

Financial Results

accumulated as of December 2016

Santiago, March 2, 2017

TELEFONICA IN CHILE

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





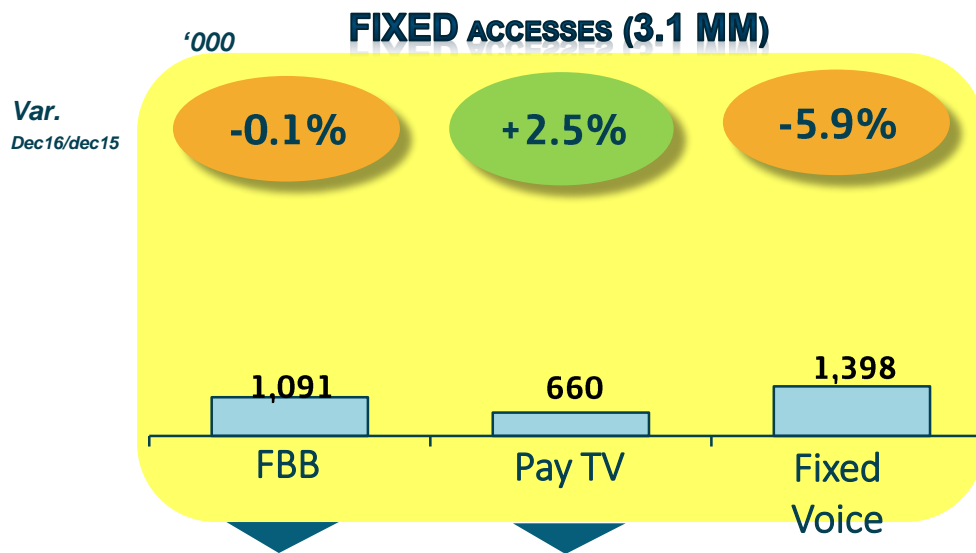
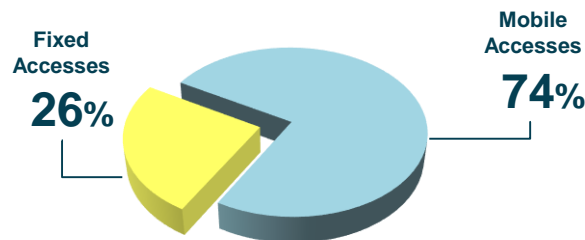
BUSINESS PERFORMANCE



Note: accumulated figures as of Dec.16 vs. Dec.15

2016: ACCESSES showed growth in PAY TV and mobile POSTPAID

TOTAL ACCESSES (F+M)
as of Dec16 **12.2 mill.**



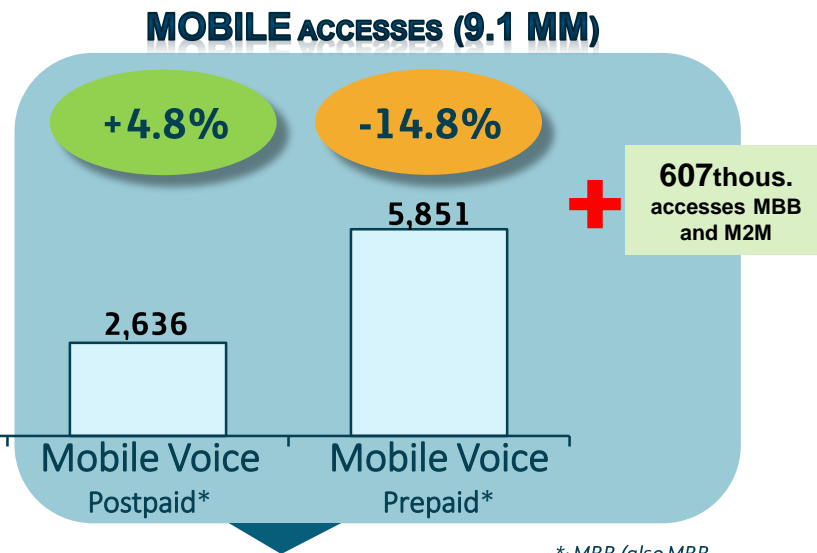
324 thous. high speed (HS) customers

Penetration HS = 29.7%



55 thous. IPTV customers

Penetration IPTV = 8.3%



3.1 MM mobile Internet customers¹

Over 1.8 mill. 4GLTE customers (Voice)



