



**ENTEL**  
Vivir primeros el futuro



**ENTEL Results**  
**Third Quarter 2006**

Information available at  
[www.entel.cl](http://www.entel.cl)

## Main Events Third Quarter 2006

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- ✓ Early August, America Movil launched its commercial activity under the new brand “Claro”, which replaced the name “Smartcom”.
- ✓ NGN (Next Generation Network) campaign was launched, focusing on the SME segment, in order to provide bundled services such as IP telephony, data, broadband Internet and virtual Centrex over the same access.

# Activity by Business Sector



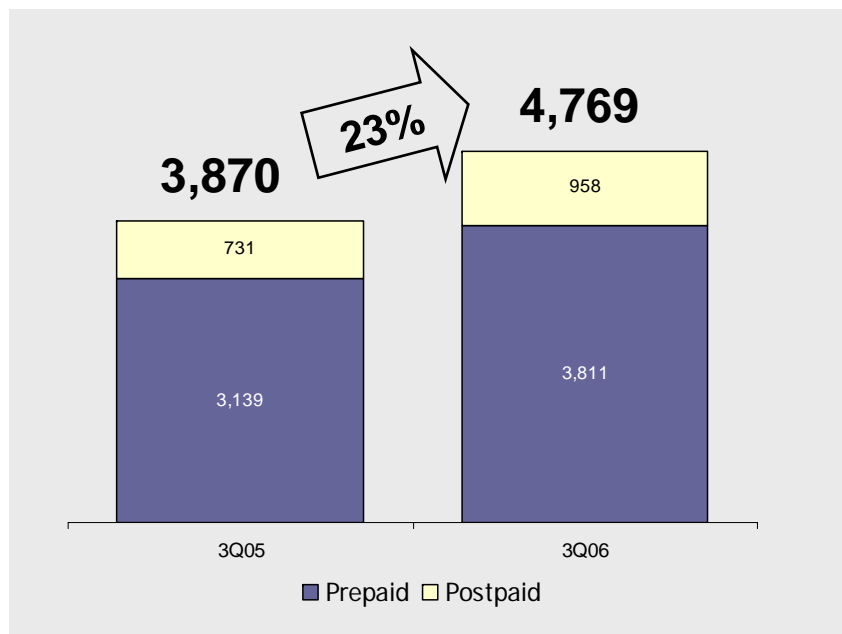
**ENTEL INTERNET**

❖ **Enlace Internacional**  
via fibra óptica, de más de  
**200 Mbps**

A speedometer graphic shows a needle pointing to 256 Kbps.

# Mobile Telephony

Entel's Mobile Subscribers (in thousands)



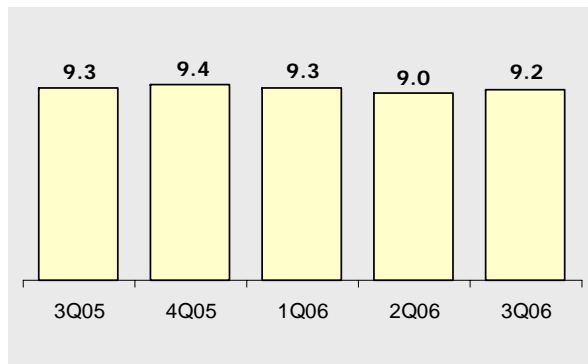
- ✓ Despite the competitive scenario after launching a new brand to the market, Entel maintained a 41% market share.
- ✓ 179 thousand net adds during the quarter, representing 47% of the industry.
- ✓ Entel is the leader in communication quality perception according to Adimark's survey of August, 2006.

- ✓ Focus is to provide top-quality / innovative services to meet increasing client requirements, through a top-class network.
- ✓ The advertising campaign "Trust Moves Your World" was launched in order to reinforce the reliable service provided by the Company. In addition, several plans and new services, such as BlackBerry Connect and Super Chip 2, were deployed in order to keep the competitive edge.

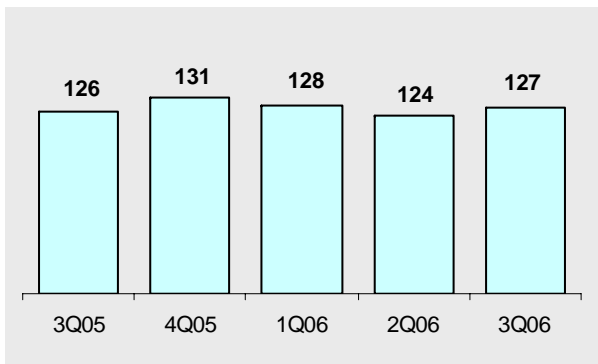
# Mobile Telephony



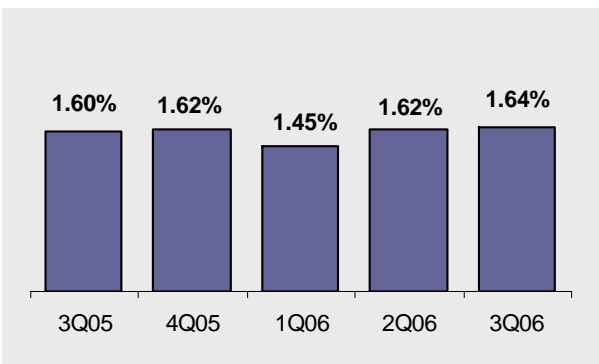
ARPU Average (thousand Ch\$ Sept-06)



MOU Average (minutes/month)



