

2015 NEW

CHALLENGES

TELEFONICA IN CHILE

Financial Results
Accumulated as of June 30, 2015

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

Santiago, August 4, 2015



BUSINESS OVERVIEW

Notes:

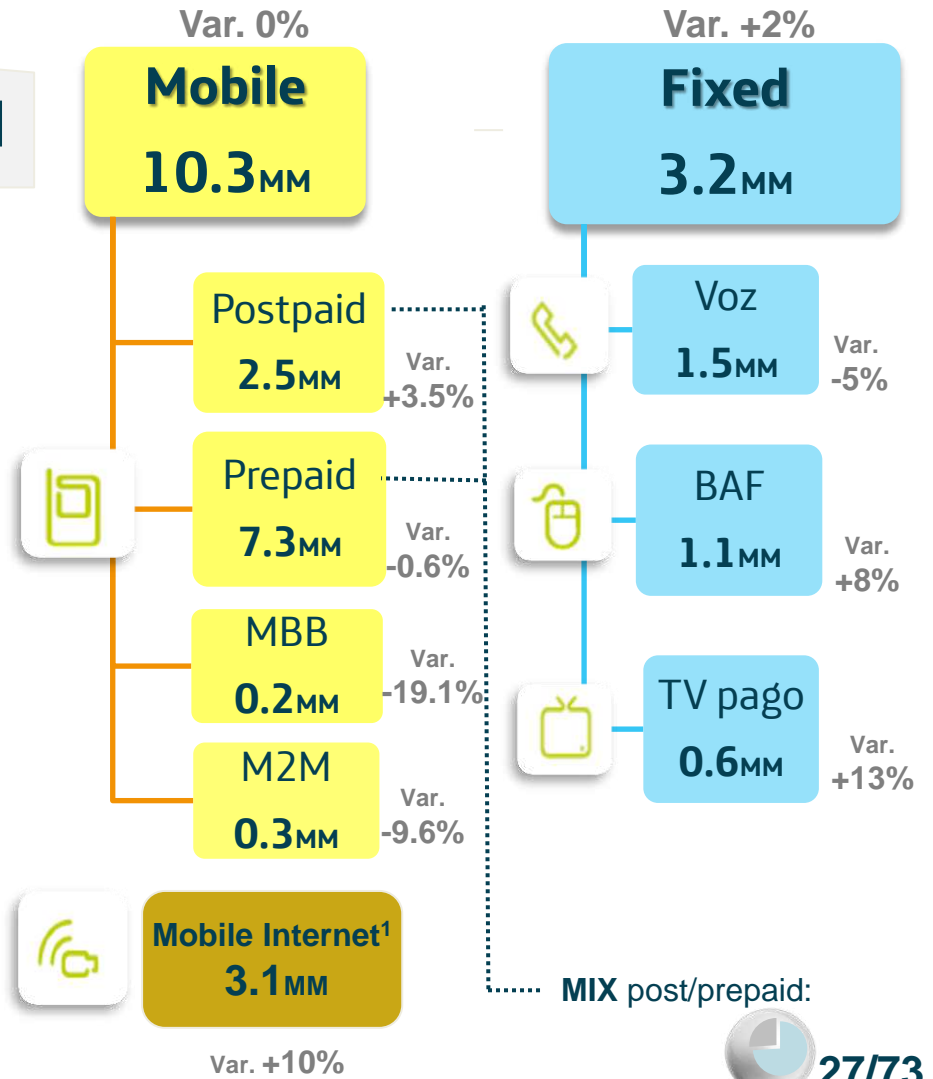
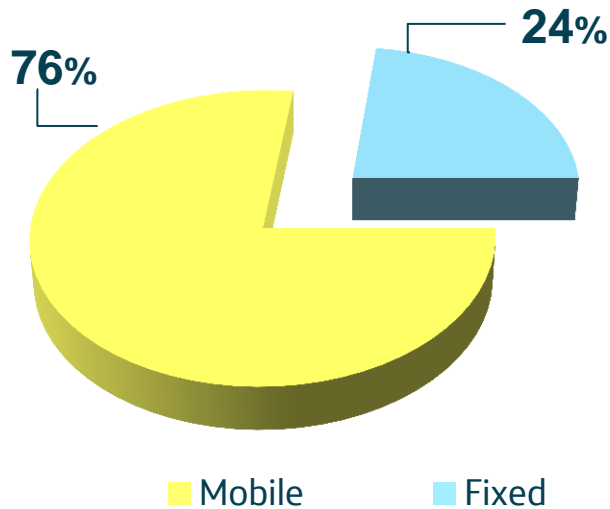
Accumulated figures as of June '15 vs. June '14

Figures in Chilean peso (Ch\$ or CLP)

