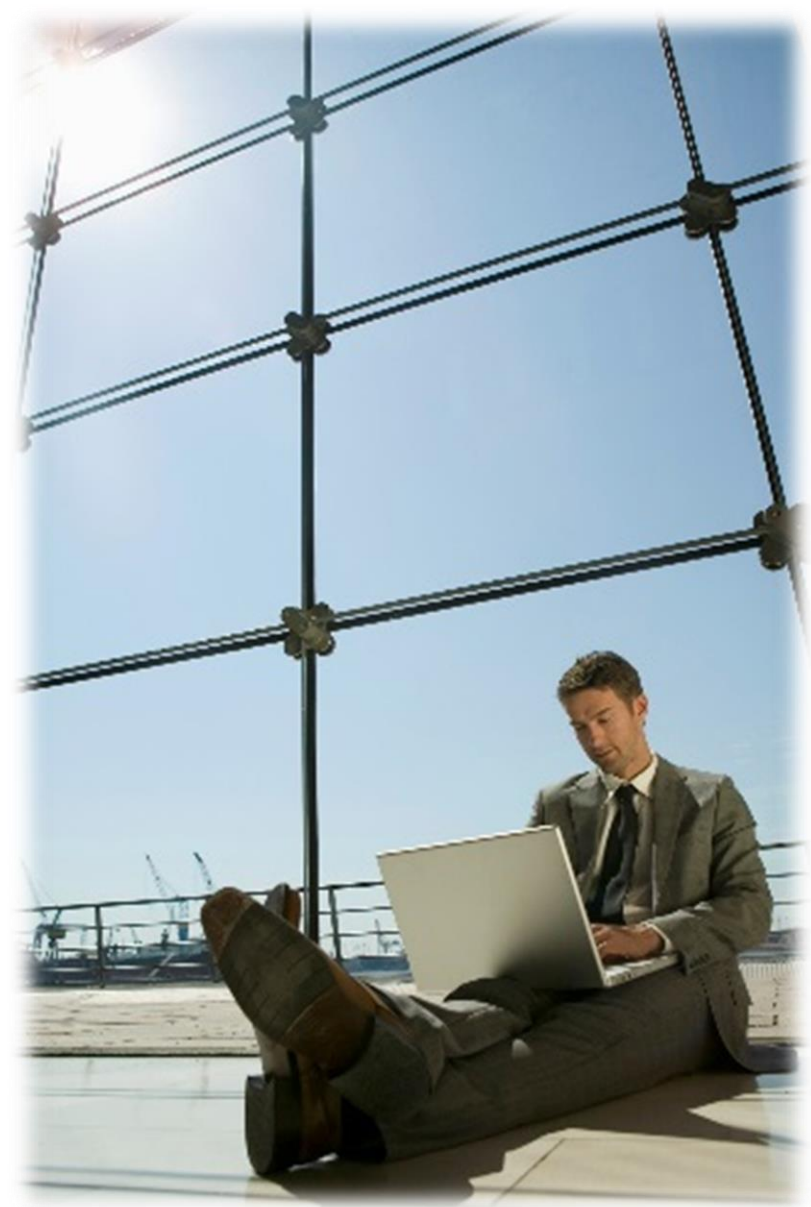


Telefónica Chile & Telefónica Móviles Chile



Investors Presentation
October 2015

An integrated DIGITAL telecom operator (F+M)

TELEFONICA in Chile:



Mobile

- Voice
- MBB
- Internet service



Fixed

- Voice
- LD (international)
- FBB
- Pay TV



PART OF one of the most important global telcos in the world



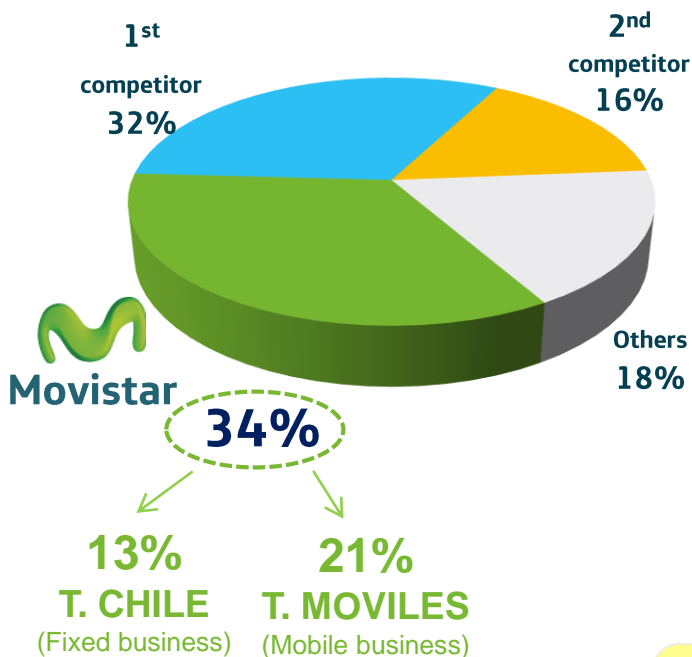
(1) Annual figures as of Dec. '14. Converted into U.S. Dollars at exchange rate: Ch\$570.01 (2014 avg. exch. rate)

(2) As of Dec. '14

LARGEST REVENUE CONTRIBUTOR to an industry that keeps growing

MOVISTAR is mainly focused on Mobile data, pay TV and Fixed UBB*

MARKET SHARE by revenues:

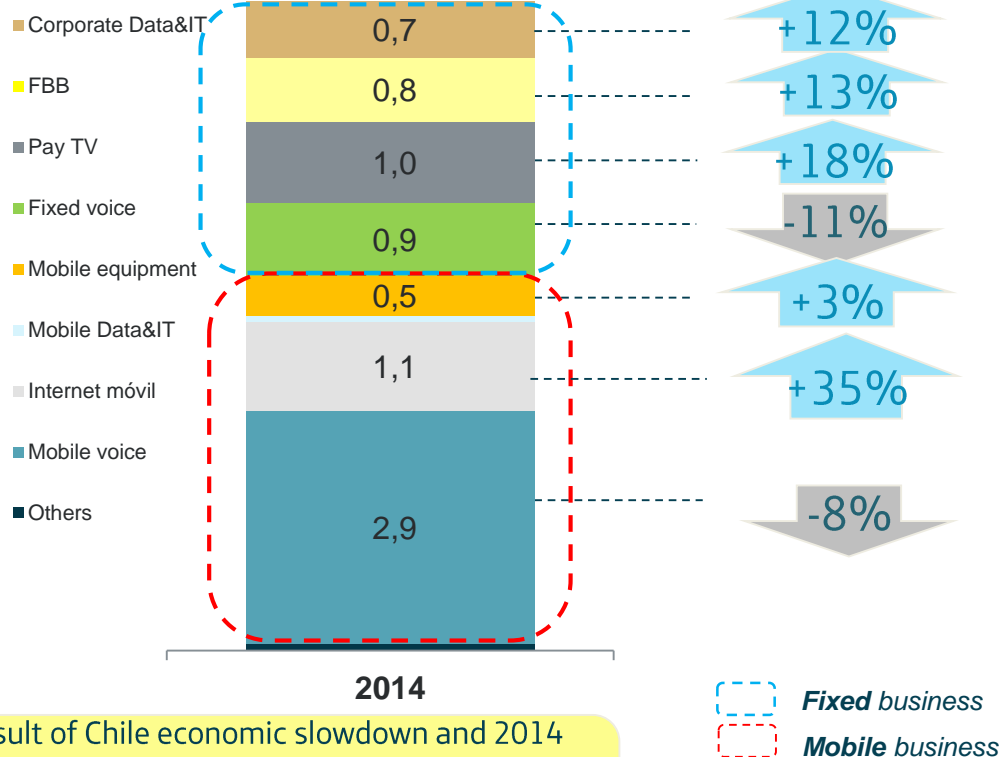


* CAGR. +5% (excl. Mobile access charges)
 1 US\$ = Ch\$570.01 (avg. year 2014)
 Source: Telefónica in Chile

INDUSTRY REVENUE breakdown by business line:

US\$ 8.1 bn

CAGR. '14-'12

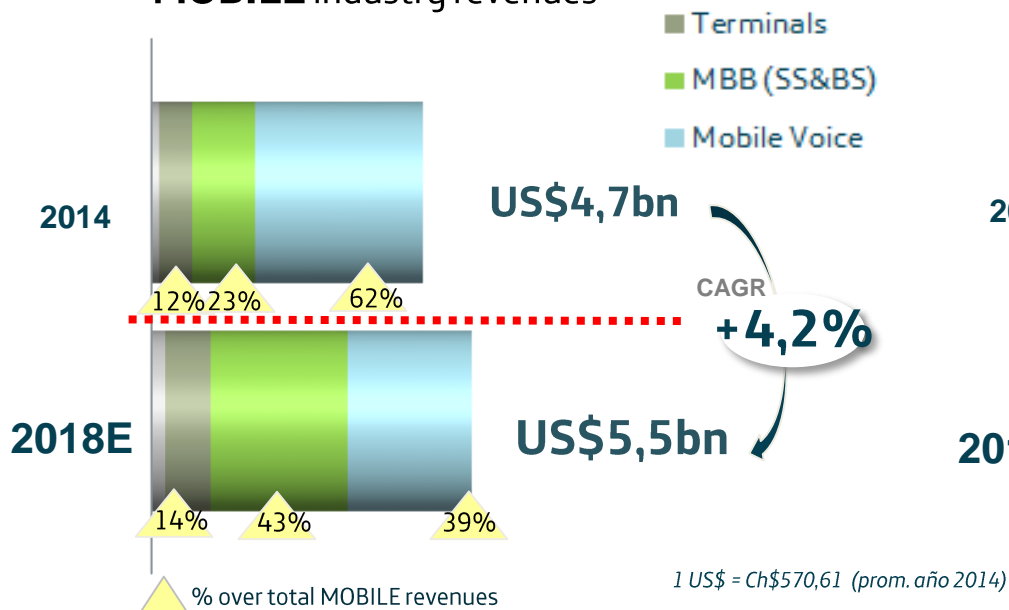


As result of Chile economic slowdown and 2014 access charges reduction, industry revenues increased +2% CAGR ('12-'14), excluding the access charges effect, revenues are growing 5%

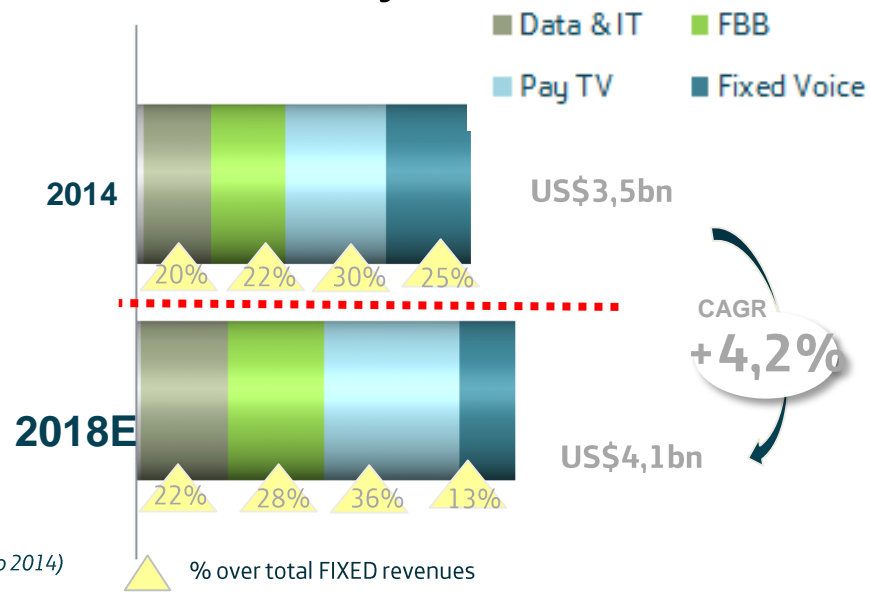
Sustained GROWTH POTENTIAL, driven by Fixed and Mobile High Speed BB services

Total industry revs CAGR. ('14-'18): **4.2%**

MOBILE industry revenues



FIXED industry revenues



Penetration:

	2013	2014	2018E
Fixed voice (% homes)*	38%	39%	34%
FBB (% homes)*	41%	42%	50%
Paid TV (% homes)*	43%	47%	51%
Mobile voice (% Inhab.)	145%	145%	141%
MBB SS** (% Inhab.)	33%	48%	65%
MBB BS** (% Inhab.)	7%	5%	3%

* Residential services over homes (hh)

