

SECURITIES AND EXCHANGE COMMISSION

FORM 6-K

Current report of foreign issuer pursuant to Rules 13a-16 and 15d-16 Amendments

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FILER

CHILESAT CORP SA

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 205

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15b-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For May 18, 2004

CHILESAT CORP S.A.
(formerly Telex-Chile S.A.)
(Translation of registrant's name into English)

Rinconada El Salto No.202
Comuna de Huechuraba, Santiago, Chile
(Address of principal executive offices)

Form 20-F X Form 40-F
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Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No X
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CHILESAT CORP S.A. (THE "COMPANY")
REPORT ON FORM 6-K

TABLE OF CONTENTS

1. A free English translation of a press release dated May 10, 2004.
2. A free English translation of the Company's consolidated financial statements as of March 31, 2004, prepared in accordance with Chilean generally accepted accounting principles.

[free English translation of Spanish original]

FOR IMMEDIATE PUBLICATION

Contact: Fernando Escrich - Finance Manager
 Chilesat Corp S.A. (Formerly Telex-Chile S.A.)
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THE NET RESULTS OF CHILESAT CORP FOR THE FIRST QUARTER OF 2004
IMPROVED 59% COMPARED TO THE SAME PERIOD IN 2003.

(Santiago, Chile, May 10, 2004). Chilesat Corp S.A. (formerly Telex-Chile S.A.) released its consolidated financial statements for the first quarter of 2004.

The Net Results of Chilesat Corp for the first quarter of 2004 improved 59% compared to the same period last year. The Company's loss decreased from Th\$ 3,494,068 to Th\$ 1,438,446.

The Company's Operating Results improved 78% with a loss of Th\$ 544,372 at March 31, 2004 compared to a loss for the same period in 2003 of Th\$ 2,420,601. This improvement resulted from an increase of 26% in operating margins (Th\$ 692,226) and from a decrease of 23% in administrative and selling expenses (Th\$ 1,184,003).

The Company's EBITDA grew by 300% reaching Th\$ 1,596,286 in the first quarter of 2004, compared with Th\$ 399,051 recorded in the same period of 2003.

The application of the Company's strategy, which seeks to increase its participation in the corporate segment by means of an integrated offering of Data and Voice Network services through its affiliate Chilesat Servicios Empresariales S.A., has resulted in income from this line of business increasing from Th\$ 1,452,514 to Th\$ 1,639,484. The Company has attracted important clients, who have entrusted their communications platform to Chilesat.

Chilesat Corp, through its affiliate Chilesat Servicios Empresariales, is developing an ambitious local telephony project, which currently provides services in the 6 primary areas of the country. These areas total 80% of telephone service demand. Additionally, the Company is extending coverage for such system using IP commutation technology to initiate operations in the remaining 24 primary zones. The startup of this new IP telephony platform is planned for the first half of 2004. This solution is based on two modern technological platforms which combined allow the Company to offer telephonic commuting services with traditional and IP technology. This allows the Company to provide a versatile solution to resolve telephonic service requirements, especially those of the corporate segment.

Also, the Company's capacity to maintain and profit from long-distance operations has increased significantly. In relation to this, the Company has maintained a stable market share in the residential segment and has increased its share in long-distance services in the corporate segment.

* * *

The press release contains forward-looking statements within the meaning of the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on the current expectations or beliefs of Telex-Chile's management and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The following factor, among others, could cause actual results to differ materially from those described in the forward-looking statements: the effects of the Company's corporate services strategy. For a detailed discussion of these and other risks, please refer to the Form 20-F filed with the U.S. Securities and Exchange Commission.

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CHILESAT CORP S.A.
CONSOLIDATED RESULTS AT MARCH 31, 2004
(PREPARED IN ACCORDANCE WITH CHILEAN GAAP)
MILLIONS OF US DOLLARS AND CONSTANT CHILEAN PESOS AT MARCH 31, 2004

<TABLE>
<CAPTION>

INCOME STATEMENT	UP TO 31/03/04 Millions CH\$	UP TO 31/03/03 Millions CH\$	UP TO 31/03/04 Millions US\$ (1)	UP TO 31/03/03 Millions US\$ (1)
-----	-----	-----	-----	-----

<S> REVENUES	<C>	<C>	<C>	<C>
------------------------------	------------------	------------------	------------------	------------------

CHILESAT S.A.	8,031	9,308	13.03	15.10
CHILESAT SERVS EMPRESARIALES S.A.	1,640	1,453	2.66	2.36
OTHER AFFILIATES (2)	454	1,066	0.74	1.73
	-----	-----	-----	-----
TOTAL REVENUES	10,125	11,827	16.43	19.19
	-----	-----	-----	-----
ACCES CHARGES	(1,715)	(1,525)	(2.78)	(2.47)
OTHER OPERATING COST	(3,145)	(5,155)	(5.10)	(8.36)
DEPRECIATIONS	(1,912)	(2,487)	(3.10)	(4.03)
GROSS INCOME	3,353	2,660	5.45	4.33
S&G A. EXPENSES (Without Provisions)	(3,317)	(4,357)	(5.38)	(7.07)
PROVISION FOR TRADE DEBTORS	(351)	(391)	(0.57)	(0.63)
DEPRECIATIONS	(229)	(333)	(0.37)	(0.54)
S&G A. EXPENSES	(3,897)	(5,081)	(6.32)	(8.24)
	-----	-----	-----	-----
OPERATING INCOME	(544)	(2,421)	(0.87)	(3.91)
	-----	-----	-----	-----
DEPRECIATION AND AMORTIZATION	2,140	2,820	3.47	4.57
	-----	-----	-----	-----
EBITDA	1,596	399	2.60	0.66
	-----	-----	-----	-----
NON OPERATING RESULTS				
FINANCIAL INCOME	73	130	0.12	0.21
OTHER NON-OPERATING INCOME	573	52	0.93	0.08
FINANCIAL EXPENSES	(540)	(491)	(0.88)	(0.80)
OTHER NON OPERATING EXPENSES	(1,022)	(681)	(1.66)	(1.10)
AMORTIZATION OF GOODWILL	(6)	(8)	(0.01)	(0.01)
PRICE LEVEL RESTATEMENT	(198)	(46)	(0.32)	(0.07)
DIFFERENCE IN EXCHANGE RATE	167	(91)	0.27	(0.15)
	-----	-----	-----	-----
TOTAL NON OPERATING RESULT	(953)	(1,135)	(1.55)	(1.84)
	-----	-----	-----	-----
RESULT BEFORE TAXES	(1,497)	(3,556)	(2.42)	(5.75)
INCOME TAXES	(3)	(2)	-	-
MINORITY INTEREST	62	64	0.10	0.10
	-----	-----	-----	-----
NET RESULT	(1,438)	(3,494)	(2.32)	(5.65)
	-----	-----	-----	-----

</TABLE>

- (1) US\$=616.41
(2) The affiliate Texcom USA (Nacs Communications Inc.) is de-consolidated starting at May 01 2003.

CHILESAT CORP S. A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Translation of financial statements originally issued in Spanish)

<TABLE>
<CAPTION>

ASSETS	As of March 31,	
	2004 ThCh\$	2003 ThCh\$
	-----	-----
CURRENT ASSETS		
<S>	<C>	<C>
Cash	134,715	430,163
Time deposits	1,503,451	4,958,082
Marketable securities (net)	4,643	769,977
Trade accounts receivable (net)	7,005,659	6,210,417
Notes receivable (net)	154,125	410,684
Other receivables	1,183,093	1,357,333
Notes and accounts receivable from related companies	33,417	162,865
Recoverable taxes	1,135,179	804,517
Prepaid expenses	1,595,910	1,452,765
Other current assets	1,098,602	1,785,514
	-----	-----
Total current assets	13,848,794	18,342,317
	-----	-----
PROPERTY, PLANT AND EQUIPMENT		
Land	343,786	499,487
Buildings and infrastructure works	48,291,958	48,739,643
Machinery and equipment	62,499,274	61,335,820
Other property, plant and equipment	26,976,232	24,356,921
Accumulated depreciation (less)	(72,619,273)	(64,175,406)
	-----	-----

Total net property, plant and equipment	65,491,977	70,756,465
OTHER ASSETS		
Investments in other companies	303	302
Goodwill	421,924	453,895
Long-term notes and accounts receivable from related companies	75,055	1,233,811
Others	36,745	256,263
Total other assets	534,027	1,944,271
TOTAL ASSETS	79,874,798	91,043,053

</TABLE>

The accompanying notes 1 to 29
are an integral part of these consolidated financial statements

CHILESAT CORP S. A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Translation of financial statements originally issued in Spanish)

<TABLE>

<CAPTION>

	As of March 31,	
	2004	2003
	ThCh\$	ThCh\$
	-----	-----
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term obligations with banks and financial institutions	-	3,132
Short-term portion of long-term obligations with banks and financial institutions	11,931,862	773,475
Long-term obligations maturing within a year	5,409,286	5,780,105
Accounts payable	14,802,720	13,679,942
Notes payable	563,592	396,655
Other payables	291,170	497,282
Notes and accounts payable to related companies	5,735	33,733
Provisions	581,478	381,783
Withholdings	437,837	271,491
Income tax	4,272	3,188
Unearned income	1,099,063	1,340,727
Total current liabilities	35,127,015	23,161,513
LONG-TERM LIABILITIES		
Obligations with banks and financial institutions	3,090,309	15,247,433
Long-term notes payable	7,895,065	8,942,347
Long-term provisions	1,144,515	2,718,829
Other long-term liabilities	3,827,389	4,855,366
Total long-term liabilities	15,957,278	31,763,975
MINORITY INTEREST	(184,667)	132,103
SHAREHOLDERS' EQUITY		
Paid-in capital	187,723,742	187,657,824
Contributed surplus	1,019,583	1,019,633
Other reserves	(4,094,182)	(4,607,270)
Accumulated losses	(154,235,525)	(144,561,571)
Loss for the period	(1,438,446)	(3,494,068)
Accumulated deficit development period of subsidiaries	-	(29,086)
Total shareholders' equity	28,975,172	35,985,462
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	79,874,798	91,043,053

</TABLE>

The accompanying notes 1 to 29 are
an integral part of these consolidated financial statements

CHILESAT CORP S. A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Translation of financial statements originally issued in Spanish)

<TABLE>
<CAPTION>

	For the years ended as of March 31,	
	2004 ThCh\$	2003 ThCh\$
	-----	-----
<S>	<C>	<C>
OPERATING INCOME		
Operating income	10,124,620	11,827,460
Operating cost	(6,772,017)	(9,167,083)
	-----	-----
Gross margin	3,352,603	2,660,377
Administration and selling expenses	(3,896,975)	(5,080,978)
	-----	-----
Operating income	(544,372)	(2,420,601)
	-----	-----
NON-OPERATING INCOME		
Financial income	72,679	129,520
Other non-operating income	573,296	51,636
Amortization of goodwill	(5,960)	(7,867)
Financial expenses	(539,923)	(490,788)
Other non-operating expenses	(1,021,706)	(680,344)
Price-level restatement	(198,194)	(46,480)
Exchange differences	167,303	(91,079)
	-----	-----
Non-operating income	(952,505)	(1,135,402)
	-----	-----
Income before income tax	(1,496,877)	(3,556,003)
Income tax	(3,620)	(1,994)
	-----	-----
Loss before minority interest	(1,500,497)	(3,557,997)
Minority interest	62,051	63,929
	-----	-----
Loss for the period	(1,438,446)	(3,494,068)
	=====	=====

</TABLE>

The accompanying notes 1 to 29 are
an integral part of these consolidated financial statements

CHILESAT CORP S. A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Translation of financial statements originally issued in Spanish)

<TABLE>
<CAPTION>

	For the years ended as of March 31,	
	2004 ThCh\$	2003 ThCh\$
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection of trade accounts receivable	9,952,977	11,592,435
Financial income received	8,043	25,174
Dividends and other distributions received	-	-
Other income received	278,508	36,971
Payments to suppliers and personnel	(8,298,370)	(11,727,938)
Interest paid	(226,939)	(19,731)
Income tax paid	(12,274)	(5,574)
Other expenses paid	(210,571)	(518,408)
VAT and other similar taxes paid	(543,209)	(449,445)
	-----	-----
Net cash flows provided by (used in) operating activities	948,165	(1,066,516)

CASH FLOWS FROM FINANCING ACTIVITIES		
Placement of cash shares	75,254	-
Proceeds from loans	-	11,166,834
Other sources of financing	-	-
Loan payments	(104,391)	(4,496)
Other financing disbursements	-	(17,315)
Net cash flows (provided by) used in financing activities	(29,137)	11,145,023
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Sale of property, plant and equipment	545,244	30,740
Sale of permanent investments	33,416	-
Other investment income	25,642	10,885
Addition of property, plant and equipment	(2,168,730)	(3,540,528)
Other loans to related companies	(33,516)	-
Other investment disbursements	(241,245)	(116,726)
Net cash flows used in investment activities	(1,839,189)	(3,615,629)
Net cash flows for the year	(920,161)	6,462,878
Effect of price-level restatement on cash and cash equivalents	12,405	(77,263)
Increase (decrease) in cash and cash equivalents	(907,756)	6,385,615
Cash and cash equivalents beginning of period	2,545,922	1,300,942
Cash and cash equivalents end of period	1,638,166	7,686,557

</TABLE>

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements

CHILESAT CORP S. A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Translation of financial statements originally issued in Spanish)

<TABLE>
<CAPTION>

RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES AND INCOME FOR THE PERIOD	For the years ended as of March 31,	
	2004 ThCh\$	2003 ThCh\$
<S>	<C>	<C>
Loss for the period	(1,438,446)	(3,494,068)
Income from the sale of assets:		
Loss on sale of property, plant and equipment	54,353	29,163
Income on sale of investments	(274,205)	-
Charges (credits) to income which do not represent cash flows:		
Depreciation for the period	2,140,658	2,817,656
Amortization of intangibles	-	1,996
Write-off and provisions	619,466	390,807
Amortization of goodwill	5,960	7,867
Price-level restatement	198,194	46,480
Exchange differences	(167,303)	91,079
Other charges to income which do not represent cash flows	456	8,832
Changes in assets which affect cash flows:		
Increase in trade accounts receivable	(3,633,319)	(3,397,917)
Increase in other assets	(79,898)	(618,410)
Changes in liabilities, which affect cash flows:		

Increase in accounts payable related to operating income	2,713,164	2,957,029
Increase in interest payable	311,533	469,441
(Decrease) Increase in income taxes payable	(8,654)	1,488
Increase in other accounts payable related to non-operating income	645,223	15,768
Net decrease in Value Added Tax and other similar taxes payable	(76,966)	(329,798)
Minority interest net income	(62,051)	(63,929)
NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	948,165	(1,066,516)
	=====	=====

</TABLE>

The accompanying notes 1 to 29 are an integral part of these consolidated financial statements

CHILESAT CORP S. A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2004 AND 2003

NOTE 1 - REGISTRATION IN THE SECURITIES REGISTRY

The Parent Company is registered in the Securities Registry under No. 0350 and is overseen by the Superintendency of Securities and Insurance.

