



2015 NEW

CHALLENGES

# TELEFONICA IN CHILE

Financial Results  
Accumulated as of March 2015

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

Santiago, May 15, 2015

# Year 2015: 5 STRATEGIC FOCUSES



**Deployment of high speed networks<sup>1</sup> (F-M)**



**Improve customer experience**



- High speed BB<sup>1</sup> (F-M)
- Mobile Internet
- Pay TV
- Digital Services



**Efficiency**



**Talent and leadership**

<sup>1</sup> High speed Broadband: VDSL and Optic Fiber with higher speeds than 15 MHz





# BUSINESS OVERVIEW

**Notes:**

Accumulated figures as of March '15 vs. March '14

Figures in Chilean peso (Ch\$ or CLP)

M: thousands

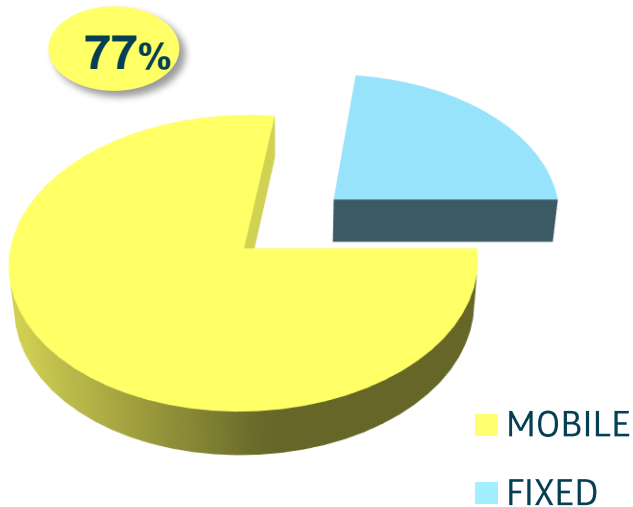
MM: millions

# BUSINESS OVERVIEW: LEADERSHIP in the industry by Total Accesses

Total **ACCESSES** (F+M):  
As of Mar. '15

**13.8MM**

$\Delta^+$  2%  
(Mar.'15 vs. Mar.'14)



**Mobile**  
**10.6MM**

Var. +2%



**Voice**  
**8.5MM**

Var. 0%



**Mobile Internet<sup>1</sup>**  
**2.1MM**

Var. +10%

**Fixed**  
**3.2MM**

Var. +3%



**Voice**  
**1.6MM**

Var. -5%



**FBB**  
**1,0MM**

Var. +8%



**Pay TV**  
**0.6MM**

Var. +17%

MIX post/prepaid:



Note: YoY variations Mar. 15 vs. Mar. 14

<sup>1</sup>Mobile Internet = MBB+NEM\*+M2M

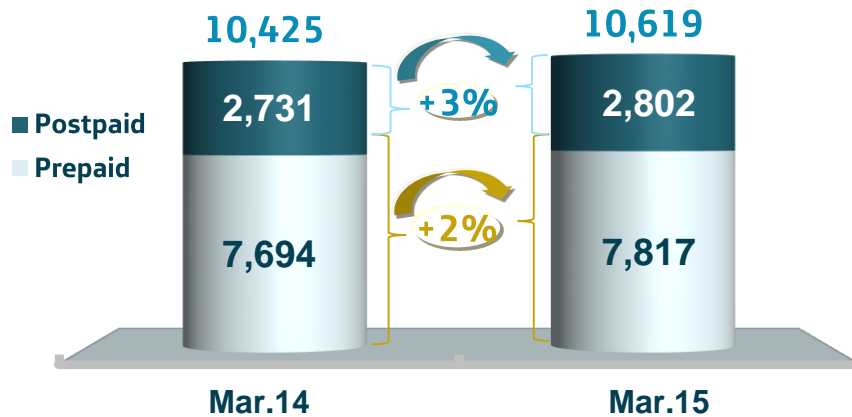
\* NEM: "Navigation In Mobile". Not included "NEM PPU" (NEM pay per use)

"Moving technology closer to corporates and persons to provide them an easier life"