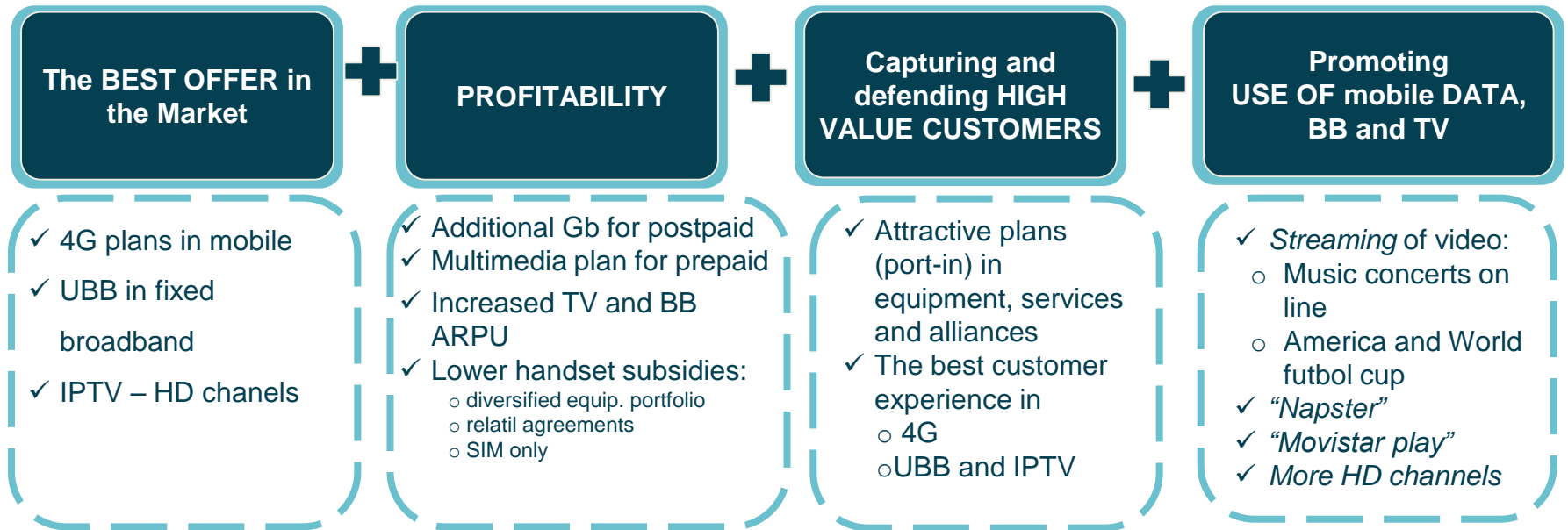
** BAM SS: Mobile broadband on small screen; BS: "big screen" (USB)

Telecom sector **will keep growing above GDP growth** despite some relevant industry changes:

- Decrease in Mobile access charges (Feb.'14): -75%
- Decrease in Fixed access charges (May '14): -44%
- Elimination of DLD (2014)
- "on-off net" tariffs convergence

Business focus:

Focus in capturing profitable growth



Leadership in
MOBILE DATA
with best
network

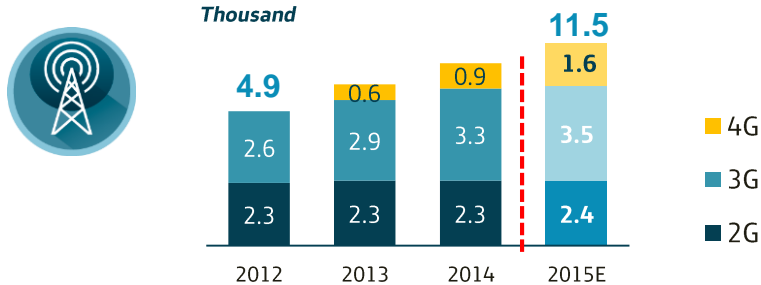
FIXED
BROADBAND
TRANSFORMATION

Capture VIDEO
GROWTH

The best NETWORK supporting growth and quality

▪ LTE for Mobile:

- ✓ **36% growth '14/'12 in Mobile network (nodes)**



- ✓ **LTE → 67% of adds**

- ✓ **Spectrum capacity: x2**

spectrum MHz	2012	2015
	55	115

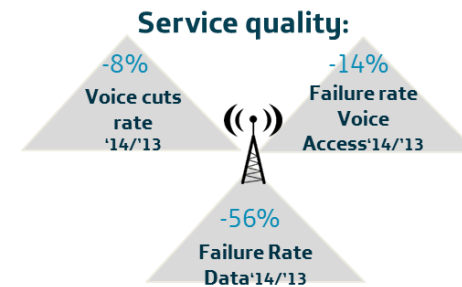
▪ Ultra Broad Band (UBB) for Fixed:

- ✓ **UBB → 32% of adds**

- ✓ **2015E → Home passed (HP): 640 th.** (38% network) (+30% vs. '14)

→ **Home connected (HC): 265 thous.** (24% customer base) (+20% vs. '14)

+158% Mobile Data Traffic Growth '15-'18 per user (kbytes/seg)



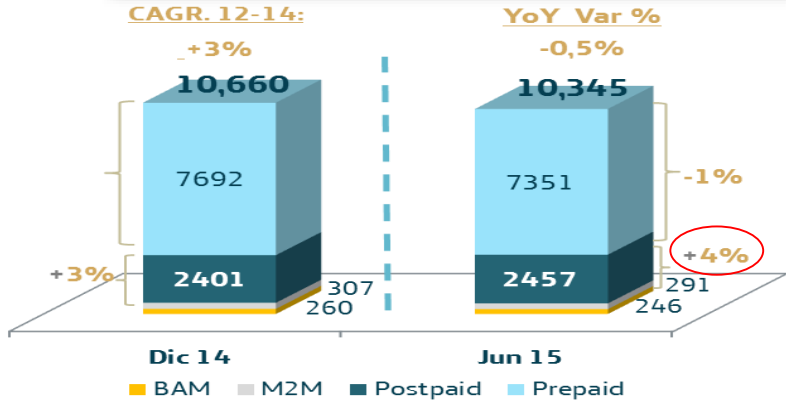
+170% Fixed Data Traffic Growth '15-'18 per user (kbytes/seg)



Be focused on networks performance involves large Capex in 4G and Optic Fiber

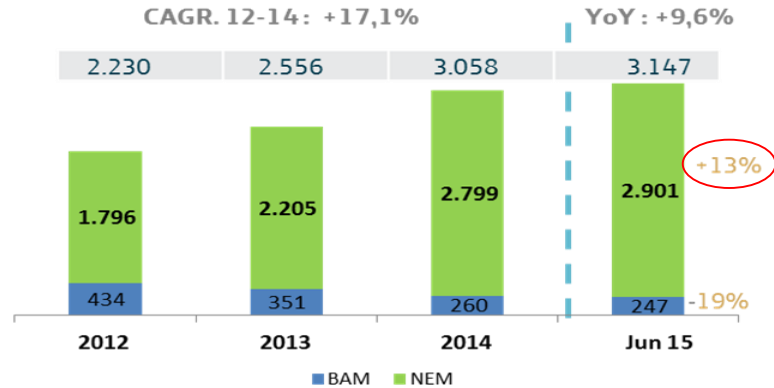
MOBILE Business: growth based in Postpaid and Data

TOTAL Mobile Accesses¹ ('000)



	CAGR. Dec'12-'14	As of June (YoY)
Revs	-2%	+2%

Mobile Internet accesses ('000)



