



ENTEL

Second Quarter 2011 Results

Investor Presentation





PriMeros y úNicos en Latinoa- mérica.

Nueva **BANDA ANCHA MÓVIL**

HASTA
22
MegAs de
velocidad

{ 6 megAs de velo-
cidad promedio }



www.entel.cl

Almacén de datos con el estándar HSPA en banda fija. La velocidad de navegación está sujeta a las condiciones geográficas que permitan ofrecer la prestación de la oferta de Entel y a otros factores como la distancia del hogar al sitio en un sitio en el aire, un sitio remoto, la oferta de transmisión de velocidad de hasta 22 Mbps y los 22 Mbps en el momento del lanzamiento y dependen de la computadora y proveedor. Promoción y límites en Latinoamérica continental a tecnología 3.9G (HSPA). Para más información sobre esta oferta, consulte los detalles de los planes Banda Ancha Móvil en www.entel.cl



Main Events

- ✓ Two bond lines for 10 and 30 years in the amount of 5,000,000 Unidades de Fomento (UF) issuances were filed with the local regulator (SVS). Funds will be used to refinance liabilities, operations and financing investments. Bonds are expected to be issued in the second half 2011 for a maximum amount of 5 million Unidades de Fomento (U.F.). The bonds were rated “AA” by Fitch Ratings and Feller.
- ✓ The Board of Directors accepted the resignation of Mr. Bernardo Matte L., and was replaced by Mr. Andrés Echeverría S.
Mr. Echeverria holds a MBA from UCLA and currently serves on the Board of CMPC S.A (a Chilean Pulp and Paper Company).
- ✓ During the quarter, collective bargaining contracts were signed with the Chile Wireline Engineers Union, setting conditions for the next two years.

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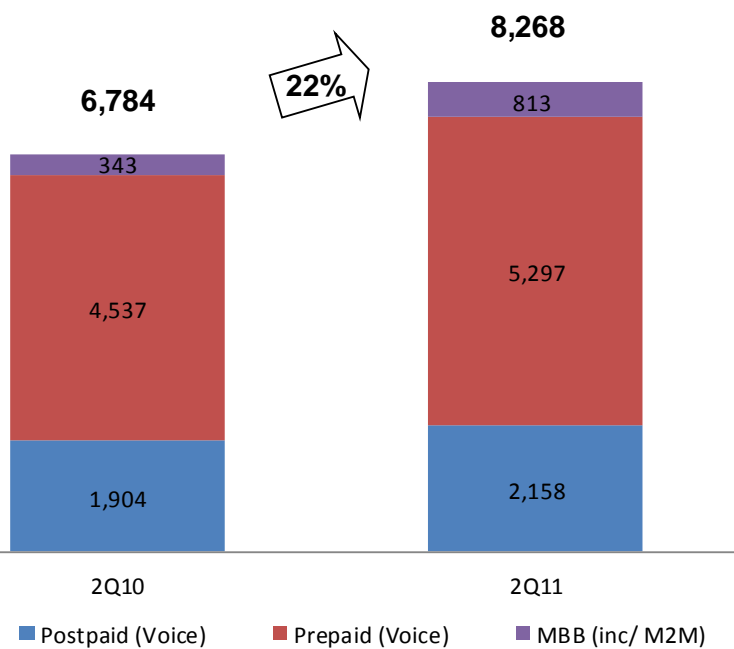
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Mobile Telephony

Entel's Mobile Subscribers (in thousands)



