

A photograph of a rowing team in a boat on water. The rowers are wearing blue and black uniforms. The water is dark blue, and the sky is not visible. The text is overlaid on the left side of the image.

TELEFONICA IN CHILE

Financial Results

accumulated as of September 2013

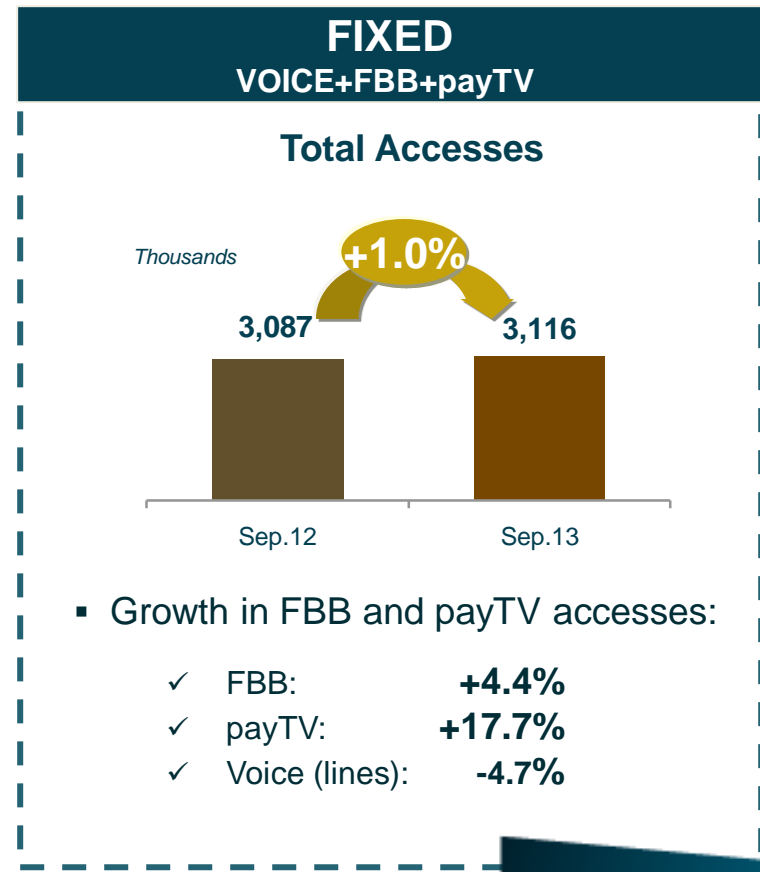
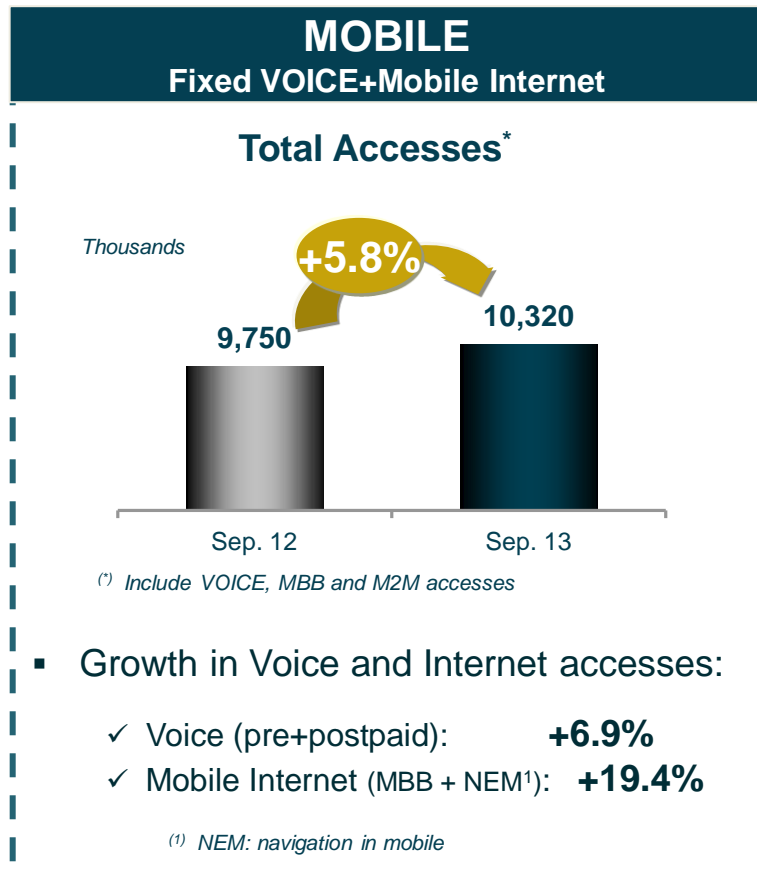
Telefónica Chile S.A. &
Telefónica Móviles Chile S.A.

