

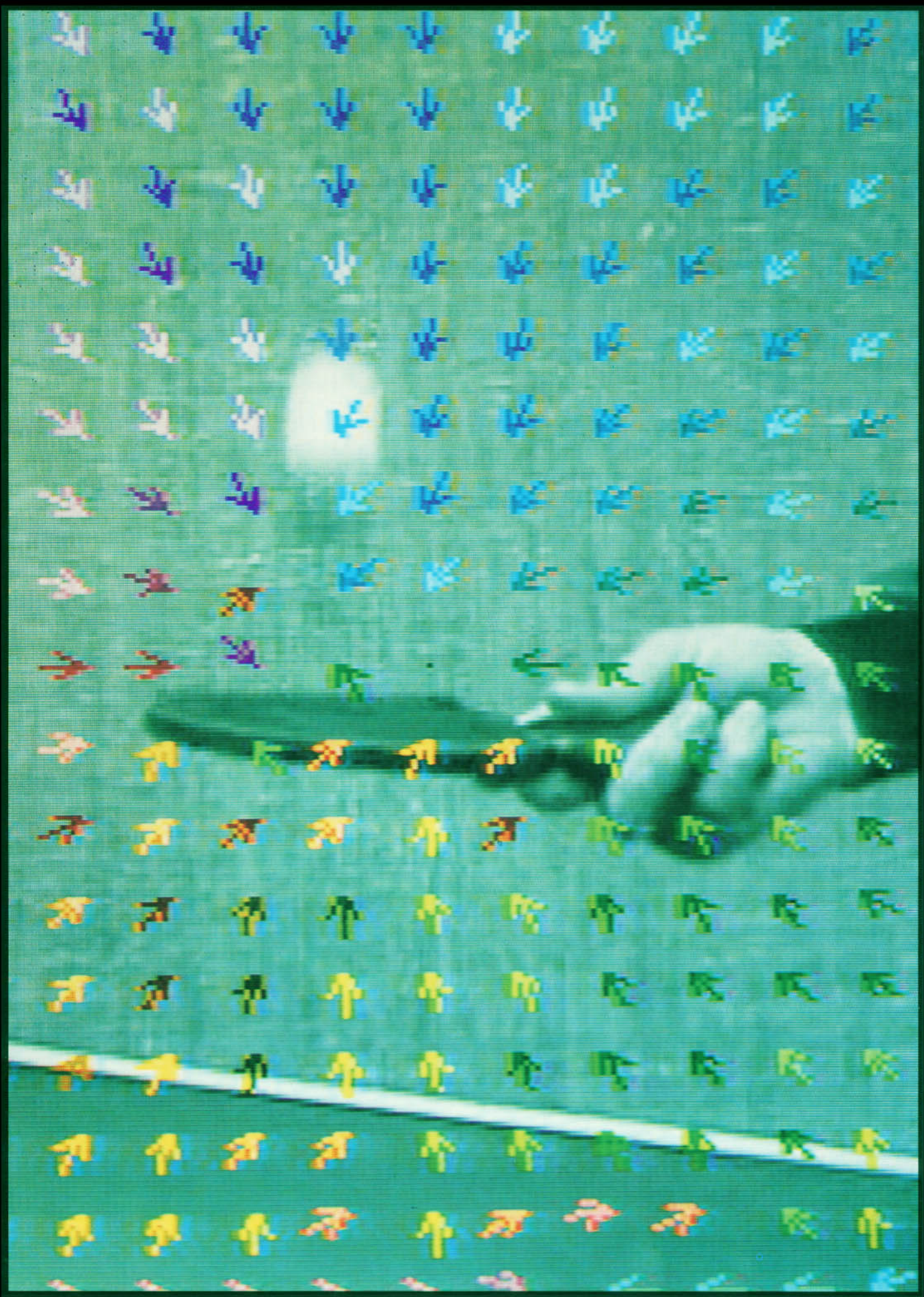
THE TELEFONICA GROUP

GROUP AFFILIATES. Telefónica's subsidiary companies continued the upgrading of management performance and of the organization of the different businesses operating in the competitive marketplace.

In this respect, we should mention the major restructuring which took place around Telefónica Sistemas, aimed at providing global solutions to the requirements of corporate clients in the area of advanced data, communications and integrated systems. The Group members are: Telefónica y Sistemas at the head, working in systems engineering and telecommunications networks and infrastructures; Telefónica Sistemas de Satelite, in the engineering, management and marketing of satellite communications; Telefónica Sistemas de Ingeniería de Productos, supplying the infrastructure for public communications networks; Telefónica Servicios Avanzados de Información, providing value added services; Telefónica Seguridad y Comunicaciones, operating in security systems; Telefónica Gestión de Sistemas, dedicated to the operating and exploitation of data processing systems and finally Gestired, working in network management and operations. Gestired has holdings in Tissat, Excel Data and Telecom Balles.

Telefónica Mobile Services emerged as the leading company in the dynamic and increasingly competitive mobile communications sector. During 1993 marketing of the TMA service was enhanced by the creation of the brand and distribution network MOVI-LINE , while Radiopaging activity was segregated with the creation of the operating company CGS Mensatel. In addition, Radio Red, a consortium of companies , was set up to bid for the public tender for the provision of the Mobile Radiocommunications Land service in Closed User Groups (Trunking).

The current specialization in all fields has led to major restructuring of the affiliated companies



GROUP HOLDING COMPANIES. As regards holding companies, we should start by saying that the recessive climate affected the activity of this group of companies throughout 1993. Despite this, some facts are worth highlighting.

The communications system, Hispasat, was in full operation by the end of 1993 with the launch and start-up of the second satellite, Hispasat IB.

Indelec underwent a total transformation, with Ericsson becoming a new technological partner and the signing of agreements between shareholders for a capital increase of 1,040 million pesetas, 240 of which was provided by Telefónica. In 1995 there will be a purchase option of the company's total share package, representing 30% of share capital.

