

BALANCE SHEET. CONSOLIDATED (MILLION EUROS)

ITEMS	1995	1996	1997	1998	1999	1999 \$ (2)
SUBSCRIBED SHARES NOT PAID-IN	1.0	-	2.7	3.1	3.3	3.3
FIXED ASSETS	24,729.8	27,978.0	29,973.1	39,993.4	49,521.6	49,828.6
Capital increase expenses	4.3	3.5	14.0	97.9	170.1	171.1
Netintangible assets	1,906.6	2,030.4	2,140.3	6,612.2	7,006.1	7,049.5
Property, plant and equipment	39,297.2	42,219.1	45,714.2	52,324.3	72,948.6	73,400.9
Depreciation of fixed assets	(17,676.2)	(18,335.7)	(20,783.5)	(24,502.7)	(37,193.7)	(37,424.3)
Netfixed assets	21,621.0	23,883.4	24,930.7	27,821.6	35,754.9	35,976.6
Investments	1,197.9	2,060.7	2,888.1	5,461.7	6,590.5	6,631.4
GOODWILL ON CONSOLIDATION	286.6	299.3	1,709.0	2,401.8	4,207.0	4,233.1
DEFERRED EXPENSES	849.3	783.1	812.0	831.6	873.6	879.0
CURRENT ASSETS	3,091.6	3,621.1	4,914.8	6,330.3	9,540.8	9,600.0
Subscribed shares not paid-in	-	-	-	-	-	-
Inventories	174.5	203.4	226.5	295.5	476.1	479.1
Accounts receivable	2,397.1	3,051.8	3,781.8	5,269.0	7,062.1	7,105.9
Short-term financial investments	410.2	215.4	757.8	363.0	1,458.1	1,467.1
Treasury stock	-	-	2.2	29.2	1.7	1.7
Cash	71.7	76.0	62.7	143.0	186.1	187.3
Prepayments	38.1	74.5	83.8	230.6	356.7	358.9
ASSETS=LIABILITIES AND SHAREHOLDERS' EQUITY	28,958.3	32,681.5	37,411.6	49,560.2	64,146.3	64,544.0
SHAREHOLDERS' EQUITY	9,294.5	11,201.4	11,968.4	13,500.0	14,484.8	14,574.6
Paid-in share capital	2,823.2	2,823.2	2,823.2	3,079.8	3,262.8	3,283.0
Reserves	5,840.1	7,612.5	8,228.8	9,112.5	9,417.2	9,475.6
Netincome for year	800.6	963.3	1,142.3	1,307.7	1,804.8	1,816.0
Interim dividend	(169.4)	(197.6)	(225.9)	-	-	-
MINORITY INTERESTS	1,885.7	2,252.0	2,368.6	3,545.6	10,614.4	10,680.2
DEFERRED INCOME	548.5	614.3	676.0	729.4	1,055.3	1,061.8
PROVISIONS FOR LIABILITIES AND CHARGES	1,730.9	2,023.1	2,337.3	5,963.9	6,756.3	6,798.2
LONG-TERM DEBT	10,436.7	10,054.4	11,519.2	13,695.4	17,788.3	17,898.6
Debentures, bonds and promissory notes issued	3,870.2	3,932.9	4,296.8	5,583.1	6,803.7	6,845.9
Debtwith creditinstitutions	5,420.4	5,068.6	5,665.9	7,025.1	9,127.2	9,183.8
Debtwith associated companies	-	1.7	-	-	-	-
Other creditors (1)	1,146.1	1,051.2	1,556.5	1,087.2	1,857.4	1,868.9
SHORT-TERM DEBT	5,062.1	6,536.3	8,542.2	12,125.9	13,447.2	13,530.6
Debentures, bonds and promissory notes issued	650.0	886.0	1,707.0	1,410.5	2,261.0	2,275.0
Debt with creditinstitutions	1,011.2	1,470.2	2,022.6	5,316.7	3,537.2	3,559.2
Debt with associated companies	116.5	171.0	90.6	104.2	116.8	117.5
Other trade accounts	1,545.3	2,251.3	2,111.7	2,328.7	4,245.4	4,271.7
Other creditors	1,567.3	1,600.7	2,301.1	2,697.6	2,968.6	2,987.0
Prepayments	171.8	157.1	309.2	268.2	318.2	320.2

(1) Including tax debts amounting to 427,415,502,706 and 1,118 million euros respectively, not considered for the calculation of the financial debt ratio.

