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%.

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 Sofia 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 InfoVia Plus).

- The new organizational structures of Telefónica are approved. Julián 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 InfoVia 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 Cataluña.** 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 institutions 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 3 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 privatisation 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 Espírito 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.

- **MovíLine** 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%. **MovíLine** 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 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.

- **Telefónica** launches **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.

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- **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, reflects 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, Via 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 to shareholders and to the general public.

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