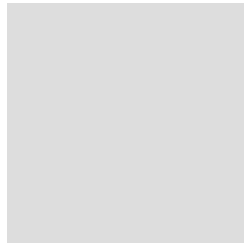
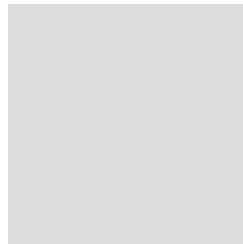
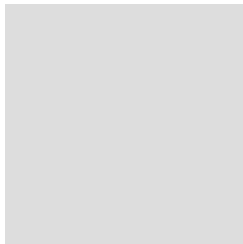


Telefónica CTC Chile



UBS Emerging Markets Conference

November 2004

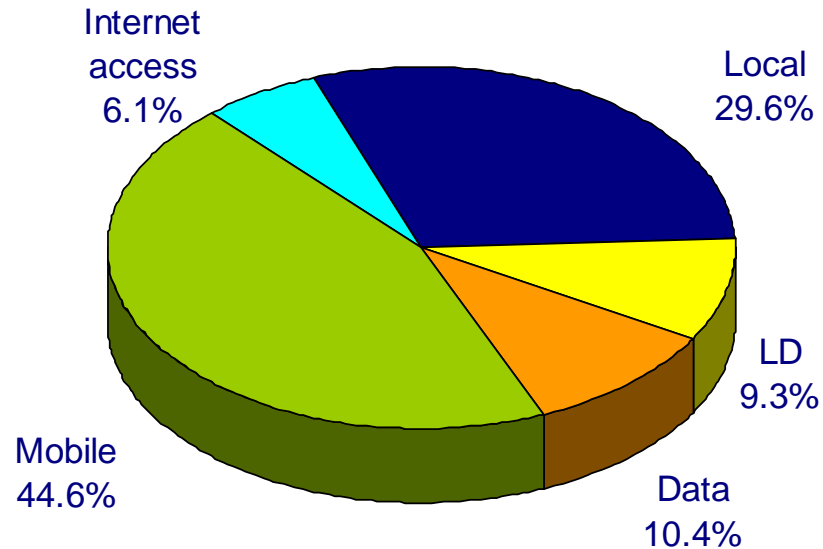
Selected Chilean Macroeconomic Estimates



	<u>2003A</u>	<u>2004E</u>	<u>2005E</u>
GDP growth	3.3%	5.3%	4.9%
Inflation (EoP)	1.1%	2.8%	2.9%
Unemployment (annual avg.)	8.5%	8.7%	8.5%
Private and Public Consumption	3.1%	5.1%	5.0%
Current Account/ GDP	-0.8%	3.2%	2.5%
Trade Balance (US\$MM)	3,015	9,096	7,006
Exch. Rate (Ch\$)(EoP)	593.8	606.0	620.0
Interest Rate (full year avg.):			
- Short-term (TAB 90 days)*	2.9%	1.1%	2.7%
- Long-term (10Y Central Bank rate)*	4.0%	3.4%	3.6%

Chilean Telecom Industry Overview

2003 Total Revenues: US\$2,768 million



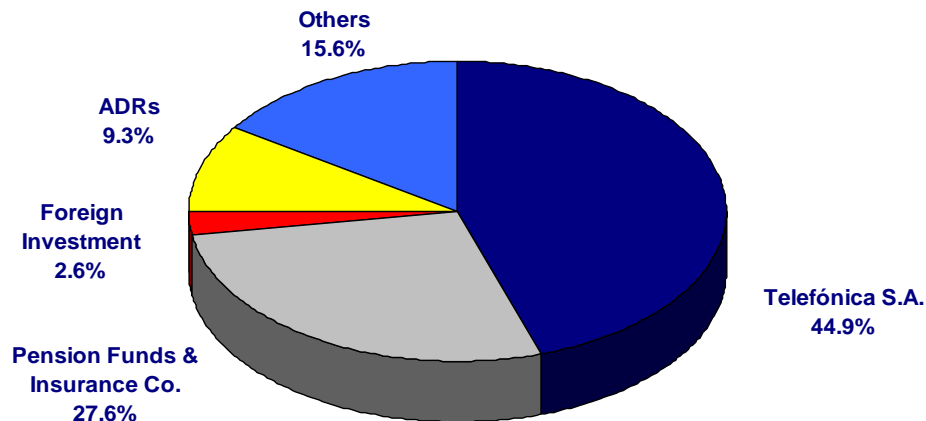
KEY MARKET TRENDS:

- Mobile penetration is 57%, which represents 2.8 times the penetration of the fixed lines (traffic substitution in Local and LD businesses)
- LD traffic in the industry with a declining trend
- Internet growth driven by broadband
- Migration to more efficient technologies in corporate communications
- 2004E expected industry growth: +3.2- 3.7%









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 10.29.04: US\$ 2,489 million**
- **Ownership Structure at 10.29.04**



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.	20.3	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 2004-2009

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
- Modifications to the tariff indexator.

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.

	<u>Avg Tariffs* T. D. 169 (Sept)</u> (US\$ cents/min.)**	<u>Var. vs. previous T.D.</u> (%)
Fixed Charge (US\$)	11.2	+7.7%
Measured Local Service	1.8	-18.3%
Local Tranche - Mobile & Rural	1.5	+48.3%
Local Tranche - Internet /10X No.	0.9	+28.3%
Access Charge	0.8	+49.4%
Prepaid tariff (without tax)	24.7	n.a.

As a result of Tariff Decree No. 169, the Company estimates an increase of roughly 2% in its annual regulated revenues

* Weighted according to 2003 real traffic in their different time slots

**For conversion purposes, exchange rate used is as of Sep 30, 2004: Ch\$608.9 per US\$1

Compañía de Telecomunicaciones de Chile S.A.



Tariff Flexibility



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

GENERAL FRAMEWORK:

- These plans do not require prior approval by Subtel (but must be informed to Subtel prior to the launching)
- They are not subject to any maximum tariff level or predefined structure
- Have to be offered equally to all clients within a tariff area
- The client has the right to return to the regulated plan
- The plan must be valid for a minimum period of one year and must be made public

Sale of Telefónica Móvil de Chile S. A.

- On July 15, 2004, Telefónica CTC Chile's shareholders approved the sale of the Company's mobile subsidiary, Telefónica Móvil de Chile S.A., to Telefónica Móviles S.A. with an approval of 69.1% of all shares and of 53% of the minorities present and ADR holders who voted at the extraordinary shareholder meeting for the sale.
- The sale price totaled US\$1,321 million and resulted in a financial profit after taxes of Ch\$302,658 million (approximately US\$497* million) recognized during 3Q04.
- Additionally, on August 31, 2004, as part of the transaction, Telefónica CTC Chile paid two extraordinary dividends of Ch\$394 per share (US\$2.5074 per ADR) with charge to retained earnings, and Ch\$131 per share (US\$0.835808 per ADR) with charge to net income 2004. Both dividends amounted to US\$800 million.

