

# Financial Results

Ended as of March 31, 2016

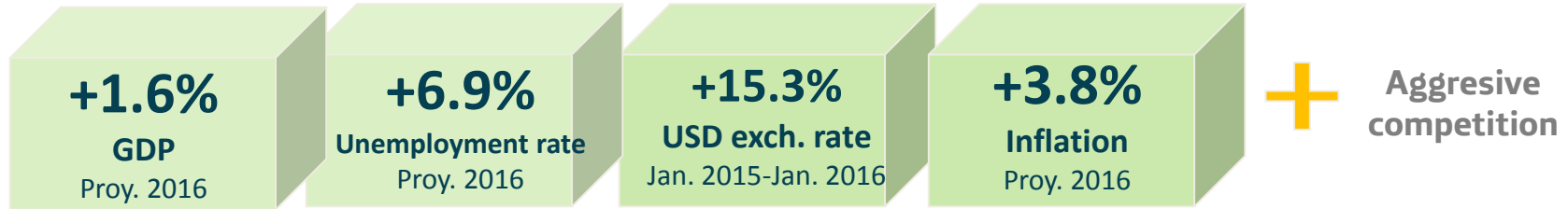
Santiago, May 3, 2016

## TELEFONICA IN CHILE

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



# Year 2016: Economic scenario and industry will demand NEW CHALLENGES



**Leadership in mobile Data with the best network**

**Accelerate transformation of Fixed Broadband**

**Capture Growth in TV business**

# BUSINESS PERFORMANCE

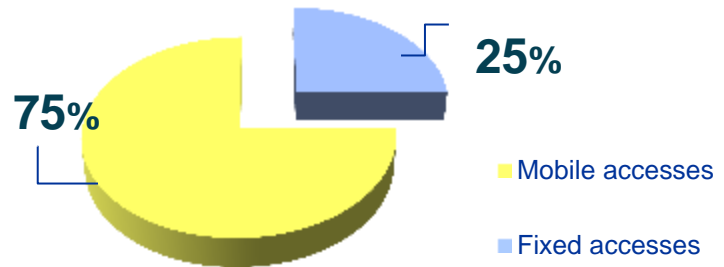
*Note: accumulated figures as of Mar.16 vs. Mar.15*

# As of March, we have more than 12.7 million accesses; leveraged by FBB, pay TV and mobile Postpaid growth

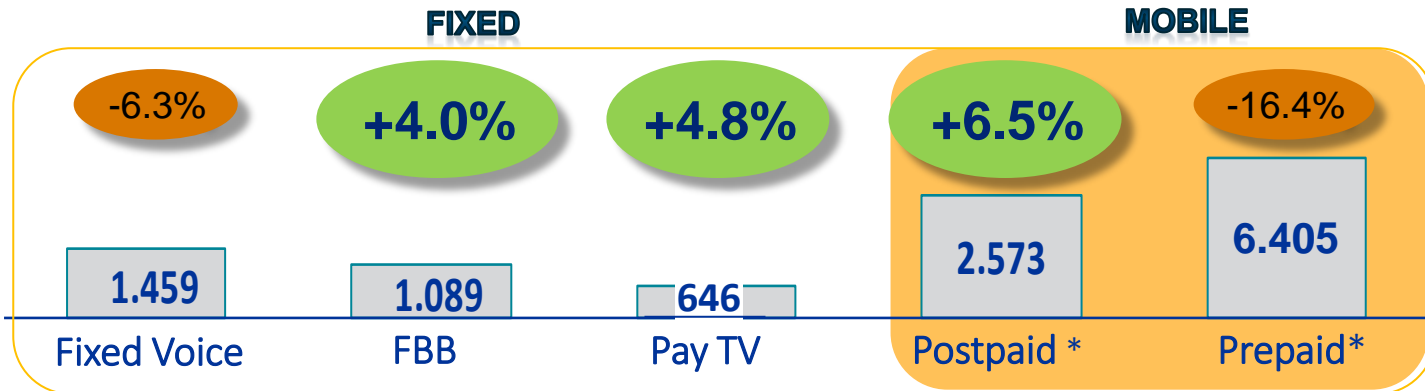
Total  
**ACCESSSES**  
(F+M):  
as of 1Q16

**12.7 million**

Var. **-8%**  
(Var. Mar16/15)



