

06

Society: contribution and proximity



01

Commitment in the countries in which it operates

- Commitment to investment
- Commitment to development
- Boosting the economy
- Supporting local providers

TELEFÓNICA REVENUES
average contribution **1.85%**
of Spain, Argentina, Chile, Peru and Brazil

02

Digital inclusion

- Actions against the geographic divide
- Actions against the economic divide
- Actions against the skills divide

LOW COST LINES IN SPAIN AND LATIN AMERICA
3,334,560

03

Development of the information society

- Services that add value
- Collaboration with universities

UNIVERSITIES AND BUSINESS SCHOOLS
120 agreements

04

Social use of communications

- Education
- Co-operation
- Emergency situations
- Art and culture

PROJECTS BY FUNDACIÓN TELEFÓNICA
14,559,319 beneficiaries

05

Support for the disabled

- Awareness
- Technology for the disabled
- Training
- Employment

INTERNET TRAINING
1,000 disabled persons in Chile

Revenue from Telefónica Group operations in the world in 2003

28,399.8
millions of euros

01 COMMITMENT TO THE COUNTRIES IN WHICH IT OPERATES

Telefónica is the reference operator in Spanish and Portuguese speaking societies, due to its firm commitment to development of each one of the countries in which it is present and its determination to adapt to the reality and needs of each one of them. This regional nature is appreciated in the distribution of revenues, where the revenue from Latin America accounted for 33.3% of the revenue of the Telefónica Group 2003.

During 2003, Telefónica once more proved its commitment to development of the countries in which it operates; being the top investor in Latin America, with an accumulated investment of more than 65,000 million euros.

- **Spain:** Telefónica de España has invested 2,000 million euros in the period 2000/03 to develop broadband, which has allowed the figure of one and a half million ADSL lines to be exceeded. Telefónica Móviles España set up the first UMTS service in pre-commercial use launched by a mobile telephony operator in Spain in a real environment; the service was launched for corporate customer in February

2004. Telefónica Móviles has scheduled investment of 1,000 million euros to develop the Third Generation infrastructures (3G) in the period 2004/06.

- **Argentina:** announcement of 2,000 million pesos in investment (approximately 600 million euros) over the next four years. These investments include installation of one million basic telephony lines, nationwide deployment of the mobile telephony network with GSM/GPRS technology, installation of 50,000 new public telephone lines, creation of latest generation transport networks and launching new services to satisfy the needs of the economically weaker sectors.
- **Brazil:** Telefónica Móviles, through the purchase of TCO, will make the first major investment by a foreign company in the country since the new Government took office. Moreover, TeleSP was the first company to attract external debt (specifically in Japan) since the political transition took place.
- **Chile:** Telefónica Móvil Chile has begun to implement a mobile telephony network of 2.5G on GSM.

DISTRIBUTION OF REVENUE BY COUNTRIES

(Data in percentages)



A COMMITMENT TO THE ECONOMIES AND DEVELOPMENT OF THE COUNTRIES

	Spain	Argentina	Brazil	Chile	Mexico	Peru
% of Telefónica revenue	61.6	4.01	16.94	4.84	2.12	4.48
% Telefónica revenue / GNP	2.35	1.01	1.12	2.02	0.12	2.36
No. of employees	58,189	14,100	42,496	8,795	5,228	9,422
% local suppliers by number of contracts	84	96	99	98	—	94
% local suppliers by economic volume	85	89	96	79	—	85
Company ranking (revenue per country)	1ST	6TH	1ST (private)	4TH	—	1ST

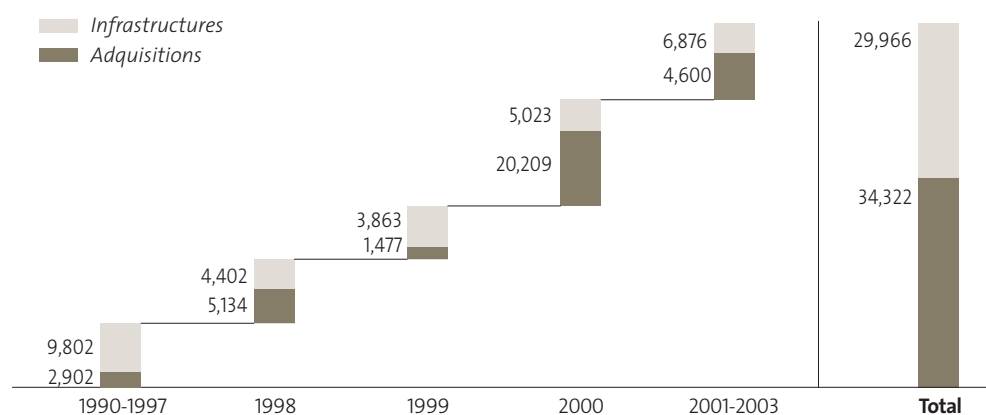
- **Mexico:** announcement of 1,200 million euros in investment in the period 2003/06, becoming a long term investor involved in the economic and social development of the country. Deployment of the GSM network by Telefónica Movistar took place in scarcely seven months, which is a record time worldwide for installation of a new network of such a dimension and characteristics. In December 2003, 96 cities in the country had GSM coverage.
- **Peru:** launching new tariff plans has reinforced the commitments by Telefónica to development of the country, while the bid by Telefónica for broadband typical is embodied in investments over 150 million soles per annum in the coming years. In 2003, Peru was the first country in Latin America to have the Telefónica NTSpeedy WiFi system, that allows wireless broadband browsing from public places. Telefónica Móviles Perú has launched a network based on CDMA 1X that allows speeds of 144 kbps to be achieved.

The commitment of Telefónica to the countries goes beyond development of infrastructures and takes on a key role in collaboration between the civil society and corporate one, in economic and social development, promotion of SMEs or support for the information society.

- The Chairman of Telefónica in Brazil is a member of the National Council for Economic and Social Development, formed by representatives of civil and corporate society, that aims to debate matters of national interest and promote human interest through access to quality education in Brazil.
- At the heat of the economic crisis, Telefónica de Argentina joined forces with the public sector to encourage exports by Argentinean SMEs. Through encounters and videoconferences, access to new markets abroad was facilitated, along with direct promotion of Argentinean products. That business circle is set within the programme Companies in Expansion developed by Telefónica, which consists of offering small companies that wish to commence, or incentivise their export activity, an comprehensive service that covers and supports the whole sequence of activities related to international buying and selling.
- Telefónica also inaugurated the subsidiary of Telefónica Investigación y Desarrollo incorporated in Brazil, the mission of which is to increase competitiveness and growth of companies within the Group that

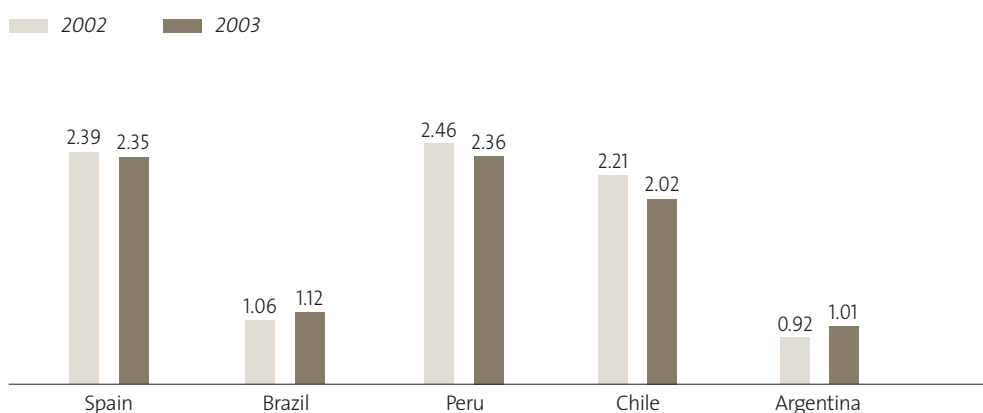
TELEFÓNICA GROUP ACCUMULATED INVESTMENT IN LATIN AMERICA

(Data in millions of euros)



REVENUE / GROSS DOMESTIC PRODUCT

(Data in percentages)



operate in Brazil and throughout Latin America, through technological innovation and creation of more advanced products and services. TP+D began its activities with 15 employees, 7 interns and nearly 50 collaborators.

Telefónica, as one of the leading national companies in each one of the countries, assumes a driving role in the national economy. The proportion of revenue of Telefónica in relation to the Gross Domestic Product of the countries in which it operates is recorded in figures ranging from 1% in Argentina to 2.35% in Spain or Peru.

The high proportion of supplier contracts located in the actual country, greater than 90% on average, is yet another sign of the importance of the economic activity of Telefónica in each territory, confirmed by the economic volume of these purchases.

Lastly, it is important to emphasise the indirect impact of the services provided by the companies in the Telefónica Group. For example, actions to reduce the digital divide, reduction of prices of the services, increased bandwidth available and permanent connectivity, have a significant impact on the productivity of persons, corporate sectors and the economy in general.

02 DIGITAL INCLUSION

According to the Report published in July 2003 by the Latin American Integration Association (ALADI), the concept of digital divide is used to describe the existing differences in access to new technologies. However, digital technology in itself is not responsible for the digital divide. The main factors that cause it are the establishment of infrastructures throughout the whole territory, as well as the income and skills levels and training to use the new technologies.

