net	(558,256)	(30,519,164)	(1,866,552)	-	-	-	(1,090,163)	(6,928,221)	(3,835,114)	-	(42,619,540)	(44,797,470)
Deferred tax liabilities, net	780,851	-	-	6,117,014	106,446,128	2,812,225	-	-	-	-	114,445,899	115,375,367
Deferred tax expense (benefit)												
Deferred tax expense (benefit)	816,121	(1,819,975)	(252,559)	3,309,972	5,038,123	4,157,578	(358,729)	(1,640,139)	(1,235)	-	9,171,776	9,249,157
Deferred tax expense (benefit) recognized in income	816,121	(1,819,975)	(252,559)	3,309,972	5,038,123	4,157,578	(358,729)	(1,640,139)	(1,235)	-	9,171,776	9,249,157
Reconciliation of changes in deferred tax liabilities (assets)												
Deferred tax liabilities (assets) - Beginning balance Dec, 2015	(1,347,377)	(28,699,189)	(1,613,993)	2,807,042	101,408,005	(1,345,353)	(731,434)	(5,288,082)	(2,302,980)	-	62,859,639	62,859,639
Changes in deferred tax liabilities (assets)												
Deferred tax expense (benefit) recognized in income	816,121	(1,819,975)	(252,559)	3,309,972	5,038,123	4,157,578	(358,729)	(1,640,139)	(1,235)	-	9,171,776	9,249,157
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-	-	-	-	-	-	-
Income taxes related to components of other comprehensive income	-	-	-	-	-	-	-	-	(1,530,899)	(55,783,633)	(205,056)	(1,530,899)
Increase (decrease) from business combinations, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to loss of control of subsidiary, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) due to net foreign currency translation, deferred tax liabilities (assets)	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in deferred tax liabilities (assets)	816,121	(1,819,975)	(252,559)	3,309,972	5,038,123	4,157,578	(358,729)	(1,640,139)	(1,532,134)	(55,783,633)	8,966,720	7,718,258
Deferred tax liabilities (assets)	(558,256)	(30,519,164)	(1,866,552)	6,117,014	106,446,128	2,812,225	(1,090,163)	(6,928,221)	(3,835,114)	(55,783,633)	71,826,359	70,577,897
	-	-	-	-	-	-	-	-	-	-	-	-

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

11. Income Taxes, continued

c) Deferred taxes, continued

Disclosure of temporary differences, losses and unused tax credits March 31, 2016	Other temporary differences	Allowance for doubtful accounts	Vacation provision	Staff severance indemnities	Property, plant and equipment and IRUS amortization	Effect of assets and liabilities from Decos	Deferred income	Personnel provisions	Equity adjustment due to termination benefits and hedging insurance	Reclassification (1)	Temporary differences	Temporary differences, losses and unused tax credits
Deferred tax assets and liabilities												
Deferred tax assets	2,034,404	30,078,802	1,302,070	8,425,273	12,518,203	4,238,476	679,035	3,366,437	2,752,726	(54,280,185)	11,115,241	11,115,241
Deferred tax liabilities	409,458	-	-	12,409,386	111,748,213	2,772,559	-	122,576	412,288	(54,280,185)	73,594,295	73,594,295
Deferred tax liabilities (assets)	(1,624,946)	(30,078,802)	(1,302,070)	3,984,113	99,230,010	(1,465,917)	(679,035)	(3,243,861)	(2,340,438)	-	62,479,054	62,479,054
Deferred tax assets and liabilities, net												
Deferred tax assets, net	(1,624,946)	(30,078,802)	(1,302,070)	-	-	(1,465,917)	(679,035)	(3,243,861)	(2,340,438)	-	(40,735,069)	(40,735,069)
Deferred tax liabilities, net	-	-	-	3,984,113	99,230,010	-	-	-	-	-	103,214,123	103,214,123
Deferred tax expense (benefit)												
Deferred tax expense (benefit)	(250,569)	(1,379,613)	311,923	1,177,071	(2,177,995)	(120,564)	52,399	2,044,221	-	-	(343,127)	(343,127)
Deferred tax expense (benefit) recognized in income	(250,569)	(1,379,613)	311,923	1,177,071	(2,177,995)	(120,564)	52,399	2,044,221	-	-	(343,127)	(343,127)
Reconciliation of changes in deferred tax liabilities (assets)												
Deferred tax liabilities (assets) - Beginning balance Dec, 2015	(1,374,377)	(28,699,189)	(1,613,993)	2,807,042	101,408,005	(1,345,353)	(731,434)	(5,288,082)	(2,302,979)	-	62,859,640	62,859,640
Changes in deferred tax liabilities (assets)												
Deferred tax expense (benefit) recognized in income	(250,569)	(1,379,613)	311,923	1,177,071	(2,177,995)	(120,564)	52,399	2,044,221	-	-	(343,127)	(343,127)
Deferred taxes related to items credited (charged) directly to equity	-	-	-	-	-	-		-	-	-	-	-
Income taxes related to components of other comprehensive income	-	-	-	-	-	-		-	(37,459)	-	(37,459)	(37,459)
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)	(250,569)	(1,379,613)	311,923	1,177,071	(2,177,995)	(120,564)	52,399	2,044,221	(37,459)	-	(380,586)	(380,586)
Deferred tax liabilities (assets)	(1,624,946)	(30,078,802)	(1,302,070)	3,984,113	99,230,010	(1,465,917)	(679,035)	(3,243,861)	(2,340,438)	-	62,479,054	62,479,054
	-	-	-	-	-	-		-	-	-	-	-

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

11. Income Taxes, continued

d) Taxable Income

As of March 31, 2017 and 2016 a first category income tax provision has been established, therefore a taxable positive base was determined in the amount of ThCh$ 20,590,749 and ThCh$ 12,673,020 respectively for period, detailed as follows:

Concepts	Taxable Net Income	
	03.31.2017	03.31.2016
	ThCh$	ThCh$
Finance income	(986,310)	11,751,868
Recorded tax expense	6,738,702	(319,118)
Additions	54,181,135	20,777,769
Deductions	(39,342,778)	(19,537,499)
Taxable net income	20,590,749	12,673,020
First category tax rate 25.5% and 24%	5,250,641	3,041,525
Art, 21 rejected expenses tax base	24,560	141,758
Art, 21 non-deductible expenses (40% and 35% rate)	9,824	49,615
Total tax provision	5,260,465	3,091,140
Hedging instrument income tax provision (1)	(12,889)	74,549
Third party absorbed net income provisional payment	-	(3,141,680)
Total first category taxes (2)	5,247,576	24,009

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

(2) First category tax has been accounted for considering the increase in the rate from 24% to 25,5%, due to the tax reform of Law 20,780, The effect of the change in the first category tax rate as of March 2017, amounts to ThCh$300,602,

11. Income Taxes, continued

e) Income tax reconciliation

The income tax expense reconciliation for March 31, 2017 and 2016 are detailed as follows

Concepts	03.31.2017		03.31.2016	
	Taxable base ThCh$	25.5% Tax Rate ThCh$	Taxable base ThCh$	24% Tax Rate ThCh$
Based on accounting income before taxes:				
Finance income	(986,310)		11,751,868	
Recorded tax expense	6,738,702		(319,118)	
Income before taxes	5,752,392	1,466,860	11,432,750	2,743,860
Permanent differences	20,673,893	5,271,842	(12,762,405)	(3,062,978)
Price-level restatement of taxable equity	(4,424,877)	(1,128,344)	(6,428,934)	(1,542,944)
Price-level restatement of investments	550,597	140,402	(13,350)	(3,204)
Income from investment in related parties	193,763	49,410	-	-
Adjustment of derivatives to equity	(50,551)	(12,891)	310,622	74,549
Fines and provision fines	549,659	140,163	(242,982)	(58,316)
Difference of tax loss without credit	25,054,053	6,388,784	2,676,762	642,423
Effect of rate change in the result	1,178,831	300,602	(8,472,429)	(2,033,383)
Adjustment on deferred tax balances	(5,046,870)	(1,286,952)	(1,695,600)	(406,944)
Othe	2,669,288	680,668	1,103,506	264,841
Total corporate tax expense	26,426,285	6,738,702	(1,329,655)	(319,118)
Based on taxable net income and deferred taxes calculated on the basis of temporary differences				
25.5% and 24% income tax		5,250,641		3,041,525
35% income tax		9,824		49,615
Derivatives adjustment		(12,889)		74,549
Provisional payment on net income absorbed by third parties		-		(3,141,680)
Income tax expense		5,247,576		24,009
Deferred tax expense (income)		1,491,126		(343,127)
Total corporate tax expense		6,738,702		(319,118)
Effective income tax rate		117.15%		(2.79%)