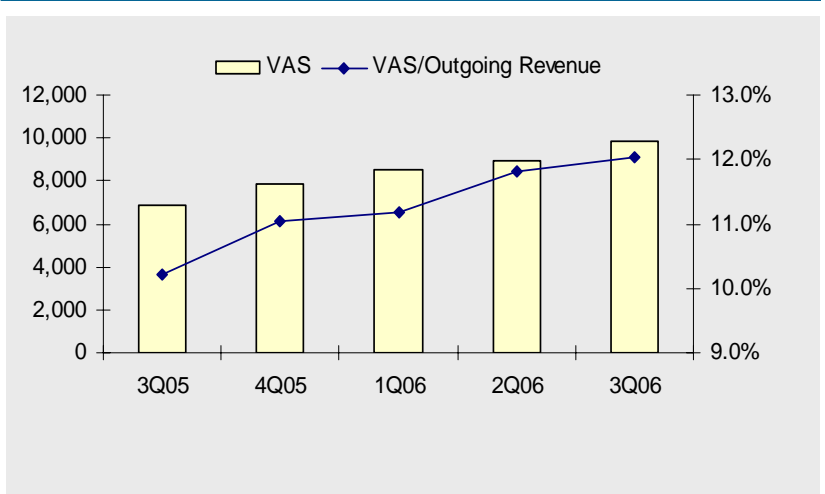
Average Monthly Churn



3Q06 vs 3Q05

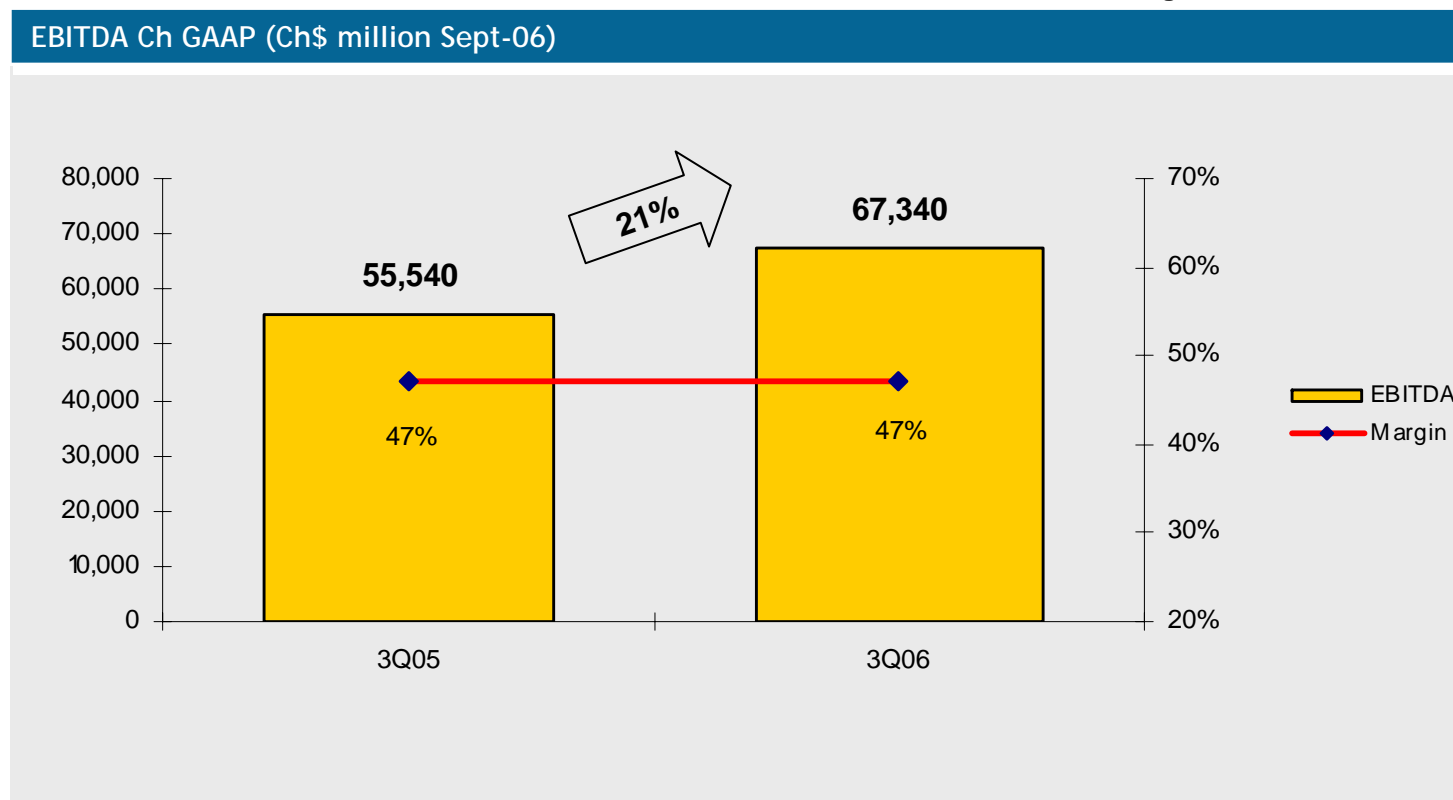
- ✓ ARPU declined 1% compared to 3Q05, principally in the post-paid segment, in-line with lower average tariffs related to outgoing traffic. Value-added services partially offset this drop.
- ✓ MOU increased 1%, driven by a higher participation of the post-paid segment in the total base. Post-paid MOU remained almost flat, while pre-paid slightly declined.
- ✓ The blended churn had a slight increase, attributed to the pre-paid segment, while post-paid churn declined as a result of the permanent effort to maintain customer loyalty.
- ✓ VAS revenues grew 44% during 3Q06 compared to 3Q05, driven by the increase of 172% in the broadband customer base. VAS represents 12% of outgoing traffic revenues.

VAS Revenues (thousand Ch\$)



# Mobile Telephony

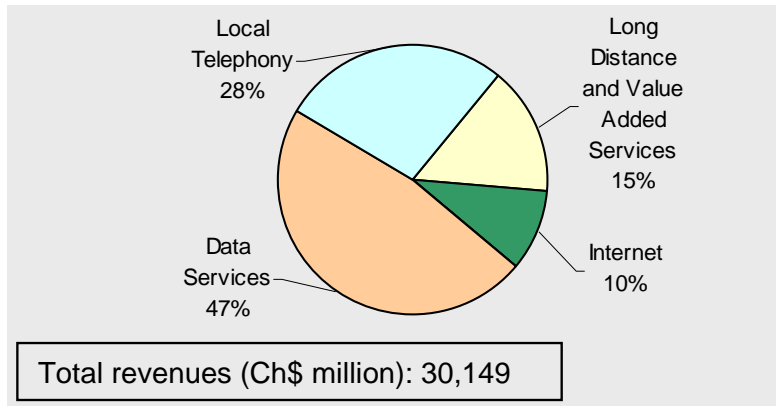
Exchange rate: 537.03 Ch\$/ US\$



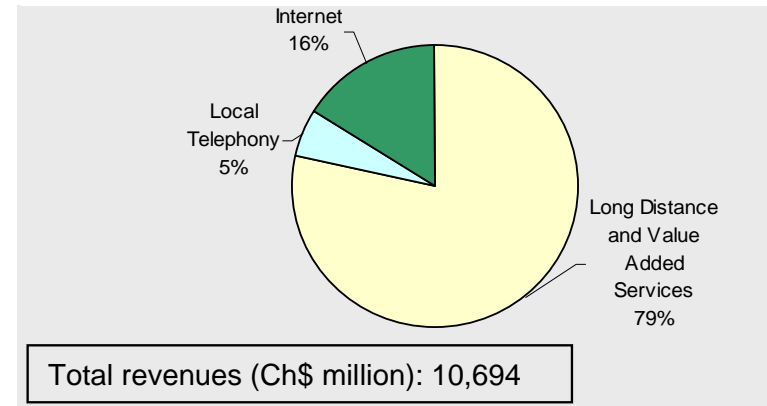
- ✓ EBITDA improved 21% as a result of a higher gross service margin (+21%) due to an expanded customer base (+23%) and traffic (+25%). SG&A (not including depreciation and amortization) grew 12% mainly due to an increase in sales commissions, salaries and advertising, all necessary to support the high growth in activity.

