

**ENTEL**  
ANNUAL REPORT 2008

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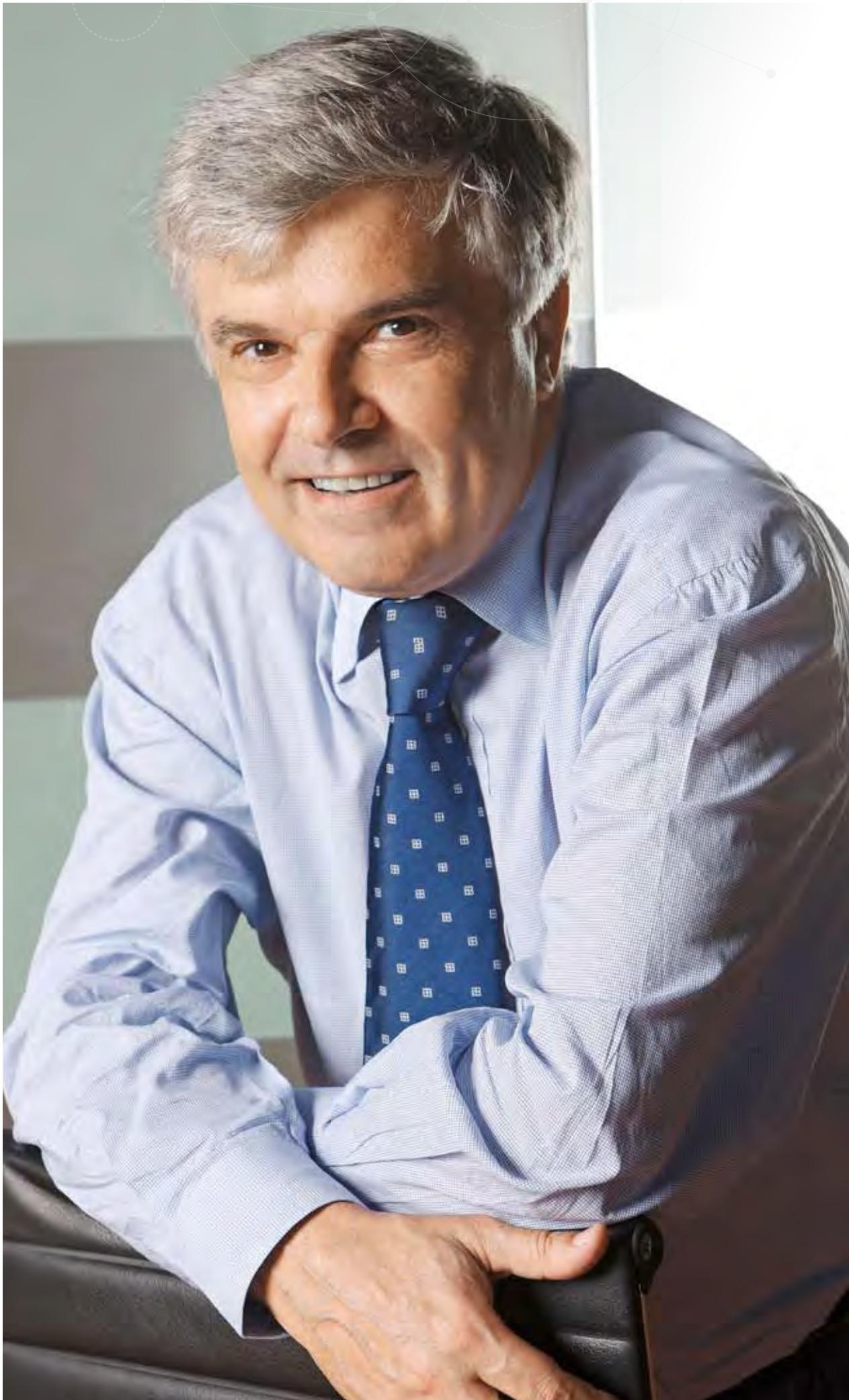
# LEADING WITH EXCELLENCE



Is the establishment of a close and trusting relationship with customers, understanding their technological requirements in order to develop solutions that meet their needs, guaranteeing the commitment of a work force made up of first class professionals.

**ENTEL**





Presidente  
Sr. Juan José Hurtado Vicuña  
Ingeniero Civil, Universidad de Chile

# LETTER FROM THE CHAIRMAN

Dear Shareholders:

It is my pleasure to present our Annual Report and Financial Statements which give a summary of financial and management indicators, as well as the principal activities undertaken by Empresa Nacional de Telecomunicaciones de Chile during 2008.

This has been a very successful year for ENTEL. In a period marked by a difficult macroeconomic environment, the company achieved results which build on the constant growth that it has shown in recent years and maintain our position as the country's largest telecommunications company.

In 2008 the company achieved record financial results, with net income of \$CLP154 billion. Revenues of \$CLP1.067 billion and EBITDA reaching \$CLP423 billion, reflect a healthy increase based on the strength of the Company and the success of its business plans.

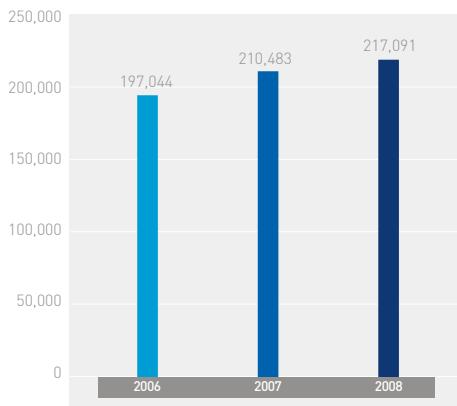


The 6% increase in the mobile customer base is particularly notable which, up to December 2008, had passed 6 million. Even with market penetration for the whole country now at 90%, customers continue to prefer our services. It is worth highlighting the strong growth experienced in the postpaid segment, especially the 3.5G clients, who now number more than 126 thousand, an almost 3-fold increase on the previous year. Similarly, the successful launch of the new plans and the continual improvement in the value added services has led to a substantial increase in the take up of these services, such as the multimedia messaging services, BlackBerry and other innovative services. These business activities and efforts are reflected in a 9% increase in the revenues of ENTEL PCS, which reached \$CLP825 billion, while achieving an EBITDA of \$CLP339 billion, a 6% increase. The strategy to focus on highvalue customers is, without a doubt, showing results.

The successful transformation that has taken place in recent years in the wireline business, which currently places ENTEL as an integral supplier of telecommunications services in the corporate and SME segment, is also yielding good results. After the break in the trend in the financial results achieved in 2007, this year revenue and EBITDA on this side of the business increased by 6% and 13%, respectively. Due to the success of the

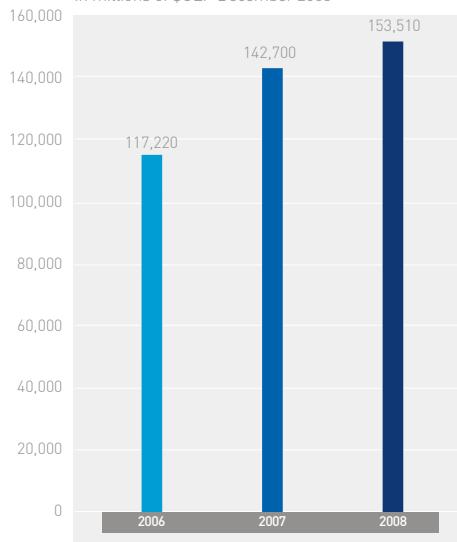
## CONSOLIDATED OPERATIONAL RESULT

In millions of \$CLP December 2008



## FINANCIAL YEAR NET INCOME

In millions of \$CLP December 2008



decision to focus on providing integrated voice, data and internet solutions, such as the provision of IT services, through traditional platforms, such as the latest generation IP and our continual commitment to innovation, we obtained higher revenues and margins in the wireline business.

Within this successful transformation, and in line with the confidence levels in the country together with our strong commitment to widen the scope and provide high quality services, in December 2008 ENTEL acquired for close to \$CLP15,200 million, Cientec Computación S.A., a very prestigious company and leading service provider of operational continuity and other information technology services. This operation strengthens our strategy in the information technology (IT) area with a focus on the management of infrastructure and operational continuity, which when integrated to telecommunication services, enables us to provide a differentiated offer to our customers. We are proud to add Cientec and its staff to our IT operations and thereby place ourselves among the three biggest players in the market for outsourcing, datacenter and operational continuity services in Chile.

These results have been achieved by being consistent with our strategic decision to innovate and be leaders in all the markets in which we operate, as well as through a continual desire to improve the value we offer our

customers. In line with this strategy, in 2008 the company continued with its aggressive investment plan, which reached the total amount of US\$352 million in infrastructure to support the increase in the capacity of the mobile network, wider coverage of the 3.5G mobile broadband, while at the same time permitting the growth in trunk lines and access for businesses to fixed lines. Additionally US\$ 131 million were allocated to the purchase of postpaid terminals for the mobile customer base, while US\$8 million was invested by ENTEL Call Center and Americatel Perú subsidiaries. It is important to highlight that this investment plan was carried out as a response to the growing demand for ENTEL's services.

Among the most outstanding milestones of the year was the signing of a strategic Alliance with Vodafone, leading company in the world wide mobile business, which granted ENTEL access to the biggest mobile community in the world, with 770 million clients, while retaining the proximity and advantages of a local operator. Due to this alliance both companies will be able to share best practices and business experience, while at the same time giving ENTEL access to innovative services and better roaming coverage and quality. Another highlight was the expansion of the mobile 3.5G broad band network to the largest cities in Chile, thus giving its customers access to the latest and most inno-

vative telecommunications services such as video calls, television and digital radio.

- Another important achievement was the acquisition of call centre assets in Peru in June 2008, with the purpose of complementing the existing ENTEL call centres, provided to give a high quality service as much to our external customers as to our own ENTEL PCS operations and ENTEL's wireline business.

I would also like to highlight the excellent performance of our finances, of particular relevance in the current climate in which we have seen turbulence in the capital and credit markets. The company's financial ratios are very solid and this has allowed us to carry out our business plan as intended.

I would not wish to pass up this opportunity to share with you some of the awards and prizes we have won during the year, which more than a reward for our work, confirm our commitment to our shareholders, customers and all those who have worked with us:

- Mobile Customer Satisfaction Award for ENTEL PCS. For the sixth consecutive year the company received recognition as the best mobile company for the quality of its customer service.
- Top 100 "Biggest Value Creation, Utilities and Telecommunications Sector" Award, 1st Prize to ENTEL.

Joint Action prize ("Accion Paritaria") was awarded to the ENTEL PCS Central Staff Consultative Committee by the Chilean Association for Safety in relation to the Annual Prize for Hygiene and Safety. In addition, ENTEL PCS became the first mobile telephony company in Chile to gain certification in ISO 9001 for the deployment of new base stations.

All of these achievements would not have been possible without our staff, who have shown outstanding personal and professional qualities, who receive training on a permanent basis to meet their objectives and work as a team towards common goals.

Within the policy framework of permanent sustainability, the ENTEL Group shows its concern for the economic, social and environmental spheres through individual programmes channelled in conjunction with business initiatives appropriate for telecommunication activities. It is in this context that we present together with this Annual Report, our Sustainability Report, which shows how we are in tune with the needs of the community and in line with the Government's focus for all Chileans to be connected. Finally, I would like to take this opportunity to thank our shareholders for the trust that have placed in the Board and the management of the company, which enables us to continue to face a future full of

opportunities and challenges, in which we offer our customers all our endeavour and commitment.



Chairman

Mr. Juan José Hurtado Vicuña  
Civil Engineer, Universidad de Chile

# COMPANY IDENTIFICATION

## BASIC IDENTIFICATION

**Name:**

Empresa Nacional de Telecomunicaciones S.A. (ENTEL Chile)

**Address:**

Santiago, Chile

**Tax ID Number:**

92.580.000-7

**Type of Entity:**

Publicly Traded Company, governed by Law no. 18,046 and its regulations.

Registered in the Securities Register of the Superintendence of Securities and Insurance, under no. 0162

## BUSINESS ADDRESSES

**Postal address:**

Casilla 4254-Santiago

**Telephone:**

(56-2) 360 0123

**Fax**

(56-2) 3603424

**General Management**

Avenida Andrés Bello 2687, 14 Floor,  
Las Condes, Santiago.

**Administration and Finance Management**

Avenida Andrés Bello 2687, 14th Floor,  
Las Condes, Santiago.

**Investor Relations**

Carmen Luz De La Cerdá Castro  
Investor Relation Officer  
cdelacerda@entel.cl

**Filing Office**

Avenida Andrés Bello 2687, 9th Floor,  
Las Condes, Santiago.

ENTEL

## MAIN ARTICLES OF INCORPORATION

Entel Chile S.A. was incorporated as a publicly traded company by public deed notarized before the Santiago Notary Public Jaime Garcia Palazuelos, dated 31 August 1964. The company and its articles of incorporation were legally incorporated and approved by Supreme Decree no. 5487, issued by the Ministry of Finance (Treasury), dated 30 December 1964.

The relevant abstract was registered on page 381 under no. 191 and the aforementioned decree on page 384, no. 192, in the Santiago Trade Register, dated 18 January 1965, and it was published in the Official Gazette on 20 January of that year. The Company was declared legally established by Supreme Decree no. 1088 of the Ministry of Finance, dated 4 April 1966. The company bylaws have been subsequently amended on several occasions in order to comply with the 1980 Decree Law no. 3,500, the number and nationality of directors, existence or not of alternate directors, capital increases and extension of the company's line of business.

## OWNERSHIP OF THE COMPANY

As at 31 December 2008, the total number of shareholders of Empresa Nacional de Telecomunicaciones S.A. is 2,290 shareholders, who have subscribed and paid in all of the 236,523,695 shares, issued and paid on that date, into which the company's capital is divided.

Name Trader Name	Shares as at 31/12/08	% Share
INVERSIONES ALTEL LTDA.	129,530,284	54.7642%
AFP PROVIDA S.A.	16,276,434	6.8815%
AFP CAPITAL S.A	14,241,729	6.0213%
AFP HÁBITAT S.A.	14,183,643	5.9967%
BANCO DE CHILE POR CUENTA DE TERCEROS CA	13,538,116	5.7238%
AFP CUPRUM S.A.	11,339,066	4.7941%
INDUSTRIA NACIONAL DE ALIMENTOS S.A.	6,860,033	2.9004%
BANCO ITAÚ POR CUENTA DE INVERSIONISTAS.	3,217,139	1.3602%
BANCHILE CORREDORES DE BOLSA S.A.	2,802,405	1.1848%
AFP PLANVITAL S.A.	1,895,097	0.8012%
LARRAINVIAL S.A. CORREDORA DE BOLSA	1,801,641	0.7617%
CELFIN CAPITAL S.A. CORREDORES DE BOLSA	1,721,267	0.7277%
MINORITY SHAREHOLDERS	19,116,841	8.0824%
<b>TOTAL SUBSCRIBED</b>	<b>236,523,695</b>	<b>100.0000%</b>

In compliance with the General Standard no. 30, we report that the only controlling partner of the company is INVERSIONES ALTEL LTDA., ID N°: 76.242.520-3 which holds 129,530,284 shares representing 54.7642% of Entel. Furthermore, Inversiones Altel Ltda. is constituted by Alemendral Telecomunicaciones S.A., ID N°: 99.586.130-5, which holds 99.9% and Almendral S.A., ID N°: 94,270,000-8, which holds 0.01%.

Additionally, and in order to comply with the provisions set out in the General Standard N° 30 of the Securities and Insurance Superintendence, we report that the individuals and legal entities who form part of the controlling group, directly or indirectly, are as follows:

Shareholder	ID no.	% Share (1)
<b>Matte Group</b>		
Forestal Cañada S.A.	96.969.110-8	4.15%
Inversiones El Raulí S.A.	96.895.660-4	5.20%
Inversiones Nilo S.A. (*)	96.878.530-3	6.84%
Bice Vida Compañía de Seguros	96.656.410-5	1.58%
Inmobiliaria Nagué S.A.	96.645.000-6	2.64%
Minera Valparaíso S.A.	90.412.000-6	2.08%
Cominco S.A.	81.358.600-2	1.14%
Viecal S.A.	81.280.300-K	0.49%
Forestal y Pesquera Copahue S.A.	79.770.520-9	3.35%
Forestal Cominco S.A.	79.621.850-9	0.58%
Inversiones Coillanca Limitada.	77.320.330-K	0.37%
Inmobiliaria Teatinos S.A.	96.791.310-3	1.18%
Inmobiliaria Canique S.A.	96.800.810-2	1.58%
Inversiones Orinoco S.A.	96.878.540-0	0.79%
Patricia Matte Larraín	4.333.299-6	0.04%
Eliodoro Matte Larraín (*)	4.436.502-2	0.03%
Bernardo Matte Larraín (*)	6.598.728-7	0.03%
<b>% Total</b>		<b>32.07%</b>
<b>Fernández León Group</b>		
Inversiones Los Andes Dos Limitada	77.677.870-2	2.31%
Inversiones Teval S.A.	77.302.620-3	9.53%
<b>% Total</b>		<b>11.84%</b>
<b>Hurtado Vicuña Group</b>		
Inversiones Huillard S.A.	96.950.580-0	10.64%
<b>% Total</b>		<b>10.64%</b>

### Consorcio Group

Cía. de Seguros de Vida Consorcio

Nacional de Seguros S.A. (\*)

Consorcio Financiero S.A. (\*)

**% Total**

99.012.000-5	3.00%
79.619.200-3	6.61%
<b>9.61%</b>	

### Izquierdo Menéndez Group

Los Peumos S.A.

96.927.570-8

1.96%

Inmobiliaria Santoña Ltda.

79.937.930-9

0.76%

Inmobiliaria Escorial Ltda.

85.127.400-6

2.57%

Inversiones El Manzano Ltda.

79.942.850-4

0.59%

Andacollo de Inversiones Ltda.

79.933.390-2

0.51%

Santo Domingo de Inversiones S.A.

96.928.240-2

0.11%

Andrómeda Inversiones Ltda.

79.937.090-8

0.73%

Santa Rosario de Inversiones Ltda.

78.136.230-1

0.44%

Inversiones La Estancia Ltda.

77.740.800-3

0.23%

Inversiones Los Ciervos Ltda.

77.174.230-0

0.04%

Inmobiliaria Estoril II S.A.

96.962.800-7

0.00%

Comercial Marchigüe S.A. (\*)

79.934.710-5

0.24%

Los Boldos

96.932.040-1

0.02%

María Teresa Valdés Covarrubias

4.431.346-4

0.02%

Vicente Izquierdo Taboada

17.456.060-9

0.00%

**% Total**

**8.21%**

### Grupo Gianoli

Green S.A.

96.949.800-6

2.74%

Las Bardenas Chile S.A.

96.949.780-8

2.74%

**% Total**

**5,48%**

### TOTAL CONTROLLING SHAREHOLDERS

**77.85%**

(1) Percentage calculated based on subscribed and paid in shares.

(\*) The shares used to calculate the percentages were those held by shareholders in safe-keeping with stock brokers

Note: Information based on the Company's Shareholder Register on 31 December 2008.

The natural persons who form part of the Controlling Group are the following:

#### Matte Group

Patricia Matte Larraín, ID no: 4.333.299-6, Eliodoro Matte Larraín, ID no: 4.436.502-2, and Bernardo Matte Larraín, ID no: 6.598.728-7, control directly and indirectly, in equal amounts, the companies through which the Matte Group acts as member of the controlling group Almendral S.A.

- **b) Inversiones Teval S.A.**, whose controlling group is made up of the following :

-Grupo Fernández León, made up of Eduardo Fernández León, ID: 3.931.817-2, Valeria Mac Auliffe Granello, ID: 4.222.315-8, Eduardo Fernández Mac Auliffe, ID: 7.010.379-6 and Tomás Fernández Mac Auliffe, ID: 7.010.380-K with 4.735%, 3.615%, 20.78% and 20.87% direct and indirect share in capital stock respectively.

-Grupo Garcés Silva, made up of José Antonio Garcés Silva, ID no: 3.984.154-1, María Teresa Silva Silva, ID no: 3.717.514-5, María Paz Garcés Silva, ID no: 7.032.689-2, María Teresa Garcés Silva, ID no: 7.032.690-6, José Antonio Garcés Silva, ID no: 8.745.864-4, Matías Alberto Garcés Silva, ID no: 10.825.983-3 and Andrés Sergio Garcés Silva, ID no: 10.828.517-6, with 9.35%, 2.09%, 5.60%, 5.60%, 5.60%, 5.60% and 5.60% of indirect share in capital stock respectively.

#### Fernández León Group

**a) Inversiones Los Andes Dos Ltda.**, whose controlling group is made up of the following: Eduardo Fernández León, ID no: 3.931.817-2, Valeria Mac Auliffe Granello, ID no: 4.222.315-8, Eduardo Fernández Mac Auliffe, ID no: 7.010.379-6 and Tomás Fernández Mac Auliffe, ID no: 7.010.380-K with 37.97%, 25.24%, 18.38% and 18.41% direct and indirect share in capital stock respectively.

## Hurtado Vicuña Group

a) **Inversiones Huildad S.A.**, whose controlling group is José Ignacio Hurtado Vicuña, ID N°: 4.556.173-9, María Mercedes Hurtado Vicuña, ID N°: 4.332.503-5, María Victoria Hurtado Vicuña, ID N°: 4.332.502-7, Juan José Hurtado Vicuña, ID N°: 5.715.251-6, José Nicolás Hurtado Vicuña, ID N°: 4.773.781-8 and Pedro José Hurtado Vicuña, ID N°: 6.375.828-0 with a 16.66% (1/6) direct share in capital stock each.

## Consorcio Group

a) **Consorcio Financiero S.A.**, whose controlling group is: -P&S S.A., with a 47.7% share in capital stock. Additionally, P&S S.A. is controlled, in equal parts and with a direct and indirect share of 81.8% of the capital stock, by José Ignacio Hurtado Vicuña, ID N°: 4.556.173-9, María Mercedes Hurtado Vicuña, ID N°: 4.332.503-5, María Victoria Hurtado Vicuña, ID N°: 4.332.502-7, Juan José Hurtado Vicuña, ID N°: 5.715.251-6, José Nicolás Hurtado Vicuña, ID N°: 4.773.781-8 and Pedro José Hurtado Vicuña, ID N°: 6.375.828-0.

-Banvida S.A., with a 47.7% share of capital stock. Further, Inversiones Teval S.A. is the controller of Banvida S.A. with an 80.2486% share of capital stock.

b) **Compañía de Seguros de vida Consorcio Nacional de Seguros S.A.**, whose controlling group is the same as for Consorcio Financiero S.A., the company through which they hold 99.7984% of the former's capital stock.

## Grupo Izquierdo

a) **Los Peumos S.A.**, whose controlling group is Santiago Izquierdo Menéndez, ID N°: 5.742.959-3 and Bárbara Larraín Riesco ID N°: 6.448.657-8 with a 94.55% and 5.45% direct and indirect share of the capital stock respectively.

b) **Inmobiliaria Santoña Ltda.**, whose controlling group is Vicente Izquierdo Menéndez, ID N°: 5.741.891-5 and María Virginia Taboada Bittner, ID N°: 6.834.545-6 with a 94.5% and 5.5% direct share of capital stock respectively.

c) **Inmobiliaria Escorial Ltda.**, whose controlling group is Fernando Izquierdo Menéndez, ID N°: 3.567.488-8 and Ida Ester Etchebarne Jaime, ID N°: 5.418.932-K with a 59.764% and 39.246% of capital stock, respectively.

d) **Inversiones El Manzano Ltda.**, whose controlling group is Diego Izquierdo Menéndez, ID N°: 3.932.428-8 and María Isabel Reyes, ID N°: 5.748.650-3 with a 96.38% and 3.62% of capital stock respectively.

e) **Andacollo de Inversiones Ltda.**, whose controlling group is Gonzalo Izquierdo Menéndez, ID N°: 3.567.484-5 and Luz María Irarrázaval Videla, ID N°: 5.310.548-3 with a 99.99% and 0.01% direct share of capital stock respectively.

f) **Andrómeda Inversiones Ltda.**, whose controlling group is Roberto Izquierdo Menéndez, ID N°: 3.932.425-3, María Teresa Valdés, ID no: 4.431.346-4, Roberto Izquierdo Valdés, ID N°: 9.099.538-3, Rodrigo Izquierdo Valdés, ID no: 9.099.540-5, Eduardo Izquierdo Valdés ID N°: 9.099.537-5, José Manuel Izquierdo Valdés, ID N°: 9.968.191-8, María Teresa Izquierdo Valdés, ID N°: 9.099.215-5, María Josefina Izquierdo Valdés, ID N°: 9.099.218-K, with an 88.28%; 0.50%; 1.87%; 1.87%; 1.87%; 1.87% and 1.87% of capital stock, respectively.

g) **Santa Rosario de Inversiones Ltda.**, whose controlling group is Rosario Izquierdo Menéndez, ID N°: 5.548.438-4 and Santiago Izquierdo Menéndez ID N°: 5.742.959-3 with a 99.77% and 0.23% direct share in capital stock respectively.

h) **Inversiones La Estancia Ltda.**, is controlled by Carmen Izquierdo Menéndez, ID N°: 5.548.409-0 with 99.99% of capital stock.

i) **Inversiones Los Ciervos Ltda.**, controlled by Diego Izquierdo Menéndez, ID N°: 3.932.428-8 with 99% and doña María Isabel Reyes, ID N°: 5.748.650-3 with 1% of capital stock.

j) **Inmobiliaria Estoril II S.A.**, owned 100% by Inmobiliaria Estoril S.A. and whose controlling group is the Izquierdo Menéndez family the following members of which have equal share: Matías Izquierdo Menéndez, ID N°: 3.674.298-7, Vicente Izquierdo Menéndez, ID N°: 5.741.891-5, Santiago Izquierdo Menéndez, ID N°: 5.742.959-3, Roberto Izquierdo Menéndez, ID N°: 3.932.425-3, Gonzalo Izquierdo Menéndez, ID N°: 3.567.484-5, Fernando Izquierdo Menéndez, ID N°: 3.567.488-8, Diego Izquierdo Menéndez, ID N°: 3.932.428-8, Rosario Izquierdo Menéndez, ID N°: 5.548.438-4, Gracia Izquierdo Menéndez, ID N°: 5.742.317-K, Alejandra Izquierdo Menéndez, ID N°: 5.020.827-3, Carmen Izquierdo Menéndez, ID no: 5.548.409-0.

k) **Comercial Marchigüe S.A.**, whose controlling group is Fernando Izquierdo Menéndez, ID N°: 3.567.488-8 and Ida Ester Etchebarne Jaime, ID N°: 5.418.932-K with 89.9955% and 10.0045% of capital stock respectively.

l) **Los Boldos S.A.**, controlled by Rosario Izquierdo Menéndez, ID N°: 5.548.438-4 and Santiago Izquierdo Menéndez ID N°: 5.742.959-3 with 99.77% and 0.23% direct and indirect share of capital stock respectively.

m) **Santo Domingo de Inversiones S.A.**, whose controlling group is the Izquierdo Menéndez family with 100% of capital stock; with shares held equally by each Matías Izquierdo Menéndez, ID N°: 3.674.298-7, Vicente Izquierdo Menéndez, ID N°: 5.741.891-5, Santiago Izquierdo Menéndez, ID N°: 5.742.959-3, Roberto Izquierdo Menéndez, ID N°: 3.932.425-3, Gonzalo Izquierdo Menéndez, ID N°: 3.567.484-5, Fernando Izquierdo Menéndez, ID N°: 3.567.488-8, Diego Izquierdo Menéndez, ID N°: 3.932.428-8, Rosario Izquierdo Menéndez, ID N°: 5.548.438-4, Gracia Iz-

quierdo Menéndez, ID no: 5.742.317-K, Alejandra Izquierdo Menéndez, ID no: 5.020.827-3, Carmen Izquierdo Menéndez, ID no: 5.548.409-0.

#### Gianoli Group

a) Green S.A., owned by Elina Patricia Gianoli Gainza, ID no: 2.942.054-8 with 100% of the capital stock.

b) **Las Bardenas Chile S.A.**, owned by Sergio Pedro Gianoli Gainza, ID No. (Uruguay) 1.088.599-5 with 100% of capital stock.

#### MANAGEMENT OF THE COMPANY

The management of the Company corresponds to a Board of Directors made up of nine members who may or may not be shareholders. Membership of the board is for a period of two years and members may be re-elected indefinitely.

The board appoints the Chief Executive, who is granted all the powers and responsibilities as befitting the chief officer of a commercial organization plus any others legally conferred by the Board

#### THE BOARD OF DIRECTORS

At the Ordinary Shareholders Meeting on 24 April 2007, the following were appointed as members of the board for the financial years 2007-2009:

:

Juan Hurtado Vicuña  
Juan Bilbao Hormaeche  
Bernardo Matte Larraín  
Luis Felipe Gazitúa Achondo  
Juan José Mac Auliffe Granello  
Juan Claro González  
Rodrigo Vergara Montes  
Alejandro Jadresic Marinovic  
José Luis Daza Narbona

#### DIRECTORS COMMITTEE

As provided in Law no. 19,705, which replaced Law no. 18,045, Article 50 thereof sets forth the obligation of publicly traded companies to appoint a Directors' Committee when such companies have an equity capital equal or greater than the equivalent of 1,500,000 Unidades de Fomento (UF – indexed unit of account).

Membership of the aforementioned Committee was made up of Messrs Luis Felipe Gazitúa Achondo, chairman, Rodrigo Vergara Montes and Alejandro Jadresic Marinovic.

In 2008, the Directors Committee was not required for the approval of operational contracts relating to Altel Ltda, the holding company of ENTEL S.A, nor with any other major shareholder.

Within the other general functions performed by the Directors Committee, of particular note are the review of the balance sheet and financial statements, the external auditors report, the proposals made by the external auditors and risk rating agencies, the review of related operations and the review of the remunerations policy and compensation plans for managers and top executives.

In 2008, the Directors Committee did not incur any expenses.

## BOARD OF DIRECTORS



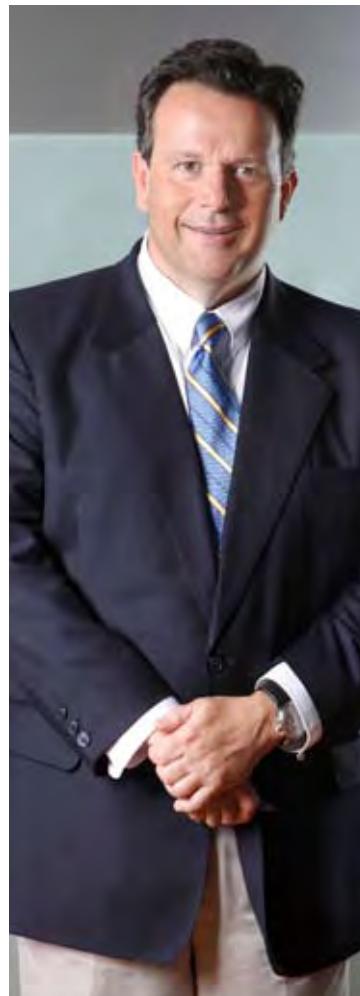
### Chairman

**Juan José Hurtado Vicuña**  
Civil Engineer, Universidad de Chile, ID.: 5.715.251-6



### Deputy Chairman

**Luis Felipe Gazitúa Achondo**  
Business Administration, Universidad de Chile, ID.: 6.069.087-1



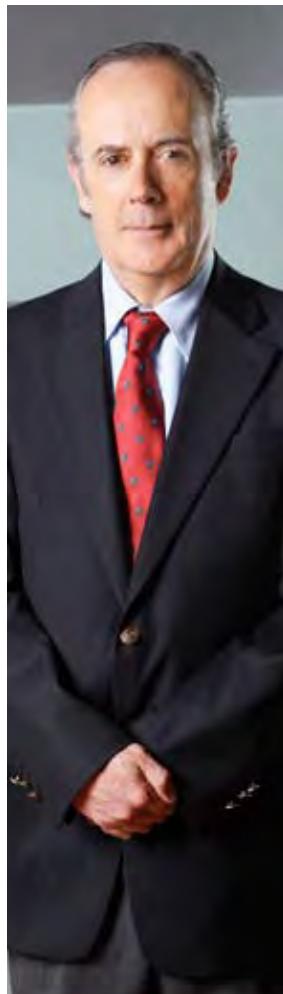
### Director

**Juan Bilbao Hormaeche**  
Business Administration, Universidad Católica, Chile. MBA, University of Chicago, ID.: 6.348.511-K



### Director

**Bernardo Matte Larraín**  
Business Administration, Universidad de Chile, ID 6.598.728-7

**Director**

Juan José Mac-Auliffe Granello  
Business Administration,  
Universidad Católica, Chile,  
ID 5.543.624-K

**Director**

Juan José Claro González  
Studies in Civil Engineering  
and Masters in Theory of  
Physics, Universidad Católica,  
Chile, ID.: 5.663.828-8

**Director**

Rodrigo Vergara Montes  
Business Administration, Uni-  
versidad Católica, Chile. Doc-  
tor in Economics, University  
of Harvard, ID.: 7.980.977-2

**Director**

Alejandro Jadresic Marinovic  
Industrial Engineer Uni-  
versidad de Chile. Doctor  
(PH.D.) in Economics,  
University of Harvard, ID.:  
7.746.199-K

**Director**

José Luis Daza Narbona  
M.A. and Ph.D. in Economics,  
University of Georgetown,  
ID.: 8.452.391-7

# EXECUTIVE TEAM



## MR. RICHARD BÜCHI BUC

ID:6.149.585-1

Civil Engineer, Universidad de Chile. MBA Wharton School of Business, University of Pennsylvania.

## CHIEF EXECUTIVE OFFICER

### WIRELINE DIVISION

#### MR. ANTONIO BÜCHI BUC

ID. 9.989.661-2

Civil Engineer, Universidad Católica, Chile. Masters in Economics, The University of Chicago.  
**General Manager Wireline Business**

#### MR. JULIÁN SAN MARTÍN ARJONA

ID. 7.005.576-7

Computing Engineer, Universidad de Chile. Industrial Engineer, Universidad de las Américas.  
**Vice President Corporate Market ENTEL S.A.**

#### MR. ALFREDO PAROT DONOSO

ID. 7.003.573-1

Civil Engineer, Universidad Católica, Chile. Chief Executive Entelphone S.A.  
**Commercial Vice President I ENTEL S.A.**

#### MR. ÁLVARO GALLEGO BRESLER

ID. 9.167.521-8

Industrial Engineer, Universidad Católica, Chile. MBA Universidad Adolfo Ibáñez.  
**Supply and Administration Manager ENTEL S.A.**

#### MR. VÍCTOR HUGO MUÑOZ ÁLVAREZ

ID. 7.479.024-0

Electric Engineer, Universidad Federico Santa María.  
**Operations Manager ENTEL S.A.**

#### MR. PATRICIO OLIVARES DE LA BARRA

ID. 9.578.390-2

Electric Engineer, Universidad Católica de Valparaíso.  
**Network Manager ENTEL S.A.**

#### MR. HERNÁN SAAVEDRA WALKER

ID. 7.736.518-4

Industrial Engineer, Universidad Católica, Chile. Post Graduate studies Universidad Católica , Chile, ESAN.  
**Systems Manager ENTEL S.A.**

#### MR. ÁLVARO GARCÍA LEIVA

ID. 6.920.404-K

Bachelor in Business Administration, Universidad Católica, Chile.  
**General Manager ENTEL Call Center**

#### MR. SEBASTIÁN DOMÍNGUEZ PHILIPPI

ID. 10.864.289-0

Civil Engineer, Universidad Católica,Chile. Master of Philosophy in Economics, University of Cambridge.  
**Planning and Development Manager, ENTEL S.A.**

#### MR. RICARDO CORTÉS BALLERINO

ID. 9.291.738-K

Civil Engineer, Universidad de Santiago de Chile.  
MBA Universidad Adolfo Ibáñez  
**Manager BPO**

### MOBILE PHONE DIVISION

#### MR. HERNÁN MARIÓ LORES

ID. 7.019.964-5

Bachelors in Business Administration Universidad de Santiago, Chile  
**General Manager,Mobile Phone Division, ENTEL PCS**

#### MR. JOSÉ LUIS POCH PIRETTA

ID. 7.010.335-4

Bachelors in Business Administration, Universidad Católica, Chile.  
**Marketing and Development Manager ENTEL PCS**

#### MR. JUAN BARAQUI ANANIA

ID. 7.629.477-1

Bachelor in Business Administration, Universidad de Santiago de Chile.  
**Finance and Administration Manager ENTEL PCS**

#### MR. LUIS URIBE LARA

ID 9.794.318-4

Electrical Engineer, Universidad de Chile. Post Graduate studies in Business Administration CDEP-INSEAT.

**Technical Operations Manager ENTEL PCS**

#### MR. MARIO NÚÑEZ POPPER

ID. 8.165.795-5

Civil Engineer, Universidad Católica,Chile.

**Sales Manager ENTEL PCS**

#### MR. ENZO LEPORI MONROY

ID. 8.128.080-0

Civil Engineer, Universidad Federico Santa María.

**Customer Service Manager ENTEL PCS**

#### MR. CRISTIÁN SEPÚLVEDA TORMO

ID 8.821.213-4

Lawyer, Universidad de Chile. Master of Arts in International Commercial Law, University of California

**Legal Manager**

#### MS. CATALINA GARCÍA NAVARRETE

C.I. 8.513.441-8

Bachelor in Business Administration

Universidad de Santiago de Chile.

**Human Resources Manager ENTEL PCS**

### AMERICATEL PERÚ

#### MR. EDUARDO BOBENRIETH GIGLIO

ID 5.801.691-8

Civil Engineer, Universidad de Chile. Executive MBA London Business School.

**General Manager Americatel Perú S.A.**

### EJECUTIVOS CORPORATIVOS

#### MR. FELIPE URETA PRIETO

ID 7.052.775-8

Bachelors in Business Administration, Universidad Católica, Chile.

**Corporate Finance Manager**

#### MR. CRISTIÁN MATORANA MIQUEL

ID 6.061.194-7

Lawyer, Universidad de Chile.

**General Consul**

#### MR. RAFAEL LE-BERT MONTALDO

ID. 6.245.545-4

Civil Engineer, Universidad de Chile.

**Corporate Human Resources Manager**

#### MS. MARLEN VELÁSQUEZ ALMONACID

ID. 10.258.794-4

Graduate in History, Universidad Católica, Chile. Masters in Marketing and Management, Escuela Superior de Estudios de Marketing, Madrid, España

**Corporate Public Relations**

#### MR. LUIS CERÓN PUELMA

ID 6.271.430-1

Audit Accountant, Universidad Católica de Valparaíso.

**Corporate Controller**

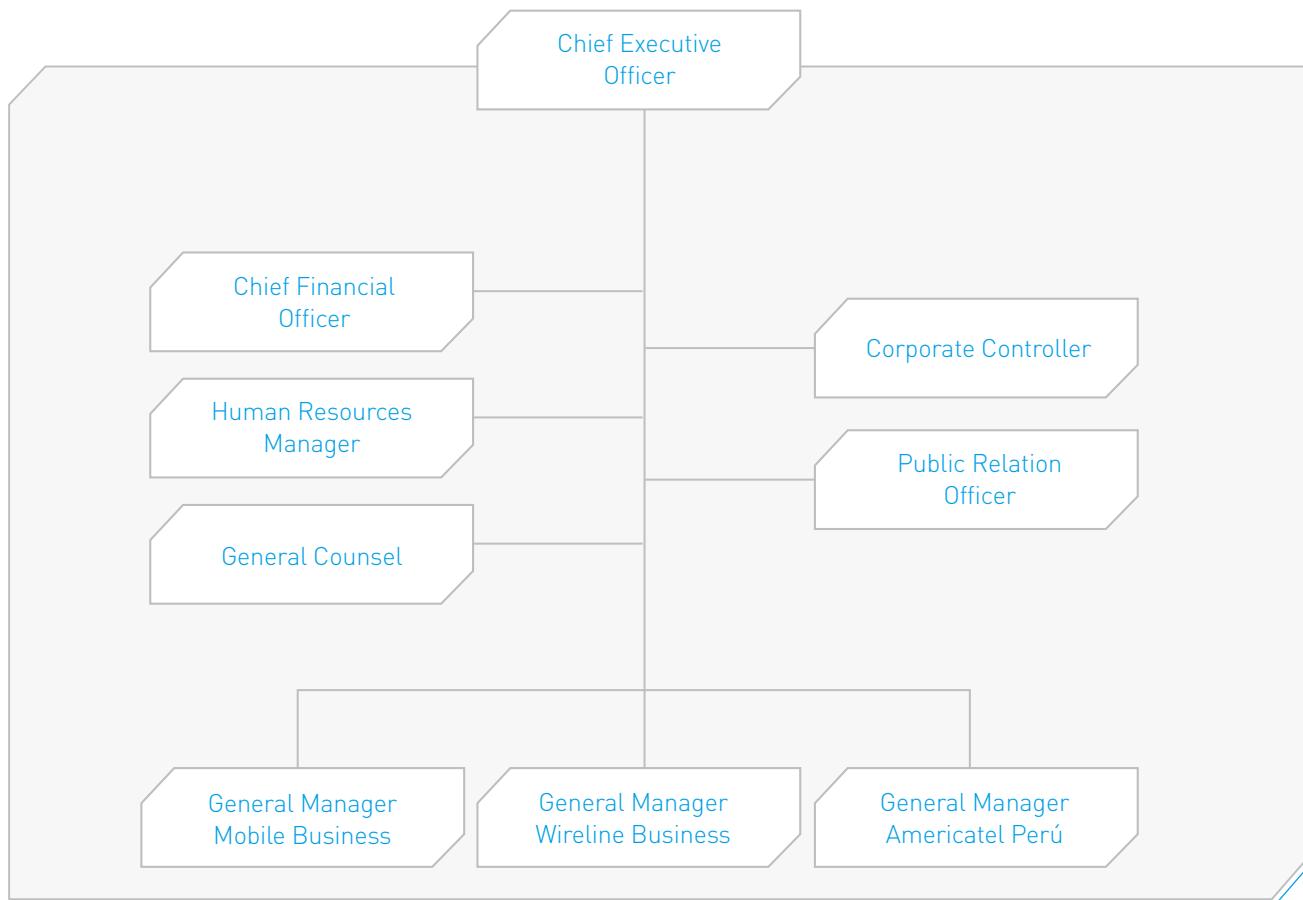
#### MR. RODRIGO SOLAR REINMANN

ID 10.380.367-5

Bachelor in Business Administration Universidad Adolfo Ibáñez

**Corporate Marketing Officer**

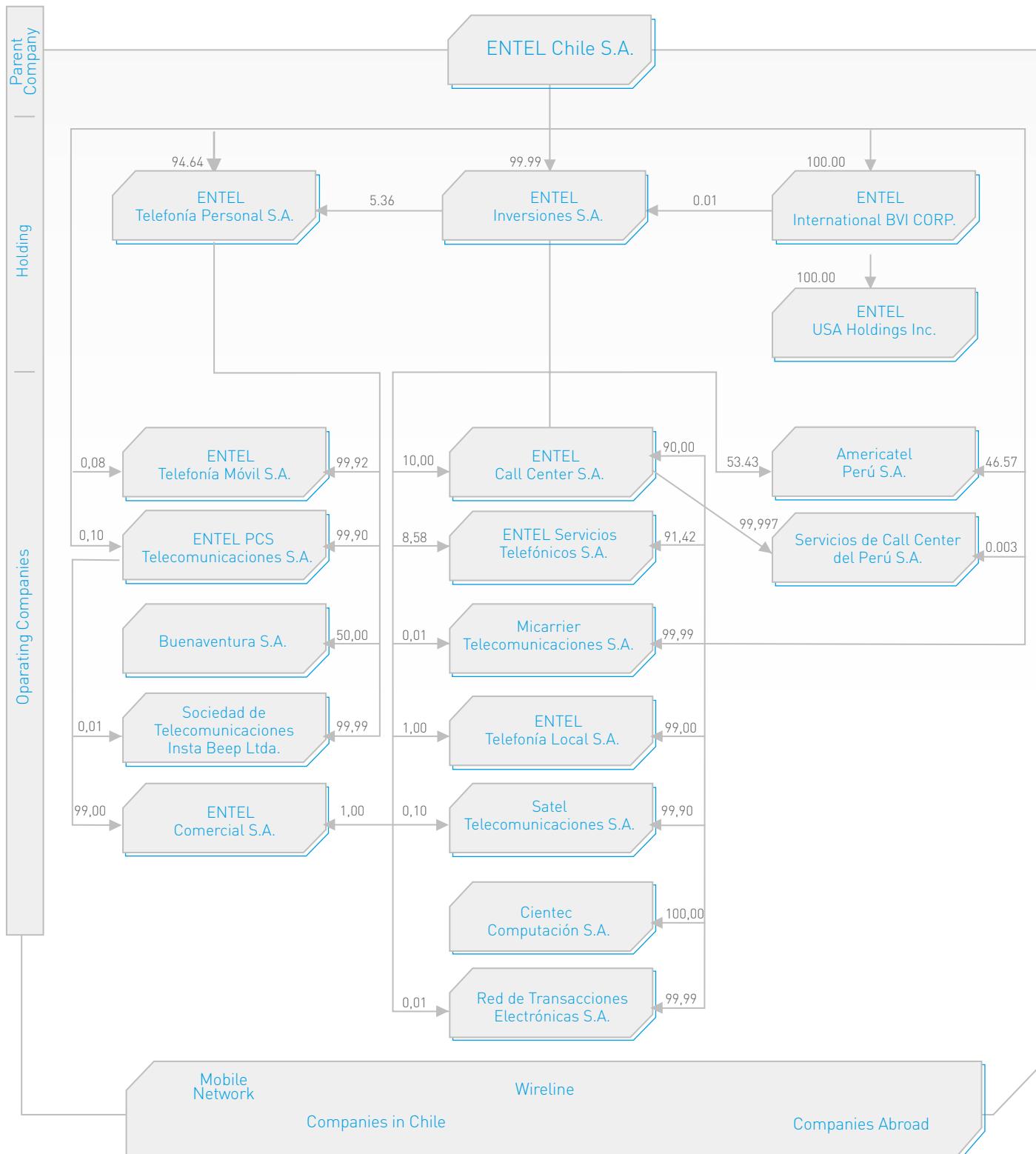
## ORGANIZATION CHART ENTEL



## STAFF

	ENTEL S.A. (Parent Company)	Mobile	Other Subsidiaries	Total
Executives	47	42	15	104
Professional and Technical Staff	1.225	943	323	2.491
Staff	629	987	1.377	2.993
<b>Total Employees</b>	<b>1.901</b>	<b>1.972</b>	<b>1.715</b>	<b>5.588</b>

# ENTEL GROUP STRUCTURE



## COMPANY HISTORY

### Origins

The origin of ENTEL dates back to 1964, when an earthquake badly damaged the intercity communications network. The government of the day saw the fundamental need to connect the nation through a company that would improve the quality of the telecommunications. This is how ENTEL came to install microwave networks in almost all the national territory and, in 1968, set up the first satellite station in Longovilo (100 km to the south east of Santiago).

### Ownership

The privatization of ENTEL began in 1986 and was completed in 1992. A year later, the Chilquinta Group joined the company and acquired 19.99% ownership. It was in 1996 when the General Meeting of ENTEL Shareholders authorized a capital increase that allowed the entry of Telecom Italia, a company that through a shareholders' agreement shared control with the Chilquinta Group, upon acquiring a further 19.99%.

In the first half of 1999, the Quiñenco Group took up part of the ownership of ENTEL after an increase in capital of \$CLP215 million USD.

In March 2001, Telecom Italia bought up the shares Chilquinta and the Matte Group and took ownership of the company with 54.76% of shares. This was the situation until March 2005, when it sold all its shares to Almendral S.A., controlled by the Matte, Fernández León, Hurtado Vicuña, Izquierdo Gianoli Groups.

Since its privatization ENTEL's shares have continually had a major presence in the Chilean stock market.

At the close of 2008, Pension Funds repre-

sented 24.49% of the company's shares. In addition, the company's shares have been acquired by international funds and by a large number of shareholders.

### ENTEL Parent Company Business

To begin with, ENTEL provided long distance national and international telephone services and to companies in Chile telegraph services. In 1987 ENTEL digitalised the network to meet the needs of companies nationally so consolidating its position as leaders in technology.

Since 1990, ENTEL has developed an extensive fibre optics network which today stretches from Arica to Puerto Montt. Similarly, in 1993, it brought to Chile the Frame Relay networks, to serve the growing demands for interconnecting data networks between companies. In 1994, with the introduction of the multicarrier system, there began a period of intense competition in the Chilean long distance telecommunications market. ENTEL met with considerable success, when it invested in its image and its positioning of the dialing code 123, and the implementation of the most modern network in Chile.

At the end of 1995, ENTEL began providing Internet connection services and, in 1997, it introduced the first commercial network at regional level in Latin America using ATM technology, which has evolved to the current IP Multiserver Network, so to offer broad band solutions, guarantee service quality and value added services to its customers.

At the Extraordinary Shareholders Meeting of 12 May 2005, ENTEL widened its focus by incorporating all Information Technology related services. Since then, ENTEL has increased its activity in this

side of the business through the integration of its services to provide complete solutions for its corporate clients. In December 2008, with the aim of strengthening its Information Technology arm, ENTEL acquired 100% of Cientec Computación S.A., so placing itself as one of the three biggest players in the operational continuity outsourcing market in Chile.

Today, ENTEL is a consolidated supplier of complete integrated telecommunications services for the corporate segment, delivering tailor-made solutions for each of them, and for the SME segment through packages solutions that provide value added services of high quality.

### Subsidiary Businesses

In 1996, ENTEL Phone, a subsidiary of ENTEL Telefonía Local, began to operate commercially, after winning the tender to deliver local telephony services in the Metropolitan Region. Currently, it operates with fibre optic and copper networks and IP switches, which enable it to offer voice and data services in the enterprise segment in most of the Metropolitan Region, in every city in Chile as well as on Easter Island.

In 2001 the bidding process for Wireless Local Loop (WLL) licenses in 3.500 MHz broadband took place for fixed line telephone services. In the same year, ENTEL Phone was awarded two licenses with a total capacity of 100 MHz, which provide nationwide access to Internet Broadband and local telephone services (ENTEL Will).

In August 1996, ENTEL took control of Telecom Celular S.A., a company providing analogue cell phones with coverage in certain regions of Chile and which today corresponds to ENTEL Telefonía Personal. In 1997 ENTEL was awarded two PCS



Torre ENTEL.

licenses with a total capacity of 60 MHz, which in effect meant a national network for mobile phones. At the end of that year, ENTEL PCS Telecommunicaciones and ENTEL Telefonía Móvil began to provide mobile services and by December 2008 had more than 6 million customers which enabled it to gain 40% of market share of active clients and billing of CLP\$825 billion. At the end of 2008 ENTEL PCS had 1,786,993 post-paid customers, with a 20% growth including Mobile Broad Band users who number more than 126 thousands,, and which almost tripled in 2008. The prepaid active base grew by 2%, and now totals 4,214,217.

In 1999, the cel phone license in the 850MHz bandwidth of the old Telecom Celular was sold to Bellsout, so enabling ENTEL to concentrate on its two PCS licenses. One important landmark for the growth of the industry during the last few years was the roll out of the "Calling Party Pays" system. At the end of 2000, ENTEL bought from its partner Motorola 25% of the shares of ENTEL Telefonía Personal, so reaching 100% ownership.

To meet the increasing demands of business to improve their customer service and outsource the provision of these services, in June 2000 the ENTEL Call Center was created. In June 2008, with the aim of complementing the service offer, as much to third parties as to business within the ENTEL group, the company acquired assets in Peru and founded the subsidiary Servicios de Call Center del Perú S.A. Both companies posses the most advanced technology and the combined capacity for 2,300 agents positions.places of work. In 2001, ENTEL created the Americatel Perú subsidiary to provide long distance and traffic transmission services. In 2002,

the subsidiary successfully launched multicarrier services, capturing a large segment of the long-distance market, internationally and domestically. In 2004, it also began to offer data transmission and local telephony services for the corporate sector segment in Lima.

#### Regulation

Telecommunications services in Chile are subject to the General Telecommunications Law Act (Act N°18,168), and its supporting standards. This establishes as a general principal the open market, by the awarding of contracts through pre established regulations and objectives, without restrictions in terms of quantity, type of service or geographical location.

The public and intermediary services that require a radio-electronic spectrum, and which for technical reasons are restricted to a limited number of providers, are subject to a public bidding process as indicated in the related technical regulations. In each case, the criteria for awarding the licenses are basically related to the time frame and how widespread the coverage of the provided service will be.

The interconnection of the public and intermediary telecommunications services is obligatory and the rates charged to the public are set by the service provider, except where the Anti-Trust Courts dictate otherwise, in situations in which the market conditions cannot guarantee free price setting. The Anti Trust Courts have historically subjected the setting of prices only to the dominant telephone companies in determined geographical areas.

The Law also establishes a multicarrier system in cases of national and international long distance communications using

the fixed line network and international communications using the mobile network. The rates for the services of interconnection or access, supplied by all the public fixed line and mobile services, are, by Ministerial decree alone, subject to fixed rates.

The Department for Telecommunications is the authority that establishes the technical regulations, oversees and promotes the growth of the sector and awards, through public bidding processes, the contracts to use the radio-electronic spectrum, when the quantity of frequencies is limited. As regards of related tariff decrees, the responsibility falls jointly to the Minister Economics, Development and Reconstruction, the Minister for Transport and Telecommunications. It falls to the Anti Trust Committee to ensure competitiveness in the sector, determine instances of monopolies, which require the setting of rates as indicated by law, rule on mergers within the sector, warn or punish conduct of an anti-competitive nature.

With regard to the long distance regulatory framework, operators need a license to provide long distance national and international telecommunications services and operate the means of access to the end client. Long distance operators must pay access charges to local service providers for use of their network.

In 2008, the Departament of Telecommunications undertook a review of the settings of access charges and other services provided by mobile companies.

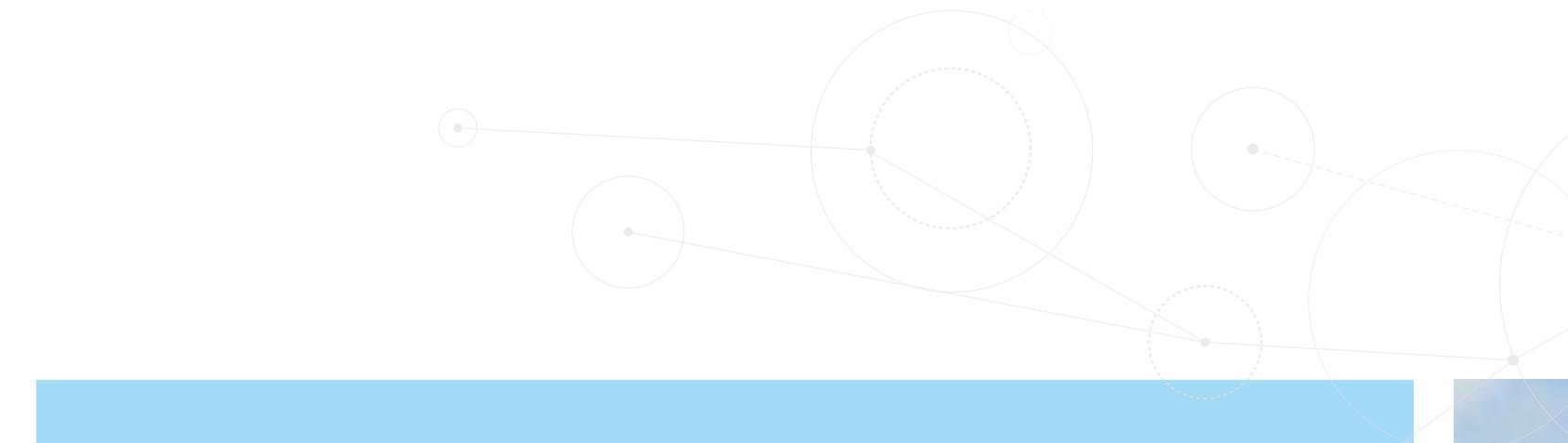
This concluded with the establishment of the respective decrees in January 2009 which are binding for the next five years. The new access charge for the five year period 2009 -2013 involves an on average

reduction of 45% compared to that of the 2004 – 2008 period.

On the other hand, in 2005 and at the beginning of 2006, the decreed rates for CTC, Telsur, Telcoy, ENTEL Phone and CMET were published. These will be in force for five years and determine the interconnection rate and the public user rates for those services in the dominant geographical areas as specified by Resolution No. 686, 20 May 2003, issued by the Honourable Resolution Commission, now the Anti Trust Committee. In the case of ENTEL Phone, it was only assigned as the dominant company for Easter Island, notwithstanding the setting of rates for access charges and other services provided to carriers and other licensed telephone companies as expressed by law.

In January 2009 the anti Trust Committee Courts issued a new resolution with reference to the market for local public telephone service. The finding established the deregulation of fixed charges, Local Measured Service (LMS), telephone connection and public telephones. At the same time, it stops the dominant company from offering packages that include wire lines and mobile services, promotes the disintegration of networks and number portability.

Further, in January 2009, the Supreme Court, defined the conditions for the bidding process for radio electric spectrum in the 1700 MHz bandwidth for advanced digital services. (voice and mobile broadband access).

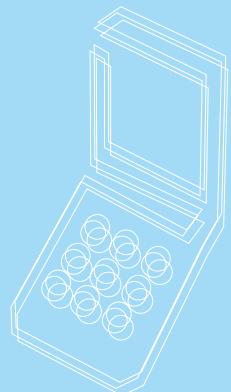


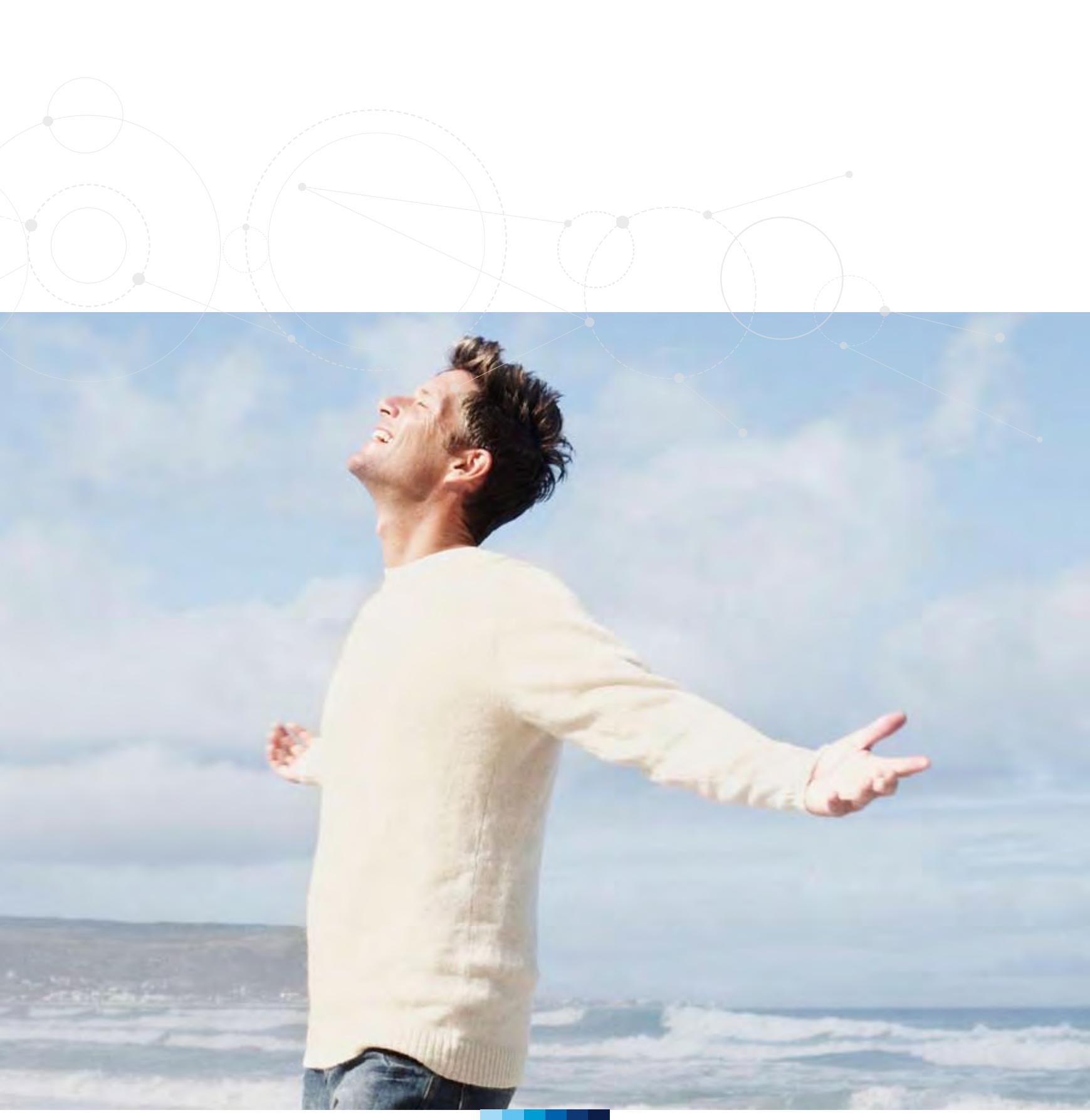
# MOBILE BUSINESS

## Leading with excellence

Is always being at the vanguard of technology, continually developing innovative service that add value, with a clear customer focused strategy.