(2) Figures in million dollars.31-12-99 exchange rate:1 euro = \$1.0062

ECONOMIC/FINANCIAL INDICATORS. CONSOLIDATED (FIGURES IN %, UNLESS OTHERWISE INDICATED)

	1995	1996	1997	1998	1999
Operating margin/Revenue from operations (1)	58.2	55.3	54.1	56.8	49.6
Financial expenses/Revenue from operations (2)	12.8	10.3	9.4	9.8	10.6
Operating margin/Average netplant (3)	28.3	29.3	31.5	37.6	35.8
Fixed asset coverage (4)	92.4	90.0	88.8	86.6	92.9
Self-financing ratio (5)	104.1	96.4	121.4	139.8	119.1
Financial debt ratio (6)	47.9	44.7	47.3	51.0	43.3
Debt repayment capacity(years) (7)	3.0	2.8	2.7	3.3	2.6
Financial expenses coverage (times) (8)	1.5	1.7	2.0	2.0	1.7

(1) Operating revenue - Operating expenses + Internal expenditure capitalized in fixed assets /Operating revenue.

(2) Financial expenses + Exchange losses + Amortization of deferred charges /Operating revenue.

(3) Operating margin /Average netfixed assets.

(4) Shareholders' equity + Outside shareholders' interests + Deferred income + Provisions + Long-term debt/ Fixed assets + Goodwill on consolidation + Deferred expenses.

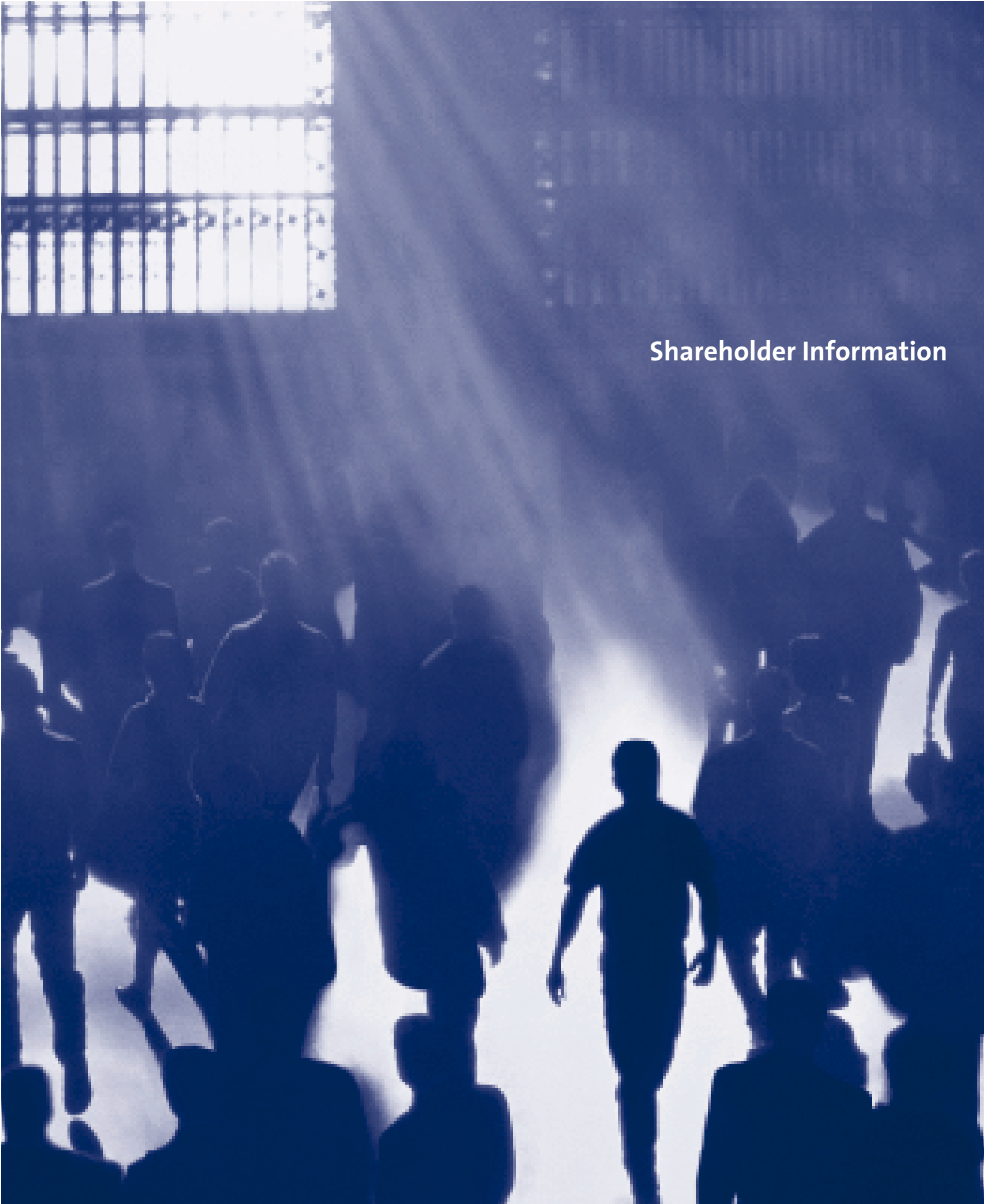
(5) Netincome - Telefónica Dividends + Minority Interests Dividends + Depreciation of plant and equipment + Intangible depreciation + Dismantled plant pending depreciation + Amortization of goodwill - Revenue from associated companies + Dividend from associated companies/Capital expenditure in fixed assets + Capital expenditure in intangible assets.