# Chile Wireline

Corporate & SME Revenue Distribution (3Q06)



Residential Revenue Distribution (3Q06)

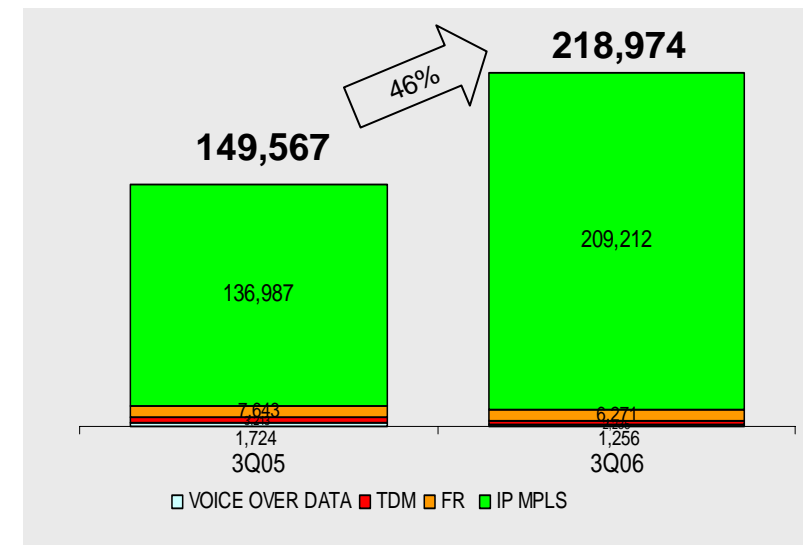


## Corporate and SME Segment

### Data Services

- ✓ Data services continue growing, mainly boosted by IT services such as system integration and business process outsourcing (BPO) that currently represents 35% of total data services revenues. Also, high-speed services (IP-MPLS) continue growing at high rates.
- ✓ Entel launched the NGN technology campaign, aimed at the SME segment. Over this network, the Company is providing bundled services (IP telephony, data, Internet and Virtual Centrex).

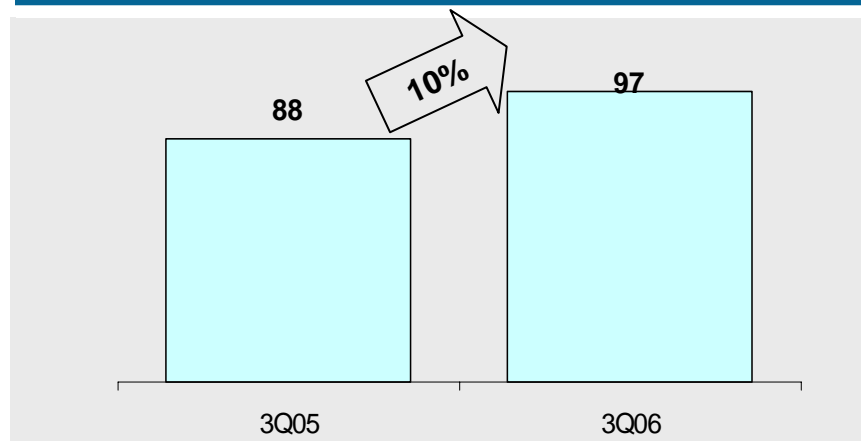
Selected Equivalent Lines 64 Kb equivalent circuits



# Corporate and SME Segment

## Local telephony, Internet and long distance

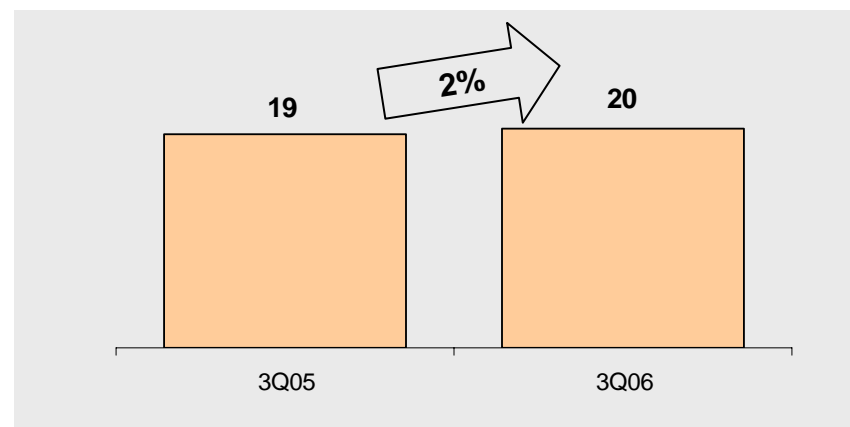
Lines in Service (in thousands) of Local Telephony



