

SELECTED OPERATING DATA

TELEPHONE AND DATA TRANSMISSION SERVICE

	31-12-89	31-12-90	31-12-91	31-12-92	31-12-93
Local lines in service (thousands)	11,797.2	12,602.6	13,264.4	13,792.2	14,253.5
of which Public Telephony Services	319.5	337.8	353.6	372.7	399.9
Cellular Access				7.1	65.6
Cellular Mobile Services (thousands)	29.8	54.7	108.5	180.3	257.3
IBERCOM lines in service (thousands)	145.9	255.5	375.0	481.6	572.5
Numbers of Intelligent Network in service					4,307
IBERPAC network connections (% growth)	22.6	15.9	11.7	4.9	5.8
Data transmission (D/T) circuits (% growth)	7.8	12.9	5.5	4.5	-0.2
ISDN equivalent lines in service					640
Dataphones (thousands of terminals) (*)	129.6	163.1	171.2	183.2	192.3
IBERTEX (thousands of terminals) (*)	50	120	300	390	485
Vide Conferencing (no of Conference Rooms)	8	15	26	41	50
Automatic trunk circuits (thousands)	387.7	519.1	661.8	738.9	766.0
International Circuits (thousands)	13.3	16.5	19.8	25.8	23.7

(*) Estimate

INFRASTRUCTURE

	31-12-89	31-12-90	31-12-91	31-12-92	31-12-93
Local lines installed (thousands)	13,160.0	14,485.2	15,180.6	15,475.1	15,879.7
of which digital lines (thousands)	2,582.0	4,115.0	5,100.8	5,628.9	6,574.5
(% total)	19.6	28.4	33.6	36.4	41.4
Trunk lines (thousands)	1,831.0	2,311.0	2,644.0	2,705.5	2,677.0
of which digital (thousands)	867.0	1,377.0	1,989.4	2,127.2	2,288.2
(% total)	47.4	59.6	75.2	78.6	85.5
International trunk lines (thousands)	48.8	65.1	89.8	98.9	97.4
of which digital (thousands)	17.0	33.2	58.0	67.0	70.2
(% total)	34.8	51.1	64.6	67.5	72.2
Coaxial Cable (km.)	10,531	10,566	10,634	10,707	10,706
Fibre-optics cable (km.)	8,018	15,131	20,290	22,056	24,857
Trunk pair cable (Km.)	56,492	57,280	58,034	58,554	59,109
Subscriber cables (thousands of Km.-par)	47,003	51,591	54,928	57,763	59,975
Underwater cables (thousands circuits x Km.)	43,912	50,164	63,423	114,943	117,811
of which digital (thousands circuits x Km.)	19,950	26,202	39,461	90,981	93,849
(% total)	45.4	52.2	62.2	79.2	79.5
Satellite earth stations (no stations)	36	46	64	72	74

TRENDS IN USAGE PER LINE AND DEMAND FOR NEW LINES

	1989	1990	1991	1992	1993
Average growth in usage per line	5.1	2.3	4.1	4.1	-3.5
Applications for new telephone lines (thousands)	1,394.1	1,316.9	1,118.0	1,068.5	1,136.1
(% annual growth rate)	8.2	-5.5	-15.1	-4.4	6.3
Applications for new IBERCOM lines (thousands)	100.3	127.6	119.8	136.9	124.9
(% annual growth rate)	49	27.3	-6.1	14.3	-8.8

INTERNATIONAL BROADCASTING

	1989	1990	1991	1992	1993
Radio (thousands of minutes)	480.0	413.7	647.0	508.8	448.3
TV (thousands of minutes)	129.0	133.2	203.8	194.7	67.7

Financial Review

SELECTED FINANCIAL DATA
(NON-CONSOLIDATED FIGURES IN MILLIONS OF PESETAS)

	1989	1990	1991	1992	1993	1993 \$(1)
Operating revenue	714,839	852,542	1,008,031	1,154,696	1,220,084	8,579.2
Operating expenses	358,787	424,214	477,507	536,149	547,156	3,847.4
Financial expenses	114,149	159,308	199,592	217,434	235,319	1,654.7
Depreciation and amortization (*)	233,563	269,118	321,302	382,466	406,603	2,859.1
Net income	68,898	75,788	80,847	83,899	84,837	596.5
Cash flow	302,461	344,906	402,149	466,365	491,440	3,455.6
Share capital	462,482	463,479	463,479	463,480	469,735	3,303.0
Shareholders' equity	1,267,925	1,294,504	1,324,368	1,376,751	1,397,712	9,828.2
Long-term debt	826,234	1,008,254	1,387,343	1,593,504	1,529,151	10,752.5
Interest-bearing debt	1,068,071	1,434,864	1,655,122	1,851,480	1,755,615	12,344.9
Capital expenditure (**)	606,363	708,545	616,026	439,391	381,507	2,682.6

(*) Including write-off of dismantled plant pending depreciation.

(**) Investment in tangible and intangible fixed assets, including advances to suppliers and stocks for fixed assets.

(1) Figures in millions of dollars. Exchange rate 30-12-93: 1\$ = 142.214 ptas.

FINANCIAL RATIOS (NON-CONSOLIDATED)
(FIGURES IN %, UNLESS OTHERWISE INDICATED)

	1989	1990	1991	1992	1993
Operating margin/Operating revenue (1)	58.4	56.9	59.1	59.5	61.4
Financial expenses/Operating revenue (2)	16.0	18.7	19.8	18.8	19.3
Operating margin/Average net plant (3)	18.3	18.2	19.7	21.5	23.4
Fixed assets coverage (4)	86.8	82.1	87.7	90.7	89.8
Guarantee ratio (5)	45.3	40.0	37.5	36.6	37.6
Self-financing ratio (6)	40.9	41.0	55.6	91.8	112.2
Financial debt ratio (7)	45.2	51.9	55.1	58.4	57.1
Debt repayment capacity (years) (8)	4.3	4.8	4.9	4.5	4.1
Financial expenses coverage (times) (9)	1.3	1.2	1.2	1.1	1.1

(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 + Deferred taxes + Long term debt/Fixed assets + Deferred expenses + Taxes

paid in advance.

(5) Shareholders' equity + Deferred income + Deferred taxes/Assets.

(6) Net income - Dividends + Depreciation of plant and equipment + Intangible depreciation + Dismantled plant pending depreciation/Capital expenditure in fixed assets + Advances to suppliers + Stocks for fixed assets + Capital expenditure in intangible assets.

(7) Interest bearing debt/Shareholders' equity + Deferred income + Deferred taxes + Financial debt - Capital increase expenses - Deferred expenses (except promissory note interest).

Interest bearing debt: Long term creditors - Payments pending on shares + Short-term issue + Short-term debts with credit institutions - Promissory note interest.

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

(9) Income before tax + Financial expenses + Exchange losses + Amortization of deferred charges - Internal expenditure

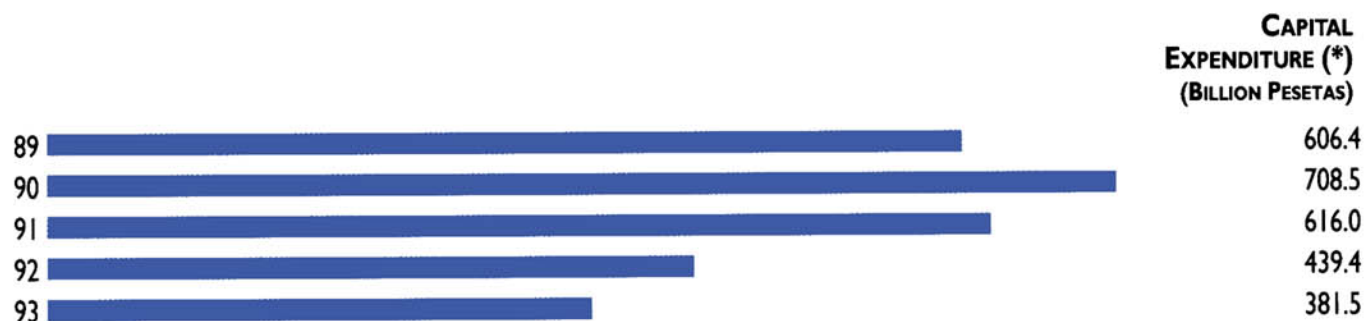
TELEFONICA IN THE SPANISH ECONOMY

Throughout 1993 the recession suffered by the Spanish economy, which had become apparent in the last few months of 1992, worsened. The sharp drop in economic activity, which in turn had a drastic effect on employment, resulted in a negative 1% growth in Gross Domestic Product.

Following the general trend of European economies, domestic demand fell by more than 3.5%, largely due to the weakness reflected by private consumption and the significant decrease in gross capital formation, both of which registered negative rates of 2.3% and 10.3% respectively. Nevertheless, this recession has been lessened by the positive performance shown by foreign demand, which rose by almost 3.0% in a year in which overall growth in world trade fell off considerably.

The favourable performance of relative prices has benefited from the annual 15% depreciation of the peseta compared with the currencies of other industrialized countries. This has permitted a substantial reduction in the Spanish economy's trade imbalance, placing the deficit for trade balance at 1.1% of G.D.P., when in 1992 this figure was 3.3%. The notable growth in exports and the significant drop in imports were due to both the fall off in domestic demand and foreign goods and services becoming more expensive as a consequence of the depreciation of the peseta.

A characteristic of the worldwide recession has been its impact on the industrial sector with production having fallen by almost 5% over the year and, to a lesser extent, its effect on the agricultural and services sectors. Overall employment has gone down by 4.3%; within this figure the areas most seriously affected have been those of industry and construction dropping more than 9%. This



(*) INCLUDES TANGIBLE AND INTANGIBLE INVESTMENTS. NON CONSOLIDATED FIGURES

slump, combined with the growth in first-time employment, has triggered a vast increase in unemployment, 24.8% higher than the previous year, placing the unemployment rate at 23.9% of the active population.

The sharp fall in employment, the moderate growth in labour costs and the depreciation of the peseta have contributed to the recovery in the unit margins of Spanish companies. This has been achieved with no impediment to the slowdown in retail prices over the last year. Consumer prices have risen an average 4.6% compared with the 5.9% registered in 1992 and the G.D.P. deflator has grown 2.5 percentage points less than in 1992.

The improved financial structure of Spanish companies and the strong growth in private savings have permitted the gradual decrease in interest rates. This process has been favoured by the broadening of fluctuation bands of E.M.S. currencies, which has allowed a greater degree of independence in monetary policies.

Public deficit has reached 7.1% of G.D.P., reflecting a considerable worsening of this figure compared with that of the previous year. This has been caused by the fiscal policy and the economic recession. The public deficit's steady improvement combined with the increase in the profitability of companies, assisted by low interest rates, will boost investment and therefore the recovery from the present slump.

In this climate, Telefonica has achieved a 3.3% real growth in its value added; this rate being considerably higher than that registered the previous year and that of G.D.P. Telefonica's gross

TELEFONICA IN THE SPANISH ECONOMY		(AS A % OF THE NATIONAL TOTAL)				
	1989	1990	1991	1992	1993	
Gross value added.	1.58	1.65	1.78	1.74	1.79	
Gross operating profit.	2.06	2.15	2.42	2.32	2.33	
Gross savings.	2.71	2.60	3.02	3.16	3.29	
Gross capital formation.	5.61	5.70	4.66	3.43	3.17	
PRICES (1)						
- G.D.P deflator	7.0	7.4	7.0	6.5	4.1	
- Consumer prices (annual average)	6.8	6.7	5.9	5.9	4.6	
- Telefonica. (2)	2.7	6.4	5.8	3.3	2.7	
(1) Growth rate						
(2) Average yearly effect on service prices due to tariff increases						

Source: I.N.E. and Telefonica.

GROSS VALUE ADDED		(REAL GROWTH RATES)				
	1989	1990	1991	1992	1993	
National economy	4.7	3.7	2.3	0.8	(1.0)	
Services Sector	5.3	4.2	3.3	2.8	0.9	
Telefonica	11.8	8.8	11.8	1.4	3.3	

Source: I.N.E. and Telefonica.

operating profit has grown by almost 8%, despite the negative impact of exchange losses over value added, due to the depreciation of the peseta. In 1992 this item only registered a 1% increase. The Spanish economy's gross operating profit grew by 6% in 1993.

Telefonica's gross savings represented 3.29% of gross domestic savings, amply financing the gross capital formation carried out in 1993. Telefonica's gross capital formation's decrease has lessened compared with the figure for 1992, precisely the opposite of the trend reflected by the economy. Telefonica prices have risen half of those of the Consumer Price Index and 4.5 percentage points lower than the increase registered by the prices of the Spanish services sector.

Finally, Telefonica has continued to consolidate its presence in the Latin American economy. After several years of notable improvement in the economy, this area is one of high international investment interest. The increased flexibility on capital movement, the improved stability of their respective currencies and the favourable fiscal treatment of foreign capital gains, have made this area particularly profitable for foreign investment. Telefonica stands out for having centred its international expansion in Latin America, in an emerging market as is that of the telecommunications sector.

MANAGEMENT REPORT

Telefonica's consolidated income before tax for 1993 totalled 121,212 million pesetas which, after deducting the provision made for corporate tax, resulted in a figure for consolidated net income of 96,367 million pesetas. These two items have reflected growth rates for the year of 28.3% and 19.3% respectively, figures which are considerably higher than those of the parent company.

The reasons for these varying performances can be found in the contributions from the associated companies, above all those derived from the Chilean and Argentinian operators in which Telefonica Internacional holds participations and also the differences in financial revenue between the consolidated group and the parent company.

The parent company's (Telefónica de España) income before tax reached 107,468 million pesetas reflecting an annual increase of 7.8%. As the fiscal benefits derived from the investments made for the World Fair and the 1992 Olympic Games are no longer applicable, the effective corporate tax rate rose, which was, in turn, reflected in net income which totalled 84,837 million pesetas, 1.1% higher than in 1992.

The fall off in demand for telecommunications services, caused by the economic recession in Spain in 1993, resulted in a slowdown in revenue from operations which registered its lowest figure in recent years.

In order to tackle this problem, Telefonica tightened its control on expenses which reduced operating expenses and improved the ratio between operating margin and revenue from operations.

The restraint on investment initiated in 1992 has been reflected in the lower increase in plant in

service causing slowdowns in the growth rates of both depreciation and cash-flow. Nevertheless, increases in resources and the restraint on investment have permitted total self-financing of these same items, achieving the highest self-financing rates registered in the history of the Company.

REVENUE FROM OPERATIONS. As has already been mentioned, the drop in economic activity in 1993 affected the demand for telecommunications services. Consolidated revenue from operations grew by 7.3%, a lower rate compared with previous years, to total 1,297,437 million pesetas.

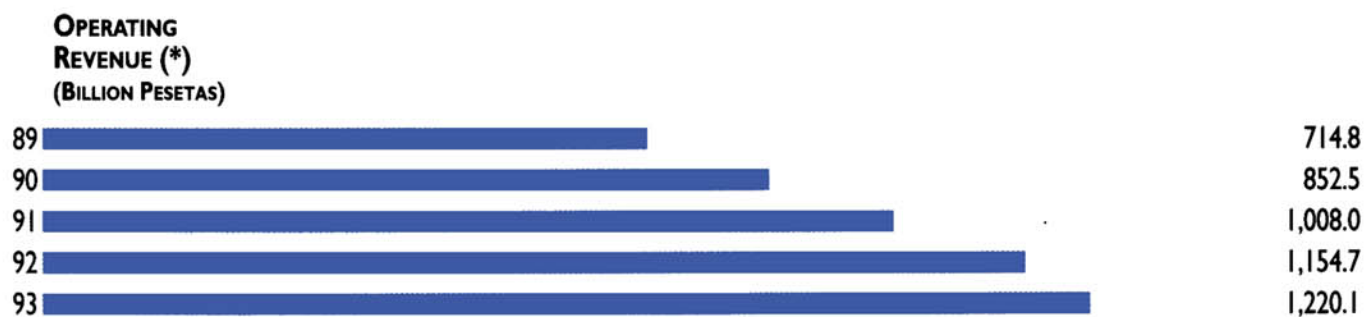
This increase in consolidated revenue is due to the moderate growth shown by the parent company's revenue and the inclusion in Telefonica Internacional's revenue of the sales registered by the Puerto Rican operator, Telefonica Larga Distancia and the Chilean yellow pages company, Publiguías, companies which in 1993 were consolidated for the first time through the global integration method.

Telefonica's revenue from operations amounted to 1,220,084 million pesetas, going up by 5.7%, the lowest increase in recent years. Of these 5.7 percentage points, tariffs contributed 2.4 points while the remaining 3.2 points derived from the higher activity registered as a result of a rise in the number of clients and a greater usage of certain services.

Among those services whose revenue has been above average, the following stand out: the Ibercom service 26.6%, mobile telephony 25.2% and advertising 17.2%. However, it must be underlined that these components do not have any relevant weight within revenue, where basic telephony continues to be the major component making up 75% of revenue and therefore shaping the overall growth of revenue from operations.

Regarding usage of the telephone service, it must be stressed that although average usage per line has gone down an overall 3.5%, as the year progressed the performance of this item improved, so that by the last quarter the decrease had slowed to 1.9% compared with the 5.0% drop registered in the first quarter.

Basic telephony has also shown signs of recovery over the twelve-month period, closing the year with a 6.3% increase in applications registered, while the fall in net demand slowed to 11.8%.



(*) NON-CONSOLIDATED FIGURES

Mobile telephony grew by 12.1% in the number of applications registered which confirms the favourable outlook for the development of this service despite the difficult economic situation.

Regarding the services aimed at the business sector, 1993 has been a year of general slowdown with decreases registered in the number of line applications for the Ibercom service, integrated business communications and leased circuits, and increases in the connections to the Iberpac network for packet-switched data transmission.

OPERATING EXPENSES. Faced with the slowdown in the growth of revenue, Telefonica has intensified its policy of restraint on expenses in order to improve operating margin. The figure registered by the parent company for operating expenses totalled 547,156 million pesetas which reflects an annual growth rate of 2.1% compared with 12.3% in 1992.

RESULTS - PROFIT MARGINS 1989/1993

Description	1989		1990		1991
	Amount	% Struct.	Amount	% Struct.	Amount
+ Revenue from operations	714,839	100.0	852,542	100.0	1,008,031
- Operating expenses personnel					
Personnel expenses	270,939	(37.9)	313,903	(36.8)	352,824
Taxes	13,953	(2.0)	16,602	(1.9)	20,560
External services	73,895	(10.3)	93,709	(11.0)	104,123
+ Internal expenditure capitalized in fixed assets	61,071	8.5	57,080	6.7	65,633
= Operating margin	417,123	58.3	485,408	56.9	596,157
+ Other operating revenue	8,373	1.2	13,887	1.6	20,682
- Depreciation of fixed assets	218,002	(30.4)	250,615	(29.3)	291,870
- Other operating expenses	4,636	(0.5)	1,823	(0.1)	5,353
- Trade provisions (*)	7,179	(1.0)	8,582	(1.0)	11,014
= Operating profit	195,679	27.4	238,275	27.9	308,602
+ Financial revenue	11,726	1.6	13,868	1.6	5,640
- Financial expenses	104,935	(14.7)	149,362	(17.5)	188,360
- Exchange losses	7,331	(1.0)	6,815	(0.8)	7,277
- Amortization of deferred charges	1,883	(0.3)	3,131	(0.4)	3,955
= Profit from ordinary activ.	93,256	13.0	92,835	10.9	114,650
+ Extraordinary revenue	5,142	0.7	10,777	1.3	9,290
- Provisions for fixed assets (*)	187	(0.0)	3,638	(0.5)	6,313
- Extraordinary expenses	5,138	(0.7)	6,786	(0.8)	19,080
= Income before tax	93,073	13.0	93,188	10.9	98,547
- Corporate tax	24,175	(3.4)	17,400	(2.0)	17,700
= Net income	68,898	9.6	75,788	8.9	80,847
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+ Amortization of deferred charges	1,883	0.3	3,131	0.4	3,955
+ Depreciation of fixed assets	218,002	30.4	250,615	29.3	291,870
+ Dismantled plant pending depreciation	13,678	1.9	15,372	1.8	25,477
= Cash-flow	302,461	42.3	344,906	40.5	402,149

(*) Homogenized figures.

(1) Figures in millions of dollars. Exchange rate 30-12-93: 1\$ = 142.214 ptas.

(2) 89-93 compound rate

The item subcontractors, supplies and services went down 4.9% compared with 1992, with overall decreases in all its components, especially in that of the leasing of satellite capacity, 18.4%, which was of prime importance during the World Fair and the Olympic Games. The rental of buildings and equipment was the only component that remained stable with a slight 0.8% decrease.

(NON-CONSOLIDATED FIGURES IN MILLIONS OF PESETAS)							
1992		1993		Increases (%)		1993	
					over 92	89-93 (2)	\$ (1)
% Struct.	Amount	% Struct.	Amount	% Struct.			
100.0	1,154,696	100.0	1,220,084	100.0	5.7	14.3	8,579.2
(35.0)	392,736	(34.0)	408,103	(33.4)	3.9	10.8	2,869.6
(2.0)	22,260	(1.9)	23,871	(2.0)	7.2	14.4	167.9
(10.3)	121,153	(10.5)	115,182	(9.4)	(4.9)	11.7	809.9
6.5	68,920	6.0	75,742	6.2	9.9	5.5	532.6
59.1	687,467	59.5	748,670	61.4	8.9	15.7	5,264.4
2.1	23,346	2.0	23,632	1.9	1.2	29.6	166.2
(28.9)	341,903	(29.6)	372,401	(30.5)	8.9	14.3	2,618.6
(0.4)	13,252	(1.1)	10,507	(0.9)	(20.7)	22.7	73.9
(1.1)	16,769	(1.5)	24,115	(2.0)	43.8	35.4	169.6
30.6	338,889	29.3	365,279	29.9	7.8	16.9	2,568.5
0.6	23,074	2.0	10,191	0.8	(55.8)	(3.4)	71.7
(18.7)	199,561	(17.3)	203,124	(16.6)	1.8	18.0	1,428.3
(0.7)	12,411	(1.1)	27,243	(2.2)	119.5	38.8	191.6
(0.4)	5,462	(0.5)	4,952	(0.4)	(9.3)	27.3	34.8
11.4	144,529	12.5	140,151	11.5	(3.0)	10.7	985.5
0.9	8,148	0.7	8,392	0.7	3.0	13.0	59.0
(0.6)	11,306	(1.0)	4,436	(0.4)	(60.8)	N/S	31.2
(1.9)	41,647	(3.6)	36,639	(3.0)	(12.0)	63.4	257.6
9.8	99,724	8.6	107,468	8.8	7.8	3.7	755.7
(1.8)	15,825	(1.4)	22,631	(1.9)	43.0	(1.6)	159.2
8.0	83,899	7.3	84,837	7.0	1.1	5.3	596.5
8.0	83,899	7.3	84,837	7.0	1.1	5.3	596.5
0.4	5,462	0.5	4,952	0.4	(9.3)	27.3	34.8
28.9	341,903	29.5	372,401	30.4	8.9	14.3	2,618.6
2.5	35,101	3.0	29,250	2.4	(16.7)	20.9	205.7
39.9	466,365	40.4	491,440	40.3	5.4	12.9	3,455.6

Regarding the consolidated figures, it must be pointed out that personnel expenses have followed a trend similar to that of the parent company, growing by 4.4%, while the increase in external services, 6.8%, has been somewhat higher. The proportion between operating expenses compared with revenue from operations went down from the 50.8% registered in 1992 to 49.4% in 1993.

OPERATING MARGIN AND OPERATING PROFIT. Consolidated operating margin reached 765,638 million pesetas, 9.5% over the figure for 1992. The ratio between operating margin and revenue from operations went from 57.8% in 1992 to 59.0% in 1993 as a result of the restraint on expenses.

