

2016



EARNINGS RELEASE

2016 - 4Q16

January 01, 2016 –December 31, 2016

SONDA S.A. and subsidiaries announce their consolidated financial results for the period from January 01 to December 31, 2016. All figures are expressed in Chilean pesos and have been prepared under International Financial Reporting Standards (IFRS). Translations to US dollars stated in this report are based on the month-end exchange rate as of December 31, 2016 (1 US\$ = 669.47 Chilean Pesos).

SUMMARY: 2016 - 4Q16

- CONSOLIDATED REVENUES**

US\$1,219.1 million

- OPERATING INCOME**

US\$94.6 million

- EBITDA**

US\$145.0 million

- NET INCOME**

US\$39.4 million

- EBITDA MARGIN**

11.9%

- NET MARGIN**

3.2%

EXECUTIVE SUMMARY

SONDA had consolidated revenues of \$816,159 million (US\$1,219.1 million) for 2016, 8.4% lower than in 2015. Operating income was \$63,301 million (US\$94.6 million), decreasing by 32.0% (YoY) and EBITDA was \$97,101 million (US\$145.0 million), lower by 23.4% (YoY). Net income attributable to owners totaled \$26,396 million (US\$39.4 million), 38.4% lower than in 2015.

Regional results:

Region	Revenues		EBITDA	
	Ch\$M	ΔY/Y	Ch\$M	ΔY/Y
Chile	361,289	2.3%	60,586	4.1%
Brazil	278,639	-19.0%	8,795	-76.0%
Mexico	75,140	-8.9%	12,786	-8.5%
OPLA	101,092	-9.5%	14,934	-16.7%
Total	816,159	-8.4%	97,101	-23.4%

ROE for 2016 was 5.5%. Current liquidity ratio was 1.6x, financial leverage ratio was 0.3x and financial expenses coverage ratio was 8.1x, all of them reflect a healthy and balanced financial position.

Highlights:

- The depreciation of certain Latam currencies against Chilean Peso throughout 2016 respect to the same months in 2015, had a negative effect on the translation of foreign subsidiaries income statements to reporting currency (Chilean Peso). Indeed, excluding this effect, consolidated revenues for 2016 would have reached US\$1,258.1 million decreasing by 5.5% YoY, while EBITDA would have reached US\$151.0 million, lower by 20.3% than in 2015.
- Operations outside Chile decreased their revenue by 15.4% (YoY), totaling \$454,870 million (US\$679.4 million), contributing 55.7% of consolidated revenues, while EBITDA decreased by 46.8% compared with 2015, reaching \$36,516 million (US\$54.5million). Without currency translation effects, ex-Chile revenues and EBITDA would have decreased by 9.9% and 40.7%, respectively.
- Revenues in Mexico reached \$75,140 million (US\$112.2 million) decreasing by 8.9% (YoY) and EBITDA totaled \$12,786 million (US\$19.1 million) decreasing by 8.5%. Without currency translation effects, revenues and EBITDA would have increased by 3.0% and 3.8%, respectively.
- Revenues in OPLA reached \$101,092 million (US\$151.0 million), 9.5% lower than in 2015, while EBITDA totaled \$14,934 million (US\$22.3 million), 16.7% lower than in 2015. Without currency translation effects, revenues would have grown by 1.5% and EBITDA would have decreased by 13.0%.
- Revenues in Chile grew by 2.3% (YoY) totaling \$361,289 million (US\$539.7 million) and EBITDA increased by 4.1% (YoY), reaching \$60,586 million (US\$90.5 million). Without currency translation effects, revenues and EBITDA would have grown by 1.2% and 3.9%, respectively.
- Revenues in Brazil reached \$278,639 million (US\$416.2 million) and EBITDA totaled \$8,795 million (US\$13.1 million), lower by 19.0% and 76.0% (YoY), respectively. Without currency translation effects, revenues and EBITDA would have decreased by 16.7% and 71.2%, respectively.
- The complex economic and political situation in Brazil during 2016 resulted in lower business activity and in negative effects on results, particularly during the last quarter of the year. These effects explain 249bp of lower EBITDA margin, added to the 449bp due to the application of MP669 and the Annual Salary adjustment (dissidio). Without these effects, the EBITDA margin for 2016 in Brazil would have reached 10.2%, while at the consolidated level it would have reached 14.3%.

- On the other hand, the lower economic activity in Brazil, also triggered a lower revenue recognition for US\$108.3 million due to lower demand from existing contracts, delays in revenue recognition, lower level of new deal volume, and the ending of contracts. Without these effects, Brazilian revenues would have grown by 2.1% and consolidated revenues would have decreased by 0.3% in 2016.
- Net income attributable to the owners was 38.4% lower than in 2015, mainly due to lower Operating Result and higher Non-Operating Loss.
- New deals closed during 2016 reached US\$1,064.1 million, 12.4% lower than in 2015 (at each period-end exchange rate). Without currency translation effects, new deals volume decreases by 10.5%.
- Pipeline of new potential businesses reached US\$2,840.3 million, 81.1% higher than in 2015, of those US\$1,724.4 million are related to Brazil, growing by 106,4% compared to 2015.

Figure 1 – Consolidated Financial Statement

Consolidated Financial Statements | SONDA S.A.

