



Anual Report  
Entel 2010



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In a business environment as dynamic as the telecommunications industry, which is subject to rapid changes and high levels of competition, our challenge is not only to adapt to changes but, on many occasions, to drive them.

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# CHAIRMAN'S LETTER

## Dear Stockholders,

On behalf of the Board of Directors of Entel S.A., it is with great pleasure that I present to you the Annual Report for what will most probably mark a significant year in the company's history.

Just as the earthquake of 1960 gave rise to the creation of Entel, the 2010 quake coincided with the dawn of a new era for our company.

The company was formed with the goal of connecting the country by means of a modern and reliable telecommunications system, and today our goal is the same, in spite of all the progress we have achieved and the transformations that we have lived through.

The development of Chile and the quality of life of the people who live there are at the heart of our mission. This is why in 2010, we made progress in the execution of the largest public-private connectivity and communication initiative in 20 years, the Rural Internet Network project: Todo Chile Comunicado, which will provide broadband and mobile telephone access to 1,474 remote communities throughout the country. Around 3 million people stand to benefit directly upon completion of this joint venture in 2012.

The excellence and dedication of more than 650 Entel professionals and technicians has allowed us to see the project advance by 48% in 2010.

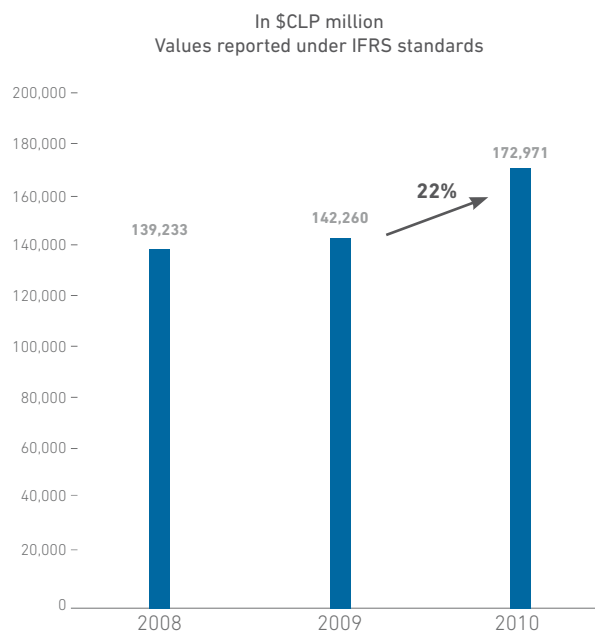
## GROWTH STRATEGY

The expansion of Mobile Broad Band is one of our primary objectives. We firmly believe that mass adoption of this technology will allow us to close the digital gap in Chile and, as such, contribute to the achievements of new levels of wellbeing and competitiveness in the country.

During 2010, we invested US\$ 576 million in telecommunications infrastructure, mobile equipment for post-paid subscribers and resources for the supply of IT services in others.

69% of this amount was used for projects related to our mobile network. In this area, we carried out the first trials in Chile and Latin America of LTE (**Long Term Evolution**) technology, which will give us an advanced position in the introduction of 4G networks to the country to permit speeds which will transform the experience of using the Internet on mobile devices.

## NET INCOME







Similarly, a significant proportion of our investments were dedicated to our wireline business and another of our great challenges: to lead the way towards the convergence of telecommunications and Information Technology.

This trend, driven by new connection platforms and devices, means we are able to serve our most important markets, offering services with integrated value.

One example of this is the nine-year contract signed with Banco de Chile, which will see us take responsibility for the key IT and telecommunications processes of their operations in order to guarantee business continuity and support the development of new services for its customers.

This means that in 2010, we were able to make our vision of being an integrated provider for large corporations into a reality, an achievement to which the commissioning of our sixth Data Center in Ciudad de Los Valles, Pudahuel, made a significant contribution. In May, we opened the first phase of this world class data center, designed to allow modular growth in line with increased demand from our customers, until reaching 4 buildings with a total floor space of 8,000 m<sup>2</sup>.

#### STRONG COMPANY REPUTATION

One of the most important assets which allow us to grow and continue leading in this new environment is our brand.

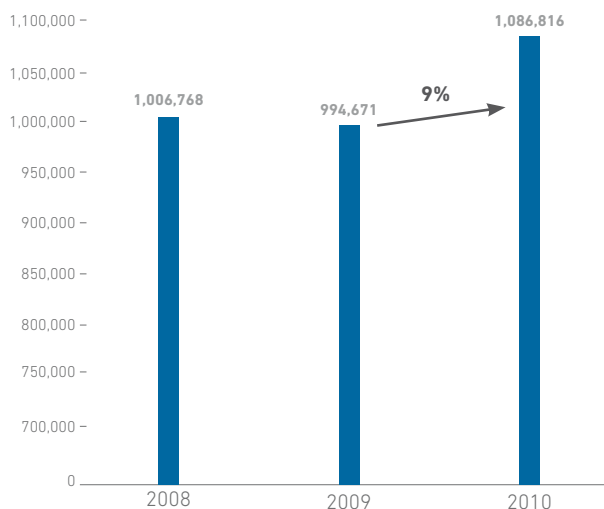
In 2010, Entel was ranked highly amongst the most innovative, respected and socially responsible companies in Chile and achieved first place in the National Customer Satisfaction Index for the mobile phone category.

Such distinctions confirm the validity of our strategy, which is centered on the needs of our customers and supported by the pillars of innovation and high service quality.

In a business environment as dynamic as the telecommunications industry, which is subject to rapid changes and high levels of competition, our challenge is not only to

## CONSOLIDATED REVENUE

In \$CLP million  
Values reported under IFRS standards



**“OUR GOAL IS TO CREATE, SYSTEMATICALLY AND END-TO-END, CONVERGENCE WHICH ALLOWS INDIVIDUALS AND COMPANIES TO MAKE THEIR COMMUNICATIONS MORE EFFECTIVE, AND PROVIDE THEM WITH INFORMATION TECHNOLOGY SOLUTIONS WHICH INCREASE THEIR PRODUCTIVITY”**

adapt to changes but, on many occasions, to drive them.

We have made progress, for example, in the supply of standardized products for businesses of all sizes, introducing and strongly promoting the concept of **Cloud Computing** in Chile, virtual platform systems which allow our customers to obtain and share information, and work on a wide range of applications without the requirement for the presence of computers and physical servers at their own facilities.

### SYSTEMATIC INNOVATION

Today our biggest challenge is in creating communications services for the businesses of the future. Our goal is to create, systematically and end-to-end, convergence which allows individuals and companies to make their communications more effective, and provide them with Information Technology solutions which increase their productivity. At the same time, we have set out to create an attractive range of services which increase infrastructure profitability, and create the "office of the future" through open innovation, with the participation of our technological partners and, most importantly, our customers.

At Entel, we consider innovation to be an end-to-end pro-

cess present throughout the company.

An extremely important element of our system for generating valuable solutions for our customers is the Entel Innovation Center which was opened in October. Located on the 8th floor of the Titanium building it has all the resources required to support the "innovation factory" we have designed.

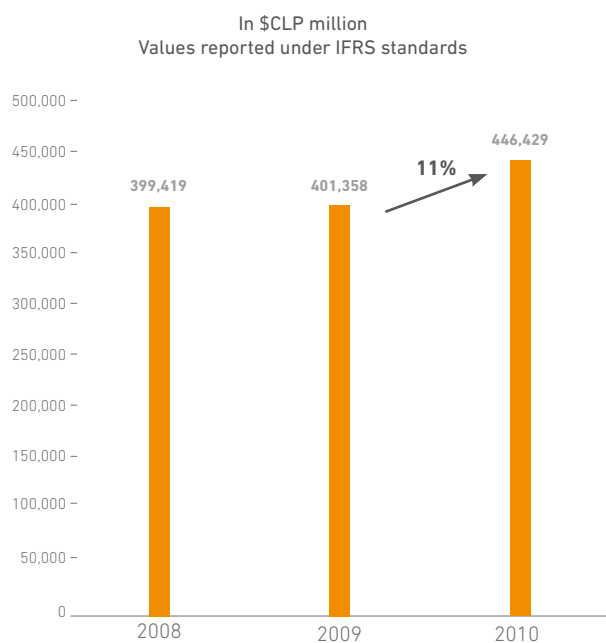
### NEW PROFIT RECORD

Growth largely associated with all areas of the business allowed us to obtain net incomes of CLP\$ 172,971 million in 2010, an increase of 22% over the consolidated profits for 2009.

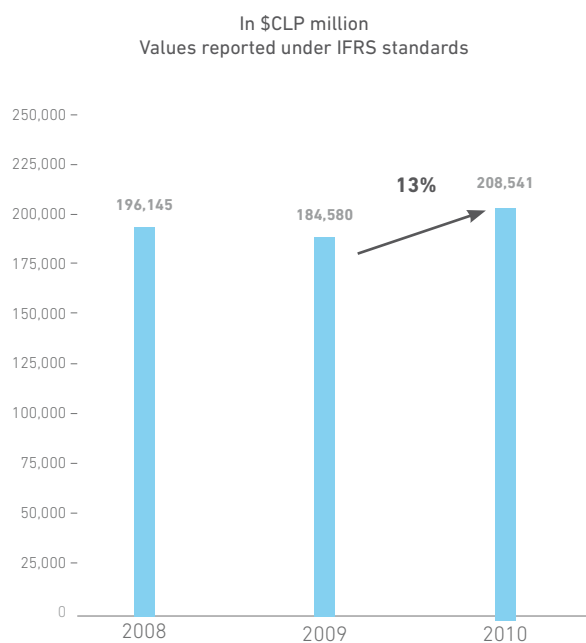
Thanks to the excellent management of the business, following a 2009 which was affected by the global recession, we succeeded in capturing a large part of the growth generated as a result of a more dynamic economy, something which translated into an increase in revenue of 9% to a total of CLP\$ 1,087 billion.

EBITDA totaled CLP\$ 446 billion, an 11% increase on the previous year, largely attributable to performance improvements in the mobile and wireline businesses. There was also growth in the Consolidated Operating

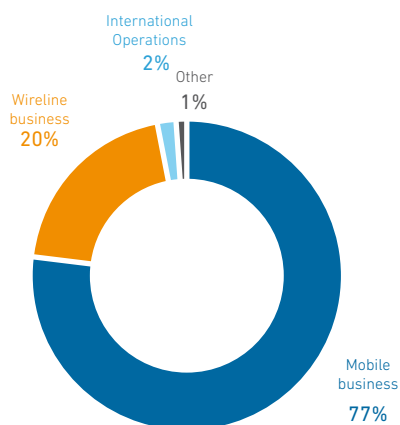
### EBITDA



### CONSOLIDATED OPERATING INCOME



## REVENUE DISTRIBUTION CONSOLIDATED BY BUSINESS



77% OF SALES WERE GENERATED BY THE MOBILE BUSINESS.

**“GROWTH LARGELY ASSOCIATED WITH ALL BUSINESS AREAS ALLOWED US TO OBTAIN NET INCOME OF CLP\$ 172,971 MILLION IN 2010, AN INCREASE OF 22% OVER THE CONSOLIDATED PROFITS FOR 2009”**

Income, increasing by 13% for the year, reaching CLP\$ 208 billion in 2010.

### GROWTH IN HIGH VALUE SEGMENTS

The number of mobile customers increased 17% in 2010 reaching a total of 7,568,399, equivalent to 37% of the industry's active customer base. Among this growth, the area which experienced the most significant rise was postpaid and Mobile Broad Band customers, which served to consolidate our leadership in a segment of high value customers.

The postpaid segment (including Mobile Broadband) now represents 34% of our customers.

Among high value segments, the important growth in Mobile Broad Band subscribers should be noticed, with the number of customers increasing 122% over 2009 levels totaling 550,879. The company has reinforced its leadership in this market, which has become a key priority in its business strategy.

Parallel to this, the company continued to strengthen its range of Value Added Services, with the launch of services such as Cuenta Móvil, Canal de Fútbol, Nokia Messaging and access to a range of Blackberry applications. By offering unlimited Internet plans, the company has made them more attractive and doubled levels of use for these services.

In the enterprise market, one important milestone in 2010 was the introduction of a convergent fixed-mobile service for large corporations, which achieved highly positive results.

In Peru, our subsidiaries Americatel and Entel Call Center continued to pursue our strategic objective, making strong progress in the provision of integrated services and specialized technical support for enterprise customers.

### FINANCING

Almost all Entel's activities were financed with internal cash flow, making occasional use of overdraft facilities and commercial bills placed on the local market. The company currently has a series of commercial bills for UF 1,413,000 (UF – Chilean National Currency Index) which have been drawn and paid in 4 series, each with a value of CLP\$ 10,000 million. These instruments, with high levels of market demand, have favored financing conditions.

The company's net debt totaled CLP\$ 283 billion, with its excellent financial solvency indicators remaining unaltered. As such, its risk ratings from the international agencies Standard & Poor's and Moody's were BBB+ and BAA1, respectively.

#### NEW ACQUISITIONS

In 2010, Entel completed the purchase of the companies Transam and Will, companies which own licenses and rights regulated by the General Telecommunications Act. Transam provides intermediary telecommunications services and is a long distance operator with national spectrum licenses on the 900 MHz band, equivalent to 21.6 MHz. Will, on the other hand, provides local wireless telephony and data transmission services.

The inclusion of these companies contributes to our strategy of driving Broadband and the growth of communications services, largely in the retail segment.

#### TOWARDS A NEW ENTEL

In order to reinforce our market position and successfully confront all the challenges I have mentioned in the new global context of fixed-mobile convergence, in 2010, we began the process of redesigning our management structure. Changes will be made in line with the focus of our business, and as such, the Company will now be organized by customer segments, namely Retail, SM Businesses and Corporations, and not by technologies (wireline or mobile) as at present.

This restructuring operation implies that from March 1, 2011, our Corporate Chief Executive Officer, Richard Büchi, will become Executive vice-president of the Entel Group. On the same date, Antonio Büchi will assume the post of CEO of both the wireline (Entel S.A.) and mobile (Entel PCS) businesses.

Over the coming months, Entel PCS and Entel S.A. will continue operating as they have up to the present day as the details of the operation of the new structure are finalized. Upon completion of this task, we will gradually move toward integrating operations.

This new organization will be backed by the acquisition of a new corporate office in the Parque Titanium sector, built on the site of the former Santa Rosa sports fields in Las Condes. The commercial, administrative and high-level management functions of the Entel Group will be

centralized in this building, contributing to more efficient management, allowing a reduction in costs and facilitating synergy within the company.

As you can see, once again Entel is transforming. Assuming change is key when our mission is to allow our customers to "be the first to live the future".

This task requires personnel who are trained, committed and act under a clearly defined ethical framework. At Entel we have 6,648 employees whose professionalism and dedication are the basis of our success.

Alongside this report, we will also publish our third Biannual Sustainability Report, prepared in line with international standards in order to provide a balanced and full picture of our economic, social and environmental performance for the years 2009 and 2010.



**Juan José Hurtado Vicuña**  
Chairman of the Board





# *Company Identification*

# COMPANY IDENTIFICATION

## BASIC IDENTIFICATION

**Company Name**

Empresa Nacional de Telecomunicaciones S.A

**Trading Name**

Entel Chile S.A.

**Registered Address**

Santiago, Chile

**Tax ID Number**

92.580.000-7

**Type of Entity**

Public Joint Stock Company, registered as number 0162 with the Chilean Securities and Insurance Supervisor and governed by the norms of Act 18,046 and its regulations.

## ADDRESSES

**Postal address**

Casilla 4254-Santiago

**Telephone**

+56 2 360 0123

**Fax**

+56 2 360 3424

**General Management**

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

**Administration and Finance Management**

Avenida Andrés Bello 2687, 14th floor, Las Condes, Santiago de Chile.

**Investor Relations:**

Carmen Luz De La Cerda Castro  
Investor Relations Officer  
cdelacerda@entel.cl

**Filing Office**

Avenida Andrés Bello 2687, 9th floor, Las Condes, Santiago de Chile

**Website**

www.entel.cl

## PRINCIPAL ARTICLES OF INCORPORATION

Entel Chile S.A. was incorporated as a joint stock company by public deed notarized before the Santiago Notary Jaime García Palazuelos, dated August 31, 1964. The company and its articles of incorporation were approved by Supreme Decree No. 5,487, issued by the Ministry of Finance on December 30, 1964.

The relevant extract is recorded on page 381 No 191 and the aforementioned decree on page 384 No 192 of the Santiago Trade Register, dated January 18, 1965, and were published in the Official Newspaper on January 20, 1965. The company was declared as legally established by means of Supreme Decree No. 1,088 issued by the Ministry of Finance and dated April 4, 1966. Following this date, the Company Statutes have undergone a range of modifications in order to comply with Executive Or-

der 3,500, 1980, in terms of the number and nationality of directors, the existence of alternate directors, capital increases, and extensions of the company's areas of business.

## COMPANY OWNERSHIP

As of December 31, 2010, the capital stock of Empresa Nacional de Telecomunicaciones S.A. was distributed in 236,523,695 shares of a single series, fully subscribed and paid in by its 2,250 stockholders

The list of the 12 largest stockholders of Entel S.A., together with the number of shares held by each and the percentage of their stock is detailed in the following table:

NAME OR COMPANY NAME	STOCK AS OF 12.31.2010	% STOCK
Inversiones Altel Ltda.	129,530,284	54.76%
Banco de Chile (On behalf of third parties) CA	13,406,422	5.67%
AFP Capital S.A.	13,275,590	5.61%
AFP Habitat S.A.	12,741,817	5.39%
AFP Cuprum S.A.	11,663,811	4.93%
AFP Provida S.A.	11,653,992	4.93%
Banco Itaú (on behalf of investors)	7,312,501	3.09%
Banco Santander (on behalf of foreign investors)	4,090,387	1.73%
Banchile Corredores de Bolsa S.A.	3,870,512	1.64%
Celfin Capital S.A. Corredores de Bolsa	2,765,105	1.17%
Larraín Vial S.A. Corredora de Bolsa	2,271,375	0.96%
Penta Corredores de Bolsa S.A.	1,616,682	0.68%
Other	22,325,217	9.44%
<b>TOTAL</b>	<b>236,523,695</b>	<b>100%</b>



In compliance with General Regulation No. 30, it is reported that the only controlling company remains Inversiones Altel Ltda., Tax ID No. 76.242.520-3 owns 129,530,284 shares representing 54.7642% ownership of Entel. Inversiones Altel Ltda. is owned by the companies Almendral Telecomunicaciones S.A., Tax ID No:

99.586.130-5, (99,99% of ownership) and Almendral S.A., Tax ID No: 94.270.000-8, (0,01% ownership).

The individuals and legal entities which directly and indirectly form part of the Controlling Group are as follows:

TAX ID NO.	STOCKHOLDER	QUANTITY OF SHARES	% STOCK
96.969.110-8	Forestal Cañada S.A.	561,429,758	4.15%
96.895.660-4	Inversiones El Rauli S.A.	703,849,544	5.20%
96.878.530-3	Inversiones Nilo S.A. (*)	926,012,160	6.84%
96.656.410-5	Bice Vida Compañía de Seguros	16,424,086	0.12%
94.645.000-6	Inmobiliaria Ñagué S.A.	358,008,491	2.64%
90.412.000-6	Minera Valparaíso S.A.	281,889,680	2.08%
81.358.600-2	Cominco S.A.	154,795,552	1.14%
81.280.300-K	Viecal S.A.	95,058,166	0.70%
79.770.820-9	Forestal y Pesquera Copahue S.A.	454,057,900	3.35%
79.621.850-9	Forestal Cominco S.A.	78,666,592	0.58%
77.320.330-K	Inversiones Coillanca Limitada	50,500,000	0.37%
96.791.310-3	Inmobiliaria Teatinos S. A.	215,905,538	1.59%
96.800.810-2	Inmobiliaria Canigue S. A.	287,874,051	2.13%
96.878.540-0	Inversiones Orinoco S. A.	143,937,025	1.06%
4.333.299-6	Patricia Matte Larrain	4,842,182	0.05%
4.436.502-2	Eliodoro Matte Larraín (*)	3,696,822	0.03%
6.598.728-7	Bernardo Matte Larraín (*)	3,696,695	0.03%
<b>GRUPO MATTE (17)</b>		<b>4,340,644,242</b>	<b>32.07%</b>
77.677.870-2	Inversiones Los Andes Dos Limitada	312,672,052	2.31%
77.302.620-3	Inversiones Teval S.A.	1,290,595,292	9.53%
<b>GRUPO FERNÁNDEZ LEÓN (2)</b>		<b>1,603,267,344</b>	<b>11.84%</b>
96.950.580-0	Inversiones Huidad S.A.	1,129,980,943	8.35%
96.502.590-1	Inversiones Metropolitana Ltda.	49,000,000	0.36%
89.979.600-4	Inversiones Paso Nevado Ltda.	262,000,000	1.94%
<b>GRUPO HURTADO VICUÑA (3)</b>		<b>1,440,980,943</b>	<b>10.64%</b>
99.012.000-5	Cía. De Seguros de Vida Consorcio	405,540,420	3.00%
79.619.200-3	Consorcio Financiero S.A. (*)	894,655,313	6.61%
<b>GRUPO CONSORCIO (2)</b>		<b>1,300,195,733</b>	<b>9.60%</b>

(\*) With stock held by stockbrokers.

Does not include stock listed as financial investments.

TAX ID NO.	STOCKHOLDER	QUANTITY OF SHARES	(%) % STOCK
96.927.570-8	Los Peumos S.A.	264,803,356	1.96%
79.937.930-9	Inmobiliaria Santoña Ltda	105,809,865	0.78%
85.127.400-6	Inmobiliaria Escorial Ltda.	347,973,232	2.57%
79.942.850-4	Inversiones El Manzano Ltda.	79,280,486	0.59%
79.933.390-2	Andacollo de Inversiones Ltda.	38,996,296	0.29%
96.928.240-2	Santo Domingo de Inversiones S. A.	3,079,761	0.02%
79.937.090-8	Andromeda Inversiones Ltda.	99,292,436	0.73%
78.136.230-1	Santa Rosario de Inversiones Ltda.	63,260,509	0.47%
77.740.800-3	Inversiones La Estancia Ltda.	30,805,638	0.23%
77.174.230-0	Inversiones Los Ciervos Ltda.	5,936,539	0.04%
4.431.346-4	Valdés Covarrubias María Teresa	2,471,777	0.02%
96.962.800-7	Inmobiliaria Estoril II S.A.	93,631	0.001%
79.934.710-5	Comercial Marchigue S.A. (*)	42,090,874	0.31%
76.072.896-9	San Bonifacio S. A.	3,079,761	0.02%
76.072.917-5	Inversiones El Manzano II S. A.	3,079,761	0.02%
76.072.983-3	Andaluza de Inversiones II S. A.	3,079,761	0.02%
76.072.985-K	Inversiones La Estancia II S. A.	3,079,761	0.02%
76.073.008-4	La Esperanza S. A.	3,079,761	0.02%
96.932.040-1	Los Boldos	3,124,495	0.02%
79.966.130-6	Inmobiliaria e Inversiones Santa Sofia Ltda.	3,079,761	0.02%
79.757.850-9	Asturiana de Inversiones Ltda.	3,079,761	0.02%
77.863.390-6	Cerro Colorado de Inversiones Ltda.	3,079,761	0.02%
17.456.060-9	Vicente Izquierdo Tobaoda	32,300	0.0002%
<b>GRUPO IZQUIERDO MENÉNDEZ (23)</b>		<b>1,111,689,283</b>	<b>8.21%</b>
96.949.800-6	Inversiones Green Limitada	371,005,336	2.74%
96.949.780-8	Las Bardenas Chile S.A.	371,005,336	2.74%
<b>GRUPO GIANOLI (2)</b>		<b>742,010,672</b>	<b>5.48%</b>
<b>TOTAL CONTROLLING GROUP (49)</b>		<b>10,538,788,217</b>	<b>77.85%</b>

(\*) With stock held by stockbrokers.  
Does not include stock listed as financial investments.

One January 24, 2005, the Board of Directors of Almendral S.A. took control of the Company through a group of stockholders who formed an Agreement of Joint Interest

with respect to the Company, and control passed to the Controller of Almendral S.A. each one of these being a Member of the Controlling Group.

The individuals forming part of the controlling group are as follows:

#### GRUPO MATTE

Patricia Matte Larraín (Tax ID No: 4.333.299-6), Eliodoro Matte Larraín (Tax ID No: 4.436.502-2) and Bernardo Matte Larraín (Tax ID No: 6.598.728-7), who control, directly and indirectly, and in equal proportions, the companies through which Grupo Matte acts as a Controlling Member of Almendral S.A.

#### GRUPO FERNÁNDEZ LEÓN

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

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

- **Grupo Fernández León**, composed of Eduardo Fernández León (Tax ID No: 3.931.817-2), Valeria Mac Auliffe Granello (Tax ID No: 4.222.315-8), Eduardo Fernández Mac Auliffe (Tax ID No: 7.010.379-6) and Tomás Fernández Mac Auliffe (Tax ID No: 7.010.380-K) with 4.735%, 3.615%, 20.78% and 20.87% indirect shares of the capital stock, respectively.

- **Grupo Garcés Silva**, composed of José Antonio Garcés Silva, Tax ID No: 3.984.154-1, María Teresa Silva Silva, Tax ID No: 3.717.514-5, María Paz Garcés Silva, Tax ID No: 7.032.689-2, María Teresa Garcés Silva, Tax ID No: 7.032.690-6, José Antonio Garcés Silva, Tax ID No: 8.745.864-4, Matías Alberto Garcés Silva, Tax ID No: 10.825.983-3 and Andrés Sergio Garcés Silva, Tax ID No: 10.828.517-6, with 1.69%, 0.31%, 9.6%, 9.6%, 9.6%, 9.6% and 9.6% of indirect shares of the capital stock, respectively.

#### GRUPO HURTADO VICUÑA

José Ignacio Hurtado Vicuña, Tax ID No: 4.556.173-9, María Mercedes Hurtado Vicuña, Tax ID No: 4.332.503-5, María Victoria Hurtado Vicuña, Tax ID No: 4.332.502-7, Juan José Hurtado Vicuña, Tax ID No: 5.715.251-6, José Nicolás Hurtado Vicuña, Tax ID No: 4.773.781-8 and Pedro José Hurtado

Vicuña, Tax ID No: 6.375.828-0 who control, directly and indirectly, and in equal proportions, the companies through which Grupo Hurtado Vicuña acts as Member of the Controlling Group of Almendral S.A.

#### GRUPO CONSORCIO

**a) Consorcio Financiero S.A.**, whose final controllers are:

- **P&S S.A.**, with a share of 47.7% of the capital stock. Additionally, P&S S.A. is controlled, in equal parts, directly and indirectly, with share of 82% of the capital stock, by José Ignacio Hurtado Vicuña, Tax ID No: 4.556.173-9, María Mercedes Hurtado Vicuña (Tax ID No: 4.332.503-5), María Victoria Hurtado Vicuña (Tax ID No: 4.332.502-7), Juan José Hurtado Vicuña (Tax ID No: 5.715.251-6), José Nicolás Hurtado Vicuña (Tax ID No: 4.773.781-8) and Pedro José Hurtado Vicuña, (Tax ID No: 6.375.828-0).

- **Banvida S.A.**, with a share of 47.7% of the capital stock. Additionally, Inversiones Teval S.A. is the controller of Banvida S.A. with an 80.3% share of capital stock.

**b) Compañía de Seguros de Vida Consorcio Nacional de Seguros S.A.**, whose final controlling group is the same as that of Consorcio Financiero S.A., through which they hold 99.825976% of the capital stock.

#### GRUPO IZQUIERDO

**a) Los Peumos S.A.**, whose controlling group is made up of Santiago Izquierdo Menéndez, Tax ID No: 5.742.959-3 and Bárbara Larraín Riesco, Tax ID No: 6.448.657-8 with 97.04% and 2.96% direct and indirect shares of the capital stock, respectively.

**b) Inmobiliaria Santoña Ltda.**, whose controlling group is made up of Vicente Izquierdo Menéndez, Tax ID No: 5.741.891-5 and María Virginia Taboada Bittner, Tax ID No: 6.834.545-6 with a 93.02% and 6.98% direct share in the capital stock, respectively.

**c) Inmobiliaria Escorial Ltda.**, whose final controlling group is made up of Fernando Izquierdo Menéndez, Tax ID No: 3.567.488-8 and Ida Ester Etchebarne Jaime, Tax ID No: 5.418.932-K with a 59.7640% and 39.2460% share of the capital stock, respectively.

**d) Inversiones El Manzano Ltda.**, whose controlling group is made up of Diego Izquierdo Menéndez, Tax

ID No: 3.932.428-8 and María Isabel Reyes, Tax ID No: 5.748.650-3 with a 99% and 1% share in the capital stock, respectively.

**e) Andacollo de Inversiones Ltda.**, whose controlling group is made up of Gonzalo Izquierdo Menéndez, Tax ID No: 3.567.484-5 and Luz María Irrarázaval Videla, Tax ID No: 5.310.548-3 with 99.99% and 0.01% direct shares in the capital stock, respectively.

**f) Santo Domingo de Inversiones S.A.**, whose final controllers are Rosario Izquierdo Menéndez, Tax ID No: 5.548.438-4 and Santiago Izquierdo Menéndez, Tax ID No: 5.742.959-3 with a 99.79% and 0.21% direct share of capital stock, respectively.

**g) Andrómeda Inversiones Ltda.**, whose final controller is Roberto Izquierdo Menéndez, Tax ID No: 3.932.425-3 with 86.9720%, María Teresa Valdés Covarrubias, Tax ID No: 4.431.346-4 with 0.3920%, Roberto Izquierdo Valdés, Tax ID No: 9.099.538-3 with 2.1060%, Francisco Rodrigo Izquierdo Valdés, Tax ID No: 9.099.540-5 with 2.1060%, Luis Eduardo Izquierdo Valdés, Tax ID No: 9.099.537-5 with 2.1060%, José Manuel Izquierdo Valdés, Tax ID No: 9.968.191-8 with 2.1060%, María Teresa Izquierdo Valdés, Tax ID No: 9.099.215-5 with 2.1060%, María Josefina Izquierdo Valdés, Tax ID No: 9.099.218-K with 2.1060% of the capital stock.

**h) Santa Rosario de Inversiones Ltda.**, whose final controllers are Rosario Izquierdo Menéndez, Tax ID No: 5.548.438-4 and Santiago Izquierdo Menéndez, Tax ID No: 5.742.959-3 with a 99.79% and 0.21% direct share of capital stock, respectively.

**i) Inversiones La Estancia Ltda.**, whose controller is María del Carmen Izquierdo Menéndez, Tax ID No: 5.548.409-0 with a 99.99% of the capital stock.

**j) Inversiones Los Ciervos Ltda.**, whose final controller is Diego Izquierdo Menéndez, Tax ID No: 3.932.428-8, with 99%, and Doña María Isabel Reyes, Tax ID No: 5.748.650-3 with a 1% of the capital stock.

**k) Inmobiliaria Estoril II S.A.**, controlled 100% by Inmobiliaria Estoril I S.A. and whose final controlling group is the Izquierdo Menéndez family who hold the capital stock in equal proportions: Matías Izquierdo Menéndez, Tax ID No: 3.674.298-7, Vicente Izquierdo Menéndez, Tax ID No: 5.741.891-5, Santiago Izquierdo Menéndez, Tax ID No: 5.742.959-3, Roberto Izquierdo Menéndez, Tax ID No: 3.932.425-3, Gonzalo Izquierdo Menéndez, Tax ID No: 3.567.484-5, Fernando Izquierdo Menéndez,

Tax ID No: 3.567.488-8, Diego Izquierdo Menéndez, Tax ID No: 3.932.428-8, Rosario Izquierdo Menéndez, Tax ID No: 5.548.438-4, Gracia Izquierdo Menéndez, Tax ID No: 5.742.317-K, Alejandra Izquierdo Menéndez, Tax ID No: 5.020.827-3, Carmen Izquierdo Menéndez, Tax ID No: 5.548.409-0.

**l) Comercial Marchigue S.A.**, whose final controllers are Fernando Izquierdo Menéndez, Tax ID No: 3.567.488-8 and Ida Ester Etchebarne Jaime, Tax ID No: 5.418.932-K with a 82.7526% and 8.9094% share of capital stock, respectively.

**m) Los Boldos S.A.**, whose final controllers are Rosario Izquierdo Menéndez, Tax ID No: 5.548.438-4 and Santiago Izquierdo Menéndez, Tax ID No: 5.742.959-3 with a 99.77% and 0.23% direct and indirect share of company stock, respectively.

**n) San Bonifacio S. A.**, whose final controller is Roberto Izquierdo Menéndez, Tax ID No: 3.932.425-3 with 86.9720%, María Teresa Valdés Covarrubias, Tax ID No: 4.431.346-4 with 0.3920%, Roberto Izquierdo Valdés, Tax ID No: 9.099.538-3 with 2.1060%, Francisco Rodrigo Izquierdo Valdés, Tax ID No: 9.099.540-5 with 2.1060%, Luis Eduardo Izquierdo Valdés, Tax ID No: 9.099.537-5 with 2.1060%, José Manuel Izquierdo Valdés, Tax ID No: 9.968.191-8 with 2.1060%, María Teresa Izquierdo Valdés, Tax ID No: 9.099.215-5 with 2.1060%, María Josefina Izquierdo Valdés, Tax ID No: 9.099.218-K with 2.1060% of the capital stock.

**o) Inversiones El Manzano II Ltda.**, whose final controllers are Diego Izquierdo Menéndez, Tax ID No: 3.932.428-8 and María Isabel Reyes, Tax ID No: 5.748.650-3 with a 99% and 1% share in the capital stock, respectively.

**p) Andaluza de Inversiones II S. A.**, whose final controller is María Alejandra Izquierdo Menéndez, Tax ID No: 5.020.827-3 with 99.99% of the capital stock.

**q) Inversiones La Estancia II S. A.**, whose final controller is María del Carmen Izquierdo Menéndez, Tax ID No: 5.548.409-0 with a 99.99% of the capital stock.

**r) La Esperanza S. A.**, whose final controller is Gracia Inés Izquierdo Menéndez, Tax ID No: 5.742.317-K with 99.99% of capital stock.

**s) Inmobiliaria e Inversiones Santa Sofia Ltda.**, whose final controller is Matías Izquierdo Menéndez, Tax ID No: 3.674.298-4 with 99.91% of the capital stock.

**t) Asturiana de inversiones Ltda.**, whose final controllers are Santiago Izquierdo Menéndez, Tax ID No: 5.742.959-3 and Bárbara Larraín Riesco, Tax ID No: 6.448.657-8 with 97.04% and 2.96% direct and indirect shares of the capital stock, respectively.

**u) Cerro Colorado de Inversiones Ltda.**, whose final controllers are Gonzalo Izquierdo Menéndez, Tax ID No: 3.567.484-5 and Luz María Irrázaval Videla, Tax ID No: 5.310.548-3 with 99.50% and 0.50% direct shares of the capital stock, respectively.

#### GRUPO GIANOLI

**a) Inversiones Green Ltda.**, whose final controller is Elina Patricia Gianoli Gainza, Tax ID No: 2.942.054-8 with 100% of the capital stock.

**b) Las Bardenas Chile S.A.**, whose final controller is Sergio Pedro Gianoli Gainza, Tax ID No Rep. of Uruguay 1.088.599-5 with 100% of company stock.

## MANAGEMENT OF THE COMPANY

The company is managed by a Board of Directors composed 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 for the chief officer of a commercial organization plus any others legally conferred by the Board.

### BOARD OF DIRECTORS

At the Ordinary Shareholders' Meeting held on April 29, 2010, the following were named as members of the Board of Directors for the 2010–2011 financial year:

- Juan José Hurtado Vicuña
- Luis Felipe Gazitúa Achondo
- Juan Bilbao Hormaeche
- Bernardo Matte Larraín
- Juan José Mac-Auliffe Granello
- Juan José Claro González
- Raúl Alcaíno Lihn
- Alejandro Jadresic Marinovic
- Alejandro Pérez Rodríguez

### DIRECTORS COMMITTEE

As established by article 50 bis of Act 18,046 and its subsequent amendments, public joint stock companies are obliged to name a Directors Committee when they have stockholder equity greater than or equal to 1,500,000 UF (UF – Chilean National Currency Index).

In the case of Entel, this body was formed following the Ordinary Stockholders' Meeting, dated April 29, 2010, and is composed of Luis Felipe Gazitúa Achondo, chair of the committee, Alejandro Jadresic Marinovic and Alejandro Pérez Rodríguez.

During 2010, new operating regulations for the Committee of Directors were approved to bring them into line with the modifications contained in Act 20,382.

In 2010, the Directors Committee was not required for the approval of any operational contracts relating to the holding company of Entel S.A, or with any other major stockholder. The Directors Committee also performs a number of other general functions, including: reviewing the balance sheet and financial statements, the external auditor observation report, the proposal of external auditors and risk rating agencies, the review of related operations, and the review of the remuneration policy and compensation packages for managers and top executives.

The Directors Committee did not incur any expenses in 2010.

# BOARD OF DIRECTORS

\_01  
CHAIRMAN

Juan José Hurtado Vicuña





\_02  
VICE-CHAIRMAN

Luis Felipe Gazitúa Achondo



\_03  
DIRECTOR

Juan Bilbao Hormaechte





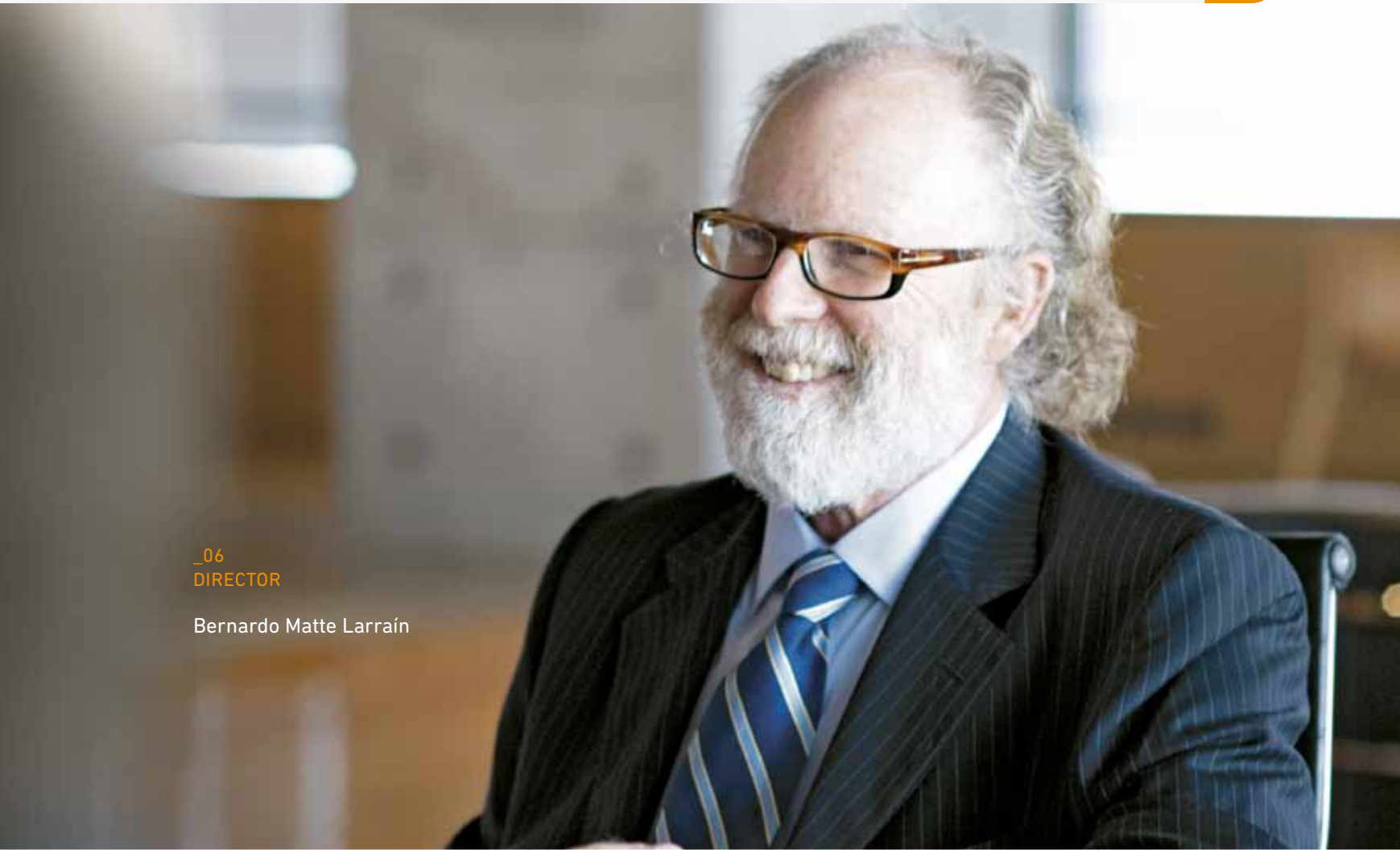
\_04  
DIRECTOR

Juan José Claro González



\_05  
DIRECTOR

Raúl Alcaíno Lihn



\_06  
DIRECTOR

Bernardo Matte Larraín



\_07  
DIRECTOR

Juan José Mac-Auliffe Granello

\_08  
DIRECTOR

Alejandro Pérez Rodríguez



\_09  
DIRECTOR

Alejandro Jadresic Marinovic



# BOARD OF DIRECTORS ENTEL 2010

**\_01**

**CHAIRMAN**

**Juan José Hurtado Vicuña**

*Civil Engineering,  
Universidad de Chile.  
Tax ID No: 5.715.251-6*

**\_02**

**VICE-CHAIRMAN**

**Luis Felipe Gazitúa Achondo**

*Business Administration,  
Universidad de Chile.  
Tax ID No: 6.069.087-1*

**\_03**

**DIRECTOR**

**Juan Bilbao Hormaeche**

*Business Administration,  
Universidad Católica de Chile  
Masters in Business Administration,  
The University of Chicago.  
Tax ID No: 6.348.511-K*

**\_04**

**DIRECTOR**

**Juan Claro González**

*Business, with studies in Civil Engineering  
and Masters in Physics,  
Universidad Católica de Chile.  
Tax ID No: 5.663.828-8*

**\_05**

**DIRECTOR**

**Raúl Alcaíno Lihn**

*Civil Industrial Engineering,  
Universidad de Chile.  
Tax ID No: 6.067.858-8*

**\_06**

**DIRECTOR**

**Bernardo Matte Larrain**

*Business Administration,  
Universidad de Chile.  
Tax ID No: 6.598.728-7*

**\_07**

**DIRECTOR**

**Juan José Mac-Auliffe Granello**

*Business Administration  
Universidad Católica de Chile.  
Tax ID No: 5.543.624-K*

**\_08**

**DIRECTOR**

**Alejandro Pérez Rodríguez**

*Civil Industrial Engineering,  
Universidad de Chile.  
Masters in Economics  
The University of Chicago.  
Tax ID No : 5.169.389-2*

**\_09**

**DIRECTOR**

**Alejandro Jadresic Marinovic**

*Civil Industrial Engineering,  
Universidad de Chile.  
PhD in Economics,  
Harvard University.  
Tax ID No: 7.746.199-K*

# TOP LEVEL EXECUTIVES

## CORPORATE CHIEF EXECUTIVE OFFICER

### Sr. Richard Büchi Buc

*Civil Engineering, Universidad de Chile.  
MBA, Wharton School of Business,  
University of Pennsylvania.  
Tax ID No 6.149.585-1*



## CORPORATE LEVEL

### Felipe Ureta Prieto

*Corporate Finance Executive  
Business Administration  
Universidad Católica de Chile.  
Tax ID No: 7.052.775-8*

### Cristián Maturana Miquel

*Corporate Legal Advisor  
Law, Universidad de Chile.  
C.I.: 6.061.194-7*

### Rafael Le-Bert Montaldo

*Corporate Human Resources  
Executive  
Civil Engineering, Universidad  
de Chile.  
Tax ID No: 6.245.545-4*

### Marlen Velásquez Almonacid

*Corporate Public Relations Advisor  
History, Universidad Católica  
de Chile.  
Masters in Marketing and  
Business Management,  
Escuela Superior de Estudios de  
Marketing de Madrid, Spain.  
Tax ID No: 10.258.794-4  
C.I.: 10.258.794-4*

### Luis Cerón Puelma

*Corporate Auditor  
Accountancy & Auditing,  
Universidad Católica de  
Valparaíso, Chile.  
Tax ID No: 6.271.430-1*

### Rodrigo Solar Reimann

*Corporate Marketing Advisor  
Business Administration,  
Universidad Adolfo Ibáñez, Chile.  
Tax ID No: 10.380.367-5*

## MOBILE BUSINESS

### Hernán Marió Lores

*Chief Executive Officer, Mobile  
Business, Entel PCS  
Business Administration,  
Universidad de Santiago de Chile  
Tax ID No: 7.019.964-5*

### José Luis Poch Piretta

*Marketing and Development  
Executive, Entel PCS  
Business Administration,  
Universidad de Católica de Chile.  
Tax ID No: 7.010.335-4*

### Juan Baraqui Anania

*Administration and Finance Executive,  
Entel PCS  
Business Administration, Universidad  
de Santiago de Chile.  
Tax ID No: 7.629.477-1*

### Luis Uribe Lara

*Technical Operations Executive,  
Entel PCS  
Civil Electrical Engineering,  
Universidad de Chile  
Diploma in Business Administration  
CEDEP-INSEAD, France.  
Tax ID No: 9.794.318-4*

### Mario Núñez Popper

*Sales Executive, Entel PCS  
Civil Industrial Engineering,  
Universidad de Católica de Chile.  
Tax ID No: 8.165.795-5*

### Enzo Lepori Monroy

*Customer Service Executive, Entel PCS  
Civil Industrial Engineering,  
Universidad Federico Santa María,  
Chile.  
Tax ID No: 8.128.080-0*

### Cristián Sepúlveda Tormo

*Legal Executive, Entel PCS  
Law, Universidad de Chile.  
Master of Arts in International  
Commercial Law, University of  
California.  
Tax ID No: 8.821.213-4*

### Catalina García Navarrete

*Human Resources Executive, Entel PCS  
Business Administration, Universidad  
de Santiago de Chile.  
Tax ID No: 8.513.441-8*

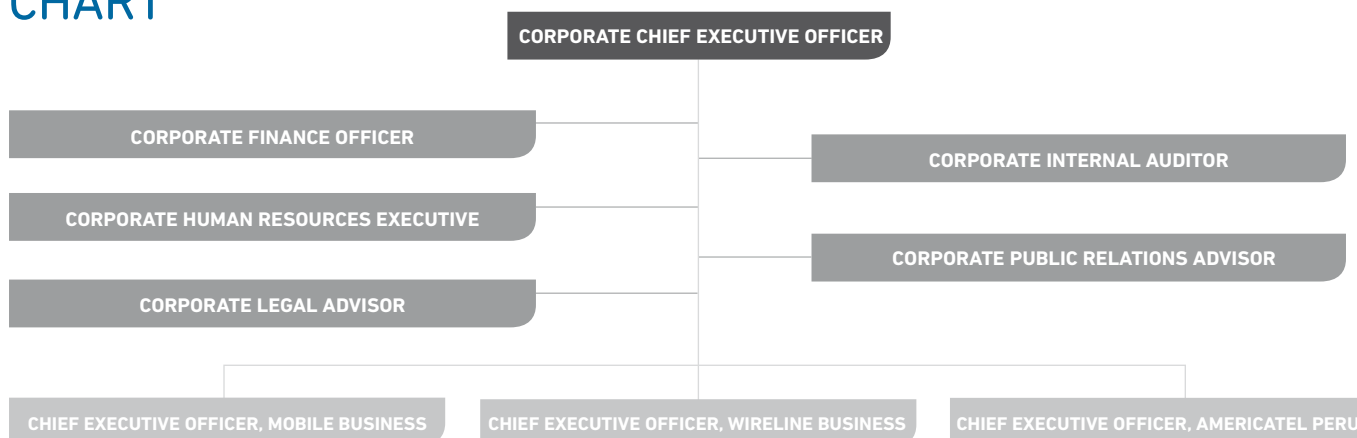
### Guila Bergstein Goldberg

*Internal System Executive, Entel PCS  
Computer Engineering, Universidad  
Técnica Federico Santa María, Chile.  
Tax ID No: 8.596.549-2*

### Manuel Araya Arroyo

*Projects and Regulation Executive, Entel  
Civil Industrial Engineering,  
Universidad Católica de Chile.  
MBA, Universidad Católica de Chile.  
Tax ID No: 10.767.214-1*

# ENTEL STRUCTURE CHART



# WORKFORCE

	ENTEL MATRIZ	MÓVIL	TRANSAM	CALL CENTER	CALL CENTER PERÚ	AMERICATEL PERÚ	TOTAL SUBSIDIARIES	TOTAL
Executives	50	60	4	11	1	7	1	134
Professionals and Technicians	1,550	992	19	130	39	49	210	2,989
Employees	634	845	7	453	1,009	206	372	3,526
<b>TOTAL</b>	<b>2,234</b>	<b>1,897</b>	<b>30</b>	<b>594</b>	<b>1,048</b>	<b>262</b>	<b>583</b>	<b>6,648</b>

## Carlos Gehrung Villalta

*Purchasing, Logistics and Administration Executive, Entel PCS Business Administration, Universidad de Católica de Chile. Tax ID No: 7.409.240-3*

## WIRELINE BUSINESS

### Antonio Büchi Buc

*Chief Executive Officer, Wireline Business, Entel S.A. Civil Engineering, Universidad Católica de Chile. Masters in Economics, The University of Chicago, USA Tax ID No: 9.989.661-2*

### Julián San Martín Arjona

*Vice-president Corporate Market Entel, S.A. Computer Engineering, Universidad de Chile. Civil Industrial Engineering, Universidad de Las Américas, Chile. Tax ID No: 7.005.576-7*

## Alfredo Parot Donoso

*Vice-president, Commercial, Entel S.A. Chief Executive Officer, EntelPhone S.A. Civil Engineering, Universidad Católica de Chile. Tax ID No: 7.003.573-1*

### Álvaro Gallegos Bresler

*Supply and Administration Executive, Entel S.A. Civil Industrial Engineering, Universidad Católica de Chile. MBA Universidad Adolfo Ibáñez, Chile. Tax ID No: 9.167.521-8*

### Víctor Hugo Muñoz Álvarez

*Operations Executive, Entel S.A. Civil Electronics Engineering, Universidad Técnica Federico Santa María, Chile. Tax ID No: 7.479.024-0*

### Patricio Olivares De la Barra

*Networks Executive, Entel S.A. Electronic Engineering, Universidad Católica Valparaíso, Chile. MBA, Universidad Católica de Chile. Tax ID No: 9.578.390-2*

## Hernán Saavedra Walker

*Internal Systems Executive, Entel S.A. Civil Industrial Engineering, Universidad Católica de Chile. Postgraduate at Universidad Católica de Chile, ESAE. Tax ID No: 7.736.518-4*

### Álvaro García Leiva

*Chief Executive Officer, ENTEL CallCenter S.A. Business Administration, Universidad Católica de Chile. Tax ID No: 6.920.404-4*

### Martín Valdés Joannon

*Planning and Development Executive, Entel S.A. Civil Industrial Engineering, Universidad Católica de Chile. MPA/ID, Harvard University. Tax ID No: 12.118.819-8*

### Ricardo Cortés Ballerino

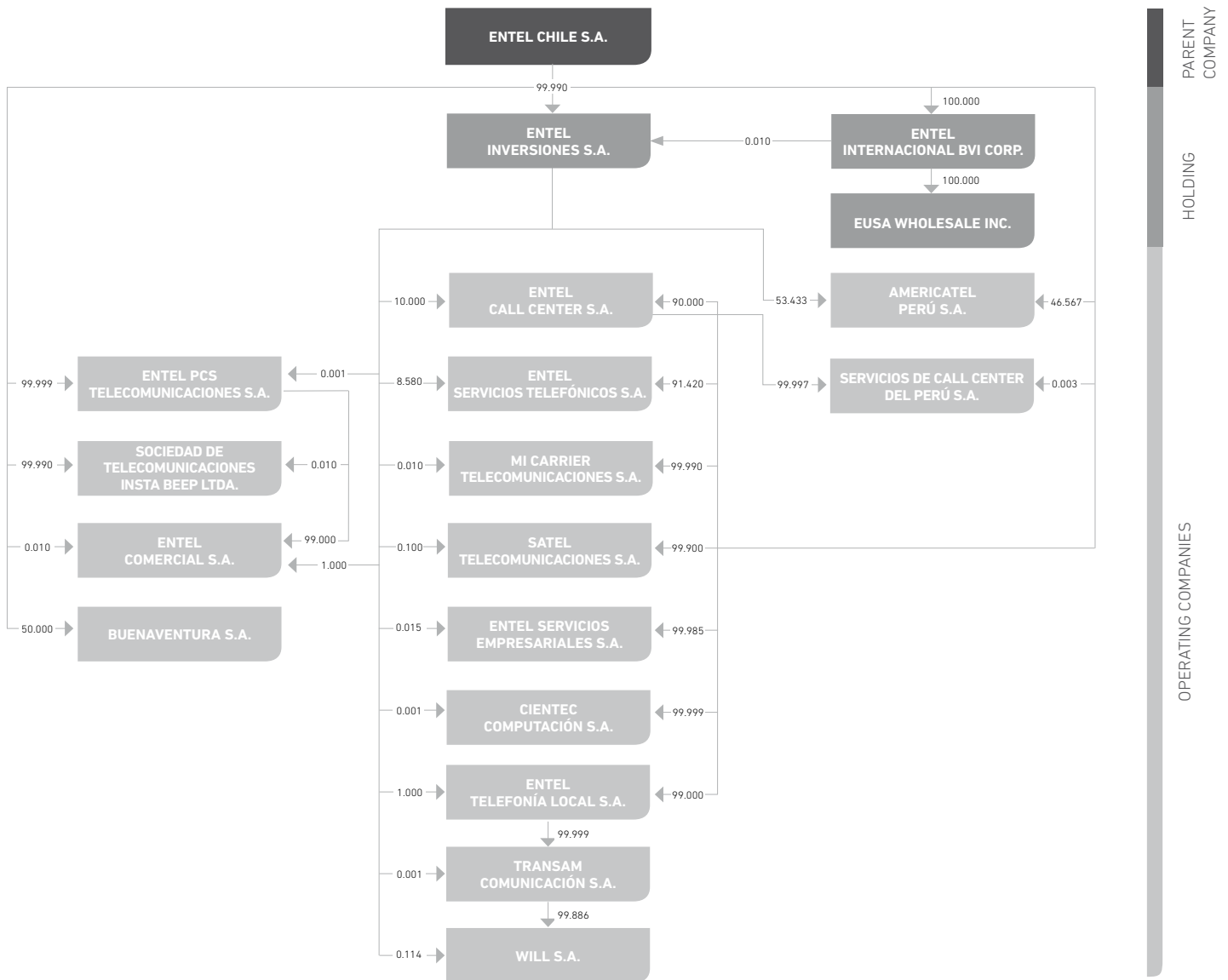
*Services & IT Outsourcing Executive, Entel S.A. Civil Industrial Engineering, Universidad de Santiago de Chile. MBA, Universidad Adolfo Ibáñez, Chile. Tax ID No: 9.291.738-K*

# AMERICATEL PERÚ

## Eduardo Bobenrieth

*Chief Executive Officer, Americatel Perú S.A. Civil Engineering, Universidad de Chile. Executive MBA, London Business School, UK Tax ID No: 5.801.691-8*

# COMPANY STRUCTURE



COMPANIES IN CHILE		COMPANIES ABROAD
MOBILE BUSINESS	WIRELINE BUSINESS AND OTHERS	

# COMPANY HISTORY

*In a history spanning over four decades, Entel has successfully adapted to changes in its markets and has even driven them with the introduction of technologies and new business models.*

The 1960 earthquake, which resulted in serious damage to the inter-urban network in Chile, made clear the requirement for a modern and secure telecommunications system. This resulted in the creation of Empresa Nacional de Telecomunicaciones in 1964, a public entity whose mission included the installation of microwave networks throughout a large part of the national territory. In 1968, Latin America's first satellite station was launched and in 1974, the National Telecommunications Center, known as the Entel Tower, was commissioned in Santiago, operating as the central node of the system.

In 1986, the Chilean Government embarked upon the process of privatizing the company and this was completed in 1992. In 1993, through a series of stock market transactions, Chilquinta (today Almendral), acquired 19.9% of the company's stock. In June 1996, the Entel Stockholders' Meeting authorized an increase in capital which permitted the entry of Stet International Netherlands N.V. (later to be absorbed by Telecom Italia), which by means of a Stockholders' Agreement, shared control with Chilquinta. In March 2001, Telecom Italia purchased the shares owned by Chilquinta and Grupo Matte, in-

creasing its ownership of the Company to 54.76%. The Italian group maintained its stock until March 2005, when Almendral S.A. bought back the stock, which it has retained to the close of 2010.

## TRANSFORMATION

Over the course of 30 years, Entel was the main supplier for long distance telephone services in Chile. In 1994, a reform of the national telecommunications market allowed the entry of new operators and saw the creation of competition as a result of the Multicarrier, system which allowed the customer to choose between long distance operators. This also allowed local telephone operators to offer national and international long distance services through contracts with the operators of these services.

In this new environment, Entel maintained a strong position as a supplier of long distance services and successfully made its entry into other fast-growing markets in the country, such as the mobile telephone market, focusing on the provision of services related to integrated voice, data and Internet solutions with an emphasis on business segments, as well as services associated with Information Technology and leasing infrastructure to other companies.