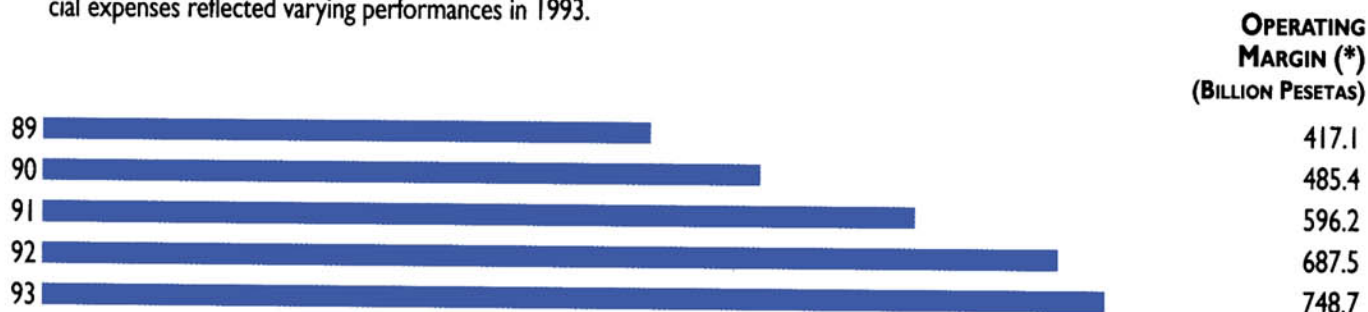
After having made provisions for amortizations and depreciation on fixed assets, to the amount of 374,259 million pesetas, consolidated operating profit reached 369,726 million pesetas, rising by 6.6%.

In the parent company, the higher application of the company's own employees in the installation of terminals and external plant has resulted in a 9.9% increase in internal expenditure capitalized in fixed assets which has also contributed, along with the restraint on operating expenses, to the achieving of an improved operating margin which totalled 748,670 million pesetas, having grown 8.9%.

Telefonica's provisions for amortizations and depreciation on fixed assets amounted to 372,401 million pesetas (99.5% of the total for the consolidated group) resulting in a 8.9% increase and the average rate of depreciation of plant in service went from 7.6% in 1992 to 7.8% in 1993.

In consequence, Telefonica's operating profit totalled 365,279 million pesetas, 7.8% higher than the figure registered the previous year.

PROFIT FROM ORDINARY ACTIVITIES. The principal components that make up consolidated financial expenses reflected varying performances in 1993.



(*) NON-CONSOLIDATED FIGURES



(*) NON-CONSOLIDATED FIGURES

Interest payments totalled 208,757 million pesetas, registering a slowdown in growth, going from 5.5% in 1992 to 3.2% in 1993.

The lower financial cost derived from the successive cuts in interest rates combined with Telefonica's high self-financing ratio, allowing the company to reduce its indebtedness, have been the factors that influenced this performance.

It must be underlined that the positive effect of these measures, hardly noticed in 1993, will become considerably more apparent in 1994, strengthened by the lower indebtedness foreseen for 1994. The early redemption carried out at the end of 1993 has not had any particular effect on the year's results, but the full impact of this policy will become effective in 1994, a year in which Telefonica intends to refinance a large part of its debt at lower interest rates.

This restraint on interest payments contrasts with the unfavourable trend reflected by the provision for exchange losses, which rose to 27,243 million pesetas, 119.5% higher than in 1992. The devaluation of the peseta in the E.M.S. in May 1993, combined with the two 1992 devaluations and the depreciation against the dollar and the yen are the main contributors to this performance, bearing in mind that Spanish legislation permits the deferring of exchange losses throughout the life of a debt.

If the consolidated group and the parent company registered almost identical performances in financial expenses, the same cannot be said of financial revenue. This item's performance along with that of revenue from associated companies is the reason for the differing results from ordinary activities for the consolidated group and the parent company, the former having registered a 10.0% rise and the latter a 3.0% drop.

Regarding financial revenue, it must be stressed that in 1992 Taetel distributed dividends charged to the capital gains derived from the sale of Telettra S.p.A. in 1991, which in 1993 resulted in a 55.8% decrease in the parent company's financial revenue, dropping from the 23,074 million

OPERATING REVENUE							(NON-CONSOLIDATED. IN MILLIONS OF PESETAS)	
	1989	1990	1991	1992	1993	1993 \$ (1)	Increases %	
							Over 92	(*) 89-93
Subscriber service charges	184,001	207,119	230,885	253,751	276,280	1,942.7	8.9	10.7
Data and image transmission	69,230	87,628	103,852	115,669	112,433	790.6	(2.8)	12.9
Domestic automatic service	314,984	374,472	465,584	539,564	579,671	4,076.1	7.4	16.5
Trunk calls through operator	988	1,642	2,266	2,861	3,271	23.0	14.3	34.9
International service	96,902	113,857	124,492	135,005	132,672	932.9	(1.7)	8.2
Mobile, land and maritime serv.	4,583	8,696	14,255	25,989	32,754	230.3	26.0	63.5
Advertising	7,299	8,506	10,017	12,806	15,007	105.5	17.2	19.7
REVENUE FROM SERVICES	677,987	801,920	951,351	1,085,645	1,152,088	8,101.1	6.1	14.2
Connection fees and other items	36,852	50,622	56,680	69,051	67,996	478.1	(1.5)	16.5
OPERATING REVENUE	714,839	852,542	1,008,031	1,154,696	1,220,084	8,579.2	5.7	14.3

(*) Compound rate

(1) Figures in millions of dollars. Exchange rate 30-12-93: 1\$ = 142.214 ptas.

pesetas recorded in 1992 to the present figure of 10,191 million pesetas, although the Group's revenue was not affected by this and therefore grew by 81.5%.

The second factor, which contributed to the aforementioned difference between the consolidated group and the parent company, was that of income from associated companies. This item grew from the 8,583 million pesetas registered in 1992 to 15,378 million pesetas in 1993, principally due to the contributions made by the Chilean and Argentinian operators through Telefonica Internacional.

INCOME BEFORE TAX AND NET INCOME. Consolidated income before tax reached 121,212 million pesetas, rising 28.3% over the figure for the previous year, with an 18.3 percentage point improvement in profit from ordinary activities.

Both Telefonica and the Group have shown similar performances due to the drop in the figure registered for extraordinary expenses, coming as a result of the lower rate of accelerated depreciation on dismantled plant following the high increases of previous years.

The conclusion, in 1993, of the fiscal benefits derived from the 1992 World Fair and Olympic Games, resulted in a considerable increase, for both the consolidated group and the parent company, in the effective corporate tax rate which was around 21% in both cases.

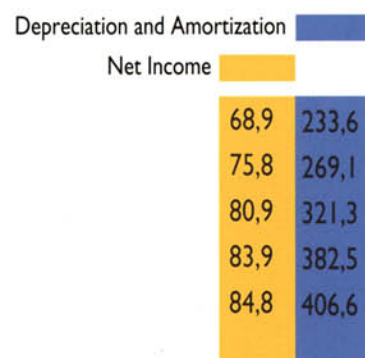
After the provision made for corporate tax, consolidated net income totalled 96,367 million pesetas, reflecting a 19.3% increase.

The contributions to consolidated net income of each of the members of the Group have been as follows: Telefonica, after the adjustments made for the consolidation procedure, contributed 84.5% of the total. The subsidiaries controlled by Telefonica made up 17.9% of the result; of these subsidiaries, those controlled by Telefonica Internacional stand out contributing 17.1% of the overall amount; Cetesa (yellow pages) contributed 2.4% and CABITEL (public telephones) 0.5%. Lastly, the contributions made by the associated companies, in which Telefonica holds minority stakes and does not play any role in their management, have, in general terms, been negative, resulting in a negative 2.4% contribution to consolidated net income; among these companies those that stand out are Amper (1.0% of total), Hispasat (1.0%) and Eritel (0.6%).

CASH-FLOW NET (*) (BILLION PESETAS)



(*) NON CONSOLIDATED FIGURES



CASH-FLOW AND SELF-FINANCING. Despite the slowdown in the growth of revenue, consolidated cash-flow amounted to 504,830 million pesetas, reflecting a 8.5% increase for the year. This has therefore permitted the self-financing of the investment made.

In the parent company, Telefonica, cash-flow reached 491,440 million pesetas compared with a figure for non-financial investment (including both investments in fixed assets and intangible assets) of 381,507 million pesetas. This has placed Telefonica's self-financing ratio at 112.2% surpassing, for the first time in the Company's recent history, the 100% bench mark.

BALANCE SHEETS 1989/1993

(IN MILLIONS OF PESETAS)

ITEMS	1989	1990	1991	1992	1993	1993 \$ (1)
FIXED ASSETS	2,518,894	2,977,228	3,303,059	3,365,365	3,343,388	23,509.6
Capital increase expenses	3,251	2,170	1,219	359	162	1.1
Net intangible assets	10,665	17,812	28,248	41,609	55,520	390.4
Property, plant and equipment	3,985,031	4,575,823	5,016,908	5,306,956	5,489,734	38,601.9
Depreciation of fixed assets	(1,527,442)	(1,689,133)	(1,847,338)	(2,090,267)	(2,308,229)	(16,230.6)
Property plant and equipment-net	2,457,589	2,886,690	3,169,570	3,216,689	3,181,505	22,371.3
Investments	47,389	70,556	104,022	106,708	106,201	746.8
DEFERRED EXPENSES	59,451	66,213	75,004	203,486	224,113	1,575.9
TAXES PAID IN ADVANCE	—	—	—	—	13,616	95.7
CURRENT ASSETS	214,331	249,394	290,152	348,316	328,977	2,313.3
Consumable inventories	8,320	8,161	5,319	5,019	3,832	27.0
Accounts receivable	202,449	236,151	274,045	329,144	317,323	2,231.3
Cash and banks	936	2,562	4,579	10,238	6,232	43.8
Prepayments	2,626	2,520	6,209	3,915	1,590	11.2
ASSETS = LIABILITIES AND SHAREHOLDERS' EQUITY	2,792,676	3,292,835	3,668,215	3,917,167	3,910,094	27,494.5
SHAREHOLDERS' EQUITY (1)	1,267,925	1,294,504	1,324,368	1,376,751	1,397,712	9,828.2
Paid in share capital	462,482	463,479	463,479	463,480	469,735	3,303.0
Reserves	759,667	778,411	803,216	829,372	866,327	6,091.7
Net income for the year	68,898	75,788	80,847	83,899	84,837	596.5
Interim dividend	(23,122)	(23,174)	(23,174)	—	(23,187)	(163.0)
DEFERRED INCOME (2)	25,147	40,193	60,785	58,723	54,765	385.1
PROVISIONS FOR LIABILITIES AND CHARGES (3)	147,185	173,180	202,479	211,813	216,094	1,519.5
DEFERRED TAXES (4)	—	9,807	20,187	52,904	53,003	372.7
LONG TERM DEBT (5)	826,234	1,008,254	1,387,343	1,593,504	1,529,151	10,752.5
Debentures, bonds and promissory notes issued	279,827	383,732	589,011	696,811	685,614	4,821.0
Debts with credit institutions	466,204	527,827	624,335	602,800	540,494	3,800.6
Debts with group and associated companies	—	12,129	91,849	103,586	122,403	860.7
Other creditors	80,203	84,566	82,148	190,307	180,640	1,270.2
PERMANENT CAPITAL (1+2+3+4+5)	2,266,491	2,525,938	2,995,162	3,293,695	3,250,725	22,858.0
SHORT TERM DEBT	526,185	766,897	673,053	623,472	659,369	4,636.5
Debentures, bonds and promissory notes issued	160,478	347,656	185,496	130,225	167,267	1,176.2
Debts with credit institutions	81,359	78,954	82,283	127,751	59,197	416.3
Other creditors	264,217	318,595	385,179	344,799	416,078	2,925.7
Prepayment	20,131	21,692	20,095	20,697	16,827	118.3
UNUSED CREDIT FACILITIES	29,979	86,084	36,215	38,498	126,044	886.3

(1) Figures in millions of dollars. Exchange rate 30-12-93: 1\$ = 142.214 ptas.

FINANCIAL ACTIVITY AND INDEBTEDNESS. From an economic-financial viewpoint, 1993 marked a reversal in the trend registered in past years. The high investment needs of the installation programmes carried out since 1988, in order to cover the demand for telecommunications services in Spain, the elimination of the waiting list, the modernization of infrastructure and the boosting of the development of new services, obliged Telefonica to resort to the capital markets as the Company was unable to generate the funds necessary.

The high usage of external funding resulted in indebtedness rising to over a billion pesetas between 1988 and 1992 and a growth in the indebtedness ratio of around 20 percentage points.

Once these difficulties had been overcome, 1993 witnessed a radical change in the conditions that had characterized the previous period. The slowdown in investment needs and Telefonica's steady growth in capacity to generate funds have allowed the total self-financing of investment and a 96,000 million pesetas cut in indebtedness. The most significant feature of this change was that of the forming of solid bases which will allow Telefonica to confidently face the imminent period of change in which services will be liberalized, competition will grow and strategic agreements and alliances will be made with other operators. Thanks to this strengthened financial position Telefonica will be able to take on the expansion and modernization programmes necessary and at the same time continue its process of financial improvement initiated in 1993.

In 1993, in accordance with the statement of source and application of funds of Telefonica, those derived from operations rose to 594,310 million pesetas which compared with the 331,046 million pesetas registered in 1989 demonstrate the steady increase in the Company's capacity to generate resources over the past few years.

The funds applied to investment activities totalled 404,505 million pesetas, reflecting a 10% decrease when compared with 1992 which underlines the continued restraint on investment following the intense investment effort made over the 1989-1991 period.

In 1993, this strengthening of Telefonica's financial position was reflected in a 96,000 million peseta drop in financial indebtedness and, for the first time in recent years, a fall in indebtedness ratio.

CONSOLIDATED RESULTS-PROFIT MARGINS 1991/1993
(IN MILLIONS OF PESETAS)

	1991		1992		1993		Increase % over 92	1993 \$ (1)
	Amount	% Struct	Amount	% Struct	Amount	% Struct		
+ Operating revenue	1,048,998	100.0	1,208,938	100.0	1,297,437	100.0	7.3	9,123.1
- Operating expenses								
Personnel expenses	391,516	(37.3)	429,626	(35.6)	448,402	(34.6)	4.4	3,153.0
Taxes	20,990	(2.0)	22,976	(1.9)	23,981	(1.8)	4.4	168.6
External services	140,410	(13.4)	161,186	(13.3)	168,519	(13.0)	4.5	1,185.0
+ Int. expend.capit.in fixed assets	108,437	10.3	103,929	8.6	109,103	8.4	5.0	767.2
= Operating margin	604,519	57.6	699,079	57.8	765,638	59.0	9.5	5,383.7
+ Other operating revenue	18,082	1.7	23,618	2.0	33,068	2.5	40.0	232.5
- Depreciation of fixed assets	293,903	(28.0)	343,179	(28.4)	374,259	(28.8)	9.1	2,631.7
- Other operating expenses	5,855	(0.6)	13,766	(1.1)	28,905	(2.2)	110.0	203.3
- Other provisions and charges	12,155	(1.1)	18,787	(1.6)	25,816	(2.0)	37.4	181.5
= Operating profit	310,688	29.6	346,965	28.7	369,726	28.5	6.6	2,599.7
+ Financial revenue	6,333	0.6	4,318	0.3	7,837	0.6	81.5	55.1
- Financial expenses	191,809	(18.3)	202,300	(16.7)	208,757	(16.1)	3.2	1,467.9
- Exchange losses	6,094	(0.6)	12,439	(1.0)	25,936	(2.0)	108.5	182.4
- Amort. of deferred charges	3,991	(0.4)	5,810	(0.5)	4,954	(0.4)	(14.7)	34.8
+ Particip. in assoc. Comp. profits	7,717	0.8	9,391	0.8	20,176	1.6	114.8	141.9
- Amort. of goodwill on consol	872	(0.1)	808	(0.1)	4,798	(0.4)	493.8	33.7
= Profit from ordinary activ.	121,972	11.6	139,317	11.5	153,294	11.8	10.0	1,077.9
+ Extraordinary revenue	32,692	3.1	10,804	0.9	14,904	1.1	37.9	104.8
- Extraordinary expenses	24,373	(2.3)	53,201	(4.4)	41,405	(3.2)	(22.2)	291.2
- Min. int. in earn. of consol. subsid.	1,772	(0.2)	2,461	(0.2)	5,581	(0.4)	126.8	39.2
= Income before tax	128,519	12.2	94,459	7.8	121,212	9.3	28.3	852.3
- Corporate tax	24,272	(2.3)	13,698	(1.1)	24,845	(1.9)	81.4	174.7
= Net income	104,247	9.9	80,761	6.7	96,367	7.4	19.3	677.6
+ Net income	104,247	9.9	80,761	6.7	96,367	7.4	19.3	677.6
+ Amort. of deferred charges	3,991	0.4	5,810	0.5	4,954	0.4	(14.7)	34.8
+ Depreciation of fixed assets	293,903	28.0	343,179	28.4	374,259	28.8	9.1	2,631.7
+ Dismant. plant pending deprec.	25,477	2.5	35,355	2.9	29,250	2.3	(17.3)	205.7
= Cash-flow	427,618	40.8	465,105	38.5	504,830	38.9	8.5	3,549.8

(1) Figures in millions of dollars. Exchange rate 30-12-93: 1\$= 142.214 ptas.

***Annual
Accounts***



AUDIBERIA

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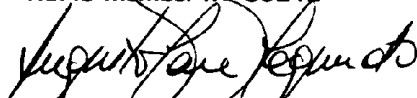
Independent auditor's report on the annual accounts

To the Shareholders of Telefónica de España, S.A.

1. We have audited the annual accounts of Telefónica de España, S.A. and the consolidated annual accounts of Telefónica de España, S.A. and its subsidiaries at December 31, 1993 and 1992 consisting of the balance sheets, the profit and loss accounts and the notes for the years then ended, whose preparation is the responsibility of the company's management. Our responsibility is to express an opinion on the aforementioned annual accounts as a whole, based on our audit work carried out in accordance with generally accepted auditing standards, which included selected substantive tests of the underlying records of the annual accounts, an assessment of their presentation and of the accounting principles and the estimates applied. Our work on the consolidated annual accounts of Telefónica de España, S.A. and subsidiaries, insofar as it relates to the participation in the group companies mentioned in Note 1.2, is based on the examination and report of other auditors.
2. As indicated in Note 1 to the annual accounts, Telefónica falls within the group of regulated entities whose peculiarities permit that income and expenses may be attributable to each period not only on the accrual basis but also when the related specific concepts of revenue and cost are computed as part of the approved tariffs. On this basis, the recovery of the amounts invested or included in the assets of the Company, particularly deferred exchange differences, will depend upon the adequate future consideration, in tariffs, of recovery of these concepts.
3. In our opinion, based on our examination and on the reports of other auditors, the attached annual accounts present fairly, in all material respects, the shareholders' equity and financial position of Telefónica de España, S.A. and the consolidated group at December 31, 1993 and 1992, the financial results of their operations and the consolidated resources obtained and applied for the years ended on those dates, and they contain the necessary and relevant information in order to adequately interpret and understand them, in conformity with generally accepted accounting principles consistently applied.
4. The accompanying Director's Report for 1993 contains the information that management considers relevant to the company's situation, the evolution of their business and of other matters which do not form an integral part of the annual accounts. We have verified that the accounting information contained in the aforementioned Director's Report coincides with that of the annual accounts for 1993. Our work as auditors is limited to verifying the Director's Report within the scope already mentioned in this paragraph and it does not include the review of information other than that obtained from the company's accounting records.

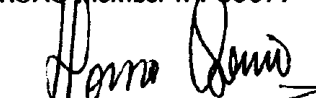
Price Waterhouse Auditores, S.A.

ROAC Member n° S0242


Augusto San Segundo

March 26, 1994

Audiberia
Osorio, Navarro y Cia, S.R.C.
ROAC Member n° S0677


Alfonso Osorio Iturmendi

Telefónica de España, S.A. and Telefónica Consolidated Group.

In million pesetas	Parent Company		Consolidated group	
ASSETS	1993	1992	1993	1992
A. SUBSCRIBED SHARES NOT PAID-IN (UNREQUESTED PAYMENTS)	-	-	-	1
B. LONG TERM ASSETS	3 343 388	3 365 365	3 436 855	3 409 276
I. Cost of new equity capital	162	359	226	503
II. Intangible assets (Note 5)	55 520	41 609	63 207	50 778
Research and development expenses	50 454	36 500	48 812	36 415
Finance leasing	-	-	3 505	4 759
Other intangible assets	30 670	19 345	38 863	25 678
Accumulated amortization	(25 604)	(14 236)	(27 973)	(16 074)
III. Fixed assets (Note 6)	3 181 505	3 216 689	3 172 110	3 211 231
Land and buildings	438 189	403 197	441 443	406 830
Technical installations and machinery	116 795	111 478	129 800	122 393
Telephone installations	4 538 490	4 308 549	4 502 870	4 275 703
Furniture, equipment and other	113 059	103 854	127 986	114 406
Construction in progress	250 007	325 061	249 356	329 974
Advance payments for fixed assets	16 589	30 804	14 977	30 352
Installation equipment	16 605	24 013	16 605	24 013
Accumulated depreciation	(2 308 229)	(2 090 267)	(2 310 927)	(2 092 440)
IV. Investments (Note 7)	106 201	106 708	201 312	146 764
Investments in group companies	84 055	81 919	-	-
Investments in associated companies	11 578	11 676	151 679	82 352
Other investments	17 437	16 328	28 330	58 757
Credits to group companies	1 060	2 014	-	-
Other credits	795	1 200	22 057	3 560
Long-term deposits and financial guarantees	1 077	911	1 405	4 354
Depreciation Reserve	(9 801)	(7 340)	(2 159)	(2 259)
C. GOODWILL ON CONSOLIDATION (Note 7.8)	-	-	48 236	13 226
D. DEFERRED EXPENSES (Note 8)	224 113	203 486	225 589	205 811
E. LONG TERM PREPAID TAXES (Note 10)	13 616	-	14 109	-
F. CURRENT ASSETS	328 977	348 316	377 094	378 838
I. Subscribed shares not paid-in	-	-	22	-
II. Inventories	3 832	5 019	16 505	18 552
Inventories	3 832	5 019	17 074	19 576
Advances	-	-	400	193
Provisions	-	-	(969)	(1 217)
III. Accounts receivable	317 323	329 144	332 841	337 400
Subscribers and customers (Note 11)	288 378	273 452	308 964	293 739
Group companies	11 165	7 127	-	-
Associated companies	751	131	4 359	778
Sundry accounts receivable	38 001	45 080	43 970	42 080
Personnel	9 498	9 041	10 047	9 492
Taxes receivable (Note 18)	6 726	20 876	8 703	22 666
Reserve for bad debts (Note 11)	(30 429)	(20 356)	(36 288)	(25 044)
Reserve for sundry accounts receivable	(6 767)	(6 207)	(6 914)	(6 311)
IV. Short term investments	1 201	6 449	11 804	7 115
Credits to group companies	1 080	-	-	242
Short-term securities portfolio	121	-	11 167	2 768
Other credits	-	6 449	637	4 105
V. Cash and banks	5 031	3 789	7 996	5 909
VI. Prepayments	1 590	3 915	7 926	9 862
TOTAL ASSETS (A+B+C+D+E+F)	3 910 094	3 917 167	4 101 883	4 007 152

Balance sheets at December 31

LIABILITIES AND SHAREHOLDERS' EQUITY	Parent Company		Consolidated group	
	1993	1992	1993	1992
A. SHAREHOLDERS' EQUITY (Note 12)	1 397 712	1 376 751	1 437 055	1 392 005
I. Share premium	469 735	463 480	469 735	463 480
II. Share premium	43 067	33 467	43 067	33 467
III. Revaluation reserve	653 780	653 780	649 316	649 316
IV. Reserves	169 394	142 004	201 671	164 860
Legal reserve	57 796	49 406	57 796	49 406
Other reserves	111 598	92 598	92 125	84 306
Consolidation reserve	-	-	20 653	14 112
Differences on foreign currency translation for consolidation	-	-	31 097	17 036
V. Unappropriated profit	86	121	86	121
VI. Group profit and loss	84 837	83 899	96 367	80 761
Profit for year	84 837	83 899	81 771	73 831
Profit from associated companies	-	-	20 177	9 391
Profit attributed to outside shareholders	-	-	(5 581)	(2 461)
VII. Interim dividend	(23 187)	-	(23 187)	-
B. OUTSIDE SHAREHOLDERS' INTERESTS (Note 12.2)	-	-	41 798	31 044
C. DEFERRED INCOME (Note 13)	54 765	58 723	55 326	58 732
Capital grants	49 860	46 983	49 860	46 983
Deferred unrealized exchange gains (Note 9)	-	8 861	44	8 870
External contributions not repayable	4 905	2 879	5 422	2 879
D. PROVISIONS FOR RISKS AND EXPENSES (Note 14)	216 094	211 813	231 775	215 796
E. LONG TERM DEFERRED TAXES (Note 10)	53 003	52 904	57 131	56 016
F. LONG TERM CREDITORS	1 529 151	1 593 504	1 569 568	1 610 878
I. Debentures, bonds and other issues (Note 15)	685 614	696 811	708 440	722 284
Debentures and non-convertible bonds	679 494	658 999	681 345	660 823
Debentures and convertible bonds	-	28 063	9 300	37 363
Other negotiable documents issued	6 120	9 749	17 795	24 098
II. Debts with financial institutions (Note 16)	540 494	602 800	681 881	690 728
III. Debts with group and associated companies (Note 17)	122 403	103 586	-	18 565
IV. Other accounts payable	180 040	178 656	179 161	178 975
Other debts	132 497	147 677	131 618	147 996
Notes payable	47 543	30 979	47 543	30 979
V. Uncalled subscriptions on shares (Note 7)	600	11 651	86	326
Group companies	600	11 351	-	-
Associated companies	-	300	-	300
Other companies	-	-	86	26
G. SHORT TERM CREDITORS	659 369	623 472	709 230	642 681
I. Debentures, bonds and other issues (Note 15)	167 267	130 225	167 271	122 991
Debentures	118 671	17 362	118 666	17 546
Other negotiable documents issued	32 631	96 759	32 631	89 327
Interest on debentures and other negotiable documents	15 965	16 104	15 974	16 118
II. Debts with financial institutions (Note 16)	59 197	127 751	87 815	153 818
Loans and other debts	47 426	115 574	74 717	140 694
Interest due	11 771	12 177	13 098	13 124
III. Debts with group and associated companies (Note 17)	41 459	68 265	19 358	25 626
Group companies	24 326	44 132	-	-
Associated companies	17 133	24 133	19 358	25 626
IV. Trade creditors	179 470	134 416	211 046	165 676
Advance payments received on orders	-	-	6 016	5 001
Debts for purchases and services rendered	118 059	93 717	140 403	117 670
Notes payable	61 411	40 699	64 627	43 005
V. Other non-trade debts	195 149	142 118	205 592	152 851
Taxes payable (Note 18)	71 516	41 237	75 372	45 297
Other (Note 19)	123 633	100 881	130 220	107 554
VI. Accruals	16 827	20 697	18 148	21 719
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G)	3 910 094	3 917 167	4 101 883	4 007 152

Telefónica de España, S.A. and Telefónica Consolidated Group.