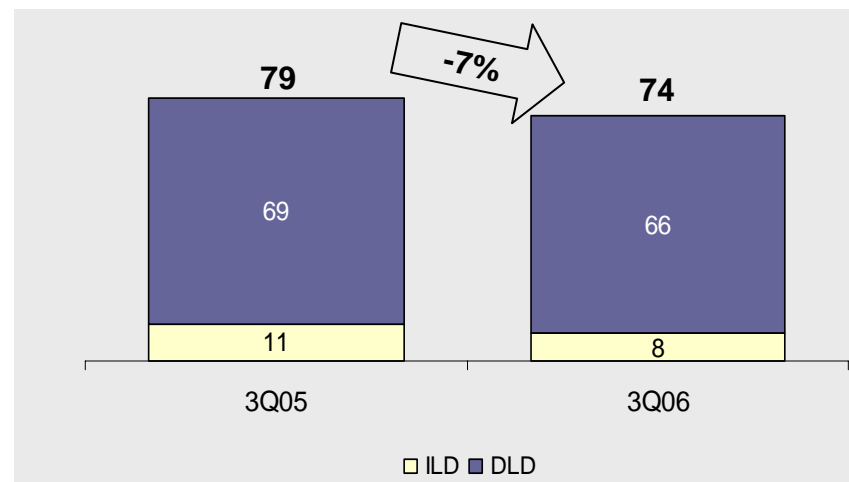
3Q06 vs 3Q05

- ✓ Local telephony's lines in service grew in both segments. Currently, Entel covers more than 30 cities in the country with IP technology.
- ✓ Growth in broadband clients is attributed to the corporate segment. Starting in September 2006, broadband Internet over the WiMax network is provided to the corporate and SME segments.
- ✓ LD traffic continues to decline due to the migration to mobile and Internet services. DLD and ILD traffic decreased, while average tariffs declined, principally in DLD.

Broadband clients (in thousands) WILL + ADSL

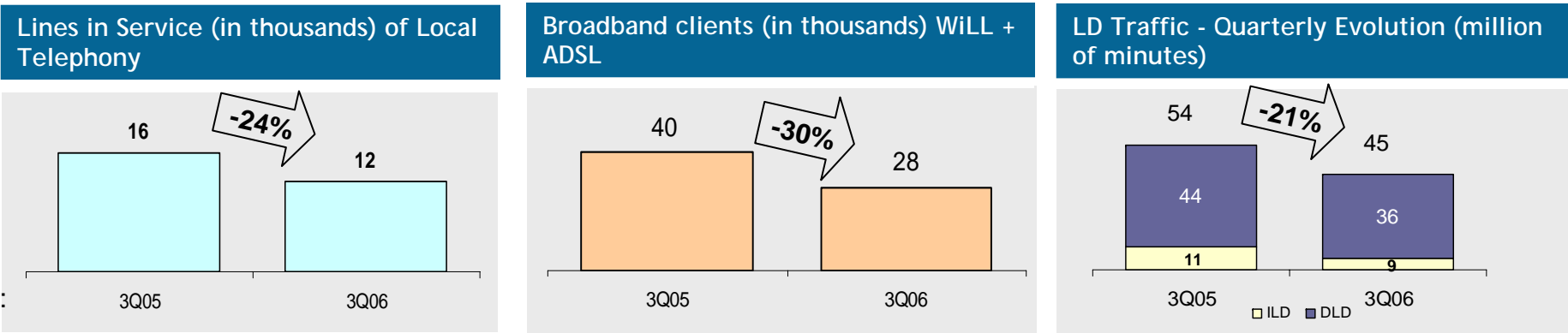


LD Traffic - Quarterly Evolution (million of minutes)



# Residential Segment

## Local telephony, Internet and long distance



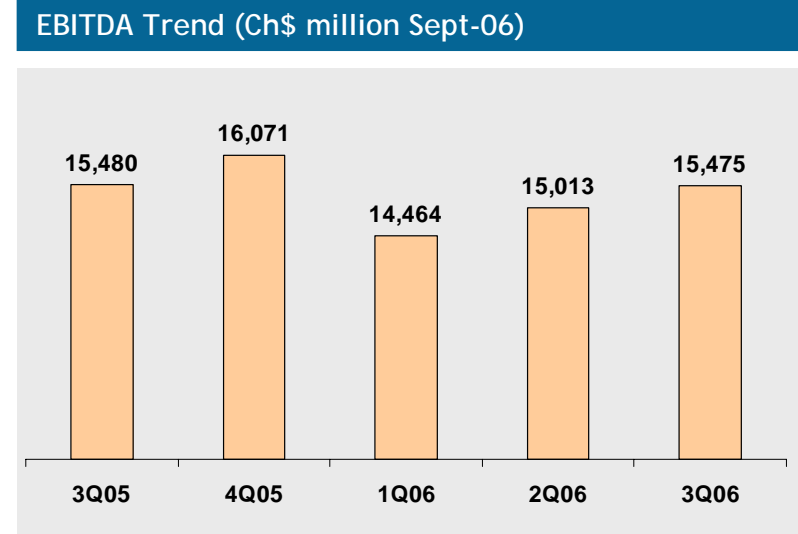
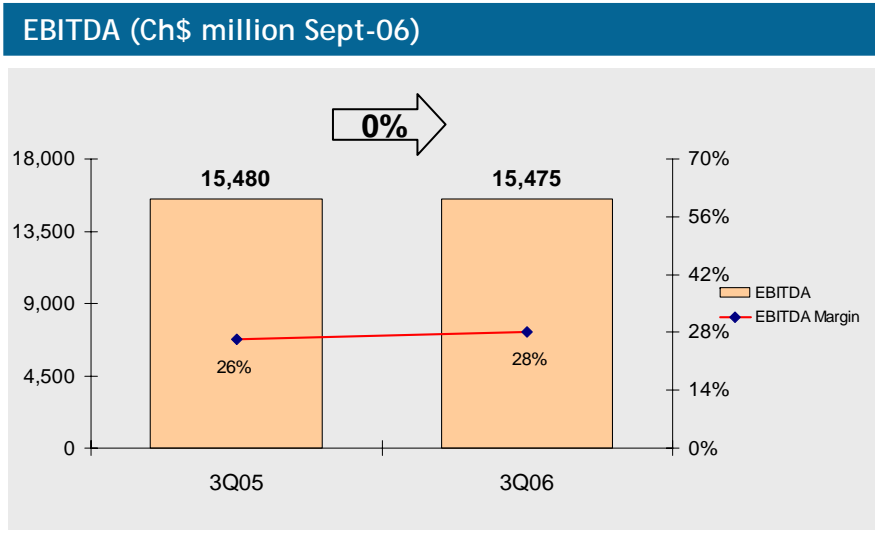
- ✓ Local telephony and broadband activity continued to decline mainly due to discontinuing the offer of non-profitable plans, together with client migration. Bundled services (local telephony / broadband Internet) is increasing its share over the total lines in service, while enhancing profitability.
- ✓ Volumes declined in DLD (16%) and ILD (13%) mainly in direct dialing, partially offset by higher pre-paid card usage. Average tariffs grew, both in DLD and ILD. Focus is to maintain market share and profitability.

