

# Financial Results

accumulated as of June 2016

Santiago, August 2, 2016

## TELEFONICA IN CHILE

Telefónica Chile S.A. &  
Telefónica Móviles Chile S.A.



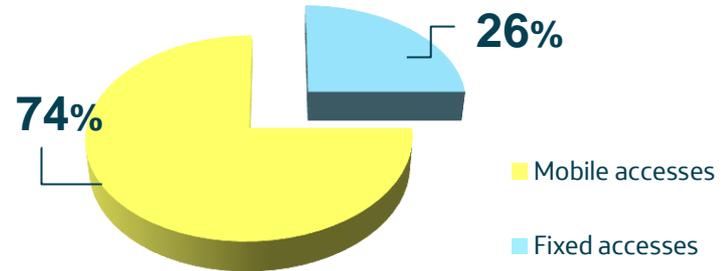
# BUSINESS PERFORMANCE

*Note: accumulated figures as of Jun.16 vs. Jun.15*

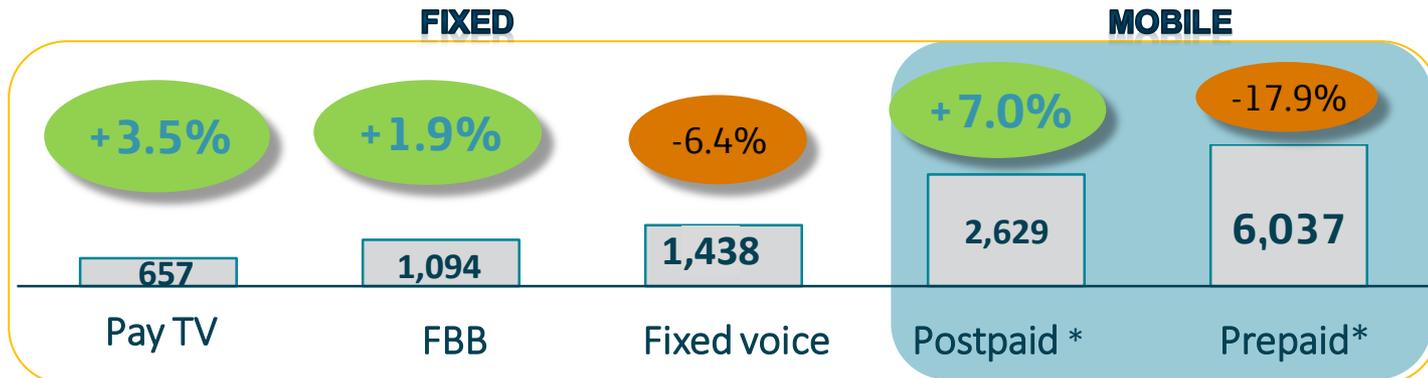
# 12.4 million accesses as of June, standing out FBB, pay TV and mobile Postpaid growth

