



*In Chile, Argentina and Peru, the telephone booths in public thoroughfares are identical to those in Spain.*

## INTERNATIONAL BUSINESSES

**T**hrough our subsidiary Telefónica Internacional, in 1995 Telefónica de España confirmed its leadership in the Latin American telecommunications sector, strengthening the competitive foothold of the operations under its management, expanding activities to the Mexican long-distance market and reaching an initial agreement to enter into Argentina's cable Television business.

At 1995 year-end, the Latin American operators of the Telefónica Group were managing over 8.4 million lines in service, had over 460,000 cellular telephony clients and 238,000 cable TV clients in Chile and Peru. During 1995 the implementation of the capital investment

programs by Telefónica Internacional's holding companies led to the installation of over 1.6 million lines, resulting in the modernization and expansion of the telephone network, the commercialization of advanced telecommunications services and the accomplishment of our aims with regards to meeting demand and service quality.

### PERFORMANCE OF THE INTERNATIONAL BUSINESSES

In Chile we should highlight the sales performance of CTC, which was reflected in the 94% net increase of lines in service and the 55% fall in the waiting list, with telephone service penetration now standing at 13.6 lines per 100 inhabitants. In November 1995 CTC was authorized to extend its network to two regions in the south of the country, thereby increasing coverage to the whole of Chile. Under its new commercial policy, CTC introduced the "FIJO + MOVIL" service, which is a service for residential clients allowing the transfer of calls from a fixed telephone to a











## Global services in Latin America

cellular phone, thereby boosting the joint demand for both services. In the Chilean long-distance market, of particular significance was the consolidation of the first operational year of CTC-Mundo, which is the second operator in terms of traffic flow, both in the domestic and international long-distance markets.

With regards to the Yellow Pages market in Chile, in 1995 the positive trend in the performance of Publiguías continued, with a 50% product penetration of potential customers.

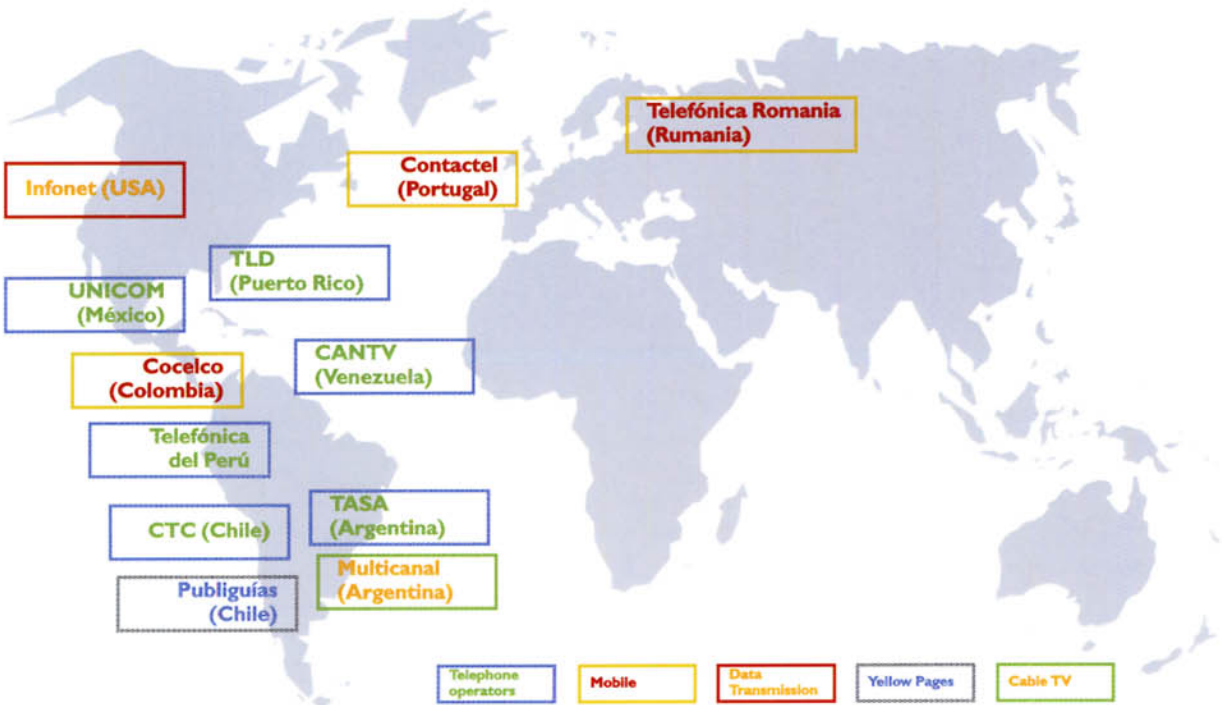
In 1995 Telefónica de Argentina had over 3,100,000 lines in service, with telephone density in the country standing at 19.5 lines per 100 inhabitants. Measures were increased to modernize network infrastructures with the opening of the link joining the provinces of Buenos Aires, Mendoza and Neuquén, with over 136,000 kilometres of fibre optics. We should also mention the start of TYSSA operations, in which Telefónica de Argentina has an 80% holding, offering integrated voice, data and image services to meet the customized communication needs of corporate clients.

