

Financial Exhibits

SELECTED FINANCIAL DATA. CONSOLIDATED (Million of Euros)

	1994	1995	1996	1997	1998	1998 \$ (3)
Revenue from operations	9,489.1	10,461.0	12,056.7	14,202.5	17,465.5	20,205.9
Operating expenses	4,846.6	5,104.1	6,148.7	7,221.0	8,286.0	9,586.1
Financial expenses	1,419.0	1,344.2	1,240.6	1,329.7	1,715.4	1,984.5
Depreciation and amortization (1)	3,095.9	3,413.7	3,573.2	4,073.8	4,696.1	5,432.9
Net income	676.8	800.6	963.3	1,142.3	1,307.7	1,512.9
Cash flow	3,875.0	4,509.7	4,875.6	5,778.3	6,515.7	7,538.0
Share capital	2,823.2	2,823.2	2,823.2	2,823.2	3,079.8	3,563.0
Shareholders' equity	9,087.5	9,294.5	11,201.4	11,968.4	13,500.0	15,618.2
Long-term debt	11,105.3	10,436.7	10,054.4	11,519.2	13,695.4	15,844.2
Financial debt	11,665.7	11,189.2	11,704.4	13,926.7	19,210.9	22,225.1
Investment (2)	2,942.6	3,803.8	4,352.8	4,122.3	4,417.9	5,111.1

(1) Including depreciation of fixed assets, amortization of deferred interest expenses, amortization of goodwill and dismantled plant pending depreciation.

(2) Fixed and intangible.

(3) Figures in million dollars. 31-12-98 exchange rate: €1 = \$1.1569

TELEFONICA GROUP: OPERATING REVENUE (Million of Euros)

Parent company	1994	1995	1996	1997	1998	Increase %		1998 \$ (1)
						Over 97	Average accumulated 94-98	
Basic telephony	5,941.9	6,268.5	7,353.4	8,059.1	8,285.1	2.8	8.7	9,585.0
Telephone service	4,823.4	5,071.0	5,696.1	6,057.3	6,046.1	(0.2)	5.8	6,994.7
Leased circuits	205.0	179.1	440.6	589.8	678.8	15.1	34.9	785.3
Ibercom	329.2	351.7	416.5	377.8	376.0	(0.5)	3.4	435.0
Digital exchanges, intelligent network, ISDN and other	40.4	117.2	299.9	520.3	718.3	38.1	105.3	831.0
Equipment	451.7	456.7	430.9	441.5	385.5	(12.7)	(3.9)	446.0
Advertising	92.2	92.8	69.4	72.4	80.4	11.0	(3.4)	93.0
International communication services	837.5	872.8	818.1	809.3	779.0	(3.7)	(1.8)	901.2
Telephone service	770.7	806.2	739.9	725.1	696.6	(3.9)	(2.5)	805.9
Leased circuits	34.2	44.3	59.1	69.7	73.8	5.9	21.2	85.3
Retransmissions	32.6	22.3	19.1	14.5	8.7	(40.2)	(28.2)	10.0
Public telephony	378.3	393.4	388.6	409.9	424.2	3.5	2.9	490.8
Data transmission	262.8	232.2	268.3	327.6	362.3	10.6	8.4	419.2
Mobile services	279.3	459.7	—	—	—	—	—	—
Other	14.4	23.3	24.8	41.0	80.4	96.3	53.8	93.0
Total revenue from operations for Telefónica	7,714.2	8,249.9	8,853.2	9,646.9	9,931.0	2.9	6.5	11,489.2
Group								
Telefónica Internacional Group	1,330.9	1,689.1	1,992.9	2,663.3	5,367.5	101.5	41.7	6,209.7
Telefónica Servicios Móviles Group	58.0	232.3	1,557.3	2,181.6	2,814.0	29.0	164.0	3,255.5
Telefónica Public Telecommunication	128.4	199.5	243.3	263.2	300.3	14.1	23.6	347.4
Telefónica Publicidad e Información Group	171.7	182.7	213.0	285.3	393.0	37.7	23.0	454.7
Telefónica Data Transmission	—	—	—	—	425.0	—	—	491.6
Other subsidiaries	762.5	875.8	1,044.0	1,191.3	1,180.7	(0.9)	11.6	1,366.0
Sales among group companies	(676.6)	(968.4)	(1,847.0)	(2,029.0)	(2,946.0)	45.2	44.4	(3,408.2)
Total revenue from operations for Group Companies	1,774.9	2,211.0	3,203.5	4,557.7	7,534.5	65.4	43.5	8,716.6
Total revenue from operations for Telefónica Group	9,489.1	10,460.9	12,056.7	14,202.6	17,465.5	23.0	16.5	20,205.8

(1) Figures in million dollars. 31-12-98 exchange rate: €1 = \$1.1569

RESULTS - PROFIT MARGINS. CONSOLIDATED (Million of Euros)