From its position as reference operator on the Spanish and Portuguese speaking markets, and in fulfilment of its commitments to proximity and confidence, for the last ten years Telefónica has undertaken numerous initiatives aimed at reduction of the digital breach within its regions of influence.

Universal Service in Spain

Up to present, in Spain, Telefónica de España has assumed the net cost of providing the universal service, that in addition to covering the telephone service, including Internet access covers a series of obligations of an eminently social nature, such as special social rate, and special services for the disabled, described below, a toll free information service from public phones, free telephone guides for customers and a wide coverage of public phones.

The net cost of the universal service operations in 2002 came to 224 million euros according to Telefónica de España. The Telecommunications Market Commission recognised in 2003 that the cost to Telefónica of the universal service provided in 2002 had amounted to 110 million euros, the difference being due to discrepancies in consideration of non monetary profit on account of ubiquity, the cost of termination of outgoing international traffic and the grouping of the 795 zones proposed by Telefónica de España in 587.

Neither of Telefónica estimations, nor CMT recognised costs do fully cover this obligation's expenses for Telefónica de España. Due to methodology ruled by CMT; several other costs are compensated; eg: Telefónica de España maintains 17,605 phone boxes in locations where their use does not cover their maintenance cost, at a net cost of 63 million euros. It also operates the only regulated information service (11818/1003), with a limited offer, toll free from phone boxes, at a loss of 13 million euros.

UNIVERSAL SERVICES NET COST ACCORDING TO TELEFÓNICA DE ESPAÑA

Concept	Description	Euros
Social Rare	More than 400,000 people paid 0.6 euros per month instead of 12.6	70 million
Total geographic coverage	More than three million lines in loss making zones	154 million

TELEFÓNICA CONTRIBUTION TO UNIVERSAL SERVICE FUNDS IN LATIN AMERICA

	Amount	Local currency	Exchange rate	Euros
Brazil	102.70 millions	Brazilian Real	3.454	29.73 millions
Peru	28.68 millions	Peruvian new sol	3.91	7.34 millions
Argentina	8.50 millions	Argentinean peso	3.324	2.56 millions
Total				39.63 millions

a) Actions against the 'geographic divide'

universalisation goals foreseen for December 2003 in December 2001.

Rural telephony

Telefónica provides communications in communities that are located in rural zones at the same price as those in urban areas. In December 2003, more than 200,000 customers benefited from this service in Spain and more than 74,000 in Latin America countries.

- In Chile, CTC is performing service and applications promotion programmes on its own account (for example, providing Internet access to 5,500 schools) to complement the programmes by the Telecommunications Development Fund (FDT) financed directly by the Government.

Universal Service Funds

In Latin America, Telefónica companies collaborate with the different public initiatives to universalise the service, with a contribution to the universalisation funds of nearly 40 million euros :

- In Argentina, in spite of the Universal Service Fund (FSU), to which it is foreseen that the operators will contribute 1% of their turnover, not yet having been constituted, Telefónica de Argentina has been providing services at a loss.
- In Brazil, the Telecommunications Services Universalisation Fund (FUST) is formed by 1% of the gross operating turnover; TeleSP contributed 102.7 million reals. A noteworthy fact is early fulfilment by Telefónica, of the

- A Telecommunications Investment Fund (FITEL) has been set up in Peru, formed by contributions by the operators equivalent to 1% of their total gross turnover. Due to its specific importance, Telefónica del Perú has a very relevant contribution to that fund, aimed at establishing services in rural areas and other places of preferential social interest.

Broadband

In Spain, 91% of the fixed telephony network has coverage to provide broadband services through ADSL, offering these services to 93% of the population. That high capillarity of the network has led to more than one and a half million ADSL connections in Spain, more than one million of which belong to the retail service by Telefónica de España. The study Information Society 2003

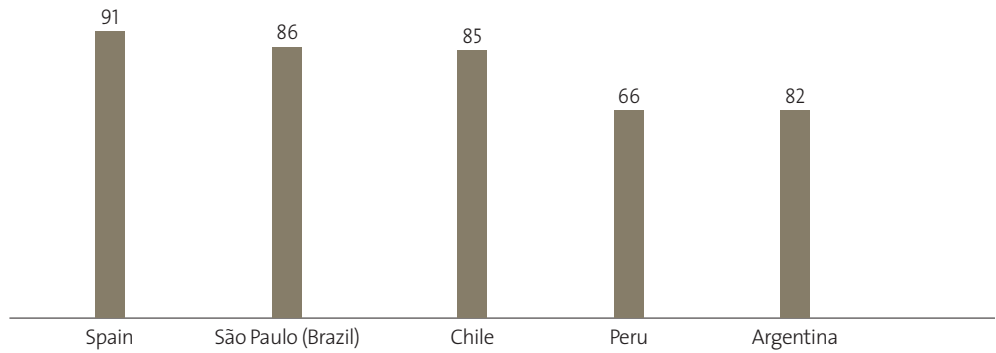
RURAL TELEPHONE SERVICES.

NUMBER OF CUSTOMERS

(December 2003)



FIXED TELEPHONY NETWORK AVAILABLE FOR ADSL
(Data in percentage)



concluded that 25% of Spanish homes with Internet use broadband to connect to the Net, much higher than the European average (13%).

In order to extend coverage of broadband services throughout the national territory, Telefónica de España has set up a satellite Internet access service. Thanks to establishment of new bidirectional modes, the Internet broadband access customer does not need to have an extra telephone line, as both directions of the communication are established by satellite.

The investment effort by Telefónica in Latin America to encourage broadband (exceeding 1,000 million dollars) is shown by the high coverage of the broadband (Speedy) services on the fixed telephony network, reaching 85% in Chile, 82% in Argentina, 66% in Perú or 86% in the state of São Paulo in Brazil.

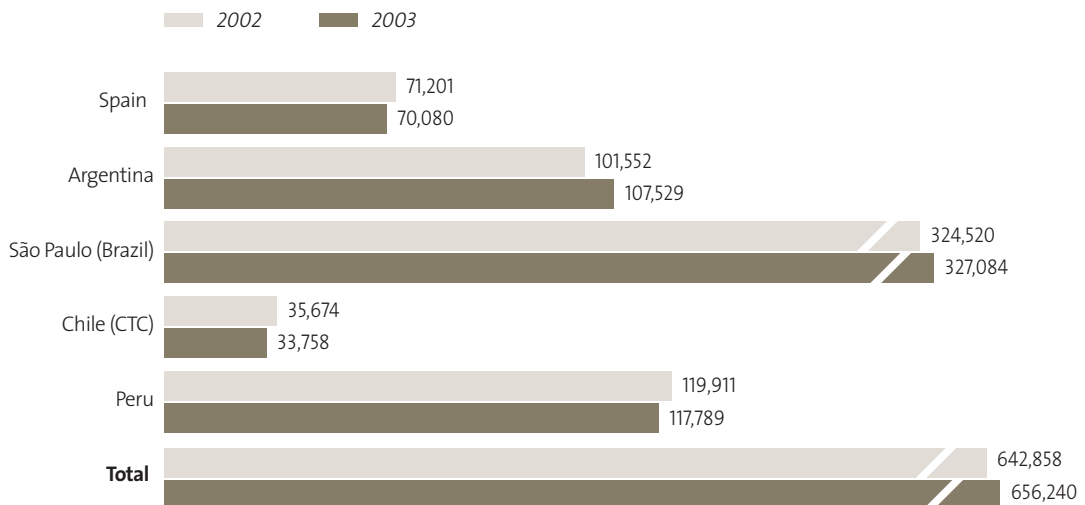
During 2003, Telefónica de España and Telefónica Latinoamérica have provided mobility to its broadband offer through implementation

of WiFi hotspots in such places as hotels, offices, convention rooms, airports and other public locations. The figures are significant, with 188 spots set up in Latin America in December 2003, and implementation of a further 400 in progress.

Public telephony

Public telephony is yet another option for the home telephone to provide access to communications to the whole population. Two significant facts in promotion of this service by Telefónica are that: Peru is the country in the world with the largest penetration of public telephony in relation to the total number of telephone lines (6%) and São Paulo has more than 10 appliances per 1,000 inhabitants in its metropolitan area. Aware of the important role of infrastructures for public use in development of the new services, Telefónica has included short messaging functions, e-mail, or Internet access in its public terminals in Spain, Peru or Brazil.

PUBLIC USE TELEPHONES. TELEFÓNICA GROUP
(Data in units)



2,5G AND 3G NETWORKS DEPLOYED BY TELEFÓNICA MÓVILES

	Network deployment
Spain	GSM-GPRS: national coverage UMTS in all the provincial capitals
Brazil	CDMA 1X RTT in Sao Paulo, Rio de Janeiro, Espirito Santo, Brasilia, Rio Grande do Sul and regions of the centre-east and north of the country
Argentina	GSM/GPRS in Buenos Aires, Mendoza and Bariloche
Peru	CDMA 1X RTT in Lima, Trujillo, Arequipa, Chiclayo, Piura, Chimbote, Ica, Huancayo, Tacna, Cajamarca and Cuzco (34% of the population)
Chile	GSM/GPRS: national coverage EDGE: Metropolitan Region and V Region

Mobile telephony

Due to the growing use of mobile telephony, Telefónica Móviles offers coverage levels in all the countries where it operates that are always greater than those required by the licences, continually seeking to optimise that coverage and efficiently managing the geographic, demographic and seasonal conditions. Moreover, Telefónica Móviles has pioneered the introduction of technologies 2,5G and 3G in all the countries where it operates, providing a good alternative to extend services with broadband, multimedia or mobile Internet features.

b) Actions against the 'economic divide'

During 2003, Telefónica has continued its offer of products in keeping with the social and economic reality of the regions in which it operates, to thus attend to the needs of sectors in which, for economic reasons, there is no access to telecommunications services.