## INNOVATION

The introduction of new technologies, products and services has been a continuous focus of the company which has resulted in it being considered as one of the country's most innovative. The introduction of the standard GSM technology for mobile telephone services, the Mobile Broadband service, the Blackberry platform and the integration of telecommunications and IT services are just some examples.



# HIGHLIGHTS

1964

## CREATION OF ENTEL

By decree by the Ministry of Finance, Empresa Nacional de Telecomunicaciones, Entel, is established on December 30.

1968

## FIRST SATELLITE STATION

In Longovilo, 100 km to the south of Santiago, Entel installs the first satellite station in Latin America.

1974

## ENTEL TOWER

Opening of the Entel Tower, a 127 m high structure, located in the center of Santiago. The tower operates the National Telecommunications Center, a critical nucleus in the country's communications infrastructure.

1991

## EXPANSION INTO MOBILE TELEPHONY SERVICES

Entel signs the first regional mobile telephone services contract in Chile, connecting the cities of Santiago and Concepción.

1993

## INTERNATIONAL EXPANSION

With the creation of Americatel Corp for the provision of long distance services in the United States, Entel begins its expansion abroad. The following year it takes control of Americatel Centroamerica.

1993

## FRAME RELAY NETWORKS

Entel introduces Frame Relay networks to Chile in order to serve the increasing data requirements of enterprises.

1994

## LAUNCH OF THE MULTICARRIER SYSTEM

With the code 123 within the Multicarrier system, Entel begins to compete with other operators in its original line of business, long distance telephone services.

1994

## INTRODUCTION OF GSM

The company brings GSM (Global System for Mobile Communication) technology to South America, a standard which allows customers to connect to their computer from their telephone and use the same telephone number to communicate in different countries.

1999

## MASS MARKET ADOPTION OF CALLING PARTY PAYS

Launch of the Calling Party pays system, which includes to-the-second metering of calls between mobile telephones, allowing mass adoption of the business through the prepaid modality.

2000

## AUTOMATIC INTERNATIONAL ROAMING

Entel becomes the first local operator to offer automatic international roaming in Europe for its mobile telephony services.

2000

## CREATION OF ENTEL CALL CENTER

Entel creates this subsidiary in response to the growing importance of customer service through remote channels.

2001

## INTRODUCTION OF MOBILE BROADBAND

Entel PCS launches the first Mobile Broadband service in Latin America, with the implementation of the first 1900 MHz GPRS platform, which provides Internet access from mobile handsets.

2001

## INTERNET BROADBAND

EntelPhone obtains WILL license on the 3,500 MHz band for the provision of wireless fixed telephone services, and two licenses with a total capacity of 100 MHz for the provision of broadband for Internet and local telephone access (Entel Will).

2005

## LAUNCH OF BLACKBERRY

Entel PCS becomes the first company to offer BlackBerry technology which provides access to email and web-browsing from a mobile handset.

2006

## LAUNCH OF 3.5 G

Entel is the first Latin American operator to commercially launch a mobile network based on 3.5 G technology.

2006

## SALE OF FOREIGN SUBSIDIARIES

As a result of a strategic refocus, Entel sells the subsidiaries Americatel Corp and Americatel Centroamerica. The following year, it sells its subsidiary in Venezuela.

2007

## MOBILE SERVICES

The company creates a new training center, together with Ericsson and Universidad de Chile, and carries out the first video conference using 3G technology.

2008

## PARTNERSHIP WITH VODAFONE

Completion of strategic partnership with Vodafone, the world's leading mobile telephone operator.

<p>1977</p>	<p>1986</p>	<p>1987</p>	<p>1990</p>
<p><b>COVERAGE IN CONTINENTAL CHILE</b></p> <p>Beginning of the construction of three new satellite stations, completed in 1985.</p>	<p><b>PRIVATIZATION</b></p> <p>Beginning of the process to privatize Entel, completed in 1992.</p>	<p><b>DIGITALIZATION OF NETWORK</b></p> <p>Entel digitizes its long distance national and international network.</p>	<p><b>FIBER OPTICS</b></p> <p>Beginning of the development of a fiber optic network which currently boasts coverage from Arica to Puerto Montt.</p>
<p>1995</p>	<p>1996</p>	<p>1997</p>	<p>1998</p>
<p><b>INTERNET SERVICES</b></p> <p>Entel begins to provide Internet connection services.</p>	<p><b>ENTRY INTO LOCAL TELEPHONY SERVICES SEGMENT</b></p> <p>Through the subsidiary Entel Telefonía Local, the company begins its operations in this business area, after obtaining a license to provide the service in the Metropolitan Region.</p>	<p><b>FIRST ATM NETWORK</b></p> <p>Entel introduces the first commercial network in Latin America with ATM technology, which later evolves to IP Multiservice Network to offer Broadband solutions.</p>	<p><b>ENTEL IN DIGITAL MOBILE TELEPHONE SERVICES</b></p> <p>Entel begins to offer digital mobile telephone services on the 1900MHz spectrum.</p>
<p>2001</p>	<p>2003</p>	<p>2004</p>	<p>2005</p>
<p><b>EXPANSION IN PERU</b></p> <p>Entel creates Americatel Peru to provide long distance and traffic termination services in the country. As part of the international expansion, it also creates a subsidiary in Venezuela.</p>	<p><b>NEW SERVICES</b></p> <p>Entel adds the following to its range of mobile Value Added Services (VAS): MMS (Multimedia Messaging Services), Mobile Office, and Intelligent House (remote monitoring by mobile phone).</p>	<p><b>MOBILE TELEVISION</b></p> <p>The company begins its first Mobile TV service which allows access to video content with news items from Channel 13 by mobile phone.</p>	<p><b>EXPANSION INTO IT BUSINESS</b></p> <p>Entel expands its focus in order to offer IT services.</p>
<p>2008</p>	<p>2009</p>	<p>2009</p>	
<p><b>PURCHASE OF CIENTEC</b></p> <p>In order to reinforce its strategy in the area of IT, Entel purchases 100% of Cientec Computación S.A., which is fully integrated into the company during 2010.</p>	<p><b>DIGITAL CONNECTIVITY</b></p> <p>Entel is awarded with the development of the Digital Infrastructure Project for Competition and Innovation (Telecommunications Development Fund, Chile Comunicado), the most ambitious project the country has seen, which will provide Mobile Internet access to around 1,474 locations and benefit over 3 million people.</p>	<p><b>FIRST COMMERCIAL HSPA+ NETWORK</b></p> <p>With the operation of the first commercial HSPA+ network in Latin America, Entel PCS is able to offer the fastest broadband access on the market.</p>	

# HIGHLIGHTS 2010

## 1st Quarter

### **NEW CORPORATE IMAGE**

On February 22, Entel unveiled its new corporate image, designed to reflect the attributes associated with the brand: innovation, a close relationship with its customers and excellent service.

### **SUCCESSFUL TESTING OF 4G TECHNOLOGY**

In January, Entel PCS and Ericsson carried out trials to demonstrate Internet access using LTE technology on a laptop computer, the first of their kind in Chile and Latin America. This marks an important milestone for Entel in the introduction of 4G technology to Chile, which will transform perceptions of Mobile Broadband and Internet.

## 2nd Quarter

### **ENTEL OPENS CHILE'S LARGEST DATA CENTER**

On May 27, Entel opened the first phase of its Ciudad de Los Valles Data Center, equipped with world class service quality and security standards which guarantee the continuity of our customers' businesses.

This data center brings together all of the company's technological and management capabilities, allowing it to deliver a wide range of excellent IT services and On-demand solutions, such as Software as a Service; Virtual Dedicated Servers; Hosting On-demand; Storage On-demand; Network Services, On-Demand Security and Access.

### **ENTEL SUMMIT BRING THE CREATOR OF TWITTER TO CHILE**

At an event attended by a crowd of 1,600, including members from the business world, the media and distinguished social networking promoters in our country, the Entel Summit took place for the third year in a row.

The company brought Jack Dorsey, the creator of Twitter, to South America for the first time as the keynote speaker at the event, which took place on July 14 in Santiago.

## 3rd Quarter

### ENTEL RANKED AMONG THE MOST RESPECTED COMPANIES IN CHILE

More than 4,000 executives and opinion formers from the most important companies in the country selected Entel as one of the ten most respected firms in Chile. The study, which was undertaken for the twelfth year running by Price-waterhouseCoopers and Diario Financiero, ranked Entel as second in the list.

### BANCO DE CHILE HANDS OVER TECHNOLOGICAL OPERATIONS TO ENTEL.

Banco de Chile awards Entel a nine-year contract for the supply of the IT services required by the institution. The contract, which was signed on August 30, has a value of US\$ 160 million.

This agreement will allow Banco de Chile to consolidate its operations in two world class Entel data centers, and process its transactions using latest generation ITIL methodologies and tools which establish management procedures to achieve quality and efficiency in IT operations.

### COMPLETION OF INITIAL PHASE OF TODO CHILE COMUNICADO PROJECT

In a rural school in the Community of Valle de Chaca in the Arica Region, on September 10, the first phase of the Bicentenary project "Todo Chile Comunicado" was launched, a public-private initiative promoted by the Chilean Government, regional governments and Entel, which will bring Mobile Broadband (MBB) to 1,474 rural communities throughout the country.

In the first stage, the project involved the connection of 451 rural populations from Arica to Punta Arenas, benefiting more than 1.7 million people. When all three phases are completely operational in December 2011, more than 3 million Chileans who live in remote areas will be able to connect to the Internet and mobile telephone services, all thanks to this network.

### ACQUISITION OF NEW CORPORATE BUILDING

Entel signed a contract with Parque Titanium S.A. for the construction of an office building which will permit the centralization of its operations and improve the efficiency of its management. The construction of this new corporate building, located in the former sports fields of Santa Rosa in Las Condes will cost around US\$ 60 million.

## 4th Quarter

### ENTEL OPENS INNOVATION CENTER

Under a model of open innovation, Entel is developing advanced technology products and services which contribute to improving productivity and competition, both for SMEs and large-scale businesses throughout the country. Under this initiative, the new Entel Innovation Center was launched on October 7, located in the Torre Titanium building.

This center will operate as a technological innovation platform with around 700 square meters of floor space dedicated to reproducing the real operations of a company. It will apply the living lab methodology in an environment equipped with resources and access to the latest fixed, mobile and IT technology.

### NUMBER 1 FOR CUSTOMER SERVICE

Entel was ranked as the number one company in the National Consumer Satisfaction Index, for the "Mobile telephone services" category, and included in the Table of Honor for this ranking, in which it has been a prizewinner for the last eight years.

The recognition is part of the National Consumer Satisfaction Index which, for 10 years, has been undertaken by ProCalidad and Revista Capital. It is a quantitative study which covers a sample of more than 18,000 surveys and is the only ranking to measure customer satisfaction among service companies.

### ENTEL RANKED AMONG THE MOST RESPONSIBLE COMPANIES IN CHILE

Entel was ranked eighth in the Corporate Social Responsibility Monitor for Chile, which is prepared by MORI. The list was prepared based on face-to-face questionnaires, with a probabilistic sample of 1,200 cases taken from people over eighteen years old in urban and rural areas from Arica to Punta Arenas.

### ACQUISITION OF TRANSAM AND WILL BY ENTEL

On October 4, Entel Telefonía Local S.A. and Entel Inversiones S.A. purchased all stock of Transam Comunicaciones S.A. and Will S.A. for an enterprise value of CLP\$13 billion. The final price will be determined based on agreed events. Transam provides intermediate telecommunications services and is a long distance operator, whereas Will operates in the local wireless telephone services and data transmission market.

### ENTEL HIGHLIGHTED AS ONE OF THE COUNTRY'S MOST INNOVATIVE COMPANIES

Entel rated third in the first Ranking of Innovative Companies in Chile. Based on an international model, the study undertaken by the Universidad del Desarrollo and the Business School at Universidad de Los Andes measured the capacity of 25 large businesses from a variety of sectors for "consistent and systematic" innovation. Entel was highlighted on account of its ability for transformation and reinvention. Its entry into the IT service outsourcing market and the development of Mobile Broadband are examples of this concept.





*Mobile  
Business*



# MOBILE BUSINESS

*In 2010, the mobile business provided 77% of the consolidated revenue of Entel S.A. In this area of business, the company maintained its technological leadership and service quality, expanding its customer base to more than 7.5 million users, an increase of 17% with respect to the previous year.*

Entel's participation in the mobile services industry is delivered through its subsidiary Entel PCS Telecomunicaciones S.A., hereafter Entel, which has two national licenses of 30 MHz, allowing it to provide a Public Digital Mobile Telephony Service on the 1,900 MHz spectrum.

During 2010, the company began to ensure the suitability of its structure to fixed-mobile convergence. This resulted in the merger of the mobile telephone companies Entel Telefonía Móvil S.A. and Entel PCS Telecomunicaciones S.A., under the trading name of the latter which had the effect of reducing the legal, financial and tax burdens generated by the corresponding business activities.

To serve the same goal and in order to make progress with this process, on December 31, 2010, Entel Telefonía Personal S.A. was taken over by Entel Chile S.A., with all shares for the former being purchased by the latter.

## STRATEGY

Entel PCS Telecomunicaciones operates a 2G network (GSM/GPRS/EDGE) which covers a large part of the national territory. On top of this network, and within the same spectrum, since December 2006 the company has operated the first commercial Third Generation network in Latin America under 3.5G technology. This network is constantly evolving and boasts not only HSDPA (High Speed Downlink Packet Access) but also HSUPA (High Speed Uplink Packet Access) and the 3.5G network optimization provided by HSPA+ which allows for theoretical maximum speeds of 21 Mbps and is used for mobile broadband and Internet services for mobile handsets.

The solid participation of Entel in the mobile communications industry is a result of three pillars: infrastructure, an innovative range of services with excellent service quality

Entel has updated the technology that lies behind its access network at the same time as world leaders such as Vodafone, with whom it has been in a strategic partnership since 2008. Similarly, it has incorporated the most up-to-date versions of mobile handsets and equipment through partnerships with Ericsson and Samsung.

The company offers value to each different type of customer, recognizing their behavior and specific needs. To achieve this goal, it has made innovations in its subscription and prepaid plans for Mobile Broadband, such as in tariff structures and session traffic valuation models, and multimedia plans for Mobile Internet.



The early and pioneering launch of the 3G network and the fast implementation of technological sites and upgrades have allowed Entel to lead the way in the provision of services which will drive the future growth of the industry.

**MARKET TRENDS**

The mass market adoption of mobile devices with Internet access (such as smartphones and tablets) and the rise in video content over mobile networks is opening new horizons in communications, applications development and in the way content is accessed over the network.

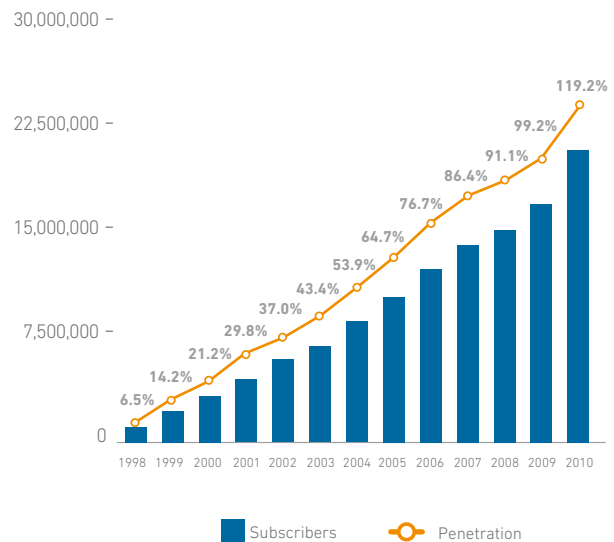
Similarly, rapid progress has been made in terms of connectivity between devices. This is referred to as the Internet of Things which means that, together with the development of protocols such as IPv6, it will be possible to identify individual devices by means of their own IP address and provide access to content and services as required, regardless of location.

These innovations are bringing considerable increases to the communication and productivity of people and companies, expanding the social networks they share and the quantity of information they can generate, exchange and store.

The current challenge for the telecommunications industry is to bring this multimedia experience to the mass market in order to achieve similar levels of penetration to those of the mobile telephone market which in our country grew by 119% in 2010.

**PENETRATION OF MOBILE TELEPHONE SERVICES AND SUBSCRIBER GROWTH IN CHILE**

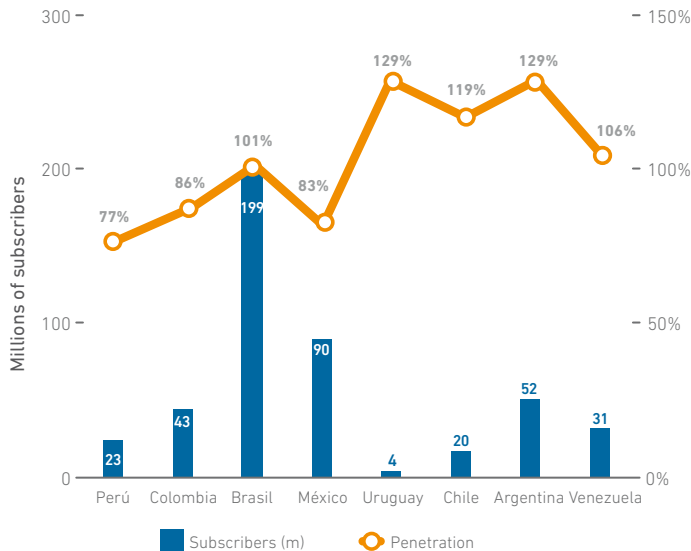
MOBILE TELEPHONE SERVICES PENETRATION GROWTH



Source: Entel. September 2010



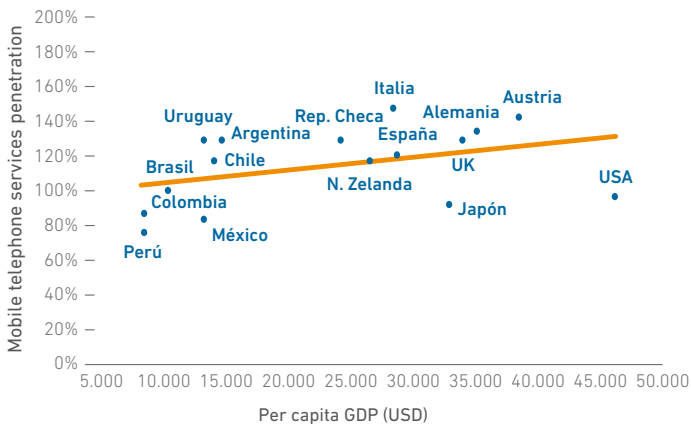
### CHILE HAS ONE OF THE HIGHEST MOBILE TELEPHONE SERVICE PENETRATION INDEXES IN LATIN AMERICA



Source: ENTEL PCS

### CHILE'S PENETRATION IS HIGH WITH RESPECT TO ITS PER CAPITA GDP

MOBILE TELEPHONE PENETRATION VERSUS PER CAPITA GDP



Source: Merrill Lynch and World Bank

### ACCELERATED GROWTH OF MOBILE BROADBAND

Mobile Broadband (MBB) provides users with wireless Internet access through use of the mobile network, at any time and in any place.

The data transmission speed is one of the critical factors of this service and depends on the technology that has been installed. Thanks to the HSPA/HSPA+ (3.5G) network, on a global level, it has been possible to achieve in only 3.5 years, the same level of uptake achieved by the WCDMA (3G) technology in 6 and the GSM (2G), network in 7.

Improvements to the browsing experience are bringing about a gradual change in usage patterns, with a shift from usage mainly focused on web browsing, to multimedia usage characterized by increased consumption of services such as streaming audio and video without prior download.

The next development in mobile networks is the LTE (Long Term Evolution) technology which the industry has identified as the Fourth Generation of mobile networks and as such, is known as 4G.

In 2010, this technology underwent intensive trials in a number of countries and important commercial launches took place during November and December. At the close of the year, LTE was commercially operative in 12 countries.

4G technology substantially improves the speed and latency of Internet connections, reducing the cost per bit transmitted and also making more efficient use of the spectrum. These advantages, in addition to improving the end user experience of Internet customers, drive the development of new, real-time applications with multimedia content.

In parallel to this, mobile computing is evolving towards Cloud Computing based services, which require high speed, low latency connections and as such, are favored by this technology.

The greatest potential of LTE is in the joint efforts of the various operators to convert it into a global standard and create a large scale ecosystem of devices and applications. The vision of the industry is that in the future, this technology will be present in all electronic devices which require data connections.

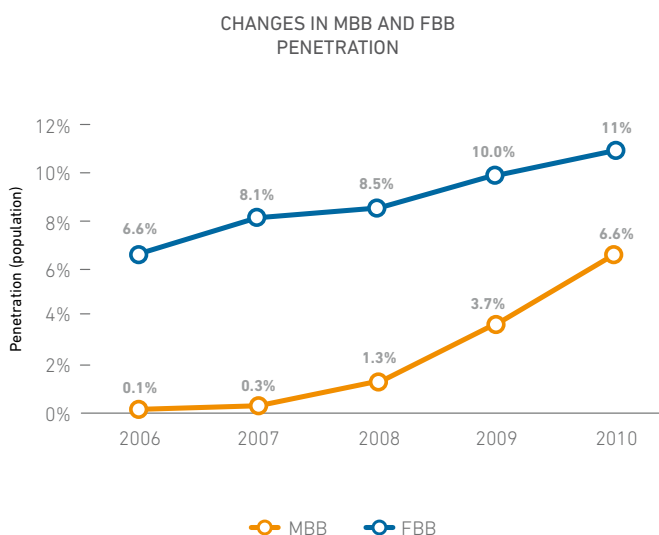
In December 2009 and during the first quarter of 2010, Entel PCS carried out testing of this technology. In collaboration with Ericsson, it implemented an LTE network in the School of Mathematics and Physical Sciences at Universidad de Chile. By carrying out performance testing to measure speed, coverage and capacity, it was possible to show that under real operational conditions, customers could obtain peak speeds of up to 50 Mbps for their Mobile Broadband connection. The results were extremely important, since they demonstrated the advantages of LTE and its potential for the development of new applications.

In parallel to the development of new networks, a growing trend was also observed in which a greater range of devices are connected to the Internet by means of Mobile Broadband, in addition to telephones and computers. This development, initiated by the Netbook and exploited by tablet devices such as the iPad, paves the way for eventually being able to connect any mass market consumer electronics device, such as cameras and video consoles to the Internet using Mobile Broadband.

**TREND IN CHILE**

In December 2007, Mobile Broadband connections in Chile,

**PENETRATION INDEX OF MOBILE BROADBAND WILL SOON EXCEED THAT OF FIXED BROADBAND**



Source: Pyramid. September 2010

did not exceed more than 1% of the country's existing Broadband Connections. In 2009, the figure grew to 28% and in 2010, it reached almost 40%.

It is estimated that during the course of 2011, the penetration of Mobile Broadband will exceed that of fixed services.

The penetration index for Mobile Broadband in Chile stood at 6.6% of the population in 2010, a figure which was almost double that observed during the previous year.

The expansion of MBB throughout the country makes it possible to overcome near-zero levels of Internet connectivity in rural areas, where penetration has remained below 1% of the total number of households. Entel is undertaking the "Todo Chile Comunicado" project, the largest public-private digital connectivity investment in the country, in order to provide Internet and voice access to 1,474 communities in 289 rural areas, which will be delivered in three stages and improve the quality of life of more than 3 million people. The first, unveiled in September 2010, benefited 451 communities and 1.7 million people.

The implementation of the project is an engineering challenge for Entel, on which approximately 650 professionals are working. The first stage was completed in 2010, alongside part of the second and third, representing overall progress of 48%.

The initiative means an investment of over US\$ 110 million, of which US\$ 45 million will be financed in equal parts by the Telecommunications Development Fund (FDT, abbreviation in Spanish), administered by the Department of Telecommunications and the 15 regional governments.

**REGULATORY FRAMEWORK**

On January 24, 2009, Tariff Decrees for mobile phone companies fixed by the Ministry for Transport and Telecommunications came into effect for the period ending 2014. The tariffs set out in this legislation only apply to charges provided through interconnections, the services for which charges are made between telecommunications companies. In line with the regulatory framework established by the General Telecommunications Act, the general rule is for free prices, except in the above case.

## NUMBER PORTABILITY

The number portability system allows a subscriber or user to transfer the number associated with their telephone line from one company to another, thus keeping their number, both for fixed and mobile services. From the start, Entel has played a key role in driving the implementation of the number portability system in Chile.

In December 2010, new impetus was given to the implementation of the number portability system with the publication of a law which made it compulsory for public telephone service license holders of the same type, and for complementary services connected to the public telephone network, to implement the number portability system, setting out time scales and also creating a Portability Administrative Body (OAP, abbreviation in Spanish) to which these must connect.

The final implementation of the number portability system depends largely on the time at which the regulations mentioned in the act are published and compliance with the other stages which are set out.

## ANTENNA ACT

In 2010, a draft bill to regulate the installation of mobile antennae and supporting masts continued to make progress through the National Congress. It was approved by the Chamber of Deputies and, at the close of this year was being reviewed by the Senate's Transport and Telecommunications Commission.

## COMPETITIVE POSITION

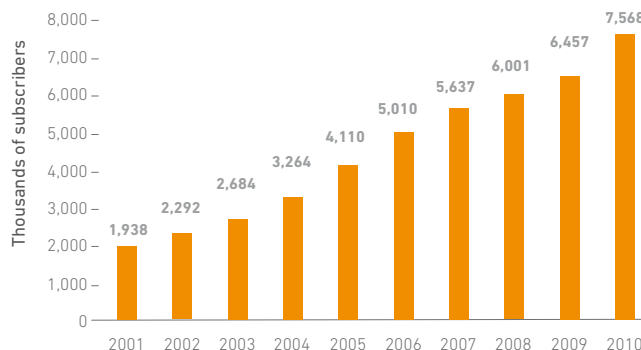
Entel participates in a highly competitive market, as shown by the bodies for the Defense of Free Competition, although there have been no significant variations in terms of the number of active competitors or their relative position.

In the mobile market, Entel currently competes with Movistar, owned by the Spanish company Telefonica, Claro, owned by the Mexican Company America Movil and Nextel.

In 2009, the telecommunications regulatory body (Subtel) allocated three 30 MHz blocks for the operation of 3G telephone services (1.7/2.1 GHz spectrum). Two of these were allocated to Nextel and one to VTR. Both operators have a period of twelve months in which to implement their operations, starting from July 7, 2010, the date on which the corresponding legal decrees were published.

## ENTEL PCS CUSTOMER BASE GREW 17% IN 2010

GROWTH OF MOBILE SUBSCRIBER BASE

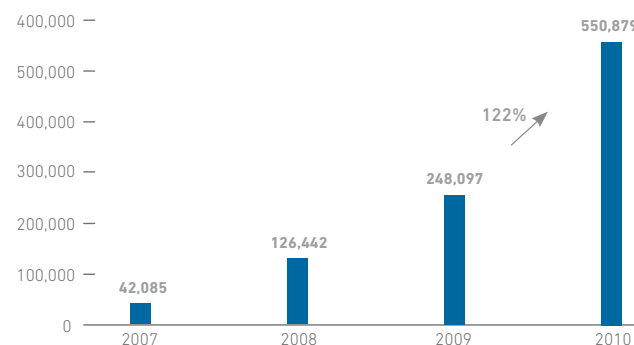


THE ENTEL PCS CUSTOMER BASE TOTALED 7,568,399 USERS AT THE CLOSE OF 2010

Source: ENTEL PCS

## NUMBER OF MOBILE BROADBAND SUBSCRIBERS GREW BY 122%

MOBILE BROADBAND (MBB) CUSTOMERS



ENTEL'S MOBILE BROADBAND SEGMENT REACHED 550,879 IN 2010

Source: ENTEL PCS

However, even if the entrance of new operators implies increased competition, it is hard to predict effects upon the market and prices given that operators have a requirement to ensure the profitability of their assets, both owned and subcontracted. Moreover, the networks must be able to compete with those of current operators in terms of size and coverage. Similarly, they are required to undertake significant marketing campaigns.

#### MOBILE BROADBAND LEADER

The timely development of suitable infrastructure has allowed Entel to achieve a position of leadership in high potential segments. The company has the highest market share of data users both for Mobile Broadband, where this reaches 42.5% and Mobile Internet.

In terms of the number of active subscribers (voice and data), Entel's market share has remained at around 37% towards the end of 2010.

#### INNOVATIONS 2010

##### RETAIL SEGMENT

The following are some examples of the mobile business's Value Added Services which were introduced to the market during 2010:

##### **Mobile account**

Launched at the start of 2010, the Mobile Account service has revolutionized national banking. It is offered in conjunction with Banco de Chile and consists of a checking account associated with a tax ID number and an Entel phone number. The account can be remotely opened from the mobile handset of any Chilean citizen over the age of 18. It operates like an electronic purse, but is accessed through a menu on the telephone which makes its use easier, since there is no requirement to access the Internet from the equipment. This service is aimed both at the segment of Chilean users without bank accounts and also at customer who already have bank accounts but require a quicker method of making transfers, since all that is required is a mobile phone number.

##### **Football channel**

The Premium Mobile football channel service is easily contracted through the mobile phone and allows games transmitted over the football channel to be viewed for the period of one month. Additionally, the Goal Alert service

can also be contracted, which sends videos of the goals of a favorite team to the customer's number.

##### **Nokia Messaging**

Exclusive to subscription customers and those with a fixed account, the Nokia Messaging service allows access to email accounts, Facebook, Twitter and chat via Live Messenger, Yahoo Messenger, Google Talk or AIM.

##### **Blackberry Applications**

A mini-site exclusively for Entel BlackBerry® customers on which free applications can be downloaded for communication, messaging and games.

##### **Unlimited Tariff Plans**

For smart phone users, the unlimited Mobile Internet plan allows them to use the Internet at attractive prices without a time limit. The plan has had a positive impact on the penetration of the service within the customer base, and the number of users of these plans has grown by more than 103% with respect to the previous year. The user base for On-demand or session services grew by 19% in 2010.

##### BUSINESS SEGMENT

In 2010, Entel consolidated an integrated service model for the corporate segment which achieved synergy between its fixed and mobile businesses and improved interaction with account managers and directors.

The new Business products and services launched in 2010 include the following:

##### **Enterprise mail**

Solutions which include synchronization of contacts, calendars and email, compatible with the most commonly used email servers by companies in Chile, such as Microsoft Exchange and Lotus Domino.

##### **Mobile Internet**

With Mobile Internet, Entel customers have complete access to the web from their mobile phone, regardless of the time or place. This service connects Entel users to sites such as Google, Gmail, Yahoo, Hotmail, Facebook and Twitter.

### **Push to talk Service (PTT)**

Allows voice communication between one user and another or a group, directly and instantaneously, using a mobile phone especially configured for this purpose. The Entel PTT service makes possible:

- Simple and instantaneous group communication.
- A reduction in decision making times.
- Continuous communication with the work team without requiring a face-to-face meeting.
- Improved management and coordination of distribution and logistics activities.
- Productivity gains for on-site users since they do not need to return to the office to communicate with another area of the company.

### **Machine-to-machine (M2M) Plans**

Connectivity plans for machines used for monitoring, asset tracking, telemetering, wireless point of sale (POS), security, automation and control

### **SERVICE QUALITY**

Entel was ranked number one in the National Consumer Satisfaction Index for the mobile telephone services category. The study, which recognized the company for the eighth consecutive year, is run by ProCalidad, a non-profit making organization to which Adimark GFK, Praxis Calidad de Gestión and Universidad Adolfo Ibáñez all contribute.

The award is the result of a survey which measures the satisfaction of Chilean consumers across 20 sectors or service industries, schools and municipalities. The index is based on consumer opinions gathered by means of 30,000 surveys which are completed by people over the age of eighteen between March and December every year throughout the country. Companies do not choose to participate in the ranking and as such, it is an independent indicator.

Service Quality Management has been a key aspect of reaching and maintaining high levels of customer satisfaction for Entel's customer service channels. The company is continuously innovating and investing in customer service platforms and training for its customer service staff. The following practices and tools are examples of those commonly used in this area:

- Meetings between management and customer service agents from the various channels.
- Monitoring of calls made by customers in order to later tabulate the information and distribute it to those responsible for the various areas.
- Satisfaction indicators developed by the company to monitor its Service Quality Targets, which are key to the end-to-end fulfillment of the goals.

### **CHANNELS**

The strategy for interaction in channels is based on three fundamental pillars: Excellence in Resolution, Customer Advice and a Close Relationship with Customers.

The management focuses of the channels are:

- High service levels for in-person and remote channels
- Promotion of self-service channels
- Training of personnel in the area of Contact Care in line with the strategic profile.
- Digitalization of the customer relationship.

The mix of channels of interaction is designed to reconcile customer requirements with the business strategy, the goal being to achieve good availability of channels, innovation and differentiation under a framework of integration.

### **STORES**

Customer service centers are an extremely important pillar in terms of brand image and presence in the community. As such, throughout the country, the in-person service channel has 58 stores from Arica to Punta Arenas, including Easter Island.

To promote the experience of customers using products and services is one of the main goals of this channel. Similarly, the use of tele-servicing which offers customers service over the phone from within the store, is highly valued by users.

During 2010, the Express modality—a new channel in the form of a complementary franchise—doubled the number of retail units distributed between Iquique and Puerto Montt from 33 to 66.

The attributes valued by customers in the Express units are a close relationship, ease of access and the flexibility and speed of the service.



## Estamos felices.

Por octavo año consecutivo, Entel es reconocido con el **Primer lugar Premio a la Calidad de Servicio** en la categoría "Telecomunicaciones Móviles". Porque nuestra vocación es ayudarte, entregándote la mejor atención y la red más avanzada y confiable de Chile. **Gracias.**



Para mayor información ver [www.entel.cl/med](http://www.entel.cl/med)



The combination of the two types of retail unit allows demand to be successfully managed, achieving excellent levels of sales management and permitting a continuous increase in customer satisfaction throughout the year.

### IVR CHANNEL

The Interactive Voice Response channel has continued to reinforce customer self-service, through the delivery of automatic response services to queries related to traffic, account status and service activation. In 2010, the menu was optimized to further simplify user interaction.

### CALL CENTER

The Call Center channel was consolidated as an integrated service channel which allows the rate of resolutions upon first contact to be maintained for commercial, equipment support and service calls. Actions were successfully carried out by means of this channel to retain customers.

Similarly, Outbound Call Center management (business to customer), continued to grow strongly, given its importance in achieving customer loyalty and in carrying out cross-selling and retention campaigns.

### TECHNOLOGY ATTENTION CENTER

Within the Call Center, the technical support desks have achieved high standards of service. They have been important in providing remote support for the configuration and operation of devices and services such as Mobile Broadband, the iPhone and BlackBerry.

This capacity was recognized by Cisco in August 2010 when it awarded Entel the distinction of Service Provider Partner of the year for the Southern Cone of Latin America.

### WEB

The Web channel responds to customers' requirements for an "On-line Store", where they can resolve all their information requirements and acquire products and services which are available remotely. This channel has absorbed the sustained growth in queries and information which were traditionally supported using other channels.

Additionally, Entel carries out customer service activities on relevant social networks such as Twitter and Facebook. Similarly, the Mobile Web channel has increased the range of services offered and the volume of interaction.

Both the web and other online channels, work together for the digitalization of the customer relationship.

### INVESTMENTS

As in previous years, investments in the mobile business strongly supported the development of the 2G network and the expansion of the 3.5G network.

Total investment in this area was US\$ 399 million, with \$180 million dedicated to infrastructure, most notably in the form of investment in the capacity and coverage of the GSM network (US\$46 million), in addition to invest-

ments designed to improve the capacity, speed and coverage (performance) of the 3.5G network (US\$ 77 million). Another strong area of investment was postpaid handsets, (US\$ 180 million).

Some of the main suppliers with whom the company operates are:

**Network Infrastructure:** Ericsson Radio Systems, Ericsson Chile, Nokia Siemens Networks, ORGA Systems. In this group, the supplier with the greatest materiality is Ericsson Radio Systems.

**Mobile Equipment (Handsets):** Sony Ericsson, Nokia, Samsung, Motorola, RIM. None of these suppliers has greater materiality.

**Systems:** ORGA Systems, Hewlett Packard, Oracle, SAP, SAS, None of these suppliers has greater materiality.

There are no relationships of direct or indirect ownership or kinship between the aforementioned suppliers and Entel PCS.

**RESULTS 2010**

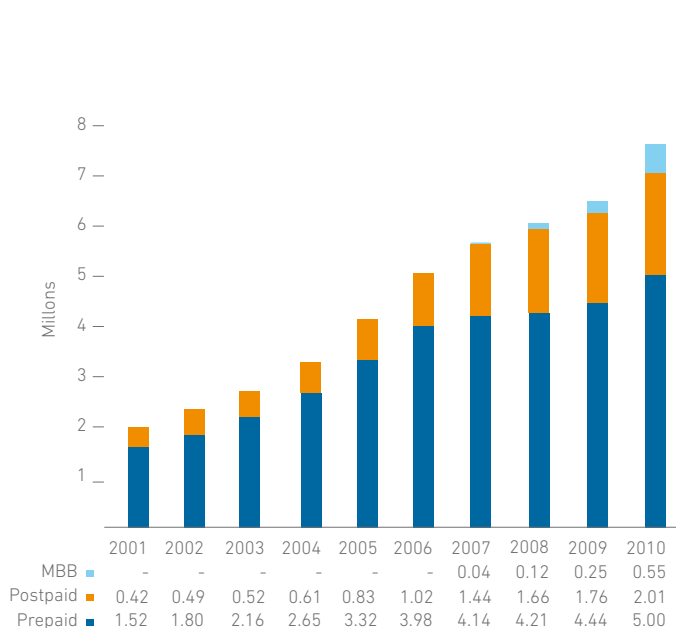
The composition of the customer portfolio for the Entel Group’s mobile services improved in 2010. Important growth was recorded in the proportion of postpaid customers, for which MOU (Minutes of Usage) and ARPU (Average Revenue per User) are greater than those of prepaid customers. Net revenue for Entel PCS totaled CLP\$ 854,922 million in 2010, largely as a result of a strong increase in voice and value added services.

This growth is principally related to the contribution of revenue associated with Value Added Services, which showed an increase of 49% over 2009 as a result of Mobile Broadband and innovative Value Added Services such as Mobile Internet.

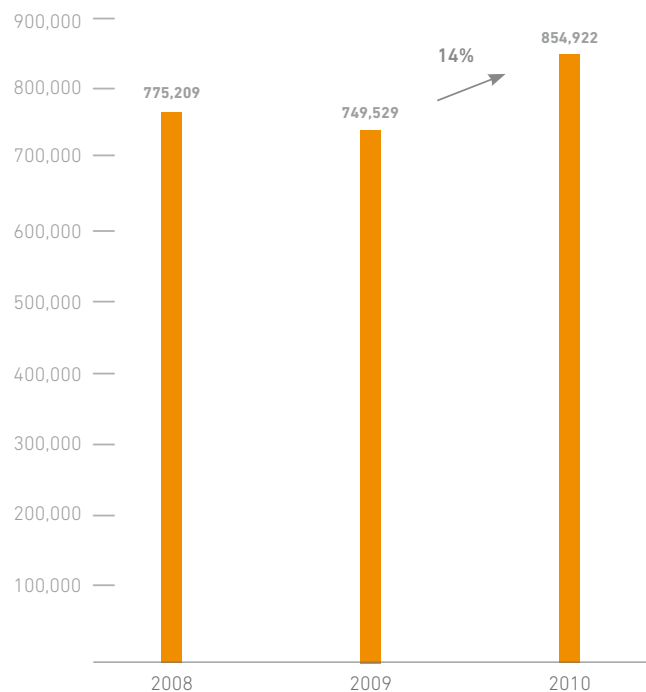
**NUMBER OF POSTPAID SUBSCRIBERS (VOICE ONLY) GREW 14%**

**REVENUE FOR ENTEL PCS GREW 14% WITH RESPECT TO THE PREVIOUS YEAR**

GROWTH IN MOBILE SUBSCRIBER BASE BY SEGMENT in millions of users



TOTAL NET REVENUE in CLP\$ million, values reported under IFRS



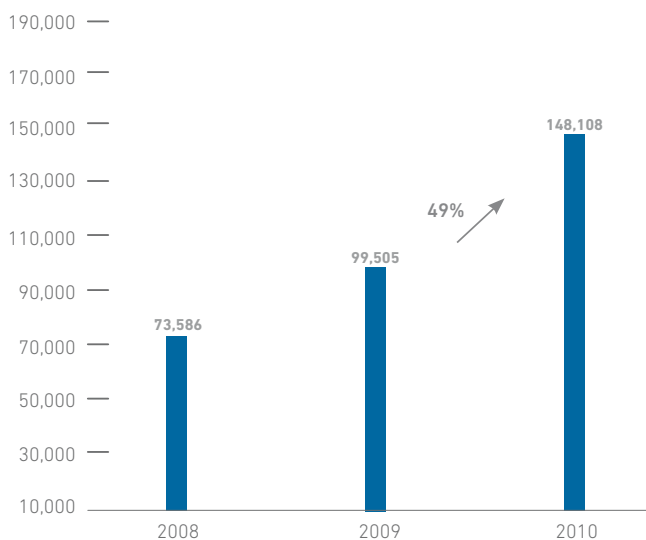
Source: ENTEL PCS



EBITDA totaled CLP\$ 334,038 million, after a 2009 marked by the global recession and the reduction in mobile access charges. This figure represents an increase of 10%, largely explained by an increase in the service gross margins associated with customer base expansion.

### INCREASED REVENUE FROM VAS AND MBB

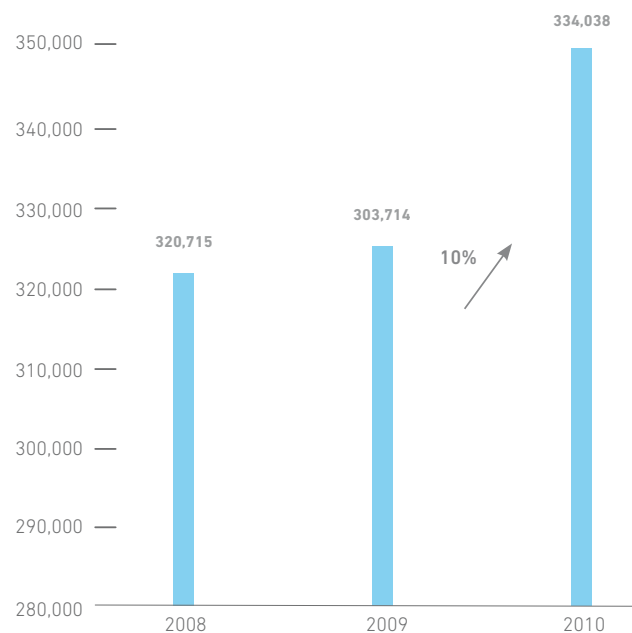
VALUE ADDED SERVICES (VAS)\* REVENUE  
in CLP\$ million, values reported under IFRS



\*Includes MBB

### EBITDA FOR ENTEL PCS GREW 10% IN 2010

EBITDA \*  
in CLP\$ million, values reported under IFRS



\*As part of the merger between Entel Telefonía Móvil S.A. and Entel PCS Telecomunicaciones S.A.; the audited Consolidated Income Statement for the previous year has been recalculated.







*Wireline  
Business*

# WIRELINE BUSINESS

*In 2010, Entel consolidated a new business model for its Wireline business after signing long-term contracts for the provision of integrated IT and telecommunications solutions to customers in the segment.*

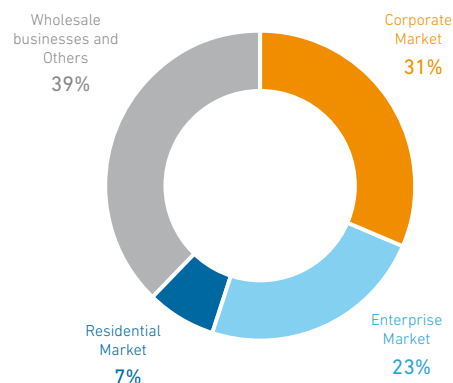
The Group's wireline business is operated through its parent company, Empresa Nacional de Telecomunicaciones S.A. and the subsidiaries Entel Telefonía Local S.A. (Entelphone) Satel, Micarrier, Cientec Computación S.A., Transam Comunicación S.A. and Will S.A., with the last two subsidiaries being integrated into the group during 2010 following their acquisition on October 4. Transam provides intermediate telecommunications services and is a long distance operator, whereas Will operates in the local wireless telephone services and data transmission market.

Entel's value proposal is in providing an excellent service, led by a team of first class professionals who develop integrated fixed and mobile connectivity and IT solutions supported by the company's own robust architecture. To achieve this, Entel aligns its innovation process based on a close relationship and a solid understanding of its customers' requirements, guaranteeing the efficiency and continuity of their current and future business activities.

Entel's wireline business serves four market segments: Corporations, Infrastructure and Wholesale, SM enterprises and Residential. Its connectivity, voice telephony, high speed Internet, data network, systems integration and operation, Data Center and operational continuity services allow companies of all sizes to manage their business processes in a more efficient manner and meet current and future requirements.

## WIRELINE BUSINESS

REVENUE BY MARKET SEGMENT  
Total revenue CLP\$ 289,791 million



Entel's main competitors in these markets are: Movistar, Telmex, VTR, GTD Manquehue, Telefonica del Sur, CMET, Sonda, IBM, HP, Quintec and Adexus.

## INTEGRATION OF SERVICES

In 2010, the Corporate segment integrated the management of all services provided by the Entel Group, including IT, and fixed and mobile communications with the aim of offering integrated solutions to its customers.

The central objective of this new business model is in ensuring operational continuity for its customers, who are large corporations and companies throughout the country with requirements for connectivity, Internet, voice, video, mobility, IT and Call Center solutions with high levels of integration, convergence and service.

In order to meet these requirements, Entel assumes responsibility for the complete operation of their technological components, based on its connectivity, transaction and processing capabilities. This builds on a strong and close relationship with the customer under a schema of co-innovation for the development of solutions and the improvement of operational processes which allows them to maximize the value generated by their own business activities.

## TRENDS

As part of its continuous evolution process, Entel pays careful attention to industry trends and the new environments which arise as a result of changes in the regulatory framework.

Convergence is the main trend in the global telecommunications industry, both from the perspective of services, which are now being offered in an integrated manner, such as networks, technology platforms and devices, whose connectivity is growing.

Technological development has turned the concepts of the integration and convergence of telecommunications and IT into a reality. Today, individuals and businesses expect to be connected to services, regardless of the device technology or location. This has resulted in exponential growth in demand for telecommunications and IT services.

From a technological perspective, fixed-mobile convergence refers to the usage of platforms with the ability to offer broadband both to residential and enterprise (wireline) users, as well as users with an undetermined location (mobiles). There are many possible technologies for fixed-mobile convergence and they depend on the starting point of the operator who is exploiting them. They can include mobile networks based on 3G and above technology, complemented by wireless solutions such as WiMax, satellite technologies or a combination or development of the above.

From a business model perspective, fixed-mobile convergence implies providing users with integrated solutions for all information and communications services, charged to a single account. For the market, fixed-mobile convergence is the search for a single platform for broadband connection, independent of the user's location type and means of access.

In this context, the market penetration of fixed telephone lines has remained stable, at around 17% throughout the world. In Chile, according to figures released by the Department of Telecommunications, as of October 2010, there were 3,513,021 fixed telephone lines, a figure which represents an increase of 0.63% with respect to the previous year and a market penetration of 20.49%.

The trend for long distance services offered by this means was downward, as a result of migration towards mobile and IP services. In 2010, long distance and international traffic fell by 6.4% and 5.2%, respectively. During the last year, legal changes also took place in the wireline environment, the most relevant of which includes:

### NUMBER PORTABILITY

On December 10, 2010, Act 20,471 was published in the Official Gazette, which amends the General Telecommunications Act, creating the Implementing Body for Number Portability, the central part of the system which allows customers of the different fixed and mobile telephone companies to change supplier without losing their number. In the first phase, changes are only possible between companies operating within a same equivalent network (e.g. from one fixed line to another). It is hoped that the system will be operational on a national level during the second semester of 2011.

### CHANGES TO DOMESTIC LONG DISTANCE

On December 10, 2010, Act 20,476, an amendment to Act 18,168, the General Telecommunications Act was published in the Official Gazette. The most significant aspect of the new law establishes that, from June 2011, the primary geographical areas defined for long distance national communications will be reformed, with a reduction from 24 to 13 primary areas. Additionally, subject to a favorable report from the Tribunal for the Defense of Free Competition, it makes provisions for the elimination of the long distance national category within 37 months from the law coming into effect. From this date, fixed local telephone services will operate under the same terms as mobile services, without a requirement for the use of a carrier between different geographical areas of the country.

## COMPETITIVE POSITION

The company holds a large share of the Corporate and Large and Medium Business markets, a position which it has been able to achieve thanks to the implementation of appropriate processes, and its commitment to high service levels, close customer relationships and the reliability of its services, all of which are added to the continuous incorporation of new and advanced technology developments to the services it provides.

In the IT Services outsourcing market, supported by its telecommunications services, Entel's market share grew to 23% in 2010. In Chile, this market has grown by over 12% between 2007 and 2010.

Entel's share of the long distance market remained stable in 2010, in the region of 30% of national services and 38% of international ones. Together with the traffic business, these services represent 5.4% of the Group's revenue for 2010.

## FUTURE PERSPECTIVES

### CORPORATE MARKET

Entel's customers in this segment (corporations and large businesses) are characterized by their requirement for specific, individual and specialized solutions, both at the level of technologies and services, which are largely responsible for supporting the strategic processes of their operations.

In order to deliver its services, Entel classifies these customers by industry: Finance, Services, Commerce, Natural Resources, Industry, Mining, Government, the Armed Forces and Public Health. This allows Entel to gain a profound understanding of their requirements and advise them in the design, implementation, operation, administration and support of technology solutions in response to their requirements.

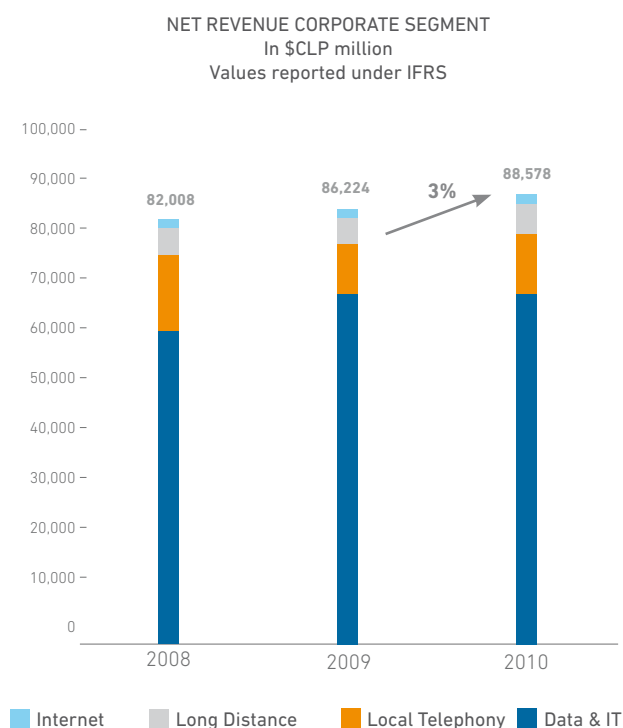
In 2010, the Corporate segment assumed the business management of corporate mobile customers as part of its new business model, which implies the existence of a single, integrated service channel for all services. This allows customer relationship to be perfected in terms of the required time scales and the quality of responses, helping to optimize internal resources to achieve increased synergy.

As part of this same goal, the Mobile and Convergent Product Supply unit was created to support the implementation of a mobile sales and service model and take

the first steps toward the design of a new mix of convergent products. Similarly, it established a new process for the development of products, with the allocation of dedicated commercial and operational resources. During the course of the year, this team released products such as:

- IT On-demand: makes available data processing, backup and storage infrastructure in a quick and flexible manner in line with the specific requirements of each customer;
- IP Telephony On-demand: using Entel's IP networks, companies are able to have telephone services based on modern Data Centers as part of a model which provides secure access as required, with important savings in terms of installation and maintenance, ensuring service continuity;
- xG Service (VPN or corporate data connection over mobile networks): connectivity products which complement IT On-demand products, IPv6 functionality and the Convergent Centrex service, which creates a private voice network between customers' fixed and mobile extensions.

## CORPORATE SEGMENT RECORD REVENUE OF CLP\$ 88,578 MILLION IN 2010





Entel's technological capacity to offer this range of products was strengthened with the launch of its sixth Data Center in May, located in Ciudad de los Valles and with

network connections to Entel's other Data Centers and its fixed and mobile networks. This platform makes Entel the first to deliver the most secure and advanced Cloud Computing services in Chile.

**ENTEL'S SERVICES IN THE CORPORATE MARKET**

**IT SOLUTIONS**

- **Data Center Data Center and IT operation:** housing, operation of central platforms, storage and backup, contingency site and DRP. Operation of ERP and business applications (SAP, Oracle, Microsoft).
- **On-demand Solutions** Infrastructure as a Service (IaaS) : processing, storage, backup.
- **User Platform Solutions:** PC platform outsourcing operation, virtual desktop and ThinClient solutions, physical security, on-site support, help desk and PC as a service.
- **Provision of Technology Infrastructure:** IBM, Sun, NetApp, Oracle, Microsoft, Symantec, VMWARE, Citrix and RedHat.
- **Business focused solutions:** Sales applications, Mobile Dispatch and Charging, Tele-metering (M2M), Fleet monitoring and control, RFID, Billing and Electronic Invoicing, B2B and B2C platform.
- Engineering and professional services, specialized support, maintenance contracts, outsourcing of professional services.

**VOICE AND MOBILE CONNECTIVITY SERVICES**

- Mobile telephone plans.
- Mobile Internet and smartphones.
- Mobile broadband for smartpads, laptops and netbooks.
- Dedicated mobile network coverage projects.
- Connectivity for M2M (machine-to-machine) devices and VPNs over mobile networks.
- PTT (Push to Talk) Services and GPS.

**FIXED LINE TELEPHONY SOLUTIONS**

- Local telephony service plans, domestic and international long distance and mobile services.
- 800/600 local and long distance services.
- Connections via frames and/or IP junctions.

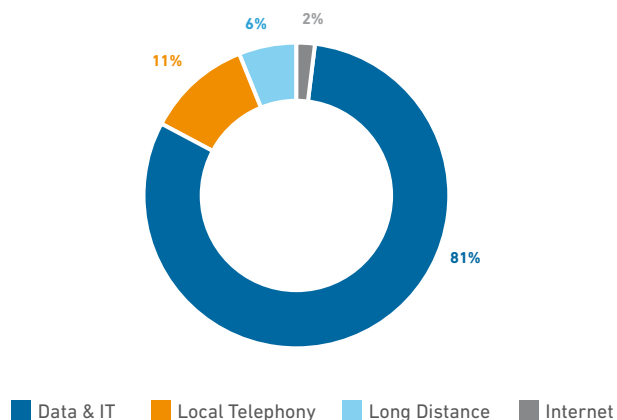
**CONNECTIVITY AND VALUE ADDED SERVICES OVER DATA NETWORK SOLUTIONS**

- Connectivity and MPLS corporate networks, Metro Ethernet, Satellites, 3G, dedicated Fiber Optic, copper a microwave links.
- Local wire and wireless access networks.
- Administration, monitoring and network security services.
- Private telephone networks with On Premise call manager systems, hosted or as an on-demand service.
- Video conferencing service and video communications.
- Construction, operation, administration and support for private networks.



## DATA & IT RESPONSIBLE FOR 81% OF ENTEL'S REVENUE IN THE CORPORATE SEGMENT

CORPORATE SEGMENT  
DISTRIBUTION OF REVENUE 2010  
Total revenue CLP\$ 88,578 million



During the last four years, Entel has seen sustained growth in its IT business. The integration of CienteC in 2009, has added more than 240 people to the organization (80% of which are technicians and professionals) to provide exclusive support for these services. An Integrated Services Management position was created in 2010, in order to manage the service provided to large customers in this area.

All the above, has made it possible to sign valuable contracts with customers from this sector:

**Banco de Chile.** As a result of a tendering process administered by the international company TPI, Banco de Chile awarded the contract for the outsourcing of its IT processes to Entel. The bank was looking for a strategic partner which would allow it to meet its key objectives: business continuity, continued growth and the ability to offer high quality services. Under the framework of a 9 year contract signed on August 30 with a total value of US\$ 160 million, Entel will provide Housing services and the consolidation of sites into two Data Centers, the administration of all the bank's infrastructure (including more than 1,000 servers and storage systems), end user services (technical help desks and field support for almost 12,000 users), connectivity provision for new computing centers used by Entel and the corresponding network infrastructure.

**Concepción Lottery.** As part of a 5 year contract, Entel will provide an integrated solution covering infrastructure and communications at a WAN level and operational continuity services for its head office and more than 1,500 branches throughout the country, allowing the organization to improve internal communication and optimize customer service.

**National Customs Service.** The service awarded Entel the contract for the National Data Network which connects all its offices, including the network of border offices located in remote areas of the country.

**Caja de Compensación Los Héroes.** The organization has more than 60 branches distributed throughout the main cities in the country, 8,129 companies and 819,936 affiliates. On October 15, 2010, Entel was awarded the contract for the largest part of the Department of Social Security (IPS, abbreviation in Spanish) pensions payment system, covering Data Center and On-demand services to support the large volume of operations and ensure the availability of all the services included in the project, alongside the integration of the core systems and current applications, and the provision of wide coverage of the WAN access network to the branches covered by the IPS project.