Millions of Ch\$ (Ch\$M)	Dec-15	Dec-16	Δ \$	Δ %
Income Statement				
Revenues	891,122	816,159	-74,964	-8.4%
Cost of Sales	-728,349	-671,565	56,784	-7.8%
GROSS PROFIT	162,773	144,594	-18,180	-11.2%
Administration Expenses	-69,626	-81,293	-11,667	16.8%
OPERATING INCOME ⁽¹⁾	93,148	63,301	-29,847	-32.0%
Depreciation and Amortization	33,617	33,800	183	0.5%
EBITDA ⁽²⁾	126,765	97,101	-29,664	-23.4%
Other Income	4,950	5,672	723	14.6%
Other Expenses	-10,474	-14,458	-3,984	38.0%
PROFIT (LOSS) FROM OPERATING ACTIVITIES	87,623	54,515	-33,108	-37.8%
Financial Income	4,287	5,305	1,019	23.8%
Financial Expenses	-8,420	-11,969	-3,549	42.1%
Share of Profit (Loss) of Associates	323	10	-313	-97.0%
Foreign Exchange Differences	-442	-2,711	-2,269	513.5%
Income (Loss) for Indexed Assets and Liabilities	-272	125	397	-146.1%
NET INCOME BEFORE TAXES	83,099	45,275	-37,824	-45.5%
Income Tax Expense	-35,554	-13,348	22,206	-62.5%
NET INCOME FROM CONTINUING OPERATIONS	47,545	31,927	-15,617	-32.8%
Net Income Attributable to Minority Interest	4,694	5,531	837	17.8%
NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY	42,850	26,396	-16,454	-38.4%
Balance Sheet				
Cash and Cash Equivalents	68,392	64,417	-3,975	-5.8%
Other Current Financial Assets	1,720	27,090	25,370	-
Trade Accounts Receivable and Other Receivables, Net	232,264	198,641	-33,624	-14.5%
Accounts Receivable from Related Companies	3,090	3,045	-44	-1.4%
Inventories	42,481	40,198	-2,282	-5.4%
Other Current Assets	34,190	52,501	18,311	53.6%
CURRENT ASSETS	382,137	385,893	3,756	1.0%
Intangibles Assets and Goodwill	245,684	274,756	29,073	11.8%
Property, Plant and Equipment, Net	95,433	133,347	37,914	39.7%
Other Non-currents Assets	59,532	89,177	29,645	49.8%
NON-CURRENT ASSETS	400,649	497,281	96,632	24.1%
ASSETS	782,786	883,174	100,388	12.8%
Other Current Financial Liabilities	13,308	83,270	69,962	525.7%
Other Liabilities	186,062	158,129	-27,933	-15.0%
CURRENT LIABILITIES	199,370	241,400	42,030	21.1%
Other Non-current Financial Liabilities	78,641	82,668	4,026	5.1%
Other Liabilities, Non-Current	38,917	47,749	8,832	22.7%
NON-CURRENT LIABILITIES	117,558	130,417	12,859	10.9%
LIABILITIES	316,928	371,816	54,888	17.3%
Minority Interest	6,839	8,438	1,600	23.4%
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	459,018	502,919	43,901	9.6%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	782,786	883,174	100,388	12.8%

⁽¹⁾ Operating Income = Gross Profit – Administration Expenses

⁽²⁾ EBITDA = Operating Income + Depreciation and Amortization

MANAGEMENT DISCUSSION AND ANALYSIS ON 2016 CONSOLIDATED RESULTS

I. Consolidated Results for 2016

Revenues

Consolidated revenues totaled \$816,159 million (US\$1,219.1 million) for 2016, 8.4% (\$74,964 million / US\$112.0 million) lower than in 2015. Without currency translation effects revenues would have decreased by 5.5% (YoY).

Main variations in the period were the following:

- 7.3% decrease (\$35,132 million / US\$52.5 million) in revenues from the IT Services business, totaling \$446,779 million (US\$667.4 million) in 2016, mainly in Brazil. Without currency translation effects, revenues coming from IT Services business would have decreased by 3.2%.
- 9.9% decrease (\$35,100 million / US\$52.4 million) in revenue from the Platform business, reaching \$318,511 million (US\$475.8 million) for 2016, mainly due to lower sales volume from Brazil and Mexico. Without currency translation effects, revenues coming from Platform business would have decreased by 8.3%.
- 8.5% decrease (\$4,732 million / US\$7.1 million) in revenue from the Application business, reaching \$50,869 million (US\$76.0 million) in 2016, mainly in Brazil. Without currency translation effects, revenues coming from Application business would have decreased by 6.8%.

Revenue breakdown by business line for 2016 is the following: IT Services contributed 54.7% of total revenues, Platforms contributed 39.0% and Applications contributed with the remaining 6.2%.

Figure 2 – Consolidated Revenues
by Business Line

	Dec-15 Ch\$M	Dec-16 Ch\$M	Δ \$	Δ %
CONSOLIDATED REVENUES BY BUSINESS LINE				
Platforms	353,610	318,511	-35,100	-9.9%
IT Services	481,911	446,779	-35,132	-7.3%
Applications	55,601	50,869	-4,732	-8.5%
Total	891,122	816,159	-74,964	-8.4%
Breakdown				
Platforms	39.7%	39.0%		
IT Services	54.1%	54.7%		
Applications	6.2%	6.2%		
Total	100%	100%		

Cost of Sales and Selling, General and Administrative Expenses

Consolidated cost of sales totaled \$671,565 million (US\$1,003.1 million) in 2016, showing a decrease of 7.8% (YoY).

Administration expenses were \$81,293 million (US\$121.4 million) for 2016, 16.8% more than in 2015, mainly in Brazil and Chile. The increase is explained by higher bad debt provisions in Brazil, by higher expenses related to the transactional health business and to the Apple business.