Spain

Telefónica de España provides Social Rate, in order to provide access for customers with financial difficulties to the basic telecommunications services in Spain. It consists of a discount of 70% of the current amount of the connection fee and installation of the network terminal equipment (PTR) and a 95% discount on the monthly telephone line fee (free of any maintenance contract). The number of beneficiaries of this Social Rate in December 2003 was 414,456.

In 2003, Telefónica has developed initiatives aimed at sectors of society with difficulties in digital inclusion.

- The group formed by immigrants from other countries have new schemes that allow them to speak to their countries of origin on very advantageous economic terms. These plans concentrate on Latin American immigrants.

- Bono Américas is a special rate which covers calls to fixed telephones in the Dominican Republic, Argentina, Bolivia, Brazil, Colombia, Peru, Venezuela, Ecuador, Mexico, Chile and Uruguay.
- Bono Magreb covers Morocco and Algeria.
- Bono Europa del Este covers calls to Romania, the Ukraine, Bulgaria, Russia, Poland or the Czech Republic.

- Telefónica participates in a scheme to help large families (Plan + Familia, www.masfamilia.org) offering a set of economic advantages specifically designed for them. The Telefónica Group members who participate in the Plan are: Telefónica de España, Telefónica Móviles, Terra, Educaterra, Telefónica Data and Atento, through specific offers (such as those by Telefónica de España, Telefónica Móviles, Terra and Educaterra) and promotion of its activities by free contribution to products and services (hosting services and a toll free hotline).

Latin America

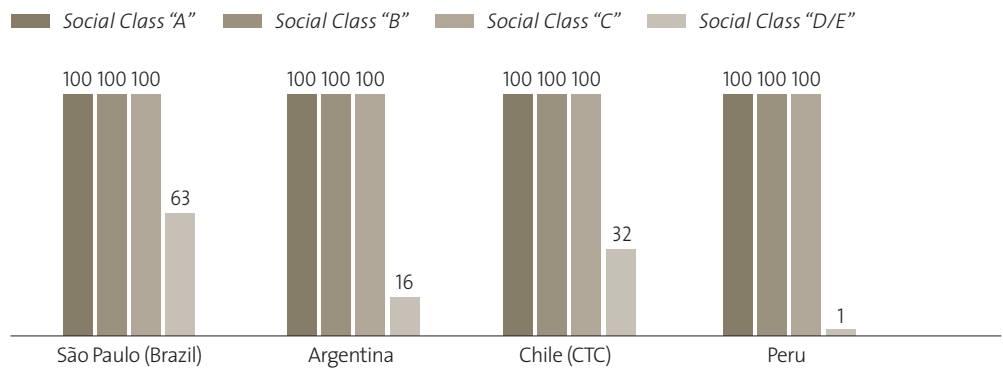
In Latin America, pre-payment, along with public telephony and restricted service lines are the basic pillars on which Telefónica has based its deployment of services aimed at low income groups. According to studies performed by the Group, such initiatives are necessary to encourage digital inclusion, as social classes D and E (those with the least income) would find it hard to meet the basic standing fee.

Argentina

In Argentina, Telefónica has reached 1.2 million agreements with customers with payment difficulties since 2001. Thanks to flexible terms to enter into instalment payment agreements, Telefónica managed to prevent a higher level of line withdrawals and enabled customers who were suffering financial difficulties to remain in

ESTIMATES OF LATIN AMERICAN HOMES THAT CAN PAY THE BASIC STANDING FEE*

(Data in percentages)



(*) Based on a maximum of 4% of income spent on telecommunications and according to the basic fee in each country, which determines the minimum income a home must have to afford the expense.

contact, avoiding the loss of the telephone service. That task required work in close contact with customers, with case by case study and consideration of the payment history and additional information requested on the potential beneficiary, before granting the agreement. The funds refinanced in that accumulated manner came to 400 million Argentinean pesos.

Several products were also developed to provide customers adequate control over telephone expenses. Those known as Líneas Control, Recupero and Línea Cero now have more than 1,259,000 users.

Brazil

In Brazil, TeleSP offers the Linha da Economia, that had 530,925 users at the end of 2003. In that line, TeleSP launched a pre-paid card, Super 15, that allows customers to make national and international calls from any fixed telephone in the country controlling the expense, available balance and specific information on the time available for each call before beginning it. During 2003, the number of pre-paid cards in public use acquired by customers amounted to 110 million.

In order to promote Internet access to the communities with greatest economic difficulties, TeleSP and Fundación Telefónica are offering neighbourhoods telecentre facilities to provide

connectivity for youths, children and adults who previously had no contact with the virtual world. Moreover, collaboration by TeleSP with Telefónica Empresas has allowed it to attend to the Acesa São Paulo Programme, through which the Government of the State provides free Internet access to the population. That same project was awarded the Prize for Excellence in Electronic Governance by the Brazilian Association for State Data Processing Companies.

Chile

In Chile, Telefónica CTC offers a new product aimed at segments of the population with less resources: the Plan Bajo Consumo. This is a pre-paid fixed telephone where the customer is the subscriber. The use of pre-paid cards allows the customer to keep control of telephone expenditure.

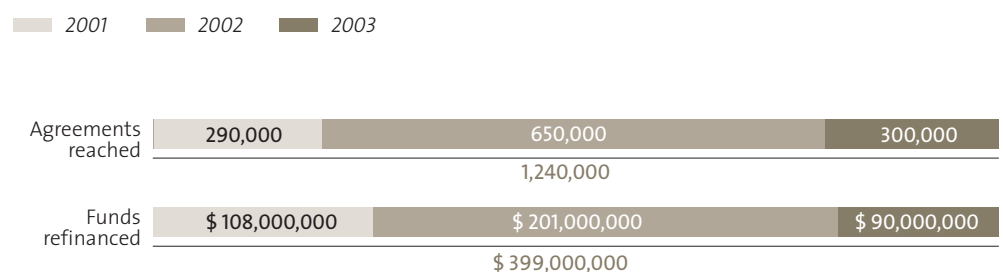
There are also numerous other products¹ adapted to the customers' needs. In December 2003, there were a total 269,404 lines that benefited from such contracts, and 10.7 prepaid cards had been used.

Moreover, during 2003, Telefónica CTC proceeded to reconnect customers with debts of 120 days or more, so they may have the telephone service to receive calls and use a pre-paid card to make them. Nearly 200,000 telephone lines will be released, providing customers a communication alternative.

(1) Includes the products: (Cuenta Segura Repactado / Cuenta Segura Solicitada por Clientes / Plan Solución / Servicio Activo Clientes / Servicio Activo Comodato / Servicio Activo Ex-Clientes / Servicio Activo Nuevos Clientes / Bajo Consumo / FULL Variable / Plan Solución Pyme)

AGREEMENTS WITH CUSTOMERS WITH DIFFICULTY TO PAY IN ARGENTINA

(Data in pesos)



Peru

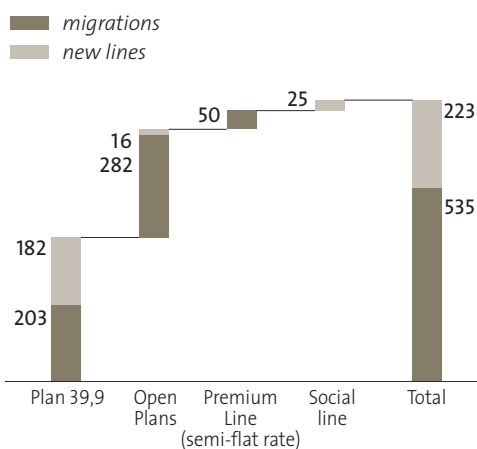
In March 2003, Telefónica del Perú provided its users a series of new tariff plans, that allow a 15% average saving and a maximum of up to 30.9% based on monthly income, local calls from fixed to fixed and Internet consumption. These plans were a success, as at the end of November, more than 750,000 customers chose the new plan, allowing it to reach 49% of the residential customers. 72% of the migrations were in homes with socio-economic levels C, D and E. At the end of 2003, 860,734 customers were users of the low consumption products in Peru² and the average saving for the consumer reached 18%, above the 15% initially foreseen.

The 147 Card is a pre-paid card that allows calls to be made from fixed telephones and public terminals, allowing spending control by the users. Its success is shown by the 129,781,468 cards distributed throughout 2003.

Telefónica provides its Latin American customers the benefits of belonging to a group

CUSTOMERS SUBSCRIBED TO NEW PLANS IN PERU BY TYPE OF PLAN. (30th NOV. 2003)

(Data in thousands)



with presence in several countries and encourages the synergy between its diverse subsidiaries. Thus, Telefónica has set up the De Punta a Punta scheme in Peru and Chile, which offers discounts of up to 50% during normal time bands, for fixed telephone numbers in both countries. This plan will be extended to Argentina and Brazil in a second phase.

