

2015 NEW

CHALLENGES

TELEFONICA IN CHILE

Financial Results
accumulated as of Sep. 2015

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

Santiago, November 10, 2015

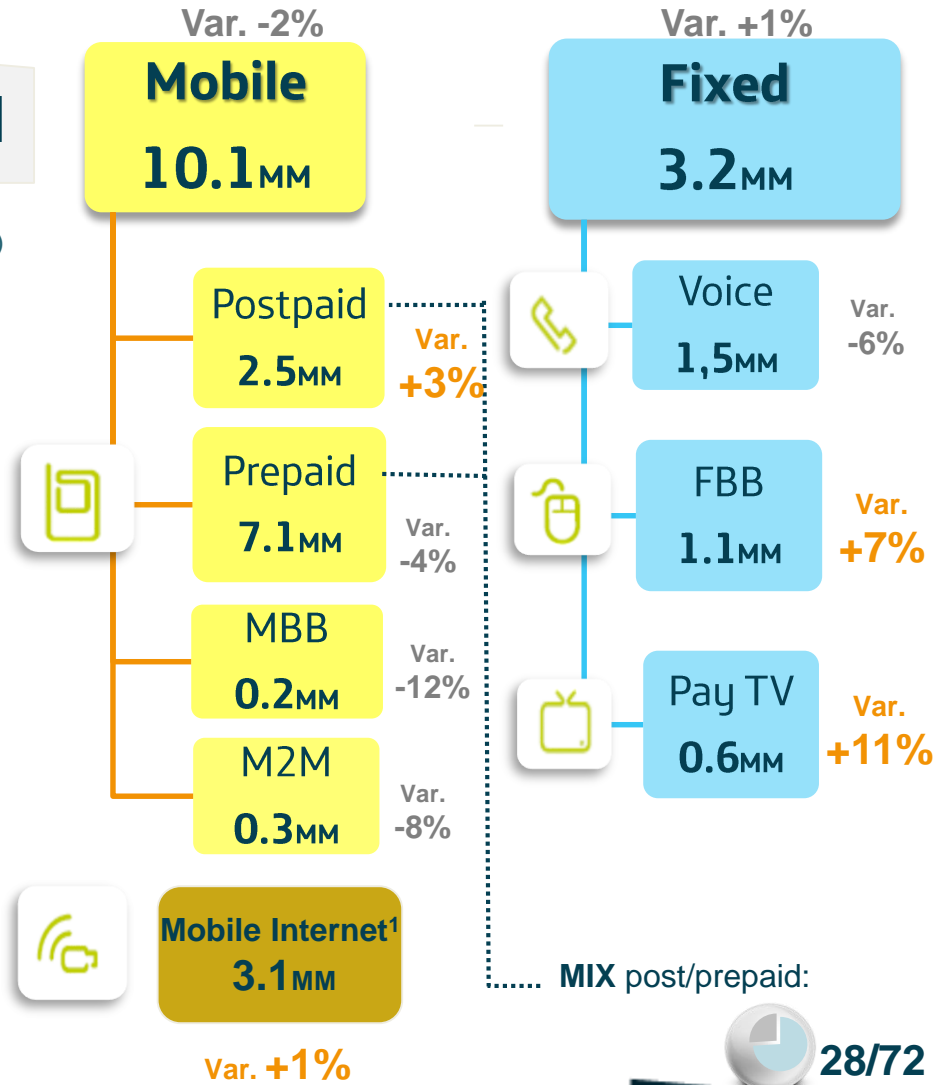
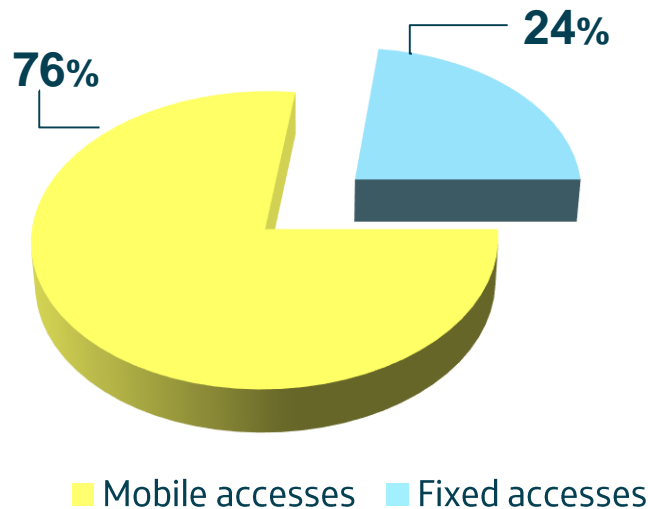