11. Income Taxes, continued

f) Current income tax liabilities

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

Concepts	03.31.2017 ThCh$	12.31.2016 ThCh$
Contingency provision (1)	5,086,662	5,025,140
Total	5,086,662	5,025,140

(1) contingency provision (see note 27),

g) Tax reform

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

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

Tax rates are detailed as follows:

Commercial year	Rate%
2015	22,5
2016	24,0
2017	25,5
2018	27,0

12. Non-current trade and other accounts receivable

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

Concepts	03.31.2017 Gross value ThCh$	03.31.2017 Allowance for doubtful accounts ThCh$	03.31.2017 Net value ThCh$	12.31.2016 Gross value ThCh$	12.31.2016 Allowance for doubtful accounts ThCh$	12.31.2016 Net value ThCh$
Trade receivables	9,042,055	(1,425,885)	7,616,170	9,272,719	(1,365,933)	7,906,786
Miscellaneous receivables (1)	10,491,076	-	10,491,076	11,278,964	-	11,278,964
Total	19,533,131	(1,425,885)	18,107,246	20,551,683	(1,365,933)	19,185,750

(1) Mainly includes loans related to employees.

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

As of March 31, 2017

Concepts	Gross Portfolio value in ThCh$ 1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Allowance for doubtful accounts ThCh$ 1 to 3 years	3 to 5 years	Greater than 5 years	Gross Total ThCh$	Net Total
Trade receivables	354,041	5,944,866	2,743,148	9,042,055	(1,269,003)	(55,668)	(101,214)	(1,425,885)	7,616,170
Miscellaneous receivables	1,838,155	773,934	7,878,987	10,491,076	-	-	-	-	10,491,076
Total	2,192,196	6,718,800	10,622,135	19,533,131	(1,269,003)	(55,668)	(101,214)	(1,425,885)	18,107,246

As of December 31, 2016

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

13. Intangible Assets other than goodwill

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

Concepts	03.31.2017 Intangible, gross ThCh$	03.31.2017 Accumulated amortization ThCh$	03.31.2017 Intangible, net ThCh$	12.31.2016 Intangible, gross ThCh$	12.31.2016 Accumulated amortization ThCh$	12.31.2016 Intangible, net ThCh$
Intangible assets in development (1)	8,319,480	-	8,319,480	5,838,045	-	5,838,045
Licenses and franchises	258,273,948	(224,011,564)	34,262,384	254,972,379	(219,476,451)	35,495,928
Other intangible assets (2)	21,832,500	(19,494,977)	2,337,523	21,832,500	(19,343,112)	2,489,388
Total	288,425,928	(243,506,541)	44,919,387	282,642,924	(238,819,563)	43,823,361

(1) Corresponds mainly to the evolutionary development of commercial systems (billing, receipts, and collections) in the amount of ThCh$ 5,012,658 and of SAP's materials module in the amount of ThCh$ 1,450,255.

(2) Corresponds to rights to use underwater cable.

b) As of March 31, 2017 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 01.01.2017	5,838,045	35,495,928	2,489,388	43,823,361
Additions	3,958,684	-	-	3,958,684
Transfer from costs of developing to service	(1,477,249)	1,477,249	-	-
Low	-	(1,505,380)	-	(1,505,380)
Low Amortization	-	1,505,380	-	1,505,380
Amortization	-	(6,040,493)	(151,865)	(6,192,358)
Transfer from work in progress (Note 15b)	-	3,329,700	-	3,329,700
Movement, subtotal	2,481,435	(1,233,544)	(151,865)	1,096,026
Ending balance as of 03.31.2017	8,319,480	34,262,384	2,337,523	44,919,387
Remaining average useful life	-	1,8 años	4 años	

As of December 31, 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	7,430,128	35	-	7,430,163
Transfer from costs of developing to service	(8,386,525)	8,386,525	-	-
Amortization	-	(25,532,924)	(623,494)	(26,156,418)
Transfer from work in progress (Note 15b)	2,770,891	14,353,497	-	17,124,388
Movement, subtotal	1,814,494	(2,792,867)	(623,494)	(1,601,867)
Ending balance as of 12.31.2016	5,838,045	35,495,928	2,489,388	43,823,361
Remaining average useful life	-	2,7 años	4 años	

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

13. Intangible Assets other than goodwill, continued

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

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

As of March 31, 2017 no indications of impairment have been detected for those assets, therefore no impairment testing has been performed.

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

14. Goodwill

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

Taxpayer No,	Company	01.01.2017 ThCh$	Additions ThCh$	Eliminations ThCh$	03.31.2017 ThCh$
90.635.000-9	Telefónica Chile S.A. (Ex Telefónica Larga Distancia S.A.)(1)	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S.A.	620,232	-	-	620,232
	Total	21.660.128	-	-	21,660,128

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

Taxpayer No,	Company	01.01.2016 ThCh$	Additions ThCh$	Eliminations ThCh$	12.31.2016 ThCh$
90.635.000-9	Telefónica Chile S.A.	21,039,896	-	-	21,039,896
96.834.320-3	Telefónica Internet Empresas S.A.	620,232	-	-	620,232
	Total	21.660.128	-	-	21,660,128

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

i. Projected operating income and costs are based on the 2017 budget and on the Strategic Plan for 2018 and 2019, projecting a fourth and fifth year as a terminal value. These projections have been made taking into consideration the Company's best estimate, using sector projections, historical behavior of the business and future expectations.

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

iii. Discount: The rate used to discount future cash flows is 7.05% (WACC), that represents the market value of the specific business and industry risk, taking into consideration the time value of money and individual risks of the assets being analyzed.

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

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

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

15. Property, plant and equipment

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

Concepts	03.31.2017 Property, plant & equipment, Gross ThCh$	03.31.2017 Accumulated depreciation ThCh$	03.31.2017 Property, plant & equipment, Net ThCh$	12.31.2016 Property, plant & equipment, Gross ThCh$	12.31.2016 Accumulated depreciation ThCh$	12.31.2016 Property, plant & equipment, Net ThCh$
Land	21,336,653	-	21,336,653	21,336,653	-	21,336,653
Buildings	768,734,349	(499,610,950)	269,123,399	767,707,983	(495,207,299)	272,500,684
Transport equipments	517,639	(511,693)	5,946	517,639	(511,152)	6,487
Supplies and accessories	23,071,822	(21,621,546)	1,450,276	22,983,831	(21,484,290)	1,499,541
Office equipments	2,339,146	(1,346,110)	993,036	2,317,727	(1,292,042)	1,025,685
Construction in progress	100,558,739	-	100,558,739	97,676,629	-	97,676,629
Information equipment	56,099,748	(41,849,040)	14,250,708	55,927,903	(40,161,281)	15,766,622
Network and communications equipment (1)	2,553,628,243	(2,060,522,421)	493,105,822	2,536,732,496	(2,042,177,914)	494,554,582
Property, plant and equipment under financial leases	5,304,293	(4,977,461)	326,832	5,304,293	(4,976,869)	327,424
Other property, plant & equipment (2)	287,226,900	(236,664,287)	50,562,613	285,409,492	(226,665,338)	58,744,154
Total	3,818,817,532	(2,867,103,508)	951,714,024	3,795,914,646	(2,832,476,185)	963,438,461

(1) As of December As of March 31, 2017 and December 31, 2016 this heading includes an allowance in the amount of ThCh$ 1,076,666 and ThCh$ 1,058,938, respectively, corresponding to the estimated cost of dismantling telecommunications infrastructure microwave antennas. The obligation is presented under non-current liabilities, in other non-current provisions.