'000  
Var.  
Mar'16/Mar'15



\*: MBB and M2M are not included

269 thous. High Speed (HS) customers

Penetration HS = 24.7 %



47 thous. IPTV customers

Penetration IPTV = 7.3 %



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

Nearly 1 million 4G customers



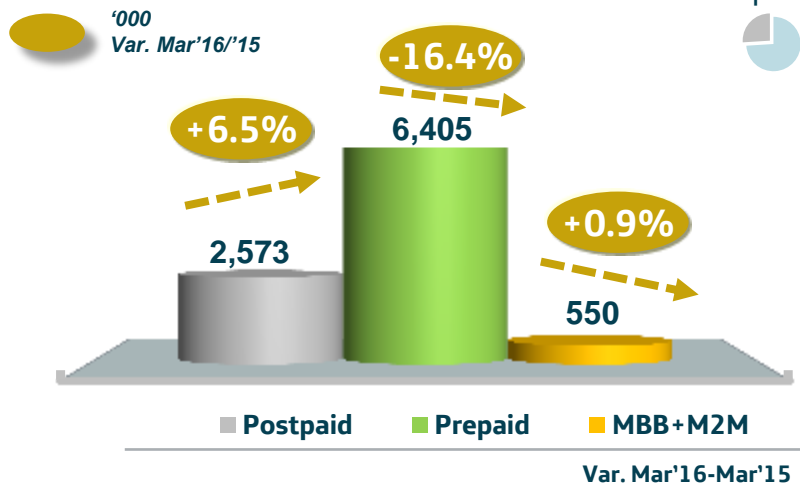
○ : annual variations Mar'16 / Mar'15

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

# MOBILE: POSTPAID increases pushed by 4G y positive number portability

**Mobile accesses:**  
Total: 9,528 thous.

MIX  
post/prepaid:  
**32/68**



	Var. Mar'16-Mar'15
<b>Total Revenues</b>	<b>-4.8%</b>
<b>Service Revenues <sup>(1)</sup></b>	<b>-4.3%</b>

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

- **Postpaid Accesses: +6.5%**, pushed by:
  - ✓ 4G growth: **972,262 customers** (+187%)
  - ✓ **+71 thous.** customers → Net gain in Postpaid number portability
  - ✓ "Megaplanes" = **+Voice/ +data**
  - ✓ Launching of "Movistar One"
- **Prepaid Accesses: -16.4%**, due to:
  - ✓ Higher churn because of aggressive commercial campaigns of competition
  - ✓ "Plan Salta": customers migration to Postpaid

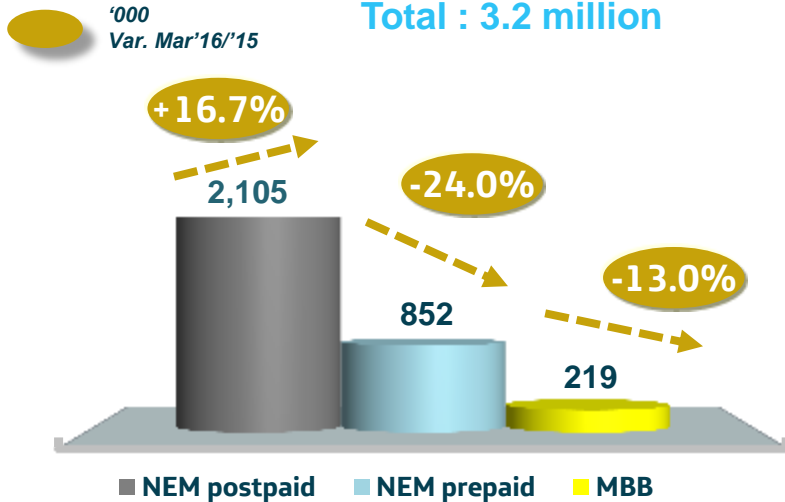
**Total mobile revenues reach \$233,237** millions as of Mar.16, dropping -4.8% due to:

- ✓ Voice and Equipment revenues decrease, although partially offset by ITX and mobile Internet (NEM) positive growth
- ✓ Total revs. (Voice+NEM) **Postpaid: +1.0%**, leveraged by NEM and customers reinforced plan
- ✓ Total revs. (Voice+NEM) **Prepaid: -28.0%**, impacted by lower accesses, less recharges (as using free WiFi) and competition aggressive campaigns



# MOBILE: Revenues from MOBILE INTERNET continue in a positive growth path

## Mobile Internet ACCESSES <sup>(1)</sup> Total : 3.2 million



	Var. Mar16-Mar15
Revenues from mobile data <sup>(1)</sup>	+5.8%

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

Positive evolution in **Mobile Internet PENETRATION: 31%** o/total accesses → wide growth potential