# MOBILE BUSINESS OVERVIEW: MOBILE accesses grow pushed by Prepaid and Postpaid

## Postpaid and Prepaid Accesses

In thousands (M)



|                 | Var. Mar'14-Mar'13 | Var. Mar'15-Mar'14 |
|-----------------|--------------------|--------------------|
| <b>Revenues</b> | <b>+1%</b>         | <b>0% (+4%)*</b>   |

- Total mobile revenues drop -0.4%**, mainly due to lower interconnection (ITX) revenues given an additional 16% of ITX tariffs cut-offs, since Jan.15
  - ✓ Total Postpaid revenues (Voice+NEM<sup>1</sup>): **+9.7%**
  - ✓ Total Prepaid revenues (Voice+NEM<sup>1</sup>): **-2.3%**, affected by less minutes recharges in the quarter

- Postpaid accesses: +2.6%**, pushed by:
  - ✓ **Growth in 4G** encourages data usage by improving customer experience  
→ **higher ARPU**
  - ✓ All new adds are 4G plans
  - ✓ Net gain in number portability
- Prepaid Accesses: +1.6%**, driven by higher Internet use
  - Mix post/prepaid: 26/74**
    - Market SHARE** by accesses: **39%**

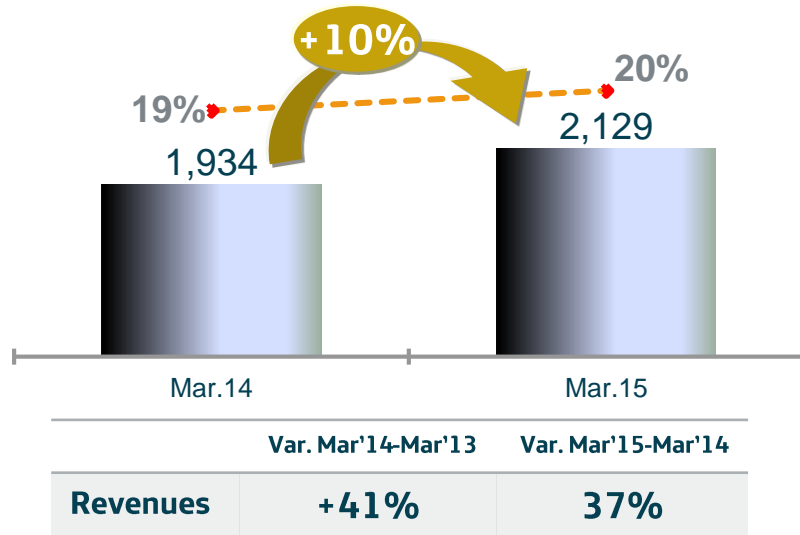
*\* applying equivalent tariffs: it takes real traffics for '14 and '15, both multiplied by 2014 tariffs*

*<sup>1</sup> NEM: Navigation in Mobile*

# MOBILE BUSINESS OVERVIEW: **MOBILE Internet remains as a growth lever**

## Mobile Internet ACCESSES <sup>(1)</sup> and % o/total mobile accesses

In thousands (M)



- **Higher ARPU** due to 4G plans
- **Positive evolution in penetration of clients with NEM:** 20% o/ total accesses, with ample room to grow

- **Mobile Internet Accesses (NEM+MBB): +10.1%**, pushed by:

- ✓ **NEM** accesses: +21.3%, offset by MBB accesses: -21,7%

- ✓ Increase in **4G accesses x8** → **338,348**

- **Mobile Internet revenues (NEM+MBB): +37.1%**, due to:

- ✓ **NEM revenues: +43.2%**, with important growth in pre- and postpaid, due to success of number portability campaigns and more data traffic

This was partially offset by **MBB revenues decrease: -8.0%**, aligned with our commercial strategy

(1) Mobile Internet = MBB+NEM\*+M2M

\* **NEM: "Navigation in Mobile"**. Not included "NEM PPU" (pay per use NEM)

# FIXED BUSINESS OVERVIEW: **FIXED** segment capturing growth from High Speed plans and pay TV products

## FBB



**+ 8.2%**

**1,048M accesses**

Driven by growth in High Speed plans

**+ 57.7%**

**Growth of High Speed (HS) plans**

More than **73M F.O.** and **118M VDSL** accesses

**HS / Total accesses = 18.3%**

**+ 8.5%**

**Higher FBB revenues**

Ch\$43,533MM, in line with accesses growth

## Pay TV



**+ 16.9%**

**616M accesses**

Driven by DTH (13.9%) and IPTV (113.4%) growth

**x2**

**IPTV customers over 33M**

**+ 28.4%**

**Higher pay TV revenues**

Reach Ch\$39,846MM because of higher ARPU, due to IPTV growth and better customer mix regarding "HD" plans

