

Telefonica

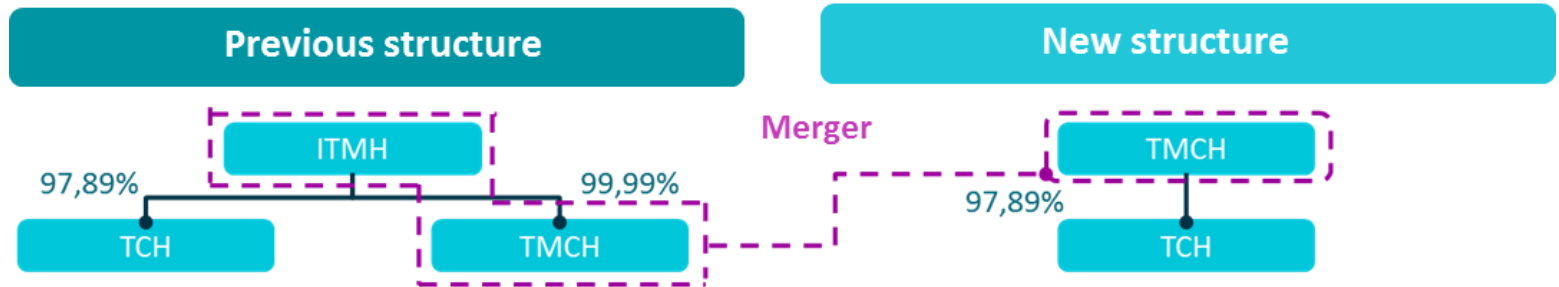
TELEFONICA MOVILES CHILE
S.A & TELEFONICA CHILE S.A

Consolidated Financial Results
(FIXED & MOBILE businesses) accumulated as
of June 2017



Santiago de Chile, August 2, 2017

Since June 30, 2017, Telefónica Móviles Chile S.A (TMCH)' financial statements are presented under consolidated basis with its subsidiary Telefónica Chile S.A. (TCH, Fixed business). This occurs as a consequence of the MERGER of TMCH with its parent Company, Inversiones Telefónica Móviles Holding S.A., executed in May 2017



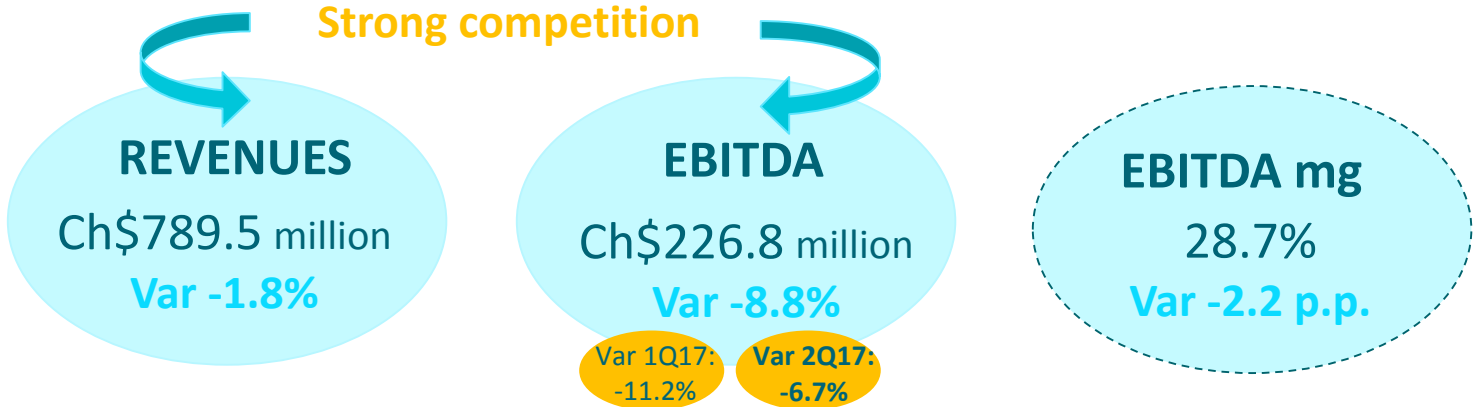


01 Business performance

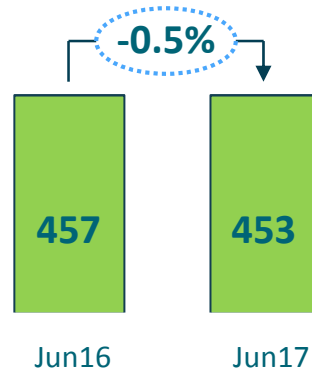
Note: accumulated figures as of Jun.17 vs. Jun.16

Consolidated EBITDA margin reaches 28.7% in highly competitive market

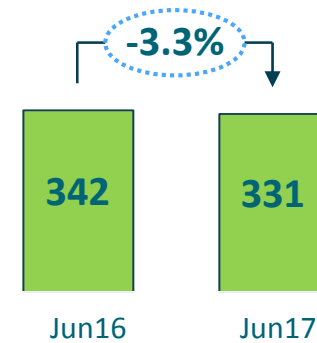
TMCH (F+M)
Consolidated Financial
Results



MOBILE revenues



FIXED revenues



- Mobile revenues under pressure due to high competition, mainly in Prepaid
- Lower Fixed Voice and LD revenues partially offset by FBB and pay TV revenues increase