Subsidiary Chilesat S.A. is registered in the Securities Registry under No. 0487 and is overseen by the Superintendency of Securities and Insurance.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

a) Accounting period

These financial statements cover the period from January 1, to March 31, 2004 and 2003. With comparative figures for the same period of prior period.

b) Basis of preparation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Chile issued by the Chilean Association of Accountants, and with standards set forth by the Superintendency of Securities and Insurance. Should there be discrepancies between them, the standards set forth by the Superintendency of Securities and Insurance shall prevail.

c) Basis of presentations

For comparison purposes, the figures in the financial statements as of March 31, 2003, were price-level restated by the percentage of the variation in the CPI for the period, which was 0.0%. In addition, certain balances of 2003 have been reclassified for comparative purposes.

d) Basis of consolidation

These consolidated financial statements include the assets, liabilities, income and cash flows of the Parent Company and subsidiaries. The amounts and effects of transactions between consolidated companies have been eliminated and the participation of the minority shareholders has been recognized under "minority interest". The subsidiaries included in consolidation are as follows:

<TABLE>
<CAPTION>

TAXPAYER No.	Company Name	Direct	Participation percentage		2003 Total
			2004 Indirect	Total	
-----	-----	-----	-----	-----	-----
<C>	<C>	<C>	<C>	<C>	<C>
88.381.200-K	Chilesat S.A.	99.9997	-	99.9997	99.9997
95.714.000-9	Chilesat Servicios Empresariales S.A.	99.9900	-	99.9900	99.9900
96.628.790-K	Texcom S.A.	98.4432	-	98.4432	98.4432
Panama	Landana Properties Inc.	100.0000	-	100.0000	100.0000
Islas Caiman	Telex Chile Overseas Ltd.	99.4050	-	99.4050	100.0000
96.756.140-1	Telsys S.A.	99.9997	0.0003	100.0000	100.0000

</TABLE>

As of March 31, 2004 and 2003 the consolidated financial statements include the assets and liabilities of the following foreign subsidiaries of Texcom S.A.

<TABLE>
<CAPTION>

TAXPAYER No.	Company Name	Direct	Participation percentage 2004		2003
			Indirect	Total	Total
<S>	<C>	<C>	<C>	<C>	<C>
U.S.A.	Alliston Properties Inc.	-	98.4432	98.4432	98.4432
Panama	Kroll S.A.	-	98.4432	98.4432	98.4432
U.S.A.	Telecom. Investments Joint Venture	-	88.5989	88.5989	88.5989
U.S.A.	NACS Communications Inc.	-	-	-	88.5989
Peru	Perusat S.A.	-	93.6687	93.6687	93.6687

</TABLE>

As of March 31, 2004 and 2003 the consolidated financial statements include the assets and liabilities of the following subsidiaries of Telsys S.A.

<TABLE>
<CAPTION>

TAXPAYER No.	Company Name	Direct	Participation percentage 2003		2002
			Indirect	Total	Total
<S>	<C>	<C>	<C>	<C>	<C>
96.969.270-8	Inversiones Proventus S.A.	55.0000	-	55.0000	55.0000
96.937.100-6	Gestion Integral de Clientes S.A.	0.0100	54.9900	55.0000	55.0000

</TABLE>

Additional information:

Telex Chile Overseas Ltd.

On December 10, 2003, Chilesat Corp S.A. sold to Texcom Chile S.A. 54,210 shares of its affiliate Telex Chile Overseas Ltd. for an amount of MUS\$ 54.

NACS Communications Inc.:

On May 1, 2003 the company decided to discontinue operations in the United States market. NACS Communications Inc., subsidiary of Texcom S.A., with offices in Miami, Florida, has decided to liquidate under Chapter VII of the US legislation.

Chilesat S.A.:

On January 6, 2003 Chilesat Corp S.A. increased the capital of Chilesat S.A. in the amount of ThCh\$ 43,440,234 (historic value) equivalent to 246,427,469 shares, by capitalizing the loan against the latter.

Colomsat S.A.

On March 26, 2004, the Company ended the sale of 100% of the shares of the subsidiary Colomsat S.A. and risk bonds of the respective sellers as well as debts subsequent to the agreement for a total sum of US\$ 396,901.30 plus 60% of the price that the purchasers would receive in the sale of the Company prior to December 31, 2004.

e) Price-level restatement

The consolidated financial statements have been restated as price-level restatement regulations in accordance with generally accepted accounting principles in Chile, in order to recognize the

effects of changes in the purchasing power of the currency during the respective periods. The accumulated variation in the CPI for the periods ended as of March 31, 2004 and 2003, was -0.5% and 0.5% respectively.

f) Basis of conversion

At each period-end assets and liabilities in foreign currency and in unidades de fomento (UF) have been converted to Chilean pesos based on the following exchange rates:

	Ch\$ per unit	
	2004	2003
	-----	-----
Unidad de fomento (UF)	16,820.82	16,783.60
United States dollar	616.41	731.56

g) Time deposits

Investments in time deposits include principal plus readjustments and accrued interest at period-end.

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h) Marketable securities

Marketable securities include various investments, valued as follows:

- Shares: At price-level restated acquisition cost or market value of the portfolio at each period-end, whichever is less.
- Mutual funds: At the value of the respective unit at each period-end.

i) Allowance for doubtful accounts

An allowance for doubtful accounts has been established as of each period-end, considering balances that are deemed to be of doubtful recovery on the basis of the age of the respective accounts receivable. As of March 31 of each period, subsidiary Chilesat S.A. has a global provision considering the historical uncollectibility rate recorded by that Company.

j) Other current assets

Other current assets include investments in securities with repurchase agreements, valued at cost plus interest as of each year-end, in addition to securities in guarantee.

k) Property, plant and equipment

Property, plant and equipment are presented at price-level restated cost, which includes real construction and financing costs incurred by the companies until the assets are in condition to be used, applying the average real rate of financing cost.

Property, plant and equipment maintenance, carried out in order to keep the assets operating normally, is charged to income in the period in which they are incurred.

l) Depreciation of property, plant and equipment

Depreciation has been calculated using the straight-line method based on the remaining useful lives of the assets. The depreciation charge for the period is ThCh\$ 2,140,658 (ThCh\$ 2,817,656 in 2003).

m) Leased assets

Property, plant and equipment acquired under a financial lease are recorded at the current value of the contract, which is established discounting the value of periodic installments and the purchase option at the implicit interest rate of the respective contract. The respective obligation is presented in the short and long-term portion of notes payable net of deferred interest.

n) Investments in related companies

Investments in related companies have been valued using the Equity method, recognizing participation in income on an accrual basis. Foreign investments have been valued applying the valuation methodology defined in Technical Bulletin No. 64 of the Chilean

Association of Accountants. Those investments have been translated in accordance with accounting principles used in Chile and are controlled in United States dollars, in accordance with the mentioned bulletin.

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n) Accumulated deficit in development period of subsidiaries

In compliance with instructions from the Superintendency of Securities and Insurance, disbursements and obligations originating during the organization and startup stage of subsidiaries, not assignable to the cost of intangible or nominal assets, are presented reducing the shareholders' equity of each subsidiary.

The accumulated deficit development period generated by subsidiaries has been recognized proportionately on the basis of the financial statements of the issuer, with a charge to the Parent Company's shareholders' equity.

o) Investment in other companies

Investments in other companies are presented at price-level restated acquisition cost.

p) Goodwill

Goodwill represents the difference between the acquisition value of shares of companies and the equity value of that investment as of the purchase date. Amortization periods are determined considering factors such as past or projected financial net income or losses, operating cash flows and other relevant aspects, over a maximum amortization period of 20 years.

q) Income tax and deferred income tax

Income tax is determined on the basis of net taxable income determined in accordance with the Income Tax Law.

As of January 2000, deferred income taxes are recorded in accordance with Circular No. 1.466 of January 27, 2000 issued by the Superintendency of Securities and Insurance, determined on the basis of temporary differences between the tax and accounting base of assets and liabilities, in accordance with Technical Bulletins 60, 68, 69, 71 and 73 of the Chilean Association of Accountants.

In accordance with accounting principles, the future realization of tax benefits for deductible temporary differences or tax losses, depend on the existence of sufficient taxable net income in the future. During 2002, the Parent Company and its subsidiaries restructured their commercial operations, however these are generating tax losses and they are redefining the future tax planning strategy. Therefore in accordance with Technical Bulletin No. 60, the Parent Company and its subsidiaries have established a valuation provision equivalent to 100% of the possible tax benefits originating due to temporary differences and tax losses, in the total amount of ThCh\$ 14,593,656 as of March 31, 2004.

r) Staff severance indemnities

The Parent Company and its subsidiaries have no agreements with employees for payment of staff severance indemnities. Those effectively paid are charged to income for each period.

s) Reconognition of income

The Parent Company and its subsidiaries recognize income when services are rendered. The Parent Company and its subsidiaries record both invoices receivable and the amount of services rendered and not invoiced under "trade accounts receivable".

Income generated from the sale of prepayment cards are recognized as income in the month when the traffic is used or in which the card expires, whichever comes first. The unused traffic to which the activated cards have a right to is shown as deferred income in current liabilities (see Note 17).

5

t) Recording of long distance traffic

International long distance service

Income from subscribers

Income from international telephone service subscribers is recognized on an accrual basis. Services rendered and not invoices in each period are included under "trade accounts receivable".

International traffic exchange

Subsidiary Chilesat S.A. has signed agreements with foreign correspondents which establish the conditions under which international long distance traffic is sent and received. Under these agreements, the Company must receive international traffic from each foreign correspondent in the same proportion in which the Company participates in total international traffic sent to that correspondent from Chile. Net traffic exchanges are charged or paid on the basis of the rates established in the respective agreements.

National long distance service:

National long distance income is recognized on the basis of calls made and measured at the exchange plants, based on the agreed upon or current rates for each service. Calls made and not invoiced are included in "trade accounts receivable".

u) Computer software

The Company only has computer software purchased from third parties and their cost is amortized over a maximum of 4 years.

v) Research and development expenses

The Parent Company and its subsidiaries have had no research and development costs for special projects or studies. Should this situation occur in the future, those costs must be charged to income in the period that they are incurred.

w) Statement of cash flows

In accordance with Technical Bulletin No. 50 of the Chilean Association of Accountants and Circulare 1312 of the Superintendency of Securities and Insurance, the Company has considered as cash equivalents all investments made as part of the normal management of cash surpluses maturing in less than 90 days.

"Cash flows from operating activities" includes all cash flows related to the Company's line of business, including interest paid and financial income. It should be noted that the operating concept used in these financial statement is much broader than that used in the statement of income.

As of March 31, 2004 and 2003, the detail of cash and cash equivalents is as follows:

	2004 ThCh\$	2003 ThCh\$
Cash	134,715	430,163
Time deposits	1,503,451	4,958,082
Mutual funds units	-	766,312
Purchase operations with sale-back agreement	-	1,532,000
TOTAL	1,638,166	7,686,557

NOTE 3 - ACCOUNTING CHANGES

During the period ended as of March 31, 2004, there were no changes in the accounting principles used in relation to the previous year which could significantly affect the interpretation of these financial statements.

NOTE 4 - MARKETABLE SECURITIES

The breakdown of marketable securities as of March 31, 2004 and 2003 is as follows:

Securities	Book Value	
	2004	2003

	ThCh\$	ThCh\$
Shares	4,643	3,665
Mutual fund units	-	766,312
Total marketable securities	4,643	769,977

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NOTE 5 - SHORT-TERM RECEIVABLES

The breakdown of short-term receivables as of March 31, 2004 and 2003 is as follows:

<TABLE>
<CAPTION>

DESCRIPTION	Up to 90 days		Current Over 90 days up to 1 year		Subtotal	Total Current (net)		Long-term	
	2004	2003	2004	2003		2004	2003	2004	2003
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Trade accounts receivable	10,189,526	11,217,562	271,828	387,930	10,461,354	7,005,659	6,210,417	-	-
Allowance for doubtful accounts	-	-	-	-	3,455,695	-	-	-	-
Notes receivable	221,573	1,918,849	7,607	50,202	229,180	154,125	410,684	-	-
Allowance for doubtful accounts	-	-	-	-	75,055	-	-	-	-
Other receivables	1,183,093	1,357,333	-	-	1,183,093	1,183,093	1,357,333	-	-
Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-
							Total long-term receivables	-	-

</TABLE>

Breakdown of Short-term Receivables

a) Trade accounts receivable

<TABLE>
<CAPTION>

	2004		2003	
	ThCh\$	%	ThCh\$	%
<S>	<C>	<C>	<C>	<C>
National customers (1)	10,189,526		11,217,562	
Allowance for doubtful accounts (2)	(3,455,695)		(5,395,075)	
Subtotal	6,733,831	96.12%	5,822,487	93.75%
Foreign customers (correspondents)	271,828		387,930	
Allowance for doubtful accounts	-		-	
Subtotal	271,828	3.88%	387,930	6.25%
Total	7,005,659	100.00%	6,210,417	100.00%

(1) These national customers include ThCh\$ 3,241,199 (ThCh\$ 3,039,903 in 2003) for traffic to be invoiced

(2) Evolution of bad debts

	ThCh\$
Balances as of December 31, 2003	5,546,699
Application of write-offs tax	(2,427,542)
Increase in 2004	336,538
Balance as of March 31, 2004	3,455,695

b) Notes receivable

<TABLE>
<CAPTION>

	2004		2003	
	ThCh\$	%	ThCh\$	%
<S>	<C>	<C>	<C>	<C>
Checks to be cashed	187,184		441,773	
Allowance for doubtful accounts	(61,165)		(376,453)	
Subtotal	126,019	81.76%	65,320	15.91%
Promissory notes to be cashed	41,996		1,355,550	
Allowance for doubtful accounts	(13,890)		(1,181,914)	
Subtotal	28,106	18.24%	173,636	42.28%
Other notes to be cashed	-		171,728	
Allowance for doubtful accounts	-		-	
Subtotal	-	-	171,728	41.81%
Total	154,125	100.00%	410,684	100.00%

c) Other receivables

	2004		2003	
	ThCh\$	%	ThCh\$	%
Collections entities	1,088,569	92.01%	1,079,121	79.50%
Prepaid to suppliers	21,908	1.85%	162,321	11.96%
Other receivables	72,616	6.14%	115,891	8.54%
Total	1,183,093	100.00%	1,357,333	100.00%

</TABLE>

NOTE 6 - BALANCES AND TRANSACTIONS WITH RELATED ENTITIES

a) Notes and accounts receivable from and payable to related entities

As of March 31, 2004 and 2003, the balances are as follows:

NOTES AND ACCOUNTS RECEIVABLE

<TABLE>
<CAPTION>

Taxpayer No.	Company	Short-term		Long-term	
		2004 ThCh\$	2003 ThCh\$	2004 ThCh\$	2003 ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>
Colombia	Colomsat S.A.	-	162,865	-	1,144,735
96.819.710-K	Texcom Chile S.A.	33,417	-	75,055	89,076
Total		33,417	162,865	75,055	1,233,811

</TABLE>

NOTES AND ACCOUNTS RECEIVABLE

<TABLE>
<CAPTION>

	Long-term	Long-term		Long-term	
		2004	2003	2004	2003
		ThCh\$	ThCh\$	ThCh\$	ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>
USA	Melbourne International Communications Ltd.	-	27,998	-	-
77.180.410-1	Inversiones Dona Candelaria Cia. Ltda.	5,735	5,735	-	-
	Total	5,735	33,733	-	-

</TABLE>

2004 Concepts and Conditions:

Inversiones Dona Candelaria Cia. Ltda.
Concept: Current account transfer.
Conditions: Short-term

Texcom Chile S.A.:
Concept: Sale of equipment and investment in subsidiary
Conditions: Collection is related to realization of the asset.