BUSINESS OVERVIEW

Note: Accumulated figures as of Sep.'15 vs. Sep.'14

BUSINESS OVERVIEW: Total accesses decrease lined up with strong competition in mobile business, mainly in Prepaid



Note: Annual variations Sept.'15 vs. Sept.'14

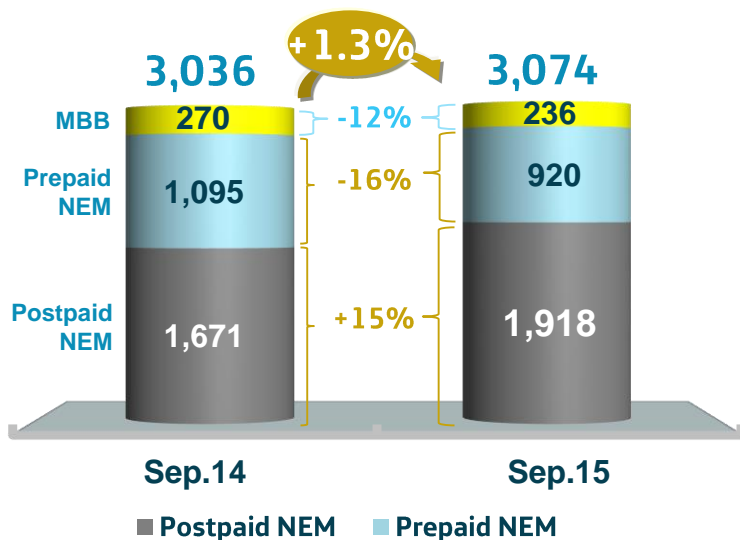
¹ Mobile Internet = MBB+NEM*+M2M * NEM: "Navigation in Mobile"

CHANGE IN CRITERIA → "NEM PPU" (navigation with pay per use) was included as Mobile Internet since Jun.'15

28/72

MOBILE BUSINESS OVERVIEW: Mobile Internet accesses and revenues grow encouraged by NEM

Mobile INTERNET ACCESSES ⁽¹⁾



	Var. Sep'14-Sep'13	Var. Sep'15-Sep'14
Revs.	+46%	+32%

(1) Mobile Internet = MBB+NEM¹ ¹ NEM: "Navigation in Mobile"

Positive evolution in penetration of customers which ask for NEM: 28% o/total accesses, with wide growth potential

Mobile Internet revenues (NEM+MBB) reach Ch\$194,179 million, a **+31.5%** growth as of Sep'15. This is explained by:

- **Postpaid NEM revenues** increase **+39.6%**, driven by:
 - **+14.8% postpaid NEM accesses**, due to an effective 4G strategy as well as the positive results obtained from number portability and customers loyalty campaigns
 - Higher ARPU due to 4G plans
- **Prepaid NEM revenues** grow **+31.8%**, pushed by:
 - Higher data consumption by customer
 - Launching of prepaid 4G (first in the market): **15 thous. customers**
 - App "Mi Movistar" which makes easier to manage balance of minutes and "re-charge" on line

It offsets prepaid NEM accesses decrease (-16%) given the aggressive competitors commercial campaigns

- All the above counteracts **MBB revenues decrease of -13.6%**, caused by lower accesses (-12%), as result of the Company commercial strategy

*CHANGE IN CRITERIA → since Jun.'15, "NEM PPU" (navigation with pay per use) was included as Mobile Internet access while M2M is not included

"Moving technology closer to corporates and persons to provide them an easier life"

FIXED BUSINESS OVERVIEW: Capturing high value customers

FBB



+ 7.1%

1,087 thous. accesses

Growth in “high speed” accesses and migration from ADSL to “high speed” (customer base upgrade)

New offer more simple and with higher speeds

+ 54.9%

“High speed” customer base:
241 thous. F.O. and VDSL accesses
 (“high speed” acces./ total FBB = **22.2%**)

7 thous. satellite BB accesses

+ 10.2%

Higher FBB revenues
Ch\$135,791 million
due to higher ARPU related to “high speed” accesses

Pay TV



+ 10.5%

641 thous. accesses

driven by DTH (+7.9%) and IPTV (+71.9%) growth

+72%

IPTV customer base
40,263 accesses
New Premium plans HBO Max HD and Fox+ HD

+ 28.0%

Higher pay TV revenues
Ch\$126,455 million
due to higher ARPU because of IPTV growth as well as more customers with HD plans

VOICE



-5.5%

1,510 thous. lines

Decrease in lines in service
offset by FBB and pay TV growths,
allowing to grow **+1.4% in total accesses**