(6) Interestbearing debt/ Shareholders' equity + Outside shareholders' interests + Deferred income + Tax debts + Interestbearing debt.

Interestbearing debt: Long-term debt - Tax debts + Short-term debentures notes and promisory notes issue + Short-term debts with creditinstitutions - Short-term financial investments - Cash.

(7) Interestbearing debt/ Cash flow - Internal expenditure capitalized in fixed assets. Cash-flow: Netincome + Amortization of deferred expenses + Depreciation of fixed assets + Dismantled plant pending depreciation + Amortization of goodwill - Revenue from associated companies + Dividends from associated companies.

(8) Income before tax + Financial expenses + Exchange losses + Amortization of deferred charges - Internal expenditure capitalized in fixed assets /Financial expenses + Exchange losses + Amortization of deferred charges.



Shareholder Information

SHARE CAPITAL

	1995	1996	EUROS 1997	1998	1999
Share Capital (Mill.euros)	2,823.17	2,823.17	2,823.17	3,079.82	3,262.82
Earnings per share (euros) (1)	0.28	0.34	0.41	0.43	0.55
Price / earnings ratio	11.85	17.67	21.50	29.72	44.84
Payout(%)	53.60	52.17	50.42	—	—
Price / Cash flow per share	2.10	3.49	4.25	5.97	9.05

* Consolidated figures

(1) Figures applying the hypothetical theory that the split came into force on January 1st, 1995

At December 31st, 1999 Telefónica's share capital stood at Euros 3,262,826,901 divided into 3,262,826,901 bearer shares with a nominal value of one Euro and totally paid-in. At its meeting of January 27th, 1999, the Board of Directors of Telefónica agreed to redenominate "Telefónica, S.A.'s" share capital in euros in accordance with that stated in article 21 of Law 46/1998 of December 17th regarding the introduction of the euro.