DESCRIPTION	1994	1995	1996	1997	1998	Increase %		1998 \$ (1)
						Over 97	Average accumulated 94-98	
+Operating revenue	9,489.1	10,460.9	12,056.6	14,202.5	17,465.5	23.0	16.5	20,205.9
-Operating expenses	4,846.6	5,104.1	6,148.7	7,220.9	8,286.0	14.7	14.3	9,586.1
Personnel expenses	3,130.8	3,266.8	3,333.7	3,431.1	3,907.6	13.9	5.7	4,520.7
Taxes	155.2	166.3	211.0	233.0	289.2	24.2	16.8	334.6
Subcontracts	1,560.6	1,671.0	2,604.0	3,556.8	4,089.2	15.0	27.2	4,730.8
+Internal expenditure capitalized in fixed assets	729.6	730.5	765.2	708.8	747.1	5.4	0.6	864.3
=Operating margin	5,372.1	6,087.3	6,673.1	7,690.4	9,926.6	29.1	16.6	11,484.1
+Other operating revenue	181.7	200.8	226.9	248.2	116.4	(53.1)	(10.5)	134.7
-Depreciation of fixed assets	2,731.8	3,014.0	3,162.7	3,622.1	4,359.9	20.4	12.4	5,044.0
-Other operating expenses	59.2	58.4	116.0	132.2	145.5	10.1	25.2	168.3
-Other provisions and charges	164.0	151.2	159.7	214.9	637.7	196.7	40.4	737.8
=Operating profit	2,598.8	3,064.5	3,461.6	3,969.4	4,899.9	23.4	17.2	5,668.7
+Financial income	104.3	113.0	115.1	152.5	240.2	57.5	23.2	277.9
+Exchange income	28.7	76.2	64.2	49.0	95.1	94.3	34.9	110.0
-Interest expenses	1,238.0	1,209.0	1,096.0	1,180.6	1,551.0	31.4	5.8	1,794.4
-Exchange losses	148.1	115.3	122.9	126.6	135.7	7.2	(2.2)	157.0
-Amortization of deferred charges	32.9	19.9	21.7	22.6	28.7	27.2	(3.4)	33.2
+Revenue from associated companies	111.3	52.6	46.9	59.8	73.3	22.5	(9.9)	84.8
-Amortization of goodwill	37.2	42.0	100.9	200.2	127.0	(36.6)	35.9	146.9
=Profit from ordinary activities	1,386.9	1,920.1	2,346.3	2,700.7	3,466.1	28.3	25.7	4,009.9
+Extraordinary income	241.6	179.5	192.0	310.5	3,090.8	895.5	89.1	3,575.8
-Extraordinary expenses	596.9	755.1	880.2	981.9	4,140.8	321.7	62.3	4,790.5
=Income before tax	1,031.6	1,344.5	1,658.1	2,029.3	2,416.1	19.1	23.7	2,795.2
-Corporate tax	183.8	236.5	342.1	442.0	552.2	24.9	31.6	638.9
=Net income	847.8	1,108.0	1,316.0	1,587.3	1,863.9	17.4	21.8	2,156.3
-Minority interest	171.0	307.4	352.7	445.0	556.2	25.0	34.3	643.4
=Net income attributed to Telefónica	676.8	800.6	963.3	1,142.3	1,307.7	14.5	17.9	1,512.9
Net income	847.8	1,108.0	1,316.0	1,587.3	1,863.9	17.4	21.8	2,156.3
+Amortization of deferred charges	32.9	19.9	21.7	22.6	28.7	27.2	(3.4)	33.2
+Depreciation of fixed assets	2,731.8	3,014.0	3,162.7	3,622.1	4,359.9	20.4	12.4	5,044.0
+Dismantled plant pending depreciation	294.0	337.8	288.0	229.0	180.5	(21.2)	(11.5)	208.8
+Amortization of goodwill	37.2	42.0	100.9	200.2	127.0	(36.6)	35.9	146.9
-Revenue from associated companies	111.3	52.6	46.9	59.8	73.3	22.5	(9.9)	84.8
+Dividends of associated companies	42.6	40.6	33.3	177.0	28.9	(83.7)	(9.2)	33.5
=Cash flow	3,875.0	4,509.7	4,875.7	5,778.4	6,515.6	12.8	13.9	7,537.9

(1) Figures in million dollars. 31-12-98 exchange rate: €1 = \$1.1569

BALANCE SHEET. CONSOLIDATED (Million of Euros)