## Infraest. Serv. to Other Telecom Comp. and others

- ✓ Volumes related to traffic business declined, which was partially offset by increased average tariffs. Capacity network rentals to other telecoms continues to grow.

Revenues	3Q06	3Q05	% Var.
Infraest. Serv. to Other Telecom Comp.	14,385	15,759	-9%

# Chile Wireline



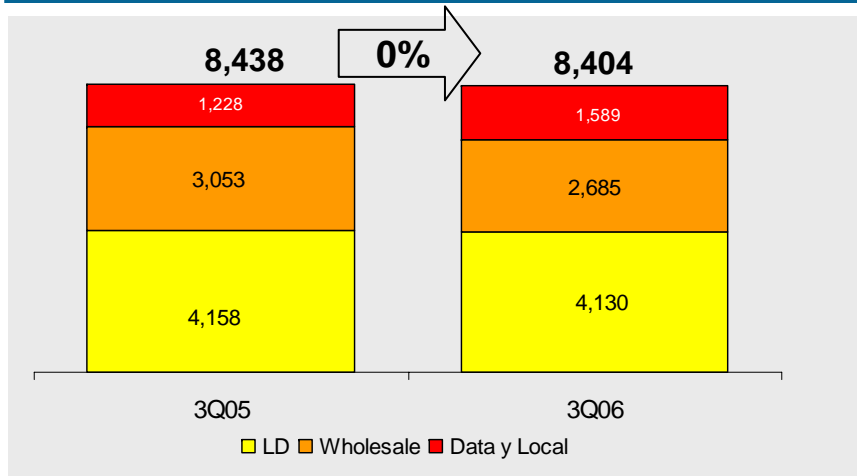
- ✓ EBITDA remained flat. Main increases were in the Residential segment and in rentals to Other Telecoms. The Corporate and SME segments declined, principally due to start-up costs in the IT services, together with NGN expenses related to its penetration phase.
- ✓ EBITDA trend has been relatively stable during the last quarters, after deep structural changes of the industry which negatively affected profits in the last years.

# Americatel Peru



Exchange rate: 537.03 Ch\$/ US\$

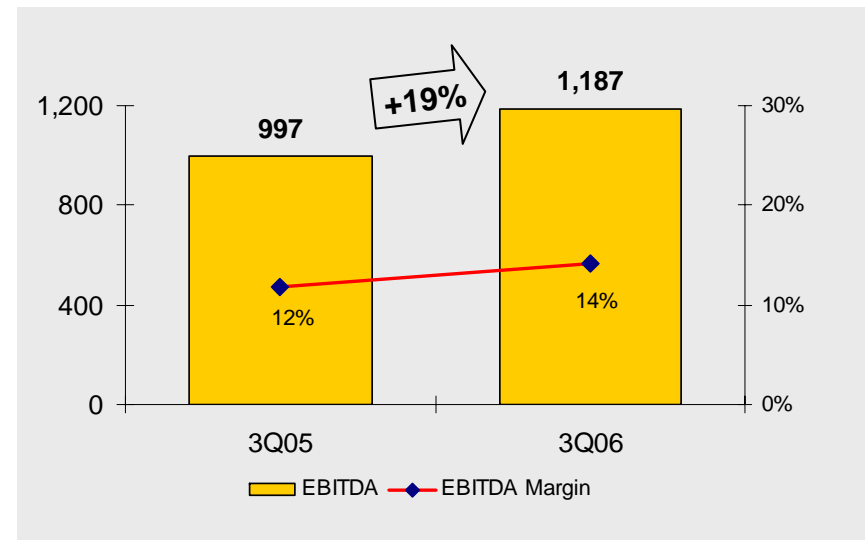
Revenues (US\$ thousands)



- ✓ Increased revenues related to data, Internet and local telephony, triggered by an expansion in broadband Internet customers and in local telephony, mainly in the enterprise segment.
- ✓ LD remained flat, resulting from growth in DLD traffic, completely offset by lower ILD traffic and reduced tariffs in both services. Wholesale revenues declined as a result of lower incoming traffic.
- ✓ EBITDA grew 19%, mainly explained by higher margins in Datacom and local telephony services.



EBITDA Peru (US\$ thousands)



ENTEL

# Financial Results

## Third Quarter 2006

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- Consolidated Operating Results
- Non Operating Results

# Consolidated Quarterly Results

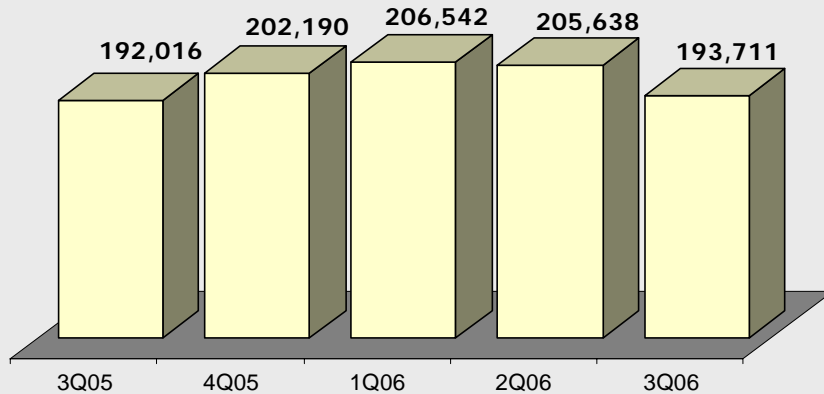
(Ch\$ million Sept-06)	3Q06	3Q05	Change %
<b>Net revenues</b>	<b>193,711</b>	<b>192,016</b>	<b>1%</b>
Cost of operations	103,292	104,430	-1%
Selling & administrative expenses	46,008	53,452	-14%
<b>Operating income</b>	<b>44,410</b>	<b>34,134</b>	<b>30%</b>
<b>EBITDA</b>	<b>83,664</b>	<b>74,209</b>	<b>13%</b>
<b>EBITDA Margin</b>	<b>43%</b>	<b>39%</b>	
Non operating income	-10,397	-12,105	14%
Income before tax & minority interest	34,013	22,029	54%
Tax	-6,847	-4,564	-50%
Minority interest	6	-156	104%
<b>Net income</b>	<b>27,172</b>	<b>17,309</b>	<b>57%</b>

- ❑ **Revenues** grew due to higher service and equipment sales revenues in the mobile business, together with expanded data services, local telephony and rental capacities to other telecom companies. The main reduction was in international subsidiaries as a result of no longer consolidating Americatel USA and Central America. Excluding this impact revenues would have grown 12%.
- ❑ **EBITDA** improved 13%, driven by higher margins in the mobile business along with better results at Americatel Peru.
- ❑ **Non-operating** losses decreased, mainly derived from higher gains from monetary correction and exchange fluctuations, coupled with lower non-cash charges related to asset impairments.
- ❑ **Net income** expanded 57% due to higher operational results and lower non-operating losses.

