

SHAREHOLDER INFORMATION

	1985	1986	1987	1988	1989
Share Capital (Millions of ptas.)	360,467.55	411,792.74	415,367.86	460,620.35	462,481.73
Earnings per share (ptas.)	55.71	56.13	64.15	70.62	74.49
Price/earnings ratio	11.44	15.59	12.47	12.58	11.92
Dividend Payout (%)	98.72	98.66	85.72	75.43	73.83
Capitalization/Cash flow	2.57	3.21	2.47	2.52	2.45

Share Capital

The share capital of Telefónica at April 30, 1990 was 463,479,038,500 ptas., represented by 926,958,077 bearer shares of 500 ptas. nominal value, fully paid in.

Capital increases since 1985 are as follows:

Year	Ratio	Issue price	Paid by the Shareholders (ptas.)	Nominal Amount Millions of ptas.
1985	1 x 8	100%	400.00	40,051.9
1986	1 x 9	100%	450.00	40,051.9
1986 Conv	—	128.375%	641.875	69.1
1986 Conv	—	168.975%	844.875	11,204.2
1987 Conv	—	154.993%	774.965	181.2
1987 Conv	—	148.115%	740.575	2,791.8
1987 Conv	—	165.225%	826.125	602.2
1988 Conv	—	129.666%	648.330	15,257.5
1988 Conv	—	144.921%	724.605	314.3
1988 Conv	—	180.730%	903.650	83.1
1988 Conv	—	152.642%	763.210	28,395.2
1988 Conv	—	160.341%	801.705	208.4
1988 Conv	—	166.656%	833.280	11.4
1988 Conv	—	163.418%	817.090	7.9
1988 Conv	—	159.809%	799.045	9.4
1988 Conv	—	155.268%	776.340	965.3
1989 Conv	—	156.477%	782.385	1,785.6
1989 Conv	—	188.581%	942.905	75.8
1990 Conv	—	171.687%	858.435	997.3

Note: At April 30, 1990 Telefónica had outstanding 200 million dollars in convertible Bonds.

Share listings

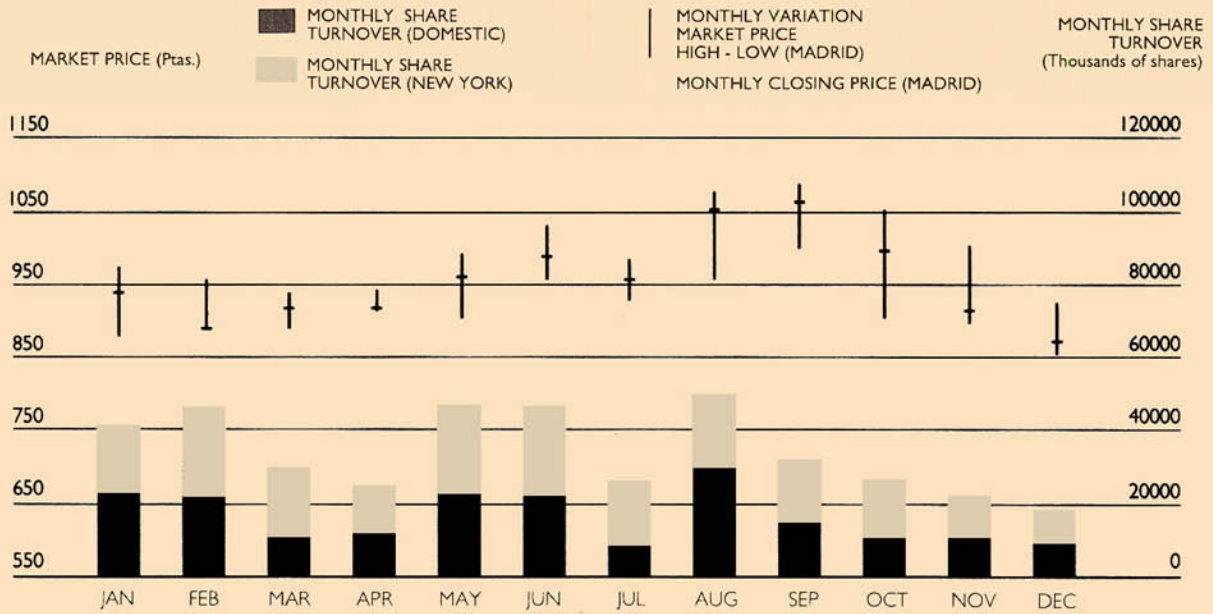
Telefónica shares are listed on all the Spanish Stock Exchanges—Madrid, Barcelona, Bilbao and Valencia—and on five foreign Stock Exchanges—London, Paris, Frankfurt, Tokyo and New York (TEF)*.

Since April, 5, 1988, Telefónica is quoted on the London Stock Exchange SEAQ INTERNATIONAL* system. On November 6, 1989 Telefónica started to be quoted on the Computer Assisted Continuous Market on the Spanish Stock Exchanges.

