

TELEFONICA INTERNATIONAL ACTIVITY

The Company's international presence, mainly in Latin America, was strengthened during 1993 with the opening up of new markets

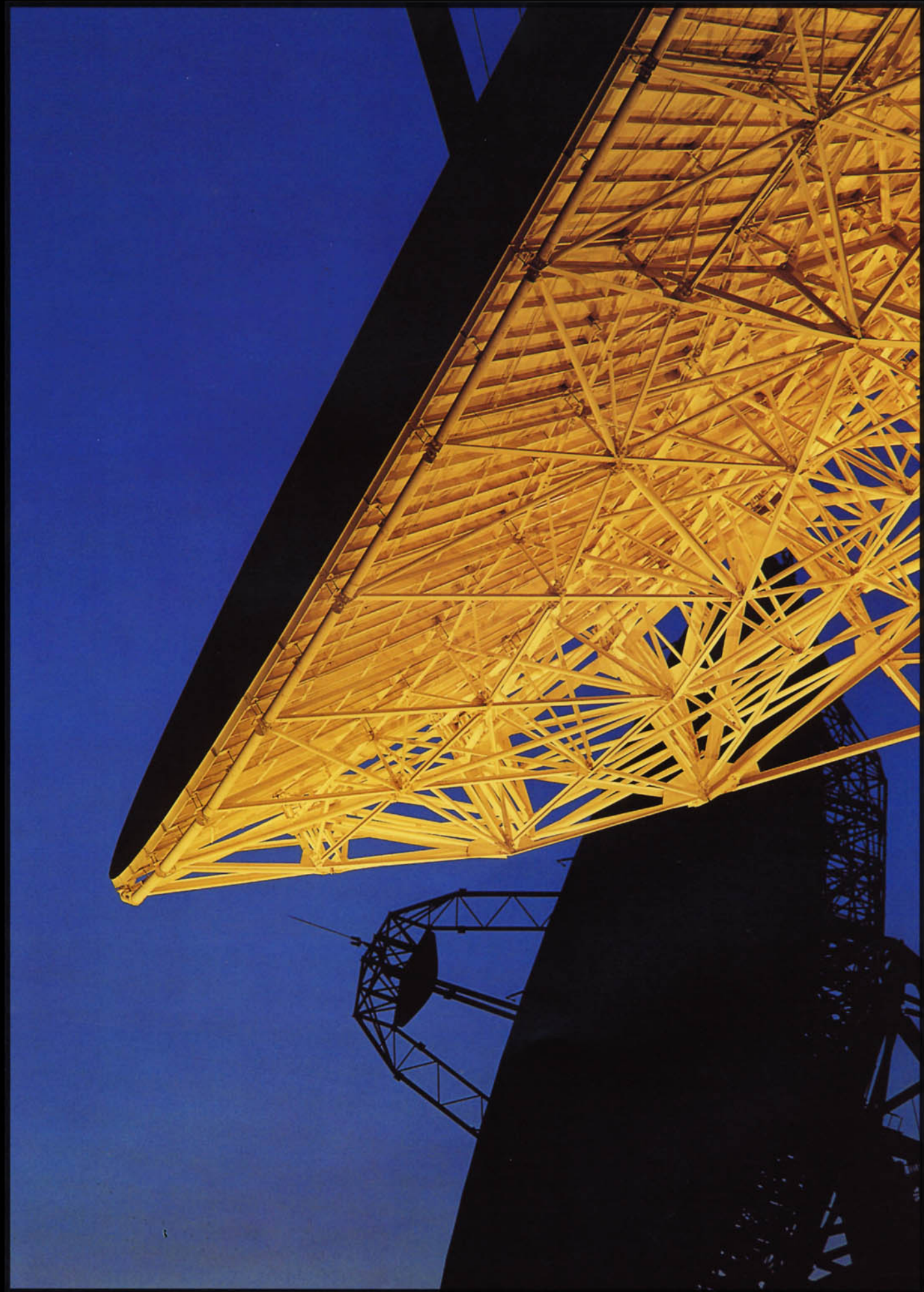
THE INTERNATIONALIZATION OF TELEFONICA. 1993 represented the start of the international consolidation of Telefónica. The company strengthened its position in the markets where holdings already existed and expanded its international base towards new business areas, mainly in Latin America.

Financial performance was positive and there was a notable improvement in service indicators. The financial profitability of Telefónica's investments abroad exceeded 15%. There were extremely favourable trends in the case of holding companies listed on the Stock Exchange (CTC, TASA, and Entel-Chile), with more than a 350% latent capital gain over purchase price.

