

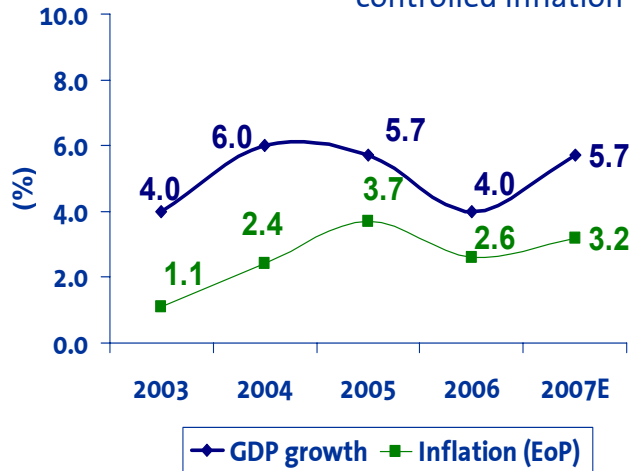
Roadshow

Telefónica Chile
June 2007



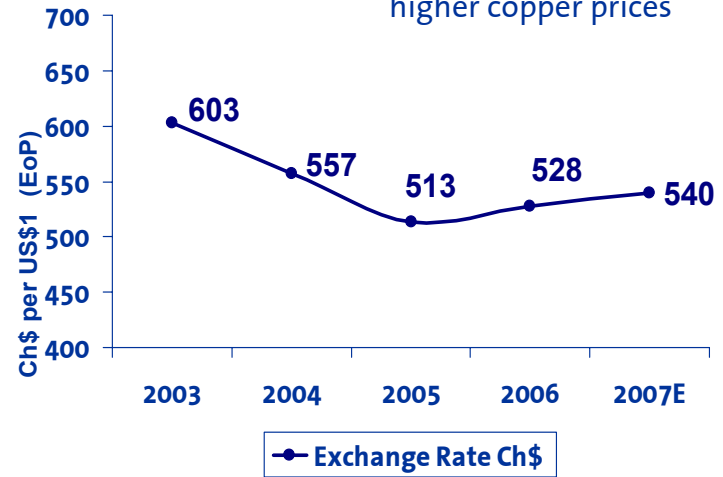
Chilean Macroeconomic Estimates

GDP* & Inflation → Dynamic growth & controlled inflation

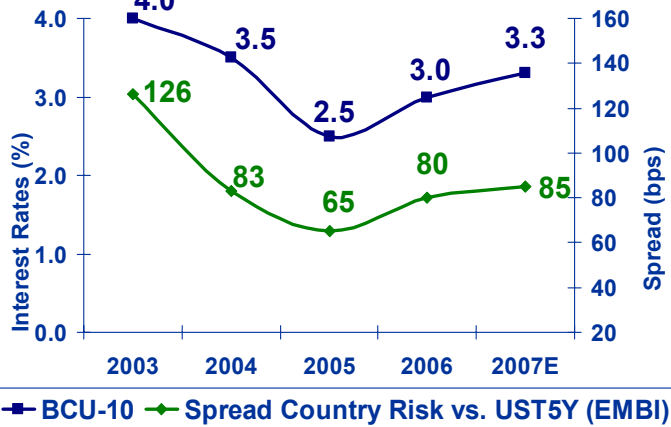


*Base Year 2003

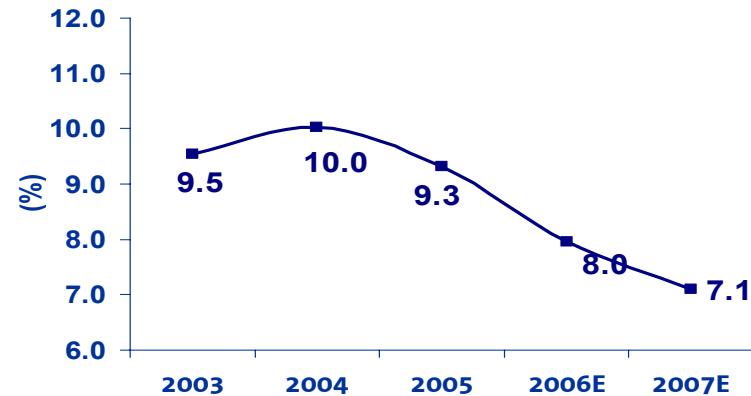
Exchange Rate → Peso depreciation mitigated by higher copper prices



Interest Rates & Country Risk → Solid investor confidence and recognized stability



Unemployment → Gradual reduction of unemployment



Source: T. Chile internal estimates (June 2007)

> Current Regulatory Issues

Proposed Modifications to Chilean Telco Law

- Creation of panel of experts to resolve conflicts in the Chilean telecommunications industry
- Creation of a separate telecommunications oversight commission
- Modification of public telco service concession regime, allowing companies to register as telco operators and provide telco services without requesting concessions for individual services (except when spectrum is required).

Regulatory Framework

- In December 2006, Subtel made a public inquiry regarding Voice Over Broadband

Tariff Deregulation

- T. Chile is currently analyzing whether to request the deregulation of public telephony tariffs.
- If requested, the Antitrust Commission would review competition in the Chilean telco industry to determine whether T. Chile is dominant in local telephony.
- Interconnection rates would not be affected by tariff deregulation, as these rates are regulated for all Chilean telco operators.

> Upcoming Tariff-Setting Process (2009-2013)

Telefónica Chile services subject to tariff regulation: **Local service, public telephone service, line connections and network unbundling services**

Antitrust Commission Ruling

- Antitrust Commission reviews competition in the telco industry and defines the scope of services to be regulated.

