

# Financial Results

accumulated as of September 2016

Santiago, November 3, 2016

## TELEFONICA IN CHILE

Telefónica Chile S.A. and  
Telefónica Móviles Chile S.A.





# BUSINESS PERFORMANCE

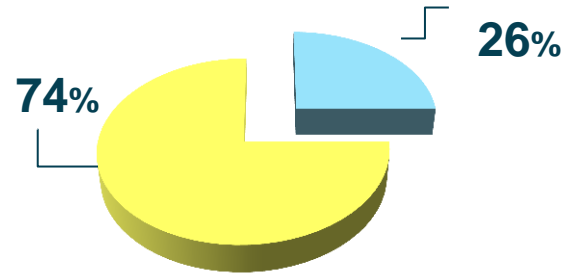


*Note: accumulated figures as of Sep.16 vs. Sep.15*

# FBB, pay TV and mobile Postpaid accesses keep growing as of Sep. 30

**Total  
ACCESSES  
(F+M):  
As of Sep16**

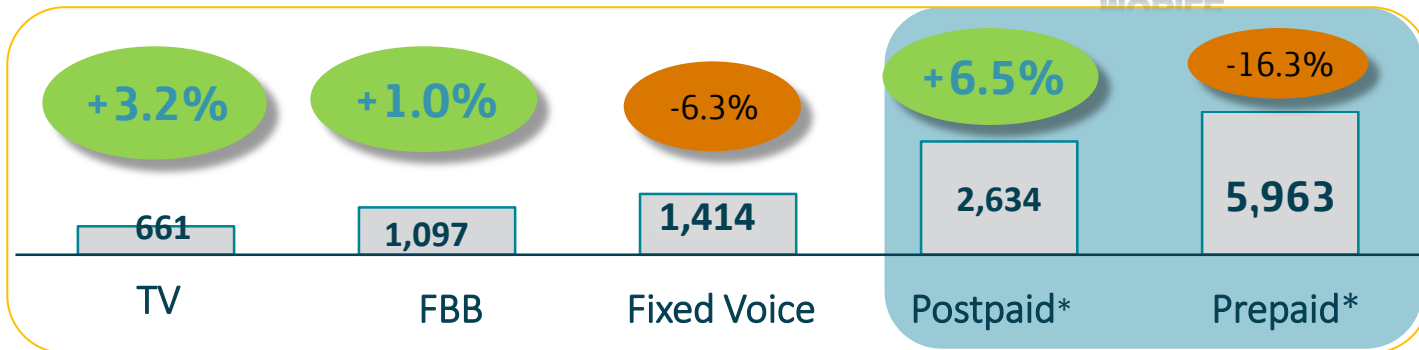
**12.3 MM**



## FIXED

## MOBILE

'000  
Var.Sep16/sep15



\*: MBB, LTE and M2M not included

54 thous.  
IPTV customers

312 thous.  
High speed  
customers

3.1 million  
clientes Internet móvil<sup>1</sup>

Penetration  
IPTV = 8.2%

Penetration  
AV = 28.5%

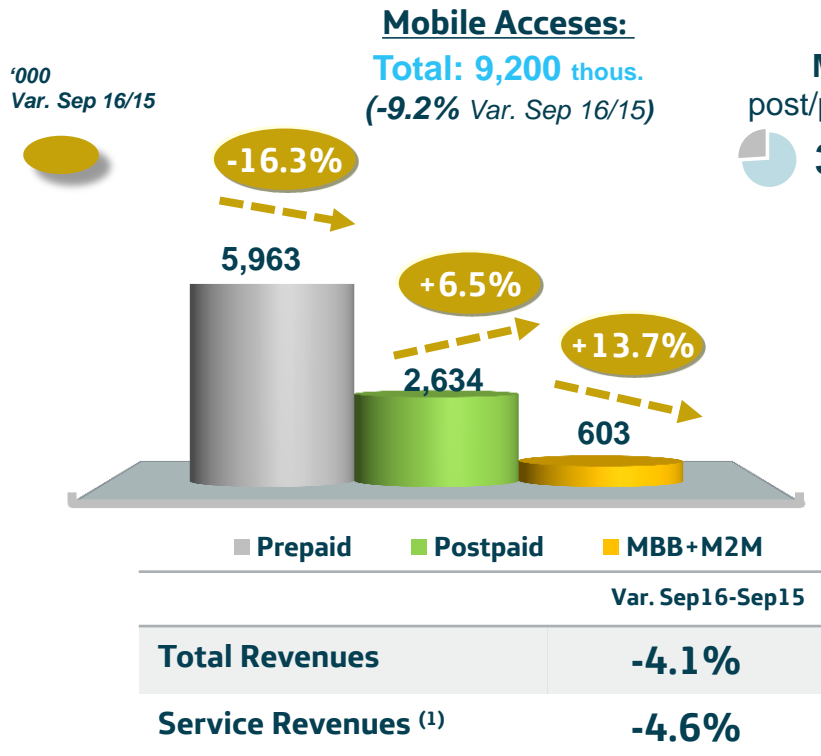
Nearly 1.5 million  
4G customers



<sup>1</sup> Mobile Internet = MBB+NEM\*  
NEM: "Mobile browsing"

: YoY variations Sep..'16 /'15

# MOBILE: Commercial offer pushed positive number portability in POSTPAID



- **Postpaid Accesses: +6.5%**, impulsados por:
  - ✓ Growth in 4G voice: **1,499 thous. customers** (+168%)
  - ✓ “Movistar One”
  - ✓ New Plan “Elige Todo”+Gigas and unlimited minutes” , include social networks and apps
  - ✓ Roaming offer: more than 60 countries
 Resulting a net gain in Postpaid portability during Jan-Sep 16
- **Prepaid Accesses: -16.3%**, due to:
  - ✓ High competitive pressure