Revenues from mobile data (NEM+MBB) reach \$86,892 million as of Mar.16, growing +5.8%, explained by:

- **Growth in revenues from Mobile Internet (NEM): 6.1%**
- ✓ **Postpaid NEM revenues: +12.5%** driven by:
  - +16.7% postpaid NEM accesses,
  - 4G customers growth
  - Positive results from number portability and customers loyalty campaigns
- ✓ **Prepaid NEM revenues drop -15.7%**, due to:
  - Decrease in Prepaid NEM accesses (-24%) because of aggressive campaigns of competitors

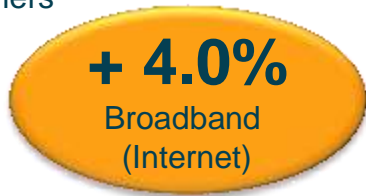
Partly offset by:

  - 4G in Prepaid: +142 thous. customers
  - 400 thous. customers with free whatsapp
- **Slight growth in MBB revenues: +1.9%**

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

# FIXED: Higher demand of INTERNET and VIDEO services positively offset decrease in Voice revenues

Customers  
Base:



**1,089 thous. accesses**

High Speed clients (HS) = **+ 39.9%**

Increase of speeds for the  
entire customer base

New customer mix increases  
ARPU



**646 thous. accesses**

driven by growth in  
**DTH (2.7%)**  
**IPTV (40.2%)**

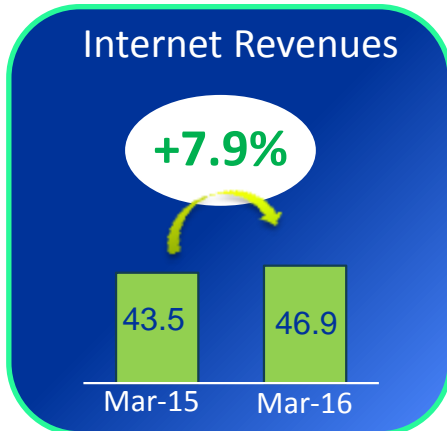
Higher ARPU from customers with  
IPTV (+ 48%) and customers with  
HD plans (+ 50.0 %)



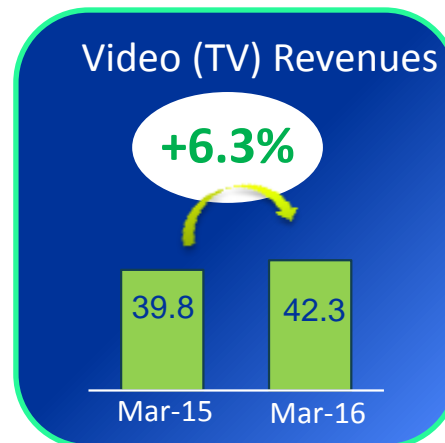
**1,486 thous. lines**

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

**Total Fixed accesses**  
**decline slightly (-0.9%),**  
**reaching 3.2 million**



Thous.  
Million Ch\$

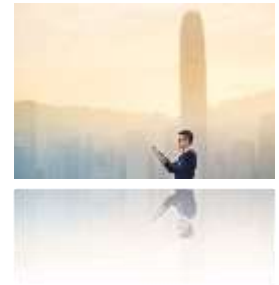
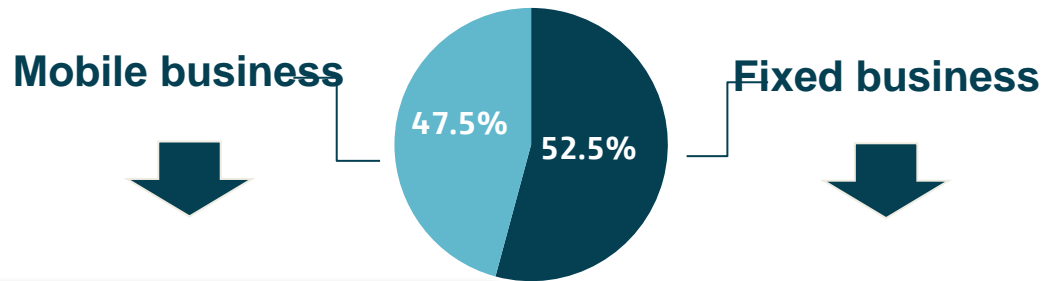