*: MBB (also MBB LTE) and M2M are not included

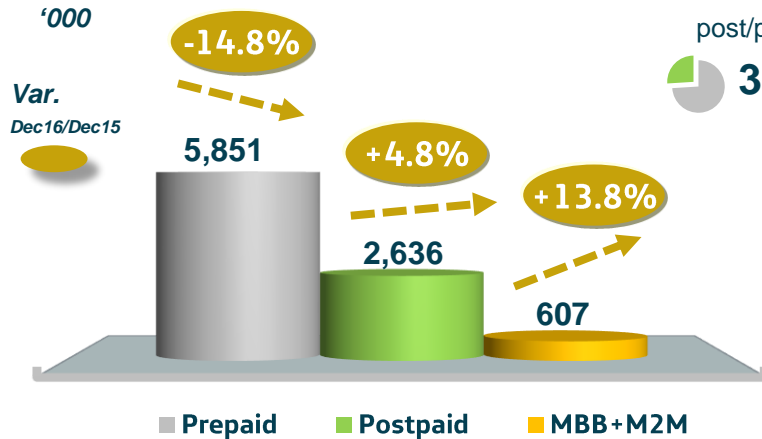
¹ Mobile Internet = MBB+NEM*
*NEM: "Navigation in mobile"

MOBILE: Commercial efforts allow **POSTPAID** accesses to increase as well as to mitigate **PREPAID** decrease

Mobile **TOTAL ACCESSES**

Total: **9,094 M** (Var_{Dec16/Dec15}: -8.3%)

MIX
post/prepaid:
35/65



	Var. Dec16/Dec15
Total Revenues	-2.8%
Revenues from service ⁽¹⁾	-5.1%

⁽¹⁾ Excluding revenues from equipment sales

- **Postpaid Voice accesses: +4.8%**, pushed by:
 - ✓ New Plans: “Choose everything”, “More gigas and unlimited minutes”, including social networks and apps
 - 4GLTE (voice) growth: **1.8MM customers** (+142%)
 - ✓ Smartphones upgrade program: “*Movistar One*”
 - ✓ Roaming offer: more than 60 countries
- In 2016, positive gain in Postpaid number portability
- **Prepaid accesses: -14.8%**, due to:
 - ✓ Strong competition
 - ✓ Negative number portability in 1H16. In last half, this was controlled through: a) attractive new plans with additional gigas and minutes, as well as extra capacity to access to social networks, and b) “Preplans” → prepaid plans with the benefits of a postpaid plan

- **Total mobile revenues reached \$942,138 MM**, as of Dec.16, falling **-2.8%** due to lower voice revenues. This fall was mitigated by equipment, mobile Internet and interconnection revenues increase

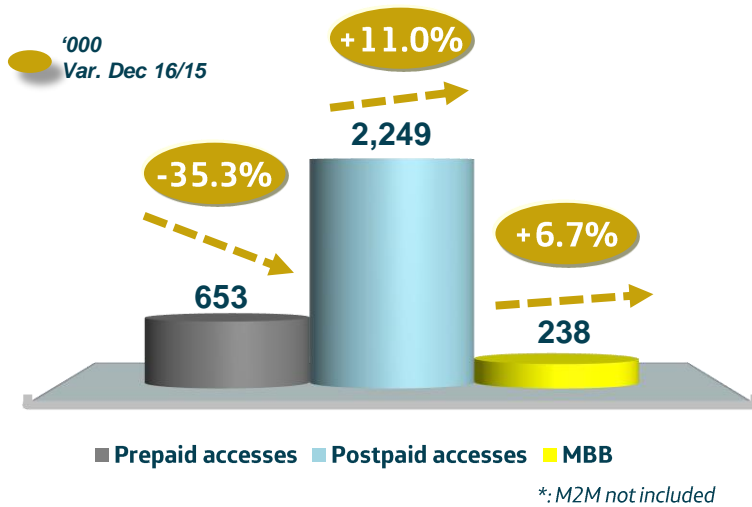
- ✓ **POSTPAID** total Revenues (Voice+data): **+2.5%**, driven by mobile Internet growth (+12.9%)
- ✓ **PREPAID** total Revenues (Voice+data) decreased **-30.6%**. **This fall was reduced in last half of the year** by largest commercial activity. Negative variation was a consequence of less accesses as well as of recharges because of higher use of free WiFi and plans with free social networks



MOBILE: Mobile Data revenues keep growing pushed by Mobile Internet and “MBB home”

Data ACCESSES (Mobile Internet) ⁽¹⁾

Total: 3,140 thous. (Var_{Dec16/Dec15}: -3.7%)



Var. Dec16-Dec15

Mobile Data revenues
(Mobile Internet¹+MBB)