Figure 3 – Income Statement

	Dec-15 Ch\$M	Dec-16 Ch\$M	Δ \$	Δ %
SUMMARY OF CONSOLIDATED INCOME STATEMENT				
Revenues	891,122	816,159	-74,964	-8.4%
Cost of Sales	-728,349	-671,565	56,784	-7.8%
GROSS PROFIT	162,773	144,594	-18,180	-11.2%
Administration Expenses	-69,626	-81,293	-11,667	16.8%
OPERATING INCOME ⁽¹⁾	93,148	63,301	-29,847	-32.0%
EBITDA ⁽²⁾	126,765	97,101	-29,664	-23.4%
NET INCOME ATTRIBUTABLE TO OWNERS	42,850	26,396	-16,454	-38.4%
Financial Ratios				
Gross Margin	18.3%	17.7%		
Operating Margin	10.5%	7.8%		
EBITDA Margin	14.2%	11.9%		
Net Margin	4.8%	3.2%		

(1) Operating Income: Gross Profit – Administration Expenses

(2) EBITDA: Operating Income + Depreciation and Amortization

Operating Income and EBITDA

Operating income reached \$63,301 million (US\$94.6 million), lower by 32.0% with regards to 2015. Gross Margin as a percentage of revenue came to 17.7% and the operating margin to 7.8%, lower by 60bp and 270bp than in 2015, respectively.

EBITDA totaled \$97,101 million (US\$145.0 million) for 2016, a decrease of 23.4% compared to 2015. EBITDA margin reached 11.9%, 230bp lower than in 2015.

The situation in Brazil during 2016 had negative effects –above customary levels- over results, particularly during the last quarter of the year. These effects on results generate an 85bp decrease in the consolidated EBITDA margin, besides the extra 153bp generated by MP669 and the Annual Salary adjustment (dissidio). Without these effects, EBITDA Margin would have reached 14.3%, 10bp above the margin obtained in 2015.

Other Comprehensive Income (Excluding Administration Expenses)

Total other comprehensive income, excluding administration expenses, reached a loss of \$18,026 million (US\$26.9 million) in 2016, \$7,977 million (US\$11.9 million) over the loss reported in 2015, mainly as a consequence of increases in Other Expenses (\$3,984 million / US\$6.0 million) and Financial Expenses (\$3,549 million / US\$5.3 million) as well as negative effects from Foreign Exchange Differences (\$2,269 million / US\$3.4 million).

Restructuring costs related to business integration processes undertaken in Brazil by \$4,872 million (US\$7.3 million), were recognized as Other Expenses in 2016. Additionally, non-recurrent expenses by \$4,748 million (US\$7.1 million) associated to civil lawsuits and labor litigations were also recognized.

Net Income

Net income attributable to the owners of the company, totaled \$26,396 million (US\$39.4 million) in 2016, showing a decrease of 38.4% (YoY), mainly due to lower Operating Income and higher Non-Operational loss.

II. Consolidated Results for the fourth quarter of 2016 (4Q16)

Revenues

Consolidated revenues totaled \$209,567 million (US\$313.0 million) for 4Q16, lower by 13.9% than in 4Q15. Without currency translation effects revenues would have decreased by 12.0%.

- Revenues from IT services business decreased by 8.7%, totaling \$109,141 million (US\$163.0 million) mainly in Brazil. Without currency translation effects, revenues coming from IT Services business would have decreased by 8.0%. In Chilean Pesos, the change is mainly due to:
 - 33.3% decrease in project integration and professional services revenues (-\$13,244 million / -US\$19.8 million), to \$26,580 million (US\$39.7 million).

Partially offset by:

- 10.5% higher revenues from IT Outsourcing revenues (+\$5,127 million / +US\$7.7 million), reaching \$53,888 million (US\$80.5 million).
- Platforms business revenues decreased by 22.7% YoY (-\$25,232 million / -US\$37.7 million) reaching \$86,076 million (US\$128.6 million), mainly due to lower sales volume from Brazil, Chile and Mexico. Without currency translation effects, revenues coming from Platform business would have decreased by 18.8%. In Chilean Pesos, the change is mainly due to:
 - 23.3% lower sales of HW platforms (-\$22,603 million / -US\$33.8 million), to \$74,536 million (US\$111.3 million) mainly in Chile.
 - 32.3% lower sales of SW platforms (-\$4,349 million / -US\$6.5 million), to \$9,098 million (US\$13.6 million).
- Applications business total revenues increased by 15.1% YoY (+\$1,887 million / +US\$2.8 million), totalizing \$14,349 million (US\$21.4 million), mainly in OPLA and Brazil. Without currency translation effects, revenues from Applications business would have increased by 9.4%. In Chilean Pesos, the change is mainly due to:
 - 27.1% increase in support and implementation revenues (+\$1,496 million / +US\$2.2 million), to \$7,021 million (US\$10.5 million).

Revenue breakdown by business line for 4Q16 is the following: IT services contributed with 52.1% of total revenues, Platforms contributed 41.1% and Applications with the remaining 6.9%.

Figure 4 – Consolidated Revenues by Business Line

	4Q15 Ch\$M	4Q16 Ch\$M	Δ \$	Δ %
CONSOLIDATED REVENUES BY BUSINESS LINE				
Platforms	111,309	86,076	-25,232	-22.7%
IT Services	119,512	109,141	-10,370	-8.7%
Applications	12,462	14,349	1,887	15.1%
Total	243,283	209,567	-33,716	-13.9%
Breakdown				
Platforms	45.8%	41.1%		
IT Services	49.1%	52.1%		
Applications	5.1%	6.9%		
Total	100%	100%		

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales amounted \$180,055 million (US\$269.0 million) for 4Q16, showing a decrease of 9.3% (YoY), mainly due to lower costs of platforms and licenses in Mexico, Chile, Brazil and Argentina.

Administration expenses were \$23,708 million (US\$35.4 million) for 4Q16, more than in 4Q15 26.3%, mainly in Chile and Brazil. The increase is explained by higher bad debt provisions in Brazil and higher transactional health business expenses in Chile.