  - ✓ Customers migrations to Postpaid
  - ✓ New plans “Prepago ganador” with social networks (Facebook , Twitter, Waze,...) has allowed to restrain negative number portability in 3Q16

**Mobile revenues reach \$646,460** million as of Sep.16, decreasing **-4.1%**, due to lower Voice and VAS revenues, partially offset by ITX and mobile data growth

- Total **Postpaid** revenues (Voice+mobile data): **+3.2%**, pushed by mobile data growth (+16.1%)
- **Prepaid** revenues (Voice+mobile data) maintain negative trend, decreasing by **-31.9%**, impacted by lower Prepaid accesses and recharges, due to high competition, higher use of free WiFi and plans which include free social networks

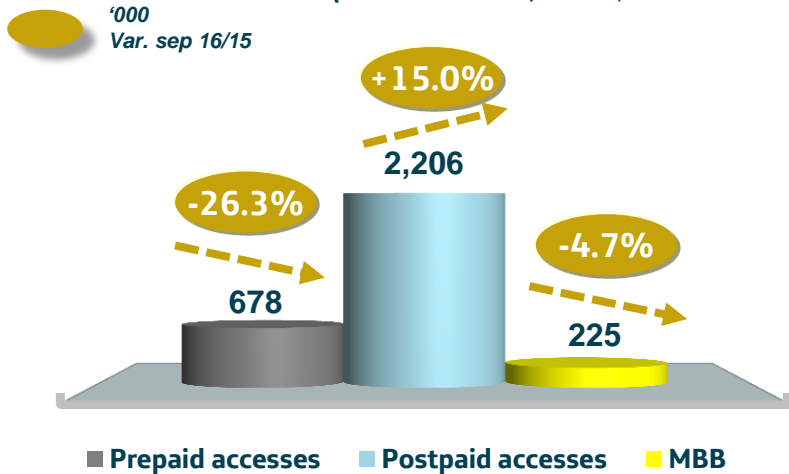


<sup>(1)</sup> Excluding revenues from equipment sales

# MOBILE: MOBILE INTERNET revenues keeps growing

## Data ACCESSES (Mobile Internet) <sup>(1)</sup>

**Total: 3,108 thous.**  
 (+3.5% Var. Sep 16/15)



\*: M2M is not included

Var. Sep16-Sep15

**Mobile data revenues**  
 (Mobile Internet+MBB) <sup>(1)</sup>

**+2.7%**

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

Positive evolution in **Mobile Internet PENETRATION: 33.8% o/total accesses**  
 → wide growth potential

**Mobile data revenues (Mobile Internet+MBB)** reach \$263,391 million as of Sep.16, with **+2.7%** growth, explained by:

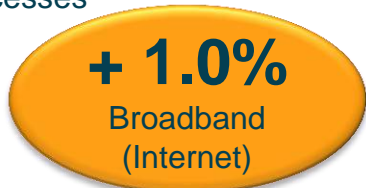
- **Growth in Mobile Internet revenues (IM): 2.2%**, pushed by:
  - ✓ **Postpaid IM revenues grow +11.2%** due to:
    - +15.0% data postpaid accesses
    - Growth in **4G customers**
  - ✓ **Prepaid IM revenues decrease -28.9%**, due to:
    - Drop in data prepaid accesses (-26.3%) by product of aggressive competition campaigns and lower ARPU as consequence of less recharges coming from higher WiFi use and gigas offers
    - 4G in Prepaid: +410 thous. customers
    - In July, a new plan including free social networks were launched
- **MBB revenues grow: +11.6%**, driven by a new service: MIFI/Router



**By now, our plans do not discount megas for apps and social networks**

# FIXED: Keeps growth leveraged in our simplified Offer focused on UBB and IPTV

Accesses

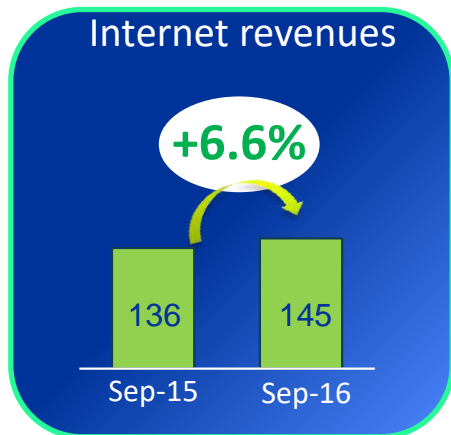


**1,097 thous. accesses**

High speed (HS) customers grow **+ 34.2%**

Customers migration to UBB or speed upgrades (improving churn)

Offer simplification:



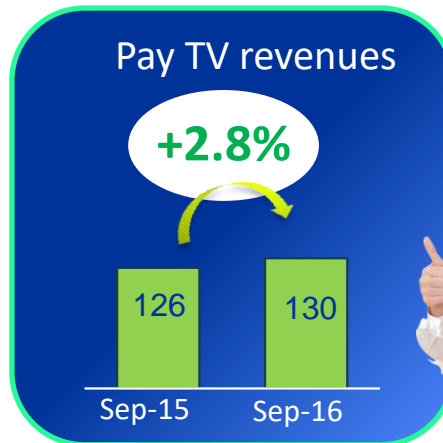
Thous million Ch\$



**661 thous. accesses**

driven by growth in  
**DTH (1.1%)**  
**IPTV (33.9%)**

Revenues grow **+2.8%**  
If revenues from Deco sales are discounted, TV revenues grow 6%



**1,414 thous. lines**

**Drop in lines in service**  
offset by FBB and pay TV growth

**Total Fixed accesses decrease (-2%), reaching 3.2 million**

**Total Fixed revenues grow 4.0%, reaching Ch\$366 thous. million**



# FIXED: We have completed successfully our Fixed offer with “4G Home broadband”

## WiFi 4G LTE Offer

- Devices: Router and MiFi
- New offer: more easy, more Gigas and cut off
  - Plans “Router Home” with 20GB, 40GB and 70GB (S-M-L) speeds from \$16,000/6 months
  - Allows mobility with Mi-Fi device



## Opportunities

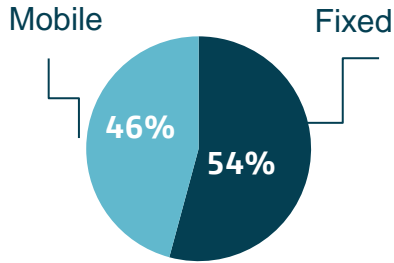
- Focused on areas without FBB feasibility
- Allows to offer higher speeds in ADSL areas
- Supplementary offer “Fixed Wireless trio” (FWT)
- Mobile network management for 4G areas

Accesses  
**63K**

Adds/month  
**x4**

# Still growing in all Corporate customers business lines

## Revs. from Corporate and Business segments



% Revs. variation  
Sep 16/15

## Mobile

5%  
Var.

- +8,9% growth in corporate mobile accesses, due to:
  - Big customers capture
  - Positive net gain in number portability
  - Churn efficient management

## Fixed

### Private services

11%  
Var.

- Mainly due to IP private networks, international data and equipments related to successful management of renewed projects and new gained projects

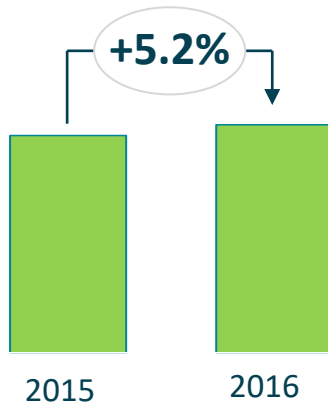
### Digital

24%  
Var.

