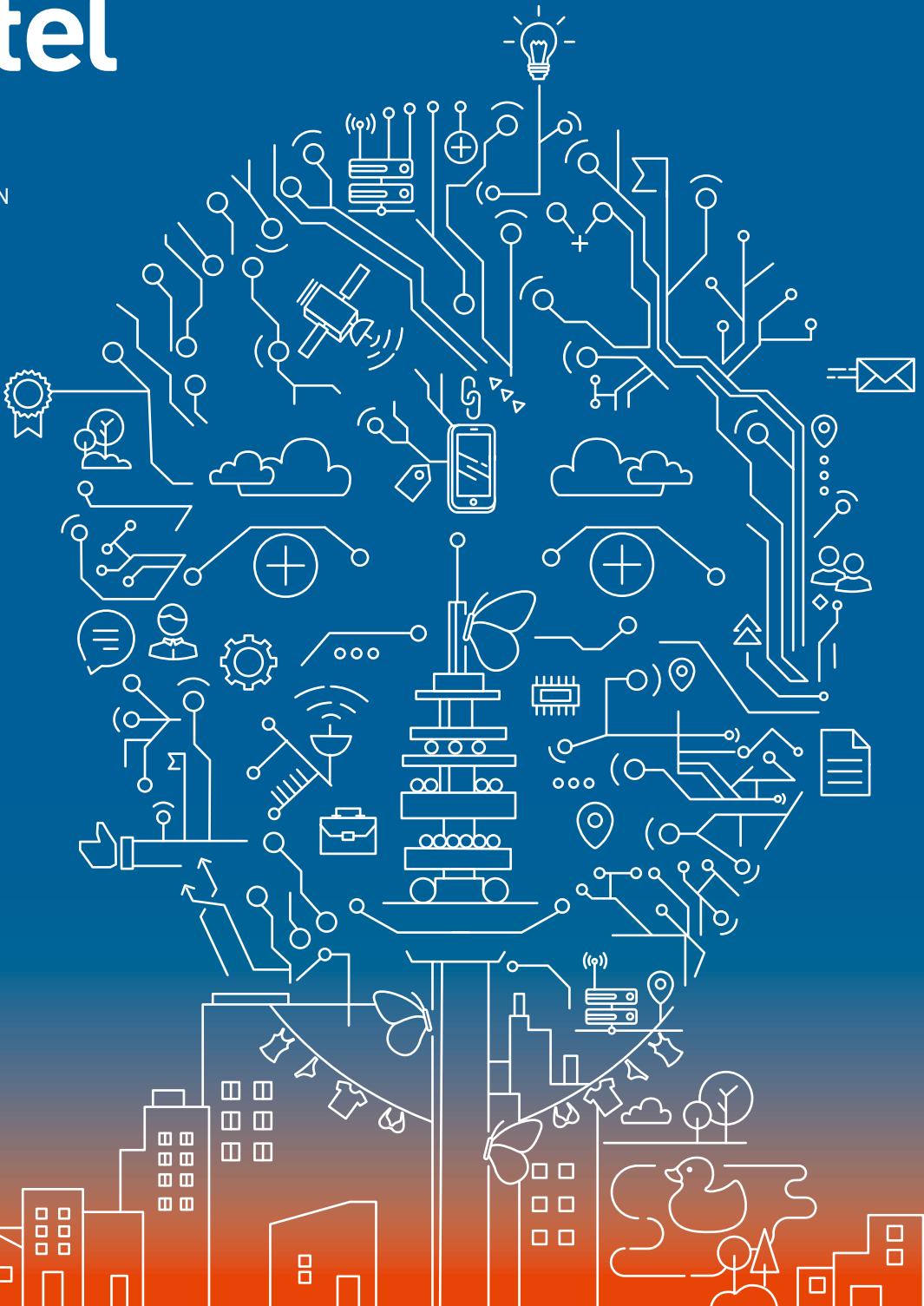




REPORT 2017

CORPORATE INFORMATION



# Company Details

## Identification

### Company name

Empresa Nacional de Telecomunicaciones S.A.  
(Entel Chile S.A.)

### Headquarter Address

Avenida Costanera Sur Río Mapocho N ° 2760,  
22nd floor, Tower C, Las Condes, Santiago.

### Unique Tax Number

92.580.000-7

### Entity Type

Public Limited Company, registered in the Securities Registry of the Securities and Insurance Supervisor under No. 0162, and governed by the rules of Law No. 18,046 and its regulations.

## Addresses

### Postal address

Casilla 4254, Santiago.

### Phone

(56-2) 2360 0123

### Fax

(56-2) 2360 3424

### General Management

Avenida Costanera Sur Río Mapocho N ° 2760,  
22nd floor, Tower C, Las Condes, Santiago.

### Finance and Administration Division

Avenida Costanera Sur Río Mapocho N ° 2760,  
22nd floor, Tower C, Las Condes, Santiago.

### Investor Relations

Carmen Luz de la Cerda Castro  
cdelacerda@entel.cl

### General Office

Avenida Costanera Sur Río Mapocho N ° 2760,  
22nd floor, Tower C, Las Condes, Santiago.

### Website

[www.entel.cl](http://www.entel.cl)  
[www.canaldedenuncia.cl/cda/entel/cdpages/inicio.aspx](http://www.canaldedenuncia.cl/cda/entel/cdpages/inicio.aspx)

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# Chairman's Letter

## Dear Shareholders,

On behalf of Entel's Board of Directors, I am pleased to present the Annual Report for 2017.

Against a backdrop of low economic dynamism in 2017, both in Chile and Peru, our focus remained the same as it has been in recent years, namely the transformation of the company in the digital age, and of data; growing in the fixed enterprises and residential sectors, and developing our business in Peru.

This decision has entailed a significant effort in terms of management and investment, for which I thank everyone on behalf of the Board. We are proud of results that demonstrate that the strategy adopted was the right one and that our efforts have paid off.

In summary, at the end of 2017 Entel had 15.5 million mobile customers. Of those, 6.5 million were from Entel Peru, where the company grew by more than 1.7 million customers over the year, up 36%.

### Mobile business in Chile with innovative commercial offering and solid infrastructure

In 2017 the competitive dynamics in the mobile segment in Chile continued to be high, with a penetrated market, a high turnover of customers in all segments, and ongoing offers and promotions.

In this context there was a slight drop in total subscribers, though the flow of customer migrations from prepaid to subscription, or postpaid, was significant. As such, at market level these customers with contracts came to represent 36.8% of the total base, compared to 32.2% in December 2016.

True to the strategy that characterizes Entel, the company once again developed an approach that set it apart. In August 2017 the company was the first to launch plans nationally with unlimited data usage, which, together with the rest of our offering, saw us returning to positive levels in the net portability of postpaid customers.

These changes have modified the use and the revenue from postpaid, decreasing data and overage revenue while significantly increasing data traffic, up 2.2 fold on 2016 in terms of figures for the fourth quarter.

In this context, although Entel's total customer base decreased, this centered on prepaid customers, with the company's postpaid base increasing by 7%. This was due to the migration of customers from prepaid to subscription, as well as improvements in subscription portability from August. By December 2017, subscription customers made up 40% of Entel's mobile customer base in Chile, compared to 35% in December of the previous year.



For translation purpose

This differentiating approach was possible thanks to consistent work over time to provide the company with the best, most modern network infrastructure. As such, Entel currently has 4G+ national coverage, with more than three million 4G users at the end of 2017.

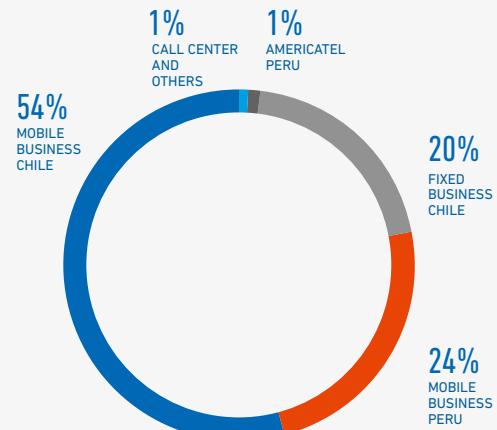
### Growth in fixed business and IT in the enterprises segment

Among the areas of growth that are helping generate new revenue, fixed internet, data and IT for the Corporate & SME are very important, with good growth prospects, especially in light of the development of new digital businesses.

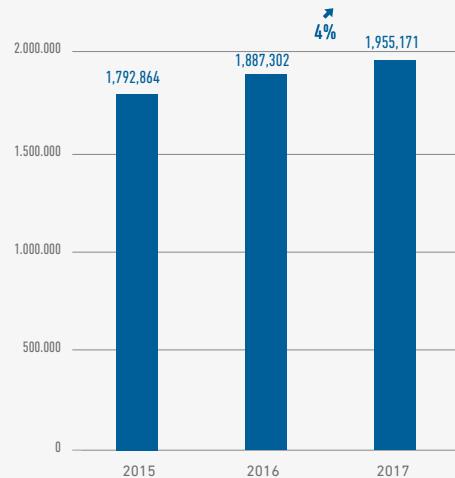
These services continued in line with expected growth for 2017. IT services for the Corporate & SME increased 7.4%, due mainly to data centers and digital solutions such as Cloud Services and Cybersecurity. Meanwhile, revenues from Internet services and IP connectivity solutions for small and medium-sized companies grew 8.8%, driven by our fiber optic approach.

Against this backdrop, a digital business unit was set up at the end of the year, specializing in the development of businesses associated with Cloud Services, "Big Data" and Internet of Things, or "IoT", which will allow an appropriate offering to be developed to support customers through the digitalization of their businesses.

### Distribution of Consolidated Revenue by Business



### Consolidated Revenue



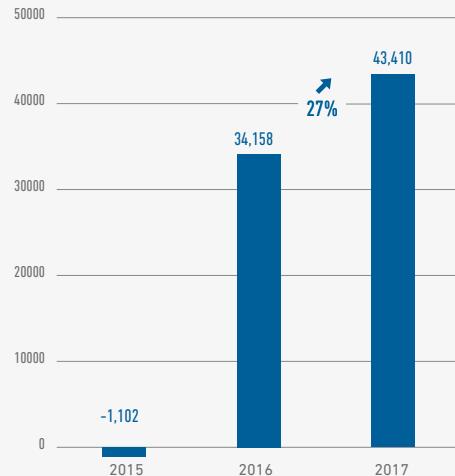
### EBITDA

CLP million



### Annual profit

CLP million



## Residential Business: deploying infrastructure for growth

Revenue associated with the Residential business in Chile - which includes voice, broadband and pay TV services, wireless or fiber - grew 14.5% in 2017, driven by revenue from pay TV and fixed wireless broadband services, which were up by 60.7%.

2017 was a year of laying the infrastructure for future growth. Here, the deployment of fiber optics, which has continued in the areas with the highest density of customers, will be important for the growth of the Enterprise and Residential segments. The company has more than 100,000 businesses and 200,000 homes passed for fiber, a solid infrastructure base on which to deploy our commercial offer.

Regarding the residential wireless offering, Entel decided to wait for the technological development and roll it out on the 3,500 MHz band, with "pre 5G" technology, superior to 4G. Using this spectrum and new technology, we estimate that by 2020 more than two million households will be covered by this high-speed wireless internet home service. This new challenge places Entel at the global vanguard, with state-of-the-art technology and extensive infrastructure.

Although the company's participation in the residential segment is still low, with these developments we hope for significant growth.

## Keep growing and consolidating our presence in Peru.

Entel Peru is the company's main area for revenue growth. In line with this objective, Entel Peru continued to grow at double-digit rates in 2017, with a 36% increase in the number of customers, reaching 6.5 million in mobile voice and data services, of which close to 2.3 million are subscription customers.

As with the changes implemented in Chile, in 2017 Entel Peru was a pioneer in offering unlimited data, underpinned by its robust 4G network. In addition, Entel Peru led the prepaid restructuring, with an unlimited voice package to all operators, which was finally followed by the competition and allowed the breakdown of the private operator networks model, giving customers more freedom.

The residential offering of wireless internet for the home, which includes broadband and fixed wireless voice, came to 94,000 active services as at December 2017. The deployment of new technology on Entel Peru's spectrum bands, has opened up a great opportunity in this market, which has low internet penetration for homes.

Entel Perú's accumulated revenue for 2017 was up 31% in Chilean pesos compared to the close of 2016, totaling an equivalent of US\$ 729.2 million, and its share of total mobile market revenues increased 5.4 p.p. between the fourth quarter of 2017 and the same period for 2016, up to nearly 22% of mobile industry revenue. Since the launch of the brand in October 2014, until the fourth quarter of 2017, Entel Peru has captured an additional 15 p.p. of revenue share.

This growth has not been coincidental. It has been based on strategic cornerstones similar to those of the Chilean business - a well-known and valued brand with a high level of preference; concentration on delivering the best experience to customers; ongoing innovation and agility, and solid infrastructure.

We intend to stick to this path with conviction and humility, to make the vision we started with less than four years ago, reality; to be an important player in the telecommunications market in Peru, which contributes to the industry and the country in a meaningful and responsible way.

### **Digital transformation, simple and unique experience, agility and efficiency**

In our 2016 annual report, we told you about the importance we placed on making Entel, both in Chile and in Peru, an increasingly agile, 100% digital and modern company. A company that inspires and attracts top level, talented people of all ages.

We remain convinced that this is the way forward we continued to work on this in 2017, making significant progress.

Developing this company for the 21st century includes both the Entel Digital Transformation program (TDE), which consists of developing new systems platforms to support all business processes, as well as applying an "agile" organizational model. This model goes way beyond the systems and implies a profound change in organization and methodologies, aimed at developing multidisciplinary work teams in unique working cells, with clear, short-term goals, very focused on innovation and customer experience.

With a view to users, this new digital, agile era began at the end of 2017, with the successful migration of prepaid customers to the new systems platforms. There are currently 800 people already working in Entel under the new "agile" organizational model.

Following the implementation of these changes we are seeing the first results. For example, creating prepaid offers is now substantially quicker than the month or more it previously took. The working process for addressing the customer service experience also improved significantly, favoring digital channels such as the app and the web, which has seen customer interactions via these channels growing to 77% of the total in the consumer segment in December 2017.

These changes will continue. This will allow us to respond to the changing environment in which we operate with a distinctive experience, with greater agility to innovate and adapt, and levels of efficiency and profitability consistent with the standards of large companies in the sector at international level.

The digital transformation is about innovation, it is about generating an entertaining and challenging work environment, it is about agility, but it is also about more efficiency. We have embarked on this process with great conviction.

### **Investments**

US\$ 598 million were invested in 2017, 6.5% up on 2016. The equivalent of US\$ 151 million, 25% of the total was invested in Entel Peru; the remaining 75% went on fixed and mobile businesses in Chile.

For translation purpose

Of the total investment, 52% went on the mobile network in Chile and Peru, including mandatory investments associated with spectrum allocation; 25% went on customer projects, massive installations and fixed infrastructure, fiber optic, data center and IT; and 13% went to the digital transformation project in Chile and Peru. The remaining 10% went on property matters and investments in legacy systems, and other.

## Results

In this environment of change, the company's management allowed a 4% increase in the consolidated revenues for 2017 compared to 2016, totaling CLP 1,955,171 million. This change was driven mainly by Entel Peru, whose revenues increased 31% over the same period. As such Chile and Peru contributed 76% and 24%, respectively, to the consolidated revenues.

Consolidated EBITDA, meanwhile, reached CLP 437,103 million, 3% up on previous year. Losses in Peru were down CLP 45.5 billion. In Chile, despite intense competition and a weak economic environment, even though EBITDA was down, the EBITDA margin reached, 34% of revenue for 2017.

Operating income meanwhile was CLP 117,385 million, with an increase of 3% in 12 months, and the company's final profit totaled CLP 43,410 million, 27% up on 2016.

The consolidated operation showed a positive operating cash flow at the end of 2017, at CLP 65,905 million, an improvement on the negative flow of CLP 7,534 million for 2016, a figure that does not include the payment of CLP 190.6 billion for the 700 MHz band, made in 2016. Also of note is the sustained cash generation of businesses in

Chile which, in an adverse environment remained at 15% of Entel Chile's revenue.

## Responsibility towards society

I would like to share with you that this year Entel joined the "Dow Jones Sustainability Index MILA Pacific Alliance". We can say that we are one of the most sustainable telecommunications companies in Latin America among those listed on the stock exchanges of Chile, Mexico, Colombia and Peru, as well as the only Chilean telecommunications company on this regional index. In 2016, the company had already joined the "Dow Jones Sustainability Index Chile". In 2017, meanwhile, we were included on the London Stock Exchange's FTSE4Good, on the Latin American and emerging markets indices.

Our responsibility focuses on the tangible connection of the company with its environment and, while these acknowledgments are not the goal of our work, we are proud, as they represent progress in this area.

Entel has managed to change people's reality in a meaningful way. The role of our company today is much more than providing connectivity. It is bringing people into contact with and facilitating the use of technology along with the thousands of opportunities this can bring with it in everyday life.

In this area of sustainability there are many examples of our work - maintaining a harmonious relationship with the communities where we deploy friendly infrastructure, the bins for recycling equipment, inclusion policies, social-digital entrepreneurship programs, energy-saving measures and connectivity programs. We are proud of the 730 isolated localities in the country that for the first time have voice and mobile internet

US\$ 598 million.

Entel invested US\$ 598 million in 2017. 25% of the investment went to Entel Peru.



For translation purpose

services thanks to Entel's "Conectando Chile" program, which came to a close in 2017, originating with the terms associated with obtaining the 700 MHz band spectrum. Projects like this change people's lives and we are happy as Entel to have a role in that.

Also worth highlighting are the awards we received in 2017 which, added to the previous acknowledgments, reflect that we are on the right path. For the sixth year running in Chile, and the second year in Peru, our company received the award for Best Customer Experience in Telecommunications, delivered by the international consultancy IZO. Additionally, Entel held on to its sixth place in the Merco overall ranking for corporate reputation in Chile, and was first in the telecommunications sector in Chile as well as Peru, where it was 16th in the overall ranking.

Shareholders, 2016 marked a positive turning point for all our results. The 2017 results, though growth was slower, continue to show this change in the trend. We are convinced that this path will lead to continued improvements in the coming years.

Year after year we have been working to grow and to transform Entel into the company it has to be in the 21st century. That is the task we understand we are mandated to perform, in order to continue generating value for society, workers and shareholders.

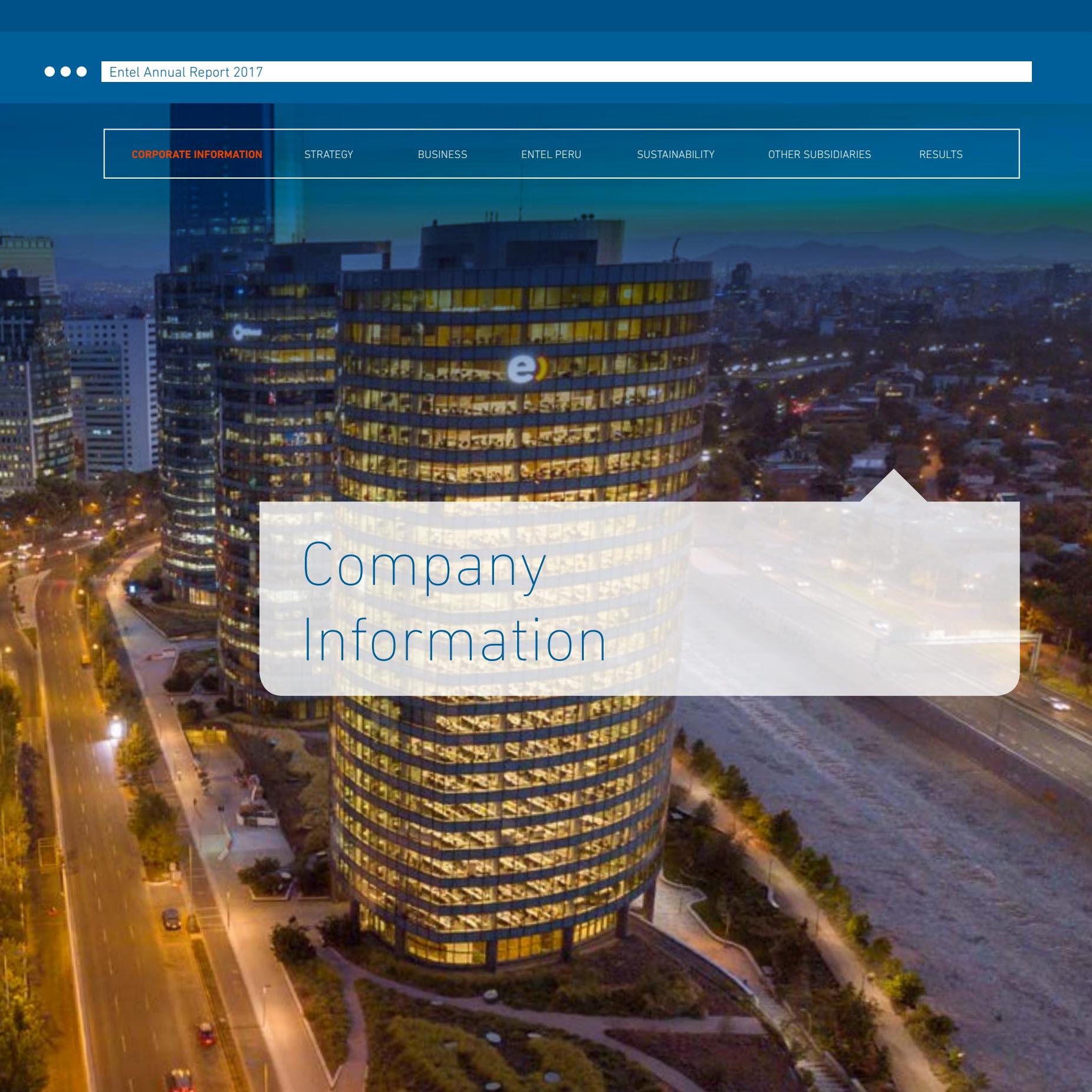
I cannot finish without thanking our employees and suppliers who, aligned with our strategy, make

the company's work a reality; and our customers, for choosing us in this highly competitive market, and, of course, to you, our shareholders, for your commitment and estimation.

Many thanks,



**Juan Hurtado Vicuña**  
Chairman



# Company Information

For translation purpose

# Profile

**E**ntel is a leader in telecommunications in Chile and has a growing operation in Peru.

Built on a base of the most modern infrastructure in the industry in Chile, it offers a complete range of services including mobile and fixed communications, IT outsourcing and a contact center, delivering a distinctive connectivity experience to individuals, companies and corporations.

In Peru, meanwhile, it mainly provides mobile voice and data services over 2G, 3G and 4G networks in the main cities of the country and, to a lesser extent, fixed services and IT outsourcing, primarily to the business sector in Lima.

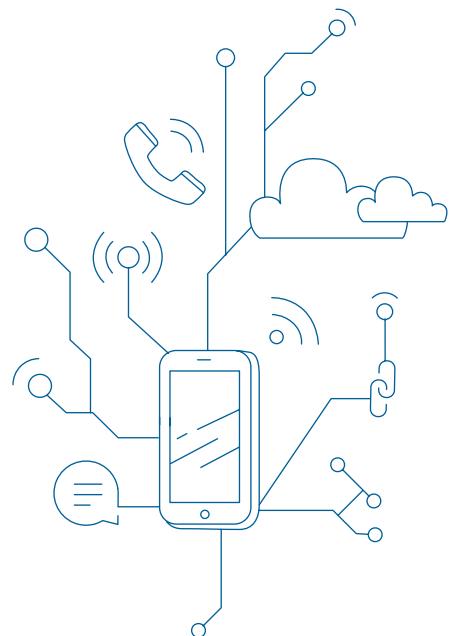
In both countries Entel stands out for its focus on customer experience, with an emphasis on innovation, operating on a basis of its own state-of-the-art network and service infrastructure.

## Ownership

Entel Chile S.A. is one of the biggest corporations in the country listed on the Santiago Stock Exchange, with market capitalisation of US\$ 3.396 billion at the close of 2017.

Ownership is distributed amongst 1,876 shareholders and the controlling shareholder is Inversiones ALTEL Ltda. a subsidiary of Almendral S.A.

## Breakdown of Ownership



## Key Figures (CLP million)

	2017	2016	% Change	2015
Total Revenue	1,955,171	1,887,302	4%	1,792,864
EBITDA	437,103	424,781	3%	356,585
Operating profit	117,385	114,395	3%	80,844
Annual profit	43,410	34,158	27%	-1,102
Profit per share (\$)	143.73	128.11	12%	-4.66
Dividend yield (%) *	0.49	0.00		0.54
Return on Equity (% annualized) **	3.47	3.08	13%	-0.12
Assets	3,529,040	3,480,440	1%	3,262,953
Liabilities	2,290,689	2,218,567	3%	2,307,606
Equity	1,238,351	1,261,873	-2%	955,347

\* Dividend yield (%) (Dividend last twelve months / share quotation at year-end)

\*\* Return on Equity (%) (annualized) (profit for year over average equity)

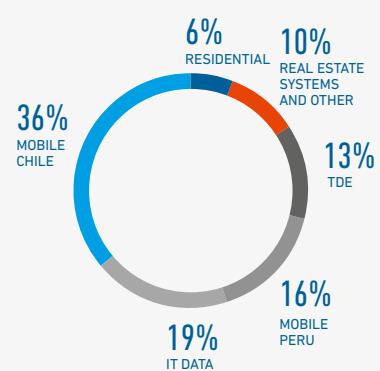
# Entel at a glance

o) Investments 2017

598

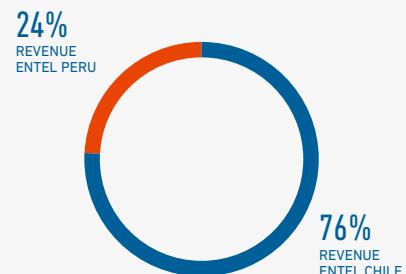
US\$ million

Investments 2017



o) International  
Telecommunications  
Operator

Breakdown of Net Income %



o) Mobile customers

15.5

million in Chile and Peru

o) Total Revenue 2017  
(CLP million)

1,955,171

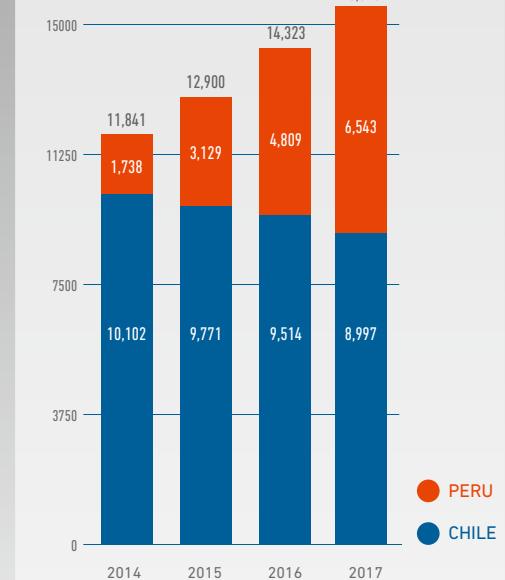
+4% change

o) EBITDA  
(CLP million)

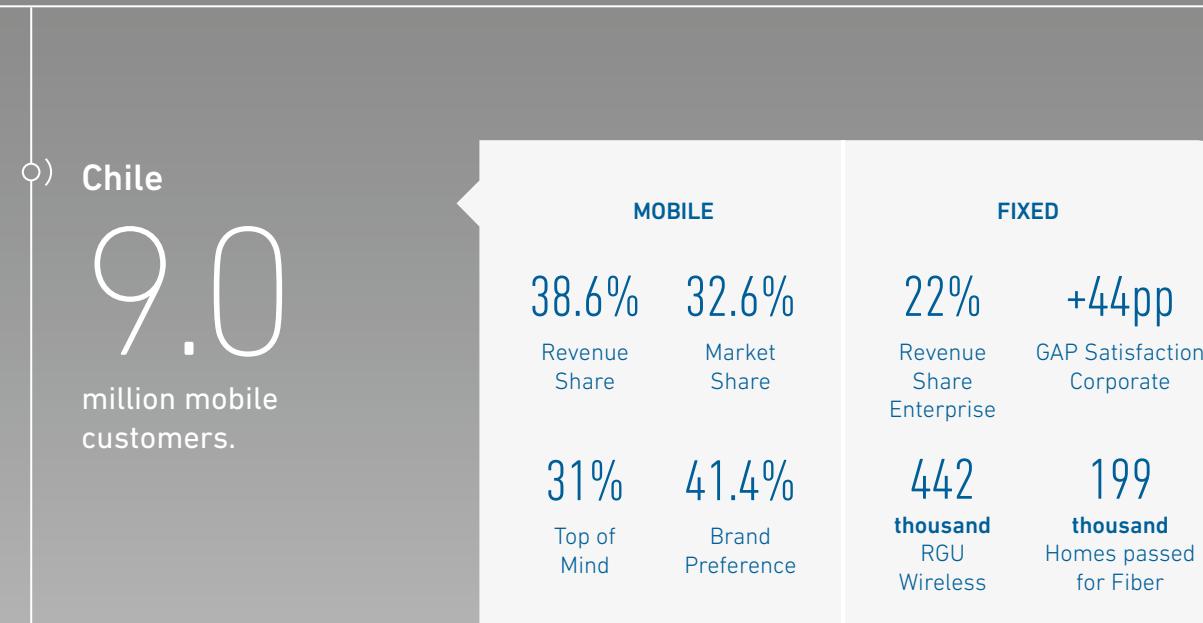
437,103

+3% change

Mobile customers  
(thousands)



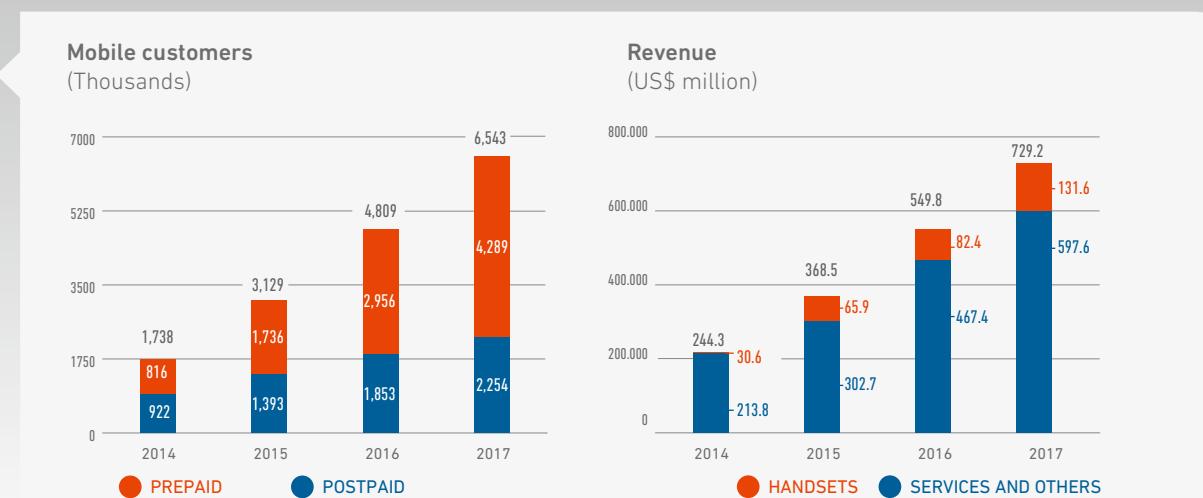
o) 40%  
Postpaid mobile customers  
in Chile and Peru



Peru

**+36%**  
Solid growth of the customer base

**+33%**  
Strong revenue growth



Figures in local currency converted to the dollar using ER (sol/US\$) 3.2410

○) Cutting-edge technology and broad spectrum

PERU 2012 241 Mhz  
2017 289 Mhz

CHILE 2012 180 Mhz  
2017 250 Mhz

○) Points of presence mobile network

**9,825**  
Total PoPs

Datacenter capacity m<sup>2</sup>:

Chile: 8,500 Peru: 750

National Transport Network:

3,950 km Chile

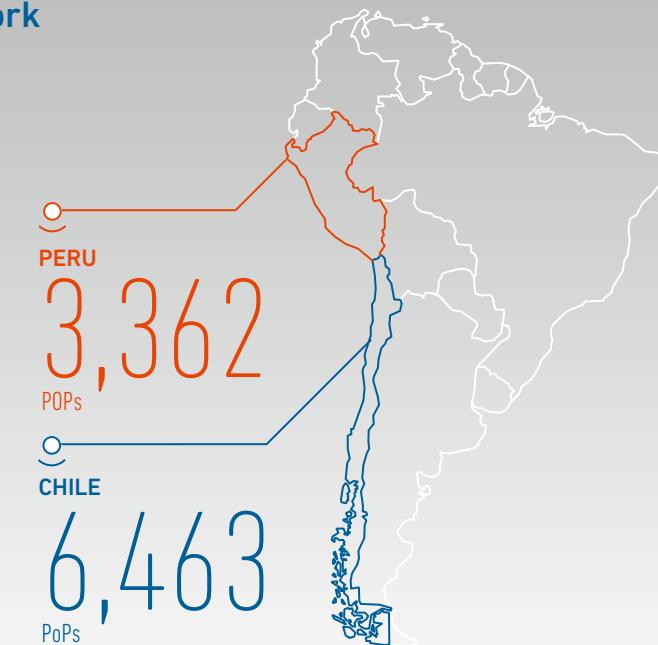
Aggregation Network (F0 and M0):

>12,000 km Chile

Access Network:

"Homes passed": 199 thousand Chile

"Businesses passed" Enterprises: 107 thousand Chile



# Profile

Entel is a global operator and a regional benchmark in telecommunications



Continue reading on the other side of the page

## Mission

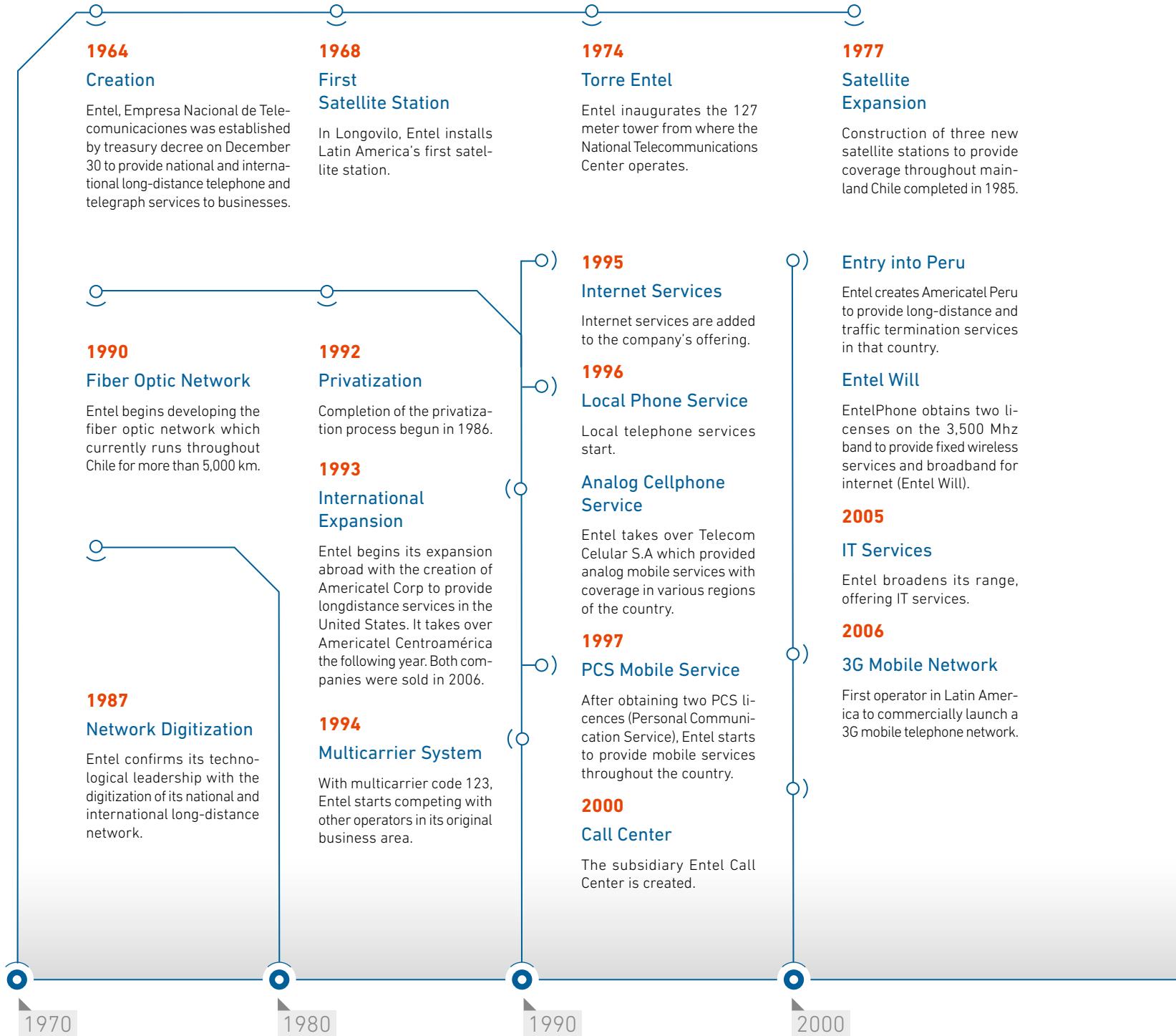
To ensure we all live better connected, making a responsible contribution to transform society.

## Vision

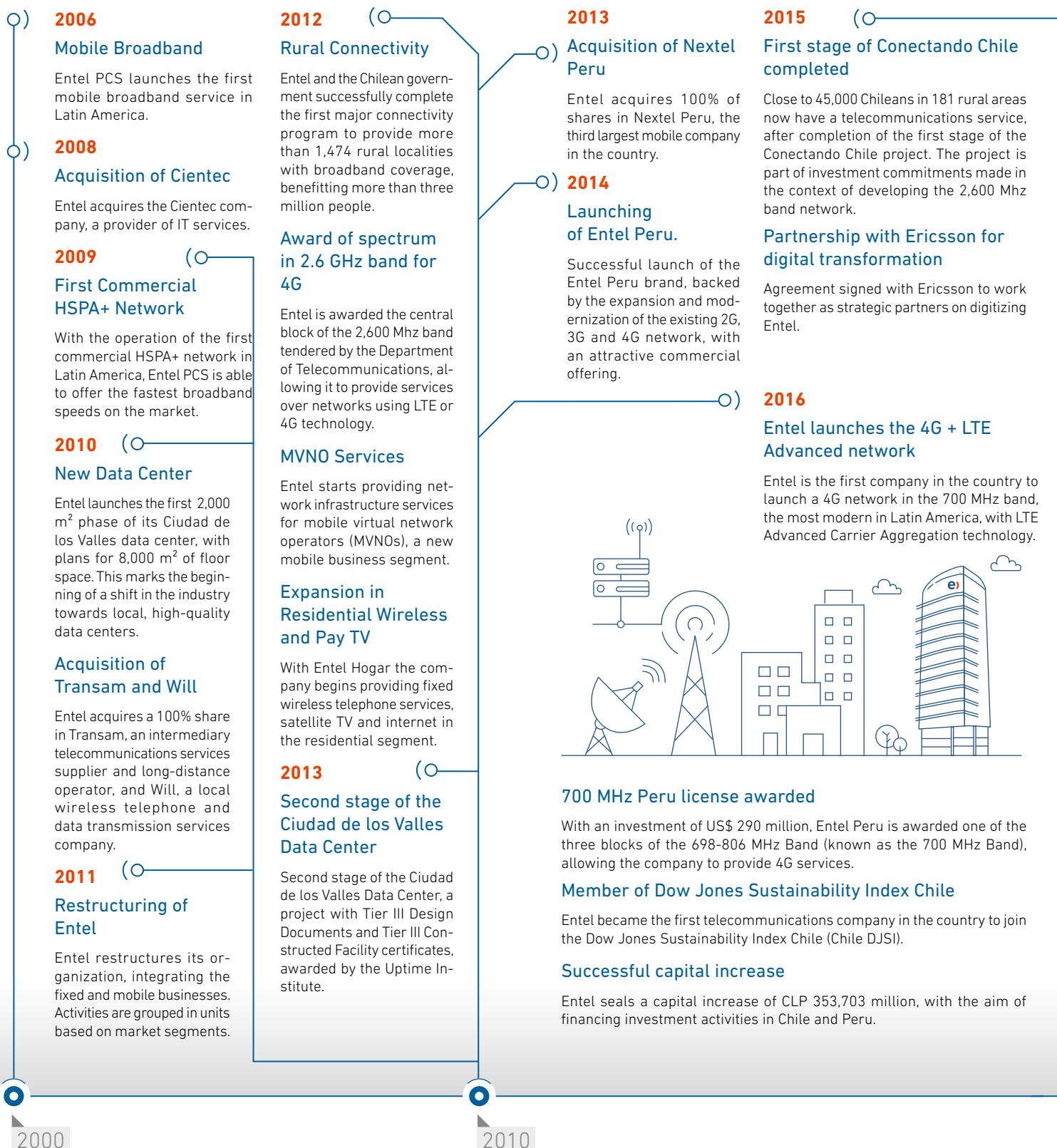
A world-class service company providing its customers with a unique experience. A place for people to reach their full potential. A company continuously reinventing itself to strengthen its leadership.



# History



*For translation purpose*



# Milestones 2017

For translation purpose

## First to roll out 700 MHz band network nationwide

Entel is the first telecommunications company in Chile with national coverage on the 700 MHz band. This allows the service offering to be expanded, enhancing the 4G and 4G+ technology (LTE - Advanced Carrier Aggregation),

In the tender conducted by the government for the development of this network, the company was awarded the largest spectrum block (30 MHz). In this context Entel not only complied with the installation of the 660 base stations committed to in the tender, but also doubled their number with a rollout of 1,362 stations in an investment of US\$100 million.

## Final phase of "Conectando Chile": voice and data services to 730 isolated locations

The inhabitants of 730 isolated localities, from Chisluma in the Region of Arica and Parinacota, to San Juan in Magallanes, were able to communicate for the first time from their homes, with voice and mobile internet services thanks to Entel's "Conectando Chile" program.

In 2017 the company put in place the final phase of this program, which stemmed from Entel's commitment to increase connectivity in the country, within the framework of the terms of the 700 MHz and 2,600 MHz bands. The first stage of this project, which began in 2014, consisted of connecting 181 isolated localities under the terms for the 2,600 MHz band spectrum, while the second, which started in 2015, brought connectivity to another 549 zones under the terms of the 700 MHz band spectrum. Both phases meant a total investment of US\$218 million.

As part of this project, 373 kilometers of roads were also built and 212 rural schools connected.

## Innovation in packages offered: voice plans, social networks and unlimited data

Entel's historical leadership in taking on new technologies for the mobile industry was evident again in 2017, when the company was the first to launch a wide range of unlimited mobile voice and data service plans nationally.

The significant investment and rollout of the 4G network in the 700 MHz band was an opportunity to develop this offering, which responds to a growing need by customers for mobile data.

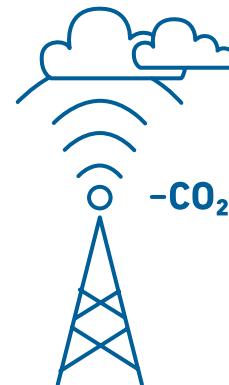
Entel had already been the first telecommunications company in Chile to launch 3G and 4G + LTE Advanced Carrier Aggregation services in South America in December 2006 and May 2016 respectively. It was also the first to launch unlimited voice services in 2015.

## Launching of Residential Fiber Optics:

To deliver a high-speed connection to the residential segment, allowing fluid navigation to multiple devices connected simultaneously, Entel launched its home fiber optic service in the fourth quarter.

With a projected investment of US\$230 million in five years, the service started roll out in the Metropolitan Region, moving on to deploy residential fiber optics in the main cities of the country's regions.

The product includes high-speed internet, unlimited fixed and mobile phone and TV services, and access to innovative and unique features in the market such as direct access to Netflix and YouTube through the decoder.



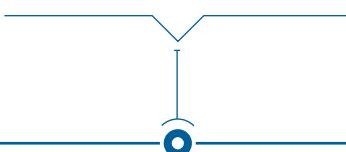
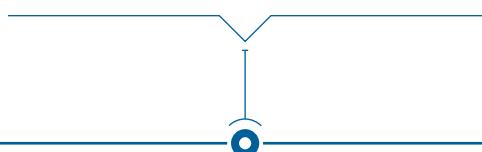
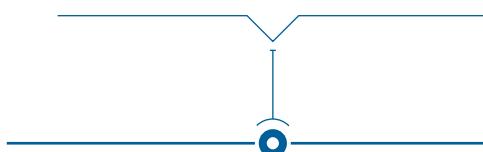
## New prepaid customer experience in Chile

Together with prepaid users, Entel entered a new phase in 2017: in the era of digital transformation.

The company's digital transformation involves a total change in the way of connecting with users - close, ensuring quality service with an agile customer service that sets it apart, allowing it to reach world-class levels of efficiency and profitability.

After implementing operational and technological changes, at the end of 2017 prepaid customers had a new user experience on the web and with their cellphones. They can now access prepaid purchases 100% online, choosing how to pay, type of product and time of dispatch, with access "here and now" to purchasing handsets, chip activation, recharging and pack purchase.

In addition, the new platform allows them to choose their phone number online from five options, activate the chip directly, transfer balances to another handset, request "Presta LuKa" loan and activate roaming on the web, as well find out about balances, fees and handset info with a single click.



For translation purpose

## Agile Transformation

In order to react faster to technological, competitive and customer changes, Entel is involved in a process of transformation towards an agile organization, which involves a profound change in the company's way of working. This process involves reorganizing around 10% of the company using a disruptive international methodology known as Agile, which promotes teamwork in a collaborative manner and fosters creativity to provide timely and ever faster responses to customer needs.

The development of these internal capabilities places the company in a better position to face the challenges of the future. To date, the consumer, enterprises and corporations segments have been organized using this methodology, to develop products and for the continuous improvement of the customer experience.

Entel is one of the first telecommunications companies in the world to apply this methodology on a large scale, demonstrating once again its ability to adapt to changing scenarios, which has allowed it to be a leader in the telecommunications industry since the end of the 20th century.

## Entel joins the Dow Jones Sustainability Index MILA Pacific Alliance

Entel was once again recognized as one of the most sustainable telecommunications companies in Latin America, in 2017 joining the select group of companies that make up the Dow Jones Sustainability MILA Pacific Alliance.

Of the 154 companies listed on the stock exchanges of Chile, Mexico, Colombia and Peru, just 42 were chosen to appear on the index in 2017, its first year.

Entel is the only Chilean telecommunications company on this regional index. In 2016, the company joined the "Dow Jones Sustainability Index Chile".

## More than 6.5 million customers in Peru

Entel continued to grow and consolidate its position in the Peruvian market, adding 6.54 million mobile phone service subscribers. This figure represents a 36% increase on the figure for the end of 2016, and is mainly due to growth in prepaid users, hitting 4.28 million at the end of 2017 after growing 45% in 12 months. Postpaid customers meanwhile increased by 22% to 2.25 million.

In a market progressing towards a greater data offering based on a robust network, Entel Peru was a pioneer in offering unlimited voice service for all operators in the prepaid segment, as well as unlimited data and an increase in flexible allowances for their valued customers. This has allowed it to consolidate itself as an innovative brand offering the best user experience and incorporating segmentation and multi-channel capability.

## Entel and Ericsson sign agreement to develop 5G technology in Chile

With 20 years working together, Ericsson and Entel signed a milestone memorandum of understanding (MoU) in order to collaborate in the development of 5G and Internet of Things (IoT) technology. The agreement, which in principle will be in force until 2020, will allow the two companies to take the lead in the development of 5G and IoT platforms.

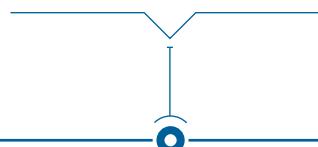
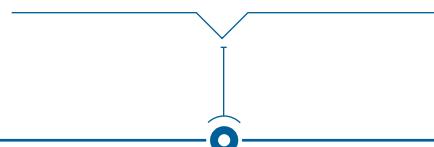
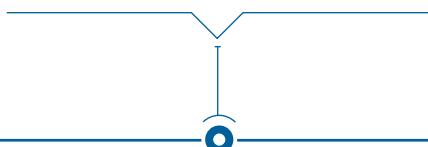
Aware of the importance of new technologies to social development and of responding to the connectivity needs of all Chileans, both companies will cooperate in a wide variety of areas, including research, testing and exchange of results, as well as in the development of technology and handsets.

The MoU covers the 5G RAN (Radio Access Network) and IoT-Advanced technologies, including the narrowband LTE.

## Extension of terms and new bank loans for US \$ 450 million

In the first semester, loans were taken out with Scotiabank, Banco de Chile and Banco Estado for a total of CLP 148,980 million, negotiated in pesos with TAB + spread nominal rates. Loans were also taken out with the Nova Scotia and EDC banks, for a total of US\$225 million at a rate of Libor + 85 basis points.

Maturity dates for extended loans saw a prolongation of more than two years, with amortizations set mostly to start in 2022.



# Awards and Recognition

For translation purpose

## Chile

### Merco corporate reputation ranking

For the third year in a row, Entel was ranked in the Top 10 of the Merco Empresas corporate reputation ranking. In 2017 the company was sixth amongst the 100 companies with the best business reputation in Chile, while in the telecommunications industry it came first.

### Best company for the financial future of its workers

For the second year in a row Entel was highlighted as a leading company in contributing to the financial future of its employees, in the Best Companies for Employee Financial Future ranking.

The distinction recognizes the companies with the greatest commitment to the welfare and financial health of their employees, assessing four areas: financial and social security, insurance, health and well-being, and organizational culture.

### Prohumana business sustainability ranking

In its first year participating in the Prohumana ranking, which has analyzed sustainable strategy models for Chilean companies over the past 15 years, Entel was acknowledged.

The study assessed 42 performance areas for each company, with an emphasis on how it plans, implements, assesses and communicates its actions to stakeholders.

### One of the top 10 companies for capturing and retaining talent

Entel came eighth in the prestigious Merco Talento 2017 ranking, the second year in a row it has been in the top 10 most attractive companies to attract and keep talent.

### First place in RepTrak reputation ranking for telecommunications companies

Entel was awarded first place in the telecommunications industry for the second year running in the RepTrak corporate reputation ranking, carried out by the international consultancy the Reputation Institute.

Based on a survey of 5,000 people, 116 companies important for the Chilean economy were assessed by sector in terms of: admiration and respect, recognized reputation, good impression and confidence.

### Customer Experience Leader in IZO Ranking

It was again made clear in 2017 that the service experience is the principal concern of the company, with Entel coming top in the Best Telecommunications Company Experience category for both Ibero-America and Chile, in the IZO Customer Experience ranking. This was based on the Best Customer Experience (BCX) study, which includes a sample of consumers from companies from different sectors of the economy.

### Entel stood out for its corporate transparency

The quality of corporate information that Entel delivers to the market was recognized in the transparency ranking of Chile Transparente. In 2017 the company was ranked fourth, after analysis of the disclosure of anti-corruption policies, delivery of information on the organizational structure, and the level of data reported by the company in the countries where its subsidiaries operate.

### DF rewards Entel's urban art initiative

The Entel Hecho en Casa Festival was recognized in the Image and Advertising category as part of the 2017 awards for the best businesses and public initiatives in Chile, carried out annually by Diario Financiero.

### Best Place to Innovate

In GFK Adimark's annual report, in 2017 Entel was found to be among the best places to innovate.

# Peru

## Great Place to Work

Entel Peru was recognized among the best companies to work for in Peru in the Great Place to Work study. In 2017 the company once again obtained first place in the telecommunications industry category and climbed seven places in the general ranking, moving from fifteenth to eighth place.



## Customer Experience Leader in IZO Ranking

In the Customer Experience study carried out annually by the IZO consultancy, Entel Peru was ranked second in the Best Telecommunications Company Experience in Ibero-America, just behind its parent company Entel SA

For the second year in a row, the company won the Best Customer Experience award in the Telecommunications Company category in Peru.

## First place for corporate reputation in telecommunications sector

Once again Entel was first in the telecommunications industry on the MERCOTEL ranking for Corporate Responsibility and Governance. Overall the company was ranked 16th in Peru.



## Entel stands out in Merco Talento

Entel Peru came seventeenth in the Merco Talento study which assesses reputation for retaining and attracting talent, while Entel Chile and its Peruvian subsidiary stood out as the best company in the telecommunications industry in their respective countries.

## Growing presence in international market indexes

### Dow Jones Sustainability Index Latin American Integrated Markets (MILA): member 2017

### Dow Jones Sustainability Index Chile: member 2016-2017

Since 2017 Entel has been part of the Dow Jones Sustainability Index Latin American Integrated Markets (MILA), which analyzes 154 companies globally, and, for the second year running, the Dow Jones Sustainability Index Chile, which measures the leadership of companies in

various sustainability areas. The index is a benchmark for assessing the three areas of sustainability: Social, Environmental and Economic, and is made up of a series of indexes segmented by category.



### FTSE4Good member 2017

This index was created by the London Stock Exchange in 2001, incorporating companies worldwide that comply with responsible investment practices in the field of human rights, the environment, ethics and investor relations.



### Best "Investor's Day" in the telecommunications area in Latin America, Investors' Program

Entel came first in the Institutional Investors Ranking for its Investor Day program. This was based on an annual survey of more than 970 portfolio managers and analysts who are investing in Latin America.

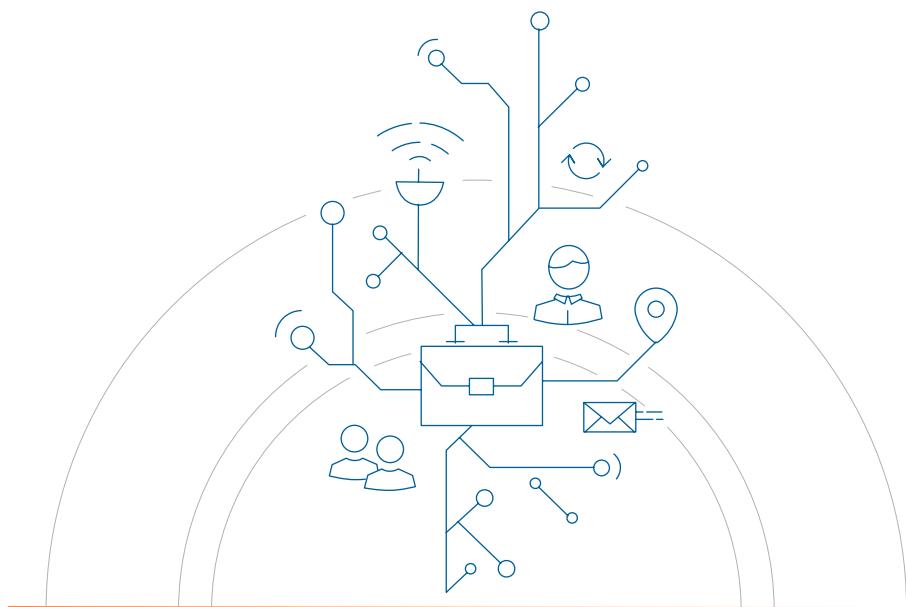
# Corporate Governance

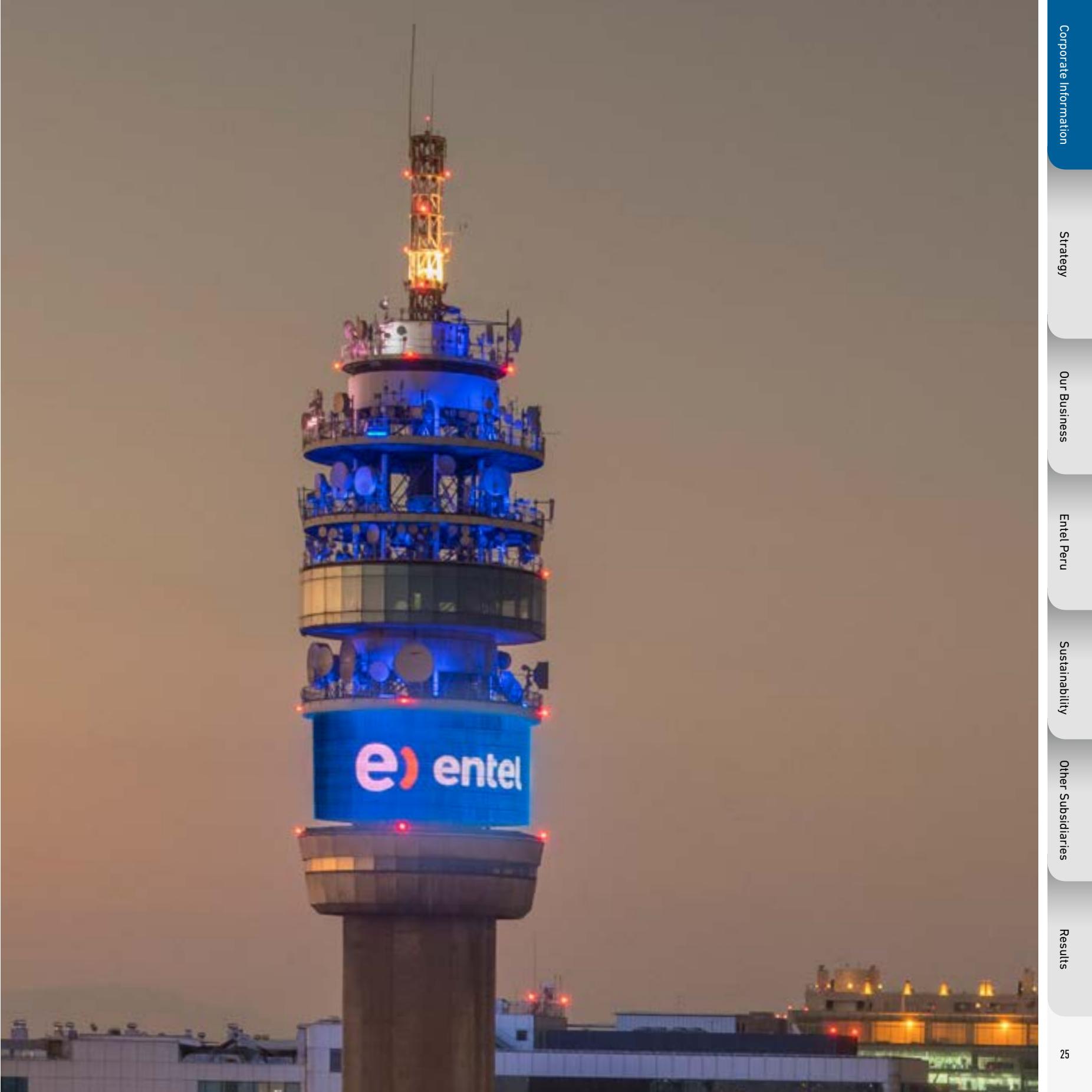
Entel's Corporate Governance supervises executive management in line with its principles and developing a good relationship with its stakeholders, creating sustainable relationships with shareholders, employees, customers, suppliers and the community, and ensuring the creation of long-term value.

The Entel Board of Directors is the top governing body of the company's Corporate Governance. Once a year, as set out by law, an Ordinary Shareholders' Meeting is held to report on the company's annual management, in which all shareholders can participate with the right to voice and vote.

## Principles of Corporate Governance

- > Adopting decisions and approving strategic guidelines for the proper management of the company's business.
- > Protecting the rights of shareholders, ensuring the fair treatment of all of them.
- > Timely and accurate disclosure of any relevant information about the company.





## Organization and operation

### Board of Directors

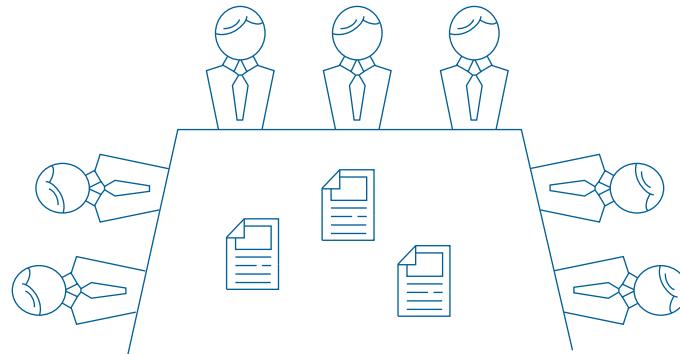
Represents shareholders and manages the company's corporate governance. It is made up of nine members elected at the Shareholders' Meeting, who do not hold executive positions in the company and keep their seat for three years. They can be re-elected indefinitely.

### Main functions

- > Setting the general guidelines for the management of the company, geared towards meeting the economic, social and environmental goals.
- > Establishing suitable forms of governance for the management of the company.
- > Establishing policies that determine the actions of the company in specific areas.
- > Appointing the CEO who has all the legal powers and obligations proper to their position. By law, the position of CEO is incompatible with the roles of company chairman, director, auditor and accountant.
- > To continuously monitor the company's performance, the CEO reports the most important management issues on a monthly basis and the corresponding assessments establish steps to ensure compliance with the company's goals and objectives.

The Board meets in an ordinary manner once a month, and in an extraordinary manner when it is necessary to deal with any specific or contingent matters.

The CEO is the only executive who reports exclusively to the Board of Directors. In addition to the CEO, the Finance and Management Control Manager and the Legal Executive attend the Board meetings on a regular basis, the latter acting as secretary.



- > On a monthly basis the CEO reports to the board on the management of the business and issues requiring the board's knowledge and approval, and every three months on financial statements to be approved and remitted to the former Securities and Insurance Supervisor, today the Commission for the Financial Market.
- > The Finance and Management Control Manager reports monthly on the management of the company regarding the budget approved by the board.
- > The Vice Presidencies of Markets submit their work and business management plan twice a year.
- > The Internal Audit and Operational Risks department presents the risk policy and the criminal liability system for legal entities twice a year.
- > The Vice Presidency of Technology and Operations reports on the situation of the networks and development of the most significant telecommunications projects biannually.
- > Entel Peru's Chief Executive Officer reports on the operational and financial management of this subsidiary every three months.
- > The Regulatory and Corporate Affairs Department reports on its operations in Sustainability and Communications once a year.
- > The Investor Relations Department turns in a report on its activities to the board once a year.

For translation purpose

# Independent Director chairs the Directors Committee

## Directors' Committee

### Main functions

- > Examining the external auditors' reports, balance sheets and other financial statements, proposing external auditors and risk ratings agencies to the board of directors that must be submitted for the approval of the Ordinary Shareholders Meeting.
- > Reviewing transactions between related parties and other matters included in the Corporate Governance Manual.
- > Examining the remuneration systems and compensation plans of the managers and senior executives.
- > Reviewing the work plan for external and internal audits, and integral contingency management.

### Members 2017

- > Carlos Fernández Calatayud (Independent Director and Chairman of the Committee).
- > Jorge Salvatierra Pacheco (Independent Director).
- > Luis Felipe Gazitúa Achondo (Director).

The Directors Committee meets at least four times a year.

### Summary of Activities 2017

Meeting date	Main subjects addressed
25-01-2017	Presentation by the Audit and Operational Risk Department on audits carried out (ongoing, planned, spot). Presentation by external auditors of the annual financial statements. Presentation and training on normative change IFRS 15 and 16. Approval of Oversight and Risk Management Policy. Presentation of the Remuneration Policy for the Chief Executives.
03-04-2017	Submission of external auditors to the Board of Directors for election at the ordinary shareholders meeting. Submission of risk ratings agencies to the Board of Directors for election at the ordinary shareholders meeting. Submission of directors committee budget to the board of directors for election at the ordinary shareholders meeting.
08-05-2017	Constitution of Committee Board. Approval of annual plan and setting dates for committee sessions.
05-06-2017	EY auditors presents its annual audit plan and an analysis of the best practices of Corporate Governance globally.
07-08-2017	Auditors' report and analysis of main observations on internal oversight of non-relevant matters. New Code of Ethics and Implementation Manual.
11-12-2017	Auditors' report and analysis of main observations on internal oversight of non-relevant matters. New Code of Ethics and Implementation Manual.

## Ethics Committee

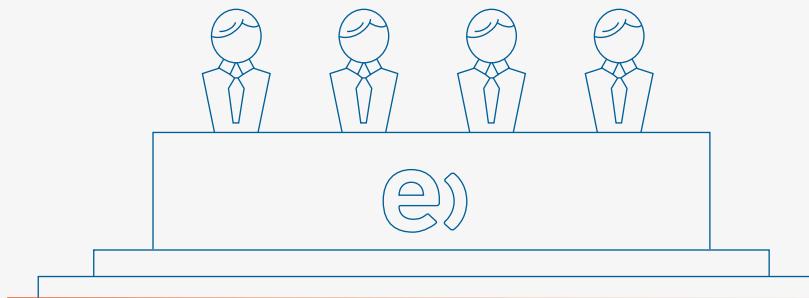
To ensure sound management and meet the highest standards of good practices, Entel has an Ethics Committee comprising six company executives appointed by the CEO.

### Main functions

- > Resolving various issues related to its rules.
- > Investigating and responding to claims made via whistle-blower channels.
- > Proposing relevant action to address shortcomings identified in connection with the investigation of complaints made.

### Ethics Committee Members

- > Human Resources Executive (chairman)
- > Legal Executive
- > Vice President Corporate Segment
- > Vice President Technology and Operations
- > Regulatory and Corporate Affairs Executive
- > Internal Audit and Operational Risks Executive
- > Secretary of the Committee: Legal Department lawyer



## Shareholders' meetings 2017

On April 27, 2017, Entel held an Extraordinary Shareholders Meeting that approved, among other matters:

- > Modifying fantasy name Entel Chile SA to Entel.
- > Including the provision of information technology services and the supply of equipment to the corporate purpose.
- > Updating and amending the share capital clause in terms of nullification and not placing part of the agreed capital increase.
- > Authorizing the methodology for the placement of shares for compensation plans, issued in accordance with the capital increase approved by the Extraordinary Shareholders Meeting held on April 28, 2016.
- > Modifying Article 7 of the articles of association, increasing the director's term from two to three years.
- > Other modifications

Following this extraordinary meeting, the Ordinary Annual Shareholders' Meeting was held, which, among other matters, approved:

- > The Annual Report, the Balance Sheet and Income Statement for 2016.
- > The distribution of a definitive dividend of CLP34 per share, equivalent to 30.06% of the net income for the year.
- > The investment and financing policy, and the dividend policy was reported.
- > Appointment of board members for the period of three years
- > Remuneration of the directors and the Directors' Committee and the annual budget of the Committee.
- > The appointment of external auditors Ernst & Young, and risk ratings agency Fitch Ratings and ICR (International Credit Rating).

The election of the Board of Directors was held for the period 2017-2020.

## Highlights

### 1. Induction policy for new directors

Entel has a formalized induction policy for new directors and the CEO of the company is responsible for this induction process, which includes providing information on:

- > Functioning of the Board of Directors
- > Main operational, financial, legal and institutional aspects of the company.
- > Legal norms covering the functioning of boards and the role and duties the law requires of each director.

Jorge Salvatierra was elected at the Ordinary Shareholders' Meeting in April as a director, holding meetings over the 2017 fiscal year with the CEO, the vice presidents and some of managers of the company.

### 2. Access to remote information

- > Each of the directors can review the minutes of the sessions of the last three years and access information on presentations made at the sessions through a new secure, remote and permanent Directors' Portal, which operates with a double authentication system.

### 3. Procedures for ongoing training and advice

- > The board has the right to hire the consultants necessary to support their role.

### Training and presentations to the Board

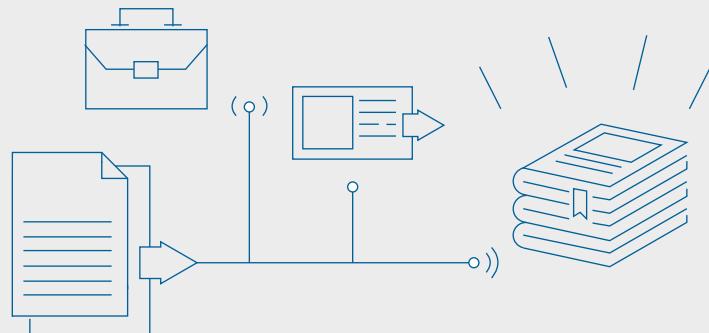
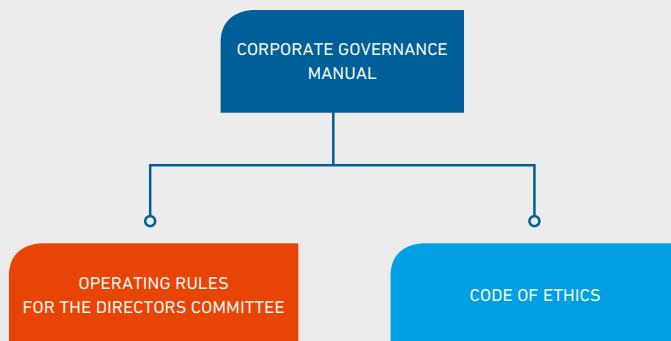
In 2017, in addition to the usual presentations by the various vice presidents and managers of the company, as well as external auditors, training and presentations to the board were carried out by the executive team and/or external specialists. These included:

- > Remuneration systems and compensation plans for the executive team and company employees.
- > Risk Policy.
- > Best corporate governance practices.
- > Law No. 21,000, establishing the Commission for the Financial Market.

### Main matters approved by the board over the year

- > Corporate Governance Practices (NCG No. 385).
- > Annual company budget.
- > Annual company report.
- > Quarterly income statements for the company.
- > Annual Communications and Sustainability Policy.
- > Company Risk Map.
- > Updating the Code of Ethics and Procedures Manual.

## Governing Documents of Corporate Governance



The Code of Ethics and the Application Manual are documents to which employees, contractors, suppliers and clients adhere.

### Updating the Code of Ethics and Application Manual

In 2017 Entel updated its Code of Ethics and the respective Application Manual, which outlines good practices and establishes that the company guides its actions by values and principles that transcend the entire organization.

This new document is an easy-to-use manual, available on the web, that disseminates basic rules of behavior on a case-by-case basis, responding in a simple way to doubts on ethical matters that may arise in the daily work of employees.

These documents clarify the commitment of Entel to ensure compliance with the rules and combat bad practices such as corruption.

More details at [informacioncorporativa.entel.cl/investors/corporate-governance](http://informacioncorporativa.entel.cl/investors/corporate-governance) and in the 2017 Sustainability Report, attached to this report.

**More than half of the cases of unplanned audits carried out by the company come through the Complaints Channel.**

### Reporting Channels

Entel has a Whistleblowing Channel for personalized, anonymous complaints regarding compliance with ethical conduct rules and conflicts of interest, as well as other situations that require attention for breaching the Code of Ethics. It is a public access channel that guarantees the anonymity of the complainant.

For translation purpose

## Investor Relations

Entel has an investor relations department that is responsible for providing the information required by the financial market and disclosing information on the company in compliance with current regulations.

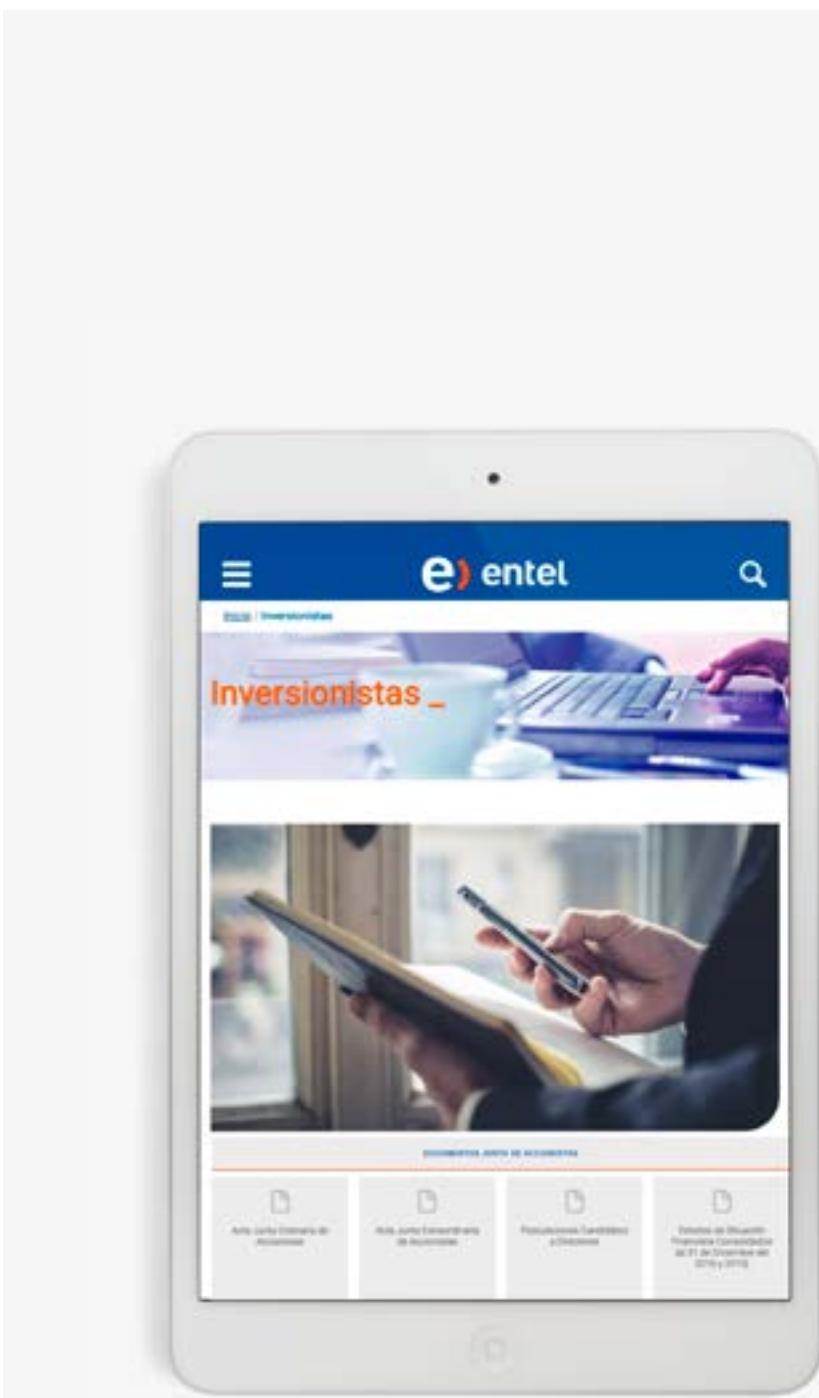
### Activities

- > Participation in seven national and international investor conferences, three Non Deal Roadshows and holding the IV Investors Day in Chile fourth Investor Day in Chile.
- > Four quarterly teleconferences with investors and four local meetings with analysts to deliver quarterly results.
- > 608 contacts with stakeholders over the year with foreign funds, local funds, pension funds and market analysts.

Information is available on the website [www.entel.cl/investors](http://www.entel.cl/investors).

### Awards

- > 1st place Best analyst day TMT Latam, Institutional Investor.
- > 2nd place Best website TMT Latam midcap, Institutional Investor.



# Contingency Control and Management

Entel has a General Risk Control and Management Policy covering the company and its national and international subsidiaries and approved by the Board of Directors.

## Objectives

1. Promote the culture of risk management throughout the organization.
2. Establish the essential criteria and definitions to define later:
  - > An appropriate procedure for identifying, assessing, mitigating, controlling and recording risk.
  - > Mechanisms for control and assurance of mitigation measures and follow-up on key risk variables.
3. Establish a governance and risk management model for the company.
4. Establish the framework for delivering information on the results of risk management to the Entel board and senior management.

## Risk Governance

Within this framework, the company has a cross-cutting governance structure for integral risk management, headed by the general management

and the Strategic Committee on Integral Risk Management, whose role complements that of the Operating Committee on Risk Management.

Those ultimately responsible for risk management are the business and support divisions (see attached diagram).

### **Strategic Committee on Integral Risk Management:**

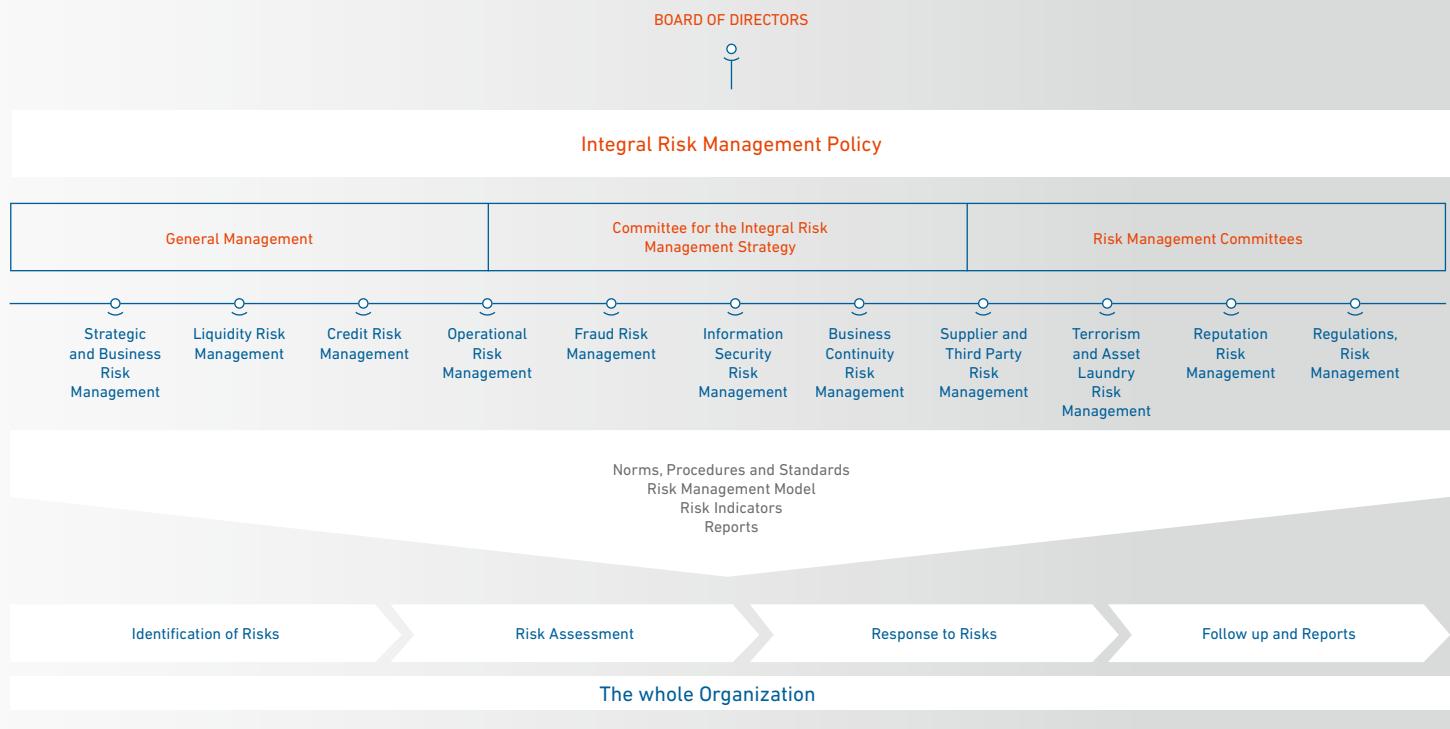
comprised of the CEO, vice presidents and top-tier area managers. It meets quarterly and its main function is to manage risk, providing guidelines and resources in accordance with the strategies and the General Risk Control And Management Policy applicable to Entel and its domestic and international subsidiaries.

### **Operating Committee on Risk Management:**

comprising divisional or departmental managers. They meet monthly and their main duties are to manage the company's risk from the most operational areas, incorporating the client's perspective and promoting and monitoring the mitigating action implemented in the event of any incidents. This structure gives Entel a comprehensive view of risk management. The principal committees include the Ethics Committee, the Systems Committee, the Fraud Committee,

For translation purpose

## Government Contingency Management Process



the IT Security Committee and the Business Continuity Committee.

