



**ENTEL**

**Fourth Quarter 2011 Results**

Investor Presentation





# grAcias!

Por noveno año consecutivo, somos reconocidos con el **Primer lugar Premio a la Calidad de Servicio** en la categoría "Telecomunicaciones Móviles".

# Main Events

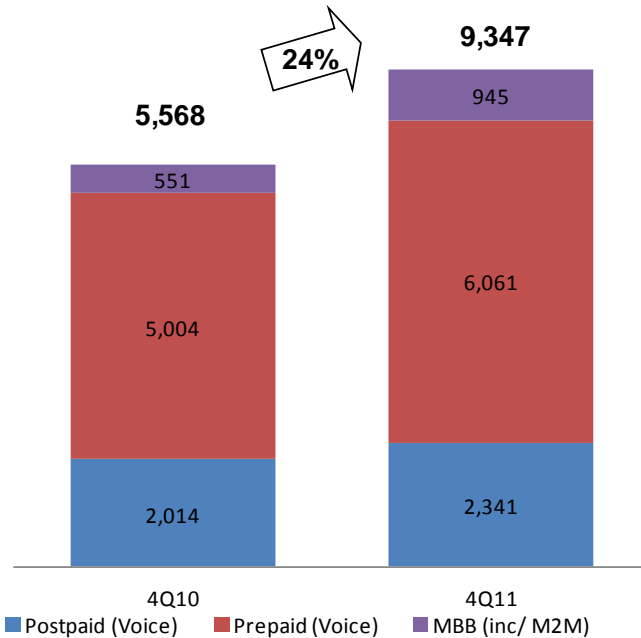
- ✓ In December 2011, the Company paid a interim dividend of Ch\$ 150 per share, based on net profits as of September 30, 2011, totaling Ch\$ 35.5 billion.
- ✓ Entel's merger with GTD will not take place due to the unilateral withdrawal of GTD's representative.
- ✓ Entel obtained a credit facility for US\$ 200 million from the Bank of Tokyo-Mitsubishi and Scotiabank. Resources were used to prepay the first installment of a syndicated loan in an equal amount due June 2012. The loan considers payment of interest quarterly or semiannually, and has a single repayment in December 2014 ,at an annual interest rate of Libor plus 0.95%.
- ✓ Entel received the “Best Customer Experience Award” for 2011 by the Asociación Iberoamericana de Relaciones Empresa-Cliente (AIAREC), within the mobile category, exceeding more than 32 prestigious telecommunications companies.
- ✓ In mid January 2012, the implementation of mobile number portability took place.
  - ✓ As of January 29, Entel's net additions reached 3,009.
- ✓ Antenna Law was approved by the Congress, expecting to be enacted during the first semester.

# Activity by Business Sector



# Mobile Telephony

## Entel's Mobile Subscribers (in thousands)



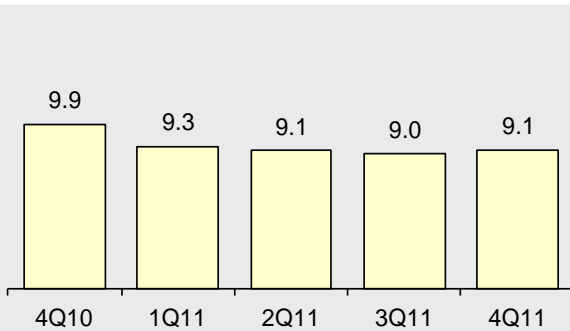
- ✓ In a mobile market undergoing strong growth and evolution the Company's, position continued to strengthen. Entel's market share reached 40%, above the 37% reported in 4Q10
- ✓ Postpaid (voice) grew 16%, penetrating into new segments, promoting high-end terminals and multimedia plans to foster data services demand.
- ✓ Prepaid (voice) rose 21%, driven by strong promotions (including VAS), and aggressive handset pricing. Market share increased.
- ✓ Mobile broadband expanded (+72%), mostly in the prepaid segment.