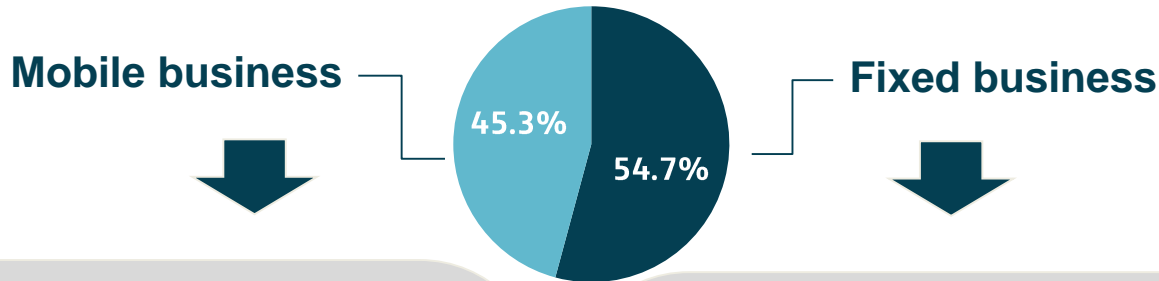
Keep capturing customers of high value

+102 thous. “Trío”
(voice+BB+TV) new adds
and **+76 thous. “Dúo”** (BB+TV)
new adds
as of Sep.’15



Corporate and Business segment

Revenues of Corporate and Business segment



Mobile revenues from corporate and business segment increase **+3.9%**

➤ Growth explained by **+25.9%** increase in **mobile Internet revenues**, which offset a **-2.9%** drop in **voice and other revenues**

- Data plan accesses (NEM): **+7.8%**
 - Relaunching corporate multimedia offer
 - 4G multimedia plans for SMEs - campaign "Atrévete a más"

Corporate clients represent 11% of total mobile customer base and contribute 25% to total mobile revenues

Fixed revenues from corporate and business segment increase **+1.2%** due to:

- **+9.2%** increase in **Corporate Communications revenues** (Data, Supplementary services, Circuits and Others), which represent 14.4% over total Fixed revenues (Ch\$76,036 million), due to 9% growth in fixed data revenues (IP networks, Satellite services and Data equipments, having a higher impact the project: "Cajeros 2014") as well as a 31% growth in Digital services, mainly "Cloud" and "M2M" with the "Brink's Project" (brokering of transportation fleet)
- **FBB and payTV revenues** for corporates grow **+5.2%** and **+23.1%**, respectively, offset by **11.7%** increase in **Voice and Other revenues**

Total corporate and business revenues represent 41% of total fixed revenues

Projects
3Q15:





FINANCIAL OVERVIEW



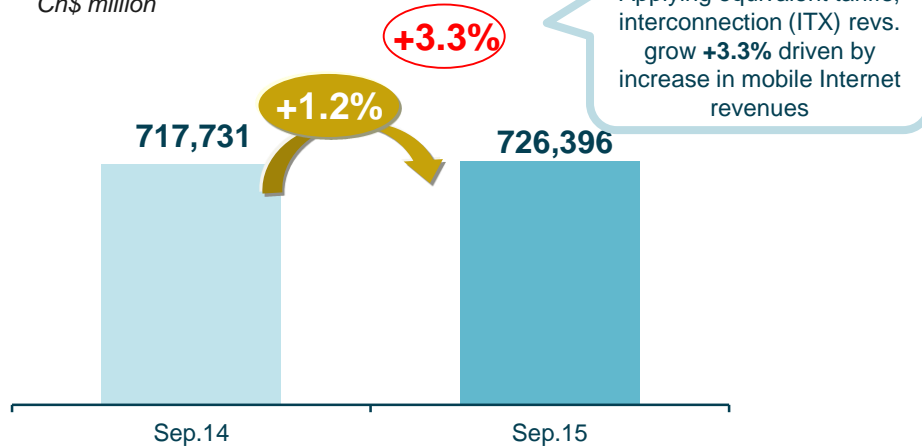
Note: Accumulated figures as of Sep. '15 vs. Sep. '14