The Internal Audit and Operational Risks Division, meanwhile, is responsible for:

- > Supporting and following up on risk management and its governance, with a special focus on operational risks, business continuity, information security and access to systems risk management.
- > Ensuring compliance with the mechanisms governing risk management, promoting the culture and fostering understanding.

- > Coordinating with and supporting the organizational units, in line with the defined governance model, in identifying, analyzing, evaluating, recording and mitigating risk.
- > Following-up on and ensuring traceability of mitigation projects and other projects associated with risk management, whether these are internal for each department or cut across the organization.
- > Keeping the company's macro-risk map up to date.
- > Keeping management and the Board informed of compliance with and changes and improvements to risk management, as per Entel's Corporate Governance Manual.

# In 2017 Entel strengthened the management of the 12 macro-risks that were prioritized in 2016, according to their impact and probability.

## Management 2017

Entel's priority in terms of contingency control and management in 2017 was to continue developing a compliance culture within the company. The aim of the work is the timely identification of risk, both internal and environmental, that may impact the company's strategic goals.

### Main activities

- > Designing a structured and simple risk management procedure, in line with Entel's integral transformation project, which in 2017 migrated its mobile prepaid service platforms to a digital model, as well evolving its way of working into an agile methodology.
- > Internalizing the risk management process, which until 2016 was outsourced and as of 2017 is being undertaken by the Internal Audit and Operational Risk Division.
- > Implementation of a new risk management tool for audit (ACL-GRC), governance, risk and control.
- > Development of a compliance model on free competition and, in general, of all regulations that directly or indirectly affect the business.
- > Adjustment of the maximum deadline for updating the risk map, which from year 2018 will be renewed at least annually.

## Criminal Liability of Legal Persons (Law No. 20,393)

Regarding the criminal liability of legal entities for certain offenders, the company has established the crime prevention model (CPM) set out in Act No. 20.393, with the Head of Internal Audit and Operational Risks responsible for ensuring the model works correctly.

The CPM is currently certified by Feller Rate Risk Rating Ltda.

Entel has a portal on its intranet which lets all employees access the necessary information on crime prevention covered by this law. The company also has a whistleblower channel on its web with internal and third-party access.

As of 2017, an E-Learning course on the CPM is held out for all employees, which requires a minimum score of 60%. In addition, over the last year there were two sessions on CPM and lobby for vice presidents, managers and assistant managers (150 people), to strengthen both issues.



# Board of Directors

For translation purpose



**Juan José Hurtado Vicuña**  
**Chairman**  
Civil Engineering,  
Universidad de Chile  
TAX ID: 5.715.251-6

**Bernardo Matte Larraín**  
**Director**  
Business Administration,  
Universidad de Chile.  
TAX ID: 6.598.728-7



**Richard Büchi Buc**  
**Director**  
Civil Engineering, Universidad  
de Chile. MBA Wharton School  
Of Business, University of  
Pennsylvania.  
TAX ID: 6.149.585-1



**Luis Felipe Gazitúa Achondo**  
**Vice President**  
Business Administration,  
Universidad de Chile.  
TAX ID: 6.069.087-1



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**Patricio Parodi Gil**  
**Director**  
Business Administration, Pontificia  
Universidad Católica de Chile.  
MBA, Harvard University.  
TAX ID: 8.661.203-8



**Carlos Fernández Calatayud**  
**Independent Director**  
Civil Mechanical Engineering,  
Universidad Federico Santa María.  
TAX ID: 5.213.938-4



**Juan José Mac-Auliffe Granello**  
**Director**  
Business Administration, Pontificia  
Universidad Católica de Chile.  
TAX ID: 5.543.624-K



**Andrés Echeverría Salas**  
**Director**  
Business Administration, Pontificia  
Universidad Católica de Chile.  
MBA University of California, Los  
Angeles  
TAX ID: 9.669.081-9



**Jorge Salvatierra Pacheco**  
**Independent Director**  
Civil Industrial Engineering,  
Pontificia Universidad Católica  
de Chile.  
MBA Saint Louis University.  
TAX ID: 6.557.615-5

## Remuneration and expenses of the Board

The remuneration of the board of directors is approved annually at the General Shareholders Meeting.

None of the members of the board of directors or the organization's executives are remunerated with stocks and shares in the company or for their work as directors of subsidiary companies.

The Board of Directors and the Directors Committee incurred no additional expenses nor hired consultants during the 2017 fiscal year.

## 2017/2016 Remuneration

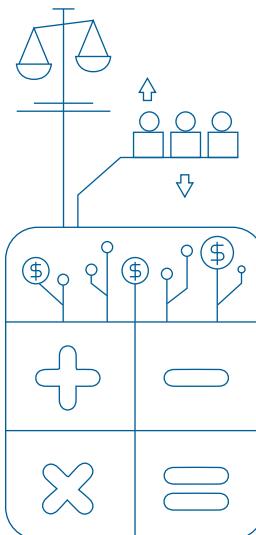
Name	Tax ID	2017 (CLP million)	2016 (CLP million)
Juan Hurtado Vicuña	5.715.251-6	81,583	79,811
Luis Felipe Gazitúa Achondo*	6.069.087-1	76,910	75,273
Richard Büchi Buc	6.149.858-8	45,417	54,744
Andrés Echeverría Salas	9.669.081-9	41,951	39,905
Carlos Fernández Calatayud*	5.213.938-4	55,934	54,744
Juan Mac-Auliffe Granello	5.543.624-K	41,951	41,058
Patricio Parodi Gil	8.661.203-8	41,951	39,917
Alejandro Pérez Rodríguez	5.169.389-2	13,907	41,058
Bernardo Matte Larraín	6.598.728-7	39,623	38,780
Jorge Salvatierra Pacheco*	6.557.615-5	37,392	-

Eight of the nine members of the Board of Directors were re-elected at the Ordinary Shareholders' Meeting on April 27, 2017. Jorge Salvatierra Pacheco joined the board and Alejandro Pérez Rodríguez left.

\* Members of the Directors Committee.

## Diversity on the Board

Number of members by gender	
Female	0
Male	9
Total	9
Number of members by nationality	
Chilean	9
Foreign	0
Total	9
Number of people by age range	
< 30	0
30 - 40	0
41 - 50	1
51 - 60	4
61 - 70	4
> 70	0
Total	9
Number of people by length of service	
<3 years	3
3 - 6 years	2
6 - 9 years	0
9 - 12 years	2
> 12 years	2
Total	9



For translation purpose

# Management

In Chile, Entel manages its businesses according to market segments: Consumers, Enterprises and Corporations. Each division has its own teams for innovation and product development, pricing, marketing, sales, and customer service.

Traditional technology activities (networks, systems, and operations) and the Wholesale Segment are grouped under a convergent Technology and Operations area.

All units operate under a single leadership and were designed in line with international best practices, anticipating close integration among different areas as a result of the increasing synergies in technology.

To correctly handle strategic and management issues, the executive group has a business-wide governance system that supports its corresponding responsibilities.

In the case of Entel Peru, at the executive level the administration reports to a Board of Directors. Its internal structure is very similar to that of

the Chilean business. The other subsidiaries of the company report to specific boards and have management appropriate to their strategy

## Executive team remuneration

Salaries of managers and senior executives 2017	
Personnel included	125 people Entel S.A. and subsidiaries
Remuneration	CLP 11,436,910,454
Bonuses	CLP 6,687,016,131
<b>Severance pay for 2017</b> CLP 2,258,868,451 split between 18 executives.	

Note: includes long-term bonds and retention schemes.

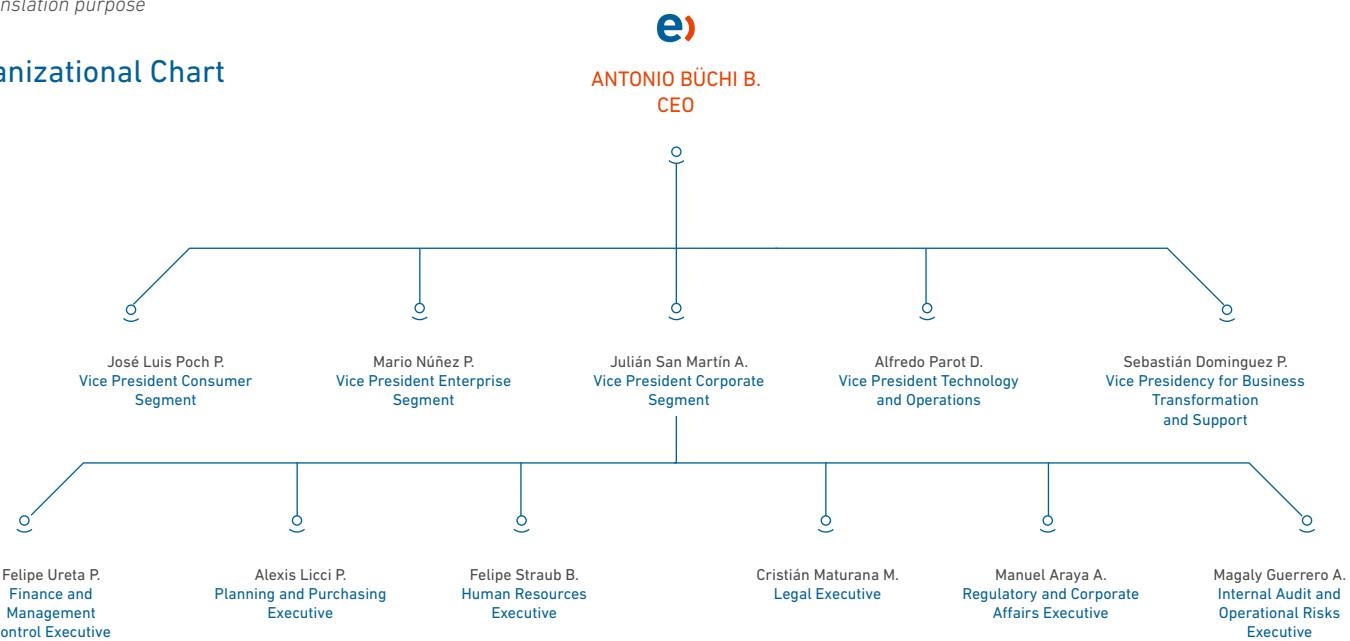
Annual bonuses are paid in line with pre-established formulas based on achieving corporate targets for the respective areas.

There is a long-term plan with a horizon of up to six years to accrue fixed and variable payments for meeting targets, with a maximum established for the variable amounts. All these payments are included in the figures set out in the attached table.

## Staff

Level	Entel S.A.	Entel PCS	Call Center S.A.	Other subsidiaries	Call Center Peru	Americatel Peru	Entel Peru	Total
Management	56	40	6	2	4	8	9	125
Professional and technical	2,059	1,281	211	34	764	271	333	4,953
Clerical	697	655	1,193	331	3,066	106	2,185	8,233
<b>Total</b>	<b>2,812</b>	<b>1,976</b>	<b>1,410</b>	<b>367</b>	<b>3,834</b>	<b>385</b>	<b>2,527</b>	<b>13,311</b>

## Organizational Chart



## Diversity amongst key executives

Gender		Age range		Length of Service	
Female	12	30 - 40	11	<3 years	17
Male	84	41 - 50	51	3 to 6	16
Total	96	51 - 60	32	6 to 9	12
		61 - 70	2	9 to 12	8
		Total	96	> 12 years	43
				Total	96
Nationality					
Chilean	86				
Foreign	10				
Total	96				



**Antonio Büchi Buc**  
**Entel Chief Executive Officer**

From March 2011.  
Various roles at Entel since 2000

Civil Industrial Engineering, Pontificia Universidad Católica de Chile. Master of Arts in Economics, The University of Chicago.  
Tax ID 9.989.661-2

## Key executives

○) **Sebastián Domínguez Philippi**  
**Vice President Transformation and Business Support**  
From January 2017.  
Various roles at Entel since June 2000

Civil Industrial Engineering, Pontificia Universidad Católica de Chile. Master in Economics, Cambridge University.  
TAX ID: 10.864.289-0

○) **Mario Núñez Popper**  
**Vice President Enterprise Segment**  
From March 2011.  
Various roles at Entel since 1993

Civil Industrial Engineering, Pontificia Universidad Católica de Chile.  
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○) **José Luis Poch Pireta**  
**Vice President Consumer Segment**  
From March 2011.  
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○) **Julián San Martín Arjona**  
**Vice President Corporate Segment**  
From December 31, 2006.

Civil Industrial Engineering, Universidad de las Américas. Computer Engineering, Universidad de Chile.  
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**Vice President Technology and Operations**  
From March 2011.  
Various roles at Entel since January 1996

Civil Industrial Engineering, Pontificia Universidad Católica de Chile.  
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○) **Cristián Maturana Miquel**  
**Legal Executive**  
From March 1994.

Law, Universidad de Chile.  
TAX ID 6.061.194-7

○) **Manuel Araya Arroyo**  
**Regulatory and Corporate Affairs Executive**  
From March 2011.  
Various roles at Entel since May 1994

Civil Industrial Engineering and Masters in Business Administration, Pontificia Universidad Católica de Chile.  
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○) **Felipe Ureta Prieto**  
**Finance and Management Control Executive**  
From April 2005.  
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Business Administration, Pontificia Universidad Católica de Chile.  
Tax ID 7.052.775-8

○) **Felipe Straub Barros**  
**Human Resources Executive**  
From January 2012.

Psychology, Pontificia Universidad Católica de Chile.  
MBA, Universidad Alberto Hurtado/Loyola College in Maryland.  
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○) **Magaly Guerrero Arce**  
**Internal Audit and Operational Risks Executive**  
From March 2017.

Auditing/Accounting, Universidad Tecnológica Metropolitana. MBA, Universidad Adolfo Ibáñez.  
TAX ID: 10.978.118-5

○) **Alexis Licci Pino**  
**Strategic Planning and Purchasing Executive**  
From July 2017.  
Various roles at Entel since May 1998

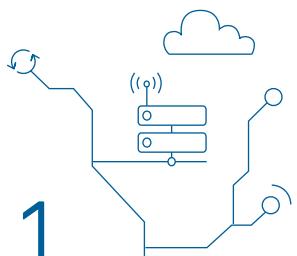
Business Administration, Pontificia Universidad Católica de Chile.  
TAX ID: 12.856.166-8



# Strategy

For translation purpose

# Strategy



**1**  
BETTER  
INFRASTRUCTURE



**2**  
INNOVATION  
& ADAPTATION



**3**  
ORGANIZATION  
& PEOPLE  
"BEST IN CLASS"



**4**  
DISTINCTIVE  
EXPERIENCE

Our business model allows us to be at the forefront of the telecommunications industry, to be a leader in Chile and a benchmark in the region.

Entel set out to always have the **best infrastructure**, develop a corporation with a **high capacity for innovation** and deliver a **distinctive experience** to its customers. With this in mind the company fosters **teamwork**, a way of working that allows for adaptation in a changing and highly competitive environment, and the quick identification of market opportunities.

Based on these four fundamental pillars, Entel's business model positions the company as a world-class actor.



## Strategic Pillar 1

# Best Infrastructure

## Investments

In order to continue providing a first class service to our customers through our own high quality infrastructure, Entel invests continuously in networks, platforms and the data center. And as such, in 2017 the company spent a total of US\$ 521 million on infrastructure.

### Highlights

- > Growth and maintenance of mobile network infrastructure in Chile: US\$175 million, including investments in infrastructure and mobile access equipment, increased transmission and core.
- > Investment in Peru of US\$151 million, mostly on growing network infrastructure and IT investments.
- > Mandatory Areas Project and rollout of Minimum Coverage for the acquisition of the 700 MHz band: US\$42.9 million.
- > Rollout of Fiber Optic Network for residential business: US\$18.2 million, setting up a total of 199,000 homes at the end of 2017 and enabling the TV platform.
- > Other cross-cutting investments in the fixed and mobile businesses to support the growth

of traffic and ensure the operational continuity of our services: US\$27 million.

- > Investments for the IT business associated with growth of data center infrastructure and cloud platforms: US\$21 million.
  - > Completion of the construction phase of the third stage of Ciudad de los Valles (CdLV III), which in May 2018 will be adding 1,000 square meters to our data center network for new customer services.
  - > Management and Operations certification for the Amunátegui data center from the Uptime Institute.
- > In 2017 the Entel Digital Transformation project continued. The project will transform Entel into a fully digital company, radically simplifying the way we operate: US\$53 million.
- > Other investments in systems platforms and equipment for technical and commercial management: US\$30 million.



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## Entel Peru Infrastructure

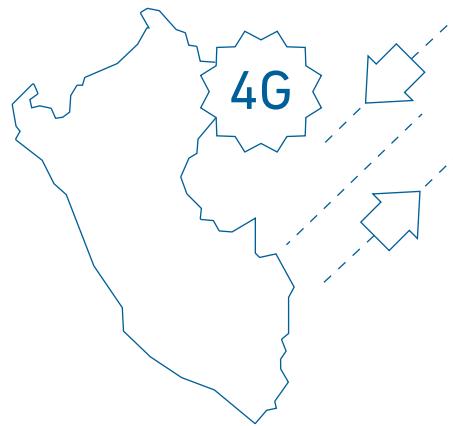
### → Mobile Network

- > 1,900 MHz 3G network (UMTS), deployed across 3,297 sites nationwide, 1,548 in Lima. In Lima and Callao, coverage is about 93.5% of the population.
- > iDEN network (800 MHz), known as PTT (Push to Talk) network. Entel Peru has 525 sites around the country (361 of these are in Lima).
- > In 2017 the company continued rollout of voice and data networks in 2G and 3G through the 1,900 MHz band awarded in 2007, and 4G through the AWS band awarded in 2013, and APT700 awarded in 2016.
- > The development process depends on population and geographical segmentation criteria, and managed to cover the 24 departments of Peru in 2017. As well using the rationale of coverage, the process is designed to deliver standards of quality, as in Chile.

### Mobile Spectrum

Entel Peru has the following bands for its service:

- ➔ > APT700 (700 Mhz), used to provide 4G services (LTE) nationwide.
- > 800 MHz, used to provide trunked radio services through Motorola's iDEN technology.
- > 1,900 MHz, used to provide mobile phone and data services through 2G and 3G technologies.
- > 2,300 MHz used to provide fixed services.
- > 2,500 MHz, used to provide fixed internet access services using Wimax and LTE technology.
- > 3,500 MHz used in WiMax networks and operated by Americatel Peru SA.
- > AWS (1,700-2,100 MHz) used to provide 4G services (LTE) nationwide.



### 4G services For Entel Peru

Following the awarding in 2013 of Block B of the AWS band (40 MHz) to Entel's Americatel Perú subsidiary in a tender process run by the Peruvian authorities for the rollout of LTE services, the company began to provide data services, expanding its range of mobile access technologies. 2G and 3G networks were deployed at the same time, using active antennas and single RAN, latest generation technology that optimizes investments and reduces implementation timescales and future operating costs.

Following the awarding in 2016 of Block A of the 700 Mhz band (30 MHz) in a tender process run by the Peruvian authorities for the rollout of LTE services, Entel deployed 351 sites along with the infrastructure necessary to comply with contractual obligations for this band and to improve its range of data services.

## Infrastructure In Chile

### Transport networks

#### → Fiber Optic

Currently, the fiber optic trunk network (FO) has more than 5,000 km throughout Chile, incorporating DWDM transmission technologies and reaching transport capacities of up to 8,000 Gbps. This network is mainly used by the IP/MPLS network, both fixed and mobile services. In order to strengthen the trunk network, this network reaches different points of presence in Santiago, improving the availability of the network in case of faults. Additionally, in 2017 third routes were enabled, in order to continue strengthening the Entel network at national level. The DWDM Metropolitan Core Network has three main points of presence. In addition, the company has an aggregation network with 40 points of presence in Santiago, which allows fixed and mobile access traffic to be concentrated on the Core network. In 2017, the development of FO continued connecting 81% of the points of presence of the urban network in the main cities in the country.

#### → » Microwave

The microwave network is currently used as a branching and access network, largely for connecting rural areas to the fiber optic trunk network. It has national coverage and is used to interconnect the access network, mainly to provide mobile phone and wireless data services. Currently, Entel has a network with IP protocol practically throughout the network. Just a few TDM links have been kept to provide services to some clients.

#### → Satellite

Through its satellite network Entel covers the entire country at island and mainland level, providing fixed and telephony services through 63 Earth Stations distributed throughout Chile, allowing remote locations to connect with the rest of the country. Thanks to this, isolated locations such as Puerto Williams, Villa O'Higgins, Antarctica and Easter Island are able to enjoy telecommunications services. The main teleport is Longovilo, which has more than 20 satellite antennas. Through agreements with satellite operators around the world (Intelsat, Telesat, O3B), the company offers television and data services throughout Chile. Entel has different satellite platforms with world-class technology to provide corporations and businesses with private services (internet, LAN extension, telephony) and also, in collaboration with Subtel, to provide public internet to 212 rural schools and isolated areas throughout Chile, helping to break the digital divide.

#### → MPLS Network

Currently, the MPLS Network (Multiprotocol Label Switching) uses the Entel transport networks, connecting the different access networks, both mobile and fixed, with internet service platforms and other operators. Using different transport routes enables high availability. In 2017 the company continued progressing in the Core towards capacities of Nx100Gbps, and Nx10Gbps in the aggregation.



## Access networks

### → xDSL access network

The xDSL Access Network has 318 points of presence, covering 161 communes over the country, making it possible to offer voice, data and Internet services through a wide range of products. Investment in the network is focused on increasing speeds and the quantity of services, as well as upgrading equipment.

### → Ethernet access network

For both core and access, the Ethernet network connects to the MPLS network throughout the country to provide dedicated, high-availability voice and data services. Entel currently has around 915 PoPs in 311 districts.

In 2017 this network continued to progress towards high speeds, delivering up to 10Gbps to customers.

### → GPON Network

In 2017 Entel continued to roll out the FO Network for the Residential Segment, reaching a total of 199,000 home passes in December 2017, of which 120,000 were deployed in 2017 in dense residential areas of high commercial interest.

In addition the GPON fiber optic network for customers in the Enterprise Segment, had over 100,000 business passes, helping reinforce coverage in 36 districts throughout the country.

## MOBILE NETWORK

### → Mobile Spectrum

Entel Chile has the following bands for its service:

- > 700 MHz (15+15 MHz), in operation throughout the country, offering mobile data services with LTE Advanced technology.
- > 900 MHz (10 + 10 MHz), used to provide mobile phone and data services.
- > 1,900 MHz (2 blocks of 15+15 MHz), used to provide mobile phone and data services through 2G and 3G technology.
- > 2,600 MHz (20 + 20 MHz), used to provide mobile data services with LTE technology.
- > 3,500 MHz (2 blocks of 50 MHz), used in WiMax and WLL networks for fixed services. In 2017, several tests of Pre 5G technology were carried out on this band.

### → 2G/3G mobile network

These networks support voice and data services with GSM/GPRS/EDGE/UTM technologies. 2G has 4,339 points of presence, and 3G, 5,102 as at December 2017.

In 2017, 15 MHz were realigned, with allocations made to 2G/3G 1,900 MHz, moving it to LTE, decreasing the spectrum for this band for these technologies by 5 MHz 2G and 10 MHz 3G.

### → LTE Mobile Network

Continuing with the rollout of the fourth generation mobile network, in 2017 efforts have been focused mainly on coverage and capacity projects. As such, 652 PoPs with LTE band 700 have been enabled, making a total of 2,089 PoPs. Meanwhile in the main cities of the country, carrier aggregation has been activated, optimizing the use of the spectrum, increasing the speed of traffic and releasing network resources more quickly, with a coverage of around 95%.

Regarding the mandatory coverage associated with the 700 band project, the implementation of the 660 minimum network points of presence was completed.

### → Data Centre network

Entel has seven data centers interconnected by high-availability, high-capacity IP/MPLS/DWDM fiber optic networks. The centers are named according to their location: Amunátegui, Pedro de Valdivia, Ñuñoa, Longovilo, Vicuña Mackenna and Ciudad de los Valles. A total surface area of 8,500 m<sup>2</sup> has been fitted out at the data centers, with a master plan for growth of up to 11,675 m<sup>2</sup>

Data centers are used to provide outsourcing services for IT operations, ranging from housing to more complex services involving the operation and running of platforms to support the business applications of our customers. Data center services are designed for companies looking to maximize the availability of business-critical applications, improve security levels and the protection of critical information, and make considerable reductions to investment in infrastructure when compared to the levels an average customer would require to obtain an equivalent service with their own resources.

All Entel data centers have redundant paths of fiber optic connectivity, which ensures that should one of the routes be cut off, high-speed data traffic is maintained by the redundant path, ensuring operational continuity for our customers.



## Strategic Pillar 2

# Innovation and Adaptation

Innovation is a strategic cornerstone for Entel, allowing the company to build competitive advantages and facilitating its ongoing adaptation to the changing landscape facing society in general, and the telecommunications sector in particular. As such innovation is integrated into the cultural building blocks of the company and is the responsibility of all its employees.

## Structure for innovation

### Strategic Committee for Innovation

> Objective: composed of members of Entel's senior management, the committee ensures the management of the innovation model is monitored and promotes the innovation culture as well as semi-disruptive and disruptive projects with transformative potential, aligning the different areas of the company.

### Innovation Department

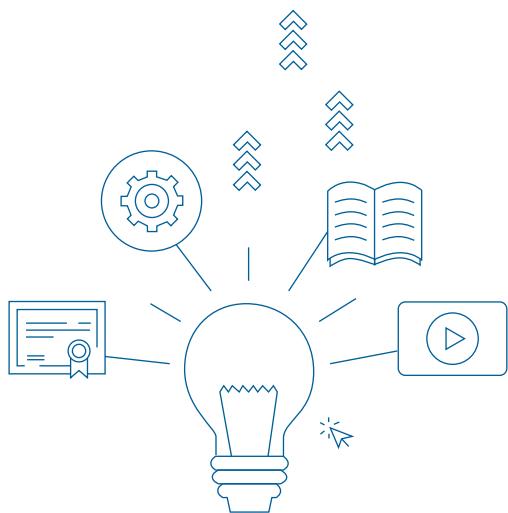
> Objective: to foster innovation processes that identify possible threats and generate projects to reduce the possibilities and close any gaps.

1. Identify medium and long-term trends.
2. Foster a culture of innovation within the company.
3. Promote open innovation, generating systematic links with the innovations ecosystem outside the company.



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For translation purpose



## Management 2017

With dizzyingly shifting and ever-more demanding customers, in a more competitive and dynamic environment, with increasingly complex products and services due to the new technologies available, Entel is immersed in a process of integral restructuring.

This will allow Entel to respond to new demands from users and changes both in the market and of members of the organization.

The development of this 21st century company includes both a Digital Transformation program (TDE), and progression towards an agile organization model (Agile methodology), which were the most important milestones implemented in terms of innovation in 2017.

This new way of operating through the implementation of both tools comes alongside the development of a new Analytics and Special Projects Department and a project to foster open innovation.

**Innovation allows Entel to be constantly adapting itself in order to surprise customers with an offering that sets it apart.**

### Innovation model

The Entel model drives continuous and sustainable innovation projects from the base of the company and innovation projects at the cutting edge of technology.

#### **Grassroots innovation:**

Aimed at generating sustainable development for the company, adapting to the environment and generating a differential value proposition, identifying and leading innovations arising from the challenges and needs of the company.

- > It focuses on developing innovative short-term projects and is led by all of the Entel departments. In 2017 the focus was on accelerating grassroots innovation, taking into account real feedback from customers.

#### **Frontier Projects:**

Aimed at expanding the frontiers or edges of the company, developing competitive advantages through disruptive and differential innovation processes.

- > Focus is placed on the creation and development of high-impact cross-cutting initiatives with the capacity for transformation, which will establish and maintain the company's leading position through foresight, with disruptive, multi-business, far-reaching solutions.

The company developed important innovation processes from these two transformational projects, in its product proposal for the Consumer, Enterprise and Corporate Segments, with a simpler offering in line with the distinctive experience of being an Entel customer.

### **Entel Digital Transformation Program (TDE)**

Entel set out to face the future with its Digital Transformation Project. The project includes the best productivity standard, transforming, adapting and improving the company's business platforms.

This helps speed the configuration of products and services and facilitates a better customer experience, with more and better information accessible to stakeholders.

This change began in 2015 and is the basis for building agile management capacity.

### **Agile management model**

In 2017 Entel turned towards an agile organization model. As part of the process, the structure of the vice presidencies of the segments was restructured and is now organized into business units, product/client teams, skills groups and centers of excellence (support expertise groups), which included the mobilization of more than a thousand people who changed workstations.

This way of working enables a greater capacity to respond to market challenges.

### **Objectives of the agile organization:**

- > Being an organization capable of leading and reacting faster to technological, competitive and customer changes.
- > Offering the best experience
- > Being a single company, beyond agile and traditional structures.

## **Strategic priorities that guide the innovation process**

- > Evolving towards an agile, fully digital company in all external and internal environments.
- > Strengthening leadership in terms of the long-term, omnichannel, seamless, real time customer experience.
- > Achieving world class levels of efficiency and profitability.

For translation purpose

## e)makers challenge

The e)makers challenge encourages employees to put forward solutions for internal and external challenges.

Presented on an easy-access digital cooperation platform which allows everyone to voice an opinion and add to ideas, the e)makers challenge uses a system of sponsors who raise the issues to be addressed and participate in their selection, and mentors who question the projects and support the development of ideas with a view to implementing them.

### Challenges 2017



## Innovation Day

These days are open to the whole company and are a chance to hear the experiences of prominent people from different areas in the field of innovation. They are currently streamed to increase their dissemination in the company.

### Estimated number of participants



## Entel Explora

The company developed Entel Explora to create a systematic link with the innovation ecosystem. This model of open innovation seeks to explore new trends, with the participation of third parties such as academia, technology companies and small enterprises.

The Entel Explora Lab potentiates the talent of digital innovators with the necessary networks to develop their capacities and help them obtain concrete results.

### Entel Explora Lab collaborations

- > Centro de Innovación UC Anacleto Angelini
- > Club de Innovación
- > Start-Up Chile

## New Analytics and Special Projects Department

The new Analytics and Special Projects Department was created in the second quarter of 2017. This new management department is answerable to the Vice Presidency of Transformation and Business Support, and is aligned with Entel's strategic priority of analyzing the growing and diverse data it can currently count on.

With a multidisciplinary team, the department provides services to the organization in developing business and products, while investigating and proposing solutions for Entel to also use for its own management.



## Organization and People "Best in Class"



*For translation purpose*

### Agility and closeness to the client

Over the last three years Entel has developed a process for adapting its human capital management model, with the aim of aligning it with its business strategy and market needs.

In this context, in 2015 the company restructured, becoming more horizontal with fewer intermediate layers. In 2016, different "worlds" within the organization were defined and different strategies for managing people were proposed, taking into account their characteristics and needs and enabling more efficient professional development.

- 1. Management world:** based on transformational and adaptive leadership, associated with the administration of the business and focused on meeting objectives.

- 2. Specialized operations world:** with differentiating features specific to the industry. Focused on the recognition of professionals with specific technical knowledge and of high value to the core business.
- 3. Operations world:** based on adherence to and rigorously implementing efficiency processes. This management model incorporates an HR Department service strategy which is integrated more efficiently with the business divisions.

## Management Model



### New management structure

The integral restructuring process in which the company is involved required adjusting the management structure to the new challenges of the business. This involved restructuring the top-tier to include new areas of responsibility and merging and creating others.

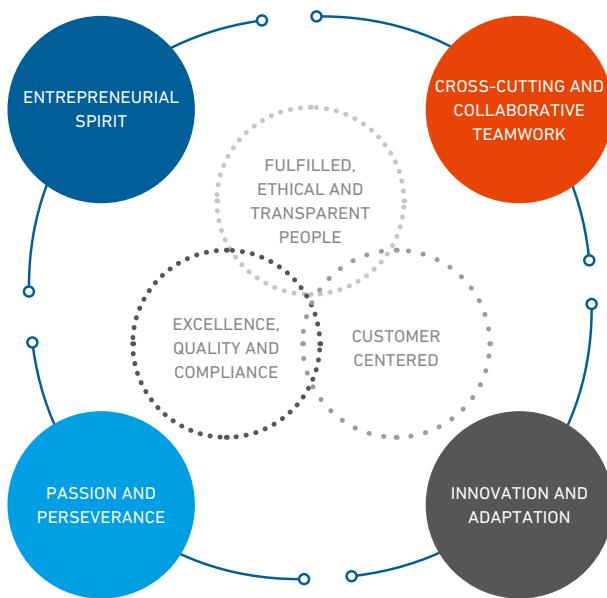
Thus the Strategic Planning and Purchasing Department and the Vice Presidency for Transformation and Business Support were created. Meanwhile the Risks and Administration Department was eliminated, with its central responsibilities being passed on to the new Strategic Planning and Purchasing Department. The IT Services Department was similarly done away with, its responsibilities being taken on by the Vice Presidency of the Corporate Segment.

### Agile organization

With traditional and hierarchical structures no longer responding with the speed required to the changing demands of the business, the three "worlds" scheme developed in 2016 was joined in 2017 by an agile world. This methodology includes new roles and relationship models to allow cross-cutting work with smaller teams responsible for a specific end-to-end product development process and precise assessment indicators.

As such Entel went from developing a cross-cutting and collaborative work model to one of working together, leaving the organization ready to respond with greater flexibility and speed to the growing demands and needs of the market and its customers, quickly adapting its products and services.

## Cultural Cornerstones



## Cultural change

In 2017 this new model of agile organization was applied directly to about 10% of the Entel organization, modifying the way of approaching business and impacting the entire company, given the interactions between departments.

This project demands flexibility and tolerance to uncertainty, generating profound cultural changes in the organization. By way of example, about 1,000 people were physically moved within Entel buildings to more open spaces, without separators or fixed workstations.

In this context, after conducting a thorough study of its internal culture, in 2017 Entel also updated its Cultural Cornerstones towards a simpler concept, incorporating the organization's new perspective.

## Performance Management

In order to foster the development of individuals and the organization as a whole, Entel developed a corporate competency management model which deals with different aspects, depending on the strategic challenges of the company and their alignment with the cultural cornerstones. It is a mature system and is validated by the organization.

### Internal Mobility

**10.2%**

of the workforce took on new responsibilities in 2017

**494**

promotions or sideways moves of 4,823 workers

## Training

Entel's training department aims to develop programs and associated activities to manage knowledge in the organization. This way the company can ensure that people have the necessary tools to do their jobs.

### > Specific or technical training

Required only for certain departments and functions Among them, the Project Management Development Program stands out.

### > Cross-cutting training

For all employees, the training addresses knowledge, competencies and management models that are common to the whole company, such as the Company Induction Program, the Leadership Program, the Internal Instructors Program and Behavioral Adherence Programs (MAC). The latter involved classroom training activities, on-the-ground support and training in the workplace.

#### Hours of annual training

Job category	2016	2017
Management	11,037	1,934.15
Professional and technical	55,508	100,640
Clerical	1,812	7,004
Total	68,577	109,578

#### Total investment in training

Company name	Costs
ENTEL	\$517,620,285.95
ENTEL PHONE	\$7,689,256.00
PCS	\$312,697,078.06
Total	\$838,006,620.01

#### Training program participants

Company name	Employee
ENTEL	2,368
ENTEL PHONE	25
PCS	1,420
Total	3,813

109,578

hours of training  
per year

3,813

employees participated  
in training programs

\$838,006,620

total investment in training

## Compensation

Entel has a compensation structure that is equitable internally and competitive in the market. Compensation is determined objectively, based on job descriptions and market benchmarks.

- > For managers and executives additionally there is an annual variable compensation system based on targets.
- > For other levels there is a variable pay incentive program linked with company results.

## Organizational pulse

Entel uses different tools to measure the organization's "pulse".

### Great Place to Work survey

Each year Entel administers the Great Place to Work survey with the aim of making the company a better place to work, boosting its strengths and correcting those aspects where there is room for improvement. The results activate different people management programs based on the results obtained by each level of the organization.

Frequency:

Annual

Participation 2017:

92%

### Engagement

In October 2017, the first assessment of Engagement was applied, to discover the relationship of people with the work they do. To obtain regular information, a survey was developed to provide team leaders with updated information.

Frequency:

Quarterly

Participation 2017:

74.6%

### Survey for internal customers

This allows the quality of the services offered internally across different areas of the company to be measured. Internal customers assess the service provided according to quality, utility, treatment and response time, and the results are linked to performance goals.

Frequency:

Twice a year

### Barometer

This measurement is applied only within the cells of the organization that work in agile methodology. It allows information to be gathered on the processes, quality of answers, team adherence to the methodology etc., to pick up on ways for improvement.

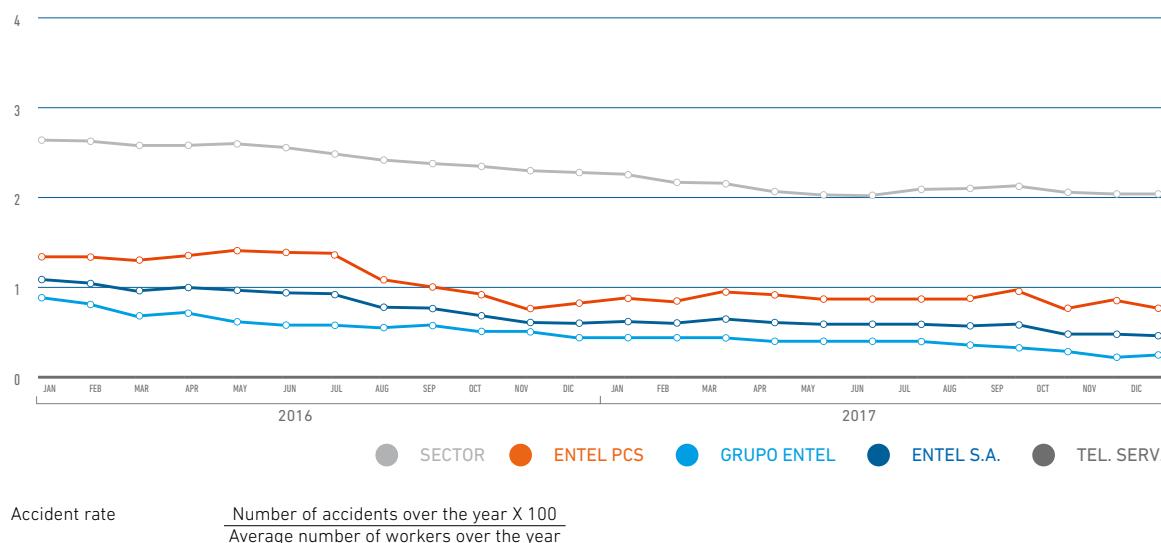
Frequency:

Twice a month





#### Accident rate



#### Health and safety

Together with an Occupational Health and Safety policy and processes to which all employees adhere, the company has a Preventive Management System in Occupational Safety and Health for contractor companies. The system establishes a technical safety standard which sets out risks associated with the 29 most critical tasks in terms of risk potential.

#### Labor relations

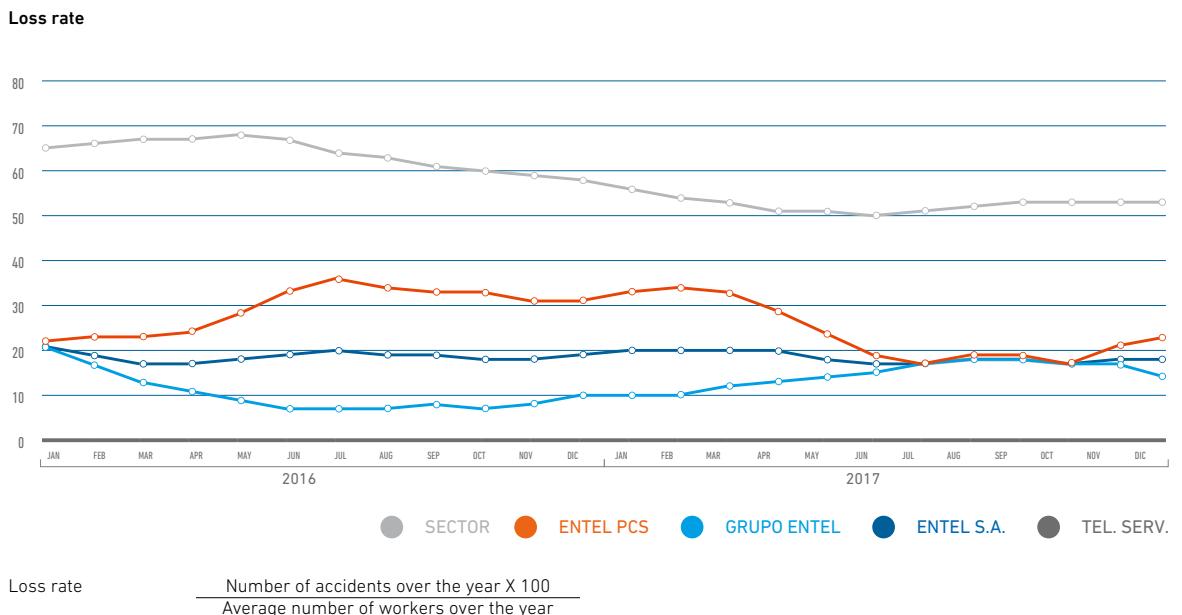
Entel bases its labor relations policy on respect and ongoing dialog, whether or not employees are union members.

2017 Milestone: the company reached a joint agreement with all unions on the minimum services established by the labor reform. This was presented as a group (including both Entel PCS and Entel SA), even though the company does not operate as one economic unit.

At year-end, 73.25% of Entel's employees in Chile were unionized. Entel Perú does not have unions established.

Entel		
Category	2016	2017
Unionized workers	73.93%	73.25%
Workers covered by collective agreement	100%	99.45%

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## Diversity in the organization

### Gender

Female	1,644
Male	3,144
Total	4,788
Nationality	
Chilean	4,640
Foreign	148
Total	4,788

Includes Entel SA and Entel PCS

### Age range

<30	722
30 - 40	1,971
41 - 50	1,436
51 - 60	557
61 - 70	95
> 70	7
Total	4,788

### Wage Gap

Management	9.80%
Professional and technical	7.67%
Clerical	8.38%

This looks at the average income of men compared to women, weighted by staffing at each level.

### Length of Service

<3 years	1,374
3 - 6 years	1,273
6 - 9 years	713
9 - 12 years	543
> 12 years	885
Total	4,788



## Strategic Pillar 4

# Distinctive Experience

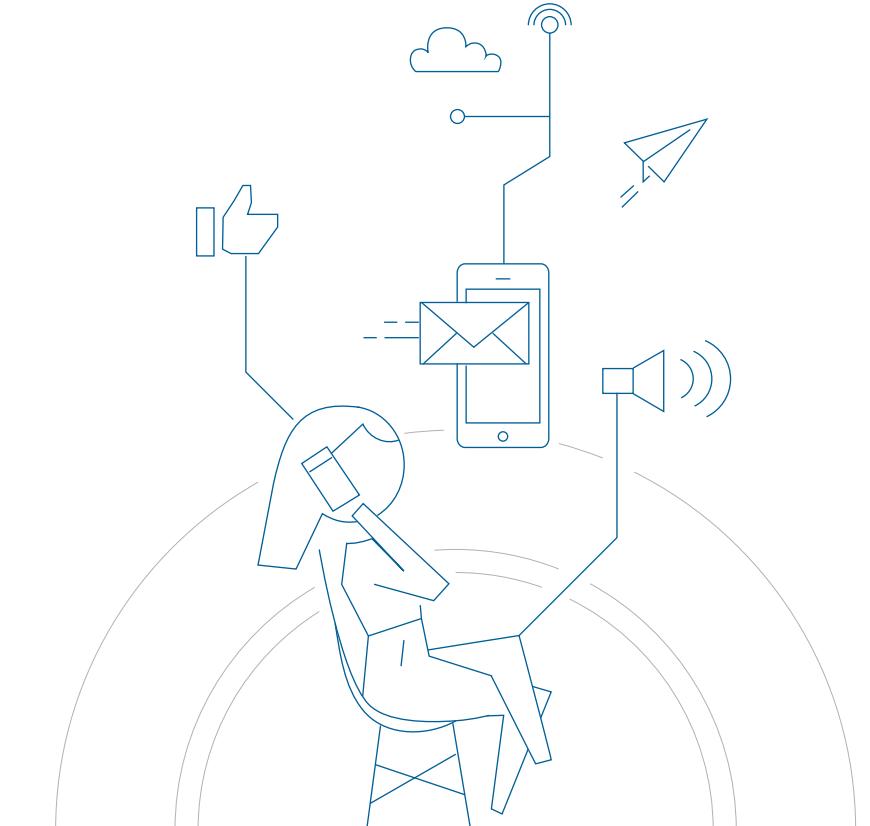
Entel offers its customers a distinctive experience based on world-class solutions.

To meet this commitment - which has enabled the company to differentiate itself and attract high-value customers - Entel always has the best network infrastructure and promotes a cross-cutting teamwork model and a high degree of innovation.

At the forefront of a highly competitive and rapidly evolving landscape, in 2017 the company focused on developing enablers that will allow it to continue delivering a superior quality service. The digitalization, both of processes and their solutions, accompanied by the implementation of a new way of working that generates a very agile organization, are supporting the development of Entel in the XXI century.

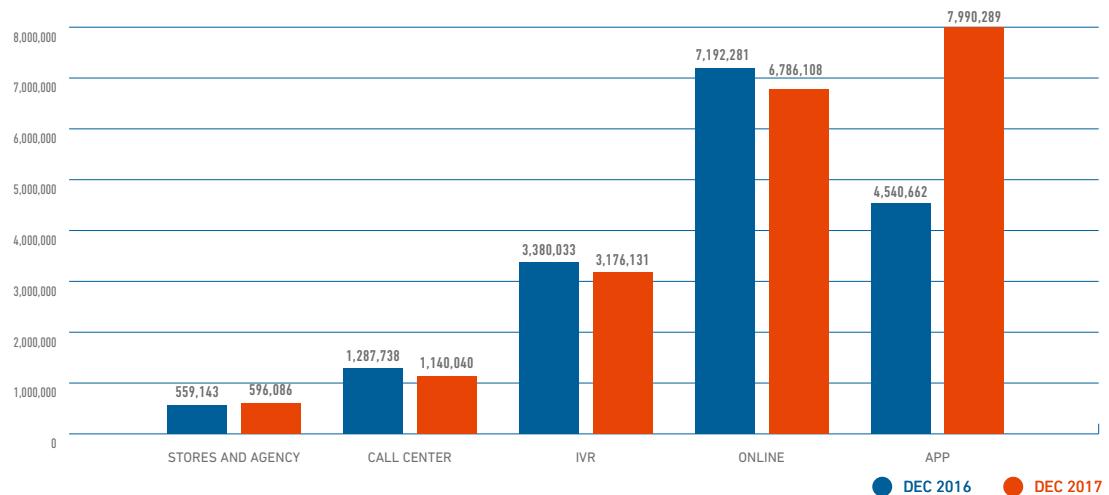


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Consumer Segment Channels



### Close, personalized and preferably digital customer care

In addition to the traditional offering of innovative products and services, there is an omnichannel relationship allowing 360 degree management of the main interactions between users and the company, both for digital channels and interactions with store or call center executives. This enables needs and interests to be anticipated. In this way the organization can respond with close, empathetic and increasingly personalized attention.

#### > Digital online channel

Entel continued to expand the services offered through its online channels, which include both the website and the company's App, enabled for the Apple IOS and Android systems, as well as personalized support through Facebook, Twitter and YouTube. In this way simpler and easier customer care is achieved, with a better experience for the client.

The App showed the fastest growth, however, driven by the incorporation of online services for exchanging benefits and taking out plans, along with other offers. Between December

2016 and December 2017, service support (excluding acquisition or sale activity) grew 76% through this channel, representing 40% of all customer care attention. At the end of 2017, sales via this route already came to 10% of the total, compared to the 5% registered 12 months earlier.

#### > Face-to-face channel

As part of its marketing strategy, Entel stores face the big challenge of transforming their experience to retail, in terms of services, equipment and accessories. The latter focuses on both customers and non-customers.

In this context, the company inaugurated its first "icon" store. Located in Alonso de Córdova, Las Condes, it offers a closer and more interactive experience for customers, who through the use of the different accessories and screens find out about and come into contact with the products and services, as well as receiving traditional sales and after sales attention. To date Entel has a total of 162 stores, both its own and franchised.

## Tools

- > Systematic and ongoing management of customer experience in all markets in which we participate.
- > Integral vision for each customer journey, ensuring service quality.
- > Work methodology in tribes and cells for the improvement of the customer journey.
- > Emphasis on a simple, direct, digital experience.
- > Systematic adoption and application of best practices in directly relating with customers, such as carrying out projects on sales and after-sales processes (ISO 9001 certified quality management system, ITIL practices and COPC certifications, and others).

## > Call Center

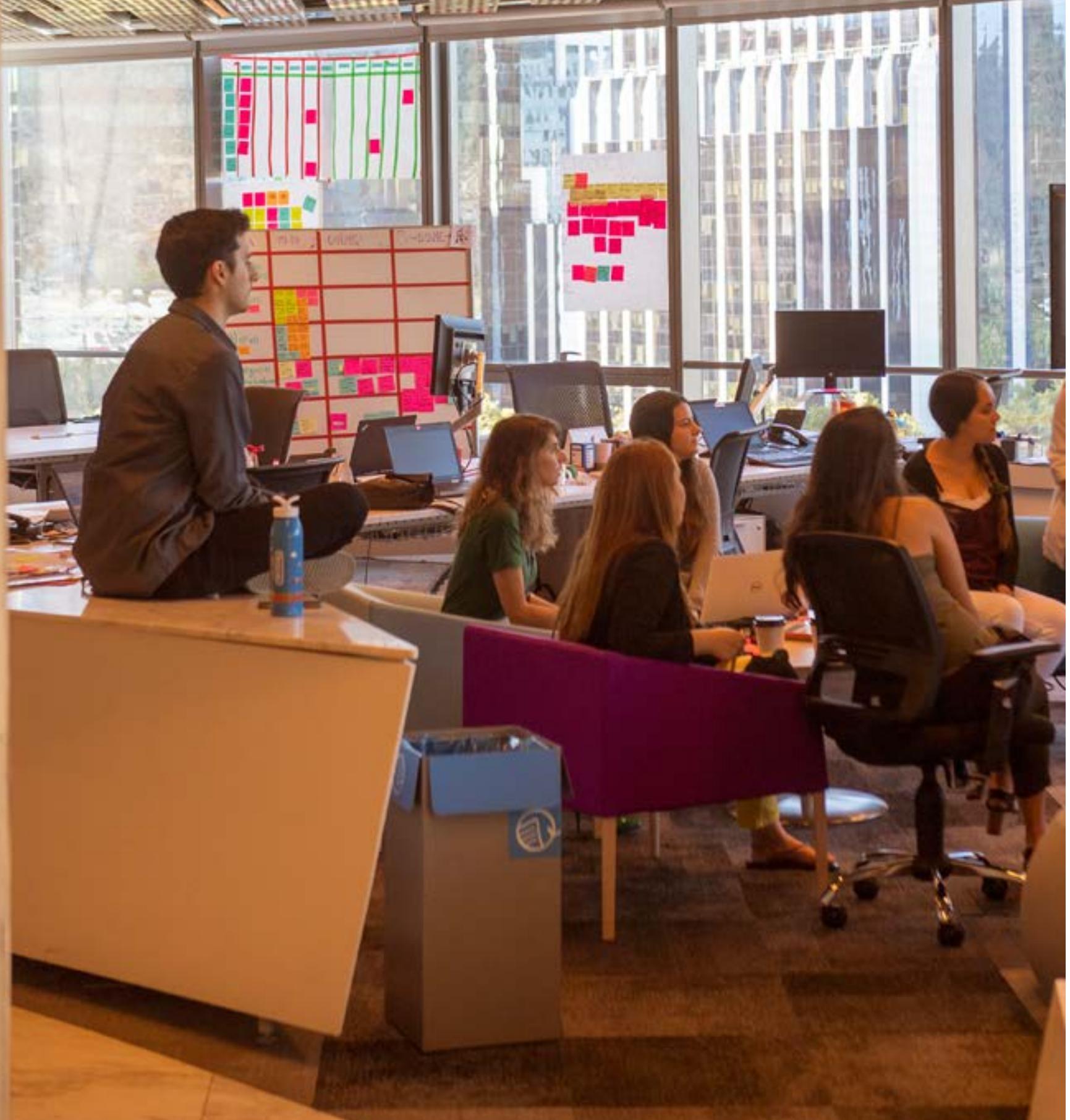
Users' preference for self-service channels continues to reduce the relative importance of the call center as a way to interact with the company. In this landscape it continues its transformation into a channel mainly for resolving issues. To more accurately monitor customer inquiries and problems and provide increasingly efficient solutions, 70% of calls to the call center are being analyzed with a new tool - Speech Analytics. Also, a chatbot pilot was carried out.

## Projects

Entel continues to manage the customer experience through the implementation of two main projects: adherence and customer journey.

**Customer journey:** Using different methodologies Entel regularly evaluates and improves its customers' journey in order to offer the best service across all service channels. In 2017, however, a profound change was made in implementation of this methodology. In line with the agile work methodology being implemented throughout the company, instead of analyzing and transforming each journey as an integral unit, they started being reviewed in segments and stages. This makes it possible to identify specific problems and provide a timely solution, constantly improving the user experience.

**Adherence:** To ensure that contact points with the customer are aligned with corporate strategy, since 2015 Entel has been implementing an adherence model which trains different senior employees and has cut down the dispersion and variability of customer care. The adherence program has already been implemented in 100% of the face-to-face channels in Santiago and the regions, and implementation has started on one of the call center platforms.

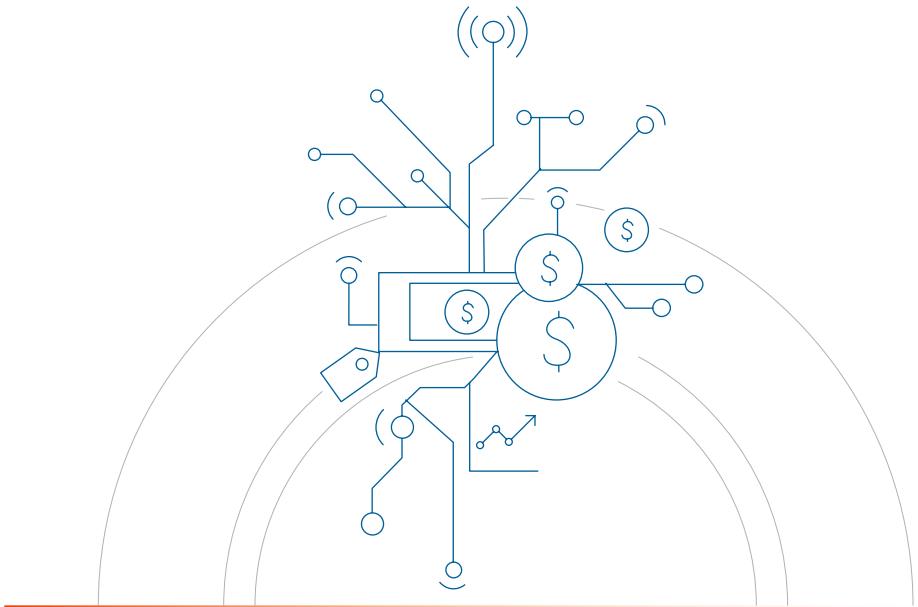




# Our Business

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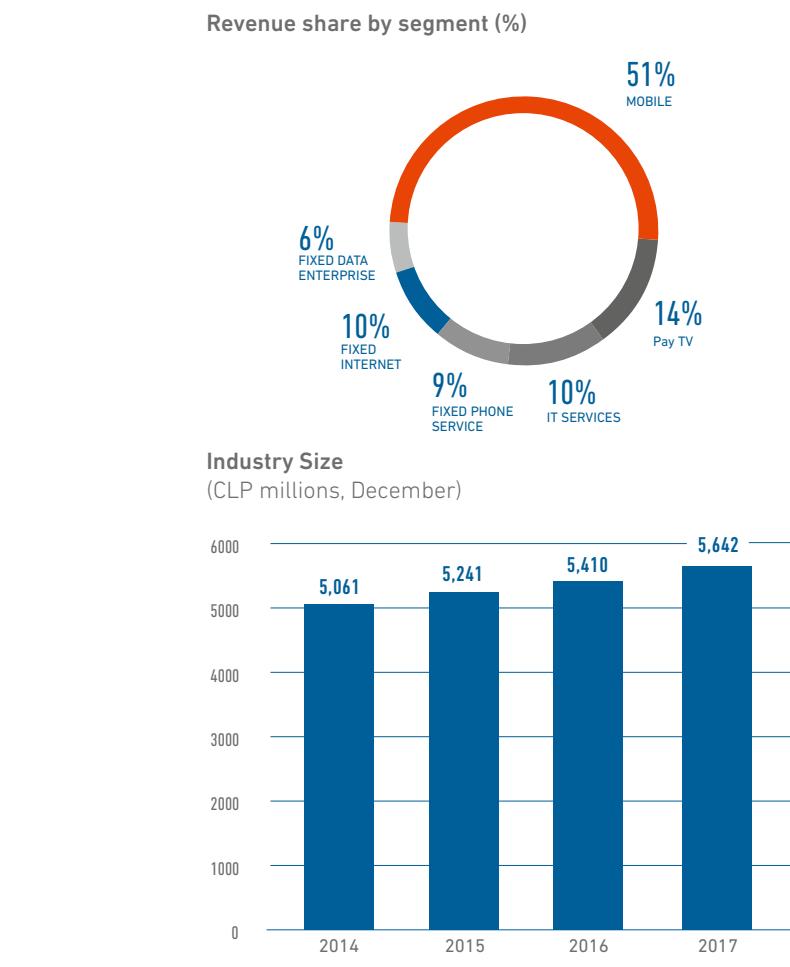
# Industry



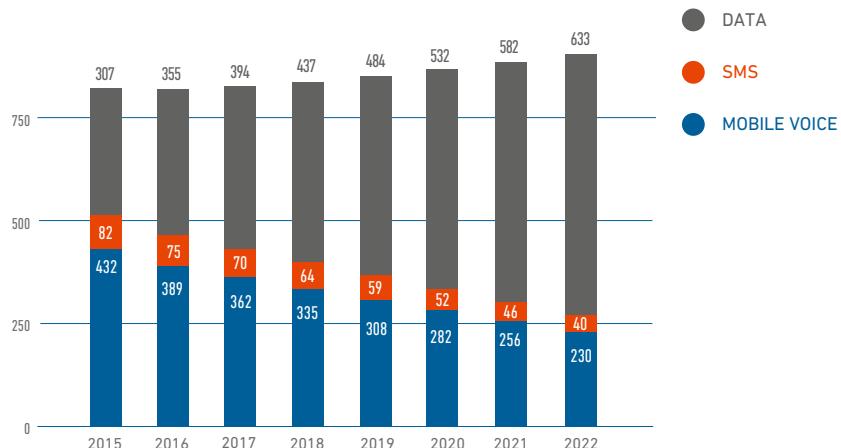
## The industry in Chile

As of December 2017, gross revenue in the telecommunications industry in Chile was CLP 5,642,437 million.

Compared to December 2016, the industry grew 4.3%, driven by mobile telephony, IT services and pay TV. Entel's market share reached 26.1% as of December 2017, including the telecommunications and IT outsourcing industry. This is according to company estimates based on information published by industry players.



### Global revenues for telecommunications and media services, excluding M2M (US\$ millions)



Source: Ovum.

### Growth drivers

The growth of the industry in Chile in the next four years will be driven by mobile data, broadband, IT services and digital businesses, which are expected to grow with a CAGR of 6.0%, 4.0%, 7.2% and 2.0% respectively, in line with the IDC. In contrast, numbers of users and revenues generated from traditional telecommunications services such as voice and messaging services are decreasing.

### Mobile connectivity

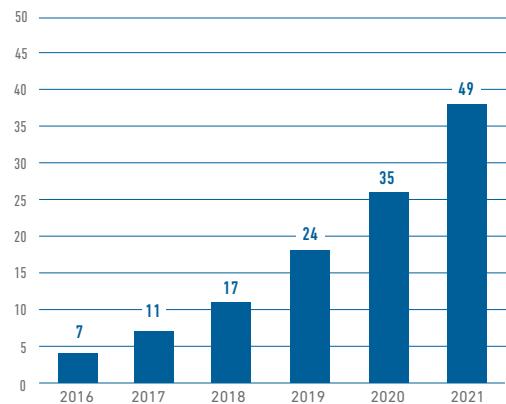
We are experiencing important changes in the use of mobile services. The popularization of smartphones and the evolution of network technology are generating an unprecedented Digital Tsunami. Chile is not the exception.

By 2021, 78% of mobile traffic is expected to come from video consumption, with 54% average annual traffic growth in mobile video.

As the quality of video improves, the need for data increases. This is why, by 2021 the average GoU (Gigabytes of Use) per user worldwide is expected to hit 5.7 GB per month, compared to 977 MB per month in 2016.

For translation purpose

**Overall mobile data traffic**  
(Exabytes per month)



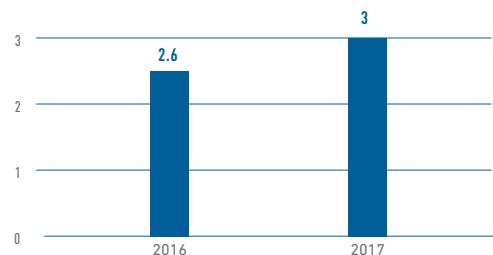
**Source:** Cisco VNI Mobile, 2017.

According to the Department of Telecommunications (Subtel), in September of this year a total of 15.4 million mobile internet connections were registered, of which 14.9 million connections were 3G and 4G, with an interannual growth of 19.6%. Of this increase, 9.1 million corresponded to 4G connections, 144.6% up on the previous year. Meanwhile 22.8 million mobile lines were reported for September, with a penetration of 123.6%.

> The profile of consumers is changing. Today they want mobile data to download and upload videos, photos and audios, with greater speed and from any location. The global trend in this regard is for unlimited rates and shared plans. As such Entel, aiming at being an innovative brand in terms of tariff trends, was the first operator in Chile to offer plans with unlimited data, quickly following in the steps of the world's leading operators and creating value for new

and old customers. In June 2017 it launched plans with unlimited social networks, and in August, plans with unlimited voice and data, improving the existing offering.

**Snapchat: Daily snaps**  
(billions)



Source: WhatsApp and Snap Inc.

**WhatsApp: Videos sent daily**  
(billions)



## Residential connectivity

Fixed broadband revenue grew by 4.9% as at September 2017 in Chile, driven mainly by growth in customers. Broadband is the enabler of modern communication services and continues to be the fastest growing of the traditional services. Ovum expects global household penetration to reach 54% by 2022.

Currently there are two ways to provide households with fixed internet - wired and wirelessly. Fiber Optic is the technology that currently allows the best quality wired service to households. As such Entel has entered this segment with FO technology, launching this service in October 2017 with an attractive offer for consumers. Fixed wireless broadband, meanwhile, thanks to cutting-edge technology, delivers internet to homes efficiently with a high level of service, including to places where wired broadband cannot be accessed.

Pay TV service revenues globally are projecting a 2.47% CAGR from 2017-22. This growth is slowing due to internet television, provided by companies such as Netflix, Hulu, HBO GO, Direct

TV Now etc. While the content is still very much linked to pay TV, there is a tendency towards fewer intermediaries in terms of content due to the demands of OTTs, such as Netflix and Amazon.

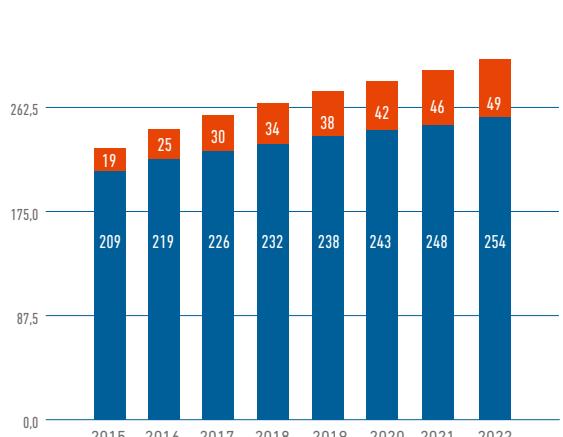
Fixed voice is decreasing worldwide, however the drop in subscriptions has been attenuated by the bundling of this service and by convergence. This has meant that some markets have remained stable or even grown in that business. In spite of this there is strong growth in VoIP (31% of the fixed voice market by 2022) and there will continue to be demand from the business sector, which will represent 69% of the market by 2022.

For translation purpose

**Global Subscriptions of Pay TV and OTT, 2015-2022 (million)**



**Global Pay TV and OTT service revenues, 2015-2022 (billions of US\$)**

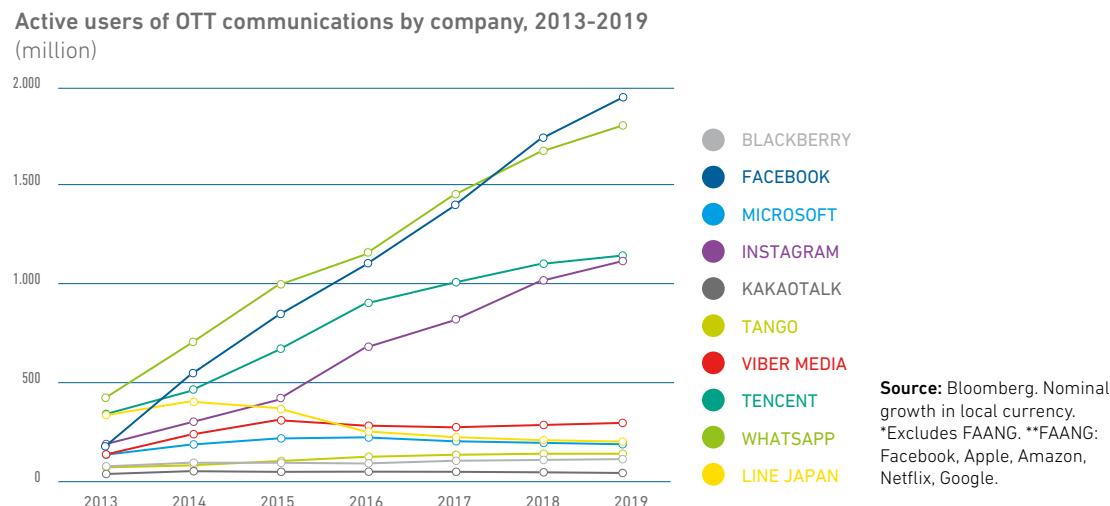


Source: Ovum.

## OTTs and alliances

OTT stands for Over-The-Top - a company whose business is to offer services directly to consumers through the internet. Facebook, Google, Amazon, Netflix, Twitter and WhatsApp are the most relevant OTTs in the world within that market. Originating principally from the United States, these companies have a common factor - their services and associated businesses are run through the internet and therefore require network infrastructure from telecommunications operators.

This presents an opportunity for both telecom providers and OTTs. They form partnerships amongst themselves and with the operators to deliver a better quality service to end users. Operators meanwhile can provide integrated services to their customers, increasing their attractiveness and loyalty. It is also the simplest and most efficient way for operators to enter the world of digital services. This has been shown in the considerable recent increase of partnerships between OTTs and operators globally. Content is the category that predominates in these partnerships.



## Connectivity: fixed

Conference and messaging services are the gateway to offering other unified communications services.

Private data networks will be replaced by virtual networks over the internet. The virtualization of networks will allow the delivery of dynamic bandwidth and other improvements in its management, simplifying components that are currently operated manually, and making them more flexible, generating savings of between 30% and 40% for customers. By 2020, customers will save on MPLS costs (Multiprotocol Label Switching), replacing it with virtual networks on the internet.

## Internet of things (IoT)

The Internet of Things (IoT) is the digital interconnection of everyday objects with the internet, allowing them to communicate globally through networks. Machine-to-machine communications (M2M) are at the heart of IoT and constitute a specific portion of the IoT, concerning

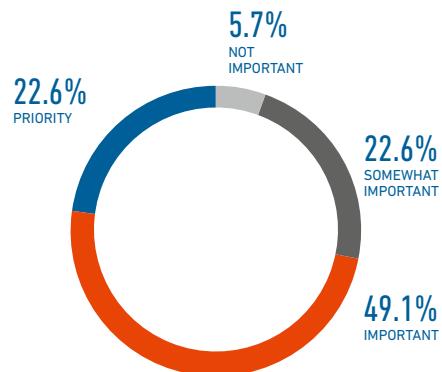
the exchange of information or communication in the format of data between two remote machines.

This year and the next will mark "a before and after" in the IoT market in Chile, with investments growing 25% in 2017 and 24% over 2018. In 2017, Chile will grow 10% more than Latin America. Most of this growth will be in the retail (31%), transport (23%) and manufacturing (24%) industries.

The urgency to innovate in this area is driving operators to look for opportunities beyond providing connectivity, which is the main motivating factor behind the investment in IoT. A study by Ovum shows that 72% of 103 companies in 20 countries in Latin America providing communications services, find that IoT/M2M is one of their main priorities or is very important.

For translation purpose

What is the strategic importance of IOT/M2M for your company?



## Information Technology

IT is transforming everything - the way people communicate and interact in society, at work and in their family environment, as well as in production areas and in generating and acquiring knowledge. This is happening due to the enormous advances in data centers where huge amounts of information is housed, underpinning the digital revolution.

New information networks, technological advances, the development of new devices requiring higher transmission speeds and connectivity from almost any location, have all led to the natural evolution of data centers and IT companies, though there are challenges in the area of cybersecurity .

According to a study by the company Kaspersky, that specializes in computer security, in 2017 malware-like attacks on information grew 40% in Chile. In response to this situation, telecommunications companies created security protocols, such as "Entel Cyber Secure" (2017), which is a portfolio of cybersecurity solutions and services for the protection, defense, risk management and regulatory compliance of IT systems for companies, corporations and government.

A preference for IT outsourcing is already a constant for companies, as saving resources and improving processes are the main determining factors behind decisions. As such, in recent times trends have been seen in relation to the requirements and preferences of companies when opting for an IT outsourcing service. These include preferences for a single provider solution, a search for innovative services, personalized agreements and remote work.

Against this backdrop the cloud market will continue with a CAGR of 26% worldwide. Companies will start using cloud platforms for business communications (videoconferences, voice, image, etc.). As such, operators need to be an enabler to orchestrate services.

Cloud-based platforms allow you to create business applications of various kinds such as: Internet of things, big data analytics and artificial intelligence. It is expected that by 2020 approximately 92% of all workloads will be cloud-based.

## Digital Transformation

The Digital Transformation is impacting the value chains of all industries. Against this backdrop operators can transform and be more than just connectivity providers:

- > Growing in B2B, delivering operators' unique capabilities.
- > Speeding up the adoption of new technologies, collaborating with other operators to leverage the global scale.
- > Diversifying through alliances and acquisitions.



# Regulatory Framework

## Entel doubles the number of base stations committed to in the 4G tender on the 700 MHz band.

The public tender process for the awarding of public service for data transmission on the 700MHz band began in October 2013, and in February 2014 Entel, through Will SA, was awarded frequency block B on the 700 MHz band, with 30 MHz of spectrum compared to the 20 MHz of the other blocks.

The Supreme Decree granting the concession to Entel was published in September 2015, making it possible to roll out the high-speed data transmission network (LTE) on a low frequency spectrum (700 MHz), enhancing LTE and 4G with a band providing greater indoor penetration and improved rural coverage.

The deadline for completing the projects was two years from publication of the decree, while the deadline to meet requirements to provide service in isolated areas and roads, and internet access services to schools, was 18 months from the publication of the decree.

These terms include providing a telephone service and data transmission to 549 locations and 373 kilometers of roads, as well as internet connectivity in 212 schools (free for two years), and the obligation to provide a Public Tender for Mobile Virtual Network Operators for the National Automatic Roaming Service and for the Wholesale Data Transport Service for an internet access service.

In May 2016, the operation of the first base stations of the tender associated with the 700 MHz band in the Metropolitan Region was authorized. Regions were incorporated in the following months, up to March 2017 when Entel was authorized to operate in all regions of the country. In September 2017 Entel had complied with the installation of all the 660 base stations, as per the terms of the tender. In December 2017, the total number of base stations was double the tender requirements. The deployment of this network is an ongoing process, so as to improve the connectivity of 4G services.

Regarding the terms, in 2017 Entel fulfilled requirement for services in locations, roads and schools, all in a timely manner and in line with the rules of the public tender.

The 700 MHz band is important for the development of telecommunications services, especially for high-speed data transmission (LTE) services, as it complements the offering of LTE and 4G services with a band with greater indoor penetration and better rural coverage, and allows the Carrier Aggregation service to be provided in conjunction with the 2600 MHz band. Entel was the first company to achieve national coverage in this project.

## Regulatory changes

Various reforms that will affect competition, accelerate internet penetration and control the deployment of antennas in urban areas, as well as set new tariffs for interconnection services, amongst other objectives, have been approved or are in an advanced stage of the legislative and administrative process.

**Regulation of handsets:** in June 2016 the Department of Telecommunications issued two technical standards regulating the sale of handsets for operators and manufacturers, importers and individuals, requiring that the devices comply with an approval procedure.

After some modifications in the implementation timeframe for this regulation, as of September 23, 2017, the handsets sold must incorporate all the frequency bands of at least one of the technologies (2G, 3G and 4G) and to inform, through a seal on the packaging, its technological compatibility. It further states that a database must be created where certifiers record the identification codes of each handset (IMEI), complying with the approval procedures set out in the regulation, and that concessionaires may only activate the IMEI codes that are registered in this database.

This regulation also modifies the emergency alert system rule, making it mandatory for all handsets sold in the country to comply with the protocol, which will also be part of the certification process carried out by the certifiers.

After this White List of IMEIs came into operation, as per the milestones described above, the Department of Telecommunications noticed that the regulations made it difficult for foreigners to use mobile services using their own devices with a local SIM card, and also for national users who acquired the handsets abroad for national use. In both cases, although the regulation had taken into account that handsets under these two conditions

should be registered in the certifying companies, this process was not expeditious enough.

As such it issued a new regulation, to be in operation as of May 28, 2018. This establishes three main aspects. First, it allows non-registered IMEIs to operate on the networks for a maximum period of 30 days. This solves both difficulties and allows national users who purchase devices abroad to regularize their situation within that period. Secondly, it establishes that the operators must carry out the administrative registration process that only the certifiers could previously carry out. Thirdly, there is an obligation to send a message to users who register temporarily to inform them of the 30-day rule.

**Law of Free Choice of Telecommunications Services:** although this law was passed in 2015, arising from a recommendation by the Tribunal for the Defense of Free Competition, at the end of 2017, issuing the respective regulatory frameworks to implement the requirements was still pending. According to public information from Subtel, a proposal for regulation has already been submitted to the Comptroller's Office for processing.

For translation purpose

## Bills under discussion

Highlights in terms of legislative activity in 2017 included the processing of two bills:

**Passing of the Guaranteed Minimum Internet Speed Law:** in November 2017 the law regulating minimum internet speed was approved and passed. In general terms this law establishes that the concessionary providing the internet access service must guarantee a percentage of the average access speeds for time periods of greater and lesser congestion, with regard to national and international connections, wired and wireless; they must make available to users a system or application to measure of these speeds and associated technical parameters; they must finance a technical and independent body responsible for service quality (speed) measurements and include information on average access speeds in contracts, advertising and commercial offers.

All these matters laid out in the law were delegated to the power of the Department of Telecommunications, the body that must enforce the necessary regulatory framework for the implementation of this law. Given the requirements of this law, in 2018 the regulation of these norms will be discussed and its implementation will begin.

**Modification to the Law on Consumer Rights:** this draft seeks to enhance the powers of the National Consumer Service (Sernac). Processing the draft started in the third quarter of 2014, progressing more quickly in the latter half of 2017, driven mainly by the Executive. In the last quarter it was approved in the plenary session of the Senate, and on October 24, 2017, it was voted on in the Chamber of Deputies, the last stage of its processing in the National Congress,

with its passing pending the resolution of the Constitutional Court.

While other bills relating to the telecommunications market, directly or indirectly, were moving in 2017, they still have to go through several channels of review for their eventual approval.

## Tariff Processes

Setting tariffs conforms to the process defined by the General Telecommunications Law, to establish benefits that are mainly granted in the interconnections. In this respect the authorities are continuing with the policy initiated in 2014 to establish tariff decreases in services provided through interconnection, especially access charges for mobile and fixed concessionaires.

## Mobile phone service

The current Tariff Decrees of Entel PCS Telecommunicaciones and the other mobile companies operating in Chile are valid until the beginning of 2019. As such, at the end of 2017 the process to update the regulated figures for the 2019-2024 period of the mobile concessionaires began.

This new Tariff Decree fixing will be one of the main issues Entel will address in 2018.

## Fixed Phone Service

The tariffs for the concessionaire Entel Telefonía Local SA (EntelPhone) are determined for the period 2016-2021.

Meanwhile in 2017 tariff processes of other fixed companies (Netline, GTD Telesat, Claro Servicios Empresariales, Claro Communications, Fullcom), were started, to be finished in 2018. Also, in 2017 the tariff process of VTR Comunicaciones SpA company ended, pointing to a drop in access charge rates of 27% compared to those currently in force. At the end of 2017 the announcement in the Official Gazette of the decree that sets the rates for the VTR concessionaire is pending.

## Impact of regulatory changes

The regulatory changes being introduced by the authorities allow for new business opportunities to be created. In addition, diversification and the relative size of Entel allow for the consequences of possibly adverse or inadequate regulations to be mitigated, reducing the risk for the operation, its flow, for creating value for its shareholders and contributing to the community.

However, within a regulated industry such as the one where Entel does business, the sort of regulatory or policy changes made by the authorities that can have an impact on the results of the company or restrict its growth prospects, cannot be ruled out.

## Main issues looked at by the Competition Tribunal

- The Competition Tribunal rejected the claim filed by the Consumers Association ("Conadecus") for the 700 MHz band contest, considering that the plaintiff did not provide clear and conclusive evidence that the defendants had participated in the the 700 MHz contest with the strategic purpose of monopolizing spectrum and endangering its effective and efficient use. The court found that the judgment of the Supreme Court set out in case 4797-08 of January 27, 2009, and Resolution 2/2005 did not impose an overall limit on the amount of radio spectrum available to a business operator. Conadecus filed a complaint against this ruling that is currently pending in the Supreme Court. The court ordered an expert opinion to help adjudicate.
- The National Economic Prosecutor's Office, FNE, meanwhile ruled on the investigation of the three main mobile phone operators in the country, stemming from a complaint made by the operator WOM that certain mobile operators would engage in exclusive behavior in the markets (i) mobile phone service retailers (blocking handsets through software and by the non-acquisition of handsets compatible with WOM's AWS frequency band); and, ii) roaming service wholesalers (negative sales and margin strangulation), giving rise to the investigation Rol FNE 2407-16. On May 5, 2017, the FNE ordered the investigation to be archived, determining that neither of the two behaviours reported had witnessed.

## Legal context

- > The Competition Tribunal rejected the claims filed by Netline Mobile S.A., OPS Ingeniería Ltda. and Telecomunicaciones Max Limitada against Claro Chile SA, Entel PCS Telecomunicaciones SA and Telefónica Móviles Chile SA, on the grounds that, according to the evidence provided, the defendants would have complied with the requirement imposed by the Supreme Court in a decision of December 23, 2011 to "present an offer of facilities and/or resale of plans for virtual mobile operators, based on general, uniform, objective and non-discriminatory criteria, within 90 days". The plaintiffs filed a claim against these rulings, and as such they are currently pending in the Supreme Court.

Telecommunications services in Chile are governed by Law No. 18.168, General Telecommunications Law, and complementary legislation.

