

TELEFONICA CHILE

BBVA Latin America Local Markets & Issuer Day Conference



Focus on Profitable Growth

May 3-4, 2012



Telefonica

Telefónica: one of the largest telecom operators in Chile

**Integrated local operator
(fixed + mobile)**

12.7 mill
accesses
(total market: 24.1 mill)

**No. 1 Industry
revenues contributor**

US\$3.3 bn

**Total annual
EBITDA (F+M)**

US\$1.3 bn



Part of Telefónica's Group with a strong
and global Brand position

A group of skydivers in various colored suits (black, blue, red, yellow) are in formation against a blue sky with light clouds. They are positioned around a central white rounded rectangle containing the Movistar logo.

The Movistar logo consists of a green, stylized 'M' shape followed by the word 'movistar' in a blue, lowercase, sans-serif font.

Part of Telefónica Group: one of the most important global telecom operator

Telefónica

A global leader with the right vision

307 mills
Accesses

US\$70 bn
Market Cap
7th World Telecom
Ranking

US\$81 bn
Revenues
US\$26 bn
EBITDA

Recognized
Brand
25 countries
(14 in Latam)



• ADVANTAGES of being part of TELEFONICA's Group:

Vision

Global
strategy

Economies
of scale

New
Technologies

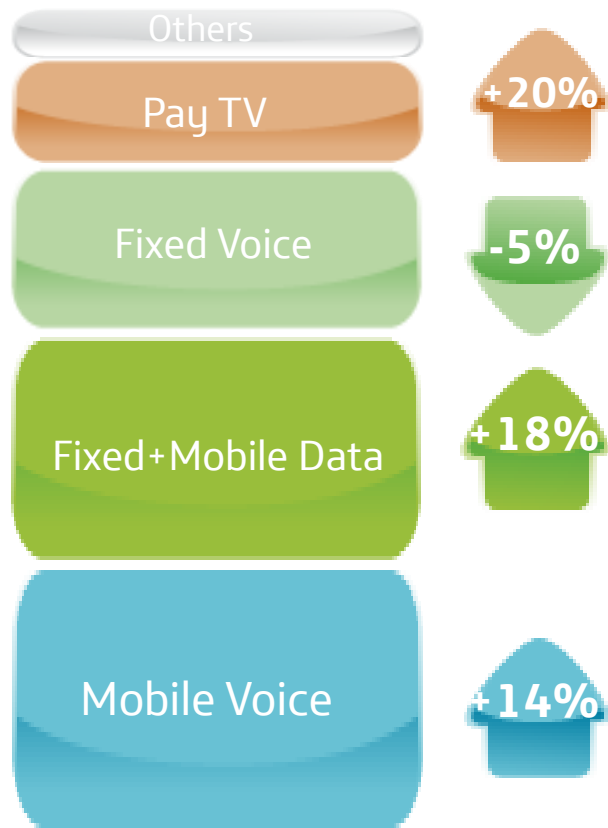
Synergies

Experience

 **movistar**

TELECOM in Chile: an industry that keeps growing

MARKET Revenues US\$8.1bn



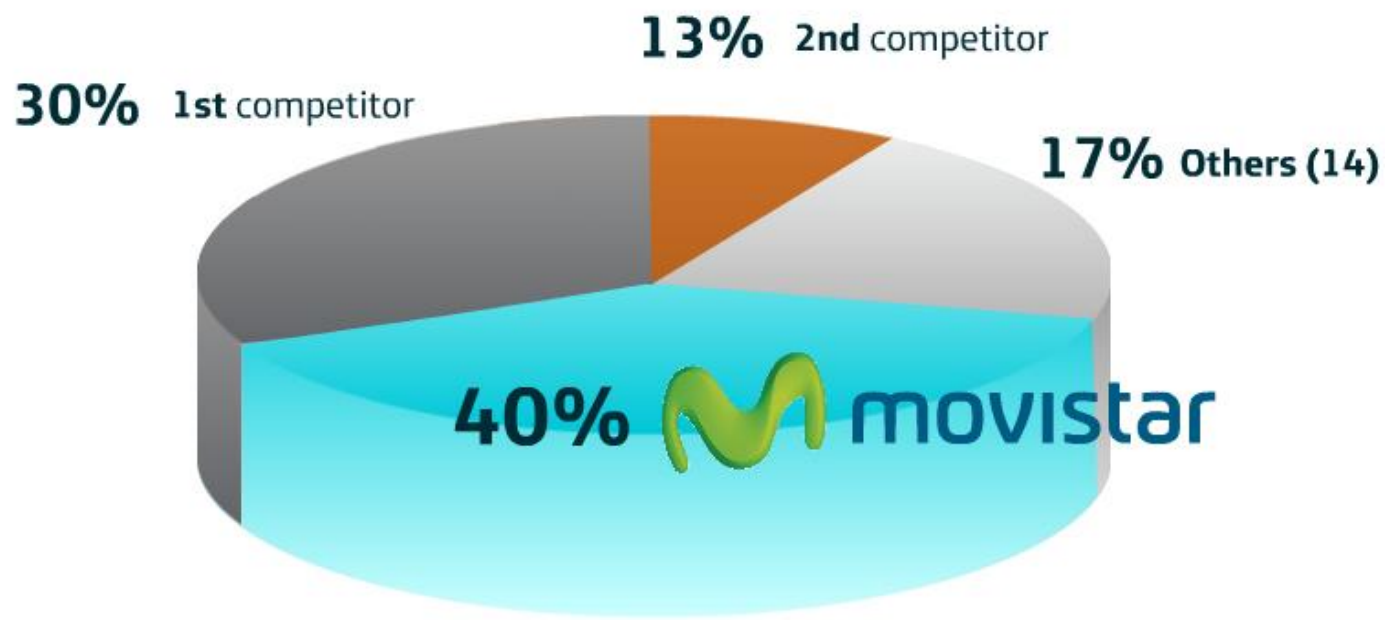
CAGR. '08-'11
+8%

Mobile: 58% ; Fixed: 42% of total revenues

2011

TELECOM in Chile: an industry that keeps growing

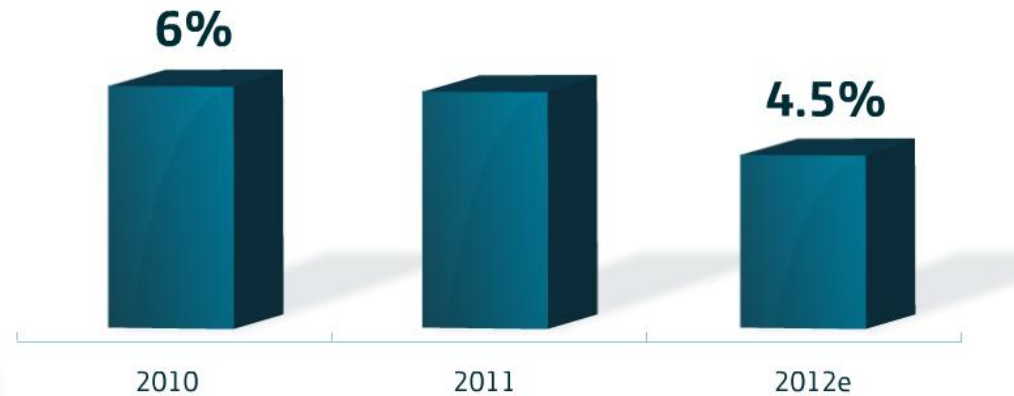
MARKET Revenues by operator