## Highlights

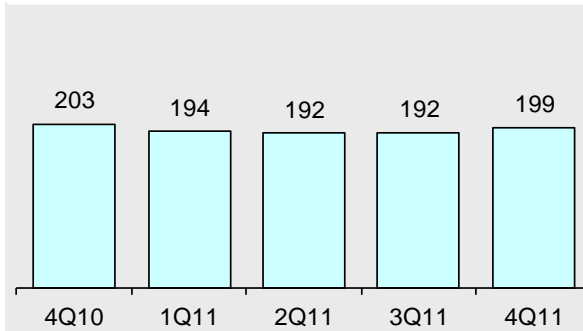
- ✓ During the quarter, the Company focused on year end promotions, fostering loyalty plans ( e) entel Visa), and increasing capillarity in the enterprise segment.
- ✓ The Company was top 1 in "Best Customer Experience" among 32 mobile companies in Iberoamerica.
- ✓ The Company renewed Vodafone's Partnership, key strategic alliance.

# Mobile Telephony

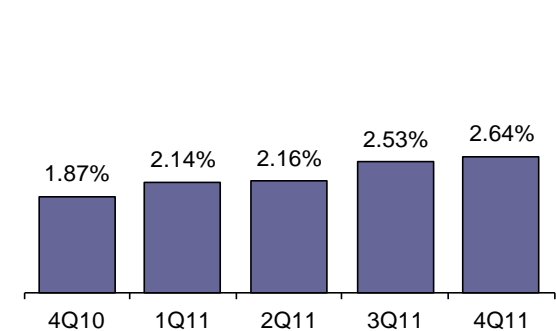
ARPU Average (thousands Ch\$)



MOU Average (minutes/month)