**Attorney General's Office.** Entel was chosen to deliver the project for the provision and support of the Integrated Communications Platform, including national level data network services and telephone services. This allows the customer to provide secure communication with high availability for the 168 attorneys at a national level and 15 offices, allowing more efficient and faster connectivity for all users of the network, regardless of their geographical location, helping to optimize the management of the institution. It also covers unified communications for a user base of 1,500, allowing them to hold virtual meetings.

**Carozzi.** The company awarded Entel the contract for the technology migration process for the SAP platform, upgrading to SAP ECC 6.0, using latest generation technology. As well as the infrastructure, the project included monitoring, administration and SAP Basis services. The platform goes hand in hand with Carozzi's growth policy, as it can be scaled up to 1,500 users over the course of 5 years and provide services to users in Chile, Peru and Argentina.



## ENTERPRISE MARKET

In 2010, Entel consolidated its presence in the Business market with a portfolio of services made up of the most advanced telecommunications and IT services, delivered with speed and high quality at attractive prices. This achievement was supported by its service innovation and customer focus, the construction of the largest and most modern Data Center in Chile, and the first stages of the deployment of a new fiber optic network with GPON technology.

The connectivity solutions delivered by Entel provide high quality voice reception, with telephone services which can be easily integrated with other software and devices thanks to the use of IP, and high levels of security since they are transmitted over Entel's private MPLS network.

Additionally, high speed Internet, data and video solutions provide companies with access to Entel's wide range of Cloud Computing services, supported by network deployment throughout all regions of the country.

All this serves to increase productivity, reducing communications costs for companies, permitting secure management of information which transits over private networks and allowing the real integration of telephone services with all communication platforms, including email, instant messaging, voice mails and videoconferencing.

Additionally, by making use of On-demand Cloud Computing services (used over the Internet as required, with flexible plans in line with the requirements of the business), businesses no longer need to waste time resolving technology problems. Instead, they can focus on their business, directing all their energy to maximizing their revenue, increasing their competitiveness and improving the quality of their products, all of which leads to an increase in customer satisfaction.

In order to optimize its relationship with customers, in 2010 Entel developed a new service model with specific channels depending on the size of the businesses. Separating businesses into segments makes it possible to provide specialized sales teams, as well as products and post sales service, meaning a closer relationship with businesses.

In order to reach largest-scale segments in the Enterprise market, the company makes use of a sales channel through partners and wholesalers.



## ENTEL IT SERVICES FOR THE SMALL & MEDIUM ENTERPRISE SEGMENT

### ENTEL ON-DEMAND IT SERVICES

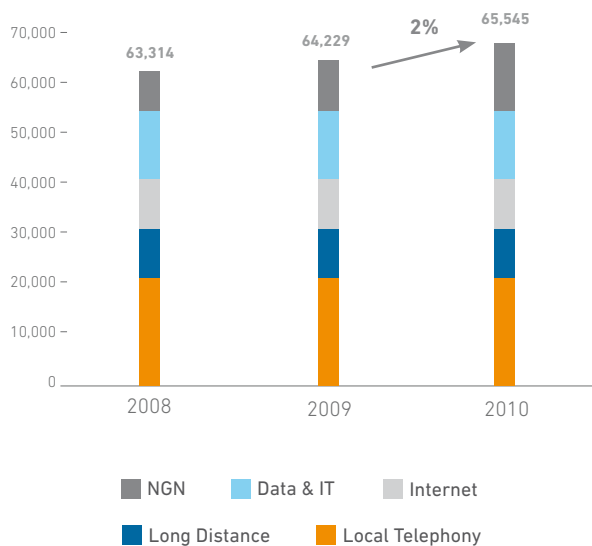
- **Communications** over Exchange email, instant messenger and web conferences with all the security required by companies.
- **Collaboration.** Documents can be shared with other members of a work team using an online Intranet site.
- **Company presence on the Internet.** Companies can use pre-designed templates to create their websites, which can be incorporated into its own domain.
- **Information management services** which allow improvements in customer relationship management (CRM) with tools that ensure confidentiality, integrity and accessibility.
- **High performing virtual servers** which respond to data processing and traffic requirements in a scalable and flexible manner

### DATA CENTER SERVICES

- **Hosting.** Allows applications to be stored on high performance servers which respond to the data processing and traffic requirements of businesses.
- **Housing.** Rack space under the highest available standards where computing and communications equipment can be stored.
- **SAP hosting and SAP BASIS.** Provides infrastructure, operations and support for SAP business applications with high standards of security and availability.
- **Technical Help Desk.** These telephone support desks help to resolve problems related to the use of technology.
- **Work stations.** Business work stations are always operative. The service includes the renewal of technology.
- **Thin clients.** These permit companies to store applications and data on a remote server and access them using low performance machines, with the advantage that in the event of a failure, the totality of the information will always be stored at the Entel Data Centers.

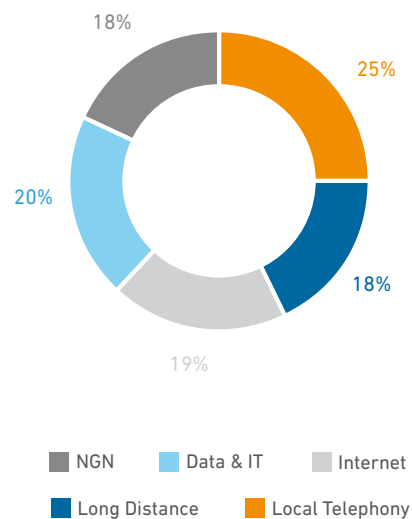
## REVENUE FROM THE SME SEGMENT GREW 2% IN 2010

NET REVENUE SME SEGMENT  
In \$CLP million  
Values reported under IFRS



## DATA & IT MAKE UP 20% OF REVENUE FOR THE SME SEGMENT.

SME SEGMENT  
DISTRIBUTION OF REVENUE 2010  
Total revenue CLP\$ 65,545 million



IN SPITE OF THE TREND OF A REDUCTION IN REVENUE FROM LONG DISTANCE SERVICES, ENTEL'S BUSINESS SEGMENT ACHIEVED A GROWTH OF 2% IN 2010 WITH RESPECT TO THE PREVIOUS YEAR.

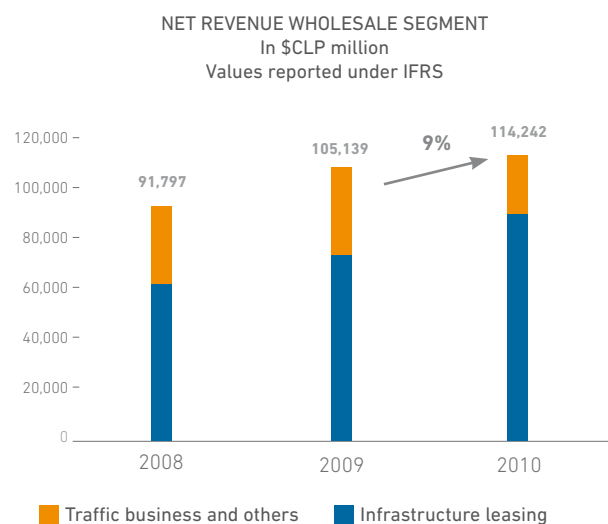
## WHOLESALE MARKET

The capacity and coverage of its transport network allows Entel to lease infrastructure to other national and international telecommunications operators (for services such as Internet access, mobile and local telephony services) and provide traffic services for international calls.

The company's reliability and engineering capacity are its two greatest assets in this market, in which its strategic objective is to stand out in terms of the quality and timeliness of the supply of its services.

In 2010, leasing networks to other telecommunications companies generated revenue of CLP\$ 88,926 million, including services provided to Entel PCS, and the traffic business recorded total sales of CLP\$ 25,316 million.

### REVENUE FROM THE WHOLESALE SEGMENT GREW 9% IN 2010



## RESIDENTIAL SEGMENT

Entel's residential customers are people with a need for long distance national and international communication. To serve this market, the company has continuously developed a range of solutions which seek to satisfy their needs and respond to the requirements of specific niches.

Entel offers this service in two forms through its 123 carrier: direct dial, without the requirement for a previous agreement, and contracted, in which users has access to preferential tariffs. In this area, the company

also provides Value Added Services, including "Fixed to Mobile Calls" which phone calls to mobiles originating from a wireline network to be managed.

Some of the other services for the residential segment include prepaid and postpaid cards for long distance calls, designed to meet the requirements of specific niches with competitive tariffs.

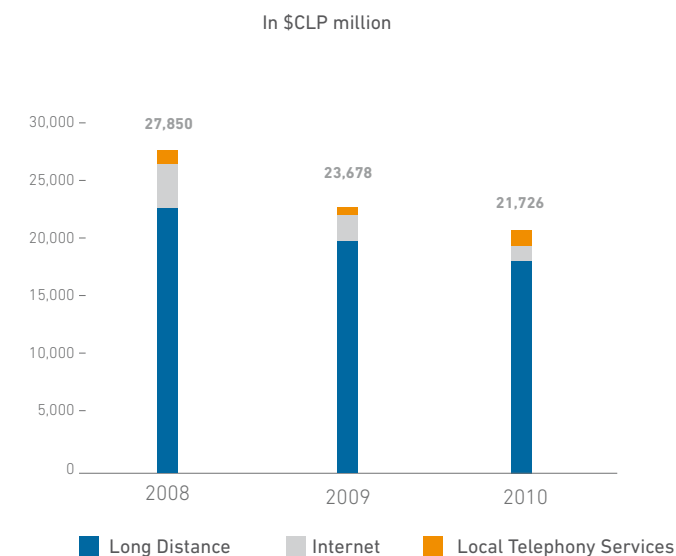
Entel's domestic and international long distance services are offered by means of telesales and dealers with plans which meet the requirements of each customer sub segment.

In 2010, the company's challenge in this market was to maintain its positive position, taking into account that the long distance market is in a stage of maturity and its size has been decreasing for a number of years as a result of migration to mobile and IP services.

Entel is focused on maintaining its customer portfolio through action designed to foster customer loyalty and the continuous improvement of net satisfaction. In addition to this, customer capture levels were also maintained through the use of telesales.

This allowed the business to keep its market share at around 30% and 38% for domestic and international long distance services, respectively.

### ENTEL'S REVENUE IN THE RESIDENTIAL MARKET TOTALED CLP\$ 21,726 MILLION.



## MAIN SUPPLIERS

The main suppliers for Entel's wireline business are:

Cisco Systems	Proveedora Ind. Minera Andina S.A.
Huawei Chile S.A.	Tyco Electronics Chile Lt
Ericsson Radio System AB	Osam S.A.
Sice Agencia Chile S.A.	Asesoría y Servicios Donoso Raul
Raylex Diginet S.A.	Grupo Técnico S.A.
Salfa Construcción S.A.	Acanto S.A.
Transworld Import and Export	Siemens Enterprise Communications Ltd.
Ingeniería Eléctrica Azeta Ltda	Segecom S.A.
Extensión Ltda	e-Business Distribution S.A.
Ingram Micro Chile S.A.	Tecnica Chile Ltda.

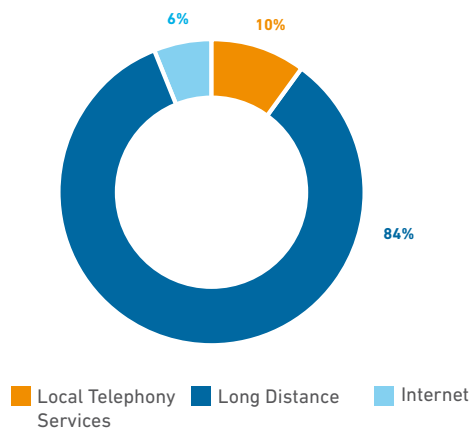
None of the above suppliers has greater materiality and there are no direct or indirect relationships of ownership between the companies and Entel.

## WIRELINE BUSINESS RESULTS

Revenue in this business area including transactions between Group companies—totalled CLP\$ 289,791 million, up 2% on 2009.

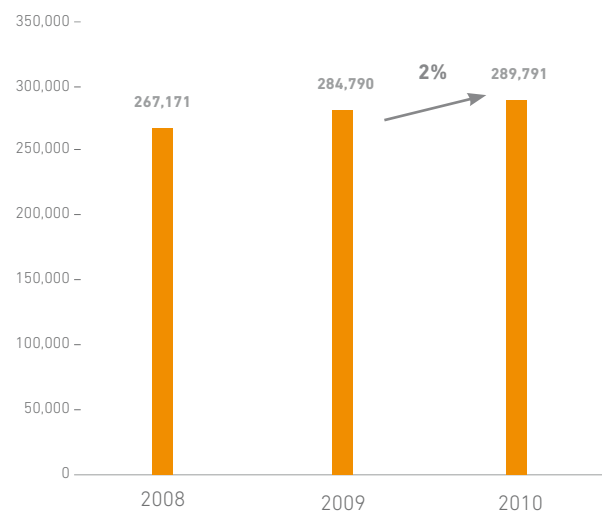
## LONG DISTANCE SERVICES REPRESENT 84% OF REVENUE FROM THE RESIDENTIAL MARKET

RESIDENTIAL SEGMENT  
DISTRIBUTION OF REVENUE 2010  
Total revenue CLP\$ 21,726 million



## NET REVENUE WIRELINE BUSINESS

In \$CLP million  
Values reported under IFRS





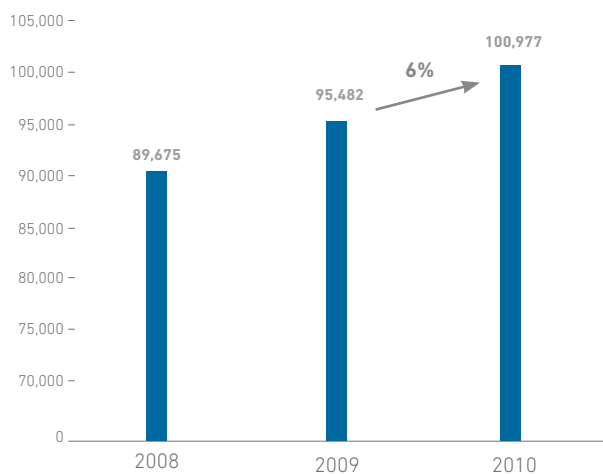
The greatest sales from this area were recorded for Integration Technology and Data Services, with revenue of CLP\$ 100,977 million and a growth of 6% with respect to 2009. Finally, it should be noted that revenue from local telephony and long distance service fell.

Similarly, EBITDA continued to show sustained growth, increasing by 14% in 2010 reaching CLP\$ 109,227 million.

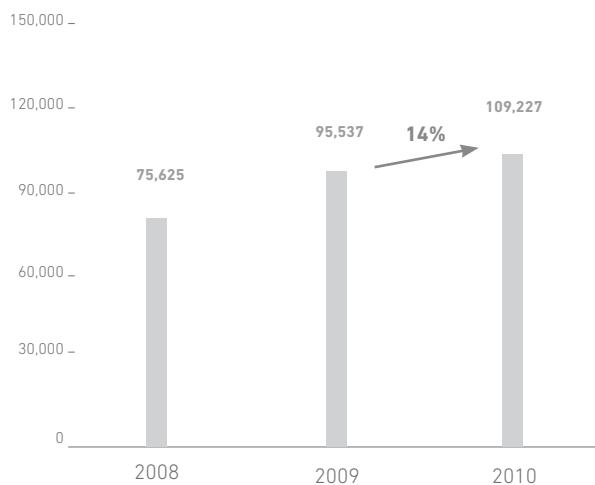
### REVENUE FROM INTERNET AND DATA SERVICES

### EBITDA FOR THE WIRELINE BUSINESS GREW 14% IN 2010

In \$CLP million  
Values reported under IFRS



EBITDA  
In \$CLP million  
Values reported under IFRS







*Americatel*  
*Peru*

# AMERICATEL PERU

*In alignment with the strategic objectives of the Entel Group, in 2010 Americatel Peru began to offer IT services.*

Americatel Peru is focused on three market segments: Enterprise, Mass-market and Wholesale.

In the Business segment its objective has been to achieve growth in the SME market, offering an integrated telecommunications solution using the available access networks (Wimax and external plant) in Lima and Callao. It also supplies bundles which include telephone services, Internet, Centrex and other Value Added Services (VAS). In the Corporate market, its goal has been to maintain and develop its customer portfolio, adding IT and satellite services at a national level.

The satellite services were launched in February 2010 and at the close of the current period, had attracted 46 customers with 114 points. IT Outsourcing services were introduced to the market in June (Hosting, Dedicated Hosting, IaaS and SaaS) with a focus on the portfolio of corporate customers. As part of this, Americatel Peru was integrated into the Entel Group Data Center network.

In the Mass-market segment, Americatel has managed to stabilize the margins of its long distance service in a highly competitive environment which is marked by falling usage levels. This has allowed it to generate new opportunities for development, with strategies tailored to suit particular groups of customers: in the retail mass-

market, periodical promotions have been used to create a perception of low prices and build brand profile through the use of monthly telesales campaigns, whereas in the Enterprise segment, promotions are adapted to the needs of individual customers.

In the Wholesale Segment, the focus has been on ensuring the profitability of the local and national transport network by means of traffic termination for national and international operators, and the backbone, through the supply of high-capacity transportation circuits to telecommunications operators.

## COMPETITIVE POSITION

In the Corporate market, Americatel has a total penetration of 60% and 18% for services provided over its own access network (Telephone services, Internet, Data, NGN or IT).

In the SME market it has a 9% share of the target market, largely thanks to its NGN product (integrated bundle of voice, Internet and VAS).

The main competitors in this business segment are Telefónica-Movistar and Claro-Telmex.

## AMERICATEL SOLUTION BY MARKET SEGMENT

SEGMENT	DESCRIPTION	AMERICATEL SERVICES
<b>BUSINESSES (CORPORATE)</b>	1,600 companies throughout the company with annual sales of US\$ 10 million.	Long Distance, Fixed Digital Telephony, Dedicated Internet, 0800 numbers, Data Links, NGN (Bundle Services), with Internet and Data Satellite services, and IT Outsourcing services (Housing, Dedicated Hosting, IaaS y SaaS) launched in 2010.
<b>BUSINESSES (SMES)</b>	Small and Medium companies in the Lima Metropolitan area with a potential market of 70,000 customers in Lima.	Long Distance, NGN, Analogue Fixed-line Telephone Services and ADSL Internet.
<b>MASS-MARKET</b>	People (A, B and C segments).	Direct-dial long distance, contracted products (long distance international plans for fixed and mobile origin, and long distance national plans for fixed origin), and value added services.
<b>WHOLESALE</b>	National and International Operators.	Traffic termination in Peru and rest of the world, and 0800 services. For Local Operators: Data links, Internet Access and Data Center Services (use of Infrastructure and Housing).

In long distance market (from fixed origin), Americatel competes with Telefónica, Telmex and smaller operators such as Convergía and IDT. Its shares in the domestic and international long distance markets are 20% and 32%, respectively. In the long distance market (from mobile origin), it competes with Telefónica Móviles (Movistar), América Móvil (Claro) and Nextel and, following its launch, has achieved a market share of 5.5%.

In the Wholesale segment, its market share of international incoming long distance traffic is 14%.

### INFRASTRUCTURE

Americatel has two TDM switching centers which are connected to international networks through Chile and the USA and have direct connections with 24 regions in Peru. It is also connected to the country's most important long distance and mobile local operators.

Americatel's metropolitan network in Lima is made up of five primary MPLS nodes which are jointed to a SDH Fiber Optic ring (STM-16) which resides on a CWDM platform. In terms of its access network, it has 52 WiMax base stations providing it with complete coverage in Lima. This

is complimented by the availability of 15 km of external plant distributed throughout the most profitable commercial zones in Lima.

The company also has exclusive fixed wireless local telephony service licenses for the purposes of providing voice, data and Internet Broadband services with 50 MHz spectrum on the 3.5 GHz band and 31.5 MHz on the 2.3 GHz band. In addition to this, it has a carrier license with 400 MHz spectrum on the 38-39 GHz band for its transportation network and for the provision of telephone, data and Broadband Internet services with coverage throughout Lima.

Americatel also provides telephone, data and Broadband Internet services with coverage throughout the whole of Peru, based on the VSAT platform which operates on the Intelsat satellite system. It has links to the Entel Data Centers in order to offer IT services.

In 2010, the company made investments of US\$ 2,788,000, 76% of which was destined for equipment installed with customers for NGN, Local Telephony and Dedicated Internet services.





## RESULTS 2010

Americatel's revenue for 2010 was US\$ 39 million, representing an increase of 1% over the previous year.

The company achieved growth of 11% based on the SME segment which grew to 4,452 companies as a result of NGN services.

In 2010, Americatel succeeded in stabilizing the gross margin of fixed origin long distance products, prior to the Mobile Virtual Area coming into effect in September. This was a consequence of a combination of revenue stability (achieved due to the business management applied, oriented toward the creation of demand and the standardization of tariffs) and a cost optimization policy (including investments in marketing and the rental of long distance national transport links).

In September 2010, the implementation of the Mobile Virtual Area, a system which eliminates the domestic long distance in mobile services, was responsible for a reduction of more than 20% in fixed origin long distance revenue. At the close of 2010, revenue derived from contracted products made up 71% of long distance revenue, compared with 63% in December 2009.

Similarly, in October direct dialing from mobile telephones for international long distance services came into operation.

As a result of the diverse range of changes in the market, the initial strategy is based on increasing the loyalty of postpaid customers through the sale of plans and volume discounts, while for prepaid users, tactical information campaigns have been used to raise awareness of prices and the dialing mechanism. In spite of this, revenue for the long distance mass-market segment fell by 15% with respect to the previous year.

In the Wholesale segment (traffic business), revenue rose 3% as a result of new bilateral agreements with operators, which ensure 14% of monthly revenue and the incorporation of new operators, increasing the capacity for interconnections in 7 E1s.



**GROWING CONTRIBUTION OF BUSINESS SEGMENT TO AMERICATEL REVENUE**

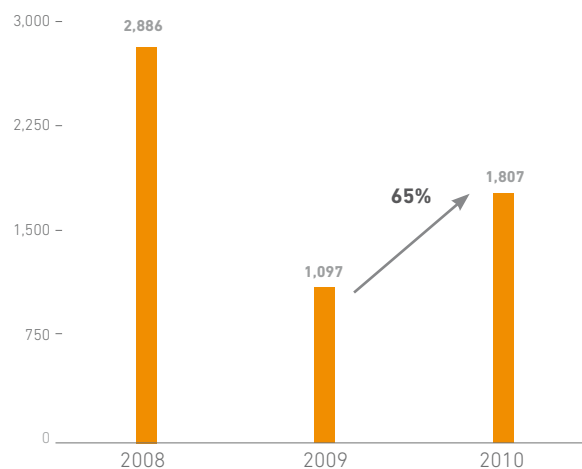
GROSS REVENUE AMERICATEL PERU  
In Th.US\$



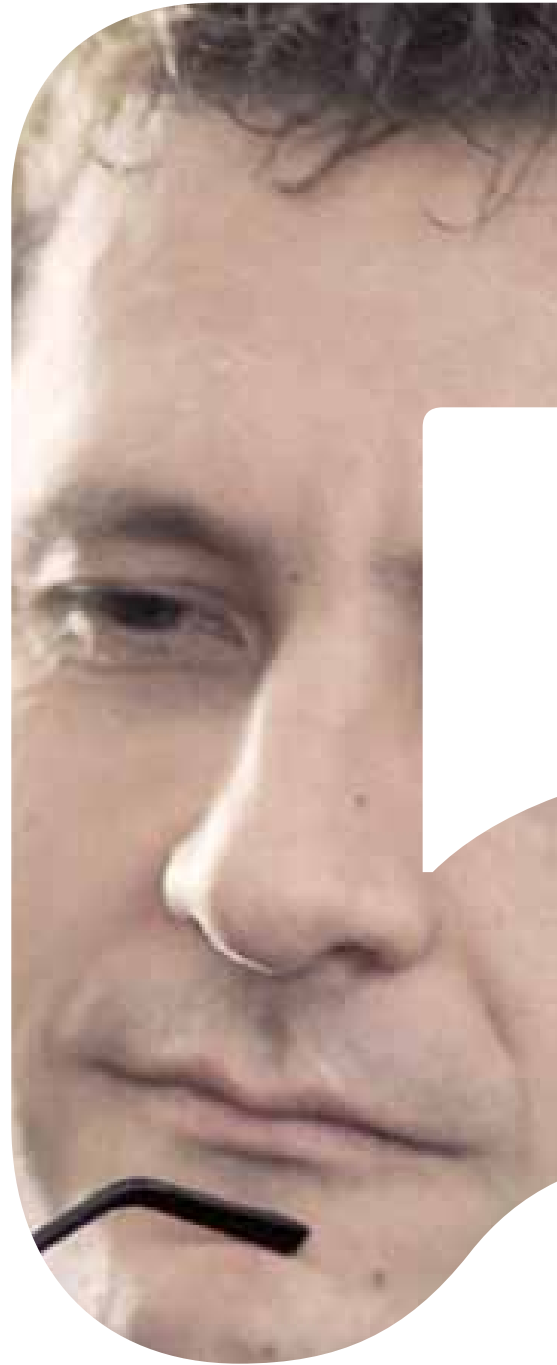
IN 2010, 43% OF AMERICATEL'S REVENUE ORIGINATED FROM ITS OPERATIONS IN THE BUSINESS SEGMENT, WITH 31% GENERATED BY THE MASS-MARKET SEGMENT AND THE REMAINING 26% BY THE WHOLESALE MARKET.

**AMERICATEL'S EBITDA ROSE 65% WITH RESPECT TO THE PREVIOUS YEAR**

EBITDA AMERICATEL PERU  
In Th.US



AMERICATEL'S EBITDA TOTALED US\$ 1,807,000 IN 2010





*Entel  
Call Center*



# ENTEL CALL CENTER

*Accompanying Entel in its business operations, the Call Center subsidiary saw growth in technical help desk and remote IT support services.*

Entel Call Center's activities are designed to remotely provide customers with a fast and accurate solution in order to achieve high levels of satisfaction. This objective is achieved using three types of services: Outbound Calls, Inbound Calls, and Help Desk Services. The last of these three was incorporated in 2007 as part of the Entel Group's strategy for the integration of IT related services to its telecommunications services.

In 2010, Entel Call Center made progress towards its vision of being a world class call center in terms of technical help desks and remote IT support. At the close of the year, it had 450 technical help desk agents attending three classes of customers: Entel Group (for responses related to smartphones, network desks and internal services); large technology companies (including Canon, Xerox and NCR, for technical support related to the equipment the companies sold); and large corporations, to which Entel offers integrated services, such as Banco de Chile and Caja de Compensación Los Héroes.

In 2010, progress was made with ITIL (Information Technology Infrastructure Library) certifications, an international standard which is awarded following a year of postgraduate studies and guarantees mastery of the best practices in the telecommunications industry, in addition to the deployment of projects with PMP (Project Management Professional), as part of the implementation of the PMI (Project Management Institute) standard.

In terms of quality assurance, in December 2010, the company underwent its first COPC certification audit, a standard which includes a number of best practices in Call center management and administration, which is due to end in April 2011.

Alongside the expansion of its services to technical help desks, the company has increased the usage and quality of its other 1,400 positions for Inbound and Outbound services.

## SUBSIDIARY IN PERU

In 2010, the subsidiary Call Center Peru, consolidated three platforms of technical help desks in Lima to accompany Entel's growth in the mass-market Mobile Broadband segment in Chile and the provision of services to the company's large customers in Peru.

At the close of the year, 100 of Call Center Peru's 850 positions corresponded to technical help desks.

The relevance of the geographical diversification represented by the initiation of the operations of Call Center Peru in 2008 was shown in the wake of the earthquake which took place in Chile on February 27, 2010. Thanks to the redirection of services to the Peruvian subsidiary, it was possible to achieve continuity of service for Entel's mobile customers, even absorbing part of the activities of other call centers which were unable to operate at full capacity during the two days following the quake.

The Peruvian subsidiary has also made it possible to support the growth of Chilean companies who are investing their neighboring country or building up regional networks. Over the last two years, the company has been able to offer three alternatives for operations: wholly based in Chile, from Peru, or distributing the capacity across both centers. This has allowed the diversification of both risk and cost bases, making it possible to offer highly competitive services.

## ENTEL CALL CENTER SERVICES

### SERVICE DESK

Entel Technical Help Desks, whose goal is to improve on-line resolution rates and thus reduce on-site visits by technicians.

### CUSTOMER SERVICE

Inbound and/or outbound service aimed at companies who wish to offer more integrated and personalized service to their customers, which includes a wide range of requirements.

### SALES CAMPAIGNS

For companies who wish to develop an additional sales channel, through a platform composed of duly trained agents acting as telesales people.

### TECHNOLOGY SERVICES

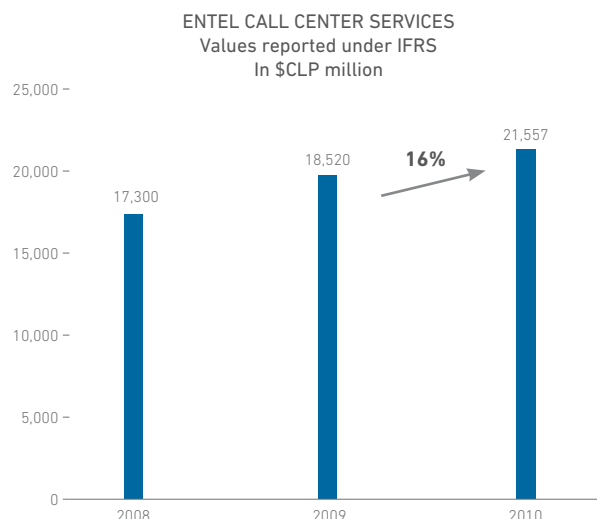
Directed towards companies who wish to administrate human resources internally but who prefer to hand over the administration of the technology, and technical and operational management of their Call Center to experts.

## RESULTS 2010

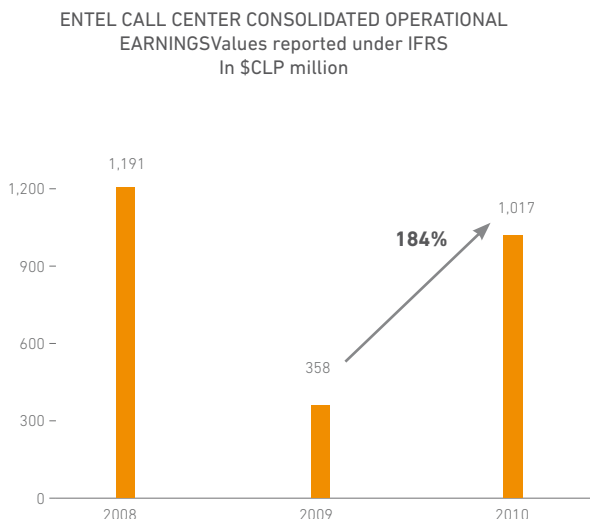
In the last financial year, revenue from Entel Call Center totaled CLP\$ 21,557 million, an increase of 16% over the 2009 figure. This increase in activity, both in Chile and Peru, resulted in operational earnings of CLP\$ 1,017 million, representing an increase of 184% with respect to the previous year.

Consolidated EBITDA totaled CLP\$ 1,988 million, growing by 47% from the previous year.

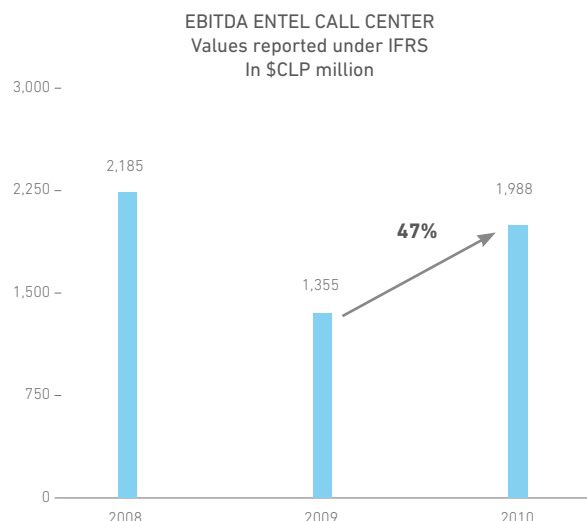
## CONSOLIDATED REVENUE FOR ENTEL CALL CENTER ROSE 16% IN 2010.



## OPERATIONAL EARNINGS WERE 184% ABOVE THE PREVIOUS YEAR



## EBITDA INCREASED BY 47% WHEN COMPARED TO 2009







*Infrastructure  
and Technology*



# INFRASTRUCTURE AND TECHNOLOGY

*The acceleration in the evolution of technologies in recent years has redrawn the boundary between telecommunications and other adjacent industries.*

Integration and convergence in the areas of information technology and media are creating a new experience of telecommunications services for both people and businesses.

This evolution translates into opportunities for the innovation and development that drives our business models, as well as convergent services and high impact applications.

The mass-market adoption of mobile devices with Internet access, the rise of video and progress towards connectivity between devices is considerably increasing communication and productivity among individuals and businesses.

## PROGRESS TOWARD CONVERGENCE

Entel is making progress towards achieving a strong presence in computing platforms and Software as a Service, both of which come under the category of Cloud Computing. This makes it possible to provide customers with increased flexibility in terms of their decisions regarding IT investment and expenditure, as they can request flexible access to servers, storage, informa-

tion back-up and access to the main private and public networks in line with the required capacity, dynamically adjusting these to meet the needs of their business. The key benefits which this group of technologies offers the customer are speed of supply, increased agility in order to adjust to fluctuations in demand, high levels of availability and the possibility of generating temporary environments for testing or migrations. Together, combined with mobile and fixed telecommunications services, this allows the company to continue with its vision of making the concept of ubiquity for individuals and businesses a reality, surprising them with the experience of using Entel's communications and IT technology.

The Entel Innovation Center was launched in 2010 to better tackle these challenges, with the participation of technology suppliers and the support of CORFO. This laboratory facilitates the development of new services and products, both for individuals and businesses, focused on innovation based on customers and their requirements.

Today, the Internet dominates the development of technology, applications and services, and we are quickly moving towards what is called Everything over Broadband (EoB). This implies a shift in the type of Internet

traffic towards multimedia and an explosion in the processing, storage and transportation capabilities of the content and services provided over the network. Observing these trends, Entel continues to strongly drive the development of Mobile Broadband with the wide coverage of its 3.5 (UMTS/HSPA+) network and preparations for evolution to fourth generation technologies (4G/LTE) which will allow access to multimedia services limited only by our imagination.

At Entel, the increased connectivity and ubiquity of mobile services is integrated with the evolution of wireline access mechanisms, such as passive fiber optic networks or GPON. These networks allow new and more innovative services to be created for various market segments, with both fixed and mobile integrated access.

In the progress toward a stage of integration and convergence, Entel has persisted in leading the way when it

comes to the outsourcing of IT services. In this context, services such as virtual servers and the consolidation of on-demand infrastructure, processing and storage are particularly significant. In order to provide these solutions, Entel has six Data Centers, connected by means of a fiber optic network, as a result of the opening of one of Latin America's most modern Data Centers, based in Cuidad de los Valles, powering the Group's IT and Business Process Outsourcing services.

Media and telecommunications industries, which are also closely related, are becoming increasingly integrated, such as digital terrestrial TV which is currently being implemented in Chile under the ISDB-T standard. This technology is already present in the country and its integration with telecommunications services as a multimedia platform is a great challenge for the convergence and provision of new services that are integrated with Entel's current platforms.

## Network Innovation

### GPON TECHNOLOGY

In order to provide support for the total convergence of a new generation of IP-based services, from 2008, Entel has been working on the incorporation of GPON technology. This consists of a high capacity optical network which allows the company to offer first class connectivity and a wide range of advanced services to a larger number of customers.

This new technology does not only offer increased stability and speed (up to 2.5 Gbps), but also makes it possible to share the capacity of the access network between various users with a single fiber line.

GPON technology has been developed to support future increases in speed with minimal modifications to hardware. Thanks to its topology, it allows savings in levels of investment, simplifying the deployment of fiber optics. However, in addition to being a passive network, with less points and active electronics, it allows easier management, operation and maintenance, while reducing points of failure.

In 2010, Entel began the deployment of its GPON network in 5 districts of the country (Downtown Santiago, Providencia, Las Condes, Ñuñoa and Concepción). In the first half of 2011, a project will be undertaken for 7 more districts (Vitacura, Lo Barnechea, Conchalí, Antofagasta, Rancagua, Temuco and Puerto Montt), as well as increasing coverage in some of the districts in which it was previously implemented in 2010.

The full project sets out to cover the majority of enterprises in the most densely populated districts of the country through 3 projects with similar features between 2011 and 2012, implying investment of US\$ 100 million, around US\$ 40 million of which will be invested during 2011.

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**GPON NETWORKS MAKE IT POSSIBLE TO OFFER ADVANCED SERVICES TO A LARGER NUMBER OF CUSTOMERS**

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IN AN ENVIRONMENT OF OPEN INNOVATION, THIS CENTER ALLOWS IDEAS TO BE GENERATED AND PRODUCTS TO BE TESTED TOGETHER WITH CUSTOMERS AND TECHNOLOGICAL PARTNERS

*Entel Innovation Center*

## ENTEL INNOVATION CENTER

Located in the Titanium Tower in Santiago, since its launch in 2010, the Entel Innovation Center has been the most visible face of the company's system for the generation of new products and services. It should be noted that Entel was recognized as one of the most innovative businesses in Chile in the first innovation ranking—based on an international model—conducted by Universidad de Desarrollo, the Business School at Universidad de Los Andes, and the newspaper La Tercera.

The Innovation Center was designed based on an open innovation model under which projects are designed in partnership with customers and technology partners with cutting edge fixed and mobile technology, and new services are tested which allow for improvements to the productivity and competitiveness of businesses in the country, and the communications experience of individuals.

The offices were designed based on the Living Lab concept. The spaces are laid out and designed to facilitate processes of innovation and the transfer of knowledge and technology, in addition to making possible the process of joint innovation among the participating parties. The innovations which are developed are tested and improved in an open observation space in line with the requirements of the target market and, as such, allow for the possibility of the deployment of new products and services to verify their acceptance in environments designed to simulate specific simulations.

The center was a result of the aim of developing products and services for SMEs together with technology partners. The idea was presented at CORFO's Innova

Chile competition, from which it received the required financing on account of its impact on the productivity of SMEs. The following strategic partners participated in this project: Ericsson, Huawei, Siemens, Microsoft, Oracle, Symantec, Netapp, VMWare, Itelecom, Everis and Extension.

The Innovation Center has a stable team of professionals from a variety of specializations for the process of generating ideas for all target segments (individuals, SMEs and large businesses), working in partnership with the i-factory in order to transform these ideas into reality.

## ECOSYSTEM OF ENTEL INNOVATION CENTER



## A TEAM OF ENTEL PROFESSIONALS EXCLUSIVELY DEDICATED TO CONVERTING IDEAS INTO VALUABLE PRODUCTS

### I-FACTORY

In order to transform the ideas which have been selected and prioritized into successful products and services on the market, and reduce their launch times, Entel has the i-factory.

The i-factory is responsible for the design, development, implementation and launch of products and services. It is made up of a team of professionals from different specializations and areas of the business who are exclusively dedicated to transforming ideas into reality. Prior to its creation in 2009, product development was undertaken through the coordination of the various units responsible for development in regular or specific meetings attended by representatives from the various areas. In the i-factory, professional teams share a common space at the corporate headquarters, allowing them to interact on a permanent basis, with the support of dedicated infrastructure for collaborative working.

The results have been highly positive: the number of products launched onto the market has tripled in two years and the time to market has been cut by around 50%.

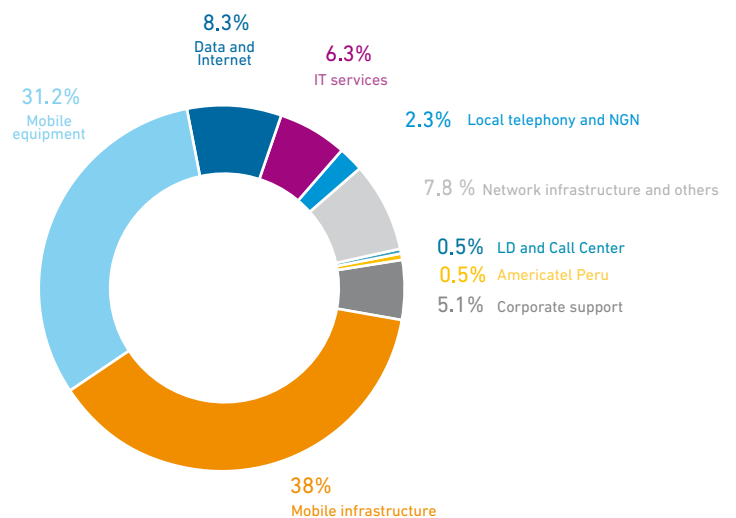
### INFRASTRUCTURE INVESTMENTS

In 2010, Entel made investments of US\$ 576 million, of which US\$ 376 million were destined for infrastructure. Projects in this area were principally for the purpose of reinforcing its supply of strategic services, such as mobile telephone services, Data Center platforms and advanced connectivity, networks for wholesale services and other services associated with the business segment. The company also made investments in real estate, most notably with an advance payment of US\$ 19.5 million for the acquisition of one of the towers in Parque Titanium, where the Group's headquarters will be located.

However, in addition to investments in infrastructure, mobile telephony terminals to the value of US\$ 179.9 million were also acquired for postpaid customers.

69% of total investment was concentrated on companies responsible for the mobile business. The remaining investment was directed to the expansion of the Data Center network, the provision of wholesale services, business continuity platforms and Broadband Internet.

### ENTEL GROUP 2010 INVESTMENTS



## TECHNOLOGY RESOURCES

The services affected by the earthquake in February 2010 have been completely restored. The costs associated with their restoration, largely for repairs, maintenance and the replacement of inventory assets are accrued in the statements for the period.

The services supplied by Entel are based on powerful technology infrastructure made up of its networks and Data Centers.

## NETWORKS

The Entel network has three main networks: transportation, access, and switching of voice and data, in addition to the other associated elements.

The affiliate EntelPhone makes use of local TDM and IP switching (SoftSwitch) centers with a presence in the 24 primary zones, including Easter Island. It also has licenses for a wireless telephone service with national coverage in each of the regions throughout the country, with 100 MHz on the 3.5 GHz spectrum and 20 MHz on the 900 MHz spectrum, which are held by the recently acquired Transam Comunicaciones S.A.

For the switching of long distance traffic, as of 2010, Entel has two centers operating in tandem in Santiago, largely for international traffic, and four throughout regions for domestic traffic. It also has gateways for international VoIP communications which permit the optimization of resources and international transportation costs.

NETWORK TYPE	DESCRIPTION
<b>TRANSPORT NETWORKS</b>	
<b>Fiber Optic Trunk</b>	Trunk 3,450 km network extending from Arica to Puerto Montt and incorporating SDH and DWDM technologies, reaching transportation capacities of up to 400 Gbps. The company has high IP capacity which is continuously expanding, with an average speed of 6 Gbps at connection points, permitting the delivery of Data and Internet services.
<b>Microwaves</b>	Extend from Arica to Coyhaique (4,760 km). The network is primarily used as a means of regional transmission and an access network for Entel PCS mobile telephone services and wireless data services. Entel also has a high availability land-based network between Punta Arenas and Santiago, which is complemented by third party transportation services in order to connect the Magallanes Region and other remote areas.
<b>Satellite</b>	Network with 30 land-based stations distributed throughout Chile and located in isolated areas. The network uses the capacity of the Intelsat and Telesat satellite systems to provide data and telephone services, in addition to the transportation of television and digital audio signals. Entel also operates a VSAT platform oriented toward traffic from private LAN/IP and Internet networks, with DVB technology.

NETWORK TYPE	DESCRIPTION
<b>ACCESS NETWORKS</b>	
<b>xDSL Nodes</b>	The xDSL access network has coverage throughout 176 districts of the country which makes possible the delivery of voice, data and Internet services through a wide range of products.
<b>MPLS Network</b>	For both the Core and the access networks, the MPLS network has been upgraded to Gigabit Ethernet connections throughout the national territory, allowing it to provide dedicated, high availability services for voice and data. In the Metropolitan Region, there is a highly redundant Metro Ethernet network made up of primary optical rings with speeds of up to 10 Gbps, supported by secondary high speed Ethernet rings for access to mobile and private services.
<b>GPON Network</b>	In 2010, Entel launched an urban fiber optic network based on GPON technology in order to connect businesses to data, Internet and telephone services.
<b>2G Mobile Network</b>	The 2G network supports voice and data traffic. It is implemented using GSM/GPRS/EDGE technology at all its points of presence. The network is scaled and configured to support data transmission services with average speeds of 100 Kbps. In 2010, more than 600 new points of presence were commissioned in new districts which were previously without coverage in rural areas, as well as reinforcements to coverage in urban areas.
<b>3G Mobile Network</b>	Entel has the most advanced 3G network in the country. It supports voice and data traffic and is equipped with HSPA+/HSUPA+ technologies at all of its points of presence. These technologies allow for theoretical peak data transmission speeds of 21 Mbps and 5.4 Mbps for download and upload, respectively. The 3G network supports the Mobile Broadband network, the voice telephone service for customers with 3G phones and data services for Smartphone customers. In 2010, more than 700 new sites were implemented over existing points of presence from the 2G network. The capacity of this network is continuously increasing, allowing it to meet ever growing traffic demands.

Entel makes use of a wide range of consortiums to provide an international network with points of presence in Miami, New York, Buenos Aires, Santiago, Lima and Rio de Janeiro.

### INFRASTRUCTURE IN PERU

The Americatel subsidiary has two TDM switching centers which are connected to international networks through Chile and the USA and have direct connections with the 24 regions in Peru. It is also connected to the country's most important local long distance and mobile operators.

Americatel's metropolitan network in Lima is made up of five primary MPLS nodes which are jointed to a SDH Fiber Optic ring mounted on a CWDM platform. As an access network, the company has 52 WiMax base stations, providing complete coverage in Lima. To complement this, the company has 15 km of external plant distributed throughout the areas of highest commercial value in Lima.

The subsidiary also has exclusive fixed wireless telephone service licenses for the purposes of providing telephone, data and Broadband Internet services with 50 MHz on the 3.5 GHz spectrum and 31.5 MHz on the 2.3 GHz spectrum. In addition to this, it has a carrier license with 400 MHz on the 38–39 GHz spectrum for its transportation network and for the provision of telephone, data and Broadband Internet services with coverage throughout Lima.

Americatel also provides telephone, data and Broadband Internet services with coverage throughout Peru over the VSAT platform, using the Intelsat system, and is now linked to Entel's Data Center network for the supply of IT services.

### DATA CENTERS

As part of its infrastructure, Entel has six interconnected Data Centers which are named according to their location: Amunátegui, Pedro de Valdivia, Ñuñoa, Longovilo, Vicuña Mackenna and Ciudad de los Valles.

These Data Centers have a total floor space of 5,100 m<sup>2</sup> which has already been equipped, and a master plan which allows for expansion up to 11,600 m<sup>2</sup>. From these Data Centers, Entel offers outsourcing services for IT operations, ranging from Housing all the way to more sophisticated services which involve the operation and

running of platforms that support customers' business applications.

The Housing service consists of providing space for the allocation of racks and other customer equipment in the various rooms of the Entel Data Centers. This provides the customer usage alternatives, with primary and secondary sites.

The company has recently incorporated On-demand services, both for infrastructure (processing, backup, storage) and applications (collaborative platforms such as email, messaging, workflows, etc.)

### CIUDAD DE LOS VALLES DATA CENTER

The Ciudad de Los Valles Data Center, the first phase of which was launched in 2010, is located in Pudahuel, beside highway 68. The location was selected for its optimum geographical conditions and flexible access to the main access routes to Santiago.

The Data Center, which is located on a 25,000 m<sup>2</sup> site, has infrastructure which has been designed to meet the mission critical requirements of its customers (based on the TIER 3 standard, guaranteeing high availability and robust service continuity). The modular design of the building allows it to be equipped to meet the specific requirements of large customers in wide operation and monitoring rooms which are dedicated to their staff. Its capacities have been designed to facilitate growth in any time frame, without being tied to the costs of moving site.

The Data Center in Ciudad de los Valles has been designed to respond flexibly to the increases in demand planned by its customers. The complete project is designed to grow to a total of 8,000 m<sup>2</sup> distributed across 4 buildings within a period of 6 to 8 years, depending on demand.

The first building was constructed in 2010, making available 1,500 m<sup>2</sup> of the 2,000 m<sup>2</sup> involved in this phase. The second building will be constructed in 2011 with the rooms to be equipped during 2012.

In addition to this, the Amunátegui data center began to fit out an additional 250 m<sup>2</sup> which will become available in 2011, together with additional surface at the Ñuñoa Data Center.





*Communications  
Policy and Human  
Resources*



# COMMUNICATIONS POLICY

*For Entel, in terms of communications 2010 was marked by a new corporate image and valuable market recognition.*

The search for a brand image coherent with our customer focus and the attributes of a close relationship and modernity was the driving force behind the changes to Entel's visual identity launched at the start of 2010.

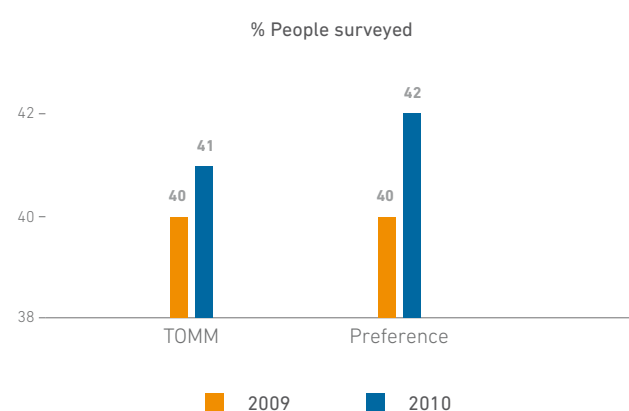
At the end of February and within a period of 3 days, the company's new brand image was implemented for sales and service channels in Santiago. During the following weeks, it was extended throughout the regions, with the change being complete by the end of March. An endomarketing campaign was used to communicate the new image to employees before it was launched on the mass market.

The new image also supports the integration of the company's areas of business and as such eliminates the brand elements associated with products or subsidiaries.



## FAVORABLE RESPONSE

The change of image helped reinforce Entel's leadership in terms of brand recognition and preference, both of which represent the brand's importance in the mind of consumers, customers and the general public.



41% OF THOSE SURVEYED (CUSTOMERS AND GENERAL PUBLIC) MENTIONED THE ENTEL BRAND IN FIRST PLACE IN A STUDY CARRIED OUT BY KRONOS IN 2010, WITH 1,400 RESPONDENTS THROUGHOUT THE COUNTRY. SIMILARLY, IN ANSWERING THE QUESTION "WHICH MOBILE PHONE COMPANY DO YOU PREFER?", 42% RESPONDED WITH ENTEL AS THEIR FIRST CHOICE.



The response from the market was highly favorable, especially in the enterprise segment, as was shown by the fact that Image and Marketing were two of the items given the best ratings by the executives consulted for the preparation of the ranking of the most respected companies in Chile for 2010 (Study by PricewaterhouseCoopers and Diario Financiero), in which Entel came second place.

## MAIN ACTIVITIES

**In the Retail market,** the marketing strategy was designed in line with three fundamental principles: the communication of services offered (plans, tariffs), Mobile Broadband (MBB) services and Mobile Internet. In addition to this, the company undertook communication campaigns for issues affecting its customers:

### Number Portability

At the start of the year, Entel used a simple and engaging message in order to communicate its favorable position in terms of Number Portability. Consumers were able to recognize the “confidence of a leader” in this campaign and today the brand is strongly and positively associated with the concept.

### National Football Team

The company undertook a series of activities designed to reinforce its activities as sponsor of the National Football Team. As part of these activities, it sponsored the documentary “Ojos Rojos”, which was watched by over 300,000 Chileans in the cinema and undertook advertising and promotional campaigns prior to and during

the South Africa 2010 World Cup. The strategy which was implemented meant that Entel was one of the two brands associated with the Selection.

In 2010, the company renewed its sponsorship of the National Football Team.

### FDT “Todo Chile Comunicado”

The launch of the “Todo Chile Comunicado” project represented a milestone for the company’s communications strategy, since it provided an opportunity to reinforce attributes such as Leadership, Close Relationships and Having the Best Network. In terms of communications, the project was implemented in phases, with a specific focus on the benefits this initiative will provide to the development of the communities who will be affected by it.

### Mobile Broadband

Another important challenge for 2010 was to lead the way in the Mobile Broadband category. The guidance behind the message focused on the user experience and speed, differentiating Entel’s service and positioning it as a leader in the category.

### Mass-market Events

In partnership with one of the largest producers in the country, Entel was present in the most important concerts of the year in Chile, including Rush, Bon Jovi, Jonas Brothers, Guns n’ Roses and Luis Miguel. Exclusive discounts and pre-sales were offered for customers at all of these events.



For the third year in a row, the company took part in the celebration of the most important and widely attended electronic music concert in Chile: Sensation, The Ocean of White. More than 15,000 people dressed in white to attend the event at Estación Mapocho.

Entel was also responsible for a new version of the Creamfields electronic music festival, in which one of the most famous DJs in the world took part: David Guetta.

Entel's interest in supporting sport was shown by its sponsorship of the Rancagua Rodeo Championship and the National Sailing Championship, in which the Entel yacht took part, in addition to the National Women's Football Competition.

On December 31, the company organized its 20th Entel Tower new year celebration, with a fireworks display and the participation of distinguished national artists. The event was attended by 350,000 people.

**In the Enterprise segment**, the marketing plan was designed to strengthen the value offered to this segment by generating close relationships and trust with customers. It was structured in two parts: Marketing to reinforce the position of the company and marketing activities to generate demand and increase customer loyalty. All this was backed by direct marketing strategies and our on-line strategies.

The company made use of the slogan "Because we're committed to your business... Trust Entel Business" to communicate, through business publications, emphasizing its integrated supply of services for businesses (fixed and mobile connectivity and Information Technology).

During the first half of the year, the Cloud Computing Campaign was launched to promote Entel's association with the concept and reinforce the company's strengths in this area. The campaign was reinforced in the second half of the year by terrestrial and cable television, as well as the normal media used for communication with businesses, such as press and radio.

The opening of the Ciudad de los Valles Data Center which took place in May, was publicized using adverts and feature articles in order to highlight the features of the data center, the largest and most modern in the country.

In 2010, Entel achieved an increase in the recognition of its advertising in the SME sector and a favorable evaluation of its Cloud Computing campaign, which contributed to the improvement of its image in this market.

The technology and customer relationship events undertaken by Entel had a strong impact on the Enterprise market.

The Entel Summit 2010, which took place in the second half of July in Espacio Riesco in Santiago, was attended by more than 1,600 people. The keynote speaker was Jack Dorsey, creator, co-founder and president of Twitter. Additionally, a number of the company's strategic partners also took part in the event, including Cisco, VMware, NetApp, Huawei, Siemens, SAP, Oracle, Ericsson, BlackBerry, Microsoft, HP, Symantec and Samsung.

In 2010, the Entel Business Turn also took place, with events in Santiago, Iquique, Antofagasta, La Serena, Viña del Mar, Rancagua, Temuco, Concepción and Puerto Montt. In total, the turn was attended by more than 2,000 people and enjoyed wide coverage in local media.

In November, the company organized the Entel Mountain Bike event for the second year which saw more than 1,700 racers converge on Longovillo to compete in 25, 50 and 75 km circuits. The event also saw the implementation of important developments, both in terms of the production, the routes and the base camp, making it the most important race in Chile for this sport.



**DISTINCTIONS RECEIVED BY ENTEL IN 2010**

SERVICE QUALITY PRIZE	SECOND PLACE IN THE MOST RESPECTED COMPANIES RANKING	THIRD PLACE IN THE RANKING OF INNOVATIVE COMPANIES IN CHILE	EIGHT PLACE IN CORPORATE REPUTATION RANKING
<p>Entel was ranked as the number one company in the National Consumer Satisfaction Index, for the "Mobile telephone services" category, and included in the Table of Honor for this ranking since it has been a prize winner for the last eight years.</p> <p>This recognition is part of the National Consumer Satisfaction Survey which has been run by ProCalidad and Revista Capital for 10 years, and is the only ranking which measures customer satisfaction among service sector companies. It is a quantitative study which covers a sample of more than 18,000 surveys.</p>	<p>More than 4,000 executives and opinion formers from the most important companies in the country selected Entel as one of the ten most respected firms in Chile.</p> <p>The latest "Most Respected Companies in Chile" ranking which was run for the twelfth consecutive year by PricewaterhouseCoopers and Diario Financiero, ranked Entel second place in the table, the best position achieved since the study began in 1999.</p> <p>The company made progress in all the areas considered by the survey although was especially distinguished in the following areas: quality and attractiveness of marketing and corporate image, capacity for innovation, quality of staff and management, transparency and company governance.</p>	<p>Based on an international model, the study undertaken by the Universidad del Desarrollo and the Business School at Universidad de Los Andes measured the capacity of 25 large businesses from a variety of sectors for "consistent and systematic" innovation for the first time in Chile.</p> <p>Based on this, the ranking of innovative companies in Chile was prepared, in which Entel came third place.</p>	<p>Prepared based on a sample of 545 executives from Chilean companies with sales are over US\$ 30 million, the Corporate Reputation Company Monitor ranking (Merco), ranked Entel eighth out of 50 companies.</p> <p>The study, which was undertaken in Chile for the first time in 2010, evaluated public recognition of corporate excellence.</p>

**MARKET DEVELOPMENT MANAGEMENT PRIZE**

As part of the celebrations of its 35th anniversary, Revista Gestión recognized business people, companies and institutions which have stood out on account of their contribution to the development of the country with the 2010 Premios Gestión.