Mobile telephony

Additionally, in the field of mobile telephony, mass use of SMS messages shows how simple, cheap services may be used to solve communication needs at a very low cost.

Another factor that has contributed decisively to reducing barriers of an economic kind has been manufacturing, by Telefónica Móviles, of its own brand terminals, at lower cost to users.

c) Actions against the 'skills divide'

Technological barriers are not the only ones that may cause the appearance of the digital divide. There are skills and knowledge barriers

NUMBER OF SHORT MESSAGES SENT FROM MOBILE NETWORKS

(Data in millions)

	Millions of SMS
Telefónica Móviles España	9,302
Telefónica Unifón Argentina	26
Telefónica Móviles México (since april)	87
Telefónica Móviles Perú	80
Telefónica Móvil Chile	85
Telefónica Centroamérica Guatemala	2
Telefónica Móviles El Salvador	3
Movistar Puerto Rico	5
Meditel (Morocco)	140

(2) Popular, Línea70, Línea100, LDC-Inicial, LDC-Personal, LDC-Familiar, LDC-Máxima, LDC-Especial, LDC-Internet, LDC-Internet Plus, LDC-Económica, LDC-Súper Económica, Flexilínea, Fonofácil Plus, Fono4

that may be higher than the technological ones, especially in developing countries and in groups such as the elderly or disabled. Telefónica, in collaboration with its Foundation, is developing programmes aimed at providing society skills in the use of new technologies.

- In 2003, Telefónica de Argentina began the third round of the Interactive Classroom programme, designed to provide skills in Internet use to students in the primary and middle cycles of public and private schools. The initiative includes students from more than 80 schools in La Plata, Mar del Plata and the provinces of Pampa, Neuquén, Mendoza and Río Negro, in addition to Capital Federal and Gran Buenos Aires.
- In Brasil, Fundación Telefónica, in collaboration with the Municipal Secretariat of Education of São Paulo, provided skills training during the first semester of 2003 to more than 2,000 teachers, on the pedagogical use of computers and the Internet. That project, that benefits more than 450 primary schools, is part of the EducaRed project.
- Telefónica CTC Chile, with support from Fundación Telefónica, has completed its fifth year of the Internet Educativa programme, thanks to which 5,500 schools and lyceums throughout the country were linked to the Internet thanks to the Company.
- Telefónica CTC Chile, in collaboration with the Rural Life Foundation, provided Internet skills training courses to 10,000 students, elderly and disabled adults. In its four year history, the programme has trained more than 45,000 people.
- In Santiago, Fundación Telefónica has organised training courses for 500 teachers, aimed at learning about the possibilities and pedagogical use of the Internet.

- In Spain, Terra, together with the main associations of students' parents and teaching unions, have set up the Terra initiative Aulas edu.es. It is a project aimed at 60,000 students between 12 and 17 years old, parents and teachers, the objective of which is to provide information on Internet facilities in education and leisure, as well as the risks of its improper use.

In November 2003, Telefónica Móviles España created the Usability Group, in order to improve usability, user experience and homogeneity between services and interfaces. To manage to achieve these objectives, the group carried out studies aimed at obtaining knowledge of the usability of the present mobile services and services, as well as the needs of potential customers.

03 DEVELOPMENT OF THE INFORMATION SOCIETY

Telefónica has a firm commitment to transformation of the potential benefits of the information in real benefits for its users. To do so, along with development of its basic infrastructures and combating the digital divide, it develops an important activity in development of services, joint work with other companies and collaboration with universities.

a) Services that add value to the company

a.1) Services with added value for civil society

- Telefónica Soluciones collaborates with the Ministry of Science and Technology and with the Spanish Federation of Municipalities and Provinces in development of the Electronic Administration. The project considers creation of a full digital city on a platform that integrates an information portal, an administrative tele-counter, an agenda of activities and other communication tools.

- Telefónica Móviles España has presented the Ciudad Móvil (Mobile City) project, aimed at modernising the processes and management of local corporations with their citizens through mobile telephony. Ciudad Móvil is based on the opportunities provided by such a universal access device as the mobile telephone and its growing use, and allows the Local Governments to establish a closer, more dynamic, two-way relation with the citizens, in addition to providing a service at any time, at any place, and to modernise municipal management.
- Telefónica de España provided the technological support for the first Internet voting. This took place in Hoyo de Pinares, Ávila, in co-ordination with the Ministry of Internal Affairs and the Ministry of Science and Technology. In that same electoral context, Telefónica Móviles España and the Local Government of Leganés set up a system to provide the voters information on the census.
- The infrastructure of Telefónica Empresas in São Paulo has allowed trials to be held with prisoner examination taking place from the prison, by videoconference, thus saving on travel costs of the prisoners to the court, due to the high security measures required.

a.2) Added value services for small and medium sized companies.

Telefónica de España, through its participation in such schemes as the Office to Support the Information Society¹, the SME Modernisation Programme² or Banespyme³, aims to facilitate, integrate and make it possible for SMEs to join the information society.

Among the objectives of these schemes, there is providing companies the specific solutions of information technologies that are useful for their processes of modernisation and improvement of competitiveness. For example, Telefónica de España has completed its family

of ADSL Solutions with the ADSL solution known as e-gestión, a new application that provides small and medium enterprises and professionals complete customer management software (CRM). All the applications and data of the SMEs that use them are housed in the information centres of Telefónica de España, equipped with all the security elements of its network 24 hours a day. In December 2003, more than one hundred thousand customers of the Group had hired such services.

Telefónica de España is also developing the Project of Agreements with Professional Groups and Associations to encourage better commercial attention to groups of economists, engineers, architects, lawyers and other professionals, continually providing them the most advanced telecommunication services, that will allow them to improve their management as professionals within the information society, in which they have to perform their duties.

Telefónica Móviles España, Microsoft Business Solutions and Indra have entered into a collaboration agreement to jointly develop a set of mobile business solutions adapted to specific corporate needs. Within the framework of that agreement, two solutions have been developed aimed at the roaming sales force and mobile project management. Specifically, the Mobile Sales Force solution (Comerciales en Movilidad) provides perfect communication between the sales staff and the company and allows access in real time to all the information on customer interactions. Thus, sales staff response time is shortened, task assignment is optimised with the location tool that includes the solution and improves communication between the company and the sales staff through SMS notifications and alerts.

At the initiative of Atento, a survey will be made on the export capacity of SMEs in Argentina. On the basis of approximately 4,000 SMEs in the metropolitan area and interior of the country, 600 effective surveys

(1) Joint initiative with BBVA,

HP and Microsoft

(2) Joint initiative with Bankinter, IBM, Informática El Corte Inglés and SP

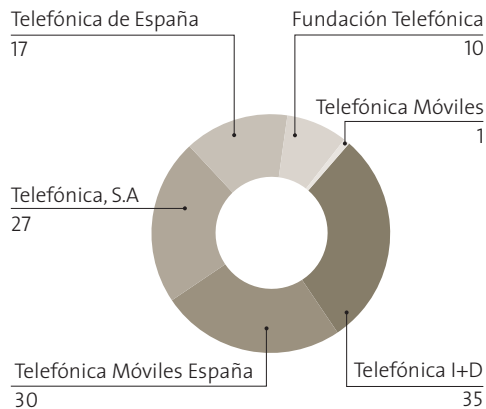
(3) Initiative by Banesto with participation by Microsoft, Intel, HP, ICES, DHL, Cisco Systems and Barrabés Internet

PROFESSIONAL AGREEMENTS ESTABLISHED BY TELEFÓNICA DE ESPAÑA WITH PROFESSIONAL GROUPS AND ASSOCIATIONS

Region	No. of Agreements
Andalucía	105
Aragón	23
Asturias	15
Balearic Islands	9
Canary Islands	32
Cantabria	15
Castilla y León	27
Castilla La Mancha	22
Cataluña	62
Extremadura	5
Galicia	23
Madrid	40
Murcia	16
Navarra	8
Basque Country	31
Rioja	10
Valencia	50

**INITIATIVES WITH UNIVERSITIES
BY BUSINESS LINES 2003**

(Data in percentages)



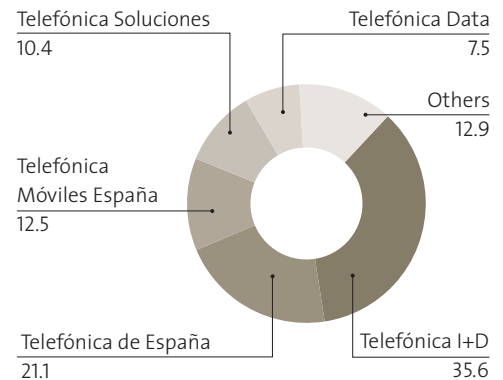
were carried out. Through this study, Atento Argentina wished to investigate whether small and medium sized companies in the country are ready to export.

a.3) Solutions adapted to the needs of the different corporate sectors.