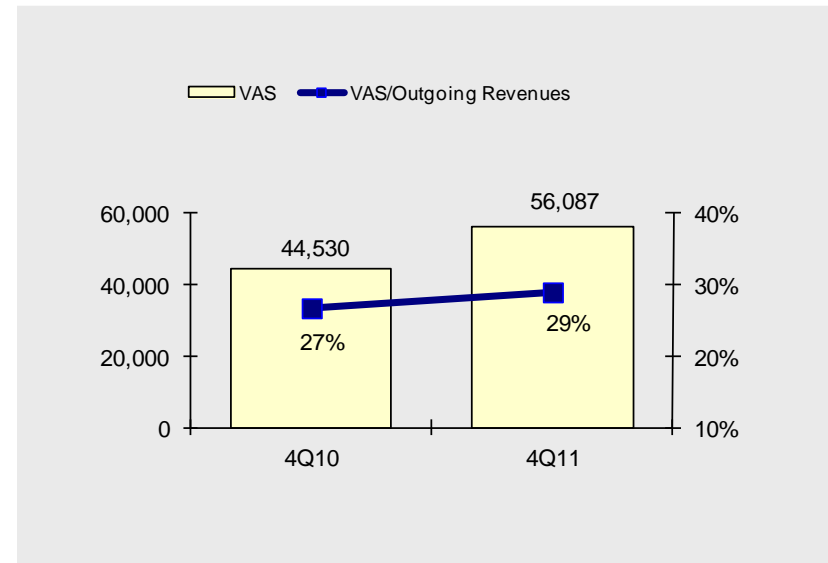
Average Monthly Churn



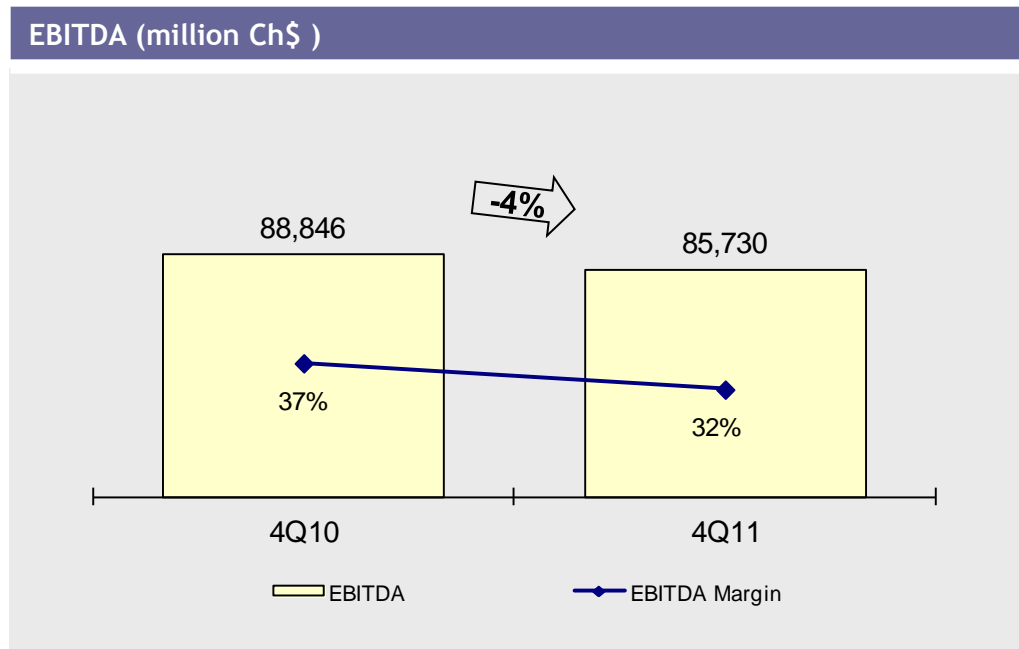
## 4Q11 vs 4Q10

- ✓ Blended ARPU declined (8%), mainly in voice services due to a decline in prepaid MOU and postpaid tariffs. Also, in 4Q10 were recorded higher complementary services. VAS grew its ARPU in 4Q11.
- ✓ MOU decreased 2% due to a decline in the prepaid segment, partially offset by the postpaid segment.
- ✓ Churn rate increased to 2.64% from 1.87% in 4Q10, mostly explained by voice prepaid segment, in-line with strong promotions and partially offset by a reduction in MBB.
- ✓ VAS revenue continued growing (+26%), principally by mobile broadband and innovative VAS services.

VAS Revenues (million Ch\$)



# Mobile Telephony



- ✓ EBITDA declined 4%, due to higher subsidies and sales in prepaid handsets, which lead to an increase in market share. This, impacted direct equipment sales margins. SG&A expenses increased related to sales acquisition cost, bad debt and advertising, aligned with customer base expansion. Partially offsetting, direct service margins expanded (+17%) fostered by solid customer base growth in all segments.
- ✓ EBITDA margin fell to 32%, lower than the 37% reported in 4Q10.

EBITDA: Operating income + Depreciation+ Amortization + Impairment

# Chile Wireline

## Corporate and SME Segment

Data Services, Local Telephony,  
Internet and Long Distance

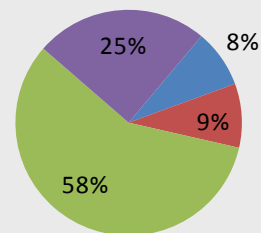
4Q11 vs 4Q10

- ✓ To meet growing IT- outsourcing demand, the Company started to build the second stage of its Data center in Ciudad de Los Valles, with additional 2000 m2 in space.
- ✓ Entel was awarded first place in the telecom sector for its innovation capacity, supported by a systematic and established corporate culture which results in a high value generation product offering, granted by Universidad de Los Andes (School of Business).
- ✓ Revenue increased 3%, driven by local telephony and Internet contracts in the SME segment. Data services (including IT) revenue slightly increased, supported by higher activity in the integrated solution business over MPLS network, offset by lower IT due to high projects start-up fees recognized in 4Q10. LD fell, explained by lower traffic and compensated in part by higher average tariffs in ILD.

