



# ENTEL Results Third Quarter 2003

Available at  
[www.entel.cl](http://www.entel.cl)  
“Investors” Section



# Main Events

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## Third Quarter 2003:

- The negotiations with Entel unions concluded; agreements were signed for the next two years.
- Entel PCS obtained the second-place recognition for marketing effectiveness (the Effie award).
- Headcount reduction in Americatel USA to adjust its structure to the current business environment.



# Chilean Mobile Tariff Setting Process

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- In July the mobile companies presented their access charges proposal to the Chilean telecommunication regulator (Subtel).
- Subtel has until November 22nd to analyze and submit its proposal. In the case of a disagreement between mobile companies and Subtel, the opinion of an expert commission will be requested.
- The publication of the new tariffs is expected in Feb-Mar 2004. This tariff have a retroactive effect starting Jan 2004.



# Activity by Business Sector



**ENTEL INTERNET**

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

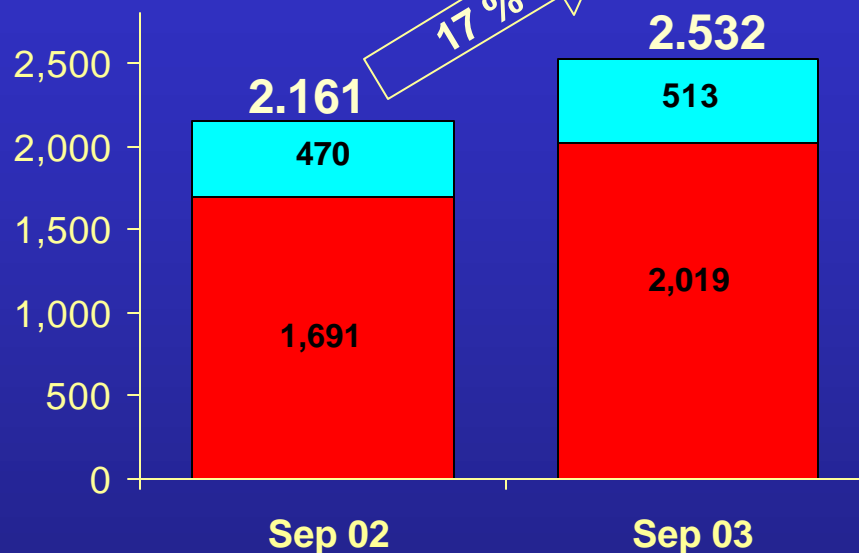
**BANDA ANCHA**  
ADSL **ENTEL**



# Mobile Telephony

Entel's Mobile Subscribers  
(In Thousands)

■ Prepaid ■ Postpaid



→ Leader with 41% market share.

→ Net Adds during 3Q03 were 75,387, 3% higher than 3Q02.

→ Penetration over 40% of the population.

→ Focus on profitability, and product and tariff innovation to improve ARPU.

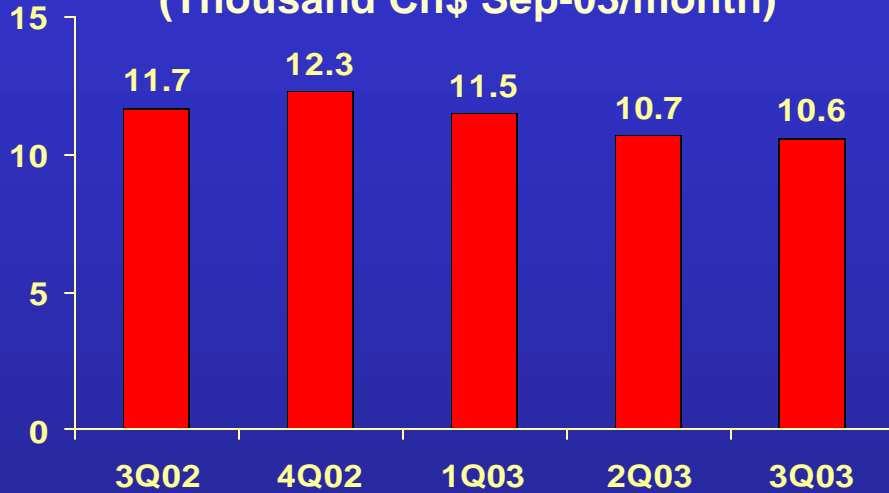
→ Introduction of new service named "*Carguita Feliz*" ("Happy Charge"), to promote the use of SMS (Short Messaging) among prepaid customers.



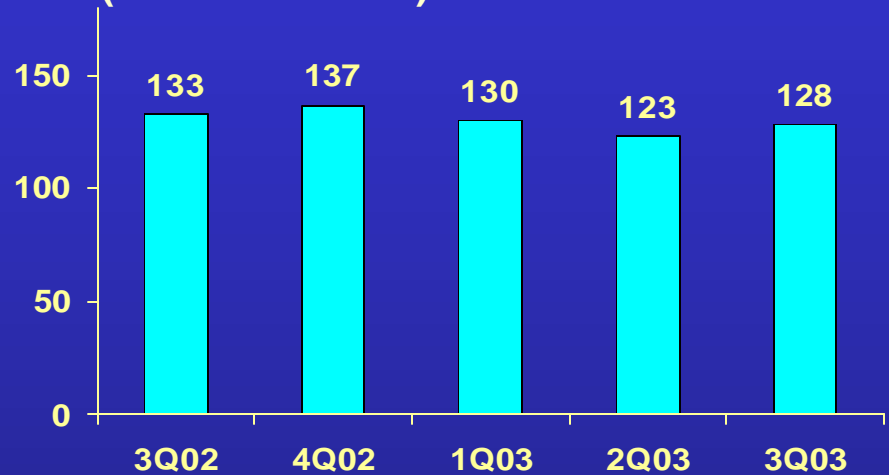
# Mobile Telephony

Exchange rate: 660.97 Ch\$/ US\$

### ARPU Average (Thousand Ch\$ Sep-03/month)



### MOU Average (Minutes/month)



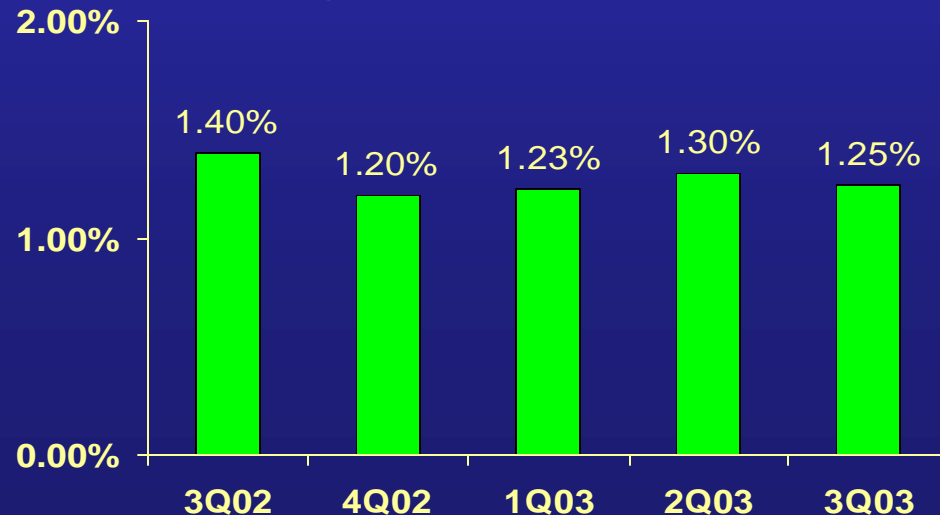
3Q03 vs 3Q02:

→ ARPU and MOU decreased 9% and 4%, respectively, due to lower incoming traffic from local phones and penetration into lower income segments.

→ A 104% increase of VAS revenues.

→ Monthly churn decreased 11%.

