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Telefónica

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Safe harbour

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A key initiative of the Telefónica Group's commitment to Operational Excellence

Key messages

Telefónica Group IT strategy is fully aligned with the Group business strategy. It is based on three key elements:

Focalization on high-value added activities and outsourcing others

Outsourcing has created a **NPV of $219 - 240 million over five years**

Identification / development of "horizontal" group-wide initiatives

ATIS is a single, common billing and customer care platform that will **homogenize business and systems platforms** across LatAm and T-Data

ATIS will create an additional benefit in the region: a **NPV of $210 – 275 million over five years**

Definition of a unified IT management model

ATIS creates the basis for future **consolidation of business processes and IT platforms**

ATIS is not a project on paper, it is a reality

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Telefónica Group IT strategy is fully aligned with business strategy

Group strategy

Telefónica, is an **integrated Group** with:

- **Lines of Business (LoB) focused** on homogenous activities
- **Corporate center with executive, high value functions** (e.g. group-wide strategic value, "horizontal" initiatives)
- **Regional model in Telefónica's LatAm wireline operators** facilitated after the reorganization into LoBs

IT strategy

Based on three key elements:

- Focalization on high-value activities:
  - **Outsourcing low-value tasks**
  - **Leveraging on core services** of the Group's LoBs
- Identification / development of "horizontal", group-wide initiatives:
  - Establishing **shared / common IT and processes platforms**
- Definition of a unified management model
  - Enabling **global team-working** & exchanging **IT best-practices**
  - Achieving the **best Consolidation** Model

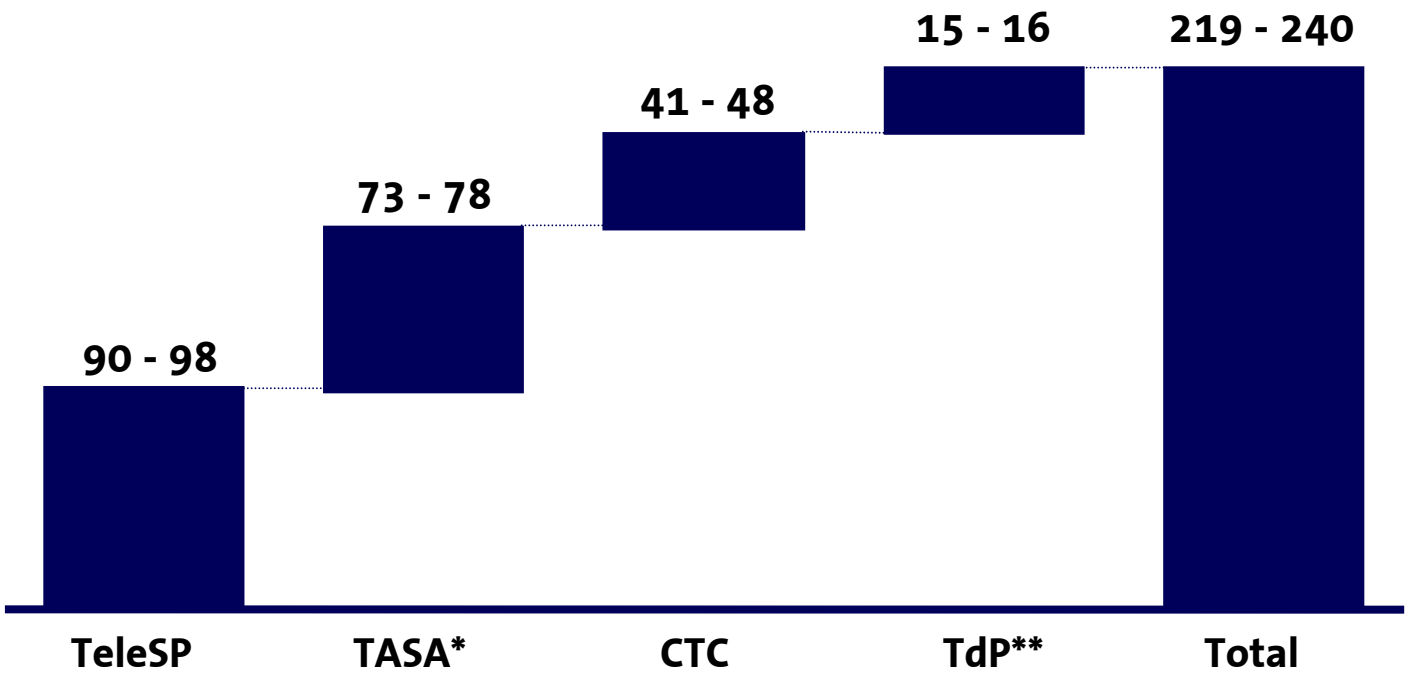
All these elements enable Telefónica Group to achieve excellence through efficient IT management

