



## First Quarter 2004 Results

Santiago, Chile – May 3, 2004 – Empresa Nacional de Telecomunicaciones S.A. (*Bolsa de Comercio de Santiago: ENTEL*) “the Company” or “Entel” today announced its results for the first quarter ended March 31, 2004. All figures are expressed in Chilean Pesos and are reported according to Chilean generally accepted accounting principles (Chilean GAAP).

### Highlights:

- Revenues for the quarter reached Ch\$ 170.1 billion, a decrease of 15% compared to the same quarter of previous year.
- Operating income for the quarter reached Ch\$ 25.3 billion, a decrease of 20% compared to 1Q03 and net income reached Ch\$ 14.2 billion, a decrease of 27%.
- Number of mobile subscribers increased 15% reaching 2,739,009.

### Consolidated Financial Highlights

(In millions of Chilean pesos as of March 31, 2004, except EPS figures)

	1Q04	1Q03	% Var.	4Q03
Revenues	170,134	200,911	-15%	166,404
Operating Income (EBIT)	25,347	31,822	-20%	28,508
EBITDA	57,730	66,101	-13%	60,999
Net Income	14,212	19,460	-27%	15,622
EPS	60.1	82.3	-27%	66.0

### Comments from the Chief Financial Officer:

- **Revenues** decreased during the first quarter 2004 mainly due to a decline in the international subsidiaries and to lower traffic business activity in the wholesale market, both also affected by a strengthening of the Chilean peso of 15.7% vs. the U.S. dollar.

On the other hand, Data Services and Internet (Broadband business) continue to show increased activity.

- **Operating income** and EBITDA declined during the quarter primarily due to lower margins in the mobile service related to access charge reductions determined in the tariff-setting process recently in place, long distance service in Chile and in the international subsidiaries.
- Net debt continues declining, reaching Ch\$365.899 million as a result of a strong net cash generation during the period. This represented a decline of 24% versus 1Q03.

**Note:** Please see accompanying presentation at [www.entel.cl](http://www.entel.cl), under the section titled “Investors” for additional information.

This document contains certain “forward-looking statements” which are based on management’s expectations as well as on a number of assumptions concerning future events resulting from currently available information. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are out of Entel’s control, which could cause actual results to materially differ from such statements.

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**Consolidated Revenues**  
(in millions of Chilean Pesos as of March 31, 2004)

	1Q04	1Q03	% Var.	4Q03
<b>Net Revenues</b>	<b>170,134</b>	<b>200,911</b>	<b>-15%</b>	<b>166,404</b>
Mobile services	82,455	84,841	-3%	90,586
Domestic long distance	11,921	12,790	-7%	10,550
International long distance	5,312	6,082	-13%	5,522
Internet	6,078	6,870	-12%	7,601
Data services	9,466	8,523	11%	11,515
Other telecommunication companies	2,609	3,410	-23%	2,372
Traffic business	11,365	19,756	-42%	11,327
International subsidiaries	31,691	49,088	-35%	18,062
Local telephony	6,553	6,947	-6%	6,593
Others	2,682	2,603	3%	2,276

**Consolidated revenues** during 1Q04 decreased 15% to Ch\$ 170.1 billion compared to the same quarter of the previous year. This decrease was mainly attributable to a) a 35% reduction in revenues from international subsidiaries, explained by 16% decrease in the U.S. dollar exchange rate from March 2003 to March 2004, affecting revenues and reflected during the quarter and to lower long distance traffic and rates, b) a 42% decrease in traffic business due to lower spot business in the wholesale activity in the quarter. Also, the strengthening of the Chilean peso vs. the U.S. dollar affected revenues c) a 3% decrease in mobile services driven by low revenues from access charges, d) a 7% decrease in domestic long distance due to a 10% decrease in traffic and d) a 13% decrease in international long distance, mainly due to a 14% decrease in average tariffs, which was partially offset by an increase of 5% in traffic.

The factor that partially offset these declines was an 11% increase of Data Services, mainly due to higher revenues from IT Contracts and in the high-speed data services.

**Consolidated Cost of Operations**  
(in millions of Chilean Pesos as of March 31, 2004)

	1Q04	1Q03	% Var.	4Q03
<b>Cost of Operations</b>	<b>93,524</b>	<b>113,710</b>	<b>-18%</b>	<b>90,476</b>
Access charges	26,365	30,379	-13%	27,326
Payments to correspondents	16,728	27,845	-40%	15,741
Depreciation and amortization	23,423	24,278	-4%	23,763
Salaries and expenses	3,571	4,296	-17%	4,277
Outsourced services	4,056	6,857	-41%	1,456
Others	19,381	20,054	-3%	17,912

**Consolidated cost of operations** reached Ch\$ 93.5 billion in the first quarter 2004, 18% lower than the same quarter of 2003. This decrease was mainly due to a) a 40% reduction in payments to correspondents, in line with lower revenues in the wholesale traffic business, b) a 13% decrease in access charges due to lower tariffs in Americatel Central America as well as the impact of the new regulatory tariff decree on the mobile business, c) 41% decrease in outsourced services in Americatel USA due to lower activity in long distance and lower call center services in the parent company d) a 17% decreased in salaries and expenses due to cost reductions at the parent company level.