The law establishes the general principle of free and equal access to telecommunications where anyone can bid on concessions and permits in the manner of and following the conditions set down in law.

Public and intermediary telecommunications services that require spectrum and which for purely technical reasons only permit the participation of a limited number of companies, are subject to public tender processes under the terms set out in the specific technical regulations.

The interconnection of public and intermediate telecommunications services is mandatory and the interconnection prices are regulated. All other prices or tariffs are freely established by the respective service provider, although the Tribunal for the Defense of Free Competition can intervene when market conditions are insufficient to guarantee a free pricing regime. Only under these circumstances can tariffs be fixed for services and this is done in line with the terms and procedures set out in General Telecommunications Law.

Entel holds a number of different concessions, licenses and permits to provide its various telecommunications services which include:

- > Public Local Telephone Service.
- > Public Local Wireless Telephone Service.
- > Public Voice-over-Internet Service.
- > Limited Television Service.
- > Public Data Transmission Service.
- > Public Service for Mobile Data Transmission by Satellite.
- > Intermediate Telecommunications Service
- > International Long-Distance Telephone Service
- > Digital Mobile Public Telephone Service.
- > Public Radio Pager Service

Where applicable the authorities assign the use of radio frequencies (spectrum) for these concessions. However, the respective concessionaire is responsible for the regulatory procedures required to operate these concessions and must request licenses for the telecommunications infrastructure it uses in line with current legislation.

In this way Entel develops its business in accordance with telecommunications sector regulations, in all matters set out in the law and its regulations. For those matters not covered in this regulatory framework, telecommunications services are also governed by the applicable provisions of the Consumer Rights Protection Law.

## Authorities

### Department of Telecommunications

The Department of Telecommunications, which reports to the Ministry of Transport and Telecommunications, is the authority responsible for the application and oversight of the General Telecommunications Act and its regulations. It also has sole responsibility for the technical interpretation of the legal and regulatory provisions governing telecommunications.

It aims to coordinate, promote and develop telecommunications in Chile, through instruments issued by the Department itself or by the Ministry of Transport and Telecommunications. One example is the allocation through public tenders of concessions to use the radio spectrum when frequencies are limited.

### Ministry of Economy, Development and Tourism, and Ministry of Transport and Telecommunications

These ministries have joint responsibility for setting the structure, level and indexation mechanisms of service tariffs, which is performed through the enactment of the respective tariff decrees.

### National Economic Prosecutor's Office (FNE) and the Tribunal for the Defense of Free Competition (TDLC)

The National Economic Prosecutor is the agency responsible for promoting free competition. As such, it must defend and promote competition in all markets and productive sectors of the Chilean economy. The Tribunal for the Defense of Free Competition meanwhile, as a special and independent judicial body, prevents, corrects and sanctions attempts to limit free competition by applying the regulations set out in Decree Law No. 211.

Examples of its role in the telecommunications industry include identifying monopoly situations that require prices to be set for legally mandated services, issuing rulings on company mergers in the sector and preventing or sanctioning behavior that harms free competition.





For translation purpose

# Corporate Image

With a strategy that is consistent over time, based on the company's business model which seeks to always deliver the best experience to its customers, with the best network infrastructure and a high degree of innovation, Entel has established itself as the brand leader in the world of telecommunications.

As such, in its 2017 marketing campaigns the company continued to position itself as the operator with the most modern network in Latin America, based on its 4G LTE network on the 700 MHz band, standing out for providing its customers with a simple experience.

The innovative offering of unlimited mobile plans that the company launched mid-year, together with other campaigns developed in the different business segments, are part of this strategy.

## A new stage

Going a step further, at the end of 2017 Entel updated its brand purpose. The approach that set the company apart was defined by the message, "We exist to bring the infinite possibilities that technology offers, and responsibly transform society".



This definition responds to the evidence that the world is not just facing technological and social changes. The speed of these changes is increasing. Against this backdrop the role of Entel today is about much more than providing connectivity. It is to bring closer and facilitate the use of technology with the thousands of opportunities it offers in everyday life, because the true value of technology is what it makes possible.

With its new brand purpose, Entel is committed to fostering a more conscious and responsible use of technology, taking charge both of its direct impact and the opportunities that arise in the everyday life of people and society.

## Positioning and Loyalty tools

- 1. La Zona:** Entel continued to strengthen this benefits club for the company customers, mainly through:
  - > Delivery of new benefits. Successful partnerships with companies such as Paris and Starbucks, which deliver attractive discounts to Entel customers, added to the benefits package and was very well received amongst La Zona users.
  - > Expansion of the reward options through the phone and the Entel App, which already allows the virtual exchange of Zona points for cinema or theater tickets, prepaid top-ups and data, voice and messaging packs, as well as discounts for the purchase of products in associated companies.
- 2. Marketing activities:** Entel fosters the dissemination of culture and sport, key elements in building the approachability that characterizes the brand.
- 3. Entel Empresas Tour 2017:** "Data intelligence as the center of the strategy for successful businesses" was the message that the Entel Empresas Tour 2017 took to the main cities of the country. This business event is part of Entel's ongoing support plan for companies and corporations through the dissemination of innovative tools that boost business. Reaching in excess of two thousand customers per year, nationwide, in 2017 attendees were urged to rethink the competitive advantages of their companies focusing on the technological enablers, and to visualize the competition and the standard of services in the digital world as global.
- 4. Online marketing:** digital communication through all the available platforms was an important focus of the company's communication activities, which were planned in an integral way. To back communications initiatives and to strengthen the Entel brand, the company developed content and various activations to be disseminated on social networks. Meanwhile, to support the business the online channel was promoted through digital campaigns including hyper-segmentation in social networks and other digital media, to communicate offers and benefits to limited groups of customers.

2 million

cinema tickets and confectionery products rewarded through La Zona, including tickets paid with Zona points or through another means of payment

## Number one for recall and preference

Activities carried out in 2017 allowed Entel to hold on to its leading position in terms of brand image and preference, in another highly competitive year.

Top of Mind  
This brand image indicator has Entel at the top.

The company is the "Top of Mind" brand (Mobile), according to market studies conducted for the consumer segment. In terms of brand preference, there was a 17 point difference with its closest competitor.



## Successful positioning in Peru

A little more than two years after its launch, the Entel brand is positioned in the peruvian market, with average annual brand preference levels of 32% and brand awareness of 84% as at December 2017.

## Award-winning brand in Peru

### Four Effies in 2017

Entel Peru's 2017 communications and marketing campaigns continued spreading the company's commercial offering, seeking to provide the best experience to its users, and received four Effie awards.

Three Effie Gold Awards for the campaigns:

- > Unlimited Chip, Service Extension Category
- > Migra con Mamá, Internet and Telecommunications Category
- > Migra con Mamá Campaign, Promotion Service Category

An Bronze Effie Award for the campaign:

- > Conectándote con lo que más te Gusta, Internet and Telecommunications Category

## Main Entel Events 2017

### Entertainment

- > New Year's party at the Torre Entel.
- > Mori Entel Theater.
- > Concerts: Entel sponsored concerts by Ed Sheeran, 5SOS, Bon Jovi, U2, Bruno Mars, and others.
- > Festivals: Andes Arena.
- > WWE Live Santiago.

### Sports

- > Entel Santiago Marathon
- > Official sponsor of the National Football Team.



# To ensure we all live better connected, making a responsible contribution to transform society.

## Main digital activities in Chile

**Live coverage of the Viña 2017 press conferences with questions from the fans.** For the first time and using Facebook Live technology, Entel connected fans with their favorite artists, allowing them to ask questions through Facebook which an Entel journalist passed on at the official press conference of the Viña Festival. This was broadcast live on Entel's fan page.

**Live coverage of the Entel Santiago Marathon on social networks, working together with Channel 13 on content marketing with "Guatón a la Meta".** To complement the normal coverage of the Entel Santiago Marathon, Entel used social networks to encourage the public to support the "aspiring runner", the comedian Rodrigo Salinas, on his first time in the 10K.

**"Seminario del Optimismo" initiative in the context of the campaign to support the national football team "A pessimist leaves, an optimist enters"** <https://www.youtube.com/watch?v=IJCH8qGK7C0>. The company invited the fans to choose their typical "pessimistic" friend to turn him into an optimistic fan as part of a seminar.

**"The voice of optimism" initiative as part of the campaign to support the national team "A pessimist leaves, an optimist enters"** <https://www.youtube.com/watch?v=sWidVPjxEK8>. Given the ban on bass drums the stadium, to make support for the national team more tangible, Entel persuaded fans to sing the main football chants.

**Launched profiling in digital media for the commercial offering of Fiber Residential.** To publicize Entel's new fiber optic offering for the residential segment, in October the company launched a micro-segmented commercial offering for variables such as geographical location, socio-demographic, attitudinal, media consumption and telephone company.

**Initiative to support the campaign "Descontrol"** <https://www.youtube.com/watch?v=ircM2uWIUiY>. BTL initiative to make the concept of "lack of control" tangible to the public.

**Launch of new commercial offering with digital download #UniendoaChile.** In the framework of disseminating the new subscription commercial offering, multiple videos were made with famous faces that set up "impossible meetings" disseminated in social networks with high impact.

**Coverage of events in social networks.** Entel continued with the tradition of covering the main events sponsored by the company on social networks, such as Bruno Mars, Entel Hecho en Casa, WWE and U2, incorporating innovations such as the use of personalized emojis on Twitter for the 2017 Viña Festival and the use of Snapchat, adding new audiovisual formats adapted for each platform.

# Market Segments



## Consumers

### Customers

Through the Vice Presidency of the Consumer Segment, Entel provides services to 7,525,029 mobile customers, voice and data. The company provides fixed phone, wireless broadband and television services through Entel Residential (442,177 RGU), and in October 2017, Residential Fiber was launched.

### Solutions

#### Mobile Telephone Services (with or without Mobile Internet)

- » Contract and Prepaid
- » International Roaming

#### Mobile Broadband (for netbooks, laptops and tablets)

- » Contract and Prepaid

#### Residential

- » Fixed Phone Service
- » Fixed Wireless Broadband
- » Television

#### International long-distance carrier

- » Fixed and mobile.



## Enterprises

### Customers

Entel provides services to around 117,000 businesses of different sizes in various sectors, from micro enterprises through to large companies, through the Enterprise Division.

### Solutions

#### Mobile solutions

- » Connected Enterprises Plans
- » Mobile Broadband
- » Roaming Traveler Program

#### Fixed Solutions

- » "Pack Negocio"
- » NGN
- » Trunk IP
- » Dedicated internet
- » MPLS data
- » Digital streams
- » International long-distance

#### Information Technologies

- » Mobile Device Management (MDM)
- » Office 365
- » Virtual Dedicated Server
- » Housing
- » Hosting
- » FacturaNet

#### LoT

- » GPS
- » M2M



## Corporate

### Customers

Entel provides services to around 600 conglomerates with operations in Chile with specific requirements for individual solutions using specialized technology and services that are key to supporting the strategic processes of their operations.

### Solutions

#### Corporate Mobile Services

- » Mobile voice and data services with usage management
- » Mobile Broadband
- » International Roaming

#### Additional Mobile Services for the End User

- » Differentiated billing service: allows the user to be directly invoiced for additional services on their corporate line

#### Fixed Solutions

- » Data networks
- » Corporate and private internet
- » Satellite data
- » Monitoring of networks and business processes
- » Unified Communications Collaboration, videoconferencing, IP phone service (dedicated and on demand)
- » International Local and Long-Distance Services

#### IT Solutions and End User Services (EUS)

- » Data center solutions (housing and hosting)
- » Outsourcing of IT operation and management of SAP platforms
- » EUS - Outsourcing of remote and in-field end user platforms
- » IT and EUS solutions by industry verticals

#### Cloud and Digital Solutions

- » Entel Secure Cloud - Cloud Computing (IaaS, PaaS and SaaS); solutions on private, public and hybrid cloud
- » Contactability system.
- » Machine to Machine Plans
- » IoT, Big Data and Artificial Intelligence solutions development
- » Specialized solutions by industry

#### Cybersecurity Solutions

- » Cyber Intelligence Center
- » ICT Security Infrastructure
- » Applications, end point and communication networks protection
- » Advanced security solutions and Threat Hunting
- » Cybersecurity and business continuity consulting (DRP)



## Wholesale

### Customers

The Wholesale Segment provides network infrastructure and services to over 66 national telecommunications operators, including Grupo Claro, Grupo Telefónica, Grupo GTD-Telsur and Falabella Móvil, in addition to 96 international operators, including AT&T, Vodafone and Telxius.

### Solutions

#### International Roaming

- » Services between international mobile operators that enable Entel customers to use their mobile services abroad and international mobile operator customers to use their services in Chile using the Entel network.
- » More than 450 agreements with operators in more than 190 countries.

#### National Roaming and Services for Virtual Mobile Operators

- » National Roaming Services allow mobile operators with their own network and assigned spectrum to lease mobile network services to Entel to cover areas where they have no, or partial, coverage.
- » Mobile Virtual Network Operators services provide network, infrastructure and other mobile services that allow virtual mobile operators to enter and operate in the Chilean mobile industry.

#### Leasing Networks to Operators

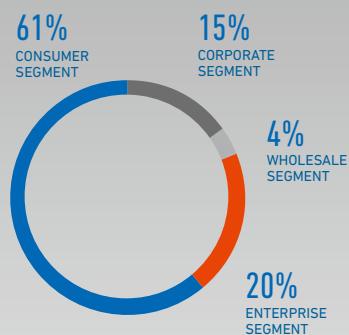
- » Covers a set of features. These include fiber optic and satellite data transport services, last fiber optic miles and IP transit services.

#### International Traffic

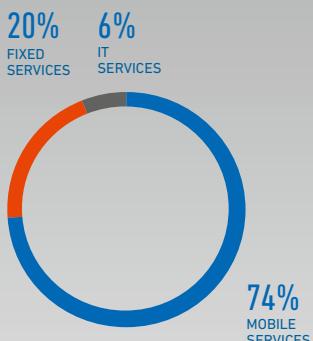
- » Voice traffic termination services in Chile and worldwide for national and international operators

## Distribution of gross Revenue Entel Chile 2017

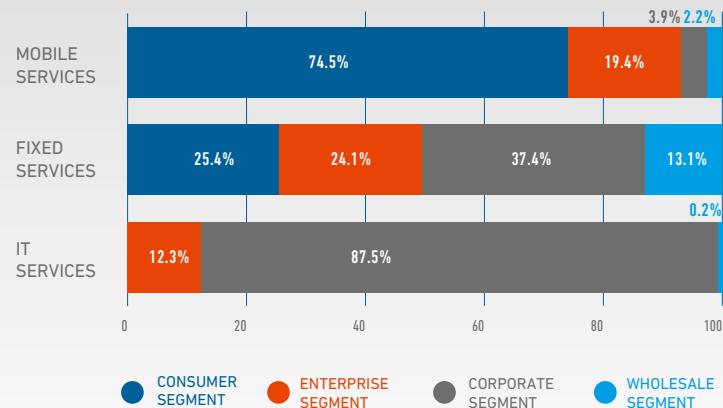
By segment



By service



## Distribution of Entel Chile 2017 services by segment



As a result of the restructuring process in which Entel is immersed, the main business areas of the company had new tools to take on the competitive market that prevailed in 2017.

As such, together with defending its share in mature businesses, Entel continued to successfully strengthen the segments established as the company's growth lines (IT-data and Residential) and develop digital business models to capture market opportunities.

Entel's integral restructuring process includes both the Entel Digital Transformation program (TDE), which started at the end of 2015, and working towards an agile organization model (Agile methodology), which began in 2017 and at year-end covered 10% of the organization.

Against this backdrop, TDE allows the different markets in which company segments its business to be quicker in setting up offerings and to provide better customer service, as the work teams have more and better information. In October 2017, prepaid customers were the first to be migrated to Entel's new digital platforms, with immediate results such as the increase in the speed of creating offers in the segment.

The transformation towards an agile organization, meanwhile, is a work methodology that allows greater responsiveness to market challenges, an attribute that is particularly necessary in a much more complex and changing competitive environment.

At the end of 2017, product development, market offerings and customer experience in the Consumer, Enterprise and Corporations segments were already set up under this modality.

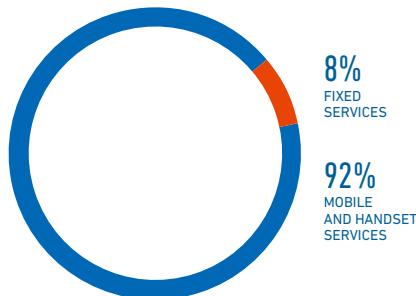
This allows the company to fulfill its commitment to deliver the best experience to each of its customers, with agile, simple and intuitive solutions through all channels and all markets, with empathetic and proactive responses.

# Consumer Segment

For translation purpose



Revenue by Service distribution (%)



## Milestones 2017

### Launch of unprecedented offering of unlimited data plans.

In 2017 the company was the first to launch a wide range of plans with unlimited voice and data connection nationally. This strategy, implemented in another year of high competition, acceleration of competitive cycles and intensification of the migration of prepaid customers to postpaid, satisfied users' growing need for mobile data and was made possible thanks to Entel's development of network. The company now has the necessary infrastructure to receive more traffic after finishing rollout of the 4G network on the 700 MHz band.

- > The initial offering included plans with unlimited use of social networks, ending up with unlimited voice and data plans.
- > To strengthen the relationship with customers, the offer was completed with an option for a second line with unlimited half price plans.
- > As a result, in the first six months of the year the company was able to achieve positive net portabilities in the postpaid-postpaid segment.

## Business description

The Consumer Segment provides an innovative offering of distinctive quality for mobile voice and data services to individual customers, along with a fixed service offer for the residential segment, including voice, pay TV and internet connection services.

For translation purpose

"The structural changes made during 2017, agile transformation and TDE, give us greater agility to create products and services. This leaves us better prepared to meet the needs of people in a highly competitive market, to defend our solid position in mobile services and to continue to grow in the residential segment, which has been identified as a future area for generating value for the consumer segment".

**José Luis Poch**  
Vice President Consumer Segment



### **The attractive offers in postpaid helped continue the general trend of migration of prepaid customers to postpaid**

With accelerated competitive cycles and attractive postpaid offers, prepaid customers had more incentive to switch to plans with a contract. In this scenario, however, Entel's market share in top-up revenue remained around 36.5% on average in 2017.

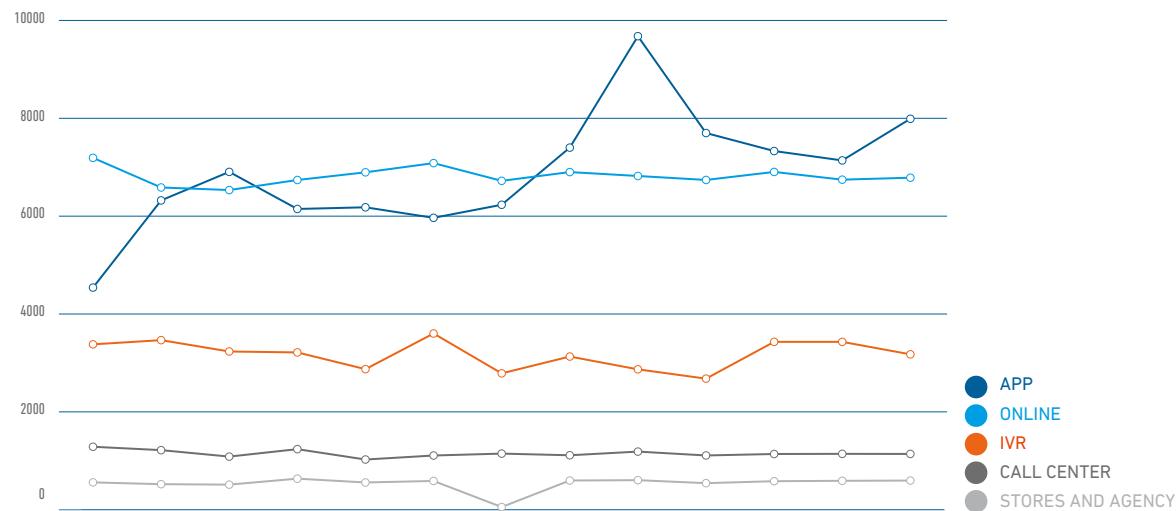
- > To deal with the migration of prepaid users - who are used to a very simple commercial relationship - to postpaid, Entel launched the smart SIM. This chip, which is enabled digitally, is sold in large stores, supermarkets and pharmacies.

### **The App became the preferred channel of interaction for customers**

Customer interaction with Entel grew close to 16% between 2016 and 2017, up to 19 million instances. Entel's app accounted for 26.8% of interactions at the end of 2016, up to 40% in December 2017 and becoming the most used channel, followed by the web.

- > In view of the new plans, the web and the Entel App were improved, with online offers that allowed customers to manage their change of plan digitally and without intermediaries.

### Evolution of Consumer Segment Channels



#### New business model for marketing handsets

By year-end 2017, new service plans did not include handsets - a profound change to the previous marketing model. The sale of services and handsets as such is not linked, and Entel's challenge is to sell plans, telephones and accessories under this new model.

- > Offers like "Accesorízate", were part of the commercial strategy implemented in the year for this segment, complemented by retail offers for handsets and accessories in Entel stores.
- > In this context, revenues from the sale of equipment and accessories increased from CLP31,032 million in the fourth quarter of 2016 to CLP41,233 million in the last three months of 2017.

#### High growth in Entel Residential

In line with the strategic definition of the company, which includes Entel Residential as one of its cornerstones for growth, at the end of 2017 the revenues of the residential segment had grown 14.5% in 12 months.

- > Successful launch of residential fiber service. In October the residential fiber service was launched, which includes broadband, fixed voice and pay TV services. By the end of 2017 the company already had 3,500 clients with plans starting at 150 megabytes, going up to 300, and with a multi-screen television experience allowing viewing content through multiple devices, such as tablets, TV and mobile phones.
- > 43.6% growth in fixed wireless broadband. In this business, services increased over the year from 41,816 to 60,046, up 43.6% in 12 months, with many possibilities for further growth towards the middle and lower segments, thanks to the new technologies available in the 3,500 MHz band, as of the first quarter of 2018.



### **Successful migration of prepaid customers to the TDE model**

As part of Entel's restructuring process, the prepaid customer base of the Consumer Segment was the first to be fully migrated to the new TDE platform. In a highly competitive marketplace, the restructuring process leaves the company with a structure and way of operating that will allow an even faster response to the needs of users and will generate innovative products.

- > After the implementation of these changes, the prepaid product launch cycle takes a quarter of the time it took before the application of the Agile model and TDE.
- > Customer experience and satisfaction. These new forms of organization and work will bring about a clear improvement in the customer experience, as the friction customers have in the process of relating with the company are identified much more quickly and solutions are implemented in an agile manner.

## Main Campaigns 2017

**Tener internet  
en tu h0gar  
nunca fue  
tan fácil\_**

**NUEVO  
internet fijo  
h0gar 4G**

CONTRÁTALO POR...  
**\$17.990**  
MENSUAL  
plan de **30GB**

Valida tu factibilidad al **800 361 400**  
Servicio disponible para **R.M., V, VI y VIII Región**

Reservación mínima permanente de larga duración 3 Meses y un pago inicial de 1.7 Meses dependiendo de condiciones geográficas de funcionamiento a otras. Activación del servicio solo para el cliente contratante, sujeto a factibilidad AT&T y evaluación comercial. Consumida la cuota de navegación, la velocidad al por el resto del mes es de 200 Mbps máximos. Més información en [www.h0gar.cl](#)

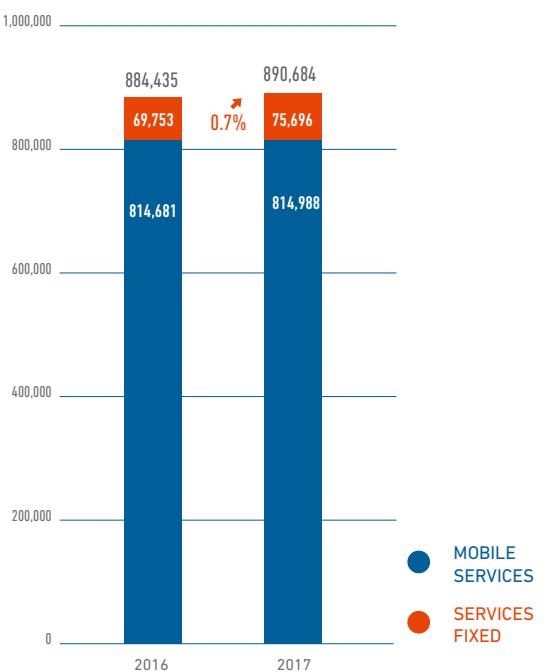
For translation purpose

## Revenue

Revenue from the Consumer Segment (services) was up 0.7% on 2016, influenced by an 8.5% increase in revenue from residential services and, especially, from Entel Hogar, whose revenue grew 14.5 % over the same period. Mobile revenues, meanwhile, grew by 0.04%.

The low growth in mobile revenue can be explained by the strong competitive dynamics in the industry in 2017. In this context, revenue from services fell 0.12% compared to the previous year. Finally, revenues from handsets fell 1.2% compared to 2016.

**Evolution of Consumer Segment Revenue**  
(CLP million)

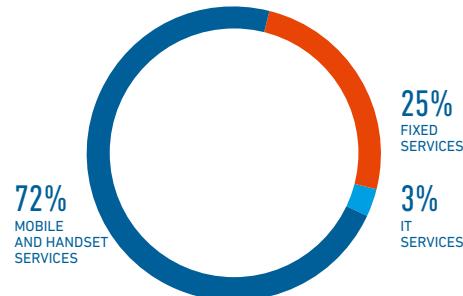


# Enterprise Segment

For translation purpose



Revenue by Service distribution (%)



## Milestones 2017

### New customer care model for large companies

In 2016 Entel identified close to 300 companies in the large enterprises segment, whom they could potentially provide with more complex and integrated services. In this context, in 2017 they developed a distinctive offering focused on companies' value chains, taking advantage of the possibilities provided by the digital world. It is not only about the companies with the highest turnover, but also entities such as large municipalities which have to provide their users and the community in general with complex services.

> Impact for Entel: this model, which can be scaled for new Entel customers, is aligned with a strategy that seeks to increase the presence of Entel in businesses with high growth potential, and to support customers in the restructuring needs of their operating models. It also helps balance the revenues of the Enterprise Market, within the fixed-IT and mobile segments.

## Business description

The Enterprise Segment is a strategic partner of its customers and is positioned as a close supporter of large, small and medium-sized companies and micro-enterprises in the integral provision of telecommunications and information technology services.

For translation purpose

"We understand that our customers need to modify their way of working, based on the growing incorporation of digital technologies. That is why we are working in 2017 to become the company that supports them in this process of restructuring with a comprehensive proposal for each of the segments the Enterprise Segment is involved in."

**Mario Núñez**  
Vice President Enterprise Segment



### Focus on businesses with growth potential

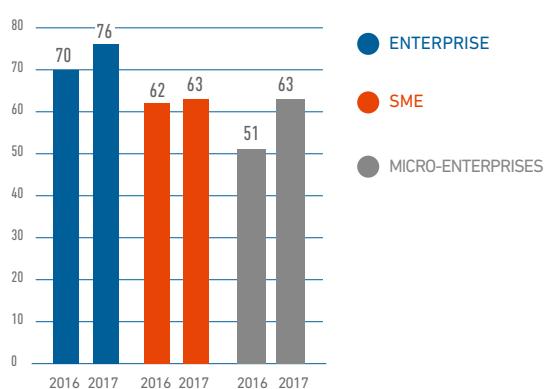
In terms of business management, in 2017 the Enterprise Segment focused on consolidating its leadership in the mobile segment, boosting the growth of market share in the fixed business and IT services based on cloud technology, strengthening Entel Enterprises as an integral service provider of telecommunications and IT.

- In the traditional business of mobile services for companies, the company continued with its strategy of offering free data quotas for some business applications such as mail, and programs with large data quotas, also positioning the unlimited concept with higher fixed charges. In this way, the concept of a company that is always connected continues to be strengthened, maintaining customers' operational continuity.
- With a new disruptive offering, the Enterprise Segment strengthened the sale of services to enterprise customer users. As such Entel can deliver a personal and business offering on the same line or device, generating a new source of income through this consumerization

model. This is available through prepaid and postpaid, through a direct contract with the user for additional services for which their company pays.

- At the end of 2017, 57% of the fixed business of the Enterprise Segment was already based on fiber access. This, after a year of growth in sales and transferring from copper-based services and wireless services to fiber, which has made this investment profitable, making the delivery of more and better services possible, growing fixed market share.
- In terms of IT, the growing demand for cloud services in all business segments - large, SME and microenterprise - stands out. Also, in addition to the solid offering Entel was already providing in 2017, the two main collaboration platforms - Microsoft and Google - were incorporated, as well as a solid platform for storing and processing services in the cloud, provided both by its own infrastructure and by third parties. This complements the device management platform, which allows companies to manage the security of their mobile devices.

### Preference by business segment (%)



### Improving the experience

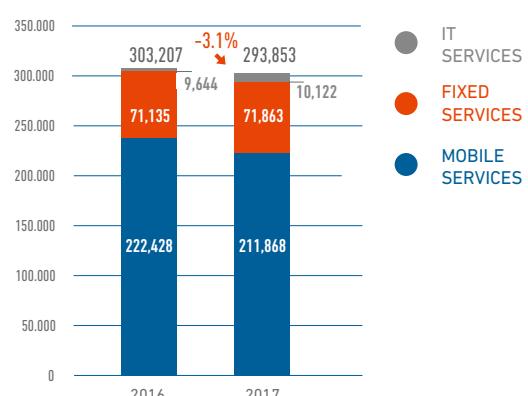
For the third year the Enterprise Segment worked on improving the customer experience in each of the processes that make up its relationship with Entel (Customer Journeys). Along with identifying areas of friction and redesigning these processes, in 2017 we worked on developing a more digital experience in each of the segments. This project started in microenterprises (about 70,000 clients), a segment initially with more opportunities, for which an application was developed, allowing the account manager to carry out operations such as changing their plan directly from their mobile phone in a quick, user-friendly way, seeing phone use, and allocating additional quotas.

### Developing a digital community for businesses

In an effort to support companies in Chile adopting digital technologies, Entel has developed an online community, offering different types of services, from courses, content and information on the main technological trends, and as a platform for SMEs to make business contracts between themselves.

As a result of the comprehensive work carried out, preference indicators grew over the year in the three segments to which the Enterprise Segment provides services.

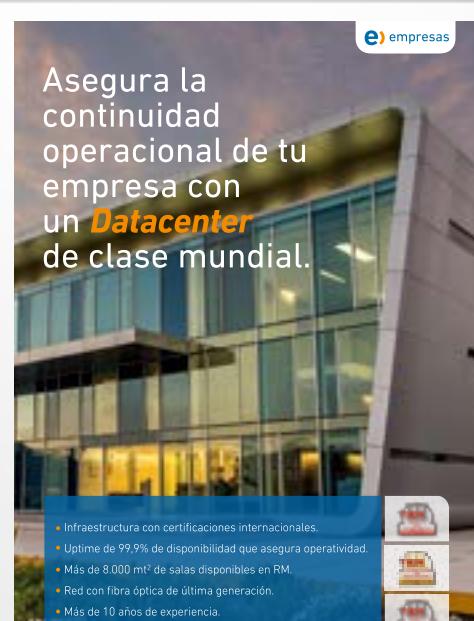
### Enterprise Segment Revenue Evolution (CLP million)



In 2017 revenue from the Enterprise Segment fell 3.1% compared to 2016, which can be explained by a decrease in the revenue from mobile services (-4.7%), associated, mainly, with changes in the mobile offering due to the increase of data quotas and the introduction of unlimited voice and data plans. Meanwhile revenue from fixed services increased 1%, driven by IP solutions (+14%), a service based on access via fiber, together with IT services (+5.0%), a segment with solid platforms for storing and processing in the cloud. This increase in fixed services was offset in part by a reduction in revenue from local and long distance services.

**SMEs App: 10% of managers in the small and medium companies segment have this app on their mobile phone, and use it to operate.**

## Main Campaigns 2017

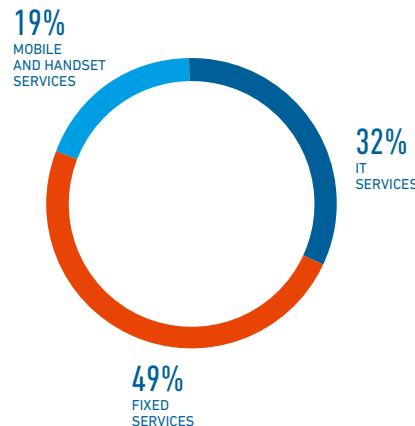


# Corporate Segment

For translation purpose



Revenue by Service distribution (%)



## Milestones 2017

**Focus on those services with the greatest growth potential and necessary for the digital transformation of our customers**

Based on Entel's network and technological infrastructure, as well as its people, the Corporate Segment is prioritizing the development of digital services, which have greater growth potential than traditional businesses. Cloud computing, cybersecurity, big data, IoT, analytics and artificial intelligence are part of this offering.

This business vision was reflected in three projects developed by the Corporate Segment in 2017.

- > Entel Cyber Secure is a portfolio of cybersecurity solutions and services for the protection, defense, risk management and regulatory compliance of ICT systems for companies, corporations and the government. It provides consulting services to reveal vulnerabilities in cybersecurity matters, as well as developing and implementing solutions for companies, and offers direct security management services.

## Business description

The Corporate Segment is a strategic partner of its customers, which integrates information and communication technology solutions, with solid capabilities to develop highly complex projects that improve or contribute to the core business of the country's large companies.

For translation purpose

"Looking to the long term, in 2017 the Corporate Segment consolidated an agile way of working, allowing us to offer our customers increasingly shorter production cycles, to face the challenges of the digital world and to capture the high growth rates."

**Julián San Martín**  
Vice President Corporate Segment



### Adaptation and evolution of mature businesses

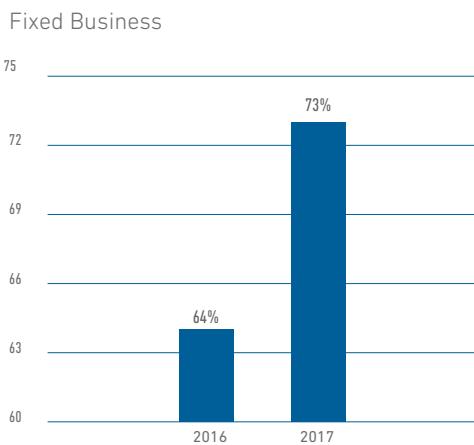
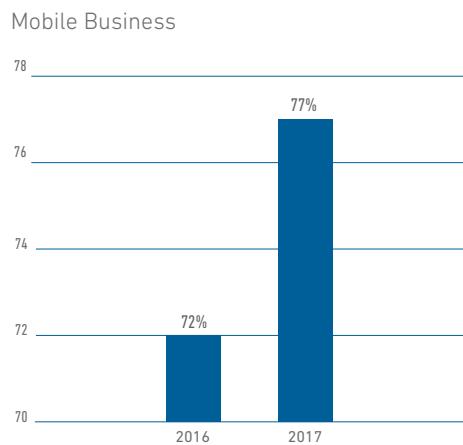
- > Entel Secure Cloud is a hybrid and secure cloud platform, with features and the potential to respond to the needs of different industries and markets, allowing us to support customers on their way towards digital transformation.
- > Set up of digital unit. Based on elements such as big data and the Internet of Things, a specialized unit was installed towards the end of the year that will help generate a digital offering.

Entel Corporaciones continued to evolve, particularly in mobile services, in line with Entel's strategy and with the new needs of companies and end users, which have accelerated over the last two years. In 2017 the central approaches in the mobile world were:

- > To deepen and accelerate improvements in Customer Journeys, eliminating or improving points of friction, as well as adapting processes that pick up specific problems of customers, thus maintaining the essence of the company's value proposition, which is based on providing the best service and market experience.
- > Updating the offer of plans, taking on board the new data consumption needs of companies, and in line with the speed and flexibility that has driven the competitive dynamics of the market.

## Entel is a leader in the Corporations segment nationwide.

#### Corporate Segment Customers Net Satisfaction



**Note:** % of clients who, on a scale of 1 to 7, give the service a 6 or 7, less those that give the service a 1 to 4.

The mobile business and the Telco and IT fixed business show ongoing improvement, with levels of net satisfaction of 77% and 73% respectively in 2017. From a competitive point of view, these measurements reveal Entel's clear leadership in this area.

- Strengthening and formalizing a consumerization proposal to respond not only to the needs of companies, but also their employees. As such, in the context of an increasingly wide-ranging user experience, people today are being offered a new service model and prepaid and postpaid plans that complement their needs beyond what their company provides.

#### Integration of the Information Technology department into the Corporations Vice Presidency

This year operational restructuring was completed involving the integration of nearly 700 IT people into the Corporations staff. The aim was to help create a flatter structure, close to the customer and able to respond more quickly to their needs. This operation provides the Corporate Segment with a service and operations model that allows ever faster work cycles to come up with new products and ways of interacting with customers in a an agile manner. This way of tackling business extends the provision of services from the traditional areas of IT, to be directly incorporated into the customer's business areas, and is key to the sustainability of the the Corporate Segment's services in a changing environment.

For translation purpose

## Data center highlights

# 5 data centers

In operation in Chile (Ciudad de los Valles, Amunátegui, Ñuñoa, Pedro de Valdivia, Longovilo)

# 8,500M<sup>2</sup>

Total capacity

More than

# 350

total customers

## Ciudad de los Valles

# 200

customers

# 2,700

servers

Manages about 2,700 servers

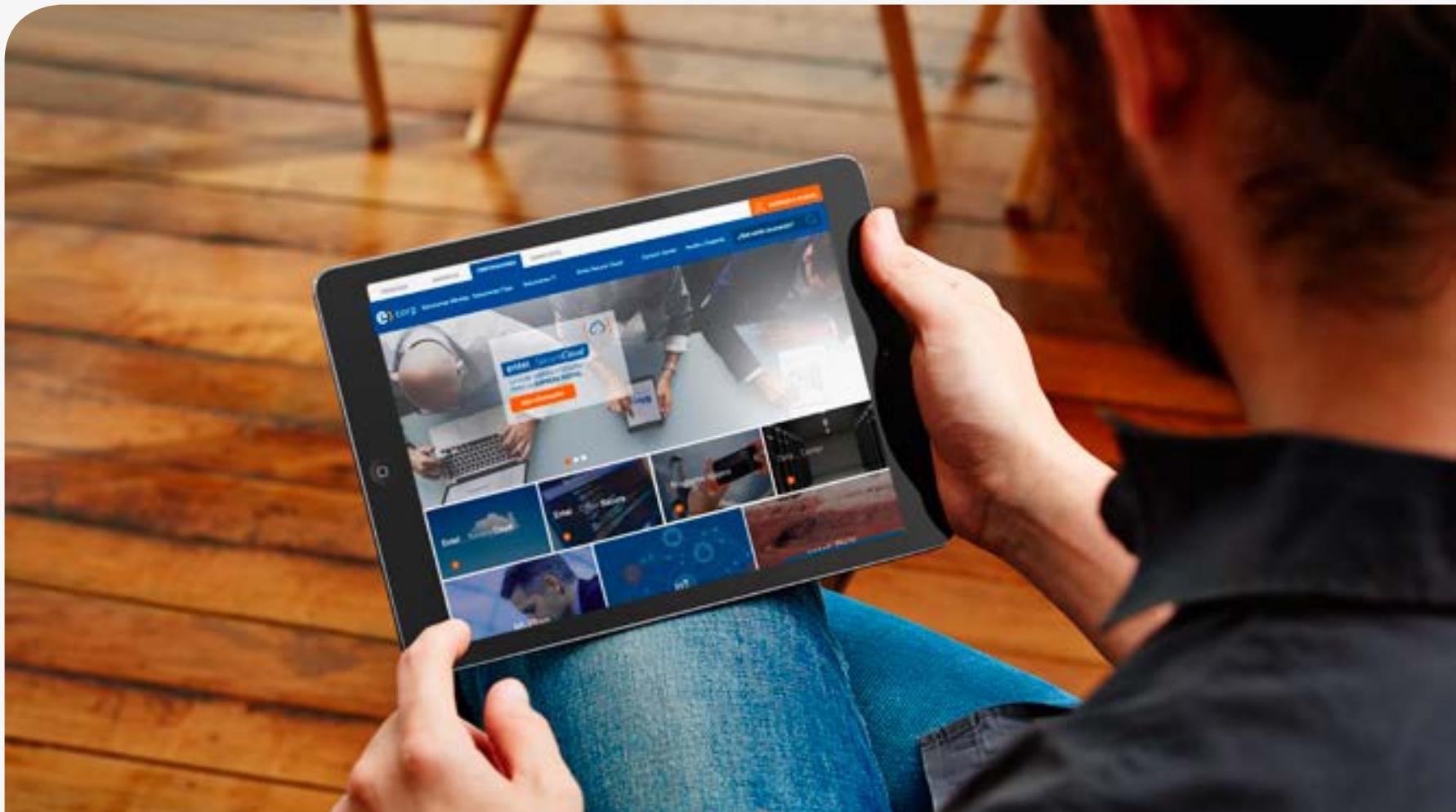
## Leader in data center services

Ciudad de los Valles, Entel's main data center, is the most modern and largest in Chile. Consolidating this leadership, 2017 saw the start of a third phase, adding another 1,000 m<sup>2</sup> to give Ciudad de los Valles 5,000 m<sup>2</sup> of floor space.

Certifications: since 2011 Entel has lead in Chile in terms of certification from the most recognized organization in the industry worldwide, the Uptime Institute. The three stages of Ciudad de los Valles data center received TIER III Design Documents certification. The first two stages have Constructed Facility and Operational Sustainability Gold certificates, consolidating a world-class implementation and operation, which guarantees a 99.982% availability in any contingency. Once in operation, the third stage will be brought into line for the above certifications.

In 2016 the Amunátegui data center received M&O certification, also from the Uptime Institute, which certifies the maintenance and operations processes and the renewal of the Gold Operation Services SAP Hana certification.

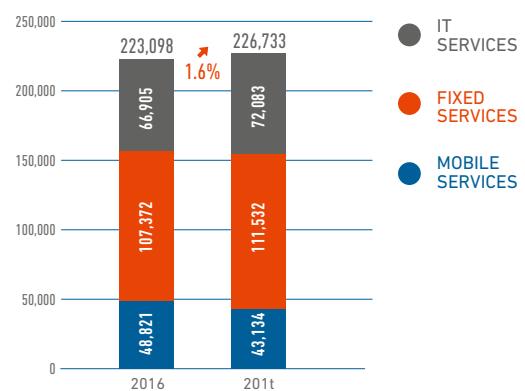
One of the distinguishing features of this new data center is its energy efficiency, which will reduce energy consumption and improve the impact of the carbon footprint generated by this type of facility.



## Revenue

The corporate segment showed a 1.6% increase in revenue in 2017, growth that was leveraged by a 3.9% increase in revenue from fixed telecommunications services and 7.7% in IT services. As such, even though revenues from mobile services were reduced by the strong competitive dynamics and the reduction of services contracted by large companies, due to the national economic context, the proposal based on higher value-added services gave good results.

Corporate Segment Revenue  
(CLP million)



## Main Campaigns 2017

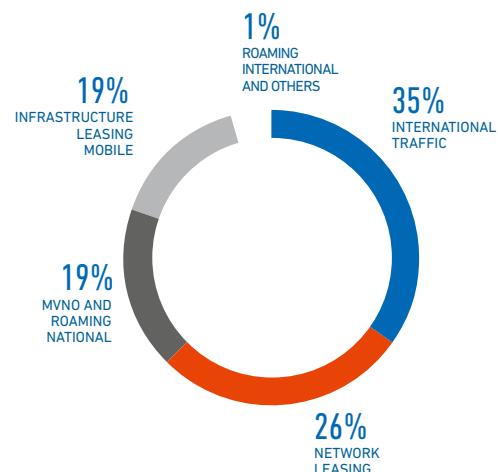


# Wholesale Segment

For translation purpose



2017 revenue composition by operator type



## Milestones 2017

### Entel Traveler Program doubles its coverage thanks to new agreements

In 2017 the number countries covered by the Entel Traveler Program doubled, from 32 to 64 countries covered by this offer. Meanwhile, the global coverage of countries with Entel roaming hit 193.

### Reduction of costs for satellite, roaming and international internet IP transport contracts.

Renegotiating contracts made by the Wholesale Segment under favorable conditions generated a reduction in costs that allowed Entel to continue providing services to its customers at increasingly competitive rates and to increase numbers of users.

### Less activity in national network leasing and roaming services

Ending national roaming and data transport contracts generated a decrease in revenue deriving from them.

## Service definition

The wholesale segment is a leading provider of networks and services for national and international operators, with wide national coverage, high service standards at competitive rates and cutting edge infrastructure. It generates partnerships that allow it to leverage the growth of its wholesale customers, as well as providing Entel customers with services of the best quality and at competitive rates.

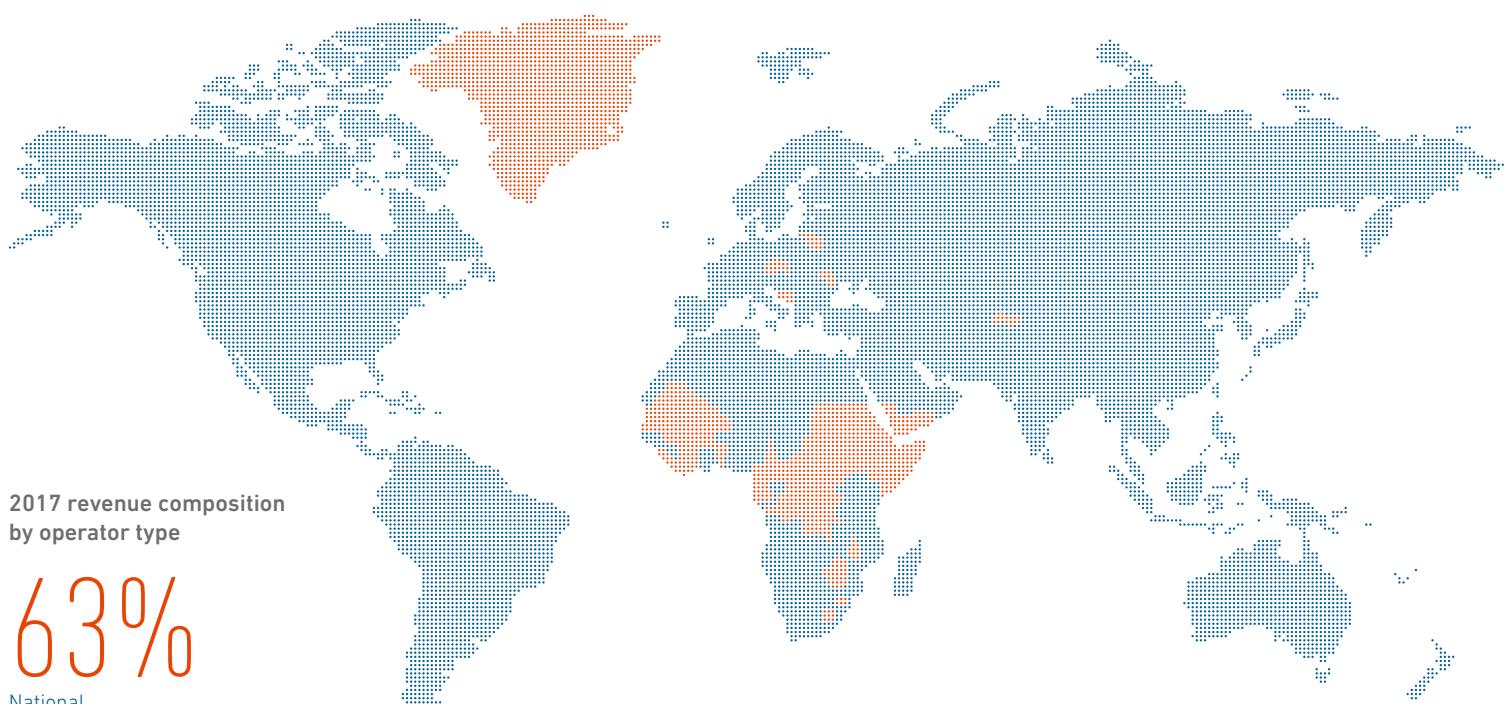
For translation purpose

"In a year of lower activity in the wholesale services market, we continued to successfully renegotiate our international roaming rates, international data transport and satellite deals, expanding our customers' access to international roaming and internet services."

**Pablo Guerrero**  
Wholesale Segment Manager



Countries with a current roaming agreement



2017 revenue composition  
by operator type

63%

National

37%

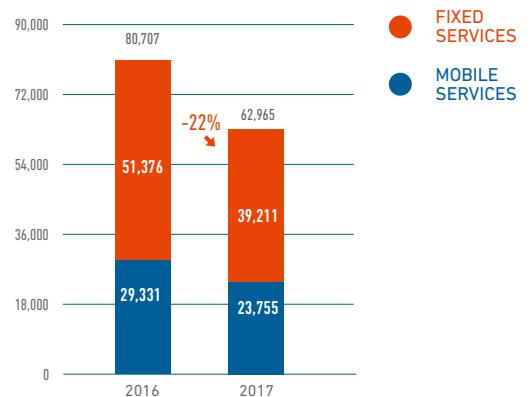
International

- With coverage
- Without coverage



For translation purpose

### Wholesale Segment Revenue to Third Parties (CLP million)



### Key customers

#### 66 national operators

(Grupo Claro, Grupo Telefónica, Grupo GTD-Telsur, Falabella Móvil, Silica Networks, iFx Networks, WOM, and others).

Services delivered: data transport networks leasing, leasing of fiber optic last miles, leasing of mobile infrastructure, Mobile Virtual Network Operators services, national roaming services to mobile operators.

#### 96 national operators

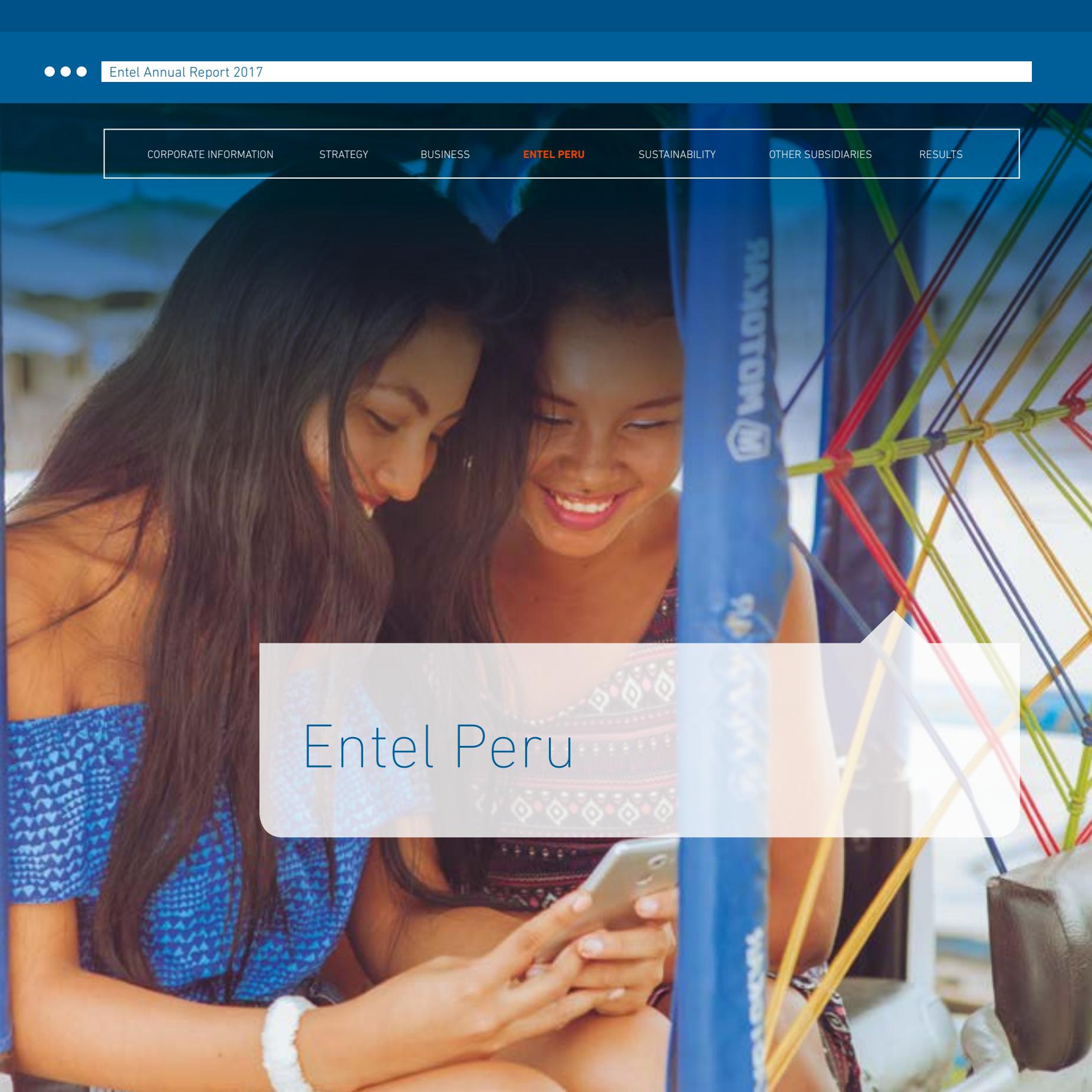
(AT&T, Grupo Vodafone, Telxius, Grupo Milicom, Level 3-Century Link, LANautilus, Telefonica International Wholesale Services, TATA Communications, and others).

Services delivered: Rental of last miles in Chile, national and international transportation services, LDI traffic, international roaming.

### Revenue

Gross Wholesale Market revenues were down compared to 2016. This result can be explained by a 19% reduction in mobile services provided to other operators, linked to lower revenues from national roaming services as a result of ending contracts, and international roaming, due to the strategy of tariff reduction between operators, with the aim of expanding its use.

Fixed services meanwhile were down 24% due to there being less activity in the international traffic business, in line with changes in the global market, and the lower revenue from leasing networks to third parties as a consequence of the expiration of service contracts provided to other operators and not offset by the growth seen in the leasing of last miles, satellite infrastructure and value-added services.



Entel Peru

For translation purpose

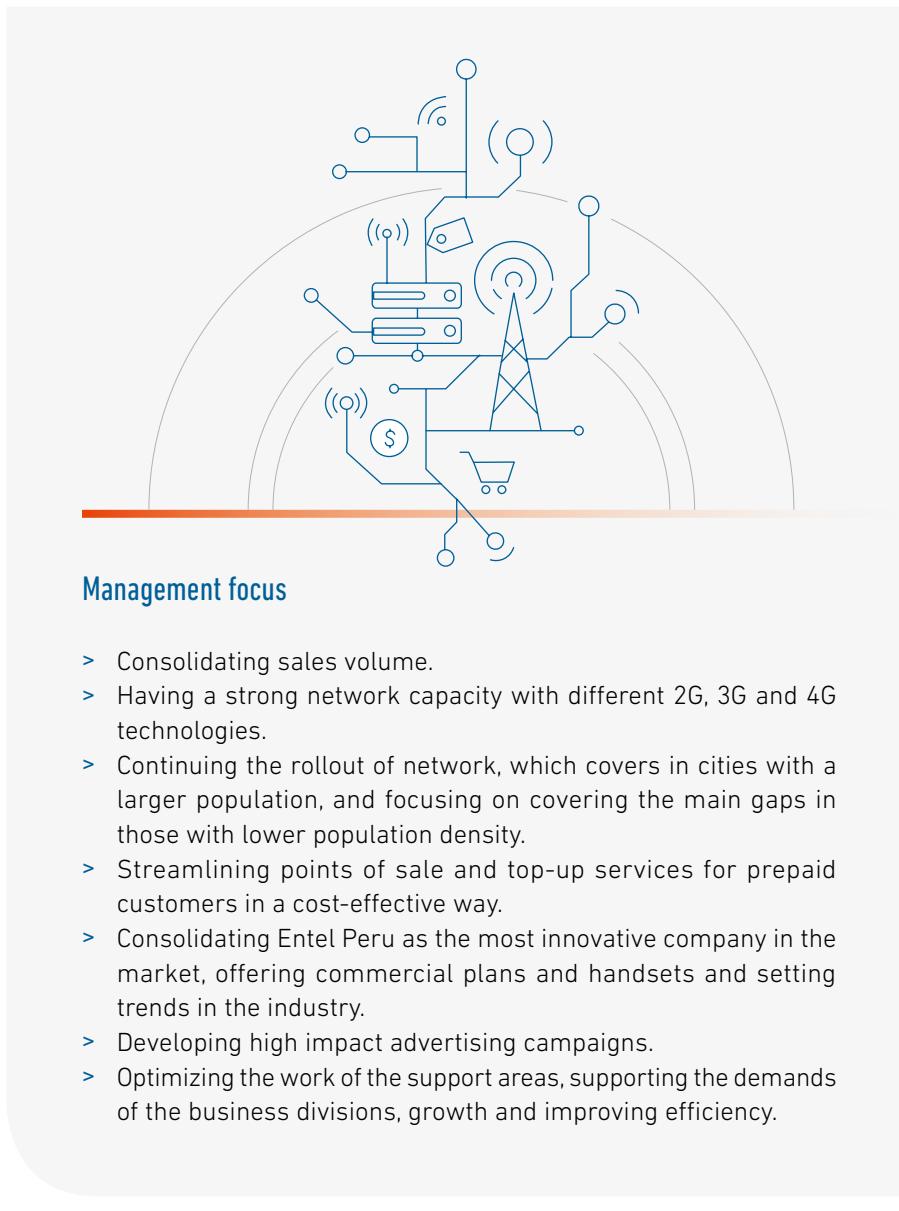
# Entel Peru

**A**fter launching the Entel Peru brand three years ago, the company continues to consolidate its position in that market.

The company has stuck to the strategy with which it began, based on delivering an innovative, superior quality package, and has fostered a segmentation of enterprise and individual customers, with a wide range of commercial offerings aimed at meeting the voice and data traffic needs of the Peruvian market.

## Milestones 2017

- > The company made an aggressive and innovative offering of data plans, drawing on the robust capacity and national coverage of the mobile network, based on 2G, 3G and 4G technologies.
- > Entel Peru's mobile telephony subscriber base reached 6,543,127 customers (36% up on the December 31, 2016 figure).
- > The strategy developed by Entel Peru allowed the company to close 2017 with 17.4% market share, compared to 13.3% at the end of 2016, in line with the plan established at the time of launching the Entel brand in Peru at the end of 2014, when the company had only about 5% market share.



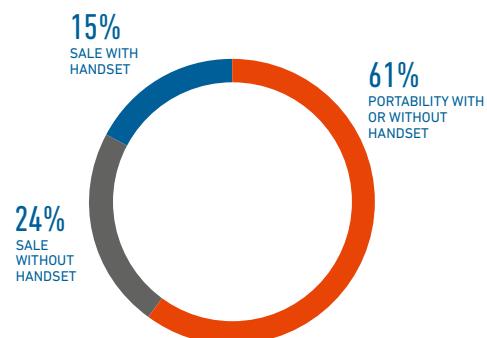
## Management focus

- > Consolidating sales volume.
- > Having a strong network capacity with different 2G, 3G and 4G technologies.
- > Continuing the rollout of network, which covers in cities with a larger population, and focusing on covering the main gaps in those with lower population density.
- > Streamlining points of sale and top-up services for prepaid customers in a cost-effective way.
- > Consolidating Entel Peru as the most innovative company in the market, offering commercial plans and handsets and setting trends in the industry.
- > Developing high impact advertising campaigns.
- > Optimizing the work of the support areas, supporting the demands of the business divisions, growth and improving efficiency.

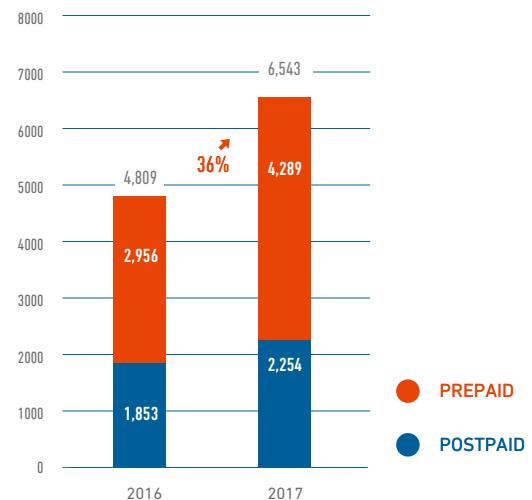
The strategy promoted by the company continued to bear in 2017. The subscriber customer base reached 6,543,127 as at December 31, 2017; 36% up on December 2016. This was driven by 2G, 3G and 4G services.

6.5  
million customers for mobile phone services

#### Sales Composition



#### Growth in Subscriber Base (In thousands)

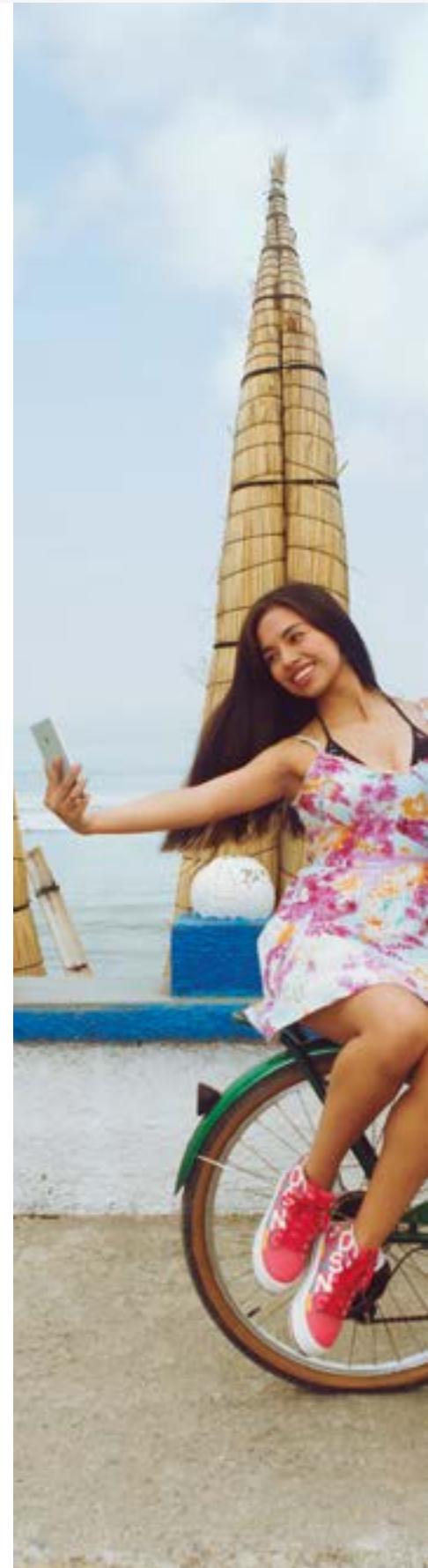


#### Postpaid management

- Wide range of multimedia plans, growing throughout 2017 with attractive internet navigation rates, promotions to social networks and unlimited videos for high-end plans and discretionary minutes for calls to all destination networks.
- Wide range of smartphones and plans for SIM cards without handsets.
- Progress towards a lower subsidy in the provision of handsets with the incorporation of the sale financing method.
- Streamlining distribution channels and introduction of low cost sales models for lower value plans.

2,254,176  
Postpaid mobile customers at the end of 2017

22%  
Increase over December 2016



For translation purpose



## Prepaid management

- > Progressive increase in network coverage and sales channels in regions.
- > Offerings focused on providing incentives for top-ups, including unlimited voice minutes to any destination network, the use of social networks like WhatsApp and free basic Facebook for a limited time.
- > Launch of promotions geared to portability.

4,288,951

Prepaid mobile customers at year-end  
2017

45%

Increase over December  
2016

## Residential offer

Entel Peru continued to expand its commercial offer selectively in the residential segment, with voice and wireless broadband services over a mobile network.

Based on a self-installable service, Entel Peru offers different plans that allow connections to multiple devices with unlimited browsing and better speeds. In 2017 this offering, which started in Lima and some cities in Peru, was available in all the capitals of the country's departments.

As such, at the end of 2017 there were 94,000 postpaid revenue generating units (RGUs).

## Enterprises

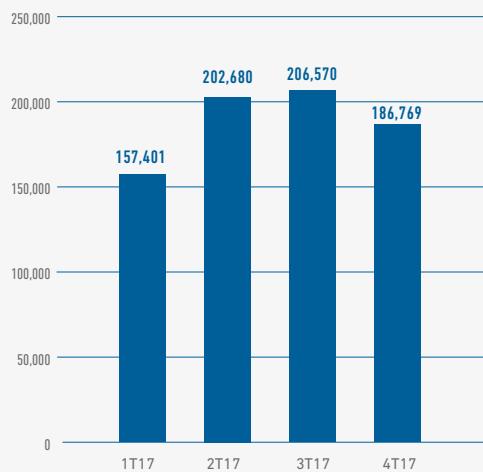
Along with the traditional presence of Entel in the large company segment in Peru, in 2017, the package for medium-sized companies was increased, particularly in the second half of the year, allowing companies to continue diversifying their portfolios, including data services with unlimited use of applications such as mail, and the offer of a reliable network. Especially bearing in mind that the Peruvian market was strongly impacted in early 2017 by the effects of the El Niño current. The climatic phenomenon demonstrated the quality of the Entel service, which, unlike other companies, had backup systems that guaranteed connectivity in the affected areas.



## Portability

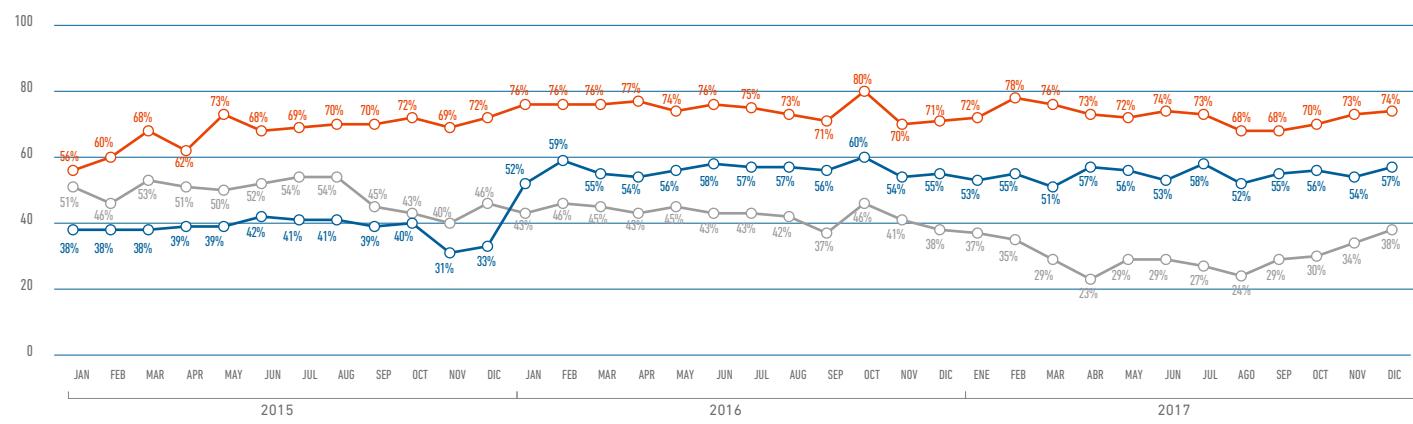
Entel Peru continues to lead in portability in 2017, hitting 753,420 net transfers.

Quarterly Net Portability in Mobile Services



For translation purpose

## Customer Satisfaction



Source: Entel Peru based on self-measurement.

## Regulatory Framework

**Biometric identification:** in 2017 the supervisory agency for private investment in telecommunications, Osiptel, required mobile operators in Peru to perform biometric identification of users before activating prepaid lines.

After adjusting its sales processes in 2016, Entel Peru's offering complied with the new regulations. In practice this involved a payment to the National Registry of Identification and Civil Status (RENIEC) for each person identified biometrically. However, given that this is a national security mechanism, from 2018 the cost will be taken on by the state.

**Tariff fixing:** in November 2016, the process of setting interconnection prices between mobile companies began. It ran throughout 2017 and set the access charges that will be applicable as of January 2018, when they fall by 67%.

## Awards

The innovative and high-quality management of Entel Peru was acknowledged by different entities during 2017. The company received the award for the best IZO telecommunications customer experience in Peru, and also Latin America. It also led the telecommunications category in the MERCO Empresas and MERCO Talento rankings and stood out amongst the best companies to work for in Peru according to the Great Place to Work organization.

In 2017 Entel was also awarded Peru's Socially Responsible Company 2021 Seal, as well as joining the Peruvian Network of the Global Compact, measuring its carbon footprint for the first time, and presenting its first Sustainability Report.

## Revenue

Entel Peru's revenue grew 33% in 12 months, totaling US\$729.2 million and driven by voice and data services, generated by the growth of customers on 2G, 3G and 4G networks and the higher revenue from handset sales.

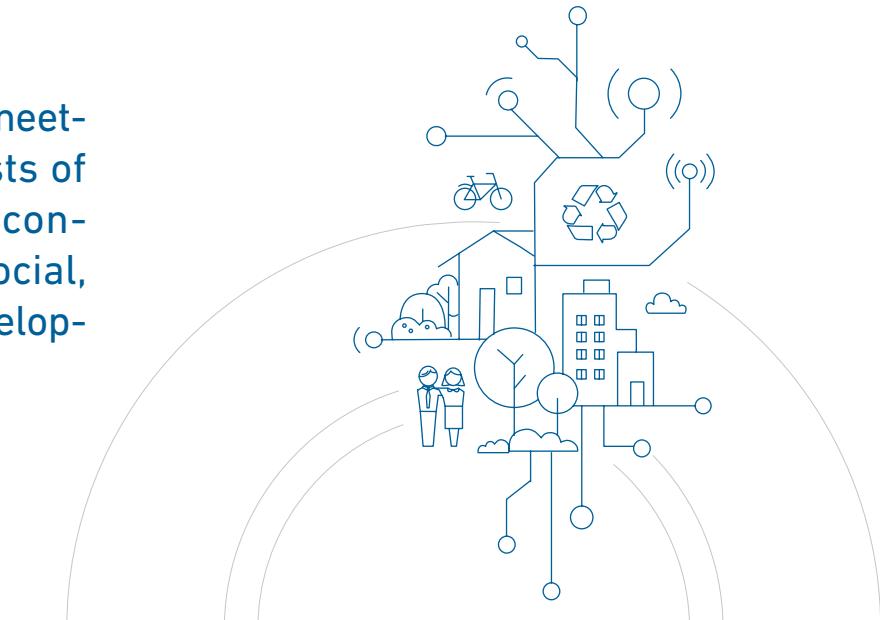


# Sustainability

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# Sustainability

**"Addressing, understanding and meeting the expectations and interests of stakeholders, and in doing so contributing to the technological, social, economic and environmental development of Chile and Peru."**



## Sustainable Business Vision

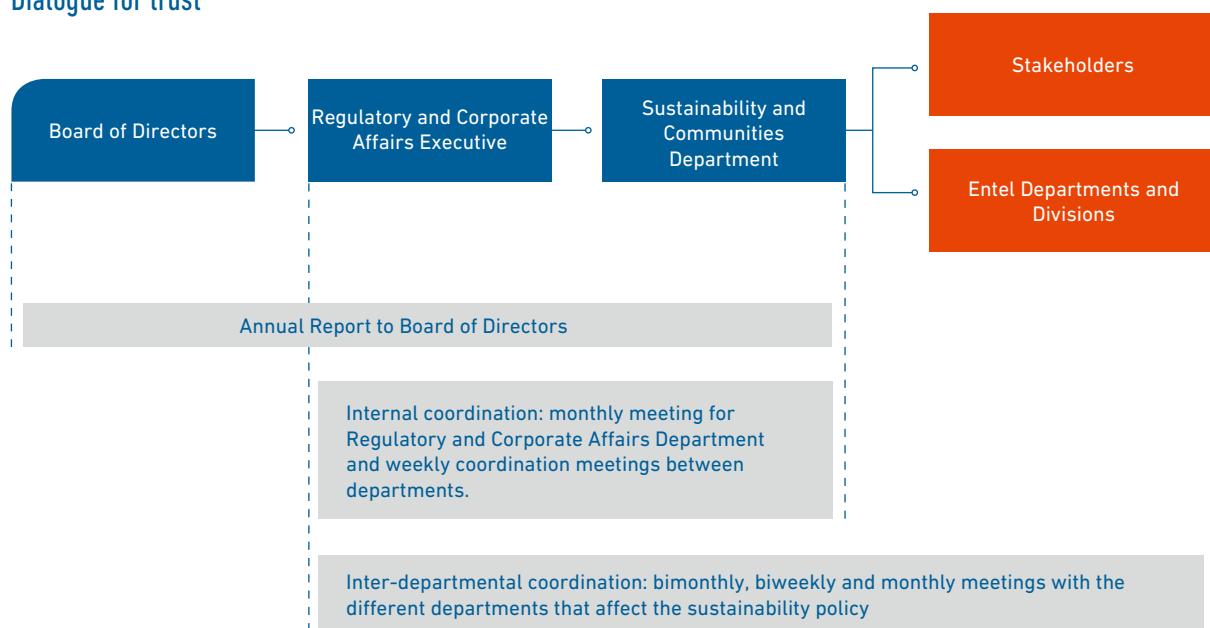
Entel is committed to building a more integral, harmonious and inclusive society. Indeed, providing access to telecommunications, bringing technology to people, and our continued commitment to eradicate the connectivity gap, with a focus on social welfare, is part of Entel's mission.

After defining a robust Sustainability Policy and establishing that sustainability should cut across the whole company, to give it value and strategize it in the business divisions, the Sustainable Agenda was developed.

This agenda brings together the economic, social and environmental initiatives of the company aimed at cementing a sustainable vision of Entel for the future.

In 2017 Entel's sustainability management was recognized both nationally and internationally. The company was included in the 2017 Prohumana ranking, which has been analyzing the sustainability strategies of Chilean companies for 15 years. Entel also became part of the Dow Jones Sustainability Index for Latin American Integrated Markets, which analyzes 154 companies globally, and the FTSE4Good 2017 index, created by the London Stock Exchange in 2001 and incorporating companies worldwide that comply with responsible investment practices in the field of human rights, environment, ethics and investor relations.

## Dialogue for trust



## Sustainable governance

The Regulatory and Corporate Affairs Department, through the Sustainability and Communities Department, has ongoing communication with stakeholders through various channels.

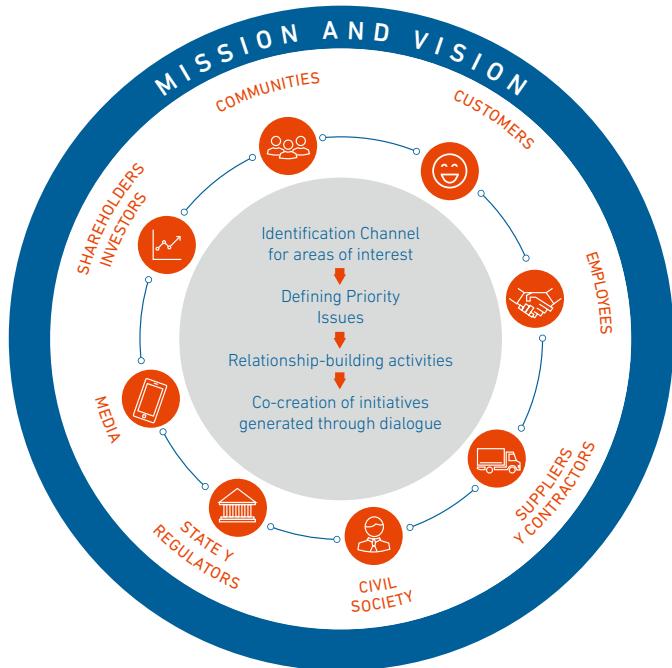
The company departments ensure compliance with Entel's sustainability policy and are in charge of aligning and working with the rest of the departments and divisions that affect the application of the policy, keeping the Board informed and applying their guidelines for the ongoing improvement of their work.

## Stakeholder relationship building

Entel defines the community, customers, employees, suppliers and contractors, shareholders and investors, the media, the state (authorities and regulators) and civil society as its stakeholders.

After identifying its stakeholders, Entel put together a relationship-building model that seeks to provide channels that identify topics of interest, prioritize them, establish and maintain relationship-building activities and jointly create initiatives stemming from this dialogue. On this way Entel works to bond with the community, aware of the impact we can have and wanting to know and understand the interests and concerns of the places where we operate, creating a virtuous circle with them.

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## 2017 Work Focus

Having a Sustainable Agenda has strengthened initiatives and programs that were previously established only in specific areas and today have been enhanced at a cross-cutting level.

In 2017, management in this regard had two main focuses.

- > **Climate change:** Various activities aimed at making efficient use of energy at operational level were designed as a plan to combat climate change. This involves the initial measurement of Entel's carbon footprint, through establishing protocols to reduce the energy consumption of antennas, networks, and data centers. In 2017, different areas of the company actively participated in 21 energy efficiency initiatives and seven initiatives focused the 3R principle: Reduce, Recycle, Reuse.

## Entel's Sustainability Policy

The company's sustainability policy is implemented through several lines of action, including:

- > Integrating sustainability as an essential part of operations.
- > Contributing to the welfare of society through the popularization of connectivity and its services.
- > Supporting policies that improve the social and economic conditions of the communities where we develop our projects.
- > Implementing initiatives that create shared value between stakeholders and the company.

- > **Social and human development:** given that employees and the community are key to the performance of Entel, a challenge for the company is to enhance both the individual and the collective. Against this backdrop initiatives were implemented in the areas of diversity and inclusion, digital integration, and supplier development.

## Distributed Value

Of the total economic value generated by Entel, 46% was distributed among employees, the state, local communities and environmental care.