**ENTEL**







## BUSINESS DESCRIPTION

ENTEL Telefonía Personal S.A., developed, through its subsidiaries ENTEL PCS Telecommunicaciones S.A. and ENTEL Teléfono Móvil S.A., provides the ENTEL Group's mobile business with a distinguished seal of permanent leadership in high end technology and financial performance.

In 2008 ENTEL PCS consolidated its strong position in the industry, with a customer base of 6,001,210 and revenues of \$CLP825 billion, a success achieved through the continual efforts to satisfy our end users, providing them with a wide range of innovative value-added services while increasing its highly reliable network.

One of the services experiencing the biggest growth in 2008 was Mobile Broad Band (MBB), thanks to the introduction of new plans, including an unlimited navigation model segmented by the speed of the connection and the introduction of the prepaid method of payment. The mobile internet service also underwent an important change, incorporating a new charging structure directed to charging by session.

In voice services, there was high volume migration from prepaid to post-paid. These were generally towards plans with cost limits, and in prepaid there was an increase in flat fee plans, supporting the proposal to "Talk with confidence". Within enterprises the focus was principally on customer loyalty and the shoring up of our customer base through value added services.

The company has two national licenses, each of 30 MHz in the 1900 MHz bandwidth, and it uses these to operate a 2G GSM/GPRS/EDGE network that covers a large part of the country's population. On top of this network, and within the same spec-

trum, since December 2006 ENTEL PCS has operated under the name of 3.5G, the first commercial Third Generation network in Latin America. This network is continually evolving and no longer solely depends on HSDPA (High Speed Downlink Packet Access) but also on HSUPA (High Speed Uplink Packet Access), with coverage to all urban areas in Chile.

The expansion of the network, GSM 2G as much as 3.5G, is an essential part of the company's investment, given that they share the same central infrastructure or Core. The 2G network supports the basic voice services, VAS (value added services) and data, delivering an average Internet connection speed of 100 Kbps. The 3.5G network, besides voice services, text messaging and video calls, delivers theoretical maximum speeds of 7.2 Mbps, with an average speed of between 400 kbps and 700 Kbps; this enables MBB services or Internet access on mobile handsets which lead to better value added services.

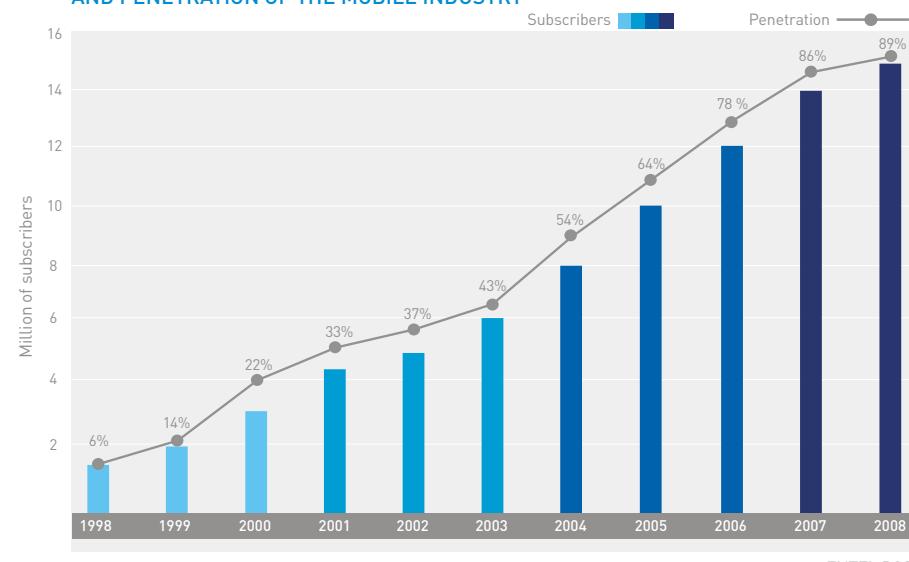
In 2008 we formed an alliance with Vodafone, the biggest mobile phone company in the world. This brings commercial benefits to incorporate new terminals, special agreements for global roaming, as well as enjoying access to new advanced knowledge, information in technical matters and commercial practices, and the new research and development that this operator carries out in its markets around the world.

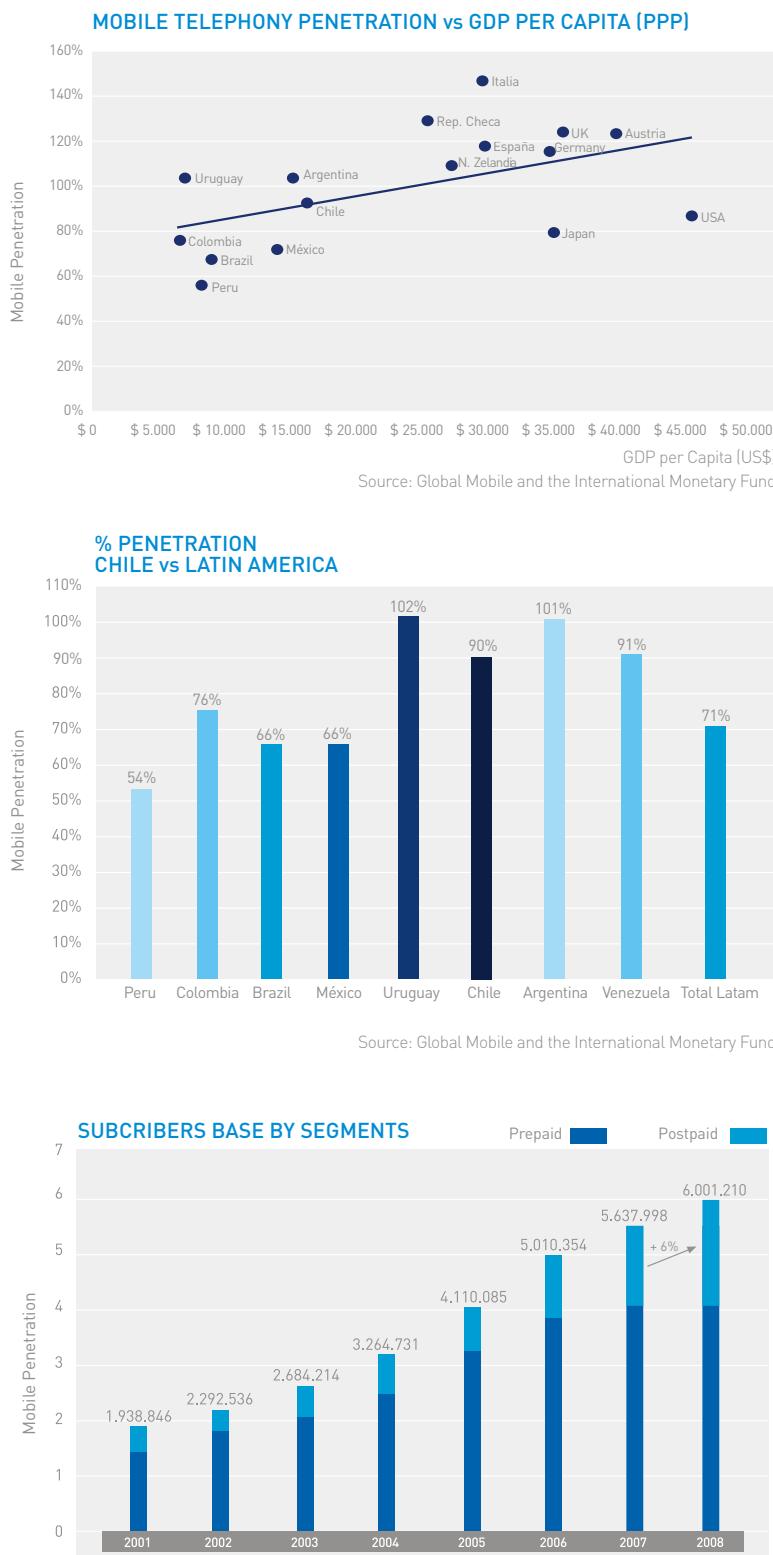
### ENTEL PCS IN THE MOBILE MARKET

In 2008 the mobile phone became of age as it celebrated 18 years in Chile, during which time it has developed into the main player in the telecommunications industry and had one of the biggest roles in the Chilean economy's growth and progress.

In 2008 the scenario of 3 mass market operators and one niche market operator remained unchanged, as it has done since 2006, in which ENTEL PCS is the only national player in direct competition with Claro, Movistar and Nextel, all of whom are owned

**GROWTH IN THE NUMBER OF SUBSCRIBERS AND PENETRATION OF THE MOBILE INDUSTRY**





This period has seen sustained growth in the number of subscribers in the industry, reaching approximately 15 million, with a market penetration of around 90% as at the end of 2008. In comparison with other countries such as the United States (86%), Mexico (66%), Spain (113%), Japan (80%) and Germany (116%), this figures as one of the highest, way above the Latin American average which stands at 71%.

The projected penetration rate of mobile telephony among Chileans will reach 100% in the next two years. As has happened in the European countries with these indices, the voice market is expected to become more competitive and present lower levels of growth. This is why ENTEL PCS has focused on new growth fronts and is leading the MBB and value added services, which year on year are becoming increasingly relevant.

ENTEL PCS's commercial results in 2008 continue their positive trend, both in the number of clients and in revenue, enabling it to consolidate its brand positioning, with billing of \$CLP825 billion and a baseline growth in subscribers of 6% in comparison with the previous year, the highlight of which was the growth in the key client segment (postpaid) with an increase of 20%.

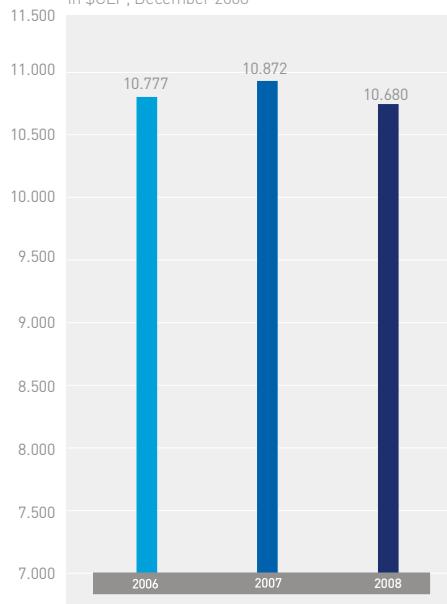
In 2008 ENTEL PCS had a client base of 6,001,210, of which 1,786,993 are subscribers and 4,214,217 belong to prepaid segment, which gives postpaid 30% of the total.



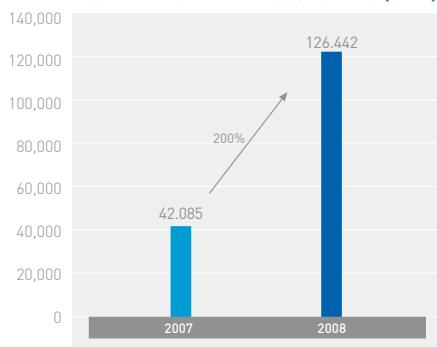
The growth in the subscribers mentioned above is accompanied by high levels of Average Revenue per User for the industry in Chile. ENTEL PCS has achieved these levels thanks to the strong growth in the high consumption postpaid customer base, the generation of commercial strategies aimed at increasing the use of the service and the continual innovation and development of new Value Added Services.

### AVERAGE REVENUE PER USER (ARPU)

In \$CLP, December 2008



### MOBILE BROAD BAND CUSTOMERS (MBB)

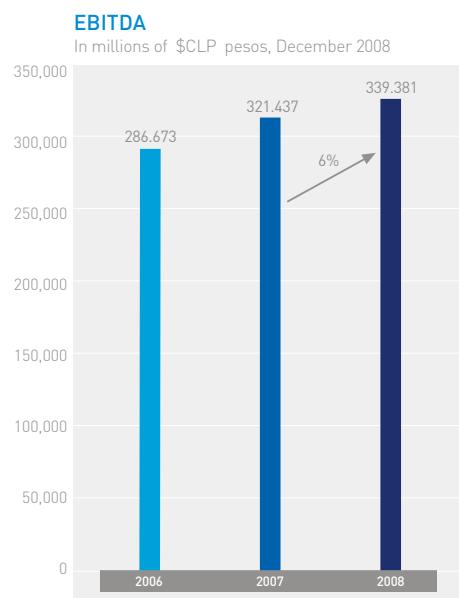
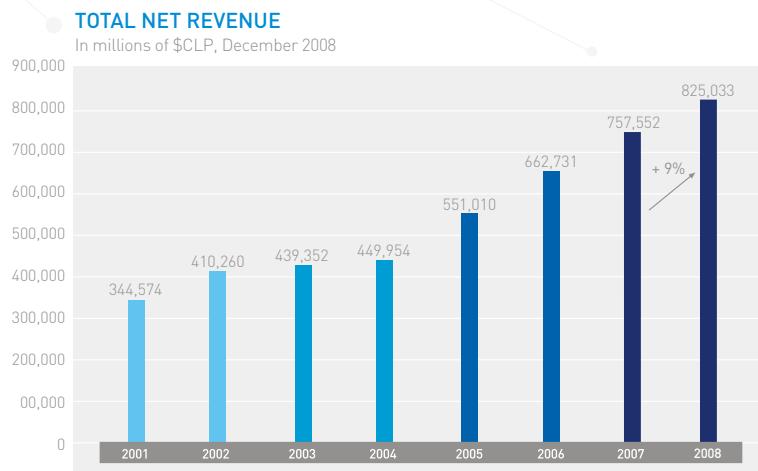


## FINANCIAL RESULTS

The high growth in the number of postpaid customers, together with the high Average Income per Customer, has enabled ENTEL PCS to generate total revenues of \$CLP825,033 million in 2008, which represents a 9% increase compared to 2007 and an average growth of 13% from 2001 to 2008.

Continual innovation in the development of services to satisfy the diverse needs of voice communication and customer data has enabled ENTEL PCS to achieve big revenue growth in the Value Added Services, with a 32% increase over 2007. In 2008 this revenue represented 15% of the total incoming revenue of ENTEL PCS, and is becoming ever more important to the company results.

Similarly, EBITDA in 2008 was \$CLP339,381 million, equivalent to 6% growth on 2007. This result represents 41% of total revenue, giving evidence of the high levels of operational efficiency.





### INNOVATION AND MARKET DEVELOPMENT

#### Positive Evolution of Data Transmission

In 2008, data transmission positioned itself as one of the principal services for mobile operators, and for ENTEL PCS in the amount of traffic in its network.

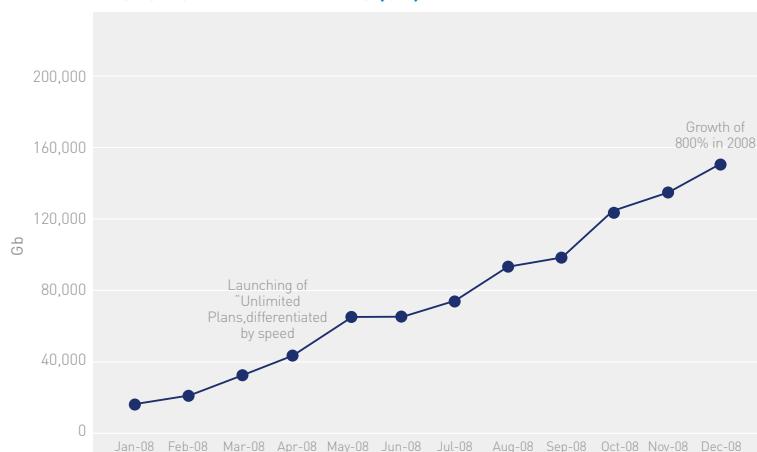
#### Mobile Broadband Highlights (MBB)

Among the most important highlights in 2008, it should be mentioned that ENTEL PCS was the first operator to launch unlimited MBB plans segmented by speed of connection, offers of 200 kbps, 400 kbps and 700 kbps, respectively. This left its mark on the industry in terms of the setting of conditions and prices, and further implied the removal of barriers to using the MBB services, giving access to a bigger number of users. ENTEL PCS achieved this goal in April, followed by the rest of the competition one month later in May.

In March 2008, ENTEL PCS was the first world wide operator to launch the USB Modem Sony Ericsson MD300. Finally, in December of the same year it launched the offer of MBB in prepaid..

The above mentioned innovation, added to the mobility of the service, enabled the company to reach segments of the populations that, until then, had not had access to the internet. According to the figures from SUBTEL, MBB represents 60% of the growth in broadband connectivity nationally during the first six months, something which was only possible due to ENTEL PCS relaunching its MBB product within that period.

#### EVOLUTION IN MBB TRAFFIC (GB)



#### Launch of 3.5G Third Generation Services

In November 2008, ENTEL PCS added Third Generation Value Added Services (Video Call and TV Mobile) to its list of services. By using Video Call a customer with a 3.5G can make a call using his Mobile Camera with the aim of connecting on-line so allowing them to monitor and receive images of a fixed point or activity in a way that is personal, safe and at the time and place of his choosing. With the launching of this service ENTEL PCS has strengthened its technological leadership in the region.

#### Data and Value Added Services (VAS)

In the Enterprise segment efforts have been directed towards the development of a commercially attractive offer based on services which improve productivity, through continual innovation of existing services or by providing new services for the corporate sector.

In 2008 ENTEL PCS, based its development on the MBB service and mobile office solutions relating to emails and the synchronization of these with the email server of each of the companies. This has largely been driven by the increased market penetration of services such as BlackBerry and simpler email solutions such as Mobile E-Mail.

Within enterprises the new focus in 2008 was on educating and awareness raising, giving special emphasis to take up in small and medium sized enterprises (SMEs) through special offers or services such as ENTEL GPS, which gives security and improvements in productivity.

During the summer months of 2008, ENTEL began an education plan and circulation of its service contents table to enable clients to personalise their mobile phones with music, images, videos and games. In this context, in February 2008, it launched the Napster Mobile USA Music Download with the offer of more than five million original tracks in Fulltrack format. In addition, for a bigger market penetra-

trion the Company initiated an innovative process of changes aimed at promoting its service package.

Given the market penetration of Multi-media Messaging Service (MMS), during the summer months of 2008 a campaign was launched with the aim of increasing market penetration and use of the service (Campaign MMS 2x1). This was done through mass publicity, direct marketing and promotions throughout the year, as part of a profiling strategy of the service based on the customer life cycle. This resulted in a 48% increase in average monthly traffic.

### Mobile Internet

ENTEL PCS continually strives to give its customers the best communication options which is why in 2008 it launched its Mobile Internet service based on the concept of "All that you like about the Internet, now on your mobile phone" thus enabling customers to freely navigate on their mobile phones any website on the Internet according to their interests.

To support and widen the use of the service, in March 2008 ENTEL PCS launched a new tariff aimed at charging by the session which enables the user to access a large number of sites, so repeating the traditional web experience but on a mobile phone.

Additionally, ENTEL PCS managed to cement alliances with the main ISPs at world level such as Google, Microsoft MSN, Facebook, Fotolog and Wikipedia, enabling access to Mobile user communities that today make up the principal social networks (Web 2.0).

### Innovations in the Personal and Enterprise Markets

The year 2008 was marked, in the per-

sonal market, by a maturing of the traditional voice business with an increase in mobile market penetration. This growth took place in the low cost segment.

At the same time, new risk identification processes to capture the risk early on enabled greater agility in the updating of risk policies regarding new customers, which resulted in a positive change in the trend of this indicator.

The structured introductory tariffs of this period included, during September 2008, for the prepaid segment, a flat fee with the aim of supporting the market position "Talk with confidence"; wherever you call, you'll always pay the same." For postpaid subscribers, a controlled cost plan with messages was launched to support market penetration of the value added services in response to the needs of new customers.

For prepaid charge, the most popular channels used for recharging the accounts were through electronic media, which enabled the migration to systems of low cost, such as sales points, retail chains and wholesalers. During 2008 attention in the Enterprise segment concentrated on customer loyalty and in the mass marketing of the value added services (MBB and Mobile Email).

In the small business sector we strengthened the model of preferential attention for customers with bigger margins and carried out campaigns to increase voice services through the sales of additional phone lines by remote channels, with very satisfactory results.

In the enterprise segment, along with ad-

justing the prices of voice services in line with the national market, we continued with the loyalty campaigns through the delivery of value added services, which centered mainly on Mobile Broad band and BlackBerry.

Progress was also made in the evaluation of Fixed-Mobile convergence projects.

**Our clients choose us  
Because they know our**

**soul**



Entel PCS, first Place in Quality, mobile telecommunication category according to the **Customer Satisfaction Index 2008**



### INFRAESTRUCTURE AND TECHNOLOGY

ENTEL PCS networks register a constant growth and technological renewal to adjust to the demands of quality service and growth in demand

#### Transport Networks

In its transport network, ENTEL PCS uses different technologies for its voice and data services. One of these is TDM technology, which serves more than 2,800 ENTEL PCS points of presence or 2G network Base Stations, which is why it has constructed a transport network made up of land links using microwave, satellite, fibre optic and copper wall technologies. This is the most used technology by digital transmission services.

Further, it possesses an ATM transportation network for the base stations of 3.5G technology, which, unlike TDM which uses individual channels, uses small packets of continual longitude (ATM cells) which allow them to be independently routed.

At the same time, the ENTEL network has evolved towards IP transport in line with international trends and according to the new versions of mobile standardization that allow the use of Ethernet as a transportation means for the different layers of the network. During 2008, tests were successfully carried out of this applied technology to the access layer of the 2G and 3.5G network.

#### Means of Access

Since the end of 2006, ENTEL PCS has had a UMTS/HSPA access network parallel to the GSM network, and although this has a different and more advanced data transmission technique to access, the switch infrastructure and support are the same as the GSM or 2G networks. What's more, the third generation terminals use the 2G network as a backup in

case of a weak signal or lack of connections. This second generation digital network has data transmission capacity due to GPRS technology (General Packet Radio Service) and its subsequent improvement known as EDGE (Enhanced Data Rates for GSM Evolution), which allows it to reach average speeds of 100 Kbps.

Towards the end of 2008 the ENTEL PCS third generation access network has more than 650 base stations or B nodes, which cover the Santiago area and the country's major cities. This network improves data transmission compared to second generation network, thanks to the additional incorporation of HSPA technology, enabling it to reach average download speeds of 700 Kbps and theoretically peaks of 3.6 Mbps/7.2 Mbps, depending on the terminal. Further, an improvement in the data transmission speed was made in the Uplink, topping 1Mbps at peak.

#### CORE

ENTEL PCS's switching infrastructure has evolved over the last few years, from a monolithic entity to a more flexible structure in line with the latest standards and offers from suppliers. In this new structure, named "Layer Architecture", there exists in the ENTEL PCS network switch nodes for the control layer known as MSC Server and Nodes for the transportation layer known as Media Gateways. All of these nodes are distributed in 18 of the 24 primary centres of the country, which provide an efficient and local transmission and switching at the lowest possible cost for information transport.

#### Value Added Services (VAS)

ENTEL PCS, for its VAS products and services, has an infrastructure based on the best practices worldwide in IT infrastructure and communications applied to mobile networks, and counts on a "green" technology that optimizes its equipments' resource consumption. The SMS, MMS and voicemail platforms are the

principal supports for the messaging services; the streaming platforms support third generation services. Data services are supported by Gateways which differentiate the company services from the Internet in general.

During 2008 the platforms, on top of being widened to meet the new demand, were enhanced with more efficient architecture in terms of space and energy consumption

#### Investments during the period

Investment in infrastructure during the period reached US\$240 million, and a sizeable part of that was used to enhance and expand coverage of GSM service, bearing in mind the growth in the switching infrastructure to enable it to cope with the increase in the customer base and in traffic.

As in previous years, the evolution and renewal of the network was the main focus of the company's strategy. For this reason, a technology renewal plan was carried out during the year, enabling the company to finish the year with a network to the standard of the latest generation, capable of supporting future development of services.

It should be highlighted that in 2008 the migration of all the monolithic nodes in the Core Network to technology known as "Layer Architecture" was undertaken.

During 2008 the use of AMR HR voice codification techniques was improved which permits the enhancement of the Access network for the Voice Service in terms of quality and capacity.

Investment made for retaining renewal and capturing new postpaid customers was USD \$CLP132 million.

Some of the main suppliers with whom ENTEL PCS operates are:

- Network Infrastructure: Ericsson Radio Systems, Ericsson Chile, Nokia Siemens

Networks, ORGA Systems.

– Mobile equipments (handsets): Sony Ericsson, Nokia, Samsung, Motorola. – Systems: ORGA Systems, Hewlett Packard.

### Innovation and development

During 2008, various activities took place with the objective of driving growth and the use of MBB and Mobile Internet services. In the network, the focus was on the development of almost 1,000 new sites to improve the 2G/3G coverage and above all, 3G capacity in the main cities in Chile. This, with the aim of creating clear advantages with the competition and, looking for the best network, quality and coverage for our services.

Development of HSDPA technology continued and currently has bigger capacity per site in downloads, besides the new HSUPA technology, which allows speeds to upload data above 1 mbps. This improvement to the 3G network, is useful in supporting the main innovations introduced to the market to modify the tariff models for MBB and Mobile Internet alike.

### FUTURE PERSPECTIVES

Most countries, as had been predicted, experienced an increase in MBB services. While Voice continues being strong, it is the data services which are driving growth.

The Chilean market has behaved in line with this trend. Which is why in the future ENTEL PCS will keep voice at the centre of its offering but, it will focus its energies to lay the foundations for new data services through a robust 3.G network, with the best technology and by having a presence in the right places for the Chilean population.

### COMMERCIAL INFRASTRUCTURE

#### Customer branches

For ENTELPCS ,customer service is a fundamental part of its daily business. That's why, throughout the county, it has 62 customer

branches distributed from Arica to Punta Arenas, which create a face to face service channel for many of the services offered by the ENTEL group.

In each of the branches the ENTEL PCS sales executives give advice and deal with the requirements of customers, who come mainly to change their handsets or for technical assistance, so generating opportunities for increasing the market penetration of MBB and BlackBerry principally in the personal segment.

A total of 44 branches have customer flow administration systems which enable customer identification and valuable information about waiting time and productivity of the sales staff.

Almost all the branches have self- service systems (self-service terminals and/or a PC with online Access), where the customer can deal with their needs for themselves or look for information. Through the customer phones a customer can call the Call Center and receive attention over the phone.

#### Interaction Channels ENTEL PCS

ENTEL PCS provides different interaction channels for its customers, whose mission is to serve the customer in a satisfactory manner as quickly as possible the strengthening the relationship of trust that exists between the company and its customers.

The set strategy has been to understand the customer and customize the service offered in each interaction channel in accordance with their needs, always ensuring the appropriate application of resources and continually measuring levels of customer satisfaction. For this reason, an after sales automatic questionnaire tool was implemented which involves getting random feedback from customers who have been served in one of the interaction channels.

#### Call Center

ENTEL PCS customers can access the Call Center through various numbers where they will find specialized attention and by market segment, according to their needs. Some calls are attended in person by an executive, others through self-service.

The strategy implemented in this channel has been to develop specialized customer services by market, focalizing on service of a commercial nature, technical support, new technologies and services. In each of these areas the executives are trained to provide a quality service and the best customer attention.

#### Web

The use of this channel grew exponentially in 2007, and this was consolidated in 2008, responding to the needs of the client to have a "virtual branch", where they can resolve their information needs and services remotely.

In 2008 new services have been added, improving content and enabling surfing as much on public sites as the private, absorbing the growth in interactions and contributing to the optimization of the assignment of resources.

Further, the mobile web channel was implemented, which carries – using the same equipment that our clients use to communicate – useful services in a web environment, thus contributing to the innovation in customer services, and the availability of ENTEL PCS interaction channels for its customers.

ENTELPCS, thanks to its customer focused strategy, was awarded for the 6th consecutive year first place in Quality of Service, Mobile Telecommunications category, according to the National Customer Satisfaction Index 2008. This ranking is provided by ProCalidad, Universidad Adolfo Ibáñez, Adimark and Praxis.

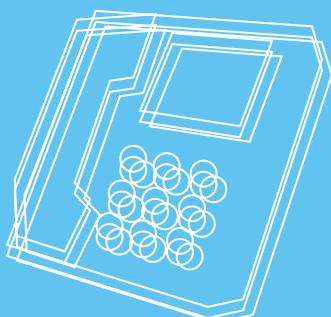


# WIRELINE BUSINESS

## LEADING WITH EXCELLENCE

Is making all the company's capacities available for enterprises, providing them with advanced telecommunications solutions to guarantee the efficiency of their business. ,.

**ENTEL**





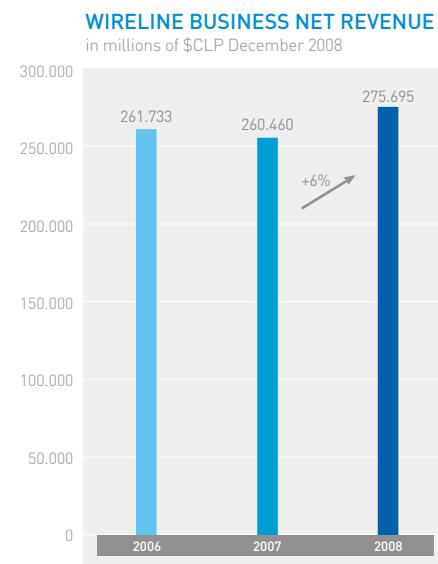
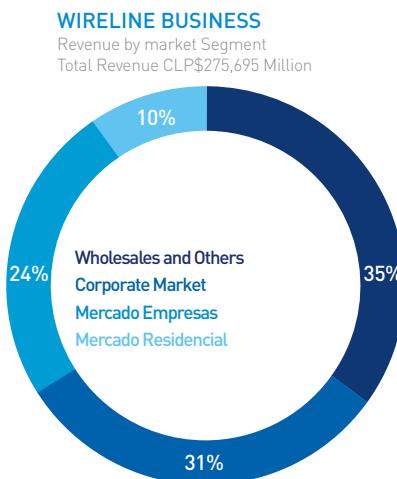


## WIRELINE BUSINESS

# BUSINESS DESCRIPTION

ENTEL provides FIXED Network services principally through four companies: the parent company, Empresa Nacional de Telecomunicaciones S.A., ENTEL Telefonía Local S.A. (ENTELPhone), Satel S.A. and Micarrier S.A.

The main services provided by the Company are: long distance public telephone service, local telephone service, data network service, Internet access, IT services integration (data center, BPO and business continuity), network rental and wholesale traffic business.



Excludes intercompany income between companies that form the fixed Wireline business  
\* Includes income resulting from other business areas.

**ENTEL**  
Vivir primeros el futuro

# CREE EN TUS SUEÑOS

PORQUE COMPARTIMOS UN MISMO ESPÍRITU  
VIVE LA CONFIANZA DE ENTEL EMPRESAS.

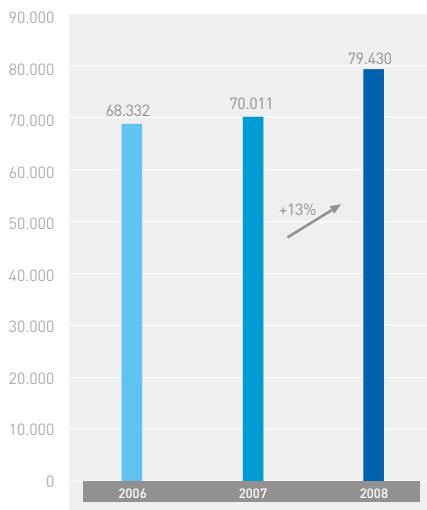
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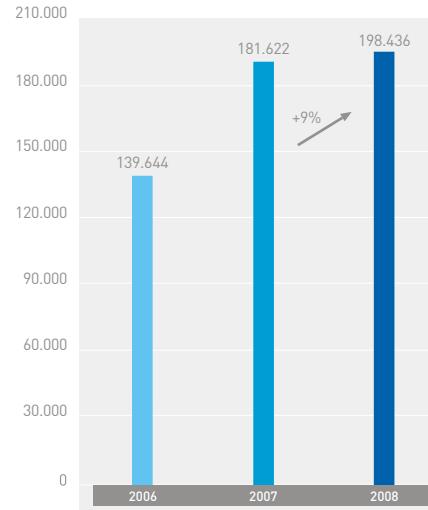
## EBITDA

In \$CLP millions December 2008



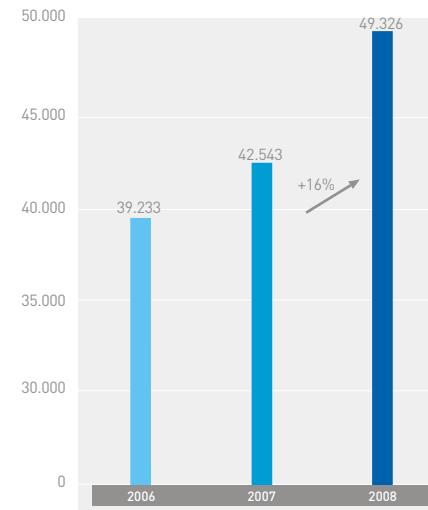
## LOCAL TELEPHONY SERVICE (INCLUDING NGN)

Line numbers equivalent to the close of the period



## LOCAL TELEPHONY SERVICE REVENUE

In \$CLP millions December 2008



ENTEL's business activity is structured into four separate markets:: Large corporations, SMEs Residential and Telecommunication Operators (Wholesale Business). Each segment is supported by different teams, specializing in infrastructure and in the networks access available for each segment..

In 2008, the Wireline business achieved a solid growth in both revenue and EBITDA (6% and 13% respectively). While the long distance business continues to feel the effects of the general downward trend, the Company's strong performance is the result of its focus on a more intensive marketing of its services through its own networks. specifically targeting the corporate and business segments and the wholesale market.

Strongly focused on innovation and excellence as axes of its development and continually at the forefront of technology, the company is concentrating on the integration of Information Technology services to its traditional supply of telecommunications services.

It is in this context that the acquisition of Cientec Computación took place at the start of December. This will provide the business with the means to establish an integrated and differentiated supply for the corporate and business segments.

ENTEL's main competitors are: Telefónica Chile, Telmex, VTR, GTD Manquehue, Telefónica del Sur, CMET, Sonda, IBM, Quintec and Adexus.

## LOCAL TELEPHONE SERVICE

ENTEL's local telephone service is supplied through the subsidiary ENTEL-Phone and has coverage across the country, from Arica to Punta Arenas, including Easter Island.

The main focus of this service is the corporate and business sectors by using corporate plans and pricing structures tailored to customers' individual requirements.

The local telephone service is available through traditional access methods (TDM, ISDN, packet-switched), IP (NGN, WiMax), and dedicated (connected to MPLS).

At present the capacity of the access networks and switching centers is approximately 350,000 lines.



### INTERNET AND DATA NETWORK SERVICES

With considerable experience in the market and a commitment to continuous technological innovation, ENTEL is responsible for the implementation and operations of the private communications networks of the majority of the large and medium sized businesses in Chile.

Some of the industries in which it operates are: Financial Services, The Government and Armed Forces, Mining, Industry and Commerce.

These convergent private networks, based on MPLS and NGN full IP technology, offer excellent coverage and quality of service, enable the geographically dispersed locations of the company's customers to connect with each other.

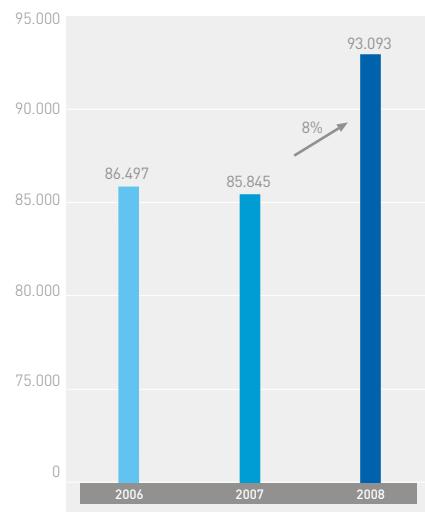
ENTEL's data networks permit the deployment of convergent communications services, such as IP telephony and videoconferencing, which make possible increased productivity, helping businesses achieve a greater competitive advantage.

In addition to this, ENTEL provides Internet access (both directly and through its subsidiary ENTEL-Phone) as well as, on a more selective basis, to the residential sector.

In order to deliver these services to the enterprise and corporate segments, the business uses private access media, such as backbone and service networks, ADSL and NGN in cases of copper access, and WiMax and Will. Access methods are also contracted out to third parties in order to access selected customers in the residential segment.

#### INTERNET AND DATA SERVICES REVENUE

In \$CLP millions December 2008



Recently, the company has offered integrated broadband and local telephone packages in order to foster convergence.

Communication with the largest global Internet suppliers takes place across international networks, the majority of which use fiber optic cables.

### IT SERVICES INTEGRATION

ENTEL offers a wide range of Information Technology (IT) services which are tailored to each customer's target market and business model. These solutions are integrated with the traditional telephony services, generating competitive advantages for customers.

This range of services enables customers to outsource some of their functions, allowing them to focus on their core business, while increasing cost control, the quality of their business activities, and operational efficiency.

In addition to this it reduces the capital requirements that imply large levels of initial investment in Information and Com-

munication Technology (ICT) projects for medium-sized companies.

Within the range of services offered, operations and infrastructure operations services are of particular importance. Some examples of these are: data center, operational continuity, services based on mobile solutions, services based on transactional solutions of the type B2B (Business to Business) and BPO (Business Process Outsourcing) services.

Likewise, the business also offers services which run the applications of a similar group of users within a specific industry. These allow the assurance of operational continuity through the use of applications such as SAP, and other world class applications which, in partnership with major international operators, allow best practice to be incorporated into the Chilean market.

ENTEL's data centers are staffed by highly qualified employees, certified in the delivery of ITC services, with both an infrastructure and operating model satisfying the requirements of all types of businesses and which has more than 3,000 customers. With specially equipped buildings and current floor space in excess of 3,700 m<sup>2</sup>, the infrastructure, connectivity and security of the data centers conforms to the ISO 9001-2001 standard.

The data centers also offer high availability services and other value-added services, such as database storage, running systems, backup, email administration, e-commerce platforms, and services with low platform and storage demands.

### Acquisition of Cientec

The company Cientec Computación has formed part of the ENTEL group since December 2008.

Cientec is a well-known company in the IT market with mature products and services. It provides data centers, the administration and running of systems, systems engineering and operational continuity to over 80 major corporate customers.

The incorporation of this business supports the avowed strategy of growing IT services which will be ENTEL's goal throughout the coming years. Integrating these with the traditional telecommunications based business will create a differentiated supply and place the company among the three major players in the areas of outsourced IT and infrastructure and operational continuity services. As a consequence of this purchase, ENTEL will increase its current market share of the IT services market to over 20%.

## LONG DISTANCE

National and international long distance services have reached their maturity and have been registering negative growth rates since 1999. One of the main reasons for this fall has been the migration, or substitution, of the traditional long distance service to mobile telephone technologies, broadband Internet and VOIP.

The company has combated this industry-wide tendency with telesales campaigns offering innovative solutions to its residential customers which satisfy their requirements. Similarly, in the corporate and SME segment, a strategy has been developed to attract and retain the service's main users, integrating the long distance service as part of an integrated suite for this segment.

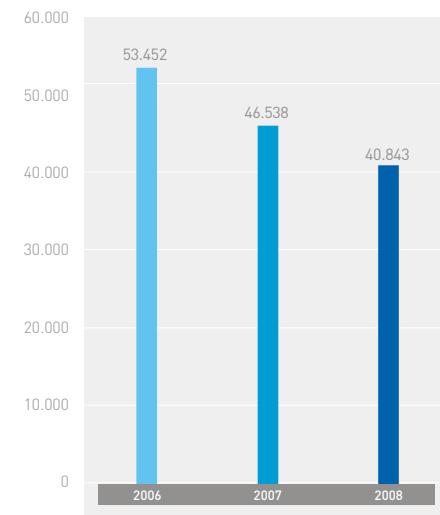
As of December 2008, ENTEL's share of the international long distance market was 36%, while its share of national traffic stood at 32%. Both figures show an increase with respect to the previous period.

## WHOLESALE SERVICES

At national and international levels, telecommunications operators have a requirement to connect services and exchange traffic for their respective customers while providing for the fact that the connectivity requirements generated on one network can end up on another. Likewise, there is a requirement amongst operators to compliment their infrastructure through the contraction of services and thus avoiding costly investment on their part.

### LONG DISTANCE REVENUE

In \$CLP millions December 2008



The focus of wholesale businesses is orientated toward offering high quality and reliable services to other local and international operators, who are unable to satisfy demand using their own infrastructure. The large spread of ENTEL's national network and its connections with the rest of the world mean the business is ideally placed to satisfy their requirements.

For this reason, one of the company's strategic objectives is to consolidate itself as a leading supplier to other telecommunications companies, offering not only traditional services but also acting as a

model for other businesses in the sector by developing the solutions they may require at a national level, and with international connections.

## COMMERCIAL INFRASTRUCTURE

In order to provide an effective and efficient service to all its customers, ENTEL relies on a sizeable and well-developed network of offices and branches located in all regions of the country, as well as indirect channels such as telephone and via the web.

Corporate and SME customers are serviced using an individually tailored direct channel whose main goal is to attract and retain customers from these segments and develop their loyalty. This channel is split between ENTEL's head office in Santiago and a network of offices located in Chile's 25 major cities, from Arica to Punta Arenas, including Easter Island.

The company also has an external channel of dealers which provides a direct sales force in the country's main cities, as well as a number of call centers whose goal is to attract customers from specific market sub segments (small and medium businesses and residential customers).

ENTEL makes use of non-traditional channels such as call centers (inbound and outbound) and the website HYPERLINK "<http://www.entel.cl>" www.entel.cl to provide service in the residential segment.

## Customer Service

ENTEL provides a wide and varied infrastructure of service channels with the goal of satisfying the post sales service requirements of its customers. This infrastructure is composed of a modern call center which handles the large majority of service requirements by telephone, a web-



## CORPORATE MARKET

based channel with the goal of promoting self service and a physical channel, delivered through a network of 38 modern branches shared with ENTEL PCS, located in 21 cities and towns throughout the country.

A new service model has been deployed in the enterprise segment with the creation of a premium service desk in the ENTEL call center. The desk is dedicated to serving the segment's most important customers and assuring excellence in customer service. In addition to this, a specialized support team is provided whose goal is to resolve a large number of commercial queries within 24 hours.

Finally, an important change in the technical support service which took place at the start of 2008 should also be noted. The redesign of the service and the standardization of its protocols allowed for an increase in the numb

The division of ENTEL which services the Corporate Market provides advanced solutions for the most important holding companies in Chile.

Over the course of decades, ENTEL has lead the traditional data services market in this segment and it has been the leader in a number of areas, including in the implementation of IP telephony solutions and integrated Information Technology (IT) solutions, and in the development of network infrastructure. Today ENTEL continues to expand the scope of its business, guaranteeing the operational continuity and efficiency of each of its customers alongside these traditional services.

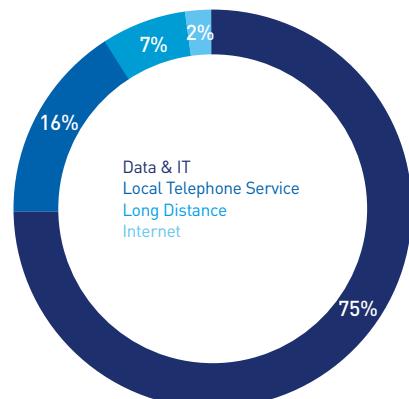
ENTEL's value offer is based on a portfolio of products and services which take real advantage of the convergence of communications and IT technologies. These range from mobile technologies all the way to those based on large-scale data processing centers.

The company has the internal capacity to maintain its own operational continuity thanks to the excellence of its telecommunications infrastructure and data centers and its strong partnerships with world class suppliers. All of this means that strategic partnerships can be established which allow the possibility of developing unique solutions and, in the field of business integration, assuring the continuity of business activities and the creation of value for customers. This is demonstrated by the SAP Hosting Partner certification

ENTEL has built up an industry wide, vertically integrated supply chain, adopting best practice in order to optimize its activities. In many cases, it enjoys the advantage of running these from its own data centers. This means that infrastructure, data processing and housing and/or hosting, amongst many other services, can

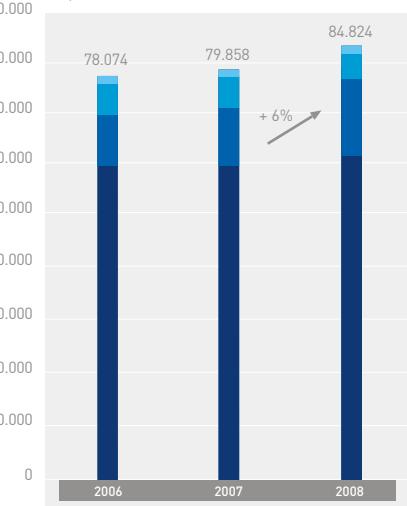
### CORPORATE SEGMENT

Distribution of Revenue 2008 Total Revenue \$CLP 84.824 million



### CORPORATE SECTOR NET REVENUE

In \$CLP millions December 2008



Data & IT  
Local Telephone Service  
Long Distance  
Internet

create the conditions for others, forming part of the integrated strategy TPC: transaction, processing and communications. This means that ENTEL takes complete control of the operational continuity for each customer.

The operational continuity service is structured in line with the ITIL processes (Information Technology Infrastructure Library) of support and service, and

benefits from management by Service Level Agreements.

ENTEL's technologies are to be found within the value chain of sectors such as industry and commerce, natural resources and mining, financial services, and government, the armed forces and health.

### Industry and Commerce

The strategic objective of every retail business is the logistical management from the initial supplier to the end customer in order to deliver products through a wide variety of sales channels and showrooms in the right quantity and at the right price. These businesses are most commonly structured in chains of shops with branches throughout the country. ENTEL has the ability to connect all their points of sales, delivering a range of solutions which provide operational continuity and assure that the network as a whole functions correctly, including the administration and maintenance of technological infrastructure.

For this reason, maximum efficiency is of fundamental importance in the sector, both in productive and logistical activities. ENTEL is capable of connecting all of the

actors that participate in this sector's business chain (transportation, distribution centers and centers of production) providing products with visibility and continuity at all stages of the cycle.

The assurance this value chain from beginning to end is paramount in the industrial and commercial sectors. To improve the efficiency of this chain and allow for the integration of suppliers and customers in the best way possible is extremely important when a business wishes to pass on lower costs to its customers. 2008 was notable for the development of new projects, such as the processing and administration service provided by the SAP platform. This enabled management services for the whole of the Dero business to be undertaken, as well as the outsourcing of mission critical services for the main sites of Cencosud, Banco Falabella, Sodimac and Farmacias Cruz Verde, and the total connectivity provided to SQM.

Among the customers who continue to grow hand in hand with ENTEL by taking advantage of integrated data and connectivity services SQM, Agrosuper and

Fining should all be mentioned, all of whom extended their contracted services throughout 2008.

### Financial Services

ENTEL provides a range of products and services which give banks and financial institutions operational continuity. These range from the outsourcing of one or more processes, all the way through to systems maintenance, the support of remote operations, and front and back end data centers which fulfill and process transactional activity.

In addition to this, financial businesses are largely dependent on the right operational continuity of their customer service points. ENTEL understands this problem and provides a range of services specially designed for the industry, including service desks and field forces, all of which operate under strict procedures which assure the requisite operational continuity for each service point.

The most important business achievements of 2008 include, fitting out the Activo-Activo contingency site for Scotiabank/Banco del Desarrollo in Longovilo, a new contract to provide national operational continuity services for Transbanks's POS network, and the renewal of the data and telephony networks of important businesses in the sector, such as Servipag, ING and Banco de Chile, including the merger projects of Citibank and Financiera Atlas.

### Natural Resources and Mining

One of the challenges faced by businesses operating in the mining and natural resources sector is to minimize their costs and carry out production consistently and efficiently, thus optimizing their production systems. ENTEL has made a great effort to know and understand their business and assimilate this body of knowledge into its own in order to add value to its services and offer operational continuity to process which cannot afford to fail.



ENTEL  
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PARA QUE TU EMPRESA LLEGUE MAS ALLA DE LO QUE IMAGINAS,  
NECESITAS LA CONFIANZA Y SOLVENCIA DEL MEJOR.

SOLO CON ENTEL EMPRESAS

CONEXIÓN Y TELEFONÍA DATA CENTER INTEGRACIÓN Y EXPLOTACIÓN DE SISTEMAS CONTINUIDAD OPERACIONAL



One of the most important factors in this industry is the large quantity of information generated by each process that is available on many levels. Only a company such as ENTEL is able to offer the required level of integration.

The most important business conducted in the mining sector in 2008 included the reinforcement of Codelco's data network contract for a period of three years, the implementation of data center services for Quebrada Blanca, the data and operational continuity project for Esperanza Antofagasta Minerals and access control for Minera Meridian Ltda. In the natural resources sector, attention should be drawn to the mobile sales force and e-billing services provided to Ariztía, data network and administration for the CMPC group of businesses, data center services for CDECSING (Interconnected system for the far north), and the data center and help desk services provided to Colbún.

### Government, Armed Forces & Health

Reliability, operational efficiency and security are all vital aspects for the government, the armed forces and health services. ENTEL is the only business strong enough to deliver operational continuity services to these divisions of the State.

The company understands that the innovation and modernization of the State is important to the government, and to this end it has worked alongside various institutions providing them with the required operational efficiency as they adopt digital technology.

Among the most important business that took place in the armed forces sector in 2008 was the project for Dirección General de Movilización Nacional, which saw the services installed in 2005 renewed and upgraded, allowing ENTEL to reinforce its position as the only supplier of integrated services (data, VOIP, Internet

and data center).

The Haiti connectivity project for the General Staff of the National Guard (Estado Mayor de la Defensa Nacional) was an important milestone as was the renegotiation of the contracts with the Army and "Jarcia" for the Navy for a period of three years,

The expansion of the coverage of the national network for Carabineros de Chile has continued, one example being the provision of access to Torres del Paine. In addition, given the security requirements of the organization, an installation program for corporate antivirus software was initiated for the workstations and servers of the institution throughout the country in 2008.

In the Public Healthcare segment, ENTEL was awarded a new contract with FONASA for the provision of communications services by means of a data network with national coverage. The company also supplied operational continuity services.

Throughout the course of 2008, the company has continued to strengthen its position as a leader in the provision of technology solutions for small, medium and large sized businesses, providing them with advanced, integrated and flexible services which work for them.

ENTEL has focused on reinforcing the proximity of its customer relationships, on understanding their business and becoming a technological partner capable of delivering services which are flexible to their requirements.

With regards to the large business sector, the company has sought to be a technological partner of its customers, meeting their requirements, providing integrated solutions including IP telephony, Internet, long distance, data, data center and value added services.

For small and medium sized businesses, ENTEL has continued to improve and add to the functionality of its NGN (Next Generation Networks) platform, allowing it to deliver flexible solutions tailored to customers' requirements, integrating IP telephony, broadband and VPN (Virtual Private Network)

### SAS No. 70 Certification

With the intention of delivering quality in its operations and achieving continual customer satisfaction, ENTEL is committed to the continuous improvement of internal controls, and has stepped up to the challenges of becoming a truly world class business. This is exemplified by the SAS No. 70 certification (an internationally recognized standard of auditing which was developed by the American Institute of Certified Public Accountants – AICPA – with the goal of measuring the effectiveness of internal controls).

In this respect, since 2006, ENTEL S.A. has achieved SAS No. 70 Type II certification for the following 5 services:

- Administration of related LAN and WAN networks.
- Administration of IP security
- Help Desk
- Housing Services
- Call Center Service

To compliment this, in 2008 ENTEL achieved SAS No. 70 Type II certification for its POS administration service for the customer Transbank, which covers the following services:

- Equipment
- Warning of POS unit failure
- Installation of POS units
- Changing the technology of POS units
- Decommissioning of POS Units

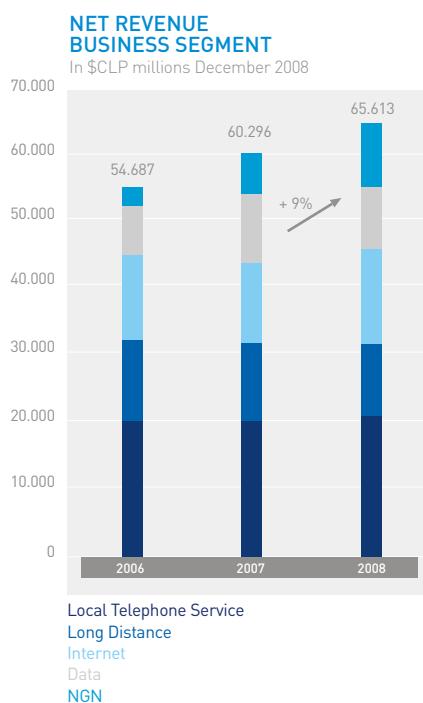
## BUSINESS MARKET

The creation of an innovation and development department in 2008, whose efforts are directed toward creating a solid base of products and services for businesses gave an important boost to innovation and the development of new technology. Its efforts are focused around unified communications, IP hyperconnectivity, broadband and IT, and it seeks to offer customers a rich experience in terms of applications and forms of participation and collaboration.

### Solutions for Large Businesses

The company's goal throughout 2008 in this segment was based on paying attention to the individual requirements of its customers with a focus on improving service and establishing a relation of trust with customers. This is why, as well as providing traditional packet-switched services, dedicated Internet, private services and data centers, the company sought to position itself as a strategic partner of its customers.

The most important projects developed throughout 2008 include a diverse range of solutions, such as IP telephony, Internet and a data network for Lipigas,



Universidad del Mar, Key Market, Minera Franke, Monticello and Marina del Sol casinos, the Chilean Fire Services, and voice solutions at national level for the entire network of Integramédica medical services.

Throughout the course of the year, the business has made important innovations in this segment: The VSAT service with Internet and telephone bundles, and access nodes with ADSL 2+ technology.

The VSAT service with Internet and telephone bundling is directed toward medium and large sized businesses and permits the integration of remote and isolated offices with the rest of the public telecommunications network. The service offers alternatives which range from 1 to 4 telephone lines (IP) and broadband speeds from 128 Kbps up to 2 Mbps. The service is offered throughout the country, from Arica to Punta Arenas (excluding Easter Island

and Antarctica). The network is centrally supervised and is characterized by its quick installation.

Its main customers are businesses in the agricultural, mining, forestry, agro-industry and hospitality sectors.

With respect to the new access networks, ENTEL has implemented access nodes with ADSL 2+ technology. These allow plans with higher speeds and more lines to be offered for services based on the NGN or ADSL platforms, permitting speeds of up to 16 Mbps downstream. This network is also used to offer private MPLS services with Quality of Service (QoS), allowing private services speeds of up to 2 Mbps.

The benefit for ENTEL is to take advantage of the ADSL 2+ infrastructure for multiple products and to increase the bandwidth available to private services.

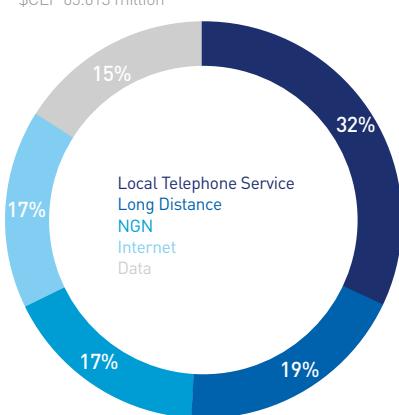
### Solutions for Small and Medium Sized Businesses

In this segment, ENTEL's objective is to make high-end technology available to small and medium sized businesses at affordable prices, with integrated and flexible plans, driven individual customer requirements.

This is achieved by the company making use of its NGN (Next Generation Network), which is based on IP technology and delivers the integrated supply of telecoms and valued added solutions, such as IP telephony, broadband, and Virtual Private Networks (VPNs), without the need for large investment on the part of the customer. Alongside this service two important innovations for this product are being developed: NGN plans with 16 telephone lines and private data networks with attractive tariff benefits and high security.

### BUSINESS SEGMENT

Revenue Distribution 2008 Total Revenue  
\$CLP 65,613 million





VPN NGN runs on both cable and wireless networks and permits the visibility of all the customer's workstations that are connected to the network. This facilitates the use of Windows services with a graphical interface and means that customers can share files from one or more branches as if they were in the same office using shared folders and can print to printers connected to other workstations.

Throughout 2008, ENTEL focused on optimizing internal processes in order to continuously improve service levels, both in the areas of service delivery and customer service. To support its commercial activity ENTEL has made a considerable effort in communications through an advertising campaign specific to this segment, making use of publications in business periodicals and press advertisements. It has also carried out direct marketing activities to attract customers and increase loyalty, mainly focused on customers at the high-end of the small and medium sized business segment.

### Expansion of Access Networks

In 2008, ENTEL continued the nationwide deployment and reinforcement of its copper and fiber optic network, a task which has been ongoing for the last three years. These networks are complimented by the business's Wi-Max network whose growth has been focused on specific projects that have allowed it to deliver advanced solutions to areas in which demand from target segments is concentrated.

ENTEL's points of access have been considerably increased by new ADSL 2+ technologies, which, alongside the renovation of its copper network, will allow it to deliver increased bandwi-

dth, using both existing and new points of access. Similarly, the capacity and coverage of the MPLS network has increased significantly, allowing new customers who require greater bandwidth to connect using the fiber optics and providing sustained growth in the number of MPLS network users. For the clusters of customers situated in geographical areas without mass-access infrastructure, microwave based wireless systems (both point to point and multipoint) have been installed, for example, the new WiMax radio stations, which allow high-end technology to be made available in order to provide a wide range of services (NGN, dedicated Internet and private services).

### Wi-Max Network Coverage

In 2008 ENTEL extended its national WiMax network with a presence in 14 cities from Arica to Puerto Montt, through the incorporation of new antennae designed to meet customer requirements.

