



BASIC TELEPHONY

15 MILLION REASONS TO IMPROVE DAY-BY-DAY

Telefónica's main objective is to find effective solutions to meet the new communication requirements of its clients. Today Telefónica can offer a wide range of services and technological applications, to which, in Spain alone, over 15 million lines have access.

Telefónica has the will and the capacity to go even further. We need to carry on enhancing the service we offer to the millions of clients who put their trust in our products and services, to continue to offer them the ideal solutions to

each of their specific needs. An ever more competitive marketplace means we must multiply our efforts to ensure the total satisfaction of those on whom we depend for Telefónica's very existence: our clients. Towards this end, Telefónica has made available the most competitive, vanguard technology in the market and can depend on a fundamental factor in its work: the professional expertise and experience of its human resource teams.

Over 300 services and products, such as the Multiservice Lines, INFOVIA, INTERNET connection, Freephone, Answering Service, IBERCOM, Digital Exchanges, are now available to clients to meet specific individual and corporate needs. It is essential that we uphold this positive and innovative strategy in order to keep on enhancing our services and creating new applications day-by-day.

Telefónica has the most competitive, vanguard technology in the market, with over three hundred services and products. Among them the multiservice lines supplied with digital terminals such as the Forma shown in the photograph.





A MORE EFFICIENT, CUSTOMIZED ORGANIZATION

During 1995 Telefónica set up new organizational structures designed to enhance and promote the services required by each of our clients and improve the competitive edge of our products. With regards to corporate clients, a segment composed of entities with a high turnover and major strategic value, Telefónica offers tailor-made solutions, in which service quality prevails, increased performance and integrated communications.

Today's small and medium-sized companies require telecommunications and information services in order to find new ways to reach their customers and to introduce new products into their markets. In short, they need applications which serve the specific sector in which they operate. To meet this need, during 1995 Telefónica embarked on a series of activities in different business sectors (construction, education, advertising, press) aimed at integrating the communication services offered to clients with the information systems they use.

However, the integration of information and telecommunications systems does not only apply to sectorial applications but also to a range of global applications for all companies and professionals, among them Teleworking, Tele-education, Telemedicine. The general public are a vital factor in Telefónica's new organization. A process of services analysis and development has been introduced in order to give concrete responses to our customers new communication needs. In this context, in 1995, telephone terminals were remodelled and the Call Waiting, Call Diversion, Automatic Answering and Personal Phonecards Services (among others) were promoted.

BASIC TELEPHONE SERVICE

Telefónica has taken major steps to modernize its telephone network. At 1995 year-end 56.7% of all lines installed and 96.8% of trunk lines in transit exchanges were using digital technology. The number of lines in service at the end of the year rose to 15,095,377, representing an increase of over 400,000 lines compared to the previous year. Also noteworthy was the fall in waiting time for the provision of lines and the significant growth in line usage over the previous year.



Worthy of special mention is the substantial increase in Cellular Access Rural Telephony (TRAC), with over 195,000 customers, which has enabled us to offer service to areas of difficult access.

TELEFÓNICA PERSONAL PHONECARD

Throughout 1995 we promoted the use of the Telefónica Personal Phonecard. This allows the user to use any public or private phone in the world and charge the cost of the call to his/her own bill. This product has been warmly welcomed by our clients.

ITEMIZED BILLING

Another of the benefits for Telefónica's customers is the free itemized billing service. This service is now available to 10.5 million lines, that is to say 65% of plant.

MULTISERVICE LINE

Telefónica has introduced a series of complementary services, which, supported by the digital network, aim to enhance the quality and usage options of the telephone line. At present, 6 out of every 10 Telefónica lines use this type of network and have at their disposition services such as Call Waiting, which allows the user to answer an incoming call although the line is engaged or Call Diversion, whereby all the calls received can be diverted to where the client happens to be, along with many others.