The publication recognized Entel with the "Market Development Management" prize on account of its continuous innovation and its commitment to IT outsourcing with the construction of its Ciudad de los Valles Data Center this year, a project which required significant investment..

1. EFFIE PROMOTION CATEGORY	2. ACHAP SERVICE SECTOR CATEGORY	3. IAB (INTERACTIVE ADVERTISING BUREAU)
<p>Free mobile Internet campaign from 7:00 to 9:00 "Believe it or not" Silver October 2010</p>	<p>FDT campaign "Todo Chile Comunicado" Silver Award November 2010</p>	<p>Adviser of the Year, IAB Chile December 2010</p>

# HUMAN RESOURCES

*Entel's strategy emphasizes three key objectives: customer satisfaction, professional excellence and innovation.*

The Entel organization aims to offer the community with the best types of communications tools with the highest possible levels of coverage. Fulfillment of this mission is achieved under the ethical framework which defines all the processes related to Human Resources Management, including recruitment, training and compensation.

From this perspective, the company's business strategy is supported by a focus on three key objectives: customer satisfaction, professional excellence and innovation.

For Entel, leading the telecommunications and IT market means improving the productivity and quality of life of our customers and supporting their development through the use of the solutions it offers. Through its team, the company seeks to anticipate opportunities which will arise, to perceive changes and be the first to adopt them. To achieve this, Entel's employees are firmly committed to the values of honesty, transparency and behaving fairly and honestly at all times.

At the start of 2010, the company launched an Ethics Web for the Entel Group. Designed under international standards, this allows direct interaction between the company's employees and the Ethics Committee, a body which undertakes analysis and provides resolutions. As such it includes a system for efficiently resolving concerns or reports which arise in this respect in strict confidentiality.

2010 saw important progress made in the area of Human Resources in relation to the Competency Based Management Model, which has allowed the effective integration of the human resources cycle, orienting and facilitating the development of employees and improving the efficiency not only of the recruitment and selection processes, but also of the design of an effective Competency Based Training model in line with business requirements.

## RECRUITMENT

In terms of the talent retention, in 2010 the company created partnerships with the country's most important universities through active participation in careers fairs and the establishment of close relationships with their representatives in the business world. The purpose was to carry out proactive recruitment which would allow for the early identification of professionals with the greatest potential in order to invite them to take part in Entel's selection processes. As part of this, the employment web site was improved to reflect the new corporate image, showing Entel as a dynamic, innovative and attractive company for professional development.

For new staff, an induction program specific to each position was designed in order to facilitate the adapting process and integration with the work team, providing a welcome which reinforces the commitment and motivation of new members of staff, allowing the Entel culture to be communicated from the start.

The talent retention program was expanded to other company staff, including Technical Specialists, Service Directors and Heads of Project Program, which defined and created development plans aligned with the goals of the organization. Similarly, it continued to work on the Recognition Program, designed to identify, retain and develop the talent which will guide the business in the future.

## TRAINING

In 2010, the company focused strongly on its employees' knowledge of legal regulations and procedures designed and implemented by the Human Resources Division, in order to strengthen leadership in these areas and autonomy from the point of view of the Entel hierarchies.

Similarly, it continued to manage progress in terms of training related to certification and keeping up to date with new technologies, both of which are vital to maintaining a high level of knowledge within the company.

The Human Resources Division took part in changes and evolution processes for different areas within Entel. It was included in the first stage of the project which will support the implementation of a new model for innovation at Entel, under which the whole organization will be aligned.

As part of the development of a innovation culture, an e-learning course was developed in order to provide employees with training covering basic concepts which embody this idea, such as new definitions of innovation, how innovation management has changed in organizations and what this means to Entel today.

As part of this, innovation monitors programs were developed in order to promote this process and to reinforce the participation of the whole organization.

## COMPENSATION MANAGEMENT PLAN

Within the Human Resources strategy there is a permanent focus on variable salaries in line with the targets and objectives achieved, and the fostering of a polyvalent and multifunctional workforce as defined in the business Excellence Plan. For this reason, Entel has a conceptual Salary Management model which integrates processes related to the analysis of internal job position descriptions in the setting of salary and incentive structures in line with external market procedures.

Similarly, the company has created a structured compensation system based on management by objectives, which applies to the first three levels of company management and seeks to align compliance with the objectives set for these levels with those of the company, helping to maintain an integrated vision.

In 2010, the compensation plan for Executives and Management of equivalent level in Entel's parent company totaled CLP\$ 4,313,501,592 distributed between an average of 48 people. Similarly, CLP\$ 2,224,251,466 was paid out in bonuses. In terms of severance pay for executives who left the group, CLP\$ 319,297,903 was paid out to 6 people.

For the Entel Mobile Business, the compensation received by executives throughout the 2010 period was CLP\$ 4,705,860,848, distributed between an average of 60 people. Remuneration to executives includes the incentive system linked to the achievement of targets and objectives which are previously set by the Company, totaling CLP\$ 785,504,410 as of December 31, 2010. Finally, total severance pay awarded during the last financial year for 2 executives was CLP\$ 29,822,855.

## MOTIVATIONAL CAMPAIGNS 2010

### GIVE YOUR ACTIONS VALUE

In order to reinforce corporate values and identify them with concrete actions or situations, the company invited people to take part in the "Give your actions value" initiative. By means of photographs or short accounts, participants were asked to depict daily situations in the workplace in which the following values were expressed: being the best; integrity and fulfillment; responsibility and awareness. Large scale participation allowed the levels of recognition of the values to return to those following their launch in 2009.

### NEW ENTEL IDENTITY

In order to promote Entel's new corporate image at an internal level, this campaign served to prepare people for the change through corporate activities prior to communication to customers. The message "the same essence, improved appearance" was spread using endo-marketing activities.

### LIVE INNOVATION

Entel PCS made use of an Intranet web site to receive ideas from its employees, which were then evaluated on a quarterly basis by an executive committee. The program received 893 ideas in 2010. For each period, four were awarded prizes for obtaining the highest average ratings from the managers in line with the following criteria: Innovation, Impact, Implementation and Depth. This has allowed the company to strengthen the sense of belonging and commitment to its development.

### ENTEL LIVES THE WORLD CUP

As an opportunity to develop team spirit, cohesion and commitment, the company decided to get involved with the South Africa World Cup. As part of this spaces were made available in the Entel Auditorium to watch the matches and a competition was run in relation to the corporate values, with lunch at Club de Campo as the first prize. All these actions served to reinforce communication between different areas of the company and consolidated the sense of employee identity.



# SOCIAL RESPONSIBILITY POLICY

*Entel published its third Sustainability Report in order to provide information about its performance in the economic, societal and environmental areas.*

Entel's Corporate Social Responsibility program is shown by the company's voluntary willingness to listen, understand and fulfill the legitimate interests and expectations of the wide range of stakeholders with which it deals, and to incorporate this variable in the planning and management of all of its operations to ensure their sustainability in the long term and the company's contribution to the development of the communications sector in the country for the wellbeing of society.

In terms of social responsibility, Entel's performance was highlighted by the Corporate Social Responsibility Monitor study carried out by Mori. A ranking was constructed based on this research, undertaken from Arica to Punta Arenas by means of face-to-face interviews, in which Entel came eighth place, being the only company from the telecommunications industry and the essential services category which was mentioned without prompting by participants.

The Third Biannual Sustainability Report 2009–2010, which was published together with this annual report

and is available on the company website ([www.entel.cl](http://www.entel.cl)), setting out the commitments and performance of Entel in terms of society, the environment and the economy for the period, in line with the Global Reporting Initiative (GRI).

The country's connectivity in terms of telecommunications is a challenge that the company has taken on as part of its relationship with the Community. As part of this, in 2010 it took part in a number of related projects: In the area of Lolol, in the Libertador Bernardo O'Higgins Region, it formed a strategic partnership with the Chilean air force; in Tocopilla, Antofagasta Region, it formed a joint venture with Nokia; and in Chaca, Arica and Parinacota Region, and Nirivilo, Maule Region, it took part in the project Todo Chile Comunicado.

Similarly, in partnership with the País Digital (Digital Country) initiative, it undertook regional seminars with the title Innovation







*Corporate  
and Financial  
Review***w**

# CORPORATE AND FINANCIAL REVIEW

## DIVIDEND POLICY

The dividend policy, approved by the Board of Directors and communicated at the Ordinary General Stockholders' Meeting on April 29, 2010 is as follows:

### DIVIDEND POLICY

In accordance with the regulations set out by the Chilean Securities and Insurance Supervisor, the Board of Directors must approve the Company's dividend Policy for future years.

For 2010 and subsequent years the Board intends to maintain a stable dividend policy and proposes to distribute up to 80% of the profits earned during each financial year as a dividend, and also where applicable, to capitalize part of these profits accrued at the end of each period. It is proposed to pay the final dividend on or before May 31 of each year. With respect to annual interim dividends, it is intended to make an interim dividend payment in the final quarter of 2010 with the value of this payment based on the Company's performance during the first three quarters of this period.

In determining the percentage of profit to be paid out and the dates on which proposed final dividends will be paid, the Company seeks to ensure financial stability while adhering to the established distribution policy. In particular, specific attention has been paid to safeguards in terms of debt, liquidity and financing budgeting, covenants which may arise in public supply contracts, and credit agreements entered into by the company.

At all times, the board's intentions for dividend payments depend on performance and investment requirements as set out by regular forecasts made by the company.

It is expressly stated that in line with the policy for the determination of liquid distributable profit and the policy for the handling of adjustments for the initial application of IFRS for the 2009 financial year the Company Board of Directors agreed the following at the meeting held on November 16, 2009:

a) As the policy for the determination of the liquid distributable profit for the 2009 financial year, it was agreed to consider the net effect, taking into account positive and negative variations from changes in the fair value of assets and liabilities.

In the event of a net positive effect (profit), this will be discounted from the financial profit in order to calculate the liquid distributable profit.

In the event of a negative effect (loss), this will not be added to the financial profit.

It is expressly stated that this policy relates to adjustments for the purpose of derivative contracts, since at the date of writing, the company has no assets or liabilities registered which are susceptible to adjustment to market values as per IFRS.

b) As the policy for handling adjustments for the initial application of IFRS, with respect to losses incurred for the initial application of IFRS, these will be managed in an equity account. As such, a decision will not be made to absorb them by decreasing paid-in capital.

However, a decision may be made to absorb this balance by allocating it against profits in future financial years.

It is also stated that this Policy was communicated to the Chilean Securities and Insurance Supervisor in a timely manner and that it has been recognized at this Meeting in line with the provisions of Circular 1945 of the Securities and Insurance Supervisor.

This policy will regulate future financial years in the above manner.

#### DIVIDEND PAYMENT PROCEDURE

Upon a written request received from any stockholder, dividends will be deposited in the stockholder's current or savings account on the date established for payment. To do so, the stockholder will provide the name of the bank, branch or office, and the current or savings account number for which they are the account holder, understanding that they will be included in the payment system within a period of 21 days from the receipt of the corresponding communication by the Company. The stockholder will remain bound by this method of payment for so long as they fail to communicate otherwise in writing.

Additionally, upon receipt of a written request from a stockholder, dividend payments may also be made in the form of a check, payable to the respective stockholder and sent by registered mail no later than the date of payment. As stated above, parties will be covered by this payment system 21 days from receipt of the corresponding request on the part of the company, and they will remain covered until a written communication is received requesting the use of an alternative payment method.

The company will provide stockholders with forms, which are available upon request, to allow them to select one of the established payment methods.

For stockholders who have not selected one of the aforementioned methods of payment, dividends will be paid at a bank in Chile's Metropolitan Region, as selected by the Company, or at the address indicated by the Company in this region, this information being available for disclosure alongside the name of the paying agent in the notification referred to below. Dividends which have not been collected within 90 days of the due date will remain available for stockholders in the management company's offices in the Register of Stockholders.

Parties who decide to withdraw their dividends from a commercial bank or from the company's designated offices, must do so in person or by a representative who is legally authorized by public deed or via a private instrument signed in front of a public notary. In the latter case, the original document or a duly legalized photocopy should remain in the hands of the Company.

The payment of dividends will be communicated in a national newspaper selected at the General Stockholders' Meeting.

## INVESTMENT POLICY

The objective of the business is to obtain maximum return on equity through the study, construction, and operation of telecommunications systems and the provision of related services in Chile and abroad. To ensure adequate fulfillment of this objective, the Company makes investments with the aim of satisfying the demands of its customers and users as a way of maintaining efficiency, both technically and economically, and at levels suitable to support the maintenance of its facilities, and the development of its operations so as to ensure they are in line with the needs of the national telecommunications sector. Consequently, 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 their financing structure.

For 2010, in line with the Investments and Financing Budget of Empresa Nacional de Telecomunicaciones S.A., an annual investment in fixed assets not exceeding the level of debt permitted by the finance policy was authorized. This will be allocated to finance a range of company projects, the majority of which are carried out within Chile, but also abroad.

In line with the rules approved at the General Stockholders Meeting, the Board must give details of the specific investments in businesses, operations and studies that will be made by the Company. Essentially, these amounts will depend on the programs to be undertaken throughout the calendar year.

The Company will be given approval to make contributions to subsidiaries and associates within the margins of this policy.

In order to maximize the performance of cash surpluses, the Company will make investments in financial assets and/or market securities, in line with the selection and portfolio diversification criteria. Additionally, these criteria will take into consideration factors such as liquidity, security and adequate profitability.

## FINANCING POLICY

The company's financing policy primarily involves the following resources:

- Its own resources
- Resources generated by the increase in Capital Stock by means of the issue and placement of shares, both in Chile and abroad.
- Supplier Credits
- Loans from banks and financial institutions
- Deferred Customs Duties
- Bonds and commercial papers (public and private)
- Leasing and leaseback.

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

This threshold is justified since it allows the flexibility of financial management and permits new telecommunications projects, both nationally and internationally, to be undertaken.

It should be remembered that the Company Management cannot agree to specific restrictions placed by creditors on dividends, or grant guarantees of any nature to third parties or other companies or businesses which are not subsidiaries or associates.

Additionally, all assets held by the Company and used for the operation of national public service contracts which are essential for providing services are defined as essential assets for the operation of the business. Such assets, however, may be modified or replaced, if they become technically or economically obsolete; they may also be transferred in the event that they are no longer necessary for the provision of a service.

## FINANCIAL INFORMATION

FINANCIAL INFORMATION (IN MILLIONS OF PESOS)	2008	2009	2010
Consolidated revenue	1,006,768	994,671	1,086,816
EBITDA	399,419	401,358	446,429
Operational Earnings	196,145	184,580	208,541
Annual Profit	139,233	142,260	172,971
Total Assets	1,403,061	1,365,390	1,489,274
Total Liabilities	779,192	704,538	767,900
Total Equity	623,869	660,852	721,375
<b>TOTAL LIABILITIES AND STOCKHOLDER EQUITY</b>	<b>1,403,061</b>	<b>1,365,390</b>	<b>1,489,274</b>

NOTE: revenue includes the net income from the sale of property, plant and equipment.

## DISTRIBUTABLE PROFITS

The Consolidated Income statements for the 2010 financial year show a profit of CLP\$ 172,971,209,009. For the purposes of determining the liquid distributable profit to be considered in the calculation of the minimum compulsory and additional dividend, the company has established a policy for deducting profits which have originated from adjustments to fair value of assets and liabilities which have not been carried out. As of December 31, 2010, the value for this item was CLP\$ 885,992,024.

Consequently, the liquid distributable profit for the 2010 financial year is CLP\$ 172,085,216,985. An interim dividend of CLP\$ 100 per share, equivalent to a total of CLP\$ 23,652,369,500 was allocated against these profits, payable on December 13, 2010. The dividend was agreed at the meeting of the company's Board of Directors held on November 8, 2010 and represents 13.74% of profits from the financial year.

Profits are not subject to any other type of deductions for the purposes of their distribution.

## DIVIDENDS PAID PER SHARE

YEAR	NOMINAL DIVIDEND (IN CLP)
1997	55.67
1998	20.00
1999	10.00
2000	40.00
2001	40.00
2002	43.38
2003	65.00
2004	90.00
2005	895.00
2006	290.00
2007	338.00
2008	443.00
2009	443.00
2010	450.00

## FINANCIAL ACTIVITIES

During the course of the financial year, the Company met its financial requirements with internal cash flow and the temporary use of bank overdraft facilities and Commercial Papers placed on the local market. At the close of the financial year, the total financial debt of CLP\$ 283 billion was principally composed of international credit provided by a banking syndicate loan which was most recently renewed in August 2007. This credit has equal annual amortizations which run from 2012 until 2014. The company is analyzing the best alternative for payment of the first amortization. The company currently has a series of commercial papers for UF 1,413,000 (UF – Chilean National Currency Index) which have been issued and paid in 4 series, each with a value of CLP\$ 10,000 million. The bills have enjoyed high levels of market demand, allowing the company access to favorable economic conditions in respect of this source of financing. Additionally, and for specific days, in July, CLP\$ 7,494 million was accessed from bank overdraft facilities, which was repaid within the same month.

Leasing contracts have been signed in the past both by the Company and its subsidiaries Cientec and its Peruvian operation (Americatel) for the acquisition of certain properties. In November, the company took over the management of two bank loans originating from the purchase of Transam. The balance of financial debt for the company at the close of 2010 is UF 29,935.

Both the acquisition of Transam and the first payments associated with the construction of the new corporate headquarters were financed with the companies own resources.

Given that the majority of debt is structured in foreign currency, the company has taken out derivative contracts which cover the totality of its exchange rate exposure with the structuring of Forwards, Options and Cross Currency Swaps. The latter have also partly covered the risks associated with fluctuations in the Libo interest rates upon which international credit is expressed.

In terms of exchange rate hedging operations by means of structured forward contracts, an average purchase portfolio of approximately US\$ 387 million was maintained.

In 2010 the Entel Group had an average cash surplus balance of CLP\$ 60,518 million. Surpluses were placed on the national and international market in compliance with an Investment policy designed to reduce the risk of return. The in-

vestment instruments used were purchase with buyback option debt instruments issued by the Chilean Central Bank and other state organizations, shares in short term fixed income mutual funds and registered term deposits issued by banks. In 2010 all placements were made with terms of less than one year.

## RISK FACTORS

### THE RISK OF TECHNOLOGICAL CHANGE

The constant introduction of new technologies requires continuous innovation which, while presenting opportunities also includes the risk of technological change. Risk arises through possible investment in technologies that may evolve prior to the date that has been initially estimated, with the expected returns on these investments being reduced.

The risk of technological change is an inherent part of the industry in which Entel operates, and in this respect it is critical for the company to remain at the forefront of technological development in order to retain its competitiveness. Accordingly, Entel has an active and continuous policy of adopting the most advanced technologies as a strategic part of its growth and development, although always subject to the corresponding analysis of expected profitability. This has allowed the Group to position itself at the forefront of technological development, successfully adapting to the use of new technologies and making the transition from offering a single product to becoming an integrated supplier and adopting new ways of doing business. The appearance and development of new technologies has enabled Entel to grow and diversify, reducing its exposure to individual business areas and segments.

### REGULATORY RISKS

Regulation plays an important role in the communications industry. Stable regulations and criteria allow for the adequate evaluation of projects and the reduction of the risk inherent in investments, meaning that careful monitoring of the development of regulations is important. In this respect, for 2010, the regulatory aspects which will come into effect from 2011 are as follows:

The Entelphone tariff process began in 2010 in order to fix access charges and other facilities which are provided to other telecommunications license holders. This process must be completed by January 11, 2011 and has a duration of 5 years from this date. In terms of the tariff processes which have ended with respect to other fixed telephone service companies, the values which have been set have tended to decrease, similar to those for mobile telephone services, making it likely that the same will happen with Entelphone.

In 2010, the General Telecommunications Act was modified in order to introduce the concept of network neutrality which generally speaking prohibits any form of discrimination for Internet access. However, the economic impact of this legal modification will be quantified upon the enactment of the specific regulations for compliance.

In terms of the long distance business, from June 2011, the number of primary geographical areas defined for national communications will be reduced from 24 to 13. This legal modification will have any relevant effects on Entel's revenue for the coming three years, however, the legal body establishes that 37 months following the law taking effect and subject to a favorable report from the Tribunal for the Defense of Free Competition, the domestic long distance will be removed, meaning that from this date, fixed local telephone services will operate in the same manner as mobile telephone services, without a requirement to make use of a carrier for calls between different geographical areas within the country.

In 2010, the technical regulations were modified for all the frequency bands assigned for mobile telephone services (850 Mhz, 1900 Mhz and 1700/2100 Mhz), allowing these to be used to provide fixed wireless telephone services through a fixed telephone service license.



Additionally, an act introducing number portability came into effect, allowing subscribers from different fixed and mobile companies to change company and retain their number. In the first phase, changes are only possible between companies operating within a same equivalent network (e.g. from one mobile line to another). It is hoped that the system will be operational on a national level during the second semester of 2011. The possible churn rate which may be derived from this provision taking effect is estimated to be low and recoverable within the financial year.

Similarly, during 2010 the legal discussion in Congress continued regarding the draft bill to regulate the installation of antennae for the emission and transmission of telecommunications services. Although this initiative initially seeks to regulate the installation of antennae in order to confront the impact of development on the urban environment through stricter requirements at the municipal level, the range of discussions which have taken place for this draft bill have presented proposals for the regulation of other aspects relating to the installation of antennae, such as co-location, and compensation for those living nearby, something which may have an impact on the development of telecommunications networks and imply additional investments.

In addition to this, we have also continued to pay attention to the convergence process which has been driven by the new Government in terms of telecommunications material through initiatives which seek to increase the diversity of uses of the radio electric spectrum for telecommunications services, in addition to communications from the Regulator itself regarding new spectrum to be tendered in the medium term, something which is fundamental to the expansion of the Company's business.

In 2010, a draft bill to regulate the installation of mobile antennae and supporting masts began its way through the National Congress. It was approved by the Chamber of Deputies and, at the close of 2010 was being reviewed by the Senate's Transport and Telecommunications Commission.

Given the diversification and relative size of Entel, all the regulatory changes which are being introduced by the Authority, allow the creation of new business opportunities, reducing the risk added by the operation, its cash flows, wealth creation for its stockholders, and its contribution to the community. However, within a regulated industry such as telecommunications, changes in regulations or in the policies made by legal and regulatory Authorities cannot be ruled out and these have the potential to impact negatively upon the results of the Company or restrict its possibilities for growth.

## EXCHANGE RATE RISKS

The majority of the Company's debt is held in US dollars, as are a significant proportion of its equipment purchases and other investment required for business as usual operations. This means that the Company's profits are exposed to risks from currency fluctuations.

In order to reduce this risk, an exchange rate hedging strategy has been implemented which covers all items for which money is owed in foreign currencies (liabilities). These items are compensated for with a structure of derivative instrument assets which cover negative variations, generating a net neutral position on the balance.

## INTEREST RATE RISKS

As of December 2010, the Company held a loan of USD\$ 600 million at a LIBO variable interest rate which could impact on its financial expenses. The company has decided to cover part of this variation through the purchase of contracts which fix the rate (Cross Currency Swaps).

## CREDIT RISK

The credit risk related to the balances of accounts held with banks, financial instruments, negotiable stocks and derivatives is managed by the Corporate Finance Executive in line with the established policies. In terms of financial investments, placements are made up to three working days and stockbrokers or Mutual Funds are used. In both cases, these institutions should be bank subsidiaries. Placements from 4 working days should only be made using banks. Investments should not be made in Banks whose risk classification is less than N-1 in accordance with the Risk Ratings Agencies.

The investment instruments approved and used are purchase with buyback option debt instruments issued by the Chilean Central Bank or the National Treasury of the Republic, shares in short-term fixed income mutual funds and registered term deposits issued by banks.

Placements which will be in effect for more than one year should be authorized by the Executive of the Finance Department. No placements for more than one year were made in 2010.

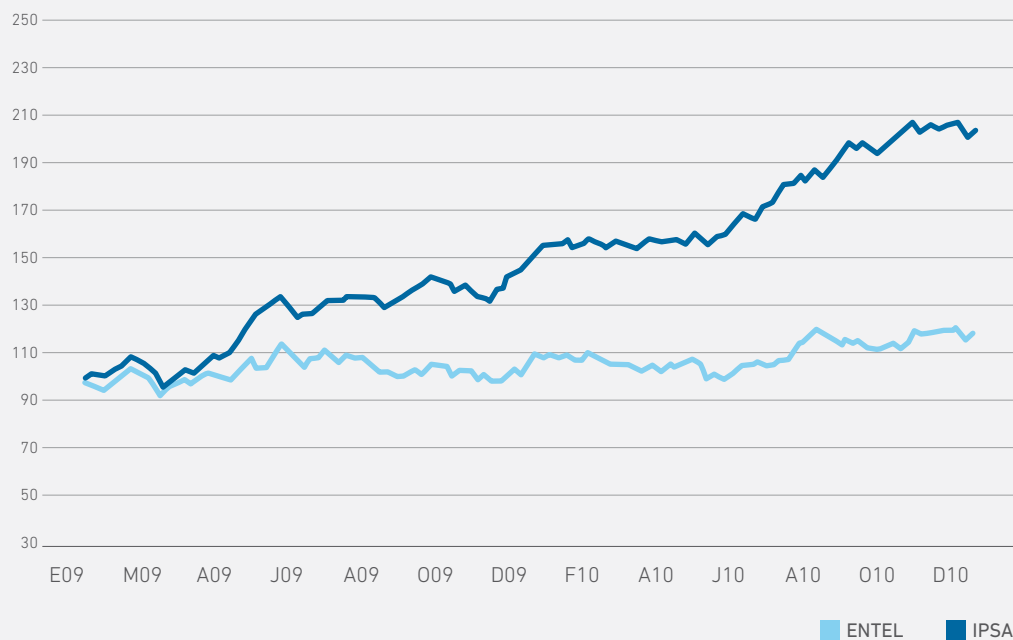
Investments are made in both the local currency and in foreign ones. Due to the management of exposure to exchange rates, it is occasionally necessary to make foreign currency investments.

## SUMMARY OF THE SHARE TRANSACTIONS OF EMPRESA NACIONAL DE TELECOMUNICACIONES S.A.:

	SANTIAGO STOCK EXCHANGE			E- STOCK EXCHANGE CHILE			BOLSA DE CORREDORES - BOLSA DE VALORES		
	QUANTITY TRADED	VALUE TRADED (CLP)	AVERAGE PRICE (CLP)	QUANTITY TRADED	VALUE TRADED (CLP)	AVERAGE PRICE (CLP)	QUANTITY TRADED	VALUE TRADED (CLP)	AVERAGE PRICE (CLP)
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	6,820	11,780	78,344,941	6,651
Q1 2009	14,502,454	99,061,631,096	6,791	692,358	4,685,454,476	6,756	15,298	106,429,737	6,957
Q2 2009	20,155,709	146,927,393,588	7,288	1,731,992	12,660,407,486	7,233	65,177	476,923,975	7,317
Q3 2009	14,275,269	103,834,085,297	7,279	691,801	5,054,328,090	7,272	30,098	220,508,780	7,326
Q4 2009	19,176,490	135,660,828,421	7,069	7,193,299	51,817,772,057	7,104	27,684	197,375,119	7,130
Q1 2010	22,608,351	167,919,256,265	7,500	2,177,001	16,343,504,979	7,503	44,473	331,190,839	7,447
Q2 2010	15,357,515	110,810,176,951	7,211	1,935,426	14,227,081,279	7,262	31,763	229,475,540	7,225
Q3 2010	16,870,066	131,896,627,021	7,819	2,138,772	16,649,199,323	7,784	90,600	718,469,812	7,930
Q4 2010	14,362,661	115,509,854,377	8,051	906,176	7,262,801,043	8,069	44,706	366,111,817	8,189
<b>TOTAL</b>	<b>209,247,292</b>	<b>1,526,251,153,738</b>	<b>7,294</b>	<b>25,474,748</b>	<b>185,818,318,835</b>	<b>7,294</b>	<b>459,598</b>	<b>3,407,429,222</b>	<b>7,414</b>

## COMPARED SHARE PRICE BEHAVIOR

### EVOLUTION OF ENTEL'S RELATIVE SHARE PRICE V. IPSA MARKET INDEX (%) LAST 24 MONTHS



## SHARE TRANSACTIONS

In compliance with the directives set out in General Regulation No. 269 by the Chilean Securities and Insurance Supervisor, it is expressly stated that throughout the 2010 financial year, in accordance with our records, no share transactions were carried out by stockholders with 10% or more subscribed capital, directors, main executives, managers and directors.

## REMUNERATION OF THE BOARD

	TAX ID NO.	TH.CLP\$ 2010	TH.CLP\$ 2009
Juan Hurtado Vicuña	5.715.251-6	77,968	75,607
Luis Gazitúa Achondo	6.069.087-1	61,261	60,845
Raúl Alcaíno Lihn	6.067.858-8	21,456	-
Juan Bilbao Hormaeche	6.348.511-K	32,479	32,272
Juan Claro González	5.663.828-8	27,821	27,677
Alejandro Jadresic Marinovic	7.746.199-K	44,553	43,329
Juan Mac-Auliffe Granello	5.543.624-K	33,415	33,188
Bernardo Matte Larraín	6.598.728-7	30,614	27,653
Alejandro Pérez Rodríguez	5.169.389-2	33,415	22,051
José Daza Narbona	8.452.391-7	-	9,276
Rodrigo Vergara Montes	7.980.977-2	-	44,251
<b>TOTAL</b>		<b>362,982</b>	<b>376,149</b>

## SHAREHOLDERS COMMENTS

During the last financial year, the company did not receive requests with comments or proposals which were related to the course of its business to be included in this report.

## SUMMARY OF MATERIAL EVENTS AND ESSENTIAL INFORMATION

In compliance with the current legal and regulatory framework, during 2010 the companies of the Entel Group informed the Chilean Securities and Insurance Supervisor of the following as material events or relevant information:

### I. PARENT COMPANY – STOCKHOLDERS' MEETING

In letter no. 3, dated April 6, 2010, it was communicated that at the board meeting held on April 5, 2010, agreement was reached to:

- Schedule an Ordinary Stockholders' Meeting for Thursday, April 29, 2010 and that this notification with supporting papers would be sent out in a timely manner to stockholders and other institutions as stated in the legal regulations.
- Propose at the Ordinary Stockholders Meeting to pay a final dividend of CLP\$ 450 per share from the profits made in the financial year 2009, from which the sum of CLP\$ 100 per share should be deducted, corresponding to the interim dividend paid in December 2009, leaving a dividend of CLP\$ 350 to be paid on a date to be agreed at the Ordinary Stockholders' Meeting.
- Approve the modification of the Regulation Manuals for the Directors Committee and for the Handling of Market Sensitive Information in order to adapt the text to the current legislation.

### II. ENTEL TELEFONÍA PERSONAL S.A. – STOCKHOLDERS' MEETING

By letter dated April 6, 2010, it was reported under the concept of material events or relevant information that at the Board meeting held on April 11, 2010, it was agreed to:

- Schedule an Ordinary Stockholders' Meeting for April 28, 2010 at 17.00 in order to make a decision regarding the materials of its competence, and that this notification with supporting papers would be sent out in a timely manner to stockholders and other institutions as stated in the legal regulations.
- Propose at the Ordinary Stockholders Meeting to distribute from the profits of the financial year a final dividend of CLP\$ 1,191,481.37723989 per share, from which the sum of CLP\$ 27,200,000,000 should be deducted for the interim dividend distributed in December 2009, leaving a dividend of CLP\$ 872,502.1109 per share, equivalent to a total of CLP\$ 74,400,000,000, payable on a date to be determined by the Ordinary Stockholders' Meeting.

### III. ENTEL PCS TELECOMUNICACIONES S.A. – STOCKHOLDERS' MEETING

In a letter dated April 6, 2010, it was communicated that at the board meeting held on April 5, 2010, agreement was reached to:

- Schedule an Ordinary Stockholders' Meeting for April 28, 2010 and that this notification with supporting papers would be sent out in a timely manner to stockholders and other institutions as stated in the legal regulations.

- Propose at the Ordinary Stockholders' Meeting to distribute from the profits of the financial year a final dividend of CLP\$ 1,219.775206735 per share, from which the sum of CLP\$ 26,889,687,973 should be deducted for the interim dividend distributed in December 2009, leaving a dividend of CLP\$ 877.581485974832 per share, equivalent to a total of CLP\$ 68,960,623,463, payable on a date to be determined by the Ordinary Stockholders' Meeting.

#### IV. ENTEL TELEFONÍA MÓVIL – STOCKHOLDERS' MEETING

By letter dated April 6, 2010, it was reported under the concept of material events or relevant information that at the Board meeting held on April 11, 2010, it was agreed to:

- Schedule an Ordinary Stockholders' Meeting for April 28, 2010 at 15.00 in order to make a decision in the areas of its competence, and that this notification with supporting papers would be sent out in a timely manner to stockholders and other institutions as stated in the legal regulations.
- Propose at the Ordinary Stockholders' Meeting to distribute from the profits of the financial year a final dividend of CLP\$ 2,145.16895287384 per share, from which the sum of CLP\$ 339,635,091 should be deducted for the interim dividend distributed in December 2009, leaving a dividend of CLP\$ 1,858.89286238084 per share, equivalent to a total of CLP\$ 2,205,371,903, payable on the date determined by the Ordinary Stockholders' Meeting.

#### V. PARENT COMPANY – APPROVAL OF 2009 REPORT, DIVIDEND DISTRIBUTION, AND OTHER MATTERS

In letter no. 8, dated April 29, 2010, it was communicated that at the Ordinary Stockholders' Meeting held on April 29, 2010, agreement was reached to:

- Approve the Annual Report, Balance Sheet and Statements of Income for the 2009 financial year.
- Distribute as a dividend, the sum of CLP\$ 450 per share, equivalent to 74.82% of the net liquid profit for the year. With respect to this dividend, the sum of CLP\$ 100 was paid in December 2009 as an interim dividend, leaving a dividend of \$350 per share, payable on May 25, 2010.
- The investment and financing policy was approved and the dividend policy was communicated, both being essentially the same as those from the previous financial year, notwithstanding expressly stating having communicated the items contained in Circular 1945.
- The Company's Board of Directors was approved, with the following being elected:
  - 1.- Juan Hurtado Vicuña
  - 2.- Bernardo Matte Larraín
  - 3.- Juan Bilbao Hormaeche
  - 4.- Juan José Mac- Auliffe Granello
  - 5.- Juan Claro González
  - 6.- Luis Felipe Gazitúa Achondo
  - 7.- Raúl Alcaíno Lihn
  - 8.- Alejandro Jadresic Marinovic
  - 9.- Alejandro Pérez Rodríguez

It is expressly stated that the aforementioned directors, numbered 1 to 7, were elected according to the votes of the controlling group, with Alejandro Jadresic Marinovic and Alejandro Pérez Rodríguez being nominated as independent board members.

The remuneration of directors and the remuneration of the Directors Committee, as approved at the previous Ordinary Stockholders' Meeting, remained in effect, with the annual budget for the Committee fixed in line with the minimum legal establishment. The appointment of KPMG as external auditors was approved; the regular and reserve accounts inspectors were maintained, as were the risk rating agencies Feller Rate (S&P) and Fitch Ratings. The newspaper El Mercurio de Santiago was maintained for the publication of company notices and related operations were communicated.

Formation of the board and the appointment of the Directors Committee were to be subsequently carried out by the Board, of which the Supervisory and related organisms will be informed in a timely manner.

## VI. ENTEL TELEFONÍA PERSONAL - APPROVAL OF THE 2009 REPORT AND DIVIDEND PAYMENT

By letter dated April 29, 2010, it was reported under the concept of material events or relevant information that at the Ordinary Stockholders' Meeting held on, April 28, 2010, it was agreed to:

- Approve the Annual Report, Balance Sheet and Financial Statements for the Company corresponding to the financial year ending December 31, 2009.
- Distribute as Earnings Attributable to Holders of Stock Instruments in the Controlling Stockholder Equity as of December 31, 2009, the value of CLP\$ 1,191,481.37723989 per share, equivalent to a total of CLP\$ 101,600,000,000, which corresponds to 80% of these earnings. After deduction of the interim dividend paid in December 2009, which totaled CLP\$ 27,200,000,000, a final dividend of CLP\$ 872,502.1109 per share remained to be paid, equivalent to a total of CLP\$ 74,400,000,000, payable on May 18, 2010 in the company's offices (Avenida Andrés Bello 2711 Piso 14, Las Condes, Santiago), between 09.00 and 14.00 on banking days, to stockholders subscribed in the respective Register five working days prior to the established date of payment.
- The investment and financing policy was approved and the dividend policy was communicated, both being essentially the same as those from the previous financial year, notwithstanding expressly stating having communicated the items contained in Circular 1945.
- It was agreed that the directors would not receive any remuneration during the 2010 financial year, and it was agreed to appoint KPMG Auditores Consultores Ltda. as external auditors for the 2010 financial year, with El Mercurio de Santiago maintained as the newspaper used for the publication of company notices; related operations were also reported.

## VII. ENTEL PCS TELECOMUNICACIONES S.A. - APPROVAL OF THE 2009 REPORT AND DIVIDEND PAYMENT

By letter dated April 29, 2010, it was reported under the concept of material events or relevant information that at the Ordinary Stockholders' Meeting held on, April 28, 2010, it was agreed to:

- Approve the Annual report, Balance Sheet and Financial Statements for the Company, corresponding to the financial year ending December 31, 2009.
- Distribute as Earnings Attributable to Holders of Stock Instruments in the Controlling Stockholder Equity as of December 31, 2009, the value of CLP\$ 1,219.775206735 per share, equivalent to a total of CLP\$ 95,850,311,436, which corresponds to 80% of these earnings. The interim dividend payment of \$CLP 26,889,687,973 paid in December 2009 should be deducted from this amount, leaving a balance for the final dividend payment of \$CLP 877.581485974832 per share, equivalent to a total of CLP\$ 68,960,623,463, payable on May 18, 2010 in the company's offices (Avenida Andrés Bello 2711 Piso 14, Las Condes, Santiago), between 09.00 and 14.00 on banking days, to stockholders subscribed in the respective Register five working days prior to the established date of payment.

- The investment and financing policy was approved and the dividend policy was communicated, both being essentially the same as those from the previous financial year, notwithstanding expressly stating having communicated the items contained in Circular 1945.
- It was agreed that the directors would not receive any remuneration during the 2010 financial year, and it was agreed to appoint KPMG Auditores Consultores Ltda. as external auditors for the 2010 financial year, with El Mercurio de Santiago maintained as the newspaper used for the publication of company notices; related operations were also reported.

### VIII. ENTEL TELEFONÍA MÓVIL - APPROVAL OF THE 2009 REPORT AND DIVIDEND PAYMENT

By letter dated April 29, 2010, it was reported under the concept of material events or relevant information that at the Ordinary Stockholders' Meeting held on, April 28, 2010, it was agreed to:

- Approve the Annual Report, Balance Sheet and Financial Statements for the Company corresponding to the financial year ending December 31, 2009.
- Distribute as Earnings Attributable to Holders of Stock Instruments in the Controlling Stockholder Equity as of December 31, 2009, the value of CLP\$ 2,145.16895287384 per share, equivalent to a total of CLP\$ 2,545,006,994, which corresponds to 39.6% of these earnings. After deduction of the interim dividend paid in December 2009, which totaled CLP\$ 339,635,091, a final dividend of CLP\$ 1,858.89286238084 per share remained to be paid, equivalent to a total of CLP\$ 2,205,371,903, payable on May 18, 2010 in the company's offices (Avenida Andrés Bello 2711 Piso 14, Las Condes, Santiago), between 09.00 and 14.00 on banking days, to stockholders subscribed in the respective Register five working days prior to the established date of payment.
- The investment and financing policy was approved and the dividend policy was communicated, both being essentially the same as those from the previous financial year, notwithstanding expressly stating having communicated the items contained in Circular 1945.
- It was agreed that the directors would not received any remuneration during the 2010 financial year, and it was agreed to appoint KPMG Auditores Consultores Ltda. as external auditors for the 2009 financial year, with El Mercurio de Santiago maintained as the newspaper used for the publication of company notices; related operations were also reported.

### IX. PARENT COMPANY – CONSTITUTION OF BOARD OF DIRECTORS

In letter no. 9, dated May 3, 2010, it was communicated that at the board meeting held on the same date, agreement was reached to:

Form the board of directors, with Juan Hurtado Vicuña nominated as chairman and Luis Felipe Gazitúa Achondo as Vice-chairman, with the Company's Board of Directors being composed of the following individuals:

- Juan Hurtado Vicuña (Chairman)
- Luis Felipe Gazitúa Achondo (Vice-chariman)
- Bernardo Matte Larraín
- Juan Bilbao Hormaeche
- Juan José Mac-Auliffe Granello

- Juan Claro González
- Raúl Alcaíno Lihn
- Alejandro Jadresic Marinovic (independent)
- Alejandro Pérez Rodríguez (independent)

It is expressly stated that the following were elected as independent members of the board: Alejandro Jadresic Marinovic and Alejandro Pérez Rodríguez.

In terms of the Directors Committee, the independent board members Alejandro Jadresic Marinovic and Alejandro Pérez Rodríguez were elected, alongside the director Luis Felipe Gazitúa Achondo.

#### X. ENTEL PCS TELECOMUNICACIONES S.A. – MERGER OF ENTEL TELEFONÍA MÓVIL S.A.

By letter dated May 5, 2010, it was communicated under the concept of material events or relevant information, that in the Extraordinary Meeting of the Company's Board of Directors, held on May 4, 2010, it was agreed to schedule an Extraordinary Stockholders' Meeting for May 6, 2010 at 11.00 in order to discuss and reach a decision on the merger by absorption of Entel Telefonía Móvil S.A.

#### XI. ENTEL PCS TELECOMUNICACIONES S.A. – APPROVAL OF MERGER OF ENTEL TELEFONÍA MÓVIL S.A.

By letter dated May 7, 2010, it was communicated under the concept of material events or relevant information that at the Extraordinary Stockholders' Meeting held on May 6, 2010, the merger by absorption of Entel Telefonía Móvil by Entel PCS Telecomunicaciones S.A. was approved, with the merger to take effect from June 1, 2010.

#### XII. PARENT COMPANY – ACQUISITION OF ALL STOCK OF THE COMPANIES TRANSAM COMUNICACIONES S.A. AND WILL S.A.

By letter dated October 5, 2010, it was communicated that on October 4, 2010, the subsidiaries of Empresa Nacional de Telecomunicaciones S.A. ("Entel"), Entel Telefonía Local S.A. and ENTEL Inversiones S.A., signed a sale contract by means of which they directly acquired all stock in the company Transam Comunicaciones S.A. ("Transam"), and 0.11% of stock in Will S.A. ("Will"), and indirectly acquired 99.89% of Will S.A.

The direct and indirect owners and sellers of the totality of the stock of the aforementioned companies are Inversiones Access S.A. and Inversiones en Comunicaciones S.A.

The enterprise value agreed with the sellers for the companies Transam and Will totals CLP\$ 13,119,404,160 (thirteen thousand, one hundred and nineteen million, four hundred and four thousand, one hundred and sixty pesos).

The final price to be paid for the stock of Transam and Will will be determined based on regulations agreed in the sale contract, taking into account factors such as the companies' debt at the closing date, their cash and working capital. This will be done based on the advice of a Final Balance Sheet audited by External Auditors.

Transam and Will are owners of licenses and rights regulated by the General Telecommunications Act (18,168), which they have obtained, maintain and operate together with other accessory or complementary assets, rights, authorizations and associated licenses, by virtue of which Transam provides intermediary telecommunications services and operates a long distance service, and Will provides local wireless telephone and data transmission services.



### XIII. PARENT COMPANY – DISTRIBUTION OF DIVIDEND

In letter no. 15, dated November 10, 2010, it was communicated that at the board meeting held on November 9, 2010, it was agreed to pay an interim dividend of \$CLP 100 per share, payable on December 13, 2010 and to be allocated against the profits in the third quarter of this year. The payment of this interim dividend totals CLP\$ 23,652,369,000 (twenty three thousand, six hundred and fifty two million, three hundred and sixty nine thousand pesos), representing 18.95% of profits as of the third quarter 2010.

### INSURANCE COMMITMENTS

Entel has insurance contracts for all its companies which cover possible events which might affect its assets, equity and cash flow, occasioning losses or reductions in value. The contracts for the various insurance policies are based on a previously defined policy which places special emphasis on items whose occurrence could have a strong impact on the economic and financial position of the Group and its relationships to third parties; the latter as a result of damages caused accidentally as a result of the activities of the various businesses.

In addition to this, the strategy for contracting insurance policies attempts to cover insofar as possible, risks which would give rise to significant losses while excluding certain minor risks with a minimal financial impact in order to balance the low costs of premiums with a high coverage of risks.

The main policies, covered in the Entel insurance program are:

**a) All Physical Risks to Assets and Losses Arising from Stoppages.** This insures against all risks to all the assets owned by the Group's companies and also the loss of net income resulting from potential stoppages caused by accidents.

**b) Business Liability.** Covers against potential pecuniary demands for damages caused to third parties or their assets during the course of business activities, whether at their facilities, in public areas or in third-party premises.

**c) Directors and Officers Liability (D&O).** This protects Directors and Executives of the Entel Group companies from claims which may be made against them by third parties, aiming to compensate for losses to their equity as a result of decision taken by others.

**d) Float for International Transportation.** Protects against possible damages to equipment and material imported by land, sea and air transportation.

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

**f) Business Responsibility and Personal Accident insurance program for contractors and subcontractors of the Entel parent company.** The earthquake which occurred on February 27, 2010 had a significant effect on the policy corresponding to Physical Assets and Losses Arising from Stoppages. The event caused material damages to more than one thousand of the company's technological sites located between the fifth and eighth regions in the country, in addition to damage caused to equipment in storage and a number of buildings. Together this damage represented a loss of UF 1 million (UF – Chilean National Currency Index), which was covered by the policy in force at the time of the event with the RSA insurance group, reinsured by Chartis. The current policy is a corporate one, and as such all assets are insured under the same conditions of coverage, limits and deductibles. There is also a claim for Losses Arising from Stoppages caused by the earthquake.

## REPORT SIGNATORIES

In compliance with General Regulation No. 283 of the Chilean Securities and Insurance Supervisor, on February 5, 2010, this Report is signed by the absolute majority of the members of the Company's Board of Directors and the CEO of Empresa Nacional de Telecomunicaciones S.A.

## SWORN DECLARATION OF TRUTH

The undersigned, Directors and CEO of Empresa Nacional de Telecomunicaciones S.A. declare under oath to be responsible for the truth of the information provided in this Annual Report 2010.

**Juan José Hurtado Vicuña**  
CHAIRMAN  
Rut: 5.715.251-6

**Luis Felipe Gazitúa Achondo**  
VICE CHAIRMAN  
Rut: 6.069.087-1

**Raúl Alcaíno Lihn**  
DIRECTOR  
Rut: 6.067.858-8

**Juan Bilbao Hormaeche**  
DIRECTOR  
Rut: 6.348.511-K

**Juan José Claro González**  
DIRECTOR  
Rut: 5.663.828-8

**Alejandro Jadresic Marinovic**  
DIRECTOR  
Rut: 7.746.199-K

**Juan José Mac-Auliffe Granello**  
DIRECTOR  
Rut 5.543.624-K

**Bernardo Matte Larraín**  
DIRECTOR  
Rut: 6.598.728-7

**Alejandro Pérez Rodríguez**  
DIRECTOR  
Rut: 5.169.389-2

**Richard Büchi Buc**  
CHIEF EXECUTIVE OFFICER  
Rut: 6.149.585-1



The left side of the page features abstract geometric shapes in two shades of blue. A large, light blue circle is partially visible, overlapping a smaller, darker blue circle. Below these, a dark blue triangle points upwards. The background is a solid, medium-dark blue.

*Consolidated  
Financial  
Statements*



# INDEPENDENT AUDITOR REPORT

*KPMG Auditores Consultores Ltda.*

Dear Stockholders and Directors

Empresa Nacional de Telecomunicaciones S.A

We have undertaken an audit of the consolidated financial statements for Empresa Nacional de Telecomunicaciones S.A. and its subsidiary companies, dated December 31, 2010, and the corresponding consolidated statements for income, stockholders equity and cash flows for the year ending on this date. The preparation of the financial statements (including the corresponding notes) is the responsibility of Empresa Nacional de Telecomunicaciones S.A. Our responsibility consists of expressing an opinion regarding the financial statements based on the audit we have undertaken. The consolidated financial statements of Empresa Nacional de Telecomunicaciones S.A. for the year ending December 31, 2009 were audited by different auditors who issued an unconditional opinion on them in their report dated January 22, 2010.

Our audits were carried out in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and undertake our work so as to obtain reasonable assurance as to whether the consolidated financial statements are free from significant misrepresentations. An audit includes examining, on the basis of tests, the evidence supporting the values and information disclosed in 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 consolidated financial statements. We believe that our audits are a reasonable basis upon which to form our opinion.

In our opinion, the financial statements mentioned above present fairly and in all significant aspects, the financial position of Empresa Nacional de Telecomunicaciones S.A. and its subsidiaries as of December 31, 2010, together with the earnings from their operations and cash flows for the year ending on that date, in accordance with International Financial Reporting Standards.



ALEJANDRO ESPINOSA G.  
Santiago, January 26, 2011.

# CONSOLIDATED FINANCIAL STATEMENTS

## EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET December 31, 2010 and 2009

ASSETS	NUMBER	12.31.2010	12.31.2009
	NOTE:	TH.CLPS	TH.CLPS
<b>ACTIVOS CORRIENTES</b>			
Cash and cash equivalents	5	75,272,215	63,363,142
Other current financial assets	6	870,798	1,949,031
Other current non-financial assets	7	13,145,025	11,749,901
Commercial debtors and other accounts receivable	8	236,011,842	206,857,485
Accounts receivable from related entities	9	469,192	559,866
Inventory	10	36,799,196	25,882,906
Current tax assets	15	17,108,315	11,027,835
<b>TOTAL CURRENT ASSETS</b>		<b>379,676,583</b>	<b>321,390,166</b>
<b>NON CURRENT ASSETS</b>			
Other non current financial assets	6	6,057,517	5,586,878
Other non current non-financial assets	7	3,935,778	2,628,569
Non current rights receivable	8	2,807,389	4,282,535
Intangible assets	11	32,665,098	18,987,323
Goodwill	13	45,821,474	45,786,481
Property, plant and equipment	14	978,457,143	932,092,465
Deferred tax assets	15	39,853,167	34,635,158
<b>TOTAL NON CURRENT ASSETS</b>		<b>1,109,597,566</b>	<b>1,043,999,409</b>
<b>TOTAL ASSETS</b>		<b>1,489,274,149</b>	<b>1,365,389,575</b>

The attached notes numbered 1 – 34 form an integral part of these Consolidated Financial Statements

**EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**December 31, 2010 and 2009**

LIABILITIES AND EQUITY	NUMBER NOTE:	12.31.2010 TH.CLP\$	12.31.2009 TH.CLP\$
<b>CURRENT LIABILITIES</b>			
Other current financial liabilities	16	14,570,686	48,111,954
Commercial accounts payable and other accounts payable	17	319,275,469	229,425,777
Other provisions	18	689,270	-
Current tax liabilities	15	201,105	1,202,537
Other current non-financial liabilities	19	41,634,759	24,657,233
<b>TOTAL CURRENT LIABILITIES</b>		<b>376,371,289</b>	<b>303,397,501</b>
<b>Non current LIABILITIES</b>			
Other non current financial liabilities	16	350,331,042	364,371,102
Other long term provisions	18	4,001,616	3,313,148
Deferred tax liabilities	15	21,345,618	22,016,915
Non current provisions for employee benefits	20	8,257,812	9,734,760
Other non current non-financial liabilities	19	7,592,249	1,704,247
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>391,528,337</b>	<b>401,140,172</b>
<b>EQUITY</b>			
	<b>21</b>		
Issued Capital		522,667,566	522,667,566
Cumulative earnings (losses)		289,688,261	223,152,715
Other reserves		(90,981,304)	(84,968,379)
Equity attributable to owners of the controller		721,374,523	660,851,902
Non controlling stock		-	-
<b>TOTAL EQUITY</b>		<b>721,374,523</b>	<b>660,851,902</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,489,274,149</b>	<b>1,365,389,575</b>

The attached notes numbered 1 – 34 form an integral part of these Consolidated Financial Statements



**EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**For the years ending December 31, 2010 and 2009**

CONSOLIDATED INCOME STATEMENT	NUMBER NOTE:	CUMULATIVE	
		01.01.2010 12.31.2010 TH.CLP\$	01.01.2009 12.31.2009 TH.CLP\$
Revenue from normal activities	23	1,083,595,141	988,129,615
Other revenue	23	4,714,165	3,412,361
Expenditure for employee benefits	20	(112,125,960)	(100,707,106)
Depreciation and amortization		(233,199,472)	(211,769,591)
Impairment and Bad Debt, Net		(29,542,543)	(32,198,828)
Other expenses	23	(503,407,491)	(465,415,401)
Other earnings (losses)		(1,493,117)	3,129,188
Financial revenue	23	970,282	1,167,709
Financial costs	23	(9,900,811)	(11,351,841)
Exchange Gain (Loss)	25	1,296,277	(7,524,355)
Results for readjustment units	25	(3,337,075)	4,177,750
<b>Income (Loss) before tax</b>		<b>197,569,396</b>	<b>171,049,501</b>
Cost of income tax	15	(24,598,187)	(28,789,511)
<b>Income (Loss) from continued activities after tax</b>		<b>172,971,209</b>	<b>142,259,990</b>
Income (Loss) from Discontinued Operations After Tax		-	-
<b>EARNINGS (LOSS)</b>		<b>172,971,209</b>	<b>142,259,990</b>
<b>Income (LOSS) attributable to Stockholders with Stock in Controlling Stockholder Equity and Minority Stockholders</b>			
Earnings (losses) attributable to holders of stock instruments in controlling stockholder equity		172,971,209	142,259,990
Income (Loss) Attributable to minority stockholders		-	-
Income (Loss)		172,971,209	142,259,990
<b>Earnings per share</b>			
<b>Earnings per basic share</b>			
Earnings (losses) per basic share in continued operations		731.31	601.46
Earnings (losses) per basic share in discontinued operations		-	-
Earnings (losses) per basic share		731.31	601.46

The attached notes numbered 1 – 34 form an integral part of these Consolidated Financial Statements

**EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT (Continued)**  
**For the years ending December 31, 2010 and 2009**

CONSOLIDATED INCOME STATEMENT	NUMBER NOTE:	CUMULATIVE	
		01.01.2010 12.31.2010 TH.CLP\$	01.01.2009 12.31.2009 TH.CLP\$
<b>CONSOLIDATED INCOME STATEMENT</b>			
Income (losses)		172,971,209	142,259,990
<b>COMPONENTS OF OTHER CONSOLIDATED INCOME BEFORE DIFFERENCES FOR FOREIGN CURRENCY TRANSLATION</b>			
Income (losses) for foreign currency translation		(479,497)	(1,043,408)
<b>CASH FLOW HEDGING</b>			
Earnings (losses) for cash flow hedging		4,096,169	(3,402,215)
Other components of other income, gross		3,616,672	(4,445,623)
<b>TAX ON EARNINGS RELATED TO COMPONENTS OF OTHER CONSOLIDATED INCOME</b>			
Tax on income related to cash flow hedging of other consolidated income		(686,279)	578,377
Other consolidated income		2,930,393	(3,867,246)
<b>TOTAL CONSOLIDATED INCOME</b>		<b>175,901,602</b>	<b>138,392,744</b>
<b>CONSOLIDATED INCOME ATTRIBUTABLE TO</b>			
Owners of the controller		175,901,602	138,392,744
Non controlling stock		-	-
<b>TOTAL CONSOLIDATED INCOME</b>		<b>175,901,602</b>	<b>138,392,744</b>

The attached notes numbered 1 – 34 form an integral part of these Consolidated Financial Statements

**EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES**  
**STATEMENT OF CHANGE IN STOCKHOLDER EQUITY**  
**December 31, 2010 and 2009**

	OTHER RESERVES								TOTAL EQUITY TH.CLPS
	ISSUED CAPITAL	RESERVES FOR PROPOSED DIVIDENDS	RESERVES FOR FOREIGN CURRENCY TRANSLATION	RESERVES FOR CASH FLOW HEDGING	OTHER RESERVES	EARNINGS (CUMULATIVE LOSSES)	EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER	NON CONTROLLING STOCK	
	TH.CLPS	TH.CLPS	TH.CLPS	TH.CLPS	TH.CLPS	TH.CLPS	TH.CLPS	TH.CLPS	
<b>Initial balance for current period 01-01-2010</b>	<b>522,667,566</b>	<b>(19,029,877)</b>	<b>(102,249)</b>	<b>(5,071,372)</b>	<b>(60,764,881)</b>	<b>223,152,715</b>	<b>660,851,902</b>	<b>-</b>	<b>660,851,902</b>
<b>CONSOLIDATED INCOME</b>									
Earnings (losses)	-	-	-	-	-	172,971,209	172,971,209	-	172,971,209
Other consolidated income	-	-	(479,497)	3,409,890	-	-	2,930,393	-	2,930,393
Consolidated income	-	-	-	-	-	-	175,901,602	-	175,901,602
Dividends	-	(8,943,318)	-	-	-	(106,435,663)	(115,378,981)	-	(115,378,981)
Increase (reduction) for transfers and other changes	-	-	-	-	-	-	-	-	-
<b>TOTAL CHANGES IN EQUITY</b>	<b>-</b>	<b>(8,943,318)</b>	<b>(479,497)</b>	<b>3,409,890</b>	<b>-</b>	<b>66,535,546</b>	<b>60,522,621</b>	<b>-</b>	<b>60,522,621</b>
<b>FINAL BALANCE FOR CURRENT PERIOD (12/31/2009)</b>	<b>522,667,566</b>	<b>(27,973,195)</b>	<b>(581,746)</b>	<b>(1,661,482)</b>	<b>(60,764,881)</b>	<b>289,688,261</b>	<b>721,374,523</b>	<b>-</b>	<b>721,374,523</b>
<b>Initial balance for previous period (01/01/2009)</b>	<b>522,667,566</b>	<b>(22,400,516)</b>	<b>941,159</b>	<b>(2,247,534)</b>	<b>(60,764,881)</b>	<b>185,672,722</b>	<b>623,868,516</b>	<b>-</b>	<b>623,868,516</b>
<b>CONSOLIDATED INCOME</b>									
Earnings (losses)	-	-	-	-	-	142,259,990	142,259,990	-	142,259,990
Other consolidated income	-	-	(1,043,408)	(2,823,838)	-	-	(3,867,246)	-	(3,867,246)
Consolidated income	-	-	-	-	-	-	138,392,744	-	138,392,744
Dividends	-	3,370,639	-	-	-	(104,779,997)	(101,409,358)	-	(101,409,358)
Increase (reduction) for transfers and other changes	-	-	-	-	-	-	-	-	-
<b>TOTAL CHANGES IN EQUITY</b>	<b>-</b>	<b>3,370,639</b>	<b>(1,043,408)</b>	<b>(2,823,838)</b>	<b>-</b>	<b>37,479,993</b>	<b>36,983,386</b>	<b>-</b>	<b>36,983,386</b>
<b>FINAL BALANCE FOR PREVIOUS PERIOD (12/31/2009)</b>	<b>522,667,566</b>	<b>(19,029,877)</b>	<b>(102,249)</b>	<b>(5,071,372)</b>	<b>(60,764,881)</b>	<b>223,152,715</b>	<b>660,851,902</b>	<b>-</b>	<b>660,851,902</b>

The attached notes numbered 1 – 34 form an integral part of these Consolidated Financial Statements

**EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES**  
**CONSOLIDATED CASH FLOW STATEMENTS**  
**For the years ending December 31, 2010 and 2009**

DIRECT CASH FLOW STATEMENT	NUMBER NOTE:	01.01.2010	01.01.2009
		12.31.2010 TH.CLPS\$	12.31.2009 TH.CLPS\$
Amount charged to customers		1,244,486,693	1,168,800,632
Payments to suppliers		(524,764,764)	(553,287,582)
Payments to and on behalf of employees		(105,102,929)	(100,782,277)
Other payments for operational activities		(117,764,921)	(66,059,413)
Amounts received for received interest classified as operational		1,409,859	2,293,303
Tax on reimbursed earnings (paid)		(41,438,730)	(32,688,486)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>		<b>456,825,208</b>	<b>418,276,177</b>
Cash flows used to obtain control of subsidiaries		(8,078,310)	-
Amounts received from the sale of property, plant and equipment		636,328	3,351,984
Purchases of property, plant and equipment		(286,808,317)	(300,184,966)
Purchases of intangible assets		(5,128,947)	(42,635)
Dividends received		981	1,226
Interest received		970,282	1,167,709
Government subsidiaries		15,220,600	-
Other cash entries (outgoings)		39,785	35,920
<b>NET CASH FLOWS USED IN INVESTMENT ACTIVITIES</b>		<b>(283,147,598)</b>	<b>(295,670,762)</b>
Amounts proceeding from short term loans		19,953,797	32,277,232
Loan payments		(40,286,051)	(13,118,974)
Payments of liabilities for financial leases		(2,974,161)	(4,940,308)
Dividends paid		(106,391,186)	(104,654,364)
Interest paid		(9,018,815)	(10,561,360)
Other cash entries (outgoings)		(23,074,929)	(1,463,984)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(161,791,345)</b>	<b>(102,461,758)</b>
Net increase (decrease) in cash and cash equivalents		11,886,265	20,143,657
Effects of foreign currency variations on cash and cash equivalents		22,808	(352,452)
<b>CASH AND CASH EQUIVALENTS AT START OF PERIOD</b>		<b>63,363,142</b>	<b>43,571,937</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>75,272,215</b>	<b>63,363,142</b>

The attached notes numbered 1 – 34 form an integral part of these Consolidated Financial Statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## *EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES*

### 1. COMPANY INFORMATION:

#### A) ENTEL GROUP

The company Empresa Nacional de Telecomunicaciones S.A. (Entel-Chile S.A.), is constituted and registered in the Republic of Chile, with Tax ID No. 92.580.000-7. Its head office is located in Avenida Andrés Bello 2687, piso 14, Las Condes, Santiago, Chile.