Figure 5 – Income Statement

	4Q15	4Q16	Δ \$	Δ %
SUMMARY OF CONSOLIDATED INCOME STATEMENT				
Revenues	243,283	209,567	-33,716	-13.9%
Cost of Sales	-198,572	-180,055	18,517	-9.3%
GROSS PROFIT	44,711	29,512	-15,199	-34.0%
Administration Expenses	-18,764	-23,708	-4,944	26.3%
OPERATING INCOME ⁽¹⁾	25,946	5,804	-20,142	-77.6%
EBITDA ⁽²⁾	34,651	14,733	-19,918	-57.5%
NET INCOME ATTRIBUTABLE TO OWNERS	14,332	-7,197	-21,528	-150.2%
Financial Ratios				
Gross Margin	18.4%	14.1%		
Operating Margin	10.7%	2.8%		
EBITDA Margin	14.2%	7.0%		
Net Margin	5.9%	-3.4%		

(1) Operating Income: Gross Profit – Administration Expenses

(2) EBITDA: Operating Income + Depreciation and Amortization

Operating Income and EBITDA

Operating income reached \$5,804 million (US\$8.7 million) lower by 77.6% with regards 4Q15. Gross margin as a percentage of revenues came to 14.1% and the operating margin to 2.8%, lower by 430bp and 790bp than in 4Q15.

EBITDA amounted to \$14,733 million (US\$22.0 million) for 4Q16, a decrease of 57.5% YoY compared to 4Q15. EBITDA margin reached 7.0%, 720bp lower than in 4Q15.

The situation in Brazil during 2016 had negative effects –above customary levels- over results particularly on this quarter. These effects generate a 304bp decrease in the consolidated EBITDA margin, besides the extra 207bp generated by MP669 and the Annual Salary adjustment (dissidio). Without these effects, the EBITDA Margin would have reached 12.1%, 210bp below the margin obtained in 4Q15.

Other Comprehensive Income (Excluding Administration Expenses)

Total other comprehensive income, excluding administration expenses, moved from a loss of \$4,084 million (US\$6.1 million) in 4Q15 to a loss of \$3,807 million (US\$5.7 million) in 4Q16. The lower loss was a consequence of increases in Financial Income (\$1,122 million / US\$1.7 million) and lower Other Expenses (\$1,238 million / US\$1.8 million), partially offset by higher Financial Expenses (\$1,815 million / US\$2.7 million).

Net Income

Net income attributable to the owners of the Company, amounted to a loss of \$7,197 million (-US\$10.7 million) in 4Q16, showing a decrease of 150.2% compared to 4Q15, mainly due to lower Operating Income and higher taxes.

III. Regional Results for 2016 and the fourth quarter of 2016 (4Q16)

Chile

Main changes in Chile between 2016 and 2015 are described below:

- Revenue reached \$361,289 million (US\$539.7 million), increasing by 2.3% (YoY) mainly due to higher revenues from IT Services (+5.2%) and from Applications (+12.7%). Without currency translation effects revenues would have increased by 1.2% (YoY).
- Operating Income was \$46,954 million (US\$70.1 million / +1.8% YoY) and EBITDA was \$60,586 million (US\$90.5 million / +4.1% YoY).
- Operating Margin reached 13.0%, and EBITDA Margin reached 16.8%, 10bp lower and 30bp higher than in 2015, respectively.

Figure 6 – Business in Chile
Dec-15 – Dec -16

	Dec-15 Ch\$M	Dec-16 Ch\$M	Δ \$	Δ %
SUMMARY OF RESULTS CHILE				
REVENUES	353,143	361,289	8,146	2.3%
Platforms	209,625	209,055	-570	-0.3%
IT Services	127,395	134,064	6,669	5.2%
Applications	16,122	18,170	2,048	12.7%
Cost of Sales	-272,863	-276,075	-3,212	1.2%
GROSS PROFIT	80,279	85,214	4,934	6.1%
Administration Expenses	-34,138	-38,260	-4,121	12.1%
OPERATING INCOME ⁽¹⁾	46,141	46,954	813	1.8%
EBITDA ⁽²⁾	58,181	60,586	2,404	4.1%
Operating Margin	13.1%	13.0%		
EBITDA Margin	16.5%	16.8%		

Main changes in Chile between 4Q16 and 4Q15 are described below:

- \$95,296 million (US\$142.3 million) in revenues for 4Q16 showing a decrease of 4.4% (YoY). The decrease was driven mainly by lower revenues from Platform business (-13.3%), partially offset by IT Services (+10.9% YoY) and Applications (+8.9% YoY). Without currency translation effects revenues would have decreased by 2.9% (YoY).
- Operating income of \$12,533 million (US\$18.7 million) and EBITDA totaled \$16,062 million (US\$24.0 million), flat respect to 4Q15.
- Operating Margin reached 13.2%, and EBITDA Margin reached 16.9%, 60bp higher and 80bp higher than in 4Q15, respectively.