- Growth in Cloud services (Elections project, Datacenter)
- Growth in Security services

Corporate data communications revenues, which represent 16% of total Fixed consolidated revenues, grow +13.6%

## Total Corporates



Projects in  
3Q16:







# FINANCIAL PERFORMANCE

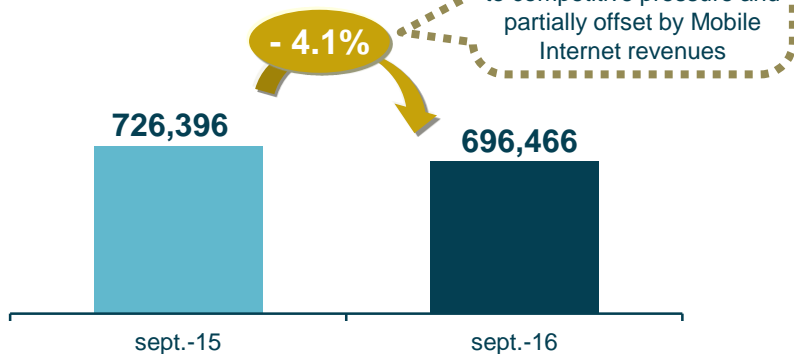
*Note: accumulated figures as of Sep.16 vs. Sep.15*

# MOBILE: Revenues, EBITDA, CAPEX and OpCF evolution

## MOBILE

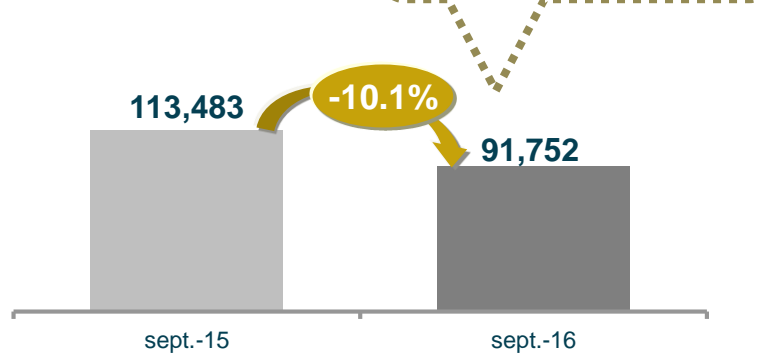
### Total Revenues\*

Ch\$ million



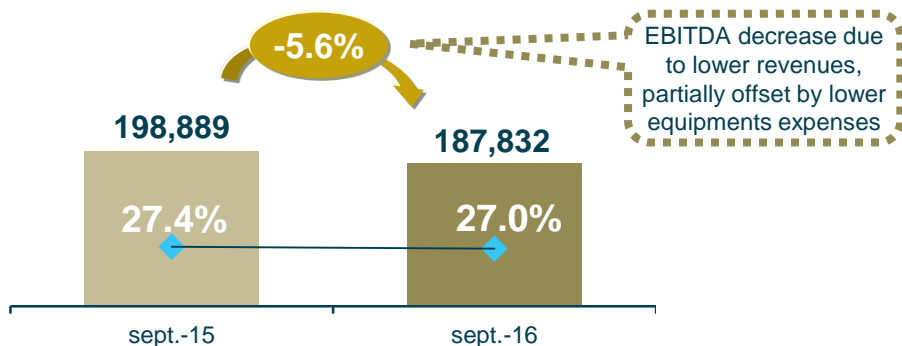
### CAPEX

Ch\$ million



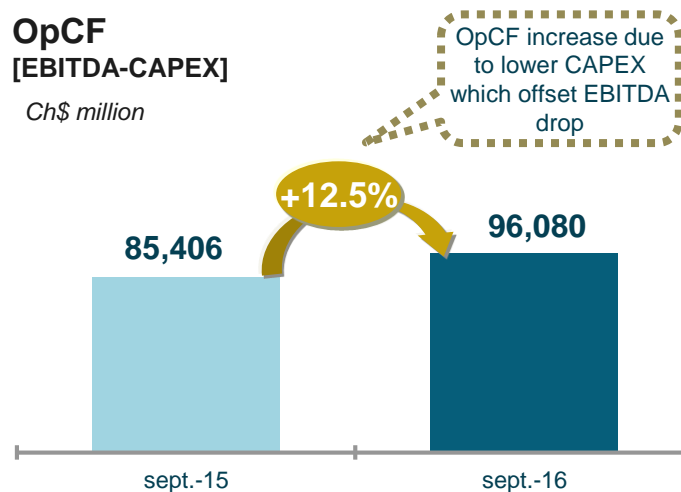
### EBITDA\* and EBITDA margin (%)