CHILE Positive macroeconomic environment

High growth remains despite of global slowdown

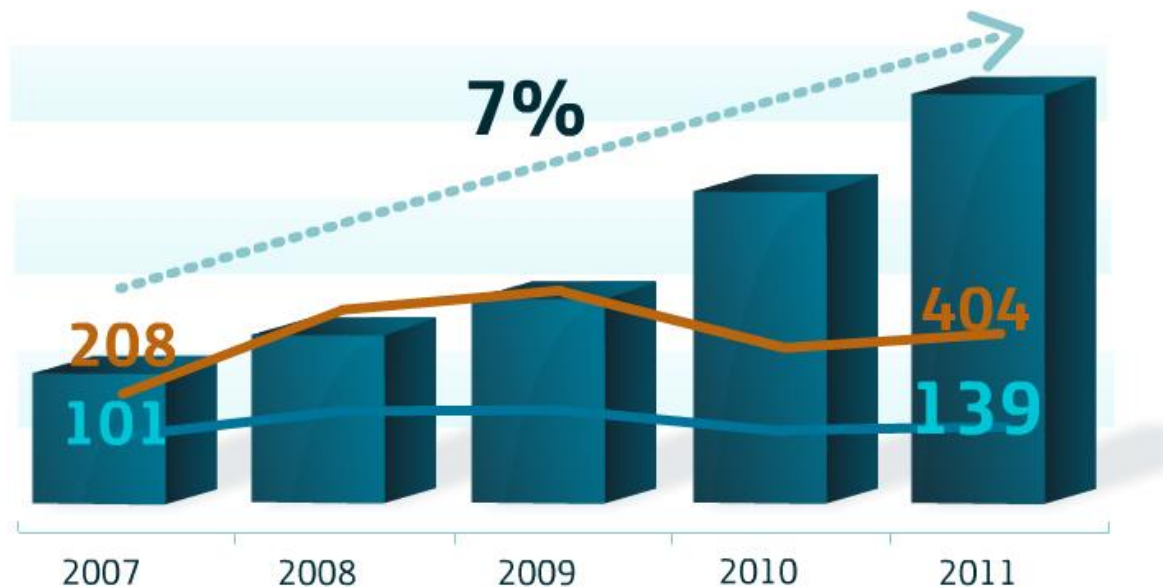
GDP



CHILE Positive macroeconomic environment

Sustainable Financial Stability

- Govt. Debt/**GDP**
- Latam **EMBI** Spread (bps)
- Chile **EMBI** Spread (bps)



Sources: Central Bank of Chile, Consensus Forecast, National Statistics Office, Govt. Budget Office

Company Strategy: a company focused on the client



bravo!+ program based on 4 pillars:



Offer the best customer experience

Client +



More innovation to capture future opportunities

Digital +



Capture benefits from our global scale

Global +



Quick, simple and focused

Agile +



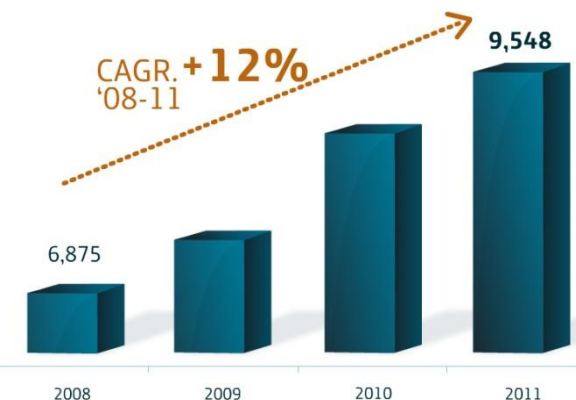
Telefónica Chile: an integrated company with strong growth in the last years