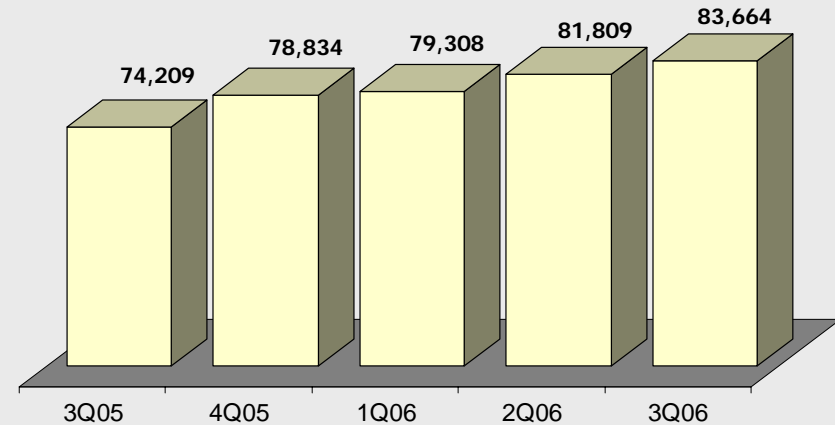
# Consolidated Quarterly Results

(Ch\$ million Sept-06)

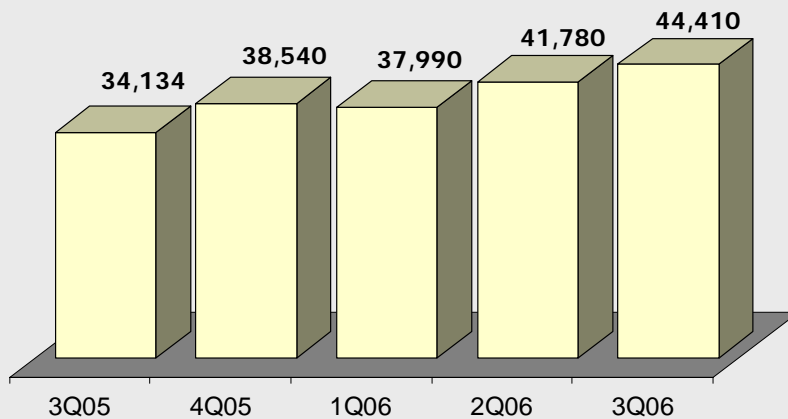
## Revenues



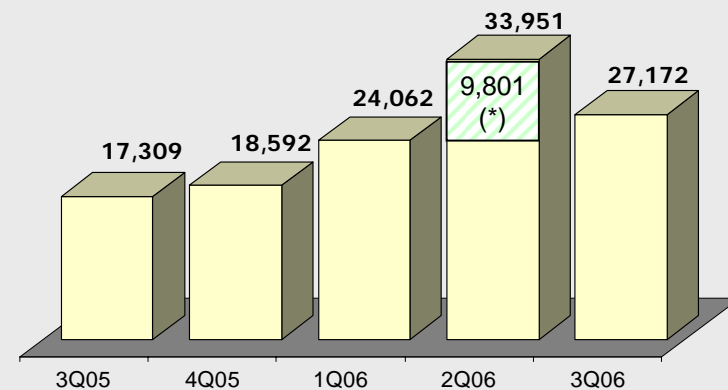
## EBITDA



## Operating Income



## Net Income



\* Non-recurring extraordinary profit for subsidiaries sale

# Consolidated Revenues

(Ch\$ million Sept-06)	3Q06	3Q05	Change %	Var millions\$
<b>Net revenues</b>	<b>193,711</b>	<b>192,016</b>	<b>1%</b>	<b>1,695</b>
Mobile services	140,173	117,397	19%	22,776
Domestic long distance	5,851	7,671	-24%	(1,820)
International long distance	4,565	4,930	-7%	(365)
Internet	3,800	5,787	-34%	(1,988)
Data services	14,244	12,138	17%	2,106
Other telecommunication companies	2,435	2,301	6%	134
Traffic business	6,357	8,445	-25%	(2,088)
International subsidiaries	5,846	23,829	-75%	(17,983)
Local telephony	7,748	7,697	1%	51
Others	2,693	1,820	48%	873

- ❑ Mobile telephony: increased due to higher service and equipment revenues, as a result of an increased customer base and greater handset sales.
- ❑ Data services: grew supported by a boost in IT services, together with improving IP-MPLS and data center services.
- ❑ Local telephony: slightly improved due to expanded lines in service that were partially offset by lower traffic.
- ❑ International subsidiaries: declined as a result of no longer consolidating Americatel USA and Central America. Excluding this impact, revenues would have been 15% higher than 3Q05.
- ❑ Internet: lower revenues due to a drop in dial-up traffic and broadband customers in the residential segment.
- ❑ Traffic business: decrease driven by lower traffic in the wholesale business, as well as in audio services.
- ❑ DLD: declined as a result of diminished activity in direct dialing and public phone cabins, coupled with an average tariff reduction.
- ❑ ILD: declined due to traffic reduction, partially offset by an average tariff increase.

