

Highlights 1998

JANUARY

- **Telefónica** approves the appointment of Javier Benjumea, chairman of Abengoa; César Alierta, chairman of Tabacalera; and Alberto Cortina, co-chairman of Banco Zaragozano, as new Board Directors.
- **Telefónica Internacional** appoints John Reed, chairman of Citicorp-Citibank, and Nelson Sirotsky, chairman of RBS as new Directors of the Board.
- For the second consecutive year, **Telefónica** makes it possible for nearly 9,000 Spanish relief workers in Third World countries to call their families in Spain free of charge, through the program “**No relief worker without communications**”.
- **Telefónica** pays a dividend charged to 1997 of **40 pesetas per share**, which represents an increase of 14,3% compared to the previous year.

FEBRUARY

- **MoviStar** extends GSM coverage in the US as a result of roaming agreements with **American Personal Communications (APC)** and **BellSouth Mobility DCS**.
- **Telefónica** launches its customer plans for 1998, the broadest range of products and services, offering customers important savings and quality benefits; chiefly:

Basic Line, Duplo Line, Comprehensive Maintenance Service, and the “Clear Plans”.

- **Telefónica** sponsors the Spanish team participating in the **1998 Special Olympic Games** for the handicapped in Nagano.

MARCH

- **Telefónica** teams up with **WorldCom** and **MCI** to address telecoms opportunities in Europe, the US and Latin America.
- **Telefónica** and **Portugal Telecom** strengthen their alliance and agree to promote joint investments in markets outside the Portuguese- and Spanish-speaking countries.
- **Telefónica** doubles its value in just over 12 months, to Pta. 6 billion. In hardly more than a year, **the company's shares appreciated 114%**.

- **Telefónica S.A.** adopts a new, customer-oriented management model, divided into five business lines: **Telefónica de España, Telefónica Internacional, Telefónica Móviles, Telefónica Media** and **Telefónica Intercontinental**, the joint venture with **Portugal Telecom**.

- Javier Revuelta is appointed vice-president of **Telefónica S.A.** and Luis Martín de Bustamante is appointed chief executive officer

of **Telefónica de España**. The executive president of **Telefónica Media** will be Arturo Baldasano.

- **Telefónica** expands the capacity of **InfoVía** to 34.000 access modems, seeing that the figures



for this service are keeping in pace with the increasing interest in access to information services and the Internet.

APRIL

- **EstraTel** is the first member of the Spanish Telephone Marketing Association to obtain the AENOR quality certificate.
- **Telefónica** expands the terms of its collaboration with the **Xunta de Galicia** to include the implementation of new broadband ATM technologies for the communications network of the regional administrative bodies in Galicia.

- **Telefónica** announces the payment of a complementary dividend of **Pta. 62 per share**, effective 18 May.

MAY

- Juan Villalonga and the president of the region of Castilla and León, Juan José Lucas, sign an MoU for the installation of an **R&D center in Boecillo Technological Park**.
- **Telefónica** successfully completes the **largest rights issue** in European stock-market history, bringing the company 427.032 billion pesetas in new funds.
- **Telefónica** launches “**Domo**”, its new basic telephone. The new terminal, presented in the Queen Sofía Art Museum,



incorporates new features and was chosen as the result of a customer survey.

- **Telefónica** offers its business clients new **IP Services** conceived as a hub for in-house business communications (**Servicios Uno-IP**) as well as for communications between companies and individuals (**Servicios InfoVía Plus**).
- The new organizational structures of **Telefónica** are approved. Julio Linares joins the **Corporate Center** to direct **Strategy and Technology**. Carlos Díaz Guerra becomes **President of Telefónica I+D**, after stepping down as general manager for **Infrastructure in Telefónica de España**, where he is succeeded by José Aspas, who was formerly in charge of SMEs.