**Total Fixed**  
**revenues grow**  
**6.3%, reaching 180**  
**thous. million**



# Corporate and Business segment

Revenues from Corporate and Business segment



## Mobile revenues from Corporate and Business segment increase **+6.3%**

- Growth explained by an increase of **+42.9%** in revenues from **Mobile Internet**, which offset Voice and other revenues decrease of **-6.9%**
- ✓ Data plans (**NEM**): **+10.4%**

## Fixed revenues from Corporate and Business segment increase **+0.8%** due to:

- Corporate communications revenues (data) grew 14.5% in 1Q16, driven by:
  - ✓ New projects in the quarter, which meant, higher **Data service revenues (+18%)**, from Private IP networks and dedicated Internet, Satellite services and Data equipments, and
  - ✓ **Growth in Digital Services (+12%)**, pushed by "Cloud" (+20%) and Security digital services (+9%), leveraged by a new Data Center in Paine
  - ✓ The above allows to offset Voice, FBB and TV for corporates revenues decrease

Projects in 1Q16:





# FINANCIAL PERFORMANCE

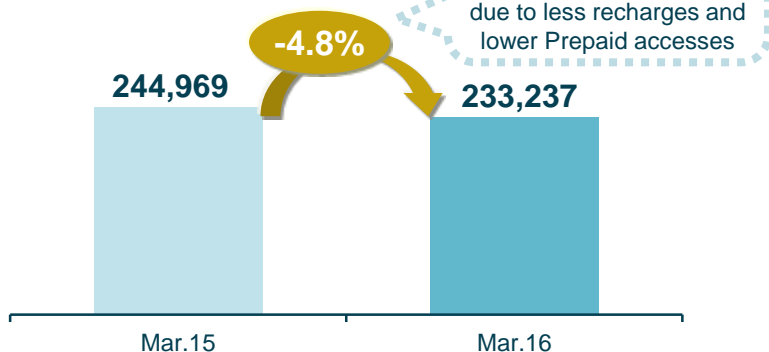
*Note: accumulated figures as of Mar.16 vs. Mar.15*