This company is the parent company of the Entel Group companies included in these consolidated financial statements.

It is a public joint stock company registered with the Chilean Securities and Insurance Supervisor, No. 0162, and is regulated by this body. Its stock is listed in the Register of Securities and is traded on the national market.

The controlling shareholder of Entel-Chile S.A is Altel Ltda. (Tax ID No 76.242.520-3), which owns 54.76% of the currently issued stock. Altel Ltda., is 99.99% controlled by Almendral Telecomunicaciones S.A. (Tax ID No 99.586.130-5) and 0.01% by Almendral S.A. (Tax ID 94.270.000-8).

The subsidiary companies included in the consolidated financial statements are based both in Chile and abroad, and are detailed in note 3a.

Subsidiaries based in Chile are represented by privately-held joint stock companies not subject to regulation by the Chilean Securities and Insurance Supervisor and as such are not registered with the Securities Registry.

The subsidiary Entel PCS Telecomunicaciones S.A. is subject to a special provision applicable to companies which are legally obliged to be registered. In light of this regulation, the company is registered as No. 33 in the Special Register of the Chilean Securities and Insurance Supervisor, and as such is subject to the same regulations as public joint stock companies in terms of information and publications for shareholders although is not required to provide quarterly reports of interim financial statements.

The subsidiary Micarrier Telecomunicaciones S.A. and its stock are registered in the Trade Register, No. 612. Its transfer to the Special Register is currently in process as the stock has never been traded.

The Group's workforce totaled 6,501 as of December 31, 2010 and averaged 6,330 throughout 2010.

## B) ACTIVITIES

The activities undertaken by the companies which make up the Group involve mobile telecommunication services, including voice, value added services, data, broadband and mobile Internet. The companies also provide wireline service focused on the provision of integrated solutions made up of data network services, local telephone services Internet access, long distance, public telephone services, IT services (data center, BPO and business continuity), network leasing and wholesale traffic business. The Group also provides Call Center services both to the corporate market and to its subsidiary companies.

The aforementioned activities are primarily undertaken in Chile. Activities undertaken abroad are done so by two companies which operate in Peru and are oriented towards providing fixed telephony and Call Center services.

## 2. BASIS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

### A) DECLARATION OF COMPLIANCE

b) The consolidated financial statements, dated December 31, 2010, have been prepared in line with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB).

On the date on which these consolidated financial statements were published, the IASB had published the following directives, each with mandatory adoption from the annual periods indicated for each case:

STANDARDS AND AMENDMENTS	APPLICATION REQUIRED BY:
Amendment to IAS 1 First time adoption	Annual periods starting January 01, 2011
Amendment to IAS 24 Related parts	Annual periods starting January 01, 2011
Amendment to IAS 32 Classification of issuing rights	Annual periods starting January 01, 2011
IFRS 9 Financial instruments: Classification and measurement	Annual periods starting January 01, 2013
IFRS IC 19 Payment of financial liabilities with increases in equity	Annual periods starting January 01, 2011
Amendment to IFRS IC 14 Prepayment of minor financing requirements	Annual periods starting January 01, 2011
Amendment to IFRS 7 Financial instruments: Information to be published	Annual periods starting January 01, 2012
Amendment to IAS 12 Income tax	Annual periods starting January 01, 2012

At the time of writing, no decision has made for the advanced adoption of any of these regulatory changes. It is estimated that they will not have a significant impact on the Groups consolidated financial statements during the period in which their initial application is compulsory.

The consolidated financial statements for Entel Chile S.A. for the year ending December 31, 2010, were approved and authorized for publication at the Board Meeting held on January 26, 2011.

## B) BASES OF MEASUREMENT

The consolidated financial statements have been prepared based on historical cost, except for the following essential items in the balance sheet:

- Derivative financial instruments measured at fair value
- Interest accruing loans measured using amortized cost
- Personnel obligations for specific post-employment benefits measured at present value and taking into account actuarial variables.

## C) WORKING AND REPORTING CURRENCY

Figures in these financial statements and in the accompanying notes are expressed in thousands of Chilean Pesos (Th.CLP\$), the Group's working currency.

## D) USE OF ESTIMATES AND ACCOUNTING JUDGMENTS

Estimates are used in the preparation of the consolidated financial statements; these have been determined based on the best information available at the close of each financial year. Such estimates affect the valuations of certain assets, liabilities, incomes and cash flows, which may be significantly, affected when new events take place that result in variations to any assumptions made and other sources of uncertainty assumed on the date.

The primary estimates refer to:

- Actuarial assumptions considered when calculating obligations required for employee separation.
- The valuation of assets and goodwill originating from the acquisition of companies which can affect the determination of losses due to their deterioration in value or impairment.
- The useful life of property, plant, equipment and intangible assets.
- Assumptions made when determining the fair value of financial instruments.
- Assumptions regarding the generation of future taxable revenue, whose tax is deducted from assets as deferred tax.
- In establishing the cost of decommissioning installations.
- Costs of replacing and/or repairing assets damaged by earthquakes or other natural phenomenon and revenue contingency for pledged insurance payments.

## E) CHANGES TO ACCOUNTING POLICIES

Accounting principles have been consistently applied throughout the course of the financial years covered by these consolidated financial statements.

### 3. SUMMARY OF ACCOUNTING POLICIES

#### A) BASES FOR CONSOLIDATION

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control starts until the date on which it ends.

Control exists when, directly or indirectly, Entel S.A. has the majority of voting rights or has the power to determine, also using agreements, and the financial and operational policies of a company to obtain profit from its activities.

In the preparation of these consolidated financial statements, the assets, liabilities, revenues and costs for the consolidated companies are consolidated line by line. All direct and indirect subsidiaries of Entel S.A. are 100% controlled and as such there are no non-controlling shares in the consolidated financial statements for the Entel Group.

For the purposes of consolidation, significant transactions and balances between consolidated companies have been removed in addition to balances which are owed.

The book value of the investment in each subsidiary is offset against its equity, after adjustment, where applicable, to its fair value on the date at which control was acquired. Goodwill from intangible assets is recorded on this date, as described further on, while any income from the purchase of a business or negative goodwill is recorded in the consolidated income.

The assets and liabilities of consolidated foreign subsidiaries expressed in a currency other than the Chilean Peso are converted using the current exchange rates at the date of the statement; revenue and costs are converted at the average exchange rate for the year. Exchange rate variations resulting from this method are classified under equity until the disposal of the investment.

In the context of IFRS 1, first time adoption, the extension for annulling exchange rate differences accumulated at the date of transition to IFRS was not adopted.

The subsidiary companies included in the consolidated financial statements are based both in Chile and abroad:



ID NO.	COMPANY NAME	COUNTRY OF ORIGIN	WORKING CURRENCY	PERCENTAGE OF STOCK			
				12.31.2010			12.31.2009
				DIRECT	INDIRECT	TOTAL	TOTAL
96806980-2	ENTEL PCS TELECOMUNICACIONES S.A.	CHILE	CLP	99.999	0.001	100.000	100.000
76479460-5	ENTEL COMERCIAL S.A.	CHILE	CLP	-	100.000	100.000	100.000
96561790-6	ENTEL INVERSIONES S.A.	CHILE	CLP	99.990	0.010	100.000	100.000
96554040-7	ENTEL SERVICIOS TELEFÓNICOS S.A.	CHILE	CLP	91.420	8.580	100.000	100.000
96563570-K	ENTEL CALL CENTER S.A.	CHILE	CLP	90.000	10.000	100.000	100.000
96697410-9	ENTEL TELEFONÍA LOCAL S.A.	CHILE	CLP	99.000	1.000	100.000	100.000
96548490-6	MICARRIER TELECOMUNICACIONES S.A.	CHILE	CLP	99.990	0.010	100.000	100.000
96553830-5	SATEL TELECOMUNICACIONES S.A.	CHILE	CLP	99.900	0.100	100.000	100.000
96672640-7	ENTEL SERVICIOS EMPRESARIALES S.A.	CHILE	CLP	99.985	0.015	100.000	100.000
79637040-8	SOC.DE TELECOMUNICACIONES INSTABEEP LTDA	CHILE	CLP	99.990	0.010	100.000	100.000
96682830-7	CIENTEC COMPUTACIÓN S.A.	CHILE	CLP	99.999	0.001	100.000	100.000
96652650-5	TRANSAM COMUNICACIÓN S.A.	CHILE	CLP	-	100.000	100.000	-
96833480-8	WILL S.A.	CHILE	CLP	-	100.000	100.000	-
79826760-4	ENTEL TELEFONÍA PERSONAL S.A.	CHILE	CLP	-	-	-	100.000
96679680-4	ENTEL TELEFONÍA MÓVIL S.A.	CHILE	CLP	-	-	-	100.000
0-E	AMERICATEL PERÚ S.A.	PERÚ	PEN	46.570	53.430	100.000	100.000
0-E	SERVICIOS DE CALL CENTER DEL PERÚ S.A.	PERÚ	PEN	0.004	99.996	100.000	100.000
0-E	EUSA WHOLESALE INC.	USA	CLP	-	100.000	100.000	100.000
0-E	ENTEL INTERNACIONAL B.V.I. CORP.	ISLAS VIRG. BRITA.	CLP	100.000	-	100.000	100.000

CLP= Chilean peso PEN= Peruvian Sol

The subsidiary Entel Telefonía Móvil S.A. was taken over by Entel PCS Telecomunicaciones S.A. on June 10, 2010 by means of a merger by integration this merger included all assets, liabilities, rights and obligations in their totality, and as such did not cause changes in the Group's equity levels.

Additionally, as a result of a company restructuring process undertaken by the Group, which ended on December 31, 2010, the subsidiary Entel Telefonía Personal S.A., was taken over by means of a merger by integration with its parent company Entel-Chile S.A. As in the previous case, this merger included all assets, liabilities, rights and obligations in their totality, and as such did not cause changes to the Group's equity levels.

## B) TRANSACTIONS AND BALANCES IN FOREIGN CURRENCIES

Transactions which are carried out by Entel S.A. or its subsidiaries in a currency other than the working currency of each company are treated as foreign currency and recorded using the exchange rate in force on the date of the transaction.

The balances of monetary assets and liabilities denominated in foreign currencies are presented using the values of exchange rates at the close of each financial year. The variation between the original value and the value at the close is registered in the statements under the heading of foreign currency translation, except where these variations are deferred in net equity, as is the case with the effective proportion of cash flow hedging.

Changes in derivative instruments classified at fair value with changes in income are recorded under the heading of foreign currency translation in the income statement for the financial year for the protection of foreign currency risk from a firm commitment.

Assets and liabilities in foreign currencies or expressed in other units of conversion, have been converted using the following rates.

		RATE AT CLOSE OF PERIOD	
		12.31.2010 CLP\$	12.31.2009 CLP\$
US Dollar	USD	468,01	507,10
Euro	EUR	621,53	726,82
Nat. Curr. Idx	UF	21.455,55	20.942,88
Peruvian Sol	PEN	166,79	175,65

## C) FINANCIAL INSTRUMENTS

### Financial assets

The group classifies its financial assets under the following categories: financial assets at fair value with changes in income; accounts receivable; and loans. The classification depends upon the purpose for which the financial assets have been obtained.

These assets are dropped when they expire or upon expiry of the contractual rights to their cash flows.

#### - Financial assets at fair value with changes in income

Financial assets at fair value with changes in income are financial assets maintained for trading. The Group companies classify derivative instruments which do not comply with the requirements for the application of hedge accounting under this category. Contracts which are assets at the close of the period are presented under the heading of other financial assets on the balance sheet, whereas liabilities are presented under other financial liabilities.

#### - Accounts receivable and loans

These correspond to financial assets with fixed determinable payments which do not have a price on the active market. These assets are initially recorded at their fair value plus directly attributable transaction costs. After being recorded in this way, they are valued at their amortized cost using the effective interest rate method, less losses for depreciation.

Commercial accounts receivable are registered using the invoice value, making the corresponding adjustment where there is evidence that payment from the client is at risk (impairment).

Short term commercial accounts are shown at the current value without discounting to their present value. The company has determined that the calculation of the amortized cost does not differ from the invoice value since the transaction does not have significant associated costs.

#### - Cash and Cash Equivalents

These correspond to highly liquid and extremely short term holdings or investments where the risks of a change in value are not deemed significant. In addition to cash balances and those held in bank current accounts the following are also included: term deposits in the financial system, short-term deposits in the financial system, placements made in installments with fixed income mutual funds, and operations with buyback and resale options with an original expiry of three months or less. These assets are registered depending on their nature, at their nominal value or amortized cost, registering variations in their values under income. Their valuation includes interest and accrued adjustments at the close of the financial year.

## Financial liabilities

In the first instance, the Group records issued debt securities on the date on which they originate. All other financial liabilities (including liabilities at fair value with changes in income) are initially recorded on the date on which they are contracted, which is the date on which the Group becomes party to the contractual provisions of the instrument.

The Group classifies non-derivative financial liabilities under other financial liabilities. These assets are initially recorded at their fair value plus directly attributable transaction costs. Following this initial recording, financial liabilities are valued at their amortized cost using the effective interest method.

Other financial liabilities include loans and obligations, the use of overdraft facilities, commercial accounts payable and others.

Financial liabilities covered by derivative instruments designated to manage exposure to variations in variable cash flows (cash flow hedging), are measured at their amortized cost in line with IAS 39.

## Derivative financial instruments

The Entel Group contracts derivative financial instruments so as to cover its exposure to foreign currencies and interest rates.

In the event of implicit derivative contracts, they are separated from the main contract and are accounted for separately if the economic characteristics and risks of the main contract and the implicit derivative are not closely related. An independent instrument with the same conditions as the implicit derivative will meet the definition of a derivative and the combined instrument will not be measured by its fair value with changes in income.

In line with IAS 39, financial derivative instruments are only classified for hedge accounting under the following circumstances:

- at the start of the hedge, the hedge relationship is formally designated and documented;
- it is expected that the hedge will be highly effective;
- its effectiveness can be reliably measured;
- the hedge is highly effective in all the periods for which the financial statements are reported in which it is designated,

All derivatives are measured at their fair value in line with IAS 39. When a derivative financial instrument qualifies for hedge accounting the following accounting procedures apply:

· Cash flow hedge – When a derivative financial instrument is designated as hedge against the exposure of the cash flows of an asset, liability or a highly probable planned transaction, to variability, the effective proportion of any earnings or losses from the derivative financial instrument is directly recorded in the equity reserve (reserve for cash flow hedge). The cumulative income is eliminated from the equity and recorded under income when the hedge transaction affects the income. The earnings or losses associated with the ineffective part of the hedge are immediately recorded under income. Where hedging operations are no longer probable, the cumulative earnings or losses in the equity reserve are immediately recognized under income.

Where hedges may follow risk management strategies without necessarily satisfying the requirements and tests of effectiveness required by the accounting regulations for the application of hedge accounting, variations in the values of instruments are allocated as income.

## D) INVENTORY

Goods destined to be sold are valued using the lowest of their weighted average cost and their net sale value.

Mobile telephone units for prepaid customers are included in this classification. In this case, subsidies arising from transferring the equipment to the customer are allocated against income as a cost of sale at that moment.

## E) IMPAIRMENT

### **Non-derivative financial assets**

A financial asset which is not measured at its fair value with changes in income is evaluated on each reporting date in order to determine whether there is objective evidence of impairment. A financial asset is compromised if there is objective proof that a loss-causing event has occurred following the initial recording of the asset and if the event has had a negative impact on estimated future cash flows for the assets and can be reliably estimated.

Differentiated percentages are used to calculate impairment in accounts receivable, considering age factors and possible collection management costs for different levels of customers. Likewise, there is also differentiation between common debts and renegotiated and documented debts.

The factors mentioned above are used to determine estimates for billed services.

For the purposes of calculating impairment of accounts receivable and loans, the discounted values of these assets are not considered since they will be paid in the short-term, and as such the difference between their current value and the discounted value is not significant.

### **Non-financial assets**

The book value of the Group's non-financial assets, in contrast to deferred tax assets and stock, are revised for each date on which the financial statements are reported in order to determine if there are any signs of impairment. Where signs exist, the recoverable value of the asset is then estimated. For goodwill and intangible assets with an indefinite useful life, or which are still not available for use, the recoverable value is calculated at the close of each year. A loss due to impairment is recorded when the book value of an asset exceeds the estimated recoverable amount.

The recoverable amount of an asset is the greatest between its use value and its fair value less the costs of sale. In order to evaluate use value, its current value is deducted from the estimations of future cash flows using a net discount rate which reflects the current market variations to the time value of money and the specific risks of the asset. In order to verify the impairment, assets which cannot be individually tested are grouped as part of a smaller group of assets which generate incoming cash due to their continued operation, independent of payments from other assets. The test, as a limit to determine use value, is applied to the business segment in order to calculate depreciation in goodwill.

Losses due to impairment are recorded under income for the period. Reversals are not applied where they correspond to goodwill. In terms of other assets, losses from impairment recorded in previous financial years are evaluated at the date of reporting where there are signs that the loss has decreased or no longer exists. A loss caused by impairment is reverted when there has been a change in the estimates used to determine the recoverable value. A loss caused by impairment is reverted only insofar as the accounting value of the asset does not exceed the book value which has been determined, net of depreciation or amortization, without considering the loss of the recorded value.

## F) OTHER PROPERTY, PLANT AND EQUIPMENT

The acquisition value is given, less cumulative depreciation and the cumulative value of losses owing to deterioration in value.

In determining the acquisition value, the price of the acquisition of goods and services is considered, including irrecoverable taxes and customs obligations. Similarly, positioning and commissioning costs are also included until reaching operational conditions, in addition to estimates of the costs of dismantling and withdrawal.

Net interest for loans directly associated with financing construction work accrued throughout the period of execution until the date on which the work is available for use is capitalized. This does not apply to projects with a development period of less than six months.

## G) DEPRECIATION OF PROPERTY AND EQUIPMENT

Depreciations are applied linearly, considering the useful life of each type of asset in line with technical studies. These studies take into account both an annual study of technological and/or commercial developments which make change recommendable, and the final residual value of the assets when decommissioned.

Procedures are also applied to evaluate any signs of impairment in the value of assets. When the value of assets exceed their market value or capacity for the generation of net revenue, adjustments are made for depreciation and allocated against revenue for the period.

Telephone equipment provided to customers with postpaid mobile telephony services without transfer of ownership, is depreciated for the average estimated length of the relationship with these customers.

## H) FINANCIAL LEASING

Leasing contracts in which the risks and returns of a property or asset are substantially transferred to the Group's companies are recorded as leased assets.

In such circumstances, the transfer of the asset at the end of the contract, the value of the final purchase option, the proportion of the economic life of the asset covered by the term of the contract, and the degree of equivalence between the present value of the minimum contract payments and the fair value of the asset should be considered, among other factors. Valuation is defined by the present value of the agreed installments and the value that must be paid in order to exercise the purchase option. Depreciation of these assets is carried out in line with the general regulations for property, plant and equipment.

These assets are only legally acquired upon exercising the purchase option and thus cannot be freely disposed of in the meantime.

Assets leased under contracts with the aforementioned properties are considered as sold for accounting purposes, with the consequent reduction in inventory. Income from these transactions is determined based on the present value of the receivable installments with respect to the acquisition or construction value of the assets sold.

## I) INTANGIBLE ASSETS

This category includes usage rights for fiber optic cable capacity (IRUs), the costs of obtaining licenses and operating permits, in addition to easements and other usage rights which are in favor of Group companies.

IRUs are linearly amortized with charges to costs during the period of the respective agreements.

Licenses are amortized according to the least of the estimated period of operation or the period of the award, which can range from 4 to 10 years, and the obligations for the period in which the contract remains in force, with a maximum of 20 years.

Costs for the acquisition of software are activated and amortized every 4 years.

## J) GOODWILL

In the case of the complete or partial acquisition of company rights, the acquisition method is applied, establishing the fair value of the assets and liabilities identified in the acquired company, registering possible higher values for the acquisition as Goodwill. This value is subject to testing for deterioration in value at the close of each financial year in order to record possible losses of this nature.

## K) INCOME TAX AND DEFERRED TAXES

The cost of income tax is determined based on the financial statements.

Temporary tax differences between the financial and tax bases are recorded as non current assets or liabilities as applicable. Independent of the estimated recovery term, these values are recorded at their current value without being discounted to their present value.

Deferred tax assets and liabilities are recognized according to the tax rates that will be effective during the periods when these are expected to be realized or settled.

## L) EMPLOYEE BENEFITS

### **Defined benefits plan (post-employment benefits)**

The company classifies employees' years of service to which employees with a permanent contract with Entel who are members of the Entel Mutual Corporation are entitled, once they have reached 8 years of continuous service as members of the Mutual under this category.

These obligations are accounted for at their present value, discounting long term interest rates and using actuarial forecasts of staff turnover, life expectancy and salary projections for prospective beneficiaries.

In order to determine the net value of the liability to be recorded, the fair value of the cumulative salaries of the employees is calculated in line with payments which must be made to certain funds according to current agreements.

Changes in the obligation due to accruals associated with increases in the number of periods, new or leaving employees, and earnings or losses due to actuarial effects are allocated against remuneration costs, whereas those which refer to the accrual of implied interest are allocated against financial income.

### Severance benefits

Severance pay, in contrast to post-employment benefits, is recognized as a cost when the Group has a clear commitment, without the possibility to withdraw the offer, to a formal and detailed plan to terminate employment before the normal date of retirement, or to pay compensation for termination as a result of an offer to encourage voluntary redundancies. Where benefits are due more than 12 months after the date of reporting, they are adjusted to their present value.

### Short term benefits

The values of obligations for short-term employee benefits are not discounted and are recorded as costs when the corresponding services are provided. A liability is recorded for the value expected to be paid in short-term cash bonuses or in share plans in benefits where the Group has a current legal or implicit obligation to pay out this sum as a result of past services provided by the employee and the obligation can be estimated in a reliable manner.

The cost of employee leave is accounted for in the financial year in which the right is accrued, independent of the year in which it is exercised.

## M) REVENUE

Revenues are recorded based on the criteria of accrual, that is to say, upon the right to receive values or the obligation to make a payment. In this respect, the moment of the handover or receipt of goods or the provision of services is considered, independent of the occasion of the cash flow of the value to be received (in advance, simultaneously, or within a given term).

With respect to the revenue, the following specific policies are observed for the cases set out:

**Aggregate supplies** - The components of supplies are identified in commercial bundles, defining the properties of each bundle.

Based on this information, revenue for the bundle is distributed to each component, applying the corresponding individual revenue recognition regulations.

Bundled sales which cannot be broken down are treated as a single transaction.

In the event that only one or some of the elements can be confidently assigned a value, the residual value is attributed to the remaining elements.

The value assigned to a given component will be limited to the price of the transaction which constitutes its sale not subject to the delivery of other items.

**Sale of equipment** - In line with general regulations, revenues are recorded when the equipment is handed over to the customer.

Where the sale includes a complementary activity (installation, configuration, set-up, etc.) the sale is recorded upon satisfactory receipt by the customer.

Revenues from equipment delivered with customizations and which, technically or contractually, can be used only for services provided by the company, are deferred and recorded during the period for which the contract is valid.

For equipment handed over without transfer of ownership (bailment, loan, lease etc.), no sales revenue is to be recorded. Equipment which meets this condition remains included in the inventory of assets in use and is subject to the corresponding depreciation.

**Revenues for connection charges** - Revenues received for connection charges are deferred and recorded as revenue during the period for which the contract is valid or the expected customer retention period, whichever of the two is smaller.

The customer retention period is estimated based on historical experience, churn, or an understanding of market behavior.

Connections where the direct cost of carrying out work is greater than or equal to the charge made to the customer are exempt from the previous procedure. In such cases, revenues received for connection charges are recorded as revenue at the moment in which the customer is connected in order to maintain symmetry between revenue and costs.

Connection costs take into account the following: installation work and the management of orders placed with third parties, commissions made to distributors, and the cost of SIM cards.

Connections which represent an independent transaction that cannot be rescinded and is not subject to the obligatory provision of other assets and services are excluded from the general procedure.

**Customer Loyalty Programs** - The award of future benefits, with respect to service usage levels or current and past purchases. Any revenue received should be distributed based on the fair value, between the services already provided and those to be provided in the future; revenue assigned to the latter should be treated as projected revenue for future sales. Alongside this, provision is made for marginal costs associated with the goods and services to be provided fully or partially free.

Isolated campaigns for the introduction of new products or the relaunch of existing ones are excluded when they have a duration of less than three months and do not represent more than 1% of total sales in the last 12 months.

These programs include calling credit, product discounts, benefits for meeting targets, and the accumulation of redeemable points for goods or services provided both by the company and third parties.

In cases where expiry or cancellation clauses come into effect, the respective unused balances are transferred to revenue.

These procedures are only applied when it is possible to make reliable estimations of income to be provided by customers.

**Sales discounts** - Revenues are presented net of any discounts granted to customers

**Third party sales** - In cases in which the company acts as a representative, agent or dealer in the sale of goods and services produced by other agents, the net revenue of these activities is recorded. As such, the company only registers the margin received for these services, representing the commission or share received.

To be classed as a representative, consideration is made as to whether the product is explicitly sold under the name of the supplier, if the risks and responsibilities associated with the product are assumed, and also setting sales prices.

**Prepaid cards** - Revenue received from the sale of prepayment cards is registered as revenue in the month in which it is used by the customer to make use of the services to which the card provide access, or alternatively, the card expiry date, when this occurs first.

**Service provision over accounting periods** - Revenue for the provision of services whose activity spans more than one accounting period are recorded as a percentage at the close of the period. This value is determined in line with the percentage of consumables supplied with respect to the budget.



## N) FINANCING COSTS

The initial costs for commissions, assessments and taxes for contracting credit are treated by the amortized cost method. Using this method, these costs form part of the effective interest rate and, consequently, their amortization is carried out with respect to the contractual interest which applies to credit.

## O) PROVISIONS

Liabilities are recognized for all legal obligations to third parties, derivative transactions carried out, or future events that have a high probability of generating payment flows.

These provisions are registered according to the effective quantification of their values in line with the risks identified, and based upon best estimates. The value is discounted in cases where it is estimated that the effect of the time value of money is significant.

## P) DIVIDENDS

Dividends to be paid to third parties are reported as a change in net equity in the year in which the obligation for their distributions arises, either because they are declared at the Stockholders' Meeting or because they correspond to a legal obligation for minimum dividends.

## Q) FINANCIAL INFORMATION BY SEGMENT

An operating segment is a component of the Group which carries out business activities for which it may receive ordinary revenue and incur costs, including revenue and costs which refer to transactions with any other components of the Group. All the income of the operating segments are periodically reviewed by the top levels of the Group management in order to take decisions regarding the resources to assign to the segment and evaluate its performance.

Income for segments which are reported includes elements which are directly attributable to a segment, in addition to those which can be fairly allocated.

Capital expenditure for a segment (capex) is the total expenditure incurred during the year in order to acquire property, plant and equipment, and intangible assets.

## R) STATE SUBSIDIES

State subsidies destined for financing investments are allocated at the lesser between the cost of acquisition or construction for the associated activities.

## S) REVENUE AND ACCESS CHARGES COSTS

The values accrued for or against the Group companies are recorded based on the agreements and measurements for traffic that is switched with other operators, both nationally and internationally.

# 4. FINANCIAL ASSETS AND LIABILITIES

## A) DETERMINATION OF FAIR VALUES

Certain accounting standards of the Group and disclosures require the calculation of the fair value of both financial

and non-financial assets and liabilities. Fair values are calculated for measurement and/or disclosure based on the following methods.

### Derivatives

The fair value of a currency forward contract which is not quoted on an active market is calculated from the difference between rights and obligations, adjusted according to the corresponding interest rate. As such, it corresponds to the quantity of dollars to be purchased according to the contract, discounted at the rate of the dollar for the remaining period and expressed in pesos according to the exchange rate at the close of the accounting period, less the debt in pesos agreed in the contract discounted at the valid rate for pesos for the remaining period of the contract.

The rates used for discounting are risk free and yield curves, with the Libo rate used for dollars.

Contracts for protection against interest rate changes (CCS) correspond to the difference in flows, including notional capital, discounted from each component of the contract.

### Non-derivative financial liabilities

The fair value calculated for the purposes of disclosures is calculated based on the present value of future capital and cash flows from interest, discounted at the market interest rate on the date of reporting. For financial leasing, the market interest rate is calculated making references to similar leasing agreements.

## B) FAIR VALUE HIERARCHIES

The different levels are defined in the following manner:

**Level 1:** Quoted (without adjustment) prices in active markets for identical assets or liabilities;

**Level 2:** *Inputs which differ to the quoted prices included in level 1 and which can be observed for assets or liabilities, either directly (i.e. as a price) or indirectly (i.e., derived from a price); and*

**Level 3:** *Inputs for assets or liabilities not based on observable market information (non-observable inputs).*

The following table shows the financial instruments measured at their fair value:

	12.31.2010	12.31.2009
	LEVEL 2	LEVEL 2
	TH.CLP\$	TH.CLP\$
<b>ASSETS</b>		
Non-hedge derivatives	8,139	2,041,593
<b>LIABILITIES</b>		
Non-hedge derivatives	14,116,323	25,019,303
Hedge derivatives	56,994,899	48,220,742

## C) CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the values which are registered in the accounts for the various categories of financial assets and liabilities held by the Group, compared with their fair values.

## CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

12.31.2010 IN TH.CLP\$	NOTE	AT FAIR VALUE		LOANS AND ACCOUNTS RECEIVABLE	OTHER FINANCIAL LIABILITIES	CURRENCY OR ADJUSTMENT UNIT	TOTAL AT ACCOUNTING VALUE	TOTAL AT FAIR VALUE
		WITH CHANGE IN RESULTS - NEGOTIABLE	HEDGE DERIVATIVES					
<b>ASSETS</b>								
Cash and cash equivalents	5	-	-	75,272,215	-	CLP/USD/PEN	75,272,215	75,272,215
Other financial assets	6							
Debtors for financial leasing		-	-	5,134,028	-	UF	5,134,028	5,797,623
Derivatives		8,139	-	-	-	USD	8,139	8,139
Other		-	-	1,786,148	-	CLP	1,786,148	1,786,148
Commercial debtors and others	8	-	-	236,011,842	-	CLP/USD/PEN	236,011,842	236,011,842
Accounts receivable from related entities	9	-	-	469,192	-	CLP	469,192	469,196
<b>TOTAL ASSETS</b>		<b>8,139</b>		<b>318,673,425</b>			<b>318,681,564</b>	<b>319,345,163</b>
<b>LIABILITIES</b>								
Other financial liabilities	16							
Interest accruing loans		-	-	-	282,814,590		282,814,590	279,076,263
Creditors for financial leasing		-	-	-	10,975,916		10,975,916	12,437,442
Derivatives		14,116,323	56,994,899	-	-		71,111,222	71,111,222
Commercial accounts payable and others	17	-	-	-	319,275,469		319,275,469	319,275,469
<b>TOTAL LIABILITIES</b>		<b>14,116,323</b>	<b>56,994,899</b>		<b>613,065,975</b>		<b>684,177,197</b>	<b>681,900,396</b>

12.31.2009 IN TH.CLP\$	NOTE	AT FAIR VALUE		LOANS AND ACCOUNTS RECEIVABLE	OTHER FINANCIAL LIABILITIES	CURRENCY OR UNIT OF ADJUSTMENT	TOTAL ACCOUNTING VALUE	TOTAL FAIR VALUE
		WITH CHANGE IN INCOME - NEGOTIABLE	HEDGE DERIVATIVES					
<b>ASSETS</b>								
Cash and cash equivalents	5	-	-	63,363,142		CLP/USD/PEN	63,363,142	63,363,142
Other financial assets	6							
Debtors for financial leasing			-	5,454,531	-	UF	5,454,531	6,048,390
Derivatives		2,041,593	-		-	USD	2,041,593	2,041,593
Other			-	39,785	-	CLP	39,785	39,785
Commercial debtors and others	8	-	-	206,857,485	-	CLP/USD/PEN	206,857,485	206,857,485
Accounts receivable from related entities	9	-	-	559,866	-	CLP	559,866	559,866
<b>TOTAL ASSETS</b>		<b>2,041,593</b>		<b>276,274,809</b>			<b>278,316,402</b>	<b>278,910,261</b>
<b>LIABILITIES</b>								
Other financial liabilities	16							
Interest accruing loans		-	-	-	325,310,394		325,310,394	311,719,737
Creditors for financial leasing		-	-	-	13,932,617		13,932,617	13,841,362
Derivatives		25,019,303	48,220,742	-	-		73,240,045	73,240,045
Commercial accounts payable and others	17	-	-	-	229,425,777		229,425,777	229,425,777
<b>TOTAL LIABILITIES</b>		<b>25,019,303</b>	<b>48,220,742</b>		<b>568,668,788</b>		<b>641,908,833</b>	<b>628,226,921</b>

## 5. EFECTIVO Y EQUIVALENTES AL EFECTIVO

The category cash and cash equivalents is composed of the following:

	12.31.2010	12.31.2009
	M\$	M\$
Residual cash	440,447	1,512,283
Bank account balances	4,723,985	3,143,182
Short-term deposits	65,236,149	55,717,589
Central Bank Placements	4,870,306	740,000
Other cash and cash equivalents	1,328	2,250,088
<b>TOTAL</b>	<b>75,272,215</b>	<b>63,363,142</b>
<b>TOTAL BY CURRENCY</b>		
CLP	73,377,594	62,427,377
USD	1,045,108	306,622
PEN	836,143	610,038
EUR	13,370	19,105
<b>TOTAL</b>	<b>75,272,215</b>	<b>63,363,142</b>

Short term deposits originally valid for less than three months are registered at their amortized cost and the breakdown as of December 31, 2010 and 2009 is as follows:

INSTITUTION	CURRENCY	DATE PLACEMENT	DATE EXPIRY	DAYS	VALUE TH.CLP\$	DAYS ACCRUED	INTEREST ACCRUED TH.CLP\$	TOTAL 12.31.2010 TH.CLP\$
Banco de Chile	CLP	11/18/2010	01/11/2011	54	3,180,000	43	13,674	3,193,674
Banco de Chile	CLP	12/06/2010	02/01/2011	57	4,479,103	25	11,571	4,490,674
Banco de Crédito Inversiones	CLP	12/15/2010	02/21/2011	68	2,400,000	16	4,224	2,404,224
Banco de Crédito Inversiones	CLP	12/27/2010	03/01/2011	64	2,420,605	4	1,130	2,421,735
Banco de Crédito Inversiones	CLP	12/27/2010	03/01/2011	64	2,000,000	4	933	2,000,933
Banco de Crédito Inversiones	CLP	12/28/2010	03/24/2011	86	4,216,856	3	1,560	4,218,416
Banco de Crédito Inversiones	CLP	12/28/2010	03/28/2011	90	4,200,000	3	1,554	4,201,554
Banco Santander	CLP	12/01/2010	01/24/2011	54	2,000,000	30	6,200	2,006,200
Banco Santander	CLP	12/14/2010	02/15/2011	63	4,300,000	17	8,041	4,308,041
Banco Santander	CLP	12/28/2010	03/28/2011	90	3,333,000	3	1,200	3,334,200
Banco Santander	CLP	12/30/2010	01/29/2011	30	50,000	1	574	50,574
Banco Security	CLP	12/09/2010	01/24/2011	46	1,876,000	22	4,265	1,880,265
Banco Security	CLP	12/10/2010	02/08/2011	60	3,500,000	21	8,085	3,508,085
Banco Security	CLP	12/27/2010	03/08/2011	71	4,000,000	4	1,813	4,001,813
Corpbanca	CLP	11/16/2010	01/04/2011	49	2,567,651	45	11,940	2,579,591
Corpbanca	CLP	11/24/2010	01/18/2011	55	2,265,000	37	8,381	2,273,381
Corpbanca	CLP	12/02/2010	01/25/2011	54	2,000,153	29	5,800	2,005,953
Corpbanca	CLP	12/15/2010	02/24/2011	71	3,000,000	16	5,600	3,005,600
Corpbanca	CLP	12/17/2010	02/22/2011	67	2,240,172	14	3,554	2,243,726
Corpbanca	CLP	12/27/2010	03/21/2011	84	4,000,000	4	1,867	4,001,867
Scotiabank	CLP	11/29/2010	01/20/2011	52	2,300,529	32	7,362	2,307,891
Scotiabank	CLP	12/27/2010	03/15/2011	78	4,000,000	4	1,813	4,001,813
Banco de Crédito del Perú (BCP)	Soles	12/20/2010	01/05/2011	16	78,128	11	59	78,187
Banco de Crédito del Perú (BCP)	Soles	12/22/2010	01/11/2011	20	20,015	9	12	20,027
Banco de Crédito del Perú (BCP)	Soles	12/23/2010	01/04/2011	12	100,074	8	54	100,128
Banco de Crédito del Perú (BCP)	Soles	12/23/2010	01/11/2011	19	84,396	8	46	84,442
Banco de Crédito del Perú (BCP)	Soles	12/27/2010	01/04/2011	8	33,358	4	10	33,368
Banco de Crédito del Perú (BCP)	Soles	12/28/2010	01/07/2011	10	130,096	3	27	130,123
Banco de Crédito del Perú (BCP)	Soles	12/29/2010	01/12/2011	14	40,030	2	5	40,035
Banco de Crédito del Perú (BCP)	Soles	12/30/2010	01/14/2011	15	30,022	1	2	30,024
Banco de Crédito del Perú (BCP)	Soles	12/30/2010	01/03/2011	4	25,019	1	2	25,021
Interbank	Soles	12/28/2010	01/12/2011	15	22,350	3	5	22,355
Scotiabank	Soles	12/23/2010	01/07/2011	15	31,690	8	15	31,705
Scotiabank	Soles	12/27/2010	01/11/2011	15	16,679	4	5	16,684
Scotiabank	Soles	12/28/2010	01/11/2011	14	46,201	3	8	46,209
Scotiabank	Soles	12/29/2010	01/07/2011	9	58,377	2	8	58,385
Scotiabank	Soles	12/30/2010	01/07/2011	8	42,698	1	3	42,701
Scotiabank	Dólares	12/28/2010	01/07/2011	10	36,543	2	2	36,545
<b>TOTAL</b>					<b>65,124,745</b>		<b>111,404</b>	<b>65,236,149</b>

INSTITUTION	CURRENCY	FECHA COLOCACIÓN	FECHA VENCIMIENTO	DÍAS	MONTO M\$	DÍAS DEVENGADOS	INTERESES DEVENGADOS M\$	TOTAL 31.12.2009 M\$
Banco Security	CLP	11/16/2009	01/19/2010	64	5,160,000	45	3,870	5,163,870
Banco de Chile	CLP	12/01/2009	02/02/2010	63	3,001,920	30	2,101	3,004,021
Banco de Chile	CLP	11/17/2009	01/20/2010	64	2,862,268	44	2,308	2,864,576
Banco de Chile	CLP	11/24/2009	01/26/2010	63	3,825,000	37	3,302	3,828,302
Banco de Chile	CLP	12/30/2009	03/11/2010	61	4,000,000	1	107	4,000,107
Banco de Crédito Inversiones	CLP	12/04/2009	02/09/2010	67	2,625,100	27	1,654	2,626,754
Banco de Crédito Inversiones	CLP	12/09/2009	02/16/2010	69	3,254,000	22	1,670	3,255,670
Banco de Crédito Inversiones	CLP	12/29/2009	03/09/2010	70	3,326,278	2	177	3,326,455
Banco de Crédito Inversiones	CLP	12/29/2009	03/04/2010	65	2,453,000	2	131	2,453,131
Banco Santander	CLP	11/30/2009	01/22/2010	53	2,825,000	31	2,044	2,827,044
Banco Santander	CLP	12/09/2009	02/22/2010	75	3,065,000	22	1,573	3,066,573
Banco Santander	CLP	12/17/2009	02/24/2010	69	5,000,000	14	2,100	5,002,100
Banco Santander	CLP	12/18/2009	03/02/2010	74	3,002,000	13	1,172	3,003,172
Corpbanca	CLP	11/09/2009	01/05/2010	57	5,600,000	52	7,765	5,607,765
Corpbanca	CLP	11/11/2009	01/12/2010	62	5,280,000	50	7,040	5,287,040
Banco de Crédito del Perú (BCP)	PEN	12/31/2009	01/07/2010	7	74,122	-	-	74,122
Banco de Crédito del Perú (BCP)	PEN	12/30/2009	01/07/2010	8	49,179	1	3	49,182
Banco de Crédito del Perú (BCP)	PEN	12/29/2009	01/06/2010	8	73,766	2	7	73,773
Banco Scotiabank	PEN	12/28/2009	01/05/2010	8	73,764	3	9	73,773
Banco Scotiabank	PEN	12/30/2009	01/07/2010	8	101,694	1	7	101,701
Banco Scotiabank	PEN	12/31/2009	01/07/2010	7	14,403	-	-	14,403
Interbank	PEN	12/30/2009	01/06/2010	7	14,052	1	3	14,055
<b>TOTAL</b>					<b>55,680,546</b>		<b>37,043</b>	<b>55,717,589</b>

Financial placements in Central Bank instruments correspond to financial placements with receivable rights for commitments to the sale of financial instruments on the balance sheets, and their amortized cost is registered.

At December 31, 2010 and 2009 they are composed of:

### At 12.31.2010

CODE	DATES		CURRENCY ORIGIN	MONEDA ORIGIN	SUBSCRIBED VALUE TH,CLP\$M\$	RATE PERIOD	FINAL VALUE TH,CLP\$	IDENTIFICATION OF INSTRUMENT	ACCOUNTING VALUE TH,CLP\$
	START	END							
CRV	12/30/2010	01/03/2011	Banco BBVA	CLP	3,400,000	0.29%	3,400,306	PACTO	3,400,306
CRV	12/30/2010	01/05/2011	Banco Estado S.A. Corredores de Bolsa	CLP	734,000	0.04%	734,306	PACTO	734,000
CRV	12/30/2010	01/05/2011	Banco Estado S.A. Corredores de Bolsa	CLP	736,000	0.04%	736,319	PACTO	736,000
<b>TOTAL</b>					<b>4,870,000</b>		<b>4,870,931</b>		<b>4,870,306</b>

### At 12.31.2009

CODE	DATES		COUNTERPART	CURRENCY ORIGIN	SUBSCRIBED VALUE TH,CLP\$	RATE PERIOD	FINAL VALUE TH,CLP\$	IDENTIFICATION OF INSTRUMENT	ALUE ACCOUNTING TH,CLP\$
	START	END							
CRV	12/30/2009	01/04/2010	Banco Estado	CLP	740,000	0.03%	740,037	PACTO	740,000
<b>TOTAL</b>					<b>740,000</b>		<b>740,037</b>		<b>740,000</b>

In line with working capital administration policies, all deposits in financial markets have maturity dates not exceeding 90 days and have been contracted from reputable Banks and Financial Institutions with a high rating, primarily based in Chile.

## 6. OTHER FINANCIAL ASSETS

The breakdown of this item as of December 31, 2010 and 2009 is as follows:

	12.31.2010 TH.CLPS\$	12.31.2009 TH.CLPS\$
<b>CURRENT</b>		
Derivatives - non-hedge	8,139	1,066,041
Debtors for financial leasing	862,659	843,205
Term deposits	-	39,785
<b>CURRENT SUBTOTAL</b>	<b>870,798</b>	<b>1,949,031</b>
<b>Non current</b>		
Derivatives - non-hedge	-	975,552
Debtors for financial leasing	4,271,369	4,611,326
Term deposits	1,786,148	-
<b>NON CURRENT SUBTOTAL</b>	<b>6,057,517</b>	<b>5,586,878</b>
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>6,928,315</b>	<b>7,535,909</b>

The category Derivatives applies to all contracts with balances in favor of the Group companies. Those which represent balances against the Group, as well as the notional values of contracts, are included under the item Other Financial Liabilities (Note 16).

The item Debtors for Financial Leasing reflects balances related to the current contract with Telmex S.A. and corresponds to capital installments to be received in more than one year for the long term lease of telecommunications infrastructure.

The contract comprises 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 on the basis of the interest rate included in the contract, equivalent to an annual rate of 8.7%.

The expiry profile of this contract is as follows:

MINIMUM LEASING PAYMENTS	12.31.2010			12.31.2009		
	GROSS	INTEREST	PRESENT VALUE	GROSS	INTEREST	PRESENT VALUE
Less than one year	862,659	-	862,659	843,205	-	843,205
Between one and five years	4,164,971	( 1,113,993 )	3,050,978	4,216,024	( 1,586,433 )	2,629,591
More than five years	1,665,988	( 445,597 )	1,220,391	2,318,813	( 337,078 )	1,981,735
<b>TOTAL</b>	<b>6,693,618</b>	<b>( 1,559,590 )</b>	<b>5,134,028</b>	<b>7,378,042</b>	<b>( 1,923,511 )</b>	<b>5,454,531</b>

## 7. OTHER NON-FINANCIAL ASSETS

This category mainly applies to prepaid expenses as of December 31, 2010 and 2009 which are broken down in the following table:

	CURRENT		NON CURRENT	
	12.31.2010 TH.CLP\$	12.31.2009 TH.CLP\$	12.31.2010 TH.CLP\$	12.31.2009 TH.CLP\$
<b>PREPAID EXPENSES</b>				
Leases (land, property)	9,196,422	7,629,427	2,031,806	1,983,578
Capacity leasing	759,537	1,364,020	1,425,177	481,762
Insurance	563,591	76,041	-	42,745
Marketing	370,603	-	-	-
Other Services	1,573,851	1,900,612	397,094	-
Deferred costs for customer installations	500,318	298,026	72,422	119,659
Other	180,703	481,775	9,279	825
<b>TOTAL</b>	<b>13,145,025</b>	<b>11,749,901</b>	<b>3,935,778</b>	<b>2,628,569</b>



## 8. COMMERCIAL DEBTORS AND OTHER ACCOUNTS RECEIVABLE

The breakdown of these balances is as follows:

	12.31.2010 TH.CLP\$	12.31.2009 TH.CLP\$
<b>COMMERCIAL DEBTORS AND OTHER ACCOUNTS RECEIVABLE, NET</b>		
Commercial debtors, net, current	230,816,266	203,042,808
Accounts receivable for personnel, net, current	1,146,455	1,059,251
Other accounts receivable, net, current	4,049,121	2,755,426
Accounts receivable for personnel, net, non current	918,670	1,858,129
Other accounts receivable, net, non current	1,888,719	2,424,406
<b>TOTAL</b>	<b>238,819,231</b>	<b>211,140,020</b>
<b>COMMERCIAL DEBTORS AND OTHER ACCOUNTS RECEIVABLE, GROSS</b>		
Commercial debtors, gross, current	296,686,885	266,385,028
Accounts receivable for personnel, gross, current	1,146,455	1,059,251
Other accounts receivable, gross, current	4,113,769	2,820,074
Accounts receivable for personnel, gross, non current	918,670	1,858,129
Other Accounts Receivable, Gross, non current	1,888,719	2,424,406
<b>TOTAL</b>	<b>304,754,498</b>	<b>274,546,888</b>

These balances include values with an expiry of over one year (non current), the net value of which corresponds to Th.CLP\$ 2,807,389 and Th.CLP 4,282,535 for the respective financial years, included under the category of Rights to be Paid, under Non Current Assets.

The breakdown of the paid proportion without impairment included in these figures and to which provisions for impairment have not been applied is as follows:

	12.31.2010 TH.CLP\$	12.31.2010 TH.CLP\$
With expiry less than three months	22,703,003	25,199,651
With expiry between three and six months	2,800,299	2,156,378
With expiry between six and twelve months	1,715,033	1,675,090
With expiry greater than twelve months	224,549	621,100
<b>TOTAL</b>	<b>27,442,884</b>	<b>29,652,219</b>

Variation in provision for impairment

	12.31.2010 TH.CLP\$	12.31.2010 TH.CLP\$
Initial balance	63,406,868	54,038,691
Decrease in financial assets with impairment	(22,141,692)	(16,430,654)
Increase	24,670,091	25,798,831
<b>TOTAL</b>	<b>65,935,267</b>	<b>63,406,868</b>

The value of services provided that have not been billed is included with Commercial Debtors for a total of Th.CLP\$ 75,513,057 and Th.CLP \$77,722,247 as of December 31, 2010 and 2009, respectively.

## 9. ACCOUNTS RECEIVABLE WITH RELATED ENTITIES

The transactions and balances with natural people and legal entities related with the aforementioned controlling companies, alongside benefits received by the Directors and key members of the Entel Group of companies are detailed below.

### A) ACCOUNTS RECEIVABLE:

TAX ID NO.	COMPANY	COUNTRY OF ORIGIN	NATURE OF RELATIONSHIP	CURRENCY	CURRENT	
					12.31.2010	12.31.2009
78.549.280-3	Envases Roble Alto S.A.	Chile	Ordinary director	CLP	6,420	11,980
79.818.600-0	CMPC Papeles S.A.	Chile	Ordinary director	CLP	88	58
79.943.600-0	Propa S.A.	Chile	Ordinary director	CLP	2,003	6,038
84.552.500-5	Portuaria CMPC S.A.	Chile	Ordinary director	CLP	3,914	5,189
86.359.300-K	Sociedad Recuperadora de Papel S.A.	Chile	Ordinary director	CLP	4,633	3,196
88.566.900-K	Empresa Distribuidora de Papeles y Cartones S.A.	Chile	Ordinary director	CLP	1,618	12,241
89.201.400-0	Envases Impresos S.A.	Chile	Ordinary director	CLP	4,243	7,695
89.696.400-3	Empresa de Residuos Resiter S.A.	Chile	Ordinary director	CLP	80	-
91.440.000-7	Forestal Mininco S.A.	Chile	Ordinary director	CLP	79,395	83,750
91.656.000-1	Industrias Forestales S.A.	Chile	Ordinary director	CLP	7,805	6,028
92.177.000-6	Le Grand Chic S.A.	Chile	Ordinary director	CLP	90	-
92.434.000-2	Besalco S.A.	Chile	Ordinary director	CLP	-	148
93.658.000-9	Chilena de Moldeados S.A.	Chile	Ordinary director	CLP	825	975
95.304.000-K	CMPC Maderas S.A.	Chile	Ordinary director	CLP	71,520	91,413
96.500.110-7	Forestal y Agrícola Monte Aguila S.A.	Chile	Ordinary director	CLP	1,090	1,228
96.529.310-8	CMPC Tissue S.A.	Chile	Ordinary director	CLP	32,121	54,802
96.532.330-9	CMPC Celulosa S.A.	Chile	Ordinary director	CLP	59,833	70,224
96.656.410-5	BICE Vida Compañía de Seguros S.A.	Chile	Ordinary director	CLP	4,606	37,531
96.684.990-8	Moneda Administradora de Fondos de Inversión	Chile	Ordinary director	CLP	-	160
96.757.710-3	CMPC Productos de Papel S.A.	Chile	Ordinary director	CLP	240	280
96.768.750-2	Servicios Compartidos CMPC S.A.	Chile	Ordinary director	CLP	156,019	63,216
96.778.980-1	Soc. Administradora Plaza Central S.A.	Chile	Ordinary director	CLP	286	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Ordinary director	CLP	4,863	8,817
97.011.000-3	Banco Internacional	Chile	Ordinary director	CLP	-	49,402
97.053.000-2	Banco Security	Chile	Ordinary director	CLP	-	4
97.080.000-K	Banco BICE	Chile	Ordinary director	CLP	20,497	31,771
96.731.890-6	Cartulinas CMPC S.A.	Chile	Ordinary director	CLP	7,003	13,720
<b>TOTAL</b>					<b>469,192</b>	<b>559,866</b>

## B) TRANSACTIONS:

Companies with which transactions have been carried out with Chile as country of origin.