(2) Includes general equipment and subscriber equipment.

15. Property, plant and equipment, continued

b) As of March 31, 2017 the movements of property, plant and equipment items are as follows:

Movements	Land	Buildings, net	Transport equipments, net	Supplies and accessories, net	Office equipment, net	Construction in progress net	Information equipment, net	Network and communications equipment, net	Property, plant and equipment under financial leases, net	Other property, plant & equipment, net	Property, plant and equipment, net
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Beginning balance as of 01.01.2017	21,336,653	272,500,684	6,487	1,499,541	1,025,685	97,676,629	15,766,622	494,554,582	327,424	58,744,154	963,438,461
Additions	-	-	-	-	-	29,468,447	-	-	-	-	29,468,447
Retirements	-	(108,907)	-	-	-	-	(1,128)	(1,087,945)	-	(1,846,099)	(3,044,079)
Acc, Dep, retirements	-	106,935	-	-	-	-	1,128	925,487	-	1,827,600	2,861,150
Depreciation expense	-	(4,510,586)	(541)	(137,256)	(54,068)	-	(1,688,887)	(19,269,994)	(592)	(11,826,549)	(37,488,473)
Other Increase (decrease) (1)	-	1,135,273	-	87,991	21,419	(26,586,337)	172,973	17,983,692	-	3,663,507	(3,521,482)
Movements, subtotal	-	(3,377,285)	(541)	(49,265)	(32,649)	2,882,110	(1,515,914)	(1,448,760)	(592)	(8,181,541)	(11,724,437)
Ending balance as of 03.31.2017	21,336,653	269,123,399	5,946	1,450,276	993,036	100,558,739	14,250,708	493,105,822	326,832	50,562,613	951,714,024

(1) Incl Includes movement of transfers from construction in progress to intangible assets in the amount of ThCh$ (3,229,700) (Note 13b).

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

Fully depreciated assets still in use	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	-	192,371,999	926,313	34,833,450	292,194	64,795,782	1,655,886,640	-	-	220,394,500	2,169,500,878

15. **Property, plant and equipment**, continued

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

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

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

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

Fully depreciated assets still in use	Land	Buildings, gross	Transport equipments, gross	Supplies and accessories, gross	Office equipment, gross	Construction in progress gross	Information equipment, gross	Network and 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	-	185,765,360	496,012	19,168,623	148,731	-	33,691,446	1,612,944,619	-	146,881,874	1,999,096,665

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15. Property, plant and equipment, continued

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

As of march 31, 2017 Property, plant and equipment items originating from net financial lease operations amount to ThCh$326,832 in the categories of buildings and the other property, plant and equipment, As of December 31, 2016, the amount for this concept was ThCh$327,424.

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

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

16. Other current and other non-current financial liabilities

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

Concepts		03.31.2017		12.31.2016	
		Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Bank loans	(a)	64,858,871	-	65,333,218	-
Unguaranteed obligations (Bonds)	(b)	6,676,866	424,610,009	3,645,762	378,796,391
Hedge instruments	(see note 18.2)	5,605,387	8,315,794	4,583,397	7,758,555
Total		77,141,124	432,925,803	73,562,377	386,554,946

The composition the movements of other current and other non-current financial liabilities arising from financing activities as of March 31, 2017 is as follows:

Conciliation other current financial liabilities	12.31.2016	Cash Flow		Otras partidas distintas al flujo de efectivo			03.31.2017
		Altas	Bajas	Diferencia de cambio	Intereses devengados	Otros movimientos	
	M$	M$	M$	M$	M$	M$	M$
Bank loans	65,333,218	-	(432,803)	(537,100)	493,632	1,924	64,858,871
Unguaranteed obligations (Bonds)	3,645,762	,-	(1,332,356)	-	4,515,943	(152,483)	6,676,866
Hedge instruments	4,583,397	-	(98,245)	(640,113)	306,893	1,453,455	5,605,387
Commercial mandate Related entities	11.022,372	31,620,000	-	-	290,542	1,855,001	44,787,915
other debts	-	-	(498,859)	-	-	498,859	-
Total	84,584,749	31,620,000	(2,362,263)	(1,177,213)	5,607,010	3,656,756	121,929,039

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

Conciliation other non-current financial liabilities	12.31.2016	Cash Flow		Otras partidas distintas al flujo de efectivo			03.31.2017
		Altas	Bajas	Diferencia de cambio	Intereses devengados	Otros movimientos	
	M$	M$	M$	M$	M$	M$	M$
Unguaranteed obligations (Bonds)	378,796,391	48,795,050	-	(3,291,.932)	-	310,500	424,610,009
Hedge instruments	7,758,555	-	-	-	-	557,239	8,315,794
Commercial mandate Related entities	22,174,222	-	(22,493,155)	-	318,933	-	-
Total	408,729,168	48,795,050	(22,493,155)	(3,291,932)	318,933	867,739	432,925,803

The composition the movements of other current and other non-current financial liabilities arising from financing activities as of March 31, 2016 is as follows:

Conciliation other current financial liabilities	31.12.2015	Cash Flow		Otras partidas distintas al flujo de efectivo			31.03.2016
		Altas	Bajas	Diferencia de cambio	Intereses devengados	Otros movimientos	
	M$	M$	M$	M$	M$	M$	M$
Bank loans	101,607	-	(400,543)	(2,390)	452,800	(47,398)	104,076
Unguaranteed obligations (Bonds)	4,155,334	-	(1,332,356)	-	3,862,750	(103,299)	6,582,429
Hedge instruments	3,427,938	111,456	-	3,446,275	142,300	898,402	8,026,371
Commercial mandate Related entities	23,926,955	21,319,000	-	-	-	(102,628)	45,143,327
Financial Leases	122,871	-	(122,100)	-	26,337	-	27,108
other debts	300,345	-	(201,817)	-	-	88,286	186,814
Total	32,035,050	21,430,456	(2,056,816)	3,443,885	4,484,187	733,363	60,070,125

Conciliation other non-current financial liabilities	31.12.2016	Cash Flow		Otras partidas distintas al flujo de efectivo			31.03.2016
		Altas	Bajas	Diferencia de cambio	Intereses devengados	Otros movimientos	
	M$	M$	M$	M$	M$	M$	M$
Bank loans	68,972,097	-	-	(3,934,579)	-	63,312	65,100,830
Unguaranteed obligations (Bonds)	398,986,215	-	-	(20,020,870)	-	132,837	379,098,182
Hedge instruments	7,656,345	-	-	-	-	(7,656,345)	-
Commercial mandate Related entities	21,181,406	-	-	-	247,180	-	21,428,586
Total	496,796,063	-	-	(23,955,449)	247,180	(7,460,196)	465,627,598

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

a) As of March 31, 2017 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: Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total nominal amounts in local currency
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: Up to 90 days ThCh$	Current To Maturity: 90 days to 1 years ThCh$	Total current as of 03.31.2017 ThCh$	Non-current To Maturity: 1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total Non-current as of 03.31.2017 ThCh$
Syndicated Loan(1)	90.635.000-9	Telefónica Chile S,A,	Chile	Sovereing Bank N,A,	-	64,858,871	64,858,871	-	-	-	-	-	-	-	-
	Total				-	64,858,871	64,858,871	-	-	-	-	-	-	-	-

(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, 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%	MMUSD 97,5	2017