+4.1%

¹Mobile Internet: Internet browsing

Positive evolution in **Mobile Internet PENETRATION: 34.5%** o/total mobile accesses
→ wide growth potential

Mobile Data revenues (Mobile Internet+MBB)

reach \$355,825 million as of Dec.16, growing **+4.1%**, explained by:

- **Growth in Mobile Internet revenues: +3.5%**, pushed by:
 - ✓ **Postpaid Mobile Internet revenues grow +12.1%** due to:
 - +11.0% Postpaid Data accesses
 - 4G customers increase
 - ✓ Offset by **Prepaid Mobile Internet revenues drop: -27.9%**, as a consequence of:
 - Prepaid Data accesses decline: -35,3% due to aggressive competition campaigns and lower ARPU because of less recharges caused by higher use of Wifi and offers with more gigas
- However, Prepaid 4G grew: +646 thous. customers
- **Growth in MBB revenues: +14.6%**, leveraged by MIFI/Router service (“MBB home 4G”) which reached 74 thous. customers

FIXED: Broadband and Pay TV revenues keep growing

Accesses

-0.1%

Broadband
(Internet)

1,091 thous. accesses

HS (high speed) customers growth= +26,3%

Focus on HS growth allows to improve ARPU and results in largest revenues

Program to migrate customers to HS or speed upgrade improves churn

New “*MBB Home*” offer complements Broadband offer

+ 2.5%

Pay TV (Video)

660 thous. accesses

Pushed by growth in:

DTH (0.6%)

IPTV (28.2%)

Revenues grow +2.2% but, deducting revenues from decos equipment sales, revenues from TV service increase

5.4%, due to higher ARPU related to HD and *premium* channels and IPTV growth

-5.9%

Lines (Voice)

1,398 thous. lines

Decreasing tendency in voice lines

Total Fixed accesses drop: -2.3%, reaching 3.1 million

Total Fixed revenues grow 2.8%, reaching Ch\$747 thous. million

Internet revenues

+6.0%



Thous.
Millions Ch\$

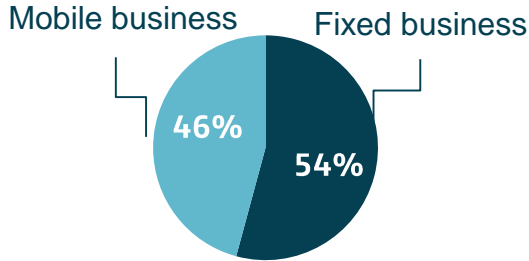
Pay TV revenues

+2.2%

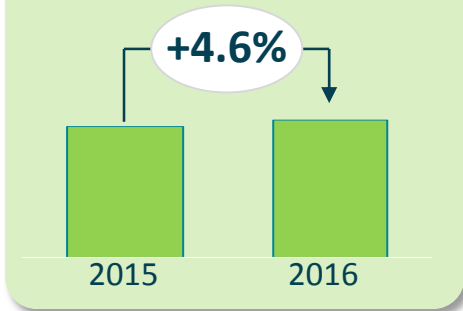


Corporate Communications revenues keep growing leveraged by Digital Services and Data

Revenues from Corporate and Business segment



Total revenues in Corporate segment



4Q16 projects:



Revenues Var. % Dec 16/15

MOBILE



- +4.9% growth in mobile accesses from Corporates, pushed by offers to favor portability and by focus on SME

FIXED

Private services



- Growth mainly due to IP private networks, international data and equipments related to new projects won in the year and projects renewal

Digital services



- Growth in "Cloud" and "Security" leveraged by the new Datacenter
- Year 2016 includes "Municipal elections" project

Corporate Data Communications revenues represent **17% of T. Chile total revenues** and **grow +14.8%** in total



FINANCIAL PERFORMANCE

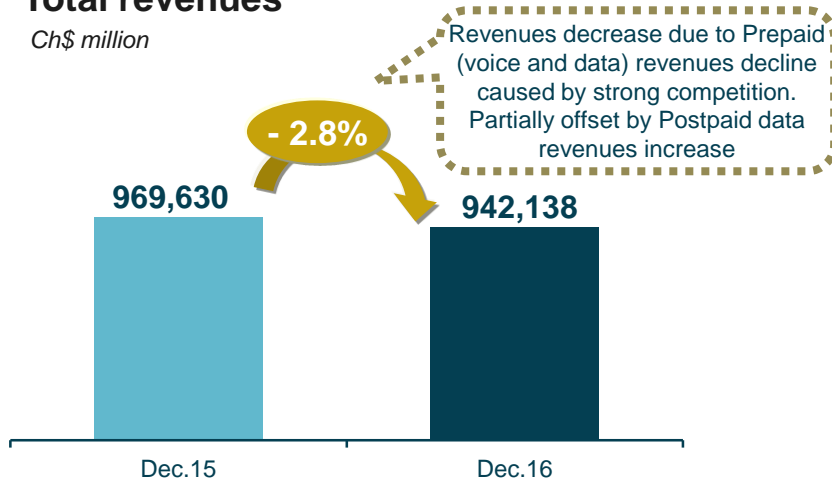
Note: accumulated figures as of Dec. 16 vs. Dec. 15