# Consolidated Costs and Expenses

(Ch\$ million Sept-06)	3Q06	3Q05	Change %	Var millions\$
<b>Cost of operations and Selling &amp; Adm. Expenses</b>	<b>149,301</b>	<b>157,882</b>	<b>-5%</b>	<b>-8,581</b>
Access charges	32,834	33,214	-1%	(380)
Payments to correspondents	5,715	14,496	-61%	(8,781)
Depreciation & amortization	33,736	32,223	5%	1,513
Salaries & expenses	17,091	17,532	-3%	(441)
Advertising cost	4,586	5,729	-20%	(1,143)
Amortization of prepaid equipment	5,518	7,852	-30%	(2,334)
Bad debt provision	4,345	4,999	-13%	(654)
Outsourced services	6,645	5,768	15%	876
Others (Equipments, Maintenance, Outsourcing, Others)	38,831	36,067	8%	2,763

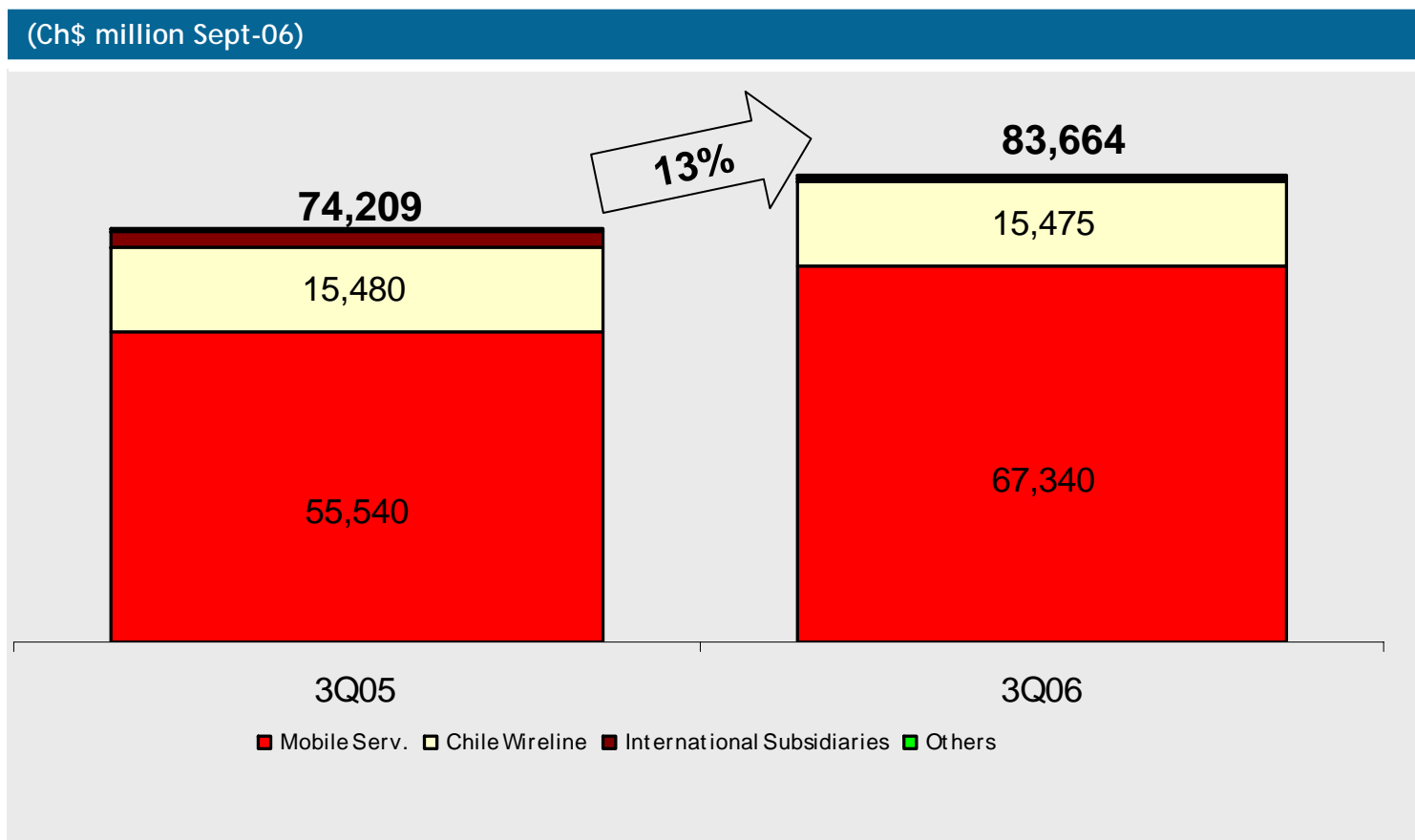
- ❑ Excluding Americatel USA and CA deconsolidation impact, costs and expenses would have been 6% higher than 3Q05.
- ❑ Access charges and payments to correspondents: declined mainly due to no longer consolidating Americatel USA and Central America, together with reductions in traffic business activity, which was partially offset by higher traffic in the mobile business.
- ❑ Depreciation & Amortization: grew due to an expanded post-paid handset base and larger assets related to the mobile network.
- ❑ Outsourced services: increased to support new contracts in IT and BPO integration services.
- ❑ Advertising cost: fell, mainly explained by Americatel USA's divestiture, effective in June, 2006.
- ❑ Amortization of prepaid equipment: decreased due to lower subsidies and the end of the amortization period of the high handset sales in 2Q05 .
- ❑ Bad debt provision: declined, best explained by lower provisions in the Chile Wireline segment.

# Consolidated Non Operating Results

( Ch\$ million Sept-06)	3Q06	3Q05	Change %	Var millions\$
<b>Non operating results</b>	<b>-10,397</b>	<b>-12,105</b>	<b>14%</b>	<b>1,708</b>
Interest income	1,931	749	158%	1,182
Other income	119	757	-84%	(639)
Amortization of goodwill	(849)	(907)	6%	58
Financial expenses	(6,879)	(5,669)	-21%	(1,209)
Other expenses	(6,396)	(8,365)	24%	1,968
Price level restatements & gain (loss) for exchange rates	1,678	1,329	26%	348

- Other expenses: declined mainly attributed to lower non-cash charges related to assets impairments.
- Hedging instruments offset the impact of higher interest rates.

# Consolidated Cash Generation\*



- EBITDA margin improved to 43% as a result of a change in the revenue mix after the sale of Americatel USA and Central America, coupled with better performance at Americatel Peru.

3Q05	3Q06
39%	43%

## Simplified Free Cash Flow

(Ch\$ million Sept-06)	YTD Sep-06	YTD Sep-05
EBITDA	244,782	212,331
CAPEX	(96,061)	(86,684)
Net Financial Expenses	(14,136)	(14,197)
<b>Cash Flow</b>	<b>134,585</b>	<b>111,449</b>

- Net cash flow increased driven by the mobile business.
- CAPEX grew 11%, resulting from an expansion and coverage improvement of the mobile network, higher purchases of post-paid terminals due to greater sales, together with investments in IT datacom services in the Chile Wireline.