April 11, 2008

- Technical and Economic Bases Proposal (T. Chile)

July 20, 2008

- Presentation of definitive technical and economic bases (Subtel)

Nov. 6, 2008

- Presentation of tariff study (T. Chile)

Mar 6, 2009

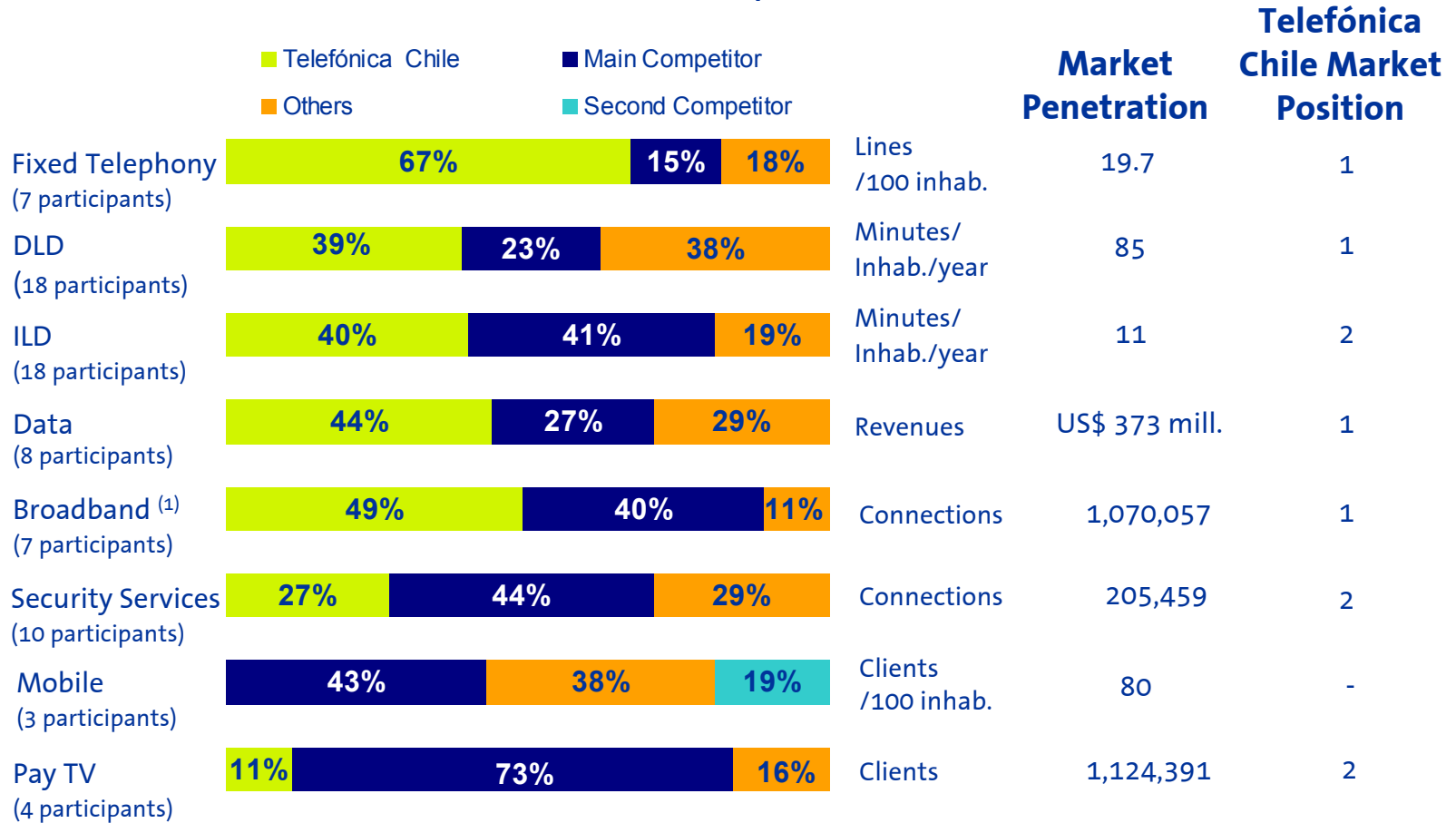
- Objections and counterproposals report (Subtel)

May 5, 2009

- New Tariff Decree for the period 2009-2013

> Competition in the Chilean Telco Industry

Telefónica Chile's market share vs. competitors as of 3/ 31/ 2007

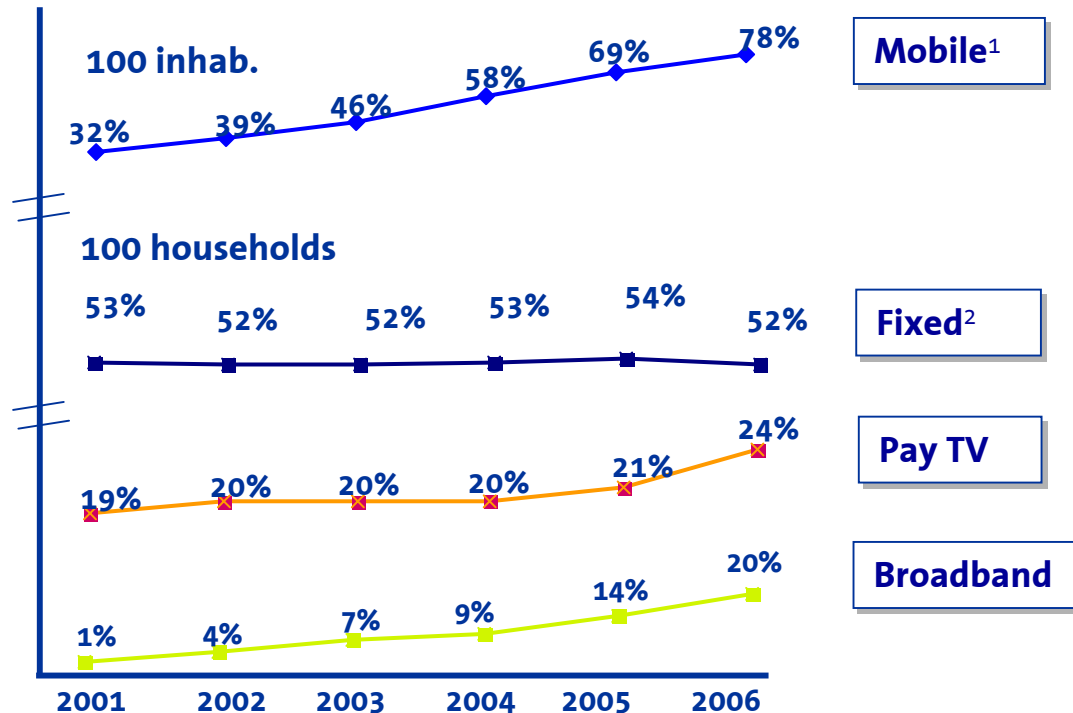


⁽¹⁾ Includes connections with download speeds over 128 Kbs.