Santiago de Chile, November 11, 2013



BUSINESS OVERVIEW

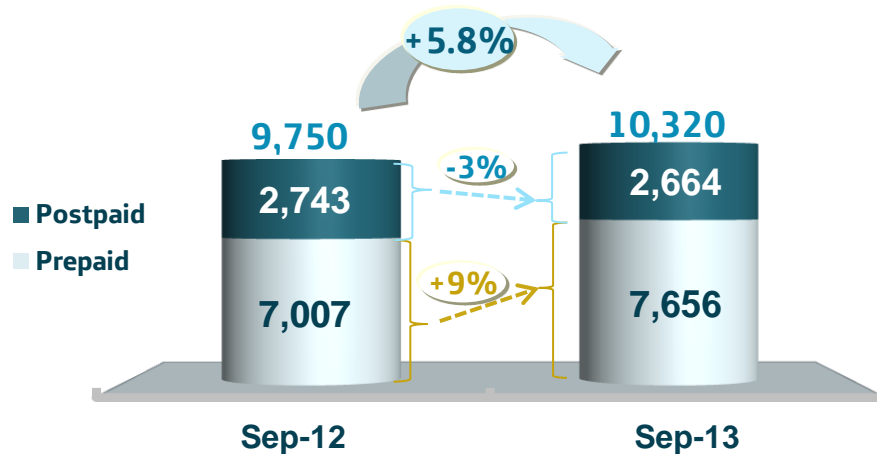
Total Accesses (Fixed+Mobile) grow 5%



Mobile Accesses keep growing pushed by strong commercial activity

Postpaid and Prepaid accesses

Thousands



Planes Movistar
Da el salto de Prepago a Plan.
Desde **\$4.990**

Recibe hasta \$3.000 adicionales.

Accede a beneficios que no te puedes perder:

- Paga siempre lo mismo
- Tarifa diferenciada por destino
- Planes con navegación incluida

Quiero saber más

Total accesses continue growing in a very competitive environment

- ✓ **Prepaid** accesses : **+9.3%** (+13.3% as of jun-13). Growth based on new commercial offers and new adds from portability (customers coming with their own equipments)
- ✓ **Postpaid** accesses : **-2.9%** (-5.9% as of jun13), drop contained by commercial offer and more adds with multimedia plans
- ✓ **Mix** post/prepaid: **26/74**

Postpaid Voice and MBB churn decreased **-0.45 pp** and **-1.03 pp**, respectively

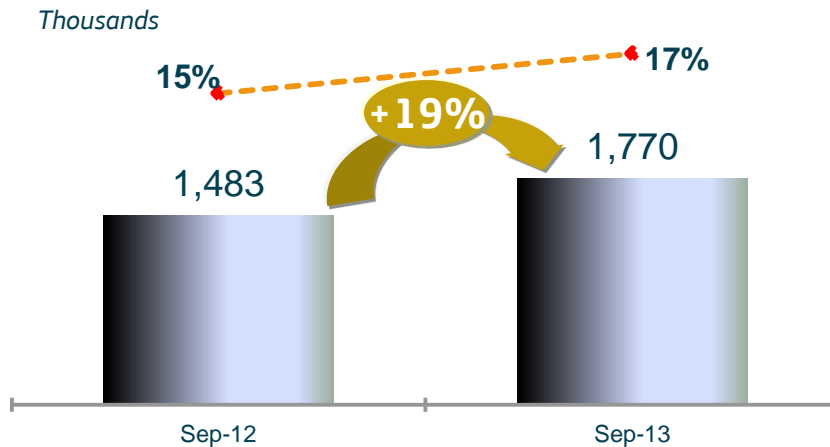
Total revenues increase **+4.9%**, mainly due to:

- ✓ **Mobile Internet revenues** (13% over total) increase **+24.6%**
- ✓ **Revenues from Equipment sales** grow **+47.1%**

Market share: **38%**, maintaining leadership

Mobile Internet drives growth in Mobile business

Mobile Internet accesses ⁽¹⁾ and % over total mobile accesses



(1) Mobile Internet = MBB+NEM*+M2M

*NEM: "Navigation in mobile". "NEM PPU" (NEM with pay per use) is not included

- **Growth in Mobile Internet accesses: +19%**, pushed by new offer that includes a multimedia plan in all new mobile Voice plans, since 1Q13 and growing smartphones customers base (17% of total customers as of Sep.13)
- **Mobile Internet revenues increase by +24.6%** due to growth in NEM revenues: +57.8% (due to more accesses and higher ARPU), and **offset by a decrease in MBB revenues: -33%**, aligned with Company commercial strategy