Classes	Debtor taxpayer No	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands) To Maturity: Up to 90 days	90 days to 1 years	1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total nominal amounts in local currency
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: Up to 90 days ThCh$	Current To Maturity: 90 days to 1 years ThCh$	Total current as of 12.31.2016 ThCh$	Non-current To Maturity: 1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total Non-current as of 12.31.2016 ThCh$
Syndicated Loan(1)	90.635.000-9	Telefónica Chile S,A,	Chile	Sovereing Bank N,A,	-	65,333,218	65,333,218	-	-	-	-	-	-	-	-
Total					-	65,333,218	65,333,218	-	-	-	-	-	-	-	-

(1) On April 3, 2012 an international 5-year bullet loan agreement was signed with 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 March 31, 2017 the detail of unguaranteed obligations (Bonds) is as follows:

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor taxpayer No,	Creditor	Creditor country	Currency	Amortization type	Effective rate	Nominal rate	Nominal value	Term
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S,A,	Chile	Foreign	The Bank of New York Mellon	USA	USD	At expiry	4.06%	3.88%	MMUSD 500	2022
Series Q Bond (2)	90.635.000-9	Telefónica Chile S,A,	Chile	97.004.000-5	Banco Chile	Chile	CLP	At expiry	6.17%	5.75%	MCh$47,000	2019
Series T Bond (3)	90.635.000-9	Telefónica Chile S,A,	Chile	97.004.000-5	Banco Chile	Chile	CLP	At expiry	6.09%	4.90%	MCh$48,000	2023

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

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Current To Maturity		Total current as of 03.31.2017	Non-current To Maturity							Total Non-current as of 03.31.2017
					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$
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S,A,	Chile	The Bank of New York Mellon	-	6,008,108	6,008,108	-	-	-	-	-	-	329,549,316	332,181,886
Series Q Bond (2)	90.635.000-9	Telefónica Chile S,A,	Chile	Banco Chile	123,098	-	123,098	46,655,252	-	46,655,252	-	-	-	-	46,665,252
Series T Bond (3)	90.635.000-9	Telefónica Chile S,A,	Chile	Banco Chile		545,660	545,660							48,405,441	48,405,441
Total					123,098	6,553,768	6,676,866	46,655,252	-	46,655,252	-	-	-	377,954,757	424,610,009

(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.

(3) On January 5, 2017, Telefónica Chile S.A. placed series T 5-year in the local market in the amount of MC$ 48,000 at a nominal annual rate of 4.9% , maturing on July 5, 2023. The amount collected by this operation amounted To MCh$ 48,795.

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

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

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

Classes	Debtor taxpayer No,	Debtor	Debtor country	Creditor	Nominal amounts (capital in thousands) 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 Up to 90 days ThCh$	Current To Maturity 90 days to 1 years ThCh$	Total current as of 12.31.2016 ThCh$$	Non-current To Maturity 1 to 2 years	2 to 3 years	Total 1 to 3 years	3 to 4 years	4 to 5 years	Total 3 to 5 years	5 years and over	Total Non-current as of 12.31.2016 ThCh$
Series 144A Bond (1)	90.635.000-9	Telefónica Chile S,A,	Chile	The Bank of New York Mellon	-	2,850,765	2,850,765	-	-	-	-	-	-	332.181.886	332.181.886
Series Q Bond (2)	90.635.000-9	Telefónica Chile S,A,	Chile	Banco Chile	794,997	-	794,997	-	46,614,505	46,614,505	-	-	-	-	46.614.505
Total					794.997	2.850.765	3,645,762	-	46,614,505	46,614,505	-	-	-	332,181,886	378,796,391

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

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

17. Trade and other payables

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

Concepts	03.31.2017 ThCh$	12.31.2016 ThCh$
Debts due to purchases or services provided, invoiced (1)	43,940,623	60,037,630
Debts due to purchases or services provided, provisioned (1)	45,956,275	40,037,370
Real property providers, invoiced	14,660,439	42,386,182
Real property providers, provisioned	15,681,522	19,014,535
Payables to employees	15,523,635	33,200,522
Dividends pending payment	218,919	406,998
Total	135,981,413	195,083,237

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

Debts due to purchases or services provided	03.31.2017 ThCh$	12.31.2016 ThCh$
Domestic	75,767,003	85,438,837
Foreign	14,129,895	14,636,163
Total	89,896,898	100,075,000

b) Accounts payable payment terms

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

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

As of March 31, 2017 the main suppliers, considering a minimum margin of 10.08%, Cam Servicios de Telecomunicaciones 7.25%, Ezentis Chile S.A. 6.37%, Cobra Chile Servicios S.A. 5.04% and for December 31, 2016 the main suppliers, are the Ministry of Public Works 7.29%, Coasin Instalaciones Ltda. 6.50%, Cobra Chile Servicios S.A. 6.44%, Atento Chile S.A. 6.70% and Ezentis S.A. 7.19%

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

Suppliers with up to date payments As of 03.31.2017	Goods ThCh$	Services ThCh$	Other ThCh$	Total ThCh$
Trade accounts to date				
Up to 30 days	39,475,844	13,766,172	-	53,242,016
From 31 to 60 days	-	-	-	-
From 61 to 90 days	-	-	-	-
Total	39,475,844	13,766,172	-	53,242,016
Average period of payment of up to date accounts	30	29	-	

17. Trade and other payables, continued

b) Accounts payable payment terms, continued

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

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

Overdue trade accounts payable by term As of 03.31.2017	Goods ThCh$	Services ThCh$	Other ThCh$	Total ThCh$
Overdue trade accounts payable by term				
Up to 30 days	331,107	120,498	-	451,605
From 31 to 60 days	56,362	138,303	-	194,665
From 61 to 90 days	42,053	304,689	-	346,742
From 91 to 120 days		2,255,830	-	2,255,830
From 121 to 180 days	641,942	1,468,262	-	2,110,204
Total	1,071,464	4,287,582	-	5,359,046
Average payment period of overdue accounts	126	121	-	

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

18. Financial instruments

1. Classification of financial instruments by nature and category

a) Details of financial instruments of assets classified by nature and category as of March 31, 2017 is as follows:

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE							ASSETS RECORDED AT AMORTIZED COST			TOTAL	
						Valuation hierarchy							
						Level 1	Level 2	Level 3					
		Other financial assets at FV through P&L	Financial assets available for sale	Asset hedge derivatives	Subtotal of assets at fair value	Market prices	Estimates based on other observable market data	Estimates not based on observable market data	Balance of financial assets at amortized cost	Investments held to maturity	Subtotal of assets at amortized cost	Total Carrying amount	Total fair value
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Other participations (net)		3,854	7,084,846	-	7,088,700	7,084,846	3,854	-	-	-	-	7,088,700	7,088,700
Other participations	See note 6 b	3,854	7,084,846	-	7,088,700	7,084,846	3,854	-	-	-	-	7,088,700	7,088,700
Derivative instrument assets		-	-	105,018,854	105,018,854	-	105,018,854	-	-	-	-	105,018,854	105,018,854
Derivative instrument assets	See note 18-2	-	-	105,018,854	105,018,854	-	105,018,854	-	-	-	-	105,018,854	105,018,854
Non-current deposits and pledges		50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current deposits and pledges	See note 6 a	50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current trade accounts receivable		-	-	-	-	-	-	-	19,473,767	-	19,473,767	19,473,767	19,473,767
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	18,107,246	-	18,107,246	18,107,246	18,107,246
Account receivable from relate entities	See note 9 b	-	-	-	-	-	-	-	1,366,521	-	1,366,521	1,366,521	1,366,521
Non-current financial assets		54,322	7,084,846	105,018,854	112,158,022	7,084,846	105,073,176	-	19,473,767	-	19,473,767	131,631,789	131,631,789
Current trade accounts receivable		-	-	-	-	-	-	-	239,237,123	-	239,237,123	239,237,123	239,237,123
Current trade and other accounts receivable	See note 8 a	-	-	-	-	-	-	-	149,254,561	-	149,254,561	149,254,561	149,254,561
Account receivable from relate entities	See note 9 a	-	-	-	-	-	-	-	89,982,562	-	89,982,562	89,982,562	89,982,562
Current pledges and deposits		56,680	-	-	56,680	-	56,680	-	-	-	-	56,680	56,680
Current pledges and deposits	See note 6 a	56,680	-	-	56,680	-	56,680	-	-	-	-	56,680	56,680
Derivative instrument of assets		-	-	20,333,928	20,333,928	-	20,333,928	-	-	-	-	20,333,928	20,333,928
Derivative instrument of assets	See note 18-2	-	-	20,333,928	20,333,928	-	20,333,928	-	-	-	-	20,333,928	20,333,928
Cash and cash equivalents		-	-	-	-	-	-	-	110,618,265	-	110,618,265	110,618,265	110,618,265
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	110,618,265	-	110,618,265	110,618,265	110,618,265
Current financial assets		56,680	-	20,333,928	20,390,608	-	20,390,608	-	349,855,388	-	349,855,388	370,245,996	370,245,996
Total financial assets		111,002	7,084,846	125,352,782	132,548,630	7,084,846	125,463,784	-	369,329,155	-	369,329,155	501,877,785	501,877,785