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

MOBILE

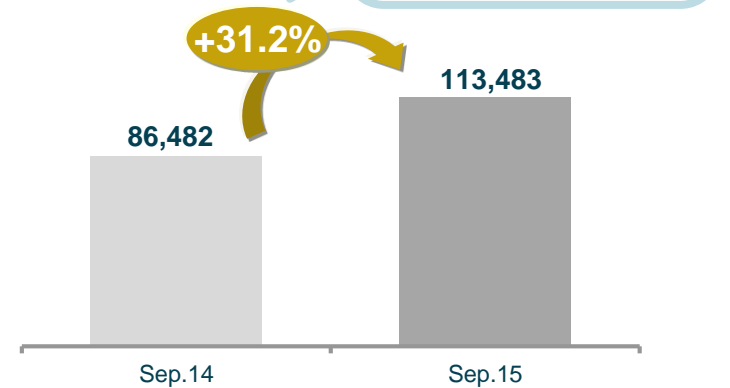
Total Revenues*

Ch\$ million



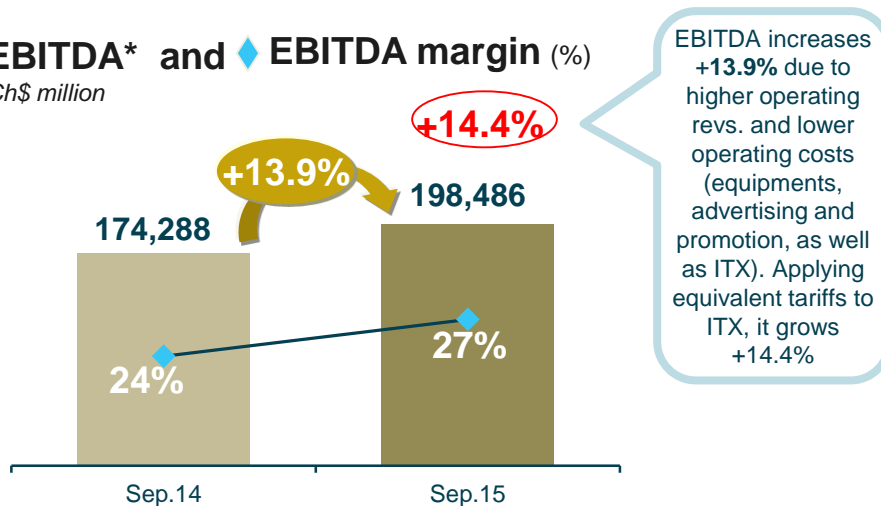
CAPEX

Ch\$ million



EBITDA* and EBITDA margin (%)

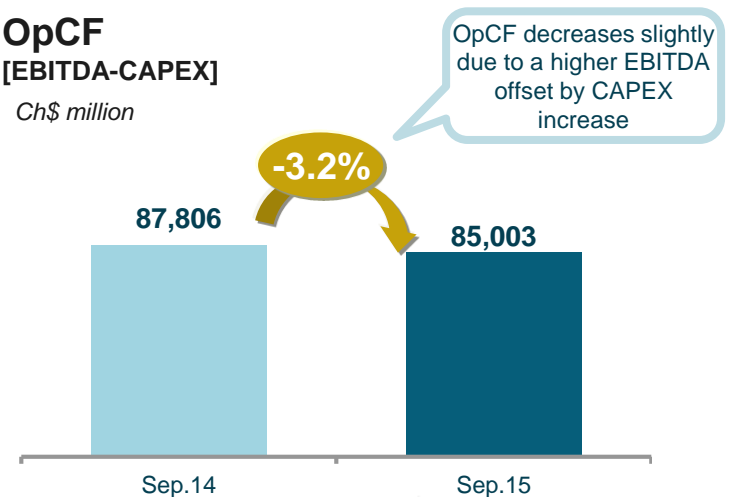
Ch\$ million



OpCF

[EBITDA-CAPEX]

Ch\$ million



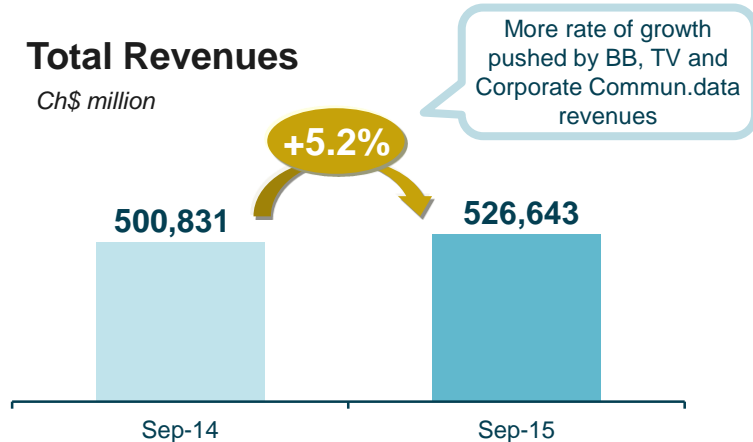
(*) Mobile Revenues and EBITDA impacted by an additional decrease in mobile access charges (-16%), in Jan. 15. Equivalent tariffs: considers real traffics priced at 2014 tariffs