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b) Transactions with related parties

During the periods ended as of March 31, 2004 and 2003, the Parent Company and its subsidiaries have made the following significant transactions with related parties, which correspond to operations in the line of business and which have been carried out under prevailing market conditions:

<TABLE>
<CAPTION>

Company	Taxpayer No.	Nature of relationship	Transaction description	2004		2003	
				Amount	Effect on Income (Charge)/Credit	Amount	Effect on Income (Charge)/Credit
				ThCh\$	ThCh\$	ThCh\$	ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Bell Technologies S.A.	96.847.780-3	Director	Property, plant and equipment purchase	762,508	-	-	-
Colomsat S.A.	Colombia	Common Directors & Shareholders	Services received	32,176	(27,039)	-	-
			Correspondent services provided	27,408	27,408	55,357	55,357
Comercial Siglo XXI S.A.	96.874.030-K	Common Directors	Property, plant and equipment purchase	76	-	-	-
			Services provided	16,246	13,652	-	-
Inversiones Dona Candelaria Cia. Ltda.	77.180.410-1	Shareholder of subsidiary	Services received	-	-	507	(507)
Inversiones E.I.G. Cia. Ltda.	77.633.480-4	Shareholder of subsidiary	Services received	-	-	317	(317)
Inversiones RLM Cia. Ltda.	78.429.140-5	Shareholder of subsidiary	Services received	-	-	760	(760)
Jadresic y Consultores Asociados Ltda.	77.252.740-3	Director	Services received	3,370	(3,370)	5,043	(5,043)
NACS Communications Inc.	USA	Common Director and Shareholders	Correspondent services received	-	-	24,157	24,157
Sinergy Inversiones S.A.	96.972.010-8	Common Director and	Services received	35,236	(29,610)	-	-

Texcom Chile S.A.	96.819.710-K	shareholders of subsid. Subsidiary in phase of development	Sale of investment in subsidiary	33,417	33,417	-	-
-------------------	--------------	--	--	--------	--------	---	---

</TABLE>

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NOTE 7 - INCOME TAX AND DEFERRED INCOME TAX

a) Income tax

As of March 31, 2004 and 2003 the Parent Company and subsidiaries indicated have not established a First Category Income Tax provision since each of them has tax losses, as per the following detail:

	2004 ThCh\$	2003 ThCh\$
	-----	-----
Chilesat Corp S.A.	42,681,971	36,815,284
Chilesat S.A.	35,129,557	33,016,935
Chilesat Servicios Empresariales S.A.	8,448,787	7,698,937
Texcom S.A.	3,900,362	184,908
Telsys S.A.	707,435	85,941
Net-Chile S.A.	182,489	53,321
Inversiones Proventus S.A.	4,926	1,774
Gestion Integral de Clientes S.A.	1,338,894	674,857
Perusat S.A.	311,450	416,879
Alliston Properties Inc.	1,440,462	101,108

Recoverable taxes shown in this item are as follows:

	2004 ThCh\$	2003 ThCh\$
	-----	-----
VAT credit	937,730	618,543
VAT credit (Peru)	103,082	109,774
Absorbed net income credit	5,230	2,818
Monthly prepaid tax installments (Peru)	14,246	15,664
Monthly prepaid tax installments and other credits	88,494	73,314
Article 21 Single Tax	(13,603)	(15,596)
Recoverable taxes	1,135,179	804,517
	=====	=====

In the Parent Company, the provision for Article 21 Single Tax is shown under "current liabilities" under "2004 and 2003 income tax" as per the following details:

	2004 ThCh\$	2003 ThCh\$
	-----	-----
Article 21 Single Tax	5,532	4,340
Monthly prepaid tax installments and other credits	(1,260)	(1,152)
Income Tax	4,272	3,188
	=====	=====

The Income Tax charge to income for the period is as follows:

	2004 ThCh\$	2003 ThCh\$
	-----	-----
Article 21 Single Tax		
Chilesat Corp S.A.	542	336
Chilesat S.A.	2,752	1,501
Telsys S.A.	326	157
Total charge to income	3,620	1,994
	=====	=====

As of March 31, 2003, the Parent Company has no taxable retained earnings susceptible to being distributed to shareholders.

b) Deferred taxes

Deferred taxes accumulated as of March 31, 2004 and 2003, are summarized as follows:

<TABLE>
<CAPTION>

Description	2004				2003			
	Deferred Tax Assets		Deferred Tax Liabilities		Deferred Tax Assets		Deferred Tax Liabilities	
	Short-term ThCh\$	Long-term ThCh\$	Short-term ThCh\$	Long-term ThCh\$	Short-term ThCh\$	Long-term ThCh\$	Short-term ThCh\$	Long-term ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Temporary Differences								
Allowance for doubtful accounts	856,802	1,131,435	-	-	742,267	764,758	-	-
Deferred income	275,286	560,429	-	-	305,671	719,327	-	-
Vacation accrual	46,938	870	-	-	52,311	484	-	-
Tax losses	-	15,793,192	-	-	-	14,069,666	-	-
Property, plant and equipment depreciation	-	-	140,680	1,266,122	-	-	171,680	1,591,941
Leased assets	636	5,726	250,887	2,007,095	-	-	217,497	1,791,292
Lease obligations	151,453	2,012,910	-	-	159,483	2,130,769	-	-
Other provisions	68,924	2,570	39,299	-	364,225	-	16,966	-
Complementary accounts - net of accumulated amortization	(248,264)	(2,623,990)	(97,455)	(165,367)	(95,124)	(2,231,509)	(321,550)	(223,177)
Valuation provision	(1,151,775)	(16,883,142)	(333,411)	(3,107,850)	(1,528,833)	(15,453,495)	(84,593)	(3,160,056)
Total	-	-	-	-	-	-	-	-

</TABLE>

c) Composition of Income Tax in the Statement of Income:

<TABLE>
<CAPTION>

Item	2004	2003
<S>	<C>	<C>
Common tax expense (tax provision)	(3,620)	(1,994)
Effect of deferred tax assets or liabilities for the period	142,624	510,662
Effect of amortization of deferred tax assets and liabilities complementary accounts	(2,012,897)	(1,772,683)
Effect of deferred tax assets or liabilities due to changes in the valuation provision	1,870,273	1,262,021
Total	(3,620)	(1,994)

</TABLE>

NOTE 8 - OTHER CURRENT ASSETS

Other current assets as of each period-end are as follows:

	2004 ThCh\$	2003 ThCh\$
Securities in guarantee	816,070	253,514
Purchase with resale agreement transactions	-	1,532,000
Guarantee subsidiary Colomsat S.A. sale.	240,842	-
Stock of prepaid phone cards	41,690	-

Total	1,098,602	1,785,514
-------	-----------	-----------

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

a) The breakdown of property, plant and equipment is as follows:

<TABLE>
<CAPTION>

Item	2004			2003		
	Gross Value ThCh\$	Accumulated Depreciation ThCh\$	Net Value ThCh\$	Gross Value ThCh\$	Accumulated Depreciation ThCh\$	Net Value ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Land	343,786	-	343,786	499,487	-	499,487
Buildings and infrastructure works	48,291,958	(19,117,805)	29,174,153	48,739,643	(16,634,331)	32,105,312
Machinery and equipment	62,499,274	(41,657,748)	20,841,526	61,335,820	(37,576,520)	23,759,300
Other property, plant and equipment						
Furniture	2,374,545	(1,892,796)	481,749	2,594,154	(1,979,989)	614,165
Vehicles	148,985	(124,858)	24,127	150,400	(111,880)	38,520
Leased assets	18,914,696	(5,632,451)	13,282,245	16,467,828	(4,224,891)	12,242,937
Software	5,225,525	(4,193,615)	1,031,910	4,806,398	(3,455,440)	1,350,958
Projects	-	-	-	232,197	(192,355)	39,842
Others	312,481	-	312,481	105,944	-	105,944
Total other property, plant and equipment	26,976,232	(11,843,720)	15,132,512	24,356,921	(9,964,555)	14,392,366
Total property, plant and equipment	138,111,250	(72,619,273)	65,491,977	134,931,871	(64,175,406)	70,756,465

</TABLE>

b) Depreciation for the period

The depreciation expense breakdown as of March 31, 2004 and 2003 is as follows:

	2004 ThCh\$	2003 ThCh\$
Operating Costs	1,911,791	2,487,037
Administration and Selling Expenses	228,867	330,619
Total	2,140,658	2,817,656

c) Leased assets

The Company has purchased the following assets under a financial lease:

<TABLE>
<CAPTION>

Description	2004			2003		
	Gross Value ThCh\$	Accumulated Depreciation ThCh\$	Net Value ThCh\$	Gross Value ThCh\$	Accumulated Depreciation ThCh\$	Net Value ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Buildings	1,715,401	(631,941)	1,083,460	1,715,487	(605,652)	1,109,835
Plants and equipment	10,827,627	(3,695,452)	7,132,175	8,401,389	(2,643,018)	5,758,371
Fiber optics network	6,350,636	(1,300,242)	5,050,394	6,350,952	(976,221)	5,374,731
Furniture	21,032	(4,816)	16,216	-	-	-
Total	18,914,696	(5,632,451)	13,282,245	16,467,828	(4,224,891)	12,242,937

</TABLE>

Assets acquired under a financial lease are not legally the property of the Company subsidiary until it exercises the option to purchase, and therefore it cannot freely dispose of them.

The main financial lease contracts of the Company and its subsidiaries as of March 31, 2004 are as follows:

<TABLE>
<CAPTION>

Supplier	Average Duration	Average Balance	Type of Asset
<S>	<C>	<C>	<C>
Cia. de Seguros La Prevision Vida S.A.	25 years	23,3 years	Buildings
Security Leasing	25 years	23,3 years	Buildings
Entel S.A.	20 years	15,0 years	Fiber optics
IBM de Chile S.A.C.	3 years	1,3 years	Communications equipment
C.I.T. Leasing	3 years	2,1 years	Communications equipment
Sonda S.A.	3 years	1,0 years	Computer equipment
Adexus Chile S.A.	3 years	0,4 years	Communications equipment
South Hills Datacomm Chile S.A.	3 years	0,6 years	Communications equipment
Citibank	3 years	3,0 years	Communications equipment
Coasin Chile S.A.	3 years	0,9 years	Communications equipment
VideoCorp Ltda.	3 years	2,6 years	Communications equipment

</TABLE>

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NOTE 10 - GOODWILL

The breakdown of goodwill is as follows:

<TABLE>
<CAPTION>

Taxpayer No.	Company	2004		2003	
		Amount amortized in the year ThCh\$	Goodwill balance ThCh\$	Amount amortized in the year ThCh\$	Goodwill balance ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>
USA	Telecommunications Investment Joint Venture	-	-	1,883	5,636
96.756.140-1	Telsys S.A.	1,652	106,091	1,645	113,038
96.969.270-8	Inversiones Proventus S.A.	3,882	284,514	3,869	302,409
96.937.100-6	Gestion Integral de Clientes S.A.	426	31,319	470	32,812
TOTAL		5,960	421,924	7,867	453,895

</TABLE>

NOTE 11 - OTHER ASSETS

The balance of other assets as of March 31, 2004 and 2003 is as follows:

	2004 ThCh\$	2003 ThCh\$
Deposits and securities in guarantee	34,488	231,431
Others	2,257	24,832
Total	36,745	256,263

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NOTE 12 - SHORT-TERM OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS

The breakdown of short-term obligations with banks and financial

institutions, classified by type of currency is as follows:

<TABLE>
<CAPTION>

TYPE OF CURRENCY AND ADJUSTMENT INDEX

Taxpayer No.	Bank or Financial Institution	United States dollars		Other foreign currencies		Unidades de fomento		Non-adjustable pesos		TOTAL	
		2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
FOREIGN	Banco Credito (Peru) (1)	--	1,096	--	--	--	--	--	--	--	1,096
FOREIGN	Banco Continental (Peru) (1)	--	213	--	--	--	--	--	--	--	213
FOREIGN	Banco Wiese (Peru) (1)	--	1,823	--	--	--	--	--	--	--	1,823
	Total	--	3,132	--	--	--	--	--	--	--	3,132
	Principal owed	--	3,132	--	--	--	--	--	--	--	3,132
	Weighted interest rate	--	12.00%	--	--	--	--	--	--	--	--
	Short-term portion of long-term										
FOREIGN	Mortgage Payable-Lynch	--	977	--	--	--	--	--	--	--	977
FOREIGN	Mortgage Payable-PNC Trust	--	653	--	--	--	--	--	--	--	653
FOREIGN	Mortgage Payable-Gober	--	544	--	--	--	--	--	--	--	544
FOREIGN	United-House	--	2,805	--	--	--	--	--	--	--	2,805
97.004.000-5	Banco de Chile	--	--	--	--	435,696	450,378	--	--	435,696	450,378
97.006.000-6	Banco Credito e Inversiones	--	--	--	--	202,524	219,214	--	--	202,524	219,214
97.036.000-K	Banco Santander Santiago	--	--	--	--	11,293,642	98,904	--	--	11,293,642	98,904
	Total	--	4,979	--	--	11,931,862	768,496	--	--	11,931,862	773,475
	Principal owed	--	4,979	--	--	11,796,990	638,462	--	--	11,796,990	643,441
	Weighted interest rate	--	10.38%	--	--	5.58%	5.27%	--	--	--	--

</TABLE>

Percentage of obligations in foreign currency 0.00%

Percentage of obligations in national currency 100.00%

(1) These amounts correspond to accounting overdraft

NOTE 13 - LONG-TERM OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS

The long-term obligations with banks and financial institutions maintained by the Company as of March 31, 2004 and 2003 are as follows:

<TABLE>
<CAPTION>

Bank or financial	Currency or adjustment	Years to maturity					More than 10 years Amount	Total long-term as of financial statement closing	Average annual interest rate	Total long-term as of financial statement closing
		More than 1 up to 2	More than 2 up to 3	More than 3 up to 5	More than 5 up to 10					

Taxpayer No.	institution	index	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	Term	ThCh\$	%	ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
FOREIGN	Banco de la Prov. de Buenos Aires	\$	--	--	--	--	723,658	2017	723,658	--	723,658
FOREIGN	Interbanka A.S. Mortgage	\$	--	--	--	--	723,659	2017	723,659	--	723,659
FOREIGN	Payable-Lynch Mortgage	US\$	--	--	--	--	--	--	--	--	51,020
FOREIGN	Payable-PNC Trust	US\$	--	--	--	--	--	--	--	--	33,905
FOREIGN	Mortgage Payable-Gober	US\$	--	--	--	--	--	--	--	--	28,261
FOREIGN	United-House	US\$	--	--	--	--	--	--	--	--	260,930
97.004.000-5	Banco de Chile	U.F.	843,692	--	--	--	--	--	843,692	Tab 180+	1,262,736
97.006.000-6	Banco Credito e Inversiones	U.F.	383,430	--	--	--	--	--	383,430	Tab 90+	573,874
97.036.000-K	Banco Santander Santiago	U.F.	25,219	27,040	60,014	192,489	111,108	2016	415,870	6.90	438,416
97.036.000-K	Banco Santander Santiago	U.F.	--	--	--	--	--	--	--	--	11,150,974
Total			1,252,341	27,040	60,014	192,489	1,558,425		3,090,309		15,247,433