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**Consolidated Selling and Administrative Expenses**  
(in millions of Chilean Pesos as of March 31, 2004)

	1Q04	1Q03	% Var.	4Q03
<b>Selling and administrative expenses</b>	<b>51,263</b>	<b>55,379</b>	<b>-7%</b>	<b>47,421</b>
Salaries and expenses	13,708	13,030	5%	12,833
Advertising costs	6,887	10,986	-37%	6,380
Amortization of prepaid equipment	2,928	3,840	-24%	3,094
Bad debt provisions	6,598	7,068	-7%	7,275
Outsourced services	7,015	4,736	48%	7,694
Depreciation and amortization	5,700	5,966	-4%	5,295
Others	8,428	9,754	-14%	4,849

Consolidated selling and administrative expenses decreased 7% compared to the first quarter of last year, reaching Ch\$ 51.3 billion. The main drivers of this decrease were: a) a 37% decrease in advertisement costs due to cost-contention efforts in the parent company and in Americatel USA, Americatel Central America and Americatel Peru, b) a 14% decrease in other expenses driven by lower expenses in billing and collecting associated with Americatel USA and the parent company, and also lower expenses for purchases of materials and merchandise, and c) a 24% decrease in amortization of prepaid handsets resulting from lower subsidies in the mobile business.

The factors that partially offset these declines included: a) a 48% increase in outsourced services in the parent company related to higher call center activity and b) a 5% of higher cost in personnel and salaries, mainly in the mobile business and Peru.

**Operating Income and EBITDA**

As a result to the above, Operating income declined 20% in the first quarter of 2004 to Ch\$ 25.3 billion, compared to Ch\$ 31.8 billion reported in the same period of 2003. EBITDA decreased 13% to Ch\$ 57.7 billion during this quarter compared to Ch\$ 66.1 billion for the same quarter of 2003. EBITDA margin reached 33.9% in the first quarter of 2004, compared to 32.9% in the 1Q03.

**Non-Operating Results**

During first quarter of 2004, the Company's non-operating loss was Ch\$ 7.6 billion, 20% lower than the first quarter of 2003. This was mainly due to lower net financial expenses associated with lower debt.

**Net Income**

Net income for the quarter reached Ch\$ 14.2 billion, a decrease of 27% compared to Ch\$ 19.5 billion reported in the first quarter 2003.

**INDIVIDUAL FINANCIAL STATEMENTS AND RESULTS BY BUSINESS SEGMENT**

**Mobile Telephony**

First quarter revenues decreased to Ch\$ 83.5 billion, down 3% compared with Ch\$ 86.1 billion from the first quarter of 2003, mainly due to a decrease in service revenues in connection with the recent mobile industry tariff-setting process. Since late January, access charge tariffs declined approximately 24%. Partially offsetting this impact were higher revenues from higher outgoing traffic and a 15% increase in sales of equipment. The number of average mobile phone customer increased 16% compared to the first quarter of 2003, reaching a total subscriber number of 2,739,099 in March 2004, with a 40% market share.

ARPU<sup>1</sup> decreased 18% during the first quarter of 2004 compared with the same period of last year. This reduction occurred in the prepaid segment, due to lower revenues from incoming traffic (access charge reductions). MOU<sup>2</sup> had a slight decline of 1% compared with 1Q03 primarily due to lower incoming traffic from local telephony in the prepaid market. Churn has increased from 1.23% to 1.95%, due to an increase in the low-value tier customers in the prepaid segment, while churn rate in the postpaid segment declined.

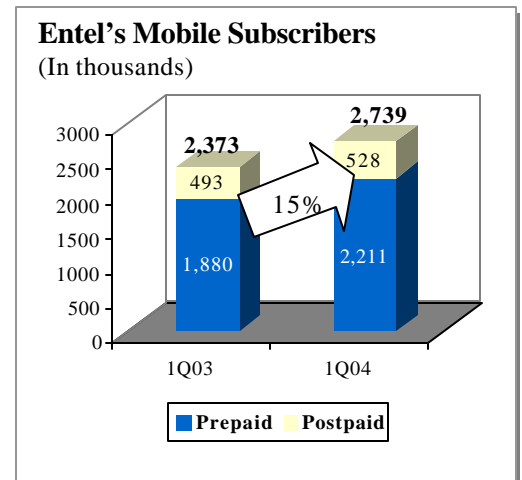
During the first quarter of 2004, an international SMS roaming service was launched for prepaid clients. This service allows these clients to send and receive SMS automatically when they are overseas. In addition, Entel launched roaming GPRS/MMS services for prepaid and postpaid clients. This service consists of: secure intranet access, Outlook, Internet, WAP Internet, WAP e-mail and MMS and is available from several countries. Also Mobile TV service was also launched during this first quarter, consisting of video streaming.

