# ENTEL Results
# Second Quarter 2004

**Available at**
**www.entel.cl /Investors**

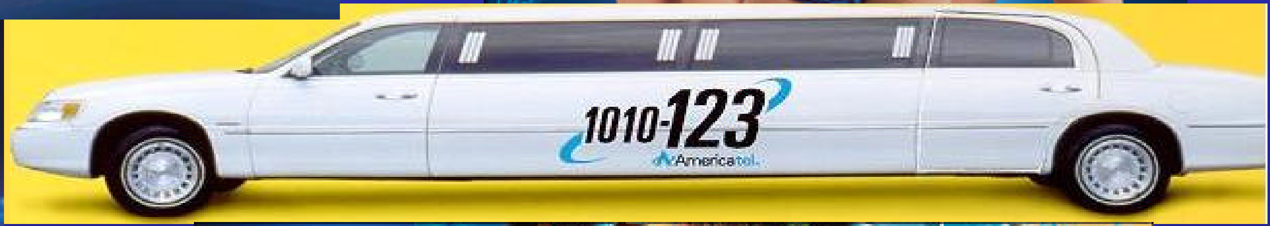
# Main Events

**Second Quarter 2004:**

- Entel was ranked the second most admired company in Chile in a June 2004 survey by a leading market research company.
- Entel PCS awarded as the only Telecom Company with full operation in Electronic Invoice.
- Tariff decree process for local incumbent.
- Debt payment of a trade facility of US$ 50 million in June 2004.
- S&P rating improvement from BBB to BBB+
- Bankruptcy process for collection agency in USA: US$15.5 MM payment to Americatel.

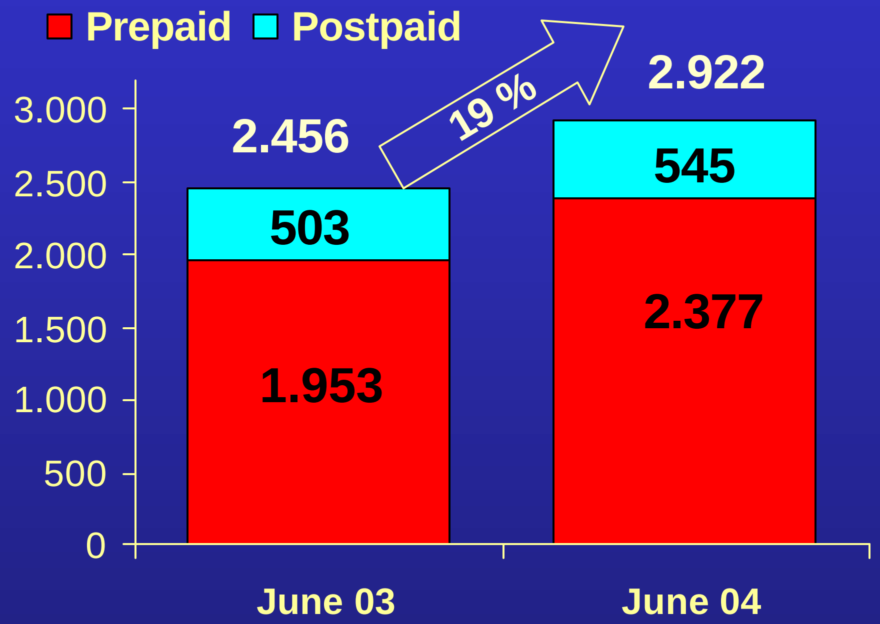
# Activity by Business Sector






# Mobile Telephony

**Entel's Mobile Subscribers**
**(In Thousands)**




→41% market share as of June 04 (clients with traffic the last month).

→ 466 thousand net additions.

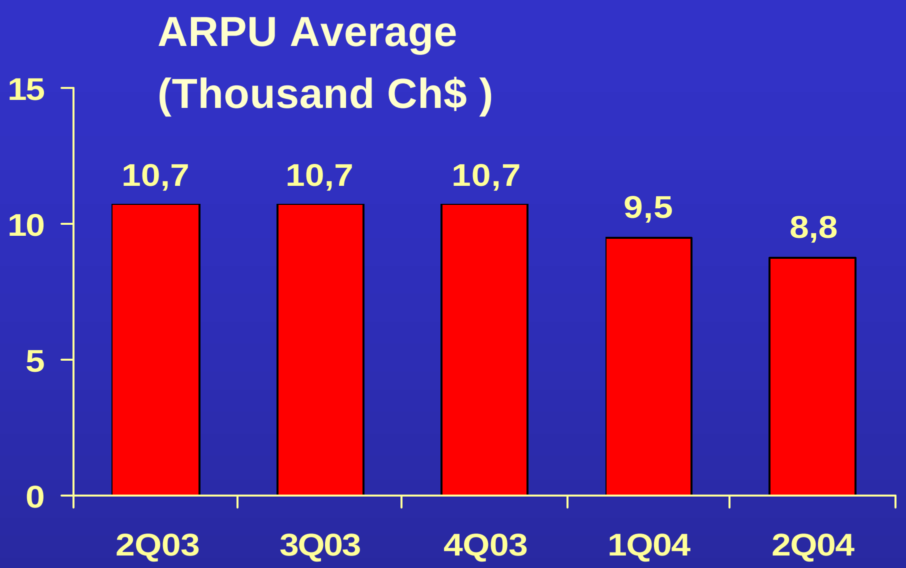
→More aggressive competitive environment during 2Q04 with price reductions in handsets packs. Entel selling at premium vs. competitors and leader market share in sales.

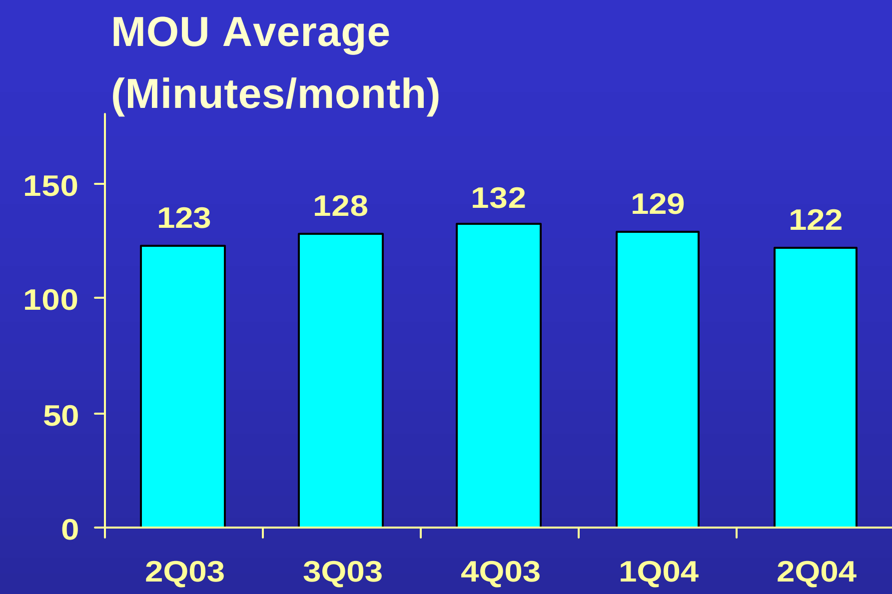
→ launched the International Multimedia roaming service. Access to multimedia messages, VAS and domestic TV signal reception in a foreign country

→GPRS services nationwide

# Mobile Telephony

Exchange rate: 636.3 Ch$/ US$



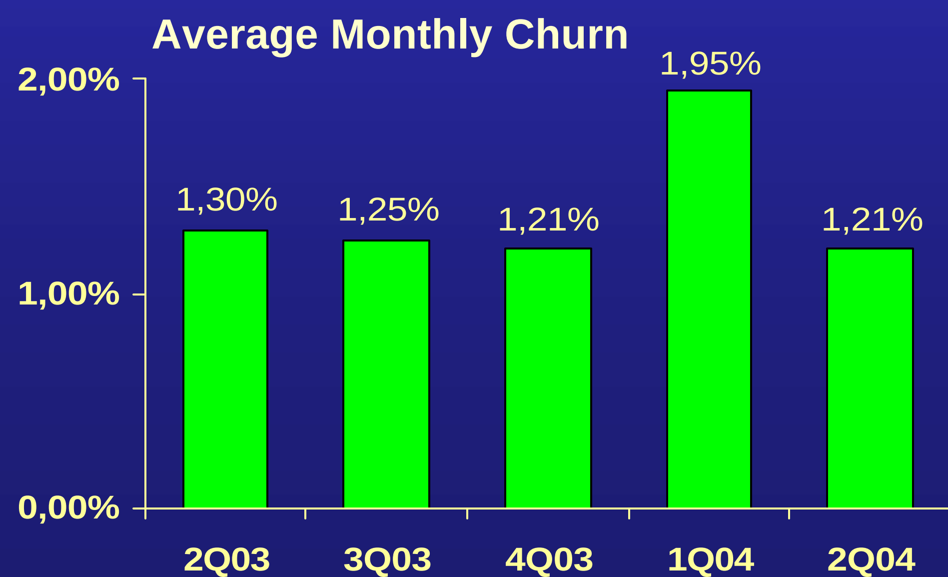




2Q04 vs 2Q03:

→ ARPU decreased 18% affected by lower revenues due to access charge reductions.

→ MOU flat : Contract segment increased in both incoming and outgoing minutes, while prepaid segment declined.