JUNE

- **Telefónica's Board of Directors** resolves to propose to the **Extraordinary Shareholders' Meeting** the distribution of two free shares for each 50 held, through **two capital increases** charged to reserves.
- **Telefónica** launches its new “**Company Savings Plans**” (**MasterBono Básico** and **MasterBono Mega VIP**), which provide discounts of up to 25% on interprovincial calls made during business hours.
- The **Telefónica Virtual Shop** opens for business on **InfoVía** and the Internet, a new way to purchase or rent the products and services of the **Telefónica Group** companies.
- **Telefónica** acquires 50,1% of **Companhia Riograndense de Telecomunicações (CRT)** of Brazil for Pta.154.823 billion. **CRT** is the principal telecoms operating company of the Brazilian state of Rio Grande do Sul.
- The **CRT shareholders' assembly** approves the entry of new partners and appoints new members to the Board of Directors. **Telefónica Internacional, RBS, CTC, TASA, Portugal Telecom, BBV** and **Iberdrola** enter as new partners in **Telefónica do Brasil**.
- **Telefónica** makes available to business customers its new **Centrex**

Service which provides all of the facilities of a modern exchange without the need for equipment, investments or maintenance.

JULY

- **Iberdrola** and **La Caixa** become partners of **Telefónica Cable in Catalonia**. **Telefónica Cable Catalunya** expects to be ready to start operations by the end of the year, with investments in infrastructure totalling Pta 100 billion.
- **Telefónica** and the **Ministry of Education and Culture** sponsor the program “**Education on the Network**”, designed to promote the educational use of the Internet in Spanish classrooms.
- **Telefónica** and **Indra** win the bidding for the “**One-Stop-Shopping**” project initiated by the ministries of **Development and Public Administration** and designed to bring public insitutions closer to the citizen.
- **Telefónica de España** restructures its territorial organization through regional head offices that seek to raise productivity and efficiency levels in the different regional spheres of activity. All areas are grouped under four units: **Infrastructure, Companies, General Public** and **Human Resources**.
- **Telefónica de Argentina** appoints Carlos Fernández-Prida as its new

president, replacing Luis Martín de Bustamante, who became chief executive officer of **Telefónica de España**.

- **Telefónica** renews its contract with **AECOC** as official **EDI** service provider for the distribution sector. This service allows business to handle an annual turnover of 1 trillion pesetas.
- **Telefónica Internacional** wins the bidding for El Salvador’s **Intel**. The operation marks the point of departure for **Telefónica de Centroamérica**, created to serve as a vehicle for future investments in the region.
- **Telefónica Móviles** is the only mobile telecoms operator to obtain the AENOR Certificate of Environmental Management
- **Telefónica** wins the principal Brazilian operating companies in the privatization of **Telebrás**. **Telesp**, the most important, which operates in the state of Sao Paulo, was acquired for 5.783 billion reais, 749.744 billion pesetas. **Telefónica** also won the bid for **Tele Sudeste Celular**, the cellular telephone company which operates in Rio de Janeiro and Espirito Santo, for 1.360 billion reais.
- **Telefónica** considers the new tariff structure imposed by the Ministry of Development as an important step

in the process of **tariff rebalancing**, but cautions that the process should continue until all the remaining imbalances are eliminated. The monthly fee and the price of metropolitan calls are still among the lowest in the European Union.

AUGUST

- **Fundación Telefónica** is created to promote the development of applications that utilize telecommunications technologies to effectively address the needs of society.
- **Telefónica** appoints Fernando Xavier Ferreira, until now chief executive of **Telebrás**, as president of **Telesp**.
- **Telefónica Móviles** launches the **MoviStar “Exact Contract”**, a new mobile telephony service in Spain, which introduces billing based on usage measured in seconds.
- **Telefónica** and **Mesotel** acquire **Intel**, operating company of El Salvador.



SEPTEMBER

- **Telefónica** cuts the price of provincial calls 10% to 15%. The “**Plan Claro Provincial**” offers discounts on calls to a maximum of 20 numbers chosen by the customer.
- **Moviline** lowers its prices up to 53% per minute of conversation, and reduces the monthly charge 10% to 12% and the service startup fee by 65%. **Moviline** customers thus enjoy maximum coverage in Spain with the most competitive prices.
- **Telefónica** lowers **Internet** rates as much as 51.85%, and fulfills, in record time, its commitment to lower tariffs for Internet users



LOS PLANES **claros**
para EMPRESAS

with a new set of discount plans, the **BonoNet** and **MasterNet** plans.