Total ACCESSES show growth in Fixed and Mobile broadband and pay TV



TOTAL ACCESSES (F+M) as of Jun 17

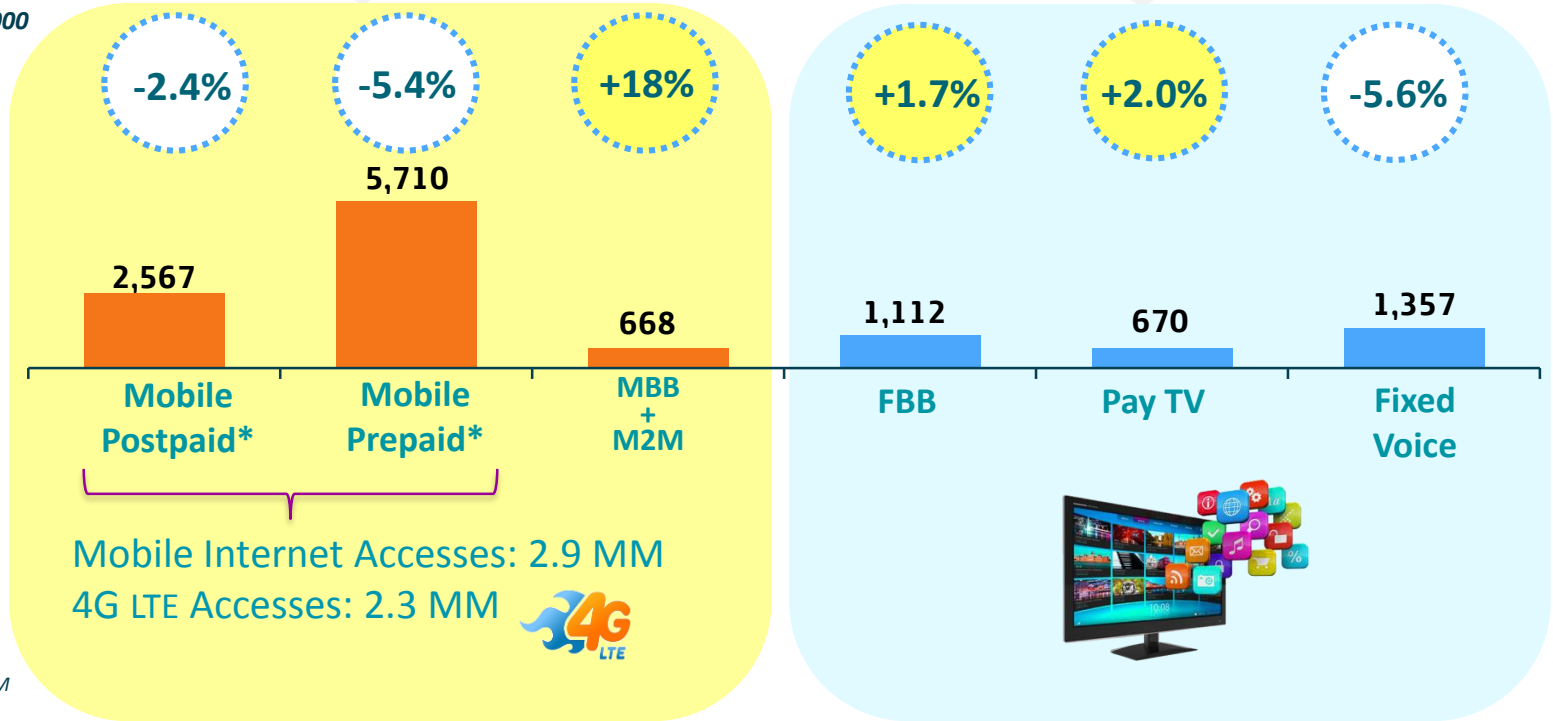
12.1 million

MOBILE accesses: 8.9 MM

FIXED accesses: 3.1 MM

Var.
Jun 17/16

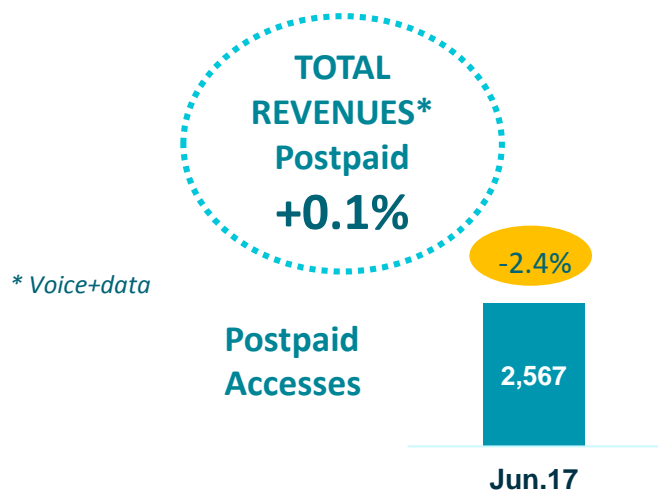
'000



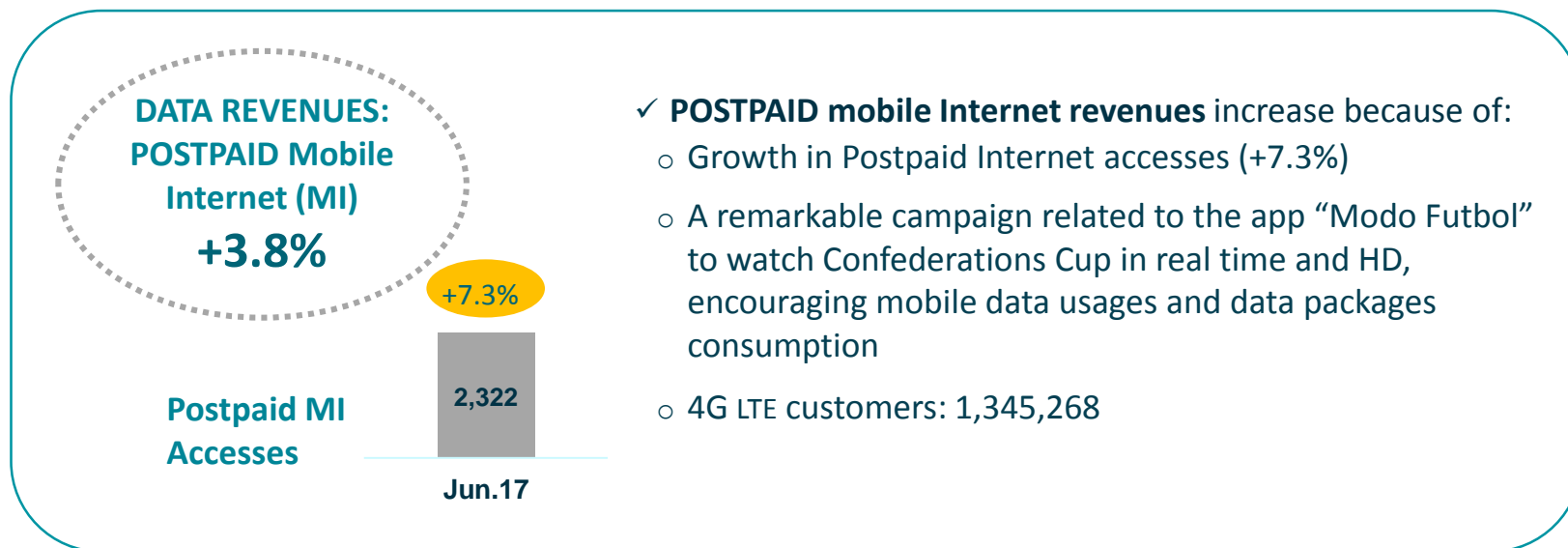
*: MBB and M2M are not included

¹ Mobile Data = MBB (mobile broadband → USB) + Mobile Internet*
*Mobile Internet: "Mobile browsing"

Mobile POSTPAID segment remain growing leveraged by mobile Internet

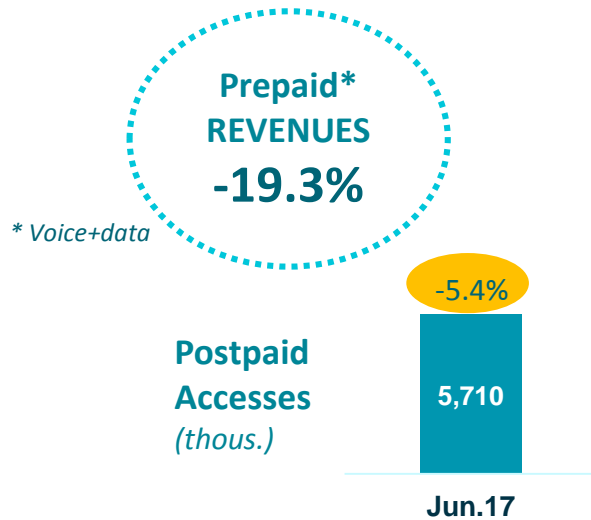


- ✓ **POSTPAID revenues (Voice+data)** increase due to:
 - Growth in mobile Postpaid Internet revenues (+3.8%) which offset Voice revenues (outbound) drop
 - Commercial campaigns and “Movistar ONE” offer, in 2Q17
 - Change of trend in 2Q17 in portability



- ✓ **POSTPAID mobile Internet revenues** increase because of:
 - Growth in Postpaid Internet accesses (+7.3%)
 - A remarkable campaign related to the app “Modo Futbol” to watch Confederations Cup in real time and HD, encouraging mobile data usages and data packages consumption
 - 4G LTE customers: 1,345,268

Mobile PREPAID segment shows positive net customer portability reducing revenues drop in 2Q

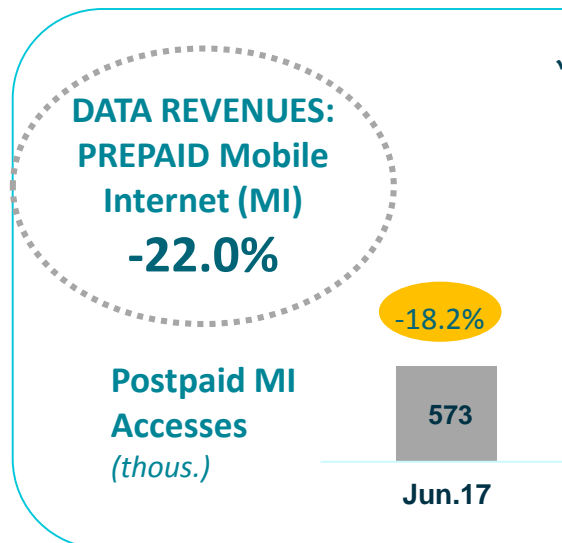


✓ **PREPAID** revenues (Voice+data) decrease due to 5.4% drop in accesses and lower top ups

- **Prepaid accesses decrease soften** thanks to positive portability in 1H17

✓ Net gain 1H17: 109,500 accesses

- **Successful “Pre Plan” campaign** and a new management model of commercial channels → on-site work to boost port-in. This caused **increases of more than 4.5x in portability net gain during 2Q17 vs 1Q17**

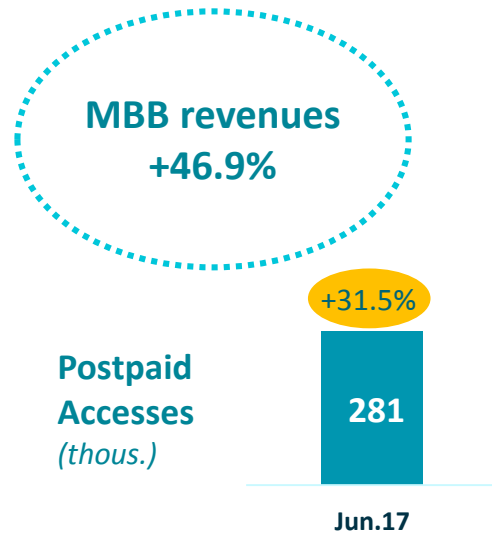


✓ **PREPAID mobile Internet revenues decrease** due to:

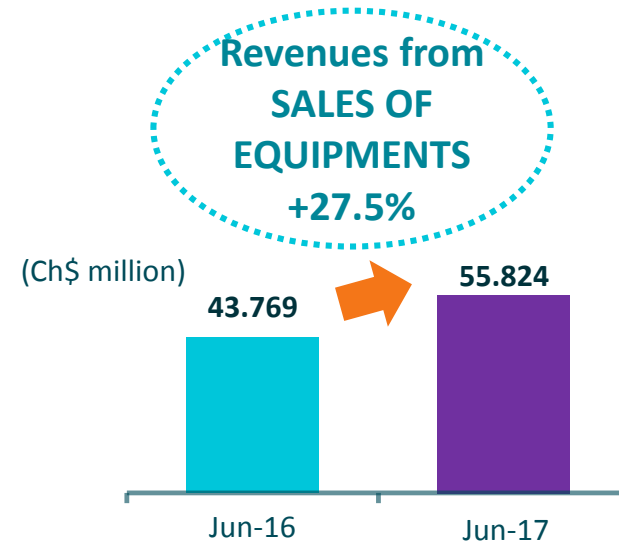
- Prepaid Internet accesses decrease because of fierce competition and lower top ups ARPU, partly offset by commercial campaigns which allow to reduce fall
- Campaigns and commercial offers, such as “Pre planes”, “Prepago ganador” (more gigas for browsing and social networks), “Avalancha de gigas”, (data for 3 days just for Ch\$2,000) and “Modo Futbol” look for reverting negative trend in 2Q17

- 4G LTE customers: 981,594

MBB revenues and sales of Equipment show important growth



- ✓ MBB revenues grow pushed by:
 - MIFI/Router service (“Banda Ancha Hogar 4G”)
 - As of Jun17: 126,000 MIFI/router customers (+32% yoy)

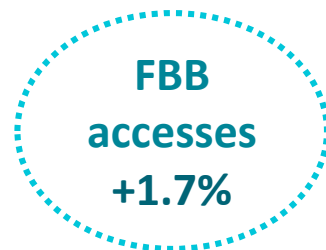
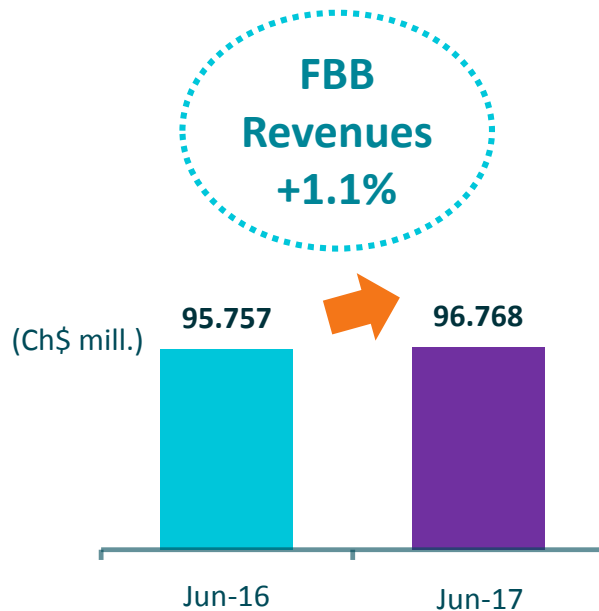


- ✓ New business for sale of equipments: “Full Price” and Movistar ONE (top end equipments), foster growth
 - “Father Day” offer in Jun.17
- ✓ Greater “Equipments+SIM” direct sale in retail



FBB maintains growth driven by high speed (HS) services

Var. % Jun '15-'16



1,112,166 Acceses

- FBB revenues grew 1.1%, mainly explained by:
 - A 1.7% growth in acceses, driven by HS
 - ✓ HS customers = 341,922 (+17.8%)
 - ✓ WBB customers (Wireless BB for homes) = 24,570 customers in 1H17, complets the FBB offer

**Penetration:
HS = 31%**

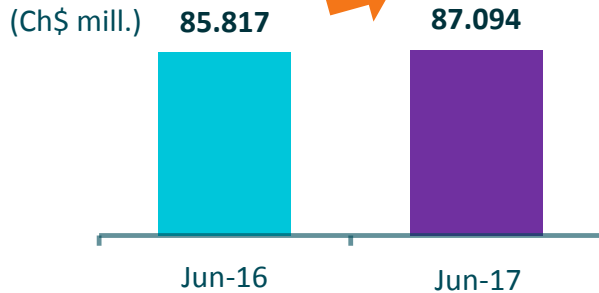


- Growth in Internet service for Companies, mainly in SME.
- New commercial offer launched in 1Q17, with competitive prices and higher speeds

TV Business keeps growing in 2Q17

Var. % Jun '15-'16

**TV revenues
+1.5%**



**TV customers
+2.0%**

669,727 customers

- TV revenues grew 1.5% explained by:
 - A 2.0% customers growth, boosted by IPTV service
 - ✓ IPTV customers= 59,033 (+14.9%), leveraged by new adds of F.O
 - ✓ Satellite TV (DTH) customers = 610,694 (+0.9%), due to a new offer of “Plan Trio HD inicia”

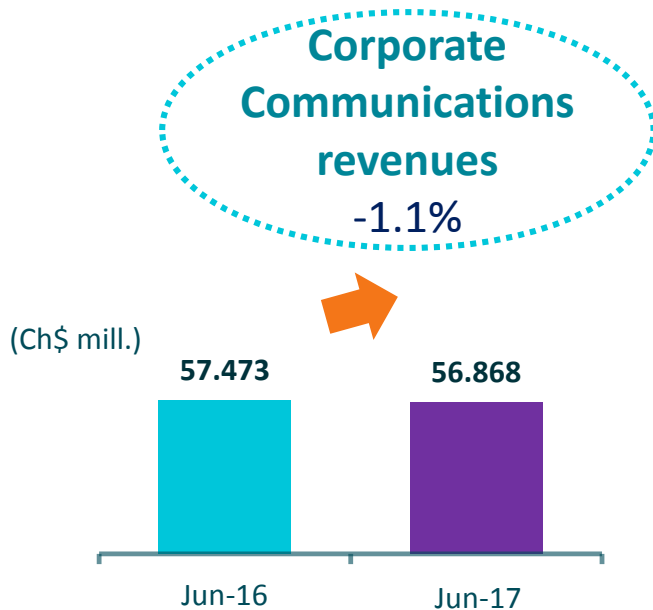
**Penetración:
IPTV = 9%**

In the framework of the advertising campaign "Let's Write the History Together" for Confederations soccer Cup, a new TRIO HD Offer was launched, which includes TV plan with 83 channels and FOX Premium for 3 months, driving DTH growth in the quarter

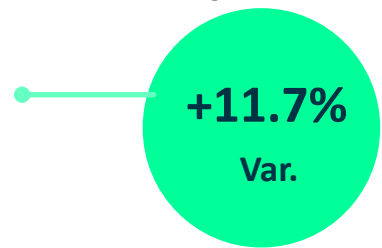
Corporate Communication business are still growing in Digital Services

- Corp. Communications revenues fall -1.1% due to lower revenues associated with the elections 2016 (elections revenues of 2017, will be recognized in 3Q17). Excluding this effect, revenues grew 1.5%, explained by:
 - **Digitales Services (excluding elections)** +11.7% Var.
 - **Private data services** +0.5% Var.