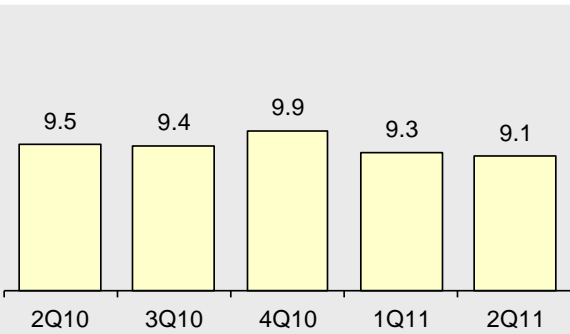
- ✓ Mobile market continued to grow at high rates across all segments. Total postpaid base (including voice and MBB postpaid) represents 32% of total customers.
- ✓ Postpaid (voice) grew 13%, strengthening promotions of voice and innovative services (VAS), using complementary marketing tools to enlarge penetration.
- ✓ Prepaid (voice) rose 17%, driven by strong promotions and increased capillarity in distribution channels. Promoting the use of online access.
- ✓ Mobile broadband soaring, especially in prepaid.

Highlights

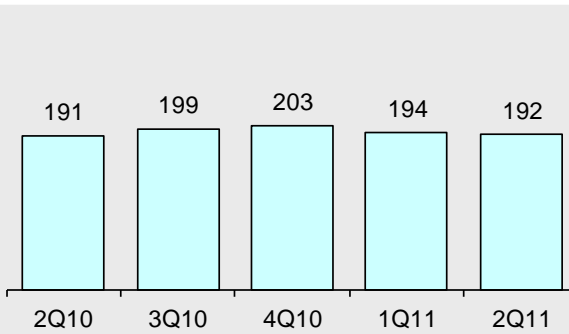
- ✓ MBB is moving to controlled plans in postpaid. In prepaid, enhancing easy data service connection (online access).
- ✓ Being customer loyalty's a key element of the strategy, new loyalty plans were carried out during the quarter; "It All Adds Up" (points based in usage, which can be exchanged for products) and increased benefits in postpaid plans.

Mobile Telephony

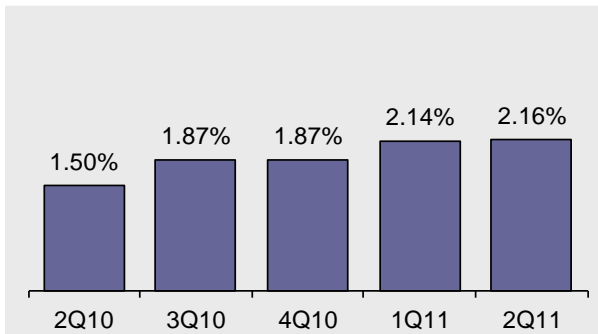
ARPU Average (thousands Ch\$)



MOU Average (minutes/month)