M: thousands

MM or Mill.: millions

BUSINESS OVERVIEW: LEADERSHIP in the industry by Total Accesses



27/73

Notes: YoY variations Jun.15 vs. Jun.14

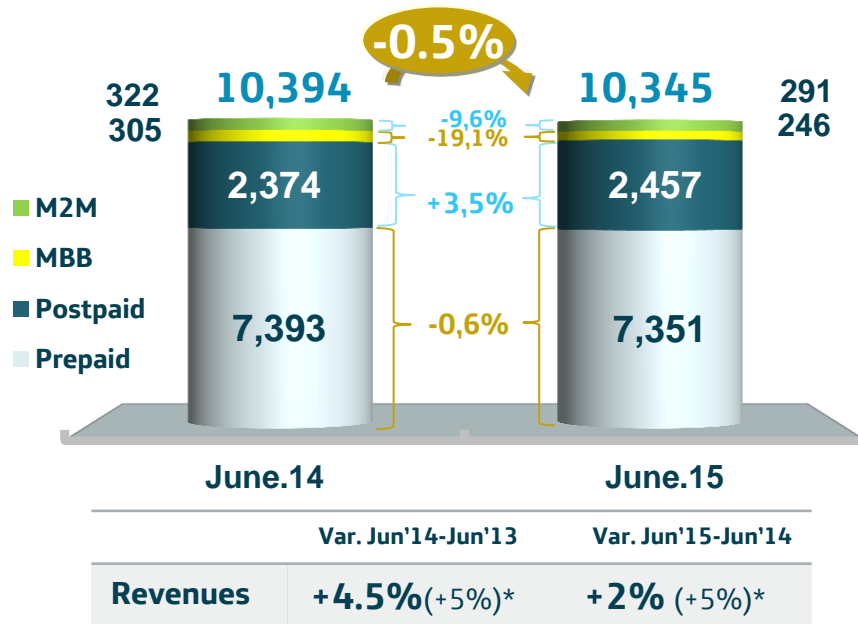
¹ Mobile Internet = MBB+NEM*

* NEM: "Navigation In Mobile", including pay per use

MOBILE BUSINESS OVERVIEW: MOBILE accesses grow pushed by Postpaid

Mobile Accesses

Thousand



- Postpaid accesses: +3.5%**, pushed by:
 - ✓ Growth in 4G
 - ✓ Net gain in number portability
- Prepaid Accesses: -0.6%**, drop explained by higher churn in the quarter and aggressive competition
- Mix post/prepaid: 27/73**
- Lidership in Market SHARE** by accesses: **38%**



■ Total mobile revenues grow +2.0%:

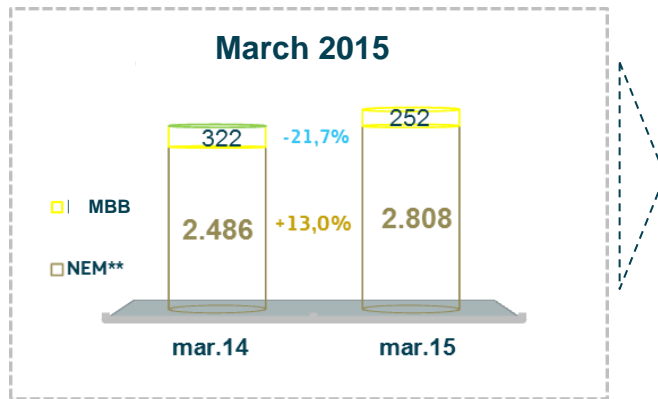
- ✓ Total Postpaid revenues (Voice+NEM¹): **+9.3%**, leveraged by NEM
- ✓ Total Prepaid revenues (Voice+NEM¹): **-3.2%**, affected by less traffic in the quarter and accesses decrease
- ✓ Revenues are affected by a 16% additional cut-offs in ITX² tariffs, since Jan.15. Revenues, applying equivalent tariffs, increase **+5%**

* applying equivalent tariffs: it takes real traffics for '14 and '15, both multiplied by 2014 tariffs

¹ NEM: Navigation in Mobile

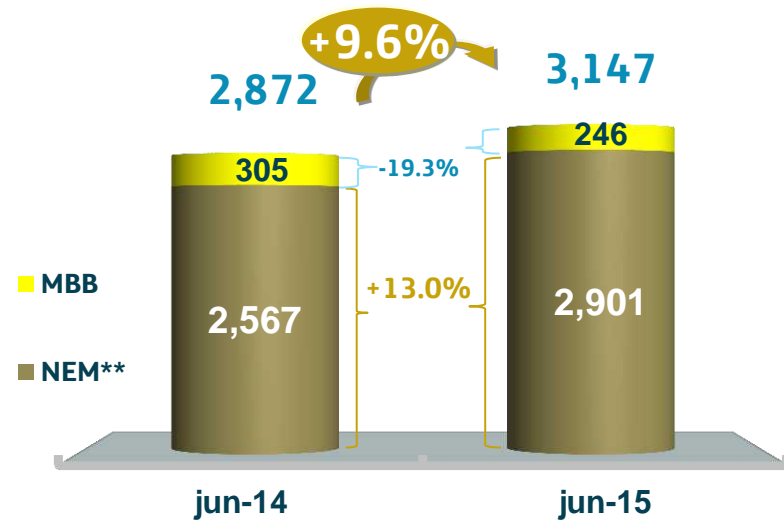
². ITX: Interconexions

DESEMPEÑO NEGOCIO MOVIL: accesses and mobile Internet revenues grow driven by 4G



** CHANGE → Since June 2015, Internet Mobile accesses include: "pay per use" clients and does not include M2M

Mobile Internet ACCESES (1)



