

REPORT 2016

CORPORATE INFORMATION

e) entel



Company Details

Identification

Company name

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

Headquarter Address

Avenida Costanera Sur Río Mapocho N ° 2.760,
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.

Telephone Number

(56-2) 2360 0123

Fax

(56-2) 2360 3424

General Management

Avenida Costanera Sur Río Mapocho N ° 2.760,
22nd floor, Tower C, Las Condes, Santiago.

Finance and Administration Division

Avenida Costanera Sur Río Mapocho N ° 2.760,
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 ° 2.760,
22nd floor, Tower C, Las Condes, Santiago.

Website

www.entel.cl

Reporting channels.

www.canaldedenuncia.cl/cda/entel/cdpages/inicio.aspx

FOR TRANSLATION PURPOSES ONLY.

e)

We deliver world-class telecommunications services so that people can live each day better connected.

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Chairman's Letter

We need to become increasingly agile, more digital, with a greater capacity to innovate and adapt, ever more focused on with improving the experience for our customers so they continue choosing us, and delivering a simple and unique service to all of them.

Dear Shareholders

On behalf of Entel's Board of Directors I am pleased to present the Annual Report for 2016.

This was a year that was defined by low growth in markets and economies, more competitive environments and the continuous technological change with which we have always coexisted. With some nuances, this has been the situation we have been facing both in Chile and Peru.

Entel has shown positive results in this environment, albeit with variances amongst the different businesses. As for consolidated results, the company recorded growth in revenue and saw a clear inflection point in terms of EBITDA, operating income and net profit.

Added to this we met important corporate goals, such as increasing capital and other strategic,

commercial and operational targets which will be looked below.

Strong growth in Entel Perú and a new 700 MHz license

Our subsidiary in Peru continues to show sustained growth, backed by high levels of customer satisfaction, expansion of its world-class network and ongoing progress in brand development.

As at December 31, 2016, Entel Perú had 4,808,755 mobile customers, 54% more than at the same date in 2015. Postpaid customers meanwhile accounted for 1,852,505 lines, 39% of the customer base.

Mobile revenues grew 46% in twelve months, driven by service revenue which was up 53%, in line with the growth of the customer base.



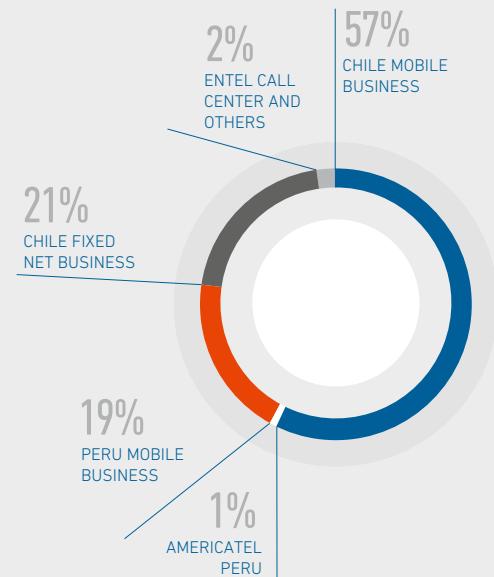
With a comprehensive mobile offering, the company also expanded services in targeted areas of the residential segment. In Lima and, currently, some other regions of the country, fixed wireless broadband services were added to the fixed wireless voice services launched in 2015. This was all done with higher operational efficiencies and lower investment in infrastructure.

The company has been consolidating its position in terms of customers and the market in general. Recognition of the effectiveness of the project includes first place in BCX's ranking for telecommunications companies and customer experience, and the top spot in MERCO's ranking for corporate reputation in the telecommunications sector, where the company ranked 16th in the overall assessment.

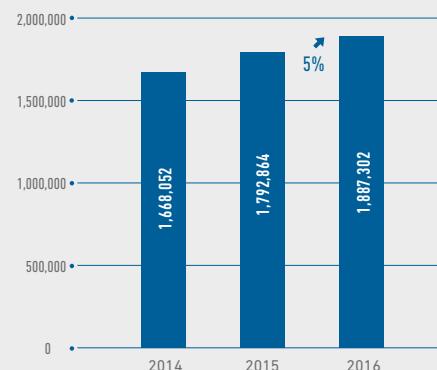
A highly significant event in 2016 was the awarding of one of the 30 MHz blocks in the 700 MHz band, through a public tender issued by the Ministry of Transport and Communications. This band, which had a relatively high base price, is of great importance as it is in the lower area of the radio spectrum and is part of the standard used in many parts of the world. These 30 MHz can be added to the 97.4 MHz Entel Perú already had, bringing the total to 127.4 MHz for mobile services in addition to spectrum for all kinds of wireless services in the 2.5 GHz and 3.5 GHz bands.

2016 Results in perspective

DISTRIBUTION OF CONSOLIDATED REVENUE BY BUSINESS



CONSOLIDATED REVENUE
(CLP million)

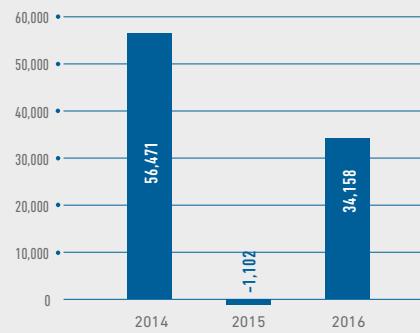


EBITDA
(CLP million)



Accounting basis and comparable and excluding Entel Peru

PROFIT FOR FINANCIAL YEAR
(CLP million)



Our subsidiary in Peru continues to show sustained growth, backed by high levels of customer satisfaction, expansion of its world-class network and ongoing progress in brand development.

This is very important both for the present and for the future development of the company in terms of being able to make competitive offers in a market where the use of data by wireless means is growing exponentially.

Today we can say that Entel Perú is a leading operator in 4G service coverage, reaching 1,984 populated areas in December 2016; with adequate spectrum to develop a long-term wireless data service; with nearly five million customers; with a brand recognized spontaneously by 82% of people and a 35% preference rate in the mobile market.

All this serves to motivate us to continue working in a serious, committed manner with the conviction that in this way we are helping everyone to live better connected, in Peru as well.

Mobile market in Chile

In 2016 the mobile industry in Chile faced three important issues that had already presented themselves in 2015, namely 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 the aggregate industry level showed almost zero growth in customers, whilst prepaid customers fell 4.5% and postpaid grew by 11.7% in a scenario of mobile revenue showing slight growth, close to the CPI.

In this market Entel Chile's mobile customers totalled 9,514,401. This figure was down 3% compared to 2015 due to the 5% decrease in both

the prepaid and mobile broadband segments, offset by 2% growth in the postpaid market due largely to migration from prepaid.

In a highly competitive environment, Entel continued to develop and deepen attractive data plans, this year adding extra music and video quotas for multimedia plans in the consumer segment.

It should be underlined that for Entel it was of paramount importance to get the 700 MHz band, which we were able to put into use in May 2016. It is this band that has allowed us to undertake a real 4G rollout, increase data quotas and offer new services for our entire customer base, as well as aggressively entering the fixed wireless broadband.

Today, the penetration of data amongst postpaid mobile customers is 87% and 4G customers already account for 53% of the base of that segment. In this context we are proud to be the leading provider of 4G in Chile, according to figures released in September 2016 by Subtel.

Entel Hogar & Business Services

The company continues to capture growth opportunities in the residential segment. Revenue from Entel Hogar services increased by 24% over the twelve months, reaching CLP 60,333 million by the end of 2016. Voice and television services underpinned this performance, as did to a lesser extent wireless broadband.

Due to the potential of wireless technologies and the capabilities of the new spectrum in the 700 MHz band, by the end of 2016 Entel had improved its fixed wireless broadband service. We are hoping this will have a good commercial reception, yielding results in 2017 and delivering more connectivity options to thousands of homes that do not have a good alternative.

For integrated voice, data and information technology services in the enterprises and corporations segments, the growth over the twelve months was 8% due to the service proposal delivered on a solid foundation of infrastructure, fiber optic and data center capabilities. Gains were driven by internet fixed connectivity, IP data and solutions for small and medium-size enterprises, with 13% growth, followed by the higher revenues from IT services including cloud services and Internet of Things, 14% compared to 2015.

Leading the technology rollout of the 4G+

In 2016, Entel continued to expand its mobile network. Indeed just eight months after publishing the project's concession order in the Official Journal, Entel began the commercial deployment by region of its 4G network in the 700 MHz band, which also has LTE Advanced Carrier Aggregation technology - 4G+ - which can increase the speed to almost twice that of 4G.

Entel thus positioned itself as the country's first telecommunications company to make a 4G+ network available to its customers, offering a great browsing experience both in open and closed spaces, representing a leap in terms of technology and, very importantly, customer satisfaction. At year end 70% of the community already had access to the 4G experience.

Investments

In 2016 we have managed an investment plan which reached USD 829.3 million. Of this amount, 35% - USD \$290 million - was allocated to the purchase of the 700 MHz license in Peru, which will allow for the long-term development of Entel Perú. The remaining 65%, USD 539 million, is 18% down compared to 2015.

This investment, 55% of the total, was focused on the mobile business where 16% was used for obligatory projects in Chile in accordance with the tender for the 700 MHz band, 18% on mobile network investments in Chile, and 21% on Entel Perú networks.

The rest of the investment went to the digital transformation project for both countries (14%), to IT and fixed connectivity projects for enterprises and corporations (17%), and to the

residential market and other internal investments in maintenance and improvements (14%).

Successful capital increase

In 2016 the company required the support of shareholders who in the first 30 days of the preferred option period subscribed a 98.2% raise in capital of \$353,703 million, previously agreed on at an extraordinary shareholders' meeting. After the period the company had no problems completing 100% of the approved capitalization.

These resources are intended to finance investment activities in Peru and Chile. In Peru, in line with our strategy to always have the best market network, a significant part of the resources went to pay for the 700 Mhz license awarded to Entel Perú for USD 290 million.

EBITDA and annual profit

Entel's consolidated revenues were 5% up compared to 2015. With an increase of 46% in revenue, Entel Perú was the main driver of this performance. In Chile however, revenue decreased slightly, by 0.7%, with mixed results showing a reduction in mobile services, almost offset by gains in IT services, fixed enterprises and Hogar, totaling an increase of 13%.

It is noteworthy that despite the more complex environment in Chile, EBITDA from these businesses grew by 4%, due mainly to the fixed and IT businesses in all segments. Furthermore, as observed last year the Chilean business's ability to generate cash was high, with EBITDA less CAPEX at CLP280,939 million, up 14% on 2015 and constituting a margin of 18% on net revenue.

Meanwhile Entel Perú's EBITDA was up 48 billion compared on figures for 2015. The reduction

in losses was driven by better direct margin in services, coupled with solid revenue growth due to the strong expansion of the customer base.

Thus after a period of strong investment and commercial rollout in Peru, the company's consolidated EBITDA reached CLP 424,781 million, constituting an increase of 19% over 2015 and as such marking a clear inflection point in consolidated EBITDA.

Due to a 42% increase in operating profit, Entel reported profit of CLP 34,158 million in 2016, showing a significant improvement over 2015.

Sustainable management: first Chilean telecommunications company in the Dow Jones Sustainability Index

Commitment to building a better connected and more harmonious society supports the company's business model which was recognized in 2016 when Entel became the first telecommunications company in the country to join the Dow Jones Sustainability Index Chile (Chile DJSI).

Other awards won by Entel in 2016 reflect once again that we are on the right path. For the fifth time running international consultants IZO awarded Entel the prize for the best telecommunications



customer experience in Ibero-America; and for the fourteenth year in a row it won first place in the Mobile Telephony category of the Pro Calidad national customer satisfaction prizes.

In addition, Entel climbed to sixth place in Merco's overall ranking for corporate reputation and was first in the telecommunications sector in Chile and in Peru.

Dear Shareholders, as we have noted in previous years, we are in the midst of an important process of change on many fronts. Society and customers are different and the digital transformation of business is changing many things. In this context, in which Entel is already a data company, both fixed and mobile, immersed in intense competition and change, we must deepen our transformation.

We need to become increasingly agile, more digital, with a greater capacity to innovate and adapt, ever more eager to improve the experience for our customers so they continue choosing us, and delivering a simple and unique service to all of them.

This requires a variety of initiatives, many of which the company is already working on, both to capture the new opportunities of the digital era and to mitigate potential risks. Accordingly our work pillars continue to be the digital transformation project; having a more agile organization and culture with more autonomous teams focused on customer experience and business development; developing the best network and infrastructure with world class technology; permanently seeking to achieve the highest levels of excellence and efficiency.

Entel has to be agile, 100% digital, modern, inspiring and attracting professionals and staff of the highest level, people with talent of all ages. This is the path to a bigger future where we can

continue to generate more value for society, workers and for you, the shareholders.

After posting losses in 2015, I am pleased to share results with you that mark a turning point. I fully understand that a period of downturn in results, although accompanied by growth in terms of customers and revenue, is not easy, especially when being asked to support an increase in capital. As such I would like to thank you in a very special way for your support and loyalty.

I would also once more like to thank our employees and suppliers, who took on great challenges this year, learning to work in a new way and integrating their ideas to make Entel a better company.

I would finally like to thank our customers for choosing us, and for their understanding.

In conclusion I would like to restate my commitment, and that of the board and the executive team, to continue working with passion and professionalism, leading Entel on its journey of transformation and enabling us to fulfill our mission.

I hope you enjoy this report, which reflects the hard work of our entire team.

Many thanks



Juan Hurtado Vicuña
Chairman



A night-time aerial photograph of a city skyline, likely Santiago, Chile, featuring the Costanera Center and other modern skyscrapers. The city lights are reflected in the water in the foreground, and a highway with blurred lights is visible.

01

CORP
ORATE
INFOR
MATION



Profile

Entel is a global operator and a regional benchmark in the telecommunications industry, offering distinctive services to its customers in Chile and Peru.

Entel is a leader in telecommunications in Chile and has the most modern infrastructure in the industry. It offers a complete range of services including mobile and fixed communications, IT outsourcing and a contact center, delivering a different connectivity experience to individuals, companies and corporations.

The company also has an operation in Peru, where, from a leading position, it primarily offers mobile voice and data services on 2G, 3G and 4G networks covering the country's major cities.

In both countries Entel stands out for its focus on the customer experience and for having its own robust, 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 USD 3,206 million at the close of 2016.

Ownership is distributed amongst 1,942 shareholders and the controlling shareholder is Inversiones ALTEL Ltd, a subsidiary of Almendral S.A.

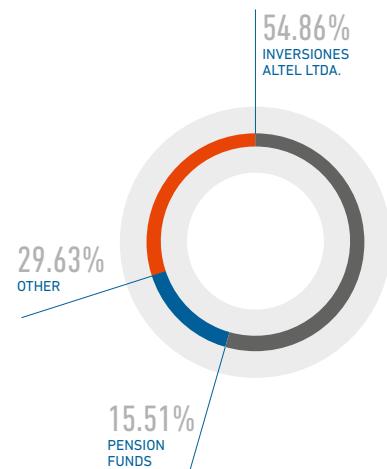
KEY FIGURES

	2016	2015	% CHANGE	2014
CLP Millions				
Consolidated Revenue	1,887,302	1,792,864	5%	1,668,052
EBITDA	424,781	356,585	19%	370,150
Operating Profit	114,395	80,844	42%	126,769
Annual Profit	34,158	-1,102	-	56,471

Profit per share (\$)	128.11	-4.66	-	238.75
Dividend yield (%)	0.00	0.54	-	3.77
Return on Equity (%)	3.08	-0.12	-	6.15

CLP Millions				
Assets	3,480,440	3,262,953	-	3,035,795
Liabilities	2,218,567	2,307,606	-	2,079,451
Equity	1,261,873	955,347	-	956,345

BREAKDOWN OF OWNERSHIP



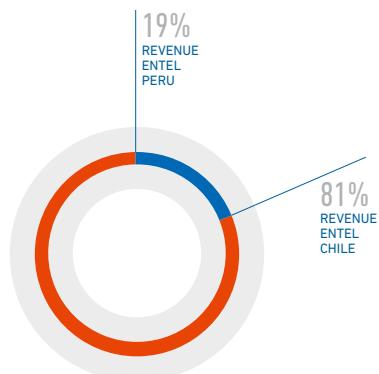


CHILE

International telecommunications operator

The group's main business in terms of revenue are the mobile services in Chile and Peru.

REVENUE BREAKDOWN %



Chile revenue includes Americatel, Call Center Services and others.

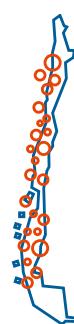
TOTAL REVENUE 2016 (million)
\$1,887,302
+ 5% variation

EBITDA (million)
\$424,781
+19% variation

Solid competitive position

9.5

million of mobile customers in Chile



MOBILE SECTOR

41%
Revenue Share Serv

36%
Market Share

43%
Top of Mind

38%
Brand Preference

FIXED

24%
Revenue Share Enterprise

+15pp
Satisfaction Gap Corporate Segment

21%
RGU Residential + Enterprise

14.3 million mobile customers in Chile and Peru

MOBILE CUSTOMERS (000)

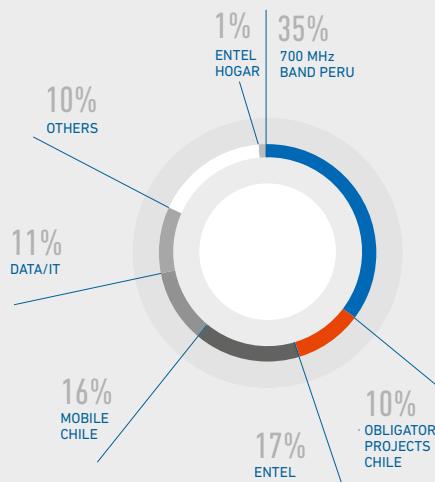


39%

of mobile customers in Chile and Peru are postpaid.

PERU
CHILE

Investments 2016



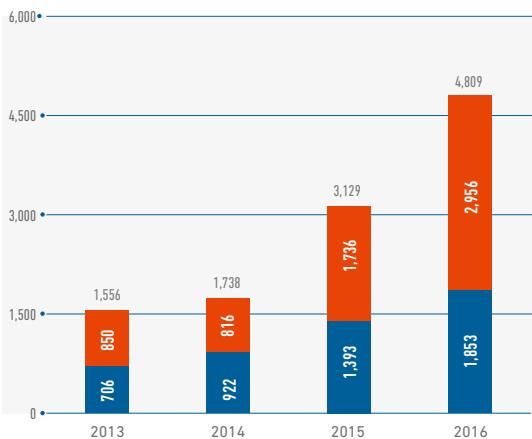
**USD
829
MILLION**

PERU

54%

Annual growth in mobile customers

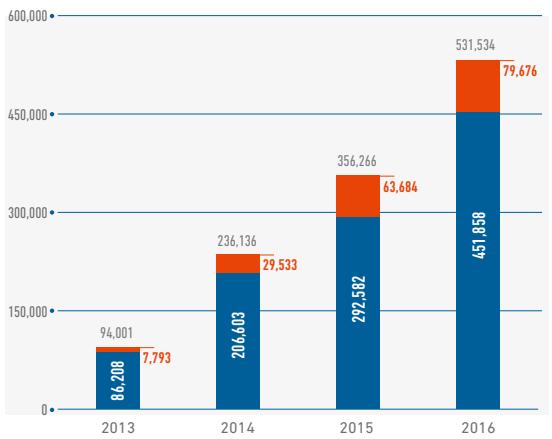
MOBILE CUSTOMERS (000)



49%

Annual revenue growth (US\$)

REVENUE (000)

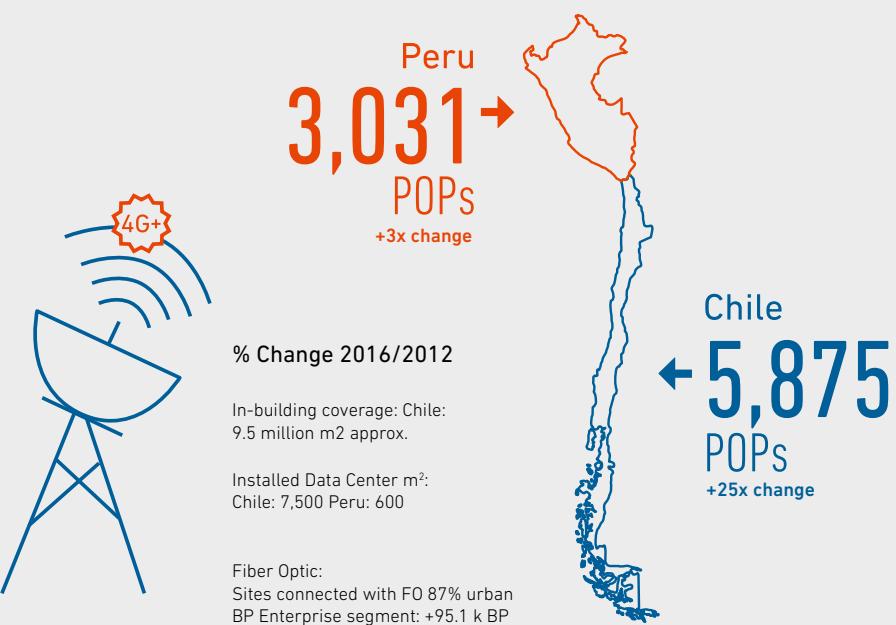


Steady growth of infrastructure

SPECTRUM*



Growth in points of presence





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

1964

Creation

Entel, Empresa Nacional de Telecomunicaciones was established by treasury decree on December 30 to provide national and international long-distance telephone and telegraph services to enterprises.



1968

First Satellite Station

Entel installs Latin America's first satellite station in Longovilo.

1974

Torre Entel

Entel inauguates the 127 meter tower from where the National Telecommunications Center operates.

1987

Network Digitization

Entel confirms its technological leadership with the digitization of its national and international long-distance network.

1992

Privatization

Completion of the privatization process begun in 1986.

1994

Multicarrier System

With multicarrier code 123, Entel starts competing with other operators in its original business area.

1995

Internet Services

Internet services are added to the company's offering.

2000

Call Center

The subsidiary Entel Call Center is created.

Entry into Peru

Entel creates Americatel Peru to provide long-distance and traffic termination services in that country.

Entel Will

EntelPhone obtains two licenses on the 3,500 Mhz band to provide fixed wireless services and broadband for internet (Entel Will).

1960

1977

Satellite Expansion

Construction of three new satellite stations to provide coverage throughout mainland Chile completed in 1985.

1980

1990

Fiber Optic Network

Entel begins developing the fiber optic network which currently runs throughout Chile for more than 5,000 km.

1993

International Expansion

Entel begins its expansion abroad with the creation of Americatel Corp to provide long distance services in the United States. It takes over Americatel Centroamérica the following year. Both companies are sold in 2006.

1990

1996

Local Telephone Service

Local telephone services start.

Analog cellphone service

Entel takes over Telecom Celular S.A which provided analog mobile services with coverage in various regions of the country.

1997

PCS Mobile Service

After obtaining two PCS licences (Personal Communication Service), Entel starts to provide mobile services throughout the country.

2000

2005

IT Services

Entel broadens its range, offering IT services.

2006

3.5G mobile network

First operator in Latin America to commercially launch a 3.5G mobile telephone network.

Mobile Broadband

Entel PCS launches the first mobile broadband service in Latin America.

2015

First stage of Conectando Chile completed

Close to 45,000 Chileans in 181 rural areas now have a telecommunications service, after completion of the first stage of the Connecting Chile project. The project is part of investment commitments made in the context of developing the 2,600 Mhz band network.



2009

First HSPA+ commercial network

With the operation of the first commercial HSPA+ network in Latin America, Entel PCS is able to offer the fastest broadband speeds on the market.

2010

New Data Center

Entel launches the first phase of 2,000 m² in Ciudad de los Valles data center with a projected surface of 8,000 m² of floor space. This marks the beginning of a shift in the industry towards local, high-quality data centers.

2010

2010

Acquisition of Transam and Will

Entel acquires a 100% share in Transam, an intermediary telecommunications services supplier and long-distance operator, and Will, a local wireless telephone and data transmission services company.

2011

Restructuring of Entel

Entel restructures its organization, integrating the fixed and mobile businesses. Activities are grouped in units based on market segments.

2012

Todo Chile Comunicado

Entel and the Chilean government successfully complete the first major connectivity program to provide more than 1,474 rural localities with broadband coverage, benefitting more than three million people.

2012

Expansion in Residential Wireless and Pay TV

With Entel Hogar the company begins providing fixed wireless telephone services, satellite TV and internet in the residential segment.

2014

Launch of Entel Perú brand

Successful launch of the Entel Perú brand, backed by the expansion and modernization of the existing 2G, 3G and 4G network, with an attractive commercial offering.

2015

Partnership with Ericsson for digital transformation

Agreement signed with Ericsson to work together as strategic partners on digitizing Entel.

2012

2012

Award of spectrum in 2.6 GHz band for 4G

Entel is awarded the central block of the 2,600 Mhz band tendered by the Department of Telecommunications, allowing it to provide services over networks using LTE or 4G technology.

MVNO Services

Entel starts providing network infrastructure services for mobile virtual operators (MVNOs), a new mobile business service.

2013

Second stage of the Ciudad de los Valles Data Center

The second stage of the Ciudad de los Valles Data Center was launched, a project with Tier III Design Documents and Tier III Constructed Facility certificates, awarded by the Uptime Institute.

2014

First 4G - LTE test in Latin America on 700MHz band

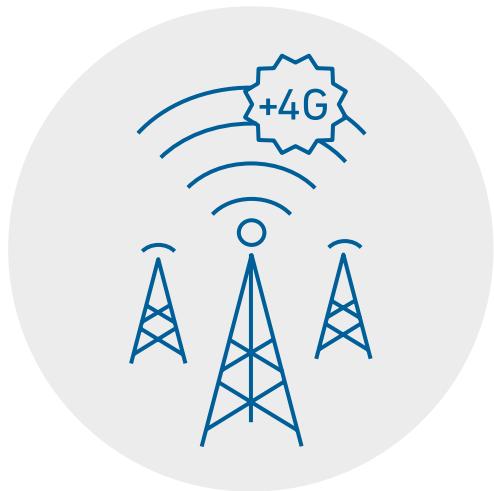
Entel, together with Ericsson, carry out the first 4G - LTE test on the 700 Mhz band in Latin America, providing coverage both inside buildings and outside.

2015

Acquisition of Nextel Peru

Entel acquires 100% of shares in Nextel Peru, the third largest mobile company in the country.

Highlights 2016



Entel launched the 4G+ LTE Advanced network, the most modern in Latin America

In May, just eight months after publishing the project's concession order in the Official Journal, Entel became the first telecommunications company in the country to provide its customers with a 4G network on the 700MHz band. This network is the most modern in Latin America and has LTE-Advanced Carrier Aggregation technology, combining 2,600 Mhz and 700 Mhz spectrum bands and almost doubling the speed of 4G LTE alone.

In addition to the Metropolitan Region, at year end the company had already deployed 4G+ network in the regions of Biobio, Valparaiso, Tarapaca, Antofagasta and O'Higgins, delivering the technology to more than 70% of the country's population.

Customers in Peru number nearly five million

The success of the Entel Perú strategy is reflected in the continued growth in customers. At year end 2016 the Entel subsidiary had 4.82 million subscribers, 54% up on the 3.13 million at the end of 2015. The rise reflects 33% growth in the number of postpaid customers, which at the end of 2016 stood at 1.85 million, and 70.3% in the prepaid segment, the client base reached 2.96 million customers at year end 2016.

700 MHz Peru license awarded

In May 2016, ProInversión awarded Entel Perú one of the three blocks of the 698-806 MHz block (known as the 700 MHz band). With an investment of USD 290 million, this license allowed the company to provide 4G services and successfully expand their service offerings.

Fixed Wireless Broadband Service in Peru

In 2016 Entel Perú extended its offering to the residential segment to include Fixed Wireless Broadband services. With a self-install kit that allows access to different offerings and connection to multiple devices with unlimited browsing at a speed of up to 2 Mbps, the Entel subsidiary replicated what had been done in Chile, taking advantage of the capabilities of the mobile network.

Successful capital increase

In August Entel finalized a capital increase of CLP 353,703 million, achieving an excellent level of demand for first issue securities. In the first 30 days of the preferred option period, subscription was registered at 98.2%, and later 100% capitalization was approved by the board. The resources are earmarked for financing investment activities in Chile and Peru.

First telecommunications company in the Dow Jones Sustainability Index Chile

Entel became the first telecommunications company in the country to join the Dow Jones Sustainability Index Chile (Chile DJSI). This acknowledgment spotlights those companies listed on the Santiago Stock Exchange that meet sustainability criteria better than their peers in economic, social and environmental areas. The Dow Jones Sustainability Index is the most prestigious in the world regarding investments with a focus on long-term operations.

Conectando Chile: 280 extreme locations

Entel delivered telephone and mobile internet services to more than 280 of the 549 isolated locations it committed to throughout the country, ahead of the deadlines set by the authorities, as part of the second phase of its "Conectando Chile" program.

The initiative conforms to the considerations set out in the Department of Telecommunications' tender for the use of the 700 MHz band. This

involves an investment of about US\$ 170 million and will benefit over 85,000 Chileans.

Innovation in mobile offering

Once again Entel was a pioneer in the telecommunications industry. Special offers for limited video use (YouTube) were launched in Peru, encouraging the use of these applications. This offer was also used in Chile, with the introduction of new plans that include an additional GB quota exclusively for the music and video applications Spotify, Apple Music, YouTube and Netflix.

With the 700 MHz band the company tripled the data quota of existing plans in Chile and incorporated a multi-device offering which lets users share their traffic quota with up to five additional devices (browsing on their mobile, tablet, computer or other).

Cooperation agreement for handsets with Huawei

In order to leverage and foster the leadership and strengths of both companies in their respective industries, Huawei Device and Entel signed a cooperation agreement on handsets. This includes incorporating the portfolio of wearables and the development of 4G+ compatible handsets.

Awards and Recognition

CHILE

Sixth place in the Merco corporate reputation ranking

In 2016 Entel climbed three places in Merco's annual corporate reputation ranking, taking sixth place. This is the second year running that the company has been ranked amongst the country's top ten. Once again it was also top amongst the telecommunications companies.

Most innovative telecommunications company in Chile

The ESE Business School of the Universidad de los Andes, together with La Tercera newspaper, awarded Entel first place in the "Most Innovative Companies in Chile" ranking, 2016. The scale ranks Chile's most innovative companies in each industry. This was the seventh year of the ranking with more than 300 companies being assessed. All were subject to an evaluation of their innovation policies and procedures, their innovation culture and the impact of innovation on company results.

IZO best customer experience

For the sixth year running Entel won the prize for the best customer experience in the Chilean telecommunications category, and for the fifth year first prize in the category best telephone company experience in telecommunications in Ibero-America. The awards were presented by international consultants IZO and based on a Best Customer Experience (BCX) study that took in the opinions of more than 13,000 customers reviewing companies from different sectors in Brazil, Chile, Colombia, Spain, Mexico and Venezuela.

First place in Procalidad Customer Satisfaction

For the fourteenth year running in 2016 Entel was awarded first place in the ProCalidad National Customer Satisfaction Awards, in the mobile telephone services category. This is the only ranking to measure the satisfaction of Chileans regarding companies over a one-year period.

A Golden Effie

In 2016 the company was awarded a Golden Effie for its Mother's Day commercial with Iphone/Portability.

Amauta International Award for the Enterprise Segment's "Cursos Clic"

Cursos Clic from the Enterprise Segment won the highest award in the Loyalty and Relationship Programs category of the 17th Amauta Awards. This award is given by the Federación de las Asociaciones de Marketing Directo e Interactivo de América Latina (ALMADI). The Entel program was recognized for its strategy, creativity and results during its 2016 campaign which had 5,100 business owner registrants amongst a grand total of 18,188.

Fourth place in Brandwatch Ranking - Digital Panorama in Chile

This year Entel was fourth in the Brandwatch Ranking which measures the performance of brands on social networks, and second amongst the companies that were not media.

PERU

Best reputation amongst Telcos in Peru

Merco's 2016 corporate reputation ranking placed Entel Perú 16th out of 100 companies evaluated across the spectrum of the economy, and first in the telecommunications sector in Peru, less than two years after breaking into the Peruvian market.

Recognition of entrepreneurial creativity

Entel Perú won first place in the marketing, merchandising and sales category of the Innovative Communication awards 2016, granted by the Peruvian University of Applied Sciences and Laureate International. The prize was for their "Super Yapa" campaign which helped grow market share from 5 to 7%. They were also awarded first place for "Public Services" for their agreement with Facebook which helped grow postpaid's market share from 9.5% to 15.7%.

Four Effies for Entel Perú, two gold and two silver

Entel Perú's effective communication and marketing campaigns, designed to disseminate their distinctive commercial offer in the second quarter of 2016, were awarded four Effie awards, two gold and two silver. The prize comes on top of the ANDA medal for Integrated Communication - Services, awarded in 2015 for the effectiveness of the brand launching campaign.



Best Place to Work

In 2016 Great Place to Work found Entel Perú the best place to work in the telecommunications industry in Peru.

Best customer experience in the telecommunications sector in Peru

In November 2016, international consultancy IZO recognized Entel as the company offering the best customer experience in the telecommunications sector in Peru. The award was based on BCX studies that measured customer satisfaction in terms of experiences with channels, brands, interactions, product and emotions felt by customers.



Corporate Governance

Principles

The principles of Entel's corporate governance are based on the proper management of the company's business through decisions taken and the approval of strategic directives; safeguarding the rights of shareholders, ensuring their equitable treatment; and the timely and accurate disclosure of any relevant information about the company.

A fundamental part of corporate governance to ensure the creation of long-term value is the supervision of senior management in line with these principles, and the development of strong and sustainable relationships with the company's stakeholders (shareholders, employees, customers, suppliers and the community).

Organization and Operation

Board of Directors

Entel's Board of Directors represents shareholders and manages the company's corporate governance. It is made up of nine members who do not hold executive positions in the company. Members stand for two years and can be reelected.

The current board was elected at the shareholder meeting in April 2015.

Main functions

- > Leading the company towards fulfilling its economic, social and environmental objectives.
- > 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.

Entel has a formal induction policy for new directors that provides all relevant, qualitative and quantitative, oral and written information regarding the functioning of the Board and the major operational, financial and institutional aspects of the company. The company's CEO is responsible for this induction process.

Directors can review the minutes of meetings from the past three years and access information from board meeting presentations through a secure, remote and permanent computer system.

Directors' Committee

In accordance with the law, Entel has a Directors' Committee.

Main functions

- > Examining the external auditors' reports, balance sheets and other financial statements, proposing auditors and risk ratings agencies to the board of directors and reviewing transactions between related parties, in addition to other duties contained in the Corporate Governance Manual.

Directors' Committee Members

- > Luis Felipe Gazitúa Achondo (Committee Chairman).
- > Richard Büchi Buc (director of the controller).
- > Carlos Fernández Calatayud (independent director).

The Directors' Committee has reported full attendance of its members for all sessions and the Board has had full attendance of members in a majority of its sessions, with any exceptional case of individual absence duly justified.

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 regulatory issues.
- > 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

- > Regulatory and Corporate Affairs Executive
- > Risk and Management Executive
- > Internal Audit and Operational Risks Manager
- > Legal Executive
- > Human Resources Executive
- > Vice President Technology and Operations
- > Committee Secretary: Strategy and Human Resources Development Executive

Governing documents for Corporate Governance

The Code of Ethics was established in 2009 as a basis for the committee, detailing the activities of its members. The document was last updated on June 3, 2013, incorporating the directors under the applicable categories and adapting the content in line with the new vision, mission, framework of values and commitment of Entel and its subsidiaries following the integration of the fixed and mobile businesses.

The Code of Ethics also covers updates to corporate governance guidelines and the approval and consolidation in the Corporate Governance Manual of the self-assessment measures set out in General Regulation No. 341 of the Chilean Superintendence of Securities and Insurance, in turn modified by the General Regulation of June 8, 2015, and currently with standards set out in Generally Applicable Rule 385.

Better corporate practices

On March 3, 2015, Entel submitted information to the Chilean Superintendence of Securities and Insurance on corporate governance practices adopted by the company in line with the provisions of General Regulation No. 341, which were unchanged from those previously submitted, and will comply on time with that obligation in 2016, as set out in General Regulation 385.

Investor Relations

Entel has an investor relations area that is responsible for providing the information required by the financial market and disclosing information about the company in compliance with current regulations. The relevant information is also published online at www.entel.cl/inversionistas.

GOVERNING DOCUMENTS FOR CORPORATE GOVERNANCE



Contingency Control and Management

Risk Governance

To manage integral risk, Entel has a general risk control and management policy and a cross-cutting governance structure led by the Strategic Committee on Integral Risk Management and supported by a Risk Management Operating Committee.

In line with this policy, those ultimately responsible for risk management are the line and business areas. Governance relies on the committees for support, as well as the Internal Audit and Operational Risk division, specifically the Risk Management area. The role of the latter is to support and monitor risk management and its governance, with particular focus on:

- > Operational risks
- > Business continuity
- > Information security
- > Systems Access Risk Management

In addition the division is responsible for:

- > Ensuring compliance with the mechanisms governing risk management, promoting the culture and ensuring understanding.
- > Coordinating with and supporting the organizational units, in line with the defined governance model, in identifying, analyzing, evaluating, recording and mitigating risk.
- > Monitoring and recording mitigation projects and other projects associated with risk management, both internal for each area and across the organization.



Risk Management

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 department managers. It meets monthly, its main function being to manage the risk of the company from the operational level, incorporating customer perspective and driving and monitoring mitigating action put in place to tackle possible incidents.

The committee allows Entel to get an overall view of risk management in the company.

Areas of operational risk monitored and controlled on an ongoing basis include technology, information security, business continuity, reputation, and fraud. Work relating to financial, legal, regulatory and business risk is also carried out.

- > Updating the risk map with the whole organization, at least every three years.
- > Keeping management and the Board informed of compliance with, changes and improvements in risk management.

The Internal Audit and Operational Risks Division is responsible for evaluating the effectiveness of the implementation of the Risk Management and Control Policy, for compliance with its content, and for keeping a backup of this information.

This structure allows for efficient corporate governance and contributes to mitigating risk.

Management 2016

Given the well-known dynamism of the market in which the company operates, Entel periodically assesses the strategic macro risks. In 2016 they hired consultants Deloitte to update them and the results were presented to senior management and the Board by the Internal Audit and Operational Risks manager.

On this occasion, 30 macro risks were determined along with ways to mitigate them. Twelve of them were prioritized for their impact and probability. Their management will be reinforced and will be part of the Internal Audit Annual Plan in order to verify compliance with recommendations and mitigating action.

Main activities 2016

- > Review and Internal Risk Assessment for Digital Transformation Project Chile and Peru (program to develop a fully digital company to ensure a distinctive and disruptive customer experience through a range of simpler and more efficient products and services).
- > Implementation of Identity Access Management (IAM) software for controlling access to the main internal and external personnel systems when appropriate.
- > Contingency team tests for possible failure of systems, networks and IT.
- > Ongoing improvement process and adherence to methodology, based on international standards and practices as per ISO 9001 / ISO27001 / TIER III/ SSAE16 (ex SAS 70).

- > Activation of Crisis Committee after the flood that disabled out the corporate building in Avenida Costanera Sur in the municipality of Las Condes, Santiago, caused by the severe flooding of the Mapocho River in April 2016. Efficient management and teamwork allowed the company to continue delivering its services without major problems, even though more than 1,250 people had to be relocated at short notice.
- > Work plan on regional risk management focusing on business continuity and including visits from the corporate risk executive team to facilities throughout the country to strengthen the operational risk culture.
- > External assessments to strengthen practices and governance in cybersecurity. Preventive monitoring through a high-tech SOC.
- > Strengthening risk governance in Entel Perú, replicating the experience of Entel Chile in contingency control and management, with staff responsible for information security, business continuity and systems access management.

Criminal Liability of Legal Entities (Law 20.393)

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

The offence prevention model has been recertified by Feller Rate Risk Rating Ltda.

Entel has a website 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. Finally, in December 2016 Entel updated its declaration of potential conflicts of interest through a questionnaire given to all management levels and to area heads.



Remuneration of the Board of Directors

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.

Name	Tax ID	2016 CLP (million)	2015 CLP (million)
Juan Hurtado Vicuña	5.715.251-6	79,811	76,747
Luis Gacitúa Achondo	6.069.087-1	75,273	72,357
Raúl Alcaíno Lihn	6.067.858-8	-	12,940
Richard Büchi Buc	6.149.585-1	54,744	51,509
Andrés Echeverría Salas	9.669.081-9	39,905	37,312
Carlos Fernandez Calatayud	5.213.938-4	54,744	35,370
Juan Mac-Auliffe Granello	5.543.624-K	41,058	38,366
Patricio Parodi Gil	8.661.203-8	39,917	25,440
Alejandro Pérez Rodríguez	5.169.389-2	41,058	41,580
Bernardo Matte Larraín	6.598.728-7	38,780	37,315
Total		465,290	428,936

During the financial year, the Directors Committee did not incur any expenses or contract any consultancy services.

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	2
3 - 6 years	2
6 - 9 years	2
9 - 12 years	1
> 12 years	2
Total	9

Years of experience in post in continuous or interrupted terms.



Board of Directors



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

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

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

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



5. **Andrés Echeverría Salas**
Director

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

7. **Patricio Parodi Gil**
Director

Business Administration, Pontificia
Universidad Católica de Chile.
MBA, Harvard University.
TAX ID: 8.661.203-8

9. **Carlos Fernández Calatayud**
Independent Director

Civil Mechanical Engineering,
Universidad Federico
Santa María
TAX ID: 5.213.938-4

6. **Juan José Mac-Auliffe Granello**
Director

Business Administration, Pontificia
Universidad Católica de Chile.
TAX ID: 5.543.624-K

8. **Alejandro Pérez Rodríguez**
Director

Industrial Civil Engineering, Universidad
de Chile. Master in Economics,
University of Chicago.
TAX ID: 5.169.389-2

Management

Chile

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 those pertaining to attention to the Wholesale Segment are grouped under a convergent Technology and Operations area. The IT Services area is responsible for managing, operating and running platforms for processing, transactions and connectivity (cloud services, data center, outsourcing).

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.

Peru

At the executive level, the management of Entel Perú reports to a board. Its internal structure is very similar to that of the Chilean business.

Other Subsidiaries

They report to specific boards of directors. They are managed in line with their strategy.

Cross-cutting Governance

To correctly handle strategic and management issues, the executive group has a business-wide governance system that supports its corresponding responsibilities. Issues managed in this way include the approval and monitoring of investments, the control of operations aligned with customer quality targets, the management of human capital and its associated strategies, and communications.

Executive Compensation

Salaries of managers and senior executives 2016

Personnel included	111 people Entel S.A. and subsidiaries
Remuneration	CLP10,709,712,463
Bonuses	CLP4,989,382,616
Severance pay for 2016 was CLP 547,885,448 split between eight managers.	

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 above.

Staff

Service providers not included

	Entel S.A.	Entel PCS	Call Center S.A.	Other subsidiaries	Call Center Peru	Americatel Peru	Entel Perú	Total
Managerial	57	43	6	1	2	6	9	124
Professionals and Technicians	1,985	1,263	262	30	591	223	442	4,796
Clerical	710	633	1,246	309	2,648	182	1,957	7,685
Total	2,752	1,939	1,514	340	3,241	411	2,408	12,605

Diversity amongst key executives

Entel S.A., Entel PCS Telecomunicaciones S.A., Entel Telefonía Local S.A.

Gender	
Female	12
Male	88
Total	100

Nationality	
Chilean	92
Foreign	8
Total	100

Age range	
30 - 40	11
41 - 50	60
51 - 60	27
61 - 70	2
Total	100

Length of services	
<3 years	15
3 - 6 years	19
6 - 9 years	16
9 - 12 years	8
> 12	42
Total	100

Organizational Chart







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 in Economics, University of Chicago.
Tax ID 9.989.661-2

Key executives

José Luis Poch Pireta
Vice President Consumer Segment
From March 2011.
Various roles at Entel since February 1993

Commercial Engineering, Pontificia Universidad Católica de Chile.
Tax ID 7.010.335-4

Julián San Martín Arjona
Vice President Corporate Segment
From December 31, 2006.

Civil Industrial Engineering, Universidad de las Américas. Computer Engineering, Universidad de Chile.
Tax ID 7.005.576-7

Patricio Pérez Gómez
Strategy and Innovation Executive
From May 2014.

Civil Industrial Engineering and Masters in Engineering Sciences, Pontificia Universidad Católica de Chile. MBA, Universidad Adolfo Ibáñez.
Tax ID: 11.847.168-7

Alfredo Parot Donoso
Vice President Technology and Operations
From March 2011.
Various roles at Entel since January 1996

Civil Industrial Engineering, Pontificia Universidad Católica de Chile.
Tax ID 7.003.573-1

Cristián Maturana Miquel
Legal Executive
From March 1994.

Law, Universidad de Chile.
TAX ID 6.061.194-7

Víctor Hugo Muñoz Álvarez
IT Services Executive
From March 2011.
Various roles at Entel since August 2005

Electronic Civil Engineering, Universidad Técnica Federico Santa María. Pade Universidad de los Andes
Tax ID 7.479.024-0

Felipe Ureta Prieto
Finance and Management Control Executive
From April 2005.
Various roles at Entel since January 1994

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.
Tax ID 8.131.463-2

Juan Baraqui Anania
Risk and Management Executive
From March 2011.
Various roles at Entel since 1994

Business Administration, Universidad de Santiago.
MBA University of California, Los Angeles
Tax ID 7.629.477-1

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

Civil Industrial Engineering, Pontificia Universidad Católica de Chile.
Tax ID 8.165.795-5

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.
Tax ID 10.767.214-1

Luis Cerón Puelma
Internal Audit Executive
From July 1997.

Accountancy/Auditing, Universidad Católica de Valparaíso.
Tax ID 6.271.430-1



Corporate Image

Following the successful rollout of 4G-LTE network in the 700 MHz band in Chile and Peru during 2016, Entel continued to strengthen its brand, placing strong emphasis on highlighting the company as the operator with the most modern network in Latin America.

In an extremely dynamic and demanding market, with an increasingly connected society, Entel proved once again that it is a company able to anticipate change, with the stated aim of offering its customers a unique, innovative and simple experience.

Putting the above into practice, the potential of the new 4G+ network was demonstrated throughout Chile, along with the Smart Fun package which significantly increased browsing quotas, improving the competitiveness of the company whilst delivering an ad hoc answer to the needs of customers and improved user experience.

Brand attributes

- > Leadership
- > Better communication quality
- > Better coverage
- > Advanced technology
- > Proximity

An interactive zone

La Zona is a benefits club for customers and a powerful tool for gaining loyalty. It aims to deliver an experience that is both distinctive and simple and was stepped up in 2016 when, as part of the modernization of the Entel App, options were made available such as virtually trading Zona points for cinema tickets, prepaid top-ups and data, voice or messaging packs.

Through La Zona Entel fosters the dissemination of culture and sport, key elements in building the approachability that characterizes the brand.

Entel Hecho en Casa Festival: Urban art

The aim of the Entel Hecho en Casa festival is to connect Chileans with art and 2016 marked its fourth year.

Over six days, five large-scale urban art interventions were put on in Santiago by renowned international artists, positioning Santiago as a culture capital.

In total, an estimated three million visitors went to see "Epicentro Luminoso 1.26", a 20-meter high robot on display at the Entel Tower, as well as 10 giant fried eggs in Plaza Baquedano, a 3D painting on the Paseo Bulnes and mural on a building at the intersection of the streets Agustinas and Maclver.

Business events

Entel gives ongoing support to companies and corporations providing innovative tools that enhance its business. Two major events stand out in this context.

Entel Enterprises Tour 2016

The Entel Enterprises Tour has become an important business event in telecommunications, with a nationwide attendance of more than 2,200 customers.

In 2016 an extensive tour of Chile included a talk entitled "All Possible Futures" by the international speaker Gabriel Gurovich, who spoke of the

dizzying speed of the technological transformation coming in the next 10 to 15 years.

The tour took in the cities of Temuco, Talca, Rancagua, Iquique, Antofagasta, Coquimbo, Concepción, Puerto Varas, Viña del Mar and Santiago, discussing the latest trends in technology and allowing customer companies to envision the new tools that will allow them to adapt and transform themselves into the future way of doing business.

Eighth Entel Summit

More than 2,000 people attended the eighth Entel Summit, "Digital companies for a better customer experience." The keynote speaker was technology entrepreneur Uri Levine, co-founder of the Waze application, who spoke about the transformations generated by the internet, changing the business paradigm and the way companies interact with users and buyers.

More than 11 speakers participated, including Andrés Moreno, founder, president and CEO of Open English, a leader in the Americas of English language teaching based on the internet. Through the presentations attendees were able to discover how to do business in the digital era, and the potential of digital transformation for improving customer experience.

Main Entel Events 2016

Online Marketing

In 2016 Entel enhanced its various digital platforms as service and transaction methods (more details in Innovation Chapter). For this all the company's communications activities were planned integrally.

Main digital activities

- > **Hola Sandra web series:** first web series directed by Boris Quercia. The romantic comedy is based on the nomophobia faced by the main character, Sandra, played by Carolina Varleta.
- > **Social network coverage of the Chilean National team in the Centennial Cup:** Entel was chosen by a number of specialized media as the brand with the best performance during the competition.
- > **Fourth place in Brandwatch Ranking - Digital Panorama in Chile 2016.** The ranking measures the performance of brands in social networks and the company was the first and only telecommunications company on the ranking, and the second company that was not media.
- > **Innovation with Shazam technology for 2016 Creamfields campaign.** The 2016 Creamfields saw an innovation in communication as users were invited to "shazam" the advertising on the radio. The campaign was recognized as the most successful in the region by the Shazam team.
- > **"Make a Wish" Campaign.** New Year's communication in the Entel Tower, inviting Chileans to send wishes for the year 2017. With no inducement our users sent more than 16,000 wishes.

Sports



Official sponsor of the National Football Team. This year Entel spoke to the true fans.



Entel Santiago Marathon



Support for provincial sports teams.

Entertainment and culture



Festivals: Creamfields, Andes Arena.



Concerts: massive recitals with Entel sponsoring the Rolling Stones, Maroon5, Simply Red, Coldplay, Disclosure.



Shows: Cirque du Soleil.



La Pampilla Festival in Coquimbo



Frutillar Music Weeks



25th New Year's Party in the Entel Tower, bringing together 400,000 people.



Entel Hecho en Casa Festival: Urban art

As well as digital activities, Entel organized roundtables for different areas of the company to meet their specific communications needs, using the full range of options offered by digital media in terms of segmentation and microsegmentation to reach all audiences.

Number one for recall and preference

In a year notable for the high level of competition in the national telecoms market, Entel held on to its leading position in terms of brand image in Chile.

Market studies carried out for the Consumer Segment placed Entel first for Top of Mind awareness in the mobile sector, 14 percentage points ahead of the next company. The story was similar in the surveys measuring brand preference, putting Entel 17 points ahead of its closest competitor.

Successful positioning in Peru

A little more than two years after its launch, the Entel brand is in a strong position to support the company strategy in a market with high potential such as Peru.

At the close of 2016, spontaneous recall rose from 57% in April 2015, six months after the launch, to 77% (91% and 93% respectively for assisted recall).

Top of mind meanwhile was up from 3.2% in April 2015 to 14% in December 2016, while brand consideration was up from 17% in April 2015 to 39% in December 2016.

Awards 2016

Chile	
ORO	Effie Mother's Day commercial with Iphone/Portability.
Peru	
ORO	Effie Line extension
ORO	Effie Corporate Reputation
PLATA	Effie Non-Financial Services
PLATA	Effie Line extension

Entel Hecho 2016:





A photograph of a tug-of-war game in progress. A child in a striped shirt and a person in a dark sweater are pulling on a rope. In the background, a large tree is covered in vibrant autumn leaves. The scene is set outdoors on a grassy field.

