

TELEFONICA IN CHILE

Financial Results
Accumulated as of June 2014

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



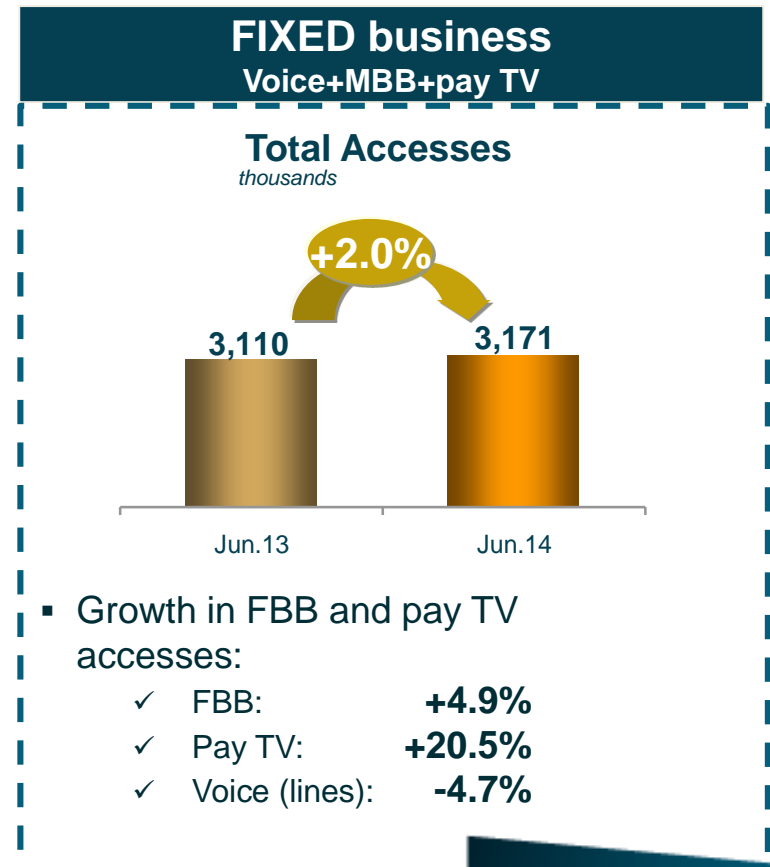
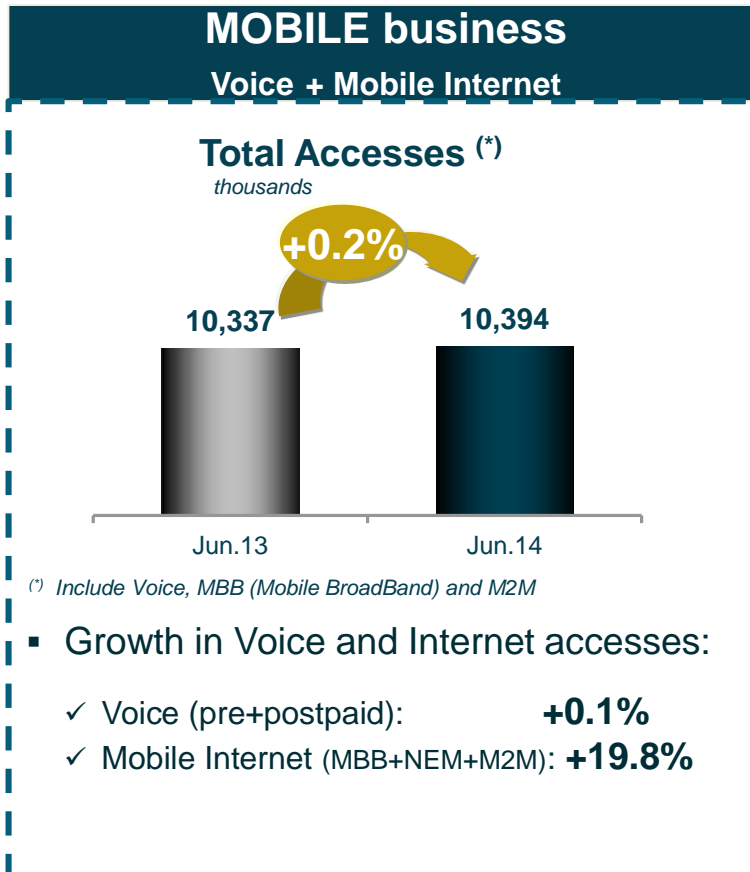
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Santiago, August 4, 2014

