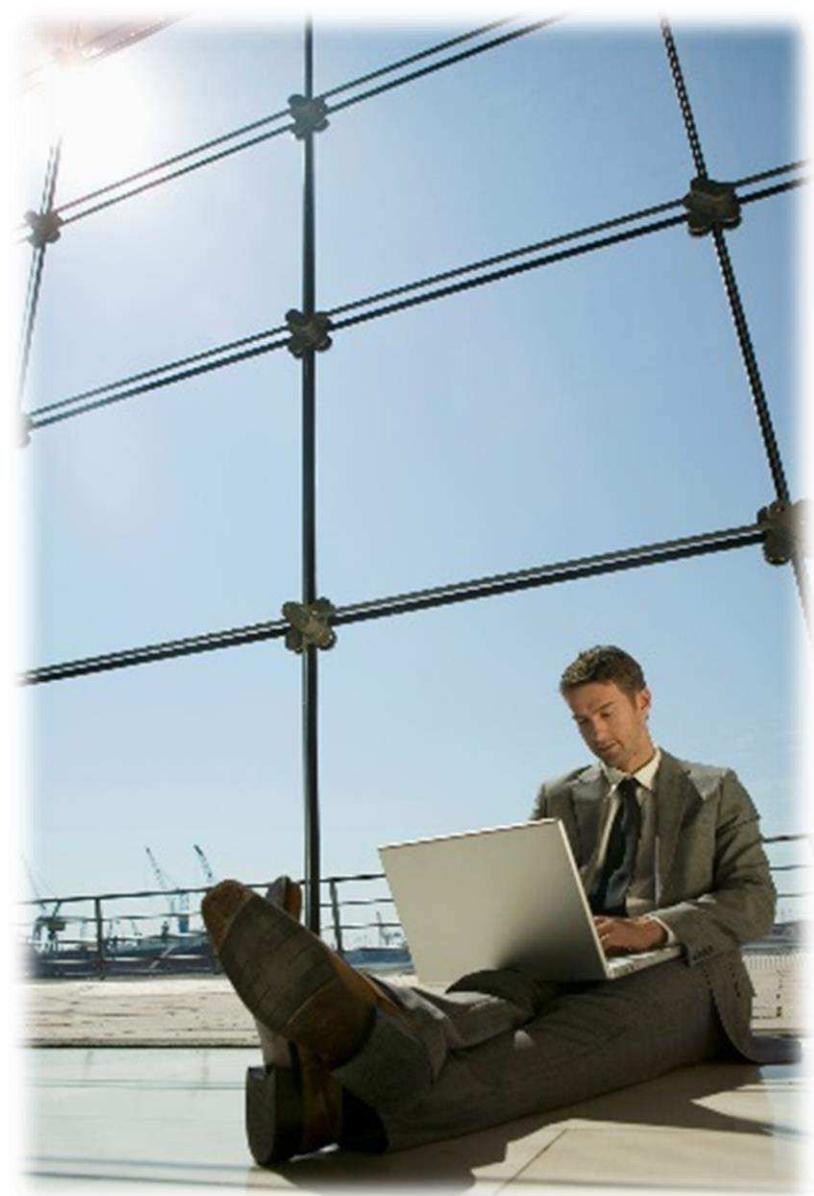


Telefónica Chile & Telefónica Móviles Chile

Investors Presentation
JP Morgan Miami Conference
February, 2015



An integrated DIGITAL telecom operator (F+M)

TELEFONICA in Chile:



Mobile

- Voice
- MBB
- Internet service

Fixed

- Voice
- LD (international)
- FBB
- Pay TV

Residential
SME
Corporate

US\$3.3bn
annual
REVENUES¹

US\$1.0bn
annual
EBITDA¹

#1 Telco in Chile
In terms of Accesses
and Revenues

13.6 MM
accesses²
Mobile: 10.4 MM
Fixed: 3.2 MM

34% mkt. share
o/ Total Industry Revs.

PART OF one of the most important global telcos in the world

TELEFONICA GROUP
Market capitaliz.
US\$70 bn

- Global Strategy
- Synergies
- Economies of scale
- New technologies
- Experience
- Vision

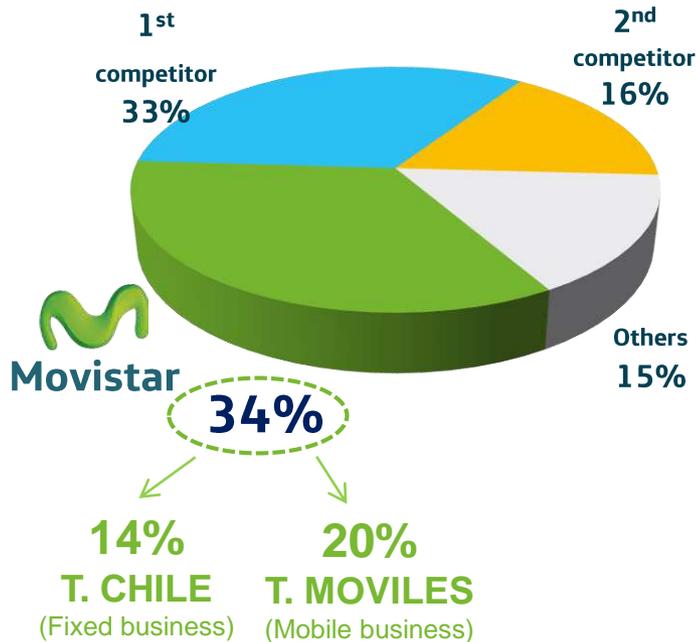
(1) Annual figures as of Dec. '13. Converted into U.S. Dollars at exchange rate: Ch\$524.61 (as of Dec. '13)
(2) As of Sept. '14



MOVISTAR is the **LARGEST REVENUE CONTRIBUTOR** to an industry that keeps growing

