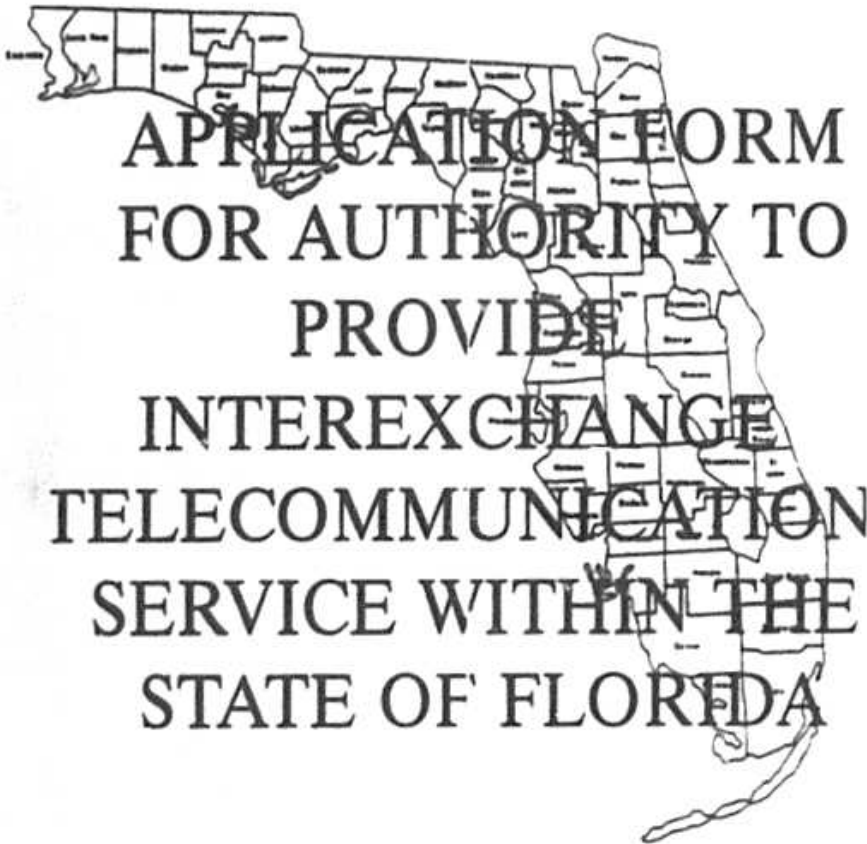


ORIGINAL
ORIGINAL

91/387



Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check:

A.G.

DOCUMENT NUMBER-DATE

10696 OCT 17 5

DOCUMENT NUMBER-DATE

10696 OCT 17 5

FPSC-RECORDS/REPORTING

**** FLORIDA PUBLIC SERVICE COMMISSION ***

DIVISION OF COMMUNICATIONS
BUREAU OF SERVICE EVALUATION

APPLICATION FORM
for
AUTHORITY TO PROVIDE INTEREXCHANGE TELECOMMUNICATIONS SERVICE
WITHIN THE STATE OF FLORIDA

Instructions

- A. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee (See Appendix A).
- B. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.
- C. Use a separate sheet for each answer which will not fit the allotted space.
- D. If you have questions about completing the form, contact:

Florida Public Service Commission
Division of Communications
Bureau of Service Evaluation
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6600

- E. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of \$250.00 to:

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd.
Gunter Building
Tallahassee, Florida 32399-0850
(904) 413-6251

FORM PSC/CMU 31 (11/95)

Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

1. Select what type of business your company will be conducting (check all that apply):

- () **Facilities based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.
- () **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.
- (X) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.
- (X) **Switchless Rebill** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.
- () **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers. Then offers the resold service by enrolling unaffiliated customers.
- () **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

2. This is an application for (check one):
- Original Authority (New company).
 - Approval of Transfer (To another certificated company).
 - Approval of Assignment of existing certificate (To an uncertificated company).
 - Approval for transfer of control (To another certificated company).
3. Name of corporation, partnership, cooperative, joint venture or sole proprietorship:
AmericaTel Corporation
4. Name under which the applicant will do business (fictitious name, etc.):
AmericaTel Corporation
5. National address (including street name & number, post office box, city, state and zip code).
4045 NW 97th Avenue
Miami, Florida 33178
6. Florida address (including street name & number, post office box, city, state and zip code):
4045 NW 97th Avenue
Miami, Florida 33178
7. Structure of organization;
- Individual
 - Foreign Corporation
 - General Partnership
 - Other, _____
 - Corporation
 - Foreign Partnership
 - Limited Partnership
8. If applicant is an individual or partnership, please give name, title and address of sole proprietor or partners.
Not Applicable ("N/A"); Applicant is a corporation
- (a) Provide proof of compliance with the foreign limited partnership statute (Chapter 620.169 FS), if applicable.
 - (b) Indicate if the individual or any of the partners have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

9. If incorporated, please give:

(a) Proof from the Florida Secretary of State that the applicant has authority to operate in Florida. Please see Attachment A

Corporate charter number: P39482

(b) Name and address of the company's Florida registered agent. Ralph Dyer, Esq.

AmericaTel Corporation, 4045 NW 97th Avenue, Miami, Florida 33178

(c) Provide proof of compliance with the fictitious name statute (Chapter 865.09 FS), if applicable.

Fictitious name registration number: N/A; no such name

(c) Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(1) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings.

None

(2) officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

None

10. Who will serve as liaison with the Commission in regard to (please give name, title, address and telephone number):

(a) The application; Raul R. Rodriguez
Walter P. Jacob

c/o Leventhal, Senter & Lerman, 2000 K Street, NW, Suite 600, Washington, DC 20006
202-429-8970

(b) Official Point of Contact for the ongoing operations of the company;

Jose Navarro, Vice President of Product Development
c/o AmericaTel, 4045 NW 97th Avenue, Miami, Florida 33178 305-716-8700

(c) Tariff; Raul R. Rodriguez
Walter P. Jacob

c/o Leventhal, Senter & Lerman, 2000 K Street, NW, Suite 600, Washington, DC 20006
202-429-8970

(d) Complaints/Inquiries from customers;

Justo Valladares
c/o AmericaTel, 4045 NW 97th Avenue, Miami, Florida 33178 305-716-8700

11. List the states in which the applicant:

(a) Has operated as an interexchange carrier.

None

(b) Has applications pending to be certificated as an interexchange carrier. AmericaTel has or will soon have such applications pending in all 50 states.

(c) Is certificated to operate as an interexchange carrier.

Massachusetts

(d) Has been denied authority to operate as an interexchange carrier and the circumstances involved.

None

(e) Has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None

(f) Has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None

12. What services will the applicant offer to other certificated telephone companies:

- Facilities. Operators.
 Billing and Collection. Sales.
 Maintenance.
 Other: None of these services will be offered to other
certificated telephone companies on an intrastate basis

13. Do you have a marketing program?

Yes

14. Will your marketing program:

- Pay commissions?
 Offer sales franchises?
 Offer multi-level sales incentives?
 Offer other sales incentives?

None of the above apply

15. Explain any of the offers checked in question 14 (To whom, what amount, type of franchise, etc.).

N/A

16. Who will receive the bills for your service (Check all that apply)?

- Residential customers. Business customers.
 PATS providers. PATS station end-users.
 Hotels & motels. Hotel & motel guests.
 Universities. Univ. dormitory residents.
 Other: (specify) _____.

17. Please provide the following (if applicable):

- (a) Will the name of your company appear on the bill for your services, and if not who will the billed party contact to ask questions about the bill (provide name and phone number) and how is this information provided?

Yes

- (b) Name and address of the firm who will bill for your service.

QAN Services, Inc.
7755 Haskell Avenue
Van Nuys, CA 91406

18. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide interexchange telecommunications service in Florida.

A. Financial capability.

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements for the most recent 3 years, including:

1. the balance sheet
2. income statement
3. statement of retained earnings.

Please See
Attachment B

Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.
3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

If available, the financial statements should be audited financial statements.

Please See Attachment C

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

B. Managerial capability.

C. Technical capability.

Please See Attachment 6

19. Please submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

Please See Enclosed

20. The applicant will provide the following interexchange carrier services (Check all that apply):

MTS with distance sensitive per minute rates
 Method of access is FGA
 Method of access is FGB
 Method of access is FGD
 Method of access is 800

MTS with route specific rates per minute
 Method of access is FGA
 Method of access is FGB
 Method of access is FGD
 Method of access is 800

MTS with statewide flat rates per minute (i.e. not distance sensitive)

Method of access is FGA
 Method of access is FGB
 Method of access is FGD
 Method of access is 800

- MTS for pay telephone service providers
- Block-of-time calling plan (Reach out Florida, King America, etc.).
- 800 Service (Toll free)
- WATS type service (Bulk or volume discount)
- Method of access is via dedicated facilities
- Method of access is via switched facilities
- Private Line services (Channel Services)
(For ex. 1.544 mbs., DS-3, etc.)
- Travel Service
- Method of access is 950
- Method of access is 800
- 900 service
- Operator Services
- Available to presubscribed customers
- Available to non presubscribed customers (for example to patrons of hotels, students in universities, patients in hospitals.
- Available to inmates

Services included are:

- Station assistance
- Person to Person assistance
- Directory assistance
- Operator verify and interrupt
- Conference Calling

21. What does the end user dial for each of the interexchange carrier services that were checked in services included (above). All operator services: 1-0-123-00 or 1-0-1-0123-00
22. Other: Domestic long distance: 1-0-123-1-(area code)-(number) or 1-0-1-0123-1-(area code)-(number)

FORM PSC/CMU 31 (11/95)

Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

**** APPLICANT ACKNOWLEDGEMENT STATEMENT ****

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of \$50 is required.
2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.
3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.
4. **APPLICATION FEE:** A non-refundable application fee of \$250.00 must be submitted with the application.
5. **RECEIPT AND UNDERSTANDING OF RULES:** I acknowledge receipt and understanding of the Florida Public Service Commission's Rules and Orders relating to my provision of interexchange telephone service in Florida. I also understand that it is my responsibility to comply with all current and future Commission requirements regarding interexchange service.
6. **ACCURACY OF APPLICATION:** By my signature below, I the undersigned owner or officer of the named utility in the application, attest to the accuracy of the information contained in this application and associated attachments. I have read the foregoing and declare that to the best of my knowledge and belief, the information is a true and correct statement.

Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

UTILITY OFFICIAL:



Signature
Jorge Asecio

Chief Executive Officer

Title

10/15/97

Date

(305) 716-8700

Telephone No.

FORM PSC/CMU 31 (11/95)

Required by Commission Rule Nos. 25-24.471, 25-24.473, and 25-24.480(2).

**** APPENDIX A ****

CERTIFICATE TRANSFER STATEMENT

N/A; not a transfer application

I, (TYPE NAME) _____,
(TITLE) _____, of (NAME OF COMPANY)
_____, and current
holder of certificate number _____, have reviewed
this application and join in the petitioner's request for a
transfer of the above-mention certificate.

UTILITY OFFICIAL:

Signature

Date

Title

Telephone No.

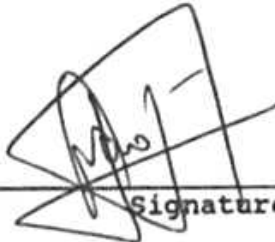
**** APPENDIX B ****

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be responded to in one of the following ways (applicant please check one):

- (X) The applicant will not collect deposits nor will it collect payments for service more than one month in advance.
- () The applicant will file with the Commission and maintain a surety bond in an amount equal to the current balance of deposits and advance payments in excess of one month. (Bond must accompany application.)

UTILITY OFFICIAL:



Signature

Jorge Asecio

Chief Executive Officer
Title

10/15/97
Date

(305) 716-8700
Telephone No.

**** APPENDIX C ****

INTRASTATE NETWORK

1. **POP:** Addresses where located, and indicate if owned or leased.

1) 2)

AmericaTel has no POPS of its own; it plans to resell the facilities of its underlying carrier(s) instead.

3) 4)

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased.

1) 2)

AmericaTel does not and will not initially own or lease any domestic switches.

3) 4)

3. **TRANSMISSION FACILITIES:** Pop-to-Pop facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

1) POP-to-POP TYPE OWNERSHIP

AmericaTel will not own or lease POP-to-POP facilities; it will resell the facilities of its underlying carrier(s).

4. **ORIGINATING SERVICE:** Please provide the list of exchanges where you are proposing to provide originating service within thirty (30) days after the effective date of the certificate (Appendix D).

AmericaTel will provide this list by the required date.

5. **TRAFFIC RESTRICTIONS:** Please explain how the applicant will comply with the EAEA requirements contained in Commission Rule 25-24.471 (4) (a) (copy enclosed).

Pursuant to Rule 25-24.471 (4) (a), AmericaTel will provide intra-LATA toll services only to end users who dial its access code.

6. **CURRENT FLORIDA INTRASTATE SERVICES:** Applicant has () or has not (x) previously provided intrastate telecommunications in Florida. If the answer is has, fully describe the following:

- a) What services have been provided and when did these services begin?

N/A

- b) If the services are not currently offered, when were they discontinued?

N/A

UTILITY OFFICIAL:



Signature

Jorge Asecio

Chief Executive Officer

Title

10/15/97

Date

(305) 716-8700

Telephone No.

ATTACHMENT A

State of Florida



Department of State

I certify from the records of this office that AMERICATEL CORPORATION is a Delaware corporation authorized to transact business in the State of Florida, qualified on June 26, 1992.

The document number of this corporation is P39482.

I further certify that said corporation has paid all fees and penalties due this office through December 31, 1997, that its most recent annual report was filed on August 11, 1997, and its status is active.

I further certify that said corporation has not filed a Certificate of Withdrawal.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capitol, this the
Thirteenth day of August, 1997

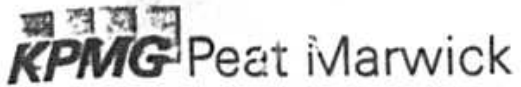


CR2EO22 (2-95)



Sandra B. Northam
Secretary of State

ATTACHMENT B



Certified Public Accountants

AMERICATEL CORPORATION

Financial Statements

December 31, 1995 and 1994

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Americatel Corporation:

We have audited the accompanying balance sheets of Americatel Corporation as of December 31, 1995 and 1994, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 2 to the financial statements, the Company is currently dependent on its majority foreign stockholder to fund its operations and capital expenditures.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Americatel Corporation as of December 31, 1995 and 1994 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

January 22, 1996



AMERICATEL CORPORATION

Balance Sheets

December 31, 1995 and 1994

<u>Assets</u>	<u>1995</u>	<u>1994</u>
Current assets:		
Cash and cash equivalents	\$ 288,157	1,774,290
Receivables:		
Trade, net of allowance for doubtful accounts of \$16,000 and \$-0- in 1995 and 1994, respectively	516,243	118,537
Other	<u>7,048</u>	<u>9,327</u>
Total receivables	523,291	127,864
Note receivable	29,357	-
Prepaid expenses	600	50,940
Due from related party	<u>36,819</u>	<u>-</u>
Total current assets	878,224	1,953,094
Property and equipment, net	7,766,890	7,046,881
Advances to and investment in affiliates, at equity	493,801	395,842
Intangible assets, net	3,379	5,407
Deposits	<u>65,030</u>	<u>103,029</u>
Total assets	\$ <u>9,207,324</u>	<u>9,504,253</u>
<u>Liabilities and Stockholders' Equity</u>		
Accounts payable and accrued expenses	805,174	1,013,858
Due to stockholders and related parties	<u>632,623</u>	<u>-</u>
Total current liabilities	<u>1,437,797</u>	<u>1,013,858</u>
Due to stockholders, long term	<u>49,226</u>	<u>-</u>
Stockholders' equity:		
Common stock, \$.01 par value. Authorized 50,000 shares; 49,483 and 23,761 shares issued and outstanding in 1995 and 1994, respectively	495	238
Additional paid-in capital	18,002,137	13,067,394
Accumulated deficit	<u>(10,282,331)</u>	<u>(4,577,237)</u>
Total stockholders' equity	<u>7,720,301</u>	<u>8,490,395</u>
Commitments and contingencies		
Total liabilities and stockholders' equity	\$ <u>9,207,324</u>	<u>9,504,253</u>

See accompanying notes to financial statements.

AMERICATEL CORPORATION

Statements of Operations

Years ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Revenue	\$ 1,533,970	265,178
Costs and expenses		
Cost of revenue	2,618,596	686,277
Selling, general and administrative expenses	<u>4,253,461</u>	<u>2,988,574</u>
Loss from operations	<u>5,338,087</u>	<u>3,409,673</u>
Other (income) expense:		
Equity in losses of affiliates	400,635	108,797
Interest income	(33,628)	(19,963)
Interest expense	-	313,259
Other (income) expense	<u>-</u>	<u>1,774</u>
Other expenses, net	<u>367,007</u>	<u>403,867</u>
Net loss	\$ <u>5,705,094</u>	<u>3,813,540</u>

See accompanying notes to financial statements.

AMERICATEL CORPOPATION
Statements of Stockholders' Equity
 Years ended December 31, 1995 and 1994

	<u>Common stock</u>			Accumulated <u>deficit</u>	Total stockholders' <u>equity</u>
	Number of <u>shares</u>	Par <u>value</u>	Additional <u>paid-in capital</u>		
Balance, December 31, 1993	1,393	\$ 14	196,686	(763,697)	(566,997)
Net loss	-	-	-	(3,813,540)	(3,813,540)
Issuance of common stock on September 1, 1994	1,107	11	553,489	-	553,500
Capitalization of notes payable to stockholder in return for issuance of 17,009 shares on September 1, 1994	17,009	170	8,504,132	-	8,504,302
Issuance of common stock on September 1, 1994	4,252	43	2,126,032	-	2,126,075
Contributed capital	<u>-</u>	<u>-</u>	<u>1,687,055</u>	<u>-</u>	<u>1,687,055</u>
Balance, December 31, 1994	23,761	238	13,067,394	(4,577,237)	8,490,395
Net loss	-	-	-	(5,705,094)	(5,705,094)
Issuance of common stock related to contributed capital during 1994	5,366	53	(53)	-	-
Issuance of common stock on April 3, 1995	5,696	57	2,034,943	-	2,035,000
Issuance of common stock on July 28, 1995	4,820	48	999,952	-	1,000,000
Issuance of common stock on October 2, 1995	4,880	49	999,951	-	1,000,000
Issuance of common stock on November 22, 1995	2,685	27	499,973	-	500,000
Issuance of common stock on December 15, 1995	<u>2,275</u>	<u>23</u>	<u>399,977</u>	<u>-</u>	<u>400,000</u>
Balance, December 31, 1995	<u>49,483</u>	<u>\$ 495</u>	<u>18,002,137</u>	<u>(10,282,331)</u>	<u>7,720,301</u>

See accompanying notes to financial statements.

AMERICATEL CORPORATION

Statements of Cash Flows

Years ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Cash flows from operating activities:		
Net loss	\$ (5,705,094)	(3,813,540)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	681,934	160,977
Allowance for doubtful accounts	16,000	-
Interest capitalized in note payable to stockholder and additional paid-in-capital	-	313,259
Equity in loss of affiliate	400,635	108,797
Net changes in operating assets and liabilities:		
Increase in accounts receivable	(411,427)	(127,864)
Increase in notes receivable	(29,357)	-
Decrease (increase) in prepaid expenses	50,340	(10,940)
Decrease (increase) in deposits	37,999	(100,404)
(Decrease) increase in accounts payable and accrued expenses	(208,684)	886,202
Increase in due to stockholders and related parties, net	<u>645,030</u>	<u>-</u>
Net cash used in operating activities	<u>(4,522,624)</u>	<u>(2,583,513)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,399,915)	(6,625,857)
Advances and capital contributions to affiliates	<u>(498,594)</u>	<u>(494,639)</u>
Net cash used in investing activities	<u>(1,898,509)</u>	<u>(7,120,496)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock and capital contributed by stockholders	<u>4,935,000</u>	<u>11,456,946</u>
Net (decrease) increase in cash and cash equivalents	(1,486,133)	1,752,937
Cash and cash equivalents, beginning of year	<u>1,774,290</u>	<u>21,353</u>
Cash and cash equivalents, end of year	\$ <u><u>288,157</u></u>	<u><u>1,774,290</u></u>
Supplemental disclosures of noncash investing and financing activities:		
Application of deposits to property and equipment	\$ <u><u>-</u></u>	<u><u>521,162</u></u>
Capitalization of note payable to stockholder and related interest to contributed capital	\$ <u><u>-</u></u>	<u><u>1,100,727</u></u>

See accompanying notes to financial statements.

AMERICATEL CORPORATION

Notes to Financial Statements

December 31, 1995 and 1994

(1) *Summary of Significant Accounting Policies*

(a) *Description of Business and Organization*

Americatel Corporation (the "Company") was incorporated in Delaware on April 29, 1992. The Company provides long distance communication services, including long distance telephone communication, facsimile and other telecommunication services primarily between the United States and Latin America and the Caribbean.

The Company has obtained authorization from the Federal Communications Commission ("FCC") to provide international telecommunications services on a common carrier basis and has entered into various operating agreements and contracts with related and unrelated entities to provide such services and purchase necessary equipment and facilities to provide such services.

Effective July 11, 1994, the FCC approved the transfer of an 80 percent majority interest of the Company to its foreign stockholder, Entel International B.V.I. Corporation ("Entel"), subject to certain terms and conditions which include filing requirements, restrictions as to services that the Company can provide, and nondiscriminatory accounting rates the Company can utilize to settle its international accounts.

The Company has entered into several joint ventures in Peru and Ecuador in which it purchased a 50 percent interest in the resulting companies. The joint venture in Peru has started operations, while the Ecuadorian joint venture has not commenced significant business activities.

(b) *Property and Equipment*

Property and equipment are stated at cost. Depreciation on equipment is computed under the straight-line method over the estimated useful lives of the assets. Expenditures for major renewals and betterments are capitalized. Repairs and maintenance expenditures are charged to income as incurred.

(c) *Income Taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are required to be reduced by a valuation allowance to the extent that, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized.

(Continued)

AMERICATEL CORPORATION
Notes to Financial Statements

(d) Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash on hand and in banks and all highly liquid instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

(e) Advances to and Investment in Affiliates

The Company accounts for its investment in affiliates under the equity method of accounting. Included in investment in affiliates are advances made to the affiliates which are not evidenced by promissory notes. The Company's affiliates are dependent upon the continuing financial support of their shareholders to support their current operations.

(f) Intangible Assets

Intangible assets consist of organizational costs. Amortization of intangible assets is computed using the straight-line method over a five year period and amounted to \$2,028 and \$2,058 for the years ended December 31, 1995 and 1994, respectively.

(g) Deposits

Deposits consist primarily of a security deposit paid to reserve space on the COMSAT satellite.

(h) Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, note receivable, due from related party, accounts payable and accrued expenses and due to stockholders and related parties approximates fair value because of the short maturity of these instruments.

(i) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Significant estimates include, among others, the useful lives of property and equipment and the allowance for doubtful accounts. Actual results could differ from those estimates.

(j) Reclassifications

Certain amounts in the 1994 financial statements have been reclassified to conform with the 1995 presentation.

(Continued)

AMERICATEL CORPORATION
Notes to Financial Statements

(2) *Liquidity*

The Company does not generate sufficient cash-flows to cover current obligations and therefore is dependent upon the continuing support of Entel to support its current operations. During 1995 and 1994, the Company obtained the majority of its funding for capital expenditures, working capital, and establishment of joint ventures from Entel. The Company will continue to require such support until such time as it is able to generate a level of revenue sufficient to support its operations.

Pursuant to the provisions of the "Stock Purchase and Shareholders Agreement" dated March 31, 1993, Entel shall provide or cause to be provided, the cash requirements of the Company, as noted in the Annual Business Plan and approved by the board of directors, for the first six years following the commencement of operations. The cash requirements shall be provided in the form of debt, when allowable, and/or equity contributions not to exceed \$25 million during this six-year period. The equity contributions shall be evidenced by the issuance of additional common stock to Entel and the minority shareholder in the ratio of 80 percent to Entel and 20 percent to the minority shareholder for a purchase price equal to the book value per share of the Company's common stock as of the month-end immediately preceding the issuance of such additional common stock.

(3) *Property and Equipment, Net*

Property and equipment, net as of December 31, 1995 and 1994, consists of the following:

	<u>1995</u>	<u>1994</u>	<u>Estimated useful lives</u>
Land	\$ 732,700	732,700	-
Building	1,503,916	1,413,916	40 years
Telecommunications equipment	5,937,671	4,711,676	10 years
Office equipment	221,763	168,982	5 years
Furniture and fixtures	191,752	187,577	10 years
Automobile	<u>26,964</u>	<u>-</u>	5 years
	8,614,766	7,214,851	
Less accumulated depreciation	<u>847,876</u>	<u>167,970</u>	
Property and equipment, net	\$ <u>7,766,890</u>	<u>7,046,881</u>	

Depreciation expense for the years ended December 31, 1995 and 1994 amounted to \$679,906 and \$158,919, respectively. For the years ended December 31, 1995 and 1994, cost of sales includes \$561,324 and \$96,937, respectively, of depreciation expense related to services rendered during the year. The telecommunications equipment owned by the Company is subject to rapid technological obsolescence; therefore, it is reasonably possible that the equipments' estimated useful lives could change in the near term.

(Continued)

AMERICATEL CORPORATION

Notes to Financial Statements

(4) *Capitalization of Notes Payable to Stockholder*

On July 11, 1994, the Company and Entel received authorization from the FCC to allow for the transfer of majority controlling interest of the Company to Entel. As such, on September 1, 1994, in accordance with the terms of the stock purchase and shareholders agreement dated March 31, 1993, all amounts due to Entel under various notes payable and their related accrued interest to that date were capitalized in return for the issuance of additional common stock to Entel. This issuance allowed Entel to achieve an 80 percent ownership interest in the Company.

(5) *Related Party Transactions*

On March 31, 1993, the Company entered into an agreement with a related party to provide for the operation and maintenance of the Company's telecommunication facilities given that the related party owns the FCC license to operate a common carrier radio facility. The initial term of the agreement is for a period of 10 years with continual self-renewing five-year intervals. The agreement calls for the Company to maintain and operate its facilities, and the related party, in turn, will lease said facilities, in addition to any required office and storage space.

Included in prepaid expenses as of December 31, 1994 was approximately \$41,400, which represented the unamortized portion of the noncancelable start-up fee related to this agreement. The deposit was applied against net amounts owed to the related party on a monthly basis and became fully amortized during 1995. Included in due to stockholders and related parties as of December 31, 1995 is a \$21,416 net payable as a result of the above-described arrangement.

Effective March 1, 1993, the Company entered into employment contracts with two officer/shareholders having an initial term which extended until February 28, 1997. The agreements provided for minimum salary levels as well as for incentive bonuses payable if specified management goals were attained. The agreements also provided for certain fringe benefits and reimbursement of expenses. The compensation expensed for the year ended December 31, 1994 related to these employment contracts amounted to approximately \$272,000.

During 1995, these employment contracts were terminated as a result of the resignation of these officer/shareholders. The Company has agreed to pay monthly termination benefit payments amounting to \$24,613 for a period of 21 months from June 1995 to February 1997 as well as a one-time bonus and one-time vacation payments. The Company accrued termination benefits amounting to \$617,200 related to these resignations. Included in due to stockholders and related parties is an accrual for the monthly payments due as of December 31, 1995, totaling \$344,582.

Included in due to related parties is also a net payable to the foreign stockholder amounting to \$315,851 primarily due to payments made by the foreign stockholder on behalf of the Company for expenses in the normal course of business. In addition, the Company collects funds from one of Entel's customers located in the United States and subsequently remits the funds to Entel.

(Continued)

AMERICATEL CORPORATION

Notes to Financial Statements

The Company has receivables from a related party amounting to \$36,819 as of December 31, 1995 for facsimile services provided to one of the Company's foreign affiliates.

Effective November 1995, the Company entered into an agreement to provide Entel access to the Internet for an initial start-up fee plus a monthly fixed fee of \$12,823. The agreement is effective for a one-year period and renews automatically for additional and successive 12-month terms, provided neither party terminates it. As of December 31, 1995, the Company maintains a receivable from Entel of \$25,686 which is shown net of amounts due to the foreign stockholder.

(6) *Income Taxes*

As of December 31, 1995, the Company had net operating loss carryovers for tax reporting purposes of approximately \$9,856,409. These amounts can be used to reduce future taxable income, absent any Internal Revenue Code Section 382 limitation. Such tax loss carryovers expire as follows: approximately \$26,775, \$744,193, \$3,526,279 and \$5,559,162 in 2007, 2008, 2009 and 2010, respectively.

The net operating loss carryovers could be subject to limitation under the provisions of Section 382. If Entel or any new shareholder increases their ownership percentage in the Company by more than 19 percent before July 11, 1997, the limitation could reduce to zero the allowable net operating loss carryforward to dates after such ownership increases.

As of December 31, 1995 and 1994, the Company had no deferred tax asset and liability reflected on its financial statements since the deferred tax asset attributable to the net operating loss is completely offset by the valuation allowance due to the uncertainty regarding the ability of the Company to generate future taxable income sufficient to utilize the tax loss carryovers.