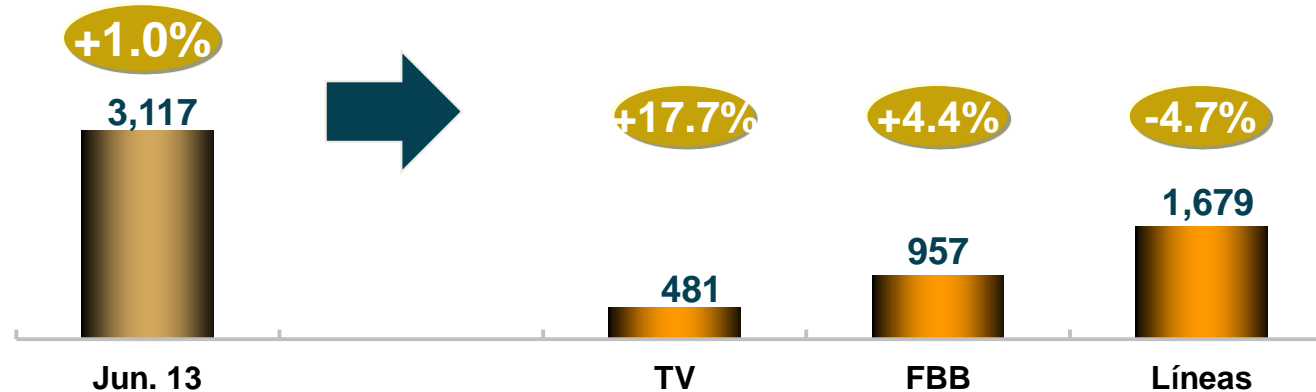
Bolsas de Navegación
Contrátalas a través de la
Sucursal Virtual y aprovecha
precios exclusivos web.

Bolsa Navegación 1 GB
\$5.990

Quiero saber más

High speed BB accesses and payTV support Fixed accesses growth

Total Accesses (Thousands) / % y-o-y variation



FBB growth pushed by high speed accesses

- **FBB accesses: +4.4%:**
 - ✓ VDSL : 71,416 (+29%)
 - ✓ Optic fiber: 25,165 (+174%)
 - ✓ ADSL : 860,098 (+1%)
- } High speed since 4 to 150Mbps
- **FBB revenues grow +8.1%** (standing for 21.5% of total revenues), explained by:
 - Higher ARPU due to accesses growth and high speed plans:
 - ✓ High speed accesses represent 10.1% over total accesses

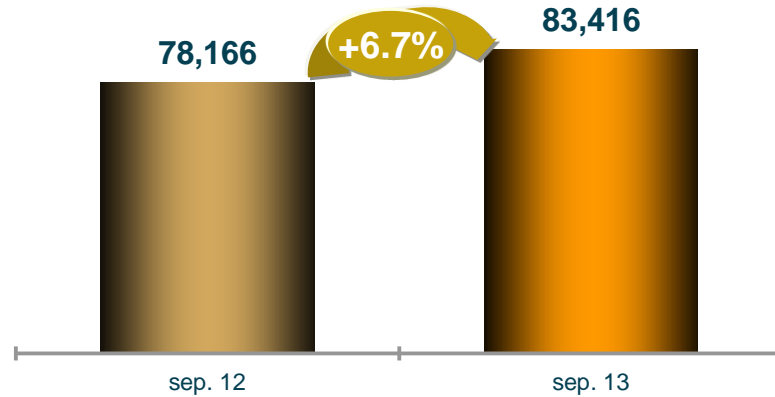
PayTV growth in accesses and ARPU

- **Pay TV accesses: +17.7%**, pushed by:
 - ✓ Increase in DTH customer base: **+16.1%**
 - ✓ Increase in IPTV customer base: **+7,226** (vs. 373 in Sep.12)
 - ✓ Increase in “Tríos”: **+22%** and “Dúos” (FBB+payTV): **+7%**
- **Pay TV revenues: +2.1%**, (15.6% of total revenues), affected by a change in the accounting registration of decoders sales, which are registered in 36 fees since Jan. 13 (100% at sale, previously). In comparable bases, pay TV revenues would have increase by **+19.7%**

Corporate Communications maintain growth trend

Corporate Communications revenues

Ch\$ Mills



Main projects in 3Q13



Growth in Corporate Communications

- **Corporate communications revenues** rise **+6.7%** and stand for 16.5% over total consolidated revenues
- **Growth** mainly driven by:
 - ✓ Increase in services related to virtual private networks, TV for corporates and projects “*Llave en mano*”
 - ✓ Strong growth in Digital services y-o-y (+35.0%), pushed mainly by digital lines of business: cloud computing and security services, with accumulated increases of 25.3% and 183%, respectively