02

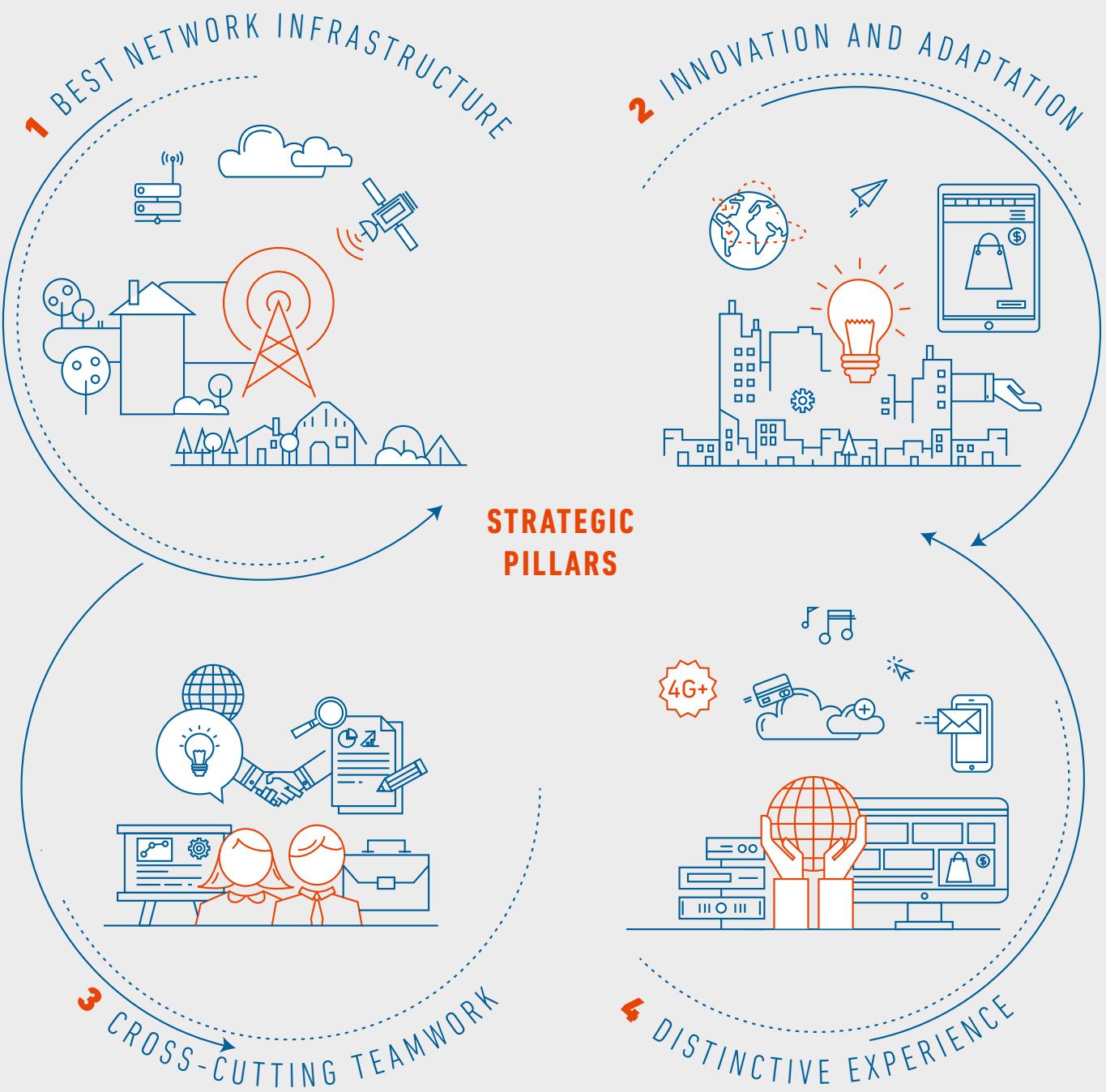
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Our business model

A business model based on four pillars allows Entel to be at the forefront of the telecommunications industry, a leader in Chile and a benchmark in the region.

As a company we set out to have the best network infrastructure and a high degree of innovation. Both pillars allow us to adapt quickly to a changing market and fulfill our main objective to deliver a distinctive service to customers who in turn reward us with their loyalty.

STRATEGIC PILLARS



Best Network 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. As such, in 2016 the company spent a total of USD 539 million on infrastructure (not counting the USD 290 million for the 700MHz license in Peru).

Highlights

- > Growth and maintenance of mobile network infrastructure in Chile: USD 101 million.
- > Investment in Peru's mobile network: USD 145 million (not counting the USD 290 million for the 700MHz license).
- > Mandatory Areas project and rollout of Minimum Coverage for the acquisition of the 700 MHz band: USD 83 million.

- > Fixed network rollout: USD 21 million.
- > Investment in customers from the Corporate, Enterprise and Consumer Segments for the Residential Business: USD 71 million.
- > Extra m2 of data center: USD 11 million.
 - Completion of the construction phase of the third stage of Ciudad de los Valles (CdlV III), which in September 2017 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 2016 the Entel Digital Transformation project continued. The project will transform Entel into a fully digital company, radically simplifying the way we operate: USD 46 million.
- > Other investments in systems platforms and equipment for technical and commercial management: USD 39 million.

Entel Perú Infrastructure

► Mobile Network

- > 1,900 MHz 3G network (UMTS), deployed across 3,036 sites nationwide, 1,460 in Lima. In Lima and Callao, coverage is about 93%.
- > iDEN network (800 MHz), known as PTT (Push to Talk) network. Entel Perú has 625 sites around the country (443 of these are in Lima).
- > In 2016 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. One hundred 4G data network sites have also been deployed through the APT700 band awarded in 2016.
- > The development process depends on population and geographical segmentation criteria, and managed to cover the 24 departments of Peru in 2016. As well using the rationale of coverage, the process is designed to deliver standards of quality, as in Chile.

► Mobile Spectrum

Entel Perú 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.
- > 2,500 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.
- > AWS (1,700-2,100 MHz) used to provide 4G services (LTE) nationwide.



24

2016: 24 cities
or departments
connected

4G services For Entel Perú

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 started deployment of 100 sites along with the infrastructure necessary to comply with contractual obligations for this band and to improve its range of data services.

Transport networks

► Fiber Optic:

The fiber optic core network runs throughout Chile for more than 5,000 km. It incorporates SDH and DWDM transmission technologies through which transport capacity of up to 400 Gbps can be reached. This network is mainly used by the IP/MPLS network, both fixed and mobile services. In 2016 the company increased the proportion of fiber optic to 80% as part of its transmission plans towards IP traffic aggregation points.

To separate trunk networks (north and south), Super Core topology was used to interconnect three core PoPs (CNT, CDLV and Las Condes), allowing them to function logically as part of a single, highly scalable PoP and reduce vulnerability by avoiding the concentration of traffic in a single location.

► Microwave

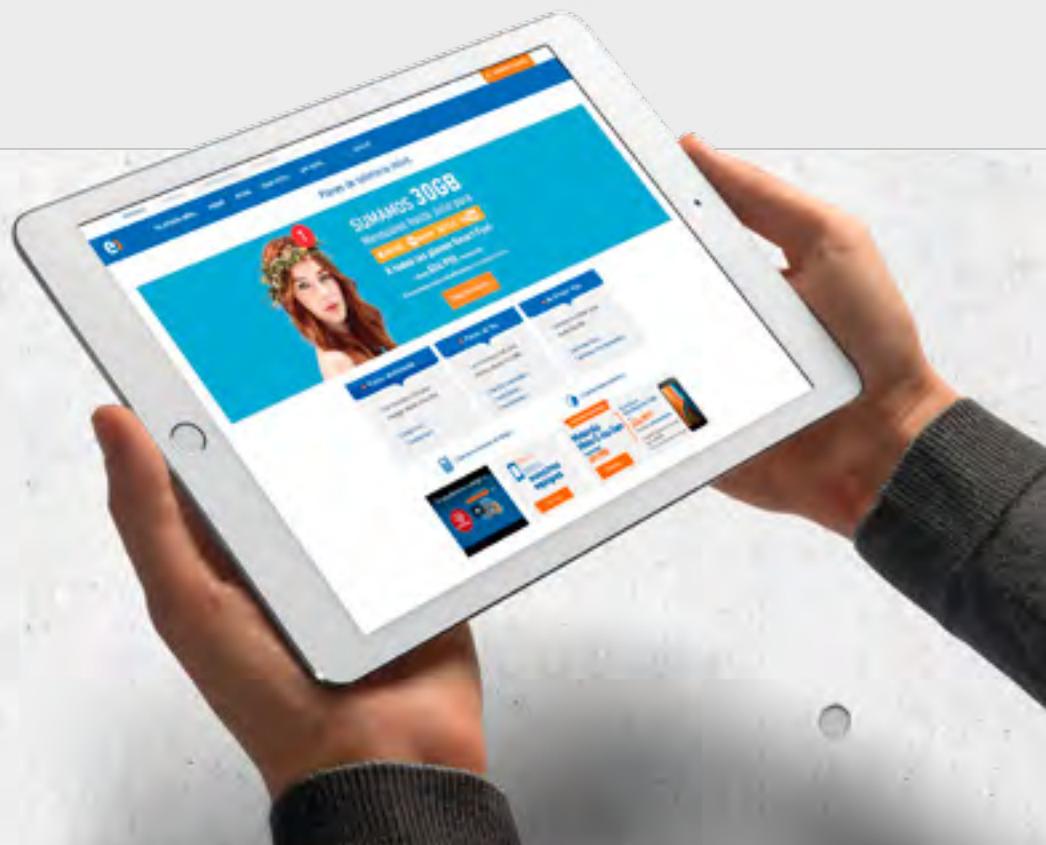
The microwave network is currently used as a branching and access network, largely for connecting rural areas to the fiber optic trunk network. It has national coverage and is used to interconnect the access network, mainly to provide mobile phone and wireless data services. The trend is for the migration of this network to the IP protocol, gradually decommissioning legacy nodes.

► Satellite

Through its satellite network Entel covers the entire country at island and mainland level, providing fixed and telephony services through 18 Earth Stations distributed throughout Chile. Due to this, isolated locations such as Puerto Williams, Villa O'Higgins, Antarctica and Easter Island are able to enjoy telecommunications services.

In 2016 Entel installed a new satellite platform 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 40 mandatory areas throughout Chile, helping to break the digital divide.

With more than 20 antennas at the Longovilo Teleport and agreements with satellite operators around the world (Intelsat, Telesat, O3B), Entel will continue to provide television and data services throughout Chile in 2017.



Access networks

► XDSL access network

The XDSL access network provides coverage in 161 districts throughout 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.

► MPLS Network Access

For both core and access, the MPLS network has evolved to use gigabit Ethernet connections throughout the country to provide dedicated, high-availability voice and data services. Entel currently has around 915 PoPs with Switch/MPLS services in 311 districts. The Metropolitan Region has a high-redundancy Metro Ethernet network, comprising primary optic rings of up to 10 Gbps and secondary high-speed Ethernet rings to provide access for mobile and private services.

► GPON Network

In 2016, the GPON fiber optic network for customers in the Enterprise Segment, had over 98,000 BP (including micro enterprises) helping reinforce coverage in 36 districts throughout the country, and in the residential segment it covers more than 142,000 HP.

MOBILE NETWORK

► Mobile Spectrum

Entel Chile has the following bands for its service:

- > 700 MHz (15+15 MHz). Operating in six of the country's regions to offer mobile data services with LTE Advance 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.

► 2G Mobile Network

The 2G plays an important role in the services Entel provides its users. The company's 2G network uses GSM/GPRS/EDGE technology at all its PoPs and is specifically designed and configured to support voice services, although it can also support data with average connection speeds of 100 Kbps. It is currently mainly used for M2M connections. The 2G network is made up of a total of 5,037 2G sites.

► 3G Mobile Network

The 3G network serves as a platform for mobile broadband and voice services for customers with 3G devices, as well as data services for smartphone customers. The technology provides theoretical peak data transmission speeds of 42 Mbps downstream and 5.7 Mbps upstream. The company is continuously increasing the capacity of this network to satisfy the constantly growing demand for traffic.

In 2016 around 103 new 3G sites were added on the 1,900 MHz band and 742 on the 900 MHz band, making a total of 5,920 3G sites by December 2016.

► LTE Mobile Network

The rollout of Entel's fourth generation mobile network began in 2013 with spectrum awarded on the 2,600 MHz band in August 2012. In March 2014, Entel completed deployment of the 2,600 MHz LTE sites for commitments made to the Department of Telecommunications, taking the total number of sites to 880.

A further 50 LTE sites were rolled out in six commercially interesting clusters, four in Santiago and two in the Sixth Region. In 2015 the Subtel process for awarding the 700 band was initiated which involves the installation of 660 new sites with LTE technology on the 700 band. In 2016 there were 710 PoPs with LTE 700 band.

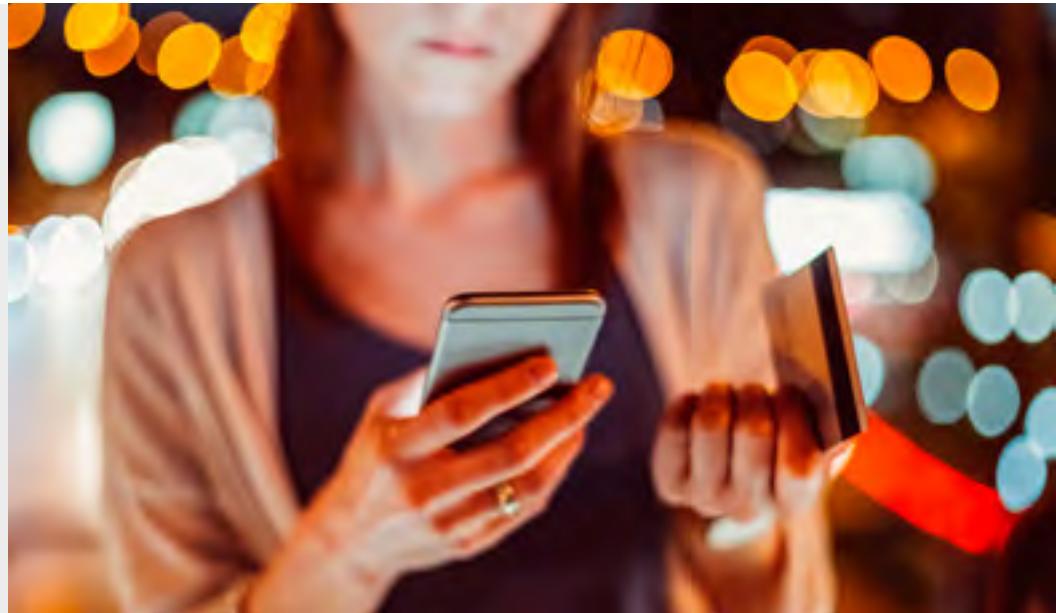
► Datacenter network

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, Nuñoa, Longovilo, Vicuña Mackenna and Ciudad de los Valles. A total surface area of 7,500 m² has been fitted out at the data centers, with a master plan for growth of up to 11,675 m².

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.

Innovation and Adaptation



For Entel innovation is one of its strategic foundations, it is part of its culture and the responsibility of all its employees. It is necessary to constantly assess and strengthen the company's innovation model to align it with the strategic objectives of the company. This model is complemented by national and international alliances which allow the company to leverage existing skills and develop new ones, building on experience and adopting best practices.

Structure for innovation

Strategic Committee on Innovation: 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 model

The Entel innovation model focuses on the development of a bimodal model that fosters projects for continuous or sustainable innovation in the core of the company and semiradical or radical innovation projects on the frontier 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.

> 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.
- Frontier projects are tackled by multi-disciplinary teams on a case-by-case basis and led by the Innovation Department.

In order to align the innovation model with company strategy, the following focal points for innovation have been defined: Customer-centric (needs), Vision of the Future (trends) and Adaptation (capabilities), which are the pillars on which the company's flow of innovation should be based.

Two initiatives that have helped progress cultural transformation and facilitate innovation in the company are the e)makers challenge and Innovation Day.

Desafío e)makers

The Desafío e)makers 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 Desafío e)makers 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.

In 2016, as part of efforts to simplify management, the Desafío e)makers integrated the work previously carried out annually through the "Tengo una idea" program.

Challenges 2016

- > No. of runs: 2
- > No. of challenges: 6
- > No. of participants per run: 1,789 employees
- > No. of proposals: 331
- > No. of projects selected for fast-tracking: 12

Innovation Day

To motivate and inspire employees to innovate and help transform the company, in 2014 Entel came up with the concept of 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.

Security and Identity

The digital era is giving way to the fourth industrial revolution. This requires a robust infrastructure providing the best connectivity.

But the revolution is much more than connectivity. It is about:
• IoT or everything connected.
• Virtualization.
• Big data analytics and robotics.

This is about an era and digitized generations.



Digital Transformation

Entel is immersed in a profound process of digital transformation in Chile and Peru, which includes significant changes in its product and service offerings, in the customer experience, in its channels of interaction and in operations.

Consumers, workers and businesses are increasingly more digitized and are experiencing an improvement in connectivity and ubiquity. Added to this there is the development of big data, microelectronics and ever shorter changeover cycles for new technologies. Against this backdrop, in 2015 Entel reflected deeply on how it should change its business to capture new opportunities in the digital age, whilst mitigating potential risks (e.g. cybersecurity).

This was the origin of the Entel 2025 project, which defined where the company wanted to be in 10 years and laid the foundations for meeting that objective.

As part of this project, Entel defined three strategic priorities for the next three-year period:

- > Evolution towards a fully digital, agile company in all external and internal areas.
- > Strengthening leadership in terms of the long-term, omnichannel, seamless, real time customer experience.
- > Achieving global benchmark levels of efficiency and profitability.

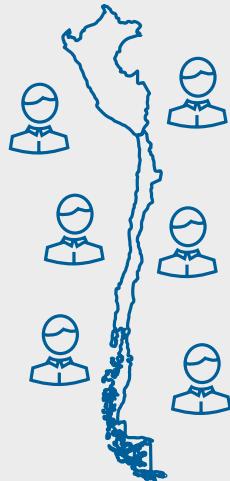
To meet these priorities the company is progressing with the Entel Digital Transformation project which

New customer Experience



began in September 2015 and will give users an omnichannel, automated service experience. The result for the customer is a more agile, digital, disruptive experience focusing on needs.

This means not only developing simple products and services with new digital capabilities, but also automating and adopting customer experience best practices in business processes and having world class systems solutions that are both robust and scalable, to ensure users the distinctive experience of being an Entel customer.



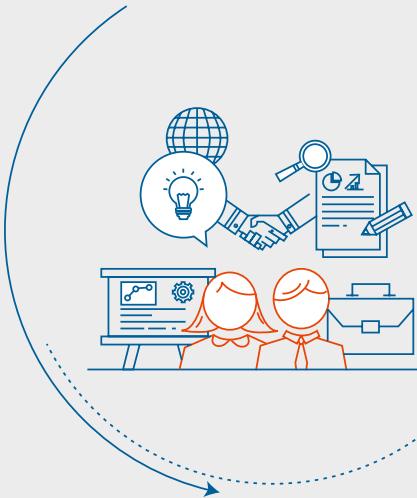
Management 2016

As part of this project to transform, in 2016 Entel defined the new way the company would be operating in terms of B2C and B2B (individuals, enterprises, corporations and wholesalers), aiming to generate a "distinctive experience" that is recognized and valued by users.

To this end we have worked unwaveringly with a single team for Chile and Peru and more than 920 people involved in 19 countries, supported by Ericsson (prime contractor) and McKinsey (PMO) on:

- > Setting up and redesigning the main customer journeys.
- > Simplifying products and services to ensure rapid understanding and thus a better user experience.
- > Designing and adopting standard telecommunications industry processes based on TM Forum best practices.
- > Enabling data centers and developing systems for the transformation process (full stack).
- > Generating the organizational impact of the project and developing strategies to address cultural restructuring in line with the process.
- > Training members of the organization to undergo and apply the changes.

Cross-cutting Teamwork



HR policy

Close to the customer

In 2015 Entel implemented changes to the working teams, making their structure flatter, with less tiers, in order to streamline processes and align human capital management with the business strategy and with market needs.

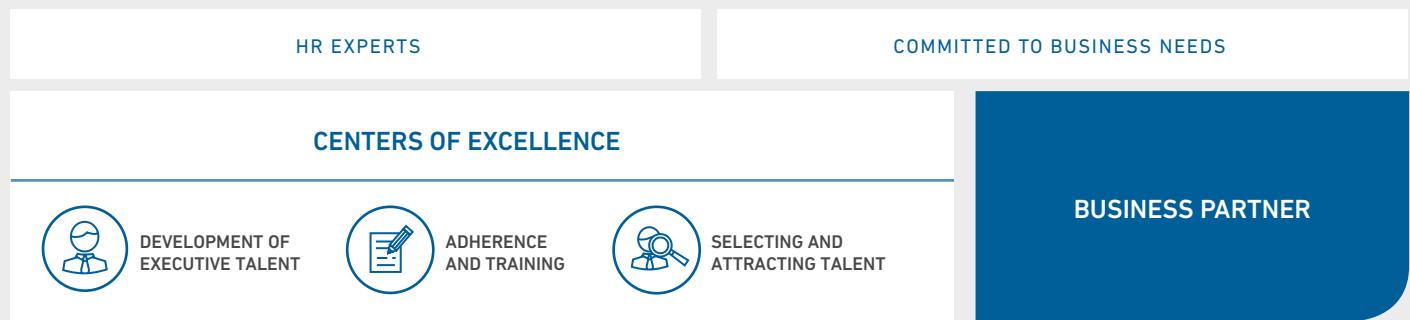
The new model generated more diverse work teams who are more in touch with the needs of internal and external customers and their problems, as well as prioritizing interdisciplinary work appropriate to the needs of the challenging market in which the company operates.

In this context, 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.

A new Service Model



This management model incorporates an HR Department service strategy which is integrated more efficiently with the business divisions.

It also deals with joint projects between Business Partners, Centers of Excellence and Human Resources Committees in each market segment and division (twelve in total) that seek to define and implement personnel management strategies appropriate to each business.

Along with the implementation of this service model, each world has its own "track" or career plan within Entel, with different profiles, training, performance, recognition, remuneration and work cycles.

New way of working

This change involved the establishment of a new way of working throughout the organization, allowing a real-time response to the growing demands and needs of the market and its customers. This, along with the challenges of the digital transformation project and the efficiency and development goals of world-class technology and networks, will enable the future development of Entel.





Crisis management: flood at the headquarters

The adaptability of the organization was shown on April 2016 following the flood that disabled the corporate building located on Costanera Sur in the municipality of Las Condes, Santiago, and caused by the severe flooding of the Mapocho River. More than 1,200 people were relocated without affecting business.

The operation continued to run smoothly thanks to teamwork, our organizational culture and efficient leadership management. Indeed the company's highest-level crisis committee, led by its CEO, was activated the same Sunday, April 17, that the flood occurred.

There was an unexpected positive effect of the disaster and the movement of many of the people working in Tower C at Parque Titanium to other Entel facilities, as many discovered that is possible to work in different ways, and due to the interaction between departments that do not usually communicate with each other.

Custom made development plans: From cross-cutting to technical

Entel's training department aims to develop programs and associated activities to manage knowledge in the organization, i.e. to ensure that people have the necessary tools to do their job in the best way.

- > Hours of annual training: 68,557
- > Participants: 2,460 employees
- > Total investment: CLP 1,338 million.

Training initiatives seek to develop skills and provide training in the use of the management tools defined by the company.

Specific or technical training: required only for certain departments and functions including the Project Management Development Program with 250 employees, all of whom are part of the projects' track, totaling 564 training hours and an investment of CLP 77,717,593.

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. In 2016, 119 leaders were trained in this program and implemented MAC with their teams, impacting 1,054 employees. This involved an investment of CLP 318,306,655

93%

Participation in the Great Place to Work Survey: 93%

83%

Eighty-three percent of employees say that Entel is a Great Place to Work.

Type of Training	Total hours	No. Participants
Technical	48,072	3,669
Cross-cutting	20,485	1,757
Total	68,557	5,426

Internal Movement	Vacancies	%
Horizontal movement	135	28%
Vertical movement	341	72%
Total	476	100%

Internal Mobility

- > Opportunities generated in 2016 within Entel: 476 people.
- > 7.2% of the workforce took on new responsibilities (341 promotions out of a total of 4,731 workers)

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 incomes. In addition, for managers and executives there is an annual variable compensation system based on targets. For other levels there is a variable pay incentive program linked with company results.

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 pillars. It is a

mature system and is validated by the organization, which accounts for 99% of the coverage achieved by the Performance Evaluation system in 2016.

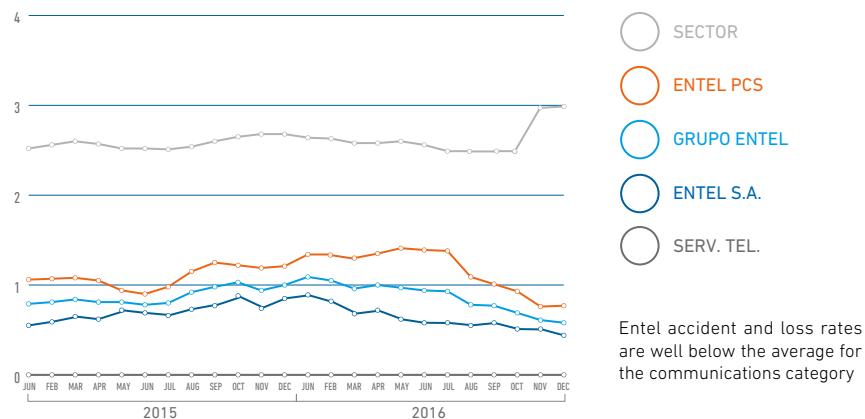
Along with adjusting profiles and the recruitment system, in 2016 tools to develop predictive models (analitycs) were incorporated. In order for employees to express themselves constructively about their level of performance and to evaluate each other, a 360° Performance Review was performed for the first time covering 100% of the 82 departmental managers.

Organizational environment

Each year Entel administers the Great Place to Work survey, with the aim of making our company a better place to work, boosting our strengths and correcting those aspects where there is room for improvement.



ACCIDENT RATE (Sector and Economic Activity Comparison)



Health and Safety

As a way of integrating safety and the welfare of workers in each of the business processes, the company has an Occupational Health and Safety policy to which all employees adhere.

The company also has a Preventive Management System for Occupational Health and Safety for contracting 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. To date Entel has negotiated collectively with four trade unions, three of them in advance, showing the relationships of

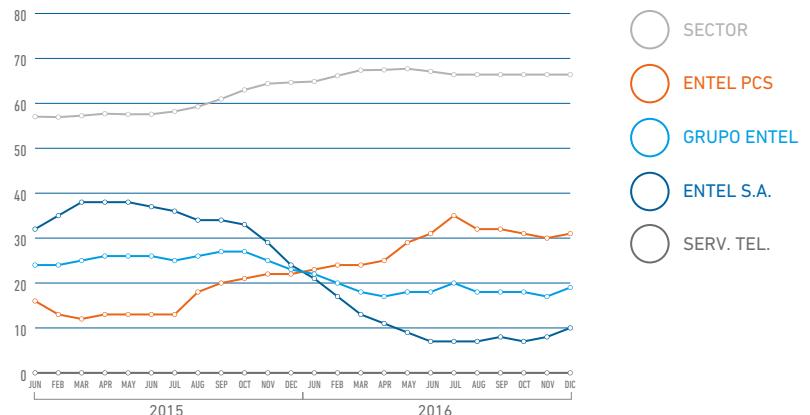
trust between trade union organizations and the company. Entel Perú meanwhile does not have established unions.

In 2016 Entel promoted the path of dialogue that has prevailed in the company since its inception more than 50 years ago. It was in this way that it successfully concluded the negotiation of three collective agreements.

Entel		
Category	2015	2016
Unionized workers	76.75%	73.93%
Workers covered by collective agreement	100%	100%

LOSS RATE

(Sector and Economic Activity Comparison)



Diversity in the organization

Gender	
Female	1,594
Male	3,137
Total	4,731
Nationality	
Chilean	4,641
Foreign	90
Total	4,731

Age range	
<30	686
30 - 40	2,012
41 - 50	1,414
51 - 60	525
61 - 70	88
> 70	6
Total	4,731

Number of people by lenght of services	
<3 years	1,275
3 - 6 years	1,410
6 - 9 years	638
9 - 12 years	530
> 12 years	879
Total	4,731

Wage Gap	
Management	10.20%
Professionals and Technicians	10.70%
Clerical	7.80%

This looks at the average income of men compared to women, weighted by staffing at each level. On average men earn 10.2% more than women in the executive segment and 10.7% in the professional segment.

In terms of clerical staff, on average men earn 7.8% more than women.

Variance in the percentages as compared to 2015 was due to new hires changing the mix of the segments.

Distinctive Experience



Entel's vision is for our customers to always enjoy a distinctive and world-class service. This vision hinges on its business model which is based around striving to always have the best network infrastructure and technology, data centers and platforms, and promoting a high degree of innovation and adaptation in its teams through cross-cutting and collaborative work.

In a highly competitive and rapidly evolving industry, this business model has enabled the company to differentiate itself and attract high-value customers by delivering superior quality service.

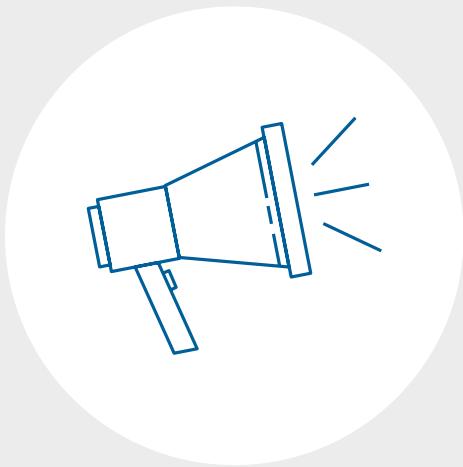
Simple and unique experience

In this context, in 2016 Entel proposed an objective - to assure its customers a simple and unique experience.

Based on Entel's Digital Transformation project and the investment in the 4G+ network which ensures a superior navigation experience, the company is developing ways to increasingly simplify the customer experience.

As such an omnichannel, personalized relationship is being added to the traditional offering of innovative products and services, so the company can anticipate the needs or interests of its users.

Even more important than the technological changes that come with the digital transformation project, the company is embarking on a major transformation, based on digitization, the changing organization, on processes and ways of working, in order to have more agility and better develop the customer experience.



New goals for different service channels

Face-to-face channel: given that users are changing and becoming increasingly digitized, Entel stores are focusing mainly on retail sales. This is why since 2016 the stores have been segmented into three models that utilize franchisee capabilities as a sales tool.

Call center: this has gradually been becoming a resolution channel, as customers can digitally attend to more of their needs and reach this option only when problems and questions cannot be dealt with independently.

Online digital channel: this was defined as a backbone of the relationship between Entel and their clients, and in 2016 the services offered through this channel were scaled up. They include both the web and the company App, enabled for Apple IOS and Android systems, as well as personalized support through Facebook, Twitter and YouTube. An illustration of the importance of the channel is that in 2016 the App went from 10 million customer support cases in 2015 to 34 million in 2016, supported by the navigation experience of the 4G plus network.

Projects

Adherence: To ensure that contact points with the customer are aligned with corporate strategy, Entel is implementing an adherence model which trains different senior employees both technically and in soft skills. Also, using this methodology improves daily management of the teams, focused on key performance indicators for impact on the customer experience.

Deployment of the project started in the second half of 2015 and to date has already been implemented in almost 32% of face-to-face encounters with excellent results, both in service quality which is reflected in the indexes of customer satisfaction, and in sales at participating stores.

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 this regard, during the 2016 fiscal year the company transformed the purchase and prepaid journeys in the consumer segment, along with post-sales and incident management for the fixed business in Enterprises Post-Sale Telco-IT and Roaming in Corporate.

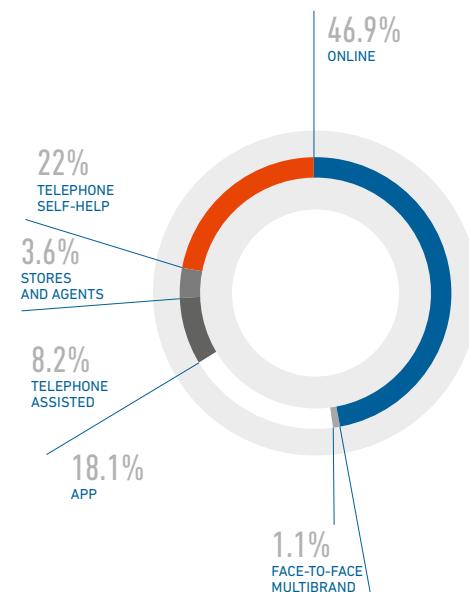
Main emphases by segment

Always concerned with customer experience matters, in 2016 Entel transformed the offering in the consumer segment by introducing a more flexible proposal that includes plans with and without handsets, which means separating the equipment offering from that of the plan. As such the customer can bring their own handset. This is complemented with a financing service in 12 installments, without interest and accepting any payment means to acquire handsets.

In terms of the the range of plans, Entel is the only company that delivers data buckets for videos, music, games etc., responding to the use of each user. This complements the launch of the new Chip AutoPlan which will transform the current sales channels model by allowing the acquisition of mobile and prepaid plans in the retail outlet, which provides access to the company's products anywhere and makes management more efficient.

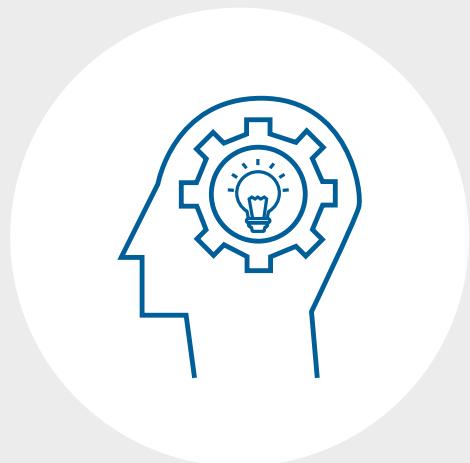
In the Enterprise and Corporate Segments, along with the constant evaluation and improvement

CHANNEL MIX CONSUMER SEGMENT



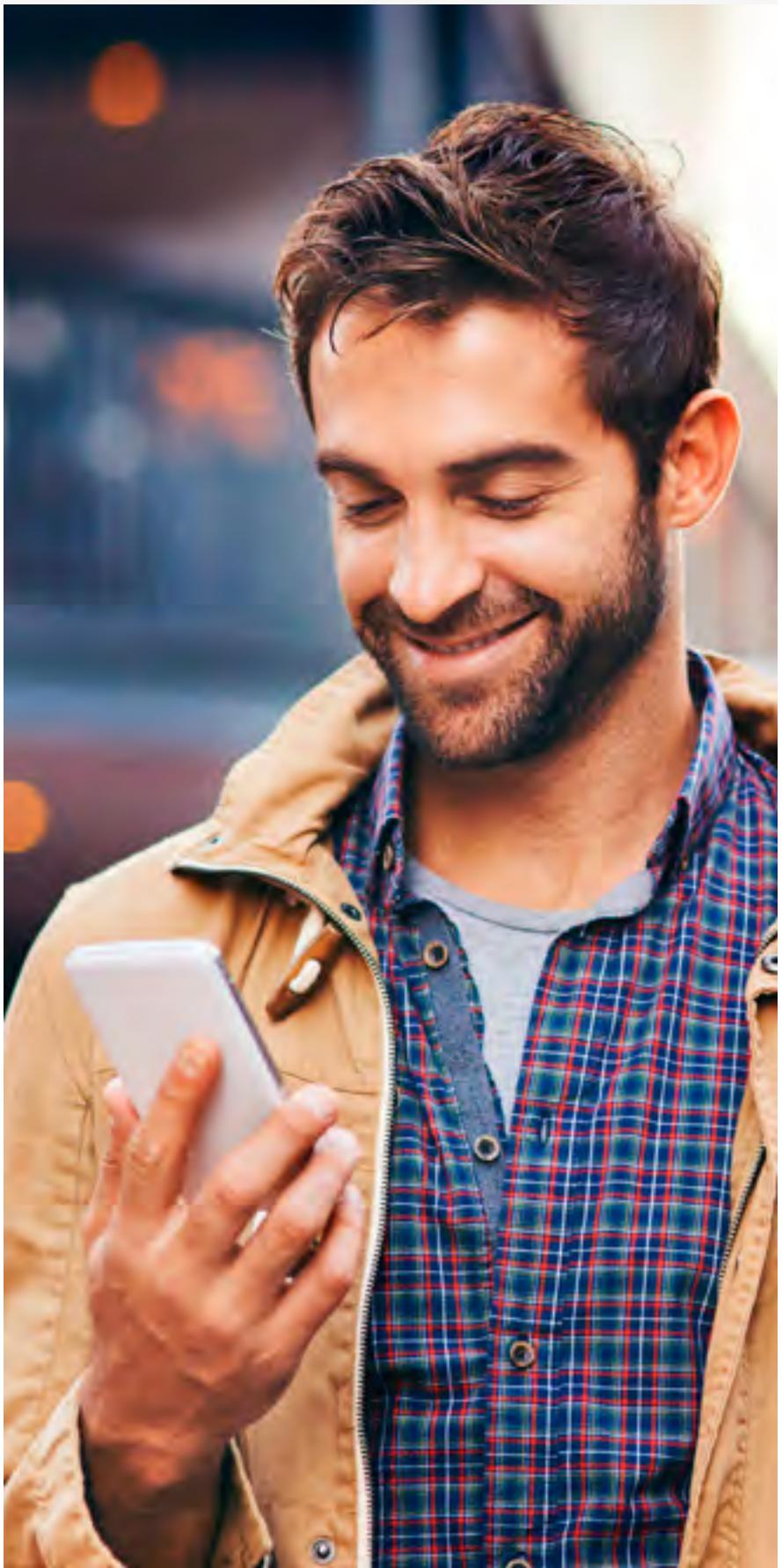
Our tools

- > Systematic and ongoing management of customer experience in all markets in which we participate.
- > Integral vision for each customer journey, ensuring service quality.
- > Methodologies for working in cells to improve customer journeys.
- > Emphasis on a simple, direct, digital experience.
- > Systematic adoption and application of best practices as part of direct relationships with customers, both in terms of project management and sales/post-sales processes. Methodologies and systems used include the ISO 9001 Quality Management System, ITIL practices and COPC certifications.



of the customer journey, following the Optimus model, in 2016 progress was made by digitalizing the relationship through the development, by segment, of specialized Apps and online services that shorten response times to customers and resolution times.

The focus of the Entel wholesale segment included improving the quality of service and the customer experience for voice and data roaming abroad. In fact amongst travelers surveyed by telephone upon returning to Chile, there was a 37% improvement in satisfaction. Meanwhile in surveys of travelers coming from the United States, Peru and Argentina - representing more than 50% of service use abroad - Entel surpasses the number two operator by 27% in voice, and nine percent in data.







03

OUR BUS- INESS

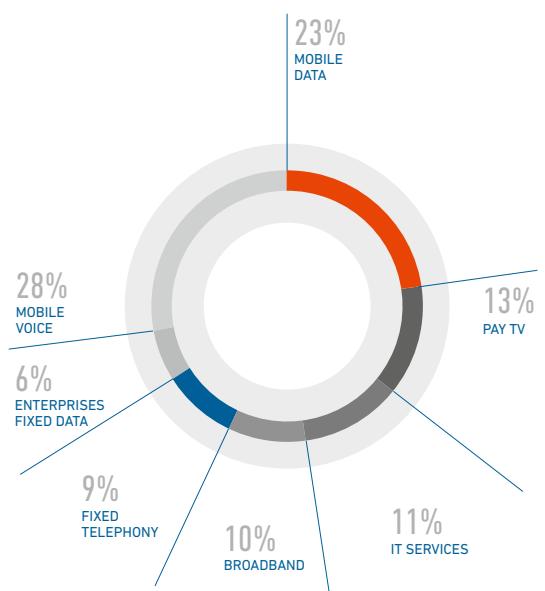


Industry

The industry in Chile

At December 2016, gross revenue in the telecommunications industry in Chile was CLP 5,407,978 million.

- > Mobile communications:
 - Voice: CLP 1,528,348 million
 - Data: CLP 1,249,812 million
- > Pay TV: CLP 718,952 million
- > Fixed Internet: CLP 520,203 million
- > Enterprises fixed data: CLP 345,036 million
- > IT services: CLP 571,758 million
- > Fixed and IP services: CLP 473,869 million



Source: Entel figures based on IDC estimates, company reports

The industry grew 2.3% compared to December 2015, driven by IT services and enterprises fixed data.

Entel's market share was 28% of the telecommunications and IT outsourcing industry as of December 2016. This is according to company estimates based on information published by industry players.

INDUSTRY SIZE
(CLP billions)



Source: Entel figures based on IDC estimates, company reports

Increase in data traffic

The development of the network plays a fundamental role in increasing data traffic. According to Subtel, in September 2016 mobile internet access (3G + 4G) reached 12.4 million, of which 4.9 million corresponds to 4G, a network that grew by 236% over 12 months. In this regard the deployment of the 4G+ network in different regions of the country underpins further growth.

The ongoing updates of mobile applications, which demand an increasingly intensive use of mobile data, have prompted operators to make changes to their commercial offering. In the case of Entel, these changes started at the end of October with the launch of Smart Fun plans, and later with Smart Fun Simple plans.

Much of the increase in mobile traffic is driven by the use of video. By 2021, 78% of mobile traffic is expected to be generated by video consumption, compared to the 60% it accounted for in 2016. Over this period the growth of video traffic is projected to increase by an annual average of 54%. As the quality of video improves, the need for data increases.

New ways of watching television, multiple screens and mobile devices with larger screens are some of the drivers of the video boom. Against this backdrop, some trends can be seen in the industry:

- > Big players such as Facebook, Twitter and YouTube, already include live video streaming features on their platforms.
- > Netflix has started localizing (providing content in the local language, local payment options and partnerships with local operators) in different countries of the world, reaching a greater number of users. Amazon has also

made an addition to video on demand services with Amazon Prime.

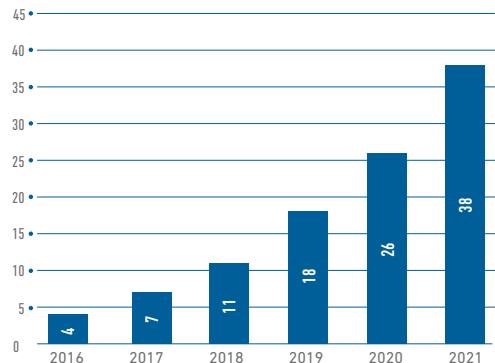
- > Given the increased access to virtual reality hardware seen in 2016, the production of virtual reality video has grown. Globally the increase in virtual reality video between 2016 and 2021 will be around tenfold.
- > Messaging platforms such as Snapchat and Instagram are increasingly incorporating video features. Consumption is mainly driven by young people or "digital natives".

Internet of things

The Internet of Things (IoT) is the interconnectivity of the world around us. IoT is defined by the transformative convergence of technology and industry, allowing private and public organizations to do what they already do, only better than before. IoT touches every aspect of digital services and products, from regulation to service provision, from components to networks, from hardware to software and from consumers to businesses.

IoT includes all devices that can be connected, either with a "separate" connection or one that is "tied" to a payment. Machine-to-machine (M2M) communications are at the heart of IoT. These represent a specific portion of the IoT - connected devices that have sufficient individual value to justify connectivity based on an individual payable subscription, point-to-point. These devices will be high value end assets, such as industrial equipment or concentration points.

OVERALL MOBILE DATA TRAFFIC FOR VIDEO APPLICATIONS
(Exabytes per month)



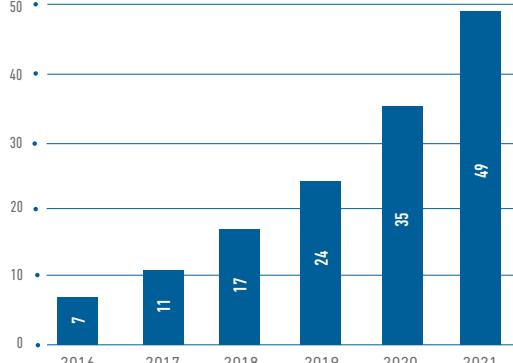
Source: Cisco Visual Networking Index:

While the devices that make up the "tied" group will generate capacity demand from the concentration points, they have no direct impact on connectivity revenues. By 2020, an installed base of 20.4 billion IoT devices globally is projected, with an estimated 6.4 billion today. About 1 billion M2M cellular connections are projected worldwide by 2020 with close to 3 million in Chile, translating into revenues of USD 240 million.

IoT is one of the few growth areas for telecom operators. However, connectivity constitutes just a small part of the opportunities available to telecom operators, who are considering moving along the value chain.

IoT can be divided into two segments - consumer, which includes wearables, connected cars and smart homes, and businesses, which includes fleet and asset tracking, electric grid and smart meters. Consumer IoT is the most visible segment, though ostensibly the least valuable. But with its emphasis on sales of devices, consumer IoT presents an important opportunity for companies along the value chain, from service providers to chip manufacturers and sellers.

OVERALL MOBILE DATA TRAFFIC
(Exabytes per month)

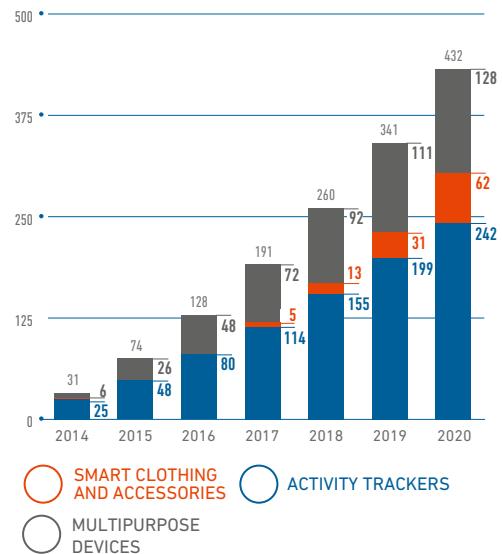


Source: Cisco Visual Networking Index:

While the value of industrial IoT will come from the scale of connections in connecting cities, office buildings and power cells, the value proposition for the consumer IoT will focus more on platforms, allowing companies to learn more about end users and increase their ability to deliver targeted advertising and other services.

Consumer IoT can be divided into two sectors - home-based IoT involves connected home devices such as smart TV and connected set-top boxes, while the portable IoT focuses mainly on smartphones, tablets, wearables (including headphones) and connected cars.

PROJECTION WEARABLE DEVICES
2014-2020



Source: Ovum

Activity trackers continue to dominate the wearables market, but smartwatches are increasingly positioning themselves as lifestyle items with fitness functions and health monitors. The trend towards smartwatches rather than purely fitness trackers, reflects a broader trend in consumer technology, where consumers are looking to merge multiple functions into a single device, like a camera and MP3 player on a smartphone.

Fixed-Mobile Convergence

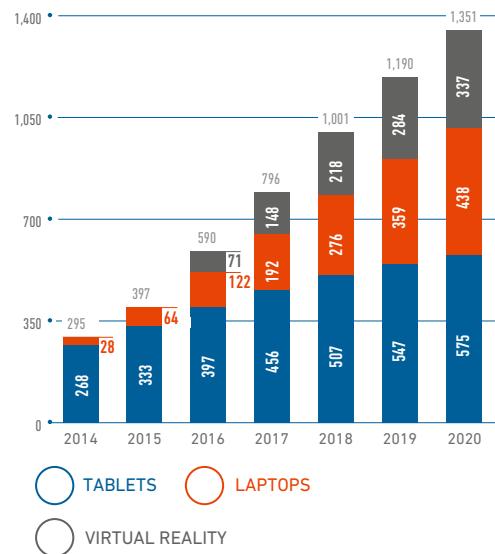
Fixed and mobile services are highly commoditized in mature markets and operators are turning to converged packages as a means of reducing churn rate, build lasting customer relationships and capture revenues that would otherwise go to competitors or independent services. These

packages have adoption rates that vary by market but are rarely reflected in significant increases in operator revenues or market share.

Digital Business

In a highly digitized environment with high-speed advances in technology and the reach of the internet growing in bounds, consumer behavior has been strongly impacted, as has their relationship with companies. This encourages companies of all types to identify and take advantage of the digital opportunities on offer. The way in which companies transform themselves digitally is key, as it is not about having the necessary technology, but rather exploiting the potential of these technologies.

PORTABLE/MOBILE IOT CONSUMERS 2014-2020



Source: Ovum

Operators from around the world have detected opportunities for developing related businesses. To do this they must adjust their strategy, transforming themselves into digital service providers. It is not only about delivering connectivity, but being proactive, capturing value in other parts of the chain.

There are many examples of companies that have ventured into digital business. Amongst them is the Australian operator Telstra and its Telstra Health division, created to leverage its strengths in connectivity by investing in successful eHealth companies. It now offers solutions for general care, hospitals, pharmacies, telemedicine and analytics, and other. Another example is Verizon, who acquired AOL with the stated intention of becoming a digital operator. Verizon can use and incorporate AOL's extensive advertising platform

for third parties and reap the benefits of digital advertising. British operator BT, meanwhile, signed a contract with Gallerie Commerciali Italia to provide Wi-Fi-based IT infrastructure to its malls in order to enable retail data analytics.



Regulatory Framework

4G tender on 700 MHz band

In 2016, just eight months after publishing the project's concession order in the Official Journal, Entel began deploying its 4G on the 700MHz 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. However, during the administrative procedures to grant the concessions, complaints or challenges were made to the Ministry of Transport and Telecommunications which delayed implementation.

Following the rejection of these complaints, 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 the concessionaires to complete the projects will be 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, will be 18 months from the publication of the decree.

Entel also fulfilled its public obligations, as set out in the rules, and at the end of 2016 was deploying, along with the Department of Telecommunications, telephony and data transmission services in the assigned localities and roads. Coverage was also provided for 212 rural schools, as per the demands of the tender. In the first weeks of January 2017 the total service infrastructure for the communities, roads and schools was presented to Subtel for review, leaving just administrative formalities on the part of the Department of Telecommunications to be completed.

By adding LTE Advanced Carrier Aggregation to the spectrum awarded on the 700 MHz band, the speed is almost double that obtained with 4G LTE. This technology is already available in the Metropolitan, Valparaiso, Tarapaca, Antofagasta, O'Higgins and Biobio regions.

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.

Implementation of number portability: begun in December 2011 and implemented in stages, this system allows for the portability of local lines, mobile phone lines, fixed services including fixed Voice IP services and fixed rural services.

The last stage of portability ended in September 2016 with the implementation of Total Portability, allowing subscribers to port their number to fixed or mobile companies. With this rule the type of service provision (fixed or mobile) will depend on the network to which the user is porting. As such it is essential that both networks have the same subscriber numbering format, which explains the change made in February 2016 regarding dialing and user numbers.

Tender with Portability Administrator (OAP): In December 2015 the representative committee for number portability put in a tender with the OAP for a new period, which started to take effect in August 2016. The successful bidder, for the second consecutive period, was the company Telcordia.

Regulation of handsets: in June, the Department of Telecommunications issued two technical standards regulating the sale of handsets for dealerships and manufacturers, importers and individuals, requiring that the devices comply with an approval procedure as of 270 days from both the issuance of the standards.

The first rule requires that handsets sold from that date (March 2017) must incorporate all frequency bands of at least one of the 2G, 3G or 4G technologies, and provide information on their technological compatibility through a label on the packaging. As such, for a handset to be sold in the country it needs to incorporate all frequency bands of at least one technology (2G: 850/900/1900; 3G: 850/900/AWS/1900; y 4G: 700/AWS/2600). It further states that a database must be created where certifiers record codes the codes of each handset (IMEI) and that concessionaires may only activate those IMEI codes that are registered in this database.

The second rule amends the Emergency Alert System (SAE) and makes required that all terminals marketed in the country comply with the protocol of this system.

Both regulations will impact the handset offerings in the country with the new requirements for concessionaires, manufacturers, importers and individuals. The concessionaires are working to meet these regulatory requirements, participating

in workshops in order to properly interpret and implement the rules.

Instruction in the sectoral regulations for telecommunications services in buildings and condominiums: in 2014 the Court for the Defence of Free Competition recommended - regarding a process initiated by the National Economic Prosecutor (non-litigious), defined by the Ministry of Housing and Urban Development and the Department of Telecommunications - ways to increase competition in this segment. Similarly, in early 2015 a law that protects free choice in cable, internet or telephone services was enacted. It establishes the general principles that will increase competition in the fixed sector. To date, the drawing up of rules by the Ministries of Transport and Telecommunications, and Housing and Urban Development, to regulate the operating conditions for existing buildings or condominiums, and real estate developer obligations for new constructions, remains pending.

Bills under discussion

Amongst the bills concerning the telecommunications industry under parliamentary debate, in addition to creating the Telecommunications Superintendency (mentioned in Authorities), three stand out which had major legislative activity in 2016, though they are still being processed in Congress, in Senate committees or with the House of Representatives:

- > Bill regulating the Guaranteed Minimum Internet Speed,
- > Bill establishing the National Automatic Roaming for Emergencies
- > Bill for emergency calls (for proper use of this level of service, avoiding unnecessary or joke calls).

In addition, in late 2016 discussions were started on two parliamentary initiatives to regulate the installation of telecommunication antennas supports (towers), setting new requirements and obligations.

The Environment Commission is urging that towers undergo an Environmental Impact Study, whilst the Housing and Urban Development Commission wishes to re-regulate the installation from the perspective of construction management and the communities around the infrastructure.

Finally, it is important to note that during the third quarter of 2014, began restating the Law on Consumer Rights (SERNAC) to reinforce the body's activities and provide it with new powers. The processing of this bill has been fast, driven mainly by the government, however, due to all its implications it has been analyzed by several committees of both chambers meaning it is still under review.

Tariff Processes

To date 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.

Mobile phone service

The tariff processes for Entel PCS and other mobile companies operating in Chile, for setting access charges and interconnection fees for 2014 - 2019, were finalized in 2014 and rates were set for the next five years. In 2016 regulated values for the second year of the five-year period continued to be updated.

Fixed Phone Service

In 2015 the rate-setting process for the concessionaire Entel Telefonía Local S.A. was initiated, (EntelPhone), which ended in January 2016, determining tariffs for the next five years.

The tariff proposal of the Department of Telecommunications ended in a decree that provides for a decrease in rates of almost 20%, which applies from January 2016 and will mean a reduction in revenue for EntelPhone. This decrease, however, was anticipated.

At the close of 2016 the company was assessing user traffic and traffic charged for through interconnections and the interval between the expiration of the previous tariff decree and the publication of the new one.

Main issues looked at by the Competition Tribunal

- > The Competition Tribunal rejected, with costs, the application filed by the National Corporation of Chilean Consumers and Users for the 700 MHz Band tender, against Telefónica Móviles Chile SA. (Telefonica), Claro Chile SA (Claro) y Entel PCS Telecommunicaciones S.A. (Entel), on the grounds that the complainant did not provide clear and conclusive evidence that the defendants participated in the 700 MHz tender with the strategic aim of hoarding spectrum and jeopardizing its effective and efficient use.
- > The tribunal also 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.
- > In the review of partial transactions of radio spectrum frequency usage, it was recommended that laws and regulations be

enacted to establish a regulatory framework applicable to radio spectrum transactions, which safeguard its efficient use and free competition.