(7) *Commitments and Contingencies*

The Company leases equipment under operating leases which expire in 1999. The following is a schedule of future minimum lease payments under the terms of noncancelable operating leases as of December 31, 1995:

<u>Year ending December 31,</u>	<u>Future minimum lease payments</u>
1996	\$ 14,628
1997	14,628
1998	14,628
1999	<u>11,340</u>
	\$ <u>55,224</u>

Rent expense for the year ended December 31, 1995 and 1994 amounted to \$54,374 and \$58,600, respectively.

(Continued)

AMERICATEL CORPORATION

Notes to Financial Statements

The Company is subject to certain legal proceedings and claims which arise in the normal course of its business. In the opinion of management, there is no pending or threatened litigation which will have a material effect on the Company's financial position or results of operations.

(8) *Business and Credit Concentrations*

A breakdown of revenue by geographic area as of December 31, 1995, follows:

United States	\$ 956,740
Latin America	422,319
Caribbean	<u>154,911</u>
Total revenue	\$ <u>1,533,970</u>

One customer, located in the United States, accounted for approximately 66 percent of the Company's trade accounts receivable as of December 31, 1995 and for approximately 39 percent of the Company's revenue for the year then ended.

The Company typically reviews a customer's credit history before extending credit. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

KPMG

AMERICATEL CORPORATION
(A Wholly Owned Subsidiary of Entel International
B.V.I. Corporation)
Financial Statements
December 31, 1996 and 1995
(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Americatel Corporation:

We have audited the accompanying balance sheets of Americatel Corporation (a wholly owned subsidiary of Entel International B.V.I. Corporation) as of December 31, 1996 and 1995, and the related statements of operations, stockholder's equity, and changes in working capital for the years then ended and the statement of cash flows for the year ended December 31, 1996 which, as described in note 1, have been prepared on the basis of accounting principles accepted in Chile. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. U.S. standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 2 to the financial statements, the Company is currently dependent on its stockholder to fund its operations and capital expenditures.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Americatel Corporation as of December 31, 1996 and 1995 and the results of its operations and changes in working capital for the years then ended and its cash flows for the year ended December 31, 1996 in conformity with accounting principles generally accepted in Chile.

KPMG Peat Marwick LLP

January 24, 1997

AMERICATEL CORPORATION
(A Wholly Owned Subsidiary of Entel International
B.V.I. Corporation)

Balance Sheets

December 31, 1996 and 1995

<u>Assets</u>	<u>1996</u>	<u>1995</u>
Current assets:		
Cash and cash equivalents	\$ 160,129	288,157
Receivables:		
Trade, net of allowance for doubtful accounts of \$44,900 and \$16,000 in 1996 and 1995, respectively	747,880	516,243
Other	<u>219</u>	<u>7,048</u>
Total receivables	748,099	523,291
Note receivable	-	29,357
Prepaid expenses	15,019	600
Due from related parties	<u>67,833</u>	<u>36,819</u>
Total current assets	991,080	878,224
Property and equipment, net	7,772,783	7,766,890
Advances to and investment in affiliates, at equity	189,621	493,801
Other assets	<u>155,442</u>	<u>68,409</u>
	<u>\$ 9,108,926</u>	<u>9,207,324</u>
<u>Liabilities and Stockholder's Equity</u>		
Accounts payable and accrued expenses	1,852,210	805,174
Notes payable to banks	400,000	-
Due to stockholders and related parties	<u>950,132</u>	<u>632,623</u>
Total current liabilities	<u>3,202,342</u>	<u>1,437,797</u>
Due to stockholders, long term	<u>-</u>	<u>49,226</u>
Stockholder's equity:		
Common stock, \$.01 par value. Authorized 150,000 shares; 57,870 and 49,483 shares issued and outstanding in 1996 and 1995, respectively	579	495
Additional paid-in capital	21,241,137	18,002,137
Accumulated deficit	(14,919,962)	(10,205,059)
Accumulated preoperating deficit-affiliates	<u>(415,170)</u>	<u>(77,272)</u>
Total stockholder's equity	5,906,584	7,720,301
Commitments and contingencies	<u>-</u>	<u>-</u>
	<u>\$ 9,108,926</u>	<u>9,207,324</u>

See accompanying notes to financial statements.

AMERICATEL CORPORATION
(A Wholly Owned Subsidiary of Entel International
B.V.I. Corporation)

Statements of Operations

Years ended December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Revenue	\$ 4,557,780	1,533,970
Costs and expenses:		
Cost of revenue	5,005,317	2,618,596
Selling, general and administrative expenses	<u>3,830,838</u>	<u>4,253,461</u>
Loss from operations	<u>4,278,375</u>	<u>5,338,087</u>
Other (income) expense:		
Equity in losses of affiliates	147,629	323,363
Write-off of advances to and due from affiliate	500,369	-
Interest income	(64,008)	(33,628)
Interest expense	23,900	-
Other income	<u>(171,362)</u>	<u>-</u>
Other expenses, net	<u>436,528</u>	<u>289,735</u>
Net loss	\$ <u>4,714,903</u>	<u>5,627,822</u>

See accompanying notes to financial statements.

AMERICATEL CORPORATION
(A Wholly Owned Subsidiary of Entel International
B.V.I. Corporation)

Statements of Changes in Working Capital

For the years ended December 31, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Resources from operating activities:		
Net loss	\$ (4,714,903)	(5,627,822)
Adjustments to reconcile net loss to resources from operating activities:		
Depreciation and amortization	863,539	681,934
Equity in loss of affiliates	147,629	323,363
Write-off of advances to affiliate	277,273	-
Other operating resources	<u>(49,226)</u>	<u>49,226</u>
Total resources from operating activities	<u>(3,475,688)</u>	<u>(4,573,299)</u>
Other resources:		
Proceeds from issuance of common stock and capital contributed by stockholders	3,239,084	4,935,000
Deposits refunded	<u>30,025</u>	<u>37,999</u>
Total other resources	<u>3,269,109</u>	<u>4,972,999</u>
Uses:		
Purchases of property and equipment	(986,490)	(1,399,915)
Advances and capital contributions to affiliates	<u>(458,620)</u>	<u>(498,594)</u>
Total uses	<u>(1,445,110)</u>	<u>(1,898,509)</u>
Decrease in working capital	\$ <u>(1,651,689)</u>	<u>(1,498,809)</u>
Changes in working capital:		
Increase (decrease) in current assets:		
Cash and cash equivalents	(128,028)	(1,486,133)
Receivables	224,808	395,427
Note receivable	(29,357)	29,357
Prepaid expenses	14,419	(50,340)
Due from related parties	<u>31,014</u>	<u>36,819</u>
	<u>112,856</u>	<u>(1,074,870)</u>
Decrease (increase) in current liabilities:		
Accounts payable and accrued expenses	(1,047,036)	208,684
Notes payable to banks	(400,000)	-
Due to stockholders and related parties	<u>(317,509)</u>	<u>(632,623)</u>
	<u>(1,764,545)</u>	<u>(423,939)</u>
Decrease in working capital	\$ <u>(1,651,689)</u>	<u>(1,498,809)</u>

See accompanying notes to financial statements.

AMERICATEL CORPORATION
(A Wholly Owned Subsidiary of Entel International
B.V.I. Corporation)

Statements of Stockholder's Equity
Years ended December 31, 1996 and 1995

	Common stock			Accumulated deficit	Accumulated preoperating deficit- affiliates	Total stockholder's equity
	Number of shares	Par value	Additional paid-in capital			
Balance, December 31, 1994	23,761	\$ 238	13,067,394	(4,577,237)	-	8,490,395
Net loss	-	-	-	(5,627,822)	-	(5,627,822)
Preoperating deficit, affiliates	-	-	-	-	(77,272)	(77,272)
Issuance of common stock related to contributed capital during 1994	5,366	53	(53)	-	-	-
Issuance of common stock on April 3, 1995	5,696	57	2,034,943	-	-	2,035,000
Issuance of common stock on July 28, 1995	4,820	48	999,952	-	-	1,000,000
Issuance of common stock on October 2, 1995	4,880	49	999,951	-	-	1,000,000
Issuance of common stock on November 22, 1995	2,685	27	499,973	-	-	500,000
Issuance of common stock on December 15, 1995	<u>2,275</u>	<u>23</u>	<u>399,977</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
Balance, December 31, 1995	49,483	495	18,002,137	(10,205,059)	(77,272)	7,720,301
Net loss	-	-	-	(4,714,903)	-	(4,714,903)
Preoperating deficit, affiliates	-	-	-	-	(337,898)	(337,898)
Capitalization of loans from stockholder and issuance of common stock on September 30, 1996	8,387	84	1,279,916	-	-	1,280,000
Capitalization of loan from stockholder on September 30, 1996	-	-	334,084	-	-	334,084
Capitalization of loan from stockholder on October 7, 1996	-	-	925,000	-	-	925,000
Capitalization of loan from stockholder on November 28, 1996	<u>-</u>	<u>-</u>	<u>700,000</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Balance, December 31, 1996	<u>57,870</u>	<u>\$ 579</u>	<u>21,241,137</u>	<u>(14,919,962)</u>	<u>(415,170)</u>	<u>5,906,584</u>

See accompanying notes to financial statements.

AMERICATEL CORPORATION
 (A Wholly Owned Subsidiary of Entel International
 B.V.I. Corporation)

Statement of Cash Flows

Year ended December 31, 1996

Cash flows from operating activities:	
Cash was provided from:	
Receipts from customers	\$ 4,392,108
Interest received	64,008
Cash disbursed to:	
Payments to suppliers and employees	(6,754,218)
Payments of interest	<u>(23,960)</u>
Net cash used in operating activities	<u>(2,322,002)</u>
Cash flows from investing activities:	
Purchases of property and equipment	(986,490)
Advances and capital contributions to affiliates	<u>(458,620)</u>
Net cash used in investing activities	<u>(1,445,110)</u>
Cash flows from financing activities:	
Proceeds from issuance of common stock and capital contributed by stockholders	3,239,084
Proceeds from notes payable	<u>400,000</u>
Net cash provided by financing activities	<u>3,639,084</u>
Net decrease in cash and cash equivalents	(128,028)
Cash and cash equivalents, beginning of year	<u>288,157</u>
Cash and cash equivalents, end of year	\$ <u>160,129</u>
Reconciliation of net loss to net cash used in operating activities:	
Cash flows from operating activities:	
Net loss	\$ (4,714,903)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	863,539
Allowance for doubtful accounts	44,900
Equity in loss of affiliate	147,629
Write-off of advances to and due from affiliate	500,369
Net changes in operating assets and liabilities:	
Increase in accounts receivable	(269,708)
Decrease in notes receivable	29,357
Increase in prepaid expenses	(14,419)
Decrease in deposits	30,025
Increase in accounts payable and accrued expenses	1,047,036
Increase in due to stockholders and related parties, net	<u>14,173</u>
Net cash used in operating activities	\$ <u>(2,322,002)</u>

See accompanying notes to financial statements.

AMERICATEL CORPORATION
(A Wholly Owned Subsidiary of Entel International
B.V.I. Corporation)

Notes to Financial Statements

December 31, 1996 and 1995

(1) Summary of Significant Accounting Policies

(a) Description of Business and Basis of Presentation

Americatel Corporation (the "Company") was incorporated in Delaware on April 29, 1992. The Company provides long distance communication services, including long distance telephone communication, facsimile and other telecommunication services primarily between the United States and Latin America and the Caribbean.

The Company has obtained authorization from the Federal Communications Commission (the "FCC") to provide international telecommunications services on a common-carrier basis and has entered into various operating agreements and contracts with related and unrelated entities to provide such services and purchase necessary equipment and facilities to provide such services.

Effective July 11, 1994, the FCC approved the transfer of an 80 percent majority interest of the Company to its foreign stockholder, Entel International B.V.I. Corporation ("Entel"), subject to certain terms and conditions which include filing requirements, restrictions as to services that the Company can provide, and nondiscriminatory accounting rates the Company can utilize to settle its international accounts.

On July 26, 1996, Entel entered into a Stock Purchase Agreement (the "Agreement") with the minority stockholders whereby Entel acquired all of their shares in the Company. Pursuant to the terms of the Agreement, all previous agreements between Entel and the former stockholders were terminated as of that date.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Chile.

(b) Property and Equipment

Property and equipment are stated at cost. Depreciation on equipment is computed under the straight-line method over the estimated useful lives of the assets. Expenditures for major renewals and betterments are capitalized. Repairs and maintenance expenditures are charged to income as incurred.

(c) Income Taxes

Income taxes are recognized in the same period in which the income and expenses that generate them are incurred, independently from the period in which those income and expenses become taxable or deductible as indicated by fiscal regulations.

(Continued)

AMERICATEL CORPORATION
(A Wholly Owned Subsidiary of Entel International
B.V.I. Corporation)

Notes to Financial Statements

Temporary differences arising from this methodology are recognized as deferred taxes in the financial statements unless there is reasonable assurance that those differences will be offset in the future by temporary differences of the same nature, in which case they are not recognized.

(d) *Cash Equivalents*

For purposes of the statement of cash flows, the Company considers cash on hand and in banks and all highly liquid instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

(e) *Advances to and Investment in Affiliates*

The Company has entered into joint ventures in Peru and Ecuador in which it purchased a 50 percent interest in the resulting companies. The joint venture in Peru started operations in 1995, while the Ecuadorian joint venture is considered a development-stage enterprise.

The Company accounts for its investment in affiliates under the equity method of accounting. Included in investment in affiliates are advances made to the affiliates which are not evidenced by promissory notes. As of December 31, 1996 and 1995, interest income on these advances to affiliates amounted to \$35,018 and \$7,571, respectively. The Company's affiliates are dependent upon the continuing financial support of their stockholders to support their current operations.

The Company's joint venture in Peru has incurred recurring losses since its inception, resulting in a stockholders' deficit of \$23,359 as of December 31, 1996. Furthermore, the Company is currently in negotiations with its partner in this joint venture to determine the most appropriate course of action for this investment, which could include sale or liquidation of the business. In view of the aforementioned, the Company wrote off all its advances and commercial receivable balances due from its venture in Peru, which amounted to \$500,369 as of December 31, 1996. While it is not feasible to determine the final outcome of the negotiations with its partner in this venture, management does not believe that such negotiations will result in a materially adverse effect on the Company's financial position or results of operations.

(f) *Use of Estimates*

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Significant estimates include, among others, the useful lives of property and equipment and the allowance for doubtful accounts. Actual results could differ from those estimates.

(Continued)

AMERICATEL CORPORATION
(A Wholly Owned Subsidiary of Entel International
B.V.I. Corporation)

Notes to Financial Statements

(g) *Change in Accounting Principle*

In October 1995, the "Consejo Nacional de Contadores de Chile A.G.," the authoritative accounting principles pronouncement body in Chile, issued Technical Bulletin No. 50, "Statement of Cash Flows." This bulletin is effective for fiscal years ending after December 31, 1995 and requires the presentation of a statement of cash flows as part of the financial statements and eliminates the requirement of presenting a statement of changes in working capital.

In January 1996, the "Superintendencia de Valores y Seguros" issued "Oficio Circular" No. 00386 which establishes the requirement of both a statement of cash flows and a statement of changes in working capital in the financial statements for fiscal years ending after December 31, 1995.

Consequently, the accompanying financial statements include the Company's statements of changes in working capital for the years ended December 31, 1996 and 1995 and the Company's statement of cash flows for the year ended December 31, 1996.

(h) *Reclassifications*

Certain amounts in the 1995 financial statements have been reclassified to conform with the 1996 presentation.

(2) *Liquidity*

The Company does not generate sufficient cash flows to cover its current obligations and therefore is dependent upon the continuing support of Entel to support its current operations. During 1996 and 1995, the Company obtained the majority of its funding for capital expenditures, working capital, and capital contributions and advances to its joint ventures from Entel. The Company will continue to require such support until such time that it is able to generate a level of revenue sufficient to support its operations.

(3) *Property and Equipment, Net*

Property and equipment, net as of December 31, 1996 and 1995, consists of the following:

	<u>1996</u>	<u>1995</u>	<u>Estimated useful lives</u>
Land	\$ 732,700	732,700	-
Building	1,503,916	1,503,916	40 years
Telecommunications equipment	6,798,415	5,937,671	10 years
Office equipment	228,421	221,763	5 years
Furniture and fixtures	191,752	191,752	10 years
Automobile	<u>26,964</u>	<u>26,964</u>	5 years
	9,482,168	8,614,766	
Less accumulated depreciation	<u>(1,709,385)</u>	<u>(847,876)</u>	
Property and equipment, net	\$ <u>7,772,783</u>	<u>7,766,890</u>	

(Continued)

AMERICATEL CORPORATION
(A Wholly Owned Subsidiary of Entel International
B.V.I. Corporation)

Notes to Financial Statements

Depreciation expense for the years ended December 31, 1996 and 1995 amounted to \$862,512 and \$679,906, respectively. For the years ended December 31, 1996 and 1995, cost of sales includes \$734,337 and \$561,324, respectively, of depreciation expense related to services rendered during the year. The telecommunications equipment owned by the Company is subject to rapid technological obsolescence; therefore it is reasonably possible that the equipment's estimated useful lives could change in the near term.

(4) *Notes Payable*

The Company's notes payable as of December 31, 1996 consist of the following:

Note payable to bank, unsecured, bearing interest at prime plus one percent, principal due on demand and monthly interest payments	\$ 300,000
Note payable to bank due on June 10, 1997, unsecured, bearing interest at LIBOR plus 2%, principal and interest due at maturity	<u>100,000</u>
	\$ <u>400,000</u>

(5) *Related-Party Transactions*

On March 31, 1993, the Company entered into an agreement with a related party to provide for the operation and maintenance of the Company's telecommunication facilities given that the related party owns the FCC license to operate a common carrier radio facility. This related party became a wholly owned subsidiary of Entel effective July 26, 1996. The initial term of the agreement is for a period of 10 years with continual self-renewing five-year intervals. The agreement calls for the Company to maintain and operate its facilities, and the related party, in turn, will lease said facilities, in addition to any required office and storage space. As a result of this agreement, included in due to stockholders and related parties is a net payable of \$74,956 and \$21,416 as of December 31, 1996 and 1995, respectively.

Effective March 1, 1993, the Company entered into employment contracts with two officer/stockholders having an initial term which extended until February 28, 1997. The agreements provided for minimum salary levels as well as for incentive bonuses payable if specified management goals were attained. The agreements also provided for certain fringe benefits and reimbursement of expenses. During 1995, these employment contracts were terminated as a result of the resignation of these officer/stockholders. The Company agreed to pay certain monthly termination benefit payments to the former officer/stockholders. As of December 31, 1995, due to stockholders and related parties included an accrual for the monthly payments due as of that date totaling \$344,582. On July 26, 1996, the aforementioned termination agreements were canceled as a result of the Stock Purchase Agreement mentioned in note 1(a). Included in other income as of December 31, 1996, is \$172,297 arising from the extinguishment of debt related to the termination benefits due to the former officer/stockholders.

(Continued)

AMERICATEL CORPORATION
(A Wholly Owned Subsidiary of Entel International
B.V.I. Corporation)

Notes to Financial Statements

Included in due to stockholders and related parties as of December 31, 1996, is a payable to the Company's stockholder amounting to \$445,000 primarily due to payments made by Entel on behalf of the Company for expenses in the normal course of business. In addition, the Company collects funds from one of Entel's customers located in the United States and subsequently remits the funds to Entel.

Effective November 1995, the Company entered into an agreement to provide Entel access to the Internet for an initial start-up fee plus a monthly fixed fee of \$12,823. The agreement is effective for a one-year period and renews automatically for additional and successive 12-month terms, provided neither party terminates it. As of December 31, 1996 and 1995, the Company maintains a receivable from Entel relating to this agreement of \$148,091 and \$25,676, respectively, which is included in due to stockholders and related parties.

Effective February 1996, the Company entered into another agreement with Entel whereby the Company sells units (that is, minutes) along its link with Entel to other carriers and vice versa. As of December 31, 1996, included in due to stockholder and related parties, is a net receivable of \$83,434 related to this agreement.

Also included in due to stockholders and related parties is a payable amounting to \$338,588 relating to an agreement with Entel whereby the Company pays a monthly fixed charge of \$14,167 for the usage of the telecommunication/satellite link between the United States and Chile and a payable of \$217,401 for charges related to all communications that pass through the Company for termination in Chile.

(6) *Income Taxes*

As of December 31, 1996, the Company had net operating loss carryforward of \$14,794,112. These amounts can be used to reduce future taxable income, as provided for under Internal Revenue Code Section 382 described below. Such tax loss carryovers expire as follows: \$26,775, \$744,193, \$3,526,279, \$5,737,862 and \$4,759,003 in 2007, 2008, 2009, 2010 and 2011, respectively.

In July 1996, additional shares of stock of the Company were transferred to Entel. Under the provisions of Internal Revenue Code Section 382, this transfer resulted in an ownership change due to Entel's greater-than-50-percent increase in stock ownership within a three-year period. Once an ownership change is deemed to have occurred under Section 382, a limitation on the annual utilization of net operating-loss carryovers is imposed. Whether or not this limitation will have a significant impact on the Company's future utilization of net operating losses will depend on the amount of future taxable income generated by the Company. If another ownership change should occur in the future, the tax-loss carryovers prior to the change in ownership may be further limited under the provisions of Section 382.

(Continued)

AMERICATEL CORPORATION
(A Wholly Owned Subsidiary of Entel International
B.V.I. Corporation)

Notes to Financial Statements

As of December 31, 1996 and 1995, the Company had no deferred tax asset and liability reflected on its financial statements since the deferred tax asset attributable to the net operating loss is completely offset by the valuation allowance, due to the uncertainty regarding the ability of the Company to generate future taxable income sufficient to utilize the tax-loss carryovers.

(7) *Commitments and Contingencies*

The Company leases equipment under operating leases which expire in 1999. The following is a schedule of future minimum lease payments under the terms of noncancelable operating leases as of December 31, 1996:

<u>Year ending December 31.</u>	<u>Future minimum lease payments</u>
1997	\$ 14,628
1998	14,628
1999	<u>11,340</u>
	\$ <u>40,596</u>

Rent expense for the years ended December 31, 1996 and 1995 amounted to \$30,983 and \$54,374, respectively.

The Company is subject to certain legal proceedings and claims which arise in the normal course of its business. In the opinion of management, there is no pending or threatened litigation which will have a material effect on the Company's financial position or results of operations.

ATTACHMENT C

**AmericaTel Corporation
Application for Authority to Provide Interexchange
Telecommunication Service Within the State of Florida**

ATTACHMENT C

Written Explanation of Financial, Managerial & Technical Capability

AmericaTel Corporation ("AmericaTel") hereby submits the following information as a demonstration of its financial, managerial and technical capability to provide the service that it proposes to offer throughout the State of Florida; to maintain that service; and to meet its lease and ownership obligations.

I. Financial Capability

Incorporation and Licenses

AmericaTel was incorporated in the State of Delaware in April 1992. Later that year, AmericaTel was granted its first Federal Communications Commission ("FCC") authorization pursuant to Section 214 of the Communications Act of 1934, as amended, allowing the company to provide international as well as domestic telecommunication services. AmericaTel is presently authorized to provide a variety of international services and is in the process of obtaining authority to provide interexchange services throughout the United States.

Company Ownership Structure

The company was initially formed as a joint venture between Entel International BVI, a wholly-owned subsidiary of Empresa Nacional de Telecomunicaciones S.A. ("Entel Chile"), with a 20% interest, and Northland Communications, Inc., a privately-held U.S. company, with the remaining 80%. By 1995 Entel Chile had increased its interest in AmericaTel to 100% through a series of transactions which were ultimately approved by the FCC. Thus, AmericaTel became the first foreign-owned FCC licensed carrier operating in the United States.

Entel Chile

Entel Chile is the largest long-distance carrier in Chile and the majority shareholder of AmericaTel. Entel Chile provides domestic and international public and private telecommunications services (voice, data, fax, video, radio, and television) and has holdings throughout Latin America. The majority shareholders of Entel Chile include such notable multinationals as Telecom Italia, and Samsung of Korea.

Established in 1964, Entel Chile was the first Latin American carrier to provide domestic and international long distance services via satellite. Since 1965, it has been the Chilean signatory to INTELSAT, the international organization administering the largest global satellite system. Entel Chile employs more than 1,600 persons and is headquartered in Santiago.

For further information on Entel Chile, please see the enclosed Annual Report of Entel Chile attached hereto as Exhibit 1.

Capital Structure: Assets

AmericaTel's capital structure has been 100% equity-based since its inception, and has been funded through capital infusions by Entel Chile. No debt is reflected in its capital structure. As of August 1997, AmericaTel has \$38.2 million total stockholders' equity in the company.

AmericaTel owns a 2-story building on approximately 2 acres located at 4045 NW 97th Avenue, Miami, Florida, with an estimated value of \$2.3 million. This facility serves as the company's corporate headquarters, teleport and operations center. AmericaTel also leases additional office space in Miami, and recently agreed on a long term lease on space to locate switching equipment and related personnel in New York City.

As of the end of August 1997, the company had an estimated \$33.3 million in current assets. This is primarily the result of a recent equity contribution by Entel Chile which was secured in order to finance the operation of its international long-distance telephone business.

Payment History

Since its inception, the company has purchased teleport, antenna, earth station and other telecommunications equipment worth \$5.4 million from vendors such as Hughes Network Systems and GTE Spacenet. In addition, AmericaTel leases significant satellite space segment capacity from providers including COMSAT World Systems and PanAmSat. AmericaTel has always maintained a prompt payment history with these and other vendors.

II. Managerial Capability

AmericaTel's executive and managerial staff is comprised of highly capable professionals with extensive telecommunications experience. The company's Chief Executive Officer, Jorge Asecio, has more than 15 years of experience in various executive positions in telecommunications, software and investments, and has worked in government as well. From 1995 until 1997, he served as Public Services Manager for Entel Chile. In this capacity, Mr. Asecio was responsible for managing several key products, including marketing strategy, budgeting, pricing and product development.

Mr. Asecio reports to a board of directors consisting of five persons. The board generally meets monthly.

In addition to Mr. Asecio, AmericaTel is staffed by six departmental vice presidents in charge of departments of up to 17. Total staffing is approximately 50 with expectations to grow to approximately 100 by year's end. All Vice Presidents are substantially experienced within the areas of their responsibilities and are highly qualified to carry out the duties of their respective positions.

III. Technical Capability

AmericaTel's engineering and technical staff is comprised of many experienced personnel. Roberto Oyarzun is the company's Vice President of Engineering and Sales. Mr. Oyarzun has more than twenty years of telecommunications industry experience, including nearly four years in his present capacity with AmericaTel. Prior to joining AmericaTel, Mr. Oyarzun was employed for more than 15 years with Entel Chile. His last position with Entel Chile was as Vice President of the Southern Chile region.

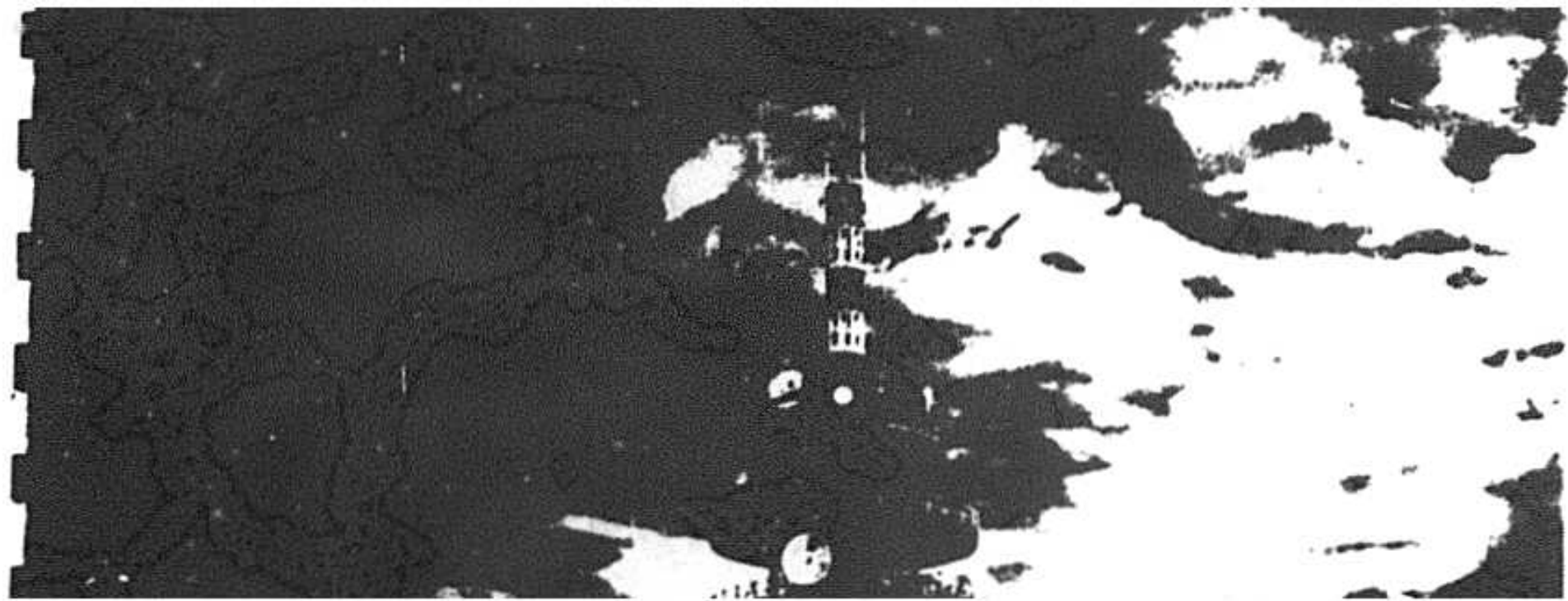
Mr. Oyarzun's engineering staff consists of some 13 engineers and technicians plus support staff with many years of experience in international telecommunications. This group has substantial expertise in areas of systems design and operations for both private networks and public telephony.