ITEMS	1994	1995	1996	1997	1998	1998 \$ (2)
SUBSCRIBED SHARES NOT PAID-IN	0.1	1.0	—	2.7	3.1	3.6
FIXED ASSETS	24,183.4	24,729.8	27,978.0	29,973.1	39,993.4	46,268.3
Capital increase expenses	2.1	4.3	3.5	14.0	97.9	113.2
Net intangible assets	1,804.3	1,906.6	2,030.4	2,140.3	6,612.2	7,649.7
Property, plant and equipment	37,933.0	39,297.2	42,219.1	45,714.2	52,324.3	60,534.0
Depreciation of fixed assets	(16,539.5)	(17,676.2)	(18,335.7)	(20,783.5)	(24,502.7)	(28,347.2)
Net fixed assets	21,393.5	21,621.0	23,883.4	24,930.7	27,821.6	32,186.8
Investments	983.5	1,197.9	2,060.7	2,888.1	5,461.7	6,318.6
GOODWILL ON CONSOLIDATION	323.0	286.6	299.3	1,709.0	2,401.8	2,778.7
DEFERRED EXPENSES	1,120.8	849.3	783.1	812.0	831.6	962.1
CURRENT ASSETS	2,976.2	3,091.6	3,621.1	4,914.8	6,330.3	7,323.5
Subscribed shares not paid-in	—	—	—	—	—	—
Inventories	152.4	174.5	203.4	226.5	295.5	341.9
Accounts receivable	2,222.5	2,397.1	3,051.8	3,781.8	5,269.0	6,095.7
Short-term financial investments	439.2	410.2	215.4	757.8	363.0	420.0
Treasury stock	—	—	—	2.2	29.2	33.8
Cash	107.8	71.7	76.0	62.7	143.0	165.4
Prepayments	54.3	38.1	74.5	83.8	230.6	266.7
ASSETS=LIABILITIES AND SHAREHOLDERS' EQUITY	28,603.5	28,958.3	32,681.5	37,411.6	49,560.2	57,336.2
SHAREHOLDERS' EQUITY	9,087.5	9,294.5	11,201.4	11,968.4	13,500.0	15,618.1
Paid-in share capital	2,823.2	2,823.2	2,823.2	2,823.2	3,079.8	3,563.0
Reserves	5,587.5	5,840.1	7,612.5	8,228.8	9,112.5	10,542.2
Net income for year	676.8	800.6	963.3	1,142.3	1,307.7	1,512.9
Interim dividend	—	(169.4)	(197.6)	(225.9)	—	—
MINORITY INTERESTS	1,756.7	1,885.7	2,252.0	2,368.6	3,545.6	4,101.8
DEFERRED INCOME	450.9	548.5	614.3	676.0	729.4	843.8
PROVISIONS FOR LIABILITIES AND CHARGES	1,628.0	1,730.9	2,023.1	2,337.3	5,963.9	6,899.7
LONG-TERM DEBT	11,105.3	10,436.7	10,054.4	11,519.2	13,695.4	15,844.3
Debentures, bonds and promissory notes issued	4,335.2	3,870.2	3,932.9	4,296.8	5,583.1	6,459.2
Debt with credit institutions	5,514.9	5,420.4	5,068.6	5,665.9	7,025.1	8,127.4
Debt with associated companies	1.3	—	1.7	—	—	—
Other creditors (1)	1,253.9	1,146.1	1,051.2	1,556.5	1,087.2	1,257.7
SHORT-TERM DEBT	4,575.0	5,062.1	6,536.3	8,542.2	12,125.9	14,028.5
Debentures, bonds and promissory notes issued	759.4	650.0	886.0	1,707.0	1,410.5	1,631.8
Debt with credit institutions	795.4	1,011.2	1,470.2	2,022.6	5,316.7	6,150.9
Debt with associated companies	67.8	116.5	171.0	90.6	104.2	120.5
Other trade accounts	1,604.3	1,545.3	2,251.3	2,111.7	2,328.7	2,694.1
Other creditors	1,150.2	1,567.3	1,600.7	2,301.1	2,697.6	3,120.9
Prepayments	197.9	171.8	157.1	309.2	268.2	310.3

(1) Including tax debts amounting to 447, 427, 415, 502 and 706 million euros respectively, not considered for the calculation of the financial debt ratio.

(2) Figures in million dollars. 31-12-98 exchange rate: €1 = \$1.1569

ECONOMIC / FINANCIAL INDICATORS. CONSOLIDATED (Figures in %, Unless Otherwise indicated)

	1994	1995	1996	1997	1998
Operating margin/Revenue from operations (1)	56.6	58.2	55.3	54.1	56.8
Financial expenses/Revenue from operations (2)	15.0	12.8	10.3	9.4	9.8
Operating margin/Average net plant (3)	26.6	28.3	29.3	31.5	37.6
Fixed asset coverage (4)	93.8	92.4	90.0	88.8	86.6
Self-financing ratio (5)	115.9	104.1	96.4	121.4	139.8
Financial debt ratio (6)	49.8	47.9	44.7	47.3	51.0
Debt repayment capacity(years) (7)	3.7	3.0	2.8	2.7	3.3
Financial expenses coverage (times) (8)	1.2	1.5	1.7	2.0	2.0

- (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 net fixed assets.
 (4) Shareholders' equity + Outside shareholders' interests + Deferred income + Provisions + Long- term debt / Fixed assets + Goodwill on consolidation + Deferred expenses.
 (5) Net income - 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) Interest bearing debt / Shareholders' equity + Outside shareholders' interests + Deferred income + Tax debts + Interest bearing debt.
 Interest bearing debt: Long-term debt - Tax debts + Short-term debentures, bonds and promisory notes issue + Short-term debts with credit institutions - Short-term financial investments - Cash.
 (7) Interest bearing debt / Cash flow - Internal expenditure capitalized in fixed assets. Cash-flow: Net income + 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.