Figure 7 – Business in Chile
4Q15 – 4Q16

	4Q15 Ch\$M	4Q16 Ch\$M	Δ \$	Δ %
SUMMARY OF RESULTS CHILE				
REVENUES	99,732	95,296	-4,436	-4.4%
Platforms	63,018	54,664	-8,353	-13.3%
IT Services	31,941	35,431	3,490	10.9%
Applications	4,774	5,201	427	8.9%
Cost of Sales	-77,727	-72,257	5,470	-7.0%
GROSS PROFIT	22,006	23,039	1,034	4.7%
Administration Expenses	-9,471	-10,506	-1,035	10.9%
OPERATING INCOME ⁽¹⁾	12,535	12,533	-2	0.0%
EBITDA ⁽²⁾	16,061	16,062	1	0.0%
Operating Margin	12.6%	13.2%		
EBITDA Margin	16.1%	16.9%		

(1) Operating Income: Gross Profit – Administration Expenses

(2) EBITDA: Operating Income + Depreciation and Amortization

Brazil

Main changes in Brazil between 2016 and 2015, are described below:

- Revenue reached \$278,639 million (US\$416.2 million), 19.0% lower than in 2015. Lower revenues are explained mainly from the IT Services and Platforms businesses.
- The lower economic activity in Brazil triggered a lower revenue recognition for US\$108.3 million due to lower demand from existing contracts, delays in revenue recognition, lower level of new deal volume, and the ending of contracts. Without those effects, Brazilian revenues would have grown by 2.1%.
- Operating Income reached a loss of \$5,690 million (-US\$8.5 million) a decrease of 127.4% (YoY) and EBITDA totaled \$8,795 million (US\$13.1 million) a decrease of -76.0% (YoY).
- The situation of Brazil during 2016 had negative effects –above customary levels- over results, particularly during the last quarter of the year. Those effects on results generate a 249bp decrease in the EBITDA margin, besides the extra 449bp generated by MP669 and the Annual Salary adjustment (dissidio). Without these effects, EBITDA Margin would have reached 10.2%, 50bp below the margin obtained in 2015.

Figure 8 – Business in Brazil
Dec-15 – Dec -16

	Dec-15 Ch\$M	Dec-16 Ch\$M	Δ \$	Δ %
SUMMARY OF RESULTS BRAZIL				
REVENUES	343,879	278,639	-65,240	-19.0%
Platforms	59,928	37,443	-22,485	-37.5%
IT Services	250,152	213,212	-36,941	-14.8%
Applications	33,799	27,985	-5,815	-17.2%
Cost of Sales	-304,266	-257,601	46,665	-15.3%
GROSS PROFIT	39,613	21,038	-18,575	-46.9%
Administration Expenses	-18,836	-26,727	-7,892	41.9%
OPERATING INCOME ⁽¹⁾	20,777	-5,690	-26,467	-127.4%
EBITDA ⁽²⁾	36,687	8,795	-27,892	-76.0%
Operating Margin	6.0%	-2.0%		
EBITDA Margin	10.7%	3.2%		

Main changes in Brazil between 4Q16 and 4Q15, are described below:

- Revenues reached \$65,850 million (US\$98.4 million), 20.7% lower than in 4Q16. Lower revenues are explained by decreases in the IT Services and Platforms businesses.
- The lower economic activity in Brazil triggered a lower revenue recognition for US\$34.0 million due to lower demand from existing contracts, delays in revenue recognition, lower level of new deal volume, and the ending of contracts.
- Operating Income reached a loss of \$12,581 million (-US\$18.8 million) a decrease of 353.9% (YoY) and EBITDA totaled -\$8,512 million (-US\$12.7 million) a decrease of 198.9% (YoY).
- The situation of Brazil during 2016 had negative effects –above customary levels- over results, particularly during the last quarter of the year. These effects generate a 966bp decrease in the EBITDA margin, besides the extra 660bp generated by MP669 and the Annual Salary adjustment (dissidio). Without these effects, EBITDA Margin would have reached 3.4%.

Figure 9 – Business in Brazil
4Q15 – 4Q16

	4Q15 Ch\$M	4Q16 Ch\$M	Δ \$	Δ %
SUMMARY OF RESULTS BRAZIL				
REVENUES	82,990	65,850	-17,139	-20.7%
Platforms	16,823	10,299	-6,524	-38.8%
IT Services	59,094	47,738	-11,357	-19.2%
Applications	7,072	7,813	741	10.5%
Cost of Sales	-73,006	-69,574	3,432	-4.7%
GROSS PROFIT	9,984	-3,723	-13,707	-137.3%
Administration Expenses	-5,030	-8,857	-3,828	76.1%
OPERATING INCOME ⁽¹⁾	4,954	-12,581	-17,535	-353.9%
EBITDA ⁽²⁾	8,604	-8,512	-17,116	-198.9%
Operating Margin	6.0%	-19.1%		
EBITDA Margin	10.4%	-12.9%		

(1) Operating Income: Gross Profit – Administration Expenses
(2) EBITDA: Operating Income + Depreciation and Amortization

Mexico

Main changes in Mexico between 2016 and 2015 are described below:

- Revenue decreased by 8.9% (YoY), totaling \$75,140 million (US\$112.2 million), mainly due to lower revenues from the Platform business. Without currency translation effects, revenues would have grown by 3.0%.
- Operating Income reached \$11,006 million (US\$16.4 million) and EBITDA reached \$12,786 million (US\$19.1 million), showing a decrease of 9.8% and 8.5% (YoY), respectively. Without currency translation effects, Operating Income would have increase by 2.4% and EBITDA would have grown by 3.8%.
- Operating margin reached 14.6% and EBITDA margin reached 17.0%, lower by 20bp and higher by 10bp than in 2015, respectively.