**Total  
ACCESSES  
(F+M):  
As of Jun16**

**12.4 million**



'000  
Var.  
Jun16/Jun15



51 thous.  
IPTV customers

Penetration  
IPTV = 7.8 %



290 thous. High  
Speed ("HS")  
customers

Penetration  
HS = 26.5 %



3.0 million  
Mobile Internet customers<sup>1</sup>  
and

1.2 million 4G  
customers

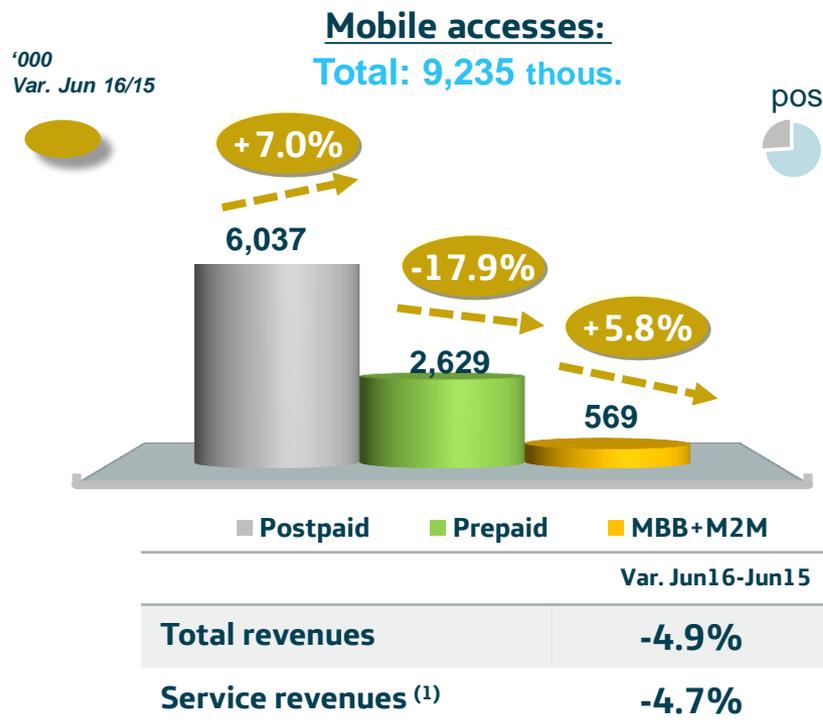


\*: MBB, MBB LTE  
and M2M are not  
included

<sup>1</sup> Mobile Internet = MBB+NEM\*  
NEM: "Navigation in mobile"

YoY variations Jun..16 / 15

# MOBILE: Commercial offer in POSTPAID pushes positive portability as of Jun16, while remains the Prepaid drop



MIX  
post/prepaid:  
**33/67**

- **Postpaid accesses: +7.0%**, pushed by:
  - ✓ 4G growth: **1,170 thous. customers** (+181%)
  - ✓ “Movistar One”
  - ✓ “Double Gigas and minutes” offer (up to Dec. 16)
  - ✓ Attractive number portability offer
  - ✓ Football app (modo futbol) for free
 Resulting in a net gain in number portability of Postpaid during 1H16
- **Prepaid accesses: -17.9%**, due to:
  - ✓ Churn increase due to high competition
  - ✓ Customers migrations to Postpaid
  - ✓ Free whatsapp – since Jul16 other social networks are included (Facebook, Twitter, Waze, ...)

**Mobile revenues reach \$465,078 million** as of Jun16, decreasing **-4.9%**, due to:

- ✓ Voice and VAS revenues decline, offset by ITX (+12.1%) and mobile data (+3.1%) growths
  - Total **Postpaid** revs. (Voice+data): **+1.2%**, leveraged by mobile data growth (+12.1%)
  - Total **Prepaid** revs. (Voice+data): **-31.8%**, impacted by less prepaid accesses and lower voice and data revenues due to less recharges as consequence of free WiFi usage and aggressive competitors campaigns

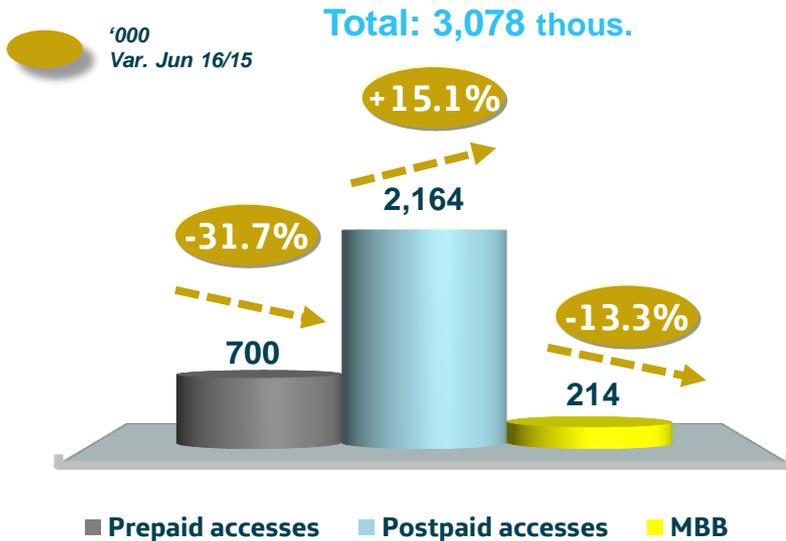
**#PrepagoGanador**  
Todos los goles y redes sociales sin descontar megas de tu bolsa