TELEFÓNICA IN THE SPANISH ECONOMY (Telefónica as a % of national total (revised series))

	1994	1995	1996	1997	1998
Gross value added	2.01	1.97	1.88	1.85	1.71
Gross operating profit	2.49	2.40	2.24	2.23	2.10
Gross savings	4.31	3.64	3.67	3.43	3.16
Gross capital formation	3.17	3.03	2.66	2.45	2.08

PRICES (1)

GDP deflator	4.0	4.8	3.2	2.0	2.1
Consumer prices (annual average)	4.7	4.7	3.6	2.0	1.8
Telefónica (2)	0.0	(1.4)	(1.4)	(3.6)	(1.7)

- (1) Growth rates.
 (2) Price index variation of basic telephony tariffs.
 Sources: I.N.E and Telefónica

GROSS VALUE ADDED (Real growth rates in %)

	1994	1995	1996	1997	1998
National economy	2.3	2.7	2.4	3.5	3.8
Services sector	2.9	2.8	2.4	3.2	3.3
Telefónica	4.9	7.5	1.7	7.9	(0.4)

Sources: I.N.E and Telefónica.

SELECTED FINANCIAL DATA. TELEFONICA DE ESPAÑA (Million of Euros)

	1994	1995	1996	1997	1998	1998 \$ (3)
Revenue from operations	7,714.2	8,249.9	8,853.2	9,646.9	9,931.1	11,489.3
Operating expenses	3,414.9	3,665.4	4,326.5	4,837.1	5,189.3	6,003.5
Financial expenses	1,278.0	1,150.3	993.3	945.0	718.8	831.6
Depreciation and amortization (1)	2,808.4	3,039.0	2,851.2	3,045.2	2,979.2	3,446.6
Net income	551.3	638.2	723.7	804.0	902.3	1,043.9
Cash flow	3,359.7	3,677.2	3,574.9	3,849.2	3,881.5	4,490.5
Share capital	2,823.2	2,823.2	2,823.2	2,823.2	3,079.8	3,563.0
Shareholders' equity	8,742.8	8,839.0	10,422.0	10,695.2	12,018.9	13,904.7
Long-term debt	9,033.2	8,192.5	7,419.2	6,936.5	6,460.4	7,474.0
Financial debt	9,952.0	9,243.5	8,388.3	8,501.1	7,576.9	8,765.7
Investment (2)	2,445.4	2,624.7	2,375.2	2,335.5	2,166.3	2,506.2

(1) Including depreciation of fixed assets, amortization of deferred interest expenses and dismantled plant pending depreciation

(2) Fixed and intangible

(3) Figures in million dollars. 31-12-98 exchange rate: €1 = \$1.1569

RESULTS - PROFIT MARGINS. TELEFÓNICA DE ESPAÑA (Million of Euros)