Besides the savings already captured by outsourcing in LatAm ...

NPV 2001 – 2005. USD million

Savings already captured

The **LatAm data centers outsourcing** (low-value added tasks) has created a **NPV of $219 - 240 million over five years due to IT costs reduction**



(*) Considering the economic impact due to Argentine devaluation

(**) In Final Rush

... additional benefits have been identified

Additional benefits

- Those additional opportunities are based on:
  - **Business processes and systems platforms homogenization.** This homogenization will establish the foundation for next steps
  - **Business platforms consolidation** on a single location from where providing common services to all operators

To allow business processes and systems homogenization and, later on, consolidation, a single common solution is needed.
ATIS is the solution

Why is ATIS a key initiative?

Telefónica is an integrated Group with a clear group-wide, sustained-growth & profitability strategy and its IT strategy is aligned with it

LatAm operators needed to renew their systems as they had different landscapes with country-specific processes and system platforms

Beyond the opportunities already captured by the Group's reorganization into Lines of Business, there is room for additional efficiency improvements

atis

a homogeneous processes and systems platform for customer care, billing and collections, is a key initiative that meets operating excellence strategy of the Telefónica Group

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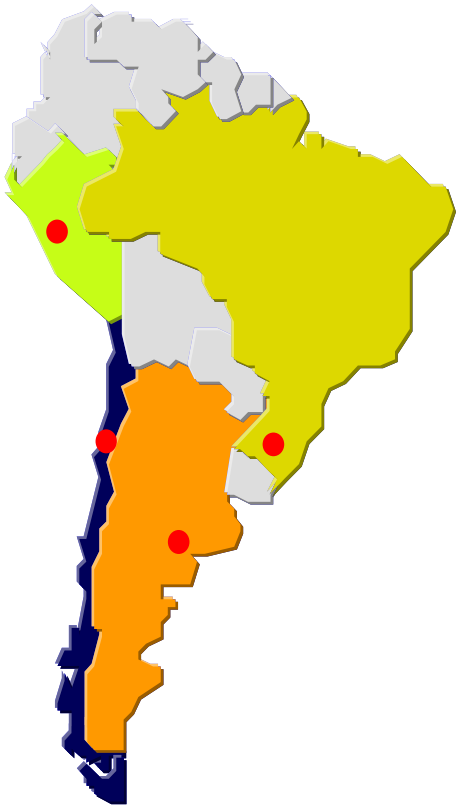
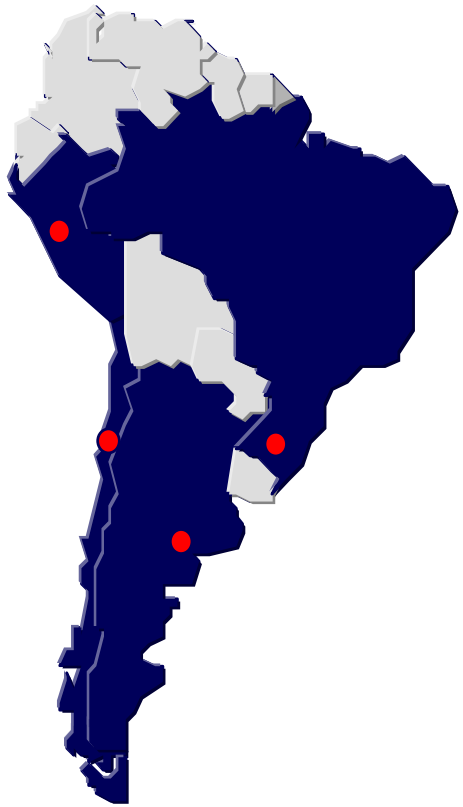
In this context, what does ATIS mean?

