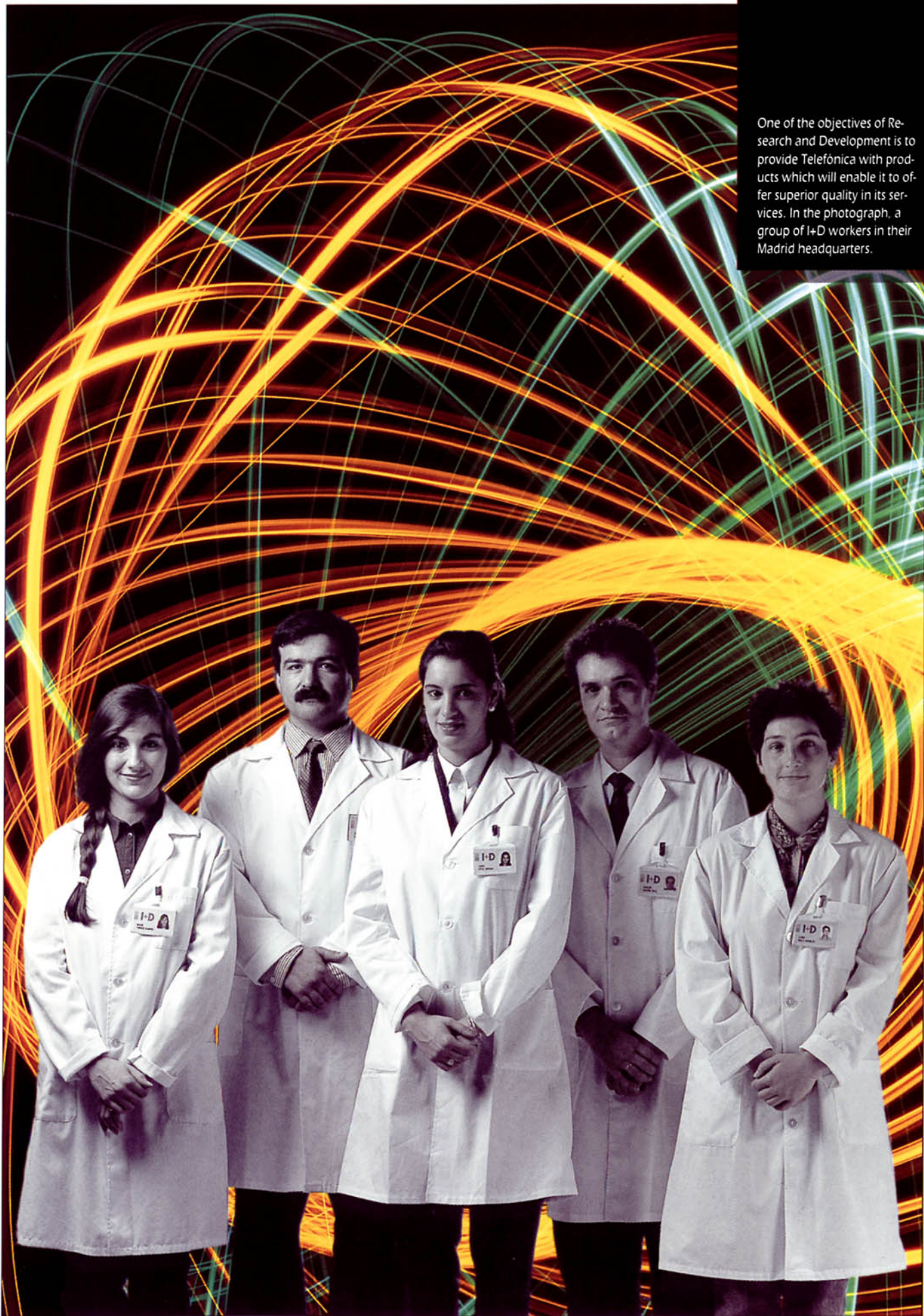


One of the objectives of Research and Development is to provide Telefónica with products which will enable it to offer superior quality in its services. In the photograph, a group of I+D workers in their Madrid headquarters.



RESEARCH AND DEVELOPMENT

Research and development activity in 1994 continued to focus on providing Telefónica with products which will enable it to offer superior quality in the provision of its services.

With customer service very much in mind in an increasingly competitive market, Telefónica has a range of products which are constantly being developed to respond at the highest technological level in the sector.

Among the I+D products developed during the year, those aimed at the itemized bill service, operating technologies, Intelligent Network Services and multimedia stood out particularly. In response to the needs of the item

ized bill service, the MORE system for the modernization of the PC-1000 and ARF exchanges was developed and tested. In operating technologies the introduction into the plant of the new version of the Operation and Maintenance System (SOC) was authorized. This system integrates the operation of Switching, Transmission and Exterior Plant. In Intelligent Network Services the facilities for incorporating the Virtual Private Networks Service (RPV) and the functioning of ISDN accesses in Intelligent Network agencies were expanded. Finally, in the area of multimedia services, work began in 1994 on the setting up of a pilot scheme with 100 clients.

As a result of this wide-ranging activity in I+D during 1994, at year-end Telefónica had 1,142 title deeds, covering technologies in all areas of telecommunications.



In multimedia Services, a pilot scheme to bring cable TV to 100 clients began last year