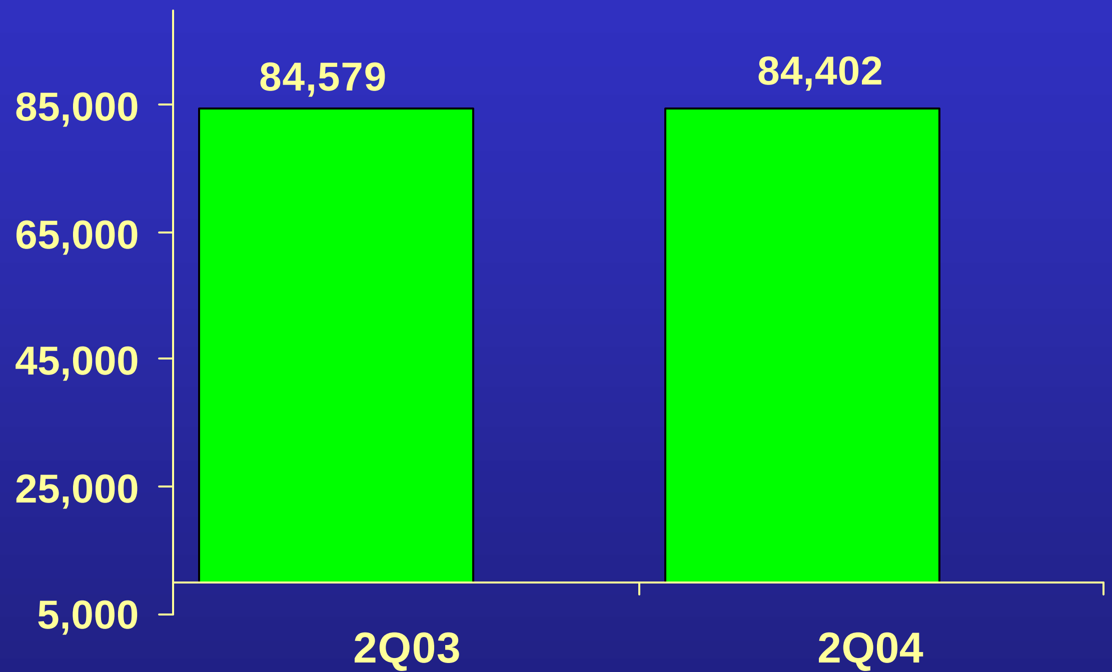
→ Churn: Decline in contract segment



# Mobile Telephony

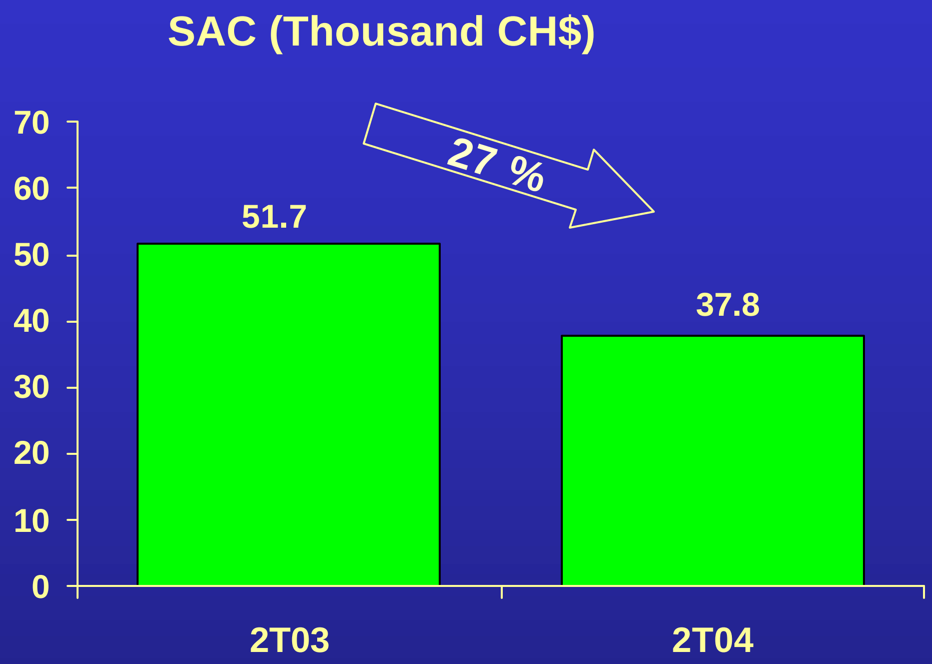
Exchange rate: 636.3 Ch$/ US$

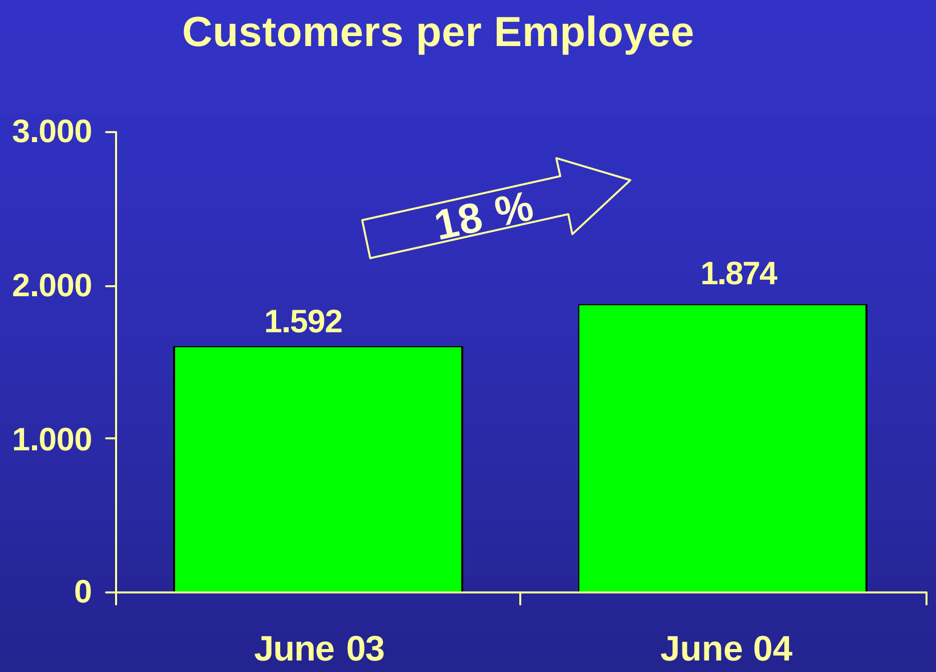
## Quarterly Revenues
**(MM Ch$)**




Revenue growth in equipment sales, outgoing calls and value-added services, offset by a 26% tariff reduction in interconnection fees.

# Mobile Telephony




→ Lower SAC mainly due to handset price reductions.

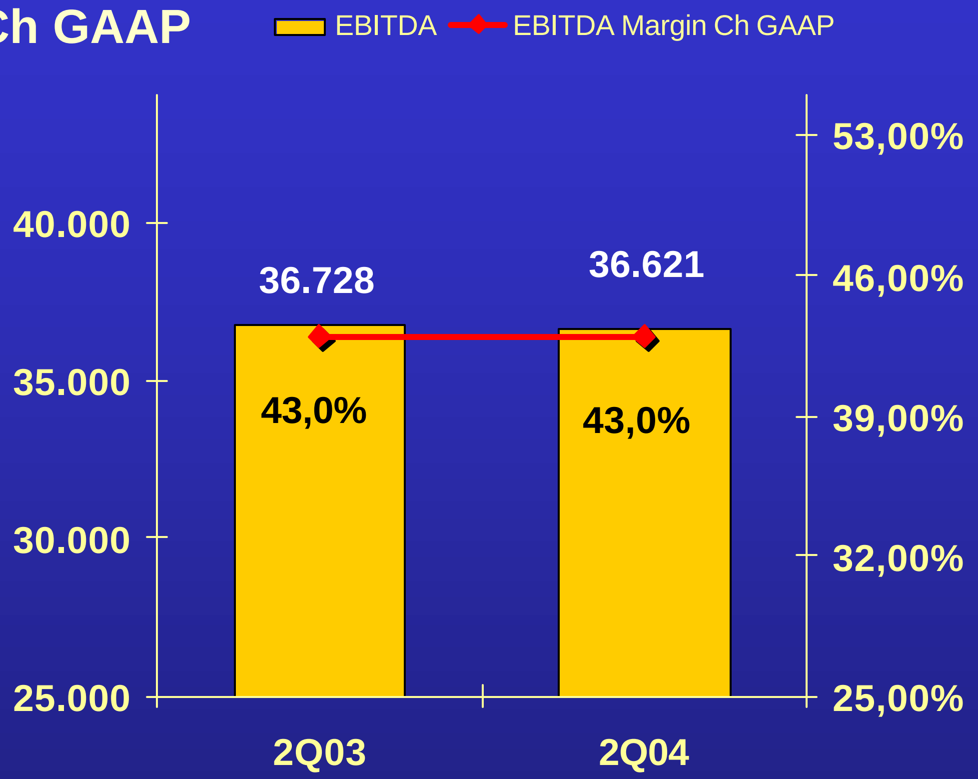
→ Customer base growing at high rates with almost no headcount increase.

=> High level of operating efficiency.

# Mobile Telephony

Exchange rate: 636.3 Ch$/ US$

## EBITDA Ch GAAP (MM Ch$)

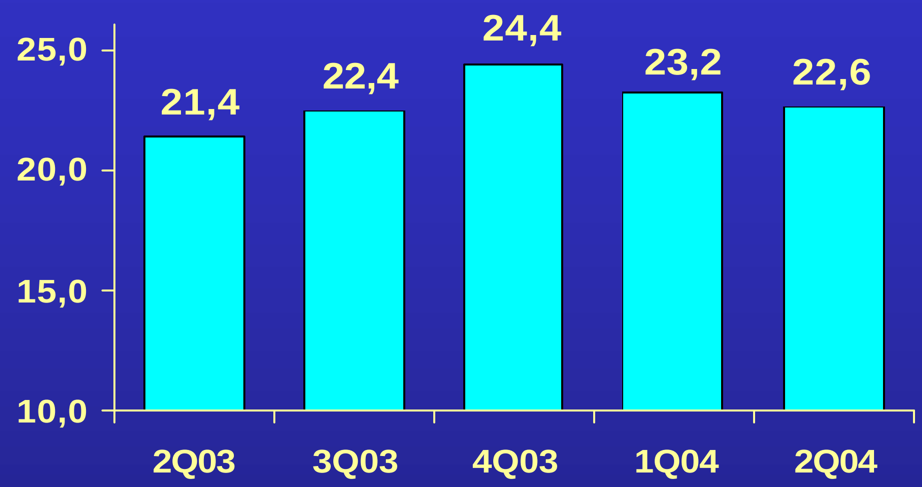



→ Impact in EBITDA of reduction in interconnection fees after the tariff setting process, was offset by an increase in other revenues derived from the growth of the customer base, innovation of services and due to operating efficiencies.