Source: Telefónica Chile estimates

➤ Evolution of Service Penetration in the Chilean Telco Market

Service Penetration



- In fixed telephony, penetration has remained constant over the past 4 years
- Growth in pay TV accelerated in 2006
- Solid broadband growth with high migration rates from dial-up connections.





(1) Mobile penetration for Chilean population

(2) Penetration in homes for telephone lines, broadband and pay TV.

> Telco Services per Home: Growth Potential in C3 and D Segments

% households, Dec. 2006E

 Large gap with respect to developed countries

Household income US\$/ month ¹	Households thous.	Socio-Econ. Segm.	 Mobile	 Fixed	 Broadband	 Pay TV	Development Level
5,506	314	ABC1	98%	89%	70%	72%	High
2,035	574	C2	96%	84%	49%	56%	
1,159	1,145	C3	94%	71%	25%	40%	Medium
439	2,373	D & E	72%	30%	4%	2%	Low
	4,406	TOTAL	83%	52%	20% ²	24%	

54% of households

(1) Exchange rate Ch\$532.4/US\$1

(2) Household penetration increases 1 p.p when dial-up internet connections are included.

Company Strategy



> Drivers of the Company's Strategic Transformation:

Integration

- Focus on segmentation of clients, bundling of services and flexible commercial offer

Innovation

- New technology and commercial creativity

Efficiency

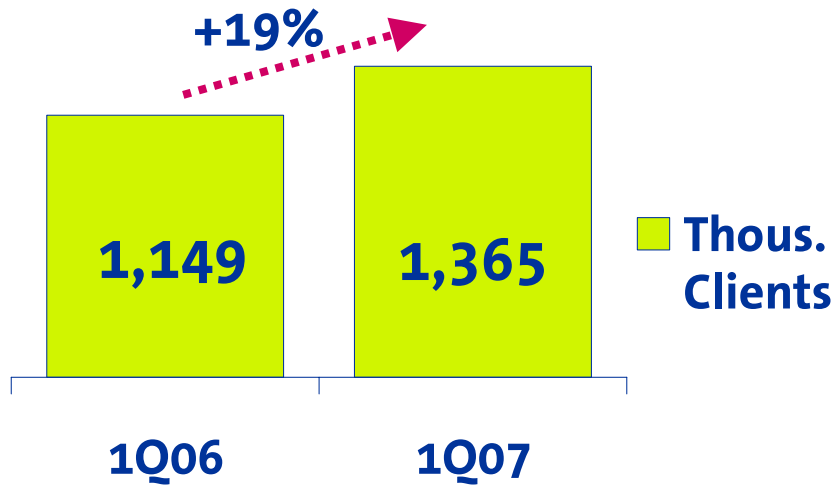
- Cost efficiency and solid financial structure facilitate business development
- Investments targeting growth

Quality

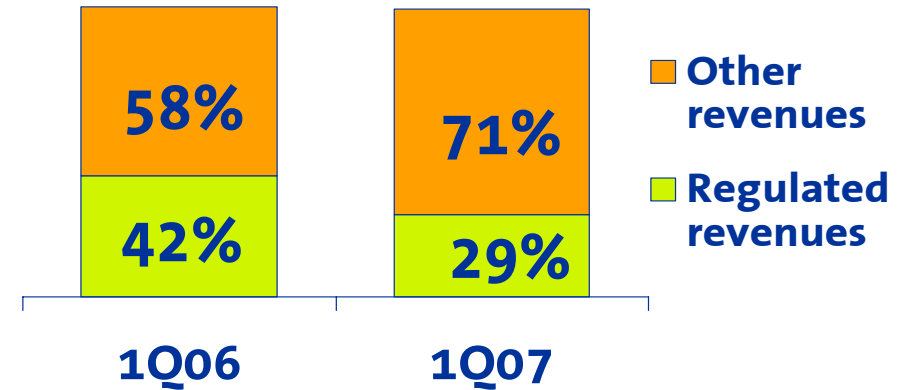
- Ongoing challenge to provide high-quality service

Integration: Bundling of voice with broadband and TV facilitates revenue diversification and greater client loyalty