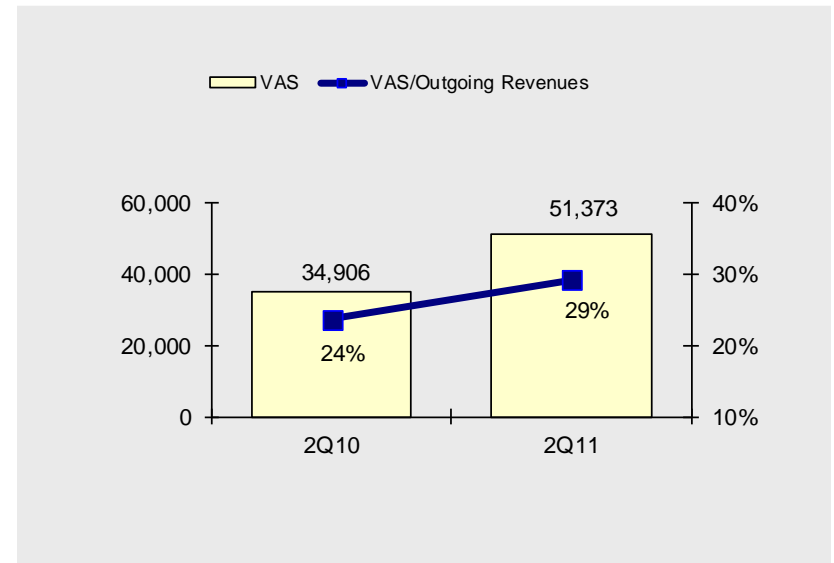
Average Monthly Churn



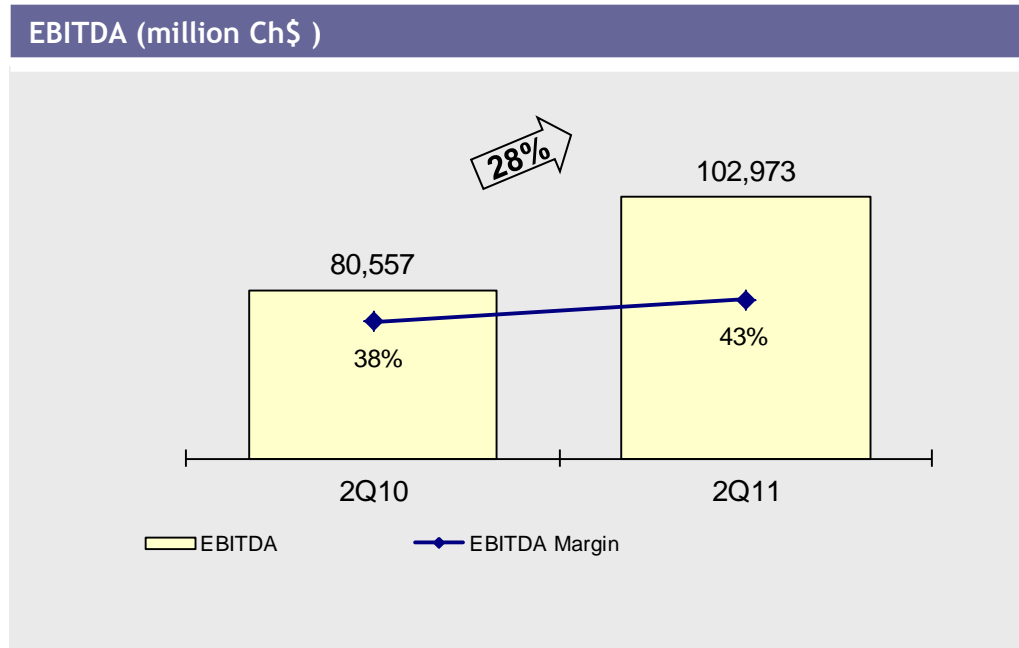
2Q11 vs 2Q10

- ✓ Blended ARPU fell (4%) due to a decline in net average voice tariffs, partially offset by higher innovative VAS usage and BAM.
- ✓ MOU remained stable during the period.
- ✓ Churn rate increased to 2.16% from 1.50% in 2Q10, fostered by the voice prepaid segment, influenced by strong promotions in the market.
- ✓ VAS revenues supported top line growth, increasing 47% due to the expansion of mobile broadband customers (+137%), and high demand of innovative VAS services (especially Internet browsing).

VAS Revenues (million Ch\$)



Mobile Telephony



- ✓ EBITDA rose 28%, due to higher direct service margins (+28%) across all segments, driven by sustained growth of the customer base and an increase in MBB and innovative VAS. Equipment sales margins declined attributable to higher subsidies and growth in the prepaid segment. SG&A expenses increased as a result of sales expenses and bad debt, due to increased activity, while salaries were negatively impacted by restructuring costs.
- ✓ EBITDA margin reached 43%, higher than the 38% reported in 2Q10.

EBITDA: Operating income + Depreciation+ Amortization + Impairment

Chile Wireline

Corporate and SME Segment

Data Services, Local Telephony,
Internet and Long Distance

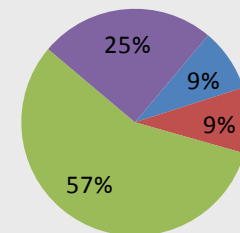
2Q11 vs 2Q10

- ✓ Strong telecom integrated solutions portfolio and O/S IT services, based on the latest technology and powerful infrastructure.
- ✓ Gained a relevant position in the IT market, supported by customer preference and the provisioning of more complex projects.
- ✓ Revenue grew 9%, supported by IT/Data services foster by the start-up of new IT contracts coupled with integrated data solutions over IP. Partially offsetting, were declines in LD due to lower traffic and average tariffs in DLD and ILD.