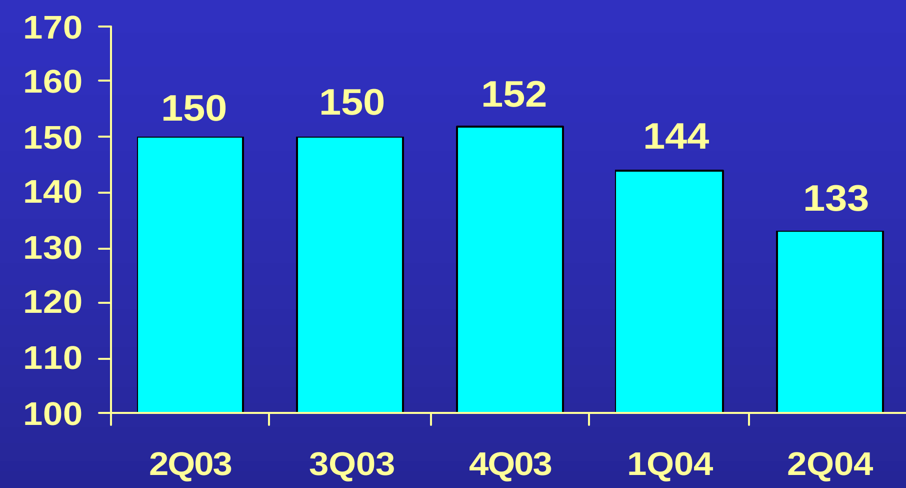
EBITDA: Operating income + Depreciation+ Amortization.

# Long Distance

**ILD Traffic - Quarterly Evolution**
**(Millions of minutes)**




**DLD Traffic - Quarterly Evolution**
**(Millions of minutes)**




→ International long distance (ILD) traffic grew 6%, while average prices are decreasing due to lower costs which are passed through to customers.

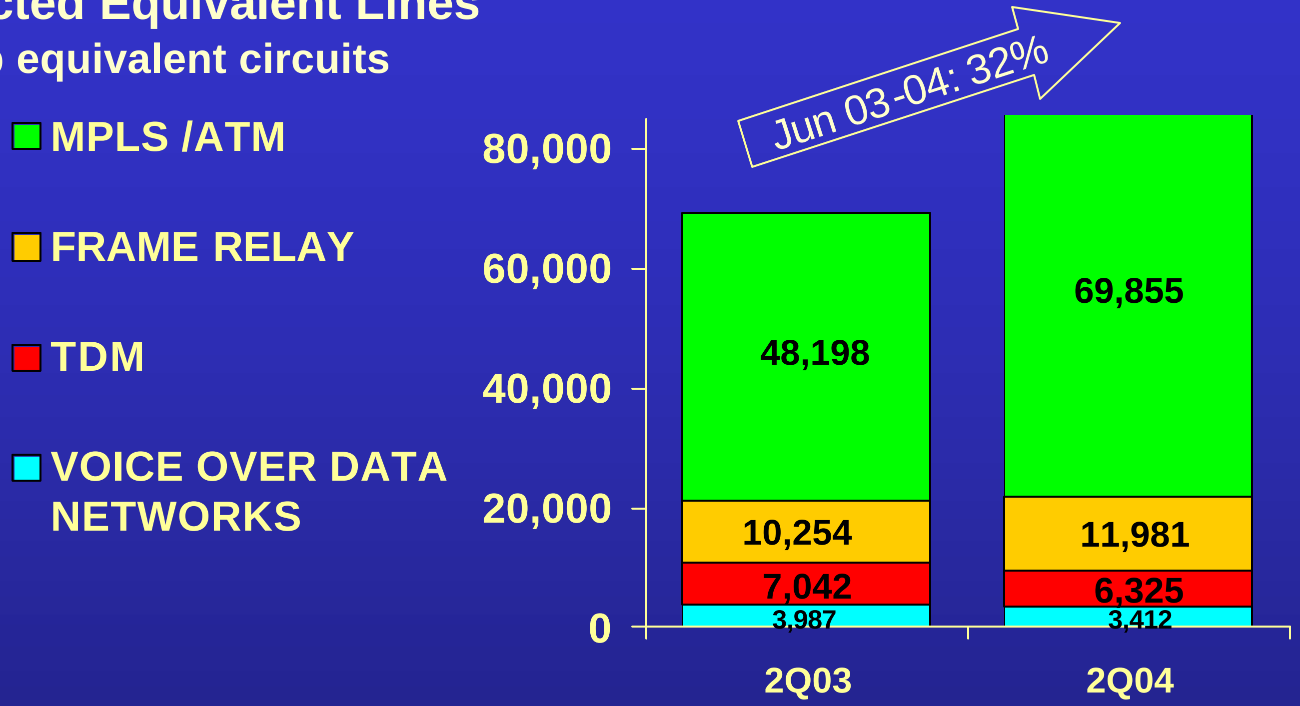
→ Domestic long distance (DLD) traffic decreased 11% while average price increased 9%. The substitution effect from higher usage of mobile phones continues affecting traffic.

→ Average market share: 35% DLD and 40% ILD.

# Data Services

**Selected Equivalent Lines**

**64 Kb equivalent circuits**




→ Higher activity for Data Service in 2Q04 explained by contracts related to the integration of services supporting operational performance of clients, and higher speed services (ATM, and MPLS networks).

→ Important long-term contract with main state health insurance agency assigned during 2Q04.

→ Focused on developing integral IT solutions for corporate and medium-size companies.

→ Permanent focus in offering integral IT solutions such as Call Center, Integrated systems, Data Center and e-commerce

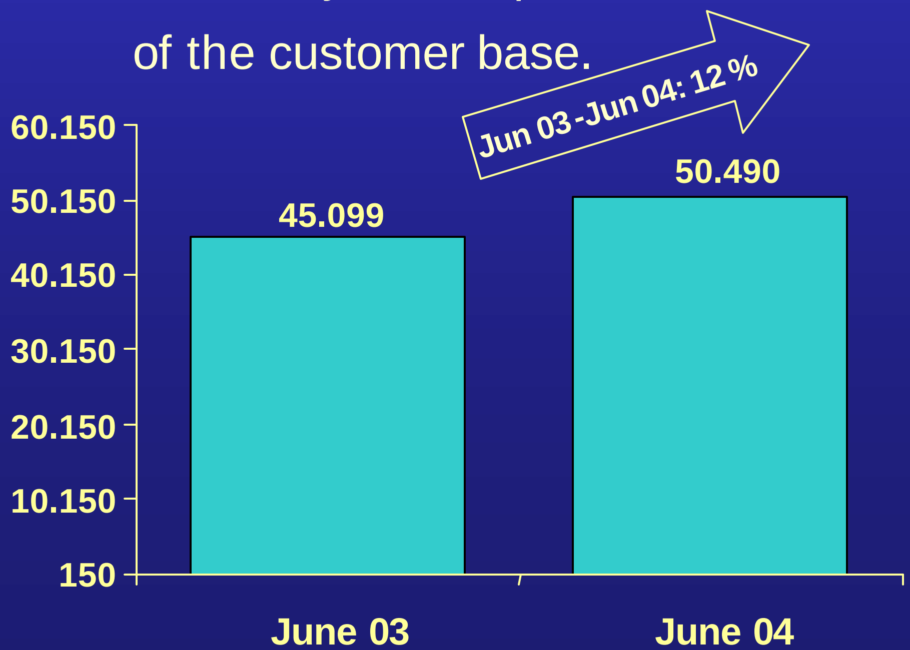
# Internet

→ Continue capturing broadband industry growth with own ( WLL/ local) and leased network.

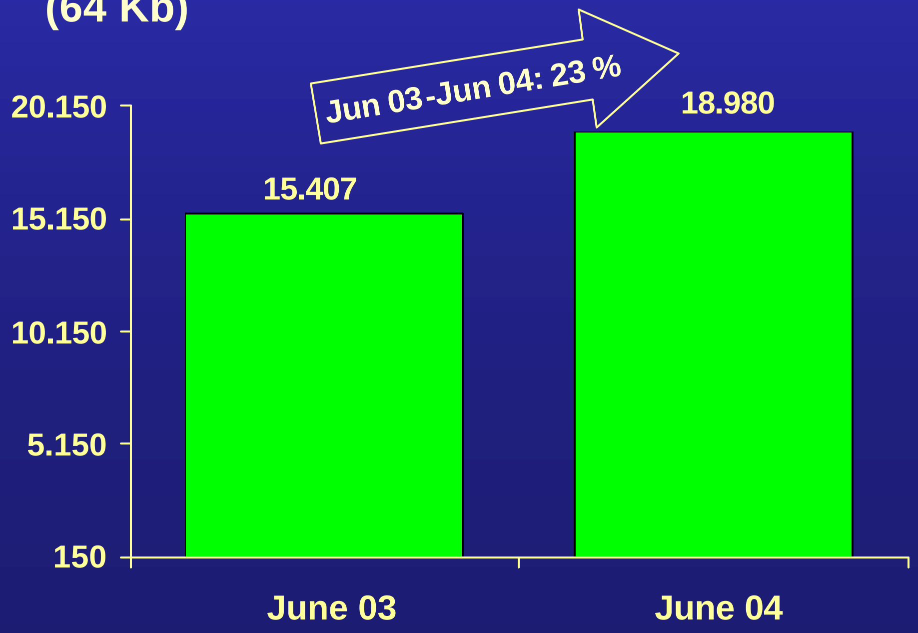
→ The Company offers broadband plans (WLL/ ADSL) with a wide range of speed in order to increase customer segmentation.

**Broadband clients WILL + ADSL**

-Currently WLL represents 43% of the customer base.