AmericaTel's teleport in Miami was constructed in 1994 at a cost of several million dollars. In addition to serving as the company's corporate office headquarters, this facility includes three primary satellite earth station antennas (one 15.5 meter and two 9.3 meter dishes), several smaller secondary dishes, and a satellite hub. The teleport provides direct satellite access to more than 25 countries throughout Latin America and the Caribbean.

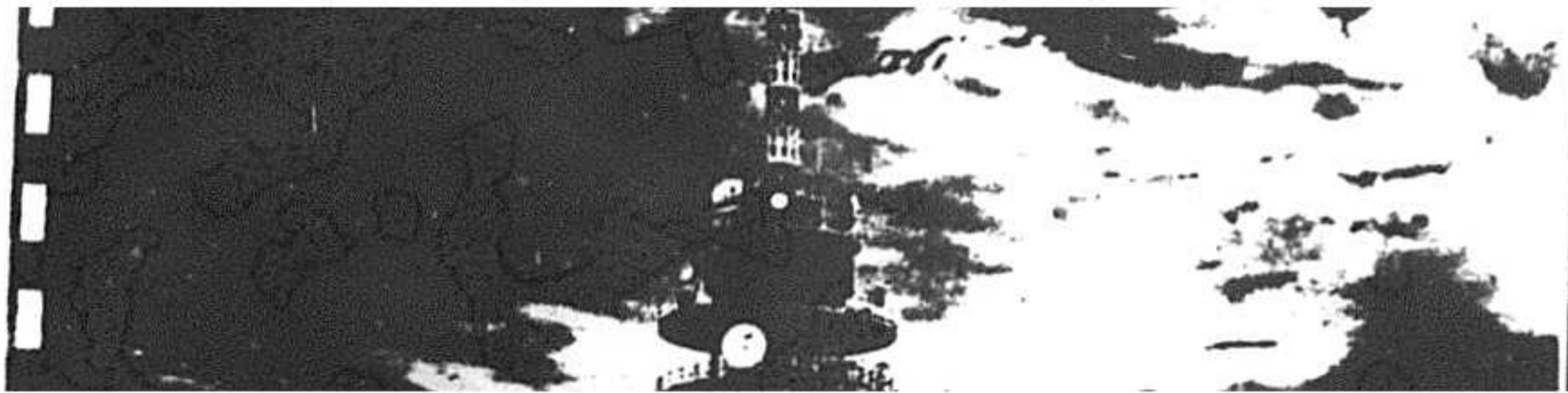
The company also operates an extensive network of private line satellite services for corporate clients in the region. Other services supported by the teleport include a frame relay network and Internet backbone access services for Latin America Internet Service Providers. Additionally, AmericaTel has leased substantial capacity for telephony traffic between the U.S. and South America via submarine cables.

AmericaTel is in the process of installing an international telephony switch which will be located in New York City to take advantage of the proximity of the facilities of most major telecommunications companies in the U.S.

EXHIBIT 1









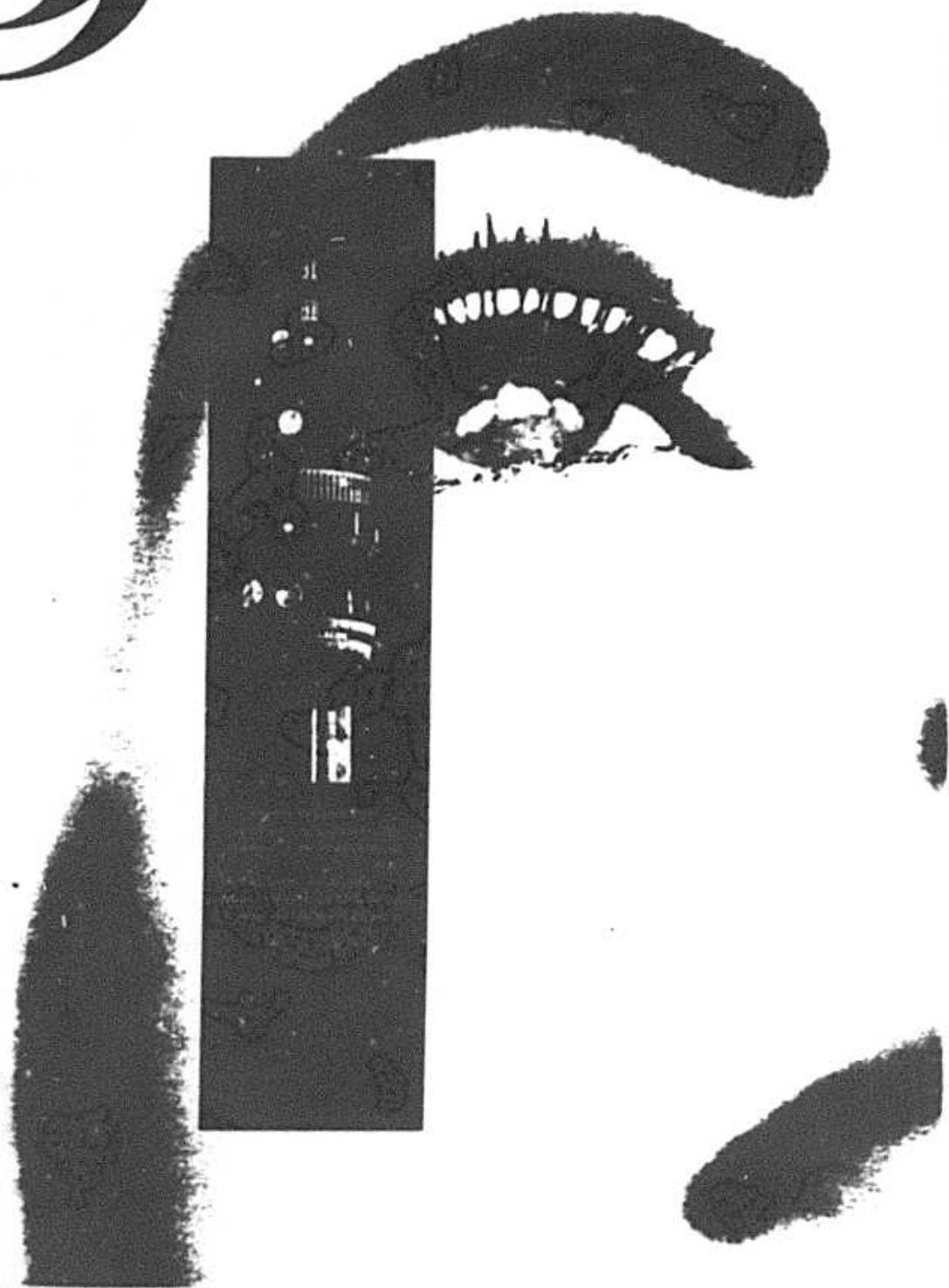
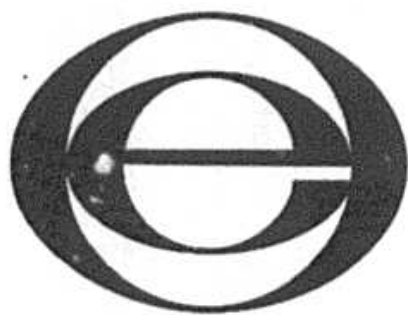




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Issue of Corporate Annual Report

The following Annual Report has been approved by simple majority of the Board of Directors of ENTEL pursuant to General Regulation number 30 of Chilean stock & insurance agency Superintendencia de Valores y Seguros.

Juan Hurtado Vicuña
President

Renato De Remini
Vice President

José Cox Donoso
Director

Soo Chul Kim
Director

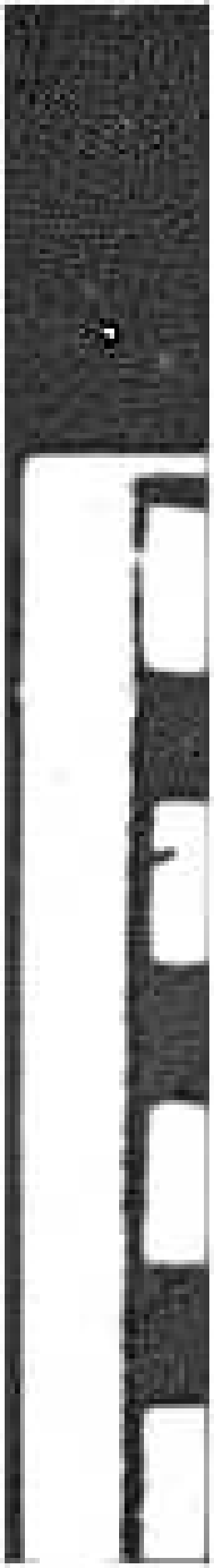
Girolamo Di Genova
Director

Rodrigo Errázuriz Ruiz-Tagle
Director

Carlos Hurtado Ruiz-Tagle
Director

Juan José Mac-Auliffe Granello
Director

Enrique Seguel Morel
Director



Consolidated General Balance Sheets

On December 31 1996 and 1995

ASSETS	1996 Sth.	1995 Sth.
Current assets		
Quick assets	2,114,979	1,109,792
Time deposits	214,586	211,466
Marketable securities	718,840	47,242
Sales debtors (net)	49,221,819	36,897,198
Papers receivable (net)	2,148,987	219,218
Sundry debtors (net)	3,865,554	10,017,041
Paper and accounts receivable from related Co's.	40,572,245	488,326
Inventory	1,916,681	239,005
Recoverable taxes	1,657,730	2,228,373
Pre-paid expenses	3,635,965	1,974,300
Deferred duties	264,000	
Other current assets	2,692,860	538,420
Total current assets	109,024,246	53,970,387
Fixed assets:		
Real States	2,608,128	2,281,416
Constructions and infrastructure works	70,256,402	65,694,428
Machines and equipment	309,795,229	283,439,246
Other fixed assets	59,856,768	39,394,850
	442,516,527	390,809,940
Less: Accumulated depreciation	(211,677,120)	(186,418,162)
Total net fixed assets	230,839,407	204,391,778
Other assets:		
Investments in related Co's	1,088,071	4,26,207
Lower value of investments	14,947,201	3,772,210
Investments in other corporations	6,163,971	6,369,694
Long term debtors	1,009,286	4,737,817
Accounts receivable from related Co's.	11,616,131	372,390
Others	1,160,805	1,446,859
Total other assets	35,985,465	20,977,177
Total assets	375,849,118	279,339,336

Notes 1 through 35 below are an integrating part of these consolidated financial statements.

LIABILITIES AND NET WORTH	1996 \$th.	1995 \$th.
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Current liabilities

Short-term liabilities before banks or financial entities	12,844,813	4,800,051
Circulating portion of liabilities before banks or financial entities	5,752,623	4,547,240
Circulating portion of public liabilities (bonuses)	6,199,577	6,270,253
Circulating portion of long-term papers payable	1,468,388	11,691,872
Dividends payable	28,112	48,487
Accounts payable	30,972,487	21,407,308
Sundry creditors	753,240	834,834
Papers and accounts payable to related Co's	59,553	12,754
Reserves	2,316,355	1,987,194
Withholdings	1,624,006	1,239,599
Income received in advance	429,513	168,695

Total current liabilities	62,448,667	53,008,287
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Long term liabilities

Liabilities before banks or financial entities	3,219,725	27,517,224
Public liabilities (bonuses)	20,833,675	26,779,684
Papers payable	23,962,965	23,048,806
Sundry creditors	-	21,353
Severance payments	5,211,505	5,343,907
Other long term liabilities	325,421	1,366,935

Total long term liabilities	33,553,291	84,077,909
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Minority interest	1,706,846	669,814
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Equity capital

Paid-in capital	227,656,349	113,657,870
Deficit accumulated during development period of affiliates	(107,715)	(2,229,541)
Undistributed profits	-	-
Accumulated profits	24,507,078	19,200,751
Profits in this period	6,084,602	10,954,246

Total undistributed profits	30,591,680	30,154,997
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Total equity capital (net worth)	258,140,314	141,583,326
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Contingencies and commitments

Total liabilities and equity capital	375,849,118	279,339,336
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Notes 1 through 35 below are an integrating part of these consolidated financial statements.



Consolidated Income Statements

for periods ended on December 31, 1996 and 1995

	1996 Sth.	1995 Sth.
Operational earnings		
Exploitation income	156,011,204	126,006,537
Less exploitation costs	(94,169,310)	(79,523,252)
Exploitation margin	61,841,894	46,483,285
Less: Sales and management expenses	(49,772,340)	(35,531,228)
Operational earnings	12,069,554	10,952,057
Non-operational earnings		
Non-exploitation incomes or expenses		
Financial incomes	3,602,653	1,025,245
Other incomes	1,627,207	11,892,767
Financial expenses	(9,150,164)	(9,499,844)
Losses from investment in related Co's	(1,853,742)	(1,190,233)
Amortization against investment decreased value	(827,148)	(460,752)
Other expenses	(1,613,203)	(1,024,467)
Adjustment for currency devaluation	(565,013)	(27,540)
Non-operational income	(8,779,410)	715,176
Income before taxes	3,290,144	11,667,233
Income tax	(764,570)	(1,268,215)
Profit before minority interest	2,525,574	10,399,018
Minority interest	3,559,028	555,228
Net profit in the period	6,084,602	10,954,246

Notes 1 through 35 below are an integrating part of these consolidated financial statements.

Consolidated Statements on Changes in Financial Position

for years ended on December 31 1996 and 1995

	1996 Sth.	1995 Sth.
Resources from operations:		
Profit in the period	6,084,602	10,954,246
Plus(less) charges(credits) against profits that do not involve use of working capital:		
Depreciation and charge-offs	23,856,475	20,478,009
Amortization in the period	1,490,784	1,006,191
Incomes from sale of fixed assets, other long-term investments	(33,722)	(992,290)
Incomes from permanent investments in other Co's	1,853,742	1,190,233
Net adjustment for currency devaluation applicable to non circulating items	(484,055)	(1,338,271)
Other resources from operation	(4,068,716)	(10,651,272)
Total resources from operation	28,699,110	20,646,846
Other resources:		
Increase in long-term liabilities	4,352,142	29,028,152
Increase in long-term indebtedness of related Co's	20,478	
Profit		853,204
Sale of fixed assets	577,477	3,273,847
Decrease of other assets		2,890,233
Issue of cash shares	113,998,478	
Other non-operational resources	4,482,814	10,155,522
Total other resources	123,431,359	46,200,958
Total resources obtained	152,130,469	66,847,804
Allocations:		
Additions to fixed assets	40,636,783	33,441,067
Reduction of long-term liabilities	36,362,102	20,712,160
Permanent investments in other Co's	8,049,465	5,422,958
Accounts receivable from related Co's	13,365,969	372,390
Dividends paid	3,227,701	
Other allocations	1,740,139	1,446,756
Total allocations	103,382,159	61,395,331
Increase of working capital	48,748,310	5,452,473



(to continue...)

Notes 1 through 35 below are an integrating part of these consolidated financial statements.


Financial Statement on Change in Financial Position (...continued)

	1996 \$th.	1995 \$th.
Increase in main items of working capital		
Increase(decrease) of current assets		
Available and time deposits	467,728	(434,474)
Marketable securities	713,938	(233,366)
Sales debtors, papers receivable and sundry debtors	2,087,040	25,700,569
Papers and accounts receivable from related Co's.	40,076,191	261,298
Inventory	1,084,102	15,313
Recoverable taxes, pre-paid expenses, deferred duties, others	2,166,947	(3,610,572)
Increase of current assets	46,595,946	21,698,768
Decrease(increase) of current assets:		
Liabilities before bankers or financial entities	87,777	2,078,969
Public liabilities	70,676	56,437
Long term liabilities (one year or less)	9,948,538	(13,299,497)
Dividends payable	20,375	64,881
Accounts payable	(6,266,947)	(10,338,991)
Papers or accounts payable to related Co's.	(688,644)	1,331,133
Charge-offs and withholdings	(765,503)	(1,060,304)
Income tax and sundry creditors	(253,908)	4,921,077
Decrease (increase) of current assets	2,152,364	(16,246,295)
Increase (decrease) of working capital	48,748,310	5,452,473

Notes 1 through 35 below are an integrating part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended on December 31 1996

	Sfr.
Cash flow from operational activities	
Collections from sales debtors	158,683,2
Financial incomes received	2,578,780
Dividends and other payments received	1,293,981
Payments to suppliers and employees	2,621,910
Interests paid	(123,243,861)
Income tax paid	(8,176,076)
Other expenses paid	(1,533,838)
V.A.T. and similar expenses paid	(1,015,883)
	(8,456,285)
Plus net cash flow from operational activities	22,751,974
Cash flow from financing activities:	
Sale of cash shares	115,160,705
Borrowings	13,961,138
Other financing sources	1,558,160
Dividends payment	(3,227,701)
Loans payment	(45,432,175)
Public liabilities payment	(5,860,382)
Payment of expenses from issue/sale of shares	(1,162,226)
Other financial disbursements	(272,978)
Plus net cash flow from financing activities	74,724,541
Flow from investment activities:	
Sale of fixed assets	1,327,250
Other investment incomes	333,973,672
Addition of fixed assets	(36,853,867)
Permanent investments	(9,978,826)
Investments in financial instruments	(336,203,840)
Other loans to related Co's.	(48,548,874)
Other investment disbursements	(170,820)
Minus net cash flow from investment activities	(96,455,305)
Total plus net cash flow in the period	1,021,210
Inflation effect on cash and cash equivalent	(520,285)
Net variation in cash and cash equivalent	500,925
Initial balance of cash and cash equivalent	1,828,640
Final balance of cash and cash equivalent	2,329,565

Initial balance of cash and cash equivalent above includes data from affiliates consolidated in 1996 for the first time.

Notes 1 through 35 below are an integrating part of these consolidated financial statements.





Consolidated Cash Flow Statement:

for the year ended on December 31 1996

	Sfr.
Reconciliation of consolidated flow from operation activities and incomes in the period	
Profit in the period	6.084.602
Income from sale of assets:	
Profit from sale of fixed assets	(33.722)
Charges(credits) against incomes that do not involve cash flow:	
Depreciation in the period	23.856.475
Amortization of non-physical assets	663.636
Depreciation and charge-offs	7.016.946
Losses from investments in related Co's	1.853.742
Amortization against decreased value of investment	827.148
Net adjustment for currency devaluation	565.013
Other credits to incomes that do not involve cash flow	(2.082.535)
Other charges to incomes that do not involve cash flow	1.826.851
Variation in assets that have an effect on cash flow:	
Increase of sales debtors	(18.957.882)
Increase of inventory	(1.084.102)
Decrease of other assets	5.324.198
Variation in liabilities that have an effect on cash flow:	
Decreased accounts payable as result of exploitation income	(1.157.978)
Decreased interests payable	(285.595)
Net increase of income tax payable	628.376
Net increase of V.A.T. and other similar items payable	1.265.929
Profit from minority interest	(3.559.028)
Plus net flow as result of operational activities	22.751.974

Notes 1 through 35 below are an integrating part of these consolidated financial statements.

Notes on Consolidated Financial Statements On December 31 1996 and 1995

(1) FILING IN SECURITIES REGISTRY

Empresa Nacional de Telecomunicaciones S.A. (ENTEL-CHILE S.A.) is the mother company of the Group which consolidated financial statements are published here. ENTEL is an openly held corporation (a sociedad anónima abierta) registered in Chilean Securities Registry with number 0162 and is, therefore, subject to audit by Chilean stock & insurance administration Superintendencia de Valores y Seguros.

Corporate affiliates that have their financial statements included in this consolidated accountancy are closely held corporations with base in Chile or foreign companies which are subject to regulations in force in their base country.

(2) ACCOUNTING CRITERIA APPLIED

a) **General criteria**
These financial statements were prepared according to Accounting principle generally accepted and in observance of rules of Superintendencia de Valores y Seguros.

b) **Consolidation principles and practices**
On December 31 1996 and 1995, the mother company possessed the following direct or indirect ownership share in the following affiliates:

	Direct or indirect participation 1996	1995
Entel Inversiones S.A.	99,99%	99,99%
Entel Servicios Telefónicos S.A., Entelónica S.A.	99,99%	99,99%
Entel Internacional S.A.	99,99%	99,99%
Micromer Telecomunicaciones S.A., Micromer S.A.	99,99%	99,99%
Entel Telefonía Móvil S.A., Entelmóvil S.A.	61,66%	59,02%
Entel Telefonía Local S.A., Entelphone S.A.	99,99%	99,99%
Socel Telecomunicaciones	100,00%	100,00%
Entel México S.A. de C.V. (México)	75,20%	2,61%
Entel Internacional B.V.L. (British Virgin Islands)	99,99%	99,99%
Zelocom de Centroamérica S.A. (Panamá)	70,00%	70,00%
Arnet S.A. (Argentina)	70,00%	70,00%
Americafal Corp. (U.S.A.)	100,00%	80,00%
Entel Celular S.A.	59,16%	33,33%
Sociedad de Telecomunicaciones Intra Bepo Ltda.	59,16%	..
Entel PCS Telecomunicaciones S.A., Entel PCS S.A.	99,99%	..

Financial statements of the above affiliates have been included in these consolidated financial statements, except for affiliates that are in a development stage. Such was the case of Entel México S.A. de C.V.; of Entelmóvil S.A. and of Entel PCS S.A. on December 31 1996. Also, the following companies were in a development stage on December 31 1995: Entelphone S.A., Arnet S.A. (Argentina) and Zelocom de Centroamérica S.A. (Panamá).

Significant transactions between or among consolidated companies or cross-companies outstanding balances have been disregarded for purposes of consolidation.

d) **Adjustment for currency devaluation**
In conformity to regulations in force, financial statements of both periods are expressed in currency representing the same purchasing power as on December 31 1996.

For said purpose, financial statements of December 31 1995 (and values mentioned in notes to said statements) were adjusted out of accountancy in 6,6 percent, i.e., in the version of Chilean Consumer Index Price in the twelve months previous to December 1996.

d) **Translation of currency**
Assets or liabilities in foreign currency or in other values have been translated into Chilean pesos upon exchange values in force at the end of the period. The following exchange rates were in force on December 31 1996 and 1995.


ENTEL

Currency or value

	Exchange rate (C\$)		
	1996	1995	
Dollars of the U.S.A.	(US\$)	428 87	406 91
Canadian Dollars	(CAN\$)	310 78	298 74
Special drawing right	(SDR)	609 77	604 87
Unidades de Fomento	(UF)	13 280 43	12 482 81

e) **Fixed assets and depreciation**
 Fixed assets are reflected in their purchase price after legal re-assessment. Depreciation was reckoned over re-assessed net value of assets in operation in a straight line method considering useful life of each kind of asset as established under reports or in conformity to regulations in force.

f) Financial leasing

Goods or properties let under a rental contract of leasing type were accounted as assets. Their value was established as current amount of installments agreed under relevant leasing agreement plus the amount to be paid to exert a purchase option. Re-assessment or depreciation of assets so leased are reckoned pursuant to general rules for ordinary fixed asset.

h) Investment in related companies

The mother company maintains some investments in its following related companies, either directly or through its affiliates, as follows:

Affiliate	Direct or indirect participation	
	1996	1995
Red de Transacciones Eléctricas S.A., Transaxon S.A.	47 10%	44 90%
Empresa Colombiense de Telecomunicaciones S.A. Americal Colombia S.A.	35 00%	35 00%
America Sky (U.S.A.) through America Tel Corp (U.S.A.)	20 00%	..
America Tel (Peru) through America Tel Corp. (U.S.A.)	50 00%	40 00%
Americana de Telefonos S.A., Americal Ecuador, through Americal Corp. (U.S.A.)	50 00%	40 00%
Buenaventura S.A. through Telecom Calbur S.A.	29 58%	16 67%

The above investments have been assessed as a function of ownership participation in related companies through which the interest is owned (percentage ownership value or FOV) and include resulting income, if any. The same criterion was observed respect to affiliates that are in a development stage and were not, therefore, included in the consolidation.

Differences arise in recording or increasing ownership participation of ENTEL in related companies respect to prices paid against resulting percentage ownership value in the company where the transference has occurred, have been deferred (lower investment value) and written-off pursuant to expected time for return of the investment within a maximum term of 10 years.

i) Investment in other companies

These are main referred to contributions made to international telecommunication entities, and are reflected as a percentage contributed by Entel to the equity capital of said entities translated at the exchange rates in force in the period end.

Participation in income is recognized as it occurs.

j) Assessment of foreign investment

Respect to permanent investment in foreign companies, Entel rights on capital assets and income of said companies have been established upon rating of relevant countries (i.e., if they are net exporters of capital or of high added value and if their inflation annual rates do not exceed an average of 10% for the last five years). Investments in countries of high rating are accounted in the currency of that country. Greater or lower adjustments against inflation in Chile are then credited or charged in the equity account. Aggregate adjustments for exchange differences.

Investments in non-high rating countries are accounted in Chilean currency and, accordingly, adjusted in a variation identical to that of Chilean official prices index regardless of exchange rates respect to the currency of that country. Resulting adjustment is added to the income in the period.

k) Marketable securities

These investments are shown either at their updated cost price or at their market price, whichever is lower.

l) Inventory

Goods intended for marketing are assessed at their average cost after adjustment for inflation

m) Financial securities exchange

They are reflected at their assessment cost plus interests and adjustment of period end, in conformity to applicable sections in relevant sale contract or documents.

n) Other investments

These are investments in shares that are not offered to the public. They are reflected at their investment cost as instructed in form letter 368 of Chilean agency Superintendencia de Valores.

o) Sales debtors and papers receivable

Collection rights from sales inherent in the business of the Group are reflected net and without any margin in consideration of eventual bad debts or non occurred interest.

Methods used to assess services provided but not yet billed to the end of the period are as follows

- Computer-based systems and procedures that allow for reconciliation, validation and calculation of charges on communication services as recorded in Enel various switch centers to establish/assess unbilled communication services. Said systems are more or less sophisticated depending upon complexity of the billing system of each company in the Group
- These systems are sufficiently accurate as to support reasonable accounting estimations respect to volumes and charges.
- Amounts shown respect to foreign agents represent communication services actually provided, assessed according to applicable shared charges agreement.
- These amounts have been included either as debit or as credit depending upon their balance, i.e., if Enel has a credit or a debt respect to charges shared with that agent.

Proper control of collectable amounts of the mother company is kept through special accounts for recording of amounts collectable for services provided and not yet invoiced.

Bad debts are charged in different percentages for different segments of customers depending on the age of the debt and the costs of forced collection steps.

These considerations apply in establishing both invoiced and not invoiced unpaid services.

Since 1996, additional considerations of our mother company include the experience gained about payment expectancies of customers in a dialled multi-carrier system and rules established by authorities for collection of past due bills.

p) Public liabilities

Corporate obligations from issue of bonds are included in the liabilities at "par value" of bonuses in the market

Differences at the time of sale of par value against market value have been deferred. Bonuses have been charged in the period when their interests occur in order to reflect actual interest created by the sale.

q) Personal holidays

Cost of personal legal holidays is accounted in the period when this right occurs whether or not the right is earned within said period.

r) Indemnity on length of service

Only our mother company has obligations of this kind. Resulting cost has been recorded under the "current value" method for the cost occurred from this benefit under an annual 6% discount rate. Lengths of service occurred prior to the agreement currently in force have been deferred and gradually charged as expenses upon the average remaining years of service of eligible personnel.

s) Income tax

In establishing corporate income tax, taxation burdens are recognized in the period in which income and expenses occur, regardless of differences considered by taxation law for these purposes.

Burdens resulting from temporary differences in this respect are reflected in the item "deferred taxes", except if it is reasonably assumed that said differences will be compensated in the future by further opposite differences of identical nature.



f) Contracts upon future exchange rates

Only net difference from rights and obligations under this kind of contracts are recorded in the balance sheet, in either case duly assessed under provisions in relevant contract.

In those cases where our counterparty obtains discounts upon exchange rate fluctuation, the amount resulting is deferred and then charged to expenses in straight line during the term of relevant contract.

u) Cash flow statements

In preparing this statement, cash and cash equivalent have been established upon amounts available in cash, amounts in banks and moneys in time deposits, in conformity to Section 6.2 in Technical Bulletin number 50 of Chilean Accountants Association *Colegio de Contadores de Chile A.G.*

Cash flow resulting from operation activities include only incomes and disbursements resulting from common operations of companies which financial statements have been consolidated.

(3) ACCOUNTING CHANGES

In the period 1996, new norms were observed as established with Technical Bulletin number 51 of *Colegio de Contadores de Chile* respect to translation of rights from permanent investments abroad into Chilean currency. Thus, an amount of \$th. 190,677 is now included in the capital account "Adjustment accumulated from money exchange difference" (as opposite to former inclusion in income).