** Based on exchange rate of September 30, 2004 of Ch\$608.9 per US\$1*



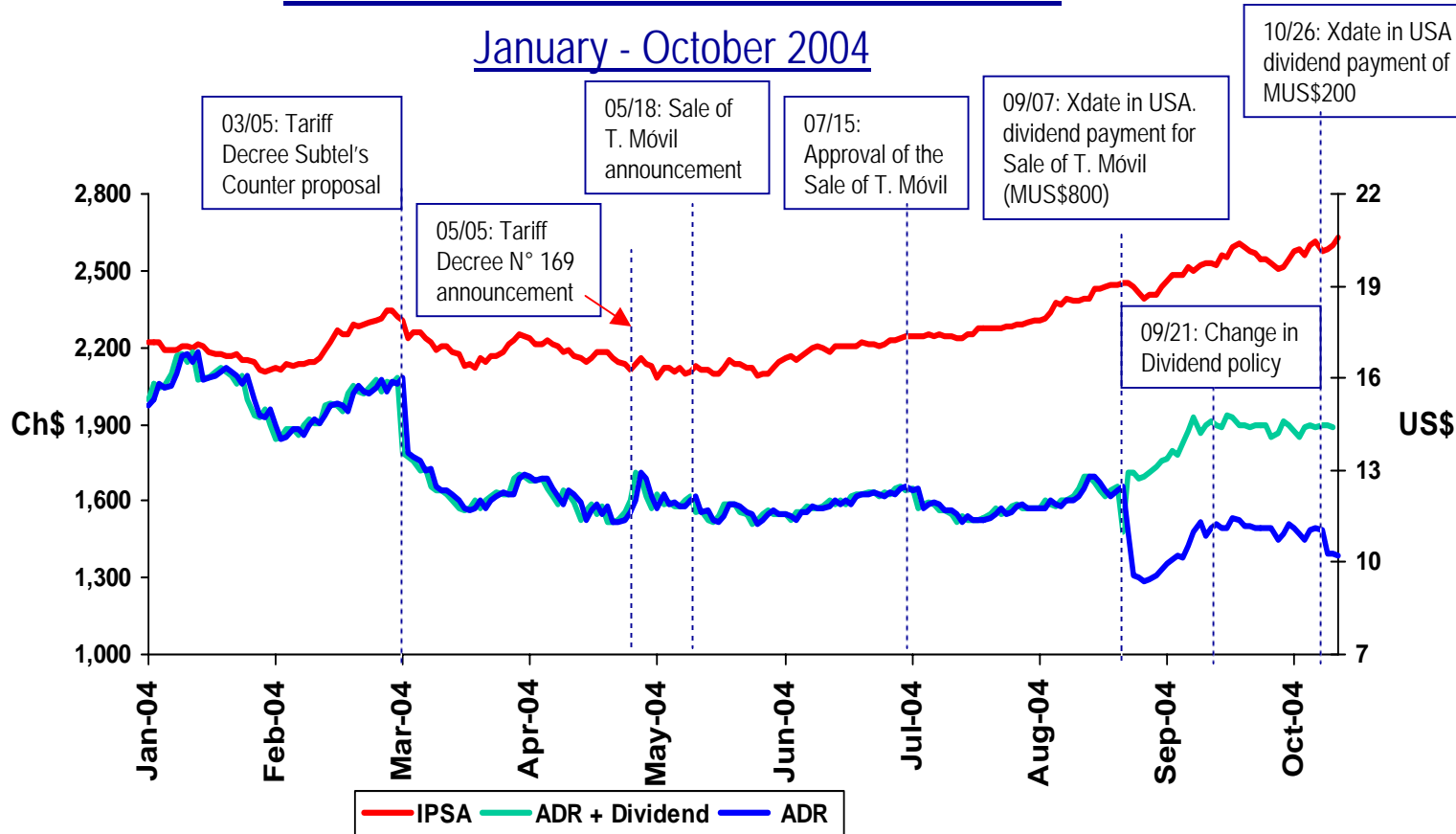
Telefónica CTC Chile Modifies its Dividend Policy and Announces Interim Dividend Payment

- On September 21, 2004, the Company modified its dividend policy to 100% of net income through:
 - Interim dividend:
 - US\$200 million (Ch\$130/share charged to net income 2004).
 - Payment date: November 4, 2004
 - 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



2004 STOCK PRICE EVOLUTION

January - October 2004



2004 - Dividend Paid:

Payment date	US\$/ADR	Yield	Total amount distributed
May 9, 2004	0.020	0.16%	US\$ 5 million
August 31, 2004	3.343	26.85%	US\$800 million
November 4, 2004	0.854	7.74%	US\$200 million

2004 Dividend Yield (against ADR price as of 12.31.03) = **28.2%**



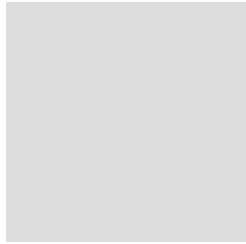
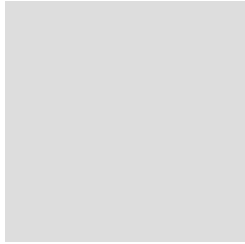
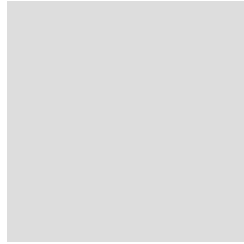
Company Model for the Future



The Company's focus is on:

- **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 the corporate communications sector**