## VOICE



**-4.7%**

**1,558M lines**

**Drop in lines in service** offset by FBB and pay TV growth, allows a **3% increase in Total accesses**

**76% of bundled residential lines**

Growth in "Tríos" and "Dúos" (FBB-payTV)

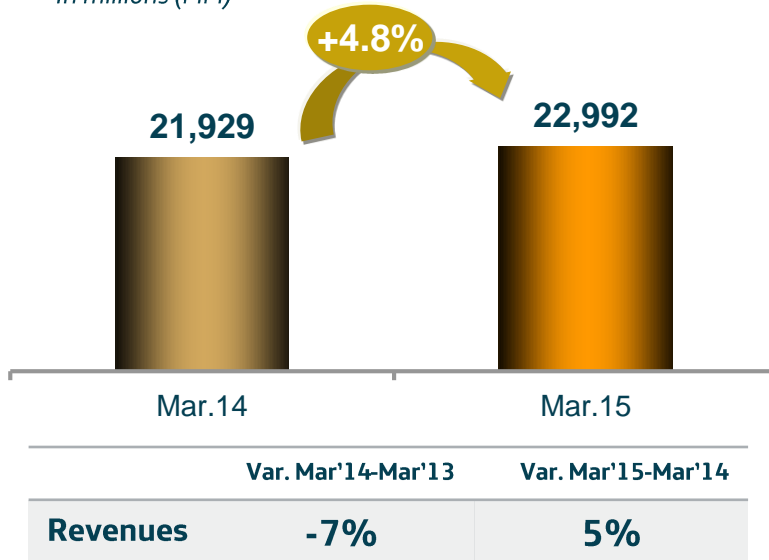


# FIXED BUSINESS OVERVIEW: CORPORATE DATA COMMUNICATIONS

## grows supported by Digital and Other Services

### Corporate Data Communications revenues

In millions (MM)



### Main projects in 1Q15



- Corporate Data Communications** revenues, which represent 14% of total consolidated revenues **grow +5%**, mainly explained by:
  - Increase in private customer projects**, as result of sales in 2014, particularly:
    - Fixed Data services:** +8% in Private IP Networks, Internet, Satellite Services and Data Equipment, which represent, approximately, 50% of Corporate Data Communications revenues
    - Digital Services**, which represent 16% of total Corporate Data Communications revenues, **grow +18%**, driven by “Cloud” (+36%), “Security” (+66%) and “TV” (+45%) services