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

FIXED

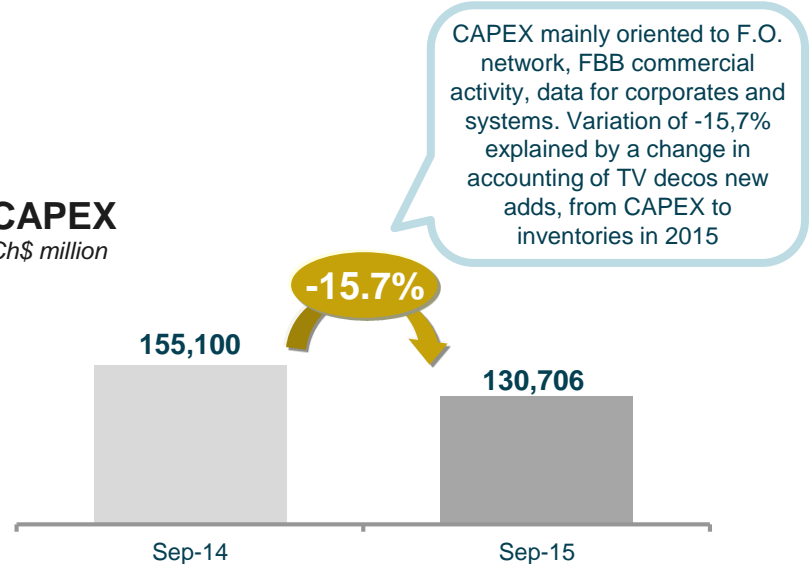
Total Revenues

Ch\$ million



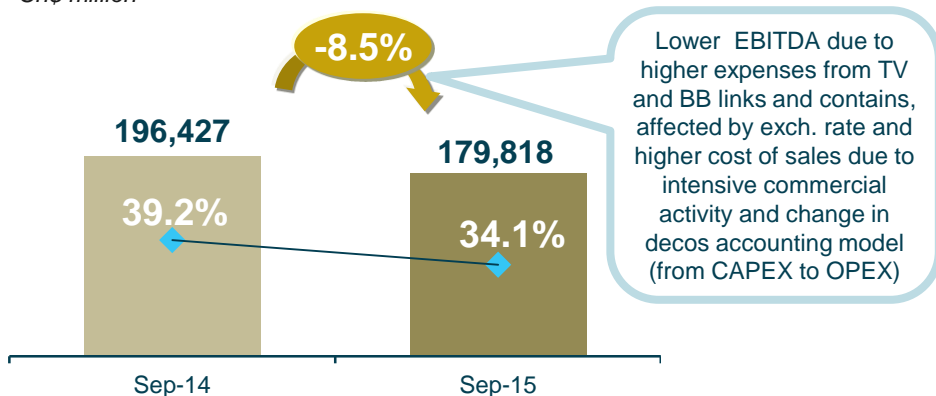
CAPEX

Ch\$ million



EBITDA* and EBITDA margin (%)

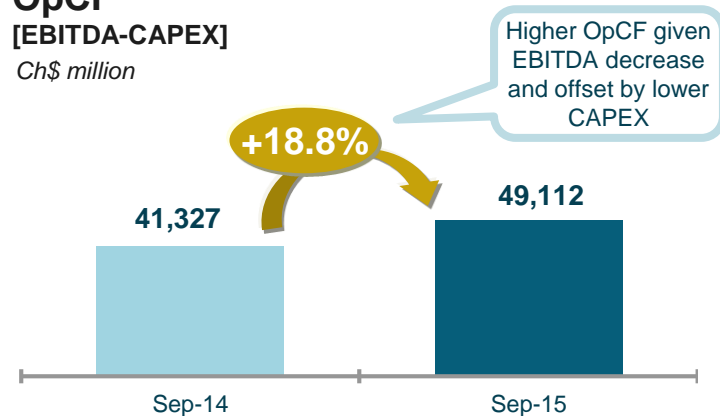
Ch\$ million



OpCF

[EBITDA-CAPEX]

Ch\$ million

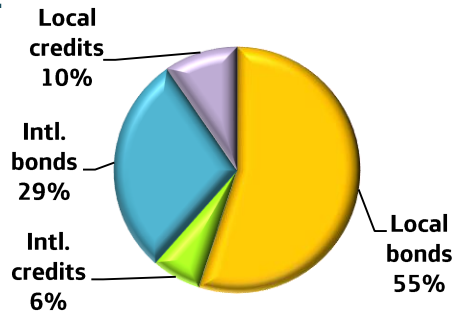


FINANCIAL OVERVIEW: Diversified Debt structure, with accessibility to local and international markets