Effective from January 1 1996 *Colegio de Contadores de Chile A.G.*, instructed with their Bulletin number 50 that corporate statements of changes in financial position should be replaced with a cash flow statement for accountancy purposes. However, a counterorder of *Superintendencia de Valores y Seguros* issued with their Form Letter 00238 of January 17 1997 instructed that a statement on changes of financial position was still binding and that cash flows were obligatory only as a supplement. Financial statements of ENTEL on December 31 1996 contain, therefore, both statements.

During 1995, our mother company stopped recording deferred taxes associated with temporary differences between depreciation reckoned under financial criteria or under taxation norms.

4) AFFILIATES NOT INCLUDED IN THE CONSOLIDATION

Below is a summary balance sheet of corporate affiliates not included in the general accountancy consolidation in each year attending their development stage (see note 2 above).

Balance sheets on 12.31.96

Balance sheets on 12.31.96						
Assets:						
Current assets	23,245,902	23,229,819	7,360	-	-	-
Fixed assets (net)	542,631	41,595	31,873	-	-	-
Other assets	-	-	-	-	-	-
Total assets	23,788,533	23,271,414	39,233	-	-	-
Liabilities and equity capital						
Recoverable taxes	-	4	-	-	-	-
Accounts payable	17,935	20,394	6,535	-	-	-
Capital	698,913	10,110	55,932	-	-	-
Accumulated deficit during development stage	(386,349)	21	(23,234)	-	-	-
Accounts payable from related Co's.	23,458,034	23,240,885	-	-	-	-
Total liabilities and equity capital	23,788,533	23,271,414	39,233	-	-	-



Balance sheets on 12.31.95

Balance sheets on 12.31.95						
Assets:						
Current assets	18,849	-	7,360	240,412	1,179,686	544,239
Fixed assets (net)	484,341	-	31,873	830,100	1,767,778	1,948,485
Other assets	-	-	-	-	146,523	1,281,946
Total assets	503,190	-	39,233	1,070,512	3,093,987	3,774,670
Liabilities and equity capital						
Recoverable taxes	1,870	-	6,535	633,942	2,041,076	2,636,601
Accounts payable	-	-	-	-	-	(56,042)
Capital	698,913	-	55,932	1,281,224	3,270,457	2,817,709
Accumulated deficit during development stage	(253,009)	-	(23,234)	(846,218)	(2,217,546)	(1,922,567)
Accounts payable to related Co's.	55,416	-	-	1,564	-	298,969
Total liabilities and equity capital	503,190	-	39,233	1,070,512	3,093,987	3,774,670

At closure of financial statements in each year, latest financial statements of Entel Mexico (Mexico) were not available. Information published here about that company is, therefore, a simple projection upon most recent data available.



(5) ADJUSTMENT FOR CURRENCY DEVALUATION

Profit and losses were affected by application of indexing norms (see Note 2), by variations in exchange rates and by adjustments applied on December 31 of each year, as follows:

	1996 \$th.	1995 \$th.
Credits (charges) from updating of:		
Current assets	393,971	(159,740)
Fixed assets	13,539,305	15,424,284
Other assets	2,035,303	1,116,600
Current and long term liabilities	(3,560,110)	(6,011,559)
Capital stock (net)	(11,726,980)	(10,068,768)
Net figures after adjustment of assets and liabilities	681,489	330,817
Exchange rate fluctuations (net)	(446,935)	525,662
Adjustment (net)	237,273	58,545
Net Profit in the period	471,827	915,024
Carry forward upon updating of profit & loss accounts	(1,036,840)	(942,564)
Balance of indexing (currency devaluation) account	(565,013)	(27,540)

(6) MARKETABLE SECURITIES

On December 31 1996 and 1995, investments in marketable securities were as follows:

	1996 \$th.	1995 \$th.
Banchile Fondos Mutuos de Inversión	-	30,701
Bice Fondo Mutuo	-	11,641
Santander Fondos Mutuos Standard Supercuenta	638,313	-
Banchile Fondos-Mutuos Patrimonial	75,159	-
Shares received in exchange for reimbursable contributions in companies of public utilities	5,368	4,900
	718,840	47,242

(7) SALES DEBTORS

The following amounts receivable of commercial nature are included in this item:

	1996 \$th.	1995 \$th.
Agents abroad (US\$19,065,187 in 1996; US\$23,571,216 in 1995)	8,100,226	10,224,393
Customers	48,559,967	27,780,821
Less: Estimated bad debts	(7,438,374)	(1,108,016)
	49,221,819	36,897,198

The amount for services provided and not yet invoiced (\$th.1,607,985 on December 31 1996) has been included in the account "customers".

Consideration of bad debts to that date is referred to invoiced service for up to Ch\$M6,832,358 and to non-invoiced services for up to Ch\$M606,016.

(B) SOUNDRY DEBTORS

Breakdown of this item is as follows:

	1996 \$m.	1995 \$m.
Debtors from settlement contract with CTC	2,472,162	8,012,714
Debtors from sale of fixed assets	-	912,694
Economical benefits for personnel	233,433	243,277
Current account with INTELSAT (US\$1,179,126 in 1996; US\$1,227,279 in 1995)	500,975	532,352
Other debtors	717,648	342,441
Less: Estimated bad debts	(58,664)	(26,437)
	3,865,554	10,017,041

Debtors from settlement contract item refers to an amount owed by Compañía de Telecomunicaciones de Chile (CTC) to our mother company as result of an agreement reached with them that settled all legal actions pending on January 15 1996

(9) PAPERS AND ACCOUNTS RECEIVABLE FROM RELATED COMPANIES

During 1996 and 1995, consolidated companies in the Group made significant transactions and/or had amounts receivable at the close of each period with/from the following related companies that are not part of the consolidation:

	TRN(*)	Relationship
With base in Chile:		
Entel Celular S.A.	79.826.760-4	Affiliate
Entelmóvil S.A.	96.679.680-4	Affiliate
Entelphone S.A.	96.697.410-9	Affiliate
Entel PCS S.A.	96.806.980-2	Affiliate
Transaxion S.A.	96.672.640-7	Cross-linked Co.
Buenaventura S.A.	96.590.080-2	Indirectly cross-linked Co.
Chilquinta S.A.	94.270.000-8	Senior stockholder
With base abroad:		
Entel México S.A. de C.V. (Mexico)	-	Affiliate
Arnet S.A. (Argentina)	-	Affiliate
Zetacom de Centroamérica S.A. (Panama)	-	Affiliate
AmericaTel (Ecuador)	-	Cross-linked Co. of an affiliate
AmericaTel (Peru)	-	Cross-linked Co. of an affiliate
AmericaTel (Colombia)	-	Cross-linked Co.
Stet International Netherlands N.V.	-	Senior stockholder
Samsung Electronics Co. Ltd. (South Korea)	-	Mother company in common with a senior stockholder
Telecom (Italy)	-	Mother company in common with a senior stockholder

(*)TRN = Taxation Register Number





The following significant transactions and the following balances have occurred or are outstanding with/from related companies during 1996 and 1995.

		1996	1995
Transactions:			
Entelmóvil S.A.			
Services provided	(1)	46,464	61,737
Reimbursement of expenses	(3)	152,902	.
Loans granted	(3)	22,986,154	.
Interests on loans	(1)	257,667	.
Capital contribution	(3)	.	42,170
Entel PCS S.A.:			
Capital contribution	(3)	10,009	.
Loans granted	(3)	22,995,632	.
Reimbursement of expenses	(3)	9,045	.
Interests on loans	(1)	245,080	.
Buenaventura S.A.:			
Services provided	(1)	665,347	693,733
Transaxion S.A.:			
Capital contribution	(3)	44,093	127,216
Reimbursement of expenses	(3)	923	.
Services provided	(1)	3,238	2,335
Services received	(2)	.	48,550
Chilquinta S.A.:			
Services provided	(1)	41,045	51,297
Services received	(2)	69,476	54,008
Stet International Netherlands N.V.:			
Underwriting/payment for shares	(3)	115,103,330	.
Reimbursement of expenses	(3)	9	.
Entel México S.A. de C.V. (Mexico)			
Capital contribution	(3)	.	4,009
Reimbursement of expenses	(3)	.	1,258
AmericaTel Colombia S.A.			
Reimbursement of expenses	(3)	23,042	581
AmericaTel Ecuador:			
Reimbursement of expenses	(3)	1,808	.
AmericaTel Peru:			
Reimbursement of expenses	(3)	2,116	3,016
Loans granted	(3)	6,284	.
Telecom Italia S.P.A.			
Services provided	(1)	2,040,936	.
Services received	(2)	324,906	.
Telecom Italia Móvil			
Reimbursement of expenses	(3)	37	.
Samsung Electronics Co. Ltd.:			
Purchase of equipment	(3)	1,245,189	.

(1) Affected income of the Company.

(2) Affected expenses of the Company

(3) Did not have any effect on profit & losses

(*) Includes all operations since start of corporate liaison.

Balances receivable	Current		Long term	
	1996 \$th.	1995 \$th.	1996 \$th.	1995 \$th.
Domestically:				
Entelmóvil S.A.	11,841,903	55,416	11,616,131	-
Entel PCS S.A.	23,240,885	-	-	-
Entel Celular	-	316,005	-	-
Buenaventura S.A.	1,775,367	61,857	-	-
Transaxion S.A.	1,144	97	-	-
Entelphone S.A.	-	1,564	-	-
Chilquinta S.A.	5,021	1,501	-	-
Motorola INC	6,606	-	-	-
Domestic total	36,870,926	436,440	11,616,131	-
Internationally:				
Arnet S.A.	-	19,651	-	130,820
Zetacom S.A.	-	12,667	-	240,313
AmericaTel Colombia S.A.	16,738	581	-	-
AmericaTel Peru	45,327	18,987	-	-
AmericaTel (Ecuador)	766	-	-	-
Entel México S.A. de C.V.	1,232	-	-	1,257
Telecom Italia S.P.A.	3,631,577	-	-	-
Stet Internacional Netherlands N.V.	9	-	-	-
Telecom Italia Móvil	37	-	-	-
Inversiones Zetacom	50,960	-	-	-
International total	3,701,319	51,886	-	372,390
Total receivable	40,572,245	488,326	11,616,131	372,390
Balances payable				
Inversiones Zetacom	57,642	-	-	-
AmericaTel Peru	416	-	-	-
AmericaTel Ecuador	1,495	-	-	-
Entelphone S.A.	-	12,754	-	-
Total payable	59,553	12,754	-	-

Most significant balances from cross-company transactions are amounts owed by the affiliates Entel Móvil S.A. and Entel PCS S.A. in their development stage. They include loans granted by the mother company of UF1,730,000 to each of these affiliates in an aggregate amount of \$th.446,464,139 on December 31 1996.

Said loans were allocated to issue a bid bond required by these two companies to bid in the new system "1990 Digital Mobile Telephony".

These funds were sold in the financial market and resulting bonds were given in pledge to the banks that issued the bid bonds.

Adjustments and interests accrued from these transactions shall be paid to the mother company.

The term for re-payment of these loans to the mother company is subject to return of bid bonds by Chilean Subsecretaría de Telecomunicaciones (the bidding entity). It is anticipated that the bid bond of Entel PCS will be fully returned during 1997, while the bid bond of Entel Móvil will be returned in 50% during 1997 and in 50% in four identical partial returns since 1998.





(10) RECOVERABLE TAXES

breakdown of this item is as follows:

	1996 \$th.	1995 \$th.
Provisory monthly payments (PMP) as advancement against annual taxes	1,937,584	1,151,386
Recoverable income taxes		1,076,987
Income taxes accrued	(2,082,970)	
Value Added Tax pending for compensation	1,803,116	
	1,657,730	2,228,373

(11) EXPENSES PRE-PAID

Breakdown of this item is as follows:

	1996 \$th.	1995 \$th.
Rights on advertising contracts	2,539,579	929,503
Portion to be paid in the short term against:		
Discounts in bonus marketing	192,942	245,395
Disbursements for severance indemnity	250,990	250,990
Others	652,454	548,412
	3,635,965	1,974,300

(12) OTHER CURRENT ASSETS

Detail of other current assets is as follows:

a) Financial marketing as rights payable for compromised sale of financial instruments in portfolio. On December 31 1996 and 1995, said rights consisted of backsale provisions included in the following agreements on purchase of bonds:

Entity Instrument		Validity date	Validity term	Amount 1996 \$th.	Amount 1995 \$th.
Banco Bice					
Central Bank promissory note	PRC	12.30.96	01.02.97	103,798	-
Time deposit in Banco BICE	DPF	12.30.96	01.02.97	23,036	-
Time deposit in Banco Santander	DPR	12.30.96	01.02.97	103,472	-
Time deposit in Banco O'Higgins	DPR	12.30.96	01.02.97	111,605	-
Banco Santander					
Central Bank promissory note	PCD	12.16.96	01.02.97	5,318	-
Central Bank promissory note	PRC	12.16.96	01.02.97	1,295,501	-
Central Bank promissory note	PRBC	12.16.96	01.02.97	447,881	-
Stock brokers BanChile Corredores de Bolsa S.A.					
Central Bank promissory note	PRBC	12.29.95	01.02.96	-	527,440
Time deposit in Banco Santander	DPF	12.29.95	01.02.96	-	10,617
Time deposit in Banco Concepción	DPF	12.29.95	01.02.96	-	324
Central Bank promissory note	PDPA	12.29.95	01.02.96	-	39
Total in marketing				2,090,611	538,420
b) Other investments				602,249	-
Total				2,692,860	538,420

(13) FIXED ASSETS

Main properties in the various items of fixed assets are:

a) Constructions and infrastructure works

Among the various civil works owned by ENTEL Group, the most important one is Centro Nacional de Telecomunicaciones, with a gross value of \$th. 15,251,248 on December 31 1996.

b) Machinery and equipment

Included the following kinds of assets on December 31 in each year:

	1996 \$th.	1995 \$th.
Telecommunication equipment	254,780,898	227,595,487
Electrical-mechanical equipment	17,399,967	17,379,703
Transportation equipment	691,552	419,373
Satellital and other communications systems	30,346,164	31,737,727
Instruments & tools	6,576,648	6,306,956
	309,795,229	283,439,246

c) Other fixed assets

Included the following properties on December 31 of each year:

	1996 \$th.	1995 \$th.
Works in construction	20,193,693	9,255,401
Equipment, materials, spare parts:		
- At warehouse	9,591,886	6,365,053
- In transit	2,172,788	3,629,037
Office furniture and equipment	15,545,985	10,549,861
Equipment obtained under leasing:		
- Real States	8,944,645	7,754,186
- Equipment	2,638,633	1,647,684
Others	769,138	193,628
	59,856,768	39,394,850

Real States under leasing refer to a Real State leasing contract respect to the premises where the headquarters of the mother company are currently operating.

d) Depreciation

Accumulated depreciation on December 31 1996 and 1995 included depreciation charged in said years of \$th. 23,856,475 and \$th. 20,421,788 respectively.

(14) INVESTMENTS IN RELATED COMPANIES

Entel Group has several cross-related companies. See Note 2 for their legal names and ownership percentages.





ENTEL capital ownership in said related companies is reflected in the following statement. Affiliate companies whose financial statements have not been consolidated with the Group are also included.

a) Investments	Updated initial balance \$th.	Contribution net variation \$th.	1996 Adjustment and others \$th.	Net investment \$th.	1995 Net investment \$th.
In Chile:					
Entelmóvil S.A. (*)	264,757	-	(72,030)	192,727	264,757
Entelphone S.A. (**)	-	-	-	-	447,761
Transaxion S.A.	70,934	44,093	(73,895)	41,132	70,934
Entel Celular S.A. (***)	-	-	-	-	312,109
Buenaventura S.A. (****)	729,478	-	14,570	744,048	-
Entel PCS (***)	-	10,131	-	10,131	-
Abroad:					
Entel México S.A. de C.V. (*)	45,064	-	(35,707)	9,357	45,064
Arnet S.A. (**)	-	-	-	-	631,746
Americatel Colombia	-	-	-	-	1,731,696
Zetacom S.A. (**)	-	-	-	-	557,945
Americatel (Ecuador)	44,701	169,563	(128,737)	85,527	44,701
Americatel (Peru)	-	-	-	-	169,494
Americasky Corp. (USA)	-	-	5,149	5,149	-
	1,154,934	223,787	(290,650)	1,088,071	4,276,207

b) Investments decreased value	Updated initial balance \$th.	Increase \$th.	1996 Amortization and transfers \$th.	Final balance \$th.	1995 Final balance \$th.
Entel Telefonía Personal S.A.	-	9,426,472	(258,319)	9,168,153	-
Americatel Colombia S.A.	677,530	-	(677,530)	-	677,530
Sotel S.A.	805,327	-	(87,063)	718,264	805,327
Zetacom S.A.	854,189	-	(94,910)	759,279	854,189
Americatel Corp. (USA)	381,933	2,783,621	(159,065)	3,006,489	381,933
Arnet S.A.	1,053,232	91,622	(120,368)	1,024,486	1,053,231
Insta Beep Ltda.	-	302,672	(32,142)	270,530	-
	3,772,211	12,604,387	(1,429,397)	14,947,201	3,772,210

(*) Companies in a development stage on December 31 1996.

(**) Companies in a development stage on December 31 1995

(***) Affiliate in 1996

(****) Related company of an affiliate in 1996.

Main transactions respect to investments in related companies during 1996 refer to:

Americatel Colombia S.A.: After arranging financial statements of this company under accounting principles generally accepted in Chile and as assessed pursuant to provisions in Technical Bulletin 51 of Colegio de Contadores de Chile, it was established that this company had a negative capital stock. Hence, its assessment under proportional capital stock value was discontinued and recorded at a value of Ch\$1. Upon a decision of the Board of Directors of the mother company, ownership participation in Americatel Colombia was put to sale. Decreased resulting value of \$th.602,249 was therefore transferred to current assets in the item Other Current Assets.

Transaxion S.A.: A capital increase of UF18,320 divided into 1,000 shares was agreed in an Extraordinary General Meeting of Shareholders of this company on January 25 1996. In underwriting and paying 180 shares, the mother company has disbursed \$th.44,093.

Entel PCS S.A. was established with public deed of October 3 1996 to create and operate mobile telecommunication systems. Its corporate capital was established to be \$th.10,000 divided into 10,000 shares. This capital was fully underwritten and paid by the mother company (99%) and by Entel Inversiones S.A. (1%).

(15) INVESTMENTS IN OTHER COMPANIES

These are mainly contributions made by Entel as signatory to International Telecommunications Satellite Organization (INTELSAT) and to International Mobile Satellite Organization (INMARSAT). These contributions, paid in U.S. currency, covered some charges equivalent to the capital stock portion paid by the mother company, as follows:

	1996		1995	
	US\$M	\$th.	US\$M	\$th.
INTELSAT	13,795	5,861,085	14,073	6,104,358
INMARSAT	577	245,244	479	207,694
Semi-total	14,372	6,106,329	14,552	6,312,052
Other investments	.	57,642	.	57,642
Total	14,372	6,163,971	14,552	6,369,694



Participation percentage of Entel at the end of each periods was 0.6747730% (1996) and 0.6481717% (1995) in INTELSAT and, 0.06513% (1996) and 0.06513% (1995) in INMARSAT.

0.647730% of ENTEL participation in INTELSAT in 1996 was paid by the mother company. The balance was paid by Arnet (Argentina).

Entel share in earnings of these two companies was \$th.1,002,743 (1996) and \$th.853,204 (1995). These amounts have been credited against income on accrued basis (See Note 29).

All investments in this item are within the business scope of the companies of the Group.

(16) LONG TERM DEBTORS

This item had the following detail on December 31 1996 and 1995:

	1996 \$th.	1995 \$th.
Sundry debtors	.	2,477,046
Benefits to personnel	243,460	273,718
Securities and others	756,826	1,987,053
	1,000,286	4,737,817

Balance in the account Sundry Debtors as on December 31 1995 represents amounts owed since 1992 by Compañía de Telecomunicaciones de Chile S.A.-(CTC) to ENTEL as result of a dispute risen on application of some contracts ruling provision of international telephony services by then. The dispute was brought to a settlement and the mother company was paid the outstanding amounts.



(17) OTHER ASSETS

The amount in the account Others (item Other Assets) reflects the portion to be paid beyond one year respect to the following deferred expenses:

- Difference of par value and sale value of bonds of public offer (see Note 19), of \$th 284,333 (1996) and \$th 476,705 (1995).
- Expenses arisen from recognition of severance indemnity (length of services of employee with a retrospective effect, see Note 22) of \$th 367,073 (1996) and \$th 618,066 (1995).
- Expenses related to deferred taxes (net) of \$th 389,399 (1996) and \$th 354,008 (1995) - See Note 21
- Advertising contracts for more than one year by \$th 120,000 in 1996.

The origin of these amounts and the way they are credited or transferred to profit or loss are treated according to accounting criteria discussed in Note 2 in each case.

(18) CURRENT LIABILITIES AND LONG TERM LIABILITIES

a) Detailed statements

Appendixes 1 through 4 to this note contain detailed data on creditors, liabilities terms, adjustments or interests of liabilities. Said appendixes relate to the amounts stated in the balance sheet as follows:

	Current \$th.	Long term \$th.
Liabilities before banks or financial entities		
Short term contracts (Appendix 1)	12,844,813	
Long term contracts (Appendix 2):		
Short term portion	5,752,623	
Portion beyond 1 year		3,219,725
Other liabilities		
Short term contracts (Appendix 4)	36,183,266	
Long term contracts (Appendix 3)		
Short term portion	7,667,965	
Portion beyond 1 year		50,333,566
	62,448,667	53,553,291

Appendix 4 contains the consolidated total of non-bank liabilities payable within the next 12 months as classified upon the kind of currency or adjustment terms under which they were taken.

Current liabilities themselves are made up of the following items: Short-term liabilities before banks or financial entities. Dividends payable; Accounts payable; Sundry creditors, Papers or accounts payable to related companies (see Note 9); Reserves (Note 20); Withholdings; Income tax (see Note 21) and; Income received in advance.

b) Accounts payable

Breakdown of this item is as follows:

	Maximum due date	1996 \$th.	1995 \$th.
Agents abroad	180 days	8,377,666	11,473,746
Telecommunications suppliers	30 days	1,286,257	1,684,296
Foreign suppliers	90 days	6,582,803	2,013,881
INTELSAT	90 days	952,771	741,740
Other suppliers	360 days	13,772,990	5,493,645
		30,972,487	21,407,308

c) Quarterly maturities

Due dates of current portion of long-term liabilities (see Appendixes 2 and 3 to this note for details) each year quarter are as follows:

	1997 \$th.	1996 \$th.
· First quarter	4.633.879	1.923.757
· Second quarter	2.866.690	3.149.472
· Third quarter	1.264.604	9.538.684
· Fourth quarter	4.655.415	7.897.452
	13.420.588	22.509.365

18.1 Short-term liabilities before banks or financial entities

Balances on December 31 1996 were as follows:



Bank or Financing Entity	Kind of currency								Totals	
	US\$		Other foreign currencies		UF		\$ non ajustable		1996 \$th.	1995 \$th.
	1996 \$th.	1995 \$th.	1996 \$th.	1995 \$th.	1996 \$th.	1995 \$th.	1996 \$th.	1995 \$th.		
Banco de Chile	42.487	192.363	-	-	-	-	-	-	42.487	192.363
Banco de Santiago	7.543	-	-	-	823.727	-	-	-	831.270	-
Chase Manhattan Bank N.A.	-	324.652	-	-	-	-	-	-	-	324.652
The Bank of Tokyo Ltd	2.430	176.389	-	-	-	-	-	-	2.430	176.389
Banco O'Higgins	-	217.366	-	-	-	-	-	-	-	217.366
Banco Santander	-	603.675	-	-	308.729	-	410.624	-	719.353	603.675
Banco del Estado	-	-	-	-	-	-	-	693.243	-	693.243
Chemical Bank	-	2.225.220	-	-	-	-	-	-	-	2.225.220
Banco Boston	-	-	-	-	1.765.742	-	-	-	1.765.742	-
Banco Exterior	-	-	-	-	171.690	-	-	-	171.690	-
Banco Bice	4.102	-	-	-	379.820	-	258.896	-	642.818	-
Banco de Crédito e Inversiones	-	-	-	-	670.823	-	313.031	367.143	983.854	367.143
Banco Bihf	-	-	-	-	1.587.952	-	-	-	1.587.952	-
Banco Security	-	-	-	-	-	-	724.409	-	724.409	-
Banco Sudamericano Republic National Bank N.Y.	-	-	-	-	224.945	-	186.583	-	411.528	-
Banco Sudamers	2.729.273	-	-	-	-	-	-	-	2.729.273	-
Banco Trasandino S.A.	1.039.176	-	-	-	-	-	-	-	1.039.176	-
Citibank A	594.063	-	-	-	-	-	-	-	594.063	-
	598.768	-	-	-	-	-	-	-	598.768	-
Totals	5.017.842	3.739.665	-	-	5.933.428	-	1.893.543	1.060.386	12.844.813	4.800.051
Owed capital amount	4.975.662	3.670.253	-	-	5.078.169	-	1.073.059	1.060.386	11.126.890	4.730.639
* Annual average interest rate	7.01%	8.61%			8.51%		1.10%		7.12%	7.24%

	1996	1995
Portion of liabilities in foreign currency:	39.07%	84.36%
Portion of liabilities in domestic currency:	60.93%	15.64%
	100.00%	100.00%

* Weighed upon capital balance



Notes on Financial Statements

on December 31 1996 or 1995

(1) CORPORATE REGISTER

Entel has been registered with number 0162 in Chilean Stock Registry and is, therefore, subject to auditing by *Superintendencia de Valores y Seguros*.

(2) ACCOUNTING CRITERIA APPLIED

a) General criteria

These financial statements were prepared according to Accounting principle generally accepted and in observance of rules of *Superintendencia de Valores y Seguros*, save that investments in affiliated companies have been recorded in a single line in the general balance at their net worth percentage and not consolidated line by line. This accounting treatment, however, does not alter net outcome in the period or amount of corporate net worth.

These financial statements have been issued merely to show an analysis of Entel alone and should be, therefore, read along with its related consolidated financial statements as required under accounting principles generally accepted.

b) Adjustment for currency devaluation

In conformity to regulations in force, financial statements of both periods are expressed in currency representing the same purchasing power as on December 31 1996.

For said purpose, financial statements on December 31 1995 and values mentioned in notes to said statements were adjusted out of accounting in 6.6 percent, i.e., the variation in Chilean Consumer Index Price in the twelve months previous to December 1996.

c) Translation of currency

Assets or liabilities in foreign currency or in other values have been translated into Chilean pesos upon exchange values in force at the end of the period. The following exchange rates were in force on December 31 1996 and 1995.

Currency or value		Exchange rate (Ch.\$)	
		1996	1995
Dollars of the U.S.A.	(US\$)	424.87	406.91
Canadian Dollars	(CAN\$)	310.78	298.74
Special drawing right	(SDR)	609.77	604.87
Unidades de Fomento	(UF)	13,280.43	12,482.81

d) Fixed assets and depreciation

Fixed assets are reflected at their purchase price after legal re-assessments. Depreciation was reckoned over re-assessed net value of assets in operation upon a straight line method with consideration to useful life of each kind of asset as established with studies or in conformity to regulations in force.

e) Financial leasing

Assets let under a rental contract of leasing type were accounted as assets and their value was established at current value of installments compromised plus the amount to be paid to exert a purchase option. Re-assessment or depreciation of assets so leased are reckoned pursuant to general rules applying to common fixed asset.

h) Investment in related companies

On December 31 1996 and 1995, the mother company maintained a capital proprietorship in its following related companies:

Affiliates:

	Direct or indirect participation	
	1996	1995
Entel Inversiones S.A.	99.99%	99.99%
Entel Servicios Telefónicos S.A., Enteléfono S.A.	99.99%	99.99%
Entel Internacional S.A.	99.99%	99.99%
Entel Telefonía Móvil S.A., Entelmóvil S.A.	61.66%	59.02%
Entel Telefonía Local S.A., Entelphone S.A.	99.99%	99.99%
Entel Celular S.A.	59.16%	33.33%
Micarrier Telecomunicaciones S.A., Micarrier S.A.	99.99%	99.99%
Entel PCS Telecomunicaciones S.A., Entel PCS S.A.	99.99%	99.99%
Satel Telecomunicaciones S.A.	100.00%	100.00%
Entel México S.A. de C.V. (Mexico)	75.20%	72.61%
Entel international B.V.I. (British Virgin Islands)	99.99%	99.99%
Zetacom de Centroamérica S.A. (Panama)	70.00%	70.00%
Arnet S.A. (Argentina)	60.00%	60.00%

Related companies:

Red de Transacciones Electrónicas S.A., Transaxion S.A.	47.10%	44.90%
Empresa Colomboamericana de Telecomunicaciones S.A., Americatel Colombia S.A.	35.00%	35.00%

With indirect investment:

	Direct or indirect participation	
	1996	1995
AmericaTel Corp (U.S.A.) through Entel International B.V.I. Corp.	100.00%	80.00%
America Sky (U.S.A.) through Entel International B.V.I. Corp.	20.00%	
AmericaTel (Peru) through AmericaTel Corp. (U.S.A.)	50.00%	40.00%
Americana de Teléfonos S.A., Americatel (Ecuador), through AmericaTel Corp. (U.S.A.)	50.00%	40.00%
Buenaventura S.A. through Entel Celular S.A.	29.58%	16.67%
Sociedad de Telecomunicaciones Insta Beep Ltda., through Entel Telefonía Personal S.A.	59.16%	

Investments in affiliates or in related Co's. have been assessed as a function of Entel ownership on their capital stock (percentage ownership value or POV) and include profits or losses of those companies.

