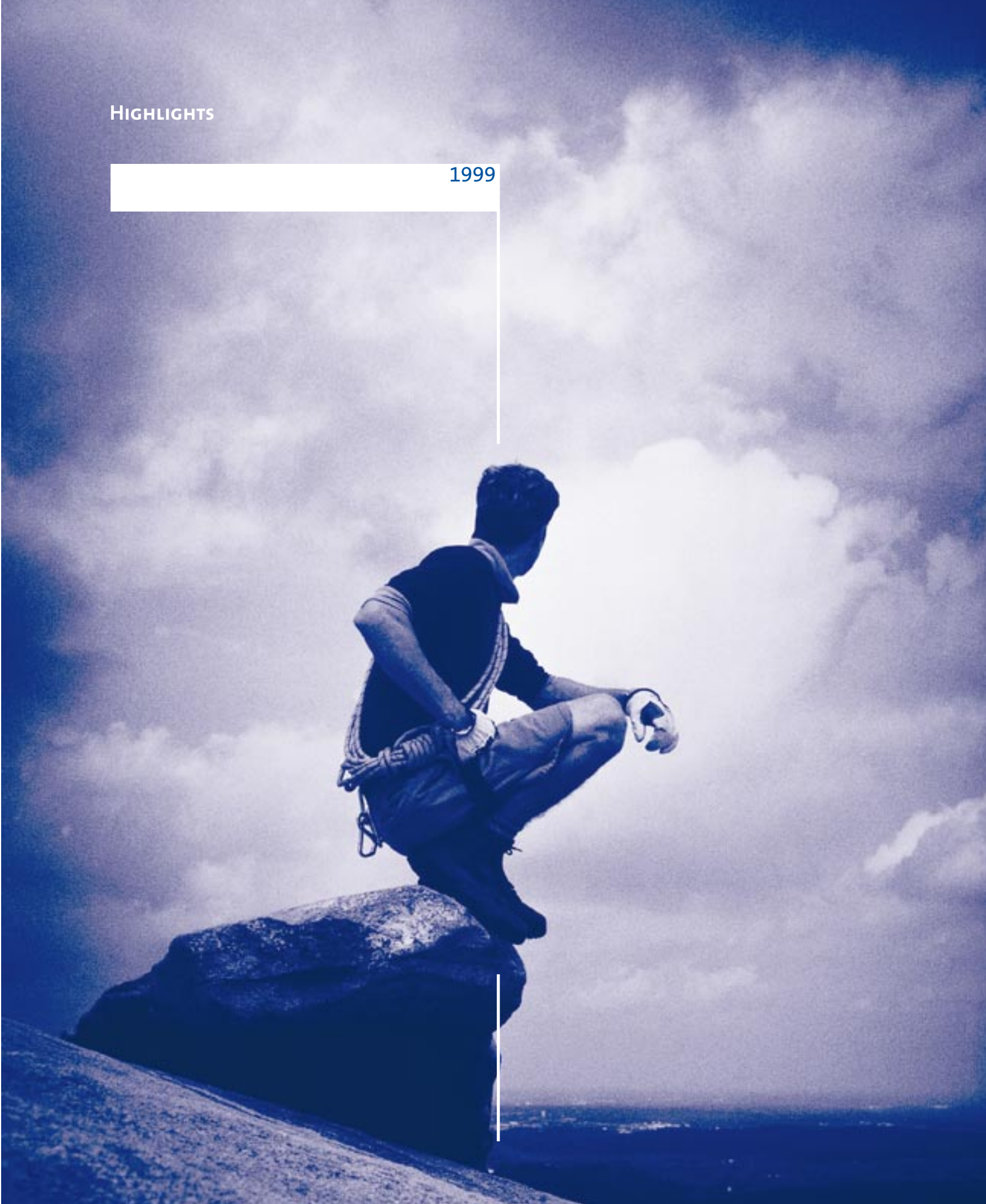


HIGHLIGHTS

1999



JANUARY

- Telefónica formalizes the reorganization of its corporate structure, creating “Telefónica Sociedad Operadora de Servicios de Telecomunicaciones en España, S.A.” (Telefónica de España), to which all personnel and assets used by this business activity are transferred. Telefónica S.A. is established as the Corporate Center of the Telefónica Group.
- Antena 3 TV signs a statement of intentions with ONCE to acquire Onda Cero radio station, by purchasing 100% of Uniprex shares (its owner). The company has 102 broadcasting stations and association agreements with another 84 stations.
- Telefónica, together with its partners, Portugal Telecom and Iberdrola, settles payment of the debt incurred on acquiring Telebrás companies (Brazil), immediately converting dollar bonds issued by the Brazilian government. As a result of this transaction, Telefónica enjoys a positive difference of 162 billion pesetas.