- Transport sector:
 - Telefónica Móviles España collaborates actively with the Spanish Merchandise Transport Confederation (CETM) in the Strategic Plan for Road Transport of Merchandise, supported by the Ministry of Development.
 - In Brazil, Vivo presented a communication module that, when installed in vehicles, allows monitoring of entire fleets or individual vehicles, the use of which is aimed at logistics and security processes.
 - Telefónica Soluciones has launched a cell based monitoring and location service, that allows location and management of mobile telephones within the company. That service allows companies to optimise their logistic resources, by knowing the exact location of their personnel, vehicles and merchandise, with time saving and improved their worker productivity estimated at 15% to 20%.
 - TPI-Páginas Amarillas has launched a new street map service on Internet that shows the state of the traffic in real time in the main Spanish capital cities. The user may consult more than 180 cameras located in the main areas of Madrid, Barcelona, Bilbao, Seville and Las Palmas de Gran Canaria.
- Distribution Sector
 - Telefónica I+D has developed a family of solutions (Atlantis M2M) that allows

**INVESTMENT IN GRANTS
BY BUSINESS LINES**

(Data in percentages)



communication between machines based on the mobile telephone. This provides companies information in real time on the state of their machines and remote devices (industry, transport, logistics, vending, telemetrics, etc.), to configure and activate the machines without the need to travel.

- Insurance sector
 - Telefónica Móviles España has developed a project that builds mobility into the car verification process when taking insurance. Thus, the appraisers will receive the information on their visits by short message to fill in the car verification form. They may also send the report data from their mobile telephone.
- Construction sector
 - The Connected Home solution provides the home owner the necessary devices for remote management or control of his house, through a safe access system from anywhere in the world where there is an Internet connection or telephone communication. In July 2003, the first housing estate built with this solution was presented in the province of La Coruña.
 - Telefónica de España imposes the use of broadband connectivity solutions between professionals in the construction world (contractors, subcontractors, architects, draftsmen, etc.) through an agreement with Obralia (Internet portal driven by 32 construction companies, with more than 50,000 registered companies).
 - Telefónica Móviles España and Ferrovial have reached an agreement to collaborate in development of mobile technology

TELEFÓNICA PROFESSORSHIPS



Some results of the Telefónica Professorships in 2003

42
technological innovation projects
(24 in 2002)

19
collaboration projects with companies in the Group
(9 in 2002)

48
courses taught with training at:

3,020
students
(compared with 1.350 in 2002)

3,442
hours of training
(791 in 2002)

106
grants awarded in the scope of the Professorships
(66 en 2002)

Presentations of the research results in

27
forums

37
publications

11
own webs

solutions such as tracking and payment by mobile telephone, using the present GPRS networks and the third generation (UMTS) and applying them to their areas of services, infrastructures, real estate promotion and construction.

- Health sector
 - Telefónica I+D has developed a prototype application of electronic prescription for professionals, doctors, health centres, resources and patients. That system allows prescriptions to be written, dispensed and billed, replacing the present one on paper. It will increase the quality of the assistance process, as it avoids erroneous interpretations arising from manual prescription and detects possible incompatibilities in the medication the patient is to be supplied, as complete information is available on the drugs prescribed and dispensed.

b) Collaboration with universities

In 2003, the Telefónica Group established or renewed more than two hundred agreements with Spanish universities. The financial effort by the Telefónica Group, aimed at supporting university training, has amounted to ten million euros in the last financial year, two million

being assigned to professorships, courses and seminars, and eight million to grants.

The number of total training initiatives by Telefónica with universities and business schools during 2003, amounted to 120 (65 in 2002). One of the most outstanding initiatives in 2003 was that set up by Telefónica Móviles España, the Technological Promotion Plan for the UMTS Network, at fifteen Spanish universities, developed through research grants, calling prizes, training activities and access to the UMTS network for research activities.

The Telefónica professorships are an initiative aimed at promoting the leverage effect of technological innovation, encouraging basic and applied research, encouraging training of future professionals and helping SMEs to train staff in new technologies. This programme, in operation from 2000, now has 17 initiatives.

The Telefónica Group offered 1,100 grants in 2003, to students on technical degree courses at diverse Spanish universities, through 201 agreements. Fundación Telefónica also collaborates with the Fundación Carolina, created at the initiative of the Spanish Government to promote cultural relations and co-operation in the educational and scientific fields between Spain and the rest of the world, especially in the countries of the Latin America community.

SOCIAL AND CULTURAL ACTION BUDGET. TELEFÓNICA GROUP 2003

Contribution	Millions of euros
Telefónica Foundation	23,477
ATAM (*)	8,800
Rest of Telefónica Group (**)	14,271
TOTAL	46,548

(*) Contribution by the Company in the Telefónica Group to ATAM to complement the contribution by the employees.

(**) Includes activities performed by companies in the Telefónica Group according to the basic criteria of Social and Cultural Action: actions of general interest, voluntary and non-profit.

Throughout the year, the companies in the Telefónica Group have awarded prizes to recognise diverse research work performed by the universities. This is the case of the research work into UMTS technologies awarded by Telefónica Móviles España or the R&D prizes for innovation awarded by Telefónica I+D in Spain and Brazil.

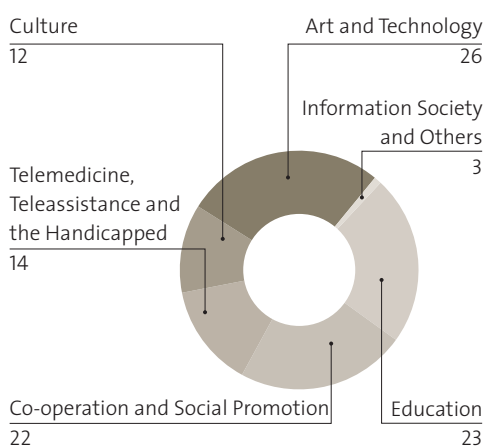
CampusRed.net, an initiative of the Fundación Telefónica, is an initiative that encourages exchange of information and knowledge among the Latin American university communities, facilitating teaching on the Net and shared management. In 2003, it received 823,959 visits, with a 153% growth on 2002.

04 SOCIAL USE OF COMMUNICATIONS

Fundación Telefónica is the main channel for social and cultural action of the Telefónica Group in the countries in which it is present: Spain, Argentina, Brazil, Morocco, Peru, and since 2003, Mexico. To that end, it develops different projects in collaboration with social organisations, in which application of new

FUNDACIÓN TELEFÓNICA BUDGET IN SPAIN BY AREAS OF ACTIVITY

(Data in percentages)



information technologies and communication is the fundamental study aimed at improving educational processes, access to culture and art, as well as develop society and improve people's quality of life, with special attention to the least favoured groups. However, other companies in the Group also perform non-profit activities aimed at social and cultural development of the societies in which they operate.

All the actions carried out by the Fundación Telefónica in the countries in which it operates, on the basis of transnational, or specifically national projects, are characterised by their general interest, their voluntary commitment beyond what is established by law, and their being of a non-profit nature.

During 2003, Fundación Telefónica had a budget of 23,477,000 euros and developed 209 social and cultural action projects that have directly or indirectly benefitted 20,092 organisations and 14,559,319 persons.

The distribution of the budgets by areas of activity shows the interest the Fundación has in developing its activities in all the fields in which it is present. A more detailed analysis of the organisations with which it collaborates and the people who are beneficiaries shows that social use of information technologies may have a major impact in such fields as education, co-operation or teleassistance.

In 2003, Fundación Telefónica gathered the opinion of different representatives of the social and cultural organisations with which it has collaborated, that has allowed it to ascertain the degree of social utility of the activities carried out, as well as a series of aspects that may contribute to improving future relations between Fundación Telefónica and those organisations. Nearly 55% of the total 197 questionnaires sent to the representatives of those organisations were answered. These opinions are recorded in the 2003 Social Memorandum of the Fundación Telefónica.

a) Educational development

The action by Fundación Telefónica in the area of education involves development of powerful technological platforms on the Net able to provide the most advanced tools, to create innovative educational content and support training of teachers, students and parents in the use of the new resources. It also encourages creation of spaces for reflection and debate among the experts, the educational community and society, and creates virtual work areas and exchange of knowledge, that allow programmes to be established for the classroom, teaching and research on the Net.

- *EducaRed*, www.educared.net, is a transnational educational platform, adapted to the educational and social contexts of each country, the objective of which is to extend and improve educational resources on the Internet, concentrating on creation and promotion of new materials and pedagogical innovations. Educared received the Anuario Telecom 2003 citizens' prize in Brazil, in the category of contribution to the community. The II International Congress of EducaRed was attended by 2,000 teachers.
- *Aulas Unidas (United Classrooms)* is a twinning project between educational

centres and students that favours interrelation and collaboration between different schools in Argentina, Brasil, Chile, Peru, Morocco and Spain.

- Designed and developed by the Fundación Telefónica in Argentina, *Aulas Interactivas (Interactive Classrooms)* provides skills in the use of Internet to students in primary and secondary education in state and private schools in the country.
- In Brazil, Fundación Telefónica has developed the programme *Internet nas Escolas (Internet in Schools)*, through which it intends to provide broadband Internet connection to more than 700 primary and secondary schools. Also in that country, the Foundation provides its support in implementation of *Computer and Citizenship Schools (EICs)* in different underprivileged communities.
- The *Internet Educativa* project in Chile provides connectivity and free use of the Internet to all the educational centres in the country. Fundación Telefónica in Chile also develops a training programme in the pedagogical uses of Internet, aimed at people who perform activities in different areas of the community.

