

*Telefonica*

# Financial Results

accumulated as of Dec.17

**TELEFONICA MOVILES CHILE S.A.**

(Mobile and Fixed businesses consolidated figures)

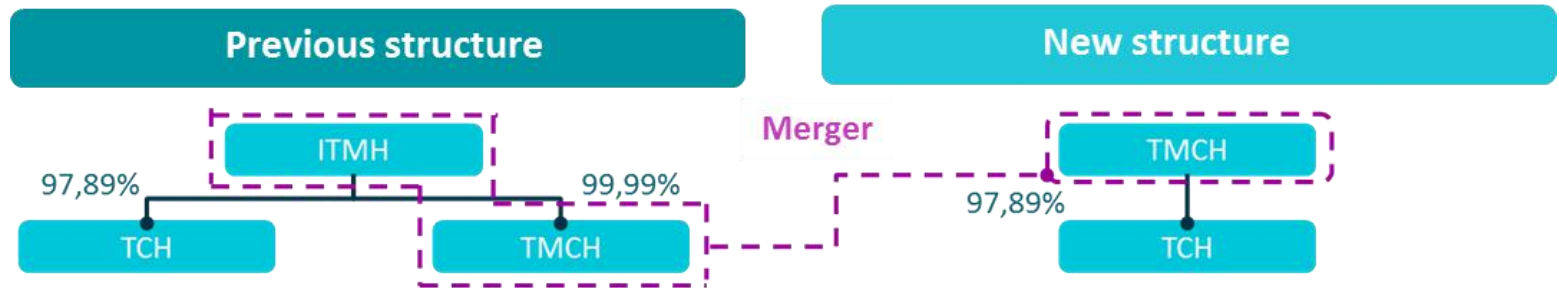
**& TELEFONICA CHILE S.A.**

(Fixed business figures)



Santiago, March 5, 2018

*In May 2017, Inversiones Telefónica Móviles Holding S.A. merged by absorption with its subsidiary Telefónica Móviles Chile S.A. modifying its corporate name for the latter one. Therefore, from June 30, 2017, Telefónica Móviles Chile S.A (TMCH) financial statements are presented under consolidated basis with those of Telefónica Chile S.A. (TCH, Fixed business), its current new subsidiary*



