



INTERNATIONAL COMMUNICATIONS

ORGANIZATION

From the beginning of 1995 major efforts were made to consolidate the shape of “Comunicaciones Internacionales” as an autonomous business and to take the appropriate measures to adjust to the new market conditions beginning to emerge in the world for these types of communications. To achieve this objective we carried out a thorough analysis of our services and business lines, our infrastructures situation and our international agreements.

KNOWLEDGE OF THE MARKET

With regards to commercial activities, 1995 was clearly a market focused year. In particular, we got to know the market better and became more familiar with the different consumer segments, to enable us to supply our clients with the products and services best suited to their needs.

In this respect, a major market segmentation plan was developed, using the facilities pro-

vided by itemized billing, which enabled us to gear product design and supply appropriately to the market. Special attention was paid to the top-consumer segment and to clients of national importance.

DESIGN OF NEW PRODUCTS

The analysis of the market and the steady enhancement of our services provision enabled us to draw up an ambitious project due to culminate in 1996 with the introduction of major services, such as Direct Plus, Automatic Multiconferencing, Automatic Card Validation (credit, debit and pre-paid), which will no doubt facilitate and boost the use of our products in general.

TARIFF REDUCTIONS

“Comunicaciones Internacionales”, in line with its future plan –efficiency/meeting client needs– began a process aimed at stimulating international telephone traffic. This process was based mainly on two essential aspects:

– The commissioning of a new range of international services together with a major reduction

International communications have become an autonomous business within Telefónica



in tariffs, especially to those destinations which, because of their relevance or high demand, were in need of tariff adjustments in order to meet market requirements more aptly.

- The development of an international service fidelity program, which, through the application of a discount plan, enabled us to consolidate a significant segment of clients in the international service.

CUSTOMER SERVICE

Equally, with regards to customer services, service enhancement progressed in the relevant areas, particularly in operator services and the Spain-Direct service, which saw a spectacular growth and extensive usage by our clients on their trips abroad.

With client satisfaction as our main objective, 1995 saw the expansion of the Quality System, which should culminate in 1996 with the granting of the Certificate of Company Registration under ISO-9000 Regulations.

INFRASTRUCTURE ADAPTATION AND EXPANSION

Having completed network digitalization in 1994, the investment drive focused its efforts towards expanding and optimizing digital network management. We already have in service an advanced control center which facilitates the supervision and centralized operation of the whole network.

Moreover, in 1995 we started to implement a Plan designed to adapt the infrastructures of the international network to new technologies, together with joint transmission plans with European operators and Panamerican projects, leading to a marked improvement in the network and a considerable reduction in costs.

We also developed a fibre optics extension plan by participating in new multinational underwater cable projects, through the signing of the corresponding international agreements. The international network expanded as a result of: the commissioning of the RIOJA underwater cable



linking Spain to the United Kingdom, Belgium and Holland, the expansion of pre-ISDN and ISDN connection coverage with various countries and the entering into service of the Unisource/Uniworld switching centers for virtual private networks.

UNISOURCE

During 1995 we proceeded with Telefónica's integration into the European consortium Unisource. In June Telefónica signed the agreements to make it the fourth shareholder. Once the mandatory authorization from the European Union is

granted, we shall be fully integrated into the consortium. The agreements establish the contribution, on the part of Telefónica, of our data transmission business and VSAT (small scale aeri-als).

We aim to meet two objectives as a result of joining the consortium: firstly satisfy more effectively the needs of our international clients and, secondly, improve services marketing time, through greater coordination between the four partners.

Unisource was created in 1992 as an Alliance between PTT Telecom of Holland and Telia



of Sweden. The following year they were joined by Swiss Telecom and in 1995 the agreements already mentioned were signed for the formal incorporation of Telefónica. Unisource was the first company set up to provide global Paneuropean telecommunications services.

Unisource has created a series of specialized subsidiaries and affiliates, among them Uniworld, which, once EC authorization is granted, will be a joint company held by AT&T and Unisource to act as services supplier. Its mission will be to offer a suitable response to the requirements of the major European corporate enter-

prises, offering them the complete range of global services, among them international virtual private networks, data networks, messaging, outsourcing, etc.

In addition, the following companies have also been created: Unisource Carrier Services as the Paneuropean operator to enable us to reduce the distribution costs of the international calls of the four partners and offer wholesale services to other operators and service suppliers; Unisource Cards to provide card services to European companies and professionals who travel; Unisource Mobile as the supplier of Paneuropean mobile



The headquarters of Unisource in Hoofddorp, Amsterdam.



Responding to the needs of Europe's major companies

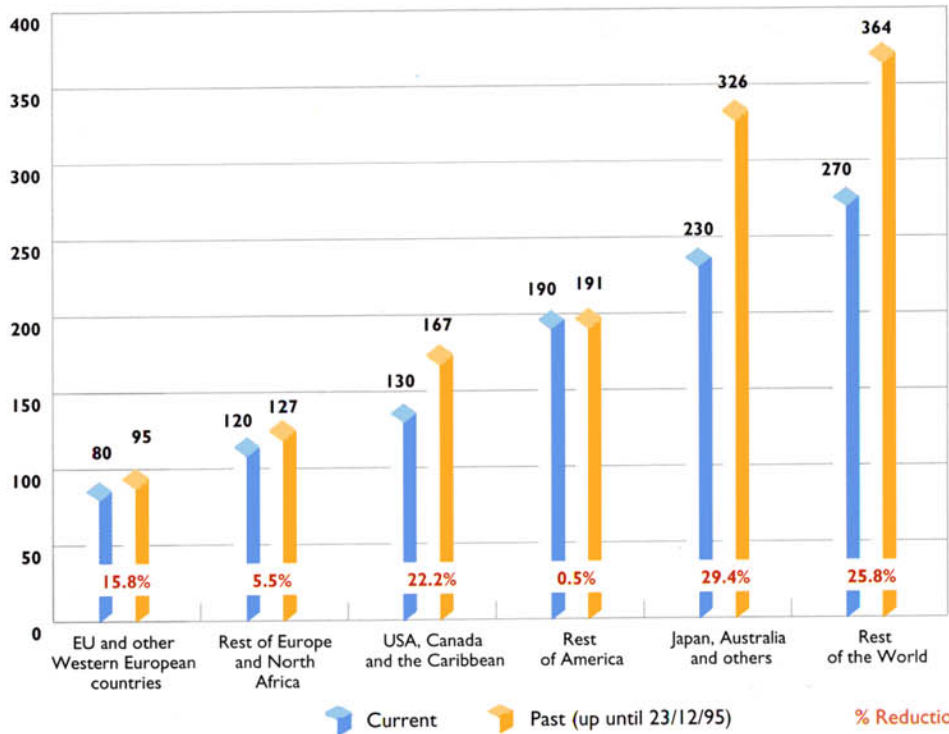
services. Together these companies are the instruments through which we aim to achieve our basic objective of providing a better, more reliable service to the various types of customers.

During 1995, Unisource not only won new, important contracts but also reached strategic

agreements in key markets. We should mention the agreement signed with the Compagnie Générale des Eaux in France to form a joint company called SIRIS, or the agreement soon to be signed in Germany.

INTERNATIONAL CALL TARIFFS

Ptas/min (normal tariff rate)



In order to boost international traffic we have embarked on a policy of tariff cuts as shown in the graph.