(\*) Includes intercompany revenues.

### Corp & SME Revenue Distribution (4Q11) \*

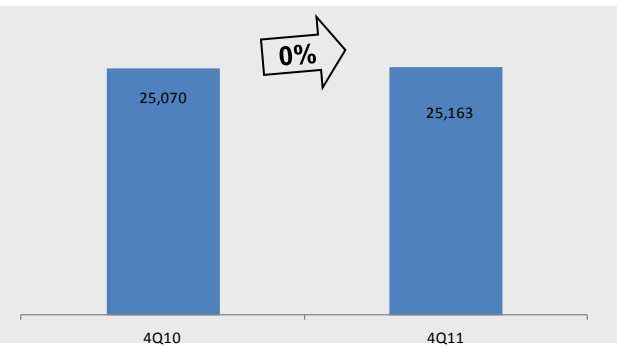
LD & VAS Internet Data/IT LT \*\*



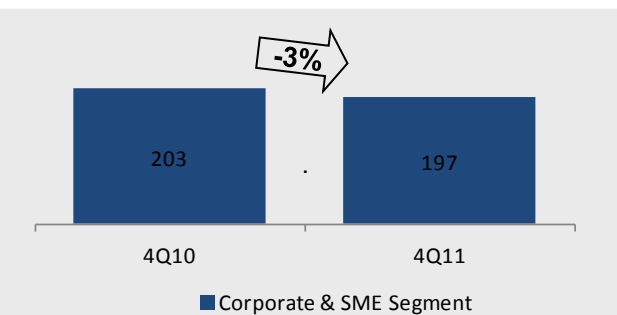
Total Revenues (Ch\$ mill.): 43,492; 3% vs 4Q10

\* Includes intercompany revenues \*\* Includes NGN

### Data Services Revenue (including IT) (Ch\$mill)

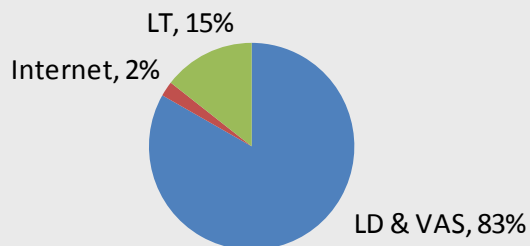


### Lines in Service (in thous.) of Local Tel.



# Residential Segment

Residential Revenue Distribution (4Q11) \*



**Total Revenue (Ch\$ million): 4,514; -22% vs 4Q10**

\* Includes intercompany revenues

LD Traffic (million of minutes)



- ✓ Revenues decreased driven by LD, in-line with lower traffic in DLD and tariffs. New regulation reducing long distance areas from 24 to 13 started in Oct 2011.. Local telephony and Internet revenue posted a decline due to customer base reduction.
- ✓ Entel's ILD average market share maintained stable at 38%; while DLD drop to 28%.

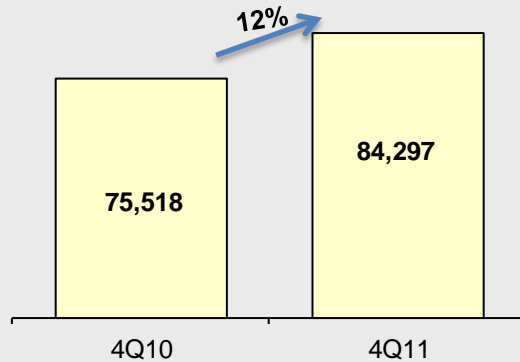
## Infrast. Serv. to Other Telecom Comp. and others

Ch\$ (millions)	4Q11	4Q10	% Var.	3Q11	12M11	12M10	% Var
Infraest. Serv. Telcos, Traffic B. and Others	36,162	28,915	25%	33,493	131,347	114,223	15%

