

Telefónica Móviles Chile

“Movistar the largest telecom operator”

Chile Day

London, June 28th-29th, 2011

Telefonica

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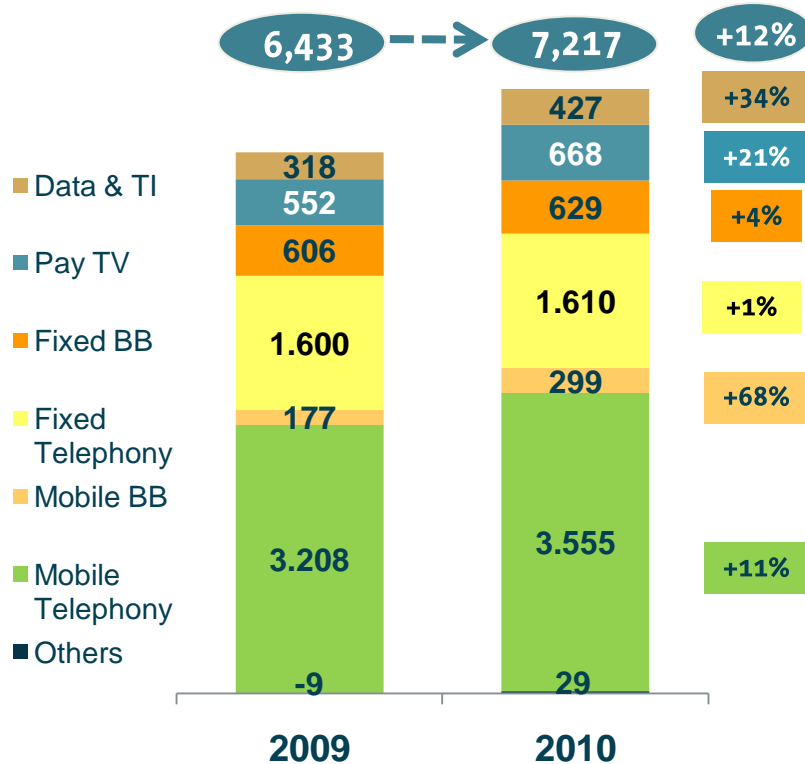
01

Industry and competition

Telecommunications: a dynamic sector

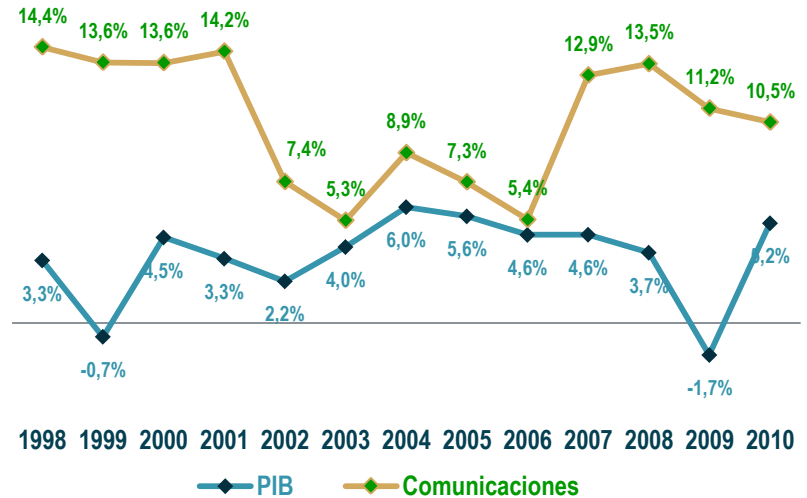
US\$ Million

Market Revenues by service:



Source: internal data and financial reports from other companies
2010YE avg. exch. rate (1US\$ =520.3Ch\$)

Total GDP and Communications sector (annual var. %)