Likewise, on March 26th, 1999 the Annual Shareholders' Meeting approved the split of the shares that make up the Company's share capital by dividing each share into three, as well as the adjusting of the share's value to one euro in compliance with article 28 of aforementioned Law 46/1998. The Board of Directors, at its meeting held on June 23rd resolved to execute the previous resolution to come into force at twelve midnight of July 23rd 1999.

Throughout fiscal 1998 and 1999 the capital increases executed were as follows:

Date	Number of shares issued	Issue price		Total Issue (Millions)			
				Nominal		Efectivo	
		Ptas	Euros	Ptas	Euros	Ptas	Euros
25-03-98	85,406,438	5,000.0	30.05	42,703	256.65	427,032	2,566.51
(*)27-05-98	642	4,809.2	28.90	0.321	0.0019	3.087	0.0186
(**)16-12-98	20,497,558	500.0	3.005	10,248	61.59	—	—
(**)25-02-99	20,907,509	—	3.005	10,453	62.82	—	—
(*)15-09-99	1,002	—	9.26	—	0.001	—	0.009
(***)29-09-99	63,976,998	—	1.00	—	63.97	—	—

(*) Increases to address the conversion and consequent amortization of convertible bonds with a nominal value of 1,000 American dollars each.

(**) Capital increases charged to freely disposable reserves approved by the Extraordinary Shareholders' Meeting of June 24th, 1998

(***) Capital increase charged to the freely disposable reserves approved by the Ordinary Shareholders' Meeting of March 26th, 1999.

QUOTATION OF SHARES

Telefónica shares are quoted on the Automated Quotation Market of all the Spanish Stock exchanges (Madrid, Barcelona, Bilbao and Valencia) and on the following foreign exchanges: London, París, Frankfurt, Tokyo, New York (*) and the London Stock Exchange's SEAQ International.

The trading of options on Telefónica shares is carried out on the Spanish Financial Futures Market (MEFF-RV) and on the American Stock Exchange (AMEX) (*)

(*) Quotes American Depositary Receipts (ADR) 1 ADR = 3 shares

QUOTATION OF THE TELEFÓNICA GROUP'S SHARES ON THE SPANISH AUTOMATED QUOTATION MARKET

The table below reflects maximum, minimum and closing prices, in pesetas and euros on the Spanish Automated Quotation Market.

	MAXIMUM (1)		MINIMUM (1)		CLOSING (1)	
	Pesetas	Euros	Pesetas	Euros	Pesetas	Euros
1995	598	3.59	490	2.94	560	3.36
1996	1,020	6.13	563	3.38	1,005	6.04
1997	1,615	9.70	990	5.95	1,450	8.71
1998	2,670	16.04	1,498	9.00	2,103	12.64
1999 1st quarter		15.46		11.61		13.09
1999 2nd quarter		16.64		13.27		15.57
1999 3rd quarter		16.33		13.78		15.03
1999 4th quarter		26.20		14.21		24.80

(1) Quotation in Euros (1 Euro = 166,386 pesetas) and applying the hypothetical theory that the split of the shares' nominal value (3x1) came into force on January 1st 1995.

TELEFÓNICA PUBLICIDAD E INFORMACIÓN, S.A.