FEBRUARY

- The Pan-American Submarine Cable System (in which Telefónica has a 26.6% stake) begins to operate and significantly improves telecommunications between North and South America, joining Chile, Peru, Ecuador, Panama, Columbia, Venezuela, Aruba and the United States. This system becomes Latin America’s most ambitious international telecommunications project.



- Telefónica InterContinental (fully-owned subsidiary of Telefónica S.A.), acquires all the shares of the Austrian telecommunications company, European Telecom International GmbH. This is Telefónica InterContinental’s first operation and its first activity as an alternative operator in a developed market.
- Telefónica’s Board of Directors agree to present, for approval at the next General Shareholders’ Meeting, a “split” procedure by which all shares would have a nominal value of 1 Euro each, and a continuation of the free capital increases policy. Telefónica is to split its share capital by dividing each share into three, bringing the share price in line with the main securities of the Ibex 35 Spanish Stock Market index.

MARCH



- The Telefónica Foundation announces that 100 million pesetas will be spent on promoting and improving social assistance telephone services. This contribution will be carried out through a public notice aimed at non-profit organizations currently equipped with an organized telephone service to help troubled people.
- Telefónica Larga Distancia de Puerto Rico (TLD) reaches an agreement with Clear Comm for a 50/50 joint venture to provide mobile telephony services in Puerto Rico. The resulting company is to operate under TLD’s corporate image, trademark and management, contributing Telefónica Internacional’s experience and know-how in the mobile telephony business.

- Telefónica del Perú creates an independent mobile telephony business through a new company, Telefónica Servicios Móviles, of which 99.95% share capital is owned by Telefónica del Perú while the remaining 0.5% is held by Telefónica Servicios Globales. Telefónica del Perú handles over 80% of Peru's mobile market.
- Telefónica Interactiva and the Olé Group enter into an agreement providing Internet content in Spanish and Portuguese. Olé is the founding partner of the European Portal Alliance, whose members account for over 20 million monthly visits.
- The Spanish National Securities Exchange Commission (CNMV) authorizes Telefónica to issue bonds valued at 500 million Euros (83,200 million pesetas), with a 10-year maturity and a 4.50% interest rate. This issue, aimed at institutional investors, is the first in Euros carried out by Telefónica, essentially reflecting the company's wish to establish its presence in the framework of the new European market.
- At an Extraordinary Shareholders Meeting held in Santiago de Chile, the shareholders of Compañía de Telecomunicaciones de Chile (CTC) approve the use of the "Telefónica" trade mark as their new corporate identity. Thus, the "CTC" trademark migrates from the parent company and subsidiaries to become Telefónica CTC, in order to achieve a global group identity.
- Telefónica wins the competitive bidding for a mobile telephony licence in Guatemala, through Telefónica Centroamérica, awarded by the Government of Guatemala. Telefónica Guatemala is to develop a second-operator strategy in mobile telephony and residential long-distance fixed telephony, for high-growth segments and value-added services.



APRIL

- Telefónica Móviles launches a new Internet-mobile service in Spain called MoviStar Net that, together with Internet providers, enables MoviStar customers to handle e-mail from their mobile phones. This makes it the world's first operator to offer the possibility of answering e-mail from a mobile phone by voice.



- Telefónica celebrates the 75th anniversary of its formation as a corporation on April 19, 1924. On its "birthday", Telefónica has over 36 million fixed telephony lines (of which 17.5 million are in Spain and 18.6 million in America), some 10 million mobile customers and over 2.5 million pay-TV customers. It is the leading telecommunications company in the Spanish/Portuguese-speaking world.
- Telefónica begins its second capital increase charged to reserves in the proportion of one new share for every fifty in circulation, in accordance with agreements adopted by the Extraordinary Shareholders Meeting of June 1998. These new shares will include the same political and economic rights as those currently in circulation. The operation entails the issue of 20.9 million shares.

MAY

- Telefónica informs the Spanish National Securities Exchange Commission of its wish to make a Public Share Offering of up to 35% of the share capital of Telefónica Publicidad e Información, S.A.'s (TPI-Páginas Amarillas).

- Telefónica Internacional and Tyco International Ltd. (TSSL) announce their joint project for a fiber-optic submarine cable (SAM-I), amounting to 900 million dollars. This system will connect South and Central America and the United States, combining with Telefónica's terrestrial network. Both companies will create a joint company 75% owned by Telefónica Internacional and 25% owned by Tyco, and managed by Telefónica Internacional.



