



# ENTEL Results Fourth Quarter 2004

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



## Main Events Fourth Quarter 2004

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- The Company concluded a debt payment of a trade facility of US\$ 70 million in October 2004.
- Entel paid an interim dividend of Ch\$15 per share, in December 2004. The dividend represents the same amount distributed as interim dividend in 4Q03.
- Telecom Italia signed a Stock Purchase Agreement, regarding the sale of its controlling ownership (54.76% stake of Entel) to Chilean Investors. The transaction is expected to close within the next 2-3 months.
- The Anti-Trust Court approved the merger between Telefónica Móvil and Bellsouth Chile, subject to the compliance of certain conditions.



# Activity by Business Sector



**ENTEL INTERNET**

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

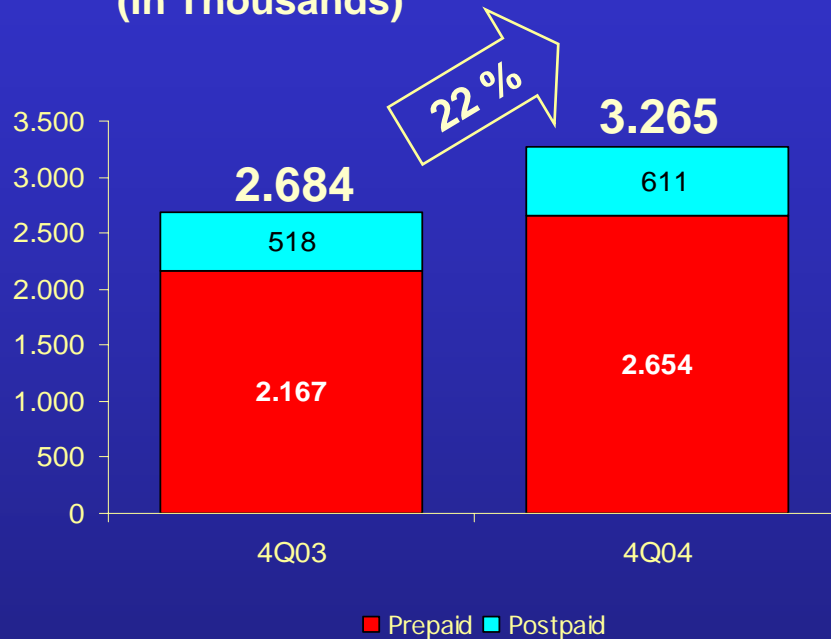


**BANDA ANCHA**  
ADSL **ENTEL**



# Mobile Telephony

Entel's Mobile Subscribers  
(In Thousands)



→39% market share as of Dec 04.

→Growing participation in higher value tier customers.

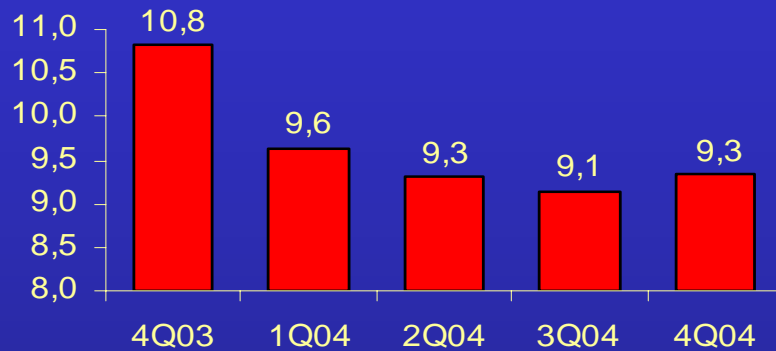
→Value added services continue growing at high rates.

Entel PCS expanded its EDGE coverage network to 6 additional cities throughout Chile (Antofagasta, Rancagua, Concepción, Talcahuano, Temuco and Puerto Montt).

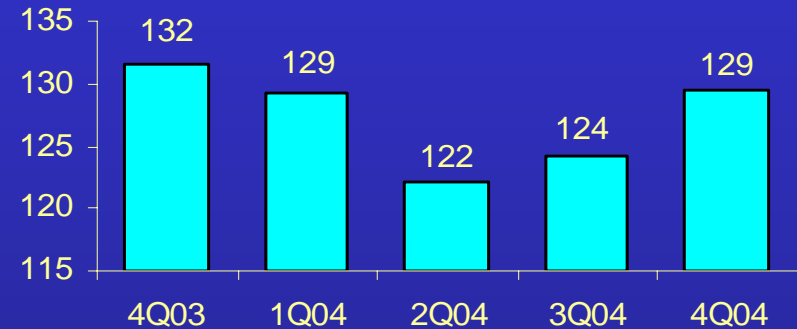


# Mobile Telephony

### ARPU Average (Thousand Ch\$)



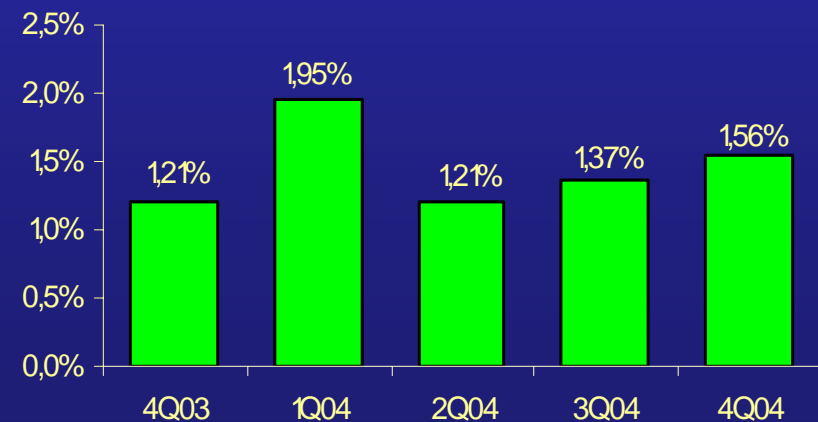
### MOU Average (Minutes/month)



### 4Q04 vs 4Q03:

- ARPU decreased 14% mainly in the pre-paid segment. ARPU`s in the post-paid segment remained almost unchanged.
- MOU decreased 2% compared to 4Q03, mainly in pre-paid segment.
- Churn: increased in the low-tier value customers in the pre-paid segment while post-paid churn rate decreased a 48%.

### Average Monthly Churn

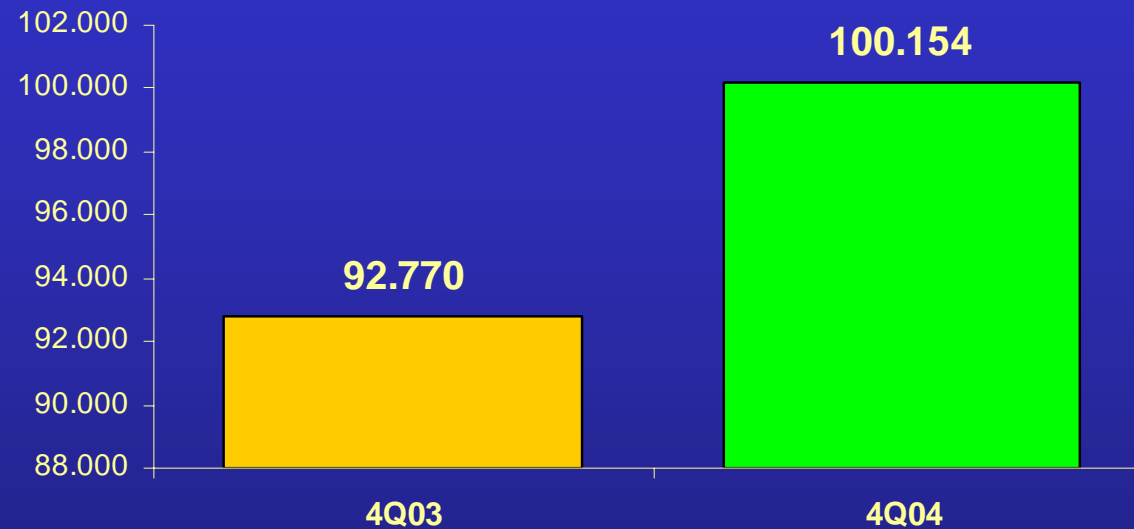




# Mobile Telephony

Exchange rate: 557.4 Ch\$/ US\$

## Quarterly Revenues (MM Ch\$)



Revenues grew 8%: fixed charges and outgoing services 15%, sales of equipment 39%. Value-added revenues grew 65%.