Úsalas como quieras con bolsas desde \$2.500

<sup>(1)</sup> Excludes revenues from sales of equipment

# MOBILE: INTERNET revenues keep growing

## Mobile Internet ACSESSES <sup>(1)</sup>



Var. Jun16-Jun15

Mobile Internet revenues<sup>(1)</sup>

+2.5%

(1) Mobile Internet = MBB+NEM<sup>2</sup> <sup>2</sup> NEM: "Navigation in Mobile"

Positive evolution in **Mobile Internet PENETRATION: 33% o/total accesses** → wide growth potential

**Mobile Data revenues (Internet+MBB)** reach \$174,117 million as of Jun.16, growing +3.1%. The lower growth path vs. previous quarters is explained by:

➤ **Lower growth in Mobile Internet revenues : 2.5%**

✓ **Postpaid Mobile Internet revenues increase +11.1%** pushed by:

- +15.1% data postpaid accesses,
- 4G customers growth
- positive results from number portability and customers reinforcement campaigns

✓ **Prepaid Mobile Internet revenues decrease -26.0%**, due to:

- Prepaid Data accesses drop (-31.7%) because of aggressive competitors campaigns which include free social networks

Mitigated by:

- 4G in Prepaid: +230 thous. customers
- Launching of a plan with free social networks in July16

➤ **MBB revenues grow: +13,2%**, pushed by a new service MIFI/Router (10.7 thous. new adds)

\*CHANGE OF CRITERIA → from Jun-15 "NEM PPU" (browsing with pay per use) are recorded as NEM accesses while M2M are not included

# FIXED: INTERNET (FBB) and Pay TV remain growing offsetting Voice drop

Accesses

**+ 1.9%**

Broadband  
(Internet)

**1,094 thous. accesses**

Customers High Speed (HS)  
growth = + 34.2%

Increase in speeds for all  
customer base

Higher ARPU due to HS  
customers increase

**+ 3.5%**

Pay TV (Video)

**657 thous. accesses**

Leveraged by:

**DTH (+1.4%)**

**IPTV (+37.0%)**

Higher ARPU (+2.2%) due to IPTV  
and HD plans customers

**-6.4%**

Lines (Voice)

**1,438 thous. lines**

**Drop in lines in service**  
Offset by FBB and Pay TV  
growths

**Total Fixed accesses**  
**decrease (-1.7%), reaching**  
**3.2 million**

Internet revenues

**+7.5%**

89.0

95.8

Jun-15

Jun-16

Ch\$ thous.  
million

Pay TV revenues

**+3.8%**

83.3

86.5

Jun-15

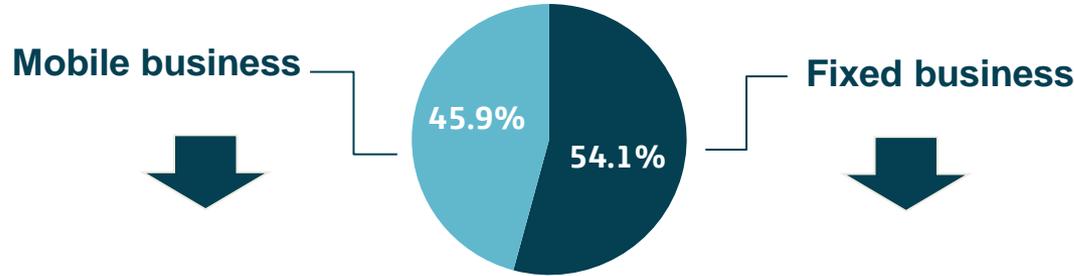
Jun-16



**Total Fixed**  
**revenues grow**  
**5.6%, reaching**  
**Ch\$366 thous. million**

# Corporate and Business segment shows an important growth in Mobile and Private and Digital services

## Revenues from Corporate and Business segment



**MOBILE revenues** from Corporate and Business segment increase **+3.7%** due to:

- **11.7%** growth in Mobile Internet accesses for Corporates, resulting in **+5.9% increase in mobile Internet revenues**
  - ✓ **4G number portability plans for Corporates**, with double gigas and minutes for the rest of the year
  - ✓ Campaigns for Business segment **“Atrévete a Más”**
- Revenues from Voice and Others increase **+2.4%**