### Average Monthly Churn



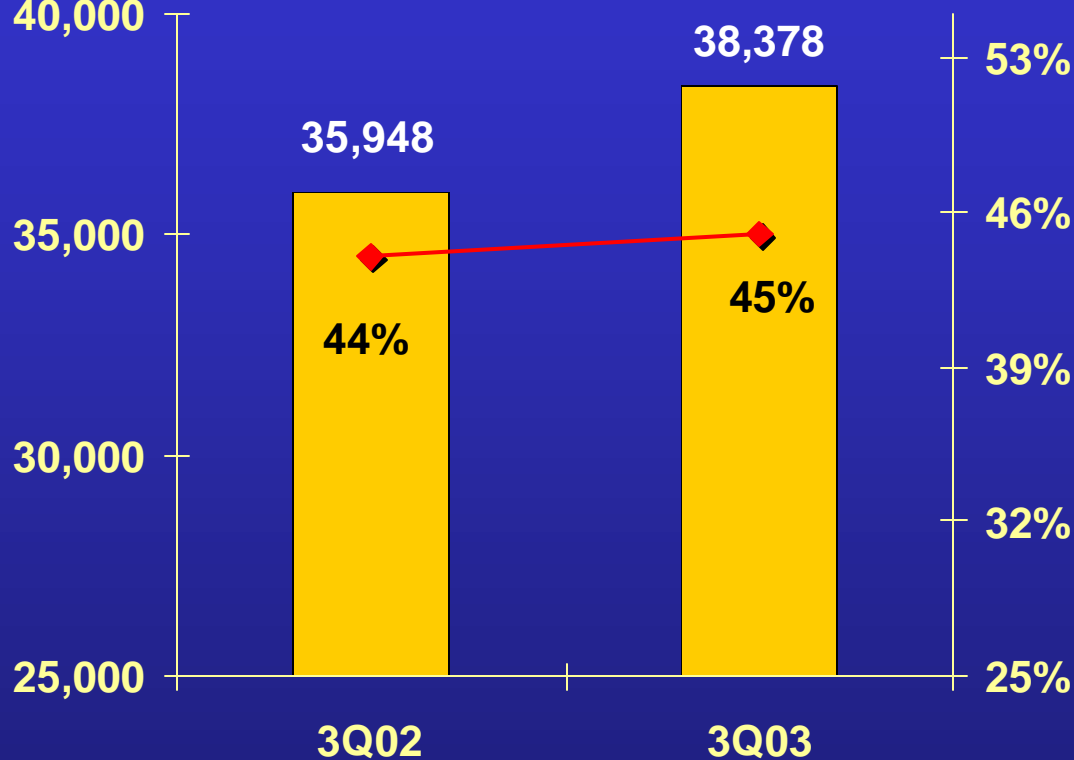


# Mobile Telephony

Exchange rate: 660.97 Ch\$/ US\$

**EBITDA Ch GAAP**  
(MM Ch\$)

■ EBITDA ◆ EBITDA Margin Ch GAAP



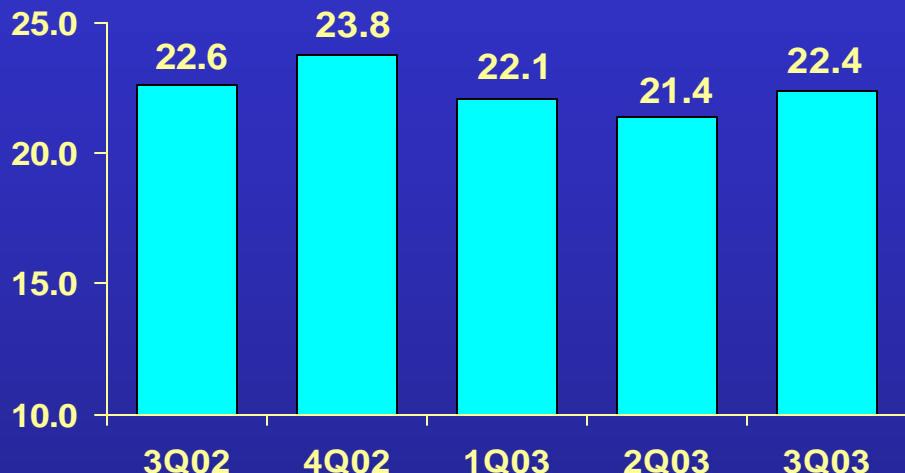
- Operating income increased 37%.
- EBITDA Ch GAAP increased 7%.
- These positive results are due to customer growth, lower acquisition costs and low churn rates.

EBITDA: Operating income + Depreciation+ Amortization.

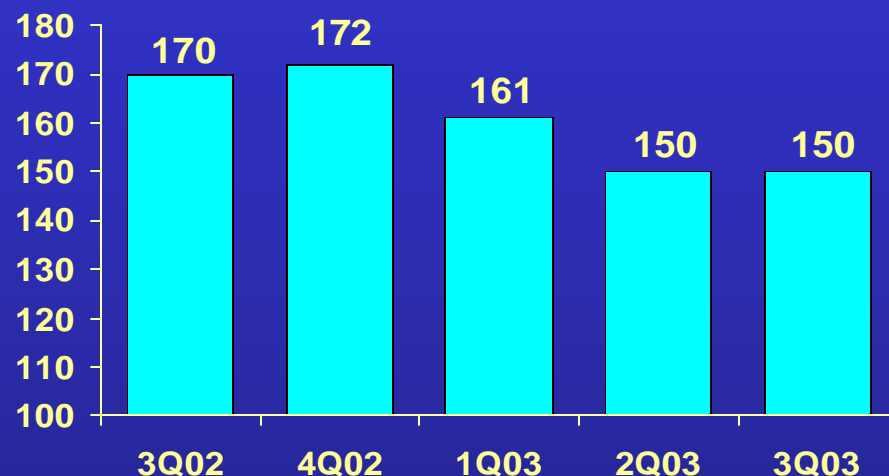


# Long Distance

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



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



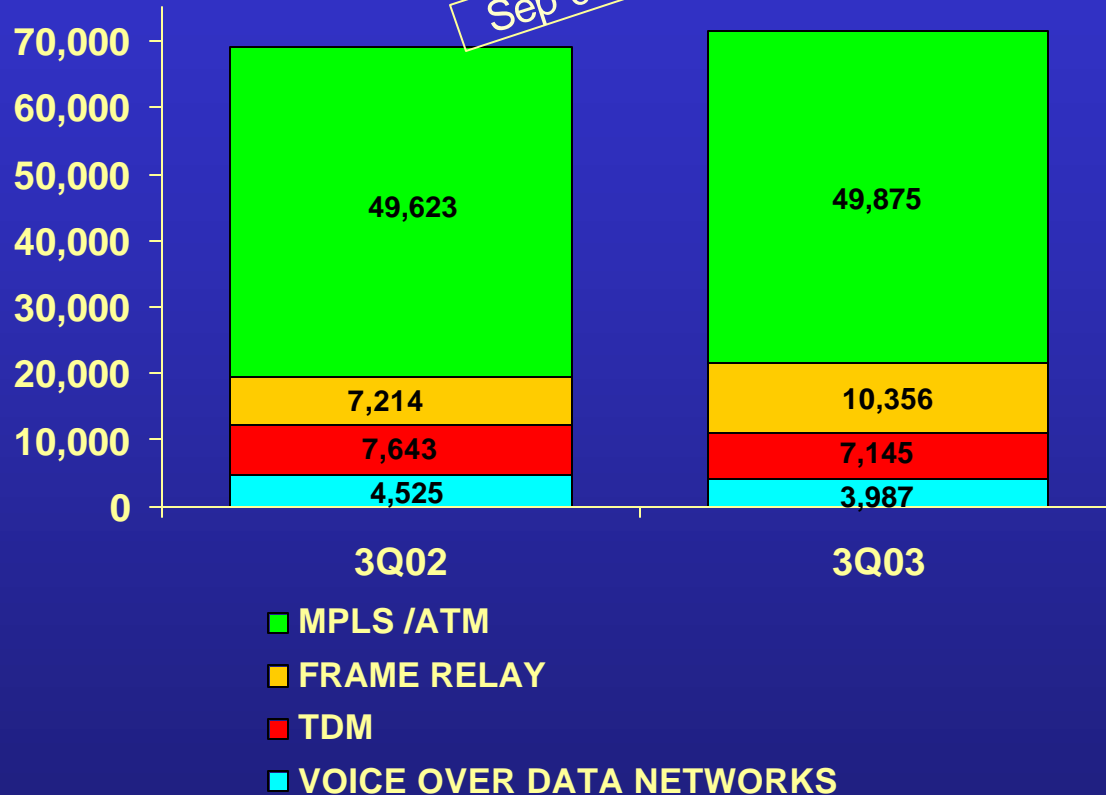
- Comparing 3Q03 vs 3Q02, ILD traffic remained stable and tariff decreased 8% mainly as a result of lower dial-up and postpaid card tariff.
- DLD decreased 11% in traffic and 4% in tariff (volume mix) 3Q03 vs 3Q02.
- Stable market share: 37% DLD and 41% ILD.
- During 3Q03 continued launching in innovation plans to increase the loyalty of our customers and revenue stream (e.g. “Non Stop”, “Tarifa Nocturna”, “Minutos Libres LD”).