**Dedicated equivalent lines (64 Kb)**

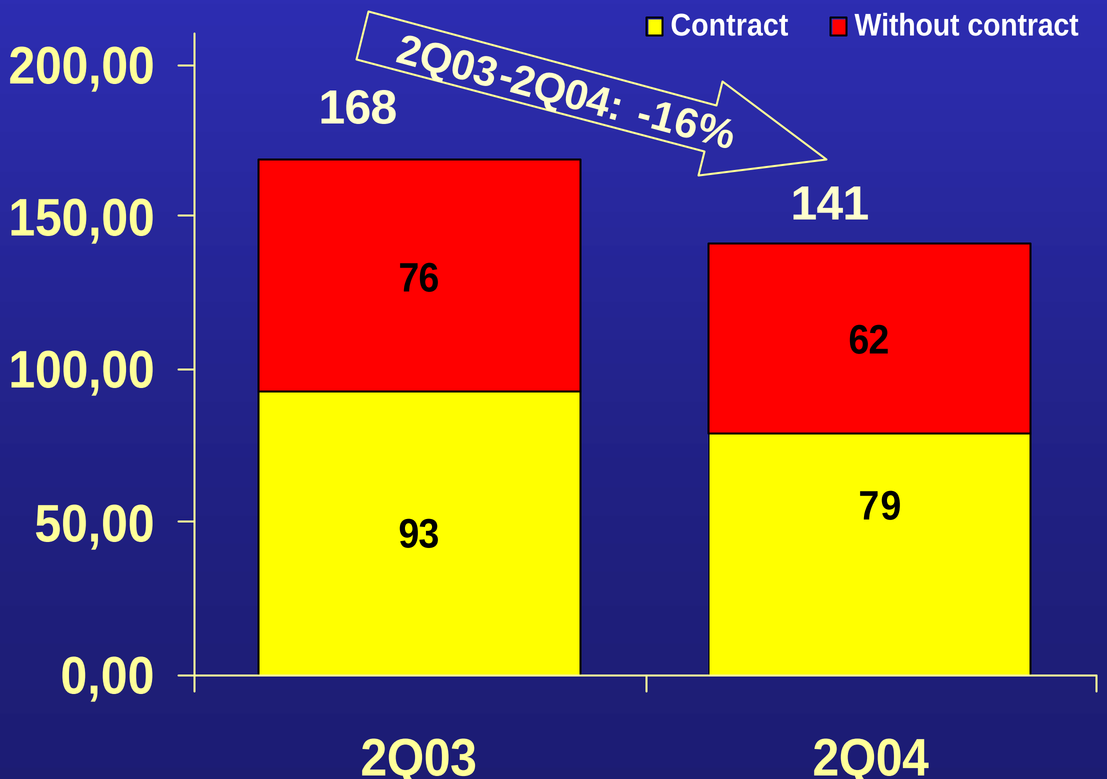


# Internet

→ **Continue migration from dial-up access to broadband access service.**

→ **Entel launched the "Free Days plan" consisted in free minutes to clients that remain continuously connected for a certain period of time.**

**Active Dial-Up Access Accounts**
(In Thousands)



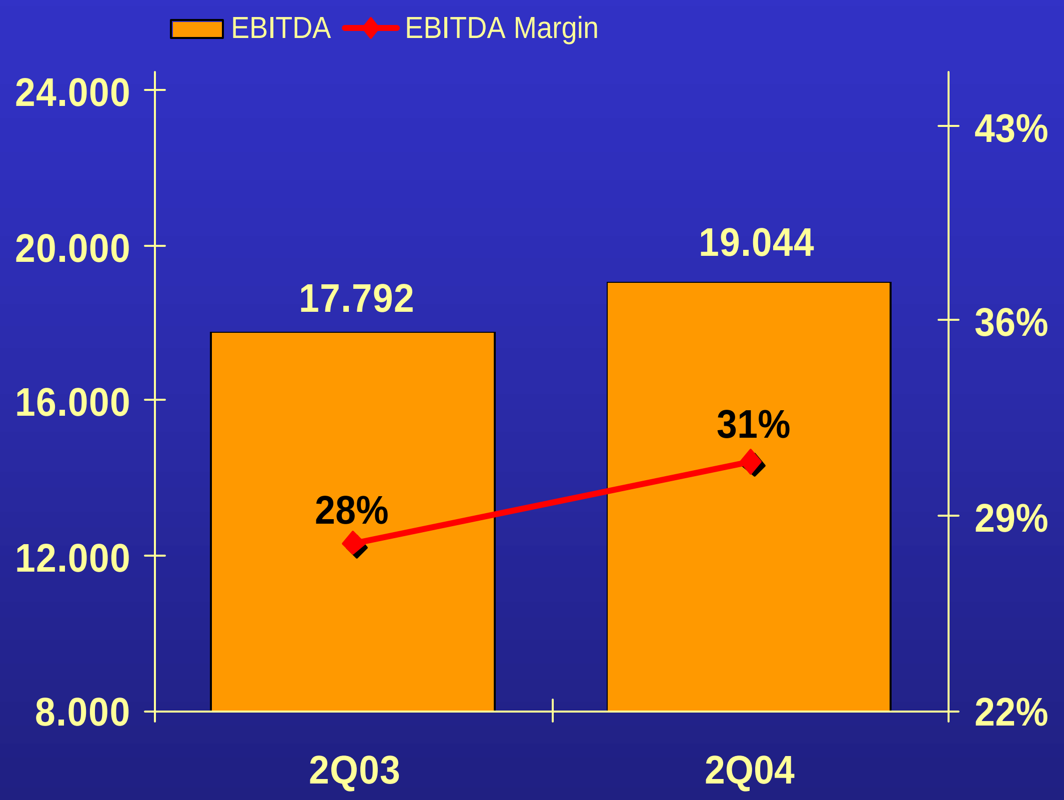

→ B2B marketplace (Merconet) clients: 1,570.

→ Data center revenues grew 12%

# Entel Parent Company

Exchange rate: 636.3 Ch$/ US$

## EBITDA
### (MM Ch$)

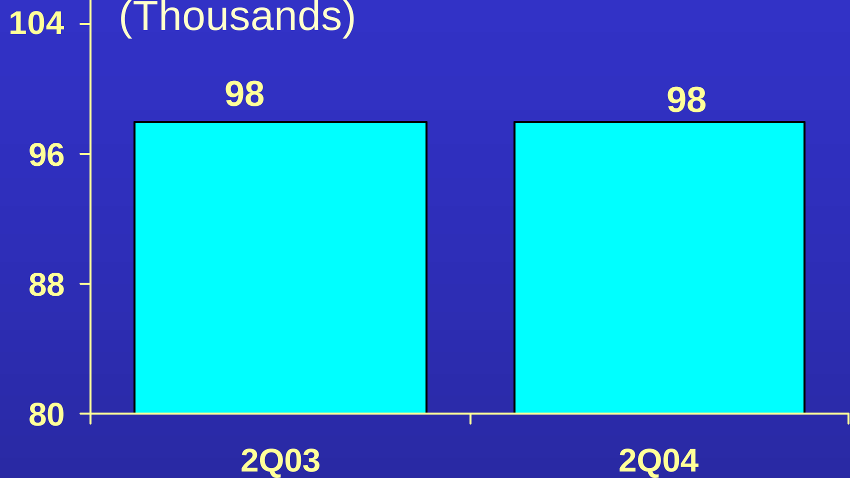



→ EBITDA margin improved mainly as a result of margin improvements in ILD and traffic businesses together with cost-efficiency plans.

# Local Telephony

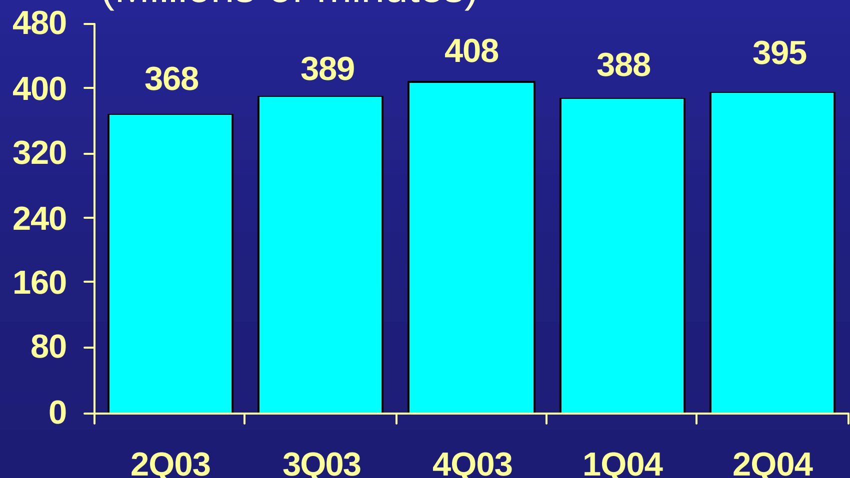
**Exchange rate: 636.3 Ch$/ US$**

**Lines in Service**
(Thousands)



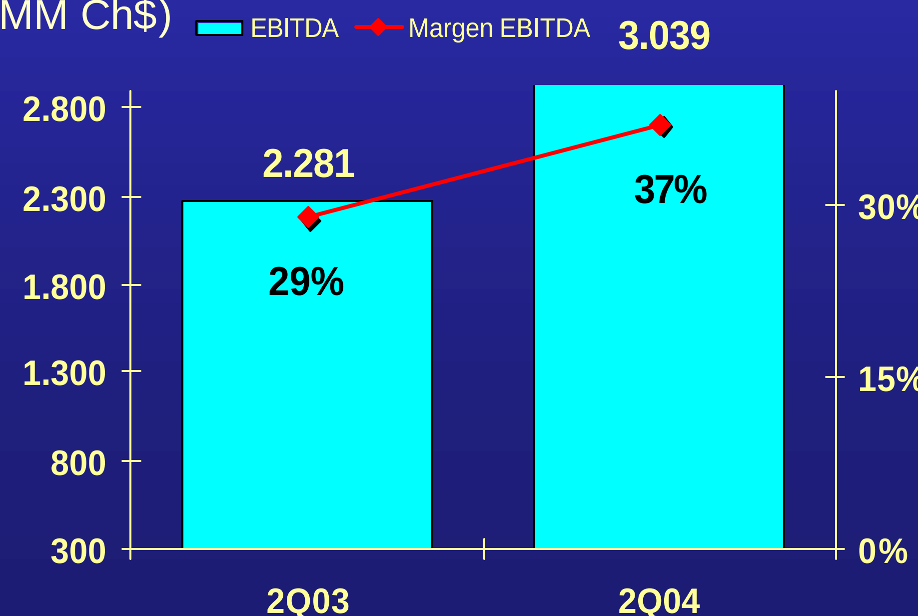

- → Bundling of local telephony lines with ADSL.
- → 81% of billing lines in business and corporate customers.
- → Higher EBITDA due increased revenues and margins, together with lower uncollectables.