This meant that the WiMax network, launched in 2006, was further reinforced as an alternative to fixed wireless access, allowing all ENTEL products to be delivered at high speeds and the project included transferring or modifying coverage in accordance with the demands of the market. By means of its WiMax network, the company offers solutions that support customers in a

ENTEL  
Vivir primeros el futuro

PEQUEÑAS EMPRESAS CON SUEÑOS DE GRANDE

NO IMPORTA EL TAMAÑO DE TU EMPRESA, ENTEL TIENE UNA SOLUCION PARA TI.

CONECTA TU PYME CON NGN DE ENTEL EMPRESAS

TELEFONIA - INTERNET - REDES DE DATOS

INGRESA AHORA A [WWW.ENTELNGN.CL](http://WWW.ENTELNGN.CL) O LLAMA AL 600 4200 600

PLANES DESDE 1,76 UF MENSUAL

NGN  
Next Generation Networks  
ENTEL

## RESIDENTIAL MARKET

wide range of sectors involving both goods and services such as county offices, the wine industry and the agro-industry. These have been able to increase their productivity and access a wide variety of services through this network, including IP telephony, private network services and NGN solutions.

In the residential sector, ENTEL is focused on providing services through the access networks of local telephone companies. With respect to value added, its multicarrier long distance services represent the largest business area for ENTEL in this market. The company is continuously studying technological development as well as regulatory changes which provide opportunities for business growth.

### Long Distance Solutions

The long distance market has already reached its maturity. Its size has been decreasing for a number of years, largely owing to substitution for other products such as mobile telephony and VOIP services.

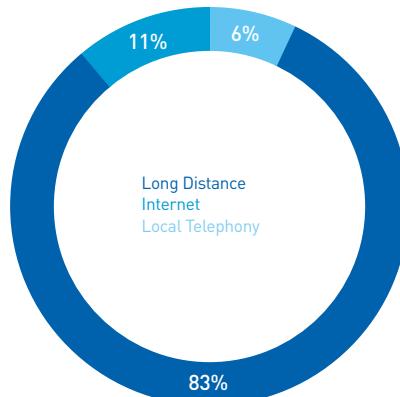
Faced with this situation, ENTEL's strategy has been to make these services more profitable by focusing on customer loyalty.

Accordingly, in 2008 the rate of contraction that had marked the national long distance market in recent years was reduced. However, it should be mentioned that this downward trend has been offset by the increased importance of traffic originating from mobile phones in the international long distance market.

Throughout this period, commercial plans were redesigned in order to allow the business to offer innovative solutions suited to customers' needs. This is combined with a segmentation strategy which allows the business to attract a large number of users by means of telesales campaigns. Additionally, the optimization of costs has meant the achievement of important reductions in various areas, the principal of which being sales costs.

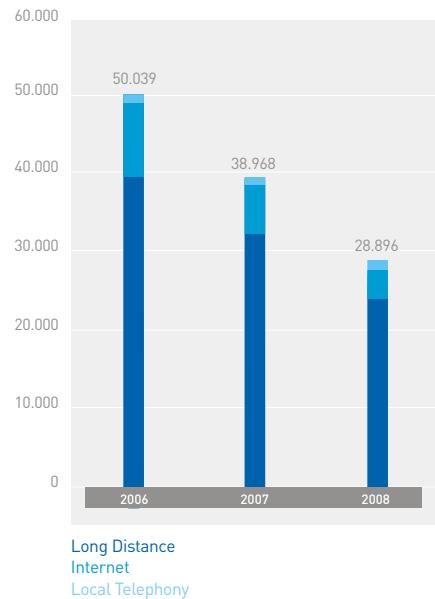
### RESIDENTIAL SEGMENT REVENUE DISTRIBUTION 2008

Total Revenue \$CLP 28.896n



### NET REVENUE RESIDENTIAL SEGMENT

In \$CLP millions December 2008





## WIRELINE BUSINESS

### Value Added Solutions

In alignment with the general strategy of the residential market, efforts were directed toward optimizing the profits derived from value added services and the commercialization of the new "Always in Contact" service which enables communication from a mobile telephone to a pre-designated wire line, charging the cost of the call to the latter. Sales were strengthened throughout 2008, which meant the business was able to establish an important customer base for this service.

In order to satisfy the demands of two specific niches, two pre-pay cards have been launched: "Hola Mi Perú" and "Calling Card ENTEL". Both products were designed to allow international long

distance calls to be made from Chile to foreign countries, with extremely competitive tariffs suited to their respective markets. These represent a type of calling card which, until 2008, had not been provided by ENTEL. These cards are complemented by the "Entel-Card", available in both pre-pay and post-pay options. This product has been assessed as a high-quality solution and, on account of its high world-wide coverage, is highly valued by those who travel abroad.

For those who need to make calls within Chile or need to control their spending, the pre-paid card "Entelticket" is available which has high coverage and has been available throughout the country for more than 10 years.

## WHOLESALE BUSINESS

This division of the business aims to satisfy the telecommunications requirements of other operators (both national and international) in the zones covered by the ENTEL network with excellent service levels and technical standards.

Throughout the period, ENTEL has reinforced its position as one of the leading suppliers of services to other operators on account of the vast coverage and capacity of its national transportation network whose coverage extends from Arica (which connects with Bolivia) all the way to Punta Arenas. This has also been achieved by the reliability provided by ENTEL to its customers in the wholesale market.

In addition, the year ended with the connection of different transit paths for international IT traffic, strengthening ENTEL's position as one of the most important players in the segment. The business currently benefits from a high availability TIER-1 architecture with different transit paths and suppliers, as well as the important transit capacity of the main submarine cables in America.

The ENTEL wholesale businesses can be classified as follows:

### Transport and Infrastructure Wholesale Business

Solutions are oriented toward satisfying the transport and infrastructure requirements of local and mobile phone operators, and they include Internet and other services.



The segment is focused on the commercialization of large quantities of bandwidth for transportation within the country and is provided to customers such as VTR, Telmex, Movistar, Claro, Telsur, Chile.com, AT&T Corp, Verizon, GTD Manquehue, LAN-Nautilus, Global Crossing and Emergia, alongside other businesses in the sector.

The growth of these businesses has been accompanied by the investment required to extend and modernize the national and international network in order to ensure that services solicited by customers can be provided efficiently and to a high standard, thus positioning ENTEL as one of the most important operators in the industry.

#### Wholesale Traffic Business

The international traffic business in

which ENTEL has active participation is serviced by ENTEL's wholesale business. In the international long distance traffic market the company has reinforced its position as one of the most important brokers in Latin America with a presence in Miami, New York, Los Angeles, Río de Janeiro and Lima, processing millions of minutes with destinations all over the world through its international networks, using both traditional TDM and IP protocols.

ENTEL's customer portfolio includes national and international carriers with which the business has developed strong relationships. ENTEL has made itself a flexible and reliable partner, offering a variety of products that satisfy requirements in terms of price and quality. In terms of international

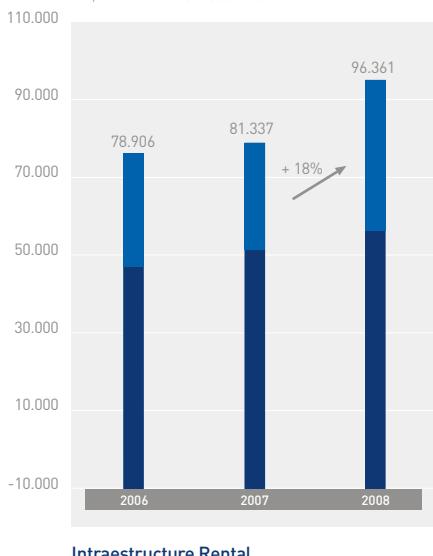
traffic, ENTEL's customers are the largest and most important telecommunications companies in the world, such as: AT&T Corp., Verizon, IDT, Sprint, Telecom Italia, Deutsche Telecom, British Telecom, Cable & Wireless, France Telecom and TIM Brasil.

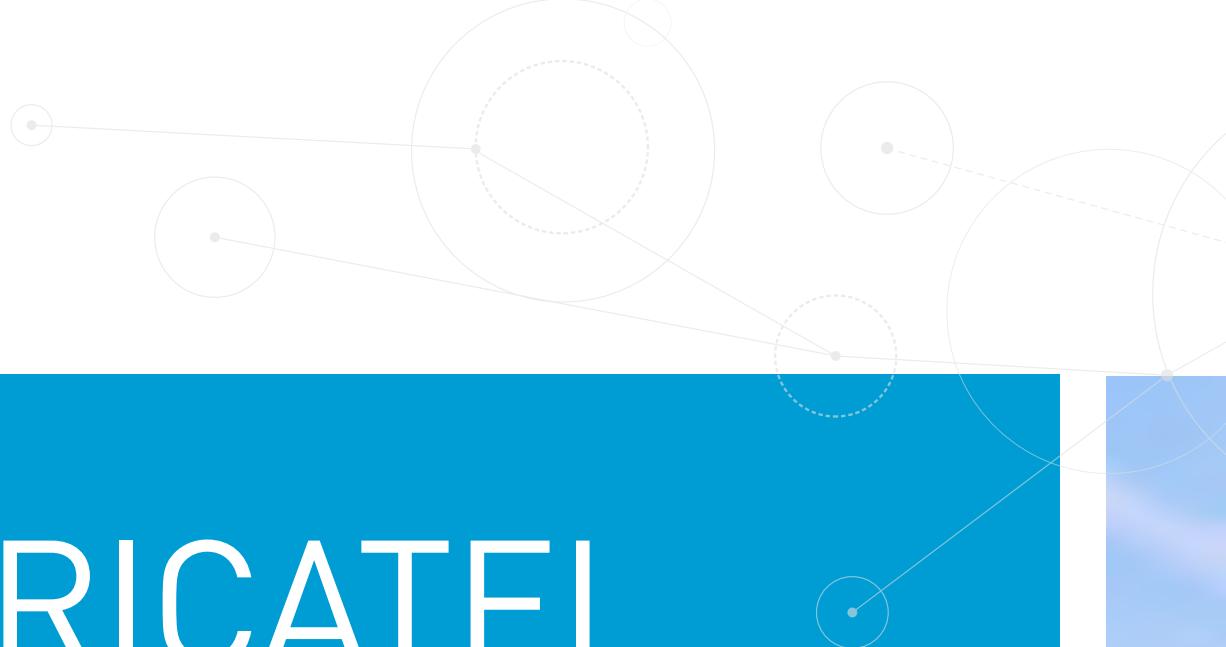
#### Value Added Wholesale Business

These services integrate various types of telecommunications (fixed, mobile and Internet) in order to provide first class service to a wide variety of customers. With years of experience and a successful track record in the development of multiregional projects, ENTEL has consolidated its position as the market leader by means of its three lines of value added products: Premium Voice, Mobile and Internet.

#### NET REVENUE WHOLESALE SEGMENT

In \$CLP millions December 2008

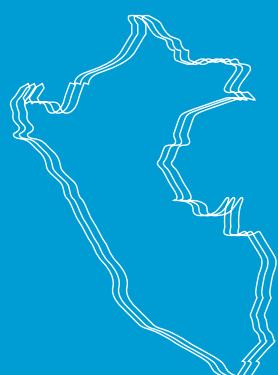




# AMERICATEL PERU

## TO LEAD WITH EXCELLENCE

Is to have the capability and strength required to be an integrated telecommunications supplier in the Peruvian market.



**ENTEL**





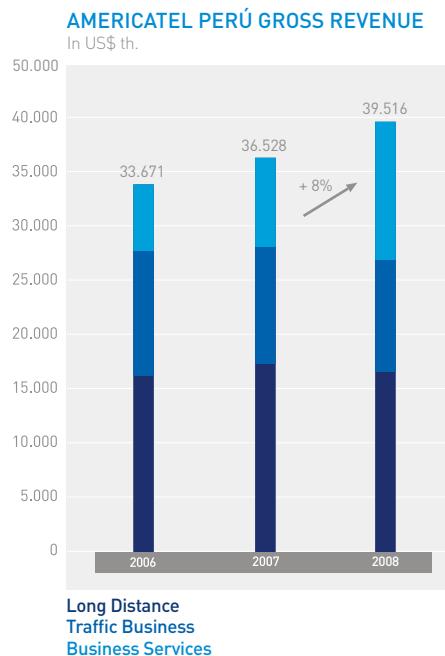


AMERICATEL PERÚ

## AMERICATEL PERÚ

Americatel Perú participates in three areas of the Peruvian market: the enterprise sector, long distance services and the wholesale traffic business.

Throughout 2008 total revenue grew by 8%, reaching US\$ 39.5 million. This can principally be explained by the increased income generated by local telephony, internet, data and NGN (Next Generation Network) services supplied to enterprises which rose 42% on the 2007 figures.



In the business sector, efforts were made to increase the loyalty of corporate customers and consolidate the supply of services provided through ENTEL's own access networks in Lima. Call centers constitute an important niche in the business segment and a market which is continually growing in Peru. This is why Americatel has developed a model of ad-hoc businesses in order to position itself as the principle supplier of fixed telephony, long distance and Internet services.



The NGN service saw significant growth in 2008, managing to double its customer portfolio from the previous year's figure and tripling its revenue in the same period.

Throughout the course of 2008 Americatel continued to expand its WiMax access network. It currently has 44 base stations which allow it to reach 100% coverage in Lima. This is complimented by the availability of 13 km of outside plant distributed throughout the most profitable commercial zones.

The long distance business managed to retain the same billing levels as in the previous year, increasing its market share with a strong presence in all segments, and maintaining the "top of mind" of the 1977 dialing code. It is important to point out that the above was due largely to an increase in the number of residential sector customers on controlled lines with long distance plans. This achievement was made against the backdrop of increasing competition in the telecommunications industry, owing to the aggressive commercial supply of mobile operators as well as competition with other long distance operators.

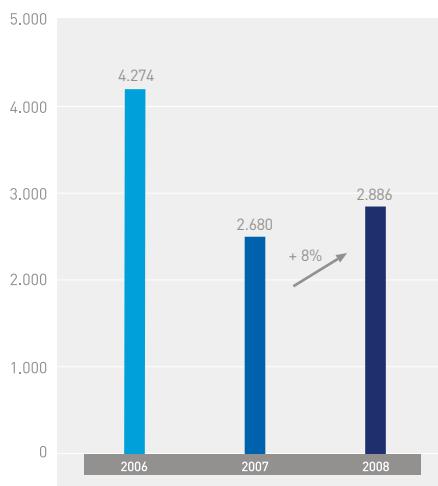
Revenue from the traffic business decreased from the 2007 figure by 6%, largely because of lower tariffs and minutes in the national traffic tables. EDITBA grew by 8% with respect to the previous year, countering the results of the previous two periods. This growth can be explained by the capture of an effective margin in the residential segment, a direct consequence of the elimination of the default screening

process implemented in 2007.

The previous improvement was partially offset by smaller margins in the traffic business and enterprise segment. In case of the former, this was chiefly due to high competition, whilst in the case of the latter, it can be explained by the sales efforts and advertising undertaken to promote the use of NGN.

#### EBITDA AMERICATEL PERÚ

In US\$ th.

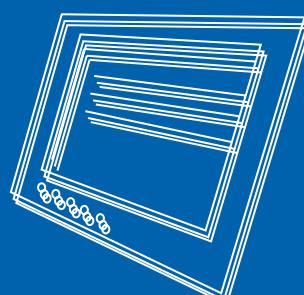




# ENTEL CALL CENTER

## TO LEAD WITH EXCELLENCE

Is to take up the challenge of continually improving operational continuity and service quality always done with the backing of a highly qualified workforce.



**ENTEL**





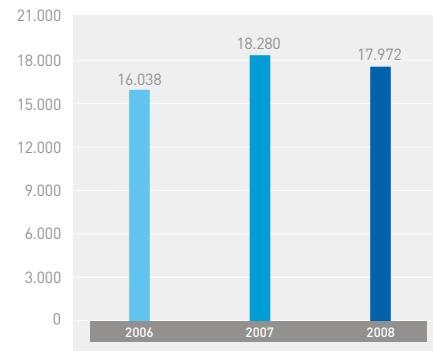
## ENTEL CALL CENTER

With over 10 years operating in the national market, ENTEL Call Center has consolidated its position as a leading supplier of call center services in Chile. It is currently strategic partner to many important national and foreign companies.

2008 saw the ENTEL Call Center begin its operations in Lima, Peru, opening a new center with more than 400 positions as an alternative available to all of its customers and handling both internal and external demand. The technology used by this project has permitted the business to shift traffic between centers, maintaining service quality and providing 100% connectivity with the main ENTEL Call Center.

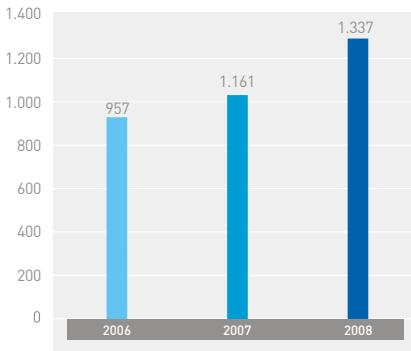
### CONSOLIDATED REVENUE ENTEL CALL CENTER

In \$CLP millions December 2008



### OPERATING INCOME ENTEL CALL CENTER ENTEL

In \$CLP millions December 2008



- From July 2008 ENTEL Call Center S.A. consolidated its income with Servicios de Call Center del Perú S.A.



2008 was a year of important achievements, owing to the development of a range of projects with the aim of improving operational continuity and service quality. Here the focus was on the incorporation of new processes, technologies and on improving the training provided by human resources.

In terms of revenue, the year 2008 saw the generation of \$CLP 17,972 million; in terms of the company's operating income, this rose to \$CLP 1,337 million, a 15% improvement on the 2007 figure.

One project undertaken in 2008 was the implementation of a new, world class workforce management tool (ASPECT), which allows more direct control and is available through on-line service platforms. This has resulted in important benefits in service operations in terms of optimization, control and increased call center capacity.

Another project that was successfully developed was the "Risk Matrix", an initiative which began as a work method designed to eliminate interruption of the operational continuity of services. As part of this, not only have high-availability systems been implemented, but important investment has been made in processes, equipment and software. This project aims to achieve an uptime of 99.6%.

In terms of service quality the certification process has continued, with 7 new ENTEL Call Center executives achieving the COPC® (Customer Operations Performance Center) standard and 10 new COPC® registered coordinators. In the initial first phase, the standard was implemented to services provided to ENTEL S.A. and ENTEL PCS, covering the three basic aspects of the contact center in its entirety: Quality, Control Desk and Hu-

man Resources Management. This phase is due to be completed in 2009.

This certification adds to the other efforts made by ENTEL Call Center to standardize its processes and service levels in line with world-class standards. These include the PMI® methodology for the implementation of new projects and the Six Sigma® methodology for process improvement.

The new business management Help Desk, which assigns more than 300 experienced technicians and to all types of remote technical support solutions, was used to increase the availability of services offered.

ENTEL Call Center has increased its presence in the country's main industries. Throughout 2008, businesses such as Canon Chile, Komatsu Chile, Aga Linde Gas and Aguas Chañar were added as new customers, and are currently provided with platforms (in the majority of cases multi-service) tailored to their individual requirements which offer order taking services, commercial assistance and technical support to users, and a help desk amongst others.

The Social Security Service (INP) chose to use ENTEL Call Center telephony services to respond to queries related to the Chilean Welfare Reform.

In addition to the above, 2008 saw the creation of a partnership between ENTEL Call Center and Pronde S.A., a leading Mexican mobile solutions provider, resulting in the outsourcing of its technical platform for delivering support to ENTEL PCS BlackBerry users.

ENTEL Call Center is continually concerned with developing a highly qualified

workforce and this meant that in 2008 a number of training initiatives took place. Amongst the most important were courses targeted at the professionals who make up the work teams dealing with various industries which sought to improve individual and group performance and thus productivity and customer satisfaction.

Running alongside this were other training activities which developed leadership and negotiation skills, and high-level management courses which strengthened the executive team.

2008 saw the completion of the communication plan, explaining the new mission and vision of the business to all parties involved, in line with the COPC® standard.

A new competence based performance assessment model was also incorporated into the business which provides greater feedback to support continuous improvement and the development of multifunctional teams.

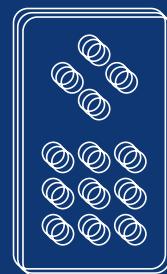


# INFRASTRUCTURE AND TECHNOLOGY

## TO LEAD WITH EXCELLENCE

Is to be able to deliver the best service quality thanks to your strengths and advanced network technology, connectivity and coverage, always confronting the challenge of permanent innovation.

**ENTEL**







## INFRASTRUCTURE AND TECHNOLOGY

The network infrastructure of the ENTEL group makes use of the following technologies: fiber optic, microwave, satellite teleports, digital telephone centers and Soft Switch IP, switching and data routing equipment based on MPLS, IP and ATM technology and wired and wireless access, including GSM/EDGE, 3.5G (HSPA), WiMax and Hot Spot WiFi base stations. For each network Operations Systems Support (OSS) is available.

ENTEL communicates throughout the country by means of a fiber optic network extending from Arica to Puerto Montt (3,450 km), incorporating SDH and DWDM technologies and allowing for a transport capacity of up to 50 Gbps. This national fiber optic network is interconnected to the rest of the world from Santiago and from Arica toward Bolivia and Peru.

The company has a digital microwave network at its disposal which extends from Arica to Coyhaique (4,760 km), and is primarily used for regional transmission and as an access network for ENTEL PCS mobile telephony and wireless data services. In order to connect the Magallanes Region, ENTEL provides a high availability land-based microwave network which enables communication between Punta Arenas and Santiago and is linked to third party transport resources.

The national satellite network is equipped with 30 land stations located throughout the length of the country which cover remote and isolated areas. The network uses the capacity of the INTELSAT and LORAL satellite systems in the most basic instance for the provision of data and telephone services and the transportation of television and digital audio signals. A VSAT platform oriented toward traffic from private LAN/IP and Internet networks is also operated. This has approximately 872 remote VSAT stations.

Both the TV and VSAT platforms have been upgraded to DVB technology.

In the urbanized area of the Metropolitan Region, ENTEL has a high redundancy network. The urban network is constituted of optical primary rings with STM-64 (10 Gbps) and STM-16 (2.5 Gbps) capacities. In addition to this there is a secondary access network (FTTC) with 157 ONU (Optical Network Unit) access points based on a system of STM-4 (622 Mbps) and STM-1 (155 Mbps) rings.

ENTEL provides voice and data transport services through its MPLS network which allows for Gigabit Ethernet connections in more than 115 access points throughout the country and has evolved from traditional technologies such as X.25, FR and ATM. The company relies on a high capacity IP backbone (10 Gigabytes), over whose connections an average load of 5 Gbps is carried in order to deliver Internet services.

ENTELPhone makes use of local TDM and IP switching (Soft Switch) centers with a cable network in the 24 primary zones, including Easter Island. It also has licenses to provide local wireless telephone services with national coverage in each region of the country available at 100 MHz on the 3.5GHz band.

In order to switch long distance traffic, two centers operate in tandem in Santiago, alongside four more which are present throughout the regions; likewise for the national and international gateways and two digital Softswitch IP switching stations. ENTEL PCS has a GSM/UMTS network which currently has over 2,800 access points, delivering voice, Internet and broadband as well as other value added services with a national coverage. The GSM/GPRS/EDGE technology is the base structure of the ENTEL PCS network and, from 2006,

has hosted the first UMTS/HSPA (3.5G) network in Latin America. Both have evolved throughout the course of 2008 with development primarily focused on the 3.5G network's coverage and capacity. Currently this network is equipped with 670 base stations which cover the most populated and important areas of Chile. The network has been kept up to date through partnership with Ericsson, which has meant greater traffic capacity and the incorporation of HSUPA technology (High Speed Uplink Data Access).

Through a variety of consortiums, ENTEL relies on an international network provided for by access points in Miami, New York, Buenos Aires, Santiago, Lima and Rio de Janeiro.

In Peru, the Americatel subsidiary has two TDM switching centers at its disposal which are connected to the international network through Chile and the U.S.A. and have direct connections with 24 regions in Peru.

In Lima, Americatel's urban network consists of five principal MPLS nodes which are connected with fiber optics using SDH (STM-16) mounted on a CWDM platform. As an access network, the company has 44 WiMax base stations and provides complete coverage in Lima. In addition to this there is an external plant which is distributed throughout the areas of high commercial value.

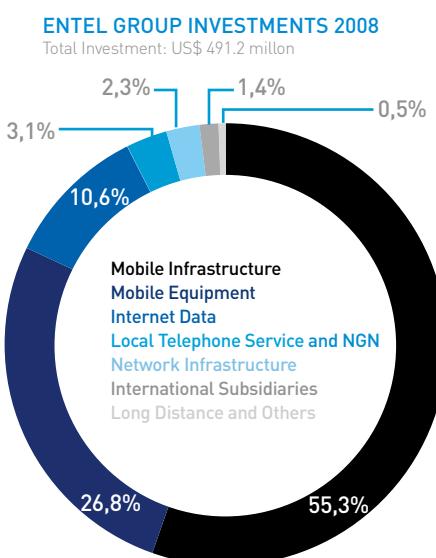
Americatel Peru also possesses wireless licenses authorizing the exclusive use of 50MHz on the 3.5 GHz band and 31.5MHz on the 2.3 Ghz band.

## INVESTMENTS DURING THE PERIOD

The investments of the ENTEL group reached a level of US\$ 491 million, including terminals for mobile postpaid subscribers. These investments are a reflection of a strategy with the aim of seeing the business remain at the forefront of technological change and retain the challenge of permanent technological innovation.

Owing to the growth of the ENTEL PCS customer base and the increase in value added services, the mobile telephone company invested US\$ 372 million. This sum was distributed between infrastructure investment designed to deliver improved coverage and new services (totaling US\$ 240 million), as well as the investments in equipment (handsets and Mobile Broadband terminals) for renewal and new customers (totaling US\$ 132 million).

ENTEL made an investment of US\$ 112 million in its Wireline business with US\$ 52 million invested in developing data and Internet services for customers in the corporate and business segments. Finally, Americatel Peru made an investment of US\$ 7 million.



## INNOVATION AND FUTURE DEVELOPMENT

### MENT

The mass adoption of mobile systems and the strong growth in broadband and Internet have led to a considerable rise in the generation, access, storage and usage of information. It is for this reason that the effective management of information and communications has become one of the most important elements of modern day society, and, at the same time, one of the great challenges for innovation in the telecommunications industry.

ENTEL is continuously seeking innovative applications and solutions in order to take advantage of the opportunities in an industry which is characterized by its dynamicity and continual change. This is the current reality of the personal broadband services delivered across 3.5G (HSPA) mobile systems, which have increased the growth of broadband in Chile. It is hoped that as technological innovation continues in the future, not only we see connection speeds presently unimaginable on a wireless network, but that these will also serve to connect the vast majority of the Chilean population.

In addition to this, the copper-cabled networks owned by ENTEL are being analyzed by a study and the testing of passive fiber optic access networks (PON) which allow for higher data capacity and the possibility to offer new services.

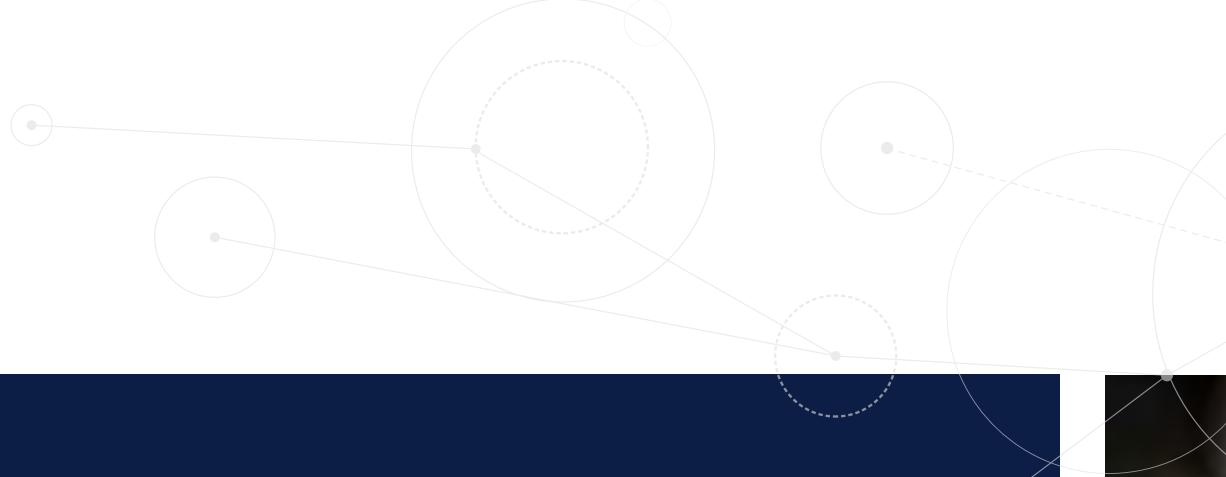
Given the current importance of multimedia services, studies and tests are being carried out on high definition television (HDTV) and IPTV. The objective is to be prepared to develop these services and others which can be derived from them, both in fixed and mobile terms.

With the acquisition of the company Cientec, the business aims to be the market leader in integrated services, outsourced

infrastructure services and operational continuity, delivering a wider, timelier and more innovative range of differentiated services to its customers. This will be achieved by boosting the data center, Information Technology (IT) and BPO (Business Process Outsourcing) areas of the business.

ENTEL has consolidated the use of NGN (Next Generation Network) technology in order to deliver both telecommunications services and value added solutions. Cable (ADSL 2+) and wireless (WiMax) technologies will be used to achieve this and these will be integrated with current mobile platforms, allowing for the delivery of advanced convergent multimedia services in both fixed and mobile communications. ENTEL is investing in these solutions by developing new IP services which will allow the company to increase the provision, flexibility and agility of its services.

The company operates in a highly dynamic and competitive global sector in which innovation has become a necessity in the customer value proposition and a fundamental aspect in the development of the society in which ENTEL operates.



# COMMUNICATIONS POLICY AND HUMAN RESOURCES

## TO LEAD WITH EXCELLENCE

Is to have the ability to develop the talent of the whole workforce to its full potential, being able to count on highly skilled professionals

**ENTEL**







# COMMUNICATIONS

The advertising function remained extremely active throughout 2008. Of particular interest was the strong investment made in advertising mobile telephony, as well as in having a mass media presence in the business segment. In this respect, ENTEL managed to consolidate its leadership using a range of marketing activities in the Wireline and Mobile businesses.

Throughout the first half of the year, the efforts of the Mobile Business were focused on the attraction of new subscribers and in the penetration of the value added services market (mobile Internet and mobile broadband being just two examples of this). In the case of mobile broadband, introduction of unlimited plans was of particular interest; ENTEL has been the first company in the market to offer this product.

The launch of the partnership between ENTEL and Vodafone was also significant and was extremely well received by the company's customers, realizing that the initiative shows continuing leadership and innovation. The second half of the year saw development of the strategy for the penetration of the value added services market. A direct consequence of this was the implementation of a new type of cutting-edge terminal ("BLUE Line") which has allowed the business to compete effectively in this product segment.

Also of interest was the launch of the first video camera which permits remote tracking from a mobile phone ("Cá-

mera Inteligente") which consolidated ENTEL's position in terms of innovation and customer relations.

In Wireline business, the company's main goal was to strengthen its position as the leading provider of the best and most advanced technological solutions for businesses throughout the country, independent of their size or location.

The first half of the year saw the development of an advertising campaign focused on the Corporate segment and centered on the two core ethics of the business: trust and reliability. The campaign slogan was "To take your business beyond what you can imagine, you need the trust and reliability of the best. Only with ENTEL Business".

The second half of the year saw the launch of a campaign orientated toward small and medium sized companies. The concept was "Small businesses with big dreams". The campaign consolidated ENTEL's commitment to accompany small businesses in their growth with solutions which adapt to their requirements.

At the end of the year an aggressive marketing campaign was undertaken, which sought to reach all of the segments serviced by ENTEL, including both corporations and small, medium and large sized businesses by appealing to something that unites them all: a shared entrepreneurial and visionary spirit.

The central axis of the campaign was derived from this: "Because we all share the same spirit, live the trust of ENTEL Businesses".

### Events and Sponsorships

In terms of the mass market, the business continued to strengthen its relationship with the younger demographic. Of particular interest in this area was the support of electronic music events such as "Sensation White", one of the most important in the world and which took place for the first time in Chile, seeing the arrival of big name DJs such as Paul Van Dyk and Bob Sinclair, amongst others

A notable success was to have sponsored the show which brought Madonna to Chile for the first time. This event allowed ENTEL to position itself as an innovative business at the forefront of supporting such entertainment spectacles.

The business also continued its commitment to national sport, the national football team and the Women's World Cup, which took place in Chile. In addition to this, ENTEL played an important role in the National Rodeo, sponsoring Champion de Chile, and in the National Yachting Championship with its sponsorship of the ENTEL PCS yacht, the national champion.

In the enterprise segment "Giras VAS" took place for the sixth consecutive year which this year enjoyed the distinguished participation of guest speaker Ni-

colás Eyzaguirre, and held in eight cities throughout the country.

In the corporate segment, ENTEL ran industry seminars with also saw the participation of distinguished speakers.

An important event was the ENTEL Summit which ran for the first time. This was a conference aimed at large

businesses and corporations which had a huge attendance and many high quality presentations. The highlight of the conference was the attendance of the economist Jonas Ridderstrale who is widely regarded as one of the world's most important business thinkers.

The conference sought to establish itself as the technological entrepre-

neurship event of the year, bringing together customers and company partners.

JUEVES 3 DE JULIO 2008 - CENTRO DE EVENTOS CASAPIEDRA - 8:30 HRS.

**ENTEL SUMMIT'08**

**TECNOLOGÍAS DEL FUTURO PARA LOS NEGOCIOS DE HOY**

ENTEL lo invita a participar de su encuentro anual de tecnologías claves para el desarrollo de sus negocios. Conozca las más avanzadas soluciones tecnológicas que entrega ENTEL junto a sus aliados, para garantizar la continuidad de los negocios de las grandes empresas.

**Jonas Ridderstråle**  
 Coautor del famoso libro de gestión y talento "Funky Business", está considerado el Guru del nuevo mundo de los negocios.

Es asesor, ponente y consultor de un importante número de corporaciones internacionales y está en la junta directiva de diversas empresas. El ve en la innovación, originalidad y emociones, las claves del éxito.

El Dr. Ridderstråle tiene un MBA y un PhD en negocios internacionales. Es actualmente profesor en Ashridge Business School en UK. Su investigación está focalizada en nuevos modelos organizacionales y estilos de liderazgo.

SEA PARTE DE ENTEL SUMMIT 2008. Inscríbase hoy mismo llamando al teléfono: **753 6800** o registrese online en: <http://entelsummit.entel.cl> CUPOS LIMITADOS

**ENTEL**  
 Vivir primeros el futuro

**HUAWEI** **SIEMENS** **CISCO** **ORACLE** **SAP** **ERICSSON** TAKING YOU FORWARD



# HUMAN RESOURCES

The main objective of the company's Human Resource Management is to incorporate the models and tools required for the comprehensive development of staff, and the growth of the organization.

This is achieved through the integration of a competency based model of management and is done in accordance with the strategic direction of the business. The strategy is centered on five points.

1) The decentralization of Human Resources to the different areas of the organization.

2) The differentiation of salaries by the creation of performance related incentive schemes.

3) The fostering of a polyvalent and multi-functional workforce, with attention focused on the competencies required for each.

4) The development of a sense of belonging through the use of communications mechanisms and benefits which are conducive to personal and business development.

5) Oversee the development and implementation of organizational structures that are balanced, flexible and which adapt to the requirements of the business.

These five points form part of a global framework at the heart of which is the social responsibility of the business and the mandatory ethical conduct common throughout all the group's subsidiaries.

### Performance Management

These standards have not only aided the efficiency of ENTEL's recruitment and selection process but have also allowed for the creation of an effective Competency Based Training model tailored to the features of the company.

In this area, it is extremely important to point out the benefits derived from ENTEL's technological platform, such as training via e-learning which facilitates the tracking and efficient certification of its participants.

Likewise, as a result of the improvements made to the Performance Evaluation process, the business has managed to align the behavior and performance of each participant with the strategic objectives of the company. In addition, a range of suitable training courses can be constructed by using both an analysis of the results and the competency based development model.

Also of importance amongst the activities undertaken in 2008, was the effort made by ENTEL to undertake responsibility to identify, retain and develop the talent of those who will guide and strengthen the organization in the future. This is carried out through the "Recognition Program" initiative.

### Gap Management

In a constant concern for personal development, ENTEL and ENTEL PCS provide various ways in which staff can improve their competencies.

Throughout 2008, the ENTEL parent company continued its strategy of dividing its training into two areas: general and specialized.

The former is centered on developing a range of transferable skills which are aligned with the goals of the business. In 2008, the aim was to achieve a first-class management standard by means of a comprehensive range which covered concepts such as customer relations, team work and the development of personal skills, with a special emphasis on leadership. This last area was aided by consultancy from the Pontificia Universidad Católica de Chile.

At managerial level, the Management Development program continued to run in partnership with the Universidad Adolfo Ibáñez. For this group, ENTEL PCS ran an Advanced Management Program in partnership with the Universidad de Chile.

The specialized program aimed to complement the former, with a focus on material relevant to the respective management areas, such as updating and incorporating new technology and the knowledge of specific topics which support effective management.

In parallel to this, both ENTEL and ENTEL PCS run English programs. As in previous years, the Scholarship Program has continued and includes various types of specializations.

In 2008, 41 employees in ENTEL's Wi-

reline Business were provided with scholarships, representing a total investment of approximately \$CLP 103 million. In addition to this, ENTEL PCS awarded scholarships to 47 of its employees, taking its number of scholarships to 88.

Both the ENTEL parent company and ENTEL PCS have an Induction Program whose goal is to provide new employees with basic knowledge and an understanding of the business's operations. This runs on a monthly basis.

In the Wireline Business, 96% of all employees received some form of training

activity in 2008. There were 1,905 employees who underwent training in ENTEL. In 2008, the number of training hours grew to 86,731 which, when added to the 40,000 hours in ENTEL PCS, gives a grand total of 126,737.

### Compensation Management

The focus of this area is on the difference in pay according to the achievement of goals and objectives, as well as in fostering a polyvalent and multifunctional workforce.

ENTEL employs a conceptual Salary Management model which integrates activities related to the analysis and

description of internal roles and the determination of salary structures and incentives, with standardization objective market comparisons.

Throughout 2008, the development of a compensation system based on Management by Objectives (MBO) continued. This was applied throughout the first three levels of the executive hierarchy and sought to align individual achievements with the objectives of the business.

The annual combined remuneration of executives and managers in ENTEL PCS throughout 2008 was \$CLP





3,014,753,000. In addition to this, there was also a previously established incentive program linked to the achievement of targets and goals which, as of 31st December 2008, grew to \$CLP 628,867,000. Total severance payments throughout 2008 to management and executives to-

taled \$CLP 103,774,000.

Throughout 2008, the total remuneration of executives and management of the equivalent level in the ENTEL parent company rose to \$CLP 4,259,333,221 spread across a group of 50 people. Severance pay made to exe-

cutives who left the group throughout the period rose to \$CLP 235,880,087, split between a total of 6 people.

### **Workplace Management**

Employees' working environment is fundamentally important to the business and this focus was retained throughout 2008, always aligned with the company strategy and management style. Indeed, achievement in this area was part of the annual goals of the executives.

Once a year, ENTEL conducts a survey of employee perception of the working environment. From these results, concrete strategies and action plans are implemented which aim to promote a process of continuous improvement which has been backed by the results in recent years.

### **Welfare Management**

Comprehensive development and feeling a sense of belonging continued to be important to the workforce. This year, in particular, important resources were targeted throughout the regions, in order that the activities of the various Leisure Centers located throughout the country were repeated.

Amongst the numerous activities aimed at employees and their families were the "Criolla and Christmas Festivals", "Summer Schools", and the "Young People's National Games".

Some were organized in collaboration with union boards.



In addition to this, there were activities such as Oil Painting, Theatre and Arabic Dancing workshops. Sporting activities were heavily subscribed and these included Football, Five aside football, Tennis, Bowling, Cycling and Swimming.

In the area of healthcare, a number of activities took place across the business. These included vaccinations, preventative medicine programs, keep fit, all of which helped to improve the quality of life of the company employees.

The use of questionnaires aimed at evaluating the perception of the wellbeing services offered to employees by the business continued throughout the year.

#### **Internal Communications Management**

Within the group permanent communication channels exists to deliver direct, segmented messages to employees, as well as collecting together any concerns and suggestions they might have. These channels grow stronger each year.

Amongst the most widely used initiatives are the company magazines "Encuentro", in the ENTEL parent company and "La Lupa" in ENTEL PCS. These deliver articles and reports on a wide range of the company's strategic themes, as well as activities undertaken by individual employees.

The Internet continues to be the first point of contact for daily internal news. This channel exists in two versions: one for the ENTEL Fixed Network and one for ENTEL PCS.

As per tradition, the ENTEL Wireline Business ran a welcome celebration in March which saw the participation of employees throughout the country. This allows employees to hear, in the CEO's own words, the targets for the new financial year.

It should be pointed out that both ENTEL Wireline and Mobile businesses maintains excellent communication and relations with trade unions.

#### **HR Management Recognition**

In the ENTEL parent company, World Telecommunication Day (17th May) saw the recognition of longstanding employees, acknowledging those with 10, 20, 30, and up to 40 years of continuous service.

To coincide with the year-end in January, ENTEL PCS runs an employee recognition program based on two criteria: Excellence and Company Values. In the welcome celebration of the ENTEL parent company, awards are made to those who best represent the company values: To be the Best; Integrity and Delivery; Responsibility and Sensitivity.

ENTEL has established its Corporate Social Responsibility (CSR) policy as a voluntary gesture of its continual readiness to listen to, understand, and satisfy the expectations and legitimate interests of the diverse range of parties connected to the business, and this is comprehensively incorporated into the planning and management of the ope-

rations of the business.

In 2008, voluntary growth in employee participation in ENTEL was considerable and three new CSR associated initiatives were established.

- April saw the launch of a connectivity project for Escuela Colpanao, located in the Mapuche community of the same name in the Padre de las Casas area of the Araucanía region. The nursery, attended by 95 pupils, now has a new computer laboratory and dedicated access to broadband Internet. Both students and teachers received training to allow them to use the new tools and this will be reinforced by a voluntary scheme which aims to develop a "Digital Tutoring" program.
- Throughout 2008, the "Intelligent Whiteboards" program was extended, and this saw whiteboards installed in Colegio Nocedal (La Pintana, Santiago) and Escuela Quetrolauquén de Isla Huar (in the Lake Region). In both instances, the objective was to support the academic performance achieved at the institutions.



# SOCIAL RESPONSIBILITY

ENTEL has established its Corporate Social Responsibility (CSR) policy as a voluntary gesture of its continual readiness to listen to, understand, and satisfy the expectations and legitimate interests of the diverse range of parties connected to the business, and this is comprehensively incorporated into the planning and management of the operations of the business.

The objective of the CSR policy is to assure long term operational sustainability and contribute to the development of the country's telecommunications sector with a view to improving the welfare of the society in which ENTEL operates.

### ENTEL and Customer Satisfaction

ENTEL has a continual commitment to improve the quality of its products and services with the assurance of security, efficiency and reliability. A similar concern is held for the delivery of factual and responsible information, respecting customers' privacy.

Compliance with these standards has allowed ENTEL PCS to achieve, for the sixth consecutive year, the "National Prize for Customer Satisfaction". This recognition of excellence is based on an opinion poll carried out by ProCalidad, a strategic partnership between the Universidad Adolfo Ibáñez, Adimark and Praxis and is published in the periodical Capital.

### Commitment to the Community

Throughout 2008, a range of activities directed toward the community, favoring sustainable development, and fo-

cusing specifically on remote and isolated areas drawn up, evaluated and carried out.

At the core of each CSR projects, were ENTEL products and services and a desire to use technology to foster academic excellence and improve the quality of life in the general communities in question.

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- In August, ENTEL began the project "Connecting the Dreams of the Far North", in partnership with the mining company Cerro Colorado. This saw the pro-

vision of telephone and Internet services and related training in six Aymara and Quecha communities in the altiplano zone in Tarapacá. The communities are based in the villages Mamiña, Lirima, Cancosa, Macaya, Parca and Collacagua.

- In September, the connectivity scheme was unveiled for Escuela La Capilla de Caleu, a school situated in a remote area of the Coastal Mountains in the Metropolitan Region. The 75 pupil institution was fitted out with a new computer laboratory and dedicated broadband Internet access. Students, teachers and volunteers alike received training in the use of Internet software within the classroom.

For the celebration of "Childrens' Day" and Christmas, ENTEL's volunteer network increased its existing commitment to children's homes and schools throughout the country. For "Children's Day", a total of 27 projects ran with the support of the company", helping 1,600 children throughout the length of the country, while at Christmas 40 more took place with the number of beneficiaries rising to over 2,200.

### ENTEL and Culture

In continuation of the project run in partnership with the Patrimonio Cultural de Chile, in 2008 ENTEL launched a new art book, the seventh published under this initiative. Entitled "Galería Personal", the book combined the work of twelve national artists selected by the critic Waldemar Sommer. The project is covered by the Cultural Donations Law.

For year-end celebrations, the 4th version of the ENTEL Painting, Paya and Poems Competition took place, inviting the participation of children from the organizations connected with the company's CSR projects and the schools and homes covered by the volunteer network.

Two painting works and one of paya were selected from over 1,500 works, created by pupils from throughout the country, use on the company Christmas cards.

#### **Social Responsibility in Chile**

In continuation of the initiative unveiled in 2007, four new regional seminars on social responsibility took place throughout the course of 2008. These took place in Concepción, Valdivia, Puerto Varas and Coyhaique, bringing the total number of cities in which these activities are carried out to twelve.

The four seminars were run in partnership with each city's local press city and were also supported by academic institutions and local trade union organizations.



# FINANCIAL AND CORPORATE REVIEW

ENTEL





# DIVIDEND, INVESTMENT AND FINANCING POLICY

The dividend policy, approved by the Board of Directors and reported to Shareholders at the Meeting held on 29 April 2008, is as follows:

## DIVIDEND POLICY

In conformance with the circular letter dated 13 February 1987 issued by the Superintendence of Securities and Insurance, the Board of Directors has the obligation to present to the Ordinary Shareholders Meeting the dividend policy that the Company aims to implement during future financial years, substantially keeping to the policy followed during the previous financial year, which is as follows:

### 1. Dividend Policy

Pursuant to the regulations established by the Superintendence of Securities and Insurance, the Board of Directors must approve the dividend policy the Company aims to follow in future financial years. The Board expects, for 2008 and subsequent years, to maintain a stable dividend policy and proposes to distribute as dividend, up to 80% of profits earned during each financial year, and, if applicable, to capitalize part of such profits accrued at the end of each period. It is proposed to pay the final dividend on or before 31 May of each year. In the case of the annual interim dividends, it is planned to make an interim dividend payment during the last quarter of 2008; the amount of this will be based on the Company's performance during the first three quarters of the period. In determining the percentage of profit to pay and the dates of the payment of the proposed final dividend, while

keeping to the established distribution policy, the Company look to ensure financial stability. In particular, the Company has taken into account safeguards in terms of debt, liquidity and budget financing, when considering the current public securities offering and loan agreements entered into by the Company. In any case, the board's intentions towards dividend payments depend on the results and investment requirements as stated in the projections regularly made by the Company.

### 2. Dividend Payment Procedure

Upon a written request received from any shareholder, dividends will be deposited in the shareholder's checking or savings account, on the date set for payment. For this purpose, the shareholder shall submit the name of the bank, branch, and the checking or savings account number for which the shareholder is the account holder; the shareholder thereby understands that they are included in the payment schedule with a lapse of 21 days between the date of the request from the shareholder and the payment being made. The shareholder will remain bound by this method of payment for so long as he fails to communicate any other preference.

Also upon receiving a written request from any shareholder so wishing, dividend payments will be made in the form of a bank check made out to the respective shareholder sent with a certified letter delivered, at the latest, on the date set for payment. As stated above, the interested parties will be included in this method of payment 21 days after the relevant request is

received by the Company, and they will continue to be included so until they send a written statement requesting another method of payment.

The Company will provide shareholders with forms, available upon request, in order to choose one of the established methods of payment.

For the shareholders that have not opted for one of the aforementioned alternatives, dividends will be paid via a commercial bank from the Metropolitan Region, Chile, as chosen by the Company, or at the address indicated by the Company in the said region, information of which together with the name of the paying agent will be disclosed in a notification referred to below. Where this is the case, shareholders with 250 shares or more will receive payment by way of check made out in their name. Those holding less than 250 shares will receive their dividend in cash.

Dividends not claimed during the periods agreed with the Banks may be collected from the Company offices as described above.

The interested parties who decide to withdraw their dividends from a commercial bank or from the offices designated by the Company, must do so personally or by a legally authorised representative with the relevant powers, as signed in front of a public notary.

In this last instance, the original document or a legalised photocopy should be left in the hands of the Company. The payment of dividends will be communicated through a national

newspaper as chosen by the General Shareholders Meeting.

In turn, the investment policy approved by the Shareholders Meeting on 29 April, 2008 is as follows:

### INVESTMENTS POLICY

The objective of the business is to obtain the maximum return on equity through the study, construction, and execution of telecommunications systems and the provision of all types of related services in Chile and overseas.

To ensure fulfillment of this objective sufficiently, the Company makes investments with the aim of satisfying the demands of its customers and users as a way to maintain its efficiency, technically as much as economically, such as the maintenance of its property and plants and in the way it undertakes its operations so ensuring harmony in the nation's telecommunications.

As a consequence, the Company will ensure that its investments have a stable rate of return over time, and that this is at least equal to the capital cost of its financing structure.

For 2008 and in agreement with the Investments and Financing Budget of the Empresa Nacional de Telecomunicaciones S.A., an annual investment in fixed assets for an amount that does not surpass the level of debt permitted by the financing policy was authorized, which will be assigned to finance diverse company projects fundamentally within the country but also overseas.

In agreement with the rules approved

by the General Shareholders Meeting, the Board has to define the specific investments in businesses, operations and studies that will affect the Company. These amounts will essentially depend on the programmes to be undertaken during the calendar year.

The Company will be granted approval to effect contributions to subsidiaries and or affiliates within the above mentioned margins.

With the object of maximizing the performance of its cash surpluses, the Company will make investments in financial assets and/ or marketable securities, in line with the selection and portfolio diversification criteria. In addition, these criteria will take into consideration, liquidity, security and profitability factors

Finally, the financial policy approved by the Shareholders Meeting on 29 April, 2008, was as follows:

### FINANCING POLICY

The Company financing policy considers principally the following sources of resources:

Own resources

Resources generated by the increase in Capital Stock by means of the issue and share placement in Chile and overseas.

Supplier Credits

Loans from Banks and other financial institutions

Deferred Customs Duties

Offer of public and private bonds

Leasing and leaseback

In the policy sent to the shareholders, the proposal was made to fix the limit of debt level (Liabilities / Equity plus Minority Interest), to a factor of 1.5 (one point five). For this purpose the net current liabilities of financial investment will be calculated.

The setting is justified because it allows flexibility in the financial management and enables the development of new telecommunications projects at home and overseas.

It is important to highlight the debt level ceiling and the proposed distribution of dividends agree with the corresponding financial restrictions established in the current loan contracts and public offerings most of which consider that the current liabilities must not exceed the equity by more than 1.7 times.

It must be remembered that the Company Management may not agree with creditors specific restrictions on dividends nor grant guarantees of any nature for third parties or other companies or enterprises that are not subsidiaries or affiliates.

On another matter, all assets being used for the operation of national public service contracts held by the Company and which are essential for providing the services are deemed essential for the operation of the business, notwithstanding that such assets may be modified or replaced, if they should be technically or economically obsolete, or transferred in the case that they are not necessary for the provision of the service.

## DISTRIBUTABLE PROFITS

The profits of ThCLP\$153,509,618 presented in the financial statements for the year 2008 are not subject to deductions for distribution purposes. As of 17 de December 2008 an interim dividend of \$100 per share was paid, equivalent to the total sum of ThCLP \$23,652,369. This dividend payment was agreed at the Board of Directors meeting held on 1 December 2008 and represents 15.41% of the financial year profits.

## DIVIDENDS PAID PER SHARE

(In CLP\$ pesos adjusted as at 31/12/2008)

1996	55.84
1997	86.88
1998	29.99
1999	14.22
2000	55.59
2001	53.71
2002	56.74
2003	82.04
2004	113.36
2005	1,071.69
2006	341.81
2007	383.85
2008	465.98

## FINANCIAL ACTIVITIES

As at December 2007, Entel has a total financial debt of approximately CLP\$405 billion pesos, mainly as a syndicated credit facility of US\$ 600 million that matures in 2014. The remaining debt is constituted by leases relating to some of the corporate immovable property and leasings for the financing of equipment for the Cientec Computación S.A. and Americatel Perú subsidiaries. Additionally, and to a lesser degree, a mortgage loan is

held on this subsidiary.

Additionally, all exchange rate exposure is hedged with various financial instruments, such as forwards and cross currency swaps (the latter is also a hedge of interest rate risk).

In April 2008, bank loans were taken out to finance the working capital for an amount of CLP\$26,991 million until June 2008. This credit was totally repaid in August 2008.

In relation to hedging operations, a forwards portfolio was held of approximately US\$ \$424 million. Additionally, as of December 2008, the ENTEL Group has a forwards portfolio of €\$ 2.5 million.

During 2008, the ENTEL Group had an average surplus balance in cash of CLP\$39,135 million. This surplus is placed in financial institutions, banks or financial entities which are subsidiaries of banks whose risk rating is no lower than N-1. The placement instruments used are redemption agreements of debt instruments issued by the Chilean Central Bank or other state institutions, participation shares in Mutual Funds of fixed income securities and fixed term deposit endorsements issued by banks. In 2008 all the placements were made for terms of less than a year.

## RISK FACTORS

### Risks of Technological Change

The constant introduction of new technologies requires continual innovation which while presenting opportunities also has inherent risks of technological change. These risks arise through possible investment in technologies that may become prematurely obsolete, providing lower returns than expected.

The risk of technological change is therefore inherent in the industry in which ENTEL operates.

Within this context, as ENTEL is at the cutting edge in technological development it is critical for it to remain competitive. Accordingly, ENTEL maintains an active and permanent policy of adopting the most advanced technologies as a strategic part of its growth and development, an adequate analysis of its expected profitability has been undertaken. This has allowed ENTEL to position itself at the technological forefront, successfully adapting itself to the use of new technologies, moving successfully from being able to offer a single product to an integrated provider, adopting new ways of doing business.

In this way the appearance and development of new technologies has enabled ENTEL to grow and diversify, reducing its exposure to individual services.

### Regulatory Risks

Regulation plays an important role in the industry. Standards and non-changing criteria allow for an adequate evaluation of projects and reduce the risk levels of investment. The correct setting of prices allows, in turn, the creation of a healthy, competitive environment without cross subsidizing which can easily arise given the range of products offered by each company on the sector.

The Ministry of Transport and Communication is responsible for setting the access charge rates and other facilities provided by the different telecommunications companies for five-year periods.

During 2008, the rate setting process came into force for the period 2009-

2013, among which feature the access charge rates and other facilities that are provided by mobile phone companies.

In January 2009, Subtel published the new access charge rate for the five-year period 2009 – 2013, which sees an average reduction of 45% compared with that of the 2004 – 2008 period.

Similarly, in 2008 Subtel began the process of tariff setting of The Compañía de Telecomunicaciones de Chile S.A. (Telefónica). However, on 30 January 2009 the Anti Trust Committee issued a new Resolution for the local public telephone service.

The ruling established the deregulation of fixed charges, Local Measured Service (LMS), telephone connection and public telephones, and these will no longer be part of the tariff process affecting the

dominant fixed line operators.

At the same time, it stops the dominant company from offering packages that include fixed and mobile services, promotes the disintegration of networks and number portability.

Nevertheless, the diversification and the relative size of ENTEL enable it to soften the consequences of adverse or inadequate regulation, reducing the added risk to its operation, cash flows, wealth creation for its shareholders and contribution to the community.

However, within a regulated industry such as the one in which the Company operates, changes in standard norms or legal or regulatory policies provided by the authorities resulting in positive and negative impacts on the Company alike, and how they incentivize as well

restrict the possibilities for growth, cannot be discounted.

### Exchange Rate Risks

The majority of the Company debt is expressed in US dollars as are most of the purchases made to buy equipment and the necessary investment for the normal functioning of the business. This exposes the Company to the fluctuations of this currency. This risk is mitigated by ENTEL's exchange coverage policy which contemplates 100% of the net balance exposure, done through a diverse selection of instruments such as forward contracts, cross currency swaps and options.

### Interest Rate Risks

As at December 2008, the Company had credit for the amount of US\$

The following table summarises the shares transactions of Empresa Nacional de Telecomunicaciones S.A. during the last three years:

	Santiago Stock Exchange			E- Stock Exchange Chile			Stock Market		
	Amount Traded	Amount Traded (CLP\$)	Price Average	Amount Traded	Amount Traded (CLP\$)	Price Average	Amount Traded	Amount Traded (CLP\$)	Price Average
Q1 2006	6,726,303	35,726,779,571	5,309	2,003,643	10,620,072,014	5,204	32,531	168,784,508	5,188
Q2 2006	21,054,848	117,503,670,192	5,554	2,469,754	13,375,497,014	5,384	9,553	52,845,564	5,532
Q3 2006	11,909,795	62,289,057,181	5,236	1,269,181	6,629,427,881	5,216	46,627	242,995,070	5,211
Q4 2006	21,106,006	117,994,124,124	5,571	1,480,985	8,174,385,503	5,574	108,635	614,467,699	5,656
Q1 2007	29,720,878	216,040,069,717	7,278	4,075,075	29,233,356,863	7,188	76,641	563,048,642	7,347
Q2 2007	23,615,534	200,874,766,447	8,474	3,826,484	32,180,108,840	8,402	119,879	994,846,814	8,299
Q3 2007	19,401,668	165,538,786,011	8,497	2,400,857	20,341,036,160	8,604	37,215	319,228,563	8,578
Q4 2007	28,301,732	219,843,097,600	7,769	4,303,376	33,410,239,621	7,769	8,664	71,368,487	8,237
Q1 2008	18,500,098	135,474,170,931	7,263	2,149,482	16,177,022,624	7,506	31,729	228,382,373	7,198
Q2 2008	23,226,942	174,939,014,090	7,513	1,818,073	13,383,571,158	7,326	16,623	120,610,897	7,256
Q3 2008	11,035,830	74,246,442,687	6,726	1,265,359	8,518,218,040	6,733	49,667	333,605,392	6,717
Q4 2008	19,175,907	129,971,673,014	6,736	2,775,009	19,038,958,280	6,280	11,780	78,344,941	6,651
<b>Total</b>	<b>233,775,541</b>	<b>1,650,441,651,565</b>	<b>7,060</b>	<b>29,837,278</b>	<b>211,081,893,998</b>	<b>7,074.44</b>	<b>549,544</b>	<b>3,788,528,950</b>	<b>6,893.95</b>

\$600million at a variable rate, something which may impact on the Company's expected financial expenses.

To mitigate against the effects of changes in the interest rate, ENTEL insures a percentage of this amount with an interest rate insurance (Cross Currency Swaps).

### SHAREHOLDERS COMMENTS

This report does not include any comments or proposals made by the shareholder relating to the running of the business as no requests have been received for their inclusion.