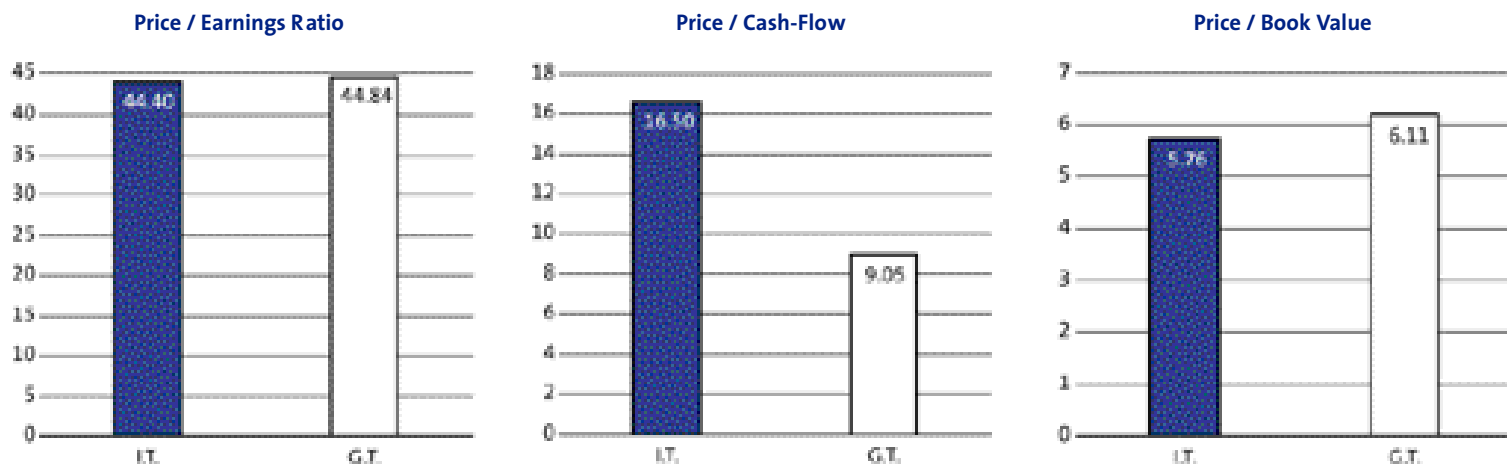
	MAXIMUM	MINIMUM	CLOSING
	Euros	Euros	Euros
1999 2nd quarter	19.45	18.00	19.35
1999 3rd quarter	22.80	18.65	21.70
1999 4th quarter	52.60	19.91	48.25

On June 23rd 1999, Telefonica Publicidad e Información, S.A. began trading on the Spanish Automated Quotation Market at an opening price of Euros 18.50. This company was listed on the Ibex-35 on January 3rd, 2000.

TERRA NETWORKS, S.A.

	MAXIMUM	MINIMUM	CLOSING
	Euros	Euros	Euros
1999 4th quarter	57.00	26.00	54.25

On November 17th 1999, TERRA NETWORKS, S.A. began trading on the Spanish Automated Quotation Market at an opening price of Euros 26.00. This company was listed on the Ibex-35 on January 31st, 2000.



I.T.: International Telecommunications Index (Source: "Capital International Perspective")
 G.T.: Telefónica Group (information in accordance with Spanish accounting principles)
 International comparisons at 12/31/99