	Var. Jun'14-Jun'13	Var. Jun15-Jun'14
Rev.	+42%	+36%

¹ Mobile Internet = MBB+NEM*

* NEM: "Navigation In Mobile", including pay per use

- **Mobile Internet Accesses (NEM+MBB): +9.6%**, pushed by:
 - ✓ Positive evolution in Mobile Internet penetration (28% over total accesses, plenty room to growth)
 - ✓ **NEM** accesses: **+13%**, offset by MBB accesses: **-19%**
 - ✓ Increase in **4G accesses x5** → **438.645**

- **Mobile Internet revenues (NEM+MBB): +36.1%**, due to:
 - ✓ **NEM revenues: +43.2%**, due to increase in data traffic and successfully number portability campaigns
 - ✓ Higher ARPU of 4G plans
- It was partially offset by a **-16.2% decrease in MBB revenues**, in line with our commercial strategy

FIXED BUSINESS OVERVIEW: capturing growth from High Speed BB and TV

FBB



+ 8.4%

1,073k accesses

Driven by growth in High Speed BB

+ 59.2%

High Speed (HS) and Satellite BB

More than **226k** accesses
(**HS / Total accesses = 20,1%**)

7 th. Satellite accesses

+ 9.6%

Higher FBB revenues

Up to Ch\$89,000 mill. in line with accesses growth and higher ARPU for HS plans

Pay TV



+ 13.3%

616k accesses

Driven by DTH (9.9%) and IPTV (119.3%) growth

x2

IPTV customers

over 38K.



+ 29.5%

Higher pay TV revenues

Reaching Ch\$83,339 mill. because of higher ARPU, due to IPTV growth and "HD" plans

HD customers/Total = x3

VOICE



-5.2%

1,537k lines

Fall in lines in service is offset by FBB and TV growth, allowing a **2.3% increase in Total accesses**

Within our bundling strategy, we continue capturing market valued customers, reaching junio'15

+72k

Sales of TRIO (Voice+FBB+TV)

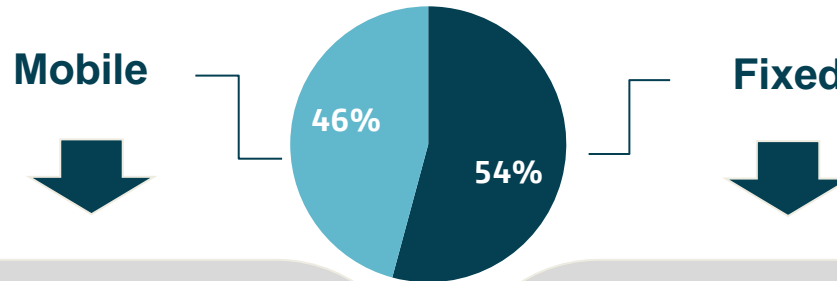
+50k

Sales of Dúo (FBB+TV)



Companies and Business Segment

Revenues from Companies and Business Segment



Mobile revenues from companies and businesses segment increased **+ 3.8%**

- Growth explained by an increase of **+ 24.8%** in mobile internet revenues, which offset the decline of **- 2.8%** of revenues from voice and other

- **+ 15.6%** of corporate customers have a data plan (NEM)

11% of total mobile accesses are companies and contribute 25% of total mobile revenues

Fixed revenues from companies and businesses segment grew by **+ 0.8%** due to:

- **+ 7.2%** in revenue from data services and circuits, representing **14%** of total fixed revenues, due to growth of 7% in IP networks, Satellite services and data equipment and a 36% growth in digital services, mainly "Cloud" and "Security services"
- **+ 4.8%** revenue FBB, in line with accesses growth and the increase of **30.1%** in TV revenues provided to companies
- All the above is offsetting the drop of **-12.5%** of revenues from voice and other

Revenues from companies and businesses, represent 41% of total fixed revenues and come from data services, FBB, TV and voice for corporate and SME customers.