</TABLE>

Percentage of obligations in foreign currency: 0.00%

Percentage of obligations in national currency: 100.00%

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NOTE 14 - PROVISIONS AND WRITE-OFFS

a) Provisions for each period are as follows:

<TABLE>

<CAPTION>

	2004 ThCh\$	2003 ThCh\$
Short-term provisions:		
<S>	<C>	<C>
Vacation	297,063	344,344
Compensation time of services	38,290	30,196
Doubtful provisions allowance by price balance	239,492	--
Other provisions	6,633	7,243
Total	581,478	381,783
Long-term provisions:		
Related company current accounts	702,348	2,194,061
Negative shareholders' equity from investment in related companies	442,167	524,768
Total	1,144,515	2,718,829

b) Provisions that have been reduced
from the respective asset accounts:

Trade accounts receivable	3,455,695	5,395,075
Notes receivable	75,055	1,558,367
Adjustment of securities to market value	1,112	2,090

c) Write-offs:

Trade accounts receivable and notes receivable	352,536	390,807
Related company current accounts	27,438	--
Doubtful provisions allowance by price balance	239,492	--

</TABLE>

NOTE 15 - OTHER LONG-TERM LIABILITIES

The composition of other long-term liabilities as of each period-end is mainly "deferred income" and the details are as follows:

	2004			2003		
	Short-term ThCh\$	Long-term ThCh\$	Total ThCh\$	Short-term ThCh\$	Long-term ThCh\$	Total ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Telesat S.A. (1)	41,387	887,101	928,488	41,593	931,430	973,023
Smartcom S.A. (2)	867,502	2,940,288	3,807,790	867,587	3,800,351	4,667,938
CTC Mundo S.A. (3)	11,377	--	11,377	136,523	11,377	147,900
Subtotal (deferred income)	920,266	3,827,389	4,747,655	1,045,703	4,743,158	5,788,861
Prepayment cards	26,911	--	26,911	120,722	--	120,722
Others	151,886	--	151,886	174,302	112,208	286,510
Total	1,099,063	3,827,389	4,926,452	1,340,727	4,855,366	6,196,093

</TABLE>

- (1) The Parent Company has deferred income arising from a trunking and telecommunication signal transmission meaning rental agreement with Telesat S.A.
- (2) On April 21, 1997, subsidiary Chilesat S.A. signed a real right to usage and service contract for the fiber optics network it owns with Chilesat Telefonía Personal S.A. (today Smartcom S.A.), with a term of eleven years and six months. That contract was paid through compensation of a loan in favor of Chilesat Telefonía Personal S.A. for the subscription of a capital increase in that company. Income from this service is deferred over the term of the contract.
- (3) On June 3, 1998, subsidiary Chilesat S.A. subscribed a preventive and corrective maintenance contract with CTC Mundo S.A. for the cable lines and common elements of the fiber optics owned by that company. Income from this service is deferred over the term of the contract, which is seventy one months.

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NOTE 16 - MINORITY INTEREST

The minority interest balance corresponds to the recognition of the portion of shareholders' equity of subsidiaries belonging to third parties. Subsidiaries with this minority interest are as follows:

Subsidiary	2004			2003		
	Minority percentage %	Amount ThCh\$	Statement of income ThCh\$	Minority percentage %	Amount ThCh\$	Statement of income ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Chilesat S.A.	0.0003	140	(1)	0.0003	4,556	120
Chilesat Servicios Empresariales S.A.	0.01	2,430	(16)	0.01	2,493	2
Telecommunications Investment Joint Venture	10.00	60,106	--	10.00	77,587	10,086
Inversiones Proventus S.A.	45.00	(247,343)	62,068	45.00	47,467	53,721
Total		(184,667)	62,051		132,103	63,929

</TABLE>

NOTE 17 - SHAREHOLDERS' EQUITY

- a) Shareholders' equity accounts have had the following movement in the years ended as of March 31, 2004 and 2003:

<TABLE>

<CAPTION>

Description	Other reserves								
	Paid-in capital	Reserve for capital reappraisal	Contributed surplus	Equity changes ADR's	Accumulated adjustment for conversion difference	Accumulated losses	Deficit development period	Loss for the period	Total
Movement <S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Historical balances as of January 1, 2003	186,724,203	--	1,014,561	(4,065,552)	(420,017)	(130,321,264)	(28,942)	(13,521,096)	39,381,893
Distribution of prior year's income	--	--	--	--	--	(13,521,096)	--	13,521,096	--
Capital increase with issuance of cash shares	--	--	--	--	--	--	--	--	--
Accumulated deficit development period of subsidiaries	--	--	--	--	--	--	--	--	--
Accum. Adj. For convers. Diff.	--	--	--	--	(99,274)	--	--	--	(99,274)
Price-level restatement of equity	--	933,621	5,072	(20,328)	(2,099)	(719,211)	(144)	--	196,911
Loss for the period	--	--	--	--	--	--	--	(3,494,068)	(3,494,068)
Balances as of December 31, 2003 (historical)	186,724,203	933,621	1,019,633	(4,085,880)	(521,390)	(144,561,571)	(29,086)	(3,494,068)	35,985,462
Balances restated for comparison purposes	186,724,203	933,621	1,019,633	(4,085,880)	(521,390)	(144,561,571)	(29,086)	(3,494,068)	35,985,462

</TABLE>

<TABLE>

<CAPTION>

Description	Other reserves								
	Paid-in capital	Reserve for capital reappraisal	Contributed surplus	Equity changes ADR's	Accumulated adjustment for conversion difference	Accumulated losses	Deficit development period	Loss for the period	Total
Movements <S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Historical balances as of January 1, 2004	188,591,445	--	1,024,706	(4,106,208)	184,190	(145,310,014)	--	(9,698,277)	30,685,842
Distribution of prior year's income	--	--	--	--	--	(9,698,277)	--	9,698,277	--

Increase of the capital with emission of payment actions	75,254	--	--	--	--	--	--	--	75,254
Accum. Adj. For convers. Diff.	--	--	--	--	(191,774)	--	--	--	(191,774)
Price-level restatement of equity	--	(942,957)	(5,123)	20,531	(921)	772,766	--	--	(155,704)
Loss for the period	--	--	--	--	--	--	--	(1,438,446)	(1,438,446)
Balances as of December 31, 2004	188,666,699	(942,957)	1,019,583	(4,085,677)	(8,505)	(154,235,525)	--	(1,438,446)	28,975,172

</TABLE>

The Extraordinary Shareholders' Meeting of the Company, held on September 24, 2003, agreed to increase the stock capital by ThCh\$16,500,000 represented by 137,500,000 shares of the same characteristics as the existing shares. With the issuance the stock capital would increase to Ch\$ 203,224,202.935 divided into 606,605,851 registered shares of a like and single series, without par value, which must be fully subscribed and paid within three years from the date of the Meeting, empowering the Board to issue and place them. At the March 31, 2004, have been subscribed and paid 582,133 shares, by an ascending amount to ThCh\$ 75,254.

Number of shares:

Series	No. of shares subscribed	No. of shares paid	No. of shares with voting rights
Single series	469,687,984	469,687,984	469,687,984

Capital (amount - ThCh\$)

Series	Subscribed capital	Paid-in capital
Single series	188,666,699	188,666,699

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b) Other Reserves

- Shareholders' Equity Changes due to ADRs

Taxpayer No.	Company	Amount	
		for the year ThCh\$	accumulated ThCh\$
96.675.000-K	Chilesat Corp S.A.	--	(4,085,677)
Total		--	(4,085,677)

- Adjustments for conversion differences:

Taxpayer No.	Company	Amount	
		for the year ThCh\$	accumulated ThCh\$
96.628.790-K	Texcom S.A.	(191,774)	(8,505)
Total		(191,774)	(8,505)

Total Other Reserves (191,774) (4,094,182)

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NOTE 18 - OTHER NON-OPERATING INCOME AND EXPENSES

The breakdown is as follows:

- Other non-operating income:

	2004 ThCh\$	2003 ThCh\$
	-----	-----
Insurance liquidation	24,683	--
Reversal of provisions	242,173	42,596
Net income on sale of foreign subsidiary	302,421	--
Others	4,019	9,040
	-----	-----
Total	573,296	51,636
	=====	=====

- Other non-operating expenses:

	2004 ThCh\$	2003 ThCh\$
	-----	-----
Labor indemnity (1)	--	141,495
Labor indemnity in Chile	--	89,553
Preventive judicial agreement expenses	25,009	--
Study of new projects	116,996	81,908
Foreign subsidiary expenses	68,898	141,129
External consulting	392,054	--
Colomsat S.A. related company write-off	27,438	--
Real estate company restructuring cost	69,616	--
Doubtful provisions allowance by price balance	239,492	--
Others	82,203	226,259
	-----	-----
Total	1,021,706	680,344
	=====	=====

- (1) On May 1, 2003 the Company decided to discontinue its operations in the United States market. NACS Communications Inc., subsidiary of Texcom S.A., with offices in Miami, Florida, has begun liquidation procedure under Chapter VII of that country's legislation.

NOTE 19 - PRICE-LEVEL RESTATEMENT

The application of the price-level mechanism is summarized as follows:

<TABLE>
<CAPTION>

ASSETS (CHARGES) CREDITS	Readjustability Index	2004 ThCh\$	2003 ThCh\$
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Current assets:			
Time deposits	UF	(349)	6,900
Marketable securities	CPI	(873)	23
Trade accounts receivable	CPI	7,520	37,629
Notes receivable	UF	--	832
Notes receivable	CPI	--	548
Other receivables	CPI	69	(158)
Notes and accounts receivable from related companies	UF	(79,410)	35,286
Notes and accounts receivable from related companies	CPI	24,262	48,944
Recoverable taxes	CPI	(4,551)	2,840
Prepaid expenses	CPI	(629)	1,812
Prepaid expenses	UF	(655)	1,975
Other current assets	CPI	--	13
Other current assets	UF	(2,397)	1,075
Property, plant and equipment:	CPI	(303,383)	351,270
Other assets:			
Goodwill	CPI	(4,849)	1,983

Notes and accounts receivable from related companies	CPI	(9,729)	95,218
Other assets	CPI	(2)	--
Other assets	UF	(198)	24
Expense and cost accounts	CPI	(7,377)	67,702
Total (Charges) Credits		(382,551)	653,916

</TABLE>

<TABLE>
<CAPTION>

LIABILITIES - SHAREHOLDERS' EQUITY (CHARGES) CREDIT	Readjustability Index	2004 ThCh\$	2003 ThCh\$
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Current liabilities:			
Obligations with banks & financial institutions	UF	20,732	(8,255)
Long-term obligations maturing within one year	UF	7,451	(4,183)
Long-term obligations maturing within one year	CPI	2,538	(40,850)
Accounts payable	CPI	(8,337)	14,088
Accounts payable	UF	(1,051)	(57,154)
Notes payable	UF	1,988	(183)
Notes and accounts payable to related companies	UF	936	(35,051)
Notes and accounts payable to related companies	CPI	29,911	(33,393)
Provisions	CPI	--	450
Income tax	CPI	17	(25)
Unearned income	CPI	4,354	(3,705)
Long-term liabilities:			
Long-term obligations with banks & financial institutions	UF	60,533	(72,267)
Long-term notes payable	UF	31,471	(826)
Long-term notes payable	CPI	7,858	(30,712)
Notes and accounts payable to related companies	UF	87,706	(2,193)
Notes and accounts payable to related companies	CPI	(246,847)	(111,804)
Long-term provision	CPI	48,661	(38,225)
Other long-term liabilities	CPI	(27,536)	(11,296)
Shareholders' equity	CPI	155,704	(196,911)
Income statement accounts	CPI	8,268	(67,901)
Total (Charges) credits		184,357	(700,396)
Price-level restatement (loss) net income		(198,194)	(46,480)

</TABLE>

NOTE 20 - CONVERSION DIFFERENCES

The application of the conversion difference mechanism is summarized below:

<TABLE>
<CAPTION>

ASSETS (CHARGES) CREDITS	Currency	2004 ThCh\$	2003 ThCh\$
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Current Assets:			
Cash	Dollar	272	5,181
Time deposits	Dollar	5,043	(1,021)
Trade accounts receivable	Dollar	107,882	63,800
Notes receivable	Dollar	--	(3,509)
Other receivables	Dollar	(109)	62,376
Notes and accounts receivable from related companies	Dollar	253,475	69,130
Prepaid expenses	Dollar	231	--
Other current assets	Dollar	--	(152)
Other assets			
Investment in related companies	Dollar	126,328	46,224
Notes and accounts receivable from related companies	Dollar	813,498	368,870

Other assets	Dollar	--	272
Total (Charges) credits		1,306,620	611,171

LIABILITIES - SHAREHOLDERS' EQUITY (CHARGES) CREDITS	Currency	2004 ThCh\$	2003 ThCh\$
Current assets:			
Obligations with banks & financial institutions	Dollar	--	--
Long-term obligations maturing within one year	Dollar	31,653	(36,235)
Accounts payable	Dollar	(40,573)	(172,403)
Notes payable	Dollar	--	--
Notes and accounts payable to related companies	Dollar	(411,530)	(128,476)
Provisions	Dollar	(185)	(14,741)
Long-term liabilities:			
Long-term notes payable	Dollar	(261,283)	(59,123)
Notes and accounts payable to related companies	Dollar	(447,348)	(291,272)
Long-term provision	Dollar	(10,051)	--
Total (Charges) Credits		(1,139,317)	(702,250)
Net income (loss) from conversion differences		167,303	(91,079)

</TABLE>

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NOTE 21 - CONTINGENCIES AND COMMITMENTS

a) Current contingencies and commitments as of March 31, 2004 are as follows:

- Direct guarantees:

<TABLE>

<CAPTION>

Guarantee creditor	Debtor		Type of guarantee	Compromised assets		Balances pending payment as of the closing date of the financial statements	
	Name	Rel.		Type	Book Value ThCh\$	2004 ThCh\$	2003 ThCh\$
<S> Banco de Credito e Inversiones	<C> Chilesat S.A.	<C> Subsidiary	<C> Industrial Pledge	<C> Telecommunications equipment	<C> --	<C> 585,954	<C> 793,088
Banco de Chile	Chilesat Servicios Empresariales S.A. - 2004 Chilesat S.A. - 2003	Subsidiary	Mortgage and Industrial Pledge	Parcel No. 28, Lo Canas, telecommunications equipment and real estate branches in their majority of property of Chilesat S.A.	3,125,719	1,279,388	1,713,114
Entel S.A.	Chilesat S.A.	Subsidiary	Pledge	Mutual contract to finance construction of fiber optics network.	2,817,253	5,540,418	5,727,891
Banco Santander Santiago </TABLE>	Gestion Integral de Clientes S.A.	Subsidiary	Mortgage	Costanera Pacifico buildings (stores	545,035	439,391	464,675

<TABLE>

<CAPTION>

Guarantee creditor	Debtor		Type of guarantee	Guarantees liberated					
	Name	Rel.		2005	Assets	2006	Assets	2007	Assets

				ThCh\$		ThCh\$		ThCh\$	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Banco de Credito e Inversiones	Chilesat S.A.	Subsidiary	Industrial Pledge	--	--	--	--	--	--
Banco de Chile	Chilesat Servicios Empresariales S.A. - 2004 Chilesat S.A.- 2003	Subsidiary	Mortgage and Industrial Pledge	--	--	--	--	3,125,719	Propiedades y Equipos Mutuo --
Entel S.A.	Chilesat S.A.	Subsidiary	Pledge	114,486	Mutuo	124,932	Mutuo	136,322	--
Banco Santander Santiago	Gestion Integral de Clientes S.A.	Subsidiary	Mortgage	--	--	--	--	--	--

</TABLE>

Chilesat S.A.