In million pesetas	Parent Company		Consolidated group	
DEBIT	1993	1992	1993	1992
EXPENSES				
Reduction in inventories	-	-	2 268	1 908
Supplies	-	-	63 067	58 395
Other purchases	-	-	33 210	31 227
Purchases from other companies	-	-	29 857	27 168
Personnel costs (Note 23.2)	408 103	392 736	448 402	429 626
Depreciation and amortization	372 401	341 903	374 259	343 179
Tangible	360 674	334 833	361 506	335 183
Intangible	11 368	6 210	12 260	6 820
Expenses	359	860	493	1 176
Trade provisions	24 115	16 769	25 816	18 787
Variation in provision for doubtful accounts receivable	22 077	15 855	22 432	16 353
Variation in other provisions	2 038	914	3 384	2 434
Other operating expenses	149 560	156 665	159 050	141 186
Subsidiary companies external services	21 755	33 646	-	-
External services	93 427	87 507	106 164	104 444
Taxes	23 871	22 260	23 981	22 976
Other operating expenses	10 507	13 252	28 905	13 766
I. OPERATING PROFIT	365 279	338 889	369 726	346 965
Financial expenses with subsidiary companies	8 816	9 598	-	-
Financial expenses with associated companies	-	-	38	12
Other financial expenses	194 308	189 963	208 694	202 286
Amortization of costs of formalizing debts	4 952	5 462	4 954	5 810
Variation in provisions for investments	-	-	25	2
Losses on exchange (Note 9)	27 243	12 411	28 631	12 802
II. FINANCIAL INCOME	-	-	-	-
Participation in losses of associated companies	-	-	3 467	2 924
Amortization of goodwill on consolidation	-	-	4 798	808
III. PROFIT FROM NORMAL OPERATIONS	140 151	144 529	153 294	139 317
Variation in investments provision for investments in group companies	4 436	11 306	1 974	9 874
Losses on fixed assets	19 956	29 589	20 062	30 661
Losses on disposal of investment in consolidated companies	-	-	205	107
Extraordinary expenses (Note 23.3)	16 683	12 058	19 164	12 559
IV. EXTRAORDINARY NET PROFIT	-	-	-	-
Profit attributed to the shareholders' interests	-	-	5 620	2 554
V. PROFIT BEFORE TAX	107 468	99 724	121 212	94 459
Corporate income tax (Note 22)	22 631	15 825	24 845	13 698
VI. NET PROFIT FOR YEAR	84 837	83 899	96 367	80 761

Profit and loss accounts for years ended december 31, 1993 and 1992

	Parent Company		Consolidated group	
CREDIT	1993	1992	1993	1992
INCOME				
Net sales to group companies (Note 23.1)	17.256	8.638	-	-
Net sales and services rendered (Note 23.1)	1.202.828	1.146.058	1.297.437	1.208.938
Increase in inventories	-	-	2.980	3.561
Work carried out by Company on own fixed assets	75.742	68.920	109.103	103.929
Other operating income	23.632	23.346	33.068	23.618
Sundry trade income	23.479	22.852	32.620	22.738
Grants	153	494	318	726
Excess provision for risk and expenses	-	-	130	154
I. OPERATING LOSS	-	-	-	-
Income from shareholdings	6.717	20.587	1.456	1.084
Group companies	5.270	19.331	-	-
Associated companies	25	181	25	-
Other companies	1.422	1.075	1.431	1.084
Income from other negotiable documents and credits	3.474	2.487	6.381	3.234
Group companies	322	438	-	-
Associated companies	-	-	570	-
Other companies	3.152	2.049	5.811	3.234
Gains on exchange	-	-	2.695	363
II. FINANCIAL LOSS	225.128	194.360	231.810	216.231
Participation in profit of companies consolidated by the equity method	-	-	23.643	12.315
III. LOSS ON NORMAL OPERATIONS	-	-	-	-
Profit on sales of fixed assets	809	254	5.011	322
Profit on sales of shareholdings in consolidated companies	-	-	-	35
Capital grants (Note 13)	5.377	3.693	5.377	3.693
Extraordinary income (Note 23.3)	2.206	4.201	4.516	6.754
IV. EXTRAORDINARY LOSS	32.683	44.805	26.501	42.397
Profit attributed to the shareholders' interests	-	-	39	93
V. LOSS BEFORE TAX	-	-	-	-
VI. NET LOSS FOR YEAR	-	-	-	-

Annual accounts of Telefonica de España, S.A. and of Telefonica consolidated group for

NOTE I - OPERATIONS AND GENERAL INFORMATION

I.1 Parent company

a) Telefónica de España, S.A. (Telefónica or "the Company") is a commercial corporation which was incorporated in Madrid on April 19, 1924. Its main corporate purpose is to provide and operate all types of public and private telecommunication services, and to this purpose, is the State's licensee for the supply of certain public services, according to the Contract of Concession undersigned with the State's Administration on December 26, 1991.

b) Concession

In accordance with the New State Contract and the standing legislation in telecommunications, some of these services are rendered in a monopoly arrangement, while others are supplied by Telefónica in a regime of either free or restricted competition.

The New State Contract also gives Telefónica the right to maintain the overall financial balance of the contract in accordance with Article 74 and related provision of the State Contract Law.

c) Regulation of tariff

As the concessionaire of public services, and according to the aforementioned contract, Telefónica is submitted to regulated prices and to a tariff regime; the tariff regulations for services will allow the principle of universality for the supply of basic services and the overall financial balance of the concession to be safeguarded. For that purpose, within the framework of costs and effective management of the productive resources of the concessionaire company, the tariff regulations must ensure that Telefónica can cover both its operating expenses and the requirements for reserves and capital contributions, in the context of an alignment of the tariff structure to that of costs.

d) Tax regime

According to the Telefónica Taxation Law 15/1987 of July 30, 1987 and Royal Decree 1334/1988 of November 4, 1988, from January 1, 1988 Telefónica is subject to the general tax regulations for State taxes. As regards local taxes, Telefónica is required to pay local property taxes but other local and Autonomous Community taxes are substituted by an annual payment equivalent to two per cent of gross invoiced income.

By Ministerial Order dated December 27, 1989 Telefónica obtained authorization from the Spanish tax authorities to file consolidated income tax returns for the years 1990, 1991 and 1992. Such authorization is subject to compliance with certain requirements established by current legislation (Royal Decree Law 15/1977 of February 25, 1977 and Law 18/1982 of May 26, 1982).

Consolidation group changes

The new corporations which have been added to the group are Inversiones Hispano-Chilenas, B.V. (Holland); Telecartera, S.A.; Telefónica Servicios Avanzados de Información, S.A.; Telefónica Gestión de Sistemas, S.A.; Gestión y Operación de Redes, S.A.; Radiored Uno, S.A.; Radiored, S.A.; Radiored Barcelona, S.A.; Radiored Valencia, S.A.; Radiored Málaga-Costa del Sol, S.A. The group has disposed of the company Servicios Telefónicos Auditex, S.A., the associated companies Semiconductores, S.A. and Ecomyf, S.A. (previously Efecom, S.A.). Consolidates for the first time Casiopea, Re, S.A. and Telefónica Romania (Rumania) by the full consolidation method, and Venworld Telecom, C.A. by the equity consolidation method.

I.2 Subsidiary companies

Cabinas Telefónicas, S.A. (CABITEL), Plaza de Carlos Trias Beltrán, 7 - 28020 MADRID

Marketing, installation, management and operation of local public telephones, support networks and related services. Operation for advertising purposes of any local support or service capable of being used for that purpose.

Casiopea Reaseguradora, S.A. - Inmenble Centre Europe n° 5 Pza. de la Gare L-1616 (Luxembourg)

Reinsurance.

At year end it has the following subsidiary:

- 12% in Seguros de Vida y Pensiones Antares, S.A.

Compañía Española de Tecnologías Avanzadas, S.A. (COMET), Paseo de la Castellana, 83 - 85 (Madrid) - 28046 MADRID

Promotion of business initiatives.

At year end it has the following subsidiary and associated companies and shareholdings;

- 85% in Satel, S.A. - Inactive. Comandante Zorita, 4 - 28020 Madrid
- 50% in Cleon, S.A. - Property sales promotion. Pº Castellana, 83-85 - 6ª planta 28046 Madrid
- 5.8% in Barcelona Tecnología, S.A. - Capital risk company. Tuset, 8 - 6ª 1º Izda. 08006 Barcelona
- 1.26% in Catalana D'Iniciatives, C.R., S.A. - Promotion of non-finance companies. Travessera de Gracia 56 - 08006 Barcelona.

Compañía Gestora de Servicio Mensatel, S.A. C/ Manuel Tovar, 35 28034 MADRID

Activities relating to value-added services, as provided under the Telecommunication Law.

Compañía Publicitaria de Exclusivas Telefónicas, S.A. (CETESA), Avenida Manoteras, 12 - 28050 MADRID

Publication of guides, and advertising material on, all types of support equipment. At the year end it has the following subsidiary and associated companies:

- 100% in Promotora de Mercados Telemáticos, S.A. - Marketing of advertising products and services. Avda. Manoteras, 12 - Madrid
- 100% in Central de Compras Papel, S.A. - Purchase of paper and graphic art material. Avda. Manoteras, 12 - Madrid
- 25% in Venturini, S.A. - Printing and graphic arts. C/ Industria, 17 Tres Cantos (Madrid)
- 5% in Euredit, S.C.E. - Publication European annual directories. Avda. Friedland 9, 75008 París (France)

Estrategias Telefónicas, S.A. (ESTRATEL), Principe de Vergara, 110 - 28002 MADRID

Promotion, marketing and market research relating to direct marketing.

Fonditel Entidad Gestora de Fondos de Pensiones, S.A. Pedro Texeira, 8 - 28020 MADRID

Pension funds administration.

years ended December 31, 1993 and 1992

Maptel, S.A. C/ Orense, 11 - 28020 MADRID

Data processing consulting and digital cartography.

Playa de Madrid, S.A. Paseo de la Castellana, 83 - 85 28046 MADRID

Social and recreational activities. Distribution of all types of articles, operation of sporting and hostel facilities and organization of tourist services.

Pléyade Peninsular, Correduría de Seguros, S.A. C/ General Perón, 38 - 28020 MADRID

Distribution, promotion and production of insurance contracts, operating as a broker.

Seguros de Vida y Pensiones Antares, S.A. - C/ General Perón 38 - 28020 MADRID

Life insurance and pensions.

At the year end it has the following associated company:

- 10% in Fonditel Entidad Gestora de Fondos de Pensiones, S.A.

Servicios de Teledistribución, S.A. (S.T. Hilo), Covarrubias, 1 - 28010 MADRID

Supply of services in the teledistribution sector for all types of signals, installation and maintenance of equipment.

At the year end it has the following associated company:

- 33% in S.A.P.E.C., S.A. - Manufacture of public address systems. C/ Nicolás Morales 9, 28019 Madrid

Sistemas e Instalaciones de Telecomunicación, S.A. (SINTEL), Rafael Calvo, 18 - 28004 MADRID

Installation of cable-laying equipment in the telecommunications field.

At year end it has the following subsidiary and associated companies and shareholdings:

- 50% in Sintelar, S.A. - Telecommunications installations c/ Carlos Pellegrini 1163. Buenos Aires (Argentina)
- 50% in Sietel, S.A. - Telecommunications installations. c/ Mar-Iver 125 piso 12 Santiago de Chile (Chile)
- 50% in Sintel - Abengoa Servicios 2000 - Telecommunications installations c/Infante D. Carlos, 16 - 2ºD - Sevilla.
- 49% in Cotronic, S.A. - Telecommunications installations c/Completa 6, Edificio MILTON, 10-A - Málaga.
- 49% in Incosa - Telecommunications installations, Polígono de Pocomaco, parcela A-2 Nave I, - La Coruña.
- 44% in Inlaca, S.A. - Telecommunications installations c/Ramón y Cajal s/nº la Cava Deltebre - Tarragona.
- 39% in Sistemas Avanzados de Control - Traffic control systems. C/ Estudio 3, Aravaca (Madrid)

Taetel, S.L. Beatriz de Bobadilla, 3 - 28040 MADRID

Acquisition, holding and disposing of shares in other companies.

Telecomunicaciones Marinas, S.A. (TEMASA), Silva 1 - 4º 4 - 28013 MADRID

Sounding, laying and repairing underwater cables.

Telecartera, S.A. Beatriz de Bobadilla, 3 - 28040 Madrid

Acquisition, holding and disposing of shares in other companies.

At year end it has the following associated company:

- 33,33% in Sociedd General de Cablevisión, S.A. Organization activities in relation to cable television systems. Gral. Martínez Campos, 53 28010 Madrid.

Telefonía y Finanzas, S.A. (TELFISA), Paseo de la Castellana, 151 - 10º B 28046 MADRID

Treasury management and advisory and financial support services to Group companies.

Telefónica Internacional de España, S.A. C/ Jorge Manrique, 12 - 28006 MADRID

Investment in foreign telecommunications and management of the holdings in the companies which channel these investments.

At year end it has the following subsidiary and associated companies and shareholdings:

- 100% in Inversiones Hispano-Chilenas Holding, B.V. (Holland) - Holding Company
- 100% in Telefónica Internacional, S.A. (LUXEMBOURG) - Holding company.
- 100% in Telefónica Internacional Holding B.V. (HOLLAND) - Holding company.
- 100% in Telefónica USA, INC - Representation of Telefónica.
- 100% in Telefónica Chile, S.A. - Holding company.
- 100% in Telefónica Chile, B.V. - Holding company.
- 100% in Telefónica Venezuela, B.V. - Holding company.
- 100% in Inversiones Hispano Chilenas, S.A. - Holding company.
- 79% in Telefónica Larga Distancia (Puerto Rico) - Telecommunication Operator.
- 60% in Telefónica Romania (Rumania) Telecommunications operator.
- 54,93% Publiguías Chile, S.A. (Chile) Telephonic guide edition.
- 43,63% in Compañía de Teléfonos de Chile (CTC) - Basic telephone service operator in Chile.
- 28,83% in Cointel, S.A. (Argentina) - Holding company
- 25% in Sintelar, S.A. (Argentina) - Telecommunications installations.
- 20% in Entel Chile - Operator of long distance telephone services in Chile.
- 14,9% in Telecomunicaciones Ultramarinas de Puerto Rico - Telecommunications operator.
- 16% in VenWorld Telecom - Holding company.
- 15% in Contactel (Portugal) - Telecommunications Operator (Telepager).
- 19,39% in Telefónica Argentina, S.A. - Telecommunications operator in the southern region of Argentina.
- 5,38% in Infonet Services Corporation - Telecommunications operator.
- 5% in Telur, S.A. - Manufacture of telecommunications equipments.
- 2,92% in Geostar Corp - In bankruptcy.

Telefónica Investigación y Desarrollo, S.A. (TIDSA) C/ Emilio Vargas, 6 - 28043 MADRID

Research and development of products, exploration, applied investigations and technological reports in the telecommunications field.

Telefónica North America, INC 1209 Orange St. Wilmington/New Castle Country DELAWARE (U.S.A.)
Financial intermediary.

Telefónica Sistemas, S.A., Sor Angela de la Cruz, 3 - 28020 MADRID

Systems engineering.

At year end it has the following subsidiary and affiliated companies and shareholdings:

- 100% in Telefónica Sistemas de Satélites, S.A. Satellite's telecommunication services. Ramírez de Arellano, 19 - Madrid.
- 100 in Telefónica Servicios Avanzados de Información, S.A. Ramírez de Arellano, 19 - Madrid.
- 100% in Telefónica Gestión de Sistemas, S.A. Outsourcing of systems. Sor Angela de la Cruz, 3 - Madrid
- 100% in Telefónica de Sistemas Ingeniería de Productos, S.A. Design of projects, development, installations and maintenance of Tesys equipment. Ramírez de Arellano, 19 - Madrid.

- 99% in T.H.M. Control Integrado, S.A. Protection and control systems engineering. General Aranda, 40, 28010 Madrid.

At year end it has the following subsidiary and associated companies:

- 50% in T.M.I. - Integrated maintenance of security installations
- 31,78% in T.P. Servicios Integrales de Protección Civil, S.A. (TEPESA) - Training in techniques of all areas of civil protection, security and fire.
- 90% in T.D.S. - Marketing Tesys equipment. 17993 Cowandruine. CA 92714 (USA)
- 51% in Gestión de Operación de Redes, S.A. Network management including technical assistance, consulting and commercializing of products and formation. Sor Angela de la Cruz, 3 - Madrid.
- 40% in Tissat, S.A. Systems engineering and added value services. Plaza de Tetuan, 11 - Valencia.
- 24,9% in Telecom Vallés, S.A. Sale of equipment. San Sebastián, 164 - Tarrasa.
- 20% in Excel-Data. Intelligent cards manufacturing. Concha Espina, 65 - Madrid.

Teleinformática y Comunicaciones, S.A. (TELYCO), Raimundo Fdez. Villaverde, 28 - 28003 MADRID

Promotion, marketing and distribution of telephonic and telematic equipment and services.

TS - I Telefónica Servicios, S.A. Plaza de la Independencia, 6 - 28001 MADRID

Operation of added value services and mobile technology.

At year end it has the following subsidiary company and shareholdings:

- 100% en Radiored Uno, S.A. Plaza de la Independencia, 6 - Madrid
- 100% en Radiored, S.A. Plaza de la Independencia, 6 - Madrid
- 100% en Radiored Barcelona, S.A. Plaza de la Independencia, 6 - Madrid
- 100% en Radiored Valencia, S.A. Plaza de la Independencia, 6 - Madrid
- 100% en Radiored Málaga-Costa del Sol, S.A. Plaza de la Independencia, 6 - Madrid
- 100% en Radiored Sevilla-Cádiz, S.A. Plaza de la Independencia, 6 - Madrid
- 100% en Radiored Santiago-La Coruña, S.A. Plaza de la Independencia, 6 - Madrid
- 100% en Radiored Bilbao, S.A. Plaza de la Independencia, 6 - Madrid
- 100% en Radiored Zaragoza, S.A. Plaza de la Independencia, 6 - Madrid
- 49% in Compañía Gestora de Servicio Mensatel, S.A. - Added value services. Manuel Tovar, 35, 28034 Madrid
- 9,6% in Videotex Information, S.A. - Marketing services. Manuel Tovar, 35, 28034 Madrid

Urbana Ibérica, S.A. Pº Castellana, 10-13 - 28046 MADRID

Promotional activities for residential property.

The subsidiary companies have been audited by the following firms:

Subsidiary Companies	Auditors	Subsidiary Companies	Auditors
Antares	Price Waterhouse	Sintelar	Arthur Andersen
Cabitel	Arthur Andersen	T.H.M.	Arthur Andersen
Casiopea	Peat Marwick	T.S.-I	Arthur Andersen
Cetesa	Arthur Andersen	Taetel	Price Waterhouse
Cleón	Peat Marwick	Telefónica Gestión de Sistemas	Arthur Andersen
Comet	Peat Marwick	Telefónica North America	Peat Marwick
Estratel	Peat Marwick	Telefónica Chile, B.V. (Holanda)	Arthur Andersen
Fonditel	Audiberia	Telefónica Chile, S.A. (Chile)	Arthur Andersen
Gestired	Arthur Andersen	Telefónica Internacional	Arthur Andersen
Inversiones Hispano-Chilenas		Telefónica Venezuela, B.V. (Holanda)	Arthur Andersen
Holding, B.V. (Holanda)	Arthur Andersen	Telefónica Romania (Rumania)	Arthur Andersen
Inversiones Hispano-Chilenas, S.A. (Chile)	Arthur Andersen	Telefónica Larga Distancia (P. Rico)	Arthur Andersen
Maptel	Peat Marwick	Telefónica Internacional Holding, B.V. (Holanda)	Arthur Andersen
Mensatel	Arthur Andersen	Telefónica Servicios Avanzados de Información	Arthur Andersen
Playa de Madrid	Peat Marwick	Telefónica Sistemas de Ingeniería de Productos	Arthur Andersen
Pléyade	Price Waterhouse	Telefónica Sistemas	Arthur Andersen
Promotora de mercados	Arthur Andersen	Telefónica Internacional, S.A. (Luxemb.)	Arthur Andersen
Publiguías Chile, S.A. (Chile)	Arthur Andersen	Telefónica Sistemas de Satélites	Arthur Andersen
S.T.Hilo	Peat Marwick	Telfisa	Peat Marwick
Sietel	Chau, Tapia y Ortega,	Telyco	Arthur Andersen
	corresponsales de	Temasa	Peat Marwick
	Moore Stephens	Tidsa	Arthur Andersen
Sintel	Arthur Andersen	Urbana Ibérica	Peat Marwick

1.3 Associated and participated companies

Amper, S.A. C/ María de Molina, 37bis - 28006 MADRID

Development, manufacture, repair and marketing of telephonic and telematic terminals and components.

Eritel, S.A. Paseo de la Castellana, 141 - 28046 MADRID

Data processing software applications.

Hispasat, S.A. Gobelas, 41 - 45 - 28023 MADRID

Operation of a telecommunications satellite.

Industria Electrónica de Comunicaciones, S.A. (INDELEC), Parque Tecnológico, 108 Zamudio (VIZCAYA)

Manufacture and marketing of mobile radio equipment for communications purposes.