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BUSINESS OVERVIEW

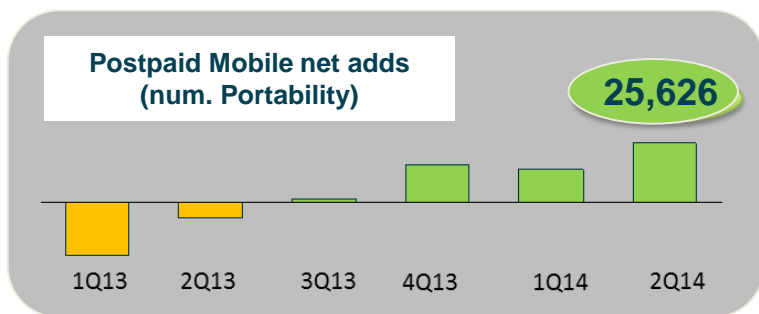
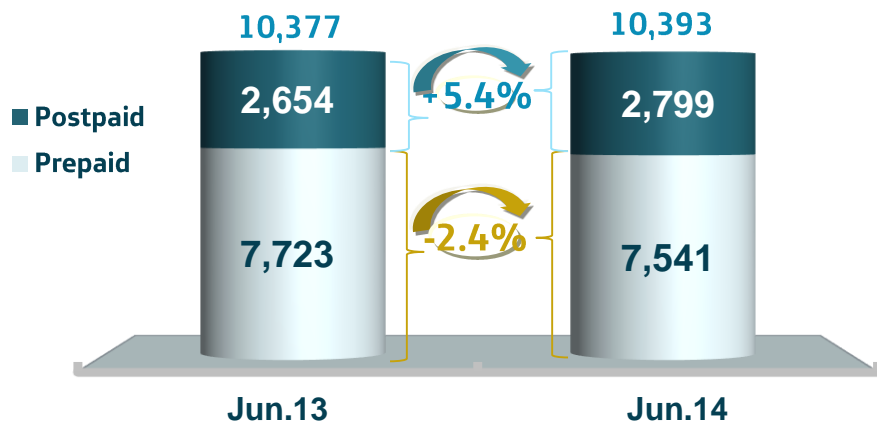
Total Accesses (F+M) as of June grow 2%, YoY



Recovery of Postpaid accesses

Postpaid and Prepaid accesses

thousands



- **Total Accesses** grow due to more Postpaid accesses, offset by Prepaid accesses drop (mainly Prepaid MBB)
 - ✓ **Postpaid accesses: +5.4%**, growth pushed by:
 - ✓ Positive evolution in new adds
 - ✓ **Leadership in 4G plans** which reach 91,477 customers as of Jun '14
 - ✓ Positive net adds (number portability)
 - ✓ **Mix post/prepaid: 27/73**

- **Total revenues decrease -4.5%**, mainly due to lower interconnection revenues as consequence of new mobile access charges since Feb.14 (-75% drop).
 - ✓ **Excluding interconnections, revenues grow 5.2%**, explained by:
 - ✓ Total Prepaid revs. (Voice + NEM*): + **8.2%**
 - ✓ Total Postpaid revs. (Voice + NEM): + **9.1%**

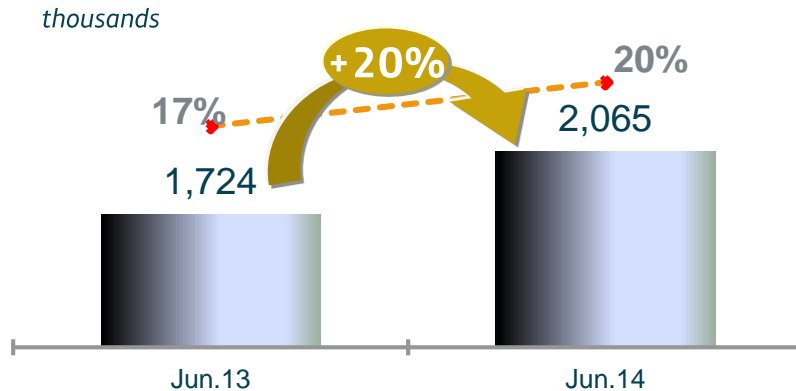
- **Market share (accesses): 39%**, maintaining leadership