- > Also, given the existence of a bill that addresses the main aspects (Bulletin 9451-15 in the first stage of processing at the Chamber of Deputies), the Competition Tribunal decided to notify the Minister of Transport and Telecommunications of their opinion on the need for regulatory change. This bill is under consideration by the Commission of the Chamber of Deputies.
- > In the framework of its power of review of market conditions, the National Economic Prosecutor completed its research on the sale of handsets towards the end of 2016, also looking into the methods used in the industry for contracts and their effects on the mobile telecommunications market, determining to close the investigation and recommending better separation between service and handset contracts where concessionaires also offer their customers "purchasing" modalities for handsets in conjunction with the service offering.
- > In September WOM filed an internal complaint against Claro, Movistar and Entel, which, according to information published in various public media, was based on the fact that these companies would be acting non-competitively by selling handsets for use on mobile networks, as some of them could not use the AWS band, on which the WOM network operates. Entel has

publicly stated that this claim is gratuitous and unfounded. Prosecutors began an investigation to review the admissibility of the complaint and have gathered information on the industry to adjudicate on this admissibility.

Impact of regulatory changes

- > Even though these regulatory changes require Entel to adapt its processes, they also present new business opportunities. 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.

Legal context

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 (Satellite).
- > 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.



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.

Ministries of the Economy, Development and Tourism, and 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.

The National Economic Prosecutor and the Tribunal for the Defense of Free Competition

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.

Bill to creates the Telecommunications Superintendency

There was no substantive debate in Congress on the bill in 2014 and at the end of 2016 it was pending parliamentary debate. The agency would assume primarily the mandate to undertake oversight activities in the sector, currently the job of the Department of Telecommunications.

Markets



Consumers

Customers

The Consumer Division provides voice and data services to 8,047,807 mobile customers. Fixed Voice, Wireless Broadband and Television Services.

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.

Corporate

Customers

The Corporate Division 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.

Wholesale

Customers

The Wholesale Segment provides network infrastructure and services to over 46 national telecommunications operators, including Claro, Movistar, GTD, VTR, Falabella Mobile, WOM, in addition to 95 international operators, including AT&T, Verizon, T-Mobile, Vodafone, Sprint, BT and TATA.

Solutions

Mobile Services (with or without mobile internet)

- » Contract and Prepaid

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.

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

Solutions

Mobile Services

- Mobile Telephone Services
 - » Voice plans: Management Systems Online (SGO)
 - » Voice and data plans: Self-management (Data Manager)
 - » Mobile internet
 - » Mobile Broadband
 - » Roaming

Fixed Solutions

- Data networks (Corporate and private internet)
- IP Services (dedicated and on-demand)
- Convergent Centrex and Cooperation
- Audiovisual, Television and Telepresence Solutions
- Network and Business Process Monitoring
- International Local and Long-Distance Services
- 600 and 800 numbers
- Videoconference (Video Cloud and Dedicated Video)

IT Solutions

- Datacenter Solutions (Housing and Hosting)
- IT Operations Outsourcing
- Cloud Computing (IaaS, PaaS and SaaS)
- EUC - End User Platform Outsourcing
- Digital Solutions (Internet of Things, Big Data)
- Industry Verticals Solutions.

Cybersecurity Solutions

- Cyber Intelligence Center
- ICT Security Infrastructure
- Applications, end point, Lan and Wan Protection
- Advanced Security Solutions

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 330 agreements with operators in more than 190 countries.

National Roaming and Services for Virtual Mobile Operators

- » National roaming services allow mobile operators with allocated spectrum to lease mobile network services from Entel in areas where they have no or limited 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

- » DWDM and SDH Transportation Services
- » IP Transit Services
- » Satellite Services on C and Ku bands for voice, internet and data
- » International Transport Services
- » Local Loop Fiber Optic Services
- » Data Center Infrastructure Services

International Traffic

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

Consumer Segment



José Luis Poch
Vice President Consumer Segment

"We prepared our network to roll out a solid commercial offering in the mobile and residential segments. Consequently, we are in a better position to compete and continue ensuring the best experience for our customers."

Mobile services 2016

The efficient work carried out to deploy the 4G-LTE network on the 700 MHz band provided Entel with the best network infrastructure and allowed the company to start the 4G+ service.

As such, in a year that stood out in the consumer segment for the marked acceleration of competitive cycles and an intensification of customer migration from the prepaid to postpaid segment, the company was able to sustain business momentum, ensuring distinctive service quality and advancing its strategy to achieve sustained growth in terms of mobile data quotas. This generated modest growth in revenue for this service in a market with high penetration levels.

In line with the above, and focused on providing a better customer service experience, in 2016 the company introduced plans with differentiated GB for downloading music and video. This means users no longer have to restrict their use of these services which generate increased traffic, so as not to consume their quota of GB. Also ensuring a better service experience is the consolidated strategy from 2015 of charging for exceeding data rather than reducing browsing speed.

Also in 2016, digital interaction was stepped up in order to improve the experience at contact points and channels. The success of this process was demonstrated by the growth recorded for interactions on the App, reaching an 18% share of channels and up by more than 200% compared to 2015.



Postpaid Milestones

- > Improving the value proposition with new plans including higher quotas of differentiated navigation for music and videos (Smart Fun and Smart Fun Simple)
- > Smart SIMple offering, to capture prepaid customers with higher traffic migrating from other companies, who port to Entel postpaid plans with their own handsets.
- > Consolidation of the unlimited voice minutes offering for high-value plans.

Prepaid Milestones

- > Focus on higher-value customers, boosting smartphone penetration and encouraging top-ups with an offering on social network use which consequently increases the use of mobile data.
- > SIM card offering without handsets through new sales channels, especially online, to facilitate access and provide continuity of service.

34%

Market share of postpaid mobile customers:

Leadership in Consumer Segment

Entel maintained market leadership in the consumer segment, protecting service quality and well ahead in terms of customer satisfaction.

- > Market share of postpaid and prepaid mobile customers: 33.9%
 - 2,261,000 customers at year end 2016
 - Market share of postpaid mobile customers: 34.0%
 - Market share of prepaid mobile customers: 33.7%
 - Market share of postpaid mobile broadband customers: 41.8%
 - Market share of customers as measured by percentage of recharges. 39.3%

Source: IDC

Service Quality



- ✓ Entel is the telecommunications company...
- ✓ ... with the least complaints received by the authority per number of mobile service users (0.27 per 10,000 users).
- ✓ ... with the highest customer net satisfaction rate: 58.15% to December.
- ✓ ... with the best call quality on the mobile network (voice): 99.8% of successful call attempts in terms of total calls.

Source: Subtel

Source: Adimark (pre- and postpaid phone services, excluding mobile broadband)

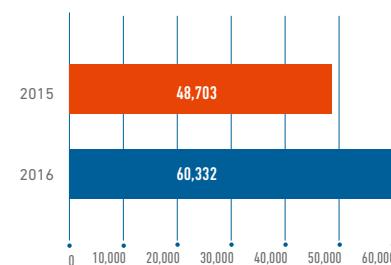
In 2016 this growth was primarily based on intensifying the penetration of Autopack, a voice service distributed through retail, and on growing TV through cross selling to the mobile base and upselling to the residential voice base.

In December 2016 the implementation of the 700 MHz band allowed for the efficient and competitive launch of fixed wireless internet (BAFI), especially in areas of low population density, mainly favoring the lower middle segments which represent 61% of market revenue. The company expects that the development of the residential market in 2017 will be strongly based on the penetration of this service and its bundling.

Milestones:

- > Increase in offering of Fixed Wireless Broadband plans on 4G.
- > Launch of fixed voice offering on 3G, generating new coverage in remote rural areas.
- > Accelerating TV growth through cross selling and upselling, bundling services.

RESIDENTIAL REVENUE (IN MILLIONS)



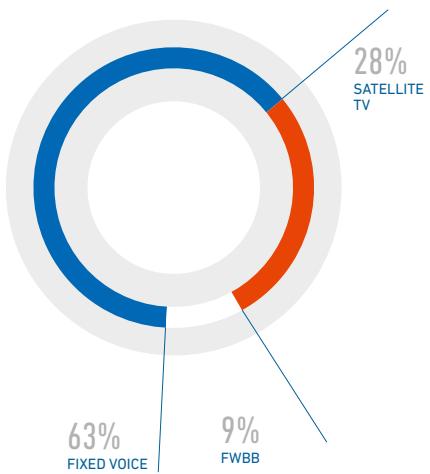
Home Offering

In an industry context with no significant changes, Entel has successfully focused on providing solutions for fixed wireless, internet and satellite TV services in the residential segment, supported by their mobile infrastructure and DTH technology and a disruptive offering in terms of rates and provisioning.

In this segment, which still has low supply density (1.7 operators/home), Entel had 455,158 contracted services at year end 2016, compared with 372,148 in 2015, growing 15% over 12 months in terms of fixed telephone users, 29% for satellite TV, and 62% in terms of fixed wireless broadband.

While this represents a growth well above the industry average, the relative share of the company in this segment remains low. Thus the residential segment has established itself as one of the main lines of growth for Entel Chile.

RESIDENTIAL RGU DISTRIBUTION (%)
FROM TOTAL 455,158



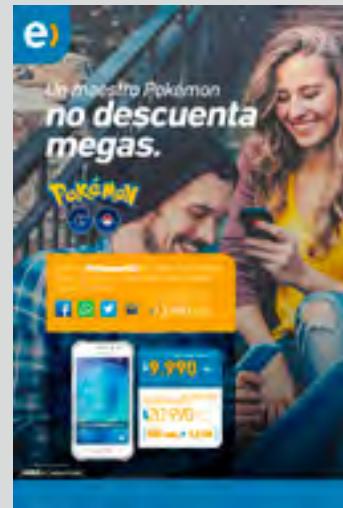
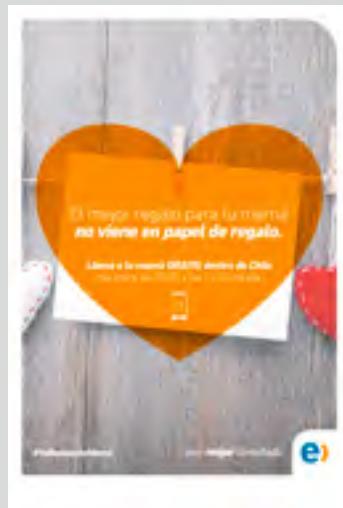
Digital Transformation

As part of Entel's Digital Transformation project, in 2016 the company worked on redesigning procedures and the product offering for the consumer segment.

This is not only in line with the demands of consumers, but also allows the company to continue to improve its cost structure.



Main Campaigns 2016



Revenue

Consumer segment revenue was down 2% compared to 2015, influenced by the 4% drop in mobile revenues, partly offset by a 16% increase in fixed-line services. This growth was supported by a strong increase in revenue from Entel Hogar's residential services (+ 24%), driven by growth in RGU's (+ 22%).

The decrease in mobile revenues was due to lower earnings from monthly voice services, associated

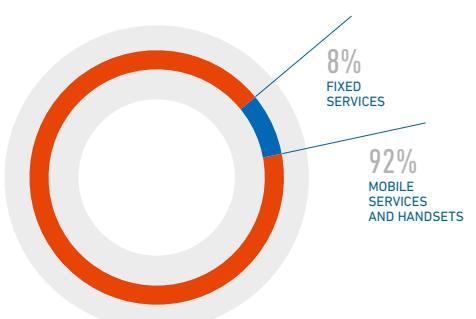
largely with the prepaid segment where there were smaller recharges and fewer clients.

In the postpaid segment the reduction is due to the stepping up of unlimited voice traffic schemes. These reductions were offset by higher revenues from data associated with multimedia plans, driven by increased penetration of mobile data and smart phones. Handset revenues increased 3% in the postpaid segment.

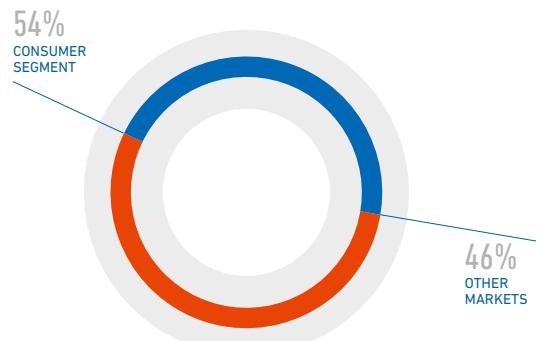
CONSUMER SEGMENT - REVENUE (CLP million)



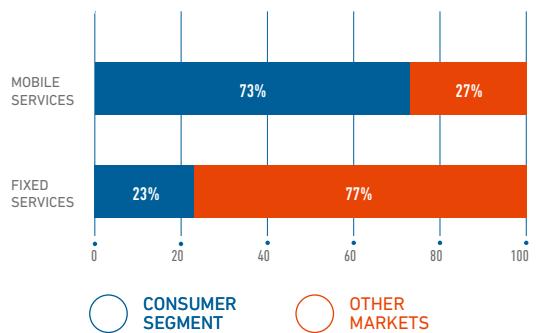
CONSUMER SEGMENT – REVENUE BY SERVICE (%)



CONSUMER SEGMENT – GROSS REVENUE SHARE OF ENTEL CHILE 2016



CONSUMER SEGMENT – SHARE OF TOTAL REVENUE OF ENTEL CHILE



Enterprise Segment



Mario Núñez
Vice President Enterprise Segment

"We are convinced we have an important role in the process of digitizing companies in Chile. Entel provides customers with a superior connectivity experience through its fiber and 4G networks, complemented by a broad portfolio of IT services. This allows them to be better connected internally, with customers and suppliers, thereby improving productivity. Entel has a close partnership with its customers, understanding their needs and accompanying them through the digital transformation of their business."

Context

In a year of high competition across all the segments in which the Enterprise Market participates, Entel met its goal of achieving double-digit increases in annual growth in sales and business revenue, seen as key to its growth, in fixed services on fiber and Cloud business.

Mobile Business

In an industry characterized by competition in the tariff structure for mobile data, Entel Enterprises made a significant improvement in its commercial offering, taking into account the priority needs of its customers and differentiating and innovative services.

In line with the company's overall proposition to ensure a simple and unique experience for its customers, the enterprise segment focused on renewing the mobile offering, delivering more and better services primarily through four actions.

- > New plans with more data capacity and unlimited use of email and WhatsApp applications, in order to keep business constantly connected.
- > Leveraging Data Manager. During 2016 this powerful tool for the online management of mobile data consumption enabled companies to manage accounts efficiently.
- > Entel's MDM offering. In addition Entel has a Mobile Device Management (MDM) tool that keeps sensitive information about the company, found on devices, secure, and helps manage consumer behavior.
- > Multi-device offering. Entel gave customers the option of connecting several devices to the same Enterprise plan. The proposal involves not only connecting mobile phones, but also tablets, smartwatches and other devices to the same account.



Roaming: Bearing in mind that the customer's roaming experience requires services that integrate voice and data, in 2016 the Programa Viajero revamped the roaming value proposition, traditionally focusing on data, to incorporate multimedia. This was complemented by an increase in coverage from 16 countries in 2015, to 28 countries, reaching 90% of the strategic business and tourism destinations.

Fixed Services

This is one of the business lines with high growth potential for Entel and 2016 was a year of excellent results, both in terms of positioning and sales for the Enterprise Segment's fixed business. This growth draws on a package suitable for companies of any size.

Pack Negocios Aimed at the micro-enterprise, the business package provides telephony and fixed internet through fiber optics and state-of-the-art Wi-Fi. This product has been very well received by customers, growing by 57.6%.

NGN. This product incorporates telephony through a virtual telephone exchange, and internet through fiber optics. Its main attribute is that it allows companies to adapt to their growth needs.

Trunk IP. This product provides IP telephony service, internet and private data networks. In this segment in 2016 the offering of plans was changed and the Entel Monitoring service was launched, allowing companies to have high internet availability through a preventive check.

Fiber Optic Rollout

2015	86,653 BP
2016	98,406 BP

Coverage increased from 43 counties in 2015 to 44 in 2016 and the number of accesses connected to the GPON network increased by 53.6% to 15,437.

Information Technology Services

Entel's proposition in this market is segmented into two lines of business:

- > Cloud Services: With a range of services delivered in a flexible and scalable way from the cloud, customers of all sizes can access world class productivity and collaboration solutions.
- > Infrastructure: Entel offers its customers a data center with the highest certification standards through which it offers infrastructure, hosting and housing services, as well as infrastructure as a service with its dedicated virtual servers.
- > IoT: Entel is the leading provider of connectivity in the IoT business, delivering a service that sets it apart in network quality and customer service. In addition, the company offers Fleet Management service through Entel GPS, which integrates the access network, devices and monitoring applications.

Market Benchmark

The success of the Enterprises Segment in 2016 is based on increases in brand recognition and preference rates. Top of mind for the brand was 48%; consideration increased to 70% and preference to a 64% annual average for 2016.

In fact across all the segments there was a noteworthy gap between Entel and the competition, based not only on the recognized quality of service but also on the new way of relating to its target audience, increasingly supported by digital marketing campaigns.



Main Campaigns 2016



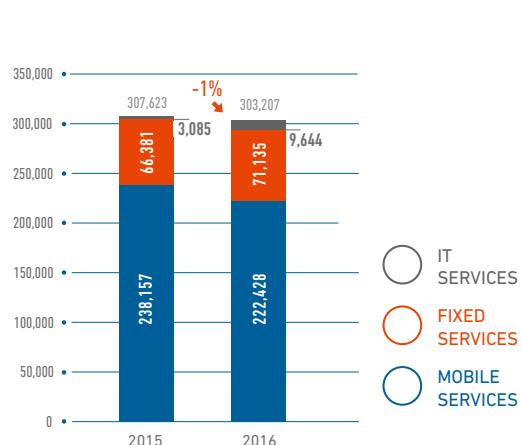
Revenue

In 2016 revenue from Enterprise Segment services decreased slightly compared to 2015, mostly explained by a significant tariff adjustment in voice and mobile data, driven by a highly competitive industry.

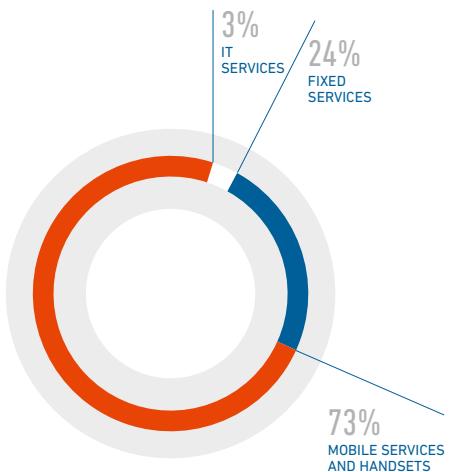
Meanwhile revenue from the fixed and IT businesses have kept steady growth, with double-

digit year-to-year variation. Compared to 2015 consolidated revenues from these two services showed a 16% increase (excluding the adjustment for M2M's revenue reclassification), which is consistent with our growth strategy, leveraged with bundled services delivered over our fiber optic network, together with the penetration drive for IT services in the SME and large enterprise segments.

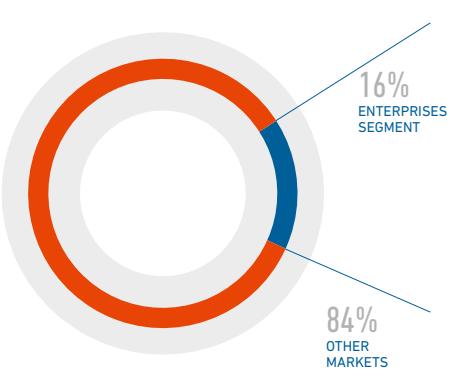
ENTERPRISE SEGMENT - REVENUE (CLP million)



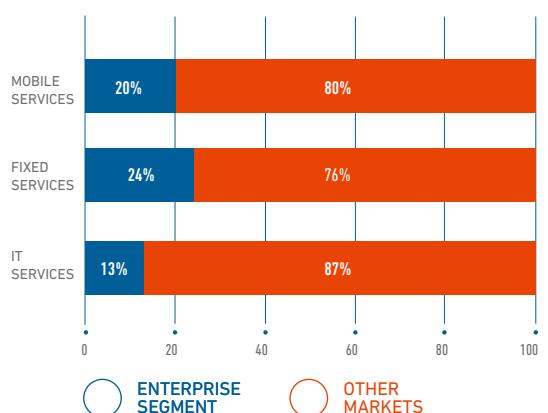
ENTERPRISE SEGMENT - REVENUE BY SERVICE (%)



ENTERPRISE SEGMENT - GROSS REVENUE SHARE OF ENTEL CHILE 2016



ENTERPRISE SEGMENT - SHARE OF TOTAL REVENUE OF ENTEL CHILE



Corporate Segment



Julián San Martín
Vice President Corporate Segment

"The growth of the Corporate Segment is focused on Information Technology and, fundamentally, on the digital business. With this in mind, we are working to set up Entel with the necessary internal capabilities, while at the same time creating the strategic alliances that allow us to address this challenge."

The highly complex projects undertaken by Entel in the Corporate Segment have established it as a major player in the business, offering solutions that integrate its offering in the mobile segment, with voice, data, MBB, Roaming and mobility applications services; the fixed segment with integrated solutions for data networks, collaboration, voice data and internet; and business IT which is the largest provider of data center infrastructure.

In this way the Corporate Segment becomes a strategic partner for its customers, supporting the back office and integrating IT solutions that improve the core business of each corporation.

Results 2016

Mobile Business

In a highly competitive year for the mobile business, Entel Corporaciones focused its strategy on defending its high market share and converting

its customer base to self-management plans, which incorporate concepts such as excess data charging and unlimited application use for business, such as email, WhatsApp or other applications critical for the customers' business.

Fixed Services

In 2016 Entel Corporaciones worked systematically to improve the profitability of this segment. An initial assessment resulted in three main lines of action being taken, which can explain the six point increase in EBITDA over the year. These were: improving commercial efficiency, the provision of services and operational aspects. Intensive work was also undertaken to defend the high market share and in upselling and cross selling new high-value products and services to our customer base.

Information Technologies

Entel has been working on two elements:

Data center highlights

Total capacity data center network

 **7,500** M² of capacity

 **300**

With more than 300 customers the center manages 3,500 servers from companies in the financial, services and industrial sectors.

Ciudad de los Valles

 **180**

Houses the operation of more than 180 customers

 **4,000** M² floorspace

 **2,500**

Manages about 2,500 servers



1. Maintaining leadership in the outsourcing business and data center, making the investment profitable and increasing service excellence.

2. Addressing the growth being opened up by the digital world, in which connectivity is a central element and a competitive advantage for addressing businesses such as Internet of Things (IoT), developing solutions for cloud computing, cybersecurity, Big Data and analytics etc.

- In terms of Big Data and Analytics solutions, Entel developed a solution for a major insurance company using an insurance program based on customers' ways of driving (UBI - Usage-Based Insurance).
- In the cybersecurity business, a solution has been developed to respond to the mostly technological needs of companies in confronting cyber attacks, as well as the risks and impact of these attacks by organizations dedicated to cybercrime. In this way corporate executives can address cyber-defense as a strategy linked

to their business, in terms of their legal responsibility (for direct and indirect impact) and the protection of their customers (data and security), with ongoing security advice.

Thus Entel has the tools to be a partner who enables the digitization of their customers' businesses.

Leader in data center services

With a strong data center infrastructure, in 2016 Entel focused on improving customer experience in this segment, as well as on business profitability, prioritizing projects that effectively generate value for the customer and the company.



Ciudad de los Valles Expansion: building work on the first 1,000 m² of the third stage of the data center is almost complete. This will be the most modern and largest data center in Chile, which will add additional floorspace of 1,000 m² 2018. Today, Ciudad de los Valles has 4,000 m² of floor space with 6,000 m² planned by 2018.

Cloud Computing Solutions: Ciudad de los Valles provides a productive environment for Cloud Computing solutions, both for customers and for Entel. In 2015 Entel's SAP pay per use Cloud Platform was incorporated, designed to efficiently operate critical SAP environments. The platform supports both traditional databases and SAP HANA environments. In this context revenue from the Cloud platform grew more than 20% over twelve months and the customer base by 10%.

Certifications: the three stages of Ciudad de los Valles were awarded Tier III Design Certification Documents by the Uptime Institute. It is also a Tier III Constructed Facility, which ensures that the design, implementation and operation ensure 99.982% of expected availability in the case of any eventuality, and possesses Tier III Gold Certification - Currently Maintainable. 2016 also saw the awarding of M&O certification, also from the Uptime Institute, for the Amunátegui data center for maintenance and operations, and renewal of the Gold Operation Services SAP Hana certification.

Internet of Things

The Corporate Segment has about 500 clients who, given their size, consume a very high percentage of the country's IT services and products, according to CIETUC data.

In this landscape Entel has been fine-tuning internal capabilities and forming strategic alliances with third parties in order to develop a powerful digital business offering, in line with the growing needs of its corporate customers. Within this segment, which has been identified as having high potential for growth, opportunities include areas such as mining and health, among others.

In this regard the company developed IoT projects with TurBus and in 2016 new players were added in the passenger transportation business, providing information on bus speeds and driving parameters for buses and drivers, helping keep them within legal limits.

Revenue

Revenue for the Corporate Segment rose 1% over 2015 figures. This is due to a marked increase in revenue from Fixed Services (traditional and IT), partially offset by a drop in mobile services. In 2016, M2M (machine to machine) data revenue was reclassified as revenue from IT services rather than mobile services, given the evolution of this kind of solution into an integral part of the digital businesses (especially in Internet of Things solutions)

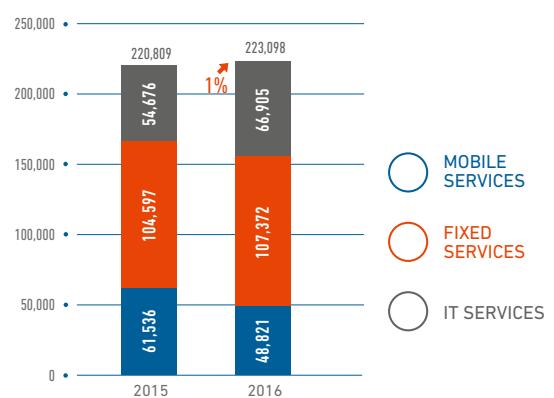
The greatest increase in revenue was seen in IT services, with significant growth in data center services, operational continuity and digital solutions. Traditional fixed services increased moderately with the strong expansion of fixed data services supporting the drop in fixed voice services, a trend in the industry.

Mobile services meanwhile show a fall in revenue, the result is mainly explained by a reduction in the base, in line with market conditions for this segment.

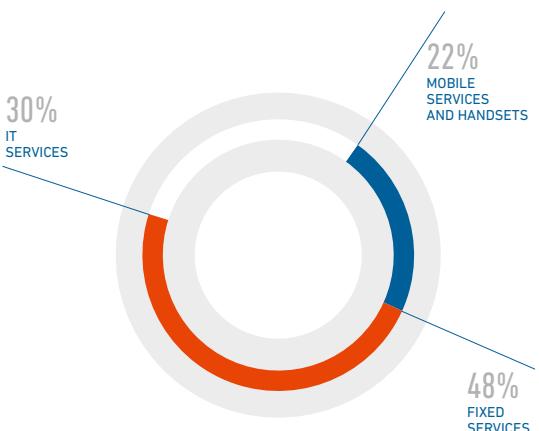
The economic downturn in Chile, the low investment from large companies and a less differentiated offering with respect to the mass market appear to be the main causes of this market slump. Moreover, the transformation of the mobile lines base to data-centred plans made significant progress, achieving high mobile data penetration.



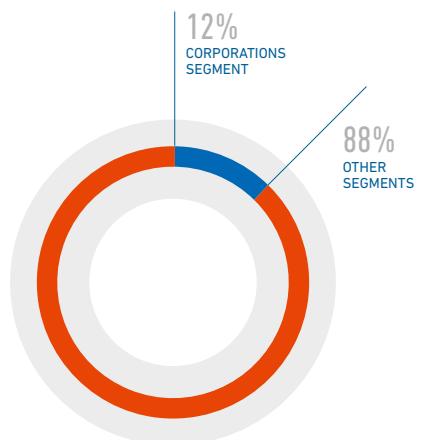
CORPORATE SEGMENT - REVENUE
(CLP million)



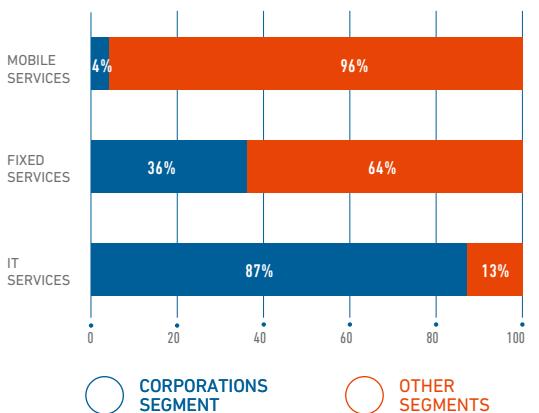
CORPORATE SEGMENT BREAKDOWN
REVENUE BY SERVICE (%)



CORPORATE SEGMENT - GROSS REVENUE SHARE OF ENTEL CHILE 2016



CORPORATE SEGMENT - SHARE OF TOTAL REVENUE OF ENTEL CHILE



Wholesale Segment



Pablo Guerrero
Wholesale Segment Manager

"We aim to be the best provider of networks and services for national and international operators, with broad national coverage, high service standards at a competitive cost, and infrastructure at the cutting edge of technological development, forging alliances that leverage the growth of our clients;

Entel is the leader in the wholesale market, providing fixed and mobile infrastructure services to more than 140 national and international operators.

National Roaming and Services for Virtual Mobile Operators

Entel has a public offering and provides domestic roaming services through its mobile network to operators requiring to enhance their mobile coverage in areas where they do not have their own coverage. They also provide services to mobile virtual network operators to whom they offer mobile network infrastructure.

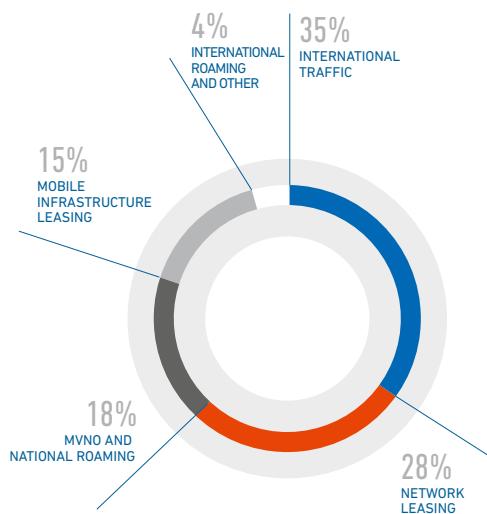
In 2016, the National Roaming and Mobile Virtual Network Operators market was highly dynamic, reflecting the competitiveness of the consumer and enterprises retail market.

The end of exclusivity of the National Roaming contract, which Entel held with an operator whose traffic in areas without network coverage was handled exclusively by the Entel network, meant lower revenues in this business line. Meanwhile revenue from services provided to Mobile Virtual Network Operators increased by more than 17% compared to 2015.

2016 revenue composition by operator type

60%
National

40%
International



International Roaming

In 2016 the strategy of aggressively reducing international roaming rates between operators was stepped up, thereby meeting end-user demand for greater volumes of data and voice for travels abroad. Entel managed to reduce voice rates by 51% and data by 44% compared to 2015 charges. Meanwhile the number of mobile companies with roaming agreements worldwide, whose networks are available for the use of Entel customers, continued to increase.

Customer satisfaction and quality of service

In 2016 there were a number of initiatives to improve the customer experience. One line of focus was international roaming services, which went up 37 percentage points in terms of satisfaction compared to 2015.

Based on face-to-face interviews at the airport for travelers visiting the United States, Peru and Argentina, Entel led for both the voice and data service satisfaction, 27 points over the next best for voice. For data, the difference in Entel's favor was 9 points.

Meanwhile the net satisfaction of national operators using Entel fixed and mobile infrastructure services was up 21 percentage points compared to 2015, according to a Praxis Customer Satisfaction Survey carried out in April 2016.

Key customers

46 NATIONAL OPERATORS

(Grupo Claro, Grupo Movistar, Grupo GTD, Falabella Mobile and WOM, etc.)

Services provided:
Rental of fixed networks, rental of last miles, rental of mobile infrastructure, services to Mobile Virtual Network Operators, national roaming.

95 INTERNATIONAL OPERATORS

(AT&T, Verizon, T-Mobile, Sprint, Vodafone, BT and TIGO Group, among others)

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

Revenue

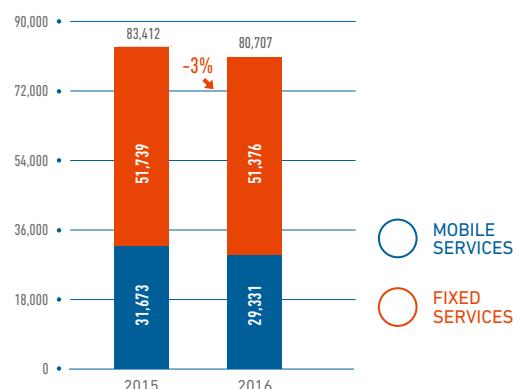
Gross revenues from the Wholesale Segment decreased by 3.2% in 2016 compared to 2015 (- CLP 2,705 million), due mainly to reduced activity in the mobile business.



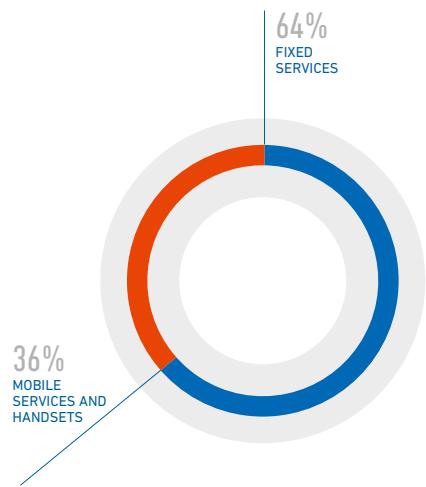
The reduction in mobile business was mainly due to lower revenues from International Roaming, the result of the aggressive rate reductions negotiated in 2016 - aligned with the strategy of reducing service costs - and a drop in use of the National Roaming services which was not offset by the increase in revenue from Virtual Mobile Operators.

Revenue from the lease of fixed network infrastructure showed a slight decrease of 0.7% compared to 2015, relating to lower revenue from leasing to operating companies and offset by higher revenue from the international traffic business and value-added services.

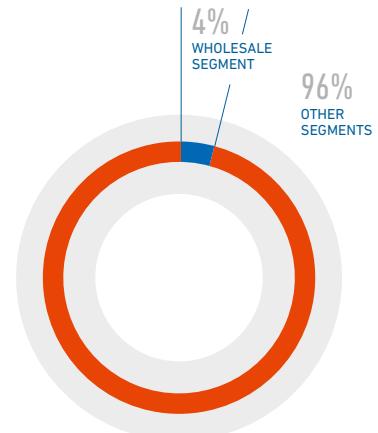
WHOLESALE SEGMENT - REVENUE TO THIRD PARTIES (In millions)



WHOLESALE SEGMENT - REVENUE BREAKDOWN BY SERVICE (%)



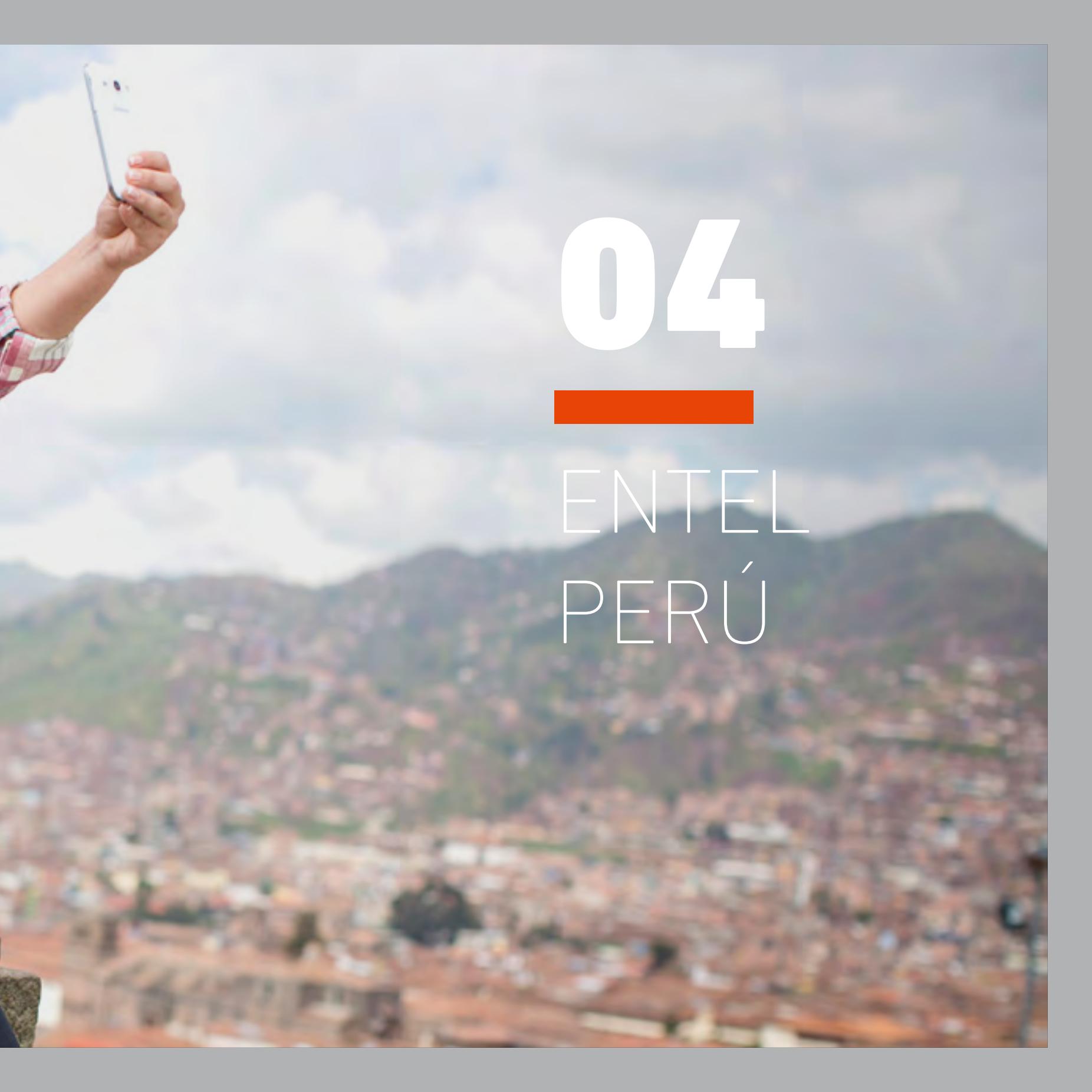
WHOLESALE SEGMENT - GROSS REVENUE SHARE OF ENTEL CHILE 2016



WHOLESALE SEGMENT - SHARE OF TOTAL REVENUE OF ENTEL CHILE





A person's arm and hand are visible on the left side of the frame, holding a smartphone and taking a photo of a cityscape with mountains in the background. The city is built on a hillside with many buildings. The sky is cloudy. The image is slightly blurred.

04

ENTEL
PERÚ



Entel Perú

We consolidated Entel's position as Peru's mobile benchmark with the best user experience.

Context

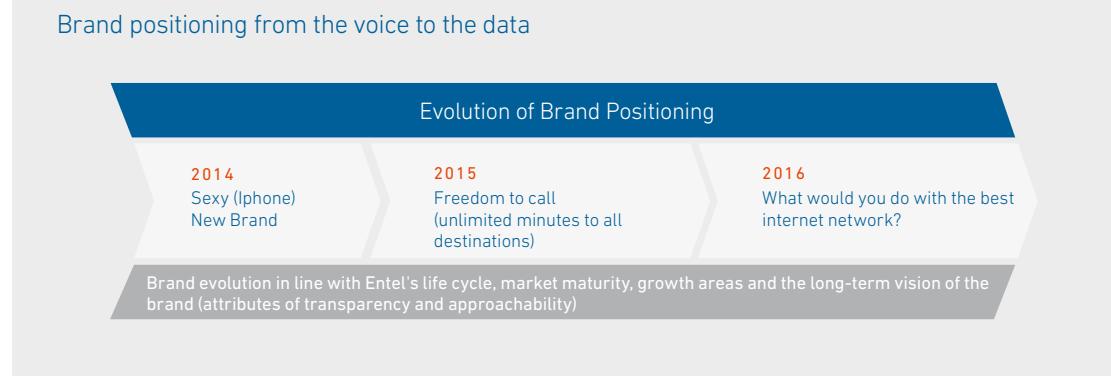
After launching the Entel Perú brand in 2014, the company has revolutionized the Peruvian market with a disruptive offering and superior quality. This strategy has allowed the company to continue consolidating its position in an industry with significant development potential.

With 30 million inhabitants, a growing economy, clear regulations, low penetration of mobile internet and increasingly informed users who demand high quality from the operators, the country is an attractive market for Entel's business model.

In this landscape Entel injected momentum into the Peruvian telecommunications industry, which

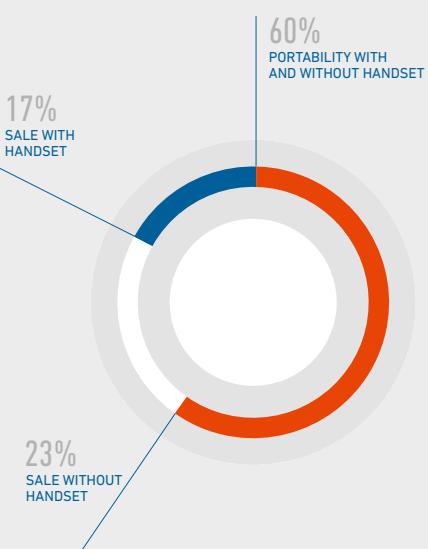
is currently highly competitive. Developments over the last months include:

- > Mobile market under strong competitive pressure.
 - Prepaid: Operators have strengthened their offering with unlimited on-net calls and MB, due to a downward trend in the segment given the migration to postpaid.
 - Postpaid market: aggressive offering of data plans.
- > Entry of new competitors (Virgin Mobile, Tuenti) with no-contract plans and communication focused on delivering a transparent, free offering and empowering the customer.





SALES COMPOSITION



Management focus 2016:

Over the last year, Entel continued positioning itself in Peru as the mobile benchmark with the best user experience.

After developing a business strategy to gain an important position in the market, promoting the segmentation of corporate and individual customers, redesigning the commercial offering and customer service and expanding the distribution channels, Entel Perú focused on:

- Consolidating sales volume. In this way the quality of the portfolio improved and opportunities were leveraged - such as upselling, SME - through low risk channels such as portability and telesales, supported by mass communication.
- Scaling up network capacity with different 2G, 3G and 4G technologies. As a result Entel has the largest network in the Peruvian market and in 2016 became the first to deploy the 700 MHz band, positioning itself as the operator with the fastest mobile internet in Peru.
- Continuing the rollout of network, with coverage in cities with a larger population, and focusing on covering the main gaps in those with lower population density. This involved targeting areas of interest close to cities and major highways.
- Scaling up on points of sale and top-up services for prepaid customers in a cost-effective way, and reducing the implementation time of the new points of sale by 66%.
- Scaling up the offering of commercial plans and equipment. The commercial offering includes high-capacity multimedia data plans (with usage limits) with unlimited voice service regardless of the destination network, high-end handsets and free access to social networks for a limited time.

- > Developing high impact advertising campaigns aimed at enhancing the new brand and the services offered.
- > Optimizing the work of the support areas, supporting the demands of the business divisions, growth and improving efficiency, and with high time dedication to TDE.

Nearly five million customers

This action explains the 54% increase in Entel Perú's total customer base, which stood at 4,820,034 at the end of 2016, representing 12.8% of the market.

Postpaid:

The postpaid segment (voice, MBB and M2M) totaled 1,852,515 customers, growth of 33.0% over twelve months.

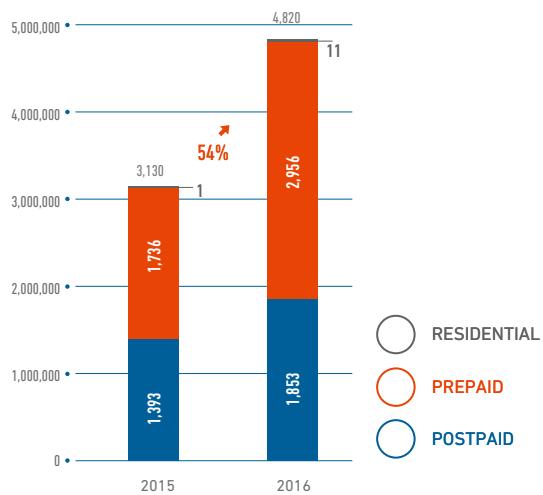
In the fourth quarter of 2016, in addition to having a wide range of multimedia plans with attractive internet browsing quotas, promotions for social networks and discretionary minutes for calls to all target networks, the data supply was improved, doubling quotas in the existing plans.

A varied range of smartphone handsets continue to be on offer, as are plans for SIM cards without a handset.

Prepaid:

The prepaid segment, which also includes voice and mobile broadband, grew 70.3% in terms of customer base, reaching 2,956,240 users at the end of 2016 and driven by the progressive

GROWTH IN SUBSCRIBER BASE
(In thousands)



increase in network coverage and sales channels regionally, along with offerings that focus on providing incentives for recharges, including the use of social networks like WhatsApp and free basic Facebook for a limited time.

User acknowledgment and preference

Strong reputation

- > Less than two years after its launch, MERCO ranked Entel Perú the company with the best corporate reputation in the telecommunications sector. The company was also ranked 16th out of 100 companies evaluated across the spectrum of the economy, 55 places up on 2015.
- > In addition, Great Place to Work found Entel Perú the best place to work in the telecommunications industry in Peru.

This is also reflected in the portability rate in the Peruvian market, which the company leads in terms of positive portings.

- > The company received another acknowledgment in November 2016 when international consults IZO recognized it as the company offering the best customer experience in the telecommunications sector in Peru. The award was based on BCX studies that measured customer satisfaction in terms of experiences with channels, brands, interactions, product and emotions felt by customers.

Recognition of entrepreneurial creativity

- > Entel Perú won first place in the marketing, merchandising and sales category of the Innovative Communication awards 2016, granted by the Peruvian University of Applied Sciences and Laureate International. The prize was for their "Super Yapa" campaign which helped grow market share from 5 to 7%.
- > It was also awarded first place for "Public Services" for its agreement with Facebook, which helped grow postpaid's market share from 9.5% to 15.7%.

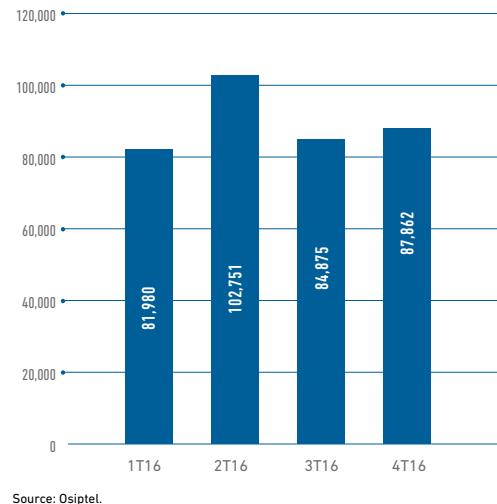
Award-winning advertising campaigns

- > Entel Perú's effective communication and marketing campaigns, designed to disseminate their distinctive commercial offer in the second quarter of 2016, were awarded four Effie awards. The prize reflects Entel Perú's value and acceptance in the Peruvian market and comes on top of the ANDA medal for Integrated Communication - Services, for the effectiveness of the brand launching campaign.

Greatest satisfaction

- > Against the backdrop of a diminishing prepay industry due to the high level of competition and the migration to postpaid, Entel Perú's satisfaction stands out above the competition.

QUARTERLY NET PORTABILITY - MOBILE SERVICES



Source: Osiptel.

Leader in portability

From January 2015, the Peruvian regulator ordered mobile operators to provide unlocked mobile phones for use on any network, promoting portability which had been authorized the previous year. In this landscape Entel Perú continues to lead in portability, with 357,468 customers ported in 2016 and 748,419 net lines ported since July 2014 (1,230,009 positive and 481,590 negative ports).

New Residential Offering

The company is also selectively expanding its commercial offering to the residential segment. The infrastructure already deployed by Entel Perú allowed it to deliver wireless telephony services in early 2016. At the end of the year it had 11,279 revenue generating units (RGU), with good growth prospects.

With a self-install kit that allows access to different plans and connection to multiple devices with unlimited browsing at a speed of up to 2 Mbps,

the Entel subsidiary replicated what had been done in Chile, taking advantage of the capabilities of the mobile network.

Networks and Channels

The implementation of this innovative proposal was made possible by the solid deployment of world-class 2G, 3G and 4G networks.

To date there are 3,031 sites in operation, an 18% increase over the year. Thanks to the rollout of networks, as of October 2016 Entel is present in all the capitals of Peru's departments.

In line with the above, sales channels and recharge points were scaled up in 2016. Through the strong emphasis placed on the development of franchised stores and authorized agents, the company had 714 points of sale by the end of 2016. This number includes owned stores, franchisees and authorized agents, and represents a 101% increase over the existing network as at December 2013.

Regulatory Framework

700 Band: In May 2016, the agency for the promotion of private investment, ProInversión, awarded Entel Perú one of the three blocks of the 698-806 MHz block (known as the 700 MHz band), put out for tender by the authorities.

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

In view of this, in 2016 Entel Perú began adjusting their sales processes so as to comply with the new regulations.

Tariff setting: in Peru in November 2016 the price setting process for interconnection between mobile companies began. This procedure will run throughout 2017, setting access charges which will apply from January 2018.

USD

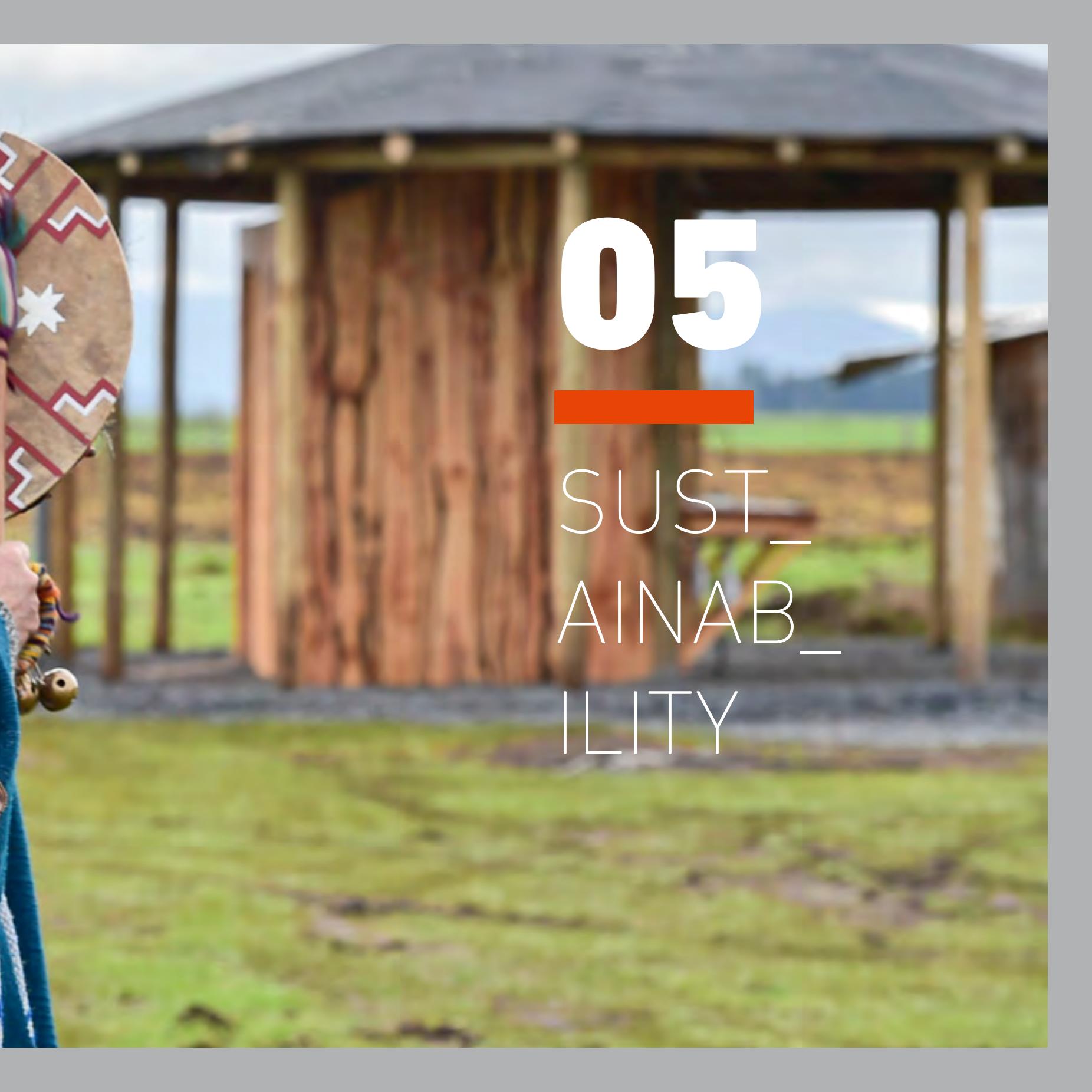
290

Investment in 700 band:
USD 290 million.

Main Campaigns 2016







05

SUST_

AINAB_

ILITY

Sustainability

We want to continue connecting Chileans and continue contributing to the reduction of the digital gap, developing communities and improving the quality of people's lives.