DESCRIPTION	1994	1995	1996	1997	1998	Increase %		1998 \$ (1)
						Over year 97	Average accumulated 94-98	
+Operating revenue	7,714.2	8,249.9	8,853.2	9,646.8	9,931.1	2.9	6.5	11,489.3
-Operating expenses	3,414.9	3,665.4	4,326.5	4,837.1	5,189.3	7.3	11.0	6,003.5
Personal expenses	2,534.0	2,606.3	2,659.9	2,693.0	2,635.3	(2.1)	1.0	3,048.8
Taxes	153.7	162.6	175.4	187.3	194.4	3.8	6.1	224.9
Supplies and subcontracts	727.2	896.5	1,491.2	1,956.8	2,359.6	20.6	34.2	2,729.8
+Internal expenditure capitalized in fixed assets	443.3	433.7	420.3	392.0	365.4	(6.8)	(4.7)	422.7
=Operating margin	4,742.6	5,018.2	4,947.0	5,201.7	5,107.2	(1.8)	1.9	5,908.5
+Other operating revenue	150.2	178.0	226.1	252.2	254.4	0.9	14.1	294.3
-Depreciation of fixed assets	2,483.0	2,683.4	2,546.7	2,803.5	2,787.3	(0.6)	2.9	3,224.6
-Other operating expenses	68.8	43.8	123.5	128.1	141.0	10.1	19.7	163.1
-Other provisions and charges	135.7	122.5	64.3	75.4	99.7	32.3	(7.4)	115.4
=Operating profit	2,205.3	2,346.5	2,438.6	2,446.9	2,333.6	(4.6)	1.4	2,699.7
+Financial income	86.5	94.3	163.4	198.1	398.5	101.1	46.5	461.0
+Exchange income	—	32.4	26.6	10.8	22.2	106.3	—	25.7
-Interest expenses	1,099.1	1,031.0	897.3	820.3	692.3	(15.6)	(10.9)	800.9
-Exchange losses	147.5	101.6	79.4	112.0	15.0	(86.6)	(43.5)	17.3
-Amortization of deferred charges	31.4	17.8	16.5	12.7	11.5	(9.6)	(22.2)	13.3
=Profit from ordinary activities	1,013.8	1,322.8	1,635.4	1,710.8	2,035.5	19.0	19.0	2,354.9
+Extraordinary income	178.3	97.7	96.2	230.1	2,890.1	1,156.0	100.6	3,343.5
-Extraordinary expenses	533.4	692.5	890.9	1,010.9	3,957.9	291.6	65.0	4,578.9
=Income before tax	658.7	728.0	840.7	930.0	967.7	4.0	10.1	1,119.5
-Corporate tax	107.4	89.8	117.0	126.0	65.4	(48.1)	(11.7)	75.6
=Net income	551.3	638.2	723.7	804.0	902.3	12.2	13.1	1,043.9
+Amortization of deferred charges	31.4	17.8	16.5	12.7	11.5	(9.6)	(22.2)	13.3
+Depreciation of fixed assets	2,483.0	2,683.4	2,546.7	2,803.5	2,787.3	(0.6)	2.9	3,224.6
+Dismantled plant pending depreciation	294.0	337.8	288.0	229.0	180.4	(21.2)	(11.5)	208.7
= Cash flow	3,359.7	3,677.2	3,574.9	3,849.2	3,881.5	0.8	3.7	4,490.5

(1) Figures in million dollars. 31-12-98 exchange rate: €1 = \$1.1569

BALANCE SHEET. TELEFONICA DE ESPAÑA (Million of Euros)

ITEMS	1994	1995	1996	1997	1998	1998 \$ (3)
FIXED ASSETS	20,511.9	20,210.7	21,308.9	21,819.1	25,133.3	29,076.7
Capital increase expenses	1.0	0.7	0.4	0.2	83.9	97.1
Net intangible assets	425.7	537.5	666.1	784.0	1,002.0	1,159.2
Property, plant and equipment	33,611.7	33,005.1	33,586.0	33,877.9	33,839.1	39,148.4
Depreciation of fixed assets	(14,924.9)	(15,626.4)	(15,602.2)	(16,718.2)	(17,854.8)	(20,656.2)
Net fixed assets	18,686.8	17,378.7	17,983.8	17,159.7	15,984.3	18,492.2
Investments	1,398.4	2,293.8	2,658.6	3,875.2	8,063.1	9,328.2
DEFERRED EXPENSES	1,089.7	814.8	736.5	725.4	629.2	727.9
CURRENT ASSETS	1,820.0	2,021.2	2,389.7	2,916.9	4,564.6	5,280.8
Inventories	25.8	25.9	27.9	28.3	25.8	29.9
Accounts receivable	1,733.5	1,884.5	2,231.3	2,529.1	2,702.7	3,126.8
Short-term investments	20.2	66.2	87.8	319.6	1,758.5	2,034.4
Treasury stock	—	—	—	2.2	29.2	33.8
Cash and banks	28.2	32.3	31.5	25.2	39.8	46.0
Prepayments	12.3	12.3	11.2	12.5	8.6	9.9
ASSETS= LIABILITIES AND SHAREHOLDERS' EQUITY	23,421.6	23,046.7	24,435.1	25,461.4	30,327.1	35,085.4
SHAREHOLDERS' EQUITY	8,742.8	8,839.0	10,422.0	10,695.2	12,018.9	13,904.7
Paid-in share capital	2,823.2	2,823.2	2,823.2	2,823.2	3,079.8	3,563.0
Reserves	5,368.3	5,547.0	7,072.7	7,293.9	8,036.8	9,297.8
Net income for year	551.3	638.2	723.7	804.0	902.3	1,043.9
Interim dividend	—	(169.4)	(197.6)	(225.9)	—	—
DEFERRED INCOME	405.9	474.4	571.9	625.5	630.2	729.0
PROVISIONS FOR LIABILITIES AND CHARGES	1,396.8	1,448.4	1,635.6	1,521.8	4,616.5	5,340.8
LONG-TERM DEBT	9,033.2	8,192.5	7,419.2	6,936.5	6,460.4	7,474.0
Debentures, bonds and promissory notes issued	3,825.6	3,433.4	3,386.5	3,186.6	2,939.3	3,400.5
Debt with credit institutions	3,357.9	2,982.7	2,521.2	2,042.4	2,162.3	2,501.5
Debt with group and associated companies	844.1	897.4	761.0	1,065.4	976.0	1,129.1
Other creditors (1)	1,005.6	879.0	750.5	642.1	382.8	442.9
SHORT-TERM DEBT	3,842.8	4,092.4	4,386.4	5,682.4	6,601.2	7,636.9
Debentures, bonds and promissory notes issued	751.8	629.1	703.2	1,578.2	1,267.2	1,466.0
Debt with credit institutions	496.0	714.2	365.7	352.6	1,871.9	2,165.6
Debt with group and associated companies (2)	228.2	553.8	801.0	815.2	904.0	1,045.9
Other trading debts	1,261.7	717.8	1,042.9	901.0	722.4	835.7
Other creditors	952.7	1,325.3	1,335.9	1,888.0	1,689.6	1,954.7
Prepayments	152.4	152.2	137.7	147.4	146.1	169.0