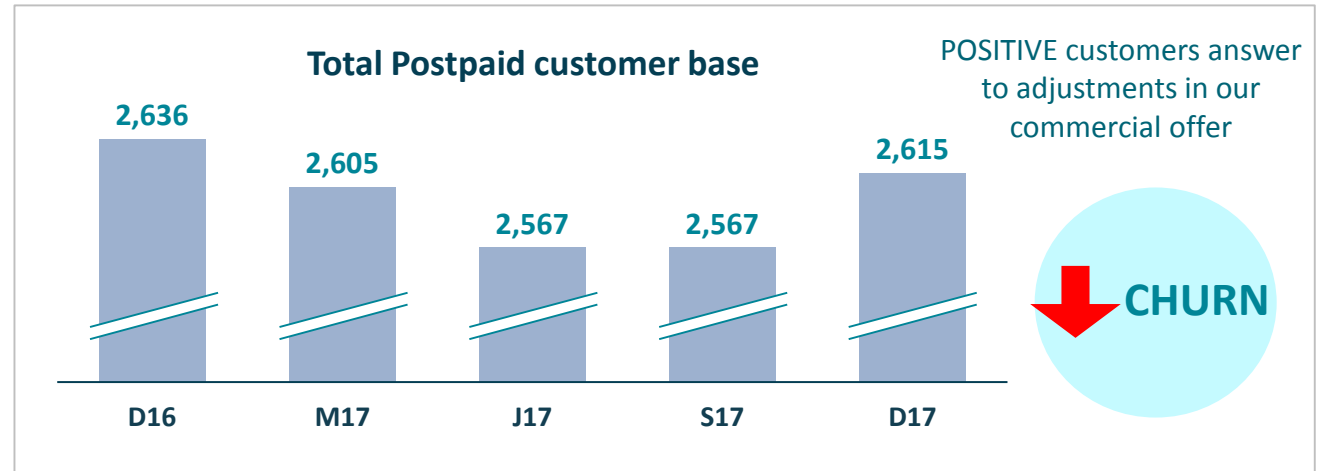


# 01 Business performance

*Note: accumulated figures as of Dec.17 vs. Dec.16*

# Mobile POSTPAID: New commercial offer allows to safeguard customer base

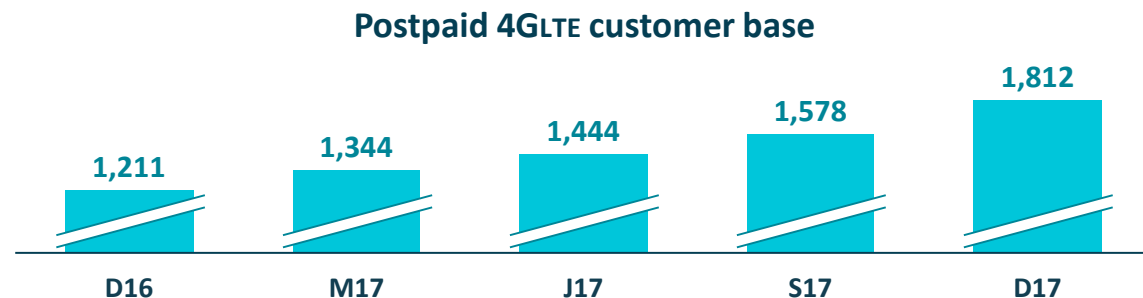
... a more competitive Offer



TOTAL  
POSTPAID  
REVENUES\*  
**-4.5%**

\* voice+data

- Reposition of prices through a new competitive Offer
- 4GLTE customers increase up to 1.8 mills (69% o/ Postpaid accesses):



# Mobile PREPAID: revenues affected by a more competitive new offer and migration to Postpaid

Prepaid REVENUES\*  
**-19.1%**

\* voice+data

Prepaid Accesses (thous.)

-1.7%

5,752

Dec.17

- ✓ **PREPAID revenues** (Voice+data) affected by competitors aggressive commercial campaigns
- ✓ Accesses controlled decrease given the commercial offer repositioning
- ✓ “Preplan” customer capture is encouraged (weekly Preplans from \$2,000, with more gigas and unlimited social networks)
- ✓ Continuous migration to Postpaid plans



- 4GLTE customers grow up to 1.3 million (22% o/Prepaid accesses):

Thousands

99.9%

645

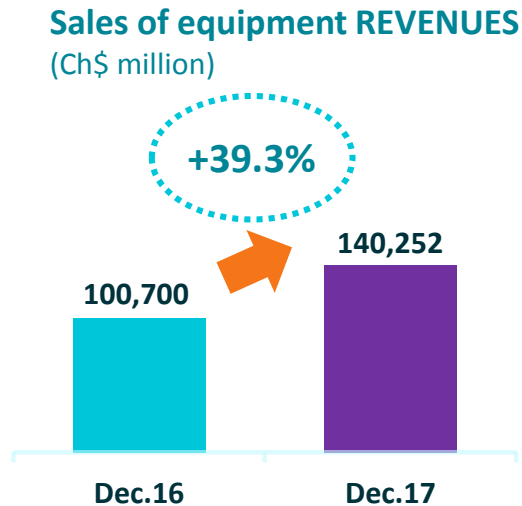
1,289

Dec.16

Dec.17

# Revenues growth in sales of equipment and MBB

Sales of equipment and subsidies model is modified successfully



- ✓ Revenues from sales of equipment grow pushed by:
  - A new sales model
  - Sales of Movistar ONE



MBB ACCESSES  
(thousands)

+17.9%

280

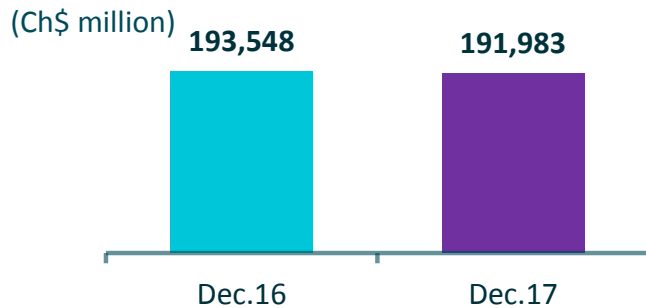
Dec.17

- ✓ MBB revenues grow driven by:
  - Capture of more customers for MIFI/Router service (“4G home broadband”) pushing Postpaid MBB revenues growth
  - 141 thous. MBB LTE customers (50% o/MBB total accesses)

# FBB: Accesses growth driven by High Speed

% Var. Dec 17/16

**FBB  
revenues  
-0.8%**



**FBB  
accesses  
+1.6%**

**1,108,980** accesses

✓ Slightly decrease in FBB revenues:

- Lower ARPU due to new commercial offers with more competitive prices
- Partially offset by accesses growth (1.6%), pushed by High Speed (FTTH and VDSL):
  - High Speed (HS) customers = 360,044 (+11.0%)
  - HS penetration (32% Dec17) propelled by F.O. growth (+26.6%)
  - Launching of “Heavy”, symmetric F.O. service (speed of 50 Mbps)

