Telefónica Móviles outdistances its competitors

The past year was another milestone in the growth of the Spanish cellular market, with an annual gain of 63% and a penetration rate of 17.9%. At the end of the year, Telefónica Servicios Móviles had 4,994 mobile telephone customers, representing a 54% improvement over the previous year, with 4,001,072 Movistar customers and 893,192 Movilínea customers.

Telefónica Móviles saw even greater consolidation of its leadership position in 1998 with a net gain of 1,706,568 customers. This brought the differential with respect to the second mobile operator to over 2,700,000 customers, a 35% increase compared to the previous year. In the case of Movistar, most of the gain in customers - 1,913,971 new connections - came from the prepaid service, which at end 1998 accounted for almost 44% of the total customer base of the Movistar service.

Telefónica Móviles ranked among the six largest European cellular operators by volume of customers at the end of 1998.

The creation of one of the most extensive commercial distribution networks in the country has been essential for the growth of the Telefónica Móviles customer base. This commercial network has successively incorporated new distribution channels such as newspaper stands, tobacconist's shops, gasoline filling stations, and the like, with the objective of bringing the wide range of products and services on offer ever closer to the customer.

Another outstanding event was the securing of a licence to operate in the 1800 MHz frequency band, which represented an outlay
In 1998, the Spanish cellular market grew 63%.

Telefónica Móviles has consolidated its leadership position and increased the differential with respect to the second mobile operator by 35%.
of approximately 29 billion pesetas. The system will be deployed in the main capitals where higher levels of traffic are concentrated, thus allowing constant customer growth over the next few years while maintaining the standards of quality upheld by the Movistar service.

The evolution of Telefónica Móviles in 1998 is clearly reflected in the table shown above. Operating revenues increased 29% for a total of Pta. 468 billion. Income before tax rose from Pta. 39 billion a year earlier, to almost Pta. 120 billion, or 25% of revenue in 1998. Net profit rose by Pta. 80 billion, a threefold increase in net profit compared to 1997, representing 37% of total Group profit.

At the end of 1998, Telefónica Móviles had more than a hundred service offerings, developed and conceived to meet the needs of every type of customer.

Mensatel, the radiomessaging service, is the undisputed leader, with a market share of 78%.
In December 1998, and by resolution of the company's Board of Directors, a declared dividend was paid out for the first time in the history of the company, in the amount of Pta. 35 billion, which represented 43.6% of the net profit for the financial year and a payment to shareholders' funds amounting to 28.3%.

**Quality of Service**

One of the factors guaranteeing the quality standards to which the company adheres is the degree of coverage of its service, measured both in terms of population and of territory. Both the MovilLine and MovilStar services offer its customers nearly total coverage, reaching 99% of the population and 98% of the national territory.

**Telefónica Móviles** has already been awarded quality certificates for each and every one of its organizational, technological and commercial processes under the most demanding quality standards (standard ISO 9001). This testifies to the company's consistent reliance on quality of service as the principal differentiating competitive factor. Moreover, **Telefónica Móviles** has implemented during 1998 a complex Environmental Management System which has received the AENOR Certificate of Environmental Quality ISO-14001.

By end 1998, the MovilStar service relied on approximately 7,000 base stations - up 2,000 from the previous year - to ensure adequate coverage throughout the country. It was also the first to provide coverage in the maritime corridors between the eastern coast of Spain and the Balearic Islands, and between the Canary Islands.

In 1998, 30 roaming agreements were reached with other operators, providing customers with coverage in 76 countries through more than 137 operators. Also in 1998, **Telefónica Móviles** signed a roaming agreement for the satellite communications service provided by Iridium, which will provide customers with coverage in almost any point on the earth.

The Enhanced Full Rate (EFR) coding mechanism, offering sound quality on a par with that of fixed communication networks...
was implemented throughout
the MoviStar network during 1998.
Telefónica Móviles is the first
operator to incorporate this
technical solution in Spain
in its entire network.

An attractive offer

As a result of the company's
determined efforts in research
and development, Telefónica
Móviles has asserted its leadership
in value-added services.
More than one hundred services,
developed and conceived to meet
the communication needs
of its customers, were on offer
by the end of 1998. Outstanding
among these are services focused
on the business market,
such as MoviStar Corporativo 2000,
offered conjointly with Telefónica,
MoviStar Enlace Oro
or MoviStar Gestión, among others,
which make available
to this market segment
the most advanced technological
solutions. Additionally,
data communications services such
as MoviStar Telemática
and MoviStar Datos Express,
have been upgraded to provide
higher data transmission
speeds via GSM above 25kbit/s,
or to include Internet services,
such as MoviStar Net.

The offer of prepaid cards
to activate mobile telephone
service (MoviStar Activa, Activa 4,
Activa Joven, Activa Próxima
and MovilLine Óptima), is aimed
at the general public. They offer
a wide range of pricing plans that
fit different consumption patterns.
In order to offer greater freedom
to its prepaid service customers,
in December of 1998, Telefónica
Móviles introduced the ability
to re-program cards for different
price plans between cards so
that customers can switch to
the formula that best suits them.

MensaTel finished 1998 as
the undisputed leader
of the Spanish radio-messaging
market, with a market share
of nearly 78%. MensaTel serves both
the professional market segment,
which uses the service
as a business tool, and the
youth-oriented market segment,
with the MensaTel Beeper. Closed
user-group messaging services
are provided by RadioRed, another
Telefónica service to finish strongly
in 1998, once again leading
the market with an estimated 75% market share.