Operating income were Ch\$ 19.9 billion in the first quarter, down 12% versus Ch\$ 22.7 billion in the first quarter of 2003 mainly as a result of a decrease in access charges as was determined in the tariff-setting process, effective since late January. In line with lower operating income, EBITDA decreased 12% reaching Ch\$ 34.3 billion compared to Ch\$ 38.9 billion in the same quarter of 2003 and EBITDA margins decreased from 45% to 41%.

**ENTEL Parent Company**

ENTEL Parent Company revenues (comprised of long distance business, Internet, data services and traffic business) were Ch\$ 59.5 billion in the first quarter, down 19% versus Ch\$ 73.3 billion compared with the year-earlier first quarter, mainly driven by, a) a 43% decrease (from Ch\$ 21.8 billion to Ch\$12.4 billion) in traffic business in connection with higher spot wholesale traffic activity in January 2003, and b) a 16% decrease in revenues coming from related-company transactions due to a reduction in tariffs for leased capacity. Partially offsetting these declines was an increase of 17% in data services revenues due to higher IT business activity. Cost of operations<sup>3</sup> decreased 35% mainly due to, a) a 39% decrease of payments to correspondents in line with lower wholesale activity, b) a 23% reduction in access charges resulting from lower DLD and Internet dial-up traffic, and c) lower costs associated with leased of satellite and network capacity and outsourced services. SG&A expenses increased 11% compared with first quarter 2003 as a result of an 83% increase in outsourced service related to call center activities, partially offset by reductions in advertising and billing and collections.

As a result of the factors mentioned above, Operating income decreased 27% reaching Ch\$ 6.9 billion in 1Q04, compared to Ch\$ 9.5 billion in 1Q03. EBITDA decreased 12% and EBITDA margin increased from 32% in the first quarter of 2003, to 35% for the same period of 2004, as a consequence of lower traffic business revenues (with low margins) as well as cost controls.



<sup>1</sup> Average Revenue Per User

<sup>2</sup> Minutes of Usage

<sup>3</sup> This figure does not include depreciation and amortization.

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The following section briefly discusses the results of the main business segments, which comprise the ENTEL Parent Company:

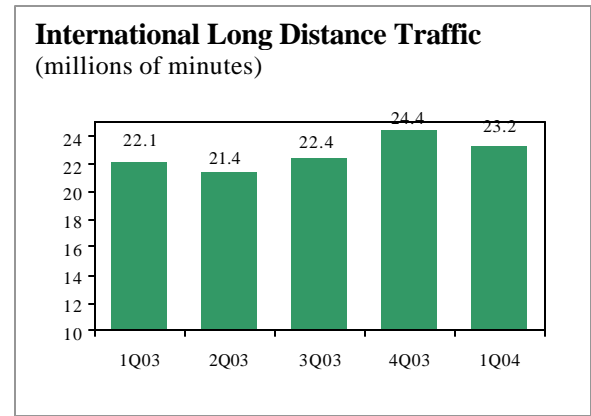
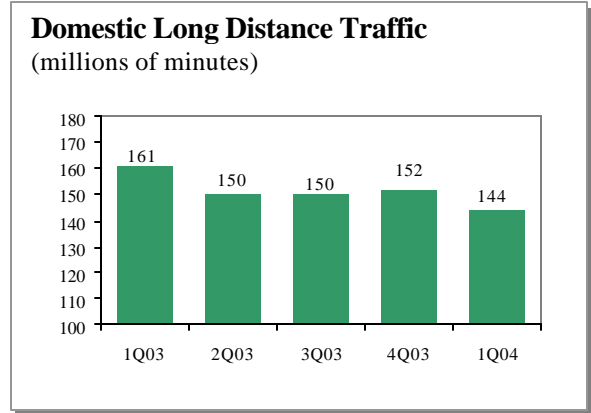
- Long Distance**

Domestic long distance (DLD) traffic decreased 10% while average tariffs remained stable. The substitution effect from higher usage of mobile phones continues affecting traffic.

International long distance (ILD) traffic has grown 5%, while average prices decreased 14% due to lower tariffs in dial-up and calling card services.

During 1Q04 Entel launched "Entel Points". This is a new loyalty program where subscribers can accumulate points when using domestic or international long distance by dialing the 1-2-3 Entel long distance code. These points can be traded for free long distance minutes. Entel Points is an optional service that is completely free. It is aimed at contract subscribers; the more the subscriber uses the 1-2-3 Entel code, the more points he earns and accumulates.