FINANCIAL OVERVIEW



Notes:

Accumulated figures as of June '15 vs. June '14

Figures in Chilean peso (Ch\$ or CLP)

K or M : thousands

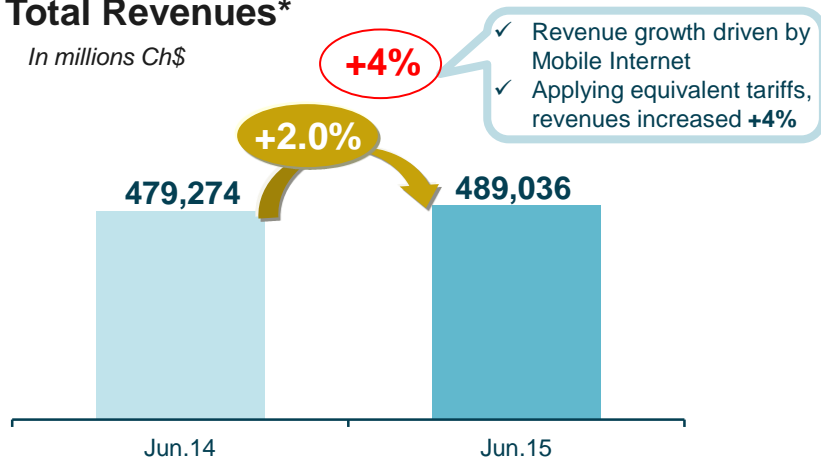
Mill or MM: millions

MOBILE FINANCIAL OVERVIEW: Revenues, EBITDA, CAPEX and OpCF evolution

MOBILE

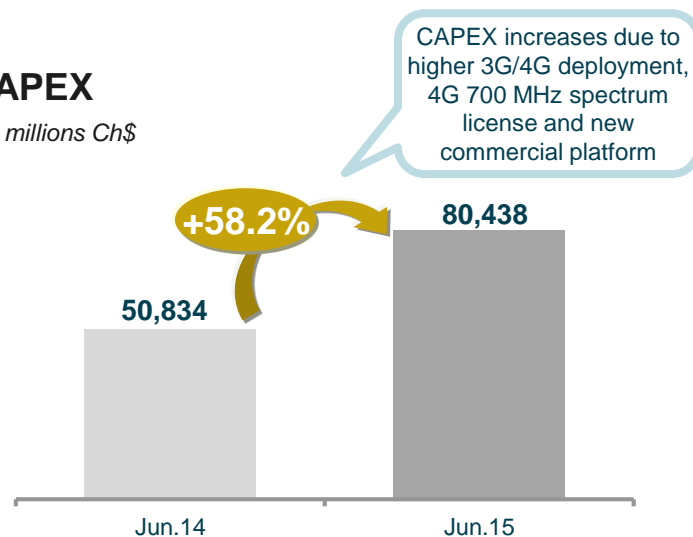
Total Revenues*

In millions Ch\$



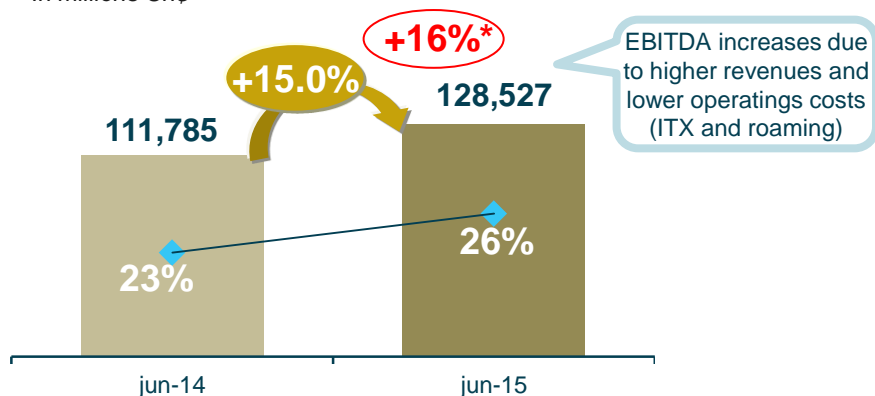
CAPEX

In millions Ch\$



EBITDA* and EBITDA margin (%)

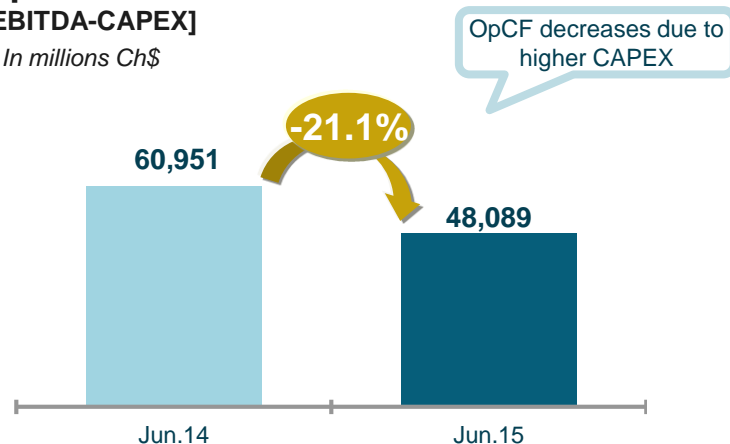
In millions Ch\$



OpCF

[EBITDA-CAPEX]