	CAGR. Dec'12-'14	As of June (YoY)
Revs	+36%	+36%

Growth in Postpaid accesses: +4% YoY

- New 4G plans: 438 thousand clients
- All plans include data
- The best network and service quality
- Positive gain in portability

“Prepaid Segment”: -1% YoY

- Regulatory changes
 - On/Off net tariffs elimination
 - ITX rates reduction
- Aggressive Competition and economy slowdown
 - New entrants
 - social networks offer free of charge

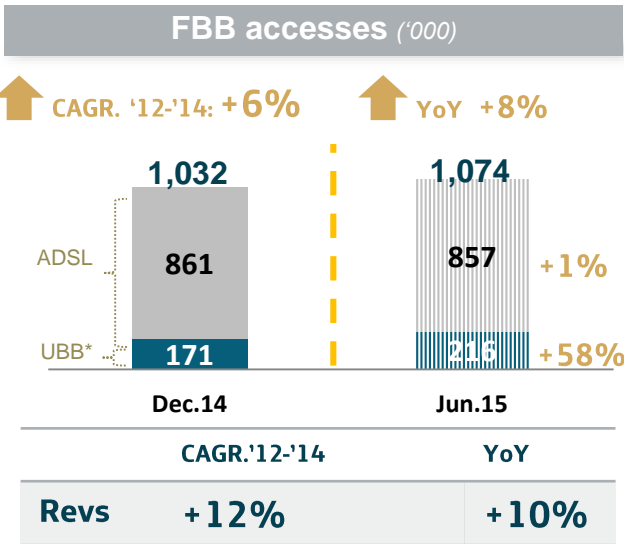
Tariffs decrease (-75%) in mobile ITX charges, since Feb '14 and additional reduction of 15% in 2015. Applying equivalent tariffs, mobile total revs increase 7% and 4% in Dec.14 and Jun.15, respectively

- **Two digit growth in Mobile Internet** accesses (+13% yoy) and in revenues (+36% yoy), explained by the increase in use of data, boosted by 4G offer and the increase in smartphones penetration
- **High growth potential:**
 - 14% penetration in Prepaid and 76% in postpaid
 - 45% penetration in Corporation

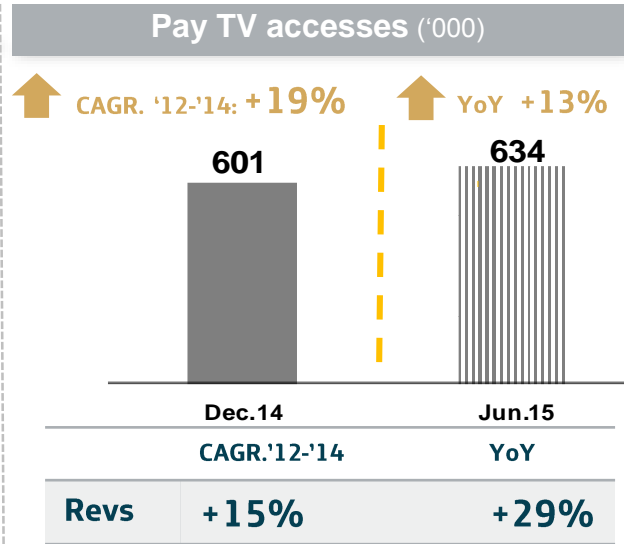


Customer MIX
post/prepaid:
27/73

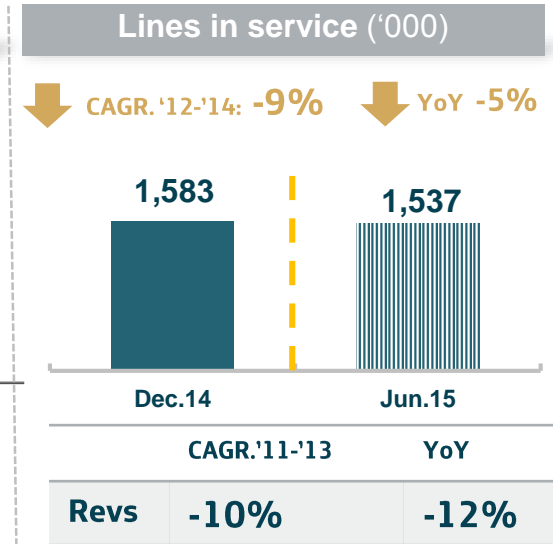
FIXED BUSINESS: growth leveraged by UBB* and pay TV



- **UBB* accesses oriented to high value segments** → UBB*/Total FBB = 18%
 - ✓ VDSL: 133.471(+46% YoY)
 - ✓ F.O.: 82.812 (+75% YoY)
- UBB* improves customer experience, reduces Churn and increases ARPU
- Migration from ADSL to UBB to defend customer base
- New Satellite BB solutions in rural areas
- **Bundling Strategy**, continue promoting growth and increased ARPU, leveraged by: "Tríos" (Voice, BB and TV/IPTV) and Duos (BB + TV)



- **Pay TV revenues increased** due to **accesses increase and higher ARPU** given the largest demand for HD signals and Premium channels as well as a better customer mix IPTV/DTH
- **Accesses growth:**
 - ✓ **DTH: 596.822** (+9,9% YoY). Increase driven by our HD offer
 - ✓ **IPTV: 37.523** (119,3%). Increase due to IPTV growth enhanced by UBB
- **Moving toward a video company:**
 - ✓ Through the new OTT service: "**Movistar Play**" in mobile and fixed devices
 - ✓ The best "contents offer" in the market (film premiers, TV Shows, linear broadcast TV)



- **Bundling strategy slowdowns LIS decreases**

76% of residential lines are bundled

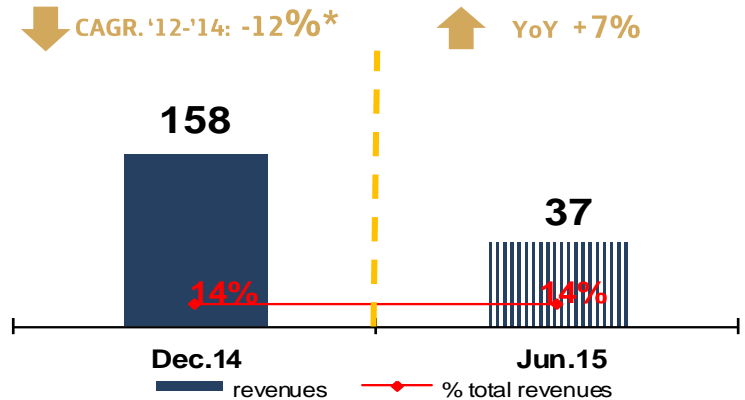


*UBB: Ultra BroadBand: VDSL (up to 40 Mb) and F.O. (up to 80 Mb)

FIXED BUSINESS: Digital services strengthening growth in FIXED Corporate Customers Data Communications

