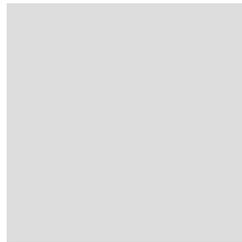
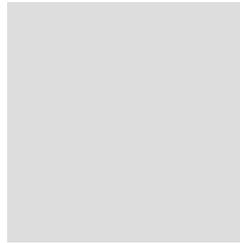
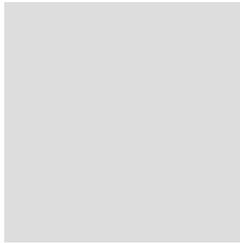
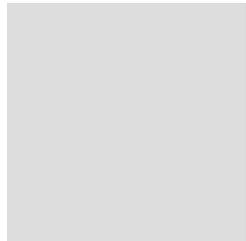
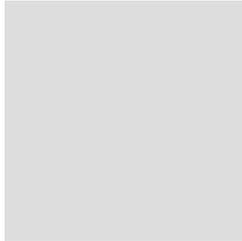


Telefónica CTC Chile



Santander Investment Conference

January 2005



MARKET AND COMPANY OVERVIEW

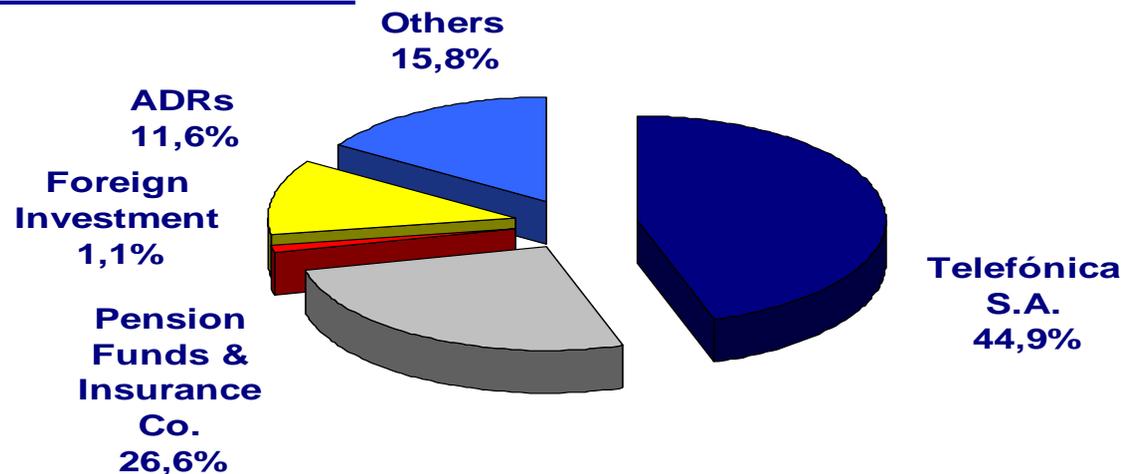
Solid Economic Performance

- ❑ **Solid GDP growth:** Projections of 5.8% for 2004 and 5.4% for 2005E.
- ❑ **Controlled inflation:** Inflation rate of 2.4% in 2004, within the target range defined by the Central Bank. Projection of 2.6% for 2005.
- ❑ **Unemployment (annual average)** of 8.8% and a estimated rate of 8.4% for 2005.
- ❑ **Private and Public Consumption** from 6.5% of GDP in 2004 to 5.5% in 2005.
- ❑ **Interest Rate (full year avg.):**
 - Short-term (TAB 90 days)*: 1.4% for 2004 and 2.1% expected for 2005.
 - Long-term (10Y Central Bank rate)*: 3.5% for 2004 and 3.6% estimated for 2005.



Telefónica CTC Chile in the Chilean Telco Industry

- ❑ Telefónica CTC Chile is the main Chilean operator in the telecommunication industry. It participates in fixed telephony, long distance, data and broadband, among others
- ❑ Excluding the Mobile Business, the Company generated **US\$707 million** of revenues and **US\$369 million** of **EBITDA** in the first nine months of 2004.
- ❑ Current ratings:
 - Standard & Poor's: **BBB / Stable Outlook**
 - Moody's: **Baa2 / Stable Outlook**
 - Fitch: **BBB+ / Stable Outlook**
- ❑ Market Capitalization as of 12.31.04: **US\$ 2,670 million**
- ❑ Ownership Structure at 12.31.04