**Traffic - Quarterly Evolution ***
(Millions of minutes)




* Includes all traffic through Entelphone (SLM, Internet, LD, CPP).

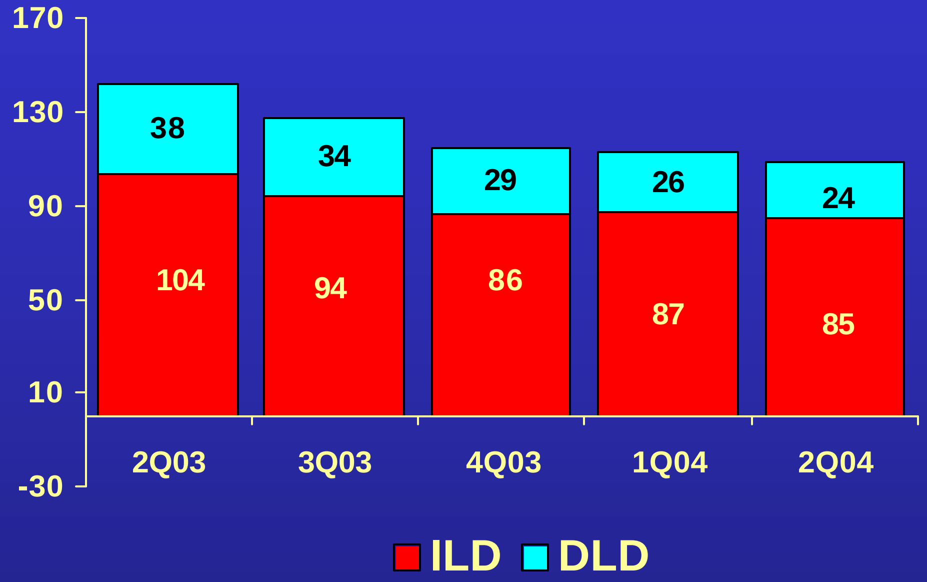
**EBITDA***
(MM Ch$)




*WLL not included.

# Americatel USA

**Dial-around -10 10 123 + Subscribers Traffic Quarterly Evolution (Millions of minutes)**



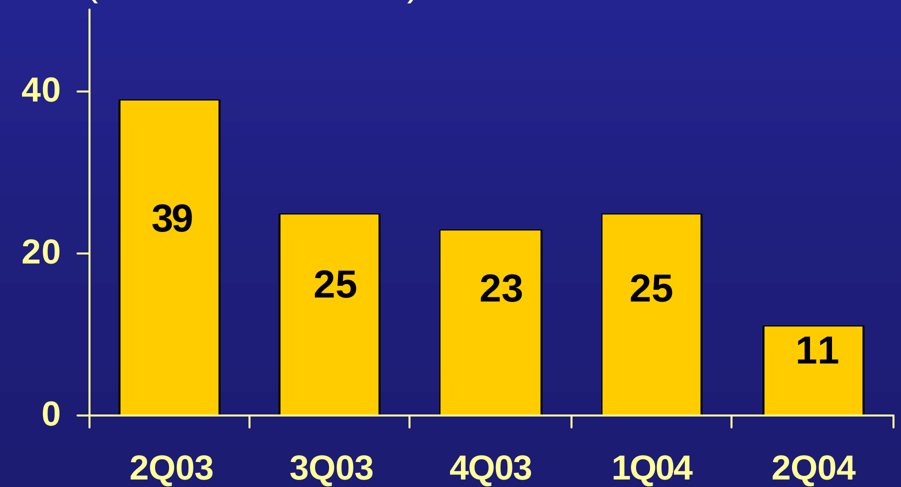

Dial-around + Subscribers trend :

→ ILD volumes stabilizing.

→ DLD direct margin improved due to higher tariffs.

→ Prepaid card strategy focused on profitable segments.

**Prepaid Ticket Traffic Quarterly Evolution**
(Millions of minutes)

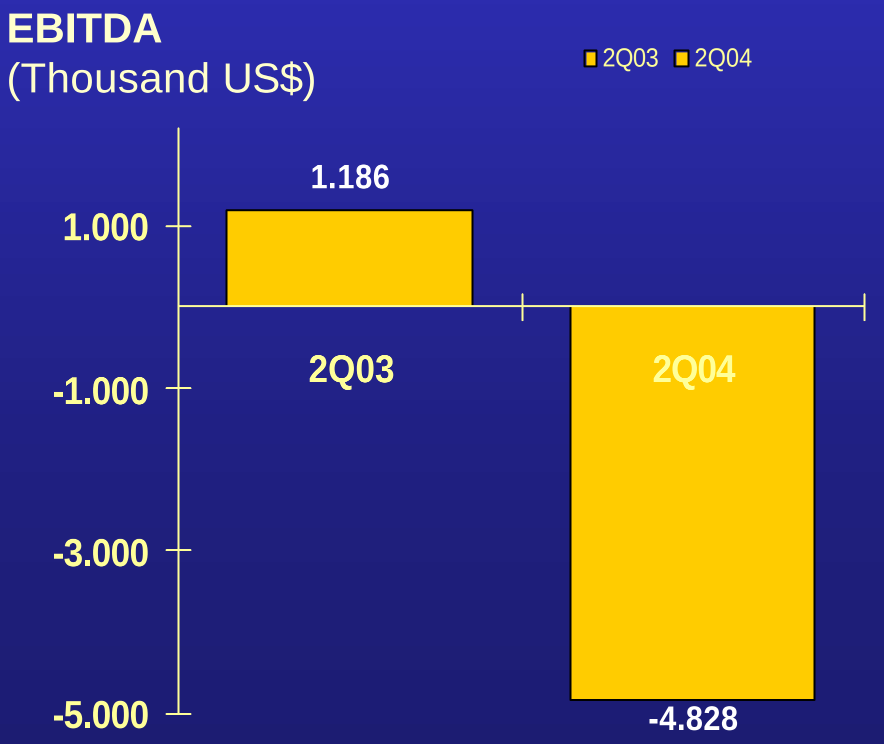


# Americatel USA

→Negotiations for possible disposal of Americatel USA and C.America were concluded with no agreement to sell.

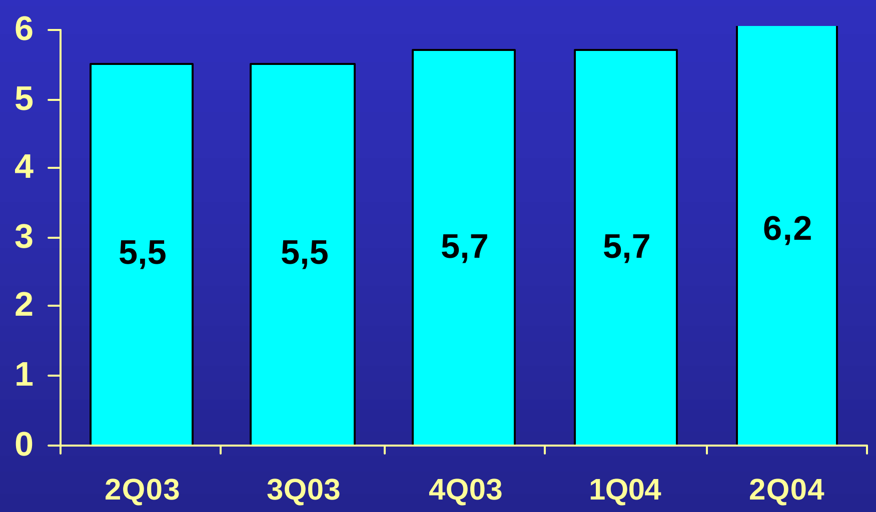
→Americatel´s focus is to rebalance its businesses and structure to face the current competitive environment.

→ Lower EBITDA resulted from lower LD volumes, and the extraordinary receivables write-off of US$3.6 million