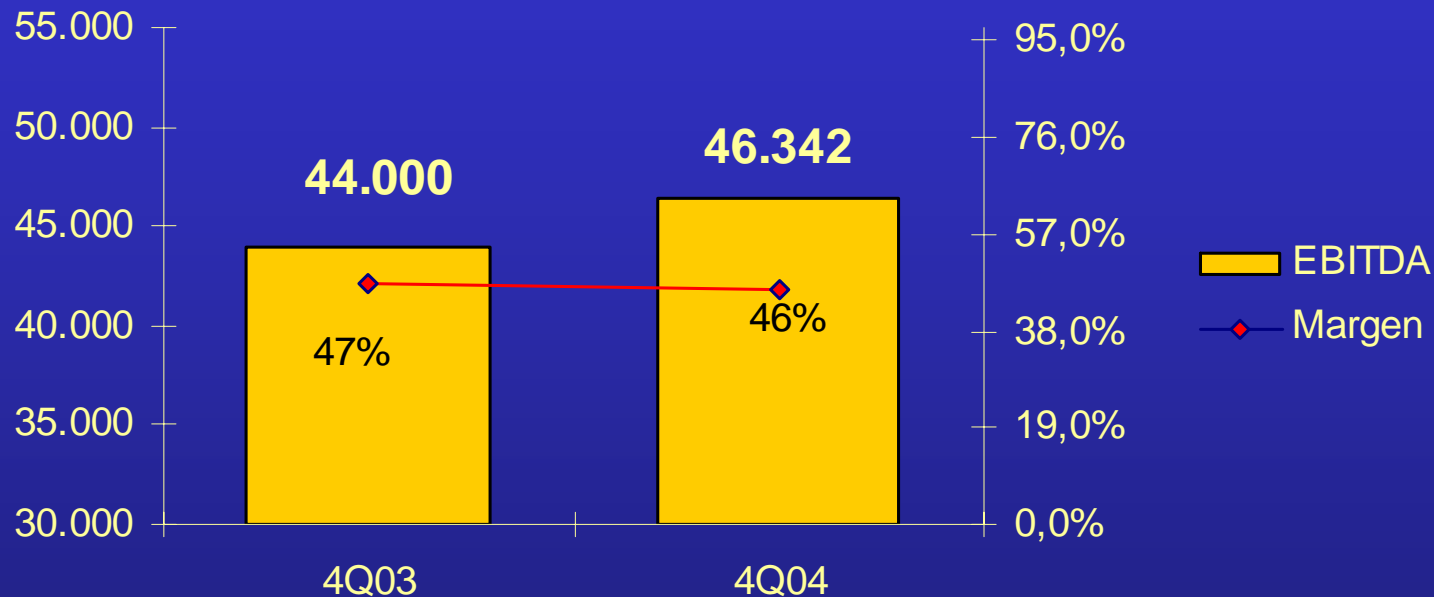
Access charges declined 15%, mainly as a result of lower interconnection tariffs.



# Mobile Telephony

Exchange rate: 557.4 Ch\$/ US\$

## EBITDA Ch GAAP (MM Ch\$)



- EBITDA improved 5% due to higher services direct margins due to the increase of 22% in the customer base.
- Growth of business is offsetting the impacts of deep reductions in access charges.

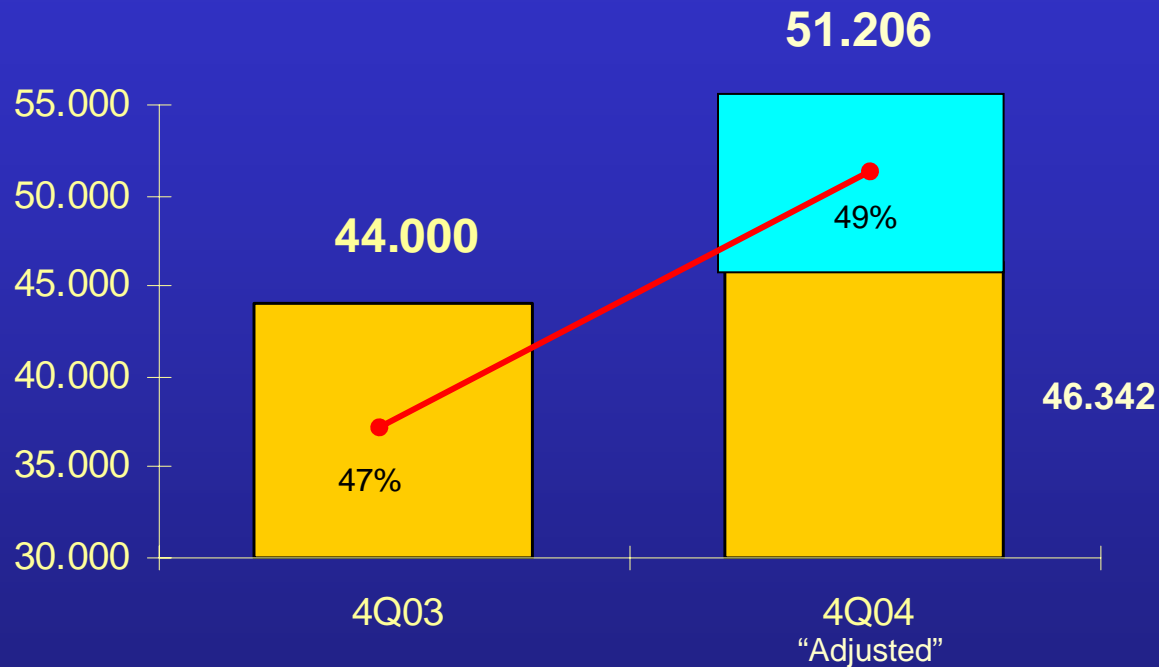
EBITDA: Operating income + Depreciation+ Amortization.



# Mobile Telephony EBITDA without access charges reductions would have grown 16%

Exchange rate: 557.4 Ch\$/ US\$

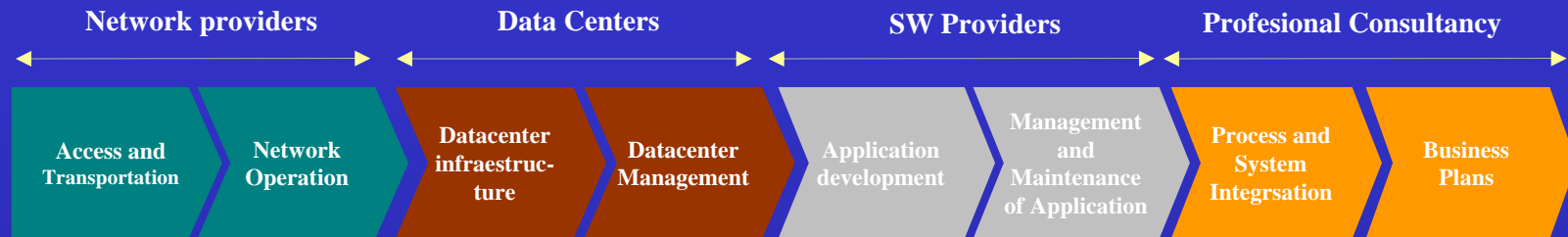
**EBITDA Ch GAAP  
(MM Ch\$)**



EBITDA: Operating income + Depreciation+ Amortization.