# FINANCIAL OVERVIEW



**Notes:**

*Accumulated figures as of March '15 vs. March '14*

*Figures in Chilean peso (Ch\$ or CLP)*

*M: thousands*

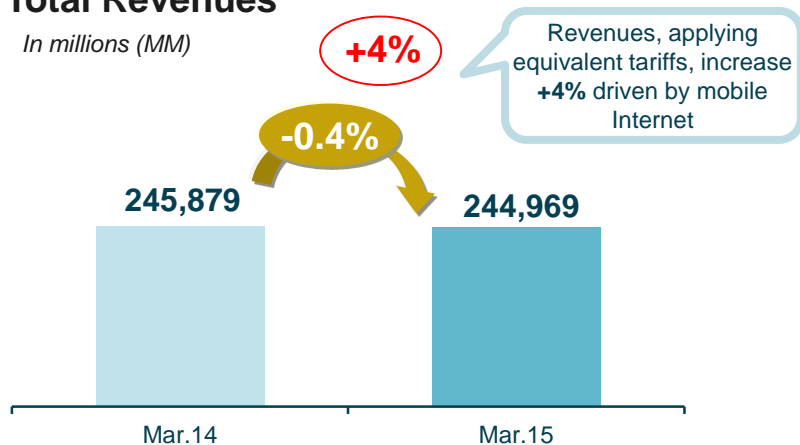
*MM: millions*

# MOBILE FINANCIAL OVERVIEW: Revenues, EBITDA, CAPEX and OpCF evolution

## MOBILE

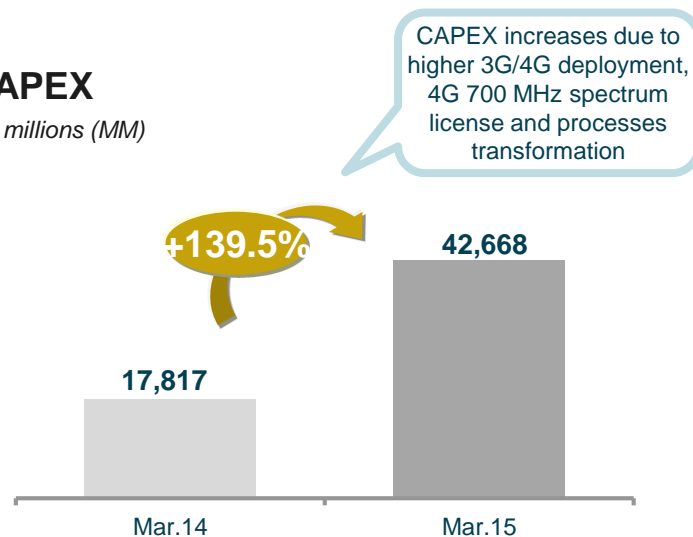
### Total Revenues\*

In millions (MM)



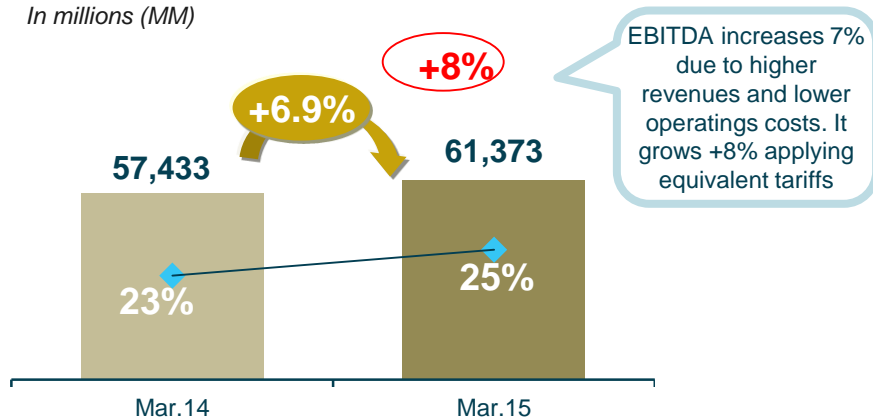
### CAPEX

In millions (MM)



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

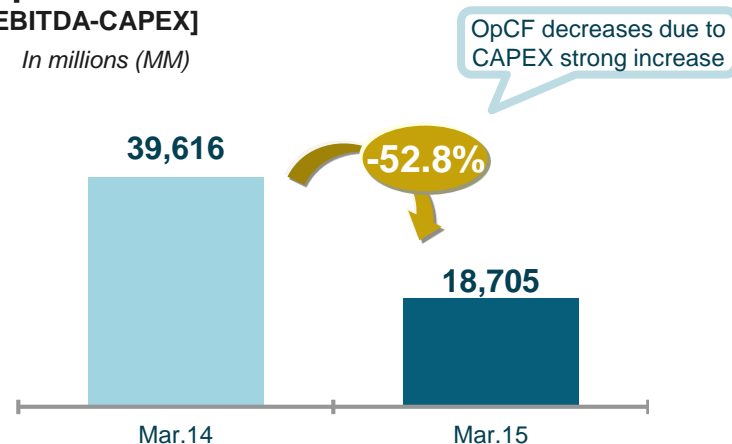
In millions (MM)



### OpCF

[EBITDA-CAPEX]

In millions (MM)



