



telecommunications



Over 100 years of experience in the market speak for Compañía Nacional de Teléfonos, Telefónica del Sur, the leading supplier of telecommunication services in the south of Chile.

The company is the direct concession holder for public service telephony in the 8th, 9th, and 11th regions with a total of 178,168 lines servicing commercial and residential clients in cities such as Concepción, Temuco, Osorno, Puerto Montt and Coyhaique, to name just a few.

Its services range from voice transmission to interconnection services and data transmission, covering a wide variety of band widths attuned to client requirements. To optimize its service, Telefónica del Sur has developed a number of independently operating subsidiaries, including Telsur Call Center, Telefónica del Sur Seguridad, Teléfonos de Coyhaique, Telefónica del Sur Intermedios and, since 2002, Blue Two Chile.

As a long-distance carrier, through its 121 Telefónica del Sur multi-carrier brand, the company relies on its modern fiber optic network to provide both national and international long-distance services. In Internet, Telefónica del Sur has invested in the most advanced technology on the market, and so has become a pioneer in direct access delivery of Internet and broadband ADSL.

Blue Two Chile is worthy of special mention for having launched last year a revolutionary wireless communication system. With assistance from the government's development and innovation foundation (FDI-Corfo), the company installed the first network of wireless access points for broadband Internet reception in Chile. The network became the first public access system in the world based on WiFi and Bluetooth technology.

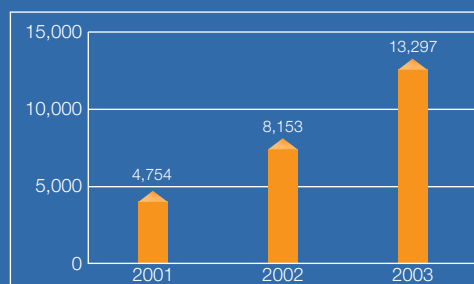
The new network means that people who move around a lot or travel for business can convert dead time into productive time by allowing them to make wireless connections from their laptops and electronic agendas (PDAs) to their homes or offices. Telefónica del Sur has installed

various access points (known as "hot spots") around the country, starting with the main airports, hotels, service stations, cafés, restaurants and shopping malls, and going on to conference centers and public buildings. Clients at these hot spots can connect to the Internet and use services such as document-sharing, without time limits, from their portable computer equipment.

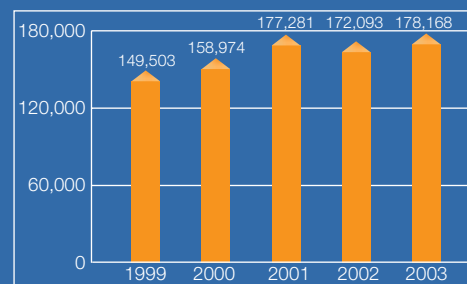
At this point it is worth noting that in recent years the telecommunications industry in Chile has undergone a deep transformation process. These changes have taken place partly due to modifications of the legal framework aimed at encouraging competition and moderating the power of the old monopolies. They can also be attributed to constant technological innovation, which has essentially determined new uses and mediums for the development of long distance transmission.

Given all this, Telefónica del Sur currently finds itself implementing a development plan that will allow it to take advantage of its favorable commercial position and strong technological platform. In effect, it will include the development of multi-service platforms, with a wide range of

WIDE BAND CLIENTS



LINES IN SERVICE



MARKET SHARE	2003	2002
Concepción	12%	12%
Temuco	47%	45%
10 th Region	82%	81%
11 th Region	88%	87%

products, and more intensive use of existing networks, with the eventual expansion of these into other geographical areas.

2003 Results

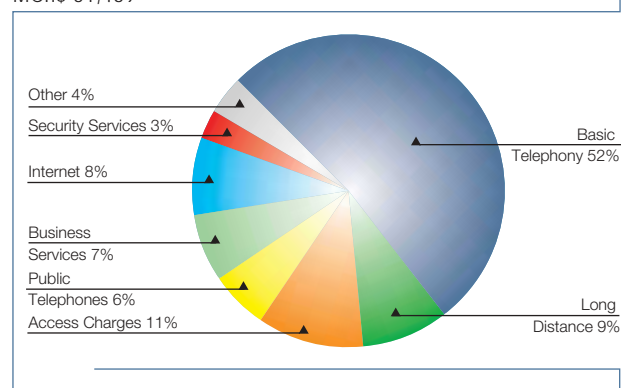
Telsur's revenues reached Ch\$51,469 million in 2003, an increase of 4.5% over the Ch\$49,270 million reported in 2002. The increase in consolidated revenues mainly corresponded to Internet, security services and business services, which began to consolidate with Telsur (previously in the development stage) in 2002 (each service entered into the consolidation in different months of the year, distorting year-over-year comparisons). In 2003, these non-regulated services contributed 18% of total consolidated revenue. The increase in non-regulated services more than offset the decline in long distance and public telephony revenues experienced during the year. Basic telephony and access charge revenues were flat in 2003.

In spite of the increase in the company's sales level and a reduction of 2.1% in SG&A expenses, operating profit decreased by 6.9% to Ch\$12,317 million in 2003. As Internet, security services and business services did not consolidate the entire year in 2002, a direct comparison of operating results is not possible. However, in general terms, the operating margin associated with these business segments does not yet fully compensate for the reduction in operating profit associated with traditional telephony services. As a result, the operating margin as a percentage of sales was 23.9%, down from 26.9% in 2002.

Net profit in 2003 amounted to Ch\$7,430 million, representing a 22.0% increase from the Ch\$6,088 million reported in 2002. The

2003 SALES COMPOSITION

MCh\$ 51,469



increase in bottom line results for the year was attributable to an improvement in non-operating results, as well as to the fact that in 2002 Telsur incurred extraordinary restructuring costs of Ch\$1,541 million, which reduced net income for that year.



Since 1999, Quiñenco has maintained an investment in Entel, market leader in Chilean telecommunication services with more than four million mobile telephony, long distance and Internet clients.

In 2003 Entel reported profits of Ch\$59,977 million, up 44% from 2002, of which Ch\$3,414 million corresponded to Quiñenco's 5.7% proportionate share under the equity-investment method.