- T. Chile is the **main communication service supplier** for mining, retail and financial sectors, as well as an strategic partner for the Government
- **Largest data service provider** through high speed IP connections and F.O. network

Revenues from Data and TI services for Corporate clients (US\$ million)



DIGITAL SERVICES:

	M2M	<ul style="list-style-type: none"> ▪ Metering ▪ Fleet management 	
	Cloud	<ul style="list-style-type: none"> ▪ Hosting 2.0 platform ▪ Storage/ Backup OD 	
	Security	▪ cloud computing and smartphones expand security perimeter required by corporates	
	eHealth	<ul style="list-style-type: none"> ▪ Health IT ▪ Remote health care management services (“GDA”) 	
	Video	<ul style="list-style-type: none"> ▪ DTH ▪ “MOVISTAR PLAY”: OTT videoclub 	
	Financial Services	<ul style="list-style-type: none"> ▪ Mobile pay ▪ Insurances 	 

- Revenues from Business Communications increase +7% yoy as of June 15. due to a 7% growth in IP networks, Satellite services and data equipment and a 36% growth in digital services, mainly "Cloud" and "Security services, offsetting in part de decrease in other data corporate services
- The -11,6% CAGR.'12-'14 drop is mainly explained by the end of a Health Ministry project outstanding until 2013 and the one time revenues recognized in 2013 for presidential elections data services

Exchange rate as of Mar '15: Ch\$639/1US\$

Keeping our LEADERSHIP POSITION in the Telecom industry

Market Share
by accesses
As of Jun.'15



Others

TOTAL

MOBILE (5 players)

Voice	MBB ⁽¹⁾
38.3%	37.6%
35.4%	33.0%
-	-
22.7%	24.8%
-	-
-	-
-	-
3.6%	4.6%
25,635	9,728

FIXED (7-8 players)

Voice	Pay TV	FBB
46.9%	21.8%	39.9%
10.7%	3.0%	1.2%
21.8%	35.1%	36.4%
7.8%	15.9%	11.2%
-	16.7%	-
4.6%	3.3%	6.1%
6.0%	0.8%	2.5%
2.2%	3.4%	2.8%
3,277	2,912	2,688

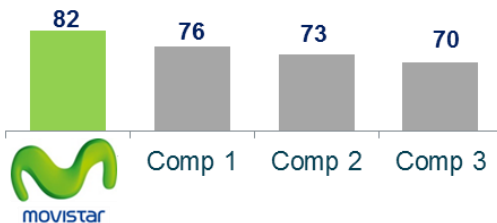
(1) Mobile Internet connections 3G and 4G (including MBB SS*, MBB BS* and M2M*).

* :MBB SS: MBB small screen
MBB BS: MBB big screen
M2M: machine-to-machine

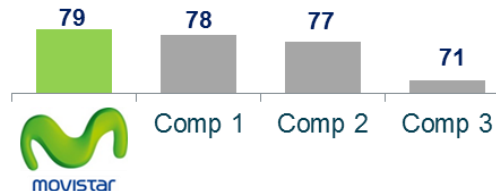
Source: Subtel, other telecom operators and Company internal data

Brand recognition *

#1 in spontaneous recognition



#1 Advertising memory / total means (%)



Movistar:

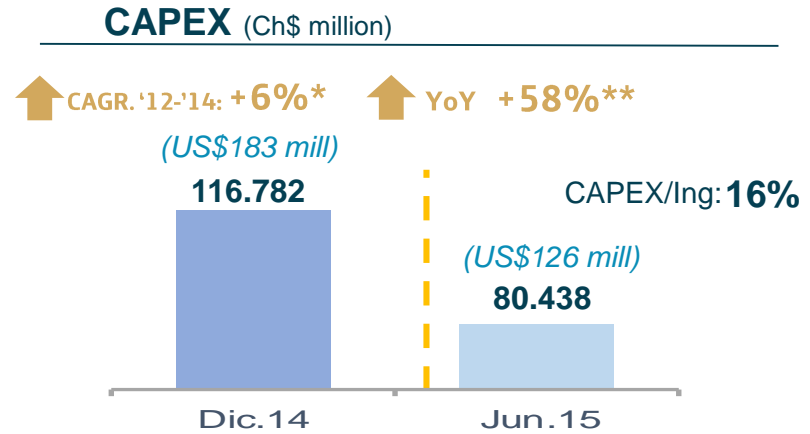
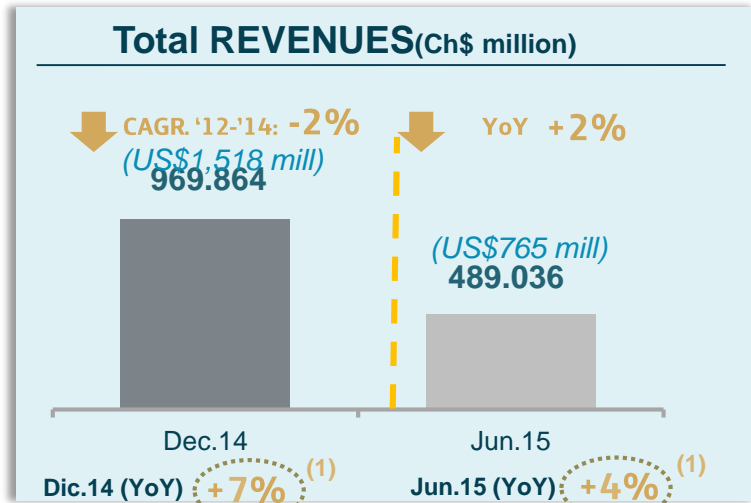
The most recognized brand

More than 12 awards in 2014

(4 Effie / 7 Achap / 1 Mega)

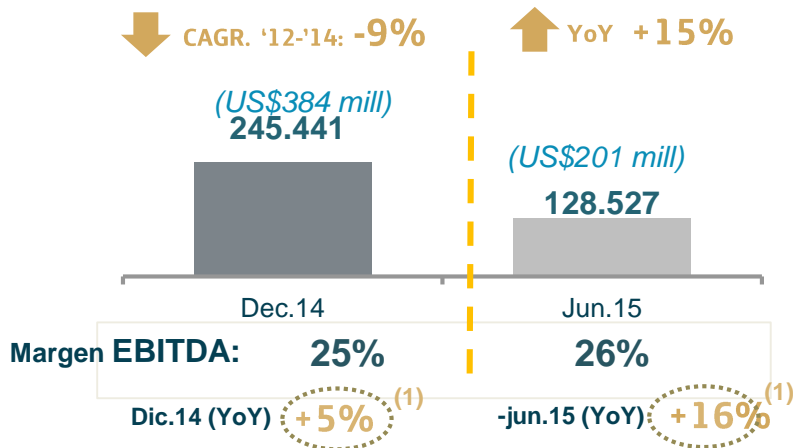


MOBILE FINANCIAL PERFORMANCE: Significant EBITDA margins and healthy OpCF with strong CAPEX oriented to expansion and upgrade of networks