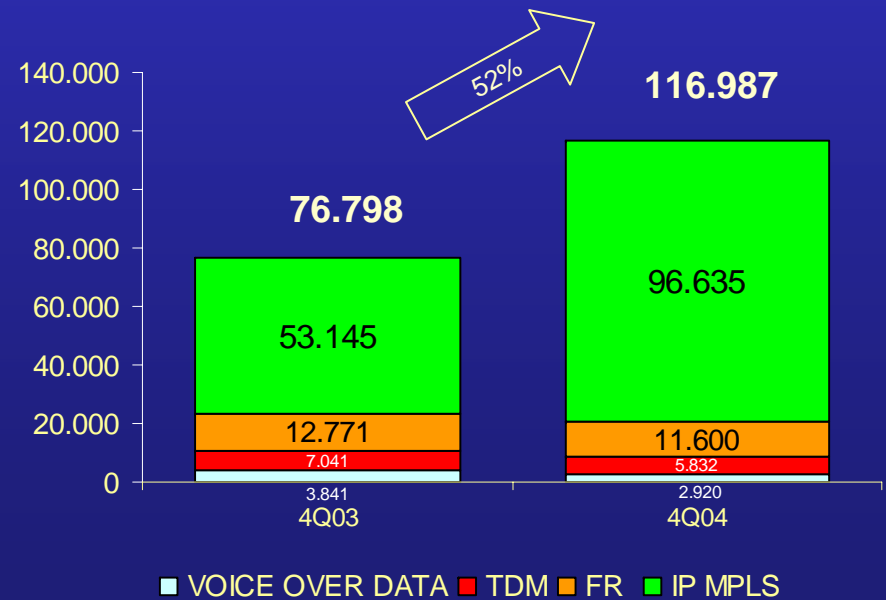


# Data Services



- Focused on reaching a relevant position in integration and business process outsourcing (BPO) services, in the corporate segment offering integrating customized solutions.
- Prices of traditional data services continue decreasing.
- During 4Q04 relevant contracts signed with CODELCO, CMPC, Unilever, Banco de Chile, Banco Santander, Minera Quebrada Blanca, among others.

## Selected Equivalent Lines 64 Kb equivalent circuits



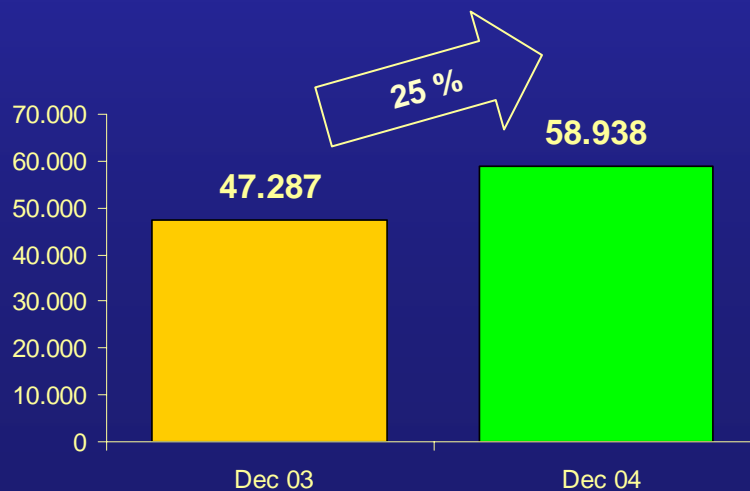


# Internet

- Continue capturing broadband growth with own ( WLL/ local) and leased network. Broadband customer base increased 25%.
- Continue the migration from dial-up to broadband access service.
- Agreement signed with the main Chilean gasoline distribution company to deploy a wireless Internet network (hot spots). This represents the largest wi-fi network in Chile.

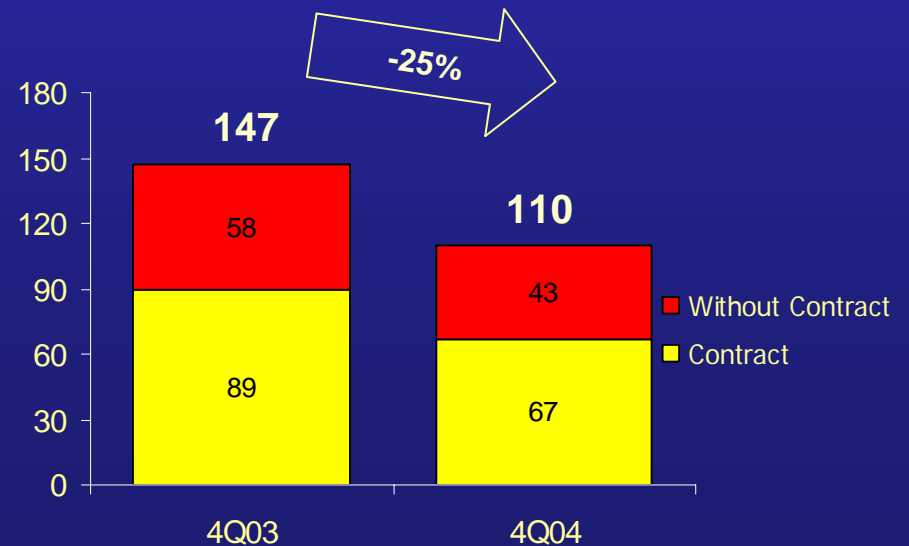
## Broadband clients WILL + ADSL

Currently Will represents 39% of the broadband customer base



## Active Dial-Up Access Accounts

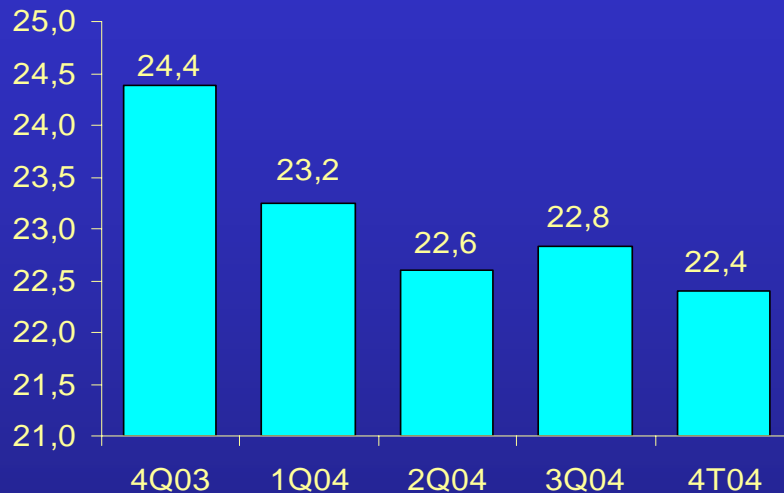
(In Thousands)