# MOBILE: Revenues, EBITDA, CAPEX and OpCF evolution

## MOBILE

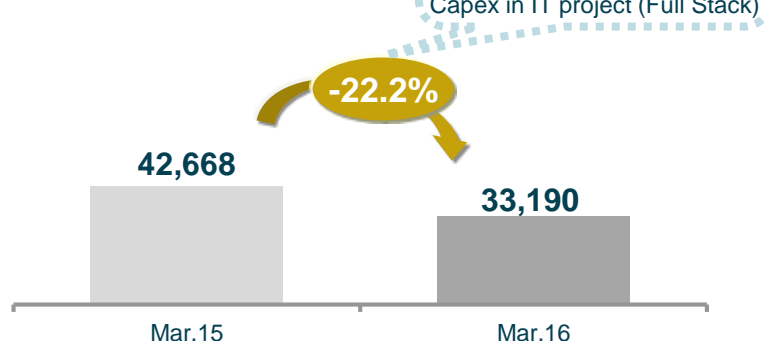
### Total Revenues\*

Ch\$ million



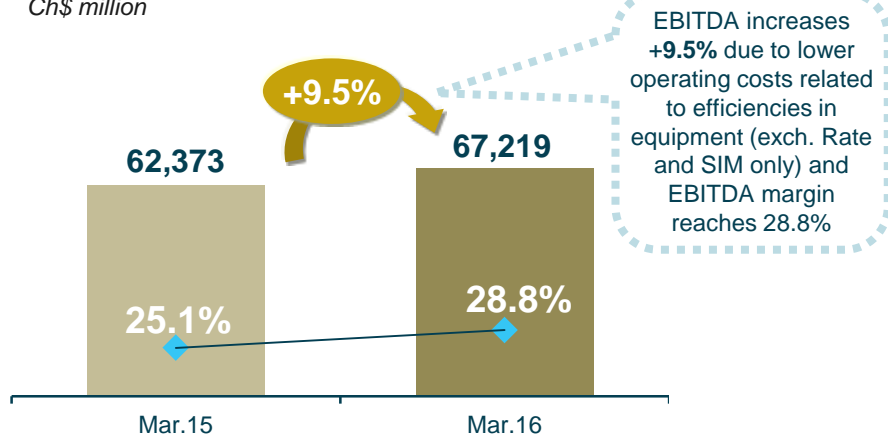
### CAPEX

Ch\$ million



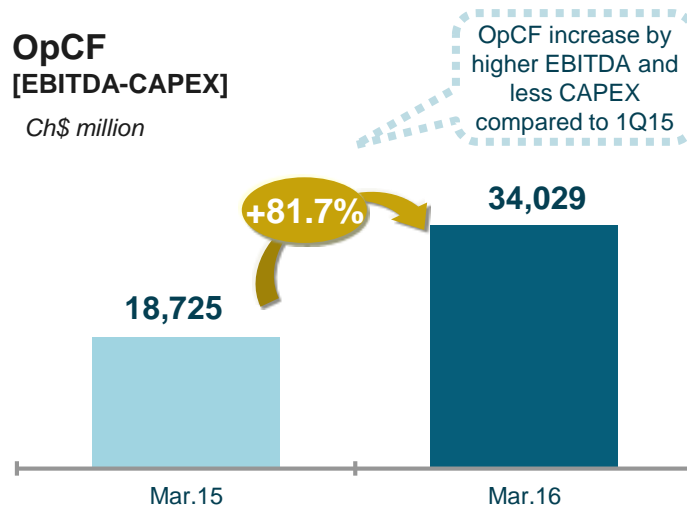
### EBITDA\* and EBITDA margin (%)