Providing access to telecommunications and our continued commitment to eradicate the connectivity gap, focusing on social welfare, has been part of the Entel's mission and vision since its inception.

For 52 years we have constantly adapted and reinvented ourselves, in a market whose dynamism never ceases to surprise. The ability to provide connectivity and innovate has been around since Entel connected the first national and international long distance calls in 1964, through mid-90s when the company transformed itself into the mainstay of mobile telephony in Chile, and later, of digital connectivity.

The impact of this activity has contributed to, and will continue contributing to, the transformation of people's lives. While it was fixed telephony that first connected Chileans, it is mobile and internet services that are helping to reduce the communication gap.

This commitment to building a more integrated, harmonious and inclusive society underpins the company's business model which, at the end of the day, lets everyone "live better connected" through a unique, simple experience and world-class standards.

Entel's management in this area was recognized in 2016 when it became the first telecommunications company in the country to join the Dow Jones Sustainability Index Chile (Chile DJSI). This acknowledgment spotlights those companies listed on the Santiago Stock Exchange that meet sustainability criteria better than their peers in economic, social and environmental areas.

The Dow Jones Sustainability Index is the most prestigious in the world regarding investments with a focus on long-term operations and incorporates members of the financial-, motor-, consumer-, service- and energy industries.

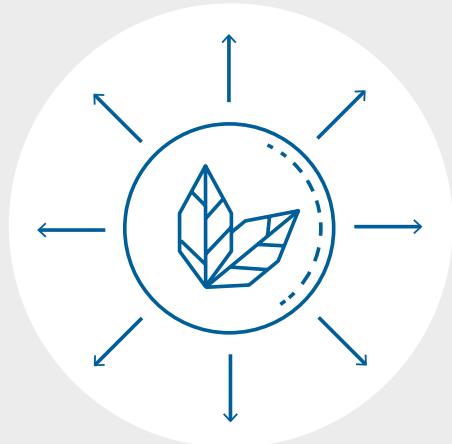
Sustainability Policy

"To address, understand and meet the expectations and interests of stakeholders, and in doing so contribute to the technological, social, economic and environmental development of the country."

This policy governs our activities and is reflected in five lines of action:

- > Integrate sustainability as an essential part of operations.
- > Contribute to the welfare of society through the popularization of connectivity and its services.

- > Support policies that improve the social and economic conditions of the communities where we develop our projects.
- > Implement initiatives that create shared value between stakeholders and the company.
- > Foster innovation and social entrepreneurship.



2016 Work Focus

To enhance our main lines of action, guidelines were set to facilitate the company's approach to its stakeholders and thus add value to sustainability management.

To meet these goals, Entel focused on four main areas:

- > Reducing the digital gap and facilitating access to technologies.
- > Forging links with communities who are part of the environment in which Entel develops its business and deploys infrastructure that supports service.
- > Strengthening links with the social organizations the company is involved with.
- > Involving Entel employees more with issues of sustainability. Through corporate volunteer programs they become ambassadors and representatives of the company, creating a closer relationship with the community while gaining a sense that they are part of the social role played by the company.

Note:

More details of the company's social, economic and environmental performance can be found in the 2016 Sustainability Report.



Stakeholders

The company's key stakeholders are the communities with which it is involved, customers and users, employees, suppliers and contractors, shareholders and investors, the media, the state (authorities and regulators) and civil society.

Entel seeks to foster an ongoing relationship with them and create mutual, efficient communication mechanisms.

To listen to and address the concerns of different stakeholders, Entel has established a formal relations mechanism with each of them as well as a methodology for learning about their concerns and following up on initiatives resulting from joint activities.

For each stakeholder a channel is established for finding out their concerns. Priority issues are raised and based on this information relationship-building activities are undertaken and finally, in line with the results of this process, initiatives are carried out.

Stakeholder relationship-building model



For details on the implementation of the relationship-building model, see pages 124 and 125



Distributed Value

63% of the value generated by Entel's commercial activities was distributed among its main stakeholders in 2016

Distributed Value	2015 (CLP million)	2016 (CLP million)
Employees	247,055,145	245,667,093
State	206,585,981	201,668,631
Community and environment	2,255,042	2,408,492
Shareholders	8,041,806	0
Financial	92,213,912	105,712,255
Total distributed	556,151,886	555,456,471

NOTE: More details of the company's social, economic and environmental performance can be found in the 2016 Sustainability Report.

CLP 555

BILLION

More than CLP 555 billion
in economic value generated
in 2016

Implementation of Stakeholder Relationship-Building Model in 2016



Identification channel
for areas of interest



Setting up
priority issues



Relationship-building
activities



Co-creation of initiatives
generated through dialogue

Communities

- › Relationships on-site/through authorities
- › Monitoring relationship-building opportunities with communities.

- › Electromagnetic radiation caused by setting up telecommunications infrastructure.
- › Electronic waste recycling
- › Consumer rights.
- › Digital inclusion
- › Electronic waste recycling.

- › On-site meetings.
- › Roundtables.

- › Uniendo Personas program.
- › Mujeres On.
- › Agreement with the Chile's Association for the Deaf for customer service and services.
- › Inauguration of locations for Conectando Chile project.
- › Corporate volunteering.
- › Social Leaders Workshop.
- › Digital Independence Public Library.
- › Yo Leo
- › Recycling of cellphones and accessories

Customers

- › Customer Satisfaction Survey.
- › Reporting channels.
- › Market studies.

- › Service Quality.
- › Aftersales.
- › Prices.
- › Transparency.
- › Technical Support.
- › Coverage.
- › Responsibility to the environment.

- › Loyalty events.
- › Launches.
- › Customer journey analysis.

- › Entel Digital Transformation Project (TDE)
- › Launching new plans.
- › 4G+ Launch.
- › Launch second phase of Chile program.

Employees

- › Great Place to Work Survey.
- › Relations with Unions.

- › Life/work balance.
- › Professional development.
- › Health and safety at work.
- › Benefits
- › Organizational environment
- › Diversity and inclusion.

- › Internal communications
- › Performance evaluation.
- › Regular meetings between area heads and CEO.
- › Collective bargaining.

- › Devising Diversity and Inclusion Policy.
- › Collective agreements.
- › Corporate volunteering.
- › Benefits for employees including measures to combat stress, family integration, health programs, sports centers, etc.

Suppliers y Contractors

- › Assessment of suppliers.

- › Clear information on accreditation.

- › Generating information to carry out improvements in procedures.
- › On-going relationship to better understand their role in the business and our needs.

- › Training courses on Occupational Safety and Health.
- › Training courses on community relationship-building



Identification Channel
for areas of interest



Setting up
priority issues



Relationship-building
activities



Co-creation of initiatives
generated through dialogue

Shareholders and Investors

- > Financial Sector conferences, both local and international.

- > Progress in expansion plans for Peru
- > Competitive areas in Chile and new regulatory developments, business risks and Corporate Governance

- > Investor Day with direct access to management.
- > Individual meetings with investors.
- > Quarterly meetings with local investors to review results.

- > Follow-up plan with investors.

Media

- > Industry management and analysis.
- > Relationship-building meetings with journalists.
- > Requests for questions for press releases.

- > Have information kit of high journalistic value.

- > Management and coordination of the Sustainable Journalism Award (PESU).
- > Annual meeting of journalists.

- > Telecommunications training for new journalists.
- > "Conéctate con la Sustentabilidad" initiative, showing activities linked to sustainability.

State

Authorities:

- > Opening communication channels with public authorities seeking to contribute to the management of the business.
- > Response to information requirements on different projects and initiatives.

Regulators:

- > Working meetings with the authority on the concerns and focus of Government regarding the administration.

Authorities:

- > Importance of the growth of telecommunications for the social and economic development of the country.
- > Rollout of infrastructure in communes and territories.

Regulators:

- > More information and transparency to users of telecommunication services on the rollout of infrastructure.

Authorities:

- > Invitation to the authorities to participate in all the "Conectando Chile" project launches.

Regulators:

- > Formal working meetings to prepare an agenda on issues of interest to the authority and Entel.
- > Seminars, lunches and talks with the industry and requests for meetings on issues that concern Entel regarding the development of telecommunications services.

Authorities:

- > Establish the IMEI industry database.
- > Inaugurate all 4G+ and Conectando Chile launches with the authority.
- > Workshops with regional authorities to train social leaders in use of technological tools.

Regulators:

- > Roundtable was set up to monitor the 700 MHz project.
- > The discussion with ATELMO on the bills currently in the pipeline in Congress.

Civil Society

- > Ongoing dialogue and contact.

- > Responds to the concerns of the people represented, such as: respect for rights, access to information, transparency and quality in services and customer care.

- > ORCUS agreement to develop activities throughout Chile concerning consumer rights and duties.
- > ASOCH agreement on more personalized service and customer care for deaf people.
- > Roundtables with social organizations.

- > Validate management of complaints in stores and other channels.
- > Initiation of a Diversity and Inclusion Policy at Entel.
- > National promotion of responsible recycling of electronic waste.
- > Train providers of infrastructure in relationship building with social leaders.
- > Train the community nationwide on consumer rights (with ODECU).
- > Social Leaders Workshop supplying technological tools for performing their functions.
- > Yo Leo Mapudungún.
- > Yo Leo Rapa Nui.





06

SUBSI_

DIARIES

Americatel

Americatel operates in Peru where it is recognized as a strong company capable of providing multi-product and multi-technology solutions. To do this it has a technical-commercial team designed for Enterprise and Corporate clients, 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.

Strategic guidelines

In recent years, Americatel has expanded its operating framework towards medium and large companies. To this end it initiated the deployment of a fiber optic network in metropolitan Lima. The search for synergies with Entel Perú has allowed for efficient use of the deployed network.

The company also provides IT services as an important area for future growth.

Strategic focus by business segments

Telecommunications

- > To increase penetration in the medium and large enterprise and corporate segments through the sale of dedicated services (internet, data and fixed services), prioritizing the sale of fiber optic services in the medium and large enterprise segments. All the above without neglecting positioning in the small business segment, through increasing sales of NGN services.
- > To prioritize the creation of synergies with Entel Perú, especially in businesses that allow for expansion of the fiber optic network.

- > To redesign the customer service model, seeking to improve the value proposition and, thereby, long-term relationships with our clients.

Management 2016

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

Information Technologies

- > After deciding to address this business, the company came up with a plan focused on making a greater contribution to the company's total revenue, leveraged on the data center and additional services that complement the current offering
- > Based on its new offering, the brand has been repositioned, affiliating Americatel with the business segment.

Management 2016

- > The creation of IT Commercial Management strengthened the position of Americatel in the market as a Cloud service provider.
- > The Hosting business was also part of our proposal for 2016, with participation in several relevant projects.
- > A team specialized in government sales was consolidated, achieving a doubling of sales to this segment compared to 2015.

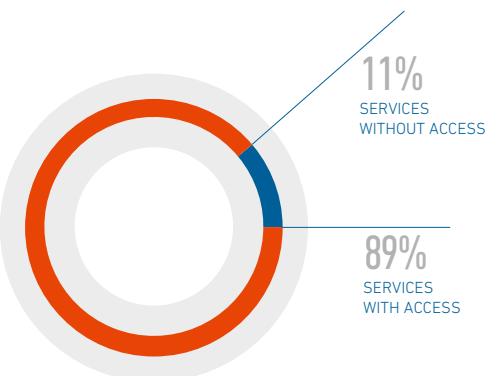
Revenue

At the close of 2016, Americatel Perú revenues were USD 39,636 million, 7% down compared to 2015.

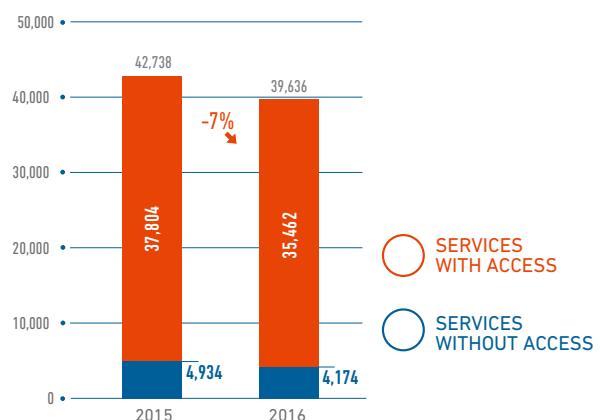
This decrease is mainly due to lower revenues in the wholesale and long distance business, impacted by lower traffic. There was also a downturn in revenue for integrated voice, internet and data services.

The downturns were partially offset, however, by the strategic deployment of Information Technology services in the segment, associated with data center services. EBITDA meanwhile reached USD 6.51 million, down 29% on 2015.

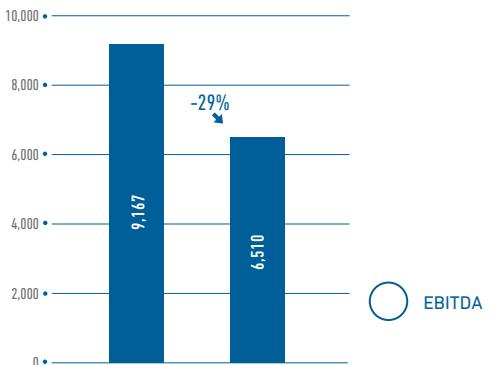
BREAKDOWN OF SERVICES REVENUES



AMERICATEL PERÚ GROSS INCOME
(In thousands of USD)



AMERICATEL PERÚ EBITDA
(In thousands of USD)



Entel Call Center

Entel Call Center has been positioned as a multichannel provider, able to deliver solutions with the highest quality standards, fast and accurately, for users who demand more complex care, given that they have generally reached the call center when their problems have not been solved by other means.

Communication channels

- > Social networks
- > MSI Mobile
- > e-mailing
- > SMS
- > Chat
- > Click to Call,

These services are integrated into a single, centralized information structure that allows for the intelligent use of data (big data).

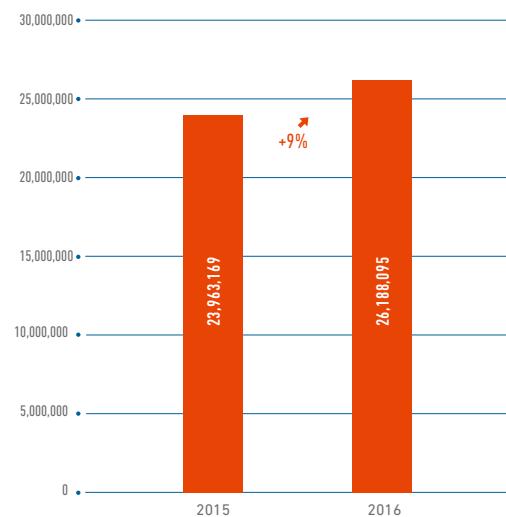
Service is end-to-end, with Entel Call Center contributing to the customer's value chain when interacting with end users. This involves providing a complete and integral solution to a process that the customer has decided to outsource, including several subprocesses. In the case of Entel credit cards, the service includes the telephone sales process, signing of contracts and their validation, delivery of the card to the end user and subsequent activation by the bank, all headed by Entel Call Center. The goal is for the contact center to deal with the complete cycle of the product, from the telephone sale to the card's activation, thus delivering an integral service to the customer.

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.

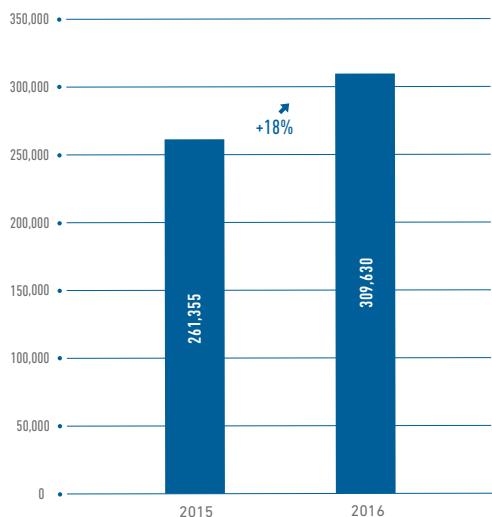
A photograph showing three call center agents at their workstations. A man in a white shirt is standing and talking to a woman in a black jacket who is seated. Another woman in a blue jacket is seated at her desk, working on a computer. The office has blue and orange chairs and desks.

More than 90 clients, mainly public entities, financial institutions, retail companies and the commercial sector in general, in addition to the services that Entel Call Center provides to its parent company.

INBOUND INTERACTION RECEIVED



SOCIAL MEDIA INTERACTION RECEIVED



	Chile	Peru
Staff		
	3026	4885
Gender (%)		
Men	43%	45%
Women	57%	55%
Age		
Younger than 20	2.05%	3.71%
20 to 29	48.35%	64.18%
30 to 39	31.89%	24.34%
40 to 49	12.36%	6.39%
50 to 59	4.56%	1.19%
60 to 69	0.66%	0.18%
70 to 79	0.13%	0.02%

Business management

The sales drive deployed in both Chile and Peru has allowed Entel Call Center to close with positive results, despite the effects of the slowdown of the national economy.

Banking, a segment for which end-to-end services are provided as part of the management of the telesales of credit cards and loans, mainly, saw reduced activity at the beginning of the year,

though the trend was partly reversed towards the end of the period.

Meanwhile the call centers have seen fewer voice calls and further development of digital queries and self-management tools.

The change in the mix of contact platforms also affected the business relationship of the Call Center in Chile with its parent company, Entel S.A. This phenomenon was counterbalanced however through the new customers captured at the end of 2015 or during 2016, a number of them from the public sector such as the General Treasury of the Republic, the Civil Registry and Servel.

Growth in Peru

Taken as a whole, the performance of the Entel Call Center Service in Peru was positively impacted by the 11% increase in the calls received, in line with the exponential development of the Entel brand in Peru. Also, in less than a year and a half Entel Call Center Services Peru developed a telemarketing team to market Entel Perú products.

The Peruvian market now represents about 49% of the total operation of Entel Call Center.

Customer Satisfaction

Along with the development of personnel recruitment and training processes in accordance with the needs of the business, Entel Call Center manages the customer experience through tools that measure service levels online.

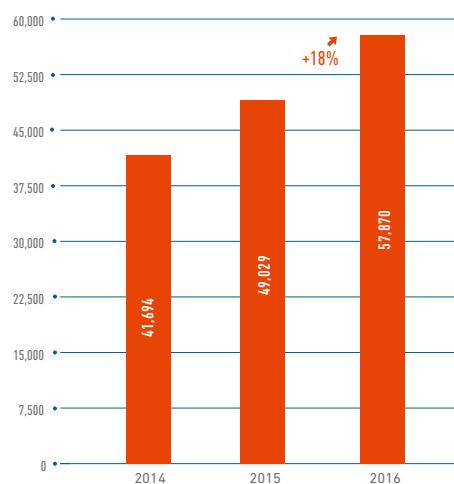
In this way, each month the company measures critical and non-critical error precision, indicators that are contrasted with the results of end user satisfaction. Thus opportunities for improvement are detected both at the agents level and at the process level. Added to this, at least four calls a

month are assessed for each operator, supporting continuous improvement of the service.

All of the above feeds the ongoing training and continuous improvement program for the agents, which also includes a loyalty program called "Yo adhiero" in Chile and "Apégate" in Peru. By the end of 2016, 100% of supervisors had participated in these adherence programs.

In 2017 this working methodology will be complemented by a new tool known as speech analytics. This robot analyzes all recordings and delivers information that allows the quality of customer care to be assessed and agents to be trained accordingly.

CONSOLIDATED REVENUE FOR ENTEL CALL CENTER
CLP million
Values expressed under IFRS

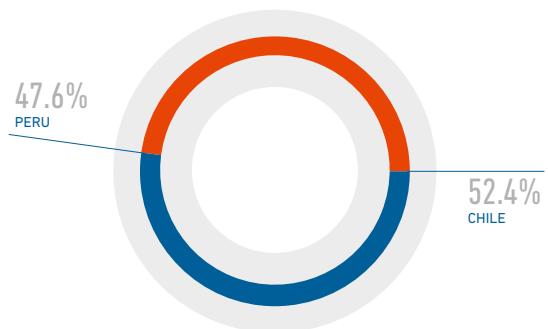


Revenue

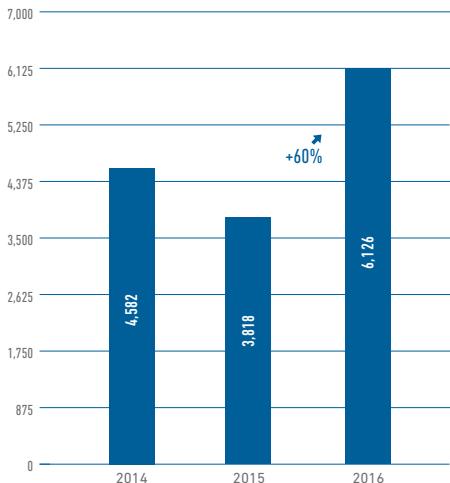
In terms of revenue, in 2016 the Entel Call Center had an increase of 18%. Growth was mainly driven by subsidiary Servicios Call Center del Perú, up 40.8% (+ ThCh\$ 7,778) due to the exponential growth in sales and customer service associated with Entel Perú. This segment went up from 36% to 47% of total revenues in Peru and from 15% to 23% at consolidated level. In Chile growth in revenue has been slower, at 4.1%, mainly driven by services provided by Entel Chile (+5%) and third-party customers (+3%), mainly government entities and banks.

In terms of EBITDA, year-on-year growth was 60%. This increase occurred in both Chile and Peru. In Peru growth hit 70%, due to a strong increase in revenue and the optimization of platforms, in addition to having almost 95% of the installations in operation, allowing us to better cover our fixed costs and keep operational costs in line.

REVENUE BY COUNTRY OF ORIGIN

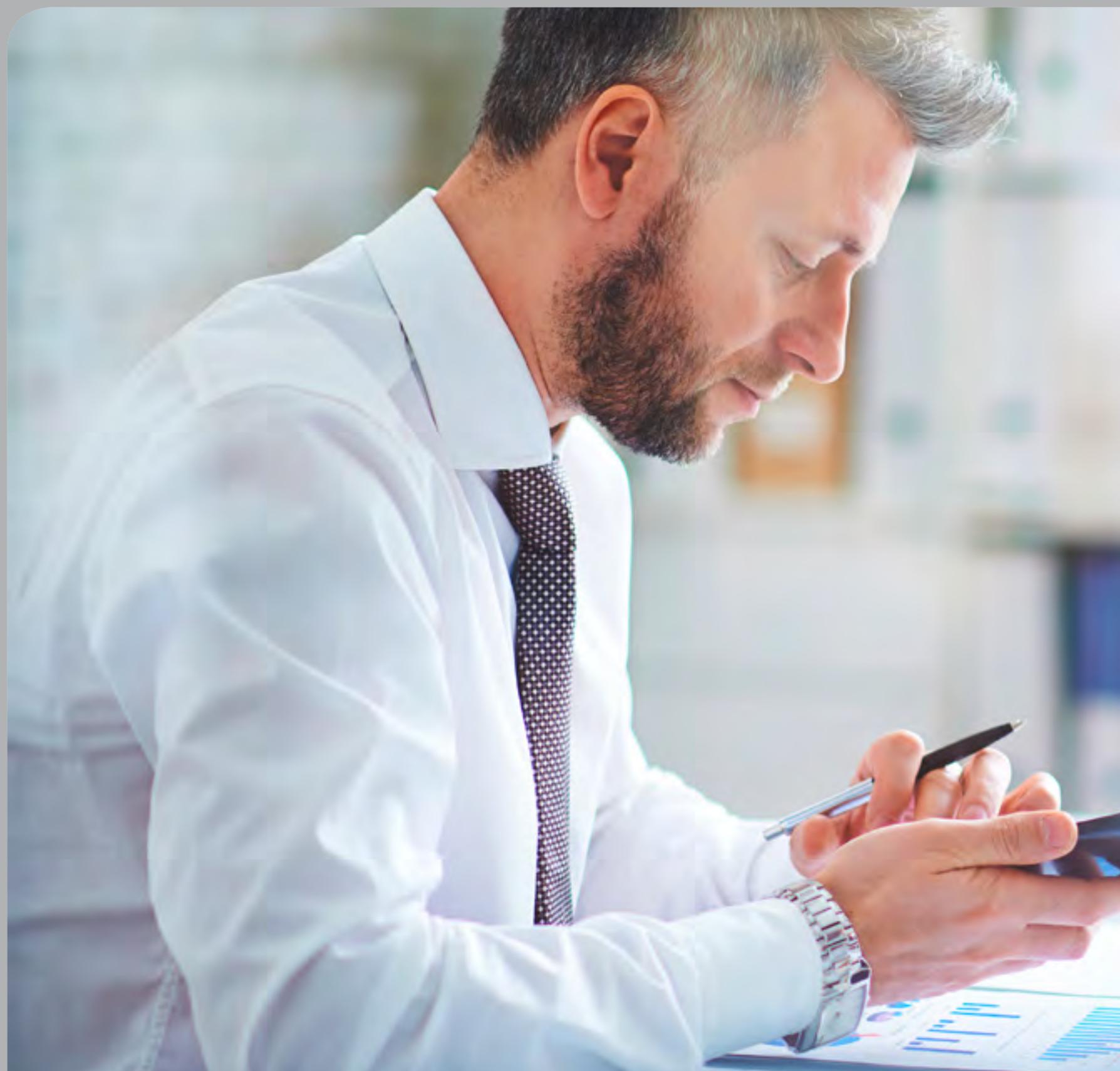


CONSOLIDATED EBITDA FOR ENTEL CALL CENTER
CHILE - PERU
(CLP million)



EMPLOYEES AND POSITIONS BY COUNTRY







07



RES
ULTS

Consolidated Results

Entel Perú continues to show solid growth in its customer base and drives consolidated revenue.

In Chile, sustained growth (+8%) of fixed revenues continues (including IT) in the Enterprises and Corporations segment. Entel Hogar revenue was up 24% compared to 2015.

Additionally, a successful capital increase of \$ 353,703 million was finalized.

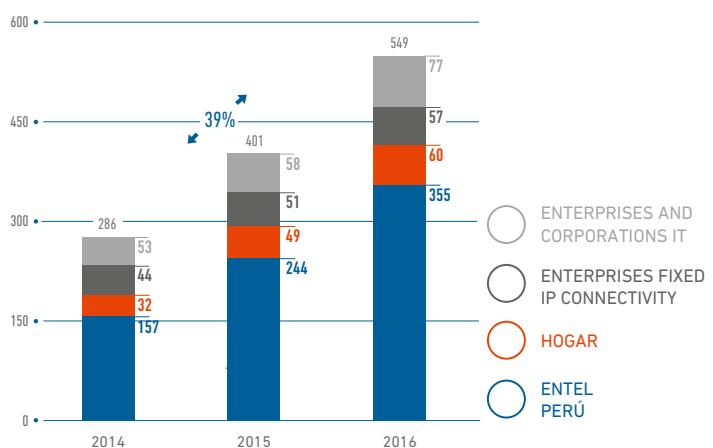
Strategy 2016

In 2016, economic dynamism remained low in the country and in the region, impacting business. GDP in Chile ended with estimated annual growth of 1.7%, lower than in 2015. Over the year there was a decline in the mining sector and limited growth in private expenditure. In addition, consumer and business confidence remained at low levels. On the other hand there were lower inflationary pressures, bringing inflation within the target range (+2.7%).

In this environment the telecommunications industry experienced growth in revenues (+ 2.3%), mainly associated with fixed services (broadband, TV and data services for the business market) and IT services focused on enterprises. Meanwhile mobile service revenues were up just 1.5%, pressured by several factors: the entry of a new operator in 2015, the explosion of offers such as more mobile data, a new competitive dynamic of shorter cycles, strong migration from prepaid to postpaid due to attractive fixed charges, in a context of a penetrated and competitive market.

The changes in the national and global industry led Entel not only to respond but also to plan its

REVENUE: LINES OF GROWTH
(Compound Growth 2014 - 2016, millions)



structure with a view to anticipating changes in the long term.

In this context, and with the reassurance that we are working professionally to provide Entel with all the necessary tools for a company in a global world, the company has continued to successfully execute its strategy, improving the mobile data offering and growing in terms of integrated voice, data and IT solutions for the Enterprises

CONSOLIDATED RESULTS (CLP million)

	2016	2015	% CHANGE
Consolidated Revenue	1,887,302	1,792,864	5%
EBITDA	424,781	356,585	19%
Operational profit	114,395	80,844	42%
Net Interest Expense	-76,269	-58,794	30%
Price level adjustment, FX & marked to market accruals	-31,986	-35,932	11%
Pre-Tax Profit	6,140	-13,882	
Taxes	28,018	12,780	
Annual Profit	34,158	-1,102	-

OPERATING REVENUE (CLP million)

Mobile Phone Services-Chile	1,082,156	1,144,828	-5%
Mobile Phone Services-Peru	348,295	238,899	46%
Data Services (including IT)	175,284	150,668	16%
Local Telephone Services (*)	63,533	60,830	4%
Long Distance	16,399	19,152	14%
Internet (**)	35,079	28,698	22%
Services to Other Operators	52,786	55,279	-5%
Traffic Business	26,853	26,607	1%
TV Service	27,725	22,418	24%
Americatel Peru	24,050	26,379	-9%
Call Center Services and Other	15,537	10,855	43%
Other Revenue	19,605	8,251	138%
Total Operating Revenue	1,887,302	1,792,864	5%

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

(**) Includes revenue from Duo Empresas

and Corporate segments, along with expanding in selective residential areas through its Entel Hogar services. Meanwhile the company has maintained its leadership in service experience in the different market segments in terms of overall satisfaction, leveraged by high levels of preference and brand recall.

In addition to this, in 2016 the deployment of the 4G+ LTE Advanced network on the 700 MHz band was stepped up, allowing for greater browsing speeds and efficiency in the use of network resources, improving user experience.

Additionally, there was significant growth in Entel Perú, backed by high levels of customer satisfaction, expansion of its world-class network, continued progress in brand development and a complete mobile offering across all segments, plus increased coverage of sales channels in regions outside Lima. This was achieved with greater operational efficiencies and lower investment in infrastructure.

Main milestones

Successful capital increase: In the third quarter a capital increase of CLP 353,703 million was finalized, achieving an excellent level of demand for first issue securities. Indeed in the first 30 days of the preferred option period, subscription was registered at 98.2%, and later 100% capitalization was approved by the board. These resources are intended to finance investment activities in Peru and Chile. In fact a significant share of the funds financed the 700 MHz license awarded to Entel Perú for USD 290 million.

Rise in consolidated revenue: In 2016 revenue totaled CLP 1,887,302 million, an increase of 5% over 2015, primarily due to increased revenue from Entel Perú (+46%), stemming from solid growth in the customer base. In Chile revenue was down a little (-0.7%), due to a reduction in mobile services, though practically offset by advances in fixed services (+ 13%) for the Enterprises and Corporations segment and the residential market with its Entel Hogar services.

Mobile Telephone Services - Chile

9.5 million customers. At the end of 2016 there were 9,514,401 mobile customers in Chile, down 3% from 2015 due to a decrease in the prepaid (-5%) and mobile broadband (-5%) segments. This decrease can be explained in part by an increase in the competitive environment and migrations to the postpaid segment. In the case of MBB it can be pinned to the contraction of the respective market and greater penetration of smartphones. However the postpaid base grew (+2%) in the consumer segment, largely due to migrations from prepaid. The postpaid segment accounts for 37% of total customers.

Mobile phone revenue: Revenues from mobile telephony services in Chile were down 5% in 2016, mainly due to lower revenues for monthly voice services. The decrease is due to the stepping up of unlimited voice schemes, lower recharges and customer base in the prepaid segment and the 18% reduction in mobile access charges.

These reductions were offset by higher revenues from data associated with multimedia plans, driven by increased penetration of mobile data and smart phones. Handset revenues increased 1% in the postpaid segment.

In a highly competitive environment Entel continued to develop and deepen attractive data plans, adding extra music and video quotas for multimedia plans in the consumer segment.

Greater connectivity for the business segment: The business segment introduced new mobile plans, "Empresa Conectada", providing customers with greater connectivity, including increased data capacity and unlimited e-mail and WhatsApp, as well as improvements in online tools for accessing voice top-ups and data for end users. This led to 87% penetration for postpaid customers with data plans, up eight percentage points over last year.

Chile's leading 4G supplier: 4G customers hit two million, growing 93% compared to 2015. According to figures up to September 2016 provided by Subtel, Entel is the foremost supplier.

Migration from prepaid to postpaid: The prepaid market continued to be affected by increased postpaid migration and promotions. Against this backdrop sales were driven by the SIM model and promotional recharges - which offer limited-time access to social networks such as Facebook, WhatsApp and Twitter - and increased access and continuity of services through online services.

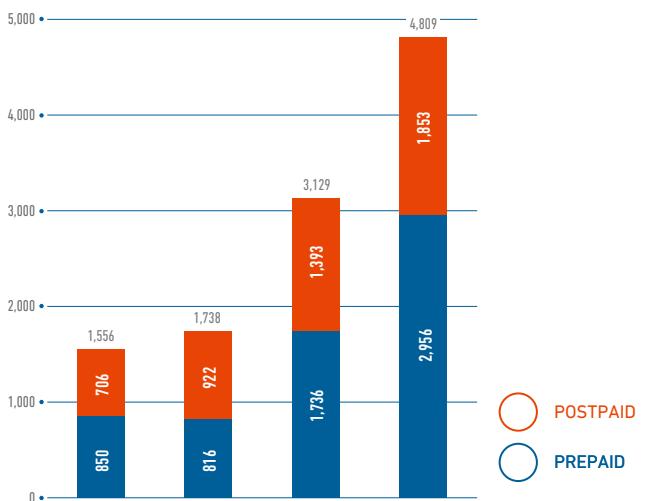
Mobile Phone Services-Peru

Strategy 2016 in Peru

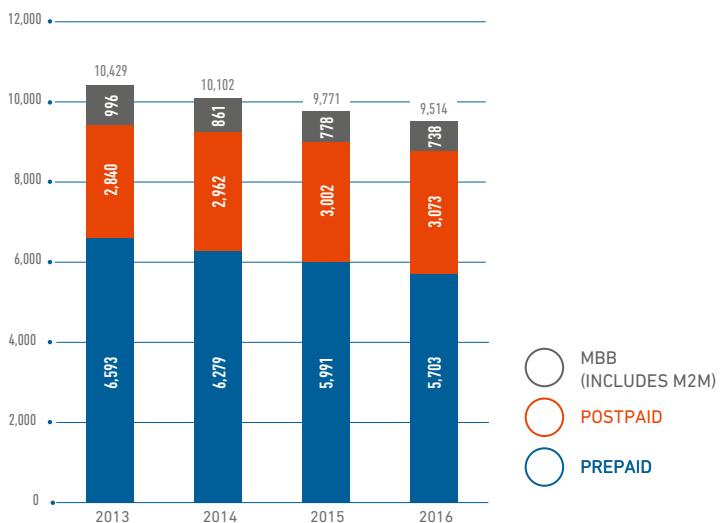
In 2016 estimated annual growth for the Peruvian economy is 3.8% (3.3% in 2015), which is above the regional average. Over the year the greatest boost to the economy came from mining projects. In contrast, domestic demand suffered a slowdown from 3% in 2015 to 1% in 2016, due to a fall in investment, public spending, consumer confidence and formal employment. At the same time the slowdown in domestic demand reduced inflationary pressures, keeping the rate at 3.2% (4.13% in 2015).

Against this backdrop the telecommunications industry experienced a slight increase in revenue - close to 1% - impacted by the competitive environment for mobile services and the downward trend of revenue and fixed phone lines, though fixed internet services show double digit growth.

MOBILE CUSTOMERS - PERU
(thousands)



MOBILE CUSTOMERS - CHILE
(thousands)



In this setting Entel Perú continued to consolidate its strategy, achieving significant progress in brand positioning. This resulted in favorable portability metrics and sustained growth in the customer base and service revenues, supported by an attractive commercial offering.

Investment in 2G/3G/4G network infrastructure continued, reaching approximately 3,000 points of presence and expanding sales channels throughout the country in order to better reach the prepaid market.

The company was awarded a number of prizes over the year, endorsing coherence of the project (best telecommunications company for customer experience, corporate reputation ranking and an Effie for brand development, amongst others).

4.8 million mobile customers. As at December 31, 2016, Entel Perú had 4,808,755 mobile customers, 54% more than at the same date in 2015. Net additions for the year totaled 1,679,902 customers. As a result the prepaid customer base reached 2,948,393 (+71%), the postpaid, 1,761,093 (+32%) and MBB (including M2M), 99,269 (+44%). It is important to note that during 2016 Entel captured 357,468 of all net porting for the industry, due mainly to the postpaid segment.

46% increase in revenue: At the end of 2016, revenue totaled CLP 348,295 million, 46% up on the 2015 figure. This was driven by higher service revenue (+53%), in line with 54% growth in the customer base.

In the postpaid segment, Entel Perú registered a significant increase in gross sales, mainly due to better capturing of ported clients, upselling lines to current customers and telesales and sales based on the SIM-only model.

Meanwhile handsets revenues grew 25%, up for both the prepaid and postpaid segments.

Diversified Mobile Offer: The company continued to market its multimedia plans and from September 2016 improved the data allowances for each plan.

Compared to 2015, market dynamics have moved towards a greater supply of data and a moderation of mobile phone promotions. In the prepaid segment, as a consequence of postpaid migration and elevated promotions for voice recharges, sales were driven by "Yapa prepago" promotional recharges (offering minutes to all networks and free access for a limited time to social networks such as Facebook lite and WhatsApp) and year-end promotions including data quotas for monthly recharges.

Deployment in the residential market: continued to expand its range in selective areas of the residential segment. Fixed wireless broadband services were added to the fixed wireless voice services launched in 2015. The offering includes voice and internet services in Lima and selected regions.

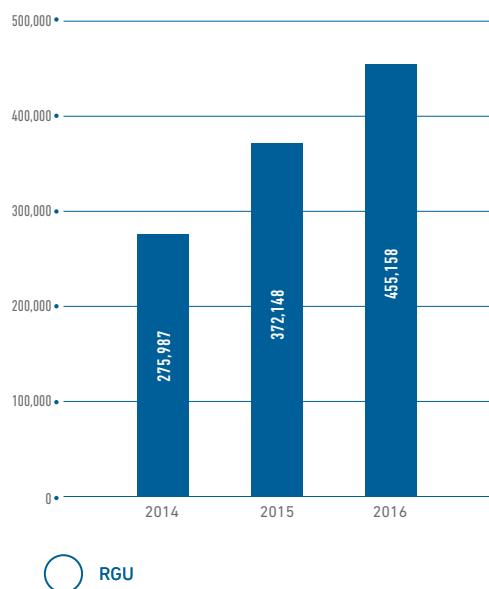
As at December 31, 2016, the RGU reached more than 11,000. All the above uses the current mobile network and is marketed through mobile sales channels.

Entel Hogar Services

Increasing revenue: Revenues from Entel Hogar services showed strong growth of 24% in 2016, hitting CLP 60,333 million, due mainly to voice and television services which grew 26% and 16% respectively. This improvement is related to the increase in contracted services which registered 22% growth in 2016 and 455,158 services, supported by a competitive offering in a selective segment of the residential market.

Better broadband offering: For broadband services, in December 2016 the company improved its plans with higher broadband capacity, using the potential of wireless technologies and spectrum capabilities on the 700 MHz band.

HOGAR CONSUMERS RGU



Fixed Voice, Data and IT Services

Solid growth: Integrated voice, data and IT services pursued a strong growth trend (+8%), supported by a service proposition for the Enterprises and Corporate market on the solid base of its mobile infrastructure, GPON fiber optic network and data center capabilities. The increases were led by higher IT service revenue (+14%), due to digital and data center services. In addition, traditional fixed data and IP connectivity services (Trunk IP and Pack Negocio) performed well over the year (+8%).

Call center and wholesalers: The segment for infrastructure rental and wholesale sales to other telecommunications companies and call centers recorded an increase in revenue due mainly to higher call center and traffic revenue, partially offset by lower income from infrastructure rental to other fixed line operators and international and national roaming services.

Lower revenue in Americatel Peru: This Peruvian subsidiary shows a negative variation due mainly to lower revenue from the wholesale and long distance business, impacted by lower traffic. There was also a downturn in revenue for integrated voice, internet and data services. The reductions, however, were partially offset by the strategic deployment of Information Technology services in the segment, associated with data center services.

EBITDA and annual profit

EBITDA in 2016 came to CLP 424,781 million, an increase of 19% over the previous year. This increase is due to better outturn in Chile (+4%), mainly attributable to fixed business in the Enterprises and Corporations segment, in Entel Hogar and the Call Center.

Entel Perú's EBITDA meanwhile showed a loss of 122 billion pesos, 48 billion pesos less than at same date last year (+28%). The reduction in losses was driven by better direct margins in services, coupled with solid revenue growth due to the strong expansion of the customer base. This was partially offset by a lower margin for handsets and higher marketing expenses, in line with increased activity. The EBITDA margin reached 23%, up 2.62 percentage points compared to 2015.

It should be noted that a turning point for consolidated EBITDA in 2016 can be seen after the acquisition and launch of Entel Perú.

Operating cash for the Chilean operation was 20% higher in 2016 at CLP 297,407 million, due to better EBITDA margins associated with operational efficiencies and investment adjustments that have not compromised the company's leadership position in service quality.

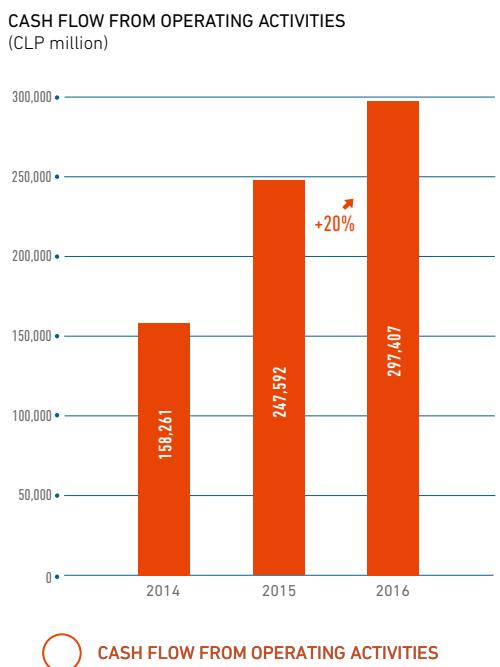
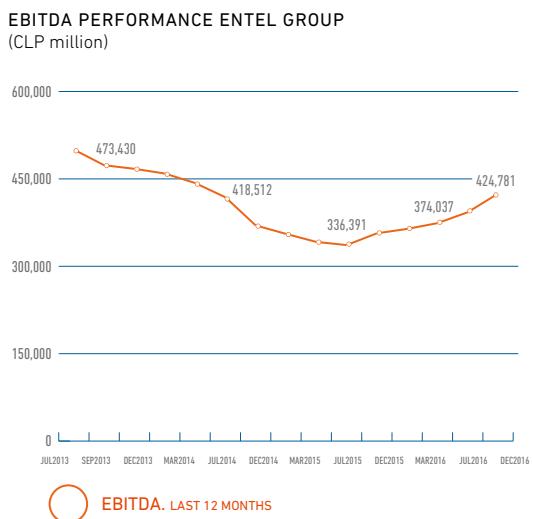
There is an inflection point in the performance of consolidated EBITDA for the last twelve months.

Operating income as at December 31, 2016 was CLP 114 billion, an increase of CLP 34 billion (+42%) on the previous year. This result is due to the lower loss recorded for Entel Perú, in line with the significant revenue growth associated with the strong increase in the customer base. In Chile this remains stable.

Non-operational results as at December 31 shows a loss of CLP 108 billion, a CLP 14 billion increase in loss (+14%) compared to 2015, mainly due to higher net financial expenses, adjustments and other, explained primarily by lower interest earned due to a decrease in invested cash and negative adjustments of market value affecting derivative instruments through changes in the discount rates of these instruments.

The income tax determined as at December 2016 includes an increase in the rate from 22.5% to 24% for the year. In 2016 there was income tax revenue of CLP 28 billion, basically due to the credits associated with the tax loss of the subsidiary Entel Perú and the depreciation of the US dollar with respect to the peso, which generated lower tax value for the investments abroad.

Finally, as at December 31, 2016, final profit was CLP 34 billion, an improvement over the loss (\$-1,102 million) reported in 2015.



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REPORT 2016

FINANCIAL INFORMATION

e) entel



e)

Entel is a global operator and a regional benchmark in the telecommunications industry, offering distinctive services to its customers in Chile and Peru.

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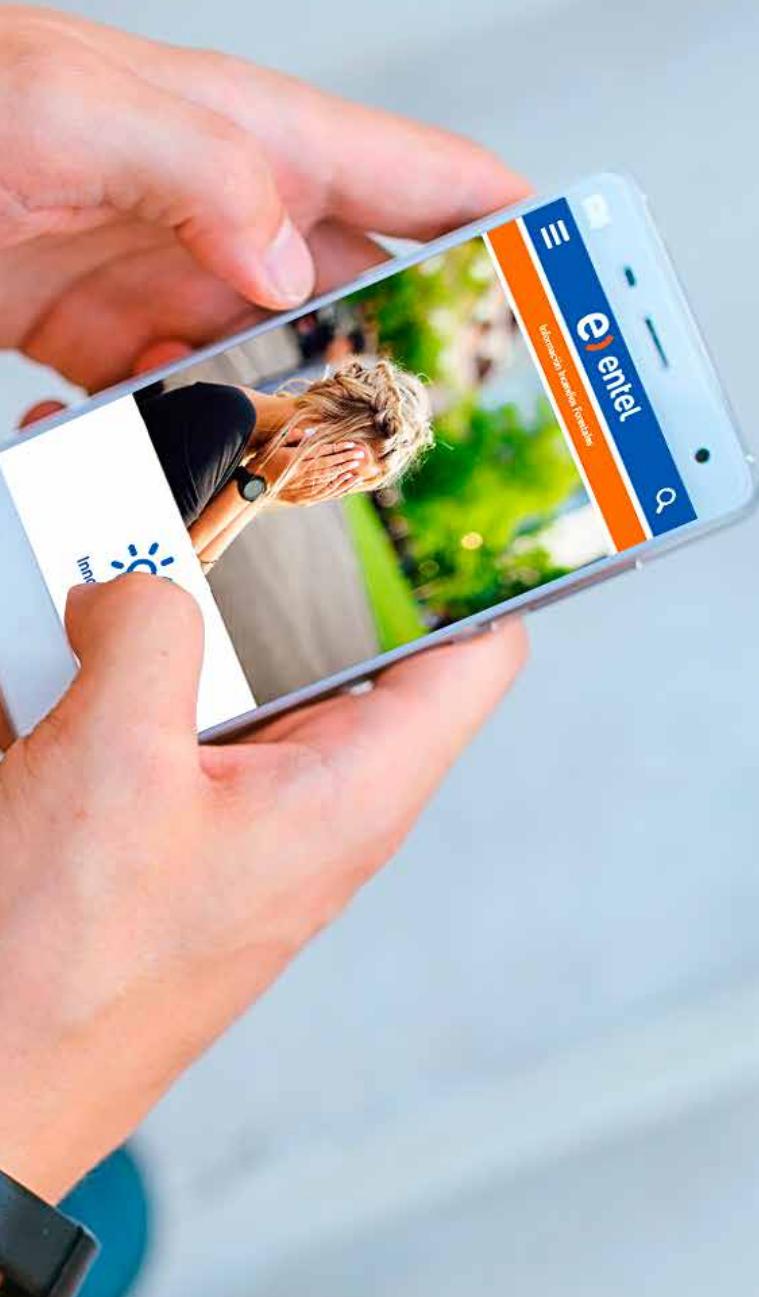
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03

Subsidiaries and Affiliate Companies

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01

CORPO_

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MATION

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, 2016, the capital stock of Empresa Nacional de Telecomunicaciones S.A. was distributed in 302,727,399 single-series shares, of which 302,017,113 are fully subscribed and paid-in by its 1,942 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 31/12/2016	Share (%)
1	INV ALTEL LTDA	165,674,102	54.8559%
2	BANCO DE CHILE ON BEHALF OF NON-RESIDENT THIRD PARTIES	27,953,781	9.26%
3	BANCO ITAU CORPBANCA ON BEHALF OF FOREIGN INVESTORS	23,813,926	7.88%
4	AFP PROVIDA S.A.	15,776,696	5.22%
5	AFP CAPITAL S A	10,378,110	3.44%
6	AFP CUPRUM S A	9,114,910	3.02%
7	AFP HABITAT S A	8,464,892	2.80%
8	BANCO SANTANDER ON BEHALF OF FOREIGN INVESTORS	5,986,768	1.98%
9	BANCHILE C DE B S A	2,896,693	0.96%
10	LARRAIN VIAL S A STOCKBROKER	2,034,583	0.67%
11	SANTANDER STOCKBROKERS LIMITED	1,938,584	0.64%
12	AFP MODELO S.A.	1,887,309	0.62%
	OTHER	26,096,759	8.64%
	Total	302,017,113	100.00%

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 165,674,102 shares, representing a 54.8559% stake in the Group. Inversiones Altel Ltda. is owned by Almendral Telecomunicaciones S.A., Tax ID 99.586.130-5, with a 99.99%, share and Almendral S.A., Tax ID 94.270.000-8, with a

0.01% share. The individuals and legal entities that directly and indirectly form part of the controlling group are listed below.

Information contained in the shareholder register as at December 31, 2016.

Tax ID	Shareholder	Shares	(%)
96.878.530-3	Inversiones Nilo S.A.	1,235,926,704	6.86%
96.895.660-4	Inversiones El Rauli S.A.	945,262,126	5.25%
96.969.110-8	Forestal Cañada S.A.	774,109,283	4.30%
79.770.520-9	Forestal y Pesquera Copahue S.A.	606,020,425	3.36%
94.645.000-6	Inmobiliaria Ñagué S.A.	505,349,730	2.80%
96.800.810-2	Inmobiliaria Canigüe S. A.	384,218,741	2.13%
90.412.000-6	Minera Valparaíso S.A.	383,096,690	2.13%
96.791.310-3	Inmobiliaria Teatinos S. A.	288,164,056	1.60%
81.358.600-2	Cominco S.A.	206,601,992	1.15%
96.878.540-0	Inversiones Orinoco S. A.	192,109,370	1.07%
81.280.300-K	Viecal S.A.	126,871,904	0.70%
79.621.850-9	Forestal Cominco S.A.	104,994,454	0.58%
77.320.330-K	Inversiones Coillanca Limitada	67,401,166	0.37%
96.656.410-5	Bice Vida Compañía de Seguros	29,195,853	0.16%
4.333.299-6	Patricia Matte Larraín	6,462,746	0.05%
6.598.728-7	Bernardo Matte Larraín (*)	4,974,342	0.03%
4.436.502-2	Eliodoro Matte Larraín (*)	4,920,302	0.03%
	Grupo Matte (17)	5,865,679,884	32.57%
77.302.620-3	Inversiones Teval S.A.	1,736,649,124	9.64%
77.677.870-2	Inversiones Los Almendros Limitada	420,737,351	2.34%
76.086.315-7	Inversiones C R Limitada	8,912,851	0.05%
	Grupo Fernández León (3)	2,166,299,326	12.02%
96.950.580-0	Inversiones Huidad S.A.	1,523,926,460	8.46%
89.979.600-4	Inversiones Paso Nevado Ltda.	349,685,252	1.94%
96.502.590-1	Inversiones Metropolitana Ltda.	65,399,151	0.36%
	Grupo Hurtado Vicuña (3)	1,939,010,863	10.76%

Information contained in the shareholder register as at december 31, 2016.

Tax ID	Shareholder	Shares	(%)
79.619.200-3	Consortio Financiero S.A. (*)	912,212,094	5.06%
99.012.000-5	Cía. De Seguros de Vida Consorcio	734,924,284	4.08%
96.579.280-5	CN Life Compañía de Seguros de Vida S. A.	102,431,278	0.57%
	Grupo Consorcio (3)	1,749,567,656	9.71%
85.127.400-6	Inmobiliaria Escorial Ltda.	464,431,708	2.58%
96.927.570-8	Los Peumos S.A.	353,426,826	1.96%
76.503.333-0	Inversiones Rapel Limitada	141,221,944	0.78%
79.937.090-8	Andromeda Inversiones Ltda.	136,633,769	0.76%
78.136.230-1	Santa Rosario de Inversiones Ltda.	85,463,040	0.47%
79.942.850-4	Inversiones El Manzano Ltda.	82,360,247	0.46%
79.934.710-5	Inversiones Marchigue Limitada	56,177,702	0.31%
77.740.800-3	Inversiones La Estancia Ltda.	42,146,286	0.23%
79.933.390-2	Andacollo de Inversiones Ltda.	38,996,296	0.22%
77.174.230-0	Inversiones Los Ciervos Ltda.	5,936,539	0.03%
96.932.040-1	Los Boldos	4,170,190	0.02%
79.966.130-6	Inmobiliaria e Inversiones Santa Sofía Ltda.	4,110,485	0.02%
76.381.035-6	Sociedad Colectiva Inversiones Los Ceibos (*) (**) (3)	4,110,485	0.02%
78.130.310-0	Andaluza Sociedad de Inversiones Limitada	4,099,022	0.02%
76.073.008-4	La Esperanza S. A.	4,099,022	0.02%
4.431.346-4	Valdes Covarrubias María Teresa	3,299,023	0.02%
96.928.240-2	Santo Domingo de Inversiones S. A.	3,079,761	0.02%
76.072.985-K	Inversiones La Estancia II S. A.	3,079,761	0.02%
77.863.390-6	Cerro Colorado de Inversiones Ltda.	3,079,761	0.02%
96.962.800-7	Inmobiliaria Estoril II S.A.	124,619	0.001%
79.937.930-9	Inmobiliaria Santoña Ltda	43,109	0.00%
	Grupo Izquierdo Menéndez (21)	1,440,089,595	7.99%
96.949.800-6	Inversiones Green Limitada	438,537,590	2.43%
76.416.848-8	Allegra SpA	166,199,560	0.92%
76.416.849-6	Flomanju SpA	166,199,560	0.92%
76.416.851-8	Pifemarno SpA	164,597,085	0.91%
	Grupo Gianoli (4)	935,533,795	5.19%
	Grupo Controlador (51)	14,096,181,119	78.25%
	Minor shareholders (1.668)	3,921,398,012	21.75%
	Total (1.718)	18,017,579,131	100.00%

(*) With shares held by stockbrokers

(**) On 29th December 2016 these shares were sold to Sociedad Colectiva Civil Los Robles, Tax ID 76.452.873-5, which belongs to the same group. This transaction was informed to Almendral.