Pre-ATIS situation



Post-ATIS situation



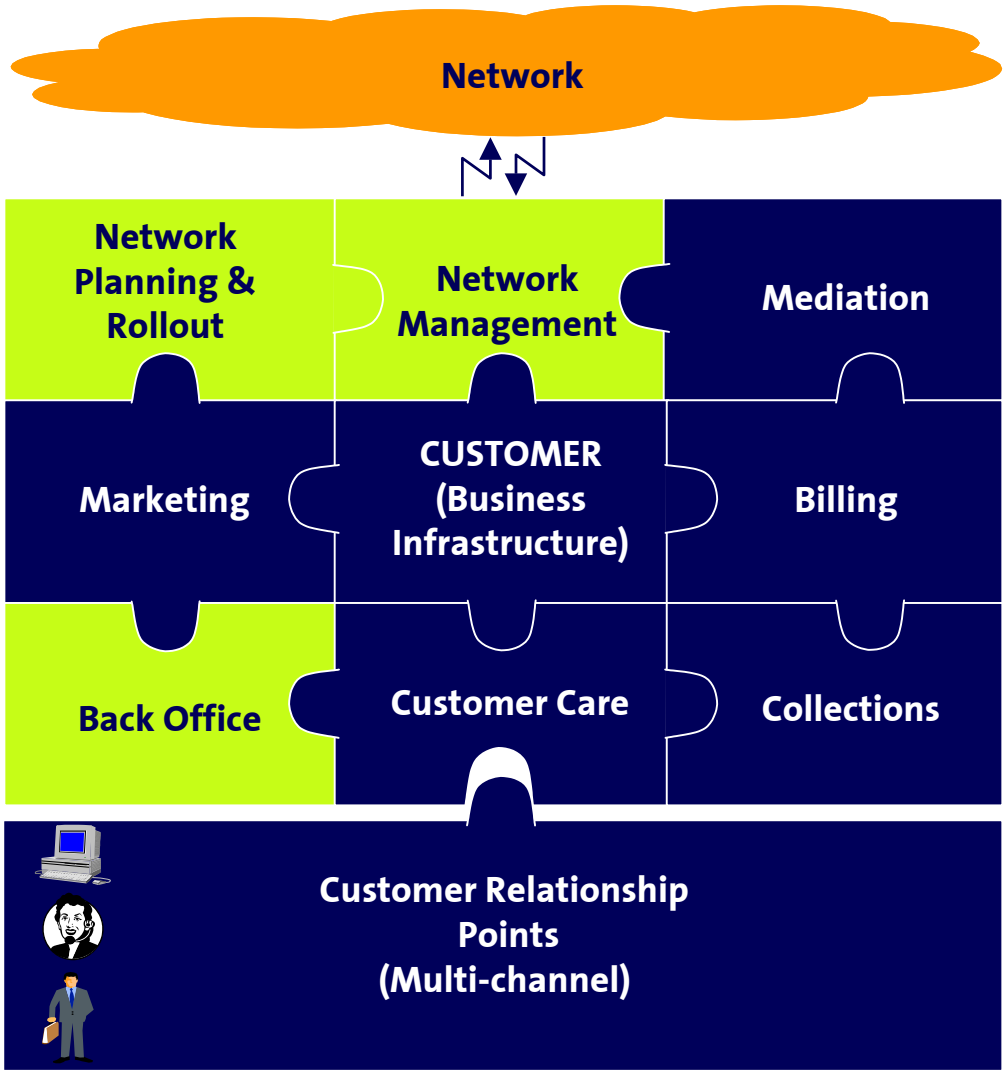
ATIS will...