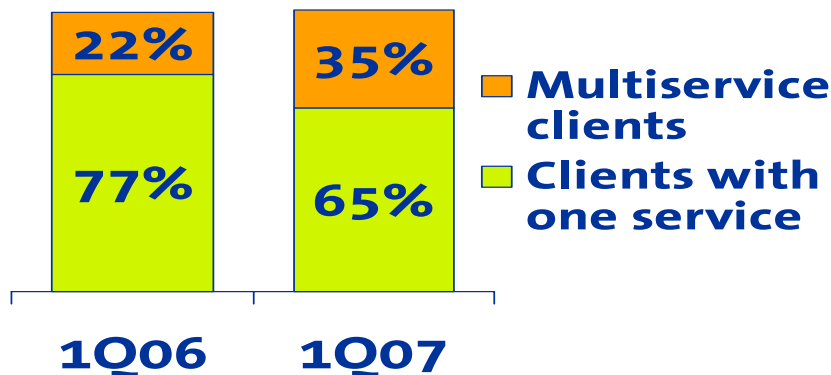
Clients with Flexible Plans



Consolidated Revenues



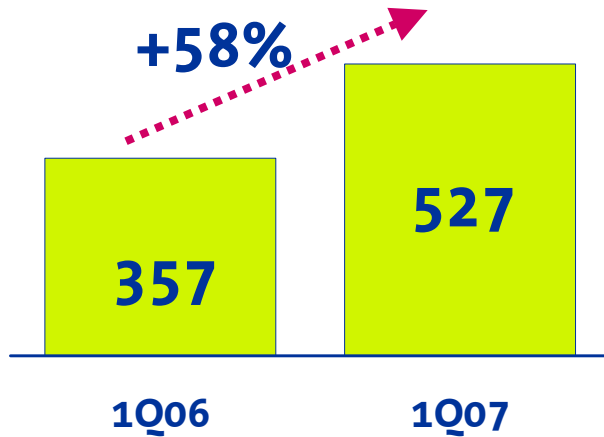
Client Mix



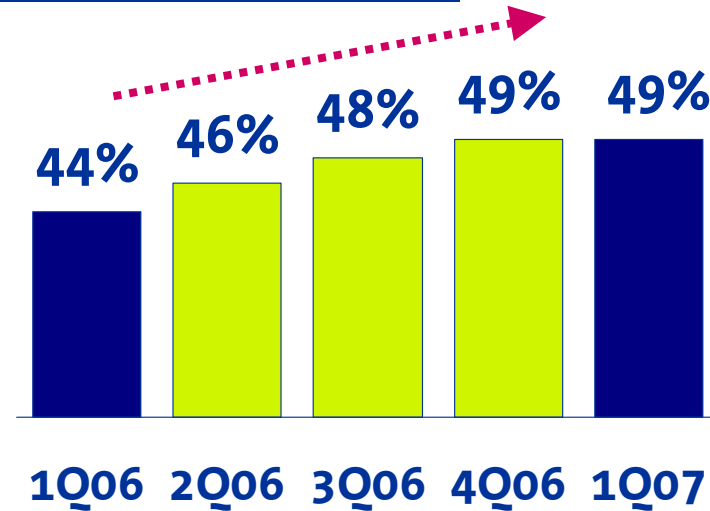
The market prefers flexibility: 62% of clients choose a flexible plan

Integration: **Consolidating our Broadband leadership position through bundling** → **number one in the market**

ADSL Accesses*
(thous.)



ADSL Market Share*



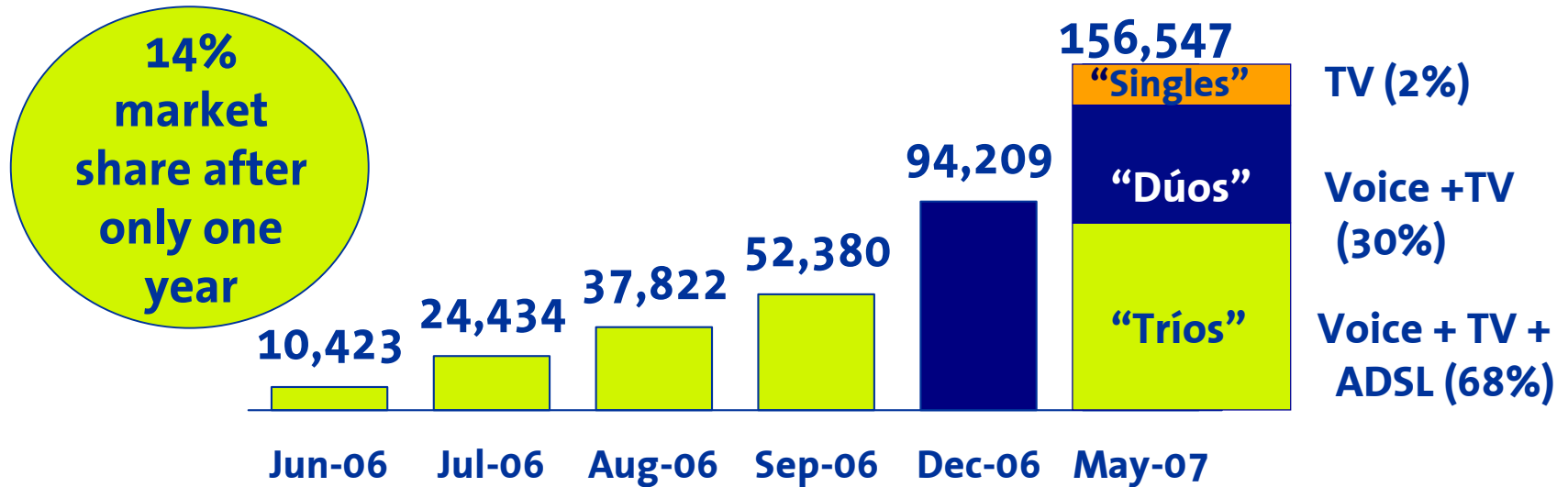
T. Chile has been the engine of broadband growth in Chile: More than one million connections in Chile today.