TAX ID NO.	COMPANY	NATURE OF RELATIONSHIP	DESCRIPTION OF TRANSACTION	12.31.2010		12.31.2009	
				VALUE TH.CLP\$	EFFECT ON INCOME (CHARGE/ INCOME)	VALUE TH.CLP\$	EFFECT ON INCOME (CHARGE/ INCOME)
78.549.280-3	Envases Roble Alto S.A.	Ordinary director	Services provided	47,220	47,220	54,999	54,999
79.818.600-0	CMPC Papeles S.A.	Ordinary director	Services provided	1,093	1,093	97	97
79.943.600-0	PROPA S.A.	Ordinary director	Services provided	30,165	30,165	23,467	23,467
84.552.500-5	Portuaria CMPC S.A.	Ordinary director	Services provided	23,021	23,021	45,178	45,178
86.359.300-K	SOREPA S.A.	Ordinary director	Services provided	62,893	62,893	77,952	77,952
88.566.900-K	EDIPAC S.A.	Ordinary director	Services provided	20,307	20,307	31,064	31,064
89.201.400-0	Envases Impresos S.A.	Ordinary director	Services provided	40,151	40,151	50,981	50,981
89.696.400-3	Empresa de Residuos Resiter S.A.	Ordinary director	Services provided	106,298	106,298	-	-
91.440.000-7	Forestal Mininco S.A.	Ordinary director	Services provided	245,472	245,472	260,814	260,814
91.656.000-1	Industrias Forestales S.A.	Ordinary director	Services provided	26,805	26,805	48,670	48,670
92.177.000-6	Le Grand Chic S.A.	Ordinary director	Services provided	17,821	17,821	-	-
92.434.000-2	Besalco S.A.	Ordinary director	Services provided	-	-	18	18
93.658.000-9	Chilena de Moldeados S.A. Chimolsa	Ordinary director	Services provided	13,469	13,469	13,589	13,589
95.304.000-K	CMPC Maderas S.A.	Ordinary director	Services provided	251,376	251,376	278,390	278,390
96.529.310-8	CMPC Tissue S.A.	Ordinary director	Services provided	302,640	302,640	272,092	272,092
96.532.330-9	CMPC Celulosa S.A.	Ordinary director	Services provided	341,315	341,315	328,182	328,182
96.656.410-5	BICE Vida Compañía de Seguros	Ordinary director	Services provided	86,581	86,581	168,430	168,430
96.684.990-8	Moneda Administradora de Fondos	Ordinary director	Services provided	-	-	68	68
96.731.890-6	Cartulinas CMPC S.A.	Ordinary director	Services provided	130,772	130,772	117,832	117,832
96.757.710-3	CMPC Productos de Papel S.A.	Ordinary director	Services provided	3,393	3,393	2,724	2,724
96.768.750-2	Servicios Compartidos CMPC S.A.	Ordinary director	Services provided	1,017,998	1,017,998	577,858	577,858
96.778.980-1	Soc. Administradora Plaza Central S.A.	Ordinary director	Services provided	9,184	9,184	-	-
96.853.150-6	Papeles Cordillera S.A.	Ordinary director	Services provided	55,341	55,341	63,750	63,750
96.889.540-0	Dorin Ltda.	Ordinary director	Services provided	4,706	4,706	-	-
97.011.000-3	Banco Internacional	Ordinary director	Services provided	-	-	238,517	238,517
97.080.000-K	Banco Bice	Ordinary director	Services provided	198,644	198,644	289,198	289,198
97.080.000-K	Banco Bice	Ordinary director	Services provided	72,495	(72,495)	-	-
99.513.410-1	SMB Factoring S.A.	Ordinary director	Services provided	226	(226)	-	-
99.563.840-1	Las Garzas S.A.	Ordinary director	Services provided	2,806	(2,806)	-	-

## C) REMUNERATION AND BENEFITS RECEIVED BY DIRECTORS AND KEY MEMBERS OF THE GROUP:

The parent company is administered by a Board of Directors with nine members whose remunerations as of December 31, 2010 and 2009 totaled Th.CLP\$ 362,982 and Th.CLP\$ 376,149 respectively.

For the same period, remuneration of key members totaled Th.CLP\$ 6,339,410 and Th.CLP\$ 6,053,257, respectively.

37 and 36 executives were considered for the respective periods.

## 10. INVENTORY

Inventory is primarily composed of mobile telephone handsets and their accessories. These are valued according to the accounting criteria described in note 3d, and their details are provided in the table below.

	12.31.2010	12.31.2009
	TH.CLP\$	TH.CLP\$
Merchandise	744,920	1,443,191
Work in progress	206,145	352,816
Equipment and accessories for mobile telephone services	35,831,167	23,777,502
Other Inventory	16,964	309,397
<b>TOTAL</b>	<b>36,799,196</b>	<b>25,882,906</b>

At the close of each accounting period there were no duties due for any of the items which make up the stock.

During the periods covered by these financial statements, charges were made against income for the cost of sales or the consumption of materials totaling Th.CLP\$ 73,643,311 and Th.CLP\$ 63,021,518, respectively.

During the course of these same periods, there have been no allocations against stock for adjustments to the sale value or other concepts.

## 11. INTANGIBLE ASSETS

This item covers assets represented by licenses, easements and others which are detailed in the following tables:

	12.31.2010	12.31.2009
	TH.CLP\$	TH.CLP\$
<b>TOTAL INTANGIBLE ASSETS, NET</b>	<b>32,665,098</b>	<b>18,987,323</b>
Finite Intangible Assets, Net	32,665,098	18,987,323
Identifiable intangible assets, net	32,665,098	18,987,323
Patents trademarks and other rights, net	9,837,016	6,692,984
Other identifiable intangible assets, net	22,828,082	12,294,339
<b>TOTAL INTANGIBLE ASSETS, GROSS</b>	<b>57,825,211</b>	<b>33,903,711</b>
Identifiable intangible assets, gross	57,825,211	33,903,711
Patents trademarks and other rights, gross	31,809,365	19,712,655
Other identifiable intangible assets, gross	26,015,846	14,191,056
<b>TOTAL CUMULATIVE AMORTIZATION AND DETERIORATION IN VALUE, INTANGIBLE ASSETS</b>	<b>( 25,160,113 )</b>	<b>( 14,916,388 )</b>
Cumulative amortization and deterioration in value, identifiable intangible assets	(25,160,113)	(14,916,388)
Cumulative amortization and deterioration in value, patents trademarks and other rights	(21,972,349)	(13,019,671)
Cumulative amortization and deterioration in value, other identifiable intangible assets	(3,187,764)	(1,896,717)

From these financial statements, there has been a change in the accounting classification of Usage Rights for Fiber Optic Cable Capacities under Non Current Assets.

The reclassification was carried out from the Property, Plant and Equipment account to the Intangible Assets account in order to adjust to best practices in the telecommunications industry.

The net values reclassified were Th.CLP\$ 2,784,062 and Th.CLP\$ 5,235,229, as of December 31, 2010 and 2009, respectively.

Cumulative losses for deterioration in value included in the above table mainly affect assets for Usage rights for fiber optic cable capacities. For this item, cumulative losses totaled Th.CLP\$ 2,507,281 as of December 31, 2010. These losses originated in previous years and were a product of adjustments to the recoverable value of these assets which were affected by decreased market demand.

Losses allocated against costs for the 2010 financial year for depreciation in the value of intangible assets refer to adjustments to book values originating from lower market prices and insufficient recovery flows with respect to some usage rights of fiber optic cables (Th.CLP\$ 1,218,000) and operating licenses (Th.CLP\$ 507,390). For these purposes, the current market values and/or recovery values have been taken into account in line with the expected generation of flows.

Another category which has been affected by deterioration in value corresponds to commercial brands. During 2009, two thirds of the "Cientec" brand was written off, equivalent to Th.CLP\$ 514,167, since plans for the future usage of this brand will limit it to specific market segments.

No intangible assets which are completely amortized are kept in use.

There are no intangible assets for which there is a restriction in ownership and nor have full or partial guarantees been made over these.

As of December 31, 2010 there are no commitments for acquisitions relevant to intangible assets.

Variations in the values of intangible assets for 2010 and 2009 are as follows:

VARIATIONS 2010	PATENTS TRADEMARKS AND OTHER RIGHTS, NET	OTHER IDENTIFIABLE INTANGIBLE ASSETS, NET	TOTAL IDENTIFIABLE INTANGIBLE ASSETS, NET
Initial balance	6,692,984	12,294,339	18,987,323
Additions	5,640,390	252,721	5,893,111
Acquisitions through business mergers	989,158	11,873,271	12,862,429
Amortization	(2,192,351)	(875,186)	(3,067,537)
Loss for Recognized Deterioration in Income Statement	(1,218,000)	(507,390)	(1,725,390)
Increase (decrease) in Foreign Exchange Rates	-	(193,193)	(193,193)
Other increases (decreases)	(75,165)	(16,480)	(91,645)
<b>FINAL BALANCE</b>	<b>9,837,016</b>	<b>22,828,082</b>	<b>32,665,098</b>

VARIATIONS 2009	PATENTS TRADEMARKS AND OTHER RIGHTS, NET	OTHER IDENTIFIABLE INTANGIBLE ASSETS, NET	TOTAL IDENTIFIABLE INTANGIBLE ASSETS, NET
Initial balance	7,335,814	7,737,115	15,072,929
Additions	786,040	63,743	849,783
Acquisitions through business mergers	771,250	7,061,947	7,833,197
Amortization	(2,110,537)	(412,796)	(2,523,333)
Loss for Recognized Deterioration in Income Statement	(514,167)	-	(514,167)
Increase (decrease) in Foreign Exchange Rates	-	(831,039)	(831,039)
Other increases (decreases)	424,584	(1,324,631)	(900,047)
<b>FINAL BALANCE</b>	<b>6,692,984</b>	<b>12,294,339</b>	<b>18,987,323</b>

Intangible assets are amortized in accordance with the following timescales:

ASSETS	LIFE OR MINIMUM RATE (YEARS)	LIFE OR MAXIMUM RATE (YEARS)
Patents trademarks and other rights	4	20
IT Programs	4	4
Other identifiable intangible assets	10	10
Usage rights for fiber optic cables	15	15

## 12. BUSINESS INTEGRATION

On October 4, 2010, the subsidiaries Entel Telefonía Local S.A. and Entel Inversiones S.A. signed a contract by means of which they directly and indirectly acquired all stock of the companies Transam Comunicaciones S.A. (Tax ID No. 96.652.650-5) and its subsidiary Will S.A. (Tax ID No. 96.833.480-8), both of which provide telecommunications services.

Throughout the fourth quarter of 2010, the values of some assets and liabilities were adjusted to reflect their fair value, intangible assets acquired in the transaction were valued and the price paid was distributed. From this process it was possible to establish the following figures:

### TRANSAM COMUNICACIONES S.A. AND SUBSIDIARY WILL S.A

	AT FAIR VALUE TH.CLP\$	AT CURRENT CURRENT TH.CLP\$
Total current assets	1,851,650	2,008,233
Total non current assets	14,045,985	4,072,542
<b>Total assets (A)</b>	<b>15,897,635</b>	<b>6,080,775</b>
Total current liabilities	3,427,861	3,442,475
Total non current liabilities	3,373,022	1,283,926
<b>Total liabilities (B)</b>	<b>6,800,883</b>	<b>4,726,401</b>
<b>NET ASSETS ACQUIRED (A - B)</b>	<b>9,096,752</b>	<b>1,354,374</b>
Goodwill	34,993	

### 13. GOODWILL

Variations to balances for Goodwill are as follows:

COMPANY	SEGMENT	INITIAL BALANCE	ADDITIONS	FINAL BALANCE
		01.01.2010 TH.CLP\$		12.31.2010 TH.CLP\$
Entel PCS Telecomunicaciones S.A.	Mobile Network	43,384,200	-	43,384,200
Cientec Computación S.A.	Wireline network	2,402,281	-	2,402,281
Cientec Computación S.A.	Wireline network	-	156	156
Transam Comunicación S.A.	Wireline network	-	34,837	34,837
<b>FINAL BALANCE, NET</b>		<b>45,786,481</b>	<b>34,993</b>	<b>45,821,474</b>

COMPANY	SEGMENT	INITIAL BALANCE	OTHER	FINAL BALANCE
		01.01.2009 TH.CLP\$	INCREASES (REDUCTIONS)	12.31.2009 TH.CLP\$
Entel PCS Telecomunicaciones S.A.	Mobile Network	42,460,332	923,868	43,384,200
Cientec Computación S.A.	Wireline network	10,224,558	(7,822,277)	2,402,281
<b>FINAL BALANCE, NET</b>		<b>52,684,890</b>	<b>(6,898,409)</b>	<b>45,786,481</b>

Goodwill balances are subject to testing for deterioration in value at the close of each accounting period, with no such signs having been presented since the date on which they were acquired.

## 14. PROPERTY, PLANT AND EQUIPMENT

The breakdown of the gross values, depreciation and net values of the items which made up this category at each close of period are as follows:

	12.31.2010 TH.CLP\$	12.31.2009 TH.CLP\$
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>978,457,143</b>	<b>932,092,465</b>
Current construction, net	89,515,774	67,580,935
Land, net	9,222,010	9,284,444
Property, net	101,723,566	105,869,420
Plant and equipment, net	736,360,830	708,618,878
IT equipment, net	22,618,177	21,927,706
Fixed installations and accessories, net	7,872,004	9,583,832
Motor vehicles, net	375,868	354,936
Improvements to leased assets, net	5,222,790	4,100,303
Other property, plant and equipment, net	5,546,124	4,772,011
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT, GROSS</b>	<b>2,585,265,799</b>	<b>2,494,670,007</b>
Current construction, gross	89,515,774	67,580,935
Land, gross	9,222,010	9,284,444
Property, gross	211,767,053	210,304,555
Plant and equipment, gross	2,018,914,771	1,969,274,979
IT equipment, gross	87,737,647	78,287,202
Fixed installations and accessories, gross	133,751,057	130,203,585
Motor vehicles, gross	1,044,590	1,127,234
Improvements to leased assets, gross	15,950,435	12,463,742
Other property, plant and equipment, gross	17,362,462	16,143,331
<b>TOTAL CUMULATIVE DEPRECIATION AND DETERIORATION IN VALUE, PROPERTY, PLANT AND EQUIPMENT</b>	<b>(1,606,808,656)</b>	<b>(1,562,577,542)</b>
Cumulative depreciation and impairment in value, property	(110,043,487)	(104,435,135)
Cumulative depreciation and impairment in value, plant and equipment	(1,282,553,941)	(1,260,656,101)
Cumulative depreciation and impairment in value, IT equipment	(65,119,470)	(56,359,496)
Cumulative Depreciation and impairment in value, fixed installations and accessories	(125,879,053)	(120,619,753)
Cumulative depreciation and impairment in value, motor vehicles	(668,722)	(772,298)
Cumulative depreciation and impairment in value, improvements to leased assets	(10,727,645)	(8,363,439)
Cumulative Depreciation and impairment in value, Other	(11,816,338)	(11,371,320)



### VARIATIONS IN 2010 FOR PROPERTY, PLANT AND EQUIPMENT ITEMS ARE AS FOLLOWS:

	CURRENT CONSTRUCTION	LAND	PROPERTY, NET	PLANT AND EQUIPMENT, NET	IT EQUIPMENT, NET	FIXED INSTALLATIONS AND ACCESSORIES, NET	MOTOR VEHICLES, NET	IMPROVEMENTS TO LEASED ASSETS, NET	OTHER PROPERTY, PLANT AND EQUIPMENT, NET	PROPERTY, PLANT AND EQUIPMENT, NET
<b>Initial Balance</b>	67,580,935	9,284,444	105,869,420	708,618,878	21,927,706	9,583,832	354,936	4,100,303	4,772,011	932,092,465
<b>CHANGES</b>										
Additions	72,173,877	-	-	211,597,341	10,119,389	186,304	137,855	1,914,771	1,440,910	297,570,447
Acquisitions through business mergers	509,238	-	-	77,509	-	-	-	-	484,921	1,071,668
Removals	(155,948)	-	-	(8,340,035)	(17,404)	-	(6,667)	-	(22,429)	(8,542,483)
Depreciation Costs	-	-	(5,619,161)	(206,671,025)	(10,416,188)	(4,369,121)	(123,396)	(1,895,019)	(1,038,025)	(230,131,935)
Loss for depreciation recorded on income statement	-	-	-	(3,072,736)	(2,956)	-	-	-	112,450	(2,963,242)
Increase (decrease) in foreign currency translation	-	(20,353)	(26,924)	(180,821)	(6,635)	(26,493)	523	-	(77,689)	(338,392)
Other increases (decreases)	(50,592,328)	(42,081)	1,500,231	34,331,719	1,014,265	2,497,482	12,617	1,102,735	(126,025)	(10,301,385)
<b>Changes, total</b>	<b>21,934,839</b>	<b>(62,434)</b>	<b>(4,145,854)</b>	<b>27,741,952</b>	<b>690,471</b>	<b>(1,711,828)</b>	<b>20,932</b>	<b>1,122,487</b>	<b>774,113</b>	<b>46,364,678</b>
<b>FINAL BALANCE</b>	<b>89,515,774</b>	<b>9,222,010</b>	<b>101,723,566</b>	<b>736,360,830</b>	<b>22,618,177</b>	<b>7,872,004</b>	<b>375,868</b>	<b>5,222,790</b>	<b>5,546,124</b>	<b>978,457,143</b>

### VARIATIONS IN 2009 FOR PROPERTY, PLANT AND EQUIPMENT ITEMS ARE AS FOLLOWS:

	CURRENT CONSTRUCTION	LAND	PROPERTY, NET	PLANT AND EQUIPMENT, NET	IT EQUIPMENT, NET	FIXED INSTALLATIONS AND ACCESSORIES, NET	MOTOR VEHICLES, NET	IMPROVEMENTS TO LEASED ASSETS, NET	OTHER PROPERTY, PLANT AND EQUIPMENT, NET	PROPERTY, PLANT AND EQUIPMENT, NET
<b>Initial Balance</b>	95,041,555	8,372,181	111,402,824	637,664,622	16,869,153	14,222,342	280,785	3,985,268	5,170,903	893,009,633
<b>CHANGES</b>										
Additions	36,588,894	1,006,872	72,923	214,044,562	10,346,462	492,385	182,726	1,104,036	725,922	264,564,782
Removals	-	-	-	(8,199,574)	(648)	-	-	-	(446)	(8,200,668)
Depreciation Costs	-	-	(5,511,056)	(185,118,137)	(9,499,562)	(6,245,630)	(104,263)	(1,725,571)	(1,042,039)	(209,246,258)
Loss for depreciation recorded on income statement	-	-	-	(3,368,683)	-	-	-	-	(1,045,161)	(4,413,844)
Increase (decrease) in foreign currency translation	-	(61,979)	(81,472)	(943,659)	(26,655)	(128,821)	(1,960)	-	(12,916)	(1,257,462)
Other increases (decreases)	(64,049,514)	(32,630)	(13,799)	54,539,747	4,238,956	1,243,556	(2,352)	736,570	975,748	(2,363,718)
<b>Changes, total</b>	<b>(27,460,620)</b>	<b>912,263</b>	<b>(5,533,404)</b>	<b>70,954,256</b>	<b>5,058,553</b>	<b>(4,638,510)</b>	<b>74,151</b>	<b>115,035</b>	<b>(398,892)</b>	<b>39,082,832</b>
<b>FINAL BALANCE</b>	<b>67,580,935</b>	<b>9,284,444</b>	<b>105,869,420</b>	<b>708,618,878</b>	<b>21,927,706</b>	<b>9,583,832</b>	<b>354,936</b>	<b>4,100,303</b>	<b>4,772,011</b>	<b>932,092,465</b>

During 2010 and 2009, there has been no real interest generated to be charged to work in progress and associated materials, in line with the policy described in note 3f.

The net balances for property, plant and equipment acquired by means of financial leasing are set out below.

	12.31.2010	12.31.2009
	TH.CLP\$	TH.CLP\$
Property under financial leasing, net	15,531,560	15,959,347
Plant and equipment under financial leasing, net	-	1,062,980
IT equipment under financial leasing, net	534,973	2,049,362
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT UNDER FINANCIAL LEASING, NET</b>	<b>16,066,533</b>	<b>19,071,689</b>

Real estate that is leased is represented in real estate *leasing* contracts which cover the main offices of the Group's companies.

The terms of the leased asset agreements are as follows:

	START DATE	END DATE
Edificio Pacífico (Floors 9, 10, 12, 13, 14)	May 1995	April 2015
Commercial branches	February 1998	February 2018
Edificio Costanera (Floor 15)	September 1998	August 2018
Edificio Costanera (Floors 12-14)	December 1998	November 2018

The Group's companies have procedures designed to detect possible deterioration in the value of their property, plant and equipment assets.

Policies for determining deterioration in the value of property, plant and equipment are based on a permanent analysis of deterioration indexes; in the case of positive results, the recovery values of the affected assets are estimated.

The business makes use of asset control systems with varying degrees of component detail and association with service technology platforms.

The values allocated as losses for this category throughout the 2010 and 2009 financial years originate from in the removal of customer equipment with very low probability of reuse or of transfer, equipment whose remaining useful life is greater than the estimated periods of economic use, and equipment affected by technological change or decreases in recoverable value owing to decreases in the prices of certain services.

In addition to the costs referred to in the previous paragraphs, in 2010, extraordinary allocations were made for deterioration in Property, Plant and Equipment for Th.CLP\$ 2,973,446, associated with damage caused by the earthquake, as explained in note 29.

The deterioration in the value of Property, Plant and Equipment which have affected the results are as follows:

Components which have been affected by deterioration are set out below:

	ACUMULADO	
	01.01.2010 12.31.2010 TH.CLP\$	01.01.2009 12.31.2009 TH.CLP\$
Losses from impairment, property, plant and equipment	2,963,242	3,213,844
<b>TOTAL LOSSES FROM DETERIORATION</b>	<b>2,963,242</b>	<b>3,213,844</b>

Average depreciations applied are as follows:

ASSET DESCRIPTION	CUMULATIVE	
	01.01.2010 12.31.2010 TH.CLP\$	01.01.2009 12.31.2009 TH.CLP\$
Customer installations	1,226,446	633,982
Warehouse	1,025,840	898,861
Equipment	2,956	-
Network components	708,000	1,681,001
<b>TOTAL</b>	<b>2,963,242</b>	<b>3,213,844</b>

In terms of assets which have completed their useful accounting life, recovery or final return values for transfer have not been calculated as it is difficult to predict their additional period of economic efficiency, primarily since technological risk has risen with their age.

ASSETS	LIFE OR MINIMUM RATE (YEARS)	LIFE OR MAXIMUM RATE (YEARS)
Property	20	50
Plant and equipment		
External plant	10	20
Subscriber equipment	3	7
IT equipment	3	4
Fixed installations and accessories	3	10
Motor vehicles	3	7
Improvements to leased assets	5	5
Other property, plant and equipment	5	10

There are no assets with restrictions on ownership, except for those which are normal for assets under financial leasing. Similarly, full or partial guarantees have not been made on these.

Commitments for the acquisition of Property, Plant and Equipment as of December 31, 2010 including purchase orders with suppliers and contracts for civil engineering works totaled Th.CLP\$ 30,709,321.

Within this category there are no elements of significant value which are out of service.

The gross value of inactive materials which while being fully depreciated are still to some extent in use, totals Th.CLP\$ 465,057,589. In general, these correspond to assets with high technological obsolescence, whose withdrawal or replacement becomes economically feasible upon the termination of the services for which they are being used, increases in failure rates, suspension of technological support from the manufacturer or other circumstances. In terms of these assets, no valuations at use value have been undertaken, considering the uncertainty over the remaining periods of use.

At the end of 2009, the Telecommunications Development Fund, administered by the Ministry of Transport and Telecommunications, awarded the Digital Infrastructure Project for Competitiveness and Innovation to Entel, which will see mobile Internet delivered to 1,400 areas throughout the length of Chile.

Under the framework of this project, at the close of the 2010 financial year, work had been carried out to the value of Th.CLP\$ 20,840,808. In line with the agreement signed with the State, at the close of the 2010 financial year, subsidies of Th.CLP\$ 17,102,411 had been received. Of this value, Th.CLP\$ 7,510,943 has been allocated as the lowest value of the works carried out and Th.CLP\$ 9,591,468 have been retained as advances payments, charged to works that are to be executed or are currently being received.

## 15. INCOME TAX AND DEFERRED TAX

### A) GENERAL INFORMATION

Income tax accrued by each Group company for their income as of December 31, 2010 and 2009, is offset against the mandatory provisional monthly tax payments (PPM) made by these companies.

The cumulative payments of these companies which show favorable balances total Th.CLP\$ 11,884,354 as of December 2010 and Th.CLP\$ 4,089,667 as of December 2009. These values are listed under Current Assets and are categorized as Accounts Receivable for Tax.

The total of negative balances was Th.CLP\$ 201,105 and Th.CLP\$ 1,202,537 at the end of each period and these are listed under Current Liabilities as Tax liabilities.

Positive balances for the Group companies in their Taxable Profits Ledger as of December 31, 2010, are shown below alongside the tax credits to be paid to shareholders when a dividend is paid.

COMPANIES	PROFITS (WITH CREDIT) 17%	PROFITS (WITHOUT CREDIT)	VALUE OF CREDIT
Empresa Nacional de Telecomunicaciones S.A.	155,245,997	877,905	31,797,370
Entel Inversiones S.A.	17,972,179	28,862	3,681,044
Entel Servicios Telefónicos S.A.	1,718,591	258,486	380,722
Cientec Computación S.A.	2,408,777	269,216	409,670
Entel PCS Telecomunicaciones S.A.	266,495,535	31,374,207	54,583,372
Entel Comercial S.A.	1,365,325	44,792	279,644
Satel Telecomunicaciones S.A.	1,175,890	160,131	161,848
<b>TOTAL</b>	<b>446,382,294</b>	<b>33,013,599</b>	<b>91,293,670</b>

## B) DEFERRED TAX:

Deferred taxes established in accordance with the policy described in note 3k, are detailed in the following table.

ITEM	31.12.2010		31.12.2009	
	ASSET TH.CLPS\$	LIABILITY TH.CLPS\$	ASSET TH.CLPS\$	LIABILITY TH.CLPS\$
Depreciation property, plant and equipment	1,318,416	13,025,794	1,002,486	16,240,290
Intangible amortizations	905,523	3,473,886	1,074,059	1,480,642
Accumulations (or accruals)	6,810,960	-	4,152,907	-
Provisions	1,032,034	-	1,047,417	-
Depreciation property, plant and equipment	6,720,980	-	5,591,398	-
Accounts receivable impairment (unrecoverable)	11,437,654	-	10,939,378	-
Adjustment of derivate contract market values	422,953	901,147	1,051,454	73,017
Assets/liabilities at amortized cost	-	298,958	-	381,520
Deferred revenue	6,373,255	-	4,019,508	-
Assets acquired under financial leasing	1,796,579	2,686,236	1,933,389	2,772,929
Assets sold under financial leasing	460,818	921,695	544,557	927,270
Tax losses	1,283,008	-	2,441,583	-
Other	1,290,987	37,902	837,022	141,247
<b>TOTAL</b>	<b>39,853,167</b>	<b>21,345,618</b>	<b>34,635,158</b>	<b>22,016,915</b>

## C) UNRECOGNIZED DEFERRED TAX ASSETS

For some subsidiaries, deferred taxes associated with the application of tax losses which do not have a period of expiry have not been recorded. Tax effects which have not been recorded under this concept total Th.CLPS\$ 1,075,571 and Th.CLPS\$ 678,817, as of December 31, 2010 and 2009, respectively.

## D) EXPENDITURE (INCOME) FOR INCOME TAX BY CURRENT AND DEFERRED

	01.01.2010 12.31.2010 TH.CLPS\$	01.01.2009 12.31.2009 TH.CLPS\$
<b>CURRENT INCOME TAX EXPENDITURE</b>		
Expenditure for current tax	30,800,536	34,426,404
Adjustments to current tax from the previous period	71,078	31,362
Other current tax expenditure	1,827,664	209,429
<b>CURRENT TAX EXPENDITURE, NET, TOTAL</b>	<b>32,699,278</b>	<b>34,667,195</b>
<b>DEFERRED INCOME TAX EXPENDITURE</b>		
Deferred expenditure (revenue) for tax related to the creation and reversal of time differences	(7,045,565)	(5,477,684)
Expenditure (revenue) for taxes related to changes in the tax structure or new taxes	(1,955,526)	-
Expenditure for reductions in the value of assets during the evaluation of their use	900,000	-
Other expenditure (revenue) for deferred taxes	-	(400,000)
<b>DEFERRED TAX EXPENDITURE (REVENUE), NET, TOTAL</b>	<b>(8,101,091)</b>	<b>(5,877,684)</b>
<b>TOTAL EXPENDITURE (REVENUE) FOR INCOME TAX</b>	<b>24,598,187</b>	<b>28,789,511</b>

## E) EXPENDITURE (REVENUE) FOR INCOME TAX BY FOREIGN AND LOCAL PARTS, NET

	01.01.2010 12.31.2010 TH.CLP\$	01.01.2009 12.31.2009 TH.CLP\$
<b>EXPENDITURE FOR CURRENT INCOME TAX BY FOREIGN AND NATIONAL PARTS, NET</b>		
Current tax expenditure, net, foreign	(8,837)	(97,418)
Current tax expenditure, net, national	32,708,115	34,764,613
<b>CURRENT TAX EXPENDITURE, NET, TOTAL</b>	<b>32,699,278</b>	<b>34,667,195</b>
<b>EXPENDITURE FOR DEFERRED INCOME TAX BY FOREIGN AND NATIONAL PARTS, NET</b>		
Deferred tax expenditure, net, foreign	(31,914)	151,972
Deferred tax expenditure, net, national	(8,069,177)	(6,029,656)
<b>DEFERRED TAX EXPENDITURE, NET, TOTAL</b>	<b>(8,101,091)</b>	<b>(5,877,684)</b>
<b>TOTAL EXPENDITURE (INCOME) FOR INCOME TAX</b>	<b>24,598,187</b>	<b>28,789,511</b>

## F) RECONCILIATION OF INCOME TAX:

As of December 31, 2010 and 2009, the reconciliation of expenditure calculated using the legal rate with expenditure for tax using the effective rate is as follows:

	01.01.2010 12.31.2010 TH.CLP\$	01.01.2009 12.31.2009 TH.CLP\$
<b>COST OF TAX USING THE LEGAL RATE</b>	<b>33,586,797</b>	<b>29,078,415</b>
Tax effect of rates in other jurisdictions	842,118	478,456
<b>TAX EFFECT OF PERMANENT DIFFERENCES</b>		
Adjustments/fluctuation of tax investments	577,228	(928,423)
Own capital currency correction	(4,113,299)	-
Tax effects from subsidiary merger	(6,386,501)	-
Non tax deductible expenditure	1,904,134	-
Changes to tax structure for deferred taxes	(1,955,526)	-
Evaluation of assets for recorded deferred tax	900,000	-
Tax contribution calculated with applicable rate	(218,431)	(182,366)
Other increases (decreases) in expenditure for legal taxes	(538,333)	343,429
<b>ADJUSTMENTS TO COST OF TAX USING THE LEGAL RATE, TOTAL</b>	<b>(8,988,610)</b>	<b>(288,904)</b>
<b>COST OF TAX USING EFFECTIVE RATE</b>	<b>24,598,187</b>	<b>28,789,511</b>

## G) RECONCILIATION OF THE LEGAL TAX RATE WITH THE EFFECTIVE TAX RATE

	01.01.2010 12.31.2010 TH.CLPS	01.01.2009 12.31.2009 TH.CLPS
<b>LEGAL TAX RATE</b>	<b>17.00%</b>	<b>17.00%</b>
<b>Tax effect of rates in other jurisdictions</b>	<b>0.53%</b>	<b>0.28%</b>
<b>EFFECT ON TAX RATE OF</b>		
Adjustments/fluctuation of tax investments	0.29%	-0.47%
Own capital currency correction	-2.08%	-
Tax effects from subsidiary merger	-3.23%	-
Non tax deductible expenditure	0.96%	-
Changes to tax structure for deferred taxes	-0.99%	-
Evaluation of assets for recorded deferred tax	0.46%	-
Tax contribution calculated with applicable rate	-0.21%	-0.14%
Other increases (decreases) in expenditure for legal taxes	-0.28%	0.16%
<b>ADJUSTMENTS TO THE LEGAL TAX RATE, TOTAL</b>	<b>-4.55%</b>	<b>-0.17%</b>
<b>EFFECTIVE TAX RATE</b>	<b>12.45%</b>	<b>16.83%</b>

## 16. OTHER FINANCIAL LIABILITIES

The breakdown of this category for each period is shown in the following table.

	12.31.2010 TH.CLP\$	12.31.2009 TH.CLP\$
<b>CURRENT</b>		
Interest accruing loans	433,723	385,912
Creditors for financial leasing	1,494,233	3,227,356
Goodwill	-	19,808,554
Non-hedge derivatives	12,427,560	24,509,922
Hedge derivatives	215,170	180,210
<b>CURRENT SUBTOTAL</b>	<b>14,570,686</b>	<b>48,111,954</b>
<b>NON CURRENT</b>		
Interest accruing loans	282,380,867	305,115,928
Creditors for financial leasing	9,481,683	10,705,261
Non-hedge derivatives	1,688,763	509,381
Hedge derivatives	56,779,729	48,040,532
<b>NON CURRENT SUBTOTAL</b>	<b>350,331,042</b>	<b>364,371,102</b>
<b>TOTAL OTHER FINANCIAL LIABILITIES</b>	<b>364,901,728</b>	<b>412,483,056</b>

**a) Interest accruing loans** - The largest value corresponds to a syndicated bank loan of USD\$ 600,000,000 which is currently held by the Parent Company. The loan is held is at the USD 90 days Libo rate + 0.275%.

**b) Hedge derivatives** – Cash flow - This balance corresponds to the market value of derivative contracts which have been classified as hedges against exchange and interest rate risks, Cross Currency Swap (CCS), with respect to long term bank loans. As of December 31, 2010, these were made up of the substitution of obligations for US\$ 240 million at a rate of Libo 90 days + 0.275% for obligations in the national currency index UF 6,737,000, and obligations in Chilean pesos for Th.CLP\$ 22,600,000, both rates fluctuating between 2.95% and 5.58%.

**c) Derivatives at fair value with change in income** - The total value of current forward foreign exchange contracts as of December 31, 2010, includes the obligation to purchase US\$ 403,000,000 and €1,500,000 for Th.CLP\$ 208,291,120.

In calculating the market value of derivative instruments the flows are discounted considering variables which are quoted on active markets (interest rates). Consequently, the market values determined are classified under the second level of the hierarchy set out in IFRS 7.

The expiry profile of the nominal flows of Other Financial Liabilities is presented in the following table. For the purposes of calculating values, capital and interest payment flows (without discounted values) have been considered for the case of financial debts and the compensation value of financial derivatives which present favorable balances, according to the current exchange rates at the close of the period.



## At 12.31.2010

CREDITOR	CLASS OF LIABILITY	TOTAL DEBT TH.CLPS	CURRENT (TERM IN DAYS)		TOTAL CURRENT	NON CURRENT (TERM IN YEARS)			TOTAL NON CURRENT
			0 - 90	91 DAYS - 1 YEAR		MÁS DE 1 - 3	MÁS DE 3 - 5	MORE THAN 5	
Citibank N.A.	Loans	285,065,901	475,490	1,239,429	1,714,919	189,476,381	93,874,601	-	283,350,982
Banco de Crédito Inversiones	Loans	441,665	28,191	84,574	112,765	225,530	103,370	-	328,900
Claro Comunicaciones S.A. (formerly Telmex S.A.)	Loans	3,635,192	454,399	-	454,399	908,798	908,798	1,363,197	3,180,793
Banco Santander - Chile	Loans	730,165	25,625	51,246	76,871	307,497	345,797	-	653,294
Deutsche Bank (Chile)	Hedge derivatives	30,047,846	636,492	1,420,110	2,056,602	19,286,529	8,704,715	-	27,991,244
Banco Santander - Chile	Hedge derivatives	15,103,963	320,676	715,578	1,036,254	9,693,773	4,373,936	-	14,067,709
Banco de Chile	Hedge derivatives	2,786,700	147,062	330,261	477,323	1,482,487	826,890	-	2,309,377
Scotiabank Chile	Hedge derivatives	15,493,720	333,378	744,444	1,077,822	9,938,706	4,477,192	-	14,415,898
Scotiabank Chile	Hedge derivatives	4,387,079	217,092	486,775	703,867	2,324,392	1,358,820	-	3,683,212
Banco de Crédito e Inversiones	Non-hedge derivatives	2,343,470	107,340	933,145	1,040,485	1,302,985	-	-	1,302,985
Banco Bilbao Vizcaya Argentaria, Chile	Non-hedge derivatives	3,484,275	746,460	1,880,430	2,626,890	857,385	-	-	857,385
Corpbanca	Non-hedge derivatives	889,800	-	485,100	485,100	404,700	-	-	404,700
Banco de Chile	Non-hedge derivatives	1,605,955	528,260	825,845	1,354,105	251,850	-	-	251,850
Banco Santander - Chile	Non-hedge derivatives	2,607,630	728,885	1,800,160	2,529,045	78,585	-	-	78,585
HSBC Bank (Chile)	Non-hedge derivatives	1,981,535	575,630	1,405,905	1,981,535	-	-	-	-
Scotiabank Chile	Non-hedge derivatives	1,789,720	133,920	960,845	1,094,765	694,955	-	-	694,955
Banco Security	Non-hedge derivatives	735,540	-	735,540	735,540	-	-	-	-
Bank of America N.A.	Non-hedge derivatives	1,354,555	278,245	1,076,310	1,354,555	-	-	-	-
Rabobank Chile	Non-hedge derivatives	283,200	283,200	-	283,200	-	-	-	-
JP Morgan Chase Bank, N.A.	Non-hedge derivatives	843,930	205,920	638,010	843,930	-	-	-	-
Banco Bilbao Vizcaya Argentaria, Chile	Non-hedge derivatives	109,160	109,160	-	109,160	-	-	-	-
Corpbanca	Non-hedge derivatives	51,870	51,870	-	51,870	-	-	-	-
Banco de Chile	Non-hedge derivatives	32,625	32,625	-	32,625	-	-	-	-
Banco Santander - Chile	Non-hedge derivatives	13,930	13,930	-	13,930	-	-	-	-
Deutsche Bank (Chile)	Non-hedge derivatives	77,550	77,550	-	77,550	-	-	-	-
Banco del Estado de Chile	Non-hedge derivatives	53,375	53,375	-	53,375	-	-	-	-
HSBC Bank (Chile)	Non-hedge derivatives	389,120	389,120	-	389,120	-	-	-	-
Scotiabank Chile	Non-hedge derivatives	103,555	103,555	-	103,555	-	-	-	-
Consortio Nacional de Seguros S.A.	Financial Leasing	10,853,655	447,920	1,343,762	1,791,682	3,583,364	2,958,542	2,520,067	9,061,973
Chilena Consolidada Seguros de Vida S.A.	Financial Leasing	1,611,322	52,543	157,629	210,172	420,345	420,345	560,460	1,401,150
Banco Bice	Financial Leasing	1,145,154	39,947	119,842	159,789	319,578	319,578	346,209	985,365
Bice Vida Cía. de Seguros de Vida S.A.	Financial Leasing	528,447	22,648	67,943	90,591	181,182	181,182	75,492	437,856
Banco de Crédito e Inversiones	Financial Leasing	217,127	104,362	112,765	217,127	-	-	-	-
Banco Security	Financial Leasing	21	21	-	21	-	-	-	-
Scotiabank Chile	Financial Leasing	200,660	60,199	140,461	200,660	-	-	-	-
Commercial accounts payable and others	Accounts payable	319,275,469	319,275,469	-	319,275,469	-	-	-	-
<b>TOTAL</b>		<b>710,274,881</b>	<b>327,060,559</b>	<b>17,756,109</b>	<b>344,816,668</b>	<b>241,739,022</b>	<b>118,853,766</b>	<b>4,865,425</b>	<b>365,458,213</b>

## At 12.31.2009

CREDITOR	CLASS OF LIABILITY	TOTAL DEBT	CURRENT (TERM IN DAYS)		TOTAL CURRENT	NON CURRENT (TERM IN YEARS)			TOTAL NON CURRENT
			0 - 90	91 DAYS - 1 YEAR		MÁS DE 1 - 3	MÁS DE 3 - 5	MORE THAN 5	
Citibank N.A.	Loans	310,096,559	470,900	1,221,674	1,692,574	104,428,811	203,975,174	-	308,403,985
Banco de Crédito e Inversiones	Loans	149,588	37,397	112,191	149,588	-	-	-	-
Claro Comunicaciones S.A. (formerly Telmex S.A.)	Loans	3,991,872	443,541	-	443,541	887,083	887,083	1,774,165	3,548,331
Deutsche Bank (Chile)	Hedge derivatives	26,043,690	533,546	1,384,200	1,917,746	9,880,119	14,245,825	-	24,125,944
Banco Santander - Chile	Hedge derivatives	13,106,834	268,851	697,491	966,342	4,973,061	7,167,431	-	12,140,492
Banco de Chile	Hedge derivatives	2,627,050	125,232	339,146	464,378	876,972	1,285,700	-	2,162,672
The Royal Bank of Scotland (Chile)	Hedge derivatives	13,523,140	279,712	725,668	1,005,380	5,136,250	7,381,510	-	12,517,760
The Royal Bank of Scotland (Chile)	Hedge derivatives	3,898,686	100,219	444,258	544,477	1,292,398	2,061,811	-	3,354,209
Banco de Crédito e Inversiones	Non-hedge derivatives	8,068,425	2,298,100	5,770,325	8,068,425	-	-	-	-
Banco Itaú Chile	Non-hedge derivatives	216,600	-	216,600	216,600	-	-	-	-
Banco Bilbao Vizcaya Argentaria, Chile	Non-hedge derivatives	1,811,830	-	1,811,830	1,811,830	-	-	-	-
Corpbanca	Non-hedge derivatives	3,916,620	-	3,916,620	3,916,620	-	-	-	-
Banco de Chile	Non-hedge derivatives	6,031,975	1,067,250	4,964,725	6,031,975	-	-	-	-
Banco Santander - Chile	Non-hedge derivatives	1,771,575	-	1,197,150	1,197,150	574,425	-	-	574,425
The Royal Bank of Scotland (Chile)	Non-hedge derivatives	114,600	-	114,600	114,600	-	-	-	-
HSBC Bank (Chile)	Non-hedge derivatives	274,700	-	201,500	201,500	73,200	-	-	73,200
Scotiabank Sud Americano	Non-hedge derivatives	49,275	19,800	-	19,800	29,475	-	-	29,475
Bank of America N.A.	Non-hedge derivatives	33,000	-	-	-	33,000	-	-	33,000
Banco de Chile	Non-hedge derivatives	2,071,509	53,805	2,017,704	2,071,509	-	-	-	-
Banco de Crédito e Inversiones	Non-hedge derivatives	19,100	19,100	-	19,100	-	-	-	-
Banco Santander - Chile	Non-hedge derivatives	25,800	25,800	-	25,800	-	-	-	-
The Royal Bank of Scotland (Chile)	Non-hedge derivatives	156,300	156,300	-	156,300	-	-	-	-
HSBC Bank (Chile)	Non-hedge derivatives	42,600	42,600	-	42,600	-	-	-	-
Scotiabank Sud Americano	Non-hedge derivatives	60,350	60,350	-	60,350	-	-	-	-
Mutual funds various and other	Goodwill	20,000,000	-	20,000,000	20,000,000	-	-	-	-
Consorcio Nacional de Seguros S.A.	Financial Leasing	12,343,183	437,218	1,311,653	1,748,871	3,497,741	3,497,741	3,598,830	10,594,312
Chilena Consolidada Seguros de Vida S.A.	Financial Leasing	1,777,972	51,288	153,863	205,151	410,301	410,301	752,219	1,572,821
Banco Bice	Financial Leasing	1,273,763	38,993	116,978	155,971	311,942	311,942	493,908	1,117,792
Bice Vida Cía. de Seguros de Vida S.A.	Financial Leasing	604,248	22,107	66,320	88,427	176,853	176,853	162,115	515,821
Interbank	Financial Leasing	401,489	-	401,489	401,489	-	-	-	-
Banco de Crédito e Inversiones	Financial Leasing	752,710	204,146	548,564	752,710	-	-	-	-
Banco Security	Financial Leasing	103,120	38,675	64,445	103,120	-	-	-	-
Scotiabank Sud Americano	Financial Leasing	449,494	167,777	281,717	449,494	-	-	-	-
Banco Santander - Chile	Financial Leasing	133,931	36,527	97,404	133,931	-	-	-	-
Corpbanca	Financial Leasing	112,737	28,184	84,553	112,737	-	-	-	-
Commercial accounts payable and others	Accounts payable	229,425,777	229,425,777	-	229,425,777	-	-	-	-
<b>TOTAL</b>		<b>665,480,102</b>	<b>236,453,195</b>	<b>48,262,668</b>	<b>284,715,863</b>	<b>132,581,631</b>	<b>241,401,371</b>	<b>6,781,237</b>	<b>380,764,239</b>

The Group company which is a debtor, the respective creditor, the countries of origin and financial conditions of these liabilities are detailed below:

### At 12.31.2010

DEBTOR TAX ID	ENTITY DEBTOR	COUNTRY OF DEBTOR	CREDITOR TAX ID	CREDITOR	COUNTRY OF CREDITOR	CURRENCY	TYPE OF AMORTIZATION	RATE CASH	NOMINAL RATE
92.580.000-7	Entel S.A.	Chile	0-E	Citibank N.A.	USA	USD	Deferred annual	4.86%	Libor USD90 d + 0.275%
96.682.830-7	Cientec Computación S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	UF	Monthly	0.43%	0.43%
92.580.000-7	Entel S.A.	Chile	94.675.000-k	Claro Comunicaciones S.A. (Telmex S.A.)	Chile	UF	Annual	9.12%	8.70%
96.652.650-5	Transam Comunicaciones S.A.	Chile	97.036.000-k	Banco Santander - Chile	Chile	UF	Monthly	6.90%	6.90%
92.580.000-7	Entel S.A.	Chile	96.929.050-2	Deutsche Bank (Chile)	Chile	UF	Deferred annual	-	-
92.580.000-7	Entel S.A.	Chile	97.036.000-k	Banco Santander - Chile	Chile	UF	Deferred annual	-	-
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	CLP	Deferred annual	-	-
92.580.000-7	Entel S.A.	Chile	97.919.000-k	Scotiabank Chile	Chile	UF	Deferred annual	-	-
92.580.000-7	Entel S.A.	Chile	97.919.000-k	Scotiabank Chile	Chile	CLP	Deferred annual	-	-
92.580.000-7	Entel S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.023.000-9	Corpbanca	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.036.000-k	Banco Santander - Chile	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.951.000-4	HSBC Bank (Chile)	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.053.000-2	Banco Security	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	0-E	Nbank of America N.A.	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.949.000-3	Rabobank Chile	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.043.000-8	JP Morgan Chase Bank, N.A.	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.023.000-9	Corpbanca	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.004.000-5	Banco de Chile	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.036.000-k	Banco Santander - Chile	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	96.929.050-2	Deutsche Bank (Chile)	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.030.000-7	Banco del Estado de Chile	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.951.000-4	HSBC Bank (Chile)	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	99.012.000-5	Consorcio Nacional de Seguros S.A.	Chile	UF	Monthly	8.03%	8.03%
92.580.000-7	Entel S.A.	Chile	99.185.000-7	Chilena Consolidada Seguros de Vida S.A.	Chile	UF	Monthly	8.43%	8.43%
92.580.000-7	Entel S.A.	Chile	97.080.000-k	Banco Bice	Chile	UF	Monthly	8.32%	8.32%
92.580.000-7	Entel S.A.	Chile	96.656.410-5	Bice Vida Cía. de Seguros de Vida S.A.	Chile	UF	Monthly	7.52%	7.52%
96.682.830-7	Cientec Computación S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	UF	Monthly	4.50%	4.50%
96.682.830-7	Cientec Computación S.A.	Chile	97.053.000-2	Banco Security	Chile	UF	Monthly	5.30%	5.30%
96.682.830-7	Cientec Computación S.A.	Chile	97.018.000-1	Scotiabank Chile	Chile	UF	Monthly	6.91%	6.91%

At 12.31.2009

DEBTOR TAX ID	ENTITY DEBTOR	COUNTRY OF DEBTOR	CREDITOR TAX ID	CREDITOR	COUNTRY OF CREDITOR	CURRENCY	TYPE OF AMORTIZATION	RATE CASH	NOMINAL RATE
92.580.000-7	Entel S.A.	Chile	0-E	Citibank N.A.	USA	USD	Deferred annual	4.86%	Libor USD90 d + 0.275%
96.682.830-7	Cientec Computación S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	UF	Monthly	5.41%	5.41%
92.580.000-7	Entel S.A.	Chile	88.381.200-K	Claro Comunicaciones S.A. (ex Telmex S.A.)	Chile	UF	Annual	9.12%	8.70%
92.580.000-7	Entel S.A.	Chile	96.929.050-2	Deutsche Bank (Chile)	Chile	UF	Deferred annual	-	-
92.580.000-7	Entel S.A.	Chile	97.036.000-k	Banco Santander - Chile	Chile	UF	Deferred annual	-	-
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	CLP	Deferred annual	-	-
92.580.000-7	Entel S.A.	Chile	97.919.000-k	The Royal Bank of Scotland (Chile)	Chile	UF	Deferred annual	-	-
92.580.000-7	Entel S.A.	Chile	97.919.000-k	The Royal Bank of Scotland (Chile)	Chile	CLP	Deferred annual	-	-
92.580.000-7	Entel S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	76.645.030-K	Banco Itaú Chile	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.032.000-8	Banco Bilbao Vizcaya Argentaria, Chile	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.023.000-9	Corpbanca	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.036.000-K	Banco Santander - Chile	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.919.000-K	The Royal Bank of Scotland (Chile)	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.951.000-4	HSBC Bank (Chile)	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	0-E	Bank of America N.A.	USA	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	97.004.000-5	Banco de Chile	Chile	UF	Deferred annual	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.036.000-K	Banco Santander - Chile	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.919.000-K	The Royal Bank of Scotland (Chile)	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.951.000-4	HSBC Bank (Chile)	Chile	CLP	-	-	-
96.806.980-2	Entel PCS S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	CLP	-	-	-
92.580.000-7	Entel S.A.	Chile	-	Fondos Mutuos varios y otros	Chile	CLP	Single upon expiry	0.25%	0.26%
92.580.000-7	Entel S.A.	Chile	99.012.000-5	Consortio Nacional de Seguros S.A.	Chile	UF	Monthly	8.03%	8.03%
92.580.000-7	Entel S.A.	Chile	99.185.000-7	Chilena Consolidada Seguros de Vida S.A.	Chile	UF	Monthly	8.43%	8.43%
92.580.000-7	Entel S.A.	Chile	97.080.000-K	Banco Bice	Chile	UF	Monthly	8.32%	8.32%
92.580.000-7	Entel S.A.	Chile	96.656.410-5	Bice Vida Cia. de Seguros de Vida S.A.	Chile	UF	Monthly	7.52%	7.52%
0-E	Americatel Perú S.A.	Perú	0-E	Interbank	Peru	USD	Biannual	6.80%	6.80%
96.682.830-7	Cientec Computación S.A.	Chile	97.006.000-6	Banco de Crédito e Inversiones	Chile	UF	Monthly	4.50%	4.50%
96.682.830-7	Cientec Computación S.A.	Chile	97.053.000-2	Banco Security	Chile	UF	Monthly	5.30%	5.30%
96.682.830-7	Cientec Computación S.A.	Chile	97.018.000-1	Scotiabank Sud Americano	Chile	UF	Monthly	6.91%	6.91%
96.682.830-7	Cientec Computación S.A.	Chile	97.036.000-K	Banco Santander - Chile	Chile	UF	Monthly	4.70%	4.70%
96.682.830-7	Cientec Computación S.A.	Chile	97.023.000-9	Corpbanca	Chile	UF	Monthly	4.98%	4.98%

Liquidity risks are controlled by financial planning which takes into account debt policies and potential third party finance sources. The low level of debt held by the Group's companies and access to national and international finance through bank loans and placing debt securities secures allows it to reduce long term liquidity risks, with the exception of systematic alterations in the financial markets.

In the previously included tables of the expiry dates, a range of obligations for financial leasing contracts are included, whose specific expiry profiles are as follows:

MINIMUM LEASING PAYMENTS	12.31.2010			12.31.2009		
	GROSS	INTEREST	PRESENT VALUE	GROSS	INTEREST	PRESENT VALUE
Less than one year	2,318,955	( 824,722 )	1,494,233	4,202,562	( 975,206 )	3,227,356
Between one and five years	8,384,115	( 2,023,573 )	6,360,542	8,850,409	( 2,479,399 )	6,371,010
More than five years	3,502,229	( 381,088 )	3,121,141	5,007,071	( 672,820 )	4,334,251
<b>TOTAL</b>	<b>14,205,299</b>	<b>( 3,229,383 )</b>	<b>10,975,916</b>	<b>18,060,042</b>	<b>( 4,127,425 )</b>	<b>13,932,617</b>

## 17. COMMERCIAL CREDITORS AND OTHER ACCOUNTS PAYABLE

This item covers the items set out in the table below:

	12.31.2010 TH.CLPS	12.31.2009 TH.CLPS
<b>COMMERCIAL ACCOUNTS PAYABLE</b>		
Foreign correspondents	4,190,709	3,291,796
Telecommunications suppliers	42,336,029	33,929,052
Foreign suppliers	29,305,174	26,198,460
National suppliers	177,040,728	116,396,212
<b>OTHER ACCOUNTS PAYABLE</b>		
Personnel obligations	19,311,786	13,307,564
Dividends payable	28,393,006	19,405,211
Others (VAT debit, retained taxes)	18,698,037	16,897,482
<b>TOTAL</b>	<b>319,275,469</b>	<b>229,425,777</b>

## 18. OTHER PROVISIONS

The breakdown of Non Current Provisions is as follows:

	12.31.2010 TH.CLPS	12.31.2009 TH.CLPS
<b>CURRENT PROVISIONS</b>		
Legal claims	409,427	-
Decommissioning, restoration and renovation costs	239,008	-
Other provisions	40,835	-
<b>TOTAL CURRENT PROVISIONS</b>	<b>689,270</b>	<b>-</b>
<b>NON CURRENT PROVISIONS</b>		
Decommissioning, restoration and renovation costs	4,001,616	3,313,148
<b>TOTAL NON CURRENT PROVISIONS</b>	<b>4,001,616</b>	<b>3,313,148</b>

The changes in these provisions during the periods covered by the current financial statements are as follows:

	DECOMMISSIONING AND RESTORATION COSTS	OTHER PROVISIONS	TOTAL
	TH.CLP\$	TH.CLP\$	TH.CLP\$
Total provisions, initial balance (01/01/2010)	3,313,148	-	3,313,148
Increase (decrease) in existing provisions	627,253	450,262	1,077,515
Increase for business merger	239,008	-	239,008
Increase for the adjustment of time value of money	61,215	-	61,215
<b>CHANGES IN PROVISIONS, TOTAL</b>	<b>927,476</b>	<b>450,262</b>	<b>1,377,738</b>
<b>TOTAL PROVISIONS, FINAL BALANCE (31/12/2010)</b>	<b>4,240,624</b>	<b>450,262</b>	<b>4,690,886</b>

	DISMANTLING AND COSTS OF RESTORATION	OTHER PROVISIONS	TOTAL
	TH.CLP\$	TH.CLP\$	TH.CLP\$
<b>TOTAL PROVISIONS, INITIAL BALANCE (01/01/2009)</b>	<b>2,383,491</b>	<b>106,778</b>	<b>2,490,269</b>
Increase (decrease) in existing provisions	536,884	(25,654)	511,230
Reversion of unused provision	-	(81,124)	(81,124)
Increase for the adjustment of time value of money	392,773	-	392,773
<b>CHANGES IN PROVISIONS, TOTAL</b>	<b>929,657</b>	<b>(106,778)</b>	<b>822,879</b>
<b>TOTAL PROVISIONS, FINAL BALANCE (31/12/2009)</b>	<b>3,313,148</b>	<b>-</b>	<b>3,313,148</b>

In determining provisions for restoration and renovation costs, the estimated value of the required construction, demolition or any other type of activity is considered. These costs are discounted in line with the estimated terms of the contracts with the owners of the properties or sites on which installations are located in line with termination and renewal forecasts. These values are discounted using the cost of capital rates for each company.

## 19. OTHER NON-FINANCIAL LIABILITIES

These correspond to deferred revenue, which is detailed for each period in the table below.

	CURRENT		NON CURRENT	
	12.31.2010 TH.CLP\$	12.31.2009 TH.CLP\$	12.31.2010 TH.CLP\$	12.31.2009 TH.CLP\$
<b>DEFERRED REVENUE</b>				
Prepaid cards	8,328,466	6,277,946	-	-
Connection charges	21,383,249	15,819,802	653,939	457,943
Leasing of underwater cables	165,047	190,469	428,043	1,246,304
Other	2,166,529	2,369,016	3,714,418	-
Advances of applicable state subsidies	9,591,468	-	-	-
Other deferred liabilities	-	-	2,795,849	-
<b>TOTAL</b>	<b>41,634,759</b>	<b>24,657,233</b>	<b>7,592,249</b>	<b>1,704,247</b>

## 20. BENEFITS AND EXPENSES RELATED TO EMPLOYEES

### A) WORKFORCE COSTS

	01.01.2010 12.31.2010 TH.CLP\$	01.01.2009 12.31.2009 TH.CLP\$
Salaries	79,896,627	68,671,980
Short-term benefits for employees	12,475,664	13,854,086
Costs of post-employment benefit obligations	(2,093,086)	1,088,785
Severance benefits	5,482,984	3,655,106
Other workforce costs	16,363,771	13,437,149
<b>TOTAL</b>	<b>112,125,960</b>	<b>100,707,106</b>

### B) PAYMENTS MADE TO EMPLOYEES FOR YEARS OF SERVICE (POST-EMPLOYMENT BENEFITS AND SEVERANCE PAY)

The Parent company retains the most significant agreements for compensation for years of service with the employee and executive segments.