In millions Ch\$



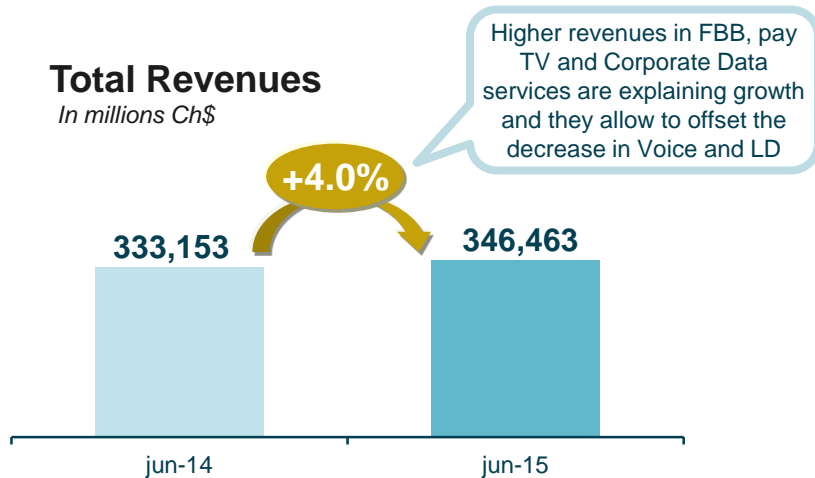
(*) Mobile revs. and EBITDA impacted by an additional mobile ITX cut-off (-16%), in Jan.15. "Equivalent tariffs" means that numbers are recalculated with real traffics in '14 and '15 but priced at '14 tariffs

FIXED FINANCIAL OVERVIEW: Revenues, EBITDA, CAPEX and OpCF evolution

FIXED

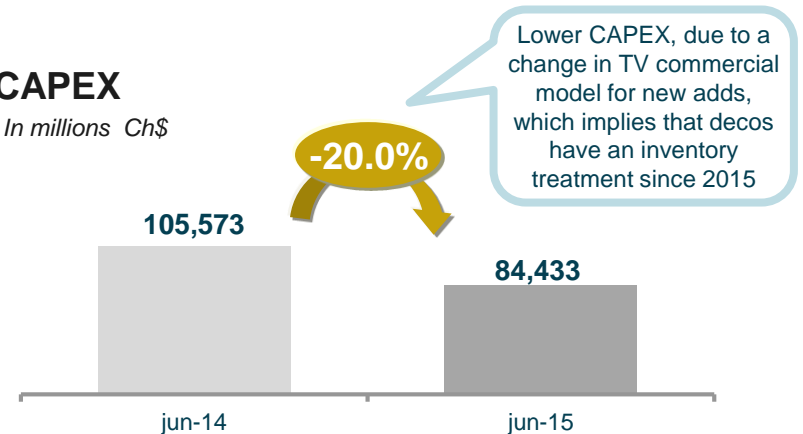
Total Revenues

In millions Ch\$



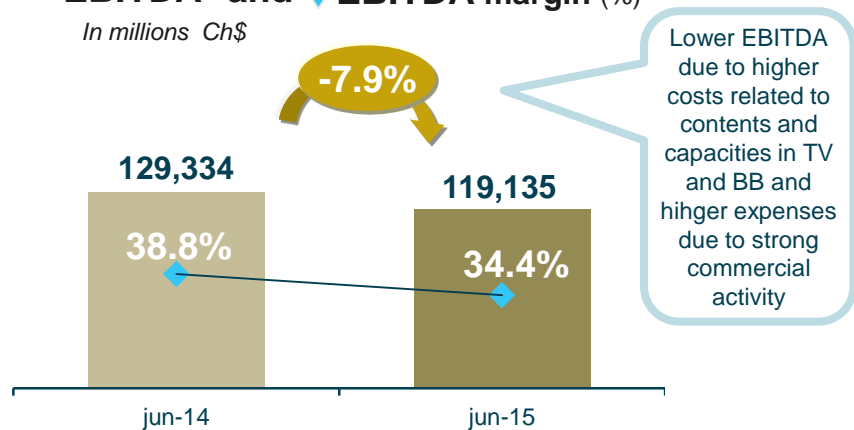
CAPEX

In millions Ch\$



EBITDA* and EBITDA margin (%)

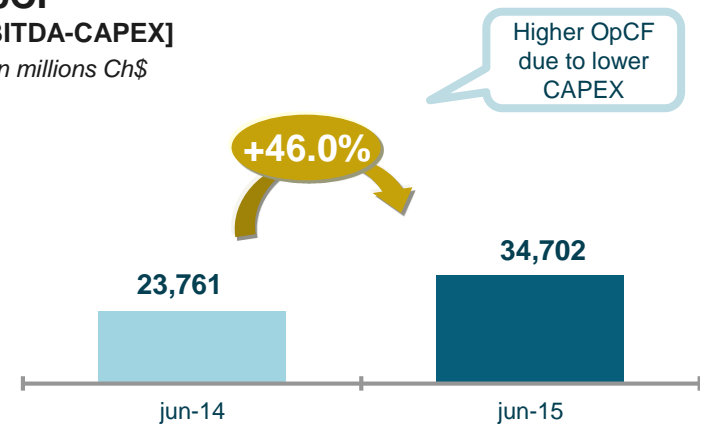
In millions Ch\$



OpCF

[EBITDA-CAPEX]