* Includes connection speeds over 128 Kbps

> Innovation in Service: **Launch of Digital TV in June 2006 and IPTV in June 2007**

Customized solutions: **Dúos and Tríos drive TV growth**

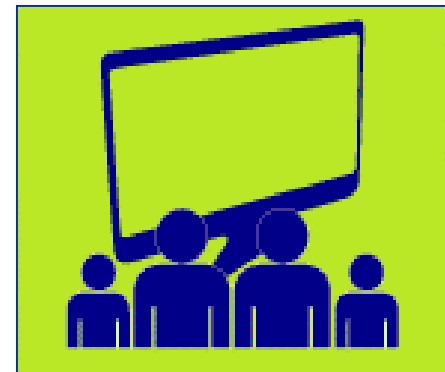


Competitive advantages of Satellite TV:

- Digital quality for all customers
- National coverage
- Flexibility to choose plans of channels

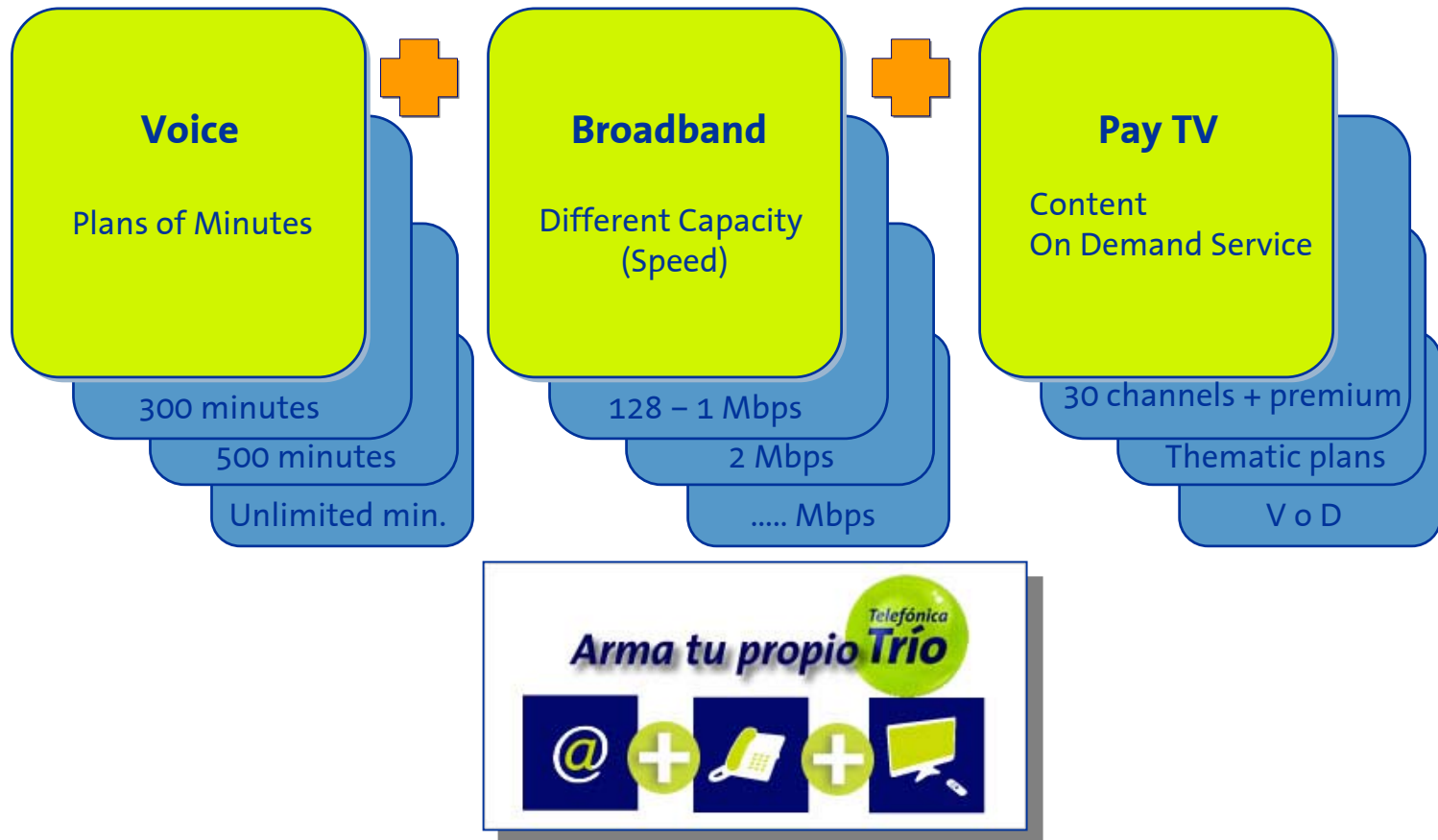
New IPTV Product:

- Gives clients even greater flexibility to choose content and adjust programming to their own schedules



➤ Innovation in Offer: **Commercial Flexibility**

Segmentation of clients and bundling of service differentiate T. Chile from other operators.

