03

Customers:
quality and compliance

01 Excellence of service

- Quality certificates
- Service Parameters
- Improvement initiatives
- Customer rights guarantee

TELEFÓNICA DE ESPAÑA

99,35 % of the installation commitments fulfilled.

02 Communication with customers

- Customer care line
- Web page and Online channels
- Advertising
- Paper and electronic billing

CUSTOMER CARE CENTRES

712 million calls attended

03 Loyalty plans

- Telefónica de España
- Telefónica Móviles España
- Latin America

TELEFÓNICA MÓVILES ESPAÑA

15,35 million customers signed on to loyalty plans

04 Customer satisfaction

- Customer surveys
- Customer satisfaction
- Customer recommendation

AVERAGE SATISFACTION AMONG FIXED TELEPHONY CUSTOMERS

Spain + Latin America **78.5** %

The challenge Telefónica faces is to turn its technology into accessible solutions and services, that provide clear, relevant benefits to the customer. It is essential to obtain detailed knowledge of the real needs of the customers and to fulfil the commitments acquired to build up a relation based on confidence.

In 2003, Telefónica modified its operating structure to place the customer at the focal point of its activity. The objective is to transform the Group into a more commercial organisation and go from a company model based on the product, to an integrated Group, identifying four major segments around which the commercial activity is organised: individuals, households, *SMEs,* and major corporations / administrations.

01 TELEFÓNICA SEEKS EXCELLENCE IN THE SERVICE

a) Quality certificates

The effort the Telefónica Group makes to achieve excellence in each one of the services it offers its customers is evidenced by the large number of its processes that have received quality certification. In Spain, Telefónica de España and Telefónica Móviles España have all their processes certified under the standard ISO 9001/2000, which means successfully having passed the audits performed by AENOR.

This progress is being extended to several subsidiaries of the Group in other countries. Examples of this are the certificates obtained by several mobile operators, or the certification processes begun by other operators in Telefónica Latinoamericana, that were concluded during 2004. Notably, customer orientation is always present in the selection of those processes, located primarily in the area of direct contact with the customers (Atento).

b) Service parameters

Each one of the companies comprising the Telefónica Group performs systemic control of the internal service parameters (installation time, number of failures, average solution time, availability of the service), that allow the quality of the service provided to be known at any given moment.
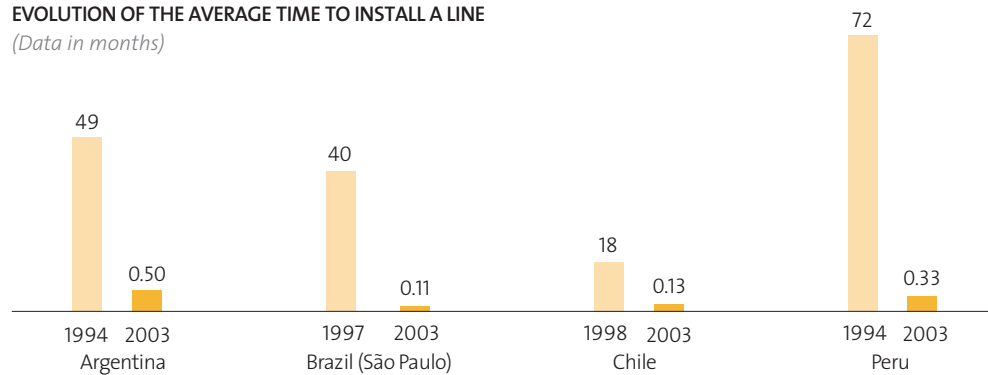
This effort for continual improvement has been shown spectacularly in the average time taken to install a line in Argentina, Brazil, Chile and Peru, since Telefónica began operations.

During 2003, the Secretary of State for Telecommunications and for the Information Society, of the Ministry of Science and Technology of the Spanish Government published the General report on the quality of service related to provision of the *fixed telephony service in Spain,* for the third and fourth quarter of 2002. The results of this showed the leadership of Telefónica in service quality, compared with the average level achieved by the six alternative operators covered by the study. Among the parameters in which Telefónica de España exceeds the quality of those operatorsthe following may be highlighted: the performance of the telephone network (percentage of failed calls to national and international destinations and fixed to mobile) and Provision of Service (initial connection delivery time and the extent of fulfilment of the supply date agreements).

Telefónica Latinoamérica began to design and deploy its Regional Quality Plan in 2003. This initiative led to definition of the Strategic Quality Indicators, a set of common, uniform parameters that allow monitoring of the target quality (operating parameters) and are directly related to the quality perceived (satisfaction surveys and complaints). This regional effort, which at first applied only to Fixed Telephony operators, was extended during 2004 to the operators of Telefónica Empresas.

EVOLUTION OF THE AVERAGE TIME TO INSTALL A LINE
(Data in months)

	1994 Argentina	2003 Argentina	1997 Brazil (São Paulo)	2003 Brazil (São Paulo)	1998 Chile	2003 Chile	1994 Peru	2003 Peru
Months	49	0.50	40	0.11	18	0.13	72	0.33

Telefónica Móviles España has improved its service parameters, year after year, to the point of being able to have a line operating within two minutes of the request for its activation. The availability of the mobile networks in Spain reached levels of 99.52% in the annual average for financial year 2003, amounting to 17 incidents accumulated in 2003 per 100 base stations comprising the network.

c) Improvement initiatives

Six Sigma Projects

The Six Sigma methodology, based on improvement of processes and personnel training, aims to satisfy the customer and fulfil objectives. It is the reference methodology of the Telefónica Group to optimise processes, as declared by the Chairman of the Group: *"Six Sigma is essential in order to adapt ourselves to our customers' needs"*.

Telefónica de España was the first major company in Spain to implement that methodology at the end of 2000. Since then, and up to 2003, 178 projects have been initiated, 75 of which have already been completed. More than one thousand employees have participated directly in the projects, and more than 800 have received direct Six Sigma training.

Telefónica Latinoamérica has created a Regional Committee of Experts in Six Sigma within its Regional Quality Plan, in order to guarantee alignment and identification of synergies in its implementation. Other examples of companies in the Group with ongoing projects in 2003 are: Terra, which completed 19 projects and TeleSP, where 11 projects were identified in a first phase.