Fibra Óptica Simétrica as internet **HEDVY**

Nuevo Smart Wifi

Adicional Repetidor +\$2.990

Repetidor de señal WiFi

Repetidor de señal WiFi

App Smart WiFi

Resolución 2x/3 GHz

Fibra Óptica 50 Mbps \$20,990

Hasta 50 Mbps de soporte

Hasta 5 Mbps de soporte

Unicos con Velocidad Simétrica

Hasta 50 Mbps de soporte. Adicional Hasta 50 Mbps de soporte + 3.000

Lo quiero

# Pay TV business showed a sustained growth in 2017

Var. %  
Dec17/16

**Pay TV  
revenues  
+2.1%**

Ch\$ million

173,924



177,661

Dec.16

Dec.17

**Pay TV  
accesses  
+3.6%**

**683,970** accesses

✓ Pay TV revenues grow 2.1%, explained by:

- TV accesses grow 3.6% due to higher commercial activity, pushed by Duo Plans and HD Trio:
  - IPTV customers = 62,030 (+11.9%)
  - DTH customers = 619,802 (+2.8%)
- ARPU remains stable in a framework of strong competition

**Penetration:  
IPTV = 9%**

Trío Hogar **S**  
**\$29.990/mes**  
Por 12 meses

Incluye: **FREE PREMIUM Gratis** los próximos 3 meses

Solo hasta el **31 de agosto**

83 canales + 6 nacionales HD\* | Internet hasta 8 Mbps | Min. ilimitados + 300 min. a móviles

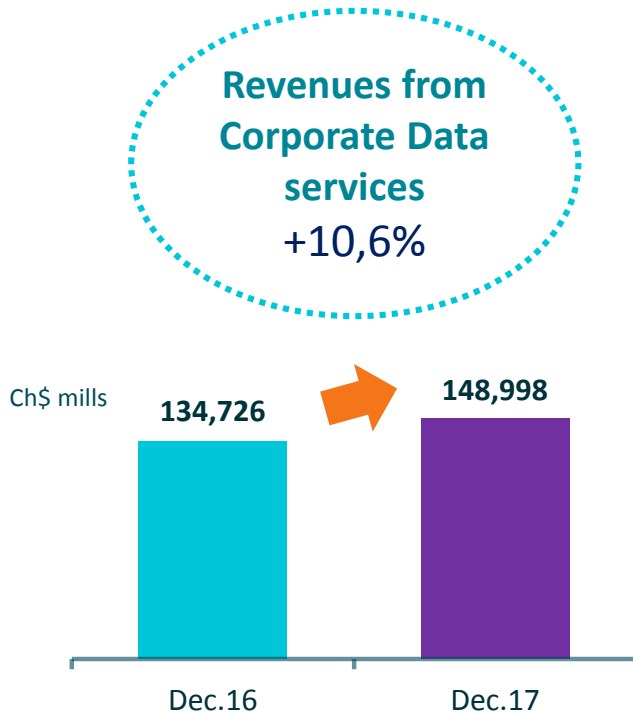
movistar.cl  
600 600 3000

\*La antena permite captar las señales de los canales nacionales de televisión de libre recepción. Sujeto a factibilidad técnica y comercial. Condiciones comerciales y contractuales del servicio en movistar.cl



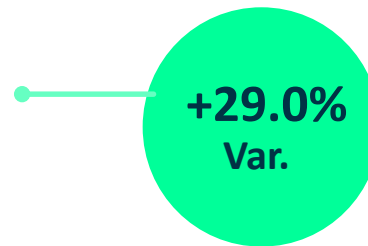
# Solid growth in Corporate Digital Services

Var. %  
Dec '17/16



✓ Revenues from Corporate Data services increase due to:

## Digital Services



- Mainly driven by Security services, Cloud and 2017 presidential election

## Private Data Services



- Higher revenues from IP Private Network services

4Q17  
Projects:



BancoEstado



# Total Accesses remain stable in Postpaid and grow in MBB, FBB and Pay TV



**TOTAL ACCESSES** (F+M) as of Dec 17

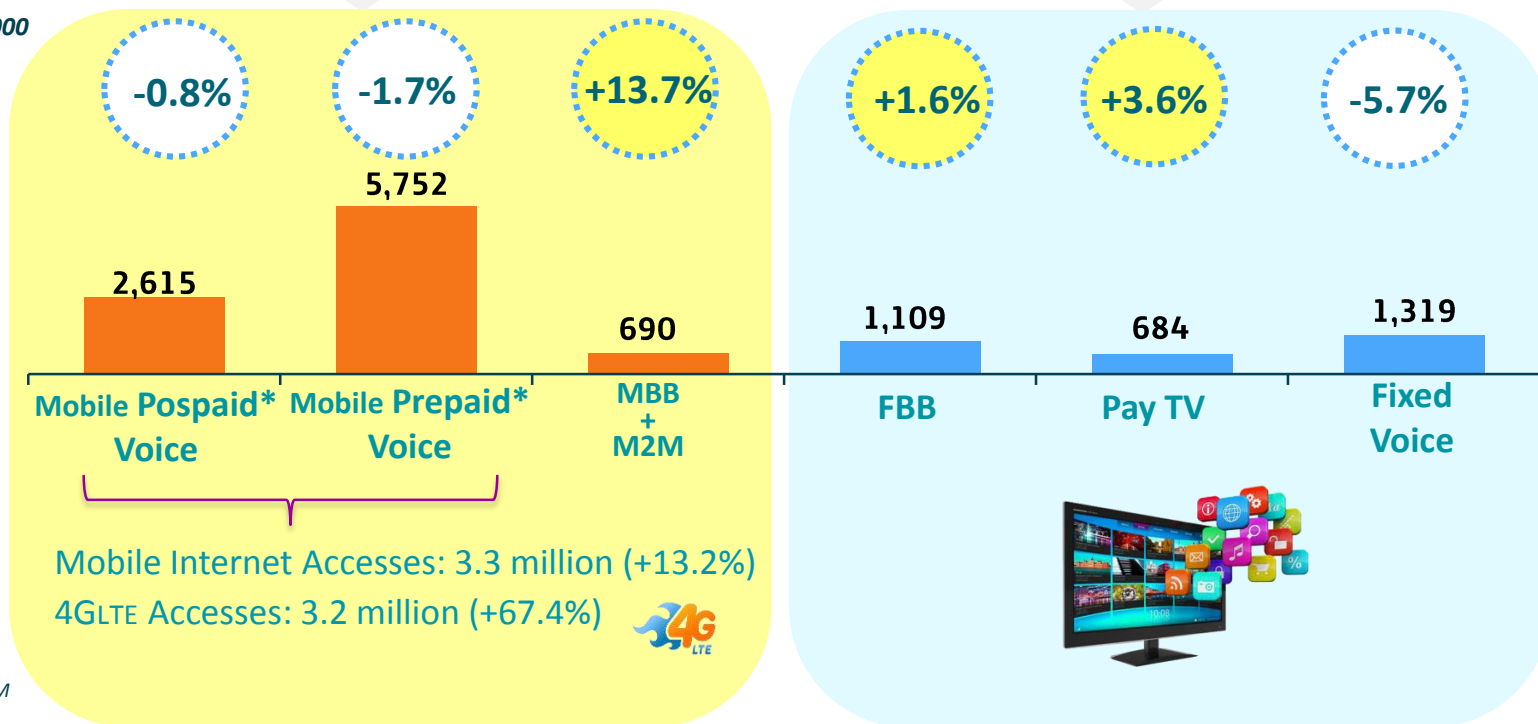
**12.2 million**

MOBILE Accesses: 9,057 thous.

FIXED Accesses: 3,112 thous.

Var.  
Dec 17/16

'000



\*: MBB and M2M are not included

<sup>1</sup> Mobile Data = MBB (mobile broadband → USB) + mobile Internet\*  
 \*Mobile Internet: "Internet browsing"



# 02



## Financial performance

*Note: accumulated figures as of Dec.17 vs. Dec.16*

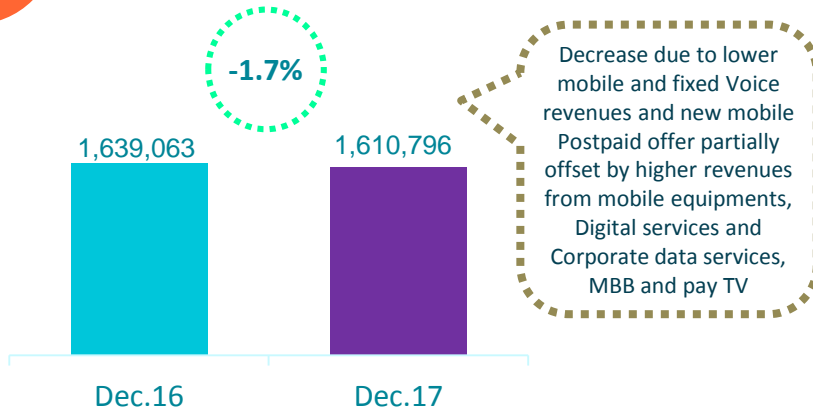
# Revenues, EBITDA, CapEx and OpCF evolution

Telefónica Móviles Chile (TMCH, Mobile+Fixed consolidated business)