Ch\$ million



### OpCF [EBITDA-CAPEX]

Ch\$ million

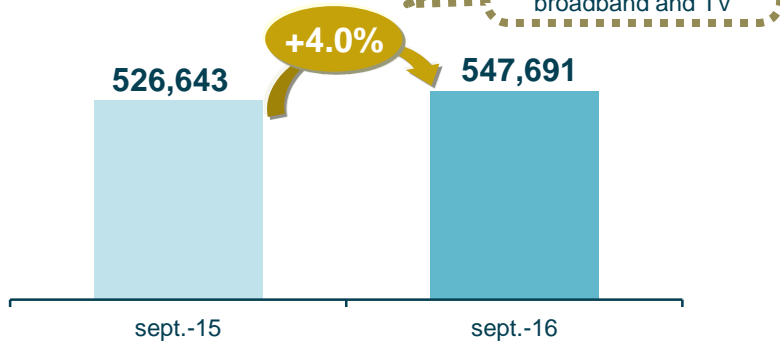


# FIXED: Revenues, EBITDA, CAPEX and OpCF evolution

## FIXED

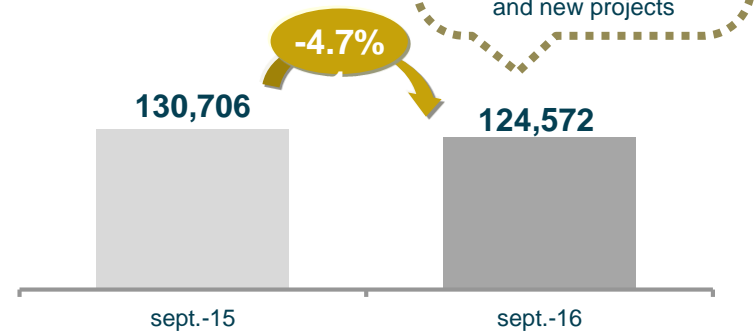
### Total Revenues

Ch\$ million



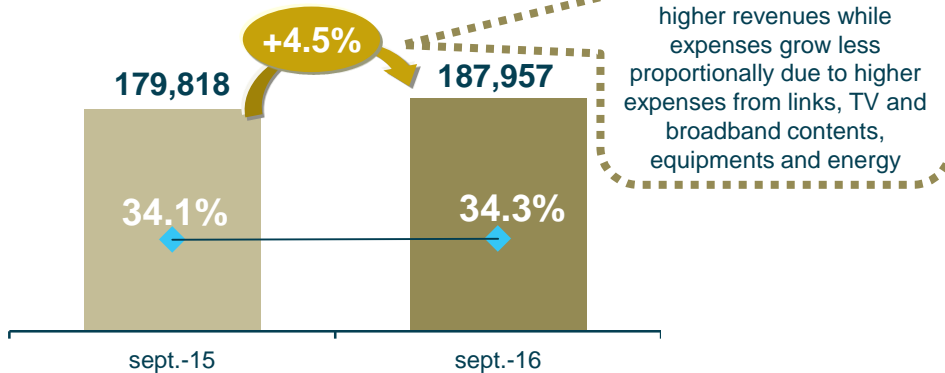
### CAPEX\*

Ch\$ million



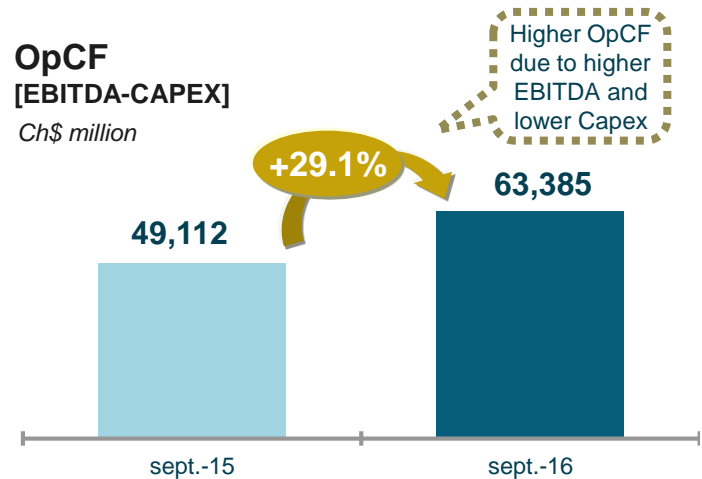
### EBITDA\* and EBITDA margin (%)