Pabellón de Operadores Europeos de Telecomunicaciones, S.A. - (P.O.E.T.) C/ Beatriz de Bobadilla, 3 - 28040 Madrid

Design, installation, operation and management of the pavilion for European telecommunication operators in the Sevilla Expo 92 World Fair.

Sistemas Técnicos de Loterías del Estado, S.A. Manuel Tovar, 9 - 28034 MADRID

Acquisition, assembly, installation, maintenance and operation of integrated lottery control systems by means of games terminals, including any apparatus necessary for issuing tickets and retransmission.

Sofres AM, S.A., Pza. Carlos Trias Bertrán, 7 - 28020 Madrid

Market research

Telefónica Fiat Factoring, S.A. Pº de la Habana, 74 - 28036 MADRID

Factoring company.

Torre Collserola, S.A. Ctra Vallvidrera-Tibidabo, s/n - 08017 BARCELONA

Construction of a telecommunications tower.

Alcatel Standard Eléctrica, S.A. C/ Ramírez de Prado, 5 - 28045 MADRID

Manufacture of telephonic and telegraphic exchange and transmission systems, exchange equipment and communication cables.

A.T.T. Network Systems International BV Larenseweg P.O. Box 1168 - 1200 Hilversum (THE NETHERLANDS)

Marketing, development and manufacture of all network products, principally for public telecommunications

Catalana Initiatives, S.A. - Pº de Gracia, 2 - 08007 Barcelona

Promotion of non financial corporation.

Darsa Gaditana, S.A. Avda. Marconi 34 - 11011 Cádiz

Building of residence homes and premises

Promoció de Ciutat Vella, Rambles, 77 - 08002 Barcelona

Urban rehabilitation of the Ciutat Vella integrated rehabilitation area

Reto 2000, S.A. - Pza. San Vicente, 3 45001 Toledo

The making of a project for the suppression of the aerial telecommunication network in the historic centre of Toledo.

NOTE 2 - BASES OF PRESENTATION OF THE ANNUAL ACCOUNTS

a) The attached annual accounts have been presented in accordance with the accounting principles stipulated by current legislation, approved by Royal Decree 1643/1990 of September 20, 1990 and by Law 19/1989 of July 25, 1989 of partial reform and adaptation of Commercial Law to European Community Standards referring to Corporations and the specific regulation which applies, in order to present fairly, the shareholders financial position and the results of the operations and they have been prepared on the basis of the accounting records of Telefónica, and its group companies, at December 31, 1993 and 1992.

The Directors who have formulated the annual accounts estimate that the accounts of the year ended will be approved by the General Meeting of Shareholders without material changes. The comparative accounts at December 31, 1992 had been approved by the General Meeting of Shareholders on April 16, 1993.

Accounts payable are classified at the time they are contracted according to their maturity dates. Long term accounts payable are reclassified as short term when their due date is less than 12 months away. These accounts are recorded at their reimbursement value except for debentures and zero coupon bonds which are shown in the balance sheet at their issue value plus accrued interest.

b) Data comparison

Due to the fact that installation equipments are presented as fixed assets, the variation in provision for obsolescence of inventories which covers their devaluation, appears as extraordinary expenses in the paragraph "Variation in provisions for fixed assets". There has been an adaption of the amount of 1992, in which year this amount was shown in the paragraph "Variation in provisions for current assets".

c) All figures contained in the documents comprising the financial statements, balance sheet, profit and loss account and notes thereto, are expressed in millions of pesetas.

NOTE 3 - DISTRIBUTION OF PROFITS

The Directors propose to the Shareholders General Meeting the distribution of the parent company's profit, aggregating the final dividend and voluntary reserve amounts, according to the following:

BASIS OF DISTRIBUTION	
Profit for year	84 837
Surplus	86
Total available for distribution	84 923

DISTRIBUTION

Interim dividend of 5% for each of the shares numbered 1 to 927,496,319 payable as from February 17, 1994	23 187
Complementary dividend of 7.4% for each of the shares numbered 1 to 939,470,820, pending approval	34 761
Dividend	57 948
Legal reserve	8 484
Final dividend and voluntary reserve	18 400
Surplus	91
Total proposed distribution	84 923

INTERIM DIVIDEND

The Board of Directors, on December 22, 1993, and in accordance with the financial information made available to them, agreed, as article 216 of the Corporations outstanding, the distribution of a 1993 interim gross dividend of 25 Ptas for each of the outstanding shares, numbered 1 to 927,496,319, from which the applicable tax will be withheld.

Budget status - Annual liquidity Budget

Anticipated cash receipts for the period 1/1/94 to 31/12/94	1 674 273
Anticipated payments for the period 1/1/94 to 31/12/94	1 606 629

Accounting to justify an interim dividend distribution (forecast at January 27, 1993).

Profit January 1, 1993 to November 30, 1993	79 999
Surplus 1992	86
Previous years losses	-
Compulsory reserves provision	(8 000)
Distributable profit	72 085
Proposed interim dividend	23 187

Financial position (Forecast at January 27, 1993)

Funds available for distribution	
Cash and banks	5 521
Short term investments	29 845
Available credits	106 621
Proposed interim dividend	(23 187)
Difference	118 800

NOTE 4 - SIGNIFICANT ACCOUNTING PRINCIPLES**4.1 Accounting principles**

The most significant accounting principles applied in the preparation of the financial statements are as follows:

a) Cost of new equity capital

Costs of issuing shares for the conversion of bonds, and expenses incurred to increase share capital are stated at cost and are amortized on a straight line basis over a period of five years from the date of each capital conversion, or increase.

b) Intangible assets and amortization

Intangible assets include costs incurred in developing new product lines that can be marketed or used in the Company's own telephone network. Costs of completed projects having a possibility of commercial or industrial use are amortized over a period of five years while costs of unsuccessful projects are deducted immediately.

This heading also includes the value of rights acquired for the use of outside equipment and installations and the cost of licences for the use of software for an indefinite period, which are amortized on a straight line basis over a period of 25 and 3 years, respectively.

c) Fixed assets and depreciation

Additions to fixed assets are valued at acquisition cost plus installation cost, which includes direct labor and materials together with allocable share of indirect costs.

The annual depreciation charge is calculated by the straight line method based on the estimated useful lives of the assets. The estimated useful lives are as follows:

TYPES OF FIXED ASSETS	YEARS OF USEFUL LIFE	
	PARENT COMPANY	CONSOLIDATED
Buildings	40	40
Technical installations and machinery	13 - 18	13 - 18
Exchange equipment	10 - 20	10 - 20
Transmission equipment	5 - 15	5 - 15
Local and domestic long distance networks	8 - 25	8 - 25
User equipment and other installations	4 - 8	4 - 8
Other installations, equipment and furniture	5 - 10	5 - 10

Maintenance and repair costs not representing extensions or improvements are expensed when incurred.

In 1993 new technical studies of the useful lives have been made to adequate the amortization to the estimated depreciation of the fixed assets. These new studies are in line with the sector's fiscal percentages and have resulted in an increase of the depreciation charge for 1993 of 8,645 million pesetas. In these cases in which the useful life is under fiscal percentages, a special amortization plan has been obtained from the Inland Revenue.

d) Long term investments - net shareholdings in companies

Long term investments are stated at cost, including related acquisition expenses and, where applicable, the cost of the subscription rights. Capital losses compared with book value are charged against results; these losses are calculated on the basis of the respective underlying net equity values of the investments as shown by the financial statements of each company. Dividends are accounted for as income when received, and capital gains on the sale of shares are accounted for as income in the year in which they are realized.

e) Deferred expenses

Deferred expenses comprise:

- a) Costs of formalizing debts: valued at their realizable value and are amortized on the same basis as their respective principal amounts.
- b) Interest on notes payable: reflects the difference between the issue price and repayment value of notes with maturity exceeding one year. The interest is charged to results by the accrual method.
- c) Differences on foreign exchange: (see Note 4.i).
- d) Annex 91 suppliers: expenses of supply contracts, with deferred payment terms of three years, entered into with the principal Telefónica suppliers. These expenses are amortized over the same period.
- e) Complements for retired personnel (deficit): reflects the difference between the present value of complementary annuities to Telefónica's retired personnel calculated on an 8% annual interest, and the provision applied for this purpose. They are amortized by the straight line method over a period of 15 years (Note 19).
- f) Deferred expenses for the amortization of the deficit of current employees at 1992: according to the rebalancing plan at December 31, 1992, the difference between the contribution amount for the pension plan and the amount debited in the profit and loss account to amortize the deficit for current employees of 1992 in 28 years was included in this paragraph. With the actual rebalancing plan, this provision is considered unnecessary, having cancelled the total amount of this provision of December 1992 (See note 20).

f) Inventories:

Inventories and stocks are valued at their weighted average cost. Provisions for obsolescence are stated according to the age and rotation of inventories, in order to record its real depreciation.

g) Capital grants

Capital grants are stated at their nominal amounts and are charged to income on a straight-line basis over a maximum period of 10 years, which does not differ significantly from the useful lives of the assets linked to these grants. Sources for the grants are:

- Official Agencies, Autonomous Communities, Local and Regional Administrations, for the extension of the telephone services to rural areas.
- The European Economic Community, for the promotion and development of telecommunication activities among companies in the sector.
- In all cases, Telefónica Group companies fulfill all the requirements to receive the grants.

h) Retirement pensions and collective endowment insurance

The retirement pensions of Telefónica's personnel are cared for by the Social Security.

In accordance with the statutory collective agreement, retired personnel at June 30, 1992, receive a non revaluable pension complement chargeable to Telefónica as detailed in note 20.

Until June 30, 1993 current personnel had the chance to enlist the Pension Plan unfolded through the offer of June the 30, 1992, ratified by the employees on September 17, 1992, contained in the statutory collective agreement with the workers representatives. The description of the commitments assumed and the accounting principles applied are explained in note 20.

According to the terms of the agreement, personnel who have not joined the Pension Plan at June 30, 1993 can remain on the Collective Endowment Insurance. For this consideration, charges are made based on a percentage of the regulatory salary indexes, calculated in accordance actuarial studies (Note 21).

i) Corporate income tax

Corporate income tax is charged against the corresponding year. The timing differences between the amount to be paid and the total charged on the profit and loss account are considered prepaid or deferred taxes according to their nature.

j) Valuation of foreign currency accounts

In accordance with the Third Transitory Disposition of Royal Decree 1643/90 of December 20, unrealized foreign exchange losses as of December 31, 1989, have been amortized over a period of three years (1990 to 1992) limited to the maturity date of each transaction.

As a result of the coming into effect of the Order of the Ministry of Economy and Resources dated March 12th 1993 concerning the accounting treatment of currency exchange differences for regulated companies (BOE number 64; March 16th 1993) there has been a change in the treatment of exchange differences losses have been lineally distributed, for each loan, according to the period of maturity. The fiscal year's profit and loss account reflects exclusively for each transaction the unrealized losses, accumulated lineally from their origin to year end. The remainder of the negative differences corresponding to future years, will be included as "deferred expenses" and lineally distributed to maturity.

Positive differences are deferred, until their realization, under the heading "Deferred income".

The tax treatment for exchange differences is the same as last year's, and are included as taxable income when materialized.

k) Income and expenses

Income and expenses are accounted for on an accrual basis, at the time the corresponding goods and services are purchased or rendered regardless of the time when they are paid for.

However, according to the prudence concept, only profits realized at year end have been accounted for, while foreseeable risks and losses, even if remote, are recorded when they become known.

4.2 Principles of consolidation

a) The Telefónica Group consolidates, by the full consolidation method, the financial statements of its subsidiary companies, companies in which it owns or controls a majority of the votes and in which it has the capacity to nominate the majority of the board members. The multi-group companies, in which Telefónica owns 50% of its share capital and voting rights, are consolidated by the proportional integration method.

The consolidated subsidiary companies, together with their trade names, registered addresses, percentage ownership and operations, are listed in Notes 1.2 and 7.

b) Transactions between companies in the Group and intercompany balances at year end are eliminated on consolidation, as well as sales and profit included in invoices to Telefónica for telephone installations from subsidiary and associated companies, recognizing those results as the installations are being amortized.

c) As regards the annual accounts of associated companies (that is, those companies outside the Telefónica Group on which Telefónica has a financial investment and an ability to influence its management to a large extent) investments and results for each company are accounted for by the equity method, making adjustments on the basis of the underlying equity as calculated from the balance sheets and profit and loss accounts at each year end.

Associated companies, together with their trade names, registered addresses, percentage ownership and operations, are listed in Notes 1.3 and 7.

d) Stock ownership in other companies (minority-interest companies) is treated as investment and accounted for at cost.

Ownership in minority-interest companies is set forth in Notes 1.3 and 7.

e) The amount paid for the acquisition of companies in excess of their book value at the purchase date is accounted for as consolidation goodwill, which is amortized over a period of five or ten years depending on the period of recovery of each of the investments.

f) For companies located in countries with high rates of inflation, local currency financial statements are translated to US dollars by applying the year-end rate of exchange to the financial statements adjusted for inflation at December 31, 1993.

g) The financial statements of other companies located abroad have been translated to pesetas by translating the assets and liabilities at the year-end rates of exchange, capital and reserves at historical rates and income and expenses at the average rates for the year. The difference between applying the foregoing bases of translation and applying the year-end exchange rate is presented under the heading, "Differences on foreign currency translation for consolidation".

h) The consolidated annual accounts do not include the fiscal effect of the incorporation of the foreign subsidiaries reserves to the parent company consolidated financial statements, due to the fact that reserves have not been transferred and will not be distributed at the end of the period, and will be used as a financing source of the foreign subsidiaries to reduce their endowment.

i) The financial statements of individual companies have been prepared homogeneously following the accounting principles listed in Note 4.1.

NOTE 5 - INTANGIBLE ASSETS

The movement during the year is as follows:

	PARENT COMPANY				CONSOLIDATED				
	Research and development expenses	Licences for indef. use of software	Other intangible assets	Total	Research and development expenses	Leasing	Licences for indef. use of software	Other intangible assets	Total
Balance at December 31, 1991	25 498	9 530	1 246	36 274	26 075	5 080	10 241	3 117	44 513
Additions	11 002	7 408	1 161	19 571	10 433	321	7 718	1 302	19 774
Additions of TLD	-	-	-	-	-	-	-	3 522	3 522
Reductions	-	-	-	-	-	276	-	66	342
Disposal of Ecotel	-	-	-	-	93	245	-	156	494
Transfers	-	-	-	-	-	(121)	-	-	(121)
Balance at December 31, 1992	36 500	16 938	2 407	55 845	36 415	4 759	17 959	7 719	66 852
Additions	13 954	10 645	680	25 279	12 398	41	11 920	1 167	24 896
Reductions	-	-	-	-	1	8	72	35	116
Transfers	-	-	-	-	-	(1 140)	-	-	(1 140)
Disposal of Audiotex	-	-	-	-	-	147	-	1	148
Exchange rate variation and others	-	-	-	-	-	-	-	836	836
Balances at December 31, 1993	50 454	27 583	3 087	81 124	48 812	3 505	29 177	9 686	91 180

The movement on amortization is as follows:

	PARENT COMPANY				CONSOLIDATED				
	Research and development expenses	Licences for indef. use of software	Other intangible assets	Total	Research and development expenses	Leasing	Licences for indef. use of software	Other intangible assets	Total
Balance at December 31, 1991	2 571	4 583	872	8 026	3 012	556	4 874	1 339	9 781
Additions	2 102	3 999	109	6 210	2 127	324	4 176	193	6 820
Reductions	-	-	-	-	-	56	-	96	152
Disposal of Ecotel	-	-	-	-	-	43	-	54	97
Transfers	-	-	-	-	-	(278)	-	-	(278)
Balance at December 31, 1992	4 673	8 582	981	14 236	5 139	503	9 050	1 382	16 074
Additions	5 116	6 129	123	11 368	4 867	221	6 376	796	12 260
Reductions	-	-	-	-	-	5	9	-	14
Transfers	-	-	-	-	(15)	(416)	15	-	(416)
Disposal of Audiotex	-	-	-	-	-	-	-	12	12
Exchange rate variation and others	-	-	-	-	(214)	-	-	295	81
Balances at December 31, 1993	9 789	14 711	1 104	25 604	9 777	303	15 432	2 461	27 973
Net intangible assets	40 665	12 872	1 983	55 520	39 035	3 202	13 745	7 225	63 207

NOTE 6 - TANGIBLE ASSETS

6.1 The details of fixed assets and accumulated depreciation are as follows:

	PARENT COMPANY						
	Balance at 12.31.91	Additions	Reductions	Balance at 12.31.92	Additions	Reductions	Balance at 12.31.93
Land and buildings	349 255	54 078	136	403 197	35 289	297	438 189
Technical installations and machinery	102 156	11 424	2 102	111 478	8 895	3 578	116 795
Exchange equipment	1 349 879	134 740	35 996	1 448 623	86 828	50 971	1 484 480
Transmission equipment	638 032	97 133	7 008	728 157	82 424	14 742	795 839
Local and domestic long distance networks	1 727 291	197 088	64 643	1 859 736	186 907	71 341	1 975 302
Subscriber equipment and other installations	253 922	35 667	17 556	272 033	42 502	31 666	282 869
Furniture, office and other equipment	88 554	15 359	59	103 854	9 667	462	113 059
Total fixed assets in service	4 509 089	545 489	127 500	4 927 078	452 512	173 057	5 206 533
Net movement on:							
Construction in progress	449 774	(122 441)	2 272	325 061	(74 661)	393	250 007
Advances to suppliers of fixed assets	13 154	17 650	-	30 804	(14 215)	-	16 589
Stock Installation equipment	44 891	(20 878)	-	24 013	(7 408)	-	16 605
Total fixed assets	5 016 908	419 820	129 772	5 306 956	356 228	173 450	5 489 734

The movement on accumulated depreciation is as follows:

	PARENT COMPANY						
	Balance at 12.31.91	Additions	Reductions	Balance at 12.31.92	Additions	Reductions	Balance at 12.31.93
Buildings	74 504	8 204	76	82 632	9 393	21	92 004
Technical installations and machinery	44 174	7 489	1 474	50 189	7 607	2 738	55 058
Exchange equipment	592 633	102 311	16 764	678 180	125 999	40 464	763 715
Transmission equipment	262 163	46 459	4 857	303 765	54 964	8 841	349 888
Local and domestic long distance network	672 792	117 645	51 828	738 609	116 759	60 157	795 211
Subscriber sets and other related installation	166 667	39 437	16 870	189 234	30 861	30 129	189 966
Furniture, office and other equipment	34 405	13 288	35	47 658	15 091	362	62 387
Total accumulated depreciation	1 847 338	334 833	91 904	2 090 267	360 674	142 712	2 308 229
Total net fixed assets	3 169 570	84 987	37 868	3 216 689	(4 446)	30 738	3 181 505

CONSOLIDATED

	Balance at 12.31.91	Additions	Reductions	Balance at 12.31.92	Additions	Reductions	Balance at 12.31.93
Land and buildings	353 754	53 896	820	406 830	35 947	1 334	441 443
Technical installations and machinery	110 614	14 909	3 130	122 393	11 339	3 932	129 800
Exchange equipment	1 337 786	134 770	35 996	1 436 560	85 823	50 979	1 471 404
Transmission equipment	632 184	96 912	7 008	722 088	82 127	14 750	789 465
Local and domestic long distance networks	1 711 457	197 433	64 643	1 844 247	185 410	71 326	1 958 331
Subscriber equipment and other installations	251 647	38 717	17 556	272 808	42 612	31 750	283 670
Furniture, office and other equipment	98 400	16 937	931	114 406	15 124	1 544	127 986
Total fixed assets in service	4 495 842	553 574	130 084	4 919 332	458 382	175 615	5 202 099
Net movement on:							
Construction in progress	446 829	(114 361)	2 494	329 974	(80 219)	399	249 356
Advances to suppliers of fixed assets	13 275	17 198	121	30 352	(15 375)	-	14 997
Stock Installations equipment	46 498	(22 485)	-	24 013	(7 408)	-	16 605
Total fixed assets	5 002 444	433 926	132 699	5 303 671	355 380	176 014	5 483 037

The movement on accumulated depreciation is as follows:

CONSOLIDATED

	Balance at 12.31.91	Additions	Reductions	Balance at 12.31.92	Additions	Reductions	Balance at 12.31.93
Buildings	75 131	8 348	83	83 396	9 614	110	92 900
Technical installations and machinery	46 109	8 178	1 780	52 507	8 645	2 885	58 267
Exchange equipment	590 724	101 243	15 557	676 410	125 002	40 464	760 948
Transmission equipment	261 142	45 981	4 098	303 025	54 564	8 841	348 748
Local and domestic long domestic distance network	670 026	116 865	52 247	734 644	115 830	60 157	790 317
Subscriber sets and other related installation	165 596	39 140	17 384	187 352	30 945	30 236	188 061
Furniture, office and other equipment	40 201	15 682	777	55 106	17 480	894	71 686
Total accumulated depreciation	1 848 929	335 437	91 926	2 092 440	362 080	143 587	2 310 927
Total net fixed assets	3 153 515	98 489	40 773	3 211 231	(6 700)	32 421	3 172 110

6.2 Fully depreciated fixed assets at December 31 are as follows:

	PARENT COMPANY		CONSOLIDATED	
	1993	1992	1993	1992
Land and buildings	-	-	-	-
Technical installations and machinery	15 771	5 304	16 698	5 304
Exchange equipment	105 558	74 200	105 558	74 200
Transmission equipment	145 098	121 161	145 098	121 161
Local and domestic long distance networks	94 600	48 234	94 600	48 234
Subscriber and other installations	97 163	86 071	97 163	86 071
Furniture, office and other equipment	15 578	9 676	19 104	11 939
Totals	473 768	344 646	478 221	346 909

6.3 The investment budget for 1994 amounts to 484,651 million pesetas (476,416 in Telefónica) of which 437,015 million pesetas (430,594 in Telefónica) will be invested in tangible assets 37,636 million pesetas (35,822 in Telefónica) in intangible assets and the remainder largely in investments in companies. The continued and long-term nature of Telefonica's investments indicates that a part of this budget is related to the completion of projects initiated in previous years.

6.4 Telefonica's fixed assets used to provide telephone services may not be mortgaged, except when an authorization of the Government Delegate exists.

6.5 At December 31, 1993 there were assets totalling 6,985 million pesetas regulated by Decree Law 19/1961 and Law 61/1978 which regulate the tax benefits obtained from the reduction of the withholding tax rates on the interest on the loans and borrowings.

6.6 Telefónica Group companies are insured against possible risks on fixed assets used in operations, with the exception of the deductibles applicable to local and domestic long distance networks and subscriber equipment, for which self-insurance reserves have been made.

6.7 The revaluations of balances made by the parent company up to 1987 (year of last revaluation) have had the following movement for the years shown:

	FROM 1946 TO 1985		1986		1987		TOTAL		
	Fixed assets	Accum. deprec.	Fixed assets	Accum. deprec.	Fixed assets	Accum. deprec.	Fixed assets	Accum. deprec.	Revaluation reserve
Land	23 140	-	-	-	6 901	-	30 041	-	30 041
Buildings	58 061	14 545	-	-	35 221	10 489	93 282	25 034	68 248
Power equipment	24 367	11 373	2 697	1 222	4 461	2 378	31 525	14 973	16 552
Exchange equipment	408 892	180 280	38 078	15 098	57 672	20 312	504 642	215 690	288 952
Transmission equipment	131 107	84 187	11 759	6 922	8 170	3 909	151 036	95 018	56 018
Local and domestic long distance networks	535 420	287 030	56 905	20 718	56 620	24 003	648 945	331 751	317 194
Subscriber equipment and other installations	31 757	40 936	-	-	(35 910)	(13 287)	(4 153)	27 649	(31 802)
Total	1 212 744	618 351	109 439	43 960	133 135	47 804	1 455 318	710 115	745 203

The effect of these revaluations on the annual depreciation charge was Ptas 44,959 million (Ptas 45,671 million in 1992).

6.8 The useful lives of the various elements of Telefonica's fixed assets are calculated based on technical studies by the Company, which are revised regularly on the basis of technological development and renewal programs. These useful lives are shown in Note 4.c).

6.9 Inventories are shown net of reserve for obsolescence. The total reserve in Telefónica amounts to 6,669 million pesetas (7,844 million pesetas in 1992). The charge to the reserve in 1993 based on estimates made, was 1,906 million pesetas (9,357 million pesetas in 1992).