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

This benefit to workers is granted through Corporación Mutual Entel-Chile, jointly financed by both the employees, who make a monthly contribution of 2.66% of their base salary, and by the Company, which must contribute the complementary funds that from year to year may be required to satisfy the payment of compensation to a maximum of 3% of the staff.

Liabilities recorded as of December 31, 2010 and 2009 designated as Post-employment Benefits totaled Th.CLP\$ 8,182,456 and Th.CLP\$ 9,663,719, respectively, representing the actual value of severance pay accrued on those dates, after deducting the values available from the Mutual Corporation.

In addition to agreements held by the Parent Company, the subsidiaries Entel Call Center S.A., Cientec S.A. and Transam S.A. have agreements to cover severance pay for years of service in the case of redundancy, which have been designated as Benefits for Termination. The total accrued by these subsidiaries for each period is Th.CLP\$ 75,356 and Th.CLP\$ 71,041, respectively.

The changes in balances for post-employment obligations of the parent company is as follows:

CHANGES	12.31.2010 TH.CLP\$	12.31.2009 TH.CLP\$
Present value of obligation, Initial balance	9,663,719	8,212,752
Cost of current services	480,264	597,376
Cost for obligation Interest	611,823	362,182
Current losses (earnings) of the obligation	( 2,051,137 )	603,658
Contributions paid to plan	( 522,213 )	( 112,249 )
<b>PRESENT VALUE OF OBLIGATION, FINAL BALANCE</b>	<b>8,182,456</b>	<b>9,663,719</b>

	12.31.2010	12.31.2009
Discount rate	6.50%	4.41%
Salary increment rate	1.00%	1.00%
Rotation rate	6.29%	6.29%
Death table	RV-2004	RV-2004

## 21. EQUITY

Variations in equity throughout 2010 and 2009 are detailed in the Statement of Changes in Stockholder Equity

SERIES	NO. SUBSCRIBED SHARES	NO. PAID-IN SHARES	NO. SHARES WITH RIGHT TO VOTE	SUBSCRIBED CAPITAL	CAPITAL PAID-IN
SINGLE	236,523,695	236,523,695	236,523,695	522,667,566	522,667,566

### Capital

The Company keeps a series of shares without nominal value in circulation which are fully paid-in. This number of shares corresponds to the capital authorized by the Company.

Between January 1, 2009 and December 31, 2010, no changes were registered arising from issuing, redemptions, reductions or any other circumstances.

The portfolio does not contain own stock.

There are no reserves or commitments to issue shares to cover option and sale contracts.

### Dividend policy

In line with Act 18,046, and except when a different agreement has been reached at the Shareholders' Meeting by unanimity of shares issued, at least 30% of any profit made by the companies must be paid as a dividend.

In addition to legal regulations, the Company's policy for the distribution of dividends is also taken into consideration. The current policy establishes dividend limits which are greater than the legal minimum. However, these limits fix maximum levels in order to maintain the discretionary character of possible dividends above the required legal level. This means provisions for dividends above the legal level are not affected.

The policy communicated at the most recent Ordinary Shareholders' Meeting held on April 30, 2010, considered the proposal of payments of up to 80% of profits for each financial year, conditional on the company's annual results, investment requirements and the safeguards established in long term bank loan agreements to which the Company is committed with respect to debt, liquidity and financing.

There is a requirement from the Chilean Securities and Insurance Supervisor for the parent company to define a policy for the handling of income originating from the adjustment of assets and liabilities to fair value; in this respect, the company has a policy to deduct the unrealized profits which would have been generated from the income to be distributed under this concept. In terms of profits for the 2010 financial year, this corresponds to a reduction of Th.CLP\$ 885,992 related to the adjustment of non-hedging derivative contracts to fair value.



Except for the conditions referred to in the previous paragraphs, the Company is not subject to additional restrictions for the payment of dividends.

### Dividend payments:

The following dividend payments were made throughout 2010 and 2009:

By agreement of the Board of Directors at the meeting held on November 9, 2010, it was agreed to pay an interim dividend of CLP\$ 100 per share, equivalent to a total of Th.CLP\$ 23,652,370. This dividend was payable on December 13, 2010.

At the Ordinary Shareholders' Meeting held on April 29, 2010, it was agreed to distribute a final dividend of CLP\$ 350 per share, equivalent to Th.CLP\$ 82,783,293, payable on May 25, 2010.

By agreement of the Board of Directors at the meeting held on November 16, 2009, it was agreed to pay an interim dividend of CLP\$ 100 per share, equivalent to a total of Th.CLP\$ 23,652,370. This dividend was payable on December 10, 2009.

At the Ordinary Shareholders' Meeting held on April 30, 2009, it was agreed to distribute a final dividend of CLP\$ 343 per share, equivalent to Th.CLP\$ 81,127,627, payable from May 25, 2009.

### Other reserves:

OTRAS RESERVAS	BALANCE AT 12.31.2009 TH.CLP\$	NET VARIATION	BALANCE AT 12.31.2010 TH.CLP\$
Conversion reserves	(102,249)	(479,497)	(581,746)
Reserves for proposed dividends	(19,029,877)	(8,943,318)	(27,973,195)
Reserves for hedge operations	(5,071,372)	3,409,890	(1,661,482)
Revaluation of paid-in capital 2008	(42,715,715)	-	(42,715,715)
Other reserves	(18,049,166)	-	(18,049,166)
<b>TOTALS</b>	<b>(84,968,379)</b>	<b>(6,012,925)</b>	<b>(90,981,304)</b>

OTRAS RESERVAS	BALANCE AT 12.31.2008 TH.CLP\$	NET VARIATION	BALANCE AT 12.31.2009 TH.CLP\$
Conversion reserves	941,159	(1,043,408)	(102,249)
Reserves for proposed dividends	(22,400,516)	3,370,639	(19,029,877)
Reserves for hedge operations	(2,247,534)	(2,823,838)	(5,071,372)
Revaluation of paid-in capital 2008	(42,715,715)	-	(42,715,715)
Other reserves	(18,049,166)	-	(18,049,166)
<b>TOTALS</b>	<b>(84,471,772)</b>	<b>(496,607)</b>	<b>(84,968,379)</b>

The reserves detailed above are of the following nature:

Conversion reserves - This balance reflects the cumulative results of exchange rate fluctuations upon converting the financial statements of subsidiaries based outside of Chile from their working currency to the Group's reporting currency (Chilean Pesos).

Reserve for proposed dividends – Charge to equity in recognition of the obligation to pay a minimum dividend of 30%.

Reserve in hedge operations – Corresponds to the difference between the spot value and the fair value of cash flow hedge contracts (CCS) which qualify as effective. Net of deferred tax.

These values are transferred to income upon maturity of the contract.

Revaluation of paid-in capital – In accordance with Act 18,046, Article 10, Item 2, and in agreement with circular 456 of the Chilean Securities and Insurance Supervisor, the revaluation of paid-in capital for the 2008 year must be listed under this item.

## 22. EARNINGS PER SHARE

Earnings per share are as follows:

	01.01.2010 12.31.2010 TH.CLP\$	01.01.2009 12.31.2009 TH.CLP\$
Earnings (Loss) attributable to holders of stock instruments in controller stockholder equity	172,971,209	142,259,990
Other Increase (decrease) in the calculation of income available to ordinary stockholders	-	-
Income available to ordinary stockholders, basic	172,971,209	142,259,990
Weighted average of no. of shares, basic	236,523,695	236,523,695
Basic earnings (losses) per share	731,31	601,46

The calculation of basic earnings per share for 2010 and 2009 is based on profit attributable to stockholders and the number of shares of the single series. The Company has not issued convertible debt or other equity-linked instruments. Consequently there are no factors which could result in the dilution of the Company's earnings per share.

## 23. INCOME AND EXPENDITURE

### A) ORDINARY REVENUE

The Group's revenue is principally derived from services. Sales of goods are not significant and are viewed as accessories to services. Breakdown by type of service is as follows:

	01.01.2010 12.31.2010 TH.CLP\$	01.01.09 12.31.2009 TH.CLP\$
Service Provision (Mobile Services)	839,622,831	740,338,514
Service Provision (Wireline Services)	217,019,496	220,920,010
Other services	26,952,814	26,871,091
<b>TOTAL NORMAL REVENUE</b>	<b>1,083,595,141</b>	<b>988,129,615</b>

## B) OTHER REVENUE

The breakdown of this item for each year is as follows:

	01.01.2010 12.31.2010 TH.CLPS\$	01.01.09 12.31.2009 TH.CLPS\$
Revenue from commercial interests	1,409,859	2,293,303
Revenue from leasing	1,840,554	1,226
Other revenue	1,463,752	1,117,832
<b>TOTAL OTHER REVENUE</b>	<b>4,714,165</b>	<b>3,412,361</b>

## C) ORDINARY EXPENSES

The breakdown of Other Expenses for each year is as follows:

	01.01.2010 12.31.2010 TH.CLPS\$	01.01.09 12.31.2009 TH.CLPS\$
Expenses to other telecommunication operators	(170,820,924)	(180,113,585)
Expenses to other service operators	(23,921,354)	(16,890,780)
Customer Sales Costs	(73,643,311)	(63,021,518)
Leases	(44,004,521)	(38,271,476)
Maintenance	(34,984,604)	(32,093,650)
Advertising	(33,731,837)	(27,768,007)
Sales commissions	(33,948,826)	(23,001,924)
Professional services	(20,085,571)	(19,072,002)
<i>Outsourced Services</i>	(9,652,019)	(8,256,981)
Supplies and Equipment	(15,596,045)	(15,913,211)
Energy and other consumption	(11,252,308)	(11,173,308)
Other	(31,766,171)	(29,838,959)
<b>TOTAL OTROS GASTOS</b>	<b>(503,407,491)</b>	<b>(465,415,401)</b>

## D) FINANCIAL REVENUE AND EXPENSES

The breakdown of Financial Revenue and Expenses for each year is as follows:

NET FINANCIAL INCOME	01.01.2010 12.31.2010 TH.CLP\$	01.01.09 12.31.2009 TH.CLP\$
Interest on term deposits – loans and accounts receivable	970,282	1,167,709
<b>TOTAL FINANCIAL REVENUE</b>	<b>970,282</b>	<b>1,167,709</b>
Expenditure on interest, loans – liabilities at amortized cost	(2,381,578)	(4,972,071)
Amortization of expenditure for the credit contracts	(682,529)	(802,505)
Rate hedges (CCS)	(4,434,627)	(2,908,813)
Non-hedge derivatives	(80,345)	(297,209)
Expenditure on interest, financial leasing	(986,016)	(1,283,608)
Interest expenditure for post-employment benefits	(611,823)	(362,182)
Expenditure on Interest, other	(584,021)	(509,607)
Other financial costs	(139,872)	(215,846)
<b>TOTAL FINANCIAL COSTS</b>	<b>(9,900,811)</b>	<b>(11,351,841)</b>
<b>TOTAL NET FINANCIAL INCOME</b>	<b>(8,930,529)</b>	<b>(10,184,132)</b>
<b>THE NET FINANCIAL INCOME INCLUDES THE FOLLOWING INTEREST WITH RESPECT TO ASSETS AND LIABILITIES WHICH ARE NOT MEASURED AT FAIR VALUE WITH CHANGE IN INCOME :</b>		
<b>TOTAL REVENUE FOR INTEREST FROM FINANCIAL ASSETS</b>	<b>970,282</b>	<b>1,167,709</b>
<b>TOTAL EXPENDITURE FOR INTEREST FROM FINANCIAL LIABILITIES</b>	<b>(4,050,123)</b>	<b>(7,058,184)</b>

## 24. ASSETS AND LIABILITIES IN FOREIGN CURRENCY

The information regarding balances of assets and liabilities in foreign currencies is provided below.

### ASSETS 12.31.2010

CLASS OF ASSET	FOREIGN CURRENCY	12.31.2010 TH.CLP\$	VALUES NOT DISCOUNTED ACCORDING TO EXPIRIES			
			1 - 90 DAYS	91 DAYS - 1 YEAR	1 - 3 YEARS	3 - 5 YEARS
Cash and cash equivalents	Dollars	1,045,108	1,045,108	-	-	-
	Peruvian Sol	836,143	836,143	-	-	-
	Euro	13,370	13,370	-	-	-
Other current financial assets	Dollars	151,428,667	51,976,542	99,452,125	-	-
	Euro	932,295	932,295	-	-	-
Other current non-financial assets	Dollars	67,647	67,647	-	-	-
	Peruvian Sol	554,981	554,981	-	-	-
Commercial debtors and other accounts receivable, current	Dollars	6,514,665	6,514,665	-	-	-
	Peruvian Sol	3,243,623	3,243,623	-	-	-
Inventory	Peruvian Sol	2,251	-	-	-	-
Current tax assets	Peruvian Sol	975,198	-	975,198	-	-
Other non current financial assets	Dollars	153,282,795	-	-	69,450,127	83,832,668
Non current rights receivable	Peruvian Sol	1,140,802	-	-	1,140,802	-
Intangible assets	Peruvian Sol	4,336,547	-	-	-	-
Property, plant and equipment	Peruvian Sol	7,627,769	-	-	-	-
<b>TOTAL ASSETS IN FOREIGN CURRENCY</b>		<b>332,001,861</b>				
	<b>DOLLARS</b>	<b>312,338,882</b>				
	<b>PERUVIAN SOL</b>	<b>18,717,314</b>				
	<b>EURO</b>	<b>945,665</b>				

## ASSETS 12.31.2009

PERUVIAN SOL	FOREIGN CURRENCY	12.31.2009 TH.CLP\$	VALUES NOT DISCOUNTED ACCORDING TO EXPIRIES			
			1 - 90 DAYS	91 DAYS - 1 YEAR	1 - 3 YEARS	3 - 5 YEARS
Cash and cash equivalents	Dollars	306,622	306,622	-	-	-
	Peruvian Sol	610,038	610,038	-	-	-
	Euro	19,105	19,105	-	-	-
Other current financial assets	Dollars	157,553,124	51,244,245	106,308,879	-	-
	Peruvian Sol	5,848	-	-	-	-
	Euro	726,820	726,820	-	-	-
Other current non-financial assets	Peruvian Sol	78,343	-	-	-	-
Commercial debtors and other accounts receivable, current	Dollars	2,465,806	2,465,806	-	-	-
	Peruvian Sol	4,232,883	4,232,883	-	-	-
	Euro	256	256	-	-	-
Inventory	Peruvian Sol	232,503	-	-	-	-
Current tax assets	Peruvian Sol	1,021,950	-	1,021,950	-	-
Other non current financial assets	Dollars	164,553,950	-	-	76,656,618	87,897,332
Other non current non-financial assets	Dollars	825	-	-	-	-
Non current rights receivable	Peruvian Sol	1,479,282	-	-	1,479,282	-
Intangible assets	Peruvian Sol	5,232,392	-	-	-	-
Property, plant and equipment	Peruvian Sol	8,391,101	-	-	-	-
Deferred tax assets	Peruvian Sol	559,704	-	-	559,704	-
<b>TOTAL ASSETS IN FOREIGN CURRENCY</b>		<b>347,470,552</b>				
	<b>DOLLARS</b>	<b>324,880,327</b>				
	<b>PERUVIAN SOL</b>	<b>21,844,044</b>				
	<b>EURO</b>	<b>746,181</b>				

## LIABILITIES 12.31.2010

CLASS OF LIABILITIES	FOREIGN CURRENCY	12.31.2010 TH.CLP\$	MONTOS NO DESCONTADOS SEGÚN VENCIMIENTOS				
			1 - 90 DAYS	91 DAYS - 1 YEAR	1 - 3 YEARS	3 - 5 YEARS	MORE THAN FIVE YEARS
Commercial accounts payable and other accounts payable	Dollars	68,580	68,580	-	-	-	-
Cuentas por Pagar Comerciales y Otras Cuentas por Pagar	Dollars	34,479,913	34,479,913	-	-	-	-
	Euro	1,004,053	1,004,053	-	-	-	-
	Peruvian Sol	1,757,041	1,453,728	303,313	-	-	-
	Deg	133,652	133,652	-	-	-	-
Other financial liabilities, non current	Dollars	279,337,934	-	-	93,112,645	186,225,289	-
Deferred tax liabilities	Peruvian Sol	339,769	-	-	-	-	-
Other non current non-financial liabilities	Dollars	11,456	-	-	11,456	-	-
<b>TOTAL LIABILITIES IN FOREIGN CURRENCY</b>		<b>317,132,398</b>					
	<b>DOLLARS</b>	<b>313,897,883</b>					
	<b>PERUVIAN SOL</b>	<b>2,096,810</b>					
	<b>EURO</b>	<b>1,004,053</b>					
	<b>DEG</b>	<b>133,652</b>					

## LIABILITIES 12.31.2009

CLASS OF LIABILITIES	FOREIGN CURRENCY	12.31.2009 TH.CLPS	VALUES NOT DISCOUNTED ACCORDING TO EXPIRIES				
			1 - 90 DAYS	91 DAYS - 1 YEAR	1 - 3 YEARS	3 - 5 YEARS	MORE THAN FIVE YEARS
Other current financial liabilities	Dollars	384,643	384,643	-	-	-	-
	Peruvian Sol	390,526	-	390,526	-	-	-
Commercial accounts payable and other	Dollars	30,440,321	30,440,321	-	-	-	-
	Euro	4,934	4,934	-	-	-	-
	Peruvian Sol	2,683,712	1,939,252	744,460	-	-	-
Current tax liabilities	Peruvian Sol	82,694	82,694	-	-	-	-
Other current non-financial liabilities	Peruvian Sol	83,758	-	83,758	-	-	-
Other non current financial liabilities	Dollars	304,260,000	-	-	101,420,000	202,840,000	-
Current provisions for employee benefits	Peruvian Sol	43,532	-	43,532	-	-	-
Other non current non-financial liabilities	Dollars	775,863	-	-	775,863	-	-
<b>TOTAL LIABILITIES IN FOREIGN CURRENCY</b>		<b>339,149,983</b>					
	<b>DOLLARS</b>	<b>335,860,827</b>					
	<b>PERUVIAN SOLZ</b>	<b>3,284,222</b>					
	<b>EURO</b>	<b>4,934</b>					

At the close of each accounting period, the Group companies hold derivative contracts for exchange rate protection (foreign currency forwards) and the replacement of obligations in dollars with variable interest rates for obligations in the national currency index at a fixed rate (Cross Currency Swap - CCS). In the previous tables, only the foreign currency element of these contracts is included.

## 25. FOREIGN CURRENCY TRANSLATION AND INCOME FROM READJUSTMENT UNITS

The origins of effects on income from currency translation and the application of readjustment units throughout the indicated periods are as follows:

FOREIGN CURRENCY TRANSLATION	01.01.2010 12.31.2010 TH.CLP\$	01.01.2009 12.31.2009 TH.CLP\$
Cash and equivalents	95,331	( 209,906 )
Commercial debtors and other accounts receivable	7,624	99,763
Other assets	-	( 18,526 )
Commercial creditors and other accounts payable	1,955,144	9,440,821
Other liabilities	(32,309)	( 339,279 )
Interest accruing loans	23,454,000	77,393,902
Derivative instruments, effect rates at close (FW)	(16,606,292)	( 55,227,379 )
Derivative instruments, effect rates at close (CCS)	(9,102,500)	( 31,562,500 )
Derivative instruments, effect fair value (FW)	1,590,982	( 6,480,136 )
Derivative instruments, effect fair value (CCS)	74,966	( 450,705 )
Derivative instruments, effect fair value (Call)	(140,669)	( 170,410 )
<b>TOTAL FOREIGN CURRENCY TRANSLATION</b>	<b>1,296,277</b>	<b>( 7,524,355 )</b>

RESULTS FOR READJUSTMENT UNITS		
Cash and equivalents	-	2,803
Commercial debtors and other accounts receivable	134	( 171,287 )
Other assets	213,494	( 55,901 )
Commercial creditors and other accounts payable	582	2,367
Other liabilities	(1,595)	132,906
Interest accruing loans	(22,871)	343,968
Derivative instruments, effect rates at close (CCS)	(3,526,819)	3,922,894
<b>RESULTS FOR READJUSTMENT UNITS</b>	<b>(3,337,075)</b>	<b>4,177,750</b>

## 26. OPERATIONAL LEASING

The main operational leasing agreements in the capacity of the leasing party refer to contracts for telecommunication signal transmission capacities, vehicle floats, provision of cables to third party carriers, leases and usage rights for urban and rural real estate for the installation of technical nodes.

MINIMUM LEASING PAYMENTS	12.31.2010 TH.CLP\$	12.31.2009 TH.CLP\$
Up to one year	44,225,492	44,004,521
Between one and five years	100,392,198	144,617,690
<b>TOTAL</b>	<b>144,617,690</b>	<b>188,622,211</b>
<b>LEASING INSTALLATIONS RECOGNIZED IN INCOME</b>	<b>44,004,521</b>	<b>38,271,476</b>

Operational leases in the capacity of leaser refer to contracts associated with the leasing of networks to other telecommunications operators and Data Center services (housing, hosting, virtual servers, etc.)

MINIMUM LEASING PAYMENTS	12.31.2010 TH.CLP\$	12.31.2009 TH.CLP\$
Up to one year	174,384	1,089,288
Between one and five years	648,395	9,337
More than five years	398,456	-
<b>TOTAL</b>	<b>1,221,235</b>	<b>1,098,625</b>

As of December 31, 2010, there are no contingent installments to be received.

## 27. FINANCIAL INFORMATION BY SEGMENT

The Entel Group has developed management information systems which provide financial information broken down into fine degrees of separation in order to make decisions for the allocation of resources and performance evaluation.

The most relevant segmentation used for decision making purposes uses subgroups of operating companies which operate in the following business areas:

### 1) Telecommunications over mobile networks.

This operating segment is represented by a group of subsidiaries through which networks and licenses for the provision of mobile telecommunication services are developed and operated.

These services include voice, value added services, data, broadband and Mobile Internet.

### 2) Telecommunications and other services over fixed networks.

This segment is represented by a group of companies focused on the operation of networks and fixed telecommunications service licenses and orientated towards providing the following services: data networks, local telephone services, Internet access, long distance, public telephone services, integration of IT services (data center, BPO and operational continuity), network leasing and wholesale traffic services.

### 3) International operations and other activities.

This essentially corresponds to the company's operations in Peru which include the provision of services to businesses, as well as long distance and wholesale traffic services.

It also includes the operations of subsidiaries which provide call center services to the corporate market and Group companies.



The information relative to each of these segments as of December 31, 2010 and 2009 is as follows:

GENERAL INFORMATION ON INCOME, ASSETS AND LIABILITIES, 12.31.2010	SEGMENT DESCRIPTION				
	MOBILE NETWORK TH.CLPS	FIXED NETWORK TH.CLPS	SOC. COMPANIES AND OTHER BUSINESSES TH.CLPS	REMOVALS TH.CLPS	TOTAL TH.CLPS
Income from normal activities from external customers	842,890,688	218,277,064	27,141,554	-	1,088,309,306
Income from normal activities between segments	11,904,019	73,168,843	13,250,454	(98,323,316)	-
Revenue from interest, segment	54,422	12,197,589	218,468	(11,500,197)	970,282
Costs from interest, segment	(11,628,968)	(9,556,678)	(207,508)	11,492,343	(9,900,811)
<b>REVENUE FROM INTEREST, NET, SEGMENT</b>	<b>(11,574,546)</b>	<b>2,640,911</b>	<b>10,960</b>	<b>-</b>	<b>(8,930,529)</b>
Depreciation and amortization, segment	(168,024,671)	(62,376,632)	(2,916,029)	117,860	(233,199,472)
Significant revenue and expenditure items	(526,294,478)	(182,812,309)	(37,716,432)	98,213,310	(648,609,909)
Segment income (Loss) above that reported	148,901,012	48,897,877	(229,493)	-	197,569,396
Cost (Revenue) for income tax	(22,022,265)	(1,983,179)	(592,743)	-	(24,598,187)
<b>SEGMENT INCOME (LOSS) ABOVE THAT REPORTED, TOTAL</b>	<b>126,878,747</b>	<b>46,914,698</b>	<b>(822,236)</b>	<b>-</b>	<b>172,971,209</b>
Assets for segments	884,085,283	801,808,450	61,118,296	(257,737,880)	1,489,274,149
Disbursements of non-monetary assets for segment	206,107,116	109,051,639	2,238,900	-	317,397,655
Liabilities for segments	483,168,232	513,158,862	24,555,997	(252,983,465)	767,899,626

GENERAL INFORMATION ON INCOME, ASSETS AND LIABILITIES, 12.31.2009	SEGMENT DESCRIPTION				
	MOBILE NETWORK TH.CLPS	FIXED NETWORK TH.CLPS	SOC. COMPANIES AND OTHER BUSINESSES TH.CLPS	REMOVALS TH.CLPS	TOTAL TH.CLPS
Income from normal activities from external customers	741,199,471	223,442,842	26,899,663	-	991,541,976
Income from normal activities between segments	8,136,515	58,343,392	12,520,941	(79,000,848)	-
Revenue from interest, segment	38,637	12,506,803	152,208	(11,529,939)	1,167,709
Costs from interest, segment	(11,742,473)	(10,913,253)	(226,054)	11,529,939	(11,351,841)
<b>REVENUE FROM INTEREST, NET, SEGMENT</b>	<b>(11,703,836)</b>	<b>1,593,550</b>	<b>(73,846)</b>	<b>-</b>	<b>(10,184,132)</b>
Depreciation and amortization, segment	(145,745,001)	(63,139,207)	(3,006,671)	121,288	(211,769,591)
Significant revenue and expenditure items	(438,718,657)	(200,778,668)	(37,920,987)	78,879,560	(598,538,752)
Segment Income (Loss) above that reported	153,168,492	19,461,909	(1,580,900)	-	171,049,501
Cost (revenue) for income tax	(25,964,886)	(2,906,138)	81,513	-	(28,789,511)
<b>SEGMENT INCOME (LOSS) ABOVE THAT REPORTED, TOTAL</b>	<b>127,203,606</b>	<b>16,555,771</b>	<b>(1,499,387)</b>	<b>-</b>	<b>142,259,990</b>
Assets for segments	812,084,765	786,090,127	59,082,407	(291,867,724)	1,365,389,575
Disbursements of non-monetary assets for segment	189,716,965	71,910,000	2,937,817	-	264,564,782
Liabilities for segments	436,441,609	529,207,467	25,588,213	(286,699,616)	704,537,673

The charges against income for the impairment in the value of Non Current Assets during 2010 totaled Th.CLPS\$ 4,688,632 and effected the wireline business segment to the value of Th.CLPS\$ 3,924,840 and the international companies segment by Th.CLPS\$ 763,792. Charges for this item for the same period in the previous year were Th.CLPS\$ 4,928,011, mainly affecting the wireline business.

Results for both 2010 and 2009 have not been affected by the discontinuation of any kind of operations.

## 28. RISK MANAGEMENT

### TECHNOLOGICAL CHANGE RISK

The constant introduction of new technologies requires continual innovation which, while presenting opportunities, also carries with it the risk of technological change. Risk arises through possible investment in technologies that may become prematurely obsolete, providing lower returns than expected.

The risk of technological change is an inherent part of the industry in which Entel operates and the company's position at the forefront of technological development means it is essential for it to retain this position in order to remain competitive. Accordingly, Entel has an active and continuous policy for adopting the most advanced technologies as a strategic part of its growth and development, although always subject to a suitable analysis of expected profitability. This has allowed Entel to position itself at the forefront of technology, successfully adapting to the use of new technologies and making the transition from offering one single product to becoming integrated provider, and adopting new ways of doing business. The appearance and development of new technologies has enabled Entel to grow and diversify, reducing its exposure to individual services.

### MARKET RISK (REGULATORY)

Regulation plays an important role in the industry. Standards and stable criteria allow for the appropriate evaluation of projects and reduce the levels of risk in investments. The correct setting of prices allows the creation of a healthy, competitive environment without cross subsidizing, something which can easily arise given the range of products offered by the companies operating in the sector.

The Ministry of Transport and Communication is responsible for setting access charge rates and other facilities provided by the different telecommunications companies for 5 year periods. In January 2009, Subtel published the new access charge tariff for mobile telephone companies for the five-year period 2009 – 2013, with an average reduction of 45% from the period 2004–2008.

Similarly, in January 2009 a new resolution by the Tribunal for the Defense of Free Competition was issued affecting the local public telephony service. The ruling established the deregulation of fixed charges, Measured Local Service (MLS), telephone connection, and public telephones, which are no longer covered by the tariff regulations which apply to all fixed line operators. It also prohibits the supply of packages which include fixed and mobile telephony and promotes the unbundling of networks and number portability.

Nevertheless, the diversity and the relative size of Entel cushion it from the effects of adverse or inadequate regulation, reducing the risk added to its operations, cash flows, wealth creation for its shareholders, and its contribution to the community. However, within a regulated industry such as that in which the Company operates changes in regulations or in the policies made by legal and regulatory Authorities cannot be ruled out and these have the potential to impact negatively upon the results of the Company or restrict its possibility for growth.

### MARKET RISKS (EXCHANGE RATE)

The majority of the Company debt is expressed in US dollars, as are a significant proportion of the purchases of equipment and the investment required for business as usual operations. This exposes the Company to risks from currency fluctuations

This risk is mitigated by means of Entel's exchange rate hedging policy which covers practically 100% of the net exposure of the balance sheet and is achieved using a variety of instruments such as forward contracts, cross currency swaps and other options.

## MARKET RISK (INTEREST RATE)

The company's policy establishes that the debt structure must be held with a maximum of 60% at variable interest rates. In the event that debts rise above this limit, the company will structure the corresponding financial instruments so as to avoid being in excess of the limit. The proportions of debt held at variable rates are exposed to fluctuations in interest rates which it is believed will behave in a similar manner to the business's cash (EBITDA).

At December 31, 2010, the Group maintained credit in foreign currency to the value of US\$ 600 million, which accrues interest based on the variable LIBO rate, which impacts on the changes in the financial expenditure in the Income Statements. In order to ameliorate the effects of such variations, the Management has signed financial derivative contracts (Cross Currency Swap) which fix 40% of this debt.

In line with the above, at the close of the current financial statements, the proportions of fixed and variable financial liabilities are as follows:

PROPORTION OF DEBT AT:	BEFORE HEDGING	AFTER HEDGING
Fixed rate	4.9%	42.9%
Variable rate	95.1%	57.1%

Considering the situation after hedging, the net exposure of debt to the interest rate is 57.1%. For a rise in the LIBOR base rate of 100 basis points, the annual financial costs of the group will increase by Th.CLP\$ 1,685,000, which will then reach Management imposed limits in addition to the covenants included in the contracts for current bank loans.

## CREDIT RISK

The credit risk related to balances held in bank accounts, financial instruments, negotiable shares and derivatives is managed by the Corporate Finance Executive in line with the established policies which state that placements of up to three working days should be made using stockbrokers or mutual funds. In both cases, these institutions should be bank subsidiaries. Placements from 4 working days should only be made out using banks. Investments should not be made in banks whose risk classification is less than N-1 in accordance with the Risk Classification Commission.

The investment instruments approved and used are purchase with buyback option debt instruments issued by the Chilean Central Bank, the National General Treasury, the Social Security Institute or other state entities, shares in short term fixed income mutual funds and registered term deposits issued by banks.

Placements which will be in effect for more than one year should be authorized by the Executive of the Finance Department.

Investments are made in both the national currency and in foreign ones. Due to the management of exposure to exchange rates, foreign currency investments must be made frequently.

In terms of the risks associated with accounts receivable originating from commercial operations, these are covered by the overdue policies for accounts receivable, in line with the comments in Note 8.

## LIQUIDITY RISK

Entel maintains a liquidity policy which is consistent with the appropriate management of assets and liabilities, seeking the prompt fulfillment of payment commitments from its customers and the optimization of daily cash surpluses.

The Company manages liquidity in order to anticipate payment obligations and debt commitments to ensure these are fulfilled as and when they are due for payment.

Projections of internal cash flows, analysis of the company's financial position and expectations of the debt and capital markets are periodically undertaken so that, in the case of debt requirements, Entel can resort to contracting credit at terms to be determined in accordance with the capacity to generate cash flows in order to fulfill its obligations.

For more detail, the expiry dates of financial liabilities are detailed in note 16.

## 29. CONTINGENCIES, LITIGATION AND FINANCIAL RESTRICTIONS

Contingencies for the direct commitments of the Group's Companies as of December 31, 2010 and 2009 are related to:

a. Contingencies for direct commitments related to international purchase orders, totaling Th.CLP\$ 6,516,278 and Th.CLP\$ 24,234,841, for the respective periods.

The totality of these purchase orders are recorded in foreign currencies and have been converted according to the current exchange rates at each end of period.

b. Contingency due to bank guarantee deposits provided to guarantee faithful contract compliance and the replacement of public use assets with respect to the construction and maintenance of networks. Current deposits for each period total Th.CLP\$ 15,533,597 and Th.CLP\$ 11,736,662, respectively.

c. Insurance Settlements

As a result of the earthquake which occurred at the end of February 2010 and affected a large part of the central region of Chile, a number of the Group's assets, installations and systems suffered a range of damages.

The damages observed mainly relate to base stations for mobile services, customer installations, access networks, and other assets, particularly in terms of support and supply elements and electronic backup. Central nodes or infrastructure were not affected.

Mobile telephone equipment destined for sale or the replacement of subscriber handsets was also affected.

Business continuity was not seriously affected, largely thanks to backup and safety standards inherent to the design of the facilities. There was only an initial stoppage which occurred as a product of delays to the reconnection of the public electricity supply and the distribution of fuel which could not have been prevented.

To date, all assets whose lack of availability could have compromised the continuity of services have been restored.

The Group companies have insurance policies which satisfactorily cover the restoration or repair of physical assets and losses due to stoppages.

In terms of physical assets, significant progress has been made in the revision and treatment of the list of damages presented at the time of writing. The estimated value to be paid out by insurers totals UF 785,408, equivalent to Th.CLP\$ 16,851,631 according to the value of unidad de fomento index as of December 31, 2010.

In September this year, the insurers made an advance compensation payment for damage to physical assets of UF 385,868, equivalent to CLP\$ 8,238,431, according to the value of unidad de fomento index on the date of payment. This advance was awarded and charged against the advance requested for 60% of the compensation, taking into account the progress of the Insurance Loss Adjuster in the analysis and valuation of damages in that month.

In terms of compensation for stoppages, a claim was presented to the company for UF 314,179, equivalent to Th.CLP\$ 6,740,883, according to the value of unidad de fomento index on December 31, 2010. This value does not include the deduction of estimates for the losses associated with the seven days of deductible established by the policy.

In terms of recognizing the damages in the accounts and establishing contingencies for profits and losses, as of December 31, 2010, the following has been established:

- The values received from the insurers which correspond to advances have been allocated to income to compensate both expenditure for repairs to damaged installations and write-offs processed due to stock and infrastructure affected by the total loss. The values Th.CLP\$ 5,264,985 and Th.CLP\$ 2,973,446 were allocated to income for repairs and write-offs, respectively.
- In terms of expenditure still pending for repairs to damaged assets and installations, at present there have been no write-offs for assets nor contingencies to earnings for compensation. All loss contingency is deducted, once the estimates which make up the claim to the insurance companies are adjusted to market values.
- Even when the negative impact of service stoppages is internalized in the cumulative income to the date, there has been no item recorded for compensation claimed as we are awaiting an advance following the analysis and validation by the Insurance Loss Adjuster, considering the seven days of deductible which forms part of the policy. As such, there is a contingency for earnings, the value of which cannot be determined at present.

d. As at December 31, 2010, lawsuits and legal actions of a significant nature which may represent a contingent loss for the Group are as follows:

**- Bordachar v. Entel S.A.**

Court: Civil Court No.6, Santiago de Chile.

Case No.: 9088-2005

Notification: 09/06/2005

Matter: Ordinary large claims trial. Compensation for damages.

Plaintiff: Gerard Phillippe Bordachar Sotomayor.

Request: Payment of compensation and damages for pain and suffering to the plaintiff and his daughters, as represented by the plaintiff, for a total of CLP\$ 225,000,000.

Cause of action: Publication on the Entel website of information regarding an investigation by Channel 13 into Universidad Católica.

Current procedural stage: Sentence dated June 4, 2010, claim rejected with damages. July 21, 2010, notification of judgment. August 2, 2010, plaintiff made recourse to appeal. Pending review of case, Case no. 5293-2010.

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**- Asistencia Electrónica v. Entel S.A.**

Court: Civil Court No. 8, Santiago de Chile.

Case No.: 26.542-2009

Notification: November 04, 2009.

Matter: Ordinary case for compensation of damages.

Plaintiff: Sociedad Asistencia Electrónica S.A. represented by Ismael Jara Gallardo.

Request: Damages of CLP\$ 100,000,000.

Cause of action: Publishing as over due in trade register.

Current procedural stage: Entel contests, with plea of incompetence in principal and answering alternatively on January 22, 2010; notification of incompetence served although still not resolved. Case no.: 278-2009

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**- José Miguel Muñoz Díaz v. Entel.**

Court: Civil Court No. 15, Santiago de Chile.

Case No.: 12006-2005

Notification: 08/06/2006

Matter: ordinary large claims trial. Indemnity for damages.

Plaintiff: José Miguel Muñoz Díaz.

Request: Damages, compensation for CLP\$ 100,000,000.

Cause of action: For having provided incomplete and erroneous information regarding remunerations of plaintiff, which it is alleged to have meant receiving less benefits as exonerated politician.

Current procedural stage: Sentence dated May 25, 2010 claim rejected and Entel S.A. acquitted. Notification of sentence October 14, 2010. Plaintiff recourse to appeal. Case no. 661-2010. Pending review of lawsuit.

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**- Promotora Promout v. Entel and Entelphone S.A.**

Court: Civil Court No.18, Santiago de Chile.

Case No.: 1250-2006. Notification: March 17, 2006.

Defendants: Entel S.A. and EntelPHONE

The plaintiff is seeking the sum of 46,000 UF (UF – Chilean national currency index) for indirect damages and pain and suffering.

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

Current procedural stage: On May 11, 2009, the lawsuit will enter the discovery stage. Pending notification.

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**- Agrícola El Carrizal v. Entel**

Court: Civil Court No. 25, Santiago de Chile.

Case No.: 36055-2009

Notification: 01/22/2010

Matter: Termination of easement contract with compensation for damages. Alternative claimed for extracontractual responsibility

Plaintiff: Agrícola El Carrizal S.A.

Defendant: Empresa Nacional de Telecomunicaciones S.A

Request: Termination of easement contract and Entel to pay CLP\$ 1,374,188,309 as consequential damages, loss of profit and pain and suffering.

Cause of action: Alleged damages caused by fire on premises of plaintiff's property.

Current procedural stage: Case filed by insurance (Luís Sandoval Olivares). Discussion stage complete. Conciliation hearing took place on September 30, 2010 without result. Order for evidence issued, December 14, 2010. Pending notification

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds

**- Treasury v. Entel S.A.**

Court: Civil Court No. 16, Santiago de Chile.

Case No.: 23740-2006

Notification: January 08, 2007

Matter: Ordinary Treasury lawsuit for payment of CLP\$ 996,711,294 plus adjustments.

Request: Reimbursement of a sum of money paid by the Ministry of Public Works to move telecommunications cables.

Cause of action: Payment made in error by the Treasury in January, 2002.

Current procedural stage: August 31, 2009, sentence unfavorable to Entel was passed. October 6, 2009, recourse to appeal and cassation of form (Case no 7445-2009). Recourse to annulment and appeal rejected, October 13, 2010.

On October 29, 2010, Entel made recourse to cassation of form and content, which was granted on November 9. Pending writs being raised to Supreme Court of appeal.

Probable outcome: It is believed that the Supreme Court should accept the movement, notwithstanding consideration of the exercising of other actions.

**- Ceballos v. Entel S.A.**

Court: Civil Court No. 27, Santiago de Chile.

Case No.: 9893-2007

Notification: July 13, 2007.

Matter: Ordinary contract termination and compensation for damages.

Plaintiff: Doris Yanet Ceballos Pilcol.

Request: Contractual liability and compensation for damages. Approx CLP\$ 150,000,000.

Cause of action: Non-fulfillment of contract.

Current procedural stage: On November 13, 2008, the lawsuit entered the discovery stage. Plaintiff requests certification that discovery stage is closed and cites parties to hear sentence. On January 20, 2010, the Court certifies that discovery stage has not been closed due to one of the defendants not having been notified. Archival of file at court. August 6, 2010.

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**- Treasury v. Entel S.A.**

Court: Civil Court No. 16, Santiago de Chile.

Case No.: 19.384-2008

Notification: 10/23/2008

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

Plaintiff: State Defense Council.

Request: Reimbursement of a sum of money paid by the Ministry of Public Works to move telecommunications cables.

Cause of action: Erroneous payment made by Autopista Central.

Current procedural stage: Recourse to alternative appeal of order for evidence. Pending special termination of evidence.

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**- Treasury v. Entel S.A.**

Court: Civil Court No. 16, Santiago de Chile.

Case No.: 23.840-2008

Notification: January 5, 2009

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

Plaintiff: State Defense Council.

Cause of action: Erroneous payment made by Autopista Central.

Current procedural stage: Discovery stage closed. With summons from December 1, 2010. Pending notification of sentence.

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**- Treasury v. Entel S.A.**

Court: Civil Court No. 16, Santiago de Chile.

Case No.: 29.989-2008

Notification: 01/21/2009

Matter: Ordinary Treasury Lawsuit. Seeks payment of CLP\$ 193,689,026 plus adjustment for inflation and interest.

Plaintiff: State Defense Council.

Request: Reimbursement of a sum of money paid by the Ministry of Public Works to move telecommunications cables.

Cause of action: Erroneous payment made by Autopista Central.

Current procedural stage: Discussion stage completed. Writ issued, April 15, 2010, notified on October 7, 2010. Pending resolution of reconsideration in light of evidence presented by Entel, dated October 13, 2010.

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds..

**- Chilean Treasury v. Entel S.A.**

Court: Civil Court No. 16, Santiago de Chile.

Case No.: 25.651-2009

Notification: November 3, 2009.

Matter: Ordinary Treasury Lawsuit for payment of CLP\$ 109,316,067 plus adjustments for inflation and interest.

Plaintiff: State Defense Council.

Request: Reimbursement of a sum of money paid by the Ministry of Public Works to move telecommunications cables.

Cause of action: Erroneous payment made by Autopista Central.

Current procedural stage: Discussion stage completed. Writ issued, June 15, 2010, notified on November 5, 2010.

Pending resolution of reconsideration in light of evidence presented by Entel, dated November 18, 2010.

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**- Chilean Treasury v. Entel S.A.**

Court: Civil Court No. 16, Santiago de Chile.

Case No.: 7756-2010

Notification: August 11, 2010

Matter: Ordinary Treasury Lawsuit for payment of CLP\$ 133,676,138 plus adjustments for inflation and interest.

Plaintiff: State Defense Council.

Request: Reimbursement of a sum of money paid by the Ministry of Public Works to move telecommunications cables.

Cause of action: Erroneous payment made by the company Autopista Vespucio Sur.

Current procedural stage: Discussion stage completed. Order for evidence issued, November 29, 2010. Pending notification

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**- Martinez Basoalto Florencia v. Ilustre Municipalidad de Estación Central and Entel S.A.**

Court: Civil Court No. 27, Santiago de Chile.

Case No.: 24.789-2008

Notification: 06/27/2009.

Matter: Ordinary case for compensation of damages.

Plaintiff: Florencia Martínez Basoalto

Request: Extracontractual liability and compensation for damages. Approx. CLP\$ 290,000,000.

Cause of action: Joint responsibility of Entel for an accident on the public highway

Current procedural stage: Lawsuit presented by insurance, Marcelo Nasser Olea. Discussion stage completed. Notification of order to produce evidence. Retirement of proceedings presented as alternative to reconsideration. Retirement of proceedings rejected and replacement lodged. Discovery stage closed. Pending summons for parties to hear sentence.

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**- Manufacturas Keylon S.A. v. Entelphone**

Court: Local Police Courts, San Miguel, Santiago de Chile.

Case No.: 2741-2002.

Request: CLP\$ 267,200,000

Cause of action: Alleged non-compliance with Consumer Act.

Current procedural stage: Order for sentence on February 11, 2005.

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.



**- Ferrand y Compañía v. Entel Telefonía Local**

Court: Civil Court No. 23

Case No.: 36.415-2009

Notification: 05/17/2010

Matter: Ordinary lawsuit Ordinary case for compensation of damages.

Plaintiff: Ferrand y Compañía Limitada

Request: Damages of CLP\$ 250,000,000

Current procedural stage: Entelphone pleads exception of absolute incompetence for arbitration clause, which is rejected by the court and confirmed by the Court of Appeal. Case number: 4357-2010. Discussion stage completed, notification of court of conciliation pending

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**- Manzano v. Empresa Nacional de Telecomunicaciones S.A.**

Court: Civil Court No. 1, Puerto Montt

Case No.: 6286-2010

Notification: December 27, 2010

Matter: Compensation for damages.

Plaintiff: Federico Isaías Manzano Vera

Request: Compensation of damages of CLP\$ 100,808,000.

Cause of action: Legal noncompliance having falsely attributed a fault to the defendant.

Current procedural stage: Notification of claim dated December 27, 2010, pending response.

Probable outcome: It is considered likely that the lawsuit will be rejected on poor legal grounds.

**E. TAX ADJUSTMENTS**

- The Parent Company has been notified by the Tax Service of the following adjustments:

1) Adjustments 4 and 5, dated April 4, 2007. These adjustments request the repayment of Th.CLP\$ 2,641,281 plus adjustments for inflation, interest and fines, derived from allocations and adjustments made by the Company in calculating its profit for the 2004 and 2005 tax years and which are judged as improper.

The final stage in this process corresponds to the filing of a Claim Against the Tax Court dated November 7, 2007 which is currently awaiting judgment.

2) Adjustments 33 to 36, dated January 9, 2009. These adjustments request the payment of Th.CLP\$ 4,657,018 of tax plus adjustments for inflation, interest and fines, derived from allocations and adjustments made by the company in calculating its profit for the 2007 and 2008 tax years and which were judged as improper.

The Service issued resolution 59-2010, dated January 7, 2011, which only partially takes into account the request for the revision of the tax audit presented on November 13, 2009. A claim was made against this resolution in the Tax Courts in which it was argued that it is necessary to account for this given the arguments put forward.

- The subsidiary Call Center S.A. was notified on April 30, 2008 by the Tax Service as per summons No. 26, April 29, 2008. This summons challenges the tax losses declared by the company in the 2005 tax year for a total of Th.CLP\$ 11,599,818. If this challenge is successful, it will not be possible to present these losses against future earnings.

The Service issued resolution 59-02, dated August 31, 2009, which only partially takes into account the Request for the Revision of the Tax Audit presented on September 9, 2009. A claim was made against this resolution in the Tax Courts in which it was argued that it is necessary to account for this given the arguments put forward.

- For the subsidiary Satel S.A., returns of provisional tax payments have been accrued for the values of Th.CLP\$ 103,109 and Th.CLP\$ 81,510 for the 2003 and 2004 tax years, respectively. With respect to the 2003 tax year, the company is currently on schedule to respond the tax service report, dated June 1, 2009; with respect to the 2004 tax year, the Company is waiting for the Court to receive the case.

#### F. THERE ARE MANAGEMENT RESTRICTIONS AND FINANCIAL INDICATOR LIMITS IMPOSED BY THE SYNDICATED LOAN LED BY CITIBANK, N.A. THE MOST SIGNIFICANT OF THESE STIPULATE THAT:

- No merger or consolidation with another company is allowed, unless the Company survives and none of the restrictions established in debt covenants are contravened.
- Neither the Company nor its subsidiaries may sell assets without considering:
  - a) The asset's fair value.
  - b) Sales or leasing operations for assets must not exceed 35% of assets for each financial year, except when dealing with obsolete or surplus inventory, cash or cash equivalent operations, covenants, customer agreements and other business as usual operations.
  - c) Any sale of shares in the subsidiary Entel Telefonía Personal S.A. must guarantee retention of at least 50% of the shares and the possibility of having a majority on the Board of Directors.
- Assets must not be pledged, with the exception of existing pledges as of August 13, 2007 not exceeding USD\$ 60 million, for security operations, credit letters, deferred taxes, pledges on new acquisitions, or projects that do not exceed certain amounts specified for each case.
- The consolidated debt ratio must not exceed 4.0:1. In order to determine the ratio, only financial debt is taken into account (excluding debts arising from goods and services in the line of business) in relation to total operating revenue for each period, plus depreciation, amortization and other expenses that do not represent cash flows (EBITDA).
- The consolidated interest hedge ratio must not be less than 3.0:1. For this purpose, the relationship between the EBITDA and interest paid is considered, both being calculated for the twelve months preceding each quarterly close.

In case of non-compliance with any of these requirements, the creditors may demand payment of all amounts owed, without the possibility of complaint, lawsuit, or protest on the part of the debtor. As of December 31, 2010, the Company has fulfilled all of these requirements.

### 30. THIRD PARTY GUARANTEES

The Group's companies have not received any types of sureties from third parties for assets, loan operations or to guarantee any other type of obligation.

### 31. ENVIRONMENT

The Company has not made any disbursements related to environmental regulations.

### 32. RESEARCH AND DEVELOPMENT

The Group's companies have not carried out activities of this nature in the years covered by the financial statements considered in this report.

However the parent company maintains a valid contract with the principal public agency responsible for the promotion of innovation (Corfo Innova Chile Committee), oriented toward business innovation, innovative entrepreneurship, the diffusion and transfer of technology and public innovation. The expenses incurred to this date under the framework of this initiative do not yet qualify as research and development expenditure as such.

Under the framework of this contract, in the third quarter of 2010, a modern Innovation Center was launched, focusing on the generation of high-tech projects with the joint participation of customers and technology partners.

### 33. SANCTIONS

None of the Group companies, their directors or managers has been subject to sanctions of any nature by the Chilean Securities and Insurance Supervisor or any other regulatory authorities.

### 34. SUBSEQUENT EVENTS

On January 17, 2011, the Board of Directors of the Group's parent company agreed future changes to the organizational structure for improved operation in the context of fixed and mobile telecommunications convergence. Estimates of the costs associated with this restructuring operation are provisionally allocated against the 2010 results.

Between January 1, 2011 and the date on which these financial statements are published, no subsequent events have occurred which could significantly affect the balances contained therein.

# RATIO ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

*At December 31, 2010*

## FINANCE STRUCTURE, REVENUE GROWTH, COSTS AND PROFITABILITY

### FINANCIAL RATIOS

The changes in the most relevant financial indicators during the last twelve months are detailed below.

For the purposes of this analysis, it should be noted that the information has not been adjusted to account for purchasing power parity, since according to IFRS the figures should not be corrected for the financial years 2009 and 2010.

The change in the consumer price index for 2010 and 2009 was 3.0% and -1.4%, respectively.

EVOLUTION OF THE IN MAIN FINANCIAL INDICATORS	12.31.2010	12.31.2009
<b>LIQUIDITY RATIOS</b>		
Current liquidity (current assets / current liabilities)	1.01	1.06
Quick ratio (cash and cash equivalents / current liabilities)	0.20	0.21
<b>DEBT RATIOS</b>		
Debt ratio (%) (total debt / equity)	106.65	106.61
Short-term debt ratio (%) (current debt / total debt)	49.11	43.06
Long-term debt ratio (%) (non-current debt / total debt)	50.89	56.94
Financial coverage (income before taxes and interest / financial expenditure)	20.95	16.07
<b>EFFICIENCY AND PROFITABILITY RATIOS</b>		
Profit margin (profit over revenue)	15.92	14.30
Return on equity (%) (profit from period over average equity) (for year)	25.03	22.15
Return on assets (%) (net profit from period over average equity) (for year)	12.11	10.28
<b>PROFITABILITY AND VALUE PER SHARE</b>		
Profit per share (for year)	731.31	601.46
Dividend yield (%) (dividends for last twelve months / over share price at close)	5.47	6.04
Book value (equity / number of shares)	2,849.54	2,794.02
Market value (according to price)	8,232.90	7,334.60

**EBITDA** (Income before taxes, interest, adjustments and exchange rate fluctuations, depreciations, amortizations and extraordinary items).

This measure of income totaled Th.CLP\$ 446,428,827 and Th.CLP\$ 401,358,023 for the years 2010 and 2009, respectively.

## EVOLUTION IN FINANCIAL RATIOS

Over the last two financial years, the financial ratios of the Entel Group have remained within ranges that correspond to an extremely solid financial position.

In terms of indicators for the company's financial position, it should be noted that the debt ratio remained at levels which tend to balance sources of internal and external financing.

The stability of this ratio is in line with the symmetry observed in the change in debt and equity; effectively, both increased by around 60 billion pesos, or 9.2%.

In terms of debt, the main factors affecting the figure were the use of increased financing from national suppliers and advances received for state subsidies.

Equity, on the other hand, increased largely due to the retention of profits.

The effects of exchange rate fluctuations have tended to compensate each other, both in terms of financial position and income, on account of the exchange rate protection policies applied by the Group, based on hedging exposure through derivative instruments. The exchange rate fell by 7.7% in 2010 and 20.3% in 2009.

In terms of the current liquidity and short term debt indicators, these remained comfortable from a financial perspective, guaranteeing healthy development of operations.

In terms of profitability, the various ratios followed a positive trend (Profit margin, Return on Equity, Return on Assets).

From 2009 to 2010, profits grew by 22%, largely as a result of positive variations in both operational and non-operation profits, although we will return to this point later on.

EBITDA also saw a positive variation, with growth of 11%.

In terms of the level of the Group's total assets for the 2010 financial year, these grew by more than 124 billion pesos, approximately 9%.

The most significant change was observed in non-current assets, under the concept of Property, plant and equipment, with an increase of 46 billion pesos, equivalent to 5%. The most significant factor in this variation was the increase in investment over and above depreciations for the period, although this was compensated for by a reduction of approximately 3 billion pesos for assets affected by the earthquake which occurred in February of 2010.

Investments made in infrastructure during 2010 totaled approximately 200 billion pesos and were mainly directed towards services with the greatest development, such as mobile telephone services, data center platforms, networks for wholesales services delivered over fixed networks and services associated with the enterprise segments in the wireline business. Investments were also made in real estate, corresponding to advances of 10 billion pesos for the acquisition of one of the towers at Parque Titaniun, to be used for the head offices of the Group.

However, in addition to investments in infrastructure, mobile telephony terminals to the value of 90 billion pesos were also acquired for postpaid customers.

For the subsidiaries responsible for mobile services, approximately 69% of investment was designated for infrastructure; the remaining investment was allocated against data business activities, the provision of services to wholesales, operational continuity service platforms and broadband Internet.

In terms of Current Assets, an increase of 58 billion pesos can be observed, largely attributable to increases in the availability of cash and commercial debtors, a result of growth in activities.

The hedging of financial expenditure ratio, on the other hand, has kept a high level of solvency, increasing from 16.07 to 20.95 from 2009 to 2010.

The performance of this ratio becomes even more significant when the net financial cost is taken into account, compensating revenue and financial expenditure. Measured in this way, it has risen from 17.80 to 23.12.

Similarly, if the calculation is carried out based on cash flows,, considering income before depreciation, the value increases from 37.72 to 49.42 between the dates being compared.

For the purposes of calculating the ratios for the hedging of financial expenditure, the following are taken into account: interest from bank loans, rate differences from the application of interest rate hedging contracts and interest from financial leasing contracts. The interest calculations are carried out based on effective rates, according to the procedures of the amortized cost method (IAS 39).

In terms of current inventories, these largely refer to mobile handsets designated for prepaid customers. Their level, activity and rotation are determined based on growth projections for the portfolio, in addition to requirements for the renewal of equipment.

## MARKET ANALYSIS

The Entel Group operates in a highly competitive market in the various lines of services it provides.

In the last year, there have been no major changes in terms of the large number of competitors who are active in the telecommunications market.

In 2009, the telecommunications regulatory body (Subtel) allocated three 30 MHz blocks for the operation of 3G telephone services (1.7/2.1 GHz bands). Two of these were allocated to Nextel and one to VTR and these operators have a period of twelve months in which to implement their operations, starting from July 7, 2010, the date of publication for the corresponding legal decrees.

However, even if the entrance of new operators implies increased competition, it is hard to predict effects upon the market and prices when the requirement of the operators to ensure the profitability of the resources they deploy is taken into account, both their own and those which are subcontracted. Moreover, their networks must be able to compete in terms of size and coverage with those of current operators. Similarly, they are required to undertake significant marketing campaigns.

In the current state of the mobile telephony market, the behavior of the other two major operators in Chile is being followed closely (Movistar, owned by the Spanish company Telefónica, and Claro, owned by the Mexican company América Móvil).

In line with the market share analyses carried out by the Group Companies over the last two years, no significant changes have been observed in the market share of the companies, both in terms of mobile and wireline services.

In the mobile telephony market, whose revenue grew to represent 77% of revenue in 2010, the “Entel” brand maintained a strong position, enjoying high levels of preference among users. This has allowed for policies to be used to manage market share and the composition of the customer portfolio (contracted and prepaid) in order to maximize profits. In terms of the number of active subscribers, the market share has remained at around 37% towards the end of 2010.

Special attention was given to postpaid customers whose service level usage (MOU) and average revenue (ARPU) were greater than those of prepaid customers.

Similarly, growth was observed in the number of subscribers to Mobile Broadband (MBB) services, which exceeded 550,000 contracts in December 2010, with an increase of 122% with respect to the month of the previous year.

In the remaining markets for services provided by the Group companies, there were no significant variations in market share of the relevant operators.