Var. % Jun '17/16



Digitales Services
(excluding elections)



- Boosted mainly by security services and Cloud

Private data services



- Higher revenues of IP private networks and satellite services due to new contracts and projects in the 2Q17



Área ó Razón Social

New 2Q17 projects





02



Financial performance

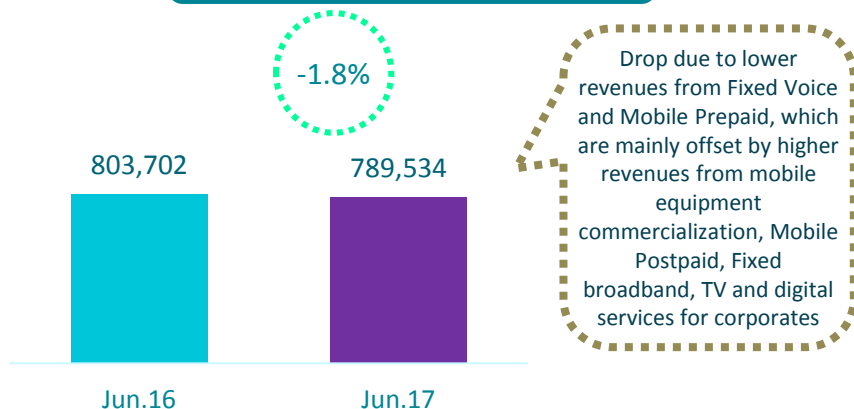
Nota: se comparan cifras acumuladas a Mar.17 vs. cifras acum. a Mar.16

02. Revenues, EBITDA, CAPEX and OpCF evolution in TMCH (Mobile+Fixed)

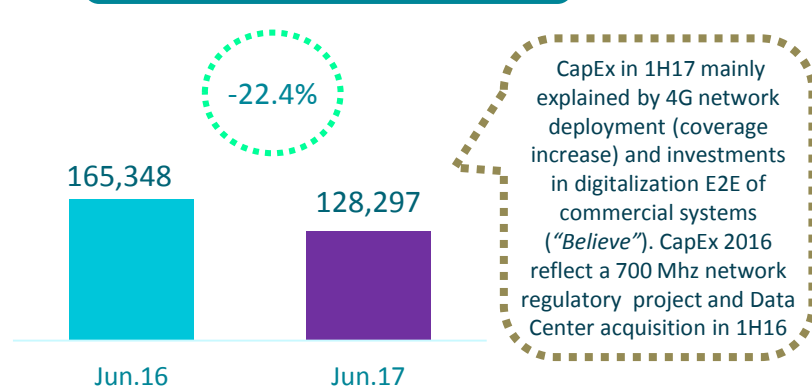


Ch\$ million

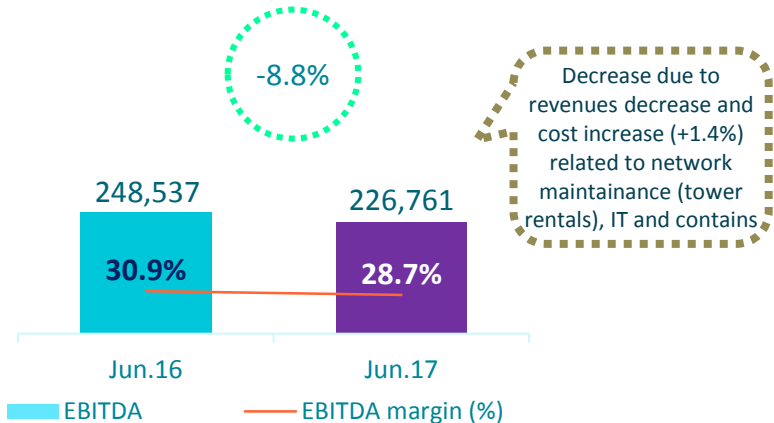
Revenues



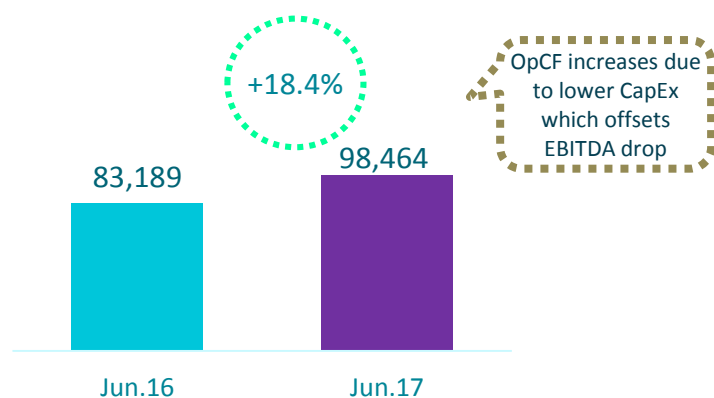
CapEx



EBITDA and EBITDA margin



OpCF [EBITDA-CapEx]