- **Telefónica's Board of Directors** approves the implementation of the corporate restructuring plan, a new management model adapted to the realities of the liberalized telecoms market and its global scope. This measure implies the transfer of the telecommunications business in Spain to **Telefónica Sociedad Operadora de Servicios de Telecomunicaciones en España, S.A.**

OCTOBER

- **Telefónica de El Salvador** starts operations only a month and a half after its acquisition.
- **Telefónica**, through its affiliate **Telefónica Intercontinental**, associates with three local groups to bid together for a mobile phone licence in **Turkey**.
- **Telefónica** collaborates with those affected by **hurricane Georges** in the Dominican Republic, by forgoing charges on calls to Spain over the weekend.
- **TTD** confirms its leadership of the data transmission sector in Spain, where it holds a 92% market share, and signs up the 100.000th customer to connect to its network.
- **Telefónica** collaborates with the families of the victims of the **Lake Banyoles** tragedy.

- Launch of **InfoNegocio**, the most competitive **Internet** services offering for enterprise on the market, in terms of price and quality.

- **Telefónica**, the only Spanish company to appear in the Fortune list of “The World’s Most Admired Companies”, **ranks number 10** among global telecoms operators.

- **Telefónica, Sermepa, 4B** and **CECA** launch a system to ensure the security of electronic commerce.

- **Telefónica**, in line with its support of social welfare institutions and projects, is the principal sponsor of the **Special European Championship Games** for the handicapped.

NOVEMBER

- **Telefónica** creates two new lines of business: **Telefónica Data**, whose chief executive officer is Guillermo Fernández Vidal, handles the data transmission business on a global scale, and **Telefónica Comunicaciones Interactivas**, whose executive president is Juan Perea, handles the **Internet** business and all of the associated “on-line” services, on a global scale.
- Antonio Viana Batista replaces Juan Perea as chief executive officer of **Telefónica Internacional**.
- **Telefónica** offers free communication services to the victims of **hurricane Mitch** and, with the aim

of guaranteeing normal service, sends to the area several **MoviStar Global satellite communications units**.

- **Telefónica** gains a 30% market share in **El Salvador** in less than two months' time. The Spanish company donates \$500,000 and sets aside the average proceeds from all telephone calls as a contribution towards the reconstruction of the country in the wake of **hurricane "Mitch"**.

- Juan Villalonga proposes to the **Board of Directors** that the company pay no dividend against 1998 earnings. The chairman of **Telefónica** also announced he will propose that the company carry out the first of two **1-for-50** bonus issues.

- **Telefónica** is elected the year's **best advertising company**, according to a yearly ranking published by **Control**, a leading Spanish advertisers' magazine.

- **Telefónica** presents its new trademark, under which it will operate worldwide. The company regroups its operating units and presents a **new corporate identity**. This new identity, together with the **new logo**, reflect a vision of the growth, strength, stability and financial soundness of the company.

- **Telefónica's Virtual Shop** launches a multimedia offering which includes telephone equipment and maintenance, **Vía Digital** and **TeleLine**. The offer intends

to facilitate greater familiarity of consumers with the telecommunications of the future.

DECEMBER

- The three core reference shareholders of **Telefónica (La Caixa, Banco Bilbao Vizcaya and Argentaria)**, enter the share capital of **Grupo Telefónica Telefactoring**.

- **Telefónica** reduces **average repair** time to five days thanks to the implementation of a new customer care system accessible through the commercial information number 1004.

- **Telefónica** offers Spanish and Latin American children the possibility of sending their letters to the **Magi** and **Father Christmas**, direct, via the **Internet**.

- **Telefónica** offers, for the first time in Spain, voice over Internet, which will reduce the price of calls up to 46%. With its services **UNO IP VOZ** and **InfoVía Plus Voz**, **Telefónica** is pioneering a new stage in voice communications for enterprise.

- **Telefónica's InfoVía Plus** network already carries out over a half-million **Internet** connections daily, with complete normality. Nevertheless, **Telefónica** recommends Internet service providers to speed up the migration of their users to avoid problems when **InfoVía** is finally terminated.



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The information required by law is also available
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