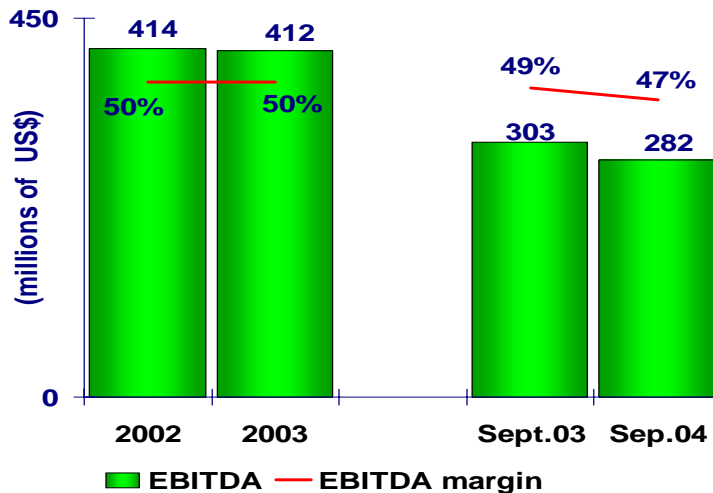
This strategy allows Telefónica CTC Chile to maintain a solid financial position while taking advantage of new business opportunities



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:

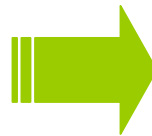
	<u>Sept. 2004</u>	<u>Var. 04/03</u>
▪ Lines in service (eop)	2,398,137	-3.6%
▪ Traffic per line/ day	15.7	-1.9%
▪ Market share (%)	74.1%	-0.9 p.p.

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



Tariff Flexibility in Fixed Telephony

- Tariff Flexibility
- Clients segmentation



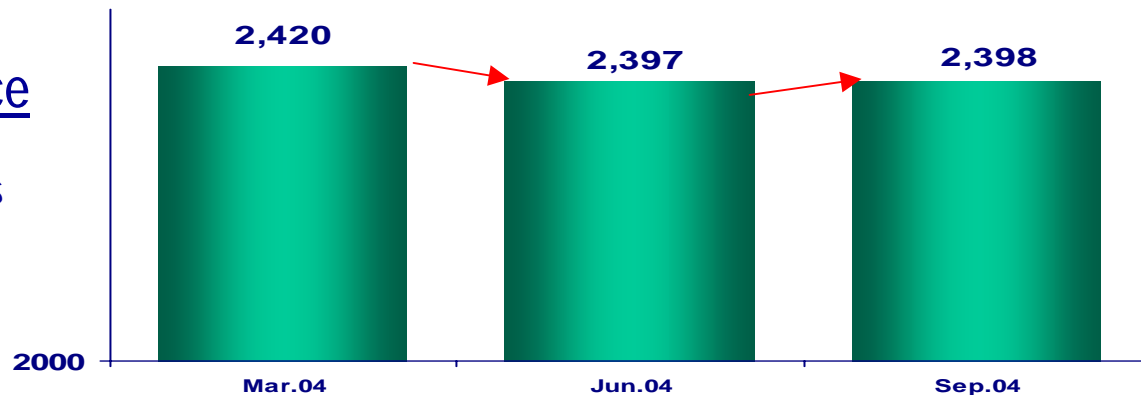
Allows the Company to provide better terms to current clients as well as to capture new customers

In June 2004, the Company launched new plans for households and small companies:

- “Plans of Minutes”: monthly fee that includes a fixed number of local minutes for low, medium and high usage clients. They aim to attend the different needs of the clients.
- More plans with bundled services will continue to be developed (for example Broadband, Satellite TV and Minutes).
- These plans represented 1.6% of total revenues in the Third quarter 2004

Lines in service

(End of period)
Thousands of lines



New Revenues over the Fixed Line



New fixed telephony businesses mitigate the decrease in revenues:

- ADSL
- Plans of Minutes
- Prepaid Services
- Teleemergencia (Security Services)
- Internet Flat Fee
- Value-added services

Other Services over the Fixed Line:

	<u>Sept. 2004</u>	<u>Var 04/03</u>
■ ADSL in service (eop)	180,487	+67.7%
■ Clients with minutes plans (voice)	123,044	n.a.
■ Prepaid cards (activated)*	1,089,970	+23.0%
■ Security services clients (eop)	59,689	+28.2%
■ ARPU ** Total	US\$21	-3.4%

*: Average activated cards equivalent to \$1.000 in a month

** : Includes Fixed Charge, Variable Charge, and others services associated to the fixed line as ADSL, plans of minutes, Teleemergencia, among others. It Doesn t include suspended lines.