18. Financial instruments, continued

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

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

Description of financial assets	Financial instrument expiry	ASSETS RECORDED AT FAIR VALUE: 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		-	-	112,302,000	112,302,000	-	112,302,000	-	-	-	-	112,302,000	112,302,000
Derivative instrument assets	See note 18-2	-	-	112,302,000	112,302,000	-	112,302,000	-	-	-	-	112,302,000	112,302,000
Non-current deposits and pledges		50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current deposits and pledges	See note 6a	50,468	-	-	50,468	-	50,468	-	-	-	-	50,468	50,468
Non-current trade accounts receivable		-	-	-	-	-	-	-	20,552,271	-	20,552,271	20,552,271	20,552,271
Non-current trade and other accounts receivable	See note 12	-	-	-	-	-	-	-	19,185,750	-	19,185,750	19,185,750	19,185,750
Account receivable from relate entities	See note 9b	-	-	-	-	-	-	-	1,366,521	-	1,366,521	1,366,521	1,366,521
Non-current financial assets		54,322	7,419,955	112,302,000	119,776,277	7,419,955	112,356,322	-	20,552,271	-	20,552,271	140,328,548	140,328,548
Current trade accounts receivable		-	-	-	-	-	-	-	228,279,927	-	228,279,927	228,279,927	228.279.927
Current trade and other accounts receivable	See note 8a	-	-	-	-	-	-	-	144,725,272	-	144,725,272	144,725,272	144.725.272
Account receivable from relate entities	See note 9a	-	-	-	-	-	-	-	83,554,655	-	83,554,655	83,554,655	83.554.655
Current pledges and deposits		56,680	-	-	56,680	-	56,680	-	-	-	-	56,680	56.680
Current pledges and deposits	See note 6a	56,680	-	-	56,680	-	56,680	-	-	-	-	56,680	56.680
Derivative instrument of assets		-	-	19,617,064	19,617,064	-	19,617,064	-	-	-	-	19,617,064	19.617.064
Derivative instrument of assets	See note 18-2	-	-	19,617,064	19,617,064	-	19,617,064	-	-	-	-	19,617,064	19.617.064
Cash and cash equivalents		-	-	-	-	-	-	-	127,307,052	-	127,307,052	127,307,052	127.307.052
Cash and cash equivalents	See note 5	-	-	-	-	-	-	-	127,307,052	-	127,307,052	127,307,052	127.307.052
Current financial assets		56,680	-	19,617,064	19,673,744	-	19,673,744	-	355,586,979	-	355,586,979	375,260,723	375.260.723
Total financial assets		111.002	7,419,955	131,919,064	139,450,021	7,419,955	132,030,066	-	376,139,250	-	376,139,250	515,589,271	515,589,271

18. Financial instruments, continued

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

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

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

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

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

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

18. Financial instruments, continued

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

b) Details of financial instruments of liabilities classified by nature and category as of March 31, 2017 is as follows:

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE: Hedge derivative liabilities	LIABILITES RECORDED AT FAIR VALUE: Subtotal of liabilities at fair value	Valuation hierarchy: Level 1 Market prices	Valuation hierarchy: Level 2 Estimates based on other observable market data	Valuation hierarchy: Level 3 Estimates not based on observable market data	LIABILITIES RECORDED AT AMORTIZED COST: Debits and items payable	TOTAL: Total Carrying amount	TOTAL: Total Carrying amount
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Issuance of obligations and other non-current marketable securities	See note 16 b	-	-	-	-	-	424,610,009	424,610,009	435,065,489
Non-current debts with loan entities	See note 16 a	-	-	-	-	-	-	-	-
Long-term hedge derivative instrument of liabilities	See note 18-2	8,315,794	8,315,794	-	8,315,794	-	-	8,315,794	8,315,794
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities		-	-	-	-	-	-	-	-
Non-current financial liabilities		8,315,794	8,315,794	-	8,315,794	-	424,610,009	432,925,803	443,381,283
Issuance of short-term obligations and other marketable securities	See note 16 b	-	-	-	-	-	6,676,866	6,676,866	6,842,454
Short-term debts with credit entities	See note 16 a/c	-	-	-	-	-	64,858,871	64,858,871	64,858,871
Short-term derivative instrument of liabilities	See note 18-2	5,605,387	5,605,387	-	5,605,387	-	-	5,605,387	5,605,387
Trade and other accounts payable	See note 17	-	-	-	-	-	135,981,413	135,981,413	135,981,413
Accounts payable to related entities	See note 9 c	-	-	-	-	-	100,418,961	100,418,961	100,418,961
Current Other Financial Debt		-	-	-	-	-	-	-	-
Current financial liabilities		5,605,387	5,605,387	-	5,605,387	-	307,936,111	313,541,498	313,707,086
Total financial liabilities		13,921,181	13,921,181	-	13,921,181	-	732,546,120	746,467,301	757,088,369

18. **Financial instruments**, continued

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

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

Description of financial liabilities	Financial instrument expiry	LIABILITES RECORDED AT FAIR VALUE					LIABILITIES RECORDED AT AMORTIZED COST	TOTAL	
				Valuation hierarchy					
		Hedge derivative liabilities	Subtotal of liabilities at fair value	Level 1	Level 2	Level 3			
				Market prices	Estimates based on other observable market data	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	-	-	-	-	-	378,796,391	378,796,391	384,355,603
Non-current debts with loan entities	See note 16 a	-	-	-	-	-	-	-	-
Long-term hedge derivative instrument of liabilities	See note 18-2	7,758,555	7,758,555	-	7,758,555	-	-	7,758,555	7,758,555
Trade and other accounts payable		-	-	-	-	-	-	-	-
Accounts payable to related entities		-	-	-	-	-	22,174,222	22,174,222	22,174,222
Non-current financial liabilities		7,758,555	7,758,555	-	7,758,555	-	400,970,613	408,729,168	414,288,380
Issuance of short-term obligations and other marketable securities	See note 16 b	-	-	-	-	-	3,645,762	3,645,762	3,699,267
Short-term debts with credit entities	See note 16 a/c	-	-	-	-	-	65,333,218	65,333,218	65,333,218
Short-term derivative instrument of liabilities	See note 18-2	4,583,397	4,583,397	-	4,583,397	-	-	4,583,397	4,583,397
Trade and other accounts payable	See note 17	-	-	-	-	-	195,083,237	195,083,237	195,083,237
Accounts payable to related entities	See note 9 c	-	-	-	-	-	85,904,101	85,904,101	85,904,101
Current Other Financial Debt		-	-	-	-	-	-	-	-
Current financial liabilities		4,583,397	4,583,397	-	4,583,397	-	349,966,318	354,549,715	354,603,220
Total financial liabilities		12,341,952	12,341,952	-	12,341,952	-	750,936,931	763,278,883	768,891,600

18. Financial instruments, continued

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

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

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

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

18. Financial instruments, continued

2. Hedging instruments

As of March 31, 2017, hedge instruments are detailed as follows:

Type of hedge	Underlying	Net total as 03.31.2017	Up to 90 days	90 days to 1 year	Total current		To Maturity 1 to 3 years	3 to 5 years	Total non-current	
					Assets (note 6)	Liabilities (note 17)			Assets (note 6)	Liabilities (note 17)
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	495,748	148,277	347,471	782,474	(286,726)		-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	(12,851)	(12,851)	-	15,669	(28,520)		-	-	-
Interest rate – cash flows hedge (3)	Financial Debt	(3,606,509)	(3,026,719)	-	2,263,422	(5,290,141)		(579,790)	7,736,004	(8,315,794)
Exchange rate and interest rate – fair value hedge (4)	Financial Debt	114,555,213	-	17,272,363	17,272,363	-		97,282,850	97,282,850	-
	Total	111,431,601	(2,891,293)	17,619,834	20,333,928	(5,605,387)	-	96,703,060	105,018,854	(8,315,794)

Hedge instruments have generated an effect on income of ThCh$ (3,731,155), As of March 31, 2017 the accumulated effect on equity is ThCh$ 2,037,248 (see note 22d),

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

Type of hedge	Underlying	Net total as 12,31,2016	Up to 90 days	90 days to 1 year	Total current		To Maturity 1 to 3 years	3 to 5 years	Total non-current	
					Assets (note 6)	Liabilities (note 17)			Assets (note 6)	Liabilities (note 17)
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Exchange rate – cash flow hedge (1)	Supplier Debt	(92,982)	(445,188)	352,206	806,903	(899,885)	-	-	-	-
Exchange rate – fair value hedge (2)	Supplier Debt	202	202	-	8,927	(8,725)	-	-	-	-
Interest rate – cash flows hedge (3)	Financial Debt	(1,873,875)	(2,822,417)	-	852,370	(3,674,787)	-	948,542	8,707,097	(7,758,555)
Exchange rate and interest rate – fair value hedge (4)	Financial Debt	121,543,767	-	17,948,864	17,948,864	-	-	103,594,903	103,594,903	-
	Total	119,577,112	(3,267,403)	18,301,070	19,617,064	(4,583,397)	-	104,543,445	112,302,000	(7,758,555)

Hedge instruments have generated an effect on income of ThCh$ (26,146,302), As of December 31, 2016 the accumulated effect on equity is ThCh$6,278,643 (see note 22d),

Description of hedge instruments:

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

18, Financial instruments, continued

3, Valuation of hedging instruments

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

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

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

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

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

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

4, Fair value hierarchy of financial instruments

Financial instruments recognized at fair value in the statement of financial position are classified according to the following hierarchies (see note 18,1):

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

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

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

19, Other currents provisions

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

Concepts	03.31.2017 ThCh$	12.31.2016 ThCh$
Civil and regulatory(1)	645,857	218,680
Total	645,857	218,680

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

Based on the progress of the proceedings, the Company's management considers that the provisions recorded in the financial statements adequately cover the litigation risks described in Note 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 March 31, 2017 and December 31, 2016 the movements in provisions is as follows:

Movements	03.31.2017 ThCh$	12.31.2016 ThCh$
Beginning balance	218,680	591,254
Increase in existing provisions	439,633	1,009,238
Provision used	(12,456)	(1,381,812)
Movement subtotal	427,177	(372,574)
Ending balance	645,857	218,680

20. Employee benefits accrual

a) Post employment benefits

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

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

Concepts	03,31,2017 ThCh$	12,31,2016 ThCh$
Current amount of liability recognized for termination benefits	6,080,801	5,989,507
Non-current amount of liability recognized for termination benefits	31,015,014	30,664,822
Total	37,095,815	36,654,329

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

Movements	03,31,2017 ThCh$	12,31,2016 ThCh$
Beginning balance	36,654,329	30,477,978
Service costs	82,885	2,080,586
Interest costs	413,551	1,496,561
Actuarial (profits)/losses, net due to experience	541,315	5,279,894
Benefits paid	(800,263)	(2,315,172)
Others	203,998	(365,518)
Movement subtotal	441,486	6,176,351
Ending balance	37,095,815	36,654,329

20. Employee benefits accrual, continued

a) Post employment benefits, continued

Actuarial Hypotheses

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

- **Discount rate:** an annual nominal rate of 4,51% is used as of March 31, 2017 and December 31, 2016 respectively, This rate must be representative of the time value of money, for which a risk-free rate is used represented by BCP (Central Bank of Chile Bonds issued in Chilean pesos) instruments, for a relevant term of close to 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 periods ended March 31, 2017 and December 31, 2016 was 3%.
- **Mortality:** The RV 2014 mortality tables established by the Superintendency of Securities and Insurance are used to calculate social life insurance reserves in Chile.
- **Turnover rate:** Based on the historical Company data, turnover rate used is 5,46% for both periods.
- **Years of service:** The Company assumes that the employees will remain until they are of legal retirement age, (women up to 60 years old and men up to 65 years old).

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

b) Sensitivity of assumptions

Based on the actuarial calculation as of March 31, 2017, the sensitivity of the main assumptions has been reviewed, determining the following possible effects on equity:

Description	Base	Plus 1% ThCh$	Less 1% ThCh$
Discount rate	4,51%	(2,633,779)	2,967,138

20. Employee benefits accrual, continued

c) Expected cash flows

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

Description	1st year ThCh$
Future payment cash flows	3,470,582

d) Employee benefits expenses

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

Concepts	03.31.2017 ThCh$	03.31.2016 ThCh$
Wages and salaries	35,922,113	33,334,604
Post employment benefit obligations expense	82,885	965,821
Total	36,004,998	34,300,425

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

Other non-financial liabilities are detailed as follows:

Concepts	03.31.2017		12.31.2016	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Deferred income	5,338,810	3,083,790	5,910,960	3,165,217
Connection installments	110,730	149,537	114,467	163,057
Other Deferred income (1)	5,228,080	2,934,253	5,796,493	3,002,160
Subsidies	143,003	1,131,635	143,003	1,170,635
Puerto Natales and Cerro Castillo Fiber Optics Network	52,623	548,157	52,623	561,313
Connectivity for service networks and Community Telecommunications Centers	90,380	583,478	90,380	609,322
Other taxes (2)	18,574,369	-	18,136,111	-
Total	24,056,182	4,215,425	24,190,074	4,335,852

(1) The current portion mainly includes self-financed projects in the amount of MCh$ 3,427 and non-current portion includes entitlements for the use of underwater cables in the amount of MCh$1,431 and sold capacity in the amount of MCh$893,

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

Movements of deferred income and subsidies are detailed as follows:

Movements	03.31.2017		12.31.2016	
	Current ThCh$	Non-current ThCh$	Current ThCh$	Non-current ThCh$
Beginning balance	6,053,963	4,335,852	4,796,168	5,478,452
Endowments	7,770,992	240,508	25,112,036	1,238,866
Reduction/applications	(8,343,142)	(360,935)	(23,854,241)	(2,381,466)
Movement subtotal	(572,150)	(120,427)	1,257,795	(1,142,600)
Ending balance	5,481,813	4,215,425	6,053,963	4,335,852

22. Equity

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

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

a) Capital

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

Number of shares

Series	03.31.2017			12.31.2016		
	N° of shares subscribed	N° of shares paid	N° of shares with voting rights	N° of shares subscribed	N° of shares paid	N° of shares with voting rights
A	874,049,316	864,442,610	864,442,610	874,049,316	864,442,610	864,442,610
B	83,161,638	82,004,664	82,004,664	83,161,638	82,004,664	82,004,664
Total	957,210,954	946,447,274	946,447,274	957,210,954	946,447,274	946,447,274

Capital

Series	03.31.2017		12.31.2016	
	Subscribed capital ThCh$	Paid-in capital ThCh$	Subscribed capital ThCh$	Paid-in capital ThCh$
A	528,009,572	528,009,572	528,009,572	528,009,572
B	50,089,210	50,089,210	50,089,210	50,089,210
Total	578,098,782	578,098,782	578,098,782	578,098,782

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 ThCh$7,563,361 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 March 31, 2017 is as follows:

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

As of March 31, 2017 and December 2016, the indirect participation of Telefónica Chile Holding BV, in the equity of Telefónica Chile S.A. reached 96.82%.