# Consolidated Debt & Hedge

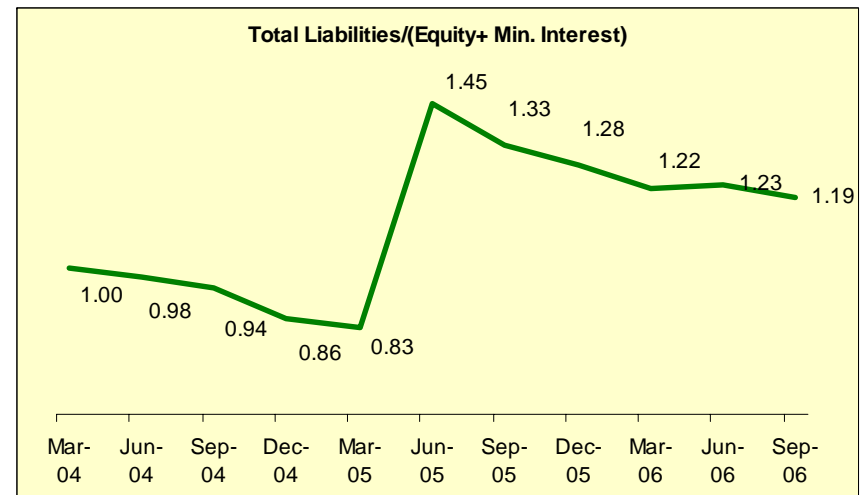
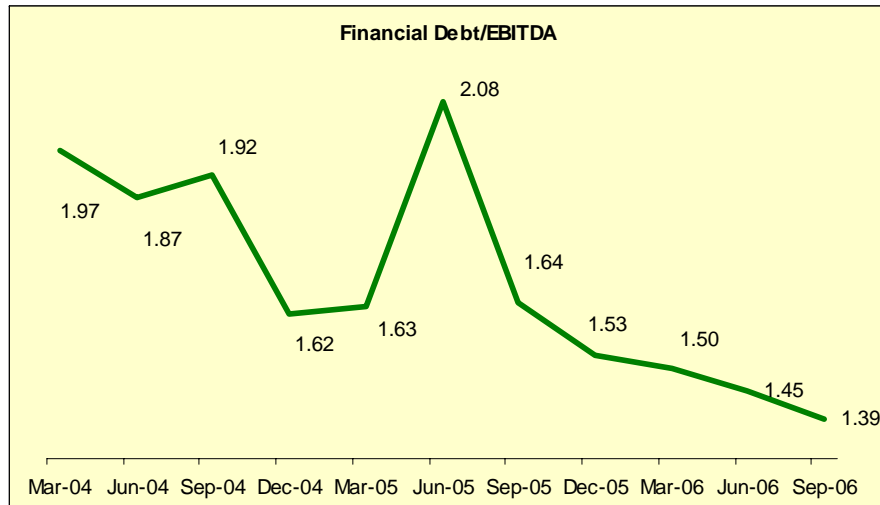
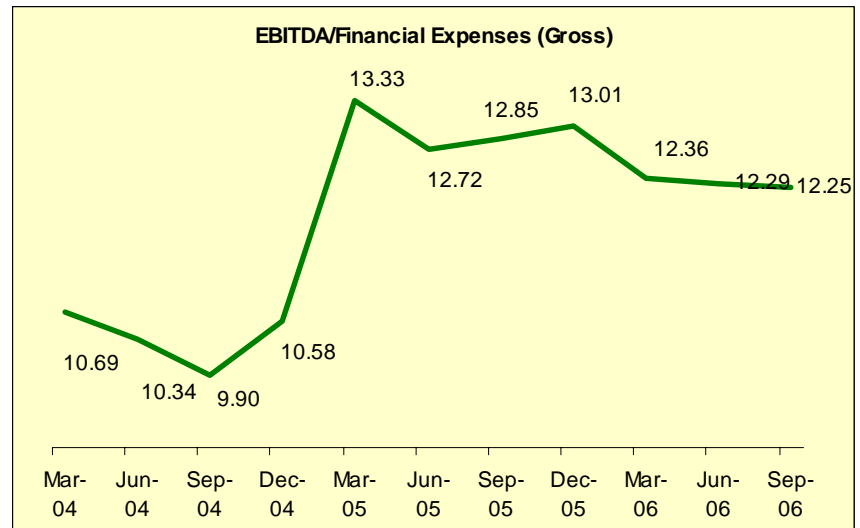
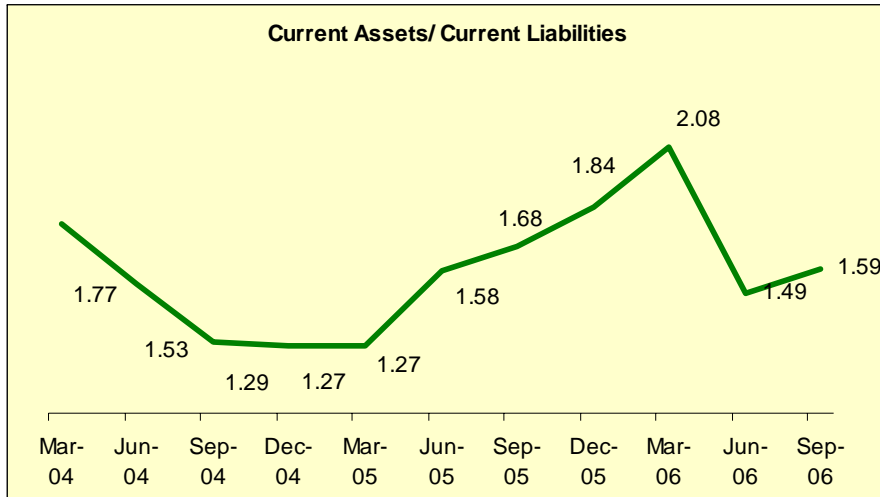
Exchange rate: 537.03 Ch\$/ US\$

	YTD Sep-06	YTD Sep-05
Average Hedged Debt ( US\$ thou.)	353,209	349,970
Consolidated Average Gross Debt (MM Ch\$)	449,899	455,190
Current Rate of the period (Annual)	5.06%	4.43%
Final Gross Debt (Ch\$ MM)	448,665	460,475
Final Net Debt (US\$ MM)	561	832
Final Net Debt (Ch\$ MM)	301,149	446,672

- Fully hedged to F/X exposure.
- 58% of debt is at fixed rate.

# Financial Ratios Trends

Exchange rate: 537.03 Ch\$/ US\$



☐ Debt ratios continue reflecting the Company's healthy financial position.

**End of Presentation**