**FIXED revenues** from this segment increase **+3,3%** due to:

- **Revenues from Corporate Data Communications**, which represent 16% of total consolidated fixed revenues, **grow +18.6%**, explained mainly by:
  - ✓ Higher **revenues from Data Services (+14%)**, mainly due to IP Private Networks, International Data and Equipments related to new projects
  - ✓ **Digital services grow +47%**, pushed by “Cloud services” **(+43%)**, “Security services” **(+41%)** and “Financial services”,
  - ✓ During this quarter, revenues from “Primary Elections” project were registered
- The above allows to offset Voice and TV for corporates revenues decrease

Projects in 2Q16:



# FINANCIAL PERFORMANCE

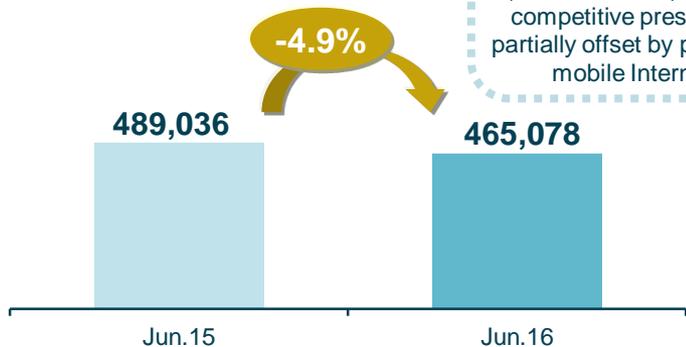
*Note: accumulated figures as of Jun.16 vs. Jun.15*

# MOBILE: Revenues, EBITDA, CAPEX and OpCF evolution

## MOBILE

### Total revenues\*

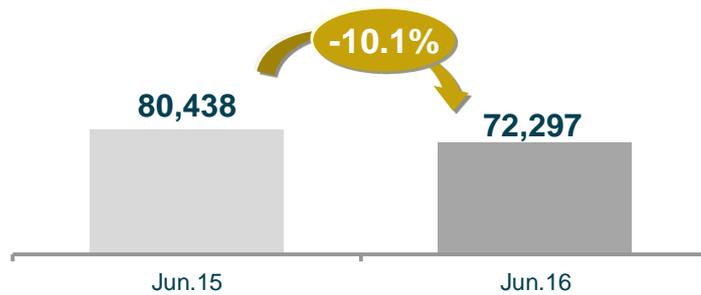
Ch\$ million



Revenues decrease explained by less accesses and prepaid revenues (voice and data), due to competitive pressures, partially offset by postpaid mobile Internet

### CAPEX

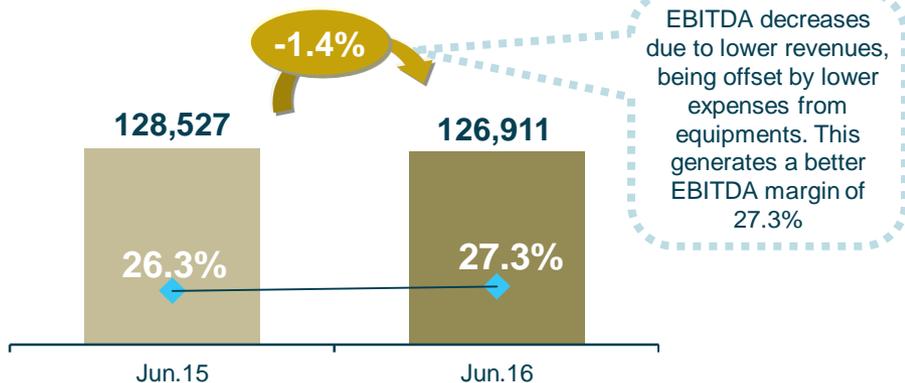
Ch\$ million



Lower network Capex in 1H16 due to works in process related to 4G deployment in 700 Mhz band