### SUMMARY OF ESSENTIAL OR RELEVANT EVENTS

In the 2008 financial year, the Company reported 4 essential Facts to the Superintendency of Stocks and Securities in line with the regulation in force.

#### 1.- 7 April 2008.

It was reported that the Board of Directors had agreed to:

a.- Call an Ordinary Shareholders Meeting for Tuesday, 29 April, 2008 and that this notification with supporting papers will be sent out expediently to shareholders and other organs as stated in the legal regulations; and

b.- Propose to the Ordinary Shareholders Meeting to make a final dividend payment from the annual profits of CLP\$ 443 per share, from which the

sum of CLP\$ 100 per share is to be discounted in respect of the interim dividend paid in December 2007, leaving the amount of CLP\$343 to distribute on the date to be decided by the Ordinary Shareholders Meeting.

#### 2.- 29 April 2008

It was reported that the Shareholders Meeting held on this day agreed the following:

a.- To approve the Annual Report, Balance Sheet and Income Statement for the financial year 2007.

b.- To make a final dividend payment of CLP\$ 443 per share, equivalent to 79.96% of the liquid annual profits. In respect of this payment, on discounting the interim dividend of CLP2\$ 100 paid in December 2007, the outstanding balance to pay is \$ 343 per share, to be made on 26 May 2008.

### REMUNERATION OF THE BOARD

	ID NO.	THCLP\$ 2008	THCLP\$ 2007
Juan Hurtado Vicuña	5.715.252-6	76,480	76,588
Luis Gazitúa Achondo	6.069.087-1	61,562	58,845
Juan Bilbao Hormaeche	6.348.511-K	32,625	20,498
Juan Claro González	5.663.828-8	30,780	33,622
René Cortázar Sanz	5.894.548-K	-	11,272
José Daza Narbona	8.452.391-7	27,990	17,707
Ricardo Fischer Abeliuk	6.400.720-3	-	15,014
José Garcés Silva	3.984.154-1	-	10,325
Alejandro Jadresic Marinovic	7.746.199-K	43,837	27,945
Juan Mac-Auliffe Granello	5.543.624-K	33,579	33,622
Bernardo Matte Larraín	6.598.728-7	31,724	33,622
Rodrigo Vergara Montes	7.980.977-2	44,773	41,076
<b>TOTAL</b>		<b>383,348</b>	<b>380,136</b>

c.- The investment and financing policy was approved and the dividends policy was published, which essentially apply to the previous financial year.

d.- The remuneration of the Board, the remuneration and budget of the Executive Committee approved in the previous Ordinary Shareholders meeting was upheld and the appointment of Ernst&Young as external auditors was approved, the appointment of permanent and alternate account inspectors, the appointment of Feller Rate(S&P) and Fitch Ratings as risk rating agencies was made, the Santiago newspaper El Mercurio was selected for the publication of advertisements and notices and there were reports on related operations.

#### 3.- 1 December 2008

It was reported that the Board had agreed to make an interim dividend payment of CLP\$100 (one hundred pesos) per share, from 17 December 2008, charged to the profits for the third quarter of this year.

The payment of this interim dividend will reach the total sum of CLP\$23,652,369 (twenty three thousand six hundred fifty two million three hundred and sixty nine thousand pesos), representing 20.22 % of profits to the third quarter 2008.

#### 4.- 2 December 2008

It was reported that the Company and its subsidiary Entel Inversiones S.A. have signed a purchase agreement for the totality of the shares of Cientec Computación S.A. ("Cientec"), owned until then by Inversiones Balilia Limitada and Millenium Fondo de Inversión Privado, in shares of 0.0001% and 99.999% respectively.

The price of the purchase agreement

for the total shares of Cientec was for the single sum of CLP\$15,266,715,245, with a price of CLP\$49,189 for each Cientec share.

The final payment price which should not experience major variations will be decided after the final audited set of accounts prepared by external auditors on being appointed by the purchasers.

More details can be found in the corresponding section of the Financial Statement on page 124.

#### INSURANCE

ENTEL insures all its businesses in Chile and overseas, in respect of the risks to the assets, activities and generation of profits. The programme of insurances has always kept a special emphasis on those areas where the occurrence of the risk could have a significant impact on the economic and financial results of the group, due to damages involuntarily produced as a result of the development of the Company's activities.

The strategy is to have the best coverage possible against the most serious risks causing significant losses and prevent some of the smallest risks whose financial impact is minimal, combining low premium costs with a high coverage of risks.

In the 2008 financial year, there was a particular focus on two aspects: firstly, the evaluation of assets and the cost of replacement; and secondly, disaster recovery plans.

The main policies (considered in the ENTEL insurance programme are:

All Physical Asset Risks and Losses due to Stoppages: this covers against

all risks to all the assets owned by the Group's companies and also the loss of net income resulting from potential downtime caused by accidents;

Business Liability: covers against potential pecuniary demands for damages caused to third parties or their assets, while developing the business activities whether at their facilities, public areas or in third-party premises;

Directors and Officers Liability (D&O): this is to protect Directors and Officers of ENTEL companies in the event that they are sued by third parties, aiming to compensate their Equity Losses due to decisions taken by them;

Floating for International Transportation; protects against possible damages to equipment and material imported by land, sea and air transportation.

Miscellaneous: Car insurance, Mobile Equipment insurance, Travel Insurance, Personal Accident Health Insurance, Life Insurance, Coasting Trade Insurance, etc.



## TRANSFER CONTRACTS BETWEEN HEAD OFFICE AND AFFILIATES

During 2008, the following transfer contracts were implemented between the Parent company ENTEL and its affiliates:

### ENTEL - ENTEL PCS - ENTEL MÓVIL

ENTEL PCS and ENTEL Móvil contracted from ENTEL S.A. domestic signal transport services in dedicated and switched mode for US\$ 71,0 million.

Additionally, ENTEL PCS leased and subleased to ENTEL S.A. physical spaces in buildings, stores and radio stations owned by ENTEL PCS or by a third party; it also contracted consulting services in marketing, telephone technical services and Data Center services for US\$ 3,2 million.

### ENTEL - ENTELPHONE

ENTEL S.A. annually leases to ENTEL Phone telecommunications infrastructure and installation, operation and network maintenance services for US\$25,3 million.

Furthermore, ENTEL S.A. leased or subleased physical spaces in buildings and stores, provided data processing computer services, network administration and administrative services for US\$ 6,0 million.

### ENTEL - ENTELFÓNICA

ENTELFónica contracted from ENTEL S.A. national and international signal transport services; it received administration and computer services, and leased and subleased physical spaces in buildings and stores for US\$ 1,0million.

### ENTEL - SATEL

SATEL contracted from ENTEL S.A. international signal transport, administration services and Installation, operation and maintenance of services for US\$ 152,240.

### ENTEL - ENTEL CALL CENTER

ENTEL Call Center leases physical spaces in ENTEL S.A. offices. Additionally, it receives administration services and computer services, amounting to US\$ 459,276.

### ENTEL - MICARRIER

MICARRIER contracted from ENTEL operation and maintenance services for telephone exchanges and switching equipment, administration and computer services and leases offices, for US\$ 87,733.

## SUBSCRIPTION OF THE ANNUAL REPORT

Pursuant to the General Standard no. 30 of the Securities and Insurance Superintendence, this Report is signed by the absolute majority of the members of the Company's Board of Directors.

## STATEMENT OF TRUTH

The undersigned, directors of Empresa Nacional de Telecomunicaciones S.A. declare under oath to be responsible for the veracity of the information provided in this Annual Report 2008.

## SWORN STATEMENT

The undersigned, directors of Empresa Nacional de Telecomunicaciones S.A. declare under oath that the Company is not in receivership.

## SIGNING OF THE ANNUAL REPORT

Juan José Hurtado Vicuña  
Chairman  
ID 5.715.251-6

Luis Felipe Gazitúa Achondo  
Vice Chairman  
ID 6.069.087-1

Juan José Claro González  
Director  
ID 5.663.828-8

Alejandro Jadresic Marinovic  
Director  
ID 7.746.199-K

Juan Bilbao Hormaeche  
Director  
ID 6.348.511-K

Juan José Mac-Auliffe Granello  
Director  
ID 5.543.624-K

Bernardo Matte Larraín  
Director  
ID 6.598.728-7

José Luis Daza Narbona  
Director  
ID 8.452.391-7

Rodrigo Vergara Montes  
Director  
ID 7.980.977-2

# CONSOLIDATED FINANCIAL STATEMENTS

ENTEL





## Empresa Nacional de Telecomunicaciones S.A. and Affiliates General Consolidated Balances up to 31 December 2008 and 2007

(in thousands of Chilean pesos)

ASSETS	Number Note	31/12/08 Current	31/12/07 Previous
<b>TOTAL CURRENTS ASSETS</b>		<b>402,116,590</b>	<b>342,531,404</b>
Cash		8,167,550	4,919,822
Time deposits	32	35,401,270	60,015,687
Marketable securities (net)		-	-
Trade accounts receivable (net)	4	229,753,198	204,725,890
Notes receivable (net)	4	7,614,325	7,324,032
Misc, debtors (net)	4	38,464,412	5,610,429
Notes and accounts receivable from related companies	5	598,345	510,843
Inventories (net)	6	38,337,303	24,130,314
Recoverable income tax		13,954,369	12,000,022
Pre-paid expenses	34	13,051,608	9,159,955
Deferred income taxes	7	15,689,285	12,611,002
Other current assets	8-9	1,084,925	1,523,408
Leasing contracts (net)		-	-
Leased Assets (net)		-	-
<b>TOTAL FIXED ASSETS</b>	10	<b>968,980,902</b>	<b>913,509,640</b>
Land		9,010,409	8,677,718
Building and infrastructure works		293,493,797	251,951,276
Machines and equipment		1,998,326,152	1,842,935,962
Other fixed assets		302,456,520	297,161,858
Maximum value for technical revaluation of fixed assets		-	-
Accumulated depreciation (less)		(1,634,305,976)	(1,487,217,174)
<b>Total other assets</b>		<b>87,720,984</b>	<b>71,128,644</b>
Investments in related companies		-	-
Investments in other companies		-	-
Negative goodwill on investments	11	53,500,570	47,245,394
Goodwill on investments (less)		-	-
Long term accounts receivables	4	16,208,896	7,321,461
Long term notes and accounts receivable from related companies		-	-
Long term deferred taxes		-	-
Intangibles	12	15,052,745	14,004,311
Amortization (less)	12	(7,761,814)	(7,241,274)
Others	13	10,720,587	9,798,752
Long term leasing contracts (net)		-	-
<b>TOTAL ASSETS</b>		<b>1,458,818,476</b>	<b>1,327,169,688</b>

## Empresa Nacional de Telecomunicaciones S.A. and Affiliates General Consolidated Balances up to 31 December 2008 and 2007

(in thousands of Chilean pesos)

LIABILITIES	Number Note	31/12/08 Current	31/12/07 Previous
<b>TOTAL CURRENT LIABILITIES</b>		<b>287,032,187</b>	<b>237,367,277</b>
Short term obligations with banks and financial institutions	14	121,374	-
Long term obligations with banks and financial institutions with expiration within one year	14	381,234	661,684
Public obligations (payments)		-	-
Public obligations (bonds) expiring within one year		-	-
Long term obligations expiring within one year	36	5,063,812	1,416,072
Dividends payable		249,698	286,552
Accounts payable	35	235,187,358	186,013,383
Notes payable		464,933	-
Miscellaneous creditors	33	2,594,499	10,285,157
Notes and accounts payable to related companies		-	-
Provisions	16-17	11,799,263	10,794,247
Withholdings		17,680,247	16,915,481
Income tax	7	3,028,347	1,674,798
Unearned income		8,870,416	8,836,331
Deferred taxes		-	-
Other current liabilities		1,591,006	483,572
<b>TOTAL LONG TERM LIABILITIES</b>		<b>442,366,436</b>	<b>405,614,966</b>
Obligations with Banks and financial institutions	15	382,657,535	324,667,926
Public obligations (bonds)		-	-
Long term notes payable	36	17,360,053	16,314,118
Miscellaneous long term creditors,	33	20,674,569	43,439,871
Long term notes and accounts payable, related companies		-	-
Long term provisions	16-17	8,343,230	7,102,571
Long term deferred taxes	7	11,029,878	11,520,711
Other long term liabilities	18	2,301,171	2,569,769
<b>MINORITY INTERESTS</b>		-	-
<b>TOTAL SHAREHOLDERS EQUITY</b>	20	<b>729,419,853</b>	<b>684,187,445</b>
Paid in capital		522,667,567	522,667,567
Revaluation reserve		-	-
Surcharge in sale of own assets		-	-
Other reserves		(895,937)	(3,158,786)
Retained income (total 5,24,51,00 al 5,24,56,00)		207,648,223	164,678,664
Future dividends reserve		-	-
Accumulated income		77,790,975	47,735,815
Accumulated losses (less)		-	-
Net Income (loss) for period		153,509,618	142,700,280
Interim dividend (less)		(23,652,370)	(25,757,431)
Accumulated deficit		-	-
<b>TOTAL LIABILITIES</b>		<b>1,458,818,476</b>	<b>1,327,169,688</b>

**Empresa Nacional de Telecomunicaciones S.A. and Affiliates  
General Consolidated Income as at up to  
31 December 2008 and 2007**

(in thousands of Chilean pesos)

	Note Nº	From 01/01/2008 to 31/12/2008	From 01/01/2007 to 31/12/2007
<b>INCOME STATEMENT</b>			
<b>OPERATING INCOME</b>		<b>217,091,302</b>	<b>210,483,422</b>
OPERATING MARGIN		447,035,436	417,847,283
Operating income		1,066,893,569	982,972,562
Operating costs (less)		(619,858,133)	(565,125,279)
Administration and selling expenses (less)		(229,944,134)	(207,363,861)
<b>NON OPERATING INCOME</b>		<b>(25,967,904)</b>	<b>(34,851,934)</b>
Income from Interest		2,689,512	4,326,538
Income from investments in other related companies <sup>est</sup>		-	-
Other non operating income	21	1,641,139	767,044
Losses from investments in related companies (less)		-	-
Amortization of goodwill (less)	11	(3,969,382)	(3,969,382)
Interest expenses (less)		(14,476,675)	(21,360,881)
Other not operating expenses (less)	21	(14,075,950)	(25,414,304)
Monetary correction	22	4,408,220	12,730,328
Foreign currency translation	23	(2,184,768)	(1,931,277)
<b>EARNINGS BEFORE INCOME TAX AND EXTR. ITEMS</b>		<b>191,123,398</b>	<b>175,631,488</b>
<b>INCOME TAX</b>	7	<b>(37,613,780)</b>	<b>(32,931,208)</b>
<b>EXTRAORDINARY ITEMS</b>		-	-
<b>INCOME (LOSSES) BEFORE MINORITY INTEREST</b>		<b>153,509,618</b>	<b>142,700,280</b>
<b>MINORITY INTERESTS</b>		-	-
<b>NET INCOME (LOSSES) LIQUID</b>		<b>153,509,618</b>	<b>142,700,280</b>
Amortization Goodwill of investments		-	-
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		<b>153,509,618</b>	<b>142,700,280</b>

**Empresa Nacional de Telecomunicaciones S.A. and Affiliates,  
Consolidated Cash Flow Statement for the years ending  
31 December 2008 y 2007**

(in thousands of Chilean pesos)

	Note	From 01/01/2008 to 31/12/2008	From 01/01/2007 to 31/12/2007
	Nº	Current	Previous
<b>CASH FLOW STATEMENT-DIRECT METHOD</b>			
<b>NET FLOW ORIGINATING FROM OPERATING ACTIVITIES</b>		<b>369,168,776</b>	<b>366,960,012</b>
Collection of Trade accounts receivables		1,254,948,082	1,165,561,132
Interest income received		11,685,129	8,768,751
Dividends and other income received		968	1,044
Other received income		1,336,227	7,680,562
Payment to suppliers and personnel (less)		(758,149,746)	(676,385,598)
Interest payments (less)		(23,642,918)	(29,386,812)
Income tax paid (less)		(42,831,769)	(40,843,302)
Other expenses paid (less)		(3,196,484)	(4,514,368)
VAT and other similar payments (less)		(70,980,713)	(63,921,397)
<b>NET FLOW USED FOR FINANCING ACTIVITIES</b>		<b>(106,617,919)</b>	<b>(221,684,463)</b>
Share placements		-	-
Loans obtained		-	-
Public obligations		-	-
Documented loans from related companies		-	-
Loans obtained from other related companies		-	-
Other sources of financing	24	39,851,067	5,426,509
Dividend payments (less) (		(104,816,851)	(87,013,973)
Distribution of capital (less)		-	-
Loan payments (less)		(172,488)	(159,137)
Payment of public obligations (less)		-	(126,277,759)
Payment of documents of related companies (less)		-	-
Payment of other loans of related companies (less)		-	-
Payment of issue costs and share placement (less)		-	-
Payment of issue costs and placement of public obligations (less)		-	-
Other financing expenses(less)	24	(41,479,647)	(13,660,103)
<b>NET FLOW ORIGINATING FROM INVESTMENT ACTIVITIES</b>		<b>(282,436,342)</b>	<b>(267,501,352)</b>
Sales of fixed assets		54,374	1,163,311
Sales of permanent investments		-	-
Sales of other investments	24	696,817,765	545,661,506
Revenue from documented loans to related companies		-	-
Revenue from other loans to related companies,		-	-
Other investment income		9,704,772	129,943,847
Incorporation of fixed assets (less)		(274,500,349)	(266,963,554)
Payment of capitalized interests (less)		-	-
Permanent investments (less)		(12,486,819)	-
Investments in financial instruments (less)		(699,089,720)	(546,568,497)
Documented loans to related companies (less)		-	-
Other loans to related companies (less)		-	-
Other investment expenses (less)	24	(2,936,365)	(130,737,965)
<b>TOTAL NET FLOW OF THE PERIOD</b>		<b>(19,885,485)</b>	<b>(122,225,803)</b>
<b>EFFECT OF PRICE-LEVEL RESTATEMENT ON CASH &amp; CASH EQUIVALENTS</b>		<b>(1,665,517)</b>	<b>(6,583,962)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENT</b>		<b>(21,551,002)</b>	<b>(128,809,765)</b>
<b>INICIAL BALANCE OF CASH AND CASH EQUIVALENT</b>		<b>64,935,510</b>	<b>193,745,275</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>43,384,508</b>	<b>64,935,510</b>

**Empresa Nacional de Telecomunicaciones S.A. and Affiliates,  
Consolidated Cash Flow Statement for the years ending  
31 December 2008 y 2007**

(in thousands of Chilean pesos)

	Note Nº	From 01/01/2008 to 31/12/2008	From 01/01/2007 to 31/12/2007
<b>RECONCILIATION INCOME AND CASH FLOW</b>			
(Income) Losses for the period		153,509,618	142,700,280
Income from sales of assets		53,416	414,639
(Income) Losses in sales of fixed assets		53,416	6,877
Gain from sales of investments (less)		-	-
Losses in investment sales		-	407,762
(Incomes) Losses in sales of other assets		-	-
<b>Charges (credits) to income that do not represent cash flow</b>		241,138,513	218,217,578
Depreciation	10	205,150,519	184,001,036
Amortization of intangibles	12	800,147	819,712
Write-offs and provisions		40,466,421	36,548,997
Accrued gains in investments in related companies (less)		-	-
Accrued losses in investments in related companies		-	-
Amortization of negative goodwill on investments	11	3,969,382	3,969,382
Amortization of goodwill on investments (less)		-	-
Monetary correction, net	22	[4,408,220]	(12,730,328)
Foreign currency translation, net	23	2,184,768	1,931,277
Other credits to incomes that do not represent cash flows (less)		(6,858,160)	(2,974,427)
Other charges to income that do not represent cash flows		(166,344)	6,651,929
<b>Changes in assets affecting cash flow (increases) decreases</b>		(82,091,109)	(47,358,679)
Trade accounts receivable		(61,928,990)	[39,985,225]
Inventories		(13,252,539)	[3,565,850]
Other assets		(6,909,580)	[3,807,604]
<b>Changes in liabilities affecting cash flow increases (decreases)</b>		56,558,338	52,986,194
Accounts payable related operating income		35,330,695	43,699,659
Interest payable		173,008	(757,997)
Income tax payable (net)		5,198,669	537,270
Other accounts to payable related to non operating income		246,333	(1,275,838)
VAT and similar taxes to pay (net)		15,609,633	10,783,100
<b>Gains (Losses) attributable to minority interest</b>		-	-
<b>NET CASH FLOW ORIGINATING FROM OPERATING ACTIVITIES</b>		<b>369,168,776</b>	<b>366,960,012</b>

## Empresa Nacional de Telecomunicaciones S.A. & Affiliates Notes to the Consolidated Financial Statements as at 31 December 2008

### 01. INSCRIPTION IN THE REGISTER OF SECURITIES

Empresa Nacional de Telecomunicaciones S.A. (Entel-Chile S.A.), represents the Parent company of the group of companies to which the consolidated financial income statements refer. It is a publicly-held corporation, subject to monitoring by the Superintendence of Securities and Insurance (SVS), and it is registered with the Securities Registry under number 0162.

The subsidiaries included in the consolidated financial statements are companies located in Chile and overseas.

The subsidiaries formed in Chile are represented by privately-held corporations not subject to the oversight of the SVS and are not required to register with the Securities Registry.

However, the subsidiaries Entel PCS Telecomunicaciones S.A., Entel Telefonía Móvil S.A., Entel Telefonía Personal S.A. and Micarrier Telecomunicaciones S.A. have voluntarily registered with the Securities Registry under numbers 636, 635, 706 and 612, respectively, and are therefore subject to monitoring by the SVS.

### 02. SUMMARY OF ACCOUNTING POLICIES

**a) Accounting period** – The consolidated balance sheets, statements of income and cash flows cover the years ended December 31, 2008 and 2007.

**b) Basis of preparation** – These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Chile (“Chilean GAAP”), issued by the Chilean Association of Accountants and the rules and regulations issued by the SVS.

**c) Basis of presentation** – For comparative purposes, the financial statements for the previous year have been price-level restated based on the variation of the Chilean Consumer Price Index (CPI) during the 12 months previous to 31 December 2008. The variation for this year was 8.9%.

**d) Basis of consolidation** – These consolidated financial statements include total assets, liabilities and cash flows of the Parent company and its subsidiaries.

For consolidation purposes, significant transactions and balances between consolidated companies have been eliminated. Consolidated companies as at December 31, 2008 and 2007 are shown in the table attached to this note.

In December 2008, the Company acquired a new subsidiary (Cientec Computación S.A.); for the purposes of consolidation their results and cash flows are only considered from that month on.

**e) Price-level restatement** – The consolidated financial statements have been price-level restated through the application of price-level restatement standards in accordance with Chilean GAAP, in order to express currency amounts valued as at December 31, 2008.

Opening balances have been readjusted by 8.9% in 2008 and by 7.4% in 2007, according to the variation in the CPI for each year, lagged by one month.

Balances and operating cash flows during the periods covered by the financial statements have been restated by the variation in the same index between the date of the operation and the closing date.

**f) Basis of conversion** – Assets and liabilities in foreign currency or expressed in other conversion units, are converted to Chilean pesos using the current rates at each year-end. As at December 31, 2008 and 2007 the following exchange rates were used:

	2008	2007
	\$	\$
American Dollar	US\$ 636.45	496.89
Euro	€ 898.81	730.94
Unidad de Fomento	UF 21,452.57	19,622.66

**g) Time deposits** – Time deposits are presented at cost, including accrued interest as at year-end.

**h) Inventory.** Assets for sale are valued at their average costs, price level adjusted, which may not exceed its net realizable value.

At each year-end, the Company presents a provision for adjustment at estimated sale.

**i) Allowance for bad debt** – Differentiated percentages are used to calculate bad debt, considering age factors and possible collection management costs for different levels of customers. Likewise, there is differentiation between common debts and renegotiated and documented debts.

Additionally, in the segment of dialing multicarrier system customers, there is experience with the behavior of these debtors, as well as the standards set by the authority, to recover outstanding debts.

The aforementioned factors are considered for determining both the provision for billed and unbilled services

**j) Fixed assets.** Fixed assets are presented at their purchase price, plus any legal reevaluation.

Actual interest accrued on loans directly associated with financing of works-in-progress is capitalized during the development stage and up to the date on which work is put into operation.

**k) Depreciation of fixed assets** – Depreciation is calculated on the price-level restated balances of assets in operation using the straight-line method, based on the useful life of each type of asset in accordance with current studies and/or legal regulations.

The Group has contracts with mobile services customers, who are provided with telephone equipment on a rental basis. This equipment is depreciated using the straight-line method based on their useful life.

**l) Leased assets** – Leased assets with a purchase option, under contracts with the characteristics of a financial lease, are recorded as assets. Their valuation is equivalent to the present value of the agreed upon installments and the amount to be paid to exercise the purchase option. Revaluation and depreciation of these assets is performed under general standards affecting property, plant and equipment.

Ownership of these assets is legally acquired when the purchase option is exercised, therefore, until this occurs they cannot be freely disposed of.

In addition, assets that are leased out under contracts with the aforementioned characteristics are considered as sold in the accounting records reducing them from inventory. The result from these transactions is determined at the “net present value” of installments receivable with regard to the acquisition or construction value of the assets sold.

**m) Intangible assets** – Intangible assets include costs incurred in obtaining operating licenses, internet domain rights and easements constituted in favor of the Group companies. Licenses are amortized based on the lower of estimated operating

period or contractual period, which ranges from 4 to 10 years; internet domains are amortized over a period of 4 years; and easements are amortized over the term of the contract, with a maximum of 20 years.

**n) Investments in related companies and in other companies** - Investments and their corresponding goodwill in companies located in economically stable countries are controlled in the currency of the respective country, whereas investments in countries defined as unstable are controlled in United States dollars.

For price-level restatement purposes, assets and liabilities associated with these investments are initially restated with a charge or credit to income on the basis of the variation in the Consumer Price Index (CPI). Subsequently, the differences that can occur with respect to the equivalencies of the currency in which they are controlled are adjusted with a charge or credit to the shareholders' equity account "Cumulative translation adjustment."

This accounting criterion corresponds to the provisions of Technical Bulletin No. 64 issued by the Chilean Association of Accountants.

**ñ) Goodwill and negative goodwill of Investments** - Differences generated when entering or increasing the percentage of participation in related companies between the amounts paid and the respective proportional equity value of the Company as a result of the transaction, are deferred with a charge or credit to other assets, depending on whether it is goodwill or negative goodwill. Its transfer to income in the case of goodwill is performed annually with a charge to expenses according to the regularly undertaken evaluation of the business outlook of the respective companies with a maximum of 20 years or for the total in the event of disposal.

**o) Current and deferred income taxes** - The income tax provision is determined on the basis of net taxable income determined for tax purposes.

Deferred taxes generated by temporary differences between the tax and financial bases are recorded as assets or liabilities, as applicable, affecting the results for the years in which these differences generate.

This policy has been fully applied since January 1, 2000, in accordance with Technical Bulletin No. 60 and complementary bulletins issued by the Chilean Association of Accountants.

Deferred income taxes accrued but not recognized in the accounting records as at December 31, 1999, are controlled in complementary accounts. These complementary accounts are reversed with a charge or credit to income for the years in which they are realized, except for the case of taxes associated with tax losses, which are reversed in the period in which they are used for tax purposes.

Deferred tax assets and liabilities are recognized according to the tax rates that will be effective in the years when these are expected to be realized or liquidated.

**p) Staff severance indemnities** - Staff severance indemnities are recorded using the present value of the accrued cost of the benefit method, applying an annual discount rate of 6%.

**q) Operational Revenue recognition** - Revenues from sales arising from the line of business of the Group companies are recorded on an accrual basis. Methods used in determining the value of the services provided for billing or for provisions at each accounting closing date, are as follows:

- Measurement and valuation of services rendered are performed through computer systems and procedures that allow matching, validating and establish rates for services provided from records in the respective switchboards and service control platforms. These systems ensure adequate reasonableness of billing and accounting provisions, both in respect to volume and valuation.
- With respect to calls made from overseas, amounts recorded correspond exclusively to traffic effectively processed, which is valued according to the agreed upon shared rates. Their presentation and classification in the financial statements depends

on the nature of the balance, which can be debit or credit, depending on whether there has been more participation in favor or against, respectively.

- Revenues generated from the sale of prepaid card are recognized on the first of the month in which traffic is used or the month in which the card expires.

- Revenues from access charges to the mobile service network (calling party pays) are recognized as such in the month in which the charges occur, based on actual traffic measurements.

- Revenues from sale of telephone sets and accessories are recognized when these are delivered to customers or installed, as applicable.

**r) Derivatives contracts.** The Group companies have contracts to cover the risks of fluctuations in the exchange rate and interest rate.

Derivative instruments correspond to foreign currency deferred purchase and sale agreements (forward) and exchange and interest rate simultaneous hedging agreements (cross currency swap).

Criteria applied in the accounting recognition of these contracts are as follows:

- As applicable, compensations in favor or against each contract are recorded in assets or liabilities and stated at fair market value as of each year-end.

- Net changes accumulated for the fair market value of derivative contracts and of hedged entries are charged to income when they represent losses and to deferred liabilities when they represent gains.

- These contracts have been classified as hedging contracts.

- Transitional hedging excesses generated during the normal or extraordinary service of hedged liabilities are treated as investment agreements for accounting purposes.

#### Cross Currency Swap Agreements

- Derivative contracts consider the cash flow exchange with subscribing banks.

- At each year-end, accrued flow differences payable or receivable are established both for interest rate differences and for foreign currency translation and the related assets or liabilities are recorded when applicable.

- The fair market value is obtained and is recognized by the Company in accounting differences with respect to the value at which they have been recorded. These differences are controlled in deferred asset or liability accounts in consideration of whether there are negative or positive balances.

**s) Computer software** – The acquisition costs of computer packages (software), are capitalized and depreciated over a period of 4 years.

**t) Statements of cash flows** – Cash and cash equivalents are defined as balances available in cash, banks, short-term deposits in the financial system and fixed income mutual funds maturing in a maximum of 90 days. There are no other items which should be considered as cash equivalents.

Cash flows from operating activities only include income and disbursements derived from normal operations.

**u) Share issuance costs** – As at December 31, 2008 and 2007, there are no deferred assets recorded for share issuance costs.

The last share issuance was performed in 1999 and associated costs were fully charged to expenses for the year.

**v) Employee vacation** – The cost of employee vacation is recorded in the year in which this benefit is accrued, regardless of when employees actually take the vacation.

w) **Long-term financing expenses** – Initial commission, advisory and tax expenses associated with obtaining long-term loans are deferred and amortized over the term fixed for the servicing of the loan. In the event of exercising prepayment clauses, the balances of these deferred assets are charged to income.

#### Companies Included in the Consolidation

TAX REFERENCE NUMBER	COMPANY NAME	PARTICIPATION PERCENTAGE SHARE			
		31/12/08		31/12/07	
		DIRECT	INDIRECT	TOTAL	TOTAL
79.826.760-4	ENTEL TELEFONÍA PERSONAL S.A,	94,6400	5,3600	100,0000	100,0000
96.806.980-2	ENTEL PCS TELECOMUNICACIONES S.A,	0,1000	99,9000	100,0000	100,0000
96.679.680-4	ENTEL TELEFONÍA MÓVIL S.A,	0,0800	99,9200	100,0000	100,0000
76.479.460-5	ENTEL COMERCIAL S.A,	0,0000	100,00 00	100,0000	100,0000
96.561.790-6	ENTEL INVERSIONES S.A,	99,9900	0,0100	100,0000	100,0000
96.554.040-7	ENTEL SERVICIOS TELEFÓNICOS S.A,	91,4200	8,5800	100,0000	100,0000
96.563.570-K	ENTEL CALL CENTER S.A,	90,0000	10,0000	100,0000	100,0000
96.697.410-9	ENTEL TELEFONÍA LOCAL S.A,	99,0000	1,0000	100,0000	100,0000
96.548.490-6	MICARRIER TELECOMUNICACIONES S.A,	99,9900	0,0100	100,0000	100,0000
96.553.830-5	SATEL TELECOMUNICACIONES S.A,	99,9000	0,1000	100,0000	100,0000
96.672.640-7	RED DE TRANSACCIONES ELECTRÓNICAS S.A,	99,9855	0,0145	100,0000	100,0000
79.637.040-8	SOC. DE TELECOMUNICACIONES INSTABEEP LTDA,	0,0000	100,0000	100,0000	100,0000
96.682.830-7	CIENTEC COMPUTACIÓN S.A,	99,9990	0,0010	100,0000	0,0000
0-E	ENTEL INTERNACIONAL B.V.I. CORP,	100,0000	0,0000	100,0000	100,0000
0-E	ENTEL USA HOLDING INC,	0,0000	100,0000	100,0000	100,0000
0-E	AMERICATEL PERÚ S.A,	46,5700	53,4300	100,0000	100,0000
0-E	SERVICIOS DE CALL CENTER DEL PERÚ S.A,	0,0037	99,9963	100,0000	0,0000

#### 03. ACCOUNTING CHANGES

The accounting principles and criteria described in note 2 were applied consistently during 2008 and 2007.

#### 04. SHORT AND LONG TERM RECEIVABLES

Short and long-term receivables are made up of Trade Accounts Receivable, Notes Receivable, Miscellaneous Receivables and Long term Accounts Receivable.

The following tables detailing each account are attached to this note:

- . Detail by due date and associated allowance for doubtful accounts.
- . Detail by concept of the debt.

#### Short and Long Term Receivables

Description	CURRENT						LONG TERM		
	Up to 90 days		More than 90 days 1 year		Subtotal	Total Current (net)		31/12/08	31/12/07
	31/12/08	31/12/07	31/12/08	31/12/07		31/12/08	31/12/07		
Trade accounts receivable	274,935,161	245,483,354	5,520,469	-	280,455,630	229,753,198	204,725,890	-	-
Provision for bad debt	-	-	-	-	50,702,432	-	-	-	-
Notes Receivable	10,839,051	11,080,979	14,655	-	10,853,706	7,614,325	7,324,032	-	-
Provision for bad debt	-	-	-	-	3,239,381	-	-	-	-
Miscellaneous receivables	38,285,168	5,680,831	274,523		38,559,691	38,464,412	5,610,429	16,208,896	7,321,461
Provision for bad debt	-	-	-	-	95,279	-	-	-	-
<b>TOTAL LONG TERM RECEIVABLES</b>								<b>16,208,896</b>	<b>7,321,461</b>

Trade Accounts Receivable includes the value of services rendered and not billed in the amount of ThCLP\$70,579,302 as at December 31, 2008 and ThCLP\$75,465,559 as at December 31, 2007.

Allowance for doubtful accounts as at December 31, 2008, is broken down into ThCLP\$50,506,709 for billed services and ThCLP\$195,723 for services rendered pending billing (ThCLP\$40,535,709 and ThCLP\$221,719 in 2007, respectively).

Notes receivable include documents subscribed by the distributors of prepayment cards and by customers with respect to debt renegotiations.

Long-term accounts receivable, under Lease Receivables, reflect balances related to the current contract with Telmex S.A. and correspond to the principal installments to be collected in a term of over one year for long-term rental of telecommunications infrastructure.

The contract contemplates 19 equal annual payments of UF 40,262.12 each, the last of which is due on January 10, 2017 and a final installment, representing the purchase option, of UF 30,196.59 due on January 10, 2018.

This value is shown net of non accrued interest, which was determined based on the agreement's annual interest rate of 8.7%.

**Short and Long Term Receivables**

 December  
2008  
ThCLP\$ 

 December  
2007  
ThCLP \$ 

**TRADE ACCOUNTS RECEIVABLE**

Customers	212,514,590	182,391,415
Callers overseas	6,356,758	4,587,013
Other telecommunications operators	61,584,282	58,504,926
Subtotal trade accounts receivables	280,455,630	245,483,354
Bad Debt Provision (less)	(50,702,432)	(40,757,464)

**TOTAL TRADE ACCOUNTS RECEIVABLE, NET**
**229,753,198**
**204,725,890**
**SHORT TERM MISCELLANEOUS RECEIVABLES**

Exchange insurance deferred interest	34,896,408	69,016
Lease agreement receivables	48,923	113,863
Employee benefits	839,100	1,103,407
Telecommunication companies agreement	824,589	900,283
Advances to suppliers	878,043	1,869,413
Other receivables	1,072,628	1,624,849
Subtotal of other short-term receivables	38,559,691	5,680,831
Allowance for doubtful accounts (less)	(95,279)	(70,402)

**TOTAL SHORT-TERM RECEIVABLES, NET**
**38,464.412**
**5,610.429**
**LONG TERM RECEIVABLES**

Accrued rights for derivative contracts	9,617,346	-
Leasing receivables	5,140,091	5,501,794
Employee benefits	684,200	1,077,418
Guarantees and others	767,259	742,249

**TOTAL LONG-TERM MISCELLANEOUS RECEIVABLES, NET**
**16.208.896**
**7.321.461**
**05. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES**

Balances receivable from and payable to related companies as at December 31, 2008 and 2007, are detailed in the tables below:

Documentos y Cuentas por Cobrar

TAX REF.NO. COMPANY

			SHORT TERM		LONG TERM	
			31/12/08	31/12/07	31/12/08	31/12/07
78.549.280-3	ENVASES ROBLE ALTO S.A.		5,848	5,116	-	-
79.879.430-2	FORESTAL COIHUECO S.A.		-	61	-	-
79.943.600-0	PROPA S.A.		3,989	1,598	-	-
84.552.500-5	PORTUARIA CMPC S.A.		5,597	2,080	-	-
86.359.300-K	SOCIEDAD RECUPERADORA DE PAPEL S.A.		12,942	8,089	-	-
88.566.900-K	EMPRESA DISTRIBUIDORA DE PAPELES Y CARTONES S.A.		13,679	13,363	-	-
89.201.400-0	ENVASES IMPRESOS S.A.		9,503	9,563	-	-
91.440.000-7	FORESTAL MININCO S.A.		97,127	83,138	-	-
93.658.000-9	CHILENA DE MOLDEADOS S.A.		672	736	-	-
95.304.000-K	CMPC MADERAS S.A.		141,372	59,858	-	-
96.500.110-7	FORESTAL Y AGRÍCOLA MONTE ÁGUILA S.A.		1,236	1,346	-	-
96.529.310-8	CMPC TISSUE S.A.		74,151	36,361	-	-
96.532.330-9	CMPC CELULOSA S.A.		101,638	175,945	-	-
96.656.410-5	BICE VIDA COMPAÑÍA DE SEGUROS		21,855	28,535	-	-
96.768.750-2	SERVICIOS COMPARTIDOS CMPC S.A.		46,878	47,637	-	-
96.853.150-6	PAPELES CORDILLERA S.A.		10,859	12,953	-	-
97.080.000-K	BANCO BICE		22,619	24,234	-	-
96.757.710-3	CMPC PRODUCTOS DE PAPEL S.A.		367	230	-	-
91.656.0 00-1	INDUSTRIAS FORESTALES S.A.		24,053	-	-	-
96.731.890-6	CARTULINAS CMPC S.A.		3,960	-	-	-
<b>TOTALS</b>			<b>598,345</b>	<b>510,843</b>	<b>-</b>	<b>-</b>

Transactions

COMPANY	TAX REF.NO,	RELATIONSHIP	DESCRIPTION OF TRANSACTION	31/12/08		31/12/07	
				AMOUNT	EFFECT ON RESULTS (CHARGE)	CREDIT TO INCOME	AMOUNT
BANCO BICE	97.080.000-K	COMMON DIRECTOR	SERVICES RENDERED	182,272	182,272		185,698
		COMMON DIRECTOR	SERVICES RECEIVED	(85,614)	(85,614)	91,345	(91,345)
CHILENA DE MOLDEADOS S.A.							
CHILMOSA	93.658.000-9	COMMON DIRECTOR	SERVICES RENDERED	13,260	13,260	15,671	15,671
CMPC CELULOSA S.A.	96.532.330-9	COMMON DIRECTOR	SERVICES RENDERED	277,876	277,876	361,155	361,155
CMPC MADERAS S.A.	95.304.000-K	COMMON DIRECTOR	SERVICES RENDERED	328,912	328,912	347,538	347,538
CMPC TISSUE S.A.	96.529.310-8	COMMON DIRECTOR	SERVICES RENDERED	341,190	341,190	336,361	336,361
EDIPAC S.A.	88.566.900-K	COMMON DIRECTOR	SERVICES RENDERED	33,808	33,808	44,106	44,106
ENVASES IMPRESOS S.A.	89.201.400-0	COMMON DIRECTOR	SERVICES RENDERED	50,067	50,067	52,456	52,456
ENVASES ROBLE ALTO S.A.	78.549.280-3	COMMON DIRECTOR	SERVICES RENDERED	50,683	50,683	55,801	55,801
FORESTAL MININCO S.A.	91.440.000-7	COMMON DIRECTOR	SERVICES RENDERED	271,923	271,923	271,509	271,509
FORESTAL Y AGRÍCOLA							
MONTE ÁGUILA S.A.	96.500.110-7	COMMON DIRECTOR	SERVICES RENDERED	-	-	5,041	5,041
PAPELES CORDILLERA S.A.	96.853.150-6	COMMON DIRECTOR	SERVICES RENDERED	68,449	68,449	144,209	144,209
PORTUARIA CMPC S.A.	84.552.500-5	COMMON DIRECTOR	SERVICES RENDERED	49,601	49,601	47,838	47,838
PRODUCTOS AUSTRAL S.A.	94.672.000-3	COMMON DIRECTOR	SERVICES RENDERED	-	-	13	13
PROPA S.A.	79.943.600-0	COMMON DIRECTOR	SERVICES RENDERED	16,609	16,609	25,605	25,605
SERVICIOS COMPARTIDOS CMPC S.A.	96.768.750-2	COMMON DIRECTOR	SERVICES RENDERED	521,369	521,369	565,679	565,679
SOREPA S.A.	86.359.300-K	COMMON DIRECTOR	SERVICES RENDERED	68,899	68,899	62,939	62,939
BICE VIDA COMPAÑÍA DE SEGUROS	96.656.410-5	COMMON DIRECTOR	SERVICES RENDERED	106,314	106,314	130,437	130,437
CMPC PAPELES S.A.	79.818.600-0	COMMON DIRECTOR	SERVICES RENDERED	4,053	4,053	204	204
CMPC PRODUCTOS DE PAPEL S.A.	96.757.710-3	COMMON DIRECTOR	SERVICES RENDERED	54,477	54,477	1,914	1,914
INDUSTRIAS FORESTALES S.A.	91.656.000-1	COMMON DIRECTOR	SERVICES RENDERED	70,898	70,898	-	-
CARTULINAS CMPC S.A.	96.731.890-6	COMMON DIRECTOR	SERVICES RENDERED	107,108	107,108	-	-

## 06. INVENTORY

Inventory is mainly composed of mobile digital telephone sets and their accessories. These are valued according to the accounting criteria described in Note 2h, the detail of which is presented in the appendix chart.

	December 2008 ThCLP\$	December 2007 M \$
Digital Phone Sets	39,623,717	22,602,202
Accessories	1,771,578	1,847,661
Telecommunications Equipment	164,830	302,318
Other	1,033,768	1,039,853
Provision for adjustment to net realizable value	(4,256,590)	(1,661,720)
<b>TOTAL INVENTORY</b>	<b>38,337,303</b>	<b>24,130,314</b>

## 07. CURRENT AND DEFERRED INCOME TAX

Deferred income taxes accrued for by each Group company, for income for the years 2008 and 2007, is offset by the obligatory monthly tax provisional payments made by these companies.

Compensations for those companies which gave favorable balances totaled ThCLP\$ 8,038,706 as at December 2008 and ThCLP\$ 5,093,411 as at the same date of the prior year. These amounts are a part of the item recoverable income taxes.

On the other hand, the sum of negative balances was ThCLP\$(3,028,347) and ThCLP\$(1,674,798) for each of the periods and these are presented in short-term liabilities under income taxes.

Below, we present the most important figures as regards income taxes, their impact on the financial statements and on shareholders' taxation:

	2008 ThCLP\$	2007 ThCLP\$
<b>Parent company</b>		
Net taxable income	29,478,959	(4,394,866)
Income tax prepayment	5,011,423	-
Balance of retained taxable earnings registry 31.12.08 with credit of 17%	128,350,101	59,611,087
Without credit	5,154,094	
<b>Subsidiaries in the Telefonía Móvil Group</b>		
Net taxable income	208,281,393	215,200,999
Income tax prepayment	35,407,837	36,584,170
Balance of retained taxable earnings registry 31.12.08, with credit of 17%	174,115,123	186,814,604
Without credit	35,537,620	36,772,859
<b>Other Subsidiaries</b>		
Net taxable income	(20,597,648)	(24,669,287)
Income tax prepayment	306,570	231,724
Balance of retained taxable earnings registry 31.12.08 with credit of 17%	13,236,876	5,928,903

In 2008, the Parent company made a provision to the value of ThCLP\$400,000, to cover any future difficulties and delays in the repayment of deferred taxes.

## Deferred Income Tax

DESCRIPTION	31/12/08				31/12/07			
	DEFERRED TAX ASSET		DEFERRED TAX LIABILITY		DEFERRED TAX ASSET		DEFERRED TAX LIABILITY	
	SHORT TERM	LONG TERM		SHORT TERM	LONG TERM		SHORT TERM	LONG TERM
<b>TEMPORARY DIFFERENCES</b>								
PROVISION FOR BAD DEBT	8,621,056	218,206	-	-	6,983,134	223,257	-	-
UNEARNED INCOME	879,070	137,153	-	-	677,485	118,288	-	-
STAFF VACATION PROVISION	893,992	48,872	-	-	837,950	55,020	-	-
AMORTIZATION OF INTANGIBLE ASSETS	-	-	-	-	-	-	-	-
LEASED ASSETS	11,320	-	-	3,035,028	-	-	-	3,174,595
MANUFACTURING COSTS	-	-	-	-	-	-	-	-
DEPRECIATION OF FIXED ASSETS	-	183,616	-	30,875,382	-	380,725	-	32,191,390
STAFF SEVERANCE INDEMNITIES	185,854	767,467	-	-	142,764	459,786	-	-
OTHER EVENTS	5,782,817	0	91,972	42,136	3,917,901	-	-	63,539
LEASING INSTALLMENTS PAYABLE	198,102	1,972,778	-	-	200,955	2,162,431	-	-
LEASED ASSETS	-	620,358	-	-	-	720,382	-	-
LEASING INSTALLMENTS RECEIVABLE	-	-	149,267	873,815	-	-	317,793	935,305
CAPITALISED FINANCING EXPENSES	-	-	85,571	323,889	-	-	93,858	407,261
TAX LOSSES	583,460	3,793,785	-	-	779,260	4,320,667	-	-
PROVISION FOR FIIXED ASSETS OBSOLESCENCE	771,422	5,859,640	-	-	281,540	5,569,977	-	-
PROVISION OBSOLESCENCE OF INVENTORY	36,382	-	-	-	-	-	-	-
EXCHANGE RATE INSURANCE IMPACT	-	-	1,069,383	63,881	-	44,297	17,367	-
OTHER PROVISIONS	57,218	60,045	-	-	-	102,083	-	-
<b>OTHERS</b>								
COMPLEMENTARY ACCOUNTS NET OF AMORTZACIÓN	326,278	1,090,554	-	11,872,349	355,317	1,716,053	-	13,060,012
PROVISION OF VALUATION	608,937	259,462			425,652	249,493		
<b>TOTALS</b>	<b>17,085,478</b>	<b>12,311,904</b>	<b>1,396,193</b>	<b>23,341,782</b>	<b>13,040,020</b>	<b>12,191,367</b>	<b>429,018</b>	<b>23,712,078</b>

The established deferred income tax in accordance with the policy described in Note 2.o, is detailed in the following table. The inclusion of these values in the balances offset short and long-term assets and liabilities.

## Income Tax

ITEM	31/12/08 ThCLP\$	31/12/07 ThCLP\$
Current tax expense (tax provision)	(40,804,783)	[36,887,260]
Tax expense adjustment (prior year)	(7,218)	83,836
Effect of deferred tax assets or liabilities for the year	4,028,532	3,670,449
Tax benefit from tax losses	168,725	784,948
Effect of amortization of deferred tax asset and liability complementary accounts	(573,927)	[218,992]
Effect on deferred tax assets or liabilities due to changes in the provision of evaluation	(129,869)	[425,653]
Other charges or credits to the account	(295,240)	61,464
<b>TOTAL</b>	<b>(37,613,780)</b>	<b>(32,931,208)</b>

## 08. OTHER CURRENT ASSETS

The detail of this item is presented in the Annex to this Note. |

	December 2008 ThCLP\$	December 2007 ThCLP\$
Central Bank bonds (See Note 9)		650,133
Deferred commercialization costs	771,091	791,861
Guarantees	222,112	-
Other	91,722	81,414
<b>TOTAL OTHER CURRENT ASSETS</b>	<b>1.084.925</b>	<b>1.523.408</b>

## 09. INFORMATION ON OPERATIONS WITH PURCHASE COMMITMENTS, SALES COMMITMENTS, SALES WITH REPURCHASE AGREEMENTS AND PURCHASES WITH SELL BACK AGREEMENTS OF REAL ESTATE ASSETS OR SECURITIES

These relate to derivatives under rights receivable for sales commitments related to financial instruments in portfolio.

## 10. FIXED ASSETS

The composition of property, plant and equipment and its depreciation is presented in a report attached to this note.

During 2007 and 2007, there has been no real interest generated to be charged to work in progress and associated materials, in accordance with the policy described in note 2j.

Leased real estate is represented in real estate lease contracts referred to the real estate which includes the Group companies' main offices.

The terms of lease agreements for Leased Assets are as follows:

	Start Date	End Date
Edificio Pacífico (Floors 9-10-12-13-14)	May 1995	April 2015
Commercial outlets	February 1998	February 2018
Edificio Costanera (Floor 15)	September 1998	August 2018
Edificio Costanera (Floors 12-13-14)	December 1998	November 2018

Depreciation corresponding to 2008 and 2007 totaled ThCLP\$205,150,519 and ThCLP\$184,001,036, respectively. The distribution between operating costs and administrative and selling expenses is presented in the accompanying tables.

Fixed Assets	December 2008 ThCLP\$	December 2007 ThCLP\$
<b>LAND</b>		
LAND	9,010,409	8,677,718
<b>BUILDINGS AND INFRASTRUCTURE</b>		
Buildings and Infrastructure	293,493,797	251,951,276
Annual depreciation	(7,418,962)	(7,157,963)
Previous years' annual depreciation	(102,439,584)	(95,712,413)
<b>Total net building and infrastructure</b>	<b>183,635,251</b>	<b>149,080,900</b>
<b>MACHINERY AND EQUIPMENT</b>		
Telecommunications Equipment	1,865,950,097	1,712,692,776
Electromechanical Equipment	50,160,532	48,572,010
Satellite communications systems and others	63,043,959	62,803,911
Instruments and tools	18,094,311	17,790,204
Transportation equipment	1,077,253	1,077,061
<b>Subtotal</b>	<b>1,998,326,152</b>	<b>1,842,935,962</b>
Annual depreciation	(181,036,155)	(159,830,943)
Previous years' annual depreciation	(1,154,335,749)	(1,052,134,237)
<b>Total net machinery and equipment</b>	<b>662,954,248</b>	<b>630,970,782</b>
<b>OTHER FIXED ASSETS</b>		
Furniture and office equipment	116,899,656	109,450,983
Computer systems	93,383,546	86,343,053
Leased assets		
- real estate	22,686,985	22,776,613
- Other	720,757	3,814,793
<b>Subtotal</b>	<b>233,690,944</b>	<b>222,385,442</b>
Work in progress	61,549,920	67,265,505
Equipment, materials and spare parts:		
- In storage	6,929,856	7,015,705
- In transit	285,800	495,206
<b>Subtotal</b>	<b>302,456,520</b>	<b>297,161,858</b>
Annual depreciation	(16,695,402)	(17,012,133)
Previous years' annual depreciation	(172,380,124)	(155,369,488)
<b>Total net other fixed assets</b>	<b>113,380,994</b>	<b>124,780,237</b>
<b>Total gross value</b>	<b>2,603,286,878</b>	<b>2,400,726,814</b>
Total annual depreciation	(205,150,519)	(184,001,036)
- Charged to cost of sales	(185,161,503)	(164,403,271)
- Charge to administrative and sales costs	(19,989,016)	(19,597,765)
<b>Total previous years' annual depreciation</b>	<b>(1,429,155,457)</b>	<b>(1,303,216,138)</b>
<b>TOTAL NET</b>	<b>968,980,902</b>	<b>913,509,640</b>

## 11. GOODWILL AND NEGATIVE GOODWILL ON INVESTMENTS

The following table shows the composition of the balance of goodwill and negative goodwill, with details of the companies in which the amortized amounts were generated each year.

The negative balance in the case of the subsidiary Cientec Computación S.A. originated with the acquisition of 100% of the shares in the said company. This acquisition took place on 2 December 2008, through a contract signed by the Parent company and the subsidiary Entel Inversiones S.A.

The value of the purchase of the shares reached ThCLP\$15,160,984 paid in full. This payment included two deposits at 30 and 90 days, transferable and renewable, for a total of ThCLP\$2,806,409, which were held under guarantee by a Public Notary to be released on the fulfillment of certain accreditations and deadlines.

The business activity of Cientec Computación S.A. complements that of the Parent company and is related to the information technology industry.

Accounting recognition of this operation is done based on the recent financial position of the acquired Company (30.11.2008), without, up to now, there having been detected any significant distortions that could affect the value of the assets and liabilities, or the results, of the acquired Company.

TAX REF NO.,	COMPANY	31/12/08		31/12/07	
		AMORTIZED AMOUNT IN THE PERIOD	GOODWILL AMOUNT VALUE	AMORTIZED AMOUNT IN THE PERIOD	GOODWILL AMOUNT VALUE
79.826.760-4	ENTEL TELEFONÍA PERSONAL S.A.	3,781,807	41,587,839	3,781,807	45,369,646
96.682.830-7	CIENTEC COMPUTACIÓN S.A.	–	10,224,558	–	–
96.6796.80-4	ENTEL MÓVIL S.A.	186,759	1,680,828	186,759	1,867,586
96.806.980-2	ENTEL PCS	816	7,345	816	8,162
<b>TOTAL</b>		<b>3,969,382</b>	<b>53,500,570</b>	<b>3,969,382</b>	<b>47,245,394</b>

## 12. INTANGIBLE ASSETS

Intangible assets include assets represented by licenses, easements, brand rights and others as detailed in the table below.

	December 2008 ThCLP\$	December 2007 ThCLP\$
Licenses	7,414,226	6,626,990
Easements	1,670,317	1,506,378
Trademarks	5,788,599	5,694,916
Other	179,603	176,027
<b>Gross Total</b>	<b>15,052,745</b>	<b>14,004,311</b>
Amortization for the financial year	(800,147)	(819,712)
Amortization for previous years	(6,961,667)	(6,421,562)
Total accumulated amortization	(7,761,814)	(7,241,274)
<b>TOTAL NET INTANGIBLE</b>	<b>7,290,931</b>	<b>6,763,037</b>

### 13. OTHERS (ASSETS )

Other assets include the long-term portion of prepaid expenses and the differences in the market value of Derivative and Cross Currency Swap (CCS). (Please see Note 2r).

The detail of these concepts is presented in the attached table.

	December 2008 ThCLP\$	December 2007 ThCLP \$
Commissions and expenses in taking out loans	1,905,228	2,405,651
Rentals, dedicated traffic	3,553,899	2,868,012
Difference in the appreciation of derivative contracts at market value	2,707,873	2,208,372
Recoverable long term Income tax	2,396,545	1,993,568
Other	157,042	323,149
<b>TOTAL OTHER LONG-TERM ASSETS</b>	<b>10,720,587</b>	<b>9,798,752</b>

### 14. SHORT -TERM OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS

Obligations with banks and financial institutions are presented in the chart below and separated according to their date of expiration and the type of currency in which they were obtained.

BANK OR FINANCIAL INSTITUTION	CURRENCY AND ADJUSTMENT INDEX													
	DOLLARS		EUROS		YEN		OTHER FOREIGN CURRENCIES		UF		\$ NON READJUSTABLE		TOTALS	
Tax Ref No.	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07
Short Term (code 5.21.10.10)														
97.036.000-K BANCO SANTANDER	-	-	-	-	-	-	-	-	-	-	12,230	-	12,230	-
97.006.000-6 BANCO DE CRÉDITO E INVERSIONES	-	-	-	-	-	-	-	-	109,144	-	-	109,144	-	-
OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109,144</b>	<b>-</b>	<b>12,230</b>	<b>-</b>	<b>121,374</b>	<b>-</b>
PRINCIPAL OWNED	-	-	-	-	-	-	-	-	109,144	-	12,230	-	121,374	-
Avg Annual Interest Rate									4.5%					
Long term – Short term (code 5.21.10.20)														
O-E CITIBANK N. N.A.	381,234	661,684	-	-	-	-	-	-	-	-	-	381,234	661,684	-
OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>381,234</b>	<b>661,684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>381,234</b>	<b>661,684</b>	<b>-</b>
PRINCIPAL OWED	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Avg Annual Interest Rate	3.7%	5.81%												
Percentage of obligations in foreign currency (%)	-													
Percentage of obligations in foreign currency (%)	-													

### 15. LONG TERM OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS.

Obligations with banks and financial institutions are presented in the table below and separated according to their date of expiration and the type of currency in which they were obtained.

BANK OR FINANCIAL INSTITUTION TAX REF. NO.	CURRENCY ADJUSTMENT INDEX	YEARS TO MATURITY					TOTAL LONG TERM AT FINANCIAL CLOSING DATE	AVERAGE ANNUAL INTEREST RATE	TOTAL LONG TERM AT FINANCIAL CLOSING DATE
		BETWEEN 1 AND 2	BETWEEN 2 AND 3	BETWEEN 3 AND 5	BETWEEN 5 AND 10	MORE THAN 10			
0-E CITIBANK N.A.	Dollars	-	-	254,580,00	127,290,00	-	381,870,000	LIBOR US\$ 90 +0,25%	323,667,926
0-E BANCO DE CREDITO E INVERSIONES	UF	114,989	121,061	262,166	289,319	-	787,535	4.5%	-
<b>TOTAL</b>		<b>114,989</b>	<b>121,061</b>	<b>254,842,166</b>	<b>127,579,319</b>	-	<b>382,657,535</b>		<b>324,667,926</b>
Percentage of obligations in foreign currency (%)		99,79							
Percentage of obligations in local currency (%)		0.21							

## 16. PROVISIONS AND WRITE-OFFS

The detail of short and long-term accrued expenses is included in the appendix chart to this note.

Allowance for bad debt is presented netted against trade accounts receivable as indicated in Note 4. During

2008 and 2007, the Company performed final write-offs of amounts owed by the customers for a sum of ThCLP\$13,447,168 and ThCLP\$10,951,286 respectively, with a charge to allowance for bad debt.

Provisions	December 2008 ThCLP\$		December 2007 M \$	
	Short Term	Long Term	Short Term	Long Term
Cost of employee annual leave	5,215,091	-	5,290,687	-
Staff severance indemnities	550,395	8,343,230	430,127	7,102,571
Contractual obligations with employees	5,927,008	-	4,783,175	-
Other provisions	106,769	-	290,258	-
<b>TOTAL PROVISIONS</b>	<b>11,799,263</b>	<b>8,343,230</b>	<b>10,794,247</b>	<b>7,102,571</b>

## 17. STAFF SEVERANCE INDEMNITIES

The Parent company recognizes the biggest staff severance indemnity agreements with employees and executives.

The right to receive this benefit and the determination of its amount are regulated by the respective agreements, taking into account seniority, permanency and remuneration factors.