Differences rose in recording or increasing ownership participation of ENTEL in related companies (i.e. of prices paid against resulting percentage ownership value in the company where the transference has occurred) have been deferred (lower investment value) and put subject to amortization upon expected time for return of investment in a maximum term of 10 years.

g) Investment in other companies

These are main referred to contributions made to international telecommunication entities, and are reflected as a percentage contributed by Entel to the equity capital of said entities as translated at exchange rates in force in each period end.

Participation in profit(losses) are reflected as they occur.

h) Assessment of foreign investment

Respect to permanent investment in foreign companies, Entel rights on capital assets and income of said companies have been established and accounted upon risk factors ranked (currency exchange and inflation) for the country where the investment has been made.

For these purposes, countries of low risk are countries exporters of capital or products which domestic inflation has not exceeded an average of 10% in the last five years.



r) Contracts upon future exchange rates

Only net difference in rights and obligations from this kind of contracts are recorded in the balance sheet, in both cases assessed as per relevant agreement.

In those cases where our counterparty obtains discounts from this arrangement, resulting amount is deferred and then charged to expenses in straight line during the term of relevant contract.

s) Cash flow statement

In preparing this statement, only balances available in cash or in banks have been considered as cash. There are no other amounts classified as cash equivalent.

Cash flows resulting from operation activities include only incomes or disbursements resulting from common operations of the Company.

(3) ACCOUNTING CHANGES

New norms established with Technical Bulletin number 51 of Colegio de Contadores de Chile respect to translation into Chilean currency of rights from permanent investments abroad were observed in the period 1996. Accordingly, \$th 190,677 are now included in the capital account Adjustment accumulated from money exchange difference (as opposite to credit against income in the past).

Effective from January 1 1996 and as established with Technical Bulletin 50 of Colegio de Contadores de Chile A.G., statements of changes in financial position should be replaced with an obligatory cash flow statement. Later, Superintendencia de Valores y Seguros established with their Form Letter number 00386 of January 23 1997 that preparation of a statement on changes of financial position was still mandatory while cash flows statements were obligatory as a supplement only. Financial statements on December 31 1996 contain, therefore, both kinds of statements.

During 1995, the Company ceased to record deferred taxes associated with temporary differences of depreciation as reckoned under financial criteria or as reckoned pursuant to taxation norms.

(4) ADJUSTMENT FOR CURRENCY DEVALUATION

Application of indexing norms (see Note 2), variations in exchange rates and adjustments practiced on December 31 of each year had the following effect on profit and losses:

	1996 \$th.	1995 \$th.
Credits (charges) from update of:		
Current assets	309,107	(168,781)
Fixed assets	12,767,073	15,177,382
Other assets	2,214,918	1,627,755
Current and long term liabilities	(3,454,228)	(5,958,633)
Capital stock (net)	(11,726,980)	(10,068,768)
Net figures after adjustment of assets and liabilities	109,890	608,955
Exchange rate fluctuations (net)	(383,634)	506,998
Adjustments (net)	237,273	58,544
Net outcome in the period	(36,471)	1,174,497
Carry-forwards from updating of outcome accounts	(1,092,708)	(947,256)
Balance in the account currency adjustment	(1,129,179)	227,241





Transactions:		1996 Ch\$	1995 Ch\$
Micarrier S.A.:			
Services provided	(1)	-	408,967
Purchase of fixed assets	(3)	-	1,415,221
Loans received	(3)	125,263	10,738
Reimbursement of expenses	(3)	7,198	-
Interests on debt	(2)	86,995	-
Entelmóvil S.A.:			
Services provided	(1)	46,464	61,737
Reimbursement of expenses	(3)	152,902	-
Loans granted	(3)	22,986,154	-
Interests on loans	(1)	257,667	-
Capital contribution	(3)	-	42,170
Entelphone S.A.:			
Capital contribution	(3)	4,010,147	1,262,628
Services provided	(1)	486,949	-
Services received	(2)	287,893	48,711
Loans granted	(3)	1,674,295	-
Interests on debt	(1)	29,397	-
Purchase of facilities	(3)	287,578	-
Pre-paid rentals	(3)	110,024	-
Satel Telecomunicaciones S.A.:			
Services provided	(1)	497,635	742,062
Services received	(2)	191,068	163,873
Purchase of shares	(3)	-	1,441,633
Loans granted	(3)	35,803	580,322
Loans received	(3)	211,539	-
Reimbursement of expenses	(3)	4,254	-
Interests on loans granted	(1)	27,533	-
Interest on loans received	(2)	1,709	-
Entel Celular S.A.:			
Services provided	(1)	2,034,746	1,093,495
Services received	(2)	105,180	32,875
Loans granted	(3)	650,000	-
Reimbursement of expenses	(3)	14,922	-
Capital contribution	(3)	4,323,776	-
Interests on loans	(1)	34,627	-
Entel PCS S.A.:			
Capital contribution	(3)	10,009	-
Loans granted	(3)	22,995,632	-
Reimbursement of expenses	(3)	9,045	-
Interests on loans	(1)	245,080	-
Buenaventura S.A.:			
Services provided	(1)	665,347	693,733
Transaxion S.A.:			
Capital contribution	(3)	44,093	127,216
Reimbursement of expenses	(3)	923	-
Services provided	(1)	3,238	2,335
Services received	(2)	-	48,550
Chilquinta S.A.:			
Services provided	(1)	41,045	51,297
Services received	(2)	69,476	54,008
Stet International Netherlands N.V.:			
Underwriting/payment for shares	(3)	115,103,330	-
Reimbursement of expenses	(3)	9	-
Entel México S.A. de C.V. (Mexico)			
Capital contribution	(3)	-	4,009
Reimbursement of expenses	(3)	-	1,258



Balances receivable	Current		Long term	
	1996 \$th.	1995 \$th.	1996 \$th.	1995 \$th.
Domestically				
Entel fónica S.A.	165,544	676,760	819,403	233,551
Entelmóvil S.A.	11,841,903	55,416	11,616,131	-
Entel PCS S.A.	23,240,885	-	-	-
Satel Telecomunicaciones S.A.	-	1,015	-	580,322
Entel Telefonía Personal S.A.	417,382	316,005	-	-
Buenaventura S.A.	48,893	61,857	-	-
Transaxion S.A.	1,144	97	-	-
Entel Inversiones S.A.	1,518	489	228,381	115,715
Entelphone S.A.	-	1,564	1,674,295	-
Entel Internacional S.A.	-	24,014	1,144,736	649,416
Chilquinta S.A.	5,021	1,501	-	-
Domestic total	35,722,290	1,138,718	15,482,946	1,579,004
Internationally				
Entel International B.V.I Corp.	4,515	1,019	319,211	303,195
Arnet S.A.	170,659	19,651	-	130,820
Zetacom S.A.	623,878	12,667	-	240,313
AmericaTel Colombia S.A.	16,738	581	-	-
AmericaTel U.S.A.	187,030	145,916	-	-
AmericaTel Peru	-	3,016	-	-
AmericaTel (Ecuador)	766	-	-	-
Entel México S.A. de C.V.	1,232	-	-	1,257
Telecom Italia S.P.A.	3,631,577	-	-	-
Stet Internacional Netherlands N.V.	9	-	-	-
Telecom Italia Móvil	37	-	-	-
International total	4,636,441	182,850	319,211	675,585
Total receivable	40,358,731	1,321,568	15,802,157	2,254,589
Balances payable				
Domestically:				
Micarrier S.A.	-	-	1,640,891	1,415,221
Entel Internacional S.A.	39,094	-	-	-
Entelphone S.A.	252,756	-	-	-
Satel telecomunicaciones S.A.	206,602	-	-	-
	498,452	-	1,640,891	1,415,221

Most significant balances from cross-company transactions are amounts owed by Entel Móvil S.A. and by Entel PCS S.A., which include a loan of UF1,730,000 granted by ENTEL to each of these affiliates in an aggregate amount of \$th. 46,464,139 on December 31 1996.

These loans were allocated to issue a bid bond required by these two companies to bid in the new system 1990 Digital Mobile Telephony.

These funds were offered in the financial market. Resulting bonds were given in pledge to the banks that issued the bid bonds.

Adjustments and interests accrued from these financial transactions shall be re-paid to ENTEL.

The term for re-payment of these loans is subject to return of bid bonds by Chilean Subsecretaria de Telecomunicaciones (the bidding entity). It is anticipated that the bid bond of Entel PCS will be fully returned during 1997, while the bid bond of Entel Móvil will be returned in 50% during 1997 and in 50% in four identical partial returns since 1998.

(9) RECOVERABLE TAXES

Breakdown of this item is as follows:

	1996 Ch\$	1995 Ch\$
Provisory monthly payments (PMP) as advancement against annual taxes	1,724,916	1,085,365
Recoverable income taxes		1,076,987
Income taxes accrued	(1,955,000)	
	(230,084)	2,162,352



These balances are included either in the account "Recoverable Taxes" in 1995 or in "Taxes Payable" in 1996 depending upon their nature (See note 20).

(10) EXPENSES PRE-PAID

Breakdown of this item is as follows:

	1996 Ch\$	1995 Ch\$
Rights on advertising contracts	2,362,026	929,503
Portion to be paid in short term against:		
• Discounts in bonus marketing	192,942	245,395
• Disbursements from severance indemnity	250,990	250,990
• Others	437,260	529,860
	3,243,218	1,955,748



(11) OTHER CURRENT ASSETS

Break down of this item is as follows:

a) Financial investment as rights to collect for compromised sale of financial instruments in portfolio. These rights represented backsale clauses contained in the following contracts on sale of stock on December 31 1996 and 1995:

Entity/Instrument	Transaction date	Transaction term	Amount	
			1996 \$th.	1995 \$th.
Banco Bice				
Central Bank promissory note	PRC	12.30.96	103,798	-
Time deposit in Banco BICE	DPF	12.30.96	23,036	-
Time deposit in Banco Santander	DPR	12.30.96	103,472	-
Time deposit in Banco O'Higgins	DPR	12.30.96	111,605	-
Banco Santander				
Central Bank promissory note	PCD	12.16.96	5,318	-
Central Bank promissory note	PRC	12.16.96	1,295,501	-
Central Bank promissory note	PRBC	12.16.96	447,881	-
Stock brokers BanChile Corredores de Bolsa S.A.				
Central Bank promissory note	PRBC	12.29.95	-	527,440
Time deposit in Banco Santander	DPF	12.29.95	-	10,617
Time deposit in Banco Concepción	DPF	12.29.95	-	324
Central Bank promissory note	PDPA	12.29.95	-	39
Total sales compromised			2,090,611	538,420
b) Other investments			602,249	
Total other current assets			2,692,860	538,420

(12) FIXED ASSETS

Main properties in the various items of fixed assets are:

a) Constructions and infrastructure works

Among the various civil works owned by ENTEL Group, the most important one is Centro Nacional de Telecomunicaciones, with a gross value of \$th.15,251,248 on December 31 1996.

b) Machinery and equipment

Included the following kinds of assets on December 31 in each year:

	1996 \$th.	1995 \$th.
Telecommunications equipment	239,416,717	223,726,986
Electrical-mechanical equipment	17,361,511	17,379,703
Satellital and other communications systems	29,186,124	29,162,166
Instruments & tools	6,457,514	6,300,608
Carriage equipment	292,368	320,457
	292,714,234	276,889,920

c) Other fixed assets

Included the following properties on December 31 of each year:

	1996 \$th.	1995 \$th.
Works in construction	16,806,243	8,849,539
Equipment, materials, spare parts:		
- At warehouse	9,591,886	6,365,053
- In transit	2,001,582	3,449,669
Office furniture and equipment	11,754,114	9,620,368
Equipment obtained under leasing:		
- Real States	8,346,294	7,754,186
- Equipment	1,643,307	1,647,684
Others	125,804	193,627
	50,269,230	37,880,126



Real States under leasing refer to a Real State leasing contract respect to the premises where the headquarters of the mother company are currently operating.

d) Depreciation

Accumulated depreciation on December 31 included depreciation charged in said years of \$th. 21,144,468 (1996) and \$th. 19,648,175 (1995).

(13) INVESTMENTS IN RELATED COMPANIES

Proprietorship rights of Entel upon investment in affiliates or in related companies were as follows as to December 31 of these years.

a) Investments

	Initial updated balance \$th.	1996 Variations		Net investment \$th.	1995 Net investment \$th.
		Contributions \$th.	Adjustments and others \$th.		
In Chile:					
Entel Inversiones S.A.	268,993	-	18,069	287,062	268,993
Entel Internacional S.A.	23,170	-	(23,169)	1	23,170
Entelónica S.A.	1	-	500,621	500,622	1
Micarrrier S.A.	1,703,043	-	61,359	1,754,402	1,703,043
Entelmóvil S.A. (*)	264,757	-	(72,030)	192,727	264,757
Entelphone S.A. (**)	443,283	4,010,147	(2,002,965)	2,450,465	443,283
Satel S.A.	1,222,102	-	851,147	2,073,249	1,222,102
Transaxion S.A.	70,934	44,093	(73,895)	41,132	70,934
Entel Celular S.A.	-	1,096,952	(359,571)	737,381	-
Entel PCS S.A. (**)	-	10,009	21	10,030	-
Abroad:					
Entel International B.V.I. Corp.	3,782,790	2,754,152	(1,802,599)	4,734,343	3,782,790
Entel México S.A. de C.V. (*)	45,064	-	(35,707)	9,357	45,064
Arnet S.A. (**)	631,746	932,217	(919,083)	644,880	631,746
AmericaTel Colombic	1,731,695	-	(1,731,695)	-	1,731,695
Zetacom S.A. (**)	557,945	-	(445,689)	112,256	557,945
	10,745,523	8,847,570	(6,035,186)	13,557,907	10,745,523



b) Investment lower value

	Initial updated balance \$th.	1996 Variations		Final balance \$th.	1995 Final balance \$th.
		Increase \$th.	Amortization & transferencias \$th.		
Entel Celular S.A.	-	9,426,472	(258,319)	9,168,153	-
AmericaTel Colombia S.A.	677,530	-	(677,530)	-	677,530
Sotel S.A.	805,327	-	(87,063)	718,264	805,327
Zetacom S.A.	854,189	-	(94,910)	759,279	854,189
Arnet S.A.	1,053,232	91,622	(120,368)	1,024,486	1,053,232
	3,390,278	9,518,094	(1,238,190)	11,670,182	3,390,278

(*) Companies in a development stage on December 31 1996.

(**) Companies in a development stage on December 31 1995

Main transactions in related companies were as follows in 1996:

Entel Internacional S.A.: Losses sustained by this company in this period caused a negative outcome. Assessment in terms of percentage proprietorship was therefore discontinued and recorded at a price of Ch\$1. A charge of \$th. 395,024 was concurrently debited against expenses to reflect uncovered percentage of balances owed to the mother company.

Americatel Colombia S.A.: After arranging financial statements of this company under accounting principles generally accepted in Chile and as assessed pursuant to provisions in Technical Bulletin 51 of Colegio de Contadores de Chile, it was established that this company had a negative capital stock. Hence, its assessment under proportional capital stock value was discontinued and recorded at a value of Ch\$1. Upon a decision of the Board of Directors of the mother company, ownership participation in AmericaTel Colombia was put to sale. Decreased resulting value of \$th. 602,249 was therefore transferred to current assets in the item Other Current Assets.

Entel fónica S.A.: This company reverted its losses and negative capital stock in the period and was, therefore, assessed in terms of percentage proprietorship. A provision for doubtful debt respect to amounts owed to the mother company was written-off.

Entelphone S.A.: In an Extraordinary Meeting of the shareholders of this company on December 29 1995, it was decided, among other things, that capital stock of Entelphone would be increased to \$th. 5,020,473 made up of 4,904,530 shares. On December 31 1996, Entel had underwritten and paid 4,620,499 of those shares for a price of \$th. 4,010,147. This amount was charged against capital contributions previously made by Entel.

Transaxion S.A.: A capital increase of UF18,320 divided into 1,000 shares was agreed in an Extraordinary General Meeting of Shareholders of this company on January 25 1996. In underwriting and paying 180 of those shares, the mother company has disbursed \$th. 44,093.

Entel Celular S.A. (former Telecom Celular S.A.): Entel bought 2,421 public shares, which corresponds to 17.67% of the capital underwritten and paid of this company. Added to some percentage previously owned through its affiliate Entel Inversiones S.A., ENTEL now owns 51% of this company (which is, therefore, an affiliate of ENTEL now). Entel Celular S.A. Corporate Bylaws were amended in an Extraordinary Meeting of Shareholders on December 19 1996 to, among other things, increase its capital from \$th. 7,311,349 (13,701 shares) to \$th. 11,538,94 (16,441 shares). This capital increase was fully underwritten and paid-in by ENTEL, which direct or indirect proprietorship share increased to 59.16%.

The price paid for the shares previously owned (\$th. 6,166,500) and for this new issue (\$th. 4,227,600) exceeded the book value of the shares in each period thus creating an aggregate «investment lower value» of \$th. 9,304,910 (or \$th. 9,426,472 after updating).

Entel PCS S.A.: This company was established with public deed of October 3 1996 to create and operate mobile telecommunication systems. Its corporate capital was established to be \$th. 10,000, made of 10,000 shares. This capital was fully underwritten and paid by the mother company (99%) and by Entel Inversiones S.A. (1%).

Entel Internacional B.V.I. Corp: During 1996, ENTEL paid contributions for future capital formation of this affiliate of US\$6,513,000 (\$th. 2,754,152).

Arnet S.A. (Argentina): ENTEL paid contributions of US\$2,160,000 (\$th 932,217) during 1996.

(14) INVESTMENTS IN OTHER COMPANIES

These are mainly contributions made by Entel as signatory to International Telecommunications Satellite Organization (INTELSAT) and to International Mobile Satellite Organization (INMARSAT). These contributions created rights (payable in U.S. currency) upon the percentage capital stock contributed by ENTEL as follows:

	1996		1995	
	US\$000	Ch\$000	US\$000	Ch\$000
INTELSAT	13,380	5,684,559	14,073	6,104,358
INMARSAT	577	245,244	479	207,694
Semi-total	13,957	5,929,803	14,552	6,312,052
Other investments	-	57,642	-	57,642
Total	13,957	5,987,445	14,552	6,369,694

Participation percentage of Entel at the end of each periods was 0.647730% (1996) and 0.6481717% (1995) in INTELSAT and, 0.06513% (1996) and 0.06513% (1995) in INMARSAT.

Entel share in the earnings of these two companies was \$th.1,002,743 (1996) and \$th.853,204 (1995). These amounts have been credited against income on accrued basis (See Note 28).

All investments in this item are within the business scope of the companies of the Group.

(15) LONG TERM DEBTORS

This item had the following detail on December 31 1996 and 1995:

	1996 \$th.	1995 \$th.
Soundry debtors	-	2,477,046
Benefits to personnel	243,460	273,718
Securities and others	104,666	133,866
	348,126	2,884,630

Balance in the account *Soundry Debtors* as on December 31 1995 represents amounts owed since 1992 by Compañía de Telecomunicaciones de Chile S.A. (CTC) to ENTEL as result of a dispute risen on application of some contracts ruling provision of international telephony services by then. The dispute was brought to a settlement and the mother company was paid the outstanding amounts.

(16) OTHER ASSETS

The amount in the account *Others* (item *Other Assets*) reflects the portion to be paid beyond one year respect to the following deferred expenses:

- Difference of par value and sale value of bonds of public offer (see Note 18), of \$th.284,333 (1996) and \$th.476,708 (1995).
- Expenses arisen from recognition of severance indemnity (length of services of employee with a retrospective effect - see Note 21) of \$th.367,073 (1996) and \$th.618,066 (1995).
- Expenses related to deferred taxes (net) of \$th.389,399 (1996) and \$th.354,088 (1995) - See Note 20.
- Advertising contracts for more than one year by \$th.120,000 in 1996.





The origin of these amounts and the way they are credited or transferred to profit or loss are treated according to accounting criteria discussed in Note 2 in each case.

(17) CURRENT LIABILITIES AND LONG TERM LIABILITIES

a) Detailed statements

Appendixes 1 through 4 to this note contain detailed data on creditors, liabilities terms, adjustments or interests of liabilities. Said appendixes relate to the amounts stated in the balance sheet as follows:

	Current \$th.	Long term \$th.
Liabilities before banks or financial entities		
Short term contracts (Appendix 1)	9,487	-
Long term contracts (Appendix 2):		
Short term portion	4,047,681	-
Portion beyond 1 year	-	28,416
Other liabilities		
Short term contracts (Appendix 4)	31,041,768	-
Long term contracts (Appendix 3)		
Short term portion	7,388,864	-
Portion beyond 1 year	-	50,791,602
	42,487,800	50,820,018

Appendix 4 contains the consolidated total of liabilities (other than to banks) payable within the next 12 months as classified upon the kind of currency or the adjustment terms under which they were taken.

Current liabilities themselves are made up of the following items: Short-term liabilities before banks or financial entities; Dividends payable; Accounts payable; Sundry creditors, Papers or accounts payable to related companies (see Note 8); Reserves (Note 19); Withholdings; Income tax (see Note 20) and; Income received in advance.

b) Accounts payable

Breakdown of this item is as follows:

	Maximum due date	1996 \$th.	1995 \$th.
Agents abroad	180 days	8,377,666	11,473,746
Telecommunications suppliers	30 days	1,199,167	1,684,296
Foreign suppliers	90 days	6,461,459	1,686,465
INTELSAT	90 days	952,771	741,740
Other suppliers	90 days	8,878,066	5,576,465
		25,869,129	21,162,716

c) Quarterly maturities

Due dates of current portion of long-term liabilities (see Appendixes 2 and 3 to this note for details) each year quarter are as follows:

	1996 \$th.	1995 \$th.
First quarter	3,096,170	1,747,451
Second quarter	2,713,605	2,683,651
Third quarter	1,076,452	9,423,398
Fourth quarter	4,550,318	7,497,646
	11,436,545	21,352,146

17.1 Short-term liabilities before banks or financial entities

Balances on December 31 1996 and 1995 were as follows:

Bank or financial entity		Kind of currency				Totals	
		US\$		Ch\$ - Non adjustable		1996	1995
		1996	1995	1996	1995		
Banco de Chile	\$th.	-	192,363	-	-	-	192,363
Banco de Santiago		7,057	-	-	-	7,057	-
Chase Manhattan Bank N.A.		-	324,652	-	-	-	324,652
The Bank of Tokyo Ltd.		2,430	176,389	-	-	2,430	176,389
Banco O'Higgins		-	217,366	-	-	-	217,366
Banco Santander		-	603,675	-	-	-	603,675
Banco del Estado		-	-	-	693,243	-	693,243
Chemical Bank		-	2,225,220	-	-	-	2,225,220
Totals	\$th.	9,487	3,739,665	-	693,243	9,487	4,432,908
Owed capital amount	\$th.	8,764	3,670,253	-	693,243	8,764	4,363,496

* Annual average interest rate

	1996	1995
Portion of liabilities in foreign currency:	100.00%	84.36%
Portion of liabilities in domestic currency:	0.00%	15.64%
	100.00%	100.00%

* Weighed upon capital balance.

17.2 Long term liabilities before banks or financial entities (short-term portion is also included)

Balances on December 31 1996 and 1995 are as follows:

Bank	Currency or adjustment rate	Short term portion \$th.	Years for maturity		Total on 12.31.96 \$th.	Average annual interest rate %	Capital amount owed on 12.31.96 \$th.	Balances on 12.31.95	
			1 to 2 \$th.	2 to 3 \$th.				Short term portion \$th.	Long term portion \$th.
			BID 10/CD-CH	CAN\$				57,143	28,416
Citibank N.A.	US\$	2,086,603	-	-	2,086,603	9.49%	2,066,993	19,574	2,110,272
Estado	U.F.	1,698,649	-	-	1,698,649	7.59%	1,686,615	19,152	3,373,243
Dresnerbanque	U.F.	205,286	-	-	205,286	7.90%	203,855	-	-
Banco Chile - 1	U.F.	-	-	-	-	-	-	5,200	634,063
Banco Chile - 2	U.F.	-	-	-	-	-	-	2,034	2,254,256
Banco Chile - 3	U.F.	-	-	-	-	-	-	21,857	1,502,304
Banco Chile - 4	U.F.	-	-	-	-	-	-	37,481	2,661,335
Crédito - 1	U.F.	-	-	-	-	-	-	38,899	2,762,118
Crédito - 2	U.F.	-	-	-	-	-	-	9,022	894,929
Santander	U.F.	-	-	-	-	-	-	36,326	2,530,473
O'Higgins - 1	U.F.	-	-	-	-	-	-	-	2,298,652
O'Higgins - 2	U.F.	-	-	-	-	-	-	-	1,148,660
Osorno - 1	U.F.	-	-	-	-	-	-	13,888	2,341,030
Osorno - 2	U.F.	-	-	-	-	-	-	20,631	1,364,055
Internacional	\$	-	-	-	-	-	-	38,964	-
Sudamericana	U.F.	-	-	-	-	-	-	16,812	1,137,444
Chemical	US\$	-	-	-	-	-	-	3,517,518	-
Totals	\$th.	4,047,681	28,416	-	4,076,097	8.49%	4,042,712	3,856,123	27,100,187

	1996	1995
Total amount in foreign currency:	53.29%	18.72%
Total amount in domestic currency:	46.71%	81.28%
	100.00%	100.00%





17.3 Long-term current liabilities (short-term portion is included; debts to banks or financial entities are not included)
Balances on December 31 1996 and 1995 were as follows:

Item	Currency or Adjustment rate	Short term portion	Years for maturity						Total on 12.31.96	Average annual interest rate	Capital amount owed on 12.31.96	Balances on 31.12.95	
			1 to 2	2 to 3	3 to 4	4 to 5	5 to 6	Beyond 6				Short term portion	Long term portion
Public obligations:	\$h.	6,199,577	5,893,191	5,893,191	5,893,191	1,577,051	1,577,051	-	27,033,252	-	26,726,865	6,270,253	26,779,684
Bonuses Serie B	U.F.	4,403,075	4,316,140	4,316,140	4,316,140	-	-	-	17,351,495	6.00%	17,264,559	4,433,553	17,298,678
Bonuses Serie C	U.F.	1,796,502	1,577,051	1,577,051	1,577,051	1,577,051	1,577,051	-	9,681,757	7.00%	9,462,306	1,836,700	9,481,006
Documents payable		1,189,287	13,232,333	778,455	1,094,693	486,188	406,467	6,781,974	23,969,397	-	23,430,355	11,225,770	22,187,686
Chilean Treasury Dept.	US\$	388,225	453,704	274,229	290,930	178,257	80,336	-	1,665,681	9.40%	1,265,865	438,240	1,586,714
Inteco Ltda.	US\$	-	-	-	-	-	-	-	-	-	-	2,200,757	-
ING Cia. Inversiones y Servicios Ltda.	U.F.	-	-	-	-	-	-	-	-	-	-	7,885,728	-
SP Inversiones y Servicios S.A.	US\$	20,400	1,911,915	-	-	-	-	-	1,932,315	6.30%	1,911,915	9,072	1,951,948
SP Chile Energia S.A.	US\$	15,866	1,487,045	-	-	-	-	-	1,502,911	6.30%	1,487,045	19,460	1,518,181
Chile Cellulose Investment Company	US\$	20,531	1,911,915	-	-	-	-	-	1,932,446	6.30%	1,911,915	25,019	1,951,947
CIFI II Ltda.	US\$	72,532	6,797,919	-	-	-	-	-	6,870,451	6.30%	6,797,920	33,346	6,940,258
Chilestat	U.F.	-	-	64,117	64,117	64,117	64,117	1,025,868 (3)	1,282,336	8.00%	1,272,438	-	-
Inmobiliaria Los Conquistadores	U.F.	177,322	180,541	194,009	208,482	224,035	240,748	5,274,342 (1)	6,499,479	7.22%	6,499,479	165,339	6,525,524
Leasing Andino	US\$	259,396	290,137	-	-	-	-	-	539,533	11.26%	539,533	261,409	549,432
Leasing Andino	U.F.	89,000	146,436	210,637	508,179	-	-	-	954,252	7.93%	954,252	36,267	956,574
Alliant Bice	U.F.	13,764	15,912	17,109	18,395	19,779	21,266	481,764 (2)	587,989	7.52%	587,989	-	-
Bancredito Leasing	U.F.	9,350	-	-	-	-	-	-	9,350	7.50%	9,350	34,511	9,369
Scharstein Leasing	US\$	44,999	21,984	-	-	-	-	-	66,983	10.41%	66,983	41,516	68,385
Teknos Leasing	U.F.	11,741	6,471	-	-	-	-	-	18,212	48.34%	18,212	7,300	20,551
Ingenieria Profesional Leasing	U.F.	40,288	-	-	-	-	-	-	40,288	10.56%	40,288	36,495	40,367
Leasing Concepción	U.F.	7,519	-	-	-	-	-	-	7,519	6.55%	7,519	8,822	7,534
Bice Leasing	U.F.	-	-	-	-	-	-	-	-	-	-	3,751	-
Chilean Army	US\$	18,354	18,354	18,354	4,590	-	-	-	59,652	-	59,652	18,738	60,902
Paper or accounts payable by related Co's		-	1,640,891	-	-	-	-	-	1,640,891	-	1,640,891	-	1,415,221
Micorner S.A.	\$	-	1,640,891	-	-	-	-	-	1,640,891	6.00%	1,640,891	-	1,415,221
Other liabilities		-	749,001	423,580	423,580	423,580	423,580	3,093,605	5,536,926	-	5,536,926	-	6,710,842
Severance indemnity		-	423,580	423,580	423,580	423,580	423,580	3,093,605 (4)	5,211,505	6.00%	5,211,505	-	5,343,907
Deferred taxes		-	325,421	-	-	-	-	-	325,421	-	325,421	-	1,366,935
Totals	\$h.	7,388,864	21,515,416	7,095,226	7,411,464	2,486,819	2,407,098	9,875,579	58,180,466	6.56%	57,335,037	17,496,023	57,093,433

	1996	1995
Total amount in foreign currency:	25.04%	31.04%
Total amount in domestic currency:	74.96%	68.96%
	100.00%	100.00%

(1) Includes 48 monthly installments since January 2003.