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 10.031.620-K (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 7.010.380K) 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 CR Ltda.**, 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-K), Tomás Fernández Mac Auliffe (Tax ID 7.010.380-K) with 52.78%, 35.10%, 6.06% and 6.06% direct 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 Nevado 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 99.90% share of capital of the former.

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

Grupo 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 controllers are Fernando Izquierdo Menéndez, Tax ID 3.567.488-8 and Ida Ester Etchebarne Jaime, Tax ID 5.418.932-K with 59.764% and 39.246% shares of the company's capital, Agustín Izquierdo Etchebarne, Tax ID 9.156.812-8 with 0.198%, Fernando José Izquierdo Etchebarne, Tax ID 9.156.827-6 with 0.198%, Francisco Izquierdo Etchebarne, Tax ID 12.027.838-K with 0.198%, María de los Ángeles Izquierdo Etchebarne, Tax ID 12.027.835-5 with 0.198% and Cristián Tomás Izquierdo Etchebarne, Tax ID 15.642.698-9 with a share of 0.198% of the company's capital.

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%).

e. **Andacollo de Inversiones Ltda.**, whose ultimate controllers are Gonzalo Izquierdo Menéndez, Tax ID 3.567.4845, 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 a 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 SA Estoril II" is controlled 100% by "Inmobiliaria Estoril SA" (direct and indirect control). The final controllers of the latter are: Matías Izquierdo Menéndez, Tax ID 3.674.298-7, Roberto Izquierdo Menéndez, Tax ID 3.932.425-3, Gonzalo Izquierdo Menéndez, Tax ID 3.567.484-5, Fernando Izquierdo Menéndez, Tax ID 3.567.488-8, Diego Izquierdo Menéndez, Tax ID 3.932.428-8, Santiago Izquierdo Menéndez, Tax ID 5.742.959-3, Vicente Izquierdo Menéndez, Tax ID 5.741.891-5, Rosario Izquierdo Menéndez, Tax ID 5.548.438-4 and Carmen Izquierdo Menéndez, Tax ID 5.548.409-0, each with a 10.02% ownership, and Alejandra Izquierdo Menéndez, Tax ID 5.020.827-3 and Gracia Izquierdo Menéndez 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%), Fernando José Izquierdo Etchebarne, Tax ID 9.156.827-6 (7.25%), Juan Agustín Izquierdo Etchebarne, Tax ID 9.156.812-8 (7.25%), Cristián Tomás Izquierdo Etchebarne, Tax ID 15.642.698-9 (7.25%), Francisco Izquierdo Etchebarne, Tax ID 12.027.838-K (7.25%), María de los Ángeles Izquierdo Etchebarne, Tax ID 12.027.835-5 (7.25%).

m. Los Boldos S.A., whose ultimate controllers are Rosario Izquierdo Menéndez, RUT 5.548.438-4 y Santiago Izquierdo Menéndez RUT 5.742.959-3 with 99.77% and 0.23% direct and indirect share 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 share 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. Inversiones La Estancia II Ltda., whose ultimate controller is María del Carmen Izquierdo Menéndez, Tax ID 5.548.409-0 with a 99.99% of the company's capital. This company was absorbed by Inversiones La Estancia Ltda.

q. 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.

r. 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 Gonzalez 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 a 7.69% direct shares of the company's capital, respectively.

s. Sociedad Colectiva Civil Inversiones Los Robles, whose ultimate controllers are 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 RUT 16.611.594-9 (12,0932015%); Benjamín Izquierdo Larraín RUT 17.406.081-9 (12,0932015%); Bárbara Izquierdo Larraín RUT 18.020.351-6 (12,0932015%); Gracia Izquierdo Larraín RUT 18.641.299-0 (12,0932015%); Lucas Izquierdo Larraín RUT 19.893.205-1 (12,0932015%) direct shares of the company's capital.

t. Cerro Colorado de Inversiones Ltda., whose ultimate controllers with direct shares in the company's capital are Gonzalo Izquierdo Menéndez, Tax ID 3.567.4845 (99.5%), and Luz María Irarrázaval Videla, Tax ID 5.310.548-3 (0.50%) direct shares of the company's capital.

Grupo Gianoli

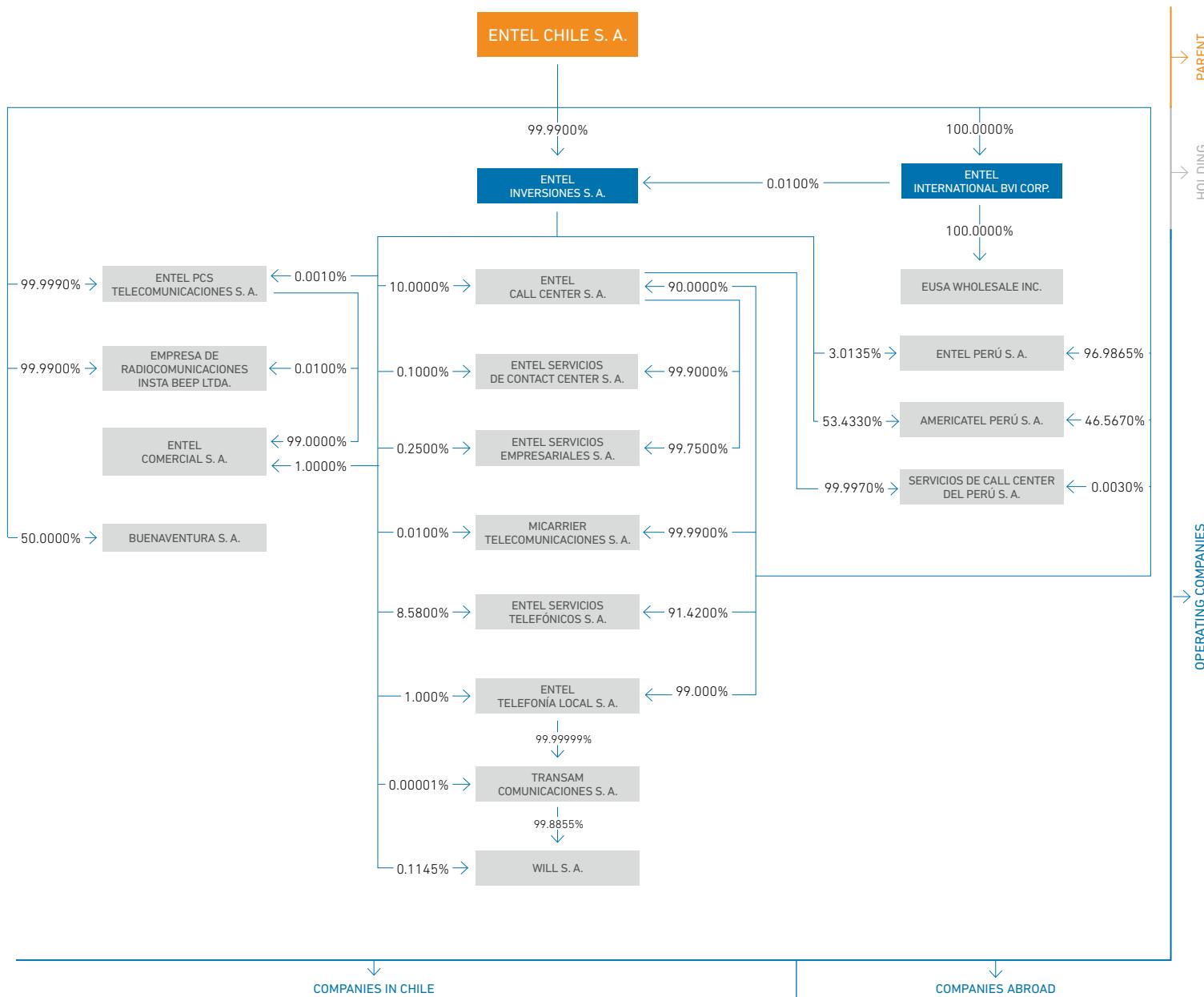
a. Inversiones Green Ltda., whose ultimate indirect controller is Foundation G&D (Geneva, Switzerland) with 90% of the company's capital.

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 1.088.599-5, with percentages of 94.58 and 5.42 indirect share of the company's 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, Uruguay Tax ID 1.088.599-5, with percentages of 94.58 and 5.42 indirect share of the company's 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 1.088.599-5, with percentages of 94.58 and 5.42 indirect share of the company's capital.

Company Structure



Dividend Policy

The dividend policy, approved by the Board of Directors and communicated at the Ordinary General Meeting of Shareholders on April 28, 2016, is detailed below.

Dividend Policy

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

For 2016 and subsequent years the board provisionally intends to maintain the new dividend policy communicated at the General Meeting of Ordinary Shareholders for 2015 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. With respect to annual interim dividends, an interim dividend based on the company's performance during the first three quarters of the year will be paid in the final quarter of 2016. This policy will be analysed 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.

The policies for determining the liquid distributable profit and the handling of adjustments for the initial application of IFRS for the 2015 financial year are maintained as follows:

a. As policy for determining the liquid distributable profit for the financial year, it was agreed to consider the net effect, taking into account positive and negative variations caused by changes in the fair value of assets and liabilities.

If the net effect is positive (a profit), this will be deducted from the financial profit to calculate the liquid distributable profit.

If the effect is negative (a loss), this will not be added to the distributable liquid profit.

It is expressly stated that this policy applies to adjustments for the purpose of derivative contracts. At the time of writing, the company has no recorded assets or liabilities subject to adjustment to market values under IFRS.

b. As policy for handling adjustments for the first-time adoption of IFRS, losses incurred for the first-time adoption of IFRS will be managed in an equity account. As such, it has been decided not to absorb them by decreasing paid-in capital. As such, it has been decided not to absorb them by decreasing paid-in capital.

However, a decision may be taken to absorb this balance by allocating it against profits in future years.

It is also expressly stated that this policy was communicated to the Chilean Superintendency of Securities and Insurance in a timely manner and that it was covered at the 2013 meeting in line with the provisions of Circular No. 1945 of the Superintendency.

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 in their name. The request will be actioned within 24 hours of receipt of the corresponding communication by the company. The payment method will prevail until such time as it receives written instruction to the contrary.

Shareholders may also request the dividend to be paid via a check made out in their name and dispatched by recorded post. Any such request must be communicated at least 24 hours before the cut-off for the register.

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.

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 2016, 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 to finance various company projects both in Chile and abroad, principally those of its subsidiary Entel Peru.

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 companies, works, and studies. 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 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.

On a temporary basis and until the next investment and financing policy is approved at the 2017 Ordinary Shareholders Meeting, it is proposed that the maximum limit of the indicator Financial Debt - (cash and cash equivalents + other current and non current financial assets))/ equity plus non-controlling interests, be 2.5 (two point five) instead of 1.7 (one point seven).

The indicator (financial debt - (cash and cash equivalents + other current and non current financial assets))/ Ebitda for the last 12 months, remains at 3.5 (three point five) for that period.

This temporary change lends flexibility to the financial management during the capital increase process as well as the maturity phase

and consolidation of the profitability of new business, particularly the subsidiary Entel Perú.

Financial Debt shall be understood as referring to current and non-current financial liabilities.

Distributable Profits

The consolidated comprehensive income statement for the financial year 2016 shows a loss of CLP 34,158,099,639 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 realised. For this purpose, as at 12.31.2016 it is not appropriate to make any deduction as the net variation of market value adjustments saw a loss of CLP 11,392,156,492. Consequently, distributable profit for 2016 is fixed at CLP 34,158,099,639. Profits are not affected by any other type of deduction for the purposes of their distribution.

Year	Nominal dividend (CLP)
2000	40.00
2001	40.00
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

Stock Market Presence

The stock market presence of Entel S.A. in 2016 was 100%, calculated in line with General Regulation No. 327 of the Chilean Superintendency of Securities and Insurance, 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			Valparaiso Stock Exchange		
	Quantity Traded	Value Traded (CLP)	Average Price	Quantity Traded	Value Traded (CLP)	Average Price	Quantity Traded	Value Traded (CLP)	Average Price
1st quarter 2014	20,104,895	133,989,947,568	6,665	1,247,308	8,137,996,305	6,524		No transactions	
2nd quarter 2014	15,717,927	109,057,830,354	6,938	1,022,860	7,042,012,256	6,885		No transactions	
3rd quarter 2014	13,976,793	95,885,191,220	6,860	347,782	2,400,846,416	6,903	120	828,000	6,900
4th quarter 2014	14,173,579	91,975,352,811	6,489	430,492	2,770,234,982	6,435		No transactions	
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
Total	180,193,314	1,182,196,227,666	6,561	8,978,101	59,119,219,089	6,585	1,386	8,847,514	6,383

Stock Transactions

Name/Company Name	Function	Date of Transaction	Type of Transaction	Method	Shares	Unit price	Transaction Amount
Pfingsthorn Olivares Pablo	Chief Executive	30-06-16	Securities Subscription First Issue	Non Stock Market	8,000	5,400	43,200,000
Ureta Prieto Felipe	Finance Manager	04-07-16	Securities Subscription First Issue	Non Stock Market	127	5,400	685,800
Compañía de Seguros de Vida Consorcio Nacional de Seguros S.A	Administrators	08-07-16	Securities Subscription First Issue	Non Stock Market	43,240	5,400	233,496,000
Reyes Gonzalez José	Chief Executive	11-07-16	Securities Subscription First Issue	Non Stock Market	5,000	5,400	27,000,000
Inversiones el Rincón Ltda.	Director	11-07-16	Securities Subscription First Issue	Non Stock Market	9,032	5,400	48,772,800
Straub Barros José	Chief Executive	13-07-16	Securities Subscription First Issue	Non Stock Market	10,000	5,400	54,000,000
Inversiones Altel Ltda.	Controlling Shareholder	14-07-16	Securities Subscription First Issue	Non Stock Market	19,500,000	5,400	105,300,000,000
Torres Echeverria Francisco	Chief Executive	15-07-16	Securities Subscription First Issue	Non Stock Market	925	5,400	4,995,000
Inversiones Altel Ltda.	Controlling Shareholder	18-07-16	Securities Subscription First Issue	Non Stock Market	10,500,000	5,400	56,700,000,000
Maturana Miquel Carlos	Chief Executive	19-07-16	Securities Subscription First Issue	Non Stock Market	20,000	5,400	108,000,000
Ureta Prieto Felipe	Finance Manager	19-07-16	Securities Subscription First Issue	Non Stock Market	44,000	5,400	237,600,000
Baraki Anania Juan	Chief Executive	19-07-16	Securities Subscription First Issue	Non Stock Market	30,000	5,400	162,000,000
Dominguez Philippi Sebastián	Chief Executive	19-07-16	Securities Subscription First Issue	Non Stock Market	7,500	5,400	40,500,000
San Martin Arjona Julián	Chief Executive	19-07-16	Securities Subscription First Issue	Non Stock Market	9,259	5,400	49,998,600
Parot Donoso Alfredo	Chief Executive	20-07-16	Securities Subscription First Issue	Non Stock Market	27,800	5,400	150,120,000
Poch Piretta Jose	Chief Executive	20-07-16	Securities Subscription First Issue	Non Stock Market	44,000	5,400	237,600,000
Nuñez Popper Mario	Chief Executive	20-07-16	Securities Subscription First Issue	Non Stock Market	40,850	5,400	220,590,000
Torres Echeverria Francisco	Chief Executive	20-07-16	Securities Subscription First Issue	Non Stock Market	925	5,400	4,995,000
Araya Arroyo Manuel	Chief Executive	20-07-16	Securities Subscription First Issue	Non Stock Market	10,000	5,400	54,000,000
Inversiones Altel Ltda.	Controlling Shareholder	20-07-16	Securities Subscription First Issue	Non Stock Market	5,495,008	5,400	29,673,043,200
Maturana Miquel Carlos	Chief Executive	21-07-16	Securities Subscription First Issue	Non Stock Market	127	5,400	685,800
Cerón Puelma Luis	Chief Executive	21-07-16	Securities Subscription First Issue	Non Stock Market	5,000	5,400	27,000,000
Carrasco Perrot Gabriel	Chief Executive	21-07-16	Securities Subscription First Issue	Non Stock Market	1,750	5,400	9,450,000
Buchi Buc Antonio	Chief Executive	21-07-16	Securities Subscription First Issue	Non Stock Market	80,000	5,400	432,000,000
Licci Pino Alexis	Chief Executive	21-07-16	Securities Subscription First Issue	Non Stock Market	8,000	5,400	43,200,000
Bobenrieth Giglio Eduardo	Chief Executive	22-07-16	Securities Subscription First Issue	Non Stock Market	20,000	5,400	108,000,000
Perez Gomez Patricio	Chief Executive	22-07-16	Securities Subscription First Issue	Non Stock Market	6,000	5,400	32,400,000
Muñoz Alvarez Victor Hugo	Chief Executive	22-07-16	Securities Subscription First Issue	Non Stock Market	30,000	5,400	162,000,000
Inversiones Altel Ltda.	Controlling Shareholder	12-08-16	Securities Subscription First Issue	Non Stock Market	648,810	5,400	3,503,574,000

Name/Company Name	Function	Date of Transaction	Type of Transaction	Method	Shares	Unit price	Transaction Amount
Ureta Prieto Felipe	Finance Manager	16-08-16	Securities Subscription First Issue	Non Stock Market	2	5,400	10,800
Inversiones el Rincón Ltda.	Director	17-08-16	Securities Subscription First Issue	Non Stock Market	165	5,400	891,000
Compañía de Seguros de Vida Consorcio Nacional de Seguros S.A	Administrators	18-08-16	Securities Subscription First Issue	Non Stock Market	790	5,400	4,266,000
María Magdalena Larraín Matte y Cia Ltda.	Director	14-11-16	Disposal	On Stock Market	3,751	6,870	25,743,739
Parodi Cruzat Ignacio	Director	14-11-16	Securities Subscription First Issue	Non Stock Market	261	5,400	1,409,400
Parodi Cruzat Vicente	Director	14-11-16	Securities Subscription First Issue	Non Stock Market	235	5,400	1,269,000
Parodi Cruzat Patricio José	Director	14-11-16	Securities Subscription First Issue	Non Stock Market	235	5,400	1,269,000
Parodi Cruzat José Manuel	Director	18-11-16	Securities Subscription First Issue	Non Stock Market	328	5,400	1,771,200

Financial Activities 2016

Over the year financial activities were mainly focused on the timely provision of resources to Entel Peru, to support its development phase. In this respect, intercompany debt transfers totalled USD 779 million, of which USD 205 million were capitalized during the year. In addition, the investment plan in both countries was financed with USD 539 million. These financial resources came mainly from the resources generated by the operation in Chile and by a capital increase for CLP 353,703,379,185 in August. With regard to the capital increase, and in spite of the significant volatility prevailing in international financial markets over the year, a high demand for first-time securities was achieved with 98.2% subscription of pro rata rights granted to existing shareholders in the first 30 days of the preferred option period. During a second security offering, 100% of the capitalization approved by the Board was completed. Also, in July payment was made for the 700MHz license awarded to Entel Perú, to the amount of USD 290 million.

Provisionally, while the capital increase was being completed, this payment was financed through the transfer of bank credit lines up to CLP 96,140 million, which were fully amortized in the same month. As a consequence of rigorously enforcing the currency hedging policy, all payment and financing operations for the year, both local and between countries, as well as the entire financial structure of the company, were protected from exchange rate fluctuations, structuring foreign currency assets in a timely manner and immunizing the fluctuation of dollar commitments. For the above, short and long-term hedging instruments were subscribed or renewed. As a consequence of this the balance sheet shows commitments in notional derivatives equal to debt and foreign currency commitments for a total of USD 1.8 billion in long-term derivatives (Cross Currency Swaps and IRS) and USD 610 million in the short term (forwards) which are generating a positive market value (mark to market) in favor of Entel, representing at yearend a net financial asset of USD 160 million. These values are taken into account when calculating net financial debt

for the receipt, both for the local bond issue and the international bank credit. It is important to mention that in Peru liability against fluctuation of the dollar is also covered using forwards, or by structuring comparable synthetic financial instruments. In Peru the company continued expanding its operations to the local banking market, increasing the number of banking counterparties which have started entering into derivative contracts and providing the credit lines needed for the operation.

In 2016 the company continued carrying out activities aimed at keeping stock investors and bondholders, bank creditors and rating agencies informed about the company's progress, to provide the insight into the performance of the company and its strategy, the markets where it participates and the financial guidelines used for the proper development of the business. With regards to the financial investments generated by cash surpluses, the company maintained its policy of diversifying regarding institution and terms as well as investing in financial instruments issued by institutions with top credit quality or repurchase agreements on instruments of the Chilean Central Bank.

Risk Factors

MAIN RISK FACTORS FOR THE 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 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.	The company, according to its technological leadership strategy, diversifies its alliances with several leading companies worldwide, such as Vodafone, Ericsson, Huawei, among others, in order to be at the forefront of the developments and advances that could impact the business.
	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.		
Regulatory	Telecommunications services in Chile are governed by the General Telecommunications Act and its supporting regulations. The legislation establishes the general principle of free competition with concessions awarded based on pre-established, objective standards.	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.

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. In addition, includes exposures to risk associated with the recovery of accounts receivable arising from commercial transactions.	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, and in the case of commercial operations, the non-payment of accounts receivable.	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. 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.
Liquidity	To minimize 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.	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.

Share Comparative Performance



Comments from Shareholders and the Directors' Committee

Over the last financial year, the company received no requests with comments or proposals related to the course of its business to be included in this report.

Summary of Material Events 2016

In accordance with current laws and regulations, in 2016 the companies within the group informed the Superintendency of Securities and Insurance, under the qualification of a material event or relevant information, the following:

I. Parent Company

Letter No. 02 dated March 17, 2016, reported under the qualification of a material event or relevant information that the following was agreed at the Extraordinary Board Meeting held on Wednesday, March 16, 2016:

To approve a Financing Plan including submitting for the consideration of the shareholders a capital increase for CLP 350 billion, to be paid

with the number of shares, on the date and in the manner agreed upon.

After the meeting to be held next April 4, the board will seek approval for the capital increase at an Extraordinary Shareholders' Meeting, on a date in April to be agreed at the board meeting.

II. Parent Company - Supplementary to material events

Through letter No. 3-2016 and in conformity with that requested in Official Notice 6787 of March 18, 2016, in accordance with the material event reported by Entel of approving the financing plan which comprises submitting for the consideration of the shareholders a capital increase of CLP 350 billion, supplementary information as to the use of these funds can be found below:

These funds will be used to finance the company's own businesses, both in Chile, but mainly those businesses being developed in its mobile phone subsidiary in Peru.

Further background on the approval of this capital increase will be provided after the board meeting on April 4, in which the proposal to be submitted

for approval by the Extraordinary Shareholders Meeting will be considered.

III. Parent Company - Ordinary shareholders' meeting, notices, agreements and proposals. Extraordinary shareholders' meeting, notices, agreements and proposals.

Letter No. 4, dated April 5, 2016, communicated that at the board meeting on April 4, 2016, agreement was reached on the following:

- a. To schedule the Ordinary Shareholders' Meeting for April 28, 2016, and to inform shareholders and other bodies of this in a timely manner, as set out in the current legal regulations. This meeting will not deal with the definitive distribution of dividends as the company recorded losses in the financial statements as at December 31, 2015. Also, no interim dividends were distributed in that year; and
- b. To schedule an Extraordinary Shareholders' Meeting to be held on the same day and at the same place, following the Ordinary Shareholders' Meeting, to submit for the consideration of the shareholders, and others, the following matters:

- > Approval of a capital increase of CLP 350 billion, or the amount freely agreed by the shareholders, by issuing shares of the same characteristics as those currently issued by the company;
- > Approval of a compensation plan for executives of up to 10% of the shares issued on the occasion of the capital increase referred to in number (1) above, under conditions and terms freely agreed by the board who cited;

- > Updating and modifying the Fifth and First Transitory Clause of the Company's Articles of Association, with the purpose of adjusting them to the resolutions adopted by the board in relation to the matters mentioned above;
- > Modifying Article 2 of the articles of association, concerning the registered office.

The schedule and other information on the Extraordinary Meeting shall also be made available in a timely manner to the shareholders and other agencies in accordance with the procedure provided for in the current legal regulations.

IV. Parent Company – Ordinary shareholders' meeting, Approval of 2015 Annual Report and other matters.

Letter No. 7, dated April 28, 2016, communicated that at the General Meeting of Ordinary Shareholders held on the same date it was agreed to:

- a. Approve the Annual Report, Balance Sheet and Statement of Income for the 2015 financial year.
- b. Assimilate loss for the year within Accumulated Gains (losses), noting that no interim dividend was distributed during the year.
- c. The investment and financing policy was approved, and the dividend policy reported.
- d. The 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 KPMG as external auditors was approved, the appointed and reserve accounts inspectors were retained, 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.

The Extraordinary Shareholders' Meeting was then held, in which it was agreed:

1. To approve a capital increase to the amount of CLP 357.5 billion, increasing share capital to 522,667,566,416 pesos, divided into 236,523,695 ordinary nominative shares of a unique series, each of equal value and without nominal value, for the amount of CLP 880,167,566,416 pesos, divided into 308,023,695 shares.
2. To establish that 1,500,000 of these shares may be allocated to compensation plans drafted by the Board in accordance with the provisions of Article 24 of the Corporations Act. Those shares allocated to compensation plans will be offered to the employees of the Company in the form provided for in the aforementioned legal act.
3. To authorize the Board of Directors to decide on whether the issuance of shares from the capital increase be in full or one or more installments, to determine the price of the placement of shares and to establish the amount to be placed, with the aim of raising CLP 350 billion, granting broad powers for making presentations and carrying out all the necessary procedures for the implementation of the agreements adopted at the meeting.

4. To modify the 5th and 1st transitory clause of the articles of association relating to capital and payment method.
5. To delete the reference to the commune in clause 2 of the articles of association, specifying that this will be the city of Santiago.
6. Necessary powers were granted to the specified persons to implement the resolutions adopted at the Meeting.

V. Parent Company - Others

Letter No. 09, dated May 27, 2016, reported under the qualification of a material event, the following:

- a. That the Board authorized the participation of the subsidiary Entel Perú in the tender for three national bands in the 700 MHz spectrum in the city of Lima, Peru.
- b. That on Thursday, May 26, 2016, the subsidiary was awarded one of the three blocks in the 700 MHz band, each with a 30 MHz width, tendered by the Peruvian authority, for which the subsidiary offered US\$ 290,206,123. This spectrum will high-speed services to be developed which will integrate with the rest of the group's products in Peru.
- c. Three companies participated in the bidding process undertaken by the Peruvian government:

- > Block A: Entel Perú, offer: US\$ 290,206,123
- > Block B: América Móvil, offer US\$ 306,000,001.
- > Block C: Telefónica del Perú, offer: US\$ 315,007,700
- d. Payment of the offer needs to be made by July 22 when the concession contract must be signed and within the 40 working days that started on May 26.

VI. Parent company - Placement of securities in international and/or national markets

Letter No. 10 dated June 6, 2016, reported that at the board meeting of June 6, 2016, the following was agreed in relation to the capital increase at the Extraordinary Meeting held on April 28,

- I. To establish that in the first placement with a charge to the issue in the process of registration at the Superintendency, 64,814,815 shares be placed out of the total of 70,000,000 shares whose issuance was agreed on in an ordinary meeting of the Board of Directors on May 2, which shall be offered preferentially to shareholders. The above shall be without prejudice to the Board of Directors agreeing in the future to place the balance of issued shares, complying with the legal, regulatory and administrative rules that are applicable for this purpose;
- II. To set the placement price at CLP 5,400 per share, raising the CLP 350 billion.
- III. To start the preferred option period and the placement of the 64,814,815 shares, the

placement of which was agreed upon in item (i) above, once the issue of shares is registered in the Securities Registry of the Superintendence of Securities and Insurance and in some of the country's stock exchanges. The preferred option period will begin with the publication of the corresponding information. For such purposes the CEO was empowered to establish the date of publication as well as comply with all formalities and legal requirements to that effect, in the terms determined by law and other applicable regulations, as well as by the Board.

- IV. To set the placement price of the 1,500,000 shares for staff Compensation Plans, at the same price set for the shares that will be offered preferentially to shareholders, i.e. the sum of \$ 5,400 per share payable in cash in accordance with what was agreed by the Board, to be offered under the conditions established in the Compensation Plan approved by the Board of Directors.

VII. Parent company - Placement of securities in international and/or national markets.

Letter No. 11, dated August 1, 2016, reported that at the board meeting of the same date, the following was agreed:

- I. That regarding the 64,814,815 shares allocated preferentially to company shareholders, a total of 63,657,625, or 98.2%, were subscribed during the preferred option period, representing CLP 343,751,175,000.
- II. That a second preferred option period will be held for a period of 5 working days, for 1,157,190 shares which were not subscri-

bed in the first preferred option period, to begin on August 11, 2016, i.e. it will last from August 11 - 18, 2016;

III. That the shares will be offered preferentially to those shareholders or their assignees who, exercising their option for the period of the preferential offer express an intention to subscribe a number of shares greater than that in the said option (hereinafter "Interested Shareholders for the Second Period"), proportionally to the number of shares that each of these shareholders subscribed in respect of the total shares subscribed by these Shareholders during the period of the preferential offer;

IV. That fractions of shares resulting from the pro rata will be rounded to the nearest whole number. Where the fraction is 0.5 it will be rounded to the closest odd integer. Interested Shareholders for the Second Period whose pro rata allows them to subscribe a fraction of a share of less than 0.5, will have no right to subscribe shares;

V. That the price of each of these shares will be \$ 5,400, which will be paid at the moment of subscribing the shares, in cash, by demand note, check, electronic transfer or by any other means or banking method immediately available;

VI. That the start date of the second preferred option period and its conditions will be communicated to each of the Interested Shareholders for the Second Period by letter sent to the address registered at the Company, and by publication of a notice in the newspaper "El Mercurio" of Santiago.

VII. That once the second preferred option period has ended, and if there are still unplaced shares, the remainder may be freely offered by the Company to the shareholders and/or third parties, provided that these offers are made through stock exchanges and comply with all other legal requirements.

VIII. Parent Company - Provisional Dividend

Letter No. 12, dated November 8, 2016, reported under the qualification of a material event, the following:

In the meeting of November 7, 2016, the board of Empresa Nacional de Telecomunicaciones S.A., in accordance with dividend policy and taking into account the cumulative results to the third quarter of 2016, agreed not to pay a provisional dividend this year. The policy on dividends remains the same as that reported at the last Ordinary Meeting of Shareholders.

IX. Parent company - Changes in management

Letter No. 13 dated December 22, 2016, reported that at the Board Meeting of the same date, held in the city of Lima, the Board of Directors of ENTEL Perú S.A., a subsidiary of Empresa Nacional de Telecomunicaciones S.A., agreed:

- a.** To accept the withdrawal of Sebastián Domínguez Philippi, as of December 31, 2016, as CEO of Entel Perú S.A., after an outstanding exercise of the the position for more than three years.
- b.** To designate Ramiro Lafarga CEO of Entel Perú S.A. as of January next year.

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.

Since the acquisition of Entel Peru, a regional scheme was taken out for Chile and Peru to leverage the advantages offered by the insurance market, given the greater insurable volume and diversification of risk in the region, which has increasingly extended to existing coverage. As a result of the flooding of the Mapocho River in April 2016, the facilities of the Corporate Building located nearby and other towers at Titanium

Park were damaged. In less than two months the implementation of the recovery plan for the building occupied by Entel saw almost all of the offices back in use and work back to normal, an undertaking covered by insurance.

The Corporate Insurance program for 2016 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 civil 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 any net losses or deterioration of Entel's property 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 program 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 program 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, Sagemcom, Vodafone, Movix 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. In 2016, the supplier evaluation program which measures the performance of contractors was strengthened, uncovering areas for technical improvement and seeking to mitigate financial and labor risks.

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 2016.

Juan José Hurtado Vicuña
Presidente
RUT. 5.715.251-6

Luis Felipe Gazitúa Achondo
Vicepresidente
RUT. 6.069.087-1

Carlos Fernández Calatayud
Director
RUT. 5.213.938-4

Richard Büchi Buc
Director
RUT. 6.149.585-1

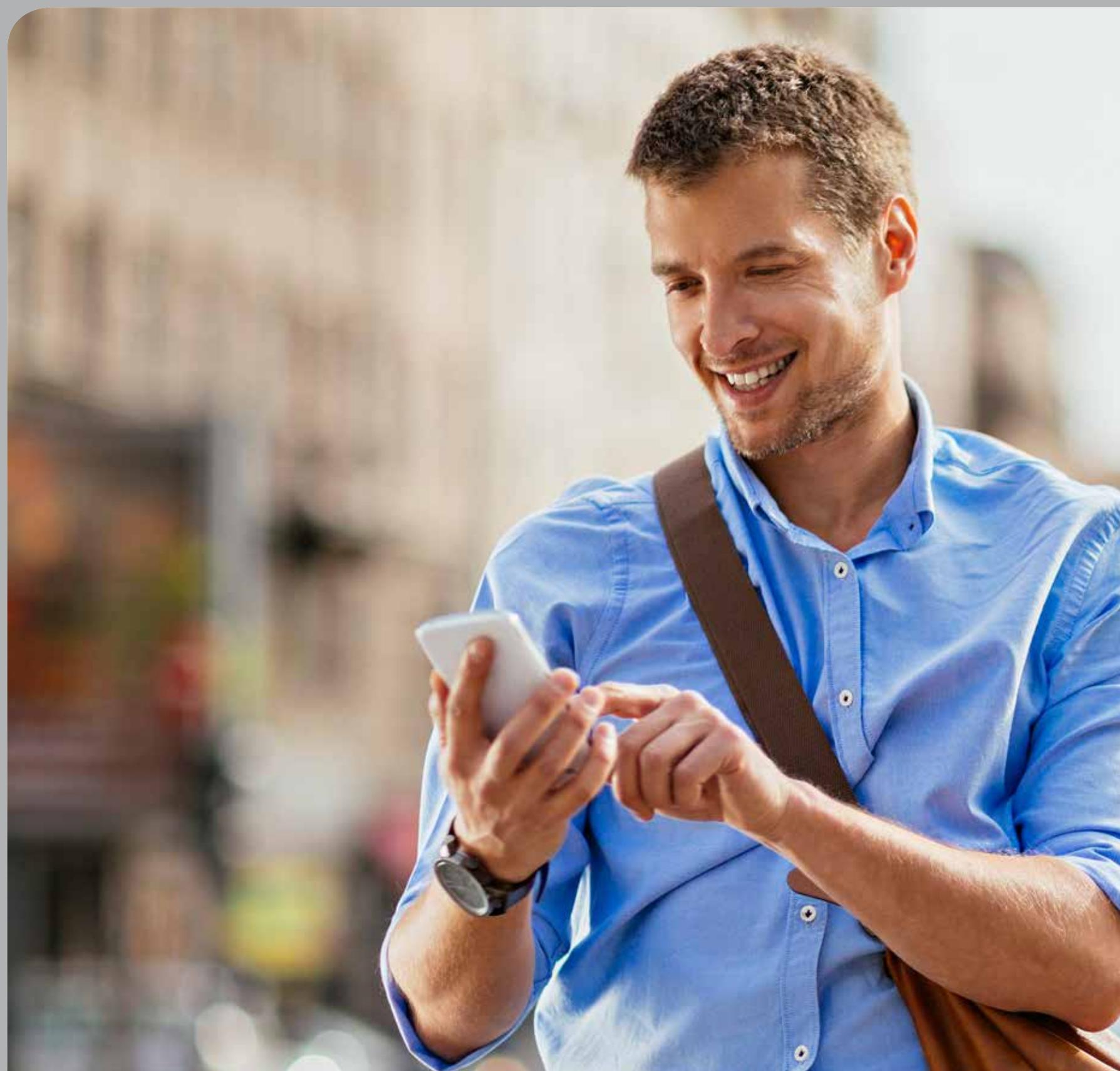
Andrés Echeverría Salas
Director
RUT. 9.669.081-9

Juan José Mac-Auliffe Granello
Director
RUT. 5.543.624-K

Bernardo Matte Larraín
Director
RUT. 6.598.728-7

Alejandro Pérez Rodríguez
Director
RUT. 5.169.389-2

Antonio Büchi Buc
Gerente General
RUT. 9.989.661-2



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CONSO
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FINANCIAL_
STATEMENTS

Independent Auditors' Report

Señores Accionistas y Directores de
Empresa Nacional de Telecomunicaciones S.A.

Informe sobre los estados financieros consolidados

Hemos efectuado una auditoría a los estados financieros consolidados adjuntos de Empresa Nacional de Telecomunicaciones S.A. y Filiales, que comprenden los estados de situación financiera consolidados al 31 de diciembre de 2016 y 2015 y los correspondientes estados consolidados de resultados integrales, de cambios en el patrimonio y de flujos de efectivo por los años terminados en esas fechas y la correspondientes notas a los estados financieros consolidados.

Responsabilidad de la Administración por los estados financieros consolidados

La Administración es responsable por la preparación y presentación razonable de estos estados financieros consolidados de acuerdo con Normas Internacionales de Información Financiera. Esta responsabilidad incluye el diseño, implementación y mantención de un control interno pertinente para la preparación y presentación razonable de estados financieros consolidados que estén exentos de representaciones incorrectas significativas, ya sea debido a fraude o error.

Responsabilidad de auditor

Nuestra responsabilidad consiste en expresar una opinión sobre estos estados financieros consolidados a base de nuestras auditorías. Efectuamos nuestras auditorías de acuerdo con Normas de Auditoría Generalmente Aceptadas en Chile. Tales normas requieren que planifiquemos y realicemos nuestro trabajo con el objeto de lograr un razonable grado de seguridad que los estados financieros consolidados están exentos de representaciones incorrectas significativas.

Una Auditoría comprende efectuar procedimientos para obtener evidencia de auditoría sobre los montos y revelaciones en los estados financieros consolidados. Los procedimientos seleccionados dependen del juicio del auditor, incluyendo la evaluación de los riesgos de

representaciones incorrectas significativas de los estados financieros consolidados, ya sea debido a fraude o error. Al efectuar estas evaluaciones de los riesgos, el auditor considera el control interno pertinente para la preparación y presentación razonable de los estados financieros consolidados de la entidad con el objeto de diseñar procedimientos de auditoría que sean apropiados en las circunstancias, pero sin el propósito de expresar una opinión sobre la efectividad de control interno de la entidad. En consecuencia, no expresamos tal tipo de opinión. Una auditoría incluye, también, evaluar lo apropiadas que son las políticas de contabilidad utilizadas y la razonabilidad de las estimaciones contables significativas efectuadas por la Administración, así como una evaluación de la presentación general de los estados financieros consolidados.

Consideramos que la evidencia de auditoría que hemos obtenido es suficiente y apropiada para proporcionarnos una base para nuestra opinión de auditoría.

Opinión

En nuestra opinión, los mencionados estados financieros consolidados presentan razonablemente, en todos sus aspectos significativos, la situación financiera de Empresa Nacional de Telecomunicaciones S. A. y Filiales al 31 de diciembre de 2016 y 2015 y los resultados de sus operaciones y los flujos de efectivo por los años terminados en esas fechas de acuerdo con Normas Internacionales de Información Financiera.



Oscar Aguilar S.
KPMG Ltda.

Santiago, 25 de enero de 2017

Consolidated Financial Statements

EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS	Note	12-31-2016t ThCh\$	12-31-2015 ThCh\$
CURRENT ASSETS			
Cash and cash equivalents	5	110,914,830	136,492,472
Other current financial assets	6	4,765,731	23,819,813
Other current non-financial assets	7	28,565,561	27,519,924
Trade and other receivables	8	330,626,210	308,517,488
Trade receivables due from related parties	9	971,320	698,417
Inventories	10	91,416,726	94,434,998
Current tax assets	11	200,637,658	102,780,436
TOTAL CURRENT ASSETS		767,898,036	694,263,548
Other non-current financial assets	6	111,987,193	247,686,318
Other non-current non-financial assets	7	4,251,614	2,708,361
Non-current fees receivables	8	13,587,700	11,858,759
Intangible assets	12	321,356,334	140,663,342
Goodwill	13	47,173,134	47,227,912
Property, plant and equipment	14	1,829,611,347	1,785,575,339
Deferred tax assets	15	384,574,176	332,969,737
TOTAL NON-CURRENT ASSETS		2,712,541,498	2,568,689,768
TOTAL ASSETS		3,480,439,534	3,262,953,316

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 FINANCIAL POSITION

December 31, 2016 and 2015

LIABILITIES AND EQUITY	Note	12-31-2016 ThCh\$	31-12-2015 ThCh\$
CURRENT LIABILITIES			
Other current financial liabilities	16	24,867,284	21,736,406
Trade and other payables	17	505,044,060	525,128,910
Other provisions	18	5,161,827	3,435,395
Current tax liabilities	11	4,869,489	5,992,038
Other current non-financial liabilities	19	36,108,754	28,735,509
TOTAL CURRENT LIABILITIES		576,051,414	585,028,258
NON-CURRENT LIABILITIES			
Other non-current financial liabilities	16	1,576,910,775	1,654,135,122
Other long-term provisions	18	34,222,292	28,582,453
Deferred tax liabilities	15	17,821,387	19,922,788
Non-current provisions for employee benefits	20	10,407,369	9,496,303
Other non-current non-financial liabilities	19	3,153,556	10,441,512
TOTAL NON-CURRENT LIABILITIES		1,642,515,379	1,722,578,178
EQUITY	21		
Share capital		874,846,615	522,667,566
Retained earnings		450,716,647	426,805,977
Other reserves		(63,690,521)	5,873,337
Equity attributable to owners of the parent		1,261,872,741	955,346,880
Non-controlling interests		-	-
TOTAL EQUITY		1,261,872,741	955,346,880
TOTAL LIABILITIES AND EQUITY		3,480,439,534	3,262,953,316

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 FINANCIAL POSITION

Years ended December 31, 2016 and 2015

STATEMENT OF INCOME	Note	01-01-2016	01-01-2015
		12-31-2016	12-31-2015
		ThCh\$	ThCh\$
Revenue	22	1,867,697,070	1,784,612,663
Other income	22	19,214,192	8,284,735
Employee benefit expenses	20	(245,606,059)	(247,005,733)
Depreciation and amortization expenses	12 and 14	(299,584,314)	(273,625,473)
Impairment losses (reversals), Net	23	(58,901,242)	(53,796,077)
Other expenses	24	(1,168,814,862)	(1,137,592,884)
Other gains (losses)		390,536	(33,432)
Profit from operating activities		114,395,321	80,843,799
Finance income	25	5,952,920	12,183,865
Finance costs	25	(82,221,963)	(70,978,326)
Foreign currency translation differences	27	(16,051,379)	(12,945,839)
Results from inflation-adjusted units	27	(15,934,835)	(22,985,872)
(Loss) profit before tax		6,140,064	(13,882,373)
Income tax benefit	15	28,018,036	12,780,376
Profit from continuing operations		34,158,100	(1,101,997)
Profit from discontinued operations		-	-
(Loss) profit for the period		34,158,100	(1,101,997)
Ganancia (Pérdida), Atribuible a			
Owners of the Parent		34,158,100	(1,101,997)
Non-controlling interests		-	-
Profit for the period		34,158,100	(1,101,997)
Earnings per share			
Basic earnings per share			
Basic (loss) earnings per share from continuing operations		128.11	(4.66)
Basic earnings per share from discontinued operations		-	-
Basic (loss) earnings per share		128.11	(4.66)

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, continued

For the years ended December 31, 2016 and 2015

STATEMENTS OF COMPREHENSIVE INCOME	01-01-2016	01-01-2015
	12-31-2016	12-31-2015
	ThCh\$	ThCh\$
(Loss) profit for the year	34,158,100	(1,101,997)
Components of Other Comprehensive Income that will not be reclassified to profit or loss, before tax		
Actuarial gains (losses) for defined benefit plan	-	1,418,533
Components of Other Comprehensive Income that will be reclassified to profit or loss, before tax		
Foreign currency translation gain	(29,784,560)	14,360,457
Cash flow hedge (loss) gain	(53,014,121)	(8,353,410)
Income Tax related to Components of Other Comprehensive Income that will not be reclassified to profit or loss		
Income tax related to defined benefit plans	-	(383,004)
Income Tax related to Components of Other Comprehensive Income that will be reclassified to profit or loss		
Income tax related to foreign currency exchange differences	3,178,044	(776,273)
Income tax related to cash flow hedges	10,056,779	1,879,517
Other Comprehensive Income	(69,563,858)	8,145,820
Comprehensive Income	(35,405,758)	7,043,823
Comprehensive Income Attributable to		
Owners of the Parent	(35,405,758)	7,043,823
Non-controlling interests	-	-
Comprehensive income	(35,405,758)	7,043,823

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 CHANGES IN EQUITY

December 31, 2016 and 2015

	Otras Reservas					Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
	Share capital	Personnel benefits reserve	Translation reserve	Hedging reserve	Other reserve				
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Balance at January 1, 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 period	-	-	-	-	-	34,158,100	34,158,100	-	34,158,100
Other comprehensive income	-	-	(26,606,516)	(42,957,342)	-	-	(69,563,858)	-	(69,563,858)
Comprehensive income							(35,405,758)		(35,405,758)
Share issue	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
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
Balance at January 1, 2015	522,667,566	(1,096,507)	32,011,298	27,577,607	(60,764,881)	435,949,779	956,344,862	-	956,344,862
Comprehensive income									
Profit for the period	-	-	-	-	-	(1,101,997)	(1,101,997)	-	(1,101,997)
Other comprehensive income	-	1,035,529	13,584,184	(6,473,893)	-	-	8,145,820	-	8,145,820
Comprehensive income							7,043,823		7,043,823
Dividends	-	-	-	-	-	(8,041,805)	(8,041,805)	-	(8,041,805)
Total changes in equity	-	1,035,529	13,584,184	(6,473,893)	-	(9,143,802)	(997,982)	-	(997,982)
Balance at December 31, 2015	522,667,566	(60,978)	45,595,482	21,103,714	(60,764,881)	426,805,977	955,346,880	-	955,346,880

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 CASH FLOWS

For the years ended December 31, 2016 and 2015

STATEMENT OF CASH FLOWS, DIRECT METHOD	Note	01-01-2016	01-01-2015
		12-31-2016	31-12-2015
		ThCh\$	ThCh\$
Cash receipts from customers		2,151,996,649	2,068,914,746
Cash payments to suppliers		(1,385,826,645)	(1,327,335,808)
Cash payments to and on behalf of employees		(247,357,634)	(247,065,901)
Other cash payments for operating activities		(82,958,867)	(110,647,159)
Interest received for operating interests		1,393,418	1,311,513
Income tax paid		(86,929,865)	(77,538,637)
Net cash from operating activities		350,317,056	307,638,754
Proceeds from the sale of property, plant and equipment		3,840,988	408,473
Acquisition of property, plant and equipment		(458,030,431)	(523,595,343)
Acquisition of intangible assets		(193,709,247)	(7,500,484)
Dividends received		2,900	-
Interest received		3,601,845	6,880,246
Government grants		1,701,201	2,018,426
Net cash used in investing activities		(642,592,744)	(521,788,682)
Proceeds from the issue of shares		353,703,381	-
Proceeds from short-term borrowings		163,809,658	23,061,254
Repayment of borrowings		(163,809,658)	(23,061,254)
Payment of finance lease liabilities		(464,426)	(1,136,670)
Dividends paid		(37,482)	(9,091,059)
Interest paid		(67,686,202)	(63,085,944)
Other cash inflows (outflows)		(16,493,821)	39,073,893
Net cash (used in) from financing activities		269,021,450	(34,239,780)
Net increase (decrease) in cash and cash equivalents		(23,254,238)	(248,389,708)
Effects of exchange rate fluctuations on cash held		(2,323,404)	5,962,804
Cash and cash equivalents at January 1		136,492,472	378,919,376
Cash and cash equivalents at December 31	5	110,914,830	136,492,472

The accompanying notes from 1 to 38 are an integral part of these Consolidated Financial Statements

Notes to The 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 an openly-held corporation, with an indefinite term, registered with 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 which 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 SVS; 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., Micarrier Telecomunicaciones S.A., and Transam Telecomunicaciones S.A. are registered with the SVS under Nos. 33, 247, 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, 2016, the Group's personnel amounted to 12,604 employees and average headcount during the year was 12,686. As of December 31, 2015, the Group's personnel amounted to 12,694 employees and average read count during that year was 12,114.

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 telephony, cable TV services, information technology services (data center, BPO and operating continuity), infrastructure, lease of networks and wholesale traffic businesses, as well as call center services for the corporate market and Group companies.

These activities are mainly conducted 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, 2016 and 2015, have been prepared in conformity with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and were authorized for issue by the Board of Directors on January 25, 2017.

The consolidated financial statements as of December 31, 2015, were originally prepared in conformity with instructions and standards issued by the Chilean Superintendence of Securities and Insurance (SVS), which include the IFRSs, plus specific instructions issued by the SVS.

These instructions are directly related to Circular No.856 issued by the SVS on October 17, 2014, which instructed the regulated entities to recognize the variation in deferred tax assets and liabilities, arising directly from the increase in the corporate tax rate introduced in Chile by Law 20.780. Such instruction differs from the established by the International Financial Reporting Standards (IFRS), which require that such effect is recognized in profit or loss for the year.

The effect to this change in the accounting basis resulted in the recognition in 2014 of a credit retained earnings of ThCh\$9,864,071, which according to IFRS should be recognized with credit to profit or loss during such year.

For the readoption of IFRS on January 1, 2016, the Company has applied these standards as it had never ceased to apply them, in accordance with Paragraph 4A of IFRS 1 "First-time adoption of International Financial Reporting Standards." This readoption of IFRS implied performing adjustments to the issued consolidated financial statements as of December 31, 2015.

The consolidated financial statements have been prepared using accounting records held by the Parent and the other entities that are part of the consolidated holding. Each entity prepares its financial statements following accounting principles and criteria in force in each country. Therefore, the consolidation process has included adjustments and reclassifications necessary to match such principles and criteria with IFRS.

Should there be any discrepancies between IFRS and the instructions issued by SVS, the latter shall prevail. As of December 31, 2014, the only instruction issued by the SVS that contradicts IFRS refers to the particular recognition of the effects of deferred taxes, as established in Circular No.856 issued by the SVS on October 17, 2014.

The Circular establishes a mandatory single-time exception to the framework for preparing and presenting financial information adopted, defined as International Financial Reporting Standards (IFRS). The Circular provides instructions to the regulated entities to "account for those differences in deferred tax assets and liabilities generated as direct effect of an increase in the corporate income tax rate introduced by Law No.20.780 in the related year against equity." Consequently, these results in a change in the framework for preparing and presenting financial information adopted prior to the issuance of such Circular, as IFRS requires the full, explicit and unreserved adoption.

The translation of these financial statements is provided as a free translation from the Spanish language original, which is the official and binding version. Such translation has been made solely for the convenience of non-Spanish readers.

Accounting pronouncements effective starting from January 1, 2015 and after:

Standards & Amendments	Mandatory application date
New IFRS	
IFRS 9, Financial Instruments	Annual periods beginning on or after January 1, 2018. Early adoption is permitted.
IFRS 15, Revenue from Contracts with Customers	Annual periods beginning on or after January 1, 2018. Early adoption is permitted.
IFRS 16: Leases	Annual periods beginning on or after January 1, 2019. Early adoption is permitted..
Amendments to IFRS	
IAS 7: Disclosure Initiative, Amendments to IAS 7.	Annual periods beginning on or after January 1, 2017. Early adoption is permitted.
IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses (amendments to IAS 12).	Annual periods beginning on or after January 1, 2017. Early adoption is permitted.
IFRS 2, Share-based Payment: Clarification of the accounting for certain types of share-based payment transactions.	Annual periods beginning on or after January 1, 2017. Early adoption is permitted.
IFRS 15, Revenue from Contracts with Customers: Amendment clarifying requirements and providing additional transition relief for entities implementing the new standard transition relief for entities implementing the new standard.	Annual periods beginning on or after January 1, 2017. Early adoption is permitted.

To date, the Company has not opted to early adopt any of these changes in standards.

In relation to IFRS 15, the Company's Management is assessing the effect of adopting these amendments. The most significant changes in relation to revenue recognition proposed in this Standard will affect the mobile telephone service market and the service for post payment customers, at the time of their subscription.

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 Reporting Currency

The consolidated financial statements and accompanying notes are presented in thousands of Chilean pesos, which is the Group's functional 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 available 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, expressed 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, expressed in Note 12.
- » Useful lives of property, plant and equipment and intangible assets, expressed in Note 12 and 14.
- » Assumptions made when determining the fair value of financial instruments, expressed in Note 6.
- » Assumptions related to the generation of future taxable profits deductible from deferred tax assets, expressed in Note 15.
- » Assumptions associated with the cost of decommissioning facilities, expressed 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 in which the Company obtains control and up to the date in which control ceases.