# Data Services

## Selected Equivalent Lines

64 Kb equivalent circuits



→ Growing trend of equivalent circuit explained by both higher capacity added to existing customers and expansion of the customer base.

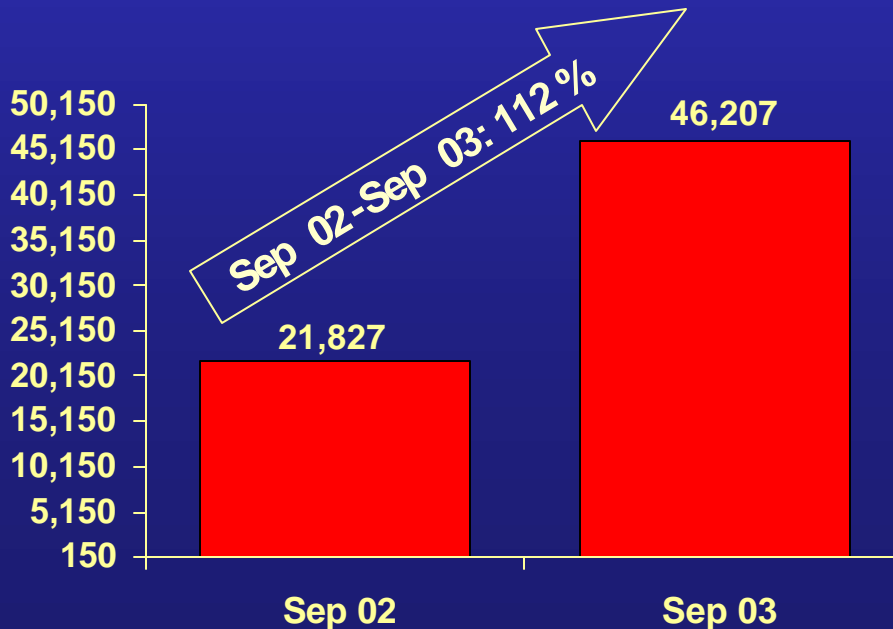
→ Permanent focus on offering integral IT solutions such as Call Center, integrated systems, Data Center and e-commerce.



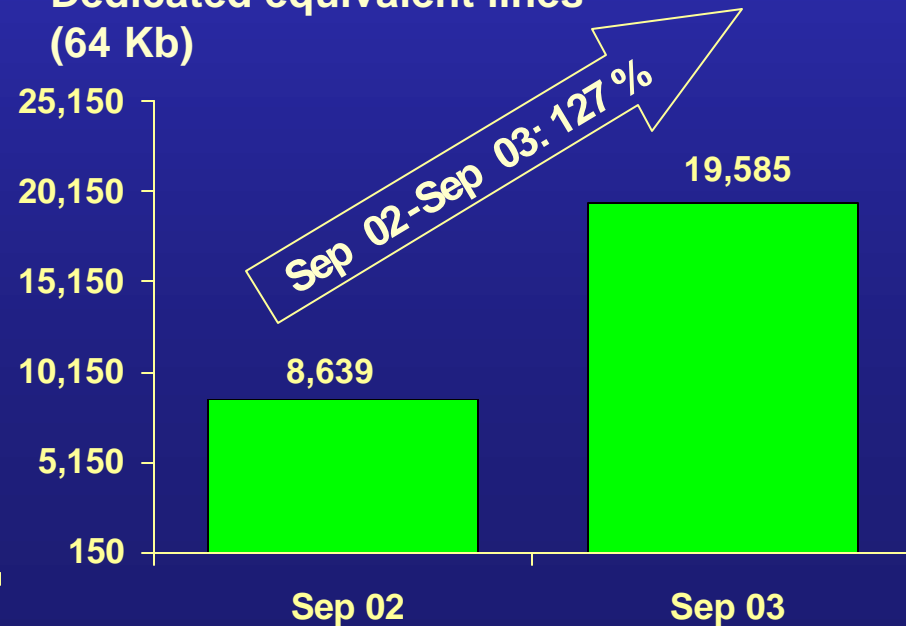
# Internet

- Continue capturing broadband industry growth with marketing strategy based both on own (WLL/ Entelphone) and leased networks.
- Launching of Wi-Fi service for WLL and ADSL customers.
- Bundling product of ADSL and local telephony line called “Super ADSL”.

**Broadband clients WILL + ADSL**



**Dedicated equivalent lines (64 Kb)**

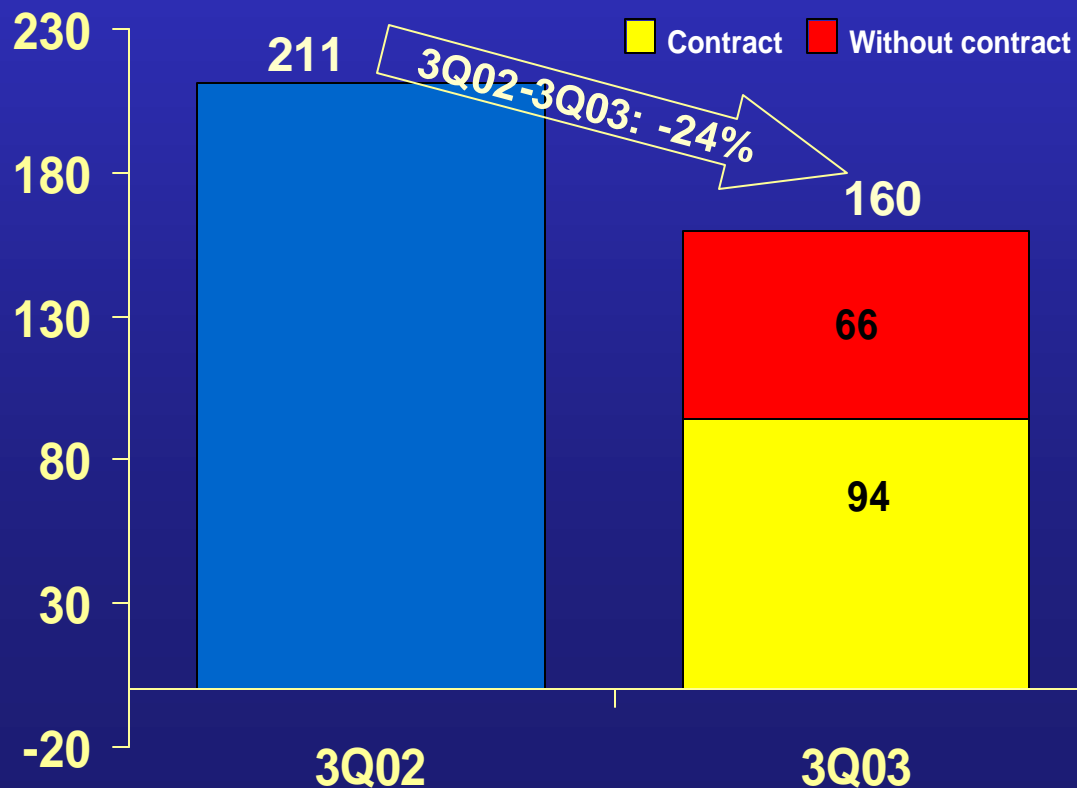




# Internet

- Decreasing growth rate of dial-up customers driven by migration of contracted customers to broadband services.
- Increased usage of flat rate plans (customers pays a fix monthly fee without variable rate).