MOVISTAR is mainly focused on **Mobile data, pay TV and Fixed UBB***

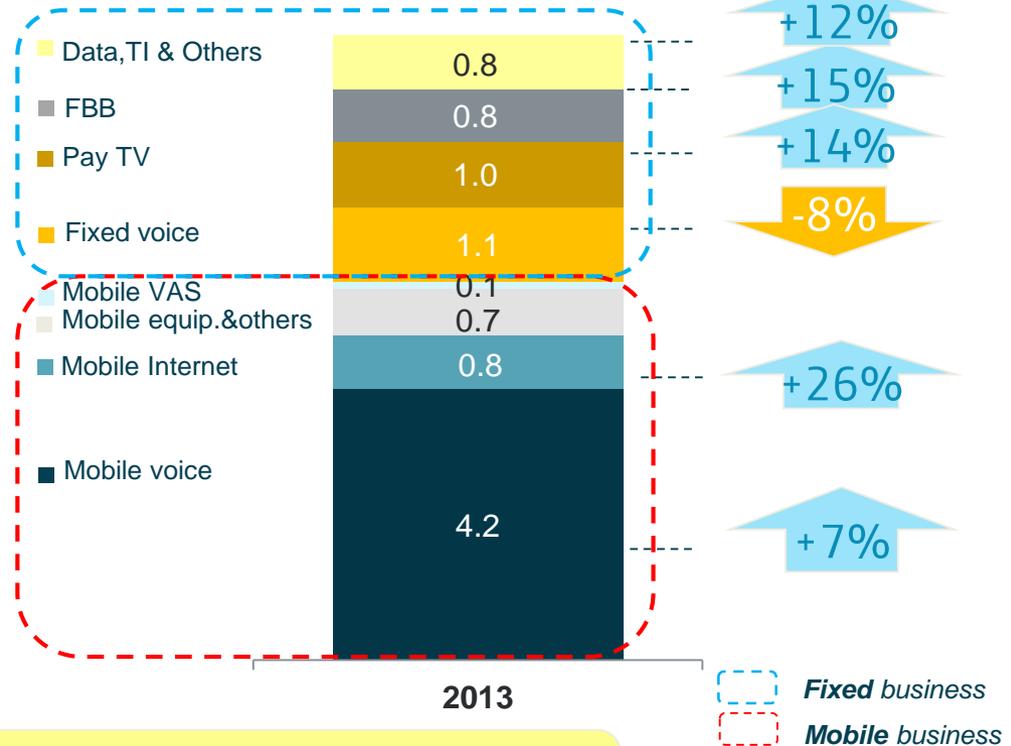
MARKET SHARE by revenues:



* UBB: ultra broadband
 1 US\$ = Ch\$495.42 (avg. year 2013)
 Source: Telefónica in Chile

INDUSTRY REVENUE breakdown by business line:

US\$ 9.6 bn*

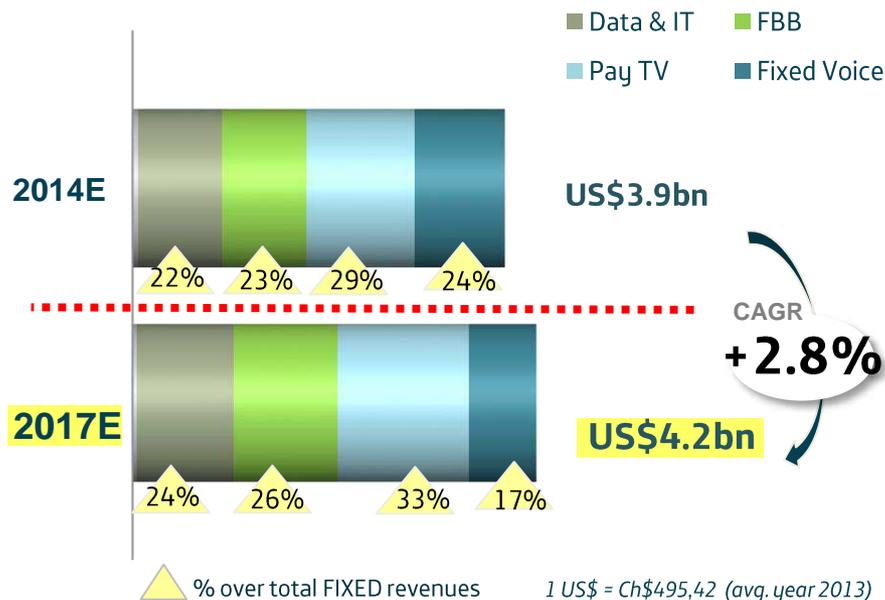


As result of Chile economic slowdown and 2014 access charges reduction, **industry revenues are expected to grow around CAGR. 4.5% ('14-'17)**

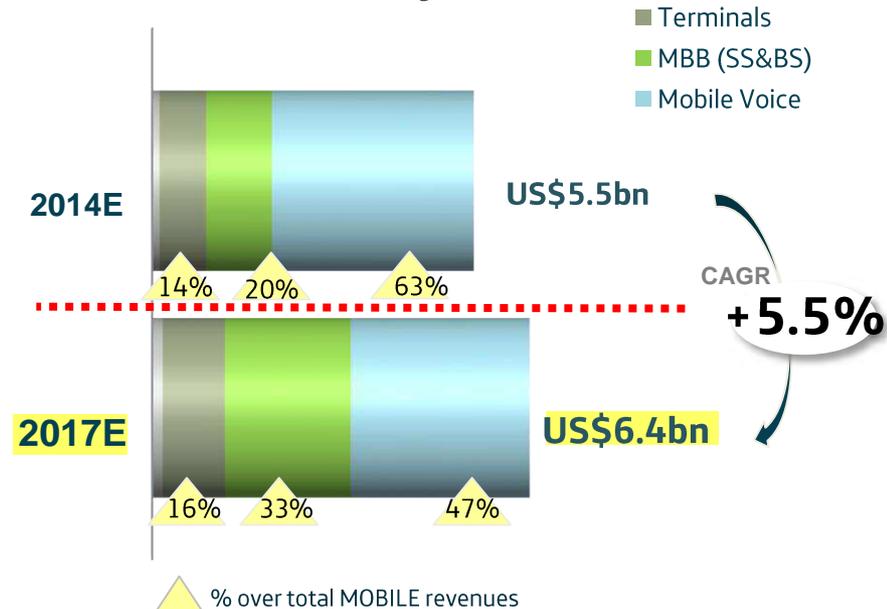
With a **sustained GROWTH POTENTIAL**, driven by Fixed and Mobile High Speed BB services