On September 23, 2002 Chilesat S.A. granted a commercial pledge to IBM that prohibits the encumbrance or sale of the rights and credits arising from the billing and collections service contract signed with VTR Telefonica S.A., in order to guarantee full and timely payment of all amounts owed or that will be owed of the Lease Contract with Purchase Option. These rights are limited at a maximum amount of US\$ 761,295.24 as of March 31, 2004.

On December 30, 2003, and March 19 and 30, 2004, Chilesat S.A. became guarantor and solidary codebtor of its subsidiary Chilesat Servicios Empresariales S.A. without limitation whatsoever, in order to guarantee to Servicios Financieros Citibank (Chile) S.A. full and timely compliance of the obligations arising from the lease agreement signed on that date, in the total amount of ThCh\$ 502,199 as of March 31, 2004.

In order to guarantee compliance of public proposals, Chilesat S.A. and its subsidiary Chilesat Servicios Empresariales S.A. have granted bank guarantee deposits for ThCh\$ 757,175.

Chilesat Corp S.A.

On October 28, 2003, Chilesat Corp S.A. became guarantor and solidary codebtor of an obligation arising from a promissory note signed by subsidiary Chilesat S.A. in favor of Huawei Technologies Investment Co., Ltd. for US\$ 614,111.67.

On February 7, 2003, Chilesat Corp S.A. signed a line of credit agreement with Banco Santander Santiago for the equivalent, in unidades de fomento, of ThUS\$ 15,000, which has been fully drawn. The shares owned by Chilesat Corp S.A. of Chilesat S.A. and the concessions of Servicios Intermedios de Telecomunicaciones de Chilesat S.A. are used as guarantee.

On December 4, 2000 and January 12, 2001, Chilesat Corp S.A. and Chilesat Servicios Empresariales S.A. became the guarantors of the debt obligations of two lease agreements for equipment by Chilesat S.A. with IBM S.A.C., for an amount of US\$ 11 million, to obligations to the date are, US\$ 4,180,166.38.

Chilesat Servicios Empresariales S.A.

On September 29, 2003, Chilesat Servicios Empresariales S.A. became guaranteed debtor and granted commercial pledge to CIT Leasing Chile Ltda. over all the credits in the Telecommunications Service Agreement with customer Chilexpress S.A. The commercial pledge granted is in order to guarantee full and timely compliance of the obligations assumed by Chilesat S.A. in two Rental Agreements dated September 29, 2003 with CIT Leasing Chile Ltda. This pledge will be limited to the equivalent in pesos of US\$ 998,583.57.

Telsys S.A.

On September 14, 2002, Telsys S.A. granted a commercial pledge to Inversiones Taormina S.A. on the shares of Inversiones Proventus S.A. the price of which is pending payment. This pledge guarantee will be removed monthly or quarterly as applicable, as the price pending payment is paid and prorated amount paid. The lifting will make at the fee payment.

- Indirect guarantees:

Texcom S.A.

On October 5, 1999, subsidiary Texcom S.A. became guarantor of a loan granted to its subsidiary Colomsat S.A. by Banco del Pacifico S.A. (Colombia), which as of March 31, 2004 amounted to ThCh\$ 530,113. The guarantee was granted by Texcom S.A. three months prior to the application

of Law 550 of 1999, given that the loan is dated October 5, 1999. As such, Banco del Pacifico will not be able to directly require payment from the guarantor, Texcom S.A., and will have to require this payment within the framework provided by the negotiation of the restructuring agreement and be subject to the outcome of the process of Colomsat S.A.

On May 22, 1997, subsidiary Texcom S.A. provided a guarantee for a loan granted to its subsidiary Colomsat S.A. by Banco Sudameris, which as of March 31, 2004 amounts to ThCh\$ 612,095. This guarantee is provided under the same conditions of law 550 described in the previous paragraph. Banco Sudameris presented a complaint against the agreement reached by Colomsat S.A. with its creditors before the Superintendency of Companies of Colombia. This Superintendency rejected such complaint, therefore the bank must restore the guarantee granted by Texcom S.A., which is still pending.

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- Financial restrictions:

Due to the loan obtained with Banco Santander Santiago, certain financial restrictions were established which must be met in the Consolidated Financial Statements of Chilesat Corp S.A. and Chilesat S.A.:

- Debt ratio measured with Financial Institutions using the Consolidated Financial Statements of Chilesat Corp S.A., equal to or less than 1.0 times, for quarterly periods until all the debt has been paid.
- EBITDA ratio over net financial expenses measured on the consolidated financial statements of subsidiary Chilesat S.A. greater than or equal to 2.5 times.
- EBITDA measured on the consolidated financial statements of subsidiary Chilesat S.A. equal to or greater than 80% of the loan obtained by Chilesat Corp S.A. from Banco Santander Santiago, measured as of March 31, 2004 until extinction of the debt.
- Maintain net tangible shareholders' equity plus minority interest measured using the Consolidated Financial Statements of Chilesat Corp S.A., equal to or more than 2 million Unidades de Fomento, for quarterly periods until total extinction of the debt.

The previously described financial ratios were met as of March 31, 2004. On March 29, 2004, Banco Santander postponed until August 17, 2004 the requirement to comply with the financial restriction of maintaining net tangible equity plus minority interest equal to or greater than UF 2,000,000 for quarterly periods up to the total extinction of the debt obligations maintained with this financial institution.

Due to renegotiation of the financial obligations with Banco Chile, certain financial restrictions were set that the Consolidated Financial Statements of subsidiary Chilesat S.A. must meet:

Minimum Consolidated Interest Coverage ratio of 2.5 for quarterly periods as of March 31, 2004 and until the debt is extinguished.

Maximum Consolidated Indebtedness of 1.5 for each quarter, beginning March 31, 2004.

Maximum Consolidated Payback Ratio of 3.0 beginning March 31, 2004 (annual).

The previously described financial ratios were met as of March 31, 2004.

b) Lawsuits

- 1) In September 2000, Guyana Telephone & Company Co., Ltd. ("GT&T") filed a complaint against Melbourne International Communications Ltd., Wajay Investment Inc., NACS Communications Inc. and Chilesat S.A. before the courts of Florida, USA. In 2002, the Court absolved NACS Communications Inc., but condemned the other three defendants, including Chilesat S.A. This verdict was appealed before the Circuit 11 State Appeals Court of the United States, which finally ordered Chilesat to pay the plaintiff the sum of 3,3 million.

Notwithstanding the above, should GT&T obtain a favorable sentence and try to execute it in respect to Chilesat S.A., the latter could allege both not being properly served and lack of jurisdiction of the courts in the United States. Therefore GT&T would not be able to collect should they win.

- 2) On June 10, 2003, subsidiary Chilesat S.A. was notified of a complaint presented before the State Court of New York by the Ministry of Post Offices and Telecommunications of Cambodia ("Cambodia") against AT&T Corp.,

Globus S.A. and Chilesat S.A. In this complaint, Cambodia demands from all the defendants as a group, payment of 8 million dollars, plus interest and legal costs, for alleged failure to pay the accounting rates charged by Cambodia for traffic of calls ended in that country and which had not been declared.

Subsequently, AT&T Corp. reached an agreement with Cambodia, in which the latter ceded to the former part of its alleged litigation rights against Globus S.A. and Chilesat S.A. Therefore we deem that the complaint mentioned in the previous paragraph has concluded.

Based on the information that the Company has gathered, due to the agreement reached with AT&T Corp., Cambodia filed a new complaint against Globus S.A. and Chilesat S.A., in respect to the rights it reserved for itself, in which it claims from both companies jointly the sum of 7 million dollars (plus interest and costs), for the alleged failure to pay the accounting rates charged by Cambodia for traffic of calls ending in that country. Chilesat S.A. still has not been legally notified and, in any case, the Company believes that the courts which are hearing that process lack jurisdiction. Additionally, the Company believes that the mentioned complaint is unbiased and that any alleged liability of the Company would have prescribed, since the intention is to claim charges for events that occurred before September 1999.

On January 8, 2004, AT&T Corp. filed an arbitration complaint before the American Arbitration Association against Chilesat S.A., in which it claims, on the one hand, payment in the amount of US\$1,375,780 corresponding to that paid by AT&T Corp. to Cambodia in virtue of the agreement signed between both companies and on another, an amount exceeding US\$2,000,000 plus interest and cost for eventual rights that Cambodia would have against Chilesat S.A. and which were ceded to AT&T Corp., and which would correspond to the accounting rates for the period from September 1999 to December 2000.

In this case, the Company believes that the arbitration court lacks jurisdiction to rule on the matter, which will be alleged as soon as the mentioned arbitration court is constituted.

- 3) On November 21, 1997, Chilesat S.A. and Chilesat Telefonía Personal S.A., today Smartcom S.A., signed an agreement allowing use of the networks and installations of Chilesat S.A. for transmission of traffic signals originated from or ending with subscribers of Smartcom S.A., including data and Internet services ("the Agreement"), the term of which expires in December 2008. Chilesat S.A. has reached the conviction that the price originally agreed upon has been consumed, and that, for unknown reasons, the obligations that arise from the agreement have become excessively onerous. Therefore, in December 2003 it filed an arbitrary complaint against Smartcom S.A. in which it requests advanced termination of the Agreement, notwithstanding the compensations and/or adjustments determined by the Arbitration Court.
- 4) Subsidiary Chilesat S.A. is a party in labor lawsuits. Management believes that they will not have a significant effect on the financial statements.

NOTE 22 - NATIONAL AND FOREIGN CURRENCY

ASSETS

<TABLE>

<CAPTION>

Description	Currency	Amount 2004 ThCh\$	Amount 2003 ThCh\$
<S>	<C>	<C>	<C>
Total current assets		13,848,794	18,342,317
Cash	Non-adjustable Ch\$	87,081	236,507
	US Dollars	38,563	188,888
	Other Currencies	9,071	4,768
Time deposits	Non-adjustable Ch\$	1,503,451	4,297,455
	US Dollars	--	660,627
Marketable securities	Non-adjustable Ch\$	4,643	769,977
Trade accounts receivable	Non-adjustable Ch\$	6,279,698	5,616,367
	US Dollars	725,961	594,050

Notes receivable	Adjustable Ch\$	--	56,004
	Non-adjustable Ch\$	154,125	238,956
	US Dollars	--	115,724
Other receivables	Non-adjustable Ch\$	1,169,554	1,268,033
	US Dollars	10,286	86,494
	Other Currencies	3,253	2,806
Notes and accounts receivable from related companies	US Dollars	33,417	162,865
Recoverable taxes	Non-adjustable Ch\$	1,017,851	679,079
	Other Currencies	117,328	125,438
Prepaid expenses	Adjustable Ch\$	459,956	299,354
	Non-adjustable Ch\$	1,111,098	993,888
	US Dollars	18,197	150,200
	Other Currencies	6,659	9,323
Other current assets	Adjustable Ch\$	22,451	113,324
	Non-adjustable Ch\$	845,945	1,656,733
	US Dollars	230,206	15,457
Total property, plant and equipment		65,491,977	70,756,465
Land	Non-adjustable Ch\$	343,786	343,802
	US Dollars	--	155,685
Constructions and infrastructure works	Non-adjustable Ch\$	29,174,153	31,527,043
	US Dollars	--	578,269
Machinery and equipment	Non-adjustable Ch\$	20,646,359	22,890,859
	US Dollars	195,167	868,441
Other property, plant and equipment	Non-adjustable Ch\$	15,034,892	13,872,423
	US Dollars	97,620	519,943
Total other assets		534,027	1,944,271
Investment in other companies	Adjustable Ch\$	303	302
Goodwill	Non-adjustable Ch\$	421,924	448,259
	US Dollars	--	5,636
Long-term notes and accounts receivable from related companies	US Dollars	75,055	1,233,811
Other assets	Adjustable Ch\$	3,890	10,288
	Non-adjustable Ch\$	32,855	4,370
	US Dollars	--	241,605
	Non-adjustable Ch\$	77,827,415	84,843,751
	US Dollars	1,424,472	5,577,695
	Other Currencies	136,311	142,335
	Adjustable Ch\$	486,600	479,272

</TABLE>

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CURRENT LIABILITIES

<TABLE>
<CAPTION>

DESCRIPTION	Currency	Up to 90 days			
		2004		2003	
		Amount ThCh\$	Average annual interest rate	Amount ThCh\$	Average annual interest rate
<S> Short-term obligations with banks and financial institutions	<C> US Dollars	<C> --	<C> --	<C> 3,132	<C> 12.00%
Short-term portion of obligations	Adjustable	--	--	--	--

with banks and financial institutions	Ch\$	202,524	Tab 90+2%	219,214	Tab 90+2%
	Adjustable Ch\$	435,696	Tab 180+2%	450,378	Tab 180+2%
	Adjustable Ch\$	5,667	6.90%	7,237	6.90%
	US Dollars	--	--	4,979	10.38%
Long-term obligations maturing within a year					
- Leasing	Adjustable Ch\$	200,751	8.54%	130,283	8.22%
- Leasing	Non-adjustable Ch\$	36,963	8.57%	5,103	8.00%
- Leasing	US Dollars	352,013	7.82%	719,589	8.44%
- Importadora Fazio S.A.	Adjustable Ch\$	15,256	12.00%	4,511	12.00%
- Inv. Taormina S.A. (Gicsa)	Adjustable Ch\$	90,658	12.00%	9,148	12.00%
- Telefonica CTC Chile S.A.	Non-adjustable Ch\$	44,948	12.00%	81,255	12.00%
- Huawei Tech.	US Dollars	34,976	--	--	--
- Customs duties	US Dollars	320,861	--	--	--
- Inv. San Fernando Ltda. (Telrad)	US Dollars	--	--	--	--
- Inv. Taormina S.A.(Telsys)	Adjustable Ch\$	198,986	6.00%	56,578	6.00%
Accounts payable	Adjustable Ch\$	117,773	--	136,468	--
	(1) Non-adjustable Ch\$	8,403,847	--	4,669,654	--
	(2) US Dollars	5,511,655	--	6,646,276	--
	Other Currencies	33,010	--	88,744	--
Notes payable	Adjustable Ch\$	75,580	--	190,015	--
	Non-adjustable Ch\$	214,932	--	89,853	--
	US Dollars	110,006	--	--	--
Other payables	Non-adjustable Ch\$	290,345	--	496,520	--
Notes and accounts payable to related companies	Non-adjustable Ch\$	--	--	--	--
	US Dollars	--	--	--	--
Provisions	Non-adjustable Ch\$	284	--	--	--
	US Dollars	239,492	--	--	--
	Other Currencies	60,478	--	61,894	--
Withholdings	Non-adjustable Ch\$	423,117	--	248,930	--
	Adjustable Ch\$	5,550	--	776	--
	US Dollars	--	--	7,911	--
	Other Currencies	9,170	--	13,874	--
Income tax	Non-adjustable Ch\$	2,088	--	2,852	--
Unearned income	Non-adjustable Ch\$	307,931	--	392,097	--
	US Dollars	6,569,003		7,381,887	
	Other Currencies	102,658		164,512	
	Adjustable Ch\$	1,348,441		1,204,608	
	Non-adjustable Ch\$	9,724,455		5,986,264	