*:NEM: Navigation in Mobile



Mobile Internet maintains growth boosted by new 4G plans

Mobile Internet Accesses ⁽¹⁾ and % s/mobile total accesses



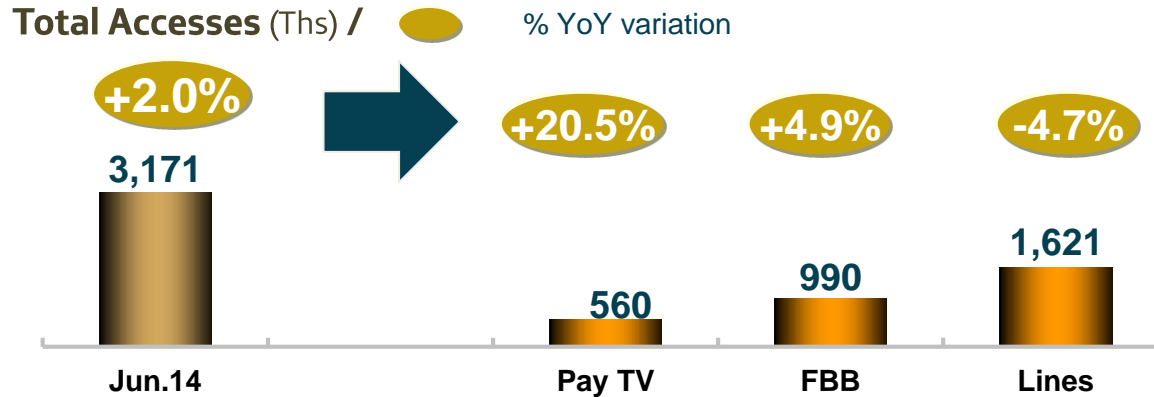
(1) Mobile Internet = MBB+NEM*+M2M

* **NEM: "Navigation in Mobile"**. Not included "NEM PPU" (NEM with pay per use)



- **Growth in Mobile Internet Accesses: +19.8%**, pushed by:
 - ✓ **NEM grows: +28.9%**, offsetting drop in MBB: -27.1%
 - ✓ New 4G plans strengthen mobile Internet offer
 - ✓ New applications promote mobile Internet use (ex. "Football World Cup mode")
- **Mobile Internet revenues increase: +42.3%**, due to:
 - ✓ **NEM revs. increase: +59.1%** (strong growth in prepaid and postpaid), partially offset by:
 - ✓ **MBB revs. decrease: 20%**, aligned with Company commercial strategy
- **Positive evolution in postpaid and prepaid NEM customers penetration**
 - 20% over total customers, with room to grow

PayTV and FBB sustain growth in Accesses and Revenues



FBB: High Speed Accesses push growth

- **FBB accesses increase due to growth in high speed accesses**
 - ✓ VDSL : 91,490 (+35.2%)
 - ✓ F.O. : 47,266 (+124.8%)
 - ✓ ADSL : 851,482 (-0.5%)

} High Speeds accesses
- **FBB revenues (24.4% o/total) grow +13.8%**, due to higher ARPU from High Speed plans and bundling of services
 - **High Speed / Total accesses = 14%**
 - "Tríos", "Dúos" (FBB+pay TV) and "single FBB" increase
- **MOVISTAR maintains market leadership: 40.1%**

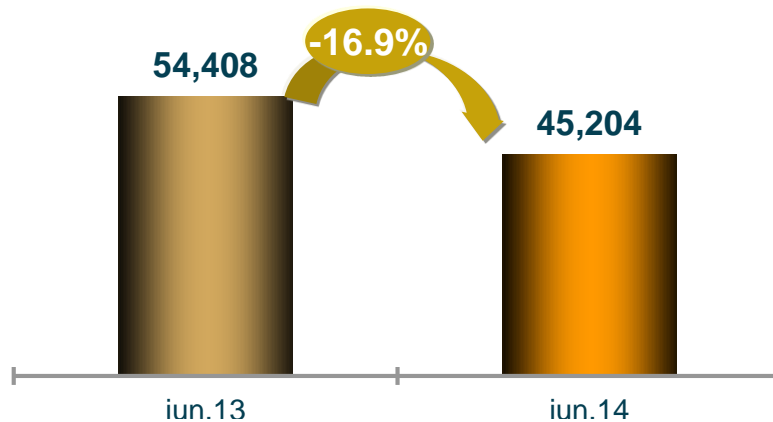
Pay TV growth in accesses and ARPU

- **Pay TV accesses : +20.5%**, pushed by:
 - ✓ DTH customer base: +18.2%
 - ✓ IPTV customer base: **17,114** (vs. 5,262 as of Jun.14)
 - ✓ Growth in High Speed FBB pushes IPTV growth
- **Pay TV revenues increase +28.5%**, (19.3% o/ total), due to higher ARPU as consequence of IPTV growth and succesful launching of new "HD" plans

