

DEDICATION
PERSEVERANCE
DRIVE
Telefónica

PASSION
STRIVE
CTC CHILE
ATTITUDE

15 Years on the NYSE,
125 Years of history in Chile

Telefónica CTC Day

CTC: 125 Years of Telecommunications in Chile

1880-2005: Company Milestones



Beginning of Telephony in Chile



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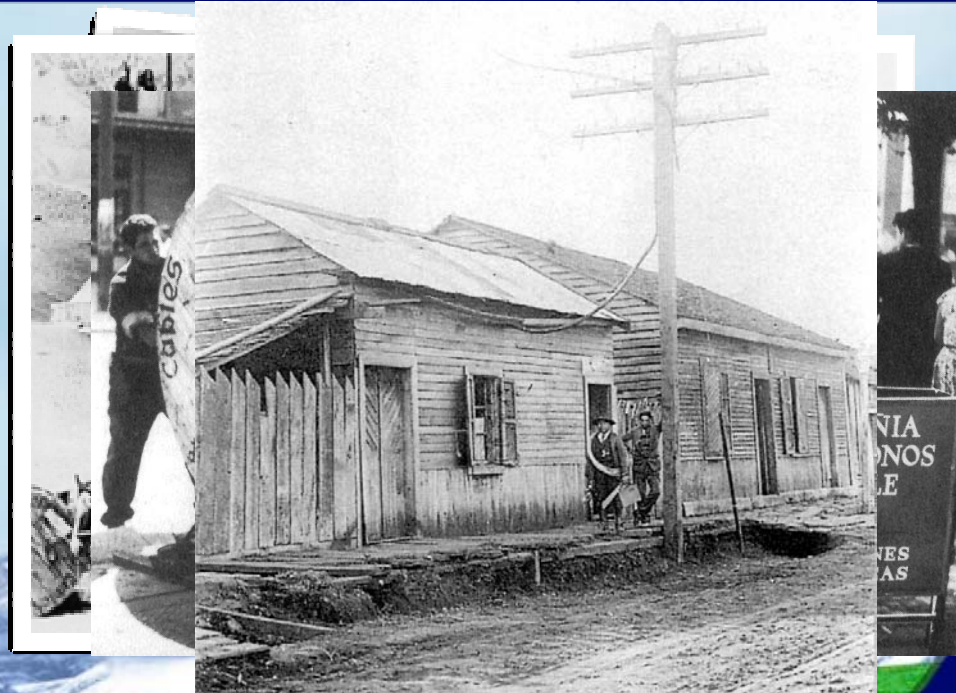
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CTC: 125 Years of Telecommunications in Chile

1880-2005: Company Milestones



Compañía de Teléfonos de Chile S.A. registers as a corporation.
Extends the Network



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1880-2005: Company Milestones



Privatization and Business Expansion



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1880-2005: Company Milestones



July 20, 1990. NYSE listing



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July 20, 1990: CTC at the NYSE

Company Challenge

Provide state-of-the-art telecommunications and lead the development of Chile

Backed by

Telefonica

&

CTC
LISTED
NYSE

Lead to

Major modernization and diversification of Chilean telecommunications

1990 Chile Financial Markets:

- Size of capital market
- Capital market regulations inadequate for international projects

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Goal: Lead the Development of Telecommunications in Chile

1987 Indicators:

Low Teledensity 4.7%

Connections 25,000/year

Central Switches Technology Analog

Services Offered Fixed

Total Assets (US\$ Million) 507

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Limited Financial Sector & Regulation Not Up To International Development

- Small banking sector and limited capital Markets
- Necessary legal reform:

- Central Bank
- Tax authority
- Chilean Securities & Exchange Commission

“Chile, Inc.” Arrives at the NYSE



- July 20, 1990
- MUS\$100 (13% of Capital)
- Price to public: US\$ 15 1/8

CTC's "ADR Team", led by Mr. Claudio Garcia worked for 16 months to reach its final objectives:

- Lead the modernization and expansion of telecommunications in Chile
- Place Chile in the international financial markets

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CTC Deployed the Largest Private Investment Project of the Decade in Chile

1995 Indicators:

- Growing Teledensity 13.6%
- Connections 260,000/year
- Central switches technology 100% Digital
- Business diversification
 - Mobile
 - Long Distance
 - Corporate
 - Internet

The Country Also Benefited

- Increased flow of foreign capital (7.5 times)
- 23 Chilean ADRs currently listed on the NYSE
- Increase of 8 times in trading volume in Chile
- Ongoing capital market reforms to promote foreign investment in Chile



1990-2005: Continued Commitment to the Market

- **Commitment to provide clear, accurate and timely information**
 - Early reporting of quarterly results
 - Promote active senior executives participation
 - Corporate Governance aligned with international standards
- **Telefónica CTC Chile is one of the most liquid stocks in Chile**
 - Average daily volume is roughly: US\$ 4 million
 - 7% of total Chile trading volume

The logo for Telefónica CTC Chile, featuring the word "Telefónica" in a stylized yellow script font, with "CTC CHILE" in a smaller, yellow, sans-serif font below it, all set against a dark blue background.