Spain: EducaRed:

11,091
schools registered

Argentina: Aulas Unidas:

8,945
student participants

Brazil: Computer and
Citizenship Schools:

5,300
students trained

Chile: Internet Educativa:

5,500
schools linked

FUNDACIÓN TELEFÓNICA PROJECTS' IMPACT BY AREAS OF ACTIVITY

	Spain			Latin America and Morocco		
	% projects	Char. Orgs.	Pers. Benef.	% projects	Char. Orgs.	Pers. Benef.
Education	7	11,166	4,297,292	17	5,527	3,667,838
Co-operation and Social Promotion	15	773	1,112,000	21	995	83,032
Telemedicine, Teleassistance and Disabilities	25	1,210	382,323	21	238	291,572
Culture	10	25	504,064	27	90	1,529,883
Art and Technology	28	34	1,852,532	14	28	823,783
Information Society	16	6	15,000	0	0	0
Total	100	13,214	8,163,211	100	6,878	6,396,108

Peru: Educational project
in Marankiari Bajo:

42

indigenous
communities benefit

Morocco: Village
of Bougdour:

380

adults on a literacy
programme

- Fundación Telefónica of Peru collaborates as administrator of the resources contributed by the Telefónica group to the *Huascarán Project*, the objective of which is to provide Internet access to thousands of schools, thus extending coverage of the educational services to the poorest, most remote areas of the country through distance education programmes.
- In the educational area, Fundación Telefónica in Morocco has collaborated in financing the construction and equipment of a rural school in the village of Bougdour, province of Tangiers-Asilah.
- Fundación Telefónica is working on the *Homeless Children project*, aimed at providing training and information to street children in Argentina, Brazil, Chile, Spain, Morocco, Mexico and Peru, through shelter centres that will have computerised classrooms, linked together on EducaRed.
- Peru has the Satellite Tele-education Pilot Centre, that benefits 42 indigenous communities, as well as 12,000 inhabitants in the district of Perené.

b) Support for co-operation

Contribution of infrastructure in favour of co-operation.

One of the aims of Fundación Telefónica is to place new information and communication technologies at the service of co-operation and development. To that end, the Foundation provides its support to a large number of non-profit entities and social organisations, providing them diverse communication solutions that allow them to increase the effectiveness of their actions, thus contributing to improve the living conditions of the people they attend.

- The portal Risolidaria (International Solidarity Network), www.risolidaria.org, is a

transnational platform that aims to facilitate the task of social organisations by linking them to a network that speeds up their contact and mutual collaboration. A key event in 2003 was its launch in Portuguese.

- *The Telecommunications Equipment Programme for Non-Profit Organisations* aims to ensure modernisation and technological adaptation of the information and orientation telephone services these entities are provided. In the 2003 edition, aid was granted to 519 entities out of the 700 who applied.
- For the eighth consecutive year, the Christmas Campaign provided free communication during the holidays between direct relatives of Spanish co-operation workers and missionaries performing humanitarian work in different countries in the Third World.

Collaboration in social projects

The Telefónica Group performs intense social work through collaboration in social development initiatives in each one of the countries in which it is present.

- In Argentina, Fundación Telefónica is working on the Integral Programme for Development of Civil Society, that provides social organisations tools to professionalise their human resources, as well as technical and consulting assistance. In alliance with organisations in the sector, Fundación Telefónica supports community growth through micro-ventures and micro-credits for local development.
- Fundación Telefónica in Brazil develops a programme aimed at supporting the work carried out by the municipal councils for the Rights of Children and Adolescents. The Foundation supports other social initiatives that promote labour integration of women who are heads of families, with children and adolescents in their charge.

- In Brazil, the Telefónica Group has collaborated in the Hunger Zero programme. It is a governmental programme that aims to aid nearly 10 million families (about 46 million people), resident in urban and rural areas. Along with the support provided by Telefónica to develop the project, Atento runs the telephone call centre that handles 257,000 queries concerning the scheme, and Terra sponsors the programme portal.
- Atento Brazil was the first company to sign the alliance with the Association for diffusion of Drug Information Centres in order to provide specialised attention for the population without access to information on prevention and use of drugs. Atento Brasil opened the first Drug Information Centre in the city of Ribeirao Preto and aims to extend that figure to its 14 centres.
- In Peru, the programme of Fundación Telefónica Sports Clinics 2003 has taken place for the third consecutive year. This edition has benefited 4,800 athletes of school age, 140% than last year, from thirteen cities in the country.

Use of communications to gather funds

Communications may be of major use in gathering funds for social projects. Telefónica, is aware of this and offers its services for these ends:

- Telefónica Móviles España and Aldeas Infantiles SOS de España have signed a collaboration agreement in order to perform actions based on new mobile technologies that allow resources to be obtained for development programmes and protection of childhood. The first actions were carried out during Christmas with the revenue generated by sending Telefónica Movistar multimedia postcards and short text messages (SMS) with greetings to the 404 mailbox.
- Fundación Telefónica provided a number that channelled the donations and all the

telephone infrastructure for the Telefood Pageant organised by the FAO, under the slogan *An international alliance against hunger*.

- Fundación Telefónica in Spain activated an Emergency Telephone to channel humanitarian aid in the Iraq war.
- On Childhood Day, Atento Argentina provided free management of all the donations to the television marathon Sunshine for the children a UNICEF charity drive. Its 400 volunteers managed to collect 641,866 and handled 41,020 calls. Telefónica also collaborated in Argentina with the annual collection by Cáritas.
- Atento in Peru participated in the Televida (Tele-life) project. That event allowed more than 260,000 euros to be collected to help cancer patients at the Neoplastic Diseases Specialist Institute.
- In Puerto Rico, Atento collaborated with the Muscular Dystrophy Association in call management during the annual radio and telephone marathons by that concern.

- In Brazil and Chile, Telefónica provides its support to the *Teleton* (fund collection to support and develop disabled children). The support provided by Telefónica consists of human, technological and financial resources.

- Yet another year Telefónica Data sponsors the awareness campaign *One Kilo of Help*, organised by the IUVE Foundation in order to promote solidarity buying of a donation card that is later converted to food, books, medicines or building materials.

c) Use of technology in emergency situations

Fundación Telefónica provides NGOs for development several Emergency Communication Units to palliate communication problems, as it did in previous catastrophe situations.

Spain: Telecommunications equipment programme for non-profit organisations.

519
beneficiary organisations

Argentina: Integral Plan for Development of Civil Society:

77
activities

Brazil: Pro-Direitos Programme:

207
assistance organisations that attend children

Chile: Risolidaria:

90
organisations registered

Peru: Sport Clinics for scholars:

4,800
athletes participated

- The city of Santa Fé in Argentina was struck by the most serious flooding in the whole of its history, that led to evacuation of more than 100,000 people, leaving the city without electricity and practically cut off. Unifón helped the catastrophe victims by donating 400,000 minutes of calls and delivering terminals to the NGOs and Civil Defense. Atento Argentina provided Civil Defence and the Solidarity Network its platform to receive help from those who decided to offer all kinds of donations. The campaign received a total 13,974 calls.
- Telefónica de España, in collaboration with Fundación Telefónica, transferred two mobile phone booth units (equipped with 36 cabins) to the Galician coast to collaborate in the cleaning tasks after the oil spillage from the Prestige. To complement this, the Foundation distributed free telephone cards among the volunteers and Telefónica Móviles sent 12 mobile units to reinforce coverage all along the coast.
- During 2003, Telefónica de España set up nationwide deployment of the ENASIS service (Advanced Routing for Services of Social Interest) that allows calls from users of services of social interest in local areas (municipal police, national police, municipal information, fire brigade, etc.) to be accessed by dialling short numbers (090, 091, 010 or 080).
- Fundación Telefónica is to collaborate with the Spanish Red Cross in maintenance of its Mobile Co-ordination Centre and will support the Contact Centre and Emergency Response Unit (ERU) project.

Mobile telephones are a good help to ensure effective coverage of the communications needs of the emergency services: fire brigade, ambulances, helping people at risk, search and rescue services, police actions, etc.

More than 70% of participants in the opinion channels of Telefónica Móviles, on use of

technologies, declared that mobile telephony had been of great use to solve an emergency.

d) Combatting gender violence

Telefónica Móviles España has provided the Directorate General of Police free call traffic to set up the Ministry of Internal Affairs Assistance Programme for Abused Women. Each woman assigned to the programme will be given a mobile telephone with abbreviated dialling, restricted to four pre-programmed numbers. Telefónica Móviles España will grant each of the women on the programme 12 euros per month in free calls, in addition to free connection of the service and its monthly standing fee. The company has also developed and installed a specific corporate network to facilitate communications between the police and women concerned, and has provided technical training to the police on operation of multimedia terminals.

In addition to this national agreement, Telefónica Móviles España, through its territorial directorates, has signed agreements with several Local Governments and Autonomous Regions (Galicia, Basque Country, Castilla-La Mancha and Andalucía) to promote assistance programmes for abused women in diverse areas. Fundación Telefónica is collaborating with Local Governments in Palma de Mallorca and Santander in setting up similar projects.

e) Legal use of communications

Telefónica considers it part of its responsibility to collaborate with the authorities in combating use of technology for purposes that violate the laws in force. In this sense, during 2003, major measures were taken against robbery of mobile telephones, child pornography and content piracy.

e.1) Measures to discourage mobile phone theft

Due to the high rate of phone theft, Telefónica Móviles is working with the authorities and rest

of the operators in the countries to create systems that allow the equipment to be blocked, and thus hinder such criminal activity.