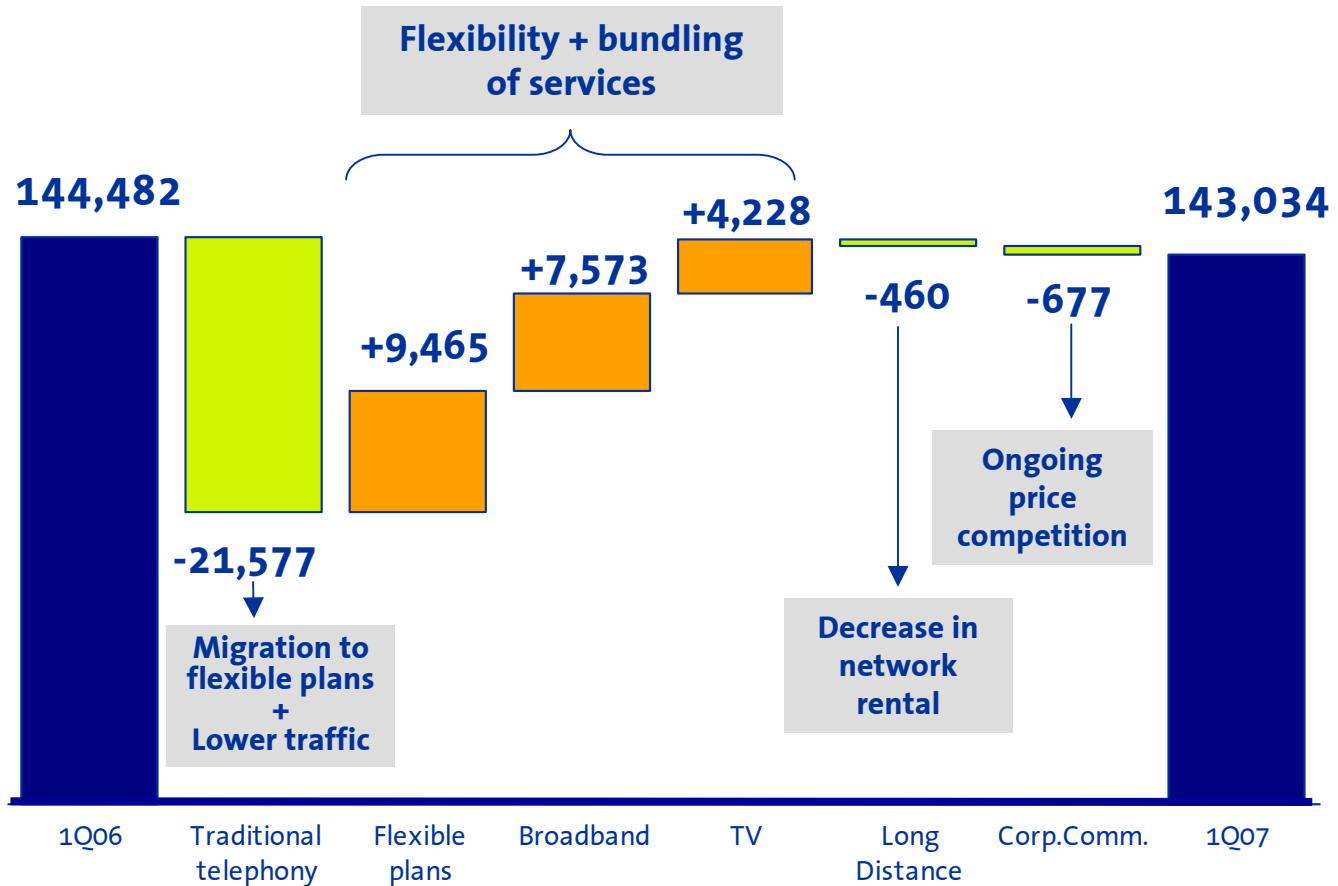


> Transformation strategy allows the Company to stabilize revenues

Quarterly Revenues (1Q07/1Q06)

-1.0%

Millions of Ch\$



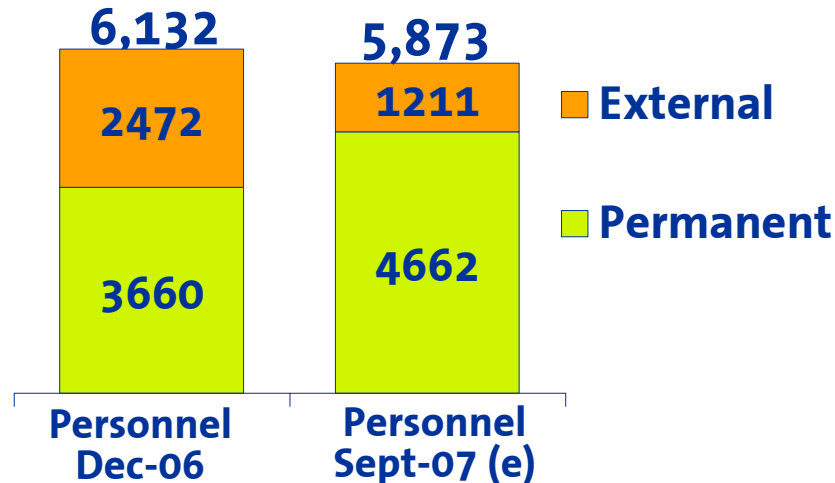
Efficiency: Labor relations focused on stability and productivity

2006 Collective Bargaining Process

New Outsourcing Legislation

- 100% of unionized employees have contract conditions defined for a period of 3-4 years
- Salary adjustments in line with CPI
- Incentives aligned with business objectives
- The Company plans to hire 80% of independent contractors whose job functions are considered critical for the business as internal employees
- Related costs will remain stable, as there will be efficiency gains from hiring less than 100% of the external workforce

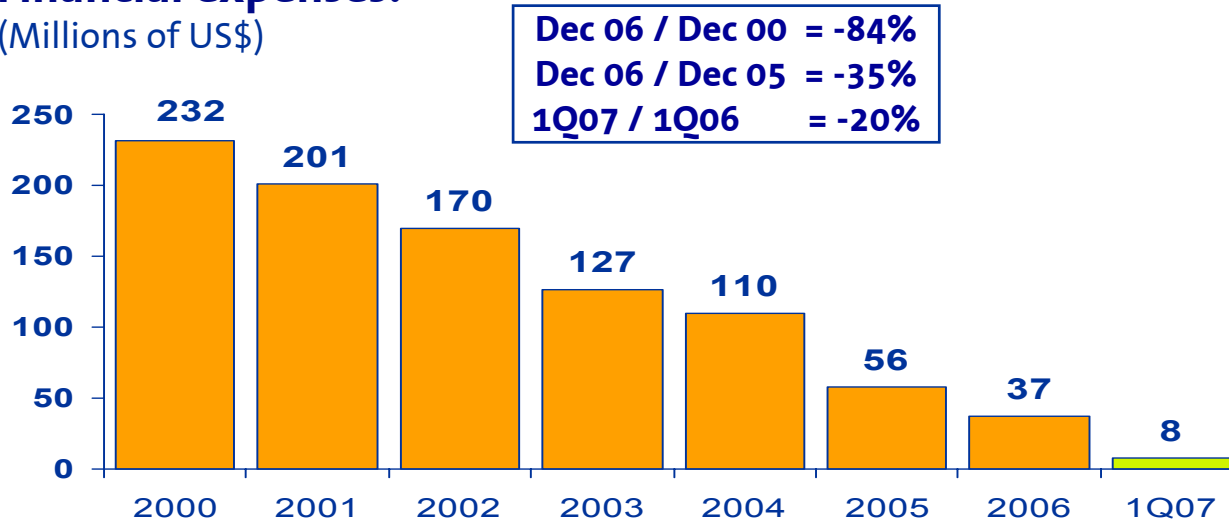
Total Personnel:



Efficiency: Effective financial management supports business development

Financial expenses:

(Millions of US\$)



Local and international credit ratings:

■ Decrease in spreads

✓ International ratings:

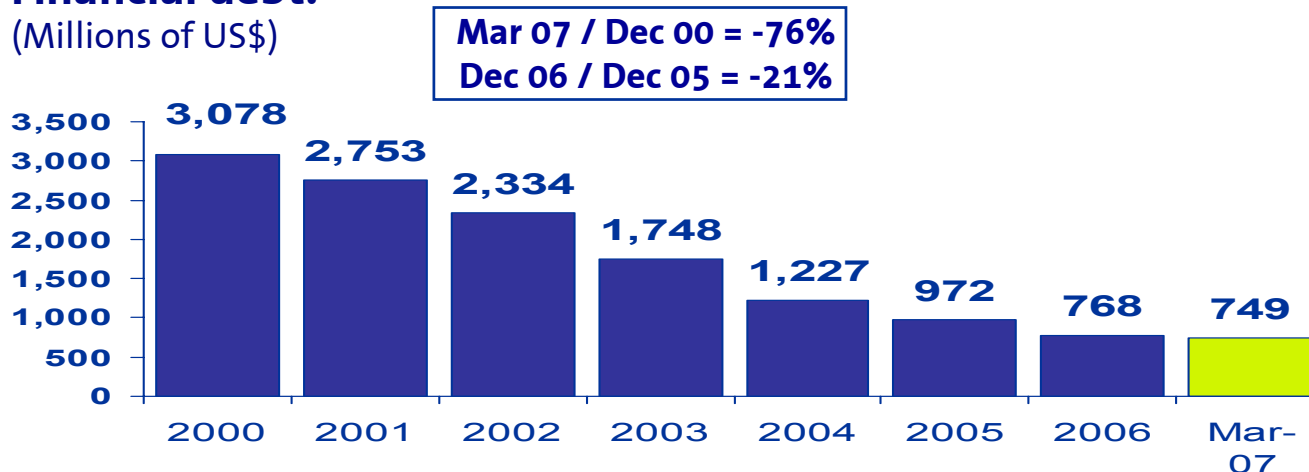
Baa1, stable (upgraded in 2006 by Moody's) and **BBB+**, stable (Fitch Ratings)

✓ Local ratings:

AA- (long-term debt) and **F1+** (short-term debt) (Fitch Ratings) and **AA-** (long-term debt) and **N1+/AA-** (short-term debt) (International Credit Rating)

Financial debt:

(Millions of US\$)



➤ Efficiency: **Focus of Financial Strategy**

- Cover financial needs in anticipation of maturities
- Maintain a level of debt of not more than 2 times EBITDA
- Adjustment of spreads to market conditions
- Maintain low exposure to foreign exchange fluctuations

Total Debt as of 3.31.07:

	Average Interest Rate	Term (Years)	Amount (US\$)
Local Bonds	4.2%	5.4	127
Syndicated Loans US\$	3.4%	2.8	500
<i>Calyon</i>	3.5%	2.7	200
<i>Citibank</i>	2.5%	1.7	150
<i>BBVA</i>	4.2%	4.2	150
Local Loans UF	3.2%	3.0	122
Total	3.5%	3.3	749

Efficiency: Investment plan targets growth, in line with the Company's strategy

	1Q06	1Q07
Fixed telephony	5.5	12.0
Broadband and TV	11.3	25.2
Data	7.4	6.4
Long Distance	0.2	0.0
Other	11.1	4.0
Total	35.5	47.6