The reach of the methodology in the Group was amply reflected in the Second Six Sigma Conferences held by Telefónica de España and attended by other companies in the Group that are implementing that methodology, such as Terra, TPTI, Atento, Telefónica Móviles, Telefónica I+D, Telefónica Argentina, TeleSP and Telefónica del Perú. The Six Sigma community on the Internet was presented at the event, which strengthened the commitment to make all the experience of Telefónica de España in this methodology available to other companies in the Group.

«Lider.es» (Telefónica de España)

Telefónica de España continued its transformation in 2003 thanks to the programme Lider.es, that set the strategic priorities for greater growth and competitiveness. The effort at transformation is ongoing in 2004, with a new stage called Goal: the customer consisting of four strategic programmes: the thrust of commercial leadership, continual progress in improving efficiency, increased customer *confidence* in company reliability, as well as growing involvement by the employees in the transformation process.

- A notable initiative is the "Precision Project" by Telefónica de España, that works on three basic areas in relation to the customers: precise commitment, precise relations and precision in quality assurance. As a significant figure, 98.71% of the installations of the basic telephone service had an installation date commitment that was fulfilled in 99.35% of occasions.

- Telefónica de España set up the "Mirror Project," to notify end customers of the completion of the provision and maintenance process, requesting their approval of the work performed.

- The "Step Project" is an initiative to improve customer care, by including improvements in the provision and maintenance activities, such as, correct accreditation and presentation of Telefónica de España personnel at the customer's home.

QUALITY CERTIFICATES: TELEFÓNICA GROUP

Company	Certificate	In certification process
Telefónica de España	— All the processes	
Telefónica de Argentina		— Attention to commercial offices assigned to residential.
		— Commercial customer care centre for companies.
TeleSP		— Ombudsman process.
Telefónica del Perú	— Billing process	— Collection process.
	— Residential Complaint Management Process	— Customer care process.
		— Campaign management and advertising process.
		— Sales process.
		— Access Network Operation and Customers Process (GORAC)
		— Networks and Services Maintenance Operation (OMRS)
Telefónica Empresas Chile	— Marketing and business development	
Telefónica Empresas Perú	— Complaint management	
Telefónica Móviles España	— All the processes	
Meditel (Marruecos)	— All the processes	
Telefónica Móviles El Salvador	— All the processes	
Telefónica Móviles Guatemala	— All the processes	
Vivo (Brasil)		— All the processes
Telefónica Móvil (Chile)	— All the processes	
Telefónica Unifón (Argentina)	— Customer management	
Telefónica Móviles (Perú)	— Claims, appeals and complaints	
Telefónica Móviles México		— All the processes
Telefónica I+D	— All the processes	
TPI España	— All the processes	
TPI Perú	— All the processes	
Atento España	— All the processes	
Atento Argentina	— All the processes	
Atento Brasil	— All the processes	
Atento Centroamérica	— All the processes	
Atento Chile	— All the processes	
Atento Colombia	— All the processes	
Atento Marruecos	— All the processes	
Atento Perú	— All the processes	
Atento Puerto Rico	— All the processes	
Zeleris España	— Logistic processes	
t-gestiona Chile	— Logistic processes	

SERVICE PARAMETERS: FIXED TELEPHONY

Basic Telephony Service	Spain	Argentina	Brazil	Chile	Peru
Average time to install a basic line (days).	4.15	15.73[1]	3.49	3.9	10.1
Failures per 100 access lines (residential).	2.17	4.91	3.78	3.17	3.23
Average no. of hours to solve failures.	15.98	63.84	12.3	21.9	6.5
Availability of the basic telephone service.	99.8%	99.92%	99.7%	99.64%	99.9%

ADSL	Spain	Argentina	Brazil	Chile	Peru
Average time to install an ADSL[2] line.	10.59	17.13	15.08	3.6	2.68
Failures per 100 lines.	1.20	4.48	7.73	6.34	6.67
Average no. of hours to solve failures.	6.67	54.74	24.53	21.7	12
Network with coverage of the ADSL service	93%	82%	86.68%	85%	85.45%

Company Circuits	Spain[3]	Argentina	Brazil	Chile	Peru	Colombia	Mexico
Average installation time (days).	20.07	21	31.96	45	15	52	41
Breakdown calls/ 100 circuits.	4.03	34	7.8	5.8	36	16.6	35
Average repair time (hours).	3	5.67	3.06	3.25	3.1	2.17	3.5
Availability of service.	99.98%	99.93%	99.04%	99.95%	99.98%	99.71%	99.94%

Mobile Telephony	% calls interrupted
Company	
Telefónica Móviles España	1.20
Telefónica Móvil Chile (GSM)	1.57
Telefónica Móvil Chile (TDMA)	1.27
Unifón Argentina	2.39
Telefónica Móviles Perú	0.80
Telefónica Móviles México (GSM)	1.50
Meditel (Morocco)	1.66
Telefónica Móviles El Salvador (rural)	2.09
Telefónica Centroamérica Guatemala (rural)	2.74

(1) Average annual data in Argentina. The installation time of a line in Argentina includes the average period of payment in advance. as it is the commercial policy that the customer must pay in advance to hire the service.
(2) Chile and Peru measure this data differently to other countries, as they do not include the time from when the customer requests installation until the order is placed in the system.
(3) Considering the average of the Frame Relay, Interlan and Megavía ADSL services.

**EVOLUTION OF COMPLAINT INDICATORS AND VARIATION ASSOCIATED
WITH CUSTOMER SATISFACTION AT TELEFÓNICA CTC CHILE**
(Data in percentages)

	Dec. 02	Dec. 03	Target
Commercial complaints (thousands)	101	68	70
Billing complaints (thousands)	92	56	63
Satisfaction with billing process:			
Excellence	36	70	45
Unsatisfied	-8	-5	-10

«Comex» (Telefónica Latinoamérica)

Telefónica Latinoamérica began to implement the "Comex Project" (commercial excellence), with identification of the best commercial practices by the four operators. As a result, an implementation plan was articulated with 10 initiatives formed by more than 20 projects. The main areas of action of the project concentrate on increased knowledge of the customer's expectations and correct management of the capacity that allows development of commercial excellence.

- At Telefónica de Argentina, there was the noteworthy "Hermes Project," based on a complete diagnosis of the quality perceived by customers, that identified 45 opportunities for improvement on which the plan of action for 2004 could be built upon.

- The "Bridge Project" at Telefónica CTC de Chile analyses how the customer sees the operator, in order to identify the main areas that require attention.. Thus, during 2003, the actions have basically addressed such issues as improving the average time of provision, the number of complaints and increasing satisfaction with the attention provided.