NOTE 7. INVESTMENTS

7.1 The composition and movements with respect to investments, together with the reserve for depreciation, were as follows:

PARENT COMPANY

a) Movement on investments:

	Balance at 12.31.91	Additions	Reductions	Transfers	Balance at 12.31.92	Additions	Reductions	Transfers	Balance at 12.31.93
Investments in Group companies	81 382	1 034	183	(314)	81 919	2 476	340	-	84 055
Investments in associated companies	14 405	2 163	-	(4 892)	11 676	383	481	-	11 578
Other investments	11 211	2 811	2 900	5 206	16 328	7 828	6 719	-	17 437
Loans to Group Companies	-	2 014	-	-	2 014	20	974	-	1 060
Loans to employees	1 642	179	621	-	1 200	112	517	-	795
Guarantees and deposits	774	261	124	-	911	464	298	-	1 077
Total	109 414	8 462	3 828	-	114 048	11 283	9 329	-	116 002

b) Movement on reserve for depreciation

	Balance at 12.31.91	Additions	Reductions	Transfers	Balance at 12.31.92	Additions	Reductions	Transfers	Balance at 12.31.93
Investments in Group companies	4 490	33	685	(27)	3 811	378	783	-	3 406
Investments in associated companies	266	2 169	102	27	2 360	2 990	191	-	5 159
Other investments	636	533	-	-	1 169	78	11	-	1 236
Total	5 392	2 735	787	-	7 340	3 446	985	-	9 801

c) Movement on payments pending on shares

	Balance at 12.31.91	Additions	Reductions	Transfers	Balance at 12.31.92	Additions	Reductions	Transfers	Balance at 12.31.93
Investments in Group companies	27 252	114	16 015	-	11 351	-	10 751	-	600
Investments in associated companies	1 490	300	1 490	-	300	-	300	-	-
Total	28 742	414	17 505	-	11 651	-	11 051	-	600
Total Investments	75 280	5 313	(14 464)	-	95 057	7 837	(2 707)	-	105 601

CONSOLIDATED

a) Movement on investments:

	Balance at 12.31.91	Additions	Reductions	Transfers	Balance at 12.31.92	Additions	Reductions	Transfers	Balance at 12.31.93
Investments in associated companies	61 516	752	54	20 138	82 352	72 242	12 133	9 218	151 679
Other investments	51 791	6 999	3 435	3 402	58 757	11 408	6 885	(34 950)	28 330
Other loans	2 315	1 388	1 047	904	3 560	19 449	940	(12)	22 057
Guarantees and deposits	4 456	327	153	(276)	4 354	527	3 475	(1)	1 405
Total	120 078	9 466	4 689	24 168	149 023	103 626	23 433	(25 745)	203 471

b) Movement on reserve for depreciation

	Balance at 12.31.91	Additions	Reductions	Transfers	Balance at 12.31.92	Additions	Reductions	Transfers	Balance at 12.31.93
Other investments	1 597	574	71	159	2 259	222	239	(83)	2 159
Total	1 597	574	71	159	2 259	222	239	(83)	2 159

c) Movement on payments pending on shares

	Balance at 12.31.91	Additions	Reductions	Balance at 12.31.92	Additions	Reductions	Balance at 12.31.93
Investments in associated companies	1 490	300	1 490	300	-	300	-
Other investments	33	-	7	26	60	-	86
Total	1 523	300	1 497	326	60	300	86

7.2 Details of subsidiary and associated companies and other shareholdings

		SHARE CAPITAL		PERCENTAGE OF DIRECT PARTICIPATION		NET BOOK VALUE IN TELEFONICA	
		1993	1992	1993	1992	1993	1992
(In million of pesetas)							
Subsidiary companies							
Cabinas Telefónicas, S.A. (CABITEL) Plaza de Carlos I rías Bertrán, 7 (MADRID) - 28020	(**) (*)	200	200	100	100	201	200
Casiopea Reaseguradora, S.A. Inmueble "Centre Europe", 5 Pza. de la Gare L-1616 (LUXEMBURGO)		574	498	100	100	498	498
Compañía Española de Tecnología, S.A. (COMET) Paseo de la Castellana, 83-85 (MADRID) - 28046	(**) (*)	469	469	100	100	365	435
Compañía Gestora del Servicio Mensatel, S.A. Manuel Tovar, 35 (MADRID) - 28034	(*)	600	10	51	51	306	4
Compañía Publicitana de Exclusivas Telefónicas,S.A.(CETESA) Avenida de Manoteras, 12 (MADRID) - 28050	(**) (*)	434	434	100	97.33	776	696
Estrategias Telefónicas, S.A. (ESTRATTEL) Príncipe de Vergara, 110 (MADRID) - 28002	(**) (*)	230	150	100	100	220	140
Fonditel Entidad Gestora de Fondos de Pensiones, S.A. Pedro Texeira, 8 (MADRID) - 28020		700	100	90	75	613	75
Maptel, S.A. Orense, 11 (MADRID) - 28020		150	150	76	76	163	220
Playa de Madrid, S.A. Paseo de la Castellana, 83-85 (MADRID) - 28046	(**) (*)	40	40	100	100	54	54
Pléyade Peninsular Correduría de Seguros, S.A General Perón, 38 (MADRID) - 28020	(**) (*)	10	10	100	100	10	10
Seguros de Vida y Pensiones Antares, S.A General Perón, 38 (MADRID) - 28020	(**)	1 500	1 320	88	100	720	720
Servicios de Teledistribución, S.A. (S.T. HILO) Covarrubias, 1 (MADRID) - 28010	(**) (*)	210	210	100	99.17	297	293
Sistemas e Instalaciones de Telecomunicación, S.A (SINTEL) Rafael Calvo, 18 (MADRID) - 28010	(**) (*)	1 100	1 100	100	100	2 935	2 935
Taetel, S.L. Beatriz de Bobadilla, 3 (MADRID) - 28040		4 700	4 700	100	100	4 700	4 700
Telecartera, S.A. Beatriz de Bobadilla, 3 (MADRID) - 28040		60	0	80	0	20	0
Telecomunicaciones Marinas, S.A. (TEMASA) Silva, 1 (MADRID) - 28013	(**) (*)	1 376	1 376	100	100	1 326	1 326
Telefonía y Finanzas, S.A. (TEI FISA) Paseo de la Castellana, 151 (MADRID) - 28046	(**) (*)	500	500	100	100	614	472
Telefónica Internacional de España, S.A. Jorge Manrique, 12 (MADRID) - 28006		79 900	79 900	76.22	76.22	60 904	50 227
Telefónica Investigación y Desarrollo, S.A. (TIDSA) Emilio Vargas, 6 (MADRID) - 28043	(**) (*)	1 000	1 000	100	100	1 000	1 000
Telefónica North America, Inc. C.Trust Center 1209 Orange St. Wilm. Delaware (U.S.A.)		1	1	100	100	1	1
Telefónica Sistemas, S.A. Sor Angela de la Cruz, 3 (MADRID) - 28020	(**) (*)	1 403	534	100	100	2 366	1 352
Teleinformática y Comunicaciones, S.A. (TELYCO) Raimundo Fdez. Villaverde, 28 (MADRID) - 28003	(**) (*)	575	50	100	100	368	50
THM, Control Electrónico Integrado, S.A. General Arrando, 40-B (MADRID) - 28010	(**) (*)	0	420	0	99	0	253
T.S.-I, Telefónica Servicios Móviles, S.A. Plaza de la Independencia, 6 (MADRID) - 28001	(**) (*)	940	940	100	100	1 578	1 082
Urbana Ibérica, S.A. Paseo de la Castellana, 151 (MADRID) - 28046		264	264	100	100	14	14
Total subsidiary companies						80 049	66 757

(*) Companies included in the consolidated corporate income tax return for the year 1993

(**) Companies included in the consolidated corporate income tax return for the year 1992

NET EQUITY ASSIGNED IN BALANCE SHEET		PROFIT (LOSS) ASSIGNED IN P/L ACCOUNT		OPERATIONS
1993	1992	1993	1992	
1 506	1 540	466	604	Marketing, installation, management and operation of public telephones. Operating the foregoing for advertising purposes.
574	7 038	0	0	Reinsurance.
365	435	(69)	(34)	Activities relating to added value services projects.
328	4	24	(2)	Publishing guides, and advertising on all types of support equipment.
4 652	4 193	2 345	2 559	Market research to measure audience and opinion.
342	315	(52)	43	Promotion, marketing and market research relating to direct marketing.
607	76	(24)	1	Pensions Funds Administration..
(3)	77	(80)	(47)	Data processing consulting and digital cartography.
161	189	(28)	3	Distribution of all types of articles operation of sporting and hostelry.
159	104	107	81	Distribution, promotion and production of insurance contracts, operating as a broker.
1 218	1 093	170	101	Life insurance and pensions.
656	565	85	108	Supplying music line services and installation and maintenance of equipment.
5 181	7 426	(2 272)	344	Installation of cable laying equipment in the telecommunications field.
5 656	7 653	703	1 950	Acquisition, holding and disposition of shares in other companies.
20	0	(28)	0	Holding of shares.
3 245	2 769	475	359	Surveying, laying and repairing underwater cables.
614	472	142	38	Treasury and financial advisory support services to Group companies.
119 521	79 061	16 469	7 175	Investment in foreign telecommunications.
2 329	1 925	404	362	Research and development.
1	1	0	0	Financial intermediary.
3 091	1 351	839	289	Systems engineering.
352	267	(440)	(896)	Promotion, marketing and distribution of telephonic and telematic equipment and services.
0	894	0	244	Protection and control systems engineering.
1 543	1 082	461	614	Operation of added value services. Managing and commercializing mobile.
207	199	8	10	Promotional activities for residential property.
152 325	118 729			

	SHARE CAPITAL		PERCENTAGE OF DIRECT PARTICIPATION		NET BOOK VALUE IN TELEFONICA	
(In million of pesetas)	1993	1992	1993	1992	1993	1992
Associated companies						
Amper, S.A. María de Molina, 37 bis (MADRID) - 28006	6 977	6 977	15.35	15.35	113	1 277
Sofres, Audiencia de Medios, S.A. Plaza Carlos Trias Bertrán, 7 (MADRID) - 28020	580	400	40	40	139	149
Efecom, S.A. Ríos Rosas, 44 A (MADRID) - 28003	0	350	0	20	0	21
Eritel, S.A. Paseo de la Castellana, 141 (MADRID) - 28046	993	993	36.56	36.57	0	659
Hispsat, S.A. Gobelás, 41-45 planta 2ª La Florida (MADRID) - 28023	20 000	20 000	25	25	4 052	5 000
Industria Electrónica de Comunicaciones, S.A. (INDELEC) Parque Tecnológico, 108 Zamudio (VIZCAYA) - 48016	1 400	600	30	30	238	110
Pabellón de Operadores Europeos de Telecomunicaciones, S.A. Beatriz de Bobadilla, 3 (MADRID) - 28040	520	520	38.46	38.46	1	7
Sistemas Técnicos de Loterías del Estado, S.A. Manuel Tovar, 9 (MADRID) - 28034	2 000	2 000	31.75	31.75	635	635
Sociedad General de Cablevisión, S.A. General Martínez Campos, 53 (MADRID) - 28010	0	60	0	33.33	0	20
Telefónica. Fiat Factoring, S.A., Entidad de Financiación Paseo de la Castellana, 83-85 (MADRID) - 28046	800	800	50	50	415	293
Torre de Collçerola, S.A. Ctra. Vallvidrera-Tibidabo, s/n (BARCELONA) - 08017	2 000	2 000	42	42	826	845
Total associated companies					6 419	9 016

Shareholdings

Agencia Efe, S.A. Espronceda, 32 (MADRID) - 28003	3 931	3 934	0.36	0.36	4	9
Agrupación de Empresas Ley 18/1982 de 26 de Mayo (ACEFHAT) Torrent de L'Olla, 218/220 (BARCELONA) - 08012	110	110	20	20	22	22
Alcatel Standard Eléctrica, S.A. Ramírez de Prado, 5 (MADRID) - 28045	56 410	56 410	13.24	13.24	5 206	5 206
ATT Network Systems International B.V. Larenseweg, 50 P.O. Box 1168 - 1200 BD Hilversum (HOLANDA)	15 135	11 390	5.84	5.84	2 490	2 554
Catalana D'Iniciatives C.R., S.A. Passeig de Gràcia, 2 (BARCELONA) - 08007	5 000	0	2.35	0	136	0
Club de Inversores para el Desarrollo de la Provincia de Alicante, S.A.	250	0	1	0	3	0
Darsa Gaditana, S.A. Avenida Marconi, 34 (CADIZ) - 11011	10	4	10.24	10.24	1	1
Financial Network Association (F.N.A.)	8	3	8.33	10	2	0
Iniciatives, S.A. Passeig de Gràcia, 2 (BARCELONA) - 08007	0	3 100	0	3.23	0	140
Promoció de Ciutat Vella, S.A. Rambles, 77 (BARCELONA) - 08002	2 800	2 800	3.57	3.57	100	89
Reto 2000, S.A. Plaza de San Vicente, 3 (TOLEDO) - 45001	2	2	21.74	21.74	1	1
Other investments	(***)				8 236	7 137
Total Shareholdings					16 201	15 159

Total Group

102 669 90 932

(***) Includes the holding in the telecommunications satellite

(•) Information at September 1993.

(++) Information at June 1993.

(†) Information at December 1992.

(**) Information corresponding to the year 1991.

NET EQUITY ASSIGNED IN BALANCE SHEET		PROFIT (LOSS) ASSIGNED IN P/L ACCOUNT		OPERATIONS
1993	1992	1993	1992	
127	1 278	(1 066)	(1 686)	Development, manufacture, and repair of telephonic and telematic terminals and components.
73	74	(106)	(64)	Market research to measure audience and opinion
0	21	0	(30)	Providing economic and financial information by telematic means to companies and brokers.
0	832	(832)	(397)	Data processing software applications.
4 052	5 002	(950)	2	Operation of telecommunications satellite.
238	110	(130)	(257)	Manufacture and marketing of mobile radio equipment for communication purposes.
1	7	(6)	(151)	Design, installation, operation and management of the pavilion for European Telecommunications Operators in the Seville Expo 92.
1 230	818	417	266	Development manufacture and installation of lottery control systems by means of games terminals.
0	20	0	0	Development, manufacture and installation of electronic in the telecommunications sector.
396	292	104	(121)	Factoring company.
826	849	(20)	28	Communications tower.
6 943	9 303			
4(+)	0	(6)(+)	0	News agency
22	0	0	0	Development of a project for the management of works on the public ways in Catalonia.
6 359	5 854	409	(1 964)	Design, manufacture and commercialization of electronic and telecommunication equipment.
1 386	1 526	(430)	(822)	Marketing development and marketing of all network products, principally for public telecommunications.
127(•)	0	3(•)	0	Promotion of activities which generate wealth, employment and wellbeing of citizens.
3(+)	0	0	0	Development of the state of Alicante
8(++)	0	0	0	Edification of urban states for sales or lease
0	0	0	0	
0	128	0	5	Promotion of initiatives for generating wealth, occupation and well-being of the community.
100(++)	89(••)		(4)(••)	Urban rehabilitation of the Ciutat Vella integrated rehabilitation area.
0	0	(6)	0	
0	7 170			
8 009	14 767			
167 277	142 799			

(M - Million of monetary units) (m - Thousands of monetary units)	SHARE CAPITAL	M.U.	CURRENCY	BOOK VALUE	PROVISION	SUBSCRIBED SHARES NOT PAID IN	NET EQUITY ASSIGNED IN BALANCE SHEET 1993
Subsidiary companies							
Cabinas Telefónicas, S.A. (CABITEL)	200	M	Peseta	201			1 506
Autocontrol de la Publicidad	-	-	Peseta	0			0
Casiopea Reaseguradora, S.A.	3 600	m	ECUS	498			574
Seguros de Vida y Pensiones Antares, S.A.	1 500	M	Peseta	180		135	113
Compañía Española de Tecnología, S.A. (COMET)	469	M	Peseta	1 102	736		365
Cleon, S.A.	1 350	M	Peseta	675	31		644
Catalana D'iniciatives C.R., S.A.	5 000	M	Peseta	100	21		68
Satel, S.A.	125	M	Peseta	56	30	26	0
Barcelona Tecnología, S.A.	173	M	Peseta	10			10
Compañía Gestora del Servicio Mensatel, S.A.	600	M	Peseta	306			328
Cia. Publicitaria de Exclusivas Telefónicas, S.A. (CETESA)	434	M	Peseta	776			4 652
Promotora de Mercados Telemáticos, S.A.	10	M	Peseta	10			134
Ventunni, S.A.	500	M	Peseta	125			209
Central de Compras de Papel, S.A.	10	M	Peseta	10			9
Euredit, S.A. (FRANCIA)	3	M	F. F.	13			13
Estrategias Telefónicas, S.A. (ESTRATTEL)	230	M	Peseta	220			342
Fonditel Entidad Gestora de Fondos de Pensiones, S.A.	700	M	Peseta	630	17		607
Maptel, S.A.	150	M	Peseta	220	57		(3)
Playa de Madrid, S.A.	40	M	Peseta	54			161
Pleyade Peninsular Correduría de Seguros, S.A.	10	M	Peseta	10			159
Seguros de Vida y Pensiones Antares, S.A.	1 500	M	Peseta	1 320		600	1 218
Fonditel Entidad Gestora de Fondos de Pensiones, S.A.	700	M	Peseta	70	3		67
Inmovilizaciones Financieras	-	-	Peseta	4 234	3		4 373
Servicios de Teledistribución, S.A. (S.T. HILO)	210	M	Peseta	297			656
Saptec, S.A.	60	M	Peseta	13			46
Sistemas e Instalaciones de Telecomunic., S.A. (SINTEL)	1 100	M	Peseta	2 935			5 181
Servicios 2000, A.I.E.	5	M	Peseta	3	3		(34)
Sietel, S.A. (CHILE)	330	m	P. Ch.	0			118
Sintelar, S.A. (ARGENTINA)	10	M	P. Arg.	5			500
Cotronic, S.A.	10	M	Peseta	10			55
Incosa, S.A.	10	M	Peseta	7			58
Inalca, S.A.	10	M	Peseta	12			106
S.A.C., S.A.	490	M	Peseta	191	191		(97)
Telinter (VENEZUELA)	125	m	Bolivar	0			0
U.T.E.S.	-	-	Peseta	9			9
Taetel, S.L.	4 700	M	Peseta	4 700			5 656
Telecartera, S.A.	60	M	Peseta	48	28		20
Sociedad General de Cablevisión, S.A.	60	M	Peseta	54	36		18
Telecomunicaciones Marinas, S.A. (TEMASA)	1 376	M	Peseta	1 326			3 245
Telefonía y Finanzas, S.A. (TELFISA)	500	M	Peseta	2 099	1 485		614
Telefónica Internacional de España, S.A.	79 900	M	Peseta	60 904			119 521
Publiguías, S.A. (CHILE)	1 782	m	P. Ch.	936			973
Sintelar, S.A. (ARGENTINA)	98	M	P. Arg.	279			279
Telefónica Internacional, B.V. (HOLANDA)	1 154	M	Fl. H.	62 009			101 802
Inversiones Hispano-Chilenas, S.A. (CHILE)	29 628	m	\$ USA	3 951			10 314
Inversiones Hispano-Chilenas, B.V. (HOLANDA)	200	m	Fl. H.	3 955			3 954
Telefónica Chile, S.A. (CHILE)	42	M	\$ USA	7 480			25 955
Telefónica Internacional, S.A. (LUXEMBURGO)	12 870	m	\$ USA	685			594
Telefónica Larga Distancia, (PUERTO RICO)	112	M	\$ USA	16 093			11 596
Telefónica USA, Inc. (USA)	5	m	\$ USA	1			(92)
Telefónica Chile, B.V. (HOLANDA)	100	m	Fl. H.	24 647			7 484
Telefónica Venezuela, B.V. (HOLANDA)	40	m	Fl. H.	3			(8 488)
Cía. de Invers. en Telecomunic., S.A. (ARGENT.)	852	M	P. Arg.	37 300			37 300
Compañía de Teléfonos de Chile, S.A. (CHILE)	290 586	M	P. Ch.	74 457			74 457
Empresa Nacional de Telecomunic. de Chile, S.A. (CHILE)	60 497	M	P. Ch.	7 100			7 100
Telefónica de Argentina, S.A. (ARGENTINA)	2 298	M	P. Arg.	7 380			7 380
Contactel (PORTUGAL)	1 200	M	Escudos	172			-
Datos Corporation (USA)	-	-	-	9	9		-
Geoestar (USA)	-	-	-	605	605		-
Infonet Services Corporation (USA)	28 550	m	\$ USA	839			-
Telecomunicaciones Ultramarinas (PUERTO RICO)	15 336	m	\$ USA	3 402			-
Telefónica Rumanía (RUMANIA)	5	M	\$ USA	449			383
Telur, S.A. (RUSIA)	5 600	m	Rublos	53			-
Venworld (VENEZUELA)	1 885	M	\$ USA	17 825			17 825

Subsidiary companies

Telefónica Investigación y Desarrollo, S.A. (TIDSA)	1 000	M	Peseta	1 000			2 329
Telefónica North America, Inc.	10	-	\$ USA	1			1
Telefónica Sistemas, S.A.	1 403	M	Peseta	2 366			3 091
THM, Control Electrónico Integrado, S.A.	420	M	Peseta	943			973
Telefónica Sistemas de Satélites, S.A. (T.S.S.)	10	M	Peseta	10			52
Telefónica Servicios Avanzados de Inform., S.A. (T.S.A.I.)	10	M	Peseta	10			12
Telefónica Gestión de Sistemas, S.A. (T.G.S.)	50	M	Peseta	50			50
Telefónica Sistemas de Ingen. de Productos, S.A. (T.S.I.P.)	150	M	Peseta	150			201
Gestión y Operación de Redes, S.A.	70	M	Peseta	36	14	23	0
Telecom Vallés, S.A.	121	M	Peseta	26	13		13
Tepesa, S.A.	225	M	Peseta	80			106
Tissat, S.A.	100	M	Peseta	40	4		36
Excel Data, S.A.	150	M	Peseta	30	8		22
T.D.S. (U.S.A.)	450	m	\$ USA	218	218		0
I.M.I.	10	M	Peseta	1			1
Teleinformática y Comunicaciones, S.A. (TELYCO)	575	M	Peseta	575	207		352
T.S.-I, Telefónica de Servicios, S.A.	940	M	Peseta	2 453	875		1 543
Radioed, S.A.	10	M	Peseta	10			10
Radioed Valencia, S.A.	10	M	Peseta	10		7,5	3
Radioed Bilbao, S.A.	10	M	Peseta	10		7,5	3
Radioed Zaragoza, S.A.	10	M	Peseta	10		7,5	3
Radioed Uno, S.A.	10	M	Peseta	10		7,5	3
Radioed Barcelona, S.A.	10	M	Peseta	10		7,5	2
Radioed Sevilla-Cádiz, S.A.	10	M	Peseta	10		7,5	2
Radioed Santiago-La Coruña, S.A.	10	M	Peseta	10		7,5	2
Radioed Málaga Costa del Sol, S.A.	10	M	Peseta	10		7,5	2
Compañía Gestora del Servicio Mensatel, S.A.	600	M	Peseta	294			315
Videotex Información, S.A.	375	M	Peseta	36	36		0
Urbana Ibérica, S.A.	264	M	Peseta	14			207
Total Telefónica's direct subsidiaries				84 055	3 405	600	152 325
Other Companies				277 431	1 225	244	307 046

(M - Million of monetary units) (m - Thousands of monetary units)	SHARE CAPITAL	M.U.	CURRENCY	BOOK VALUE	PROVISION	SUBSCRIBED SHARES NOT PAID IN	NET EQUITY ASSIGNED IN BALANCE SHEET 1993
Associated companies							
Amper, S.A.	6 977	M	Peseta	3 050	2 936		127
Sofres A.M., S.A.	580	M	Peseta	386	247		73
Eritel, S.A.	993	M	Peseta	659	659		0
Hispasat, S.A.	20 000	M	Peseta	5 000	948		4 052
Industria Electrónica de Comunicaciones, S.A. (INDELEC)	1 400	M	Peseta	389	152		238
Pabellón de Operadores Europeos de Telecomunic., S.A.	520	M	Peseta	200	199		1
Sistemas Técnicos de Loterías del Estado, S.A.	2 000	M	Peseta	635			1 230
Telefónica Fiat Factoring, S.A. Entidad de Financiación	800	M	Peseta	415			396
Torre de Collserola, S.A.	2 000	M	Peseta	844	18		826
Total Telefónica's direct associates				11 578	5 159	0	6 943

Participated companies

A.T.T. Network Systems International, B.V.	206	M	Fl. H.	3 087	597		1 386
Agencia Efe, S.A.	3 931	M	Peseta	140	136		4(+)
Agrup. de Emp. Ley 18/1982 de 26 de Mayo (ACEFHAT)	110	M	Peseta	22			22
Alcatel Standard Eléctrica, S.A.	56 410	M	Peseta	5 206			6 359
Catalana D'iniciatives C.R. S.A.	5 000	M	Peseta	140	4		127(+)
Club de Invers. para el Desarrollo Prov. de Alicante, S.A.	250	M	Peseta	3			3(+)
Compañía de Fibra Optica Telcor, S.A.	-		Peseta	35	35		
Darsa Gaditana, S.A.	10	M	Peseta	1			8(+)
Eurescom			D.M.	1			
European Silicom Structures, S.A.	-		ECUS	460	460		
Eurosat	406	m	Fr. Suizo	5	5		
Eutelsat	-		-	1 550			
Financial Network Association (F.N.A.)	7 500	m	Fr. Belga	2			
Inmarsat	-		-	814			
Intelsat	-		-	5 871			
Promoció de Ciutat Vella, S.A.	2 800	M	Peseta	100			100(+)
Proyecto Cartuja 93	-		-	-			
Reto 2000, S.A.	2	M	Peseta	-			
Total participated companies				17 437	1 237	0	8 009

Total Telefónica's direct companies

113 070 9 801 600 167 277

(+) Information from June/93.