</TABLE>

<TABLE>
<CAPTION>

90 days to 1 year

DESCRIPTION	Currency	2004		2003	
		Amount ThCh\$	Average annual rate interest rate	Amount ThCh\$	Average annual interest rate
<S>	<C>	<C>	<C>	<C>	<C>
Short-term obligations with banks and financial institutions	US Dollars	--	--	--	--
Short-term portion of obligations with banks and financial institutions	Adjustable Ch\$	11,270,121	Tab 180+3%	72,645	Tab 180+3%
	Adjustable Ch\$	--	--	--	--
	Adjustable Ch\$	--	--	--	--
	Adjustable Ch\$	17,854	6.90%	19,022	6.90%
	US Dollars	--	--	--	--
Long-term obligations maturing within a year					
- Leasing	Adjustable Ch\$	770,560	8.71%	544,214	8.54%
- Leasing	Non-adjustable Ch\$	116,099	8.77%	--	--
- Leasing	US Dollars	1,101,958	7.82%	1,849,428	8.20%
- Importadora Fazio S.A.	Adjustable Ch\$	--	--	12,122	12.00%
- Inv. Taormina S.A.. (Gicsa)	Adjustable Ch\$	15,139	--	24,470	12.00%
- Telefonica CTC Chile S.A.	Non-adjustable Ch\$	42,200	12.00%	80,303	12.00%
- Huawei Tech.	US Dollars	64,024	--	--	--
- Customs duties	US Dollars	--	--	--	--
- Inv. San Fernando Ltda. (Telrad)	US Dollars	2,003,894	Libor 180+1.75%	2,130,358	Libor 180+1.75%
- Inv. Taormina S.A.(Telsys)	Adjustable Ch\$	--	--	132,743	6.00%
Accounts payable	Adjustable Ch\$	12,424	--	223,372	--
	(1) Non-adjustable Ch\$	8,556	--	1,748	--
	(2) US Dollars	715,455	--	1,913,680	--
	Other Currencies	--	--	--	--
Notes payable	Adjustable Ch\$	126,406	--	--	--
	Non-adjustable Ch\$	--	--	--	--
	US Dollars	36,668	--	116,787	--
Other payables	Non-adjustable Ch\$	825	--	762	--
Notes and accounts payable to related companies	Non-adjustable Ch\$	5,735	--	5,735	--
	US Dollars	--	--	27,998	--
Provisions	Non-adjustable Ch\$	281,224	--	319,889	--
	US Dollars	--	--	--	--
	Other Currencies	--	--	--	--
Withholdings	Non-adjustable Ch\$	--	--	--	--
	Adjustable Ch\$	--	--	--	--
	US Dollars	--	--	--	--
	Other Currencies	--	--	--	--
Income tax	Non-adjustable Ch\$	2,184	--	336	--
Unearned income	Non-adjustable Ch\$	791,132	--	948,630	--
	US Dollars	3,921,999		6,038,251	

Other	--	--
Currencies		
Adjustable	12,212,504	1,028,588
Ch\$		
Non-adjustable	1,247,955	1,357,403
Ch\$		

</TABLE>

(1) Main Suppliers	ThCh\$
Telefonica Chile S.A.	1,299,158
Entel Chile S.A.	1,036,916
Telefonica del Sur S.A.	287,221
Others	5,780,552

Total Suppliers in Non-adj. Ch\$ up to 90 days	8,403,847
	=====
(2) Main Suppliers	ThCh\$
British Telecom	2,386,974
Intelsat	633,417
Telefonica de Espana	511,015
Others	1,980,249

Total Suppliers in US\$ up to 90 days	5,511,655
	=====

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LONG-TERM LIABILITIES
2004

<TABLE>
<CAPTION>

DESCRIPTION	Currency	1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
		Amount ThCh\$	Average Annual rate	Amount ThCh\$	Average Annual rate	Amount ThCh\$	Average Annual Rate	Amount ThCh\$	Average Annual Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Long-term obligations with banks and financial institutions	Non-adjustable Ch\$	--	--	--	--	--	--	1,447,317	--
	Adjustable Ch\$	383,430	Tab 90+2%	--	--	--	--	--	--
	Adjustable Ch\$	843,692	Tab 180+2%	--	--	--	--	--	--
	Adjustable Ch\$	52,259	6.90%	60,014	6.90%	192,489	6.90%	111,108	6.90%
Long-term notes payable:									
- Leasing	Adjustable Ch\$	748,996	7.71%	374,583	8.76%	1,249,684	8.76%	2,543,236	8.83%
	US Dollars	1,457,101	8.57%	--	--	--	--	--	--
	Non-adjustable Ch\$	328,054	10.05%	4,224	12.47%	--	--	--	--
- Huawei Tech.	US Dollars	256,098	--	--	--	--	--	--	--
- Customs duties	US Dollars	1,245	--	1,246	--	1,246	--	--	--
- Inv. San Fernando Ltda. (Telrad)	US Dollars	628,738	Libor 180+ 1.75%	--	--	--	--	--	--
- Inv. Taormina S.A. (Telsys)	Adjustable Ch\$	300,614	6.00%	--	--	--	--	--	--
Long-term provisions	US Dollars	1,144,515	--	--	--	--	--	--	--
Other long-term liabilities	Non-adjustable Ch\$	2,723,667	--	420,556	--	206,935	--	476,231	--
	Adjustable Ch\$	2,328,991	--	434,597	--	1,442,173	--	2,654,344	--
	US Dollars	3,487,697	--	1,246	--	1,246	--	--	--
	Non-adjustable Ch\$	3,051,721	--	424,780	--	206,935	--	1,923,548	--

</TABLE>

LONG-TERM LIABILITIES
2003

<TABLE>
<CAPTION>

DESCRIPTION	Currency	1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years	
		Amount ThCh\$	Average annual rate	Amount ThCh\$	Average Annual Rate	Amount ThCh\$	Average Annual Rate	Amount ThCh\$	Average Annual Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Long-term obligations with banks and financial institutions	US Dollars	10,582	9.61%	115,49	10.85%	29,719	8.50%	218,316	8.50%
	Non-adjustable Ch\$	--	--	--	--	--	--	1,447,317	--
	Adjustable Ch\$	11,150,974	Tab 180+3%	--	--	--	--	--	--
	Adjustable Ch\$	573,872	Tab 90+2%	--	--	--	--	--	--
	Adjustable Ch\$	1,262,738	Tab 180+2%	--	--	--	--	--	--
	Adjustable Ch\$	48,630	6.90%	55,846	6.90%	138,128	6.90%	195,812	6.90%
Long-term notes payable									
- Leasing	Adjustable Ch\$	476,809	9.58%	344,728	8.69%	1,150,139	8.69%	2,828,804	8.69%
- Leasing	US Dollars	2,590,262	8.24%	--	--	--	--	--	--
- Inv. Taormina S.A. (Telsys)	Adjustable Ch\$	330,216	6.00%	--	--	--	--	--	--
- Telefonica CTC Chile S.A.	Non-adjustable Ch\$	63,855	12.00%	--	--	--	--	--	--
- Customs duties	US Dollars	392,361	--	18,982	--	--	--	--	--
- Inv. San Fernando Ltda. (Telrad)	US Dollars	746,191	Libor 180+ 1.75%	--	--	--	--	--	--
Long-term provisions	US Dollars	2,718,829	--	--	--	--	--	--	--
Other long-term liabilities	Non-adjustable Ch\$	2,738,915	--	1,280,778	--	207,965	--	515,500	--
	US Dollars	112,208	--	--	--	--	--	--	--
	Adjustable Ch\$	13,843,239		400,574		1,288,267		3,024,616	
	US Dollars	6,570,433		134,481		29,719		218,316	
	Non-adjustable Ch\$	2,802,770		1,280,778		207,965		1,962,817	

</TABLE>

NOTE 23 - SANCTIONS

During the period ended as of March 31,2004 the Parent Company and its subsidiaries, its Directors and Management have not been sanctioned by the Superintendency of Securities and Insurance or other administrative authorities.

NOTE 24 - SUBSEQUENT EVENTS

- On April 2, 2004, between Chilesat Corp S.A. and British Telecommunication PLC, a Purchase-Sale and Credit Assignment agreement was subscribed, by virtue of which Chilesat Corp S.A. bought from British Telecommunication PLC and the latter sold and assigned to the former, the total amount of the credit it had against Chilesat S.A. for the concept of international communications services. The purchase price of the credit amounted to US\$1,720,000 (one million seven hundred and twenty-nine thousand dollars of the United States), amount that will be paid in the terms specified in said agreement.

In view of the Purchase-Sale and Credit Assignment mentioned above, in April 2004 a profit of M\$1,312,009 will be recorded in "Other Non-Operating Income", as Chilesat S.A. had a provision that exceeded the amount of said purchase-sale for the concept of international

telecommunications services provided by British Telecommunication PLC.

- 2) On April 5, 2004, the Court approved the modification of the Preventive Judicial Agreement of Chilesat S.A., which had been agreed upon at the Creditors Meeting held on January 26, 2004. The aforementioned modification consists in that all creditors who have credits against the Company and which are ruled by said Agreement, postpone those credits for the period of 51 years.
- 3) On April 29, 2004, the Board of Chilesat Corp S.A. agreed to report to the Insurance and Securities commission, as an Essential Fact the following significant change in the Company's property:

The Company received a copy of a communication sent today to the Superintendency of Securities and Insurance and to the Stock Exchanges by Redes Opticas S.A. and Redes Opticas (Cayman) Corp., the controlling shareholders of the Company. This communication indicated, pursuant to Article 12 of Law No. 18.045 and Circular 585 of the Superintendency, that a series of contracts were executed, pursuant to which Redes Opticas S.A. and Redes Opticas (Cayman) Corp. will sell their shares of the Company.

The contracts referred to above (copies of which were also sent to the Superintendency of Securities and Insurance) cover the following operations:

- 1) On April 28, 2004, Telmex Chile Holding S.A. agreed to purchase from Redes Opticas S.A. and Redes Opticas (Cayman) Corp. a total of 187,875,194 shares of Chilesat Corp S.A., which represents 40% of the total outstanding shares of Chilesat Corp S.A. The purchase price per share will be Ch\$154.23.

Redes Opticas S.A. agreed to sell a total of 70,310,008 shares, and Redes Opticas (Cayman) Corp. agreed to sell a total of 117,565,186 shares. As a result of such sales, Redes Opticas (Cayman) Corp. will no longer own any shares of Chilesat Corp S.A.

- 2) Redes Opticas S.A. and Telmex Chile Holding S.A. also entered into an instrument entitled, "Promise to Execute a Public Bid for the Acquisition of Shares", pursuant to which they agreed to the following:

- 2.1) In accordance with Title XXV of Law No. 18.045, Telmex Chile Holding S.A. will conduct a public tender offer for 100% of the remaining outstanding shares of Chilesat Corp S.A.

This tender offer will have the following principal characteristics:

- (a) a duration of 30 days;
 - (b) an offering price of Ch\$154.23 per share; and
 - (c) as a condition of this offer, shareholders must tender at least 45.4301% of the outstanding shares of the Company.
- 2.2) In connection with such offer, Redes Opticas S.A. has agreed to tender a total of 213,379,654 shares of Chilesat Corp S.A., which represents 45.4301% of the total outstanding shares of the Company.
 - 2.3) In addition, pursuant to letter c) of Article 199 of Law No. 18.045, Telmex Chile Holding S.A. has launched a tender offer to acquire 50.1% of the outstanding shares of Chilesat S.A., a subsidiary of Chilesat Corp S.A. Chilesat Corp S.A. owns 99.997% of Chilesat S.A.'s capital stock. The offer was published today in the newspapers "El Mercurio" and "Las Ultimas Noticias."

This tender offer has the following principal characteristics:

- (a) in effect from April 30, 2004 until May 19, 2004;
 - (b) an offering price of Ch\$156.51 per share; and
 - (c) as a condition of this offer, at least 50.01% of Chilesat S.A.'s shares must be tendered and the Board of Directors of Chilesat Corp S.A., the parent of Chilesat S.A., may not object to such offer.
- 4) I hereby inform the Superintendency, that on May 3rd, 2004, in the nature of an essential fact that the Board of Directors of the Company, at a Special Meeting held on this date, agreed that Chilesat Corp S.A. will not tender its shares, which represent 99.9997% of Chilesat S.A., in the public tender offer for the acquisition of

50.01% of Chilesat S.A.'s shares, which was launched by Telmex Chile Holding S.A., as published in the newspapers, El Mercurio and Las Ultimas Noticias, on April 29, 2004.

In reaching this decision, the Board of Directors of Chilesat Corp S.A., considered the following:

- a) that the public tender offer is not for 100% of the shares issued by Chilesat S.A., but only for 50.01%, which means that, if Chilesat Corp S.A. tenders its shares, it would continue to be a shareholder of Chilesat S.A. but no longer a controlling shareholder. The Board believes that this outcome would be inconsistent with Chilesat Corp S.A.'s business plan, and,
 - b) that, according to the information publicly disclosed by Telmex Chile Holding S.A., Telmex Chile Holding S.A. will launch a public tender offer to acquire 100% of the remaining outstanding shares of Chilesat Corp S.A. This will allow Chilesat Corp S.A.'s shareholders, by tendering their shares, to approve the change of control of Chilesat Corp S.A. Such change of control of Chilesat Corp S.A. will ultimately result in a change of control of its subsidiary, Chilesat S.A.
- 5) On May 6, 2004, Mr. Ricardo Rodriguez Molina, communicated his resignation to the position of director of Chilesat Corp S.A., which was informed to the Company's Board at a Special Meeting held on May 7, 2004:
- At said Special Meeting, the board unanimously agreed to designate Mr. Eduardo Diaz Corona as new board member of Chilesat Corp S.A. in replacement of Mr. Rodriguez.
- 6) Between March 31, 2004 and the date of issue of these financial statements, no events of a financial nature or others have occurred, that may significantly the balances or interpretation of these financial statements.

NOTE 25 - ENVIRONMENT

Due to the nature of the industry, Head Office and its subsidiaries are not affected by situations that could directly or indirectly affect protection of the environment and therefore there are no disbursements which for this purpose are committed in the future.