In Spain, it works with the other operators and the authorities to inform users of the procedure to follow if their phone is stolen and to later block the terminals reported missing. In 2003, 59,577 terminals were blocked after being reported stolen.

A similar procedure is in place in Latin America, applying information exchange to the bordering countries. The number of terminals deactivated in Argentina during 2003 came to 98,712. In Chile, information exchange between operators was activated in

January 2004, with an average 415 terminals deactivated. In Peru, as soon as a phone theft or loss is reported, the electric series of the equipment is disactivated in order to prevent it being unduly reactivated.

e.2) Measures against child pornography on the Net

In order to facilitate persecution of child pornography, Terra developed the following initiatives:

- Suppression of the anonymous personal web page service. According to data provided by the Civil Guard and Police, due to which exhibition of pornography was reduced 99%.

SOCIAL SERVICES ACCESSIBLE FROM TELEFÓNICA MÓVILES NETWORKS

Country	Number of services	Services
Telefónica Móviles España	3	112, 088 and 085 (central emergency services)
Unifón Argentina	7	Fire Brigade, Police, Abused Children, Civil Defence, Coastguards and Medical Emergency
Telefónica Móvil Chile	10	Ambulance, Fire Brigade, Police, Emergency 136, Emergency Conaf, Drugs Phone, Police Information, Sea Rescue, Search Service
Telefónica Móviles Perú	5	Police Emergency, Civil Defence, Fire Brigade, Hospital Emergency, Emergency Switchboard
Telefónica Móviles Guatemala	1	911 (Central Emergency Service)
Telefónica Móviles El Salvador	1	911 (Central Emergency Service)
Méditel Morocco	4	112 (Even without Sim Méditel Card), National Police, Royal Gendarmes and Civil Protection

- Initiation of a campaign on the portal, in which users are called on to denounce any illegal activity in personal pages, included in or accessible through these. The number of reports is practically non-existent at present, which confirms the success of the measures adopted.

e.3) Legal alternatives to musical piracy

Mundo ADSL, a service marketed by Telefónica de España and Terra, has included a new Music Download feature in its range of products and services, that strictly complies with the regulations in force concerning protection of authors' rights. Through that service, Telefónica has become the first telecommunications operator to offer Internet users a catalogue of more than 50,000 musical themes, in order to offer legal alternatives to download and record music on broadband.

f) Internet use by children

In June 2003 the *Framework Agreement for Collaboration in Promotion of Safe Internet Use by Children and Youths* was signed by Terra and the following bodies: *The Children's Ombudsman* of the Region of Madrid, Red.es, Unicef, *Save the Children*, Asociación contra la Pornografía Infantil, Protégeles, Cocapa, Ceapa and Trade Unions. It aims to provide a framework for collaboration that guarantees protection of children and encourages the use of new technologies.

- Terra España has launched a new service that allows filtering of access to specific Internet sites and contents considered non appropriate for consumption by children and youths. The new service, called *Terra Control Paternal*, allows supervision of Internet browsing, limiting access to certain web pages, so the user determines which pages may be accessible through his computer, filtering the content. The content that may be limited are those related to racism, violence, drugs, pornography, sects and construction of explosives.

- Telefónica de España offers a similar service, *CanguroNet*, with filters to prevent access to certain Internet sites and content considered inappropriate for family or corporate consumption.

g) Support for the Spanish language

Telefónica is noted for its active collaboration in promotion and use of the Spanish language throughout the world. Thus, in 2003, it renewed its collaboration agreements with the Spanish Royal Academy and the Cervantes Institute, that have led to numerous programmes:

- The Spanish Royal Academy, Fundación Telefónica and Terra Lycos collaborate in promotion and diffusion of Spanish on the Internet. Due to this, users may access the 22nd edition of the Dictionary of the Spanish Royal Academy and submit queries free of charge.
- For the seventh consecutive year, Telefónica and Fundación Telefónica provided the technological and telecommunications infrastructure for the reading of *El Quijote*, that was held continuously for 48 hours. The technological novelty this year was the chapter read by the text-voice converter developed by Telefónica I+D and included in the Hispanic Studies portal of the Cervantes Institute.
- Digitization of archives and content in Spanish of the San Millán de la Cogolla Foundation or the Miguel de Cervantes Virtual Library Foundation.
- Spanish Up-to-date Service, that now receives and dispatches an average 275 queries per day from all over the world.
- Drafting and revision of the *Diccionario Panhispánico de Dudas*, a work in which all the academies of the Spanish Language have participated actively, to satisfy the demand for an academic publication providing guidance on the rules of correct use of the Spanish language.

h) Diffusion of art and culture

From its birth, Fundación Telefónica has considered that one of its priority objectives is to include the new information technologies, and most especially, Internet in the diffusion processes of any artistic and cultural manifestation, not only to bring culture to people anywhere in the world, but also as a tool to explore and develop new forms of cultural expression.

The National Culture Institute (INC) in Peru awarded Fundación Telefónica the Medal of Honour for Peruvian Culture, to recognise the valuable ongoing contribution the institution makes to Peruvian culture. *"This prize is in appreciation of the work the Foundation has carried out since 1999, in order to recover, conserve and make the historical heritage of Peru known, that involves bringing the common citizen nearer to all the wealth of his past and present culture"*.

Some initiatives developed in 2003:

- The programme *Ars Virtual* (www.arsvirtual.com), is a three dimensional recreation of the main monuments of the artistic and cultural heritage of Spain, such as Cathedrals and the Royal Palaces. In 2003, there was a notable virtual reproduction of the Cathedral of Cuzco in Peru and the Royal Monastery of the Incarnation in Madrid.
- Technological collaboration with different Spanish institutions of great prestige such as the Casa de América, Círculo de Bellas Artes, Fundació Orfeó Català-Palau de la Música or the Fundación Las Médulas, to develop diverse projects to modernise infrastructures, equipment and services to allow better diffusion of their cultural activities.
- The internet portal *Centro Cultural Perú Virtual* (www.perucultural.org.pe),

developed by Fundación Telefónica in Peru, is a space that shows the main public and private institutions in the field of culture, art and education in Peru, where Internet users are shown the historical legacy of the country.

- Collaboration in the *Djehuty project*, the first Spanish archaeological expedition to Egypt.
- Fundación Telefónica called the fifth edition of the international competition, *Artificial Life 6.0*, a worldwide project that explores new creative frontiers and encourages works of life related to *artificial life*.

Fundación Telefónica in Spain manages the artistic and historical-technological heritage of the Telefónica Group, through creation of a series of collections to conserve, catalogue, acquire and exhibit these at the Art Centre and Telecommunications Museum, located at the head office of the company in the Gran Vía in Madrid.

- Temporary exhibitions of different artistic disciplines: painting, sculpture, engraving, photography, electronic and digital art, multimedia, artificial life or robotics, either its own or in collaboration with other institutions.
- Fundación Telefónica has an active policy of exchange and loans with other cultural institutions in Spain and abroad, which allows its works of art and exhibitions the widest diffusion.
- Art Galleries in all the countries where Fundación Telefónica is present, developing an active programme related to contemporary art and the new technologies.
- The Ministry of Education and Culture of Spain and Fundación Telefónica signed an agreement in 2003 for temporary cession of the exhibition halls of the Fundación.

Spain
Ars Virtual

15
virtual recreations of
emblematic monuments

Peru
Centro Cultural Perú Virtual

1,900,000
visitors

05 SUPPORT FOR THE DISABLED

The Telefónica Group has participated, along with public and private concerns, in diverse activities of the European Year of Disability, held between June and November 2003. The Group has represented through the ATAM (Telefónica Association for Assistance to the Handicapped), Fundación Telefónica and diverse lines of business and it maintains the same commitment as in 2004, the year when the Latin American Year of Disability.

This intense social work has received considerable public recognition by the main organisations that encourage integration and equal opportunities for the disabled.

- Fundación Telefónica was awarded the *Prize for Social and Cultural Action CERMI.ES 2003*, granted by the Spanish Committee of Representatives of Disabled Persons, for its *"important task in supporting the least privileged sectors of society and for having developed different programmes aimed at achieving social integration and improvement of the living conditions of the disabled"*.
- Telefónica was awarded the *Fundación Empresa y Sociedad Prize for the Best Social Action* in collaboration with employees for the initiative ATAM. That prize was dedicated to the 65,000 employees who collaborate with the association.
- Fundación Sagardoy awarded Telefónica an extraordinary prize for its prevention and social and labour integration task through ATAM.
- The Regional Government of Catalonia recognised the record of ATAM in an act of appreciation for entities representing the disabled who have been working for more than 25 years.
- In Peru, the Ministry for Women and Social Development, MINDES, through the National

Council for Integration of the Disabled, CONADIS, awarded Fundación Telefónica recognition for its outstanding work in defence and promotion of the rights of the disabled.

- Fundación Telefónica and Atento Chile earned distinction as one of the country's most important institutions helping to integrate the blind population. The prize was granted by the Chile Programme, a project aimed at labour insertion of that group.
- In Chile, the co-ordinator of the disability programmes at Fundación Telefónica Chile was appointed National Councillor for the National Handicap Fund. That personal appointment is also a recognition of the work done by Fundación for the benefit of the disabled.

a) Awareness of disabled persons

The Telefónica Group has encouraged debate on the reality of the disabled through numerous initiatives:

- Fundación Telefónica called the 1st Market Congress on Work and Disability, which debated such relevant matters as the standardised work situation, supported employment, public employment, the issues of work station management for the disabled, the situation of underprivileged groups (such as people with mental illness), the labour intermediation services or barriers to access to the labour market.
- Fundación Telefónica participated in the Second Conference of Ministers responsible for Integration Policies for Disabled Persons, with a presentation given by the Adapted Equipment Demonstration Unit.
- Fundación Telefónica has created a channel for projects related to disabled people, with participation by the entities that participate with it.