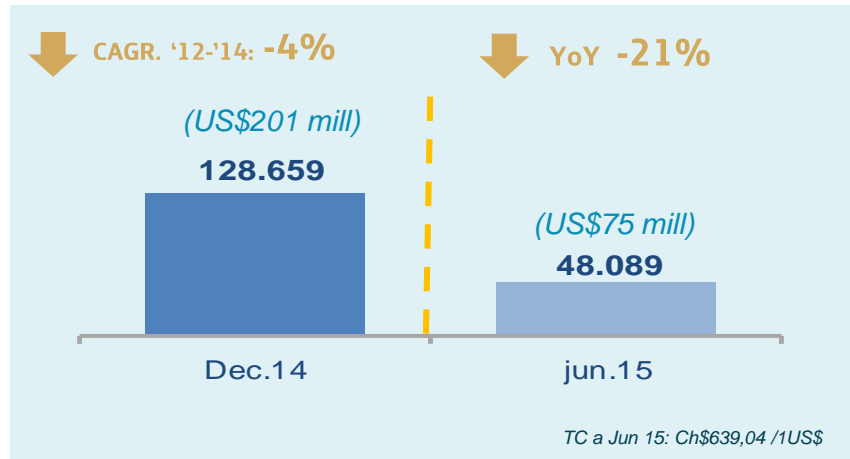


In 2012, MOVISTAR was granted 40 MHz in the 2.6 GHz band → 4G services

EBITDA (Ch\$ million)



Operating Cash Flow (OpCF) (Ch\$ million)



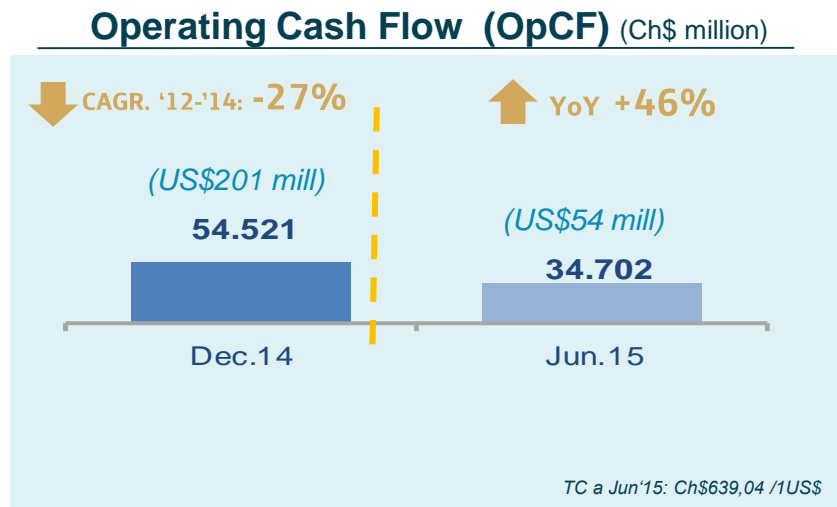
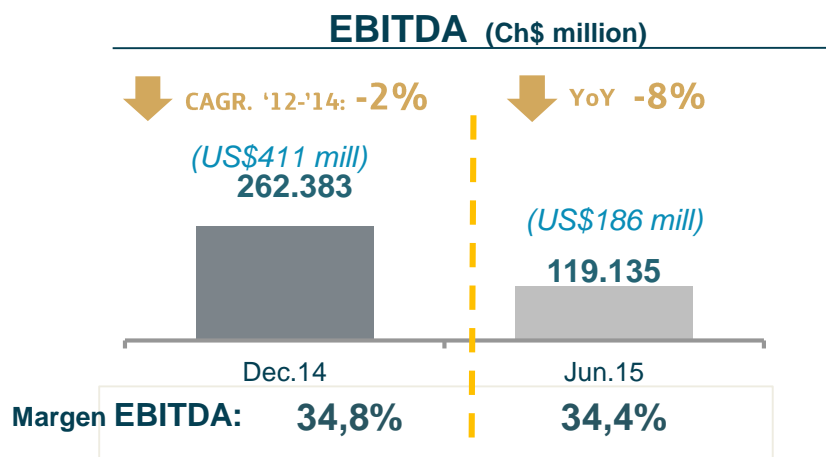
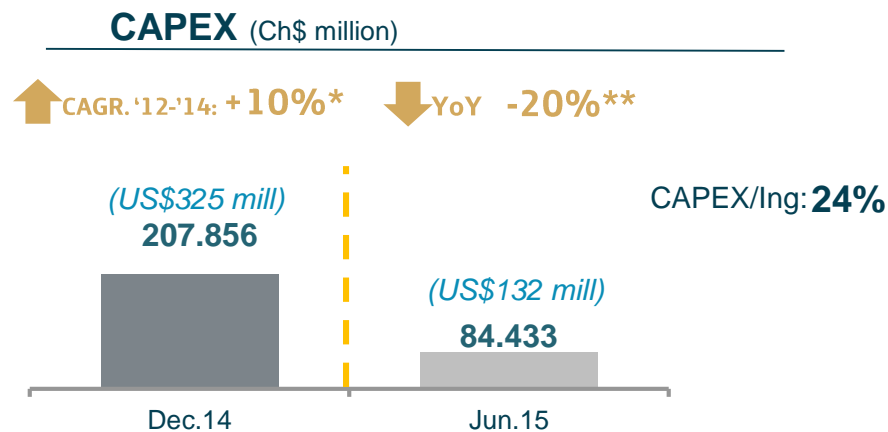
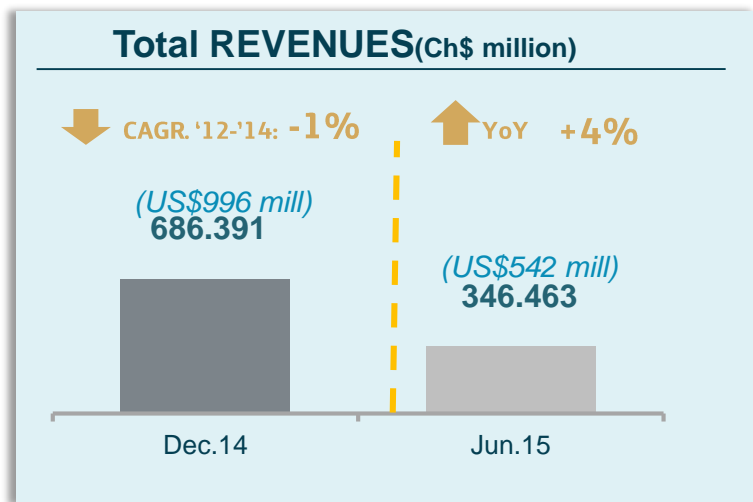
TC a Jun 15: Ch\$639,04 /1US\$