FINANCIAL OVERVIEW

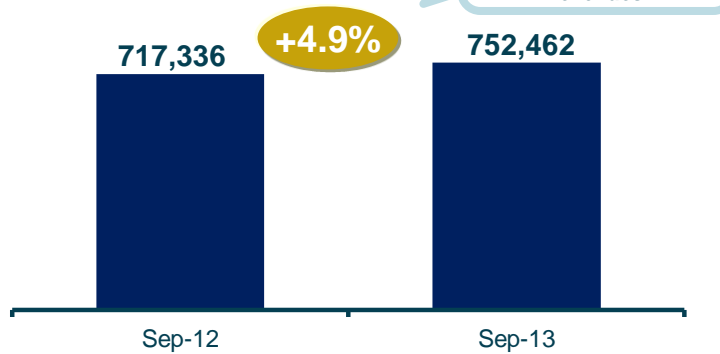
Revenues and EBITDA evolution

● % y-o-y variation
 ○ Proforma EBITDA variation

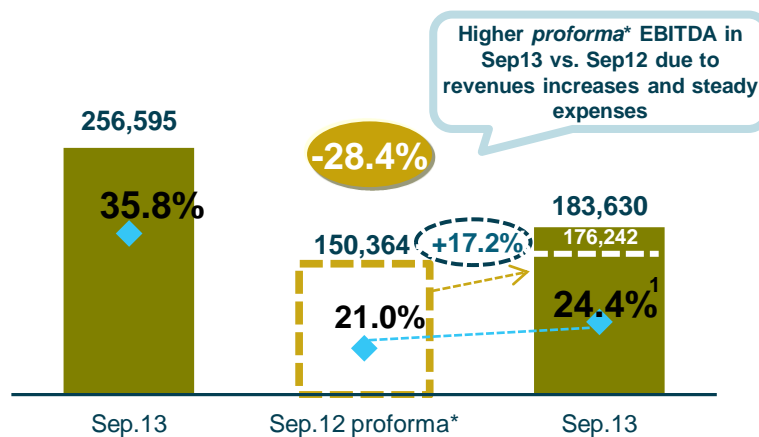
MOBILE

Total revenues

(Ch\$ Million)



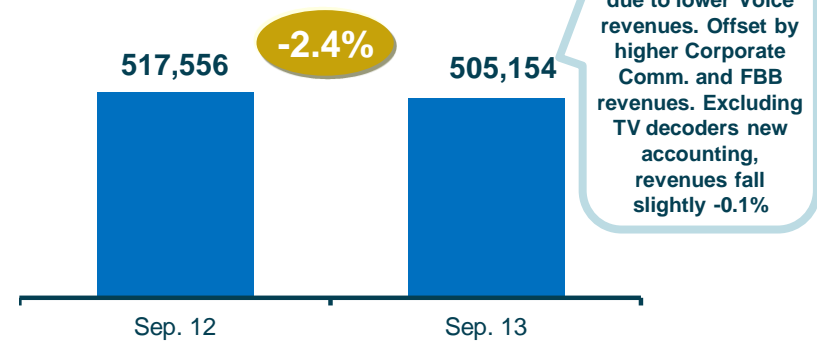
EBITDA (Ch\$ Million) and EBITDA margin (%)



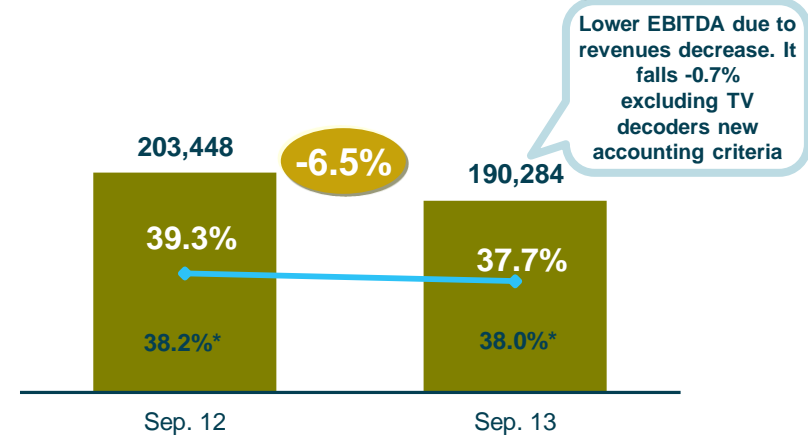
FIXED

Total revenues

(Ch\$ Million)



EBITDA (Ch\$ Million) and EBITDA margin (%)





* excluding TV revenues due to change in the accounting of additional TV decoders