Total industry revs CAGR. ('14-'17): **4.5%**

FIXED industry revenues



MOBILE industry revenues



Penetration:

	2013	2014E	2017E
Fixed voice (% hh.)*	38%	37%	33%
FBB (% hh.)*	41%	43%	51%
Pay TV (% hh.)*	44%	48%	55%
Mobile Voice (% inhab.)	145%	148%	149%
MBB SS** (% inhab.)	31%	41%	60%
MBB BS** (% inhab.)	7%	7%	7%

* residential services over total households (hh)

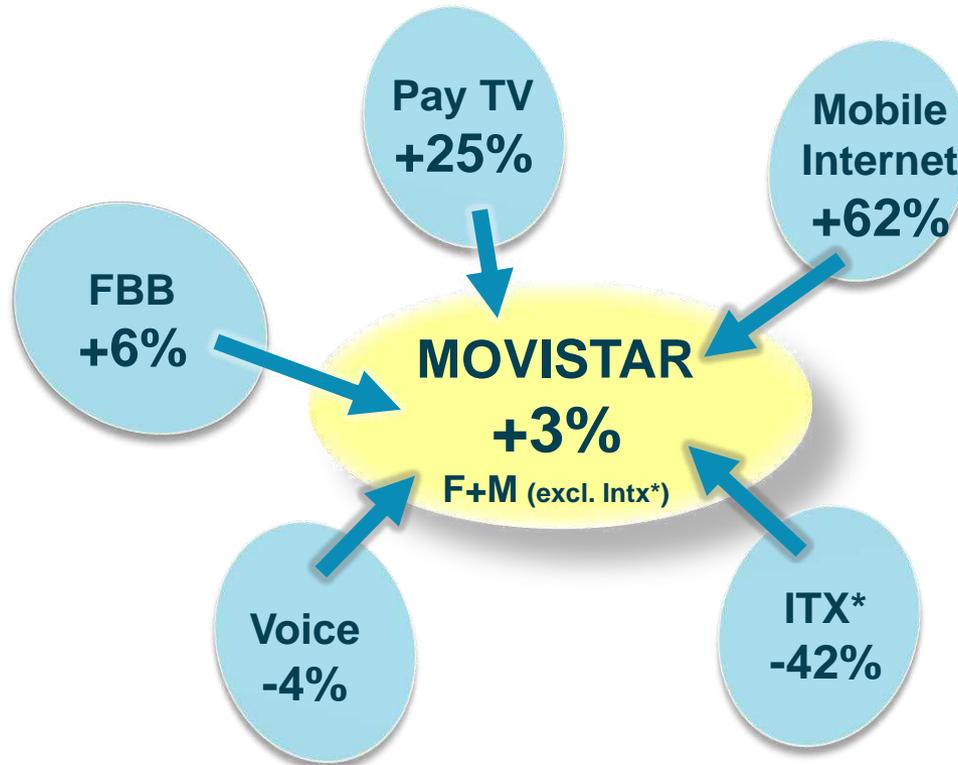
** MBB SS: mobile broadband small screen; BS: big screen;

Telecom sector **will keep growing above GDP growth** despite some relevant industry changes:

- Decrease in Mobile access charges (Feb.'14)
- Decrease in Fixed access charges (May '14)
- Elimination of DLD (2014)
- "on-off net" tariffs convergence

Successful commercial strategy in 2014 turns into significant **GROWTH** despite economic slowdown

2014 REVENUES GROWTH



Note: % Var. (Sep.'14/Sep.'13)

* ITX: interconnections

- Network deployment → coverage and quality → improvement in customer experience
 - ✓ UBB: VDSL, F.O., 4GLTE
- 4G/UBB technological renovation
- Renovated offer for mobile Internet, pay TV and FBB
 - ✓ Pay TV: strong growth (HD)
- Bundling of services



MOBILE BUSINESS: 4G TECHNOLOGICAL RENOVATION enhances growth allowing ARPU increases

Customer MIX
post/prepaid:



TOTAL Mobile Accesses¹ ('000)

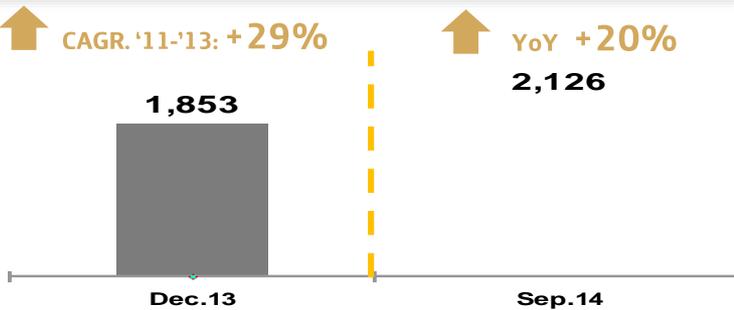


	CAGR.'11-'13	YoY
Revs²	+2%	-5%

¹ Voice, Broadband and M2M ("machine-to-machine");
² Exchange rate as of Sep'14: Ch\$599.2 /1US\$

+6%
(excl. ITX)

Mobile INTERNET* Accesses ('000)



	CAGR.'11-'13	YoY
Revs	+20%	+46%

▪ Growth in Postpaid

- ✓ **4G technological renovation** → improved customer experience → higher demand for upgraded plans → lower Churn and ARPU increases → 150,637 4G customers as of Sep.14
- ✓ Extra consumption handled through "packs of minutes"
- ✓ **Customized smartphones subsidies** and promotion of customer adds "SIM only"