The consolidated financial statements include the financial statements of the parent and the entities controlled by the Group (its subsidiaries). An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee; thus, the principle of control sets out the following three elements of control:

- » 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

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, income 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.

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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. Revenues and expenses of foreign operations are translated using the average exchange rate for the period. 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:

Tax ID Number	Company	Country	Currency	Ownership percentage			
				12.31.2016			12.31.2015
				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
0-E	AMERICATEL PERU S.A.	PERU	PEN	46.570	53.430	100.000	100.000
0-E	SERVICIOS DE CALL CENTER DEL PERÚ S.A.	PERU	PEN	0.004	99.996	100.000	100.000
0-E	ENTEL DEL PERU S.A.	PERU	PEN	96.989	3.011	100.000	100.000
0-E	EUSA WHOLESALE INC.	USA	Ch\$	-	100.000	100.000	100.000
0-E	ENTEL INTERNACIONAL B.V.I. CORP.	ISLAS VIRG. BRITA.	Ch\$	100.000	-	100.000	100.000

Ch\$= Chilean peso
PEN= Peruvian nuevo sol

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 at the end of the period	
		12.31.2015 Ch\$	12.31.2014 Ch\$
US Dollar	USD	710.16	606.75
Euro	EUR	774.61	738.05
Unidad de Fomento	UF	25,629.09	24,627.10
Peruvian nuevo sol	PEN	208.25	202.93

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.

» Assets 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

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 at 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.

Embedded derivatives, if any, are separated from the host contract and accounted for separately 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 Group assesses, at each reporting date, the existence of obsolete inventories in order to recognize the corresponding derecognition of assets. For this purpose, the Group considers the permanence of the different equipment in the warehouse based on their functions and the prices of new models entering into the market.

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 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.

The determination of cost considers the price of goods and services including unrecoverable taxes and customs duties, as well as site preparation and start-up costs for it to be capable of operating and an estimate of the cost of its removal and dismantling.

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.

Depreciation tables are highly disaggregated based on the characteristics of different assets in addition to the possibility of being treated on an individual basis. Most significant average rates are detailed in Note 13, 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, is adjusted prospectively, affecting future depreciations.

h. Finance lease

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.

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 20'14 and 2018.

Deferred taxes are measured using tax rates that are expected to be applied to temporary differences in the period in which they reverse using tax rates effective at the reporting date, as follows:

Year	Partially-Integrated
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 which employees with indefinite employment contract with Entel Chile S.A who are members of Corporación Mutual are entitled when they achieve 8 years of continuous service. These obligations are measured at their present value 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 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 according to 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.

The most significant aggregated offer relates to the recruitment of mobile telephone service customers. 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 cards or subsequent electronic recharges.

Habilitation costs charged to post payment 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

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 income 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.

n. Finance costs

Initial expenses related to fees, advisory services and taxes for borrowings 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.

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. Operating segments

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, discounted using the exchange rate for the US dollar for the remaining period and expressed in Chilean pesos at the reporting date, less the debt in Chilean pesos agreed in the contract discounted using the exchange rate for the Chilean peso 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 UF, Ch\$, USD and Euro.

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. In the case of rates in foreign currency, the rate used is based on the rates of instruments issued by the U.S. Treasury Department adjusted by sovereign and market risks at each country.

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).

In conformity with the methods and techniques used to determine fair values, the following hierarchies are defined:

	12.31.2016	12.31.2015
	Level 2 ThCh\$	Level 2 ThCh\$
Net Opening Balance for Derivative Contracts, Assets (Liabilities)	266,389,345	114,304,180
Gains (losses) recognized in profit or loss	(120,154,057)	203,535,667
Gains (losses) recognized in equity	(53,014,122)	(8,353,409)
Settlements against (in favour of) contracts during the period	13,969,698	(43,097,093)
Change in the Fair Value Measurement	(159,198,481)	152,085,165
Closing Balance for Derivative Contracts, Assets (Liabilities)	107,190,864	266,389,345

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:

31-Diciembre del 2016, en M\$	Nota	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	Hedge derivatives					
Assets								
Cash and cash equivalents	5	-	-	104,808,283	-	Ch\$/US\$/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		-	US\$	114,960,157	114,960,157
Trade and other receivables	8	-	-	330,626,210	-	Ch\$/US\$/PEN	330,626,210	330,626,210
Trade receivables due from related parties	9	-	-	971,320	-	Ch\$	971,320	971,320
Total assets		3,945,728	111,014,429	438,198,580			553,158,737	553,210,405
Liabilities								
Other Financial Liabilities	16							
Interest bearing borrowings		-	-	-	199,306,396		199,306,396	209,283,651
Liabilities with bond holders		-	-	-	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
Total liabilities		3,585,016	4,184,277		2,099,052,826		2,106,822,119	2,135,135,699

31-Diciembre del 2015, en M\$	Nota	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	Hedge derivatives					
Assets								
Cash and cash equivalents	5	-	-	128,607,236	-	Ch\$/US\$/PEN	128,607,236	128,607,236
Other Financial Assets	6							
Finance lease assets		-	-	2,636,160	-	UF	2,636,160	2,799,642
Derivatives		28,902,417	239,967,554		-	US\$	268,869,971	268,869,971
Trade and other receivables	8	-	-	308,517,488	-	Ch\$/US\$/PEN	308,517,488	308,517,488
Trade receivables due from related parties	9	-	-	698,417	-	Ch\$	698,417	698,417
Total assets		28,902,417	239,967,554	440,459,301			709,329,272	709,492,754
Liabilities								
Other Financial Liabilities	16							
Interest bearing borrowings		-	-	-	210,617,016		210,617,016	217,373,583
Liabilities with bond holders		-	-	-	1,459,043,441		1,459,043,441	1,426,804,494
Finance lease liabilities		-	-	-	3,730,445		3,730,445	3,893,504
Derivatives		151,910	2,328,716		-	-	2,480,626	2,480,626
Trade and other payables	17	-	-	-	525,128,910		525,128,910	525,128,910
Total liabilities		151,910	2,328,716		2,198,519,812		2,201,000,438	2,175,681,117

5. Cash And Cash Equivalents

Cash and cash equivalents are composed as follows:

	12.31.2016 ThCh\$	31.12.2015 ThCh\$
Cash on hand	1,500,511	168,252
Cash in bank	4,553,449	7,688,628
Short-term deposits	85,459,101	122,606,596
Fixed income mutual funds	1,942,802	6,000,640
Instruments issued by government institutions	17,406,380	-
Other cash and cash equivalents	52,587	28,356
Total	110,914,830	136,492,472
Total per currency		
CLP	89,519,786	116,922,796
USD	19,137,763	15,922,624
PEN	2,250,573	3,634,087
EUR	6,708	12,965
Total	110,914,830	136,492,472

PES = Nuevos Soles Peruanos, para las sociedades en dicho país.

To see a detail of the most significant items in the Statement of Cash Flows, refer to the ratio analysis "Comments on the Statement of Cash Flows".

a) At December 31, 2016 and 2015 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 12.31.2016 ThCh\$
BBVA	Ch\$	12/12/16	1/4/17	23	9,901,000	19	20,066	9,921,066
BBVA	Ch\$	12/13/16	1/4/17	22	8,000,200	18	15,840	8,016,040
BCI	Ch\$	12/19/16	1/11/17	23	7,032,700	12	9,002	7,041,702
BCI	Ch\$	12/14/16	1/6/17	23	7,274,300	17	13,191	7,287,491
Banco Itaú	Ch\$	12/13/16	1/13/17	31	9,343,000	18	19,060	9,362,060
Banco Itaú	Ch\$	12/27/16	1/31/17	35	3,609,000	4	1,636	3,610,636
Banco Itaú	Ch\$	12/6/16	1/4/17	29	5,176,000	25	14,234	5,190,234
Banco Santander	Ch\$	12/21/16	1/20/17	30	4,204,000	10	4,765	4,208,765
Banco Santander	Ch\$	12/7/16	1/4/17	28	4,546,000	24	12,001	4,558,001
Banco Santander	Ch\$	12/23/16	1/20/17	28	9,165,500	8	8,310	9,173,810
Banco Santander	Ch\$	12/15/16	1/6/17	22	4,872,250	16	8,315	4,880,565
Scotiabank	Ch\$	12/22/16	1/20/17	29	6,004,000	9	5,944	6,009,944
Scotiabank	Ch\$	12/30/16	1/24/17	25	5,619,000	1	618	5,619,618
Banco de Credito del Perú	PEN	12/30/16	1/2/17	3	399,380	1	48	399,428
Interbank	PEN	12/30/16	1/2/17	3	179,721	1	20	179,741
Total					85,326,051		133,050	85,459,101

Bank	Currency	Investment date	Maturity date	Days	Amount ThCh\$	Accrued days	Accrued interest ThCh\$	Total 12.31.2016 ThCh\$
	Ch\$	12/10/15	1/6/16	27	5,946,000	21	14,151	5,960,151
Banco Santander	Ch\$	12/23/15	1/20/16	28	7,475,000	8	7,177	7,482,177
Banco Santander	Ch\$	12/30/15	2/5/16	37	5,564,000	1	668	5,564,668
Banco Santander	Ch\$	10/14/15	1/8/16	86	6,757,000	78	57,975	6,814,975
Banco Security	Ch\$	12/17/15	1/15/16	29	4,138,000	14	6,179	4,144,179
BancoEstado	US\$	12/17/15	1/18/16	32	7,099,076	14	1,104	7,100,180
BBVA	Ch\$	12/30/15	1/22/16	23	6,196,000	1	723	6,196,723
BCI	Ch\$	10/19/15	1/22/16	95	5,778,000	73	44,991	5,822,991
BCI	Ch\$	12/28/15	1/6/16	9	6,384,000	3	2,043	6,386,043
BCI	Ch\$	12/3/15	2/9/16	68	8,649,000	28	29,061	8,678,061
BCI	US\$	12/30/15	1/4/16	5	7,097,160	1	20	7,097,180
Banco de Chile	Ch\$	10/16/15	1/4/16	80	4,743,000	76	39,051	4,782,051
Banco CorpBanca	Ch\$	10/14/15	1/15/16	93	8,000,000	78	68,640	8,068,640
Banco CorpBanca	Ch\$	12/14/15	1/6/16	23	10,395,000	17	19,439	10,414,439
Banco CorpBanca	Ch\$	12/28/15	1/6/16	9	6,950,000	3	2,224	6,952,224
HSBC	Ch\$	10/21/15	1/29/16	100	7,200,000	71	56,232	7,256,232
Internacional	Ch\$	12/17/15	1/13/16	27	4,000,000	14	6,720	4,006,720
Scotiabank	Ch\$	11/17/15	2/2/16	77	8,233,000	44	42,263	8,275,263
Banco de Crédito del Perú	PEN	12/30/15	1/7/16	8	812,175	1	90	812,265
Scotiabank Perú	PEN	12/30/15	1/7/16	8	83,299	1	8	83,307
Banco de Credito del Perú	PEN	12/30/15	1/4/16	5	312,375	1	34	312,409
Interbank	PEN	12/30/15	1/7/16	8	395,675	1	43	395,718
Total					122,207,760		398,836	122,606,596

b) In addition, at December 31, 2016 and 2015, the Group records fixed income mutual funds as follows:

Contraparte	Dates	Maturity	Currency	Type/Class	Capital ThCh\$	Final value ThCh\$	Total 12.31.2016 ThCh\$
Scotiabank	12/30/16	1/3/17	Ch\$	Clipper B	584,000	584,243	584,061
Scotiabank	12/30/16	1/3/17	Ch\$	Clipper B	642,000	642,267	642,067
Scotiabank	12/30/16	1/3/17	Ch\$	Clipper B	197,600	197,682	197,621
Scotiabank	12/30/16	1/3/17	Ch\$	Clipper B	519,000	519,216	519,053
Totales					1,942,600		1,942,802
Contraparte	Dates	Maturity	Currency	Type/Class	Capital ThCh\$	Final value ThCh\$	Total 12.31.2016 ThCh\$
Scotiabank	12/30/15	1/4/16	Ch\$	Clipper B	6,000,000	6,003,199	6,000,640
Totales					6,000,000		6,000,640

c) As of December 31, 2016, financial investments on instruments issued by the Central Bank correspond to financial investments related to balances receivable for sale commitments for financial instruments and are recorded at amortized cost. Financial investments on instruments issued by the Central Bank and Mutual Funds are detailed as follows:

Contraparte	Dates	Maturity	Currency	Type/Class	Capital ThCh\$	Final value ThCh\$	Total 12.31.2016 ThCh\$
BCI	12/29/16	1/4/17	Ch\$	BCU	7,403,660	7,407,022	7,364,190
Scotiabank	12/29/16	1/4/17	Ch\$	PDBC	6,057,540	6,060,493	6,025,314
Scotiabank	12/29/16	1/4/17	Ch\$	PDBC	4,038,360	4,040,328	4,016,876
Total					17,499,560		17,406,380

In conformity with working capital management policies, all deposits in the financial market and have been entered into with widely known high rated banks and financial institutions, mainly in Chile.

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 comprised as follows:

	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Current assets		
Derivatives - Not used as hedging	2,636,220	21,322,803
Derivates - Used as hedging	1,068,685	1,465,129
Finance lease assets	1,060,826	1,031,881
Subtotal	4,765,731	23,819,813
Non-current assets		
Derivatives - Not used as hedging	109,945,744	238,502,425
Derivates - Used as hedging	1,309,508	7,579,614
Finance lease assets	731,941	1,604,279
Subtotal	111,987,193	247,686,318
Total other financial assets	116,752,924	271,506,131

Derivatives include all contracts with balances in favor 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 Unidades de Fomento (UF) of 16.38 million and obligations in Chilean pesos of ThCh\$506,595,200, both at rates ranging from 3.57% to 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\$566 million totaling ThCh\$330,586,465 and 317 million of Nuevos Soles.
- » 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 US\$ at 360 days + a spread ranging from 1.78% and 2.075%.

Those derivative contracts with balances against 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	12.31.2016			12.31.2015		
	Gross	Interest	Present value	Gross	Interest	Present value
From 1 to 90 days	1,124,505	(63,679)	1,060,826	1,171,453	(139,572)	1,031,881
From 90 days to 1 year	-	-	-	-	-	-
From 1 year to 2 years	795,620	(63,679)	731,941	1,031,881	(139,572)	892,309
From 2 years to 3 years	-	-	-	773,911	(61,941)	711,970
Total	1,920,125	(127,358)	1,792,767	2,977,245	(341,085)	2,636,160

7. Other Non-Financial Assets

Other non-financial assets include mainly prepaid expenses as follows:

	Current		Non-current	
	12.31.2016 ThCh\$	12.31.2015 ThCh\$	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Prepaid expenses				
Leases (land, buildings)	23,253,033	20,852,176	2,353,696	761,772
Maintenance, Support	2,976,146	2,349,891	-	-
Lease of capacity	919,592	880,814	1,897,918	1,938,065
Insurance	477,071	2,448,670	-	-
Other services	939,719	988,373	-	-
Otros	-	-	-	8,524
Total	28,565,561	27,519,924	4,251,614	2,708,361

8. Trade And Other Receivables

a. Trade and other receivables are comprised as follows:

	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Trade and other receivables, Net		
Trade receivables, Net, Current	320,741,809	300,781,255
Receivables from personnel Net, Current	3,050,632	3,304,618
Other receivables, Net, Current	6,833,769	4,431,615
Total	330,626,210	308,517,488
Rights receivables, Net, non-current		
Receivables from personnel Net, Non-Current	11,011,159	9,108,743
Other receivables, Net, Non-Current	2,576,541	2,750,016
Total	13,587,700	11,858,759
Trade and other receivables, Gross		
Trade receivables, Gross, Current	448,750,515	424,742,976
Receivables from personnel, Gross, Current	3,050,632	3,304,617
Other receivables, Gross, Current	6,898,417	4,496,263
Total	458,699,564	432,543,856
Rights receivables, Gross, Non-current		
Receivables from personnel Gross, Non Current	11,011,159	9,108,743
Other receivables, Gross, Non Current	2,576,541	2,750,016
Total	13,587,700	11,858,759

Trade and other receivables do not include securitized items.

Trade receivables are stated net of provisions for impairment (uncollectibility) of ThCh\$128,008,706 and ThCh\$123,961,721, at December 31, 2016 and 2015, respectively.

b. Gross amounts are ThCh\$448,750,515 and ThCh\$424,742,976, and are comprised as follows:

Portfolio structure December 31, 2016	Non-renegotiated portfolio		Renegotiated portfolio		Total Gross portfolios ThCh\$
	No.of customers	Gross balances ThCh\$	No.of customers	Gross balances ThCh\$	
Current	1,698,035	249,384,206	169	7,946,398	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
250+ days	1,357,379	80,170,236	21,998	10,148,435	90,318,671
Total	5,076,081	429,632,972	23,460	19,117,543	448,750,515

Portfolio structure December 31, 2015	Non-renegotiated portfolio		Renegotiated portfolio		Total Gross portfolios ThCh\$
	No.of customers	Gross balances ThCh\$	No.of customers	Gross balances ThCh\$	
Current	1,887,558	221,982,624	1,224	9,245,224	231,227,848
1 - 30 days	535,834	40,448,299	191	86,678	40,534,977
31 - 60 days	183,391	14,966,890	269	117,745	15,084,635
61 - 90 days	147,915	10,204,608	318	180,426	10,385,034
91 - 120 days	445,702	18,348,788	411	167,020	18,515,808
121 - 150 days	99,126	5,646,785	445	100,221	5,747,006
151 - 180 days	100,063	4,937,387	471	138,476	5,075,863
181 - 210 days	115,993	4,723,417	512	115,545	4,838,962
211 - 250 days	121,534	4,536,618	662	174,077	4,710,695
Más de 250 días	700,116	79,244,878	22,814	9,377,270	88,622,148
Total	4,337,232	405,040,294	27,317	19,702,682	424,742,976

c. In addition, trade accounts receivable include the following balances in relation to non-securitized bounced documents or documents in legal collection:

	December 31, 2016		December 31, 2015	
	No. of customers	Gross balances ThCh\$	No. of customers	Gross balances ThCh\$
Notes receivable (bounced)	13,721	9,727,327	12,849	9,242,862
Notes receivable (legal collection)	1,169	4,685,728	1,611	4,587,760
Total	14,890	14,413,055	14,460	13,830,622

d. Changes in the provision for impairment

	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Opening balance	123,961,721	115,019,787
Increase in impairment recognized in profit or loss	48,100,143	51,680,056
Derecognition of impaired financial assets	(43,424,215)	(43,051,458)
Foreign currency exchange increase (decrease)	(628,943)	313,336
Total	128,008,706	123,961,721

Trade receivables include provided but unbilled services for ThCh\$90,326,001 and ThCh\$86,468,011, at December 31, 2016 and 2015, 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:

- » Consumers – Overdue balances are accrued 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 Enterprises (SME) – 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.
- » Corporations – 100% of the overdue balance is accrued 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 services in Peru. Overdue balances are expensed based on their aging until reaching 100% of the outstanding balance after 60 days, both for consumers and corporations.

The Wholesale segment corresponds basically to network infrastructure services, both wired and mobile, rendered to other local and foreign telecommunication carriers. This is included under "Other Business" in Note 29 Operating Segments.

Guarantees – 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 Small and Medium Enterprises, 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 28% of balances receivable from Mobile Telephone services in Peru, as of December 31, 2016.

The tables below show, in addition to the portfolio for the "consumer-mobile services segment", information for "all other segments" detailed by service area. This stratification includes the Small and Medium-sized Enterprises, Corporate, Wholesale and Other Business, as well as 72% of balances receivable from Mobile Telephone services in Peru.

December 31, 2016

Stages of Arrears	Segmento Personas Naturales										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile Services				Wireline Services				Other Services							
	Not Renegotiated		Renegotiated		Not Renegotiated		Renegotiated		Not Renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment						
Current	82,883,994	-	3,513,014	-	3,563,432	-	3,358	-	-	-	89,963,798	-	89,963,798			
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			
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	152,140,933	61,652,502	8,243,869	4,721,349	12,567,275	5,379,319	812,532	731,219	-	-	173,764,609	72,484,389	101,280,220			

December 31, 2016

Stages of Arrears	All Other Segments										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile Services				Wireline Services				Other Services							
	Not Renegotiated		Renegotiated		Not Renegotiated		Renegotiated		Not Renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment						
Current	116,495,874	-	3,239,525	-	43,632,218	-	1,190,465	-	2,808,724	-	167,366,806	-	167,366,806			
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			
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	172,872,324	32,300,943	7,881,679	4,503,702	87,468,664	17,653,457	2,122,613	612,622	4,640,626	453,593	274,985,906	55,524,317	219,461,589			

December 31, 2015

Stages of Arrears	Segmento Personas Naturales										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile Services				Wireline Services				Other Services							
	Not Renegotiated		Renegotiated		Not Renegotiated		Renegotiated		Not Renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment						
Current	73,014,289	-	4,770,245	-	2,395,163	-	6,064	-	-	-	80,185,761	-	80,185,761			
1 - 30 days	6,836,922	1,948,145	35,229	16,793	3,310,694	811,938	1,033	175	-	-	10,183,878	2,777,051	7,406,827			
31 - 60 days	2,914,200	1,618,184	37,227	24,199	551,927	344,442	5,926	1,719	-	-	3,509,280	1,988,544	1,520,736			
61 - 90 days	3,456,343	3,121,445	52,699	38,009	427,192	309,145	18,582	6,503	-	-	3,954,816	3,475,102	479,714			
91 - 120 days	10,082,461	8,797,778	60,964	49,844	378,998	292,895	9,821	4,910	-	-	10,532,244	9,145,427	1,386,817			
121 - 150 days	1,944,868	1,929,526	47,495	47,495	373,802	294,833	13,454	7,399	-	-	2,379,619	2,279,253	100,366			
151 - 180 days	1,996,696	1,996,696	61,453	61,453	379,108	325,307	23,636	14,181	-	-	2,460,893	2,397,637	63,256			
181 - 210 days	2,143,166	2,143,166	55,669	55,669	389,571	354,440	17,188	13,750	-	-	2,605,594	2,567,025	38,569			
211 - 250 days	2,285,404	2,285,404	77,707	77,707	656,532	577,695	16,042	12,834	-	-	3,035,685	2,953,640	82,045			
250+ days	33,712,785	33,712,785	4,578,601	4,578,601	2,745,841	2,728,522	520,700	519,270	-	-	41,557,927	41,539,178	18,749			
Total	138,387,134	57,553,129	9,777,289	4,949,770	11,608,828	6,039,217	632,446	580,741	-	-	160,405,697	69,122,857	91,282,840			

December 31, 2015

Stages of Arrears	All Other Segments										Total Gross Debt	Total Impairment	Total Net Debt			
	Mobile Services				Wireline Services				Other Services							
	Not Renegotiated		Renegotiated		Not Renegotiated		Renegotiated		Not Renegotiated							
	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impairment	Gross Balances	Impair-ment						
Current	99,962,309	-	4,107,353	-	45,397,963	-	361,562	-	1,212,900	-	151,042,087	-	151,042,087			
1 - 30 days	14,960,688	1,327,034	38,815	2,761	13,907,039	252,119	11,601	644	1,432,956	-	30,351,099	1,582,558	28,768,541			
31 - 60 days	5,342,904	815,209	64,157	6,350	5,395,462	260,339	10,435	1,182	762,397	-	11,575,355	1,083,080	10,492,275			
61 - 90 days	2,998,250	648,301	53,973	6,953	2,823,038	318,899	55,172	11,193	499,785	-	6,430,218	985,346	5,444,872			
91 - 120 days	5,509,242	3,342,469	89,177	39,987	2,081,078	341,900	7,058	1,936	297,009	-	7,983,564	3,726,292	4,257,272			
121 - 150 days	1,612,862	341,535	29,419	14,667	1,715,253	299,060	9,853	3,395	-	-	3,367,387	658,657	2,708,730			
151 - 180 days	1,045,241	372,542	44,359	25,802	1,516,342	516,365	9,028	3,692	-	-	2,614,970	918,401	1,696,569			
181 - 210 days	1,161,505	703,351	30,866	25,455	1,014,464	545,369	11,822	5,940	14,711	-	2,233,368	1,280,115	953,253			
211 - 250 days	763,973	538,734	59,083	58,009	829,598	422,572	21,245	10,720	1,111	-	1,675,010	1,030,035	644,975			
250+ days	27,652,397	27,086,482	3,140,827	3,140,827	14,512,542	11,816,538	1,137,142	1,091,687	621,313	438,846	47,064,221	43,574,380	3,489,841			
Total	161,009,371	35,175,657	7,658,029	3,320,811	89,192,779	14,773,161	1,634,918	1,130,389	4,842,182	438,846	264,337,279	54,838,864	209,498,415			

At December 31, 2016 and 2015, the tables above include provided but unbilled services which in the case of the consumer segment amount to ThCh\$53,563,738 and ThCh\$51,626,869 respectively, and in the case of other segments, to ThCh\$36,762,263 and ThCh\$34,841,142, 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. Due from:

Tax ID	Company	Country	Relationship	Currency	CURRENT	
					12.31.2016 ThCh\$	12.31.2015 ThCh\$
90.193.000-7	Empresas el Mercurio	Chile	Common Director	Ch\$	21,170	21,261
91.440.000-7	Forestal Mininco S.A.	Chile	Common Shareholder	Ch\$	-	37,776
93.834.000-5	Cencosud	Chile	Common Director	Ch\$	317,948	106,160
96.505.760-9	Colbún S.A.	Chile	Common Shareholder	Ch\$	146,777	64,899
96.529.310-8	CMPC Tissue S.A.	Chile	Common Shareholder	Ch\$	36,896	51,088
96.532.330-9	CMPC Celulosa S.A.	Chile	Common Shareholder	Ch\$	147,244	69,639
96.561.560-1	Soc. Punta del Cobre S.A.	Chile	Common Shareholder	Ch\$	17,318	25,136
96.768.750-2	Servicios Compartidos CMPC S.A.	Chile	Common Shareholder	Ch\$	-	72,034
97.080.000-K	Banco BICE	Chile	Common Shareholder	Ch\$	62,862	58,073
99.012.000-5	Seguros de Vida Consorcio S.A.	Chile	Common Shareholder	Ch\$	59,305	134,998
99.520.000-7	Copec S.A.	Chile	Common Shareholder	Ch\$	161,800	57,353
Total					971,320	698,417

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. The detail is as follows:

Tax ID	Company	Relationship	Relationship	12.31.2016		12.31.2015	
				Amount ThCh\$	Credit (debit) to profit for the period	Amount ThCh\$	Credit (debit) to profit for the period
90.193.000-7	Empresas el Mercurio	Common Director	Services provided	255,819	255,819	267,718	267,718
91.440.000-7	Forestal Mininco S.A.	Common Shareholder	Services provided	-	-	210,681	210,681
93.834.000-5	Cencosud	Common Director	Services provided	809,175	809,175	633,147	633,147
96.505.760-9	Colbun S.A.	Common Shareholder	Services provided	1,298,377	1,298,377	1,092,714	1,092,714
96.529.310-8	CMPC Tissue S.A.	Common Shareholder	Services provided	398,967	398,967	247,991	247,991
96.532.330-9	CMPC Celulosa S.A.	Common Shareholder	Services provided	518,960	518,960	271,810	271,810
96.561.560-1	Soc. Punta del Cobre S.A.	Common Shareholder	Services provided	185,445	185,445	180,884	180,884
97.080.000-K	Banco BICE	Common Shareholder	Services provided	350,917	350,917	321,976	321,976
99.012.000-5	Seguros de Vida Consorcio S.A.	Common Shareholder	Services provided	614,168	614,168	603,592	603,592
99.520.000-7	Copec S.A	Common Shareholder	Services provided	1,611,803	1,611,803	1,221,372	1,221,372
			Services provided	419,711	(419,711)	283,705	(283,705)
Total					5,623,920		4,768,180

Telecommunication services provided to related parties correspond to standard services included in the Entel Group's business line (mobile and wireline telephone services, Internet, data services and call center). As of December 31, 2016, such services represent 0.3% of the Group's total revenue.

c. Key management personnel compensation

The Parent is managed by a Board of Directors comprised of nine members, which compensation for the first the years 2016 and 2015, amounted to ThCh\$465,290 and ThCh\$428,936, respectively.

For the same periods, key management personnel compensation amounted to ThCh\$4,363,256 and ThCh\$3,771,427, respectively. These amounts include annual bonuses of ThCh\$1,933,607 and ThCh\$1,385,240, respectively.

The number of the key management personnel is 16 and 17 for both periods.

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:

	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Handsets and accessories for mobile services	88,609,728	91,196,062
Work in progress	2,276,307	2,465,372
Goods	165,202	319,296
Other inventories	365,489	454,268
Total	91,416,726	94,434,998

For mobile phone handsets, the cost of handsets is recognized directly in profit or loss when contracts are signed.

For both periods, ThCh\$350,651,201 and ThCh\$367,433,879, respectively, were charged to profit or loss for cost of sales, commercial costs and/or consumption of supplies.

For the same period, there have been no allocations to property, plant and equipment from adjustments to net asset value.

During 2016 and 2015, respectively, ThCh\$1,426,497 and ThCh\$4,962,786, 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\$3,703,232 and ThCh\$5,853,660, respectively.

During 2016 and 2015, there have been no reversals of previously recognized impairment losses.

11. Current Tax Assets and Liabilities

At December 31, 2016 and 2015, the Group Companies' liability for current income tax expense is offset by mandatory monthly provisional income tax payments made during the year.

The aggregate accumulated offsetting amounts of those companies with recoverable balances were ThCh\$43,415,074 and ThCh\$3,879,698 at December 31, 2016 and 2015, respectively. These balances are presented within current tax assets in current assets, as follows:

	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Remaining balance of value-added tax fiscal credit	119,272,151	91,385,443
Income tax net monthly provisional payments	43,415,074	3,879,698
Provisional income tax payments for absorbed profits for FY 2017	22,564,397	-
Other taxes, credits	15,386,036	7,515,295
Total	200,637,658	102,780,436

The aggregate amount of income taxes payable was ThCh\$4,869,489 and ThCh\$5,992,038, at December 31, 2016 and 2015 and are presented within current tax liabilities in current liabilities.

12. Intangible Assets

Intangible assets include licenses, easements and others, as follows:

	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Total intangible Assets, Net	321,356,334	140,663,342
Intangible Assets with finite life, Net	321,356,334	140,663,342
Identifiable Intangible Assets, Net	321,356,334	140,663,342
Patents, Trademarks and other rights, Net	4,233,579	4,931,238
Other identifiable Intangible Assets, Net	317,122,755	135,732,104
Total intangible Assets, Gross	402,095,377	214,782,099
Intangible Assets with finite life, Gross	402,095,377	214,782,099
Patents, Trademarks and other rights, Gross	39,027,907	39,027,907
Other identifiable Intangible Assets, Gross	363,067,470	175,754,192
Total Accumulated Amortization and Impairment, Intangible Assets	(80,739,043)	(74,118,757)
Accumulated Amortization and Impairment, Identifiable Intangible Assets	(80,739,043)	(74,118,757)
Accumulated Amortization and Impairment, Patents Trademarks and Other Rights	(34,794,328)	(34,096,669)
Accumulated Amortization and Impairment, Other Identifiable Intangibles Assets	(45,944,715)	(40,022,088)

At December 31, 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	3,956,170	CIENTEC and TRANSAM Takeovers	180	96
- Easements	181,645	Real state owners	120 - 240	15 - 112
- Fiber optic cable rights of use	94,434	Level 3	84 - 168	1
- Other	1,330			
Total	4,233,579			
Other identifiable intangible assets:				
- 900 MHz band concession	9,368,150	State of Chile	480 - 360	406 - 291
- 700 MHz band concession	6,459,654	State of Chile	360	337
- 700 MHz band concession	191,106,493	State of Peru	480	480
- 2600 MHz band concession (4G tender)	3,683,729	State of Chile	360	310
- AWS 1700-2100 MHz band concession	54,871,509	State of Peru	480	353
- 1900 MHz band concession	38,910,037	State of Peru	480	389
- 2500 MHz band concession	6,689,412	State of Peru	156	92
- 3500 MHz band concession	3,095,431	State of Peru	171 - 240	49 - 198
- Other	2,938,340			
Total	317,122,755			

At December 31, 2015, the net value of the main components of intangible assets is as follows:

	Valor Neto	Otorgante	"Plazo (Meses)"	"Plazo residual (meses)"
Patents, trademarks and other rights:				
- Customer relationships	4,399,852	CIENTEC and TRANSAM Takeovers	180	108
- Easements	307,434	Real state owners	120 - 240	27-124
- Fiber optic cable rights of use	220,347	Global Crossing	84 - 168	0-11
- Other	3,605			
Total	4,931,238			
Other identifiable intangible assets:				
- 900 MHz band concession	10,211,281	State of Chile	480 - 360	417-303
- 700 MHz band concession	6,688,991	State of Chile	360	349
- 2600 MHz band concession (4G tender)	3,826,325	State of Chile	360	322
- AWS 1700-2100 MHz band concession	58,739,514	State of Peru	480	465
- 1900 MHz band concession	41,829,735	State of Peru	480	401
- 2500 MHz band concession	7,886,097	State of Peru	156	104
- 3500 MHz band concession	4,398,233	State of Peru	171 - 240	61-210
- Other	2,151,928			
Total	135,732,104			

Accumulated impairment losses shown in the table above relate mainly to the rights of use over optic fiber cable capacities. These accumulated impairment losses amount to ThCh\$2,857,281 at December 31, 2016 and 2015 and 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

At December 31, 2016 and 2015, the Group does not have any significant commitments for the acquisition of intangible assets.

December 31, 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 movement 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

December 31, 2015

	Patents, Trademarks and Other Rights, Net ThCh\$	Other Identifiable Intangible Assets, Net ThCh\$	Total Identifiable Intangible Assets, Net ThCh\$
Opening balance	5,763,906	131,160,321	136,924,227
Additions	-	7,373,745	7,373,745
Amortization	(852,170)	(5,897,669)	(6,749,839)
Effect of movement in exchange rates	-	2,988,470	2,988,470
Other increases (decreases)	19,502	107,237	126,739
Closing balance	4,931,238	135,732,104	140,663,342

Identified changes in intangible assets December 31, 2016 and 2015 are as follows:

Assets	Minimum life or rate (years)	Maximum life or rate (years)
Patents, Trademarks and other rights, Net	4	20
Software	4	4
Other Identifiable Intangible Assets	10	40
Rights of Use over Optic Fiber Cables	15	15

13. Goodwill

Changes in goodwill are as follows:

Company	Segment	Opening balance 01.01.2015 ThCh\$	Foreign currency differences ThCh\$	Closing balance 12.31.2015 ThCh\$	Foreign currency differences ThCh\$	Closing balance 12.31.2016 ThCh\$
Entel PCS Telecommunicaciones S.A.	Personas	43,384,200	-	43,384,200	-	43,384,200
Cientec Computación S.A.	Corporaciones	2,402,281	-	2,402,281	-	2,402,281
Entel Perú S.A.	Personas	1,298,585	34,044	1,332,629	(54,778)	1,277,851
Transam Comunicación S.A.	Personas	108,646	-	108,646	-	108,646
Will S.A.	Personas	156	-	156	-	156
Final balance, Net		47,193,868	34,044	47,227,912	(54,778)	47,173,134

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 Telecommunicaciones 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 Telecommunicaciones 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. (Former Nextel Perú S.A.) arose from the acquisition of 100% of its shares from its prior shareholders in August 2013. The selling shareholders were 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.

Initial plans are to focus on strengthening the current infrastructure, network expansion and increase the sale of handsets and services to Entel Perú customers. Beginning in October, 2014, Nextel Peru officially changed its name to Entel Perú, 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. Impairment tests for both assets recognized are based on the fair value and level of each cash-generating unit. Impairment tests are performed at the end of each annual period when indications of impairment exist requiring such tests. Should the fair value be lower than the net carrying amount, an impairment loss that cannot be reversed is recognized in profit or loss.

The key assumptions used for calculating the recoverable amounts are projected cash flows considering the time of future services involved in each case as considered by the Company at short, medium and long-term using a discount rate related to the Company's capital cost ranging between 9.5% and 10.5%.

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 at December 31, 2016 and 2015 are as follows:

	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Total Property, Plant and Equipment, Net	1,829,611,347	1,785,575,339
Construction in progress, Net	375,743,957	414,995,191
Land, Net	12,589,561	12,811,719
Buildings, Net	130,415,986	124,138,977
Plant and equipment, Net	1,183,773,181	1,107,673,373
IT equipment, Net	77,175,834	74,555,180
Fixed facilities and accessories, Net	34,296,217	35,197,867
Motor vehicles, Net	353,206	366,846
Leasehold improvements, net	7,322,286	8,215,167
Other property, plant and equipment, Net	7,941,119	7,621,019
Total Property, Plant and Equipment, Gross	5,056,589,053	4,747,147,456
Construction in progress, Gross	375,743,957	414,995,191
Land, Gross	12,589,561	12,811,719
Buildings, Gross	282,482,891	267,523,630
Plant and equipment, Gross	3,780,723,506	3,487,724,921
IT equipment, Gross	327,366,757	302,793,161
Fixed facilities and accessories, Gross	221,721,350	208,685,123
Motor vehicles, Gross	1,475,333	1,445,351
Leasehold improvements, Gross	29,786,742	27,497,826
Other property, plant and equipment, Gross	24,698,956	23,670,534
Total Accumulated depreciation and Impairment, Property, Plant and Equipment	(3,226,977,706)	(2,961,572,117)
Accumulated depreciation and Impairment, Building	(152,066,905)	(143,384,653)
Accumulated depreciation and Impairment, Plant and Equipment	(2,596,950,325)	(2,380,051,548)
Accumulated depreciation and Impairment, IT Equipment	(250,190,923)	(228,237,981)
Accumulated depreciation and Impairment, Fixed facilities and accessories	(187,425,133)	(173,487,256)
Accumulated depreciation and Impairment, Motor Vehicles	(1,122,127)	(1,078,505)
Accumulated depreciation and Impairment, Leasehold Improvements	(22,464,456)	(19,282,659)
Accumulated depreciation and Impairment, Others	(16,757,837)	(16,049,515)

In 2016, movements of property plant and equipment are the following:

		Construction in progress	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 on profit or loss		-	-	(10,801,099)		-	-	-	-	(10,801,099)
	Effect of changes in exchange rates		(119,654)	(382,018)	(10,482,935)	(1,096,159)	(617,844)	(4,492)	-	(200,840)	(17,661,997)
	Other increases (decreases)		-	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
Final 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

In 2015, movements of property plant and equipment are the following:

		Construction in progress	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		415,400,118	12,558,726	158,326,378	946,983,976	48,974,127	20,884,440	523,344	4,162,949	7,164,457	1,614,978,515
Changes	Additions	233,960,276	63,119	5,501	158,444,293	32,683,407	6,578,319	18,989	775,429	276,129	432,805,462
	Disposals	(62,517)	-	-	(1,517,072)	(30,549)	(50,944)	(10,365)	-	(21)	(1,671,468)
	Depreciation expense	-	-	(6,553,557)	(222,571,562)	(22,366,941)	(11,946,816)	(236,295)	(2,214,336)	(986,127)	(266,875,634)
	Impairment loss recognized on profit or loss	-	-	-	(2,116,021)		-	-	-	-	(2,116,021)
	Effect of changes in exchange rates	2,880,263	73,606	243,605	5,053,733	530,075	340,441	4,323	-	119,181	9,245,227
	Other increases (decreases)	(237,182,949)	116,268	(27,882,950)	223,396,026	14,765,061	19,392,427	66,850	5,491,125	1,047,400	(790,742)
	Total changes	(404,927)	252,993	(34,187,401)	160,689,397	25,581,053	14,313,427	(156,498)	4,052,218	456,562	170,596,824
Final 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

The additions disclosed in the tables above do not represent payments for the acquisition of property, plant and equipment (they do not include taxes and variation of suppliers). This information is included in the statement of cash flows.

During 2016 and 2015, there were interest that were charged to work in progress and related materials for ThCh\$5,250,535 (ThCh\$6,501,761 during 2015), 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.

	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Buildings, Net	7,721,628	7,902,932
Plant and equipment, Net	-	-
Buildings, Gross	11,968,177	11,968,177
Plant and equipment, Gross	8,284,494	8,284,494
Accumulated depreciation and impairment, Buildings	(4,246,549)	(4,065,245)
Accumulated depreciation and impairment, Plant and equipment	(8,284,494)	(8,284,494)
Total property, plant and equipment and finance lease, Net	7,721,628	7,902,932

Leased real estate corresponds to properties used for the Group's offices. The term of current lease agreements is as follows:

	Beginning date	Completion date
Stores	February-98	February-18
Costanera Building (Floor 15)	September-98	August-18
Costanera Building (Floors 12-13-14)	December-98	November-18

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 2016 and 2015, impairment losses arose from the retirement of equipment, damaged by the February 2010 earthquake, 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.

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 equipment	3	4
Fixed facilities and accesories	3	10
Motor vehicles	3	7
Leasehold improvements	5	5
Others Property, Plant and Equipment	5	10

For assets which 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.

At December 31, 2016 and 2015, 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\$70,197,216 and ThCh\$53,033,094, 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\$1,387,243,824. In general, these assets correspond to assets with high technical obsolescence 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, 2016, the Group has carried out works for ThCh\$76,403,635. As per the agreement entered into with the Chilean Government, the Group has received grants of ThCh\$28,585,007. From this amount, ThCh\$25,884,150 has been recorded as goodwill for works performed and ThCh\$1,592,226 as advanced payments, charged to works to be performed.

15.income Tax And Deferred Tax

a. General Information

As of December 31, 2016, the Taxable Income Fund (FUT) established by the Income Tax Law, used to control tax credits in favor of shareholders, that are granted at the time of distributing dividends recognized in retained earnings, for each Group company in ThCh\$, is detailed as follows:

Company	Profit with tax credits 24%	Profit with tax credits 22.5%	Profit with tax credits 21%	Profit with tax credits 20%	Profit with tax credits 17%	Credit amount
Entel PCS Telecommunicaciones S.A.	90,566,783	134,868,778	144,549,906	207,239,430	-	158,008,868
Empresa Nacional de Telecomunicaciones S.A.	-	79,776,533	95,276,882	379,193,681	27,206,868	155,657,761
Entel Telefonía Local S.A.	2,259,573	26,836,564	-	-	-	6,035,820
Entel Inversiones S.A.	-	2,922,751	2,163,337	1,297,771	20,934,447	1,237,545
Entel Contac Center S.A.	534,499	443,583	1,102,405	2,235,251	695,985	1,292,435
Entel Comercial S.A.	549,403	184,807	450,377	3,562,703	-	798,558
Entel Servicios Telefónicos S.A.	346,044	457,705	343,164	514,328	1,643,389	8,504,793
Transam S.A.	33,598,728	7,215,418	-	-	-	12,704,923
Entel Will S.A.	2,517,818	-	-	-	-	797,803
Total ThCh\$	130,372,848	252,706,139	243,886,071	594,043,164	50,480,689	345,038,506

b. Deferred taxes

Deferred tax assets and liabilities stated in conformity with Note 3k are as follows:

Concept	12.31.2016		Changes in	
	Assets ThCh\$	Liabilities ThCh\$	Profit or loss ThCh\$	Equity ThCh\$
Depreciaciones Propiedades Planta y Equipos	76,093,124	-	(7,051,265)	(585,100)
Amortizaciones Intangibles	3,638,699	11,292,757	(2,680,126)	130,225
Acumulaciones (o devengos)	15,922,975	944	2,590,013	(42,643)
Provisiones	12,313,185	-	1,915,626	(296,670)
Deterioro de Propiedades, Planta y Equipo	273,700	877,489	(112,529)	26,399
Deterioro Cuentas por Cobrar (Incobrables)	27,583,067	-	1,355,892	(27,815)
Ajuste Valor de Mercado Contratos de Derivados	-	103,332	(103,813)	481
Activos/Pasivos a Costo Amortizado	-	4,390,166	885,234	924
Ingresos Diferidos	4,510,898	-	(7,625)	(1,958)
Bienes Adquiridos en Leasing Financiero	617,622	-	(282,012)	-
Bienes Vendidos en Leasing Financiero	199,641	470,287	109,406	-
Pérdidas Fiscales	234,917,221	-	64,080,132	(8,196,746)
Otros	8,504,044	686,412	2,095,429	(95,619)
Total	308,481,052	17,821,387	62,794,362	(9,088,522)

Concept	12.31.2016		Changes in	
	Assets ThCh\$	Liabilities ThCh\$	Profit or loss ThCh\$	Equity ThCh\$
Depreciaciones Propiedades Planta y Equipos	83,729,489	-	2,448,781	501,837
Amortizaciones Intangibles	7,244,939	12,349,096	(2,837,869)	(35,937)
Acumulaciones (o devengos)	13,375,605	944	1,318,567	18,584
Provisiones	10,694,229	-	3,244,983	(234,381)
Deterioro de Propiedades, Planta y Equipo	91,320	608,979	(11,979)	-
Deterioro Cuentas por Cobrar (Incobrables)	26,254,990	-	471,704	18,183
Ajuste Valor de Mercado Contratos de Derivados	-	-	-	-
Activos/Pasivos a Costo Amortizado	-	5,276,324	(819,976)	-
Ingresos Diferidos	4,520,481	-	476,175	1,456
Bienes Adquiridos en Leasing Financiero	899,634	-	(215,911)	-
Bienes Vendidos en Leasing Financiero	293,700	673,752	75,057	-
Pérdidas Fiscales	179,033,835	-	68,261,327	18,669,113
Otros	6,831,515	1,013,693	3,603,618	13,513
Total	332,969,737	19,922,788	76,014,477	18,952,368

Deferred tax for tax losses refers mainly to accumulated tax losses in the subsidiary Entel Perú S.A., which have no maturity date and will be applied to future tax benefits arising from such subsidiary.

c. Unrecognized deferred tax asset

Certain subsidiaries have not recognized deferred taxes in relation to the use of tax losses against future profit. At the end of each period, unrecognized tax assets that do not expire amount to ThCh\$1,807,239 and ThCh\$2,126,770, respectively.

d. Current and deferred expense (income)

	01.01.2016 12.31.2016 ThCh\$	01.01.2015 12.31.2015 ThCh\$
Current Income Tax Expense		
Current Tax Expense	42,379,294	59,143,672
Adjustments to current tax from prior period	(330,603)	338,708
Other current tax expense (income)	(7,272,365)	3,751,721
Current tax expense, Net, Total	34,776,326	63,234,101
Deferred Income Tax Expense		
Tax Expense (Income) related to the Origination and Reversal of Temporary Differences	(62,794,362)	(76,014,477)
Deferred tax expense, Net, Total	(62,794,362)	(76,014,477)
Income Tax Expense	(28,018,036)	(12,780,376)

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:

	01.01.2016 12.31.2016 ThCh\$	01.01.2015 12.31.2015 ThCh\$
Income tax expense (benefit) using the legal tax rate	1,473,615	(3,123,534)
Effect of Tax Rates in Foreign Jurisdictions	(11,851,821)	(16,731,543)
Tax effect from permanent differences		
Adjustments/Fluctuation of Tax Investments	(8,348,937)	16,967,942
Price-level adjustment on paid-in capital	(14,697,790)	(14,419,486)
Tax estimated using the Domestic Tax Rate	(479,639)	(5,537,840)
Other increase (decrease) in expenses using the legal tax rate	5,886,536	10,064,085
Adjustments to tax expense using the legal tax rate, Total	(29,491,651)	(9,656,842)
Tax expense using the effective tax rate	(28,018,036)	(12,780,376)

f. Reconciliation between the domestic tax rate and the effective tax rate (in percentages)

	01.01.2016 12.31.2016 ThCh\$	01.01.2015 12.31.2015 ThCh\$
Legal tax rate	24%	22.50%
Effect of Tax Rates in Foreign Jurisdictions	-193.02%	120.52%
Effect on tax rate of:		
Adjustments/Fluctuation of Tax Investments	-135.97%	-122.23%
Price-level adjustment on paid-in capital	-239.37%	103.87%
Tax estimated using the Applicable Rate	-7.81%	39.89%
Other Increases (Decreases) in expenses using the Legal Tax Rate	95.87%	-72.49%
Adjustments to the Legal Tax Rate, Total	-480%	69.56%
Effective Tax Rate	-456%	92.06%

16. Other Financial Liabilities

At December 31, 2016 and 2015, other financial liabilities are as follows:

	12.31.2016 ThCh\$	31.12.2015 ThCh\$
Current liabilities		
Interest bearing borrowings	468,598	417,699
Liabilities with bond holders	16,587,414	17,532,996
Finance lease liabilities	1,377,480	1,305,085
Derivatives - Not designated as hedges	3,585,016	151,910
Derivatives - Designated as hedges	2,848,776	2,328,716
Subtotal	24,867,284	21,736,406
Non-current liabilities		
Interest bearing borrowings	198,837,798	210,199,317
Liabilities with bond holders	1,375,601,182	1,441,510,445
Finance lease liabilities	1,136,294	2,425,360
Derivatives - Designated as hedges	1,335,501	-
Subtotal	1,576,910,775	1,654,135,122
Total other financial liabilities	1,601,778,059	1,675,871,528

a. Interest bearing borrowings – At December 31, 2016, outstanding bank loans were as follows:

- » Joint loan provided by the Bank of Tokyo-Mitsubishi UFJ, Ltd., HSBC Bank USA, and Mizuho Corporate Bank Ltd. obtained in September 2012 for USD\$300 million. In March 2015, this loan was extended to a five-year loan payable in two equal installments of USD\$150 million in March 2019 and March 2020, at an annual interest rate of Libor +1.30% for the first two years.

b. Liabilities with bondholders – this corresponds to the following:

- » Placement of bonds in the international market in October 2013 for US\$1,000 million, with an average maturity of 10 years and a fixed rate of 4.875%.
- » Placement of bonds in the local market in July 2014 for UF7 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 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 receivables at December 31, 2012 and 2011 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 table above has 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 AND 2015

Creditor	Type of Liability	NOMINAL VALUES						
		Total Debt ThCh\$	Term in days		Term in years			
			0 - 90 days	91 days - 1 year	more than 1-2	more than 2-3	more than 3-4	more than 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	-	-	
Subtotal		215,428,240	1,711,931	3,679,277	5,441,419	103,540,976	101,054,637	
Obligaciones con tenedores de Bonos	Bonds	1,675,181,306	25,119,073	48,996,836	58,076,521	58,076,523	58,076,521	
Obligaciones con tenedores de Bonos	Bonds	302,842,365	1,599,889	5,347,695	6,399,554	6,399,555	6,399,554	
Subtotal		1,978,023,671	26,718,962	54,344,531	64,476,075	64,476,078	64,476,075	
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	-	-	-	-	-	-	
Subtotal		70,384,094	3,167,098	6,109,957	8,176,158	8,193,001	8,260,291	
Banco de Crédito e Inversiones	Derivatives - designated as hedges	978,340	-	978,340	-	-	-	
Banco Itaú Corpbanca	Derivatives - designated as hedges	789,045	-	789,045	-	-	-	
Banco de Chile	Derivatives - designated as hedges	581,630	398,135	183,495	-	-	-	
Banco Santander - Chile	Derivatives - designated as hedges	202,535	-	202,535	-	-	-	
Banco del Estado de Chile	Derivatives - designated as hedges	1,401,350	1,048,525	352,825	-	-	-	
HSBC Bank (Chile)	Derivatives - designated as hedges	244,230	146,275	97,955	-	-	-	
Scotiabank Chile	Derivatives - designated as hedges	839,580	52,635	786,945	-	-	-	
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - designated as hedges	5,965	5,965	-	-	-	-	
Banco de Chile	Derivatives - designated as hedges	15,300	15,300	-	-	-	-	
Banco del Estado de Chile	Derivatives - designated as hedges	22,295	6,680	15,615	-	-	-	
Scotiabank Chile	Derivatives - designated as hedges	15,250	15,250	-	-	-	-	
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - designated as hedges	7,685	7,685	-	-	-	-	
Scotiabank (Perú)	Derivatives - designated as hedges	183,795	177,704	6,091	-	-	-	
Banco de Crédito (Perú)	Derivatives - designated as hedges	346,626	346,626	-	-	-	-	
Interbank (Perú)	Derivatives - designated as hedges	236,717	236,717	-	-	-	-	
Banco Santander (Perú)	Derivatives - designated as hedges	188,970	59,032	129,938	-	-	-	
Subtotal		6,059,313	2,516,529	3,542,784	-	-	-	
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	-	-	
Subtotal		2,694,847	378,320	1,134,959	1,181,568	-	-	
Cuentas por pagar Comerciales	Commercial loan	286,942,123	286,942,123	-	-	-	-	
TOTAL		2,559,532,288	321,434,963	68,811,508	79,275,220	176,210,055	173,791,003	

		CARRYING AMOUNTS							
		Total Debt ThCh\$	Term in days		Term in years				
more than 4-5	more than 5		0 - 90 days	91 days - 1 year	more than 1-2	more than 2-3	more than 3-4	more than 4-5	more than 5
-	-	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	0	1,376,936,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 AND 2015