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



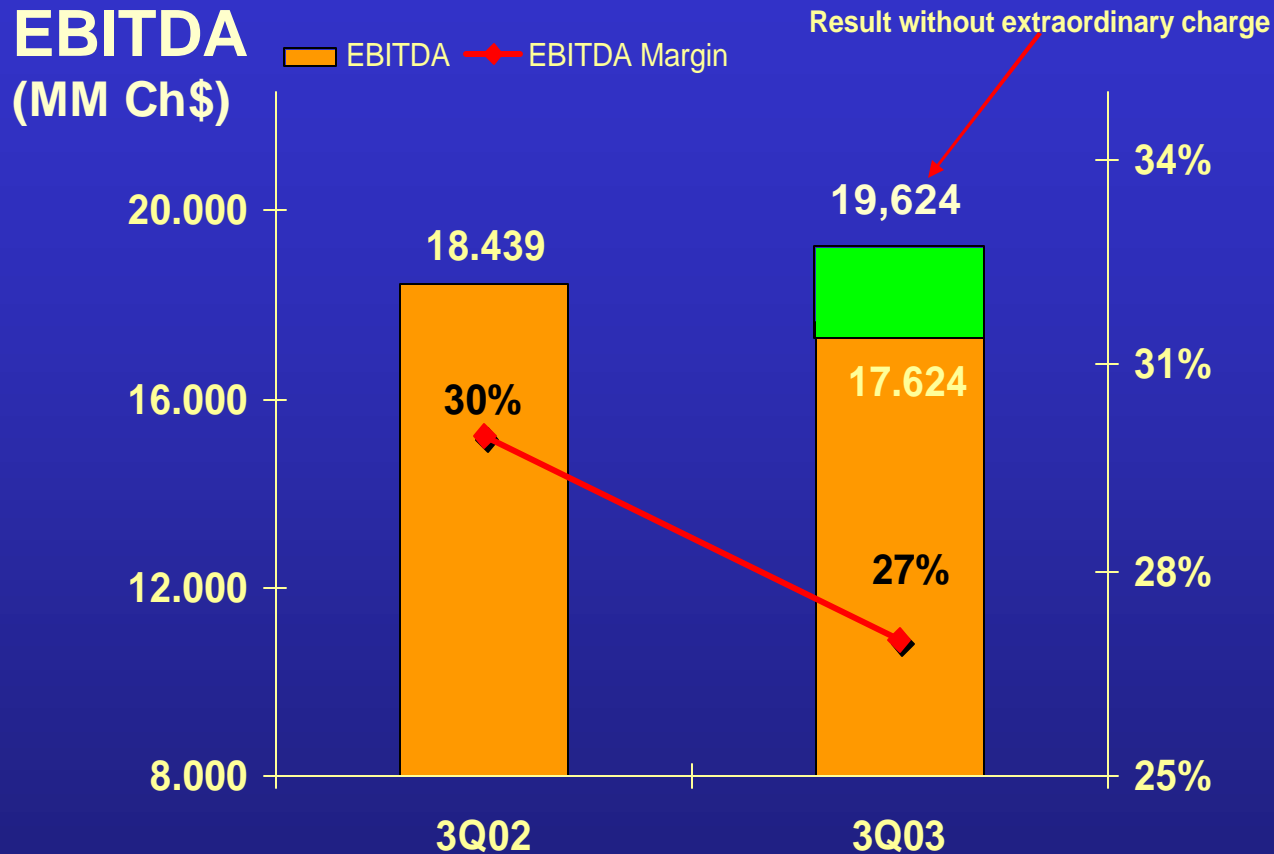
- Continues growth of our e-commerce business reflected in 600 Merconet clients (B2B marketplace).

\* Numbers after adjustment in customer database in December 2002 for 32,351.



# Entel Parent Company

Exchange rate: 660.97 Ch\$/ US\$

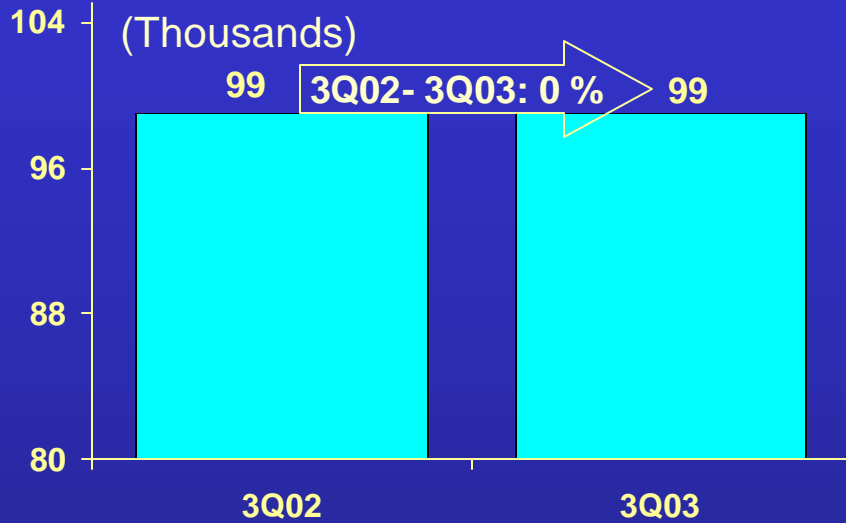


- EBITDA and EBITDA margin decrease mainly due to an extraordinary charge of Ch\$ 2 billion for wholesale bad debt provisions. EBITDA margin excluding extraordinary charge was 30.6%.
- The above result was partially offset by a fixed costs reduction effort in mature business lines, moving to a more variable cost structure and enhancing new datacom services.