- TeleSP, in collaboration with Atento, set up the "Access Network Examination Service," that allows the state of the customer's network to be checked at the moment of contact with the company. This makes it possible immediately to detect the problem and suggest a solution, sometimes avoiding the delay of a technical visit.

Other initiatives

- Telefónica Empresas received the "Service Provider Core Infrastructure Certification," granted by Trusecure (a world leader in security), thus becoming the first Latin American telecommunications company to receive those certificates.

- TPI has begun to implement the CRM (Customer Relationship Management) project in all the departments of the company in Spain, in order to provide a total vision of the customer, taking its needs and demands into account.

d) Guaranteeing the customers' rights

Customer's ombudsman

- Telesp included the customer's voice in the usual processes of the operator, to which end it established the figure of the *Ombudsman* whose mission is to ensure that Telefónica correctly understands the needs and expectations of the customers, in order to protect them. This figure backs the customer vis-à-vis other internal bodies of the Company, following up the customer's request until a solution is found. At the same time, the request is considered as an opportunity for improvement. Customer satisfaction with this process, in November 2003, was 88%.

Defence of competition

- As regards anti-monopoly regulations, no court action was taken against Telefónica[1] in Spain during 2003. Moreover, in order to ensure compliance with those regulations, the challenge of validating the characteristics of new products and services in the process of development and launch, is foreseen.

- Concerning judicial resolutions in review of earlier decisions by the Competition Court (TDC), the following were issued:

  — National Court decision on the "clear plans" in which the finding of Telefónica in breach of Article 6 of the Law on Defense of Competition (LDC) is upheld, but the fine is reduced from 8,414,169 euros to 901,000 euros (TDC Resolution of 8th March 2000).

(1) This indicator refers to court action granting final status to administrative resolutions or prior judgements. In matters of competition regulations, within the Spanish order, at judicial level there is only resolution of appeals presented in the National Court against administrative resolutions by the Tribunal for Defence of Competition.

— Supreme Court decision on the case of *"3C communications,"* upholding the National Court decision which in turn upheld the 1995 resolution of the TDC in which Telefónica was found in breach of Article 6 of the LDC. The fine amounts to 124 million pesetas (TDC Resolution of 1st February 1995).

— National Court decision on the "Airtel case," upholding the TDC Resolution against Telefónica Móviles España and Telefónica de España, for breach of Article 6 of the LDC, with a total fine of 760 million pesetas (TDC Resolution of 26th February 1999).

Data protection

• Telefónica de España has been one of the first companies in Spain to undertake a commitment to data protection and security, by guaranteeing non-violation of personal data. In July 1994 it prepared the first deontological code registered at the Spanish Data Protection Agency, by which Telefónica de España guarantees adoption and fulfilment of the security measures for automated files, in processing centres, premises, equipment, systems, programmes and by all persons involved in the treatment of data who must be aware of all the duties established in the Regulations on Security Measures and other internal rules established for these purposes.

• In order to maintain data privacy, respecting the privacy of mobile telephony users, Telefónica Móviles España has prepared procedures and implemented technical and organisational security measures in computer systems and on the network. Other noteworthy measures in this area are periodic performance of external legal audits and implementation of automatic access that provides customers control over their personal data.

• Terra prepared a full report in 2003 to accredit the present situation as to the level of fulfilment of the legal, technical and internal control aspects. As conclusions to this, new data files were added to the 16 existing ones, an audit was planned for the year 2004 and potential risks and deficiencies were detected and corrected with measures that have already been implemented.

• The companies TPI and Atento are developing compliance policies and mechanisms concerning customer privacy, including the recommendations of the Laws on Protection of Personal Data and the data protection audits and review of the services customers are provided.

During financial year 2003, the Spanish Data Protection Agency withdrew all the penalisation proceedings brought against Telefónica de España, Terra España and TPI. Telefónica Móviles España was not subject to any claim before the courts on this matter.
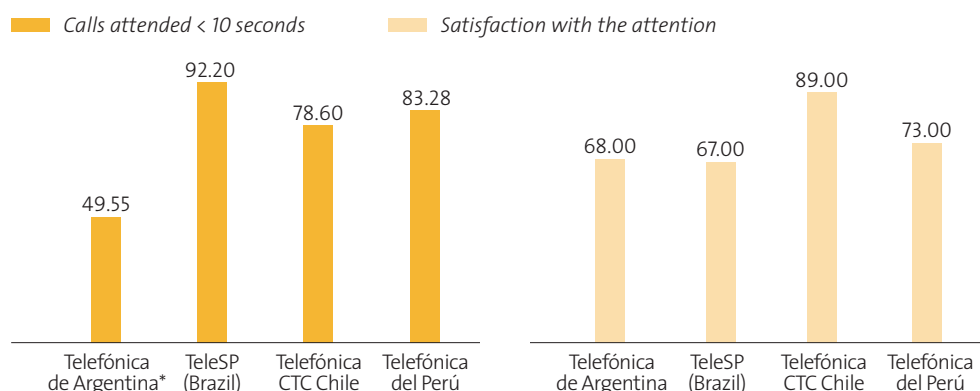
Telecommunication confidentiality

The jurisdictional bodies of the State, as well as the Public Treasury and other bodies of the different Public Administrations regularly request information or actions involving our Company in their respective scopes of competence, in which Telefónica is obliged to comply with the instructions issued by them, or to provide the information required.

Legitimate action by such public bodies in the performance of their duties sometimes conflicts with equally legitimate personal rights. Due to this, the requisites set are fulfilled strictly in relation to legal disclosure of the confidentiality of telecommunications, in the Spanish Constitution as well as the Civil Procedural Act, in intervention and observation of communications, or recording of nuisance calls.

RESIDENTIAL CUSTOMER CARE CENTRE: TELEFÓNICA LATINOAMÉRICA
(Data in percentages)

■ *Calls attended < 10 seconds*   ■ *Satisfaction with the attention*

	Telefónica de Argentina*	TeleSP (Brazil)	Telefónica CTC Chile	Telefónica del Perú	Telefónica de Argentina	TeleSP (Brazil)	Telefónica CTC Chile	Telefónica del Perú
Calls attended < 10 seconds	49.55	92.20	78.60	83.28				
Satisfaction with the attention					68.00	67.00	89.00	73.00

(*) In Argentina, the objective is to attend calls in less than 20 seconds.