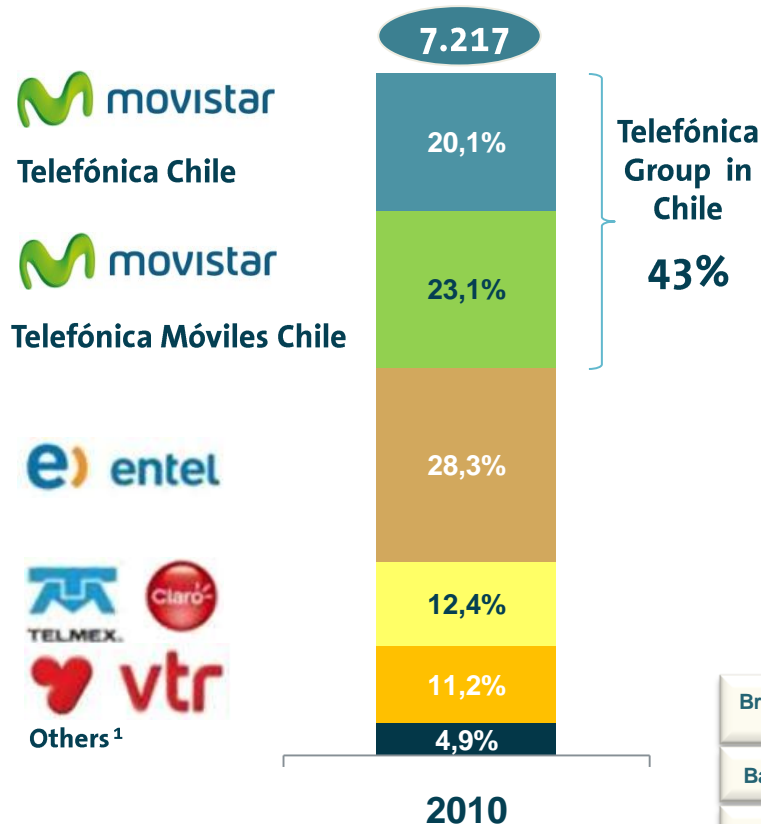
Prepared by T. Chile with Chilean Central Bank data; Figures in Ch\$ of 2003
* Sectorial dynamism diminished by impact of subsector Post Office

△⁺ GDP '11-'13 ➡ over 5.5 annual avg.

- Total revenues increased 12% in 2010 (US\$7.2 billion)
- The largest market segment is mobile representing 49% of total revenues
- Mobile revenues increased 11%, and penetration reached 124% 2010YE
- Revenues from BAM increased 68%

Telefónica Group contributed 43% to sector revenues, being the largest operator in the Chilean Telecom market

Market Revenues by Operator:
US\$ Million



(1) Others : GTD, CMET, regional cable, rural companies and ISPs

Convergence, quality of service and commercial belligerence are keys in the Chilean mobile industry



- 9.1 million customers (mar.11)
- Market share (customers): 41%
- Revenues: \$882 billion
- EBITDA: \$400 billion
- EBITDA margin: 45%
- GSM/1900-850 (up to 12Mb)

* Figures as of dec.2010

Operators with Convergent offer

	Telefónica	Claro	vtr
Broadband (MHz)	25 30	25 30	30
Band (MHz)	850-1.900	850-1.900	1.700/2.100
Technology	GSM/ 3G	GSM / 3G	3G*
Controller	Telefónica	América Móvil (AMX)	Liberty Global

Operators w/Single product

entel	NEXTEL
30 30	60
1.900	1.700/2.100
GSM / 3G	3G*/iDen
Soc. Almendral	Nextel International

Regulatory Framework facing several challenges

Number Portability

- **Number Portability** will be implemented in 4Q11, as committed by telecom companies and SUBTEL
- Telefónica in Chile is preparing its operations and developing an offensive and defensive strategy to promote client loyalty