(*) Includes intercompany revenues.

Corp & SME Revenue Distribution (2Q11) *

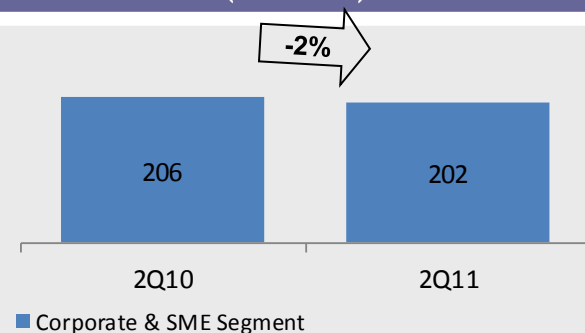
LD & VAS Internet Data/IT LT **



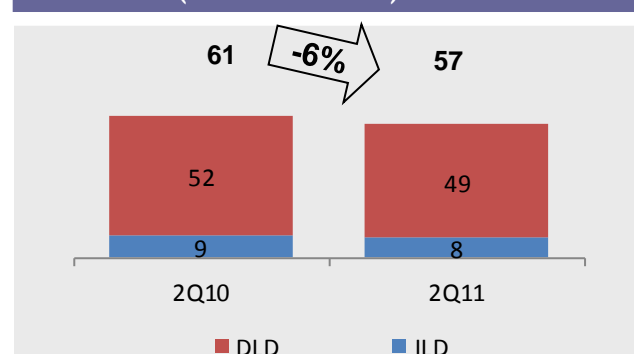
Total Revenues (Ch\$ mill.): 40,669; 9% vs 2Q10

* Includes intercompany revenues ** Includes NGN

Lines in Service (in thous.) of Local Tel.

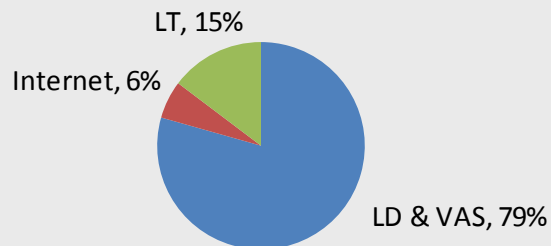


LD Traffic (million of min.)



Residential Segment

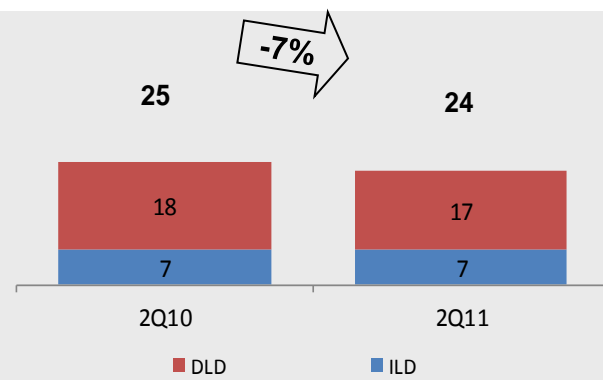
Residential Revenue Distribution (2Q11) *



Total Revenues (Ch\$ millions): 5,716; +11% vs 2Q10

* Includes intercompany revenues

LD Traffic (million of minutes)



- ✓ Revenues grew due to local telephony derived from Transam's operations included since 4Q10. LD revenues remained relatively stable (grew in value added services and decline in LD multicarrier). Finally, in part offsetting was the decline of Internet services due to the customer base reduction.
- ✓ Entel's ILD average market share reached 38%; DLD was 28%.

