



International activities.

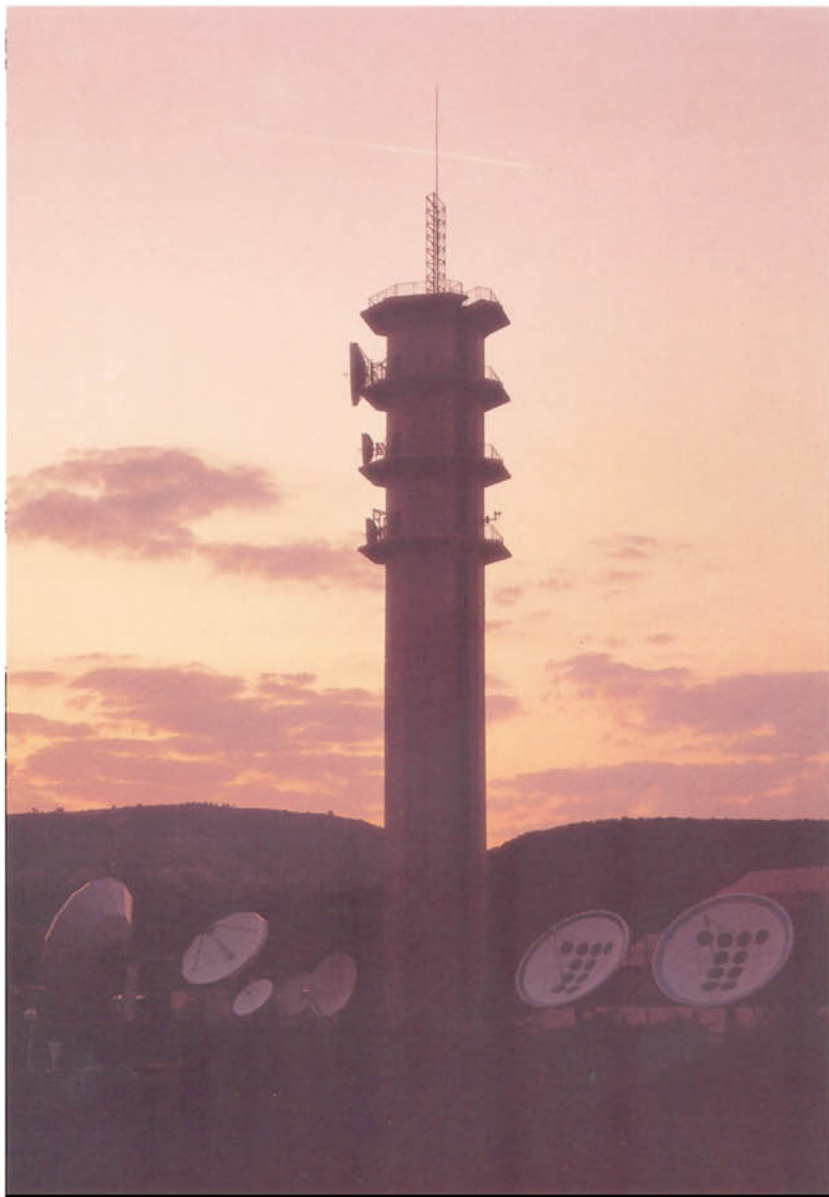
1991 was a year in which Telefónica, through its subsidiary Telefónica Internacional, saw a return on its investments and a strengthening of its position in Latin America. We participated successfully in the consortium which was the beneficiary of the privatization of the Venezuelan telephone service operator and opened up new business opportunities in the areas of international traffic (TELINTAR-Argentina) and advanced services (STARTEL-Argentina). Other significant projects carried out during the year were those in the fields of long distance telephony (Puerto Rico), cellular telephony (Rumania), radiopaging (Portugal) and Yellow Pages (Chile).

On the economic front, Telefónica Internacional significantly improved its profitability and financial solidity, due to the good performances of the companies where it has investments.

One of the most significant events of the past year was Telefónica Internacional's participation, with 16% of the capital, in the VENWORLD TELECOM consortium, which was the beneficiary of the privatization of 40% of the shares of the Compañía Anónima de Teléfonos de Venezuela (CANTV). The investment was 301.6 million dollars (30,100 million pesetas).

This investment, when added to those already held in Chile (CTC and Entel Chile) and Argentina (Telefónica de Argentina), means that Telefónica is involved in the management of over four million lines in service. The acquisition of this considerable body of international resources strenghtens the company's competitive position as well as opening up markets with great potential for growth, given the low level of penetration at present.

In 1991 Telefónica continued to play an active role in international telecommunications organizations, chairing several CEPT and ETSI



Aerial tower at the Armuña de Tajuña earth station.





committees. 1991 also saw the setting up of EURESCOM (European Institute for Research and Strategic Studies in Telecommunication), in which Telefónica, apart from being a full member, held a place on the Management Committee.

On the EEC front, Telefónica and its subsidiaries continued to participate in different telecommunications technology research projects, such as RACE, ESPRIT, ENS, CTS-2, DRIVE, AIM, DELTA and COST. Our cooperation with Latin America was by no means neglected, with the company continuing to play an active role in AHCJET (Hispano-American Research Centre and Telecommunications Companies Association).

Telefónica was one of the promoters of the Telecommunications Pavilion which forms part of the Pavilion of the Future at the Expo 92 World Fair in Seville. Operators from France, Italy, Germany, The United Kingdom, Holland and Belgium also took part in this project.

The Telefónica Group.

In 1991 the affiliate companies in the Telefónica Group showed an increase in sales of 3.7% over the year before, as a consequence of the general lack of dynamism in the Spanish economy. However, efforts to enhance the companies' management performance were reflected by a 140% increase in income.

In 1991 Telefónica added two new companies to the Group: T.F. Factoring and Pleyade Peninsular. The former, in which Telefónica has a joint holding with the Italian company FIAT, is involved in facilitating the payment of both companies' suppliers, while the latter is an insurance intermediary and broker for Telefónica and the other Group companies.

As regards Telefónica's investments in other companies, the following significant operations were carried out: The joint-venture with Fujitsu Limited was dissolved, with Telefónica selling its 40% holding in Fujitsu España to the parent company. Telettra S.p.a. exercised its purchase rights over a share package of 10% of the capital of Telettra Española by buying it from Telefónica. Finally, we exchanged the 20% holding in ATT-Microelectrónica España for 6% of the capital of ATT-NSI, thereby furthering our policy of participating in the parent companies of multinational groups.