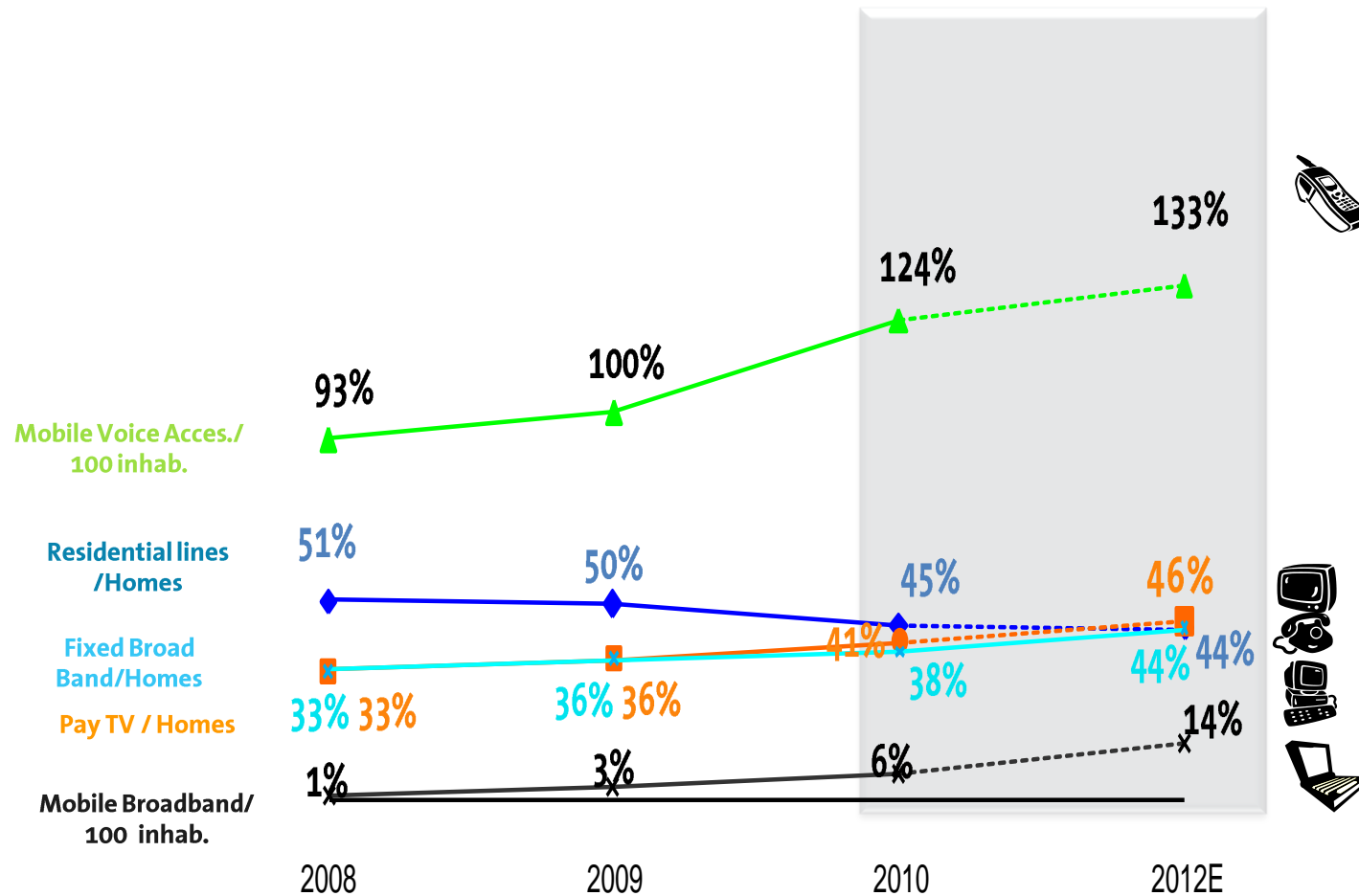
Additional mobile spectrum

- More spectrum is needed for mobile high-speed networks:
 - Deployment of LTE (mobile 4G)
 - **Auction for 2.6 GHz band concession** (in 4Q11) which will allow operators to offer mobile telephony in 4G – *beauty contest*

02

Strategy and performance of the Mobile business

Penetration of services is expected to keep growing



Source: Telefónica en Chile internal data

Strategic plan 2011-2012: Telefónica strategic plan “Bravo”

Key initiatives 2011



*: Client satisfaction index

** : capex+opex/ revenues

A convergent offer allows for market differentiation

- Strong opportunity to benefit from fixed/mobile convergence
- Since October 2009, both businesses operate under the unique brandname :“Movistar“

Convergence

Technology

- 📶 Optimization of the network
- 📶 Backbone sharing

Commercial Offer

- 📶 Convergence on services and bundling of products: FWT, “Cloud computing”, “TBB” (Total BroadBand)
- 📶 Image: unique brand
- 📶 “Client Loyalty program”