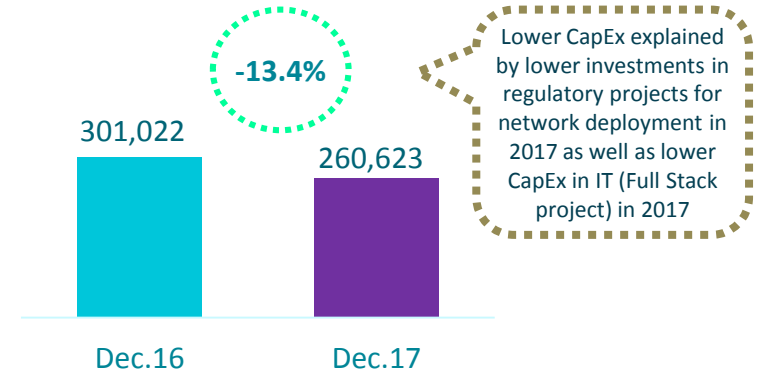
M + F

Ch\$ million

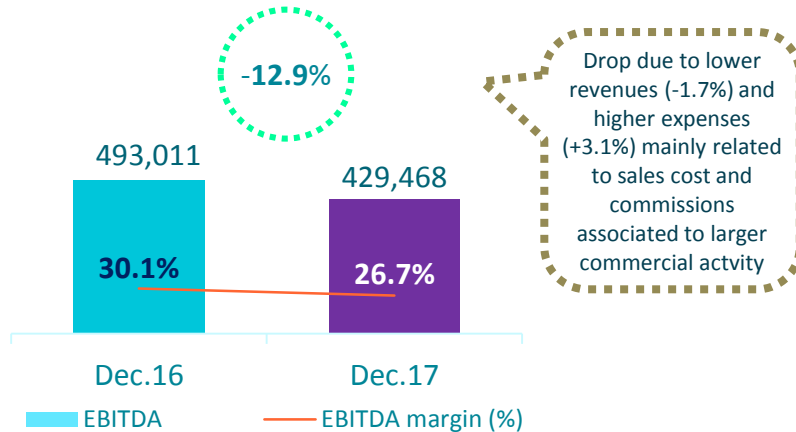
## Revenues



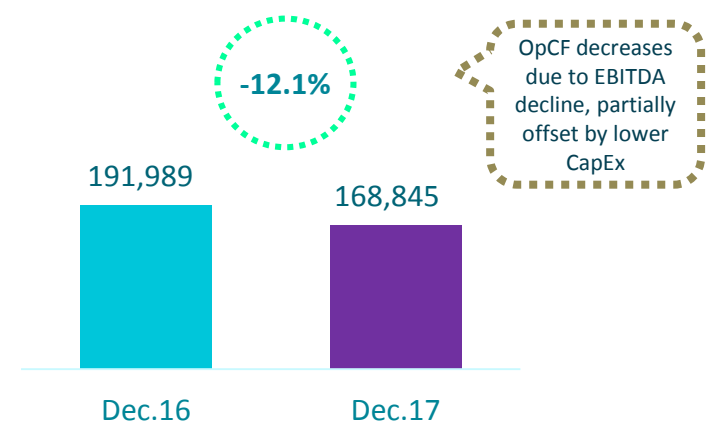
## CapEx



## EBITDA and EBITDA margin



## OpCF [EBITDA-CapEx]



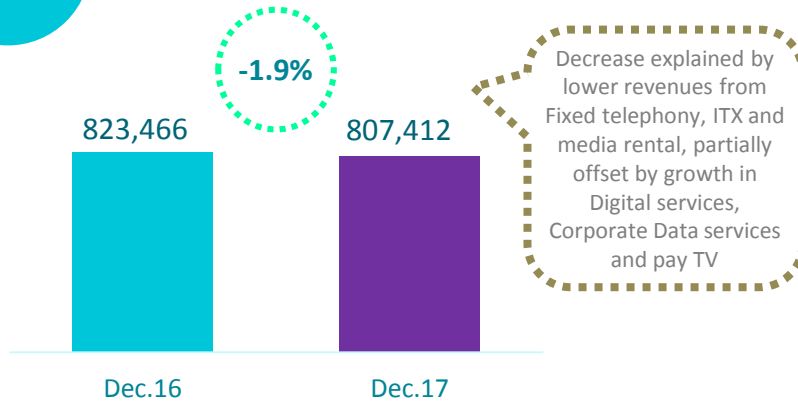
# Revenues, EBITDA, CapEx and OpCF evolution

Telefónica Chile (TCH, Fixed business)