In millions Ch\$



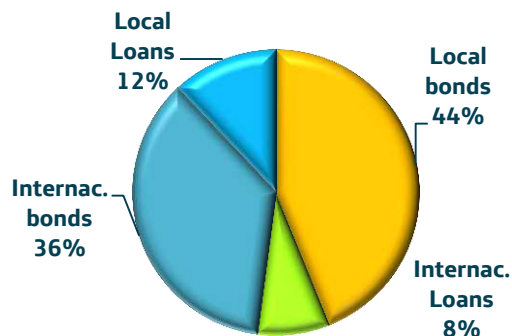
FINANCIAL OVERVIEW: Diversified Debt structure, with accessibility to local and international markets

MOBILE

Gross Debt as of June 2015 → Ch\$395 billion
 Net Debt as of June 2015 → Ch\$207 billion

STRUCTURE:

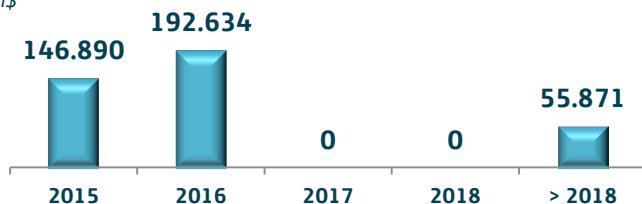
Avg. Debt rate
4.8%



- ✓ **Gross Debt:** decreased Ch\$67 billion (June 15 vs. June 14), mainly due to payment of Bond Series A (Ch\$32 billion), in Jul. 14, as well as a credit with Banco Chile (Ch\$26 billion), in Dec 14
- ✓ **Net Debt:** increased Ch\$48 billion, in the same period, due to lower Cash balance

MATURITIES PROFILE:

In millions Ch\$

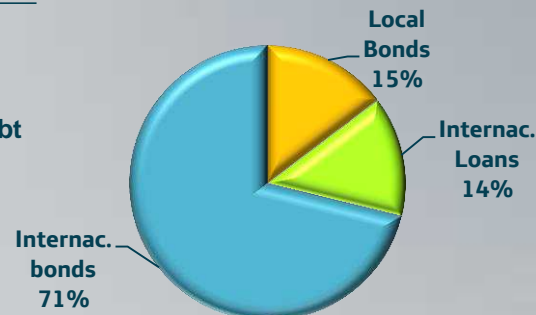


FIXED

Gross Debt as of Mar. 2015 → Ch\$324 billion
 Net Debts as of June 2015 → Ch\$227 billion

STRUCTURE:

Avg. Debt rate
5.4%



- ✓ **Gross Debt:** decreased Ch\$50 billion (June 15 vs. June 14), mainly due to prepayment of bank credits (Ch\$42 billion) in Dec. 14
- ✓ **Net Debt:** decreased Ch\$116 billion due to the same effect and the higher average Cash balance as of June 15

MATURITIES PROFILE:

In millions Ch\$



FINANCIAL OVERVIEW: T. Móviles Bond issuance - Series G

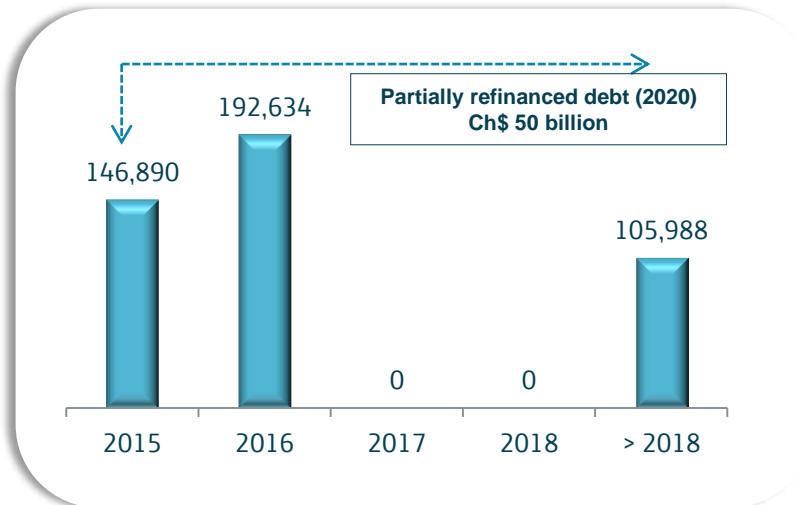
July 2015

On July 23, 2015, T. Móviles successfully completed an UF bonds placement in the local market, to refinance the international bond placed in 2010