(*) Information from September/93.

(*) Information from December/92.

7.3 Indirect stock ownership by of Telefónica of its subsidiary and associated companies is as follows:

COMPANY	1993	1992
SUBSIDIARY COMPANIES		
Seguros de Vida y Pensiones Antares, S.A.	12.00	-
Compañía Publicitaria Exclusiva Telefónica, S.A. (CETESA)	-	2.67
Compañía Gestora del Servicio Mensatel, S.A.	49.00	48.90
Fonditel Entidad Gestora de Fondos de Pensiones, S.A.	10.00	25.00
Servicios de Teledistribución, S.A. (S.T. Hilo)	-	0.83

7.4 In 1993, Telefónica has disposed of its holdings in Efecom (now ECOMYF, S.A.) with a loss of 51 million pesetas and in Control Electrónico Integrado, S.A. (T.H.M.) which generated a gain of 616 million pesetas.

7.5 The most significant operations during the year between Telefónica and group companies were the following:

	PARENT COMPANY		CONSOLIDATED	
	1993	1992	1993	1992
Dividend received	5 295	19 512	5 900	19 750
Acquisition of goods and services by the Telefónica Group	93 848	109 328	125 518	117 203

7.6 The subsidiary companies listed on the Stock Exchange are the following:

Subsidiary Companies	Currency	Stock Exchange	Share price			
			Year-end		Average last quarter	
			1993	1992	1993	1992
Amper _____	Peseta	Madrid	142	170	167	190
CTC (CHILE) _____	Peso chileno	Santiago/New York	2 550	1 315	2 156	1 228
Entel (CHILE) _____	Peso chileno	Santiago	4 910	2 120	3 463	1 989
TASA (ARGENTINA) _____	Peso argentino	Buenos Aires/New York y Portal	7.28	0.3133	5.66	0.2832

7.7 The provisions of Article 86 of the Corporations Law have been complied with the acquisitions of shareholdings during the year.

7.8 The composition of goodwill on consolidation is as follows at December 31:

	Balance at 12.31.91	Additions	Reductions	Transfers	Balance at 12.31.92	Additions	Balance at 12.31.93
Companies consolid. by the full consolid. method	180	7 595	72	(108)	7 595	426	8 021
Companies consolid. by the equity method	7 732	80	31	108	7 889	39 382	47 271
Total	7 912	7 675	103	-	15 484	39 808	55 292
Accumulated amortization							
Companies consolid. by the full consolid. method	36	27	25	(38)	-	907	907
Companies consolid. by the equity method	1 439	781	-	38	2 258	3 891	6 149
Total	1 475	808	25	-	2 258	4 798	7 056
Goodwill pending amortization	6 437	6 867	78	-	13 226	35 010	48 236

7.9 The consolidation reserve consists of the following at December 31:

	Balance at 12.31.91	Additions	Reductions	Balance at 12.31.92	Additions	Reductions	Balance at 12.31.93
Companies consolid. by the full consolid. method	5 881	3 766	2 934	6 713	3 548	1 162	9 099
Companies consolid. by the equity method	1 415	8 032	2 048	7 399	7 164	3 009	11 554
Total	7 296	11 798	4 982	14 112	10 712	4 171	20 653

NOTE 8. DEFERRED EXPENSES

The balances and amortization schedule are as follows:

PARENT COMPANY								
	Maturities						Balance	Balance
	1994	1995	1996	1997	1998	Subsequent	12.31.93	12.31.92
Debt formalization expenses _____	5 240	3 940	3 475	2 718	1 947	3 707	21 027	21 901
Exchange losses _____	9 628	9 438	8 743	7 786	6 273	15 311	57 179	19 473
Interest on long term notes _____	4 540	4 372	3 946	3 388	3 741	4 474	24 461	29 055
Interest on commercial notes _____	1 127	4	-	-	-	-	1 131	3 134
Financing Annex 91 contract _____	6 845	3 516	25	-	-	-	10 386	15 264
Liabilities Compliments (deficit) _____	8 143	8 143	8 143	8 143	8 143	69 214	109 929	113 756
Deferred Expenses deficit assets amortization	-	-	-	-	-	-	-	903
Total	35 523	29 413	24 332	22 035	20 104	92 706	224 113	203 486
CONSOLIDATED								
	Maturities						Balance	Balance
	1994	1995	1996	1997	1998	Subsequent	12.31.93	12.31.92
Debt formalization expenses _____	5 242	3 941	3 477	2 720	1 948	3 712	21 040	22 845
Exchange losses _____	9 628	9 438	8 743	7 786	6 273	15 311	57 179	19 473
Interest on long term notes _____	4 540	4 372	3 946	3 388	3 741	4 474	24 461	29 055
Interest on commercial notes _____	655	4	-	-	-	-	659	3 134
Interest on leasing operat. and other _____	718	469	247	119	89	293	1 935	1 381
Financing Annex 91 contract _____	6 845	3 516	25	-	-	-	10 386	15 264
Liabilities Compliments deficit _____	8 143	8 143	8 143	8 143	8 143	69 214	109 929	113 756
Deferred Expenses deficit assets amort.	-	-	-	-	-	-	-	903
Total	35 771	29 883	24 581	22 156	20 194	93 004	225 589	205 811

NOTE 9. DEFERRED EXCHANGE DIFFERENCES

Due to new criteria adopted in 1992 (Note 4.j) unrealized exchange losses have been deferred amounting to 57,179 million pesetas which would have resulted in an increase of expenses in the profit and loss account.

The composition of the balance and amortization schedule are as follows:

PARENT COMPANY								
	Maturities						Balance at	Balance at
	1994	1995	1996	1997	1998	Subsequent	12.31.93	12.31.92
Deferred realized exchange losses	9 628	9 438	8 743	7 786	6 273	15 311	57 179	19 473
Deferred unrealized exchange gains	-	-	-	-	-	-	-	(8 861)
Total	9 628	9 438	8 743	7 786	6 273	15 311	57 179	10 612

CONSOLIDATED								
	Maturities						Balance at	Balance at
	1994	1995	1996	1997	1998	Subsequent	12.31.93	12.31.92
Deferred realized exchange losses	9 628	9 438	8 743	7 786	6 273	15 311	57 179	19 473
Deferred unrealized exchange gains	-	-	-	-	(19)	(25)	(44)	(8 870)
Total	9 628	9 438	8 743	7 786	6 254	15 286	57 135	10 603

Details of the charges to expenses for the year:

	PARENT COMPANY		CONSOLIDATED	
	1993	1992	1993	1992
For Repayment of loans	6 241	5 528	7 624	5 919
Deferred losses O.M. March 12, 1993 (Note 4.j)	22 642	6 864	22 642	6 864
Services charges in foreign currency and other	(1 640)	19	(1 635)	19
Total	27 243	12 411	28 613	12 802

NOTE 10. LONG TERM PREPAID AND DEFERRED TAXES

The balance detail is as follows:

	PARENT COMPANY		CONSOLIDATED	
	1993	1992	1993	1992
Long term prepaid taxes				
Currency exchange differences	10 328	-	10 328	-
Complementary pensions for retired employees	1 342	-	1 342	-
Pension plan for current employees	1 946	-	1 946	-
Other	-	-	493	-
Total	13 616	-	14 109	-
Long term deferred taxes				
Tax regulations amortization	47 021	48 347	48 598	50 416
Collective endowment insurance	579	-	579	-
Consolidation adjustments	5 403	4 557	-	-
Intragroup adjustments	-	-	7 954	5 600
Total	53 003	52 904	57 131	56 016

NOTE 11. ACCOUNTS RECEIVABLE FROM CUSTOMER

The balance detail at December 31, is as follows:

	PARENT COMPANY		CONSOLIDATED	
	1993	1992	1993	1992
Service billed				
Customers	108 554	108 227	129 140	128 514
Former subscribers	28 255	18 807	28 255	18 807
Accounts pending classification	1 951	1 908	1 951	1 908
	138 760	128 942	159 346	149 229
Unbilled (Telefónica)	149 618	144 510	149 618	144 510
	288 378	273 452	308 964	293 739
Provision for bad debts	(30 429)	(20 356)	(36 288)	(25 044)
Total	257 949	253 096	272 676	268 695

The balance of public customers accounts amounts to 84,131 millions pesetas (83,447 millions pesetas in 1992).

During the 1993 year cancelled bad debts amounted to 11,119 million pesetas. (7,767 million pesetas in 1992).

NOTE 12. SHAREHOLDERS' EQUITY

12.1 The amount and movements in shareholder's equity during the years ended at December 31 1992 and 1993, were as follows:

PARENT COMPANY							
	1991	Distribution of 1991 profit	Other movements	1992	Distribution of 1992 profit	Other movements	1993
Stated capital	463 479	-	1	463 480	-	6 255	469 735
Capital surplus	33 467	-	-	33 467	-	9 600	43 067
Revaluation and reserve	653 780	-	-	653 780	-	-	653 780
Legal reserve	41 321	8 085	-	49 406	8 390	-	57 796
Voluntary reserve	74 498	18 100	-	92 598	19 000	-	111 598
Unappropriated retained earnings	150	(29)	-	121	(35)	-	86
Profit for year	80 847	(80 847)	83 899	83 899	(83 899)	84 837	84 837
Interim dividend	(23 174)	23 174	-	-	-	(23 187)	(23 187)
Total	1 324 368	(31 517)	83 900	1 376 751	(56 544)	77 505	1 397 712
CONSOLIDATED							
	1991	Distribution of 1991 profit	Other consolidated movements	1992	Distribution of 1992 profit	Other consolidated movements	1993
Stated capital	463 479	-	1	463 480	-	6 255	469 735
Capital surplus	33 467	-	-	33 467	-	9 600	43 067
Revaluation and reserve	649 316	-	-	649 316	-	-	649 316
Legal reserve	41 321	8 085	-	49 406	8 390	-	57 796
Voluntary reserve	52 920	18 100	13 286	84 306	8 887	(1 068)	92 125
Reserve in consolidation	7 296	23 400	(16 584)	14 112	6 975	(434)	20 653
Unappropriated retained earnings	150	(29)	-	121	(35)	-	86
Profit for year	104 247	(104 247)	80 761	80 761	(80 761)	96 367	96 367
Interim dividend	(23 174)	23 174	-	-	-	(23 187)	(23 187)
Differences on foreign currency translation for consolidation	1 251	-	15 785	17 036	-	14 061	31 097
Total	1 330 273	(31 517)	93 249	1 392 005	(56 544)	101 594	1 437 055

All the outstanding shares of Telefónica are fully subscribed and paid, and they are bearer shares of 500 pesetas par value each.

The shares are quoted on the four Spanish stock exchanges as well as in Frankfurt, London, Paris, Tokyo and New York. At December 31, 1993 the State held approximately 31.86% of the shares (32.28% in 1992). Under current legislation the foreign ownership in Telefónica cannot exceed in total 25% of the share capital.

The movement on share capital has been as follows:

	Number of shares	Par value	Characteristics of issue	
			Price as a percentage of par value	Cash
At December 31, 1991	926 958 077	463 479	-	-
Capital increase January 1992	1 074	1	184.950%	1
At December 31, 1992	926 959 151	436 480	-	-
Capital increase May 1993	537 168	268	214.976%	577
Capital increase July 1993	2 148	1	250.536%	3
Capital increase September 1993	220 237	110	245.704%	270
Capital increase October 1993	675 754	338	246.200%	832
Capital increase November 1993	11 041 984	5 521	255.898%	14 218
Capital increase December 1993	34 378	17	259.204%	45
At December 31, 1993	939 470 820	469 735		

The above capital increase was made in connection with the conversion of bonds on the London stock exchange.

The General Meeting of Shareholders held on June 15, 1990 gave power to the Board of Directors to issue additional shares during a period not exceeding five years without further notice to and approval of the shareholders, to a maximum share capital of 695,218 million pesetas.

12.2 Outside shareholders' interests

These interests refer to the stake of minority shareholders in the ownership of and last year's results for the following companies:

1992					
Company	% Minority participation	Net equity	Differences on foreigncurrency translation	Results	Total
AUDIOTEX	49	41	-	156	197
MAPTEL	24	39	-	(15)	24
SINTELAR	25	19	12	79	110
T. INTERNACIONAL	23.78	20,454	5 307	2 239	28 000
T.H.M.	1	8	-	2	10
T.L.D. Puerto Rico	21	2 703	-	-	2 703
		23 264	5 319	2 461	31 044
1993					

Company	% Minority participation	Net equity	Differences on foreigncurrency translation	Results	Total
AUDIOTEX	-	-	-	-	-
MAPTEL	24	24	-	(25)	(1)
SINTELAR	25	3	25	246	274
T. INTERNACIONAL	23.78	22 491	9 661	5 138	37 290
T.H.M.	0.68	6	-	1	7
T.L.D. Puerto Rico	21	2 703	626	(212)	3 117
GESTIRED	49	34	-	(14)	20
PUBLIGUIAS	45	325	34	470	829
TELEFONICA ROMANIA	40	273	-	(16)	257
TELECARTERA	20	12	-	(7)	5
		25 871	10 346	5 581	41 798

Beginning in fiscal year 1992 the Telefónica Consolidated Group owns 50% of Sietel, S.A. and Cleon, S.A., which are consolidated by the proportional method and therefore do not generate outside shareholders. Telefónica has purchased an additional 4.45% of T.H.M.. Control Electrónico Integrado, S.A. Tepesa owns the other 1% (Tepesa is owned by T.H.M. in 31.78%). For the Companies located abroad outside shareholders' interests include the differences on foreign currency translation.

12.3 Movement of outside shareholders' interests:

	1991	Addition of companies	Profit or loss	Diferences on foreign currency translation	Other movements	Dividends paid	Disposals of companies	1992
Auditex	41	-	156	-	-	-	-	197
Maptel	39	-	(15)	-	-	-	-	24
Sintelar	19	-	79	12	-	-	-	110
T. Internacional	20 959	-	2 239	5 007	(205)	-	-	28 000
T.L.D. Puerto Rico	-	2 703	-	-	-	-	-	2 703
T.H.M.	46	-	2	-	-	-	(38)	10
Total	21 104	2 703	2 461	5 019	(205)	-	(38)	31 044
	1992	Addition of companies	Profit or loss	Diferences on foreign currency translation	Other movements	Dividends paid	Disposals of companies	1993
Auditex	197	-	-	-	-	-	(197)	-
Gestired	-	34	(14)	-	-	-	-	20
Maptel	24	-	(25)	-	-	-	-	(1)
Publiguias	-	325	470	34	-	-	-	829
Sintelar	110	-	246	13	-	(95)	-	274
T. Internacional	28 000	-	5 138	4 354	(202)	-	-	37 290
T.L.D. Puerto Rico	2 703	-	(212)	626	-	-	-	3 117
Telefónica Romania	-	273	(16)	-	-	-	-	257
Telecartera	-	12	(7)	-	-	-	-	5
T.H.M.	10	-	-	-	(3)	1	-	7
Total	31 044	644	5 580	5 027	(205)	(96)	(197)	41 798

Other movements of Telefónica Internacional reflect the portion ascribed to the outside shareholders of the variation in the consolidation reserve caused by the incorporation of Cointel to the Group.

NOTE 13. DEFERRED INCOME

13.1 The composition of deferred income at December 31 is as follows:

	PARENT COMPANY		CONSOLIDATED	
	1993	1992	1993	1992
Capital grants _____	49 860	46 983	49 860	46 983
Deferred unrealized exchange gains (Note 9) _____	-	8 861	44	8 870
External contributions not repayable _____	4 905	2 879	5 422	2 879
Total	54 765	58 723	55 326	58 732

13.2 The movement on capital grants in the parent company is as follows:

	Balance 12.31.91	Additions	Amortizat.	Balance 12.31.92	Additions	Amortizat.	Balance 12.31.93
From official organisations, autonomous communities and local government bodies _____	13 019	6 301	1 506	17 814	2 873	2 110	18 577
From European Economic Community: STAR Program _____	15 847	6 672	1 698	20 821	347	2 367	18 801
FEDER Program _____	4 084	1 658	409	5 333	2 052	575	6 810
IRTA Program _____	498	1 561	50	2 009	1 163	206	2 966
Other _____	581	455	30	1 006	1 819	119	2 706
Total	34 029	16 647	3 693	46 983	8 254	5 377	49 860

NOTE 14. PROVISIONS FOR RISKS AND EXPENSES

The composition of the balances at December 31 is as follows:

	PARENT COMPANY							
	1991	Provisions for year	Applicat.	Add. Transfers	1992	Provisions for year	Applicat.	Add. Transfers
Self insurance for damages in plant _____	3 051	-	444	-	2 607	-	690	-
For contingencies (Note 20) _____	51 098	-	-	(51 098)	-	-	-	-
For contribution to employee benefit systems (Note 20.2) _____	18 829	-	-	(18 829)	-	-	-	-
For establishing pensions (Note 20) _____	76 615	12 531	89 146	-	-	-	-	-
Provision for rebalancing plan _____	-	-	-	-	-	4 128	-	813
For Pensioners' integrating cost in Social Security System _____	-	-	-	55 683	55 683	3 113	-	-
For endowment (Note 21) _____	52 886	8 965	37 651	(112)	24 088	4 038	5 805	-
For complementary pensioners annuity _____	-	5 127	7 717	132 025	129 435	10 089	15 870	4 465
Total	202 479	26 623	134 958	117 669	211 813	21 368	22 365	5 278

	CONSOLIDATED							
	1991	Provisions for year	Applicat.	Add. Transfers	1992	Provisions for year	Applicat.	Add. Transfers
Self insurance for damages in plant _____	3 660	179	640	(3)	3 196	55	784	9 233
For contribution to employee benefit systems (Note 20.2) _____	19 613	10	8	(19 615)	-	-	-	-
For establishing pensions (Note 20) _____	76 765	12 731	89 201	-	295	247	101	-
Provision for rebalancing plan _____	-	-	-	-	-	4 128	-	813
For Pensioners' integrating cost in Social Security System _____	-	-	-	55 683	55 683	3 113	-	-
For endowment (Note 21) _____	52 886	8 965	37 651	(112)	24 088	4 038	5 805	-
For complementary pensioners annuity _____	-	5 127	7 717	132 025	129 435	10 089	15 870	4 465
For contingencies and other provision _____	53 081	338	8	(50 312)	3 099	2 068	104	394
Total	206 005	27 350	135 225	117 666	215 796	23 738	22 664	14 905

NOTE 15 - DEBENTURES, BONDS AND OTHER ISSUES

15.1 Composition and movements are as follows:

PARENT COMPANY						
	Debentures and bonds in local currency		Debentures and bonds in foreign currency		Commercial paper	Total
	Non-convertible	Convertible and/or exchangeable	Non convertible	Convertible and/or exchangeable		
Balance 12/31/91	597 744	-	6 381	22 561	128 365	755 051
New issues	95 220	-	-	-	273 754	368 974
Repayments, conversions and exchanges	(67 870)	-	-	-	(295 611)	(363 481)
Revaluations and other movements	44 163	-	723	5 502	-	50 388
Balance 12/31/92	669 257	-	7 104	28 063	106 508	810 932
New issues	86 677	-	-	-	101 588	188 265
Repayments, conversions and exchanges	(10 606)	-	(7 936)	(29 242)	(169 345)	(217 129)
Revaluations and other movements	52 837	-	832	1 179	-	54 848
Balance 12.31.93	798 165	-	-	-	38 751	836 916
Detail of maturities						
Long term	679 494	-	-	-	6 120	685 614
Short term	118 671	-	-	-	32 631	151 302
Accrued interest net yet payable	15 965	-	-	-	-	15 965

CONSOLIDATED						
	Debentures and bonds in local currency		Debentures and bonds in foreign currency		Commercial paper	Total
	Non-convertible	Convertible and/or exchangeable	Non convertible	Convertible and/or exchangeable		
Balance 12/31/91	599 603	-	6 381	22 561	117 422	745 967
New issues	95 220	9 300	-	-	273 754	378 274
Repayments, conversions and exchanges	(67 523)	-	-	-	(295 611)	(363 134)
Revaluations and other movements	43 965	-	723	5 502	17 860	68 050
Balance 12.31.92	671 265	9 300	7 104	28 063	113 425	829 157
New issues	86 699	-	-	-	101 588	188 287
Repayments, conversions and exchanges	(10 790)	-	(7 936)	(29 242)	(169 345)	(217 313)
Revaluations and other movements	52 837	-	832	1 179	10 878	65 726
Balance 12.31.93	800 011	9 300	-	-	56 546	865 857
Detail of maturities:						
Long term	681 345	9 300	-	-	17 795	708 440
Short term	118 666	-	-	-	32 631	151 297
Accrued interest net yet payable	15 974	-	-	-	-	15 974

15.2 There are two commercial paper issue programs in Telefónica, as follows:

	Balance limit	Par value	Method of acquisition
Public issues	200 000 millones	500 000 pesetas	Monthly competitive bids
Company and institutional issues	200 000 millones	100 millones mínimo	Operations

15.3 The details of the debentures and bonds of the consolidated Group outstanding at December 31, 1993 are as follows.

				YEARS				
Issue		Interest %	Total	1994	1995	1996	1997	1998 Subsequent
Debentures								
June 1984	Zero coupon	14.8556	10 151	10 151	-	-	-	-
June 1986	Variable	11.6500	14 807	-	-	-	-	14 807
July 1987	Variable	10.2500	798	-	-	-	798	-
January 1988		12.5000	28 447	-	-	-	-	28 447
May 1989		12.2500	2 022	-	-	2 022	-	-
July 1989		12.0000	10 180	-	-	-	-	10 180
December 1989	Variable	7.7278	4 800	800	800	800	800	800
January 1990		12.0000	71	-	-	-	-	71
February 1990 Series A		12.6000	9 351	-	-	-	-	9 351
February 1990 Series B		12.6000	1 367	-	-	-	-	1 367
February 1990 Series C		12.6000	626	-	-	-	-	626
February 1990 Series D	Zero coupon	12.8896	10 170	-	-	-	-	10 170
February 1990 Series E	Zero coupon	12.8531	3 317	-	-	-	-	3 317
February 1990 Series F	Zero coupon	12.5793	368	-	-	-	-	368
June 1990	Zero coupon	14.0081	47 647	-	47 647	-	-	-
July 1990	Zero coupon	14.4358	47 784	-	-	47 784	-	-
December 1990	Zero coupon	13.5761	29 342	-	-	-	-	29 342
January 1991		12.0000	20	-	-	-	-	20
February 1991 Serie A		14.2500	30 000	-	-	-	-	30 000
February 1991 Serie B	Zero coupon	14.4676	44 040	-	-	-	-	44 040
March 1991	Zero coupon	14.4813	7 340	-	-	-	-	5 872 1 468
Private issue April 1991		14.2500	20 000	-	-	-	-	20 000
April 1991 Series A		13.5000	10 000	-	-	-	-	10 000
April 1991 Series B	Zero coupon	13.6659	28 299	-	-	-	-	28 299
A September 1994	Zero coupon	9.8749	45 648	45 648	-	-	-	-
B September 1996	Zero coupon	10.0000	42 042	-	-	42 042	-	-
C September 1998	Zero coupon	10.1250	31 351	-	-	-	-	31 351
D September 2001	Zero coupon	10.2500	42 234	-	-	-	-	42 234
January 1992		12.0000	257	-	-	-	-	257
January 1992		12.0000	220	-	-	-	-	220
A November 1995		10.0625	14 058	-	14 058	-	-	-
B November 2000		10.0625	20 439	-	-	-	-	20 439
C November 2002		10.0625	19 315	-	-	-	-	19 315
A October 1996		7.7500	900	-	-	900	-	-
B October 2000		8.0000	5 507	-	-	-	-	5 507
C October 2004		8.2500	8 002	-	-	-	-	8 002
B.I.F.E. Bank		9.8500	22	-	-	-	-	11 11
Bonds								
November 1985		11.7500	3 383	-	3 383	-	-	-
January 1988	Zero coupon	10.0000	2 067	2 067	-	-	-	-
October 1989		12.7500	20 000	-	-	20 000	-	-
September 1990		14.2500	60 000	60 000	-	-	-	-
November 1990		14.0625	600	-	-	-	600	-
November 1990	Variable	9.2075	400	-	-	-	400	-
January 1991	Variable	9.2075	1 370	-	-	-	1 370	-
February 1991		13.9375	3 440	-	-	-	3 440	-
February 1991	Variable	9.2075	400	-	-	-	400	-
April 1991	Zero coupon	14.5154	67 185	-	-	-	-	67 185
April 1991		12.3750	10 160	-	-	-	10 160	-
April 1991	Variable	9.2075	300	-	-	-	300	-
May 1991		12.3750	4 437	-	-	-	4 437	-
July 1991	Variable	9.2075	5 100	-	-	-	5 100	-
July 1992	Zero coupon	14.5154	4 889	-	-	-	-	4 889
February 1992		11.1875	1 470	-	-	-	1 470	-
November 1992		12.9375	400	-	-	-	400	-
April 1993		12.2500	21 000	-	-	-	21 000	-
May 1993		11.7500	2 468	-	-	-	2 468	-
Total Issues			800 011	118 666	65 888	65 764	100 927	160 521 288 245

15.4 Debentures and zero coupon bonds are presented on the Balance Sheet at their issue price plus interest accrued through December 31 of the stated year.