Noticeable growth in Digital Services for Corporate Communication business

Corporate Communications revenues

Ch\$ Million



Main projects in 2Q14



Corporate Communications

- **Corporate Communications revenues** drop **16.9%**, meaning 13.6% of total consolidated revenues
 - ✓ Lower revenues are mainly explained by the end of Minsal (“Red Ministerio de Salud”) project and higher revenues from constitutional and presidential elections in 2013
 - ✓ Partially offset by growth in Digital Services: +10%, pushed by Cloud Computing and Financial Services, with accumulated growths of 18% and 221%, respectively

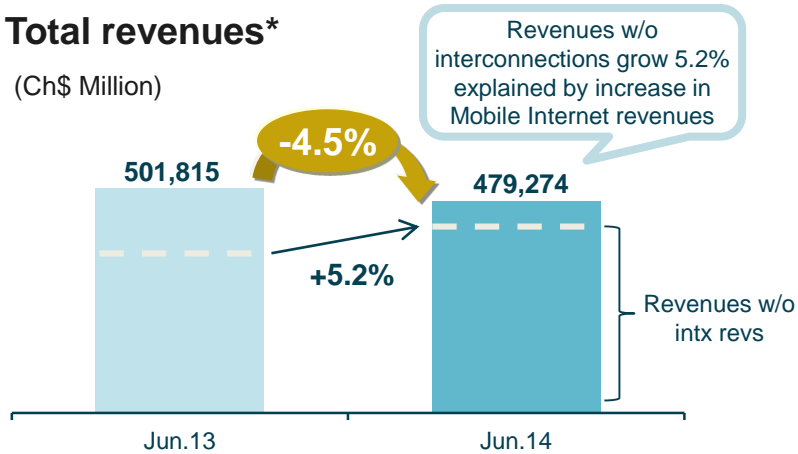
FINANCIAL OVERVIEW

Revenues and EBITDA evolution

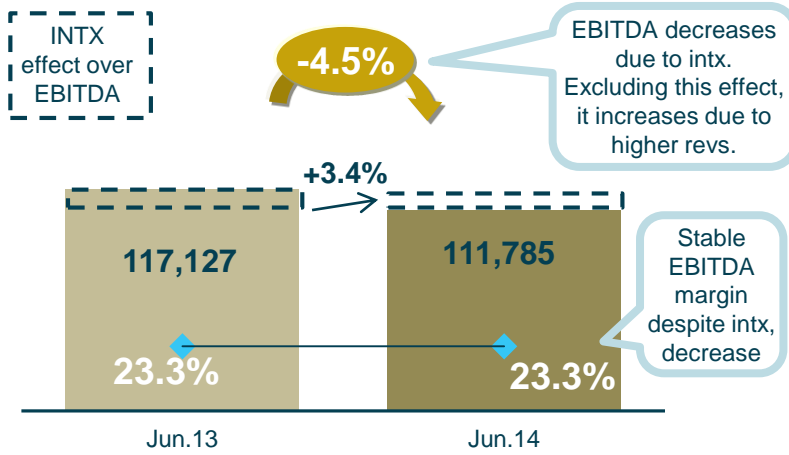
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Total revenues*

(Ch\$ Million)



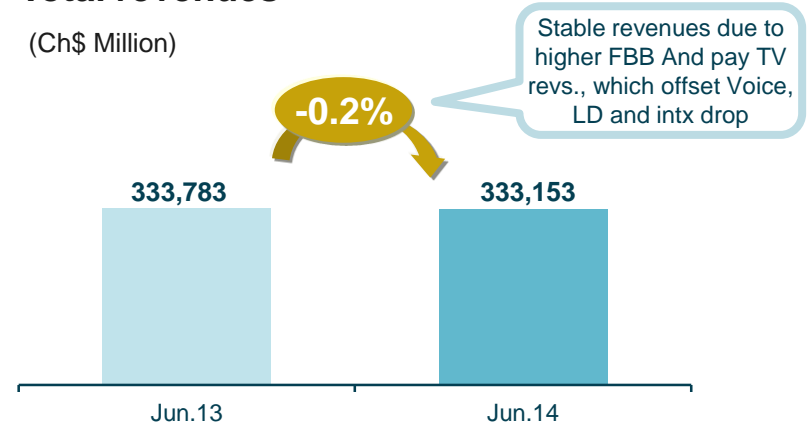
EBITDA (Ch\$ Million) and EBITDA margin (%)