- Telefónica shared its experience in the field of the disabled with the rest of the companies forming the Corporate Reputation Forum, at a working day conference at ATAM.
- Telefónica del Peru, in co-ordination with the Ombudsman and other social bodies, has launched a series of pre-paid cards with different designs aimed at making the population aware of preferential attention for pregnant women, children, the elderly and the disabled.

Sporting events for the disabled have been supported by Fundación Telefónica in Spain and Peru, as a means to help these persons achieve self fulfilment and to encourage social awareness of their social integration.

b) Technology at the service of disabled persons

In 2003, Fundación Telefónica presented its guide Communication Solutions for the Elderly or Disabled, a volume that explains the services the Telefónica companies provide these groups in a clear, didactic manner.

Some of the services this community is offered are as follows:

- Telefónica de España promotes specific actions for the underprivileged, such as the bill in Braille, or a discount on the first 10 calls to the information number 1003 in each billing period.
- Moreover, with the blind and deaf in mind, the Intermediation Centre was created, so calls to these users are received by a centre where specially trained operators make a conventional call on behalf of the disabled person and transmit the content of the conversations as text. The cost of the centre is borne by the IMSERSO and Telefónica de España provides a discount on incoming calls to that centre to lower the cost of communication for people with disability.

- Telefónica de Argentina receives 10,000 calls a month through its intermediation service between deaf and hearing users. That service, which has been in operation since 1998, receives 50,000 calls a month, ten thousand communications being set up and completed through an operator provided by the service.

In 2003, the service was used to save the life of a deaf person who was ill, a circumstance that led to the service operator being awarded a prize.

- The agreement established between Telefónica Móviles España and the Spanish Committee of Representatives of the Disabled (CERMI) includes several initiatives aimed at the group of disabled persons. For example, the messaging service with voice allows short text messages to be sent, which are received as a voice call, or access to information on services for the disabled, published on the Telefónica Móviles web page.

- Telefónica Móviles España and the FEAPS have launched a pilot project with the geographic person location service, Localízame, that allows information to be obtained on a person's location from a call, a short message, browsing or the Internet, which may be of great use to groups who require family support, tutors or carers, due to any kind of disability.

- Telefónica Soluciones has set up TeleAcceso.com, the first portal in Spain specialised in electronic commerce and integral telecommunications solutions for the disabled. TeleAcceso.com provides the users complete information on the types of devices and computer products, telephony and multimedia devices that best adapt to their handicap such as, for example, mouse emulators for people with motor disfunction, screen magnification programmes for the visually impaired, or special communicators for people with hearing problems.

Spain
Mercadis
4,146
jobs offered

Argentina
Web Design Course
for the Disabled
105
participants

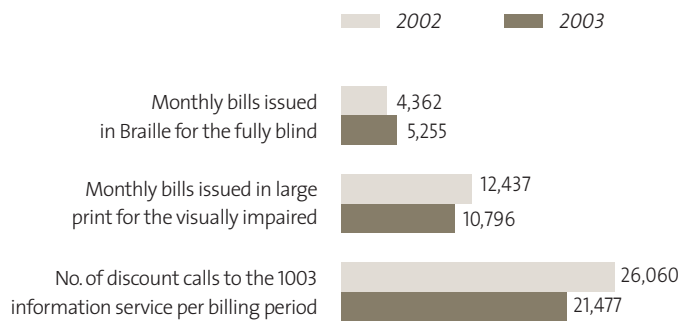
Brazil
SACI Project
4
information and
residential centres

Chile
Mercadis
2,704
jobs offered

Peru
Labour Training Centre
200
disabled beneficiaries

SPECIAL BILLS FOR THE VISUALLY IMPAIRED

(Data in units)



Moreover, the Telefónica Group is active in research work to develop new technologies to improve living standards for disabled persons:

- For years, Fundación Telefónica has been developing the programme SICLA of alternative communication systems for people who cannot talk and require other non verbal systems. This programme enables communication within the family and social groups using the voice, its novelty lying in the fact that they may communicate by telephone, Internet or electronic mail.
- In Argentina, CARE (Centre for Adaptation and Special Rehabilitation) developed computer devices adapted for the disabled, with support from Fundación Telefónica.
- In Brazil, the technicians from TeleSP presented a telephone for the deaf.

c) Training for the disabled and their relatives

Fundación Telefónica has developed different training initiatives to integrate disabled persons in society.

- Fundación Telefónica in Peru has collaborated with the Foundation for Solidarity Development, Fundades, on the project to Promote Municipal Offices to Attend to Disabled Persons, OMAPEDs, as well as other initiatives aimed at full integration in society, such as the Labour Skills Centre or the Information Service for the Disabled, INFODIS.
- In Chile, Fundación Telefónica promotes delivery of computers adapted for the disabled and develops and implements an ongoing training project for them in use of basic computing and the Internet. In the last three years, Fundación Telefónica has helped more than a thousand disabled people.
- In Argentina, Fundación Telefónica organises diverse projects aimed at allowing the disabled to use the new information technologies, providing greater facility for their integration in the labour market, improving management of non-profit organisations working for them and encouraging companies in the sector to research and develop new adapted equipment.

**COST TO TELEFÓNICA DE ESPAÑA OF THE
INTERMEDIATION CENTRE FOR THE DISABLED**
(Data in euros)

Group	2002	2003
Blind persons	12,605	11,422
Deaf persons	26,715	24,617

Along with specific training for the disabled, it is important to develop training activities for the people who live with them. Thus, the following activities were carried out in 2003:

- ATAM presented the Model of Attention for Disabled People's Group, organised around three basic axes: integral assessment of the person's abilities, custom planning of personal support itineraries and application, with constant monitoring and evaluation of the results. The attention model is based on the principle of empowerment or social integration, that means one must ensure that people are trained to perform tasks and activities they were initially not able to do.
- ATAM has designed an information plan for Early Detection of Disability, as some problems that are later difficult to solve may easily be corrected during childhood. That is the context of this early detection campaign, aimed at disturbance which may be found in children aged from 4 to 12 (language, motor co-ordination, socialisation and school learning), problems that affect approximately 15% of children.
- The Project Rede Saci (Solidarity, Support, Communication and Information) in Brazil, aims to encourage communication and diffusion of information among the disabled and among these and their relatives, specialised professionals and public bodies, through two important working tools: the Internet and the Information and Cohabitation Centres (CICs).
- Fundación Telefónica in Argentina, in an alliance with the Association AMAR (A non-profit association to attend to the disabled) organised reflection workshops for siblings of the disabled, to allow them a space for information, reflection, orientation and support to strengthen their family bonds.
- Fundación Telefónica and the Liliane Fonds Foundation trained professionals, parents and voluntaries nationwide, who work with children and youths with motor, sensorial and mental disability.

d) Employment for the disabled

The Telefónica companies collaborate in the integration of the disabled. Labour Integration

Conferences were held for that purpose, to encourage labour integration of the disabled and including the participation of ATAM, the Human Resources Department, and Corporate Reputation Department of Telefónica in a multidisciplinary team.

- Atento Chile was the prize awardee of the Chile Programme for Labour Insertion of the Blind Population, in recognition of its effort at integration. Seven visually impaired people now work at the company.
- In Argentina, Telefónica inaugurated the first public telephone booth centre attended and managed by disabled people, along with the Solidarity Micro-ventures Foundation.
- Telefónica de España and ATAM inaugurated a new tele-attention centre in Barcelona, attended by 27 disabled people, with plans to include a further nine.
- ATAM is to provide advice and technical support to Atento España to set up a Special Employment Centre, that will hire people who are physically disabled. ATAM will collaborate with Atento in assessing and recruiting personnel through the Labour Integration Service (SILA) in the initial training, providing technical support to study accessibility and

the design of the personal and social adjustment programmes.

Moreover, numerous actions by Fundación Telefónica give rise to a seedbed in society for labour integration of the disabled.

- The Demonstration Unit for Equipment Adapted to Disabled Persons of the CEAPAT (State Centre for Personal Autonomy and Technical Aid) in Madrid, or the Information and Orientation Centre of Cantabria, show the possibilities of tele-working, as a means of labour integration for people with sensorial, physical or mental deficiencies.
- Merc@dis (www.mercadis.com), is a virtual job pool aimed at promoting access to the labour market among working aged disabled people. This portal, which operates in Spain and Chile, provides different services related to information of interest for associations and disabled workers who seek employment, as well as employers interested in hiring them.
- In Argentina, the Par Foundation was aided by Fundación Telefónica to organise the Second Competition of Micro-ventures for persons with motor and/or sensorial handicaps, in order to train and encourage them to develop their own companies.

**CORPORATE SOCIAL
RESPONSIBILITY COMMITTEE**

*(The main lines of work considered
for financial year 2004 are related to)*

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- Latin American Year of Disability
 - National Accessibility Plan
 - Institutional presence in associations / bodies for the disabled
 - “Design for all” in the products and services the company offers
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