Ch\$ million



### OpCF [EBITDA-CAPEX]

Ch\$ million



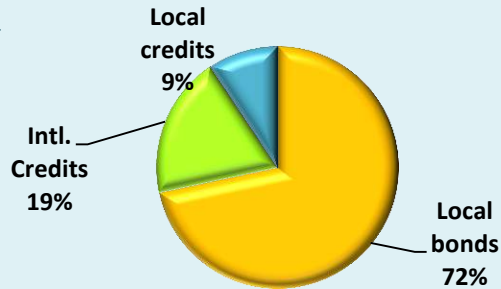
# As of Sept. 2016 all year financial needs are fulfilled

## MOBILE

Gross Debt as of Sep. 2016 → Ch\$521 bn

Net Debt as of Sep. 2016 → Ch\$243 bn

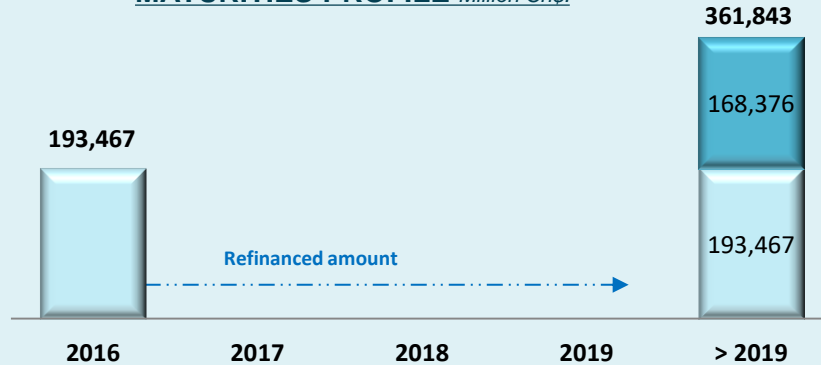
Structure:



✓ **Gross Debt:** increases by Ch\$ 27 bn due to refinancing in advance (April and September) of Nov 2016 maturity

✓ **Net Debt:** increase Ch\$ 72 bn due to lower cash generation vs. Sept 2015

**MATURITIES PROFILE** Million Ch\$:

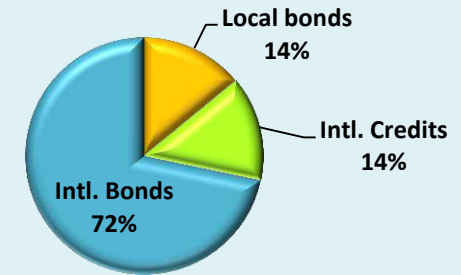


## FIXED

Gross Debt as of Sep. 2016 → Ch\$322 bn

Net Debt as of Sep. 2016 → Ch\$247 bn

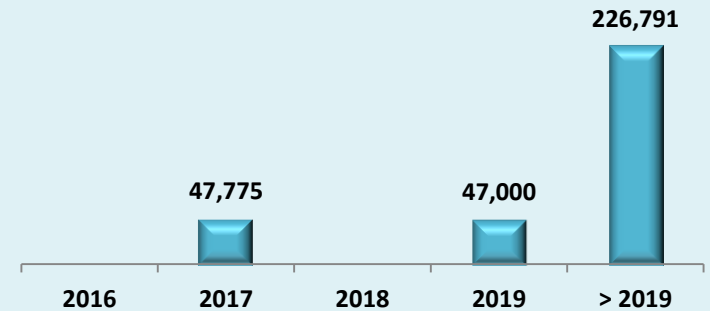
Structure:



✓ **Gross Debt:** stable vs. Sept. 2015

✓ **Net Debt:** increases Ch\$25 bn due to lower cash balance as of Sept. 2016, related to dividends distribution and payment of withdrawal right (TLD merger)