02 COMMUNICATION WITH CUSTOMERS

Telefónica gathers customer feedback through diverse channels, as any spontaneous contact, such as to request a new service, to extend the features of the services the customer already has, to request maintenance, or for queries or complaints, allow the evolution of their needs to be identified.

a) Communication by telephone

The telephone is the means most used by Telefónica customers to communicate with the Company and for queries, requests and complaints.

- Telefónica de España customers used the customer care line (1004) more than 65 million times, calls being considered the first line of attention. According to the answers given by Telefónica customers, 82.9% of the calls were attended satisfactorily.

- Telefónica Latinoamérica customers also use the telephone as the most popular way to contact the company, proving the quality of attention provided by the Telefónica companies through this channel.

- Telefónica Móviles España received more than 72 million calls from its customers in 2003, 80.54% of which were attended to the satisfaction of its customers. Most of the calls were requests for information (74%) and requests for service (23%).

- In Morocco, Méditel has implemented a solution that identifies the customer and his profile as the call takes place, which allows personal treatment and 95% of the complaints being solved on the first call, at first level of attention.

- Corporate customers of Telefónica Empresas in Spain contacted the company 520,704 times, most of which were related to

incidents in the service (59%) and requests for information (37%).

- TPI Páginas Amarillas customers made a total 143,519 requests for information, the attention level being 93.5% of the total calls received.

b) Communication by Internet

Telefónica presents its range of services in an integrated, co-ordinated way through local portals in each one of the countries in which it operates, with emphasis on unification of the styles and structures in 2003. Through all the portals (Spain, Argentina, Brazil, Chile, Colombia, El Salvador, United States, Guatemala, Mexico, Peru, Puerto Rico and, since 2003, Germany and the United Kingdom) more than 55 million contacts were made in the year 2003.

Specifically, the Spanish portal www.telefonica.es was chosen by the magazine Dinero as the best web page among companies listed on the Ibex 35 of the Spanish Stock Exchange; with outstanding accessibility and speed, quality information and high degree of updating.

The companies in the Telefónica Group are developing specific channels through which the customers may configure their services, see their bill and manage their profile.

- The Telefónica de España online channel *(www.telefonicaonline.com)* had 1,750,851 registered users in December 2003, who made 4,370,283 hits that year.

- At the end of 2003, 1,143 corporate customers of the Telefónica Group in Spain were users of the SGE (Company Management System), through which they can manage their profile. A further 500 corporate customers are registered on eAtención.

- The new eBA web combines the Telefónica e-business and broadband solutions for large companies. Telefónica de España has inaugurated

CONTACTS THROUGH THE COUNTRY WEBSITES

(Data in millions of sessions)

Year	Value
2001	25.70
2002	45.05
2003	55.63
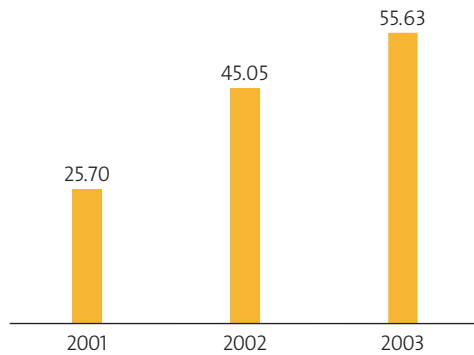
its first digital magazine aimed at the same target group, corporate customers, evolving the traditional publication Soluciones Empresas.

- The "Operator Management system" (SGO), promoted by the Directorate General of National Operators and Regulation, has consolidated a 'one-stop counter' for Telefónica de España with the different national operators, to manage the regulated and non regulated services. All these changes have led SGO to be used by 54 national operators through their web accesses, in fact centralising and unifying relations between Telefónica de España and that segment of customers.

c) Advertising

In order to publicise the advantages of the services and products it offers its customers, Telefónica performs an important advertising task in all the countries in which it operates, although Spain is still where it invests most.

By lines of business, mobile telephony is the most active in the field of advertising, followed by fixed telephony and long distance business. As to the media used as the support for these investments, there are television, the newspapers, radio and outdoor advertising, that concentrate 91% of the advertising investment.
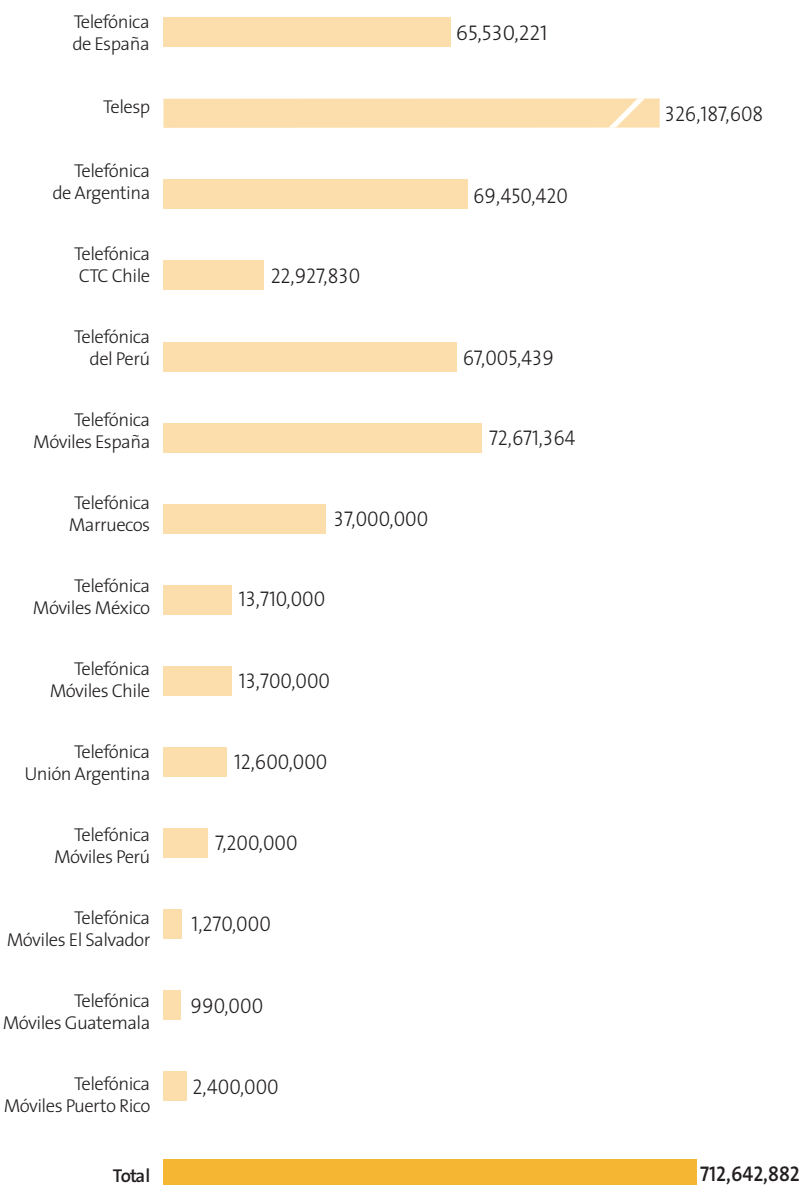
ONLINE CHANNELS REGISTERED USERS