MOBILE: Revenues, EBITDA, CapEx and OpCF evolution

MOBILE

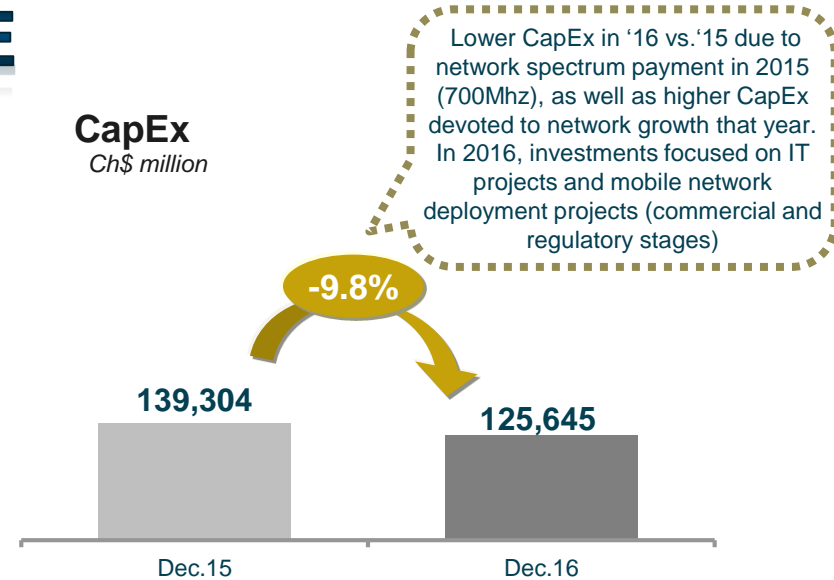
Total revenues

Ch\$ million



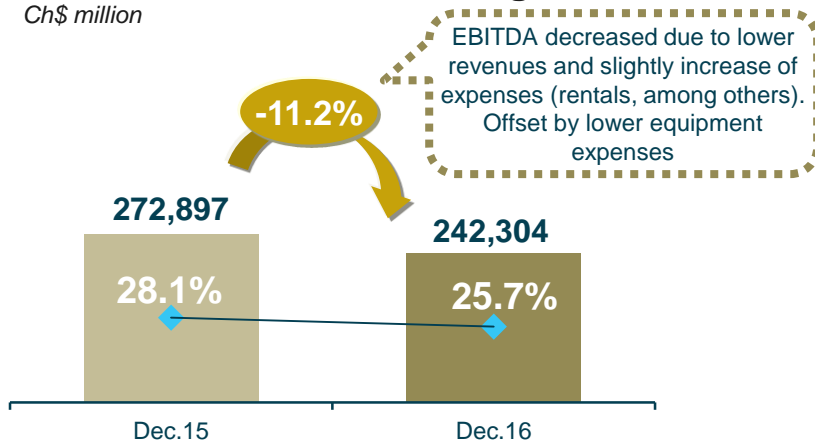
CapEx

Ch\$ million



EBITDA and EBITDA margin (%)

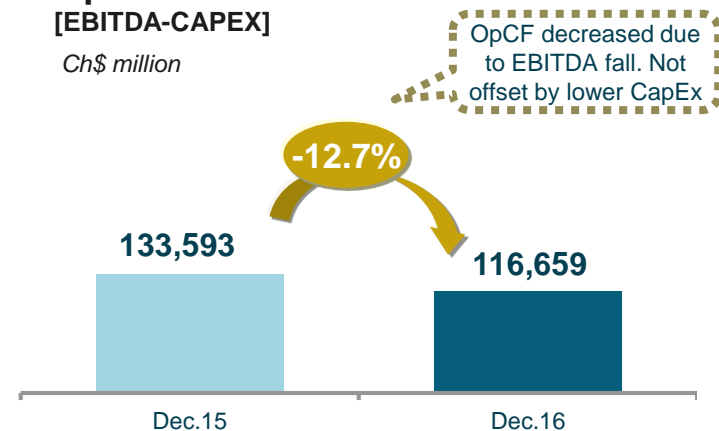
Ch\$ million



OpCF

[EBITDA-CAPEX]