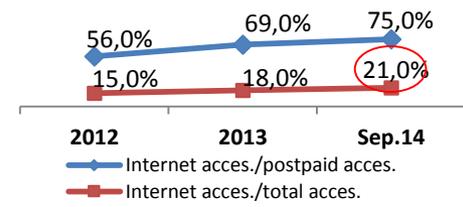
▪ Growth in Prepaid

- ✓ Promoting Internet use: "Blocks of time" (by day, week,..)
- ✓ Increasing penetration of lower cost smartphones and promoting new customers adds "SIM only"
- ✓ Selective **migration to postpaid**

Tariffs decrease in mobile ITX charges, since Feb '14, impacts revenues. Excluding ITX, Mobile total revs.: +5.8%

▪ **MBB SS**:+ 37% growth in accesses and +62% in revs.**

▪ **High growth potential:**

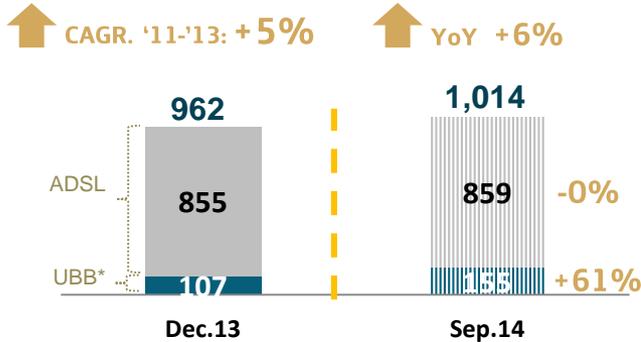


*MBB SS + MBB BS
**MBB SS: mobile broadband small screen (Internet browsing); MBB BS: mobile broadband big screen (USB device)



FIXED BUSINESS: growth leveraged by UBB* and pay TV

FBB accesses ('000)



	CAGR.'11-'13	YoY
Revs	+6%	+6%

- UBB* accesses oriented to high value segments → UBB*/Total FBB = 15%

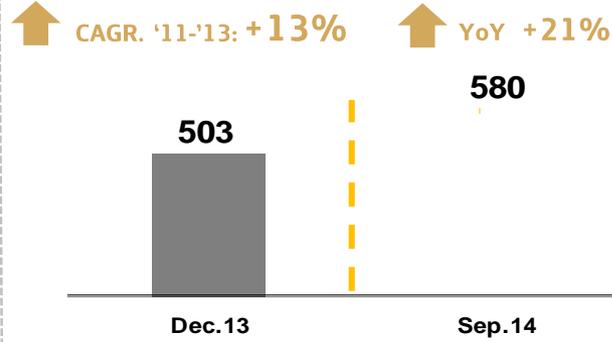
- ✓ VDSL: 99,476 (+39% YoY)
- ✓ F.O.: 55,944 (+122% YoY)

UBB* improves customer experience, reduces Churn and increases ARPU

- Bundling strategy** to promote growth

- ✓ "Trío": Voice+FBB+pay TV, leveraged by Voice+F.O+IPTV for high value customer segments
- ✓ "Dúo": FBB+TV
- ✓ "Single": FBB

Pay TV accesses ('000)



	CAGR.'11-'13	YoY
Revs	+16%	+25%

- Pay TV revenues increased due to accesses increase and higher ARPU given the largest demand for HD signals and Premium channels as well as a better customer mix IPTV/DTH

- Accesses growth:**

- ✓ **DTH: 554,571** (+19% YoY). Increase driven by our HD offer
- ✓ **IPTV: 25,703** (7,226 as of Sep.'13). Increase due to IPTV growth enhanced by UBB

- Bundling strategy:**

- ✓ Launching of new services: **"Movistar Play"** (OTT service) or **"TV everywhere"** → IPTV and OTT in mobile and fixed devices

Lines in service ('000)



	CAGR.'11-'13	YoY
Revs	-12%	-10%

- Bundling strategy slows down LIS decreases**

70% of residential lines are bundled



*UBB: Ultra BroadBand: VDSL (up to 40 Mb) and F.O. (up to 80 Mb)
Exchange rate as of Sep '14: Ch\$599.2 /1US\$

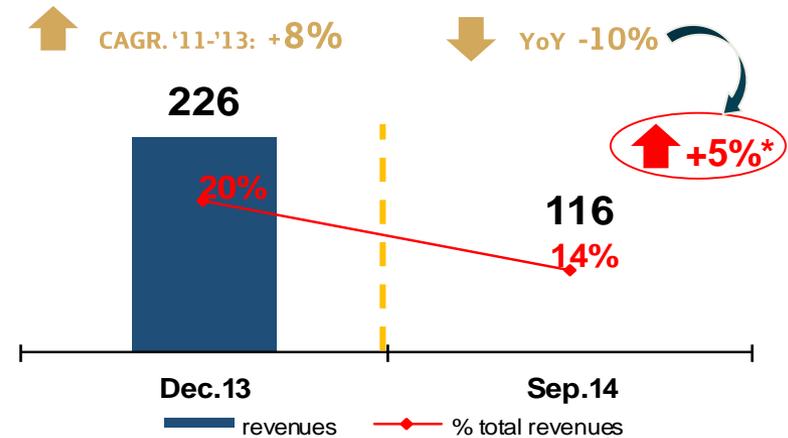
FIXED BUSINESS: Digital services strengthening growth in FIXED Corporate Customers Data Communications

- T. Chile is the **main communication service supplier** for mining, retail and financial sectors, as well as an strategic partner for the Government
- **Largest data service provider** through high speed IP connections and F.O. network
- **Significant growth in Digital services** (+11%), driven by “Security” and “Financial Services”

DIGITAL SERVICES:

	M2M	<ul style="list-style-type: none"> ▪ Metering ▪ Fleet management 	
	Cloud	<ul style="list-style-type: none"> ▪ Hosting 2.0 platform ▪ Storage/ Backup OD 	
	Security	<ul style="list-style-type: none"> ▪ cloud computing and smartphones expand security perimeter required by corporates 	
	eHealth	<ul style="list-style-type: none"> ▪ Health IT ▪ Remote health care management services (“GDA”) 	
	Video	<ul style="list-style-type: none"> ▪ DTH ▪ “MOVISTAR PLAY”: OTT videoclub 	
	Financial Services	<ul style="list-style-type: none"> ▪ Mobile pay ▪ Insurances 	