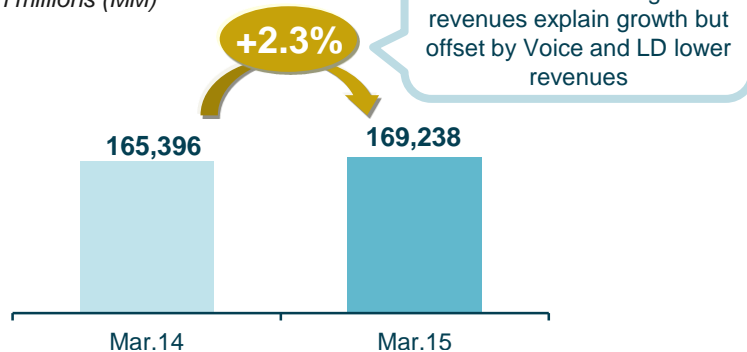
(\* ) Mobile revs. and EBITDA impacted by an additional mobile ITX cut-off (-16%), in Jan. 15. "Equivalent tariffs" means that numbers are recalculated with real traffics in '14 and '15 but priced at '14 tariffs

# FIXED FINANCIAL OVERVIEW: Revenues, EBITDA, CAPEX and OpCF evolution

## FIXED

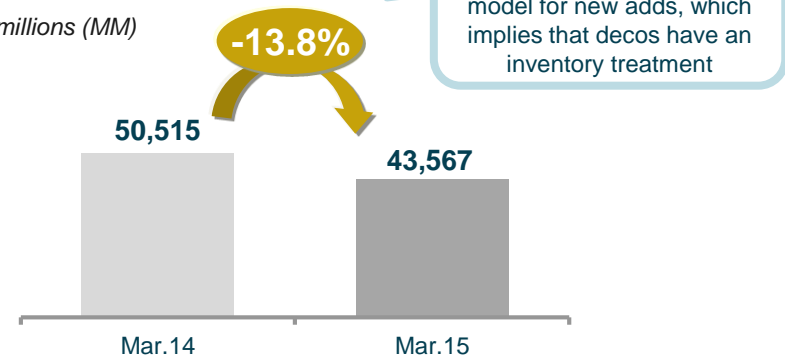
### Total Revenues

In millions (MM)



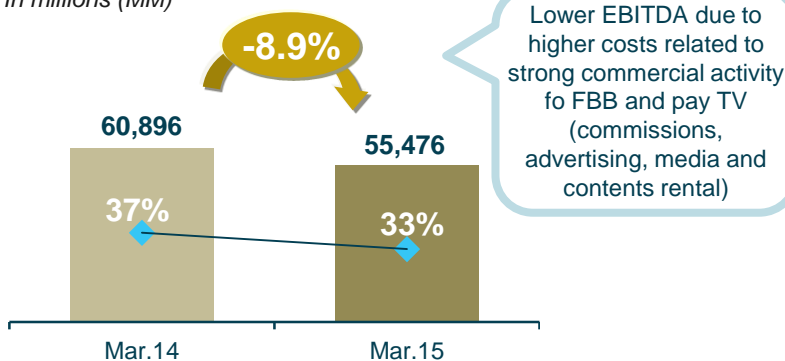
### CAPEX

In millions (MM)



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

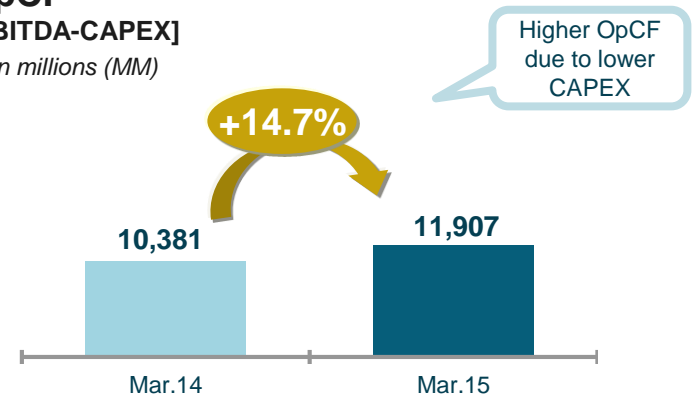
In millions (MM)



### OpCF

[EBITDA-CAPEX]

In millions (MM)