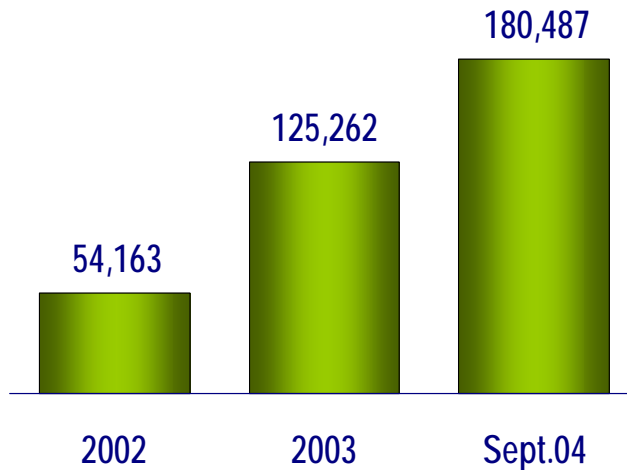
Broadband Business



- Broadband expansion
- Value added services over ADSL lines

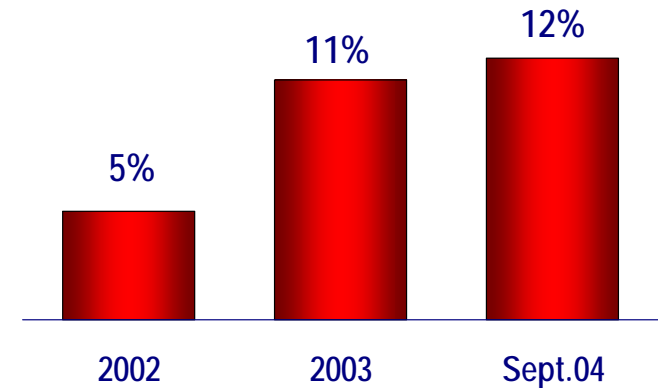
- Market leader with 43%* market share as of September 30, 2004
- Marketing strategies to generate demand
 - Double speed
 - Wi Fi & Wi Max (195 Hot Spots)
 - Broad Band + Voice

ADSL lines in service



Market:

% of Broadband Access*/Fixed Lines

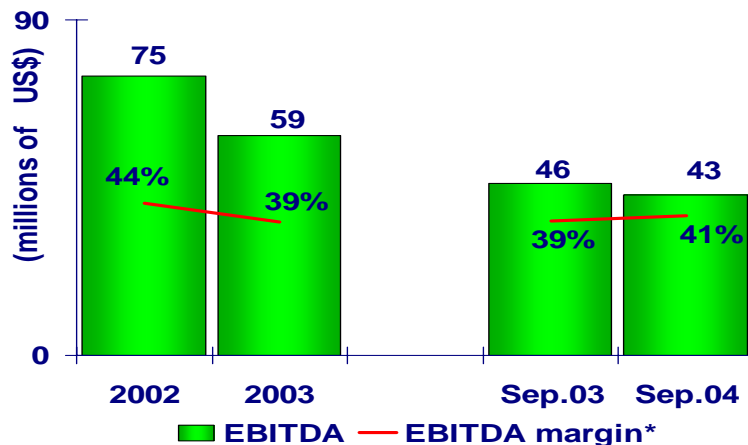


* Includes connections with download speed over 128 Kbs

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

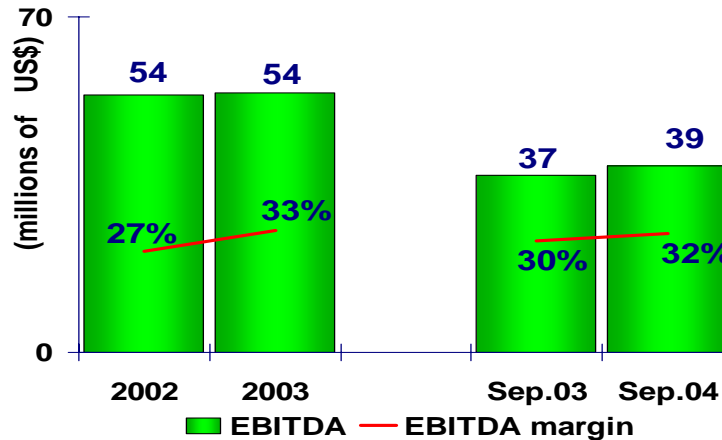
	<u>Sept. 04</u>	<u>Var. 04 vs 03</u>
• DLD traffic (millions of min.)	501	+4.1%
• ILD traffic (millions of min.)	51	+5.1%
• DLD market share (%)	44.1	+4.8 b.p.
• ILD market share (%)	31.6	+0.7 b.p.
• Average DLD rate (Ch\$/min)	41	-14.5%
• Average ILD rate (Ch\$/min)	184	-14.8%

- 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

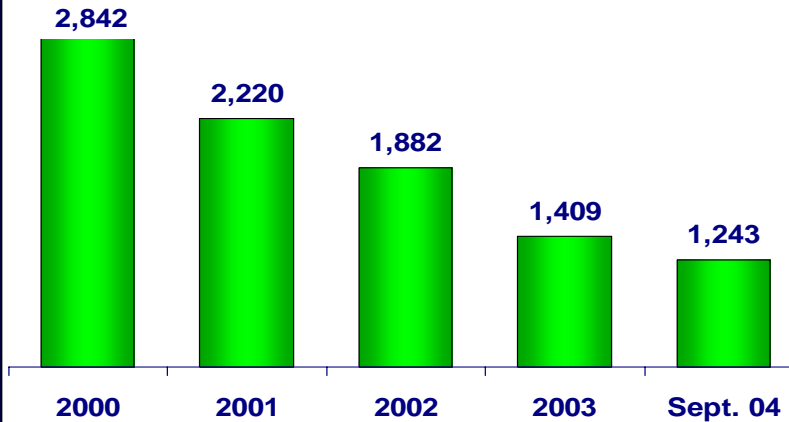
9,544	+51.1%
14,510	-24.7%
1,686	-2.1%
4,073	-18.6%

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

Financial Strategy

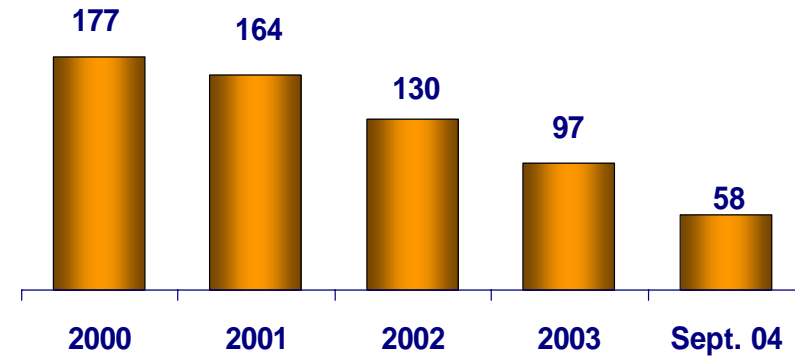
Reduce Financial Debt

Millions of US\$ as of September 30, 2004



Reduce Interest Expenses

Millions of US\$ as of September 30, 2004



Financial Indicators

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Sept.04(*)</u>
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 are affected by the sale of T.Móvil.





Tender Offer to Purchase US\$200 million of the Outstanding Yankee Bonds

On October 29, 2004, the Company announced a cash tender offer for US\$200 million of its Yankee bonds⁽¹⁾

<u>Coupon</u>	<u>Amount outstanding</u>	<u>Maturity</u>	<u>Fixed spread</u>
7,625%	US\$188 million	07/15/2006	50bp over Tsy
8,375%	US\$200 million	01/01/2006	50bp over Tsy

(1) On November 9, 2004, Telefónica CTC Chile accepted US\$ 126,4 million in principal amount of its 7.625% Notes due 2006, representing 67.34% of this series. The tender offer expires on December 1, 2005.