### EBITDA\* and EBITDA margin (%)

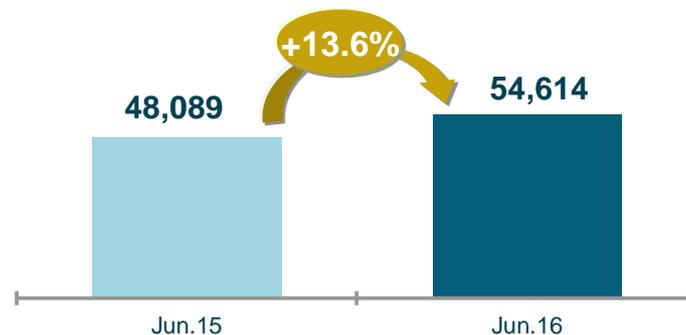
Ch\$ million



EBITDA decreases due to lower revenues, being offset by lower expenses from equipments. This generates a better EBITDA margin of 27.3%

### OpCF [EBITDA-CAPEX]

Ch\$ million



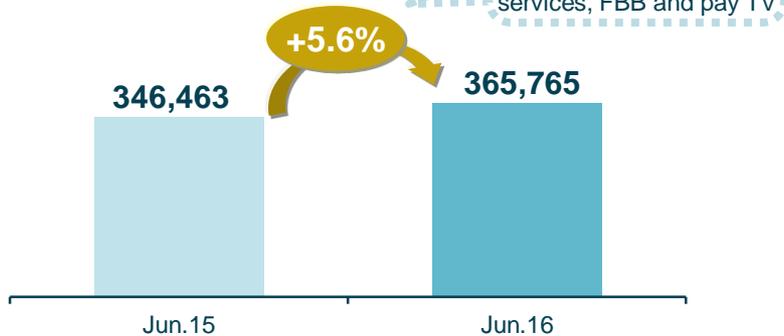
OpCF increases due to lower CAPEX which offset slight drop in EBITDA