Revenues from Data and TI services for Corporate clients (US\$ million)



- **Revenues from Business Communications** (14% of total Fixed consolidated revenues) **increased 8% (CAGR '11-'13)**. Revenues variation as of Sep '14 mainly explained by the end of a Health Ministry project which was outstanding in 2013, as well as Chilean presidential elections one-time revenues in 2013

* Excl. Health Ministry project and election revenues, total corporate commun. revenues increased +5%

Exchange rate as of Sep '14: Ch\$599.2 /1US\$

MOVISTAR is the best positioned to capture market opportunities

LEADERSHIP POSITION in the Telecom industry

Market Share
by accesses
As of Dec. '14



FIXED (7-8 players)

MOBILE (5 players)

	Voice	Pay TV	FBB	Voice	MBB ⁽¹⁾
Movistar	48.3%	21.2%	39.8%	39.1%	42.0%
Entel	9.4%	3.0%	1.2%	35.8%	30.0%
Vtr	21.8%	35.7%	36.2%	-	-
Claro	8.1%	16.7%	11.1%	21.9%	24.0%
Directv	-	16.0%	-	-	-
Telefónica del Sur	4.6%	3.2%	6.0%	-	-
Gtd	5.8%	0.9%	2.8%	-	-
Others	1.9%	3.2%	2.9%	3.3%	4.0%
TOTAL	3,280	2,832	2,593	25,840	9,412

(1) Mobile Internet connections 3G and 4G (including MBB SS*, MBB BS* and M2M*).

* :MBB SS: MBB small screen
MBB BS: MBB big screen
M2M: machine-to-machine

Source: Subtel, other telecom operators and Company internal data

The Chilean Antitrust Commission (TDLC) has authorized bundling of F+M services, for residential customers, **without discounts** (Supreme Court ruling)

Significant EBITDA margins in Fixed and Mobile businesses

MOBILE

Total REVENUES (US\$ million)



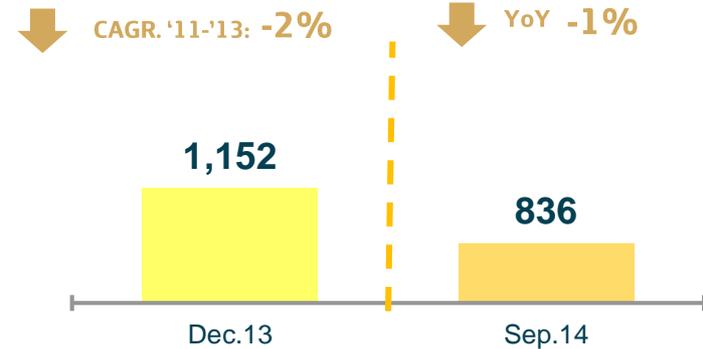
EBITDA (US\$ million)



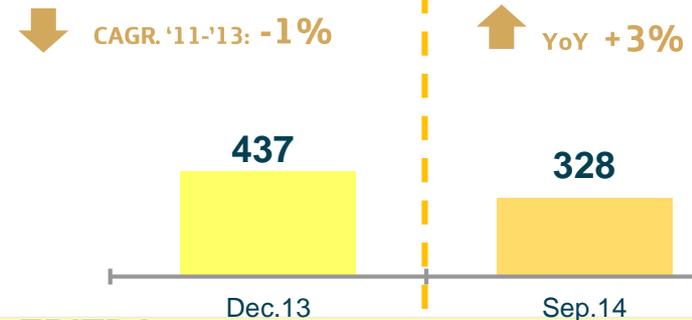
EBITDA margin: 24.6% (Dec.13) vs 24.3% (Sep.14)

FIXED

Total REVENUES (US\$ million)



EBITDA (US\$ million)



EBITDA margin: 37.9% (Dec.13) vs 39.2% (Sep.14)

(*) Since 4Q12, CAPEX for postpaid equipment is registered as OPEX. Without this effect, EBITDA had decreased -9%

(1) A tariff reduction of 75% in Mobile ITX charges, since Feb.14, has an annual impact of -10% in 2013' revenues and of -5% in EBITDA

(2) Excl. ITX revenues

Note: tariff reduction of 43.5% in Fixed ITX charges, as applying since May.14, has not a meaningful impact in revenues and EBITDA

Exchange rate as of Sep '14: Ch\$599.2 /1US\$

CAPEX oriented to **EXPANSION AND UPGRADE OF Fixed and Mobile NETWORKS** to capture growth potential

MOBILE

CAPEX* (US\$ million)

↓ CAGR. '11-'13: +27%* ↑ YoY +13%



* Since 4Q12, postpaid equipment are registered as OPEX instead of as CAPEX. In comparable terms, CAGR. '11-'13: +27% due to higher investments in 3G and 4G networks



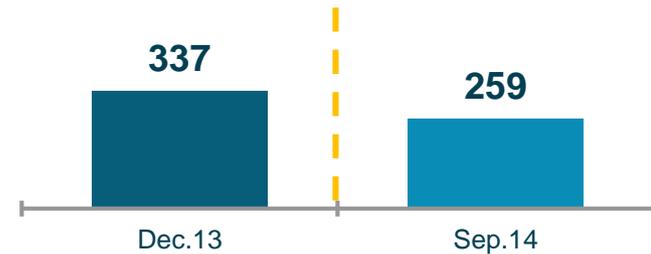
- +1,550** ▪ New 4G/3G sites
- +40%** ▪ Mobile network growth
- +55%** ▪ Mobile Data traffic growth

2012 → MOVISTAR was granted 40 MHz, in the 2.6 GHz band → 4G services

FIXED

CAPEX (US\$ million)