Competition in the Chilean Telecom Industry

Telefónica CTC Chile's market share vs. Competitors

			<u>Market Penetration</u>	<u>Market Position</u>
Fixed Telephony (8 participants)		Lines /100 inhabs.	20.2	1
DLD (15 participants)		Minutes/ Inhabs./year	100	1
ILD (15 participants)		Minutes/ Inhabs./year	13	2
Data (10 participants)		Revenues	n.a.	1
Broadband (6 participants)		Connections ⁽¹⁾	433.087	1
Home Security (3 participants)		Connections	192,698	2

■ Telefónica CTC Chile ■ Main competitor ■ Others



- (1) Includes connections with download speed over 128 Kbs
 (2) As of Dec. 2003

Local Telephony Regulation

On May 4, 2004, Tariff Decree No. 169 was announced, defining:

- ❑ 7 tariff areas vs. 4 in previous Tariff Decree No. 187
- ❑ 3 time slots (night, reduced and peak) vs. 2 time slots
- ❑ The introduction of a prepaid tariff and a flat fee for network usage to ISP

In September 2004, Subtel resubmitted the tariff decree, incorporating modifications (following the appeals presented by operators).

- ❑ The Company has provisioned this new tariff adjustment
- ❑ Tariff decree No.169 will go into effect in a retroactive manner to the clients once the Chilean General Controller publishes it in the Official Gazette.

Additionally, on February 26, 2004, the Regulator authorized the Company to launch alternative tariff plans to customers.



Unbundling of Network



- ❑ Since 1999, unbundling of the local network exists in Chile for incumbent local exchange carriers including CTC and Telefónica del Sur.
- ❑ Since the year 2004, the Antitrust Commission defined that this service has to be regulated through tariff decrees for all the industry operators.
- ❑ Subtel has presented a public proposal to define new services to unbundle:
 - Obligation to invest in order to satisfy third party requests.
 - Assigns ownership of the line to the client.
 - Introduce the obligation for resale for mobile companies
 - It also regulates conditions for wholesaler offers of the Company's alternative plans
- ❑ The majority of the industry is against these changes and consider that law is required in order to introduce these new obligations

IP Telephony

- ❑ In September 2004, Subtel presented a rule proposal for IP telephony.
- ❑ It defined the IP telephony over broadband with less regulatory requirements than traditional telephony.
- ❑ This service is offered over an already installed broadband
- ❑ Companies who have license for traditional public telephony can not offer this service.
- ❑ The majority of the industry is against this proposal, considering that it is discriminatory for traditional companies and that it will affect the development of the industry, discouraging investment for new infrastructure in broadband.



Telefónica CTC Chile's New Dividend Policy

- On September 21, 2004, the Company modified its dividend policy to 100% of net income through:
 - Interim dividend in November of each year
 - Final dividend: May of following year (subject to shareholders' approval)

- Additionally, the Board intends to propose to shareholders in April, 2005, the distribution of total accumulated retained earnings as of December, 2004, through the payment of a final dividend.



The Company's Strategy



To be a local business which:

- Is a high generator of cash
- Has low level of capex
- Has a solid infrastructure with high technological potential

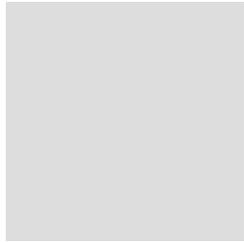
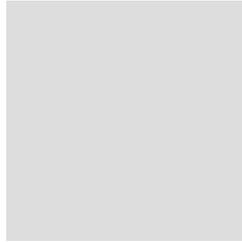
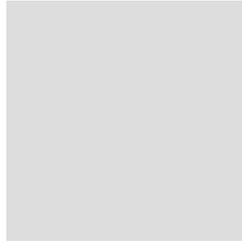
Developing the broadband business, which has:

- High growth potential
- Low levels of penetration
- Low marginal capex

Leading corporate communications sector with:

- IP services
- Outsourcing to companies

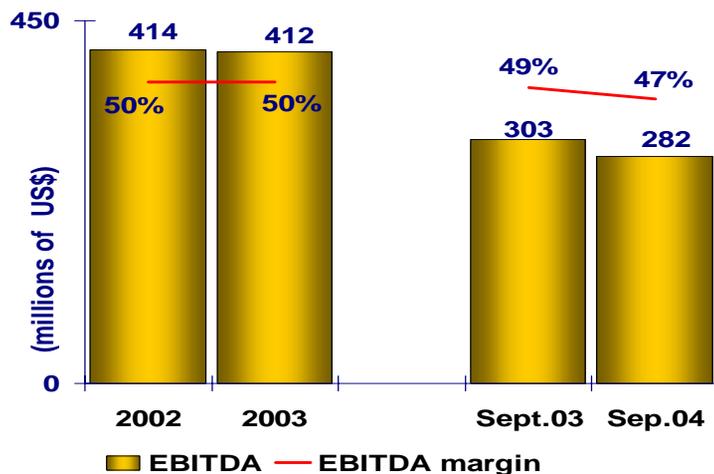
This strategy allows Telefónica CTC Chile to maintain a solid financial position while taking advantage of business opportunities



BUSINESS OVERVIEW

Evolution of Fixed Telecommunications Business

Business EBITDA



Strategy: Solid Cash Flow Generation

- Flexibility in plans and offers
- Increase revenues from new services over fixed lines (innovation)
- Focus on customer service and increase loyalty
- Prepaid Plan to control uncollectables

Main Indicators:

	<u>Sept. 2004</u>	<u>Var. 04/03</u>
■ Lines in service (eop)	2,398,137	-3.6%
■ Traffic per line/ day	15.7	-1.9%
■ Market share (%)	74.1%	-0.9 p.p.
■ ADSL in service (eop)	180,487	+67.7%
■ Clients with minutes plans (voice)	123,044	n.a.
■ Prepaid cards (activated)	9,809,729	+23.0
■ Security services clients (eop)	59,689	+28.2%
■ ARPU Total	US\$21	-3.4%

US\$ Figures consider an exchange rate of Ch\$608.9 per US\$1, as of September 30, 2004



Flexibility in the Fixed Telephony

Since June 2004, the Company launched new flexible plans allowing the Company to provide better terms to current clients as well as to capture new customers

Plans of Minutes: monthly fee with a fixed number of minutes according to customer consumption.

Super Economic Line was launched allowing the client to have a prepaid plan from US\$ 5 per month

Economic line: monthly fee with a fixed number of minutes. Additional minutes can be purchased with prepaid cards.

More plans with bundled services will continue to be developed (e.g. Broadband, Satellite TV and Minutes).