As regards service, holding companies showed significant improvements over the already healthy results of the previous year. In this respect, we should mention the fast rate of line installations and the notable increase in digitization levels. Telefónica de Argentina ended the year with over 2.8 million lines installed (14% growth) with 42% digitization. CTC had a total of 1.6 million lines installed (20.9% growth), with 100 digitization. CANTV had 2.7 million lines installed at the end of 1993 (15.1% growth), with 46% digitization.

Holding companies operating in the international long-distance sector (Entel-Chile, Telintar and TLD Puerto Rico) achieved major increases in market shares and in global traffic levels.

As regards the international expansion of the Telefónica Group, 1993 saw an increase in holdings in the Argentine market through TASA (from 8% to 19.4%) and the subscription of 43.6% of CTC convertible bonds. The holding in the data transmission company, Infonet, also rose to 7.17% of capital.



These new purchases reflect the confidence held in the Telefónica Group in the markets where it operates and the surety of being able to seize fresh opportunities in the different business areas.

As well as these increases in holdings, in 1993 the Telefónica Group was also awarded the license for cellular mobile telephony in Columbia. We also extended activity in the Caribbean through the penetration of TLD into the Virgin Islands market. We should also highlight the major drive in the Yellow Pages sector via our holdings in Publiguías (Chile) and Páginas Doradas (Argentina).

In the European market, Telefónica holdings in the Portuguese radiopaging company, Contactel, and the Romanian cellular operator, Telefónica Romania, showed favourable trends in growth.

An important agreement was reached in 1993 with the consortium UNISOURCE, comprising Dutch, Swiss and Swedish operators. As a result of this initiative, Telefónica will improve service to our international clients providing them with the latest communications services.

To sum up, in 1993 Telefónica consolidated and expanded internationally, successfully meeting the challenges in the established markets and increasing its global business presence, searching out fresh opportunities with high growth potential.

It should be noted that Telefónica is Spain's leading multinational company. Our international presence and activity is not only producing major financial benefits but is also setting us on the way to becoming, in the next few years, one of the few leading operators in the Telecommunications sector.

Moreover, the benefits derived from internationalization are not just to the advantage of Telefónica but also serve to encourage the internationalization of other Spanish companies, a matter of great importance to Spain's economy.

INTERNATIONAL ORGANISATIONS. Our aim is to strengthen Telefónica's presence on the international front and we therefore continued to play an active role in international telecommunications organisations, namely ITU (International Telecommunications Union), ETNO (Association of European Telecommunications Network Operators), EURESCOM (European Research and Strategic Communications Institute), ETSI (European Telecommunications Standards Institute), EUTELSAT, INTELSAT and INMARSAT, protecting our interests through presentations and the contribution of Telefónica personnel in the work of these organisations.

Because of the special significance which Latin America has for Telefónica, through the organization AHCIET (Latin American Association of Research Centres and Telecommunications Companies) there was an increase in the development of activities of mutual interest, such as data base access, network management, ISDN implementation, service quality upgrading, etc.

REGIONAL PROGRAMS. During 1993, Telefónica continued to take part in the EC programs promoted by FEDER (European Regional Development Fund) aimed at correcting imbalances between the regions in the area of telecommunications.

Of particular significance were the developments made in the introduction and modernization of infrastructures, the promotion of advanced telecommunications services and the development of new services and applications, under the STAR, TELEMATICA, ARCO and PRISMA Programs.

Under the Regional Development Programs, aimed at developing the most underprivileged regions of the European Community (Objective 1 Regions) and the Regional Restructuring Programs, whose objective is the redevelopment of areas suffering from major industrial decline (Objective 2 Regions) the extension and upgrading of telecommunications infrastructures went ahead through participation in the Operating Programs in Aragon, Canary Islands, Castilla-La Mancha, Castilla-León, Catalonia, Ceuta, Valencia, Extremadura, Galicia, Melilla, Murcia, Navarre, North Huelva and Cordoba. We also participated in the Regis Program in the Canary Islands and in the IRTA Program in Valencia.

In addition, we contributed to the development of rural areas (Objective 5B) through intervention in the Operating Programs in Aragon, Balearic Islands, Cantabria, Catalonia, Madrid, the Basque Country and La Rioja.

**TELEFONICA
INTERNACIONAL
GEOGRAPHICAL
POSITIONING**



● TELEPHONE OPERATORS ● MOBILE ● DATA TRANSMISSION ● DIRECTORIES