↑ CAGR. '11-'13: +7% ↑ YoY +14%



+60%
Var. '14/'12

+170,000 High speed customers
As of Dec. 14



x3
Var. '14/'12

+29,000 IPTV customers
As of Dec. 14

+87% Fixed Data traffic growth

Note: in 2015, Fixed equipments will change their accounting treatment of being registered as OPEX instead of as CAPEX

Exchange rate as of Sep '14: Ch\$599.2 /1US\$

Healthy OpCF despite lower EBITDA, as a result of ITX tariffs reduction, and intensive CAPEX

MOBILE

Operating Cash Flow (OpCF) (US\$ million)

↓ CAGR. '11-'13: -13%

↓ YoY -18%

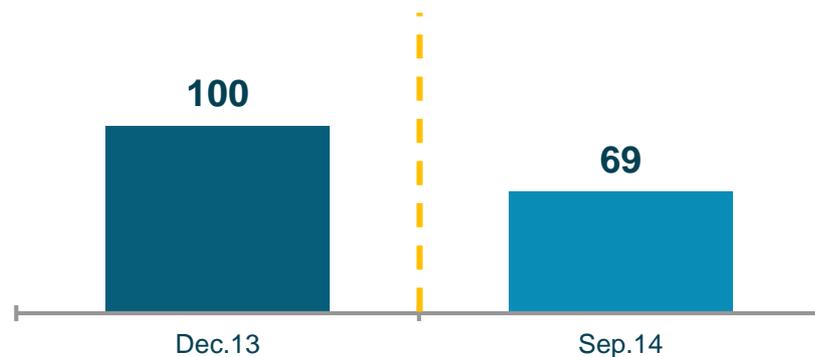


FIXED

Operating Cash Flow (OpCF) (US\$ million)

↓ CAGR. '11-'13: -20%

↓ YoY -23%



Exchange rate as of Sep '14: Ch\$599.2 /1US\$

Conservative Financing, Hedging and Cash management

Liquidity and Financing

- FCF (next 12 months + cash and equiv) HIGHER THAN debt maturities next 12 months
- Cover financial needs in anticipation of maturities
- Avg. maturity of financial debt HIGHER THAN avg. time of repayment (Net debt/FCF)

Hedging

- Currency and interest rate hedging over debt, capex and opex
- Maintain a low exposure to FX and inflation volatility minimizing impact on financial results and cash flow (Debt is 100% in local currency)
- All our derivatives are registered under hedge accounting standards (IFRS)

Cash Management

- Control of counterparties credit risk based on credit ratings
- Dividend policy is to pay at least 30% of net profits (legally mandatory)

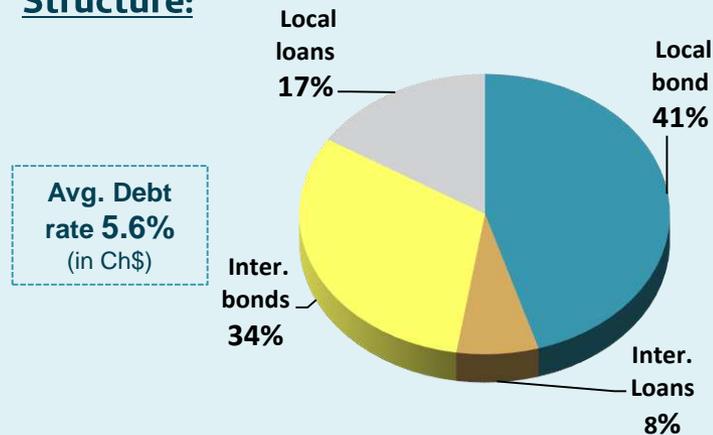
Diversified debt structure and healthy maturity profile

MOBILE

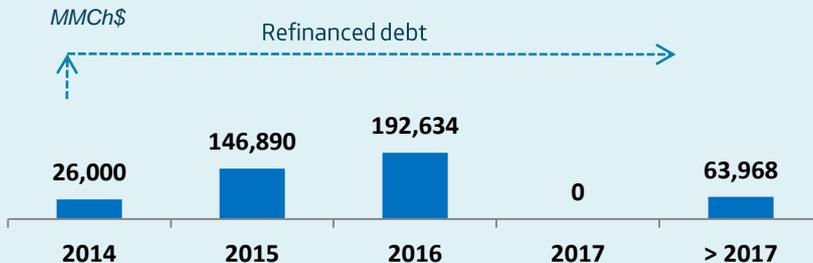
Gross Debt as of Sep. 2014 → Ch\$429 bn (US\$716 MM)

Net Debt as of Sep. 2014 → Ch\$131 bn (US\$219 MM)

Structure:



Debt Maturities profile:



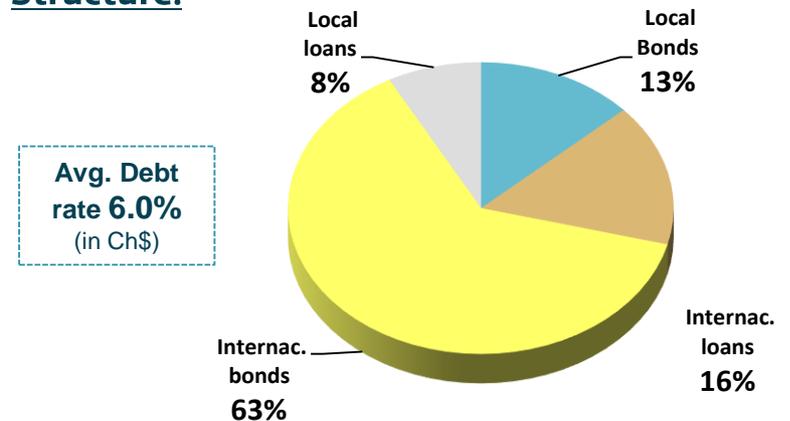
Exchange rate as of Sep '14: Ch\$599.2 /1US\$