Lines in service

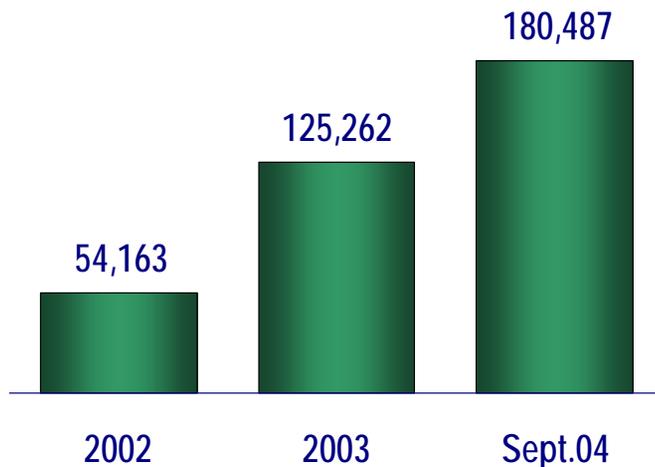
(End of period)
Thousands of lines



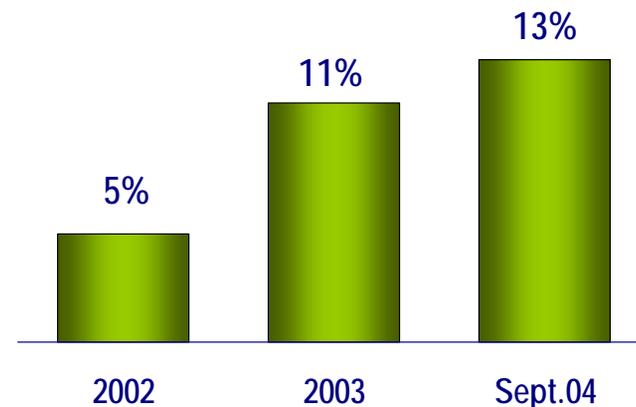
Broadband Business



ADSL lines in service



Market: % of Broadband Access*/Fixed Lines



- Broadband expansion
- Value added services over ADSL lines

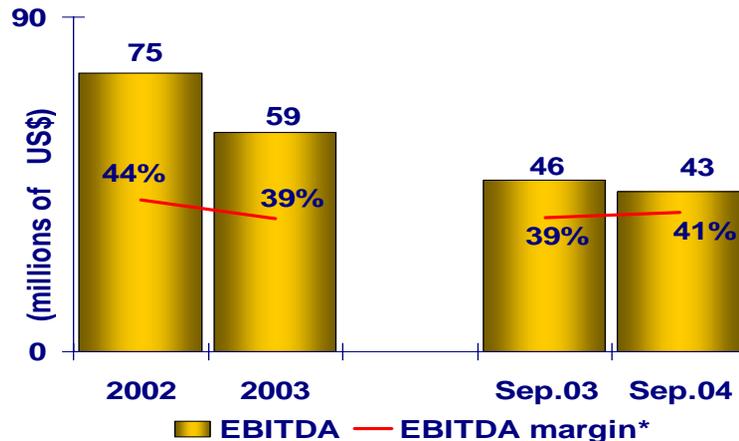
- Market leader with 43%* market share as of September 30, 2004
- Marketing strategies to generate demand
 - Double speed
 - Wi Fi & Wi Max (195 Hot Spots)
 - Broad Band + Voice
 - Broad Band + PC leasing (IBM)

* Includes connections with download speed over 128 Kbs

Evolution of the Long Distance Business

Long Distance Business EBITDA

Strategy: Strengthen market share



- Commercial efforts mitigate the market trend by improving market share
- Constant product innovation and flat fee plans to maintain traffic and to increase customer loyalty

Main Indicators Mundo + Globus

	<u>Sept. 04</u>	<u>Var. 04 vs 03</u>
• DLD traffic (millions of min.)	501	+4.1%
• ILD traffic (millions of min.)	51	+5.1%
• DLD market share (%)	44.1	+4.8 b.p.
• ILD market share (%)	31.6	+0.7 b.p.
• Average DLD rate (Ch\$/min)	41	-14.5%
• Average ILD rate (Ch\$/min)	184	-14.8%

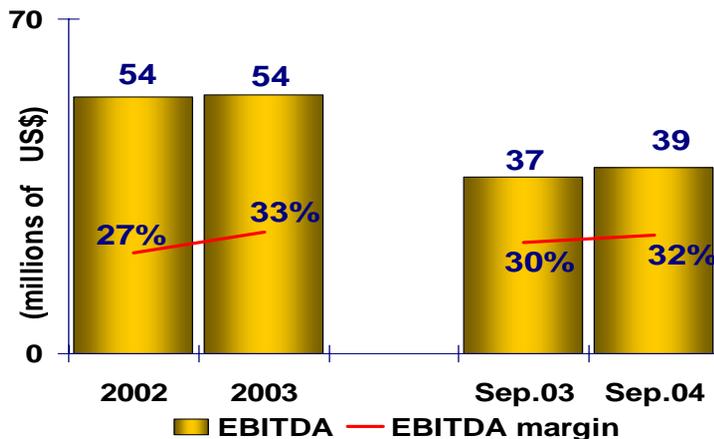
- EBITDA margin calculated with outgoing ILD revenues net of settlement rates.
US\$ Figures consider an exchange rate of Ch\$608.9 per US\$1, as of September 30, 2004



Corporate Customer Communications



Corporate Communications EBITDA



Strategy: Lead the corporate segment

- Consolidation of outsourcing projects and IP solutions
- Multiple customized applications and new value added services to enhance growth and market penetration

Main Indicators:

- Dedicated IP Clients (eop)
- Switched IP Clients (eop)
- ATM (eop)
- Frame Relay (eop)

Sept. 2004

Var. 04 / 03

Dedicated IP Clients (eop)	9,544	+51.1%
Switched IP Clients (eop)	14,510	-24.7%
ATM (eop)	1,686	-2.1%
Frame Relay (eop)	4,073	-18.6%

US\$ Figures consider an exchange rate of Ch\$608.9 per US\$1, as of September 30, 2004

Successful Financial Restructuring

On December 22, CTC successfully completed its financial restructuring initiated after the sale of Telefónica Móvil de Chile S.A..