... homogenize business processes and systems platforms across LatAm, both wireline and T-Data operators

... support more than 30 million customers

... have direct influence in the efficiency of day-to-day activities of more than 13,000 people (more than 40% of total LatAm staff)

ATIS increases customer value proposition and reduces time to market

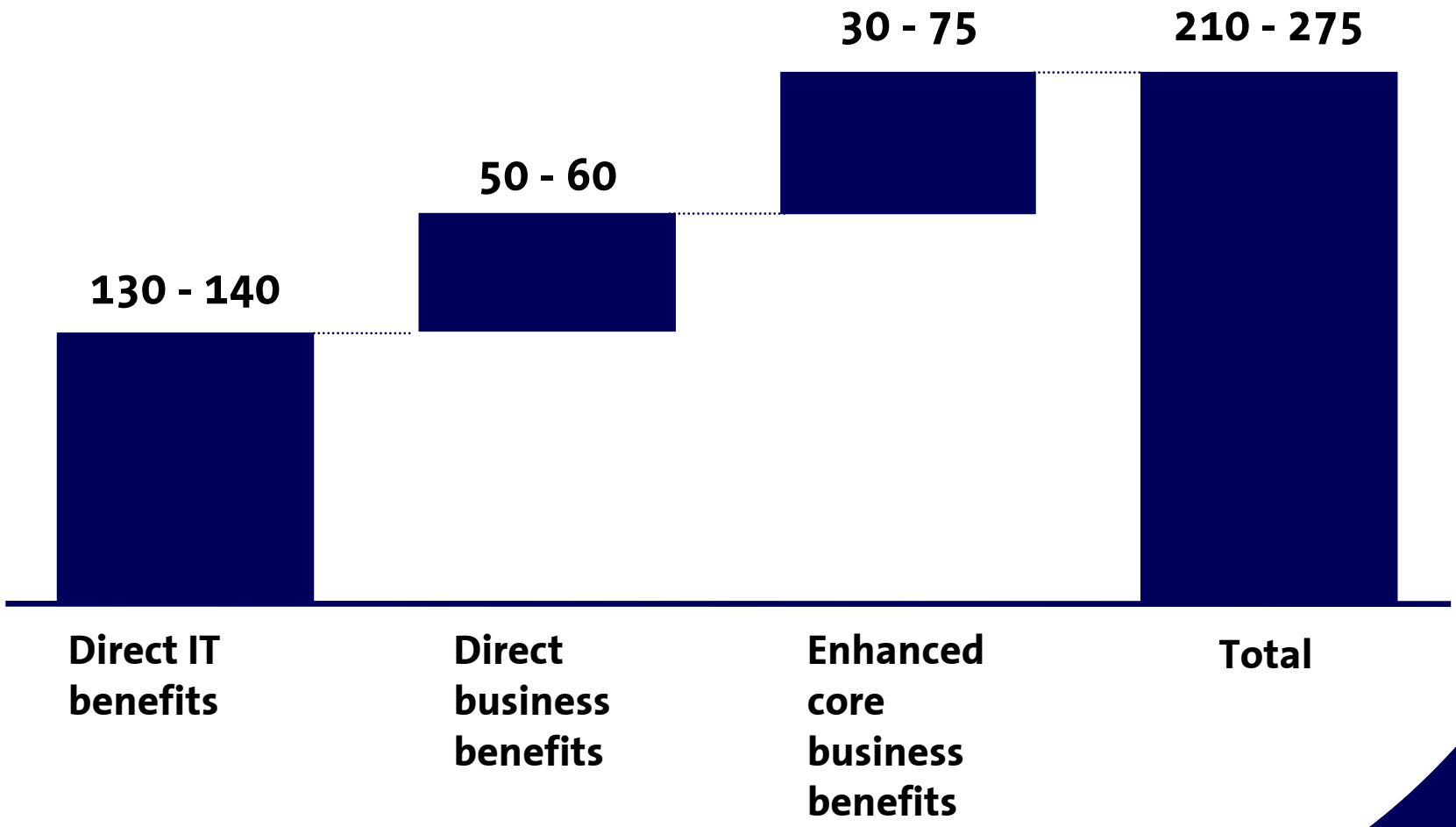