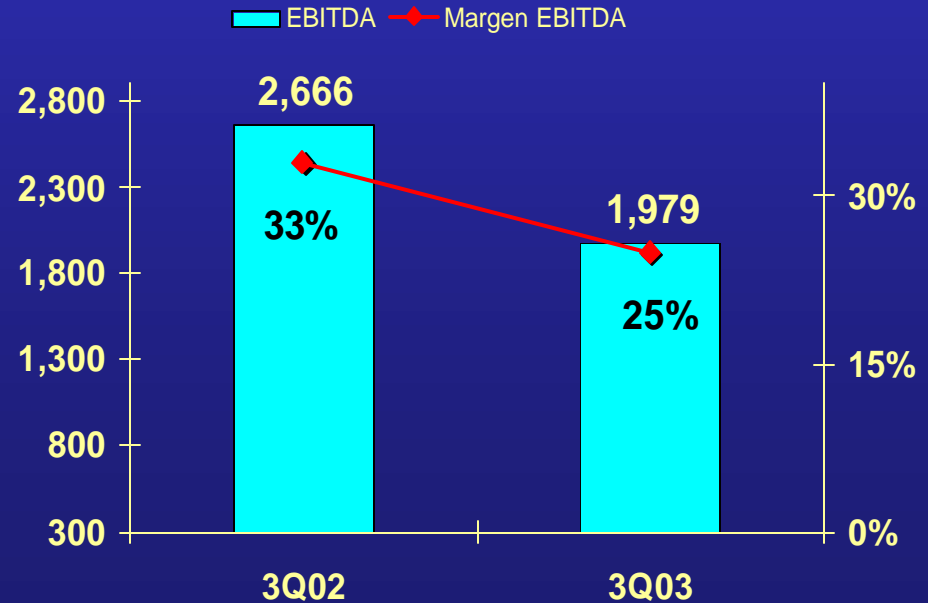
# Local Telephony

**Lines in Service**  
(Thousands)



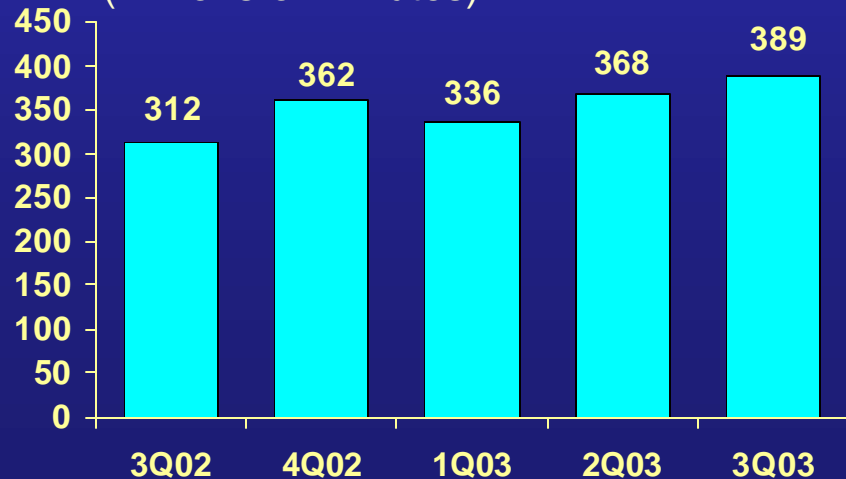
- Bundling of local telephony lines with ADSL.
- 75% of billing lines in business and corporate customers.
- Lower EBITDA due to higher installation and maintenance costs.

**EBITDA\***  
(MM Ch\$)



\*This figure does not include WLL.

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

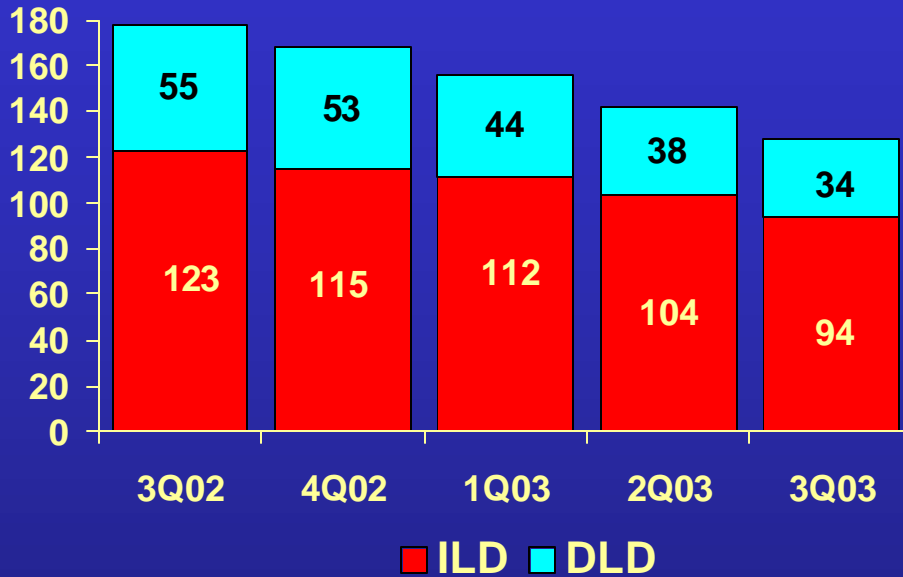


\* Includes all traffic through Entelphone (SLM, Internet, LD, CPP).



# Americatel USA

### Dial-around -10 10 123 + Contracted Traffic Quarterly Evolution (Millions of minutes)



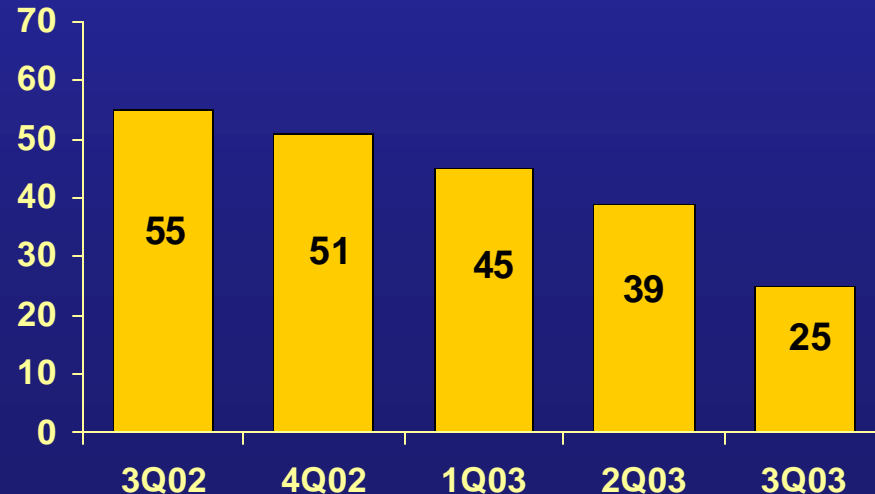
→ Prepaid card traffic decreased due to more competitive environment. Americatel is launching more price competitive cards and targeting selected regional segments.

Dial-around + Contracted margin trend:

→ ILD direct margins decreased due to lower tariffs partially compensated by lower cost.

→ DLD direct margin improved due to cost reductions and higher tariff.

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





# Americatel USA

→ Americatel continues facing increased competition from local operators that can now offer LD services.

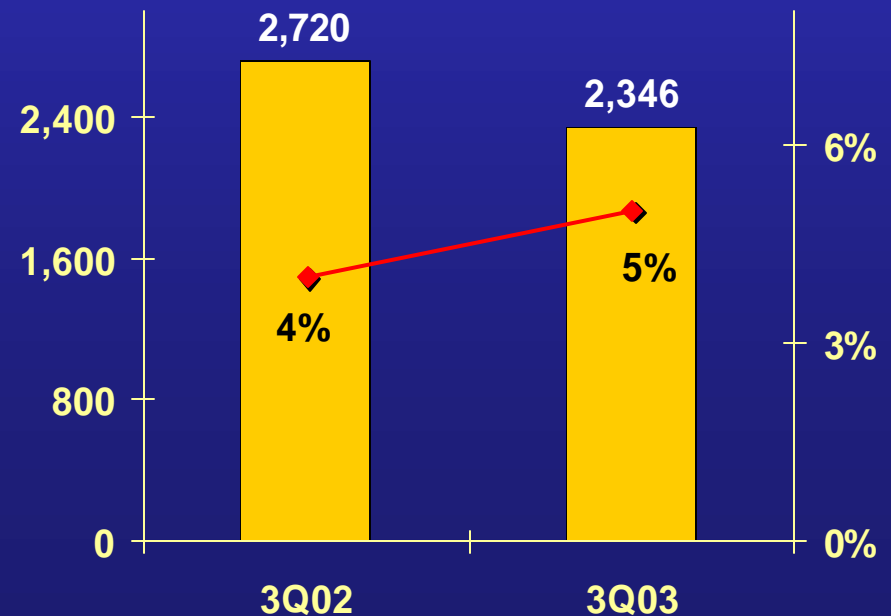
→ Headcount reduction to adjust Americatel structure to the current business environment.