Ch\$ million

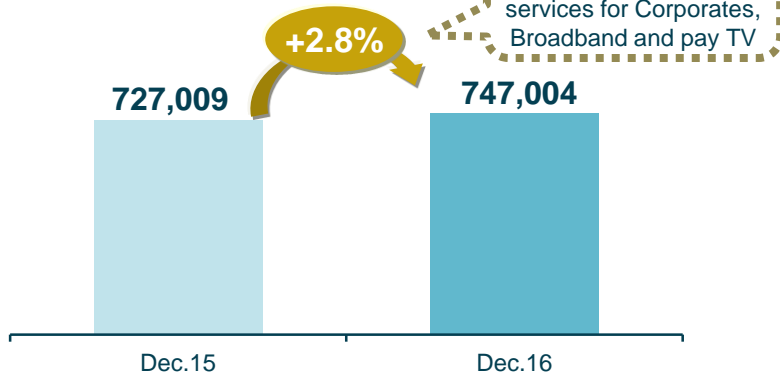


FIXED: Revenues, EBITDA, CapEx and OpCF evolution

FIXED

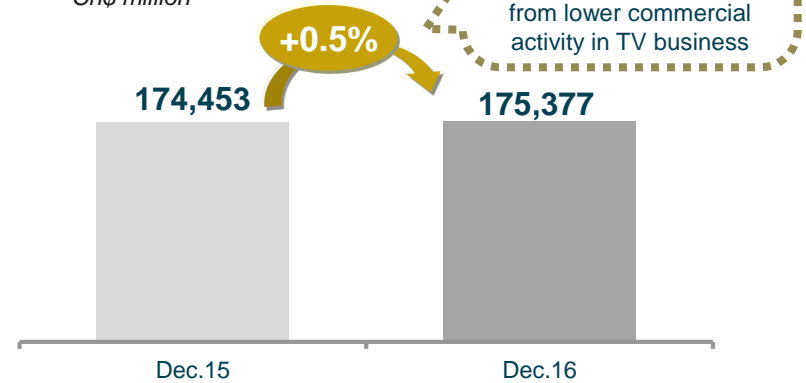
Total Revenues

Ch\$ million



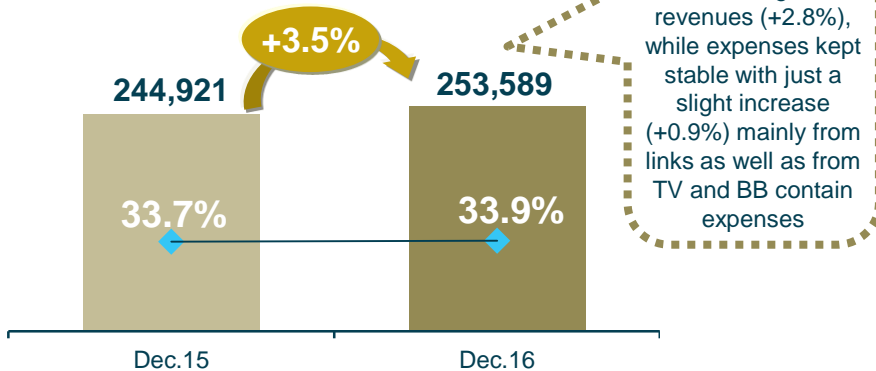
CapEx

Ch\$ million



EBITDA and EBITDA margin (%)

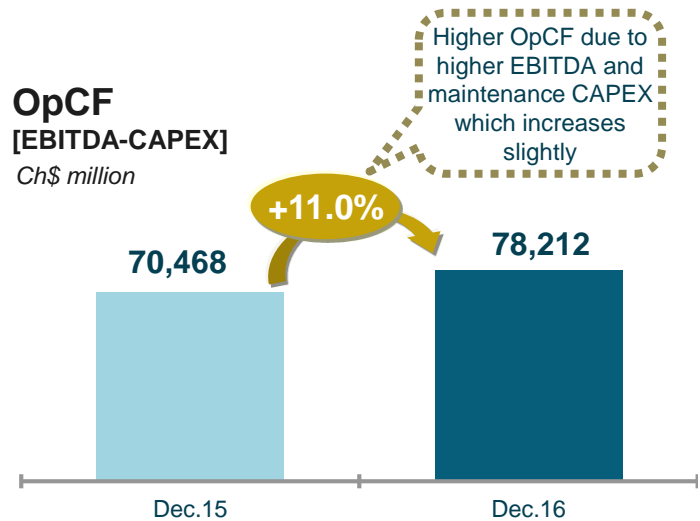
Ch\$ million



OpCF

[EBITDA-CAPEX]