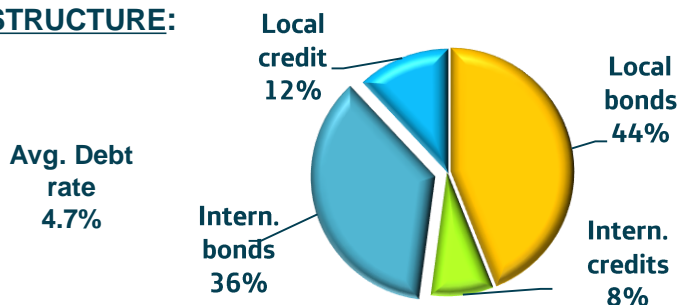


# FINANCIAL OVERVIEW: Diversified Debt structure, with accessibility to local and international markets

## MOBILE

Gross Debt as of Mar. 2015 → Ch\$400M MM  
 Net Debt as of Mar. 2015 → Ch\$272M MM

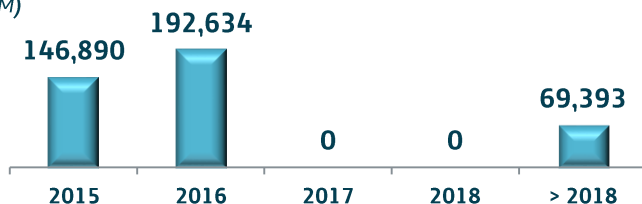
### STRUCTURE:



- ✓ **Gross Debt:** decreased Ch\$71M MM (Mar15 vs. Mar14), mainly due to payment of Bond Series A (Ch\$32M MM), in Jul.14, as well as a credit with Banco Chile (Ch\$26 mil mills.), in Dec14
- ✓ **Net Debt:** increased Ch\$65M MM, in the same period, due to lower Cash balance

### MATURITIES PROFILE:

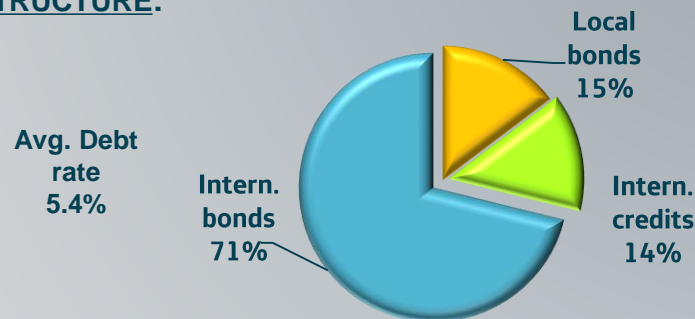
In millions (MM)



## FIXED

Gross Debt as of Mar. 2015 → Ch\$325M MM  
 Net Debts as of Mar. 2015 → Ch\$192M MM

### STRUCTURE:



- ✓ **Gross Debt:** decreased Ch\$58M MM (Mar15 vs. Mar14), mainly due to prepayment of credits with Banco Santander (Ch\$30M MM) and with Scotiabank (Ch\$12M MM), in Dec.14
- ✓ **Net Debt:** decreased Ch\$116M MM due to the same effect and the higher average Cash balance as of Mar.15

### MATURITIES PROFILE:

In millions (MM)



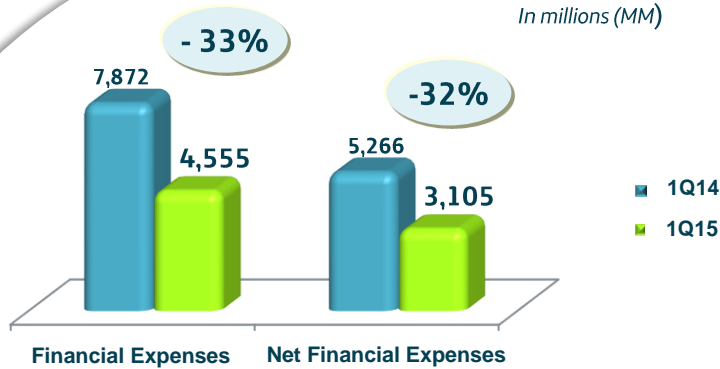


# FINANCIAL OVERVIEW: Efficiency in interest rates management allows to diminish Financial Expenses

## MOBILE

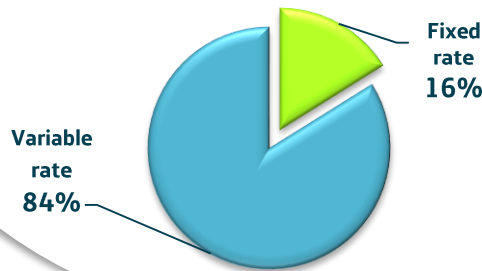
### Financial Expenses

In millions (MM)