Progressive positioning in the markets in which the Group is developing new business lines has continued to be observed, especially in the business customer segment on which efforts are focused, particularly in the provision of integrated voice, data and Internet solutions and IT services.

The migration towards mobile and IP-based services for long distance national and international services continued, with reductions of 6.4% and 5.2%, respectively, being observed in levels of market traffic in the last year.

The Group’s share in this market has remained relatively stable, 30% for domestic services and 38% for international services. Together with the traffic business, these services represented 5.4% of the Group’s revenue for 2010.

In the area of international operations, the Group currently only has a presence in Peru, whose markets, requirements for resources and management efforts are linked with current strategic goals. In Peru, the Group’s business activities are focused on wireline services for business customers in the city of Lima and Call Center services, both domestic and international; the provision of IT services has recently been added to these.

At the end of the previous year, the Telecommunications Development Fund Council awarded Entel the project to deliver Internet to approximately 1400 rural areas, which includes state subsidies in order to cover areas with low coverage. The 3.5G network will be used for these purposes as it is already in operation in some of the areas to be covered.

Further on, upon commenting on the changes in sales revenue, reference will be made to the most significant variations in volumes and prices.

## ANALYSIS OF MARKET RISK

The market risks faced by the Group companies are covered in note 28 to the consolidated financial statements.

This note comments on the technological, regulatory, exchange rate, credit, interest and liquidity risks, in addition to policies for control and mitigation which are applied.

The permanent analysis of technological and market trends remains powered by a partnership with the UK-based operator Vodafone Group, a world leader in mobile telecommunications. Through this partnership, the Group’s mobile telephone subsidiaries, among other benefits, share best practices in customer services, access new voice and data products with international access, are able to expand the coverage and quality of their Roaming services and maintain a position of leadership in the development of value added services in the field of Advanced Digital mobile Telephony, also known as 3G (Third Generation).

In terms of mobile services, where 77% of the Group's revenue is concentrated, it has maintained first position in the Mobile Services Customer Satisfaction rating undertaken by the organization ProCalidad for eight consecutive years.

Entel has also been recognized by Cisco as "Service Partner of the Year" in the Southern Cone of Latin America for leadership which has positioned it as the most important supplier and system integrator in Chile.

In terms of the domestic services provided by the Group, the authorities have announced a series of regulatory reforms designed to increase competition, accelerate the penetration of Internet and control the deployment of antennas for urban sites, alongside with other objectives.

The reforms which have been announced include the elimination of domestic long distance, the unification of telephone numbers, number portability for mobile and fixed services, the inclusion of infrastructure suppliers and the stimulation of the extension of broadband access, by means of demand subsidies.

## GROWTH IN SALES REVENUE

Ordinary revenue, together with other operational revenue and others for the year 2010 showed an increase of 9% with respect to the previous year.

The details of this variation in revenue are as follows::

	2010 M.CLP\$	2009 M.CLP\$	VARIACIÓN %
Mobile Services	840,056	740,776	13
Data services (including IT services)	85,090	79,825	7
Local telephony (includes NGN-IP)	39,677	40,792	-3
Long distance	33,761	35,547	-5
Internet	15,885	15,467	3
Services to other operators	17,191	17,191	0
Traffic business	24,965	31,675	-21
Americatel Perú	19,411	19,988	-3
Call center services and others	7,560	6,868	10
Other services	3,220	6,542	-51
<b>TOTAL OPERATIONAL INCOME</b>	<b>1,086,816</b>	<b>994,671</b>	<b>9</b>

As can be observed, in terms of revenue, the growth experienced by mobile services continued to be the main source of growth for the Group's revenue.

The above, together with the focus on services with increased margins means that in terms of Ebitda, as previously noted, there was an increase of over 45 billion pesos, equivalent to 11%.

The increase in mobile services sales, is followed by the growth in customer base, increased average traffic and the growth of valued added services (VAS) and Mobile Broadband (MBB).



In mobile services, the Group kept a strong position, as a result of its sustained commercial drive and service quality allowing it to remain highly preferred among users. As of December 31, 2010, the customer base totaled 7,568,399 with an increase of 17% with respect to the same date of the previous year. The number of Mobile Broadband customers grew to 550,879 with an increase of 122% with respect to the previous year.

Call Center services showed an increased activity, both in Chile and Peru.

In terms of wireline services, in general, those related to long distance services showed reductions in revenue. These reductions are attributable to a drop in the minutes and tariffs in the traffic business and domestic long distance, reduced local telephony traffic, and a reduction in the operations in Peru of long distance and traffic business activities.

Revenue related to integrated voice, Internet and data networks provided to the enterprise segment, together with IT services have shown strong growth, driven by new contracts with customers.

## COSTS, EXPENSES AND PROFITABILITY

The following information corresponds to the most significant aspects of costs and expenses, for the years 2010 and 2009:

	2010 M.CLPS	2009 M.CLPS	VARIACIÓN %
Operational costs and administrative and sales expenses	(878,275)	(810,091)	8
Operational earnings (EBIT)	208,541	184,580	13
Net financial Expenses and others	(10,971)	(13,531)	-19
Net Income	172,971	142,260	22

The growth observed in operational costs and administrative expenses is largely in line with the growth in the customer base and increased costs associated with the expansion of the 3.5G network for mobile services.

There were increases in advertising and sales costs associated to a higher customer base, as well as the promotion of new services in Peru (IT-mobile multicarrier); an increase in depreciations and asset impairment, affected by increased investments in 3.5G mobile networks and equipment held by customers, and the effects of the earthquake.

The costs for the remuneration of staff also increased (11%), affected by increases in activity, the closure of union negotiations and the provision of staffing costs for restructuring.

## PRE-TAX PROFIT

The increase in pre-tax profits is the result of the previously discussed trends in revenues and expenses. It was also an effect of the changes in exchange rates and readjustments, which resulted in a positive effect of over 5 billion pesos from one year to the other.

## II. COMMENTS ON CASH FLOW STATEMENT

At the close of both financial years, there has been a good level of cash and cash equivalent resources, which rose from 63 to 75 billion pesos from one year to the other.

In terms of incoming flows from operational activities, it should be noted that these increased by 39 billion pesos, rising from 418 to 457 billion pesos, a result of the growth of operations and profits.

Flows from investment activities showed a reduction in outward flows of 12 billion pesos, falling from 296 to 283 billion pesos between the periods under comparison. Their main component corresponds to investments in Property, Plant and Equipment, falling from 300 to 287 billion pesos.

Investment flows were also affected by the receipt of 15 billion pesos for government subsidies for the project for Internet for rural areas; this revenue was partially offset by the values paid for the takeover of the subsidiary Transam for 8 billion pesos.

Finally, flows from financing activities increased from 102 to 162 billion pesos. This trend is largely due to the change of direction of debt flows: whereas in 2009 positive flows were noted due to an increase in net debt of approximately 19 billion pesos, in 2010 there were negative flows for a similar value, associated with a reduction in debt.

Investment flows were also affected by a fall in the exchange rate on derivative contracts, with an increase of 23 billion pesos in outward payments.

### III FULFILLMENT OF COMMITMENTS

The Group companies are up to date in terms of fulfillment of all commitments to third parties.

# CONSOLIDATED MATERIAL EVENTS 2010

## *EMPRESA NACIONAL DE TELECOMUNICACIONES S.A. AND SUBSIDIARIES*

In compliance with the current legal and regulatory framework, during 2010 Group's Companies informed the Chilean Securities and Insurance Supervisor of the following as classified as material events or relevant information:

### I. PARENT COMPANY – STOCKHOLDERS' MEETING

In letter no. 3, dated April 6, 2010, it was communicated that at the board meeting held on April 5, 2010, agreement was reached to:

- Schedule an Ordinary Stockholders' Meeting for April 29, 2010 and that this notification with supporting papers would be sent out in a timely manner to stockholders and other bodies as stated in the legal regulations.
- Propose at the Ordinary Stockholders Meeting to pay a final dividend of CLP\$ 450 per share from the profits made in the financial year 2009, from which the sum of CLP\$ 100 per share should be deducted, corresponding to the interim dividend paid in December 2009, leaving a dividend of CLP\$ 350 to be paid on a date to be agreed at the Ordinary Stockholders' Meeting.
- Approve the modification of the Regulation Manuals for the Directors Committee and for the Handling of Market Sensitive Information in order to adapt the text to the current legislation.

### II. ENTEL TELEFONÍA PERSONAL S.A. – STOCKHOLDERS' MEETING

By letter dated April 6, 2010, it was reported under the concept of material events or relevant information that at the Board meeting held on April 5, 2010, it was agreed to:

- Schedule an Ordinary Stockholders' Meeting for April 28, 2010 at 17.00 in order to make a decision in the areas of its competence, and that this notification with supporting papers would be sent out in a timely manner to stockholders and other bodies as stated in the legal regulations.
- Propose at the Ordinary Stockholders Meeting to distribute from the profits of the financial year a final dividend of CLP\$ 1,191,481.37723989 per share, from which the sum of CLP\$ 27,200,000,000 should be deducted for the interim dividend distributed in December 2009, leaving a dividend of CLP\$ 872,502.1109 per share, equivalent to a total of CLP\$ 74,400,000,000, payable on a date to be determined by the Ordinary Stockholders' Meeting.

### III. ENTEL PCS TELECOMUNICACIONES S.A. – STOCKHOLDERS' MEETING

In a letter dated April 6, 2010, it was communicated that at the board meeting held on April 5, 2010, agreement was reached to:

- Schedule an Ordinary Stockholders' Meeting for April 28, 2010 and that this notification with supporting papers would be sent out in a timely manner to stockholders and other bodies as stated in the legal regulations.
- Propose at the Ordinary Stockholders' Meeting to distribute from the profits of the financial year a final dividend of CLP\$ 1,219.775206735 per share, from which the sum of CLP\$ 26,889,687,973 should be deducted for the interim dividend distributed in December 2009, leaving a dividend of CLP\$ 877.581485974832 per share, equivalent to a total of CLP\$ 68,960,623,463, payable on a date to be determined by the Ordinary Stockholders' Meeting.

### IV. ENTEL TELEFONÍA MÓVIL – STOCKHOLDERS' MEETING

By letter dated April 6, 2010, it was reported under the concept of material events or relevant information that at the Board meeting held on April 5, 2010, it was agreed to:

- Schedule an Ordinary Stockholders' Meeting for April 28, 2010 at 15.00 in order to make a decision in the areas of its competence, and that this notification with supporting papers would be sent out in a timely manner to stockholders and other bodies as stated in the legal regulations.
- Propose at the Ordinary Stockholders' Meeting to distribute from the profits of the financial year a final dividend of CLP\$ 2,145.16895287384 per share, from which the sum of CLP\$ 339,635,091 should be deducted for the interim dividend distributed in December 2009, leaving a dividend of CLP\$ 1,858.89286238084 per share, equivalent to a total of CLP\$ 2,205,371,903, payable on the date determined by the Ordinary Stockholders' Meeting.

### V. PARENT COMPANY – APPROVAL OF 2009 REPORT, DIVIDEND DISTRIBUTION, AND OTHER MATTERS

In letter no. 8, dated April 29, 2010, it was communicated that at the Ordinary Stockholders' Meeting held on April 29, 2010, agreement was reached to:

- Approve the Annual Report, Balance Sheet and Income Statements for the 2009 financial year.
- Distribute as a dividend, the sum of CLP\$ 450 per share, equivalent to 74.82% of the net liquid profit for the year. With respect to this dividend, the sum of CLP\$ 100 was paid in December 2009 as an interim dividend, leaving a dividend of \$350 per share, payable on May 25, 2010.
- The investment and financing policy was approved and the dividend policy was communicated, both being essentially the same as those from the previous financial year, notwithstanding expressly stating having communicated the items contained in Circular 1945.
- The Company's Board of Directors was approved, with the following being elected:
  1. Juan Hurtado Vicuña
  2. Bernardo Matte Larraín
  3. Juan Bilbao Hormaeche
  4. Juan José Mac- Auliffe Granello

5. Juan Claro González
6. Luis Felipe Gazitúa Achondo
7. Raúl Alcaíno Lihn
8. Alejandro Jadresic Marinovic
9. Alejandro Pérez Rodríguez

It is expressly stated that the aforementioned directors, numbered 1 to 7, were elected according to the votes of the controlling group, with Alejandro Jadresic Marinovic and Alejandro Pérez Rodríguez being nominated as independent board members.

- The remuneration of directors and the remuneration of the Directors Committee, as approved at the previous Ordinary Stockholders' Meeting, remained in effect, with the annual budget for the Committee fixed in line with the minimum legal establishment. The appointment of KPMG as external auditors was approved; the regular and reserve accounts inspectors were maintained, as were the risk rating agencies Feller Rate (S&P) and Fitch Ratings. The newspaper El Mercurio de Santiago was maintained for the publication of company notices and related operations were communicated.

Formation of the board and the appointment of the Board of Directors was to be subsequently carried out by the Board, of which the Supervisory and related organisms will be informed in a timely manner.

#### VI. ENTEL TELEFONÍA PERSONAL - APPROVAL OF THE 2009 REPORT AND DIVIDEND PAYMENT

By letter dated April 29, 2010, it was reported under the concept of material events or relevant information that at the Ordinary Stockholders' Meeting held on, April 28, 2010, it was agreed to:

- Approve the Annual Report, Balance Sheet and Financial Statements for the Company corresponding to the financial year ending December 31, 2009.
- Distribute as Earnings Attributable to Holders of Stock Instruments in the Controlling Stockholder Equity as of December 31, 2009, the value of CLP\$ 1,191,481.37723989 per share, equivalent to a total of CLP\$ 101,600,000,000, which corresponds to 80% of these earnings. After deduction of the interim dividend paid in December 2009, which totaled CLP\$ 27,200,000,000, a final dividend of CLP\$ 872,502.1109 per share remained to be paid, equivalent to a total of CLP\$ 74,400,000,000, payable on May 18, 2010 in the company's offices (Avenida Andrés Bello 2711 Piso 14, Las Condes, Santiago), between 09.00 and 14.00 on banking days, to stockholders subscribed in the respective Register five working days prior to the established date of payment.
- The investment and financing policy was approved and the dividend policy was communicated, both being essentially the same as those from the previous financial year, notwithstanding expressly stating having communicated the items contained in Circular 1945.
- It was agreed that the directors would not receive any remuneration during the 2010 financial year, and it was agreed to appoint KPMG Auditores Consultores Ltda. as external auditors for the 2009 financial year, with El Mercurio de Santiago maintained as the newspaper used for the publication of company notices; related operations were also reported.

#### VII. ENTEL PCS TELECOMUNICACIONES S.A. - APPROVAL OF THE 2009 REPORT AND DIVIDEND PAYMENT

By letter dated April 29, 2010, it was reported under the concept of material events or relevant information that at the Ordinary Stockholders' Meeting held on, April 28, 2010, it was agreed to:

- Approve the Annual Report, Balance Sheet and Financial Statements for the Company corresponding to the financial year ending December 31, 2009.
- Distribute as Earnings Attributable to Holders of Stock Instruments in the Controlling Stockholder Equity as of December 31, 2009, the value of CLP\$ 1,219.775206735 per share, equivalent to a total of CLP\$ 95,850,311,436, which corresponds to 80% of these earnings. After deduction of the interim dividend paid in December 2009, which totaled CLP\$ 26,889,687,973, a final dividend of CLP\$ 877.581485974832 per share remained to be paid, equivalent to a total of CLP\$ 68,960,623,463, payable on May 18, 2010 in the company's offices (Avenida Andrés Bello 2711 Piso 14, Las Condes, Santiago), between 09.00 and 14.00 on banking days, to stockholders subscribed in the respective Register five working days prior to the established date of payment.
- The investment and financing policy was approved and the dividend policy was communicated, both being essentially the same as those from the previous financial year, notwithstanding expressly stating having communicated the items contained in Circular 1945.
- It was agreed that the directors would not received any remuneration during the 2010 financial year, and it was agreed to appoint KPMG Auditores Consultores Ltda. as external auditors for the 2010 financial year, with El Mercurio de Santiago maintained as the newspaper used for the publication of company notices; related operations were also reported.

#### VIII. ENTEL TELEFONÍA MÓVIL - APPROVAL OF THE 2009 REPORT AND DIVIDEND PAYMENT

By letter dated April 29, 2010, it was reported under the concept of material events or relevant information that at the Ordinary Stockholders' Meeting held on, April 28, 2010, it was agreed to:

- Approve the Annual Report, Balance Sheet and Financial Statements for the Company corresponding to the financial year ending December 31, 2009.
- Distribute as Earnings Attributable to Holders of Stock Instruments in the Controlling Stockholder Equity as of December 31, 2009, the value of CLP\$ 2,145.16895287384 per share, equivalent to a total of CLP\$ 2,545,006,994, which corresponds to 39.6% of these earnings. After deduction of the interim dividend paid in December 2009, which totaled CLP\$ 339,635,091, a final dividend of CLP\$ 1,858.89286238084 per share remained to be paid, equivalent to a total of CLP\$ 2,205,371,903, payable on May 18, 2010 in the company's offices (Avenida Andrés Bello 2711 Piso 14, Las Condes, Santiago), between 09.00 and 14.00 on banking days, to stockholders subscribed in the respective Register five working days prior to the established date of payment.
- The investment and financing policy was approved and the dividend policy was communicated, both being essentially the same as those from the previous financial year, notwithstanding expressly stating having communicated the items contained in Circular 1945.
- It was agreed that the directors would not receive any remuneration during the 2010 financial year, and it was agreed to appoint KPMG Auditores Consultores Ltda. as external auditors for the 2009 financial year, with El Mercurio de Santiago maintained as the newspaper used for the publication of company notices; related operations were also reported.

#### IX. PARENT COMPANY – FORMATION OF THE BOARD OF DIRECTORS.

In letter no. 9, dated May 3, 2010, it was communicated that at the board meeting held on the same date, agreement was reached to:

- Form the board of directors, with Juan Hurtado Vicuña nominated as chairman and Luis Felipe Gazitúa Achondo as Vice-chairman, with the Company's Board of Directors being composed of the following individuals:

1. Juan Hurtado Vicuña (Chairman)
2. Luis Felipe Gazitúa Achondo
3. Bernardo Matte Larraín
4. Juan Bilbao Hormaeche
5. Juan José Mac- Auliffe Granello
6. Juan Claro González
7. Raúl Alcaíno Lihn
8. Alejandro Jadresic Marinovic (independent)
9. Alejandro Pérez Rodríguez (independent)

It is expressly stated that the following were elected as independent members of the board: Alejandro Jadresic Marinovic and Alejandro Pérez Rodríguez.

- In terms of the Directors Committee, the independent board members Alejandro Jadresic Marinovic and Alejandro Pérez Rodríguez were elected, alongside the director Luis Felipe Gazitúa Achondo.

#### X. ENTEL PCS TELECOMUNICACIONES S.A. – MERGER OF ENTEL TELEFONÍA MÓVIL S.A.

By letter dated May 5, 2010, it was communicated under the concept of material events or relevant information, that in the Extraordinary Meeting of the Company's Board of Directors, held on May 4, 2010, it was agreed to schedule an Extraordinary Stockholders' Meeting for May 6, 2010 at 11.00 in order to discuss and reach a decision on the merger by absorption of Entel Telefonía Móvil S.A.

#### XI. ENTEL PCS TELECOMUNICACIONES S.A. – APPROVAL OF MERGER OF ENTEL TELEFONÍA MÓVIL S.A.

By letter dated May 7, 2010, it was communicated as a material event or relevant information that at the Extraordinary Stockholders' Meeting held on May 6, 2010, the merger by absorption of Entel Telefonía Móvil by Entel PCS Telecomunicaciones S.A. was approved, with the merger to take effect from June 1, 2010.

#### XII. PARENT COMPANY – ACQUISITION OF ALL STOCK OF THE COMPANIES TRANSAM COMUNICACIONES S.A. AND WILL S.A.

By letter no. 13, dated October 5, 2010, it was communicated that on October 4, 2010, the subsidiaries of Empresa Nacional de Telecomunicaciones S.A. ("Entel"), Entel Telefonía Local S.A. and Entel Inversiones S.A., signed a contract by means of which they directly acquired all stock in the company Transam Comunicaciones S.A. ("Transam"), and 0.11% of stock in Will S.A. ("Will"), and indirectly acquired 99.89% of Will S.A.

The direct and indirect owners and sellers of the totality of the stock of the aforementioned companies are Inversiones Access S.A. and Inversiones en Comunicaciones S.A.

The enterprise value agreed with the sellers for the companies Transam and Will totals CLP\$ 13,119,404,160 (thirteen thousand, one hundred and nineteen million, four hundred and four thousand, one hundred and sixty pesos).

The final price to be paid for the stock of Transam and Will will be determined based on regulations agreed in the sale contract, taking into account factors such as the debt of the companies at the closing date, their cash and working capital. This will be done based on the advice of a Final balance Sheet audited by External Auditors.

Transam and Will are owners of licenses and rights regulated by the General Telecommunications Act (18,168), which they have obtained, maintain and operate together with other accessory or complementary assets, rights, authorizations and associated licenses, by virtue of which Transam provides intermediary telecommunications services and operates a long distance service, and Will provides local wireless telephone and data transmission services.

### XIII. PARENT COMPANY – DISTRIBUTION OF DIVIDEND

In letter no. 15, dated November 10, 2010, it was communicated that at the board meeting held on November 9, 2010, it was agreed to pay an interim dividend of \$CLP 100 per share, payable on December 13, 2010 and to be allocated against the profits in 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 18.95% of profits to the third quarter 2010.





# CERTIFICATE OF THE ACCOUNT INSPECTORS

Stockholders

Empresa Nacional de Telecomunicaciones S.A

We have reviewed the Individual and Consolidated Financial Statements of Empresa Nacional de Telecomunicaciones S.A. corresponding to the twelve month period ending December 31, 2010. There are no remarks to be made following our review. 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 this date.



MANUEL ONETO FAURE  
Accounts Inspector



GUSTAVO MATURANA RAMIREZ  
Accounts Inspector

Santiago, January 28, 2011.



*Subsidiaries  
and associate  
companies*

## CONSOLIDATED BALANCE SHEET OF SUBSIDIARIES At December 31, 2010 and 2009

	ENTEL TELEFONÍA PERSONAL S.A. AND SUBSIDIARIES (1)		ENTEL PCS TELECOMUNICACIONES S.A. (1)		ENTEL TELEFONÍA LOCAL S.A. AND SUBSIDIARIES		ENTEL SERVICIOS TELEFÓNICOS S.A.		SATEL TELECOMUNICACIONES S.A.	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>ASSETS</b>										
Current assets	-	188,945,109	227,847,436	-	13,550,150	11,679,533	1,532,697	1,575,861	1,212,309	1,364,182
Non current assets	-	577,498,109	607,895,327	-	21,995,130	7,392,571	18,176	305,710	2,395,130	1,384,754
<b>TOTAL ASSETS</b>	<b>-</b>	<b>766,443,218</b>	<b>835,742,763</b>	<b>-</b>	<b>35,545,280</b>	<b>19,072,104</b>	<b>1,550,873</b>	<b>1,881,571</b>	<b>3,607,439</b>	<b>2,748,936</b>
<b>LIABILITIES</b>										
Current liabilities	-	202,456,090	314,810,684	-	13,977,789	8,371,779	195,851	207,677	105,657	81,180
Non current liabilities	-	233,985,519	199,406,852	-	16,359,609	7,403,508	1,233,672	935,392	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>436,441,609</b>	<b>514,217,536</b>	<b>-</b>	<b>30,337,398</b>	<b>15,775,287</b>	<b>1,429,523</b>	<b>1,143,069</b>	<b>105,657</b>	<b>81,180</b>
<b>STOCKHOLDER EQUITY</b>										
Paid-in capital	-	162,983,722	128,398,586	-	29,603,142	29,603,142	1,413,277	1,413,277	3,560,075	3,560,075
Other reserves	-	(50,173,017)	(47,773,888)	-	(2,419,357)	(2,419,357)	(115,502)	(115,502)	(290,952)	(290,952)
Accrued Income (Accumulated Losses)	-	216,885,507	240,892,578	-	(21,976,516)	(23,886,968)	(1,176,425)	(559,273)	232,659	(601,367)
Non controlling stock	-	305,397	7,951	-	613	-	-	-	-	-
Conversion reserves	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND STOCKHOLDER EQUITY</b>	<b>-</b>	<b>766,443,218</b>	<b>835,742,763</b>	<b>-</b>	<b>35,545,280</b>	<b>9,072,104</b>	<b>1,550,873</b>	<b>1,881,571</b>	<b>3,607,439</b>	<b>2,748,936</b>

## SUMMARIZED INCOME STATEMENTS FOR SUBSIDIARIES (For the years ending December 31, 2010 and 2009, in Th.CLP\$)

	ENTEL TELEFONÍA PERSONAL S.A. AND SUBSIDIARIES		ENTEL PCS TELECOMUNICACIONES S.A.		ENTEL TELEFONÍA LOCAL S.A. AND SUBSIDIARIES		ENTEL SERVICIOS TELEFÓNICOS S.A.		SATEL TELECOMUNICACIONES S.A.	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Operating Revenues	-	748,467,640	846,594,494	-	47,984,316	49,219,120	984,968	1,368,475	1,155,359	1,187,757
Other Revenues	-	7,656,251	9,683,622	-	163,286	676,521	164,559	1,628	35,616	2,338
Salaries and Expenses	-	(39,226,373)	(44,251,501)	-	(3,262,626)	(2,758,789)	(85,934)	(411,460)	-	-
Depreciation and amortization	-	(145,745,001)	(168,020,594)	-	(2,962,692)	(2,999,409)	-	-	(100,273)	(120,532)
Other operating expenses	-	(417,984,025)	(498,434,448)	-	(39,241,780)	(41,464,764)	(1,326,853)	(1,970,964)	(96,977)	(141,851)
Income (loss) before tax	-	153,168,492	145,571,573	-	2,680,504	2,672,679	(263,260)	(1,012,321)	993,725	927,712
Income tax	-	(25,964,886)	(21,412,557)	-	(770,113)	(836,330)	(353,892)	167,332	(159,700)	(158,026)
<b>INCOME (LOSS)</b>	<b>-</b>	<b>127,203,606</b>	<b>124,159,016</b>	<b>-</b>	<b>1,910,391</b>	<b>1,836,349</b>	<b>(617,152)</b>	<b>(844,989)</b>	<b>834,025</b>	<b>769,686</b>
Income (loss) attributable to stockholders of controlling stockholder equity	-	127,070,866	124,156,632	-	60	1,836,349	(617,152)	(844,989)	834,025	769,686
Incomes attributable to non controlling stock	-	132,740	2,384	-	-	-	-	-	-	-
<b>INCOME (LOSS) EARNINGS PER SHARE</b>	<b>-</b>	<b>127,203,606</b>	<b>124,159,016</b>	<b>-</b>	<b>1,910,451</b>	<b>1,836,349</b>	<b>(617,152)</b>	<b>(844,989)</b>	<b>834,025</b>	<b>769,686</b>
Common shares	-	1,490,182.78	1,548.43	-	110.01	105.74	(190,479)	(260,799)	834,025	769,686

MICARRIER TELECOMUNICACIONES S.A.		ENTEL SERVICIOS EMPRESARIALES (FORMERLY - RED DE TRANSACCIONES ELECTRÓNICAS S.A.)		ENTEL INVERSIONES S.A. AND SUBSIDIARY		ENTEL CALL CENTER S.A. AND SUBSIDIARY		CIENTEC COMPUTACIÓN S.A.		ENTEL INTERNACIONAL BVI CORP. AND SUBSIDIARY		EMPRESA DE RADIOCOMUNICACIONES INSTA BEEP LTDA.	
12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009
300,730	503,339	350,967	388,154	7,627,091	7,310,140	6,448,904	5,060,712	3,447,855	6,898,141	42,110	8,696	3,437	-
1,791,773	1,636,467	8,095	4,313	36,213,434	51,311,773	11,193,428	13,163,706	13,101,328	16,238,375	189,851	308,226	-	-
<b>2,092,503</b>	<b>2,139,806</b>	<b>359,062</b>	<b>392,467</b>	<b>43,840,525</b>	<b>58,621,913</b>	<b>17,642,332</b>	<b>18,224,418</b>	<b>16,549,183</b>	<b>23,136,516</b>	<b>231,961</b>	<b>316,922</b>	<b>3,437</b>	<b>-</b>
108,267	145,396	85,020	65,165	7,310,110	6,066,631	3,637,527	3,141,870	1,199,306	5,352,200	34,220	34,232	680,292	-
-	-	90,551	254,805	2,923,138	4,655,689	10,851,155	11,989,793	3,823,775	5,678,831	-	-	-	-
<b>108,267</b>	<b>145,396</b>	<b>175,571</b>	<b>319,970</b>	<b>10,233,248</b>	<b>10,722,320</b>	<b>14,488,682</b>	<b>15,131,663</b>	<b>5,023,081</b>	<b>11,031,031</b>	<b>34,220</b>	<b>34,232</b>	<b>680,292</b>	<b>-</b>
3,803,104	4,141,580	737,071	737,071	2,870,847	4,128,351	13,867,175	13,867,175	3,756,870	3,756,870	25,211,353	25,211,353	2,969,432	-
-	(338,476)	-	125,983	(784,067)	(630,408)	(1,165,112)	(1,165,112)	8,980	(86,956)	4,865	6,190	(242,681)	-
(1,818,868)	(1,808,694)	(553,580)	(790,557)	26,929,723	38,850,796	(9,527,165)	(9,587,466)	7,760,252	8,435,571	(25,018,477)	(24,934,853)	(3,403,606)	-
-	-	-	-	4,590,774	5,550,854	6	9	-	-	-	-	-	-
-	-	-	-	-	-	(21,254)	(21,851)	-	-	-	-	-	-
<b>2,092,503</b>	<b>2,139,806</b>	<b>359,062</b>	<b>392,467</b>	<b>43,840,525</b>	<b>58,621,913</b>	<b>17,642,332</b>	<b>18,224,418</b>	<b>16,549,183</b>	<b>23,136,516</b>	<b>231,961</b>	<b>316,922</b>	<b>3,437</b>	<b>-</b>

MICARRIER TELECOMUNICACIONES S.A.		RED DE TRANSACCIONES ELECTRÓNICAS S.A.		ENTEL INVERSIONES S.A. AND SUBSIDIARY		ENTEL CALL CENTER S.A. AND SUBSIDIARY		CIENTEC COMPUTACIÓN S.A.		ENTEL INTERNACIONAL BVI CORP. AND SUBSIDIARY		EMPRESA DE RADIOCOMUNICACIONES INSTA BEEP LTDA.	
12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009
158,193	314,640	1,081,020	338,996	19,948,526	20,871,989	21,503,952	18,520,043	10,701,856	14,066,907	-	-	-	-
55,371	15,268	-	-	521,220	7,473,676	52,603	188,942	50,772	313,915	-	1,243	-	-
-	-	(956,597)	(300,586)	(3,328,504)	(4,079,022)	(8,775,584)	(5,384,940)	(1,811,845)	(3,722,528)	-	-	-	-
-	-	-	-	(1,947,428)	(2,009,375)	(968,601)	(997,296)	(4,530,196)	(4,526,337)	-	-	-	-
(239,871)	(409,538)	(17,209)	(11,806)	(16,038,616)	(17,273,806)	(11,138,101)	(11,914,215)	(5,089,616)	(6,757,227)	(83,622)	(179,286)	(16,203)	-
(26,307)	(79,630)	107,214	26,604	(844,802)	4,983,462	674,269	412,534	(679,029)	(625,270)	(83,622)	(178,043)	(16,203)	-
16,133	8,888	3,782	2,462	21,231	112,156	(613,974)	(30,643)	99,645	3,055	-	-	-	-
(10,174)	(70,742)	110,996	29,066	(823,571)	5,095,618	60,295	381,891	(579,384)	(622,215)	(83,622)	(178,043)	(16,203)	-
(10,174)	(70,742)	110,996	29,066	(823,571)	5,095,618	60,295	381,891	(579,384)	(622,215)	(83,622)	(178,043)	(16,203)	-
-	-	-	-	736,522	806,353	4	-	-	-	-	-	-	-
(10,174)	(70,742)	110,996	29,066	(87,049)	5,901,971	60,299	381,891	(579,384)	(622,215)	(83,622)	(178,043)	(16,203)	-
(1,017.4)	(7,074.2)	3,224.85	844.48	(74,262.49)	459,478.63	6.35	40.19	(1,866.76)	(2,004.77)	(1.38)	(2.94)	-	-

## SUMMARIZED CASH FLOW STATEMENTS FOR SUBSIDIARIES At December 31, 2010 and 2009

	ENTEL TELEFONÍA PERSONAL S.A. AND SUBSIDIARIES		ENTEL PCS TELECOMUNICACIONES S.A.		ENTEL TELEFONÍA LOCAL S.A. AND SUBSIDIARIES		ENTEL SERVICIOS TELEFÓNICOS S.A.		SATEL TELECOMUNICACIONES S.A.		MICARRIER TELECOMUNICACIONES S.A.	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009
Cash flows provided by operating activities	-	342,529,729	391,314,649	-	5,498,167	8,523,293	48,597	225,132	325,506	1,272,583	71,727	(96,327)
Cash flows provided by other operational activities	-	(32,100,351)	(44,052,615)	-	(90,117)	(81,675)	(39,859)	-	211	(2,943)	-	14,708
Net cash flows provided by operating activities	-	310,429,378	347,262,034	-	5,408,050	8,441,618	8,738	225,132	325,717	1,269,640	71,727	(81,619)
Net cash flows used in investment activities	-	(241,908,300)	(164,393,123)	-	(8,954,051)	(652,941)	-	-	(340)	(862,660)	(79,728)	-
Net cash flows used in financing activities	-	(68,299,291)	(181,500,971)	-	3,196,456	(7,651,360)	(11,594)	(409,906)	(325,718)	(407,925)	-	26,654
Net increase (decrease) in cash and cash equivalents	-	221,787	1,367,940	-	(349,545)	137,317	(2,856)	(184,774)	(341)	(945)	(8,001)	(54,965)
Effect of exchange rate variations on cash and cash equivalents	-	(83,173)	101,204	-	-	-	(290)	94	(101)	(280)	(30)	-
Effects of changes in the scope of consolidation on cash and cash equivalents	-	(83,173)	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents, cash flow statement, initial balance	-	2,190,070	2,327,404	-	914,704	355,834	3,641	188,321	776	2,001	11,278	66,243
Cash and cash equivalents, cash flow statement, final balance	-	2,328,684	3,796,548	-	565,159	493,151	495	3,641	334	776	3,247	11,278

NOTE: As part of the restructuring process being carried out by the group during the 2010 financial year, the subsidiary Entel Telefonía Personal S.A. was taken over by the Parent Company. As a result of this takeover, the subsidiary Entel Telefonía Personal S.A. ceased to exist and the subsidiary Entel PCS Telecomunicaciones S.A. became a direct subsidiary of the Parent Company.

## STATEMENT OF CHANGE IN NET STOCKHOLDER EQUITY FOR SUBSIDIARIES At December 31, 2010 and 2009

	ENTEL TELEFONÍA PERSONAL S.A. AND SUBSIDIARIES	ENTEL PCS TELECOMUNICACIONES S.A.	ENTEL TELEFONÍA LOCAL S.A.	ENTEL SERVICIOS TELEFÓNICOS S.A.	SATEL TELECOMUNICACIONES S.A.
Initial balance for current period 01/01/2010	-	296,114,885	3,296,817	738,502	2,667,756
Income from consolidated revenue and costs	-	124,159,016	1,910,451	(617,152)	834,025
Payment of dividends	-	(98,395,319)	-	-	-
Other increases (decreases) in stockholder equity	-	(353,355)	614	-	1
Final balance for current period 12/31/2010	-	321,525,227	5,207,882	121,350	3,501,782
Initial balance for previous period (01/01/2009)	318,249,630	-	1,460,468	1,583,491	1,898,070
Income from consolidated revenue and costs	127,203,606	-	1,836,349	(844,989)	769,686
Payment of dividends	(77,213,804)	-	-	-	-
Other increases (decreases) in stockholder equity	(38,237,823)	-	-	-	-
<b>FINAL BALANCE AT 12.31.2009</b>	<b>330,001,609</b>	<b>-</b>	<b>3,296,817</b>	<b>738,502</b>	<b>2,667,756</b>

ENTEL SERVICIOS EMPRESARIALES (FORMERLY - RED DE TRANSACCIONES ELECTRÓNICAS S.A.)		ENTEL INVERSIONES S.A. AND SUBSIDIARY		ENTEL CALL CENTER S.A. AND SUBSIDIARY		CIENTEC COMPUTACIÓN S.A.		ENTEL INTERNACIONAL BVI CORP. AND SUBSIDIARY		EMPRESA DE RADIOCOMUNICACIONES INSTA BEEP LTDA	
12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009	12.31.2010	12.31.2009
(85,499)	(254,805)	2,001,924	506,048	2,339,187	3,522,295	2,107,503	1,190,968	(67,302)	(98,251)	(37)	-
-	-	-	6,392,920	-	(234,080)	(81,143)	68,804	(530)	(65)	-	-
(85,499)	(254,805)	2,001,924	6,898,968	2,339,187	3,288,215	2,026,360	1,259,772	(67,832)	(98,316)	(37)	-
-	-	(1,172,274)	(8,329,763)	(741,892)	(1,096,696)	(1,126,604)	9,478,586	(2,626)	(358,854)	-	-
85,507	254,805	(339,865)	1,044,239	(1,568,720)	(2,147,525)	(887,292)	(11,641,582)	101,407	-	37	-
8	-	489,785	(386,556)	28,575	43,994	12,464	(903,224)	30,949	(457,170)	-	-
-	-	-	-	-	(42,825)	(2,568)	(12,242)	2,465	(34,049)	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	537,789	924,345	154,212	153,043	4,349	919,815	8,696	499,915	-	-
8	-	1,027,574	537,789	182,787	154,212	14,245	4,349	42,110	8,696	-	-

MICARRIER TELECOMUNICACIONES S.A.	ENTEL SERVICIOS EMPRESARIALES (FORMERLY - RED DE TRANSACCIONES ELECTRÓNICAS S.A.)	ENTEL INVERSIONES S.A. AND SUBSIDIARY	ENTEL CALL CENTER S.A. AND SUBSIDIARY	CIENTEC COMPUTACIÓN S.A.	ENTEL INTERNACIONAL BVI CORP. AND SUBSIDIARY	EMPRESA DE RADIOCOMUNICACIONES INSTA BEEP LTDA.
1,994,410	72,497	47,899,593	3,092,755	12,105,485	282,690	(660,652)
(10,174)	110,996	(87,049)	60,299	(579,384)	(83,622)	(16,203)
-	-	-	-	-	-	-
-	(2)	(14,205,267)	596	1	(1,327)	-
1,984,236	183,491	33,607,277	3,153,650	11,526,102	197,741	(676,855)
2,065,152	43,431	44,798,959	2,780,681	6,225,431	461,039	-
(70,742)	29,066	5,901,971	381,891	(622,215)	(178,043)	-
-	-	-	-	-	-	-
-	-	(2,801,337)	(69,817)	6,502,269	(306)	-
<b>1,994,410</b>	<b>72,497</b>	<b>47,899,593</b>	<b>3,092,755</b>	<b>12,105,485</b>	<b>282,690</b>	<b>-</b>



## SUBSIDIARIES OF ENTEL S.A.

COMPANY NAME	ENTEL TELEFONÍA PERSONAL S.A. AND SUBSIDIARIES	ENTEL TELEFONÍA LOCAL S.A. O ENTEL PHONE S.A. AND SUBSIDIARIES
Legal status	Private corporation, registered in the Special Register of Reporting Entities, No. 33.	Private Corporation.
Constituting documents	Entel PCS Telecomunicaciones was incorporated as a public corporation by public deed dated October 3, 1996, in accordance with the laws of the Republic of Chile.	EntelPhone was incorporated as a private corporation by public deed on April 29, 1994, in accordance with the laws of the Republic of Chile. On December 20, 1994, by Supreme Decree No. 450, the Ministry of Transport and Telecommunications granted the concession of Public Telephone Services to the Company, for the purpose of installing, operating and running a local telephone system.
Business purpose	The purpose of the company is the study, construction and operation of a system to provide all types of transmission, switching, communication, metering, billing and charging services for mobile telecommunications; to import and export, market, distribute, sell, lease and provide in any other manner, all types of equipment required for the provision of mobile communications and complementary/supplementary services; and in general, to undertake all types of activities, agree, sign and execute all types of contracts required for the provision of any type of mobile communications services.	The company's purpose is to meet the telephone communications, multimedia and infrastructure needs of high use consumers, to provide marketing and dealership of equipment and devices, and any telecommunications related business activity.
Subscribed and paid in capital at December 31, 2010	The Company's subscribed and paid-in capital is Th.CLP\$ 128,398,586	The Company's subscribed and paid-in capital is Th.CLP\$ 29,603,142
Direct and indirect stock Entel S.A.	Entel Chile S.A. 99.999% Entel Inversiones S.A. 0.001%	Entel Chile S.A. 99.0% Entel Inversiones S.A. 1.0%
Percentage of investment in Entel S.A. Assets	28,95%	0,42%
Income for 2010 financial year	Th.CLP\$ 124,159,016	Th.CLP\$ 1,910,451
Board of directors	Richard Büchi B. Chairman of the Board of Directors Juan Hurtado V. Vice-chairman of the Board of Directors. Luis Felipe Gazitúa A. Director Antonio Büchi B. Director Felipe Ureta P. Director	Richard Büchi B. Chairman of the Board of Directors Felipe Ureta P. Director Antonio Büchi B. Director Alvaro Gallegos B. Director Rafael Le-Bert M. Director
Chief Executive Officer	Hernán Marió Lores	Alfredo Parot D.
Positions held at Entel S.A.	Richard Büchi B. Corporate Chief Executive Officer Antonio Büchi B. Chief Executive Officer, Wireline Business Felipe Ureta P. Corporate Finance Executive	Richard Büchi B. Corporate Chief Executive Officer Felipe Ureta P. Corporate Finance Executive Antonio Büchi B. Chief Executive Officer, Wireline Business Alvaro Gallegos B. Supply and Administration Executive Rafael Le-Bert M. Corporate HR Executive
Commercial relationship to Entel S.A.	Entel Telefonía Personal provides Entel S.A. with network infrastructure which allows it to widen the coverage of its fixed telecommunications services. For its part, Entel S.A. provides the company with telecommunications services which support the mobile communication business.	Entelphone provides Entel S.A. with the services it needs to complement its integrated supply of communications and operational continuity services. For its part, Entel S.A. provides the company with the operation and maintenance of network platforms which support its business activities.
Agreements and contracts	Entel PCS contracted Entel S.A. domestic transport signal services in dedicated and switched mode for the value of Th.CLP\$ 64,958,360. Additionally, Entel PCS leased and-subleased to Entel S.A. physical space in buildings, stores and radio stations owned by Entel PCS or a third party. It also contracted marketing consultancy services, telephone technical services and Data Center services for the value of Th.CLP\$ 5,926,100. Entel also contracts the lease of infrastructure, telecommunications service and the payment of access charges from Entel PCS for the value of Th.CLP\$ 6,085,970.	Entel S.A. leases telecommunications infrastructure and installation services, provides the operation and maintenance of networks, the lease or sublease of physical space in buildings and commercial branches, IT data processing services, network administration and administrative services to EntelPhone for the value of Th.CLP\$ 22,114,115. EntelPhone provides Entel with telecommunications services and access charges for the value of Th.CLP\$ 4,664,484.

## SUBSIDIARIES OF ENTEL S.A.

COMPANY NAME	ENTEL SERVICIOS TELEFÓNICOS OR ENTELFÓNICA S.A.	SATEL TELECOMUNICACIONES S.A. OR SATEL S.A.
Legal status	Private Corporation.	Private Corporation.
Constituting documents	Entelfónica was originally incorporated as a private corporation by means of public deed on March 13, 1989, in line with the laws of the Republic of Chile with the company name Global Telecomunicaciones S.A. On June 24, 1993, the company statutes were modified to establish the current name and nature of the company.	Satel was incorporated as a private corporation by public deed on March 13, 1989, in accordance with the laws of the Republic of Chile.
Business purpose	The company's purpose is to provide telecommunications services, marketing, distribution and dealership of equipment, and any other telecommunications related business activities.	The company's purpose is to provide high and low speed corporate telephony and data transmission services at a national and international level using satellite technology.
Subscribed and paid in capital at December 31, 2010	The Company's subscribed and paid-in capital is Th.CLP\$ 1,413,277.	The Company's subscribed and paid-in capital is Th.CLP\$ 3,560,075.
Direct and indirect stock Entel S.A.	Entel Chile S.A. : 91.420% Entel Inversiones S.A. : 8.580%	Entel Chile S.A. : 99.9% Entel Inversiones S.A.: 0.1%
Percentage of investment in Entel S.A. Assets	0,01%	0,29%
Income for 2010 financial year	Th.CLP\$ (617,152)	Th.CLP\$ 834,025
Board of directors	Antonio Büchi B. Chairman of the Board of Directors Pablo Pfingsthorn O. Director Pablo Guerrero R. Director	Antonio Büchi B. Chairman of the Board of Directors Alfredo Parot D. Director Felipe Ureta P. Director
Chief Executive Officer	Robert Barr H.	Pablo Pfingsthorn O.
Positions held at Entel S.A.	Antonio Büchi B. Chief Executive Officer, Wireline Business Pablo Pfingsthorn O. Financial Control and Support Executive Pablo Guerrero R. Executive Business Market Division	Antonio Büchi B. Chief Executive Officer, Wireline Business Alfredo Parot D. Commercial Vice-president Felipe Ureta P. Corporate Finance Executive
Commercial relationship to Entel S.A.	Entelfónica provides management services for the sales branches used by Entel S.A.'s customers. For its part, Entel S.A. provides it with the operation and maintenance of the public telephone network.	Satel provides satellite transmission services to complement Entel S.A.'s telecommunications businesses. Entel S.A. provides the company with the operation and maintenance of its satellite network.
Agreements and contracts	Entelfónica contracted from Entel S.A. national and international transport signal services. It also received administrative and computer services, and leased and subleased physical space in buildings and commercial branches for the value of Th.CLP\$ 250,251. Entelfónica provides advertising services to Entel for the value of Th.CLP\$ 220,671.	Satel contracted international transport signal, administrative, installation, operational and maintenance services from Entel S.A. for the value of Th.CLP\$ 96,464. Satel provides Entel communications services for the value of Th.CLP\$ 507,607.

## SUBSIDIARIES OF ENTEL S.A.

COMPANY NAME	MICARRIER TELECOMUNICACIONES S.A. OR MICARRIER S.A.	ENTEL SERVICIOS EMPRESARIALES S.A. (FORMERLY RED DE TRANSACCIONES TELEFÓNICAS S.A.)
Legal status	Private Corporation.	Private Corporation.
Constituting documents	Micarrier was incorporated as a private corporation by public deed on December 30, 1988, in accordance with the laws of the Republic of Chile. The company initially traded under the name of Entel Servicios de Datos S.A. until March 26, 1996 when it was agreed to amend the articles of incorporation to establish the current name of the Company.	Entel Servicios Empresariales was incorporated as a private corporation by public deed on June 9, 1993, in accordance with the laws of the Republic of Chile.
Business purpose	The company's purpose is to install, operate, run and provide public and private telecommunications services at a national or international level, directly or through a third party.	The company's purpose is to provide software analysis, design, development, operation and maintenance services; to offer consultancy and technical support services; and to deliver contracted systems administration, infrastructure and business process outsourcing, e-commerce, commercial and accounting transactions through any electronic medium. It also provides dealership of software, hardware and any other IT related tools or equipment to national and foreign suppliers, as well as telephone support and operational continuity for technology platforms.
Subscribed and paid in capital at December 31, 2010	The Company's subscribed and paid-in capital is Th.CLP\$ 3,803,104	The Company's subscribed and paid-in capital is Th.CLP\$ 737,071
Direct and indirect stock Entel S.A.	Entel Chile S.A. 99.990% Entel Inversiones S.A. 0.010%	Entel Chile S.A. 99.9855% Entel Inversiones S.A. 0.0145%
Percentage of investment in Entel S.A. Assets	0,16%	0,02%
Income for 2010 financial year	Th.CLP\$ (10,174)	Th.CLP\$ 110,996
Board of directors	Richard Büchi B. Chairman of the Board of Directors Antonio Büchi B. Director Alfredo Parot D. Director Pablo Guerrero R. Director Felipe Ureta P. Director	Felipe Ureta P. President of the Board of Directors Pablo Guerrero R. Director Alvaro Gallegos B. Director
Chief Executive Officer	Alexis Licci P.	Pablo Pflingsthor O.
Positions held at Entel S.A.	Richard Büchi B. Corporate Chief Executive Officer Antonio Büchi B. Chief Executive Officer, Wireline Business Alfredo Parot D. Commercial Vice-president Pablo Guerrero R. Executive Business Market Division Felipe Ureta P. Corporate Finance Executive	Felipe Ureta P. Corporate Finance Executive Pablo Guerrero R. Executive Business Market Division Alvaro Gallegos B. Supply and Administration Executive
Commercial relationship to Entel S.A.	Micarrier's relationship with Entel S.A. is centered on long distance national business activities for which the latter provides the company with services for the administration, operation and maintenance of its networks.	Entel Servicios Empresariales provides on-site field continuity platform services to Entel S.A. to support customers' operations.
Agreements and contracts	Micarrier contracted operation and maintenance services for telephone exchanges and switching equipment, administration and computer services and leases offices from Entel for the value of Th.CLP\$ 27,198. For its part, Entel contracted the lease of telecommunications equipment from Micarrier for the value of Th.CLP\$ 35,621.	Entel Servicios Empresariales provides onsite services to support field platform continuity to Entel S.A. to support the operations of its customers for a value of Th.CLP\$ 1,065,436.

## SUBSIDIARIES OF ENTEL S.A.

COMPANY NAME	ENTEL INVERSIONES S.A. AND SUBSIDIARIES	ENTEL CALL CENTER S.A. Y FILIALES
Legal status	Private Corporation.	Private Corporation.
Constituting documents	Entel Inversiones was incorporated as a private corporation by public deed on August 8, 1989, in accordance with the laws of the Republic of Chile.	Entel Call Center (formerly Entel Internacional S.A.) was incorporated as a private corporation by public deed on September 12, 1989, in accordance with the laws of the Republic of Chile. Its initial purpose was to provide consultancy services for the development of telecommunications and IT projects. Its business purpose was amended to its current state on March 29, 2000.
Business purpose	The company's purpose is to make investments considered strategically appropriate to corporate goals, regardless of whether these are related to the telecommunications industry.	The Company's goal is to develop, install, operate and run 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.
Subscribed and paid in capital at December 31, 2010	The Company's subscribed and paid-in capital is Th.CLP\$ 2,870,847	The Company's subscribed and paid-in capital is Th.CLP\$ 13,867,175.
Direct and indirect stock Entel S.A.	Entel Chile S.A. 99.990% Entel Internacional Bvi Corp. 0.010%	Entel Chile S.A. 90% Entel Inversiones S.A. 10%
Percentage of investment in Entel S.A. Assets	2.06%	0.23%
Income for 2010 financial year	Th.CLP\$ (87,049)	Th.CLP\$ 60,299
Board of directors	Richard Büchi B. Chairman of the Board of Directors Antonio Büchi B. Director Alfredo Parot D. Director	Antonio Büchi B. Chairman of the Board of Directors Richard Büchi B. Director Felipe Ureta P. Director Alfredo Parot D. Director Víctor Muñoz A. Director
Chief Executive Officer	Felipe Ureta P.	Álvaro García L.
Positions held at Entel S.A.	Richard Büchi B. Corporate Chief Executive Officer Antonio Büchi B. Chief Executive Officer, Wireline Business Alfredo Parot D. Commercial Vice-president	Antonio Büchi B. Chief Executive Officer, Wireline Business Richard Büchi B. Corporate Chief Executive Officer Felipe Ureta P. Corporate Finance Executive Alfredo Parot D. Commercial Vice-presidente Víctor Muñoz A. Operations Executive
Commercial relationship to Entel S.A.	None.	Entel Call Center currently provides the required infrastructure for service via remote channels for customers of subsidiaries of the Entel Group. Entel S.A. provides the company with telecommunications services which support its call center business.
Agreements and contracts	Entel provides Entel Inversiones S.A. and subsidiaries international data transportation and traffic termination services for the value of Th.CLP\$ 598,012. Entel Inversiones and subsidiaries provide Entel S.A. with foreign traffic termination services for the value of Th.CLP\$ 370,705.	Entel provides Entel Call Center with telecommunications, administration and computing services, and the leasing of office space for the value of Th.CLP\$ 457,461. Entel Call Center provides Entel with inbound and outbound call services for the value of Th.CLP\$ 5,419,004.

## SUBSIDIARIES OF ENTEL S.A.

COMPANY NAME	CIENTEC COMPUTACIÓN S.A.	ENTEL INTERNATIONAL B.V.I. CORP. AND SUBSIDIARY.
Legal status	Private Corporation.	Foreign subsidiary
Constituting documents	Cientec Computacion S.A. was incorporated as a private corporation by public deed on September 20, 1993, in accordance with the laws of the Republic of Chile.	The company was incorporated as a corporation on February 12, 1993, in Tortola, British Virgin Islands.
Business purpose	The Company's purpose is to provide data center services, management and software platform operation, system development and operational continuity.	The company's purpose is to make foreign investment considered strategic to Entel.
Subscribed and paid in capital at December 31, 2010	The Company's subscribed and paid-in capital is Th.CLP\$ 3,756,870	The Company's subscribed and paid-in capital is Th.CLP\$ 25,211,353
Direct and indirect stock Entel S.A.	Entel Chile S.A. 99.999% Entel Inversiones S.A. 0.001%	Entel Chile S.A. 100%
Percentage of investment in Entel S.A. Assets	0.94%	0.02%
Income for 2010 financial year	Th.CLP\$ (579,384)	Th.CLP\$ (83,622)
Board of directors	Richard Büchi B. Chairman of the Board of Directors Antonio Büchi B. Director Felipe Ureta P. Director Alfredo Parot D. Director Rafael Le-Bert M. Director	Richard Büchi B. Chairman of the Board of Directors Felipe Ureta P. Director Antonio Büchi B. Director
Chief Executive Officer	Julián San Martín A.	Felipe Ureta P.
Positions held at Entel S.A.	Richard Büchi B. Corporate Chief Executive Officer Antonio Büchi B. Chief Executive Officer, Wireline Business Felipe Ureta P. Corporate Finance Executive Alfredo Parot D. Commercial Vice-president Rafael Le-Bert M. Corporate HR Executive	Richard Büchi B. Corporate Chief Executive Officer Felipe Ureta P. Corporate Finance Executive Antonio Büchi B. Chief Executive Officer, Wireline Business
Commercial relationship to Entel S.A.	Cientec Computación provides Entel S.A. with the services required to support its IT business, mainly infrastructure and services in the field of technology platform continuity. Entel S.A. provides the company with the operation and maintenance of IT platforms.	None.
Agreements and contracts	Entel provides Cientec with telecommunications services and access charges for the value of Th.CLP\$ 594,030. Cientec Computación provided Entel S.A. with IT and infrastructure support services and field services for a total value of Th.CLP\$ 977,983.	There were no agreements or contracts with significant influence on operations and income.

## SUBSIDIARIES OF ENTEL S.A.

COMPANY NAME	SOCIEDAD DE TELECOMUNICACIONES INSTABEEP LTDA.	BUENAVENTURA S.A.
Legal status	Limited company.	Private Corporation.
Constituting documents	The company was incorporated as a limited liability company by public deed on November 4, 1985, in accordance with the laws of the Republic of Chile.	It was incorporated as a private corporation by public deed on October 1, 1990, in accordance with the laws of the Republic of Chile.
Business purpose	The purpose of the company is the execution of business activities related to electrical and electronics engineering, especially those relative to the establishment, operation and deployment of communications services and any other related activity agreed by the partners.	The purpose of the company is the acquisition and/or leasing of equipment, services, assets and property required for the provision of infrastructure to third parties, in such a manner that they can install, operate, run and use the equipment required to provide mobile telecommunications services, in line with any standards, technical regulations and applications existing today or in the future, in the mobile telecommunications industry without any limits on their nature.
Subscribed and paid in capital at December 31, 2010	The Company's subscribed and paid-in capital is Th.CLP\$ 2,969,432	The Company's subscribed and paid-in capital is Th.CLP\$ 2,417,138
Direct and indirect stock Entel S.A.	Entel Chile S.A. 99.990% Entel PCS Telecomunicaciones S.A. 0.010%	Entel Chile S.A. 50% Telefónica Móviles de Chile S.A. 50%
Percentage of investment in Entel S.A. Assets	0.12%	0%
Income for 2010 financial year	Th.CLP\$ (16,203)	Th.CLP\$ 1,801
Board of directors	None.	Fernando Saiz M. Director Juan Parra H. Director Hernán Mario L. Director José Luis Poch P. Director
Chief Executive Officer	Hernán Marió Lores	Juan Baraqui Ananía (intern) joint with Juan Parra Hidalgo.
Positions held at Entel S.A.	None.	Hernán Marió L. Chief Executive Officer, Entel PCS Telecomunicaciones S.A. José Luis Poch P. Marketing and Development Executive, Entel PCS Telecomunicaciones S.A.
Commercial relationship to Entel S.A.	None.	None.
Agreements and contracts	There were no agreements or contracts with significant influence on operations and income.	There were no agreements or contracts with significant influence on operations and income.







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