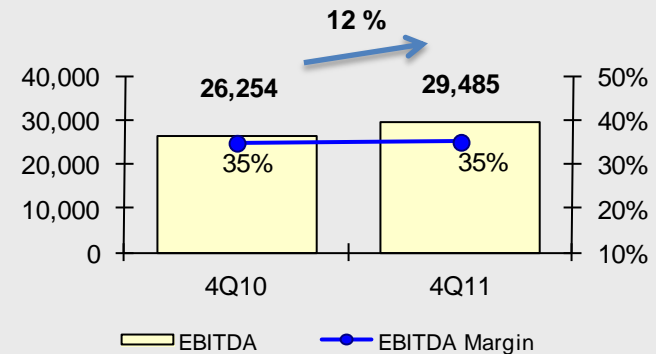
- ✓ Revenues posted an increase of 25% due to higher revenue in the low margin traffic business, as a result of higher traffic and tariffs. Also, infrastructure rentals to related parties, fixed operators and international carriers expanded.

# Chile Wireline

Revenues (Ch\$ million)



EBITDA (Ch\$ million)

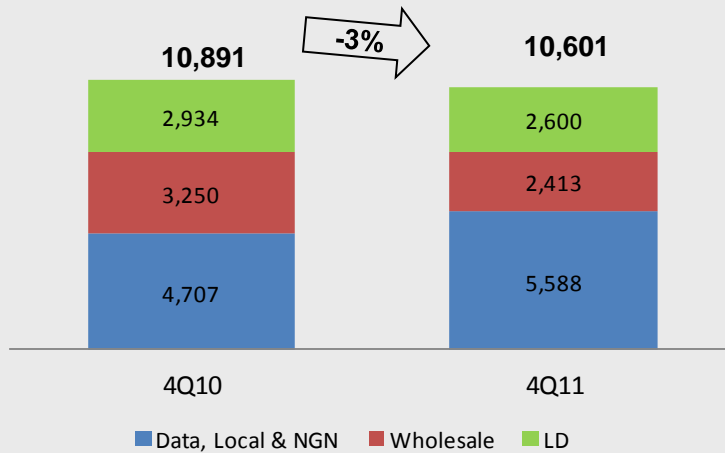


- ✓ Revenues increased, mainly driven by the traffic business and infrastructure rentals to related companies and other operators.
- ✓ EBITDA expanded 12%, fully explained by growth in the infrastructure rentals and traffic business.

# Americatel Peru

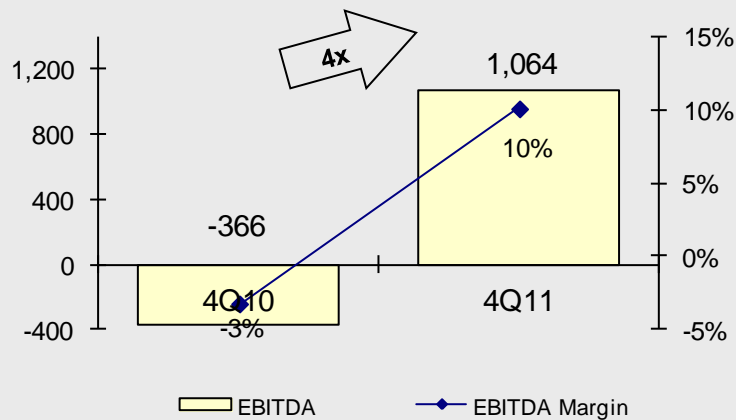
## Revenues (US\$ thousands)

Exchange rate: 2.69 SOL/ US\$



- ✓ Revenue declined, mostly explained by the wholesale business due to lower tariffs, partially offset by higher traffic. In addition, LD revenue posted a reduction, impacted by lower traffic in DLD and ILD. In contrast and partially offsetting, datacom revenues in the enterprise segment increased.
- ✓ EBITDA increased, supported by LD (including mobile multicarrier services) and datacom margin expansion, coupled with lower SG&A expenses.