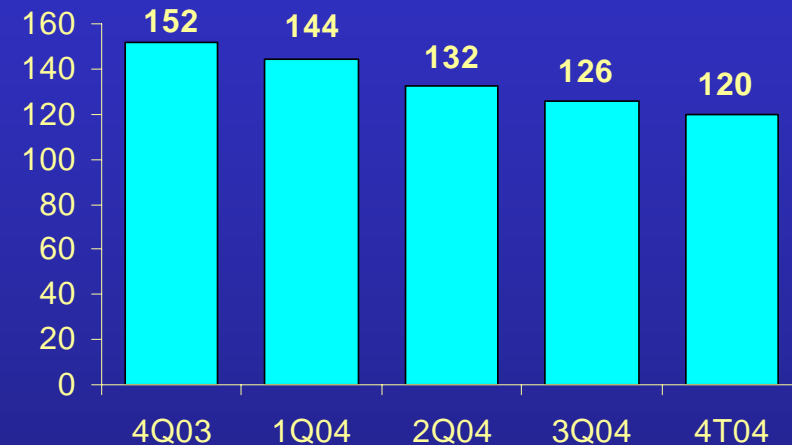


# Long Distance

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



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



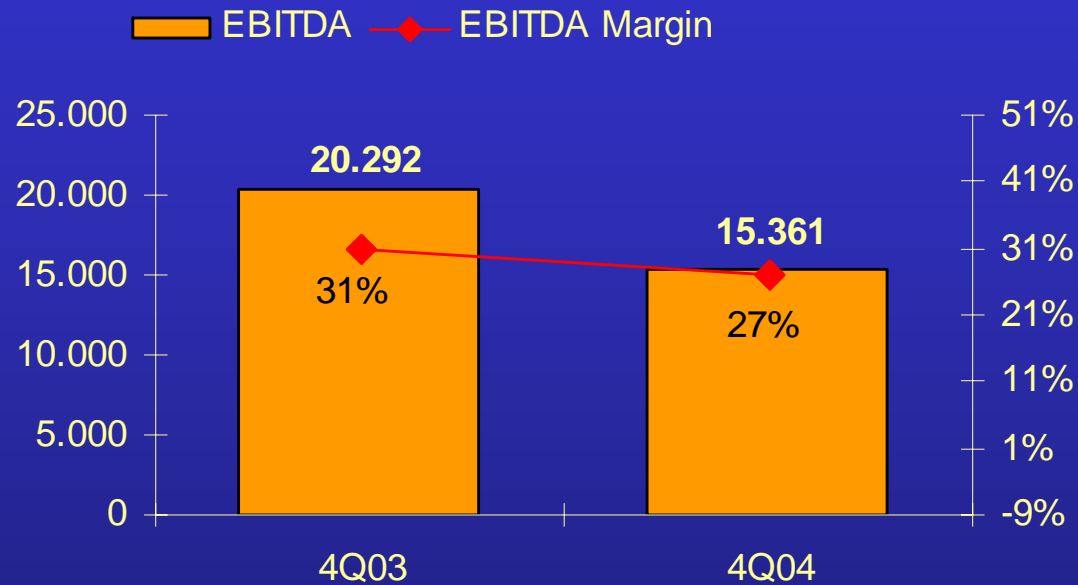
- International long distance (ILD) traffic decreased 8% mainly in the ILD value added. Average tariffs decreased 13%.
- Domestic long distance (DLD) traffic decreased 21% while average tariffs decreased in 5% in the period. The substitution effect from the higher usage of mobile phones continues affecting traffic.
- Value Added Services represents 35% of revenues
- Average market share: 34% DLD and 40% ILD.



# Entel Parent Company

Exchange rate: 557.4 Ch\$/ US\$

## EBITDA (MM Ch\$)



→ EBITDA decreased 24% due to lower LD traffic and a 44% increased in access charge tariffs accrued in relation to the incumbent's tariff setting process.

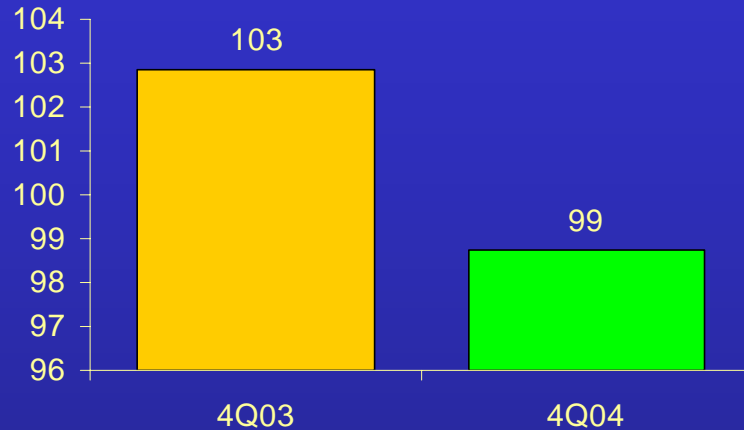
→ Operational efficiencies and tight cost/capex control



# Local Telephony

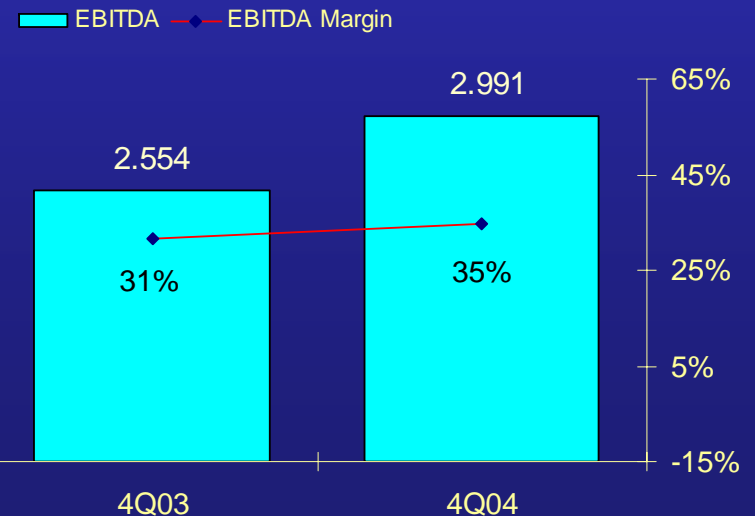
Exchange rate: 557.4 Ch\$/ US\$

## Lines in Service (Thousands)

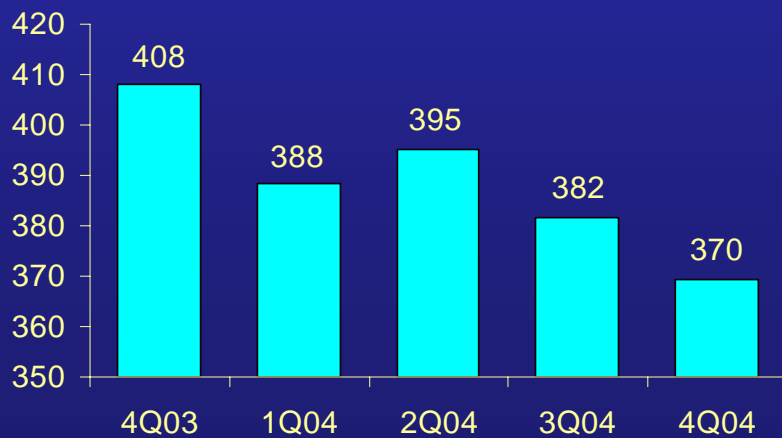


- Bundling local telephony lines with ADSL services.
- 82% of billing lines in business and corporate customers.
- Higher 17% EBITDA due to lower SG&A expenses related to lower bad debt and others.
- Decline in traffic explained by lower internet dial up .