New services for new requirements

TERMINALS

During 1995 we continued to extend the range of terminals to ensure all our clients easy access to the new services. Within the basic terminals segment, we launched the new Forma Multiservice phone with facilities for handling supplementary services. In other segments there was a drive to increase Telefónica's ranges of digital answering phones, cordless phones, and fax-phones or fax-phone-answering machines.

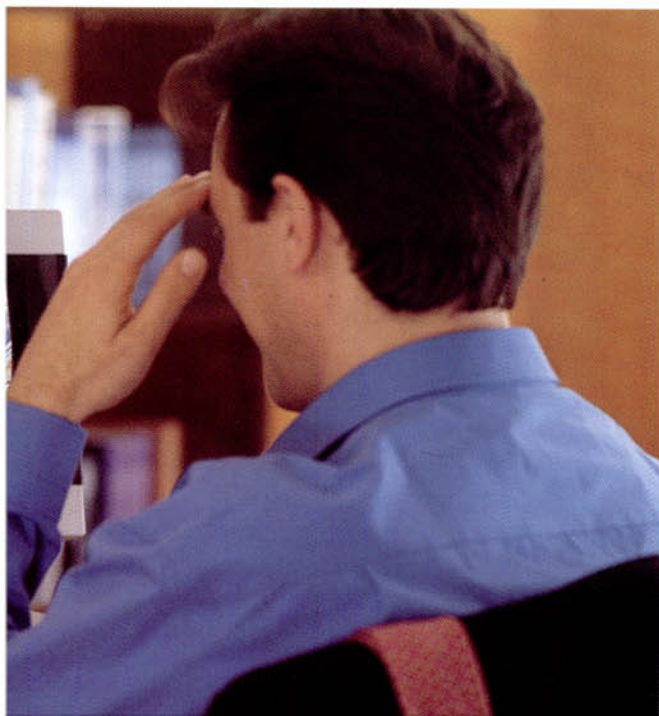
FACILITIES FOR PEOPLE WITH SPECIAL NEEDS

Among all the different terminals developed by Telefónica last year, the Teclón model deserves a special mention. This terminal incorporates the latest technology to facilitate its use by people with special needs. In addition distribution began of the Catalogue of Products and Services for people with special needs and for the elderly.

FACILITIES FOR TOURISM

Telefónica is committed to serving one of Spain's most important activities - the tourist industry. In 1995 we launched services such as Traveller Information, which consists of an interactive voice system in five languages which informs the visitor from abroad of the telecommunications systems in Spain; or Fonobuzón Internacional, a virtual telephone which complements the above service.

Telefónica devotes special attention to people with special needs. Thanks to the ISDN, the hearing impaired can communicate via a videotelephone.





Telefónica, making life so much simpler

ACCESS TO INFORMATION SYSTEMS

During 1995 the whole business world woke up to the far-reaching opportunities provided by the net of all nets, INTERNET. In a very short time INTERNET has become the prime example of the so-called "Information Highways". Telefónica has taken on the challenge with vigour and taken steps to penetrate the new information society; firstly by offering INTERNET connection and subsequently by launching the INFOVIA service.

15 MILLION USERS CLOSER TO THE WORLD WITH INFOVIA

At the end of 1995 Telefónica presented a new service, INFOVIA, which responds to the demands of the growing electronic information market. Telefónica now has an active presence in the development of the Information Highways and is able to offer clients infinite commercial, cultural and entertainment possibilities.

Thanks to INFOVIA, any person or entity can communicate interactively and in real time with information suppliers or commercial entities from anywhere in Spain, at no more cost than a local call.

Any Telefónica client with a line, a PC and a modem can easily access this extraordinary world of communications, without prior subscription. Banks, hospitals, museums, shops, publishers, official entities, to mention but a few, have their place in INFOVIA. INFOVIA currently offers access to 110 information suppliers, enabling users to consult museums, shop from home, advertise their services and products, etc.