ATIS´ IT and business benefits that have been identified …

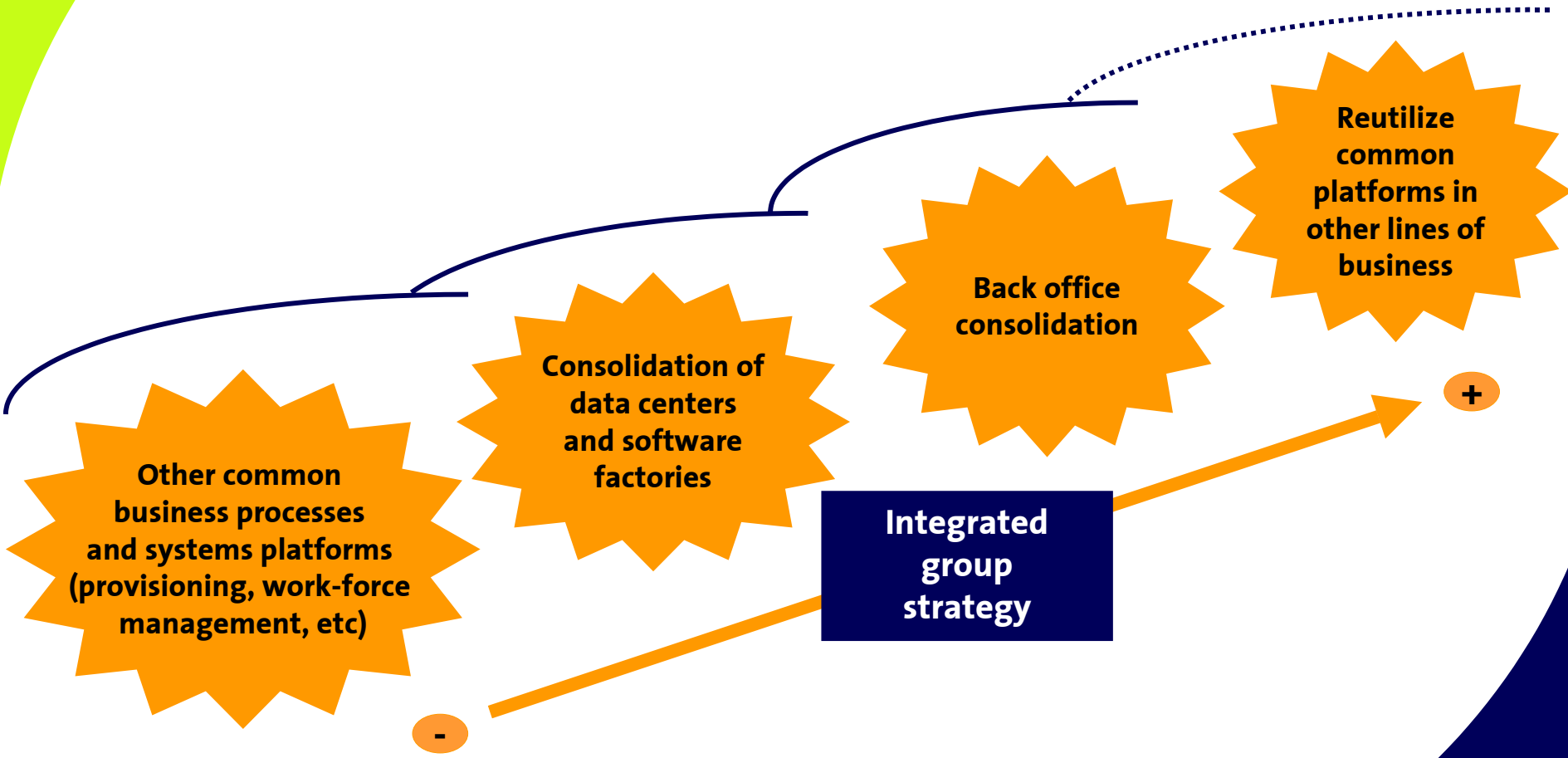
Direct IT benefits	• Reduction of IT spending • Increased bargaining power
Direct business benefits	• Increased back-office and call center efficiency • Improved billing processes • Reinforced income streams
Enhanced core business benefits	• Reduced time-to-market • Increased cross-selling and up-selling • Reduced bad debt