Creditor	Type of Liability	NOMINAL VALUES					
		Total Debt ThCh\$	Term in days				
			0 - 90 days	91 days - 1 year	more than 1-2	more than 2-3	more than 3-4
The Bank of Tokyo-Mitsubishi UFJ, Ltd	Loans	75,474,142	281,970	852,106	1,185,225	1,202,979	36,284,926
Mizuho Corporate Bank, Ltd.	Loans	75,474,142	281,970	852,106	1,185,225	1,202,979	36,284,926
HSBC Bank USA, National Association	Loans	75,474,140	281,969	852,105	1,185,225	1,202,979	36,284,926
Claro Infraestructura S.A, (Telmex S.A.)	Loans	1,628,367	542,789	-	542,789	542,789	-
Subtotal		228,050,791	1,388,698	2,556,317	4,098,464	4,151,726	108,854,778
Obligaciones con tenedores de Bonos	Bonds	1,838,604,236	26,645,795	51,974,835	61,606,378	61,606,380	61,606,378
Obligaciones con tenedores de Bonos	Bonds	300,790,097	1,556,237	5,187,456	6,224,946	6,224,947	6,224,946
Subtotal		2,139,394,333	28,202,032	57,162,291	67,831,324	67,831,327	67,831,324
Banco de Chile	Derivatives - designated as hedges	13,779,321	798,401	1,042,064	1,369,630	1,369,630	1,371,422
Banco Santander - Chile	Derivatives - designated as hedges	7,387,616	438,463	615,243	805,421	805,421	810,256
Banco Bilbao Vizcaya Argentaria, Chile	Derivatives - designated as hedges	8,825,114	270,201	698,477	919,223	919,223	921,010
The Bank of Nova Scotia	Derivatives - designated as hedges	3,646,711	193,098	344,001	452,711	452,711	456,286
Corpbanca	Derivatives - designated as hedges	842,639	44,672	79,523	104,555	104,555	105,440
JP Morgan Chase Bank, N.A.	Derivatives - designated as hedges	12,252,644	760,032	949,059	1,247,908	1,247,908	1,249,849
Banco de Crédito e Inversiones	Derivatives - designated as hedges	15,366,660	818,344	1,159,548	1,533,450	1,533,450	1,538,519
Subtotal		62,100,705	3,323,211	4,887,915	6,432,898	6,432,898	6,452,782
Banco de Crédito e Inversiones	Derivatives - designated as hedges	19,086,715	-	19,086,715	-	-	-
Corpbanca	Derivatives - designated as hedges	31,421,060	2,798,900	28,622,160	-	-	-
Banco de Chile	Derivatives - designated as hedges	16,031,760	16,031,760	-	-	-	-
Banco Santander - Chile	Derivatives - designated as hedges	20,570,330	2,274,940	18,295,390	-	-	-
Banco Estado - Chile	Derivatives - designated as hedges	7,101,600	7,101,600	-	-	-	-
HSBC Bank (Chile)	Derivatives - designated as hedges	33,759,320	-	33,759,320	-	-	-
Scotiabank Chile	Derivatives - designated as hedges	38,342,340	4,928,780	33,413,560	-	-	-
JP Morgan Chase Bank, N.A.	Derivatives - designated as hedges	8,666,800	-	8,666,800	-	-	-
Banco de Crédito e Inversiones	Derivatives - designated as hedges	3,450	3,450	-	-	-	-
Banco de Chile	Derivatives - designated as hedges	17,595	17,595	-	-	-	-
Banco Estado - Chile	Derivatives - designated as hedges	6,750	6,750	-	-	-	-
Scotiabank Chile	Derivatives - designated as hedges	14,720	14,720	-	-	-	-
Banco Estado - Chile	Derivatives - designated as hedges	450	450	-	-	-	-
Banco de Credito del Peru	Derivatives - designated as hedges	91,359	-	91,359	-	-	-
Santander (Perú)	Derivatives - designated as hedges	46,232	-	46,232	-	-	-
Subtotal		175,160,481	33,178,945	141,981,536	-	-	-
Consorcio Nacional de Seguros S.A.	Finance lease	3,010,271	257,515	772,546	1,030,062	950,148	-
Chilena Consolidada Seguros de Vida S.A.	Finance lease	669,482	62,764	188,292	251,056	167,370	-
Banco Bice Leasing Financiero	Finance lease	413,555	47,718	143,154	190,871	31,812	-
Bice Vida Cía, de Seguros de Vida S.A.	Finance lease	90,178	27,054	63,124	-	-	-
Subtotal		4,183,486	395,051	1,167,116	1,471,989	1,149,330	-
Cuentas por pagar Comerciales	Commercial loan	300,962,250	300,962,250	-	-	-	-
TOTAL		2,909,852,046	367,450,187	207,755,175	79,834,675	79,565,281	183,138,884

		CARRYING AMOUNTS							
more than 4-5	more than 5	Total Debt ThCh\$	Term in days		Term in years				
			0 - 90 days	91 days - 1 year	more than 1-2	more than 2-3	more than 3-4	more than 4-5	more than 5
35,666,936	-	69,748,700	-	-	-	-	34,942,170	34,806,530	-
35,666,936	-	69,748,700	-	-	-	-	34,942,170	34,806,530	-
35,666,936	-	69,748,700	-	-	-	-	34,942,171	34,806,529	-
-	-	1,370,916	417,699	-	455,813	497,404	-	-	-
107,000,808	-	210,617,016	417,699	-	455,813	497,404	104,826,511	104,419,589	-
61,606,380	1,513,558,090	1,280,134,671	11,244,200	5,770,050	-	-	-	-	1,263,120,421
6,224,947	269,146,618	178,908,770	-	518,746	-	-	-	-	178,390,024
67,831,327	1,782,704,708	1,459,043,441	11,244,200	6,288,796	-	-	-	-	1,441,510,445
1,386,960	6,441,214	531,739	486,925	44,814	-	-	-	-	-
820,692	3,092,120	245,654	154,067	91,587	-	-	-	-	-
930,242	4,166,738	339,779	295,986	43,793	-	-	-	-	-
459,861	1,288,043	87,965	-	87,965	-	-	-	-	-
106,326	297,568	20,526	-	20,526	-	-	-	-	-
1,263,464	5,534,424	447,557	380,831	66,726	-	-	-	-	-
1,546,444	7,236,905	655,496	655,496	-	-	-	-	-	-
6,513,989	28,057,012	2,328,716	1,973,305	355,411	-	-	-	-	-
-	-	4,555	-	4,555	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	25,061	-	25,061	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	99,689	-	99,689	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	1,288	1,288	-	-	-	-	-	-
-	-	9,279	9,279	-	-	-	-	-	-
-	-	4,450	4,450	-	-	-	-	-	-
-	-	7,588	7,588	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	151,910	22,605	129,305	-	-	-	-	-
-	-	2,664,634	205,446	635,836	912,022	911,330	-	-	-
-	-	600,117	50,920	159,093	227,721	162,383	-	-	-
-	-	378,451	40,397	126,150	180,409	31,495	-	-	-
-	-	87,243	25,622	61,621	-	-	-	-	-
-	-	3,730,445	322,385	982,700	1,320,152	1,105,208	-	-	-
-	-	300,962,250	300,962,250	-	-	-	-	-	-
181,346,124	1,810,761,720	1,976,833,778	314,942,444	7,756,212	1,775,965	1,602,612	104,826,511	104,419,589	1,441,510,445

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 December 31, 2016									
Debtor's Tax ID	Debtor	Country	Creditor's Tax ID	Creditor	Country	Currency	Type of Amortization	Effective rate	Nominal rate
92.580.000-7	Entel S.A.	Chile	0-E	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	0-E	Mizuho Corporate Bank, Ltd.	United States	US\$	Deferred annual	3.37%	Libor USD 90D + 1,3%
92.580.000-7	Entel S.A.	Chile	0-E	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	Annual	9.12%	8.70%
92.580.000-7	Entel S.A.	Chile	0-E	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	0-E	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\$	-	-	-
0-E	Entel Perú	Peru	0-E	Scotiabank (Peru)	Peru	PEN	-	-	-
0-E	Entel Perú	Peru	0-E	Banco de Crédito (Peru)	Peru	PEN	-	-	-
0-E	Entel Perú	Peru	0-E	Interbank (Peru)	Peru	PEN	-	-	-
0-E	Entel Perú	Peru	0-E	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 December 31, 2015

Debtor's Tax ID	Debtor	Country	Creditor's Tax ID	Creditor	Country	Currency	Type of Amortization	Effective rate	Nominal rate
92.580.000-7	Entel S.A.	Chile	0-E	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	0-E	Mizuho Corporate Bank, Ltd.	United States	US\$	Deferred annual	3.37%	Libor USD 90D + 1,3%
92.580.000-7	Entel S.A.	Chile	0-E	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	Annual	9.12%	8,70%
92.580.000-7	Entel S.A.	Chile	0-E	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	0-E	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	0-E	JP Morgan Chase Bank, N.A.	United States	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	97.006.000-6	Banco de Crédito e Inversiones	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.023.000-9	Corpbanca	Chile	Ch\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.004.000-5	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\$	-	-	-
92.580.000-7	Entel S.A.	Chile	97.043.000-8	JP Morgan Chase Bank, N.A.	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	97.004.000-5	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	97.030.000-7	Banco del Estado de Chile	Chile	Ch\$	-	-	-
0-E	Entel Perú	Peru	0-E	Banco de Credito del Peru	Peru	PEN	-	-	-
0-E	Entel Perú	Peru	0-E	Santander (Perú)	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%
92.580.000-7	Entel S.A.	Chile	96.656.410-5	Bice Vida Cía. de Seguros de Vida S.A.	Chile	UF	Monthly	7.52%	7.52%

Liquidity risks are controlled through the financial planning which considers debt policies and possible sources of financing from third parties. The low 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	12.31.2016 ThCh\$			12.31.2015 ThCh\$		
	Gross	Interest	Present Value	Gross	Interest	Present Value
Between 1 and 90 days	401,635	(52,460)	349,175	397,230	(74,845)	322,385
Between 90 days and 1 year	1,134,958	(106,653)	1,028,305	1,167,115	(184,415)	982,700
Between 1 and 2 years	1,181,653	(45,359)	1,136,294	1,471,988	(151,836)	1,320,152
Between 2 and 3 years	-	-	-	1,149,329	(44,121)	1,105,208
Total	2,718,246	(204,472)	2,513,774	4,185,662	(455,217)	3,730,445

The parent has two contracts 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.

17. Trade And Other Payables

Trade and other payables are detailed below, not existing interests related to such payables:

	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Trade payables		
Foreign correspondents	1,583,032	2,176,670
Telecommunication suppliers	35,246,417	31,864,472
Foreign suppliers	26,429,309	32,263,969
Domestic suppliers	374,406,237	400,362,358
Other payables		
Employee benefits	25,992,491	26,724,578
Dividends payable	10,348,767	138,819
Others (Value Added Tax debit and withholding taxes)	31,037,807	31,598,044
Total	505,044,060	525,128,910

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:T

Current trade payables by maturity date	December 31, 2016			December 31, 2015		
	Goods	Services	Total	Goods	Services	Total
	M\$			M\$		
Up to 30 days	40,869,955	93,375,615	134,245,570	110,696,971	58,665,496	169,362,467
Between 31 and 60 days	48,985,306	58,527,659	107,512,965	43,763,570	28,793,742	72,557,312
Between 61 and 90 days	23,774,188	21,409,400	45,183,588	38,097,101	20,945,370	59,042,471
Total	113,629,449	173,312,674	286,942,123	192,557,642	108,404,608	300,962,250

The approximate average payment period is 76 days, measured based on the activity recorded during the last months.

The % of payables from the main 10 suppliers, in relation to the total Receivables is as follows:

Supplier's Name	12.31.2016 %	12.31.2015 %
Huawei del Perú SAC	7%	8%
Samsung Electronics Chile Ltda.	4%	6%
LG Electronics Inc. Chile Ltda.	2%	-
Samsung Electronics Perú	2%	2%
APPLE Chile Comercial	2%	1%
Huawei Device Co, Ltd	1%	-
Ericsson Chile S.A.	1%	2%
TCT Mobile International LTD	1%	-
AT&T	1%	-
Huawei Chile Ltda.	1%	-
América Móvil Perú S.A.C	-	1%
LG Electronics Perú S.A.	-	1%
Telefónica del Perú S.A.	-	1%
Telefónica Móviles Chile S.A.	-	1%
Others	79%	78%
Total trade payables	100%	100%

18. Other Provisions

Provisions are as follows:

	12.31.2016 ThCh\$	12.31.2015t ThCh\$
Current Provisions		
Other provisions	5,161,827	3,435,395
Total Current Provisions	5,161,827	3,435,395
Non-current Provisions		
Dismantling, restoration and rehabilitations costs	34,222,292	28,582,453
Total Non-current Provisions	34,222,292	28,582,453

At December 31, 2016 and 2015, changes in these provisions are as follows:

	Dismanteling and rehabilitation 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
Changes in provisions, Total	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

	Dismanteling and rehabilitation costs ThCh\$	Other provisions ThCh\$	Total ThCh\$
Total Provision, Opening Balance (1.1.2015)	19,596,432	180,492	19,776,924
Increase (Decrease) in existing provisions	6,831,941	3,259,543	10,091,484
Provision used	(4,249)	-	(4,249)
Increase for adjustment of time-value of money	1,590,150	-	1,590,150
Increase (decrease) in foreign currency translation	396,957	4,864	401,821
Other increases (decreases)	171,222	(9,504)	161,718
Changes in provisions, Total	8,986,021	3,254,903	12,240,924
Total provision, Closing balance (12.31.2015)	28,582,453	3,435,395	32,017,848

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 at each company's capital cost rates.

19. Other Non-Financial Liabilities

At December 31, 2016 and 2015, other non-financial liabilities are as follows.

	Current		Non-current	
	12.31.2016 ThCh\$	12.31.2015 ThCh\$	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Deferred revenue				
Prepayment cards	9,294,441	11,649,707	-	-
Anticipated billing of services	12,323,882	9,968,077	-	-
Customer loyalty programs	6,834,309	-	1,927,625	7,932,791
Transfer of networks	6,518,953	6,261,424	-	-
Lease of underwater cables	348,666	219,935	156,233	476,474
Unused prepaid government grants	636,366	636,366	955,860	1,710,382
Other deferred liabilities	152,137	-	113,838	321,865
Total	36,108,754	28,735,509	3,153,556	10,441,512

20. Employee Benefits

a. Personnel expenses

	01.01.2016 12.31.2016 ThCh\$	01.01.2015 12.31.2015 ThCh\$
Salaries	179,758,885	175,794,247
Short-term employee benefits	15,601,250	17,368,078
Post-employment benefits	304,298	202,178
Termination benefits	16,962,590	21,759,414
Other personnel expenses	32,979,036	31,881,816
Total	245,606,059	247,005,733

b. Severance payment (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, 2016 and 2015, liabilities recognized designated as post-employment benefits amount to ThCh\$10,407,369 and ThCh\$9,496,303, respectively, and represent the present value of accrued severance indemnity payments at such dates, deducting the amounts held by the Mutual.

Movements in the Parent's severance payment (post-employment) benefits are detailed as follows:

Transaction	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Present value of the obligation, opening balance	9,496,303	10,226,233
Cost of current service	829,334	1,217,211
Interest cost of the obligation	606,768	486,425
Actuarial gains and losses arising on the defined benefit obligation	-	(1,418,533)
Contributions paid to Plan	(525,036)	(1,015,033)
Present value of the obligation, closing balance	10,407,369	9,496,303
	12.31.2016	12.31.2015
Discount rate	6.58%	6.58%
Salary increase rate	1.00%	1.00%
Personnel turnover rate	13.8%; 5.5%; 7%	13.8%; 5.5%; 7%
Mortality table	RV-2004	RV-2004

21. Capital and Reserves

Changes in equity accounts at December 31, 2016 and 2015 are detailed in the Statement of Changes in Equity.

Share capital

The Company's outstanding shares are same series shares with no par value and fully paid.

At the Ordinary Shareholders' Meeting held on April 28, 2016, it was approved the issue of 71,500,000 shares, and at the Board of Directors' Meeting of June 6, 2016, it was agreed to place a total of 64,814,815 shares corresponding to preference shares paid to 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 MCh\$3,664. Therefore, the capital increase amounted to MCh\$353,703 not considering placement expenses, and MCh\$352,172 net of placement expenses.

	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Share capital		
Authorized capital	908,767,566	522,667,566
Suscrito Subscribed authorized share capital	876,370,945	522,667,566
Shares issued	880,167,568	522,667,566
Detail of share capital (ordinary shares)		
Number of authorized shares	308,023,695	236,523,695
Number of issued and paid shares	302,017,113	236,523,695
Number of issued and unpaid shares	710,286	-
Number of shares issued	302,727,399	236,523,695
Reconciliation of outstanding shares		
Number of outstanding shares	236,523,695	236,523,695
Increase in the number of shares	65,493,418	-
Number of outstanding shares	302,017,113	236,523,695

Between January 1, 2015 and December 31, 2016, 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.

Retained (loss) Earnings

During 2015 and 2016, no provisional dividends were distributed.

The provision made (2016) to comply with the minimum dividend, represents Ch\$33.93 per share.

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 28, 2016 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 2015, the Group has paid the following dividends:

At the Ordinary Shareholders' Meeting held on April 28, 2015, the shareholders agreed to distribute a final dividend of Ch\$34 per share corresponding to the profits of 2014 (equivalent to ThCh\$8,041,805). This dividend was paid beginning in May 26, 2015.

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:

Translation reserves: 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) at 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 of the Superintendence of Securities and Insurance, price-level adjustment on paid-in capital is also recorded within Other reserves.

As of December 31, 2016 and 2015, 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	Total other reserves
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Balance at January 1, 2015	(1,096,507)	32,011,298	27,577,607	(60,764,881)	(2,272,483)
Other Comprehensive Income	1,035,529	13,584,184	(6,473,893)	-	8,145,820
Total changes in equity	1,035,529	13,584,184	(6,473,893)	-	8,145,820
Closing balance at December 31, 2015	(60,978)	45,595,482	21,103,714	(60,764,881)	5,873,337
Balance at January 1, 2016	(60,978)	45,595,482	21,103,714	(60,764,881)	5,873,337
Other Comprehensive Income	-	(26,606,516)	(42,957,342)	-	(69,563,858)
Total Cambios en Patrimonio	-	(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)

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:

	01.01.2016 31.12.2016 ThCh\$	01.01.2015 31.12.2015 ThCh\$
Mobile telephone service - Chile	1,082,156,393	1,144,828,435
Mobile telephone service - Peru	348,294,544	238,898,817
Private services (including IT services)	175,284,027	150,668,030
Local telephone services (including NGN - IP)	63,532,526	60,829,637
Television service	27,724,976	22,417,818
Long distance	16,398,667	19,151,696
Internet	35,079,312	28,698,287
Services to other operators	52,786,342	55,279,157
Traffic business	26,853,319	26,606,506
Americatel Peru	24,050,229	26,379,048
Call center and other	15,536,735	10,855,232
Total revenue	1,867,697,070	1,784,612,663

b. Other revenues

At December 31, 2016 and 2015, other revenues is as follows:

	01.01.2016 12.31.2016 ThCh\$	01.01.2016 12.31.2016 ThCh\$
Sublease of stores and points of sale	3,819,376	2,006,332
Refund from dealers for handsets lost	1,407,321	1,500,991
Commercial Interest and refund of collection expenses	1,677,988	1,246,951
Other revenue	12,309,507	3,530,461
Total other revenue	19,214,192	8,284,735

Other revenue for 2016 include Ch\$11,274 billion from transactions related to contracts associated with the acquisition of Entel Perú in 2013.

23. Impairment Loss (Reversals), Net

At December 31, 2015 and 2014, impairment affecting profit or loss are the following:

	01.01.2016 12.31.2016 ThCh\$	01.01.2015 12.31.2015 ThCh\$
Impairment loss, property, plant and equipment *	10,801,099	2,116,021
Impairment loss (reversals), trade receivables**	48,100,143	51,680,056
Total impairment loss	58,901,242	53,796,077

*Ver nota 14.

**Ver nota 8 d).

24. Other Expenses

At December 31, 2016 and 2015, other expenses is as follows:

	01.01.2016 12.31.2016 ThCh\$	01.01.2015 12.31.2015 ThCh\$
Access charges and profit share to correspondents	(153,360,750)	(136,635,924)
Outsourcing y Materiales	(53,447,214)	(51,926,456)
Publicidad, Comisiones y Gastos de Venta	(537,124,942)	(540,463,271)
Lease and maintenance	(225,969,293)	(227,620,172)
Share to other service operators	(42,488,259)	(34,908,462)
Professional and consulting services	(51,774,825)	(53,114,274)
Energy and other consumptions	(34,435,168)	(31,142,895)
Other	(70,214,411)	(61,781,430)
Total other expenses	(1,168,814,862)	(1,137,592,884)

25. Finance Income And Finance Costs

At December 31, 2016 and 2015, finance income and finance costs are as follows:

	01.01.2016 12.31.2016 ThCh\$	01.01.2015 12.31.2015 ThCh\$
Interest on time deposits - Assets at amortized cost	3,457,014	6,676,546
Interest on finance lease granted	144,831	203,700
Derivatives, interest rate component - Interest rates swap	2,351,075	2,837,338
Derivatives, fair value adjustment - Interest rates swap	-	2,466,281
Total finance income	5,952,920	12,183,865
Interest expenses, loans - liabilities at amortized cost	(4,238,159)	(3,241,026)
Interest expenses, bonds - liabilities at amortized cost	(59,449,811)	(56,829,902)
Amortization of expenses for loan agreements	(2,540,644)	(2,329,559)
Exchange and interest rate hedges (CCS)	(2,540,580)	(3,406,851)
Derivatives, fair value adjustment - Interest rates swap	(6,270,106)	-
Interest expenses on finance leases	(263,035)	(353,648)
Interest expenses on post-employment benefits	(606,768)	(486,425)
Interest expenses, Other	(2,852,198)	(1,629,923)
Other finance costs	(3,460,662)	(2,700,992)
Total finance costs	(82,221,963)	(70,978,326)
Total finance costs, Net	(76,269,043)	(58,794,461)
The net finance cost includes the following interest in relation to assets and liabilities not measured at fair value through profit or loss:		
Total Income from Interest on Financial Assets	3,601,845	6,880,246
Total Costs from Interest on Financial Liabilities	(73,411,277)	(67,571,475)

26. Assets And Liabilities In Foreign Currency

Assets and liabilities in foreign currency are as follows:

Assets	Currency	12.31.2016 ThCh\$	Balances not discounted based on maturity		
			1 - 90 days	91 days - 1 year	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	Dolares	300,826	-	300,826	-
	PEN	6,742,196	6,526,029	216,167	-
	US\$	25,018,882	25,018,882	-	-
Current trade and other receivables	PEN	35,466,598	34,847,630	618,968	-
	Euro	267,450	267,450	-	-
	PEN	37,344,127	37,344,127	-	-
Inventories	PEN	37,344,127	37,344,127	-	-
Inventories	PEN	37,344,127	37,344,127	-	-
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			

Assets	Currency	12.31.2015 ThCh\$	Balances not discounted based on maturity			
			1 - 90 days	91 days - 1 year	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 financial liabilities						
	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				

Assets	Currency	12.31.2015 ThCh\$	Balances not discounted based on maturity		
			1 - 90 days	91 days - 1 year	more than 5 years
Cash and cash equivalents	US\$	15,922,624	15,922,624	-	-
	PEN	3,634,087	3,634,087	-	-
	Euro	12,965	12,965	-	-
Other current financial assets	US\$	454,335,057	152,284,344	302,050,713	-
	Euro	2,401,291	2,401,291	-	-
	US\$	291,689	-	291,689	-
Other current non-financial assets	PEN	5,308,567	5,109,489	199,078	-
	US\$	19,200,578	19,200,578	-	-
	PEN	28,755,345	28,634,047	121,298	-
Inventories	Euro	54,065	54,065	-	-
	PEN	37,315,865	37,315,865	-	-
	PEN	95,175,571	1,459,426	93,716,145	-
Current tax assets	US\$	1,136,256,000	-	-	1,136,256,000
Other non-current financial assets	US\$	115,787,106	-	-	115,787,106
Intangible assets	PEN	422,192,007	-	-	422,192,007
Property, plant and equipment	PEN	212,297,748	-	-	212,297,748
Total Assets in Foreign Currency		2,548,940,565			
	Dolares	1,626,005,948			
	Nuevo Sol	920,466,296			
	Euro	2,468,321			

Liabilities	Currency	12.31.2015 ThCh\$	Balances not discounted based on maturity			
			1 - 90 days	91 days - 1 year	1- 3 years	more than 5 years
Other current financial liabilities	US\$	17,233,119	17,233,119	-	-	-
	US\$	143,375,564	143,375,564	-	-	-
	Euro	2,582,616	2,582,616	-	-	-
Trade and other payables	PEN	88,771,369	84,098,560	4,672,809	-	-
	US\$	16,632	16,632	-	-	-
	PEN	10,374,923	10,374,923	-	-	-
Other current financial liabilities	US\$	1,472,366,521	-	-	209,246,100	1,263,120,421
Other non-current financial liabilities	PEN	18,875,426	-	-	-	18,875,426
Non-current provisions	PEN	11,364,195	-	-	-	11,364,195
Deferred tax liabilities	PEN	321,783	-	-	-	321,783
Total Liabilities in Foreign Currency		1,765,282,148				
	US\$	1,632,991,836				
	PEN	129,707,696				
	Euro	2,582,616				

At December 2016 and 2015, the Group companies maintained derivatives to hedge against exchange rate fluctuations (foreign currency forwards) and swaps to hedge debt in U.S. dollars related to obligations in UF (Cross Currency Swap - CCS). The tables above include only the foreign currency component in these contracts.

27. Foreign Currency Translation and Results From Inflation-Adjusted Units

At December 31, 2016 and 2015, this item is as follows:

	01.01.2016 12.31.2016 ThCh\$	01.01.2015 12.31.2015 ThCh\$
Other assets	(3,356,353)	7,163,768
Trade and other payables	2,684,785	(20,196,109)
Obligations with the public - bonds payable	73,242,000	(186,102,000)
Interest-bearing borrowings	12,297,048	(31,062,000)
Derivative instruments, closing exchange rate effect (FW)	(19,188,456)	68,659,334
Derivative instruments, closing exchange rate effect (CCS)	(65,104,000)	162,520,750
Derivative instruments, closing exchange rate effect (Call)	-	(53,090)
Derivative instruments, fair value effect (FW)	(16,437,855)	(14,131,291)
Derivative instruments, fair value effect (CCS)	-	(22,774)
Other liabilities	(188,548)	277,573
Total foreign currency translation differences	(16,051,379)	(12,945,839)
Results from inflation-adjusted units		
Other assets	816,212	974,555
Derivative instruments - closing exchange rate effect (CCS)	(11,774,058)	(16,233,599)
Obligations with the public - bonds payable	(4,983,918)	(7,013,930)
Other liabilities	6,929	(712,898)
Total result from inflation-adjusted units	(15,934,835)	(22,985,872)

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.

	01.01.2016 12.31.2016 ThCh\$	01.01.2015 12.31.2015 ThCh\$
Property lease expenses	74,205,631	71,829,978

In addition, this caption includes expenses related to telecommunication signal transmission, data and other, which amounts amounted to ThCh\$59,829,645 and ThCh\$55,010,477 during 2016 and 2015, respectively.

Future commitments are as follows:

	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Lease of property		
Up to one year	59,790,755	75,368,040
From one to five years	128,674,468	161,745,533
Satellite segment, data, submarine cables and other		
Up to one year	64,526,857	57,966,587
From one to five years	153,734,437	125,227,423

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 commitments	12.31.2016 ThCh\$	12.31.2015 ThCh\$
Up to one year	15,958,546	12,913,572
From one to five years	32,073,337	26,303,718
	01.01.2016 12.31.2016 ThCh\$	01.01.2015 12.31.2015 ThCh\$
Lease payments recognized in profit or loss	11,790,505	12,553,088

At December 31, 2016, 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 are related to separate operating functions for each market segment regarding product development and innovation, prices, marketing, sales and client service. In addition, each segment's requirements over the common technical and shared services infrastructure is also taken into account.

Each segment 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.

Operating segment information (unaudited) for the years ended December 31, 2016 and 2015, is as follows:

Profit or loss, assets and liabilities as of 12.31.16, ThCh\$	Segment					Unallocated	Withdrawals	Total Group
	Consumer	SMEs	Corporations	M Serv. Peru	Other			
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 revenue (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 income (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 income (EBIT)	155,160,982	58,045,321	27,069,105	(165,830,737)	39,915,510		35,140	114,395,321
Interest revenue				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 differences and result from inflation-indexed units				(2,211,197)		(29,739,877)	(35,140)	(31,986,214)
Income tax income (expense)				52,884,551		(24,866,515)	-	28,018,036
Total gain (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 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 used in operating activities				(185,717,763)		536,034,819	-	350,317,056
Cash flows used in investment activities				(321,534,569)		(821,462,771)	500,404,596	(642,592,744)
Cash flows used in financing activities				500,404,596		269,021,450	(500,404,596)	269,021,450

Profit or loss, assets and liabilities as of 12.31.15, ThCh\$	Segment					Unallocated	Withdrawals	Total Group
	Consumer	SMEs	Corporations	M Serv. Peru	Other			
Revenue	906,619,375	307,623,228	220,809,189	245,329,152	550,595,881	-	(446,364,162)	1,784,612,663
Other significant revenue (expense) items	(614,308,901)	(199,409,004)	(150,583,518)	(414,388,789)	(495,183,911)	-	445,846,753	(1,428,027,370)
Reportable segment income (loss) (EBITDA)	292,310,474	108,214,224	70,225,671	(169,059,637)	55,411,970		(517,409)	356,585,293
Depreciation, amortization and impairment	(121,546,592)	(52,302,931)	(57,866,465)	(30,507,005)	(14,071,326)	-	552,825	(275,741,494)
Reportable segment operating income (EBIT)	170,763,882	55,911,293	12,359,206	(199,566,642)	41,340,644		35,416	80,843,799
Interest revenue				38,172		32,037,394	(19,891,701)	12,183,865
Interest expenses				(20,307,103)		(70,562,924)	19,891,701	(70,978,326)
Foreign currency translation differences and result from inflation-indexed units				(3,744,908)		(32,151,387)	(35,416)	(35,931,711)
Income tax income (expense)				60,424,143		(47,643,767)	-	12,780,376
Total gain (loss)	170,763,882	55,911,293	12,359,206	(163,156,338)	41,340,644	(118,320,684)	-	(1,101,997)
Assets				910,727,105		2,745,863,594	(393,637,383)	3,262,953,316
Increase in current assets	11,436,104	34,308,311	30,349,660	157,026,500	8,797,001	198,261,631		440,179,207
Liabilities				631,335,360		2,069,908,459	(393,637,383)	2,307,606,436
Equity								955,346,880
Liabilities and equity								3,262,953,316
Impairment losses recognized in profit or loss	33,037,522	9,266,271	3,717,698	7,977,382	(202,796)	-	-	53,796,077
Cash flows used in operating activities				(145,916,058)		453,554,812	-	307,638,754
Cash flows used in investment activities				(217,525,446)		(675,011,406)	370,748,170	(521,788,682)
Cash flows used in financing activities				370,748,170		(34,239,780)	(370,748,170)	(34,239,780)

No operations have been discontinued during the periods 2016 and 2015.

The reportable segment "Consumer" relates to natural persons who are the final users of the services and equipment provided.

The reportable segment "Small and Medium Enterprises" generally relates to legal entities in which the goods and services acquired are used in productive processes or traded.

The reportable segment "Corporations" has characteristics similar to those of Small and Medium Enterprises but relates to larger companies, government entities, banks and all kind of large companies.

The reportable segment "Mobile Services Peru" relates to services provided by the subsidiary Entel Perú S.A.

The reportable segment "Other Business" relates mainly to network infrastructure services provided to other domestic as well as foreign telecommunication services providers.

This segment also includes the operations of subsidiaries providing call center services both in Chile and abroad as well as the Group's operations in Peru, which include the provision of corporation services, long distance and traffic services provided by Americatel Peru.

Foreign operations conducted by the Group's subsidiaries in Peru generated revenue for ThCh\$378,219,070 and ThCh\$268,609,115 and during the years 2016 and 2015, which are equivalent to 20.2% and 15.1% 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 conducted mainly in Chile. Businesses abroad are carried out by two subsidiaries operating in Peru which provide fixed network and call center services. From September 2013, Entel Perú 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 magnetic charge of prepaid mobile telephone services.

30. Capital Management

Capital needs required to fund investments are satisfied using own resources arising from the issue of shares and the withholding of benefits as well as resources arising from long-term borrowings with third parties. Note that the capital increase process ended in August 2016, where MCh\$353,703 were collected without discounting placement expenses, obtaining 100% of the share placement offered to shareholders.

According to the established policies, the level of indebtedness can reach a maximum of the greater of the following ratios: i) (Financial Debt - Net)/Equity plus non-controlling interests, ratio equal to 1.7 times, or ii) (Financial Debt - Net)/EBITDA (See Note 29) 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 28, 2016.

Per the financial statements as of December 31, 2016, amounts obtained from financing are represented by accumulated equity of ThCh\$1,261,872,741 and current and non-current liabilities of ThCh\$1,601,778,059.

The aforementioned liabilities include negative balances of ThCh\$7,769,293 in relation to the valuation of derivatives. Positive balances presented have not been deducted.

At December 31, 2016, the Group's total debt (financial and non-financial) amounts to ThCh\$2,218,566,793 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 restrictions over management and limits for financial ratios. These include the debt may not to exceed the Net Financial debt/EBITDA ratio of 4.25 times for international bank borrowing and 4.0 times for the local bond, and the Net Financial expenses /EBITDA 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 of failure to comply with any of the restrictions and limits imposed, creditors may demand repayment of all outstanding debts, without the possibility of appeal, legal action or challenge by the debtor.

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. In line with this, new technology implementation and development has allowed the Group growth and diversification reducing its exposure to risks posed by individual services.

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 a public purpose. However, we believe that the wellbeing of consumers and public interest require stable standards and criteria allowing properly evaluating projects proposed by the Company and reducing its investment risks. Having 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 study 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

Particularly, with respect to Number Portability, the authorities established a schedule for the implementation of the geographical portability of local lines, including the concessionaires of rural telephony and concessionaires of VoIP telephony. This process was completed in September 2016, with the implementation of the Total Portability, in which a customer will be able to port his/her number to a landline or mobile service provider interchangeably; i.e., the nature of the service (landline or mobile) will depend of the network to which the customer will port to, which requires that both networks have the same numbering format for customers. This explains the rationale of the change implemented in February 2015 related to the dialing and user number.

Also in respect to the portability, it has been performed through the Representative Committee for the Number Portability, a Bidding Process of the Portability Administrator Organization (OAP) for a new period beginning in 2016. The Bidding was awarded to the company Telcordia (the same company providing this service to the industry). As a result, this company will be the portability administrator for two consecutive periods: 2011-2021. The second period of operation was implemented in the industry without any issues on August 5, 2016.

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 September 2015 it was published the Decree granting the concession to our concessionaire Will S.A. This activates the execution commitments for the deployment of this frequency (term 2 years), as well as the obligations committed; i.e., provide telephone service and data transmission to 549 locations, 373 kilometers of roads, as well as internet access to 212 Schools (free for 2 years), as also make 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 should be completed within a period of maximum 18 months.

Accordingly, our concessionaires have complied with the obligation to present the Public Offerings required by the bidding terms. Also, such concessionaries are currently deploying, jointly with the Undersecretariat of Telecommunications, the Roaming and Data Transmission services in the awarded locations and roads. In relation to the internet access to 212 schools required by the bidding, the process is also being deployed. In relation to these obligations, during the first three weeks of January, the last requests for construction project acceptance will be provided to the Undersecretariat. With this, the only remaining process is the administrative authorization by the authority, to provide the final acceptance of our work.

This radio frequency, as explained by several experts, is relevant to the supply of telecommunication services, especially high speed data transfer services (LTE), as it allows complementing the supply of LTE or 4G services with a band with greater indoor penetration and better rural coverage, additionally, it allows the provision of the Carrier Aggregation service using the 2600MHz band. This technology is already been provided to our customers starting from May 2016 in the Metropolitan Region. In subsequent months of 2016, this service was deployed in the 1st, 2nd, 5th, 6th, and 8th regions of Chile. All this, as well as the development of the infrastructure in other regions of Chile for the 700 MHz band has allowed us increasing the offer and speed of the data service for our customers.

In another area, the TDLC rejected the demand 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 hoarding the spectrum and endangered its effective and efficient use. It was also stated that the defendants, considered as individual entities, have a dominant position in the upstream market (in which the access to mobile networks is commercialized), which can also be translated in a dominant position in the downstream market (retail commercialization of analog and digital mobile telecommunication services).

In addition, the Court determined that the sentence of the Supreme Court pronounced in relation to the Cause No. 4797-08 of January 27, 2009, and Resolution No.2/2005, did not set a general limit to the amount of radioelectric spectrum an economic agent may be allocated.

Also, after reviewing the Partial Transactions for the Right of Use of the Radioelectric Frequency Spectrum, the TDLC shares the need to allow these transactions and recommend the issuance of legal and regulatory standards that establish a regulatory framework applicable to transactions of the Radioelectric spectrum, which safeguards the efficient use of it and free competition. Also, considering the existence of a Draft Law that includes the main aspects (bulletin 9451-15 presented to the Parliament), the TDLC decided to inform the Ministry of Transport and Telecommunications its opinion on the requirement to modify the regulation. This last Draft Bill, is being studied by the Congress Commission. Our concessionaire has presented its opinion, which will allow creating a secondary market for this good.

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.

Other matter under review by the FNE is the complaint filed by WOM in September 7 against Claro, Movistar and Entel. Although this complaint is private, according to the information published in the press, it established that the mentioned companies would have an

anticompetitive conduct related to the commercialization of handsets used for mobile telephony, as some of them would be unable to access the AWS band (used by WOM).

After the complaint was filed, the FNE began a review process prior to the investigation, in order to review the admissibility of the complaint, process which may extend for at least 4 months according to the terms provided by the FNE. This complaint is currently under review by the FNE and therefore, we have been asked to provide information for analysis.

In other matter, in June, 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 starting from 270 days after the publication of such standards. The first standard requires that the handsets commercialized from this date (March 2017) 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. Therefore, for a handset to be sold in Chile, it must include all the frequency bands of at least one of the existing technologies ((2G: 850/900/1900; 3G: 850/900/ AWS/1900; y 4G: 700/AWS/2600). Secondly, this same regulation establishes the creation of a database to register the IMEI of each handset, and the concessionaires would only be allowed to enable in the network those IMEI codes registered in the mentioned database.

In addition, the second standard 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 perform by the certifiers.

Both standards will impact the offer of handsets in Chile, demanding new requirements to concessionaires, manufacturers, importers and natural persons.

In this matter, the concessionaires are working to comply with the regulatory obligations of this standard, through the involvement in work meetings, some of them with the authorities, in order to correctly implement and interpret the standard. However, as of to date there have been difficulties in the implementation of the regulations, either due to the delay in the authorizations granted by Subtel to the certifiers, or to the implementation of a single location to perform the SAE system tests. Notwithstanding the foregoing, work meetings are still held with the authority in order to comply with the labelling standard and SAE system, to request the delay until the second half of 2017 for the compulsory implementation of the IMEI database. This request is pending resolution.

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 owners 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.

Moreover, with respect to Telecommunications legislation, the draft bills that are outstanding, currently in parliamentary debate are the draft bill creating the Superintendence of Telecommunications, which regulates the minimum guaranteed internet speed, draft bill that implements the Local Automatic Roaming during emergency situations, and the draft bill that stops emergency calls, for the purpose of an adequate use of the service, avoiding irrelevant (or prank calls). From the mentioned projects, the last three show a higher legislative

activity, but they are still under parliamentary processing by different commissions of the Senate. A little more advanced is the draft bill which regulates internet access speeds, which is in the third legislative discussion after the senate rejected the amendments made by the parliament. However, none of the projects has been completely reviewed, generating they are not yet passed as laws.

Finally, in relation to legislation, the discussion of two projects presented by the parliament has started, which are intended to regulate the installation of telecommunication towers, setting new requirements or obligations. On the one hand, the initiative by the Environmental Commission encourages that this type of infrastructure is subject to Environmental Impact Study, and on the other hand, the initiative by the Commission of Housing and Urbanism, which purpose is to regulate the installation from a point of view of works and community adjacent the infrastructure.

Additionally, during the third quarter of 2014 the discussion of a draft bill began, which reformulates the Consumer Rights Law (SERNAC), to strengthen the activity of the agency and provide new powers. This project has made rapid progress, mainly driven by the Government, and our dealers through the trade association for mobile operators have submitted their comments for the bill, both in the parliament and in the senate.

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\$2,100 million which are detailed in Note 15 to these financial statements. In addition, part of Entel Group's suppliers, permanently generate obligations in foreign currency. Both represent liabilities which 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 Central Bank 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.

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.

32. Contingencies, Litigation and Covenants

Contingencies related to direct commitments maintained by Group companies at December 31, 2016 and 2015, are as follows:

- a. Contingencies related direct commitments for foreign purchase orders of ThCh\$36,455,495 and ThCh\$2,870,910, 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, 2600 MHz frequencies, and the replacement of public use assets for the construction and maintenance of networks. At each period, these certificates amounted to ThCh\$124,498,995 and ThCh\$121,029,744, respectively.
- c. At December 31, 2016, 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: Final sentence dated September 4 2015, which rejects the demand against Entel. S.A. and Entel Telefónica Local on April 7, 2016. On June 30, 2016, an appeal was filed at the Supreme Court by the plaintiff, against the definitive sentence.

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 of damages.

Plaintiff: Carlos Motta Pouchucq

Request: Compensation of Ch\$500 million.

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.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

Plug & Play Net S.A. vs. Entel S.A.

Court: Arbitral Court.

Notification: November 20, 2013

Matter: Arbitrage. Claim for compensation of damages.

Request: Claim for compensation of damages of Ch\$4,000,000,000.

Cause of action: Alleged non-compliance with contract of private telecommunication services.

Current procedural stage: Evidentiary stage ended April 10, 2015. On November 11, 2015, an extraordinary conciliation hearing was performed. In November 24, Entel filed a document with observations to the evidence. Pending 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.

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 demands have infringed DL 211, (iii) that demands 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: Agreed at the Defense of Free Competition Court.

Possible contingency: None, 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 violated Article 3 of DL 211; (ii) That the involvement of the defendants in the bidding process for the 700MHz frequency and all acts related to such process is ended; (iii) That, in relation to the above, the defendants no longer use such frequency they took illegally, until they adjust to the 60Mhz limit or what the Court order in an adversarial process; (iv) they stop the behavior they are accused of; and (v) the a fine is set for government benefit of 20,000 UTA each.

Cause of action: Violation of DL 211.

Current procedural stage: The Defense of Free Competition Court rejected the demand. Pending appeal.

Possible contingency: None, 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.

Plaintiff: Netline Mobile S.A.

Request: Payment of Ch\$59,112,106,116.

Cause of action: Compensation for damage resulting from violation of free competition.

Current procedural stage: First instance sentence rejected the demand. Pending appeal.

Probable outcome: 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: Pending resolution to reset evidentiary stage.

Probable outcome: 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) acknowledgment that demands have infringed Art.31 of DL 211, (iii) abstention from continue performing such illegal behavior (iv) imposition of a fine of 20,000UTA to the defendants; and (v) application of Art.26 of DL 211.

Cause of action: Infraction to DL 211.

Current procedural stage: Pending resolution of evidentiary stage.

Possible contingency: None, it is considered likely that the case will be rejected based on poor legal grounds.

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: Evidentiary stage completed.

For resolution dated October 18, the observations to the evidence presented by Entel S.A. are transferred, suspending the hearing until such issue is solved. In December 29, the court ruled the suspension of all the process on the face of the inconsistencies between the information gathered and that presented in the demand.

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: Ordinary Trial. Claim for compensation of damages

Defendant: Entel PCS S.A.

Request: Compensation of Ch\$250 million.

Cause of action: Compensation for damage.

Current procedural stage: Notice of demand. On November 2, 2015, the Court ruled that all evidence should return to the Judicial Archives.

Probable outcome: 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.

Cause No.: 15313-2015

Notification: November 25, 2015

Matter: Preparation for collection of invoice.

Defendant: Entel PCS Telecomunicaciones 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.

Probable outcome: 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: End of evidentiary stage.

On August 16, 2016, the conciliation hearing was held, without reaching agreement. On September 26, 2016, both parties are notified that the case enters in the evidentiary stage. In December 16, and considering the answer, the appeals for reversal filed by each party are resolved.

Probable outcome: It is considered likely that the case will be rejected based on poor legal grounds.

Parra vs. Construcciones

Court: First Labor Court of Santiago.

Internal court No.: O-7118-2016

Notification: December 29, 2016

Matter: Work accident.

Request: Ch\$191,077,484

Cause of action: Work accident

Current procedural stage: Answer to demand.

On December 29, Entel was notified, scheduling a preparatory hearing for January 31, 2017.

Probable outcome: 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. 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\$1,1443,671, 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 Tribunal 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. As a result, an interlocutory appeal is filed in due time and form with supplementary appeal in order to revert the Court's sentence.

2) Settlements 4 and 5 dated April 25, 2007. These settlements request refunds of ThCh\$2,641,281 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 filed against such settlements at the Tax Tribunal of the Chilean Internal Revenue Service on July 11, 2007.

On December 27, 2016, the Court issued sentence of first instance, 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.

3) Settlements 3, 4 and 5 dated April 24, 2005. These settlements request refunds of ThCh\$2,267,037 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 settlements, the Company requested the review of the tax audit (RAF) on July 9, 2008. Such request was solved on May 11, 2009 through Resolution 22-09, which partially accepted the RAF. Therefore, subsequently, a tax claim was filed against such settlements at the Tax Tribunal of the Chilean Internal Revenue Service on July 11, 2007.

On December 27, 2016, the Court issued sentence of first instance, 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.

4) Settlements 33-36, September 1, 2009. These settlements request refunds and tax payments 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. An appeal was made against this resolution in the tax courts.

On December 22, 2016, the Court issued sentence of first instance, which accepted part of the tax claim filed. As a result, on January 9, 2017, an interlocutory appeal is filed with supplementary appeal in order to revert the part not accepted in the first sentence.

5) On April 30, 2008, the subsidiary Call Center S.A. was notified by the Chilean Internal Revenue Service about Subpoena No.26, dated 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.

Against such settlements, 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 the tax settlement and determining a lower tax loss. A tax claim was filed against such settlements at the Tax Tribunal of the Chilean Internal Revenue Service.

Issued sentence of first instance on December 22, 2016, by which the claim was rejected. As a result, on January 9, 2017, an interlocutory appeal is filed with supplementary appeal in order to revert the part not accepted in the first sentence.

In relation to the previously discussed cases, we should state that although first instance sentences already exist in relation to the tax claims filed at the Tax Court, we estimate that we have solid legal grounds that will allow us overturning the court sentences above, especially, in relation to the most significant items of the lawsuits in relation to amounts requested.

» The subsidiary Entel Contac 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.

6) On January 9, 2015, the subsidiary Entel PCS Telecomunicaciones was noticed by the Chilean Internal Revenue Service of settlements 1, 2, 3, 4 and 5, by virtue of which tax differences amounting to ThCh\$3,941,455 were determined. The SII determined that 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 settlements at the Third Tax and Customs Tribunal of the Metropolitan Area, explaining the full application of the agreement of settled remittances. Currently, the process is expected for the evidentiary stage.

e. There are restrictions to management and financial relationships measured on the Quarterly Financial Statements, imposed by the loan contract and credit contracts both in the local and international market.

The most significant refer to the following:

1. Financial indicators

Both for local bonds and international credits, the indebtedness ratio could not exceed a Net Financial Debt / EBITDA relation. For the local bond is 4.0:1 and for the bank loan is 4.6:1 during 2015, decreasing to 4.0:1 in 2017 and after. For such effects, the calculation of both ratios considers, the Financial Debt less other financial assets and cash and cash equivalents.

Also, the hedge ratio for net financial interest, EBITDA / net financial expense, should present a relationship not lower than 2.5:1, for both.

For both indicators, the EBITDA and net financial expenses, are calculated for the 12 months prior to each quarterly closing.

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.

At December 31, 2016, the results of the monitoring for the quantitative covenants are as follows:

Indebtedness ratio (Net financial Debt/EBITDA). The ratio is 3.23:1 compared to the maximum permitted level of 4.25:1, for international bank loan, and 4.0:1 for local bond.

Ratio for coverage of consolidated interest (EBITDA / Financial Expenses). The ratio is 6.05:1, compared to the minimum permitted level 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.** Sales 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

Allow 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, creditors can demand payment of all indebted amounts, without any right to appeal, legal action or challenge by the debtor.

f. Contingency for possible expenditure resulting from amendments to the Urban Development Act, which establishes regulations for the installation of antennas (the Antennas Act), as discussed under regulatory risks in note 31.

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 the consolidated financial statements herein, the Group companies have not conducted any research and 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 and managers have not been subject to sanctions of any nature by the Chilean Securities and Insurance Commission or any other regulatory authorities.

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	12.31.2016				12.31.2016		
	Assets		Liabilities		Revenue	Profit (Loss)	Comprehensive Income
	Assets	Non-current	Assets	Non-current			
Entel PCS Telecomunicaciones 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)	(28,211)
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)

Company	12.31.2015				12.31.2015		
	Assets		Liabilities		Revenue	Profit (Loss)	Comprehensive Income
	Assets	Non-current	Assets	Non-current			
Entel PCS Telecomunicaciones S.A.	261,787,157	812,149,726	281,409,445	314,697,443	1,296,377,809	146,556,793	146,556,793
Entel Comercial S.A.	11,529,724	166,180	8,108,851	-	756,537	378,345	378,345
Entel Inversiones S.A.	7,073	23,852,446	784,466	-	-	(5,306,286)	(6,419,559)
Entel Servicios Telefónicos S.A.	245,335	1,742,833	213,993	944	750,071	559,180	559,180
Entel Call Center S.A.	6,951,868	25,509,835	2,417,337	20,045,225	21,141,582	1,492,615	1,570,760
Entel Telefonía Local S.A.	43,989,993	26,606,863	18,668,645	-	98,949,478	32,906,615	32,906,615
Micarrier Telecomunicaciones S.A.	306,082	2,426,187	217,319	-	78,967	174,477	174,477
Entel Contact Center S.A.	1,874,620	6,510,684	854,198	-	8,407,592	737,701	737,701
Entel Servicios Empresariales S.A.	3,649,760	137,748	1,484,469	236,778	6,563,220	939,913	939,913
Soc.de Telecomunicaciones Instabeep Ltda.	4,104	1	1,268	821,924	-	(34,548)	(34,548)
Transam Comunicaciones S.A.	3,691,135	15,932,820	6,661,122	2,925	84,014,889	17,330,430	17,330,430
Will S.A.	882,902	10,654,444	549,362	15,832,668	27,949,952	(3,713,690)	(3,713,690)
Americatel Perú S.A.	8,126,625	24,457,988	8,158,766	7,400,340	29,376,300	426,870	426,870
Servicios del Call Center del Perú S.A.	5,988,858	3,747,068	2,904,449	3,504,033	18,920,360	829,370	829,370
Entel Perú S.A. (Ex Nextel Perú S.A.)	187,143,334	723,583,772	212,788,008	418,547,353	240,114,213	(163,516,338)	(204,851,444)
Entel Internacional B.V.I Corp.	28,553	282,833	-	-	-	42,883	42,883

b. Balances due to and from the parent:

CUENTAS POR COBRAR A SUBSIDIARIAS

Tax ID Number	Company	Country	Currency	Current		Non-current	
				12.31.2016 ThCh\$	12.31.2015 ThCh\$	12.31.2016 ThCh\$	12.31.2015 ThCh\$
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Chile	CLP	13,121,206	12,772,409	313,048,553	296,842,794
96.554.040-7	Entel Servicios Telefónicos S.A.	Chile	CLP	16,369	-	-	-
96.563.570-K	Entel Call Center S.A.	Chile	CLP	26,436	24,392	13,393,810	14,872,354
96.548.490-6	Micarrier Telecomunicaciones S.A.	Chile	CLP	-	1,777	-	-
79.637.040-8	Instabeep Ltda.	Chile	CLP	-	-	848,994	821,924
96.652.650-5	Transam Comunicación S.A.	Chile	CLP	367,656	367,693	8,698,794	-
96.672.640-7	Entel Servicios Empresariales S.A.	Chile	CLP	-	-	-	236,778
96.833.480-8	Will S.A.	Chile	CLP	470	457	8,698,794	15,832,668
0-E	Entel Perú S.A.	Perú	USD	116,110	-	751,002,900	388,788,525
0-E	Americatel Perú S.A.	Perú	USD	418,742	703,528	6,305,463	6,290,202
0-E	Servicios de Call Center del Perú S.A.	Perú	USD	23,840	14,663	3,303,426	3,504,109
Total				14,090,829	13,884,919	1,105,300,734	727,189,354

CUENTAS POR PAGAR A SUBSIDIARIAS

Tax ID Number	Company	Country	Currency	Current		Non-current	
				12.31.2016 ThCh\$	12.31.2015 ThCh\$	12.31.2016 ThCh\$	12.31.2015 ThCh\$
96.561.790-6	Entel Inversiones S.A.	Chile	CLP	-	-	171,360	4,063,064
96.554.040-7	Entel Servicios Telefónicos S.A.	Chile	CLP	89,118	61,347	1,740,538	1,740,270
96.563.570-K	Entel Call Center S.A.	Chile	CLP	1,543,063	1,663,794	-	-
96.548.490-6	Micarrier Telecomunicaciones S.A.	Chile	CLP	260,440	260,440	2,464,481	2,234,570
96.697.410-9	Entel Telefonía Local S.A.	Chile	CLP	-	-	17,883,332	29,449,638
96.553.830-5	Entel Contact Center S.A.	Chile	CLP	184,394	102,212	891,234	719,251
96.652.650-5	Transam Comunicación S.A.	Chile	CLP	-	-	38,946,228	19,381,757
96.672.640-7	Entel Servicios Empresariales S.A.	Chile	CLP	824,044	3,638,563	3,394,137	-
0-E	Entel Perú S.A.	Perú	USD	112,666	-	-	-
0-E	Americatel Perú S.A.	Perú	USD	180,667	230,428	-	-
0-E	Entel B.V.I Corp.	Islas Virg. Bri	USD	-	-	264,452	280,525
Total				3,194,392	5,956,784	65,755,762	57,869,075

c. Transactions between the parent and subsidiaries:

Tax ID Number	Company	Transaction	12.31.2016		12.31.2015	
			Amount ThCh\$	Credit (debit) to profit or loss	Amount ThCh\$	Credit (debit) to profit or loss
96.806.980-2	Entel PCS Telecommunicaciones S.A.	Services provided	132,267,414	132,267,414	126,731,400	126,731,400
96.806.980-2	Entel PCS Telecommunicaciones S.A.	Services received	7,796,998	(7,796,998)	7,627,250	(7,627,250)
96.806.980-2	Entel PCS Telecommunicaciones S.A.	Loans granted	7,860,185	-	-	-
96.806.980-2	Entel PCS Telecommunicaciones S.A.	Loans received	-	-	24,799,921	-
96.561.790-6	Entel Inversiones S.A.	Loans granted	3,975,163	-	691,734	-
96.554.040-7	Entel Servicios Telefónicos S.A.	Services provided	166,118	166,118	70,040	70,040
96.554.040-7	Entel Servicios Telefónicos S.A.	Services received	654,245	(654,245)	648,344	(648,344)
96.554.040-7	Entel Servicios Telefónicos S.A.	Loans received	11,671	-	723,313	-
96.563.570-K	Entel Call Center S.A.	Services provided	264,056	264,056	228,348	228,348
96.563.570-K	Entel Call Center S.A.	Services received	7,585,773	(7,585,773)	7,496,990	(7,496,990)
96.563.570-K	Entel Call Center S.A.	Loans granted	-	-	1,381,267	-
96.563.570-K	Entel Call Center S.A.	Loans received	1,442,878	-	-	-
96.697.410-9	Entel Telefonía Local S.A.	Services provided	21,640,256	21,640,256	20,734,276	20,734,276
96.697.410-9	Entel Telefonía Local S.A.	Services received	1,548,967	(1,548,967)	1,951,723	(1,951,723)
96.697.410-9	Entel Telefonía Local S.A.	Loans received	-	-	16,617,329	-
96.697.410-9	Entel Telefonía Local S.A.	Loans granted	11,566,306	-	-	-
96.548.490-6	Micarrier Telecommunicaciones S.A.	Services provided	-	-	24,026	24,026
96.548.490-6	Micarrier Telecommunicaciones S.A.	Loans received	156,300	-	64,964	-
96.548.490-6	Micarrier Telecommunicaciones S.A.	Loans granted	-	-	-	-
96.553.830-5	Entel Contact Center S.A.	Services received	870,185	(870,185)	535,048	(535,048)
96.553.830-5	Entel Contact Center S.A.	Loans received	144,023	-	1,092,621	-
96.672.640-7	Entel Servicios Empresariales S.A.	Services provided	46,786	46,786	45,484	45,484
96.672.640-7	Entel Servicios Empresariales S.A.	Services received	7,379,923	(7,379,923)	6,563,220	(6,563,220)
96.672.640-7	Entel Servicios Empresariales S.A.	Loans received	-	-	2,459,463	-
96.672.640-7	Entel Servicios Empresariales S.A.	Loans granted	143,725	-	-	-
96.652.650-5	Transam Comunicación S.A.	Services provided	-	-	2,540	2,540
96.652.650-5	Transam Comunicación S.A.	Loans received	19,564,471	-	25,411,126	-
96.833.480-8	Will S.A.	Services provided	4,679	4,679	4,497	4,497
96.833.480-8	Will S.A.	Loans received	7,133,874	-	-	-
96.833.480-8	Will S.A.	Loans granted	-	-	10,455,713	-
0-E	Americatel Perú S.A.	Loans granted	481,617	-	1,203,506	-
0-E	Americatel Perú S.A.	Services provided	268,376	268,376	1,016,062	1,016,062
0-E	Americatel Perú S.A.	Services received	160,492	(160,492)	608,024	(608,024)
0-E	Servicios de Call Center del Perú S.A.	Loans granted	114,678	-	430,763	-
0-E	Servicios de Call Center del Perú S.A.	Services provided	189,667	189,667	185,769	185,769
0-E	Servicios de Call Center del Perú S.A.	Services received	-	-	101,163	(101,163)
0-E	Nextel Perú S.A.	Loans granted	517,772,446	-	379,196,088	-
0-E	Nextel Perú S.A.	Services provided	1,201,058	1,201,058	-	-
0-E	Nextel Perú S.A.	Services received	910,805	(910,805)	-	-

38. Subsequent Events

Between January 1, 2017 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 twelve months.