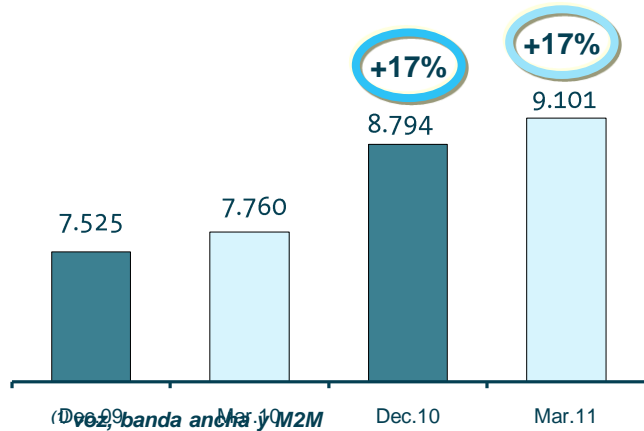
The 3 screens interactivity



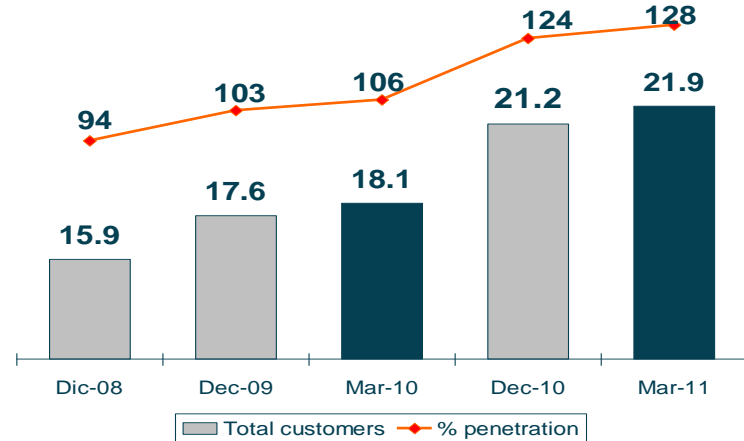
Today, our clients want to be everywhere and always connected, using any of the three screens

Strong growth in accesses to maintain our leadership position in the market

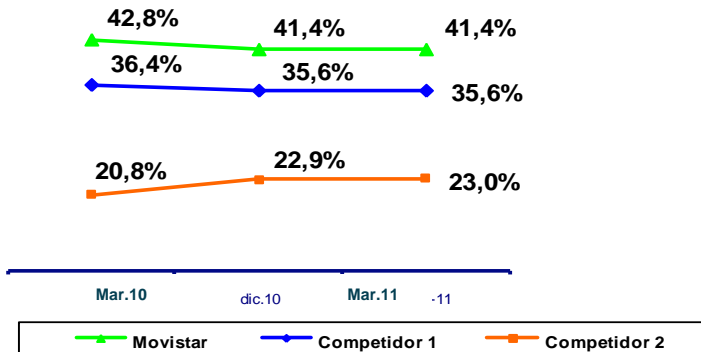
Total Mobile Accesses ⁽¹⁾(miles)



Market clients (million) & Penetration (%)



Market Share by Clients (%)



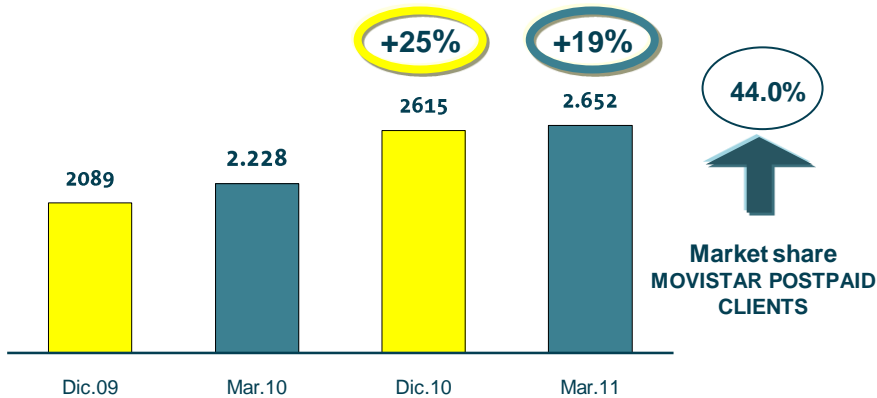
Source: internal data

- Significant 12 months increase in net sales (as of March11): **1,340,891 clients**
- **Leadership** in customers and market share by revenues

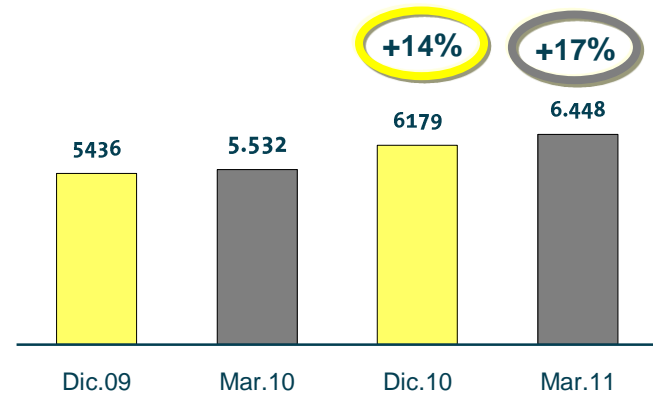
Two digits increase in postpaid and prepaid customers

Significant increase in postpaid and prepaid clients and churn rate improvement

POSTPAID Customers (000')

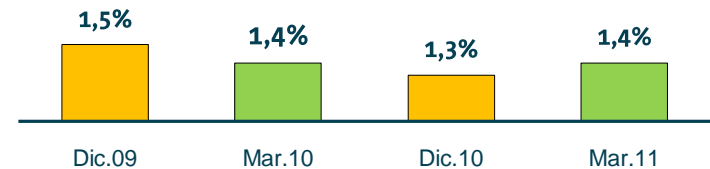


PREPAID Customers (000')