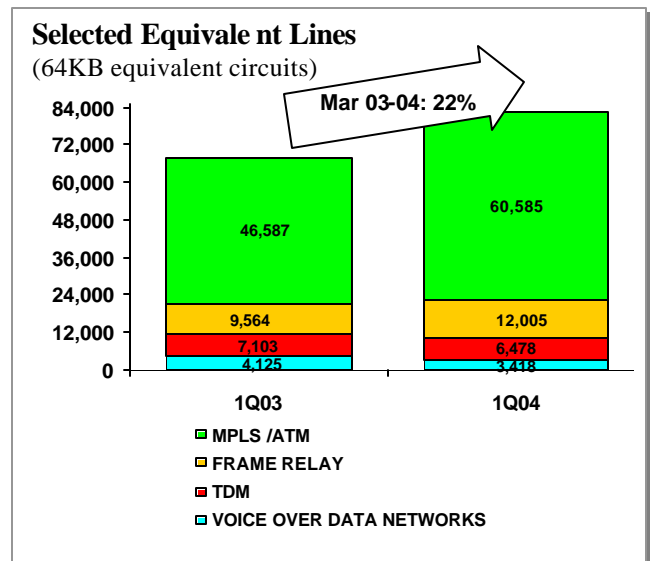
Entel's DLD market share continues to be one of the highest in the industry, remaining at approximately 36% in 1Q04. In ILD, Entel remains leader with approximately 40% of the market share.



- Data Services**

Higher revenues for Data Service in 1Q04 was explained by IT services supporting operational performance of clients, and higher speed services from ATM, frame relay and MPLS networks.

The above shows that Entel continues focused on developing integral IT solutions for corporate and medium-size companies. Also the Company continues offering bundled complementary services such as Call Center, Data Center, e-commerce and LAN/WAN network. These integral solutions have allowed Entel to continue leading the market in data services.



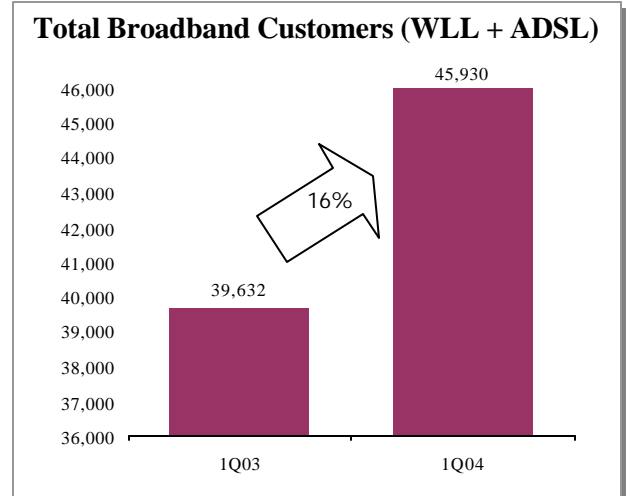
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**Internet**

Entel's broadband services (WLL and ADSL) continue growing. The number of Entel's WLL and ADSL customers has increased 16% in the first quarter of 2004 compared with the same quarter of previous year, reaching 45,930 customers. This growth resulted from a trend of heavy users moving towards broadband services.

During the first quarter of 2004 Entel launched "Full Internet 1-2-3 Plan" for WLL and ADSL customers, which permits users to downstream 128 kbps. The Company also offers different plans with higher speed in order to provide various broadband services and customize solutions to clients.

Total internet dial-up connections reached 140 thousand in March 2004, representing a 16% decreased compared with the same period of last year. This was mainly due to a migration from dial-up to broadband services. During the 1Q04, Entel launched the "Total Control 500 Plan", a dial-up service contract whereby customers pay a fixed fee for 500 minutes per month. Minutes above this threshold are charged at variable price.



**Entel Phone**

▪ **Local Telephony (Entel Phone, excluding WLL)**

Local Telephony revenues slightly decreased 2% to Ch\$ 7.9 billion during the first quarter of 2004, from Ch\$ 8.1 billion, mainly due to a decrease in SLM tariff and lower revenues from Calling Party Pays – CPP to mobile. This decrease was partially offset by a 13% increase in revenues from fixed charges.

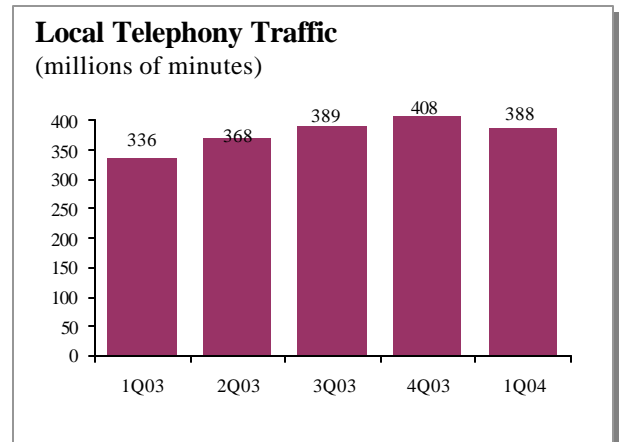
Excluding WLL lines, the number of "lines in services" have reached 104 thousand during the first quarter 2004, representing an increase of 7% compared to the same period of last year.

The number of corporate and business clients represents 75% of the total number of billed lines.