Terms and Conditions

Amount	UF 2,000,000 (equiv. \$50,791 mill.)
Maturity	20 June 2020
Term	5 year
Amortization	Bullet
Coupon	2,20%
Placement rate	1,95%
Spread	0.95
Local Rating	AA / AA+ (Fitch/ICR)

New maturity profile



The transaction

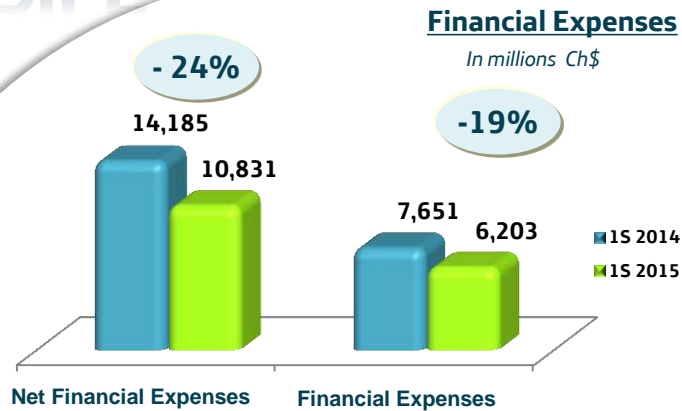
- The lowest placement rate for corporate bonds (with less than five years duration)

Main Investors

- Pension funds, Brokers, Investment Funds and Insurance Companies.

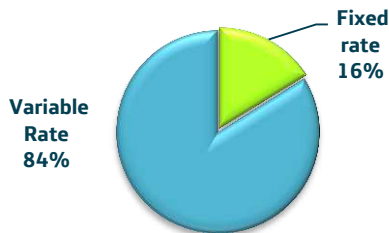
FINANCIAL OVERVIEW: Efficiency in interest rates management allows to diminish Financial Expenses

MOBILE



- ✓ Gross and Net Financial Expenses decreased due to lower average interest rate and lower Debt. This effect was partially offset by a lower interest rate from financial investments

Currency and Interest rate hedging

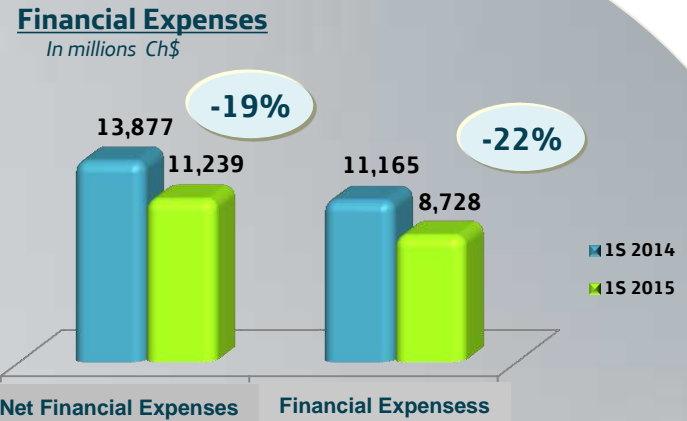


100% FX hedge

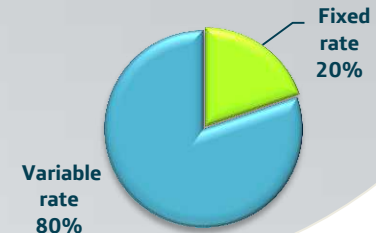
CLP depreciation of 12% (avg. Jan-Jun15 vs. avg. Jan-Jun 14) has not impacted payment of debt (principal or interest)

FIXED

Currency and Interest rate hedging



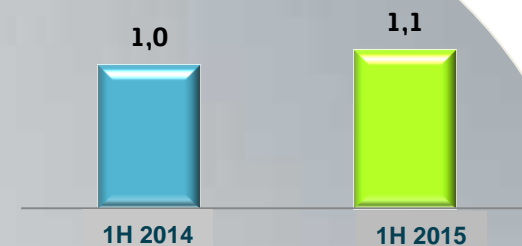
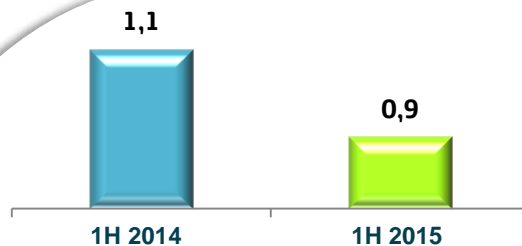
- ✓ Gross and Net Financial Expenses decrease due to a lower average financial debt as compared to the previous year and the reduction of market interest rate (80% variable rate)