(2) Includes 166 monthly installments since January 2003.

(3) Includes 16 annual installments since January 2003.

(4) Interest rate is just a referential one to give an approximate current value. (Cont.)

17.4 Short-term current liabilities (debts before banks or financial entities are not included)
Totals on December 31 1996 and 1995 are as follows:

Item	Kind of currency									
	US\$		Other foreign currencies		UF		\$		Totals	
	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995
Public liabilities (bonuses)	-	-	-	-	6,199,577	6,270,253	-	-	6,199,577	6,270,253
Current portion of long term liabilities	840,303	8,523,185	-	-	348,984	2,702,585	-	-	1,189,287	11,225,770
Papers or account payable to related Co.'s	-	-	-	-	-	-	498,452	-	498,452	-
Other current liabilities	12,747,711	11,573,882	3,063,696	2,697,234	-	-	14,731,909	10,951,225	30,543,316	25,222,341
Totals	13,588,014	20,097,067	3,063,696	2,697,234	6,548,561	8,972,838	15,230,361	10,951,225	38,430,632	42,718,364
Capital amount owed	13,332,503	19,822,304	3,063,696	2,697,234	6,342,175	8,533,797	15,230,361	10,951,225	37,868,735	42,004,560
Annual average interest rate	6.99%	7.01%	0.00%	0.00%	6.43%	6.38%	0.00%	0.00%	1.38%	4.60%

	1996	1995
Portion of liabilities in foreign currency:	43.35%	53.36%
Portion of liabilities in domestic currency:	56.65%	46.64%
	100.00%	100.00%

(18) PUBLIC LIABILITIES (BONUSES)

The mother company had two series of bonuses on December 31 1996 with the following characteristics:

Series "B" Bonuses

Series "B" consists of a single series, "B-1", which comprises 2,600 bearer bonuses of UF 1,000 each, with an annual interest of 6%. Eight of the 16 identical successive semi-annual installments under relevant contracts were pending for payment on December 31 1996 with due dates on June 1 and December 1 of each year. Interests accrued are paid along with the capital.

Series "C" Bonuses

They consist of a single series, "C", which comprises 950 bearer bonuses of UF1,000 each, with an annual interest of 7%. Twelve of the 16 semi-annual identical successive installments provided for in relevant contracts were pending for payment on December 31 1996 with due dates on March 1 and September 1 of each year. Interests accrued are paid along with the capital.

These issues were marketed in the maximum allowable amount and have been registered in National Registry of Superintendencia de Valores y Seguros with numbers 107 in December 1988 (series "B") and 128 in November 1990 (series "C").

An option of the issuer for total or partial redemption of bonuses in sale is in force for both series, B and C.

Appendixes 3 and 4 to Note 17 contain amounts owed on capital and interests respect to these issues.

Most significant financial restrictions for the mother company in issue contracts are discussed in Note 27.





(19) PROVISIONS AND CHARGES

Provisions as to December 31 1996 and 1995 were as follows:

	1996 \$th.	1995 \$th.
Benefits accrued upon employment contracts	760,898	717,998
Cost of legal holidays	1,230,134	1,214,872
Total	1,991,032	1,932,870

Additionally, the following provisions were made respect to bad debts: \$m 5,465,361 (1996) and \$th. 1,132,199 (1995) and debited in the following accounts:

	1996 \$th.	1995 \$th.
Sales debtors	5,401,371	1,063,975
Papers receivable	39,200	41,787
Sundry debtors	24,800	26,437
Total	5,465,371	1,132,199

Charges

\$th. 376,310 (1996) and \$th. 183,692 (1995) were charged respect to accounts receivable from customers.

(20) INCOME TAX

Income taxes accrued in the periods 1996 and 1995 have been deducted in the amounts paid as obligatory provisory payments (OPP).

The balance, a negative figure of \$th. 230,084 on December 31 1996, is included in the item Income tax on current liabilities. The balance on December 31 1995 was a positive figure of \$th. 2,162,352 and is shown in the item Recoverable tax in current assets.

Net earnings subject to tax in 1996, as established under taxation rules, was a positive figure of \$th. 13,989,398.

Recognition of deferred taxes pursuant to policy discussed in Note 2 affected profit/losses with a lower charge of \$th. 1,278,116 in 1995 and with a greater charge of \$th. 530,575 in 1996.

After corresponding charges or debits, detail of accumulated assets and liabilities upon deferred taxes is as follows:

	1996 \$th.	1995 \$th.
Assets:		
Short term:		
Provisions for bad debts	264,000	
Long term:		
Severance payment and others (net)	389,399	354,088
Liabilities:		
Long term:		
From settlement with CTC	325,421	1,366,935

These amounts do not include potential liabilities resulting from temporary differences when it may be reasonably anticipated that further effects of the same kind will have a balancing effect. Deferred taxes not shown for such reason amount to \$th.4,679,387, \$th.1,520,755 of which occurred in 1996.

From a taxation point of view, the Company had undistributed profits from previous periods (1992 through 1995) of \$th.65,646,826 on December 31 1996. At distribution of this profit, corporate shareholders will gain a right to receive 15% of credit on their private taxes.

(21) PROVISION FOR SEVERANCE INDEMNITY

ENTEL maintains some agreements with its employees and executives on severance indemnity.

Personnel eligible for this benefit and amounts payable are as established in such agreements. Main considerations in establishing indemnity amount are length of service and salary.

This benefit is given to the employees through Corporación Mutual Entel-Chile, an entity financed on a shared base with employees paying 2.66% of their base monthly salary and with the Company funding any difference required to pay severance indemnity to 3% of corporate staff as maximum.

Liabilities on December 31 1996 and 1995 were \$th.5,211,505 and \$th.5,343,907 respectively. They reflect current value of severance indemnities paid in those dates in excess of the funds contributed by Corporación Mutual.

The item Other assets includes the deferred cost not yet debited resulting from recognizing length of service of employees before June 1989.

Costs borne by the Company in periods 1996 and 1995 were \$th.428,813 and \$th.411,929 respectively, and are shown in profit & losses as part of operation costs.

(22) ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Assets or liabilities in foreign currency on December 31 1996 and 1995 were as follows:

	1996		1995	
	US\$000	\$th.	US\$000	\$th.
Assets:				
Current	90	38,338	255	110,607
Soles debtors (agents)	19,065	8,100,226	23,571	10,224,393
Papers or accounts receivable from related Co's.	11,664	4,955,649	1,979	858,435
Investments in related Co's.	12,947	5,500,837	15,560	6,749,241
Investments in other companies	13,957	5,929,803	14,552	6,312,053
Others	1,304	554,084	1,378	597,730
Total assets	59,027	25,078,937	57,295	24,852,459
Liabilities:				
Current portion of long-term liabilities	7,023	2,984,049	27,939	12,119,043
Liabilities before banks or financial entities	22	9,487	8,622	3,740,008
Accounts payable and others	37,215	15,811,407	32,900	14,271,116
Long-term liabilities	32,382	13,758,086	38,789	16,825,391
Total liabilities	76,642	32,563,029	108,250	46,955,558

Assets and liabilities in currencies other than U.S.A. dollars were translated into said currency for the sake of uniformity.



(25) SHAREHOLDERS PROPRIETORSHIP

Stock ownership of ENTEL on December 31 1996 and 1995 was as follows:

Proprietorship status	Stock share (%)		Shareholders of this kind	
	1996	1995	1996	1995
• Shareholders who own 10% or more of corporate shares issued	52.46	35.53	3	2
• Shareholders who own less than 10% of corporate shares issued:				
With an investment of UF200	46.97	63.34	1,028	945
(\$h. 2,656 on Dec. 31 1996)				
With an investment of less than UF200	0.57	1.13	2,337	2,812
	100.00	100.00	3,368	3,759

The partnership agreed by corporate shareholders Chilquino S.A. and Snel International Netherlands N.V. has taken, pursuant to provisions in the Stock Market Law, the status of corporate controller after their statement of joint venture on June 12 1996.

(26) SECURITIES FROM THIRD PARTIES

On December 31 1996, Corporación de Fomento de la Producción officially was a joint debtor of ENTEL, respect to credit number 10 CD-CH granted by Inter American Development Bank. Balance and conditions of this loan are discussed in Note 17.

(27) PROVISIONS AND COMMITMENTS

Direct provisions or commitments of ENTEL on December 31 1996 and 1995 were mainly related to:

- a) Provision for direct commitments arisen from purchase orders placed abroad for \$h. 5,374,243 (1996) and \$h. 2,559,955 (1995).
Prices in foreign currency in these purchase orders and have been translated into Chilean currency at the exchange rate in force at each period end.
- b) Provision for bid or bank bonds given as security for fulfillment in some contracts or for return of goods of public use respect to construction and maintenance of communication nets. Bid or bank bonds on December 31 covering several contracts amounted to \$h. 228,788.
- c) Part of the services contracted with RNTTEL S.A. are ruled by an irrevocable contract for 15 years. The amount compromised to cover the remaining period of this contract is \$h. 17,370.
- d) A contract on joint sponsorship of a TV news programs during 1997 for \$h. 933,177.
- e) Mortgage on three Real State properties in favor of Corporación de Fomento de la Producción as countersecurity for their condition of joint debtor of ENTEL before Inter American Development Bank (loan 10/CD-CH - see Notes 17 and 26).
Properties under mortgage are currently used as warehouses or as facilities for administration of some social benefits of ENTEL employees. Their total book value as of December 31 1996 was \$h. 656,329.
- f) ENTEL has granted the following securities in coverage of liabilities of its related companies:
- ENTEL is guarantor of its affiliate Entel-Inversiones S.A. respect to some obligations of this latter as indirect guarantor on 16.67% of a leasing contract for the purchase of telecommunications equipment. The original parties to this contract dated February 4 1991, were Buenaventura S.A. (a related company of Entel) as lessee and Leasing Andino S.A. as lessor. The contract term is six years since August 8 1991 and provides for quarterly installments of a 5.8% annual interest rate. Amount provided respect to this security was \$h. 72,754 on December 31 1996.

- ENTEL is a guarantor and joint debtor of Entel PCS before Banco de Santiago for the issue of a bid bond of UF1,700,000 (or \$th.22,576,731).
- Obligations taken to buy holdings for an equivalent amount of \$th.777,253 against a credit granted by Citibank N.A. New York to Zetacom S.A. (Panama). These obligations rose from buying options granted to said bank respect to the following loans: 59.5% of a loan of US\$2,192,250 and 70% of a loan of US\$750,000.
- ENTEL is joint guarantor before Republic National Bank of N.Y. in loans granted to Arnet S.A. (Argentina) up to US\$3,600,000 (or its equivalent of \$th.1,529,532). On December 31 1996, this guaranty covered loans for a total amount of US\$3,505,038 with due dates in the second half of 1997.
- ENTEL is joint surety of Arnet S.A. in obligations from purchase of equipment from Scientific Atlanta (USA) up to US\$681,327 (or \$th.289,475).
- ENTEL is joint guarantor before Banco Sudameris, Argentina, for observance of any obligations its affiliate Arnet S.A. may take up to US\$1,008,000 (equivalent to \$th.428,269).



ENTEL is not directly or otherwise subject to other obligations as guarantor, surety or bonds issuer.

g) The following legal actions had had a significant effect on ENTEL on December 31 1996.

- An indemnification claim by CHILESAT S.A. against ENTEL for \$th.261,453 for consequential damages claimed plus a loss of income to be established. This claim, currently in hands of the First Civil Court of Santiago, was disallowed in first instance. An appeal filed by the complainant is pending for Court decision.

In the opinion of corporate legal advisors, CHILESAT S.A. has no chance to succeed in their claim.

- A suit brought by former workers of Entel before the Nineteenth Civil Court of Santiago against Corporación Mutual Entel Chile and Empresa Nacional de Telecomunicaciones S.A.

It is the opinion of Entel legal advisors that this suit should not result in an adverse decision as:

- ENTEL is not obliged to pay for indemnification in this case;
- ENTEL opportunistly and fully paid severance indemnity to every former worker involved;
- ENTEL is not jointly or severally liable with Corporación Mutual in this case;
- The suit is not grounded on a clear rationale about indemnification claimed.

The suit was declined by the 19th. Court in first instance when ENTEL claimed that that Court had no jurisdiction to decide on matters purely related to employment. The complainants appealed and the case is pending for a decision of the Court of Appeals of Santiago.

There are no other suits or legal actions pending that may have a significant adverse impact on the capital stock of the Company.

h) ENTEL is subject to some restraints respect to its financial indexes as result of a loan contract it maintains with Inter American Development Bank and of some bonuses issue contracts. Main restrictions are:

- ENTEL may not establish lien, mortgage or other kind of pledges upon its corporate assets in favor of parties other than Inter American Development Bank or bonuses holders but in much restricted conditions under some contracts, save if identical securities are established in favor of bonuses holders or except as otherwise provided by law.
- ENTEL may not buy shares issued by itself or allocate assets to its shareholders.
- ENTEL may not invest in stock issued by its related entities in conditions disadvantageous respect to market general conditions.
- ENTEL must maintain the following financial ratios:
 - Its current liabilities may not exceed in 1.7 times its corporate capital stock.
 - Its current liabilities beyond one year may not exceed 1.5 times its capital stock.
 - A current liquidity ratio such that current assets at least match current liabilities.
- ENTEL may recognize or pay dividends only if its current assets exceed in 10% its current liabilities at each period end.



- ENTEL must maintain its Telecommunications National Center building and other operational corporate assets insured against fire and other risks with sufficient allowance as to replace said facilities and equipment in case of loss.

The Company has fully waived these restraints.

- j) ENTEL is not subject to any restraints respect to allocation of profit, businesses or financial ratios as result of commitments of its related companies.

(28) INCOME OTHER THAN FROM EXPLOITATION

Breakdown of this item for periods 1996 and 1995 was as follows:

	1996 \$th.	1995 \$th.
Net effect from exchange agreement with CTC	-	6,888,640
Deferred duties write-off	-	1,828,923
Participation in INTELSAT and INMARSAT	1,002,743	853,204
Profit from sale of fixed assets	45,841	1,029,252
Recovery of income taxes from former periods	-	550,562
Others	320,478	651,829
	1,369,062	11,802,410

(29) OTHER NON-EXPLOITATION EXPENSES

Breakdown of this item for periods 1996 and 1995 was as follows:

	1996 \$th.	1995 \$th.
Employees indemnities and others	552,530	538,928
Salaries of corporate Directors	106,964	121,078
Others	321,538	142,657
	981,032	803,463

(30) CASH FLOW STATEMENTS

Income from sale of some financial instruments under a backsale agreement is included in the item Other investment incomes in the cash flow statements.

1997 cash flow statements will be affected by loans of \$th.10,402,678 (allocated to purchase of fixed assets) that were outstanding on December 31 1996.

(31) CHARGES

ENTEL is subject to charges regulations established with General Telecommunications Law (Law 18168) as supplemented with Statutory Decree number 1 of February 9 1987.

(32) SALARIES OF CORPORATE DIRECTORS

Salaries paid to corporate Directors during 1996 and 1995 were as follows:

	1996 \$th.	1995 \$th.
Salaries	106,964	121,772
Travel allowances	.	106
	106,964	121,878

(33) RESEARCH AND DEVELOPMENT EXPENSES

R&D expenses of ENTEL in 1996 and 1995 were as follows. Figures under right-hand column below reflect aggregate expenses of this kind during a 5-year period ending on December 31 1996.



	1996	1995	Aggregate (last 5 years)
Included in fixed assets	74,731	33,799	834,158
Included in Profit & Losses	.	.	164,060
	74,731	33,799	998,218

(34) LATE EVENTS

No events have occurred since December 31 1996 that may have a significant effect on the statements discussed here.



KPMG Peat Marwick

REPORT BY INDEPENDENT AUDITORS

To the Shareholders and Directors of
Empresa Nacional de Telecomunicaciones S.A.

We have audited attached consolidated general balance sheets and their associated consolidated profit & loss statements and changes in financial standing of Empresa Nacional de Telecomunicaciones S.A. (the parent company) for periods ending on December 31 1996 and 1995, along with consolidated cash flows statements for the year ended on December 31 1996. These financial statements were built by and are a responsibility of ENTEL. Our responsibility has been stating our professional opinion about said financial statements upon our own audit.

Our audit has been carried in conformity to auditing standards generally accepted. As required by said standards, our work was planned and carried as to obtain reasonable certainty that said financial statements are free from significant errors. Auditing steps included an examination of selected proof or back papers that support the amounts and information reflected in financial statements. Our audit also included assessment of accounting principles applied, of significant estimations made by corporate management and of general arrangement of data. Hence, we deem that our audits constitute solid grounds for our opinion as stated here.

Audited financial statements have been built to reflect the financial standing of Empresa Nacional de Telecomunicaciones alone (i.e., of the parent company only) pursuant to criteria discussed in Note 2a) before consolidation line by line of independent financial statements of ENTEL's affiliate as discussed in Note 2f). Hence, these individual financial statements should be read and understood along with the consolidated financial statements of ENTEL and its affiliates as provided for in accounting principles generally accepted.

It is our opinion that said consolidated financial statements reliably reflect, in all main respects, financial standing of ENTEL S.A. (the parent company) on December 31 1996 and 1995 as well as its operational profits or losses and changes in its financial standing on said dates and its cash flow respect to the period ended on December 31 1996: all of it pursuant to principles discussed in Note 2.

As discussed in Note 3 to financial statements on December 31 1996, cash flow statements has been arranged pursuant to accounting principles generally accepted, while changes in financial condition have been arranged pursuant to norms of Superintendencia de Valores y Seguros. Besides, new standards established with Technical Bulletin number 51 of Colegio de Contadores de Chile A.G. were applied in period 1996 respect to translation of rights from permanent investments abroad into Chilean currency. In 1995, Entel ceased to record deferred duties imputable to temporary differences in depreciation as reckoned under financial criteria or as reckoned pursuant to taxation standards.

Carlos Monésovich T.
January 24 1997

Discussed Analysis of Financial Statements

on December 31 1996 and 1995

A) FINANCIAL ARRANGEMENT, INCOME, COSTS AND PROFITABILITY TRENDS

Financial ratios

Below is a view on evolution of main financial ratios in the last year:

	12.31.96	09.30.96	12.31.95
Liquidity ratios			
Current liquidity (current assets/current liabilities ratio)	2.28	2.35	1.03
Acid ratio (available funds/current liabilities)	0.02	0.48	0.01
Borrowing ratios			
Indebtedness ratio (%) (current liabilities/net worth)	36,15	35,55	95,49
Short term debt portion (%) (short term debt/total debt)	45.54	55.43	37.73
Long term debt portion (%) (long term debt/total debt)	54.46	44.57	62.27
Efficiency and Profitability Ratios			
Operational margin (%) (Operation income over exploitation income)	12.96	15.83	11.50
Net worth net profitability (%) (annualized) (Profit in the period over net worth)	3.00	6.09	8.39
Investment net profitability (%) (annualized) (Net profit in the period over total assets)	1.73	2.41	3.96
	31.12.96	30.09.96	31.12.96
Profitability and worth per share			
Profit per share (in Ch.pesos of 12.31.96) (annualized)	54.26	101.00	118.26
Book value (in Ch\$ of 12.31.96) (net worth/amount of shares)	2,302.00	2,316.49	1,528.52
Market price (upon quotation in stock market)	2,880.00	3,740.00	3,645.00

As the above ratios show, the Group has maintained a solid financial structure during the period under study.

Worthy of note is the broad corporate allowance in liquidity and borrowing ratios which had a positive effect upon increased capital in ENTEL as result of shares sold in the market by middle 1996.

Efficiency and profitability ratios in 1996 showed an increased operation margin ratio against the previous year, from 11.50% to 12.96%.





Notwithstanding, profitability rate of ENTEL dropped as result of an adverse variations in non-operational outcome. These variations are discussed below.

TRENDS IN SALES INCOME

Sales in 1996 exceeded those of the previous year in Ch\$13,421 million. This makes an increase of 11.0%. Increased sales are mainly a result of higher domestic or international communications routed through ENTEL. As discussed in corporate reports, ENTEL has maintained a leading position and an increasing market share in a multi-carrier market.

COSTS, EXPENSES, PROFITABILITY

Figures below reflect ENTEL indexes on January 1 of each year and are, therefore, comparable with similar periods ending in December 31 1996 or 1995 (i.e., periods of twelve months).

(Ch\$ millions on 12.31.96)	12.31.96	09.30.96	12.31.95
- Exploitation costs, administration & sales expenses	(117,658)	(84,136)	(107,728)
- Operation outcome	17,519	15,826	14,027
- Non operation outcome	(10,757)	(6,923)	(1,805)
- Financial expenses	(6,956)	(5,422)	(9,219)
- Net profit	6,085	8,495	10,954

Exploitation Costs, Administration & Sales Expenses

Costs and expenses increased in Ch\$9,930 million during 1996, that is, 9.2% respect to the previous year.

This trend resulted from both positive and adverse variations in the various costs and expenses items (for instance, costs decrease from an efficient corporate streamlining against changes in the market).

Operation Outcome

A positive variation in corporate operation margin (from 11.50% in 1995 to 12.96% in 1996) is the result of trends in incomes and costs discussed above. Incomes increased in Ch\$13,421 million against higher costs of Ch\$9,930 million, which caused a rise of Ch\$3,491 million in operational outcome in the two periods under comparison.

Non-operation Outcome

Non-operation figures show a negative trend of Ch\$8,952 million, i. e., from losses of Ch\$1,805 million in 1995 to losses of Ch\$10,757 million in 1996.

As it may be seen in comparing profit & losses statements for each period, most significant impact occurred in the decrease of the item Other incomes in \$th.10,433. Losses were also a result of negative adjustment for currency devaluation (Ch\$1,356 million) and of consolidated outcome in related companies (Ch\$1,845 million).

Conversely, Income and Financial Expenses experienced a positive change of Ch\$5,079 million.

Decrease in item Other incomes is probably due to some extraordinary circumstances that had a positive effect on income in 1995. Firstly, ENTEL accountancy was credited with \$th.6,462 in said period as result of a settlement agreed with Compañía de Telecomunicaciones de Chile which brought an end to some long commercial disputes between both companies. Secondly, earnings of \$th.1,854 occurred as result of some change in accountancy treatment of deferred duties on depreciation of fixed assets plus an income of \$th.992 from the sale of a Real State.

Profit in the period

Positive variations in operational income against negative variations in non operational activities resulted in a profit net decrease of 44.5% respect to 1995.

This decreased profit, added to the effect from a capital stock substantially increased through sale of shares, caused a negative impact on capital stock profitability, which dropped from 8.39% (1995) to 3.00% (1996).

B) DIFFERENCES IN BOOK VALUE AGAINST ECONOMICAL AND/OR MARKET VALUE OF MAIN ASSETS

There are not significant differences of this kind, except those which might occur in fixed assets. In such case, they would be much difficult to assess given the particular characteristics of the Company.

C) MARKETS WHERE ENTEL ACTS

The Company acts in domestic and international telecommunications markets providing public and private services.

Sales of ENTEL in Chile accounted for 54.7% (1996) and 61.5% (1995) of its total sales.

Sales of ENTEL in international markets accounted for 45.3% (1996) and 38.5% (1995).

D) A DISCUSSION ON CHANGES IN FINANCIAL STANDING

During 1996, total resources obtained amounted to Ch\$152,733 million with the following detail: Ch\$32,847 million came from corporate operation and Ch\$119,886 million came from other sources.

Main income obtained from other sources was Ch\$113,998 million from the issue of cash shares by ENTEL.

These funds were allocated as follows: \$34,012M were credited against long term liabilities; \$30,548M were allocated to increase fixed assets and; \$17,626M were credited against investment in related companies.

Increase in fixed assets mainly consists of equipment purchased and civil works constructed for expansion or improvement of corporate infrastructure.

Difference in resources obtained against allocations made meant a working capital increased in \$52,617M.

E) OBSERVANCE OF COMMITMENTS

The Company has fully observed its obligations before third parties.





SUMMARY OF OUTSTANDING FACTS DURING 1996

Pursuant to legal or statutory norms in force, ENTEL informed the following outstanding or essential corporate facts to Superintendencia de Valores y Seguros.

I. Settlement agreement between ENTEL and Compañía de Telecomunicaciones de Chile (CTC).

With letter Nº16 of January 16 1996, it was informed that Compañía de Telecomunicaciones de Chile S.A. (CTC) and Empresa Nacional de Telecomunicaciones S.A. (ENTEL) had entered into a settlement agreement with deed issued before the Public Notary of Santiago Mr. Arturo Carvajal Escobar on January 15 1996, in the following terms:

1. Both parties agreed to discontinue or accept discontinuance of every legal action pending before any court or administrative authority respect to actions or interpretations in connection with promulgation and enforcement of decision number 389 of Resolving Antitrust Committee in 1993 or respect to provisions in Law 19302.
2. As indemnification, CTC paid an amount of Ch\$407,130,000 in cash to ENTEL and granted a discount of Ch\$2,462,118,675 (tax included) on services provided by it between September 1 and December 31 1995. CTC will additional grant discounts up to an amount of UF558,452.08 on services it may provide to ENTEL since January 1 1996, with a monthly top limit of UF31,025.12 but with a maximum credit percentage of 38% over amounts so invoiced.
3. Each Party will pay for its own expenses or attorney fees incurred in legal actions.

II. Pledge agreement to underwrite stock of Stet International - Modification of Articles of Association

With letter number 27 of January 26 1996, ENTEL informed that:

1. It had entered into a pledge agreement with Stet on January 25 1996 for the underwriting of shares and also into a commercial agreement under which Stet committed itself to buy 19,500,000 shares of ENTEL (17% of ENTEL's capital stock) at a price of US\$14 each share in the terms and conditions established in that agreement. ENTEL also entered into a commercial agreement ruling miscellaneous matters such as corporate participation in new business in Latin America, possible participation of ENTEL in a Holding Co. of Stet which owns 50% of Entel Bolivia and, participation in business carried in Chile.
2. The following decisions had been made in an Extraordinary Shareholders Meeting held on January 26 1996:
 - 2.1 Voiding of former decision to increase corporate capital as made in Extraordinary Shareholders Meeting of March 17 1994 and then reflected in a public deed of April 6 1994 before the Public Notary of Santiago Mr. Félix Jara C.
 - 2.2 Amendment of corporate Articles of Association as follows:
 - a. Increase of capital stock through the issue of 29,247,010 shares at a price of US\$14 each;
 - b. Increase of allowable corporate ownership concentration from 32% to 48%;
 - c. Voiding of the right of the President of the Board to cast a deciding vote in case of tie voting and;
 - d. Establishment of the position of alternate directors and relevant salaries;

with amendment of following corporate Articles: Transitory Articles 5 and 1 on capital stock, Articles 5 and 22 on allowable ownership concentration, Articles 6 and 13 on arrangement and salaries of the Board of Directors and, Article 10 on a deciding vote of the President of the Board.
 - 2.3 Every action or decision required to carry said amendments of the Articles of Association were taken or made.

III. Issue of cash shares; Establishment of initial date of first right to buy; Registration in Commerce Exchange Centers; Other matters.

With letter number 71 of March 26 1996, ENTEL informed about the following decisions made by its Board of Directors.

1. April 10 1996 was established as the initial date for right issue on the sale of 29,247,010 cash shares of a single series and without a face value for a total amount of Ch\$168,041,620,656 to be credited against capital increase approved in Extraordinary Shareholders Meeting held on January 26 1996. Superintendencia de Valores y Seguros registered said issue with number 402 in their Stock Registry on March 22 1996. Corporate shareholders who had shares registered in

their name five working days before publication of said right issue may underwrite these shares as a percentage of shares they currently own. Corporate shareholders will have a first right to buy these shares at a ratio of 1 new share per each 3,167092636 shares they already own as recorded in Shareholders Registry on April 2 1996. These shares will be offered at a price of U.S.A. dollars 14 each, payable in Chilean pesos at the official exchange rate in force as established in paragraph 6, Chapter I, Section I in Summarized Edition on International Exchange Rates by Chilean Central Bank as published in Chilean Official Journal in the date of payment, and must be paid in cash.