Economic Value Generated by Entel:

CLP 916,319,768 million

EXPENSES	2016 (CLP 000)	2017 (CLP 000)
Employees	245,667,093	249,222,643
State	201,668,631	166,986,873
Community and Environment	2,408,492	1,797,799
Shareholders	0	10,268,582
Financial	105,712,255	88,945,542
Retained by the company	321,529,629	399,098,329
Distributed Economic Value	876,986,100	916,319,768

## Implementation of Stakeholder Relationship-Building Model

	Identification Channel for Topics of Interest	Defining Priority Issues
<b>COMMUNITIES</b>	<ul style="list-style-type: none"> <li>Relationship in the field and through the authority.</li> <li>Monitoring relationship-building opportunities with communities.</li> </ul>	<ul style="list-style-type: none"> <li>Electromagnetic radiation caused by setting up telecommunications infrastructure.</li> <li>Recycling electronic items</li> <li>Recycling operational electronic waste</li> <li>Consumer rights</li> <li>Digital inclusion</li> </ul>
<b>CUSTOMERS</b>	<ul style="list-style-type: none"> <li>Customer satisfaction survey</li> <li>Reporting channels</li> <li>Market studies</li> </ul>	<ul style="list-style-type: none"> <li>Service quality</li> <li>Post-sales</li> <li>Prices</li> <li>Transparency</li> <li>Technical Support</li> <li>Coverage</li> <li>Responsibility to the environment</li> </ul>
<b>EMPLOYEES</b>	<ul style="list-style-type: none"> <li>Great Place to Work Survey</li> <li>Relations with Unions</li> </ul>	<ul style="list-style-type: none"> <li>Life/work balance</li> <li>Professional development</li> <li>Health and Safety at Work</li> <li>Benefits</li> <li>Organizational environment</li> <li>Diversity and Inclusion</li> </ul>
<b>SUPPLIERS Y CONTRACTORS</b>	<ul style="list-style-type: none"> <li>Assessment of suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Clear information on accreditation</li> </ul>
<b>SHAREHOLDERS AND INVESTORS</b>	<ul style="list-style-type: none"> <li>Financial Sector conferences, both local and international</li> </ul>	<ul style="list-style-type: none"> <li>Progress in expansion plans for Peru</li> <li>Competitive areas in Chile and new regulatory developments, business risks and Corporate Governance</li> </ul>
<b>MEDIA</b>	<ul style="list-style-type: none"> <li>Industry management and analysis</li> <li>Relationship-building meetings with journalists.</li> <li>Requests for questions for press releases.</li> </ul>	<ul style="list-style-type: none"> <li>Have information kit of high journalistic value</li> </ul>
<b>STATE (AUTHORITIES)</b>	<ul style="list-style-type: none"> <li>Opening communication channels with public authorities seeking to contribute to the management of the business</li> <li>Response to information requirements on different projects and initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Importance of the growth of telecommunications for the social and economic development of the country</li> <li>Rollout of infrastructure in communes and territories</li> </ul>
<b>STATE (REGULATORS)</b>	<ul style="list-style-type: none"> <li>Working meetings with the authority on the concerns and focus of Government regarding the administration</li> </ul>	<ul style="list-style-type: none"> <li>More information and transparency for users of telecommunication services on the rollout of infrastructure.</li> </ul>
<b>CIVIL SOCIETY</b>	<ul style="list-style-type: none"> <li>Ongoing dialogue and contact</li> </ul>	<ul style="list-style-type: none"> <li>Responds to the concerns of the people represented, such as: respect for rights, access to information, transparency and quality in services and customer care</li> </ul>

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Relationship-building activities	Co-creation of initiatives generated through dialogue
<ul style="list-style-type: none"> <li>On-site meetings</li> <li>Roundtables</li> <li>Dissemination of cultural content from the Centro Cultural La Moneda in rural schools through virtual reality technology</li> </ul>	<ul style="list-style-type: none"> <li>Entel Hecho en Casa Festival</li> <li>Uniendo Personas program</li> <li>Mujeres On</li> <li>Work with Asociación de Sordos de Chile (ASOCH) for in-store customer care and services</li> <li>Inauguration of locations for Conectando Chile project</li> <li>Corporate Volunteering</li> <li>Social Leaders Workshop</li> <li>Yo Leo Aymara Program</li> <li>Recycling of cellphones and accessories</li> </ul>
<ul style="list-style-type: none"> <li>Loyalty events</li> <li>Launches</li> <li>Customer journey analysis</li> </ul>	<ul style="list-style-type: none"> <li>Entel Digital Transformation Project (TDE)</li> <li>Unlimited plans launch</li> <li>4G+ network coverage</li> <li>Finalizing Conectando Chile project</li> </ul>
<ul style="list-style-type: none"> <li>Internal communications</li> <li>Performance evaluation</li> <li>Regular meetings between area heads and CEO</li> <li>Collective bargaining</li> </ul>	<ul style="list-style-type: none"> <li>Diversity and Inclusion Policy</li> <li>Collective contracts</li> <li>Corporate Volunteering</li> <li>Welfare and work-family balance programs</li> </ul>
<ul style="list-style-type: none"> <li>Generating information to carry out improvements in procedures</li> <li>On-going relationship to better understand their role in the business and the company's needs</li> </ul>	<ul style="list-style-type: none"> <li>Training courses on Occupational Health and Safety</li> <li>Training in community relationship-building and support in the resolution of conflicts in the territory</li> </ul>
<ul style="list-style-type: none"> <li>Investor Day with direct access to management</li> <li>Individual meetings with investors</li> <li>Quarterly meetings with local investors to review results</li> </ul>	<ul style="list-style-type: none"> <li>Follow-up plan with investors</li> </ul>
<ul style="list-style-type: none"> <li>Management and coordination of the Sustainable Journalism Award (PESU)</li> <li>Annual meeting of journalists</li> <li>Personal meetings with journalists and editors</li> </ul>	<ul style="list-style-type: none"> <li>Telecommunications training for new journalists in the sector</li> <li>"Conéctate con la Sustentabilidad" initiative, showing activities linked to sustainability</li> </ul>
<ul style="list-style-type: none"> <li>Invitation to the authorities to participate in all the "Conectando Chile" project launches</li> </ul>	<ul style="list-style-type: none"> <li>Inaugurate all 4G+ and Conectando Chile launches with the regulatory authority</li> <li>Workshops with regional authorities to train social leaders in use of technological tools and use of telecommunications in emergencies</li> </ul>
<ul style="list-style-type: none"> <li>Formal working meetings to prepare an agenda on issues of interest to the authority and Entel</li> </ul>	<ul style="list-style-type: none"> <li>Roundtable to monitor the 700 MHz project</li> <li>Discussion with ATELMO on the bills currently in the pipeline in Congress.</li> </ul>
<ul style="list-style-type: none"> <li>ORCUS agreement to develop activities throughout Chile concerning consumer rights and duties</li> <li>ASOCH agreement on more personalized service and customer care for deaf people</li> <li>Roundtables with social organizations</li> </ul>	<ul style="list-style-type: none"> <li>Validate management of complaints in stores and other channels</li> <li>Entel Diversity and Inclusion Policy developed together with civil society organizations</li> <li>National promotion of responsible recycling of electronic waste</li> <li>Train providers of infrastructure in relationship building with social leaders</li> <li>Train the community nationwide on consumer rights, together with ODECU.</li> <li>Social Leaders Workshop supplying technological tools for performing their functions</li> </ul>

## Highlights

Sustainable agenda and corporate citizenship activities corresponding to the two priority focuses for 2017 management include:

### Recycling

Entel has various initiatives for the responsible and innovative handling and management of waste generated throughout its production chain and the different processes within the company. Some of these are:

#### Electronic Recycling Program

Allows people to dispose of their cell phone, battery and/or accessories in any of 165 bins specially set up in the company's own stores and in franchises.

**Containers for Chile program** More than 556 bins throughout public institutions and schools in 14 regions of the country. This program is carried out in association with Fundacion Recyclápolis.

#### Recycling of Advertising Material

Geared to reusing PVC and mesh, generating new uses for old campaign materials and roadside installations.

### Culture in the Regions

In line with its goal of uniting all Chileans in an innovative way whilst always being at the cutting edge of technology, in 2017 Entel and the La Moneda Cultural Center developed the Culture in the Regions project.

Through the use of immersive virtual reality experience technology, the initiative gave students from regions access to the exhibition "The Forbidden City, Imperial China", which in 2016

had more than 300,000 visitors when it was held at the La Moneda Cultural Center.

In the workshops, each student received specially designed glasses to view the content and were guided throughout the activity by two experts in this technology.

The activity was complemented with interactive classes on Imperial China to more than 100 seventh and eighth grade students from the regions of Maule, Los Lagos and Aysén.





## Mujeres On

For the second year in a row and in partnership with the Ministry of Women and Gender Equality and Emprediem, Entel was part of the Women On program, an initiative seeking to empower women entrepreneurs and female heads of household.

In 2017, 145 participants received training in the use of digital technologies and tools for the sale of their products and the development of their businesses.

### Metropolitan Region

- 62 women
- 26 communes
- 3 first quintiles

### Coquimbo Region

- 60 women
- 5 communes
- 3 first quintiles

### "Mujeres On Exporta" Program

- 23 women
- 15 communes
- 4 first quintiles

## Entel Hecho en Casa Urban Festival

Entel decided to promote art in public spaces through the Hecho en Casa Urban Art Festival in order to encourage people to connect with the city in a different way and generate ties with the community.

The festival had its fifth run in 2017, with Entel participating in its organization for the second year in a row, in the spirit of giving Chileans a gift of art and culture, free and open to the community. This aim was fulfilled, thanks to the visits of about five million people to the event. In 2017 the festival reached out for the first time to the regions, with Rubber Duck appearing at the Prat pier in Valparaíso.

For nearly two weeks the country followed the trip made by the duck, the largest of its kind in the world, and the flight of the giant butterflies perched on the Entel Tower, which were two of the five works bursting onto the urban canvas for 11 days, putting Chileans in contact with art for free.

## Other activities

Other activities include the requirements for the awarding of the 700 MHz and 2,600 MHz bands, met through the Conectando Chile program, and the development of the Diversity and Inclusion policy, Uniendo Personas and activities such as Workshops for Social Leaders, Contractor Workshops, Volunteering and the sponsorship of the Entel Santiago Marathon.



The Rubber Duck stood out amongst the milestones for the year, with Chileans following it from its arrival at the Quinta Normal in Santiago to its trip around the bay of Valparaíso. Work of Dutchman Florentijn Hofman.



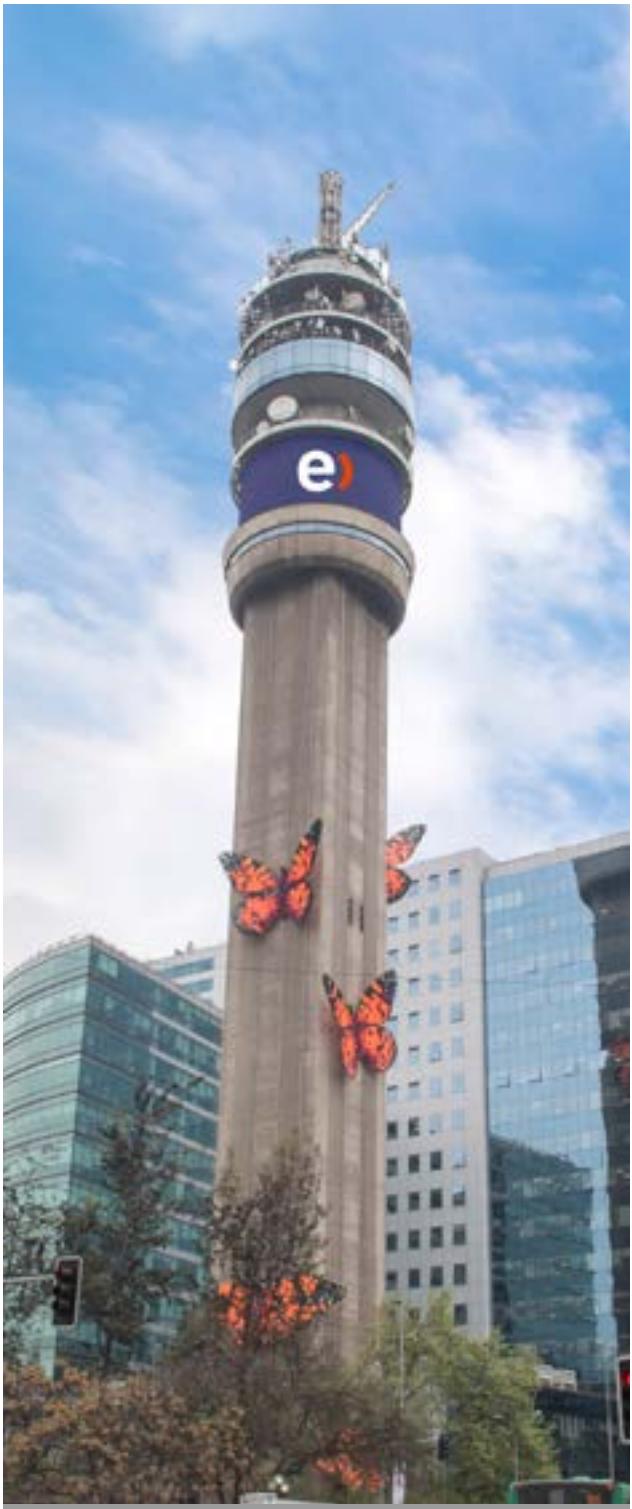
On the esplanade of the Museum of Contemporary Art, the English family Sand in Your Eye used 120 tons of sand to sculpt "We", a work of faces representative of the original peoples of America.



"Clothesline". Giant garments of clothing, 5 x 8 meters across, were hung from the huge line spanning Paseo Bulnes. The work of Australians The Glue Society amused passersby, who were entertained by the dripping of the "freshly laundered" clothes.

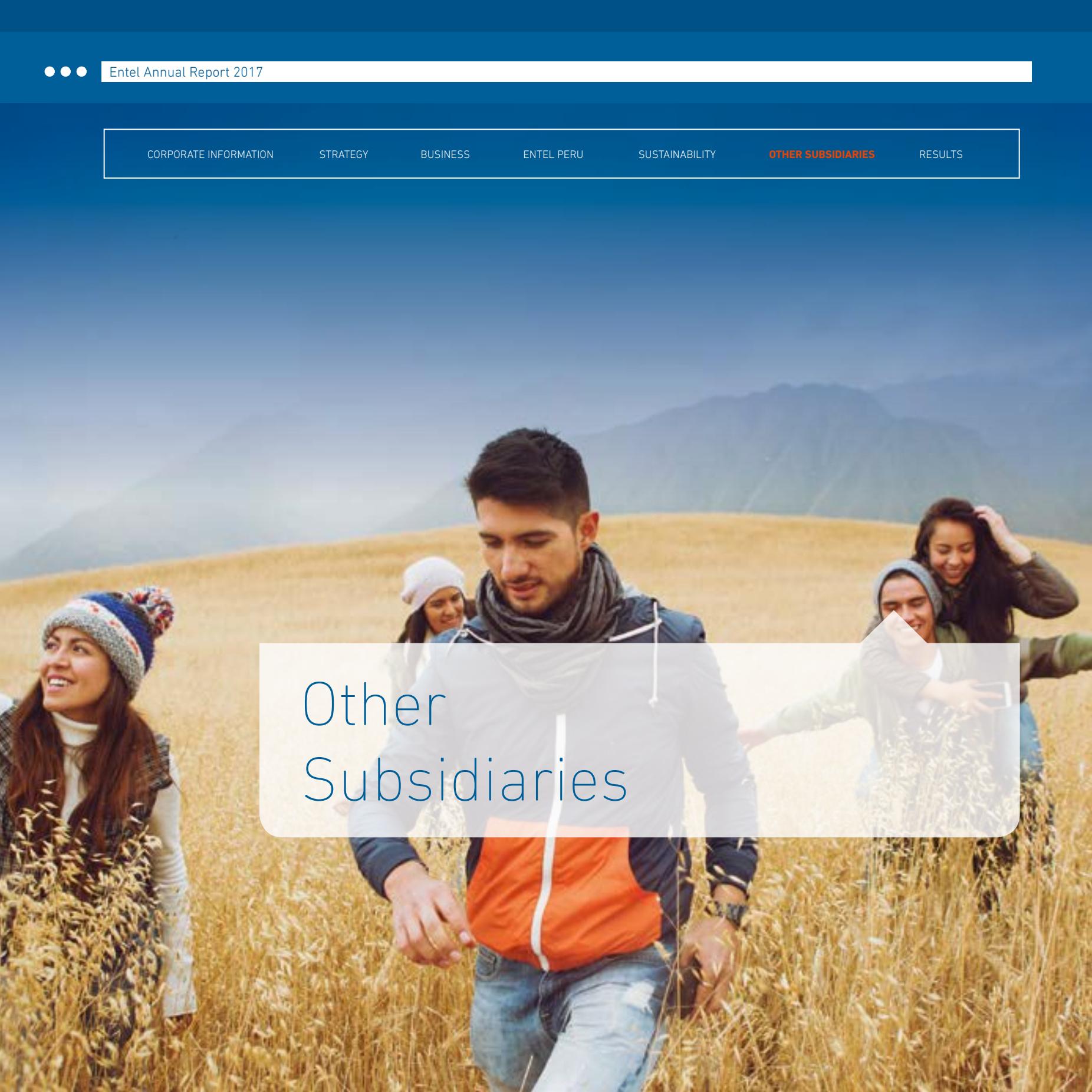


This hyper-realistic mural of 300 square meters depicts a normal day in 1900, and continues to be an attraction in the downtown Lastarria neighborhood. Luis Núñez, a renowned muralist from Antofagasta, was the artist.



The Entel Tower was filled with color in the form of five giant butterflies, lending a touch of spring to the Alameda for the days of the Festival. Valeria Merino was the author of this work. She won the contest #IdeasTorreEntel.

Note: More details of the company's social, economic and environmental performance can be found in the Sustainability Report 2017.



# Other Subsidiaries

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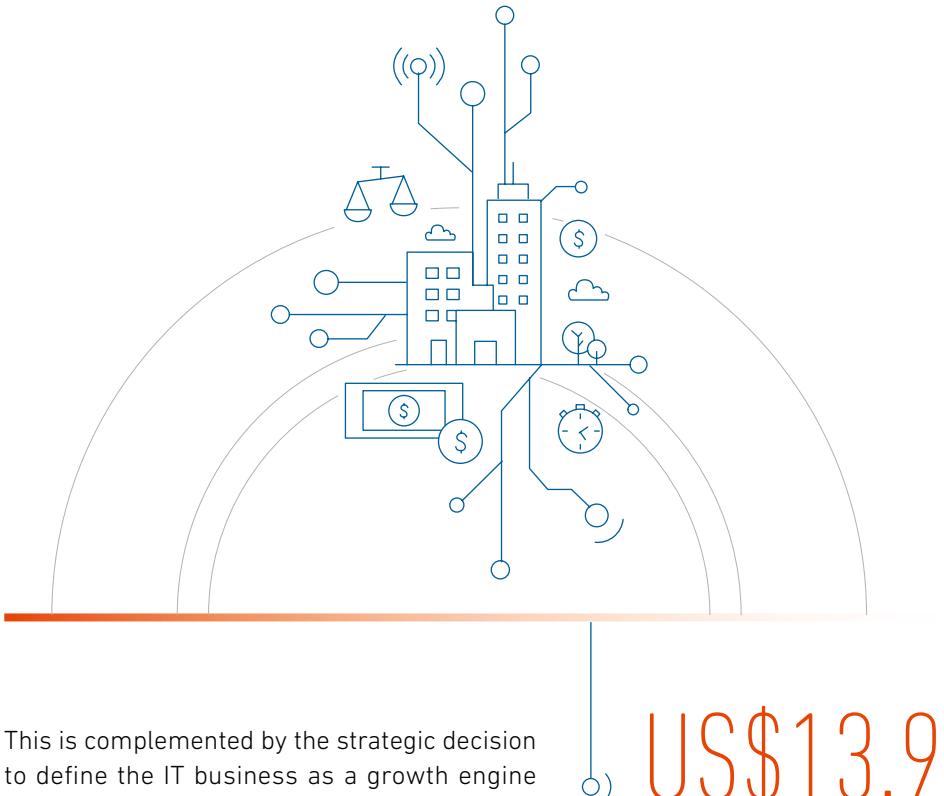
# Americatel

**A**mericatel Peru is a telecommunications and information technology company and has been increasing its portfolio of products in the market in which it operates. These include, in addition to an integrated offering of voice and data services with a focus on the business segment, an offering of housing, hosting cloud computing and IT services on demand, supported in its Lima-Peru, TIER III category data center.

Based on this, Americatel is recognized as a strong company capable of providing multi-product and multi-technology solutions. To this end it has a technical-commercial team designed for Enterprise and Corporate customers, and Customer Service oriented to meeting the needs and expectations of each segment in a flexible, agile way, with meaningful synergy in the integral ICT approach, with the support of the Entel Group.

## Strategy

In recent years Americatel has focused on meeting the needs of segments ranging from small to medium and large companies. This has been supported by the development of an optical fiber network in metropolitan Lima and in some of the most important provinces of Peru.



## Networks

Americatel's services are supported on three large interconnected fiber optic and satellite networks. The local Americatel network, with coverage throughout Lima, the national Americatel network, covering Peru's 24 departments, and the global network, with direct interconnection to the main operators across the world.

# Performance by business segment

## Telecommunications

### Strategic focus

- > To increase penetration in the medium, large enterprises and corporations segments through the sale of dedicated services (internet, data and fixed phone), prioritizing the sale of services through the fiber optic network.
- > To prioritize the creation of synergies with Entel Peru, especially in businesses that allow for expansion of the fiber optic network.

### Annual management

In 2017 the customer management department was strengthened, with high standards within the industry significantly reducing value churn and increasing customer satisfaction, with post customer service levels 18% up on 2016.

The sale of dedicated services was also prioritized, allowing for better penetration of the medium and large company segments. To this end, the following measures were adopted:

- > Ongoing sales force training in dedicated services
- > Strengthening the presale, quotes and insurance team
- > Systematic process of offerings of fiber optic coverage to the potential market.
- > Redesign of customer service

Work was also carried out on upselling clients and completely redesigning customer service. Against this backdrop, sales in dedicated services grew 26% in 12 months.

## Information Technologies

### Strategic focus

Promoting the business of hybrid services (cloud+collocation), to which the market has reacted positively given the data center outsourcing value proposition.

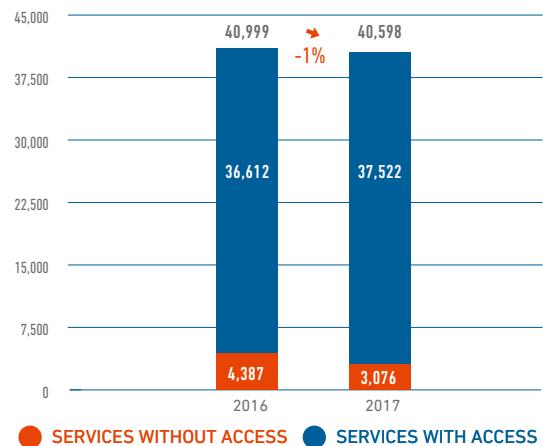
### Management

The product area was created, responsible for designing solutions and for relationship-building with hardware, software and cloud service brands. In addition, considerable effort was put in to create strategic alliances with different manufacturers and service integration partners in order to provide value solutions within the technological proposals.

In this context, products and solutions tailored to the needs and requirements of customers were designed, and new businesses were added, leading to a 52% increase in revenue recorded by Americatel IT in 2017, compared to 2016.

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### Americatel Peru Gross Revenue (US\$ 000)



Figures in local currency converted to the dollar using ER (sol/US\$) 3.2410

### Revenue

Americatel Peru was down 1% in terms of sales revenue, at US\$ 40.6 million. This drop can mainly be explained by lower long distance revenue associated with lower traffic and lower revenues in integrated voice and data services for companies using satellite technologies.

The fall was almost entirely offset by higher revenues from business services offered over fiber optics and IT outsourcing services.

# 5,549

Enterprises and  
Corporations Customers

Increase in fiber optic  
trunk network

# 400

km between 2016 to 2017,  
making a total of 700 km  
of network

Fixed Phone Service 2017

# 779

primaries

# Entel Call Center

Entel Call Center seeks to provide its customers with solutions across multiple service channels, with hybrid automation options and specialist agents, with the highest quality standards and integrated into other business processes within different organizations.

It is also an integral part of the customer service strategy of the Entel group.

## Services

- > **Multichannel services:** implementation of multimedia services, social networks, chat, tailor-made platforms and platforms complementary to existing remote service.
- > **Service Desk:** technical support help desks for Entel Group companies and external customers.
- > **Back Office Services:** implementation of services additional to customer service as part of a closed cycle.
- > **Sales campaigns:** consultative sales services, telemarketing and billing, incorporating delivery services.
- > **Customer service:** inbound service models, implemented using technologies such as IVR, CRM and service flows depending on the business.
- > **Technological services:** Implementation of on-demand technology platforms.
- > **Consulting service:** speech analytics on demand, quality audits and workforce management.

These services are integrated into a single, centralized information structure that allows for the intelligent use of data (big data). Service is end-to-end, with Entel Call Center contributing to the customer's value chain when interacting with end users.

8,777  
employees

## Communication channels

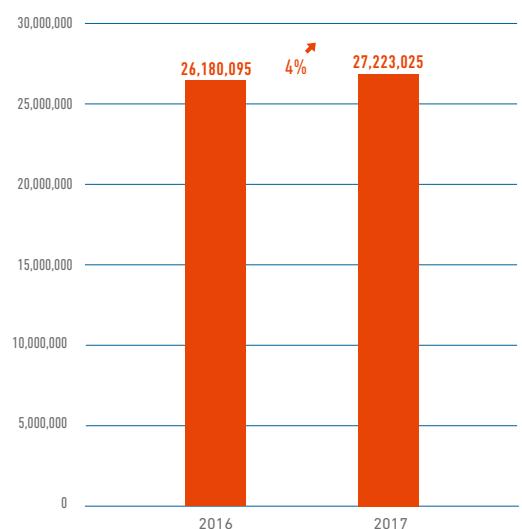
- > Social networks
- > IVR
- > Contact service via SMS
- > E-mailing
- > Chat/WhatsApp
- > Video calls
- > Click to Call

**Customers:** Entel Call Center has more than 90 clients, mainly public entities, financial institutions, retail companies and the commerce sector in general, in addition to the services that Entel Call Center provides to its parent company.

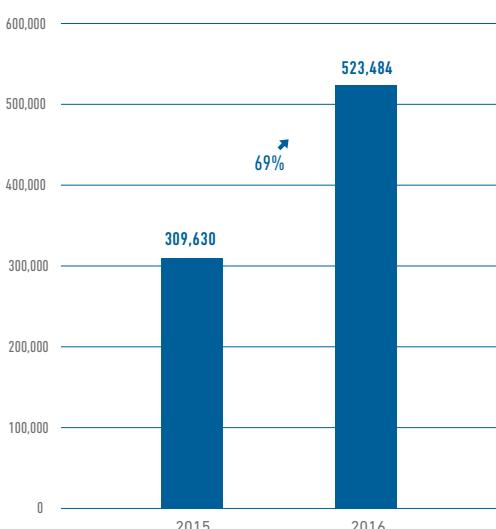


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### Inbound Interaction Received



### Social Media Interaction Received



## Business Management

The sales drive, deployed both in Chile and Peru, helped Entel Call Center cope with the low growth of the industry in both countries and the transformation of the demand for customer care services, which has resulted in less voice consultations and more digital consultation and use of self-management channels. In line with this trend, the demand for services Entel Call Center has in Chile with its parent company, Entel SA, was also reduced.

The performance of Entel Call Center Service for Peru, meanwhile, was positively impacted in aggregate by the increase in the subscriber base and the development of the Entel brand in that country. Indeed, in 2017 the telesales platform was consolidated as an important channel for attracting new customers.

As such, operations in Peru represent about 51% of the total income of Entel Call Center.

	Chile	Peru
<b>Staff</b>		
	2,854	5,923
<b>Gender (%)</b>		
Men	42%	45%
Women	58%	55%
<b>Age</b>		
Younger than 20	1%	4%
20 to 29	46%	64%
30 to 39	34%	25%
40 to 49	13%	6%
50 to 59	4%	1%
60 to 69	1%	0%
70 to 79	0%	0%

## Customer Satisfaction

The company manages the customer experience through tools that allow service levels to be measured and established online.

To this end, in 2017 a new technology and work methodology known as speech analytics was incorporated. This tool allows the calls executives deal with to be monitored over a shorter period, and in addition for samples to be larger, positively impacting analysis and improvement.

Additionally, the company measures critical and non critical error accuracy, indicators that are contrasted with the satisfaction of end users, allowing for the detection of opportunities for improvement, both for executives and processes. Also, at least four calls per month for each operator are assessed.

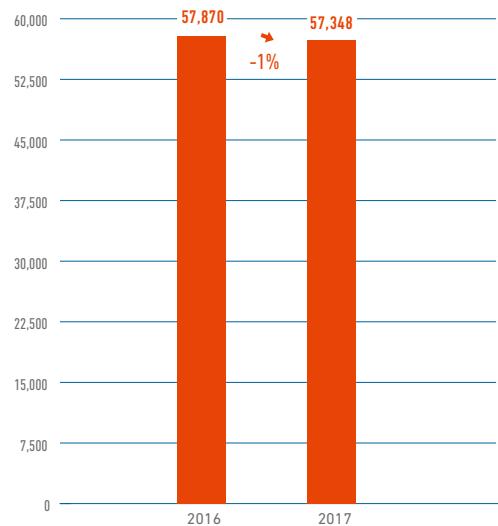
Along with an ongoing training program and continuous improvement of the agents, Entel Call Center also has a loyalty program, known as "Yo adhiero", in Chile, and "Apégate", in Peru. By the end of 2017, 100% of supervisors had participated in these loyalty programs.

## Employees and positions by country

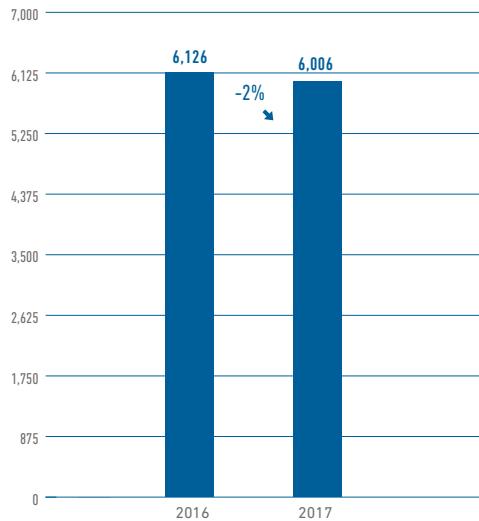


For translation purpose

**Consolidated revenue for Entel Call Center**  
CLP million



**Consolidated EBITDA for ENTEL Call Center Chile - Peru**  
(CLP million)



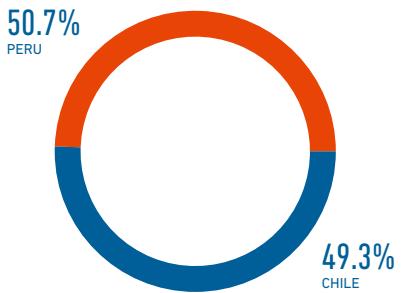
## Revenue

Entel Call Center revenue remained moderately stable in 2017 compared to the previous year. This performance can be explained by the 8.6% drop in revenue recorded for Chile, offset by growth in Peru of 7.9%.

This uneven result between the countries is part of the process of migrating services to Peru due to better competitive and market conditions.

In terms of EBITDA, the result for 12 months was in line, down 2%. This is due mainly to the fact that in Chile EBITDA fell by 7.2%, owing to the lower level of income resulting from the migration of services to the operation in Peru.

**Revenue by country of origin**



# Results

For translation purpose

Entel Peru added more than 1.5 million to its customer base in one year and continues to drive consolidated revenues.

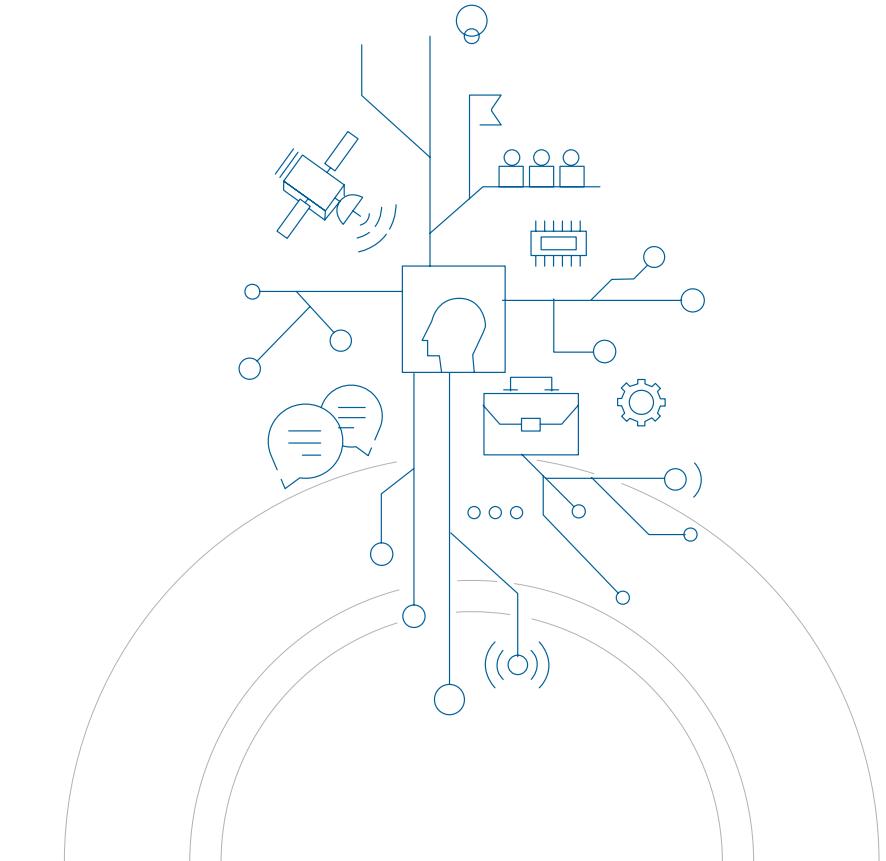
In Chile, the launch of unlimited data plans for high-value customers and the national rollout of its 4G + network resulted in significant growth in the postpaid customer base.

Residential fixed services, connectivity for companies and IT services show sustained growth.

## Strategy 2017

The year 2017 saw low economic dynamism in Chile and the region. In Chile, GDP is expected to grow 1.4%, lower than 2016's 1.6%. In the first half of the year the fall of the mining sector deepened, for internal and external reasons, keeping the price of a pound of copper under US\$ 2.7, until the middle of the year. In addition, business and consumer confidence remained at low levels, although higher than the previous year. Inflation remained within the Central Bank's target range, closing the year at 2.3%. The exchange rate, meanwhile, was down 8.2% on year-end 2016, closing at CLP614.75.

In the telecommunications sector, the trend towards an increase in data consumption was strengthened in Chile, requiring operators to adapt their networks, facing the challenge of providing an increasingly robust infrastructure.



Marked by strong competition, the sector grew about 4.3% as at December 2017, according to Entel estimates. The growth was driven by mobile phone services (+ 6.2%), mainly linked to higher revenue from mobile handsets. In the fixed world, the residential market led the way, with growth in demand for pay-TV (+ 5.2%) and fixed broadband (+ 3.4%), consolidating the vision for internet access as an essential asset for the community. In terms of business services, growth in IT services was notable, up 5.4%, in line with the integration of digital services.

Mobile services, on the other hand, was marked by the deepening of mobile data consumption and the migration of prepaid plans to postpaid (control plans). At the same time, operators sought to retain customers by increasing consumption quotas, impacting revenue from overage services and responsible for lower growth over the year.

In this regard Entel held on to its leadership in the mobile market with a 38.6% share of revenue from mobile services (annual average) and a high level of satisfaction among its customers, driven by an attractive offering with increasingly more data, supported by its 4G+ national network. As of March 2017 the network has had Carrier Aggregation, technology that supports high speeds as it uses the 700 MHz and 2,600 MHz bands to navigate the net.

In addition, Entel has continued to grow in the various segments in which it participates in the fixed segment. In Chile, residential solutions continue to be deployed, providing voice, broadband and television services through wireless solutions. To date there are 442,000 RGUs. Fiber optic infrastructure for the home was also deployed, allowing the preliminary launch of fiber services that by the end of 2017, with 199,000 houses passed.

Voice and business data connectivity solutions and information technology services likewise showed growth. With strong emphasis on data center solutions and progressing in the development of digital solutions for the enterprises and corporations segments.

The focus on efficiency in all activities, combined with the initial effects of the digitalization process that the company has been implementing since 2015, were consolidated in 2017. In this context

the entire prepaid base was migrated to the new digital systems, improving the customer experience, facilitating interactions and allowing operational improvements such as configuring plans, new launches, 360 degree management of customer service and new service channels.

In Peru the company is facing a highly competitive market with aggressive data promotions. Entel Peru continued to improve significantly in terms of customer base and income generation. This was supported by a distinctive experience in the overall customer satisfaction, providing quality of services through an infrastructure, segmentation and first level multichannel approach.

Over the year the company continued to grow in terms of direct service margin and to reduce the acquisition cost of items sold, due to lower handset subsidies and efficiencies in the sales process.

The company has meanwhile maintained its leadership in service experience in the various segments in terms of overall satisfaction, backed by high levels of preference and brand recall.

For translation purpose

# Main Milestones of the Year

## Customer base growth in Peru.

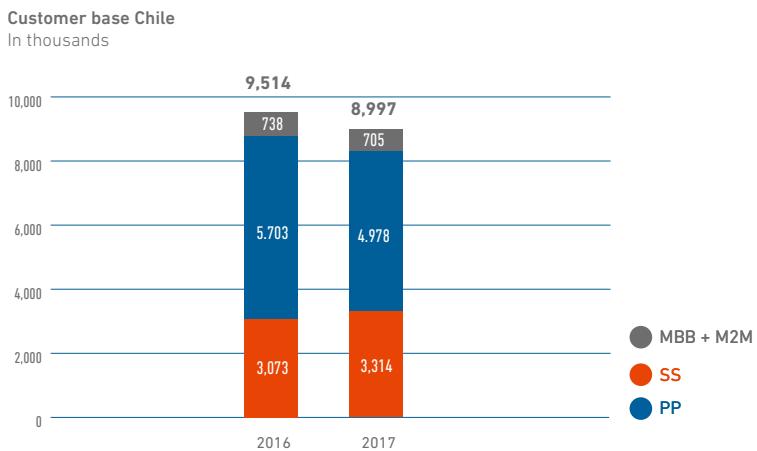
There are 6.5 million customers in Peru, an increase of 36% over year-end 2016, leveraged by a distinctive experience, providing quality services through a world-class network. This, in the midst of a very competitive industry, with aggressive data promotions.

## Growth in the data offering

In Chile, Entel continued to increase its mobile data offering, based on its national 4G network coverage, infrastructure and capacity, while investing in digital transformation to improve the customer experience and generate more efficient processes.

## Increase in consolidated revenue

After growing 4%, Entel SA's consolidated revenue totaled CLP1,955,171 million, mainly driven by Entel Peru (+ 31%), which experienced a rise in service revenues associated with a 36% increase in its customer base, along with a higher revenue from handsets. Revenue from fixed services, meanwhile, for the Enterprises and Corporations segment and Entel Residential, grew 12%. These increases were, in part, offset by lower mobile revenue (-3%) and infrastructure and wholesale leasing (-20%).



## Mobile Telephone Services - Chile

**Nine million customers:** There were 8,996,527 customers in Chile, a fall of 5.4% compared to the close of 2016, mainly explained by a drop in the prepaid segment (-12.7%) due to an increase in churn associated with the "Sim only" low-value sales model, together with more migrations to post-paid "controlled account" plans. There was also a reduction in mobile broadband customers (-4.5%), partly offset by an increase in the postpaid voice base (+7.8%).



In 2017 Entel became the main supplier of 4G in Chile. At year-end there were more than three million 4G customers. This represents growth of 55% compared to the close of 2016.

In 2017, Entel launched a new concept - "Unlimited Connection" - which marked a milestone with the introduction of unlimited data for customers with higher cost plans. Entel increased its portfolio with the launch of up to three additional lines with unlimited services at promotional prices, in order to offer customers more benefits and a better experience. For lower-value plans, gigabytes were given away and access to more unlimited social networks was extended. Added to this was the sale of handsets with new financing alternatives.

**Mobile phone service revenue:** revenues from mobile services in Chile decreased by 3% over the 12 months, which can be explained in part by the drop in monthly voice and data services (overage) in the postpaid segment, together with lower prepaid revenue due to migration from prepaid to postpaid and a fall in the base. The effect of these factors was partially offset by the increase in fixed income revenue generated by the change in the commercial offering. Revenue from handsets went up due to lower subsidies.

**Main 4G supplier in Chile:** 4G customers amounted to 3.1 million at the end of 2017, showing a growth of 55% compared to the end of 2016.

**Increased data offering:** since August the company has lead the unlimited offering of data for premium range plans and increased data for the other plans with good results in terms of subscription portability. The market reacted to Entel's offering, generating a significant reconfiguration in the postpaid market, which generated:

- > Increase in data traffic.
- > Decrease in revenue from overage.
- > Lower subsidies.
- > New handset sales model.

For translation purpose



## Mobile Phone Services - Peru

### Strategy 2017

In 2017 it is estimated that the Peruvian economy grew 2.5%, driven mainly by domestic (+9.9%) and external demand, given the increase in total exports. This factor was partially offset by the impact of the El Niño Costero phenomenon, which hit the country at the beginning of the year. Inflation closed the year at 1.5% (3.2% in 2016). The exchange rate meanwhile went up 3.32% against the dollar, closing the year at PEN/US\$3.241

Revenue from the telecommunications industry in Peru fell 3.8% over the year, mainly due to the reduction of access charges in the mobile business (-24%) and high competition in the mobile sector. In the fixed market revenue was up, 25% in television services and 9% in the fixed internet segment.

Industry customers increased in all segments, with an increase of 4.5% in mobile subscribers and 9.2% in fixed internet customers. Meanwhile fixed voice service customers fell 4.4%.

As in the previous year, the dynamics of the market moved towards an ever greater offering of data and intense promotions.

Against this backdrop Entel Peru continued to consolidate its strategy, making progress in brand positioning and market perception (brand's top of mind was 31% and general preference 41.4%). This helped generate 36% growth in the customer base, split 34% for postpaid and 66% for prepaid and generating high portability indexes. All this effort was rewarded by the recognition of the customers, reflected in the BCX Latin America award for the Best Customer Experience.

The network continued to expand, with 3,362 points of presence for the 2G/3G/4G network in the country, in the midst of an ongoing effort to increase coverage in those places further away from populated areas.

Efficiency in sales channels, meanwhile, was approached through the closure of stores with low traffic.

**6.5 million mobile customers.** Entel Peru had 6,543,127 mobile customers at the end of 2017, 36% up on the end of 2016. The net additions came to 1,734,372 customers. In this way, the prepaid base reached 4,285,790 customers (+ 45.3%), postpaid, 2,146,059 (+ 21.9%) and MBB (including M2M), 108,117 (+ 18%), driven by attractive offers, both in postpaid and prepaid. Higher data usage quotas were also added in both segments, such as the use of messaging applications and social networks without discounting Gb if the customer ported, and unlimited voice calls to other operators, which the other operators were also part of.

**31% rise in revenues:** revenues at the end of 2017 totaled CLP457,018 million, 31% higher than for the same period in 2016. Higher service revenues (+27%), in line with higher growth in the customer base (+36%), can explain this increase, which was partly offset by a drop in mobile access charges as of April 2017.

Revenue from the sale of handsets grew 60%, mostly associated with the postpaid segment due to lower subsidies.

Average ARPU fell 9% compared to year-end 2016, down to US\$8.2, mainly due to the drop in access charges registered in April 2017 (-24%) and changes in the split of the customer base (prepaid rose from 61% to 66% between 2016 and 2017).

**Mobile offering:** the company continued marketing its multimedia plans, increasing Gbs for the plans throughout the year. As of October 2017, the unlimited model for high-end plans was changed and data allocations were increased for the lower value plans. Meanwhile the low-cost "simple postpaid" acquisition model continued to increase its capillarity through retail channels. There were also plans focusing on enterprises

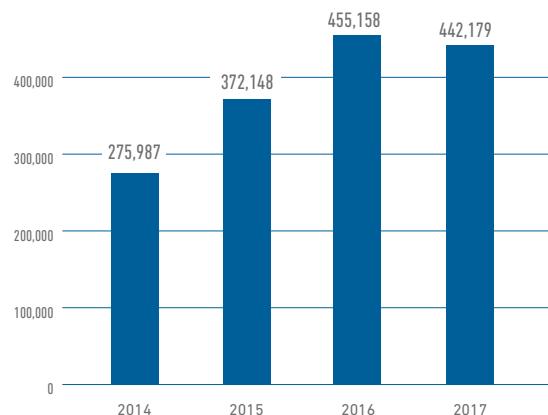
and corporations, providing connectivity tools for companies such as the "Empresa Conectada" plans which allow email and WhatsApp use after the data has been used up.

**Wireless offering:** Residential wireless services continued to expand, reaching 94,000 active services with 83,000 net additions in 2017. The offer includes broadband and wireless voice services. Is sold through various distribution channels and retail channels. The kit is self-installable, low cost and operates in five cities. The service is provided through the 700 MHz spectrum mobile network. Customers were mostly users with no access to fixed-line residential internet and the service was offered selectively in certain cities of Peru.



For translation purpose

RGU Consumers Residential



## Entel Residential Services

The income from Entel Residential in Chile grew 14.5% over the year, after totaling CLP69,058 million. This increase is associated with growth in television services (+23.4%) and wireless broadband services (+60.7%), in line with the growth of TV RGUs (+4.5%) and Broadband (+39.7%). Total RGUs at the end of 2017 hit 442,000, down 3% on 2016, in line with the higher churn rate of voice services. ARPU grew 5.5% compared to year-end 2016, given the increase in the sale of bundled packages.

Over the year the installation of fiber optic for Enterprises and Residential continued. The year closed with 107,000 businesses "passed" in the enterprises segment, focused on corporate clusters and 199,000 homes passed in the residential segment, mainly in sectors with high household density. In medium-to-low density residential sectors, FWBB coverage continued, covering around 300,000 households with this fixed wireless internet solution.

## Fixed Voice, Data and IT Services

**Solid growth:** integrated voice, data and IT services are on a path of continuous growth. In 2017, IT services grew 7.4%, mainly associated with traditional data center and operational services, together with digital solutions services, cloud computing and cyber security. There was also an increase in revenues in traditional data services (+ 6.7%), given the offering of solutions to large corporations over the MPLS network. Likewise, services to small and medium-sized companies grew (+ 8.8%), driven by services with access to fiber optics that provide greater capacity and speed, such as Trunk-IP and Business Pack.

**Wholesale Service and Call Center:** the segment for infrastructure leasing and wholesale sales to other companies and the call centers saw a decline in revenue in 2017 as a result of a drop in leasing revenue from fixed infrastructure, national roaming services and the traffic business, combined with a fall in international roaming revenues.

**Lower revenue in Americatel Peru:** the Peruvian subsidiary showed a slight decrease in revenue (-1.0%) compared to 2016, closing 2017 at CLP23,710 million. Long-distance services and the traffic business turned in the biggest losses, associated with lower traffic and rates in international services. Meanwhile revenue from integrated voice/data services for the enterprises segment increased, in line with the expansion of fiber optic deployment in Lima, together with the IT services associated with data center services.

# Financial Results

## EBITDA

Consolidated EBITDA in 2017 reached CLP437,103 million, 3% up on the previous year. This result can be explained in part by the lower losses of Entel Peru (+37%), partially offset by lower margins in Chile (-6.0%).

Similarly, EBITDA for Entel Peru was down CLP75,998 million, an improvement to the tune of CLP45,491 million on year-end 2016 (+37%). The improvement observed in Peru is mainly associated with a better service margin (+26%) due to solid growth in the customer base (+36%), and higher handset revenue (+60%), especially in the postpaid segment, in line with lower subsidies and changes in the handset sales model. Higher expenses due to the increase in commercial activity offset this growth in part.

In Chile, the drop can be explained by lower margins in mobile services and the leasing of infrastructure to other operators, as well as CLP11,300 million of extraordinary income recorded the previous year. On the other hand, fixed businesses saw a rise in margins in the corporate & SME segment and Entel Hogar (residential services).

The consolidated operation shows an EBITDA margin of 22.4% for 2017, remaining stable over the year and 15 basis points lower than the end of 2016 (22.5%). Through operational efficiencies such as enabling projects - TDE and the agile transformation - the company has managed to maintain its margins in a competitive landscape,

without compromising its leadership capacity or service quality.

Operating income as at December 31, 2017 was CLP117,385 million, an increase of 3% over year-end 2016. This result is due to lower losses in Entel Peru.



For translation purpose

## Non-operating income

Non-operating income at the end of 2017 shows a loss of CLP 91,384 million - a decrease in the loss of CLP16,871 million (-15.5%) compared to year-end 2016. This was mainly due to a higher valuation of financial instruments (mark to market), lower readjustments for Unidades de Fomento (UF) of derivative instruments and bonds, and a lower cost of currency hedging instruments. In part this was offset by a higher cost of debt amortization relating to the refinancing of international credit and higher interest costs for local credit.

## Annual profit

Income tax for 2017 includes the increase in the tax rate from 24.0% to 25.5% for the year. For the fiscal year taxable income was CLP17,408 million, lower than the previous year (CLP28,017 million), due to a lower exchange rate, which generated a lower tax value for investments abroad, partly offset by reduced credits associated with smaller losses in Entel Peru.

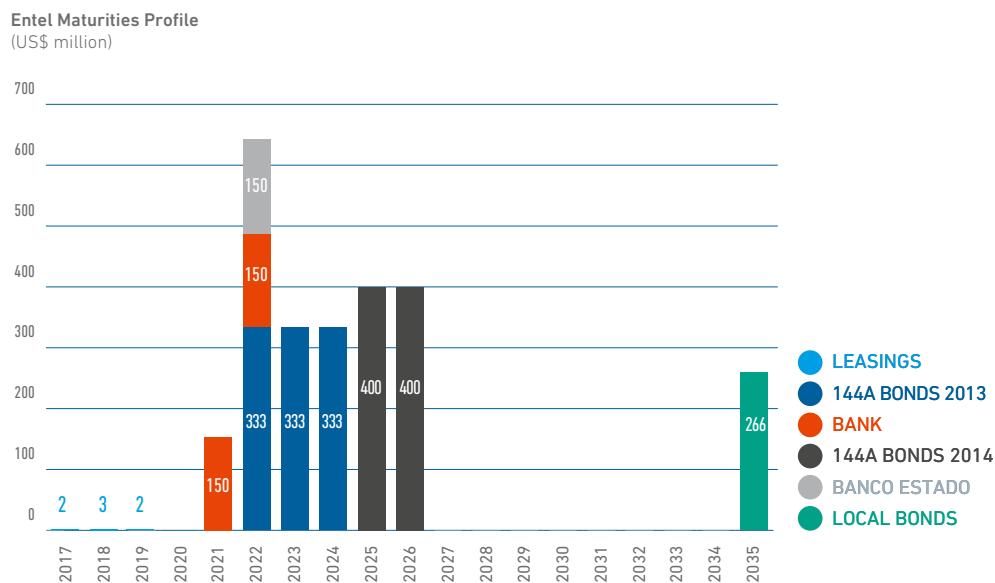
As at December 31, 2017, final profit was CLP43,410 million, CLP9,252 million (+ 27%) up on the close of the previous year (CLP34,158 million).

## Investments

Investments (excluding spectral licenses) in 2017 came to CLP387,011 million, up CLP23,728 million (+6.5%) on 2016. In Chile it mostly went on mobile and fixed infrastructure and data centers (52%); mandatory coverage projects (10%); the enterprises and corporations segment (17%) and the company's digital transformation project (12%). In Peru, investments went mostly towards growing the network, IT and channel development.

## Cash flow from operating activities

The consolidated operation showed positive operating cash flow at the end of the year to the tune of CLP65,905 million, an improvement on the CLP7,534 million negative flow with which it closed 2016 (not including the CLP190,600 million payment for the 700 MHz band in Peru). The change was due to improvements in working capital and consolidated EBITDA due mainly to the lower losses for Entel Peru.



## Debt

In 2017 the term of the company's international loan for US\$300 million (Libor rate + 1.5%) was extended by two years. This was achieved by prepaying the Club Deal credit. As such US\$225 million was taken out with Bank of Nova Scotia and Export Development Canada (EDC), at a rate of Libor + 0.85%, and the remaining US\$75 million was financed in local currency with Banco Chile and Scotiabank Chile at an average rate of TAB + 0.35%. The first due dates are scheduled for 2021. The first due dates are scheduled for 2021.

At the end of 2017, gross financial debt reached CLP1,584.7 million, down 1% on the close of the previous year, due in part to the lower exchange rate (-8.9%), which affects the dollar-denominated debt. This was partially offset by a new local loan of CLP99,000 million with BancoEstado, taken out in the first half of the year, and by inflation, which impacts the debt denominated in Unidades de Fomento. Net financial debt closed the year at CLP1,443.2 million, 5% up on year-end 2016. The company's debt is fully hedged against changes in the exchange rate through derivative instruments, 74% of which are fixed rate.

**Rating maintained by ratings agencies:** in 2017 the company maintained its BBB Fitch and Standard & Poors rating, and Moody's BBB- score. The latter improved its outlook from negative to stable.

For translation purpose

CONSOLIDATED RESULTS (CLP million)			
	2017	2016	% Change
Consolidated Revenue	1,955,171	1,887,302	4%
EBITDA	437,103	424,781	3%
Operational profit	117,385	114,395	3%
Net Interest Expense	-74,810	-76,269	-2%
Exchange rate and adjustment of units of account	-16,574	-31,986	-48%
Pre-Tax Profit	26,001	6,140	323%
Taxes	17,409	28,018	-38%
Annual Profit	43,410	34,158	27%

OPERATING REVENUE (CLP billion)			
	2017	2016	% Change
Mobile Phone Services-Chile	1,050,382	1,082,156	-3%
Mobile Phone Services-Peru	457,018	348,295	31%
Data Services (including IT)	188,921	175,284	8%
Local Telephone Services (*)	57,244	63,533	-10%
Long Distance	12,367	16,399	-25%
Internet (**)	43,845	35,079	25%
Services to Other Operators	43,425	52,786	-18%
Traffic Business	19,989	26,853	-26%
TV Service	33,161	27,725	20%
Americatel Peru	23,710	24,050	-1%
Call Center Services and Other	13,007	15,537	-16%
Other Revenue	12,102	19,605	-38%
Total Operating Revenue	1,955,171	1,887,302	4%

(\*) Includes traditional fixed line revenue, NGN-IP and trunk IP sections

(\*\*) Includes revenue from Duo

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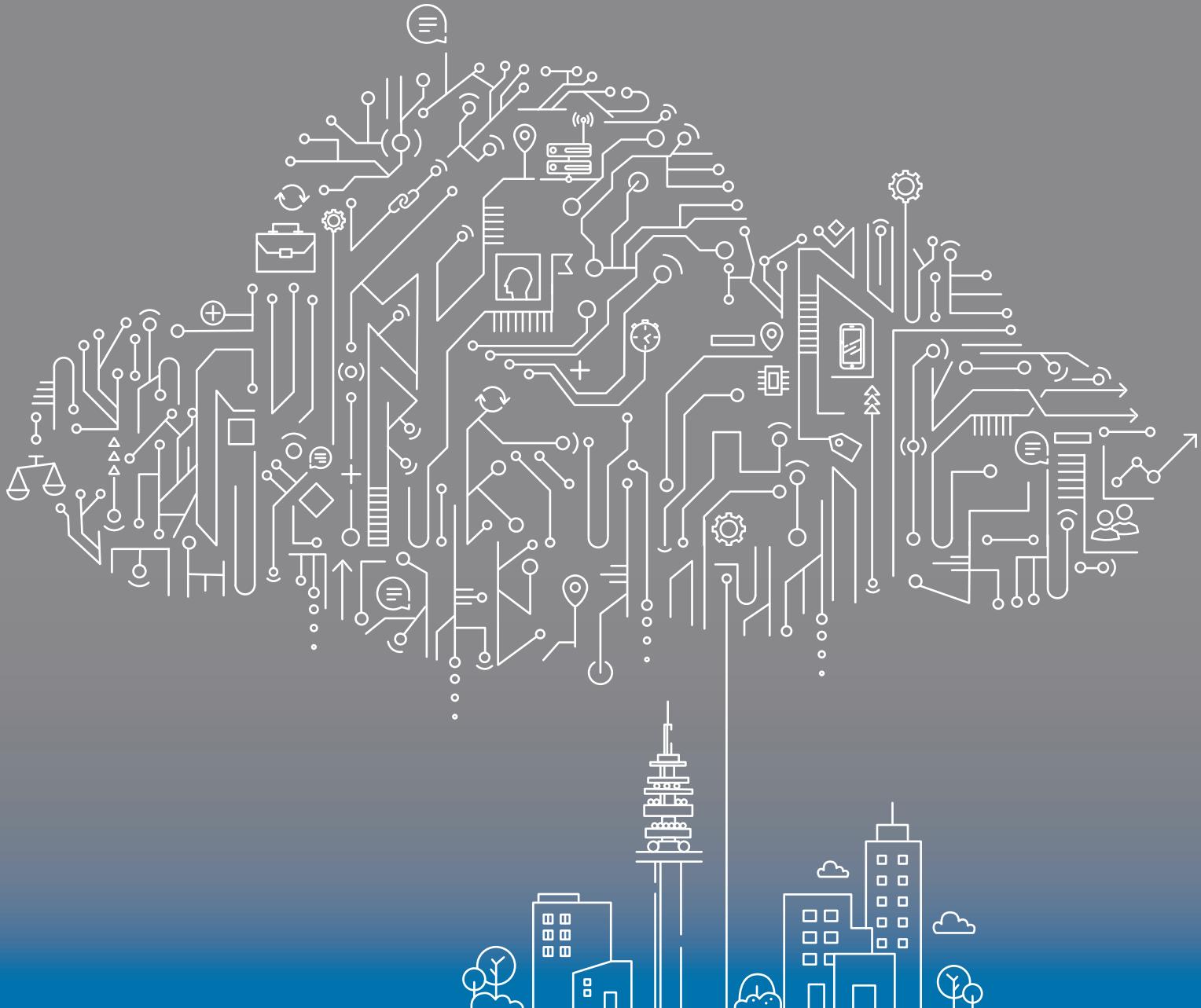


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**REPORT 2017**

FINANCIAL INFORMATION



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## 03

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# Company Information

## Articles of Incorporation

Entel Chile S.A. was incorporated as a corporation by public deed, issued before notary Jaime García Palazuelos in Santiago on August 31, 1964. The company and its articles of incorporation were approved by Supreme Decree No. 5,487, issued by the Ministry of the Treasury on December 30, 1964.

The relevant extract can be found on page 381, No. 191, and the aforementioned decree on page 384, No. 192, of the Santiago Trade Register, dated January 18, 1965, and published in the Official State Gazette on January 20, 1965. The company was declared legally established by Supreme Decree No. 1,088, issued by the Ministry of the Treasury on April 4, 1966.

The company statutes have subsequently undergone a number of modifications to ensure compliance with Decree Law No. 3,500 (1980) regarding the number and nationality of directors, the existence of alternative directors, increases in capital and expanding the areas in which the company operates.

## Company Ownership

As at December 31, 2017, the capital stock of Empresa Nacional de Telecomunicaciones S.A. was distributed in 302,017,113 single-series shares, fully subscribed and paid-in by its 1,876 shareholders.

The 12 largest shareholders of Entel S.A. are listed in the table below, together with the size of their shareholding and its percentage.

	Name or Company Name	Shares on 12/31/2017	% Share
1	INV ALTEL LTDA	165,674,102	54.856%
2	BANCO DE CHILE ON BEHALF OF NON-RESIDENT THIRD PARTIES	24,346,083	8.061%
3	BANCO ITAU ON BEHALF OF INVESTORS	18,957,286	6.277%
4	AFP PROVIDA S.A.	16,111,305	5.335%
5	AFP HABITAT S A	12,079,531	4.000%
6	AFP CUPRUM S A	11,341,633	3.755%
7	AFP CAPITAL S A	8,609,859	2.851%
8	BANCO SANTANDER ON BEHALF OF FOREIGN INVESTORS	8,256,148	2.734%
9	AFP MODELO S.A.	3,725,940	1.234%
10	BANCHILE C DE B S A	2,701,923	0.895%
11	SANTANDER STOCKBROKERS LIMITED	2,155,823	0.714%
12	AFP PLANVITAL SA	1,952,514	0.646%
	Other	26,104,966	8.644%
	<b>Total</b>	<b>302,017,113</b>	<b>100.000%</b>

For translation purpose

## Controllers

In compliance with General Regulation No. 30, Inversiones Altel Ltda., Tax ID 76.242.520-3, remains the controller of Entel without any change, and with 165,674,102 shares, representing a 54.856% stake in the Group. Inversiones Altel Ltda. is owned by Almendral Telecomunicaciones S.A., Tax ID 99.586.130-5, with a 99.9917%, share and Almendral S.A., Tax ID 94,270,000-8, with a participation of 0.0083% and where Al-

mendral Telecomunicaciones SA belongs 100% to Almendral SA. The natural and legal persons that form part of the Controlling Group, directly and indirectly, are:

Information contained in the shareholder register as at December 31, 2017.

TAX ID	SHAREHOLDER	(%)	SHARES
96.878.530-3	Inversiones Nilo S.A. (*)	6.86%	1,235,926,704
96.895.660-4	Inversiones El Rauli S.A.	5.25%	946,366,424
96.969.110-8	Forestal Cañada S.A.	4.30%	774,109,283
79.770.520-9	Forestal y Pesquera Copahue S.A.	3.36%	606,020,425
94.645.000-6	Inmobiliaria Ñagué S.A.	1.36%	245,169,998
96.800.810-2	Inmobiliaria Canigue S. A.	2.16%	388,766,998
90.412.000-6	Minera Valparaíso S.A.	2.13%	384,296,690
96.791.310-3	Inmobiliaria Teatinos S. A.	1.60%	288,164,056
95.980.000-6	Forestal O'Higgins SA	1.44%	260,179,732
81.358.600-2	Cominco S.A.	1.15%	206,601,992
96.878.540-0	Inversiones Orinoco S. A.	1.07%	192,109,370
81.280.300-K	Viecal S.A.	0.70%	126,871,904
79.621.850-9	Forestal Cominco S.A.	0.58%	104,994,454
77.320.330-K	Inversiones Coillanca Limitada	0.37%	67,401,166
96.656.410-5	Bice Vida Compañía de Seguros	0.16%	29,195,853
4.333.299-6	Patricia Matte Larraín	0.04%	6,462,746
6.598.728-7	Bernardo Matte Larraín (*)	0.03%	4,974,342
4.436.502-2	Eliodoro Matte Larraín (*)	0.03%	4,920,302
	Grupo Matte (18)	32.59%	5,872,532,439
77.302.620-3	Inversiones Teval S.A.	9.65%	1,738,677,957
77.677.870-2	Inversiones Los Almendros Limitada	2.34%	421,239,288
76.086.315-8	Inversiones C R Limitada	0.05%	8,912,851
	Grupo Fernández León (3)	12.04%	2,168,830,096
96.950.580-0	Inversiones Huiland S.A.	8.47%	1,526,191,700
89.979.600-4	Inversiones Paso Nevado Ltda.	1.94%	349,685,252
96.502.590-1	Inversiones Metropolitana Ltda	0.36%	65,399,151
	Grupo Hurtado Vicuña (3)	10.77%	1,941,276,103

Information contained in the shareholder register as at December 31, 2017.

TAX ID	SHAREHOLDER	(%)	SHARES
79.619.200-3	Consorcio Financiero S.A. (*)	5.06%	912,212,094
99.012.000-5	Cía. De Seguros de Vida Consorcio	4.08%	734,924,284
96.579.280-5	CN Life Compañía de Seg. De Vida S. A.	0.57%	102,431,278
	<b>Grupo Consorcio (3)</b>	<b>9.71%</b>	<b>1,749,567,656</b>
85.127.400-6	Inmobiliaria Escorial Ltda.	2.58%	464,431,708
96.927.570-8	Los Peumos S.A.	1.96%	353,426,826
76.503.333-0	Inversiones Rapel Ltda.	0.78%	141,221,944
79.937.090-8	Andromeda Inversiones Ltda.	0.76%	136,633,769
78.136.230-1	Santa Rosario de Inversiones Ltda.	0.47%	85,463,040
79.942.850-4	Inversiones El Manzano Ltda.	0.46%	82,360,247
79.934.710-5	Inversiones Marchigue Ltda. (*)	0.31%	56,177,702
77.740.800-3	Inversiones La Estancia Ltda.	0.25%	45,226,047
79.933.390-2	Andacollo de Inversiones Ltda.	0.22%	38,996,296
77.174.230-0	Inversiones Los Ciervos Ltda.	0.03%	5,936,539
96.932.040-1	Los Boldos	0.02%	4,170,190
79.966.130-6	Inmobiliaria e Inversiones Santa Sofía Ltda	0.02%	4,110,485
76.452.873-5	Soc. Colectiva Civil Inversiones Los Robles (*)	0.02%	4,110,485
78.130.310-0	Andaluza Sociedad de Inversiones Limitada	0.02%	4,099,022
76.073.008-4	La Esperanza S. A.	0.02%	4,099,022
4.431.346-4	Valdes Covarrubias María Teresa	0.02%	3,299,023
96.928.240-2	Santo Domingo de Inversiones S. A.	0.02%	3,079,761
77.863.390-6	Cerro Colorado de Inversiones Ltda.	0.02%	3,079,761
96.962.800-7	Inmobiliaria Estoril II S.A.	0.00%	124,619
79.937.930-9	Inmobiliaria Santoña Ltda	0.00%	43,109
	<b>Grupo Izquierdo Menéndez (20)</b>	<b>7.99%</b>	<b>1,440,089,595</b>
96.949.800-6	Inversiones Green Limitada	2.43%	438,537,590
76.416.848-8	Allegro SpA	0.92%	166,199,560
76.416.849-6	Flomanju SpA (*)	0.92%	166,199,560
76.416.851-8	Pifemarno SpA (*)	0.85%	152,948,520
	<b>Grupo Gianoli (4)</b>	<b>5.13%</b>	<b>923,885,230</b>
	<b>Controlling Group (51)</b>	<b>78.24%</b>	<b>14,096,181,119</b>
	<b>Minor shareholders (1,633)</b>	<b>21.76%</b>	<b>3,921,398,012</b>
	<b>Total (1,684)</b>	<b>100%</b>	<b>18,017,579,131</b>

(\*) With shares held by stockbrokers

For translation purpose

## Grupo Matte

The companies of Grupo Matte are directly and indirectly controlled by the following individuals in the indicated percentages:

- Patricia Matte Larraín, Tax ID 4.333.299-6 (6.49%) and her children María Patricia Larraín Matte, Tax ID 9.000.338-0 (2.56%), María Magdalena Larraín Matte, Tax ID 6.376.977-0 (2.56%), Jorge Bernardo Larraín Matte, Tax ID 7.025.583-9 (2.56%), and Jorge Gabriel Larraín Matte, Tax ID 10.031.620K (2.56%).
- Eliodoro Matte Larraín, Tax ID 4.336.502-2 (7.21%) and his children Eliodoro Matte Capdevila, Tax ID 13.921.597-4 (3.27%), Jorge Matte Capdevila, Tax ID 14.169.037-K (3.27%), and María del Pilar Matte Capdevila, Tax ID 15.959.356-8 (3.27%).
- Bernardo Matte Larraín, Tax ID 6.598.728-7 (7.79%) and his children Bernardo Matte Izquierdo, Tax ID 15.637.711-2 (3.44%), Sofía Matte Izquierdo, Tax ID 16.095.796-4 (3.44%), and Francisco Matte Izquierdo, Tax ID 16.612.252-K (3.44%). The shareholders listed above belong by kinship to the aforementioned corporate group and have a formal joint action agreement.

## Grupo Fernández León

a) **Inversiones Los Almendros Ltda.**, whose ultimate controllers are Eduardo Fernández León (Tax ID 3.931.817-2), Valerie Mac Auliffe Granello (Tax ID 4.222.315-8), Eduardo Fernández Mac Auliffe (Tax ID 7.010.379-6), Tomás Fernández Mac Auliffe (Tax ID 7.010.380-K) and María José Cruzat Ochagavía (Tax ID 9.907.684-6) with 4.356%, 3.061%, 46.232%, 46.247% and 0.010% direct and indirect shares of the company's capital, respectively.

b) **inversiones Teval S.A.**, whose ultimate controllers are:

- Grupo Fernández León, comprising Eduardo Fernández León (Tax ID 3.931.817-2), Valerie Mac Auliffe Granello (Tax ID 4.222.315-8), Eduardo Fernández Mac Auliffe (Tax ID 7.010.379-6), Tomás Fernández Mac Auliffe (Tax ID 7.010.380-K) and María José Cruzat Ochagavía (Tax ID 9.907.684-6) with 4.510%, 3.614%, 20.781%, 20.832% and 0.036% indirect shares of the company's capital, respectively.
- Grupo Garcés Silva, comprising José Antonio Garcés Silva, Tax ID 3.984.154-1, María Teresa Silva Silva, Tax ID 3.717.514-5, María Paz Garcés Silva, Tax ID 7.032.689-2, María Teresa Garcés Silva, Tax ID 7.032.690-6, José Antonio Garcés Silva, Tax ID 8.745.864-4, Matías Alberto Garcés Silva, Tax ID 10.825.983-3 and Andrés Sergio Garcés Silva, Tax ID 10.828.517-6, with 3.51%, 0.67%, 9.1649%, 9.1649%, 9.1649%, 9.1649% and 9.1649% indirect shares of the company's capital, respectively.

c) **Inversiones Los Almendros Ltda.**, whose ultimate controllers are Eduardo Fernández León (Tax ID 3.931.817-2), Valerie Mac Auliffe Granello (Tax ID 4.222.315-8), Eduardo Fernández Mac Auliffe (Tax ID 7.010.379-6), Tomás Fernández Mac Auliffe (Tax ID 7.010.380-K) with 52.78%, 35.10%, 6.06% and 6.06% direct and indirect shares of the company's capital, respectively.

## Grupo Hurtado Vicuña

> José Ignacio Hurtado Vicuña, Tax ID 4.556.173-9, María Mercedes Hurtado Vicuña, Tax ID 4.332.503-5, María Victoria Hurtado Vicuña, Tax ID 4.332.502-7, Juan José Hurtado Vicuña, Tax ID 5.715.251-6, José Nicolás Hurtado Vicuña, Tax ID 4.773.781-8, and Pedro José Hurtado Vicuña, Tax ID 6.375.828-0, directly and indirectly, and in equal percentages, control the companies through which Grupo Hurtado acts as member of the controller Almendral S.A. (Inversiones Huillard, Inversiones Paso Nevada and Inversiones Metropolitana).

## Grupo Consorcio

a) **Consorcio Financiero S.A.**, whose ultimate controllers are:

> P&S S.A., with a share of 42.02% of the company's capital. P&S S.A. is controlled in equal percentages with a joint direct and indirect share of 82.06% of the company's capital, by José Ignacio Hurtado Vicuña (Tax ID 4.556.173-9), María Mercedes Hurtado Vicuña (Tax ID 4.332.503-5), María Victoria Hurtado Vicuña (Tax ID 4.332.502-7), Juan José Hurtado Vicuña (Tax ID 5.715.251-6), José Nicolás Hurtado Vicuña (Tax ID 4.773.781-8) and Pedro José Hurtado Vicuña (Tax ID 6.375.828-0).

> Banvida S.A., with a share of 42.02% of the company's capital. Inversiones Teval S.A. is controller of Banvida S.A. with a share of 80.30% of the company's capital.

b) **Compañía de Seguros de Vida Consorcio Nacional de Seguros S.A.**, whose ultimate controllers are the same as for Consorcio Financiero S.A., through which they hold a 99.91% share of capital of the former.

c) **CN Life Compañía de Seguros de Vida S.A.**, whose ultimate controllers are the same as for Consorcio Financiero S.A., through which they hold a 100% share of capital of the former.

## Izquierdo Menéndez

a) **Los Peumos S.A.**, whose ultimate controllers are Santiago Izquierdo Menéndez, Tax ID 5.742.959-3 and Bárbara Larraín Riesco Tax ID 6.448.657-8 with 97.04% and 2.96% direct and indirect shares of the company's capital, respectively.

b) **Inmobiliaria Santoña Ltda.**, whose ultimate controllers are Vicente Izquierdo Menéndez, Tax ID 5.741.891-5, and María Virginia Taboada Bittner, Tax ID 6.834.545-6, with 93.02% and 6.98% direct shares of the company's capital, respectively.

c) **Inmobiliaria Escorial Ltda.**, whose ultimate controller is Fernando Izquierdo Menéndez, Tax ID 3.567.488-8 (59.764%), Ida Ester Etchebarne Jaime, Tax ID 5.418.932-K (39.246%), Agustín Izquierdo Etchebarne, Tax ID 9.156.812-8 (0.198%), Fernando Jose Izquierdo Etchebarne, Tax ID 9.156.827-6 (0.198%), Francisco Izquierdo Etchebarne, Tax ID 12.027.838-K (0.198%), María de los Angeles Izquierdo Etchebarne, Tax ID 12.027.835-5 (0.198%), Cristián Tomás Izquierdo Etchebarne, Tax ID 15.642.698-9 (0.198%).

d) **Inversiones El Manzano Ltda.**, whose ultimate controllers are Diego Izquierdo Menéndez, Tax ID 3.932.428-8 (95.48%), María Isabel Reyes, Tax ID 5.748.650-3 (3.58%), Diego José Izquierdo Reyes, Tax ID 17.402.993-8 (0.23%), Pablo José Izquierdo Reyes, Tax ID 17.402.994-6 (0.23%), María Isabel Izquierdo Reyes, Tax ID 18.018.196-2 (0.23%) and María Alejandra Izquierdo Reyes, Tax ID 18.636.111-3 (0.23%).

For translation purpose

**e) Andacollo de Inversiones Ltda.**, whose ultimate controllers are Gonzalo Izquierdo Menéndez, Tax ID 3.567.484-5, and Luz María Irarrázaval Videla, Tax ID 5.310.548-3, with 99.99% and 0.01% direct shares of the company's capital, respectively.

**f) Santo Domingo de Inversiones S.A.**, whose ultimate controllers are Rosario Izquierdo Menéndez, Tax ID 5.548.438-4, and Santiago Izquierdo Menéndez, Tax ID 5.742.959-3, with 99.79% and 0.21% direct shares of the company's capital, respectively.

This company was taken over by Santa Rosario de Inversiones Ltda.

**g) Andrómeda Inversiones Ltda.**, whose ultimate controller is Roberto Izquierdo Menéndez, Tax ID 3.932.425-3 (22.2%), María Teresa Valdés Covarrubias, Tax ID 4.431.346-4 (1.6%), Roberto Izquierdo Valdés, Tax ID 9.099.538-3 (12.7%), Francisco Rodrigo Izquierdo Valdés, Tax ID 9.099.540-5 (12.7%), Luis Eduardo Izquierdo Valdés, Tax ID 9.099.537-5 (12.7%), José Manuel Izquierdo Valdés, Tax ID 9.968.191-8 (12.7%), María Teresa Izquierdo Valdés, Tax ID 9.099.215-5 (12.7%), and María Josefina Izquierdo Valdés, Tax ID 9.099.218-K (12.7%).

**h) Santa Rosario de Inversiones Ltda.**, whose ultimate controllers are Rosario Izquierdo Menéndez, Tax ID 5.548.438-4 and Santiago Izquierdo Menéndez Tax ID 5.742.959-3 with 99.79% and 0.21% direct shares of the company's capital, respectively.

**i) Inversiones La Estancia Ltda.**, whose ultimate controller is María del Carmen Izquierdo Menéndez, Tax ID 5.548.409-0 with 99.99% of the company's capital.

**j) Inversiones Los Ciervos Ltda.**, whose ultimate controller is Diego Izquierdo Menéndez, Tax ID 3.932.428-8 with a 99% share and María Isabel Reyes, Tax ID 5.748.650-3 with a 1% share of the company's capital.

**k) Inmobiliaria Estoril II S.A.** is controlled 100% by "Inmobiliaria Estoril SA" (direct and indirect control). The final controllers of the latter are: Matias Izquierdo Menendez, Tax ID 3.674.298-7, Roberto Izquierdo Menéndez, Tax ID 3.932.425-3, Gonzalo Izquierdo Menendez, Tax ID 3.567.484-5, Fernando Izquierdo Menendez, Tax ID 3.567.488-8, Diego Izquierdo Menendez, Tax ID 3.932.428-8, Santiago Izquierdo Menendez, Tax ID 5.742.959-3, Vicente Izquierdo Menendez, Tax ID 5.741.891-5, Rosario Izquierdo Menendez, Tax ID 5.548.438-4 and Carmen Izquierdo Menendez, Tax ID 5.548.409-0, each with 10.02% ownership, and Alejandra Izquierdo Menendez, Tax ID 5.020.827-3 and Gracia Izquierdo Menendez, Tax ID 5.742.317-K, with 2% each.

**l) inversiones Marchigue Ltda.**, whose ultimate controller is Fernando Izquierdo Menéndez, Tax ID 3.567.488-8 (57.55%), Ida Ester Etchebarne Jaime, Tax ID 5.418.932-K (6.2%), Juan Agustin Izquierdo Etchebarne, Tax ID 9.156.812-8 (7.25%), Fernando Jose Izquierdo Etchebarne, Tax ID 9.156.8276 (7.25%), Cristian Tomas Izquierdo Etchebarne, Tax ID 15.642.698-9 (7.25%), Francisco Izquierdo Etchebarne, Tax ID 12.027.838-K (7.25%), Maria de los Angeles Izquierdo Etchebarne, Tax ID 12.027.835-5 (7.25%).

**m) Los Boldos S.A.**, whose ultimate controllers are Rosario Izquierdo Menéndez, Tax ID 5.548.438-4, and Santiago Izquierdo Menéndez Tax ID 5.742.959-3 with 99.77% and 0.23% direct and indirect shares of the company's capital, respectively.

**n) Inversiones Rapel Limitada S.A.**, whose ultimate controllers are Vicente Izquierdo Menéndez, Tax ID 5.741.891-5, and María Virginia Taboada Bittner, Tax ID 6.834.545-6, with 93.02% and 6.98% direct shares of the company's capital, respectively.

**o) Andaluza Sociedad de Inversion S.A.**, whose ultimate controller is María Alejandra Izquierdo Menéndez, Tax ID 5.020.827-3, with a 99.99% share of the company's capital.

**p) La Esperanza S.A.**, whose ultimate controller is Gracia Inés Izquierdo Menéndez, Tax ID 5.742.317-K, with a 99.99% share of the company's capital.

**q) Inmobiliaria e Inversiones Santa Sofía Ltda.**, whose ultimate controllers are Matías Izquierdo Menéndez, Tax ID 3.674.298-4 with 10.37%; María de la Luz González del Valle, Tax ID 4.469.967-2 with 0.03%; Jimena Izquierdo González, Tax ID 10.184.748-9 with 0.31%; María Cecilia Izquierdo González, Tax ID 10.184.749-7 with 6.92%; Felipe Izquierdo González, RUT 10.367.412-3, with 6.93%; Sofía Izquierdo González, Tax ID 7.054.293-5 with 7.72%; Matías Izquierdo González, Tax ID 7.636.577-6 with 6.92%; Paula Izquierdo González, Tax ID 7.054.289-7 with 6.92%; Nicolás Izquierdo González, Tax ID 10.367.413-1 with 7.67%; Pedro Izquierdo González, Tax ID 10.364.156-K with 7.65%; Lucía Izquierdo González, Tax ID 13.436.321-5 with 7.67%; Francisca Izquierdo González, Tax ID 7.054.292-7 with 7.67%; Julio Izquierdo González, Tax ID 13.881.971-K with 7.71%; Rosario Izquierdo González, Tax ID 18.465.113-0 with 0.31%; María del Pilar Izquierdo González, Tax ID 13.233.182-0 with 7.69% direct shares of the company's capital, respectively.

**r) Sociedad Colectiva Civil Inversiones Los Robles**, Santiago Izquierdo Menéndez Tax ID 5.742.959-3 (24,164447%), Bárbara Larraín Riesco Tax ID 6.448.657-8 (3,276344%); Santiago Izquierdo Larraín Tax ID 16.365.276-5 (12,0932015%); Martín Izquierdo Larraín Tax ID 16.611.594-9 (12,0932015%); Benjamín Izquierdo Larraín Tax ID 17.406.081-9 (12,0932015%); Bárbara Izquierdo Larraín Tax ID 18.020.351-6 (12,0932015%); Gracia Izquierdo Larraín Tax ID 18.641.299-0 (12,0932015%); Lucas Izquierdo Larraín Tax ID 19.893.205-1 (12,0932015%) direct shares of the company's capital.

**s) Cerro Colorado de Inversiones Ltda.**, whose ultimate controllers are Gonzalo Izquierdo Menéndez, Tax ID 3.567.484-5, and Luz María Irarrázaval Videla, Tax ID 5.310.548-3, with 99.50% and 0.50% direct shares of the company's capital, respectively.

**Grupo Gianoli**

**a) Inversiones Green Ltda.**, whose ultimate indirect controller is Foundation G&D (Geneva, Switzerland) with 90% of the company's capital.