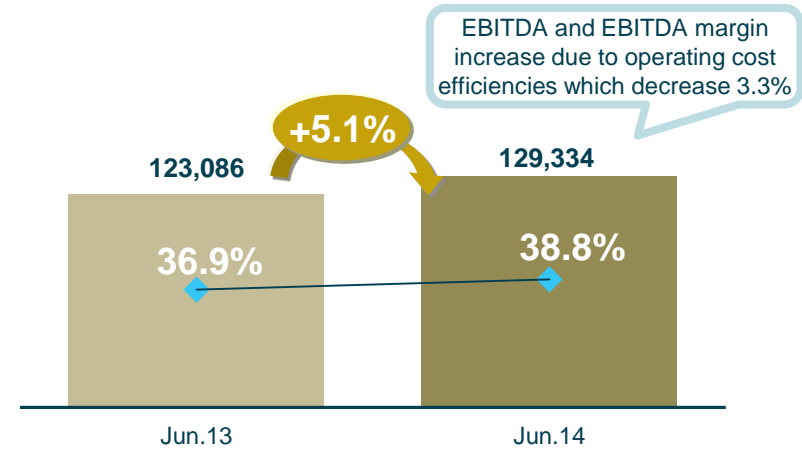
FIXED

Total revenues

(Ch\$ Million)



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

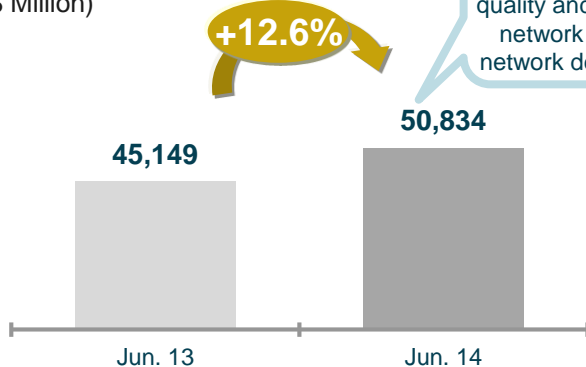


(*) Revenues impacted by mobile Access charges tariff decrease (-75%) since Feb '14

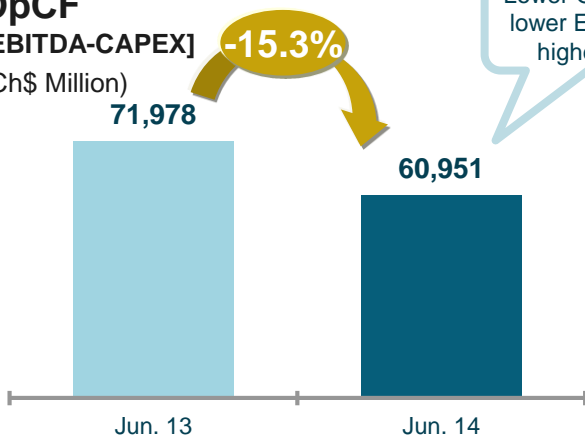
CAPEX and OpCF

MOBILE

CAPEX (Ch\$ Million)

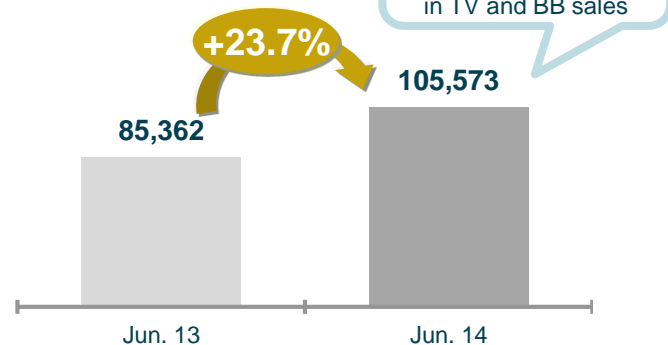


OpCF [EBITDA-CAPEX] (Ch\$ Million)