(*) Since 4Q12, CAPEX for postpaid equipment is registered as OPEX

(**) CAPEX increases due to higher 3G/4G deployment, 4G 700 MHz spectrum license and processes transformation

(1) Mobile revs. and EBITDA impacted by an additional mobile ITX cut-off (-16%), in Jan.15. "Equivalent tariffs" means that numbers are recalculated with real traffics in '14 and '15 but priced at '14 tariffs

FIXED FINANCIAL PERFORMANCE: Revenue growth and CAPEX oriented to high speed broadband



Conservative Financial Policies

Liquidity and Financing

- FCF next 12 months + cash and equiv. HIGHER THAN debt maturities next 12 months
- Maintain financial flexibility to support growth
- Avg. maturity of financial debt HIGHER THAN avg. time of repayment (Net debt/FCF)

Hedging

- Foreign exchange hedging over debt, capex and opex
- Maintain a low exposure to foreign exchange and inflation volatility minimizing impact on financial results and cash flow (100% in local currency)
- Efficient interest rate hedging according to market condition

Cash Management

- Control of counterparties credit risk based on credit ratings
- Dividend policy is to pay at least 30% of net profits (legally mandatory)

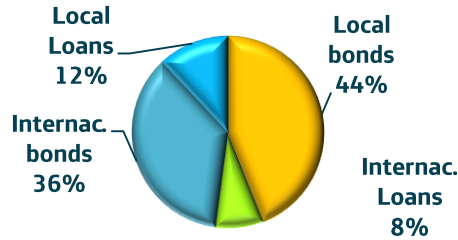
FINANCIAL OVERVIEW: Diversified Debt structure, with accessibility to local and international markets

MOBILE

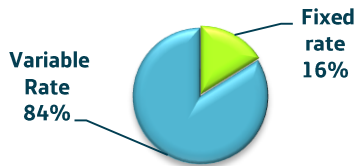
Gross Debt as of June 2015 → US\$618 million
 Net Debt as of June 2015 → US\$324 million

Structure:

Avg. Debt rate
4.8%

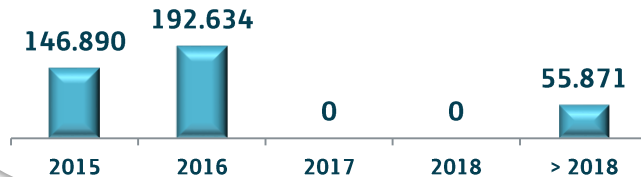


Currency and Interest rate hedging



Maturities profile:

In millions Ch\$

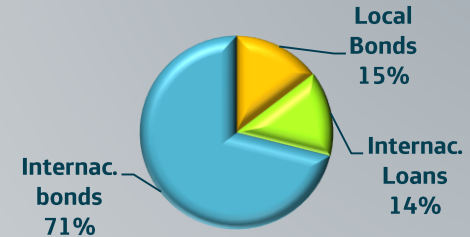


FIXED

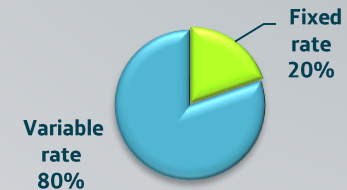
Gross Debt as of Mar. 2015 → US\$507 million
 Net Debts as of June 2015 → US\$355 billion

Structure:

Avg. Debt rate
5.4%



Currency and Interest rate hedging



Maturities profile:

In millions Ch\$



100% FX hedge
 CLP depreciation of 12% (avg. Jan-Jun15 vs. avg. Jan-Jun 14) has not impacted payment of debt (principal or interest)

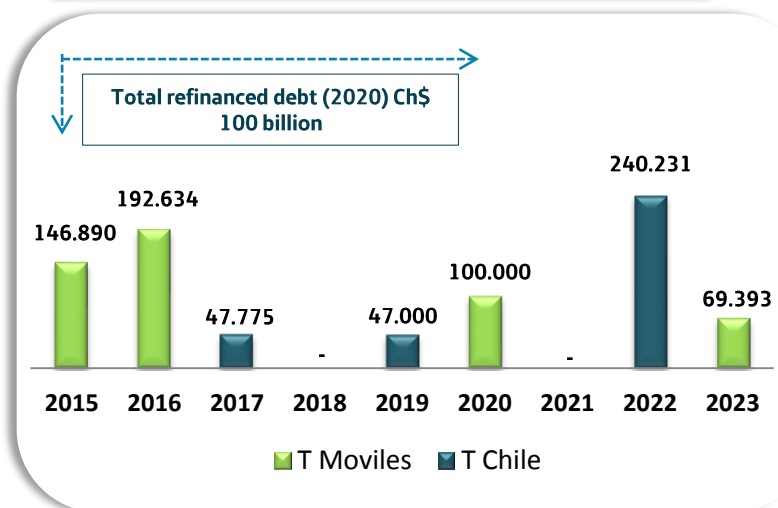
Telefónica Móviles Bond issuance - Series G and I

- On July 23rd and August 20th 2015, Telefónica Móviles Chile successfully managed two UF bond issues in the local market
- Main objective of these operations was to refinance the international bond issued in 2010 which will mature in Nov.15

Terms and Conditions

Series	G	I
Amount	UF 2,000,000	UF 2,000,000
Term	5 year	5 year
Amortization	Bullet	Bullet
Maturity	June 20, 2020	August 14, 2020
Coupon	2.20%	1.95%
Interest rate	1.95%	1.91%
Spread	95 bps	96 bps
Local Rating	AA / AA+ (Fitch/ICR)	AA / AA+ (Fitch/ICR)

New consolidate maturity profile

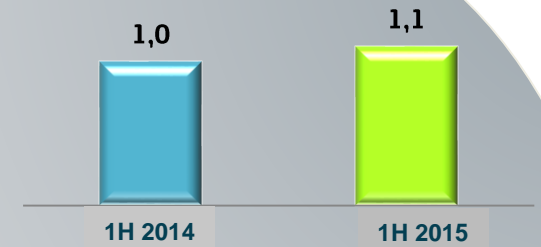
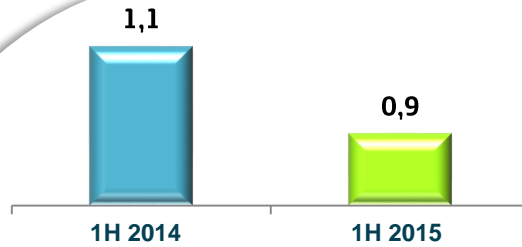