- Loyalty policy allows to maintain churn low levels
- As of March 2011, **postpaid customers represented 29% of total clients and 42% of net sales** in the quarter (BB and voice).
- **Increase in multimedia plans** (data) for new clients and clients who replace its mobile handset

Churn of total Clients



Bundling and Postpaid growth ↔ better clients quality ↔ stable Churn

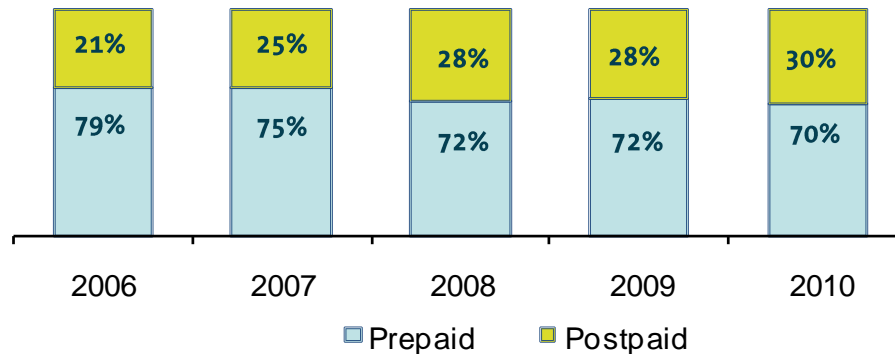
Client Upgrade: ARPU increase through up & cross selling

Client Upgrade (ARPU Customer Life Cycle)

- Migration from Prepaid to Postpaid: up-selling
- Cross-selling
 - encouraging consumption
 - (+) Outgoing ARPU
 - (-) Churn
 - (+) EBITDA margin

Postpaid ARPU = 5x Prepaid ARPU

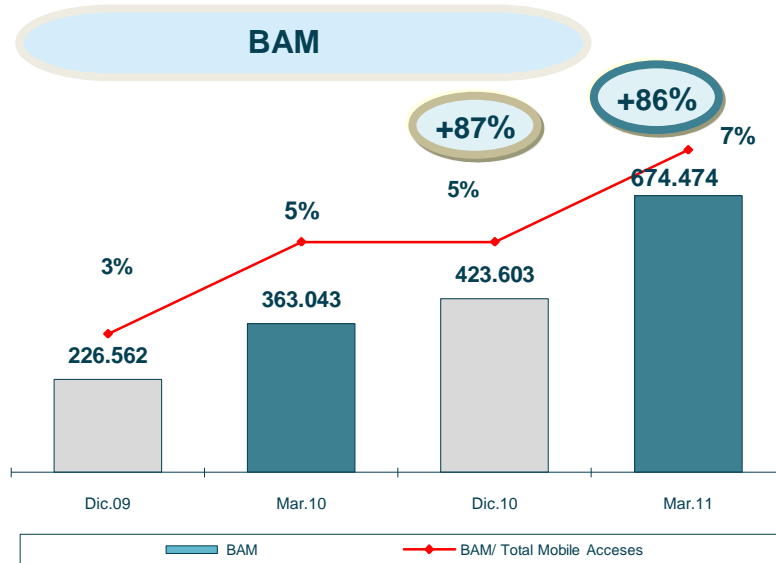
Subscriber Mix (% over total subs.)



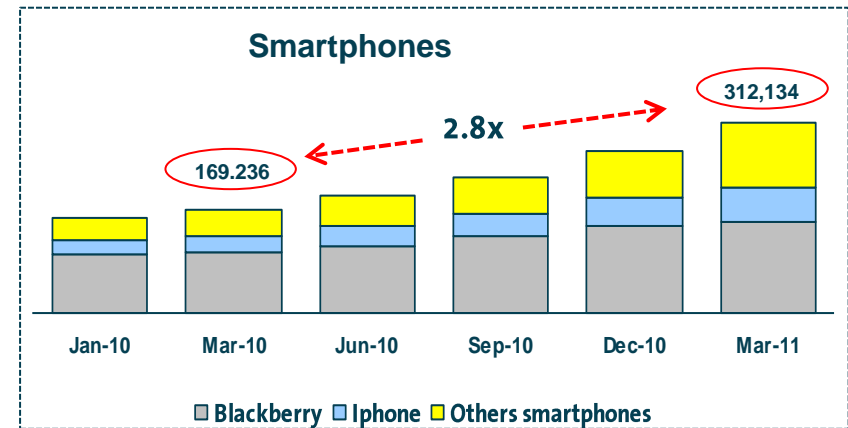
Improvement in
ARPUs and
subscriber mix

Higher speed and multimedia plans drives strong growth in mobile Broadband

BAM/total mobile acceses reached 7% as of March 11 with a high growth potential



- Total BAM increased 86% in 12 months (as of Mar.11)
- Higher speeds reach 12 Mbps (HSPA+)
- Bundling and a higher product offer