# FIXED: Revenues, EBITDA, CAPEX and OpCF evolution

## FIXED

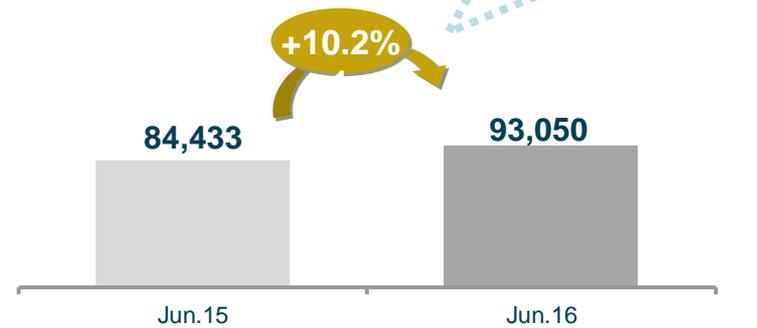
### Total Revenues

Ch\$ million



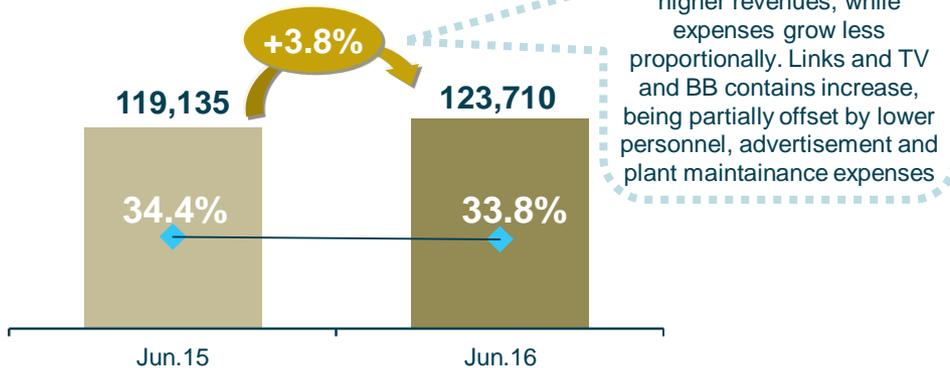
### CAPEX\*

Ch\$ million



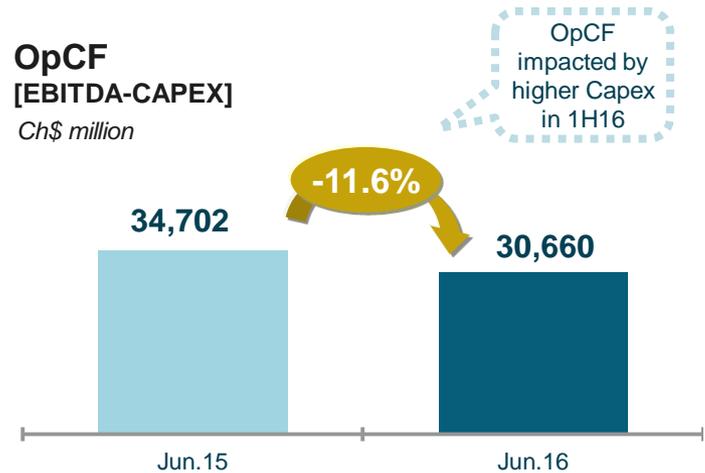
### EBITDA\* and EBITDA margin (%)

Ch\$ million



### OpCF [EBITDA-CAPEX]

Ch\$ million



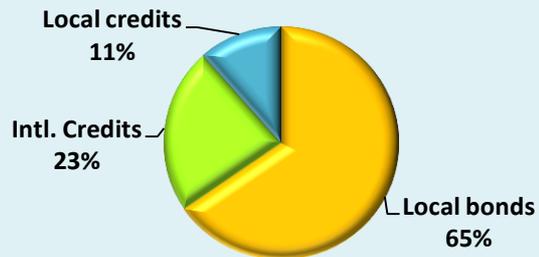
# Debt structure and Debt amount remain stable in Fixed and Mobile businesses

## MOBILE

Gross Debt as of Jun. 2016 → Ch\$426 bn

Net Debt as of Jun. 2016 → Ch\$235 bn

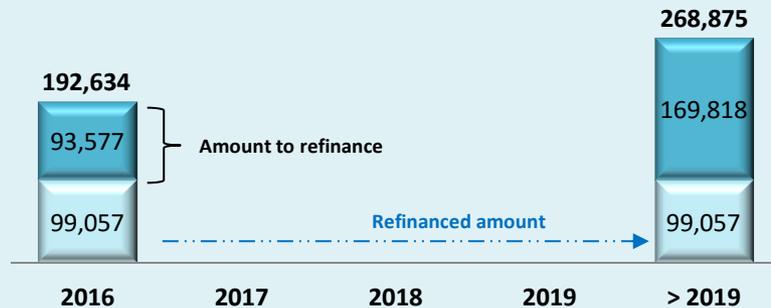
Structure:



✓ **Gross Debt:** Ch\$ 30 bn increases due to an April in advance refinance from debts maturing in Nov. 2016

✓ **Net Debt:** increases Ch\$ 29 bn due to lower cash balance vs. June 2015

MATURITIES PROFILE Ch\$ million:

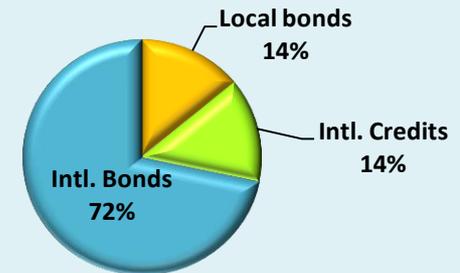


## FIXED

Gross Debt as of Jun. 2016 → Ch\$314 bn

Net Debt as of Jun. 2016 → Ch\$253 bn

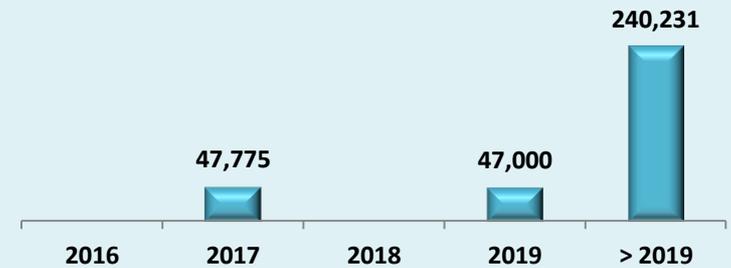
Structure:



✓ **Gross Debt:** remains stable vs. June 2015

✓ **Net Debt:** increases Ch\$26 bn due to lower cash balance vs. June 2016

MATURITIES PROFILE Ch\$ million:



# Efficiency in interest rate management allows an average annual interest rate of roughly 5.5%

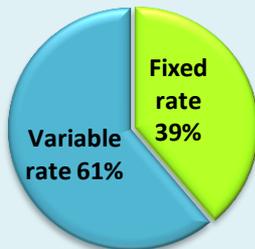
## MOBILE

Financial Expenses Ch\$ million



- ✓ Gross and Net financial expenses increase as consequence of TPM (monetary policy rate) rise from 3.0%, in 1H15, to 3.5%, in 1H16, and due to lower financial investments avg. balance

### Currency and Interest rate hedge



### 100% FX hedging

11% CLP depreciation (avg 1H16 vs. avg. 1H15) has not impacted principal and interest rate payments

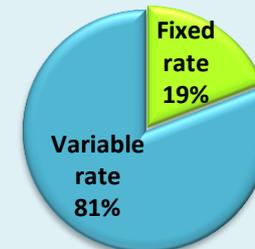
## FIXED

Financial Expenses Ch\$ million



- ✓ Gross and Net financial expenses increase mainly due to lower average cash balance and TPM (monetary policy rate) rise

### Currency and Interest rate hedge



# Sound financial ratios

**Total liabilities  
(less) hedging assets  
/ Equity <sup>(1)</sup>**

## MOBILE

0.9



2Q2015

1.0



2Q2016

## FIXED

1.1



2Q2015

1.0



2Q2016

**Net Debt /  
EBITDA <sup>(1)</sup>**

0.8



2Q2015

0.9



2Q2016

0.9



2Q2015

1.0



2Q2016

**EBITDA / Financial  
Expenses**

11



2Q2015

10



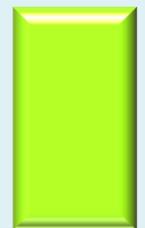
2Q2016

10.8



2Q2015

10.3



2Q2016

<sup>(1)</sup> Operating leases are not included

# Summary of Financial Results

Accumulated as of June 30, 2016

Ch\$ million IFRS	T. MÓVILES CHILE		T. CHILE	
	Jan-Jun 16	% Var. '16/'15	Jan-Jun 16	% Var. '16/'15
Total revenues	465,078	-4.9%	365,765	+5.6%
Operating expenses	-338,167	-6.2%	-242,055	+6.5%
<b>EBITDA</b>	<b>126,911</b>	<b>-1.3%</b>	<b>123,710</b>	<b>+3.8%</b>
<b>EBITDA margin</b>	<b>27.3%</b>	<b>+1.0pp</b>	<b>33.8%</b>	<b>-0.6 pp</b>
Depreciation and amortization	-52,698	+5.4%	-94,173	-2.4%
<b>Operating income</b>	<b>74,213</b>	<b>-5.5%</b>	<b>29,537</b>	<b>+30.2%</b>
Net interest income and Others	-6,170	+25.2%	-11,081	+27.8%
Taxes	-16,502	-13.2%	-1,146	-76.8%
<b>Net income before minority interest</b>	<b>51,541</b>	<b>-5.6%</b>	<b>8,240</b>	<b>+90.8%</b>
<b>Net income</b>	<b>51,541</b>	<b>-5.6%</b>	<b>7,677</b>	<b>101.7%</b>

# Summarizing....

## MOBILE business

- **EBITDA** reaches Ch\$**126,911** million
- **EBITDA margin: 27.3%, increases +1.0 p.p.** due to an efficient management in equipments offer
- **Postpaid accesses and revenues grow leveraged by 4G** and positive net gain in Postpaid portability

## FIXED business

- **EBITDA** reaches Ch\$**123,710** million, **growing 3.8%**
- **EBITDA margin: 33.8%**
- **High speed FBB and IPTV accesses increase** pushes revenues growth
- **Corporate Communications revenues growth** driven by Digital services and Data



Telefonica