(1) Including tax debts amounting to 314.2, 265.3, 230.5, 225.6 and 274.7 million euros respectively, not considered for the calculation of the financial debt ratio.

(2) Including loan debts amounting to 33.6, 71.6, 250.0, 204.2 and 50.4 million pesetas respectively, considered for the calculation of the financial debt ratio.

(3) Figures in million dollars. 31-12-98 exchange rate: €1 = \$1.1569

ECONOMIC/FINANCIAL INDICATORS. TELEFÓNICA DE ESPAÑA

(Figures in %, Unless Otherwise indicated)

	1994	1995	1996	1997	1998
Operating margin/Revenue from operations (1)	61.5	60.8	55.9	53.9	51.4
Financial expenses/Revenue from operations (2)	16.6	13.9	11.2	9.8	7.2
Operating margin/Average net plant (3)	25.1	27.8	28.0	29.6	30.8
Fixed assets coverage (4)	90.6	90.1	90.9	87.7	92.1
Self-financing ratio (5)	120.9	123.1	128.6	139.6	178.1
Financial debt ratio (6)	51.3	49.1	42.8	42.4	37.0
Debt repayment capacity(years) (7)	3.4	2.8	2.7	2.5	2.2
Financial expenses coverage (times) (8)	1.2	1.3	1.4	1.6	1.8

(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 net fixed assets.

(4) Shareholders' equity + Deferred income + Provisions + Long- term debt /Fixed assets + Deferred expenses .

(5) Net income - Telefónica Dividends + Depreciation of plant and equipment + Intangible depreciation + Dismantled plant pending depreciation / Capital expenditure in fixed assets + Capital expenditure in intangible assets.

(6) Interest bearing debt / Shareholders' equity + Deferred income + Tax debts + Interest bearing debt.

Interest bearing debt: Long-term debt - Tax debts + Short-term debentures, bonds and promissory notes issued + Short-term debts with credit institutions + Short-term group and associated companies loans - Short-term financial investments- Cash.

(7) Interest bearing debt / Cash-flow - Internal expenditure capitalized in fixed assets. Cash-flow: Net income + Amortization of deferred expenses + Depreciation of fixed assets + Dismantled plant pending depreciation.

(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

	PESETAS				
	1994	1995	1996	1997	1998
Share Capital (Mill. ptas.)	469,735.41	469,735.41	469,735.41	469,735.41	512,438.95
Earnings per share (ptas.)	119.86	141.80	170.61	202.31	212.30
Price / earnings ratio	12.97	11.85	17.67	21.50	29.72
Payout (%)	55.06	53.60	52.17	50.42	—
Price / Cash flow per share	2.27	2.10	3.49	4.25	5.97

* Consolidated figures

	EUROS				
	1994	1995	1996	1997	1998
Share Capital (Mill. euros)	2,823.17	2,823.17	2,823.17	2,823.17	3,079.82
Earnings per share (euros)	0.72	0.85	1.03	1.22	1.28
Price / earnings ratio	12.97	11.85	17.67	21.50	29.72
Payout (%)	55.06	53.60	52.17	50.42	—
Price / Cash flow per share	2.27	2.10	3.49	4.25	5.97

* Consolidated figures

At December 31st, 1998 Telefónica's share capital stood at Ptas 512,438,950,000 (Euros 3,079,820,117.08) divided into 1,024,877,900 bearer shares with a nominal value of Ptas 500 each (Euros 3.005060). At its meeting of December 16th, 1998, the Board of Directors agreed to increase the share capital in 20,497,558 shares, through the execution of one of the two capital increases approved by the Extraordinary General Shareholders' Meeting of June 24th, 1998. The trading period on the Spanish Stock Exchanges for the subscription rights was from December 30th, 1998 to January 30th, 1999, with the shares admitted to trading on the Spanish Stock Exchanges on February 19th.