## EBITDA Peru (US\$ thousands)



# Financial Results

## Fourth Quarter 2011

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- Consolidated Operating Results
- Non-Operating Results

- All figures are expressed in Chilean Pesos and are reported according to International Financial Reporting Standards (IFRS).
- The exchange rate at December 31, 2011 was Ch\$ 519.2 /US\$1.
- Average inflation from 4Q11 to 4Q10 was 3.8%.
- Average inflation from December 2011 to December 2010 was 3.3%

# Consolidated Quarterly Results

	4Q11	4Q10	Change %
Net Revenues (CH\$ Million)	338,009	301,029	12%
Cost of operations	295,668	248,097	19%
EBITDA	116,463	115,509	1%
EBITDA Margin	34%	38%	
Operating Income	42,342	52,931	-20%
Net Financing Expenses	(4,839)	(3,868)	-25%
Tax	(6,737)	(886)	-660%
Net Income	30,766	48,177	-36%

- ❑ **Revenues** expanded across all segments, principally tied to the mobile business, in-line with customer base growth (+24%) and faster acceptance of data services (+26% including VAS services and MBB). Chile wireline reported solid growth.
- ❑ **EBITDA** increased, principally supported by the improvements of Chile wireline, Americatel Peru and call center business, mostly offset by the mobile business which was negatively impacted by a decline in equipment sales margins and increased sales expenses.
- ❑ **EBIT** declined, mainly as a result of a tightening in mobile business, partially offset by an expansion in the Chile wireline.
- ❑ **Net financing** cost increased due to higher losses associated with mark-to-market accounting for hedging derivatives and price level restatements tied to higher inflation.
- ❑ **Net income** declined as a result of lower operating income and net financial results, in addition to higher applicable income taxes and the lack of one-time benefit recorded in 4Q10.

# Consolidated Revenues

	4Q11	4Q10	Change %	Var millions\$
<b>Net Revenues (CH\$ Million)</b>	<b>338,009</b>	<b>301,029</b>	<b>12%</b>	<b>36,981</b>
Mobile services	262,725	235,950	11%	26,775
Data services (includes IT)	25,163	25,070	0%	93
Local telephony (includes NGN-IP)	11,152	10,479	6%	673
Long Distance	7,134	8,074	-12%	(940)
Internet	4,121	4,267	-3%	(146)
Other telecommunication companies	5,575	4,355	28%	1,220
Traffic business	9,485	5,922	60%	3,563
Americatel Perú	5,119	4,807	6%	312
Call Center and other services	2,927	2,051	43%	876
Other Revenues - Non core	4,608	54	8371%	4,555

- ❑ Mobile services: posted an expansion fueled by service revenue (+16%) supported by customer base growth (+24%) joined to a decline in ARPU (-8%) in connection with lower voice services. Monthly voice service and access charge continued to improve tied to traffic expansion (+16%). In the same direction VAS grew (+26%), with strong growth in MBB and other innovative services. Partially offsetting, equipment sales drop impacted by higher subsidies in the prepaid segment.
- ❑ Traffic business: rose, supported by higher traffic and tariffs in-line with an (+11%) increase in the average exchange rate CH\$/US\$.
- ❑ Other telecommunication companies: grew based on network rentals to fixed line operators and international carriers.
- ❑ Call Center and other services: increased tied to higher commercial activity in Chile and Peru.
- ❑ Local telephony: increased in-line with the signing of new contracts in the corporate and SME segment.
- ❑ Americatel Peru: increased, based on 10% higher Ch\$/Peru\$ exchange rate. Measured in local currency revenues declined 3% mainly in wholesale and LD, partially offset by higher revenues in the datacom business oriented to the enterprise segment in Lima.
- ❑ Data services & IT: remained mainly flat, principally due to lower IT services in connection with the absence of one time revenue from start-up projects and equipment sales accounted during 4Q10. This was fully offset by higher data services revenues offered to the corporate and SME segment.
- ❑ Long distance: decreased especially in DLD due to lower traffic and average tariffs, while ILD reported a slight decline.
- ❑ Other Revenues (Non-core): increased related to insurance payments and accruals related to the February 2010 earthquake and the absence of losses accounted in 4Q10 tie to the sale of disposable inventory.