MOBILE

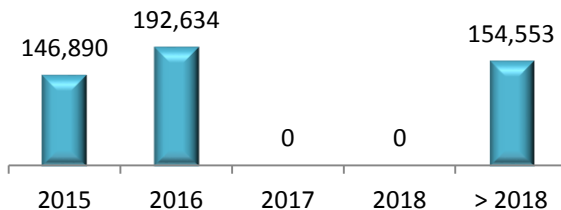
Gross Debt as of Sep15 → Ch\$494 thous. million
 Net Debt as of Sep15 → Ch\$171 thous. million

STRUCTURE:



- ✓ **Gross Debt:** increases 15%, Ch\$65 thous. million (Sep15 vs. Sep14), mainly, due to:
 - Local bond issue of Ch\$100 thous. million in Jul and Aug15
 - Payment of a bank credit (Ch\$26 thous. million), in Dec14
- ✓ **Net Debt:** increases Ch\$40 thous. million in the same period, due to higher gross debt. This is offset by more cash balance.

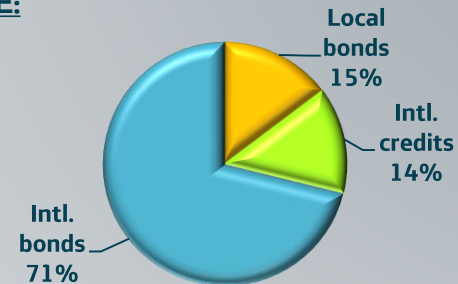
MATURITIES PROFILE:



FIXED

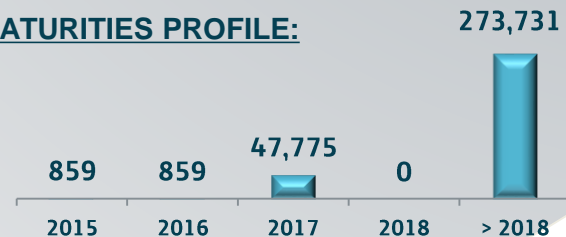
Gross Debt as of Sep15 → Ch\$323 thous. million
 Net Debt as of Sep15 → Ch\$223 thous. million

STRUCTURE:



- ✓ **Gross Debt:** decreases Ch\$48 thous. million (Sep15 vs. Sep14) mainly due to:
 - Prepayment of local and international bank credits amounting to Ch\$42 thous. million in Dec14
- ✓ **Net Debt:** decreases Ch\$61 thous. million due to lower gross debt and higher average cash balance as of Sep15

MATURITIES PROFILE:



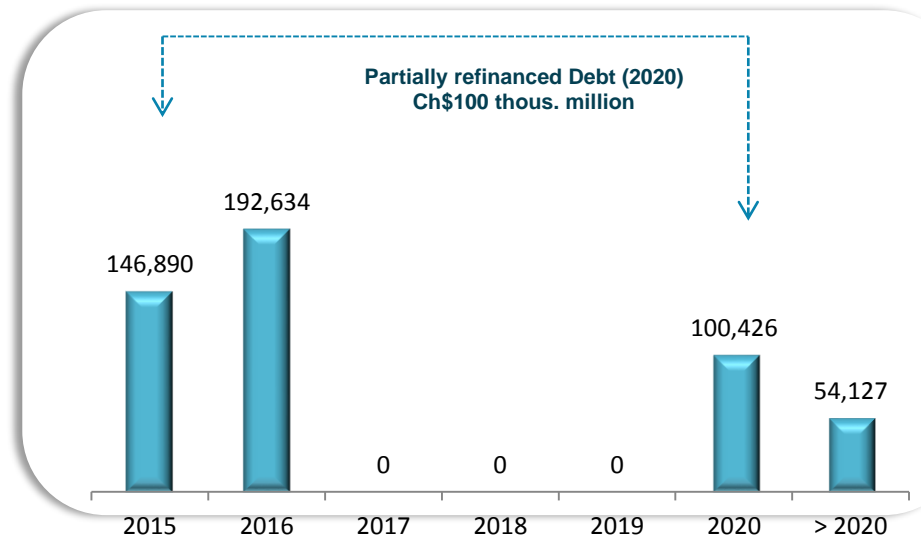
FINANCIAL OVERVIEW: T. Móviles Chile Bond issue Serie I – Aug. 2015

- In August 20, 2015, T. Móviles Chile successfully placed a bond issue in UF in the local market. This issue is aimed to refinance an international bond issued in 2010

Terms and conditions

Serie	I
Amount	UF 2,000,000
Maturity	August 14, 2020
Term	5 years
Amortization	Bullet
Coupon	1.95%
Placement rate	1.91%
Spread	96 bps
Local Rating	AA / AA+ (Fitch/ICR)