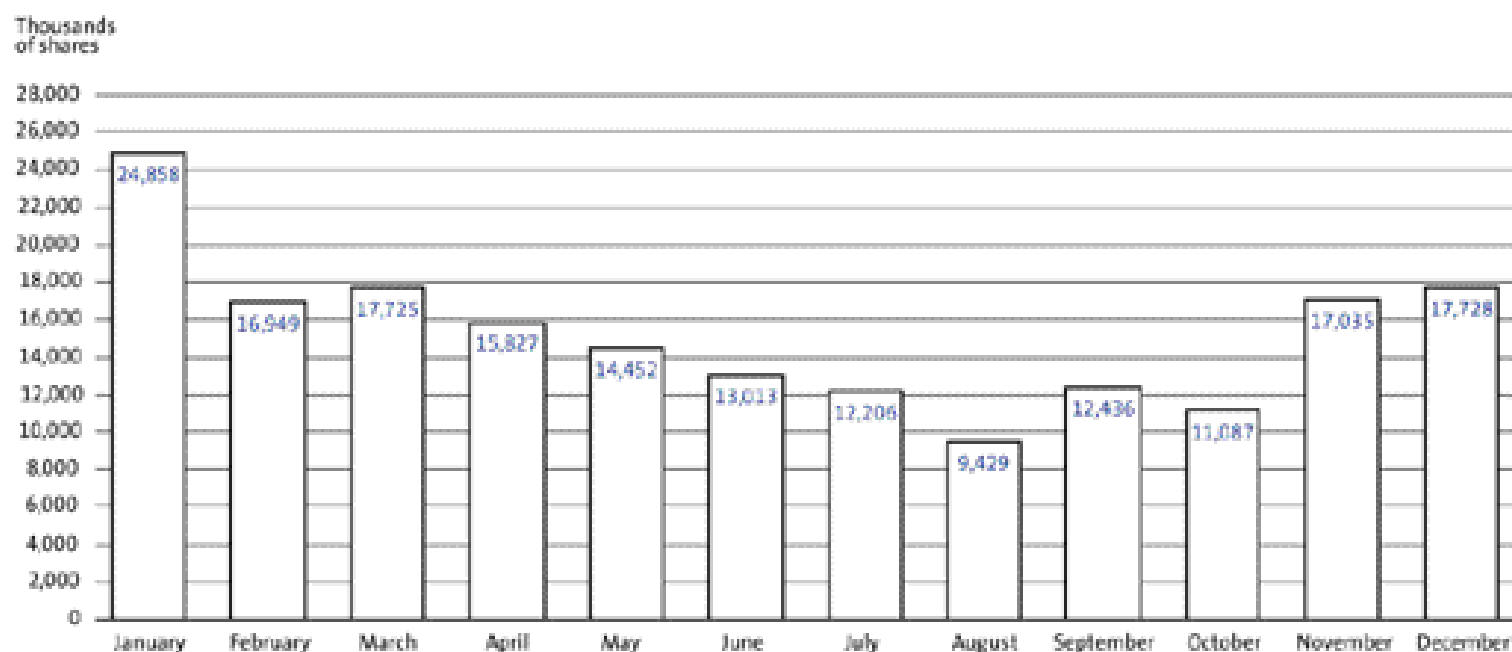
DIVIDENDS PAID OVER RECENT YEARS WERE

	1995		1996		1997	
	PESETAS	EUROS	PESETAS	EUROS	PESETAS	EUROS
Interim	30	0.18	35	0.21	40	0.24
Final	46	0.28	54	0.32	62	0.37
Total	76	0.46	89	0.53	102	0.61

At the Extraordinary Annual General Shareholders' Meeting held on June 24th 1998, Telefónica announced its new policy, aimed at offering alternative forms of reimbursement to that of dividend payments.

With this new dividend policy in mind, throughout fiscal 1999 Telefónica carried out three capital increases charged to freely disposable reserves, acknowledging, in all three cases, the shareholder's pre-emptive rights to one new share for every 50 old ones. These capital increases were approved by the aforementioned Extraordinary Shareholders' Meeting of June 24th, and the Annual General Shareholders' Meeting of March 26th, 1999.

Average daily trading of Telefónica shares - 1999



SIGNIFICANT PARTICIPATIONS IN TELEFÓNICA, S.A.

Under the stipulations of the Royal Decree 116/14/1992, since December 14 1995, Telefónica's shares have been represented as book entries and therefore the official shareholders list has ceased to exist.

At December 31st 1999, the significant holdings in Telefónica's share capital were the following:

SHAREHOLDER	% SHARE CAPITAL
Argentaria, Caja Postal y Banco Hipotecario, S.A. ("Argentaria") (*)	5.02
Banco Bilbao Vizcaya, S.A. (*)	3.22
Caja de Ahorros y Pensiones de Barcelona, S.A. (*)	5.01

(*) Significant holdings registered in the Spanish National Securities Market Commission's public records.

The Boards of Directors of Banco Bilbao Vizcaya, S.A. and Argentaria, Caja Postal and Banco Hipotecario, S.A., at their meetings held on October 19th 1999, drew up a Merger Project that was subsequently approved by the two companies' Annual General Shareholders' Meetings held on December 18th, 1999. The merger was carried out by Banco Bilbao Vizcaya, S.A. absorbing Argentaria and consequently changing its name to Banco Bilbao Vizcaya Argentaria, S.A. (BBVA). On February 17th, 2000 the new company (BBVA) informed the Spanish National Securities Market Commission that it held a 9.1% stake in Telefónica, S.A.'s share capital.