# Consolidated Costs and Expenses

	4Q11	4Q10	Change %	Var millions\$
<b>Cost of operations (CH\$ Million)</b>	<b>295,668</b>	<b>248,097</b>	<b>19%</b>	<b>47,570</b>
Access Charges & Payments to corresp.	47,701	45,688	4%	2,013
Salaries & expenses	32,638	33,020	-1%	(381)
Bad debt provision	9,189	6,216	48%	2,973
Outsourced, Supplies and Equipment Services	7,893	6,965	13%	926
Advertising, Sales commissions & Sales Expenses	66,227	47,215	40%	19,011
Depreciation & amortization and Impairment	74,122	62,578	18%	11,544
Others	57,898	46,415	25%	11,481

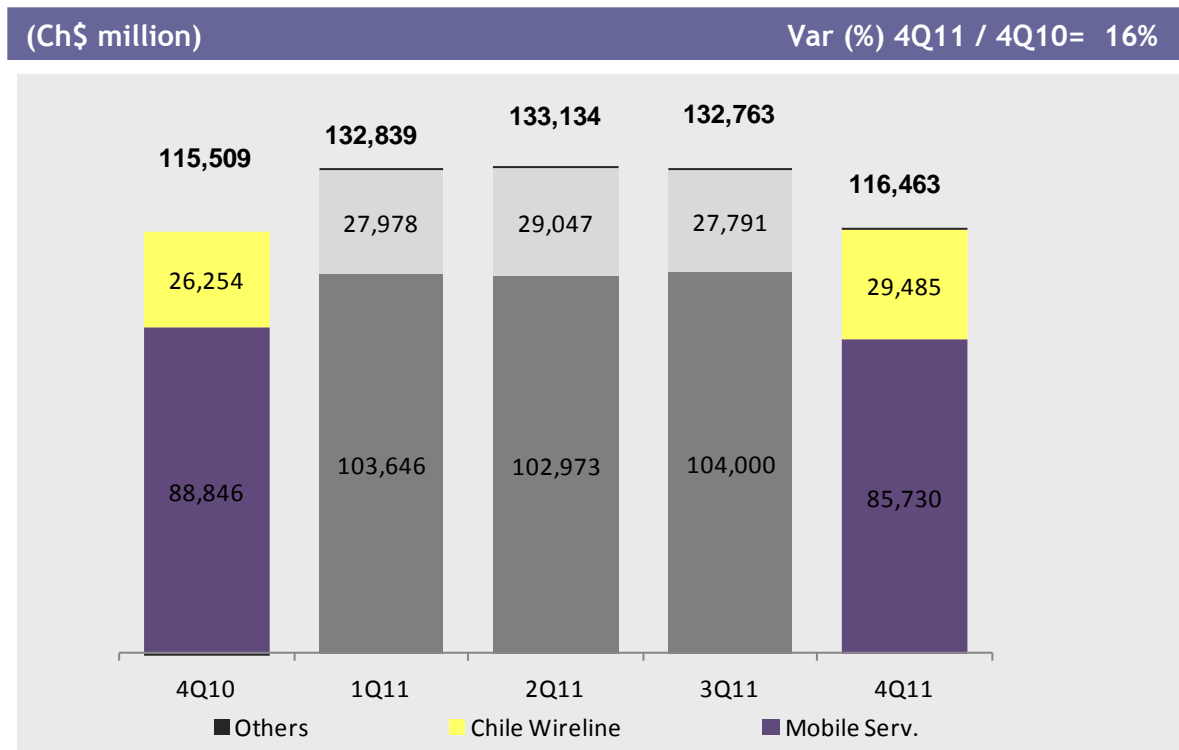
- Depreciation, amortization and impairment: increased for the most part related to mobile postpaid handsets, in-line with the solid customer expansion and to a lesser extent, depreciation in network expansion.
- Bad debt provisions: grew associated with mobile business expansion coupled with the penetration of middle and low segments. Chile wireline and Americatel posted a decline.
- Access charges & payments to correspondents: grew in-line with higher traffic in the low margin traffic business and in the mobile business, while Americatel Peru reported lower costs.
- Advertising cost, sales commissions and expenses: grew tied to higher equipment costs, in-line with the prepaid customer base growth. Sales commissions and advertising also increased due to intensive sales activity and the introduction of “Entel Visa” in the mobile business, while Chile wireline and Americatel posted a decline.
- Outsourced, supplies and equipment services: increased associated with increased activity in the mobile, Chile wireline and call center.
- Others: increased, mostly in the mobile business and Chile wireline attributable to maintenance, site rentals and consultancy expenses driven by business expansion and integration process. In addition, certain fines were accrued during the quarter.