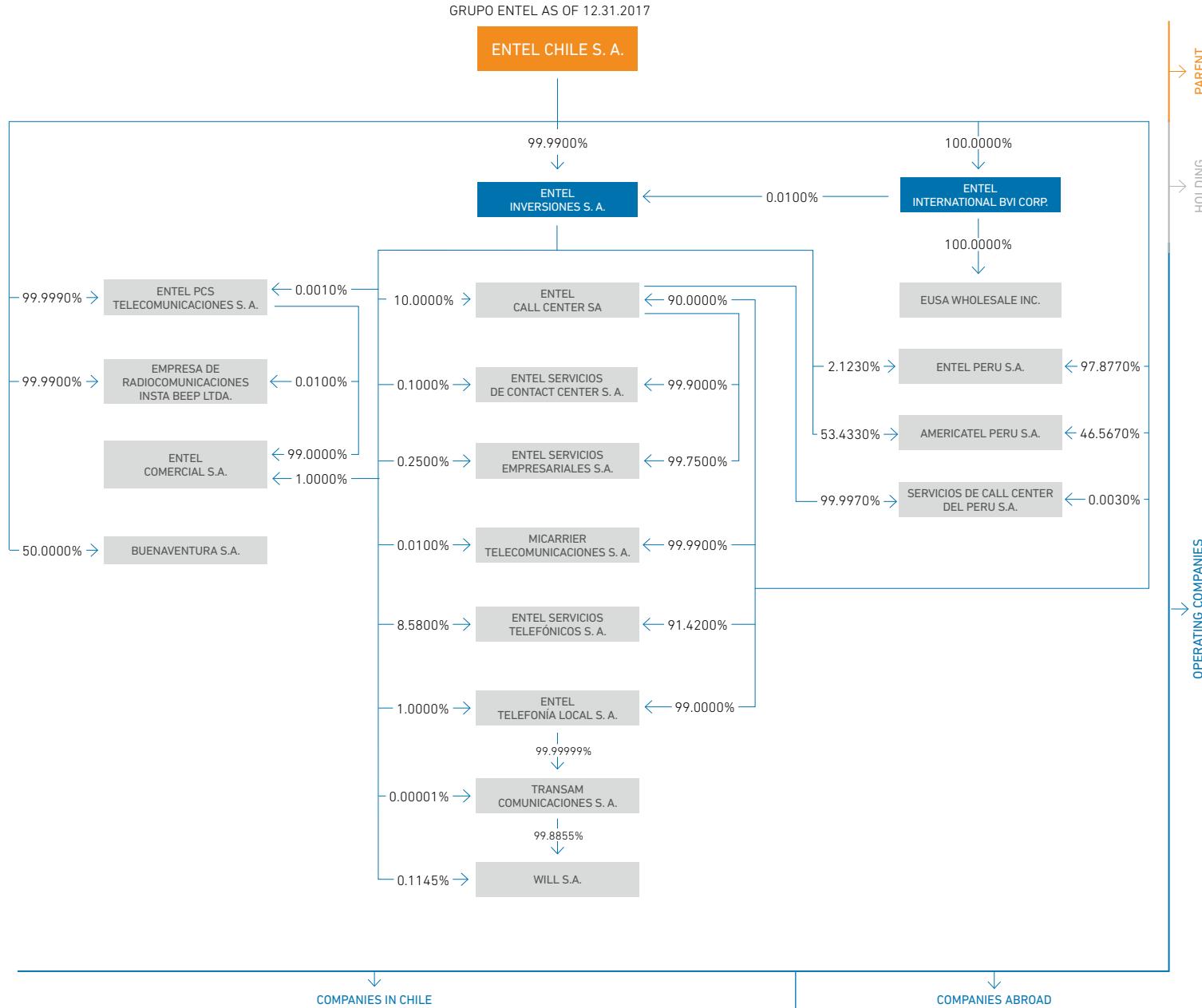
**b) PifemarnoSpA**, whose ultimate controller is Claudia Gianoli Quesada, Tax ID 48.160.755-8, and the estate of Sergio Pedro Gianoli Gainza, Uruguay Tax ID 0.Uruguay 1.088.599-5, with indirect shares of 94.58% and 5.42% in share capital.

**c) Allegra Spa**, whose ultimate controller is Cirilo Gianoli Quesada, Tax ID 48.014.709-K, and the estate of Sergio Pedro Gianoli Gainza. 0.Uruguay 1.088.599-5, with indirect shares of 94.58% and 5.42% in share capital.

**d) Flomanju Spa**, whose ultimate controller is Alberto Gianoli Quesada, Tax ID 48.033.713-1, and the estate of Don Sergio Pedro Gianoli Gainza, Uruguay Tax ID 0.Uruguay 1.088.599-5, with indirect shares of 94.58% and 5.42% in share capital.

*For translation purpose*

## Company Structure



## Dividend Policy

The dividend policy, approved by the Board of Directors and communicated at the Ordinary General Meeting of Shareholders on April 27, 2017, is detailed below.

In accordance with the regulations of the Chilean Securities and Insurance Supervisor (today, CMF), the board of directors must approve the company's dividend policy for future years.

For 2017 and subsequent years the board provisionally intends to maintain the new dividend policy communicated at the General Meeting of Ordinary Shareholders for 2016 based on the distribution of up to 50% of distributable profits for the year and, where applicable, the capitalization of part of the profits accrued at the end of each period.

It is proposed to pay the resulting dividend on or before May 31 of the corresponding year. In relation to the annual interim dividends, the distribution of a provisional dividend during the last quarter of 2017 is envisaged for the year 2017, whose origin and amount will be determined in accordance with the results obtained by the company during the first three quarters of the year.

This policy will be analyzed going forward with a view to making it permanent in line with the return to a stable investment plan associated with organic revenue growth.

In determining the percentage of profits and the dates on which proposed final dividends will be paid, the company seeks to ensure financial stability while adhering to the established distribution policy. Specific attention has been paid to safeguards for debt, liquidity, and budget financing, and any possible covenants that may arise from public supply contracts and credit agreements entered into by the company.

The board's intended dividend payments are always subject to the results and investment requirements set out in the forecasts made regularly by the company.

It is hereby stated that the Policy for the determination of the Distributable Liquid Profit and the Adjustment Treatment Policy determined for the first-time adoption of IFRS that was communicated to the Securities and Insurance Supervisor (today, CMF) in a timely manner and that it was reported to the Board of the year 2013 in accordance with the provisions of Circular 1945 of the Securities and Insurance Supervisor. The policy will continue to hold for future financial years in the manner described above.

## Dividend Payment Procedure

Upon the written request of any shareholder, dividends will be deposited in the shareholder's current or savings account on the date established for payment. To exercise this right, shareholders must communicate the name of the bank, the branch or office, and the number of an account

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in their name. The payment method will prevail until such time as it receives written instruction to the contrary.

Also the shareholders who wish to do so, must communicate at least 24 hours before the closing of the Registry, if they require the payment of the dividend by means of a nominative check or it is visibly in their favor with dispatch by registered letter.

The company will provide shareholders with forms, available upon request, to allow them to choose one of the established payment methods.

For shareholders that have not selected one of the aforementioned payment methods, dividends will be paid at a bank in Chile's Metropolitan Region, as determined by the company, or at the address indicated in the notification referred to below. Dividends that have not been collected within 60 days of the payment date, will be available at the offices of the company responsible for the shareholder register.

Shareholders wishing to collect their dividends from a commercial bank or the company's designated offices must do so in person or via a legally authorized representative with the appropriate powers, as granted by public deed or a private instrument legalized by a public notary. For the latter, either the original document or a duly legalized photocopy must be left with the company. The payment of dividends will be publicly communicated in a timely manner in the national newspaper established at the general shareholders meeting.

## Investment Policy

In terms of investments, the company aims to obtain an adequate return on its assets through the study, construction and operation of telecommunications systems and information technology, complemented by the provision of a wide range of related services both in Chile and abroad, principally through its subsidiaries in Peru.

To comply with this objective, the company makes investments in a wide range of technologies and platforms for the sale, provision and development of new services for customers, as well as making investments to meet the growing demand for connectivity related to new services, technologies, markets and user needs.

The company also undertakes projects to maintain a level of technical and economic efficiency, and suitable levels of maintenance for its facilities, making financial optimal decisions to allow the required evolution of infrastructure, networks, platforms and systems.

Consequently, the company seeks to ensure its investments have a stable rate of return over time, in line with their risk and technological obsolescence, and that this is at least equal to the capital cost of their financing structure.

In 2017, in line with Entel's investment and finance budgets, annual investment in fixed assets not exceeding the debt ratio permitted by the financing policy was authorised.

In line with the rules approved at the Ordinary General Meeting of Shareholders, the Board of Directors must provide details of specific investments to be made by the company in Chile and abroad. These values will primarily depend on the development of programs that will materialize during the calendar year, and which will mature in this or subsequent periods.

The company will be authorized to make contributions to subsidiaries and affiliates, in Chile and abroad, within the scope of this policy.

To maximise yields from cash surpluses, the company will invest in financial assets and market securities in line with its portfolio selection and diversification criteria. These criteria will take into consideration factors such as liquidity, security and profitability.

### Financing Policy

The financing policy is based on obtaining financial resources in the national and international financial markets, bearing in mind the structure of the company, the natural cycles of business and the cost of debt.

The company's finance policy is based on the following sources of resources in Chile and abroad:

- Own resources.
- Resources derived from increases to capital stock by issuing and placement of shares.
- Supplier credit.
- Loans from banks and financial institutions.

- Deferred customs duties.
- Issuing public and private bonds.
- Leasing and leaseback operations.
- Sale of non-core assets.

The policy establishes a maximum level of debt based on the higher of: (Financial Debt - (Cash and cash equivalents + Other current and non-current financial assets)) / (Equity plus non-controlling interests) equal to 1.7 (one point seven fold); or (Financial Debt - (Cash and cash equivalents + Other current and non-current financial assets)) / Ebitda last 12 months equal to 3.5 (three point five fold).

In calculating both indicators, financial debt is calculated discounting financial investments and cash. The company will seek to maintain fair debt and financial expenses coverage ratios, bearing in mind the objective of having "investment grade" risk rating.

It should be noted that the management of the company cannot agree to specific dividend restrictions with creditors or make guarantees of any kind to third parties or other companies or enterprises other than subsidiaries or associates.

Additionally, all assets held by the company for operating national and international public service contracts held by Entel and essential for the provision of these services are classified as essential to the company's operations. The company may dispose of, sell, exchange, lease, add, modify or replace other property consisting of towers, antennas and other installations as long as in doing so the provision of services is altered.

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## Distributable Profits

The consolidated comprehensive income statement for the financial year 2017 shows a profit of CLP 43,409,540,717. To determine the liquid distributable profit used for calculating the minimum compulsory and supplementary dividend, the company has established a policy of deducting net gains originating from the adjustment of assets and liabilities from income until they are realized. For this purpose, as at 12.31.2017 it is not appropriate to make any deduction as the net variation of market value adjustments saw a loss of CLP 1,330,069,973. Consequently, distributable profit for 2017 is fixed at CLP 43,409,540,717. Profits are not affected by any other type of deduction for the purposes of their distribution.

## Dividends per Share

Year	Nominal dividend (CLP)
2002	43.38
2003	65.00
2004	90.00
2005	895.00
2006	290.00
2007	338.00
2008	443.00
2009	443.00
2010	450.00
2011	595.00
2012	555.00
2013	375.00
2014	230.00
2015	34.00
2016	0.00
2017	34.00

## Stock Market Presence

The stock market presence of Entel S.A. in 2017 was 100%, calculated in line with General Regulation No. 327 of the Chilean Superintendence of Securities and Insurance (today CMF), dated January 17, 2012. This includes transactions carried out on the Santiago Stock Exchange, the Chilean Electronic Stock Exchange and the Valparaíso Stock Exchange.

## Summary of Transactions

	Santiago Stock Exchange			Chilean Electronic Stock Exchange			Valparaíso Stock Exchange		
	Quantity Traded	Value Traded (CLP)	Average Price (CLP)	Quantity Traded	Value Traded (CLP)	Average Price (CLP)	Quantity Traded	Value Traded (CLP)	Average Price (CLP)
1st quarter 2015	13,387,348	83,087,453,820	6,206	468,342	2,869,358,358	6,127		No transactions	
2nd quarter 2015	13,005,942	91,551,663,106	7,039	580,167	4,140,862,829	7,137		No transactions	
3rd quarter 2015	14,838,288	96,563,945,696	6,508	741,898	4,892,646,085	6,595		No transactions	
4th quarter 2015	11,590,511	74,900,727,924	6,462	1,198,617	7,802,318,615	6,509		No transactions	
1st quarter 2016	12,361,696	75,980,188,725	6,146	770,819	4,710,848,476	6,111	460	2,690,954	5,850
2nd quarter 2016	14,676,368	87,164,441,223	5,939	585,838	3,473,218,475	5,929	161	941,850	5,850
3rd quarter 2016	17,873,586	113,575,565,742	6,354	470,764	3,013,338,616	6,401		No transactions	
4th quarter 2016	18,486,381	128,463,919,477	6,949	1,113,214	7,865,537,676	7,066	645	4,386,710	6,801
1st quarter 2017	18,568,252	136,931,977,883	7,375	473,409	3,557,842,814	7,515		No transactions	
2nd quarter 2017	13,827,372	106,714,121,661	7,718	501,386	3,884,031,684	7,747		No transactions	
3rd quarter 2017	15,682,972	107,335,276,843	6,844	718,247	4,890,042,480	6,808		No transactions	
4th quarter 2017	14,301,694	97,406,404,677	6,811	632,957	4,225,740,567	6,676	1,328	8,992,552	6,772
Total	178,600,410	1,199,675,686,777	6,717	8,255,658	55,325,786,675	6,702	2,594	17,012,066	6,558

## Share Transactions

Name/Company Name	Function	Transaction Date	Type of Transaction	Method	Shares	Unit price (CLP)	Value Traded (CLP)
Carrasco Perrot Gabriel	Chief Executive	05-05-17	Disposal	On Stock Market	1,750	8,160	14,280,000

For translation purpose

## Financial Activities 2017

In 2017 the main financial activities of the Group were focused on renewing and extending the terms of the existing bank loans. In the first semester, in Chile bank loans were subscribed with Scotiabank, Banco de Chile and Banco del Estado for a total of CLP 148.98 billion, negotiated in pesos with TAB + spread nominal rates. In addition with the Bank of Nova Scotia and Export Development of Canada for a total of USD 225 million at a Libor rate plus 85 basis points. Maturity dates on these bank loans extended bank debt by more than two years, with amortizations remaining mostly for the year 2022. Additionally, the operations managed to improve the flexibility of the credit conditions and reduce the associated financial expenses. With this new maturity profile, in addition to the amortization schedules for international and local bonds, Entel extended the duration of its total debt, keeping the coming years free from refinancing needs. Notwithstanding, the company is still interested in advancing in terms of initial exploration of the financial market of Peru, taking into account the consolidation of its operations in 2018.

Both the positive trend in the main metrics of business results in Peru, and the Group's conservative financing position, have meant consolidating the risk classifications both locally and internationally for the investment grade.

In a year marked by significant volatilities in global financial markets, Entel has proven to be efficient in having currency hedging policies, allowing it to predict the level of financial expense, structuring effective hedges that immunize the effects on exchange rates for those obligations assumed in currencies other than those functional in Chile and Peru. This has meant maintaining and renewing derivative contracts (cross currency swaps, interest rate swaps, options and forwards) for an amount of US \$ 2.373 billion to December, which have a positive market value (mark to market) in Entel's favor. These assets are included in calculations of the financial reserves that have a minor portion of the debt contracts. In addition, some short-term derivatives renewals benefitted from current prices.

Over the course of the year Entel Chile transferred funds to Entel Peru to the tune of US\$ 377.5 million, to support the development of the subsidiary during its important expansion phase both in terms of the market and the coverage of the telecommunications network in Peru. These loans are projected to decrease substantially over the coming years.

In 2017 the company continued carrying out activities to keep bondholders, bank lenders and rating agencies updated on the progress of the company in order to deliver the necessary information to assess the businesses and its trends as well as highlighting the financial guidelines under which the Group operates.

The average balance in cash for the year was CLP 116.304 billion, which was permanently invested within the highly conservative guidelines of the Investment Policy, which aims to maintain the initial capital invested without any exposure to the volatility of financial markets, in particular favoring investment in repurchase agreements on Central Bank instruments and diversifying the portfolio in financial banking institutions with the best risk rating.

Finally, a series of initiatives in the financial area were carried out, necessary to progress in each of the innovation and digitalization initiatives which the Group is focused on.

## Risk Factors

RISKS COMMON TO THE WHOLE INDUSTRY			
Risk	Description	Impact	Management
Technological Evolution	Evolution in technology means the company must continuously review its investment projects to ensure they are in line with its aim of meeting the connectivity needs of the markets. These changes occur both as a result of changes in patterns of demand and the development of new forms of connectivity.	The periods of obsolescence of investments in new technology may be less than initially estimated when the investment is made, meaning initial estimates of expected profitability may not be met.	The risk of technological evolution is inherent to all the markets in which Entel operates. A key element of the company's competitiveness is in remaining at the cutting edge of the development of technology while actively managing technological risk.
Regulatory	Telecommunications services in Chile are governed primarily by the General Law of Telecommunications, its Regulations and complementary technical regulations. These legal and regulatory bodies establish a general principle of free competition in which concessions are granted through pre-established and objective norms.	Changes in the General Telecommunications Law, new sector regulations or recommendations and obligations from authorities can create opportunities and risks in the company's commercial activities and can also affect the rollout of infrastructure and levels of competition in the market.	Actively participating in legislative and regulatory debate in the sector through the relevant forums, and in market assessments carried out by the authorities, allows Entel to anticipate changes, adapting to the new regulation, minimizing risk and creating opportunities that allow it to maintain its position in the various markets in which it operates or roll out new services.

RISKS INHERENT TO ENTEL'S ACTIVITIES			
Risk	Description	Impact	Management
Exchange Rate	The company's liabilities are largely designated in foreign currencies due to bank loans and bonds issued on international debt markets. Furthermore, a proportion of Entel's suppliers generate obligations for foreign currency payments.	A daily fluctuation in the value of liabilities as a result of changes in exchange rates, with the respective economic impact on the financial statements.	To cover these volatilities, Entel has short- and long-term contracts in foreign currency assets (hedge derivatives) to protect against such variations and guard against the risk of exchange rate fluctuations.
Interest Rate	In general there is a positive correlation between the company's business activities, the economic cycle and interest rates, which creates a natural hedge for cash flows and financial expenditure. However in certain situations, time lags may occur.	The potential fluctuation of financial expenditure is covered by an interest rate hedge policy which aims to secure a level of coverage for the company's financial expenditure to allow the adequate performance of the business over time and ensure greater predictability and control of financial expenditure.	To comply with these objectives, interest rates are insured against through financial swap contracts (cross currency swaps and forwards) to reduce potential variability in interest on debts with variable rates (e.g. Libor, Tab, Cámara).
Credit	The credit risk from balances of accounts held with banks, financial instruments, negotiable securities and derivatives is managed by the finance department in line with the policies for maintaining the invested capital.	Situations can occur in the market where one of the counterparts in a financial contract - such as one for investments, financial derivatives or cash - are unable to fulfil their obligations.	To reduce this risk, Entel has policies to ensure the diversification of risk based on pre-established limits for the duration, percentage by institution, and the risk classifications of the institutions and instruments in which investments are made.
Liquidity	To minimise risk, Entel's liquidity policy is consistent with the adequate management of assets and liabilities, allowing the company to fully meet short- and medium-term payment commitments.	The company may be affected by the failure to comply with the debt service.	Risks related with accounts receivable originating from commercial business are covered by accounts receivable impairment policies.
			Entel can also anticipate the maturity of financial obligations by searching for an option on the market to provide funds in a timely manner in advance.
			Customer billing is monitored on a daily basis to detect any relevant deviations that may exist with respect to the expected revenue flow. The company actively manages accounts payable to suppliers of consumables and debt services, allowing it to meet all its obligations in a timely manner while optimizing cash surpluses on a daily basis.
			Also, forecasts of cash flows are periodically made along with an analysis of the company's balance sheet and the expectations of the capital market so that Entel has flexible alternatives to deal with needs and availability of cash.

For translation purpose

## Comparative Performance of Shares



The main index of the Santiago Stock Exchange (IPSA) ended the 2017 with its highest increase in seven years, registering 34.04% growth, and amounts traded were 41% higher than the previous year. The Entel share went up with the IPSA until mid-April (+ 14.5%), a month in which it went down, finishing the year down 2.7%. This is in contrast with what happened in 2016 where the IPSA went up by 12.8% and Entel's share rose by 14.5%.

## Comments from Shareholders and the Directors' Committee

No comment.

## Summary of Material Events 2017

In accordance with current laws and regulations, in 2017 the companies within the group informed the Securities and Insurance Supervisor (today CMF), under the qualification of a material event or relevant information, the following:

For translation purpose

### **I. Parent Company - Summons to extraordinary shareholders meeting, summons and proposals. Summons to ordinary shareholders meeting, summons and proposals.**

Letter No. 1, dated April 4, 2017, communicated that at the board meeting on April 3, 2017, agreement was reached on the following:

- a.** Summons to the Extraordinary Shareholders' Meeting held on Thursday, April 27, 2017, to submit the following matters, and more, to shareholders:
  - > Revoke the capital increase approved by the Extraordinary Shareholders' Meeting, held on April 28, 2016, but only in the part corresponding to the shares assigned to the company shareholders, which have not been placed to date, decreasing the share capital as appropriate;
  - > Revoke the same capital increase, with respect to the shares destined for the employees of the company, but only in the part that exceeds the pro rata shares actually placed among shareholders, decreasing the share capital as appropriate;
  - > Cancelling the registration of the shares corresponding to the part of the capital increase that was revoked;
  - > Updating and amending the share capital clause, especially recognizing the aforementioned capital decreases, the higher placement value of the shares, and deducting from the capital paid the costs of issuing and placing shares that have occurred as per the capital increase agreed at the Extraordinary Shareholders' Meeting held on April 28, 2016;
  - > Extending the term from 3 to 5 years for the placement of shares for workers; those pending placement to date and not revoked as per the above;

- > Empowering the Board of Directors to determine, fix and freely agree, with the broadest powers, the price, method, time, procedures and conditions for the placement of the shares assigned to compensation plans, issued in accordance with the capital increase approved by the Extraordinary Shareholders' Meeting of April 28, 2016, which have not been revoked by the extraordinary meeting relating to this material fact;
- > Modifying Article 7 of the articles of association, increasing the duration of the position of director from 2 to 3 years;
- > Making other modifications to the articles of association, which will be mentioned in the corresponding citation notice.

- b.** To schedule an Ordinary Shareholders' Meeting to be held on the same day and at the same place, following the Extraordinary Shareholders' Meeting, to submit for the consideration of the shareholders and other bodies, in line with the procedure set out in the current regulations, the following matters:
  - > Approval of the 2016 Annual Report, Balance Sheet and other Financial Statements as of December 31, 2016, and the External Audit Company's report for the same fiscal year;
  - > Final dividend approval 2016;

- > Board Statement on Dividend Policy;
- > Investment and Financing Policy Approval;
- > Election of the members of the Board for the period 2017-2020;
- > Determining remuneration of the Directors;
- > Setting remuneration for the Directors' Committee and its expense budget;
- > Appointment of External Audit Company and Account Inspectors;
- > Appointment of Risk Rating Agencies;
- > Report on Transactions with Related Parties;
- > Determining the journal in which the citation notices will be published;
- > Other matters that are of interest to the company and within the powers of the Board.

Proposing at the Ordinary Shareholders' Meeting to distribute net profits for 2016 with a dividend of CLP 34 per share, from which no amount should be deducted as no interim dividend was paid in December 2016. The payment date of said dividends will be determined by the Ordinary Shareholders' Meeting.

## **II. Parent Company - Agreements from the extraordinary meeting held on Thursday, April 27, 2017.**

Letter No. 2, dated April 27, 2017, communicated that at the Extraordinary Shareholders' Meeting, held on the same date, it was agreed to:

- > Revoke the capital increase approved by the Extraordinary Shareholders' Meeting, held on April 28, 2016, but only in the part corresponding to the shares assigned to the company shareholders, which have not been placed to date, decreasing the share capital as appropriate;
- > Revoke the same capital increase, with respect to the shares destined for the employees of the company, but only in the part that exceeds the pro rata shares actually placed among shareholders, decreasing the share capital as appropriate;
- > Cancelling the registration of the shares corresponding to the part of the capital increase that was revoked;
- > Extending the term from 3 to 5 years for the placement of shares for workers; those pending placement to date and not revoked as per the above;
- > Empowering the Board of Directors to determine, fix and freely agree, with the broadest powers, the price, method, time, procedures and conditions for the placement of the shares assigned to compensation plans, issued in accordance with the capital increase approved by the Extraordinary Shareholders' Meeting of April 28, 2016, which have not been revoked by the extraordinary meeting relating to this material fact;
- > Modifying Article 7 of the articles of association, increasing the duration of the position of director from 2 to 3 years;
- > Making other modifications to the articles of association, mentioned in the corresponding citation notice.

For translation purpose

The Ordinary Shareholders' Meeting was then held, in which it was agreed to:

- Approve the Annual Report, Balance Sheet and Statement of Income for the 2016 financial year.
- Pay as a final dividend of CLP 34 per share, equivalent to 30.06% of the net income for the year, without deducting any amount due to non-distribution of an interim dividend. Payment will be made as of Thursday, May 25, 2017.
- The investment and financing policy was approved, and the dividend policy reported.
- The following were elected as company directors for a period of three years: Juan Hurtado Vicuña; Luis Felipe Gazitúa Achondo, Bernardo Matte Larraín, Andrés Echeverría Salas, Patricio Parodi Gil, Juan José MacAuliffe Granello, Richard Büchi Buc, Carlos Fernández Calatayud and Jorge Patricio Salvatierra Pacheco. It is recorded that all the elected Directors were elected by the controlling shareholders, except for the last two Directors, who were chosen in their capacity as independent Directors.
- Remuneration of directors and the Directors Committee approved at the previous General Meeting of Ordinary Shareholders was maintained. Similarly, the annual budget for the committee was set, the appointment of Ernst & Young as external auditors was approved, accounts inspectors and reserve accounts inspectors registered with the SVS (now CMF) were designated, Fitch Ratings and ICR (International Credit Rating) were appointed as

the risk ratings agencies, El Mercurio de Santiago was retained as the official newspaper for the publication of social notices, and lastly, related operations were communicated.

Finally, the Superintendent is hereby informed that the minutes of these Shareholders' Meetings will be sent to him within the deadlines established by the current regulations, providing information in accordance with the legal and social regulations on the company website.

### **III. Parent Company - Establishment of Board of Directors and Directors Committee.**

Letter No. 3, dated May 09, 2017, communicated that at the board meeting of May 8, 2017, agreement was reached on the following:

- The Board of Directors of Empresa Nacional de Telecomunicaciones SA was established, renewing the appointment of Juan Hurtado Vicuña as Chairman and Luis Felipe Gazitúa Achondo as Vice Chairman. The following were appointed as members of the Board Committee, in accordance with the provisions of the law: Carlos Fernández Calatayud and Jorge Patricio Salvatierra Pacheco, who are the independent directors, and Luis Felipe Gazitúa Achondo.
- Carlos Fernández Calatayud was elected by the board committee as its Chairman.

#### **IV. Parent Company – Distribution of profits (payment of dividends)**

Letter No. 14, dated November 7, 2017, communicated that at the board meeting on November 6, 2017, agreement was reached on the following: In accordance with the dividend policy and taking into account retained earnings as at the third quarter of 2017, it was agreed not to distribute a provisional dividend this year. The policy on dividends remains the same as that reported at the last Ordinary Meeting of Shareholders.

#### **Insurance Commitments**

Entel arranges the corporate insurance of all its subsidiaries centrally, in order to cover possible damages which might affect assets, income flow and civil liability against third parties and have a negative impact on outturn and equity. Additionally, Entel has implemented a policy for risk control and mitigation through procedures focusing on this objective and infrastructure investment plans which help to minimize risk.

The insurance policy places particular emphasis on covering those incidents that may have a significant effect on the financial results of the Entel group's companies, dealing with events of negligible impact so as to ensure adequate coverage with the lowest cost, achieved through the constant search for the best alternatives that the insurance market can offer. Likewise, we seek to safeguard third party liabilities resulting from damages caused involuntarily in the development of our activities. In recent years, new coverage

has been incorporated and in some cases ceilings have been increased, in line with increased exposure to risks and the demands of a more challenging environment.

Insurance is taken out through a regional program which includes companies in Chile and Peru, to leverage the advantages offered by the insurance market given the greater insurable volume and the diversification of risks in the region, which has been extended to different coverages.

In relation to the loss ratio, in 2017 the liquidation and final indemnification by the insurers of the costs generated by the flooding of the Mapocho River in April 2016, affecting the facilities of the corporate building and the other towers at Titanium Park.

With regards to the affects of climate change witnessed in the region, with fires in the summer of 2017 in the south-central zone of Chile, swells on the Chilean coastline, floods caused by the El Niño Coastal phenomenon in Peru and snowstorms in Chile, the companies of the Entel group faced these natural risks with mitigation measures that are part of an ongoing program, along with other extraordinary measures in response to the imminence of possible events that could cause damage to the assets and consequently risk the continuity of the operation. This risk mitigation policy has been an important step in protecting the assets of the group's companies, keeping the service running and avoiding losses in most cases, and only in exceptional cases where mitigation is not possible, resorting to insurers.

For translation purpose

The Corporate Insurance program for 2017 includes the following coverage, arranged through different policies, the most relevant of which are:

- a. Physical assets and losses caused by stoppages.** Under the All Operational Risk category this covers fixed assets and inventories as well as loss of profit and fixed costs associated with the interruption of operations, as a consequence of an incident covered by the policy.
- b. General Liability.** Covers group companies against potential pecuniary demands for damage caused to third parties or their assets while carrying out business activities at their facilities, in public areas or on third-party premises.
- c. Directors and officers liability (D&O).** Protects directors and executives of group companies from claims that may be made against them by third parties to compensate for losses of equity by the latter as a result of decisions made by management.
- d. Professional public liability.** Protects the company's assets against claims from customers that may be affected by errors or omissions in the provision of contracted services covered by this policy. Insurance coverage that as of 2015 includes cyber risk.
- e. International transport.** Protects against damage to equipment and material imported by land, sea and air.
- f. Credit.** Protects against net losses or deteriorations in Entel's net equity as a result of third parties failing to meet obligations in funds originating from credit sales.
- g. Miscellaneous.** Insurance for vehicles, mobile handsets, travel, personal accidents, health and life insurance for company staff, cabotage, etc.
- h. Insurance programme for contractors:** Provides public liability and personal accident coverage for contractors and subcontractors of group companies to protect the assets of contractors and their workers. This program has become very important within the company and is required to carry out activities commissioned by Entel Group companies in Chile.
- i. Insurance programme for dealers:** To obtain coverage for Entel assets in the possession of franchises, the company approached insurers, securing an insurance program for dealers that complements the coverage Entel has with its own policies.

## Suppliers

Entel's principal suppliers are: Ericsson, Apple, Samsung, Huawei, TCT Mobile, Cisco, LG, Sagem-com, Vodafone and Sotraser.

Full details of Entel's purchasing policy can be found in its Code of Ethics. In summary the policy is based on ensuring relationships with suppliers are governed by the principles of transparency, integrity, honesty and mutual benefit. The choice of a supplier is based on merit and ability, in line with the quality and cost of a product or service.

Also, all potential suppliers have equal access to information to prepare their proposals. Entel offers equal opportunities to all qualified companies wishing to enter into a commercial relationship. Tenders are analyzed and awarded based on objective procedures, using world class platforms.

Regarding the management of suppliers, in 2017 the company worked on strengthening internal alliances with the departments that currently have a relationship with suppliers from the point of view of oversight and monitoring.

For translation purpose

## Statement of Responsibility

### Report Signatories and Sworn Declaration of Truth

In compliance with General Regulation No. 30, dated November 10, 1989, and General Regulation No. 283, dated November 5, 2010, both issued by the Chilean Superintendence of Securities and Insurance, this Report is signed by the absolute majority of the members of the Board of Directors and the CEO of Empresa Nacional de Telecomunicaciones S.A., who declare under oath to be responsible for the truth of the information provided in this Annual Report for 2017.

**Juan José Hurtado Vicuña**  
Chairman  
TAX ID 5.715.251-6

**Luis Felipe Gazitúa Achondo**  
Vice Chairman  
Tax ID: 6.069.087-1

**Carlos Fernández Calatayud**  
Director  
Tax ID: 5.213.938-4

**Richard Büchi Buc**  
Director  
TAX ID 6.149.585-1

**Andrés Echeverría Salas**  
Director  
Tax ID: 9.669.081-9

**Juan José Mac-Auliffe Granello**  
Director  
Tax ID: 5.543.624-K

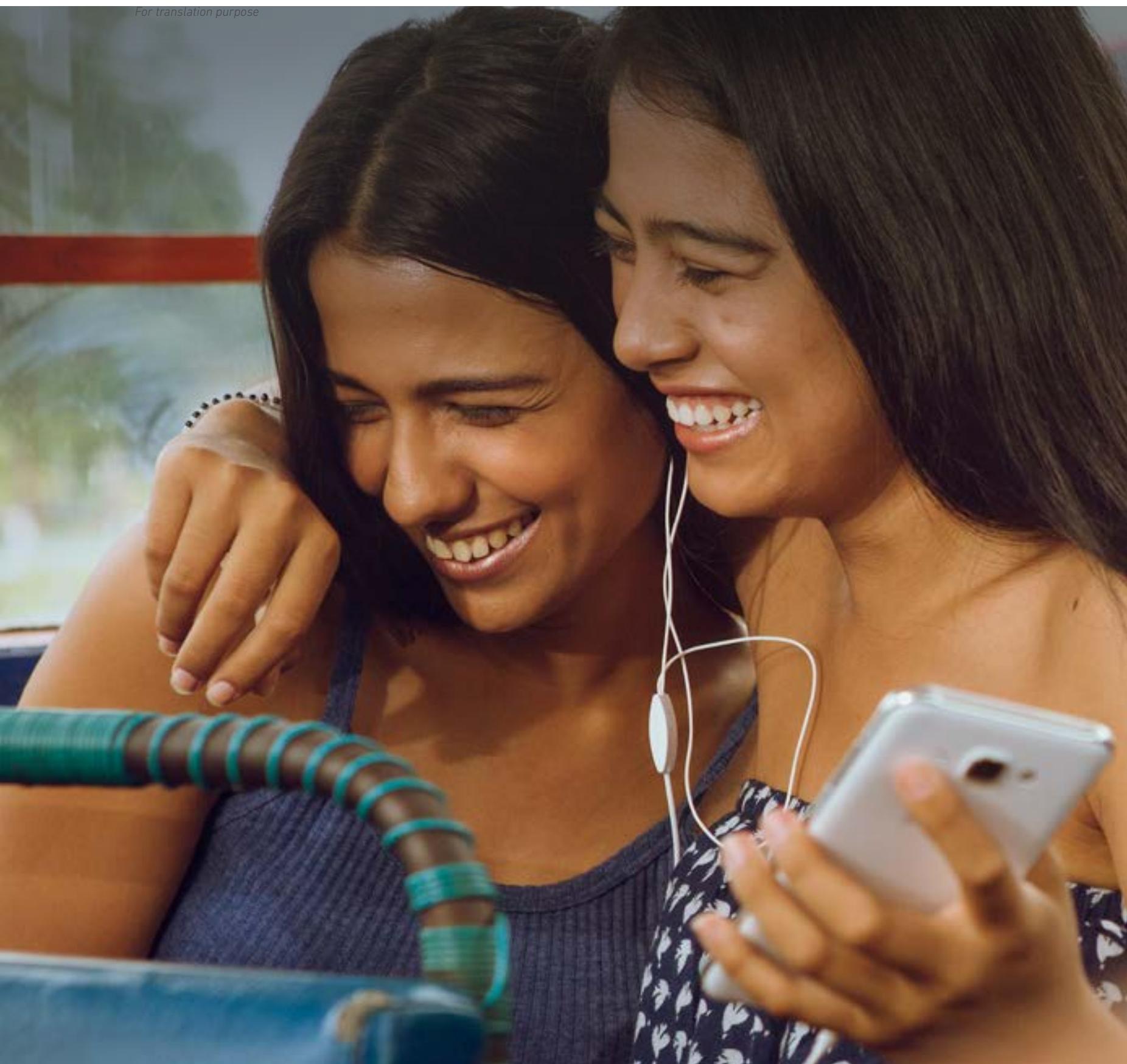
**Bernardo Matte Larraín**  
Director  
Tax ID: 6.598.728-7

**Jorge Salvatierra Pacheco**  
Director  
RUT. 6.557.615-5

**Patricio Parodi Gil**  
Director  
RUT. 8.661.203-8

**Antonio Büchi Buc**  
Gerente General  
RUT. 9.989.661-2

For translation purpose



# Consolidated Financial Statements



EY Chile  
Avda. Presidente  
Riesco 5435, piso 4,  
Santiago

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## Report of the Independent Auditor

To

Shareholders and Directors  
Empresa Nacional de Telecomunicaciones S.A.

We have audited the accompanying financial statements of Empresa Nacional de Telecomunicaciones S.A. and affiliates, which comprise the consolidated statement of financial position as of December 31, 2017, and the consolidated comprehensive income statements, consolidated statements of changes in equity and consolidated statement of cash flows for the years then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with International Financial Reporting Standards; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

For translation purpose



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Empresa Nacional de Telecomunicaciones S.A. and affiliates as of December 31, 2017, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### Other matters – Other auditor's report on the 2016 Financial Statements

The financial statements of Empresa Nacional de Telecomunicaciones S.A. and affiliates as of December 31, 2016, were audited by other auditors, who expressed an unqualified audit opinion in their report dated January 25, 2017.

Andrés Marchant V.

A handwritten signature in black ink, appearing to read 'Andrés Marchant V.'.

EY Audit SpA.

Santiago, January 31, 2018

# Consolidated Statements of Financial Position

## EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS	Note	12-31-2017 ThCh\$	12-31-2016 ThCh\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	145,646,465	110,914,830
Other current financial assets	6	2,118,672	4,765,731
Other current non-financial assets	7	33,994,053	28,565,561
Trade and other receivables	8	346,455,962	330,626,210
Trade receivables due from related parties	9	414,501	971,320
Inventories	10	96,928,834	91,416,726
Current tax assets	11	119,387,441	200,637,658
<b>TOTAL CURRENT ASSETS</b>		<b>744,945,928</b>	<b>767,898,036</b>
<b>NON-CURRENT ASSETS</b>			
Other non-current financial assets	6	36,517,409	111,987,193
Other non-current non-financial assets	7	5,897,875	4,251,614
Non-current fees receivables	8	5,140,856	13,587,700
Intangible assets	12	298,921,432	321,356,334
Goodwill	13	47,109,078	47,173,134
Property, plant and equipment	14	1,876,555,163	1,829,611,347
Non-current tax assets	11	111,376,114	0
Deferred tax assets	15	402,576,318	384,574,176
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,784,094,245</b>	<b>2,712,541,498</b>
<b>TOTAL ASSETS</b>		<b>3,529,040,173</b>	<b>3,480,439,534</b>

The accompanying notes from 1 to 38 are an integral part of these Consolidated Financial Statements.

For translation purpose

## EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, continued

December 31, 2017 and 2016

LIABILITIES AND EQUITY	Note	12-31-2017 ThCh\$	12-31-2016 ThCh\$
<b>CURRENT LIABILITIES</b>			
Other current financial liabilities	16	36,540,044	24,867,284
Trade and other payables	17	545,150,721	505,044,060
Other provisions	18	7,369,584	5,161,827
Current tax liabilities	11	355,884	4,869,489
Other current non-financial assets	19	33,988,534	36,108,754
<b>TOTAL CURRENT LIABILITIES</b>		<b>623,404,767</b>	<b>576,051,414</b>
<b>NON-CURRENT LIABILITIES</b>			
Other non-current financial liabilities	16	1,590,913,982	1,576,910,775
Other non-current provisions	18	36,481,730	34,222,292
Deferred tax liabilities	15	22,032,668	17,821,387
Non-current provisions for employee benefits	20	12,171,468	10,407,369
Other non-current non-financial liabilities	19	5,684,388	3,153,556
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,667,284,236</b>	<b>1,642,515,379</b>
<b>EQUITY</b>	21		
Shares issued		874,846,615	874,846,615
Retained earnings		481,082,173	450,716,647
Other reserves		(117,577,618)	(63,690,521)
Equity attributable to owners of the Parent		1,238,351,170	1,261,872,741
Non-controlling interests		-	-
<b>TOTAL EQUITY</b>		<b>1,238,351,170</b>	<b>1,261,872,741</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,529,040,173</b>	<b>3,480,439,534</b>

The accompanying notes from 1 to 38 are an integral part of these Consolidated Financial Statements.

## EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2017 and 2016

STATEMENTS OF INCOME	Note	01-01-2017	01-01-2016
		12-31-2017	12-31-2016
		ThCh\$	ThCh\$
Revenue	22	1,943,071,198	1,867,697,070
Other income	22	11,974,824	19,214,192
Employee benefit expenses	20	(249,163,558)	(245,606,059)
Depreciation and amortization expenses	12 and 14	(315,867,652)	(299,584,314)
Impairment losses (reversals), Net	23	(52,089,500)	(58,901,242)
Other expenses	24	(1,220,664,545)	(1,168,814,862)
Other gains (losses)		124,569	390,536
Profit from operating activities		117,385,336	114,395,321
Finance income	25	5,225,532	5,952,920
Finance costs	25	(80,035,968)	(82,221,963)
Foreign currency translation differences	27	(6,973,571)	(16,051,379)
Results from inflation-adjusted units	27	(9,600,405)	(15,934,835)
Profit before tax		26,000,924	6,140,064
Income tax benefit	15	17,408,617	28,018,036
Profit from continuing operations		43,409,541	34,158,100
Profit from discontinued operations		-	-
Profit for the year		43,409,541	34,158,100
Profit (loss), attributable to			
Owners of the Parent		43,409,541	34,158,100
Non-controlling interests		-	-
Profit for the year		43,409,541	34,158,100
Earnings per share			
Basic earnings per share			
Basic earnings per share from continuing operations		143,73	128,11
Basic earnings per share from discontinued operations		-	-
Basic earnings per share		143,73	128,11

The accompanying notes from 1 to 38 are an integral part of these Consolidated Financial Statements.

For translation purpose

## EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME, continued

Years ended December 31, 2017 and 2016

STATEMENTS OF COMPREHENSIVE INCOME	01-01-2017	01-01-2016
	12-31-2017	12-31-2016
	ThCh\$	ThCh\$
(Loss) profit for the year	43,409,541	34,158,100
Components of Other Comprehensive Income that will not be reclassified to profit or loss, before tax		
Actuarial gains (losses) for defined benefit plans	(1,747,299)	-
Components of Other comprehensive income that will be reclassified to profit or loss, before tax		
Foreign currency translation loss	(56,899,156)	(29,784,560)
Cash flow hedge loss	(2,736,117)	(53,014,121)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss for the year		
Income tax related to defined benefit plans	471,771	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		
Income tax related to foreign currency translation differences	6,412,785	3,178,044
Income tax related to cash flow hedges	610,919	10,056,779
Other comprehensive loss	(53,887,097)	(69,563,858)
Comprehensive loss	(10,477,556)	(35,405,758)
Comprehensive Income Attributable to		
Owners of the Parent	(10,477,556)	(35,405,758)
Non-controlling interests	-	-
Comprehensive loss	(10,477,556)	(35,405,758)

## EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

December 31, 2017 and 2016

	Share capital	Other reserves				Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
		Reserve for actuarial variances in employee benefit plan	Translation reserve	Hedging reserves	Other reserves				
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance at January 01, 2017	874,846,615	(60,978)	18,988,966	(21,853,628)	(60,764,881)	450,716,647	1,261,872,741	-	1,261,872,741
Comprehensive income									
Profit for the year	-	-	-	-	-	43,409,541	43,409,541	-	43,409,541
Other comprehensive loss	-	(1,275,528)	(50,486,371)	(2,125,198)	-	-	(53,887,097)	-	(53,887,097)
Comprehensive loss							(10,477,556)		(10,477,556)
Dividends	-	-	-	-	-	(13,044,015)	(13,044,015)	-	(13,044,015)
Total changes in equity	-	(1,275,528)	(50,486,371)	(2,125,198)	-	30,365,526	(23,521,571)	-	(23,521,571)
Closing balance at December 31, 2017	874,846,615	(1,336,506)	(31,497,405)	(23,978,826)	(60,764,881)	481,082,173	1,238,351,170	-	1,238,351,170
Opening balance at January 01, 2016	522,667,566	(60,978)	45,595,482	21,103,714	(60,764,881)	426,805,977	955,346,880	-	955,346,880
Comprehensive income									
Profit for the year	-	-	-	-	-	34,158,100	34,158,100	-	34,158,100
Other comprehensive loss	-	-	(26,606,516)	(42,957,342)	-	-	(69,563,858)	-	(69,563,858)
Comprehensive loss							(35,405,758)		(35,405,758)
Share capital	352,179,049	-	-	-	-	-	352,179,049	-	352,179,049
Dividends	-	-	-	-	-	(10,247,430)	(10,247,430)	-	(10,247,430)
Total changes in equity	352,179,049	-	(26,606,516)	(42,957,342)	-	23,910,670	306,525,861	-	306,525,861
Closing balance at December 31, 2016	874,846,615	(60,978)	18,988,966	(21,853,628)	(60,764,881)	450,716,647	1,261,872,741	-	1,261,872,741

The accompanying notes from 1 to 38 are an integral part of these Consolidated Financial Statements.

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## EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016

STATEMENTS OF CASH FLOWS, DIRECT METHOD	Note	01-01-2017	01-01-2016
		12-31-2017	12-31-2016
		ThCh\$	ThCh\$
Cash receipts from customers		2,253,556,915	2,151,996,649
Cash payments to suppliers		(1,327,187,348)	(1,385,826,645)
Cash payments to and on behalf of employees		(246,472,161)	(247,357,634)
Other cash payments for operating activities		(119,675,319)	(82,958,867)
Interest received for operating interests		1,301,070	1,393,418
Income tax paid		(23,661,061)	(86,929,865)
Net cash generated from operating activities		537,862,096	350,317,056
Proceeds from the sale of property, plant and equipment		4,375,572	3,840,988
Acquisition of property, plant and equipment		(501,504,528)	(458,030,431)
Acquisition of intangible assets		(739,014)	(193,709,247)
Dividends received		2,016	2,900
Interest received		3,129,505	3,601,845
Government grants		1,996,042	1,701,201
Net cash used in investing activities		(492,740,407)	(642,592,744)
Proceeds from the issue of shares		-	353,703,381
Proceeds from long-term borrowings		298,201,750	-
Proceeds from short-term borrowings		36,274,474	163,809,658
Repayment of borrowings		(238,334,207)	(163,809,658)
Payment of finance lease liabilities		(1,303,725)	(464,426)
Dividends paid		(10,309,263)	(37,482)
Interest paid		(70,675,870)	(67,686,202)
Other cash inflows (outflows)		(24,769,175)	(16,493,821)
Net cash (used in) from financing activities	16	(10,916,016)	269,021,450
Net increase (decrease) in cash and cash equivalents		34,205,673	(23,254,238)
Effects of exchange rate fluctuations on cash held		525,962	(2,323,404)
Cash and cash equivalents as of January 1	5	110,914,830	136,492,472
Cash and cash equivalents as of December 31		145,646,465	110,914,830

The accompanying notes from 1 to 38 are an integral part of these Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

## 1. Reporting Entity

### a. Entel Group

Empresa Nacional de Telecomunicaciones S.A. (Taxpayer ID 92.580.000-7), hereinafter "Entel S.A." is a company constituted and domiciled in Chile. The Company's registered office is at Avenida Costanera Sur 2760, 22nd floor, Las Condes, Santiago, Chile.

This Company is the Parent of the Entel Group companies included in these consolidated financial statements.

The Company is a Publicly held corporation, with an indefinite term, registered with the Chilean Financial Market Commission (CMF, formerly the Chilean Superintendence of Securities and Insurance, SVS) under number 162 and, therefore, it is subject to the regulations of this Superintendence. Its shares are registered in the Securities Record and traded in the Chilean market.

The controlling shareholder of Entel S.A. is Inversiones Altel Ltda. (Taxpayer ID 76.242.520-3), the owner of 54.86% of the Company's current shares. 99.99% of Altel Ltda. is controlled by Almendral S.A. (Taxpayer ID 94.270.000-8).

Almendral S.A. is controlled by a group of shareholders who signed a joint interest agreement on January 24, 2005. The agreement was signed by the groups Matte, Fernández León, Hurtado Vicuña, Consorcio, Izquierdo and Gianoli.

The subsidiaries of which the financial statements are included in consolidation correspond to companies domiciled in Chile and other countries as detailed in note 3a).

The Chilean subsidiaries are closely-held corporations not subject to the regulations of the CMF; their shares are not traded, or registered with the Securities Record.

However, in line with legal requirements for public telecommunications concession holders, the subsidiaries Entel PCS Telecomunicaciones S.A. and Transam Telecomunicaciones S.A. are registered with the CMF under Nos. 33 and 232, respectively. Companies registered in this special register are subject to the same regulations as public limited companies in terms of market information and disclosure, except for the requirement to provide interim financial statements on a quarterly basis.

As of December 31, 2017, the Group's personnel amounted to 13,311 employees and an average headcount during the year amounted to 13,172.

As of December 31, 2016, the Group's personnel amounted to 12,604 employees and average headcount during that year was 12,686.

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### **b. Line of business**

The Group companies are engaged in mobile telecommunication services, including voice, added value, data, broadband and mobile internet services basically oriented to proposing integrated solutions, which encompass data networks, local telephony, Internet access, public long distance telephone, cable TV services, information technology services (data center, BPO and operating continuity), infrastructure, lease of networks and wholesale traffic businesses. The Group also provides call center services for the corporate market and Group companies.

These businesses are conducted mainly in Chile. Activities abroad are performed by three companies operating in Peru engaged in the provision of wireline, call center services, and mobile telephone services.

## **2. Basis of Preparation**

### **a. Statement of compliance**

The consolidated financial statements as of December 31, 2017 have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and were authorized for issue by the Board of Directors on January 31, 2018.

These consolidated financial statements have been prepared from accounting records held by the Parent and other entities from the consolidated holding. Each entity prepares its financial statements following the accounting principles and criteria in force in each country and, therefore, the necessary adjustments and reclassifications have been applied during the consolidation process to unify such principles and criteria to be in conformity with IFRS.

Accounting pronouncements (affecting the Group) effective starting from January 1, 2018 and thereafter:

STANDARDS & AMENDMENTS	MANDATORY APPLICATION DATE:
IFRS 9 - Financial Instruments	Annual periods beginning on January 1, 2018
IFRS 15 - Revenue from Contracts with Customers	Annual periods beginning on January 1, 2018
IFRS 16 - Leases	Annual periods beginning on January 1, 2019
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	Annual periods beginning on January 1, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	Annual periods beginning on January 1, 2019
<b>AMENDMENTS TO IFRSs</b>	
IFRS 9 - Financial Instruments:	Annual periods beginning on January 1, 2019
The amendments clarify that a financial asset complies solely with the Payments of Principal and Interests criterion regardless of the event or circumstance resulting in the early termination of the contract and regardless of which party pays or receives reasonable compensation for the early termination of the contract.	
IAS 12 - Income Taxes:	Annual periods beginning on January 1, 2019
The amendments clarify that income taxes from dividends generated by financial instruments classified as equity are more directly related to past transactions or events that gave rise to profits for distribution than to distributions to the owners.	
IAS 23 - Borrowings Costs:	Annual periods beginning on January 1, 2019
The amendments clarify that an entity treats as a general loan any indebtedness to develop a qualifying asset when substantially all the activities required to bring such asset into working condition for its use or sale are complete	

To date, the Company has not opted to early adopt any of these changes in standards.

With respect to IFRS 15, this new revenue standard will replace all current revenue recognition requirements under IFRS. The standard establishes a new methodology based on 5 sequential steps applicable to any industry to recognize an entity's revenue. The focus of the analysis is customer-facing.

The Group adopted the new standard on the mandatory application date using the modified retrospective approach. Such method consists of retrospectively determining the most recent past period affected by the total change of the initial adjustment, which is recognized at the date of adoption with effect on equity (retained earnings). The comparative amounts with 2017 in the financial statements are not modified and are presented under previous accounting standards, and the impacts will be disclosed in the notes to the financial statements.

After analyzing the standard and its impact on the different transactions, the effect for the Group will be an effect on mobile telephone service, specifically under a postpaid plan with a leased phone. This is because leasing the handset to the customer generates a separate obligation from the service rendering. The customer has total control on the device, it has no restrictions to be used in the network with a carrier other than that providing the device, and there are no exit barriers except for paying the balance of the subsidy provided at the commencement of the contract; i.e., a market model of homologated devices and number portability.

In addition, this type of contract generates commissions which are paid to the different distribution channels based on the future services to be rendered. These costs are deferred and recognized in profit or loss as the revenue is generated.

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As of January 1, 2018, the effect of the initial adjustment to equity, as a result of the adoption of the new standard, is the following:

	M\$
Total Equity as of 12-31-2017	1,238,351,170
Higher Net Income from the Sale of Equipment, Doubtful accounts discounted	81,539,905
Fees Attributable to Future Services	59,301,791
Deferred Tax	(40,062,033)
Total Adjustments	100,779,663
Adjustments on Equity % as of December	8%
<b>Total Equity as of 01-01-2018</b>	<b>1,339,130,833</b>

This initial adjustment to equity generates a higher receivable, a higher deferred expense related to customer attraction, and a deferred tax liability.

With respect to IFRS 16, the Group is currently assessing the impact of applying this new standard on its financial statements.

With respect to the remaining new standards and amendments, Management believes that there will be no other significant impact on the Entel Group's consolidated financial statement at the date of initial application.

#### **b. Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following material items:

- > derivative financial instruments are measured at fair value
- > interest-bearing borrowings are measured at amortized cost; and
- > liabilities arising from post-employment defined benefit plans are measured at their present value considering actuarial variables.

#### **c. Functional and presentation currency**

The amounts of these consolidated financial statements are rounded to the nearest thousand of Chilean pesos, except noted otherwise. The Chilean peso is the Group's functional and presentation currency.

#### **d. Use of estimates and judgments**

In the preparation of the consolidated financial statements, the Company's management uses certain estimates based on the best information available at each reporting date. These estimates impact the valuation of certain assets, liabilities, profit or loss, and cash flows that would be significantly affected by new events giving rise to changes in assumptions and other sources of uncertainty assumed through the present date.

The main estimates refer to:

- > Actuarial assumptions used for estimating severance indemnity payment liabilities, detailed in Note 20.
- > Valuation of intangible assets other than goodwill, goodwill generated from the acquisition of companies, which could affect the determination of impairment losses, detailed in Note 12.
- > Useful lives of property, plant and equipment and intangible assets, detailed in Notes 12 and 14.
- > Assumptions made when determining the fair value of financial instruments, detailed in Note 6.
- > Assumptions related to the generation of future taxable profits deductible from deferred tax assets, detailed in Note 15.
- > Assumptions associated with the cost of decommissioning facilities, detailed in Note 18.

#### **e. Changes in accounting policies**

The accounting policies set up below have been applied consistently to all periods presented in these consolidated financial statement.

### **3. Significant Accounting Policies**

#### **a. Basis of consolidation**

Consolidation of a subsidiary shall begin from the date the investor obtains control of the investee and cease when the investor loses control of the investee. Specifically, the revenues and expenses of a subsidiary acquired or sold during the year are included in the consolidated statements of comprehensive income from the date on which the Company obtains control and up to the date on which control ceases.

The consolidated financial statements include the financial statements of the parent and the entities controlled by the Group (its subsidiaries). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvements with the entity and when it has the ability to affect those returns through its power over the entity. Thus, the Company controls an investee when, and only when, it has all the following:

- > power over the investee (that is, it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns);
- > exposure, or rights, to variable returns from involvement with the investee; and
- > the ability to use power over the investee to affect the amount of the investor's returns.

When there is a loss of control, Entel S.A. derecognizes the assets and liabilities of the subsidiary, non-controlling interests and other equity components related to the subsidiary. Any gain or loss resulting from the loss of control is recognized in profit or loss. If any investment is retained in the former subsidiary this is valued at its fair value when control is lost. Subsequently that investment retained is accounted for as an investment recorded under the equity method or a financial asset available for sale, depending on the level of influence retained.

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In preparing consolidated financial statements, an entity combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, equity, revenue and expenses. All the Company's direct and indirect subsidiaries are controlled by 100% and, accordingly, non-controlling interest does not exist in the consolidated financial statements.

The significant transactions made by consolidated companies, and balances payables between them have been eliminated for consolidation purposes.

The carrying amount of the Parent's investment in each subsidiary is offset against equity, after adjusting such carrying amount to fair value on the date in which control over the investee is obtained. At that date, goodwill is recognized as described below whereas any gain resulting from the acquisition of a business or negative goodwill is recognized in the statement of comprehensive income. Assets and liabilities of consolidated foreign operations expressed in currencies other than the Chilean peso are translated into Chilean peso using the exchange rate at the reporting date. Foreign currency differences resulting from the application of this method are classified in equity until the disposal of the investment.

The exemption allowed under IFRS 1 (First-Time Adoption of IFRS) for annulling exchange rate differences accumulated at the date of transition to IFRS was not adopted.

The subsidiaries included in consolidation correspond to companies domiciled both in Chile and abroad, detailed as follows:

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Tax ID Number	Company	Country	Currency	Ownership percentage			
				12.31.2017			12.31.2016
				Direct	Indirect	Total	Total
96806980-2	ENTEL PCS TELECOMUNICACIONES S.A.	CHILE	Ch\$	99.999	0.001	100.000	100.000
76479460-5	ENTEL COMERCIAL S.A.	CHILE	Ch\$	-	100.000	100.000	100.000
96561790-6	ENTEL INVERSIONES S.A.	CHILE	Ch\$	99.990	0.010	100.000	100.000
96554040-7	ENTEL SERVICIOS TELEFONICOS S.A.	CHILE	Ch\$	91.420	8.580	100.000	100.000
96563570-K	ENTEL CALL CENTER S.A.	CHILE	Ch\$	90.000	10.000	100.000	100.000
96697410-9	ENTEL TELEFONIA LOCAL S.A.	CHILE	Ch\$	99.000	1.000	100.000	100.000
96548490-6	MICARRIER TELECOMUNICACIONES S.A.	CHILE	Ch\$	99.990	0.010	100.000	100.000
96553830-5	ENTEL CONTACT CENTER S.A.	CHILE	Ch\$	-	100.000	100.000	100.000
96672640-7	ENTEL SERVICIOS EMPRESARIALES S.A.	CHILE	Ch\$	-	100.000	100.000	100.000
79637040-8	SOC.DE TELECOMUNICACIONES INSTABEEP LTDA	CHILE	Ch\$	99.990	0.010	100.000	100.000
96652650-5	TRANSAM COMUNICACIÓN S.A.	CHILE	Ch\$	-	100.000	100.000	100.000
96833480-8	WILL S.A.	CHILE	Ch\$	-	100.000	100.000	100.000
FOREIGN	AMERICATEL PERU S.A.	PERU	PEN	46.570	53.430	100.000	100.000
FOREIGN	SERVICIOS DE CALL CENTER DEL PERÚ S.A.	PERU	PEN	0.004	99.996	100.000	100.000
FOREIGN	ENTEL DEL PERU S.A.	PERU	PEN	97.877	2.123	100.000	100.000
FOREIGN	EUSA WHOLESALE INC.	USA	Ch\$	-	100.000	100.000	100.000
FOREIGN	ENTEL INTERNACIONAL B.V.I. CORP.	BRITISH VIRGIN ISLANDS	Ch\$	100.000	-	100.000	100.000

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### b. Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency of Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The difference determined between the original and closing amount is recognized under foreign currency translation differences in the statement of income.

An exception to the above relates to assets and liabilities stated at fair value (mainly those arising from financial derivative contracts). The differences between exchange rates at the reporting date and the fair value of such contracts are also recorded in profit or loss within Foreign currency translation differences, with the exception of cash flow hedge contracts where differences are recognized in equity.

Assets and liabilities expressed in foreign currency or other translation units are translated as follows:

		Exchange rate	
		12.31.2017 \$	12.31.2016 \$
United States Dollars	US\$	614.75	669.47
Euro	EURO	739.15	705.60
Unidad de Fomento (inflation-adjusted units)	UF	26,798.14	26,347.98
Peruvian sol	PEN	189.68	199.69

### **c. Financial instruments**

#### **Financial assets**

The Group classifies its financial assets under the following categories: fair value through profit or loss or other comprehensive income; and assets at amortized cost. The classification depends on the purpose for which the financial assets were acquired.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset.

› Financial assets at fair value through profit and loss

The Group companies include under this category those derivatives that do not meet the requirements for hedge accounting. Contracts that record an asset position at the reporting date are presented within other financial assets in the statement of consolidated financial position, whereas those with liability positions are recognized within other financial liabilities.

› Financial assets and liabilities at amortized cost

Correspond to financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Group has determined that the calculation of amortized cost does not differ from the invoiced amount as there are no significant costs associated with the transactions.

Cash and cash equivalents comprise cash on hand and short-term, highly liquid investments which are subject to an insignificant risk of changes in value. In addition to cash balances and those held in bank current accounts, cash and cash equivalents also includes short-term deposits; fixed income mutual fund deposits; and transactions with buyback and resale options with original maturities of three months or less. These assets are recorded at their nominal value or amortized cost, depending on their nature, with changes through profit or loss. Recorded balances include interest and inflation adjustments accrued at the end of the year.

## Financial liabilities

The Group initially recognizes unsecured debts issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date on which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies non-derivative financial liabilities under financial liabilities measured at amortized cost. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Such liabilities include loans and borrowings, bank overdrafts, and trade and other payables.

Financial liabilities hedged by derivatives designated to manage the exposure to fluctuations in cash flows (cash flow derivatives used for hedging) are measured at amortized cost.

## Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

If in certain contracts embedded derivative contracts coexist, they are separated from the original contract and are accounted for separately. This procedure is applied if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

In accordance with IAS 39, derivative financial instruments qualify for hedge accounting only when:

- > at inception the hedge relationship is formally designated and documented;
- > the hedge is expected to be highly effective;
- > the effectiveness of the hedge can be reliably measured;
- > the hedge is highly effective throughout the financial reporting periods for which it was designated.

All derivatives are measured at fair value in accordance with IAS 39.

If a fair value hedge meets the conditions for hedge accounting, the following accounting treatment is applicable:

- > Cash flow hedges – When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity (cash flow hedge reserve). The amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

When hedges relate to risk management strategies but not necessarily meet the effectiveness and testing requirements required by international financial reporting standards for the application of hedge accounting, changes in the value of instruments are charged to profit or loss.

#### **d. Inventories**

Goods for sale are measured at the lower of cost and net realizable value depending on the purpose for which they are held. The cost of inventories is measured using the weighted average price.

Such a classification includes mobile phone handsets for customers. In this case, grants related to the transfer of handsets to customers are expensed in profit or loss as cost of sale.

The main inventories are mobile handsets and accessories. The existence of obsolescence is assessed at each reporting date in order to register the corresponding derecognition of assets, considering the storage time of the different handsets in warehouses, and the potential sale of such handsets.

#### **e. Impairment**

##### **> Non-derivative financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

For estimating the impairment of receivables, the Group applies different percentages to different client classes based on the aging of past due receivables and possible collection costs. Differences are also made for current receivables, renegotiated receivables and documented receivables.

The mentioned factors are used to perform the estimation of uncollectibility for rendered services.

The Group does not consider the discounted values of loans and receivables to estimate their impairment because they mature in the short-term and, accordingly, the difference between their current value and present value is not significant.

##### **> Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is

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estimated. For goodwill, and intangible assets other than goodwill that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The ceiling test to determine value-in-use is subject to the operating segment for goodwill impairment purposes.

Impairment losses are recognized in profit or loss. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount; however, an impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **f. Property, plant and equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

In determining the acquisition value, the Group considers the acquisition price of assets and services, including non-recoverable tax and customs duties. Likewise, the Group considers site and start-up costs until is ready to operate; in addition, the estimation of dismantling and withdrawal costs are also included.

Net interest on borrowings directly associated with the financing of construction work, accrued during the development period and up to the date in which the asset is available for use are capitalized except for projects which development period is lower than six months..

#### **g. Depreciation of property, plant and equipment**

Depreciation is estimated using the straight-line method based on the estimated useful lives of the assets in conformity with technical studies. Such technical studies include the annual verification of technologic and/or business events that make it advisable to amend such useful lives as well as the assets' residual value at the date of removal.

In addition, the Group applies procedures to evaluate any indication of asset impairment. In the event that there are assets which values exceed their market value or ability to generate net income, the Group makes impairment adjustments which are charged to profit or loss.

Tables of useful life for depreciation are highly disaggregated based on the characteristics of different assets in addition to the possibility of being treated on an individual basis. Most significant useful lives are detailed in Note 14, Property, plant and equipment.

The useful life and residual values are reviewed at least once a year, considering the advances in technology and, if appropriate, are adjusted prospectively, affecting future depreciations.

#### **h. Finance leases**

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases.

For these purposes, the Group considers the transfer of the asset at the end of the agreement, the value of a possible purchase option, the portion of the economic life of the asset covered by the term of the lease and the degree to which the current value of minimum lease agreement payments is equivalent to the asset fair value. The leased asset is measured at an amount equivalent to the present value of lease payments and the amount payable to exercise the purchase option. Leased assets are subject to depreciation under the general standards applicable to property, plant and equipment.

The ownership of leased assets is legally acquired through the exercise of the purchase option and, therefore, the Company cannot freely dispose of these assets until it exercises the purchase option.

Assets under finance lease agreements are considered as sold for accounting purposes and derecognized from inventories. Gains and losses resulting from such transactions are based on the 'present value' of lease payments receivable in relation to the acquisition or construction cost of assets sold.

#### **i. Intangible assets**

Intangible assets include rights of use on fiber optic cable capacities (IRUs), the cost of licenses and operating concessions, as well as other rights of use in favor of the Group companies.

IRUs are amortized on a straight-line basis and expensed in profit or loss over the period of the related agreements.

Licenses and concessions are amortized over the lower of the estimated operating or awarding periods whereas rights of use are amortized over the life of the agreement with a maximum period of 40 years.

Computer software cost is capitalized over a period of 4 years.

#### **j. Goodwill**

For goodwill that arises from the total or partial acquisition of companies, the Group uses the acquisition method establishing the fair value of the acquiree's identified assets and liabilities recognizing the possible difference in the amount paid for the acquisition as goodwill. This amount is subject to impairment testing at each year-end and any possible impairment losses are recognized.

For translation purpose

### **k. Income tax and deferred taxes**

The income tax expense is determined based on profit or loss for tax purposes. Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes are recorded as non-current assets and liabilities, as applicable. Such values are recognized at current value with no discount to their present value regardless of the estimated term of recovery. Deferred tax assets and liabilities are recognized using the current tax rates when these are expected to be realized or settled.

On September 29, 2014, the Tax Reform Law was enacted, and later on December 15, 2015, the Chilean Government issued a project to simplify and amend the mentioned reform, specifically amendments to the income tax systems, the establishment of the partially integrated system for corporations, and the corporate tax rate that will be applied gradually by default to companies between 2014 and 2018.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates applicable by default at the reporting date, which are as follows:

Year	Partially-integrated regime
2014	21.0%
2015	22.5%
2016	24.0%
2017	25.5%
2018	27.0%

### **l. Employee benefits**

#### **Defined benefits plan (post-employment benefits)**

Post-employment benefits include severance payments to employees with indefinite employment contract with Entel Chile S.A who are members of Corporación Mutual and are entitled when they achieve 8 years of continuous service. These obligations are measured at their present value and discounted using long-term interest rates and actuarial assumptions regarding employee turnover, life expectancy and salary and wage forecasts of the potential beneficiaries.

To determine the net amount of the liability to be recognized, the Group deducts the fair value of balances accumulated by employees based on the contributions they have to make in certain Funds under agreements currently in force.

Variations in the obligation related to accruals associated with increases in the number of periods or increases or decreases in the number of employees are charged to payroll expenses, whereas those related to the accrual of embedded interest, are charged to profit or loss. Gains or losses arising from actuarial effects are charged to equity..

### **Termination benefits**

Termination benefits, other than post-employment benefits, are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

### **Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The cost of employee vacations is recognized in the year in which vacation days accrue regardless of the year in which employees use them.

## **m. Revenue**

Revenue is recognized on the basis of the accrual method, when the Group becomes entitled to receive a consideration. For these purposes, the Group considers the time of delivery or reception of goods or rendering of services provision regardless of the time when the related cash flows are received (prepaid, simultaneous or at a given term).

The Group has the following specific policies for revenue:

### **Aggregated offers**

This caption identifies the components of commercial packages offered determining the characteristics of each package. Accordingly, revenue from the package is allocated to each component based on its fair value by applying the relevant individual revenue recognition standards.

Package sales that cannot be disaggregated are treated as a single transaction. Package sales cannot be disaggregated when their commercial effect cannot be understood without reference to the whole set of transactions.

For translation purpose

The most significant aggregated offer relates to prepaid customers in mobile telephone service. This offer includes the equipment, a credit chargeable to services and the expectation for future services. Only those cash flows which reception is certain are considered for recognition by disaggregating as service the average amount of the value that can be allocated to telephone services as these are used by customers.

In the event that solely some elements can be assigned a value reliably, the residual value is assigned to the remaining components. The value assigned to a certain component will be limited to the sale price not subject to the delivery of other items.

Amounts received in relation to future services are recognized as a liability for advances received from customers which are subsequently reclassified to profit or loss when the related services are used. Main cash flows for this concept correspond to amounts related to services included in prepaid mobile telephone service offers as well as the sale of subsequent electronic recharges.

Activation costs charged to postpaid customers under contracts of loan and restitution of equipment are recognized in profit or loss in the same period when the delivery of the related equipment is also recognized in profit or loss..

### **Sale of handsets**

In conformity with the general standard, revenue is recognized when handsets are delivered to customers.

In the event that the sale includes a supplementary activity (installation, set-up, start-up, etc.) such sale is recognized upon approval by the customer.

Revenue from handsets delivered individually which technically or contractually can be used solely for services provided by the Company, is deferred and recognized over the expected life of each agreement.

No revenue is recognized for equipment delivered without transference of ownership (bailment, loan, lease, etc.). Handsets under this condition are recorded as operating assets and, accordingly, they are subject to the related depreciation. Cable television, internet, fixed-line telephony and certain IT services are included under this condition.

### **Revenue for activation charges**

This revenue is deferred and recognized as such over the shorter of the life of the agreement or expected customer retention period.

The customer retention period is estimated based on the historical experience, churn rates or the knowledge of market behavior.

Connections with direct execution cost equal to or higher than the charge made to the customer are excluded from this procedure. In this case, revenue from activation charges is recognized as such at the time of providing connection services to the customer in order to match revenue and expenses.

Connection costs include installation and management of third party orders, distributor fees and SIM card cost.

The general procedure also excludes connections representing independent, non-cancellable transactions not subject to the compulsory provision of other goods or services.

### **Customer Loyalty Programs**

Provision of future benefits based on service use levels or current or past purchases. Revenue received is allocated based on fair values among services already rendered and services to be provided in the future; revenue allocated to the latter is treated as unearned income for future sales. Simultaneously, the Company accrues a provision for marginal costs associated with services or goods to be delivered fully or partially for free.

This procedure excludes isolated campaigns intended to introduce new products or re-launch other products as long as such campaigns last for less than three months and do not represent more than 1% of sales for the last 12 months.

These programs include credits for calls, product discounts, benefits for goal compliance and accumulation of exchangeable points for products, own or third party services.

In the cases where benefit prescription or defeasance clauses are exercised, the respective unused balances are transferred to revenue. These procedures are only applied if it is possible to make reliable estimates of benefits to be obtained by customers.

### **Sale Discounts**

Revenue is stated net of discounts granted to customers.

### **Third Party Sales**

In the cases where the Company acts as principal, agent or broker-dealer for sales of goods or services produced by other agents, revenue is recorded net; i.e., recording only the margin resulting from rendering the services; i.e., the commission or fee, or share of profit received.

To establish the condition to act as principal, the Group considers whether the product is explicitly sold on behalf of the supplier, whether it assumes the risks related to the product, the responsibility over it and is in charge of fixing the sale price.

### **Prepaid Mobile Services**

Revenue from sales of prepaid mobile services is recognized in profit or loss in the month when users make use of the services or when such services expire, if earlier.

### **Rendering of services in progress at the reporting date**

Service rendering for more than one accounting period is recognized as revenue under the percentage of completion method at each reporting date. This percentage is determined based on the proportional of inputs used compared with budget.

For translation purpose

#### **n. Finance costs**

Initial expenses related to fees, advisory services and taxes for financial debts are treated using the amortized cost method. Under this method, these expenses become a part of the effective interest rate and, accordingly, they are amortized using such rate and during the schedule payment period.

#### **o. Provisions**

The Group recognizes liabilities for all legal obligations in favor of third parties arising from transactions conducted or future events for which it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are recognized when the amount of the obligation can be reliably estimated based on the risks identified and the best estimates. The amount of provisions is discounted when the effect of the time value of money is deemed to be material. Refer to Note 18 for further information.

#### **p. Dividends**

Dividends payable to third parties are reported as a change in net equity in the period in which the obligation for their distribution arises either because of being declared at the Shareholders' Meeting or being related to a legal obligation for minimum dividends.

#### **q. Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets.

#### **r. Government grants**

Government grants intended to finance investments are recorded as lower acquisition or construction cost of the related assets.

#### **s. Interconnection revenue and costs**

Amounts accrued in favor or against the Group's companies are recognized on the basis of existing agreements and traffic measurements exchanged with other domestic and international operators.

#### **t. Cost of sales**

Cost and expenses are charged to services directly as access charges and interest in other telecommunication carriers are charged. Other cost pools are distributed to each segment and product through allocation drivers. These drivers are from different nature, and some are obtained directly from the ERP systems, and others correspond to activity variables obtained from the operational systems. Property, plant and equipment are related to technological platforms and the allocation of product depreciation based on the use of such platforms.

### **4. Financial Assets and Liabilities**

#### **a. Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

##### **Derivative Financial Instruments**

The fair value of a derivative contract that is not quoted in an active market is obtained from the difference between the cash flows related to the rights and obligations resulting from the contract discounted at the applicable market interest rate at the measurement date (Level 2 in the fair value hierarchy).

For currency forward contracts, fair value corresponds to the difference between the amount of the foreign currency to be acquired based on the contract, multiplied by the applicable forward exchange rate, the debt in Chilean pesos and Peruvian soles agreed in the contract, both discounted using the effective exchange rate for the Chilean peso and the Peruvian sol for the remaining contract period.

As there are no rates for all maturity dates but for some specific dates, the applicable rate is obtained by interpolating the closest points to the applicable maturity date. This procedure is applied to rates in inflation-indexed units (UF), Chilean pesos, US dollars, Euros and Peruvian soles.

In the case of contracts to hedge against fluctuations in exchange and/or interest rates (Cross Currency Swap and IRS), the fair value corresponds to the difference in discounted cash flows of each contract component, including the nominal amount.

Rates used to discount the local currency as well as the Peruvian currency are risk free and zero-coupon rates of instruments issued by the central banks of each country.

With respect to foreign currency rates, the rates are risk-free and zero-coupon rates based on interbank rates (U.S. LIBOR) adjusted by the market risk in each country.

For translation purpose

## Non-derivative financial liabilities

For disclosure purposes, fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market interest rate is determined by reference to similar leases.

In the case of current trading assets and liabilities, the fair value is estimated to be equal to their current value as they correspond to short-term cash flows.

### b. Fair value hierarchy

In conformity with the methods and techniques used to determine fair values, the following hierarchies are defined:

- > Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- > Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- > Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below shows the changes in the fair value of net liabilities from derivatives:

	12.31.2017	12.31.2016
	Level 2 ThCh\$	Level 2 ThCh\$
Net Opening Balance for Derivative Contracts, Assets (Liabilities)	107,190,864	266,389,345
Gains (losses) recognized in profit or loss	(135,379,099)	(120,154,057)
Gains (losses) recognized in equity	(2,736,117)	(53,014,122)
Settlements against (in favour of) contracts during the period	25,974,297	13,969,698
Change in the Fair Value Measurement	(112,140,919)	(159,198,481)
Closing Balance for Derivative Contracts, Assets (Liabilities)	(4,950,055)	107,190,864

For translation purpose

### c. Categories of financial assets and liabilities

The table below shows the carrying amounts for the different categories of financial assets and liabilities compared to their fair values.

December 31, 2017, ThCh\$	Note	At fair value		Assets at amortized cost	Liabilities at amortized cost	Currency or inflation adjusted unit	Total carrying amount	Total fair value
		Through profit or loss	Through other comprehensive income Hedge derivatives					
<b>ASSETS</b>								
Cash and cash equivalents	5	-	-	136,499,621	-	CLP/USD/PEN	136,499,621	136,499,621
Other Financial Assets	6							
Finance lease assets		-	-	809,212	-	UF	809,212	808,915
Derivatives		2,462,840	35,364,029		-	USD	37,826,869	37,826,869
Trade and other receivables	8	-	-	346,455,962	-	CLP/USD/PEN	346,455,962	346,455,962
Trade receivables due from related parties	9	-	-	414,501	-	CLP	414,501	414,501
<b>Total assets</b>		<b>2,462,840</b>	<b>35,364,029</b>	<b>484,179,296</b>			<b>522,006,165</b>	<b>522,005,868</b>
<b>LIABILITIES</b>								
Other Financial Liabilities	16							
Interest bearing borrowings		-	-	-	285,571,697		285,571,697	286,075,523
Liabilities with bondholders		-	-	-	1,297,949,792		1,297,949,792	1,363,529,722
Finance Lease Liabilities		-	-	-	1,155,613		1,155,613	1,168,570
Derivatives		15,423,449	27,353,475		-	-	42,776,924	42,776,924
Trade and other payables	17	-	-	-	545,150,721		545,150,721	545,150,721
<b>Total liabilities</b>		<b>15,423,449</b>	<b>27,353,475</b>	<b>2,129,827,823</b>			<b>2,172,604,747</b>	<b>2,239,220,460</b>

December 31, 2016, ThCh\$	Note	At fair value		Assets at amortized cost	Liabilities at amortized cost	Currency or inflation adjusted unit	Total carrying amount	Total fair value
		Through profit or loss	Through other comprehensive income Hedge derivatives					
<b>ASSETS</b>								
Cash and cash equivalents	5	-	-	104,808,283	-	CLP/USD/PEN	104,808,283	104,808,283
Other Financial Assets	6							
Finance lease assets		-	-	1,792,767	-	UF	1,792,767	1,844,435
Derivatives		3,945,728	111,014,429		-	USD	114,960,157	114,960,157
Trade and other receivables	8	-	-	330,626,210	-	CLP/USD/PEN	330,626,210	330,626,210
Trade receivables due from related parties	9	-	-	971,320	-	CLP	971,320	971,320
<b>Total assets</b>		<b>3,945,728</b>	<b>111,014,429</b>	<b>438,198,580</b>			<b>553,158,737</b>	<b>553,210,405</b>
<b>LIABILITIES</b>								
Other Financial Liabilities	16							
Interest bearing borrowings		-	-	-	199,306,396		199,306,396	209,283,651
Liabilities with bondholders		-	-	-	1,392,188,596		1,392,188,596	1,409,416,226
Finance Lease Liabilities		-	-	-	2,513,774		2,513,774	3,622,470
Derivatives		3,585,016	4,184,277		-	-	7,769,293	7,769,293
Trade and other payables	17	-	-	-	505,044,060		505,044,060	505,044,060
<b>Total liabilities</b>		<b>3,585,016</b>	<b>4,184,277</b>	<b>2,099,052,826</b>			<b>2,106,822,119</b>	<b>2,135,135,700</b>

## 5. Cash and Cash Equivalents

Cash and cash equivalents are detailed as follows:

	12.31.2017 ThCh\$	12.31.2016 ThCh\$
Cash on hand	116.073	1.500.511
Cash in banks	9.010.585	4.553.449
Short-term deposits	133.633.176	85.459.101
Fixed income mutual fund	2.866.445	1.942.802
Instruments issued by Banco Central de Chile (the Central Bank of Chile)	-	17.406.380
Other cash and cash equivalents	20.186	52.587
<b>Total</b>	<b>145.646.465</b>	<b>110.914.830</b>
<b>Total by currency</b>		
CLP	121.857.496	89.519.786
US\$	18.698.791	19.137.763
PEN	5.072.174	2.250.573
EUR	18.004	6.708
<b>Total</b>	<b>145.646.465</b>	<b>110.914.830</b>

The same items of the caption are considered for the statement of financial position and the statement of cash flows. The Group's companies have no balances that are not available for use, nor do they have restrictions on financing cash flows to be used in operating and/or investment activities.