New maturities profile



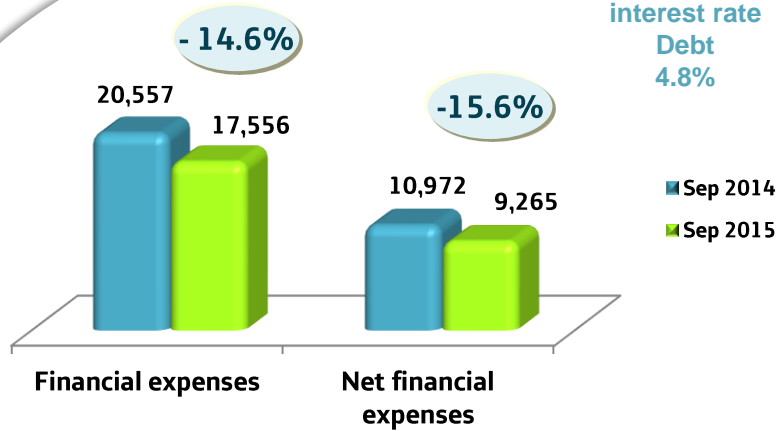
The transaction

- Reached the lowest placement rate in corporate bonds with deadline lower than 5 years

FINANCIAL OVERVIEW: Efficiency in interest rates control allow us to reduce financial expenses

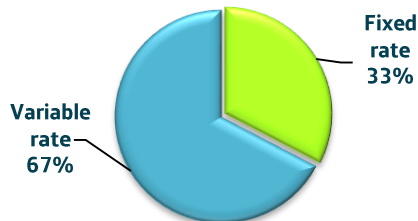
MOBILE

Financial Expenses Million Ch\$



- ✓ Gross and net financial expenses decrease due to lower average interest rate, high percentage of variable interest rate (67%) and partially offset by higher avg. debt. This effect is slightly offset by lower financial investment rates

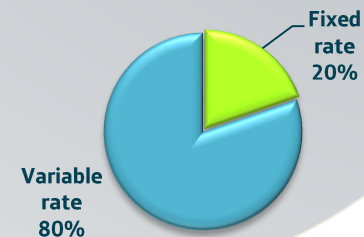
Currency and Interest rate hedging



100% FX hedging

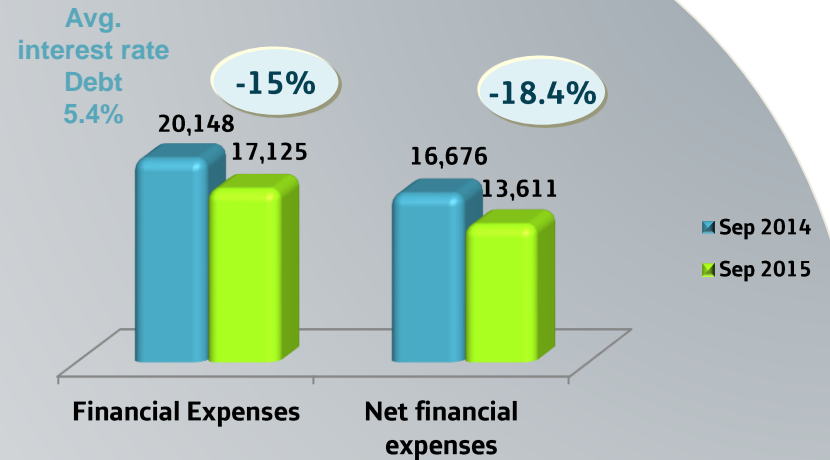
14% of CLP depreciation (avg. Jan-Sep15 vs. avg. Jan-Sep14) has not impacted payments of Debt and Interests

Currency and Interest rate hedging



FIXED

Financial Expenses Million Ch\$

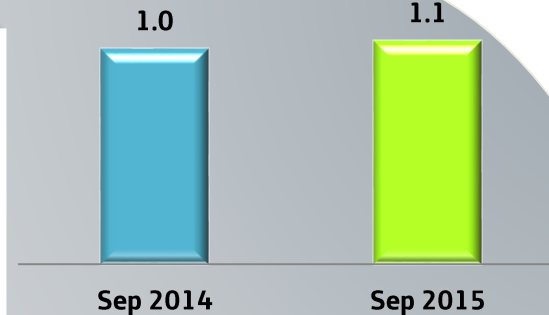
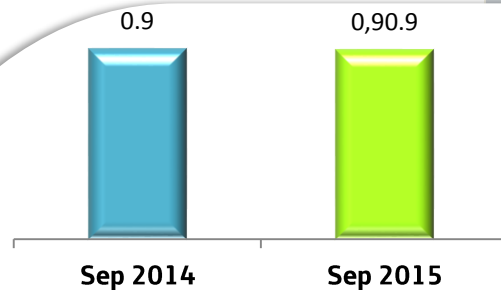