(*) *proforma* figures: same criteria in 2012 and 2013 related to the impact of a contractual change in the accounting registration of postpaid equipments

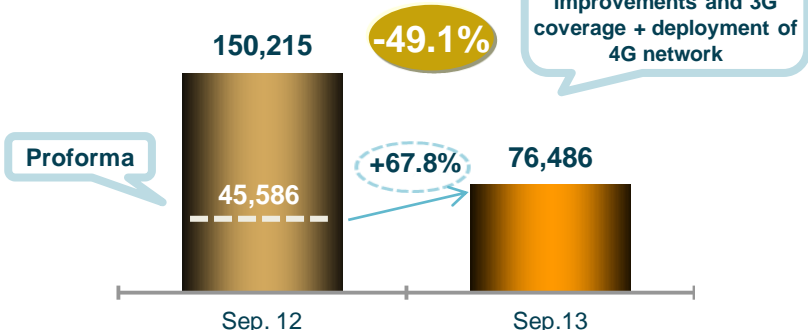
¹ *proforma* EBITDA margin as of Sep.13: 23.7%

CAPEX and OpCF

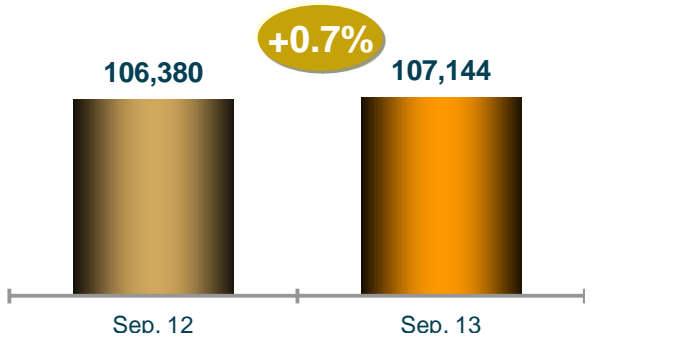
 % y-o-y variation
 Proforma EBITDA variation

MOBILE

CAPEX (Ch\$ Million)

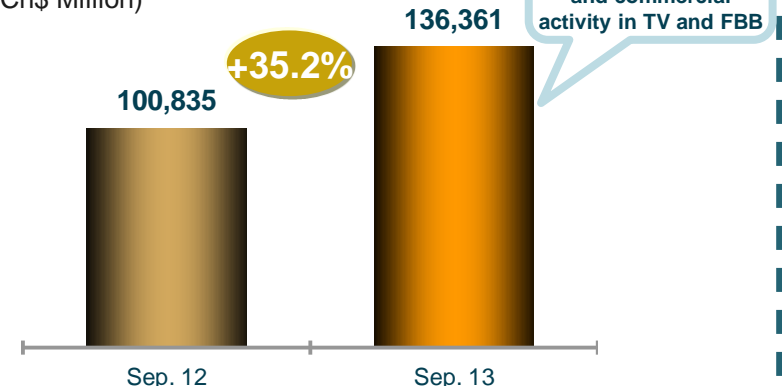


OpCF [EBITDA-CAPEX] (Ch\$ Million)

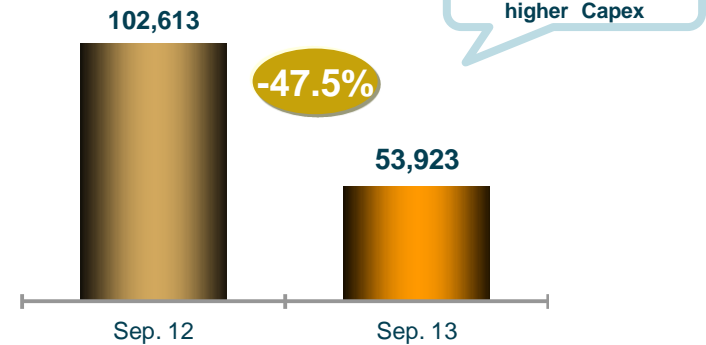


FIXED

CAPEX (Ch\$ Million)



OpCF [EBITDA-CAPEX] (Ch\$ Million)



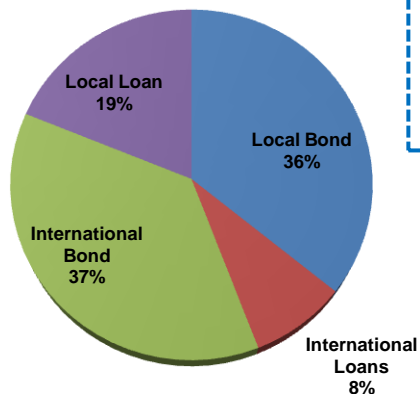
(*) Proforma: same criteria in 2012 and 2013 related to impact of contractual change for accounting registration of postpaid equipments