- Multimedia plans and smartphones represent 30% of postpaid sales
- During last 12M (as of Mar11), smartphones increased by 85%, up to 312,000 clients
- 60% of clients with an smartphones sign on a multimedia plan

03

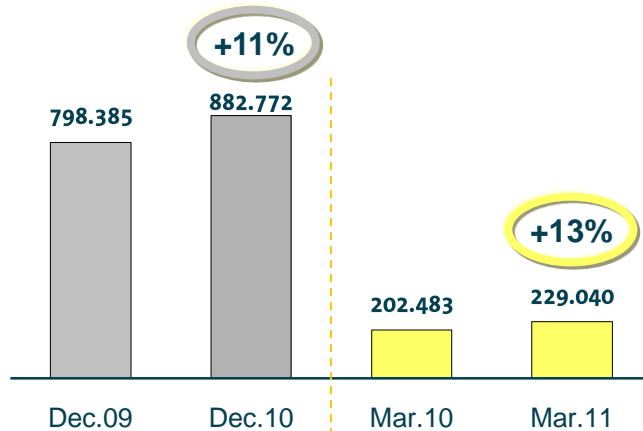
Financials

Razón Social: Telefónica
Área: Lorem ipsum

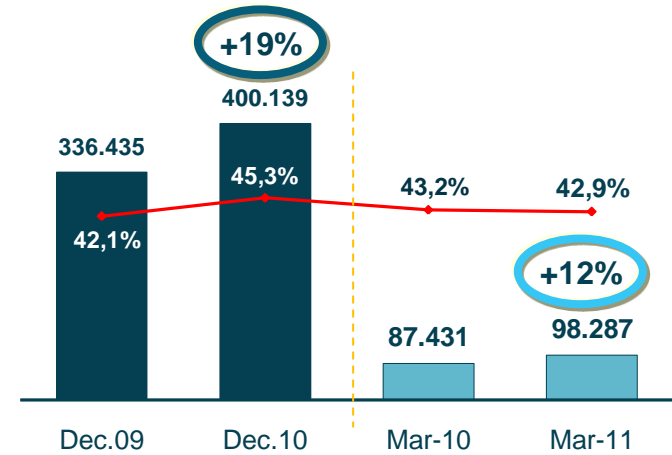
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Revenues and EBITDA increased in 2010 and 1Q11

Total Revenues (Mills. Ch\$)

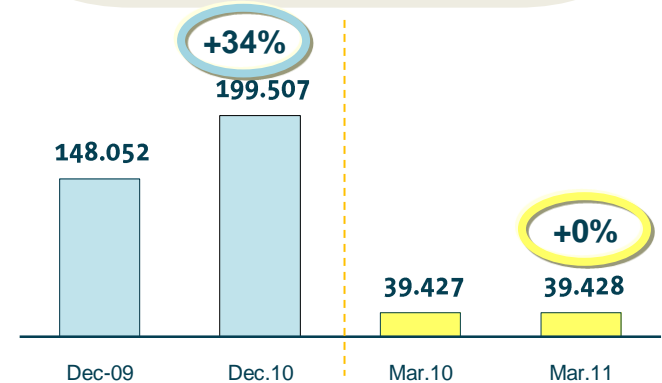


EBITDA (Mills. Ch\$)/ **EBITDA margin** (%)

