

TELECOMMUNICATIONS

A woman and a man are shown from the chest up, talking on mobile phones. They are positioned in a futuristic, brightly lit tunnel with a series of glowing, arched openings. The woman is on the left, wearing a dark, ribbed sweater, and the man is on the right, wearing a dark jacket. The overall atmosphere is warm and high-tech.

access



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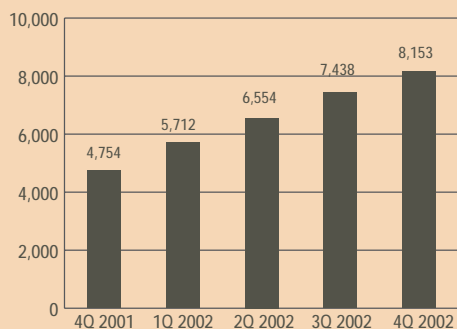
Compañía Nacional de Teléfonos, Telefónica del Sur (Telsur) is the result of more than 100 years of experience in the telecommunications business. It is the leading supplier of telecommunication services in the south of Chile, with more than 172,000 lines in service for residential and commercial clients in the 8th, 9th, 10th, and 11th regions, home to important national cities such as Concepción, Temuco, Valdivia, Osorno, Puerto Montt and Coyhaique.

Thanks to its satellite system, distance and geography are no impediment to the delivery of top-quality service. Telsur's services encompass everything from voice transmission to interconnection services and data transmission, with a range of band widths in tune with the specific needs of clients. The company also relies on a modern fiber optic network, which allows it to provide national and international long distance services around the country through its Telefónica del Sur Carrier subsidiary and the 121 Telefónica del Sur brand. At the same time, 121 Telefónica del Sur acts as a carrier for other carriers, providing lines and infrastructure to other companies. In 2002, in Temuco, the company swung into action with its first Consumer Telephony Meter, which detects telephone calls made, measures their duration and registers and produces permanent records. The variety of products, along with its excellent level of client service and tariff stability has allowed the company to achieve important market shares in those areas in which it operates.

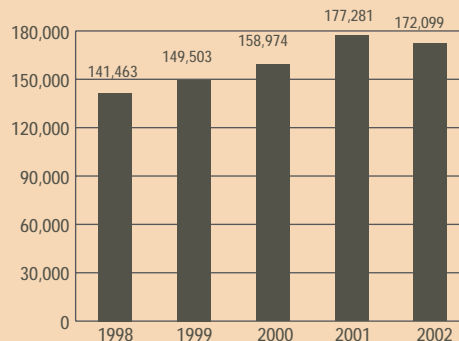
One of the greatest challenges of the company during the past several years has been, apart from widening its geographic coverage, the development and sale of new value-added products. Such was the case in 2001, when it added internet and fixed wireless services in the main southern cities and rural zones. In 2002, it launched the Novell Small Business Suite 6 platform, which allows companies in the region to incorporate the internet economy with access to high speed ADSL services, web hosting, email, firewalls and internet connections via satellite networks. This step, which is part of a five-year plan, involves a US\$50 million investment and looks to reach an additional 35,000 clients between the 7th and 11th regions.

With the aim of fortifying its base for future growth, Telsur, with the assistance of Booz Allen & Hamilton, undertook a restructuring of the company in 2002. This meant the reorganization of the management structure and a 12% cut in personnel, both measures of which were designed to reduce costs and raise efficiency levels. The restructuring process, whose objective was to improve company profitability, implied a cash outlay of US\$2.1 million. Going forward, the company plans to develop the e-business side of its business, by centralizing functions, optimizing resources, modernizing processes, outsourcing services and redesigning new systems and information technology. From next year on, it expects to see annual savings of US\$1.7 million as a result of the restructuring.

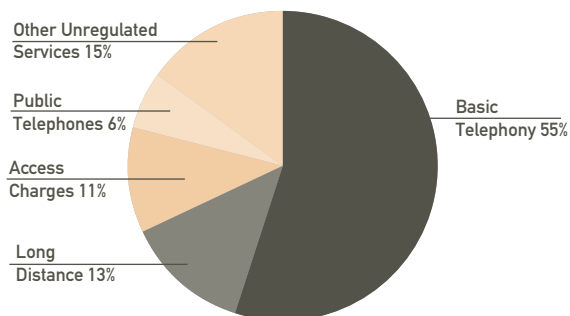
WIDE BAND CLIENTS



LINES IN SERVICE



SALES COMPOSITION 2002



Market Share	2002	2001
Concepción	11.6%	7.5%
Temuco	45.2%	42.5%
10th Region	81.4%	84.3%
11th Region	87.1%	90.4%

2002 RESULTS

Telsur's revenues reached Ch\$46,646 million in 2002, almost unchanged from the Ch\$46,701 million reported in 2001. 2002 sales revenue reflected a change in the sales mix following the consolidation of internet, call center and security services. As a result, non regulated services accounted for 15% of total sales, up from 9% in 2001. The increase in revenues from non-regulated services was practically offset by a reduction in fixed telephony and long distance revenues compared to 2001. Fixed telephony traffic (in minutes) fell by 5% in 2002, mainly due to the weak economic environment which prevailed in the south of Chile during the year as well as the effect of substitution from fixed to mobile alternatives.

Operating profit decreased by 5% to Ch\$13,148 million in 2002. Operating profit was affected by the incorporation of direct costs and depreciation expense associated with the new consolidated internet and security services as well as higher SG&A expenses related to the Concepción office.

Non-operating expenses were Ch\$3,763 million, up by 19.0% from the Ch\$3,161 million reported in 2001. In addition, Telsur reported extraordinary charges of Ch\$1,526 million in connection with the internal restructuring carried out in mid 2002, oriented towards the achievement of greater cost efficiencies.

Net profit in 2002 amounted to Ch\$6,027 million, representing a 31% decrease from the Ch\$8,736 million reported in 2001. The reduction in bottom line results for the year was attributable to lower operating and non-operating results as well as the extraordinary charges related to the restructuring program.



Market leader in Chilean telecommunications, Entel has more than four million clients in the areas of mobile telephony, long-distance and internet services. Mobile telephony, a sector which has seen high growth levels in Chile in the past decade, is the single most important business for Entel, which boasts a 34% market share. On December 31, 2002, Quiñenco held a 5.7% stake in Entel.

In 2002, Entel reported net profit of Ch\$41,096 million, of which Ch\$2,337 million corresponded to Quiñenco's proportionate share under the equity investment method.