FIXED

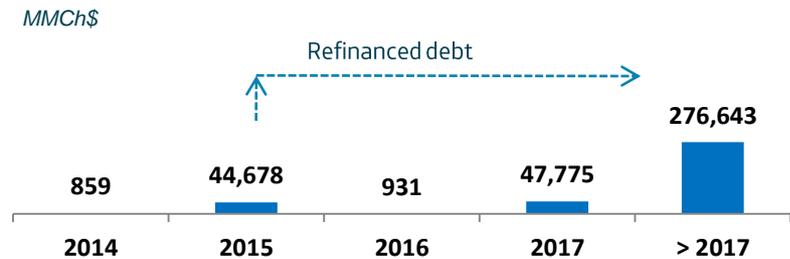
Gross Debt as of Sep. 2014 → Ch\$371 bn (US\$619 MM)

Net Debt as of Sep. 2014 → Ch\$ 284 bn (US\$474 MM)

Structure:



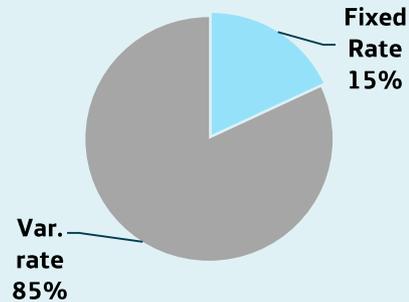
Debt Maturities profile:



Hedging and strong repayment capacity

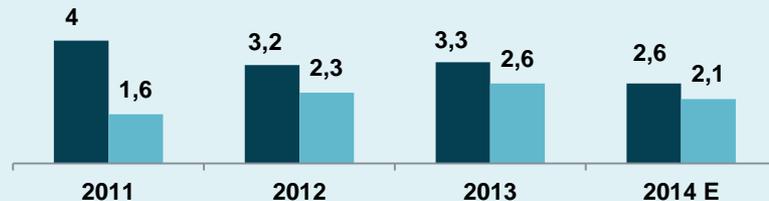
MOBILE

Currency and Interest Rate Coverage



Average Maturity vs. Repayment Period (years)

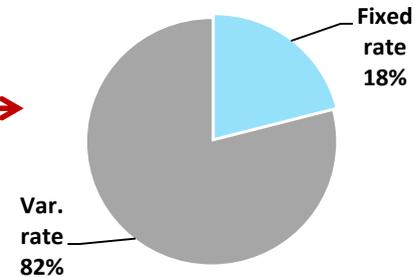
■ Average Maturity ■ Repayment Period*



* Repayment period = Net Debt / FCF

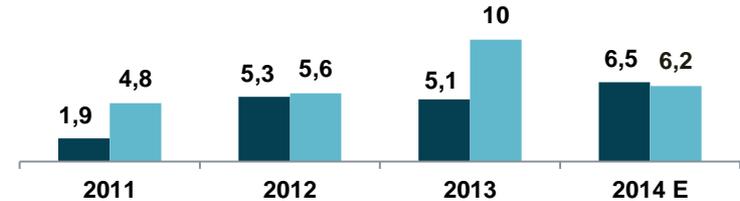
FIXED

Currency and Interest Rate Coverage



Average Debt Term vs. Repayment Period (years)

■ Average Maturity ■ Repayment Period*



FX debt 100% hedged
15% of CLP avg. depreciation between Jan-Sep'14 vs. Jan.Jun'13 has not impacted capital nor interests payments

- **S&P: TCH and TMCH "BBB" ratings and outlook "Stable"** (as of Sept.14) → Consolidated approach for both companies. The "stand alone" rating is "**BBB+**", one notch higher than their parent company, Telefonica, S.A.
- **Fitch: TCH and TMCH ratings at "BBB+", outlook "Stable"** (as of Sept.14)