The capital increases approved by Telefónica's Board of Directors and carried out throughout 1998 were the following:

Date	Number of shares issued	Issue price		Total Issue (Million)			
		Pesetas	Euros	Nominal		Effective	
				Pesetas	Euros	Pesetas	Euros
3-25-98	85,406,438	5,000.0	30.05	42,703	256.65	427,032	2,566.51
5-27-98 (*)	642	4,809.2	28.90	0.321	0.0019	3.087	0.0186
12-16-98 (**)	20,497,558	—	—	10,248	61.59	—	—

(*) Conversion of 20 convertible bonds with a face value of \$ US 1,000 each.

(**) Share capital increase charged to the free reserves, one new share for every 50 old ones, as approved by the Extraordinary General Shareholders' Meeting of June 24th, 1998. From December 30th, 1998 through to January 30th, 1999 the subscription rights were traded, concluding with the allotment of the aforementioned new shares.

QUOTATION OF SHARES

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

Option contracts on Telefónica shares are 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 TELEFÓNICA SHARES

The table below reflects maximum, minimum and closing prices, in pesetas and euros on the continuous Spanish market.

	MAXIMUM		MINIMUM		CLOSING	
	pesetas	euros	pesetas	euros	pesetas	euros
1994	2,185	13.13	1,450	8.71	1,555	9.35
1995	1,795	10.79	1,470	8.83	1,680	10.10
1996	3,060	18.39	1,690	10.16	3,015	18.12
1997	4,845	29.12	2,970	17.85	4,350	26.14
1998 1 st quarter	7,200	43.27	4,495	27.02	6,920	41.59
1998 2 nd quarter	7,650	45.98	5,990	36.00	7,090	42.61
1998 3 rd quarter	8,010	48.14	4,505	27.08	5,180	31.13
1998 4 th quarter	6,960	41.83	4,655	27.98	6,310	37.92



I.T.: International Telecommunications index (Source: "Capital International Perspective")

G.T.: Telefónica Group (Information in accordance with Spanish accounting principles)