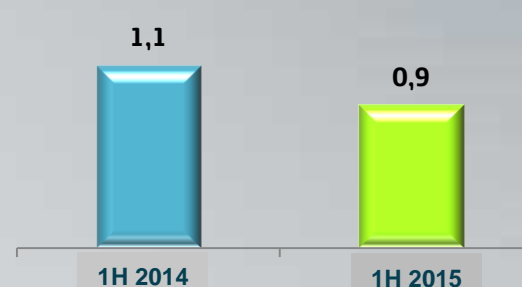
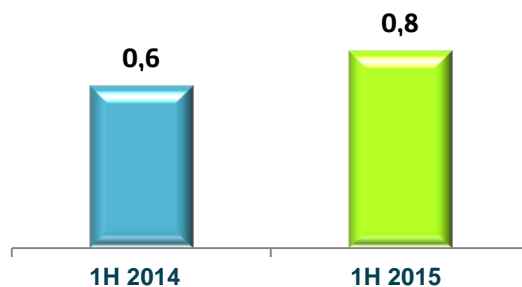
MOBILE

FIXED

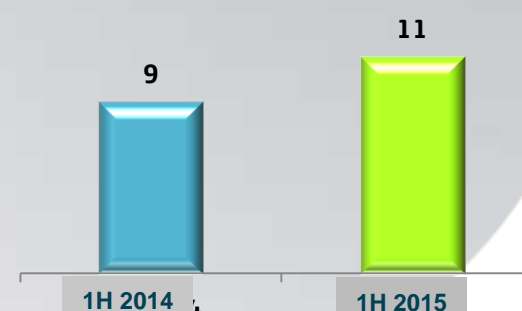
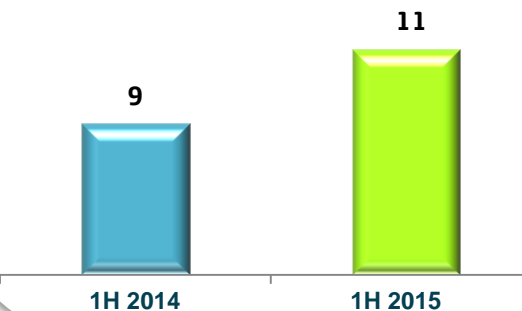
**Total liabilities
(less) hedging assets
/ Equity ⁽¹⁾**



**Net Debt /
EBITDA ⁽¹⁾**



**EBITDA / Financial
Expenses**



⁽¹⁾ operating leases not included

FINANCIAL OVERVIEW: Summary of Financial Results

Accumulated as of Jun. 15

Million Ch\$ IFRS	T. MOVILES CHILE			T. CHILE	
	Jan-Jun 15	% Var. '15/'14	Equiv.ITX tariffs* %Var. '14/'13	Jan-Jun 15	% Var. '15/'14
Total revenues	489.036	+2,0%	+5%	346.463	+4,0%
Operating expenses	-360.509	-1,9%		-323.773	+10,0%
EBITDA	128.527	+15,0%	+16%	119.135	-7,9%
EBITDA margin	26,3%	+3,0pp		34,4%	-4,0 pp
Depreciation and amortization	-49.985	+7,1%		-96.445	+6,4%
Operating income	78.542	+20,6%		22.690	-41,4%
Net interest income and others	-4.928	-13,8%		-8.672	-22,5%
Taxes	-19.010	+106,1%		-4.948	+65,2%
Net income before minority interest	54.603	+8,8%		9.070	-63,0%
Net income	54.603	+8,8%		7.551	-66,3%

(*) Mobile revs. and EBITDA impacted by an additional mobile ITX cut-offs (-16%), in Jan. 15.
 "Equivalent ITX tariffs" means real traffics in 2014 and 2015 priced at 2014 tariffs

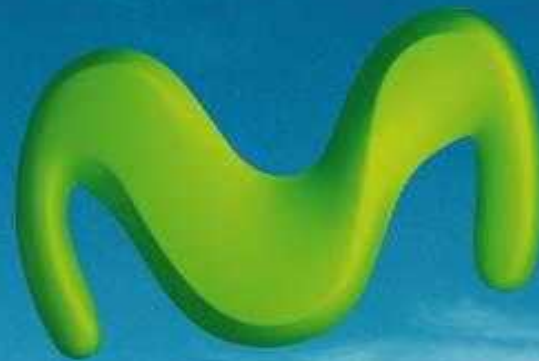
MOBILE BUSINESS:

- ✓ **Growth in Postpaid: + 3.5%**, driven by growth in 4G and positive net gain in portability
- ✓ Leading 4G market with **438,645 customers**
- ✓ Revenues, applying equivalent tariffs, **grew + 5%, mainly due to Mobile Internet** accesses and revenues growth: + 8% and + 36% respectively
- ✓ **EBITDA margin improved, reaching 26%** despite additional ITX tariffs cut-offs (-16%), applied since Jan.15



FIXED BUSINESS:

- ✓ **High Speed customers grew 59%**, boosting +9.6% growth in broad band revenues
- ✓ **TV revenues increased 29.5%**, driven by IPTV and more customers with HD plans
- ✓ **EBITDA margin reached 34%**



Telefon