• **Local Telephony + WLL**

Revenues from Entel Phone (including WLL) grew 2% to Ch\$ 9.3 billion during first quarter of 2004, from Ch\$ 9.1 billion. The drivers of this growth were higher WLL revenues, which grew 37%, and an increase of lines in services that affected revenues from fixed charges.

Operating losses of Entelphone during 1Q04 declined 35%. Improved results from WLL service and lower SG&A expenses explain this improvement. Operating losses reached Ch\$ 0.6 billion in the first quarter 2004 compared to Ch\$ 0.9 billion in the same quarter of previous year.



**Americatel (International Subsidiaries)**

**USA**

Revenues from Americatel USA decreased 27% to US\$ 39.5 million from 54.3 million in the first quarter of 2004. This was due to lower revenues in ILD dial-around + contract services and prepaid card business, explained by both, lower traffic and tariffs, as well as lower tariffs in the wholesale business.

ILD dial-around + contract service direct margins decreased in 1Q04, due to lower traffic and tariffs that have been affected by the increased competition. This decrease was partially offset by lower direct costs. DLD direct margins improved during the first quarter of 2004 due to cost-reductions and higher tariffs.

Cost of operations declined 24% to US\$ 27.3 million compared with the first quarter of 2003 in line with lower activity. SG&A expenses decreased 21% mainly due to lower marketing, salaries, uncollectables and other general expenses reflecting the Company's cost-reduction efforts and its relatively high variable cost structure. Operating income decreased from US\$ 1.5 million to a loss of 1.3 million in 1Q04. EBITDA decreased from US\$ 3.2 million to US\$ 0.4 million.

**Central America**

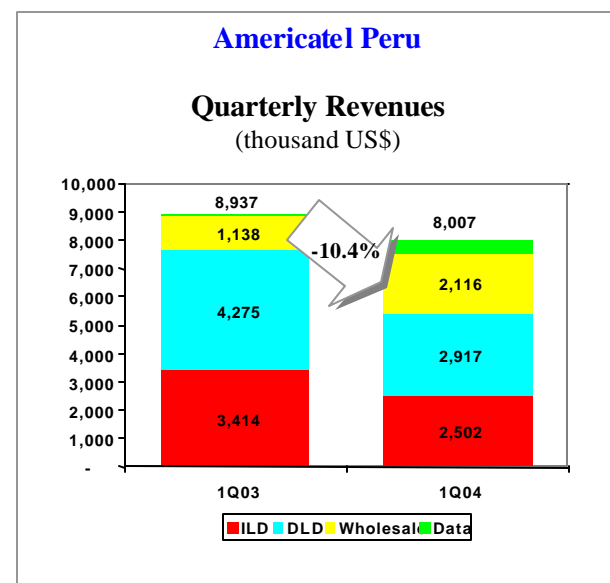
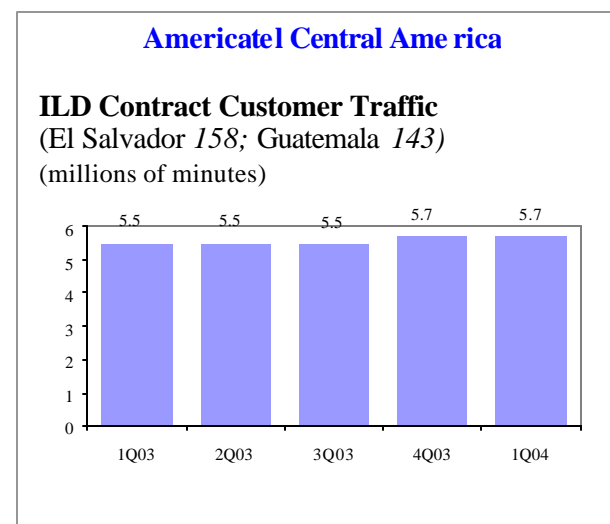
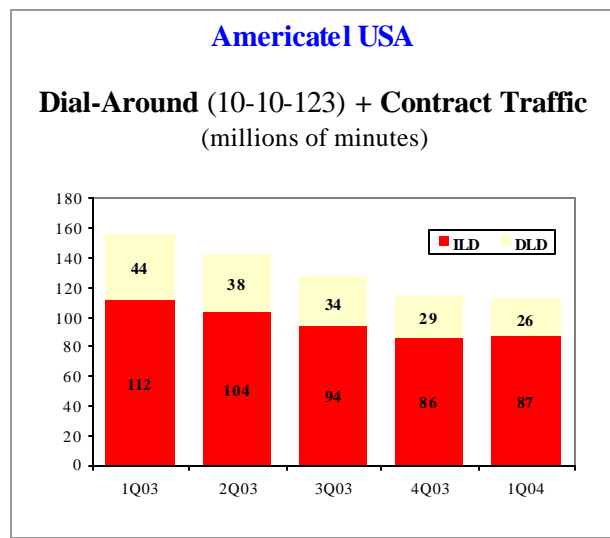
Revenues decreased 9% to US\$ 12.3 million in the first quarter of 2004, from US\$ 13.5 million, mainly explained by lower tariffs in wholesale activity. Cost of operations decreased 8% due to lower cost of access charges and payments to correspondents. SG&A expenses decreased 5%, mainly due to lower outsourced services, billing and collection and other general expenses. As a result, operating income and EBITDA decreased 22% and 16%, respectively, compared to the first quarter of 2003.