2. ENTEL will request registration of these cash shares in Commerce Exchange Centers in Chile.

3. ENTEL informed that notices to shareholders as established in Article 104 in corporations rules body Reglamento de Sociedad de Anónimos would be given on March 29 1996; that an announcement as established in form letter number 889 of Superintendencia de Valores y Seguros would be published in the newspapers of Santiago "El Mercurio" and "La Nación" on April 4 1996; that an announcement on rights issue starting a preferential buying period would be published in the newspaper of Santiago "El Mercurio" on April 10 1996 and; that ENTEL management might change these publication dates in case of compelling reasons provided that applicable rules and regulations are still observed.

4. Messrs. Richard Buchi Buc, Ricardo Cruzat Ochogavía and Eduardo Orihuidini Robert were empowered to act either jointly or independently in behalf of Empresa Nacional de Telecomunicaciones S.A. to issue and underwrite certificates on preferential buying right and to enter into contracts for shares underwriting with shareholders exercising their preferential buying right. To this end, they may take every step and enter into every kind of contract as required or include every clause as required with an essence, nature and supplements as they may deem appropriate.

5. The facts and decisions above are of an essential nature respect to establishment of the start of preferential buying right period and the General Manager of ENTEL has been empowered to make announcements to relevant entities on this respect.

IV. Changes in the Board of Directors. Appointment of an executive: Underwriting and payment of shares

With its letter number 156 of June 11 1996, ENTEL informed the following:

1. Resignation of Directors Messrs. Felipe Sechl Cruz and Yong Bak Lee had been accepted.
2. Messrs. Renato De Raminí and Gerolamo Di Genova were appointed to fill Director positions so left vacant.
3. The President of the Board of Directors Mr. Juan Arístide Motta and the General Manager Mr. Richard Buchi Buc were empowered to act either jointly or independently to enter into an agreement with Star International Netherlands N.V. for underwriting of 19,500,000 shares of ENTEL at a price of US\$14 each, payable in Chilean currency at the official exchange rate in force as published in Chilean Official Journal on 04.11.96.

In exercise of said powers, an agreement had been entered into for underwriting of said shares. Star International Netherlands N.V. paid Ch\$111,968,220,000 in cash to ENTEL.

4. Mr. Giovanni Villa was appointed as corporate Manager of Management Control.

V. Resignation of the President of the Board

With letter number 159 of June 14 1996, ENTEL informed as follows:

1. With letter dated June 13 1996, Mr. Juan Arístide Motta submitted his resignation to the position of corporate Directors and to his position as President of the Company.
2. Pursuant to Articles of Incorporation of ENTEL, corporate Vice President Mr. Juan Hurtado Vaccia should take office as President and remain in such capacity until an Extraordinary Shareholders Meeting scheduled for June 20. In that meeting, all positions in the Board of Directors should be vacated and filled with new regular and alternate Directors.

VI. Call to Extraordinary Shareholders Meeting

With letter number 194 of July 19 1996, ENTEL informed that, upon a request by its shareholders Star International Netherlands N.V. and Chilquino S.A. (who jointly own more than 10% of corporate voting shares) in a Meeting of the Board of



Directors on July 18 1996 and pursuant to provisions in second sub-paragraph in Article 58, Section 3 of corporations law *Ley de Sociedades Anónimas* and as established in ENTEL Articles of Incorporation; it was agreed that an Extraordinary Shareholders Meeting would be called for August 8 1996 at 180 Teatinos Street, Carrero Hotel, at 10:00 AM.

The following matters were to be discussed in that meeting:

- Vacation of all regular or alternate positions in the Board of Directors.
- Appointment of regular and alternate corporate Directors.
- Any decision required to properly and completely carry those steps.

VII. Re-appointment of the Board of Directors; Appointment of corporate President and Vice President; Purchase of shares and increased ownership in Telecom Celular S.A.

With letter number 212 of August 9 1996, ENTEL reported the following facts:

1. In an Extraordinary Shareholders Meeting held on August 8 1996, all the positions in the Board of Directors were vacated and filled with the following new regular or alternate corporate Directors:

Regular Directors
 Enrique Seguel Moral
 Carlos Hurtado Ruiz-Tagle
 Rodrigo Ertzaurrez Ruiz-Tagle
 Renato de Rimini
 Juan José Moe-Auilffe Gronello
 Girolamo Di Genova
 Juan Hurtado Vicuña
 Soo Chul Kim

Alternate Directors
 Eduardo Undurraga Undurraga
 John Croall Moore
 Mario Chomorro Carrizo
 Mauro Di Salfano
 Gastón Cruzat Larrain
 Giancarlo Spasiano
 Fernando Izquierdo Mendeluz
 José Cox Donoso
 Yong Bok Lee
 Christian Schmidt Montes

2. In a meeting of corporate Board of Directors on August 8 1996, they appointed Mr. Juan Hurtado Vicuña as their new President and Mr. Renato De Rimini as their new Vice President.

3. In that meeting, the Board of Directors decided to purchase from Motorola International Development Corp. their 18% of the equity capital of Telecom Celular S.A. for a price of US\$15M (its equivalent in Chilean pesos). After this transaction, Empresa Nacional de Telecomunicaciones would own 51% of capital stock of Telecom Celular S.A.

VIII. Purchase of shares and increased ownership in Telecom Celular S.A. (currently Entel Telefonía Personal)

With letter number 321 of December 31 1996, ENTEL informed as follows:

1. With public deed of December 30 1996 issued before the Notary of Santiago Mr. Nancy de la Fuente Hernández, Empresa Nacional de Telecomunicaciones S.A. underwrote 2,740 cash bearer shares of a single series and without a face value, all of them of identical value, of the capital stock of Entel Celular S.A. and paid a price of 4,233,593,919 Chilean pesos.
2. As result, Entel and Entel Inversiones S.A. jointly own 9,727 shares, while Motorola owns 6,714 shares of the 16,441 shares that make the capital stock of Entel Celular S.A. Accordingly, joint ownership of Entel and Entel Inversiones S.A. increased to 59,16%, while Motorola ownership decreased to 40,84%.

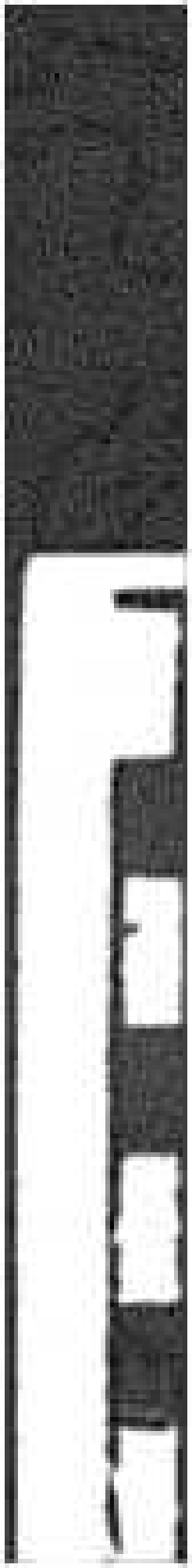
SALARIES OF CORPORATE BOARD OF DIRECTORS YEARS 1995 - 1996

	95 \$th.	96 \$th.
Felipe Aldunate Hederra	9,989	8,120
Juan Ariztia Matte	26,023	10,852
Juan Bilbao Mormacche	2,791	.
Mario Chamorro Carrizo	.	465
José Cox Donoso	.	6,124
Rodrigo Errázuriz Ruiz-Tagle	.	5,195
John Graell Moore	.	465
Carlos Hurtado Ruiz-Tagle	.	3,484
Juan Hurtado Vicuña	20,213	20,960
Kim Soo-Chul	9,979	11,606
Juan José Mac-Auliffe Granello	9,062	11,605
Adelio Pipino Cravera	12,548	6,882
Felipe Sahli Cruz	13,475	6,812
Christian Schmidt Monte	.	464
Enrique Seguel Morel	.	4,413
Eduardo Undurraga Undurraga	13,011	7,191
Iván Van de Wyngard Mellado	2,756	.
Yong Bok Lee	2,030	.
Total salaries paid to the board	121,877	104,638

Note: An amount allocated of \$th.2,326 (unpaid) to Mr. Yong Bok is not included above.









ENTEL TELEFONIA LOCAL S.A.
(In a development stage until 12.31.95)

GENERAL BALANCE SHEET
(In thousands of Chilean Pesos - \$th.)

	DECEMBER 31	
	1996	1995
ASSETS		
CURRENT	1,710,806	240,412
FIXED	4,534,850	830,100
OTHERS	102,573	
TOTAL ASSETS	6,348,229	1,070,512
LIABILITIES AND NET WORTH		
CURRENT	2,164,189	603,691
LONG TERM	1,708,822	31,815
CAPITAL AND RESERVES	5,344,631	1,281,224
DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE	(846,218)	(7,919)
DEFICIT IN DEVELOPMENT STAGE		(838,299)
LOSSES IN THE PERIOD	(2,023,195)	
TOTAL LIABILITIES AND NET WORTH	6,348,229	1,070,512

OURCOME STATEMENT

FOR THE YEAR ENDED
DECEMBER 31 1996

OPERATIONAL OUTCOME		
EXPLOITATION INCOME	1,676,825	-
EXPLOITATION COSTS	(1,550,411)	-
EXPLOITATION MARGIN	126,414	-
ADMINISTRATION & SALES EXPENSES	(2,088,370)	-
OPERATIONAL PROFIT (LOSS)	(1,961,956)	-
NON-OPERATIONAL OUTCOME		
INCOMES OTHER THAN FROM EXPLOITATION	23,527	-
DISBURSEMENTS OTHER THAN IN EXPLOITATION	(78,732)	-
ADJUSTMENT FOR INFLATION	(6,034)	-
NON OPERATIONAL PROFIT (LOSS)	(61,239)	-
OUTCOME BEFORE INCOME TAX	(2,023,195)	-
INCOME TAX		-
LOSSES IN THE PERIOD	(2,023,195)	-

STATEMENT OF ACCUMULATED DEFICIT IN DEVELOPMENT STAGE

FOR THE YEAR ENDED
DECEMBER 31 1995

SALARIES	-	(447,623)
ADVERTISING EXPENSES	-	(60,715)
FINANCIAL EXPENSES	-	(47,662)
OTHER DISBURSEMENTS	-	(294,335)
TOTAL EXPENSES IN DEVELOPMENT STAGE		(850,335)
FINANCIAL INCOME	-	538
TOTAL INCOME IN DEVELOPMENT PERIOD		538
INCOME FROM EXPERIMENTAL OPERATION	-	48,713
COSTS OF EXPERIMENTAL OPERATION	-	(37,410)
EXPERIMENTAL OPERATION OUTCOME		11,303
ADJUSTMENT FOR INFLATION	-	195
INCOME TAX	-	-
DEFICIT IN THE PERIOD		(838,299)
DEFICIT AT YEAR BEGINNING		(7,918)
ACCUMULATED DEFICIT		(846,217)





MICARRIER TELECOMUNICACIONES S.A.

GENERAL BALANCE SHEET
(In thousands of Chilean Pesos - \$th.)

	ON DECEMBER 31	
	1996	1995
ASSETS		
CURRENT	133,847	289,615
FIXED	.	.
OTHERS	1,640,891	1,428,535
TOTAL ASSETS	1,774,738	1,718,151
LIABILITIES AND NET WORTH		
CURRENT	10,159	14,936
LONG TERM	.	.
CAPITAL AND RESERVES	2,556,794	2,556,794
ACCUMULATED LOSSES	(853,580)	(858,079)
PROFIT IN THE PERIOD	61,365	4,500
TOTAL LIABILITIES AND NET WORTH	1,774,738	1,718,151

OUTCOME STATEMENT

	FOR THE YEARS ENDED DECEMBER 31	
	1996	1995
OPERATIONAL OUTCOME		
EXPLOITATION INCOME	40,621	832,042
EXPLOITATION COSTS	.	(553,995)
EXPLOITATION MARGIN	40,621	278,047
ADMINISTRATION & SALES EXPENSES	(905)	(262,500)
OPERATIONAL PROFIT(LOSS)	39,716	15,539
NON-OPERATION OUTCOME		
INCOMES OTHER THAN FROM EXPLOITATION	90,280	92,590
DISBURSEMENT OTHER THAN IN EXPLOITATION	(51,533)	(63,217)
ADJUSTMENT FOR INFLATION	(17,098)	(40,412)
NON OPERATIONAL PROFIT(LOSS)	21,649	(11,039)
PROFIT/LOSS BEFORE INCOME TAX	61,365	4,500
INCOME TAX	.	.
PROFIT IN THE PERIOD	61,365	4,500

ZETACOM DE CENTROAMERICA AND ITS SUBSIDIARY
(in a development stage)

GENERAL BALANCE SHEET
(In U.S. dollars)

	DECEMBER 31	
	1996	1995
ASSETS		
CURRENT	1,129,066	1,345,425
FIXED	4,381,825	4,492,018
OTHERS	2,571,297	2,864,643
TOTAL ASSETS	8,082,188	8,702,086
LIABILITIES AND NET WORTH		
CURRENT	2,616,712	2,521,224
LONG TERM	1,628,440	1,628,440
ACCOUNTS PAYABLE TO SHAREHOLDERS	3,683,384	2,617,967
MINORITY INTEREST	(162,633)	(129,196)
CAPITAL AND RESERVES	6,495,863	6,495,863
DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE	(4,432,212)	(3,207,009)
DEFICIT IN DEVELOPMENT STAGE	(1,747,366)	(1,225,203)
TOTAL LIABILITIES AND NET WORTH	8,082,188	8,702,086



OUTCOME STATEMENT

	FOR THE YEARS ENDED DECEMBER 31	
	1996	1995
OPERATION OUTCOME		
EXPLOITATION INCOME	1,826,258	1,338,211
EXPLOITATION COST	(2,324,907)	(1,830,717)
EXPLOITATION MARGIN	(498,649)	(492,506)
ADMINISTRATION & SALES EXPENSES	(1,360,611)	(930,731)
OPERATION OUTCOME	(1,859,260)	(1,423,237)
NON-OPERATION OUTCOME		
INCOME OTHER THAN FROM EXPLOITATION	50,597	160,400
DISBURSEMENTS OTHER THAN IN EXPLOITATION	27,860	(13,993)
ADJUSTMENT FOR INFLATION	-	-
NON OPERATION OUTCOME	78,457	146,407
PROFIT/LOSS BEFORE MINORITY INTEREST	(1,780,803)	(1,276,830)
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY	33,437	51,573
DEFICIT IN THE PERIOD	(1,747,366)	(1,225,257)
DEFICIT AT YEAR BEGINNING	(3,207,009)	(3,207,009)
ACCUMULATED DEFICIT	(4,954,375)	(4,432,266)

ZETACOM DE CENTROAMERICA AND ITS SUBSIDIARY

(in a development stage)

GENERAL BALANCE SHEET

(In U.S. dollars)

	DECEMBER 31	
	1996	1995
ASSETS		
CURRENT	1,129,066	1,345,425
FIXED	4,381,825	4,492,018
OTHERS	2,571,297	2,864,643
TOTAL ASSETS	8,082,188	8,702,086
LIABILITIES AND NET WORTH		
CURRENT	2,616,712	2,521,224
LONG TERM	1,628,440	1,628,440
ACCOUNTS PAYABLE TO SHAREHOLDERS	3,683,384	2,617,967
MINORITY INTEREST	(162,633)	(129,196)
CAPITAL AND RESERVES	6,495,863	6,495,863
DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE	(4,432,212)	(3,207,009)
DEFICIT IN DEVELOPMENT STAGE	(1,747,366)	(1,225,203)
TOTAL LIABILITIES AND NET WORTH	8,082,188	8,702,086



OUTCOME STATEMENT

	FOR THE YEARS ENDED DECEMBER 31	
	1996	1995
OPERATION OUTCOME		
EXPLOITATION INCOME	1,826,258	1,338,211
EXPLOITATION COST	(2,324,907)	(1,830,717)
EXPLOITATION MARGIN	(498,649)	(492,506)
ADMINISTRATION & SALES EXPENSES	(1,360,611)	(930,731)
OPERATION OUTCOME	(1,859,260)	(1,423,237)
NON-OPERATION OUTCOME		
INCOME OTHER THAN FROM EXPLOITATION	50,597	160,400
DISBURSEMENTS OTHER THAN IN EXPLOITATION	27,860	(13,993)
ADJUSTMENT FOR INFLATION	-	-
NON OPERATION OUTCOME	78,457	146,407
PROFIT/LOSS BEFORE MINORITY INTEREST	(1,780,803)	(1,276,830)
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY	33,437	51,573
DEFICIT IN THE PERIOD	(1,747,366)	(1,225,257)
DEFICIT AT YEAR BEGINNING	(3,207,009)	(3,207,009)
ACCUMULATED DEFICIT	(4,954,375)	(4,432,266)

ENTEL INTERNACIONAL B.V.I. AND SUBSIDIARY

GENERAL BALANCE SHEET (in U.S. dollars)

	DECEMBER 31	
	1996	1995
ASSETS		
CURRENT	1,103,401	897,295
FIXED	7,891,871	7,766,890
OTHERS	7,715,623	5,327,006
TOTAL ASSETS	16,710,895	13,991,191
LIABILITIES AND NET WORTH		
CURRENT	2,850,125	1,439,148
LONG TERM	751,314	748,209
MINORITY INTEREST	-	1,544,061
CAPITAL AND RESERVES	25,712,555	18,050,261
ACCUMULATED LOSSES	(7,790,489)	(3,267,108)
LOSS IN THE PERIOD	(4,812,610)	(4,523,381)
TOTAL LIABILITIES AND NET WORTH	16,710,895	13,991,191



OUTCOME STATEMENT

	FOR THE YEARS ENDED DECEMBER 31	
	1996	1995
OPERATION OUTCOME		
EXPLOITATION INCOMES	4,557,780	1,533,970
EXPLOITATION COSTS	(4,614,591)	(2,618,596)
EXPLOITATION MARGIN	(56,811)	(1,084,626)
ADMINISTRATION & SALES EXPENSES	(4,095,449)	(4,372,113)
OPERATION PROFIT/LOSS	(4,152,260)	(5,456,739)
NON-OPERATION OUTCOME		
INCOMES OTHER THAN FROM EXPLOITATION	383,266	415,223
DISBURSEMENTS OTHER THAN IN EXPLOITATION	(1,225,247)	(622,863)
NON-OPERATION PROFIT/LOSS	(841,981)	(207,640)
PROFIT/LOSS BEFORE MINORITY INTEREST	(4,994,241)	(5,664,379)
MINORITY INTEREST	181,631	1,140,998
LOSS IN THE PERIOD	(4,812,610)	(4,523,381)



SATEL TELECOMUNICACIONES S.A.

GENERAL BALANCE SHEET
(in thousands of Chilean pesos - \$th.)

	ON DECEMBER 31	
	1996	1995
ASSETS		
CURRENT	740,528	520,284
FIXED	2,217,123	2,667,335
OTHERS	83,917	7,142
TOTAL ASSETS	3,041,568	3,194,761
LIABILITIES AND NET WORTH		
CURRENT	477,223	531,095
LONG TERM	490,889	1,441,441
CAPITAL & RESERVES	2,197,803	2,197,803
ACCUMULATED LOSSES	(975,578)	(914,240)
PROFIT(LOSS) IN THE PERIOD	851,231	(61,338)
TOTAL LIABILITIES AND NET WORTH	3,041,568	3,194,761

OUTCOME STATEMENT

	FOR THE YEARS ENDED DECEMBER 31	
	1996	1995
OPERATION OUTCOME		
OPERATION INCOME	1,789,920	1,514,710
EXPLOITATION COSTS	(779,638)	(1,024,606)
EXPLOITATION MARGIN	1,010,282	490,104
ADMINISTRATION & SALES EXPENSES	(34,335)	(330,675)
OPERATION PROFIT/LOSS	975,897	159,429
NON-OPERATION OUTCOME		
INCOMES OTHER THAN FROM EXPLOITATION	13,107	13,768
DISBURSEMENTS OTHER THAN IN EXPLOITATION	(155,258)	(338,418)
ADJUSTMENT FOR INFLATION	20,170	103,883
NON-OPERATION PROFIT/LOSS	(121,981)	(220,767)
EARNINGS BEFORE INCOME TAX	853,916	(61,338)
INCOME TAX	(2,693)	-
PROFIT(LOSS) IN THE PERIOD	851,231	(61,338)

ENTEL TELEFONIA MOVIL S.A.

(Company in a development stage)

GENERAL BALANCE SHEET (in thousands of Chilean pesos - \$th.)

	ON DECEMBER 31	
	1996	1995
ASSETS		
CURRENT	23,245,902	18,849
FIXED	542,631	484,341
OTHERS		
TOTAL ASSETS	23,788,533	503,190
LIABILITIES AND NET WORTH		
CURRENT	11,859,838	57,286
LONG TERM	11,616,131	
CAPITAL & RESERVES	698,913	698,913
ACCUMULATED DEFICIT IN DEVELOPMENT STAGE	(253,009)	(138,845)
DEFICIT IN DEVELOPMENT STAGE	(133,340)	(114,164)
TOTAL LIABILITIES AND NET WORTH	23,788,533	503,190



STATEMENT OF ACCUMULATED LOSSES DURING DEVELOPMENT STAGE

	FOR THE YEARS ENDED DECEMBER 31	
	1996	1995
SALARIES	(75,696)	(100,901)
RESEARCH & DEVELOPMENT EXPENSES	(31,586)	(2,083)
OTHER DISBURSEMENTS	(12,001)	(12,837)
TOTAL EXPENSES IN DEVELOPMENT PERIOD	(119,283)	(115,821)
FINANCIAL INCOME	246,110	2,143
FINANCIAL EXPENSES	(269,127)	(61)
ADJUSTMENT FOR INFLATION	8,960	(425)
TOTAL DEFICIT BEFORE TAX	(133,340)	(114,164)
INCOME TAX		
DEFICIT IN THE PERIOD	(133,340)	(114,164)
DEFICIT AT YEAR BEGINNING	(253,009)	(138,845)
ACCUMULATED DEFICIT	(386,349)	(253,009)



ENTEL SERVICIOS TELEFONICOS S.A.

GENERAL BALANCE SHEET
(in thousands of Chilean pesos - \$th.)

	ON DECEMBER 31	
	1996	1995
ASSETS		
CURRENT	756,727	932,426
FIXED	1,063,574	1,425,765
OTHERS	72,353	131,496
TOTAL ASSETS	1,892,654	2,489,687
LIABILITIES AND NET WORTH		
CURRENT	526,959	2,208,745
LONG TERM	819,402	417,037
CAPITAL & RESERVES	872,483	872,483
ACCUMULATED LOSSES	(1,008,578)	(18,345)
PROFIT(LOSS) IN THE PERIOD	682,388	(990,233)
TOTAL LIABILITIES AND NET WORTH	1,892,654	2,489,687

OUTCOME STATEMENT

	FOR THE YEARS ENDED DECEMBER 31	
	1996	1995
OPERATION OUTCOME		
EXPLOITATION INCOME	3,631,485	4,934,849
EXPLOITATION COSTS	(767,558)	(1,797,097)
EXPLOITATION MARGIN	2,863,927	3,137,752
ADMINISTRATION & SALES EXPENSES	(2,004,157)	(4,088,573)
OPERATION PROFIT/LOSS	819,770	(950,821)
NON-OPERATION OUTCOME		
INCOME OTHER THAN FROM EXPLOITATION	109,034	116,651
DISBURSEMENTS OTHER THAN IN EXPLOITATION	(190,376)	(148,059)
ADJUSTMENT FOR INFLATION	28,960	(8,004)
NON-OPERATION PROFIT/LOSS	(52,382)	(39,412)
PROFIT(LOSS) BEFORE INCOME TAX	767,388	(990,233)
INCOME TAX	(85,000)	-
PROFIT(LOSS) IN THE PERIOD	682,388	(990,233)



ENTEL INVERSIONES S.A.

GENERAL BALANCE SHEET
(in thousands of Chilean pesos - \$th.)

	TO DECEMBER 31	
	1996	1995
ASSETS		
CURRENT	4,934	5,260
FIXED	-	-
OTHERS	852,319	392,747
TOTAL ASSETS	857,253	398,007
LIABILITIES AND NET WORTH		
CURRENT	1,519	13,243
LONG TERM	228,380	115,716
CAPITAL & RESERVES	2,548,627	2,548,627
ACCUMULATED DEFICIT IN DEVELOPMENT STAGE OF RELATED CO's.	(8,383)	(8,383)
ACCUMULATED LOSSES	(2,271,196)	(2,141,317)
PROFIT(LOSS) IN THE PERIOD	358,306	(129,879)
TOTAL LIABILITIES AND NET WORTH	857,253	398,007

OUTCOME STATEMENT

	FOR THE YEARS ENDED DECEMBER 31	
	1996	1995
OPERATION OUTCOME		
EXPLOITATION INCOME	-	-
EXPLOITATION COST	-	-
EXPLOITATION MARGIN	-	-
ADMINISTRATION & SALES EXPENSES	(1,073)	(1,143)
OPERATION PROFIT/LOSS	(1,073)	(1,143)
NON-OPERATION OUTCOME		
INCOME OTHER THAN FROM EXPLOITATION	399,170	25,848
DISBURSEMENTS OTHER THAN IN EXPLOITATION	(44,118)	(157,246)
ADJUSTMENT FOR INFLATION	4,327	2,662
NON-OPERATION PROFIT/LOSS	359,379	(128,736)
PROFIT(LOSS) BEFORE INCOME TAX	358,306	(129,879)
INCOME TAX	-	-
PROFIT(LOSS) IN THE PERIOD	358,306	(129,879)


ENTEL PCS TELECOMUNICACIONES S.A.

(Company in a development stage)

GENERAL BALANCE SHEET

(in thousands of Chilean pesos - \$Ch)

 ON DECEMBER 31
1996

ASSETS

CURRENT	23,229,819
FIXED	41,595
OTHERS	.

TOTAL ASSETS	23,271,414
---------------------	-------------------

LIABILITIES AND NET WORTH

CURRENT	23,261,283
LONG TERM	.
CAPITAL & RESERVES	10,110
SURPLUS IN THE PERIOD	21

TOTAL LIABILITIES AND NET WORTH	23,271,414
--	-------------------

STATEMENT OF AGREGGATE SURPLUS IN DEVELOPMENT STAGE

 FOR THE YEAR ENDED
DECEMBER 31
1996

SALARIES	.
ADVERTISING EXPENSES	.
FINANCIAL EXPENSES	(244,669)
OTHER DISBURSEMENTS	(8)

TOTAL EXPENSES IN DEVELOPMENT STAGE	(244,677)
--	------------------

FINANCIAL INCOME	244,665
------------------	---------

TOTAL INCOME IN DEVELOPMENT STAGE	244,665
--	----------------

INCOME FROM EXPERIMENTAL OPERATION	.
COST OF EXPERIMENTAL OPERATION	.

PROFIT (LOSS) FROM EXPERIMENTAL OPERATION	.
--	----------

ADJUSTMENT FOR INFLATION	37
INCOME TAX	(4)

SURPLUS IN THE PERIOD	21
SURPLUS AT YEAR BEGINNING	.

ACCUMULATED SURPLUS	21
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123  ENTEL

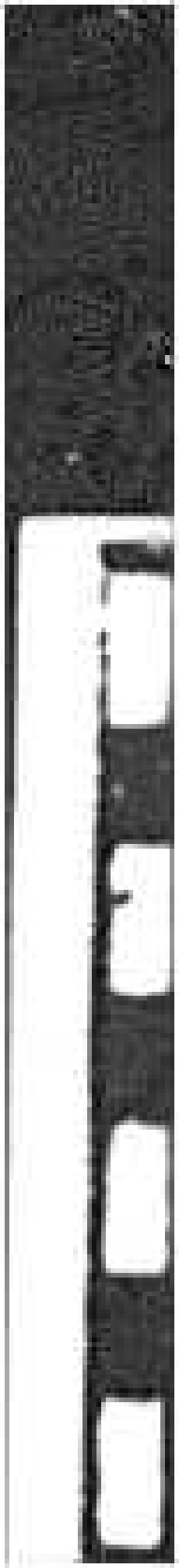
ARNET S.A.
GENERAL BALANCE SHEET
(in thousands of Chilean pesos - \$th.)

	ON DECEMBER 31	
	1996	1995
ASSETS		
CURRENT	1,452,138	812,154
FIXED	5,375,826	2,021,617
OTHERS	188,507	-
TOTAL ASSETS	7,016,471	2,833,771
LIABILITIES AND NET WORTH		
CURRENT	5,346,585	1,911,222
LONG TERM	595,084	814
MINORITY INTEREST	-	-
CAPITAL & RESERVES	4,813,256	3,181,486
ACCUMULATED LOSSES	(2,103,415)	(666,609)
LOSSES IN THE PERIOD	(1,635,039)	(1,593,142)
TOTAL LIABILITIES AND NET WORTH	7,016,471	2,833,771



OUTCOME STATEMENT

	FOR THE YEARS ENDED DECEMBER 31	
	1996	1995
OPERATION OUTCOME		
EXPLOITATION EARNINGS	1,951,131	481,909
EXPLOITATION COSTS	(1,709,484)	(830,098)
EXPLOITATION MARGIN	241,647	(348,189)
ADMINISTRATION & SALES EXPENSES	(1,679,912)	(1,104,823)
OPERATION PROFIT/LOSS	(1,438,265)	(1,453,012)
NON-OPERATION OUTCOME		
INCOME OTHER THAN FROM EXPLOITATION	13,144	12,235
DISBURSEMENTS OTHER THAN IN EXPLOITATION	(203,770)	(128,928)
ADJUSTMENT FOR INFLATION	(6,148)	(23,437)
NON-OPERATION PROFIT/LOSS	(196,774)	(140,130)
PROFIT (LOSS) BEFORE INCOME TAX	(1,635,039)	(1,593,142)
INCOME TAX	-	-
LOSS IN THE PERIOD	(1,635,039)	(1,593,142)





AFFILIATE COMPANIES

ENTEL TELEFONIA LOCAL S.A. (Entelphone S.A.)