Ch\$ million



### OpCF [EBITDA-CAPEX]

Ch\$ million

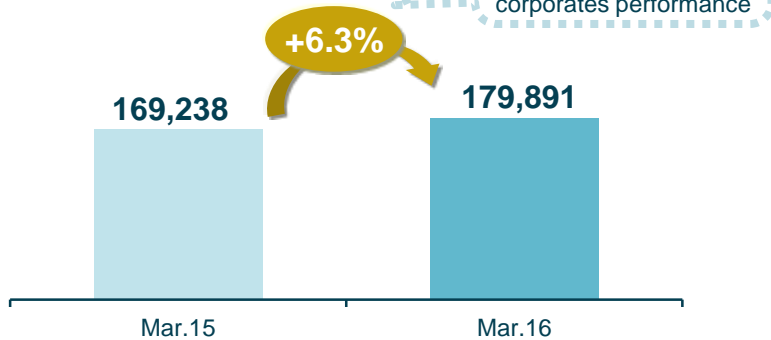


# FIXED: Revenues, EBITDA, CAPEX and OpCF evolution

## FIXED

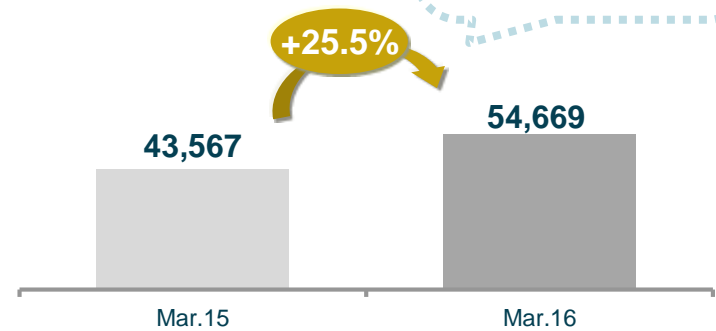
### Total Revenues

Ch\$ million



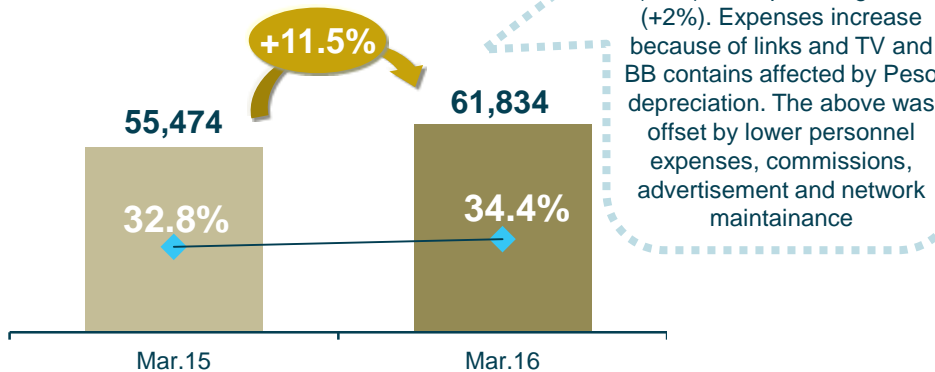
### CAPEX\*

Ch\$ million



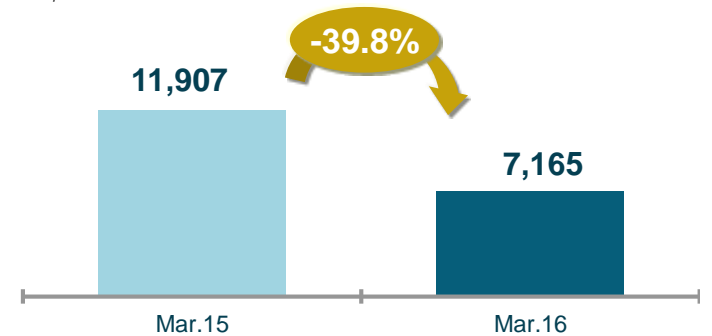
### EBITDA\* and EBITDA margin (%)

Ch\$ millones



### OpCF [EBITDA-CAPEX]

Ch\$ million

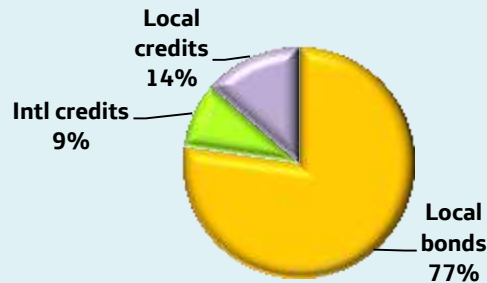


# Stable Debt structure and Debt amount in both operators

## MOBILE

Gross Debt as of Mar. 2016 → Ch\$374 thous. mills.  
 Net Debt as of Mar. 2016 → Ch\$224 thous. mills.

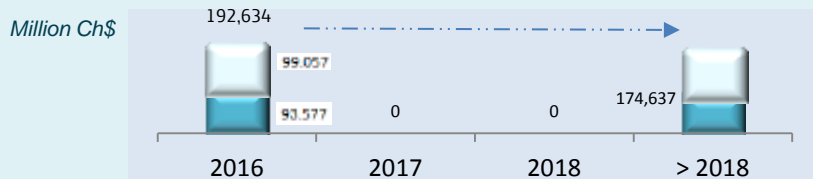
Structure:



- ✓ **Gross Debt:** decreases 6.4%, up to Ch\$374 thous. mills. (Mar'16/'15), mainly due to: (1) a local bond issue of Ch\$ 100 thous. mills., in July and Aug.15, and (2) an international bond payment of Ch\$147 thous. mills., in Nov'15
- ✓ **Net Debt:** decreases Ch\$48 thous. mills. in the same period, due to lower gross Debt and higher Cash balance

MATURITIES PROFILE:

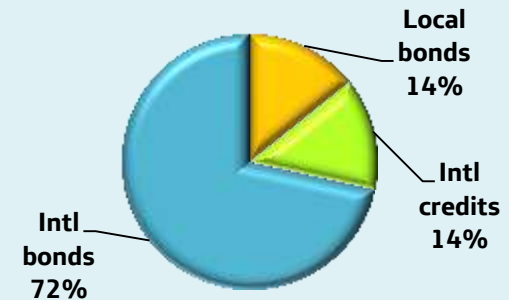
- ✓ As of 04.15.16, an international credit of USD 150 mills. (CLP 99,057 mills.) was signed with an interest rate of Libor+80 bps, 5 years bullet. It allows partially to refinance 2016' financial commitments



## FIXED

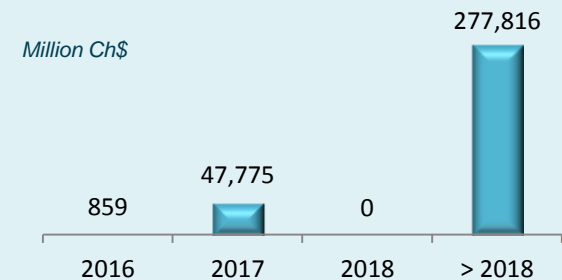
Gross Debt as of Mar. 2016 → Ch\$326 thous. mills.  
 Net Debt as of Mar. 2016 → Ch\$264 thous. mills.