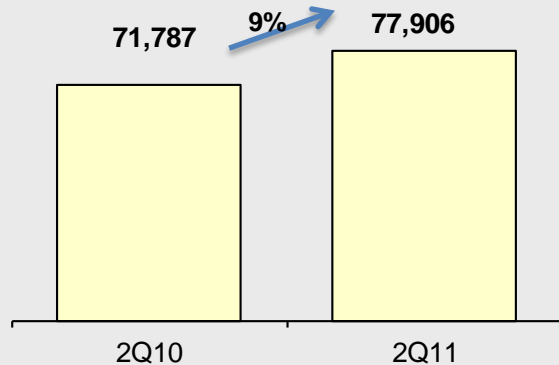
Infrac. Serv. to Other Telecom Comp. and others

Ch\$ (millions)	2Q11	2Q10	% Var.	1Q11	6M11	6M10	% Var
Infraest. Serv. Telcos, Traffic B. and Others	31,333	29,128	8%	30,359	61,692	57,808	7%

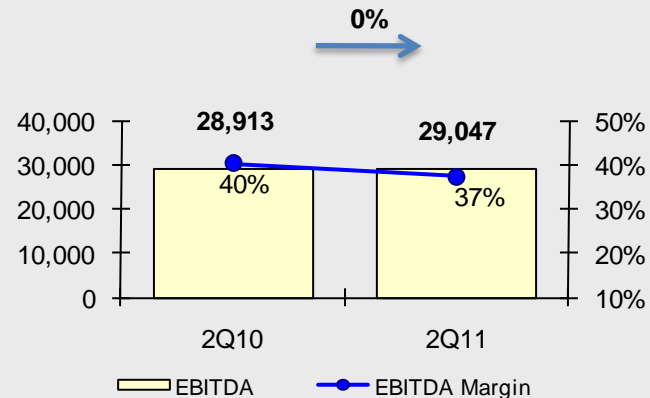
- ✓ Revenues increased 8% due to higher revenue in infrastructure rentals to related parties and other fixed line operators, as well as the low margin traffic business due to traffic expansion.

Chile Wireline

Revenues (Ch\$ million)



EBITDA (Ch\$ million)

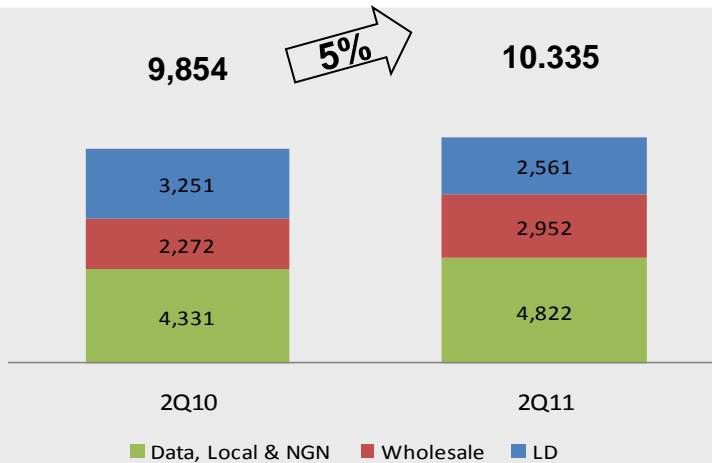


- ✓ Revenues increased across all segments, mostly in corporate and SME and infrastructure rentals.
- ✓ EBITDA remained stable, while the EBITDA margin reached 37%, below the 40% obtained in 2Q10. During 2Q10, non-recurring benefits were reported totalling Ch\$ 3.2 billion.