This benefit to workers is granted through the "Corporación Mutual Entel-Chile" (Entel Chile Association), which is financed jointly by both the employees, who contribute 2.66% of their monthly base salaries, and by the Company, which must contribute the complementary funds that from year to year may be required to satisfy the payment of severance indemnities up to a maximum of 3% of the staff.

Liabilities recorded as at December 31, 2008 and 2007, which total ThCLP\$8,212,752 and ThCLP\$7,082,831, respectively, represent the present value of staff severance indemnities accrued as of those dates, after deducting the amount made available by the Association.

In addition to the Parent company's agreements, the subsidiaries Entel Call Center S.A., Cientec and Americatel Perú S.A. make a provision to cover staff severance indemnities in the event of employee dismissal. The amount accrued for by these subsidiaries as at December 31 2008, and 2007 is ThCLP\$680,873 and \$449,868 respectively.

## 18. OTHER LONG-TERM LIABILITIES

On 31 December each year, under this heading, the items Guarantees received and the long-term portion of unearned revenue are included. These are detailed in the attached table.

	December 2008 ThCLP\$	December 2007 ThCLP\$
Guarantees Received	483,568	800,754
Unearned income	1,817,342	1,769,015
Others	261	-
<b>TOTAL OTHER LONG-TERM LIABILITIES</b>	<b>2,301,171</b>	<b>2,569,769</b>

## 19. MINORITY INTEREST

As at 31 December 2008 and 2007, there were no minority interests.

COMPANY	DECEMBER 2008						DECEMBER 2007						
	EQUITY		NET INCOME		MINORITY PARTICIPATION		EQUITY		NET INCOME		MINORITY PARTICIPATION		
	AFFILIATE	MCLP\$	AFFILIATE	MCLP\$	%	LIABILITY	NET INCOME	AFFILIATE	MCLP\$	AFFILIATE	MCLP\$	%	LIABILITY
<b>TOTAL</b>													

## 20. CHANGES IN SHAREHOLDER EQUITY

The following table includes the changes in the Company's shareholders' equity during 2008 and 2007.

During the Ordinary Shareholders' Meeting held on April 29, 2008 and April 24, 2007, the shareholders approved the financial statements as at December 31, 2007 and 2006 respectively. Paid-in capital was legally modified on those dates, and the new amounts were ThCLP\$479,951,852 and ThCLP\$446,882,543, respectively.

"Other reserves" includes the Cumulative exchange rate adjustment for ThCLP\$895,937 and \$3,158,786 as at 31 December 2008 and 2007 respectively.

al [2,900,629] [4,356,707]

This balance reflects accumulated income since 1996, related currency exchange fluctuations on investments in related companies overseas, in accordance with the application of the accounting criteria explained in note 2n.

The Company is not subject to restrictions on the payment of dividends, except for those that could be derived from possible non-compliance of the financial ratios established in the loan agreements detailed in Note 26.

At the Board of Directors' Meeting held on 1 December 2008, the directors agreed to distribute an interim dividend of Ch\$100 per share, equivalent to ThCLP\$ 23,652,369. The payment of this dividend began on 17 December, 2008.

At the Ordinary Shareholders' Meeting held on April 29, 2008, the shareholders agreed to distribute a final dividend of Ch\$343 per share, equivalent to ThCLP\$81,127,627, payment of which began on 26 May, 2008.

At the Board Meeting of 5 November 2007 it was agreed to make an interim payment of \$100 per share, equivalent to the total amount of \$23,652,370, payment of which began on 5 December 2007.

At the Ordinary Shareholders' Meeting held on 24 April, 2007, the shareholders agreed to distribute a final dividend of Ch\$238 per share, equivalent to ThCLP\$ 56,292,639, payment of which began on April 17, 2007.

## Changes in Shareholder Equity

ITEM	31/12/2008								31/12/2007										
	PAID IN CAPITAL	REAPPRAISAL OF CAPITAL SHARES	SURCHARGE IN SALES OF SHARES	OTHER REVENUE RESERVES	FUTURE DIVIDENDS RESERVES	RETAINED EARNINGS	INTERIM DIVIDEND	DEVELOPMENT PREIOD DEFICIT	NET INCOME	PAID IN CAPITAL	REAPPRAISAL OF CAPITAL RESERVES	SURCHARGE IN SALES OF SHARES	OTHER REVENUE	FUTURE DIVIDENDS RESERVES	RETAINED EARNINGS	INTERIM DIVIDEND	PREIOD DEFICIT	NET INCOME	
Beginning balance	479,951,852	-	-	[2,900,629]	-	43,834,541	[23,652,370]	-	131,037,906	446,882,543	-	-	[4,056,524]	-	20,434,774	[23,652,370]	-	100,187,707	
Distribution of prior year income	-	-	-	-	-	107,385,536	23,652,370	-	131,037,906	-	-	-	-	-	76,535,337	23,652,370	-	[100,187,707]	
Final dividend, prior year						[81,127,627]									[56,292,639]				
Capital increase with issuance of cash shares																			
Capitalization of reserves and/or net income																			
Accumulated from deficit development period																			
Adjustment for investments overseas					2,262,848										[2,505,101]				
Executive incentive plans															3,714,066				
Capital restatement	42,715,715		[258,156]			7,698,525				33,069,308			[53,070]		3,157,049				
Financial Year Results																			
Net income Interim dividends						[23,652,370]			153,509,618					[23,652,370]		131,037,906			
Final Balance	522,667,567		[895,937]			77,790,975	[23,652,370]		153,509,618	479,951,851		[2,900,629]		43,834,541	[23,652,370]		131,037,906		
Restated Balances									522,667,567			[3,158,786]		47,735,815	[25,757,431]		142,700,280		

## Number of Shares

SERIAL NO.	SUBSCRIBED SHARES	PAID UP SHARES	NO. SHARES WITH VOTING RIGHTS
SINGLE	236,523,695	236,523,695	236,523,695

## Capital (amount - ThCLP\$)

SERIES	SUBSCRIBED CAPITAL	PAID-IN CAPITAL
SINGLE	522,667,567	522,667,567

## 21. OTHER NON-OPERATING INCOME AND EXPENSES

Other non-operating income and expenses include expenses and income generated by transactions not related to the main line of business of Group companies, the detail of which is presented in the table below.

	December 2008 ThCLP\$	December 2007 ThCLP
<b>OTHER NON-OPERATING INCOME</b>		
Proceeds in sale of fixed assets	-	102,026
Recovery of customer write-off	215,222	258,019
Leasing and sub leasing	282,973	-
Repayment of income tax from previous years	553,415	-
Other income	589,529	406,999
<b>TOTAL OTHER NON-OPERATING INCOME</b>	<b>1,641,139</b>	<b>767,044</b>

#### OTHER NON-OPERATING EXPENSES

	December 2008 ThCLP\$	December 2007 ThCLP\$
Staff severance indemnities and others	1,704,613	2,261,968
Board of directors' remuneration	383,348	380,136
Grants	312,029	317,293
Losses in the sale of fixed assets	53,416	108,903
Bond placement commissions and expenses	-	92,259
Write-off of deferred bond placement expenses associated with prepayment	-	2,018,741
Bank financing expenses	1,060,707	3,600,046
Loss from sales of subsidiaries overseas	-	407,762
Fixed asset impairment	9,084,364	13,397,868
Other expenses	1,477,473	2,829,328
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>14,075,950</b>	<b>25,414,304</b>

#### 22. PRICE LEVEL RESTATEMENT

The application of price-level restatement standards indicated in Note 2e and restatements performed as at December, 31 of each year, have generated the following effects on income.

	INDEXATION	31/12/08 ThCLP\$	31/12/07 ThCLP\$
<b>ASSETS (CHARGES) / CREDITS</b>			
INVENTORY	IPC	639,510	341,704
FIXED ASSETS	IPC	81,627,320	67,691,584
INVESTMENTS IN RELATED COMPANIES	IPC	-	-
TIME DEPOSITS	IPC	[36,690]	1,054,455
TIME DEPOSITS	UF	1,619,857	2,539,017
MISCELLANEOUS RECEIVABLES	IPC	520,686	395,148
OTHER ASSETS	IPC	1,908,794	2,998,664
OTHER ASSETS	UTM	14,425	53,317
OTHER ASSETS	UF	140,246	2,792,960
SMAL AMOUNT INVESTMENTS	IPC	4,062,098	3,874,583
OTHER NON MONETARY ASSETS	IPC	-	-
EXPENSE AND COST ACCOUNTS	IPC	35,762,377	33,024,195
<b>TOTAL (CHARGES) / CREDITS</b>	<b>-</b>	<b>126,258,623</b>	<b>114,765,627</b>
<b>LIABILITIES (CHARGES) / CREDITS</b>			
SHARE HOLDER EQUITY	IPC	[50,156,084]	[39,392,731]
OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS	IPC	[26,533,926]	[25,741,908]
PUBLIC OBLIGATIONS	UF	-	[224,252]
DERIVATIVES	UF	[15,133,330]	[11,018,293]
DERIVATIVES	IPC	23,724,147	25,799,785
OTHERS	UF	2,016,380	[1,005,823]
OTHERS	IPC	[753,948]	[1,620,123]
NON MONETARY LIABILITIES	UF	[1,498,130]	[1,118,156]
INCOME ACCOUNTS	IPC	[53,515,512]	[47,713,798]
<b>TOTAL (CHARGES) / CREDITS</b>	<b>-</b>	<b>[121,850,403]</b>	<b>[102,035,299]</b>
<b>(LOSS) GAIN FROM PRICE-LEVEL RESTATEMENT</b>		<b>4,408,220</b>	<b>12,730,328</b>

## 23. FOREIGN CURRENCY TRANSLATION

The application of foreign currency translation standards during 2008 and 2007 has generated the following effects on income and are detailed in below table.

DESCRIPTION	CURRENCY	AMOUNT	
		31/12/08 ThCLP\$	31/12/07 ThCLP\$
CASH	US\$	1,023,752	(156,209)
TIME DEPOSITS	US\$	(32,391)	276,088
TRADE ACCOUNTS RECEIVABLE	US\$	368,024	(361,362)
TRADE ACCOUNTS RECEIVABLE	DEG	172,527	(34,110)
TRADE ACCOUNTS RECEIVABLE	EUR	(411,836)	(134,554)
MISCELLANEOUS RECEIVABLES	US\$	22,064	(1,300)
CUMULATIVE ADJUSTMENT ON SALE OF INVESTMENT	US\$	-	827,656
OTHER	US\$	89,522	(77,026)
<b>TOTAL (CHARGES) / CREDITS</b>	<b>—</b>	<b>1,231,662</b>	<b>339,183</b>
OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS	US\$	(56,253,616)	48,839,575
EXCHANGE RATE INSURANCE	US\$	68,755,870	(52,361,050)
NOTES AND ACCOUNTS PAYABLE	US\$	(324,219)	(123,419)
FOREIGN SUPPLIERS	US\$	(15,305,374)	1,463,192
OTHER	US\$	(289,091)	(88,758)
<b>TOTAL (CHARGES) / CREDITS</b>	<b>—</b>	<b>(3,416,430)</b>	<b>(2,270,460)</b>
<b>(LOSS) GAIN FROM FOREIGN CURRENCY TRANSLATION</b>		<b>[2,184,768]</b>	<b>[1,931,277]</b>

## 24. CASH FLOW STATEMENT

The cash flow statement under the following items includes the following operations:

Cash flows from financing under the heading "Other sources of financing" include the use of a short term bank credit line for ThCLP\$34,455,924, payments for compensations for exchange insurance purchase options agreements(CALL) for ThCLP\$1,023,908 and collection from other operators for the sum of ThCLP\$4,371,235.

Additionally, under the heading "Other financing payments" cash flows also include

payments for compensations for exchange insurance agreements for the total of ThCLP\$3,704,070 as well as reimbursements to other operators of ThCLP\$4,275,921 and the payment of short term bank credit line for the amount of ThCLP\$33,499,656.

Cash flows from investment under the heading "Investment in Financial Instruments" and "Sales of Other Investments" include purchase and sales turnover respectively of financial instruments sheltered by financial placement agreements.

As at December 31, 2008, credits pending payment owing for the acquisition of property, plant and equipment totaled ThCLP\$51,251,662, which will affect cash flows for the next twelve months.

## 25. DERIVATIVE CONTRACTS

The ENTEL Group companies maintain different types of derivative contracts to cover the risk of exchange rate and interest rate fluctuations.

The detail is shown in the table below.

The net differences between the rights and obligation arising from these contracts have been recorded at their fair market value.

In accordance with future currency purchase and sale contracts (FR) outstanding as at December 31, 2008 the companies were obliged to buy Th US\$450,553 for ThCLP\$252,374,511, from Th US\$2.833 in MS/.8.202 and M€ 2.450 for ThCLP\$2,011,051.

In relation to these contracts the net market value of rights of compensation rose to ThCLP\$42,733,033, which is recorded with the short and long term assets, according to their maturity date, for the amounts of ThCLP\$33,869,098 and ThCLP\$9,617,346 respectively, and ThCLP\$753,411 in short term liabilities.

Cross Currency Swap (CCS), outstanding at the same date, amounted to the substitution of obligations of US\$230 million, at the Libor 90 day rate plus 0.25%, for obligations in UF of 7,747 thousand Unidades de Fomento, at variable rates of between 2.95% and 3.05%. In relation to these contracts, the net market value of obligation for cash flow differences amounted to ThCLP\$22,208,414, and are recorded with the short and long term liabilities according to their maturity dates, for ThCLP\$1,533,845 and ThCLP\$20,674,569, respectively. The final cash flow expiry dates associated with these contracts fall between 15 June 2010 and 16 June 2014.

The adjustment for variations experienced in the market value of these contracts and the covered parties had the following impacts during the financial year:

- Future foreign currency purchase agreements (FR). Net charge to the results for the amount of ThCLP\$3,291,779, corresponding to contracts whose valuation had a negative; and a net credit to the results for the amount of ThCLP\$129, corresponding investment contracts that had a positive impact in their valuation at fair market value.

- Contracts for Future foreign currency purchase agreements (FR). Net credit to deferred liabilities for the amount of ThCLP\$1,146,955, in relation to coverage contracts whose valuation had a positive effect. The accumulated deferred liability for this amounted to ThCLP\$1,591,006.

- Cross Currency Swap (CCS): Profit, credited to the results for the financial year of ThCLP\$615,047 and losses charged to deferred assets for ThCLP\$679,982, according to their classification as either investment contracts or expected cash flow coverage contracts, respectively. The deferred assets accumulated as at 31 December amounted to ThCLP\$2,707,873.

### Derivative Contracts

TYPE OF DERIVATIVE	TYPE OF CONTRACT	CONTRACT VALUE	MATURING	SPECIFIC ITEM	HEDED ITEM			NAME	AFFECTED ACCOUNTING ACCOUNTS			
					PURCHASE/SALE POSITION	TRANSACTION NAME	AMOUNT THCLP\$	VALUE OF HEDGED ITEM THCLP\$	AMOUNT THCLP\$	EARNED THCLP\$	UNEARNED THCLP\$	
FR	CCPE	47,460,696	2009: Q, I	EXCHANGE RATE	C	Loan in US\$: Citibank N.A.	46,871,622	57,313,962	Short term miscellaneous payables	10,253,799	(326,735)	138,191
FR	CCPE	24,667,855	2009: Q, II	EXCHANGE RATE	C	Loan in US\$: Citibank N.A.	24,015,338	31,504,275	Short term miscellaneous payables	7,330,538	(158,400)	-
FR	CCPE	28,066,015	2009: Q, III	EXCHANGE RATE	C	Loan in US\$: Citibank N.A.	27,031,725	34,050,075	Short term miscellaneous payables	6,955,428	(138,761)	75,839
FR	CCPE	32,901,795	2009: Q, IV	EXCHANGE RATE	C	Loan in US\$: Citibank N.A.	31,484,840	40,732,800	Short term miscellaneous payables	9,324,014	(97,357)	173,412
FR	CCPE	27,898,600	2010: Q, I	EXCHANGE RATE	C	Loan in US\$: Citibank N.A.	26,320,530	32,777,175	Long term miscellaneous payables	6,441,685	(99,072)	84,111
FR	CCPE	19,224,325	2010: Q, II	EXCHANGE RATE	C	Loan in US\$: Citibank N.A.	18,483,855	21,002,850	Long term miscellaneous payables	3,043,310		524,316
FR	CCPE	19,886,030	2010: Q, III	EXCHANGE RATE	C	Loan in US\$: Citibank N.A.	18,713,400	18,457,050	Long term miscellaneous payables	71,318		327,668
FR	CCPE	23,993,570	2009: Q, I	EXCHANGE RATE	C	Liabilities in US\$	23,589,230	23,548,650	Short term miscellaneous payables	(307,004)	(354,862)	88,439
FR	CCPE	733,761	2009: Q, I	EXCHANGE RATE	C	Liabilities in Euros	730,152	808,929	Short term miscellaneous payables	70,840	(7,937)	-
FR	CCPE	28,275,625	2009: Q, I	EXCHANGE RATE	C	Liabilities in US\$	27,825,735	27,367,350	Short term miscellaneous creditors	(753,411)	(474,056)	179,030
FR	CCPE	1,277,290	2009: Q, II	EXCHANGE RATE	C	Liabilities in Euros	1,257,484	1,393,156	Short term miscellaneous payables	118,633	(17,039)	-
FR	CI	456,462	2009: Q, II	EXCHANGE RATE	C				Short term miscellaneous payables	58,591	(2,014)	-
FR	CI	461,847	2009: Q, IV	EXCHANGE RATE	C				Short term miscellaneous payables	64,259	3,654	-
FR	CI	462,481	2010: Q, II	EXCHANGE RATE	C				Miscellaneous accounts receivables LP	61,033	(1,511)	-
CCS	CCTE	117,570,469	2014: Q, II	EXCHANGE AND INTEREST RATE	C	Loan in US\$: Citibank N.A.	117,570,469	127,290,000	Long term miscellaneous creditors	(20,004,512)	(410,506)	(744,486)
CCS	CI	11,746,966	2009: Q, II	EXCHANGE AND INTEREST RATE	C				Short term miscellaneous creditors,	(1,469,268)	27,364	372,760
CCS	CI	5,873,483	2010: Q, II	EXCHANGE AND INTEREST RATE	C				Long term miscellaneous creditors,	(734,634)	(14,024)	186,380

TOTALES THCLP\$ 390,957.270

363,894.377 416,246.272

20,524,619 (2,125,984) 1,405,660

## 26. CONTINGENCIES AND RESTRICTIONS

Contingencies for the Group companies' direct commitments as at December 31, 2008 and 2007, relate to:

a. Contingencies due to direct commitments related to purchase orders placed overseas, which as at December 31, 2008 and 2007 amount to ThCLP\$33,013,543 and ThCLP\$36,686,936, respectively.

All these purchase orders are expressed in foreign currency and have been converted to Chilean pesos at the exchange rates prevailing at each year-end.

b. Contingency due to bank guarantee deposits provided to guarantee faithful compliance of contract and replacement of public use assets in regard to the construction and maintenance of networks. Guarantee deposits outstanding as at December 31, 2008 and 2007 amounted to ThCLP\$7,447,818 and ThCLP\$8,347,494, respectively.

c. The Parent company has assumed responsibility for bank guarantee deposits in favour of Americatel Perú in the amount of U\$1,000,000, equivalent to ThCLP\$636,450.

Except for these guarantees, the Group companies are not subject to any other contingencies for indirect obligations, granting of guarantees and/or collaterals to related companies.

d. As at December 31, 2008, lawsuits and legal actions of a significant nature which may represent a contingency loss for the Company are as follows:

- BORDACHAR v. ENTEL S.A.

Court: Civil Court No.6, Santiago

Case Number: 9088-2005

Notification: 06/09/2005

Matter: Ordinary large claims trial. Indemnity for damages.

Plaintiff: Gerard Phillippe Bordachar Sotomayor

Request: payment of indemnity for pain and suffering damages to the plaintiff and his daughters, represented by the plaintiff, in the amount of \$ 225,000,000.

Cause of action: publication on ENTEL's website of information regarding an investigation by Channel 13 of Universidad Católica.

Current procedural status: Evidentiary stage closed. Documentary, testimonial and confessional evidence presented.

Pending: expert assessment and requests.

Probable outcome: rejection of lawsuit is probable due to poor legal grounds.

- "SOCIEDAD DE PROCESAMIENTO ELECTRONICO DE INFORMACION LTDA. (PROINFO S.A.) v. EMPRESA NACIONAL DE TELECOMUNICACIONES S.A."

Court: Civil Court No.17 of Santiago

Case Number: 28.779-2008

Notification: 03/11/2008

Matter: Preparations for serving invoice in order to collect.

Plaintiff: Sociedad de Procesamiento Electrónico de Información Ltda.

Request: Serving of the invoice to enforce payment.

Cause of action: alleged debt for Ch\$ 142,972,950.

Current procedural status: Lawsuit entered. Dismissal on grounds of the Court not possessing jurisdiction, statute of limitations and denial of invoices. All our arguments rejected and appealed (Appeal Case Numbers 8395-2008 and 8775-2008). On 6 January, non-opposition certificate is issued.

Probable outcome: rejection of lawsuit is probable due to poor legal grounds.

- "PROMOTORA PROMOUT v. ENTEL AND ENTELPHONE S.A."

Complaint filed before Civil Court No.,18, Santiago,

Case No. 1250-2006, notified March 17, 2006.

Defendants: ENTEL S.A. and ENTELPHONE

The plaintiff is asking for a sum in the amount of 46,000 UF for indirect damages and pain and suffering.

Cause of action: damages caused due to non-compliance with telemarketing contract.

Current procedural stage: Discussion stage completed. Pending: The Court decides on dilatory exceptions (No. 4919-2008 and 4920-2008).

Probable outcome: rejection of lawsuit is probable due to poor legal grounds

- "GOVERNMENT v. ENTEL S.A."

Court: Civil Court No. 16, Santiago.

Case Number: 19.384-2008

Notified: October 23, 2008

Matter: Ordinary Treasury lawsuit, Seeks payment of Ch\$ \$242,844,230 plus adjustment for inflation and interest.

Plaintiff: State Defense Council

Seeking: Reimbursement of a sum of money paid by MOP (Ministry of Public Works) to move telecommunications cables.

Cause of action: Erroneous payment made by Autopista Central.

Current procedural stage: Lawsuit filed. Exception for ungrounded libel and accumulation of cases presented November 26, 2008. Dilatory exceptions rejected. (Decision appealed: Case No. 8736-2008). Lawsuit contested, Government's reply filed. New response and order to consolidate cases. (Government agreed).

Probable outcome: rejection of lawsuit is probable due to poor legal grounds

- "GOVERNMENT v. ENTEL S.A."

Court: Civil Court No.16, Santiago

No.: 23.840-2008

Notification: January 5, 2009

Matter: Ordinary Treasury lawsuit, seeks payment of \$112,675,303 plus adjustment for inflation and interest.

Plaintiff: State Defense Council

Seeking: Reimbursement of a sum of money paid by the MOP (Ministry of Public Works) to move telecommunications cables.

Cause of action: Erroneous payment made by Autopista Central.

Current Procedural Stage: Lawsuit filed. Pending: Presentation of ungrounded libel exception and accumulation of cases (exception).

Probable outcome: rejection of lawsuit is probable due to poor legal grounds.

- "GOVERNMENT v. ENTEL S.A."

Complaint filed in Ordinary Treasury Lawsuit by the State Defense Council before Civil Court No.16, Santiago

Case No.: 23.740-

Notification: January 8, 2007

Matter: Seeks payment of \$996,711,294 plus inflation adjustment.

Seeking: Reimbursement of a sum of money paid by the MOP (Ministry of Public Works) to move telecommunications cables.

Cause of action: Erroneous payment made by the Government in January, 2002.

Current Procedural Stage: Dilatory exceptions rejected. Accumulation of cases requested by GTD Manquehue rejected.

Accumulation of cases requested by ENTEL rejected. Evidentiary stage completed. Pending decision on objection to documents filed by the Government due to obligatory presentation of documents mandated by the Court.

Probable outcome: rejection of lawsuit is probable due to poor legal grounds

- "CEBALLOS v. ENTEL S.A."

Complaint filed in Ordinary Lawsuit by Doris Yanet Ceballos Bilcol before Civil Court No.27, Santiago.

Case No. 9893-2007.

Matter: Ordinary contract termination and indemnity.

Seeking: Contract liability

Cause of action: Non-fulfillment of contract

Amount: Ch\$150,000,000

Current Procedural Stage: Appeals rejected (request for annulment and lack of jurisdiction) September 3, 2008. Conciliation meeting takes place without results. On November 13, 2008, the lawsuit enters the evidentiary phase. Pending: Notification of writ.

Probable outcome: rejection of lawsuit is probable due to poor legal grounds

- MANUFACTURAS KEYLON S.A. Vs. CON ENTELPHONE

Court: Local Police Courts, San Miguel, Santiago.

Case no: I 2741-2002.

Matter: Accusation and lawsuit related to Consumer's Law. Amount: Ch\$267,200,000.

Current procedural stage: proceedings for sentence on February 11, 2005.

Probable outcome: rejection of lawsuit is probable due to poor legal grounds

- TAX ADJUSTMENTS

The Company was notified by the Chilean Internal Revenue Service (Servicio de Impuestos Internos-SII) of Adjustments 4 and 5 issued on April 25, 2007 and 3, 4 and 5 on April 24, 2008, requesting payment of ThCLP\$2,641,281 and ThCLP\$2,267,036, respectively, plus adjustments for inflation, interest and fines, derived from the claims and adjustments made by the Company in determining income for tax years 2004, 2005 and 2006, and which, in the opinion of that Service, are incorrect.

The Company filed the corresponding complaint against the above-mentioned adjustments on July 11, 2007 before the Tax Court, which it believes should be accepted due to the arguments contained therein.

The Company filed a request for review of Adjustments 3, 4 and 5 of 2008 on 9 July 2008 to the pertinent monitoring authority (RAF), which should be accepted considering that the values objected are in general conceptually similar to those of liquidations 4 and 5 of 2007.

The subsidiary Call Center S.A was notified on 30.04.08 the Chilean Revenue Service of summons No.26/29.04.08. This summons challenged the tax losses declared by the Company in the 2005 tax year for a total of ThCLP\$11,599,818. If this challenge is upheld it will not be possible to present these losses against future earnings.

In opposing the summons, on 10 October 2008 the Company filed a request for review to the pertinent monitoring authority (RAF) which it believes will be accepted when considering the arguments presented.

The subsidiary Micarrier S.A., was notified on 30.07.08 of summons No.Nº15/29.04.08 notifying of the modification to the tax loss declared for the 2005 financial year, lowering this to ThCLP\$517,442. If this challenge is successful, it will not be possible to present these losses against future earnings.

In opposing this challenge, on 9.10.08, the Company filed a request for review which it believes will be accepted when considering the arguments presented.

**e.** There are management restrictions and financial indicator limits to financial indicators provided in the syndicated loan agreement led by Citibank, N.A. The most relevant restrictions refer to the following:

No merger or consolidation with any other company is allowed, except if the Company survives and no covenants established in loan agreements have been exceeded.

Neither the Company nor its subsidiaries will be able to sell assets without considering:

a) The asset's fair value.

b) Sales or leasing operations on assets must not exceed 35% of assets within each year, except for the case of obsolete or unnecessary inventory, operations on cash or cash equivalents, agreements with customers and other operations during the normal course of business.

c) Any sale of shares of the subsidiary ENTEL Telefonía Personal S.A. must guarantee at least 50% of the shares and the possibility of having the majority of the Board of Directors' members.



No pledges on assets, except for liens existing on August 13, 2007, which do not exceed US\$60,000,000, which relate to securitization or leasing operations or letters of credit, deferred income taxes, liens on new acquisitions or projects, which do not exceed certain amounts specified in each case.

Consolidated debt ratio cannot exceed 4.0:1 For these purposes, only financial debt is considered (excluding debt for goods and services related to the line of business), with respect to the addition of operating results for each period plus depreciation, amortization and other expenses not representing cash flows (EBITDA).

The consolidated interest coverage ratio must not be lower than 3.0:1. For these purposes, the ratio between EBITDA and interest paid will be considered and both amounts will be calculated for the last 12 months prior to each quarterly closing date.

In the event of noncompliance with any of these requirements, the creditor may demand payment of all amounts owed with no possibility. As at the 31 December 2008, the Company had fulfilled all the above mentioned requirements.

## **27. SURETIES RECEIVED FROM THIRD PARTIES**

The Group companies have not received any type of sureties from third parties for assets, loan operations or to guarantee any other type of obligation.

## **28. CHILEAN AND FOREIGN CURRENCY**

The following tables provide information on assets and liabilities according to currency in which they are expressed.

**ASSETS**
**DETAIL**
**CURRENCY**
**AMOUNT**
**31/12/08**
**31/12/07**
**Current Assets**

CASH	NON-INDEXED PESOS	6,144,940	3,909,507
CASH	US\$	1,999,875	1,009,422
CASH	EUROS	22,735	893
TIME DEPOSITS	US\$	1,221,261	1,083,703
TIME DEPOSITS	UF	34,175,323	58,931,984
TIME DEPOSITS	NON-INDEXED PESOS	4,686	-
TRADE ACCOUNTS RECEIVABLES	NON-INDEXED PESOS	215,249,293	189,955,350
TRADE ACCOUNTS RECEIVABLES	DEG	853,175	893,089
TRADE ACCOUNTS RECEIVABLES	EURO	-	194,568
TRADE ACCOUNTS RECEIVABLES	US\$	13,650,730	13,682,883
NOTES RECEIVABLE	NON-INDEXED PESOS	7,614,325	7,324,032
MISCELLANEOUS RECEIVABLES	NON-INDEXED PESOS	2,112,482	3,362,061
MISCELLANEOUS RECEIVABLES	UF	887,080	2,098,544
MISCELLANEOUS RECEIVABLES	US\$	35,132,166	149,824
MISCELLANEOUS RECEIVABLES	INDEXED PESOS	332,684	-
NOTES AND ACCOUNTS RECEIVABLE FROM RELATED COMPANIES	NON-INDEXED PESOS	598,345	510,843
INVENTORY	NON-INDEXED PESOS	899,780	1,043,502
INVENTORY	INDEXED PESOS	37,313,760	23,058,086
INVENTORY	US\$	123,763	28,726
RECOVERABLE INCOME TAX	INDEXED PESOS	13,043,731	10,521,687
RECOVERABLE INCOME	US\$	910,638	1,478,335
PREPAID EXPENSES	NON-INDEXED PESOS	1,334,388	1,831,286
PREPAID EXPENSES	UF	2,919,776	1,075,922
PREPAID EXPENSES	US\$	215,444	94,689
PREPAID EXPENSES	INDEXED PESOS	8,582,000	6,158,058
DEFERRED INCOME TAX	NON-INDEXED PESOS	3,590,138	3,906,407
DEFERRED INCOME TAX	INDEXED PESOS	12,099,147	8,704,595
OTHER CURRENT ASSETS	NON-INDEXED PESOS	314,101	818,594
OTHER CURRENT ASSETS	UF	770,824	704,814
<b>Fixed Assets</b>			
FIXED ASSTED	NON-INDEXED PESOS	28,358	13,896
FIXED ASSETS	INDEXED PESOS	959,243,098	907,774,126
FIXED ASSETS	US\$	9,709,446	5,721,618
<b>Other Assets</b>			
GOODWILL	INDEXED PESOS	53,500,570	47,245,394
LONG TERM ACCOUNTS RECEIVABLES	NON-INDEXED PESOS	129,446	737,729
LONG TERM ACCOUNTS RECEIVABLES	UF	5,826,310	6,581,223
LONG TERM ACCOUNTS RECEIVABLES	US\$	10,253,140	2,509
INTANGIBLES ASSETS	INDEXED PESOS	1,543,539	1,523,552
INTANGIBLES ASSETS	US\$	5,747,392	5,239,485
OTHER	NON-INDEXED PESOS	3,361,317	3,575,333
OTHER	US\$	4,262,806	3,208,633
OTHER	INDEXED PESOS	3,208	-
OTHER	UF	3,093,256	3,014,786
<b>Total Assets</b>			
	NON-INDEXED PESOS	241,381,599	216,988,540
	US\$	83,226,661	31,699,827
	EURO	22,735	195,461
	UF	47,672,569	72,407,273
	DEG	853,175	893,089
	INDEXED PESOS	1,085,661,737	1,004,985,498

Current Liabilities

DESCRIPTION	CURRENCY	UP TO 90 DAYS				90 DAYS TO 1 YEAR			
		31/12/08		31/12/07		31/12/08		31/12/07	
		AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE
SHORT TERM OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS									
	UF	121,374	-	-	-	-	-	-	-
SHORT-TERM PORTION OF LONG-TERM OBLIGATIONS WITH BANKS & FINANCIAL INSTITUTIONS									
	US\$	381,234	2.25%	661,684	5.24%	-	-	-	-
LONG TERM OBLIGATIONS EXPIRING WITHIN A YEAR	US\$	1,006,401	-	107,700	6.00%	-	-	-	-
LONG TERM OBLIGATIONS EXPIRING WITHIN A YEAR	UF	488,651	7.35%	449,349	8.35%	932,028	7.87%	859,023	7.87%
LONG TERM OBLIGATIONS EXPIRING WITHIN A YEAR	UF	2,636,732	-	-	-	-	-	-	-
DIVIDENDS PAYABLE	NON-INDEXED PESOS	249,698	-	286,552	-	-	-	-	-
ACCOUNTS PAYABLE	NON-INDEXED PESOS	163,901,545	-	109,787,241	-	458,302	-	33,488,819	-
ACCOUNTS PAYABLE	US\$	68,783,505	-	26,057,971	-	-	-	15,808,599	-
ACCOUNTS PAYABLE	DEG	206,233	-	238,934	-	-	-	-	-
ACCOUNTS PAYABLE	EURO	1,837,773	-	511,700	-	-	-	120,119	-
NOTES FOR PAYMENT	NON-INDEXED PESOS,	464,933	-	-	-	-	-	-	-
MISCELLANEOUS PAYABLES	NON-INDEXED PESOS,	790,350	-	3,738,614	-	-	-	2,162,147	-
MISCELLANEOUS PAYABLES	INDEXED PESOS	140,431	-	606,205	-	-	-	-	-
MISCELLANEOUS PAYABLES	US\$	129,873	-	95,649	-	-	-	-	-
MISCELLANEOUS PAYABLES	UF	72,555	2.97%	4,115	-	1,461,290	2.97%	3,678,427	2.97%
PROVISIONS	NON-INDEXED PESOS,	5,278,790	-	5,282,202	-	5,565,181	-	4,459,830	-
PROVISIONS	INDEXED PESOS,	471,607	-	383,129	-	-	-	-	-
PROVISIONS	US\$	483,685	-	669,086	-	-	-	-	-
WITHHOLDINGS	NON-INDEXED PESOS	17,555,824	-	16,850,214	-	-	-	-	-
WITHHOLDINGS	US\$	124,423	-	65,267	-	-	-	-	-
INCOME TAX	NON-INDEXED PESOS	2,962,087	-	147,004	-	66,260	-	1,527,794	-
UNEARNED INCOME	NON-INDEXED PESOS	8,616,848	-	8,693,226	-	-	-	-	-
UNEARNED INCOME	US\$	253,568	-	143,105	-	-	-	-	-
OTHER CURRENT LIABILITIES	NON-INDEXED PESOS	1,591,006	-	483,572	-	-	-	-	-
<b>Total Current Liabilities</b>									
	UF	3,319,312	-	453,464	-	2,393,318	-	4,537,450	-
	US\$	71,162,689	-	27,800,462	-	-	-	15,808,599	-
	NON-INDEXED PESOS	201,411,081	-	145,268,625	-	6,089,743	-	41,638,590	-
	DEG	206,233	-	238,934	-	-	-	-	-
	EURO	1,837,773	-	511,700	-	-	-	120,119	-
	INDEXED PESOS	612,038	-	989,334	-	-	-	-	-

### Long Term Liabilities Current Period as at 31/12/2008

DESCRIPTION	CURRENCY	AMOUNT	UP TO 90 DAYS		90 DAYS TO 1 YEAR		OVER 10 YEARS	
			1 TO 3 YEARS AV. ANNUAL INTEREST RATE	3 TO 5 YEARS AV. ANNUAL INTEREST RATE	5 TO 10 YEARS AV. ANNUAL INTEREST RATE	AMOUNT	AV. ANNUAL INTEREST RATE	AMOUNT
OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS	US\$	254,580,000	2.25%	127,290,000	2.25%	-	-	-
OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS	UF	306,458	-	306,458	-	174,619	-	-
LONG TERM NOTES PAYABLE	UF	3,199,569	8.04%	3,744,575	8.05%	8,012,910	8.48%	-
LONG TERM NOTES PAYABLE	US\$	503,200	-	-	-	-	-	-
LONG TERM NOTES PAYABLE	UF	1,899,799	-	-	-	-	-	-
LONG TERM PROVISION	INDEXED PESOS	7,984,239	-	-	-	-	-	-
MISCELLANEOUS PAYABLES	UF	734,560	2.97%	13,293,339	2.98%	6,646,670	2.98%	-
LONG TERM PROVISION	INDEXED PESOS	7,984,239	-	-	-	-	358,991	-
LONG TERM DEFERRED TAXES	INDEXED PESOS	11,029,878	-	-	-	-	-	-
OTHER LONG TERM LIABILITIES	US\$	1,817,342	-	-	-	-	-	-
OTHER LONG TERM LIABILITIES	INDEXED PESOS	483,829	-	-	-	-	-	-
<b>Total Long Term Liabilities</b>								
	US\$	256,900,542	-	127,290,000	-	-	-	-
	UF	6,140,386	-	17,344,372	-	14,834,199	-	-
	INDEXED PESOS	19,497,946	-	-	-	-	358,991	-

### Long Term Liabilities Previous Period 31/12/2007

DESCRIPTION	CURRENCY	AMOUNT	1 TO 3 YEARS AV. ANNUAL INTEREST RATE		3 TO 5 YEARS AV. ANNUAL INTEREST RATE		5 TO 10 YEARS AV. ANNUAL INTEREST RATE		OVER 10 YEARS AV. ANNUAL INTEREST RATE	
			AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE
OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS	US\$	-	108,222,642	5.24%	216,445,284	5.24%	-	-	-	-
LONG TERM NOTES PAYABLE	UF	2,946,224	8.04%	3,447,828	8.05%	8,583,831	8.34%	1,336,235	8.79%	
MISCELLANEOUS PAYABLES	UF	5,507,965	2.98%	12,643,968	2.98%	25,287,938	2.98%	-	-	
NOTES AND BILLS TO PAY TO RELATED COMPANIES	UF	-	-	-	-	-	-	-	-	
LONG TERM PROVISIONS	INDEXED PESOS	6,699,701	-	-	-	-	-	402,870	-	
LONG TERM DEFERRED INCOME TAXES	INDEXED PESOS	11,520,711	-	-	-	-	-	-	-	
OTHER LONG TERM LIABILITIES	US\$	1,769,015	-	-	-	-	-	-	-	
OTHER LONG TERM LIABILITIES	INDEXED PESOS	800,754	-	-	-	-	-	-	-	
<b>Total Long Term Liabilities</b>										
	US\$	1,769,015		108,222,642		216,445,284		-	-	
	UF	8,454,189		16,091,796		33,871,769		1,336,235		
	INDEXED PESOS	19,021,166	-	-	-	-	-	402,870	-	

### 29. SANCTIONS

None of the Group companies, their directors or managers has been subject to sanctions of any nature by the Superintendencia de Seguros y Valores (SVS, Security Exchange) or any other regulatory authorities.

### 30. SUBSEQUENT EVENTS

Between January 1, 2009, and the date of issuance of these consolidated financial statements there have been no events that could significantly affect their presentation.

### 31. THE ENVIRONMENT

The companies have not made any disbursements related to the compliance of environmental regulations.

### 32. TIME DEPOSITS

The table below shows the details of time deposits as at December 31, 2008 and 2007.

Institution	Country	December 2008 ThCLP\$	December 2007 ThCLP\$
Banco Scotiabank	Chile	3,539,158	3,590,959
Banco de Chile	Chile	7,958,417	12,800,278
Banco Santander	Chile	9,341,835	9,664,074
Banco BBVA C	Chile	10,032,161	6,085,976
Banco de Crédito e Inversiones	Chile	4,079,336	4,315,219
Banco Itaú	Chile	-	7,437,151
Banco Corpbanca	Chile	-	15,038,327
Banco Security	Chile	36,671	-
Banco de Chile	EEUU	413,692	1,083,703
<b>TOTAL</b>		<b>35,401,270</b>	<b>60,015,687</b>

### 33. SHORT AND LONG TERM MISCELLANEOUS PAYABLES

Short and long-term miscellaneous payables as at December, 31 of each year are presented as indicated in the table below.

	December 2008 ThCLP\$	SHORT TERM	December 2008 ThCLP\$	LONG TERM	December 2007 ThCLP\$
		December 2007 ThCLP\$		December 2008 ThCLP\$	
Payables for derivative contracts	2,287,256	9,855,110	20,674,569	43,439,871	
Other	307,243	430,047	-	-	
<b>TOTAL MISCELLANEOUS PAYABLES</b>	<b>2,594,499</b>	<b>10,285,157</b>	<b>20,674,569</b>	<b>43,439,871</b>	

### 34. PREPAID EXPENSES

Prepaid expenses as at 31 December 2008 and 2007 include the concepts detailed in the table below:

	December 2008 ThCLP\$	December 2007 ThCLP\$
Rights on advertising agreements	1,032,351	2,324,657
Financing Costs	503,361	552,106
Leases, prepaid insurance	9,811,648	5,448,618
Other services	1,208,640	-
Other	495,608	834,574
<b>TOTAL PREPAID EXPENSES</b>	<b>13,051,608</b>	<b>9,159,955</b>

### 35. ACCOUNTS PAYABLE

This area includes the following items as detailed in the table below.

	December 2008 ThCLP\$	December 2007 ThCLP\$
Foreign Correspondents	3,761,079	1,800,795
Suppliers of Telecommunications Services	42,235,996	42,738,811
Foreign suppliers	61,220,242	38,401,438
Goods and service suppliers	127,970,041	103,072,339
<b>TOTAL ACCOUNTS PAYABLE</b>	<b>235,187,358</b>	<b>186,013,383</b>

### 36. SHORT TERM AND LONG TERM OBLIGATIONS PAYABLE

Other obligations of a financial nature are detailed in the following annex and include the short term portion.

DESCRIPTION	CURRENCY	SHORT TERM PORTION	BALANCES AS AT 31 DECEMBER 2008 DUE DATE						BALANCES AT 31/12/07						
			1 TO 2	2 TO 3	3 TO 4	4 TO 5	5 TO 6	OVER 6	SUB-TOTAL LONG TERM	TOTAL AS OF 31 12 08	ANNUAL AVG INT.RATE	PRINCIPAL OWED	SHORT TERM PORTION	LONG TERM PORTION	
Notes payable															
Telmex [Ex Chilesat]	UF	189,737	207,050	225,942	246,558	269,056	293,606	1,467,906	2,710,118	2,899,855	9.12 %	2,899,855	173,196	2,888,567	
Consorcio Nacional	UF	998,466	1,078,381	1,164,589	1,257,727	1,358,358	1,467,087	3,174,794	9,500,936	10,499,402	8.0 %	10,499,529	921,126	10,458,660	
Allianz Bice	UF	53,074	57,066	61,357	65,971	70,932	76,266	155,026	486,618	539,692	7.52 %	539,692	49,171	537,592	
Chilena Cons, Seg, Vida	UF	99,745	108,155	117,275	127,163	137,886	149,512	664,441	1,304,432	1,404,177	8.43 %	1,404,177	91,630	1,398,711	
Bice Leasing	UF	79,657	86,286	93,468	101,248	109,676	118,805	445,467	954,950	1,034,607	8.32 %	1,034,607	73,249	1,030,588	
Interbank	US\$	989,981	431,173	-	-	-	-	-	431,173	1,421,154	6.80 %	1,413,209	-	-	
Scotiabank	UF	599,492	329,153	194,339	-	-	-	-	523,492	1,122,984	4.8 %	1,122,984	-	-	
Bci	UF	998,050	764,136	214,014	-	-	-	-	978,150	1,976,200	4.5 %	1,976,200	-	-	
Security	UF	148,563	103,311	-	-	-	-	-	103,311	251,874	5.4 %	251,874	-	-	
Banco del Desarrollo	UF	129,835	115,277	-	-	-	-	-	115,277	245,112	5.10 %	245,112	-	-	
Santander	UF	281,563	134,083	-	-	-	-	-	134,083	415,646	4.4 %	415,646	-	-	
Corpbanca	UF	280,804	117,513	-	-	-	-	-	117,513	398,317	4.7 %	398,317	-	-	
Bankboston	UF	38,763	-	-	-	-	-	-	-	38,763	5.2 %	38,763	-	-	
Banco de Chile	UF	176,082	-	-	-	-	-	-	-	176,082	4.1 %	176,082	-	-	
Unisys	US\$	-	-	-	-	-	-	-	-	-	-	-	107,700	-	
<b>TOTAL</b>		<b>5,063,812</b>	<b>3,531,584</b>	<b>2,070,984</b>	<b>1,798,667</b>	<b>1,945,908</b>	<b>2,105,276</b>	<b>5,907,634</b>	<b>17,360,053</b>	<b>22,423,865</b>			<b>22,416,047</b>	<b>1,416,072</b>	<b>16,314,118</b>

## External Auditors Report

Reference to Financial Statements as  
of December 31, 2008

External Auditors: Ernst & Young Servicios Profesionales de Auditoría y Asesoría Ltda.

External Auditor's ID Number: 77.802.430-6

Shareholders and Directors of the  
Empresa Nacional de Telecomunicaciones S.A

We have carried out an audit of the general balance sheet of the Empresa Nacional de Telecomunicaciones S.A. as of December 31, 2008 and 2007 and of the corresponding income statement and cash flow statement for the years ending on these dates. Preparation of these financial statements (which include related notes) is the responsibility of the Empresa Nacional de Telecomunicaciones S.A. Our responsibility consists of issuing an opinion on these financial statements, based upon the auditing work we have carried out. The attached Management's Analysis and Material Events do not form a part of these financial statements; therefore, this report does not cover them.

Our audits were carried out in accordance with generally accepted auditing standards in Chile. Such rules require that we plan and carry out our work for the purpose of reasonably ensuring that the financial statements are free from significant errors. An audit includes examination, on a test basis, of evidence that support the figures and information publicized on the financial statements. An audit also includes an evaluation of the accounting principles used and of the significant estimates made by the management of the Company, as well as an assessment of the general presentation of the financial statements. We believe that our audits are a reasonable base upon which to form our opinion.

In our opinion, the abovementioned financial statements reasonably present, in all significant aspects, the financial situation of the Empresa Nacional de Telecomunicaciones S.A. as of December 31, 2008 and 2007 and the income and cash flow statements for the years ending on those dates, in accordance with the principles described in Note 2(b).

Santiago, 23 January 2009



: OSCAR GÁLVEZ R..

Name of authorized Signee

: 9.854.943-9

ID Number of the Authorized signee

## Analysis of Consolidated Financial Statements as at 31 December 2008

### A) FINANCIAL STRUCTURE, INCOME DEVELOPMENT, COSTS AND PROFITABILITY.

#### Financial Ratios

Shown below are the most relevant financial indicators and their changes over the past twelve months:

	31/12/08	31/12/07
<b>LIQUIDITY RATIOS</b>		
Current liquidity (Current assets /current liabilities)	1.40	1.44
Acid ratio (Available funds /current liabilities)	0.15	0.27
<b>DEBT RATIO</b>		
Debt/Equity ratio (%) (total liabilities/shareholders' equity)	100.00	93.98
Short Term Debt (%) (Short term debt/total debt) (%)	39.35	36.92
Long-term Debt (%) (Long-term debt/total debt) (%)	60.65	63.08
Interest coverage ratio (earnings before interest and taxes/interest expense)	14.20	9.22
<b>EFFICIENCY &amp; PROFITABILITY RATIOS</b>		
Operating Margin (%) (Operating income/Net Sales)	20.35	21.41
Return on Equity (%) (Operating margin/average equity)	21.72	21.69
Return on Assets (%) (Net Income for period/average total assets)	11.02	10.39
Return on net assets (%) (Operating income/net operating assets)(*)	16.69	16.1
<b>PROFITABILITY &amp; SHARE VALUE</b>		
Earnings per share (in Chilean pesos as at 31.12.2007) (annualized)	649.02	603.32
Dividend yield (%) (Dividends last twelve months/closing share price)	6.72	4.54
Book Value (in pesos as at 31.12.2008) (Equity/number of shares)	3,083.92	2,892.68
Market value (based on price)	6,938,50	7,780.00

(\*) Total asset minus goodwill, deferred expenses relating to long-term financing , rights over financial derivatives and other minor assets not related to operating income.

## **Earnings before taxes, interest, depreciation, amortization and extraordinary items (EBITDA).**

Earnings reached in 2008 and 2007 ThCLP\$412,830,609 and ThCLP\$381,455,963, respectively

### **Changes in the Financial Ratios**

During the last two financial years, Entel Group's financial indicators have remained within the high financial stability ranges.

With regard to the financial position ratios, it will be observed that the level of debt has been kept relatively stable and within those levels in which there is a balance between internal and external financing. The slight variation in this ratio over the past year is a consequence of an increase in the debt somewhat higher than that experienced in equity; while debt increased by 86 billion pesos (13.4%), equity increased by just 45 billion pesos (6.6%).

The increase in debt is due to a higher use of credits from suppliers for goods and services, which increased by 48 billion pesos; also an increase in the bank debt in foreign currency was observed due to the 28% depreciation of the dollar in 2008.

It is important to underscore the fact that the exchange rate impact on debt is compensated by the higher value that in turn, has been achieved by derivatives that were acquired as part of the policy for hedging exchange rate risk.

Assets for derivative related receivables increased by 45 billion pesos during 2008.

According to prevailing accounting rules, the effects of derivatives contracts are shown on the asset side of the balance sheet, which does not allow the net effect of exchange rate variation over the debt level to be seen.

Assets increased by 45 billion pesos between 2007 and 2008 due to the appreciation in derivatives .

Regarding the liquidity ratio and short-term debt, financing has been kept loose, guaranteeing the healthy development of operations.

In terms of profitability, the different ratios have been stable and within the expected levels (Operational Margin, Return on Equity and Return on assets).

At the EBITDA level, both individually for the Parent company as well as consolidated, growth can be seen, fueled by the increase in mobile phone business as well as a focus on businesses with a greater competitive advantage in the other areas in which the Company's of the group operate. The EBITDA increase can also be explained by the watchful monitoring of costs and expenditures, which was reinforced with the first signs of the current global financial crisis.

Regarding the level of total assets for the Group , as seen when comparing the balance sheet as of December 31 for each year, they increased by 132 billion pesos, equivalent to 9.9%. An important effect in the increase in the asset is due to the growth in hedging exchange rate risk which, as commented earlier, increased by 45 billion pesos in a year.

Another effect of an extraordinary nature is shown by the inclusion for the first time of the assets of the subsidiary Cientec Computación S.A., acquired in December 2008. The impact of the addition of this subsidiary was of CLP\$24 billion, of which CLP\$15 billion corresponds to its assets and \$9billion to goodwill.

.Together with two impacts on assets mentioned above it was also observed in part a growth in fixed assets whose net value rose by CLP\$47 billion and further by an increase in the Trade Account Receivables and Inventory, which increased by CLP\$35 billion, driven basically by the growth in the mobile phone business.

Against these increases however, there was a decrease of CLP\$21 billion in the available liquid assets.

The growth of Fixed Assets over the past year is due to the value of new investments being higher than the depreciation and reductions in value applied to other assets.

Investments in infrastructure in 2008, excluding the acquisition of Cientec, reached around CLP\$192 billion and were primarily directed to areas with biggest growth such as the mobile phone and fixed line services in the corporate sector.

Additionally, the acquisition of mobile phone terminals to serve plan subscribers reached a cost of CLP\$68 billion.

The mobile services received approximately 69% of total investments, the rest going to data services, continuity service platforms and broad band Internet.

In terms of interest coverage, the ratio has continued to show high levels of solvency, increasing over the past year from 9.22 to 14.20 times.

The looseness of this ratio is more significant when taking into account the net interest costs, namely balancing revenue and interest costs. In effect, measured this way, it increases from 11.31 to 17.21 times from one year to another.

Similarly, if the calculation is done using effective cash flows, taking into account the results of depreciation, the ratio increases from 22.11 to 34.62 times between the two year ends.

Stock turnover and days to sell stock has a relatively low importance for the Group's business, except for the case of the mobile phone terminals for prepaid customers.

The stock turnover ratio of such terminals is determined by the portfolio growth estimates, and also by the demand for new equipment and devices.

## Market Analysis

The Company operates in a highly competitive market in the various lines of service it offers.

During the last year, there have not been any major variations in terms of the high number of competitors who participate in the telecommunications market.

Nevertheless, in the mobile phone market focus is on observing the behavior of the other companies operating in the Chilean market (Movistar, controlled by Telefónica de España, and Claro, controlled by América Móvil, Mexico).

Based on the market share analyses carried out by the companies in the Group, during the last year there were no significant variations in the market share of the relevant stakeholders, either for mobile and fixed-line services.

In the mobile business market, the revenue of Entel's subsidiaries that operate in this business represented 76% of the Group's earnings for the period 2008; the "ENTEL PCS" brand has maintained its strong position, with a high user preference. This has enabled us to keep not only a stable market share in terms of the number of subscribers, at about 40%, but also a positive evolution in the make-up of the customer portfolio.

In fact, during the last 12 months, there has been important growth in the number of postpaid subscribers, whose average minutes of use (MoU) and average revenue per user (ARPU) of services are higher than that of the prepaid subscribers. During 2008, the postpaid customer base (including those with mobile broadband) not only increased by 20%, but also increased its share from 26.4% to 29.8%.

In the markets for other services provided by the companies in the Group there are no significant variations in the participation of relevant stakeholders.

There continues to be a positive evolution of the markets in which the Group is developing new lines of business, particularly in the segment of corporate clients, which is the focus of the Company's efforts, particularly for the provision of integrated voice, data and internet solutions as well as IT services. Furthermore, there was great dynamism in services driven



by NGN Technology (Next Generation Network) on IP platforms (Internet Protocol), which allows voice and data services to be provided through a single access. These services target small and medium sized businesses especially.

In December 2008, the Entel Group took control of 100% of Cientec Computacion S.A. This purchase expanded the Group's ability to offer operational continuity services within the Information Technology business. Cientec is a well-known company that provides continuity services to businesses and corporations, including hosting/housing services, critical business applications, the administration of IT centers as well as sales and training platforms. During 2008, this company reported sales of 16,275 million pesos.

In domestic long-distance and international services, those most affected by the migration towards mobile services, the Group's market share has remained close to 31% for national services, while international services have experienced an increase, surpassing 37% of market share. These services, together with the traffic business, represented 6.6% of the Group's earnings in 2008.

In the context of international operations, the Group currently only has a presence in Peru, a country whose market, resource requirements and managerial tasks are aligned with the current strategic definitions of the Group. The Group's businesses in Peru are focused on fixed-line networks for corporate customers in the city of Lima, and call center services, both domestic and international. In the course of commenting on sales revenue development below, reference is made to the main variations in volume and price.

### Market Risk Analysis

Market risks for provided and received services are the normal industry risks, especially technology services, and there are no imminent variations in the foreseeable future.

The permanent analysis of technology and market trends reveals a boost from the signing of an alliance with Vodafone Group, a British operator and world-leader in mobile telephony. Through this alliance, the mobile services affiliates of the Group, among other benefits, will be able to share best practices in customer service, have access to new voice and data products with international access, broaden coverage and improve roaming service quality, and maintain the lead in developing value added services in Advanced Digital Mobile Telephony, also known as 3G, Third Generation.

Regarding the regulatory aspect of operations within the country, interconnection rates for mobile and fixed-line services are fixed for the 2004-2009 period. The standard setting new interconnection rates for the new period is about to be published. The new rates will be enforced during the first quarter of 2009.

Within the framework of the rate-setting process, during the month of July, the various operators of mobile services proposed different rate structures to the regulatory authority (Subtel). The Entel Group proposed a reduction in access charges of close to 30%. According to the information available at this time, the reduction will, in the end, be close to 45%.

According to statements by the telecommunications sector authorities, dates will be set during the current year for bidding on concessions for new frequencies for 3G telephony services.

Responding to a question by the telecommunications authorities, the Anti Trust Court decided that it is not possible to exclude the current concessionaries of mobile telephone services from bidding for new licenses for Advance Digital Mobile Telephony (3G-Third Generation).

As for other risks, the main exposures correspond to exchange rate and interest rate fluctuations.

The Company's policy for facing such risks is to hedge by 100% the net exchange rate position and to partially hedge fluctuation risks stemming from variable interest loan rates.

This hedging was carried out through derived instruments such as deferred dollar purchase (Forwards), combined hedging for

exchange rate and interest rate (Cross Currency Swaps) or option contracts.

Note 25 to the financial statements includes the hedge agreements in force at the closing of each period. Additionally, Note 28 includes details of all assets and liabilities in foreign currency.

As for the mismatch between operating income and operating expenses in foreign currencies, there is no hedge for exchange rate risk exposure.

It must be noted that the Company does not face significant exit barriers for income-expense operations, which permits it to react appropriately to significant fluctuations in foreign currency value.

Notwithstanding the above, given certain business initiatives for specific purposes, risks are assessed in terms of mismatch of flows for periods involving major initial investments.

## DEVELOPMENT OF SALES REVENUE

Operational revenue for the year 2008 show an 8.5% increase over the previous year.

The details of this variation in revenue are as follows:

### Development of Sales Revenue:

(In millions of pesos as 31.12.2008)

	2008 MCLP\$	2007 MCLP\$	Variation %
Mobile Phone	811,435	744,706	9.0
Private, IT and other services	97,389	88,380	10.2
Local telephone services	46,971	41,627	12.8
Long distance public telephone services (including business traffic)	70,238	71,301	(1.5)
Internet	16,121	17,730	(9.1)
International subsidiaries	24,740	19,229	28.7
<b>TOTAL</b>	<b>1.066.894</b>	<b>982.973</b>	<b>8.5</b>

As is shown, Group sales are especially concentrated on mobile business, which in 2008 represented 76% of all sales.

Sales for mobile business grew by CLP\$67 billion from 2007 to 2008, equivalent to 9.0%. In these services, the Group holds a strong position, due to its sustained commercial drive and the quality of its services and as a result continues to be preferred by our customers.

The number of customers as at 31 December 2008 had reached 6,001,210 which represents a 6.4% increase on the previous year.

On top of the increase in the number of customers, revenue per mobile phone also increased due to the proportion of customers with postpaid (which includes mobile broad band customers), returns for whom are considerably higher, as commented above. Sales for the other business lines offered by the Group, also produced variations in a positive sense.

Private, IT and other services for the two periods, saw an increase of CLP\$9 billion, equivalent to a 10.2% increase.

In the traditional data business there has been a continual expansion of its services, particularly through multiservice platform networks (MPLS) under IP (Internet Protocol). Similarly, the positioning of ENTEL as an integrator of related Information Technology (IT) services oriented to the enterprise sector has continued.



Local telephone services contributed to revenue growth with \$5.3 billion pesos, an increase of 12.8%. This observed increase is due to the increase of its lines in service, as much as those associated with new technology NGN as traditional telephone services.

In the long distance services market and traffic business, which have been especially affected by the migration to mobile phone services, there has been a fall in the medium tariffs, to which is added a decrease in the levels of national traffic.

Broadband Internet services (WLL y ADSL), continue a downward trend, basically due to the decrease in the residential customer base as well as the decrease in traffic in switched access.