## EBITDA\* (MM Ch\$)



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



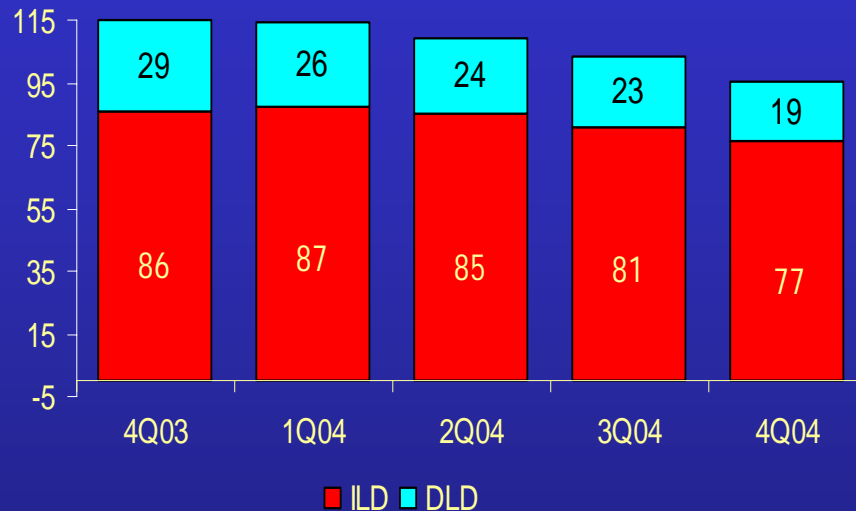
\* Includes all traffic through Entelphone (SLM, Internet, LD, CPP).

\*WLL not included.



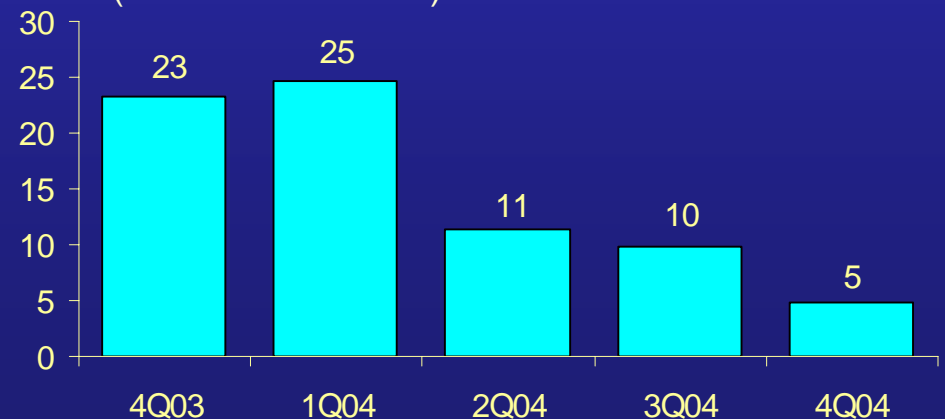
# Americatel USA

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



→ Focus on LD as the core business.

Prepaid Ticket Traffic  
Quarterly Evolution  
(Millions of minutes)



→ Dial-around + Contracts trend:

→ Direct margins stabilizing after deep re-organization.

→ Pre-paid card strategy focused on profitable segments.

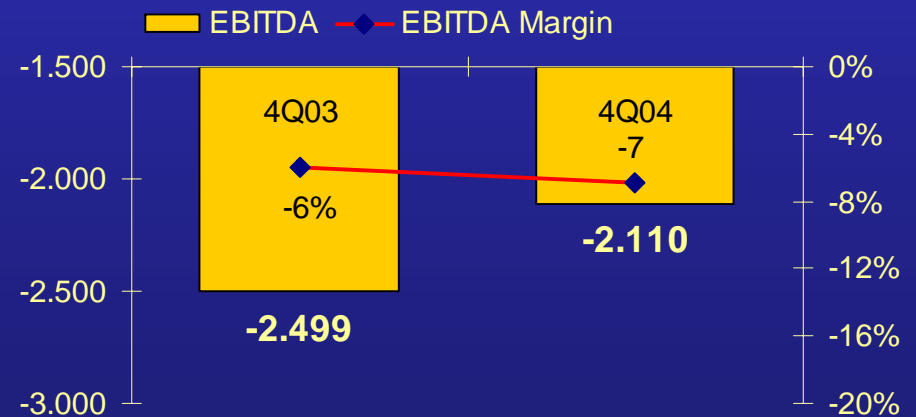


# Americatel USA

→ During 4Q04, the Company was focused on developing its core LD services (10-10-123 dial around code and contract), after the recent strategic redefinitions in order to achieve profitability and to improve cash flow.

→ Higher EBITDA results from costs and expenses reductions.

**EBITDA**  
(Thousand US\$)



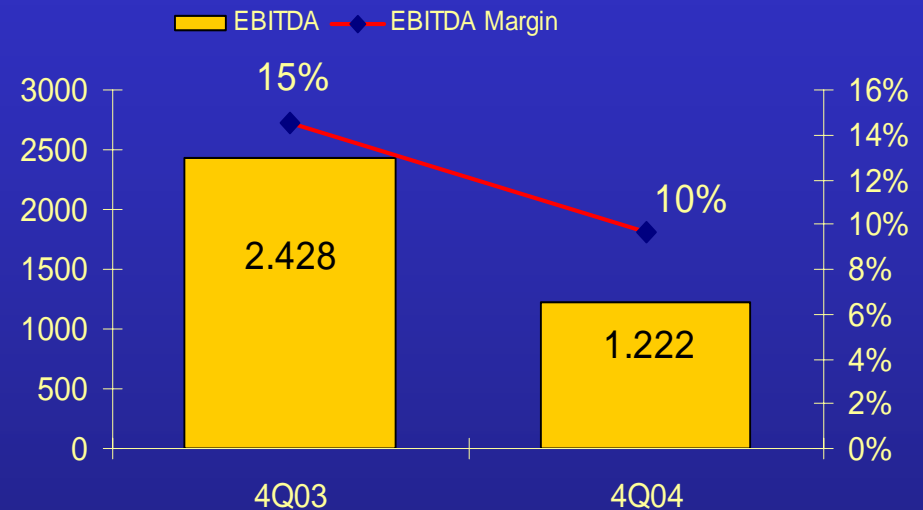
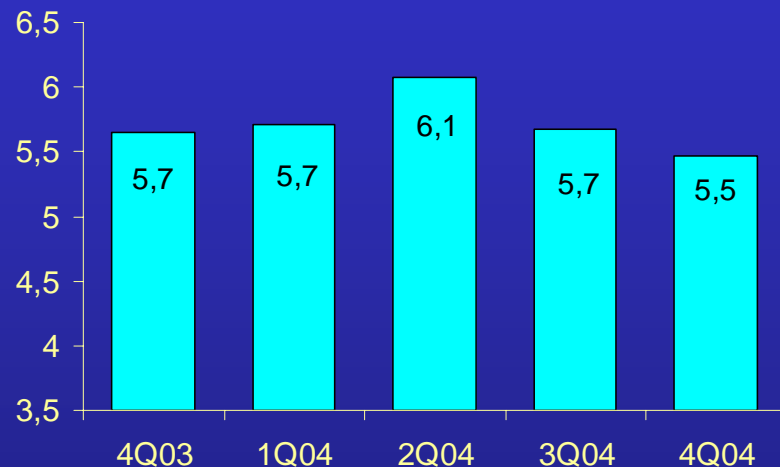


# Americatel Central America

Exchange rate: 557.4 Ch\$/ US\$

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

EBITDA  
(Thousands US\$)