Diversified Debt structure

MOBILE

Gross Debt as of Sep. 2013 → Ch\$ 403 bn
 Net Debt as of Sep. 2013 → Ch\$ 174 bn

Structure:

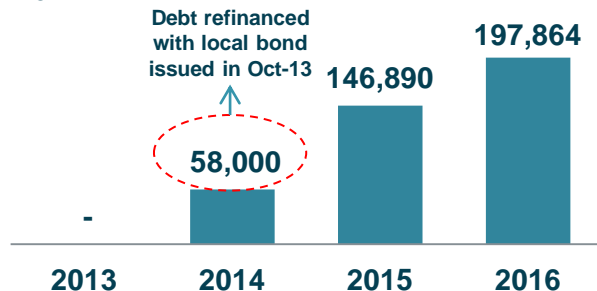


Ratings:
 AA, stable (Fitch)
 AA+, stable (ICR)
 BBB+, stable (Fitch)
 BBB, negative (S&P)

- ✓ **Gross Debt:** maintains stable vs. previous year
- ✓ **Net Debt:** increase mainly due to lower cash balance vs. Y2012

Debt Maturities profile

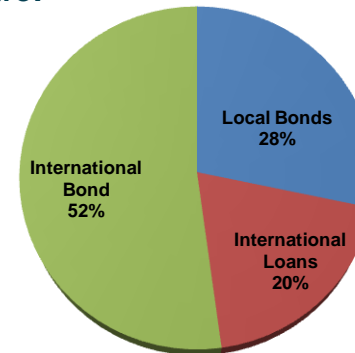
Ch\$ Million



FIXED

Gross Debt as of Sep. 2013 → Ch\$ 467 bn
 Net Debt as of Sep. 2013 → Ch\$ 309 bn

Structure:

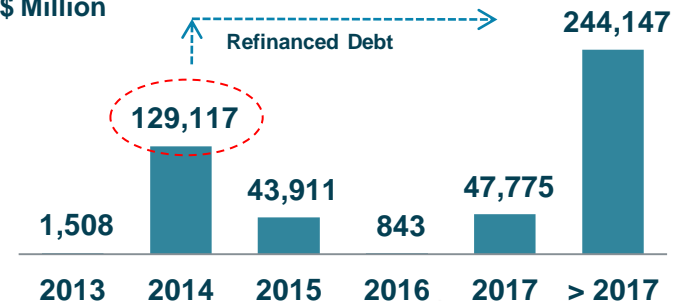


Ratings:
 AA, stable (Fitch)
 AA, stable (ICR)
 BBB+, stable (Fitch)
 BBB, negative (S&P)

- ✓ **Gross Debt:** increases by Ch\$111 bn due to an international bond issue (Oct.12) and partially offset by the payment of a local bond (Oct.12) and the maturity of an international credit (May13)

Debt Maturities profile

Ch\$ Million

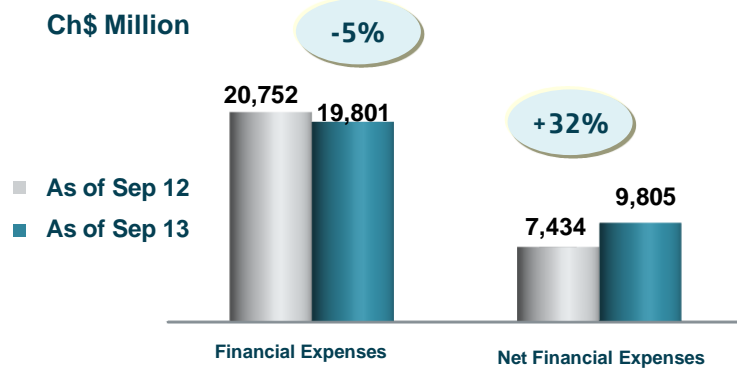


Hedging and investment strategies offset higher financial expenses

MOBILE

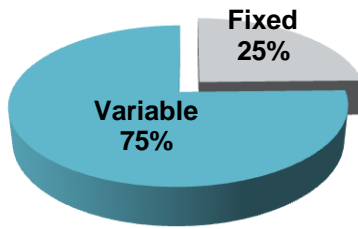
Financial Expenses

Ch\$ Million



- ✓ Financial expenses decrease due to lower average interest rate related to hedging strategies
- ✓ Net financial expenses increase due to lower financial investments balances vs year 2012