Americatel Peru

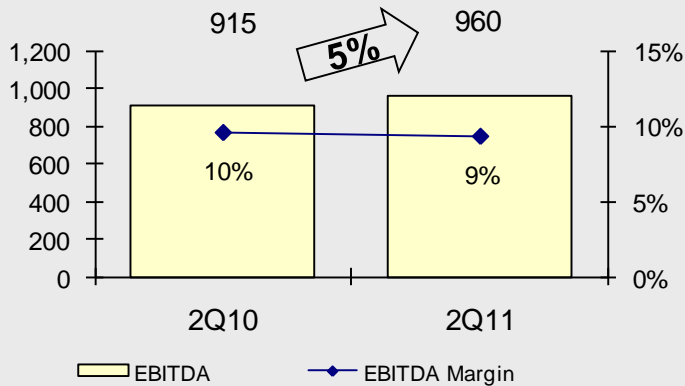
Revenues (US\$ thousands)

Exchange rate: 2.75 SOL/ US\$



- ✓ Revenue increased, supported by wholesale (higher traffic and tariffs) and datacom (larger customer base in the enterprise segment). Partially offsetting these was a decline in LD revenue mainly in DLD, partially compensated by ILD.
- ✓ EBITDA increased mainly as a result of datacom margin expansion, and to a lesser extent the wholesales business.

EBITDA Peru (US\$ thousands)



Financial Results

Second Quarter 2011

- ❑ Consolidated Operating Results
- ❑ Non-Operating Results

- ❑ All figures are expressed in Chilean Pesos and are reported according to International Financial Reporting Standards (IFRS).
- ❑ The exchange rate at June 30, 2011 was Ch\$ 468.15 /US\$1.
- ❑ Average inflation from 2Q11 to 2Q10 was 3.3%.
- ❑ Average inflation from June 2011 to June 2010 was 3.1%

Consolidated Quarterly Results

	2Q11	2Q10	Change %
Net Revenues (CH\$ Million)	301,657	267,213	13%
Cost of operations	235,681	215,828	9%
EBITDA	133,134	110,444	21%
EBITDA Margin	44%	41%	
Operating Income	65,976	51,385	28%
Net Financing Expenses	(5,551)	(1,545)	-259%
Tax	(9,066)	(7,912)	-15%
Net Income	51,359	41,928	22%

- **Revenues** expanded, mostly in the mobile business due to the customer base expansion (+22%), which was supported by high growth in data service increasing 47% (MBB and VAS services). Chile wireline posted solid growth (+9%).
- **EBITDA and EBIT** rose, driven by strong results in the mobile business.
- **Net financing** cost increased as a result of higher losses associated with price level adjustments due to higher inflation in the period, combined with higher losses on mark-to-market accounting for hedging derivatives. This was partially offset by lower net financial expenses resulting from higher interest income from cash balances.
- **Net income** grew, in-line with higher operating income, partially offset by higher net financing expenses.

Consolidated Revenues

	2Q11	2Q10	Change %	Var millions\$
Net Revenues (CH\$ Million)	301,657	267,213	13%	34,444
Mobile services	235,412	206,323	14%	29,089
Data services (includes IT)	23,156	19,849	17%	3,307
Local telephony (includes NGN-IP)	10,696	9,814	9%	882
Long Distance	7,460	8,462	-12%	(1,002)
Internet	4,193	3,786	11%	407
Other telecommunication companies	4,910	4,284	15%	626
Traffic business	6,990	6,679	5%	311
Americatel Perú	4,525	4,934	-8%	(409)
Call Center and other services	2,317	1,716	35%	601
Other Revenues - Non core	1,998	1,366	46%	633

- ❑ Mobile services: increased fostered by strong service revenue (+17%) supported by solid customer expansion (+22%). Monthly voice service increased boosted by higher traffic and VAS revenues (+47%), in-line with mobile broadband growth (+137%). ARPU decreased (-4%) attributable to a decline in net voice tariffs, partially offset by higher data usage. Equipment sales decreased as a result of higher subsidies in an active prepaid market.
- ❑ Data services & IT: increased determined by data center/ IT services, in line with the Company's growing position in this market, combined with higher integrated solutions provided through MPLS/IP platforms in the corporate and SME segment.
- ❑ Local telephony: increased mainly impacted by the incorporation of Transam (acquired in 4Q10).
- ❑ Other telecommunication companies: increased fostered by network rentals to fixed line operators.
- ❑ Call Center and other services: increased attributed to new contracts signed in Chile and Peru.
- ❑ Traffic business: increased mainly driven by higher traffic activity, partially offset by a decline in average tariffs influenced by a reduction in the average exchange rate CH\$/US\$.
- ❑ Other Revenues (Non-core): grew mostly due to net accruals of insurance claims in the mobile business associated with the 2010 earthquake.
- ❑ Long distance: decreased in DLD and ILD tied to lower traffic.
- ❑ Americatel Peru: decreased, affected by the 10% reduction in the exchange rate CH\$/S\$ (Peruvian Soles); excluding this effect revenue grew.