The downward trend in these services to a large extent follows the Company's policy of focusing on its services to market sectors offering bigger competitive advantages.

Finally, International Subsidiaries revenue, namely Americatel Perú and the recent opening of the new subsidiary Servicios Call Center del Perú S.A., show an increase of 28.7%.

As a result of these fluctuations, consolidated revenue increased by CLP\$84 billion for the year, equivalent to 8.5%.

## COSTS, EXPENSES AND PROFITABILITY

The following income statement corresponds to 2008 and 2007:

### Costs, Expenses and Profitability:

(In millions of CLP\$ as at 31.12.2008)

	2008 MCLP\$	2007 MCLP\$
Operation costs and sales and administration expenses	(849,802)	(772,489)
Operating result	217,091	210,483
Non operating result	(25,968)	(34,852)
Interest expenses	(14,477)	(21,361)
<b>NET INCOME</b>	<b>153,510</b>	<b>142,700</b>

### Operation Costs and Sales and Administration Expenses

Cost and expenditure levels show an increase of CLP\$77 million between 2007 and 2008, an increase of 10%. This increase in costs is directly related to the increase in sales activity, particularly in mobile business. The biggest increases in costs were experienced in depreciation (\$21.1 million) and access charges (\$29.1 million).

### Operating Result

The difference in the operating result for the two years in comparison is due to the effects commented on earlier regarding the behaviour of revenue and cost.

While revenue increased by CLP\$ 83,921 million, the increase in costs and expenses was only CLP\$77,313 million, so generating an operating result CLP\$6,608 million higher than the previous year, equivalent to a 3.9% increase.

### Non operating Result

The performance of these results has been affected by variations, both positive and negative, whose overall effect has been a decrease in losses of CLP\$8,884 million between 2007 and 2008. The biggest impact is in the reduction of losses corresponding to fewer write-downs for deferred bank financing costs, which reduced by CLP\$4,558 million. 2007 saw more write-downs due to the prepayment of bonds in circulation and the restructuring of bank debt.

Another important impact on the reduction in non operating losses was the fall in the net interest costs of CLP\$5,247 million compared with the previous year. This reduction is due to the lower derivative costs, as well as the lower costs stemming from the buyback of bonds in circulation as well as the renegotiation of long-term bank liabilities.

Offsetting the above, the non operating results for 2008 fell because of a negative variation in the performance of monetary correction and differences in the exchange rate of CLP\$8,576 million.

#### Net Income for the Year

As shown by the performance of operating and non-operating income, and the taxes for the period, the final net income from 2007 to 2008 increased from CLP\$142,700 billion to CLP\$153,510 billion, that is CLP\$ 10,810 billion, equivalent to 7.6%.

#### Performance of Mobile Phone Services Subsidiary

The following is an extract from the consolidated income statements and performance indicators of the group in charge of the mobile telephone operation (PCS).

#### ENTEL PERSONAL TELEPHONY AND SUBSIDIARIES (ENTEL PCS AND ENTTEL MÓVIL)

(in millions of pesos adjusted as at 31/12/2008)

	2008 MCLP\$	2007 MCLP\$	Variation %
Operating revenue	825,033	757,552	8.9%
Operating result	199,641	205,308	(2.8%)
Net result	147,929	161,750	(8.5%)

This Group of companies has shown sustained growth due to the continuous increase in customer base and business volume. At the same time, it has managed to control the user abandon rate, and it has also achieved high performance in the main network and service management and quality indicators.

Its performance has continued to improve, increasing the number of subscribers, while keeping its share and leadership in the domestic market.

As previously stated, as of December 31, 2008, the number of subscribers totaled 6,001,210, exceeding by 6.4%, the figure for the same period of the previous year. The drop in operating income stems mostly from higher depreciation, caused both by higher investments in infrastructure, as well as by investments in equipment assigned to customers with the postpaid modality, as a result of the strong growth in customer base for this category.

On the other hand, at the final results level, the decrease is linked mainly to a negative variation of CLP\$8.625 billion due to monetary adjustment and higher interest expenses, granted by the Parent company to the amount of CLP\$3.614 billion.

#### B) DIFFERENCES BETWEEN BOOK VALUE AND ECONOMIC AND/OR MARKET VALUES OF THE MAIN ASSETS

In general, there are no material differences in terms of assets and liabilities.

In the specific case of fixed assets, regular procedures are applied to detect impairment of value, so generating the relevant loss charges.

## **C) COMMENTS ON CASH FLOW STATEMENTS.**

The total cash flow for the periods under review generated a positive net cash flow of Ch\$102 billion between 2007 and 2008. In fact, the general net outflow decreases from CLP\$122 billion to CLP\$20 between those years. This variation in flows is mainly affected by the use of CLP\$126 billion to prepay outstanding bonds during the previous year. In cash flows relating to investment activities, investments in fixed assets reached CLP\$275 million in 2008, relating to the acquisitions of telecommunication equipment and network development, mainly for mobile, Internet and other data businesses.

Other important investment activities, but with a neutral effect on total cash flows, correspond to turnover of financial investments that have tended to offset each other, of approximately CLP\$700 billion. These cash flows result from managing the temporary cash surplus.

## **D) FULFILLMENT OF COMMITMENTS**

The Company has to date carried out all its obligations with third parties.

## **Consolidated Material Events 2008**

In accordance with the current legal regulations, during 2008 the Group informed the Superintendence for Stocks and Shares (Superintendencia de Valores y Seguros – SVS), of the following essential events or relevant information:

### **I. Parent company – Approval of the consolidated and individual financial statements of the financial year and Accounting Policy Change:**

By letter No. 2 dated 29 April 2008 the Group reported the following essential events or relevant information, that in the Ordinary Shareholders Meeting held on the same day, the following was agreed by the shareholders:

a.- Approve the Annual report, Balance and Financial Results for the financial year 2007.

b.- Distribute a final dividend payment of \$443 pesos per share, equivalent to 79.96% of the net profit for the year. With regard to this payment, the \$100 pesos per share interim payment made in December 2007 will be deducted from this amount to leave a balance to pay of \$343 pesos per share, which will be paid on 26 May 2008.

c.- The investment and financing policy was approved and the dividend policy was reported, both of which are essentially the same as those applied during the previous year..

d.- The remuneration of the directors and the remuneration and budget for the Board of Directors which were approved during the previous Ordinary Shareholders' Meeting, remain in effect; the designation of the external auditors Ernst & Young and regular and substitute account inspectors and the risk rating agency Feller Rate (S&P) were approved; El Mercurio de Santiago newspaper was reapproved for taking out adverts or publishing notices. Information on related operations was also reported.

### **II. Entel Personal Telephony (ENTEL Telefonía Personal) – Invitation to attend the Ordinary Shareholders.**

By letter dated 14 April 2008, it was reported as an essential events or relevant information that, at the Board meeting held on 11 April de 2008, it was agreed to:

a.- Call an Ordinary Shareholders Meeting for 9am on Tuesday, 29 April, 2008 and that this notification with supporting papers will be sent out expediently to shareholders and other organs as stated in the legal regulations; and

b.- Propose to the Ordinary Shareholders Meeting to distribute the annual year profits in the form of a final dividend payment for the total amount of CLP\$1,741,846.725842 per share, from which would be subtracted the sum of CLP\$236,419.926822 per share, leaving the amount of CLP\$1,505,426.79902 to be distributed on the date to be decided by the Ordinary Shareholders Meeting.

### III. Entel Telefonía Personal – Approval of the Annual Report, Distribution of dividend and others.

Dated 29 April 2009, it was reported as an essential event or relevant information, that the Ordinary Shareholders' Meeting on 28 April had agreed the following:

a.- To approve the Annual Report, Balance sheet and Results Statement for the financial year ended as of 31 December 2007.

b.- To distribute profits for the financial year to 31 December 2007 to the sum of CLP\$1,741,846.725842 per share, equivalent to a total of CLP\$148,530,754,006 pesos, which is 100% of the said profits. From this payment the interim dividend payment of CLP\$20,160,000,000 paid in December 2007 was to be deducted, leaving a balance to pay of CLP\$1,505,426.79902 per share, equivalent to a total of CLP\$128,370,754,006, to be made on 20 May 2008.

c.- The investment and financing policy was approved and the dividends policy was reported, all of which are essentially the same as those applied during the previous year.

d) It was agreed that the Board of Directors would not be remunerated during the current financial year 2008, and it was agreed to appoint Ernst & Young Servicios Profesionales de Auditoría y Asesoría Limitada as external auditors for the 2008 financial year; El Mercurio de Santiago newspaper was reapproved for taking out adverts or publishing notices and related operations were ALSO reported on.

- By letter dated 28 November 2008, it was reported as an essential event or relevant information that at the Board Meeting held on the same day it was agreed to pay an interim dividend payment of CLP\$33,000,000,000 charged to the annual profits, sum equivalent to CLP \$386,996.904024768 per share, which was paid on 10 December, 2008.

### IV. Entel PCS Telecomunicaciones S.A. – Invitation to attend the Ordinary Shareholders Meeting.

By letter dated 14 April 2008, it was reported as an essential event or relevant information that at the Board Meeting held on 11 April 2008, it was agreed to:

1. Call an Ordinary Shareholder's meeting to be held at 10am on Monday 28 April for them to pronounce on matters within their competence, the summons and other background to be sent timely to the shareholders and other bodies as required by the legal regulations.

2. Propose to the Ordinary Shareholder's meeting the distribution from the annual profits of a final dividend payment of CLP\$1,732,8854182 per share, from which sum to be discounted the sum of CLP\$187,28356751 per share corresponding to the interim dividend paid in December 2007, remaining for distribution a dividend of CLP\$1,545,60185069 on a date to be decided by the Ordinary Shareholders' Meeting.

### V. Entel PCS Telecomunicaciones – Approval of the Annual Report, Dividend Payment and others.

Dated 29 April 2008, was reported as an essential event or relevant information, that at the Ordinary Shareholders Meeting held on 28 April, 2008, the following matters were agreed:

a) Approval of the Annual Report, Balance Sheet and Financial Statement of the Company corresponding to the financial year ending 31 December 2007.

b) Distribution of the profits for the financial year ending 31 December 2007, to the sum of \$1,732,8854182 per share, amount equivalent to a total of CLP\$136,170,669,891, representing 100% of the said profits, from which is to be discounted the interim dividend payment of CLP\$14,716,800,419 paid in December 2007, leaving a balance to pay for the final dividend of CLP\$1,545,60185069 per share, equivalent to a total of CLP\$121,453,869,472, to be paid 20 May 2008.

c) The investment and financing policy was approved and the dividends policy was reported, all of which are essentially the same as those applied during the previous year.

d) It was agreed that the Board of Directors would not be remunerated during the current financial year 2008, and it was agreed to appoint Ernst & Young Servicios Profesionales de Auditoría y Asesoría Limitada as external auditors for the 2008 financial year, El Mercurio de Santiago newspaper was reapproved for taking out adverts or publishing notices and related operations were reported on.

- By letter dated 28 de November 2008, it was reported as an essential event or relevant information, that at the Board of Directors meeting held on the same date it was agreed to pay an interim dividend payment of \$26,219,001,787, charged to the annual profits, sum equivalent to \$333.658679309 per share. This was paid on 10 December 2008.

## VI. Entel Telefonía Móvil – Invitation to attend the Ordinary Shareholders Meeting.

By letter dated 14 April 2008, it was reported as an essential event or relevant information, that at the Board Meeting held on 11 April 2008, it was agreed to:

1. Call an Ordinary Shareholders Meeting to be held at 11am, 28 April 2008, for shareholders to pronounce on matters within their competence, the summons and other background information for which to be sent out in timely fashion to shareholders and other bodies as required by the legal regulations.

2. Propose to the Ordinary Shareholders Meeting the distribution of profits in the form of a final dividend for the amount of CLP\$10,800.820678 per share, from which will be discounted the sum of CLP\$4,672.999609 per share corresponding to the interim dividend paid on December 2007, remaining for distribution a dividend of CLP\$6,127.821069 on a date to be determined at the Ordinary Shareholders Meeting.

## VII. Entel Telefonía Móvil - Approval of the Annual Report, Dividend Payment and others.

Dated 29 April 2008, it was reported as an essential event or relevant information, that at the Ordinary Shareholders meeting held on 28 April 2008, the following matters were agreed:

a) Approval of the Annual Report, Balance Sheet and Financial Statement of the Company corresponding to the financial year ending 31 December 2007.

b) Distribute with respect to the profit for the financial year ending 31 December 2007, the sum of \$10,800.820678 per share, equivalent sum of CLP\$12,813,985,645, representing 100% of the said profit. From this amount will be deducted the interim dividend payment of CLP\$5,544,000,007 paid in December 2007, leaving a balance for the final dividend payment of CLP\$6,127.821069 per share, equivalent to a total de \$7,269,985,638 pesos, payment which will be made on 20 May 2008.

c) The investment and financing policy was approved and the dividends policy was reported, all of which are essentially the same as those applied during the previous year.

d) It was agreed that the Board of Directors would not be remunerated during the current financial year 2008, and it was agreed to appoint Ernst & Young Servicios Profesionales de Auditoría y Asesoría Limitada as external auditors for the 2008 financial year, El Mercurio de Santiago newspaper was reapproved for taking out adverts or publishing notices and related operations were reported on.

- By letter dated 28 November 2008, it was reported as an essential event or relevant information, that at the Board meeting held on the same date, it was agreed to pay an interim dividend of CLP\$7,131,338,687, charged to the profit for the financial year, the equivalent sum of CLP\$6,010.956504185 per share, which was paid 10 December 2008.

## VII.- Parent company – Acquisition Cientec Computación S.A.

By letter No. 07 dated 2 December 2008, it was reported that on 2 December 2008, EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. ("Entel") and its subsidiary Entel Inversiones S.A. signed a purchase agreement for the total sum of shares of Cientec Computación S.A. ("Cientec").

The owners and vendors of these actions of the aforementioned company are Balilia Limitada and Millenium, Fondo de Inversión Privado, with a share of 0.0001% and 99.999%, respectively.

The price of the purchase agreement for the total sum of Cientec shares was CLP\$15,266,715,245, which gave a price of CLP\$49,189 for every Cientec share.

The final price to pay, and there should be no significant variations from this, will be settled after the preparation of a Final Audited Balance prepared by external auditors appointed by the buyers.

Since 2000, the Company Cientec Computación S.A. has consolidated its positions as a provider of Operational Continuity services, operating in the following areas:

- ERP Hosting/Housing services and Critical Business Applications.
- Administration of IT Centres and supply of specialized personnel.
- Provision of Operational Continuity with technology renewal (provision of PC's, help desk, sites).
- Sales of IT High Availability Platforms and Post sales services.

Cientec Computación serves a market made up of big and medium sized businesses, boasting a headcount of 401 employees at the close of 2007, 47% of them engineers and 36% technical staff. It is a company with professionals who are trained and experienced in IT.

In 2007, Cientec Computación had assets valued at ThCLP\$13,615,633, equity of ThCLP\$4,823,977, net revenues of ThCLP\$13.853 million and EBITDA of CLP\$4,366 million.

Cientec's reputation is as a company offering good quality services at competitive prices, and its operation will support the strategic contribution that ENTEL is projecting to make in the IT market.

At the Board meeting of 1 September 2008, the Board of Directors of ENTEL agreed to confer the necessary powers to carry out the negotiations and finalize the Purchase Agreement mentioned above. Further, in the same meeting, the Board agreed to conduct the negotiations confidential until the signing of the contract. Therefore, given that the transaction is no longer of a confidential nature as of this date, Entel is proceeding to communicate this essential event to the Superintendent and the country's stock market.

# INDIVIDUAL FINANCIAL STATEMENTS

ENTEL



# Empresa Nacional de Telecomunicaciones S.A.

## Balance Sheet as at 31 December 2008 and 2007

(in thousands of Chilean pesos)

ASSETS	Note No.	31/12/08 Actual	31/12/07 Anterior
<b>TOTAL CURRENT ASSETS</b>		<b>342,157,763</b>	<b>249,413,214</b>
Cash		3,173,658	1,410,048
Time deposits	30	34,803,266	58,931,984
Marketable securities (net)		-	-
Trade accounts receivable (net)	4	44,391,684	44,230,584
Notes receivable (net)	4	516,642	526,628
Miscellaneous receivables (net)	4	36,267,437	2,843,482
Notes and accounts receivable from related companies	5	214,446,878	132,102,548
Inventory (net)		471,871	578,682
Income tax recoverable		3,335,486	4,934,770
Pre-paid expenses	28	3,206,071	1,277,332
Deferred taxes	6	1,544,770	2,577,156
Other current assets		-	-
Leasing contracts (net)		-	-
Leased assets (net)		-	-
<b>TOTAL FIXED ASSETS</b>	7	<b>375,550,058</b>	<b>383,230,432</b>
Land		3,370,686	3,370,677
Building and infrastructure		194,607,767	195,143,585
Machine and equipment		948,969,408	892,270,938
Other fixed assets		223,773,530	228,638,369
Maximum value for technical revaluation of fixed assets		-	-
Accumulated depreciation (less)		(995,171,333)	(936,193,137)
<b>TOTAL OTHER ASSETS</b>		<b>513,094,073</b>	<b>503,939,425</b>
Investments in related companies	8	407,750,235	413,442,696
Investments in other companies		-	-
Negative goodwill on investments	9	55,716,103	49,703,645
Goodwill on of investments (less)		-	-
Long term receivables	4	15,498,794	6,688,309
Long term Notes and accounts receivables from related companies	5	23,026,610	25,081,820
Long term deferred taxes	6	4,075,720	3,246,985
Intangibles		6,609,322	6,232,938
Amortization (less)		(5,926,011)	(5,680,126)
Others	10	6,343,300	5,223,158
Long term leasing contracts (net)		-	-
<b>TOTAL ASSETS</b>		<b>1,230,801,894</b>	<b>1,136,583,071</b>

## Empresa Nacional de Telecomunicaciones S.A. Balance Sheet as at 31 December 2008 and 2007

(in thousands of Chilean pesos)

LIABILITIES	Note no.	31/12/08 Current	31/12/07 Previous
<b>TOTAL CURRENT LIABILITIES</b>		<b>61,206,038</b>	<b>55,291,090</b>
Short term obligations with banks and financial institutions		-	-
Long term obligations with banks and financial institutions expiring within one year	11	381,234	661,684
Public obligations (payments)		-	-
Public obligations (bonds) expiring within one year	32	1,420,679	1,416,072
Long term obligations expiring within one year		249,698	286,552
Dividends payable		39,629,028	30,178,239
Accounts payable	29	-	-
Notes payable		1,657,031	10,185,393
Miscellaneous payables	31	1,702,519	1,013,639
Notes and accounts payable to related companies	5	4,785,420	5,242,981
Provisions	13 - 14	4,922,673	4,478,383
Withholdings		2,519,090	-
Income tax		2,615,129	1,451,242
Unearned income		-	-
Deferred taxes		1,323,537	376,905
<b>TOTAL LONG TERM LIABILITIES</b>		<b>440,176,003</b>	<b>397,104,536</b>
Obligations with Banks and financial institutions	12	381,870,000	324,667,926
Public obligations (bonds)		-	-
Long term documents payable	32	14,957,054	16,314,118
Various creditors, long term	31	20,674,569	43,439,871
Long term documents and accounts payable, related companies	5	13,115,893	4,213,904
Long term provisions	13-14	7,741,145	6,699,702
Long term deferred taxes		-	-
Other long term liabilities	15	1,817,342	1,769,015
<b>MINORITY INTERESTS</b>		-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	16	<b>729,419,853</b>	<b>684,187,445</b>
Paid in capital		522,667,567	522,667,567
Revaluation capital reserve		-	-
Over expenses in sale of own assets		-	-
Other reserves		(895,937)	(3,158,786)
Retained earnings (total 5.24.51.00 tol 5.24.56.00)		207,648,223	164,678,664
Reserve for future dividends		-	-
Accumulated income		77,790,975	47,735,815
Accumulated losses (less)		-	-
Net income (loss) of period		153,509,618	142,700,280
Interim dividends (less)		(23,652,370)	(25,757,431)
Accumulated deficit of development period		-	-
<b>TOTAL LIABILITIES</b>		<b>1,230,801,894</b>	<b>1,136,583,071</b>

**Empresa Nacional de Telecomunicaciones S.A.**  
**Income Statement for the years ending 31 December 2008 y 2007**  
(in thousands of Chilean pesos)

		From 01/01/2008 to 31/12/2008	From 01/01/2007 to 31/12/2007
<b>INCOME STATEMENT</b>			
	Note no.	Current	Previous
<b>OPERATING INCOME</b>		<b>14,051,217</b>	<b>4,502,926</b>
OPERATING MARGIN		82,039,340	69,568,011
Operating income		243,430,076	229,733,624
Operating costs (less)		(161,390,736)	(160,165,613)
Administration and selling expenses (less)		(67,988,123)	(65,065,085)
<b>NON OPERATING INCOME</b>		<b>145,149,042</b>	<b>135,742,059</b>
Interest income		10,416,690	8,335,783
Net income from investment in related companies	8	150,179,868	163,224,020
Other non operating income	17	486,292	350,669
Losses from investments in related companies (less)	8	(2,250,914)	(3,355,563)
Amortization of goodwill (less)	9	(3,781,807)	(3,781,807)
Interest expenses (less)		(14,465,772)	(21,127,708)
Other non operating expenses (less)	17	(9,588,573)	(20,718,854)
Monetary correction	18	12,668,978	14,472,809
Foreign currency translation	19	1,484,280	(1,657,290)
<b>INCOME BEFORE INCOME TAX AND EXTRAORDINARY ITEMS</b>		<b>159,200,259</b>	<b>140,244,985</b>
<b>INCOME TAX</b>	6	(5,690,641)	2,455,295
<b>EXTRAORDINARY ITEMS</b>		-	-
<b>NET INCOME (LOSSES) BEFORE MINORITY INTEREST</b>		<b>153,509,618</b>	<b>142,700,280</b>
<b>MINORITY INTERESTS</b>		-	-
<b>NET INCOME (LOSSES)</b>		<b>153,509,618</b>	<b>142,700,280</b>
Amortization Goodwill of investments		-	-
<b>NET INCOME (LOSS) FOR THE FY</b>		<b>153,509,618</b>	<b>142,700,280</b>

**Empresa Nacional de Telecomunicaciones S.A.**  
**Cash Flow Statement for the years ending**  
**31 December 2008 and 2007**

(in thousands of Chilean pesos)

From 01/01/2008  
to 31/12/2008

From 01/01/2007  
to 31/12/2007

**STATE OF CASH FLOW-DIRECT**

	Note no,	Current	Previous
<b>NET CASH FLOW ORIGINATING FROM OPERATING ACTIVITIES</b>		<b>233,380,323</b>	<b>217,039,059</b>
Collection of trade account receivables		275,692,951	262,383,354
Interest income received		10,057,051	8,032,901
Dividends and other distributions received		161,492,165	163,847,206
Other income received		460,246	5,304,492
Payment to suppliers and personnel (less)		(175,513,264)	(178,785,965)
Interest payments (less)		(14,524,236)	(23,139,897)
Income tax paid (less)		(1,647,323)	-
Other paid costs (less)		(2,568,680)	(3,267,982)
VAT and other similar tax payments (less)		(20,068,587)	(17,335,050)
<b>NET FLOW FROM FINANCING ACTIVITIES</b>		<b>(97,119,668)</b>	<b>219,389,372</b>
Share placement		-	-
Loans obtained		-	-
Public obligations		-	-
Documented loans from related companies		-	-
Loans obtained from other related companies		9,593,565	2,382,288
Other sources of financing	20	35,479,832	1,220,668
Dividend payments (less)		(104,816,851)	(87,013,973)
Distribution of capital (less)		-	-
Loan payments (less)		(172,488)	(159,137)
Payment of public obligations (less)		-	(126,277,759)
Payment of documented loans to related companies (less)		-	-
Payment of other loans to related companies (less)		-	-
Payment of issue costs and share placement (less)		-	-
Other financing expenses (less)		(37,203,726)	(9,541,459)
<b>NETCASH FLOW ORIGINATING FROM INVESTMENT ACTIVITIES</b>		<b>(156,965,742)</b>	<b>(120,312,805)</b>
Sales of fixed assets		15,901	1,143,961
Sales of permanent investments		-	-
Sales of other investments	20	112,351,543	64,977,995
Revenue from documented loans to related companies		-	-
Revenue from other loans to related companies		-	-
Other investment income	20	-	129,943,847
Incorporation of fixed assets (less)		(56,795,979)	(64,362,826)
Payment of capitalized interests (less)		-	-
Permanent investments (less)		(13,051,178)	-
Investments in financial instruments (less)	20	(115,208,098)	(65,234,853)
Documented loans to related companies (less)		-	-
Other loans to related companies (less)		(81,341,566)	(56,042,965)
Other investment expenses (less)	20	(2,936,365)	(130,737,964)
<b>TOTAL NET CASH FLOW FOR THE PERIOD</b>		<b>(20,705,087)</b>	<b>(122,663,118)</b>
<b>EFFECT OF INFLATION ON CASH AND CASH EQUIVALENT</b>		<b>(1,660,025)</b>	<b>(3,905,165)</b>
<b>NET CHANGE IN THE CASH AND CASH EQUIVALENT</b>		<b>(22,365,112)</b>	<b>(126,568,283)</b>
<b>INITIAL BALANCE OF CASH AND CASH EQUIVALENT</b>		<b>60,342,036</b>	<b>86,910,319</b>
<b>ENDING BALANCE OF CASH AND CASH EQUIVALENT</b>		<b>37,976,924</b>	<b>60,342,036</b>

**Empresa Nacional de Telecomunicaciones S.A.**  
**Cash Flow Statement for the years ending 31**  
**December 2008 and 2007**

(in thousands of Chilean pesos)

		From 01/01/2008 to 31/12/2008	From 01/01/2007 to 31/12/2007
<b>RECONCILIATION INCOME AND CASH FLOW</b>			
	Note no.	Current	Previous
<b>Incomes (Losses) for the period</b>		<b>153,509,618</b>	<b>142,700,280</b>
Results from sales of assets		(79,341)	332,532
(Incomes) Losses in sales of fixed assets		(79,341)	(75,230)
Income from investment sales (less)		-	-
Losses from investment sales		-	407,762
(Incomes) Losses in sales of other assets		-	-
<b>Charges (credits) to income that do not represent cash flows</b>		<b>(88,258,853)</b>	<b>(86,787,555)</b>
Depreciation	7	58,809,907	59,827,858
Amortization of intangibles		242,371	355,329
Write-offs and provisions		10,174,606	16,419,848
Net income accrued from investments in related companies (less)	8	(150,179,868)	(163,224,020)
Losses accrued from investments in related companies	8	2,250,914	3,355,563
Amortization of goodwill	9	3,781,807	3,781,807
Amortization of negative goodwill (less)		-	-
Monetary correction, net	18	(12,668,978)	(14,472,809)
Foreign currency translation, net	19	(1,484,280)	1,657,290
Other credits to income that do not represent cash flow (less)		76,293	(19,435)
Other charges to income that do not represent cash flow		738,375	5,531,014
<b>Changes in assets affecting cash flow (increases) decreases</b>		<b>150,411,752</b>	<b>165,509,976</b>
Trade accounts receivable		(7,292,804)	(5,470,039)
Inventory		106,811	(275,320)
Other assets		157,597,745	171,255,335
<b>Changes in liabilities affecting cash flow increases (decreases)</b>		<b>17,797,147</b>	<b>(4,716,174)</b>
Accounts payable related to operating income		17,191,498	3,345,956
Interest payable		(229,394)	(2,168,166)
Income tax payable (net)		4,043,318	(2,455,295)
Other accounts payable related to non operating income		54,356	(106,458)
VAT and similar taxes to pay (net)		(3,262,631)	(3,332,211)
<b>Income (Losses) of the minority interest</b>		-	-
<b>NET FLOW ORIGINATING FROM OPERATIONAL ACTIVITIES</b>		<b>233,380,323</b>	<b>217,039,059</b>

## Empresa Nacional de Telecomunicaciones S.A. Notes to the Individual Financial Statements as at 31 December 2008 and 2007

### 01, REGISTRATION IN THE SECURITIES REGISTRY

The Society is registered in the Securities Registry under the number 0162, remaining subject to the regulation of the Superintendence for Securities and Insurance (SVS).

### 02, SUMMARY OF ACCOUNTING POLICIES

**a) Accounting period** – The balance sheets cover the periods ending 31 of December of 2008 y 2007 and the corresponding cash flow income results for the years ending on these dates.

**b) Basis of preparation** – The financial results have been prepared in agreement with general accounting principles, conforming to standards issued by the Chilean School of Accountants A,G and the Superintendence for Securities and Insurance.

The investments in subsidiary companies are recorded in one single line in the balance sheet at their proportional equity value and therefore, they have not been consolidated line by line. This treatment does not modify the net income for the period or that of the equity.

These financial balances have been issued only in order to show an individual analysis of the Company and, in consideration of this, they must be read in conjunction with the consolidated financial statements required by the general accounting principles accepted in Chile.

**c) Basis of presentation**, To facilitate comparison, the financial results of the previous period are updated off-balance sheet according to the variation of the consumer price index for the previous 12 months up to December of 2008. For the said period, the index presented a variation of 8.9%.

**d) Price-level restatement**, The consolidated financial statements have been price-level restated through the application of price-level restatement standards in accordance with Chilean GAAP, in order to express currency amounts valued as at December 31, 2008.

Opening balances have been readjusted by 8.9% in 2008 and by 7.4% in 2007, according to the variation in the CPI for each year, lagged by one month.

Balances and operating cash flows during the periods covered by the financial statements have been restated by the variation in the same index between the date of the operation and the closing date.

**e) Basis of conversion** – The assets and liabilities in foreign currency or those expressed in other conversion units are converted to pesos using the current rates at each year end. Up to the 31 December 2008 and 2007 the following conversions were used:

		2008	2007
		\$	\$
United States Dollar	US\$	636.45	496.89
Euro	€	898.81	730.94
Unidad de Fomento	UF	21,452.57	19,622.66

**f) Time deposits** – Presented at their purchase value, including interest accrued at the close of the period.

**g) Inventory**– Goods destined to be commercialized are valued at their average cost, price level adjusted. The cost does not exceed the net realization value.

**h) Allowance for bad debt** – Differentiated percentages are used to calculate bad debt, considering age factors and possible collection management costs for different levels of customers. Likewise, there is differentiation between common debts and renegotiated and documented debts.

Additionally, in the segment of dialing multicarrier system customers, the experience of the behavior of these debtors, as well as the standards set by the authority, are taken into consideration when trying to recover outstanding debts.

The aforementioned factors are considered for determining both the provision for billed and unbilled services

**i) Fixed asset** – The fixed asset is presented at its purchase price, plus any legally recognised reevaluations.

Accrued interest for credits directly associated with the financing of works under construction is capitalized until the date that they begin operating.

**j) Depreciation of fixed assets** – Depreciation is calculated over the revalued balance of the operational assets, based on the linear method of depreciation, taking account the life expectancy for each type of asset using studies and/or the legal provisions in force.

**k) Leased assets** – Leased assets with a purchase option, under contracts with the characteristics of a financial lease, are recorded as assets. Their valuation is equivalent to the present value of the agreed upon installments and the amount to be paid to exercise the purchase option. Revaluation and depreciation of these assets is performed under general standards affecting property, plant and equipment. Ownership of these assets is legally acquired when the purchase option is exercised, therefore, until this occurs they cannot be freely disposed of. In addition, assets that are leased out under contracts with the aforementioned characteristics are considered as sold in the accounting, with the consequent inventory reduction. Income from these transactions is determined at the “present value” of the installments receivable in relation to the acquisition or construction value of the assets sold.

**l) Intangibles** – Intangibles include easements and rights established in favor of the Company, which are amortized using the straight-line method over the term of the contract, with a maximum of 20 years.

Also included under intangibles are the acquisition costs involved in obtaining internet domain rights, which are amortized over a 4-year period.

**m) Investments in related companies and in other companies.** Investments overseas located in economically stable countries are controlled in the currency of the respective country, whereas investments in countries defined as unstable are controlled in United States dollars.

For price-level restatement purposes, assets and liabilities associated with these investments are initially restated with a charge or credit to income on the basis of the variation in the CPI. Subsequently, the differences that can occur with respect to the equivalencies of the currency in which they are controlled are adjusted with a charge or credit to the shareholders' equity account “Cumulative translation adjustment”.

This policy is applicable to both definite and indefinite investments in related companies as an extension of the Parent company's operations. This accounting criterion corresponds to Technical Bulletin No. 64 issued by the Chilean Association of Accountants.

**n) Negative goodwill of investments** - Differences produced when entering or increasing the percentage of participation in related companies between the amounts paid and the respective proportional equity value of the Company being purchases, are deferred (goodwill) and amortized according to the expected rate of return of the investment. This period is limited by the SVS and the Chilean Association of Accountants to a maximum of 20 years.

**p) Current and deferred income taxes** – The income tax provision is determined on the basis of taxable income determined for tax purposes.

Deferred taxes originated by temporary differences between the tax and financial base are recorded as assets or liabilities, as applicable, and charged to income for the years in which these differences occur.

This policy is being fully applied since January 1, 2000, in accordance with Technical Bulletin No. 60 and complementary bulletins issued by the Chilean Association of Accountants.

Deferred taxes accrued but not recognized in the accounting as at December 31, 1999, are controlled in complementary accounts. These complementary accounts are reversed using estimated terms and as the taxes are realized. In the case of complementary accounts associated to tax losses, income is affected in the period in which the losses are applied.

Deferred tax assets and liabilities are recognized according to the tax rates that will be in force in the years when these are expected to be realized or liquidated.

o) Staff severance indemnities – Staff severance indemnities are recorded using the actual value of the accrued cost of the benefit method, applying an annual discount rate of 6%.

p) Operating income – Income from sales arising from the Company's line of business is recorded on an accrual basis and presented net of provisions for eventual non-collections and un-accrued interest.

The methods used in determining the value of the services provided for billing or for provisions at each accounting closing date, are the following:

Measuring and valuation of services rendered is done through computer systems and procedures that facilitate balancing, validating and pricing the traffic that has gone through, from the records of the different switchboards and service control platforms. These systems ensure adequate reasonability of billing and accounting provisions, both in respect to volume and valuation.

In reference to foreign correspondents, the values recorded correspond exclusively to traffic effectively gone through, which is valued according to the agreed upon shared rates. Their presentation and classification in the financial statements is conditioned upon the nature of the balance, which can be debit or credit, depending on whether there has been more participation in favor or against, respectively.

q) **Derivative contracts** - The Company has contracts which hedge risks of changes in the exchange rate and interest rate.

Derivative instruments correspond to deferred foreign currency (forward) purchase/sales contracts (forward) and simultaneous interest and exchange rate hedge contracts (Cross Currency Swap)

The criteria applied in the accounting recognition of these contracts, are as follows:

Deferred foreign currency purchase/sales contracts:

- The compensations in favor or against each contract are recorded under assets or liabilities, as applicable, and valued at fair market value as at year-end.
- Accumulated net variations in the market value of derivative contracts and of hedged items are charged to income when they represent losses and to deferred liabilities when they represent profits.
- These contracts have been designated as hedges.
- Transitory excess hedging originated in the normal or extraordinary service of hedged liabilities, are treated as investment contracts in the accounting.

## Cross Currency Swaps:

Cross currency swap derivatives instruments consider the exchange of cash flows with the underwriting banks.

- At the closing of each period the differences of accrued cash flows payable or receivable are established, both for differences in the interest rate, as well as differences in the exchange rate and assets or liabilities are recorded, as applicable.

-Market value is obtained and the differences in respect to the value at which they have been recorded are recognized in the accounting. Differences are controlled in deferred assets or liabilities accounts, based on whether the differences against or in favor.

**r) Computer software** – The costs of acquiring computer packages (software) are capitalized and depreciated over a 4-year periods.

**s) Statements of cash flows** – In the preparation of this statement, cash equivalents are considered to be balances available in cash, banks and short-term deposits in the financial system and fixed income mutual funds maturing in a maximum of 90 days. There are no other items that would be considered cash equivalents.

Cash flows from operating activities only include income and disbursements derived from the Company's regular operations.

**t) Share issuance costs** – As at December 31, 2008 and 2007, the Company did not record deferred assets for share issuance costs.

The last share issuance was performed in 1999 and associated costs were fully charged to expenses for the year.

**u) Personnel vacation** – The cost of personnel vacations is recorded in the year that this right is accrued, regardless of when the employees make use of it.

**v) Long-term financing expenses** – Initial commissions, consulting and tax expenses associated with obtaining long-term loans are deferred and amortized over the term of the loan.

Should prepayment clauses be exercised, the balances of these deferred assets are charged to income.

## 03. ACCOUNTING CHANGES

The accounting principles and criteria described in Note 2 were applied consistently in 2008 and 2007.

## 04. SHORT AND LONG TERM RECEIVABLES

Short and long-term receivables are composed of Trade Accounts Receivable, Notes Receivable, Other Receivables and Long-term Receivables.

The following tables detailing each account are attached to this note:

Detailed by due date and associated allowance for doubtful accounts.

Detailed by concept of the debt.

Trade Accounts Receivable includes the value of services rendered and not billed in the amount of ThCLP\$9,793,343 as at 31December 2008 (ThCLP \$10,539,626 in 2007).

Provision for bad debt, as at 31 December 2008, breaks down as ThCLP\$9,192,211 for billed services and ThCLP\$195,723 for services rendered pending billing [ThCLP\$9,654,566 and ThCLP\$221,718 in 2007, respectively].

Long-term receivables, under Lease Receivables, reflects balances related to current contract with Telmex S.A. and corresponds to the principal installments to be collected in a term exceeding one year for long-term rental of telecommunications infrastructure.

The contract includes 19 equal annual installments of UF 40,262.12 each, the last of which is due on January 10, 2017 and a final installment, representing the purchase option, of UF 30,196.59 due on January 10, 2018.

This value is shown net of un-accrued interest, which was determined on the basis of the implicit contract interest rate equivalent to 8.7% annually.

#### Short and Long-Term Receivables

DESCRIPTION	CURRENT				LONG TERM				
	Up to 90 Days		More than 90 days		Subtotal	Total Current		31/12/08	31/12/07
	31/12/08	31/12/07	31/12/08	31/12/07		31/12/08	31/12/07		
Trade account receivables	53,779,618	44,230,584	-	-	53,779,618	44,391,684	44,230,584	-	-
Provision for bad debt	-	-	-	-	9,387,934	-	-	-	-
Notes receivable	652,899	526,628	-	-	652,899	516,642	526,628	-	-
Provision for bad debt	-	-	-	-	136,257	-	-	-	-
Miscellaneous receivables	36,331,932	2,843,482	-	-	36,331,932	36,267,437	2,843,482	15,498,794	6,688,309
Provision for bad debt	-	-	-	-	64,495	-	-	-	-
<b>TOTAL LONG TERM RECEIVABLES</b>								<b>15,498,794</b>	<b>6,688,309</b>

#### Short and Long-Term Receivables

	December 2008 ThCLP\$	December 2007 ThCLP \$
<b>TRADE ACCOUNT RECEIVABLES</b>		
Customers	40,279,426	42,631,894
Foreign correspondents	6,320,744	4,397,756
Other telecommunications operators	7,179,448	7,077,218
Subtotal Trade account receivables	53,779,618	54,106,868
Provision for bad debt (less)	(9,387,934)	(9,876,284)
<b>TOTAL TRADE ACCOUNT RECEIVABLES (Net)</b>	<b>44,391,684</b>	<b>44,230,584</b>
<b>MISCELLANEOUS SHORT TERM RECEIVABLES</b>		
Rights accrued on exchange contracts	34,891,089	69,016
Lease contracts receivables	878,043	1,869,413
Loans to personnel	512,067	793,837
Other receivables	50,733	181,451
Subtotal miscellaneous short term receivables	36,331,932	2,913,717
Provision for bad debt (minus)	(64,495)	(70,235)
<b>TOTAL MISCELLANEOUS SHORT TERM RECEIVABLES (Net)</b>	<b>36,267,437</b>	<b>2,843,482</b>
<b>LONG-TERM RECEIVABLES</b>		
Rights accrued on exchange contracts	9,556,313	-
Leasing receivables	5,140,091	5,501,794
Loans to personnel	684,200	1,077,418
Guarantees and others	118,190	109,097
<b>TOTAL LONG TERM MISCELLANEOUS RECEIVABLES</b>	<b>15,498,794</b>	<b>6,688,309</b>

## 05. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

Balances receivable from and payable to related companies as at December 31, 2008 and 2007 are detailed in the tables that follow.

All amounts pending receipts or payment originate from transactions relating to the Company's line of business, whether this be traffic or interconnections business, infrastructure transfers or financing.

The most relevant values for intercompany transactions correspond to balances owed by Entel Telefonía Personal S.A. and its subsidiaries Entel Móvil S.A. and Entel PCS S.A. Next in importance is the financing provided to subsidiary Entel Telefonía Local S.A.s and to subsidiary Entel Call Center S.A.

The balances owed are subject to market interest rates.

In the case of fully controlled subsidiaries, the cash flows from collections and payments are determined by the criteria for the optimization of the use of working capital.

### Documents and Account Receivables

TAX REF NO. COMPANY

		SHORT TERM		LONG TERM	
		31/12/08	31/12/07	31/12/08	31/12/07
79.826.760-4	ENTEL TELEFONÍA PERSONAL S.A.	160,867,510	105,836,736	-	-
96.806.980-2	ENTEL PCS S.A.	17,066,060	7,542,617	-	-
96.679.680-4	ENTEL MÓVIL S.A.	25,355,333	6,589,678	-	-
76.479.460-5	ENTEL COMERCIAL S.A.	1,448,191	1,273,623	-	-
96.697.410-9	ENTEL TELEFONÍA LOCAL S.A.	3,994,204	6,154,181	12,178,755	12,356,792
96.554.040-7	ENTEL SERVICIOS TELEFÓNICOS S.A.	805,532	1,442,556	-	-
96.553.830-5	SATEL S.A.	39,410	10,867	407,967	1,711,411
96.672.640-7	TRANSAXION S.A.	-	33,656	389,885	611,880
96.563.570-K	ENTEL CALL CENTER S.A.	-	-	10,050,003	10,401,737
0-E	ENTEL INTERNACIONAL BVI CORP,	636	641,496	-	-
0-E	AMERICATEL PERÚ S.A.	3,510,062	2,468,292	-	-
0-E	SERVICIOS ECC DEL PERÚ S.A.	1,223,662	-	-	-
78.549.280-3	ENVASES ROBLE ALTO S.A.	3,474	3,113	-	-
79.879.430-2	FORESTAL COIHUECO S.A.	-	61	-	-
79.943.600-0	PROPA S.A.	1,519	723	-	-
84.552.500-5	PORTUARIA CMPC A,	3,519	770	-	-
86.359.300-K	SOCIEDAD RECUPERADORA DE PAPEL S.A.	7,365	3,718	-	-
88.566.900-K	EMPRESA DISTRIBUIDORA DE PAPELES Y CARTONES S.A.	2,915	2,724	-	-
89.201.400-0	ENVASES IMPRESOS S.A.	3,489	1,855	-	-
91.440.000-7	FORESTAL MININCO S.A.	31,188	29,054	-	-
95.304.000-K	CMPC MADERAS S.A.	28,568	19,518	-	-
96.500.110-7	FORESTAL Y AGRÍCOLA MONTE ÁGUILA S.A.	779	848	-	-
96.529.310-8	CMPC TISSUE S.A.	18,333	8,701	-	-
96.532.330-9	CMPC CELULOSA S.A.	20,386	23,313	-	-
96.656.410-5	BICE VIDA COMPAÑÍA DE SEGUROS	103	2,134	-	-
96.768.750-2	SERVICIOS COMPARTIDOS CMPC S.A.	3,086	4,552	-	-
96.853.150-6	PAPELES CORDILLERA S.A.	3,947	474	-	-
97.080.000-K	BANCO BICE	9	7,259	-	-
91.656.000-1	INDUSTRIAS FORESTALES S.A.	4,656	-	-	-
96.731.890-6	CARTULINAS CMPC S.A.	2,938	-	-	-
96.757.710-3	CMPC PRODUCTOS DE PAPEL S.A.	4	29	-	-
<b>TOTAL</b>		<b>214,446,878</b>	<b>132,102,548</b>	<b>23,026,610</b>	<b>25,081,820</b>

## Notes and Accounts Receivable

TAX REF.NO.	COMPANY	SHORT TERM		LONG TERM	
		31/12/08	31/12/07	31/12/08	31/12/07
96.554.040-7	ENTEL SERVICIOS TELEFÓNICOS S.A.	-	-	106,677	634,079
96.672.640-7	TRANSAXION S.A.	435,316	35,232	-	-
96.563.570-K	ENTEL CALL CENTER S.A.	1,023,701	654,311	-	-
96.561.790-6	ENTEL INVERSIONES S.A.	-	-	11,500,779	2,451,267
96.548.490-6	MICARRIER S.A.	35,714	250,241	1,508,437	1,128,558
96.682.830-7	CIENTEC COMPUTACIÓN S.A.	6,886	-	-	-
0-E	AMERICATEL PERÚ S.A.	81,035	73,855	-	-
0-E	SERVICIOS CALL CENTER DEL PERÚ S.A.	119,867	-	-	-
<b>TOTAL</b>		<b>1,702,519</b>	<b>1,013,639</b>	<b>13,115,893</b>	<b>4,213,904</b>

## Transactions

COMPANY	TAX REF NO.	RELATIONSHIP	DESCRIPTION OF THE TRANSACTION	31/12/08		31/12/07	
				AMOUNT	(CHARGE) CREDIT TO INCOME	AMOUNT	(CHARGE) CREDIT TO INCOME
ENTEL INVERSIONES S.A.	96.561.790-6	SUBSIDIARY	LOANS RECEIVED	9,218,978	-	8,451,049	-
ENTEL INVERSIONES S.A.	96.561.790-6	SUBSIDIARY	INTEREST ON DEBT RECEIVABLE	133,531	133,531	6,316	6,316
ENTEL INVERSIONES S.A.	96.561.790-6	SUBSIDIARY	INTEREST ON DEBT PAYABLE	236,907	[236,907]	440	[440]
ENTEL INVERSIONES S.A.	96.561.790-6	SUBSIDIARY	PAYMT, ON ACC,- LOANS RECEIVED	-	-	6,027,779	-
ENTEL SERVICIOS TELEFÓNICOS S.A.	96.554.040-7	SUBSIDIARY	SERVICES RENDERED	737,704	737,704	1,204,519	1,204,519
ENTEL SERVICIOS TELEFÓNICOS S.A.	96.554.040-7	SUBSIDIARY	SERVICES RECEIVED	184,861	[184,861]	251,805	[251,805]
ENTEL SERVICIOS TELEFÓNICOS S.A.	96.554.040-7	SUBSIDIARY	INTEREST ON DEBT PAYABLE	-	-	-	35,806
ENTEL SERVICIOS TELEFÓNICOS S.A.	96.554.040-7	SUBSIDIARY	INTEREST ON DEBT RECEIVABLE	6,724	6,724	-	-
ENTEL SERVICIOS TELEFÓNICOS S.A.	96.554.040-7	SUBSIDIARY	REIMBURSEMENT OF EXPENSES	1,239	-	6,793	-
ENTEL SERVICIOS TELEFÓNICOS S.A.	96.554.040-7	SUBSIDIARY	LOANS GRANTED	698,855	-	-	-
ENTEL SERVICIOS TELEFÓNICOS S.A.	96.554.040-7	SUBSIDIARY	PAYMT, ON ACC,- LOANS GRANTED	-	-	1,295,958	-
ENTEL CALL CENTER S.A.	96.563.570-K	SUBSIDIARY	SERVICES RENDERED	303,873	303,873	432,291	432,291
ENTEL CALL CENTER S.A.	96.563.570-K	SUBSIDIARY	SERVICES RECEIVED	4,171,803	[4,171,803]	3,366,789	[3,366,789]
ENTEL CALL CENTER S.A.	96.563.570-K	SUBSIDIARY	INTEREST ON DEBT RECEIVABLE	105,037	105,037	116,980	116,980
ENTEL CALL CENTER S.A.	96.563.570-K	SUBSIDIARY	LOANS GRANTED	30,828,656	-	58,564,555	-
ENTEL CALL CENTER S.A.	96.563.570-K	SUBSIDIARY	PAYMT, ON ACC,- LOANS GRANTED	30,351,388	-	59,726,660	-
ENTEL CALL CENTER S.A.	96.563.570-K	SUBSIDIARY	REIMBURSEMENT OF EXPENSES	7,651	-	7,216	-
MICARRIER S.A.	96.548.490-6	SUBSIDIARY	SERVICES RENDERED	79,187	79,187	105,367	105,367
MICARRIER S.A.	96.548.490-6	SUBSIDIARY	SERVICES RECEIVED	85,921	[85,921]	132,715	[132,715]
MICARRIER S.A.	96.548.490-6	SUBSIDIARY	INTEREST ON DEBT PAYABLE	32,813	[32,813]	221	[221]
MICARRIER S.A.	96.548.490-6	SUBSIDIARY	INTEREST ON DEBT RECEIVABLE	15,063	[15,063]	-	-
MICARRIER S.A.	96.548.490-6	SUBSIDIARY	REIMBURSEMENT OF EXPENSES	4,837	-	-	-
MICARRIER S.A.	96.548.490-6	SUBSIDIARY	LOANS RECEIVED	604,691	-	307,054	-
MICARRIER S.A.	96.548.490-6	SUBSIDIARY	PAYMT, ON ACC,- LOANS RECEIVED	231,104	-	409,222	-
ENTEL TELEFONÍA LOCAL S.A.	96.697.410-9	SUBSIDIARY	SERVICES RENDERED	22,598,689	22,598,689	21,565,962	21,565,962
ENTEL TELEFONÍA LOCAL S.A.	96.697.410-9	SUBSIDIARY	SERVICIOS ACTIVADOS POR EPH	453,693	-	1,159,641	-
ENTEL TELEFONÍA LOCAL S.A.	96.697.410-9	SUBSIDIARY	SERVICES RECEIVED	4,937,638	[4,937,638]	4,718,847	[4,718,847]
ENTEL TELEFONÍA LOCAL S.A.	96.697.410-9	SUBSIDIARY	INTEREST ON DEBT RECEIVABLE	119,583	119,583	149,231	149,231
ENTEL TELEFONÍA LOCAL S.A.	96.697.410-9	SUBSIDIARY	REIMBURSEMENT OF EXPENSES	2,690	-	154,149	-
ENTEL TELEFONÍA LOCAL S.A.	96.697.410-9	SUBSIDIARY	PAYMT, ON ACC,- LOANS GRANTED	224,307	-	1,582,432	-

## Transactions

COMPANY	TAX REF NO.	RELATIONSHIP	DESCRIPTION OF THE TRANSACTION	31/12/08		31/12/07	
				AMOUNT	(CHARGE) CREDIT TO INCOME	AMOUNT	(CHARGE) CREDIT TO INCOME
SATEL TELECOMUNICACIONES S.A.	96.553.830-5	SUBSIDIARY	SERVICES RENDERED	96,901	96,901	215,092	215,092
SATEL TELECOMUNICACIONES S.A.	96.553.830-5	SUBSIDIARY	SERVICES RECEIVED	509,652	(509,652)	85,052	(85,052)
SATEL TELECOMUNICACIONES S.A.	96.553.830-5	SUBSIDIARY	REIMBURSEMENT OF EXPENSES	-	-	20	-
SATEL TELECOMUNICACIONES S.A.	96.553.830-5	SUBSIDIARY	LOANS GRANTED	938,096	-	2,361,633	-
SATEL TELECOMUNICACIONES S.A.	96.553.830-5	SUBSIDIARY	INTEREST ON DEBT RECEIVABLE	10,561	10,561	10,834	10,834
SATEL TELECOMUNICACIONES S.A.	96.553.830-5	SUBSIDIARY	PAYMT, ON ACC,- LOANS GRANTED	2,195,212	-	1,576,293	-
ENTEL TELEFONÍA PERSONAL S.A.	79.826.760-4	SUBSIDIARY	INTEREST ON DEBT RECEIVABLE	7,524,321	7,524,321	4,477,094	4,477,094
ENTEL TELEFONÍA PERSONAL S.A.	79.826.760-4	SUBSIDIARY	LOANS GRANTED	177,570,938	-	169,330,983	-
ENTEL TELEFONÍA PERSONAL S.A.	79.826.760-4	SUBSIDIARY	PAYMT, ON ACC,- LOANS GRANTED	122,921,867	-	112,040,024	-
ENTELMÓVIL S.A.	96.679.680-4	SUBSIDIARY	SERVICES RENDERED	19,534,050	19,534,050	17,643,871	17,643,871
ENTELMÓVIL S.A.	96.679.680-4	SUBSIDIARY	SERVICES RECEIVED	2,235,290	(2,235,290)	2,476,795	(2,476,795)
ENTELMÓVIL S.A.	96.679.680-4	SUBSIDIARY	INTEREST ON DEBT RECEIVABLE	675,903	675,903	324,793	324,793
ENTELMÓVIL S.A.	96.679.680-4	SUBSIDIARY	LOANS GRANTED	20,373,296	-	19,177,124	-
ENTELMÓVIL S.A.	96.679.680-4	SUBSIDIARY	PAYMT, ON ACC,- LOANS GRANTED	3,506,902	-	17,998,554	-
ENTEL COMERCIAL S.A.	76.479.460-5	SUBSIDIARY	SERVICES RENDERED	2,807	2,807	560,610	560,610
ENTEL COMERCIAL S.A.	76.479.460-5	SUBSIDIARY	SERVICES RECEIVED	55,148	(55,148)	116,170	(116,170)
ENTEL COMERCIAL S.A.	76.479.460-5	SUBSIDIARY	INTEREST ON DEBT RECEIVABLE	43,708	43,708	40,772	40,772
ENTEL COMERCIAL S.A.	76.479.460-5	SUBSIDIARY	LOANS GRANTED	519,187	-	1,432,344	-
ENTEL COMERCIAL S.A.	76.479.460-5	SUBSIDIARY	PAYMT, ON ACC,- LOANS GRANTED	238,549	-	1,493,530	-
ENTEL PCS S.A.	96.806.980-2	SUBSIDIARY	SERVICES RENDERED	27,858,619	27,858,619	25,585,386	25,585,386
ENTEL PCS S.A.	96.806.980-2	SUBSIDIARY	SERVICES RECEIVED	4,343,572	(4,343,572)	4,331,626	(4,331,626)
ENTEL PCS S.A.	96.806.980-2	SUBSIDIARY	SERVICES RECEIVED ACTIVADOS	-	-	4	-
ENTEL PCS S.A.	96.806.980-2	SUBSIDIARY	INTEREST ON DEBT RECEIVABLE	395,180	395,180	159,896	159,896
ENTEL PCS S.A.	96.806.980-2	SUBSIDIARY	REIMBURSEMENT OF EXPENSES	9,250	-	82,449	-
ENTEL PCS S.A.	96.806.980-2	SUBSIDIARY	LOANS GRANTED	25,930,536	-	24,495,941	-
ENTEL PCS S.A.	96.806.980-2	SUBSIDIARY	PAYMT, ON ACC,- LOANS GRANTED	18,288,844	-	24,118,497	-
TRANSACTION S.A.	96.672.640-7	SUBSIDIARY	SERVICES RECEIVED	403,958	(403,958)	35,232	(35,232)
TRANSACTION S.A.	96.672.640-7	SUBSIDIARY	CAPITALIZACIÓN DE DEUDAS	534,348	-	-	-
TRANSACTION S.A.	96.672.640-7	SUBSIDIARY	LOANS GRANTED	357,531	-	38,114	-
SERVICIOS CALL CENTER DEL PERÚ S.A.	0-E	SUBSIDIARY	SERVICES RECEIVED	345,540	(345,540)	-	-

## Transactions

COMPANY	TAX REF NO.	RELATIONSHIP	DESCRIPTION OF THE TRANSACTION	31/12/08		31/12/07	
				AMOUNT	(CHARGE) CREDIT TO INCOME	AMOUNT	(CHARGE) CREDIT TO INCOME
SERVICIOS CALL CENTER DEL PERÚ S.A.	0-E	SUBSIDIARY	LOANS GRANTED	1,225,166	-	-	-
ENTEL INTERNACIONAL BVI CORP,	0-E	SUBSIDIARY	REIMBURSEMENT OF EXPENSES	2,998	-	81,586	-
ENTEL INTERNACIONAL BVI CORP,	0-E	SUBSIDIARY P	AYMT,ON ACC,- A LOANS GRANTED	522,335	-	-	-
AMERICATEL PERÚ S.A.	0-E	SUBSIDIARY	SERVICES RENDERED	1,218,118	1,218,118	992,729	992,729
AMERICATEL PERÚ S.A.	0-E	SUBSIDIARY	SERVICES RECEIVED	1,148,256	(1,148,256)	537,310	(537,310)
AMERICATEL PERÚ S.A.	0-E	SUBSIDIARY	LOANS GRANTED	2,354,865	-	495,848	-
AMERICATEL PERÚ S.A.	0-E	SUBSIDIARY	PAYMT,ON ACC,- LOANS GRANTED	1,654,770	-	108,223	-
AMERICATEL PERÚ S.A.	0-E	SUBSIDIARY	REIMBURSEMENT OF EXPENSES	-	-	66,603	-
BANCO BICE	97.080.000-K	COMMON DIRECTOR	SERVICES RENDERED	74,684	74,684	68,207	68,207
BANCO BICE	97.080.000-K	COMMON DIRECTOR	SERVICES RECEIVED	85,614	(85,614)	91,345	(91,345)
CHILENA DE MOLDEADOS S.A.							
CHIMOLSA	93.658.000-9	COMMON DIRECTOR	SERVICES RENDERED	5,768	5,768	5,842	5,842
CMPC CELULOSA S.A.	96.532.330-9	COMMON DIRECTOR	SERVICES RENDERED	13,837	13,837	37,688	37,688
CMPC MADERAS S.A.	95.304.000-K	COMMON DIRECTOR	SERVICES RENDERED	120,779	120,779	95,743	95,743
CMPC TISSUE S.A.	96.529.310-8	COMMON DIRECTOR	SERVICES RENDERED	64,648	64,648	66,184	66,184
EDIPAC S.A.	88.566.900-K	COMMON DIRECTOR	SERVICES RENDERED	17,720	17,720	21,539	21,539
ENVASES IMPRESOS S.A.	89.201.400-0	COMMON DIRECTOR	SERVICES RENDERED	19,377	19,377	17,713	17,713
ENVASES ROBLE ALTO S.A.	78.549.280-3	COMMON DIRECTOR	SERVICES RENDERED	31,301	31,301	32,350	32,350
FORESTAL MININCO S.A.	91.440.000-7	COMMON DIRECTOR	SERVICES RENDERED	73,288	73,288	68,852	68,852
FORESTAL Y AGRÍCOLA							
MONTE ÁGUILA S.A.	96.500.110-7	COMMON DIRECTOR	SERVICES RENDERED	-	-	1,776	1,776
PAPELES CORDILLERA S.A.	96.853.150-6	COMMON DIRECTOR	SERVICES RENDERED	14,505	14,505	10,949	10,949
PORTUARIA CMPC S.A.	84.552.500-5	COMMON DIRECTOR	SERVICES RENDERED	32,396	32,396	31,508	31,508
PRODUCTOS AUSTRAL S.A.	94.672.000-3	COMMON DIRECTOR	SERVICES RENDERED	-	-	13	13
PROPA S.A.	79.943.600-0	COMMON DIRECTOR	SERVICES RENDERED	10,324 1	0,324	10,972	10,972
SERVICIOS COMPARTIDOS CMPC S.A.	96.768.750-2	COMMON DIRECTOR	SERVICES RENDERED	408,286	408,286	380,505	380,505
SOREPA S.A.	86.359.300-K	COMMON DIRECTOR	SERVICES RENDERED	34,403	34,403	31,302	31,302
BICE VIDA COMPAÑÍA DE SEGUROS	96.656.410-5	COMMON DIRECTOR	SERVICES RENDERED	10,950	10,950	13,489	13,489
CMPC PRODUCTOS DE PAPEL S.A.	96.757.710-3	COMMON DIRECTOR	SERVICES RENDERED	53	53	47	47
INDUSTRIAS FORESTALES S.A	91.656.000-1	COMMON DIRECTOR	SERVICES RENDERED	20,650	20,650	-	-
CARTULINAS CMPC S.A.	96.731.890-6	COMMON DIRECTOR	SERVICES RENDERED	94,309	94,309	-	-

## 06. DEFERRED INCOME TAXES AND CURRENT INCOME TAX

For the 2008 financial year, the Company posted net income of ThCLP\$29,478,959, for which a tax provision of ThCLP\$5,011,423 was made. In addition, other smaller additional tax provisions were made.