- Telefónica Media starts formation of a radio company by acquiring Uniprex (Onda Cero Radio) and incorporating 51 Radio Voz broadcasting stations, materialising its statement of intentions signed in January. Furthermore, a total of 28 broadcasting stations (both owned and associated) are incorporated into this project. An agreement is also reached with Voz de Galicia Radio S.A., by virtue of which another 23 broadcasting stations belonging to this group and operating in the Community of Galicia join the Onda Cero radio station to broadcast their national programs.
- Telefónica Internacional informs Brazilian authorities of its wish to launch tender offers for 100% of the shares, both preferential (including economic rights) and ordinary shares (with economic and voting rights), of cellular telephony operators Telerj Celular (in the State of Rio de Janeiro) and Telest Celular (Espírito Santo). In parallel, and in conjunction with its partner, Iberdrola, Telefónica Internacional will launch tender offers for 100% of the shares (both preferential and ordinary) of cellular telephony operators Tebahia Celular (in the State of Bahía) and Telergipe Celular (Sergipe). This represents an additional maximum investment volume in Brazil of approximately 51.5 billion pesetas (330 million dollars).

- Telefónica sells its wholly-owned subsidiary, Telecomunicaciones Marinas, S.A. (Temasa), to Tyco Submarine Systems Ltd. (TSSL), a world-class provider of submarine-cable services, for 43.7 billion pesetas (280 million dollars). This agreement provides that TSSL, through Temasa, will continue offering installation and maintenance services of the highest quality to Telefónica's cable network, under a commercial agreement on a cost-effective basis.

JUNE

- Telefónica enters the Colombian telecommunications market through Telefónica Data, by entering an agreement with the Colombian company REY MORENO (specialized in providing value added services to companies and data transmission), by which Telefónica Data acquires 51% of its share capital within a three-year period. Apart from Telefónica Data Colombia, TD España, TD Brasil and TD Chile were previously formed.
- TPI-Páginas Amarillas is listed on the Spanish Stock Exchange.
- ¡Olé!, Internet's largest Spanish-speaking portal, launches new portals in Peru, Chile, Columbia, Venezuela and Uruguay, providing Web users in these countries with the chance to enjoy the best offer of Spanish-speaking products, services and content on the Internet. Likewise, it announces the future launching of other such portals in Argentina, Mexico, Brazil and the U.S.
- Telefónica Interactiva and Rede Brasil Sul (RBS), one of Brazil's largest communication groups, enter into a strategic alliance to operate Internet services in Brazil through Zaz. This company enables Telefónica Interactiva to take a controlling stake in NUTEC,

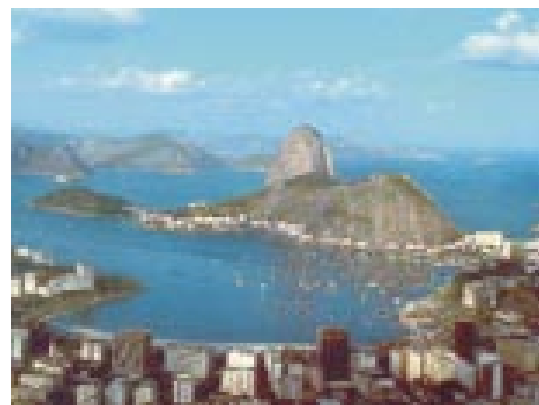


an RBS Group company controlling ZAZ. This alliance represents the largest operation carried out in the Spanish/Portuguese-speaking Internet sector.

- The Brazilian Securities Commission (CVM) authorizes Telefónica Internacional and its partner, Iberdrola, to carry out tender offers for four Brazilian cellular telephony operators. This is the first operation of its kind approved in Brazil in accordance with new Brazilian legislation governing tender offers. (CMV Instruction No. 299).
- A joint venture (Unión Transitoria de Empresas) formed by Telefónica Comunicaciones Personales (Unifón) and Telecom Personal, obtains a mobile telephony license for the Federal Capital and Greater Buenos Aires.
- Telefónica and ACEA (Rome's municipal services company) agree to create a joint company providing voice, data and Internet services to business and residential customers in Rome and the Lazio region. Telefónica controls 49% of this new company's share capital.
- Telefónica and Pearson expand their alliance to create new Internet and Multimedia business opportunities. This agreement entails the purchase by Telefónica of 5% of Pearson's share capital, and the purchase by Pearson of 20% of Telefónica's shareholding in Recoletos.

company leading the Médi Telecom consortium in which stakes are also held by Portugal Telecom and several important local partners. The award of this project to Telefónica opens the door to a market covering almost 30 million inhabitants, and offering significant growth prospects.