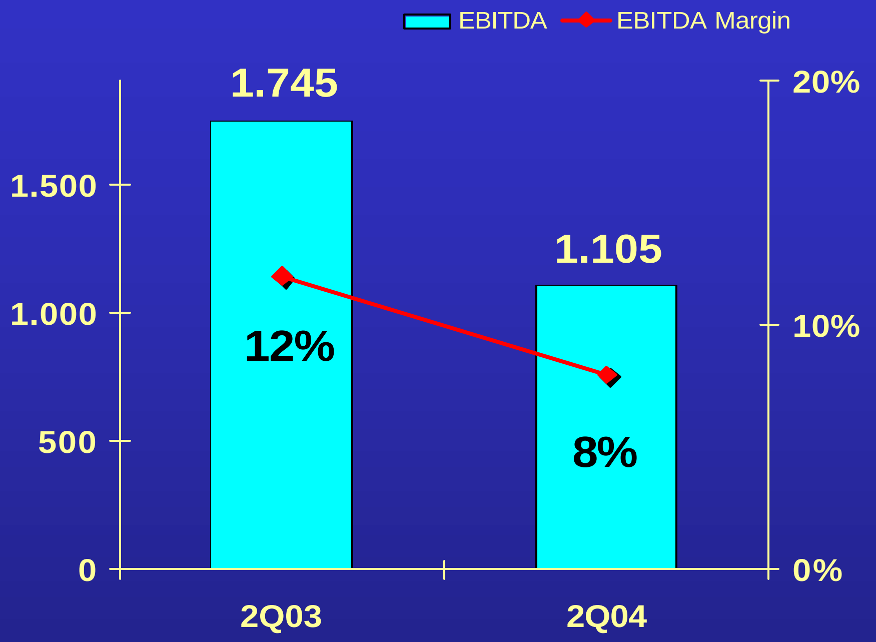


# Americatel Central America

**Carrier 158 (El Salvador) + 143 (Guatemala) Traffic - Quarterly Evolution (Millions of minutes)**



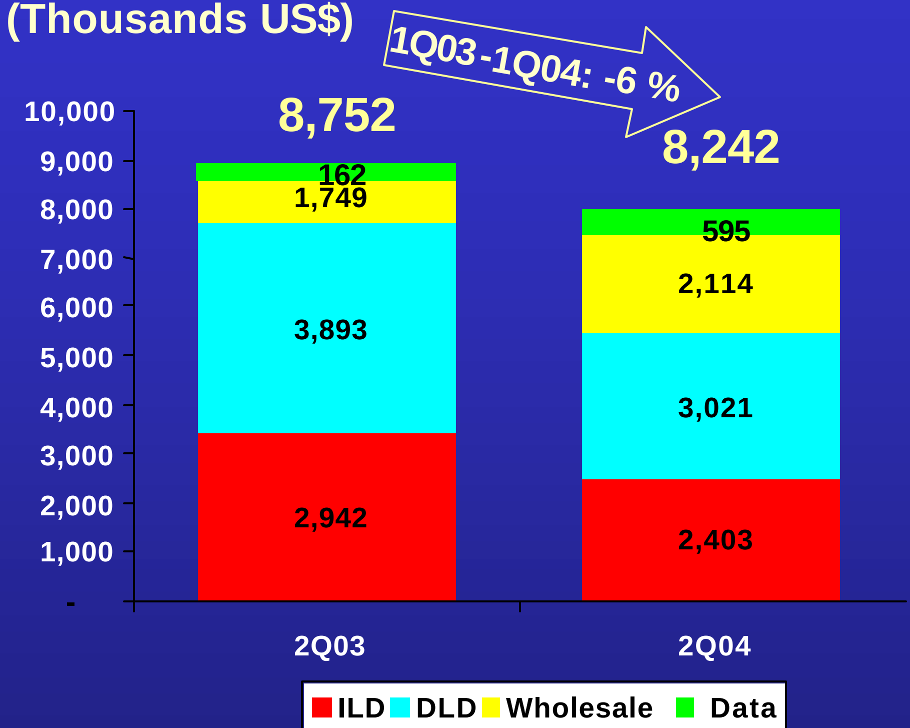

**EBITDA (Thousands US$)**




→ EBITDA decreased 37% mainly explained by lower margins in the wholesale business. This decline was partially offset by lower cost and SG&A expenses.

# Americatel Peru

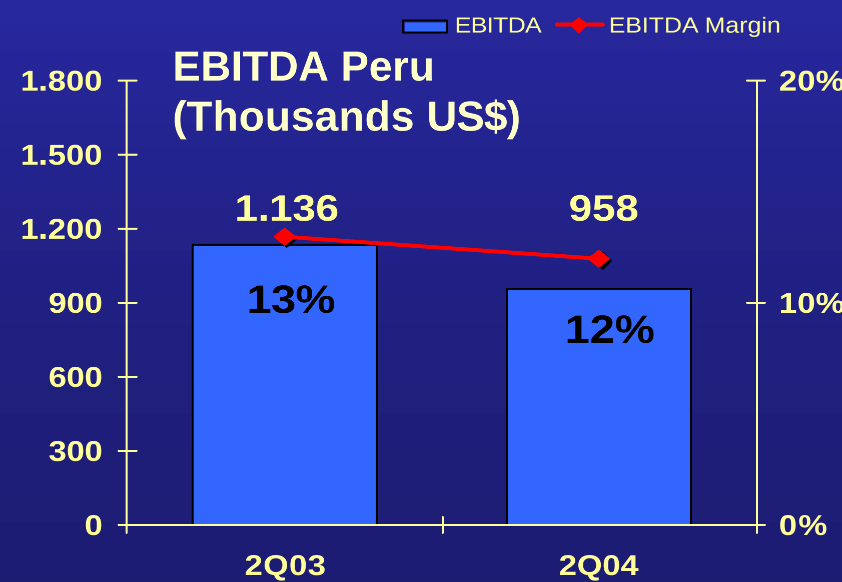
**Quarterly Revenues Americatel Peru (ILD +DLD) (Thousands US$)**





→Increased competitive environment has affected LD revenues and margins.

→Increase in wholesale revenues together with data and local telephony services.



# Financial Results
# Second Quarter 2004

- Consolidated Operating Results
- Non Operating Results

# Consolidated Quarterly Results

**(MM Ch$ June-04)** **Exchange rate: 636.3 Ch$/ US$**

| | 2T04 | 2Q03 | Var% |
|---|---|---|---|
| **Net revenues** | **175.460** | **184.010** | **-5%** |
| Cost of operations | 96.464 | 106.614 | -10% |
| Selling & administrative expenses | 57.225 | 54.940 | 4% |
| **Operating income** | **21.771** | **22.456** | **-3%** |
| **Ebitda** | **54.768** | **56.424** | **-3%** |
| Non operating income | -7.850 | -10.984 | -29% |
| Income before tax & minority interest | 14.019 | 11.472 | 22% |
| Tax | -2.107 | -917 | 130% |
| Minority interest | 467 | 55 | 745% |
| **Net income** | **12.436** | **10.611** | **17%** |

→ Revenues decrease mainly as a consequence of lower LD sales in the US international subsidiary together with a lower 9% exchange rate affecting all revenues linked to the U.S. dollar.

→ Operating income and EBITDA declined 3% as a result of an extraordinary receivable write-off of Ch$ 2.3 billion in Americatel USA. Excluding this impact, operating income would have increased 7% and EBITDA 1%.

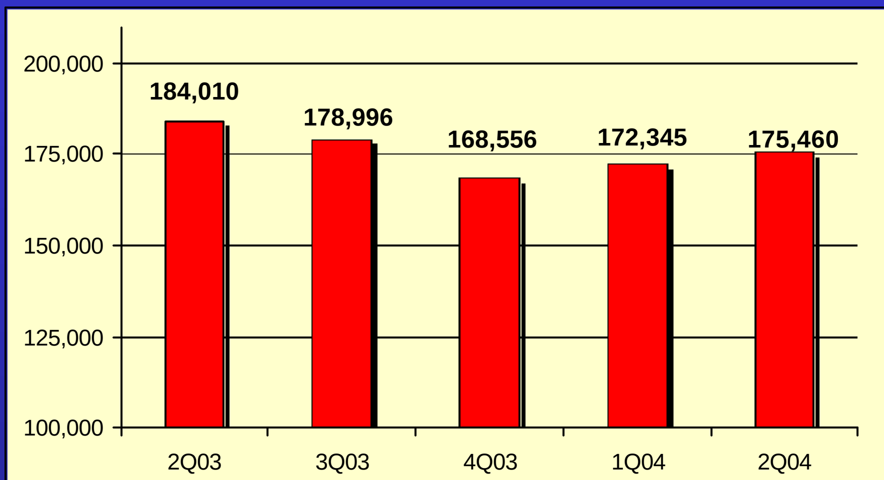
→ Non-operating losses decreased due to lower net financial expenses associated with lower debt and lower losses in price-level adjustment.

→ Net income increased 17% primarily as a result of lower non operating losses.