Structure:



- ✓ **Gross Debt:** Debt level remains the same as in Mar'15
- ✓ **Net Debt:** increases Ch\$72 thous. mills. due to lower cash balance as of Mar'16

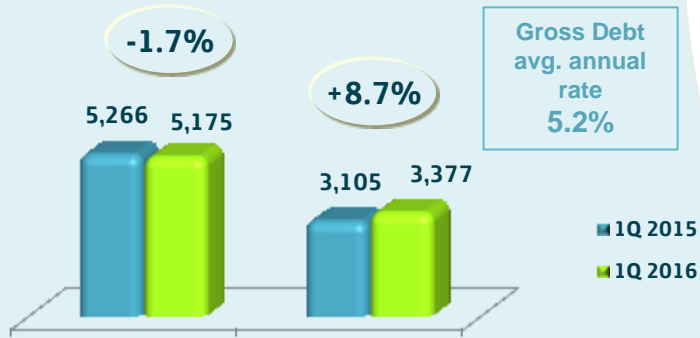
MATURITIES PROFILE:



# Efficiency in interest rate management allows to reach an average annual interest rate of 5.2%

## MOBILE

Financial Expenses Mills. Ch\$



Financial expenses Net financial expenses

- ✓ Gross financial expenses decrease due to lower debt average balance. Net financial expenses increase due to TPM rise from 3.0%, in 1Q15, to 3.5%, in 1Q16, partially offset by lower financial investments

### Currency and Interest rate hedge

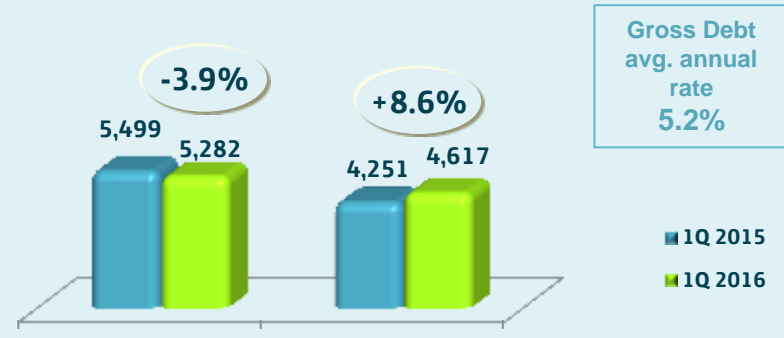


### 100% FX hedging

12% CLP depreciation (avg. 1Q16 vs. avg. 1Q15) has not impacted principal or interest rate payments

## FIXED

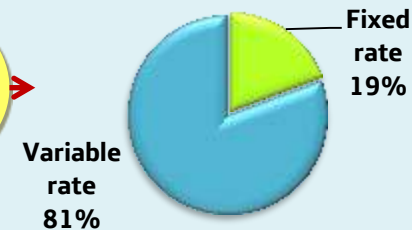
Financial Expenses Mills. Ch\$



Financial expenses Net financial expenses

- ✓ Gross financial expenses decreases due to lower interest rates from intercompany operations. Net financial expenses increase due to TPM rise and lower average cash balance

### Currency and Interest rate hedge

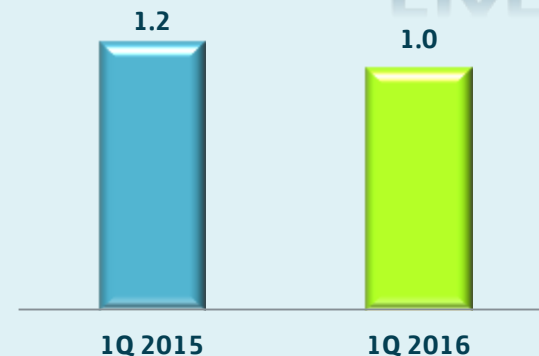
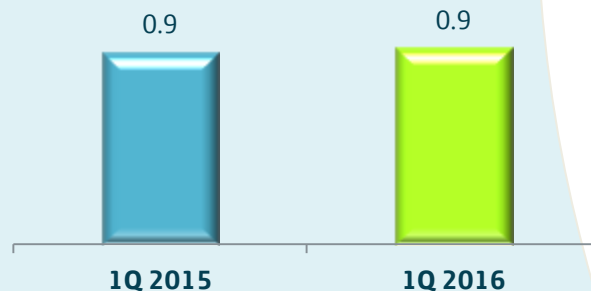