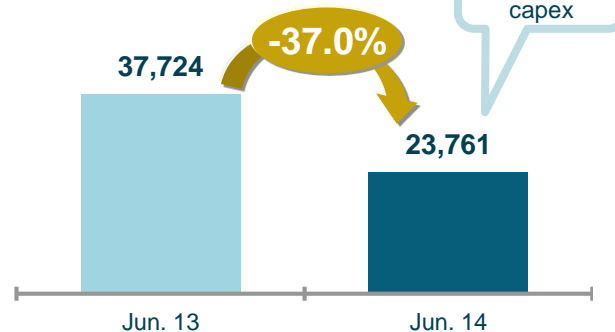


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CAPEX (Ch\$ Million)



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



Diversified debt structure and loose maturity profile

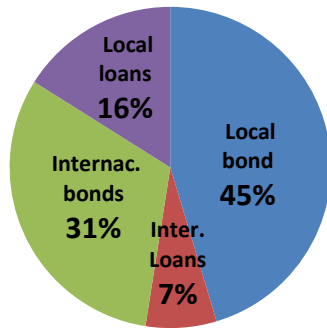
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Gross Debt as of Jun. 2014 → Ch\$ 462bn

Net Debt as of Jun. 2014 → Ch\$ 159 bn

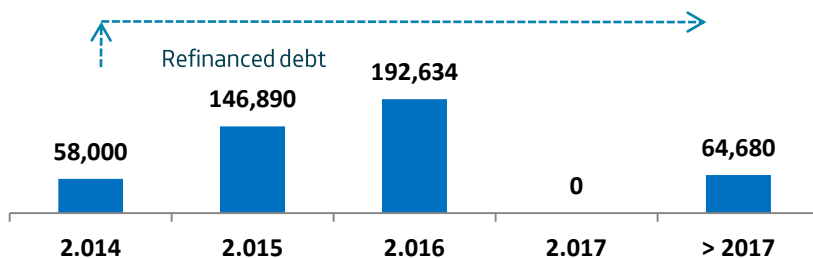
Structure:

Avg. Debt rate 5.7%



- ✓ **Gross Debt:** increase Ch\$ 65 mil mills. entre Jun 13 y Jun 14 principalmente por emisión de bono local serie F en octubre 2013.
- ✓ **Deuda Neta:** disminuye Ch\$ 31 mil mills. en igual período por mayor saldo de caja y activos financieros.

Debt Maturities profile



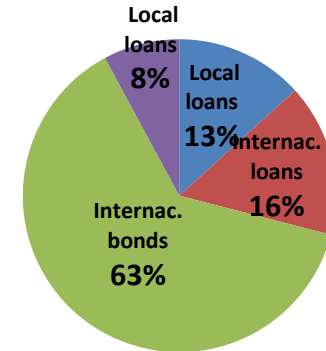
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Gross Debt as of Jun. 2014 → Ch\$ 374 bn

Net Debt as of Jun. 2014 → Ch\$ 308 bn

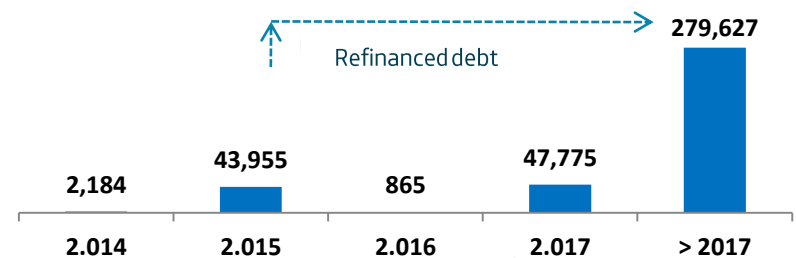
Structure:

Avg. Debt rate 6.2%



- ✓ **Deuda bruta:** disminuye Ch\$92 mil mills. entre Jun 13 y Jun 14, principalmente por amortización de bonos locales series M y N, compensado parcialmente por emisión de bono local serie Q (Mar. 14)
- ✓ **Deuda Neta:** Por este mismo efecto la deuda neta disminuye.