Company	No. of registered users
Telefónica Móviles España	3,681,306
Telefónica de España	1,750,851
TeleSP	366,850
Telefónica Unifón Argentina	122,465
Telefónica CTC Chile	85,000
Total	**6,006,472**

NUMBER OF CALLS TO CUSTOMER CARE CENTRES BY FIXED AND MOBILE CUSTOMERS

(Data in calls)

Company	Calls
Telefónica de España	65,530,221
Telesp	326,187,608
Telefónica de Argentina	69,450,420
Telefónica CTC Chile	22,927,830
Telefónica del Perú	67,005,439
Telefónica Móviles España	72,671,364
Telefónica Marruecos	37,000,000
Telefónica Móviles México	13,710,000
Telefónica Móviles Chile	13,700,000
Telefónica Unión Argentina	12,600,000
Telefónica Móviles Perú	7,200,000
Telefónica Móviles El Salvador	1,270,000
Telefónica Móviles Guatemala	990,000
Telefónica Móviles Puerto Rico	2,400,000
Total	**712,642,882**

ADVERTISING INVESTMENT*

(Data in percentages)

Chile
4

Perú
3

Brazil
12

Argentina
2

Puerto Rico
2

Country

El Salvador
1

México
17

Spain
59

Terra
8

TPI
7

Fixed Telephony +
Long Distance
24

Image
3

**Business
Lines**

Data
2

Mobile Telephony
56

Radio
10

Internet
5

Outdoor
15

Cinema
1

Media

Newspapers
23

Television
43
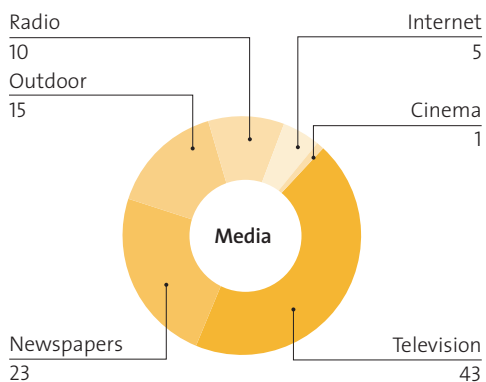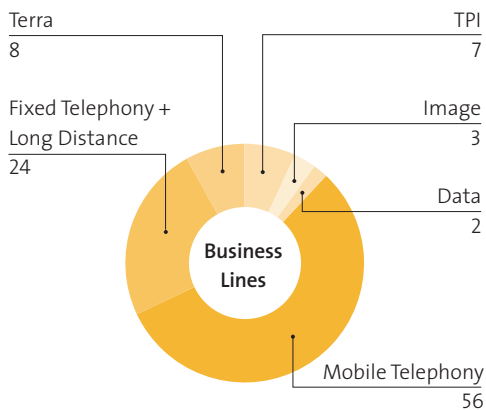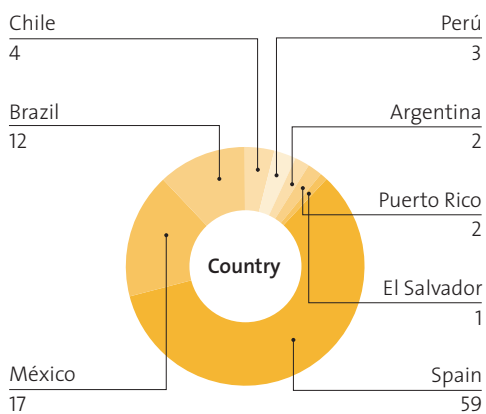
(*) Does not include advertising by Vivo.

The Federation of Electronic Commerce and Direct Marketing (FECEMD) awarded Telefónica de España the Magnet Prize 2003, in the category of Advertiser of the Year, recognising the work carried out during recent years on integrated direct marketing techniques.

The Telefónica Group is a member of Autocontrol (Association for Self-Regulation of Commercial Communication), formed by advertisers, agencies, the media and other commercial communication service companies, that overall represent more than 80% of the Spanish advertising investment. Autocontrol, in turn, is a member of EJNetwork and the European Advertising Standards Alliance (EASA). Its objective is to prevent and solve eventual advertising controversies, establishing an ethical framework for responsible, truthful commercial communication. Thus, Telefónica complies with and undertakes the commitment of responsible commercial communication, within the ethical framework established for truthful, committed communication.

d) Billing process

Telefónica considers the bill to be yet another opportunity to communicate with customers. Due to this, the companies in the Group work to provide clarity and precision in communications of this type for customers and provide complementary information that may be of interest to them.

Paper bill

• Telefónica de España has renewed the different billing processes, from recording call traffic, to final calculation and composition of the bill. This new system will allow customers to receive bills that are not only more precise and clear, but also to fit their needs, being able to chose whether the distribution of charges, for different services and lines, must be included in a single bill, or on the contrary, in several. One may also choose what

LOYALTY PLANS FOR TELEFÓNICA MÓVILES ESPAÑA CUSTOMERS
(Data in customers registered)

Scheme	Registered users	Users who benefit	Registered online
Points Programme	4,317,689	2,365,081	3,130,899
'Estrena Activa' Programme	8,517,000	1,280,403	
Compensation Programme	2,521,129	715,238	

language the bills are to be received in, and even the dates of receipt.

• Telefónica Latinoamérica continues to progress in the effort it has undertaken in the last year to achieve a single billing system in the four countries where it provides fixed telephony services.