Figure 10 – Business in Mexico
Dec-15 – Dec -16

	Dec-15 Ch\$M	Dec-16 Ch\$M	Δ \$	Δ %
SUMMARY OF RESULTS MEXICO				
REVENUES	82,457	75,140	-7,318	-8.9%
Platforms	46,312	37,407	-8,905	-19.2%
IT Services	36,145	37,733	1,588	4.4%
Applications	0	0	0	-
Cost of Sales	-63,379	-57,396	5,982	-9.4%
GROSS PROFIT	19,079	17,744	-1,335	-7.0%
Administration Expenses	-6,884	-6,738	146	-2.1%
OPERATING INCOME ⁽¹⁾	12,195	11,006	-1,189	-9.8%
EBITDA ⁽²⁾	13,970	12,786	-1,184	-8.5%
Operating Margin	14.8%	14.6%		
EBITDA Margin	16.9%	17.0%		

Main changes in Mexico between 4Q16 and 4Q15 are described below:

- Revenues decrease by 29.4% (YoY), totaling \$20,152 million (US\$30.1 million), mainly due to lower revenues from the Platforms business. Without currency translation effects, revenues would have decreased by 12.5%.
- Operating income reached \$3,441 million (US\$5.1 million) and EBITDA reached \$3,867 million (US\$5.8 million), showing a decrease of 9.3% and 10.6% (YoY), respectively. Without currency translation effects, Operating Income and EBITDA would have grown by 12.4% and 10.8%.
- Operating margin was 17.1% and EBITDA margin reached 19.2%, higher by 380bp and 410bp than in 4Q15, respectively.

Figure 11 – Business in Mexico
4Q15 – 4Q16

	4Q15 Ch\$M	4Q16 Ch\$M	Δ \$	Δ %
SUMMARY OF RESULTS MEXICO				
REVENUES	28,557	20,152	-8,406	-29.4%
Platforms	18,323	9,106	-9,217	-50.3%
IT Services	10,234	11,046	811	7.9%
Applications	0	0	0	-
Cost of Sales	-22,978	-15,212	7,766	-33.8%
GROSS PROFIT	5,579	4,940	-640	-11.5%
Administration Expenses	-1,784	-1,498	286	-16.0%
OPERATING INCOME ⁽¹⁾	3,795	3,441	-354	-9.3%
EBITDA ⁽²⁾	4,325	3,867	-457	-10.6%
Operating Margin	13.3%	17.1%		
EBITDA Margin	15.1%	19.2%		

(1) Operating Income: Gross Profit – Administration Expenses

(2) EBITDA: Operating Income + Depreciation and Amortization

OPLA (Other countries in Latin America)

Main changes in OPLA (which includes Argentina, Colombia, Costa Rica, Ecuador, Peru, Panama and Uruguay) between 2016 and 2015 are described below:

- Revenues are lower by 9.5% than in 2015, reaching \$101,092 million (US\$151.0 million). Without currency translation effects, revenues would have grown by 1.5% (YoY). Main effect came from the Argentinean Peso depreciation.
- Operating Income reached \$11,031 million (US\$16.5 million) and EBITDA was \$14,934 million (US\$22.3 million), decreasing by 21.4% and 16.7%, respectively. Without currency translation effects, Operating Income and EBITDA would have decreased by 17.1% and 13.0% (YoY), respectively.
- Operating margin was 10.9% and EBITDA Margin 14.8%, 170bp and 130bp lower than in 2015.
- Lower margins are mostly explained by a modest performance in Argentina and Uruguay.

Figure 12 – Business in OPLA
Dec-15 – Dec -16

	Dec-15 Ch\$M	Dec-16 Ch\$M	Δ \$	Δ %
SUMMARY OF RESULTS OPLA				
REVENUES	111,643	101,092	-10,551	-9.5%
Platforms	37,744	34,606	-3,139	-8.3%
IT Services	68,218	61,771	-6,447	-9.5%
Applications	5,680	4,715	-965	-17.0%
Cost of Sales	-87,841	-80,493	7,348	-8.4%
GROSS PROFIT	23,802	20,599	-3,203	-13.5%
Administration Expenses	-9,768	-9,568	200	-2.0%
OPERATING INCOME ⁽¹⁾	14,035	11,031	-3,004	-21.4%
EBITDA ⁽²⁾	17,926	14,934	-2,992	-16.7%
Operating Margin	12.6%	10.9%		
EBITDA Margin	16.1%	14.8%		

Main changes in OPLA between 4Q16 and 4Q15 are described below:

- Revenues are lower by 11.7%, reaching \$28,269 million (US\$42.2 million. Without currency translation effects, revenues would have grown by 2.2%. Main effect came from the Argentinean Peso depreciation.
- Operating income reached \$2,410 million (US\$3.6 million) and EBITDA of \$3,316 million (US\$5.0 million) decreasing 48.3% and 41.4%, respectively. Without currency translation effects, Operating Income and EBITDA would have decreased by 43.5% and 36.5% (YoY), respectively.
- Operating margin was 8.5% and EBITDA margin 11.7%, 600bp and 610bp lower than in 4Q15.
- The decrease in margins is mostly explained by a fairly low performance in Argentina, Colombia and Uruguay.

Figure 13 – Business in OPLA
4Q15 – 4Q16

	4Q15	4Q16	Δ \$	Δ %
	Ch\$M	Ch\$M		
SUMMARY OF RESULTS OPLA				
REVENUES	32,004	28,269	-3,735	-11.7%
Platforms	13,145	12,006	-1,138	-8.7%
IT Services	18,243	14,927	-3,315	-18.2%
Applications	616	1,335	719	116.7%
Cost of Sales	-24,862	-23,013	1,849	-7.4%
GROSS PROFIT	7,142	5,256	-1,886	-26.4%
Administration Expenses	-2,480	-2,846	-366	14.8%
OPERATING INCOME ⁽¹⁾	4,662	2,410	-2,252	-48.3%
EBITDA ⁽²⁾	5,662	3,316	-2,346	-41.4%
Operating Margin	14.6%	8.5%		
EBITDA Margin	17.7%	11.7%		