On February 11th, 2000 Telefónica and Banco Bilbao Vizcaya Argentaria, S.A.(BBVA) signed a strategic agreement aimed at further strengthening the development of businesses in high growth sectors, Internet, e-commerce, mobile service and forms of payment platforms. With this in mind, BBVA will increase its stake in Telefónica to 10% and Telefónica will acquire up to 3% of BBVA.

STOCK MARKET CAPITALIZATION

PESETAS						Average Increase %
	1995	1996	1997	1998	1999	99/95
Telefónica (billion pesetas)	1,578.3	2,832.5	4,086.6	6,466.9	13,463.3	70.90
Total Madrid Stock Exchange (billion pesetas)	22,899	31,579	44,260	56,985	70,811	32.61
Telefónica's weighting on the Spanish Stock Exchanges:						
(*) Ibex 35 (%)	12.71	14.25	14.61	17.07	27.61	—
Madrid Stock Exchange index (%)	9.44	11.46	11.63	13.31	21.27	—

(*) Telefónica's weighting on the Index on the last business day of each fiscal year.

EUROS						Average Increase %
	1995	1996	1997	1998	1999	99/95
Telefónica (billion euros)	9.49	17.02	24.56	38.87	80.91	70.90
Total Madrid Stock Exchange (billion euros)	137.63	189.79	266.01	342.48	425.58	32.61
Telefónica's weighting on the Spanish Stock Exchanges:						
(*) Ibex 35 (%)	12.71	14.25	14.61	17.07	27.61	—
Madrid Stock Exchange index (%)	9.44	11.46	11.63	13.31	21.27	—

(*) Telefónica's weighting on the Index on the last business day of each fiscal year.

FINANCIAL EXHIBITS

1995
1999



TELEF NICA GROUP SHARES – LATIN AMERICAN OPERATORS

	Stock market capitalization (mill.\$ US)		Closing price ADRs (\$ US)		Price/earnings ratio		Price/Cash Flow (**)		Dividend yield	
	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
	CTC Chile	4,950	4,367	20 ^{7/10}	18 ^{1/4}	11.7	(****)	6.1	8.0	2.4
Telef nica Argentina (*)	5,981	6,610	27 ^{15/16}	30 ^{7/8}	11.7	14.5	4.5	5.1	4.6	4.5
Telef nica del Per	2,967	2,815	12 ^{11/16}	13 ^{3/8}	13.7	14.8	6.8	6.13 (***)	2.8	2.8
CANTV	2,545	3,518	17 ^{13/16}	24 ^{5/8}	8.5	25.9	2.5	5.4	9.0	2.6
Holdings in Brasil:										
Telesp (fijado)	7,399	11,944	22 ^{1/8}	24 ^{4/9}	12.7	22.6	4.5	8.02	2.3	5.9
Telesp (celular)	2,341	5,668	17 ^{1/2}	42 ^{3/8}	n.a.	80	n.a.	19	n.a.	—
Telesudeste (celular)	1,384	2,596	20 ^{11/16}	38 ^{4/5}	9.1	110	5.7	21	4.1	0.54
Teleleste (celular)	190	284	28 ^{3/8}	42 ^{1/2}	4.6	n.a.	2.7	n.a.	10.3	—

(*) The 1998 and 1999 figures are based on the quotation at 31/12/98 and 31/12/99, and the figures for the financial balance sheets closed at 30/9/98 and 30/9/99.

(**) Operating cash flow = Netincome + Depreciation and Amortization.

(***) Cash flow = Netincome + Amortization + Exchange Adjustments.

(****) At the close of fiscal 99, Telefónica CTC Chile registered netlosses of \$US 95.2 million

RATIO IN AMERICAN DEPOSITORY RECEIPTS (ADRs):

Company	Number of shares per ADR
CTC Chile	4 shares
Telef nica Argentina	10 shares
Telef nica del Per	10 shares
CANTV	7 shares
Telesp fija	1,000 shares
Telesp celular	2,500 shares
Telesudeste celular	5,000 shares
Teleleste celular	50,000 shares

Trading index: Telef nica shares