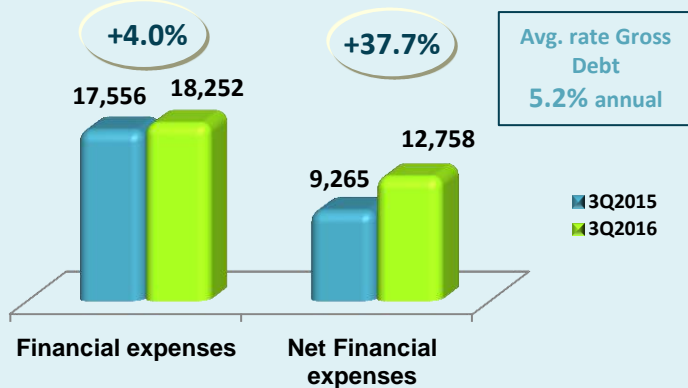
**MATURITIES PROFILE** Million Ch\$:



# Efficient interest rates management allows to obtain an average interest rate of roughly 5.5% annually

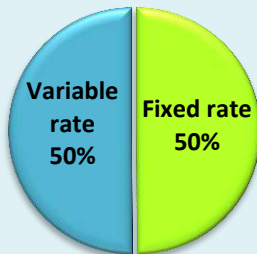
## MOBILE

Financial Expenses Million Ch\$



- ✓ Gross and net financial expenses increase as result of "TPM" (Monetary Policy rate) increase from 3.0%, as of Sep. 2015, to 3.5%, as of Sep. 2016, as well as refinancing in advance

### Currency and Interest rate hedging

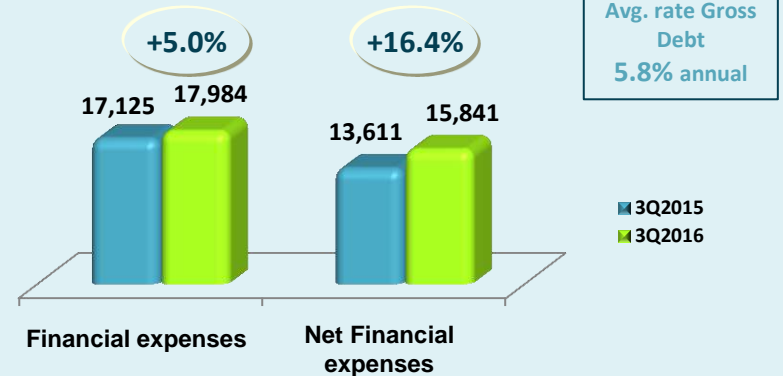


### 100% FX hedging

6% CLP depreciation (avg. as of Sep16 vs. avg. as of Sep15) has not impacted debt and interest rates payments

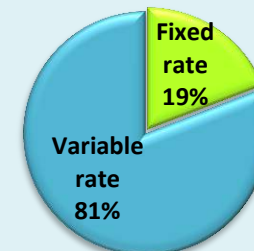
## FIXED

Financial Expenses Million Ch\$



- ✓ Gross and Net Financial expenses increase, mainly due to lower cash balance and "TPM" (Monetary Policy rate) increase

### Currency and Interest rate hedging



# T. Móviles Chile Local Bond issue Serie K – September 2016

On Sept. 27, 2016, Telefónica Móviles Chile successfully placed in the local market a bond issue, for a total amount of CLP 94,410 million, aimed at assets refinancing which mature in 2016. Terms and conditions:

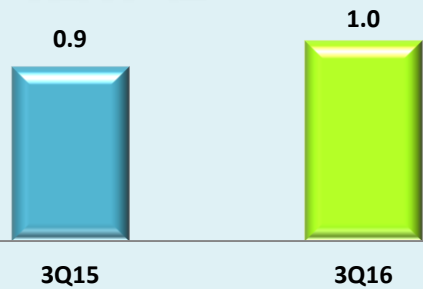
<b>Amount:</b>	<b>CLP 94,410 million</b>
<b>Currency:</b>	CLP
<b>Term:</b>	5 years
<b>Placement rate:</b>	4.75% annually
<b>Spread</b>	85 bps over Central bank bonds
<b>Capital amortization:</b>	bullet, 2021
<b>Financial covenants:</b>	None

- ❑ This issue involved the higher amount of corporate bonds in Chilean pesos for 5 years bullet and at one of the lower fixed rates in pesos obtained in the local bond market
- ❑ It reaches an over-subscription of 2.45 times, which confirm the excellent access of Telefónica's Group in Chile to the local capital market
- ❑ BCI Corredores de Bolsa S.A. and Santander Corredores de Bolsa Ltda. were the placement agents