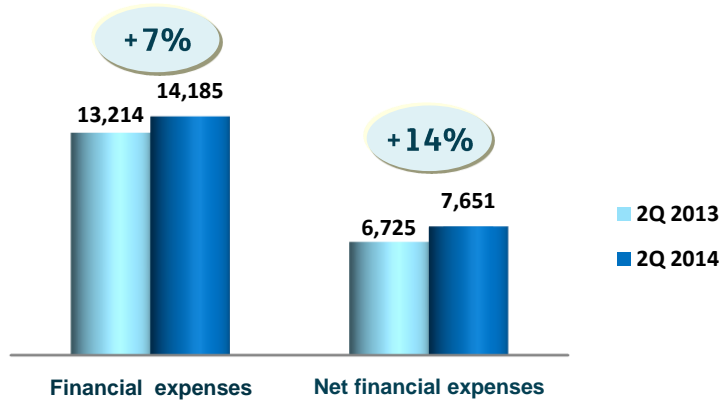
Debt Maturities profile



Coverage and Investment Strategies offset higher financial expenses

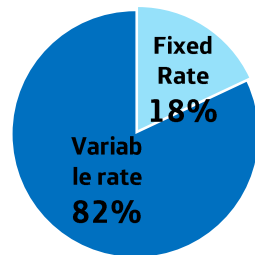
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Financial Expenses Ch\$ million



✓ Gross and net financial expenses increased primarily due to higher debt levels compared to the same period in 2013.

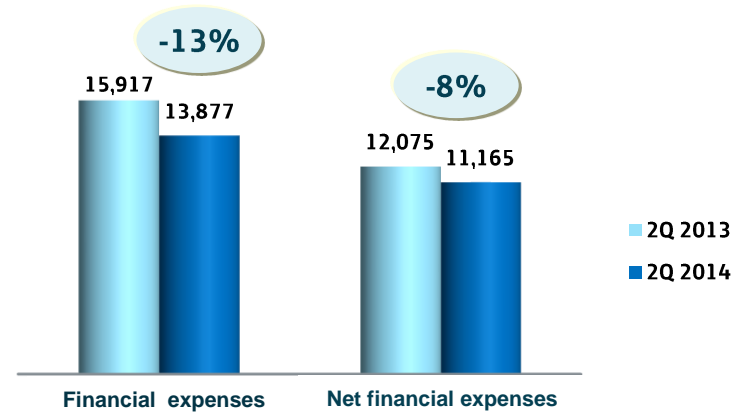
Currency and Interest Rate Coverage



FX 100% covered
CLP Depreciation 16% on average (Jan-June) for the year 2013, it has not impacted cash flows of debt and interest.

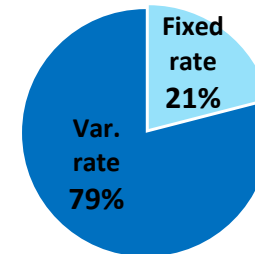
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Financial Expenses Ch\$ million