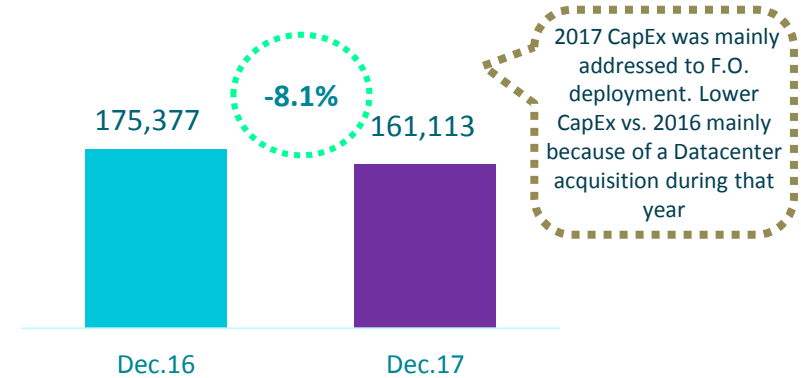
Ch\$ million

F

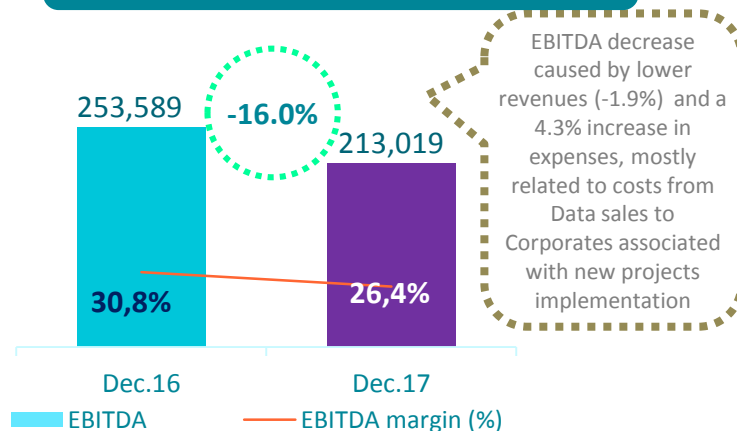
## Revenues



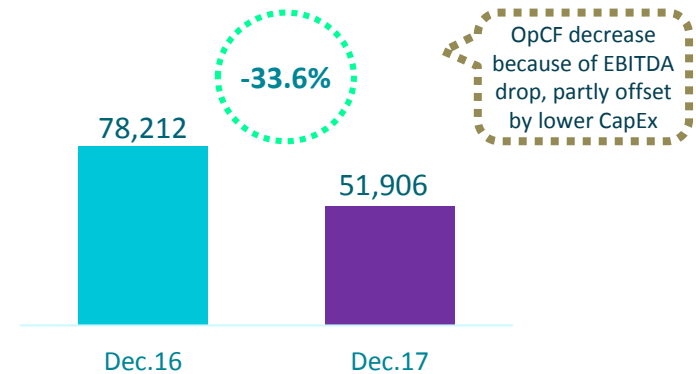
## CapEx



## EBITDA and EBITDA margin



## Op CF [EBITDA-CapEx]

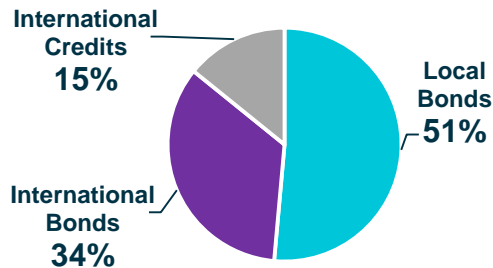


# Telefónica Móviles Chile: Accessibility to different financing sources. Interest and FX rates efficient management

M+F

## Debt Structure

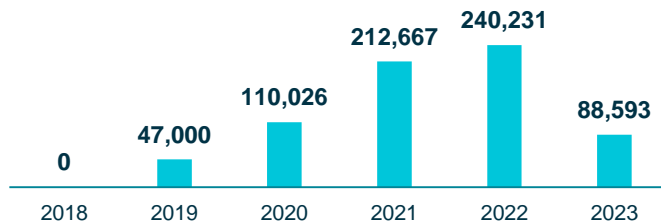
- ✓ Gross Debt as of Dec. 2017 → Ch\$698 thous. million
- ✓ Net Debt as of Dec. 2017 → Ch\$491 thous. million
- ✓ AA+ (ICR/FITCH) BBB/BBB+ (S&P/ FITCH) confirmed in Sep17



- ✓ **Gross Debt remains stable** vs. previous year
- ✓ Net Debt increases Ch\$ 24 thous. million due to lower Cash balance vs. previous year