There is no control and the Board of Directors is not informed on the series of activities related to the business segments included in Note 29, except for the mobile telephone business in Peru, performed by the subsidiary Entel Perú S.A.

Refer to the analysis "Comments on the statements of cash flows of funds" for further details on the most relevant items in the statement of cash flows.

For translation purpose

a) As of December 31, 2017 and 2016, short-term deposits with original maturities equal or less than three months recognized at amortized cost are as follows:

Bank	Currency	Investment date	Maturity date	Days	Amount ThCh\$	Accrued days	Accrued interest ThCh\$	Total 12.31.2017 ThCh\$
Banco BBVA	US\$	2017-12-26	2018-01-03	8	4,918,000	5	1,981	4,919,981
Banco BBVA	US\$	2017-12-26	2018-01-03	8	5,532,750	5	2,228	5,534,978
Banco BBVA	US\$	2017-12-26	2018-01-03	8	6,147,500	5	2,476	6,149,976
Banco BBVA	Ch\$	2017-12-28	2018-01-05	8	3,145,000	3	755	3,145,755
Banco BCI	Ch\$	2017-10-31	2018-01-02	63	9,200,000	61	48,637	9,248,637
Banco BCI	Ch\$	2017-12-19	2018-02-01	44	3,373,000	12	3,508	3,376,508
Banco BCI	Ch\$	2017-12-29	2018-01-05	7	3,000,000	2	500	3,000,500
Banco BCI	Ch\$	2017-11-23	2018-01-05	43	2,463,000	38	8,111	2,471,111
Banco BCI	Ch\$	2017-11-21	2018-01-05	45	2,450,000	40	8,493	2,458,493
Banco BCI	Ch\$	2017-12-27	2018-02-02	37	6,519,000	4	2,434	6,521,434
Banco BCI	Ch\$	2017-12-12	2018-01-26	45	4,575,000	19	7,534	4,582,534
Banco Consorcio	Ch\$	2017-12-13	2018-01-22	40	5,799,000	18	8,699	5,807,699
Banco Consorcio	Ch\$	2017-10-16	2018-01-12	88	6,101,000	76	40,185	6,141,185
Banco Itaú	Ch\$	2017-11-22	2018-01-05	44	5,342,000	39	16,667	5,358,667
Banco Itaú	Ch\$	2017-12-20	2018-03-20	90	6,120,000	11	6,351	6,126,351
Banco Itaú	Ch\$	2017-11-20	2018-01-05	46	3,903,000	41	12,268	3,915,268
Banco Santander	Ch\$	2017-12-29	2018-01-05	7	10,953,000	2	1,833	10,954,833
Banco Santander	Ch\$	2017-11-07	2018-02-05	90	6,226,000	54	29,138	6,255,138
Banco Santander	Ch\$	2017-12-01	2018-01-05	35	4,749,000	30	11,398	4,760,398
Banco Santander	Ch\$	2017-12-28	2018-01-24	27	5,105,000	3	1,281	5,106,281
Banco Santander	Ch\$	2017-12-11	2018-01-29	49	3,959,000	20	6,598	3,965,598
Banco Santander	Ch\$	2017-11-10	2018-01-26	77	4,501,000	51	19,894	4,520,894
Banco Scotiabank	Ch\$	2017-11-08	2018-02-06	90	9,808,000	53	42,452	9,850,452
Banco Scotiabank	Ch\$	2017-12-01	2018-01-05	35	4,412,000	30	10,589	4,422,589
Banco Scotiabank	Ch\$	2017-12-11	2018-01-26	46	3,590,000	20	6,103	3,596,103
Banco de Crédito del Perú	PEN	2017-12-29	2018-01-02	4	948,400	2	161	948,561
Banco de Crédito del Perú	PEN	2017-12-29	2018-01-02	4	379,360	2	64	379,424
Banco de Crédito del Perú	PEN	2017-12-29	2018-01-05	7	56,904	2	10	56,914
Scotiabank - Perú	PEN	2017-12-29	2018-01-05	7	56,904	2	10	56,914
<b>Total</b>					<b>133,332,818</b>		<b>300,358</b>	<b>133,633,176</b>

Bank	Currency	Investment date	Maturity date	Days	Amount ThCh\$	Accrued days	Accrued interest ThCh\$	Total 12.31.2016 ThCh\$
BBVA	Ch\$	2016-12-12	2017-01-04	23	9,901,000	19	20,066	9,921,066
BBVA	Ch\$	2016-12-13	2017-01-04	22	8,000,200	18	15,840	8,016,040
BCI	Ch\$	2016-12-19	2017-01-11	23	7,032,700	12	9,002	7,041,702
BCI	Ch\$	2016-12-14	2017-01-06	23	7,274,300	17	13,191	7,287,491
Banco Itaú	Ch\$	2016-12-13	2017-01-13	31	9,343,000	18	19,060	9,362,060
Banco Itaú	Ch\$	2016-12-27	2017-01-31	35	3,609,000	4	1,636	3,610,636
Banco Itaú	Ch\$	2016-12-06	2017-01-04	29	5,176,000	25	14,234	5,190,234
Banco Santander	Ch\$	2016-12-21	2017-01-20	30	4,204,000	10	4,765	4,208,765
Banco Santander	Ch\$	2016-12-07	2017-01-04	28	4,546,000	24	12,001	4,558,001
Banco Santander	Ch\$	2016-12-23	2017-01-20	28	9,165,500	8	8,310	9,173,810
Banco Santander	Ch\$	2016-12-15	2017-01-06	22	4,872,250	16	8,315	4,880,565
Scotiabank	Ch\$	2016-12-22	2017-01-20	29	6,004,000	9	5,944	6,009,944
Scotiabank	Ch\$	2016-12-30	2017-01-24	25	5,619,000	1	618	5,619,618
Banco de Credito del Perú	PEN	2016-12-30	2017-01-02	3	399,380	1	48	399,428
Interbank	PEN	2016-12-30	2017-01-02	3	179,721	1	20	179,741
<b>Total</b>					<b>85,326,051</b>		<b>133,050</b>	<b>85,459,101</b>

b) The allocations in mutual funds for each reporting period are made under the fixed income method. The detail is as follows:

Counterparty	Dates Issuance	Dates Maturity	Currency Origen	Type/Class	Capital Invested ThCh\$	Closing Amount ThCh\$	Total 12.31.2017 ThCh\$
Banco Estado FM	2017-12-29	2018-02-01	Ch\$	Fondo Solvente Serie 1	1,560,000	1,560,484	1,560,242
Banco Estado FM	2017-12-29	2018-02-01	Ch\$	Fondo Solvente Serie 1	548,000	548,170	548,085
Banco Estado FM	2017-12-29	2018-02-01	Ch\$	Fondo Solvente Serie 1	758,000	758,235	758,118
<b>Total</b>					<b>2,866,000</b>		<b>2,866,445</b>

Counterparty	Dates Issuance	Dates Maturity	Currency Origen	Type/Class	Capital Invested ThCh\$	Closing Amount ThCh\$	Total 12.31.2016 ThCh\$
Scotiabank	12-30-2016	2017-03-01	Ch\$	Clipper B	584,000	584,243	584,061
Scotiabank	12-30-2016	2017-03-01	Ch\$	Clipper B	642,000	642,267	642,067
Scotiabank	12-30-2016	2017-03-01	Ch\$	Clipper B	197,600	197,682	197,621
Scotiabank	12-30-2016	2017-03-01	Ch\$	Clipper B	519,000	519,216	519,053
<b>Total</b>					<b>1,942,600</b>		<b>1,942,802</b>

For translation purpose

c) Financial investments on instruments issued by the Central Bank of Chile correspond to financial investments related to balances receivable for sale commitments for financial instruments in portfolio (agreements) and are recorded at amortized cost. The detail is as follows:

Counterparty	Dates Issuance	Dates Maturity	Currency Origen	Type/Class	Capital Invested ThCh\$	Closing Amount ThCh\$	Total 12.31.2016 ThCh\$
BCI	2016-12-29	2017-01-04	Ch\$	BCU	7,403,660	7,407,022	7,364,190
Scotiabank	2016-12-29	2017-01-04	Ch\$	PDBC	6,057,540	6,060,493	6,025,314
Scotiabank	2016-12-29	2017-01-04	Ch\$	PDBC	4,038,360	4,040,328	4,016,876
<b>Total</b>					<b>17,499,560</b>		<b>17,406,380</b>

In conformity with working capital management policies, all deposits in the financial market have been entered into with widely known high rated banks and financial institutions in Chile and Peru.

The carrying amount of time deposits, fixed income mutual funds and instruments issued by the Chilean Central Bank for both periods does not significantly differ from their fair values..

## 6. Other Financial Assets

Other financial assets are detailed as follows:

	12.31.2017 ThCh\$	12.31.2016 ThCh\$
<b>Current assets</b>		
Derivatives - not designated as hedges	700,108	2,636,220
Derivatives - designated as hedges	609,352	1,068,685
Finance lease assets	809,212	1,060,826
<b>Subtotal current</b>	<b>2,118,672</b>	<b>4,765,731</b>
<b>Non-current assets</b>		
Derivatives - designated as hedges	34,754,677	109,945,744
Derivatives - not designated as hedges	1,762,732	1,309,508
Finance lease assets	-	731,941
<b>Subtotal non-current</b>	<b>36,517,409</b>	<b>111,987,193</b>
<b>Total other financial assets</b>	<b>38,636,081</b>	<b>116,752,924</b>

Derivatives include all contracts with balances in favor (right) of Group companies.

#### **a. Derivatives used for hedging**

Cash flow hedges: this balance corresponds to the market value of derivative contracts that have been designated as exchange rate and interest rate hedges, Cross Currency Swap (CCS), for bonds placed in the international market. These CCS contracts comprise the replacement of obligations for US\$1,600 million at a fixed rate of 4.875% and 4.75% with obligations in inflation-indexed units (UF) of 16.38 million and obligations in Chilean pesos of ThCh\$506,595,200, both at rates ranging from UF+3.57% to Ch\$7.73%.

#### **b. Derivatives at fair value though in profit or loss (not used as hedging). These comprise the following:**

- Forward foreign currency buy/sell contracts (FR), including the purchase obligation of US\$519 million totaling ThCh\$272,322,445 and 332 millions of Peruvian soles (ThCh\$62,953,047).
- Interest rate Swap contracts (IRS) on a notional amount of US\$200 million on which interest are received at a fixed rate of 4.75% and paid at a rate of LIBO at 360 days + a spread ranging from 1.78% and 2.075%.

Those derivative contracts with balances against (obligation) Group companies are recorded within Other financial liabilities (Note 16).

Finance lease assets relate to balances for an agreement in force with Telmex S.A. for the value of principal installments receivable with maturity over one year for the long-term lease of telecommunication infrastructure.

The agreement encompasses 19 equal annual installments of UF 40,262.12 each, the last expiring on January 10, 2017 and a final installment representing the purchase option of UF 30,196.59 expiring on January 10, 2018.

This amount is presented net of unaccrued interest, which was determined based on the annual interest rate embedded in the contract of 8.7% per annum.

The schedule of maturity dates is as follows (in thousands of Chilean pesos):

Minimum lease payments	12.31.2017			12.31.2016		
	Gross	Interest	Present Value	Gross	Interest	Present Value
From 1 to 90 days	809,212	-	809,212	1,124,505	(63,679)	1,060,826
From 1 to 2 years	-	-	-	795,620	(63,679)	731,941
Total	809,212		809,212	1,920,125	(127,358)	1,792,767

For translation purpose

## 7. Other Non-Financial Assets

This caption comprises the following:

	Current		Non-current	
	12.31.2017 ThCh\$	12.31.2016 ThCh\$	12.31.2017 ThCh\$	12.31.2016 ThCh\$
Prepaid expenses				
Leases (land, buildings)	26,154,757	23,253,033	4,259,095	2,353,696
Maintenance, Support	3,286,299	2,976,146	-	-
Lease of capacity	858,497	919,592	1,638,780	1,897,918
Advertising	1,264,506	-	-	-
Insurance	404,378	477,071	-	-
Other services	2,025,616	939,719	-	-
<b>Total</b>	<b>33,994,053</b>	<b>28,565,561</b>	<b>5,897,875</b>	<b>4,251,614</b>

## 8. Trade and other Receivables

### a. Trade and other receivables is detailed as follows:

	12.31.2017 ThCh\$	12.31.2016 ThCh\$
Trade and other receivables, net		
Trade receivables, Net, Current	334,383,531	320,741,809
Receivables from employees, Net, Current	7,310,429	3,050,632
Other receivables, Net, Current	4,762,002	6,833,769
<b>Total</b>	<b>346,455,962</b>	<b>330,626,210</b>
Trade receivables, Net, non-current		
Receivables from employees Net, Non-Current	2,454,487	11,011,159
Other receivables, Net, Non-Current	2,686,369	2,576,541
<b>Total</b>	<b>5,140,856</b>	<b>13,587,700</b>
Trade and other receivables, Gross		
Trade receivables, Gross, Current	451,075,866	448,750,515
Receivables from employees, Gross, Current	7,310,429	3,050,632
Other receivables, Gross, Current	4,826,650	6,898,417
<b>Total</b>	<b>463,212,945</b>	<b>458,699,564</b>
Trade receivables, Gross, Non-current		
Receivables from employees Gross, Non Current	2,454,487	11,011,159
Other receivables, Gross, Non Current	2,686,369	2,576,541
<b>Total</b>	<b>5,140,856</b>	<b>13,587,700</b>

Trade and other receivables do not include securitized or ceded items.

Trade receivables are stated net of provisions for impairment (uncollectibility) of ThCh\$116,692,335 and ThCh\$128,008,706 as of December 31, 2017 and 2016, respectively.

**b. Gross amounts are ThCh\$451,075,866 and ThCh\$448,750,515 and comprise the following:**

12.31.2017 Portfolio structure	Non-renegotiated portfolio		Renegotiated portfolio		Total Gross portfolio ThCh\$
	No. of customers	Gross balances ThCh\$	No. of customers	Gross balances ThCh\$	
Current	1,761,581	271,072,719	55	625,617	271,698,336
1 - 30 days	905,560	36,967,001	35	46,965	37,013,966
31 - 60 days	283,758	14,200,375	60	50,937	14,251,312
61 - 90 days	250,739	12,535,030	53	56,013	12,591,043
91 - 120 days	236,956	9,446,699	32	19,298	9,465,997
121 - 150 days	220,803	8,752,420	82	61,563	8,813,983
151 - 180 days	195,430	6,866,414	74	43,390	6,909,804
181 - 210 days	205,442	7,252,344	77	44,936	7,297,280
211 - 250 days	218,623	6,816,114	99	105,575	6,921,689
Over 250 days	1,766,049	69,129,348	12,435	6,983,108	76,112,456
Total	6,044,941	443,038,464	13,002	8,037,402	451,075,866

12.31.2016 Portfolio structure	Non-renegotiated portfolio		Renegotiated portfolio		Total Gross portfolio ThCh\$
	No. of customers	Gross balances ThCh\$	No. of customers	Gross balances ThCh\$	
Current	1,698,035	255,613,320	169	1,717,284	257,330,604
1 - 30 days	708,336	35,237,581	231	354,807	35,592,388
31 - 60 days	243,188	15,832,374	168	117,842	15,950,216
61 - 90 days	204,652	11,070,695	145	116,878	11,187,573
91 - 120 days	178,136	8,968,579	133	85,839	9,054,418
121 - 150 days	173,052	8,811,407	156	94,974	8,906,381
151 - 180 days	158,775	6,582,122	135	80,702	6,662,824
181 - 210 days	164,940	6,357,575	142	66,677	6,424,252
211 - 250 days	189,588	7,218,197	183	104,991	7,323,188
Over 250 days	1,357,711	80,227,086	21,666	10,091,585	90,318,671
Total	5,076,413	435,918,936	23,128	12,831,579	448,750,515

For translation purpose

**c. In addition, trade accounts receivable include the following balances in relation to nonsecuritized bounced documents or documents in legal collection:**

	12.31.2017		12.31.2016	
	No. of customers	Gross balances ThCh\$	No. of customers	Gross balances ThCh\$
Returned notes receivable	9,749	9,453,009	13,721	9,727,327
Notes receivable in legal collection process	930	4,173,319	1,169	4,685,728
<b>Total</b>	<b>10,679</b>	<b>13,626,328</b>	<b>14,890</b>	<b>14,413,055</b>

**d. Changes in the provision for impairment**

	31.12.2017 ThCh\$	31.12.2016 ThCh\$
Opening balance	128,008,706	123,961,721
Increase in impairment recognized in profit or loss	48,239,789	48,100,143
Derecognition of impaired financial assets	(58,263,148)	(43,424,215)
Foreign currency exchange increase (decrease)	(1,293,012)	(628,943)
<b>Total</b>	<b>116,692,335</b>	<b>128,008,706</b>

Trade receivables include provided but unbilled services for ThCh\$86,347,516 and ThCh\$90,326,001 as of December 31, 2017 and 2016, respectively.

Trade receivables mature on the dates stated in the related invoices.

For impairment of the receivable purposes, the Group takes into account the following for each client segment:

- Personal/Consumer: Overdue balances bad debt allowance is accounted for based on their aging until reaching 100% of the outstanding balance after 120 days in the case of mobile services and 300 days for home wireline services.
- Small and Medium-Sized Entities: 100% of the overdue balance is accrued for after 120 days in the case of mobile services, except for large companies which is at 210 and 360 days for wireline services.
- Corporate: 100% of the overdue balance bad debt allowance is accounted for after 360 days for mobile and wireline services, after performing a creditworthiness analysis of debtors.
- Wholesale: 100% of the overdue balance is accrued for mobile and wireline services after performing a creditworthiness analysis of debtors.
- Mobile telephone service - Peru: Overdue balances bad debt allowance is accounted for based on their aging until reaching 100% of the outstanding balance after 60 days in the case of consumers and SME.

The Wholesale segment relates mainly to fixed and mobile network infrastructure services provided to other domestic as well as foreign telecommunication services providers. This is included in "Other businesses" in Note 29 Financial information by Segment.

Collaterals: For mobile sales and prepaid mobile customers with risk of uncollectibility actual guarantees are requested and/or credit insurance is contracted.

Compliance incentives (credit improvements). In the case of Companies, customers are encouraged to timely comply with payments in order not to be included in public or private non-compliance records /DICOM Transunion – formerly Databusiness- and SIISA). In addition, for all segments differentiated service suspensions are performed, telephone and field collection procedures are carried out, and in some cases contracts are not renewed by the Company, as appropriate..

#### **e. Information on Trade Receivables by Segment**

The most significant disaggregation for collection purposes taking into account the business-product combination is the "consumer-mobile services segment". Note that this segment includes 33% of the balance receivable due from Telefonía Móvil Perú as of December 31, 2017.

The tables below show, in addition to the portfolio for the "consumer-mobile services segment", information for "all other segments." This breakdown by segment includes Companies, Corporate, Wholesale and Other Businesses, as well as 67% of the balance of accounts receivable due from Telefonía Móvil Perú.

For translation purpose

December 31, 2017																
Stages in Arrears	Consumer segment										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile services				Wireline services				Other Services							
	Non-renegotiated		Renegotiated		Non-renegotiated		Renegotiated		Non-renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment						
Current	98,546,768	-	69	-	2,496,506	-	329,734	-	-	-	101,373,077	-	101,373,077			
1 - 30 days	12,281,059	3,778,141	1,766	716	4,197,860	3,697,522	2,679	1,764	-	-	16,483,364	7,478,143	9,005,221			
31 - 60 days	5,973,009	4,466,210	1,613	1,525	512,675	464,658	9,153	4,605	-	-	6,496,450	4,936,998	1,559,452			
61 - 90 days	5,286,450	5,071,103	2,057	2,028	471,582	449,921	7,458	5,286	-	-	5,767,547	5,528,338	239,209			
91 - 120 days	5,013,245	4,818,296	1,444	1,438	416,159	388,453	8,728	6,014	-	-	5,439,576	5,214,201	225,375			
121 - 150 days	4,786,409	4,626,394	6,615	6,615	376,988	357,391	4,532	4,110	-	-	5,174,544	4,994,510	180,034			
151 - 180 days	4,053,701	3,895,976	9,972	9,972	369,886	349,643	11,832	8,078	-	-	4,445,391	4,263,669	181,722			
181 - 210 days	3,844,646	3,687,872	10,264	10,264	385,163	375,726	17,088	14,388	-	-	4,257,161	4,088,250	168,911			
211 - 250 days	4,102,561	3,762,160	21,374	21,374	698,668	692,496	9,979	8,723	-	-	4,832,582	4,484,753	347,829			
Over 250 days	29,149,774	26,986,932	2,878,485	2,878,485	1,773,684	1,767,831	297,026	293,618	-	-	34,098,969	31,926,866	2,172,103			
Total	173,037,622	61,093,084	2,933,659	2,933,417	11,699,171	8,543,641	698,209	346,586	-	-	188,368,661	72,915,728	115,452,933			

December 31, 2017																
Stages in Arrears	All other segments										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile services				Wireline services				Other Services							
	Non-renegotiated		Renegotiated		Non-renegotiated		Renegotiated		Non-renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment						
Current	118,221,880	-	140,706	-	49,991,099	-	155,108	-	1,816,466	-	170,325,259	-	170,325,259			
1 - 30 days	10,396,810	721,086	17,440	1,320	9,184,807	774,994	25,080	2,481	906,465	61,841	20,530,602	1,561,722	18,968,880			
31 - 60 days	3,819,568	563,868	15,251	12,135	3,651,763	355,140	24,920	3,183	243,360	18,522	7,754,862	952,848	6,802,014			
61 - 90 days	4,066,897	734,979	15,472	8,283	2,655,395	494,925	31,026	5,646	54,706	1,460	6,823,496	1,245,293	5,578,203			
91 - 120 days	1,846,126	1,093,482	2,563	2,526	2,144,480	360,788	6,563	4,467	26,689	2,022	4,026,421	1,463,285	2,563,136			
121 - 150 days	1,692,416	868,457	40,861	33,024	1,884,999	465,552	9,555	4,837	11,608	880	3,639,439	1,372,750	2,266,689			
151 - 180 days	1,032,528	598,556	15,336	15,336	1,376,672	412,723	6,250	3,750	33,627	2,548	2,464,413	1,032,913	1,431,500			
181 - 210 days	1,546,342	1,111,588	10,156	10,156	1,361,308	663,601	7,428	4,910	114,885	5,118	3,040,119	1,795,373	1,244,746			
211 - 250 days	607,800	436,091	67,698	67,698	1,405,436	634,829	6,524	5,027	1,649	125	2,089,107	1,143,770	945,337			
Over 250 days	23,524,530	18,606,377	3,605,152	3,605,106	14,425,101	10,785,198	202,445	193,361	256,259	18,611	42,013,487	33,208,653	8,804,834			
Total	166,754,897	24,734,484	3,930,635	3,755,584	88,081,060	14,947,750	474,899	227,662	3,465,714	111,127	262,707,205	43,776,607	218,930,598			

December 31, 2016																
Stages in Arrears	Personal / consumer segment										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile services				Wireline services				Other Services							
	Non-renegotiated		Renegotiated		Non-renegotiated		Renegotiated		Non-renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment						
Current	86,309,417	-	961	-	3,563,432	-	3,358	-	-	-	89,877,168	-	89,877,168			
1 - 30 days	7,948,642	2,183,052	13,326	5,331	3,664,680	724,053	17,868	3,038	-	-	11,644,516	2,915,474	8,729,042			
31 - 60 days	4,211,581	2,972,386	15,123	14,215	632,321	411,855	30,105	8,730	-	-	4,889,130	3,407,186	1,481,944			
61 - 90 days	3,760,357	3,579,149	20,851	20,434	543,740	376,938	14,311	5,009	-	-	4,339,259	3,981,530	357,729			
91 - 120 days	3,736,721	3,663,442	18,608	18,422	478,709	385,480	21,175	10,588	-	-	4,255,213	4,077,932	177,281			
121 - 150 days	3,689,508	3,636,360	28,022	28,022	413,901	355,776	11,843	6,513	-	-	4,143,274	4,026,671	116,603			
151 - 180 days	3,470,667	3,460,966	22,125	22,125	376,904	333,225	28,646	17,188	-	-	3,898,342	3,833,504	64,838			
181 - 210 days	3,249,940	3,243,149	32,332	32,332	344,996	334,062	8,869	7,096	-	-	3,636,137	3,616,639	19,498			
211 - 250 days	3,779,268	3,770,192	24,575	24,575	697,110	623,118	13,152	10,522	-	-	4,514,105	4,428,407	85,698			
Over 250 days	35,410,255	35,143,806	4,555,893	4,555,893	1,851,482	1,834,812	663,205	662,535	-	-	42,480,835	42,197,046	283,789			
Total	155,566,356	61,652,502	4,731,816	4,721,349	12,567,275	5,379,319	812,532	731,219	-	-	173,677,979	72,484,389	101,193,590			

December 31, 2016																
Stages in Arrears	All other segments										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile services				Wireline services				Other Services							
	Non-renegotiated		Renegotiated		Non-renegotiated		Renegotiated		Non-renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment						
Current	119,299,565	-	522,464	-	43,632,218	-	1,190,465	-	2,808,724	-	167,453,436	-	167,453,436			
1 - 30 days	13,544,522	1,232,060	119,233	10,420	8,747,594	193,342	204,380	3,879	1,332,143	211,117	23,947,872	1,650,818	22,297,054			
31 - 60 days	5,975,302	1,860,344	50,523	39,913	4,728,876	300,533	22,091	2,727	284,294	115,606	11,061,086	2,319,123	8,741,963			
61 - 90 days	3,927,841	1,906,602	61,504	43,089	2,749,155	316,003	20,212	6,391	89,602	22,390	6,848,314	2,294,475	4,553,839			
91 - 120 days	2,242,303	1,810,615	16,793	16,457	2,435,709	395,971	29,263	9,924	75,137	53,754	4,799,205	2,286,721	2,512,484			
121 - 150 days	3,077,667	1,388,444	36,782	36,782	1,630,331	328,754	18,327	7,133	-	-	4,763,107	1,761,113	3,001,994			
151 - 180 days	1,295,082	1,160,720	19,149	19,149	1,439,469	339,618	10,782	6,260	-	-	2,764,482	1,525,747	1,238,735			
181 - 210 days	1,207,590	920,529	17,873	17,873	1,555,099	593,215	7,553	4,764	-	-	2,788,115	1,536,381	1,251,734			
211 - 250 days	1,273,512	820,797	58,236	58,169	1,468,307	228,512	9,028	7,307	-	-	2,809,083	1,114,785	1,694,298			
Over 250 days	23,832,631	21,200,832	4,262,061	4,261,850	19,081,906	14,957,509	610,512	564,237	50,726	50,726	47,837,836	41,035,154	6,802,682			
Total	175,676,015	32,300,943	5,164,618	4,503,702	87,468,664	17,653,457	2,122,613	612,622	4,640,626	453,593	275,072,536	55,524,317	219,548,219			

For translation purpose

As of December 31, 2017 and 2016, the tables above include provided but unbilled services which in the case of the consumer segment amount to ThCh\$64,061,159 and ThCh\$53,563,738, respectively, and in the case of other segments, to ThCh\$22,286,357 and ThCh\$36,762,263, respectively.

## 9. Trade Receivables due from Related Parties

The table below shows the detail of transactions and balances with persons or legal entities related to the mentioned parents as well as the benefits received by the Group's Board of Directors and key management personnel.

As discussed in Note 1. a), the controlling shareholder of Entel Chile S.A. is Inversiones Altel Ltda. (Taxpayer ID 76.242.520-3), the owner of 54.86% of the Company's current shares. 99.99% of Altel Ltda. is controlled by Almendral S.A. (Taxpayer ID 94.270.000-8).

Almendral S.A. is controlled by a group of shareholders who signed a joint interest agreement on January 24, 2005. The agreement was signed by the groups Matte, Fernández León, Hurtado Vicuña, Consorcio, Izquierdo and Gianoli.

### a. Trade receivables:

Tax ID No.	Company	Country	Relationship	Currency	Current	
					12.31.2017 ThCh\$	12.31.2016 ThCh\$
90.193.000-7	Empresas el Mercurio	Chile	Director en Común	CLP	22,089	21,170
93.834.000-5	Cencosud	Chile	Director en Común	CLP	171,814	317,948
96.505.760-9	Colbún S.A.	Chile	Accionista en Común	CLP	-	146,777
96.529.310-8	CMPC Tissue S.A.	Chile	Accionista en Común	CLP	66,153	36,896
96.532.330-9	CMPC Celulosa S.A.	Chile	Accionista en Común	CLP	59,981	147,244
96.561.560-1	Soc. Punta del Cobre S.A.	Chile	Accionista en Común	CLP	-	17,318
97.080.000-K	Banco BICE	Chile	Accionista en Común	CLP	42,768	62,862
99.012.000-5	Seguros de Vida Consorcio S.A.	Chile	Accionista en Común	CLP	51,696	59,305
99.520.000-7	Copec S.A.	Chile	Accionista en Común	CLP	-	161,800
<b>Total</b>					<b>414,501</b>	<b>971,320</b>

Beginning in 2012, only transactions and balances with related parties exceeding UF6,000 per annum are reported.

**b) Transactions:**

The Company conducts transactions with related parties domiciled in Chile.

Tax ID No.	Company	Relationship	Transaction	12.31.2017		12.31.2016	
				Amount ThCh\$	Credit (debit) to profit or loss	Amount ThCh\$	Credit (debit) to profit or loss
90.193.000-7	Empresas el Mercurio	Common Director	Services provided	226,102	226,102	255,819	255,819
93.834.000-5	Cencosud	Common Director	Services provided	830,899	830,899	809,175	809,175
96.505.760-9	Colbun S.A.	Common Shareholder	Services provided	261,014	261,014	1,298,377	1,298,377
96.529.310-8	CMPC Tissue S.A.	Common Shareholder	Services provided	324,967	324,967	398,967	398,967
96.532.330-9	CMPC Celulosa S.A.	Common Shareholder	Services provided	419,670	419,670	518,960	518,960
96.561.560-1	Soc. Punta del Cobre S.A.	Common Shareholder	Services provided	-	-	185,445	185,445
97.080.000-K	Banco BICE	Common Shareholder	Services provided	267,462	267,462	350,917	350,917
99.012.000-5	Seguros de Vida Consorcio S.A.	Common Shareholder	Services provided	469,142	469,142	614,168	614,168
99.520.000-7	Copec S.A	Common Shareholder	Services provided	715,447	715,447	1,611,803	1,611,803
<b>Total</b>					<b>3,184,550</b>		<b>5,623,920</b>

The detail is as follows: Telecommunication services provided to related parties correspond to services included in the Entel Group's line of business (mobile and wireline telephone services, Internet, data services and call center). As of December 31, 2017 and 2016, such rendering of services corresponds to 0.18% and 0.32% of the total Group revenue.

**c) Key management personnel compensation:**

The Parent is managed by a Board of Directors comprised of nine members, which compensation for the years 2017 and 2016, amounted to ThCh\$476,618 and ThCh\$465,290, respectively.

For the same periods, key management personnel compensation amounted to ThCh\$8,097,686 and ThCh\$4,363,256, respectively. These amounts include annual bonuses paid of ThCh\$4,739,198 and ThCh\$1,933,607, respectively.

The number of the key management personnel is 12 and 16, respectively.

For translation purpose

## 10. Inventories

Inventories are primarily comprised of mobile telephone handsets and accessories. Inventories are stated in conformity with Note 3 d; and are detailed as follows:

	12.31.2017 ThCh\$	12.31.2016 ThCh\$
Handsets and accessories for mobile services	95,338,746	88,609,728
Work in progress	1,092,293	2,276,307
Other inventories	497,795	530,691
<b>Total</b>	<b>96,928,834</b>	<b>91,416,726</b>

For each period, there are no liens over items of property, plant and equipment.

For mobile phone handsets, the cost of handsets is recognized directly in profit or loss when contracts are signed.

For both periods, ThCh\$364,665,532 and ThCh\$350,651,201, respectively, were charged to profit or loss for cost of sales, commercial costs and/or consumption of supplies.

During the same reporting periods, there have been no allocations to inventory from adjustments to the realizable value.

During 2017 and 2016, respectively, ThCh\$2,778,796 and ThCh\$1,426,497, were recognized in profit or loss for inventory write downs, respectively from technological and/or market obsolescence.

Accumulated impairment losses for each period amount to ThCh\$2,583,932 and ThCh\$3,703,232, respectively.

At each reporting period, there have been no reversals of impairment losses recognized in prior periods.

## 11. Current Tax Assets And Liabilities

As of December 31, 2017 and 2016, the Group Companies' liability for current income tax expense is offset by mandatory monthly provisional income tax payments made during the year.

As of December 31, 2017 and 2016, the aggregate accumulated offsetting amounts of those companies with recoverable balances (receivables) were ThCh\$32,456,941 and ThCh\$43,415,074, respectively. These balances are presented within current tax assets in current assets, as follows:

	Current		Non-current
	12.31.2017 ThCh\$	12.31.2016 ThCh\$	12.31.2017 ThCh\$
Remaining balance of value-added tax fiscal credit	21,025,500	119,272,151	111,376,114
Monthly provisional income tax payments, net of income tax	32,456,941	43,415,074	-
Provisional payment for absorbed profits	41,790,909	22,564,397	-
Provisional payment for prior periods, other credits	24,114,091	15,386,036	-
<b>Total</b>	<b>119,387,441</b>	<b>200,637,658</b>	<b>111,376,114</b>

The aggregate amount of income taxes payable was ThCh\$355,884 and ThCh\$4,869,489, as of December 31, 2017 and 2016, and are presented within current tax liabilities in current liabilities.

The non-current remaining VAT fiscal credit is generated by the subsidiary Entel Perú S.A., which is expected to be applied to future VAT debits generated over a period of over 12 months. Such credits have no maturity date.

## 12. Intangible Assets

Intangible assets include licenses, easements and others, are detailed as follows:

	12.31.2017 ThCh\$	12.31.2016 ThCh\$
<b>Total intangible Assets, Net</b>	<b>298,921,432</b>	<b>321,356,334</b>
Finite-lived Intangible Assets, Net	298,921,432	321,356,334
Identifiable Intangible Assets, Net	298,921,432	321,356,334
Patents, Trademarks and other rights, Net	3,582,939	4,233,579
Other identifiable Intangible Assets, Net	295,338,493	317,122,755
<b>Total intangible Assets, Gross</b>	<b>388,197,091</b>	<b>402,095,377</b>
Identifiable Intangible Assets, gross	388,197,091	402,095,377
Patents, Trademarks and other rights, Gross	39,027,908	39,027,907
Other identifiable Intangible Assets, Gross	349,169,183	363,067,470
<b>Total Accumulated Amortization and Impairment, Intangible Assets</b>	<b>(89,275,659)</b>	<b>(80,739,043)</b>
Accumulated Amortization and Impairment, Identifiable Intangible Assets	(89,275,659)	(80,739,043)
Accumulated Amortization and Impairment, Patents Trademarks and Other Rights	(35,444,969)	(34,794,328)
Accumulated Amortization and Impairment, Other Identifiable Intangible Assets	(53,830,690)	(45,944,715)

For translation purpose

As of December 31, 2017 and 2016, the net value of the main components of intangible assets is as follows:

	Net Value	Provider	Term (Months)	Residual Term (months)
Patents, trademarks and other rights:				
- Customer relationships	3,512,489	CIENTEC and TRANSAM takeovers	180	87
- Easements	70,450	Real estate owners	120 - 240	3 - 97
<b>Total</b>	<b>3,582,939</b>			
Other identifiable intangible assets:				
- 900 MHz band concession	8,525,019	State of Chile	480 - 360	393 - 279
- 700 MHz band concession	6,230,317	State of Chile	360	325
- 2600 MHz band concession (4G tender)	3,541,133	State of Chile	360	298
- 700 MHz band concession	179,745,109	State of Peru	480	475
- AWS 1700 - 2100 MHz band concession	50,740,240	State of Peru	480	341
- 1900 MHz band concession	35,819,426	State of Peru	480	377
- 2500 MHz band concession	5,525,293	State of Peru	156	80
- 3500 MHz band concession	2,015,159	State of Peru	171 - 240	37 - 186
- Other	3,196,797			
<b>Total</b>	<b>295,338,493</b>			

	Net Value	Otorgante	"Plazo (Meses)"	"Plazo residual (meses)"
Patents, trademarks and other rights:				
- Customer relationships	3,956,170	CIENTEC and TRANSAM takeovers	180	96
- Easements	181,645	Real estate owners	120 - 240	15 - 112
- Fiber optic cable rights of use	94,434	Level 3	84 - 168	1
- Other	1,330			
<b>Total</b>	<b>4,233,579</b>			
Other identifiable intangible assets:				
- 900 MHz band concession	9,368,150	Chilean Government	480 - 360	406 - 291
- 700 MHz band concession	6,459,654	Chilean Government	360	337
- 2600 MHz band concession (4G tender)	3,683,729	Chilean Government	480	480
- 700 MHz band concession	191,106,493	Peruvian Government	360	310
- AWS 1700-2100 MHz band concession	54,871,509	Peruvian Government	480	353
- 1900 MHz band concession	38,910,037	Peruvian Government	480	389
- 2500 MHz band concession	6,689,412	Peruvian Government	156	92
- 3500 MHz band concession	3,095,431	Peruvian Government	171 - 240	49 - 198
- Other	2,938,340			
<b>Total</b>	<b>317,122,755</b>			

Accumulated impairment losses shown in the table above relate mainly to the rights of use over optic fiber cable capacities. At each reporting date, these accumulated impairment losses amount to ThCh\$2,857,281 and they are originated mainly in prior years as a result of adjustment of such assets to their recoverable amount due to a decrease in market demand.

No fully amortized intangible assets are still in use.

There are no restrictions over the ownership of intangible assets and no total or partial guarantees have been granted over intangible assets.

As of December 31, 2017 and 2016, the Group does not have any significant commitments for the acquisition of intangible assets..

As of December 31 2017 and 2016, identified changes in intangible assets are detailed as follows:

Movements for the year 2017			
	Patents, Trademarks and Other Rights, Net ThCh\$	Other Identifiable Intangible Assets, Net ThCh\$	Total Identifiable Intangible Assets, Net ThCh\$
Opening Balance	4,233,579	317,122,755	321,356,334
Additions	-	693,165	693,165
Amortization	(650,640)	(7,885,975)	(8,536,615)
Effect of movements in exchange rates	-	(14,637,301)	(14,637,301)
Other increases (decreases)	-	45,849	45,849
Closing balance	3,582,939	295,338,493	298,921,432

Movements for the year 2016			
	Patents, Trademarks and Other Rights, Net ThCh\$	Other Identifiable Intangible Assets, Net ThCh\$	Total Identifiable Intangible Assets, Net ThCh\$
Opening Balance	4,931,238	135,732,104	140,663,342
Additions	-	192,543,487	192,543,487
Amortization	(697,659)	(5,922,627)	(6,620,286)
Effect of movements in exchange rates	-	(5,598,883)	(5,598,883)
Other increases (decreases)	-	368,674	368,674
Closing balance	4,233,579	317,122,755	321,356,334

The amortization schedule for intangible assets is as follows:

Assets	Minimum life or rate (years)	Maximum life or rate (years)
Patents, Trademarks and Other Rights, Net	4	20
IT software	4	4
Other Identifiable Intangible Assets	10	40
Rights of Use over Optic Fiber Cables	15	15

For translation purpose

## 13. Goodwill

Changes in goodwill are as follows:

Company	Main segment	Opening balance 01-01-2016 ThCh\$	Foreign currency translation differences ThCh\$	Closing balance 12.31.2016 ThCh\$	Foreign currency translation differences ThCh\$	Closing balance 12.31.2017 ThCh\$
Entel PCS Telecomunicaciones S.A.	Consumer	43,384,200	-	43,384,200	-	43,384,200
Cientec Computación S.A.	Corporations	2,402,281	-	2,402,281	-	2,402,281
Entel Perú S.A.	Consumer	1,332,629	(54,778)	1,277,851	(64,056)	1,213,795
Transam Comunicación S.A.	Consumer	108,646	-	108,646	-	108,646
Will S.A.	Consumer	156	-	156	-	156
<b>Net closing balance</b>		<b>47,227,912</b>	<b>(54,778)</b>	<b>47,173,134</b>	<b>(64,056)</b>	<b>47,109,078</b>

Goodwill is subject to annual impairment testing at each reporting date. No impairment indicators exist since the date of acquisition.

The main goodwill balances relate to the following business combinations:

- a. The goodwill related to the investment in the subsidiary Entel PCS Telecomunicaciones S.A. arose from the merger in which the parent acquired all the assets and assumed all the liabilities of the subsidiary Entel Telefonía Personal S.A. made by the end of 2010.

The assets of the taken over company included 94.64% of the equity of Entel PCS Telecomunicaciones S.A. as well as an asset for goodwill paid generated in December 2002 as a result of the acquisition of 25% of the shares owned by Propel Inc. (USA).

When 100% of control over Entel Telefonía Personal S.A. was acquired by the Entel Group, the former had almost exclusive control over two subsidiaries in charge of significant concessions in the 1900MHz band which allowed developing the digital mobile telephone service business in Chile.

The qualitative factors considered in the goodwill recognized included the high growth potential and expected profitability of the mobile telephone business, the higher flexibility in relation to investing and operational decisions, especially considering the exclusion of a minority interest held by a foreign shareholder within the telecommunication equipment manufacturing industry, and the market position of the subsidiary at the time.

The periodic performance of impairment tests include the present and forecast contribution of revenue resulting from mobile telephone service transactions, the level of updating and capacity of technological platforms, the satisfaction level of customers, market recognition and the status of technical and marketing management.

- b.** The goodwill related to the investment in the subsidiary Cientec Computación S.A. arose from the acquisition of 100% of its shares from its prior shareholders in December 2008. The selling shareholders were Inversiones Balilia Limitada and Millenium Fondo de Inversiones Privado, legal entities not directly or indirectly related to the acquirer.

The purpose of acquiring this company was to expand the Group's capacity to offer operating continuity services within the Information Technology business. Cientec was a well reputed company in providing operating continuity business services to companies (hosting/housing services, critical business applications for IT center management, sale and training platforms).

The qualitative factors considered in the goodwill recognized relate to the reputation of Cientec among its customers, the transfer of management and higher efficiencies related to the critical customer mass.

The periodic performance of goodwill impairment tests include the maintenance and growth of market share, maintenance of service standards and the profitability and growth potential of related business area.

- c.** The goodwill related to the investment in the subsidiary Entel Perú S.A. (formerly Nextel Perú S.A.) arose from the acquisition of 100% of its shares from its prior shareholders in August 2013. The selling shareholders was American Company NII Holdings, legal entity not directly or indirectly related to the acquirer.

This transaction allows Entel S.A. to expand the sale of services and its presence in Peru, a country with a strong economy and an attractive market which presents a good potential for development.

The efforts have been focused on developing a business strategy to achieve a relevant position in the market, promoting the segmentation of consumer and SME customers, and redesigning the commercial offer and customer service, as well as expanding the distribution channels. In addition, the network capacity and coverage, as well as the 2G, 3G and 4G technologies have been significantly expanded, positioning the latter as the best in terms of quality in the Peruvian market. Beginning in October, 2014, Nextel Peru officially changed its name to Entel Peru, thereby consolidating the change in brand name in the Peruvian market. As a result the Company launched a high-impact advertising campaign focused on strengthening the new brand name and services provided to the market.

- d.** The impairment tests for recognized assets are based on the comparison of the carrying amount of the cash-generating unit, including its surplus value, to the discounted net cash flows with a 9-year time frame. Should the fair value be lower than the net carrying amount, an impairment loss that cannot be reversed is recognized in profit or loss. Impairment tests are performed at the end of each annual period when indications of impairment exist requiring such tests.

For translation purpose

The key assumptions used for calculating the recoverable amounts are projected cash flows considering the time of future services involved in each case, based on the best estimates as considered by the Company at short-term, medium-term (the first 3 years based on budgets approved by the Board of Directors) and long-term (for the remaining 5 years) using a discount rate related to the Company's capital cost ranging between 8.7% and 9.4%.

The recoverable amounts of cash-generating units where goodwill have been identified, exceed their carrying amounts. Accordingly, no impairment has been recognized

## 14. Property, Plant And Equipment

The gross values, depreciation and net values of property, plant and equipment as of December 31, 2017 and 2016 are as follows:

	12.31.2017 ThCh\$	12.31.2016 ThCh\$
<b>Total Property, Plant and Equipment, Net</b>	<b>1,876,555,163</b>	<b>1,829,611,347</b>
Assets under construction, Net	359,862,021	375,743,957
Land, Net	12,449,639	12,589,561
Buildings, Net	123,492,304	130,415,986
Plant and equipment, Net	1,242,373,687	1,183,773,181
IT equipment, Net	92,113,199	77,175,834
Fixed facilities and accessories, Net	31,138,237	34,296,217
Motor vehicles, Net	64,743	353,206
Leasehold improvements, Net	7,587,897	7,322,286
Other property, plant and equipment, Net	7,473,436	7,941,119
<b>Total Property, Plant and Equipment, Gross</b>	<b>5,375,952,011</b>	<b>5,056,589,053</b>
Assets under construction, Gross	359,862,021	375,743,957
Land, Gross	12,449,639	12,589,561
Buildings, Gross	282,167,001	282,482,891
Plant and equipment, Gross	4,066,356,262	3,780,723,506
IT Equipment, Gross	363,989,979	327,366,757
Fixed facilities and accessories, Gross	231,498,142	221,721,350
Motor vehicles, Gross	886,708	1,475,333
Leasehold improvements, Gross	33,735,384	29,786,742
Other property, plant and equipment, Gross	25,006,875	24,698,956
<b>Total Accumulated depreciation and Impairment, Property, Plant and Equipment</b>	<b>(3,499,396,848)</b>	<b>(3,226,977,706)</b>
Accumulated depreciation and impairment, Buildings	(158,674,697)	(152,066,905)
Accumulated depreciation and Impairment, Plant and Equipment	(2,823,982,575)	(2,596,950,325)
Accumulated depreciation and Impairment, IT Equipment	(271,874,780)	(250,190,923)
Accumulated depreciation and Impairment, Fixed facilities and accessories	(200,359,905)	(187,425,133)
Accumulated depreciation and Impairment, Motor Vehicles	(821,965)	(1,122,127)
Accumulated depreciation and Impairment, Leasehold Improvements	(26,147,487)	(22,464,456)
Accumulated depreciation and Impairment, Others	(17,533,439)	(16,757,837)

For translation purpose

Movements for the years 2017 and 2016 of items comprising the caption property, plant and equipment are as follows:

		Assets under construction ThCh\$	Land ThCh\$	Building, Net ThCh\$	Plant and equipment, Net ThCh\$	IT equipment, Net ThCh\$	Fixed facilities and accessories, Net ThCh\$	Motor vehicle, Net ThCh\$	Leasehold improvement, Net ThCh\$	Other property, plant and equipment, Net ThCh\$	Property, plant and equipment, Net ThCh\$
Opening Balance		375,743,957	12,589,561	130,415,986	1,183,773,181	77,175,834	34,296,217	353,206	7,322,286	7,941,119	1,829,611,347
Changes	Additions	210,463,387	-	-	128,563,996	37,380,752	4,052,041	38,317	813,700	9,031,439	390,343,632
	Disposals	( 58,416)	-	( 9,533)	( 3,864,084)	( 323,249)	( 1,032,308)	( 276,235)	( 24,355)	-	( 5,588,180)
	Depreciation expense	-	-	( 6,914,674)	( 252,402,546)	( 29,722,447)	( 13,764,318)	( 48,368)	( 3,709,241)	( 769,443)	( 307,331,037)
	Impairment loss recognized in profit or loss	-	-	-	( 3,849,711)	-	-	-	-	-	( 3,849,711)
	Effect of changes in exchange rates	( 3,706,309)	( 139,922)	( 418,068)	( 18,384,086)	( 2,844,637)	( 849,780)	( 2,422)	-	( 285,664)	( 26,630,888)
	Other increases (decreases)	( 222,580,598)	-	418,593	208,536,937	10,446,946	8,436,385	245	3,185,507	( 8,444,015)	-
	Total changes	( 15,881,936)	( 139,922)	( 6,923,682)	58,600,506	14,937,365	( 3,157,980)	( 288,463)	265,611	( 467,683)	46,943,816
Closing balance		359,862,021	12,449,639	123,492,304	1,242,373,687	92,113,199	31,138,237	64,743	7,587,897	7,473,436	1,876,555,163

Movements for the year 2016 of items comprising the caption property, plant and equipment are as follows:

		Assets under construction ThCh\$	Land ThCh\$	Building, Net ThCh\$	Plant and equipment, Net ThCh\$	IT equipment, Net ThCh\$	Fixed facilities and accessories, Net ThCh\$	Motor vehicle, Net ThCh\$	Leasehold improvement, Net ThCh\$	Other property, plant and equipment, Net ThCh\$	Property, plant and equipment, Net ThCh\$
Opening Balance		414,995,191	12,811,719	124,138,977	1,107,673,373	74,555,180	35,197,867	366,846	8,215,167	7,621,019	1,785,575,339
Changes	Additions	169,317,172	-	-	164,441,841	24,420,436	3,243,416	48,661	2,231	7,266,764	368,740,521
	Disposals	( 279,756)	( 102,504)	-	( 2,102,013)	( 70,779)	( 701,444)	( 20,933)	-	-	( 3,277,429)
	Depreciation expense	-	-	( 6,952,232)	( 240,324,431)	( 28,123,208)	( 13,431,026)	( 206,068)	( 3,181,797)	( 745,266)	( 292,964,028)
	Impairment loss recognized in profit or loss	-	-	-	( 10,801,099)	-	-	-	-	-	( 10,801,099)
	Effect of changes in exchange rates	( 4,758,055)	( 119,654)	( 382,018)	( 10,482,935)	( 1,096,159)	( 617,844)	( 4,492)	-	( 200,840)	( 17,661,997)
	Other increases (decreases)	( 203,530,595)	-	13,611,259	175,368,445	7,490,364	10,605,248	169,192	2,286,685	( 6,000,558)	40
	Total changes	( 39,251,234)	( 222,158)	6,277,009	76,099,808	2,620,654	( 901,650)	( 13,640)	( 892,881)	320,100	44,036,008
Closing balance		375,743,957	12,589,561	130,415,986	1,183,773,181	77,175,834	34,296,217	353,206	7,322,286	7,941,119	1,829,611,347

The additions disclosed in the tables of movements are not representative of the payments related to acquisitions of property, plant and equipment (taxes and changes in suppliers are not included). Such information is included in the statement of cash flows.

During 2017 and 2016, there were interests that were charged to work in progress and related materials for ThCh\$5,055,190 and ThCh\$5,250,535, respectively, in conformity with the policy described in Note 3f.

The table below shows the net balances of property, plant and equipment under finance lease agreements.

	12.31.2017 ThCh\$	12.31.2016 ThCh\$
Buildings, Net	6,896,900	7,120,515
Buildings, Gross	11,086,332	11,086,332
Accumulated depreciation and impairment, Buildings	(4,189,432)	(3,965,817)
Total property, plant and equipment and finance lease, Net	6,896,900	7,120,515

Leased real estate corresponds to properties used for the Group's offices.

The term of current lease agreements is as follows:

	Beginning date	End date
Stores	February 1998	February 2018
Costanera Building (Floor 15)	September 1998	August 2018
Costanera Building (Floors 12-13-14)	December 1998	November 2018

Group companies have procedures intended to identify possible impairment losses in property, plant and equipment.

Policies intended to determine the impairment of property, plant and equipment are based on the permanent analysis of impairment indicators. When impairment is estimated to exist, the Group estimates the recoverable amount of the impaired assets.

For these purposes, the Group has asset control systems including different levels of detail for items and association to service technological platforms.

During 2017 and 2016, impairment losses arose from the retirement of equipment affected by technological changes or decreases in their recoverable amount due to decreases in the prices for certain services and client equipment that are very unlikely to be reused or sold, and equipment with remaining useful lives exceeding the estimated economic use periods. See Note 23.

For translation purpose

Average depreciation applied is as follows:

Assets	Minimum life or rate (years)	Maximum life or rate (years)
Buildings	20	50
Plant and equipment		
External plant	7	25
Mobile handsets	3	7
IT internal equipment (hardware)	3	4
Fixed facilities and accessories	3	10
Motor vehicles	3	7
Leasehold improvements	5	5
Other Property, Plant and Equipment	5	10

For assets of which the useful life is completed, the Group has not determined recoverable amounts of possible gains from sale as it is difficult to forecast the complementary economic efficiency period of such assets due mainly to that fact that their ageing has increased their technological risk.

There are no ownership restrictions over any assets except for those usual for assets under finance leases. In addition, no total or partial guarantees have been granted over these assets.

As of December 31, 2017 and 2016, commitments related to the acquisition of property, plant and equipment including purchase orders to suppliers and contracts related to the construction of civil works, amount to ThCh\$79,173,407 and ThCh\$78,843,523, respectively.

Property, plant and equipment do not include any items out of service with significant value.

The gross value of fixed assets that although totally depreciated are still in use amounts to ThCh\$1,747,284,889. In general, these assets correspond to assets with high technical obsolescence of which retirement or replacement becomes economically convenient upon completion of the services being used, increase in failure risks, suspension of the technological support from the manufacturer or other circumstances. The value in use of these assets has not been estimated due to the uncertainty regarding the remaining use period.

Fondo de Desarrollo de las Telecomunicaciones, an entity dependent of the Ministerio de Transportes y Telecomunicaciones awarded the Entel Group the execution of several projects intended to drive projects allowing to increase the coverage of telecommunication services, specially toward the most vulnerable or isolated areas of Chile.

As part of this project, as of December 31, 2017, the Group has carried out works for ThCh\$76,403,618. As per the agreement entered into with the Chilean Government, the Group has received grants of ThCh\$28,879,847. From this amount, ThCh\$25,884,150 has been recorded as goodwill for works performed and ThCh\$965,096 as advanced payments, charged to works to be performed.

## 15. Income Tax And Deferred Taxes

### a. General information

Law No. 20.780, amended through Law No. 20.899, establishes that starting from 2017, there are new tax regimes in Chile, with joint-stock companies subject to the partially integrated system, which establishes the new tax earnings records (RAI), which includes FUT historical balances plus profits for the year, and the accumulated credit balance (SAC), which determines the credit rate to which the shareholders are entitled to when distributing dividends.

As of December 31, 2017, balances of both records for the Group companies that at the reporting date maintained undistributed tax profits are as follows:

Company	RAI	SAC		TEF
	ThCh\$	With Refund	Without Refund	%
		ThCh\$	ThCh\$	
Empresa Nacional de Telecomunicaciones S.A.	457,296,577	-	149,331,208	24.9%
Entel PCS Telecomunicaciones S.A.	559,947,413	14,933,643	144,997,289	27.4%
Transam S.A.	36,399,664	9,212,288	290,908	32.5%
Entel Telefonía Local S.A.	816,695	-	8,417,014	29.3%
Entel Inversiones S.A.	32,321,894	-	6,240,030	22.0%
Entel Contac Center S.A.	3,182,788	-	1,298,886	25.8%
Entel Comercial S.A.	4,386,974	-	1,261,329	26.1%
Entel Servicios Telefónicos S.A.	970,653	128,755	816,041	22.1%
Entel Will S.A.	17,073,390	3,949,243	801,885	31.6%
Entel Servicios Empresariales S.A.	3,420,062	294,376	629,235	29.3%
<b>Total ThCh\$</b>	<b>1,115,816,110</b>	<b>28,518,305</b>	<b>314,083,825</b>	

RAI: Income Subject to Global Supplementary or Additional Tax

SAC: Credit balance with corporate tax refund for 2017, 25.5% rate

SAC: Credit balance without FUT refund

TEF: Total FUT credits / Total FUT Net Income.

For translation purpose

**b. Deferred taxes:**

Deferred tax assets and liabilities stated in conformity with Note 3k are as follows::

Concept	12.31.2017		Changes in	
	Assets ThCh\$	Liabilities ThCh\$	Profit or loss ThCh\$	Equity ThCh\$
Depreciation of Property, Plant and Equipment	68,210,107	5,175,310	(13,389,884)	220,102
Amortization of Intangible Assets	158,758	12,217,355	(4,178,023)	488,728
Accruals	16,625,690	944	769,628	(66,913)
Provisions	17,148,842	-	4,918,460	(82,803)
Impairment of Receivables (Doubtful Accounts)	24,276,244	-	(3,046,656)	(260,167)
Mark to Market of Derivative Contracts	14,228	-	117,973	(413)
Assets/Liabilities at Amortized Cost	-	3,868,200	521,966	-
Deferred Revenue	4,626,981	-	119,362	(3,279)
Assets acquired under finance lease arrangements	292,853	-	(324,769)	-
Assets sold under finance leases	92,375	216,487	146,534	-
Tax Losses	266,696,179	-	52,080,763	(20,301,805)
Other	4,434,061	554,372	(3,900,691)	(37,252)
<b>Total</b>	<b>402,576,318</b>	<b>22,032,668</b>	<b>33,834,663</b>	<b>(20,043,802)</b>

Concept	12.31.2016		Changes in	
	Assets ThCh\$	Liabilities ThCh\$	Profit or loss ThCh\$	Equity ThCh\$
Depreciation of Property, Plant and Equipment	76,366,824	-	(6,895,284)	(558,701)
Amortization of Intangible Assets	3,638,699	12,170,246	(2,948,636)	130,225
Accruals	15,922,975	944	2,590,013	(42,643)
Provisions	12,313,185	-	1,915,626	(296,670)
Impairment of Receivables (Doubtful Accounts)	27,583,067	-	1,355,892	(27,815)
Mark to Market of Derivative Contracts	-	103,332	(103,813)	481
Assets/Liabilities at Amortized Cost	-	4,390,166	885,234	924
Deferred Revenue	4,510,898	-	(7,625)	(1,958)
Assets acquired under finance lease arrangements	617,622	-	(282,012)	-
Assets sold under finance leases	199,641	470,287	109,406	-
Tax Losses	234,917,221	-	64,080,132	(8,196,746)
Other	8,504,044	686,412	2,095,429	(95,619)
<b>Totales</b>	<b>384,574,176</b>	<b>17,821,387</b>	<b>62,794,362</b>	<b>(9,088,522)</b>

Deferred assets related to tax losses are primarily obtained from accumulated tax losses of the subsidiary Entel Perú S.A., which do not have maturity dates and will be applied to future tax earnings generated in such subsidiary.

**c) Unrecognized deferred tax assets**

Certain subsidiaries have not recognized deferred taxes in relation to the use of tax losses against future profit. At the end of each reporting period, unrecognized tax assets that do not expire amount to ThCh\$1,855,958 and ThCh\$1,807,239, respectively.

**d) Deferred and current income tax expense (benefit)**

	01.01.2017 12.31.2017 ThCh\$	01.01.2016 12.31.2016 ThCh\$
Current Income Tax Expense		
Current Tax Expense	28,623,309	42,379,294
Adjustments to current tax from prior period	883,506	(330,603)
Other current tax expense (benefit)	(13,080,769)	(7,272,365)
Current tax expense, Net, Total	16,426,046	34,776,326
Deferred Income Tax Expense		
Tax Expense (Benefit) related to the Origination and Reversal of Temporary Differences	(33,834,663)	(62,794,362)
Total Deferred tax Expense (Benefit), Net	(33,834,663)	(62,794,362)
Income Tax Expense (Benefit)	(17,408,617)	(28,018,036)

**e. Reconciliation between the legal tax rate and the effective tax rate (amounts):**

For each period, the reconciliation between the expense using the legal tax rate and expense using the effective tax rate is as follows:

	Accumulated	
	01.01.2017 12.31.2017 ThCh\$	01.01.2016 12.31.2016 ThCh\$
Income tax expense (benefit) using the legal tax rate	6,637,803	1,473,615
Effect of Tax Rates in Foreign Jurisdictions	(6,941,771)	(11,851,821)
Tax effect from permanent differences:		
Adjustments/Fluctuation of Tax Investments	(17,998,452)	(8,348,937)
Price-level adjustment on paid-in capital	(11,027,293)	(14,697,790)
Effect of deferred tax on equity items	471,771	-
Tax estimated using the Applicable Rate	4,049,220	(479,639)
Other Increases (Decreases) in expenses using the Legal Tax Rate	7,400,105	5,886,536
Total adjustments to tax expense using the legal rate	(24,046,420)	(29,491,651)
Tax expense using the effective tax rate	(17,408,617)	(28,018,036)

For translation purpose

**f. Reconciliation between the domestic tax rate and the effective tax rate (in percentages):**

	Accumulated	
	01.01.2017 12.31.2017	01.01.2016 12.31.2016
Legal tax rate	25.5%	24%
Effect of Tax Rates in Foreign Jurisdictions	-26.7%	-192.9%
Effect on tax rate of Adjustments/Fluctuation of Tax Investments	-69.1%	-135.9%
Price-level adjustment on paid-in capital	-42.4%	-239.2%
Effect of deferred tax on equity items	1.8%	-
Tax estimated using the Applicable Rate	15.6%	-7.8%
Other Increases (Decreases) in expenses using the Legal Tax Rate	28.3%	95.8%
<b>Total Adjustments to the Legal Tax Rate</b>	<b>-92.4%</b>	<b>-480%</b>
<b>Effective Tax Rate</b>	<b>-66.9%</b>	<b>-456%</b>

## 16. Other Financial Liabilities

As of December 31, 2017 and 2016, other financial liabilities are as follows.

	12.31.2017 ThCh\$	12.31.2016 ThCh\$
<b>Current assets</b>		
Interest bearing borrowings	1,109,070	468,598
Liabilities with bondholders	15,303,757	16,587,414
Finance Lease Liabilities	1,155,613	1,377,480
Derivatives - not designated as hedges	15,423,449	3,585,016
Derivatives - designated as hedges	3,548,155	2,848,776
<b>Subtotal current</b>	<b>36,540,044</b>	<b>24,867,284</b>
<b>Non-current assets</b>		
Interest bearing borrowings	284,462,627	198,837,798
Liabilities with bondholders	1,282,646,035	1,375,601,182
Finance Lease Liabilities	-	1,136,294
Derivatives - designated as hedges	23,805,320	1,335,501
<b>Subtotal non-current</b>	<b>1,590,913,982</b>	<b>1,576,910,775</b>
<b>Total other financial liabilities</b>	<b>1,627,454,026</b>	<b>1,601,778,059</b>

**a. Interest bearing borrowings – As of December 31, 2017, outstanding bank loans were as follows:**

- On June 30, 2017, the international loan of US\$300 million maintained with The Bank of Tokyo- Mitsubishi UFJ, Ltd., HSBC Bank USA and Mizuho Corporate Bank, Ltd., was prepaid in full. All the resources were obtained from entering into three new 5-year credit agreements with equal maturities in 2021 and 2022. The loans amount to US\$225 million with the Bank of Nova Scotia and Export Development of Canada, which correspond to US\$150 million and US\$75 million, respectively, at a Libor rate plus 0.85%. In addition, the Group subscribed local loans in Chilean pesos with Scotiabank Chile, amounting to US\$50 million at a TAB rate plus 0.10%, and a third loan in Chilean pesos with Banco de Chile, amounting to US\$25 million at a TAB rate plus 0.45%.
- On April 26, 2017, Banco del Estado granted a loan of Ch\$99,000 establishing a single maturity for principal amount of 5 years at a TAB rate plus 0.30%.

**b. Liabilities with bondholders – this corresponds to the following:**

- Placement of bonds in the international market in October 2013 of US\$1,000 million establishing average maturity of 10 years and a fixed rate of 4.875%.
- Placement of bonds in the local market in July 2014 for UF 7 million, with a maturity of 21 years and a fixed rate of 3.50%.
- Placement of bonds in the international market in July 2014 for US\$800 million, with an average maturity of 11.5 years and a fixed rate of 4.750%.

Such obligations are subject to certain restrictions, which are presented in Note 32.

In determining the market value of derivatives, cash flows are discounted considering inputs (interest rates) quoted in active markets. Accordingly, market values determined are classified in level 2 of the hierarchy established by IFRS 13.

The maturity schedule of Other financial liabilities plus Trade and other payables as of December 31, 2017 and 2016 is shown in the table below. The information is based on a comparison between carrying amounts (fair value or amortized cost, as applicable) and nominal values (projected cash flows at nominal value).

For purposes of measurement, the maturity profile of nominal cash flows within Other financial liabilities shown in the tables below considered the cash flows related to the repayment of principal and interest (not discounted values) in the case of financial debts, and the clearing value of financial derivative contracts with negative balances using exchange rates in force at the reporting date.

*For translation purpose*

## MATURITIES OF FINANCIAL LIABILITIES AS OF 12-31-2017

Creditor	Type of Liabilities	NOMINAL VALUE						
		Total Debt ThCh\$	Term in days		Term in years			
			0 - 90 days	91 days - 1 year	1 - 2 years	2 - 3 years	3 - 4 years	5 - 7 years
Banco del Estado de Chile	Loans	114,054,215	2,222,770	2,516,690	3,361,710	3,352,525	3,352,525	-
Banco de Chile	Loans	19,748,940	231,413	469,631	621,070	622,772	464,527	-
Scotiabank Chile	Loans	38,292,344	642,448	832,468	1,100,909	1,103,925	1,007,407	-
Export Development of Canada	Loans	50,422,411	335,654	772,126	1,021,100	1,023,559	931,346	-
The Bank of Nova Scotia	Loans	100,842,976	671,307	1,543,637	2,041,585	2,047,118	1,862,693	-
Claro Infraestructura S.A. (Telmex S.A.)	Loans	567,548	567,548	-	-	-	-	-
<b>Subtotal</b>		<b>323,928,434</b>	<b>4,671,140</b>	<b>6,134,552</b>	<b>8,146,374</b>	<b>8,149,899</b>	<b>7,618,498</b>	
Liabilities with bondholders	Bonds	1,280,011,957	23,065,933	44,992,016	53,329,561	53,329,563	53,329,561	-
Liabilities with bondholders	Bonds	301,525,570	1,627,223	5,457,042	6,508,892	6,508,893	6,508,892	-
<b>Subtotal</b>		<b>1,581,537,527</b>	<b>24,693,156</b>	<b>50,449,058</b>	<b>59,838,453</b>	<b>59,838,456</b>	<b>59,838,453</b>	
Banco de Crédito e Inversiones	Derivatives - designated as hedges	1,144,156	-	-	-	-	-	-
Banco de Crédito e Inversiones	Derivatives - designated as hedges	17,970,619	1,172,119	1,661,409	2,218,315	2,226,240	2,213,246	-
Banco de Chile	Derivatives - designated as hedges	679,858	-	-	-	-	-	-
Banco de Chile	Derivatives - designated as hedges	16,817,993	1,205,367	1,597,308	2,125,161	2,140,699	2,123,369	-
Banco Santander - Chile	Derivatives - designated as hedges	11,589,798	846,896	1,267,421	1,688,028	1,698,464	1,683,193	-
Banco Santander - Chile	Derivatives - designated as hedges	-	-	-	-	-	-	-
Banco Bélico Vizcaya Argentaria, Chile	Derivatives - designated as hedges	3,643,438	-	-	-	-	-	-
Banco Bélico Vizcaya Argentaria, Chile	Derivatives - designated as hedges	11,527,238	428,132	1,070,979	1,425,490	1,434,722	1,423,703	-
The Bank of Nova Scotia	Derivatives - designated as hedges	5,521,308	377,962	691,057	921,410	924,985	917,835	-
JP Morgan Chase Bank, N.A.	Derivatives - designated as hedges	1,328,557	90,907	166,291	221,721	222,607	220,836	-
JP Morgan Chase Bank, N.A.	Derivatives - designated as hedges	15,014,784	1,152,258	1,458,112	1,940,259	1,953,874	1,938,318	-
JP Morgan Chase Bank, N.A.	Derivatives - designated as hedges	808,509	-	-	-	-	-	-
<b>Subtotal</b>		<b>86,046,258</b>	<b>5,273,641</b>	<b>7,912,577</b>	<b>10,540,384</b>	<b>10,601,591</b>	<b>10,520,500</b>	
Banco de Crédito e Inversiones	Derivatives - not designated as hedges	3,690,345	974,690	2,715,655	-	-	-	-
Banco Itaú Corpbanca	Derivatives - not designated as hedges	1,745,170	1,319,210	425,960	-	-	-	-
Banco Bélico Vizcaya Argentaria, Chile	Derivatives - not designated as hedges	272,100	238,250	33,850	-	-	-	-
Banco de Chile	Derivatives - not designated as hedges	1,291,740	142,080	1,149,660	-	-	-	-
Banco Santander - Chile	Derivatives - not designated as hedges	264,550	264,550	-	-	-	-	-
Banco del Estado de Chile	Derivatives - not designated as hedges	2,968,825	242,280	2,726,545	-	-	-	-
Scotiabank Chile	Derivatives - not designated as hedges	3,686,635	484,230	3,202,405	-	-	-	-
Banco Security	Derivatives - not designated as hedges	1,531,150	354,900	1,176,250	-	-	-	-
Banco de Crédito e Inversiones	Derivatives - not designated as hedges	84,845	84,845	-	-	-	-	-
Banco Itaú Corpbanca	Derivatives - not designated as hedges	254,365	254,365	-	-	-	-	-
Banco Bélico Vizcaya Argentaria, Chile	Derivatives - not designated as hedges	30,525	30,525	-	-	-	-	-
Banco de Chile	Derivatives - not designated as hedges	46,680	46,680	-	-	-	-	-
Banco del Estado de Chile	Derivatives - not designated as hedges	30,570	30,570	-	-	-	-	-
HSBC Bank (Chile)	Derivatives - not designated as hedges	100,500	100,500	-	-	-	-	-
Scotiabank Chile	Derivatives - not designated as hedges	87,130	87,130	-	-	-	-	-
Scotiabank (Perú)	Derivatives - not designated as hedges	50,512	50,512	-	-	-	-	-
Banco de Credito del Peru	Derivatives - not designated as hedges	46,073	46,073	-	-	-	-	-
BBVA (Perú)	Derivatives - not designated as hedges	32,887	18,566	14,321	-	-	-	-
Interbank (Perú)	Derivatives - not designated as hedges	19,822	19,822	-	-	-	-	-
Banco Santander (Perú)	Derivatives - not designated as hedges	25,436	20,941	4,495	-	-	-	-
<b>Subtotal</b>		<b>16,259,860</b>	<b>4,810,719</b>	<b>11,449,141</b>	-	-	-	-
Consorcio Nacional de Seguros S.A.	Finance lease	993,487	269,261	724,226	-	-	-	-
Chilena Consolidada Seguros de Vida S.A.	Finance lease	175,005	65,627	109,378	-	-	-	-
Banco Bice Leasing Financiero	Finance lease	33,263	33,263	-	-	-	-	-
<b>Subtotal</b>		<b>1,201,755</b>	<b>368,151</b>	<b>833,604</b>	-	-	-	-
Trade payables	Trade payables	326,575,700	326,575,700	-	-	-	-	-
<b>Totales</b>		<b>2,335,549,534</b>	<b>366,392,507</b>	<b>76,778,932</b>	<b>78,525,211</b>	<b>78,589,946</b>	<b>77,977,451</b>	

For translation purpose

		CARRYING AMOUNT							
4 - 5 years	Over 5 years	Total Debt ThCh\$	Term in days		Term in years				
			0 - 90 days	91 days - 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years
99,247,995	-	98,841,651	537,076	-	-	-	-	98,304,575	-
17,339,527	-	16,781,020	-	26,325	-	-	-	16,754,695	-
33,605,187	-	32,780,799	-	6,032	-	-	-	32,774,767	-
46,338,626	-	45,550,212	6,515	-	-	-	-	45,543,697	-
92,676,636	-	91,097,922	13,029	-	-	-	-	91,084,893	-
-	-	520,093	520,093	-	-	-	-	-	-
289,207,971	-	285,571,697	1,076,713	32,357	-	-	-	284,462,627	-
51,664,615	1,000,300,708	1,110,768,145	9,733,541	4,994,844	-	-	-	-	1,096,039,760
6,508,893	268,405,735	187,181,647	-	575,372	-	-	-	-	186,606,275
58,173,508	1,268,706,443	1,297,949,792	9,733,541	5,570,216	-	-	-	-	1,282,646,035
-	1,144,156	2,430,053	-	-	-	-	-	348,530	2,081,523
2,213,246	6,266,044	5,183,127	938,744	-	-	-	-	438,170	3,806,213
-	679,858	953,238	-	83,575	-	-	-	-	869,663
2,097,900	5,528,189	2,878,321	704,082	200,116	-	-	-	-	1,974,123
1,622,935	2,782,861	1,767,058	248,483	-	-	-	-	506,192	1,012,383
-	-	3,883,654	-	-	-	-	-	1,294,551	2,589,103
342,434	3,301,004	4,301,963	-	82,554	-	-	-	-	4,219,409
1,398,567	4,345,645	3,181,846	409,284	165,485	-	-	-	-	2,607,077
867,440	820,619	39,906	-	39,906	-	-	-	-	-
208,715	197,480	106,262	-	106,262	-	-	-	-	-
1,905,485	4,666,478	2,628,047	569,664	-	-	-	-	686,128	1,372,255
269,503	539,006	-	-	-	-	-	-	-	-
10,926,225	30,271,340	27,353,475	2,870,257	677,898	-	-	-	3,273,571	20,531,749
-	-	3,527,044	963,472	2,563,572	-	-	-	-	-
-	-	1,710,281	1,310,395	399,886	-	-	-	-	-
-	-	268,083	237,605	30,478	-	-	-	-	-
-	-	1,219,492	138,060	1,081,432	-	-	-	-	-
-	-	263,598	263,598	-	-	-	-	-	-
-	-	2,797,703	242,187	2,555,516	-	-	-	-	-
-	-	3,455,086	483,418	2,971,668	-	-	-	-	-
-	-	1,460,436	350,279	1,110,157	-	-	-	-	-
-	-	84,779	84,779	-	-	-	-	-	-
-	-	251,268	251,268	-	-	-	-	-	-
-	-	30,391	30,391	-	-	-	-	-	-
-	-	46,671	46,671	-	-	-	-	-	-
-	-	30,479	30,479	-	-	-	-	-	-
-	-	100,025	100,025	-	-	-	-	-	-
-	-	86,810	86,810	-	-	-	-	-	-
-	-	28,614	28,614	-	-	-	-	-	-
-	-	22,412	22,412	-	-	-	-	-	-
-	-	6,533	6,533	-	-	-	-	-	-
-	-	18,286	18,286	-	-	-	-	-	-
-	-	15,458	15,458	-	-	-	-	-	-
-	-	15,423,449	4,710,740	10,712,709	-	-	-	-	-
-	-	952,891	251,074	701,817	-	-	-	-	-
-	-	169,790	62,600	107,190	-	-	-	-	-
-	-	32,932	32,932	-	-	-	-	-	-
-	-	1,155,613	346,606	809,007	-	-	-	-	-
-	-	326,575,700	326,575,700	-	-	-	-	-	-
358,307,704	1,298,977,783	1,954,029,726	345,313,557	17,802,187	0	-	-	287,736,198	1,303,177,784

## MATURITIES OF FINANCIAL LIABILITIES AS OF 12-31-2016

Creditor	Type of Liabilities	NOMINAL VALUE						
		Total Debt ThCh\$	Term in days		Term in years			
			0 - 90 days	91 days - 1 year	1 - 2 years	2 - 3 years	3 - 4 years	
The Bank of Tokyo-Mitsubishi UFJ, Ltd	Loans	71,437,405	384,639	1,226,426	1,627,802	34,513,659	33,684,879	
Mizuho Corporate Bank, Ltd.	Loans	71,437,405	384,639	1,226,426	1,627,802	34,513,659	33,684,879	
HSBC Bank USA, National Association	Loans	71,437,402	384,639	1,226,425	1,627,801	34,513,658	33,684,879	
Claro Infraestructura S.A. (Telmex S.A.)	Loans	1,116,028	558,014	-	558,014	-	-	
<b>Subtotal</b>		<b>215,428,240</b>	<b>1,711,931</b>	<b>3,679,277</b>	<b>5,441,419</b>	<b>103,540,976</b>	<b>101,054,637</b>	
Liabilities with bondholders	Bonds	1,675,181,306	25,119,073	48,996,836	58,076,521	58,076,523	58,076,521	
Liabilities with bondholders	Bonds	302,842,365	1,599,889	5,347,695	6,399,554	6,399,555	6,399,554	
<b>Subtotal</b>		<b>1,978,023,671</b>	<b>26,718,962</b>	<b>54,344,531</b>	<b>64,476,075</b>	<b>64,476,078</b>	<b>64,476,075</b>	
Banco de Chile	Derivatives - designated as hedges	15,238,034	683,753	1,259,345	1,691,081	1,692,873	1,708,411	
Banco Santander - Chile	Derivatives - designated as hedges	9,424,123	492,526	884,253	1,179,769	1,184,604	1,195,040	
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - designated as hedges	9,848,789	341,016	846,533	1,134,371	1,136,158	1,145,390	
The Bank of Nova Scotia	Derivatives - designated as hedges	4,571,823	266,812	490,987	651,075	654,650	658,225	
Corpbanca	Derivatives - designated as hedges	1,082,564	63,120	116,274	154,146	155,031	155,917	
JP Morgan Chase Bank, N.A.	Derivatives - designated as hedges	13,531,529	654,814	1,149,462	1,542,350	1,544,291	1,557,906	
Banco de Crédito e Inversiones	Derivatives - designated as hedges	16,687,232	665,057	1,363,103	1,823,366	1,825,394	1,839,402	
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - designated as hedges	-	-	-	-	-	-	
<b>Subtotal</b>		<b>70,384,094</b>	<b>3,167,098</b>	<b>6,109,957</b>	<b>8,176,158</b>	<b>8,193,001</b>	<b>8,260,291</b>	
Banco de Crédito e Inversiones	Derivatives - not designated as hedges	978,340	-	978,340	-	-	-	
Banco Itaú Corpbanca	Derivatives - not designated as hedges	789,045	-	789,045	-	-	-	
Banco de Chile	Derivatives - not designated as hedges	581,630	398,135	183,495	-	-	-	
Banco Santander - Chile	Derivatives - not designated as hedges	202,535	-	202,535	-	-	-	
Banco del Estado de Chile	Derivatives - not designated as hedges	1,401,350	1,048,525	352,825	-	-	-	
HSBC Bank (Chile)	Derivatives - not designated as hedges	244,230	146,275	97,955	-	-	-	
Scotiabank Chile	Derivatives - not designated as hedges	839,580	52,635	786,945	-	-	-	
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - not designated as hedges	5,965	5,965	-	-	-	-	
Banco de Chile	Derivatives - not designated as hedges	15,300	15,300	-	-	-	-	
Banco del Estado de Chile	Derivatives - not designated as hedges	22,295	6,680	15,615	-	-	-	
Scotiabank Chile	Derivatives - not designated as hedges	15,250	15,250	-	-	-	-	
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - not designated as hedges	7,685	7,685	-	-	-	-	
Scotiabank (Perú)	Derivatives - not designated as hedges	183,795	177,704	6,091	-	-	-	
Banco de Crédito (Perú)	Derivatives - not designated as hedges	346,626	346,626	-	-	-	-	
Interbank (Perú)	Derivatives - not designated as hedges	236,717	236,717	-	-	-	-	
Banco Santander (Perú)	Derivatives - not designated as hedges	188,970	59,032	129,938	-	-	-	
<b>Subtotal</b>		<b>6,059,313</b>	<b>2,516,529</b>	<b>3,542,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Consorcio Nacional de Seguros S.A.	Finance lease	2,035,754	264,738	794,217	976,799	-	-	
Chilena Consolidada Seguros de Vida S.A.	Finance lease	430,163	64,525	193,573	172,065	-	-	
Banco Bice Leasing Financiero	Finance lease	228,930	49,057	147,169	32,704	-	-	
<b>Subtotal</b>		<b>2,694,847</b>	<b>378,320</b>	<b>1,134,959</b>	<b>1,181,568</b>	<b>-</b>	<b>-</b>	
Trade payables	Trade payables	286,942,123	286,942,123	-	-	-	-	
<b>TOTALES</b>		<b>2,559,532,288</b>	<b>321,434,963</b>	<b>68,811,508</b>	<b>79,275,220</b>	<b>176,210,055</b>	<b>173,791,003</b>	

For translation purpose

		Total Debt ThCh\$	CARRYING AMOUNT							
4 - 5 years	Over 5 years		Term in days		Term in years					
			0 - 90 days	91 days - 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	
-	-	66,108,813	-	-	-	33,118,341	32,990,472	-	-	
-	-	66,108,813	-	-	-	33,118,341	32,990,472	-	-	
-	-	66,108,816	-	-	-	33,118,342	32,990,474	-	-	
-	-	979,954	468,598	-	511,356	-	-	-	-	
-	-	199,306,396	468,598	-	511,356	99,355,024	98,971,418	-	-	
58,076,523	1,368,759,309	1,208,208,519	10,599,942	5,439,444	-	-	-	-	1,192,169,133	
6,399,555	270,296,563	183,980,077	-	548,028	-	-	-	-	183,432,049	
64,476,078	1,639,055,872	1,392,188,596	10,599,942	5,987,472	-	-	-	-	1,375,601,182	
1,691,081	6,511,490	640,882	579,537	61,345	-	-	-	-	-	
1,179,769	3,308,162	332,205	194,333	137,872	-	-	-	-	-	
1,134,371	4,110,950	404,628	344,304	60,324	-	-	-	-	-	
651,075	1,198,999	121,025	-	121,025	-	-	-	-	-	
154,146	283,930	28,792	-	28,792	-	-	-	-	-	
1,542,350	5,540,356	544,951	461,364	83,587	-	-	-	-	-	
1,823,366	7,347,544	776,293	776,293	-	-	-	-	-	-	
-	-	1,335,501	-	-	-	-	-	-	1,335,501	
8,176,158	28,301,431	4,184,277	2,355,831	492,945	-	-	-	-	1,335,501	
-	-	414,875	-	414,875	-	-	-	-	-	
-	-	248,538	-	248,538	-	-	-	-	-	
-	-	465,679	382,631	83,048	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	1,176,304	971,896	204,408	-	-	-	-	-	
-	-	148,487	115,027	33,460	-	-	-	-	-	
-	-	333,800	15,151	318,649	-	-	-	-	-	
-	-	5,391	5,391	-	-	-	-	-	-	
-	-	3,981	3,981	-	-	-	-	-	-	
-	-	10,246	2,828	7,418	-	-	-	-	-	
-	-	11,867	11,867	-	-	-	-	-	-	
-	-	5,616	5,616	-	-	-	-	-	-	
-	-	154,056	154,056	-	-	-	-	-	-	
-	-	293,446	293,446	-	-	-	-	-	-	
-	-	227,593	227,593	-	-	-	-	-	-	
-	-	85,137	39,794	45,343	-	-	-	-	-	
-	-	3,585,016	2,229,277	1,355,739	-	-	-	-	-	
-	-	1,894,879	247,425	710,476	936,978	-	-	-	-	
-	-	401,047	56,763	177,346	166,938	-	-	-	-	
-	-	217,848	44,987	140,483	32,378	-	-	-	-	
-	-	2,513,774	349,175	1,028,305	1,136,294	-	-	-	-	
-	-	286,942,123	286,942,123	-	-	-	-	-	-	
72,652,236	1,667,357,303	1,888,720,182	302,944,946	8,864,461	1,647,650	99,355,024	98,971,418	-	1,376,936,683	

In the case of Other financial liabilities included in the table above, the table below shows the detail of each liability identifying the debtor Group companies, the related creditor, country of origin and the financial conditions of the liabilities:

As of 12.31.2017										
Debtor's Tax ID	Debtor	Country	Creditor's Tax ID	Creditor	Country	Currency	Type of Repayment	Nominal Actual rate	Nominal rate	
92.580.000-7	Entel S.A.	Chile	97.030.000-7	Banco del Estado de Chile	Chile	Ch\$	At maturity	4.66%	Tab CLP 90D + 0.3%	
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	Ch\$	Deferred, annual	5.17%	Tab CLP 180D + 0.45%	
92.580.000-7	Entel S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	Ch\$	Deferred, annual	5.06%	Tab CLP 180D + 0.1%	
92.580.000-7	Entel S.A.	Chile	Foreign	Export Development of Canada	United States	US\$	Deferred, annual	3.13%	Libor USD 90D + 0.85%	
92.580.000-7	Entel S.A.	Chile	Foreign	The Bank of Nova Scotia	United States	US\$	Deferred, annual	3.13%	Libor USD 90D + 0.85%	
92.580.000-7	Entel S.A.	Chile	88.381.200-K	Claro Infraestructura S.A. (Telmex S.A.)	Chile	UF	Anual	9.12%	8.70%	
92.580.000-7	Entel S.A.	Chile	Foreign	Deutsche Bank Trust Company Americas, as representative of bondholders	United States	US\$	Deferred, annual	5.09% - 4.88%	4.874% / 4.75%	
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile, as representative of bondholders	Chile	UF	Deferred, annual	3.51%	3.50%	
92.580.000-7	Entel S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	UF	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.036.000-k	Banco Santander - Chile	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.036.000-k	Banco Santander - Chile	Chile	UF	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	UF	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	Foreign	The Bank of Nova Scotia	Canada	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.043.000-8	JP Morgan Chase Bank, N.A.	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.043.000-8	JP Morgan Chase Bank, N.A.	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.023.000-9	Banco Itaú Corpbanca	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.036.000-k	Banco Santander - Chile	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97..030.000-7	Banco del Estado de Chile	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	Ch\$	-	-	-	
92.580.000-7	Entel S.A.	Chile	97.053.000-2	Banco Security	Chile	Ch\$	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	Ch\$	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.023.000-9	Banco Itaú Corpbanca	Chile	Ch\$	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	Ch\$	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.004.000-5	Banco de Chile	Chile	Ch\$	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97..030.000-7	Banco del Estado de Chile	Chile	Ch\$	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.951.000-4	HSBC Bank (Chile)	Chile	Ch\$	-	-	-	
96.806.980-2	Entel PCS S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	CLP	-	-	-	

As of 12.31.2017

Debtor's Tax ID	Debtor	Country	Creditor's Tax ID	Creditor	Country	Currency	Type of Repayment	Nominal Actual rate	Nominal rate
Foreign	Entel Peru	Peru	Foreign	Scotiabank (Peru)	Peru	PEN	-	-	-
Foreign	Entel Peru	Peru	Foreign	Banco de Credito del Peru	Peru	PEN	-	-	-
Foreign	Entel Peru	Peru	Foreign	BBVA (Peru)	Peru	PEN	-	-	-
Foreign	Entel Peru	Peru	Foreign	Interbank (Peru)	Peru	PEN	-	-	-
Foreign	Entel Peru	Peru	Foreign	Banco Santander (Peru)	Peru	PEN	-	-	-
92.580.000-7	Entel S.A.	Chile	99.012.000-5	Consorcio Nacional de Seguros S.A.	Chile	UF	Monthly	8.03%	8.03%
92.580.000-7	Entel S.A.	Chile	99.185.000-7	Chilena Consolidada Seguros de Vida S.A.	Chile	UF	Monthly	8.43%	8.43%
92.580.000-7	Entel S.A.	Chile	97.080.000-K	Banco Bice Leasing Financiero	Chile	UF	Monthly	8.32%	8.32%

As of 31.12.2016

Debtor's Tax ID	Debtor	Country	Creditor's Tax ID	Creditor	Country	Currency	Type of Repayment	Nominal Actual rate	Nominal rate
92.580.000-7	Entel S.A.	Chile	Foreign	The Bank of Tokyo-Mitsubishi UFJ, Ltd	United States	US\$	Deferred, annual	3.37%	Libor USD 90D + 1.3%
92.580.000-7	Entel S.A.	Chile	Foreign	Mizuho Corporate Bank, Ltd.	United States	US\$	Deferred, annual	3.37%	Libor USD 90D + 1.3%
92.580.000-7	Entel S.A.	Chile	Foreign	HSBC Bank USA, National Association	United States	US\$	Deferred, annual	3.37%	Libor USD 90D + 1.3%
92.580.000-7	Entel S.A.	Chile	88.381.200-K	Claro Infraestructura S.A. (Telmex S.A.)	Chile	UF	Anual	9.12%	8.70%
92.580.000-7	Entel S.A.	Chile	Foreign	Deutsche Bank Trust Company Americas	United States	US\$	Deferred, annual	5.09% - 4.88%	4.874% / 4.75%
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	Deferred, annual	3.51%	3.50%
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.036.000-K	Banco Santander - Chile	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	Foreign	The Bank of Nova Scotia	Canada	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.023.000-9	Corpbanca	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.043.000-8	JP Morgan Chase Bank, N.A.	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	UF	-	-	-
92.580.000-7	Entel S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.023.000-9	Banco Itaú Corpbanca	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.036.000-k	Banco Santander - Chile	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.030.000-7	Banco del Estado de Chile	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.951.000-4	HSBC Bank (Chile)	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	Ch\$	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	Ch\$	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.004.000-5	Banco de Chile	Chile	Ch\$	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.030.000-7	Banco del Estado de Chile	Chile	Ch\$	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	Ch\$	-	-	-
96.697.410-9	Entel Telefonía Local S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	Ch\$	-	-	-
Foreign	Entel Peru	Peru	Foreign	Scotiabank (Peru)	Peru	PEN	-	-	-
Foreign	Entel Peru	Peru	Foreign	Banco de Crédito (Peru)	Peru	PEN	-	-	-
Foreign	Entel Peru	Peru	Foreign	Interbank (Peru)	Peru	PEN	-	-	-
Foreign	Entel Peru	Peru	Foreign	Banco Santander (Peru)	Peru	PEN	-	-	-
92.580.000-7	Entel S.A.	Chile	99.012.000-5	Consorcio Nacional de Seguros S.A.	Chile	UF	Monthly	8.03%	8.03%
92.580.000-7	Entel S.A.	Chile	99.185.000-7	Chilena Consolidada Seguros de Vida S.A.	Chile	UF	Monthly	8.43%	8.43%
92.580.000-7	Entel S.A.	Chile	97.080.000-K	Banco Bice Leasing Financiero	Chile	UF	Monthly	8.32%	8.32%

Liquidity risks are controlled through the financial planning which considers debt policies and possible sources of financing from third parties. The indebtedness level of the Group companies as well as access to domestic and international financing through bank borrowings and the placement of debt securities allow discarding long-term liquidity risks, except for those related to systemic alterations in financial markets.