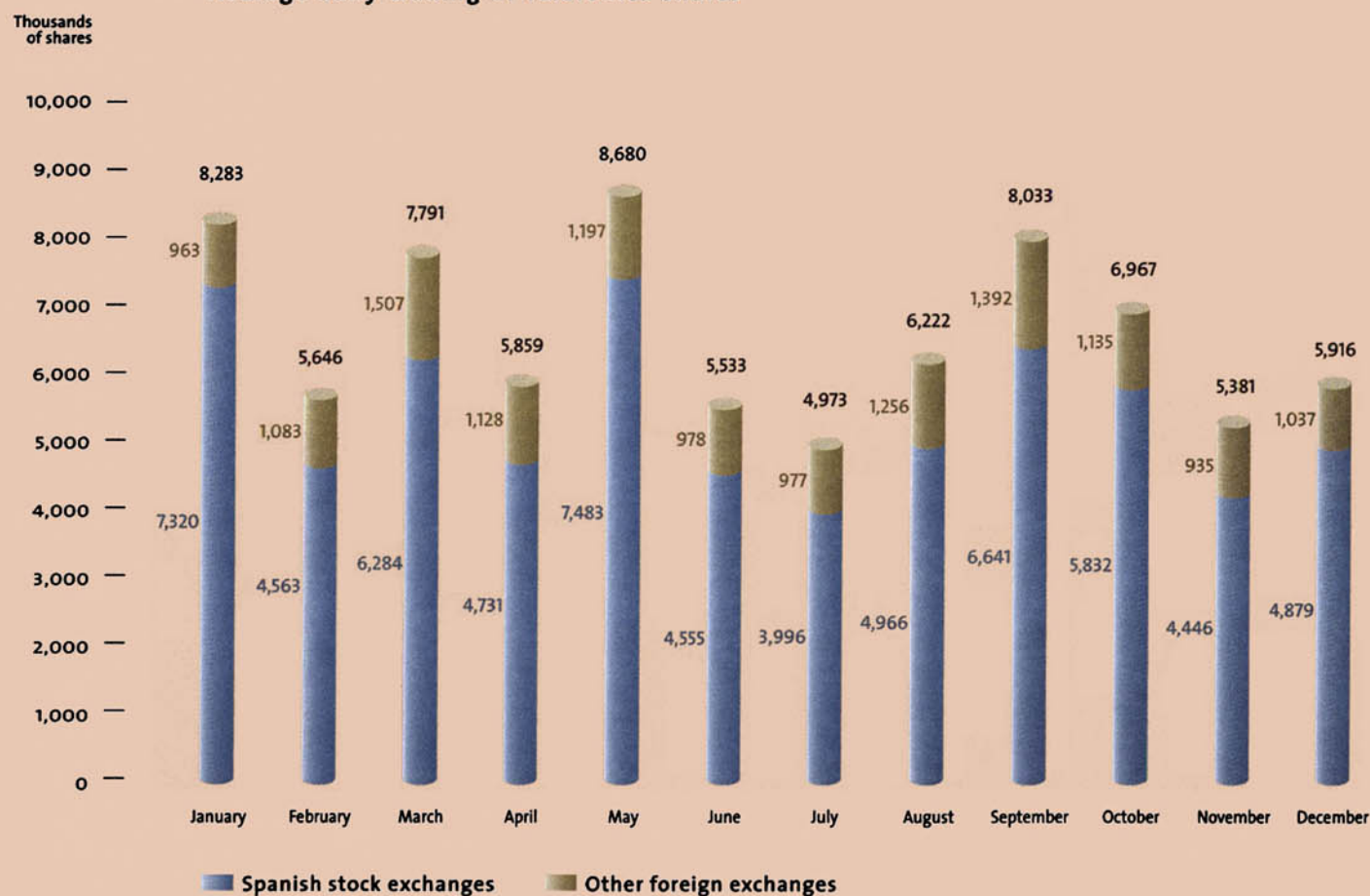
International comparisons at 12/31/98

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 the alternative forms of reimbursement to that of dividend payments. With this new dividend policy in mind, the aforementioned Meeting approved two free capital increases, acknowledging, in both cases, the shareholder's pre-emptive rights to one new share for every 50 old ones. The first of these two increases took place between December 30th, 1998 and January 30th, 1999.

Average daily trading of Telefónica shares



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 shareholder list has ceased to exist.

At December 31st, 1998 the significant holdings in Telefonica's capital stock were the following:

SHAREHOLDER	% SHARE CAPITAL
Corporación Bancaria de España,S.A. (Argentaria) (*)	5.02
Banco Bilbao Vizcaya, S.A. (*)	4.673
Caja de Ahorros y Pensiones de Barcelona, S.A. (*)	5.01

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

STOCK MARKET CAPITALIZATION

Pesetas

	1994	1995	1996	1997	1998	Average increase % 98/94
Telefónica (billion pesetas)	1,460.9	1,578.3	2,832.5	4,086.6	6,466.9	45.05
Total Madrid Stock Exchange (billion pesetas)	20,351	22,899	31,579	44,260	56,985	29.35
Telefónica's weighting on the Spanish Continuous market:						
(*) Ibex 35 (%)	12.30	12.71	14.25	14.61	17.07	—
Madrid Stock Exchange index (%)	10.44	9.44	11.46	11.63	13.31	—

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

Euros

	1994	1995	1996	1997	1998	Average increase % 98/94
Telefónica (billion euros)	8.78	9.49	17.02	24.56	38.87	45.05
Total Madrid Stock Exchange (billion euros)	122.31	137.63	189.79	266.01	342.48	29.35
Telefónica's weighting on the Spanish Continuous market:						
(*) Ibex 35 (%)	12.30	12.71	14.25	14.61	17.07	—
Madrid Stock Exchange index (%)	10.44	9.44	11.46	11.63	13.31	—

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

TELEFÓNICA GROUP SHARES

	Stock market cap. (mill. \$ US)		Closing price ADR's (\$ US)		Price/earnings ratio		Price/Cash Flow (**)		Dividend yield (%)	
	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998
CTC Chile	6,718	4,950	29.88	20 ^{7/10}	16.0	11.7	6.07	6.1	2.6	2.4
Telefónica Argentina (*)	8,782	5,981	37.25	27 ^{15/16}	18.5	11.7	7.2	4.5	2.8	4.8
Telefónica del Perú	5,451.6	2,967	23 ^{5/16}	12 ^{11/16}	13.9	13.7	9.4	6.8	3.1	2.8 (***)
CANTV	5,832	2,545	41 ^{5/8}	17 ^{13/16}	11.2	8.5	5.3	2.5	0.5	9.0
Holdings in Brazil:										
Telesp (fixed)	—	7,399	—	22 ^{1/8}	—	12.7	—	4.5	—	2.3
Telesp (cellular)	—	2,341	—	17 ^{1/2}	—	n.d.	—	n.d.	—	n.d.
Telesudeste (cellular)	—	1,384	—	20 ^{11/16}	—	9.1	—	5.7	—	4.1
Teleleste (cellular)	—	190	—	28 ^{3/8}	—	4.6	—	2.7	—	10.3

(*) The 1997 and 1998 figures are based on the quotation of 12/31/97 and 12/31/98 and, the figures for the financial balance sheets closed at 9/30/97 and 9/30/98.
 (**) Operating cash flow : Net income plus Depreciation and Amortization.
 (***) 1998 final dividend pending approval by the General Shareholders' Meeting of the Company.

Quotes American Depositary Receipts (ADR's)

Company	Number of shares per ADR	Company	Number of shares per ADR
CTC Chile	4 shares	Telesp (fixed)	1,000 shares
Telefónica Argentina	10 shares	Telesp (cellular)	2,500 shares
Telefónica del Perú	10 shares	Telesudeste (cellular)	5,000 shares
CANTV	7 shares	Teleleste (cellular)	50,000 shares

Trading index: Telefónica shares