# Financial ratios remain stable in 1Q16

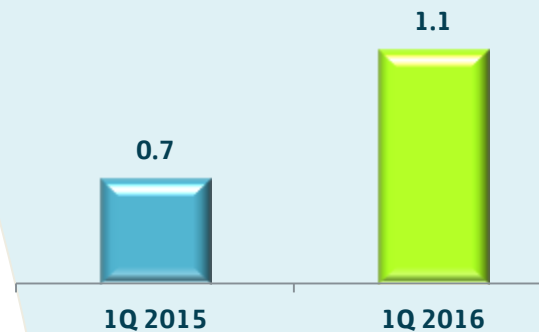
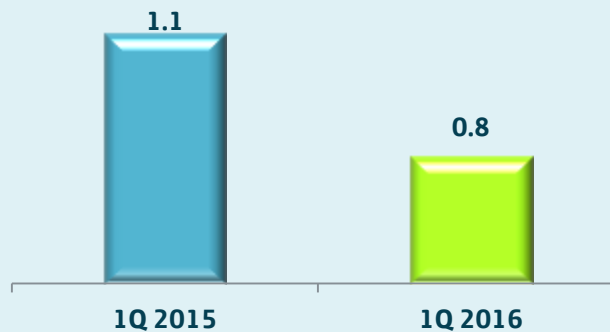
## MOBILE

## FIXED

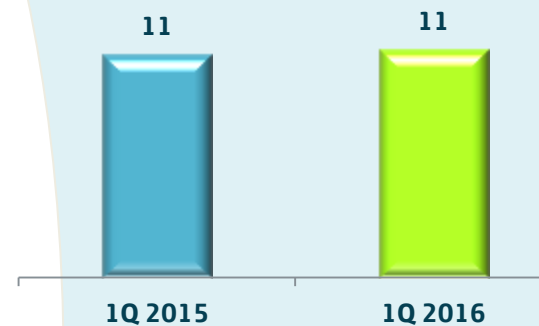
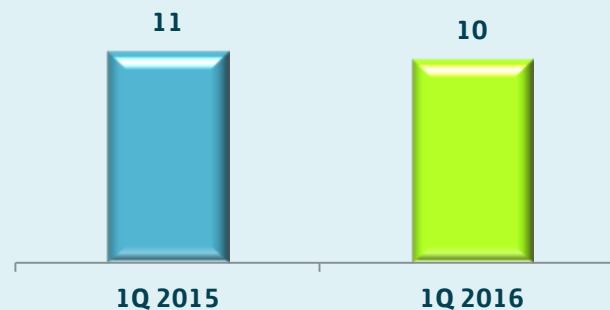
Total liabilities  
(less) hedging assets  
/ Equity <sup>(1)</sup>



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



EBITDA / Financial  
Expenses



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

# Summary of Financial Results

Accumulated as of March 31, 2016

<i>Million Ch\$ IFRS</i>	<b>T. MÓVILES CHILE</b>		<b>T. CHILE</b>	
	<b>Jan-Mar 16</b>	<b>% Var. '16/'15</b>	<b>Jan-Mar 16</b>	<b>% Var. '16/'15</b>
Total revenues	233,237	-4.8%	179,891	+6,3%
Operating expenses	-166,018	-9.6%	-118,057	+3.8%
<b>EBITDA</b>	<b>67,219</b>	<b>+9.5</b>	<b>61,834</b>	<b>+11.5%</b>
<b>EBITDA margin</b>	<b>28.8%</b>	<b>+3.7pp</b>	<b>34.4%</b>	<b>+1.6 pp</b>
Depreciation and amortization	-26,671	+7.1%	-45,973	-1.1%
<b>Operating income</b>	<b>40,548</b>	<b>+11.2%</b>	<b>15,861</b>	<b>+76.4%</b>
Net interest income and others	-2,691	-15.2%	-4,428	+1.4%
Taxes	-9,363	+37.1%	319	-123.1%
<b>Net income before minority interest</b>	<b>28,494</b>	<b>+7.7%</b>	<b>11,752</b>	<b>+262.3%</b>
<b>Net income</b>	<b>28,494</b>	<b>+7.7%</b>	<b>11,269</b>	<b>262.3%</b>

# Summarizing....

## MOBILE business

- **EBITDA grows 9.5%** reaching **Ch\$67,219 million**
- **POSTPAID accesses and revenues grow driven by 4G** and positive net gain in Postpaid number portability
- **EBITDA margin improves to 29%**
- **Operating cash flow increases**

## FIXED business

- **EBITDA grows 11.5%** reaching **Ch\$61,834 million**
- **BB high speed accesses and IPTV** push revenues increase
- **Growth in Corporate communications revenues** driven by **digital services and data**
- **EBITDA margin improves to 34%**





*Telefónica*