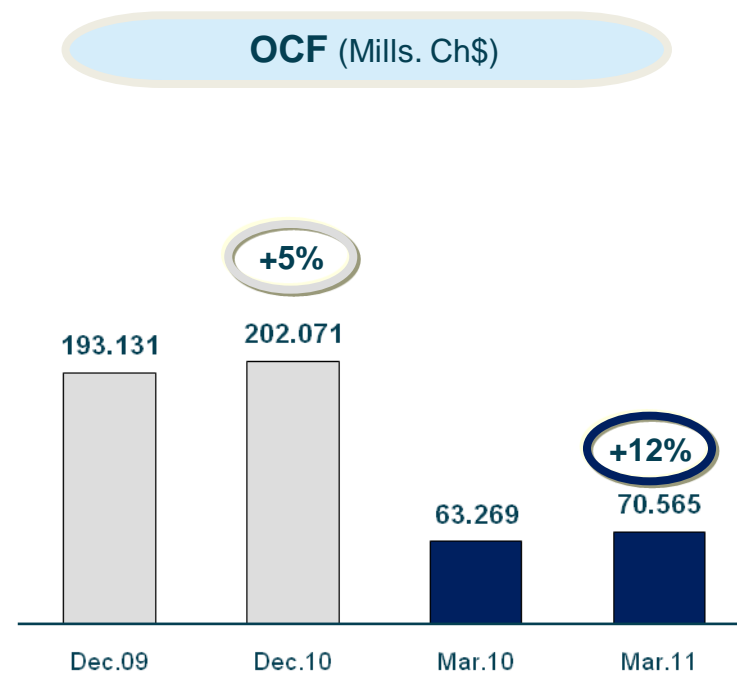
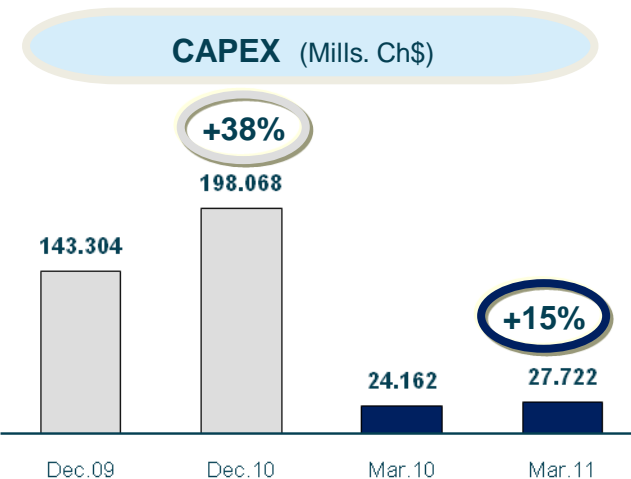
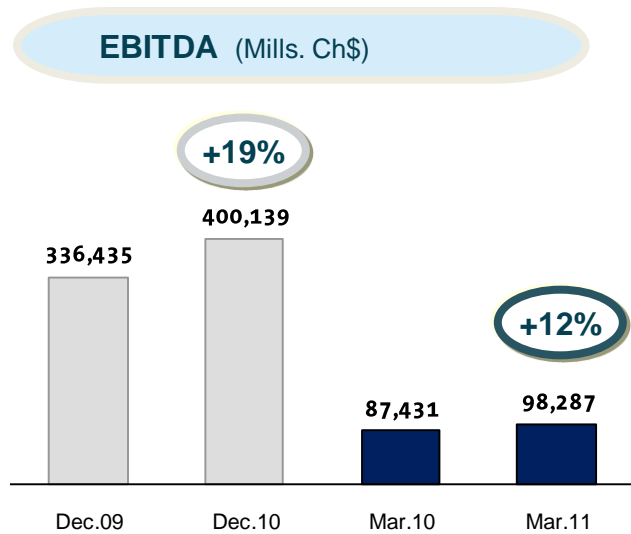


- Revenues increase driven by greater customer base and BB growth

Net income (Mills. Ch\$)



Strong OCF generation due to solid EBITDA and efficient CAPEX

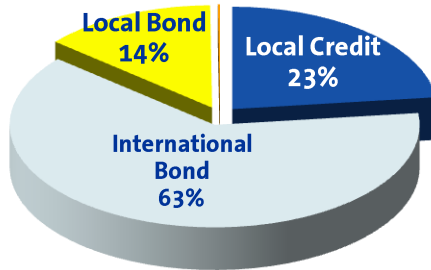


- Increase in OCF driven by higher EBITDA
- CAPEX mainly oriented to customer growth, MBB and higher speed network

A diversified and hedged debt structure allows to mitigate increase in interest expenses

Gross Debt as of March 2011 → Ch\$233 billion

Debt Structure



Hedge

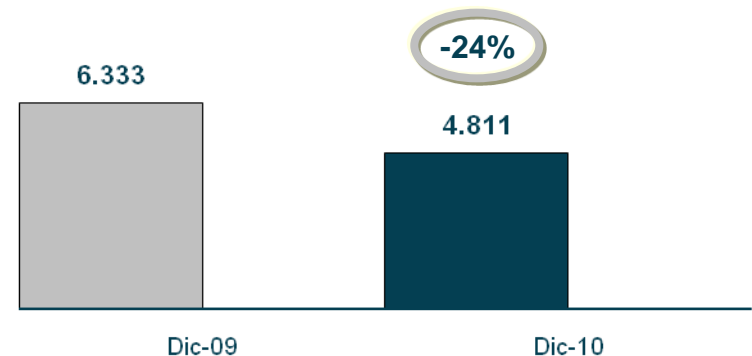
- 100% foreign currency hedge
- 14% interest rate hedge. If including cash, the hedged portion increases to 26%