- ✓ Gross and Net Financial Expenses decreased due to lower average interest rate and lower Debt. This effect was partially offset by a lower interest rate from financial investments and lower Cash balance

### Currency and Interest rate hedging



### 100% FX hedge

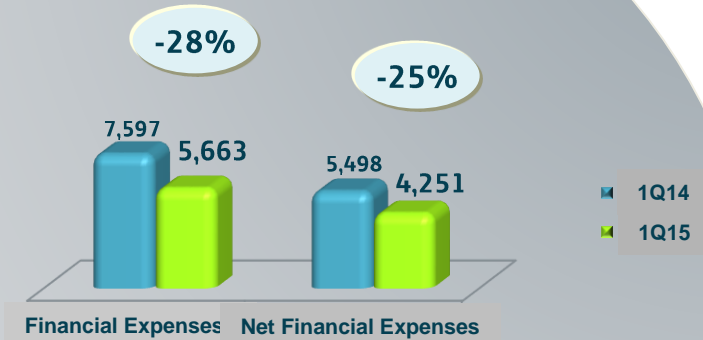
CLP depreciation of 13% (avg. Jan-Mar15 vs. avg. Jan-Mar14) has not impacted payment of debt (principal or interest)

### FIXED

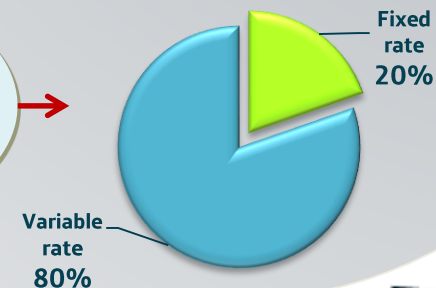
### Financial Expenses

### Financial Expenses

In millions (MM)



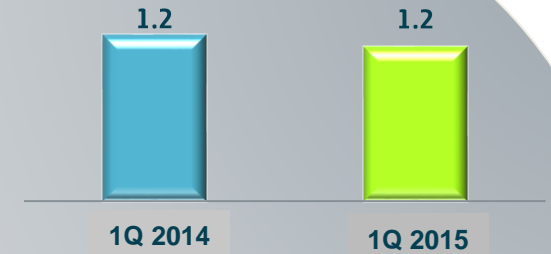
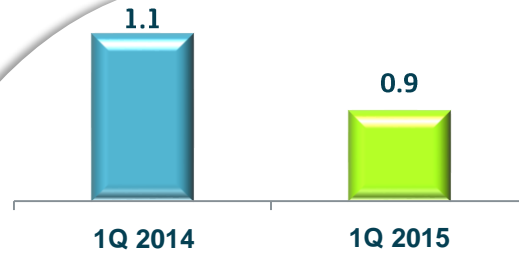
- ✓ Gross and Net Financial Expenses decrease due to lower average balance of Financial Debt related to previous year and market interest rates reduction



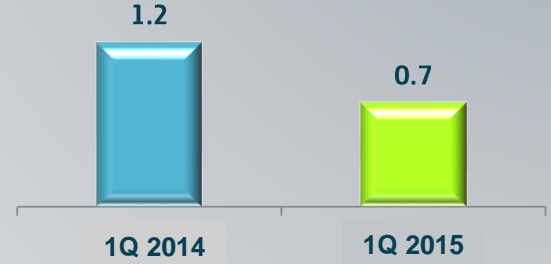
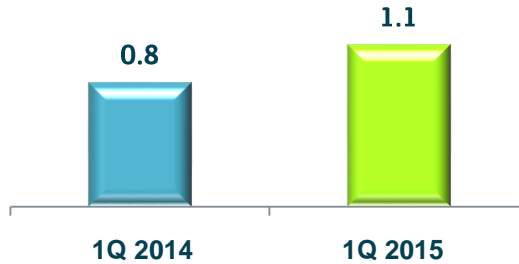
# MOBILE