Ch\$ million

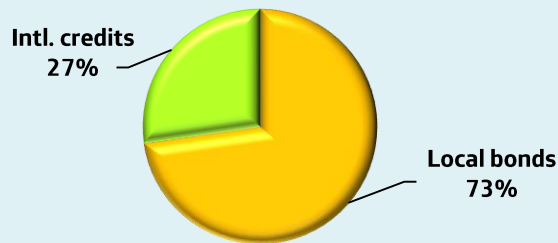


Stable structure and Debt levels and diversified by Fixed and Mobile businesses

MOBILE

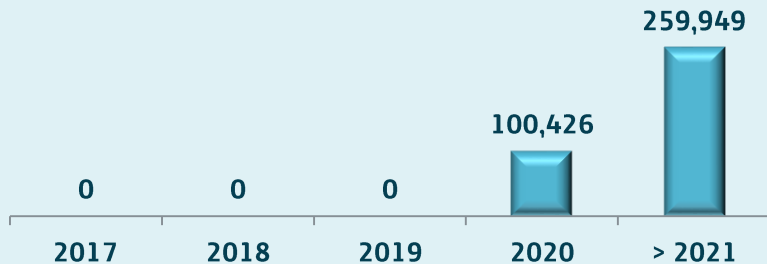
Gross Debt as of Dec. 2016 → Ch\$360 billion
 Net Debt as of Dec. 2016 → Ch\$272 billion

Structure:



- ✓ **Gross Debt:** remains stable. During 2016 all Debt maturities were refinanced, reaching Ch\$192 billion, through an international credit and local bonds
- ✓ **Net Debt:** increased Ch\$40 billion due to lower Cash generation vs. Dec. 2015

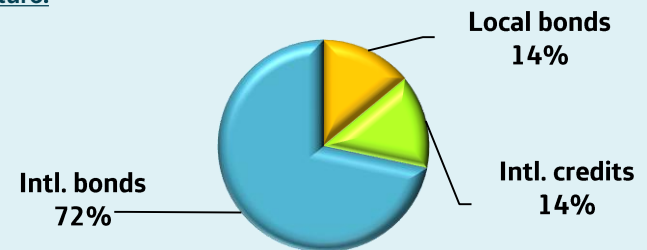
MATURITIES PROFILE Million Ch\$:



FIXED

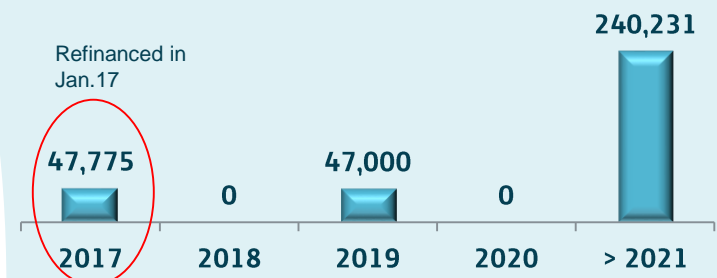
Gross Debt as of Dec. 2016 → Ch\$328 billion
 Net Debt as of Dec. 2016 → Ch\$201 billion

Structure:



- ✓ **Gross Debt:** remains stable and there is not refinancing for financial obligations in the period
- ✓ **Net Debt:** decrease Ch\$38 billion due to higher Cash generation

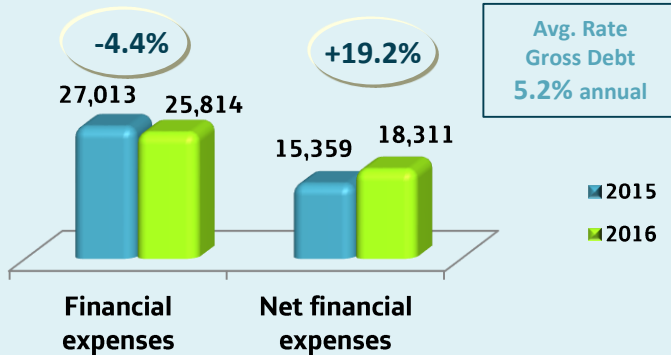
MATURITIES PROFILE Million Ch\$:



Efficient interest rate management allows an average annual interest rate of 5.4%