→ Lower EBITDA results from lower LD volumes.

→ EBITDA margin slightly increased due to cost reduction initiatives.

## EBITDA

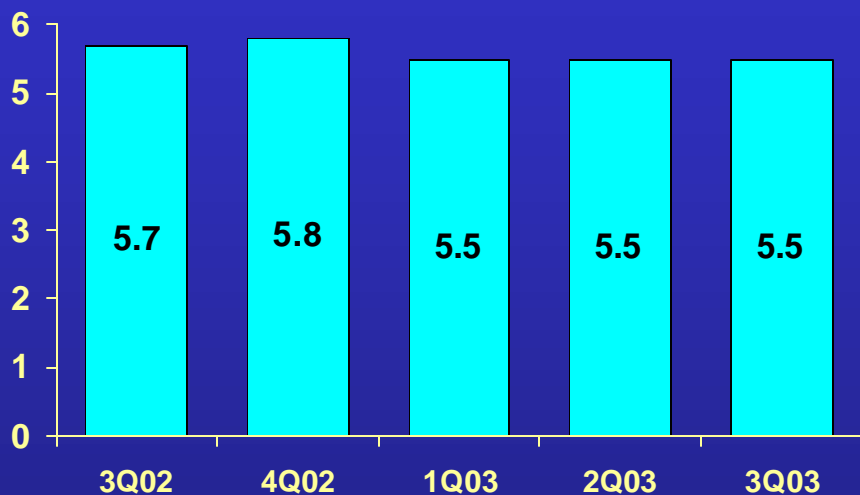
(Thousand US\$) ■ EBITDA ◆ EBITDA Margin



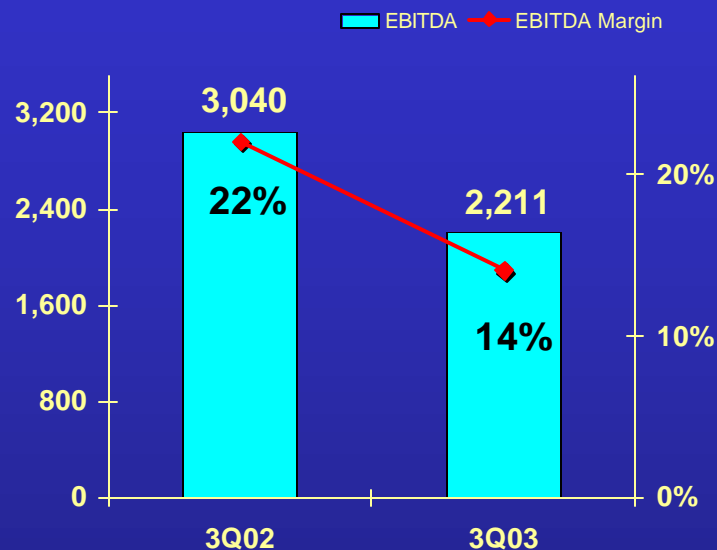


# Americatel Central America

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



EBITDA  
(Thousands US\$)

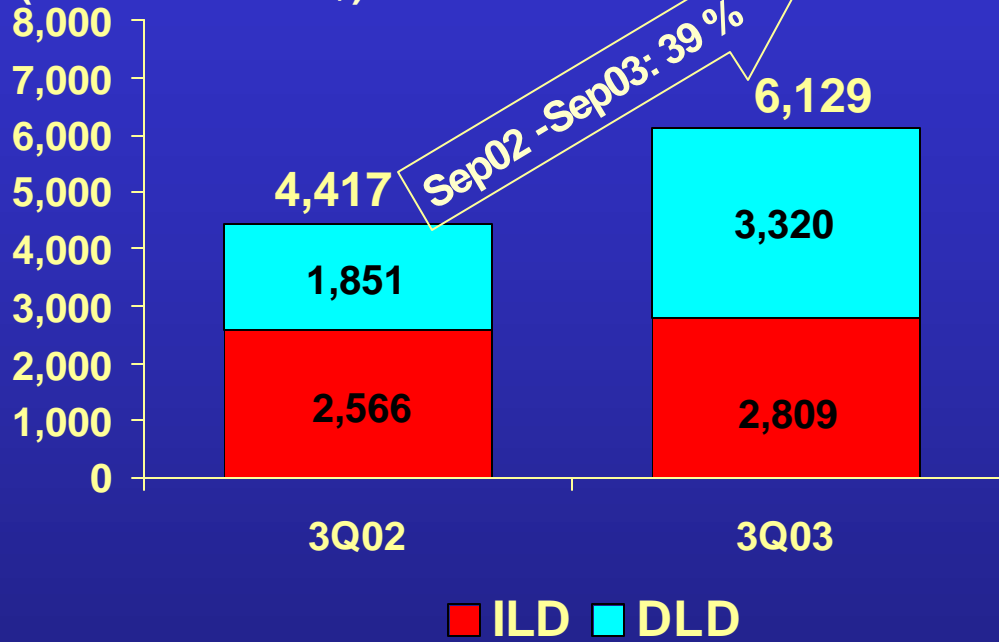


→ EBITDA decreased 27% mainly due to lower direct margins in the wholesale business.



# Americatel Peru

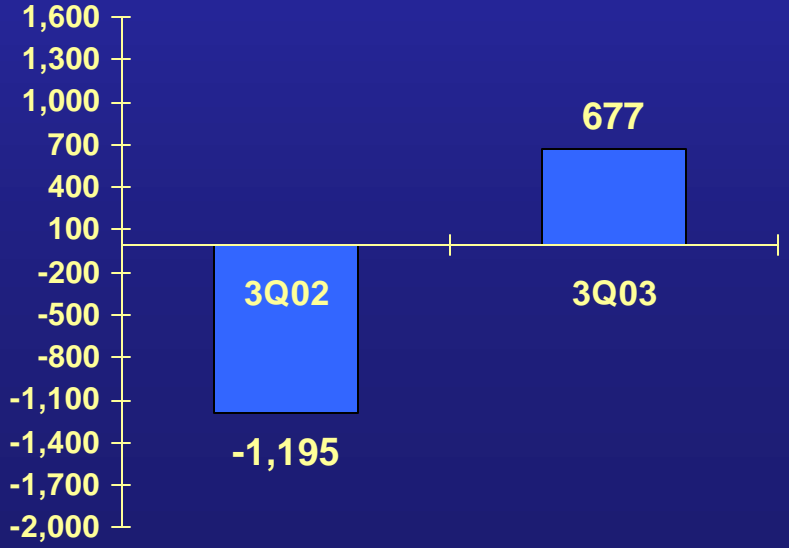
### Quarterly Revenues Americatel Peru (ILD +DLD) (Thousands US\$)



→ Continues growth after positioning itself as a relevant long distance operator in the market.

→ Looking to participate in the data business.

### EBITDA Peru (Thousands US\$)





# Financial Results

## Second Quarter 2003

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- Consolidated Operating Results
- Non Operating Results



# Consolidated Quarterly Results

(MM Ch\$ Sep-03)

Exchange rate: 660.97 Ch\$/ US\$

	3Q03	3Q02	Var%
<b>Net revenues</b>	<b>178,104</b>	<b>204,495</b>	<b>-13%</b>
Cost of operations	97,559	120,076	-19%
Selling & administrative expenses	55,163	62,478	-12%
<b>Operating income</b>	<b>25,381</b>	<b>21,941</b>	<b>16%</b>
<b>Ebitda</b>	<b>58,477</b>	<b>58,738</b>	<b>0%</b>
Non operating income	-8,226	-17,552	-53%
Income before tax & minority interest	17,155	4,388	291%
Tax	-2,736	-1,000	174%
Minority interest	-181	-317	-43%
<b>Net income</b>	<b>14,238</b>	<b>3,072</b>	<b>364%</b>

- Revenues decrease primarily due to Americatel USA and LD business in the parent company.
- Continues cost- reductions trend in mature business, reflected in lower costs and expenses.
- Extraordinary charge negatively affecting operating income and EBITDA.
- Non operating losses decreased due to the absence of charges incurred in 2002 due to restructuration.