- ✓ Both transactions reached the lowest interest rate for corporate bonds with less than 5 years duration
- ✓ Series G: 2.8 times oversubscribed
- ✓ Series I: demand was 1.7 times
- ✓ Series G investors: AGF, AFP, Brokers, Investment Funds and Insurance Companies
- ✓ Series I investors: Mainly Investment Funds
- ✓ These financings for Ch\$100 billion allowed partially refinance maturity for Ch\$147 billion (Nov.15) and decrease liquidity cost

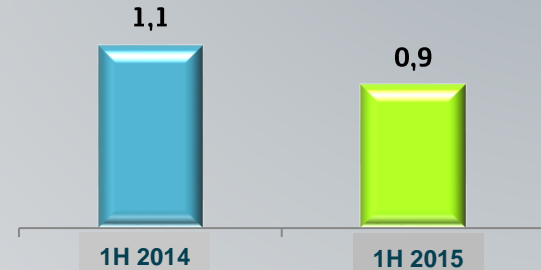
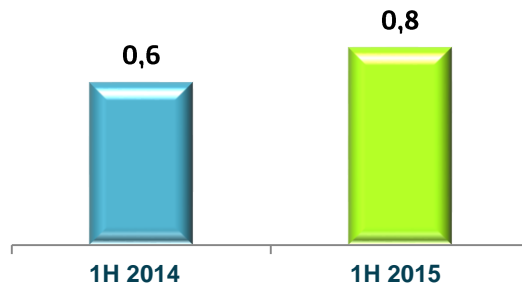
MOBILE

FIXED

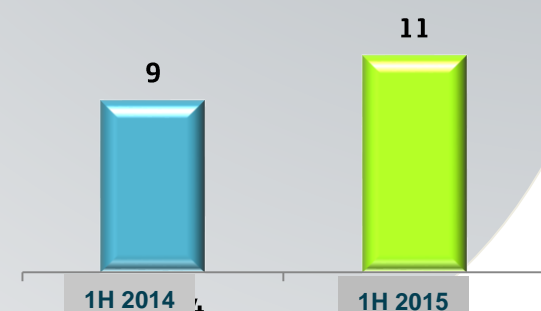
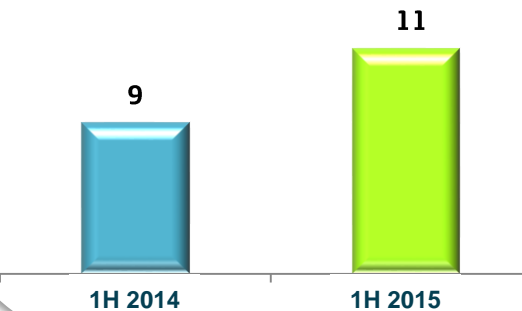
**Total liabilities
(less) hedging assets
/ Equity ⁽¹⁾**



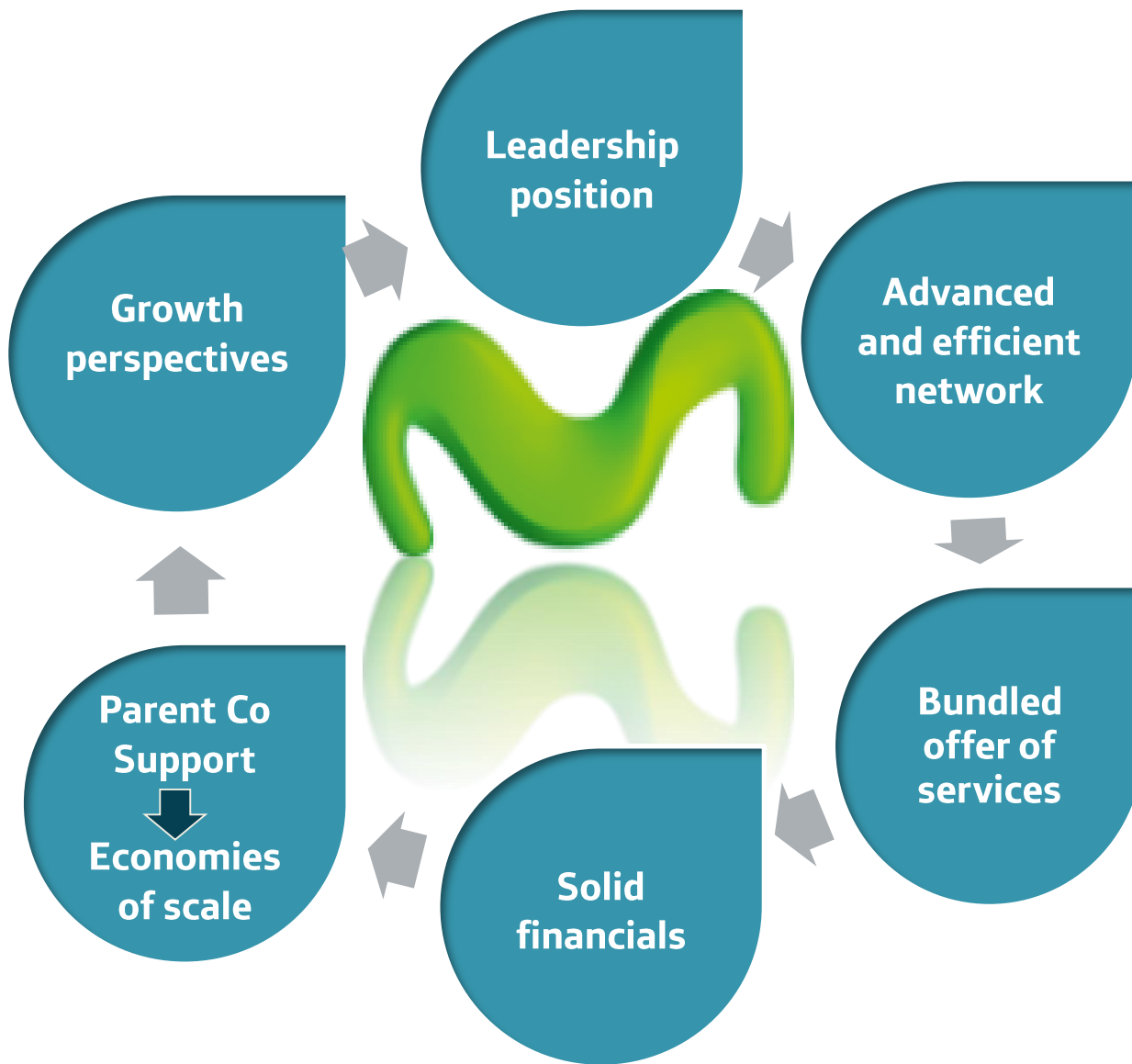
**Net Debt /
EBITDA ⁽¹⁾**



**EBITDA / Financial
Expenses**



⁽¹⁾ operating leases not included



Telefonica

www.telefonicachile.cl/inversionistas/