... will be captured as additional benefits in Latam

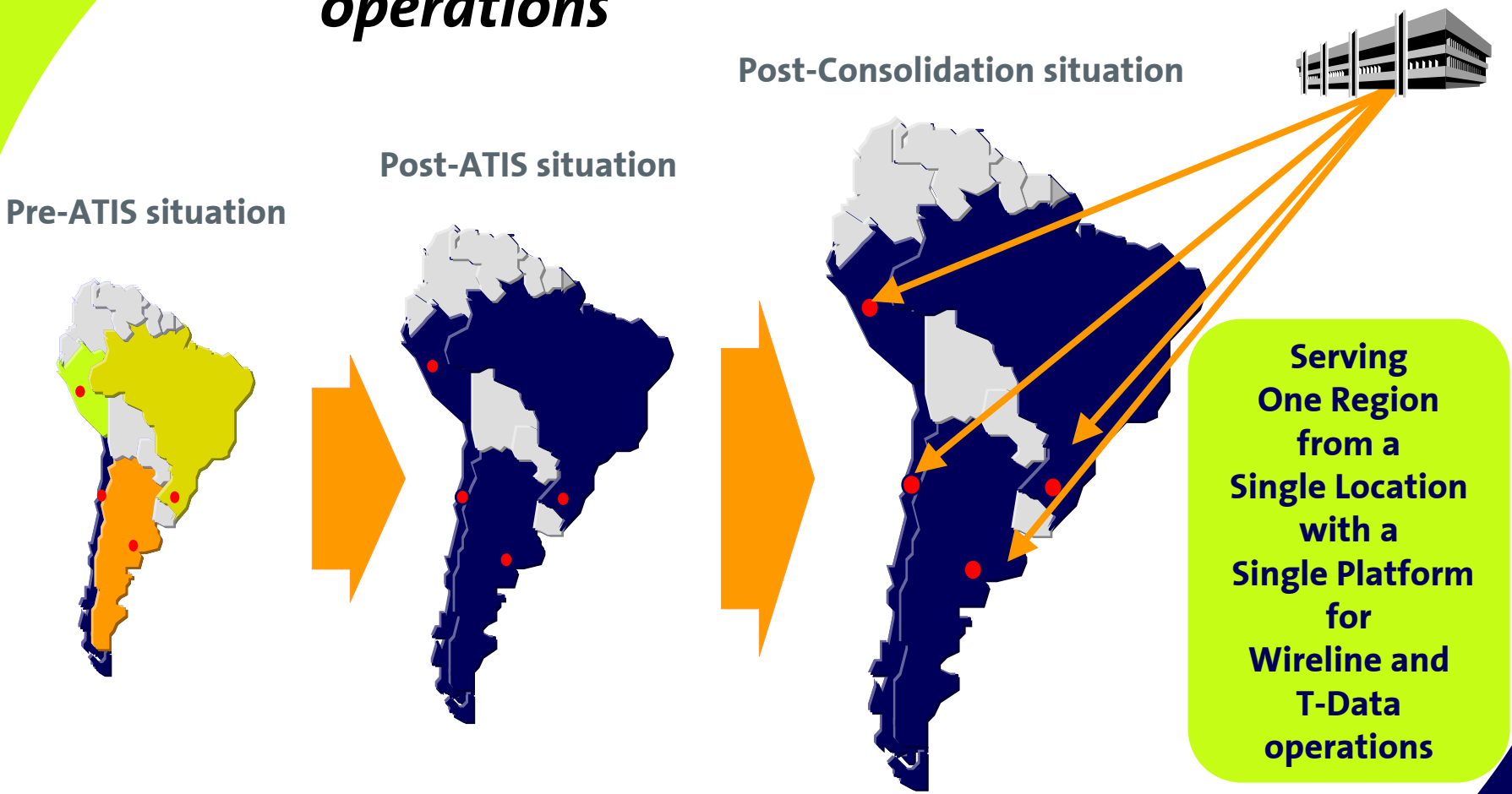
NPV 2001 – 2005. USD million



Furthermore, ATIS creates the basis for more aggressive Group savings

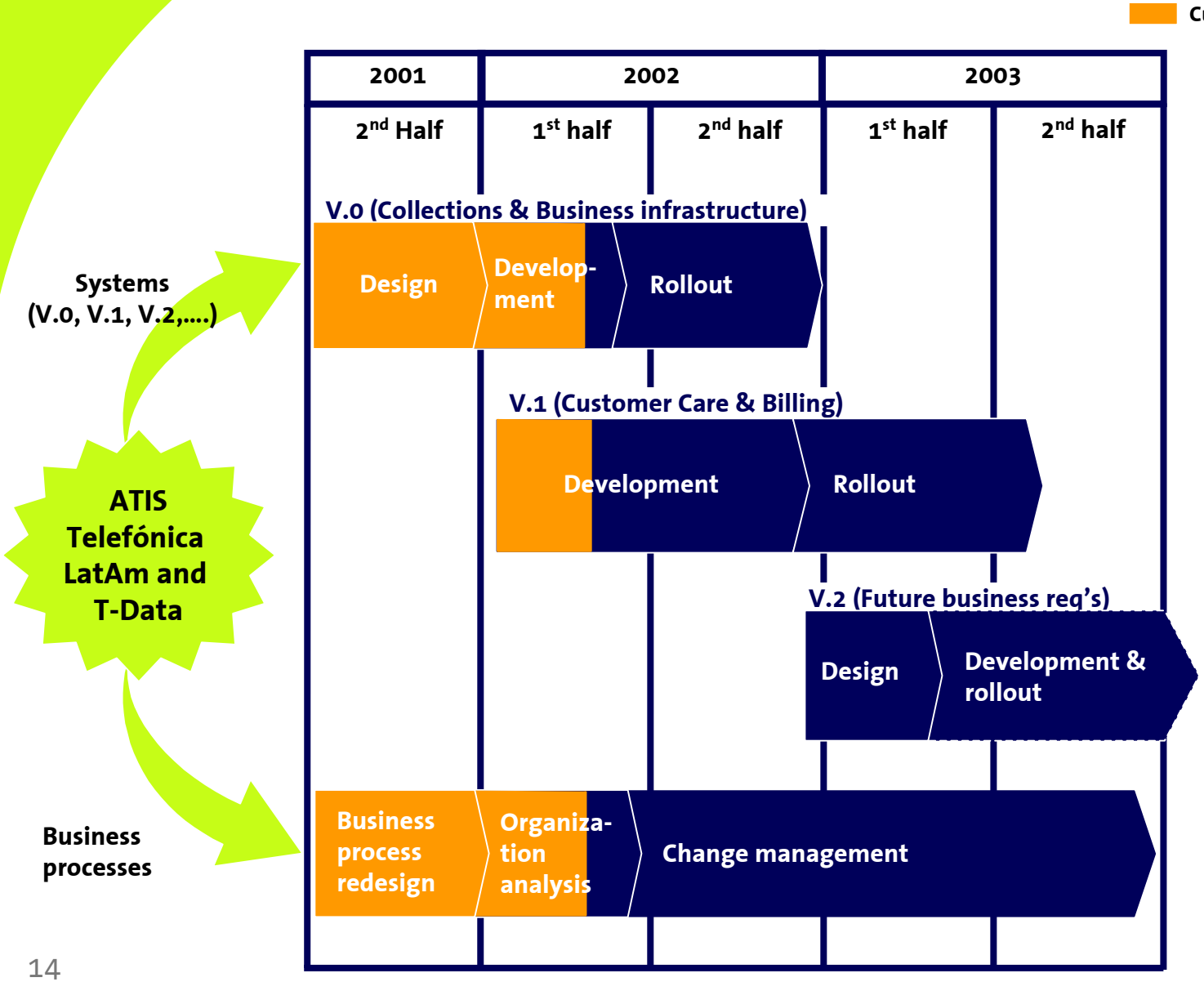


The consolidation of data centers, software factories and back office operations



- Developing a Regional/Group mindset, sharing common processes & systems
- Creating a single “think tank” for product development
- Facilitating the capture of synergies in potential M&A operations