NOTE 26 - TIME DEPOSITS

<TABLE>
<CAPTION>

The composition of time deposits as of March 31, 2004 and 2003 is as follows:

Bank or Financial Institution	Country	2003 ThCh\$	2004 ThCh\$
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Banco de Chile	Chile	1,503,451	--
Banco Security	Chile	--	1,085,666
Banco Santander	Chile	--	1,605,899
Banco Bice	Chile	--	1,605,890
Citibank N.Y.	U.S.A	--	659,232
Bank of America NA	U.S.A.	--	1,395
		-----	-----
Total		1,503,451	4,958,082
		=====	=====

</TABLE>

NOTE 27 - OPERATING INCOME

Operating income as of March 31, 2004 and 2003 is as follows:

	2004 ThCh\$	2003 ThCh\$
OPERATING INCOME		
Operating income	10,124,620	11,827,460
Operating cost	(4,860,226)	(6,680,046)
Gross margin	5,264,394	5,147,414
Administration and selling expenses	(3,668,108)	(4,748,363)
Operating income before depreciation and amortization	1,596,286	399,051
Depreciation for the period	(2,140,658)	(2,817,656)
Amortization for the period	--	(1,996)
	(2,140,658)	(2,819,652)
Operating income	(544,372)	(2,420,601)

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NOTE 28 - LONG-TERM OBLIGATIONS MATURING WITHIN ONE YEAR AND LONG-TERM NOTES PAYABLE

The composition of this account as of 2003 period-end is as follows:

<TABLE>
<CAPTION>

Leasing company	Currency	Remaining Term	Average Rate %	Amount		Total Debt	Asset in Guarantee	Book Value of Asset in Guarantee
				Short-term	Long-term			
				ThCh\$	ThCh\$	ThCh\$		ThCh\$
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Security Leasing Seguros	UF	23,3 years	8.97%	16,697	1,118,737	1,135,434		
Prevision Vida	UF	23,3 years	8.97%	11,633	865,269	876,902		
		Sub-Total		28,330	1,984,006	2,012,336	25% of El Salto Building	1,083,460
Entel Chile	UF	15,0 years	8.70%	221,023	2,502,142	2,723,165	Fiber Optics, La Serena - Arica Stretch	5,050,394
IBM de Chile S.A.	US\$	1,0 years	8.20%	449,075	-	449,075	SDH Network	836,437
IBM de Chile S.A.	US\$	2,3 years	9.20%	795,011	1,101,914	1,896,925	SDH Network, DWDM Network and IP MPLS Network	3,311,047
CIT Leasing Chile	UF	1,3 years	8.14%	317,142	83,390	400,532	Huawei Santiago, Antofagasta and Iquique Plants	595,732
CIT Leasing Chile	US\$	2,6 years	6.67%	139,906	241,441	381,347	Avaya Equipment	479,716
CIT Leasing Chile	US\$	2,5 years	6.42%	69,980	113,746	183,726	Huawei Temuco, Concepcion Plants and Avaya Equipment	238,617
Citibank	UF	2,5 years	6.09%	174,347	269,922	444,269	Cisco Ultima Milla and Red Leyer Equipment	491,706
Citibank	\$	3,0 years	9.35%	153,063	332,277	485,340	Cisco Ultima Milla Equipment	495,671
Others	UF	1,0 year	9.14%	230,467	77,040	307,507	Ultima Milla Computers and Equipment	699,465
		Total Leasing		2,578,344	6,705,878	9,284,222		13,282,245

Promissory notes payable	208,201	--	208,201
Other notes payable	198,986	300,614	499,600
Other liabilities	2,003,894	628,738	2,632,632
Investment supplier	99,000	256,098	355,098
Customs duties	320,861	3,737	324,598
Total	5,409,286	7,895,065	13,304,351

</TABLE>

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NOTE 29 - PREPAID EXPENSES

The composition of prepaid expenses as of March 31, 2004 and 2003 is as follows:

	2003 ThCh\$	2004 ThCh\$
Publicity	622,643	320,030
Rentals of lines	334,892	231,100
Insurance	206,996	191,354
Expense debt Banco Santander	151,310	332,882
Commercial patents	115,797	92,623
Materials stock	41,609	35,803
Prepaid rentals	34,717	47,306
Maintenance of software	18,086	39,396
Other	69,860	162,271
Total	1,595,910	1,452,765

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CHILESAT CORP S.A. AND AFFILIATES

RELEVANT EVENTS

The essential or relevant events informed by the Chilean Securities and Insurance Commission during the period January 1 to March 31, 2004, are the following:

1. Through letter dated March 30, 2004, the Company informed as follows:

On March 26, 2004, the sale was concluded of all the shares that the affiliates of the Company, Texcom S.A., and Texcom Chile S.A. as well as the sale of all the risk bonds that Chilesat Corp. S.A. and its affiliates, Chilesat S.A., Chilesat Servicios Empresariales S.A., Texcom S.A. and Telecommunications Investment Joint Venture (Teinvest) held at the affiliated company Colomsat S.A. under Restructuring, the latter being a stock corporation incorporated in Bogota, Colombia and domiciled in that city.

In addition, please be informed that on May 10, 2002, the Chilean Securities and Insurance Commission authorized the non consolidation of the aforementioned company as from the financial statements of March 31, 2002, as it is in the process of being sold.

2. Through letter dated April 5, 2004, the Company informed the following:

In answer to your Official Letter No. 02727 dated April 2, 2004, we hereby complement our letter dated March 30, 2004 with respect to the sale of all the shares and risk bonds that "Chilesat Corp S.A." and its affiliates held at the Colombian filial Colomsat S.A., under Restructuring:

- a) Amount of the operation:

The total amount of the operation at March 26, 2004 reached a fixed sum US\$ 396,901.30.- plus an amount to be established and that will

be equivalent to sixty percent (60%) of the price that the Purchasing party may perceive if, in turn, the latter sells its share in Colomsat S.A. on or before December 31, 2004.

- b) Financial and accounting effects of the aforementioned sale on the financial statements of Chilesat Corp S.A.:

In the financial statements of Chilesat Corp S.A. and Affiliates (Consolidated), a non-operating profit is generated for a value equal to the sale, that is, US\$ 396,901.30.-, as the investment in Colomsat S.A. was recorded at \$1 because it had a negative net worth and the risk bonds and net credits after the restructuring agreement, were provisioned as non collectible as a whole, due to doubtful collection.

- c) Other information required for a better understanding of the transaction carried out:

Colomsat S.A. approved a restructuring agreement with its creditors in accordance with Law 500 in Colombia, company that is currently subject to supervision and control by a Surveillance Body.

- d) Indicate the accounting classification of the investment in the company Colomsat S.A., which Chilesat Corp S.A. shows in its consolidate financial statements:

On May 10, 2002, the Chilean Securities and Insurance Commission agreed not to consolidate the financial statements of Colomsat S.A. in Texcom S.A. and, in turn, in Telex-Chile S.A. (today Chilesat Corp S.A.) as it was undergoing a sales process. Therefore, from the date of its classification it has remained in the item "Investment in Related Companies" with a value amounting to \$1.

[free English translation of Spanish original]

[LOGO] Chilesat Corp S.A.

CHILESAT CORP. S.A. Y FILIALES
(EX -TELEX CHILE S.A.)
COMPARATIVE ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2004

I. EXECUTIVE SUMMARY

Results for the period

The Net Results of Chilesat Corp for the first quarter of 2004 experienced an improvement of 59% with respect to the same period of the previous year, as the loss decreased from Th\$ 3,494,068 to Th\$ 1,438,446.

The Company's Operating Result improved by 78% with a loss of Th\$ 544,372 at March 31, 2004 that is compared positively with the loss of the same period in 2003, of Th\$ 2,420,601. The improvement is due to a 26% increase in the Company's operating margin (Th\$ 692,226) and to a 23% decrease in administrative and selling expenses (Th\$ 1,184,003).

The Company's EBITDA grew by 300% reaching Th\$ 1,596,286 in the first quarter of 2004, compared with Th\$ 399,051 recorded in the same period of 2003.

For implementing the corporate strategy during 2003 and the first quarter of 2004, the Company has carried out important investments aimed at diversifying and increasing its networks' capacity, as well as the quality of the solutions it offers. Some of these investments were made based on an increase in the number of agreements signed with new clients with an average term of 36 months; therefore, only a part of the increase in income derived from those agreements occurred in the first quarter of 2004 and the rest will be materialized during the 2004 fiscal year and the following periods.

Our efforts towards developing an ambitious local telephony project should be mentioned, which currently provides services in the 6 main primary areas of the country, in which 80% of telephone service demand is concentrated. Additionally, said system is in an expansion phase: using IP commutation technology to extend its coverage and initiating operations in the rest of the 24 primary zones. The startup of this new IP telephony platform is programmed for the first semester of 2004. This solution is based on two modern technological platforms which, when combined, will permit to offer telephonic

commuting services using a traditional and IP technology. Our system will one of the most versatile approaches to meeting the telephonic service market, especially the corporate segment.

Also, the Company has strengthened its IP/MPLS data network, extending its coverage, increasing its reliability in order to offer more and better services to clients. Finally, a project for extending the transmission networks has been initiated, aimed at increasing the capacity and reliability of metropolitan circuits and the domestic long-term distance fiber optic central network.

According with the above, Chilesat has reinforced in a relevant manner its domestic fiber optic, whose coverage extends for more than 4,200 kilometers, and has equipped it with all the facilities to become one of the best telecommunications operators in the market.

The application of the Company's strategy, which seeks to increase its participation in the corporate segment by means of an integrated offer of Data and Voice Network services through its affiliate Chilesat Servicios Empresariales S.A., has increased the income from this line from Th\$ 1,452,514 to Th\$ 1,639,484. Important clients trust their communications platform to Chilesat. One of the Company's clients, the Banco Estado, a company in the financial sector, has the greatest telecommunications infrastructure requirement in the country, one which will generate income until the year 2007. During the first quarter of 2004, we also counted among our clients Universidad Central, Municipality of Vitacura and Dicrep.

Also the Company's capacity to maintain and make profits from long-distance operations has shown an outstanding performance. In relation to this, the Company has maintained a stable market share in the residential segment and in turn has increased its share in long-distance services of the corporate segment.

Moreover, although the international long-distance market did not show any increase in its traffic during the first quarter of 2004 with respect to the same period in 2003, Chilesat experienced a 2% growth in its international long-distance traffic.

CHILESAT CORP. S.A. Y FILIALES
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At a consolidated level, Chilesat Corp's operating income for the first quarter of 2004 amounted to Th\$ 10,124,620, which is negatively compared with Th\$ 11,827,460 for the same period in 2003, a variation that is mainly attributable to lower income in International Businesses (Th\$ 922,658), lower income generated by the closing of the affiliate Texcom USA (Th\$ 685,755) and a generalized drop in the long-distance market that has produced lower Multicarrier income (Th\$ 595,302). These decreases were partially offset by greater income from Added Value Services (Th\$ 397,538) and Entrepreneurial Services (Th\$ 186,970).

Operating costs of Chilesat Corp and Affiliates decreased by 26% (Th\$ 2,395,066), mainly attributable to reductions in costs associated with lower volumes of International Businesses agreements (Th\$ 1,026,982), the closing of Texcom USA (which, during the period 2003, generated a cost of Th\$ 807,023) and lower depreciations (Th\$ 575,246).

Administration and selling expenses recorded a 23% decrease, attributable mainly to a reduction in the costs of Texcom USA (Th\$ 651,369) and lower general expenses (Th\$ 419,807). The decrease in general expenses consisted of the following: Th\$ 181,089, due to less data processing; Th\$ 98,488, commissions of external agents; Th\$ 85,297, professional advice; and Th\$ 54,071, rentals.

The consolidated non operating income of Chilesat Corp S.A. and Affiliates at March 2004 improved by Th\$ 182,897 (16%) with respect to the same period in 2003, which is mainly explained by a lower result by rate of exchange of Th\$ 258,382 and to a reverse in excess provisions of previous years for Th\$ 199,577. The above was partially compensated by an increase in the loss due to price-level restatement (Th\$ 151,714) and a decrease in financial income (Th\$ 56,841).

Main Affiliates

Chilesat S.A.

During the first quarter of 2004, the affiliate Chilesat S.A. contributed 79% of total consolidated income to its parent office Chilesat Corp., an amount of Th\$ 8,030,926. With respect to the same

period in 2003, it recorded a 14% decrease. The decrease is primarily attributable to the lower income of International Businesses (Th\$ 922,658) and Multicarrier (Th\$ 595,302), which were partially compensated by increased income from Added Value Services amounting to Th\$ 397,538.

Chilesat Servicios Empresariales S.A.

During the first quarter of 2004, Chilesat Servicios Empresariales contributed to the parent office an income of Th\$ 1,639,484, an increase of 13% with respect to the same quarter of the previous year when Th\$ 1,452,514 was generated. This increase is attributable to better trade management as a consequence of the implementation of the Company's long-term strategic plan, which privileges the growth of Chilean operations, and strengthens the Company's penetration in the corporate market through an integrated solution of telecommunications services. This has fostered the establishment of long-term agreements with important corporate clients.

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CHILESAT CORP. S.A. Y FILIALES
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COMPARATIVE ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS
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CORPORATE INFORMATION

Strategic Plan of the Company

As part of Chilesat Corp's corporate strategy, the Company has decided concentrate its efforts mainly on its Chilean operations, with the purpose of maximizing the benefits from competitive advantages, among which are its large telecommunications network infrastructure and the excellence of its human resources. With this purpose, it has focused on maintaining and maximizing the profits of its long-distance operations, developing added value services as a new source of income and in turn optimizing its network infrastructure to increase the offer of private efforts towards the corporate market, in this last case through its affiliate Chilesat Servicios Empresariales.

Subsidiaries

Chilesat S.A. is a company that operates international and domestic long-distance services, Internet commuted services and added value services, the latter mainly aimed at the individual consumer. Also, the growth of income from added value services has been significant, experiencing an increase of 91% compared with the same period of 2003, as a result of a greater offer of this type of products.

Chilesat Servicios Empresariales is an affiliate of Chilesat S.A. that provides advanced services to corporate clients, among which the most prominent are: a) high-technology data network services, satellite services and dedicated Internet access; b) local and private public telephony services; and c) Advanced Services like data center, hosting, and monitoring and supervision of networks.

Shareholders

At March 2004 the main controllers of Chilesat Corp. are GE Capital and the Investment Fund Southern Cross Latin America Private Equity Fund L.P., which own, as a whole and through the companies Redes Opticas S.A. and Redes Opticas (Cayman) Corp., 85.43% of the property.

II. INCOME STATEMENT

1) OPERATING INCOME

Operating income of Chilesat Corp for the first quarter of 2004 amounted to Th\$ 10,124,620 which compares negatively with the Th\$ 11,827,460 for the same period of the year 2003, a variation that is explained mainly due to lower income from International Businesses (Th\$ 922,658), lower income generated by the closing of the affiliate Texcom USA (Th\$ 685,755) and a generalized drop in the long-distance market that decreased the income from Multicarrier (Th\$ 595,302). The above was compensated by greater income from Added Value Services (Th\$ 397,538) and Entrepreneurial Services (Th\$ 186,970).

CHILESAT S.A. AND AFFILIATES

LONG DISTANCE

This line of business continues maintaining a relevant percentage in the long-distance market. The income of this business explains 49% of the Company's consolidated total. In the first quarter of 2004, domestic long-distance traffic of Chilesat was reduced by 5% and international long-distance traffic increased by 2% with respect to the same quarter in 2003.

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CHILESAT CORP. S.A. Y FILIALES (EX -TELEX CHILE S.A.)

COMPARATIVE ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2004

CORPORATE SERVICES

In the first quarter of 2004, income generated by this business reached Th\$ 1,639,484, an amount 13% higher if compared with an income Th\$ 1,452,514 in the same quarter of the previous year. This is explained by a better commercial management as a result of the implementation of the Company's long-term strategic plan, which privileges the growth of Chilean operations, and strengthens the Company's presence in the corporate market through an integrated offer of telecommunication services solutions.