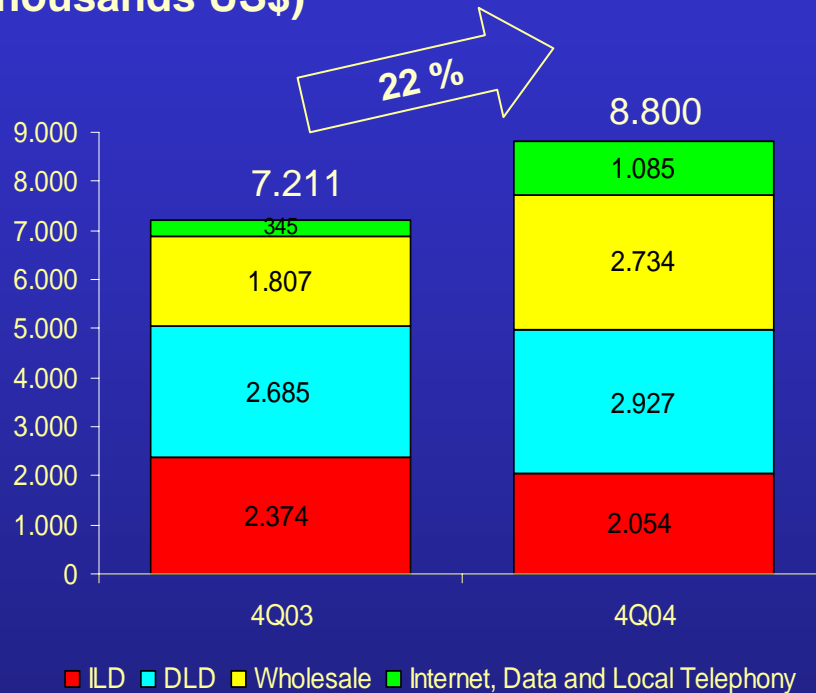
→ EBITDA decreased 50% mainly explained by lower margins in the wholesale business. This decline was partially offset by lower costs accross the board.



# Americatel Peru

Exchange rate: 557.4 Ch\$/ US\$

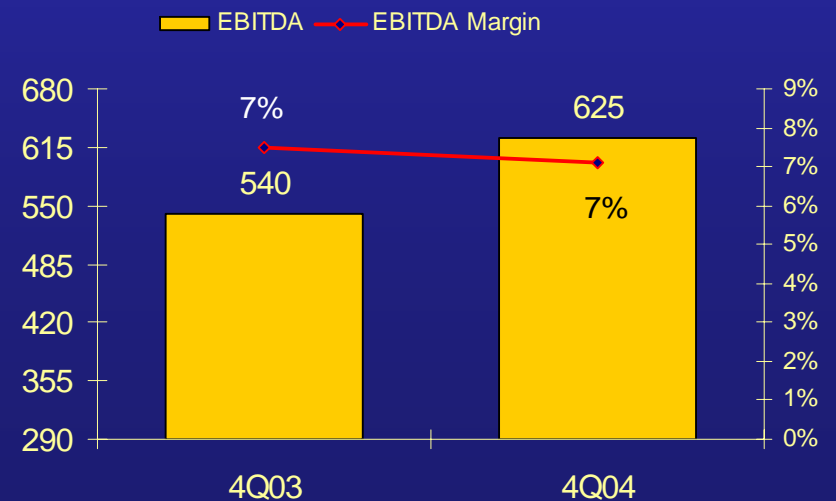
## Quarterly Revenues Americatel Peru (ILD +DLD) (Thousands US\$)



→ Increase in wholesale business revenues together with a sharp growth in local telephony and data (214%).

→ EBITDA grew 16% due to operational efficiencies.

## EBITDA Peru (Thousands US\$)





# Financial Results Fourth Quarter 2004

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- Consolidated Operating Results
- Non Operating Results



# Consolidated Quarterly Results

(MM Ch\$ Dec-04)

Exchange rate: 557.4 Ch\$/ US\$

	4Q04	4Q03	Var%
<b>Net revenues</b>	<b>171.287</b>	<b>171.371</b>	<b>0%</b>
Cost of operations	93.084	100.281	-7%
Selling & administrative expenses	50.166	41.730	20%
<b>Operating income</b>	<b>28.037</b>	<b>29.360</b>	<b>-5%</b>
<b>Ebitda</b>	<b>64.297</b>	<b>62.822</b>	<b>2%</b>
Non operating income	-3.949	-11.842	67%
Income before tax & minority interest	24.088	17.519	37%
Tax	-4.523	-1.697	-167%
Minority interest	123	231	-47%
<b>Net income</b>	<b>19.730</b>	<b>16.089</b>	<b>23%</b>

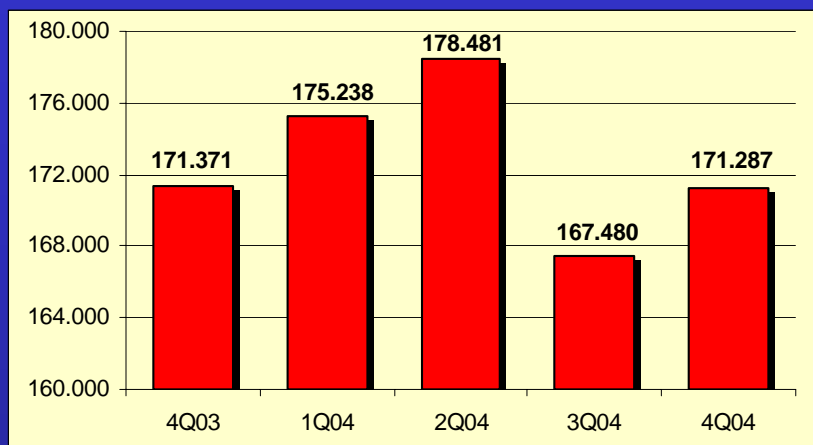
- **Revenues** remained unchanged. Despite a 26% reduction in inter-connection rates the Company achieved increased revenues in the mobile and local telephony business, offset by a decline in the long distance services.
- **EBITDA** increases 2% as a consequence of higher margins in the mobile business along with an increase of 22% in the customer base, together with improved performance in Americatel USA.
- **Non-operating** losses decreases due to the absence of severance payments in 4Q03 in connection with headcount reductions in the mature businesses areas, profits in price-level restatement and lower net financial expenses.
- **Net income** increased 23% as result of lower non-operating .



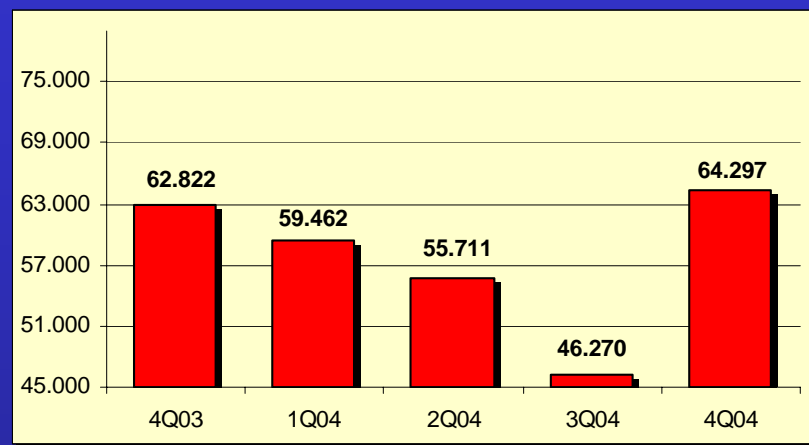
# Consolidated Quarterly Results

(MM Ch\$ Dec-04)