Interest rate hedge

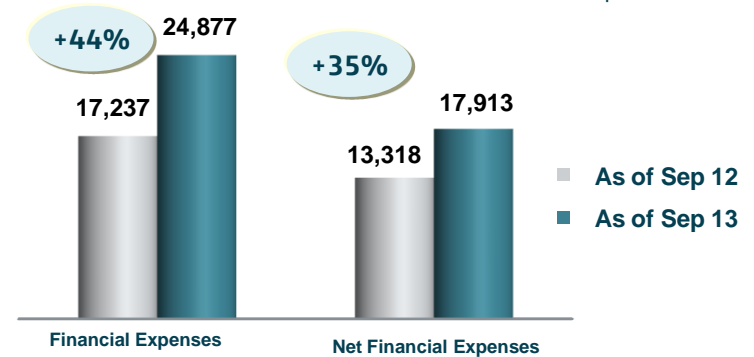


100% Hedge against currency fluctuations

FIXED

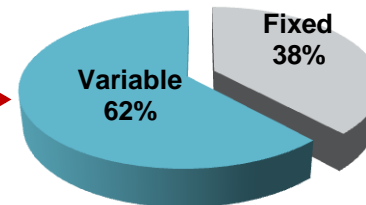
Financial Expenses

Ch\$ Million

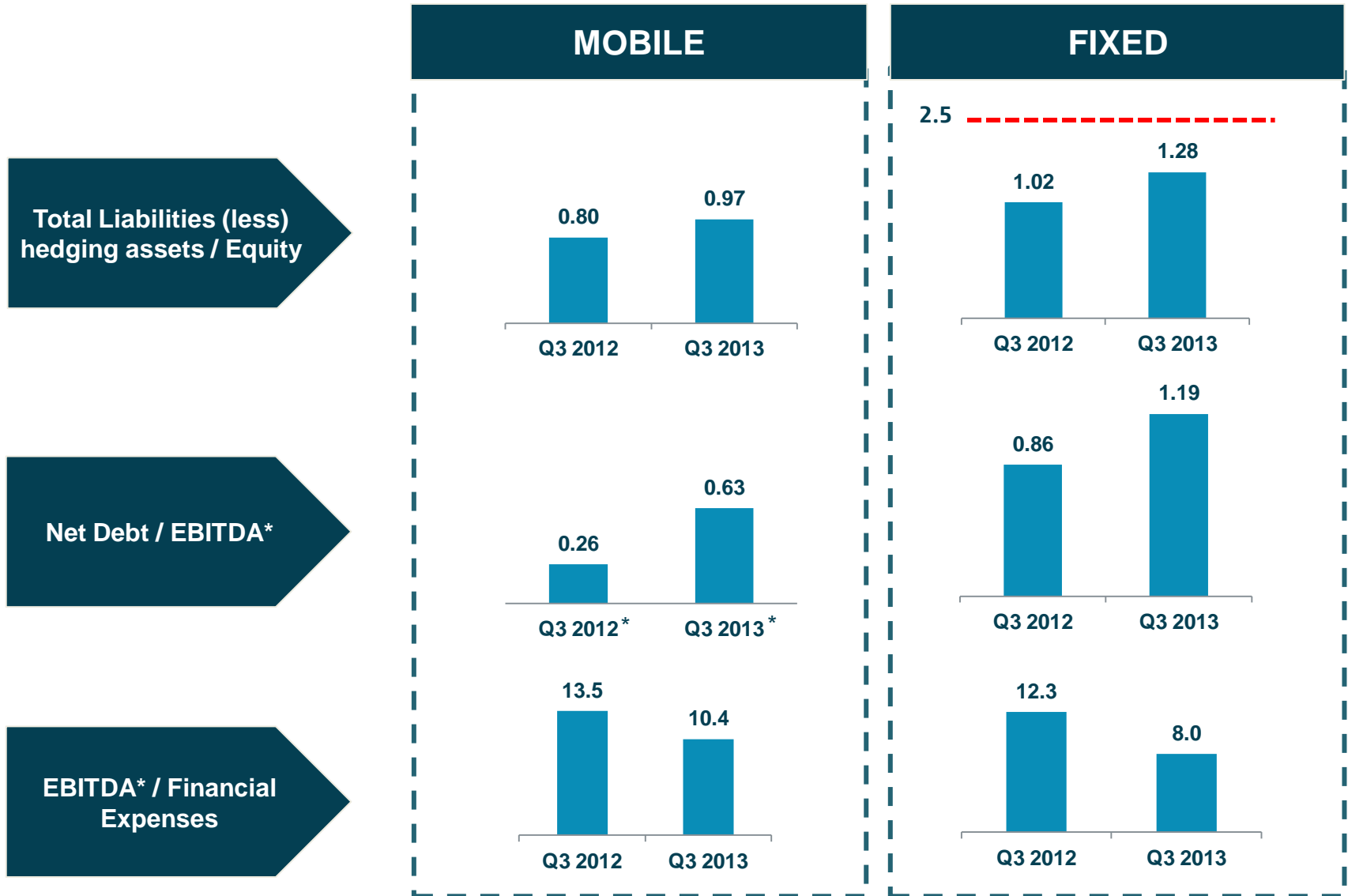


- ✓ Financial expenditures increase due to higher financial debt related to interantional bond issue in Oct. 2012
- ✓ Net financial expenditures increase due to higher debt, partially offset by higher financial incomes related to hedging and investment strategies