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NYSE Listing: First Step to Further Financing

First International Credit Rating 1989

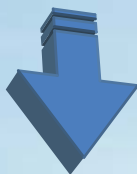
First IFC Multilateral Loan 1990

First Convertible Bond 1993

First Private Placement 1994

Second Euro Bond 1999

First Euro Syndicated Loan 2000



Led the access to new corporate financing in Chile

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Management was Also Challenged

ADVERSE INDUSTRY
REGULATION =
25% REDUCTION OF
REVENUE/LINE ('99)

&

ONE OF THE MOST
COMPETITIVE
MARKETS
IN THE REGION



*Required a management team focused on
streamlining the business*

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2000-2005: Management Led the Reinvention of the Co.

- Capital Expenditure reduction
- Sale of Non-core assets
- Headcount reduction
- Operating cost rationalization
- Debt reduction

Overall increased
productivity and
cash flow



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2005 Outcome: CTC Stronger; More Efficient and Focused on Innovation

Debt
Reduction
-68%

Improved
Leverage
0.90

Financial
Expenses
-65%

Improved
EBITDA
Margin
51%



**CTC
Stronger
(‘99-’05)**

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2005 Outcome: CTC Stronger; More Efficient and Focused on Innovation

Lines/Employee
862

Opex/Line
US\$164

Capex/Revenue
12%

Cost of
Financing
4.5%



**CTC
More Efficient
(‘99-’05)**

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2005 Outcome: CTC Stronger; More Efficient and Focused on Innovation



Home Security



Prepaid Fixed Services



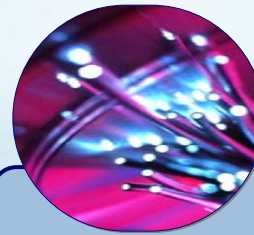
Economic Lines



Wi Fi



Bundled Services



Broadband



Citinet (IP Network)



Plans of Minutes



Long Distance Plans



Driving Innovation
(‘99-’05 CAGR)

CTC: 125 Years of Telecommunications in Chile

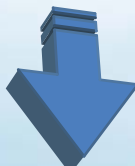
1880-2005: Company Milestones



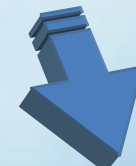
Our goal remains: To lead the development of telecommunications



Focused on
Client
Segmentation



Strengthen
Product
Innovation



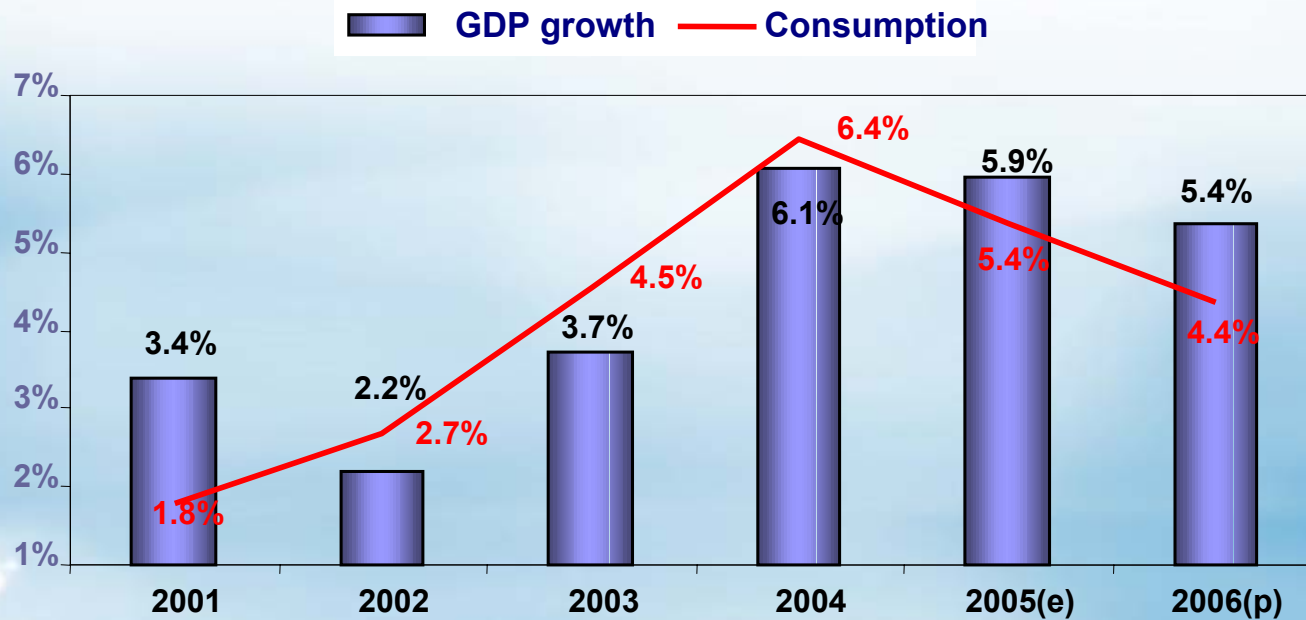
Solid
**Economic
Environment**

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Favorable Economic Environment for Business Development