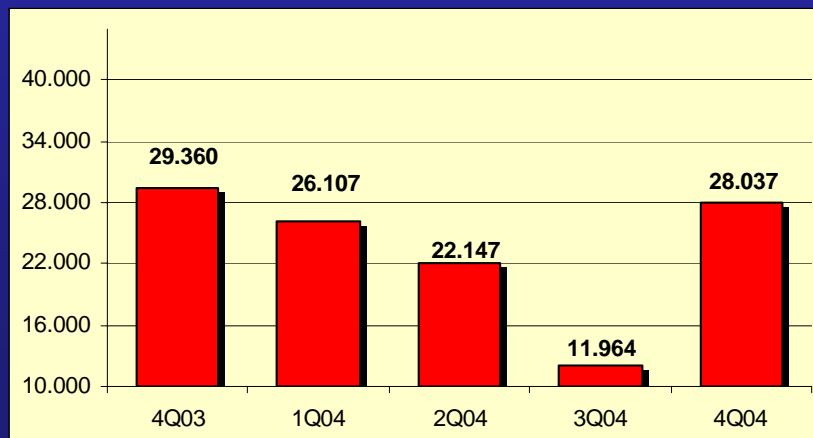
## Revenues



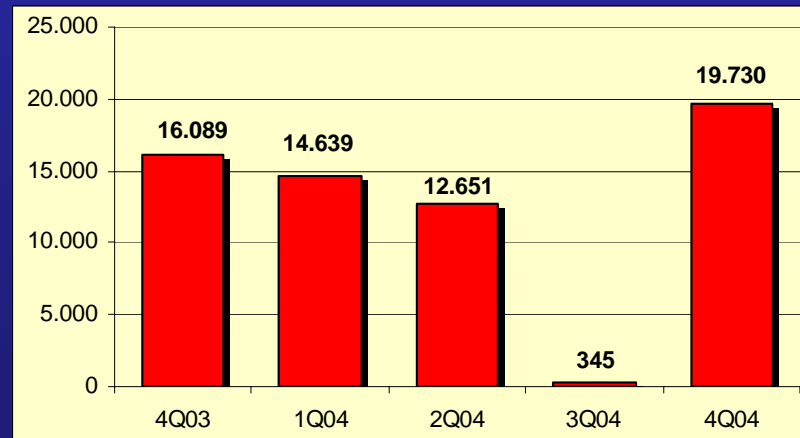
## EBITDA



## Operating Income



## Net Income

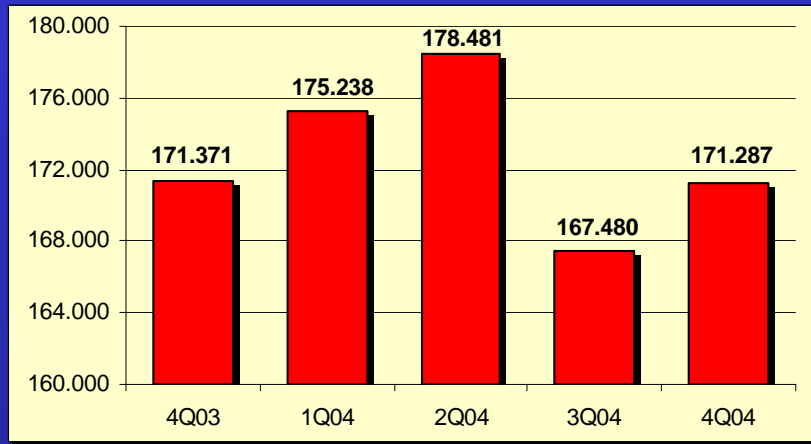




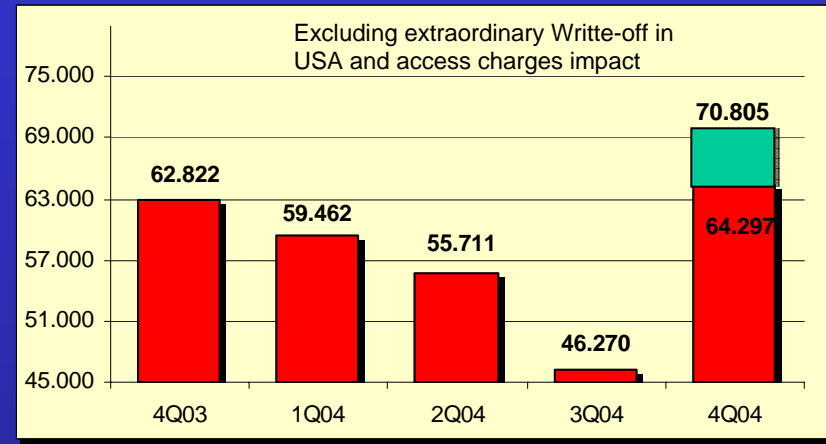
# Consolidated Quarterly Results

(MM Ch\$ Dec-04)

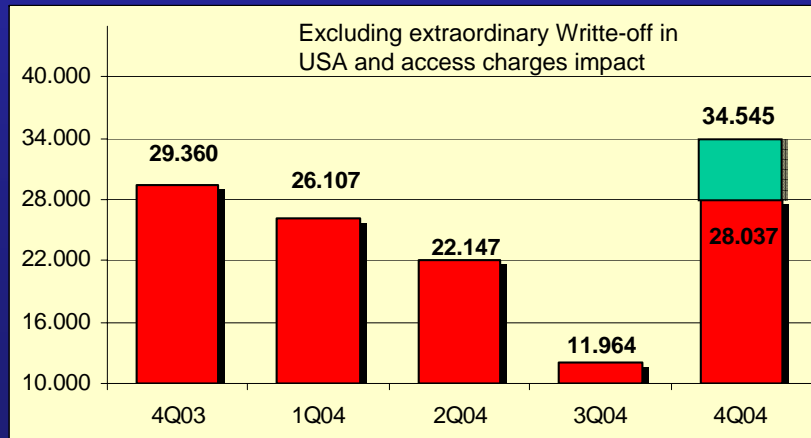
## Revenues



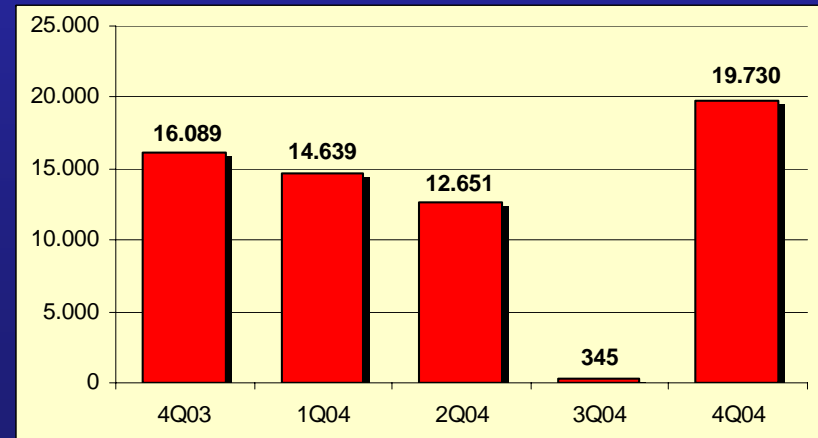
## EBITDA



## Operating Income



## Net Income





# Consolidated Revenues

(MM Ch\$ Dec-04)

	4Q04	4Q03	Change %	Var MM\$
<b>Net revenues</b>	<b>171.287</b>	<b>171.371</b>	<b>0%</b>	<b>-84</b>
Mobile services	99.129	93.208	6%	5.921
Domestic long distance	8.191	10.725	-24%	-2.533
International long distance	4.527	5.687	-20%	-1.160
Internet	7.028	7.868	-11%	-839
Data services	11.141	11.860	-6%	-719
Other telecommunication companies	2.060	2.443	-16%	-384
Traffic business	11.538	11.664	-1%	-126
International subsidiaries	18.381	18.596	-1%	-214
Local telephony	7.263	6.790	7%	473
Others	2.028	2.531	-20%	-503

- **Mobile telephony:** increases mainly due to higher services and equipment sales revenues.
- **DLD:** 21% decreases in traffic and 5% in tariffs
- **ILD:** decreased in traffic and 13% decreased in average tariffs.
- **Internet:** decreases due to lower dial-up revenues partially offset by increases in broadband (25% increase in customer base).
- **Data services:** decrease resulting from lower Frame Relay and low speed data services (TDM and IBS), partially offset by IT and operational support services, MPLS (IP protocol multi-service platform), and video conference services.