The maturity schedules above include liabilities related to finance lease agreements, whose specific maturities in ThCh\$, are as follows:

Minimum lease payments	12.31.2017			12.31.2016		
	Gross	Interest	Present Value	Gross	Interest	Present Value
Between 1 and 90 days	368,152	(21,537)	346,615	401,635	(52,460)	349,175
Between 90 days and 1 year	833,595	(24,597)	808,998	1,134,958	(106,653)	1,028,305
Between 1 and 2 years	-	-	-	1,181,653	(45,359)	1,136,294
<b>Total</b>	<b>1,201,747</b>	<b>(46,134)</b>	<b>1,155,613</b>	<b>2,718,246</b>	<b>(204,472)</b>	<b>2,513,774</b>

The Parent has two contracts in Chile for the issuance of dematerialized, bearer Securities Line Bonds with original terms of 10 and 30 years, respectively.

The bond issue contracts represent an alternative source of financing to be used according to the possible Company needs and when favorable market and economic conditions for bond issue exist.

The reconciliation is shown in ThCh\$ of net financial liabilities, excluding cash and cash equivalents to cash flows from financing activities is detailed as follows:

		Cash Flows			Movements other than cash			Closing balance	
		Opening balance 12.31.2016	Increases	Payments	Interests	adjustments	expenses		
Loans, promissory notes and bonds payable		1,591,494,992	95,924,767	(69,223,042)	69,772,632	(108,700,510)	4,252,650	- 1,583,521,489	
Derivatives		(107,190,864)	-	(25,974,297)	3,042,243	124,831,053	- 10,241,920	4,950,055	
Lease		721,007	-	(496,127)	92,470	29,051	-	- 346,401	
<b>Total net liabilities from financing activities</b>		<b>1,485,025,135</b>	<b>95,924,767</b>	<b>(95,693,466)</b>	<b>72,907,345</b>	<b>16,159,594</b>	<b>4,252,650</b>	<b>10,241,920</b> 1,588,817,945	
Payment of dividends				(10,309,263)					
Other payments for additional taxes, commissions, etc.				(838,054)					
Net cash (used in) from financing activities				(10,916,016)					

For translation purpose

## 17. Trade And Other Payables

Trade and other payables are detailed below, with no existing interests related to such payables are detailed below:

	12.31.2017 ThCh\$	12.31.2016 ThCh\$
<b>Trade payables</b>		
Foreign correspondents	1,321,233	1,583,032
Telecommunication suppliers	33,515,921	35,246,417
Foreign suppliers	20,608,531	26,429,309
Domestic suppliers	419,718,392	374,406,237
<b>Other payables</b>		
Employee benefits	25,075,586	25,992,491
Dividends payable	13,083,519	10,348,767
Other (Value Added Tax debit, net and withholding taxes)	31,827,539	31,037,807
<b>Total</b>	<b>545,150,721</b>	<b>505,044,060</b>

Comparative information for trade payables to suppliers for invoices (excluding accruals) is presented below. The Entel Group's companies recorded no past due debt in both periods:

Current trade payables by maturity date	12-31-2017			12-31-2016		
	Goods	Services	Total	Goods	Services	Total
	ThCh\$			ThCh\$		
Up to 30 days	58,620,425	97,912,077	156,532,502	40,869,955	93,375,615	134,245,570
Between 31 - 60 days	44,233,491	64,088,654	108,322,145	48,985,306	58,527,659	107,512,965
Between 61 - 90 days	36,633,860	25,087,193	61,721,053	23,774,188	21,409,400	45,183,588
<b>Total</b>	<b>139,487,776</b>	<b>187,087,924</b>	<b>326,575,700</b>	<b>113,629,449</b>	<b>173,312,674</b>	<b>286,942,123</b>

The approximate average payment period for all accounts payable (trade and other payables) is 82 days, measured according to the activities recorded during the last 3 months.

The % of accounts payable from the main 10 suppliers related to total trade payables is detailed as follows:

Supplier's Name	12-31-2017 %	12-31-2016 %
Huawei del Perú SAC	4%	7%
Samsung Electronics Chile Ltda.	4%	4%
Samsung Electronics Perú	3%	2%
Ericsson Chile S.A.	2%	1%
APPLE Chile Comercial	2%	2%
Huawei Chile Ltda.	1%	1%
Huawei Device Co, Ltd	1%	1%
Claro Chile S.A.	1%	-
LG Electronics Perú S.A.	1%	2%
LG Electronics Inc. Chile Ltda.	1%	-
Telrad Perú S.A.	1%	-
AT&T	-	1%
TCT Mobile International Ltd	-	1%
Otros	81%	79%
<b>Total trade payables</b>	<b>100%</b>	<b>100%</b>

For translation purpose

## 18. Other Provisions

Provisions are detailed as follows:

	12-31-2017 ThCh\$	12-31-2016 ThCh\$
Current Provisions		
Other provisions	7,369,584	5,161,827
Total current provisions	7,369,584	5,161,827
Non-current Provisions		
Dismantling, restoration and rehabilitation costs	36,481,730	34,222,292
Total non-current provisions	36,481,730	34,222,292

As of December 31, 2017 and 2016, changes in these provisions are detailed as follows:

	Dismantling and restoration costs ThCh\$	Other Provisions ThCh\$	Total ThCh\$
Total provision, opening balance (01-01-2017)	34,222,292	5,161,827	39,384,119
Increase (decrease) in existing provisions	1,635,844	2,226,612	3,862,456
Provision used	(483,370)	-	(483,370)
Increase for adjustment of time-value of money	1,961,057	-	1,961,057
Increase (decrease) in foreign currency translation	(1,089,001)	(18,855)	(1,107,856)
Other increases (decreases)	234,908	-	234,908
Total changes in provisions	2,259,438	2,207,757	4,467,195
Total provision, Closing balance (12-31-2017)	36,481,730	7,369,584	43,851,314

	Dismantling and restoration costs ThCh\$	Other Provisions ThCh\$	Total ThCh\$
Total provision, opening balance (01-01-2016)	28,582,453	3,435,395	32,017,848
Increase (decrease) in existing provisions	4,493,288	1,744,374	6,237,662
Increase for adjustment of time-value of money	1,817,842	-	1,817,842
Increase (decrease) in foreign currency translation	(798,352)	(7,595)	(805,947)
Other increases (decreases)	127,061	(10,347)	116,714
Total changes in provisions	5,639,839	1,726,432	7,366,271
Total provision, Closing balance (12-31-2016)	34,222,292	5,161,827	39,384,119

The determination of the provision for restoration and rehabilitation costs considers the estimated value for the construction, demolition or any other unavoidable activity. These costs are discounted based on estimated validity periods of contracts maintained with the owners of the properties or facilities where the premises are located considering the termination and renewal hypotheses.

These amounts are discounted using the Company's indebtedness cost rates.

## 19. Other Non-Financial Liabilities

As of December 31, 2017 and 2016, other non-financial liabilities are detailed as follows.

	Current		Non - Current	
	12.31.2017 ThCh\$	12.31.2016 ThCh\$	31.12.2017 ThCh\$	31.12.2016 ThCh\$
<b>DEFERRED REVENUE</b>				
Prepayment cards	6,975,133	9,294,441	-	-
Anticipated billing of services	13,233,170	12,323,882	-	-
Customer loyalty programs	6,665,070	6,834,309	1,614,841	1,927,625
Transfer of networks	6,453,037	6,518,953	3,529,210	-
Lease of submarine cables	117,487	348,666	38,758	156,233
Prepaid Government grants, pending allocation	544,637	636,366	420,459	955,860
Other deferred liabilities	-	152,137	81,120	113,838
<b>Total</b>	<b>33,988,534</b>	<b>36,108,754</b>	<b>5,684,388</b>	<b>3,153,556</b>

## 20. Employee Benefits And Expenses

### a. Personnel expenses

	01.01.2017 12.31.2017 ThCh\$	01.01.2016 12.31.2016 ThCh\$
Salaries and wages	186,030,520	179,758,885
Short-term employee benefits	19,657,786	15,601,250
Post-employment benefits	(648,181)	304,298
Termination benefits	10,621,258	16,962,590
Other personnel expenses	33,502,175	32,979,036
<b>Total</b>	<b>249,163,558</b>	<b>245,606,059</b>

For translation purpose

### b. Severance indemnity payments (post-employment and termination benefits)

The Parent Company maintains the most significant agreements in relation to severance payments payable to its employees and executives. The right to receive this benefit as well as the determination of the amount payable is regulated by the existing agreements considering such relevant factors as the number of years of service, permanence and salary.

The benefit in favor of employees is provided through Corporación Mutual Entel Chile which is financed in a shared manner. Employees provide a monthly contribution of 2.66% of their base salaries and the Company pays the balances that might possibly be required to complete the payment of a number of severance payments of up to 3% of its employees.

As of December 31 of each year, liabilities recognized as post-employment benefits recorded in Non-current provisions for employee benefits amount to ThCh\$12,171,468 and ThCh\$10,407,369, respectively, and represent the present value of accrued severance indemnity payments at such dates, deducting the amounts held by the Guild Association.

Movements in the Parent's severance payment (post-employment) benefits are detailed as follows:

Movements	12.31.2017 ThCh\$	12.31.2016 ThCh\$
Present value of the obligation, opening balance	10,407,369	9,496,303
Cost of current service	428,794	829,334
Interest cost of the obligation	664,981	606,768
Actuarial gains and losses arising from defined benefit obligations	1,747,299	-
Contributions paid to the plan	(1,076,975)	(525,036)
Present value of the obligation, closing balance	12,171,468	10,407,369
	31.12.2017	31.12.2016
Discount rate	6.30%	6.58%
Salary increase rate	1.00%	1.00%
Personnel turnover rate	1.5%; 0.1%	13.8%; 5.5%; 7%
Mortality rate	RV-2014	RV-2004

## 21. Capital And Reserves

Changes in equity accounts as of December 31, 2017 and 2016 are detailed in the Statement of Changes in Equity.

### Share capital

The Company's outstanding shares are composed of same-series fully-paid ordinary shares with no par value.

At the Ordinary Shareholders' Meeting held on April 28, 2016, the shareholders approved the issue of 71,500,000 shares, and at the Board of Directors' Meeting of June 6, 2016, the directors agreed to issue a total of 64,814,815 preference shares for the shareholders. Such process was completed in August 2016, obtaining a full placement of shares. In addition, a maximum of 1,500,000 shares were used for compensation plans to employees, collecting ThCh\$3,664. The capital increase amounted to ThCh\$353,703 not considering placement expenses and ThCh\$352,179 net of placement expenses.

	12.31.2017 ThCh\$	12.31.2016 ThCh\$
SHARE CAPITAL		
Authorized share capital	908.767.566	908.767.566
Subscribed authorized share capital	876.370.945	876.370.945
Shares issued	880.167.568	880.167.568
DETAIL OF SHARE CAPITAL (ORDINARY SHARES)		
Number of authorized shares	-	308.023.695
Number of issued and paid shares	-	302.017.113
Number of issued and unpaid shares	-	710.286
Number of shares issued		302.727.399
RECONCILIATION OF OUTSTANDING SHARES		
Number of outstanding shares	302.017.113	236.523.695
Increase in the number of shares	-	65.493.418
Number of outstanding shares	302.017.113	302.017.113

Between January 1, 2016 and December 31, 2017, there are no movements related to redemptions, payments, or decreases.

There are no treasury shares.

There are no reserves or any commitments for the issue of shares to cover option and sale agreements..

For translation purpose

### **Retained (loss) Earnings.**

During 2017 and 2016, no provisional dividends were distributed.

The provision made (2017) to comply with the minimum dividend represents Ch\$43.12 per share (Ch\$33.93 in 2016).

### **Dividend Policy**

Pursuant to Law No. 18.046, except for any different unanimous agreement reached at shareholders meetings, publicly traded companies must pay annual dividends of at least 30% of the profit for the period.

The Group's dividend distribution policy currently in force sets dividend limits exceeding legal minimum amounts. However, the Group's policy establishes maximum amounts and, accordingly, the discretionary criterion is applied for possible dividends exceeding the maximum legal amount. As a result, no provisions for dividends additional to the minimum legal requirement were accrued.

The policy communicated at the Ordinary Shareholders' meeting held on April 27, 2017 approved the maximum for dividend distribution of 50% of profit for each period depending on the Company's profit for the period, investment needs and safeguards established in long-term loan agreements entered into by the Company in relation to debt, liquidity and financing issues. This policy means maintaining the policy of the prior year.

As required by the Superintendence of Securities and Insurance, through Circular No.1945 of 2009, the Parent established a policy regarding the treatment of the effects resulting from adjustments of financial assets and liabilities at fair value. In line with this, the Group has established as policy to reduce from the profit to be used to pay dividends the unrealized gains resulting from adjustments to fair value. Except for the conditions indicated in the preceding paragraphs, the Company is not subject to any additional restrictions to the payment of dividends.

### **Dividends paid:**

During 2017, the Group has paid the following dividends:

At the Ordinary Shareholders' Meeting held on April 27, 2017, the shareholders agreed to distribute a final dividend of Ch\$34 per share corresponding to the profits of 2016 equivalent to ThCh\$10,268,582. This dividend was paid in May 25, 2017.

According to the statement of cash flows, the dividends paid include the dividends agreed for distribution in each year and those collected in prior years.

**Other reserves:**

Other reserves included in the Statement of Changes in Equity are as follows:

Reserves for actuarial variances for employee benefit plan: Relates to variances in liabilities due to employee benefit plans, as a result of changes in actuarial variances, adjusting them to current market rates used for their measurement, such as the discount rate, turnover rate, mortality rate and income forecasts.

Translation reserve: Reflects accumulated gains or losses resulting from the translation of the financial statements of foreign subsidiaries from their functional currency to the Group's presentation currency (Chilean pesos).

Cash flows hedge reserve: Corresponds to the difference between carrying amount and the fair value of cash flow hedge contracts qualified as effective hedges. Net of deferred taxes.

These amounts are transferred to profit or loss as contracts mature.

Other reserves: Credits and debits to equity in relation to adjustments required due to the first time application of International Financial Reporting Standards (IFRS) as of January 1, 2008. Main balances related to such adjustments relate to unrecognized deferred tax liabilities of ThCh\$10,866,212 and advances from customers of ThCh\$8,215,281.

In addition, in accordance with Article 10 of Law No. 18.046 and Official Letter No. 456 issued by the Superintendence of Securities and Insurance, price-level adjustment on paid-in capital is also recorded in this caption.

As of December 31, 2017 and 2016, the detail of Other reserves is as follows:

	Other reserves				
	Actuarial changes in employee benefit plans		Foreign currency translation differences	Cash flow hedges	Other reserves
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance at January 1, 2016	(60,978)	45,595,482	21,103,714	(60,764,881)	5,873,337
Other comprehensive income (loss)	-	(26,606,516)	(42,957,342)	-	(69,563,858)
Total changes in equity	-	(26,606,516)	(42,957,342)	-	(69,563,858)
Closing balance at December 31, 2016	(60,978)	18,988,966	(21,853,628)	(60,764,881)	(63,690,521)
Opening balance at January 1, 2017	(60,978)	18,988,966	(21,853,628)	(60,764,881)	(63,690,521)
Other comprehensive income (loss)	(1,275,528)	(50,486,371)	(2,125,198)	-	(53,887,097)
Total changes in equity	(1,275,528)	(50,486,371)	(2,125,198)	-	(53,887,097)
Closing balance at December 31, 2017	(1,336,506)	(31,497,405)	(23,978,826)	(60,764,881)	(117,577,618)

For translation purpose

## 22. Revenue And Other Revenues

### a. Revenue

The Group's revenue relates mainly to the rendering of services; sales of goods are not significant and supplement the services rendered, which are detailed as follows:

	Accumulated	
	01.01.2017 12.31.2017 ThCh\$	01.01.2016 12.31.2016 ThCh\$
Mobile telephone service - Chile	1,050,382,297	1,082,156,393
Mobile telephone service - Peru	457,018,453	348,294,544
Private services (including IT services)	188,921,080	175,284,027
Local telephone services (including NGN - IP)	57,244,433	63,532,526
Television service	33,160,855	27,724,976
Long distance	12,367,358	16,398,667
Internet	43,844,632	35,079,312
Services to other operators	43,425,370	52,786,342
Traffic business	19,989,472	26,853,319
Americatel Peru	23,710,335	24,050,229
Call center and other	13,006,913	15,536,735
<b>Total revenue</b>	<b>1,943,071,198</b>	<b>1,867,697,070</b>

### b. Other revenues

As of December 31, 2017 and 2016, other revenue is as follows:

	Accumulated	
	01.01.2017 12.31.2017 ThCh\$	01.01.2016 12.31.2016 ThCh\$
Refund from dealers for handsets lost	2,201,574	1,677,988
Sublease of stores and points of sale	3,819,070	3,819,376
Commercial Interest and refund of collection expenses	2,411,540	1,407,321
Other income	3,542,640	12,309,507
<b>Total Otros Ingresos</b>	<b>11,974,824</b>	<b>19,214,192</b>

## 23. Impairment Loss (Reversals), Net

As of December 31, 2017 and 2016, impairment affecting profit or loss is the following:

	Accumulated	
	01.01.2017 12.31.2017 ThCh\$	01.01.2016 12.31.2016 ThCh\$
Impairment of property, plant and equipment *	3,849,711	10,801,099
Impairment loss (reversals), trade receivables**	48,239,789	48,100,143
<b>Total impairment loss</b>	<b>52,089,500</b>	<b>58,901,242</b>

\*See note 14.

\*\*See note 8 d).

## 24. Other Expenses

As of December 31, 2017 and 2016, other expenses are as follows:

	Accumulated	
	01.01.2017 12.31.2017 ThCh\$	01.01.2016 12.31.2016 ThCh\$
Access charges and profit share to correspondents	(169,241,004 )	(153,360,750 )
Outsourcing and Materials	(59,122,470 )	(53,447,214 )
Advertising, sales commissions and expenses	(551,791,016 )	(537,124,942 )
Lease and maintenance expenses	(219,589,937 )	(225,969,293 )
Share to other service operators	(47,696,955 )	(42,488,259 )
Professional and consulting services	(58,133,499 )	(51,774,825 )
Energy and other consumption items	(34,309,993 )	(34,435,168 )
Other	(80,779,671 )	(70,214,411 )
<b>Total other expenses</b>	<b>(1,220,664,545)</b>	<b>(1,168,814,862)</b>

For translation purpose

## 25. Finance Income And Finance Costs

As of December 31, 2017 and 2016, finance income and finance costs are as follows:

	Accumulated	
	01.01.2017 12.31.2017 ThCh\$	01.01.2016 12.31.2016 ThCh\$
Interest on time deposits - Assets at amortized cost	3,064,738	3,457,014
Interest on finance leases granted	64,767	144,831
Derivatives, interest rate component - Interest rates swap	1,642,802	2,351,075
Derivatives, fair value adjustment - Interest rates swap	453,225	-
<b>Total finance income</b>	<b>5,225,532</b>	<b>5,952,920</b>
Interest expenses, loans - liabilities at amortized cost	(7,316,387)	(4,238,159)
Interest expenses, bonds - liabilities at amortized cost	(57,592,892)	(59,449,811)
Amortization of expenses for loan agreements	(4,252,843)	(2,540,644)
Exchange and interest rate hedges (CCS)	(4,685,071)	(2,540,580)
Derivatives, fair value adjustment - Interest rates swap	-	(6,270,106)
Interest expense on finance leases	(157,237)	(263,035)
Interest expense on post-employment benefits	(664,981)	(606,768)
Interest expense, Other	(2,439,698)	(2,852,198)
Other finance costs	(2,926,859)	(3,460,662)
<b>Total finance costs</b>	<b>(80,035,968)</b>	<b>(82,221,963)</b>
<b>Total finance cost, net</b>	<b>(74,810,436)</b>	<b>(76,269,043)</b>
The net finance cost includes the following interest related to assets and liabilities not measured at fair value through profit or loss:		
Total Income from Interest on Financial Assets	3,129,505	3,601,845
Total Costs from Interest on Financial Liabilities	(75,350,897)	(73,411,277)

## 26. Assets And Liabilities In Foreign Currency

Assets and liabilities in foreign currency are as follows.

Class of asset	Foreign Currency	12.31.2017 ThCh\$	Balances not discounted based on maturity		
			1 - 90 days	91 days - 1 año	more than 5 years
Cash and cash equivalents	US\$	18,698,791	18,698,791	-	-
	PEN	5,072,174	5,072,174	-	-
	Euro	18,004	18,004	-	-
Other current financial assets	US\$	330,434,033	124,102,471	206,331,562	-
Other current non-financial assets	US\$	249,816	-	249,816	-
	PEN	9,359,310	9,090,356	268,954	-
Current trade and other receivables	US\$	23,904,084	23,132,087	771,997	-
	PEN	53,551,696	43,543,303	10,008,393	-
Inventories	PEN	43,465,004	43,465,004	-	-
Current tax assets	PEN	25,674,277	25,062,796	611,481	-
Other non-current financial assets	US\$	983,600,000	-	-	983,600,000
Intangible assets	PEN	277,023,384	-	-	277,023,384
Property, plant and equipment	PEN	508,506,161	-	-	508,506,161
Current and non-current tax assets	PEN	112,839,825	-	-	112,839,825
Deferred tax assets	PEN	283,056,180	-	-	283,056,180
Total Assets in Foreign Currency		2,675,452,739			
	US\$	1,356,886,724			
	PEN	1,318,548,011			
	Euro	18,004			

Class of liability	Foreign Currency	12.31.20167 ThCh\$	Balances not discounted based on maturity			
			1 - 90 days	91 days - 1 año	1 - 3 years	more than 5 years
Other current financial liabilities	US\$	14,728,385	9,733,541	4,994,844	-	-
Trade and other payables	US\$	108,617,782	108,617,782	-	-	-
	PEN	87,200,204	82,326,995	4,873,209	-	-
Other current non-financial assets	PEN	13,813,834	13,813,834	-	-	-
Other non-current financial liabilities	US\$	1,232,687,894	-	-	-	1,232,687,894
Non-current provisions	PEN	20,650,817	-	-	-	20,650,817
Deferred tax liabilities	PEN	15,950,835	-	-	-	15,950,835
Other non-current non-financial assets	PEN	81,034	-	-	-	81,034
Total Liabilities in Foreign Currency		1,493,730,785				
	US\$	1,356,034,061				
	PEN	137,696,724				

For translation purpose

Class of asset	Foreign Currency	12.31.2016 ThCh\$	Balances not discounted based on maturity		
			1 - 90 days	91 days - 1 año	more than 5 years
Cash and cash equivalents	US\$	19,137,763	19,137,763	-	-
	PEN	2,250,573	2,250,573	-	-
	Euro	6,708	6,708	-	-
Other current financial assets	US\$	400,579,153	91,352,617	309,226,536	-
Other current non-financial assets	US\$	300,826	-	300,826	-
	PEN	6,742,196	6,526,029	216,167	-
Current trade and other receivables	US\$	25,018,882	25,018,882	-	-
	PEN	35,466,598	34,847,630	618,968	-
	Euro	267,450	267,450	-	-
Inventories	PEN	37,344,127	37,344,127	-	-
Current tax assets	PEN	123,642,300	1,177,581	122,464,719	-
Other non-current financial assets	US\$	1,071,152,000	-	-	1,071,152,000
Intangible assets	PEN	297,921,578	-	-	297,921,578
Property, plant and equipment	PEN	470,442,044	-	-	470,442,044
Deferred tax assets	PEN	256,265,140	-	-	256,265,140
Total Assets in Foreign Currency		2,746,537,338			
	US\$	1,516,188,624			
	PEN	1,230,074,556			
	Euro	274,158			

Class of liability	Foreign Currency	12.31.2016 ThCh\$	Balances not discounted based on maturity			
			1 - 90 days	91 days - 1 año	1 - 3 years	more than 5 years
Other current financial liabilities	US\$	16,039,386	16,039,386	-	-	-
Trade and other payables	US\$	108,917,210	108,917,210	-	-	-
	PEN	76,666,224	72,137,334	4,528,890	-	-
Other current non-financial assets	PEN	12,742,380	12,742,380	-	-	-
Other non-current financial liabilities	US\$	1,390,495,575	-	-	198,326,442	1,192,169,133
Non-current provisions	PEN	22,928,262	-	-	-	22,928,262
Deferred tax liabilities	PEN	10,648,838	-	-	-	10,648,838
Other non-current non-financial assets	PEN	113,754	-	-	-	113,754
Total Liabilities in Foreign Currency		1,638,551,629				
	US\$	1,515,452,171				
	PEN	123,099,458				

As of December 2017 and 2016, the Group companies recorded derivatives to hedge against exchange rate fluctuations (foreign currency forwards) and swaps to hedge debt in U.S. dollars related to obligations denominated in UF and Chilean Pesos (Cross Currency Swap - CCS). The tables above include only the foreign currency component in these contracts.

## 27. Foreign Currency Translation And Results From Inflation-Indexed Units

The origin of the effects on profit or loss from foreign currency translation differences during the periods indicated above are detailed as follows:

	Accumulated	
	01.01.2017	01.01.2016
	12.31.2017 ThCh\$	12.31.2016 ThCh\$
Other assets	(1,175,265)	(3,356,353)
Trade and other payables	8,306,541	2,684,785
Obligations with the public - bonds payable	98,496,000	73,242,000
Interest-bearing borrowings	12,845,250	12,297,048
Derivative instruments, closing exchange rate effect (FW)	(29,013,048)	(19,188,456)
Derivative instruments, closing exchange rate effect (CCS)	(87,552,000)	(65,104,000)
Derivative instruments, fair value effect (FW)	(7,764,028)	(16,437,855)
Other liabilities	(1,117,021)	(188,548)
<b>Total foreign currency translation differences</b>	<b>(6,973,571)</b>	<b>(16,051,379)</b>
Results from inflation-adjusted units		
Other assets	127,666	816,212
Derivative instruments - closing exchange rate effect (CCS)	(7,372,671)	(11,774,058)
Obligations with the public - bonds payable	(3,133,749)	(4,983,918)
Other liabilities	778,349	6,929
<b>Total results from inflation-adjusted units</b>	<b>(9,600,405)</b>	<b>(15,934,835)</b>

For translation purpose

## 28. Operating Leases

The main operating lease agreements acting as lessee relate to leases and rights of use of urban and rural real estate for the location of technical nodes.

	Accumulated	
	01.01.2017 12.31.2017 ThCh\$	01.01.2016 12.31.2016 ThCh\$
Property lease expenses	72,348,390	74,205,631

In addition, this caption includes expenses related to telecommunication signal transmission, data and other, which amounts amounted to ThCh\$59,931,862 and ThCh\$59,829,645 during the years 2017 and 2016.

Future commitments are as follows:

	31.12.2017 ThCh\$	31.12.2016 ThCh\$
<b>PROPERTY LEASE EXPENSES</b>		
Up to one year	63,331,865	59,790,755
From one to five years	130,685,208	128,674,468
<b>Satellite segment, data, submarine cables and others</b>		
Up to one year	74,291,518	64,526,857
From one to five years	158,885,838	153,734,437

Operating leases acting as lessor relate to agreements associated with the business of leasing networks to other telecommunication and datacenter service operators (housing, hosting, virtual servers, etc.).

FUTURE MINIMUM LEASE RECEIPTS	12.31.2017 ThCh\$	12.31.2016 ThCh\$
Up to one year	15,591,671	15,958,546
From one to five years	31,058,182	32,073,337
<b>Lease receipts recognized in profit or loss</b>		
Lease receipts recognized in profit or loss	11,772,601	11,790,505

As of December 31, 2017, no contingent rents are pending receipt.

## 29. Operating Segments

The Group has very developed management control systems, which allow having separate financial information with high disaggregation levels for making decisions about allocation of services and performance evaluation.

In line with the Group's organizational structure, the following operating segments have been defined for reporting purposes based on their related revenue levels: "Consumer", "Small and Medium Enterprises", "Corporations", "Mobile Services Peru" and "All other segments".

The factors used to identify each segment relate to separate operating functions for each market segment referred to product development and innovation, prices, marketing, sales and customer service. In addition, each segment's requirements over the common technical and shared services infrastructure is also taken into account.

Each defined generates revenues and expenses on which there is separate information periodically assessed by those in charge of making decisions regarding the allocation of resources and performance evaluation.

The operating segment information for the years ended December 31, 2017 and 2016, is as follows:

Profit or loss, assets and liabilities as of 12.31.2017, ThCh\$	Segment description					Not assigned	Withdrawals	Group total
	Consumer	Enterprise	Corporate	M.serv. Peru	Other businesses			
Revenue	890,684,325	293,852,408	226,748,227	470,592,476	787,552,792	-	(726,359,030)	1,943,071,198
Other significant income (expense) items	(612,820,820)	(180,549,186)	(142,515,469)	(546,590,095)	(749,350,753)	-	725,857,824	(1,505,968,499)
Reportable segment gain (loss) (EBITDA)	277,863,505	113,303,222	84,232,758	(75,997,619)	38,202,039		(501,206)	437,102,699
Depreciation, amortization and impairment	(148,829,700)	(55,293,879)	(54,141,684)	(42,935,985)	(18,947,923)	-	431,808	(319,717,363)
Reportable segment operating gain (loss) (EBIT)	129,033,805	58,009,343	30,091,074	(118,933,604)	19,254,116		(69,398)	117,385,336
Interest income				54,592		44,125,349	(38,954,409)	5,225,532
Interest expenses				(39,469,479)		(79,520,898)	38,954,409	(80,035,968)
Foreign currency translation and Results from Inflation-indexed units				(46,762)		(16,596,612)	69,398	(16,573,976)
Income tax expense (benefit)				43,038,225		(25,629,608)	-	17,408,617
Total profit (loss)	129,033,805	58,009,343	30,091,074	(115,357,028)	19,254,116	(77,621,769)	-	43,409,541
Assets				1,301,804,311		3,000,991,383	(773,755,521)	3,529,040,173
Increase in non-current assets	49,661,673	17,987,693	25,417,392	98,541,273	13,295,251	186,133,515	-	391,036,797
Liabilities				989,022,847		2,075,421,677	(773,755,521)	2,290,689,003
Equity								1,238,351,170
Liabilities and equity								3,529,040,173
Impairment losses recognized in profit or loss	22,172,833	8,469,904	3,333,860	17,543,836	569,067	-	-	52,089,500
Cash flows from (used in) operating activities				(102,091,385)		639,953,481	-	537,862,096
Cash flows from (used in) investing activities				(102,426,064)		(597,533,683)	207,219,340	(492,740,407)
Cash flows from (used in) financing activities				207,219,340		(10,916,016)	(207,219,340)	(10,916,016)

For translation purpose

Profit or loss, assets and liabilities as of 12.31.2016, ThCh\$	Segment description					Not assigned	Withdrawals	Group total
	Consumer	Enterprise	Corporate	M.serv. Peru	Other businesses			
Revenue	884,434,601	303,206,992	223,098,127	357,503,117	691,718,676	-	(592,264,443)	1,867,697,070
Other significant income (expense) items	(589,829,936)	(190,061,896)	(142,615,589)	(478,991,698)	(633,174,483)	-	591,757,266	(1,442,916,336)
Reportable segment gain (loss) (EBITDA)	294,604,665	113,145,096	80,482,538	(121,488,581)	58,544,193		(507,177)	424,780,734
Depreciation, amortization and impairment	(139,443,683)	(55,099,775)	(53,413,433)	(44,342,156)	(18,628,683)	-	542,317	(310,385,413)
Reportable segment operating gain (loss) (EBIT)	155,160,982	58,045,321	27,069,105	(165,830,737)	39,915,510		35,140	114,395,321
Interest income				47,269		36,637,417	(30,731,766)	5,952,920
Interest expenses				(31,524,241)		(81,429,488)	30,731,766	(82,221,963)
Foreign currency translation and Results from Inflation-indexed units				(2,211,197)		(29,739,877)	(35,140)	(31,986,214)
Income tax expense (benefit)				52,884,551		(24,866,515)	-	28,018,036
Total profit (loss)	155,160,982	58,045,321	27,069,105	(146,634,355)	39,915,510	(99,398,463)	-	34,158,100
Assets				1,218,846,642		3,017,349,864	(755,756,972)	3,480,439,534
Increase in non-current assets	31,911,806	15,955,903	26,593,172	295,352,293	13,296,586	178,174,248	-	561,284,008
Liabilities				956,227,703		2,018,096,062	(755,756,972)	2,218,566,793
Equity								1,261,872,741
Liabilities and equity								3,480,439,534
Impairment losses recognized in profit or loss	27,744,416	7,455,907	3,572,829	19,822,990	305,100	-	-	58,901,242
Cash flows from (used in) operating activities				(185,717,763)		536,034,819	-	350,317,056
Cash flows from (used in) investing activities				(321,534,569)		(821,462,771)	500,404,596	(642,592,744)
Cash flows from (used in) financing activities				500,404,596		269,021,450	(500,404,596)	269,021,450

No operations have been discontinued during the periods 2017 and 2016.

The reportable segment "Consumer" relates to natural persons who are the final users of the services and equipment provided. The significant services for this segment relate to mobile call, data and equipment, landline telephony, international long distance telephony, and Internet, wireless landline telephony and television services, the latter associated with the House segment.

The reportable segment "Small and Medium-Sized Entities" generally relates to legal entities where goods and services acquired are used in productive processes or sold. The significant services for this segment relate to mobile call, data and equipment, data, Internet, local telephony and network lease and IT services.

The reportable segment "Corporate" has characteristics similar to those of Small and Medium-Sized Entities but relates to larger companies, government entities, banks and all kind of large companies. The relevant services of this segment relate to mobile call, data and equipment, IT services, local telephony and Internet services.

The reportable segment "Mobile Services Peru" relates to services provided by the subsidiary Entel Perú S.A. to customers and companies.

The reportable segment "Other Business" relates mainly to network infrastructure services provided to other domestic as well as foreign telecommunication services providers, and traffic businesses.

This segment also includes the operations of subsidiaries providing call center services both in Chile and Peru as well as Americatel Peru's operations, which include the provision of corporation services, long distance and traffic services, Internet and IT services.

Foreign operations conducted by the Group's subsidiaries in Peru generated revenue with third parties of ThCh\$488,944,466 and ThCh\$378,219,070 during the years 2017 and 2016, which are equivalent to 25% and 20% of the Company's revenue for the related periods. Inter-segment transactions are stated at market prices which usually correspond to prices for sale to third parties.

Due the Group's business and financing, finance costs are not allocated.

The results of reportable segments are determined at different levels with those at Ebitda level being the most significant because its components include mainly directly related allocations.

The allocation of revenues and expenses to each operating segment considers existing correlations among them and with assets and liabilities; therefore, no mismatching allocations occur.

The Entel Group provides mobile telecommunication services including voice, added value, data, broadband and mobile internet services as well as fixed network services basically focused on providing integrated solutions including data network, local telephony, Internet access, long distance public telephony, information technology integration services (data center, BPO and operating continuity) lease of networks and wholesale traffic businesses. The Group also provides call center services for the corporate market and Group companies.

These businesses are mainly conducted in Chile. Businesses abroad are carried out by three subsidiaries operating in Peru providing fixed network and call center services. From September 2013, Entel Peru was included to the Group offering mobile telephone services.

At Group level, there are no clients concentrating significant revenue percentages. The analysis of invoices does not consider invoices issued to intermediaries for the electronic charge of prepaid mobile telephone services.

### 30. Capital Management

Capital needs required to fund investments are satisfied using own resources and resources arising from the issue of shares and the withholding of benefits as well as resources arising from long-term borrowings assumed with third parties. Note that the capital increase process ended in August 2016, where ThCh\$353,703 were collected without discounting placement expenses, obtaining 100% of the share placement offered to shareholders.

For translation purpose

According to the established internal policies, the level of indebtedness can reach a maximum of the greater of the following ratios: i) (Net Financial Debt)/Equity plus non-controlling interests, ratio equal to 1.7 times, or ii) (Net Financial Debt)/Ebitda (See Note 32) for the last twelve months, ratio equal to 3.5 times. The calculation of both ratios considers, the Financial Debt less other financial assets and cash and cash equivalents.

This financing policy was confirmed at the last Ordinary Shareholders' Meeting held on April 27, 2017.

Per the financial statements as of December 31, 2017, amounts obtained from financing are represented by accumulated equity of ThCh\$1,238,351,170 and current and non-current liabilities of ThCh\$1,627,454,026.

The aforementioned liabilities include negative balances of ThCh\$42,776,924 in relation to the valuation of derivatives. Positive balances presented have not been deducted.

As of December 31, 2017, the Group's total debt (financial and non-financial) amounts to ThCh\$2,290,689,003 and, accordingly, the maximum indebtedness ratio is comfortably maintained.

In the event the Group experiences extraordinary investment needs exceeding the established limits, such needs are subject to approval at Board of Directors Meetings presenting proposals for the related financing structures (issue of debt or equity securities, bank borrowings, loans from suppliers or any other capital financing methods).

The Group's bank borrowings or debt securities impose certain restrictions over management and limits for financial ratios. These include the debt may not to exceed the Net Financial debt/Ebitda ratio of 4.0 times for international bank borrowings and local bond, and the Ebitda/Net Financial expenses ratio should be equal to or more than 2.5 times. Further details on the procedures to estimate and state compliance with these restrictions are included in Note 32(e).

In the event non-compliance with any of the restrictions and limits imposed in indentures, creditors could demand repayment of all amounts owed, without the possibility of claim, legal action or challenge by the debtor, once the permitted periods agreed for its settlement elapse.

## 31. Risk Management

### **Technological change risk (unaudited).**

The evolution in telecommunication technologies makes it necessary to permanently review existing investment plans in order for them to be focused on satisfying the evolution in connectivity needs arising in markets. Technological changes arise from changes in demand habits as well as from the development of new communication methods whether related to applications or the speed used. The investment in new technologies can become obsolete before the term considered to repay the investment is completed thus generating that initial profitability estimates are not met.

As a result of the above, the risk of technological change is inherent to the industry in which the Group operates. The Group believes it is critical that they stay ahead of technologic development by actively managing the risk of such change.

Accordingly, ENTEL has included an active and ongoing policy as a strategic development component for adopting cutting edge technologies and analyzing their expected return. Such a policy has allowed the Group being successful in adapting to the use of new technologies as well as being an integrated provider and adopting new methods for doing businesses. Accordingly, the arrival and implementation of new technology has allowed ENTEL to grow, integrate and diversify reducing its exposure to concentrate its businesses in specific niches.

### **Regulatory Risks (unaudited).**

Regulation plays a significant role in the telecommunication industry. In relation to this matter, the regulation restricts and oversees the industry activity with respect to a rule prescribed in the public interest. Particularly, Government standards and criteria have an influence on pricing and on several Company decisions to adapt its conduct in order to guarantee the rights of all the people in the community, i.e., for public purposes. However, we believe that the wellbeing of consumers and public interest require stable standards and criteria allowing the proper evaluation of projects proposed by the Company and the reduction of its investment risks. Taking that interest into account, it is required to perform a proper follow up of the standards regulating the sector.

The main regulation in the telecommunication sector that need to be studied is the General Telecommunications Act, and over the last years there have been significant changes to the regulatory framework by means of obligations resulting from amendments to legislation including Network Neutrality, Modification of Primary Zones for local public telephone services; Recovery and Continuity of the Public Telecommunication System; Number Portability and Installation of Antennas Broadcasting and Transmitting Telecommunication Services and the Law that introduces Digital Terrestrial Television.

From these obligations arising from legal amendments, the implementation of Number Portability stands out, including Total Portability between landline and mobile services, a process where a customer will be able to transfer his/her number to landline or mobile companies indistinctly, allowing the telecommunications industry to increase competitive market dynamics. Such impact is reflected by the end of 2017, which exceeds 12 million of transfers within the industry.

For translation purpose

In relation to the Public Bids, in respect to the public bid for awarding the concession of the public service of data transmission in the 700MHz frequency, in which the concession was granted to our concessionaire Will S.A. The commitment referred to the execution term for the deployment of such data transmission service was 2 years, complying with such obligation in September 2017 by installing 660 base stations of its mandatory project.

Additionally, there were obligations for Entel (through its subsidiary Will) of regulated considerations in the aforementioned Public Bid Basis granting the frequency of 700 MHz, consisting of providing telephone and data transmission services to 549 locations, 373 kilometers in roads, as well as Internet access to 212 Schools (free for 2 years), as also making available a Public Offering for Mobile Virtual Network Operators, for the Automatic National Roaming Service and for the Large Data Transport Service for the Internet access service. All such service commitments in locations, roads and schools were completed in March 2017, and during the last quarter, the only pending commitment was the execution of connectivity in locations where ranges were modified due to force majeure during the implementation process. Such obligation was settled by our concessionaire during October 2017, with no other pending regulatory commitment associated with such Public Bid.

This radio frequency, as explained by several experts, is relevant for the telecommunication services supply, especially high speed data transfer services (LTE), as it allows supplementing the supply of LTE or 4G services with a band with greater indoor penetration and better rural coverage, and additionally, it allows the provision of Carrier Aggregation services using the 2600MHz band. Such technology has already been provided to our customers starting from May 2016, being ENTEL the first company to achieve national coverage for this project, allowing the increase in supply and speed of data services to our customers.

Concerning these frequencies in 700MHz band and the Public Bid awarded to such bands, the TDLC rejected the lawsuit filed by the Chilean Corporation of Consumers and Users ("Conadecus") for the 700 MHz band Offer, against Telefónica Móviles Chile S.A. ("Telefónica"), Claro Chile S.A. ("Claro") and Entel PCS Telecomunicaciones S.A. ("Entel"), on the grounds that the plaintiff did not provide clear evidence that the defendants were involved in the 700 MHz Offer with the purpose of capturing the spectrum and endangered its effective and efficient use. It has also stated that the defendants, considered individually, have a dominant position in the upstream market (where access to mobile networks is commercialized), which can also be translated into a dominant position in the downstream market (retail sales of analog and digital mobile telecommunication services).

In addition, the Court determined that the judgment issued by the Supreme Court related to Case No. 4797-08 on January 27, 2009, and Resolution No.2/2005, did not establish a general limit to the amount of radioelectric spectrum to which an economic agent may be allocated.

In regard to the claim, Conadecus has requested the final judgment from the Supreme Court, which decided that TDLC should consider Conadecus as the effective heir and accordingly, it should address the matter requested by it. Consequently, TDLC issued a resolution against such request, which was appealed by Conadecus again. Such appeal is currently under review by the Supreme Court, which has requested more background information to issue a final judgment. In order to reach a better decision on this, the Supreme Court deemed the best course of action was to appoint three renowned experts to prepare a report addressing a number of inquiries made by the Supreme Court. Such experts have already been appointed and the process is currently at the stage of acceptance of charges and payment of the related fees.

With respect to other competition matters, in 2017, after reviewing the Partial Transactions for the Right of Use of the Radioelectric Frequency Spectrum, the TDLC shares the need for allowing these transactions and recommends the issuance of legal and regulatory standards establishing a regulatory framework applicable to Radioelectric spectrum transactions, which safeguards the efficient use of it and free competition. This was included in its main aspects through a draft bill (bulletin 9451-15 presented to the Chamber of Deputies in the Chilean Congress), however, the discussion has had no relevant developments.

Also, as reviewer of the market conditions, the Chilean National Economic Attorney (FNE), completed its study on the handset commercialization market, the modalities used by the industry for contracts and their effects on the mobile telecommunication market. The conclusions of such entity included filing the investigation and improve the separation of the service and handset contracts, if the concessionaires also offer to its customers the "purchase" of handsets with the service offer.

In other matters, in June 2016, the Undersecretariat of Telecommunications published two technical standards to regulate the commercialization of this kind of devices, both for concessionaires and manufacturers, importers or natural persons, requiring that such handsets comply with a validation protocol. After certain amendments to the implementation terms of such standards, starting from September 23, 2017, handsets commercialized from this date should comply with the obligation to include all frequency bands from at least one of the existing technologies (2G, 3G and 4G) and inform the customer the compatibility using a sticker in the package. Secondly and on the same date, this regulation establishes the commencement of operations of a database to record the IMEI codes for each handset, and the concessionaires would only be allowed to enable in the network those IMEI codes registered with such database.

This regulation also modifies the Emergency Alert System (SAE), which will require that all the handsets sold in Chile must comply with this system's protocol. This will also be part of the validation protocol performed by the certifiers.

Subsequent to such implementation and commencement of operations of the IMEIs Whitelist, the Undersecretariat detected that such standard hindered the use of mobile services by foreigners that used their own devices with a local SIM Card (Chip), and by domestic users who acquired handsets abroad for a domestic use. In both cases, even if the standard considered that the handsets sold under such conditions may be registered with the certifiers, such process was not sufficiently smooth.

In accordance with the above-mentioned, a new standard was established, which will be implemented on May 28, 2018 and includes three main aspects. Firstly by, allowing unregistered IMEIs traffic through the network for a maximum period of 30 days. This resolves the aforementioned difficulties and allows the domestic user who buys their devices abroad to regularize his/her situation within such term. Secondly, it establishes that concessionaires should conduct the administrative registration process that was previously performed

For translation purpose

solely by certifiers, and finally, establishes the obligation of sending a message to users who are registered temporarily to inform about their temporary condition of 30 days.

In relation to legislative matters, although during 2015 the Free Choice of Telecommunications Services Law was passed, which arose from a recommendation by the TDLC which was approved with a majority in the Parliament. This Law mainly established an obligation for the administrators and owner of buildings and condominiums to allow access for telecommunication services in this type of property, even retrospectively for the development of buildings and condominiums already built. However, the issue of the appropriate regulations to allow the implementation of the obligations established by the Law is still pending. In accordance with the Subtel's public information, the proposed regulations have already been filed with the Comptroller for consideration.

In other telecommunication legislative matters, during November, the Law regulating Minimum Guaranteed Internet Speed was approved and enacted. In general, such Law establishes that concessionaires rendering internet access services should guarantee a percentage of average access speed for different time frames of higher and lower congestion for connections both at domestic and elsewhere level, for wired and wireless connection. In addition, a system or application should be made available for users allowing the measurement of such speed and the related technical parameters. Finally, it establishes the obligation for financing an independent technical entity to be responsible for service quality measurement (speed) and including information about average access speed in contracts, advertising and business proposals. All matters included in such Law are under the authority of the Chilean Undersecretariat of Telecommunications for the appointment of the regulatory entities required for implementing such Law. The concessionaires are currently working to be involved in the relevant regulatory discussion.

Another project that has shown more parliamentary activity relates to the Draft Bill which reformulates the Consumer Rights Law (SERNAC). The parliamentary discussion on such project began during the third quarter of 2014. This project is intended to strengthen the activity of the agency and provide new powers. This project has made rapid progress, mainly driven by the Government, and our concessionaires through the guild association for mobile operators, and other association instances, have submitted their comments for the bill, both in the Chamber of Deputies and the Senate.

Such bill has been approved by the Senate, and on October 24, 2017, was approved in its entirety by the Chamber of Deputies resulting in the approval of such bill by a wide majority. The project completed its processing in the Chilean National Congress and was ready for its enactment by the President of the Republic. However, during the last quarter of 2017, the Chilean National Chamber of Commerce filed a letter with the Constitutional Court for the review of the bill before its enactment, which through the present date is still in process.

These regulatory changes being introduced by the authority provide new business opportunities. Furthermore, the diversity and relative size of Entel protect it from the effects of adverse or inadequate regulation, reducing the risk created for its operations, cash flows, creation of value for shareholders, and contribution to the community. However, within a regulated industry such as the one in which Entel operates, changes in regulations or in the policies made by legal and regulatory authorities cannot be ruled out and have the potential to impact the company's results or restrict its possibility for growth.

## Exchange rate risk

Entel's debt is mostly held in foreign currency and includes long-term bank borrowings and bonds of US\$2,025 million (ThCh\$1,244,868,750) which are detailed in Note 16 to these financial statements. In addition, part of Entel Group's suppliers, permanently generate obligations in foreign currency. Both represent liabilities of which the value changes on a daily basis as a result of exchange rate fluctuations. For this reason, Entel enters short and long-term foreign currency assets (derivatives) to protect against these variations and eliminate the risk of exchange rate fluctuations.

## Interest rate risks

The Group's policy for hedging against the interest rate risk seeks to ensure that the level of hedging of its financial expenses allows the business performing adequately over time as well as having greater predictability and control over financial expenses.

In general, there is a positive relation between the Company's business, economic cycle and interest rate level. This gives rise to a natural hedging between the business' cash flows and financial expenses although in certain situations time gaps may occur.

The Company's debt is mainly composed of international and local long-term bonds and hedging instruments denominated at fixed rates. However, to comply with the aforementioned objectives and those portions of variable rate debt, the Company is considering entering into interest rate insurance to fix interest rates, such as FRA or Cross Currency Swaps to reduce the potential variability arising from interest on debts agreed at variable interest rates (e.g. LIBOR, TAB, Cámara, etc.).

The factors taken into consideration when making decisions include the review of implicit discounts in the curves of future rates (swap curves), market surveys, surveys of economic expectations provided by public entities and estimates regarding the economy and its impact on the main variables.

## Credit risk

The credit risk derived from balances with banks, financial instruments, marketable securities and derivatives is managed by the Finance and Management Control Management in conformity with the policies created for purposes of maintaining invested capital. These policies diversify risk by means of pre-established limits for the duration of placements, percentage by institution and the risk of instruments in which cash surpluses are invested. The investment instruments approved and used are those issued by the Chilean and Peruvian Central Banks or banking institutions and its subsidiaries with high risk ratings. Investments may be denominated in the domestic or the main foreign currencies.

The risk exposure related to the recovery of receivables arising from commercial operations is derived from the terms of payment that, due to the characteristics of the telecommunication industry, must be offered to direct customers, intermediaries, and other national and international operators with whom reciprocal connection agreements are held.

For translation purpose

The management of the risk related to receivables is intended to minimize exposure, insofar as possible given market conditions. Risk management processes differ based on the profiles of debtors and in conformity with segmented portfolio controls, including: consumers, SMEs, corporations, telecommunication companies, correspondents, distributors, large retailers and other channels for the distribution of goods and services. See Note 8.

For each segment, there are prospective and predictive models that allow generating policies depending on the origin of the debt, which range from the prepaid services used for the customer/product combinations (presenting the highest risk) to the establishment of credit limits with and without collaterals, credit insurance, and other alternatives which are assessed on a case-by-case basis.

### **Liquidity risk**

In terms of providing the liquidity required to meet financial obligations in a timely manner, Entel plans for future maturities by searching the market alternative that can provide funds in a timely manner.

A detail of the maturity dates of financial liabilities is provided in Note 16.

### **Risk governance**

Entel has a General Policy of Risk Control and Management approved by the Board of Directors and is structured as a cross-cutting governance for a comprehensive risk management, led by the Strategic Committee of Comprehensive Risk Management and supported by a Risk Management Operating Committee.

In accordance with such policy, the line and business areas are responsible for managing risks. To support such management, the Company's governance is assisted by these committees and the Operational Risk and Internal Audit Management, specifically in the Risk Management Area.

The latter is responsible for providing support and following-up on risk management and governance, in particular focused on:

- > Operational risk
- > Business continuity
- > Information security
- > System access risk management

In addition, this area is responsible for:

- Ensuring compliance with governance mechanisms for risk management, promoting culture and ensuring its understanding.
- Coordinating and supporting organizational units in accordance with the defined governance model in the identification, analysis, evaluation, recording and mitigation of risks.
- Performing a follow-up and recording mitigation and other projects associated with risk management, either internal for each area or cross-cutting at organizational level.
- At least every three years, organizing and updating the risk map.
- Keeping Management and the Board informed on the compliance, evolution and improvement of risk management matters.

The Operational Risk and Internal Audit Management is responsible for assessing effectiveness of the implementation of Risk Control and Management Policy, compliance with its regulations and supporting such information.

This structure allows the Company to conduct efficient corporate management actions and make a contribution to mitigate risk the Company's risks.

## 32. Contingencies, Litigation and Covenants

Contingencies related to direct commitments maintained by Group companies as of December 31, 2017 and 2016, are as follows:

- a. Contingencies related direct commitments for foreign purchase orders of ThCh\$29,622,584 and ThCh\$36,455,495, respectively.

All these purchase orders are recorded in foreign currencies and have been translated using the exchange rates at the end of each period.

- b. Contingency related to bank guarantee certificates provided to ensure compliance with contracts related to the award of 700 and 2,600MHz frequencies, and the replacement of public use assets for the construction and maintenance of networks. At each period, these certificates amounted to ThCh\$104,094,783 and ThCh\$124,498,995, respectively.
- c. As of December 31, 2017, significant lawsuits and legal procedures that could represent a loss contingency for the Group companies are as follows:

### **Promotora Promout vs. Entel and Entelphone S.A.**

Court: 18th Civil Court of Santiago,

Case No.: 1250-2006. Notification: March 17, 2006

Defendants: Entel and Entelphone

Request: Compensation of UF46,000 for consequential and moral damages.

Cause of action: Alleged damages for non-compliance with telemarketing contract.

Current procedural stage: Compliance.

For translation purpose

On March 24, 2017, a second instance judgment was filed with the Court which is in accordance with the appeal on the final first instance judgment.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

#### **Motta vs. Ericsson Chile S.A.**

Court: 8th Civil Court of Santiago

Case No.: 35257-2011

Notification: October 5, 2012

Matter: Compensation for damages.

Plaintiff: Carlos Motta Pouchucq

Request: Compensation of Ch\$500,000,000

Cause of action: Death from accident in the workplace.

Current procedural stage: Final sentence rejecting the lawsuit against ENTEL confirmed by the Court of Appeals of Santiago on May 6, 2014. Sentence pending. Through resolution dated July 8, 2015, the Court ordered that the judgment is complied with.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

#### **Netline Mobile S.A. vs. Entel PCS S.A. and others**

Court: Of Defense of Free Competition.

Case No.: C-271-2013 (accumulated at 269-2013 and 286-2014).

Notification: January 16, 2014.

Matter: Adversarial process for violation of free competition.

Plaintiff: Netline Mobile S.A. and OPC Ingeniería Ltda.

Request: The plaintiffs request the TDLC to declare the following (i) the immediate compliance with the sentence of December 23, 2011, (ii) that the defendants have infringed DL 211, (iii) that defendants stop practices from continue to be performed; and (iv) that each of them is sanctioned with a fine of 20,000 UTA.

Cause of action: Violation of DL 211.

Current procedural stage: The Defense of Free Competition Court rejected the demand. The appeal is pending the judgment of the Supreme Court.

Possible contingency: It is considered likely that the case will be rejected based on poor legal grounds.

#### **Conadecus vs. Telefónica Móviles Chile S.A. and others**

Court: Of Defense of Free Competition.

Case No.: C-275-2014.

Notification: May 8, 2014.

Matter: Adversarial process for violation of free competition.

Plaintiff: Corporación Nacional de Consumidores y Usuarios, Conadecus.

Request: (i) That the defendants have breached Article 3 of Decree Law 211; (ii) That the involvement by the defendants in the bidding process for the 700MHz frequency and all acts related to such process is ended; (iii) That, in relation to that indicated above, the defendants no longer use the frequency they took illegally, until they adjust to the 60Mhz limit or as the Court orders in an non-contentious proceeding;

(iv) that they refrain from behaving inappropriately; and (v) that a fine is established for Government benefit of 20,000 Annual ax Units for each.

Cause of action: Violation of DL 211.

Current procedural stage: The Defense of Free Competition Court rejected the demand. Pending appeal in the Supreme Court.

Possible contingency: It is considered likely that the case will be rejected based on poor legal grounds.

#### **Netline vs. Telefónica S.A. and others**

Court: 6th Civil Court of Santiago

Case No.: C-3320-2014

Notification: May 7, 2014.

Matter: Compensation for damage resulting from violation of DL 211.

Plaintiff: Netline Mobile S.A.

Request: Payment of Ch\$59,112,106,116.

Current procedural stage: First instance sentence rejected the demand. The second instance judgment is pending. Agreed.

Possible contingency: It is considered likely that the case will be rejected based on poor legal grounds.

#### **Telecomunicaciones Net Uno vs. Telefónica Móvil and Others**

Court: 10th Civil Court of Santiago

Case No.: 18285-2014

Notification: January 14, 2015

Matter: Compensation for damage resulting from violation of DL 211.

Plaintiff: Telecomunicaciones Net Uno

Request: Compensation for damage of Ch\$76,684,828,206

Current procedural stage: Evidentiary period ended. Pending summoning of the parties to the sentence hearing.

Possible contingency: It is considered likely that the case will be rejected based on poor legal grounds.

#### **Telestar Móvil S.A. vs. Entel PCS S.A. and others**

Court: Of Defense of Free Competition.

Case No.: C-289-2014.

Notification: April 20, 2016.

Matter: Adversarial process for violation of free competition.

Plaintiff: Telestar Móvil S.A.

Request: (i) Immediate compliance with the sentence of the Supreme Court requesting the defendants to offer all the OMVs the lowest price offered by the Mobile Telephone Services, (ii) acknowledgement that demands have infringed Article 3 of DL 211, (iii) abstention from continue performing such illegal behavior (iv) imposition of a fine of 20,000 UTA; and (v) application of Article 26 of DL 211.

Cause of action: Violation of DL 211.

Current procedural stage: The Defense of Free Competition Court rejected the demand. Pending appeal in the Supreme Court.

Possible contingency: It is considered likely that the case will be rejected based on poor legal grounds.

For translation purpose

### **Medel and Garrido**

Court: 24th Civil Court of Santiago

Case No.: C-5889-2015

Notification: July 13, 2015

Matter: Ordinary Trial

Defendant: Entel S.A.

Request: Payment of Ch\$300,000,000

Cause of action: Compensation for damage for extra-contractual liability

Current procedural stage: Pending summoning of the parties to the sentence hearing.

On July 21, the Court orders the summoning of the parties to the sentence hearing.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

### **Arriagada vs. Claro.**

Court: 3rd Civil Court of La Serena

Case No.: C-683-2014

Notification: October 7, 2014

Matter: Large Claim Ordinary Proceeding. Compensation for damages.

Defendant: Entel PCS S.A.

Request: Payment of Ch\$250,000,000

Cause of action: Compensation for damages.

Current procedural stage: Notice of demand.

On November 2, 2015, the Court ruled that all evidence should return to the Judicial Archives.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

### **Constructora Alfonso Ramírez vs. Entel PCS S.A.**

Court: 12th Civil Court of Santiago.

Case No.: 15313-2015

Notification: November 25, 2015

Matter: Preparation for collection of invoice.

Defendant: Entel PCS Telecommunicaciones S.A.

Request: Collection of invoices totaling Ch\$130,069,381

Cause of action: Collection of invoice

Current procedural stage: Archive.

In June 1, the Court ruled to file the evidence.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

### **Mauricio Herrera Cía. Ltda. vs. Entel S.A**

Court: Arbitration.

Notification: March 30, 2016.

Matter: Arbitration.

Defendant: Empresa Nacional de Telecomunicaciones S.A

Request: Payment of Ch\$1,598,449,590.-

Cause of action: Unearned revenue and termination payments.

Current procedural stage: Judgment issuance.

On November 10, the arbitrator orders the summoning of the parties to the sentence hearing. On November 16, the arbitrator orders the final judgment, which partially accepted the demand against Entel, and ordered it to pay a fine of Ch\$59,010,000, which was noticed on December 4.

Through the present date, both parties have filed appeals with the Santiago Court of Appeals against the arbitrator.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

### **Leal vs. Baran Chile and Entel PCS**

Court: 6th Civil Court of Santiago.

Case No.: C-9128-2017

Notification: August 8, 2017.

Matter: Collection in Chilean Pesos

Defendant: Entel PCS Telecommunicaciones S.A.

Request: Payment of Ch\$306,512,749.

Cause of action: Services rendered and unpaid and compensation for damages.

Current procedural stage: On November 21, the Court accepted the dilatory plea related to the incompetence to file the complaint recorded by Entel. On December 2, the plaintiff corrected its demand. Through resolution of December 5, the Court considered errors corrected and on December 20, the plaintiff requested that defendants are declared in contempt.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

### **Fletcher vs. Entel PCS**

Court: 15th Civil Court of Santiago.

Case No.: C-11785-2017

Notification: June 22, 2017

Matter: Termination of lease contract because of non-compliance with rent payments.

Defendant: Entel PCS Telecommunicaciones S.A.

Request: Termination of lease contract and payment of rents of Ch\$129,669,858.

Cause of action: Non-compliance with payment of rent.

Current procedural stage: On November 2, Entel appeared in Court for the hearing of the sentence, which rejected the complaint, accepting the delegated action for contract termination because of eviction of the landlord. Both parties waive their recourse and request that the judgment is considered fulfilled, which was approved through a resolution dated December 5.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

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### **Reyes vs. Entel PCS**

Court: 2nd Labor Court of Santiago.

Internal Court No. O-3378-2017

Notification: July 25, 2017

Matter: Compensation for damages.

Request: Ch\$125,360,000.

Cause of action: Work accident.

Current procedural stage: Hearing

In June 30, the plaintiff demands compensation for damages due to a work accident, which was noticed to Entel PCS on July 25, 2017, scheduling a preparatory hearing for August 30, 2017. On August 23, Entel answered the demand. On August 30, a preparatory hearing was conducted, which reached no resolution, scheduling a hearing for October 5.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

### **Construcciones y Comunicaciones Eduardo Pizarro vs. Entel PCS**

Court: 28th Civil Court of Santiago.

Case No.: C-18237-2017

Notification: December 11, 2017.

Matter: Enforced compliance with contract and compensation for damages.

Defendant: Entel PCS Telecomunicaciones S.A.

Request: Compensation for damages of Ch\$589,615,073.

Cause of action: Breach of contract

Current procedural stage: Deliberation stage.

On December 11, Entel is noticed of the complaint. The term for answering the demand ends on December 29.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

### **Martínez vs. Tastets System**

Court: 1st Labor Court of Santiago.

Internal Court No. O-6581-2017

Notification: November 7, 2017.

Matter: Voidance of the dismissal.

Request: Ch\$239,169,767.-

Cause of action: Salaries owed.

Current procedural stage: Hearing.

On November 7, Entel is noticed, summoning to a preparatory hearing for December 11. On December 1, Entel answered the complaint.

On December 11, a preparatory hearing was conducted, which reached no agreement, scheduling a hearing for January 16, 2018.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds..

**d. Tax Procedures**

The Parent has been notified of the following by the Chilean Internal Revenue Service:

1) Exempt Resolution No. 84/2007 of April 27, 2007. The mentioned resolution established the modification of Taxable Net Income to the amount of (ThCh\$176,660), the modification of the one-off tax base to ThCh\$1,443,671, in both cases for tax year 2005, arising from allocations and adjustments made by the Company.

A tax claim was filed against such resolution at the Tax Court of the Chilean Internal Revenue Service on July 11, 2007.

On December 22, 2016, the Court issued sentence of first instance, which rejected the tax claim filed. By virtue of this, an interlocutory appeal is filed in due time and form with supplementary appeal in order to revert the Court's judgment, the resolution of which is still pending.

The Chilean Internal Revenue Service's adjustments referred to above were settled through Tax Assessments 4 and 5 of 2007. In such tax assessments refunds of ThCh\$2,641,281 are requested plus adjustments for inflation, interest and fines, derived from allocations and adjustments made by the Company in calculating its profits for tax years 2004 and 2005, which according to the Service are not correct.

A tax claim was also filed against such tax assessments with the Tax Court of the Chilean Internal Revenue Service on July 11, 2007. On December 27, 2016, the Tax Court issued the first instance judgment, which rejected the tax claim filed. As a result, an interlocutory appeal is filed in due time and form with supplementary appeal in order to revert the Court's sentence of first instance.

Subsequently, on June 19, 2017, the Tax Court partially accepted the remedy of revocation in regard to an item of a very item with respect to its amount and rejected the remaining aspects of such remedy. Appeals have been filed with the Court for the items for which an adverse judgment was received.

2) Tax assessments 3, 4 and 5 issued in 2008. In these tax assessments refunds of ThCh\$2,267,037 are requested plus adjustments for inflation, interest and fines, derived from allocations and adjustments made by the Company in calculating its profits for tax years 2005 and 2006, which according to the Service are not correct.

Against such tax assessments, the Company requested the review of the tax audit (RAF) on July 9, 2008. Such request was resolved on May 11, 2009 through Resolution 22-09, which partially accepted the RAF, voiding most of the amounts included in the tax assessments. Notwithstanding the above, a tax claim was filed for the tax assessment item that was not accepted in the RAF with the Tax Court of the Chilean Internal Revenue Service on July 11, 2007.

On December 27, 2016, the Tax Court issued a first instance judgment, which rejected the tax claim filed in regard to the sole tax assessment item that had not been accepted in the RAF. As the last remaining item's amount addressed in this controversy with the Chilean IRS was immaterial with respect to its amount and the fact that there were few possibilities of reverting the decision having

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voided the other aspects in tax assessments, the Company decided not to file any other appeal to the first instance judgment, which through the present date is final.

3) Tax assessments 33–36, September 1, 2009. In these tax assessments refunds and corporate income tax payments are requested for ThCh\$4,657,018, plus adjustments for inflation, interest and fines, derived from allocations and adjustments made by the Company in calculating its profits for the tax years 2007 and 2008, which according to the Service are not correct.

On January 7, 2011, the Service issued resolution 59-2010, which only partially accepted the request for the review of the tax audit presented on November 13, 2009. A tax claim was filed against such tax assessments with the Santiago Oriente's Tax Court of the Chilean Internal Revenue Service.

On December 22, 2016, the Court issued the first instance judgment, which accepted part of the tax claim filed. As a result, on January 9, 2017, a remedy of revocation was filed with supplementary appeal in order to revert the part not accepted in the first instance judgement, and such resolution is still pending.

Note that certain provisions related to the lawsuits referred to above have been made and recorded in these financial statements.

> On April 30, 2008, the subsidiary Call Center S.A. was notified by the Chilean Internal Revenue Service about Subpoena No.26 of April 29, 2008. This subpoena contests the tax losses declared by the Company up to tax year 2005 for a total of ThCh\$11,599,818. If the claim is successful, it will not be possible to use these losses against future earnings.

Upon reversing the tax loss result declared by the Company, the Chilean IRS issued Tax assessment No. 15 of July 25, 2008, determining differences in the Corporate Income Tax of tax year 2005 for the historical amount of Ch\$358,900,272, plus adjustments, interests and fines. Against such tax assessment, the Company requested the review of the tax audit (RAF) on October 10, 2008. Such request was solved on August 31, 2009 through Resolution 59-09, which partially accepted the RAF, annulling in its entirety the tax assessment and determining a lower tax loss. A tax claim was filed against such tax assessments at the Tax Court of the Chilean Internal Revenue Service.

Issued sentence of first instance on December 22, 2016, by which the claim was rejected. As a result and to validate the tax loss result declared by the Company, on January 9, 2017, a remedy of revocation was filed with supplementary appeal in order to revert the part not accepted in the first instance judgment and the resolution of this is still pending.

Additionally, on July 31, 2015, the Company was noticed of Tax assessments Nos. 142, 143 and 144 due to differences in Corporate Income Tax amounting to Ch\$955,337,294, including adjustments, interests and fines at the issuance date of such tax assessments for the tax periods April 2012 and April 2013.

Basically, such tax assessments arise from the Chilean IRS's removal of tax loss carryforward declared by the Company until tax year 2005, as indicated above.

As a result, on November 19, 2015, the Company filed a tax claim against such tax assessments with the 3rd Tax and Customs Court of Santiago.

The claim is currently at the first instance process and the parties are waiting for the Court's decision to start the evidentiary stage to file the related supporting documentation. Note that the close of such tax assessments is directly associated with the outcome of the remedy of revocation with supplementary appeal against the first instance judgment filed on January 9, 2017 and the resolution of this is still pending.

In relation to the previously discussed cases, we should state that although first instance judgments already exist in relation to the tax claims filed with the Tax Court of the Chilean Internal Revenue Service, and the contingency that was originally assessed has decreased significantly because of several items accepted by RAF resolutions and the decisions referred to above, we believe we have sound legal grounds that will allow us to reverse a portion of the judgments issued by the court indicated above, in particular, with respect to the most significant items of the lawsuits with respect to the amounts involved.