Consolidated Costs and Expenses

	2Q11	2Q10	Change %	Var millions\$
Cost of operations (CH\$ Million)	235,681	215,828	9%	19,853
Access Charges & Payments to corresp.	44,535	39,083	14%	5,452
Salaries & expenses	30,801	27,116	14%	3,685
Bad debt provision	8,193	5,888	39%	2,304
Outsourced, Supplies and Equipment Services	5,486	5,737	-4%	(254)
Advertising, Sales commissions & Sales Expenses	40,127	35,003	15%	5,124
Depreciation & amortization and Imperment	67,158	59,059	14%	8,099
Others	39,382	43,941	-10%	(4,561)

- ❑ Depreciation, amortization and impairment: rose principally due to mobile postpaid handsets, in-line with customer expansion. Chile wireline slightly increased driven by data/IT business and the Transam incorporation.
- ❑ Access Charges & Payments to correspondents: increased due to higher traffic in the mobile business. Chile wireline also posted an increase as a result of the absence of non-recurring benefits accounted for in 2Q10.
- ❑ Advertising cost, sales commissions and expenses: increased connected with prepaid equipment cost growth and sales commissions, in-line with higher sales activity in the mobile business, partially offset by lower advertising costs across all segments.
- ❑ Salaries & expenses: increased mainly in the Chile wireline and mobile business derived from severance payments associated with the integration process, the Transam consolidation and increased activity in IT business and call center. On the other hand, Americatel posted a decrease.
- ❑ Bad debt provisions: increased, mostly in the mobile business due to higher penetration in the market and in distribution channels. Chile wireline also reported an increase.
- ❑ Others: declined, principally in the mobile business related to maintenance and lower VAS content. In addition, outsourcing, supplies and equipment declined mainly in the Chile wireline.

Consolidated Non-Operating Results

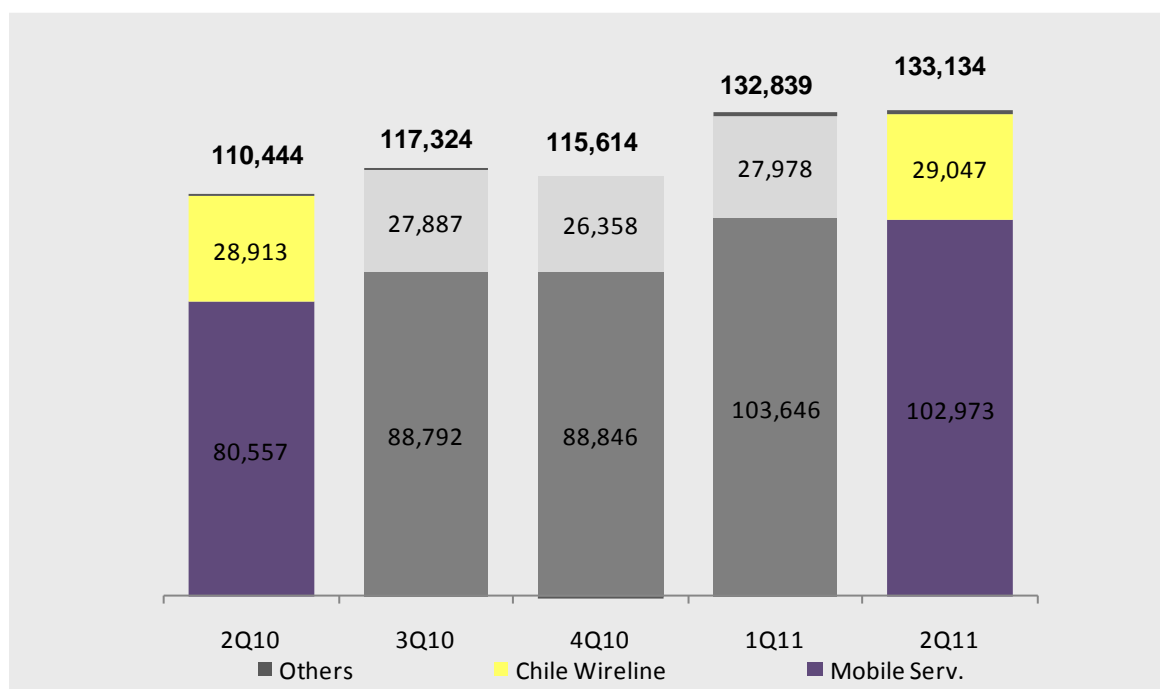
	2Q11	2Q10	Change %	Var millions\$
Financing cost and others (CH\$ Million)	(5,551)	(1,545)	-259%	(4,006)
Interest income	923	238	287%	684
Financial expenses	(2,546)	(2,389)	-7%	(157)
Exchange Fluctuation & Mark to Market Accruals	(3,928)	606	n.a	(4,534)