# Consolidated Costs and Expenses

(MM Ch\$ Dec-04)

	4Q04	4Q03	Change %	Var MM\$
<b>Cost of operations and Selling &amp; adm. Expenses</b>	<b>143.250</b>	<b>142.011</b>	<b>1%</b>	<b>1.239</b>
Access charges	27.310	27.203	0%	107
Payments to correspondents	14.320	16.453	-13%	-2.133
Depreciation & amortization	29.734	29.927	-1%	-193
Salaries & expenses	16.216	17.467	-7%	-1.251
Advertising cost	6.007	6.277	-4%	-270
Amortization of prepaid equipment	4.837	3.187	52%	1.650
Bad debt provision	7.386	7.442	-1%	-57
Others (Call Center, Travel Outsourcing)	37.441	34.055	10%	3.386

- **Salaries and expenses:** lower salaries in Americatel USA, Americatel Peru and call center.
- **Pre-paid handsets amortization:** increases due to higher sales
- **Advertising costs:** reductions in Americatel USA, parent company and WiLL campaigns.
- **Other costs** increases due to higher call center and outsourcing activity at the parent company and at Americatel USA and higher commissions in the mobile business among other costs.



# Consolidated Non Operating Results

(MM Ch\$ Dec-04)

	4Q04	4Q03	Change %
<b>Non operating results</b>	<b>(3.949)</b>	<b>(11.842)</b>	<b>67%</b>
Interest income	648	1.133	-43%
Other income	1.658	(1.215)	236%
Equity in losses of related companies	-	(1)	100%
Amortization of goodwill	(879)	(902)	3%
Financial expenses	(5.029)	(6.071)	17%
Other expenses	(1.563)	(5.322)	71%
Price level restatements & gain (loss) for exchange rates	1.215	536	127%

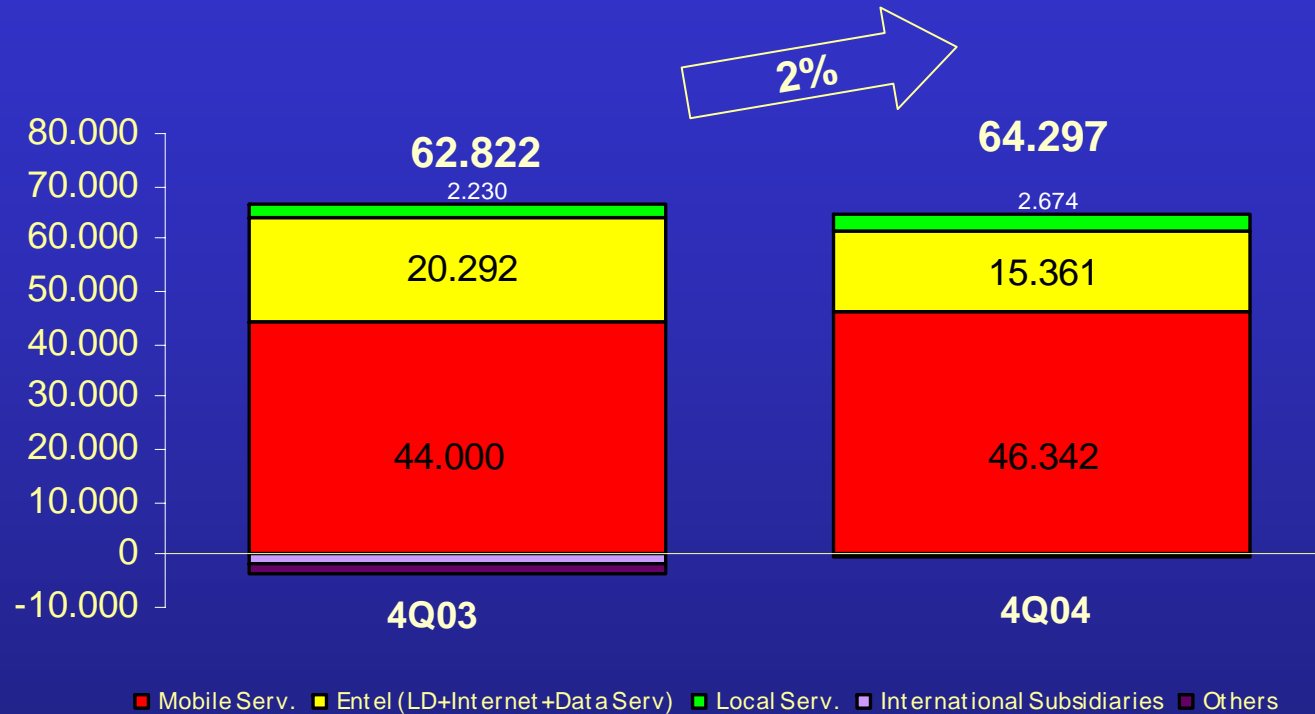
- **Non operating expenses:** decreased for the absence of severance payments in 4Q03 in connection with headcount reductions in mature businesses areas.
- Lower **net financial expenses** in connection with a lower net financial debt, and lower losses due to price-level adjustment.
- Higher profits in price-level restatement due to lower exposure to Ch\$/inflation.



# Consolidated Cash Generation\*

(MM Ch\$ Dec-04)

Exchange rate: 557.4 Ch\$/ US\$



→EBITDA margin improved due to the mobile business revenues

	4Q03	4Q04
<b>EBITDA Margin</b>	<b>37%</b>	<b>38%</b>

\*Operating Income + Depreciation + Amortization



# Simplified Free Cash Flow

(MM Ch\$ Dec-04)

Exchange rate: 557.4 Ch\$/ US\$

MMCh\$	Dic-04	Dic-03
EBITDA	225.741	248.058
CAPEX	(97.322)	(75.289)
Net Financial Expenses	(18.426)	(23.456)
<b>Cash Flow</b>	<b>109.993</b>	<b>149.312</b>

- Lower EBITDA affected by Americatel write-offs and access charges from the mobile tariff setting.
- Higher Capex mainly in the Mobile business due to increased activity and technology up grade.
- Lower 25% in net financial debt from 4Q04 vs 4Q03.



# Consolidated Debt & Hedge

Exchange rate: 557.4 Ch\$/ US\$

<b>HEDGE</b>	<b>Dec 2004</b>	<b>Dec 2003</b>
Average Hedge Debt ( US\$ thou.)	348.378	456.531
<b>CONSOLIDATED DEBT</b>	<b>Dec 2004</b>	<b>Dec 2003</b>
Average Gross Debt (MM Ch\$)	442.424	540.749
<b>Current Rate of the period</b>	<b>5,41%</b>	<b>4,98%</b>
<b>Final Gross Debt (Ch\$ MM)</b>	<b>364.972</b>	<b>482.402</b>
<b>Final Net Debt (US\$ MM)</b>	<b>544</b>	<b>730</b>
<b>Final Net Debt (Ch\$ MM)</b>	<b>303.366</b>	<b>406.952</b>



# Financial Ratios

Exchange rate: 557.4 Ch\$/ US\$

Financial Indexes	Dic-04	Dic-03
Current Assets/ Current Liabilities	1,28	1,47
EBITDA/Financial Expenses	10,58	9,34
Financial Debt/EBITDA	1,62	1,94
Total Liabilities/(Equity+ Min. Interest)	0,85	1,09

Liquidity is high and debt ratios continue to improve as a consequence of a strong net cash generation.



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**End of Presentation**