

A group of five business professionals, three men and two women, are gathered around a laptop in a brightly lit office. They are all smiling and looking at the screen, appearing to be in a collaborative meeting. The man in the center is pointing at the screen. The woman on the far left is leaning in, also looking at the screen. The woman on the far right is holding the laptop. The background shows a modern office interior with large windows and wooden beams.

other businesses

Atento Group. Consolidated Results¹

(figures in millions of euros)

	january-december		
	2002	2001	% Change
Operating revenues	571.1	643.9	(11.3)
Operating expenses	(513.9)	(588.1)	(12.6)
Other net revenues (expenses)	(2.9)	(1.9)	50.3
EBITDA	54.3	53.8	1.0
Amortization/Depreciation	(75.4)	(89.4)	(15.6)
Operating income	(21.1)	(35.6)	(40.7)
Financial income	(85.6)	(57.5)	48.9
Amortization Goodwill	(8.3)	(8.4)	(1.7)
Extraordinary income	(3.5)	(32.2)	(89.0)
Income before taxes	(118.5)	(133.7)	(11.3)
Tax provision	18.3	20.8	(12.1)
Income prior to minority shareholders	(100.2)	(112.9)	(11.2)
Income from minority shareholders	1.1	3.4	(66.2)
Net profit (loss)	(99.1)	(109.5)	(9.5)

(1) Including all of Grupo Telefónica's Call Center business

Customer Service Business (Contact Centers)

Atento

The Atento Group, a company specialised in providing customer services for company-customer relations using Contact Centers or Multi-Channel Platforms (telephone, fax, Internet etc.), has continued to consolidate its position as leader in the Spanish and Portuguese-speaking market.

Atento first appeared in 1999, as a result of the activities and experience of the Telefónica Group in call centers and database management. Today it operates in 13 countries through a network of 60 contact centers.

Atento offers its clients a wide range of services ranging from customer service, sales and payment services, to highly sophisticated products including the design, implementation and control of programmes for customer loyalty, research market/client segmentation, among others.

The Atento Group provides services to more than 400 companies which, apart from Telefónica, include multi-national companies and corporations mainly in the financial, telecommunications, consumer goods and public administration sectors.

Sector Description

The Contact Center sector arose from the need for companies with a large number of clients (more than 2% of a country's population) to provide a high-quality customer service that would set them apart from their competitors. The complexity of the types of technology required to provide these services and the need to reduce costs, has

encouraged these businesses to outsource these services to companies such as Atento.

The sector has undergone considerable changes during the last decade. Although the basis for the company's development was initially founded on telephone customer services, and is still the case today, a significant development of alternative channels using the Internet and e-mail is predicted.

The overall sector of Contact Centers is estimated to have an annual value of more than 31 billion euros, of which approximately 24% are concentrated in large-scale companies specialised in outsourcing customer service. The rest of the sector is deeply fragmented among small companies, providing an interesting opportunity for consolidating the business in forthcoming years.

The majority of business is concentrated in the United States and Western Europe, with 54% and 27% of the share respectively. The most important growth in the sector has, however, been registered in Latin America and Japan, each representing 4% of the global market, with annual growth rates of more than 25%.

Atento, together with the Telefónica Group, is at the head of the Spanish and Portuguese-speaking market and plays an active role in maintaining its leadership in the telecommunications, banking and service sectors, with a complete offer which covers the lifecycle of the commercial relationship.

Atento's Projects in 2002

The Company continued to consolidate its position throughout 2002 as the leading provider of Contact Center services for the Spanish and

By country, Spain and Brazil continue to be the greatest contributors to Grupo Atento's volume of revenue, with 41% and 33% respectively



Portuguese-speaking market. Atento has reached its objectives thanks to management policies focused on dealing with strategic clients, operational excellence and cost reduction.

- Strategic Sectors: Atento continues to develop long-term strategic relationships with clients at the forefront of their respective sectors by offering complete, high-quality services.
- Operational Excellence: Atento has set its sights on providing the very best operational practices within the industry, efficiently managing its human resources and infrastructure and implementing strict quality service processes.
- Cost Reduction: Atento has adjusted its cost structure to enable it to adapt to the market's requirements and to maintain its leadership in a highly competitive sector.

Grupo Atento Results

The evolution of the results obtained by Atento throughout 2002 was favourable, with positive growth in the EBITDA and EBIT. The main factors contributing to this improvement were an increase in operations in Mexico, Peru, Morocco, Central America, Colombia, Venezuela and Puerto Rico, as well as the control of operational and structural costs.

Atento's income totalled 571.1 million euros, a decrease of 11% compared to 2001. This is mainly due to the exchange rates' effect, partially compensated by increased income from the aforementioned countries.

Spain and Brazil are still the most important countries in terms of income, providing 41% and 33%

respectively. Furthermore, it is important to note that contributions from clients outside the Telefónica Group continue to rise over and above the Company's total income. Moreover, there is an increasingly significant diversification among sectors with greater influence, in comparison to previous years, coming from the consumer, financial and public administration sectors.

Atento continues to focus its efforts on providing services with greater added value, while combining this with the automation of services as an alternative to improve margins.

The EBITDA achieved by operations during 2002 reached 54.3 million euros, representing a growth of 1% over 2001. This growth was mainly due to improved profit margins in Mexico, Japan, Morocco and Venezuela, together with the controls applied to operating and structural costs throughout the year. This rise in the EBITDA was reduced by adjustments made in the second and third quarter of the year to improve efficiency in the Company's operations.

The net result for the Atento Group in 2002 totaled -99.1 million euros, representing an improvement of 10% over the previous year. This was mainly due to fewer depreciations and reduced financial and extraordinary expenditure.

Accumulated investment for 2002 stood at 18.4 million euros, 81% less than that of the previous year, mainly due to the maturity level of operations.

In operational terms, Atento had set up 27,144 positions by the end of the year, a decrease of 2,417 over the previous year, as a result of the Company focus



For Emergia, 2002 presented the opportunity to firmly establish itself in the market as a stable and solvent broadband capacity provider.

on making better use of installed capacity and increasing occupancy.

Income per occupied position was 2,310 euros, a decrease of 10% compared to 2001, mainly due to exchange rates.

Broadband Capacity Management

Emergia

The financial year 2002 provided an opportunity for Emergia to firmly establish itself within the market as a stable and solvent provider of Broadband capacity.

As such, commercial links resulting from its expanding client portfolio have been consolidated, bringing benefits to the Telefónica Group by providing it with an international infrastructure and management with high-quality international Broadband, at competitive prices.

In financial terms, income from operations during 2002 totaled 38.8 million euros, 171% more than for the same period during the previous year. Operating expenses for the same period fell by 8.3%. The EBITDA was -24.2 million euros, an improvement of 59.9% over the previous year.

During the last quarter of 2002, Emergia's EBITDA totalled 5.3 million euros, an improvement over the period October-December 2001 (-14.4 million euros), as a result of increased income (+86.5% in the last quarter of 2002, compared to the last quarter in 2001), and the reduction of operating costs (-35.2% in the last quarter of 2002, compared to the last quarter of 2001).

Finally, it is important to note that during the last quarter of the year, Telefónica S.A. increased its share in Emergia to 100%, from 94% the previous year, after acquiring Tyco's 6% share according to the commitment made by both Companies at an earlier date.

During 2002, the Company continued to establish itself as a leading provider of Contact Center services for the Spanish and Portuguese-speaking market