Solid financial ratios

MOBILE

FIXED

Total Liabilities (less)
hedging assets / Equity

0.9

0.9

1.4

1.0

Sept.13

Sept.14

Sept.13

Sept.14

Net Debt / EBITDA

0.6

0.5

1.2

1.1

Sept.13

Sept.14

Sept.13

Sept.14

EBITDA / Financial
Expenses

10

9

8

9

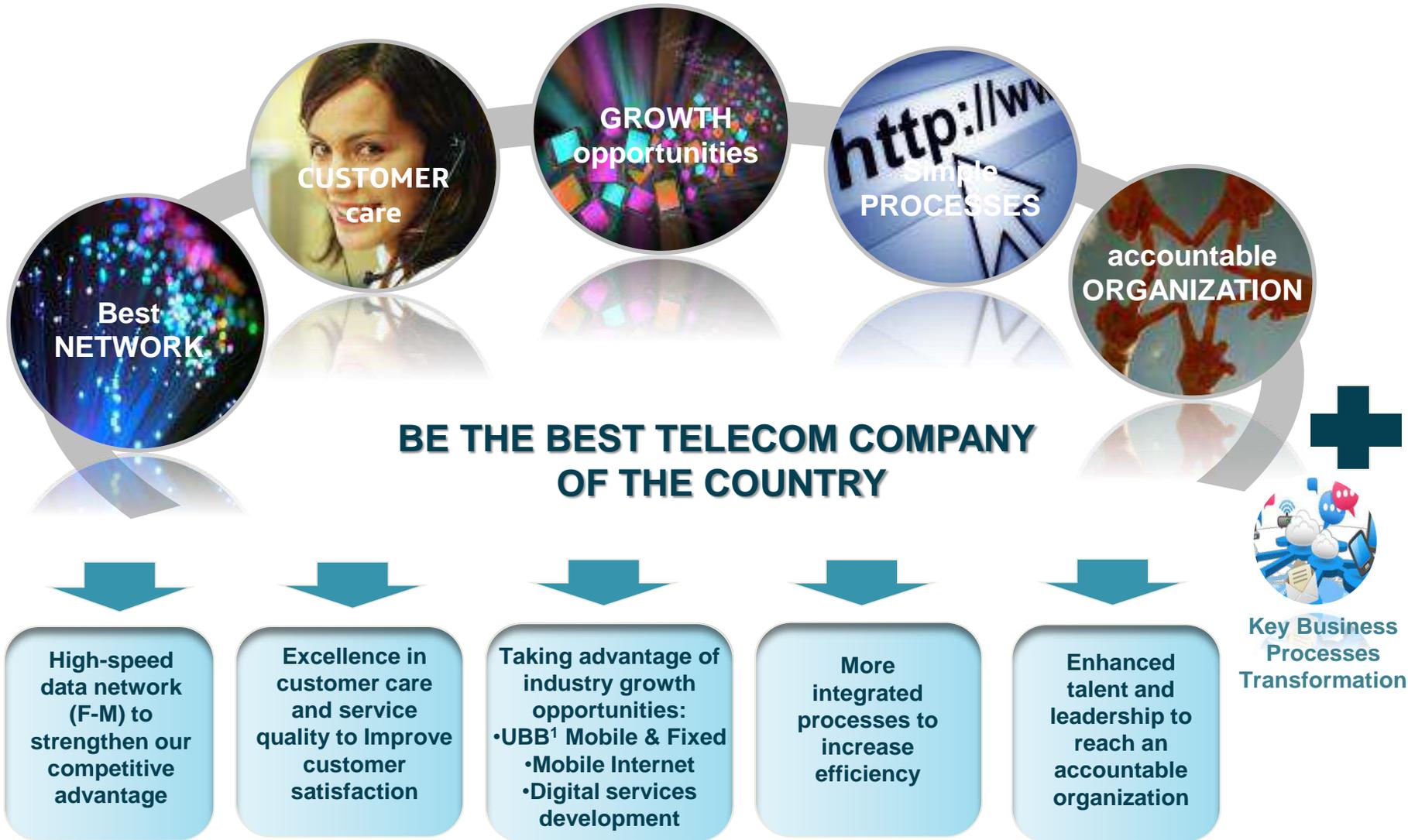
Sept.13

Sept.14

Sept.13

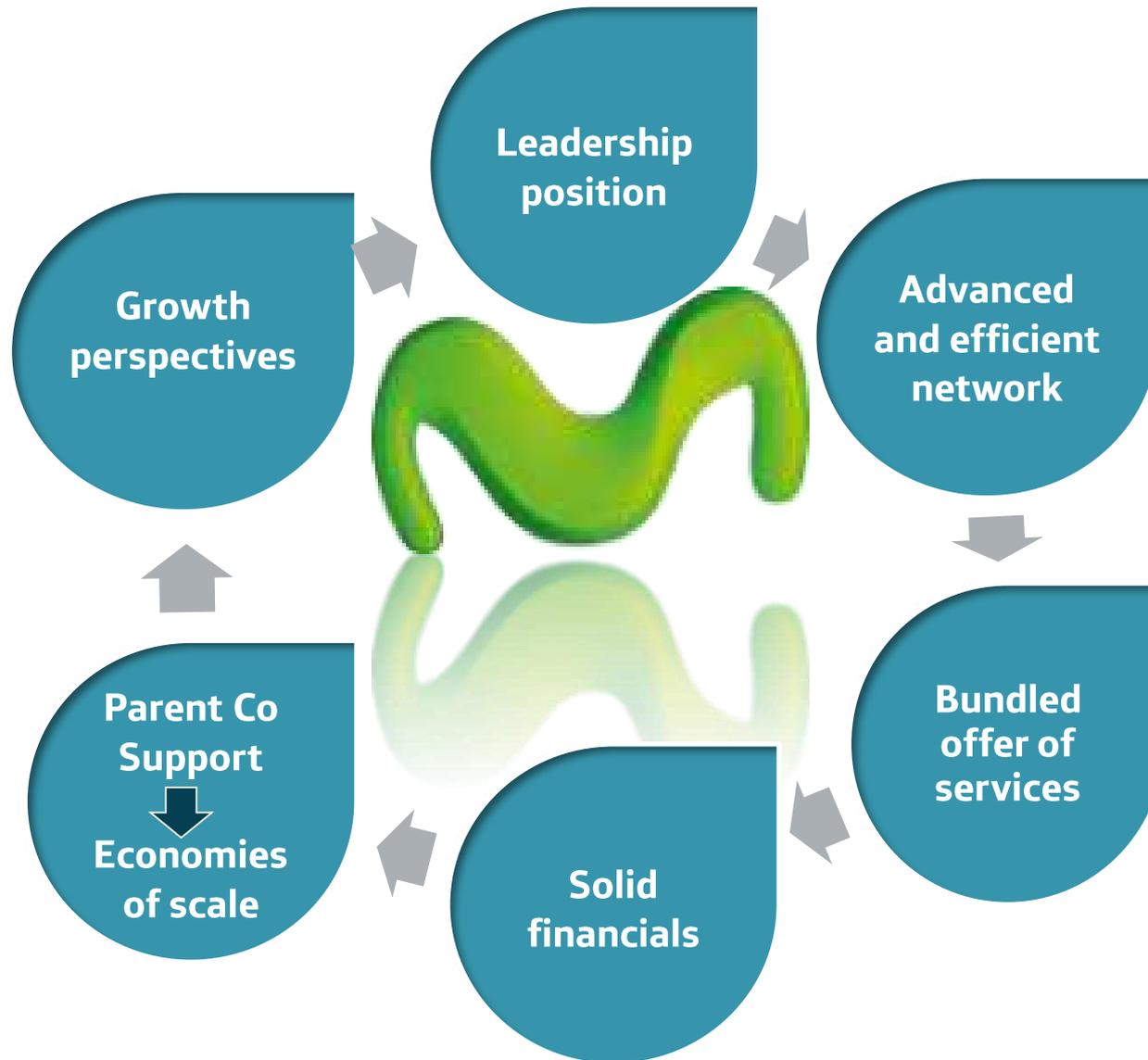
Sept.14

Corporate STRATEGIC FOCUSES



¹UBB: Ultra BroadBand (VDSL and Fiber Optic) with speeds higher than 15 Mhz

Investment considerations



Telefonica

www.telefonicachile.cl/inversionistas/