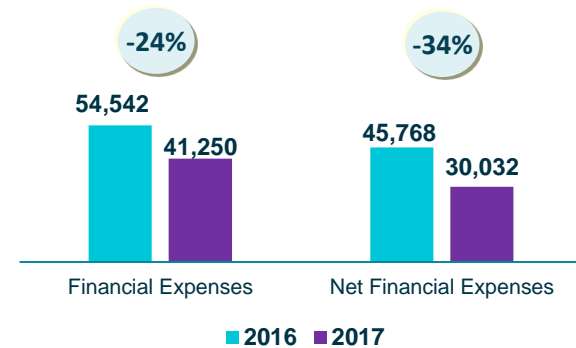
## Maturity profile Million Ch\$

- There is not Debt maturities in 2018
- Repayment capacity supported by EBITDA generation, which amounted to \$429,468 million in 2017



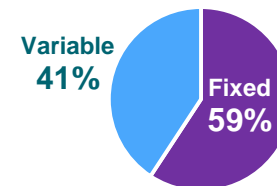
## Financial Expenses Million Ch\$

- ✓ Gross and Net Financial Expenses decrease due to market interest rates fall from 3.5% to 2.5%, captured through the significant amount of variable Debt



## Currency and Interest rate hedging

- **100% FX hedge**
- Fixed/variable mix allows us to take advantage of market interest rates decrease
- **Average interest rate** of Gross Debt: **4.9%** annual

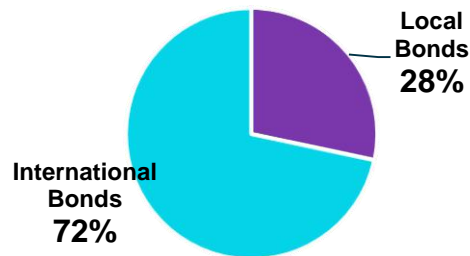


# Telefónica Chile: Stable and diversified Debt. Interest rates efficient management

F

## Debt structure

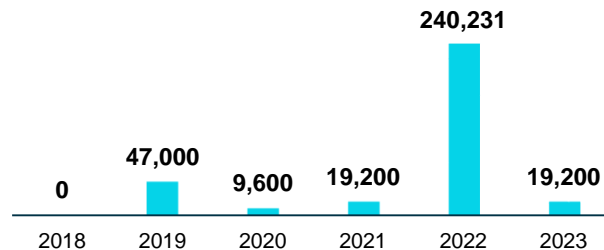
- ✓ Gross Debt as of Dec. 2017 → Ch\$335 thous. million
- ✓ Net Debt as of Dec. 2017 → Ch\$231 thous. million
- ✓ AA (ICR/FITCH) BBB/BBB+ (S&P/FITCH) confirmed in Sep17



- ✓ Gross Debt remain stable vs. previous year
- ✓ Net Debt increases Ch\$ 30 thous. million due to lower Cash balance vs. Dec.16

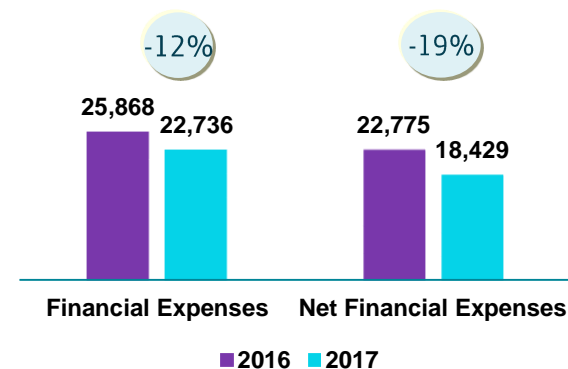
## Maturities profile Million Ch\$

- Comfortable profile, without Debt maturities in the short-term



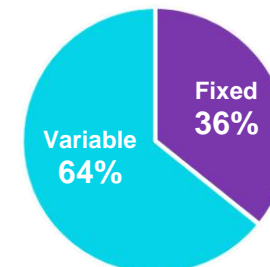
## Financial Expenses Million Ch\$

- ✓ Gross and Net Financial Expenses decrease due to market interest rate drop from 3.5% to 2.5%, captured through a meaningful percentage of variable Debt, partially offset by anticipated refinance of Debt in Jan.17