- Telefónica Internacional, together with its partner, Iberdrola, acquire the shares of four Brazilian cellular telephony operators for which tender offers had been launched in June, for the amount of 316 million reais (29.160 billion pesetas). These four cellular telephony operators controlled by Telefónica and Iberdrola have 1.7 million cellular lines, with a growth rate of approximately 100% since their privatization in July 1998.



JULY

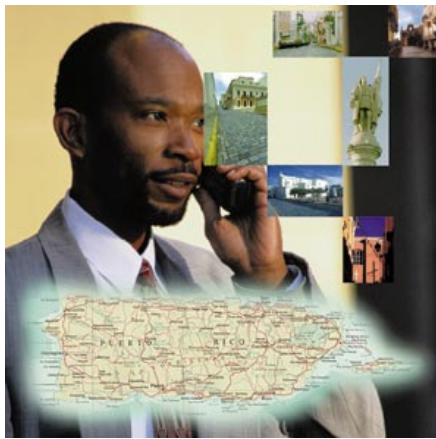


- Telefónica Guatemala begins long-distance services in Guatemala after obtaining a mobile telephony license in March. The company intends to develop a second-operator strategy in mobile telephony and residential, long-distance fixed telephony for sectors with a high potential for growth and value added services.
- Telefónica's share capital is split by dividing each share into three and adjusting the nominal share value to the nearest Euro. With this change, the Board of Directors of Telefónica, S.A. complies with the agreement of the General Shareholders' Meeting held in March. The 1,066,282,967 shares will be replaced by 3,198,848,901 new shares, of a nominal value of one Euro each.
- Telefónica Data España obtains an Individual Type A, fixed-telephony license, which allows it to offer a full range of
- Telefónica InterContinental obtains the second license for the provision of mobile telephony services in Morocco, as the

telecommunications services for companies, with a comprehensive billing feature.

AUGUST

- TLD de Puerto Rico and ClearComm announce the launch of their 100% digitized PCS mobile telephony service under the MoviStar trademark, using CDMA technology which offers top quality and confidentiality in communications.



- U.S. operator IDT joins Telefónica's Latin American submarine cable project (SAM-1), endowed with the most advanced technology in transmission capacity for voice and Internet traffic. Both companies agree to create a joint venture (managed by Telefónica) to market products and services targeting the U.S. Hispanic market.
- Compañía de Telecomunicaciones de Chile (CTC) launches its new Telefónica trademark in the context of the unification of the Group's corporate image.

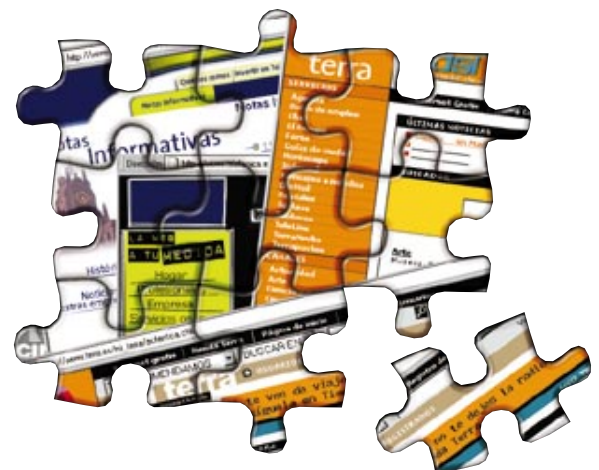
SEPTEMBER

- The first ADSL-based broadband services reach Spain- MegaVía ADSL, InfolInternet and GigADSL- a new modem technology which transforms the user's telephone-wire pair into a permanent, high-speed, digital line. These three new services are business-oriented, offering three types of access options.

- Telefónica Móviles and CNN Interactive sign an agreement to develop MoviStar-CNN in Spain, a service providing short, English-language, news messages supplied by U.S. broadcaster CNN.
- Internet connection for more than half of Spain's public and private schools is announced thanks to the EducaRed program, led by the Telefónica Foundation together with the Ministry for Education, the Encuentro Foundation and Spain's most important educational organizations. At present, EducaRed already has over 4,000 registered centers, covering more than 1,650,000 students and close to 100,000 teachers.
- Together with its partners, Cisco, Nortel, Lucent, 3Com, Newbridge, Intel, EDS, IBM, Microsoft, SUN, HP, Compaq and INTA, Telefónica announces a new Internet application to be launched in Spain- Internet 2- the latest development in the virtual world. This broadband Internet project involves deploying a very high-speed network to develop new Internet applications and services, using the latest technology, with no bandwidth restrictions.
- Telefónica Interactiva and Amadeus, the global travel distribution system, announce their 50/50-joint company to directly offer travel services and other related offerings to consumers in the Spanish/Portuguese-speaking markets, both in Europe and Latin America.