We cannot ignore the enormous growth potential of this service, clearly evident from the spectacular welcome it has received from both companies and individuals since its launch. Via INFOVIA Telefónica will be able to reach over three million computers.





ISDN

In 1995 we took advantage of the technological advances in the communications networks and promoted the Integrated Services Digital Network (ISDN) applications. With the ISDN a Telefónica client can transmit to any part of the world and in the simplest way possible, data, music, diagrams, moving or fixed images. It also has other applications, such as videoconferencing, Local Area Network Interconnection or Network 2000. In addition, since the network uses international validity norms, clients will be able to take advantage of the development of other applications created in other countries. The possibilities are endless and it will become a universal network in the world of telecommunications.

Throughout 1995 Telefónica took steps to facilitate all types of sectorial applications for companies based on the ISDN. Investments were carried out to give all the provinces of Spain access to the network.

VIRTUAL PRIVATE NETWORKS

The intelligent network platform developed by Telefónica during last year enabled us to promote the Virtual Private Network service for business communications. This service allows communication between scattered sites which access the Basic Telephone Network, offering users a private network with an abbreviated, specific and personal dial plan.

DATA COMMUNICATION SERVICE

We should also highlight the incorporation of the Data Communication Services, via IBERPAC, IBERPAC PLUS and the UNO Network, among which companies can find whatever best suits their specific requirements. We also consolidated the FRAME-RELAY service for corporate communications. This service provides transmission speeds of over 256 Kbps (high-speed) as a result of the incorporation into the network of ATM technology.

INTERCONNECTION SERVICE

Great efforts have been made in this area by Telefónica and GSM network operators, given



Profitable solutions with state-of-the-art technology

the benefits interconnection will bring by offering integrated service solutions between the fixed and mobile networks.

DIGITAL EXCHANGES

Any company today, regardless of the number of calls it receives or makes, can have an exchange tailor-made to its needs.

The new digital technologies incorporated into the exchanges enable clients to use the latest supplementary and value-added services. In 1995 we added to our range exchanges specially designed to compete in concrete sectors, such as the hotel sector.

ReDELTA

During 1995 other very specific services were launched, such as the ReDelta, aimed mainly at security firms. Every 1.6 seconds it checks the operation of the line which connects the users alarm to the alarm reception center (the security firm). Intelligent technology detects any irregularity, including even a cut in the line. These features of ReDelta are designed to satisfy current

demand for maximum security against other outdated electronic systems.

INTELLIGENT NETWORK SERVICE

Widely-known as "900 numbers", the Intelligent Network Services are geared towards small or medium firms and entities who wish to upgrade the quality of their customer care, increase the number of calls or use the same number for the whole country, among many other possibilities. In 1995 the Nine Hundred Number service saw a sharp rise: there was a 76% increase in the number of connections and a 45% rise in the number of calls, over the previous year.

LEASED CIRCUITS

This service provides the transmission to companies and operators of value-added services. It includes a whole range of analog and digital circuits and different standardized speeds of up to 2 Mbps, both nationally and internationally. During 1995 service tariffs for analog and digital circuits fell by 18%.



BROADBAND SERVICE

These services are the technological base of the authentic Information Highways. The broadband not only permits the transfer of large amounts of information from large corporations -research centers, banks, hospitals, INTERNET services, etc.- it will also facilitate the major expansion of multimedia services in the home, such as video "à la carte"...

1995 saw the initial phase of the ATM Paneuropean pilot. Telefónica's contribution in the network infrastructure and installed accesses grew significantly over 1994, for the provision of the Virtual Paths Carrier service.

IBERCOM SERVICE

This business communications service, which offers advanced voice and data communications, is carried over high-capacity exchange networks, located in the clients' main offices or buildings. Throughout 1995, there were over 700,000 lines installed (rentals plus owners). We also incorporated into the IBERCOM service value-added services, such as the Courtesy Service and Voice Mail.