Its corporate purpose is to serve users of high volumes in their needs for telephonic communications, multimedia and infrastructure and to deal in marketing or as representatives of communication equipment and, generally said, to deal in the telecommunications field.

Entelphone S.A. was incorporated with public deed of April 29 1994.

Its underwritten and paid-in capital is \$th.5,344,631.

Its corporate proprietorship is as follows:

ENTEL CHILE S.A.	99%
ENTEL INVERSIONES S.A.	1%

Its Board of Directors is presently composed of the following people:

Mr. Richard Büchi B.	President of the Board
Position in the mother Co.:	General Manager
Mr. Iván Van de Wyngard M.	Director
Mr. Felipe Ureta P.	Director
Position in the mother Co.:	Financial & Administration Manager
Mr. Konrad Burchardt D.	Director
Position in the mother Co.:	Commercial Manager
Mr. Marcial Santelices M.	Director
Position in the mother Co.:	Operations Manager

The General Manager of Entelphone S.A. is Mr. Alvaro Silva M.

ENTEL SERVICIOS TELEFONICOS S.A. (Enteléfono S.A.)

Its corporate purpose is to provide telecommunications services and to act in marketing, dealing and representation of communication equipment and, generally said, to deal in the telecommunications field.

Enteléfono S.A. was originally incorporated as a closely held corporation through public deed dated March 13 1989 under the legal name of Global Telecomunicaciones S.A. Later, on June 24 1993, its corporate Bylaws were amended as to its current legal corporate name.

Its underwritten and paid-in capital is \$th.872,483.

Its corporate proprietorship is as follows:

ENTEL CHILE S.A.	91.42%
ENTEL INVERSIONES S.A.	8.58%

Its Board of Directors is presently composed of the following people:

Mr. Konrad Burchardt D.	President of the Board
Position in the mother Co.:	Commercial Manager
Mr. Marcial Santelices M.	Director
Position in the mother Co.:	Operations Manager
Mr. Jorge Asecio F.	Director
Position in the mother Co.:	Manager of Multi-carrier Products Dept.

Its General Manager is Mr. Jorge Asecio F.



SATEL TELECOMUNICACIONES S.A. (Satel S.A.)

Its corporate purpose is to provide satellite telephony or low/high speed data transmission services in Chile and internationally in the entrepreneurial field to serve its customers in Chile with an integral service.

Satel S.A. provides the following services:

VSAT (Very Small Aperture Terminal), a private net for communications with voice, fax or data that suits very well exchange among a parent company and its affiliates, dealers, fields, etc. Communications are routed through a stationary satellite.

IBS (International Business Service), a packet of private digital communications fully integrated that allows for national or international exchange in telephony, facsimile, electronic mail, videoconference, etc.

Satel S.A. was incorporated with public deed of March 13 1989.

Its underwritten and paid-in capital is \$th. 2,197,803.

Entel Chile S.A. owns a proprietorship interest of 99.99% either directly or indirectly.

Its corporate regular Directors are:

Mr. Richard Büchi B. President of the Board
Position in the mother Co.: General Manager

Mr. Ricardo Cruzat O. Director

Mr. Iván Van de Wyngard M. Director

The General Manager of SATEL S.A. is Mr. Cristián Gálvez K. (alternate)

ENTEL INVERSIONES S.A.

Its purpose is to seek and make investments deemed advantageous for corporate goals of ENTEL, whether or not in the field of telecommunications.

Entel Inversiones S.A. was incorporated with public deed of August 8 1989.

Its underwritten and paid-in capital is \$th 2,548,627.

Entel Chile directly or otherwise owns 99.99% of the capital stock of this Co.

The Board of Directors of Entel Inversiones is composed as follows:

Mr. Jorge Asecio F. President of the Board
Position in the mother Co.: Manager of Multicarrier
Products

Mr. Felipe Ureta P. Director
Position in the mother Co.: Financial & Administration
Manager

Mr. Jorge Fritis C. Director
Position in the mother Co.: Corporate Planning Manager

The General Manager of Entel Inversiones S.A. is Mr. Felipe Ureta P.



ENTEL INTERNACIONAL S.A.

Its corporate purpose is to seek a broader field for international business of Entel Chile and to build a favorable strategic position in foreign telecommunications markets.

Entel Internacional S.A. was incorporated through public deed of September 12 1989.

Its underwritten and paid-in capital is \$Ch.803,167.

Proprietorship of this company is as follows:

ENTEL CHILE S.A.	90%
ENTEL INVERSIONES S.A.	10%

Its corporate Board of Directors is composed as follows:

Mr. Juan Hurtado V.	President of the Board
Position in the mother Co.:	President of the Board
Mr. Richard Büchi B.	Director
Position in the mother Co.:	General Manager
Mr. Felipe Ureta P.	Director
Position in the mother Co.:	Financial & Administration Manager
Mr. Konrad Burchardt D.	Director
Position in the mother Co.:	Commercial Manager
Mr. Jorge Fritis C.	Director
Position in the mother Co.:	Corporate Planning Manager

The General Manager of Entel Internacional S.A. is Mr. Felipe Ureta P.

ENTEL INTERNATIONAL B.V.I. CORP.

Its corporate purpose is to make investments abroad deemed strategic for Entel.

It was incorporated as a holding (an investments Co.) on February 12 1993 in Tortola (British Virgin Islands).

Its underwritten and paid-in capital is US\$25,712,555.

Proprietorship of this Co. is as follows:

ENTEL CHILE S.A.	85%
ENTEL INTERNACIONAL S.A.	15%

Its Board of Directors is composed as follows:

Mr. Alejandro Rojas P.	President of the Board
Mr. Konrad Burchardt D.	Director
Position in the mother Co.:	Commercial Manager

The General Manager of Entel International B.V.I. Corp. is Mr. Ricardo Cruzat O.

ARNET S.A.

Its corporate purpose is to provide telecommunications services in its base country and abroad, specially in transmission of data, voice and image and other services with added value with full coverage in Argentina.

Arnet S.A. has been licensed to provide private services in data transmission and fax store & forward in Argentina or to carry radio broadcast signals, to provide fax store&forward, videoconference and other services with added value both domestically and internationally.

Arnet S.A. was incorporated with public deed in Buenos Aires, Argentina, on March 31 1993.

Entel Chile S.A. maintains a proprietorship interest in this Co. since 1994.

Among the various services provided by Arnet S.A. are VSAT and VSAT DAMA.

Its underwritten and paid-in capital is \$th.4,813,256.

Its proprietorship share is as follows:

ENTEL CHILE S.A.	60%
CITEL S.A.	40%

The Board of Directors of Arnet S.A. is composed as follows:

Mr. Felipe Ureta P. Position in the mother Co.:	President of the Board Financial & Administration Manager
Mr. Ricardo Cruzat O.	Director
Mr. Alvaro García L. Position in the mother Co.:	Director Manager of Affiliates Dept.
Mr. Raúl Ciudad D.	Director
Mr. Oscar Raúl Fiordelisi	Director

The General Manager of Arnet S.A. is Mr. Alfonso Pino.

ZETACOM DE CENTROAMERICA S.A.

Zetacom is licensed to act in four countries in the Central America region, namely Guatemala, Honduras, El Salvador and Nicaragua; and its corporate purpose is to do business in the field of private telecommunications services.

Entel Chile S.A. maintains a proprietorship interest in this company since November 1994.

Zetacom de Centroamérica S.A. currently offers services IBS, VSAT and local nets.

Its subscribed and paid-in capital is US\$6,495,863

Its proprietorship share is as follows:

ENTEL CHILE S.A.	70%
ZETA COMMUNICATIONS S.A.	30%

Its corporate Board of Directors is composed as follows:

Mr. Felipe Ureta P. Position in the mother Co.:	President of the Board Financial & Administration Manager
Mr. Iván Van de Wyngard M.	Director
Mr. Marcial Santelices M. Position in the mother Co.:	Director Operations Manager
Mr. Mario Granados M.	Director
Mr. Carlos Palacios E.	Director

The General manager of Zetacom de Centroamérica S.A. is Mr. Alfredo Parot D.



AMERICATEL COLOMBIA S.A.

Its corporate purpose is to provide integral solutions for domestic or international communications, mainly through transmission and switching of voice and data for private nets.

AmericaTel Colombia S.A. was incorporated with public deed of July 30 1975 in Bogotá, Colombia.

Entel Chile maintains a proprietorship interest in this Co. since 1994.

Its proprietorship share is as follows:

ENTEL CHILE S.A.	35%
GRUPO SANTO DOMINGO (through its subsidiaries)	65%

Its subscribed and paid capital is US\$1,139,908.

The following individuals make the Board of Directors:

Mr. Bernardo Botero M.	President of the Board
Mr. Richard Büchi B.	Director
Position in the mother Co.:	General Manager
Mr. Felipe Ureta P.	Director
Position in the mother Co.:	Financial & Administration Manager
Mr. Orlando Cabrales M.	Director
Mr. Jorge Julián Trujillo A.	Director

The General Manager of AmericaTel Colombia is Mr. Juan Manuel Arboleda.

BUENAVENTURA S.A.

Its corporate purpose is to import, export, buy, sell, fabricate, distribute and market all kind of machines and equipment.

Buenaventura S.A. was incorporated with public deed of October 1 1990.

Its underwritten and paid-in capital is \$th 1,488,096

Its proprietorship share is as follows:

TELEFÓNICA CELULAR DE CHILE S.A.	50%
ENTEL CELULAR S.A.	50%

The General Manager of Buenaventura S.A. is Mr. Mario Weiffenbach O.



MESSAGES TO ETERNITY
 OO ENTELPHON
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 ARM.D010 1231250001
 TECHNOLOGICAL TRANSFER
 12500010000010
 SEEKING INFORMATION
 ABOUT LIFE
 123125000
 IMMEDIATE INFORMATION
 QUALITY
 1250001
 IMMEDIATE ACCESS
 END CONTROL SAVE.

Boxes, calls derivation, three-party conference, signal of call on hold.

It is anticipated that further innovative and exclusive services will be built in the future upon state-of-the-art technology and top quality services.

ENTELPhone is also present in telephonic services for the man of the street with more than 350 public telephones in places of heavy public traffic or in places with poor telephone availability.

The tremendous challenge of providing the best service has been successfully afforded by building or consolidating strengths and by hiring well trained personnel to fill corporate positions.

Every effort is aimed at one thing: Making ENTELPhone a corporation that looks into the future with confidence upon its experience and the strong support of the best technical and human resources now further enhanced by the technological expertise of STET.



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INTERNET
SERVICES

ENTER @ NET
1000 800 388
GROWING UNIVERSAL

Investment and Financial Policies

INVESTMENT POLICY

Our purpose as corporation is to obtain maximum profitability through research, building and operation of telecommunications systems and through effective provision of associated services. To such end, our corporation makes investments that mainly seek to satisfy the demand from our customers and users in a technically and economically highly efficient way; to keep our facilities properly maintained and; to maintain strong development activities to keep in pace with, or exceed, general progress in the telecommunications industry. In this picture, our corporation has sought investments that output a steady return along time or that were, at least, equal to the capital cost in the involved financing arrangement.

For 1996 and pursuant to investment and financial budgets of Empresa Nacional de Telecomunicaciones S.A., annual investments in fixed assets were authorized such that they do not exceed an indebtedness index of 1. Funds so allocated went to finance various projects in the telecommunication business of the Company in Chile or abroad.

Pursuant to the outlines approved in a General Meeting of Shareholders, the Board of Directors decided specific investments in companies, works or studies carried by ENTEL. Allocation of funds was decided basically upon the degree of progress of the various programs during this calendar year.

The Company was also authorized to

make supplementary financial contributions in its capacity as a party to some international agreements of INTELSAT and INMARSAT. Contributions to affiliates and related companies were also authorized within this scope.

In order to improve utilization of cash surplus, the Company was authorized to invest in financial stock and/or in marketable securities with a criterion of seeking sound choices and diversified holdings. Other criteria included considerations of proper liquidity, reliability and profitability.

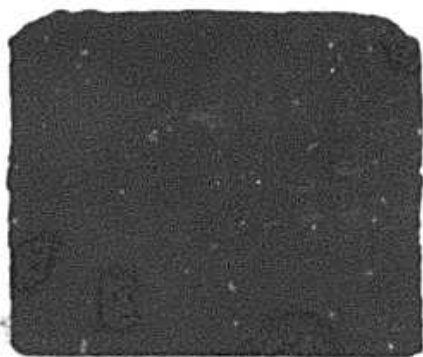
FINANCING POLICY

The financial policy of the Company considered the following main resources:

- Own resources
- Resources created with an increased capital stock through issue of shares
- Credits from suppliers
- Loans from bankers or financial entities
- Deferred Customs duties and;
- Bonds of public offer to private parties.

A maximum allowable indebtedness index (i.e. total debt/equity capital ratio) of 1 was established. Total net debt of financial investments was reckoned in establishing said ratio.

It should be noted that approved indebtedness index of ENTEL, much conservative, is significantly below applicable financial restraints established in loan agreements and lower than securities of public offer (they



generally require that corporate current liabilities payable beyond one year do not exceed 1.5 times the corporate equity capital).

Another important fact, management of ENTEL may not agree any restraint respect to corporate dividends or establish liens of any kind in favor of third parties or of other companies or corporations other than its own affiliates or related companies.

Also, all assets involved in operation of public services licensed to ENTEL have been stated to be essential assets for the operation of the Company. Of course and notwithstanding, they may be modified or replaced due to an obsolete technical or economical condition.

DIVIDENDS POLICY

The Board of Directors intend, for 1996 and the next few years, to maintain a stable policy respect to dividends and proposed that up to 50% of the profits made in each period was paid as dividends. Dividends so established would be paid on May 30 of each year or before. No provisional annual dividends will be paid during the next period.

Main considerations in establishing

profit rate to be paid to shareholders and payment dates, were observance of corporate policies respect to dividends and preservation of a sound financial balance of the Company. Considerations particularly weighed were level of security (backing) required in corporate bonds of public offer and in existing loan agreements with Development Interamerican Bank.

In any case, the policy of the Board of Directors respect to payment of dividends will remain subject to results and investment requirements as they may be established upon corporate forecasts regularly carried by the Company.

Below is a summary of dividends paid in the last five calendar years, expressed in Chilean currency value to December 31 1996

Corporate dividends paid in the last five years:

Year	dividend per share
1992	393.24
1993	354.23
1994	243.10
1995	0.00
1996	34.84

Total 1,025.41

(Chilean Pesos value in Dec.96)





LONG-DISTANCE RESALE TARIFF

- C. For any violation by a Customer related to the request for such Service of either the provisions of this Tariff or any applicable laws, rules, regulations, or policies of any governmental authority;
 - D. By reason of any order or decision of a court or other governmental authority which prohibits the Company from furnishing such Service;
 - E. If the Company deems such refusal necessary to protect itself or third parties against fraud or to otherwise protect its personnel, agents, or Services;
 - F. If such refusal or discontinuance is otherwise made necessary by conditions beyond the Company's control.
- 2.3.3. The Company may discontinue service to a Customer for nonpayment of disputed charges or other violation of this tariff or provisions of applicable law upon 10 days written notice to the Customer without incurring any liability for damages due to the loss of telephone service.
- 2.3.4. The Customer may not transfer or assign its rights or duties under this tariff without the express written consent of the Company. All regulations and conditions contained in this tariff shall apply to all such assignees or transferees that the Company has authorized.

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- 2.4.5. The Customer shall defend, indemnify and save harmless the Company from and against any suits, claims, losses or damage, including punitive damages, attorney fees and court costs, brought or caused by the Customer or third parties and arising out of any act or omission of the Customer in the course of any authorized use, unauthorized use or misuse of the Company's Services, or the Customer's equipment or facilities. Unauthorized use or misuse of the Customer's equipment or facilities includes, but is not limited to, the unauthorized use or misuse of such equipment or facilities by the Customer's agent(s) or other third parties. The Company does not warrant or guarantee that it can prevent such unauthorized use or misuse, and the Customer is responsible for controlling access to, and use of, its own equipment and facilities.
- 2.4.6. The Company shall not be liable for, and shall be fully indemnified and held harmless by the Customer against, any claim or loss, expense or damage (including indirect, special or consequential damages, attorney fees or court costs) for defamation, libel, slander, invasion of privacy, infringement of copyright or patent, unauthorized use of any trademark, tradename or service mark, unfair competition, interference with or misappropriation or violation of any contract, proprietary or creative right, or any other injury or harm to any person, property or entity arising out of the material, data, information, or other content revealed to, transmitted, or used by the Company under this tariff; or for any act or omission of the Customer.
- 2.4.7. **THE COMPANY MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, CONCERNING THE SERVICES, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**
- 2.4.8. No agent or employee of any other carrier shall be deemed to be an agent or employee of the Company unless the Company or a duly authorized agent or employee of the Company so authorizes in writing.

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2.5. Provision of Equipment

2.5.1. Customer-provided communications equipment at the Customer's premises for use in connection with Services provided hereunder shall be so constructed, maintained and operated as to work satisfactorily with the Services and facilities of the Company, and/or the Company's Underlying Carriers. Such Customer-provided equipment shall be in compliance with all applicable rules and regulations of the FPSC and the Federal Communications Commission, the laws of the State of Florida and the requirements of the Communications Act of 1934, as amended.

2.5.2. The Company shall not be responsible for the installation, operation or maintenance of any Customer-provided communications equipment. Where such equipment is connected to Services furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of Services under this tariff in the proper manner. Subject to this requirement, the Company shall not be responsible for:

- A. the through transmission of signals generated by Customer-provided equipment or for the quality of, or defects in, such transmission;
- B. the reception of signals by Customer-provided equipment, or
- C. network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

2.6. Payment for Services

2.6.1. The Customer is responsible for the payment of all charges for Services furnished to the Customer and Customer's agent(s) or patrons of the Customer, and for all calls placed by or through Customer's equipment directly or via any remote access features. The Customer is also responsible for the payment of charges for calls

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originated at the Customer's numbers which are not collect, third party, calling card or credit card calls.

- 2.6.2. The Company's bills are due upon receipt. If full payment is not received within 30 days after the bill is issued, a late payment penalty on the unpaid balance shall be assessed at the rate of 1.5% per month or at the maximum permissible rate under applicable law, whichever is greater.
- 2.6.3. Disputes with respect to charges must be presented to the Company in writing within sixty (60) days from the date the bill in question is issued or such bill will be deemed correct and binding on the Customer. If a billing dispute arises, Customer may request, and the Company will provide, a review of the disputed amount. The undisputed portion of the relevant bill and all subsequent bills must continue to be paid on a timely basis.
- 2.6.4. Customers may refer billing disputes and any other complaints to the Company at (888) 801-0123, or to the Florida Public Service Commission, Division of Communications, 2540 Shumard Oak Blvd., Gunter Building, Tallahassee, Florida, 32399-0850.
- 2.6.5. The Customer shall be liable to the Company for the cost of collection of all charges owed to the Company. Collection fees on unpaid charges will accrue at a rate of 1.5% per month. Collection fees on unpaid charges shall begin to accrue when the account is assigned to an outside collection agency. Such collection fees are separate and distinct from attorney's fees and other costs incurred in collecting charges owed to the Company.
- 2.6.6. If the Company initiates legal proceedings to collect any amount due hereunder and the Company substantially prevails in such proceedings, then the Customer shall pay the reasonable attorneys fees and costs of the Company in prosecuting such proceedings and appeals therefrom. In the event that the Company suspends

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the provision of Services to the Customer pursuant to the provisions of this tariff, the Company will re-connect the Customer to such Services only when all debts of the Customer to the Company, including accrued interest and other expenses and costs of collection, have been fully discharged to the satisfaction of the Company.

- 2.6.7. All applicable taxes, fees, charges, exactions, or the like which must be paid to any governmental authority — federal, state, local, municipal or otherwise — for the provision of telecommunications services and which, pursuant to the rules and regulations governing such applicable taxes, fees, charges, exactions or the like, may be charged directly to the Customer, will be separately stated on the Customer's bill and charged to, and collected from, the Customer. It shall be the responsibility of the Customer to pay these taxes, and to accept the liability of any such unpaid taxes that may subsequently become applicable retroactively.
- 2.6.8. A return check charge of \$20.00 or 5% of the amount of the check, whichever is greater, will be assessed for checks returned for insufficient funds.

2.7. Billing Entity Conditions

When billing functions on behalf of the Company are performed by local exchange telephone companies, or others, the payment conditions and regulations of such companies apply, including any applicable interest and/or late payment charge conditions.

2.8. Liability of the Customer

The Customer, and not the Company, shall be liable for damage to the Underlying Carrier's facilities utilized to provide Services under this tariff that are caused by the negligence or willful act of the Customer or its agent(s), or that result from the improper use of the Underlying Carrier's facilities by the Customer or its agent(s). Nothing in the

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foregoing sentence shall be interpreted to hold one Customer liable for another Customer's actions.

2.9. Use of Service

2.9.1. The Services offered hereunder may be used to transmit communications of the Customer in a manner consistent with the terms of this tariff, the policies and regulations of the FPSC and the Federal Communications Commission, the laws of the State of Florida and the requirements of the Communications Act of 1934, as amended. The Services offered hereunder shall not be used for any unlawful purpose.

2.9.2. The use of the Company's services without payment for service and any attempt to avoid payment for service by fraudulent means or devices, schemes, false or invalid numbers, or false calling or credit cards is prohibited.

2.10. Interruption of Service

2.10.1. Without incurring liability, the Company may interrupt the provision of services at any time in order to perform tests and inspections to assure compliance with tariff regulations and applicable law, and may continue such interruption until any items of non-compliance so identified are rectified.

2.10.2. The Company will consider customer requests for credit for faulty or incorrect connections and for other problems experienced by customers in the use of the Company's services on a case-by-case basis, and will provide reasonable credit in those cases in which it determines that the request is justified and the Company was at fault. All credit allowances shall be subject to the provisions of Section 2.4. above. It shall be the obligation of the customer to notify the Company immediately of any service problems for which a credit allowance is desired. Before giving such notice, the customer shall ascertain that the problem

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experienced is not being caused by any action or omission by the customer within the customer's control.

2.11. Restoration of Service

The use and restoration of Service shall be in accordance with the priority system specified in Part 64, Subpart D of the Rules of the Federal Communications Commission.

2.12. Billing Arrangements

Customers will either be billed directly by the Company or its intermediary, or charges will be included in the Customers' regular telephone bills pursuant to billing and collection agreements established by the Company or its intermediary with the applicable telephone company.

2.13. Deposits

The Company does not require a deposit from the Customer.

2.14. Advance Payments

The Company does not require advance payments from the Customer.

2.15. Employee Concessions

Employees of the Company do not receive any discount for any of the Company's services.

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2.16. Failure to Notify or Enforce

The failure to give notice of default, to enforce or to insist upon compliance with any of the terms or conditions herein, the waiver of any terms or conditions herein, or the granting of an extension of time for performance by the Customer shall not constitute the permanent waiver of any term or condition herein. Each of the provisions of this tariff shall remain at all times in full force and effect unless and until modified in writing

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SECTION 3 - DESCRIPTION OF SERVICE

3.1. Timing of Calls

3.1.1. When Billing Charges Begin and Terminate for Phone Calls

The chargeable time for a long distance call is determined by the duration of the call. Chargeable time begins when connection is established between the calling station and the called station. When the called party picks up is determined by hardware answer supervision, in which the local telephone company sends a signal to the switch or the software utilizing digital format or audio tone detection. In any case, an unanswered call will not be billed. Chargeable time ends when the calling station hangs up or otherwise terminates the call. If the called station hangs up or otherwise terminates the call but the calling station does not, chargeable time ends when the connection is released either by automatic timing equipment in the telecommunications network or by the Underlying Carrier's operator.

3.1.2. Billing Increments

Unless otherwise specified in this tariff, the minimum call duration for billing purposes is 1 minute for a connected call. Calls beyond 1 minute are billed in 1 minute increments. The Customer will not be billed for the first 5 seconds beyond a given minute. After the first 5 seconds, the Customer will be billed for an additional minute.

3.1.3. Per Call Billing Charges

Billing will be rounded up to the nearest penny for each call.

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3.1.4. Uncompleted Calls

There shall be no charge for uncompleted calls.

3.2. Calculation of Distance

Billing will not be based on distance. Every call within the State of Florida will be billed, regardless of distance, at rates that vary based on the time and day on which the call is made as indicated in Section 4 below.

If the Company should amend the rates set forth in this Tariff to bill based on distance, usage charges for all mileage sensitive products will be based on the airline distance between rate centers associated with the originating and terminating points of the call.

Under these circumstances, the airline mileage rate between rate centers will be determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The Company will use the rate centers that are produced by Bell Communications Research in the NPA-NXX V & H Coordinates Tape and Bell's NECA Tariff No. 4.

FORMULA:
$$\sqrt{\frac{(V1-V2)^2 + (H1-H2)^2}{10}}$$

EXAMPLE: Distance between Miami and Tallahassee -

	V	H
Miami	8,354	546
Tallahassee	<u>7,871</u>	<u>1,720</u>
Difference	483	-1,174

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Square and add: $223,289 + 1,378,276 = 1,611,565$

Divide by 10 and round: $1,611,565 / 10 = 161,156.5 = 161,157$

Take square root and round: $161,157 = 401.4 = 402$ miles

3.3. Minimum Call Completion Rate

Carrier will ensure an industry standard blocking rate of P.01.

3.4. Service Offerings

3.4.1. 10XXX Casual Dial-Around Service

The Company offers and provides direct dialed long distance service to residential, business and other customers. Service is available on a full-time basis, 24 hours a day, seven days a week. Domestic calls are placed by dialing 1-0-123-1 and the destination area code and telephone number. Domestic calls may also be placed by dialing 1-0-1-0123-1 and the destination area code and telephone number. The Company does not provide operator services, but has arranged for the provision of operator services by a separate company. To reach such operator services, customers will dial 1-0-123-0 or 1-0-1-0123-0. After the use of three digit carrier identification codes is discontinued within the United States, customers will dial only 1-0-1-0123 before domestic area codes and telephone numbers. Customers may originate calls from any calling station within the State of Florida except calling stations in hospitals, university dormitories and prisons, and except for cellular and pay telephones.

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SECTION 4 - RATES

4.1. 10XXX Casual Dial-Around Service

10XXX Casual Dial-Around Service is billed by whole minutes, with partial minutes of usage rounded up to the next whole minute as indicated in Section 3.1.2 above. Rates apply irrespective of mileage, and are as follows:

	<u>Initial Minute</u>	<u>Additional Minute</u>
Day:	\$0.15000	\$0.15000
Evening/Weekend:	\$0.15000	\$0.15000

4.2. Determining Applicable Rate in Effect

For the initial minute, the rate applicable at the start of chargeable time at the calling station applies. For additional minutes, the rate applicable is that rate which is in effect at the calling station when the additional minute(s) begin. That is, if chargeable time begins during the Day Period, the Day rate applies to the initial minute and to any additional minutes that the call continues during that rate period. If the call continues into a different rate period, the appropriate rates from that period apply to any additional minutes occurring in that rate period. If an additional minute is split between two rate periods, the rate period applicable at the start of the minute applies to that entire minute.

4.3. Promotions

The Company may from time to time engage in special promotional service offerings designed to attract new subscribers or to increase subscriber awareness of a particular service offering. Such promotional offerings will be limited to specific dates, times and locations. Except for the rates charged under such promotions and any other specified

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terms and conditions of those promotions, all terms and conditions of service contained in this tariff shall apply to the Company's promotional service offerings. All promotional offerings of the Company will be filed with and approved by the FPSC with specific starting and ending dates and under no circumstances will run for longer than 90 days in any 12 month period.

4.4. Special Rates For The Handicapped

4.4.1. Directory Assistance

As the Company does not provide directory assistance services to customers, Section 25-4.115(3)(a) of the Florida Rules (regarding limited free calling for individuals with disabilities) does not apply to the Company's services. Should the Company offer directory assistance services at some time in the future, it will comply fully with Section 25-4.115(3)(a).

4.4.2. Hearing and Speech Impaired Persons

The Company has no technical means of distinguishing TDD users from other users at this time, and therefore is unable to provide reduced rates for TDD users. Should the Company acquire the means to distinguish TDD users from other users in the future, it will provide them with reduced rates in accordance with Section 25-4.079(4) of the Florida Rules.

4.4.3. Telecommunications Relay Service ("TRS")

The Company has no technical means of distinguishing TRS users from other users at this time, and therefore is unable to provide reduced rates for TRS users. Should the Company acquire the means to distinguish TRS users from other users in the future, it will provide them with reduced rates in accordance with Section 25-4.160(1) of the Florida Rules.

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