This Tender works to:

- Reduce leverage and annual interest expenses
- Fulfill the debt reduction commitments made to lenders as part of the waivers obtained for the sale of T. Móvil

The Company will fund the tender offer with proceeds from the sale of the mobile business unit and with operating cash flow

US\$ 200 million Syndicated Loan

Telefónica CTC Chile is currently refinancing US\$200 million outstanding of a Syndicated Loan. The main objectives of the refinancing are:

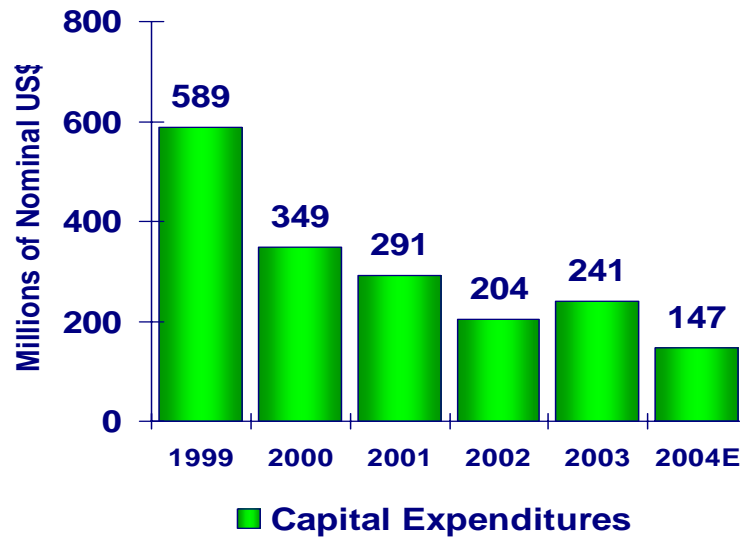
- ✓ To extend the final maturity from February and August 2005 to 5 years bullet.
- ✓ To adjust the spread over Libor to current market conditions.

Summary of Terms & Conditions

- ✓ Amount: US\$ 200 million
- ✓ Interest Rate: Libor + 40 bps, tied to long-term debt rating
- ✓ Maturity Date: Bullet, December 2009
- ✓ Financial Covenant: Leverage \leq 1.6 times
- ✓ Lead Arrangers: Barclays, Calyon, Bank of Tokyo-Mitsubishi, Caja Madrid and SANPAOLO IMI.



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

<i>In millions of US\$</i>	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



Breakdown of Income Tax Provision

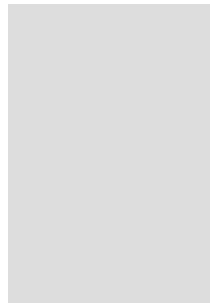
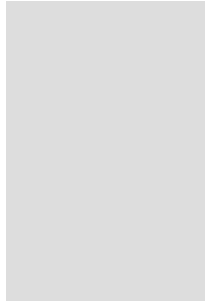
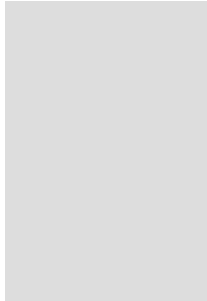
<i>Million of nominal US\$</i>	2003	2004	2005
Current income tax	(38)	(40)	(43)
Sale of T. Móvil (one time Tax)	-	(56)	-
Deferred taxes (current yr)	(15)	11	11
Deferred taxes(prior years)*	(20)	(25)	(25)
Tax loss carry forwards	23	2	0
Income Tax Provision	(50)	(108)	(57)

** Accumulated deferred taxes, generated before year 2002, must be recognized by the Company in a 12 year term (due to a change in the accounting rules prior to 2002)*

Exchange Rate: 2003: Ch\$593.8; 2004E: Ch\$606; 2005E: Ch\$620

The remainder of the Company's tax loss carry forwards were consumed in 2003





The logo for Telefonica CTC Chile. It features the word "Telefonica" in a yellow, cursive script font, positioned above a thin yellow horizontal line. Below the line, the words "CTC CHILE" are written in a smaller, yellow, sans-serif, all-caps font. The entire logo is centered on a dark blue background.