- The restructuring generated a debt reduction of over US\$500 million, an increase in the average maturity term and a decrease in the average cost of debt, which should reduce financial expenses in the following years.
- Renegotiation of syndicated loans for US\$200 million (Dec. 2004)
- In December 2004 Yankee Bonds for US\$182 million were repurchased (a charge of US\$14 million will be recognized in 4Q04).
- Additionally, between July and December, 2004, the Company paid down maturing debt together with debt prepayments for a total amount of US\$210 million.

The restructuring will also include the redemption of Series K Local Bonds for US\$115 million scheduled for February, 2005.

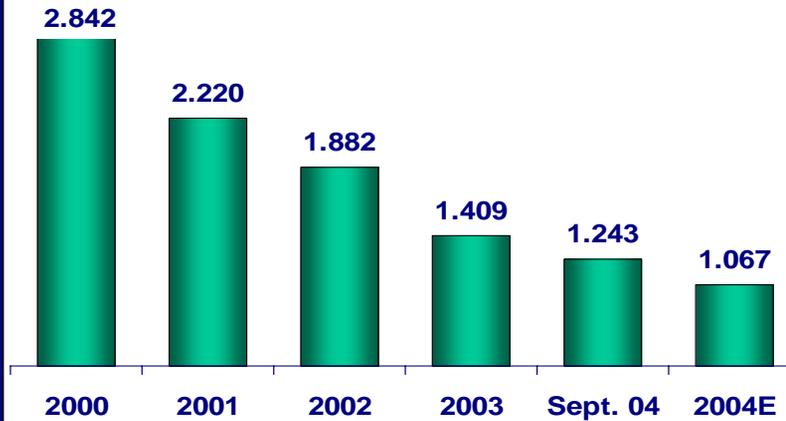


Financial Strategy



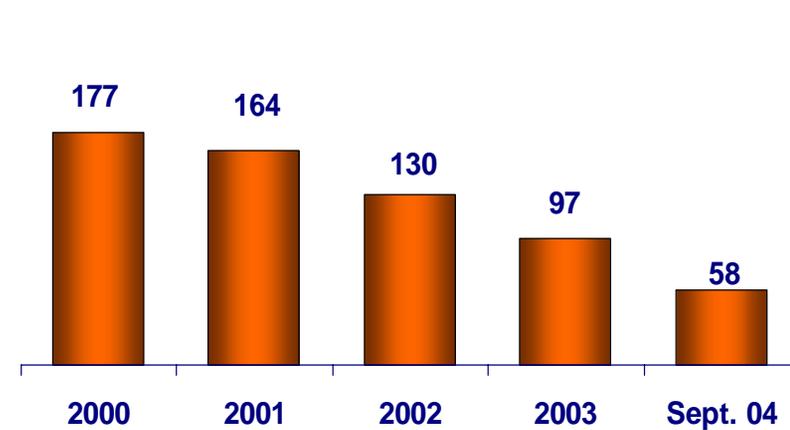
Reduce Financial Debt

Millions of US\$ as of September 30, 2004



Reduce Interest Expenses

Millions of US\$ as of September 30, 2004



Financial Indicators	1999	2000	2001	2002	2003	Sept.04(*)
Leverage (Tot. Liab./Equity)	1.36	1.41	1.34	1.09	0.93	1.14
Interest Coverage (EBITDA/Net Financial Expense)	5.14	3.64	5.33	6.38	7.27	20.84

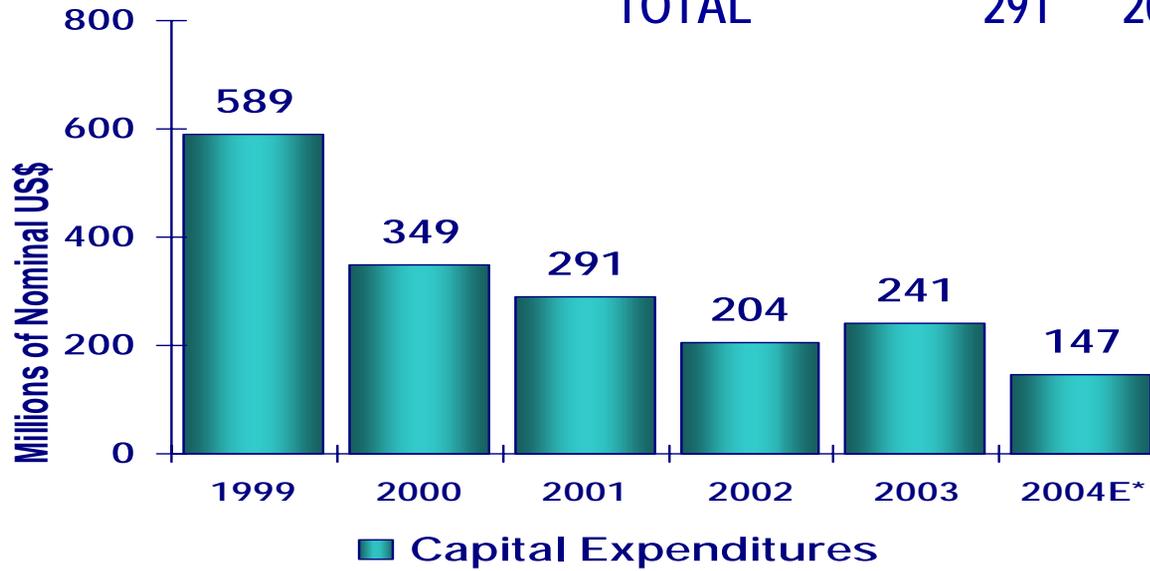
(*) : In September 2004, financial ratios were affected by the sale of T.Móvil.