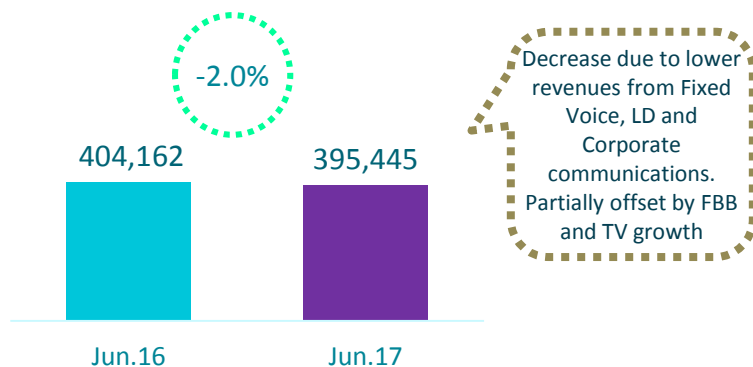


02. Revenues, EBITDA, CAPEX and OpCF evolution in TCH (Fixed business)

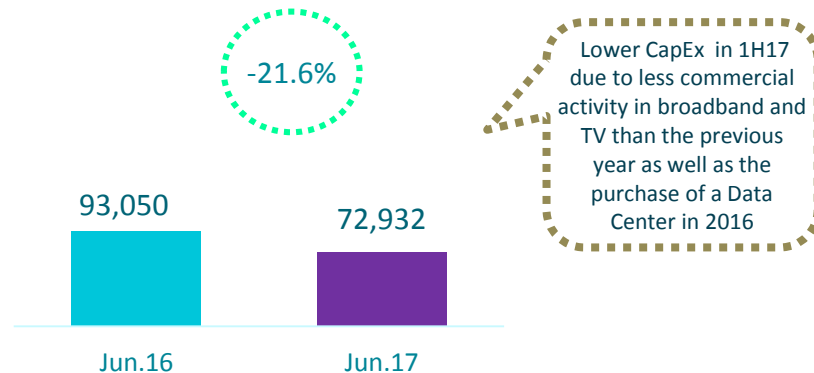


Ch\$ million

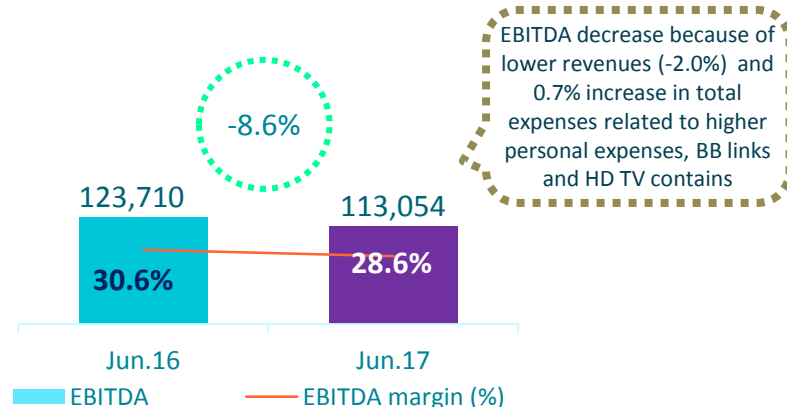
Revenues



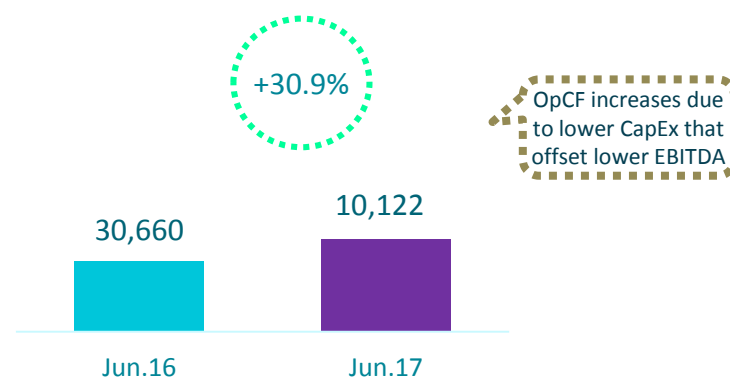
CapEx



EBITDA and EBITDA margin



OpCF [EBITDA-CapEx]



02. Stable and diversified debt level with efficient rate management (TMCH)

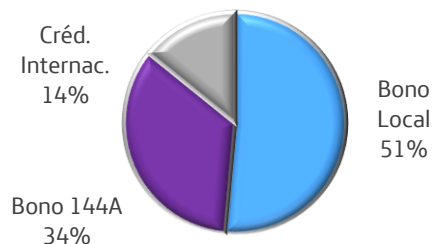
M+F

Debt

Gross Debt as of June 2017 → Ch\$692 billion

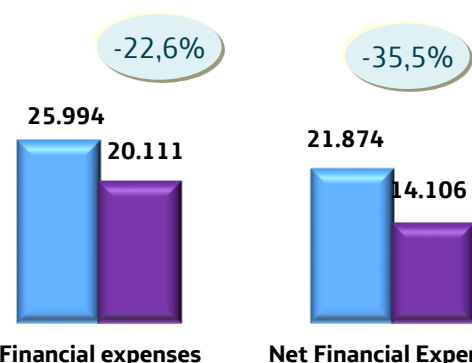
Net Debt as of June 2017 → Ch\$537 billion

AA+ (ICR/FITCH) BBB/BBB+ (S&P/FITCH)



- ✓ Gross Debt Jun 17/ Dec 16 is stable
- ✓ Net Debt Jun 17/ Dec 16 : increases Ch\$ 69 billion due to lower cash balance

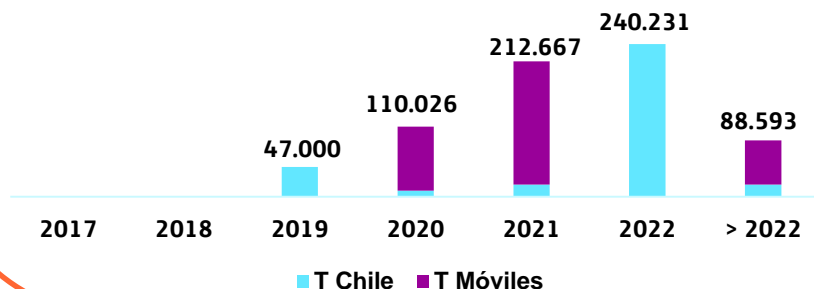
Financial Expenses Mills. Ch\$



Average annual rate for gross debt 5.0%

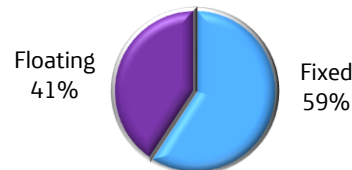
- ✓ Gross financial expenses decrease due to lower Debt and lower interest rate
- ✓ The floating-rate mix allowed us to take advantage of the drop in market interest rates