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

c) Dividends:

i) Dividends policy:

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

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

22. Equity, continued

c) Dividends, 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-13-2016		Final	7,375,148	7,8000	Fiscal year 2015	May - 2016

d) Other reserves:

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

Concepts	Balance of 12.31.2016 ThCh$	Net movement ThCh$	Balance of 03.31.2017 ThCh$
Cash flows hedge reserve	6,278,643	(4,241,396)	2,037,247
Employee benefits reserve, net tax	(5,145,497)	(272,155)	(5,417,652)
Reserve for financial assets available for sale	1,364,990	43,900	1,408,890
Treasury stock reserve	(7,563,361)	-	(7,563,361))
Total	(5,065,225	(4,469,651)	(9,534,876)

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

Subsidiaries	Non-controlling Interest percentage 2017 %	2016 %	Shareholders' equity Non-controlling interest 2017 ThCh$	2016 ThCh$
Telefónica de Chile Servicios Corporativos Ltda,	49,000000	49,000000	16,698,663	16,991,076
Total			16,698,663	16,991,076

As of March 31, 2017 and 2016 recognition of the share in income of subsidiaries is detailed as follows:

Filiales	Non-controlling Interest percentage 2017 %	2016 %	Participation in profit income (loss) 03.31.2017 ThCh	03.31.2016 ThCh$
Telefónica Larga Distancia S,A,	-	0,070000	-	3,057
Telefónica Chile Servicios Corporativos Ltda,	49,000000	49,000000	(26,628)	479,599
Total			(26,628)	482,656

23. Earnings per Share

The details of Earnings per share are as follows:

Basic earnings per share	03.31.2017 ThCh$	03.31.2016 ThCh$
Earnings attributable to owners of the parent	(959,682)	11,269,212
Profit available for shareholders	(959,682)	11,269,212
Weighted average number of shares	957,210,954	957,157,085
Basic earnings per share in Ch$	(1,00)	11,77

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

24. Income and Expenses

a) The details of income from ordinary operations as of March 31, 2017 and 2016 are as follows:

Ordinary income	03.31.2017 ThCh$	03.31.2016 ThCh$
Fixed Telecommunications	52,984,764	54,842,912
Broadband (1)	48,598,496	46,978,925
Television	42,624,221	42,336,932
Corporate Communication	25,979,138	26,317,929
Long Distance	19,317,512	17,978,811
Other Businesses	4,457,979	7,167,989
Total	194,366,405	197,154,496

(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 March 31, 2017 and 2016 are as follows:

Other income	03.31.2017 ThCh$	03.31.2016 ThCh$
Income from indemnities, complaints and others	220,545	2,050
Income from disposal of real property	8,052	17,685
Other current management income	-	695,413
Total	228,597	715,148

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

Other expenses	03.31.2017 ThCh$	03.31.2016 ThCh$
Media rental	27,341,128	26,329,900
Other exterior services	11,384,792	9,753,434
Cost of sale of inventory	10,926,012	8,789,985
Plant maintenance	10,145,500	10,211,539
Interconnections	8,699,972	10,306,308
Sales commissions	6,714,877	8,551,208
Information services	5,887,431	6,049,658
Customer service	5,646,797	6,088,109
Allowance for doubtful accounts	4,656,023	5,416,864
Advertising	3,477,975	3,004,673
Energy	2,970,985	3,337,503
Other	3,871,275	1,854,531
Total	103,899,168	101,735,432

24. Income and Expenses, continued

d) The detail of financial expenses, net, as of March 31, 2017 and 2016 is as follows:

Financial expenses, net	03.31.2017 ThCh$	03.31.2016 ThCh$
Interest income		
Interest earned on deposits	1,147,142	445,270
Interest on financial instruments	19,399	13,127
Other interest income	295,905	205,749
Total interest income	1,462,446	664,146
Interest expense		
Interest on loans from bank institutions	4,515,943	3,862,750
Interest on mercantile mandate	670,286	491,672
Interest on obligations banking institutions	493,632	452,800
Interest rate hedges (Cross Currency Swap)	208,648	142,299
Finance lease	-	1,284
Other financial expenses	643,018	330,744
Total interest expense	6,531,527	5,281,549
Total finance income and costs, net	(5,069,081)	(4,617,403)

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

Currency translation	03.31.2017 ThCh$	03.31.2016 ThCh$
Current accounts receivable from related entities	(269,325)	(1,254,359)
Current accounts payable to related entities	351,652	772,404
Current trade and other accounts receivable	(53,356)	(147,383)
Trade and other accounts payable	134,170	618,816
Cash and cash equivalents	(150,164)	(252,857)
Financial debt	3,263,491	23,923,522
Other financial transactions	25,089	12,067
Hedge instruments	(3,486,159)	(23,459,878)
Total	(184,602)	212,332

Indexation units	03.31.2017 ThCh$	03.31.2016 ThCh$
Cash and cash equivalents	(196)	(271)
Current trade and other accounts receivable	1,299	(41)
Current tax liabilities	(5,033)	(16,348)
Financial debt	-	(6,511)
Leasing financial debt	-	(27)
Total	(3,930)	(23,198)

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	03.31.2017 ThCh$	03.31.2016 ThCh$
Minimum operating lease payments recognized as expenses	2,250,539	2,228,206

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

	03.31.2017			03.31.2016		
Concepts	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	(4,977,461)	326,832	5,304,293	(4,976,869)	327,424

25. **Leases,** continued

Future obligations on financial and operating leases as of March 31, 2017 and 2016 are detailed as follows:

Concepts	03.31.2017 Up to one year ThCh$	From one to five years ThCh$	More than 5 years ThCh$	Total ThCh$
Minimum financial lease payments payable	-	-	-	-
Future financial burden due to financial leases	-	-	-	-
Minimum operating lease payments payable	4,879,943	3,656,796	16,148	8,552,887

Concepts	03.31.2016 Up to one year ThCh$	From one to five years ThCh$	More than 5 years ThCh$	Total ThCh$
Minimum financial lease payments payable	27,344	-	-	27,344
Future financial burden due to financial leases	236	-	-	236
Minimum operating lease payments payable	5,829,692	7,456,194	244,171	13,530,057

26. Local and Foreign Currency

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

Currents assets	03.31.2017 ThCh$	03.31.2016 ThCh$
Cash and cash equivalents	110,618,265	127,307,052
US Dollars	313,727	244,591
Euros	54,859	46,658
Chilean Pesos	110,249,679	127,015,803
Other current financial assets	20,390,608	19,673,744
US Dollars	-	-
Chilean Pesos	20,390,608	19,673,744
U,F,	-	-
Current trade and other accounts receivable	149,254,561	144,725,272
Euros	24,590	26,308
Chilean Pesos	148,949,857	144,549,466
U,F	280,114	149,498
Current receivables from related companies	89,982,562	83,554,655
US Dollars	5,936,618	5,501,304
Chilean Pesos	83,921,739	77,981,229
Other currencies	124,205	72,122
Other current assets (1)	46,046,717	42,208,563
Chilean Pesos	46,046,717	42,208,563
Total current assets	416,292,713	417,469,286
US Dollars	6,250,345	5,745,895
Euros	79,449	72,966
Chilean Pesos	409,558,600	411,428,805
U,F,	280,114	149,498
Other currencies	124,205	72,122