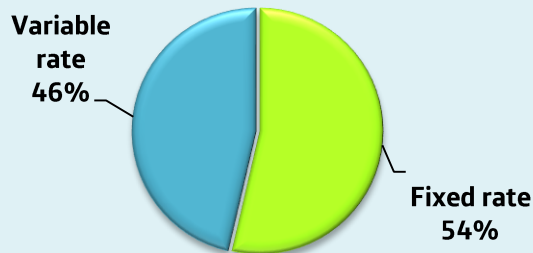
MOBILE

Financial Expenses Million Ch\$



- ✓ Gross financial expenses decrease due to lower Debt. Net financial expenses increase due to the average "TPM" (Monetary Policy Rate) increase, from 3.0% in 2015 to 3.5% in 2016, and refinancing in advance

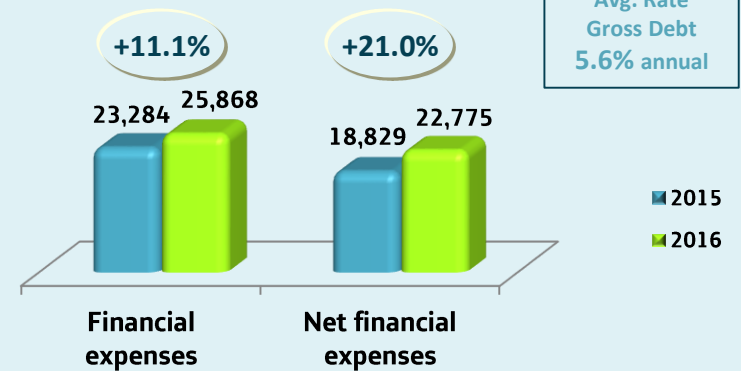
Currency and Interest rate hedging



100% FX hedging
3% CLP depreciation (avg. as of Dec16 vs. avg. as of Dec15) has not impacted Debt nor interest rates payments

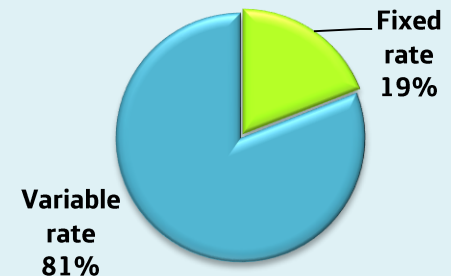
FIXED

Financial Expenses Million Ch\$



- ✓ Gross and Net financial expenses increase mainly due to lower average Cash balance and "TPM" (Monetary Policy Rate) increase