ATIS, more than a project, a reality



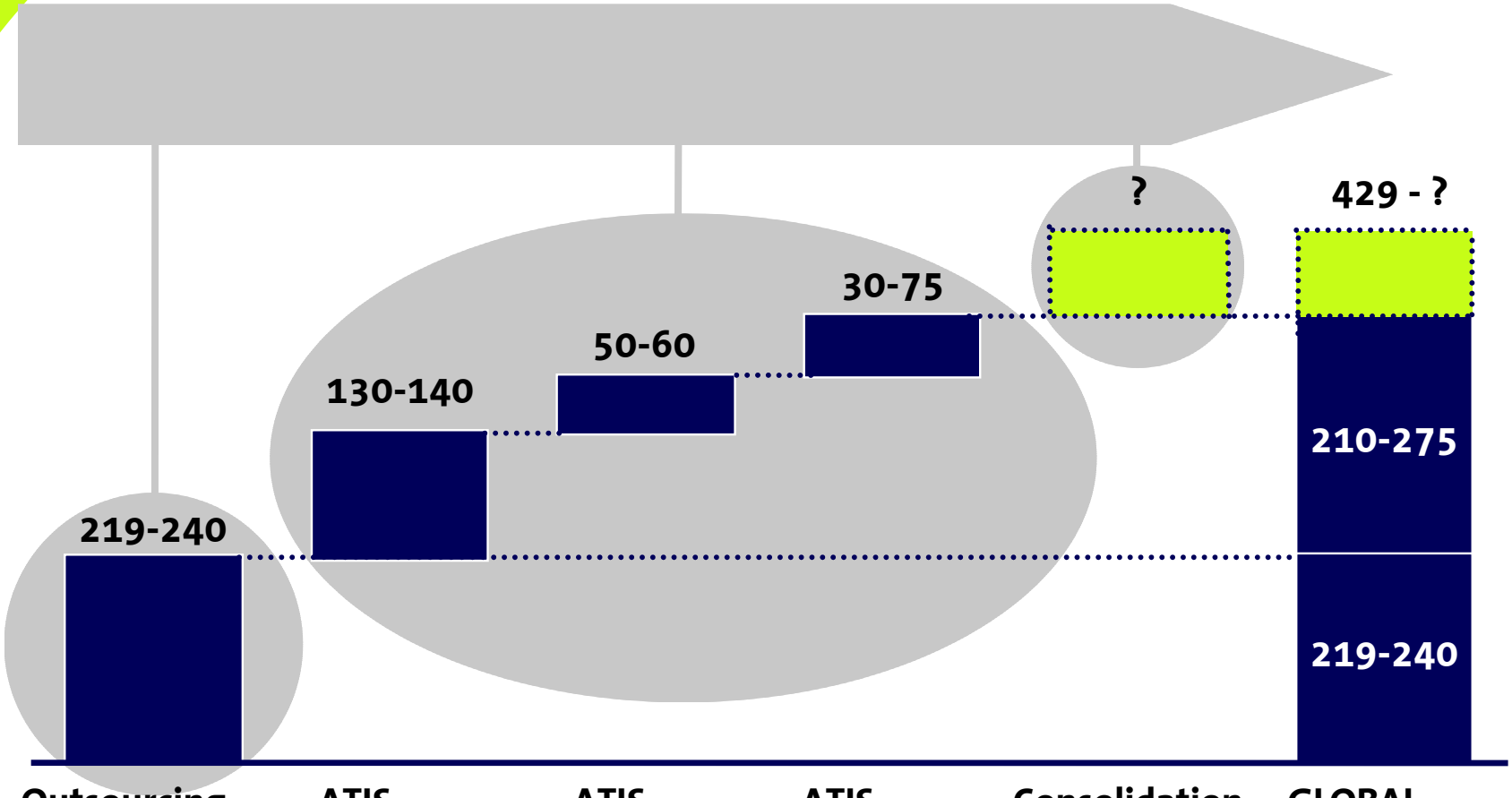
Core application already in service in CTC

First deliverables (functional and technical design) are available today

During 2002 ATIS will be ready for a progressive rollout in all four countries

Global benefits in LatAm

NPV 2001 – 2005. USD million



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