**Peru**

Revenues of Americatel Peru decreased 10% to US\$ 8.0 million from US\$ 8.9 million in the first quarter of 2004, mainly due to a decline in ILD and DLD traffic and ILD tariffs, which is a consequence of the increasing competitive environment in the market. Partially offsetting these figures were higher revenues in domestic wholesale traffic and internet dial-up and broadband services (WLL).

Costs and expenses declined 7% as a result of lower access charges and lower bad debt provisions.

Americatel Peru's operating income reached US\$ 0.7 million and EBITDA reached US\$ 1.0 million in 1Q04. Higher depreciation and amortization expenses resulted from the 4Q03 acquisition of DIVEO, mainly due to the development of data services, have affected results.



**BALANCE SHEET**

**Consolidated Balance Sheet**  
(in millions of Chilean Pesos as of March 31, 2004)

	Mar-04	Mar-03	Var %
<b>Assets</b>	<b>1,204,932</b>	<b>1,297,686</b>	<b>-7%</b>
Current assets	359,100	372,615	-4%
Property, plant & equipment, net	752,321	807,533	-7%
Other assets	93,511	117,537	-20%
<b>Liabilities &amp; shareholders' equity</b>	<b>1,204,932</b>	<b>1,297,686</b>	<b>-7%</b>
Current liabilities	202,923	156,146	30%
Long-term liabilities	399,916	566,411	-29%
Minority interest	6,321	7,770	-19%
Shareholders' equity	595,771	567,359	5%

**Financial Indexes**

	Mar-04	Mar-03
Current assets/Current liabilities	1.77	2.39
EBITDA/Financial expenses	10.69	9.68
Financial debt/EBITDA	1.97	2.27
Total liabilities/(equity + min. interest)	1.00	1.26

Gross debt decreased 18% from Ch\$ 557 billion to Ch\$ 459 billion, mainly due to 16% exchange rate decrease from March 2003 to March 2004 affecting the U.S. dollar-denominated debt, and the debt prepayment of approximately US\$ 60 million during the period. Net debt (gross debt less cash and net receivables from hedging activities) reached Ch\$ 366 billion, 24% lower than in 1Q03, due to the important net cash generated during the period. Liquidity and interest coverage are at high levels and improving. Debt ratios continue being reduced as a consequence of a reduction in interest bearing debt.

**RECENT EVENTS**

- The tariff decree process for mobile access charges became official, defining an average decrease of 26.5% for the next 5 years.
- Prepayment of a Chilean bond of US\$ 40 million in January 2004. This bond was due in 2010 and had a 7% annual face value interest rate.

\* \* \* \* \*

**Company Description**

Empresa Nacional de Telecomunicaciones S.A. is the second-largest Telecommunications Company in Chile with Ch\$ 1,231,936\* million in assets and Ch\$ 729,252\* million in annual revenues reported in 2003. The Company provides mobile and local telephony, long-distance, data and Internet services. With its strong Americatel brand acting as an umbrella for its well known "10-10-123" dial-around code, and pre-subscribed and prepaid ticket service, Entel has a presence in the United States Hispanic market. Entel also has operations in Central America, Peru and Venezuela. Entel is listed on the Chilean Stock Exchange (*Bolsa de Comercio de Santiago*) under the ticker symbol ENTEL and its headquarters are based in Santiago, Chile.

\* In Chilean pesos as of December 31, 2003.

**Individual Consolidated Results by Business Segment (Unaudited)**  
(in millions of Chilean Pesos as of March 31, 2004)

	<b>1Q04</b>	<b>1Q04</b>	<b>Var%</b>
<b>Mobile Telephony</b>			
<b>Revenues</b>	83,497	86,139	-3%
- Service	75,910	79,552	-5%
- Equipment	7,587	6,587	15%
<b>Cost of Operations</b>	<b>43,613</b>	<b>43,741</b>	<b>0%</b>
Selling and Administrative Expenses	20,005	19,747	1%
<b>Operating Income</b>	<b>19,878</b>	<b>22,652</b>	<b>-12%</b>
Operating Margin	24%	26%	
<b>EBITDA</b>	<b>34,314</b>	<b>38,886</b>	<b>-12%</b>
EBITDA Margin	41%	45%	
<b>ENTEL Parent Company (LD, Internet and Data Services)</b>			
<b>Revenues</b>	<b>59,511</b>	<b>73,292</b>	<b>-19%</b>
<b>Cost of Operations</b>	<b>23,384</b>	<b>35,734</b>	<b>-35%</b>
Selling and Administrative Expenses	15,578	14,062	11%
Depreciation and Amortization	13,630	13,966	-2%
<b>Operating Income</b>	<b>6,920</b>	<b>9,531</b>	<b>-27%</b>
Operating Margin	12%	13%	
<b>EBITDA</b>	<b>20,788</b>	<b>23,637</b>	<b>-12%</b>
EBITDA Margin	35%	32%	
<b>ENTEL Phone (local telephony + WLL)</b>			
<b>Revenues</b>	<b>9,266</b>	<b>9,067</b>	<b>2%</b>
<b>Cost of Operations</b>	<b>7,340</b>	<b>7,311</b>	<b>0%</b>
Selling and Administrative Expenses	2,540	2,705	-6%
<b>Operating Income</b>	<b>-614</b>	<b>-949</b>	<b>-35%</b>
Operating Margin	-7%	-10%	
<b>EBITDA</b>	<b>2,251</b>	<b>1,876</b>	<b>20%</b>
EBITDA Margin	24%	21%	