OCTOBER

- Telefónica Interactiva S.A. announces its new name: Terra Networks, S.A. Terra will also be the reference "umbrella" trade mark for Spanish and American operations, coexisting with other



portal trade marks used to date (¡Olé! in Spain and other Latin American countries, Zaz in Brazil and Infosel in Mexico). It is also associated with its ISP trademarks (in addition to Zaz and Infosel, TeleLine in Spain, Infovía in Guatemala and Telefónica.Net in Chile).

- EstraTel, Telefónica's leading company in the long-distance services sector and integrated call-center management sector in Spain, inaugurates Spain's (and one of Europe's) most modern operation centers. This center is fitted with an Internet Call Center system, one of the Internet's most modern communication systems.
- Telefónica InterContinental and ACEA announce the formation of ACEA-Telefónica, an operator providing the most modern telecommunications services to companies and individuals in Rome and the Lazio region, aiming to continue developing new business opportunities in Italy as a leading alternative operator in new broadband services for companies and residential customers with high levels of consumption.



- The Electronic Certifying Agency (ACE) and Foundation for the Study of Telecommunications Safety (FESTE) sign a cooperation agreement to jointly provide legal electronic signature services in Spain. ACE is 40% owned by Telefónica and represents the entire Spanish financial sector.
- Telefónica begins to offer MoviStar mobile telephony services in Guatemala with the PCS (Personal Communication Services) system, a revolutionary and creative offer reflecting a great step forward with respect to existing products in Guatemala. In Guatemala, Telefónica consolidates its position on the mobile

telephony market with MoviStar, covering over 15 million customers worldwide.

NOVEMBER

- The sale of Terra shares begins (the Telefónica company designed to develop the Internet business in Spain and Latin America). Its Internet portal business generates over 22 million monthly visits and 290 million pages visited.
- The third free capital increase for Telefónica shareholders begins, allocating 63,976,998 new shares, in the proportion of one new share for every fifty shares held. This is the third operation of this kind carried out by Telefónica as alternative shareholder remuneration in place of standard dividends. The previous similar operations took place in December 1998 and April 1999.
- Telefónica El Salvador wins 31% of the mobile market and 40% of long distance traffic during its first year of activity. In particular, the company (employing close to 250 people in El Salvador) has 100,000 customers connected to mobile telephony out of a potential market of 320,000. Telefónica Internacional is a direct shareholder, owning a 38.3% stake in Telefónica de El Salvador.
- Vía Digital presents the first high-speed Internet service through satellite TV at SIMO TCI'99. Through a 512 kilobyte band width, Vía Digital subscribers may download and store any Web information, 50 times faster than by using conventional modems.



- Telefónica Móviles launches its new fixed-mobile convergent service, MoviStar Combi, in Spain, which provides access to convergent services combining fixed and mobile telephony use at very competitive prices, as well as integrated services enabling users to improve communications management.
- Atento Perú begins operating in Peru (with the largest and most modern telemarketing platform). Atento, with headquarters in Miami, manages call centers in Brazil, Argentina, Chile, Peru, Puerto Rico, El Salvador and Guatemala.



- MoviStar Activa has over five million Spanish customers, confirming its leading position in the Spanish phone card market (the access method to mobile telephony chosen by over 80% of new users). Two out of every three Spanish phone-card customers use MoviStar Activa, which has nearly tripled its number of users in only twelve months, reaching the figure of five million customers.

DECEMBER

- Telefónica Media reaches an initial agreement to acquire 100 % of the share capital of the Argentinean television channel, Telefé, and Radio Continental AM and FM. This agreement also includes control over a television channel network broadcasting in the interior regions of Argentina.
- Telefónica merges Sao Paulo's fixed telephony operators into a single company operating under the single corporate identity of Telecomunicações de São Paulo (Telesp), with a market value of some 13.3 billion reais (\$6.9 billion dollars or 1.14 trillion pesetas). With this operation, Telesp's controlling group, led by Telefónica Internacional, holds 25.7% of the total share capital in the new company (representing 54.14% of share capital with the right to vote).
- Telesp (Telecomunicações de São Paulo, S.A.) acquires a majority stake in Centrais Telefônicas de Ribeirao Preto SA (Ceterp) through bidding held at São Paulo's Stock Exchange, thus consolidating its position as the leading telecommunications operator in the State of São Paulo.