The schedule of the maturities and percentage of repayment of the debentures and zero coupon bonds is as follows:

ISSUE	DUE DATE OF AMORTIZATION	% REPAYMENT	ACTUAL VALUE	REPAYMENT VALUE
Debentures				
June 1984	07.05.1994	400 000	10 151	10 889
February 1990 serie D	02.26.2000	336 154	10 170	21 447
February 1990 serie E	02.26.2005	613 338	3 317	12 776
February 1990 serie F	02.26.2010	1 069 470	368	2 503
June 1990	06.22.1995	192 610	47 647	57 783
July 1990	07.20.1997	257 000	47 784	77 100
December 1990	12.28.2005	675 000	29 342	135 000
February 1991 serie B	02.28.1998	257 500	44 040	77 250
March 1991	03.01.1998	257 729	1 468	2 577
March 1991	06.01.1998	266 659	1 468	2 667
March 1991	09.01.1998	275 899	1 468	2 759
March 1991	12.01.1999	285 353	1 468	2 854
March 1991	03.01.1999	295 022	1 468	2 950
April 1991 serie B	04.17.2001	360 000	28 299	72 000
A September 1994	09.18.1996	132 715	45 648	48 828
B September 1996	09.18.1996	161 135	42 042	54 459
C September 1998	09.18.1998	196 531	31 351	49 401
D September 2001	09.18.2001	265 543	42 234	89 687
Bonds				
January 1988	01.26.1994	177 156	2 072	2 086
April 1991 zero coupon	04.15.1999	295 740	67 185	137 519
July 1991 zero coupon	07.15.1999	295 740	4 889	10 351
			463 879	872 886

15.5 Additional information

	PARENT COMPANY		CONSOLIDATED	
	1993	1992	1993	1992
Interest expenses	93 900	84 844	93 923	84 875
The amounts from the issues subject to tax benefits are as follows:				
Debentures in local currency	-	2 834	-	2 834
Debentures in foreign currency	-	30 061	-	30 061

The average cost of the debentures and bonds outstanding is 12.22% for 1993 (12.57% in 1992).

15.6 The Eurobonds issue at Frankfurt's stock market of 100 million german marks was amortized on its maturity date on May 1993. The issue of convertible bonds at London's stock market of 200 million US dollars has been cancelled by premature amortization of 83.53 million US dollars and by conversion of 116.46 million US dollars in ordinary shares of Telefónica.

The issue in US dollars gives the holders the right, within the established periods, to convert the debentures into ordinary shares of the Company, according to the terms and conditions of the issue.

15.7 In October 1993 there was an issue of 105,000 million pesetas (which may be increased to 150 million pesetas). These will be subscribed over a one-year period. At December 31, 1993, 14,409 debentures had been subscribed for.

NOTE 16. DEBTS WITH CREDIT ENTITIES

16.1 As mentioned in Note 2 a), these accounts are classified in the balance sheet according to their maturity dates. The balances at December 31 are as follows:

	PARENT COMPANY						CONSOLIDATED					
	1993			1992			1993			1992		
	Long term	Short term	Total	Long term	Short term	Total	Long term	Short term	Total	Long term	Short term	Total
Notes payable at face value	52 950	10 365	63 315	63 315	365	63 680	52 950	10 365	63 315	63 315	4 784	68 099
Loans and credits	179 300	31 160	210 460	258 241	115 209	373 450	220 075	40 760	260 835	331 861	131 318	463 179
Loans in foreign currency	308 244	5 901	314 145	281 244	-	281 244	408 856	23 592	432 448	295 552	4 592	300 144
Total	540 494	47 426	587 920	602 800	115 574	718 374	681 881	74 717	756 598	690 728	140 694	831 422

16.2 The years of maturity of the debts are as follows:

PARENT COMPANY							
	Maturities						Balance at
	1994	1995	1996	1997	1998	Subsequent	12.31.93
Notes payable	10 365	365	15 365	365	1 314	35 541	63 315
Loans and credits	31 160	11 724	8 402	32 656	25 250	101 268	210 460
Loans in foreign currency	5 901	19 053	44 252	27 464	42 269	175 206	314 145
Total	47 426	31 142	68 019	60 485	68 833	312 015	587 920

CONSOLIDATED							
	Maturities						Balance at
	1994	1995	1996	1997	1998	Subsequent	12.31.93
Notes payable	10 365	365	15 365	365	1 314	35 541	63 315
Loans in foreign currency	23 592	19 074	48 311	35 582	69 799	236 090	432 448
Loans and credits	40 760	12 337	8 995	33 300	42 183	123 260	260 835
Total	74 717	31 776	72 671	69 247	113 296	394 891	756 598

16.3 Additional information:

	PARENT COMPANY						CONSOLIDATED			
	Financial expenses		Accrued interest		Average interest rate		Financial expenses		Accrued interest	
	1993	1992	1993	1992	1993	1992	1993	1992	1993	1992
Loans in foreign currency	31 794	25 308	8 165	5 449	6.99	7.50	39 947	25 308	8 400	5 551
Loans and credits	33 872	45 681	3 606	6 728	13.13	13.42	34 308	52 480	4 698	7 573
Notes payable	4 595	4 111	-	-	13.40	13.34	4 595	4 111	-	-

16.4 Loans and credit facilities accounts reflect only the accounts actually borrowed. Unused facilities are disclosed in Note 24.

16.5 At December 31, 1993 a total of 52.243 million pesetas in foreign currency loans is eligible for the tax benefits established by Decree Law 19/1961 and Law 61/1978.

16.6 Details of Telefónica Group loans denominated in foreign currency from financial institutions are as follows:

Foreign currency	1993		1992	
	Amount	Exchange rate	Amount	Exchange rate
US dollars	412.8	142.356	325.0	114.795
German marks	325.5	82.358	205.5	71.036
Swiss francs	422.5	96.382	422.5	78.681
Dutch florins	258.9	73.615	258.9	63.227
Japanese yen	38 520.6	1.27388	45 520.6	0.92131
French francs	649.9	24.251	649.9	20.849
ECUs (XEU)	804.5	159.439	804.4	138.581
Pesetas (ESP) (*)	12 750.0	1.000	12 750.0	1.000

(*) This amount includes the disposition in pesetas of a multicurrency loan originally authorized in ECUs by the European Investment Bank.

16.7 Loans denominated in foreign currency include the following:

- The Company has multi-option financial facility for 250 million US dollars represented by Telefónica's certificates in Euronotes with maturities of less than six months. When they become due, Telefónica can opt to:

- issue new Euronotes;
- use the credit facility to refinance the amounts due; or
- repay the notes without using such credit facility.

- Details of Loans from the European Investment Bank, authorized through the Official Credit Institute are as follow:

Year	Per value	Maturity	Grace period	Amortization	Interest rate	Option
1988	XEU 1 200 MM	15 years	5 years	20 semestres	Fixed for the first 5 years, variable 5th - 10th 10.95% fixed for first 6 years, variable next 9 years	Multicurrency
1992	Pts 12 500 MM	15 years	5 years	20 semestres		-
1992	XEU 150 MM	15 years	5 years	20 semestres		Quarterly variable
1992	JPY 19 500 MM	10 years	5 years	10 semestres		Semianual variable
1992	NLG 82.1 MM	10 years	5 years	10 semestres		Quarterly variable

NOTE 17 - DEBTS WITH GROUP AND ASSOCIATED COMPANIES

The detail at December 31, 1993 is as follows:

	PARENT COMPANY						CONSOLIDATED					
	1993			1992			1993			1992		
	Long term	Short term	Total	Long term	Short term	Total	Long term	Short term	Total	Long term	Short term	Total
Loans	118 975	-	118 975	83 436	-	83 436	-	-	-	-	-	-
Purchases and services:												
From Group companies	-	24 142	24 142	-	43 948	43 948	-	-	-	-	-	-
From Associated companies	-	17 133	17 133	18 565	24 133	42 698	-	19 358	19 358	18 565	25 626	44 191
Corporation Tax	3 428	184	3 612	1 585	184	1 769	-	-	-	-	-	-
Total	122 403	41 459	163 862	103 586	68 265	171 851	-	19 358	19 358	18 565	25 626	44 191

The loans consist of:

a) A loan from the European Investment Bank, authorized in 1991 through the subsidiary Telefónica y Finanzas, S.A., (Telfisa) for 600 million ECUs. An amount of 500 million ECUs of the loan facility was used in 1991 in four different currencies. The loan is for a period of 15 years with a grace period of five years. Thereafter the loan is repayable in 20 equal semi-annual installments. The loan bears interest at rates varying quarterly.

b) A further loan from the European Investment Bank granted in 1993 through Telfisa of 300 million ECUS to be used in pesetas, of an equivalent amount of 38,700 million pesetas. In 1993 the first disposal of 20,000 million pesetas has been made, with a 15 year period of maturity, with a 5 year grace period, and to be amortized in 19 yearly payments and variable quarterly interest rate.

c) A commercial loan facility with the subsidiary Telefónica North America Inc., for up to 125 million US dollars and with maturity in 1997. The loan facility has been used in full. The funds for this loan were raised with commercial paper issued in the USA by the subsidiary and guaranteed by Telefónica

NOTE 18 - TAXES PAYABLE:

The details of the balances at December 31 are as follows:

	PARENT COMPANY		CONSOLIDATED	
	1993	1992	1993	1992
Taxes payable and recoverable				
Payroll withholding taxes	7 649	7 370	8 375	8 144
Value added tax	21 254	11 374	21 998	13 168
Dividend and interest at withholding taxes	933	457	1 130	669
Corporate income tax	18 595	-	19 099	363
Local government taxes	1 172	2 609	1 180	2 613
Social Security Contributions	21 913	19 427	22 745	20 123
Foreign taxes	-	-	845	217
Total	71 516	41 237	75 372	45 297
Taxes recoverable:				
Payments on account of corporate income tax:				
Tax withhold from income at source	1 235	49	2 553	1 014
Payments on account on consolidate corporate income tax returns	346	760	346	760
Payments on account on individual income tax returns	-	-	2	-
Taxes surcharges and Social Security payments recoverable	542	579	553	914
Corporate income tax-consolidated 1990	1 128	2	1 128	2
Taxes paid in advance	739	16 602	767	16 698
VAT pending deduction	2 736	2 884	2 736	3 142
Foreign taxes	-	-	618	136
Total	6 726	20 876	8 703	22 666

NOTE 19 - OTHER ACCOUNTS PAYABLE

This heading comprises the following amounts:

	PARENT COMPANY		CONSOLIDATED	
	1993	1992	1993	1992
Remuneration payable	18 656	17 877	20 939	20 751
Exchange of telephone services	14 491	14 270	14 491	14 270
Guarantee deposits	7 899	9 721	7 899	9 721
Expenses accrued and due	39 451	32 107	39 523	32 107
Dividends payable	23 201	7 647	23 201	7 647
Institución Telefónica de Previsión	(8 846)	(343)	(8 846)	(343)
Sundry creditors	28 781	19 602	33 013	23 401
Total	123 633	100 881	130 220	107 554

NOTE 20 - PENSIONS

20.1 Up to the time of the publication of the Order from the Ministry of Labour and Social Security dated December 30th 1991 (published in the Spanish Official Bulletin nº 1, January 1st 1992) which stated that active employees and pensioners at that time under the Institución Telefónica de Previsión (ITP) would be integrated into the Social Security general regime from January 1st 1992 onwards. Telefónica personnel had benefited from a social welfare system provided by I.T.P. Therefore since January 1st 1992, Telefónica and its employees have been contributing to the Social Security system for the coverage previously provided by the I.T.P., and payments to the latter have ceased.

The I.T.P., which is currently being liquidated in accordance with the resolution by the General Office of Insurance pursuant to which the dissolution order of July 10th 1992 was published, was a mutual employee benefit fund created under the Ley de Montepíos y Mutualidades de Previsión Social dated December 6th 1941 and its Regulations of May 26th 1943. It was, therefore, an independent legal entity and, as such, was governed by its own regulations approved by the Subsecretariat of Social Security on January 28th 1977.

20.2 In accordance with the dissolution Order previously mentioned, the resolution reached by the General Office of Planning and Economic Organization of Social Security on May 25th 1992 stated that the cost of integration of retired personnel would amount to 130 683 million pesetas.

Based on this ministerial order the liquidators of I.T.P. proceeded to pay 65 000 million pesetas to the Social Security, retaining an additional 10 000 million pesetas as provisions to cover the payments to be made on behalf of the Social Security. Of the retained amount 4 154 million pesetas remained and was transferred to the Social Security by the liquidators in July 1993.

The 55 683 million pesetas remaining for the previously mentioned overall total cost of 130 683 million pesetas will be paid over a ten year period. Over the first two years only interest will be paid, amortizing over the remaining eight years the principal amount with its corresponding interest.

Payment of the interest for the two-year grace period was made by the I.T.P. liquidators in yearly payments of 4 455 million pesetas, the first of which was made in December 1992 and the second in December 1993.

Annual payments of 9 690 million pesetas will be made over the remaining eight years in December of each year. The first of such payments will be made in December 1994.

Once I.T.P. has been liquidated, Telefónica de España, S.A. will be obligated to cover the difference between the total cost of 130 683 million pesetas and the liquidation value of I.T.P. This difference is estimated at 58 796 million pesetas for which a corresponding provision has been made (note 14).

20.3 Telefónica, which presented an offer on June 30th 1992 that was accepted by the employees on September 17th of the same year, reached a collective statutory agreement with the union representatives.

The most significant term of the agreement involves the creation of a Pension Plan under the Law 8/1987 of June 8 for Pension Schemes and Funds with the following points:

- a) An employment system pension Plan.
- b) Defined contribution.
- c) Obligatory contributions by participating employees.
- d) Financial capitalization on an individual basis.
- e) The Promoter contributes 6.87% of the participating employees' basic salary. For personnel who joined Telefónica after June 30th 1992, the contribution is 4.51% of their basic salary.
- f) The direct contribution of the participating employee will be a minimum 2.2% of his basic salary.
- g) Entitlements for past services were recognized to a maximum amount of 237 696 million pesetas. Employees who chose not to join the Plan during the one year period on beginning July 1st 1992 (the date on which the scheme came into force) have no rights regarding entitlements for past services and therefore the amount previously mentioned for these consolidated entitlements decreased in the corresponding amount.
- h) The financing of consolidated rights would be carried out, as deemed necessary, through provisions already accounted for in the amount of 121 350 million pesetas. The effective transfer of this amount would be made not later than the year 2002 applying an effective annual interest rate of 6.7% in accordance with the Rebalancing Plan.

The remaining deficit, up to a maximum of 116 346 million pesetas, would be financed over twenty eight years pursuant to the Rebalancing Plan not yet approved by the General Office of Insurance. The effective annual interest rate for the financing of this deficit will be 6% with payments to be made at the beginning of each month.

i) The plan became effective July 1st 1992. The time period stipulated for incorporation into the Plan was the one year period beginning that date, although there may be, at a future date, additional incorporation periods in accordance with the law and with no recognition of consolidated rights for past services.

20.4 66 158 employees had joined the Plan as of December 31 1993. In accordance with actuarial calculations the consolidated rights for these employees amount to 228 118 million pesetas. The final amount will depend on the outcome of certain individual situations currently under study, although these should not cause any significant changes.

20.5 During the fiscal year a new Rebalancing Plan has been drafted to comply with General Office of Insurance regulations. The draft has not been approved yet, but in essence it would result in a two-year acceleration of the transfer of the provisions for the consolidated rights, whose transfer would therefore be made not later than the year 2000.

In accordance with the conditions laid down for incorporation to the Plan, transfers of 33 130 million pesetas have been made as follows:

Transferred in 1992	9 153
Transferred in 1993	23 977
Corresponding to 1992 for those employees who joined the Plan in 1993 with backdated rights in accordance with the 1st Transitory Provision of Telefónica's Pension Plan's regulation	1 445
Corresponding to 1993	22 532
	33 130
Pending transfer for the adjustment of the Rebalancing Plan	1 110
Total	34 240

The existing debt will be amortized following a systematic plan in accordance with the Rebalancing Plan. The provision made for 1993 amounts to 4 128 million pesetas (in 1992 the figure was 813 million pesetas).

At the end of the fiscal year the total figure for consolidated rights liabilities pending transfer to the Plan amounted to 215 145 million pesetas, for which provisions amounting to 107 757 million pesetas have been made. The Promoter's contribution for 1993 totalled 16 566 million pesetas (6 231 million pesetas in 1992).

20.6 One of the agreements within the overall solution to the Company's social welfare scheme was reached on July 8th, 1992 with the employees' representatives in relation with the supplementary pension to be received by those employees who retired on or before June 30th 1992.

In short, this agreement states that Telefónica will pay to those pensioners covered by ITP on June 30, 1992 and those employees who would have been recognized as pensioners, a complementary amount equivalent to the difference between the State pension received from Social Security up to July 1st 1992 and that which corresponds to, or would have corresponded to, had it been recognized by, the ITP.

The aforementioned supplementary payments, once quantified, will be fixed, to be received for life, and not revisable. Upon death of the employee the spouse recognized as such before June 30th 1992 is entitled to 60% of the payment.

NOTE 21 - COLLECTIVE ENDOWMENT INSURANCE

At December 31st 1993 Telefónica had provisions totalling 22 321 million pesetas to cover liabilities accrued in accordance with actuarial calculations. These provisions will be used to cover the payments to be made to retired personnel under 65 who have not been entitled to endowment insurance and will also cover the 7 056 current employees who have chosen not to join the Pension Plan and who will be entitled to the endowment insurance once they reach the age of 65.

Telefónica has made provisions of 4 038 million pesetas for this purpose charged to 1993 results (in 1992 this figure was 8 965 million pesetas). The payments made throughout 1993 amounted to 5 805 million pesetas (the figure for 1992 was 5 444 million pesetas).

NOTE 22 - TAXATION

The years open to inspection for the main taxes are:

- Corporate income tax: 1988 through 1992.
- Corporate income tax for companies filing a consolidated tax return: 1990 through 1992.
- Local government taxes: 1988 through 1993.
- Value added tax: 1988 through 1993.
- Capital transfer tax: 1988 through 1993.
- Dividend and interest withholding taxes: 1988 through 1993.
- Payroll withholding tax: 1988 through 1993.

RECONCILIATION OF PROFIT BEFORE TAX PER ACCOUNTS OF TELEFONICA AND TAXABLE INCOME:

Profit before tax			107 468
	Increase	Decrease	
PERMANENT DIFFERENCES:	4 195	1 583	2 612
Adjusted profit per accounts			110 080
TIMING DIFFERENCES:			
Originating in present year	32 748	1 654	31 094
Originating in previous year	13 463	4 052	9 411
Taxable income			150 585
Individual Taxable income rest of tax group			2 534
Intra group eliminations			
Fixed assets sales			(4 123)
Dividends			(2 651)
Taxable Income (Tax Group)			146 345

CORPORATE INCOME TAX:

	Accrued	Deferred	Prepaid	Telefónica	Payable Group
Rate of 35% :					
On adjusted profit per accounts	38 528	(4 133)	10 044	-	-
On taxable income	-	-	-	52 705	51 221
Deductions:					
Double taxation relief	(2 614)	-	-	(2 614)	(2 338)
Allowances	(360)	-	-	(360)	(360)
Investment tax credits	(13 014)	3 899	(13 547)	(30 460)	(29 928)
Employment	-	-	-	-	-
Total deductions	22 540	(234)	(3 503)	19 271	18 595
Taxes paid abroad and other	1 730				
Repercussion for consolidated tax	(974)				
Surplus of provisions corporate income tax 92	(665)				
	22 631				

RECONCILIATION OF PROFIT BEFORE TAX PER CONSOLIDATED ACCOUNTS AND TAXABLE INCOME:

Profit before tax per accounts	121 212
PERMANENT DIFFERENCES:	
Individual corporations	2 537
Losses on foreign governments	(3 497)
Losses on associated companies	(20 176)
Eliminations included on consolidation and not included on corporate income tax report	2 203
Amortization of goodwill on consolidation	4 798
Deduction of taxable losses	(323)
Losses of non tax consolidating companies	205
Adjusted profit per accounts	106 959
TIMING DIFFERENCES:	
Individual corporations increase	47 133
Individual corporations decrease	(7 049)
Profit of transparent corporations 1992	3 662
Profit of transparent corporations 1993	(3 145)
Taxable income	147 560

CORPORATION TAX	Accrued	Payable	Deferred	Prepaid
Rate of 35% :				
On adjusted profit per accounts	37 436	-	(4 407)	10 079
On taxable income	-	51 646	-	-
Deductions:				
Double taxation relief	(2 338)	(2 338)	-	-
Allowances	(360)	(360)	-	-
Investment tax credits	(13 201)	(29 849)	3 377	(13 547)
total	21 537	19 099	(1 030)	(3 468)
Taxes paid abroad	3 308			
total	24 845			

There are carry-over investment tax credits which were not applied due to insufficient tax liabilities in the following amounts: 1989, 18.008 million pesetas; 1990, 30.180 million pesetas; 1991, 27.977 million pesetas; 1992, 19.000 million pesetas; and 1993, 19.248 million pesetas. As a result of the prescription of the term of application, 12.945 million pesetas of 1988 have been cancelled. They have profited of fiscal deductions for reinvestment totalling 537 million pesetas.