In 2007, US\$2 of every US\$3 will be invested in growth

Millions of nominal US\$

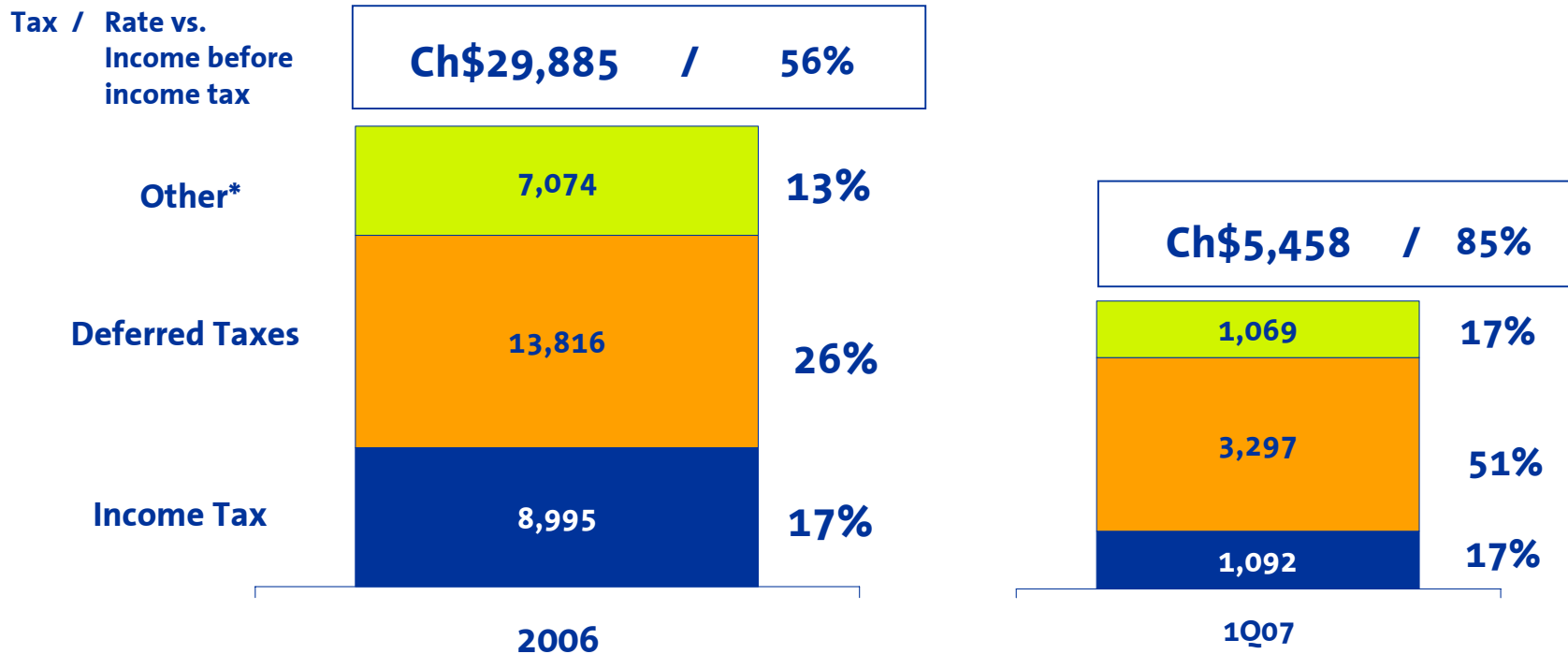


* Excludes capex in mobile business

Exch. Rate Ch\$532.4/US\$1 (12.31.2006)

> Breakdown of Tax Rate

Millions of Ch\$



* "Others" includes reversal of monetary correction of shareholders' equity; write-offs; contingencies and others, which do not constitute expenses for taxable income.

- The main impact on taxes is explained by the amortization of accumulated deferred taxes as of 12.31.99 due to a change in accounting standards (BT60), but which does not affect cash.

➤ Giving Back to Our Shareholders: Additional Cash Distributions

- The Company distributes 100% of net income to shareholders, per its dividend policy.
- In addition, the dividend policy allows additional cash distributions to shareholders, as long as business and financial obligations have been fulfilled and there is excess free cash flow.
 - At the Extraordinary Shareholders' Meeting held April 13, 2007, a capital reduction of Ch\$48,815 million (Ch\$51 per share) was approved, and it was paid in June 2007.
 - Another capital reduction may be possible in 2008

Recent distributions to shareholders:

Gross amount per ADR (Ch\$)

	Interim Dividend	Final Dividend	Additional Dividend ⁽¹⁾	Capital Reduction	Total Per ADR	% Yield ⁽²⁾
2005	44.0	61.24	203.96	--	309.2	5.4%
2006	44.0	53.76	--	168.0	265.76	5.7%
2007				204.0		

(1) Charged to retained earnings

(2) % of ADR price at start of year; Exch. Rate (2005) US\$1=Ch\$512.5; (2006) US\$1=Ch\$532.39

➤ Quality: A Top Priority Within Our Strategy

Network

- Enhance external and internal network infrastructure
- Redesign installation and repair contracts to better align incentives

Commercial Support

- Improve handling of customer requests by implementing accountability and zero tolerance policies
- Implement ATIS system to improve billing and collections processes

Customer Service

- Implement ongoing improvements in customer service, both by phone and in commercial offices
- Maximize number of customers whose requests are resolved the first time they call

> Challenges for 2007

Regulation

- Face changes in the industry by making significant advances in terms of tariff deregulation
- Develop simpler regulation that facilitates development of technological convergence and provides consumers with more alternatives, thereby increasing the scope and penetration of services
- April 2008: First stage of tariff-setting process for 2009-2013

Consolidate Transformation

- Strengthen market share in broadband and TV
- Growth of multi-product “Dúo” and “Trío” plans
- Development of new products and launch IPTV

Quality

- A fundamental objective that will define our course of action for 2007
- Improve installation and repair processes and customer service

Additional Information



Telefonica
CHILE

> Financial Summary

<i>Millions of Ch\$</i>	2006	Variation 2006/2005	1Q07	Variation 1q07/1q06
Revenues	577,204	-2.6%	143,034	-1.0%
Operating Costs	494,580	-1.9%	130,073	+4.5%
Operating income	82,624	-7.1%	12,961	-35.1%
EBITDA	289,906	+0.1%	64,289	-10.0%
EBITDA margin	50.2%	+1.4 p.p.	44,9%	-4.5pp
Non-operating Income	-29,713	+2.1%	-6,537	-57.6%
Taxes	-29,600	-13.2%	-5,458	+41.1%
Net Income	23,353	-9.2%	1,053	+39.8%
Capex (Mill. US\$)	205	+37.4%	48	34.1%

> Summarized Balance Sheet

<i>Millions of Ch\$ (as of 03.31.07)</i>	03.31.07	03.31.06
Current Assets	323,792	317,397
Fixed Assets, net	1,214,990	1,307,435
Other Assets	80,212	84,863
TOTAL ASSETS	1,618,994	1,709,695
Short-Term Liabilities	191,884	235,687
Long-Term Liabilities	522,411	524,590
TOTAL LIABILITIES	714,295	760,277
Minority Interest	351	1,599
SHAREHOLDERS' EQUITY	904,348	947,819
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,618,994	1,709,695

Telefonica

CHILE

For information contact:

Sofía Chellew - Verónica Gaete

María José Rodríguez – Carolyn McKenzie

TELEFONICA CHILE

Tel.: 562-691-3867

Fax: 562-691-2392

E-mail:

sofia.chellew@telefonicachile.cl,

mariajose.rodriquez@telefonicachile.cl

veronica.gaete@telefonicachile.cl

carolyn.mckenzie@telefonicachile.cl