• The information contained in the Telefónica Móviles España bill includes the customer particulars, direct debit details, the amount consumed, taxes, detail of calls (duration, destination, number called and amount), as well as a graph with monthly evolution of the calls placed and received.

• In 2003, Telefónica Móviles changed its bill models in Argentina, Mexico and Peru, in order to facilitate their handling and comprehension. Moreover, in Argentina, it activated direct debit banking as a new means of payment.

Electronic bill

• The Telefónica de España electronic bill service, "Fórmula e-factura," used by 65,000 customer to date, has obtained a digital certificate (issued by the Spanish Royal Mint (Fábrica Nacional de Moneda y Timbre) that makes it fully valid for tax purposes, being recognised by the Tax Authorities. Telefónica de España became the first company to obtain a digital certificate from the FNMT held by a corporation for purposes other than presentation of tax return, that being the electronic bill. Fórmula e-factura allows all customers, especially companies and professionals, management, control and storage of their telephone bills, and also provides them a wide range of online services, such as personalising the call information and obtaining up-to-date consumption data.

• In Latin America, Telefónica de Argentina and Telefónica del Perú have set up a new service to allow the customer to verify telephone

communication consumption on their web pages. This service provides the customers a telephone control tool, with the possibility of analysing communications during a specific billing period.

• Telefónica Móvil Chile has developed an electronic billing project, called Boleta Electrónica, that provides customers the possibility of online queries and detail of their billing.

• In Argentina, Unifón has provided the possibility of printing the bills from the web. That same service is offered by Telefónica Móviles España, which has more than 151,850 users of the service.

03 LOYALTY PLANS

Telefónica de España has developed various initiatives aimed at promoting customer loyalty through discount schemes or points programmes.

• At the end of 2003, 7,711,450 company customers were recorded on these schemes, 6,566,475 of whom benefited from one of the programmes.

• Telefónica de España held two rounds of the competition Factura Cero ADSL, with a prize draw for five winners of the monthly ADSL line fees free of charge for live, and a further two hundred additional prizes for one year.

• Telefónica de España chose Valencia as the venue for its 3rd Encounter with Major Customers, 48 hours with Telefónica, attended by more than 400 corporations and major companies, in order to reinforce relations with Telefónica as its customers' technological partner.

The success of the loyalty and price policies that Telefónica Móviles España has developed in

2003, is shown in one of the highest loyalty rates in the European environment.

- "Points programme": to facilitate customer access to a new terminal, by assigning billing linked points.

- "New Terminal Plan" by Movistar Activa: a programme to provide access to a new terminal on advantageous terms for those who have been customers for more than one year.

- "Repurchase Programme": indirect recharge promotion in which points assigned may be exchanged for prizes.

Telefónica Móviles España also provides, through the Multi-Management service, the necessary resources for customers to be able to plan and control their line consumption in a convenient, simple manner, in order to reduce telephone costs. This service, aimed at all companies that have one or several contract lines, has more than 7,300 corporate customers and manages more than 120,000 lines.

Several customer loyalty schemes have also been implemented in Latin America:

- In Brazil, Vivo launched "Vivo Vantagens," a service that consists of an advantage club with a customised card, that provides discounts and advantages at associated establishments. The loyalty programmes were based on offering discounts to buy terminals and in extending the promotions to customers who wish to exchange their appliances.

- In Mexico, through the programme offered to customers for the exchange of terminals, during 2003, 30,000 exchanges were made.

- In Argentina, Unifón launched the "Saving Points Scheme," enabling exchange for

credits to talk and prize draws of terminals. A total of 4,247 exchanges were performed, an increase of more than 62%.

- 322,000 customers of Telefónica de Argentina took monthly advantage of their loyalty programmes (Teleplus).

- For the second consecutive year, Telefónica Móviles Perú was awarded the EFFIE Gold Prize in the category of Promotions for the advertising campaign Semana MoviStar, aimed at promoting loyalty among its prepaid customers.
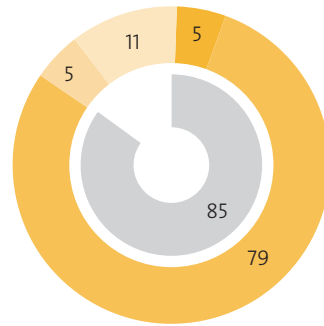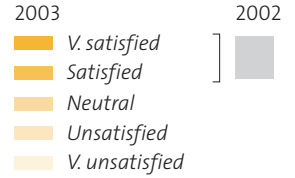
04 CUSTOMER SATISFACTION

The priority objective of the Telefónica Group is to satisfy its 100 million customers. In order to monitor evolution of that satisfaction and to check the effects of the different measures adopted by Telefónica, companies in the Group perform periodic monitoring of the satisfaction levels through surveys.

To ensure the reliability of the customer satisfaction studies, they all contain a Quality Clause, that covers the following sections: identification of the study, definition of the data collation method, date of the field work, quality of the questionnaire, quality of the sample design, quality of the surveying team, quality of the results and approval of the final revision by the person in charge of the survey.
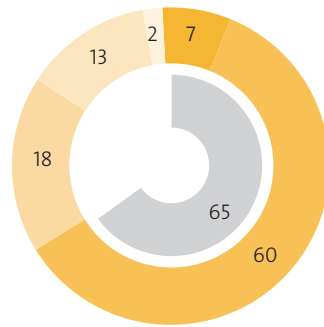
Customer satisfaction is a variable that is analysed periodically by Telefónica de España, according to the different products and services marketed by the company. It annually determines the indicators to be evaluated and the studies to be performed, that allow evaluation of the evolution of customer satisfaction through the opinion polls performed throughout the year. In December 2003, there was an average satisfaction level of 84%.
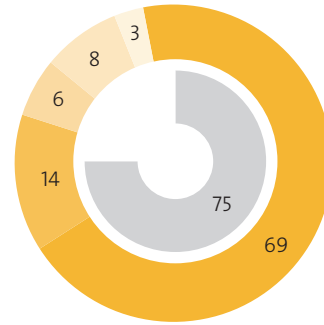
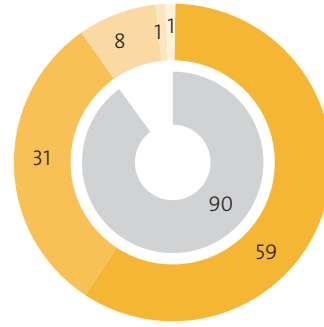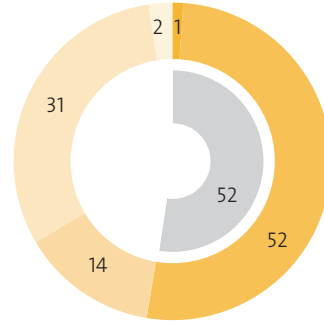**RESULT OF SATISFACTION SURVEYS. FIXED TELEPHONY**