# FIXED

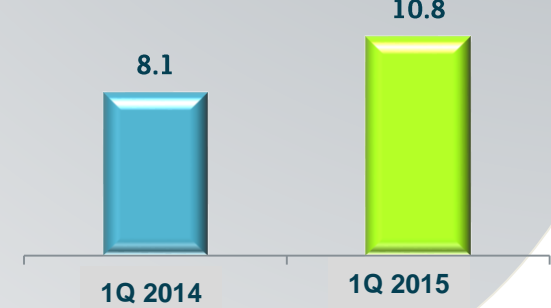
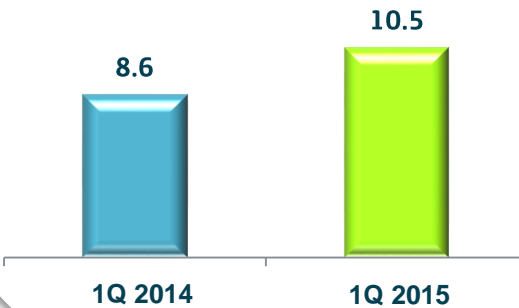
**Total liabilities  
(less) hedging assets  
/ Equity <sup>(1)</sup>**



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



**EBITDA / Financial  
Expenses**



<sup>(1)</sup> Not included operating leases

# FINANCIAL OVERVIEW: Summary of Financial Results

Accumulated as of Mar. 15

| MM Ch\$<br>IFRS                            | T. MOVILES CHILE |                   |  | T. CHILE      |                   |
|--|------------------|-------------------|--|---------------|-------------------|
|  | Jan-Mar 15       | % Var.<br>'15/'14 | Equiv.ITX tariffs*<br>%Var.<br>'14/'13 | Jan-Mar 15    | % Var.<br>'15/'14 |
| Total revenues                             | 244,969          | -0.4%             | +4%                                    | 169,238       | +2.3%             |
| Operating expenses                         | -183,596         | -2.6%             |  | -113,764      | +8.9%             |
| <b>EBITDA</b>                              | <b>61,373</b>    | <b>+6.9%</b>      | <b>+8%</b>                             | <b>55,474</b> | -8.9%             |
| <b>EBITDA margin</b>                       | <b>25.1%</b>     | <b>+1.7pp</b>     |  | <b>32.8%</b>  | -4.0 pp           |
| Depreciation and amortization              | -24,914          | +8.0%             |  | -46,484       | +4.4%             |
| <b>Operating income</b>                    | <b>36,459</b>    | <b>+6.1%</b>      |  | <b>8,990</b>  | <b>-45.1%</b>     |
| Net interest income and others             | -3,172           | -7.3%             |  | -4,366        | -22.5%            |
| Taxes                                      | -6,830           | +31.5%            |  | -1,389        | +1.1%             |
| <b>Net income before minority interest</b> | <b>26,456</b>    | <b>+2.8%</b>      |  | <b>3,244</b>  | <b>-65.4%</b>     |
| <b>Net income</b>                          | <b>26,456</b>    | <b>+2.8%</b>      |  | <b>2,928</b>  | <b>-65.5%</b>     |

(\*) Mobile revs. and EBITDA impacted by an additional mobile ITX cut-offs (-16%), in Jan. 15.  
 "Equivalent ITX tariffs" means real traffics in 2014 and 2015 priced at 2014 tariffs

## MOBILE BUSINESS:

- ✓ **Growth in Prepaid (+2%) and Postpaid accesses (+3%) pushed by higher mobile data use**
- ✓ **Market leadership in 4G with 338,348 customers**
- ✓ **Revenues**, applying equivalent tariffs, **grow +4%**, mainly **due to Mobile Internet accesses and revenues growth: +10% and +37%**, respectively
- ✓ **EBITDA margin improves**, reaching **25%**, despite an additional ITX tariffs cut-offs (-16%), applied since Jan.15



## FIXED BUSINESS:

- ✓ **High Speed accesses reach 18% o/ Total accesses**, pushed by growth in **FBB: +8.5%**
- ✓ **Pay TV revenues increase +28%** driven by IPTV and more clients with HD plans
- ✓ **EBITDA margin reach to 33%**, affected by higher commercial activity, growth in rentals of networks and contents, as well as the CLP vs. USD exchange rate increase





*Telefon*