Interest rate hedge



Financial ratios remain sound



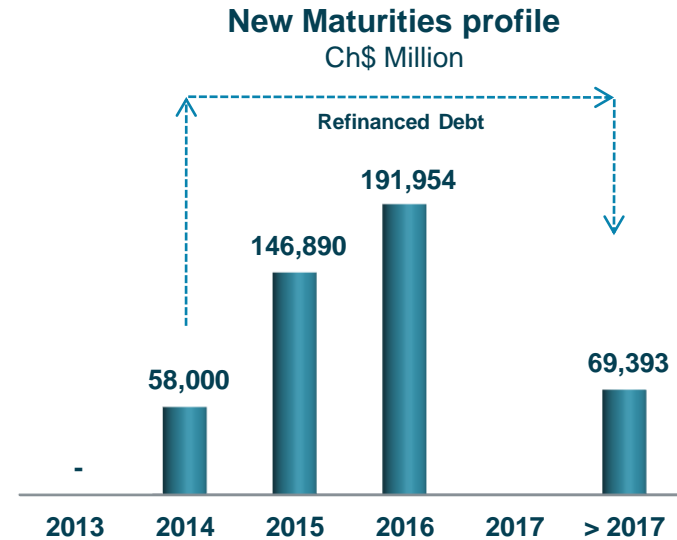
* EBITDA 12 m in mobile business is impacted by the accounting change in registration of postpaid mobile equipments costs, which are included as operating expenses since Oct. 2012

Telefónica Móviles Chile successful local financing

Oct. 15, 2013 → T. Móviles Chile places a successful local bond issue
Main objective: refinance 2014 debt obligations in advance

Terms and Conditions

Amount :	UF 3 million (US\$139 mill. approx.)
Term :	10 y (Bullet)
Maturity :	Oct. 4, 2023
Placement rate:	UF + 3.75% annual
Spread over BCU – 10 :	147 bps
Local rating :	AA / AA+



Increase in Debt avg. life

from 2.7 to 3.5 years

Great investors interest

Demand of 1.3 times (running 5 bps during closing sale)

Large placement in Chilean market since 2010 in UF, 10y term from a corporate issuer

Main investors:

Pension Funds (65%)
Mutual Funds
Insurance companies

Summary of Financial Results

Accumulated as of Sept. 2013

Ch\$ Million IFRS	T. Móviles Chile			T. Chile	
	Jan-Sep 13	% Var. '13/'12	% Var. '13/'12 proforma*	Jan-Sep 13	% Var. '13/'12
Total revenues	752,462	+4.9%	+4.1%	505,154	-2.4%
Operating expenses	-568,831	+23.5%	+0.6%	-314,870	+0.2%
EBITDA	183,630	-28.4%	+17.2%	190,284	-6.5%
EBITDA margin	24.4%	-11.4 pp	+2.7 pp	37.7%	-1.6 pp
Depreciation and Amortization	-106,569	-33.5%		-122,681	+5.1%
Operating Income	77,061	-20.0%		67,603	-22.1%
Net interest income and others	-6,991	+44.8%		-17,845	+34.3%
Taxes	-14,156	-24.1%		-9,984	-59.0%
Net income before minoritary interest	55,914	-23.3%		39,774	-20.2%
Net income	55,914	-23.3%		37,093	-21.6%

(*) Proforma: same criteria in 2012 and 2013 regarding impact of a contractual change in the accounting registration of postpaid equipments

Summarizing...

- ❑ EBITDA margin in **Fixed business: 38%**
- ❑ EBITDA margin in **Mobile business: 24%** (vs. 36% as of Sep.12), due the contractual change in accounting registration of postpaid equipments, since Oct. 12 (previously in CAPEX, now in OPEX). With same criteria, EBITDA margin increases +2.7pp
- ❑ Focus in accesses and Internet mobile growth, which increase by **19%** and **25%**, respectively, pushed by navigation in mobile (NEM)
- ❑ FBB revenues increase **8%**, pushed by high speed and TV revenues, excluding effect of change in accounting registration of decoders, they show an increase of **20%**
- ❑ Corporate Communications revenues increase 7%
- ❑ Important growth (+19%) in new digital services, such as: video, cloud computing, information security, e-health, financial services and *M2M*, among others



Telefonica