(Data in percentages)

2003   2002

- *V. satisfied*
- *Satisfied*
- *Neutral*
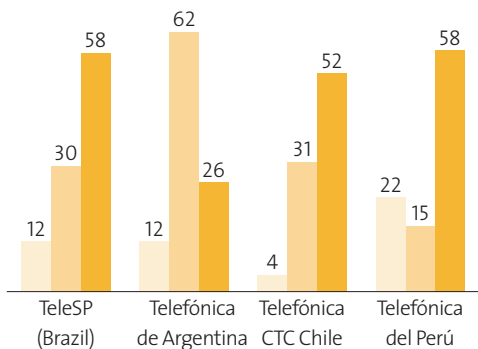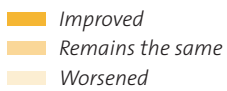- *Unsatisfied*
- *V. unsatisfied*

Telefónica de España

As part of the Regional Quality Plan, Telefónica Latinoamérica commenced homogenisation of the satisfaction surveys performed in the region, for residential as well as corporate fixed telephony. That allows comparison of satisfaction in 10 countries, in general terms as well as at process level. It has also managed to establish convergence between the performance of the target quality indicators (internal operational indicators) and customer perception, which allows identification of the processes and sub-processes the customers consider need improvement.

These indicators cover several matters related to satisfaction, such as perception of evolution in the quality of the service or the degree of recommendation of the service by the customers.

A notable initiative in this area is the survey on electronic satisfaction for customers of TeleSP after telephone attention, that allows immediate detection of satisfaction or insatisfaction with this service.

TeleSP (Brazil)

Telefónica de Argentina

PERCEPTION OF THE EVOLUTION OF THE SERVICE QUALITY. FIXED TELEPHONY

(Data in percentages)

- *Improved*
- *Remains the same*
- *Worsened*

Telefónica CTC Chile

	TeleSP (Brazil)	Telefónica de Argentina	Telefónica CTC Chile	Telefónica del Perú
Improved	58	62	52	58
Remains the same	30	26	31	15
Worsened	12	12	4	22

Telefónica del Perú

RESULTS OF THE SATISFACTION SURVEYS. TERRA, T-GESTIONA AND ATENTO
(Data on a scale of 1 to 5)

Terra ▮ *General customer satisfaction*
▮ *General recommendation of the products / service by the customers*

t-gestiona

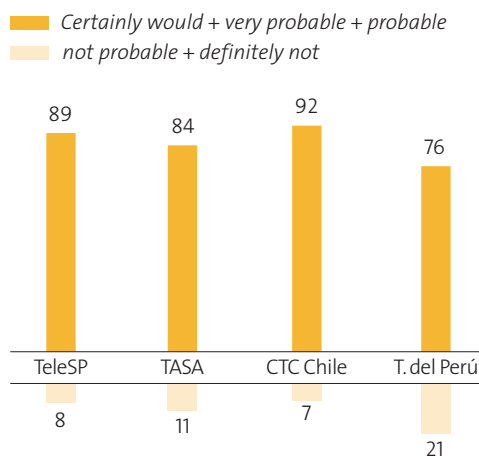|	Mexico	Brazil	Spain	Chile	Argentina	Brazil	Chile	Spain	Peru	Central America
General customer satisfaction	3.6	3.2	2.9	4.2	4.0	3.6	4.0	3.7	3.8	2.9
General recommendation	4.0	3.7	3.3	3.0						
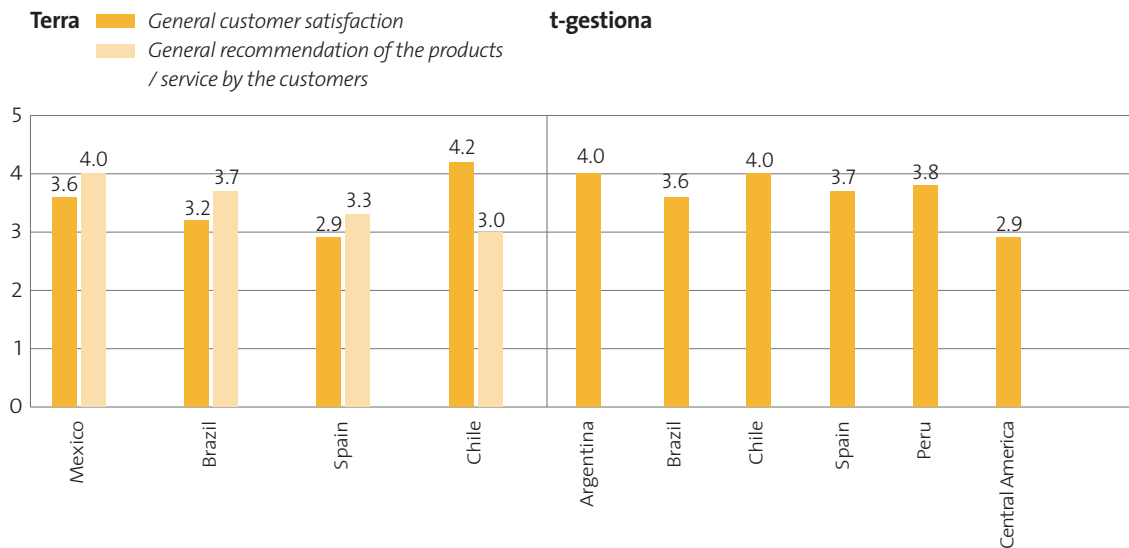
Telefónica Móviles España has been preparing customer satisfaction studies since 1995, that have been consolidated as a tool to obtain first hand information, not only of customer satisfaction with the service, but also of their expectations and future needs. In the studies performed throughout 2003, 23,600 customers were interviewed.

Telefónica Móviles España also inaugurated a new questionnaire space for all browsers visiting the web to give their opinion on matters related to mobile telephony. Every three weeks, a different question is asked to ascertain the users' preferences and trends.