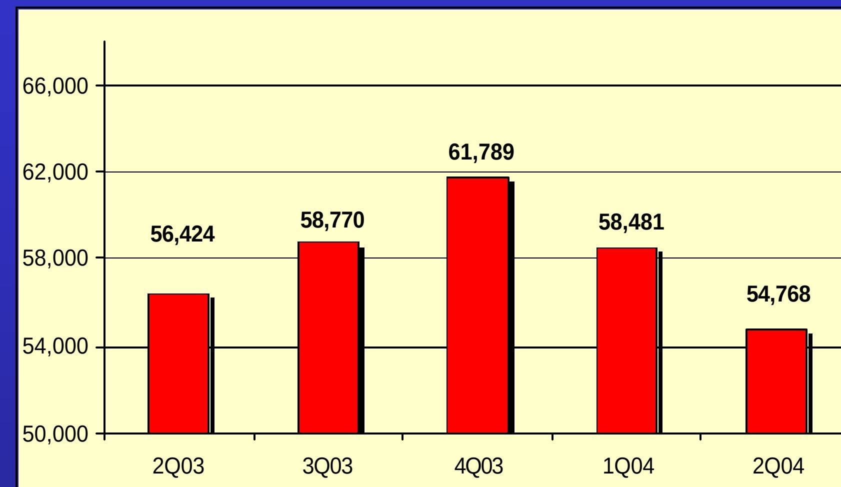
# Consolidated Quarterly Results

**(MM Ch$ June-04)** **Exchange rate: 636.3 Ch$/ US$**

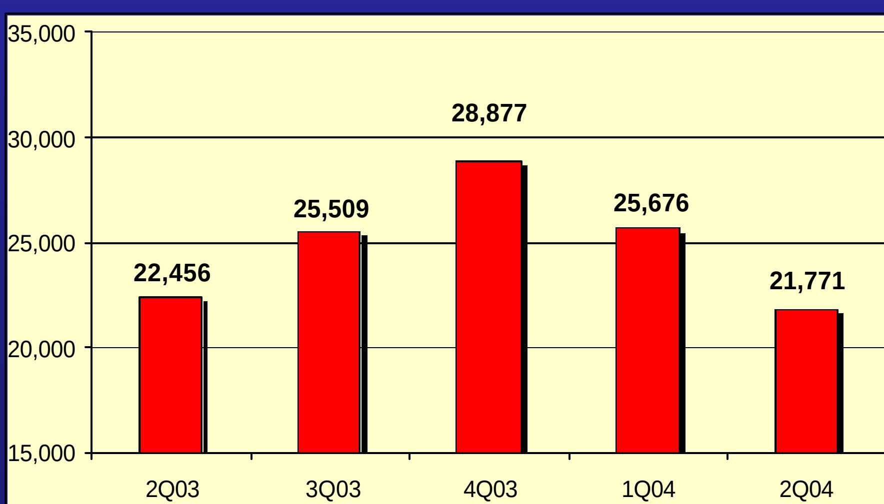
## Revenues



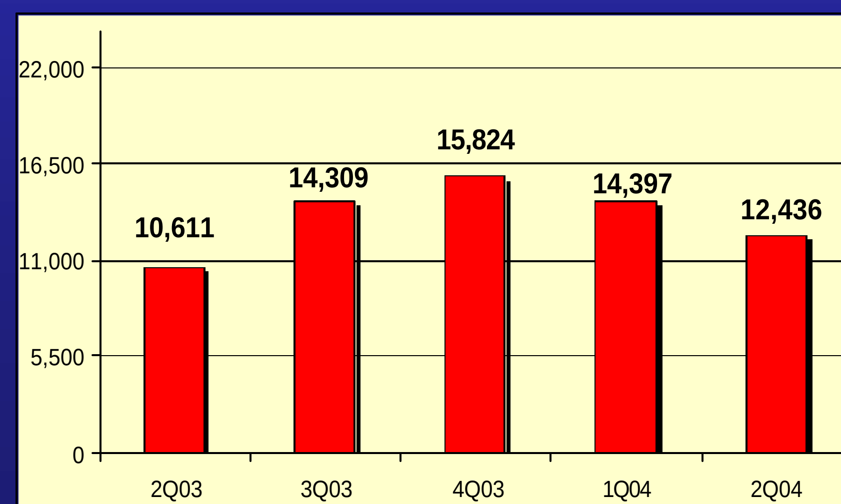

## EBITDA




## Operating Income



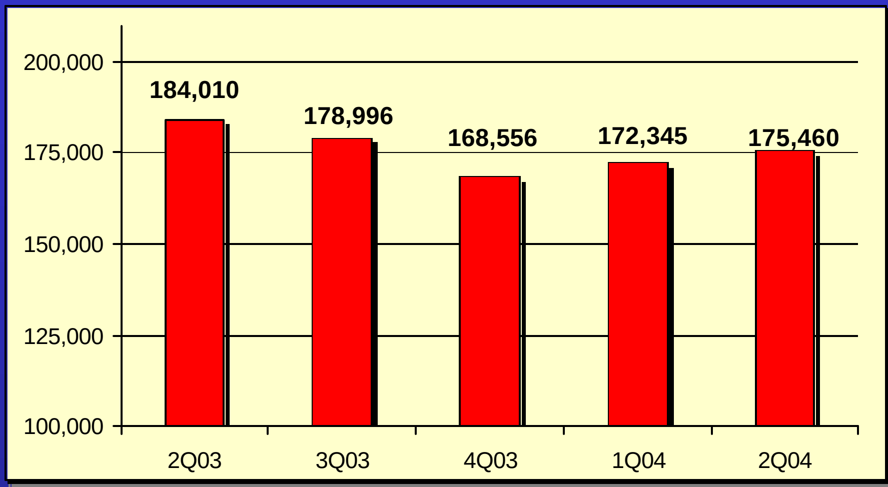

## Net Income



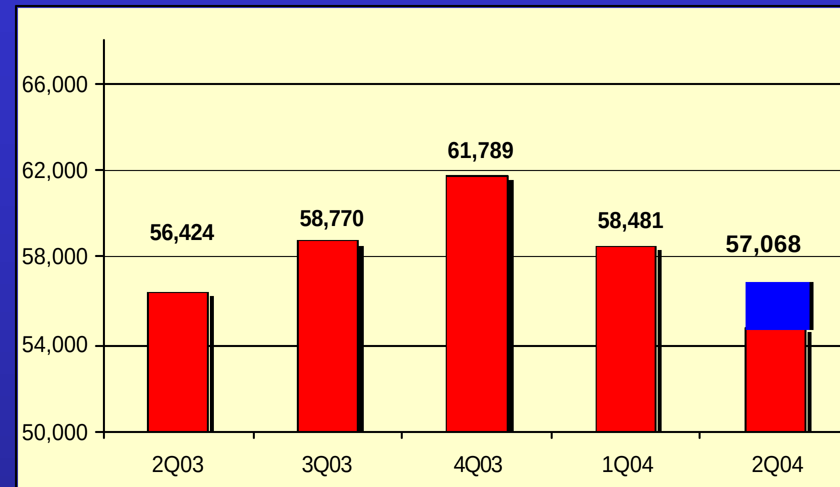
# Consolidated Quarterly Results

**(MM Ch$ June-04)** **Exchange rate: 636.3 Ch$/ US$**

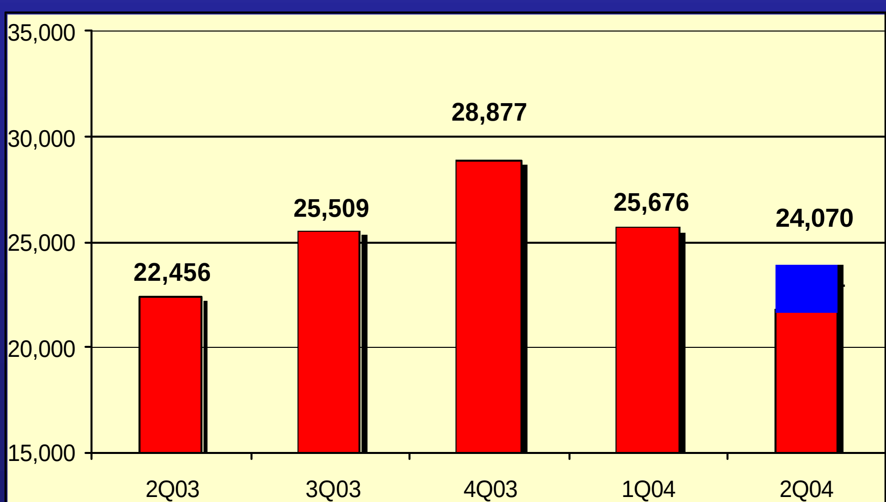
## Revenues



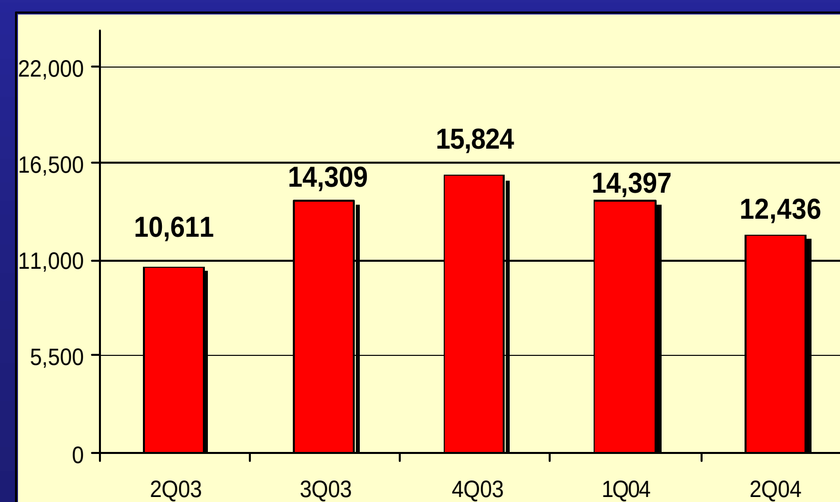

## EBITDA




## Operating Income




## Net Income




Excluding extraordinary writeoff in USA

# Consolidated Revenues

**(MM Ch$ June-04)** Exchange rate: 636.3 Ch$/ US$

| | 2Q04 | 2Q03 | Change % | Var MM$ |
|---|---|---|---|---|
| **Net revenues** | 175.460 | 184.010 | -5% | -8.550 |
| Mobile services | 83.942 | 82.904 | 1% | 1.038 |
| Domestic long distance | 10.805 | 10.855 | 0% | -50 |
| International long distance | 4.991 | 5.327 | -6% | -336 |
| Internet | 7.741 | 9.209 | -16% | -1.468 |
| Data services | 10.400 | 9.160 | 14% | 1.240 |
| Other telecommunication companies | 2.033 | 3.082 | -34% | -1.049 |
| Traffic business | 15.687 | 11.791 | 33% | 3.896 |
| International subsidiaries | 31.805 | 43.317 | -27% | -11.512 |
| Local telephony | 6.882 | 6.679 | 3% | 203 |
| Others | 1.174 | 1.685 | -30% | -511 |

→ **International subsidiaries**: reduction in revenues is explained by a 9% decrease in USD exchange rate and lower long distance traffic.

→ **Internet:** decrease 16% in revenues due to lower dial-up revenues partially offset by 12% increase in broadband customer base.

→ **Traffic business:** increases due to higher wholesale revenues.

→ **Data services** : increase due to high speed data services and IT contracts.

→ **Mobile telephony** : increase in revenues mainly due to higher equipment sales.

→ **DLD** : 11% decreased in traffic while 9% increased in tariffs

→ **ILD** : 6% growth in traffic and average tariffs decreased 11%.

# Consolidated Costs and Expenses

**(MM Ch$June-04)**

**Exchange rate: 636.3 Ch$/ US$**

| | 2Q04 | 2Q03 | Change % | Var |
|---|---|---|---|---|
| **Cost of operations and SG&A expenses** | **153.689** | **161.554** | **-5%** | **-7.865** |
| Access charges | 27.400 | 29.609 | -7% | -2.208 |
| Payments to correspondents | 19.661 | 21.839 | -10% | -2.179 |
| Depreciation & amortization | 29.401 | 29.616 | -1% | -216 |
| Salaries & expenses | 19.327 | 18.590 | 4% | 737 |
| Advertising cost | 7.224 | 10.437 | -31% | -3.213 |
| Amortization of prepaid equipment | 3.059 | 3.655 | -16% | -596 |
| Bad debt provision | 8.806 | 6.802 | 29% | 2.003 |
| Outsourcing | 8.246 | 11.852 | -30% | -3.606 |
| Others | 30.566 | 29.154 | 5% | 1.412 |

→ **Advertising costs:** due to reductions in Americatel USA , the Parent Company and WLL Internet

→ **Outsourcing**: decrease primarily in Americatel USA due to lower long distance activity, and lower call center services in the Parent Company.

→ **Payments to correspondents:** in line with lower traffic in ILD services in Americatel USA partially offset by higher costs in the Parent Company resulting from increased revenues in traffic business.

→ **Access charges:** due to the recent impact of the new regulatory tariff decree in mobile business and to lower DLD and dial-up internet traffic in the Parent Company.