Maturities Profile Mill. Ch\$:



Currency and Interest rate hedging

Rate Mix



100% FX Coverage

Depreciation of the CLP of 4% (Jun17avg vs. Jun16 avg) has not impacted debt and interest payment flows

02. Stable and diversified debt level with efficient rate management (TCH)

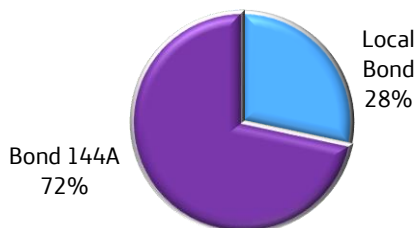
F

Debt

Gross Debt as of June 2017 → Ch\$327 billion

Net Debt as of June 2017 → Ch\$241 billion

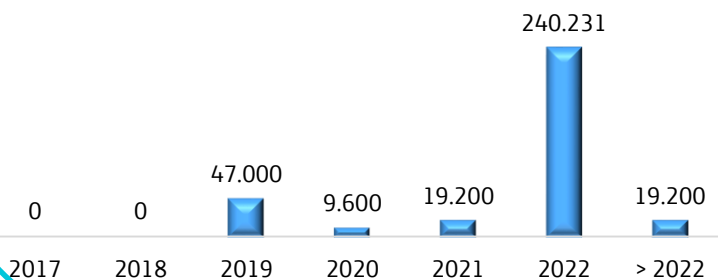
AA+ (ICR/FITCH) BBB/BBB+ (S&P/FITCH)



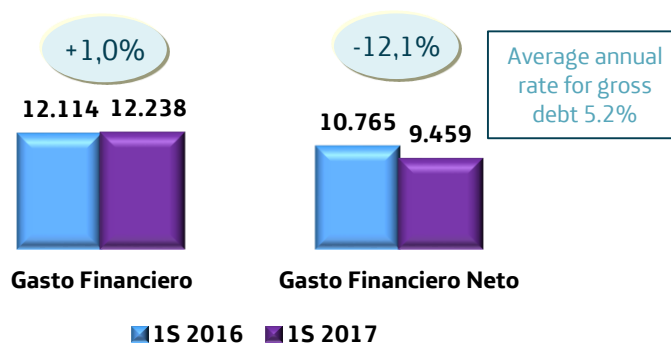
✓ **Gross Debt Jun 17/ Dec 16** is stable

✓ **Net Debt Jun 17/ Dec 16** : increases Ch\$ 44 billion due to lower cash balance

Maturities Profile *Mill. Ch\$:*

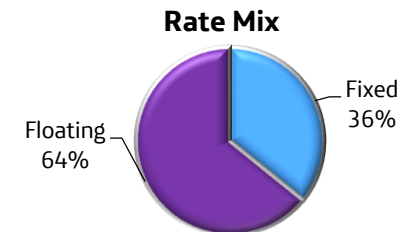


Financial Expenses *Mills. \$*



- ✓ Stable gross financial expenses due to falls in market interest rates offset by increase in other financial expenses (provisions update) and early refinancing in Jan-17.
- ✓ Net financial expenses decrease, mainly due to higher financial income associated with lower dividend payments

Currency and Interest rate hedging



100% FX Coverage

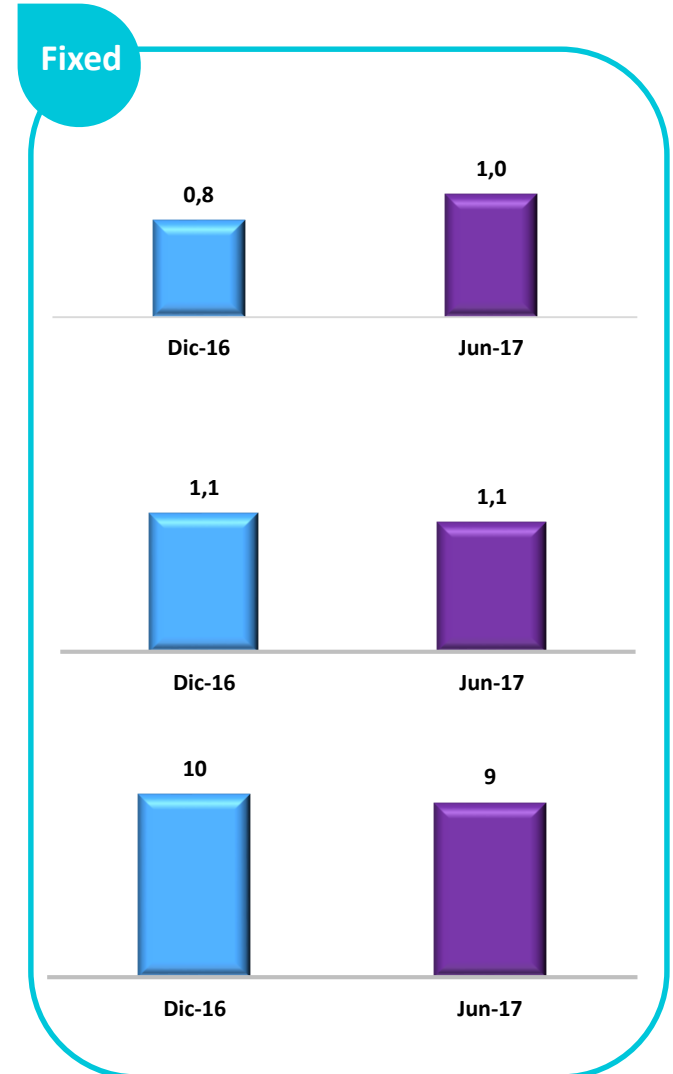
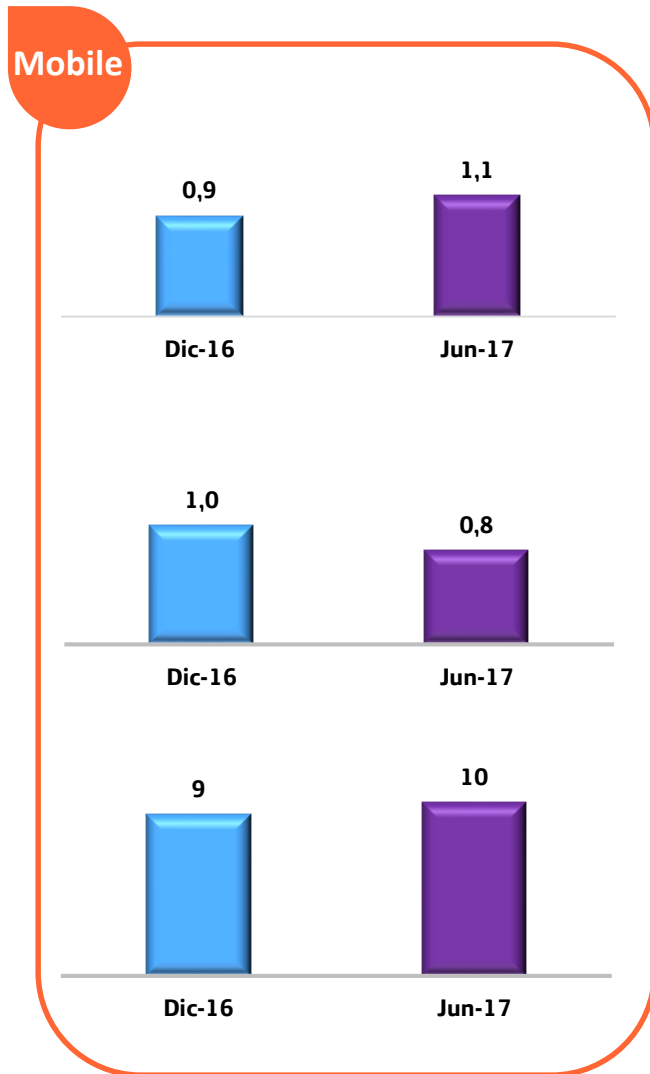
Depreciation of the CLP of 4% (Jun17avg vs. Jun16 avg) has not impacted debt and interest payment flows