MOBILE

VOICE + BB

- **Strong growth from:**
Postpaid : +14%
Prepaid : +11%
Mobile Internet : +87%

Accesses



Total ACCESSES: 13 mill.
REVENUES US\$3.3bn

Accesses



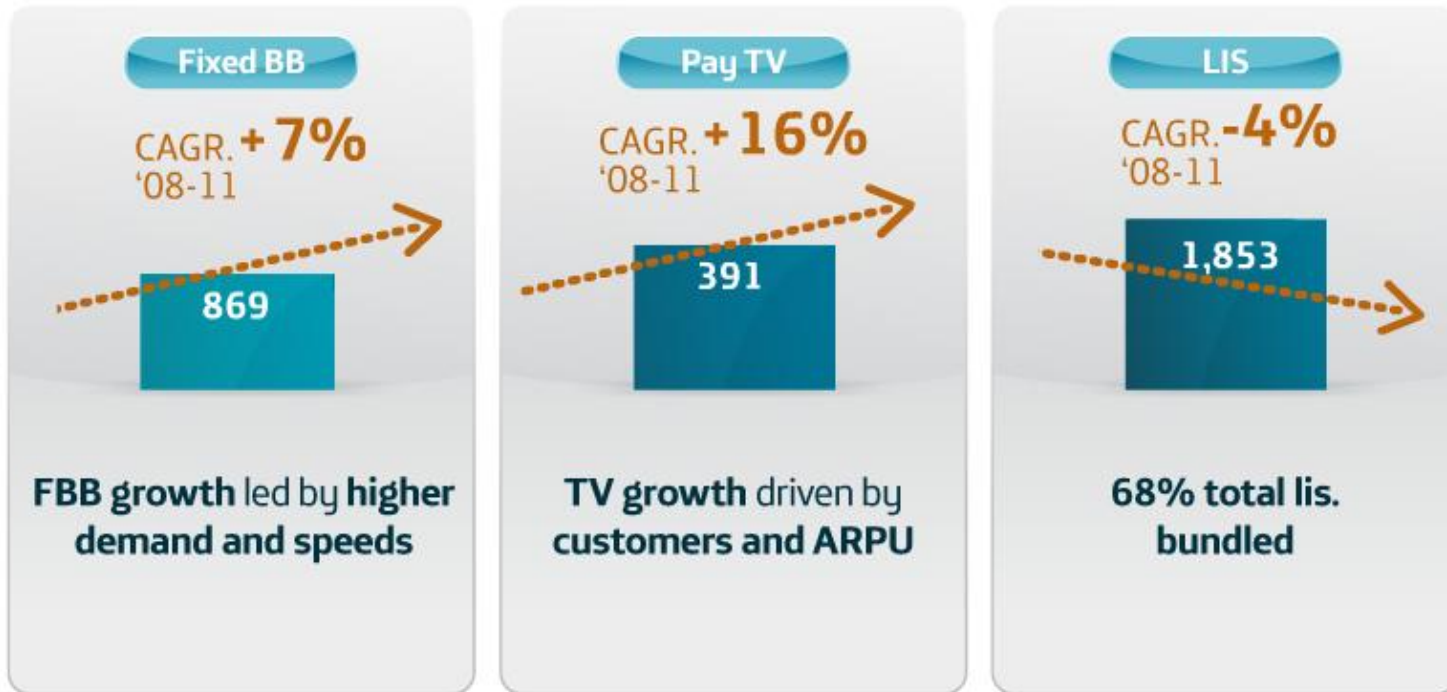
FIXED

VOICE+BB+PAY TV

- **Growth from:**
Fixed BB: + 7%
Pay TV: + 16%

FIXED business growth led by bundling and broadband

Accesses ('000)