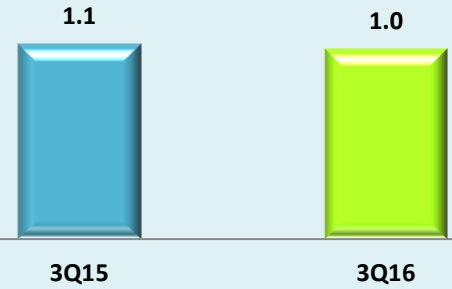
# Financial ratios remain strong

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

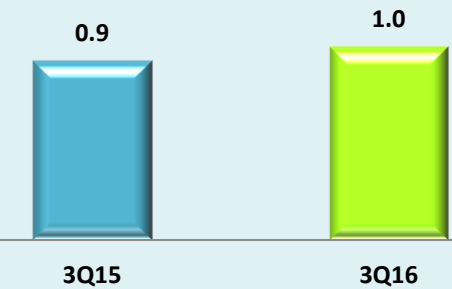
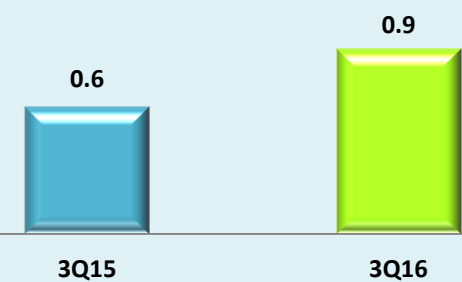
## MOBILE



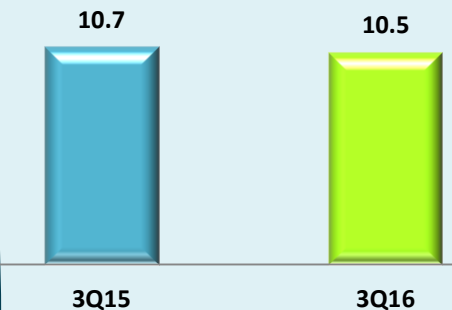
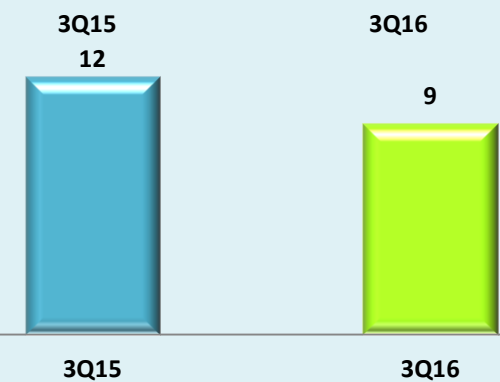
## FIXED



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



**EBITDA / Financial  
Expenses**



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

# Summary of Financial Results

Accumulated as of September 30, 2016

Million Ch\$ IFRS	<b>T. MÓVILES CHILE</b>		<b>T. CHILE</b>	
	Jan-Sep 16	% Var. '16/'15	Jan-Sep 16	% Var. '16/'15
Total revenues	696,466	-4.1%	547,691	+4.0%
Operating expenses	-508,634	-3.7%	-359,734	+3.7%
<b>EBITDA</b>	<b>187,832</b>	<b>-5.6%</b>	<b>187,957</b>	<b>+4.5%</b>
<b>EBITDA margin</b>	<b>27.0%</b>	<b>-0.4pp</b>	<b>34.3%</b>	<b>+0.2 pp</b>
Depreciation and amortization	-80,768	+6.5%	-144,184	-0.3%
<b>Operating income</b>	<b>107,064</b>	<b>-12.7%</b>	<b>43,773</b>	<b>+24.5%</b>
Net interest income and Others	-10,558	+66.7%	-15,268	+20.5%
Taxes	-27,236	+3.1%	-11,397	+718.2%
<b>Net income</b> before minority interest	<b>69,270</b>	<b>-23.0%</b>	<b>16,108</b>	<b>-20.5%</b>
<b>Net income</b>	<b>69,270</b>	<b>-23.0%</b>	<b>12,796</b>	<b>-26.4%</b>



# Summarizing....

## MOBILE business

- **EBITDA** reaches \$187,832 million and **EBITDA margin: 27%**
- **Accesses and Postpaid revenues** grow **pushed by 4G** and net gain in number portability remains
- **Mobile Internet revenues keep growing**, leveraged by data use in Prepaid and 4G plans

## FIXED business

- **EBITDA** reaches **\$187,957** million, **growing 4.5%**
- **EBITDA margin: 34.3%**
- **Growth remains** focused on **High speeds, IPTV and digital services for corporates**



*Telefonica*

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