02. The merged company maintains solid financial indicators.

Net Debt / EBITDA

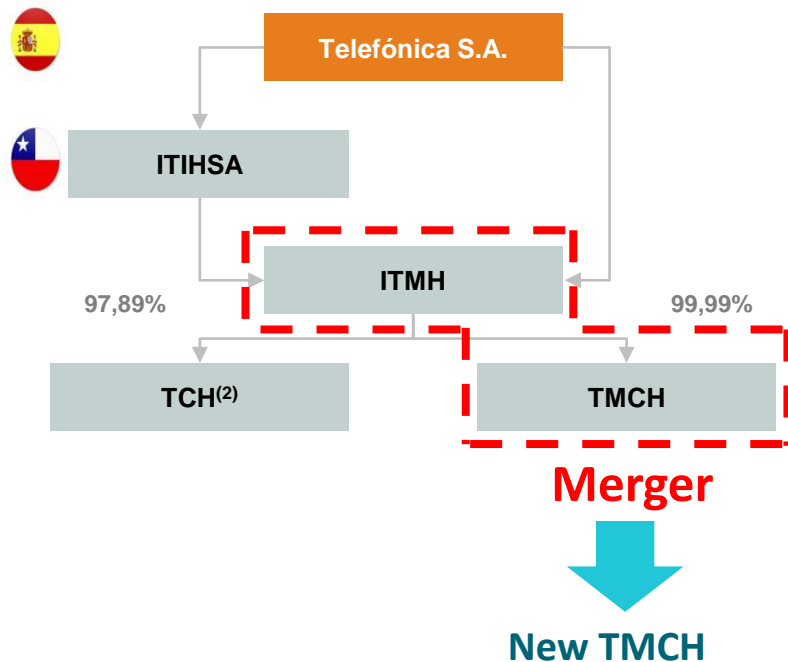
Total liabilities (less) hedging assets / Equity¹

EBITDA / Financial Expenses



¹ Operating leases are not included

Extraordinary effect on Deferred Taxes as of June 2017



- ✓ In May 17, the former company “TMCH” was merged with its parent company ITMH in order to:
 - simplify the corporate structure
 - get savings
 - obtain future efficiencies in debt and cash management processes
- ✓ The merger allows the allocation of the goodwill (existing in ITMH due to acquisitions of the mobile business in 2004 and 2006) to the non-monetary assets of the merged company up to their market value
- ✓ As a result, in June 30, 2017, a deferred tax (asset) of Ch \$ 137,422 * million was recognized in the income statement

* Provisional figure up to 3Q17, once the asset valuation process is completed

02. Summary of Financial Results

accumulated as of June 30, 2017

Million Ch\$ IFRS	TMCH		TCH	
	Jan-Jun 17	% Var. '17/'16	Jan-Jun 17	% Var. '17/'16
Total revenues	789,534	-1.8%	395,445	-2.2%
Operat. expenses (w/o deprec.)	-562,773	+1.4%	-282,391	+0.7%
EBITDA	226,761	-8.8%	113,054	-8.6%
EBITDA margin	28.7%	-2.2pp	28.6%	-2.0 pp
Depreciation and amortization	-142,696	-2.8%	-86,734	-7.9%
Operating income	84,065	-17.3%	26,320	-10.9%
Net interest income & Others	-13,399	-40.3%	-9,228	-16.7%
Taxes	129,656	-867.4%	442	-138.6%
Net income before minority interest	200,322	+221.3%	17,534	+1.3%
Net income	200,023	+222.5%	14,339	-5.8%

Summarizing...

- **EBITDA reaches \$226,761million and an EBITDA marging of 28.7%**
- **Revenues from TV, FBB, mobile Data and Digital services to corporates increase**
- **Solid Operating Cash Flow (+18.4%)**

Telefonica