- Net financing cost and others: increased mainly related to price level adjustments, in-line with higher inflation and higher losses on mark-to-market accounting for F/X hedging derivatives, partially offset by a drop in net financial expenses related to higher interest income from higher outstanding cash balances.

Consolidated Cash Generation*

(Ch\$ million)

Var (%) 2Q11 / 2Q10= 21%



- EBITDA expanded, fueled by the mobile business (+28%).
- EBITDA margin reached 44%, higher when compared to the 41% in 2Q10.

(*) Operating Income + Depreciation + Amortization + Impairment.

Simplified Free Cash Flow

(Ch\$ million)	YTD	YTD
	Jun/11	Jun/10
EBITDA	265,974	213,288
CAPEX	(95,767)	(92,516)
Postpaid Handset Purchases	(50,658)	(42,901)
Net Financial Expenses	(2,883)	(4,298)
Cash Flow	116,666	73,572

- ❑ Net cash flow rose 59%:
 - ❑ EBITDA increased principally in the mobile business (+32%), followed by Chile wireline (+4%). In addition, Americatel Peru and call center services reported increases.
 - ❑ CAPEX increased mainly in the mobile business due to 3G network expansion and in the Chile wireline due to IT business.
 - ❑ Postpaid handset purchases increased, in line with the customer base expansion.
 - ❑ Net financial expenses decreased mainly due to higher interest income from higher cash balances.

Consolidated Debt & Hedging

(Ch\$ millions)

Exchange rate: 468.15 Ch\$/ US\$

	YTD Jun/11	YTD Jun/10
Consolidated Average Gross Debt (Ch\$ MM)	295,519	349,530
Annual Effective Interest Rate	3.00%	2.72%
Final Gross Financial Debt (Ch\$ MM)	293,045	361,749
Final Net Debt (Ch\$ MM)	336,364	366,948

- Fully hedged to F/X exposure.
- 43% of debt is at fixed rates.

Financial Ratio Trends

	6M11	6M10	Dec-10
Current assets/Current liabilities	0.73	1.07	1.01
EBITDA/Financial expenses	53.70	44.55	45.09
Gross Financial debt/EBITDA*	0.59	0.87	0.66
Total liabilities/(equity + min. interest)	1.02	1.04	1.06

* EBITDA last 12 months.

- ❑ Liquidity index declined due to a shift into short-term maturity of the first installment (US\$ 200 million) of the syndicated loan, which is expected to be refinanced in second half 2011.
- ❑ Debt ratios continue to reflect the Company's healthy financial position.

Thank You



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