Bundle offers have increased total accesses and revenues

Mobile business continue growing and maintain leadership

Customer
Life Cycle



Up-selling

migration from
prepaid to postpaid

Cross-selling

▲ ARPU

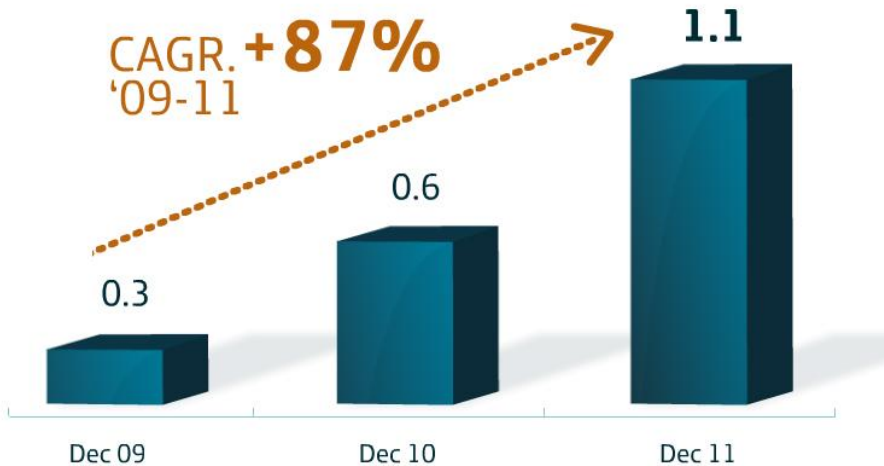
▼ Churn

▲ EBITDA margin

Mix Post/prepaid 30/70

Mobile BB drives strong growth in mobile business

Mobile Internet (MI) Accesses (millions)



Smartphones: + **3x** LTM

Internet applications &
social networks

Higher speeds

Up to 22 Mbps  80 Mbps with LTE

Low MI penetration (12%) allows for
high growth potential

Positive Results and Margins

MOBILE business



FIXED business

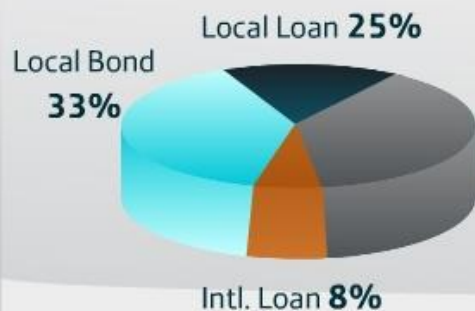


A diversified and hedged debt structure

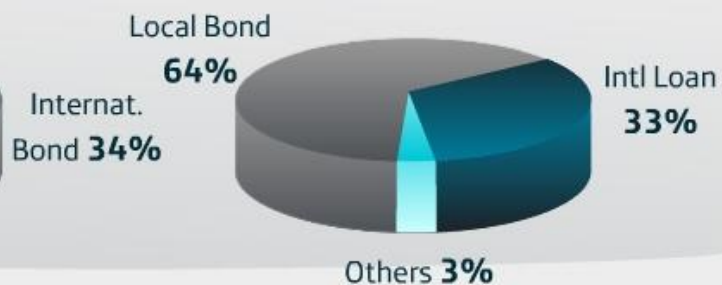
Diversified financing sources

Diversified financing sources from local and international markets

MOBILE Total Debt **US\$ 820 mill**



FIXED Total Debt **US\$ 573 mill**



() Total indebtedness includes foreign exchange and interest rate hedges*

Inaugural 144A bond offering :

US\$ 300 million

2.875%

Coupon 5-year,
the lowest USD coupon ever
achieved by an
Emerging Markets Issuer

A diversified and hedged debt structure

Currency and interest rate hedging over Debt, CapEx and OpEx

Currency and interest rate hedging over Debt, CapEx and OpEx

minimizing impact on results and cash flow



Figures in US\$. Exchange rate as of Dec. 2011: 519.20 CLP/1US\$)

A strong OCF generation allowing a strong repayment capacity

OCF+cash > maturities
(next 12m)

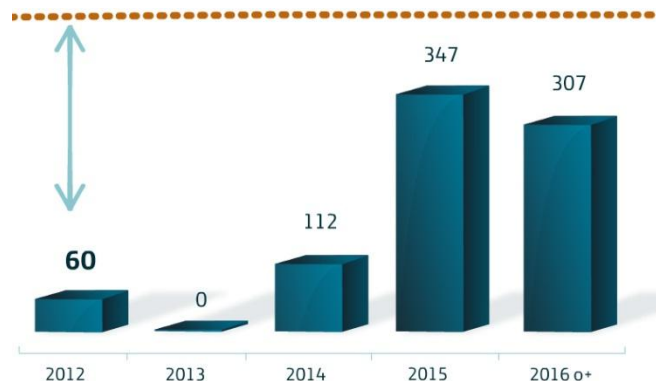
OCF US\$421 million (LTM Dec'11)