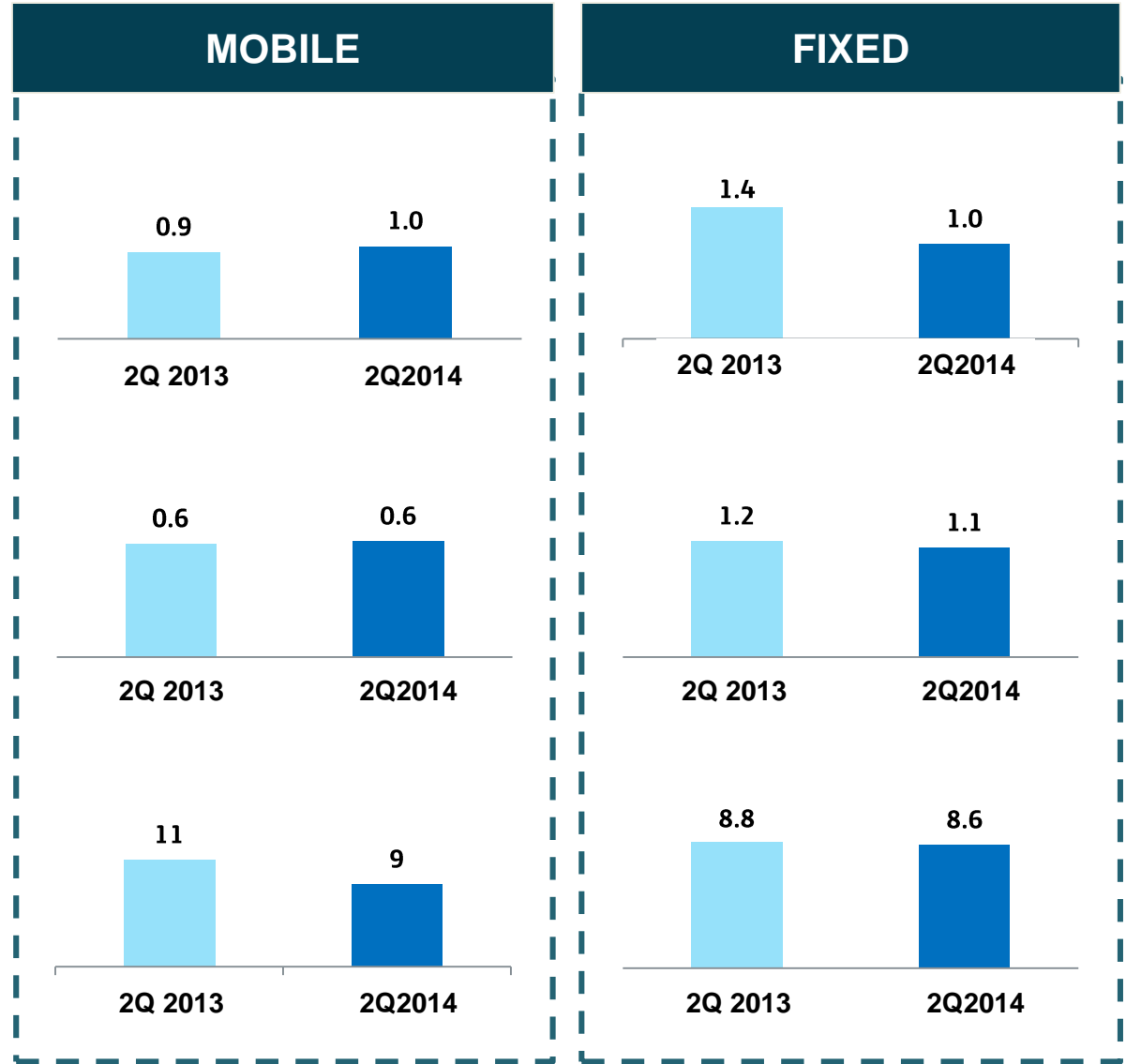
✓ Gross and net financial expenses decreased by lower average balance of financial debt compared to the previous year.

Currency and Interest Rate Coverage



Indicadores financieros se mantienen sólidos

Total Liabilities (less) hedging assets / Equity



Net Debt / EBITDA

EBITDA / Financial Expenses

Summary of Financial Results

Accumulated as of June 2014

Million Ch\$ IFRS	T. Móviles Chile			T. Chile	
	Jan-Jun 14	% Var. '14/'13	w/o intx. %Var. '14/'13	Jan-Jun 14	% Var. '14/'13
Total revenues	479,274	-4.5%	+5.2%	333,153	-0.2%
Operating expenses	367,488	-4.5%		-203,819	-3.3%
EBITDA	111,785	-4.6%	+3.4%	129,334	+5.1%
EBITDA margin	23.3%	0.0 pp		38.8%	-0.6 pp
Depreciation and Amortization	-46,660	-42.0%		-90,636	+17.5%
Operating Income	65,125	+77.4%		38,698	-15.8%
Net interest income and others	-5,717	+19.3%		-11,193	-6.3%
Taxes	-9,225	+4.0%		-2,995	-61.1%
Net income before minority interest	50,182	+117.8%		24,510	-6.8%
Net income	50,182	+117.8%		22,427	-8.6%

Summary...

- ❑ Growth in mobile postpaid customer base: + 5%
- ❑ While revenues from mobile business are affected from Feb.14 by the reduction in access charges (CAM) in about -75%, EBITDA margin remains stable.
- ❑ TMCH revenues excluding interconnections grow 5.2% due to:
 - access and revenue growth in mobile Internet, which increased 20% and 42%, respectively, driven by NEM
 - Strong growth in mobile internet revenues resulted in revenue growth of 8.2% and 9.1% in prepaid and postpaid total revenues (Voice plus Internet), respectively.
- ❑ In the wireline business FBB revenues increased 14%, driven by high speed BB, while TV revenues increased by 29% due to growth in accesses and higher ARPU
- ❑ Fixed business EBITDA margin: 38.8%
- ❑ Mobile business EBITDA margin: 23.3%



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