The most shining example of the positive trends in the performance of the subsidiary operators is the Peruvian affiliate, Telefónica de Perú. In 1995 this company undertook a major investment drive aimed at expanding and modernizing the telephone network and, at the same time, consolidating its leading edge in a competitive business environment. As a result, in 1995 Telefónica de Perú installed over 550,000 lines, of which 430,000 were for network extension, a figure which was 236% up on the one fixed in the contractual agreement. This installation drive was accompanied by commercial measures designed to upgrade considerably customer service. Telefónica de Perú obtained more than 340,000 new subscribers in 1995, which resulted in a substantial reduction in the waiting list. At the same time, it managed to exceed the record figure of 1,100,000 telephone lines in service, representing an interannual growth of 44% and achieving a telephone penetration level of 4.7 lines per 100 inhabitants.

Another noteworthy fact last year was the favorable decision of the FCC (Federal Communications Commission), the USA telecommunica-



## TELEFÓNICA INTERNACIONAL: GEOGRAPHICAL LOCATION



tions regulating body, to allow Telefonica Larga Distancia de Puerto Rico to send domestic long-distance traffic from the whole US continent. Subsequently the FCC adopted a further decision which opened up the possibility to TLD of providing international telecommunications services from any point in the USA to all the non-affiliated international routes. Moreover, in 1995 the FCC granted TLD numerous authorizations which allow it to perform in a much more agile way. Most significant were the change in status, from dominant to non-dominant operator internationally (except in the affiliated routes of Argentina, Chile, Spain and Peru), which means fewer regulatory demands on the part of the FCC. Permission was also granted to open

numerous direct international routes and to establish services in private lines with various countries.

With these changes in regulations, Telefónica Larga Distancia de Puerto Rico expanded its business options and strengthened its competitive edge with a view to the liberalization of the USA telecommunications market, which will multiply the possibilities of the Telefónica Group's participation in this market. In this context, 1995 witnessed a sharp increase in TLD international traffic turnover, which rose by 44% over the previous year, obtaining a substantial 42% market share of all lines in Puerto Rico.



## Common information and management systems

With regards to investments in CANTV, in 1995 the Venezuelan company managed to improve financial results, despite the country's difficult economic situation. In Colombia, the cellular operator Cotelco, in its first year of operations, expanded its market by 128%, with over 43,000 clients by 1995 year-end.

Investments in Europe reflected the consolidation of the investment program. Telefónica Romania expanded its presence in the cellular market to the country's 17 major towns, with over 10,000 clients, obtaining positive financial results for the second year running, following the commissioning of the service in April 1993. In Portugal, Contactel held the largest market share among new clients who subscribed to the radiopaging service, with 40% of the market, owing to the superior quality of its service compared to the other three competitors. New subscriber levels stood at over 1,500 new clients per month.

In 1995 we also strengthened the presence of Telefónica Internacional in INFONET, by increasing our share to 11.2%. INFONET offers international data transmission services to multinational corporate clients.

### **CABLE TV BUSINESS EXPANSION**

In the area of cable TV we should highlight the authorization granted to Cable Mágico de Perú to operate in seven cities in the interior of the country. This, together with the company's sales drive, resulted in over 19,000 clients at the end of the year, representing an interannual growth of over 220%. In Chile, Intercom (with an 80% holding by CTC) agreed to merge with Metrópolis (controlled by TCI, the largest North American cable TV operator and by the Chilean Group Claro). CTC will hold 30% of the share capital and operate the network of the merged company, which became the largest Chilean cable TV operator, with over 190,000 subscribers at the end of 1995.

During the year an agreement was also signed to enter the Argentinian cable TV market through the purchase of 25% of Multicanal. In this way Telefónica Internacional can participate in the largest Latin American cable TV market, joining Argentina's main media group. At the end of 1995, Multicanal had over 550,000 clients on its books.





## **ENTERING THE LONG DISTANCE BUSINESS IN MEXICO**

The incorporation of Telefónica Internacional into Unicom, with a 24.5% shareholding, in association with GTE (one of the main US telecommunications operators), Bancomer (a market leader in the Mexican financial system) and Valores Industriales S.A., opens the door for Telefónica Internacional to the largest Latin American long-distance market. The Unicom consortium has a concession to provide value-added services as from January 1st 1996 and long distance services as from January 1st 1997.

## **PANAMERICAN PROJECT BOOST**

1995 saw a fresh boost to the Panamerican project, promoted by Telefónica in Latin America, to take advantage of the synergies of the holding companies and enabling the Telefónica group to offer global services in Latin America, both carrier services to operators and basic global services for end clients. The catalogue of services included in the Panamerican project will have identical quality parameters in all the participating countries and "one-stop-shopping" for contracting and customer service.

The consolidation of our position in the international traffic of Argentina, Chile, and Peru, through the Panamerican Project, the penetration into new markets, such as the Mexican long distance market, the significant market base in the Cable Television business and the strengthening of our competitive position and the market opportunities for Telefónica Larga Distancia de Puerto Rico, place the Telefónica Group in a strong position for offering global telecommunications services in Latin America. Moreover, during last year we stepped up the activities aimed at using the existing synergies between operating companies, promoting the coordination of joint ventures and the introduction of common information and management systems.