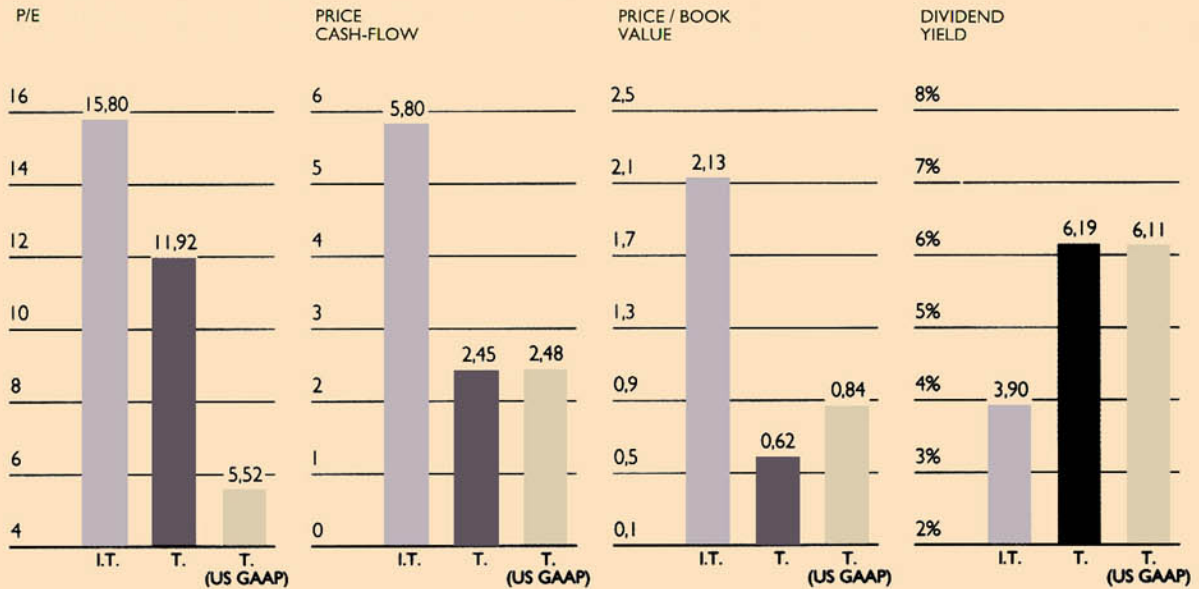
Since November 27, 1989, option contracts are negotiated on the American Stock Exchange (AMEX), based on Telefónica ADRs.

*It is listed on American Depositary Receipts. 1 ADR = 3 shares.

TRENDS IN TELEFONICA SHARES DURING 1989



TELEFONICA: INTERNATIONAL COMPARISONS AT DECEMBER 31, 1.989



I.T.: International telecommunications index (Source: "Capital International Perspective").
 T.: Telefónica - Data according to Spanish accounting principles.
 T (US GAAP): Telefónica - Data according to US accounting principles.

Market prices

The table shows high, low and closing prices on the Madrid Stock Exchange in Ptas.

Year	High	Low	Closing
1985	722.50	470.00	637.50
1986	1,160.00	630.00	875.00
1987	1,265.00	645.00	800.00
1988	1,048.75	775.00	888.75
1989 1st quarter	980.00	881.25	921.25
1989 2nd quarter	1,020.00	912.50	993.75
1989 3rd quarter	1,086.25	942.50	1,067.50
1989 4th quarter	1,063.75	865.00	888.00

Dividend Policy

Telefónica normally pays an interim dividend at year end and a final dividend once the total dividend for the year has been approved by the General Meeting of Shareholders, following the proposal of the Board of Directors.

New shares from capital increases participate in net income on the basis of the time they have been outstanding.

Recent dividends were:

	1988	% of par value	1989	% of par value
Interim	25 ptas.	5	25 ptas.	5
Final	30 ptas.	6	30 ptas.*	6
Total	55 ptas.	11	55 ptas.	11

* Pending approval by the General Meeting of Shareholders, in accordance with the proposal for net income distribution (page 46).

State shareholding in Telefónica de España, S.A.

Since Telefónica shares are bearer shares, no official register of shareholders exists. Nevertheless, in paying the interim dividend for 1989 on January 31, 1990, it was verified that the state shareholding is as follows:

	Interest as % of Share Capital
Spanish State	32.28
Bank of Spain	1.14
Caja Postal (Post Office Savings Bank)	1.77

Stock Market Capitalization

	1985	1986	1987	1988	1989	Average Growth % 89/85
Telefónica	456.2	700.9	663.7	766.1	821.2	15.83
Total Madrid Stock Exchange	3,007.3	6,477.3	7,748.8	10,313.1	13,457.0	45.44
Telefónica Weighting on the M.S.E. index (%)	11.90	15.20	10.89	9.07	7.95	—

(Figures in thousands of millions of pesetas)

Notice of the General Meeting of Shareholders

Date: June 15, 1989 (at the second notice)

Time: 12 h.

Place: Paseo de la Castellana, 259. Madrid.

Pabellón de Deportes de la Ciudad Deportiva del Real Madrid.

Shareholder information

Copies of this Annual Report may be obtained free of charge from the Company offices or by request in writing to:

Telefónica de España, S.A.

Financial Department

General Perón, 38-planta 15

Edificio Master's II

28020 MADRID

In compliance with the stipulations of the Ministry Orders of November 17, 1981 and February 26, 1982, a biannual information brochure is available to shareholders.

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Telefónica de España, S.A.