Currency and Interest rate hedging



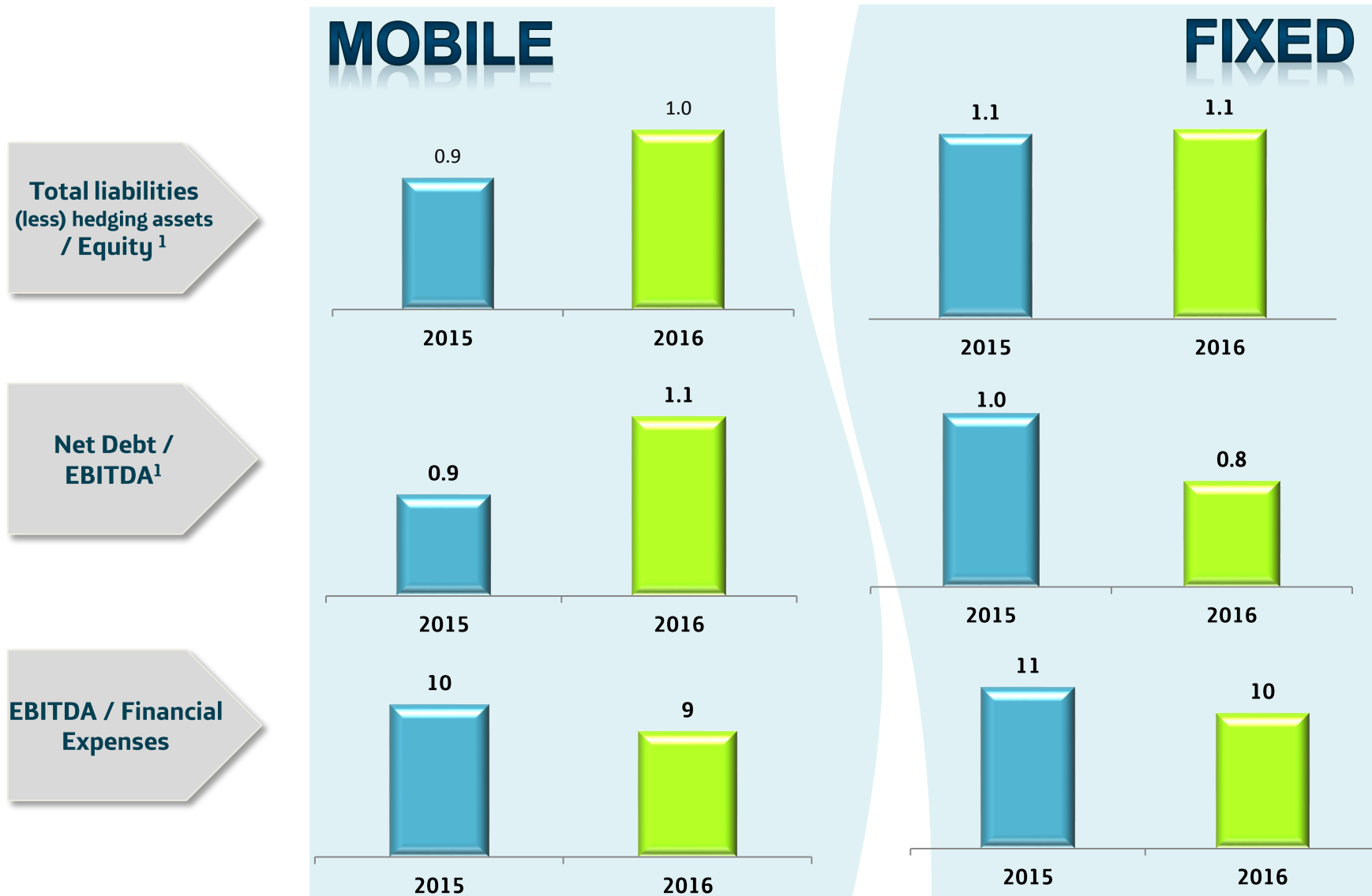
Telefónica Chile Local Bond issue, Series T – January 2017

- In January 19, 2017, Telefónica Chile successfully placed a Bond issue in the local market, which amounted to Ch\$48.000 million. The funds were assigned to refinance financial obligations to mature in April 2017
- Terms and conditions:

Amount:	Ch\$ 48,000 million
Currency:	Chilean Peso
Term:	6.5 years
Placement rate:	4.55% annually
Spread:	81 bps over Central Bank Bonds
Capital amortization:	5 instalments: July 5, 2020; January 5, 2021; July 5, 2021; January 5, 2023 and July 5, 2023
Financial covenants:	None

- ✓ The 4.55% interest rate is the lower rate, in recent times, for corporate issues in Pesos with “duration” close to 5
- ✓ 2.4x oversubscription. Mainly remarkable the institutional investors interest
- ✓ Placement agents: Banchile Corredores de Bolsa and BBVA Corredora de Bolsa

Financial ratios remain solid



¹ Operating leases are not included

Summary of Financial Results

accumulated as of December 31, 2016

<i>Million Ch\$ IFRS</i>	T. MÓVILES CHILE		T. CHILE	
	Jan-Dec 16	% Var. '16/'15	Jan-Dec 16	% Var. '16/'15
Total revenues	942,138	-2.8%	747,004	+2.8%
Operat. expenses (w/o deprec.)	-699,834	+0.4%	-874,175	+0.9%
EBITDA	242,304	-11.2%	253,589	+3.5%
EBITDA margin	25.7%	-2.4pp	33.9%	+0.2 pp
Depreciation and amortization	-112,224	+9.1%	-190,380	-1.0%
Operating income	130,080	-23.5%	63,209	+19.9%
Net interest income and Others	-14,702	+43.1%	-23,075	+26.9%
Taxes	-30,516	-14.1%	-15,901	+191.3%
Net income before minority interest	84,862	-31.7%	24,233	-16.6%
Net income	84,862	-31.7%	19,571	-20.4%

Summarizing....

MOBILE business

- **EBITDA** reached \$242,304 million and **EBITDA margin: 26%**
- **Accesses and Postpaid revenues** grew leveraged by new commercial offer, maintaining positive net gain in Postpaid number portability
- **Mobile Data revenues increased pushed by Postpaid mobile Internet and MBB revenues growth, which increased at 2 digits path**

FIXED business

- **EBITDA** reached \$253,589 million, **growing 3.5%**
- **EBITDA margin: 33.9%**
- **Growth remains** with focus on High Speed Broadband and Digital services for corporates



Telefon