(1) Operating Income: Gross Profit – Administration Expenses

(2) EBITDA: Operating Income + Depreciation and Amortization

Figure 14 – Regional Summary

Regional Summary	Dec-15 Ch\$M	Dec-16 Ch\$M	Δ \$	Δ %	4Q15 Ch\$M	4Q16 Ch\$M	Δ \$	Δ %
CHILE								
REVENUES	353,143	361,289	8,146	2.3%	99,732	95,296	-4,436	-4.4%
Platforms	209,625	209,055	-570	-0.3%	63,018	54,664	-8,353	-13.3%
IT Services	127,395	134,064	6,669	5.2%	31,941	35,431	3,490	10.9%
Applications	16,122	18,170	2,048	12.7%	4,774	5,201	427	8.9%
Cost of Sales	-272,863	-276,075	-3,212	1.2%	-77,727	-72,257	5,470	-7.0%
GROSS PROFIT	80,279	85,214	4,934	6.1%	22,006	23,039	1,034	4.7%
Administration Expenses	-34,138	-38,260	-4,121	12.1%	-9,471	-10,506	-1,035	10.9%
OPERATING INCOME ⁽¹⁾	46,141	46,954	813	1.8%	12,535	12,533	-2	0.0%
EBITDA ⁽²⁾	58,181	60,586	2,404	4.1%	16,061	16,062	1	0.0%
Operating Margin	13.1%	13.0%			12.6%	13.2%		
EBITDA Margin	16.5%	16.8%			16.1%	16.9%		
BRAZIL								
REVENUES	343,879	278,639	-65,240	-19.0%	82,990	65,850	-17,139	-20.7%
Platforms	59,928	37,443	-22,485	-37.5%	16,823	10,299	-6,524	-38.8%
IT Services	250,152	213,212	-36,941	-14.8%	59,094	47,738	-11,357	-19.2%
Applications	33,799	27,985	-5,815	-17.2%	7,072	7,813	741	10.5%
Cost of Sales	-304,266	-257,601	46,665	-15.3%	-73,006	-69,574	3,432	-4.7%
GROSS PROFIT	39,613	21,038	-18,575	-46.9%	9,984	-3,723	-13,707	-137.3%
Administration Expenses	-18,836	-26,727	-7,892	41.9%	-5,030	-8,857	-3,828	76.1%
OPERATING INCOME ⁽¹⁾	20,777	-5,690	-26,467	-127.4%	4,954	-12,581	-17,535	-353.9%
EBITDA ⁽²⁾	36,687	8,795	-27,892	-76.0%	8,604	-8,512	-17,116	-198.9%
Operating Margin	6.0%	-2.0%			6.0%	-19.1%		
EBITDA Margin	10.7%	3.2%			10.4%	-12.9%		
MEXICO								
REVENUES	82,457	75,140	-7,318	-8.9%	28,557	20,152	-8,406	-29.4%
Platforms	46,312	37,407	-8,905	-19.2%	18,323	9,106	-9,217	-50.3%
IT Services	36,145	37,733	1,588	4.4%	10,234	11,046	811	7.9%
Applications	0	0	0 -		0	0	0 -	
Cost of Sales	-63,379	-57,396	5,982	-9.4%	-22,978	-15,212	7,766	-33.8%
GROSS PROFIT	19,079	17,744	-1,335	-7.0%	5,579	4,940	-640	-11.5%
Administration Expenses	-6,884	-6,738	146	-2.1%	-1,784	-1,498	286	-16.0%
OPERATING INCOME ⁽¹⁾	12,195	11,006	-1,189	-9.8%	3,795	3,441	-354	-9.3%
EBITDA ⁽²⁾	13,970	12,786	-1,184	-8.5%	4,325	3,867	-457	-10.6%
Operating Margin	14.8%	14.6%			13.3%	17.1%		
EBITDA Margin	16.9%	17.0%			15.1%	19.2%		
OPLA								
REVENUES	111,643	101,092	-10,551	-9.5%	32,004	28,269	-3,735	-11.7%
Platforms	37,744	34,606	-3,139	-8.3%	13,145	12,006	-1,138	-8.7%
IT Services	68,218	61,771	-6,447	-9.5%	18,243	14,927	-3,315	-18.2%
Applications	5,680	4,715	-965	-17.0%	616	1,335	719	116.7%
Cost of Sales	-87,841	-80,493	7,348	-8.4%	-24,862	-23,013	1,849	-7.4%
GROSS PROFIT	23,802	20,599	-3,203	-13.5%	7,142	5,256	-1,886	-26.4%
Administration Expenses	-9,768	-9,568	200	-2.0%	-2,480	-2,846	-366	14.8%
OPERATING INCOME ⁽¹⁾	14,035	11,031	-3,004	-21.4%	4,662	2,410	-2,252	-48.3%
EBITDA ⁽²⁾	17,926	14,934	-2,992	-16.7%	5,662	3,316	-2,346	-41.4%
Operating Margin	12.6%	10.9%			14.6%	8.5%		
EBITDA Margin	16.1%	14.8%			17.7%	11.7%		

(1) Operating Income: Gross Profit – Administration Expenses

(2) EBITDA: Operating Income + Depreciation and Amortization

ANALYSIS OF CONSOLIDATED BALANCE SHEET

Assets

Total assets amounted to \$883,174 million (US\$1,319.2 million) as of December 31, 2016, 12.8% higher compared to December 2015. This was mainly due to:

Increase in:

- Property, plants and equipment by \$37,914 million (US\$56.6 million) whose balance as of December 31, 2016 was \$133,347 million (US\$199.2 million), mainly due to the consolidation of Ativas (\$36,697 million / US\$54.8 million).
- Goodwill by \$24,038 million (US\$35.9 million), whose balance as of December 31, 2016 was \$242,773 million (US\$362.6 million), mainly due to conversion effects.
- Other financial current assets by \$25,370 million (US\$37.9 million) whose balance as of December 31, 2016 was \$27,090 million (US\$40.5 million) mainly as consequence of Ativas acquisition.
- Current tax asset, current by \$17,439 million (US\$26.0 million), whose balance as of December 31, 2016 was \$37,317 million (US\$55.7 million), mainly from Brazil.