**Individual Consolidated Results by Business Segment (Unaudited)**  
(In thousands of U.S. dollars and millions of Chilean Pesos as of March 31, 2004)

	<u>1Q04</u>	<u>1Q03</u>	<u>Var%</u>	<u>1Q04</u>	<u>1Q03</u>	<u>Var%</u>
<b>Americatel USA</b>	<b>(US\$)</b>	<b>(US\$)</b>		<b>(Ch\$)</b>	<b>(Ch\$)</b>	
<b>Revenues</b>	<b>39,476</b>	<b>54,324</b>	<b>-27%</b>	<b>24,333</b>	<b>39,741</b>	<b>-39%</b>
<b>Cost of Operations</b>	<b>27,289</b>	<b>35,764</b>	<b>-24%</b>	<b>16,821</b>	<b>26,163</b>	<b>-36%</b>
Selling & Administrative Expenses	13,468	17,058	-21%	8,302	12,479	-33%
<b>Operating Income</b>	<b>-1,280</b>	<b>1,502</b>	<b>-</b>	<b>-789</b>	<b>1,098</b>	<b>-</b>
Operating Margin	-3%	3%		-3%	3%	
<b>EBITDA</b>	<b>362</b>	<b>3,163</b>	<b>-89%</b>	<b>223</b>	<b>2,314</b>	<b>-90%</b>
EBITDA Margin	1%	6%		1%	6%	
	<u>1Q04</u>	<u>1Q03</u>	<u>Var%</u>	<u>1Q04</u>	<u>1Q03</u>	<u>Var%</u>
<b>Americatel Central America</b>	<b>(US\$)</b>	<b>(US\$)</b>		<b>(Ch\$)</b>	<b>(Ch\$)</b>	
<b>Revenues</b>	<b>12,339</b>	<b>13,511</b>	<b>-9%</b>	<b>7,606</b>	<b>9,884</b>	<b>-23%</b>
<b>Cost of Operations</b>	<b>10,175</b>	<b>11,060</b>	<b>-8%</b>	<b>6,272</b>	<b>8,091</b>	<b>-22%</b>
Selling & Administrative Expenses	1,383	1,455	-5%	852	1,064	-20%
<b>Operating Income</b>	<b>781</b>	<b>997</b>	<b>-22%</b>	<b>482</b>	<b>729</b>	<b>-34%</b>
Operating Margin	6%	7%		6%	7%	
<b>EBITDA</b>	<b>1,453</b>	<b>1,735</b>	<b>-16%</b>	<b>896</b>	<b>1,270</b>	<b>-29%</b>
EBITDA Margin	12%	13%		12%	13%	

- Any distortion in the figures is due to monetary exchange fluctuations.

Entel S.A.  
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**Entel Group Consolidated Income Statement (Audited)**  
(in thousands of Chilean Pesos as of March 31, 2004)

	March 31, 2004	March 31, 2003	Var %
<b>INCOME STATEMENT</b>			
<b>NET REVENUE</b>	<b>170,133,621</b>	<b>200,911,099</b>	<b>-15.3%</b>
Cost of operations	(93,523,579)	(113,710,081)	
Gross Profit	76,610,042	87,201,018	
Selling and administrative expenses	(51,263,457)	(55,379,050)	
<b>OPERATING INCOME</b>	<b>25,346,585</b>	<b>31,821,968</b>	<b>-20.3%</b>
<b>NON-OPERATING RESULTS</b>			
Interest Income	913,728	646,246	
Other Income	1,092,521	274,419	
Equity in losses of related companies	-	(193,838)	
Amortization of goodwill	(847,972)	(897,656)	
Interest Expense	(5,402,280)	(6,846,362)	
Other Expenses	(3,103,064)	(2,188,066)	
Price-level restatement	(404,874)	(6,362,019)	
Exchange difference	184,378	6,153,375	
<b>NON-OPERATING INCOME</b>	<b>(7,567,563)</b>	<b>(9,413,901)</b>	<b>-19.6%</b>
Income before income tax and minority interest and amortization of negative goodwill	17,779,022	22,408,067	
Income Taxes	(3,687,819)	(2,763,703)	
Income before minority interest and amortization of negative goodwill	14,091,203	19,644,364	
Minority Interest	65,825	(184,653)	
Amortization of negative goodwill	55,418	-	
<b>NET INCOME</b>	<b>14,212,446</b>	<b>19,459,711</b>	<b>-27.0%</b>