● Growing Chilean economy



Controlled inflation and unemployment level

Favorable Economic Environment for Business Development

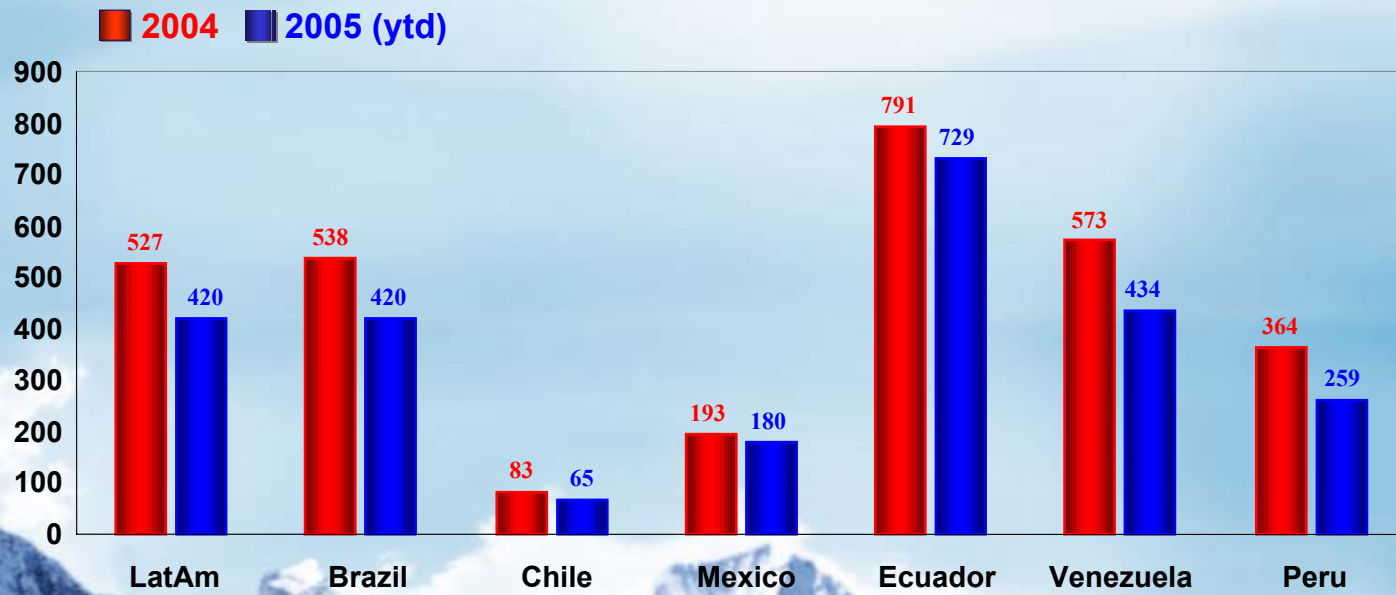
● Healthy Trade balance



Favorable Economic Environment for Business Development

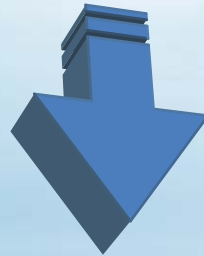
- Low **Country risk** reflects a remarkable confidence in Chile

Sovereign Risk 2004-2005



Favorable Economic Environment for Business Development

- Growing **Chilean economy**
- Healthy **Trade balance**
- Low **Country risk** reflects a remarkable confidence in Chile



