



DATA TRANSMISSION

During the final three months of 1995, Telefónica and Unisource reached an agreement over the valuation of their respective data transmission businesses, with a view to the integration of Telefónica Transmisión de Datos into Unisource.

Unisource is a Paneuropean venture of global scope, and with a large growth potential for the greater provision of services to a greater number of clients in a highly competitive and internationalized market.

The services of TTD and the equivalent companies in the other three member countries (Holland, Sweden and Switzerland) make up the initial core of services aimed at the corporate sector, which from now onwards will be developed jointly.

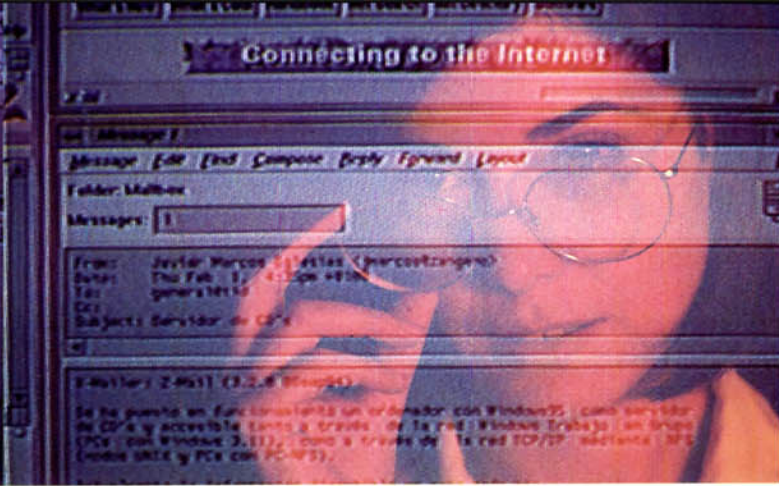
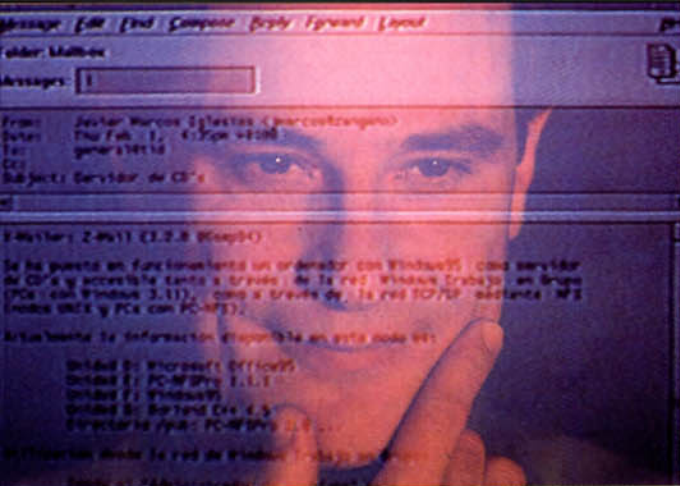
In 1995, despite the logical teething problems due to the segregation process, the successful accomplishment of TTD's strategic plan, which the previous year Telefónica had promised to carry out in this business area, should be marked down as a success, together with the enhancement of service levels to its clients.

During 1995, TTD steadily introduced new data communications services, increased substantially the provisions of the IBERPAC and UNO networks and carried on upgrading plant.

All the above, together with the improved internal management efficiency, which resulted in a real reduction in tariffs and quality enhancement, strengthened Telefónica's traditional leading position in this field. Among the most significant developments in 1995 on the domestic front were the commissioning of the following new services:

- FRAME-RELAY service, with up to 2 Mbps resulting from the incorporation into the network of retransmission technology for communication between local networks.
- 2000 service. This is a switched access service to the UNO network via the ISDN.
- INTERNET access service.
- INFOVIA service access.

During the year we also expanded the infrastructure and plant capacity, incorporating into the central part of the network powerful switching nodes interconnected at a national level with 34 Mbps lines.



During the last quarter of the year, for the first time in the history of the UNO network and in anticipation of the coming introduction of ATM technology for multimedia services, a pilot was carried out with Cell-Relay switching for voice.

Preparations were made for the commercial launch during the first quarter of 1996 of a new corporate communications service for closed user groups named the "CINCO" service. This will facilitate the integration of voice, data, text and image as a global solution in a single service within a virtual private network in the UNO network.

On the international front, particular achievements in 1995 were the interconnection of the UNO network to the UNIDATA network of the Unisource consortium, the active participation in the technical development plan of the Panamerican data transmission network and the launching of the ORBINET service as support to the traditional X.75 service for international data communications services on a worldwide scale. All this activity made it possible for the company to double the income from international data services over the previous year.

On a national level, the growth rate of packet switching data communications services saw a certain downturn during last year. Without doubt one of the reasons for this was the abolishment of the exclusive data transmission operating rights which Telefónica had held.

However, during the year there was a substantial increase in the company's revenue through the maintenance of the real level of contracts, though we observed that a considerable number of clients chose to opt for higher speeds.

At the end of the year, the number of direct connections to data communications services reached 83,276, amounting to an increase of 3% over the previous year. To this we should add the estimated 850,000 user terminals of the data transmission services for the general public such as IBERTEX and DATAFONO.