Information is not adjusted for changes in the purchasing power of the currency. In conformity with International Financial Reporting Standards (IFRS) as issued by the IASB, since 2008 the Company has not price-level adjusted its figures.

The consumer price index for the year ended December 31, 2016, has recorded the following variations: 2.6% for the twelve months of 2016; 29.7% from the date on which the application of price-level adjustment was discontinued.

	31.12.2016	31.12.2015
LIQUIDITY RATIOS		
Current liquidity (Current assets / Current liabilities)	1.33	1.19
Acid Ratio (Cash and Cash Equivalents/Current Liabilities)	0.19	0.23
INDEBTEDNESS RATIO		
Indebtedness ratio (%) (Total debt/Equity)	175.82	241.55
Short-term debt ratio (%) (Current Liabilities / Total debt)	25.97	25.35
Long-term debt ratio (%) (non-current liabilities / total debt)	74.03	74.65
Interest coverage (profit before tax and interest/financial costs)	1.07	0.80
PROFITABILITY		
Profit margin (Profit on revenue)	1.83	(0.06)
Return on Equity (%) (annualized) (profit for year over average equity)	3.08	(0.12)
Return on assets (%) (annualized) (Net income for year over average assets)	1.01	(0.03)
Earnings per share (annualized) (\$)	128.11	(4.66)
Dividend yield (%) (Dividend last twelve months / share quotation at year-end)	0.00	0.54
Book value per share (Equity / number of shares) (\$)	4,732.78	4,039.12
Market value (as quoted) (\$)	7,106.90	6,341.10

EBITDA (Earnings before income tax, interest, adjustments and exchange-rate fluctuations depreciations, amortizations and extraordinary items).

Results at EBITDA level increased from CLP 356,585 million to CLP 424,781 million compared with the same period in prior year. This represents growth of 19%. The increase can be explained by better margins from the Chilean business, which grew by 4%, along with lower losses from the Entel Perú subsidiary, showing a 28% increase in EBITDA.

In August the capital increase process for the company was completed, agreed upon at an extraordinary shareholders' meeting. 64,814,815 preferred shares were offered to shareholders at a value of \$ 5,400, achieving 100% placement. Meanwhile, of the shares intended for compensation plans, CLP 3,664 billion was raised. The capital increase amounted to a total of CLP 353,703 million without the deduction for placement expenses.

These funds will be used to finance the company's own businesses, both in Chile, but mainly those businesses being developed in its mobile subsidiary in Peru.

After launching the Entel Perú brand two years ago, the company continues to consolidate its position in that market. To this end high impact advertising campaigns aimed at enhancing the brand and the services offered have been developed. Efforts have concentrated on developing a business strategy to gain a significant position in the market, promoting the segmentation of corporate and individual customers, redesigning the commercial offer and customer service and expanding the distribution channels. Network capacity and coverage and 2G, 3G and 4G technologies have been expanded and strengthened significantly, 4G being the most extensive network of its kind in the Peruvian market. Expansion of the network has continued in the country's most important cities. Also, distribution channels for prepaid recharges have been increased, as has the range of business plans and handsets.

Evolution of Financial Ratios

In the periods being compared there has been a positive trend in terms of the financial indicators, with better margins and profits during the twelve months of this year. Debt ratios meanwhile have been lower for the last twelve months, affected mainly by the capital increase - finalized in August and amounting to 353.703 billion pesos - and to a lesser extent by the increase in profits.

Profit margin and return on equity and assets are up, due mainly to higher revenue and lower losses from Entel Perú, due to the strong expansion of its operations. Indeed, the subsidiary has developed significant investments and has enjoyed strong and sustained increases in the number of customers, along with the associated costs of capturing them. Additionally, the depreciation of the dollar against the peso over 2016 generated tax benefits due to the lower tax value of investments in Peru.

In a highly competitive environment with the entry to the market of new competitors and the start of the number portability system and the 16% reduction in mobile access rates in Chile in January 2015, and again by 18% in January 2016, the company has been able to maintain growth in post-paid mobile services who are higher value, as well as growth in data services and information technology,

provided over a fixed network and focusing on the business segments as well as on Entel Hogar (residential services) with its satellite TV, voice and mobile broadband services.

The debt ratio meanwhile went down from 242% to 176% over the year. This variation is the result of the combined effect of an increase in equity and a decrease in liabilities, where the latter were down by 89 billion pesos, or 4%, and also because assets were up 307 billion pesos, or 32% compared to the year before. The lower debt ratio is mainly due to the capital increase completed in August 2016.

The financial expenses coverage ratio remains at an appropriate solvency level at 1.07, compared to the previous year. This index improves taking into account the net financial cost, ie, offsetting financial revenue and expenses. Measured in this way, at the end of December 2016 it stood at 1.08.

Also, if the calculation is used for cash flows, taking into account income before depreciation, the ratio is 5.15.

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 increased from 119% to 133%. This is due to the combined effect of a net increase in current assets of CLP 74 billion and a net decrease in current liabilities of CLP 9 billion. The net increase in current assets is due mainly to an increase of CLP 98 billion in the current tax assets associated with the higher VAT tax credit resulting from the higher level of investments in the Peruvian operation and the increase in the provisional monthly payments to be recovered, an increase of CLP 22 billion in commercial accounts receivable, partially offset by the CLP 26 billion decrease in cash and cash equivalents, due to the increase of investments in fixed assets in Chile and Peru, as part of the company's expansion plan, and a decrease of CLP 19 billion in other current financial assets.

With regard to the acid ratio, ie the coverage of cash and cash equivalents over current liabilities, it was down from 23% to 19%. This is due a CLP 269 billion drop in cash and cash equivalents, combined with a proportional decrease in current liabilities of CLP 9 billion, as explained in the previous paragraph.

Analysis of Balance Sheet

	31-12-2016 million	31-12-2015 million	% Change
ASSETS			
Current Assets	767,898	694,263	11
Non-current Assets	2,712,541	2,568,690	6
TOTAL ASSETS	3,480,440	3,262,953	7

Regarding the Group's total assets, there was growth over the last twelve months of CLP 217,486 million, or 7%.

The main variations for 2016 in terms total assets were observed in the increase in Intangible Assets, due to the acquisition of the 700 MHz band through the Entel Perú subsidiary, for CLP 193,384 million (US \$ 290.2 billion), to provide 4G mobile services in Peru, as well as the CLP 44,000 million increase in net investment in property, plant and equipment, corresponding to the amount by which investments exceeded depreciation of the period, where gross investment was CLP 360,000 million.

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 fixed network platforms.

In turn the investment in mobile services was mainly on network infrastructure and the purchase of the 700MHz band to provide 4G mobile services in Peru.

Current inventories mainly relate 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.

In addition there was a CLP 98 billion increase in current tax assets, mainly associated with the higher VAT tax credit due to the higher level of investments in the Peruvian operation as well as the increase in monthly provisional payments to be recovered, an increase of CLP 51,000 million in Deferred Tax Assets, an increase of CLP 22,000 million in trade accounts receivable.

There was a CLP 26,000 million decrease in Cash and Cash Equivalents due to funding the Company's growth plan both in Chile and Peru, and a CLP 155 billion decrease in other current and non-current financial assets, due to the fall in the exchange rate for dollars/Chilean pesos, together with a decrease in the market values of the derivative financial instruments portfolio which are part of the company's hedging strategy and interest rate.

	31-12-2016 million	31-12-2015 million	% Change
LIABILITIES AND EQUITY			
Current Liabilities	576,051	585,028	-1.5
Non-Current Liabilities	1,642,515	1,722,578	-5
Equity	1,261,873	955,347	32
Attributable to the Owners of the Parent Company	1,261,873	955,347	
TOTAL LIABILITIES AND EQUITY	3,480,440	3,262,953	7

There was a CLP 89,000 million reduction in the Group's total liabilities.

The decrease in liabilities arises mainly from CLP 75,000 million of current and non-current financial liability, as a result of the decrease in the exchange rate over the period, practically offset however by the hedging instruments contracted over time, which are reflected in company assets. In addition, commercial accounts payable are down CLP 20,000 million. Equity meanwhile increased CLP 307,000 million, due mainly to the increase in Issued Capital approved at the Shareholders' Meeting where shares equivalent to a net CLP 352 billion in placement expenses and an increase in profits for the period, mainly offset by the decrease in reserves due to translation differences resulting from the decrease in exchange rates over the period, affecting investments in companies in Peru and the decrease in cash flow hedges reserves, as a result of the decrease in market values of the derivative financial instruments portfolio.

As mentioned above, no significant net effects are observed due to fluctuations in the exchange rate as these have been neutralized by hedging policies applied by the Group. These policies are based on hedging exposure through derivatives, as noted above.

Income Statement Analysis

EBITDA (Earnings before income tax, interest, adjustments and exchange-rate fluctuations depreciations, amortizations and extraordinary items).

Results at EBITDA level increased from CLP 356,585 million to CLP 424,781 million compared with the same period in prior year. This represents growth of 19%. The increase can be explained by better margins from the Chilean business, which grew by 4%, along with a reduction in losses from the Entel Perú subsidiary, showing a 28% increase in EBITDA.

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 5% when comparing 2016 and 2015, as follows:

SALES REVENUE PERFORMANCE	2016 million	2015 million	Change %
Mobile Telephone Services - Chile	1,082,156	1,144,828	-6
Mobile Telephone Services - Peru	348,295	238,899	46
Private Services (including IT services)	175,284	150,668	16
Local Telephone Services (including NGN-IP)	63,533	60,830	4
Television Service	27,725	22,418	24
Long Distance	16,399	19,152	-14
Internet	35,079	28,698	22
Services to Other Operators	52,786	55,279	-5
Traffic Business	26,853	26,607	1
Americatel Peru	24,050	26,379	-9
Call Center Services and other	12,438	10,855	15
Other revenue (1)	22,704	8,251	175
Total Operating Revenue	1,887,302	1,792,864	5

(1) Other income, from the disposal of property, plant and equipment, business interests and other.

Consolidated revenues for the twelve months of the year totaled 1,887,302 million pesos, an increase of 5% over 2015 figures.

As can be observed, growth in the Group's revenue comes mainly from mobile services in Peru, which showed an increase of 46% 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 has focused on the expansion of the network, distribution channels, and growing the commercial offer.

In mobile services in Chile, the Group has a strong position owing to sustained commercial momentum and service quality. Revenues from mobile services fell 6% compared to the same period last year, mainly due to a decrease in voice revenues, mainly in the prepaid segment due to the lower subscriber base, the drop in access charges and less recharges. Mobile termination rates fell by 18% in January 2016. Likewise, the increase in unlimited voice minutes offered in certain multimedia plans affected revenues of the services in the postpaid segment. This was partially offset by a significant increase in revenue from mobile data services, due to an increase in

the high value customer base driven by the increased penetration of mobile internet services. Meanwhile, revenues associated with the sale of equipment and accessories increased slightly compared to 2015, with an increase in the postpaid segment, largely offset by a fall in the prepaid segment.

The subsidiary Entel Perú showed increased revenue of CLP 112,000 million for the year, 46% compared to 2015, driven by the increase in revenues from voice and data together with higher sales of handsets. The increase was driven by strong growth of 2G, 3G and 4G customers, totaling 4,808,755 as at December 31, 2016, showing net subscriber growth of 54% compared to December 2015, with an ARPU of CLP 6025. 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 2016, there were 11,000 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 speeds up to 2 Mbps. In a first phase it will be available in Lima and some other cities in Peru.

Revenue from private services relating to integrated voice, data and internet services networks in the enterprises segment, together with IT services, performed positively, showing an increase of 16% compared to 2015, driven by new customer contracts.

The 4% growth in local telephony is mainly due to RGUs in the form of subscription services from Entel Hogar, which at December 31 totaled some 286 thousand, up 15% on the same period last year.

24% growth in television services corresponds to the portion of the satellite TV service associated with Entel Hogar. To date, this service has 127 thousand RGUs, up 29% on last year, backed by an attractive marketing program and effective sales processes.

Revenues from long-distance services are down 14% due to a fall in long-distance traffic, offset in part by higher tariffs.

Internet services experienced growth of 22% due to increased activity in the business segment, as well as Entel Hogar in terms of the mobile broadband service.

Revenue from services to other operators were down 5% over the period, due to a drop in the rental of fixed and mobile network infrastructure.

Traffic business services grew by 1%, due mainly to higher tariffs and offset in part by a reduction in traffic.

Meanwhile Americatel Perú saw a 9% drop due mainly to a fall in revenue associated with integrated voice, data and internet services for businesses, partly offset by higher revenue from IT outsourcing services.

Call Center services increased by 15%, driven by higher activity in both Chile and Peru.

Revenue was up in other areas, including CLP 11,274 million from a transaction associated with Entel Perú following its acquisition in 2013.

Costs, Expenses and Profitability

Information included below relates to the main cost and expenses categories for 2016 and 2015:

COSTS, EXPENSES AND PROFITABILITY	2016 million	2015 million	% Change
Operating costs	(1,772,906)	(1,712,020)	4
Operating income (EBIT)	114,395	80,844	42
- Net financial costs, adjustments and other	(108,255)	(94,726)	-14
Net income	34,158	(1,102)	-

The consolidated cost of operations during the period totaled CLP 1,773 million, an increase of 4% compared with 2015.

The growth observed is due to the heavy development of the subsidiary Entel Perú, costs for which increased by CLP 71,000 million compared to the same period of last year, mainly due to the sharp increase in customer base and the associated costs, to brand positioning, as well as higher costs relating to the expansion of its scale of operation. In addition, during the fourth quarter of 2016 a provision for impairment of assets associated with the 3GPTT network was made at Entel Perú for CLP 7,700 million. Excluding the effects of the above, costs were down 1% compared to 2015, where the main increases were depreciation costs associated with investments in the company's network infrastructure, advertising and energy and fluids, which were fully offset by reductions in expenses associated with personnel, uncollectible accounts receivable, maintenance, and lower costs of customer capture and retention in the Chilean segments.

Finally, higher net financial expenses can be seen, along with adjustments and other, explained primarily by lower interest earned due to a decrease in invested cash and negative adjustments of market value affecting derivative instruments through changes in the discount rates of these instruments.

Mobile telephone services - Peru

As described in note 29, financial information by segment, this transaction corresponds to services provided through the subsidiary Entel Perú S.A.

The performance of Entel Perú's results, investments and financing can be seen below, based on the subsidiary's individual financial statements.

	31-12-2016 million	31-12-2015 million	% Change
Total Operating Revenue	357,503	245,329	46
Operating Loss (EBIT)	(165,831)	(199,567)	-17
Total Loss	(146,634)	(163,156)	-10
Operating Flow	(185,718)	(145,916)	27
Investment Flow	(321,535)	(217,525)	48
Funding provided by the Parent Company	500,405	370,748	35

Entel Perú 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.

The company continued to develop the Entel brand with significant progress in raising awareness through extensive advertising campaigns and attractive commercial offerings for the postpaid and prepaid segments.

The subscriber customer base reached 4,808,755 as at December 31, 2016; 54% compared to December 2015, driven by 2G, 3G and 4G services. The customer base grew 7% compared to the third quarter of the year.

In the postpaid segment there were 1,852,515 customers, an increase of 33% compared to 2015. This growth was achieved by offering a wide range of multimedia plans and increasing the offering throughout 2016 with attractive internet browsing quotas, social network promotions and minutes for calls to all networks. During the second half of 2016, data allowances were stepped up by doubling existing quotas for current plans. A varied range of intelligent smartphone handsets continue to be on offer, as are plans for SIM cards without a handset.

In the prepaid segment the customer base was up 70%, reaching 2,956,240 customers as at December 31, 2016. This growth was driven by the progressive increase in network coverage and sales channels regionally, along with offerings that focus on providing incentives for recharges, including the use of social networks like WhatsApp and free basic Facebook for a limited time.

All of this was supported by the large-scale deployment of world-class 2G, 3G and 4G networks, with 3,031 mobile sites, representing a 17% increase over the year. Over the year there was also a significant expansion in sales and channels.

Revenues in 2016 reached CLP 357 billion, an increase of CLP 112 billion (+46%) compared to 2015, driven by higher service revenues (+53%), in line with the growth of the customer base, together with an increase in revenue from handset sales (+21%).

Evolution of costs; the total cost of operations during the period totaled 523 billion pesos, an increase of 78 billion pesos (+18%) compared to the figures for 2015. This increase can be explained by the strong development of the customer base in Peru, impacting customer acquisition costs, the positioning of the brand, as well as higher costs related to the expansion of its scale of operation.

Entel Perú's EBITDA recorded a loss of CLP 122 billion, an improvement of CLP 48 billion compared to 2015 (28%). The reduction in losses was driven by better service direct margins, coupled with solid revenue growth and higher margins for handset sales, due to the strong expansion of the customer base. Sales commissions and selling expenses also grew in line with increased sales and advertising campaigns.

Depreciation, amortization and impairment increased by CLP 18 billion (+67%), mainly due to higher depreciation in line with the network rollout carried out after 2013, and to changes in asset impairment associated with the 3GPTT network for CLP 7.7 billion.

Entel Perú reported an operating loss of CLP 166 billion, down 17% on the CLP 200 billion loss recorded in December 2015.

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 of the subsidiary Entel Perú came to around USD 779 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.

The income tax determined as at December 31, 2016 includes a hike in the rate from 22.5% to 24% for the year. In 2016 there was income revenue of CLP 28 billion, basically due to the credits associated with the tax loss of the subsidiary Entel Perú and the depreciation of the US dollar with respect to the peso, which generated lower tax value for the investments abroad.

II. Comments on the cash flow statement

The behavior in 2016 and 2015 of cash-generating sources in each activity is described below.

For operating activities there was an increase in net inflows of revenue of CLP 43 billion, an increase from CLP 308 billion to CLP 350 billion.

The increase in operating activities was mainly due to the combined effect of an increase in "Revenue Collected from Customers", up CLP 83 billion (4%), which were partially offset by an increase in operating payments of CLP 31 billion (2%).

In terms of investment activities, there was a decrease in net outflows of CLP 121 billion, due mainly to a CLP 66 billion (13%) decrease in the items Purchases of Property and Plant and Equipment, which was more than offset by a CLP 186 billion increase in Purchases of Intangible Assets, due mainly to the payment of the 700 MHz band through the Entel Perú subsidiary, to provide that country with 4G mobile services.

Finally, in terms of financing activities there was an increase in net income flows of CLP 303 billion, mainly due to the capital increase approved at the Shareholders' Meeting and amounting to 352 billion pesos net of placement expenses.

As a result of the movements referred to above and the cash balances and cash equivalents at the beginning of each period, final availability at the close of each of the periods in Cash and Cash Equivalents, fell from CLP 136 billion to 111 billion, maintaining levels to satisfactorily cover the Group's cash flow planning.

III. Market and Market Risk Analysis

Market Analysis

Entel Group operates in a highly competitive market in the different lines of businesses offered by the Group.

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.

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.

In recent times there has been an increase in competitors in the telecommunications market, along with the progressive entry of Mobile Virtual Network Operators (MVNOs) also broadening competition.

Entel Group entered into a local roaming agreement and MVNO agreements with different market players, whereby Entel grants access to mobile networks in areas where they have no coverage using its own networks, and also offers network infrastructure services.

In addition, at industry level there has been a trend to provide increasingly technologically advanced and expensive mobile handsets to customers. The use of this range of handsets allows the range of services to be scaled up, particularly in the mobile data area.

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, 87% of post-paid customers have a data or multimedia plan, representing a solid increase compared with the 79% recorded in December 2015, representing 13% growth in terms of customers of this kind. 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 76% 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 (post-paid and pre-paid).

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.

In April 2016, the IZO consultancy's Best Consumer Experience (BCX) awarded Entel the Best Customer Experience Award 2016 in the category Telecommunications Latin America, for the fourth year running. The ranking was based on more than 13,000 consumer opinions covering 130 companies from different sectors in Chile, Argentina, Brazil, Colombia, Spain, Mexico, Peru and Venezuela.

For the fourteenth year running, in August 2016 Entel was awarded first place in the ProCalidad National Customer Satisfaction Awards in the mobile services category, once again recognizing the company's leadership in service quality.

In October 2016 Entel was chosen as the most innovative company in the country in the telecommunications sector, by the "Most Innovative Companies Chile" ranking. This ranking is conducted annually by the ESE Business School of the University of Los Andes which assessed the policies, processes, procedures and innovation culture of more than 300 companies, and their impact on the companies' financial results.

The market policies implemented have paid special attention to post-paid customers, whose level of service use (MOU for voice and GOU for data) and average revenue (ARPU) are higher than those of pre-paid customers.

The company carries out ongoing analysis regarding relevant stakeholders in the telecommunications industry, both in mobile services and fixed networks. Over the year the base of Entel's mobile customers in Chile experienced a net decrease of 3% to 9,514,401 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 16% and 18% in January 2015 and 2016 respectively, and to the migration to postpaid plans. In a highly competitive environment Entel has grown its postpaid customer base (voice and mobile broadband) by 3.2% over the year, an area where higher value customers can be found and representing 39% of the total base of mobile customers in Chile.

Starting in January 2017 there was a further decrease in mobile interconnection tariffs, of 24.4%.

With regard to the range of mobile phone plans, in order to constantly improve the user experience, for the multimedia plans the company now charges for data consumed over the contracted limit rather than slowing down navigation. The transition to limited data plans has proved very popular.

In recent months the Company launched "Planes Multi Smart" in the postpaid segment, which allows up to five devices to be connected in one specific plan, from 2 GB to 10 GB data plans with higher video and music quotas across the board, available with or without handsets. In this context Entel continued to develop its strategy based on value, service quality and customer experience.

With respect to mobile service plans for the enterprises segment, plans have been launched with a higher navigation cuota and better business connectivity for e-mail applications and Whatsapp messaging on a permanent basis.

The prepaid market continued to be affected by a reduction in recharges, a drop in access charges and higher migration to postpaid plans. Against this backdrop sales were driven by the SIM model and promotional recharges, which offer limited time access to social networks such as Facebook, WhatsApp and Twitter, and increased access and continuity of services through online services.

For the development of commercial plans, the implementation of 4G+ technology with the 700 MHz band has made the data offering more attractive. In addition the Company continues to develop its 700 MHz network, providing higher speed data services and increasing quality of coverage indoors and for enclosed spaces.

At the close of 2016 the Company had more than 2 million 4G customers, representing growth of 93% compared to December 2015.

As the company continued to focus on innovation, it introduced the virtual reality (VR) market to Chile, offering the Gear VR virtual reality headset as part of a consumer package. The headset is included with certain smartphones and is also compatible with other types of handsets on the market.

In terms of fixed network services, growth in the business customer segment continues to be observed, particularly in the provision of integrated voice, data and internet solutions, as well as Information technology (IT) services where has been an increasing interest in the use of the Cloud, which allows companies to migrate from their own platforms to outsourcing solutions.

In addition, Cyber Security services have recently been launched to protect companies' critical assets and business information, developing strategic alliances with international actors to provide world-class services. At the end of this year Entel had earned itself the title Platinum Managed Security Service Provider from the company Fortinet, becoming the first Service Provider in Chile to do so. It is now possible to respond to the growing security needs of our customers with the Entel Cyber Secure portfolio, including cybersecurity solutions and services for the protection, defense, risk management and regulatory compliance for ICT Systems in the business, industry and government arenas.

The Group has developed different service proposals for the corporate segment on the basis of a solid mobile infrastructure and GPON, 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 market 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.

In May of this year the eighth Entel Summit was held, one of the most important gatherings for innovation, technology and business in Chile. Around two thousand people attended the event in which technology entrepreneur Uri Levine, founder of Waze, participated. At the summit Entel Enterprises and Corporations customers found out about the trends that come with digitization and the opportunities offered by technology to generate better customer experiences.

Regarding Entel Residential services, the company has taken advantage of the level of development and convergence of its technologies and has focused on providing solutions for wireless fixed services, internet and satellite television, for certain segments of the residential market. As such, as at December 31, 2016, there were 455,000 postpaid RGUs, up 22% on December 2015 and driven by an attractive commercial offering and the accompanying advertising campaign.

In domestic and international long-distance services, in August 2014 the elimination process was completed for all primary zones relating to domestic long distance services, affecting associated traffic and revenue. In 2016, the international long distance service accounted for 1% of the Group's revenues.

In matters relating to public tenders, with regard to the granting of public service concessions for the transmission of data in the 700MHz frequency band, in September 2015 the decree granting the concession to our concessionaire Will SA was issued. This brought with it commitments regarding execution times for the deployment of the technical project in this frequency band (two years), as well as obligations regarding considerations. These involve providing telephone services and data transmission 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 for services in localities, roads and schools must be executed within a maximum period of 18 months.

In this regard, our concessionaires have already fulfilled their obligation to make a public offering, as stated in the rules. Entel is also currently deploying, along with the Department of Telecommunications, telephony and data transmission services for the assigned localities and roads. Internet access is also currently being provided to the 212 schools, as per the demands of the tender. With regard to these obligations, during the first three weeks of January the last requests for the acceptance of works will be delivered to the Under Secretariat, leaving just the administrative procedure for acceptance to be carried out by the authority, in order to certify compliance.

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 in the Metropolitan Region. Regions I, II, V, VI and VIII were subsequently added over the rest of 2016. All this, together with the development of infrastructure in other regions of the country for the 700 MHz band, has improved the speed of data on offer to our customers. As such Entel has become the telecommunications company that has advanced the most in deploying 4G+ in the country, managing to deliver this technology to more than 70% of the population.

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 Perú.

The development of Entel Perú is a long-term project that will enable the company to position itself as a global operator in a high-potential market. The Peruvian market is undergoing a big technological change, where voice services evolve towards an intensive use of mobile data services.

On July 22, 2013, in Peru the Group was awarded one of the two 40 MHz blocks that the Peruvian authority submitted to a tender process for the development of 4G mobile services in the AWS band, paying US\$105.5 million. This spectrum has allowed the development of 4G services that have integrated with the rest of the Group's products in Peru. In May, meanwhile, Entel Perú was awarded one of three blocks in the 700 MHz band, for which it offered US\$ 290.2 million. This spectrum will allow for the development of high-speed services that will integrate with the rest of the Group's products in Peru. The payment of the offer was made on July 20, when the corresponding concession contract was signed.

Entel Perú has restructured its business strategy to become a global mobile operator, 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 Perú has concentrated on completing the milestones to develop its business strategy in order to achieve a significant position in the market. To do this the company reorganized its internal structure, promoting the segmentation of businesses and individuals and redesigning the commercial proposal and customer service. It has also expanded distribution channels. Entel also continues developing projects to expand and strengthen capacity and coverage of the current network nationally, and the different technologies (2G, 3G, 4G) for mobile voice and data services.

Entel Perú has also continued to build the brand after the successful launch campaign in October 2014. It is offering customers major promotions, leveraged by a distinctive user experience and supported by world-class infrastructure. The commercial offering includes high-capacity multimedia data plans with unlimited voice service regardless of the destination network, high-end handsets and free access to social networks for a limited time. This commercial proposal has been recognized by the Peruvian market and today the brand has a high level of memorability. Also, throughout 2016 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. During the second half of 2016, data supply was stepped up by doubling existing quotas for current plans. Also, a varied range of smartphone handsets continues to be offered, as well as plans for SIM cards without a handset.

As a result of the above, the customer base has grown steadily, reaching 4,808,755 customers as at December 31, 2016, up 54% on December last year and 7% up on the previous quarter, driven by 2G, 3G and 4G services, though partly offset by lower numbers of IDEN technology users. The postpaid customer base (voice and mobile broadband), with its higher-value customers, grew by 33% compared to December 2015. With respect to prepaid (voice and mobile broadband), the customer base grew by 70% and progress continued in developing services and increasing top-up channels throughout the country, as well as sales and distribution channels, 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 11,000 postpaid RGUs as at December 31, 2016. Also, 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 speeds up to 2 Mbps. In a first phase it will be available in Lima and some other cities in Peru.

Meanwhile as of January 2015 the Peruvian regulator ordered mobile operators to provide unlocked mobile phones for use on any network, favoring portability and its associated costs. Following the trends in portability over recent months, Entel Perú continues leading the way in terms of capture, with 748,000 customers gained since the process began, 88,000 registered in the fourth quarter.

From April 2015, new, significantly reduced interconnection rates were set, leading to a significant reduction and favoring the competition.

In the second quarter of 2016, Entel Perú'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 2015 the company was also awarded an ANDA medal in the Integrated Communication - Services category, for the effectiveness of the brand launching campaign.

Entel Perú was also recognized in the corporate reputation rankings performed by MERCO. The company was no. 16 in 2016, 55 places up on its 2015 ranking. In a year marked by a significant increase in clients, the Company stood out among the 100 companies evaluated in the different sectors of the economy, and was ranked top 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 value added services in the area of Advanced Digital Mobile Telephony.

Services provided 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 to apply - or not - 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 concessionaires.

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

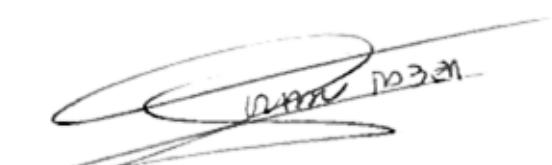
Through to the present date, the Group's companies have complied with all their obligations with third parties.

Certificate of Accounts Inspectors

Señores Accionistas

Empresa Nacional de Telecomunicaciones S.A.

Hemos revisado los Estados Financieros Individuales y Consolidados de la Empresa Nacional de Telecomunicaciones S.A., correspondientes al ejercicio de doce meses terminado el 31 de diciembre de 2016, examen que ha resultado sin observaciones. Nuestro examen y revisión como Inspectores de Cuentas abarcó la comprobación de saldos de cuentas del Libro Mayor y hoja resumen de consolidación en el caso de los Estados Financieros Consolidados, con las respectivas cuentas del Balance General y de los Estados de Resultados a dicha fecha.



LEONARDO AUGUSTO GUZMÁN FABER
Inspector de Cuentas

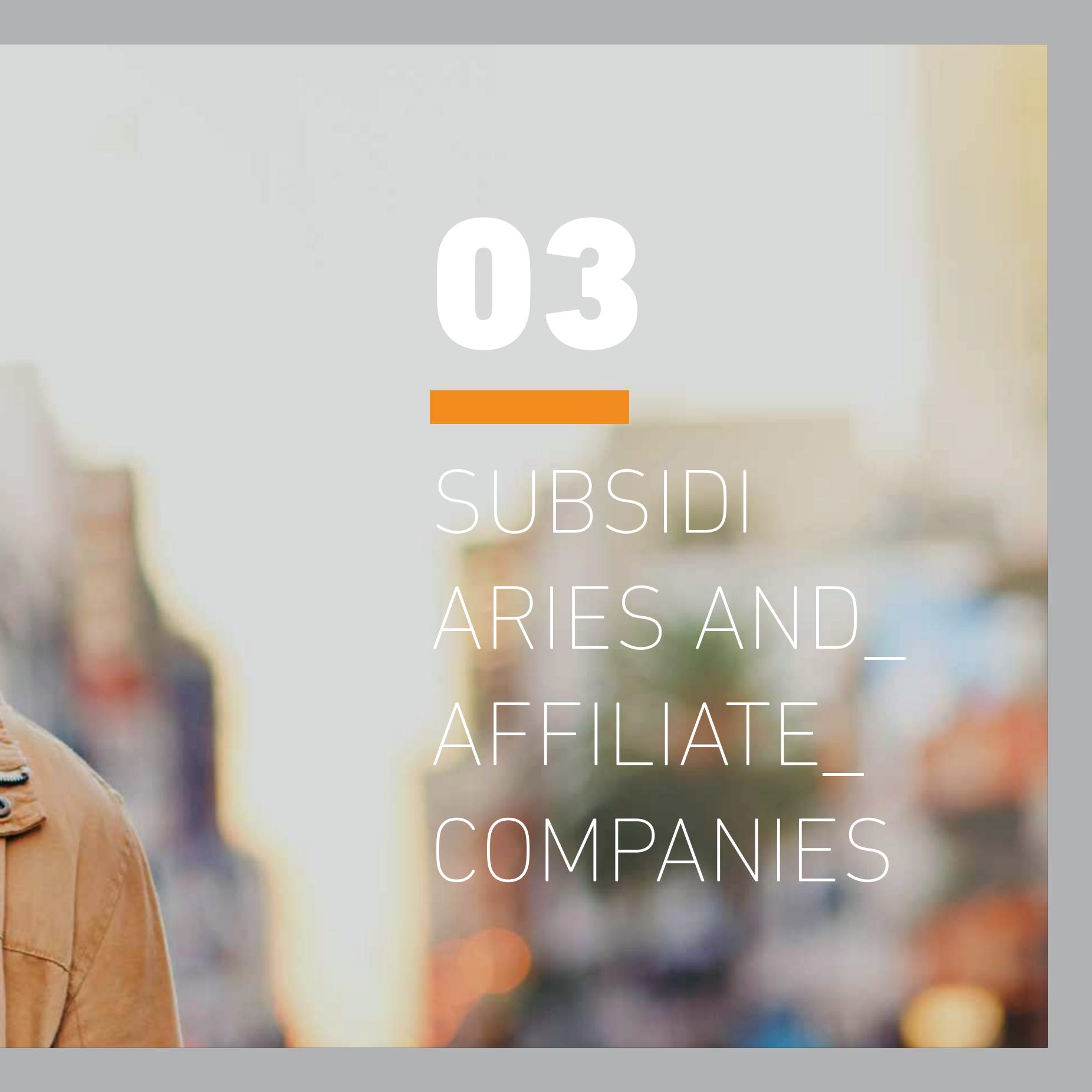


ABELARDO ERNESTO ECHEVERRIA REYES
Inspector de Cuentas

Santiago, Enero 26 de 2017.



03



SUBSIDI ARIES AND AFFILIATE COMPANIES

Consolidated Balance Sheets for Subsidiaries

As at December 31, 2016, and December 31, 2015

	Entel PCS Telecomunicaciones S.A. and subsidiary		Entel Telefonía Local S.A. and Subsidiaries		Entel Servicios Telefónicos S.A.		Micarrier Telecomunicaciones S.A.	
	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15
ASSETS								
Current Assets	287,704,948	265,203,383	54,253,485	46,553,583	169,114	245,335	306,433	306,082
Non-current Assets	812,225,693	808,764,724	65,156,665	46,497,530	1,745,731	1,742,833	2,464,481	2,426,187
Total Assets	1,099,930,641	1,073,968,107	119,410,150	93,051,113	1,914,845	1,988,168	2,770,914	2,732,269
LIABILITIES								
Current Liabilities	285,035,518	281,404,877	39,849,087	23,845,314	165,110	213,993	1,073	217,320
Non-Current Liabilities	326,348,918	314,697,364	9,948,435	17,272,247	944	944	-	-
Total Liabilities	611,384,436	596,102,241	49,797,522	41,117,561	166,054	214,937	1,073	217,320
NET EQUITY								
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 (cumulative losses)	370,631,121	359,958,308	42,416,767	24,744,426	451,016	475,456	(1,033,263)	(1,288,155)
Non-controlling stock	43,397	35,871	12,076	5,341	-	-	-	-
Conversion reserves		-		-		-	-	-
Total liabilities and net equity	1,099,930,641	1,073,968,107	119,410,150	93,051,113	1,914,845	1,988,168	2,770,914	2,732,269

Summary Statements of Comprehensive Income for Subsidiaries

As at December 31, 2016, and December 31, 2015, 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.	
	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15
Ordinary revenue	1,302,383,471	1,297,134,346	284,019,239	210,914,319	741,404	750,071	-	78,967
Other operating revenue	2,364,783	2,196,900	4,181,124	1,998,391	137,018	140,995	452,436	210,300
Staff costs	(58,210,450)	(68,858,998)	(1,040,721)	(1,115,395)	-	-	-	-
Depreciation and amortization	(150,704,845)	(138,574,687)	(2,824,470)	(2,443,770)	-	-	-	-
Other miscellaneous operating costs	(950,566,483)	(917,434,017)	(230,461,941)	(166,724,941)	(318,073)	(202,832)	(5,928)	(114,790)
Pre-Tax Profit (Loss)	145,266,476	174,463,544	53,873,231	42,628,604	560,349	688,234	446,508	174,477
Revenue (expenditure) for corporation tax	(25,325,425)	(27,902,968)	(11,449,727)	(9,773,464)	(109,333)	(129,054)	(191,617)	-
PROFIT (LOSS)	119,941,051	146,560,576	42,423,504	32,855,140	451,016	559,180	254,891	174,477
Earnings (losses) attributable to parent company shareholders	119,930,298	146,556,793	42,416,769	32,859,392	451,016	559,180	254,891	174,477
Earnings attributable to non-controlling shares	10,753	3,783	6,735	(4,252)	-	-	-	-
PROFIT (LOSS)	119,941,051	146,560,576	42,423,504	32,855,140	451,016	559,180	254,891	174,477
EARNINGS PER SHARE Ordinary shares	1,495,72	1,827,80	2,442,48	1,892,14	139,202,47	172,586,39	25,489,10	17,447,70

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.	
31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15
5.788.479	8.133.698	15.506.137	17.900.511	223.761.799	187.143.334	24.431	28.553	4.221	4.105
37.191.079	39.213.705	17.752.678	16.855.648	995.084.843	723.583.772	266.422	282.833	-	-
42.979.558	47.347.403	33.258.815	34.756.159	1.218.846.642	910.727.106	290.853	311.386	4.221	4.105
8.244.187	8.943.232	6.826.487	6.850.209	172.673.016	212.788.008	-	-	-	1.268
7.444.530	7.400.340	12.411.865	17.893.990	783.554.687	418.547.353	-	-	848.994	821.924
15.688.717	16.343.572	19.238.352	24.744.199	956.227.703	631.335.361	-	-	848.994	823.192
2.870.847	2.870.847	13.867.175	13.867.175	376.153.608	337.809.568	25.211.353	25.211.353	2.969.432	2.969.432
(807.572)	126.089	(2.365.584)	(2.220.002)	33.099.686	104.738.515	5.302	5.395	(242.681)	(242.681)
17.637.772	20.078.117	2.511.244	(1.648.032)	(146.634.355)	(163.156.338)	(24.925.802)	(24.905.362)	(3.571.524)	(3.545.838)
7.589.794	7.928.778	7.628	12.819	-					
-	-	-	-	-	-	-	-	-	-
42.979.558	47.347.403	33.258.815	34.756.159	1.218.846.642	910.727.106	290.853	311.386	4.221	4.105

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.	
31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15
26,627,281	29,376,300	63,615,874	53,784,524	352,076,039	240,114,213	-	-	-	-
839,592	286,665	1,654,070	1,812,148	5,495,397	5,289,319	-	45,100	-	-
(7,231,110)	(6,041,890)	(38,313,828)	(33,695,989)	(52,519,303)	(50,733,359)	-	-	-	-
(4,503,522)	(3,930,903)	(1,711,334)	(1,744,503)	(36,495,515)	(30,507,005)	-	-	-	-
(19,237,192)	(23,366,545)	(20,563,330)	(18,100,428)	(468,075,524)	(387,743,649)	(20,440)	(2,217)	(25,686)	(34,548)
(3,504,951)	(3,676,373)	4,681,452	2,055,752	(199,518,906)	(223,580,481)	(20,440)	42,883	(25,686)	(34,548)
1,051,468	(1,431,121)	(518,993)	(560,019)	52,884,551	60,424,143	-		-	-
(2,453,483)	(5,107,494)	4,162,459	1,495,733	(146,634,355)	(163,156,338)	(20,440)	42,883	(25,686)	(34,548)
(2,440,345)	(5,306,286)	4,159,276	1,492,615	(146,634,355)	(163,156,338)	(20,440)	42,883	(25,686)	(34,548)
(13,138)	198,792	3,183	3,118	-	-	-	-	-	-
(2,453,483)	(5,107,494)	4,162,459	1,495,733	(146,634,355)	(163,156,338)	(20,440)	42,883	(25,686)	(34,548)
(220,049,15)	(478,474,84)	437,77	157,10	(75,72)	(61,73)	(408,80)	857,66	0,00	0,00

Summary Cash flow Statements for Subsidiaries

As at December 31, 2016, and December 31, 2015 (in thousands of pesos)

	Entel PCS Telecommunicaciones S.A. and subsidiary	Entel Telefonía Local S.A. and Subsidiaries		Entel Servicios Telefónicos S.A.		Micarrier Telecommunicaciones S.A.		
	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15
Net cash flows from (used in) operating activities	239,288,629	208,092,320	40,036,616	37,250,369	479,045	531,577	23,054	132,650
Net cash flows from (used in) investment activities	(213,886,774)	(183,329,617)	(1,458,621)	(7,474,869)	-	-	(26,854)	(132,383)
Net cash flows from (used in) financing activities	(24,151,988)	(27,169,962)	(38,651,425)	(29,779,552)	(487,127)	(524,419)	-	-
Net increase (decrease) in cash and cash equivalents	1,249,867	(2,407,259)	(73,430)	(4,052)	(8,082)	7,158	(3,800)	267
Effects of changes of the scope of consolidation on cash and cash equivalents	-	-	-	-	-	-	-	-
Cash and cash equivalents, statement of cash flow, initial balance	605,994	3,013,253	515,272	519,324	8,238	1,080	3,800	3,533
Cash and cash equivalents, statement of cash flow, final balance	1,855,861	605,994	441,842	515,272	156	8,238	0	3,800

Statement Of Changes In Equity Of Subsidiaries

As at December 31, 2016, and December 31, 2015

	Entel PCS Telecommunicaciones S.A.	Entel Telefonía Local S.A. and Subsidiaries	Entel Servicios Telefónicos S.A.	Micarrier Telecommunicaciones S.A.
Initial Balance for Current 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 dividends	(117,245,434)	(24,744,428)	(475,456)	0
Increase (decrease) for other distributions to owners	(35,979,089)	0	0	0
Other increases (decreases) in net equity	43,963,811	0	0	1
Final Balance for Current Period 31-12-2016	488,546,205	69,612,628	1,748,791	2,769,841
Initial Balance for Current Period 01-01-2015	483,425,517	19,031,189	1,214,051	2,340,472
Income from comprehensive income and expenditure	146,560,576	32,902,363	559,180	174,477
Distribution of dividends	(108,152,054)	0	0	0
Minimum dividend	(43,967,038)	0	0	0
Other increases (decreases) in net equity	(1,135)	0	0	0
Final Balance for Current Period 31-12-2015	477,865,866	51,933,552	1,773,231	2,514,949

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.	
31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15	31-12-16	31-12-15
4,031,569	6,230,813	8,997,062	(1,340,102)	(185,717,762)	(145,916,058)	(2,507)	(1,686)	(3,953)	(2,589)
(6,706,507)	(5,322,901)	(2,394,202)	(1,419,997)	(321,534,569)	(217,525,446)	-	-	-	-
1,054,719	(69,357)	(6,381,901)	2,784,200	490,064,295	359,272,587	-	-	3,953	2,589
(1,620,219)	838,555	220,959	24,101	(17,188,036)	(4,168,917)	(2,507)	(1,686)	-	-
(107,350)	41,503	(58,794)	92,872	10,047,508	11,632,975	(1,615)	4,250	-	-
2,613,362	1,733,304	305,487	188,514	9,243,014	1,778,956	28,553	25,989	-	-
885,793	2,613,362	467,652	305,487	2,102,486	9,243,014	24,431	28,553	-	-

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.	
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)	
0		0		0		0			
0		0		201,500,378		0		0	
(1,259,507)		(153,956)		(71,638,829)		(93)		0	
27,290,841		14,020,463		262,618,939		290,853		(844,773)	
32,504,767		8,438,552		111,602,189		268,163		(784,539)	
(5,107,494)		1,495,733		(163,156,338)		42,883		(34,548)	
0		0		0		0			
0		0		239,484,343		0		0	
3,606,558		77,675		91,461,551		340		0	
31,003,831		10,011,960		279,391,745		311,386		(819,087)	

Subsidiaries of Entel S.A.

Company name	Entel PCS Telecommunicaciones S.A. and subsidiaries	Entel Telefonía Local S.A. or Entel Phone S.A. and Subsidiaries
Legal status	Close corporation, registered in the Special Register of Reporting Entities (Number 33).	Close corporation
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, 2016	CLP 128,398,586 thousand	CLP 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	15.88%	2.24%
Income for 2016	CLP 119,941,051 thousand	CLP 42,423,504 thousand
Board of Directors	Richard Büchi B., Chairman Juan Hurtado V., Vice Chairman Luis Felipe Gazitúa A., Director Alfredo Parot D., Director Felipe Ureta P., Director	Antonio Büchi B., Chairman Juan Baraqui A., Director Alfredo Parot D., Director José Luis Poch P., Director Felipe Ureta P., Director
Chief Executive Officer	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 Juan Baraqui A., Risk and Management Executive Alfredo Parot D., Vice President Technology and Operations José Luis Poch P., Vice President Consumer Segment Felipe Ureta P., Finance and Management Control Executive 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 contracts national signal transport services in dedicated and switched mode from Entel Chile S.A. (CLP 115,511,573 thousand). 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. (CLP 14,520,233 thousand). Entel Chile S.A receives infrastructure leasing, telecommunications services, and the payment of access charges from Entel Chile S.A. (CLP 7,796,998 thousand).	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. (CLP 21,640,256 thousand). Provides telecommunications services and access charges to Entel Chile S.A. (CLP 1,549,966 thousand).

Subsidiaries of Entel S.A.

Company name	ENTEL Peru S.A. (formerly Nextel del 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.	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, 2016	CLP 376,153,608 thousand	CLP 13,867,175 thousand
Direct and indirect share in Entel S.A.	Entel Chile S.A. 96.99% Entel Inversiones S.A. 3.01%	Entel Chile S.A. 90.00% Entel Inversiones S.A. 10.00%
Percentage of investment in Entel S.A. assets	8.27%	0.41%
Income for 2016	CLP (146,634,355) thousand	CLP 4,162,459 thousand
Board of Directors	Antonio Büchi B., Chairman of the Board Richard Büchi B., Director José Luis Poch P., Director Alfredo Parot D., Director Juan Hurtado V., Director Luis Felipe Gazitúa A., Director Julian Martin U. Luis Carranza, Director Carmen Rosa Graham A., Director	Antonio Büchi B., Chairman of the Board Julian San Martín A., Director Mario Núñez P., Director Jose Luis Poch P., Director Felipe Ureta P., Director
Chief Executive Officer	Sebastián Domínguez P.	Alexis Licci P.
Positions held at Entel Chile S.A.	Antonio Büchi B., Chief Executive Officer Felipe Ureta P., Finance and Management Control Executive José Luis Poch P., Vice President Consumer Segment Alfredo Parot D., Vice President Technology and Operations	Antonio Büchi B., Chief Executive Officer 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 Executive
Business relationship with Entel Chile S.A.	None.	Provides the infrastructure required for services via remote channels for customers of subsidiaries of the Entel Group. Receives telecommunications services from Entel Chile S.A to support its 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 453,555). Provides inbound and outbound call services to Entel Chile S.A. (CLP 8,455,959 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, 2016	CLP 2,870,847 thousand	CLP 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. 100.00%
Percentage of investment in Entel S.A. assets	0.52%	0.01%
Income for 2016	CLP (2,453,483) thousand	CLP (20,440) thousand
Board of Directors	Antonio Büchi B., Chairman of the Board Cristián Maturana M., Director Alfredo Parot D., Director	Antonio Büchi B., Chairman of the Board Antonio Büchi B., Director Felipe Ureta P., Director
Chief Executive Officer	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 Executive	Antonio Büchi B., Chief Executive Officer Felipe Ureta P., Finance and Management Control Executive
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 271,608 thousand). Provides Entel Chile S.A. with international traffic termination services and the sale of services (CLP 160,492 thousand).	There were no acts or contracts that significantly influenced the operations and results.

Subsidiaries of Entel S.A.

Company name	Micarrier Telecommunicaciones S.A. or Micarrier S.A.
Legal status	Close corporation
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, 2016	CLP 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 2016	CLP 254,891 thousand
Board of Directors	Antonio Büchi B., Chairman of the Board Mario Nuñez P., Director Alfredo Parot D., Director Juan Baraqui A., Director Felipe Ureta P., Director
Chief Executive Officer	Pablo O. Pfingsthorn
Positions held at Entel Chile S.A.	Antonio Büchi B., Chief Executive Officer Mario Núñez P., Vice President Enterprise Segment Alfredo Parot D., Vice President Technology and Operations Juan Baraqui A., Risk and Management Executive Felipe Ureta P., Finance and Management Control Executive 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 Fónica 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, 2016	CLP 1,413,277 thousand	CLP 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	0.05%	0.00%
Income for 2016	CLP 451,016 thousand	CLP (25,686) thousand
Board of Directors	José Luis Poch P., Chairman Juan Baraqui A., Director Felipe Ureta P., Director	None.
Chief Executive Officer	Pablo O. Pfingsthorn	José Luis Poch P.
Positions held at Entel Chile S.A.	José Luis Poch P., Vice President Consumer Segment Juan Baraqui A., Risk and Management Executive Felipe Ureta P., Finance and Management Control Executive 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 166,118 thousand). ENTELFONICA SA provides Entel Chile SA with advertising and customer care services (CLP 654,246 thousand).	There were no acts or contracts that significantly influenced the operations and results.

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