In turn, for the 2007 financial year the Company posted losses of ThCLP\$4,394,866, and consequently no tax provision was made.

The item Recoverable taxes (assets) and Income tax (liability) include the net balance of, on the one hand, the sum of obligatory monthly provisional payments plus any tax credits, and on the other, accrued tax payments for each period.

Also included under this item are the values for which a refund is to be requested, related to the tax period in which the loss occurred.

In respect of tax credits in favor of shareholders in relation to tax on dividend payments, as at 31 December 2008 la Company posted the following net taxable income pending distribution:

- 17% Credit ThCLP\$128,350,101.

- Without credit ThCLP\$5,154,094.

The following tables contain information on the following:

- Balance of deferred taxes assets and liabilities.

- Detail of income tax for the financial year

The deferred taxes detailed in the following table, are presented on the balance sheet after offsetting long and short term assets and liabilities, respectively.

In 2008, a provision of ThCLP\$400,000 was made to cover any objections or delays in the application of deferred taxes in the Company's favour:

### Deferred taxes

CONCEPTOS	31/12/08				31/12/07			
	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES		DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	SHORT TERM	LONG TERM	SHORT TERM	LONG TERM	SHORT TERM	LONG TERM	SHORT TERM	LONG TERM
<b>TEMPORARY DIFFERENCES</b>								
PROVISION FOR BAD DEBT	1,856,580	-	-	-	1,710,910	-	-	-
UNEARNED INCOME	380,788	137,153	-	-	203,002	118,288	-	-
VACATION PROVISION	417,425	-	-	-	434,656	-	-	-
AMORTIZED INTANGIBLES	-	-	-	-	-	-	-	-
LEASED ASSETS	-	-	-	3,035,028	-	-	-	3,174,595
MANUFACTURING COSTS	-	-	-	-	-	-	-	-
FIXED ASSET DEPRECIATION	-	-	-	12,201,922	-	-	-	12,591,688
STAFF SEVERANCE INDEMNITIES	80,173	767,467	-	-	65,132	426,211	-	-
OTHER EVENTS	315,923	-	-	42,136	391,519	-	-	63,539
LEASE INSTALLMENTS PAYABLE	198,102	1,972,778	-	-	200,955	2,162,431	-	-
ASSETS SOLD THROUGH LEASING	-	620,358	-	-	-	720,382	-	-
LEASE INSTALLMENTS RECEIVABLE	-	-	149,267	873,815	-	-	317,793	935,305
CAPITALISED FINANCING EXPENSES	-	-	85,571	323,889	-	-	93,858	407,261
PROVISION OBSOLESCENCE OF FIXED ASSETS	-	5,859,640	-	-	-	5,569,978	-	-
EXCHANGE INSURANCE	-	-	1,069,383	63,881	-	44,297	17,367	-
<b>OTHER</b>								
ADDITIONAL ACCOUNTS NET OF AMORTISATION	-	613,354	-	11,872,349	-	1,226,707	-	12,604,493
PROVISION FOR VALUATION	400,000	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>2,848,991</b>	<b>8,744,042</b>	<b>1,304,221</b>	<b>4,668,322</b>	<b>3,006,174</b>	<b>7,814,880</b>	<b>429,018</b>	<b>4,567,895</b>

Income tax  
ITEM

	31/12/08	31/12/07
Current tax expense (tax provision)	(5,023,891)	(70,352)
Tax expense adjustment (previous year)	(9,221)	173,104
Effect of deferred tax assets or liabilities for the financial year	(138,739)	1,745,986
Tax benefits for tax losses	-	747,127
Effect of amortization of deferred tax assets and liabilities complementary accounts	(118,790)	(118,790)
Effect on assets or liabilities of deferred taxes for changes in the provision for valuation	(400,000)	-
Other charges or credits to the account	-	(21,780)
<b>TOTAL</b>	<b>(5,690,641)</b>	<b>2,455,295</b>

## 07. FIXED ASSETS

The composition of property, plant and equipment and its depreciation are presented in a report attached to this note.

Leased real estate is represented in real estate lease contracts referring to the real estate where the Company's general offices are located.

The terms of the lease agreements for Leased Assets are:

	Start Date	End Date
Edificio Pacífico (Floors 9-10-12-13-14)	May 1995	April 2015
Comercial Premises	February 1998	February 2018
Edificio Costanera (Floor 15)	September 1998	August 2018
Edificio Costanera (Floors 12-13-14)	December 1998	November 2018

Depreciation corresponding to 2008 and 2007 totaling ThCLP\$58,809,907 and ThCP\$59,827,858 respectively, whose distribution among the operating costs and sales and administrative expenses are shown in the following table.

	December 2008 ThCLP \$	December 2007 ThCLP \$
<b>LAND</b>		
Land	3,370,686	3,370,677
<b>BUILDINGS AND BUILDINGS UNDER CONSTRUCTION</b>		
Buildings and buildings under construction	194,607,767	195,143,585
Depreciation for the financial year	(5,622,290)	(5,834,771)
Depreciation in previous years	(94,661,784)	(89,707,765)
<b>Total net buildings and buildings under construction</b>	<b>94,323,693</b>	<b>99,601,049</b>
<b>MACHINERY AND EQUIPMENT</b>		
Telecommunication equipment	817,071,679	762,516,620
Electromagnetic equipment	50,153,163	48,564,640
Satellite and other Communication Systems	63,043,959	62,803,911
Instruments and Tools	18,087,806	17,784,673
Transport equipment	612,801	601,094
Subtotal	948,969,408	892,270,938
Depreciation for the financial year	(43,093,109)	(42,995,669)
Depreciation for previous years	(723,791,906)	(679,518,566)
<b>Total net machinery and equipment</b>	<b>182,084,393</b>	<b>169,756,703</b>
<b>OTHER FIXED ASSETS</b>		
Furniture and office equipment	88,881,160	84,304,913
Computer systems	47,007,223	46,740,254
Leased assets		
- Real estate	22,686,985	22,776,613
- Other	700,636	3,811,242
Subtotal	159,276,004	157,633,022
Work in progress	60,418,522	66,644,340
Equipment, materials and spare parts :		
- In warehouse	3,793,204	3,865,801
- In transit	285,800	495,206
Subtotal	223,773,530	228,638,369
Depreciation for the financial year	(10,094,508)	(10,997,419)
Depreciation for previous years	(117,907,736)	(107,138,948)
<b>Net total other fixed assets</b>	<b>95,771,286</b>	<b>110,502,002</b>
Gross total value	1,370,721,391	1,319,423,569
Total depreciation for the financial year	(58,809,907)	(59,827,858)
- charged to operating costs	(46,376,810)	(46,878,841)
- charged to sales and administration expenses	(12,433,097)	(12,949,017)
Total depreciation for previous years	(936,361,426)	(876,365,279)
<b>TOTAL NET VALUE</b>	<b>375,550,058</b>	<b>383,230,432</b>

## 08. INVESTMENTS IN RELATED COMPANIES

Details of participation in related companies and the behaviour of their income is shown in the table following this note.

In unearned income, the most significant value is recorded in subsidiary Entel Inversiones S.A. This value corresponds to net income generated by this subsidiary as a result of not concurring in the capital increase of Entel Telefonía Personal S.A. in 1997 and 1998. The increases were subscribed and paid for by the Group's Parent company, which in turn recorded "Goodwill" for the lower increase in its rights in relation to value paid.

Other unearned income corresponds to net income from the transfer of property, plant and equipment to subsidiary Entel PCS S.A. in the amount of ThCLP\$1,276,936, at December 31, 2008 they were adjusted against investments in Entel PCS S.A. and its controller Entel Telefonía Personal S.A.

This net income is recognized by the way in which the Parent company amortizes its goodwill balances, in lines with the policy described in Note 2n.

As at 31 December 2008 and 2007 there are no liabilities contracted by the Company that have been designated and registered in the accounts as foreign investment hedging instruments.

On 2 December 2008, the Company signed a contract through which it acquired directly and through the subsidiary Entel Inversiones S.A., 100% of the shares of Cientec Computación S.A. The cost of the shares purchase was ThCLP\$15,160,984 paid in full.

Payment included two deposits transferable and renewable, one at 30 days and the other at 90, for a total of ThCLP\$2,806,409, which were left in guarantee with a public notary, payment being released once certain obligations and deadlines have been met.

The business activities of Cientec Computación S.A. complement those of the Company and are related to the information technology industry.

Recognition of the acquisition in the accounts was done based on their most recent financial statements and to date no distortions that could affect the value of the Company's assets and liabilities or their financial results has been detected.

### Details of the Investments

TAX REF. NO.	COMPANY	COUNTRY OF ORIGIN	CURRENCY OF INVESTMENT	NO. OF SHARES	%PARTICIPATION		COMPANY EQUITY		NET INCOME		COMPANY EQUITY		NET INCOME		ACCURED INCOME		EQUITY/PROPORTIONAL EQUITY		UNEARNED INCOME		BOOK VALUE OF THE INVESTMENT		
					31-12-2008	31-12-2007	31-12-2008	31-12-2007	31-12-2008	31-12-2007	31-12-2008	31-12-2007	31-12-2008	31-12-2007	31-12-2008	31-12-2007	31-12-2008	31-12-2007	31-12-2008	31-12-2007	31-12-2008	31-12-2007	
79.826.760-4	ENTEL TELEFONÍA PERSONAL S.A.	CHILE	-	80,701	94,64000	94,64000	368,630,164	391,153,206	147,929,036	161,749,991	-	-	-	-	140,006,249	153,080,191	348,887,040	370,187,393	1,276,936	1,428,680	347,610,124	368,758,713	
96.697.410-9	ENTEL TELEFONÍA LOCAL S.A.	CHILE	-	17,192,628	99,00000	99,00000	2,578,513	3,732,341	[1,153,828]	[2,544,098]	-	-	-	-	[1,142,290]	(2,518,656)	2,552,227	3,695,017	-	-	2,552,727	3,695,017	
0-E	ENTEL BVI CORP.	ISLAS VÍRGENES	BRITÁNICAS	-	60,525,555	100,00000	100,00000	461,084	555,425	[95,153]	[580,551]	-	-	-	-	[95,152]	[580,551]	461,084	555,425	-	-	461,084	555,425
96.553.800-5	SATEL TELECOMUNICACIONES S.A.	CHILE	CHILE	999	99,00000	99,00000	1,963,221	744,434	1,218,788	189,313	-	-	-	-	1,217,570	189,124	1,191,258	743,689	-	-	1,961,258	743,689	
0-E	AMERICATEL PERÚ	PERÚ	DÓLAR USA	17,943,011	45,69000	45,69000	14,938,604	12,559,850	145,881	270,813	-	-	-	-	77,251	126,118	4,956,909	5,849,122	-	-	4,956,909	5,849,122	
96.548.490-6	MICARRIER S.A.	CHILE	-	9,999	99,99000	99,99000	2,065,153	2,382,270	[317,118]	[256,381]	-	-	-	-	[317,088]	[256,356]	2,064,946	2,382,032	-	-	2,064,946	2,379,750	
96.561.790-6	ENTEL INVERSIONES S.A.	CHILE	-	11,089	99,99000	99,99000	39,521,788	30,513,449	7,821,204	8,682,166	-	-	-	-	7,820,422	8,681,299	39,517,836	30,510,399	3,730,033	4,141,028	35,787,803	26,369,371	
96.563.570-K	ENTEL CALL CENTER S.A.	CHILE	-	4,500,900	90,00000	90,00000	3,621,187	2,880,012	493,211	670,594	-	-	-	-	-623,891	603,536	3,259,068	2,592,011	-	-	3,259,068	2,592,011	
96.554.040-7	ENTEL SERVICIOS TELEFÓNICOS S.A.	CHILE	-	2,962	91,42000	91,42000	1,583,491	2,345,234	[761,743]	383,344	-	-	-	-	[694,386]	350,452	1,447,628	2,144,013	-	-	1,447,628	2,144,013	
96.679.480-4	ENTEL MÓVIL S.A.	CHILE	-	949	0,08000	0,08000	7,165,739	10,556,983	11,539,118	13,954,431	-	-	-	-	9,229	11,142	5,748,845	-	-	-	5,748,845	-	
96.672.640-7	TRANSAON S.A.	CHILE	-	34,419	99,99547	98,80000	43,430	(606,221)	85,304	33,931	-	-	-	-	85,292	33,849	43,424,1	-	-	-	43,424,1	-	
96.804.980-2	ENTEL PCS S.A.	CHILE	-	78,580	0,10000	0,10000	327,478,678	347,139,497	136,609,059	148,289,860	-	-	-	-	136,609	148,289	327,479	347,139	-	-	327,479	347,139	
0-E	SOC. CALL CENTER DEL PERÚ	PERU	DÓLAR USA	709,500	0,00371	0,00000	329,508	-	11,056	-	-	-	-	-	-	-	12	-	-	-	12	-	
96.682.800-7	CIENTEC COMPUTACIÓN S.A.	CHILE	-	310,368	99,99900	0,00000	5,272,078	-	203,357	-	5,272,078	0	203,357	-	203,355	-	5,272,025	-	-	-	5,272,025	-	
TOTAL																	412,757,204	419,014,686	5,506,969	5,571,990	407,750,235	413,442,694	

## 09. GOODWILL AND NEGATIVE GOODWILL

The following table shows the composition of the balance for goodwill, with details of the companies in which it originated and the amounts amortized as at December of each year:

The balance of goodwill relating to the subsidiary Cientec Computación S.A. originates from the acquisition of 100% of the shares of the said company as detailed in Note 8.

Goodwill		31/12/08		31/12/07	
		AMOUNT AMORTIZED FOR THE PERIOD	GOODWILL BALANCE	AMOUNT AMORTIZED FOR THE PERIOD	GOODWILL BALANCE
TAX REF.NO.	COMPANY				
79.826.760-4	ENTEL TELEFONÍA PERSONAL S.A.	3,781,807	45,491,545	3,781,807	49,703,645
96.682.830-7	CIENTEC COMPUTACIÓN S.A.	-	10,224,558	-	-
<b>TOTAL</b>		<b>3,781,807</b>	<b>55,716,103</b>	<b>3,781,807</b>	<b>49,703,645</b>

## 10. OTHERS (ASSETS)

Under this item the portion of long term prepaid expenses is classified and the differences in the market value of the Cross Currency Swap derivative contracts (see Note 2g).

The details of these concepts are shown in the following table:

	December 2008 ThCLP \$	December 2007 ThCLP \$
Commissions and expenses in obtaining out loans	1,905,228	2,405,652
Rent, dedicated traffic	1,730,199	609,134
Derivative contract market valuation differences	2,707,873	2,208,372
<b>TOTAL OTHER LONG TERM ASSETS</b>	<b>6,343,300</b>	<b>5,223,158</b>

## 11. SHORT TERM OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS

Short term obligations contracted with Banks and financial institutions are shown in the following table, organized by currency and expiry date.

## 12. LONG TERM OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS

Long term obligations contracted with Banks and financial institutions are shown in the following table, organized by currency and expiry date.

TAX REF NO	BANK OR FINANCIAL INSTITUTION	CURRENCY READJUSTMENT INDEX	EXPIRY DATE				MORE THAN 10 YEARS		CLOSING DATE CURRENT PERIOD		CLOSING DATE PREVIOUS PERIOD	
			1 TO 2 YEARS	2 TO 3 YEARS	3 TO 5 YEARS	5 TO 10 YEARS	AMOUNT	DATE	LONG TERM TOTAL AT FINANCIAL CLOSING	AVG ANNUAL INT. RATE	LONG TERM TOTAL AT FINANCIAL CLOSING	LONG TERM TOTAL AT FINANCIAL CLOSING
0-E	CITIBANK N.A.	Dollars	-	-	254,580,000	127,290,000	-	-	381,870,000	LIBOR US\$ 90 +0.5%	324,667,926	
0-E	CITIBANK N.A.	Euros	-	-	-	-	-	-	-	-	-	
0-E	CITIBANK N.A.	Yens	-	-	-	-	-	-	-	-	-	
0-E	CITIBANK N.A.	UF	-	-	-	-	-	-	-	-	-	
0-E	CITIBANK N.A. Non-indexed CLP\$	-	-	-	-	-	-	-	-	-	-	
0-E	CITIBANK N.A. Other currencies	-	-	-	-	-	-	-	-	-	-	
<b>TOTAL</b>			<b>254,580,000</b>		<b>127,290,000</b>		<b>381,870,000</b>		<b>324,667,926</b>			

Percentage of obligations in foreign currency (%) 100.00

Percentage of obligations in national currency (%) 0.00

## 13. PROVISIONS AND WRITE-OFFS

Details of the short and long term provisions are provided in the following table.

Provisions for customer bad debt are shown discounting accounts receivables, according to the details in Note 4.

With charge to these provisions, in 2008 the balance for write-offs of amounts owed by customers was for ThCLP\$4,214,631; for the same period the previous year the amount was ThCLP\$4,884,571.

Provisions	December 2008		December 2007	
	ThCLP \$		ThCLP \$	
	SHORT TERM	LONG TERM	SHORT TERM	LONG TERM
Cost of staff leave	2,455,440	-	2,556,799	-
Staff severance indemnities	471,607	7,741,145	383,129	6,699,702
Contract obligations with personnel	1,858,373	-	2,303,053	-
<b>TOTAL PROVISIONS</b>	<b>4,785,420</b>	<b>7,741,145</b>	<b>5,242,981</b>	<b>6,699,702</b>

## 14. STAFF SEVERANCE INDEMNITIES

Staff severance indemnity agreements exist for both workers and executives.

The right to this benefit and the determination of its amount are regulated by the respective agreements which take into account issues such as seniority, permanence and remuneration.

This benefit to workers is granted through the "Corporación Mutual Entel-Chile", which is financed jointly by both employees, who contribute 2.66% of their monthly base salaries, and by the Company, which must make up the rest of the funds that year to year may be needed to satisfy the payment of severance indemnities of up to 3% of the total payroll.

Liabilities recorded at December 31, 2008 and 2007, which total ThCLP\$8,212,752 and ThCLP\$7,082,831, respectively, represent the current value of staff severance indemnities accrued on those dates, after deducting the values of the Mutual fund. These amounts are included under Provisions (both short and long-term) in the balance sheet.

## 15. OTHER LONG TERM LIABILITIES

On 31 December of every year the long term portion of unearned income is declared.

## 16. CHANGES IN SHAREHOLDER EQUITY

The following table details the variations in shareholder equity in 2007 and 2008.

The Ordinary Shareholders Meetings celebrated on 29 April 2008 and 24 April 2007, approved then financial statements of 31 December 2007 and 2006 respectively. By way of this, paid-in capital was modified as a matter of law, with the new amounts standing at ThCLP\$479,951,852 and ThCLP\$446,882,543 respectively.

The item "Other reserves" includes the balance for "Cumulative translation adjustments" for amounts of ThCLP\$895,937 and ThCLP\$3,158,786 at 31 December 2008 and 2007 respectively. This balance reflects the accumulative results as from 1996, for fluctuations in exchange rates for overseas permanent investments, in keeping with the application of the accounting criteria expressed in Note 2m.

The Company has no restrictions in making dividend payments, except those that could lead to an eventual failure to meet the financial indices established in the credit contracts as detailed in Note 22.

At the Board of Directors meeting held on 1 December 2008, it was agreed to make an interim dividend payment of CLP\$100 per share, equivalent to ThCLP\$23,652,369. Payments began on 17 December 2008.

The Ordinary Shareholders Meeting, held on 29 April 2008, agreed to distribute a final dividend payment of CLP\$343 per share, equivalent to ThCLP\$81,127,627. Payments began on 26 May 2008.

At the Board of Directors meeting held on 5 November 2007, it was agreed to make an interim dividend payment of CLP\$100 per share, equivalent to ThCLP\$23,652,370. Payments began on 5 December 2007.

The Ordinary Shareholders Meeting, held on 24 April 2007, agreed to distribute a final dividend payment of CLP\$238 per share, equivalent to ThCLP\$56,292,639. Payments began on 17 May 2007.

### Changes in Shareholder Equity

ITEM	31/12/2008									31/12/2007								
	PAID IN CAPITAL	REVALUATION OF CAPITAL SHARES	SURCHARGE IN SHARES	OTHER REVENUE RESERVES	FUTURE DIVIDENS RESERVES	RETAINED EARNINGS	INTERIM DIVIDEND	DEVELOPMENT PERIOD DEFICIT	NET INCOME	PAID IN CAPITAL	REVALUATION OF CAPITAL RESERVES	SURCHARGE IN SHARES	OTHER REVENUE	FUTURE DIVIDENS RESERVES	RETAINED EARNINGS	INTERIM DIVIDEND	PREIOD DEFICIT	NET INCOME
Beginning balance	479,951,852	-	-	(2,900,629)	-	43,834,541	(23,652,370)	-	131,037,906	446,882,543	-	-	(4,056,524)	-	20,434,774	(23,652,370)	-	100,187,707
Distribution of prior year income	-	-	-	-	-	107,385,536	23,652,370	-	(131,037,906)	-	-	-	-	-	76,535,337	23,652,370	-	(100,187,707)
Final dividend, prior year						(81,127,627)									(56,292,639)			
Capital increase with issuance of cash shares																		
Capitalization of reserves and/or net income																		
Accumulated from deficit development period																		
Adjustment for investments overseas						2,262,848									(2,505,101)			
Executive incentive plans															3,714,066			
Capital restatement	42,715,715			(258,156)		7,698,525			33,069,308				(53,070)		3,157,049			
Financial Year Results																		131,037,906
Net income Interim dividends							(23,652,370)		153,509,618						(23,652,370)			
Final Balance	522,667,567			(895,937)		77,790,975	(23,652,370)		153,509,618	479,951,851		(2,900,629)		43,834,541	(23,652,370)		131,037,906	
Restated Balances									522,667,567				(3,158,786)		47,325,815	(25,757,431)		142,700,290

### Number of Shares

SERIAL	NO. SUBSCRIBED	NO. SHARES PAID UP	NO. SHARES WITH VOTING RIGHTS
SINGLE	236,523.695	236,523,695	236,523,695

### Capital (amount - ThCLP\$)

SERIES	SUBSCRIBED CAPITAL	PAID-IN CAPITAL
SINGLE	522,667,567	522,667,567

### 17. OTHER NON OPERATIONAL INCOME AND EXPENSES

Other non-operating income and expenses include expenses and income generated by transactions not related to the main line of business of Group companies, the detail of which is presented in the table below.

	December 2008 ThCLP\$	December 2007 ThCLP\$
Proceeds in sales of fixed assets	79,809	102,026
Recovery of customer bad debt	78,587	126,414
Leasing and subleasing	280,269	-
Other income	47,627	122,229
<b>TOTAL OTHER NON OPERATING INCOME</b>	<b>486,292</b>	<b>350,669</b>
Staff severance and other indemnities	1,404,892	1,618,531
Remuneration of the Board	383,348	380,136
Grants	162,817	175,585
Losses in sale of fixed assets	468	26,796
Bond placement commissions and expenses	-	92,259
Write-off of deferred bond placement expenses associated with prepayment	-	2,018,736
Bank financing expenses	1,060,707	3,600,043
Loss from sales of subsidiaries overseas	-	407,762
Fixed asset impairment	5,933,609	10,999,891
Other expenses	642,732	1,399,115
<b>TOTAL NON OPERATING EXPENSES</b>	<b>9,588,573</b>	<b>20,718,854</b>

## 18. MONETARY CORRECTION

The application of regulations as outlined in Note 2, letter d, regarding monetary correction to the balances subject to a readjustment, have produced the following effects on income as detailed in the following table:

Monetary Correction	INDEXATION	31/12/08	31/12/07
<b>ASSETS(CHARGES) / CREDITS</b>			
INVENTORY	IPC	55,565	80,297
FIXED ASSETS	IPC	35,182,576	30,326,989
INVESTMENTS IN RELATED COMPANIES	IPC	25,179,076	19,815,594
CASH	IPC	[81,036]	719,073
TIME DEPOSITS	UF	1,619,857	2,539,017
MISCELLANEOUS RECEIVABLES	IPC	520,686	395,148
NOTES RECEIVABLE RELATED COMPANIES	UF	17,690,617	8,246,537
NOTES RECEIVABLE RELATED COMPANIES	IPC	[439,776]	85,204
GOODWILL	IPC	4,062,098	3,874,583
OTHER NON MONETARY ASSETS	IPC	435,888	475,859
OTHER NON MONETARY ASSETS	UF	[2,913]	862,257
EXPENSES AND COST ACCOUNTS	IPC	7,595,104	8,399,984
<b>TOTAL (CHARGES) CREDITS</b>		<b>91,817,742</b>	<b>75,820,542</b>
<b>LIABILITIES (CHARGES) /CREDITS</b>			
SHAREHOLDERS' EQUITY	IPC	[50,156,084]	(39,392,731)
OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS	IPC	(26,533,926)	(25,741,908)
OBLIGATIONS WITH THE PUBLIC	UF	0	(224,252)
DERIVATIVES	UF	(15,133,330)	(11,018,293)
DERIVATIVES	IPC	23,724,147	25,799,785
OTHER	IPC	367,145	103,734
NON MONETARY LIABILITIES	UF	[1,498,130]	(1,118,156)
INCOME ACCOUNTS	IPC	[9,918,586]	(9,755,912)
<b>TOTAL (CHARGES) CREDITS</b>		<b>[79,148,764]</b>	<b>(61,347,733)</b>
<b>[LOSS] NET PROFIT FROM MONETARY CORRECTION</b>		<b>12,668,978</b>	<b>14,472,809</b>

## 19. FOREIGN CURRENCY TRANSLATION

The application of foreign currency translation standards during 2008 and 2007 has produced the following effects on income, detailed in the following table.

### Foreign Currency Translation

	CURRENCY	31/12/08	31/12/07
<b>ASSETS (CHARGES) /CREDITS</b>			
CASH	US\$	829,904	16,491
TIME DEPOSITS	US\$	(32,391)	276,088
TRADE ACCOUNT RECEIVABLES	US\$	(23,783)	(387,081)
TRADE ACCOUNT RECEIVABLES	DEG	172,527	(34,110)
TRADE ACCOUNT RECEIVABLES	EUR	(54,093)	(116,540)
MISCELLANEOUS RECEIVABLES	US\$	20,824	(979)
NOTES RECEIVABLE FROM RELATED COMPANIES,	US\$	948,458	(204,069)
ACCUMULATED ADJUSTMENT ON SALES OF INVESTMENT	US\$	-	827,656
OTHER	US\$	89,522	(74,511)
<b>TOTAL (CHARGES) / CREDITS</b>		<b>1,950,968</b>	<b>302,945</b>
<b>LIABILITIES (CHARGES) /CREDITS</b>			
OBLIGATIONS WITH BANKS			
AND FINANCIAL INSTITUTIONS	US\$	(57,202,074)	48,933,874
DERIVATIVES	DEG	-	
DERIVATIVES	US\$	58,229,669	(51,026,879)
ACCOUNTS AND NOTES PAYABLE	US\$	(170,715)	(144,550)
FOREIGN SUPPLIERS	US\$	(1,323,568)	277,320
OTROS	US\$	-	-
<b>TOTAL (CHARGES) / CREDITS</b>		<b>(466,688)</b>	<b>(1,960,235)</b>
<b>INCOME (LOSS) FROM FOREIGN CURRENCY TRANSLATION</b>		<b>1,484,280</b>	<b>(1,657,290)</b>

## 20. STATEMENT OF CASH FLOWS

For the following items, cash flows include the operations recorded below:

Cash flows from financing, under the item "Other Sources of Financing," includes the use of short-term bank lines of credit in the amount of ThCLP\$ 34,455,924 (ThCLP\$ 1,220,668 in 2007) and sums received as compensation for foreign currency purchasing options contracts (call) for ThCLP\$ 1,023,908.

"Other Financing Disbursements" includes payment of the short-term bank line of credit in the amount of ThCLP\$ 33,499,656 (ThCLP\$ 1,219,827 in 2007) and payment of exchange rate insurance in the amount of ThCLP\$ 3,704,070 (ThCLP\$ 8,321,632 in 2007).

"Investment in Financial Instruments" and "Sale of Other Investments" include rotation of sales and purchases, respectively, of financial instruments covered by financial placement arrangements. Also recorded under the same heading "Investment in Financial Instruments," are endorsable CDs acquired during the purchase of Cientec Computacion S.A. for ThCLP\$ 2,806,409.

For the year 2008, "Other Investment Disbursements" includes net payments of exchange rate and interest rate insurance contracts (Cross Currency Swaps) for ThCLP\$ 2,559,974; as of December 31, 2007, the items "Other Investment Income" and "Other Investment Disbursements" include, respectively, the cashing and placement of transitory investments destined to cover principal and interest payments on bonds in circulation.

As of December 31, 2008, there are loans pending payment for purchases of fixed assets for ThCLP\$ 14,381,261, which will affect cash flows for the next twelve months.

## 21. DERIVATIVES CONTRACTS

The Company has current derivative contracts to cover the risk of exchange rate and interest rate fluctuations, as detailed in the chart attached.

Net differences between the rights and obligations stemming from these contracts are recorded at fair market value.

Foreign currency futures contracts (FR), current as of December 31, 2008, included the purchase of ThUS\$ 370,553 for ThCLP\$ 200,105,316. In relation to these contracts, the market value of the net right for compensation reached ThCLP\$ 43,420,092, recorded under short and long term assets, according to date of maturity, for ThCLP\$ 33,863,779 and ThCLP\$ 9,556,313, respectively.

Cross Currency Swaps (CCS) contracts, valid on that same date, included substitution of obligations for US\$ 230 million at a Libor rate of 0.25% for 90 days or more, for debts for 7,747 thousand UF, at rates fluctuating between 2.95% and 3.05%. In relation to these contracts, the market value of the net debt for differences in flows was ThCLP\$ 22,208,414, which is recorded as short and long term assets and liabilities, according to date of maturity, for ThCLP\$ 1,533,845 and ThCLP\$ 20,674,569, respectively. Final deadlines for cash flows associated with these contracts fall between June 15, 2010 and June 16, 2014.

Adjustments for variations experienced in the market value of these contracts and items covered resulted in the following during the year:

-Currency (foreign exchange) futures (FR). Net charges to contracts whose valuation had a negative effect in the amount of ThCLP\$ 1,736,714.

- Currency (foreign exchange) futures (FR). Net credit to deferred liabilities in the amount of ThCLP\$ 977,435 corresponding to contracts whose valuation showed a positive effect. Accumulated deferred liabilities for this item reached ThCLP\$ 1,323,537.

- Cross Currency Swaps contracts (CCS): Profits, paid to term yield in the amount of ThCLP\$ 615,047 and losses charged to deferred assets in the amount of ThCLP\$ 679,982, according to qualified investment and coverage for expected flows, respectively. Deferred assets accumulated as of December 31, 2008 reached a total of ThCLP\$ 2,707,873.

TYPE OF DERIVATIVE	TYPE OF CONTRACT	CONTRACT		SPECIFIC ITEM	HEDED ITEM		AMOUNT THCLP\$	VALUE OF HEDGED ITEM THCLP\$	AFFECTED ACCOUNTING ACCOUNTS			
		VALUE	MATURING		PURCHASE/SALE POSITION	TRANSACTION NAME			NAME	AMOUNT THCLP\$	EARNED THCLP\$	UNEARNED THCLP\$
FR	CCPE	47,460,696	2009:1Q	Exch. Rate	P	Loan in US\$: Citibank N.A.	46,871,622	57,313,962	Short term Miscellaneous Receivables	10,253,799	(326,735)	138,191
FR	CCPE	24,667,855	2009:2Q	EXCH. RATE	P	Loan in US\$: Citibank N.A.	24,015,335	31,504,275	Short term Miscellaneous Receivables	7,330,583	(158,400)	
FR	CCPE	28,046,015	2009:3Q	EXCH. RATE	P	Loan in US\$: Citibank N.A.	27,031,725	34,050,075	Short term Miscellaneous Receivables	6,955,428	(138,761)	75,839
FR	CCPE	32,901,795	2009:4Q	EXCH. RATE	P	Loan in US\$: Citibank N.A.	31,484,840	40,732,800	Short term Miscellaneous Receivables	9,324,014	(97,357)	173,412
FR	CCPE	27,898,400	2010:1Q	EXCH. RATE	P	Loan in US\$: Citibank N.A.	26,320,530	32,777,175	Long term Miscellaneous Receivables	6,441,685	(99,072)	84,111
FR	CCPE	19,224,325	2010:2Q	EXCH. RATE	P	Loan in US\$: Citibank N.A.	18,483,855	21,002,850	Long term Miscellaneous Receivables	3,043,310	524,316	
FR	CCPE	19,886,030	2010:3Q	EXCH. RATE	P	Loan in US\$: Citibank N.A.	18,713,400	18,457,050	Long term Miscellaneous Receivables	71,318	327,668	
CCS	CCTE	117,570,469	2014:2Q	EXCH. & INT. RATE	P	Loan in US\$: Citibank N.A.	117,570,469	127,290,000	Long term Miscellaneous Payables	(20,004,512)	(410,506)	(744,486)
CCS	CI	11,746,966	2009:2Q	EXCH. & INT. RATE	P				Short term Miscellaneous Payables	(1,469,268)	(27,364)	372,760
CCS	CI	5,873,483	2010:2Q	EXCH. & INT. RATE	P				Long term Miscellaneous Payables	(734,634)	(14,024)	486,380
<b>TOTAL THCLP\$</b>		<b>335,296,234</b>					<b>310,491,776</b>	<b>363,128,187</b>		<b>21,211,678</b>	<b>(1,272,219)</b>	<b>1,138,191</b>

## 22. CONTINGENCIES AND RESTRICTIONS

Contingencies for the Company's direct commitments as of December 31, 2008 and 2007 are related to:

a. Contingencies due to direct commitments related to purchase orders placed abroad, which as of December 31, 2008 and 2007 reached ThCLP\$ 1,582,357 and ThCLP\$ 2,514,078, respectively.

All of these purchase orders are recorded in foreign currency and have been converted according to the prevailing equivalencies at each year-end.

b. Contingencies due to bank guarantee letters provided to guarantee faithful compliance of contract and replacement of public assets in relation to construction and maintenance of networks. Guarantee letters current as of December 31, 2008 and 2007 amounted to ThCLP\$ 7,477,818 and ThCLP\$ 8,347,494, respectively.

c. The Company has honored a bank guarantee letter in favor of Americatel Peru in the amount of US\$ 1 million, equivalent to ThCLP\$ 636,450.

Besides these guarantees, the Company is not subject to additional contingencies for indirect obligations, providing guarantees and/or endorsements to related companies.

d. As of December 31, 2008, the following are lawsuits and relevant legal actions that could represent a loss contingency for the Company:

- BORDACHAR v. ENTEL S.A.

Court: Civil Court No.6, Santiago

Case Number: 9088-2005

Notification: 06/09/2005

Matter: Ordinary large claims trial. Indemnity for damages.

Plaintiff: Gerard Phillippe Bordachar Sotomayor

Request: payment of indemnity for pain and suffering damages to the plaintiff and his daughters, represented by the plaintiff, in the amount of \$ 225,000,000.

Cause of action: publication on ENTEL's website of information regarding an investigation by Channel 13 of the Universidad Católica .

Current procedural status: Evidentiary stage closed. Documentary, testimonial and confessional evidence presented.

Pending: expert assessment and requests.

Probable outcome: rejection of lawsuit is probable due to poor legal grounds.

- "SOCIEDAD DE PROCESAMIENTO ELECTRONICO DE INFORMACION LTDA. (PROINFO S.A.) v. EMPRESA NACIONAL DE TELECOMUNICACIONES S.A."

Court: Civil Court No.17 of Santiago

Case Number: 28.779-2008

Notification: 03/11/2008

Matter: Preparations for serving invoice in order to collect.

Plaintiff: Sociedad de Procesamiento Electrónico de Información Ltda.

Request: Serving of the invoice to enforce payment.

Cause of action: alleged debt for Ch\$ 142,972,950.

Current procedural status: Lawsuit entered. Dismissal on grounds of the Court not possessing jurisdiction, statute of limitations and denial of invoices. All our arguments rejected and appealed (Appeal Case Numbers 8395-2008 and 8775-2008).

On 6 January, non-opposition certificate is issued.

Probable outcome: rejection of lawsuit is probable due to poor legal grounds.

- "PROMOTORA PROMOUT v. ENTEL AND ENTELPHONE S.A."

Complaint filed before Civil Court No.,18, Santiago,

Case No. 1250-2006, notified March 17, 2006.

Defendants: ENTEL S.A. and ENTELPHONE

The plaintiff is asking for a sum in the amount of 46,000 UF for indirect damages and pain and suffering.

Cause of action: damages caused due to non-compliance with telemarketing contract.

Current procedural stage: Discussion stage completed. Pending: The Court decides on dilatory exceptions (No. 4919-2008 and 4920-2008). Conciliation hearing completed on December 29, 2008, without results.

Probable outcome: rejection of lawsuit is probable due to poor legal grounds

- "GOVERNMENT v. ENTEL S.A."

Court: Civil Court No. 16, Santiago.

Case Number: 19.384-2008

Notified: October 23, 2008

Matter: Ordinary Treasury lawsuit, Seeks payment of Ch\$ \$242,844,230 plus adjustment for inflation and interest.

Plaintiff: State Defense Council

Seeking: Reimbursement of a sum of money paid by MOP (Ministry of Public Works) to move telecommunications cables.

Cause of action: Erroneous payment made by Autopista Central.

Current procedural stage: Lawsuit filed. Exception for ungrounded libel and accumulation of cases presented November 26, 2008. Dilatory exceptions rejected. (Decision appealed: Case No. 8736-2008). Lawsuit contested, Government's reply filed. New response and order to consolidate cases. (Government agreed).

Probable outcome: rejection of lawsuit is probable due to poor legal grounds

- "GOVERNMENT v. ENTEL S.A."

Court: Civil Court No. 16 Santiago

No.: 23.840-2008

Notification: January 5, 2009

Matter: Ordinary Treasury lawsuit, seeks payment of \$112,675,303 plus adjustment for inflation and interest.

Plaintiff: State Defense Council

Seeking: Reimbursement of a sum of money paid by the MOP (Ministry of Public Works) to move telecommunications cables.

Cause of action: Erroneous payment made by Autopista Central.

Current Procedural Stage: Lawsuit filed. Pending: Presentation of ungrounded libel exception and accumulation of cases (exception).

Probable outcome: rejection of lawsuit is probable due to poor legal grounds.

- "GOVERNMENT v. ENTEL S.A."

Complaint filed in Ordinary Treasury Lawsuit by the State Defense Council before Civil Court No. 16, Santiago

Case No.: 23.740-

Notification: January 8, 2007

Matter: Seeks payment of \$996,711,294 plus inflation adjustment.

Seeking: Reimbursement of a sum of money paid by the MOP (Ministry of Public Works) to move telecommunications cables.

Cause of action: Erroneous payment made by the Government in January, 2002.

Current Procedural Stage: Dilatory exceptions rejected. Accumulation of cases requested by GTD Manquehue rejected. Accumulation of cases requested by ENTEL rejected. Evidentiary stage completed. Pending decision on objection to documents filed by the Government due to obligatory presentation of documents mandated by the Court.

Probable outcome: rejection of lawsuit is probable due to poor legal grounds

- "CEBALLOS v. ENTEL S.A."

Complaint filed in Ordinary Lawsuit by Doris Yanet Ceballos Pilcol before Civil Court No. 27, Santiago. Case No. 9893-2007.

Matter: Ordinary contract termination and indemnity.

Seeking: Contract liability

Cause of action: Non-fulfillment of contract

Amount: Ch\$150,000,000

Current Procedural Stage: Appeals rejected (request for annulment and lack of jurisdiction) September 3, 2008. Conciliation meeting takes place without results. On November 13, 2008, the lawsuit enters the evidentiary phase. Pending: Notification of writ.

Probable outcome: rejection of lawsuit is probable due to poor legal grounds.

- **TAX ADJUSTMENTS**

The Company was notified by the Chilean Internal Revenue Service (Servicio de Impuestos Internos-SII) of Adjustments 4 and 5 issued on April 25, 2007 and 3, 4 and 5 on April 24, 2008, requesting payment of ThCLP\$2,641,281 and ThCLP\$2,267,036, respectively, plus adjustments for inflation, interest and fines, derived from the claims and adjustments made by the Company in determining income for tax years 2004, 2005 and 2006, and which, in the opinion of that Service, are incorrect.

The Company filed the corresponding complaint against the above-mentioned adjustments on July 11, 2007 before the Tax Court, which it believes should be accepted due to the arguments contained therein.

The Company filed a request for review of Adjustments 3, 4 and 5 of 2008 on July 9, 2008, by the pertinent monitoring authority, which should be accepted considering that the values objected are in general conceptually similar to those of liquidations 4 and 5 of 2007.

**e)** There are management restrictions and financial indicator limits imposed by the syndicated loan led by Citibank, N.A. The most important of these refer to:

No merger or consolidation with another company is allowed, unless the Company survives and none of the restrictions established in debt covenants are exceeded.

Neither the Company nor its Affiliates can sell assets without considering:

a) The fair value of the asset

b) Sales or assets leasing operations must not exceed 35% of assets in each year, except when dealing with obsolete or unnecessary inventory, cash or cash equivalent operations, covenants with customers and other operations in the ordinary course of business.

c) Any sale of shares of affiliate ENTEL Telefonía Personal S.A. must guarantee maintenance of at least 50% of the shares and the possibility of having a majority on the Board of Directors.

-No pledging assets, except for encumbrances existing on August 13, 2007 that do not exceed US\$ 60 million, which corresponds to securitization operations, leases or letters of credit, deferred taxes, pledges on new acquisitions or projects that do not exceed certain amounts specified for each case.

- The consolidated debt ratio cannot exceed 4.0:1. For this purpose only, financial indebtedness is considered (excludes debts due to goods and services in the line of business), relating to the sum of operating income for each period, plus depreciation, amortization and other expenses that do not represent cash flows (EBITDA).

- The consolidated interest coverage index must be lower than 3.0:1. For this purpose, the ratio between the EBITDA and interest paid will be considered, both calculated for the last twelve months preceding each quarterly close.

In case of non-compliance with any of these requisites, the creditors can demand payment of all amounts owed, without possibility of complaint, lawsuit, or protest on the part of the debtor. As of December 31, 2008, the Company has complied with all of the aforementioned requirements.

## 23. THIRD PARTY GUARANTEES

The Company has not received any type of third party guarantees for the purchase of assets, credit operations or to guarantee any other type of obligation.

## 24. CHILEAN AND FOREIGN CURRENCY

The following tables contain information on assets and liabilities, according to the type of currency in which they are recorded.

### Assets

Description	Currency	Amount	
		31/12/08	31/12/07
<b>Current Assets</b>			
Cash	NON-INDEXED PESO	2,138,159	1,206,968
Cash	US\$	1,018,910	203,060
Cash	EURO	16,589,	20
Time Deposit	US\$	700,163	—
Time Deposit	UF	34,103,103	58,931,984
TRADE ACCOUNTS RECEIVABLE	NON-INDEXED PESOS	37,969,184	38,961,662
TRADE ACCOUNTS RECEIVABLE	SDR	853,175	893,089
TRADE ACCOUNTS RECEIVABLE	EURO	—	194,568
TRADE ACCOUNTS RECEIVABLE	US\$	5,569,325	4,181,265
NOTES RECEIVABLE	NON-INDEXED PESOS	516,642	526,628
MISCELLANEOUS RECEIVABLES	NON-INDEXED PESOS	489,268	688,316
MISCELLANEOUS RECEIVABLES	UF	887,080	2,086,150
MISCELLANEOUS RECEIVABLES	US\$	34,891,089	69,016
NOTES AND ACCOUNTS RECEIVABLE FROM RELATED COMPANIES	UF	194,087,522	112,843,722
NOTES AND ACCOUNTS RECEIVABLE FROM RELATED COMPANIES	US\$	3,510,698	16,149,037
NOTES AND ACCOUNTS RECEIVABLE FROM RELATED COMPANIES	NON-INDEXED PESOS	16,848,658	3,109,789
INVENTORIES	NON-INDEXED PESOS	471,871	578,682
RECOVERABLE TAXES	INDEXED PESOS	3,335,486	4,934,770
PREPAID EXPENSES	NON-INDEXED PESOS	289,093	174,827
PREPAID EXPENSES	UF	2,893,290	1,075,922
PREPAID EXPENSES	US\$	23,688	26,583
DEFERRED TAXES	NON-INDEXED PESOS	1,544,770	2,577,156
<b>Property, Plant and Equipment</b>			
PROPERTY, PLANT AND EQUIPMENT	NON-INDEXED PESOS	28,358	13,896
PROPERTY, PLANT AND EQUIPMENT	INDEXED PESOS	375,514,584	383,209,216
PROPERTY, PLANT AND EQUIPMENT	US\$	7,116	7,320
<b>Other Assets</b>			
INVESTMENTS IN RELATED COMPANIES	INDEXED PESOS	404,062,262	411,179,178
INVESTMENTS IN RELATED COMPANIES	US\$	3,687,973	2,263,518
GOODWILL	INDEXED PESOS	55,716,103	49,703,645
LONG TERM RECEIVABLES	NON-INDEXED PESOS	118,190	109,097
LONG TERM RECEIVABLES	UF	5,824,291	6,579,212
LONG TERM RECEIVABLES	US\$	9,556,313	—
NOTES AND ACCOUNTS RECEIVABLE FROM RELATED COMPANIES	UF	23,026,610	25,081,820
LONG TERM DEFERRED TAXES	NON-INDEXED PESOS	4,075,720	3,246,985
INTANGIBLES	INDEXED PESOS	683,311	552,812
OTHERS	NON-INDEXED PESOS	902,646	1,599,238
OTHERS	US\$	1,805,228	609,134
OTHERS	UF	3,635,426	3,014,786
<b>Total Assets</b>			
	NON-INDEXED PESOS	65,392,559	52,793,244
	US\$	60,770,503	23,508,933
	EUROS	16,589	194,588
	UF	264,457,322	209,613,596
	DEG	853,175	893,089
	INDEXED PESOS	839,311,746	849,579,621

## Current Liabilities

Description	Currency	Up to 90 days				90 days up to one year			
		31/12/08		31/12/07		31/12/08		31/12/07	
		Amount	Interest rate	Amount	Interest rate	Amount	Interest rate	Amount	Interest rate
OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS S/T	US\$	381,234	2.25%	661,684	5.24%	-	-	-	-
LONG TERM OBLIGATIONS EXPIRING IN ONE YEAR	US\$	-	-	107,700	6.00%	-	-	-	-
LONG TERM OBLIGATIONS EXPIRING IN ONE YEAR	UF	488,651	7.35%	449,349	8.35%	932,028	7.87%	859,023	7.87%
DIVIDENDS PAYABLE	NON-INDEXED PESOS	249,698	-	286,552	-	-	-	-	-
ACCOUNTS PAYABLE	NON-INDEXED PESOS	28,121,386	-	17,527,151	-	-	-	-	-
ACCOUNTS PAYABLE	US\$	11,126,917	-	12,020,573	-	-	-	-	-
ACCOUNTS PAYABLE	SDR	206,233	-	238,934	-	-	-	-	-
ACCOUNTS PAYABLE	EUROS	174,492	-	391,581	-	-	-	-	-
MISCELLANEOUS PAYABLES	NON-INDEXED PESOS	-	-	3,738,614	-	-	-	2,162,147	-
MISCELLANEOUS PAYABLES	INDEXED PESOS	123,186	-	606,205	-	-	-	-	-
MISCELLANEOUS PAYABLES	UF	72,555	2.97%	-	-	1,461,290	2.97%	3,678,427	2.97%
NOTES AND A/P TO RELATED COMPANIES	NON-INDEXED PESOS	1,501,617	-	939,785	-	-	-	-	-
NOTES AND A/P TO RELATED COMPANIES	US\$	200,902	-	73,854	-	-	-	-	-
PROVISIONS	NON-INDEXED PESOS	4,313,813	-	4,859,852	-	-	-	-	-
PROVISIONS	INDEXED PESOS	471,607	-	383,129	-	-	-	-	-
WITHHOLDINGS	NON-INDEXED PESOS	4,922,673	-	4,478,383	-	-	-	-	-
INCOME TAX	INDEXED PESOS	2,519,090	-	-	-	-	-	-	-
UNEARNED INCOME	NON-INDEXED PESOS	2,363,402	-	1,342,588	-	-	-	-	-
UNEARNED INCOME	US\$	251,727	-	108,654	-	-	-	-	-
OTHER CURRENT LIABILITIES	NON-INDEXED PESOS	1,323,537	-	376,905	-	-	-	-	-
<b>Total Current Liabilities</b>									
	US\$	11,960,780	-	12,972,465	-	-	-	-	-
	UF	561,206	-	449,349	-	2,393,318	-	4,537,450	-
	NON-INDEXED PESOS	42,796,126	-	33,549,830	-	-	-	2,162,147	-
	SDR	206,233	-	238,934	-	-	-	-	-
	EUROS	174,492	-	391,581	-	-	-	-	-
	INDEXED PESOS	3,113,883	-	989,334	-	-	-	-	-

## Long Term Liabilities Current Period

Description	Currency	1 to 3 years		3 to 5 years		5 to 10 years		over 10 years	
		Interest rate		Interest rate		Interest rate		Interest rate	
		Amount	Annual Avg %						
OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS	US\$	254,580,000	2.25%	127,290,000	2.25%	-	-	-	-
NOTES PAYABLE LONG TERM	UF	3,199,569	8.04%	3,744,575	8.05%	8,012,910	8.48%	-	-
MISCELLANEOUS PAYABLES	UF	734,560	2.97%	13,293,339	2.98%	6,646,670	2.98%	-	-
NOTES AND A/P TO RELATED COMPANIES	UF	13,115,893	-	-	-	-	-	-	-
LONG TERM PROVISIONS	INDEXED PESOS	7,741,145	-	-	-	-	-	-	-
OTHER LONG TERM LIABILITIES	US\$	1,817,342	-	-	-	-	-	-	-
<b>Total Long Term Liabilities</b>									
	US\$	256,397	-	127,290,000	-	-	-	-	-
	UF	17,050,022	-	17,037,914	-	14,659,580	-	-	-
	INDEXED PESOS	7,741,145	-	-	-	-	-	-	-

## Long Term Liabilities Previous Period

Description	Currency	1 to 3 years		3 to 5 years		5 to 10 years		over 10 years	
		Interest rate		Interest rate		Interest rate		Interest rate	
		Amount	Annual Avg %						
OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS	US\$	-	-	108,222,642	5.24%	216,445,284	5.24%	-	-
NOTES PAYABLE LONG TERM	UF	2,946,224	8.04%	3,447,828	8.05%	8,583,831	8.34%	1,336,235	8.79%
MISCELLANEOUS PAYABLES	UF	5,507,965	2.98%	12,643,641	2.98%	25,288,265	2.98%	-	-
NOTES AND A/P TO RELATED COMPANIES	UF	4,213,904	-	-	-	-	-	-	-
LONG TERM PROVISIONS	INDEXED PESOS	6,699,702	-	-	-	-	-	-	-
OTHER LONG TERM LIABILITIES	US\$	1,769,015	-	-	-	-	-	-	-
<b>Total Long Term Liabilities</b>									
	US\$	1,769,015	-	108,222,642	-	216,445,284	-	-	-
	UF	12,668,093	-	16,091,469	-	33,872,096	-	1,336,235	-
	INDEXED PESOS	6,699,702	-	-	-	-	-	-	-

## 25. SANCTIONS

The Company has not been affected by sanctions of any type from the Superintendent for Stocks and Shares (Superintendencia de Valores y Seguros – SVS) or any other administrative authorities.

## 26. SUBSEQUENT EVENTS

From January 1, 2009 until the date these current financial statements were issued, no other events have taken place that could significantly affect their publication.

## 27. ENVIRONMENT

The Company has not made any disbursements related to environmental regulation.

## 28. PREPAID EXPENSES

Prepaid expenses include items of a financial and general nature, which are detailed in the following table.

	December 2008 ThCLP\$	December 2007 ThCLP\$
Advertising contract rights	89,265	18,461
Financing expenses	503,361	552,105
Rents, prepaid insurance	2,045,085	521,990
Other services	352,108	-
Others	216,252	184,776
<b>TOTAL PREPAID EXPENSES</b>	<b>3,206,071</b>	<b>1,277,332</b>

## 29. ACCOUNTS PAYABLE

Accounts Payable includes the Company's operating payable credit accounts.

	December 2008 ThCLP\$	December 2007 ThCLP\$
Overseas correspondents	3,757,757	1,800,795
Telecommunications service providers	6,167,163	4,579,841
Foreign suppliers	7,749,885	6,352,385
Providers of goods and services	21,954,223	17,445,218
<b>TOTAL ACCOUNTS PAYABLE</b>	<b>39,629,028</b>	<b>30,178,239</b>

### 30. TERM DEPOSITS

Term Deposits as of December 31, 2008 and 2007 are detailed in the following table.

Institution	Country	December 2008 ThCLP\$	December 2007 ThCLP\$
Scotiabank	Chile	3,539,158	3,590,959
Banco de Chile	Chile	7,958,417	12,800,278
Banco Santander	Chile	9,341,835	9,664,075
BBVA Bank	Chile	10,032,161	6,085,976
Banco de Credito e Inversiones	Chile	3,931,695	4,315,219
Itau Bank	Chile	-	7,437,150
Banco Corpbanca	Chile	-	15,038,327
<b>TOTAL TERM DEPOSITS</b>		<b>34,803,266</b>	<b>58,931,984</b>

### 31. SHORT AND LONG-TERM MISCELLANEOUS PAYABLES

Miscellaneous payables are detailed in the following table:

	Short-Term December 2008 ThCLP\$	December 2007 ThCLP\$	Long-Term December 2008 ThCLP\$	December 2007 ThCLP\$
Payables for derivative contracts	1,533,845	9,511,795	20,674,569	43,439,871
Additional liability for negative Equity Transaxion subsidiary	-	604,766	-	-
Others	123,186	68,832	-	-
<b>TOTAL MISCELLANEOUS PAYABLES</b>		<b>1,657,031</b>	<b>10,185,393</b>	<b>20,674,569</b>
			<b>43,439,871</b>	

### 32. SHORT-TERM AND LONG-TERM OBLIGATIONS PAYABLE

Other obligations of a financial nature are detailed in the following annex, including their short-term portion.

DESCRIPTION	CURRENCY	TERM PORTION	BALANCES AS AT 31 DECEMBER 2008 DUE DATE						BALANCES AT 31/12/07				
			1 TO 2	2 TO 3	3 TO 4	4 TO 5	5 TO 6	OVER 6	SUB-TOTAL LONG TERM	TOTAL AS OF 31.12.08	ANNUAL AVG	PRINCIPAL OWED	SHORT TERM PORTION
Telmex (Ex Chilesat)	UF	189,737	207,050	225,942	246,558	269,056	293,606	1,467,906	2,710,118	2,899,855	9.12%	2,899,855	173,196
Consortio Nacional	UF	998,466	1,078,381	1,164,589	1,257,727	1,358,358	1,467,087	3,174,794	9,500,936	10,499,402	8.00%	10,499,529	921,126
Allianz Bice	UF	53,074	57,066	61,357	65,971	70,932	76,266	155,026	486,618	539,692	7.52%	539,692	49,171
Chilean Cons. Seg. Vida	UF	99,745	108,155	117,275	127,163	137,886	149,512	664,441	1,304,432	1,404,177	8.43%	1,404,177	91,630
Bice Leasing	UF	79,657	86,286	93,468	101,248	109,676	118,805	445,467	954,950	1,034,607	8.32%	1,034,607	73,249
Unisys	US\$	-	-	-	-	-	-	-	-	-	-	107,700	-
<b>TOTAL</b>		<b>1,420,679</b>	<b>1,536,938</b>	<b>1,662,631</b>	<b>1,798,667</b>	<b>1,945,908</b>	<b>2,105,276</b>	<b>5,907,634</b>	<b>14,957,054</b>	<b>16,377,733</b>	<b>16,377,860</b>	<b>1,416,072</b>	<b>16,314,118</b>

## Independent Auditors' Report

Reference to Financial Statements as of December 31, 2008

External Auditors: Ernst & Young Servicios Profesionales de Auditoría y Asesoría Ltda.

External Auditor's ID Number: 77.802.430-6

Shareholders and Directors of the  
Empresa Nacional de Telecomunicaciones S.A.:

1. We have carried out an audit of the general balance sheet of the Empresa Nacional de Telecomunicaciones S.A. as of December 31, 2008 and 2007 and of the corresponding income statement and cash flow statement for the years ending on these dates. Preparation of these financial statements (which include related notes) is the responsibility of the Empresa Nacional de Telecomunicaciones S.A. Our responsibility consists of issuing an opinion on these financial statements, based upon the auditing work we have carried out. The attached Management's Analysis and Material Events do not form a part of these financial statements; therefore, this report does not cover them.

2. Our audits were carried out in accordance with generally accepted auditing standards in Chile. Such rules require that we plan and carry out our work for the purpose of reasonably ensuring that the financial statements are free from significant errors. An audit includes examination, on a test basis, of evidence that support the figures and information publicized on the financial statements. An audit also includes an evaluation of the accounting principles used and of the significant estimates made by the management of the Company, as well as an assessment of the general presentation of the financial statements. We believe that our audits are a reasonable base upon which to form our opinion.

3. The abovementioned financial statements have been prepared to reflect the individual financial situation of the Empresa Nacional de Telecomunicaciones S.A., based on the criteria described in Note 2(b), before proceeding to consolidate, line by line, the financial statements of affiliates detailed in Note 8. As a consequence, in order for a satisfactory interpretation, these individual financial statements must be read and analyzed together with the consolidated financial statement of the Empresa Nacional de Telecomunicaciones S.A. and its affiliates, which are required by the generally accepted accounting principles in Chile.

4. In our opinion, the abovementioned financial statements reasonably present, in all significant aspects, the financial situation of the Empresa Nacional de Telecomunicaciones S.A. as of December 31, 2008 and 2007 and the income and cash flow statements for the years ending on those dates, in accordance with the principles described in Note 2(b).

Santiago, January 23, 2009



Oscar Galvez R.