- The subsidiary Entel Contact Center S.A. (formerly Satel S.A.) has been denied refunds of provisional tax payments of ThCh\$103,109 and ThCh\$81,510 for the tax years 2003 and 2004, respectively. Currently, the Company is waiting for the court to enter evidentiary stage.
- On January 9, 2015, the subsidiary Entel PCS Telecommunicaciones was noticed by the Chilean Internal Revenue Service of tax assessments 1, 2, 3, 4 and 5, by virtue of which tax differences amounting to ThCh\$3,941,455 were determined. The IRS determined the agreement to avoid double international taxation entered into between Chile and the UK is not applicable, by virtue of which the Company made tax withholdings with a reduced rate in conformity with the agreement, for services rendered by a company domiciled in the UK, by virtue of the agreements previously entered into by the parties.

A tax claim was filed against such tax assessments at the Third Tax and Customs Court of the Metropolitan Area, explaining the full application of the agreement of settled remittances. Currently, the process is expected for the evidentiary stage.

- e. Financial contracts - covenants exist on management actions and financial relationships measured on the Quarterly Financial Statements, imposed by the loan contracts and indentures both in the local and international markets.**

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The most significant refer to the following:

### 1. Financial indicators

Both for local bonds and bank loans, the indebtedness ratio could not exceed the Net Financial Debt / EBITDA ratio of 4.0:1. For such purposes, the calculation considers the Financial Debt less other financial assets and cash and cash equivalents.

In addition, the net financial interest coverage ratio measured as EBITDA / net financial expense, should record a ratio that is no lower than 2.5:1.

For both indicators, the EBITDA and net financial expenses are calculated considering the last 12 trailing months prior to each quarterly close.

Based on audited or unaudited financial statements, as applicable, the Company calculates and monitors compliance with the covenants included in bank credit contracts and local bonds on a quarterly basis. These estimates are carried out in line with the definitions included in the agreements.

As of December 31, 2017, ratios noted comply with financial covenants, as follows:

Indebtedness ratio (Net Financial Debt/EBITDA). The ratio is 3.30:1 compared to the maximum allowed amount of 4.0:1, for bank loans and the local bond.

Consolidated interest coverage ratio (EBITDA / Net Financial Expenses). The ratio is 6.47:1, compared to the minimum amount of 2.5:1.

### 2. Other restrictions

Additionally, the contracts include restrictions such as:

- a.** No merger or consolidation with another company is allowed unless the surviving company assumes the obligations and does not exceed the limits established by the debt covenants.
- b.** Sale of assets: Neither the company nor its subsidiaries may sell assets without considering:
  - A fair value for the asset sold.
  - A reinvestment of the product being sold in the main business of the sold product.
- c.** Any sale is allowed related to obsolete or unnecessary inventory, operations involving cash or cash equivalents, and any other sale arising in the normal course of business.

### 3. Liens

Allows to grant liens in the normal course of the business and up to an amount proportional to the size of the Company's assets.

In the event of non-compliance with any of these requirements, the creditor can demand the payment of all indebted amounts, without any right to file any appeal, legal action or complaint by the debtor subsequent to the adjustment period agreed.

### 33. Third Party Guarantees

The Group companies have not received any guarantees from third parties in relation to the acquisition of assets, loan operations, or to guarantee any other type of obligation.

### 34. Environment

The Companies have not made any disbursements for environmental standards.

### 35. Research And Development

During the periods covered by these consolidated financial statements, the Group companies have not conducted any activity that can be qualified as research and/or development activities.

However, the Parent maintains a contract with the main public agency responsible for promoting innovation (Corfo's Innova Chile Committee) in order to promote business innovation, innovative entrepreneurship, technology diffusion and transfer, and public innovation.

The expenses incurred up to date in the context of this initiative do not yet qualify as research or development expenses.

In conformity with this contract, a modern Innovation Center focused on the generation of high technology projects was created, with the joint participation of clients and technological allies.

### 36. Sanctions

The Group companies and their directors or managers have not been subject to sanctions of any nature imposed by the Chilean Superintendency of Securities and Insurance or any other regulatory authority.

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## 37. Financial Information For Subsidiaries

The financial information for the subsidiaries included in these consolidated financial statements is provided below.

Transactions and balances with the Parent are also included.

The above information has been prepared in conformity with International Financial Reporting Standards.

**a) Financial statements:**

Company	12.31.2017 ThCh\$				12.31.2017 ThCh\$		
	Assets		Liabilities		Revenue	Profit (Loss)	Comprehensive Income (Loss)
	Current	Non-current	Current	Non-current			
Entel PCS Telecommunicaciones S.A.	292,124,429	815,667,352	309,129,178	272,083,416	1,327,463,513	88,660,627	88,660,627
Entel Comercial S.A.	1,159,062	3,992,831	739,662	-	-	72,500	72,500
Entel Inversiones S.A.	579,431	16,877,721	616	-	-	(3,007,873)	(3,437,090)
Entel Servicios Telefónicos S.A.	76,346	2,289,289	175,032	944	724,053	440,868	440,868
Entel Call Center S.A.	5,818,944	30,269,705	2,229,106	17,326,870	22,103,125	2,846,224	2,519,838
Entel Telefonía Local S.A.	38,539,272	39,803,110	15,262,915	-	115,718,026	35,895,682	35,895,682
Micarrier Telecomunicaciones S.A.	307,933	2,584,790	-	-	-	122,882	122,882
Entel Contact Center S.A.	1,268,858	6,742,478	612,481	-	6,891,610	(37,812)	(37,812)
Entel Servicios Empresariales S.A.	647,129	4,758,199	1,920,189	-	7,822,478	431,797	431,797
Soc.de Telecomunicaciones Instabeep Ltda.	4,292	1	421	860,414	-	(11,769)	(11,769)
Transam Comunicaciones S.A.	5,485,301	35,960,929	13,543,235	2,925	133,456,917	38,888,445	38,888,445
Will S.A.	4,191,871	10,109,007	1,243,047	539,567	139,671,496	11,484,819	11,484,819
Americatel Perú S.A.	5,904,395	29,646,478	9,788,877	12,160,367	26,164,776	(1,972,528)	(1,972,528)
Servicios del Call Center del Perú S.A.	7,911,787	3,941,769	3,167,767	2,418,961	29,629,196	1,509,798	1,509,798
Entel Perú S.A.	153,967,008	1,147,837,303	185,361,859	803,660,988	463,387,973	(115,357,028)	(115,829,975)
Entel Internacional B.V.I Corp.	20,272	244,583	-	-	-	(25,697)	(25,697)

Company	12.31.2016 ThCh\$				12.31.2016 ThCh\$		
	Assets		Liabilities		Revenue	Profit (Loss)	Comprehensive Income (Loss)
	Current	Non-current	Current	Non-current			
Entel PCS Telecommunicaciones S.A.	286,896,320	816,480,692	284,225,467	330,648,737	1,301,005,938	119,930,298	119,930,298
Entel Comercial S.A.	1,220,156	4,341,152	1,221,578	-	1,377,533	1,075,254	1,075,254
Entel Inversiones S.A.	632,136	19,069,635	-	-	-	(2,440,345)	(3,103,517)
Entel Servicios Telefónicos S.A.	169,114	1,745,731	165,110	944	741,404	451,016	451,016
Entel Call Center S.A.	6,139,390	28,838,489	2,367,276	18,597,768	22,360,867	4,159,276	4,013,694
Entel Telefonía Local S.A.	48,276,509	42,021,482	20,697,437	-	110,146,047	42,416,769	42,416,769
Micarrier Telecomunicaciones S.A.	306,433	2,464,481	1,073	-	1	254,891	254,891
Entel Contact Center S.A.	2,064,443	6,284,714	912,491	-	9,461,589	643,261	643,261
Entel Servicios Empresariales S.A.	930,607	3,496,998	1,374,264	-	7,379,923	987,081	987,081
Soc.de Telecomunicaciones Instabeep Ltda.	4,220	1	-	848,994	-	(25,686)	(25,686)
Transam Comunicaciones S.A.	5,873,361	41,345,296	18,387,991	2,925	106,590,112	40,213,688	40,213,688
Will S.A.	103,615	10,415,650	787,026	8,698,794	67,283,080	5,878,129	5,878,129
Americatel Perú S.A.	5,156,343	26,829,253	8,243,463	7,444,530	26,627,281	(21,211)	(21,211)
Servicios del Call Center del Perú S.A.	7,015,366	4,048,997	2,673,103	3,307,825	26,872,785	1,901,577	1,901,577
Entel Perú S.A.	223,761,799	995,084,843	172,673,016	783,554,687	352,076,039	(146,634,355)	(155,760,606)
Entel Internacional B.V.I Corp.	24,431	266,422	-	-	-	(20,440)	(20,440)

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**b. Balances due to and from the parent:**

**DUE FROM SUBSIDIARIES**

Tax ID Number	COMPANY	Country	Currency	Current		Non-current assets	
				12.31.2017 ThCh\$	12.31.2016 ThCh\$	12.31.2017 ThCh\$	12.31.2016 ThCh\$
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	Ch\$	19,193,808	13,121,206	250,654,334	313,048,553
96.554.040-7	Entel Servicios Telefónicos S.A.	Chile	Ch\$	16,878	16,369	-	-
96.563.570-K	Entel Call Center S.A.	Chile	Ch\$	54,903	26,436	12,166,643	13,393,810
79.637.040-8	Instabeep Ltda.	Chile	Ch\$	-	-	860,414	848,994
96.652.650-5	Transam Comunicación S.A.	Chile	Ch\$	367,656	367,656	-	8,698,794
96.833.480-8	Will S.A.	Chile	Ch\$	-	470	539,567	8,698,794
Foreign	Entel Perú S.A.	Peru	US\$	652,267	116,110	767,999,327	751,002,900
Foreign	Americatel Perú S.A.	Peru	US\$	672,476	418,742	11,125,558	6,305,463
Foreign	Servicios de Call Center del Perú S.A.	Peru	US\$	37,937	23,840	2,414,915	3,303,426
Total				20,995,925	14,090,829	1,045,760,758	1,105,300,734

**DUE TO SUBSIDIARIES**

Tax ID Number	COMPANY	Country	Currency	Current		Non-current assets	
				12.31.2017 ThCh\$	12.31.2016 ThCh\$	12.31.2017 ThCh\$	12.31.2016 ThCh\$
96.561.790-6	Entel Inversiones S.A.	Chile	Ch\$	-	-	413,655	171,360
96.554.040-7	Entel Servicios Telefónicos S.A.	Chile	Ch\$	62,996	89,118	2,286,609	1,740,538
96.563.570-K	Entel Call Center S.A.	Chile	Ch\$	2,460,308	1,543,063	-	-
96.548.490-6	Micarrier Telecomunicaciones S.A.	Chile	Ch\$	260,440	260,440	2,584,790	2,464,481
96.697.410-9	Entel Telefonía Local S.A.	Chile	Ch\$	-	-	12,213,454	17,883,332
96.553.830-5	Entel Contact Center S.A.	Chile	Ch\$	144,922	184,394	488,816	891,234
96.652.650-5	Transam Comunicación S.A.	Chile	Ch\$	-	-	22,135,223	38,946,228
96.672.640-7	Entel Servicios Empresariales S.A.	Chile	Ch\$	537,863	824,044	4,667,529	3,394,137
Foreign	Entel Perú S.A.	Peru	US\$	-	112,666	-	-
Foreign	Americatel Perú S.A.	Peru	US\$	212,588	180,667	-	-
Foreign	Entel B.V.I Corp.	British Virgin Islands	US\$	-	-	242,837	264,452
Total				3,679,117	3,194,392	45,032,913	65,755,762

**c. Transactions between the Parent and Subsidiaries:**

Tax ID Number	COMPANY	Transaction	12.31.2017		12.31.2016	
			Amount ThCh\$	Credit (debit) to profit or loss	Amount ThCh\$	Credit (debit) to profit or loss
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Services provided	153,129,362	153,129,362	132,267,414	132,267,414
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Services received	7,800,472	(7,800,472)	7,796,998	(7,796,998)
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Loans granted	-	-	7,860,185	-
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Loans received	65,584,881	-	-	-
96.561.790-6	Entel Inversiones S.A.	Loans granted	542,378	-	3,975,163	-
96.554.040-7	Entel Servicios Telefónicos S.A.	Services provided	164,387	164,387	166,118	166,118
96.554.040-7	Entel Servicios Telefónicos S.A.	Loans received	658,870	(658,870)	654,245	(654,245)
96.554.040-7	Entel Servicios Telefónicos S.A.	Loans received	519,440	-	11,671	-
96.563.570-K	Entel Call Center S.A.	Services provided	242,547	242,547	264,056	264,056
96.563.570-K	Entel Call Center S.A.	Services received	7,785,071	(7,785,071)	7,585,773	(7,585,773)
96.563.570-K	Entel Call Center S.A.	Loans received	2,134,488	-	1,442,878	-
96.697.410-9	Entel Telefonía Local S.A.	Services provided	21,681,321	21,681,321	21,640,256	21,640,256
96.697.410-9	Entel Telefonía Local S.A.	Services received	1,355,219	(1,355,219)	1,548,967	(1,548,967)
96.697.410-9	Entel Telefonía Local S.A.	Loans granted	5,669,878	-	11,566,306	-
96.548.490-6	Micarrier Telecomunicaciones S.A.	Loans received	3,012,146	-	156,300	-
96.553.830-5	Entel Contact Center S.A.	Services received	790,116	(790,116)	870,185	(870,185)
96.553.830-5	Entel Contact Center S.A.	Loans received		-	144,023	-
96.553.830-5	Entel Contact Center S.A.	Loans granted	418,363	-	-	-
96.672.640-7	Entel Servicios Empresariales S.A.	Services provided	52,500	52,500	46,786	46,786
96.672.640-7	Entel Servicios Empresariales S.A.	Services received	7,822,477	(7,822,477)	7,379,923	(7,379,923)
96.672.640-7	Entel Servicios Empresariales S.A.	Loans received	954,879	-	-	-
96.672.640-7	Entel Servicios Empresariales S.A.	Loans granted	-	-	143,725	-
96.652.650-5	Transam Comunicación S.A.	Loans granted	16,811,005	-	-	-
96.652.650-5	Transam Comunicación S.A.	Loans received	-	-	19,564,471	-
96.833.480-8	Will S.A.	Services provided	-	-	4,679	4,679
96.833.480-8	Will S.A.	Loans received	8,159,227	-	7,133,874	-
Foreign	Americatel Perú S.A.	Loans granted	5,225,223	-	481,617	-
Foreign	Americatel Perú S.A.	Services provided	227,039	227,039	268,376	268,376
Foreign	Americatel Perú S.A.	Services received	105,243	(105,243)	160,492	(160,492)
Foreign	Servicios de Call Center del Perú S.A.	Loans granted	672,651	-	114,678	-
Foreign	Servicios de Call Center del Perú S.A.	Services provided	155,457	155,457	189,667	189,667
Foreign	Entel Perú S.A.	Loans granted	246,123,490	-	517,772,446	-
Foreign	Entel Perú S.A.	Services provided	2,037,565	2,037,565	1,201,058	1,201,058
Foreign	Entel Perú S.A.	Services received	1,685,747	(1,685,747)	910,805	(910,805)

For translation purpose

### 38. Subsequent Events.

Between January 1, 2018 and the date of issuance of these consolidated financial statements, no other subsequent events have occurred that could significantly affect the amounts contained herein.

# Ratio Analysis of Consolidated Financial Statements

## Financial Structure, Evolution of Revenue, Expenses and Profitability

### Financial Ratios

This document presents the changes noted in the most significant financial ratios over the last 12 months.

Information is not adjusted for changes in the purchasing power of the currency. In accordance with IFRS (IFRS), adopted by the Company as of 2008; since that time the company has not price-level adjusted that figure.

Consumer Price Index for the year ended December 31, 2015, has recorded the following variations: 2% for the twelve months of 2017; 31.8% from the date on which the application of price-level adjustment was discontinued.

	31.12.2017	31.12.2016
<b>LIQUIDITY RATIOS</b>		
Current liquidity (Current assets /Current liabilities)	1.19	1.33
Acid Ratio (Cash and Cash Equivalents/Current Liabilities)	0.23	0.19
<b>INDEBTEDNESS RATIO</b>		
Indebtedness ratio (%) (Total debt/Equity)	184.98	175.82
Short-term debt ratio (%) (Current Liabilities / Total debt)	27.21	25.97
Long-term debt ratio (%) (non-current liabilities / total debt)	72.79	74.03
Interest coverage (profit before tax and interest/financial costs)	1.32	1.07
<b>PROFITABILITY AND VALUE PER SHARE</b>		
Profit margin (Profit on revenue)	2.23	1.83
Return on Equity (%) (annualized) (profit for year over average equity)	3.47	3.08
Return on assets (%) (annualized) (Net income for year over average assets)	1.24	1.01
Earnings per share (annualized) (\$)	143.73	128.11
Dividend yield (%) (Dividend last twelve months / share quotation at year-end)	0.49	0.00
Book value per share (Equity / number of shares) (\$)	4,100.27	4,732.78
Market value (as quoted) (\$)	6,913.30	7,106.90

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**Ebitda** (Earnings before income tax, interest, adjustments and exchange-rate fluctuations depreciations, amortizations and extraordinary items).

Results at EBITDA level increased from Ch\$ 424,780 million to Ch\$ 437,102 million compared with the same period for previous year. This represents growth of 3%. The increase can be explained by lower losses of the subsidiary Entel Peru, turning in a 37% improvement in Ebitda, partially offset by lower margins of some businesses, mainly in Chile, which show a 6% fall in Ebitda, partly affected by a decrease of Ch\$ 11.0 billion in other revenues compared to the previous year, due to the recognition of one-time revenues in December 2016 from a transaction associated with Entel Peru, after its acquisition in 2013.

After launching the Entel Peru brand three years ago, the company continues to consolidate its position in that market. To this end, efforts continue to be focused on the development of a business strategy in order to achieve a significant position in the market, where segmentation of customers, companies and individuals has been fostered, with a wide range of commercial offerings aimed at meeting the need of voice and data traffic in the Peruvian market. It has network capacity in coverage and 2G, 3G and 4G technologies, the latter offering the best quality in the Peruvian market.

### Evolution of Financial Ratios

In the periods being compared, margins and profits have been better this year. The debt indices meanwhile show an increase in the last twelve months, affected mainly by an increase in liabilities and a drop in equity due mainly to a decrease in currency translation differences affecting investments in Peru as a result of the fall in the peso/dollar exchange rate.

**The Efficiency and Profitability Indexes** - profit margin and returns on equity and assets - have shown an improvement mainly due to better operating results given the fall in losses in the subsidiary Entel Peru, associated with the strong growth of its operations and by better non-operational outturn, which has been partially offset by lower income from the tax credits associated with own tax capital as a result of lower inflation compared to the previous period, due to the higher tax rate applied this year, and less tax credits associated with the lower losses of Entel Peru.

**The debt ratio meanwhile** went up from 176% to 185% over the year. This is the result of the combined effect of an increase in liabilities of Ch\$ 72.0 billion, equivalent to 3%, and a decrease in equity of Ch\$ 24.0 billion equivalent to 2%, mainly due to the decrease in reserves given exchange rate differences, affecting investments in Peru as a result of the decline in the peso/dollar exchange rate, which was partially offset by higher accumulated profit.

**The financial expenses coverage ratio** was up on the previous year, turning in an appropriate solvency level and up 1.32 fold. This index improved, taking into account the net financial cost, ie, offsetting financial revenue and expenses. Measured in this way, at the end of December 2017 it was up 1.35 fold.

Also, if the calculation is used for cash flows, taking into account income before depreciation, the ratio is 5.62.

For the purposes of calculating the coverage ratios of financial expenses, interest on bank loans is included, as are differences in rates for interest hedging contracts, and interest on capital leases. Interest calculations are made on the basis of effective rates, in accordance with amortised cost procedures (IAS 39).

With regard to liquidity ratios, the coverage ratio of current assets over current liabilities dropped from 133% to 119%. This is due to the combined effect of a net increase in current liabilities of 47 billion, and a net decrease in current assets of 23 billion.

With regard to the acid ratio, ie the coverage of cash and cash equivalents over current liabilities, it was up to 23% from 19% coverage. This was due to an increase in Cash and Cash Equivalents of 35 billion and a 47 billion increase in current liabilities.

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## Analysis of Balance Sheet

	12-31-2017 Ch\$ (million)	12-31-2016 Ch\$ (million)	% Change
<b>ASSETS</b>			
Current Assets	744,946	767,898	-3
Non-current Assets	2,784,094	2,712,541	-3
<b>TOTAL ASSETS</b>	<b>3,529,040</b>	<b>3,480,439</b>	<b>1</b>

Regarding the level of the Group's total assets, there was a Ch\$ 49.0 billion growth, equivalent to 1%, compared to the previous year.

The main changes in total assets can be seen in the Ch\$ 47.0 billion increase in Property, Plant and Equipment, corresponding to the amount by which investments exceeded depreciation for the period, where the gross investment was for Ch\$ 388.0 billion.

Eighty percent of investments in property, plant and equipment by the Entel Group, including subsidiaries in Peru, went on services requiring further development, particularly mobile services, and 20% was invested in infrastructure and fixed network platforms.

In turn the investment in mobile services was mainly on network infrastructure.

Current inventories increased by Ch\$ 6.0 billion and relate mainly to mobile handsets tied to service users. Inventory levels, activities and turnover are determined on the basis of portfolio growth projections, the demand for handset renewal, changes in technology, and customer retention campaigns.

Additionally, there was an increase of Ch\$ 18.0 billion in Deferred Tax Assets, an increase of Ch\$ 35.0 billion in cash and cash equivalents, an increase of Ch\$ 16.0 billion in commercial accounts receivable, partially offset by a decrease of Ch\$ 22.0 billion in intangible assets other than capital gain.

There was a decrease of Other Non-Current Financial Assets of Ch\$ 75.0 billion due to a decrease in the peso/dollar exchange rate affecting the derivative financial instruments portfolio, which are part of the coverage and interest rate strategy of the company.

There was also a net decrease of Ch\$ 81.0 billion in Current Tax Assets as a result of the combined effect of a net increase of Ch\$ 13.0 billion in monthly provisional payments (PPMs) and credits for tax losses and a Ch\$ 13.0 billion increase in the tax credit VAT due to the higher level of investment in the Peruvian operation, which was fully offset by a of Ch\$ 111.0 billion reclassification to the Assets for Non-current Taxes account, related to Peru's VAT credit.

	12-31-2017 Ch\$ (million)	12-31-2016 Ch\$ (million)	% Change
<b>LIABILITIES AND EQUITY</b>			
Current Liabilities	623,405	576,051	8
Non-Current Liabilities	1,667,284	1,642,515	2
Equity	1,238,351	1,261,873	-2
Attributable to the Owners of the Parent Company	1,238,351	1,261,873	-2
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,529,040</b>	<b>3,480,439</b>	<b>1</b>

Regarding the Group's total liabilities, there was growth over the last twelve months of Ch\$ 72.0 billion, equivalent to 3%.

The increase in liabilities stems mainly from the current and non-current financial liabilities of Ch\$ 26.0 billion from obtaining funds from financial institutions, improving the company's liquidity, partially offset by the drop in the debt denominated in dollars, associated with a lower peso/dollar exchange rate. Additionally, commercial accounts payable show an increase of Ch\$ 40.0 billion. Equity meanwhile shows a net decrease of Ch\$ 24.0 billion pesos as compared to December 2016, mainly due to a decrease in the reserves of translation differences as a result of the decrease in foreign exchange parities over the period, affecting investments in companies in Peru, partially offset by an increase in retained earnings.

As mentioned, there were no significant net effects due to fluctuations in the exchange rate as these were neutralized by the Group's hedging policies. These policies are based on hedging exposure through derivatives, as noted above.

#### **Adjustment in Equity by application of IFRS standard no. 15**

As mentioned in note 2a) of the financial statements, the Group adopted the new revenue recognition standard as of January 1, 2018, using the modified retrospective method. This method consists of retrospectively establishing the recent past affected by the total change of the initial adjustment, which is identified on the adoption date, affecting equity (retained earnings). The comparative figures for 2017 in the financial statements are not modified and are presented according to the original accounting standards, with impacts shown in the notes to the financial statements.

The change for the Group can be found in the mobile phone service, in the form of service subscription contracts with the lease or loan of handsets. This is based on the fact that providing mobile equipment creates an obligation separate to the provision of the service. The customer has total control of the handset, there are no restrictions to using it on the network of an operator other than the one that provided the equipment, there are no exit barriers except those of paying off the subsidy provided at the beginning of the contract. That is to say, a marketing model for approved equipment with portability.

This type of contract generates charges that are paid to the different distribution channels, paid on the basis of the future services to be provided. These costs are deferred and are reflected as outturn when income is generated.

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Below are figures showing the effect of the initial adjustment to equity to January 1, 2018, as a consequence of adopting the new standard:

	CLP (000)
Total equity at 12-31-2017	1,238,351,170
Higher net income from sale of equipment, discounting bad debt	81,539,905
Commissions Attributed to Future Services	59,301,791
Deferred tax	-40,062,033
Total Adjustments	100,779,663
% Adjustments to Equity December	8%
<b>Total Equity at 01-01-2017</b>	<b>1,339,130,833</b>

This initial adjustment to equity originates as an offsetting entry on a higher account receivable, a higher deferred expense for customer capture and a deferred tax liability.

In terms of equity, adopting the standard saw an increase of ThCh\$ 100,779,663 (+8%), compared to 12.31.2017. The net accounting effect on the results of future periods as a result of the change to IFRS 15 will depend on the performance of the revenue associated with the activity of the postpaid mobile business in the form of lease or loan agreements. It should be noted that this change of the standard affects the timing of the recognition of income and expenses relating to the business indicated above.

## Income Statement Analysis

### Sales revenue performance

The Group's revenues are categorized as Revenue from Ordinary Activities, Other Revenue and and Other Gains (losses) from the Comprehensive Income Statement. These revenues increased by 4% when comparing 2017 and 2016, as follows:

SALES REVENUE PERFORMANCE :	2017	2016	Change
	Ch\$ (million)	Ch\$ (million)	%
Mobile Telephone Services - Chile	1,050,383	1,082,156	-3
Mobile Telephone Services - Peru	457,018	348,295	31
Private Services (including IT services)	188,921	175,284	8
Local Telephone Services (including NGN-IP)	57,244	63,533	-10
Television Service	33,161	27,725	20
Long Distance	12,367	16,399	-25
Internet	43,845	35,079	25
Services to Other Operators	43,425	52,786	-18
Traffic Business	19,989	26,853	-26
Americatel Perú	23,710	24,050	-1
Call Center Services and other	12,184	12,438	-2
Other revenue (1)	12,923	22,704	-43
<b>Total Operating Revenue</b>	<b>1,955,171</b>	<b>1,887,302</b>	<b>4</b>

(1) Other income, from the disposal of property, plant and equipment, business interests and other.

Consolidated revenues for the twelve months of the year totalled Ch\$ 1,955.0 billion, an increase of 4% compared to 2016.

As can be observed, growth in the Group's revenue comes mainly from mobile services in Peru, which showed an increase of 31% compared to the same period last year. Mobile revenues in both Chile and in Peru remain the main source of the Group's revenue. In addition, a progressive increase in revenue from fixed networks associated with business customers continues to be seen, especially for the provision of integrated voice, data and internet solutions, and IT services. In addition, "Entel Hogar" services show steady growth in revenue.

High value mobile customers continue to show solid performance, however the industry experienced a slowdown in growth in Chile, in line with a less dynamic economy. In Peru, Entel continues to position its brand as an important player in the market and has focused on the expansion of the commercial offering including unlimited data for high value plans and incorporating the financing method in the sale of postpaid handsets, their distribution channels and a selective expansion of the network.

In mobile services in Chile, the Group has a strong position owing to sustained commercial momentum and service quality. Mobile phone service revenues were 3% down on 2017, mainly due to a decrease in voice revenue, primarily in the prepaid segment due to a lower

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subscriber base, including migrations of higher value customers to postpaid plans, a fall in access charges and less top-up of services. Rates for access charges fell by 18% and 24% in the months of January 2016 and 2017 respectively. Meanwhile the increase in free voice minutes offered in certain multimedia plans and the move of the commercial offering towards unlimited data use plans for social networks and other applications affected the monthly revenue of the services in the postpaid customer market. This was partially offset by a significant increase in fixed income revenue associated with these plans, as a result of an increase in the high value customer base and driven by greater penetration of multimedia plan services, where the financing method was incorporated for sales of postpaid handsets. Meanwhile revenue associated with the sale of handsets and accessories was up 19% on last year, with an increase mainly in the prepaid segment.

The Entel Peru subsidiary showed revenue of Ch\$ 457.0 billion on last year, equivalent to 31%, driven by an increase in income from voice and data services in conjunction with higher revenues from handset sales. The increase was driven by strong growth of 2G, 3G and 4G customers, totaling 6,543,127 as at December 31, 2017, showing net subscriber growth of 36% compared to December 2016, with an ARPU of Ch\$ 5,317. The company is also selectively expanding its commercial offering to the residential segment with telephone and wireless broadband services, exploiting mobile network capabilities. At the end of 2017, there were 94,000 postpaid revenue generating units (RGUs). This self-installable service is offered in various business plans and can be connected to multiple devices with unlimited navigation and faster speeds. It is currently available in Lima and some other cities in Peru.

Revenue from private services related to integrated voice, data and internet networks provided to the business segment, together with the information technology services associated with hosting, security and cloud services, was up 8% compared to December 2016, driven primarily by new customer contracts. These services allow customers to address their needs without investing in their own infrastructure, improving their productivity through the use of the best fiber optic network infrastructure and data center capabilities.

Local phone service revenue was down 10%, due mainly to a drop in access charges and a decrease in service revenues, corresponding to 242,000 postpaid RGUs for Entel Residential services, 15% down on the previous year.

Twenty percent growth in television services corresponds to the portion of the satellite TV service associated with Entel Residential. With 140,000 RGUs this service was up 10% on 2016, with the Company continuing with a selective strategy, providing a comprehensive offering for the middle and low income segments.

Revenues from long distance services turned in a fall of 25%, with international long distance revenues declining due to lower traffic and tariffs, in line with the higher penetration of IP services.

Internet services experienced growth of 25% due to increased activity in the enterprise segment, as well as Entel Home in terms of the mobile broadband service, now enhanced with 4G+ and as at December 31 with 60,000 RGUs.

Revenues from services to other mobile and fixed operators show a decrease of 18% for the period, due to a decline in revenues and the terms of certain contracts for leasing network infrastructure to both mobile and fixed operators.

Traffic business services decreased by 26%, due mainly to lower tariffs minutes being used.

Meanwhile Americatel Peru was down 1%, due mainly to lower long distance revenue associated with lower traffic, lower revenues in integrated voice and data services for companies on satellite technologies, partially offset by higher revenue from enterprise services, offered on optical fiber, and IT outsourcing services.

Call Center services turned in a 1% decrease, due to lower revenue in Chile.

Other revenue was down 43% due to the recognition of one-time revenue in December 2016 from a transaction associated with Entel Peru, following its acquisition in 2013.

### Costs, Expenses and Profitability

Information included below relates to the main cost and expenses categories for 2017 and 2016:

COSTS, EXPENSES AND PROFITABILITY	2017 Ch\$ (million)	2016 Ch\$ (million)	Change %
Operating costs	(1,837,785)	(1,772,906)	4
Operating income (EBIT)	117,385	114,395	3
- Net financial costs, adjustments and other	(91,384)	(108,255)	(16)
Net income	43,410	34,158	27

The consolidated cost of operations for the period totaled Ch\$ 1,838.0 billion, an increase of 4% compared with 2016.

The increase observed is due to the strong growth experienced by the Entel Peru subsidiary, which turned in a Ch\$ 62.0 billion increase in costs compared to the same period the previous year, due primarily to the strong increase in the customer base with the direct service and handset costs, and greater depreciation. Excluding the costs of Entel Peru, there was a slight increase in comparison with the previous year, with the main increases occurring in depreciation costs associated with the development in the level of investment in the company's network infrastructure, the handset sales costs and commissions, the costs of IT services, which were practically offset by the reduction of bad debt expenses in accounts receivable, maintenance, leases and access charges.

Also there were lower net financial costs, readjustments and others, due primarily to better results from exchange differences and adjustment.

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## Earnings (losses) of Operational Activities and Ebitda

Operating income increased from Ch\$ 114,395 billion to Ch\$ 117,385 billion (+3%) and Ebitda was up from Ch\$ 424,780 to Ch\$ 437,102 billion (+3%) compared to 2016. The increase can be explained by the lower losses of the Entel Peru subsidiary, showing a 37% improvement in its Ebitda.

### Mobile telephone services - Peru

As described in note 29, financial information by segment, this transaction corresponds to services provided through the subsidiary Entel Peru SA

The performance of Entel Peru's outturn, investments and financing can be seen below, based on the subsidiary's individual financial statements for both periods.

COSTS, EXPENSES AND PROFITABILITY	2017 Ch\$ (million)	2016 Ch\$ (million)
Entel Peru		
Total Operating Revenue	470,747	357,503
Ebitda	-75,998	-124,489
Operating Loss (EBIT)	-118,934	-165,831
Net income	-115,357	-146,634

Entel Peru continues to develop its strategy of placing a brand with a distinctive offering in the Peruvian market, delivering high customer satisfaction through the best user experience, incorporating segmentation and multi-channeling, with a world-class infrastructure for voice and mobile data services, as well as a strong regional expansion of sales channels.

Market dynamics in Peru have moved towards a greater supply of data. Against this backdrop, Entel Peru continued to grow and consolidate its position in the market, backed by a mobile data and voice offering with the highest levels of customer satisfaction, through attractive commercial offerings for the postpaid and prepaid segments, incorporating the financing method in the sale of postpaid handsets.

The subscriber customer base reached 6,543,127 as at December 31, 2017; 36% up on December 2016, driven by 2G, 3G and 4G services. The customer base grew 6% compared to the third quarter of the year.

In the postpaid segment there were 2,254,176 customers, an increase of 22% compared to 2016. This growth was achieved by offering a wide range of multimedia plans and increasing the offering throughout 2017 with attractive internet browsing quotas, social network promotions and unlimited videos for premium range plans and free minutes for calls to all destination networks. A varied range of smartphone handsets continue to be on offer, as are plans for SIM cards without a handset. In addition, efficiencies in sales costs have been achieved through rationalizing the distribution channels and with the introduction of low cost sales models for lower end plans. Additionally, the commercial offering has evolved over time towards a lower handsets subsidies, incorporating the financing method in the sale of postpaid equipment.

In the prepaid segment the customer base was up 45%, reaching 4,288,951 customers as at December 31, 2017. This growth was driven by the progressive increase in network coverage and sales channels regionally, along with offerings that focus on providing incentives for

top-ups, including unlimited voice minutes to any destination network, the use of social networks like WhatsApp and free basic Facebook for a limited time. Also, promotions for portability were launched.

The company has continued to selectively expand its commercial offering to the residential segment with telephone and wireless broadband services, exploiting mobile network capabilities. At the end of 2017, there were 94,000 postpaid revenue generating units (RGUs). This self-installable service is offered in various business plans and can be connected to multiple devices with unlimited navigation and faster speeds. It is currently available in Lima and some other cities in Peru.

Revenues for 2017 reached Ch\$ 471.0 billion, an increase of Ch\$ 113.0 billion (+32%) with respect to December 2016, driven by higher service revenues (+ 27%), in line with the growth of the customer base, together with an increase in handset sales revenue (+ 59%).

Evolution of costs; the total cost of operations during the period totaled Ch\$ 590.0 billion, an increase of Ch\$ 66.0 billion (+13%) compared to the figures for 2016. This increase can be explained by the strong development of the customer base in Peru and its associated costs.

Entel Peru's EBITDA meanwhile turned in a loss of Ch\$ 76.0 billion, Ch\$ 45.0 billion less than at same date last year (+ 37%). This decrease in losses was mainly driven by better margins in the sale of services due to the solid growth in revenues resulting from the strong expansion of the customer base and a better margin in the sale of handsets. On the other hand, activity support expenditure costs rose, primarily in salaries and infrastructure leases in line with the higher activity, while advertising expenses were down.

Depreciation, Amortization and Impairment was down one billion (-3%).

Entel Peru reported an operating loss of Ch\$ 119.0 billion, down 28% on the Ch\$ 166.0 billion loss recorded in December 2016.

The flow of capital investments is related to the network rollout, ongoing since 2013 in Peru, the year Entel acquired the subsidiary, as well as the awarding of the 700 MHz band to provide 4G mobile services in Peru.

Over the last twelve months the financing needs for the Entel Peru subsidiary came to around US\$ 377.0 million, contributed by the parent company Entel Chile.

### **Consolidated Pre-Tax Profit**

The increase in pre-tax profit is mainly the result of the behavior noted for revenues and expenses, as described above.

As of September 29, 2014, Law No. 20,780, published in the Official Gazette of the Republic of Chile, brought with it several modifications to the current system of income tax and other taxes. Amongst the most important changes is the progressive increase in corporate tax to 27% as of 2018, as a result of the application of a partially integrated system to be implemented in 2017.

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The income tax determined as at December 31, 2017 includes a hike in the rate from 24% to 25.5% for the year. Over the twelve months of this year taxable income was down by Ch\$ 11.0 billion compared to the same period the previous year, due primarily to lower income from the loans associated with the own tax capital, given that inflation was lower than the previous period, to the higher tax rate for that year, and lower tax credits associated with the lower losses of Entel Peru.

## II. Comments on the cash flow statement

The behavior in 2017 and 2016 of cash-generating sources in each activity is described below.

In terms of operating activities, a Ch\$ 188.0 billion decrease was observed in net inflows, up from Ch\$ 350.0 to Ch\$ 538.0 billion.

This increase in operating activities was due mainly to the combined effect of a 102 billion (+ 5%) increase in customer charges, due to a Ch\$ 23.0 billion (-1%) decrease in payments for the operation and Ch\$ 63.0 billion (-73%) less in net payments in taxes on earnings.

In terms of investments, there was a Ch\$ 150.0 billion decrease in net outflows due mainly to a decrease in Intangible Assets Purchases of Ch\$ 193.0 billion (+100 %), associated with the 2016 awarding of the 700 MHz band to provide 4G mobile services in Peru, partially offset by a Ch\$ 43.0 billion increase in purchases of property, plant and equipment.

For financing activities there was a Ch\$ 280.0 billion decrease in net inflows, due to Ch\$ 354.0 billion from the issuance of shares the previous year, the largest dividend payment in May this year, of 10 billion, and the increase in net payments in the liquidation of derivatives, partially offset the issuance of Ch\$ 99.0 billion in net loan payment funds from financial institutions.

As a result of the movements referred to above and the cash balances and cash equivalents at the beginning of each period, at the close of each of the periods, Cash and Cash Equivalents were up from Ch\$ 111.0 to Ch\$ 146.0 billion, keeping volumes that successfully cover the Group's cash flow planning.

## III. Market and Market Risk Analysis

### Market Analysis

The Entel Group operates in a highly competitive market, amid continuous technological change in the various service lines it offers.

Despite the slowdown in growth of the industry in Chile - in line with a less dynamic economy and a highly competitive environment - Entel continues to develop strongly in terms of high-value mobile customers, deepening its penetration of the mobile data sector through high levels of brand recognition, superior infrastructure with a multichannel customer experience, consolidated data plans and maintaining its leadership regarding share of revenue in the industry. It also continues to invest in digital transformation to improve the customer experience and increase efficiencies.

The Company continues its commitment to maintain a business model based on cornerstones such as the high quality of services, the best network infrastructure and a high degree of innovation, which allows it to do well in highly competitive markets.

With the development of 4G+ technology, the Company has continued to apply its strategy to increase the use of mobile data, where it has made significant investments to increase the penetration of smartphones into the market. Today, 93% of post-paid customers already have a data or multimedia plan, which represents a 14% growth compared to December 2016. Additionally, in the prepaid segment service penetration has grown significantly over the period.

The Group's favorable positioning and its technological infrastructure constitute its main strength for facing the changing market that lies ahead. In the mobile service area, which represents 77% of the revenue for the year, the "Entel" brand maintains a strong position and is preferred by a large number of customers. It has the best network infrastructure and is highly innovative, offering customers a multichannel experience. Such factors have been crucial for managing market share policies and customer portfolio composition (postpaid and prepaid).

The market policies implemented have paid special attention to postpaid customers, whose level of service use (MOU for voice and GOU for data) and average revenue (ARPU) are higher than those of prepaid customers.

The company carries out ongoing analysis regarding relevant stakeholders in the telecommunications industry, both in mobile services and fixed networks. The mobile industry in Chile has been facing an increase in competitive dynamics, a strong expansion in mobile data usage and services, and a significant trend of customers moving from the prepaid to the postpaid segment. As such, at an aggregated level, the industry has shown a level of maturity in the customer base. Over the year the base of Entel's mobile customers in Chile experienced a net decrease of 5% to 8,996,527 customers. The negative variation is mostly amongst customers in the pre-paid segment (voice and mobile broadband), relating mainly to a less dynamic economy in the country and fewer promotions due to a drop in mobile interconnection tariffs of 18% and 24% in January 2016 and 2017 respectively, and to the migration to postpaid plans. Notwithstanding, in a highly competitive environment Entel has grown its postpaid customer base (voice and mobile broadband) by 7% over the year, an area where higher value customers can be found and representing 44% of the total base of mobile customers in Chile.

Starting to 2017 the Company launched "Planes Multi Smart" in the postpaid segment, which allows the connection of up to five devices on a specific plan, from data plans of 2 GB to 10 GB, with higher quotas for video and music across all the plans and offering plans with or without handsets. In addition, new controlled account plans have been launched, along with SIMple Control, which includes unlimited WhatsApp without using the monthly data quota included in each plan. This new offer responds to the tendency of users to use more data for instant messaging applications such as WhatsApp. On the other hand, a more agile self-service model was introduced for low tariff plans, with the launch of the "nuevo chip auto plan", providing easy access and automatic installation capabilities, distributed in the retail channels. In this context Entel continued to develop its strategy based on value, service quality and customer experience.

As a way to continue innovating and to reinforce the commitment to deliver the best navigation experience, Entel continued with its Conectados plans ("Unlimited Connection"), which include unlimited use of social networks for high-end plans, along with music and video apps. This new package responds to the exponential growth of users' mobile data consumption and to the fact that Entel can offer

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a distinctive navigation experience to its customers, as it has the most modern network in Latin America and 4G + service deployed in all regions of the country. This new unlimited connection package is complemented by equipment financing plans.

The prepaid market continued to be affected by a reduction in top-ups, a drop in access charges and greater migration to postpaid plans. Against this backdrop sales were driven by the SIM model and promotional top-ups, which offer limited time access to social networks such as Facebook, WhatsApp and Twitter, and increased access and continuity of services through online services. Additionally, the company launched self-service plans which include promotions for ported customers. Also, packs with access to unlimited social networks have been launched, as well as mixed packs with 2 GB for free use of other apps and additional voice minutes.

For the development of commercial plans, the implementation of 4G+ technology with the 700 MHz band has made the data offering more attractive. In March 2017, with the completion of national rollout Entel became the first company to achieve advanced LTE coverage at national level for the 700MHz and 2.6 GHz bands, which is the most modern in Latin America, allowing higher speed data services and increasing the quality of coverage indoor and in enclosed spaces, also allowing aggressive entry into wireless fixed broadband. On December 31, 2017, data penetration amongst postpaid subscribers was 93%. Meanwhile, four million 4G service customers represented growth of 99% compared to December 2016.

In the enterprises segment, the Company has continued consolidating and increasing its leadership, both in mobile services and in integrated voice, data and internet services, as well as in IT outsourcing.

The mobile business in the Corporate & SME segment continued to face a competitive market with aggressive data promotions and the reduction of mobile lines as a result of customers reducing costs in this segment. With respect to mobile service plans for the enterprises segment, plans have been launched with higher browsing quotas and better business connectivity for e-mail applications and WhatsApp messaging on an ongoing basis.

In terms of fixed network services, growth in the enterprise segment continues to be observed, with the provision of services backed by solid infrastructure, fiber optics and data center capacities, integrated voice, data and internet solutions, as well as Information technology (IT) services where there has been an increasing interest in the use of the Cloud services, which allows companies to migrate from their own platforms to outsourcing solutions.

Additionally, Cyber Security services focused on the protection of critical assets and customer information have been launched. Entel is a Fortinet "Platinum Managed Security Service Provider", the first Service Provider in Chile in this category.

The Group has developed different service proposals for the corporate segment on the basis of a solid mobile infrastructure, GPON network and datacenter capabilities, through the converging sale of fixed and mobile services.

The expansion of the GPON network has allowed Entel to achieve greater coverage in fixed services and increase its presence in the corporate market, thereby improving connectivity solutions and the integration of fixed and mobile services with high speed access.

Entel is involved in highly complex projects in the corporate segment which have resulted in the company leading the telecommunications sector in terms of market share. Additionally, the company has consolidated its position as a major player in the IT business and the

most significant supplier of datacenter infrastructure, also having Tier III Design Documents and Tier III Constructed Facility certification, granted by the Uptime Institute. Its design, implementation and operation guarantee 99.982% availability to face any contingency.

Regarding Entel Residential services, the company has been taking advantage of the level of development and convergence of their technologies and focusing on providing fixed wireless, internet and satellite television solutions for certain segments of the residential market. On December 31, 2017, the company had 442 thousand postpaid RGUs.

The Company is in the process of rolling out its fiber optic network, which aims to quickly reach households in the high consumption segment of the country to deliver internet, TV and fixed phone services. To date, the network covers certain sectors of the Metropolitan region and the sale of services has begun incrementally.

Entel's strategy and the positioning of its brand as a "provider of superior quality services" have been acknowledged with a Best Customer Experience (BCX) award from IZO in the telecommunications category for Latin America. It is the sixth year running that the company has received the highest distinction in Chile and fifth year at Latin American level.

For the second year in a row Entel was recognized as the company with the best reputation in the Telecommunications sector in Chile, through the RepTrak Chile 2017 prize, awarded in Chile by the Reputation Institute and Triangular Strategic Integration. The research focuses on the combination of quality products and services at a fair price, with ethical and transparent attitudes in their involvement with different interest groups.

At the beginning of the year, a study was published in which Entel leads the first "Digital Index Ranking of Digital Brands" developed by Llorente & Cuenca, which aims to measure the presence of IPSA companies in digital environments and the strategy of these companies in the various virtual platforms. For this, a metrics model was developed from the AMEC Integrated Evaluation Framework (Association of Measurement and Evaluation of Communication), based on three aspects: relevance, influence and beliefs, selecting 20 brands that are listed on the Santiago Stock Exchange and are noted producers of digital content and participants in social networks.

For the second year in a row, the company was included in the Dow Jones Sustainability Chile index. This index uses the "best in class" approach, based on environmental, social and long-term governance factors.

In matters relating to public tenders, regarding the granting of public service concessions for the transmission of data on the 700 MHz frequency band, the concession to develop that spectrum was granted to our concessionaire Will SA and the completion dates for the deployment of the technical project in this frequency band (2 years) were fulfilled in September 2017, with the installation of 660 base stations.

In addition, there are obligations in the rules of the contest, namely the provision of phone and data transmission services to 549 localities, 373 kilometers of roads, and internet access in 212 schools (free of charge for 2 years). In addition, a public offering for Virtual Mobile Operators, the National Automatic Roaming Service and the Service for Wholesale Data Transport for Internet Access must be made. The obligations of services in localities, roads and schools were met in the month of March 2017, and in October 2017 the localities were connected. During the implementation the polygons were modified as a result of force majeure. To date there are no pending regulatory obligations.

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This 700 MHz frequency band, according to various experts, is important for the development of a range of telecommunications services. Especially for high-speed data transmission services (LTE), complementing the range of LTE or 4G services with a band providing greater penetration in closed or indoor spaces, and better rural coverage. Additionally it provides Carrier Aggregation service in conjunction with the 2600 MHz band, technology that has been available to our customers from May 2016, making Entel the first to achieve advanced LTE coverage nationally on the 700MHz and 2.6 Ghz band, which is the most modern in Latin America. This has allowed us to improve the data service offering and speed for our customers. As such, Entel has consolidated itself as the telecommunications company that has advanced the most in the deployment of 4G+ nationally, delivering this technology with national coverage.

Internationally, the Group currently operates only in Peru, the market, resource requirements and management efforts of which are aligned to the current strategic definitions. The Group's business in Peru, traditionally focused on integrated fixed telephony services for corporate customers in Lima and local and international Call Center services, has expanded to mobile telephony services through Entel Peru.

The development of Entel Peru is a long-term project that will enable the company to position itself as a global operator in a high-potential market such as Peru. The Peruvian market is undergoing a big technological change, where voice services evolve towards an intensive use of mobile data services.

Entel Perú has restructured its business strategy to become a global mobile carrier, serving all customer segments and delivering a unique experience in a time of significant technological evolution towards mobile data services. For this purpose efforts have been focused on expanding the network, technology supply for voice and mobile data, distribution channels and increasing the commercial offering and handset range for the market.

Entel Peru has continued with brand building, with a high level of customer satisfaction, and expansion of its world-class network. It is offering customers major promotions, leveraged by a distinctive user experience and supported by world-class infrastructure. The commercial offer includes high-capacity multimedia data plans with unlimited voice service regardless of the destination network, high-end handsets and free access to social networks. This commercial proposal has been recognized by the Peruvian market and today the brand has a high level of memorability. Also, throughout 2017 the offer of a wide range of multimedia plans has been expanded with attractive internet browsing quotas, promotions to social networks and free minutes for calls to all destination networks. A wide range of intelligent smartphones continue to be offered, as well as plans for SIM cards without a handset, and the financing method has been incorporated into the sale of postpaid handsets.

As a result of the above, the customer base has grown steadily, reaching 6,543,127 customers as at December 31, 2017, up 36% on December last year and 6% up on the previous quarter, driven by 2G, 3G and 4G services. This increase was driven by 223,000 net sales over the quarter, both postpaid and prepaid. The postpaid customer base (voice and mobile broadband), with its higher-value customers, grew by 22% compared to December 2016. With respect to prepaid (voice and mobile broadband), the customer base grew by 45% and progress continued in developing services and increasing top-up channels throughout the country, as well as sales and distribution networks, and offering access to social networks for free.

The company is also selectively expanding its commercial offering to the residential segment with telephone and wireless broadband services, exploiting mobile network capabilities, reaching 94,000 postpaid RGUs as at December 31, 2017. Towards the end of the year the wireless broadband service was launched for sale, also taking advantage of the capabilities of the mobile network. This self-installable

service is offered in various business plans and can be connected to multiple devices with unlimited navigation and faster speeds. In a first phase, this service is available in Lima and some cities in Peru.

In 2016 Entel Peru was awarded one of the 30 MHz blocks on the 700 MHz band, through a public tender conducted by the Ministry of Transport and Communications. This band is of great importance for 4G services.

For the second year in a row Entel Peru's effective communication and marketing campaigns, designed to disseminate their distinctive commercial offering, were awarded four Effie awards, reflecting how highly valued and accepted the company is in Peru.

In the first and second quarters of the year, Entel Peru's was named the best customer service in all Ibero-America. It was also the operator with the highest 4G speed in mobile internet in Peru, with an average of 21.78 Mbps, according to OpenSignal data.

Entel Peru was acknowledged in the MERCO corporate reputation ranking, earning 16th place, the best result in the telecommunications sector.

#### **Analysis of market risk**

The market risks faced by the Group's companies are discussed in note 31 of the consolidated financial statements.

The note describes the technological, regulatory, currency, credit, interest rate and liquidity risks, as well as the control and mitigation policies applied. The continuous analysis of technology and market trends is strengthened through an alliance with the Vodafone Group, a British carrier and worldwide leader in mobile services. Through this alliance, the Entel Group, amongst other benefits, shares bests practices in customer service, has access to new voice and data products with international access, is able to increase Roaming service coverage and quality and maintain a leading position in the development of added-value services in the area of Advanced Digital Mobile Telephony.

Services rendered by the Group locally have been the subject of several reforms enacted or substantially enacted by the authorities that will affect competition, accelerate internet penetration and control the deployment of antennas in urban areas, and set new tariffs for interconnection services, among other objectives.

As discussed in the notes to the financial statements, included amongst these reforms is the provision of more information for users to compare market offers for internet services, geographic portability and portability between services, the uniformity of the numbering between fixed and mobile telephone networks, and processes for determining tariffs for services provided through interconnections. Likewise, the competition regulation agency has issued instructions for telecommunication companies for differentiating tariffs according to the destination network, as well as recommending the establishment of laws permitting spectrum deals.

Regarding tariff processes, the authorities are continuing with the policy initiated in 2014 to establish tariff decreases in services provided through interconnections, especially access charges for mobile and fixed concessionaries.

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Faced with the aforementioned regulatory changes, the diversification and size of the Entel Group helps mitigate the adverse consequences of any regulation, as well as creating new business opportunities. However, in a regulated industry, changes that impact the results or limit growth prospects cannot be ruled out.

#### IV. Compliance with Commitments

Through to the present date, the Group's companies have complied with all their obligations with third parties.

*For translation purpose*

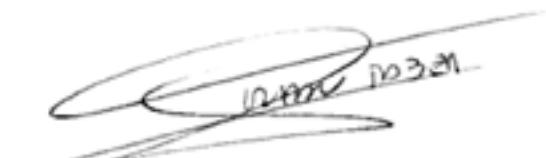
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## Certificate of Accounts Inspectors

Dear Shareholders

Empresa Nacional de Telecomunicaciones S.A.

We have reviewed the Individual and Consolidated Financial Statements of Empresa Nacional de Telecomunicaciones SA, for the twelve-month period ended December 31, 2017, a review that has resulted in no remarks. Our examination and review as Account Inspectors included checking account balances in the general ledger and summary sheet of the Consolidated Financial Statements with the corresponding accounts on the Balance Sheet and the Income Statement on this date.



LEONARDO AUGUSTO GUZMÁN FABER  
Inspector of Accounts



ABELARDO ERNESTO ECHEVERRIA REYES  
Inspector of Accounts

Santiago, February 1, 2018

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# Subsidiaries and Affiliates

## Consolidated Balance Sheets for Subsidiaries

Financial Statements for Subsidiaries as at December 31, 2017 and December 31, 2016  
(in thousands of pesos)

	Entel PCS Telecomunicaciones S.A. and subsidiary		Entel Telefonía Local S.A. and subsidiaries		Entel Servicios Telefónicos S.A.		Micarrier Telecomunicaciones S.A.	
	12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16
<b>ASSETS</b>								
Current Assets	292,864,326	287,704,948	35,689,234	54,253,485	76,346	169,114	307,933	306,433
Non-current Assets	811,343,161	812,225,693	58,714,926	65,156,665	2,289,289	1,745,731	2,584,790	2,464,481
<b>TOTAL ASSETS</b>	<b>1,104,207,487</b>	<b>1,099,930,641</b>	<b>94,404,160</b>	<b>119,410,150</b>	<b>2,365,635</b>	<b>1,914,845</b>	<b>2,892,723</b>	<b>2,770,914</b>
<b>LIABILITIES</b>								
Current Liabilities	309,449,677	285,035,518	29,712,075	39,849,087	175,032	165,110	-	1,073
Non-Current Liabilities	268,134,501	326,348,918	1,587,397	9,948,435	944	944	-	-
<b>TOTAL LIABILITIES</b>	<b>577,584,178</b>	<b>611,384,436</b>	<b>31,299,472</b>	<b>49,797,522</b>	<b>175,976</b>	<b>166,054</b>	<b>-</b>	<b>1,073</b>
<b>NET EQUITY</b>								
Paid-in Capital	128,398,586	128,398,586	29,603,142	29,603,142	1,413,277	1,413,277	4,141,580	4,141,580
Other Reserves	(10,526,899)	(10,526,899)	(2,419,357)	(2,419,357)	(115,502)	(115,502)	(338,476)	(338,476)
Retained Earnings	408,707,500	370,631,121	35,895,682	42,416,769	891,884	451,016	(910,381)	(1,033,263)
Non-controlling stock	44,122	43,397	25,221	12,074	-	-	-	-
Conversion reserves								
<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>1,104,207,487</b>	<b>1,099,930,641</b>	<b>94,404,160</b>	<b>119,410,150</b>	<b>2,365,635</b>	<b>1,914,845</b>	<b>2,892,723</b>	<b>2,770,914</b>

## Summary statements of comprehensive income for subsidiaries

As at December 31, 2017, and December 31, 2016, in thousands of pesos

	Entel PCS Telecomunicaciones S.A.		Entel Telefonía Local S.A. and Subsidiaries		Entel Servicios Telefónicos S.A.		Micarrier Telecomunicaciones S.A.	
	12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16
<b>Ordinary Revenue</b>								
Ordinary Revenue	1,327,463,513	1,302,383,471	345,510,553	284,019,239	724,053	741,404	-	-
Other operating revenue	4,963,247	2,364,783	2,651,749	4,181,124	99,315	137,018	137,429	452,436
Staff Costs	(58,624,735)	(58,210,450)	(889,650)	(1,040,721)	-	-	-	-
Depreciation and Amortization	(155,018,441)	(150,704,845)	(3,092,225)	(2,824,470)	-	-	-	-
Other miscellaneous operating costs	(1,002,437,527)	(950,566,483)	(296,602,119)	(230,404,968)	(251,477)	(318,073)	(14,547)	(5,928)
Pre-Tax Profit (Loss)	116,346,057	145,266,476	47,578,308	53,930,204	571,891	560,349	122,882	446,508
Revenue (expenditure) for corporate tax	(27,684,705)	(25,325,425)	(11,669,471)	(11,449,727)	(131,023)	(109,333)	-	191,617
<b>PROFIT (LOSS)</b>	<b>88,661,352</b>	<b>119,941,051</b>	<b>35,908,837</b>	<b>42,480,477</b>	<b>440,868</b>	<b>451,016</b>	<b>122,882</b>	<b>254,891</b>
Earnings (losses) attributable to parent company shareholders	88,660,627	119,930,298	35,895,682	42,416,769	440,868	451,016	122,882	254,891
Earnings attributable to non-controlling shares	725	10,753	13,155	6,735	-	-	-	-
<b>PROFIT (LOSS)</b>	<b>88,661,352</b>	<b>119,941,051</b>	<b>35,908,837</b>	<b>42,423,504</b>	<b>440,868</b>	<b>451,016</b>	<b>122,882</b>	<b>254,891</b>
<b>PROFIT (LOSS) PER SHARE</b>								
Ordinary shares	1,105.74	1,495.72	2,066.97	2,442.48	136,070.37	139,202.44	12,288.20	25,489.10

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Entel Inversiones S.A. and subsidiary		Entel Call Center S.A. and subsidiaries		Entel Peru S.A.		Entel Internacional BVI Corp. and subsidiary		Empresa de Radiocomunicaciones Insta Beep Ltda.	
12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16	31-12-17	31-12-16
6,483,825	5,788,479	16,184,554	15,506,137	153,967,008	223,761,799	20,272	24,431	4,292	4,221
39,256,848	37,191,079	22,064,728	17,752,678	1,147,837,303	995,084,843	244,583	266,422	-	-
45,740,673	42,979,558	38,249,282	33,258,815	1,301,804,311	1,218,846,642	264,855	290,853	4,292	4,221
9,789,493	8,244,187	7,607,525	6,826,487	185,361,859	172,673,016	-	-	421	-
12,160,367	7,444,530	14,092,742	12,411,865	803,660,988	783,554,687	-	-	860,414	848,994
21,949,860	15,688,717	21,700,267	19,238,352	989,022,847	956,227,703	-	-	860,835	848,994
2,870,847	2,870,847	13,867,175	13,867,175	542,146,108	376,153,608	25,211,353	25,211,353	2,969,432	2,969,432
(44,210)	(807,572)	(2,691,970)	(2,365,584)	(43,930,897)	33,099,686	5,001	5,302	(242,681)	(242,681)
14,629,898	17,637,772	5,357,468	2,511,244	(185,433,747)	(146,634,355)	(24,951,499)	(24,925,802)	(3,583,294)	(3,571,524)
6,334,278	7,589,794	16,342	7,628		-				
	-		-		-		-		-
45,740,673	42,979,558	38,249,282	33,258,815	1,301,804,311	1,218,846,642	264,855	290,853	4,292	4,221

Entel Inversiones S.A. and subsidiary		Entel Call Center S.A. and subsidiaries (1)		Entel Peru S.A.		Entel Internacional BVI Corp. and subsidiary		Empresa de Radiocomunicaciones Insta Beep Ltda.	
12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16	31-12-17	31-12-16
26,155,138	26,627,281	64,275,001	63,615,874	463,387,973	352,076,039	-	-	-	-
448,408	839,592	1,001,161	1,654,070	7,413,839	5,495,397	76	-	-	-
(6,728,928)	(7,231,110)	(40,027,831)	(38,313,828)	(56,304,571)	(52,519,303)	-	-	-	-
(5,065,675)	(4,503,522)	(1,784,433)	(1,711,334)	(42,935,985)	(36,495,515)	-	-	-	-
(18,940,459)	(19,237,192)	(18,552,106)	(20,563,330)	(529,956,509)	(468,075,524)	(25,773)	(20,440)	(11,770)	(25,686)
(4,131,516)	(3,504,951)	4,911,792	4,681,452	(158,395,253)	(199,518,906)	(25,697)	(20,440)	(11,770)	(25,686)
205,035	1,051,468	(2,064,469)	(518,993)	43,038,225	52,884,551	-		-	
(3,926,481)	(2,453,483)	2,847,323	4,162,459	(115,357,028)	(146,634,355)	(25,697)	(20,440)	(11,770)	(25,686)
(3,007,873)	(2,440,345)	2,846,224	4,159,276	(115,357,028)	(146,634,355)	(25,697)	(20,440)	(11,770)	(25,686)
(918,608)	(13,138)	1,099	3,183	-	-	-	-	-	-
(3,926,481)	(2,453,483)	2,847,323	4,162,459	(115,357,028)	(146,634,355)	(25,697)	(20,440)	(11,770)	(25,686)
(271,223,91)	(220,049,15)	299,57	437,77	(41,97)	(75,72)	(513,94)	(408,80)	0,00	0,00

## Summary cash flow statements for subsidiaries

As at December 31, 2017, and December 31, 2016

(in thousands of pesos)

	Entel PCS Telecomunicaciones S.A. and Subsidiary		Entel Telefonía Local S.A. and Subsidiaries		Entel Servicios Telefónicos S.A.		Micarrier Telecomunicaciones S.A.	
	12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16
Net cash flows from (used in) operating activities	298,873,755	239,288,629	28,584,105	40,036,616	519,440	479,045	(17,178)	23,054
Net cash flows from (used in) investment activities	(174,111,809)	(213,886,774)	(823,661)	(1,458,621)	-	-	17,178	(26,854)
Net Cash Flows from (used in) Financing Activities	(125,550,030)	(24,151,988)	(27,984,066)	(38,651,425)	(519,440)	(487,127)	-	-
Net increase (decrease) in cash and cash equivalents	(788,084)	1,249,867	(223,622)	(73,430)	-	(8,082)	-	(3,800)
Effects of foreign currency variations on cash and cash equivalents	-	-	-	-	-	-	-	-
Cash and cash equivalents, statement of cash flow, initial balance	1,855,861	605,994	441,842	515,272	156	8,238	-	3,800
Cash and cash equivalents, statement of cash flow, final balance	1,067,777	1,855,861	218,220	441,842	156	156	-	-

## Statement of changes in equity of subsidiaries

As at December 31, 2017, and December 31, 2016

	Entel PCS Telecomunicaciones S.A.	Entel Telefonía Local S.A. and Subsidiaries	Entel Servicios Telefónicos S.A.	Micarrier Telecomunicaciones S.A.
	12-31-17	12-31-17	12-31-17	12-31-17
Opening Balance Current Period 01-01-2017	488,546,205	69,612,628	1,748,791	2,769,841
Income from comprehensive income and expenditure	88,661,352	35,908,837	440,868	122,882
Distribution of final dividends	(59,965,149)	(42,416,769)	-	-
Increase (decrease) for other distributions to owners	(26,598,188)	-	-	-
Other increases (decreases) in Net Equity	35,979,089	(8)	-	-
Final Balance Current Period 12-31-2017	526,623,309	63,104,688	2,189,659	2,892,723
Opening Balance Previous Period 01-01-2016	477,865,866	51,933,552	1,773,231	2,514,949
Income from comprehensive income and expenditure	119,941,051	42,423,504	451,016	254,891
Distribution of final dividends	(117,245,434)	(24,744,428)	(475,456)	-
Minimum Dividend	(35,979,089)	-	-	-
Other increases (decreases) in Net Equity	43,963,811	-	-	1
Final Balance as at 12-31-2016	488,546,205	69,612,628	1,748,791	2,769,841

For translation purpose

Entel Inversiones S.A. and subsidiary		Entel Call Center S.A. and subsidiaries		Entel Peru S.A.		Entel Internacional BVI Corp. and subsidiary		Empresa de Radiocomunicaciones Insta Beep Ltda.	
12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16	12-31-17	12-31-16	31-12-17	31-12-16
3,928,419	4,031,569	8,242,390	8,997,062	(102,091,385)	(185,717,762)	(2,188)	(2,507)	(11,420)	(3,953)
(8,671,991)	(6,706,507)	(1,787,121)	(2,394,202)	(102,426,064)	(321,534,569)	-	-	-	-
4,782,386	1,054,719	(5,216,808)	(6,381,901)	207,219,340	490,064,295	(2)	-	11,420	3,953
38,814	(1,620,219)	1,238,461	220,959	2,701,891	(17,188,036)	(2,190)	(2,507)	-	-
(44,234)	(107,350)	(87,927)	(58,794)	(249,999)	10,047,508	(1,969)	(1,615)	-	-
885,793	2,613,362	467,652	305,487	2,102,486	9,243,014	24,431	28,553	-	-
880,373	885,793	1,618,186	467,652	4,554,378	2,102,486	20,272	24,431	-	-

Entel Inversiones S.A. and subsidiary		Entel Call Center S.A. and subsidiaries (1)	Entel Peru S.A.	Entel Internacional BVI Corp. and subsidiary	Empresa de Radiocomunicaciones Insta Beep Ltda.
12-31-17	12-31-17	12-31-17	12-31-17	12-31-17	12-31-17
27,290,841		14,020,463	262,618,939	290,853	(844,773)
(3,926,481)		2,847,323	(191,914,664)	(25,697)	(11,770)
-		-	-	-	-
-		-	242,550,136	-	-
426,453		(318,771)	(472,947)	(301)	-
23,790,813		16,549,015	312,781,464	264,855	(856,543)
31,003,831		10,011,960	279,391,745	311,386	(819,087)
(2,453,483)		4,162,459	(146,634,355)	(20,440)	(25,686)
-		-	-	-	-
-		-	201,500,378	-	-
(1,259,507)		(153,956)	(71,638,829)	(93)	-
27,290,841		14,020,463	262,618,939	290,853	(844,773)

## Subsidiaries of Entel S.A.

Company name	Entel PCS Telecomunicaciones S.A. and subsidiaries	Entel Telefonía Local S.A. or Entel Phone S.A. and subsidiaries
Legal status	<b>Close corporation, registered in the Special Register of Reporting Entities (Number 33).</b>	<b>Close corporation</b>
Articles of Incorporation	Incorporated as a corporation by public deed on October 3, 1996, in accordance with the laws of the Republic of Chile.	Incorporated as a corporation by public deed on April 29, 1994, in accordance with the laws of the Republic of Chile. On December 20, 1994, by Supreme Decree 450, the Ministry of Transport and Telecommunications awarded a public telephone service concession to the company to install, operate, and run a local telephone system.
Business purpose	The study, construction and operation of a system to provide a full range of transmission, switching, communication, metering, billing and charging services for mobile telecommunications; the import, export, marketing, distribution, sale, leasing and provision in any other form of all types of equipment required to provide mobile communications, together with complementary and supplementary services; and, in general, all types of activities, including agreeing, signing and executing all types of contracts, required to provide any type of mobile telecommunications services.	Its aim is to satisfy telephone, multimedia and infrastructure needs of high-use consumers; to provide sales and dealership services for communication equipment and undertake any business activities related to telecommunications.
Subscribed and paid-in capital, December 31, 2017	Ch\$ 128,398,586 thousand	Ch\$ 29,603,142 thousand
Direct and indirect share in Entel S.A.	Entel Chile S.A.: 99.999% Entel Inversiones S.A.: 0.001%	Entel Chile S.A.: 99.00% Entel Inversiones S.A.: 1.00%
Percentage of investment in Entel S.A. assets	17.21%	2.04%
Income for 2017	Ch\$ 88,661,352 thousand	Ch\$ 35,908,837 thousand
Board of Directors	Richard Büchi B., Chairman of the Board Juan Hurtado V., Vice President of the Board Luis Felipe Gazitúa A., Director Alfredo Parot D., Director Felipe Ureta P., Director	Antonio Büchi B., Chairman of the Board Sebastián Domínguez P., Director Alfredo Parot D., Director José Luis Poch P., Director Felipe Ureta P., Director
CEO	Antonio Büchi B.	Mario Núñez P.
Positions held at Entel Chile S.A.	Alfredo Parot D., Vice President Technology and Operations Felipe Ureta P., Finance and Management Control Executive Antonio Büchi B., Chief Executive Officer	Antonio Büchi B., Chief Executive Officer Sebastián Domínguez P., Vice President of Transformation and Business Support Alfredo Parot D., Vice President Technology and Operations José Luis Poch P., Vice President Consumer Segment Felipe Ureta P., Finance and Management Control Manager Mario Núñez P., Vice President Enterprise Segment
Business relationship with Entel Chile S.A.	Entel Telefonía Personal S.A. provides network infrastructure to increase the coverage of its fixed telecommunications services. Entel Chile S.A. provides it with telecommunications services to support its mobile communications operations.	EntelPhone S.A. provides Entel Chile S.A. with the necessary services to complement its comprehensive range of communications and business continuity. Entel Chile S.A. provides operation and maintenance services for network platforms that support their business.
Agreements and Contracts	Entel PCS SA hires national signal transport services in switched and dedicated mode from Entel Chile SA for ThCh\$ 136,058. Entel PCS also leases or sub-leases physical space in buildings, stores, and radio stations from Entel Chile S.A. or third parties and receives marketing consultancy services, telephone technical services, and data center services for ThCh\$ 13,557,938. Entel Chile S.A. receives infrastructure leasing, telecommunications services, and the payment of access charges from Entel Chile S.A. for ThCh\$ 7,800,472.	Entel Phone SA receives the annual leasing of telecommunications infrastructure and installation services, provision of operation and maintenance services for networks, leasing or subleasing of physical space in buildings and commercial premises, IT data processing services, network administration and administration services from Entel Chile S.A. for ThCh\$ 21,681,321. Provides telecommunications services and access charges to Entel Chile S.A. (CLP 1,355,219 thousand).

For translation purpose

## Subsidiaries of Entel S.A.

Company name	Entel Peru S.A.	Entel Call Center S.A. and subsidiaries
Legal status	Subsidiary abroad.	Close corporation
Articles of Incorporation	ENTEL Peru S.A. (formerly Nextel del Peru S.A.) was incorporated as a limited company by public deed on December 30, 1987, under the laws of the Republic of Peru.	Entel Call Center SA (formerly Entel Internacional S.A.), incorporated as a corporation by public deed on September 12, 1989, in accordance with the laws of the Republic of Chile. Its initial purpose was to provide consultancy services for telecommunications and IT projects. Its business purpose was amended on March 29, 2000.
Business purpose	The provision of telecommunications end-user and value-added services, including trunked service, single- and bi-directional person search services, transmission services, storage and processing of data and any other telecommunications services in line with Peruvian legislation; activities related to the acquisition, installation, sale and maintenance of telecommunications equipment and the supply of related services.	The development, installation, operation and running of its own and third-party telecommunications platforms in Chile and abroad, and, in general, develop activities or services provided through telecommunications equipment or installations served by operators or automated operations.
Subscribed and paid-in capital, December 31, 2017	Ch\$ 542,146,108 thousand	Ch\$ 13,867,175 thousand
Direct and indirect share in Entel S.A.	Entel Chile S.A. 97.88% Entel Inversiones S.A. 2.12%	Entel Chile S.A. 90.00% Entel Inversiones S.A. 10.00%
Percentage of investment in Entel S.A. assets	10.01%	0.49%
Income for 2017	Ch\$ (115,357,028) thousand	Ch\$ 2,847,323 thousand
Board of Directors	Antonio Büchi B., Chairman of the Board Felipe Ureta P., Director Richard Büchi B., Director José Luis Poch P., Director Alfredo Parot D., Director Juan Hurtado V., Director Luis Felipe Gazitúa A., Director Sebastián Domínguez P., Director Carmen Rosa Graham A., Director	Sebastián Domínguez P., Chairman of the Board Julián San Martín A., Director Mario Núñez P., Director José Luis Poch P., Director Felipe Ureta P., Director
CEO	Ramiro Lafarga B.	José Antonio Llanos D.
Positions held at Entel Chile S.A.	Antonio Büchi B., Chief Executive Officer Felipe Ureta P., Finance and Management Control Manager José Luis Poch P., Vice President Consumer Segment Alfredo Parot D., Vice President Technology and Operations Sebastián Domínguez P., Vice President of Transformation and Business Support	Sebastián Domínguez P., Vice President of Transformation and Business Support Julian San Martín A., Vice President Corporate Segment Mario Núñez P., Vice President Enterprise Segment José Luis Poch P., Vice President Consumer Segment Felipe Ureta P., Finance and Management Control Manager
Business relationship with Entel Chile S.A.	None.	Entel Call Center provides the infrastructure required for services via remote channels for customers of subsidiaries of the Entel Group. Entel Chile SA meanwhile provides all the telecommunications services that support the call center business.
Agreements and Contracts	There were no acts or contracts that significantly influenced the operations and results.	Entel Chile S.A. provides Entel Call Center S.A. with telecommunications, administration and IT services, and leases office space (CLP 397,980 thousand). Entel Call Center SA provides inbound and outbound call services to Entel Chile S.A. (CLP 8,575,187 thousand).

## Subsidiaries of Entel S.A.

Company name	Entel Inversiones S.A. and subsidiaries	Entel Internacional BVI Corp. and subsidiary
Legal status	Close corporation	Subsidiary abroad.
Articles of Incorporation	Incorporated as a corporation by public deed on August 8, 1989, in accordance with the laws of the Republic of Chile.	Incorporated as a corporation on February 12, 1993, in Tortola, the British Virgin Islands.
Business purpose	Making strategic investments in line with corporate objectives, regardless of their relationship to the telecommunications business.	Making strategic foreign investments for Entel.
Subscribed and paid-in capital, December 31, 2017	Ch\$ 2,870,847 thousand	Ch\$ 25,211,353 thousand
Direct and indirect share in Entel S.A.	Entel Chile S.A. 99.99% Entel Internacional BVI Corp. 0.01%	Entel Chile S.A. 100%
Percentage of investment in Entel S.A. assets	0.45%	0.01%
Income for 2017	Ch\$ (3,926,481 thousand)	Ch\$ (25,697 thousand)
Board of Directors	Antonio Büchi B., Chairman of the Board Cristián Maturana M., Director Alfredo Parot D., Director	Richard Büchi B., Chairman of the Board Antonio Büchi B., Director Felipe Ureta P., Director
CEO	Felipe Ureta P.	Felipe Ureta P.
Positions held at Entel Chile S.A.	Antonio Büchi B., Chief Executive Officer Cristián Maturana M., Legal Executive Alfredo Parot D., Vice President Technology and Operations Felipe Ureta P., Finance and Management Control Manager	Antonio Büchi B., Chief Executive Officer Felipe Ureta P., Finance and Management Control Manager
Business relationship with Entel Chile S.A.	Reciprocal provision of international communications transport and termination services.	None.
Agreements and Contracts	Receives international data transportation and traffic termination services from Entel Chile S.A. (CLP 228,377 thousand). Provides Entel Chile S.A. with international traffic termination services and the sale of services (CLP 105,243 thousand).	There were no acts or contracts that significantly influenced the operations and results.

For translation purpose

## Subsidiaries of Entel S.A.

<b>Company name</b>	Micarrier Telecomunicaciones S.A. or Micarrier S.A.
<b>Legal status</b>	<b>Close corporation</b>
Articles of Incorporation	Incorporated as a corporation by public deed on December 30, 1988, in accordance with the laws of the Republic of Chile. Formerly known as Entel Servicios de Datos S.A. until March 26, 1996 when it amended its articles of incorporation to change its name.
Business purpose	The installation, operation, running and provision of public and private telecommunications services at national and international level, both directly and through third parties.
Subscribed and paid-in capital, December 31, 2017	Ch\$ 4,141,580 thousand
Direct and indirect share in Entel S.A.	Entel Chile S.A. 99.99% Entel Inversiones S.A. 0.01%
Percentage of investment in Entel S.A. assets	0.09%
Income for 2017	Ch\$ 122,882 thousand
Board of Directors	José Luis Poch P., Chairman Mario Núñez P., Director Alfredo Parot D., Director Sebastián Domínguez P., Director Felipe Ureta P., Director
CEO	Pablo Pfingsthorn O.
Positions held at Entel Chile S.A.	José Luis Poch P., Vice President Consumer Segment Mario Núñez P., Vice President Enterprise Segment Alfredo Parot D., Vice President of Technology and Operations Sebastián Domínguez P., Vice President of Transformation and Business Support Felipe Ureta P., Finance and Management Control Manager Pablo Pfingsthorn O., Head of Financial Planning and Management Control Department
Business relationship with Entel Chile S.A.	None.
Agreements and Contracts	There were no acts or contracts that significantly influenced the operations and results.

## Subsidiaries of Entel S.A.

Company name	Entel Servicios Telefónicos or Entel S.A.	Sociedad de Telecomunicaciones Instabeep Ltda.
Legal status	Close corporation	Limited liability company.
Articles of Incorporation	Originally incorporated as a close corporation by public deed dated March 13, 1989, under the laws of the Republic of Chile and with the name Global Telecomunicaciones S.A. On June 24, 1993, the corporate status was amended, changing the name and legal status.	Incorporated as a limited liability company by public deed on August 4, 1985, in accordance with the laws of the Republic of Chile.
Business purpose	To provide telecommunications services, sales, distribution and dealership services, and to undertake any business activities related to telecommunications.	The aim of the company is to carry out business relating to electrical and electronic engineering, especially concerning the establishment, operation and use of communications services and any other related activity agreed on by the partners.
Subscribed and paid-in capital, December 31, 2017	Ch\$ 1,413,277 thousand	Ch\$ 2,969,432 thousand
Direct and indirect share in Entel S.A.	Entel Chile S.A.: 91.42% Entel Inversiones S.A.: 8.58%	Entel Chile S.A. 99.99% Entel PCS Telecomunicaciones S.A. 0.01%
Percentage of investment in Entel S.A. assets	0.07%	0.00%
Income for 2017	Ch\$ 440,868 thousand	Ch\$ (11,770) thousand
Board of Directors	José Luis Poch P., Chairman Sebastián Domínguez P., Director Felipe Ureta P., Director	None.
CEO	Pablo Pfingsthorn O.	José Luis Poch P.
Positions held at Entel Chile S.A.	José Luis Poch P., Vice President Consumer Segment Sebastián Domínguez P., Vice President of Transformation and Business Support Felipe Ureta P., Finance and Management Control Manager Pablo Pfingsthorn O., Head of Financial Planning and Management Control Department	José Luis Poch P., Vice President Consumer Segment
Business relationship with Entel Chile S.A.	Provides management of customer service centers to Entel Chile SA customers. Receives operation and maintenance services for the public telephone network.	None.
Agreements and Contracts	Provides national and international signal transportation services, receives administration and computer services and leases or subleases physical spaces in commercial premises, (CLP 164,387 thousand). ENTELFÓNICA SA provides Entel Chile SA with advertising and customer care services (CLP 658,869 thousand).	There were no acts or contracts that significantly influenced the operations and results.

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