## Currency and Interest rate hedging

- 100% FX hedge
- Average interest rate of Gross Debt: 5.1% annual



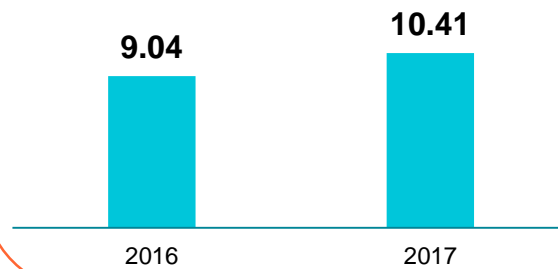
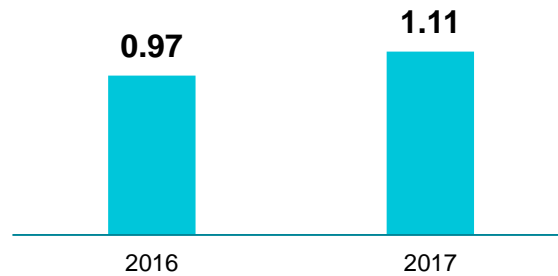
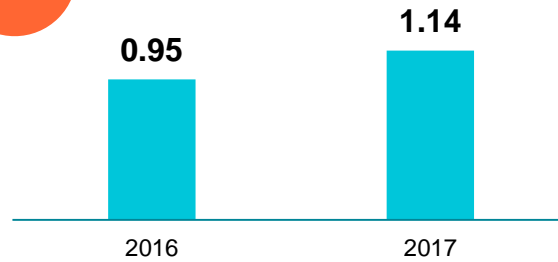
# Solid financial ratios, on individual and consolidated basis

Net Debt/  
EBITDA

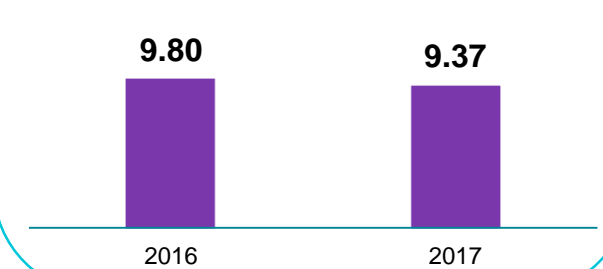
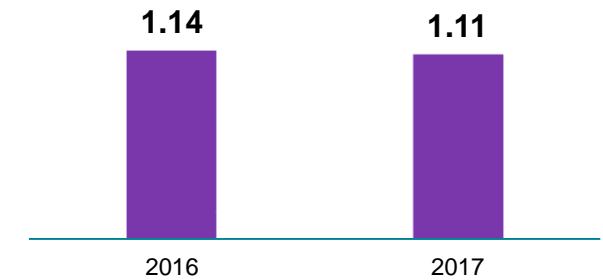
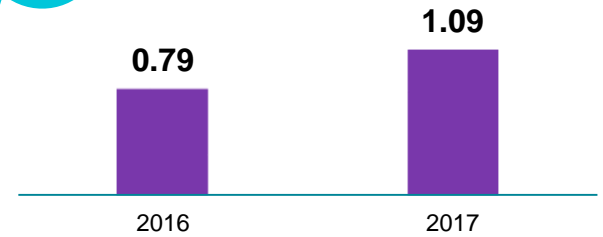
Total liabilities  
(less) hedging  
assets / Equity<sup>1</sup>

EBITDA /  
Financial  
Expenses

TMCH



TCH



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



# Summary of Financial Results

accumulated as of December 31, 2017

Million Ch\$ IFRS	TMCH (M+F)	Jan-Dec 17	% Var. '17/'16	TCH	Jan-Dec 17	% Var. '17/'16
Total revenues		1,610,796	-1.7%		807,412	-1.9%
Operat. expenses (w/o deprec.)		-1,181,328	+3.1%		-594,393	+4.3%
<b>EBITDA</b>		<b>429,468</b>	<b>-12.9%</b>		<b>213,019</b>	<b>-16.0%</b>
<b>EBITDA margin</b>		<b>26.7%</b>	<b>-3.4pp</b>		<b>26.4%</b>	<b>-4.4 pp</b>
Depreciation and amortization		-287,509	-5.0%		-172,568	-9.4%
<b>Operating income</b>		<b>141,959</b>	<b>-25.4%</b>		<b>40,451</b>	<b>-36.0%</b>
Net interest income & Others		-31,399	-33.2%		-18,296	-20.7%
Taxes		89,310	-297.1%		-11,262	-29.2%
<b>Net income before minority interest</b>		<b>199,870</b>	<b>+103.7%</b>		<b>10,893</b>	<b>-55.0%</b>
<b>Net income</b>		<b>199,807</b>	<b>+104.5%</b>		<b>6,504</b>	<b>-66.8%</b>

# Summarizing...

- ✓ **12.2 million accesses** as of Dec.17, maintaining **stable Mobile Postpaid accesses** and **growth in MBB, FBB and pay TV accesses**
- ✓ In the presence of **strong competition**, we were **able to protect our market share by repositioning our commercial offer**
- ✓ **Solid revenue growth in Mobile sales of equipment and Corporate services**, besides of **growth in pay TV and MBB**
- ✓ **Consolidated EBITDA reaches \$429,468 million and 26.7% of EBITDA margin**

*Telefonica*

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