Telefónica Empresas España obtained 82.81% customer satisfaction in the 2003 survey, which was responded to by 494 corporate customers and large companies. The significant figures are 92.63% satisfaction with the service provided and intention to repeat purchase by 79.82% of the customers.

WOULD YOU RECOMMEND THE SERVICE? TELEFÓNICA LATINOAMÉRICA
(Data in percentages)

▮ *Certainly would + very probable + probable*
▯ *not probable + definitely not*

	TeleSP	TASA	CTC Chile	T. del Perú
Certainly would + very probable + probable	89	84	92	76
not probable + definitely not	8	11	7	21

NUMBER OF PERSONS INTERVIEWED IN THE DIFFERENT SATISFACTION SURVEYS AMONG MOBILE TELEPHONY CUSTOMERS
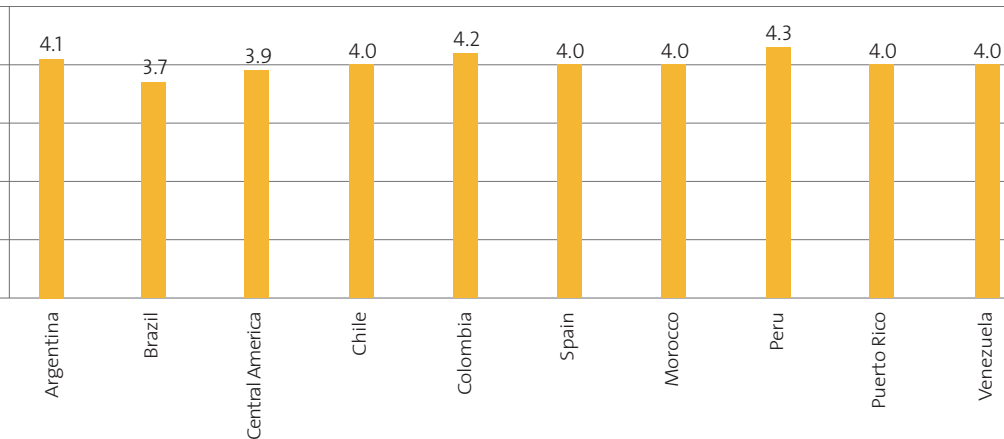*(Data in units)*

Compaňy	No. persons interviewed
Telefónica Móviles España	23,600
Telefónica Unifón Argentina	2,069
Telefónica Móvil Chile	16,076
Telefónica Móviles Perú	30,420
Telefónica Móviles México	2,946
Telefónica Móviles El Salvador	10,870
Telefónica Móviles Guatemala	11,070
MoviStar Puerto Rico	10,400
Meditel (Morocco)	1,700

Terra analysed its user satisfaction in Brazil, Chile, Spain and Mexico, including broadband and narrow band users (except in Mexico, where only broadband data was collated).

TPI uses the TRI*M index, that allows it to quantify the degree of customer satisfaction with products and services, as well as their level of retention and satisfaction. Among the company's key customers, this index reached a grading of 47 out of 50, improving one point on the measurement in 2002. On the other hand, one must mention the evaluation received by the Customer Care Service, that has improved by 9 per cent, to 89% in 2003.

Atento, a company specialised in management of customer contracts, has been commissioned by many companies in the Telefónica Group and other companies to manage their customer relations. Atento establishes mechanisms to measure and monitor the satisfaction of its own customers in relation to the service provided.

Atento

Argentina	Brazil	Central America	Chile	Colombia	Spain	Morocco	Peru	Puerto Rico	Venezuela
4.1	3.7	3.9	4.0	4.2	4.0	4.0	4.3	4.0	4.0

Thus, during 2003, it has surveyed the satisfaction levels for its services in all the countries where it is present, reaching values between 3.7 and 4.29 out of a maximum grading of 5.

t-gestiona, a company dedicated to support and administration processes for the Telefónica Group, also performs a periodic evaluation of its customer satisfaction in Argentina, Brazil, Chile, Spain and Peru.

RECOGNITION FOR TELEFÓNICA FOR ITS QUALITY AND CUSTOMER ORIENTATION

Name of the Prize / Award	Results
II Golden Computer Prize (magazine Computer Hoy).	Telefónica de España was awarded by the readers of the magazine in the category of best broadband Internet access and best Internet services provider
Schroders Financial Journalism Prize	Invertia, financial portal of Terra Lycos, has been awarded for the work on the effects of wars on the Stock Exchange
Internet Users' Association.	The Internet Users' Association emphasised the security products by Telefónica de España, Antivirus, Anti-intruder and Canguro Net (content filtering), during the 5th Net Security Campaign.
Modern Consumer Excellence in Customer Services (Brazil).	Telefónica was an awardee in the category of Fixed Telephony, B2B se vices, 0800 service, Internet access. Terra was runner up Internet provider.
INFO 2003 (Brazil).	Terra was awarded in the category Site of the Year. DataCenter of Telefónica Empresas was an awardee for second year running. Vivo received a prize as best mobile telephony operator.
Ibest 2003 Prize (Brazil).	Rumbo (Terra) received an award in the category of tourism. Vivo (Rio Grande do Sul) in cell telephony.
Top Quality 2003 (Instituto de Estudos e Pesquisa da Qualidade de Brasil).	Atento was chosen as the Best Company in the Country, in its category, for the third consecutive year.
Amauta (direct and interactive marketing prize of Latin America).	Atento Brasil won a prize with Terra e-commerce, an innovative programme to overcome consumer resistance.
Brazilian Telemarketing Association	TeleSP won Gold in the category of Best Internet System, Silver in Best Own Telemarketing and Bronze in the categories of Best Telemarketing Diffusion and Receptive Telemarketing. Atento was awarded in the categories of Best Telemarketing Operation and Best System with Internet.
Red and White Tape 2003, prize granted by Peruana de Opinión Pública.	TUMSAC (Transporte Urgente de Mensajería SAC), a subsidiary of the Telefónica Group was recognised as the best in the Courier Services category.
Telecommunications Company of the Year (Corporate Summit in Puerto Rico and America).	Telefónica Larga Distancia de Puerto Rico was awarded the title of Telecommunications Company of the Year for second time.
National Quality Prize (Ministry of Commerce and Industry of Morocco).	Meditel (Mobile telephony in Morocco) obtained the 2003 National Quality Prize in the category of Major Service Bodies, granted by the Ministry of Commerce and Industry of the Moroccan Quality Union.