→ **Bad debt provisions**: mainly due to an extraordinary receivable write-offs of Ch$ 2.3 billion in Americatel USA

# Consolidated Non Operating Results

(MM Ch$ June-04)

Exchange rate: 636.3 Ch$/ US$

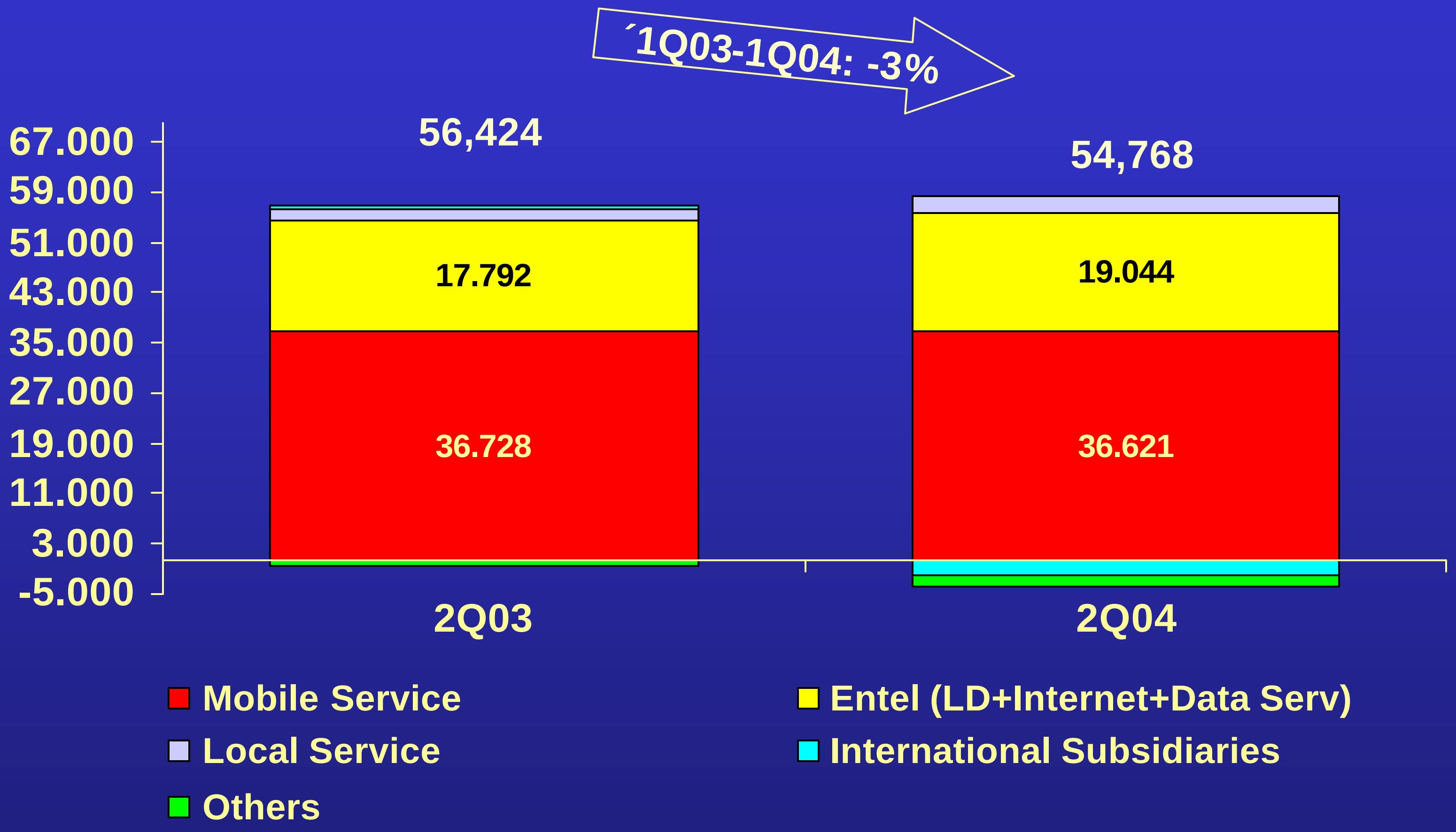
| | 2Q04 | 2Q03 | Change % |
|---|---|---|---|
| **Non operating results** | **(7.850)** | **(10.984)** | **-29%** |
| Interest income | 737 | 414 | 41% |
| Other income | 719 | 292 | 298% |
| Equity in losses of related companies | - | 1 | -100% |
| Amortization of goodwill | (873) | (1.148) | -6% |
| Financial expenses | (5.548) | (6.698) | -21% |
| Other expenses | (2.924) | (3.005) | 42% |
| Price level restatements & gain (loss) for exchange rates | 39 | (840) | 6% |

→ Lower net financial expenses in connection with a lower net financial debt, and lower losses due to price-level adjustment.

# Consolidated Cash Generation*

(MM Ch$ June-04)

Exchange rate: 636.3 Ch$/ US$

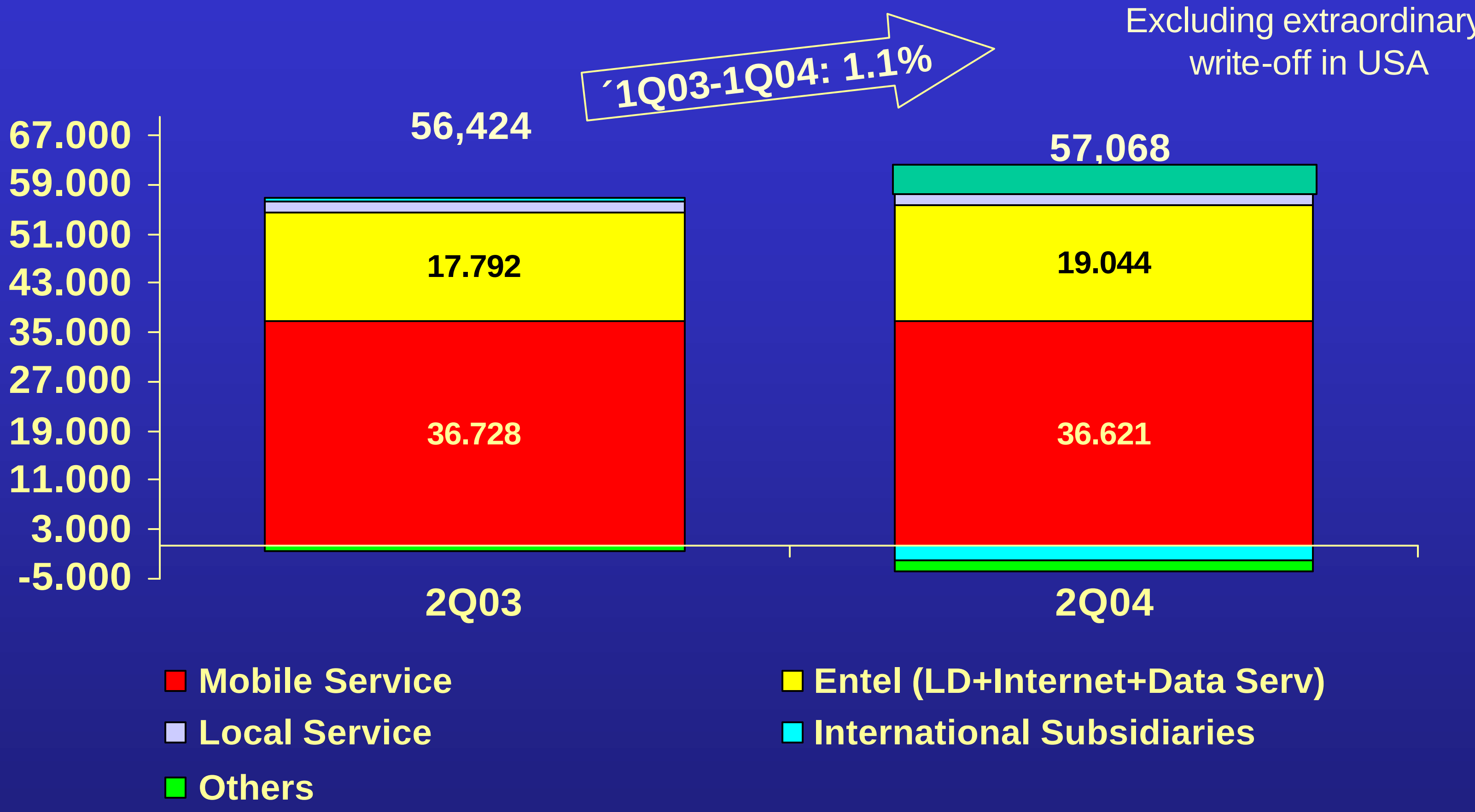



| | 2Q03 | 2Q04 |
|---|---|---|
| EBITDA Margin | 31% | 31% |

*Operating Income + Depreciation + Amortization

# Consolidated Cash Generation*

**(MM Ch$ June-04)** **Exchange rate: 636.3 Ch$/ US$**




| | 2Q03 | 2Q04 |
|---|---|---|
| **EBITDA Margin** | 31% | 33% |

*Operating Income + Depreciation + Amortization

# Simplified Free Cash Flow

**(MM Ch$ June-04)** **Exchange rate: 636.3 Ch$/ US$**

| | June-04 | June-03 |
|---|---|---|
| EBITDA | 115.335 | 126.382 |
| CAPEX | 38.942 | 43.678 |
| Financial Expenses | 9.300 | 12.564 |
| **Cash Flow MMCh$** | **67.094** | **70.140** |

→ Lower EBITDA mainly explained by a decrease in access charge in mobile together with tighter margins in LD.

→ Stable cash flow due to reduced Capex and lower financial expenses.

# Consolidated Debt & Hedge

| HEDGE | June 2004 | June 2003 |
|---|---|---|
| Average Hedge Debt ( US$ thou.) | 301.678 | 439.609 |
| **CONSOLIDATED DEBT** | | |
| Average Gross Debt (MM Ch$) | 468.800 | 556.971 |
| **Current Rate end of period** | **4,47%** | **4,91%** |
| | | |
| **Final Gross Debt (Ch$ MM)** | **438.370** | **529.499** |
| | | |
| **Final Net Debt (MM$ Ch)** | **356.057** | **467.995** |

# Financial Ratios

| Financial Indexes | June 2004 | June 2003 |
|---|---|---|
| Current Assets/ Current Liabilities | 1,53 | 1,89 |
| EBITDA/Financial Expenses | 10,34 | 9,04 |
| Financial Debt/EBITDA | 1,87 | 2,17 |
| Total Liabilities/(Equity+ Min. Interest) | 0,98 | 1,20 |
| Net Financial Debt | 356.057 | 467.995 |

- →Liquidity and interest coverage are at high levels and improving.
- →Debt ratios continue improving due to a reduction in interest bearing debt.
- →S&P Rating improvement from BBB to BBB+.

# End of Presentation