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

Non-currents assets	03.31.2017 ThCh$	03.31.2016 ThCh$
Other non-current financial assets	112,158,023	119,397,268
US Dollars	1,853,129	1,853,129
Chilean Pesos	110,304,894	117,544,139
Non-current trade and other accounts receivable	18,107,246	19,185,750
Chilean Pesos	18,107,246	19,185,750
Non-current receivables from related companies	1,366,521	1,366,521
Chilean Pesos	1,366,521	1,366,521
Other non-current assets (2)	1,028,814,455	1,043,195,427
Chilean Pesos	1,028,814,455	1,043,195,427
Total non-current assets	1,160,446,245	1,183,144,966
US Dollars	1,853,129	1,853,129
Chilean Pesos	1,158,593,116	1,181,291,837

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

26. Local and Foreign Currency, continued

The detail for currency of current liabilities is as follows:

Currents liabilities	03.31.2017	12.31.2016	03.31.2017	12.31.2016
	to 90 days		De 91 days a 1 years	
	ThCh$		ThCh$	
Other current financial liabilities	70,587,356	5,378,394	6,553,768	68,183,983
US Dollars	64,858,871	863,194	6,008,108	68,183,983
Euros	315,246	45,415	-	-
Chilean Pesos	5,413,239	4,469,785	545,660	-
Trade and other payables	135,981,413	195,083,237	-	-
US Dollars	23,480,064	34,383,323	-	-
Euros	1,438,625	1,091,443	-	-
Chilean Pesos	100,225,252	153,418,512	-	-
U,F,	10,837,472	6,189,959	-	-
Current receivables from related companies	100,418,961	85,904,101	-	-
US Dollars	5,037,555	4,281,623	-	-
Euros	39,244	98,789	-	
Chilean Pesos	95,342,162	81,523,689	-	-
Other current liabilities (1)	5,086,662	5,025,140	30,782,840	30,398,261
Chilean Pesos	5,086,662	5,025,140	30,782,840	30,398,261
Total current liabilities	312,074,392	291,390,872	37,336,608	98,582,244
US Dollars	93,376,490	39,528,140	6,008,108	68,183,983
Euros	1,793,115	1,235,647	-	-
Chilean Pesos	206,067,315	244,437,126	31,328,500	30,398,261
U,F,	10,837,472	6,189,959	-	-

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

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

Non-current liabilities	03.31.2017	12.31.2016	03.31.2017	12.31.2016	03.31.2017	12.31.2016
	1 to 3 years		3 to 5 years		5 years and over	
	ThCh$		ThCh$		ThCh$	
Other non-current financial liabiliti	46,655,252	46,614,505	8,315,794	7,758,555	377,954,757	332,181,886
US Dollars	-	-	-	-	329,549,316	332,181,886
Chilean Pesos	46,655,252	46,614,505	8,315,794	7,758,555	48,405,441	-
Non-current Current payables to related companies	-	-	-	22,174,222	-	-
Chilean Pesos	-	-	-	22,174,222	-	-
Other non-current liabilities (2)	2,034,250	8,507,847	76,591,126	41,117,635	33,668,085	64,456,046
Chilean Pesos	2,034,250	8,507,847	76,591,126	41,117,635	33,668,085	64,456,046
Other non-current liabilities	48,689,502	55,122,352	84,906,920	71,050,412	411,622,842	396,637,932
US Dollars	-	-	-	-	329,549,316	332,181,886
Chilean Pesos	48,689,502	55,122,352	84,906,920	71,050,412	82,073,526	64,456,046

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

27. Contingencies and restrictions

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

Notwithstanding there are certain proceedings in which due to the aforementioned considerations it is believed that there is a risk of loss that is rated as probable, which has motivated the establishment of provisions for the amount of what would be the estimated loss as of March 31, 2017, which altogether amounts to ThCh$645,857. It is estimated that Telefónica Chile S.A. must pay the amount of ThCh$487,000 before the day, June 30, 2017 and the rest during the Second quarter of 2017.

On the other hand, there is a set of processes for which it is estimated that there is a risk of loss that is qualified as possible, for a total amount of ThCh$1,006,155.

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

a) Miscellaneous lawsuits

i) Tax contingency

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

27. Contingencies and restrictions, continued

b) Financial restrictions:

As of March 31, 2017 the Company has no financial restrictions.

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

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.

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

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

In summary the debt agreements contemplate the following financial restrictions:

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

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			2017	2018	2019 & 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	444,229	-	444,229	-
Corporación de Fomento de la Producción	TCH	Parent company	Deposit	122,400	122,400	-	-
Otras Garantías (1)	TCH	Parent company	Deposit	992,499	708,835	218,355	65,309
Subsecretaría de Educación	TEM	Subsidiary	Deposit	1,668,080	-	-	1,668,080
Servicio Electoral	TEM	Subsidiary	Deposit	1,635,111	-	1,635,111	-
Banco del Estado de Chile	TEM	Subsidiary	Deposit	1,021,280	713,573	-	307,707
Fundación Integra	TEM	Subsidiary	Deposit	770,322	-	-	770,322
Gendarmería de Chile	TEM	Subsidiary	Deposit	717,494	494,610	222,884	-
Cemento Bio Bio S.A.	TEM	Subsidiary	Deposit	542,125	-	-	542,125
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
Empresa Nacional de Electricidad S.A.	TEM	Subsidiary	Deposit	222,396	-	-	222,396
Comando Logístico de la Fuerza Aérea	TEM	Subsidiary	Deposit	163,030	-	-	163,030
Aguas Andinas S.A.	TEM	Subsidiary	Deposit	151,306	-	-	151,306
Coordinador Independiente del Sist. Eléctrico Nacional.	TEM	Subsidiary	Deposit	142,054	-	-	142,054
Embotelladora Andina S.A.	TEM	Subsidiary	Deposit	131,655	131,655	-	-
Redbanc S.A.	TEM	Subsidiary	Deposit	120,768	120,768	-	-
Intendencia Región Antofagasta	TEM	Subsidiary	Deposit	110,544	110,544	-	-
Fundación de Beneficencia Hogar de Cristo	TEM	Subsidiary	Deposit	106,707	106,707	-	-
Otras Garantías (1)	TEM	Subsidiary	Deposit	5,356,205	2,284,368	983,270	2,088,567
Total				17,883,358	5,157,895	4,858,678	7,866,785

(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 March 31, 2017 the Company's expenditures in relation to the implementation of the corresponding phases are not significant.

29. Risk management (Not audited)

a) Competition

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

b) New Tariff Decree

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

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.

Decree No. 77 approved considers for the first year of application a reduction of 37% in the access charge and 58% in the local tranche. For years 2 and 3, it considers reductions of 8.2% and 8.8%, respectively, in Access Charge, while in the Local Tranche the reductions reach 4.2% and 4.5% in each year.

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.

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 March 31, 2017 the Company had 31% 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 March 31, 2017 corresponds to the Nominal Average Chamber Rate (TCPN) ("Tasa Promedio de Cámara Nominal"), In this manner, an increase of 25 basic points in the monthly TCPN would mean an increase in the monthly financial accrual expense for 2017 of approximately ThCh$54,793, whereas a decrease in the TCPN would mean a reduction of ThCh$54,793 in the monthly financial accrual expense for 2017.

Foreign currency risk

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

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 March 31, 2017 is negative by 0.14%, with a decrease of 108.57% in relation to March 2016, where it reached 1.64%. The above is mainly due to a decrease in income for the year, fundamentally as a consequence of an increase in the tax expense in comparison to 2016.

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

There were no changes in the objectives, policies or processes during the years ended as of March 31, 2017 and 2016.

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 as of March 31, 2017, were approved and authorized for issuance at the Board of Directors Meeting held on April 28, 2017.

At the Ordinary Shareholders' Meeting held on April 4, 2017, the shareholders approved payment of a final dividend of Ch$6,625,130,918 which corresponds to 33.85% of distributable net income for 2016, equivalent to Ch$7.0 per share, which will be paid to the shareholders on May 25, 2017.

In the period from April 1 to April 28, 2017, there have been no other significant subsequent effects that affect these consolidated financial statements.

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Alejandro Gil Ibarra
Accounting Manager

Juan Parra Hidalgo
Director of Finance and Management Control

Roberto Muñoz Laporte
General Manager