Liabilities

Liabilities totaled \$371,816 million (US\$555.4 million) as of December 31, 2016 increasing by 17.3% with respect to December 2015, mainly due to:

Increase in:

- Other current financial liabilities of \$69,962 million (US\$104.5 million) whose balance as of December 31, 2016 was \$83,270 million (US\$124.4 million), mostly coming from Brazil and Chile, due to an increase on bank loans mainly related to the Ativas acquisition transaction.

Decrease in:

- Current tax liabilities, current by \$13,499 million (US\$20.2 million), whose balance as of December 31, 2016 was \$8,588 million (US\$12.8 million), due to lower taxes payables mainly in Chile and Mexico.

Shareholder's Equity

Consolidated Shareholders' Equity Attributable to Owners reached a value of \$502,919 million (US\$751.2 million) as of December 2016 increasing by 9.6% compared to December 2015 (+\$43,901 million / +US\$65.6 million). Main changes with respect to December 2015 are driven by positive effects on the account Reserve of Exchange Difference Translation (+\$27,371 million / +US\$40.9 million) and by net income in the period, net of dividends.

Return on Equity (ROE) reached 5.5%.

Figure 9 – Financial Ratios Summary

Financial Ratios		Dec-15	Dec-16	Δ Dec-16 / Dec-15
LIQUIDITY				
Current Ratio (Current Assets / Current Liabilities)	(times)	1.9	1.6	-16.6%
Quick Ratio ((Current Assets - Inventories) / Current Liabilities)	(times)	1.7	1.4	-15.9%
Working Capital (Current Assets - Current Liabilities)	(Ch M\$)	182,767	144,494	-20.9%
INDEBTEDNESS				
Leverage ((Current Liabilities + Non-current Liabilities) / Equity)	(times)	0.7	0.7	6.9%
Financial Leverage ((Other Current Financial Liabilities + Other Non-current Financial Liabilities) / Equity)	(times)	0.2	0.3	64.4%
Short-Term Debt (Current Liabilities / Total Liabilities)	(times)	0.6	0.6	3.2%
Long-Term Debt (Non-Current Liabilities / Total Liabilities)	(times)	0.4	0.4	-5.4%
Financial-Expenses-Coverage Ratio (EBITDA / Financial Expenses)	(times)	15.1	8.1	-46.1%
Financial Debt to EBITDA Ratio ((Current Liabilities + Non-current Liabilities) / EBITDA ^{1,2})	(times)	0.7	1.7	135.6%
Net Financial Debt to EBITDA Ratio ((Current Liabilities + Non-current Liabilities - Cash and Cash Equivalents - Other Current Financial Assets) / EBITDA ^{1,2})	(times)	0.2	0.8	345.0%
PROFITABILITY				
ROE (Net Income attrib.to Owners ² / Equity attrib.to Owners ³)	%	9.0%	5.5%	-350 pb
ROA (Net Income attrib.to Owners ² / Equity attrib.to Owners ³)	%	5.3%	3.2%	-210 pb
Earnings per Share (Net Income attrib.to Owners of Comp. / Total Shares ⁴)	(Ch\$)	49.2	30.3	-38.4%
Dividend Yield (Dividends Paid ⁵ / Closing Market Stock Price)	%	1.9%	2.2%	30 pb

1 EBITDA = Operating Income + Depreciation and Amortization

2 Annual Base

3 Calculated as an average:

- Dec-16: average between Dec-16 and Dec-15

- Dec-15: average between Dec-15 and Dec-14

4 Numbers of shares considered:

- Dec-16 = 871.057.175

- Dec-15 = 871.057.175

5 Last 12 months

Statements of Cash Flow

Cash and Cash Equivalents totaled \$64,417 million (US\$96.2 million) as of December 31, 2016, which compares to \$68,392 million (US\$102.2 million) as of December 31, 2015.

Net Operating Cash Flow was \$67,521 million in 2016 (US\$100.9 million), a 31.8% higher than in 2015.

Net Investment Cash Flow was \$103,704 million (US\$154.9 million), increasing the use of funds by \$77,881 million (US\$116.3 million).

Capital Expenditures (CAPEX) amounted to \$51,393 million (US\$76.8 million) in 2016, and include: \$22,835 million (US\$34.1 million) invested in the purchase of fixed assets for internal use and for projects with customers; intangibles for \$3,054 million (US\$4.6 million); and permanent investments for \$25,504 million (US\$38.1 million).

Net Financing Cash Flow totaled \$36,276 million (US\$54.2 million), a change of \$68,945 million (US\$103.0 million) compared to with 2015.

Figure 10 – Statements of Cash Flow

	Dec-15 Ch\$M	Dec-16 Ch\$M	Δ \$	Δ %
Statements of Cash Flow				
Net Cash Flows from (used in) Operating Activities	51,238	67,521	16,283	31.8%
Net Cash Flows from (used in) Investing Activities	(25,823)	(103,704)	(77,881)	301.6%
Net Cash Flows from (used in) Financing Activities	(32,668)	36,276	68,945	-211.0%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATES	(7,253)	93	7,346	-101.3%
Effect of Exchange Rate changes on Cash and Cash Equivalents	(2,945)	(4,068)	(1,123)	38.1%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,198)	(3,975)	6,223	-61.0%
Cash and Cash Equivalents at beginning of period	78,590	68,392	(10,198)	-13.0%
CASH AND CASH EQUIVALENTS AT END OF PERIOD	68,392	64,417	(3,975)	-5.8%