Name of authorized Signee:

ID Number of the Authorized signee: 9.854.943-9

## Management Analysis of the Individual Financial Statements as of December 31, 2008

### FINANCIAL STRUCTURE, INCOME DEVELOPMENT, COSTS AND PROFITABILITY.

#### Financial Ratios

The evolution of the most relevant financial indicators during the past twelve months can be found below:

	31/12/08	31/12/07
<b>Liquidity Ratios</b>		
Current Ratio [Current Assets/Current Liabilities]	5.59	4.51
Acid Ratio [Cash & Equivalents/Current Liabilities]	0.62	1.09
<b>DEBT RATIOS</b>		
Debt /Equity ratio (%) [Total liabilities/shareholder's equity]	68.74	66.12
Short Term Debt (%) [Short Term Debt/total debt]	12.21	12.22
Long-term debt (%) [Long term debt/total debt]	87.79	87.78
Interest Coverage ratio [Earnings before taxes and interest/interest expenses]	12.01	7.63
<b>EFFICIENCY &amp; PROFITABILITY RATIOS</b>		
Operating Margin (%) [Operating income/Revenues]	5.77	1.96
Return on Equity (%) [Operating margin/average equity]	21.72	21.69
Return on Assets (%) [Net income for period/average total assets]	12.97	12.04
Return on Net Assets (%) [Operating Income/Net operating assets] (*)	2.12	0.67
<b>PROFITABILITY AND SHARE VALUE</b>		
Earnings per share (in Chilean pesos on December 31,2008)	649.02	603.32
Dividend yield (%) [dividends for last twelve months/closing share price]	6.72	4.54
Book Value (in Chilean pesos on December 31, 2008) [Equity/number of shares]	3,083.92	2,892.68
Market value (based on price)	6,938.50	7,780.00

(\*) Asset total less investments and other assets from financing related companies, goodwill balance, deferred expenses related to long-term liabilities, deferred taxes, financial derivatives under rights, and other minor assets not related to operating income.

## **Earnings before taxes, interests, depreciation, amortization and extraordinary items (RAIIDAIE or EBITDA).**

Earnings obtained in 2008 and 2007 were ThCLP\$226,083,426 and ThCLP\$217,001,902, respectively.

### **Evolution of Financial Ratios**

During the last two financial years, the Company's financial indicators have remained within the high financial stability ranges.

As for financial ratios, the debt ratio has remained relatively stable and within levels in which internal and external financing are equal. This development during the last year is a consequence of a debt increase somewhat higher than that experienced by equity; while debt increased by 49 billion pesos (10.8%), equity increased only by 45 billion (6.6%).

The increase in debt stems basically from growth of foreign currency bank debt, the result of a 28% devaluation of the Chilean peso against the dollar in 2008.

It is important to underscore the fact that the exchange rate impact on debt is compensated by the higher value that in turn, has been achieved by derivatives that were acquired as part of the policy for hedging exchange rate risk. Assets for derivative related receivables increased by 44 billion pesos during 2008.

According to prevailing accounting rules, the effects of derivatives contracts are shown on the asset side of the balance sheet, which does not allow the net effect of exchange rate variation over the debt level to be seen.

Regarding the liquidity ratio and short-term debt, financing is not tight, guaranteeing the healthy development of operations.

Regarding profitability, a sustained increase in the operational margin ratio can be seen. This trend stems from the transformation that the wireline businesses developed by the Parent company have been experiencing with a greater orientation towards the corporate segment..

At the EBITDA level, both individually for the Parent company as well as consolidated, growth can be seen, fueled by the increase in mobile business as well as a focus on businesses with a greater competitive advantage in the other areas in which the Company's of the group operate. The EBITDA increase can also be explained by the watchful monitoring of costs and expenditures, which was reinforced with the first signs of the current global financial crisis.

Regarding the level of total assets, as seen when comparing the balance sheet as of December 31 for each year, they increased by 93 billion pesos, equivalent to 8.2%. This rise is basically due to an increase in accounts receivables from related companies, which grew by 80 billion pesos, fueled by the growth in financing of mobile business branches.

Interest coverage has remained high, varying from 7.63 to 12.01 times during the past year. The broad ratio is significant, if the net interest cost is considered, i.e., adding financial incomes and interest expenses. In fact measured in this way, the ratio increases from 11.96 to 40.32, from one year to the next.

Furthermore, if this is calculated on cash flows, taking into account earnings before depreciation, the ratio values vary from 16.64 to 54.84 times, between both closings.

### **MARKET ANALYSIS**

The Company operates in a highly competitive market in the various lines of service it offers.

During the last year, there have not been any major variations in terms of the high number of competitors who participate in the telecommunications market.

Nevertheless, in the mobile business market focus is on observing the behavior of the other companies operating in the Chilean market (Movistar, controlled by Telefónica de España, and Claro, controlled by América Móvil, Mexico).

Based on the market share analyses carried out by the Group Companies, during the last year there were no significant variations in the market share of the relevant stakeholders, both mobile and wireline services.

In the mobile business service market, the revenue of the subsidiaries that operate these services represented 76% of the Group's earnings for the period 2008; the "ENTEL PCS" brand has maintained its strong position, with a higher user preference. This has enabled us to keep not only a stable market share in terms of the number of subscribers, at about 40%, but also a positive evolution in the make-up of the customer portfolio.

In fact, during the last 12 months, there has been important growth in the number of postpaid subscribers, whose average minutes of use (MOU) and average revenue per user (ARPU) of services are higher than the prepaid subscribers. During 2008, the postpaid customer base (including those with mobile broadband) not only increased by 20%, but also improved its proportion from 26.4% to 29.8%.

In the markets for other services provided by the Companies in the Group there are no significant variations in the participation of relevant stakeholders.

There continues to be a positive evolution of the markets in which the Group is developing new lines of business, particularly in the segment of corporate clients, which is the focus of the Company's efforts, particularly for the provision of integrated voice, data and internet solutions as well as IT services. Furthermore, there was great dynamism in services driven by NGN Technology (Next Generation Network) on IP platforms (Internet Protocol), which allows voice and data services to be provided through a single access. These services target small and medium sized businesses especially.

In December 2008, the Entel Group took control of 100% of Cientec Computacion S.A. This purchase expanded the Group's ability to offer operational continuity services within the Information Technology business. Cientec is a well-known company that provides continuity services to businesses and corporations, including hosting/housing services, critical business applications, administration of IT centers as well as sales and training platforms. During 2008, this company reported sales of 16,275 million pesos.

In domestic long-distance and international services, those most affected by the migration towards mobile services, the Group's market share has remained close to 31% for national services, while international services have experienced an increase, surpassing 37% of market share. These services, together with the traffic business, represented 6.6% of the Group's earnings in 2008.

In the context of international operations, the Group currently only has a presence in Peru, a country whose market, resource requirements and managerial tasks are aligned with the current strategic definitions of the Group. The Group's businesses in Peru are focused on fixed-line networks for corporate customers in the city of Lima, and call center services, both domestic and international.

In the course of commenting on sales revenue development below, reference is made to the main variations in volume and price.

### Market Risk Analysis

Market risks for services provided or received are the normal risks for the industry, especially technology services, and there are no imminent variations in the foreseeable future.

The permanent analysis of technology and market trends reveals a boost from the signing of an alliance with Vodafone Group, a British operator and world-leader in mobile telephony. Through this alliance, the mobile services affiliates of the Group, among other benefits, will be able to share best practices in customer service, have access to new voice and data products with international access, broaden coverage and improve roaming service quality, and maintain the lead in developing value added services in Advanced Digital Mobile Telephony, also known as 3G, Third Generation.

Regarding the regulatory aspect of operations within the country, interconnection rates for mobile and fixed-line services are fixed for the 2004-2009 period. The norm setting new interconnection rates for the new period is about to be published.



The new rates will be enforced during the first quarter of 2009.

Within the framework of the rate-setting process, during the month of July, the various operators of mobile services proposed different rate structures to the regulatory authority (Subtel). The Entel Group proposed a reduction in access charges of close to 30%. According to the information available at this time, the reduction will, in the end, be close to 45%.

According to statements by the telecommunications sector authorities, during the current year dates will be set for bidding on concessions for new frequencies for 3G telephony services.

Responding to a question by the telecommunications authorities, the Court for the Defense of Free Competition decided that it is not possible to exclude the current concessionaries of mobile telephone services from bidding for new licenses for Advance Digital Mobile Telephony (3G-Third Generation).

As for other risks, the main exposures correspond to exchange rate and interest rate fluctuations.

The Company's policy for facing such risks is to hedge by 100% the net exchange rate position and to partially hedge fluctuation risks stemming from variable interest rate loans.

This hedging was carried out through derived instruments such as deferred dollar purchase (Forward), combined hedging for exchange rate and interest rate (Cross Currency Swap) or option contracts.

Note 21 to the financial statements include the hedge agreements in effect at the closing of each period. Additionally, Note 24 includes details of all assets and liabilities in foreign currency.

As for the mismatch between operating income and operating expenses in foreign currencies, there is no hedge for exchange rate risk exposure.

It must be noted that the Company does not face significant exit barriers for income-expense operations, which permits it to react appropriately to significant fluctuations in foreign currency value.

Notwithstanding the above, given certain business initiatives for specific purposes, risks are assessed in terms of mismatch of flows for periods involving major initial investments.

## DEVELOPMENT OF SALES REVENUE

In accordance with the financial statements of the Parent company, its net revenue for 2008 reached Ch\$ 243 billion, showing an increase of 6% compared to the previous year.

The figure above includes sales to affiliates concerning services provided in a combined manner.

Excluding these values, sales for services provided to third parties directly by the Parent company reached Ch\$171 billion in the year 2008, representing 16.0% of the Group's consolidated sales, the development of which is discussed in the Management's Analysis of the Consolidated Financial Statements.

As for sales to third parties by the Parent company, there were positive variations in the different lines of business.

As a result of the changes taking place in the communications market, traditional services continue to decrease and lose relevance, but this is compensated by growth in new lines of business.

As for Parent company sales, services provided to other operators, including the Company's affiliates, accounted for approximately Ch\$82 billion in 2008, with 8.9% growth compared to the same period for the previous year.

This growth has been driven particularly by the demand for intermediate services for mobile telephony.

In private and other services, the year to year comparison showed an increase of CH\$7 billion, equivalent to 1.1% growth. The traditional data business has continued to expand its services, especially through IP (Internet Protocol) over multi-service network platforms (MPLS).

Likewise, Entel's position has grown as an integrator of services related to information technology targeting the corporate segment.

Income generated by the aggregate of traditional long-distance services and international traffic business reached Ch\$69 billion in 2008. These services have been severely affected by migration to mobile services, thus showing a decline in median rates, in addition to a reduction in traffic levels for national services.

Broadband internet services (WLL and ADSL) have shown a downward trend, basically due to a decline in the residential customer base, while traffic continues to fall in switched access.

To a large extent, the downward trend in such services is the result of the Company's policy to focus these services on market segments where it has a greater competitive advantage.

## COSTS, EXPENSES AND PROFITABILITY

The following income statement corresponds to 2008 and 2007:

### Costs, Expenses and Profitability

(in millions of pesos as of December 31, 2008)

	2008 ThCLP\$	2007 ThCLP\$
Cost of Sales and Selling and Administrative Expenses	(229,379)	(225,231)
Operating Income	14,051	4,503
Non-Operating Income	145,149	135,742
Interest Expenses	(14,466)	(21,128)
Net Income	153,510	142,700

## COST OF SALES AND SELLING AND ADMINISTRATIVE EXPENSES

In the different cost sections there are variations in both directions; the final result was a Ch\$4 billion increase, equivalent to 1.8%.

The most important increase was the purchase and sale of international traffic, as a result of increased levels of activity in these operations.

Regarding a reduction in costs, they stem from areas directly linked to activity evolution and sales in other business areas, particularly those services that are being substituted by mobile services provided through affiliates.

### Operating Income

The variation of the operating income is due to the above-mentioned effects of revenue and cost performance. While revenues increased by Ch\$13.696 billion, costs and expenses grew only by Ch\$4.148 billion, thus generating an increase in operating income of Ch\$9.548 billion, equivalent to 212%.

### Non-Operating Income

Outcome for this category is affected by variations both positive and negative, resulting in a net increase in profits from 135,742 to 145,149 million pesos, equivalent to 6.9%. The most meaningful effect, leading in a positive direction was a reduction in net interest expenses compared to the previous year of 6.662 billion pesos. This reduction originated from lower costs stemming from the buyback of bonds in circulation as well as the renegotiation of long-term bank liabilities.

Another important positive effect corresponds to lower penalties for deferred interest expenses, which fell by Ch\$4.558 billion. In this item, the year 2007 presented higher penalties due to prepayment of circulating bonds and restructuring of bank debt.



Offsetting the above, 2008 non-operating income was affected by a net decrease in related companies' results of Ch\$11.139 billion. This is due mainly to higher depreciation of investments in networks and customer terminals, counterbalanced by the mobile telephony affiliates experiencing an increase in their customer base.

### **Net Income for the period**

According to the performance of operating and non-operating income, and the taxes for the period, the final net income from 2007 to 2008 increased from Ch\$142,700 billion to \$153,510 billion pesos, that is Ch\$ 10.810 billion, equivalent to 7.6%.

### **Affiliate Performance in Mobile Services**

Below is a summary of the consolidated income statements and performance indicators of the Group operating in mobile business (PCS).

#### **ENTEL PERSONAL TELEPHONY AND AFFILIATES (ENTEL PCS & ENTEL MOVIL)**

(in millions of pesos adjusted as of December 31, 2008)	2008 ThCLP\$	2007 ThCLP\$	Variation %
Net Revenue	825,033	757,552	8.9
Operating Income	199,641	205,307	(2.8)
Net Income	147,929	161,750	(8.5)

This Group of companies has shown sustained growth due to the continuous increase in customer base and business volume. At the same time, it has managed to control the user abandon rate, and it has also achieved high performance in the main network and service management and quality indicators.

Its performance has continued to improve, increasing the number of subscribers, while keeping its share and leadership in the domestic market.

As previously stated, as of December 31, 2008, the number of subscribers totaled 6,001,210, exceeding by 6.4%, the figure for same period of the previous year.

The drop in operating income stems mostly from higher depreciation, caused both by higher investments in infrastructure, as well as investments in terminals assigned to customers with the postpaid, as a result of the strong growth in customer base for this segment.

On the other hand, at the final results level, the decrease is linked mainly to a negative variation of Ch\$8.625 billion due to monetary adjustment and higher interest expenses, granted by the Parent company in the amount of Ch\$3.614 billion.

### **B) DIFFERENCES BETWEEN BOOK VALUE AND ECONOMIC AND/OR MARKET VALUES OF THE MAIN ASSETS**

In general, there are no differences worth mentioning in terms of assets and liabilities.

In the specific case of fixed assets, regular procedures are applied to detect impairment of value, generating the relevant loss charges.

### **C) COMMENTS ON CASH FLOW STATEMENT**

The total cash flow for the periods under review generated a positive net cash flow of Ch\$102 billion between 2007 and 2008. In fact, the general net outflow decreases from Ch\$123 billion to Ch\$21 between those years. This variation in flows is mainly affected by the use of Ch\$126 billion to prepay outstanding bonds during the previous year.

In investment activities, fixed assets investments reached Ch\$57 billion in 2008, corresponding to acquisitions of telecommunication equipment and network development, mainly of mobile telephony, internet and other data businesses.

Other important investment activities, but with a neutral effect on total cash flows, correspond to turnover of financial investments that tend to offset each other, between Ch\$112 billion and Ch\$115 billion. These cash flows result from managing the temporary cash surplus.

#### D) PERFORMANCE OF COMMITMENTS

The Company has to date performed all the obligations with third parties.

### SUMMARY OF INDIVIDUAL MATERIAL EVENTS 2008

In accordance with current legal regulations, in 2008 the Company informed the Superintendent for Stocks and Shares (Superintendencia de Valores y Seguros – SVS) of the following essential events or relevant information:

#### I. Approval of 2007 consolidated and individual financial statements, distribution of dividends, remuneration for directors.

Letter No. 2, dated April 29, 2008, informed that at the Ordinary Shareholders' Meeting, held on the same day, shareholders agreed to the following:

- a. Approval of the Annual Report, Balance Sheet and Statement of Income for 2007.
- b. Distribution in the form of a final dividend, of the sum of \$443 per share, equivalent to 79.96% of the net profit for the year. This distribution, from which the interim dividend of \$100, paid in December 2007, must be subtracted, leaving a dividend of \$343 per share, will be paid out on May 26, 2008.
- c. Approval of the investment and financing policy, the dividend policy was informed, which primarily correspond to those applied during the previous year.
- d. The remuneration of the directors and the remuneration and budget for the Board of Directors which were approved during the previous Ordinary Shareholders' Meeting, remain in effect; the designation of the external auditors Ernst & Young and regular and substitute account inspectors and the risk rating agency Feller Rate (S&P) were approved; El Mercurio de Santiago newspaper was reapproved for publishing notices and related operations.

#### II. Distribution of the Interim Dividend

Letter No 6., dated December 1, 2008, informed that during the Board Meeting held on the same date, it was agreed to pay an interim dividend of \$100 (100 Chilean pesos) per share as of December 17, 2008, with a charge to net income for the third quarter of this year.

The payment of said interim dividend will total ThCLP\$23,652,369 (twenty three million, six hundred fifty-two and three hundred sixty-nine pesos), representing 20.22% of net income for the third quarter 2008.

#### III. Acquisition of Cientec Computacion S.A.

Letter No. 07, dated December 2, 2008, informed that on December 2, 2008, Empresa Nacional de Telecomunicaciones S.A. (Entel) and its affiliate Entel Inversiones S.A. signed a Contract for Sale and Purchase to acquire all shares of Cientec Computacion S.A. (Cientec).

The owners and sellers of these shares of said company are Inversiones Balilia Limitada y Millenium and Fondo de Inversion Privado, with a percentage of 0.0001% and 99.999%, respectively.

The price of the purchase for all of the Cientec shares reached a total of \$15,266,715,245, which set a price of \$49,189 for each Cientec share.



The final price paid, which should not experience any large variation, will be determined following the compilation of a Final Audited Balance by external auditors to be designated by the purchasers.

Since the year 2000, the Company Cientec Computación S.A. has been an Operational Continuity services provider, active in the following areas:

- ERP Hosting/Housing Service and Critical Business Applications
- IT Administrative Centers and Provision of specialized personnel.
- Operational Continuity Provider with technological renovation (provision of PCs, help desk, field operations)
- Sale of High Availability IT Platform and Post-sale services

Cientec Computacion served a market consisting of mid and large-sized companies, and at the end of 2007 had a staff of 401 employees, 47% of which were engineers and 36% were technicians. These are professionals with profiles, experience and capabilities in IT.

In 2007, Cientec Computacion had assets for ThCLP\$ 13,615,633, equity for ThCLP\$ 4,823,977, net income of \$18,027 million and EBITDA of \$4,366 million.

Cientec is perceived as a firm that provides high quality services at a competitive price and its activities will complement the strategic contribution that Entel will make to the IT market.

While in session on September 1, 2008, the Entel Board of Directors agreed to bestow the required powers to carry out negotiations and to fulfill the above-mentioned Contract for Sale and Purchase. During the same session, the Board of Directors agreed to grant confidential status to negotiations until the Contract for Sale and Purchase is signed. As a result, given that the transaction is no longer confidential as of today, Entel is informing this current Material Event to the Superintendent and the country's stock exchanges.

## CERTIFICATE OF THE ACCOUNT INSPECTORS

Shareholders

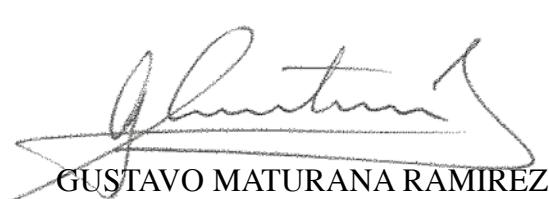
Empresa Nacional de Telecomunicaciones S.A.

We have reviewed the Individual and Consolidated Financial Statements of the Empresa Nacional de Telecomunicaciones S.A. for the twelve month period ending on December 31, 2008, which has resulted in no observations. Our examination and review as Account Inspectors included verification of the account balance in the General Ledger and summary sheet in the case of the Consolidated Financial Statements with the corresponding accounts on the Balance Sheet and the Income Statement on said date.

A handwritten signature in black ink, appearing to read "J. M. FAURE".

MANUEL ONETO FAURE

Account Inspector

A handwritten signature in black ink, appearing to read "G. Maturana".

GUSTAVO MATURANA RAMIREZ

Account Inspector

Santiago, January 28, 2009.

# AFFILIATED AND ASSOCIATED COMPANIES

**ENTEL**



**ENTEL Telefonia Personal S.A. & Affiliates**  
**Consolidated Balance Sheet as of December 31, 2008 and 2007**

(in thousands of Chilean pesos)

	2008 ThCLP\$	2007 ThCLP\$
<b>TOTAL CURRENT ASSETS</b>		
Cash and equivalents	2,190,070	2,241,170
Accounts Receivable (Net)	158,290,151	139,141,993
Notes Receivables (Net)	6,604,582	6,426,935
Misc. Debtors (Net)	2,477,734	2,477,569
Notes and Accounts Receivable related companies	2,264,906	1,790,436
Inventories (Net)	37,313,760	23,058,086
Recoverable Income Tax	6,390,239	2,480,372
Prepaid expenses	8,948,323	7,670,502
Deferred taxes	12,099,147	8,704,596
Other current assets	607,557	689,371
 Total Current Assets	 237,186,469	 194,681,029
<b>FIXED ASSETS</b>		
Land	3,113,987	3,043,398
Building and infrastructure improvements	88,583,106	48,109,759
Machinery and Equipment	942,835,783	867,597,072
Other Fixed Assets	63,911,601	55,362,257
Depreciation (less)	(542,652,699)	(474,579,989)
 TOTAL FIXED ASSETS	 555,791,778	 499,532,497
<b>OTHER ASSETS</b>		
Goodwill	1,688,173	1,875,748
Intangibles	860,228	966,791
Others	2,458,671	2,843,637
 Total Other Assets	 5,007,072	 5,686,176
 <b>TOTAL ASSETS</b>	 797,985,319	 699,899,702

**ENTEL Telefonia Personal S.A. & Affiliates**  
**Consolidated Balance Sheet as of December 31, 2008 and 2007**

(in thousands of Chilean pesos)

	2008 ThCLP\$	2007 ThCLP\$
<b>LIABILITIES AND SHAREHOLDER EQUITY</b>		
<b>CURRENT</b>		
Long-term liabilities due within a year	-	-
Accounts payable	179,239,109	141,024,332
Bills and accounts payable, related companies	206,020,257	122,325,580
Provisions	5,652,016	4,613,355
Withholdings	10,876,733	11,107,480
Income Tax	66,260	1,752,024
Unearned Income	6,253,446	7,350,638
Other Current Liabilities	1,745,967	489,218
Total current liabilities	409,853,783	288,662,627
<b>LONG TERM LIABILITIES</b>		
Bonds payable long term	-	-
Long term, bills and accounts payable related companies	-	-
Long term deferred Taxes	18,673,460	18,919,954
Other Long Term Liabilities	483,634	800,754
Total Long Term Liabilities	19,157,094	19,720,708
<b>MINORITY INTEREST</b>	344,278	363,161
<b>SHAREHOLDERS' EQUITY</b>		
Paid-in Capital	162,983,722	162,983,722
Premium on shares sold	1,417,124	1,417,124
Retained earnings	204,229,318	226,752,360
Accrued Income	89,267,282	86,956,609
Gains (losses of year)	147,929,036	161,749,991
Interim Dividends (less)	(32,967,000)	(21,954,240)
Total Shareholders' Equity	368,630,164	391,153,206
<b>TOTAL LIABILITY AND SHAREHOLDER EQUITY</b>	<b>797,985,319</b>	<b>699,899,702</b>



## ENTEL Telefonia Personal S.A. & Affiliates Consolidated Income Statement as of December 31, 2008 and 2007

(in thousands of Chilean pesos)

	2008 ThCLP\$	2007 ThCLP\$
<b>INCOME STATEMENT</b>		
NET REVENUE	825,032,805	757,552,016
COST OF SALES (less)	(477,561,800)	(424,299,611)
GROSS PROFIT MARGIN	347,471,005	333,252,405
SELLING AND ADMINISTRATIVE EXPENSES (less)	(147,829,889)	(127,944,418)
OPERATING INCOME	199,641,116	205,307,987
<b>NON-OPERATING INCOME</b>		
Interest Income	973,028	920,875
Other Non-operating income	701,260	750,857
Amortization of Goodwill (less)	(187,575)	(187,575)
Interest Expenses (less)	(8,805,057)	(5,191,356)
Other non-operating expenses (less)	(735,260)	(818,080)
Monetary Adjustment	(7,562,990)	(2,908,177)
Foreign currency translation	(4,166,343)	(195,856)
NON-OPERATING INCOME	(19,782,937)	(8,129,312)
EARNINGS BEFORE TAXES AND MINORITY INTEREST	179,858,179	197,178,675
INCOME TAX	(31,775,404)	(35,264,730)
PROFIT BEFORE MINORITY INTEREST	148,082,775	161,913,945
MINORITY INTEREST	(153,739)	(163,954)
<b>NET PROFIT</b>	<b>147,929,036</b>	<b>161,749,991</b>

## Summary Balance Sheet as of December 31 2008 and 2007

(in thousands of Chilean pesos)

	ENTEL Telefonía Personal S.A. & Affiliates		ENTEL Telefonía Local S.A.		ENTEL Servicios Telefónicos S.A.		Satel Telecomunicaciones S.A.	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>ASSETS</b>								
Current	237,186,469	194,681,029	18,199,546	17,670,032	2,570,241	3,281,003	1,619,011	2,370,516
Fixed	555,791,778	499,532,497	8,557,733	13,839,615	-	121,272	797,172	972,756
Others	5,007,072	5,686,176	1,544,732	2,165,863	117,933	681,901	-	-
<b>TOTAL ASSETS</b>	<b>797,985,319</b>	<b>699,899,702</b>	<b>28,302,011</b>	<b>33,675,510</b>	<b>2,688,174</b>	<b>4,084,174</b>	<b>2,416,183</b>	<b>3,343,272</b>
<b>LIABILITIES AND EQUITY</b>								
Current	409,853,783	288,662,627	9,630,378	13,368,397	1,104,683	1,738,942	44,996	432,497
Long Term	19,157,094	19,720,708	16,093,120	16,574,773	-	-	407,966	2,166,342
Minority Interest	344,278	363,161	-	-	-	-	-	-
Capital and Reserves	164,400,846	164,400,846	29,603,142	29,603,142	1,413,277	1,413,277	3,560,075	3,560,075
Accrued Income	89,267,282	86,956,609	(25,870,801)	(23,326,704)	931,957	548,613	(2,815,642)	(3,004,955)
Net Income FY	147,929,036	161,749,991	(1,153,828)	(2,544,098)	(761,743)	343,344	1,218,788	189,313
Interim Dividends	(32,967,000)	(21,954,240)	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>797,985,319</b>	<b>699,899,702</b>	<b>28,302,011</b>	<b>33,675,510</b>	<b>2,688,174</b>	<b>4,084,176</b>	<b>2,416,183</b>	<b>3,343,272</b>

## Condensed Income Statement of Affiliates for years Ending December 31, 2008 and 2007

(in thousands of Chilean pesos)

	ENTEL Telefonía Personal S.A. & Affiliates		ENTEL Telefonía Local S.A.		ENTEL Servicios Telefónicos S.A.		Satel Telecomunicaciones S.A.	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>Net revenue</b>								
Net revenue	825,032,805	757,552,016	56,273,627	52,710,896	2,359,334	6,117,707	1,201,802	399,181
Cost of Sales	(477,561,800)	(424,299,611)	(43,762,437)	(42,025,368)	(1,496,205)	(3,173,237)	(257,100)	(274,241)
Gross Profit Margin	347,471,005	333,252,405	12,511,190	10,685,528	863,129	2,944,470	944,702	124,940
Selling and Administrative Expenses	(147,829,889)	(127,944,418)	(10,800,075)	(11,124,886)	(1,523,537)	(3,363,446)	(34,627)	(43,955)
Operating Income	199,641,116	205,307,987	1,711,115	(439,358)	(660,408)	(418,976)	910,075	80,985
<b>NON-OPERATING INCOME</b>								
Plus: Non-Operating Revenue	1,674,288	1,171,732	335,641	341,236	1,551	3,948	338,207	116,125
Less: Non-Operating Expenses	(9,727,892)	(6,197,011)	(3,183,704)	(2,850,915)	(235,044)	(298,301)	(18,238)	(10,845)
Plus/Less: Monetary Adjustment	(11,729,333)	(3,104,033)	(474,924)	81,756	(45,783)	1,159,247	77,685	19,525
<b>Non-Operating Income</b>	<b>(19,782,937)</b>	<b>(8,129,312)</b>	<b>(3,322,987)</b>	<b>(2,427,923)</b>	<b>(279,276)</b>	<b>864,894</b>	<b>397,654</b>	<b>124,805</b>
<b>Earnings before taxes and minority interest</b>								
Earnings before taxes and minority interest	179,858,179	197,178,675	(1,611,872)	(2,867,281)	(939,684)	445,918	1,307,729	205,790
Income tax	(31,775,404)	(35,264,730)	458,044	323,183	177,941	(62,574)	(88,941)	(16,477)
Minority Interest	(153,739)	(163,954)	-	-	-	-	-	-
Amortization Goodwill/ Negative Goodwill	-	-	-	-	-	-	-	-
<b>NET PROFIT (LOSS) FOR FY</b>	<b>147,929,036</b>	<b>161,749,991</b>	<b>(1,153,828)</b>	<b>(2,544,098)</b>	<b>(761,743)</b>	<b>383,344</b>	<b>1,218,788</b>	<b>189,313</b>

## Condensed Cash flow Statement of Affiliates as of December 31, 2008 and 2007

(in thousands of Chilean pesos)

	ENTEL Telefonía Personal S.A. & Affiliates		ENTEL Telefonía Local S.A.		ENTEL Servicios Telefónicos S.A.		Satel Telecommunicaciones S.A.	
	2008	2007	2008	2007	2008	2007	2008	2007
Net Cash Flow from Operating Activities	300,972,851	309,657,480	1,227,680	2,189,380	(726,070)	1,168,943	1,259,234	264,070
Net Cash Flow from Financing Activities	(98,896,347)	(107,752,461)	(128,993)	(1,479,106)	698,855	(1,295,958)	(1,257,116)	810,749
Net Cash Flow from Investing Activities	(202,222,683)	(200,181,455)	(878,982)	(762,013)	-	-	-	(1,074,781)
<b>Total Net Cash Flow</b>	<b>(146,179)</b>	<b>1,723,564</b>	<b>219,705</b>	<b>(51,739)</b>	<b>(27,215)</b>	<b>(127,015)</b>	<b>2,118</b>	<b>38</b>
Effects of Inflation on Cash and Cash Equivalents	95,079	(39,422)	(75,087)	(12,646)	(18,645)	(21,553)	(137)	(18)
Net Increase in Cash and Cash Equivalent	(51,100)	1,684,142	144,618	(64,385)	(45,860)	(148,568)	1,981	20
Cash and Cash Equivalents at the Start of the Year	2,241,170	557,028	211,216	275,601	234,181	382,749	20	-
Cash and Cash Equivalents at the End of the Year	2,190,070	2,241,170	355,834	211,216	188,321	234,181	2,001	20
<b>Reconciliations between Net Cash Flow provided by Operating Activities and Condensed Net Income for FY of Affiliates</b>								
Reconciliations								
Net Income/Loss for FY	147,929,036	161,749,991	(1,153,828)	(2,544,098)	(761,743)	383,344	1,218,788	189,313
Income on Sale of Assets	-	(11,233)	-	-	-	-	-	-
Other Non-Cash Charges (credits) to Income	173,625,426	134,195,007	9,521,979	10,420,902	516,614	(1,110,343)	(882,556)	(48,351)
Change in Assets that Affects Cash Flow (	53,809,687)	(59,288,471)	(4,467,763)	(6,682,116)	(103,253)	486,936	1,709,581	(31,553)
Change in Liabilities that Affects Cash Flow	33,074,337	72,848,232	(2,672,708)	994,692	(377,688)	1,409,006	(213,421)	154,661
Net Income/Loss of Minority Interest	153,739	163,954	-	-	-	-	-	-
<b>Net cash flows originating from operating activities</b>	<b>300,972,851</b>	<b>309,657,480</b>	<b>1,227,680</b>	<b>2,189,380</b>	<b>(726,070)</b>	<b>1,168,943</b>	<b>1,259,234</b>	<b>264,070</b>

## Condensed Balance Sheet as of December 31, 2008 and 2007

(in thousands of Chilean pesos)

	Micarrier Telecomunicaciones S.A.		Red de Transacciones Electrónicas S.A.		ENTEL Inversiones S.A. & Affiliates		ENTEL Call Center S.A. & Affiliates	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>ASSETS</b>								
Current	728,471	1,070,411	59,678	14,415	8,508,024	5,874,600	3,833,140	3,592,455
Fixed	-	274,673	-	-	9,702,330	5,714,298	11,477,007	11,062,086
Others	1,510,457	1,130,569	-	-	40,689,060	31,979,894	1,437,574	1,739,115
<b>TOTAL ASSETS</b>	<b>2,238,928</b>	<b>2,475,653</b>	<b>59,678</b>	<b>14,415</b>	<b>58,899,414</b>	<b>43,568,792</b>	<b>16,747,721</b>	<b>16,393,656</b>
<b>LIABILITIES AND EQUITY</b>								
Current	173,776	93,383	16,247	10,333	9,167,266	5,401,866	2,717,334	2,709,037
Long-Term	-	-	-	610,303	3,253,451	1,804,355	10,409,189	10,804,607
Minority Interest	-	-	-	-	6,956,909	5,849,122	11	-
Capital and Reserves	4,141,580	4,141,580	817,433	2,098,203	3,850,288	2,663,153	13,880,513	13,867,175
Accrued Income	(1,759,310)	(1,502,929)	(859,306)	(2,738,355)	27,850,296	19,168,130	(10,952,537)	(11,657,757)
Net Income FY	(317,118)	(256,381)	85,304	33,931	7,821,204	8,682,166	693,211	670,594
Interim Dividends	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDER EQUITY</b>	<b>2,238,928</b>	<b>2,475,653</b>	<b>59,678</b>	<b>14,415</b>	<b>58,899,414</b>	<b>43,568,792</b>	<b>16,747,721</b>	<b>16,393,656</b>

## Condensed Income Statement of Affiliates for years Ending December 31, 2008 and 2007

(in thousands of Chilean pesos)

	Micarrier Telecomunicaciones S.A.		Red de Transacciones Electrónicas S.A.		ENTEL Inversiones S.A. & Affiliates		ENTEL Call Center S.A. & Affiliates	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>Net Revenue</b>								
Net Revenue	387,867	637,431	420,048	35,232	25,149,940	19,765,837	17,972,498	18,280,411
Cost of Sales	(522,337)	(671,709)	(179,089)	-	(13,103,012)	(10,658,042)	(10,307,455)	(10,252,159)
Gross Profit Margin	(134,470)	(34,278)	240,959	35,232	12,046,928	9,107,795	7,665,043	8,028,252
Selling and Administrative Expenses	(319,610)	(202,317)	(185,056)	(46,683)	(11,919,099)	(8,604,984)	(6,327,582)	(6,867,247)
<b>Operating Income</b>	<b>(454,080)</b>	<b>(236,595)</b>	<b>55,903</b>	<b>(11,451)</b>	<b>127,829</b>	<b>502,811</b>	<b>1,337,461</b>	<b>1,161,005</b>
<b>NON-OPERATING INCOME</b>								
Plus: Non-Operating Revenue	136,581	664	-	-	8,291,180	8,889,189	6,825	-
Less: Non-Operating Expenses	(15,594)	(1,327)	(15,668)	-	(424,375)	(132,691)	(234,606)	(423,392)
Plus/Less: Monetary Adjustment	(36,430)	(68,274)	44,904	45,245	433,621	66,494	(260,085)	(169,483)
<b>Non-Operating Income</b>	<b>84,557</b>	<b>(68,937)</b>	<b>29,236</b>	<b>45,245</b>	<b>8,300,426</b>	<b>8,822,992</b>	<b>(487,866)</b>	<b>(592,875)</b>
<b>Earnings before Taxes and Minority Interest</b>								
Income Tax	52,405	49,151	165	137	(529,800)	(517,520)	(156,384)	102,464
Minority Interest	-	-	-	-	(77,251)	(126,117)	-	-
Amortization goodwill / Negative goodwill	-	-	-	-	-	-	-	-
<b>NET INCOME (LOSS) FOR FY</b>	<b>(317,118)</b>	<b>(256,381)</b>	<b>85,304</b>	<b>33,931</b>	<b>7,821,204</b>	<b>8,682,166</b>	<b>693,211</b>	<b>670,594</b>

## Condensed Cash Flow Statement of Affiliates as of December 31, 2008 and 2007

(in thousands of Chilean pesos)

	Micarrier Telecomunicaciones S.A.		Red de Transacciones Electrónicas S.A.		ENTEL Inversiones S.A. & Affiliates		ENTEL Call Center S.A. & Affiliates	
	2008	2007	2008	2007	2008	2007	2008	2007
Net Cash Flow from Operating Activities	423,583	(98,777)	44	(38,114)	11,598,782	10,451,105	280,002	2,167,276
Net Cash Flow from Financing Activities	-	-	0	38,114	699,395	(5,971,682)	1,702,598	(1,162,106)
Net Cash Flow from Investing Activities	(373,587)	102,168	-	-	(12,078,142)	(4,750,057)	(2,056,036)	(1,141,161)
<b>Total Net Cash Flow</b>	<b>49,996</b>	<b>3,391</b>	<b>44</b>	<b>-</b>	<b>220,035</b>	<b>(270,634)</b>	<b>(73,436)</b>	<b>(135,991)</b>
Effects of Inflation on Cash and Cash Equivalents	(2,574)	(50)	(43)	-	121,325	(145,127)	(56,947)	(4,662)
Net Increase in Cash and Cash Equivalent	47,422	3,341	1	-	341,360	(415,761)	(130,383)	(140,653)
Cash and Cash Equivalents at the Start of the Year	18,821	15,480	-	-	690,981	1,106,742	283,426	146,382
Cash and Cash Equivalents at the End of the Year .	66,243	18,821	1	-	1,032,341	690,981	153,043	5,729
<b>Reconciliations between the Net Cash Flow provided by Operating Activities and Condensed Net Income for FY of Affiliates</b>								
<b>Reconciliations</b>								
Net Income/Loss for FY	(317,118)	(256,381)	85,304	33,931	7,821,204	8,682,166	693,211	670,594
Income on Sale of Assets	-	-	-	-	(19,094)	-	-	-
Other Non-Cash Charges (credit) to Income	481,343	428,824	(44,904)	(45,245)	(5,544,540)	(7,428,899)	1,231,930	1,533,684
Change in Assets that Affects Cash Flow	(56,566)	(105,517)	-	(35,232)	7,093,509	7,337,016	(409,286)	892,547
Change in Liabilities that Affects Cash Flow	315,924	(165,703)	(40,356)	8,432	2,170,452	1,734,705	(1,235,853)	(929,549)
Net Income/Loss of Minority Interest	-	-	-	-	77,251	126,117	-	-
<b>Net cash flows originating from operating activities</b>	<b>423,583</b>	<b>(98,777)</b>	<b>44</b>	<b>(38,114)</b>	<b>11,598,782</b>	<b>10,451,105</b>	<b>280,002</b>	<b>2,167,276</b>

## Condensed Balance Sheet as Of December 31, 2008 and 2007

(in thousands of Chilean pesos)

	Cientec Computación C.A.		ENTEL Internacional BVI Corp. & Affiliates	
	2008	2007	2008	2007
<b>ASSETS</b>				
Current	6,576,740	5,588,818	499,915	1,191,359
Fixed	8,381,085	9,335,581	-	-
Others	31,161	31,061	4,777	5,562
<b>TOTAL ASSETS</b>	<b>14,988,986</b>	<b>14,955,460</b>	<b>504,692</b>	<b>1,196,921</b>
<b>LIABILITIES AND EQUITY</b>				
Current	6,714,453	5,659,490	43,608	641,496
Long Term	3,002,455	4,042,660	-	-
Minority Interest	-	-	-	-
Capital and Reserves	3,756,870	815,474	27,462,167	27,461,354
Accrued Income	972,385	3,505,153	(26,905,930)	(26,325,378)
Net Income FY	542,823	932,683	(95,153)	(580,550)
Interim Dividends	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>14,988,986</b>	<b>14,955,460</b>	<b>504,692</b>	<b>1,196,921</b>

## Condensed Income Statement of Affiliates for Years Ending December 31, 2008 and 2007

(in thousands of Chilean pesos)

	Cientec Computación C.A.		ENTEL Internacional BVI Corp. & Affiliates	
	2008	2007	2008	2007
<b>Net Revenue</b>				
Net Revenue	18,027,078	19,080,711	-	-
Cost of Sales	(13,853,122)	(15,813,478)	-	-
Gross Profit Margin	4,173,956	3,267,233	-	-
Selling and Administrative Expenses	(2,701,008)	(2,080,675)	(878)	(81,988)
<b>Operating Income</b>	<b>1,472,948</b>	<b>1,186,558</b>	<b>(878)</b>	<b>(81,988)</b>
<b>NON-OPERATING INCOME</b>				
Plus: Non-Operating Revenue	234,443	49,919	17,600	65,986
Less: Non-Operating Expenses	(264,494)	(276,951)	(174,252)	(500,081)
Plus/Less: Monetary Adjustment	(743,242)	(160,466)	62,377	(64,467)
<b>Non-Operating Income</b>	<b>(773,293)</b>	<b>(387,498)</b>	<b>(94,275)</b>	<b>(498,562)</b>
<b>Earnings before Taxes and</b>				
Minority Interest	699,655	799,060	(95,153)	(580,550)
Income Tax	(156,832)	133,623	-	-
Minority Interest	-	-	-	-
Amortization Goodwill/ Negative Goodwill	-	-	-	-
<b>NET INCOME (LOSS) FOR FY</b>	<b>542,823</b>	<b>932,683</b>	<b>(95,153)</b>	<b>(580,550)</b>

## Condensed Cash Flow Statements of Affiliates as Of December 31, 2008 and 2007

(in thousands of Chilean pesos)

	Cientec Computación C.A.		ENTEL Internacional BVI Corp. & Affiliates	
	2008	2007	2008	2007
Net Cash Flow from Operating Activities	6,299,704	5,215,334	(115,340)	(704,296)
Net Cash Flow from Financing Activities	(1,935,038)	(253,413)	(566,732)	-
Net Cash Flow from Investing Activities	(1,961,146)	(5,133,011)	-	-
<b>Total Net Cash Flow</b>	<b>2,403,520</b>	<b>(171,090)</b>	<b>(682,072)</b>	<b>(704,296)</b>
Effects of Inflation on Cash and Cash Equivalents	(2,118,538)	289,825	(9,372)	(157,136)
Net Increase in Cash and Cash Equivalent	284,982	118,735	(691,444)	(861,432)
Cash and Cash Equivalents at the Start of the Year	634,833	516,098	1,191,359	2,052,791
Cash and Cash Equivalents and the End of the Year	919,815	634,833	499,915	1,191,359
<b>Reconciliations between the Net Cash Flow provided by Operating Activities and Condensed Net Income for FY of Affiliates</b>				
Reconciliations				
Net Income/Loss for FY	542,823	932,683	(95,153)	(580,550)
Income on Sale of Assets	-	-	-	-
Other Non-Cash Charges (credit) to Income	5,315,023	3,612,349	(63,159)	63,598
Change in Assets that Affects Cash Flow	688,006	1,410,564	-	-
Change in Liabilities that Affects Cash Flow	(246,149)	(740,262)	(42,972)	(187,344)
Net Income/Loss of Minority Interest	-	-	-	-
<b>Net cash flows originating from operational activities</b>	<b>6,299,703</b>	<b>5,215,334</b>	<b>(115,340)</b>	<b>(704,296)</b>

## Affiliated Companies

### ENTEL TELEFONIA LOCAL S.A. or ENTELPHONE S.A.

The Company's goal is to meet the telephone communications, multimedia and infrastructure needs of high usage consumers; marketing and representation of equipment and devices, and any business related to telecommunications.

Entelphone was incorporated as a public corporation by public deed dated 29 April 1994, in accordance with the laws of the Republic of Chile.

On 20 December 1994, by Supreme decree no. 450, the Ministry of Transport and Telecommunications granted the concession of Public Telephone Services to the Company, in order to install, operate and exploit a local telephone system.

The Company's subscribed and paid-in capital is Th\$ 29,603,142.

Stockholding is as follows:

ENTEL CHILE S.A.	99%
ENTEL INVERSIONES S.A.	1%

The Board of Directors is comprised of the following people:

Richard Büchi B. Position held in Parent company	Chairman of the Board CEO
Felipe Ureta P Position held in Parent company	Director CFO
Antonio Büchi B. Position held in Parent company	Director Chief Executive Fixed Network Business
Alvaro Gallegos B. Position held in Parent company	Director Supply and Administration Manager
Rafael Le-Bert M. Position held in Parent company	Director HR Corporate Manager

The Chief Executive is Alfredo. Parot D.

### ENTEL SERVICIOS TELEFÓNICOS S.A. or ENTELFÓNICA S.A.

The Company's objective is to meet telecommunications, marketing and distribution service needs and represent equipment and devices; and any other business related to telecommunications.

Entelfónica was originally incorporated as a closely held corporation by public deed dated 13 March 1989, in accordance with the laws of the Republic of Chile, under the trade name Global Telecomunicaciones S.A. On 24 June 1993, it was agreed that its articles of incorporation would be amended, establishing the current name and legal nature of the Company.

The Company's subscribed and paid-in capital is Th\$ 1,413,277.

Stockholding is as follows:

ENTEL CHILE S.A	91.42%
ENTEL INVERSIONES S.A.	8.58%

The Board of Directors is comprised of the following people:

Antonio Büchi B. Position held in Parent company	Chairman of the Board Chief Executive Fixed Network Business
Pablo Pfingsthorn O. Position held in Parent company	Director Financial Operational Support Department Manager
Pablo Guerrero R. Position held in Parent company	Director Business Market Department Manager

The Chief Executive is Robert Barr H.

## **MICARRIER TELECOMUNICACIONES S.A. or MICARRIER S.A.**

The Company's goal is to install, operate, exploit and provide public and private telecommunications services, in Chile and abroad, directly or through a third party.

Micarrier was incorporated as a public corporation by public deed dated 30 December 1988, in accordance with the laws of the Republic of Chile. Until 26 March 1996, its trade name was Entel Servicios de Datos S.A., on that date it was agreed that the articles of incorporation would be amended, establishing the current name of the Company.

The Company's subscribed and paid-in capital is Th\$ 4,141,580.

Stockholding is as follows:

ENTEL CHILE S.A.	99.99%
ENTEL INVERSIONES S.A.	0.01%

The Board of Directors is comprised of the following people:

Richard Büchi B.	Chairman of the Board
Position held in Parent company	CEO
Antonio Büchi B.	Director
Position held in Parent company	Chief Executive Fixed Network Business
Alfredo. Parot D.	Director
Position held in Parent company	Commercial Vice President
Pablo Guerrero R. Director	Business Markets Department Manager
Position held in Parent company	
Felipe Ureta P.	Director
Position held in Parent company	CFO
The Chief Executive Alexis Licci P.	

## **ENTEL PCS TELECOMUNICACIONES S.A.**

The goal of the Company is to research, build and exploit a system to provide all kinds of mobile telecommunications services; purchase, sell, import, distribute equipment and devices for mobile communications and, in general, any other activity related to mobile telecommunications.

Entel PCS Telecommunicaciones was incorporated as a public corporation by public deed dated 3 October 1996, in accordance with the laws of the Republic of Chile.

The Company's subscribed and paid-in capital is Th\$ 125,985,700.

Stockholding is as follows:

ENTEL TELEFONÍA PERSONAL S.A.	99.9%
ENTEL CHILE S.A.	0.1%

The Board of Directors is comprised of the following people:

Richard Büchi B.	Chairman of the Board
Position held in Parent company	CEO
Juan José Hurtado V. Deputy	Chairman of the Board
Luis Felipe Gazitúa A.	Director
Antonio Büchi B.	Director
Position held in Parent company	Chief Executive Fixed Network Business
Felipe Ureta P.	Director
Position held in Parent company	CFO
The Chief Executive Hernán Marió L.	

### ENTEL TELEFONÍA MÓVIL S.A. or ENTEL MÓVIL S.A.

The Company's goal is to install, operate, exploit and market all kinds of personal mobile telecommunications services, including the marketing, distribution and representation of equipment and devices required to provide such services.

Entel Móvil was incorporated as a public corporation by public deed dated 20 July 1993, in accordance with the laws of the Republic of Chile.

The Company's subscribed and paid-in capital is Th\$ 2,412,887.

Stockholding is as follows:

ENTEL TELEFONÍA PERSONAL S.A.	99.92%
ENTEL CHILE S.A.	0.08%

The Board of Directors is comprised of the following people:

Richard Büchi B.	Chairman of the Board
Position held in Parent company	CEO
Juan José Hurtado V. Deputy	Chairman of the Board
Luis Felipe Gazitúa A.	Director
Antonio Büchi B.	Director
Position held in Parent company	Chief Executive Fixed Network Business
Felipe Ureta P.	Director
Position held in Parent company	CFO

The Chief Executive Hernán Marió L.

### SATEL TELECOMUNICACIONES S.A. or SATEL S.A.

The Company's goal is to provide telephone and data transmission business services, in the national and international sphere, at high and low speeds, using satellite technology.

Satel was incorporated as a public corporation by public deed on 13 March 1989, in accordance with the laws of the Republic of Chile.

The Company's subscribed and paid-in capital is Th \$ 3,560,075.

Stockholding is as follows:

ENTEL CHILE S.A.	99.9%
ENTEL INVERSIONES S.A.	0.1%

The Board of Directors is comprised of the following people:

Antonio Büchi B.	Chairman of the Board
Position held in Parent company	Chief Executive Fixed Network Business
Alfredo. Parot D.	Director
Position held in Parent company	Commercial Vice President
Felipe Ureta P.	Director
Position held in Parent company	CFO

The Chief Executive is Pablo Pfingsthorn O.

## ENTEL INVERSIONES S.A.

The Company's goal is to make investments that are considered strategically appropriate for corporate goals, whether or not they are related to the telecommunications business.

Entel Inversiones was incorporated as a public corporation by public deed on 8 August 1989, in accordance with the laws of the Republic of Chile.

The Company's subscribed and paid-in capital is Th\$ 3,850,288.

Stockholding is as follows:

ENTEL CHILE S.A.	99.99%
ENTEL INTERNATIONAL BVI CORP.	0.01%

The Board of Directors is comprised of the following people:

Richard Büchi B.	Chairman of the Board
Position held in Parent company	CEO
Antonio Büchi B.	Director
Position held in Parent company	Chief Executive Fixed Network Business
Alfredo. Parot D.	Director
Position held in Parent company	Commercial Vice President

The Chief Executive is Felipe Ureta P.

## CIENTEC COMPUTACION S.A.

The Company's goal is to provide data center services, administration and exploitation of systems, engineering systems and operational continuity.

Cientec Computacion S.A. was incorporated as a public corporation by public deed on 20 September 1993, in accordance with the laws of the Republic of Chile.

The Company's subscribed and paid-in capital is: Th\$3,482,040.

Stockholding is as follows:

ENTEL CHILE S.A.	100.00%
ENTEL INVERSIONES S.A.	0.00%

The Board of Directors is comprised of the following people:

Richard Büchi B.	Chairman of the Board
Position held in Parent company	CEO
Antonio Büchi B.	Director
Position held in Parent company	Chief Executive Fixed Network Business
Felipe Ureta P.	Director
Position held in Parent company	CFO
Alfredo. Parot D.	Director
Position held in Parent company	Commercial Vice President
Julian San Martin A.	Director
Position held in Parent company	Vice President for Corporate Markets

The Chief Executive is Anibal Flores C.

## ENTEL TELEFONÍA PERSONAL S.A.

The Company's goal is to provide cellular radiotelephony services, as well as to distribute and represent equipments and devices and any other business related to telecommunications.

Entel Telefonía Personal was incorporated as a public corporation by public deed on 16 August 1988, in accordance with the laws of the Republic of Chile.

The Company's subscribed and paid-in capital is Th\$ 164,400,846.

Stockholding is as follows:

ENTEL CHILE S.A.	94.64%
ENTEL INVERSIONES S.A.	5.36%

The Board of Directors is comprised of the following people:

Richard Büchi B.	Chairman of the Board
Position held in Parent company	CEO
Juan José Hurtado V. Deputy	Chairman of the Board
Luis Felipe Gazitúa A.	Director
Antonio Büchi B.	Director
Position held in Parent company	Chief Executive Fixed Network Business
Felipe Ureta P.	Director
Position held in Parent company	CFO

The Chief Executive Hernán Marió L.

## ENTEL CALL CENTER S.A.

The Company's goal is to develop, install, operate and exploit various telecommunications platforms, either its own or those belonging to other operators, in Chile or abroad, and in general, to develop any activity or provide services through telecommunications equipment or installations served by operators or automated operations.

Entel Call Center (formerly – Entel Internacional S.A.) was incorporated as a public corporation by public deed on 12 September 1989, in accordance with the laws of the Republic of Chile. Its initial goal was to provide consulting services to develop telecommunications and IT projects. Subsequently, on 29 March 2000, its line of business was modified to its current corporate purpose.

The Company's subscribed and paid-in capital is Th\$ 13,880,513.

Stockholding is as follows:

ENTEL CHILE S.A.	90%
ENTEL INVERSIONES S.A.	10%

The Board of Directors is made up of the following persons:

Antonio Büchi B.	Chairman of the Board
Position held in Parent company	Chief Executive Fixed Network Business
Richard Büchi B.	Director
Position held in Parent company	CEO
Felipe Ureta P.	Director
Position held in Parent company	CFO
Alfredo Parot D.	Director
Position held in Parent company	Commercial Vice President
Victor Muñoz A.	Director
Position held in Parent company	Operations Manager

The Chief Executive is Alvaro García L.



## **ENTEL INTERNACIONAL B.V.I. CORP.**

The Company's goal is to make investments abroad, which are considered strategic for Entel.

It was incorporated as a public corporation on 12 February 1993, in Tórtola, British Virgin Islands.

The Company's subscribed and paid in capital is Th\$ 27,462,167.

Stockholding is as follows:

ENTEL CHILE	100%
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The Board of Directors is comprised of the following people:

Richard Büchi B.	Chairman of the Board
Position held in Parent company	CEO
Felipe Ureta P.	Director
Position held in Parent company	CFO
Antonio Büchi B.	Director
Position held in Parent company	Chief Executive Fixed Network Business

The Chief Executive is Felipe Ureta P.

## **RED DE TRANSACCIONES ELECTRÓNICAS S.A. or TRANSAXION S.A.**

The Company's goal is to provide valued added electronic information transfer services through electronic data interchange (EDI), required to carry out business and accounting transactions via electronic communication applications, email and shared information services (database). Also to produce, import, export and distribute software and other relates services, including technical support, and represent national and foreign suppliers.

Transaxion was incorporated as a public corporation by public deed on 9 June 1993, in accordance with the laws of the Republic of Chile.

Stockholding is as follows:

ENTEL CHILE S.A.	99.99%
ENTEL INVERSIONES S.A.	0.01%

The Company's subscribed and paid-in capital is Th\$ 817,433.

The Board of Directors is comprised of the following people:

Felipe Ureta P.	Chairman of the Board
Position held in Parent company	CFO
Pablo Guerrero R.	Director
Position held in Parent company	Business Market Department Manager
Alvaro Gallego B.	Director
Position held in Parent company	Supply and Administration Manager

The Chief Executive is Pablo Pfingsthorn O.

## AMERICATEL PERÚ S.A.

The Company's goal is to research, develop, implement and operate telecommunications services in Peru.

It was incorporated as a public corporation by public deed on 8 March 1995, in accordance with the laws of the Republic of Peru.

It began operations in December 2000 with international traffic termination services, and in April 2002, it incorporated national and international long-distance carrier services, using dial code 1977.

The Company's subscribed and paid-in capital is US\$ 36,478,436.

Stockholding is as follows:

ENTEL CHILE S.A.	46.57%
ENTEL INVERSIONES S.A.	53.43%

The Board of Directors is comprised of the following people:

Felipe Ureta P.	Chairman of the Board
Position held in Parent company	CFO
Richard Büchi B.	Director
Position held in Parent company	CEO
Antonio Büchi B.	Director
Position held in Parent company	Chief Executive Fixed Network Business
Patricio Olivares D	Director
Position held in Parent company	Network Manager
Alfredo Parot D.	Director
Position held in Parent company	Commercial Vice President

The Chief Executive is Eduardo Bobenrieth G.

## SERVICIOS CALL CENTER DEL PERU S.A.

The Company's goal is to study, develop, execute and operate telecommunications services in Peru, particularly call center services.

It was incorporated as a public corporation by public deed on 10 April 2008, in accordance with the laws of the Republic of Peru.

It began operations in October 2008, providing inbound and outbound calling services to related companies and local clients.

The Company's subscribed and paid-in capital is US\$ 500,357.

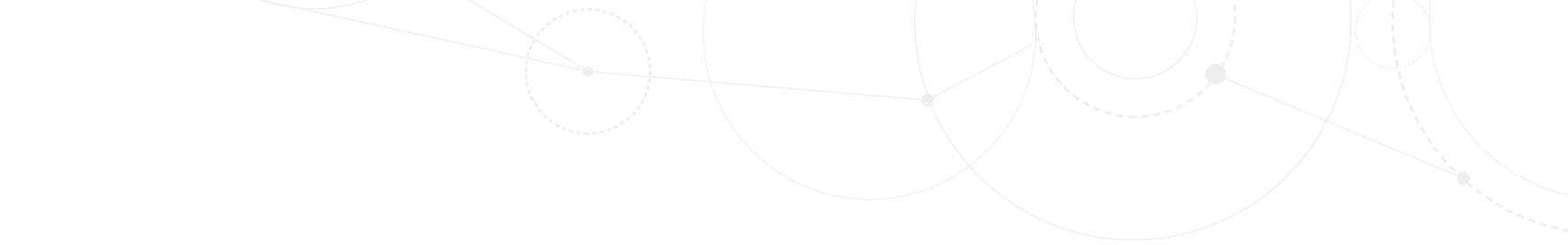
Stockholding is as follows:

ENTEL CALL CENTER S.A.	99.99%
ENTEL INVERSIONES S.A.	0.01%

The Board of Directors is comprised of the following people:

Felipe Ureta P.	Chairman of the Board
Position held in Parent company	CFO
Richard Büchi B.	Director
Position held in Parent company	CEO
Antonio Büchi B.	Director
Position held in Parent company	Chief Executive Fixed Network Business
Alvaro Garcia L.	Director
Position held in Parent company	General Manager ENTEL Call Center S.A.
Alfredo Parot D.	Director
Position held in Parent company	Commercial Vice President

The Chief Executive is Pablo Pfingsthorn O.



## Associated Companies

### **BUENAVENTURA S.A.**

The Company's goal is to acquire and/or lease equipment, services, movable and immovable assets, required to provide infrastructure to third parties, so that the latter may install, operate, exploit and use the equipment necessary to provide mobile telecommunications services, in whatever standard, technical requirements and applications that exist today, or may exist in the future, in the mobile telecommunications industry, without any sort of restriction.

It was incorporated as a public corporation by public deed on 1 October 1990, in accordance with the laws of the Republic of Chile.

Stockholding is as follows:

ENTEL TELEFONÍA PERSONAL S.A.	50%
TELEFÓNICA MÓVILES DE CHILE S.A.	50%

The Board of Directors is comprised of the following people:

Gustavo Marambio L.	Director
Hernán Marió L.	Director
José Luis Poch P.	Director
Juan Vidaurrezaga G.	Director

The Chief Executive is Mario Weiffenbach O.



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