Entel S.A.  
First Quarter 2004 Results

**Entel Group Consolidated Balance Sheet (Audited)**  
(in thousands of Chilean Pesos as of March 31, 2004)

	March 31, 2004	March 31, 2003	Var
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash	7,553,712	17,472,904	
Time deposits	87,178,957	68,977	
Marketable securities	1,828,161	35,009	
Trade accounts receivable, net	178,907,773	202,445,825	
Notes receivable, net	7,072,466	9,478,590	
Other accounts receivable, net	10,621,996	14,786,653	
Notes and accounts receivable from related companies	369,195	4,830,351	
Inventories, net	8,381,682	9,451,806	
Recoverable taxes	12,612,606	10,811,738	
Prepaid expenses	11,319,392	15,029,244	
Deferred income taxes	15,661,039	14,695,429	
Other current assets	17,592,600	73,508,895	
<b>Total Current Assets</b>	<b>359,099,579</b>	<b>372,615,421</b>	<b>-3.6%</b>
<b>PROPERTY, PLANT and EQUIPMENT</b>			
Land	7,533,697	7,684,913	
Buildings and infrastructure	203,594,000	199,673,801	
Machinery and equipment	1,179,464,574	1,133,537,166	
Other fixed assets	182,713,592	179,814,524	
Accumulated depreciation	(820,984,463)	(713,177,090)	
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>752,321,400</b>	<b>807,533,314</b>	<b>-6.8%</b>
<b>OTHER ASSETS</b>			
Investments in related companies	-	1	
Investments in other companies	9,819,565	12,140,722	
Goodwill	52,063,759	56,507,800	
Negative goodwill,	(1,015,996)	-	
Long-term accounts receivable	8,957,416	13,810,501	
Notes and accounts receivable from related companies	-	-	
Deferred taxes - long term	-	-	
Intangibles	16,179,655	16,829,106	
Amorization of intangibles	(3,973,244)	(2,039,294)	
Others	11,480,043	20,287,938	
<b>Total other assets</b>	<b>93,511,198</b>	<b>117,536,774</b>	<b>-20.4%</b>
<b>TOTAL ASSETS</b>	<b>1,204,932,177</b>	<b>1,297,685,509</b>	<b>-7.1%</b>

**Entel Group Consolidated Balance Sheet (Audited)**  
(in thousands of Chilean Pesos as of March 31, 2004)

	March 31, 2004	March 31, 2003	Var
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
<b>CURRENT</b>			
Banks and financial institutions	6,209,080	7,317,592	
Current portion of long-term liabilities with banks and financial institutions	13,961,283	1,920,392	
Current portion of bonds payable	4,506,644	7,460,149	
Current portion of notes payable and other long-term liabilities	64,775,341	5,761,661	
Dividends payable	74,358	46,035	
Accounts payable	90,461,254	120,118,010	
Notes payable	-	500	
Other accounts payables	7,489,724	1,221,911	
Notes and accounts payable due to related companies	2,037,043	-	
Accrued Expenses	4,878,367	5,235,291	
Withholdings	3,403,983	3,630,872	
Income taxes	-	-	
Unearned income	4,752,528	3,221,095	
Deferred income taxes	-	-	
Other current liabilities	373,879	212,079	
<b>Total current liabilities</b>	<b>202,923,484</b>	<b>156,145,587</b>	<b>30.0%</b>
<b>LONG-TERM</b>			
Due to banks and financial institutions	197,251,200	263,361,600	
Bonds payable	131,673,101	152,505,946	
Notes payable	48,612,133	127,447,893	
Other accounts payables	-	946,681	
Notes and accounts payable to related companies	-	-	
Accrued Expenses	6,851,844	5,430,483	
Long-term deferred income taxes	12,663,937	8,974,085	
Other long-term liabilities	2,863,903	7,744,241	
<b>Total long-term liabilities</b>	<b>399,916,118</b>	<b>566,410,929</b>	<b>-29.4%</b>
Minority interest	6,321,394	7,769,635	
<b>Shareholders' Equity</b>			
Paid-in capital	412,177,259	408,096,296	
Reserve for capital revaluation	(2,060,886)	2,040,481	
Other reserves	(1,823,483)	8,928,421	
Retained Earnings:			
Accumulated earnings	176,785,371	136,356,509	
Net income (loss) for the quarter	14,212,446	19,459,711	
Accumulated deficit of development stage subsidiary	-	(5,144,997)	
Interim Dividends	(3,519,526)	(2,377,063)	
Total retained earnings	187,478,291	148,294,160	
<b>Total Shareholders' Equity</b>	<b>595,771,181</b>	<b>567,359,358</b>	<b>5.0%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,204,932,177</b>	<b>1,297,685,509</b>	<b>-7.1%</b>