OPERATION OF FOREIGN AFFILIATES

Foreign operations are developed through our affiliate Texcom S.A. and contributed 4% of the total income of Chilesat Corp. This figure decreased by 60% with respect to what was generated in the first quarter of 2003, as a consequence of the closing of the Texcom USA operation. Currently Perusat is the affiliate that pursues our foreign operations, mainly focused on the marketing of long-term services, and it contributed an income of Th\$ 388,168 in the first quarter of 2004

2) OPERATING COSTS

Operating costs of Chilesat Corp and Affiliates decreased by 26% (Th\$ 2,395,066). This is mainly due to a decrease in costs associated with lower volumes in International Businesses agreements (Th\$ 1,026,982), the closing of Texcom USA (that generated a cost of Th\$ 807,023 in 2003) and lower depreciation in the 2004 quarter (Th\$ 575,246).

3) OPERATING RESULTS

The operating result of Chilesat Corp shows an improvement of Th\$ 1,876,229 (78%) with respect to that of the same quarter of 2003. This is mainly attributable to a decrease in operating costs (Th\$ 2,395,066, explained in the previous paragraph), a decrease in the costs of Texcom USA (Th\$ 651,369) and lower general expenses, Th\$ 181,089, due to less data processing; Th\$ 98,488, commissions of external agents; Th\$ 85,297 professional advice; and Th\$ 54,071, rentals.

4) NON-OPERATING RESULTS

The consolidated non-operating result of Chilesat Corp S.A. and Affiliates at March 2004 improved by Th\$ 182,897 (16%) with respect to the same period in 2003, which is mainly due to the exchange rate, of Th\$ 258,382 and reversal of provisions in excess of previous years for Th\$ 199,577. The above was compensated partially with an increase in the loss due to price-level restatement (Th\$ 151,714) and a decrease in financial income (Th\$ 56,841).

5) NET RESULT

In the first quarter of 2004, the Company recorded a loss of Th\$ 1,438,446 (Th\$ 2,055,622 better than in the same period of the year 2003 in which a loss of Th\$ 3,494,068) was reached. This variation is mainly explained by a reduction in operating losses of Th\$ 1,876,229 (78%) and a decrease in non operating losses of Th\$ 182,897 (16%).

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CHILESAT CORP. S.A. Y FILIALES (EX -TELEX CHILE S.A.)

COMPARATIVE ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2004

III. GENERAL CONSOLIDATED BALANCE

The main items of assets and liabilities at March 31, 2004 and 2003 are the following:

ASSETS	2004 Th\$	2003 Th\$
Current Assets	13,848,794	18,342,317
Net Fixed Assets	65,491,977	70,756,465
Other Assets	534,027	1,944,271
TOTAL ASSETS	79,874,798	91,043,053
=====		
LIABILITIES		
Current Assets	35,127,015	23,161,513
Long-term Liabilities	15,957,278	31,763,975
Minority Interest	(184,667)	132,103
Stockholders' Equity	28,975,172	35,985,462
TOTAL LIABILITIES	79,874,798	91,043,053
=====		

At March 31, 2004, the consolidated assets of the Company dropped by Th\$ 11,168,255 with respect to the same period in 2003. This variation is mainly explained by decreases in Fixed Assets of Th\$ 5,264,488 (increase in accumulated depreciation), Current Assets for Th\$ 4,493,523 (decrease in time deposits) and Other Assets for Th\$ 1,410,244 less documents and accounts receivable from related companies).

The negative variation in current assets is mainly explained by a decrease in time deposits (Th\$ 3,454,631) and in marketable values (Th\$ 765,334).

Fixed assets decreased by Th\$ 5,264,488 with respect to the previous period, mainly due to the increase in accumulated depreciation (Th\$ 8,443,867).

Investments in Fixed Assets during the first quarter of 2004 amounted to Th\$ 1,420,498 mainly by the acquisition of equipment for last mile, IP backbone, routers, video-conference services, telephony and data transmission.

The decrease in Other Assets by Th\$ 1,410,244 is caused mainly due to less documents and accounts receivable from related companies for Th\$ 1,158,756 explained by the decrease in accounts receivable from Colomsat (Th\$ 1,144,735).

Current Liabilities increased by Th\$ 11,965,502. This variation is explained mainly by the transfer of the credit line of Banco Santander to the short term in the item Obligations with banks and financial institutions, long term - short term portion (Th\$ 11,158,387).

Banco Santander has committed to restructure the credit mentioned in the previous paragraph under the following terms:

Term: Four years.
 Capital payment: 4 annual, equal and successive quotas.
 Interest payment: Quarterly
 Interest rate: Tab of 180 days plus Margin.
 Margin: 300 basic points.

This restructuring will be implemented after prepayment of the equivalent in Ch\$ national currency of US\$ 5,000,000 (five million dollars of the United States of America).

The decrease of Long Term Liabilities for Th\$ 15,806,697 is caused mainly by the transfer to the short term of the credit of Banco Santander mentioned in the previous point and by decreases in long-term provisions (Th\$ 1,574,314, caused by a decrease in current accounts of related companies) and less documents payable in the long term Th\$ 1,047,282 (explained by re-agreement and transfer to the

long term of IBM leasing).

The decrease of Th\$ 7,010,290 of the Stockholders' Equity is mainly due to the increase in the accumulated loss of Th\$ 9,673,954, that was partially compensated with lower losses of the period of Th\$ 2,055,622.

IV. FINANCIAL INDICES

The main financial indices and other important items related to the financial statements at March 31 2004 and 2003 are the following:

<TABLE>
<CAPTION>

		2004 Th\$	2003 Th\$
		-----	-----
<S>	<C>	<C>	<C>
IV.1	Current Liquidity	0.39	0.79
IV.2	Acid Ratio	0.39	0.79
IV.3	Debt Ratio	1.76	1.53
IV.4	Short-term Debt/Total Debt Ratio	68.76%	42.17%
IV.5	Long-term Debt/Total Debt Ratio	31.24%	57.83%
IV.6	Total Assets	Th\$ 79,874,798	Th\$ 91,043,053
IV.7	Operating Income	Th\$ 10,124,620	Th\$ 11,827,460
IV.8	Operating cost/Total Costs Ratio	63.47%	64.34%
IV.9	Administrative and Selling Costs/Total Costs Ratio	36.35%	35.66%
IV.10	Financial Expenses Coverage	(1.77)	(6.25)
IV.11	Operating Results	Th\$ (544,372)	Th\$ (2,420,601)
IV.12	Financial Expenses	Th\$ (539,923)	Th\$ (490,788)
IV.13	Non-Operating Results	Th\$ (952,505)	Th\$ (1,135,402)
IV.14	R.A.I.I.D.A.I.E.	Th\$ 1,183,704	Th\$ (245,563)
IV.15	Results after Taxes	Th\$ (1,438,446)	Th\$ (3,494,068)
IV.16	EBITDA Chilesat Corp (Consolidated Group)	Th\$ 1,596,286	Th\$ 399,051
	EBITDA Chilesat S.A and Affiliates	Th\$ 2,490,159	Th\$ 1,709,795

ANALYSIS OF INDICES AND IMPORTANT ITEMS

IV.1	CURRENT LIQUIDITY	0.39	0.79
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</TABLE>

This index mainly decreases due to the increase in the current assets caused by the transfer to the short term of the credit line of Banco Santander for UF 664,397. In addition to this, there was a decrease in current assets (Th\$ 4,493,523) mainly explained by less time deposits.

a) INCREASES AND DECREASES IN CURRENT ASSETS

TIME DEPOSITS

This item decreased (Th\$ 3,454,631) as a result of the extinction of operations with the following banks: Security, Santander, Bice, Citibank N.Y. and Bank of America.

OTHER CURRENT ASSETS

This item decreased by Th\$ 686,912, explained by less purchase operations with repurchase commitment that were partially compensated by increases of values in guarantee.

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CHILESAT CORP. S.A. Y FILIALES

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b) INCREASES AND DECREASES IN CURRENT LIABILITIES

OBLIGATIONS WITH BANKS AND FINANCIAL INSTITUTIONS LONG TERM - SHORT TERM RATIO

This item presents an increase of Th\$ 11,158,387, explained by the transfer from the long term of the credit line of Banco Santander for UF 664,397 due in February 2005.

Banco Santander has committed to restructure the credit mentioned in the previous paragraph under the following terms:

Term: Four years.
 Capital payment: 4 annual, equal and successive quotas.
 Interest payment: Quarterly
 Interest rate: Tab of 180 days plus Margin.
 Margin: 300 basic points.

This restructuring will be implemented after prepayment of the equivalent in pesos national currency of US\$ 5,000,000 (five million dollars of the United States of America).

IV.2	ACID RATIO		0.39		0.79
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This index is equal to that mentioned in the previous point IV.1 as the Company and its affiliates have no stock.

IV.3	DEBT RATIO		1.76		1.53
------	------------	--	------	--	------

This index increases with respect to the that of the previous period mainly due to the decrease in stockholders' equity, because of the greater losses accumulated, of Th\$ 9,673,954 that were partially compensated with lower losses in the period of Th\$ 2,055,622.

IV.4	SHORT TERM DEBT/TOTAL DEBT RATIO		68.76%		42.17%
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The detail of the items that explain the decrease in this index are described in point IV.1.b.

IV.5	LONG TERM DEBT/TOTAL DEBT RATIO		31.24%		57.83%
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Long Term Liabilities experienced a decrease of Th\$ 15,806,697 explained basically by the transfer to the short term of the credit line obtained with Banco Santander explained in point IV.1.b.

IV.6	TOTAL ASSETS	Th\$	79,874,798	Th\$	91,043,053
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The decrease of Th\$ 11,168,255 at the first quarter of 2004 with respect to the same period in 2003 is explained in point III.

IV.7	OPERATING INCOME	Th\$	10,124,620	Th\$	11,827,460
------	------------------	------	------------	------	------------

Operating income decreased by Th\$ 1,702,840 with respect to the first quarter of the previous year, mainly to what is explained in point II.1.

IV.8	OPERATING COSTS / TOTAL COSTS RATIO		63.47%		64.34%
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There is a slight decrease of this index, as the operating costs experienced a greater decrease with respect to administrative and selling expenses which also dropped; this is explained in point II.2.

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CHILESAT CORP. S.A. Y FILIALES
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IV.9	ADMINISTRATIVE AND SELLING EXPENSES / TOTAL COSTS RATIO		36.53%		35.66%
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There is an increase in this index, due to a decrease smaller than that in operating costs explained in point II.2 and II.3.

IV.10	FINANCIAL EXPENSES COVERAGE		(1.77)		(6.25)
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The decrease in this index is mainly due to a better result before taxes.

IV.11	OPERATING RESULTS	Th\$	(544,372)	Th\$	(2,420,601)
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The variation of the operating results is explained in point II.3.

IV.12	FINANCIAL EXPENSES	Th\$	(539,923)	Th\$	(490,788)
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The variation in financial expenses is explained in point II.4.

IV.13	NON OPERATING RESULT	Th\$	(952,505)	Th\$	(1,135,402)
-------	----------------------	------	-----------	------	-------------

The consolidated non operating result of Chilesat Corp S.A. and Affiliates at March 2004 improved by Th\$ 182,897 (16%) with respect to the same period in 2003, which is mainly explained by a better

result due to the exchange rate, of Th\$ 258,382 and for reversals in provisions in excess of previous years, for Th\$ 199,577. The above was mainly compensated with an increase in the loss due to price-level restatement (Th\$ 151,714) and a decrease in financial income (Th\$ 56,841).

IV.14 R.A.I.I.D.A.I.E. Th\$ 1,183,704 Th\$ (245,563)

The increase in this index is the consequence of a better result before taxes, greater financial expenses and lower depreciation.

IV.15 RESULT AFTER TAXES Th\$ (1,438,446) Th\$ (3,494,068)

The variation of this result is mainly explained by what is described in point II.5.

IV.16 EBITDA Chilesat Corp
(Consolidated Group) Th\$ 1,596,286 Th\$ 399,051

This indicator is calculated as: Operating Result + Depreciation of the Period + Amortization of Intangibles. The increase of Th\$ 1,197,235 of this result is explained by a better operating result of Th\$ 1,876,229 (78%) and lower depreciations (Th\$ 676,998).

PROFITABILITY

STOCKHOLDERS' EQUITY PROFITABILITY

Defined as the ratio of the first quarter result and the average stockholders' equity, it corresponds to -0.04.

ASSETS PROFITABILITY

Defined as the ratio of the results of the first quarter and the average assets, it corresponds to -0.02.

OPERATING ASSETS PROFITABILITY

Defined as the ratio of the operating result of the first quarter and the average operating assets; corresponds to -0.01. Current assets and fixed assets are considered as operating assets.

PROFITS PER SHARE

Defined as the result of the first quarter divided by the number of shares subscribed and paid in at year end and corresponds to -0.003.

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CHILESAT CORP. S.A. Y FILIALES (EX -TELEX CHILE S.A.)

COMPARATIVE ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2004

MAIN DIFFERENCES BETWEEN MARKET OR ECONOMIC VALUE AND ASSETS VALUE OF THE COMPANY

At March 31, 2004, the Company and its affiliates do not show significant differences that should be pointed out.

V. CASH FLOW

	2004 Th\$	2003 Th\$
	-----	-----
Flow originated by operating activities	948,165	(1,066,516)
Flow originated by financing activities	(29,137)	11,145,023
Flow originated by investment activities	(1,839,189)	(3,615,629)

Description of Cash Flow Variations

Flow originated by operating activities:

The resources generated by operating activities increased with respect to the first quarter of the previous year by Th\$ 2,014,681, mainly due to lower payments to suppliers and personnel, of Th\$ 3,429,568 that were compensated partially with lower collection of trade accounts receivable for Th\$ 1,639,458.

Flow originated by financing activities:

The decrease of Th\$ 11,174,160 is mainly explained because in the first quarter of 2003, financing of UF 664,397 was obtained from Banco Santander.

Flow originated by investment activities:

The resources used by investment activities decreased by Th\$ 1,776,440 mainly due to less incorporations of fixed assets of Th\$ 1,371,798 and an increase in the sales of fixed assets of Th\$ 514,504.

VI. MARKET RISK ANALYSIS

Financial Risks

At March 31, 2004, the Company and its affiliates do not maintain a coverage level on the rate of exchange. In relation to the coverage of interest rates, it should be pointed out that most of the liabilities acquired by the Company are in fixed rate and 30.87% remains at a floating rate (TAB and Libor).

The difference between assets and liabilities in dollars is the following:

Assets in dollars of the USA	MUS\$	2,310.92
------------------------------	-------	----------

Liabilities in dollars of the USA	MUS\$	22,681.64
-----------------------------------	-------	-----------

The composition by foreign currency of the operating result in percentages over each item is the following:

Operating income	12,78%
------------------	--------

Operating costs	24,81%
-----------------	--------

Administrative and selling expenses	5,49%
-------------------------------------	-------

Risk of Default

With respect to the coverage policy of failure in accounts receivable, we may inform that monthly, a provision of non-collectibles is established and recorded in these accounts. The above is based on the historical behavior of the recovery of accounts receivable.

The methodology used by the Company uses periods that are sufficiently long, in which the balances in client accounts show a low collection expectation, which ensures that the default risk of the accounts receivable is covered by said coverage policy.

CHILESAT CORP S.A.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Santiago, Chile.

CHILESAT CORP S.A.

By: /s/ Fernando Escrich Juleff

Name: Fernando Escrich Juleff
Title: Chief Financial Officer

Dated: May 18, 2004