Capital Expenditure Redistribution

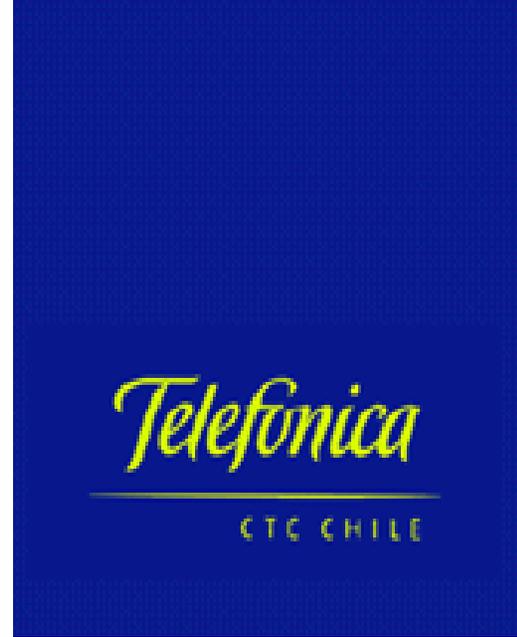
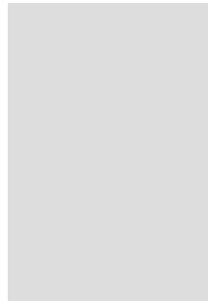
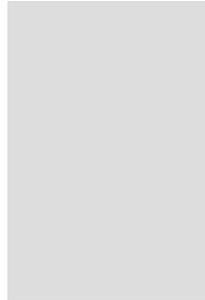
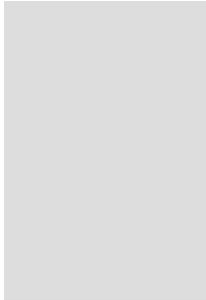


- Focus on ADSL
- Investment in installed capacity of local telephony business

	2001	2002	2003	2004E
Fixed Telephony	59	36	19	18
Broadband	21	18	30	39
Mobile	90	71	132	29*
Data	49	28	27	23
Long Distance	19	6	2	2
Other Businesses	53	45	31	36
TOTAL	291	204	241	147



*Historical figures expressed in million of nominal US\$
* Considers 6 months of Telefónica Móvil de Chile S.A.*



Consolidated Income Statement

In millions of US\$

	2003	Var 03/02	2003 Proforma w/o T.Movil	2004 9 months w/o T.Movil	Var 04/03
OP. REVENUES	1,369	-6.5%	987	707	-4.0%
OPERATING COSTS	(1,175)	-5.5%	(815)	(573)	-5.6%
OPERATING INCOME	194	-12.5%	172	134	+3.5%
Operating Margin	14.2%	-1.0 b.p	17.4%	18.9%	+1.3 b.p.
EBITDA	643	-3.5%	513	369	-3.6%
EBITDA Margin	47.0%	+1.5 b.p	51.9%	52.2%	+0.2b.p.
NON OP. RESULT	(128)	-37.6%	(88)	-34	-53.5%
Taxes	(49)	+7.5%	(53)	(43)	+11.6%
NET RESULT	17	c.s.	31	57	+208.6%

Full year figures consider an exchange rate of Ch\$593.8 per US\$1. Nine months figures consider an exchange rate of Ch\$608.9 per US\$1