Private companies in Chile benefit from a dynamic business environment

Client Segmentation: The Key to Competitiveness



Households

- Premium
- Preferential
- Classic
- Traditional



Small & Medium business

- Premium clients
- Preferential
- Massive



Corporations

- Corporations
- Large Companies
- Geographic segments



Wholesalers

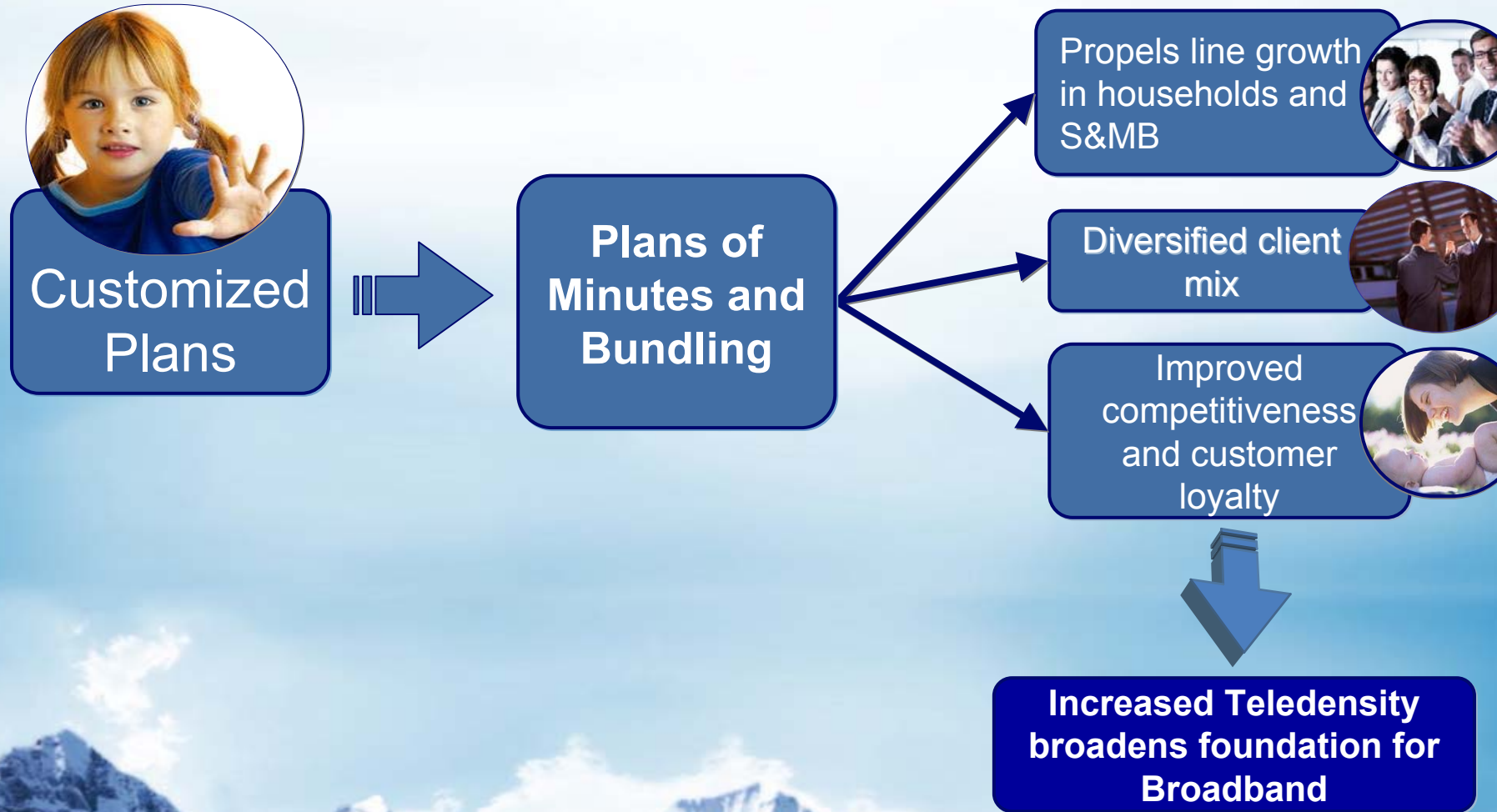
- LD operators
- Fixed operator
- Mobile operator
- ISP operators

A product for every need and niche

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Client Segmentation and Innovation Are Drivers: Flexibility Reinvigorates the Business



Integrated Solutions: Venue for Value Creation to Corps.



IT / Telco
Integrated
Solutions &
outsourcing

Modernization of Public
Infrastructure:

- Health
- Public transport
- Civil Registry

Dynamic private segment
requires:

- Integrated applications
- Advanced technology

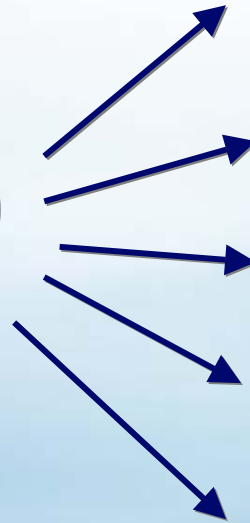
Broadband: the Future of Telecommunications



Broadband
content & more



Growth
led by



Bundled services



Variable plans
(speed and hours)



Increased speed



Commercial Alliances
(retailers, PC, WiFi)



Contents over ADSL



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CTC: 125 Years of Telecommunications in Chile

1880 1930 1989 1990 2005



Telefónica CTC Chile: capturing the full potential of telecommunications for Chile



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