Reduction Net Financial Expenses explained by:

- Lower avg market interest rate: (- 52 bps)
- Interest rate hedging
- Partially offset by an increase in avg financial debt:

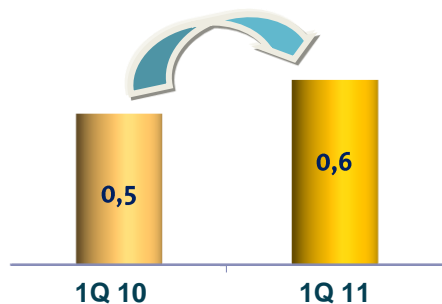
2,875% Senior Notes → USD 300 million due 2015

Net Interest Expenses (Mills. Ch\$)

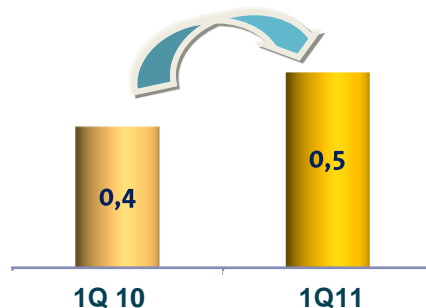


Maintain solid financial indicators as of March 2011

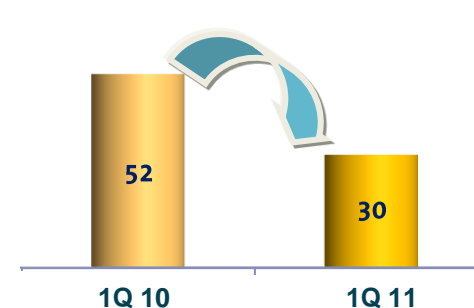
Total Debt / Equity



Total Net Debt / EBITDA



EBITDA / Interest Expenses

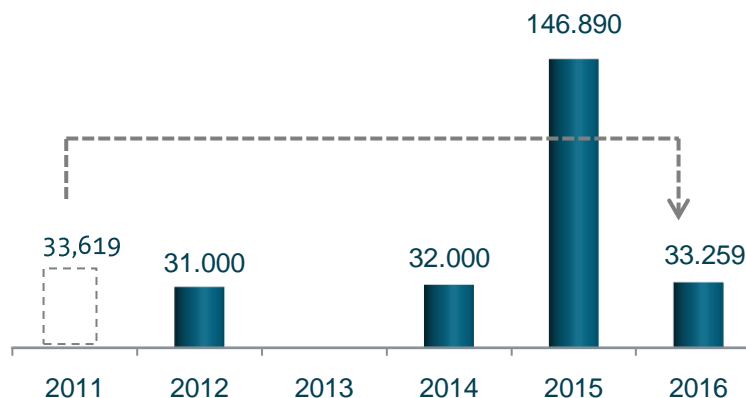


Financial Debt (including hedge) (Mills. Ch\$)

Debt Maturity Profile (including new debt) Mills.Ch\$

- As of Mar. '11:
- Gross Debt: Ch\$ 233,249 mills.
 - Cash: Ch\$ 28,792 mills.
 - Net Debt: Ch\$ 206,860 mills.

Amortization of
Sindicated Loan



- On Jun 2011, TMCH obtained an Intl bank loan for USD70 million at Libor+ 90 bps, 5 years "bullet" (All-in cost: 6,0% annual in Ch\$ aot. Average debt life increased to 3.97y, meeting all financial needs for 2011)

T. Móviles Chile Income Statements

Mills Ch\$ IFRS	Dec. 10	% Var. '10/'09	1Q10	1Q11	% Var.
Total Revenues	882.772	+10,6%	202.483	229.040	+13,1%
Total Expenses	649.648	+6,4%	-155.251	-176.143	+13,5%
Operating Result	233.124	24,3%	47.232	52.897	+12,0%
EBITDA	400.139	18,9%	87.431	98.287	+12,4%
EBITDA margin	45,3%	3,2 pp	43,2%	42,9%	-0,3 p.p.
Net Financial results	-5.303	-18,6%	-1.288	-2.601	+102,0%
Taxes	-28.314	14,2%	-6.518	-10.869	+66,8%
Net Result	199.507	34,8%	39.427	39.428	+0,0%

Significant increases in Revenues and EBITDA

To summarize



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