- ✓ Gross and net financial expenses decrease due to lower financial debt average balance regarding previous year and market interest rates reduction, considering our 80% debt at a variable rate

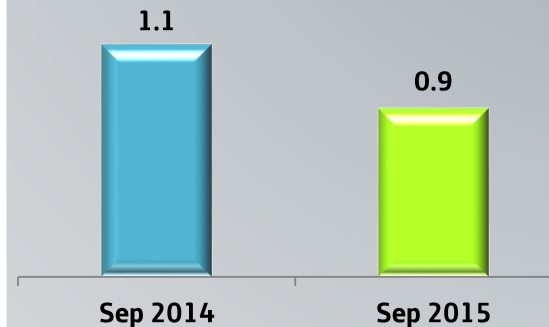
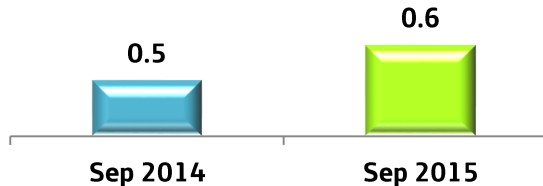
MOBILE

FIXED

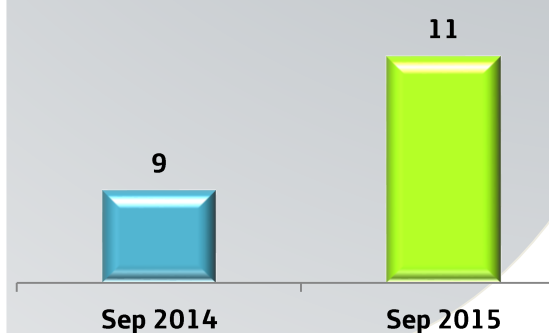
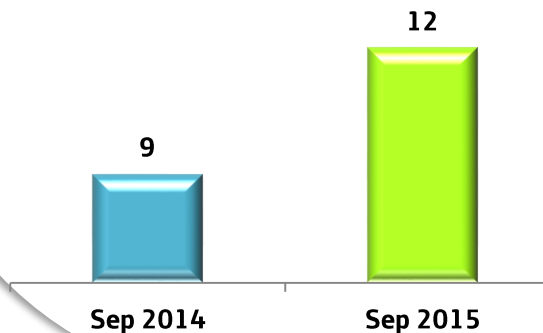
**Total liabilities
(less) hedging assets
/ Equity ⁽¹⁾**



**Net Debt /
EBITDA ⁽¹⁾**



**EBITDA / Financial
Expenses**



⁽¹⁾ Operating leases are not included

FINANCIAL OVERVIEW: Summary of Financial Results

Accumulated as of Sep. 15

Million Ch\$ IFRS	T. MÓVILES CHILE			T. CHILE	
	Jan-Sep. 15	% Var. '15/'14	Equiv.ITX tariffs* %Var. '15/'14	Jan-Sep 15	% Var. '15/'14
Total revenues	726,396	+1.2%	+3.3%	526,643	+5.2%
Operating expenses	-527,909	-2.9%		-346,825	+13.9%
EBITDA	198,487	+13.9%	+14.4%	179,818	-8.5%
EBITDA margin	27.3%	+3.0pp		34.1%	-5.1 pp
Depreciation and amortization	-75,842	+9.7%		-144,667	+7.5%
Operating income	122,644	+16.7%		35,151	-43.1%
Net interest income and others	-6,334	-24.6%		-13,499	-18.8%
Taxes	-26,405	+58.6%		-1,393	+83.2%
Net income before minority interest	89,905	+12.3%		20,259	-45.1%
Net income	89,905	+12.3%		17,390	-49.0%

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

MOBILE BUSINESS:

- ✓ **Postpaid accesses increase +3.0%** driven by 4G growth and the net gain in number portability
- ✓ Positive evolution in 4G → **588,379 customers**
- ✓ With equivalent tariffs, **revenues grow +3%**, mainly due to growth in **accesses and mobile Internet revenues**, which **increase +1%** and **+32%**, respectively
- ✓ **EBITDA margin** improves, reaching **27%**, despite the additional mobile ITX reduction (-16%) applied since Jan.15



FIXED BUSINESS:

- ✓ **TV revenues increase +28%** pushed by more accesses and higher ARPU
- ✓ FBB revenues grow **+10%** driven by “**High Speed**” **accesses, which increase 55%**
- ✓ **Revenues from Corporate data communications** grow **9.2%**, driven by data services, IP networks and digital services
- ✓ **EBITDA margin: 34%**



Telefon