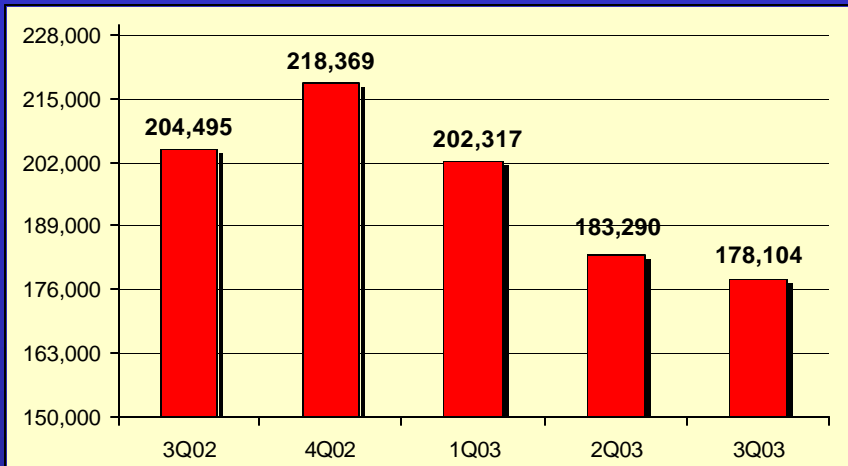


# Consolidated Quarterly Results

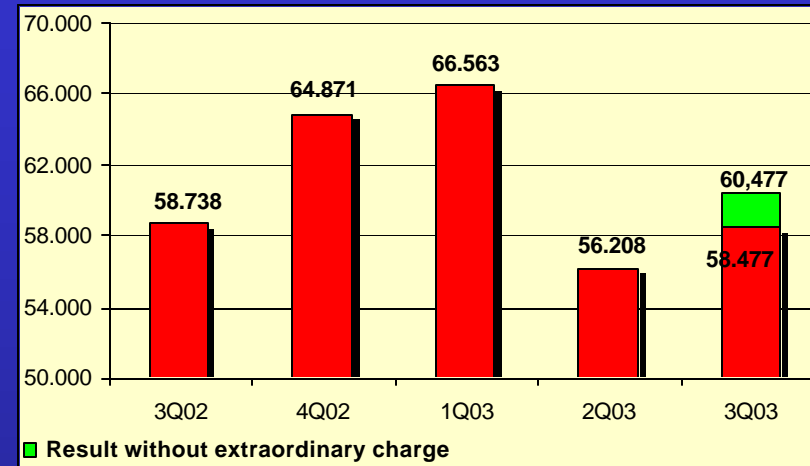
(MM Ch\$ Sep-03)

Exchange rate: 660.97 Ch\$/ US\$

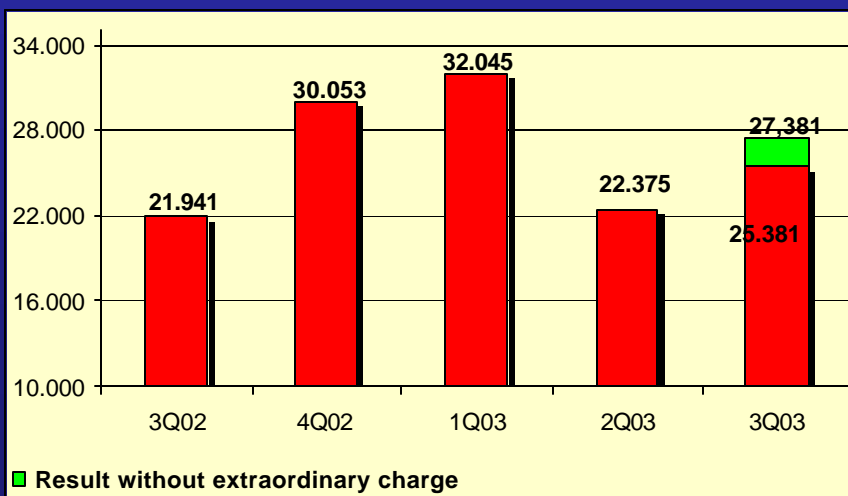
## Revenues



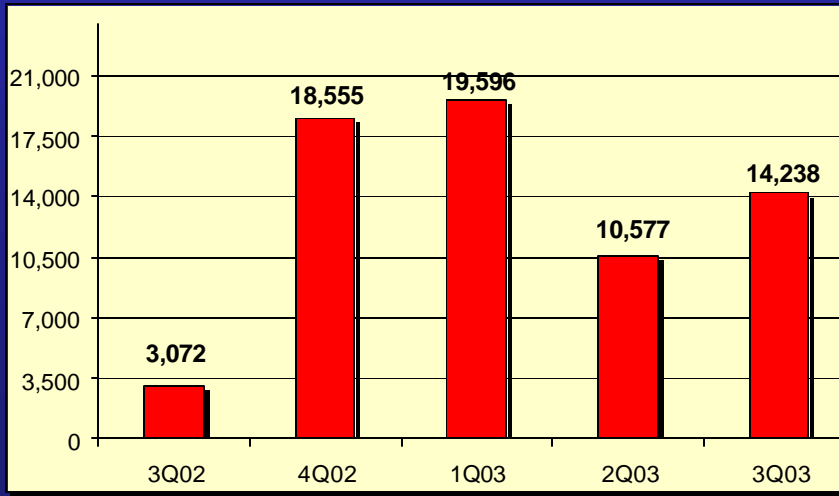
## EBITDA



## Operating Income



## Net Income





# Consolidated Revenues

(MM Ch\$ Sep-03)

Exchange rate: 660.97 Ch\$/ US\$

	3Q03	3Q02	Change %	Var MM\$
<b>Net revenues</b>	<b>178,104</b>	<b>204,495</b>	<b>-13%</b>	<b>-26,391</b>
Mobile services	84,474	79,705	6%	4,769
Domestic long distance	11,040	12,892	-14%	-1,852
International long distance	5,345	6,149	-13%	-804
Internet	7,912	7,748	2%	164
Data services	10,898	10,402	5%	496
Other telecommunication companies	2,570	2,695	-5%	-126
Traffic business	13,038	13,280	-2%	-242
International subsidiaries	34,160	62,607	-45%	-28,447
Local telephony	6,860	6,902	-1%	-41
Others	1,807	2,116	-15%	-308

- **Mobile telephony** : 17% increase in the average customer base, partially offset by a 9% decrease in ARPUs.
- **Internet**: 112% growth of broadband (WLL+ADSL) customers, almost offset by lower dial-up traffic.
- **Data services** : higher revenues in point-to-point low-speed services.
- **International subsidiaries**: decrease in LD services from Americatel USA, partially compensated by higher revenues from Americatel Peru.
- **DLD** : 11% and 4% decrease in traffic and tariff, respectively.
- **ILD** : 8% and 1% decrease in traffic and tariff, respectively.
- **Traffic business** : lower wholesale activity in the parent company.