# Consolidated Non-Operating Results

	4Q11	4Q10	Change %	Var millions\$
Financing cost and others (CH\$ Million)	(4,839)	(3,868)	-25%	(971)
Interest income	706	594	19%	112
Financial expenses	(2,943)	(2,602)	-13%	(341)
Exchange Fluctuation & Mark to Market Accruals	(2,602)	(1,860)	-40%	(742)

- Net financing cost and others: grew accordingly to higher losses in mark-to-market accounting for F/X hedging derivatives and price level restatements stand by higher inflation, which impacted net debt.

# Consolidated Cash Generation\*



- EBITDA increased, resulting from improvements in the Chile wireline and in a lesser extent by Americatel Peru and call center. Partially offset by the mobile business.
- EBITDA margin reached 34%, below the 38% when compared to the 4Q10.

(\* ) Operating Income + Depreciation + Amortization + Impairment.

# Simplified Free Cash Flow

(Ch\$ million)	YTD	YTD
	Dec-11	Dec-10
EBITDA	515,200	446,018
CAPEX	(246,100)	(200,376)
Postpaid Handset Purchases	(112,326)	(91,269)
Net Financial Expenses	(7,256)	(8,520)
<b>Cash Flow</b>	<b>149,517</b>	<b>145,853</b>

- ❑ Net cash flow rose 3%:
  - ❑ EBITDA expanded mostly in the mobile business (+19%). In addition, Chile wireline, Americatel and call center improved.
  - ❑ CAPEX increased principally in the mobile business due to 3G network expansion and the deployment of band 900 Mhz. Chile wireline expanded associated to data services/IT projects for the corporate and SME segment.
  - ❑ Postpaid handset purchases increased, lined up with the customer base expansion and smartphone penetration.
  - ❑ Net financial expenses declined as a result of higher interest income over outstanding cash balances.

# Consolidated Debt & Hedging

( Ch\$ millions)

Exchange rate: 519.2 Ch\$/ US\$

	YTD Dec-11	YTD Dec-10
Consolidated Average Gross Debt (Ch\$ MM)	301,931	330,752
Annual Effective Interest Rate	3.07%	2.68%
Final Gross Financial Debt (Ch\$ MM)	322,294	293,791
Final Net Debt (Ch\$ MM)	337,816	282,701

- Fully hedged to F/X exposure.
- 43% of debt is at fixed rates.

# Financial Ratio Trends

	Dec-11	Dec-10
Current assets/Current liabilities	0.93	1.01
EBITDA/Financial expenses	49.94	45.05
Gross Financial debt/EBITDA*	0.63	0.66
Total liabilities/(equity + min. interest)	1.02	1.06

\* EBITDA last 12 months.

- Debt ratios continue to reflect the Company's healthy financial position.

# Thank You



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