



Telefónica del Sur

Siempre más cerca



TELSUR
74.4%








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 **Telefónica del Sur** is the principal telecommunications company in the south of Chile, with more than 300,000 customers, thanks to the multiple products and services it offers between Concepción and Coyhaique.

With the launching in 2007 of WiTV, its new IP digital television service, the company completed a further step in its strategy of differentiation in the market and diversification of sources of revenues, firmly entering the subscribed and triple-pack (telephone, internet and television) television segment, with important advantages and technological differentiation compared to the existing services, as WiTV is 100% IP and uses a broad band network based on fiber optic to the home and 20 megas for each home. It permits the interactivity of the customer with the television system and convergence with internet, plus a 100% wireless connection with the home.

WiTV complements the 2006 launching of local portable telephony with PHS technology through the product "SuperInalámbrico". Today there are over 53,000 customers with portable telephone terminals, fixed numbers and portable telephone service, operating in the principal cities between Temuco and Coyhaique. In addition, the service was launched



to the business segment during 2007 with the new "Centrex Convergente" product, which permits unlimited calls between the fixed and portable lines of a customer as if they were extensions of their private telephone network.

A special mention should be made of the construction of the fiber optic network linking Chiloé, Palena and Aysén, over 830 kilometers in length, 130 km. of which are underwater. These zones are therefore now connected to the rest of Chile by fiber optics, permitting the future supply of the latest-generation services in order to provide further development, education, culture and entertainment to the inhabitants of the towns located on the route of the line.

2007 Results

Telefónica del Sur's revenues reached Ch\$60,693 million in 2007, up slightly from the Ch\$60,189 million reported in 2006. Although the overall sales level in 2007 remained relatively constant compared to 2006, the growing importance of Internet, security services, data services and subscription TV in Telsur's revenue mix was clearly observed. In addition, local telephony revenues grew by 4.3%, reverting the decline experienced in previous years thanks to the PHS portable

+12.5%

In 2007, Telefónica del Sur's client base expanded to more than 300,000, mostly associated with the growth of Internet, wireless PHS and digital TV services.

fixed line service introduced in 2006. These increases more than offset the decrease in revenues associated with public telephones and long distance services.

Internet revenue rose by 5.1% to Ch\$10,991 million in 2007, accounting for 18.1% of all sales. The growth shown in this area was due to a 21.6% increase in the number of wide band clients, which as of December 31, 2007 reached 57,038. In late 2007, Telsur introduced subscription TV (TVoIP and WiTV), and as of the end of the year already had 5,472 clients.

Operating profits fell by 24.0% to Ch\$9,915 million, mainly as a result of depreciation on the investments made by Telefónica del Sur to develop new services, expenses associated with the launching of subscription TV and portable fixed line telephony and the consolidation of Blue Two Chile S.A. (in 2006 this was still in the development stage).

Non-operating losses decreased from Ch\$2,314 million in 2006 to Ch\$1,899 million in 2007. The improvement in non-operating results was primarily due to a 62.5% reduction in other non-operating expenses, which in 2006 included Ch\$605 million in personnel severance expenses, and to a lesser extent,

non-recurring income from supplier prepayment discounts.

Net profit in 2007 amounted to Ch\$6,211 million, representing a 26.4% decline from the Ch\$8,437 million reported in 2006. The decrease in bottom line results for the year was attributable to the aforementioned deterioration in operating results, the effect of which was partially offset by lower non-operating losses and a lower tax burden.