# Consolidated Costs and Expenses

(MM Ch\$ Sep-03)

Exchange rate: 660.97 Ch\$/ US\$

	3Q03	3Q02	Change %	Var MM\$
<b>Cost of operations and Selling &amp; adm. Expenses</b>	<b>152.722</b>	<b>182.554</b>	<b>-16%</b>	<b>-29.832</b>
Access charges	29.656	25.194	18%	4.461
Payments to correspondents	18.530	30.193	-39%	-11.663
Depreciation & amortization	29.504	29.568	0%	-64
Salaries & expenses	17.689	19.859	-11%	-2.169
Outsourced service	9.062	16.374	-45%	-7.313
Amortization of prepaid equipment	3.417	6.002	-43%	-2.585
Bad debt provision	8.292	7.554	10%	737
Others (call center, travel, advertising, invoice ch.)	36.573	47.809	-24%	-11.236

- **Payments to correspondents:** due to lower long distance traffic in Americatel USA.
- **Outsourced services:** lower variables services in line with lower revenues in Americatel USA.
- **Amortization of prepaid equipment:** lower prepaid handset subsidies in the mobile business.
- **Salaries & expenses:** decreased mainly in the parent company and Americatel USA.
- **Access charges:** higher outgoing traffic to mobile networks from Entel PCS and higher traffic in Americatel Peru.
- **Bad debt provision:** Ch\$ 2 billion extraordinary charge in parent company, partially compensated by Americatel USA decline.



# Consolidated Non Operating Results

(MM Ch\$ Sep-03)

Exchange rate: 660.97 Ch\$/ US\$

	3Q03	3Q02	Change %
<b>Non operating results</b>	<b>(8.226)</b>	<b>(17.552)</b>	<b>-53%</b>
Interest income	850	1.173	-28%
Other income	907	452	101%
Equity in losses of related companies	0	(293)	-100%
Amortization of goodwill	(898)	(921)	-2%
Financial expenses	(6.468)	(8.388)	-23%
Other expenses	(2.603)	(8.529)	-69%
Price level restatements & gain (loss) for exchange rates	(14)	(1.045)	-99%

- Other expenses during 3Q03 were not affected by severance payments for restructuring process in the parent company (as they were in 3Q02).
- Lower financial expenses in connection with a decreasing financial debt.
- Lower losses in non-consolidated affiliates.

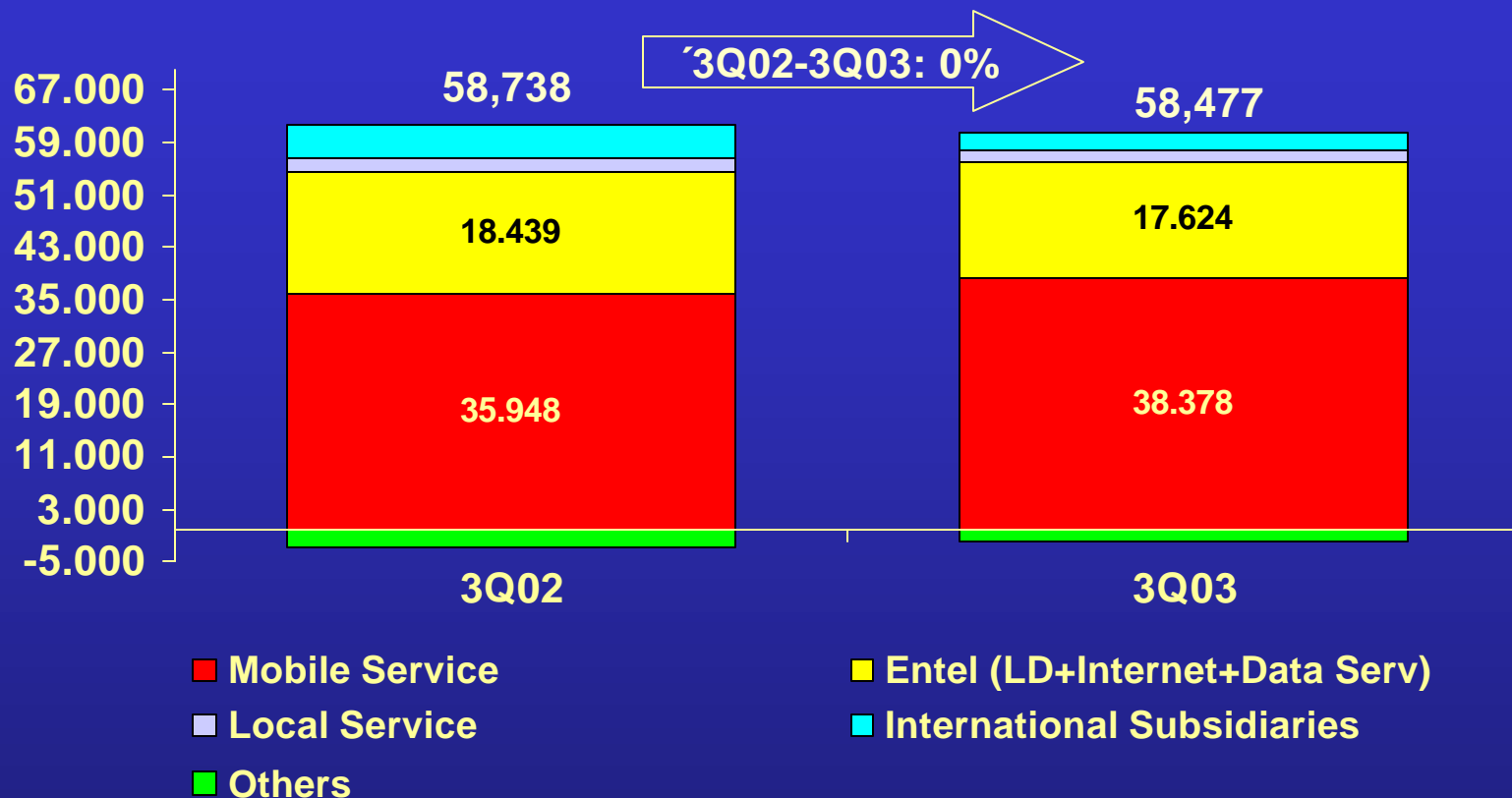


# Consolidated Cash Generation\*

\*Operating Income + Depreciation + Amortization

(MM Ch\$ Sep-03)

Exchange rate: 660.97 Ch\$/ US\$



• Without the extraordinary charge in 3Q03 consolidated EBITDA would have been Ch\$ 60,477 million and a 3% growth compared with 3Q02.

	3Q02	3Q03
<b>EBITDA Margin</b>	<b>29%</b>	<b>33%</b>



# Simplified Free Cash Flow

(MM Ch\$ Sep-03)

Exchange rate: 660.97 Ch\$/ US\$

	Sep-03	Sep-02
<b>EBITDA</b>	181,199	181,455
<b>CAPEX</b>	-54,662	-110,867
<b>Net Financial Expenses</b>	-20,033	-22,897
<b>SIMPLIFIED CASH FLOW</b>	<b>106,504</b>	<b>47,691</b>

→ 123% free cash flow growth.

→ Mobile telephony, increased profits in Peru, and lower Capex, together with cost-contention plans are driving the cash generation growth.



# Consolidated Debt & Hedge

<b>HEDGE</b>	<b>September 2003</b>	<b>September 2002</b>
Average Hedge Debt ( US\$ thou.)	404,311	548,379
<b>CONSOLIDATED DEBT</b>	<b>September 2003</b>	<b>September 2002</b>
Average Gross Debt (MM Ch\$)	543,720	587,339
<b>Current Rate end of period</b>	<b>4.89%</b>	<b>4.53%</b>
<b>Final Gross Debt (MM\$ Ch)</b>	<b>504,955</b>	<b>597,474</b>
<b>Final Net Debt (MM\$ Ch)</b>	<b>429,386</b>	<b>526,790</b>



# Financial Ratios

<b>Financial Indexes</b>	<b>September 2003</b>	<b>September 2002</b>
Current assets / Current liabilities	1.96	2.18
Total liabilities / (equity + min.interest)	1.15	1.40
EBITDA / Financial expenses	9.04	7.92
Financial debt / EBITDA	2.10	2.61

- Liquidity and interest coverage are at high levels and improving.
- Debt ratios continue to improve due to a reduction in interest bearing debt.



ENTEL

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**End of Presentation**