MOBILE
Million US\$



OCF US\$183 million (LTM Dec'11)

FIXED
Million US\$

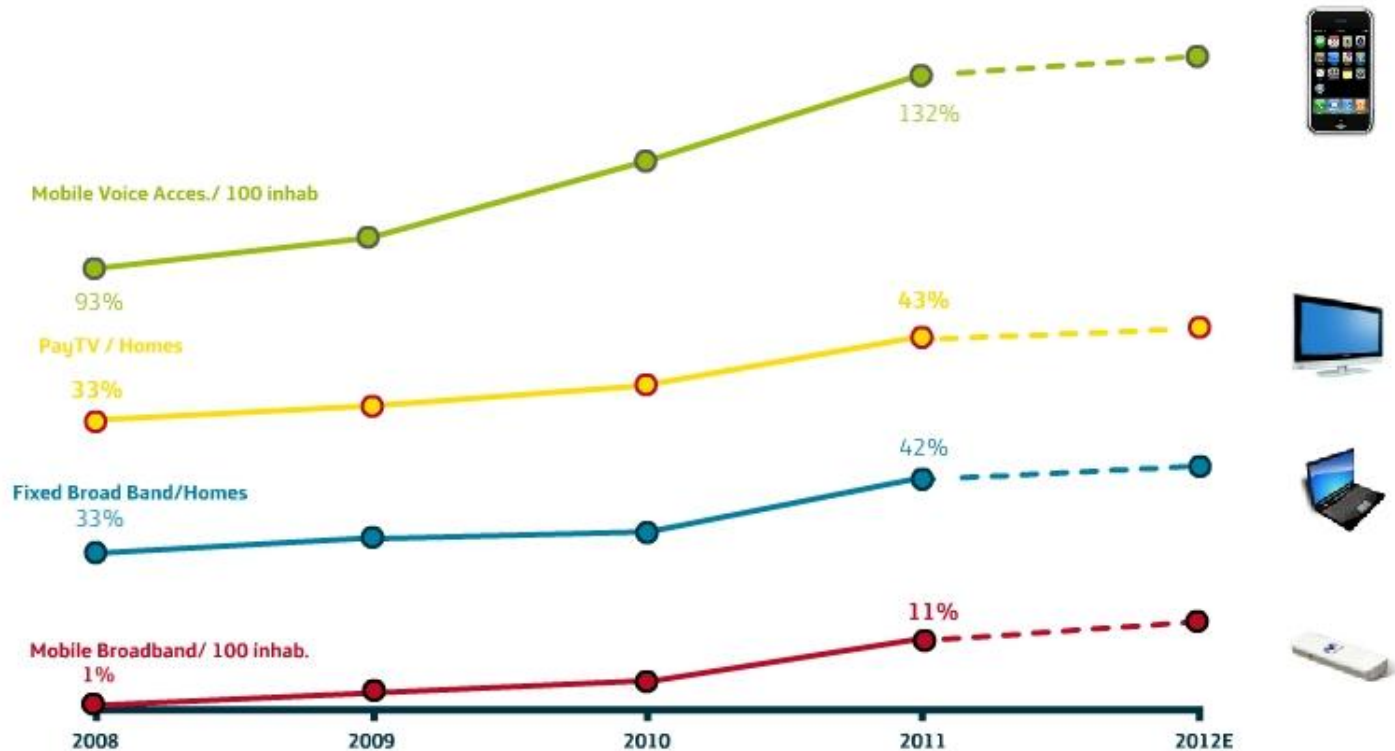


Healthy **Net Debt/ EBITDA**

MOBILE
0.47X

FIXED
1X


Growth potencial: services penetration is expected to keep growing in following years



Source: internal data


Future focuses for development

Quality

- Client segmentation
- Best customer service  CSI
- Best network infrastructure

Innovation

- 4G
- VDSL / F.O.
- Digital Services
(e-health, financial services, video, security)

Telefónica in Chile
total CAPEX ('09-13)  US\$3.5bn



Largest Telecom operator

High growth potencial

