

# ANNUAL REPORT

1997

1997 has been a year of particular importance in **Telefónica's** long history, with two events of outstanding significance marking the beginning of a new era: the total privatization of the Company's share capital and the progression towards the total liberalization of the Spanish telecommunications market with basic telephony opening up to competition in 1998.

The Public Offering of the remaining State-held shares was extremely successful, not only as a consequence of the performance reflected by the share-price, but also due to the broadening of the Company's share base, which witnessed the incorporation of more than a million new shareholders.

**Telefónica** now ranks as Spain's leading wholly-privatized operator, providing global telecommunications services and dedicated to leading a sector open to competition and whose presence on a worldwide scale is of ever-increasing importance as it is becoming one of the principal creators of economic activity, generating wealth and employment.

When considering deregulation, mention should be made of the appearance of a second operator in the arena of voice telephony, as well as the setting of December 1st 1998 as the date for the total liberalization and opening up of the Spanish telecommunications market, combined with the establishing of a calendar for the granting of new licences for mobile and basic telephony, in addition to those already in existence and those still to come in the cable TV sector.

Attention should be drawn to **Telefónica's** particularly strong support of the rapid progress towards a totally liberalized European community for two reasons: firstly, for **Telefónica** to be fairly compared with other leading European and worldwide operators and to avoid any regulatory bias during the transition period of the duopoly.

The situation that **Telefónica** faces is not new. The **Company** has faced competition in numerous countries and in the liberalized sectors in Spain itself, so with this



**Telefónica is unshakeably  
in favour of rapid progress  
towards a totally liberalized  
European community**

knowledge and experience behind it, it is more than capable of facing this challenge with confidence and optimism and maintaining its longstanding commitment to its shareholders, customers and society in general.

**Telefónica's** role as a global operator is reflected in both its international expansion and in the provision of its transnational services, as well as the diverse range of services it offers, which can be grouped into three basic categories: traditional business lines, interactive and multimedia communications and audiovisual businesses.