Timely differences have derived from: 22.642 million pesetas, of exchange differences caused by keeping a cash fiscal criteria; 13.463 million pesetas of reversion of tax regulation amortization applied on previous years; 5.561 million pesetas of the Pension Fund rebalancing plan (surplus over payments); 3.016 million pesetas of spare provision of the Pension Plan for 1992; 2.511 million pesetas of charges for complement of retired personnel (surplus over payments); 1.874 million pesetas of provision charges for depreciation of investments as a result of applying the fiscal standard of deduction on the following year; 1.654 million pesetas of payments for collective insurance endowment (surplus of payments over charges for provision); 4.052 million pesetas of reverted prepaid taxes of 1992.

Advance payments of the Group for corporate income tax, amount to 346 million pesetas and the withholding tax to 1.235 million pesetas.

NOTE 23- INCOME AND EXPENSES

23.1 The distribution of sales by products is as follows:

PARENT COMPANY			
Concepts	1993	1992	
Subscribed payments	276 280	253 751	
Transmission of data and images	112 433	115 669	
National automatic service	579 671	539 564	
Operator trunk calls	3 271	2 861	
International service	132 672	135 005	
Marine portable service	32 754	25 989	
Advertising	15 007	12 806	
Connection fees	43 930	44 014	
Marketing of terminals and other	24 066	25 037	
Operating income	1 220 084	1 154 696	
CONSOLIDATED			
Concepts	1993	1992	
Parent company	1 220 084	1 154 696	
International Telephone Group	18 338	1 767	
Other subsidiaries	161 106	156 395	
Intra - group sales	(102 091)	(103 920)	
Total	1 297 437	1 208 938	

23.2 The numbers of employees by category and personnel costs are as follows:

AVERAGE NUMBER OF EMPLOYEES:		PARENT COMPANY		CONSOLIDATED	
Category		1993	1992	1993	1992
General management		1 141	1 129	1 482	1 155
University graduates and special technicians		4 007	3 941	5 277	5 302
Personnel with higher education degrees and technicians		6 640	6 726	7 994	8 106
Personnel in charge and operators of internal plant		18 225	18 240	18 240	18 240
Personnel in charge and operators of external plant		20 755	21 079	20 835	21 079
Applications operator and data processing assistants		732	1 080	732	1 080
Administrative personnel		10 702	10 482	12 727	12 237
Subscribed service personnel		3 510	3 467	3 709	3 722
Operation personnel		5 923	6 031	5 923	6 031
Warehouse, office and garage personnel		1 757	1 798	1 757	1 801
Auxiliary personnel		975	965	982	971
Manual workers		--	--	3 297	2 807
Other personnel		22	30	1 101	1 271
Total		74 389	74 968	84 056	83 802
PERSONNEL COSTS:		PARENT COMPANY		CONSOLIDATED	
Concepts		1993	1992	1993	1992
Salaries and wages		302 599	292 661	334 097	318 288
Pensions Funds		18 022	24 065	18 233	24 470
Social Security and other expenses		87 482	76 010	96 072	86 868
Total		408 103	392 736	448 402	429 626

23.3 The following is an analysis of extraordinary income and expenses:

EXTRAORDINARY INCOME		PARENT COMPANY		CONSOLIDATED	
Concept		1993	1992	1993	1992
Reversion of fixed assets contributions for COOB 92 and EXPO 92		881		881	
Indemnities for breach of contract		533		533	
Insurance compensation		146		146	
Complementary income tax report		161		849	
Miscellaneous		485		2 107	
Total		2 206		4 516	

EXTRAORDINARY EXPENSES	PARENT COMPANY	CONSOLIDATED
Concept	1993	1993
Pension complements	8 292	9 130
Donations	1 080	1 080
Sponsorship costs of COOB 92, EXPO 92 COM 92 and XACOBEO 93	1 784	1 784
Irrecoverable costs of rejected projects	405	405
Charge on provision for contingencies	3 113	3 113
Complementary income tax report	1 138	1 369
Expenses for exhibitions and other functions	614	615
Miscellaneous	257	1 668
Total	16 683	19 164

NOTE 24 - OTHER INFORMATION

24.1 Compensation of Directors

The total amount paid to Telefónica's directors during the year 1993 for salaries, wages and expense allowances was 125 million pesetas.

The 4 members of the Board of Directors who are Telefónica's employees have joined the Pension Plan in the same conditions as the rest of the employees. The contributions to the annual cost towards the Pension Fund of these 4 members for 1993 amount to 2,272,328 pesetas.

Telefónica did not grant any loans or credits in favor of the members of the Board of Directors.

24.2 Unused credit facilities:

	PARENT COMPANY		CONSOLIDATED	
	1993	1992	1993	1992
Unused long term credit facilities	32 079	4 682	126 693	85 224
Other credit facilities (floating credit lines)	62 000	21 627	62 000	21 627
Short term credit facility	31 965	12 189	41 946	30 085
Total	126 044	38 498	230 639	136 936

24.3 Commitments:

Guarantees for financial operations	75 073	75 201	85 579	2 795
Guarantees granted to employees	2 646	2 924	2 646	6 603

Guarantees for financial operations include primarily guarantees given by the Company to its subsidiary and participated companies to secure their operations with third parties.

NOTE 25- SUBSEQUENT EVENTS

25.1 Loans in foreign currency

In January 1994, the following loans have amortized in advance:

a) Loan of the European Bank of Investments, granted through the I.C.O. in 1989, with a maturity of 15 years, used in 3 multi-currencies, 52.4 million ECU'S, 61.7 million dutch florins, and 46.6 million swiss francs.

b) Loan of the Swiss Bank granted in 1990 of 75 million US dollars, with a maturity of 8 years, to be amortized by a single payment and variable interest rate from 3 to 6 months.

25.2 Foreign operations

a) In January 1994 the COCELCO consortium, in which Telefónica's group participates in 35%, has obtained the license to operate through mobile technology in the west region of Colombia.

b) In February 1994, through public licitation, the Telefónica Group was the successful bidder of 35% of the equity of the peruan companies CPT and ENTEL, which control 95% of the telecommunication market in Perú. The requirements are included in the privatization document. The bidded amount totals 2.002 million of US dollars for the aforementioned adjudication.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS PER PARENT COMPANY AT DECEMBER 31

APPLICATION	1993	1992	Sources	1993	1992
1. Funds applied to operations	-	-	1. Funds provided by operations	594 310	602 512
2. Establishment costs and cost of formalizing debts	2 172	5 127	2. Contributions from shareholders:		
3. Acquisition of long-term assets:			a) Capital increases	6 255	1
a) Intangible assets	25 279	19 571	b) Share premiums	9 600	-
b) Fixed assets	376 982	423 048	3. Deferred income	10 702	17 669
c) Long term investments	21 961	23 540	4. Long term deferred taxes	161	1 310
d) Advances to suppliers	(14 215)	17 650	5. Long term liabilities:		
e) Installation materials	(5 502)	(11 521)	a) Loans and credits	73 037	121 225
4. Long term prepaid taxes	2 866	-	b) Other	44 529	215 518
5. Dividends	79 731	31 517	6. Sale proceeds of fixed assets:		
6. Cancellations or transfers to short-terms of long-term liabilities			a) Fixed assets	10 783	6 792
a) Loans and credits	168 154	79 971	b) Long term investments	9 451	3 973
b) Other	135 401	137 051	7. Provision and deferred expenses	1 716	-
7. Provisions	22 365	134 958			
8. Deferred taxes	586	343			
Total applications	815 780	861 255	Total sources	760 544	969 000
Excess of sources over applications			Excess of applications over sources		
(Increase in working capital)		107 745	(Decrease in working capital)	55 236	-
	815 780	969 000		815 780	969 000

CHANGES IN WORKING CAPITAL PER PARENT COMPANY

INCREASE IN WORKING CAPITAL	1993	1992	DECREASE IN WORKING CAPITAL	1993	1992
1. Shareholders for uncalled share capital	-	-	1. Shareholders for uncalled share capitals	-	-
2. Inventories	-	-	2. Inventories	1 187	300
3. Accounts receivable		55 099	3. Accounts receivable	11 821	-
4. Accounts payable		50 183	4. Accounts payable	39 767	-
5. Own shares	-	-	5. Own shares	-	-
6. Short term investments	-	6 449	6. Short term investments	5 248	-
7. Cash and banks	1 242	-	7. Cash and banks	-	790
8. Prepayments and accruals	1 545	-	8. Prepayments and accruals	-	2 896
Total	2 787	111 731	Total	58 023	3 986
Changes in working capital	55 236	-	Changes in working capital	-	107 745
	58 023	111 731		58 023	111 731

STATEMENT OF SOURCE AND APPLICATION OF FUNDS PER CONSOLIDATED GROUP AT DECEMBER 31

APPLICATION	1993	1992	SOURCES	1993	1992
1. Funds applied to operations	-	-	1. Funds provided by operations	602 317	597 806
2. Establishment costs and cost of formalizing debts	1 854	5 810	2. Contributions from shareholders:		
3. Acquisition of long-term assets:			a) Capital increases	6 255	1
a) Intangible assets	24 896	19 774	b) Share premiums	9 600	-
b) Tangible fixed assets	374 920	435 556	c) Participations of minority shareholders	584	-
c) Long term investments	64 640	10 663	3. Deferred income	11 805	17 669
d) Advances to suppliers	(13 680)	17 077	4. Long term deferred taxes	161	-
e) Installation materials	(5 502)	(13 128)	5. Long term liabilities	145 881	343 629
4. Long term prepaid taxes.	2 866	-	6. Sale of long-term assets:		
5. Dividends	79 827	31 517	a) Intangible fixed assets	-	2
6. Funds used on acquisition of participations	490	12 872	b) Tangible fixed assets	12 465	8 671
7. Cancellations or transfer to short-terms of long-term liabilities	326 665	224 824	c) Long-term investments	15 829	4 780
8. Provision	22 664	135 225	7. Provision and deferred expenses	1 716	-
9. Deferred tax	586	343	8. Funds used by sales of participation	-	328
10. Decrease in working capital due to disposal of subsidiary companies	204	-	9. Increase of working capital by acquisition of new subsidiaries companies	10 053	1 457
11. Variation of working capital due to differences in currency translation	4 530	-			
Total applications	884 960	880 533	Total sources	816 666	974 343
Excess of sources over applications (Increase in working capital)	-	93 810	Excess of applications over sources (Decrease in working capital)	68 294	-
	884 960	974 343		884 960	974 343

CHANGES IN WORKING CAPITAL PER CONSOLIDATED GROUP

INCREASE IN WORKING CAPITAL	1993	1992	DECREASE IN WORKING CAPITAL	1993	1992
1. Shareholders for uncalled share capital	22	-	1. Shareholders for uncalled share capital	-	40
2. Inventories	-	-	2. Inventories	2 047	1 867
3. Accounts receivable	-	49 482	3. Accounts receivable	4 559	-
4. Accounts payable	-	43 052	4. Accounts payable	70 121	-
5. Own shares	-	-	5. Own shares	-	-
6. Short term investments	4 688	5 770	6. Short term investments	-	-
7. Cash and banks	2 088	-	7. Cash and banks	-	803
8. Prepayments and accruals	1 635	-	8. Prepayments and accruals	-	1 784
Total	8 433	98 304	Total	76 727	4 494
Changes in working capital	68 294	-	Changes in working capital	-	93 810
	76 727	98 304		76 727	98 304

The reconciliation net profit to funds provided by operations:

	PARENT COMPANY		CONSOLIDATED	
	1993	1992	1993	1992
Net profit for the year	84 837	83 899	96 367	80 761
Net profit attributed to the shareholders' interests	-	-	5 581	2 461
Net profit attributed to the associated companies	-	-	(20 176)	(9 391)
			81 772	73 831
ADDITIONS:				
Dividends from associated companies	-	-	7 849	6 267
Depreciation	372 401	341 903	374 259	343 179
Amortization	4 952	5 462	4 954	5 810
Amortization of Consolidation Goodwill	-	-	4 798	808
Reserve for deterioration in value of long term investments	2 530	1 949	68	519
Exchange losses	27 122	9 066	27 157	9 086
Provision for pension fund	-	12 531	-	12 731
Charge on collective endowment insurance	4 038	8 965	4 038	9 492
Dismantled plant non amortized	29 250	35 101	29 250	35 355
Provision adjustment inventories	1 906	9 357	1 906	9 357
	3 113	-	3 113	-
Deferred interest	69 600	58 406	70 072	58 964
Deferred taxes and other	-	31 321	-	27 836
Amortization of COOB92 and Expo 92	1 784	5 738	1 784	5 738
Lost on sale of intangible fixed assets	-	-	208	188
Financial provision and liabilities compliments	18 381	9 040	18 381	9 040
Charge on other provisions	-	-	2 370	-
Provision for deficit of current employees	4 128	-	4 128	-
Losses on disposal of consolidated companies	-	-	205	-
REDUCTIONS:				
Profit on sale of long term investment	564	145	4 767	162
Profit on sale of fixed assets	9 539	5 621	9 539	5 682
Capital grants	5 377	3 693	5 377	3 693
Deferred and prepaid taxes	10 226	-	10 289	-
Outside contributions refundable and other	4 026	767	4 023	858
Funds provided by operations	594 310	602 512	602 317	597 806

Sources applied for purchases or sales of participations:

Effects on working capital	Purchases		Sales	
	1993	1992	1993	1992
Purchaser financial investment and consolidated change criteria	(988)	-	-	-
Intangible assets	-	(3 522)	136	396
Tangible assets	199	(3 525)	32	677
Investments	1	-	32	46
Goodwill	426	(7 595)	-	46
Minority interest	(61)	-	(197)	-
Exchange differences	-	2 371	-	-
Provisions	(9 472)	-	-	-
Long term Liabilities	(158)	12 872	(2)	(309)
Losses on sales of consolidated companies	-	-	(205)	-
Working capital	(10 053)	601	(204)	856
Purchase or sale price of participations	490	12 872	1	328

MANAGEMENT REPORT ON TELEFONICA DE ESPAÑA, S.A.

From a global viewpoint, Telefonica's activities in 1993 can be categorized as satisfactory in a year in which the Spanish economy has gone through recession.

Regarding the management of services, the achievements accomplished throughout the year have been decidedly favourable. The waiting list, that a few years ago totalled over half a million applications pending, was totally eliminated. Customer service was also improved, significantly cutting the average waiting period which, by December 1993, had fallen to eight days. Those clients whose applications have not been attended to within a 20-day period have received the gift of a telephone set as promised by Telefonica's President at the Annual General Shareholders' Meeting and the Company has achieved quality levels comparable with those of the most developed countries within the European Community.

Another facility aimed at improving customer service was that of detailed invoicing free of charge which, at the end of the year, was offered to two million subscribers. It is foreseen that during the course of 1994 this service will be extended to all those subscribers whose lines correspond to a digital exchange and by 1997 this service will cover all subscribers.

This improved customer service is due, in large part, to Telefonica's policy of modernization of installations which continued throughout 1993. Of the new lines installed, 61% have been aimed at the modernizing of the network, substituting those lines whose technology has become obsolete. As a result of this, the degree of digitalization has risen 5 percentage points to reach 41.4%. In July 1993, Telefónica launched its Integrated Services Digital Network which provides voice, text, data and image services through a single access point. With the aim of further modernizing installations, in the last quarter of the year the Fotón Plan was introduced in order to offer digital continuity to all Telefonica's corporate clients through the connecting, using optic fibre, of their buildings to the corresponding digital exchange.

Another singularly important event for Telefónica in 1993 was that of the liberalizing, in Spain, of data transmission services, coming as a result of the process of telecommunications liberalization taking place throughout the European Community. In 1994 this process will continue with the granting of a second licence for mobile telephony.

With a view to gaining ground in the ever-growing competitive arena of data transmission Telefonica launched, in 1993, its ISDN Business Network, a service designed to meet the telecommunications needs of Spanish corporate clients. This service combines those offered by the Red UNO network, specialized in data transmission, with those of the Integrated Services Digital Network along with the virtual networks carried by the Intelligent Network. Regarding the international arena, Telefonica has developed a new communications network for business clients, Orbinet, which was launched at the beginning of 1994 and will offer international connections with the principal European and Latin American capitals.

From a financial viewpoint, the 1993 fiscal year has somewhat reversed the performances registered previously. For the first time in Telefonica's recent history a situation of total self-financing of investment was reached due to the continued growth in the Company's capacity to generate funds, which has permitted a 96,000 million peseta cut in indebtedness, therefore changing the trend of this variable.

Service performance

The number of applications registered for basic telephony totalled 1,136,148, growing by 6.3%. However, the high number of line cancellations caused by the economic recession has placed net demand at 347,755 applications, 11.8% lower than in 1992. The number of new connections made to the service rose to 1,020,821, 6.2% higher than last year's figure. At year-end, basic telephone lines in service totalled 14,253,470, a 3.3% increase over December of 1992. The weakness in demand and the sustained installation effort carried out over the past few years and throughout 1993, have resulted in the total elimination of the waiting list, as the 24,766 applications pending at the end of the year (95,648 fewer than the previous year) can be considered to be a normal number with an average 8-day waiting period.

Mobile telephony has continued the high-growth trend registered over the past few years, although it has also been affected by the unfavourable economic climate. The number of new connections registered over the year amounted to 108,398 which reflects a 12.1% increase when compared with the previous year. The figure for subscribers to mobile telephony reached 257,261 a 42.7% increase over the figure for 1992.

The integrated business communications service Ibercom has also suffered the effects of the recession registering 124,867 applications, 8.8% down on the previous year. Similarly, the number of new connections to the service fell 9.7%, to total 119,519. At year-end the Ibercom service had 572,460 extensions, 18.9% higher than in December 1992.

The performance reflected by data transmission services for the business sector has been influenced by both the economic situation and the business sector's tendency to drift from one service to another. The number of applications for leased circuits amounted to 8,718 compared with the 9,833 registered the previous year, resulting in a 11.3% decrease compared with 1992. The number of connections carried out in order to cover this demand totalled 7,839 which also represents a fall off of 10.6%. Regarding the packet-switched data transmission network Iberpac, applications registered went up 18.5% to reach 26,180, while the number of connections made was 19,385, reflecting a 8.1% drop.

Investment activity

Telefonica's total investment for 1993 amounted to 403,468 million pesetas, 12.8% lower than the previous year. Investment in intangible assets rose to 25,279 million pesetas, compared with 19,571 million pesetas in 1992. This increase reflects the important growth in research and development activities and the purchasing of software licences. Financial investment totalling 21,961 million pesetas went down 6.7% compared with 1992.

Gross investment in fixed assets, which includes investment in plant, variations in stock installation equipment and advances to suppliers of fixed assets, amounted to 356,228 million pesetas, having gone down 15.1%, which confirms the continued restraint exercised on this item initiated the previous year.

The principal components that made up investment in fixed assets in 1993 have been installations in external plant, 35% of the total, switching equipment, 23%, and radio and transmission equipment contributed 19%.

Throughout 1993, 1,019,674 subscriber lines and 188,609 trunk lines have been installed, of which almost all are digital. The total number of subscriber lines installed at year-end was 15,879,700, growing 2.6% over the figure for December 1992. The level of digitalization reached 41.4%, which represents a 5 percentage point increase. In December 1993, the number of lines with the capacity to provide detailed invoicing totalled 3,985,335; the number of Ibercom lines installed reached 108,671 and automatic mobile telephony lines totalled 427,414.

Research and development activities

The total figure for investment in research and development reached 13,954 million pesetas, making up 3.5% of investment. The principal projects into which these resources have been channelled are those of new facilities for packet-switching equipment, new possibilities for wide-band multimedia communications, displays of new services such as multimedia videotex, videotelephony, multipoint conferencing, telepayment and other concepts.

Economic results

Telefónica's economic results can be categorized as satisfactory in a year that has been characterized, from a macroeconomic viewpoint, by the recession and the depreciation of the peseta.

Net income, totalling 84,837 million pesetas grew by 1.1%. However, income before tax reflected a more positive performance going from 99,724 million pesetas in 1992 to 107,468 million pesetas in 1993, growing by 7.8%. This performance comes despite the economic slump, which has affected revenue from operations which went up 5.7%, the lowest rate in recent years, and the negative effects of exchange losses for an amount of 27,243 million pesetas, caused by the depreciation of the peseta, when the figure for 1992 was 12,411 million pesetas. This performance has therefore been possible due to the restraint on personnel and operating expenses.

Financial performance

From a financial point of view, 1993 has been a year in which Telefónica's fund generation capacity, reflected by a figure for funds provided by operations totalling 594,310 million pesetas, was considerably greater than the resources applied to investment and distribution of dividends, which has allowed the Company total self-financing for the first time in recent years.

The favourable trend reflected by the price of Telefónica shares over the year has permitted the conversion of the outstanding bonds corresponding to the US \$ 200 million Convertible Bond Issue carried out on the Euromarket in July 1988. Following the conversion, this issue has been totally redeemed. This conversion has resulted in a 15,855 million peseta increase in equity (6,255 million pesetas in share capital and 9,600 in share premium) through the issuing of 12,511,669 new shares, therefore raising the total number of shares to 939,470,820 at December 1993.

In consequence, Telefónica's indebtedness has gone down throughout the year to reach 95,865 million pesetas of which 64,353 million pesetas correspond to long term debt and 31,512 million pesetas to short term.

The Board of Directors has agreed to propose, at the Annual General Shareholders' Meeting, the distribution of a dividend of 62 pesetas per share debited to the 1993 results. This payment per share is one peseta higher than in 1992, resulting in a total amount of 57,948 million pesetas to be distributed in dividends.

Outlook

The forecasts for 1994 show that demand for basic telephony will follow a trend similar to that of 1993. The foreseen number of subscriber line applications is around 1,080,000 and net demand will reach approximately 355,000 lines and more than 900,000 new connections are foreseen.

Forecasts for investment, which includes both fixed and intangible assets, place the figure at 466,000 million pesetas with total self-financing. One million lines will be installed of which almost all will be digital. More than 80% of these lines will be used to modernize plant installed and the remaining 20% to cover new demand.

Acquisition of own shares (Treasury stock)

No treasury stock was acquired during the year.

MANAGEMENT REPORT ON CONSOLIDATED GROUP

1993 has been a year of intense activity for the Telefónica Group, both in Spain and abroad, with activities aimed at the strengthening of the strategy followed over recent years, combining the specializing in business lines with geographical diversification. From an economic-financial viewpoint, 1993 has been generally positive, reflecting results that fulfilled the favourable expectations of the last few months of the year.

Within Spain, Telefónica's activities have been aimed at the adopting of measures that will allow the Company to face, from the best possible position, the imminent competition derived from the liberalization of data transmission services, which took place last year, and the granting of a second cellular mobile telephony licence to be carried out within the next few months.

In order to attend to the demands of business clients, Telefónica has launched a group of companies using the subsidiary, Telefónica Sistemas, as a nucleus. Telefónica Servicios Avanzados de Información has been formed to offer intercommunication services among businesses. Those services worthy of mention are those of access to data bases, electronic mail and clearing centres. Telefónica Sistemas de Ingeniería de Productos will specialize in the designing of projects, installation, supplying and maintenance of Tsys data transmission equipment. Telefónica Gestión de Sistemas has been created as a supplier of outsourcing services, while Telefónica Sistemas de Satélites (TSS), a systems engineering company, will specialize in the networks for satellite communications.

In October 1993, TSS signed a collaboration agreement with Unisource Satellite Services in order to, jointly, operate worldwide business communications via satellite which represented the first step towards the finalizing, at the end of the same year, of a far-reaching cooperation agreement, between Telefónica and the Unisource consortium, aimed at improving the service to international clients. The Unisource consortium is made up by PTT Telecom Netherlands, Swiss Telecom PTT and Swedish Telia. The agreement covers the harmonizing of the commercial offer for data transmission services, satellite communications, business and other networks and their supporting infrastructure. This collaboration will permit the offer of worldwide international communications through a single contract with any one of the partners.

In order to tackle the imminent competition created by the granting of a second licence for cellular mobile telephony in 1994, Telefónica, through its subsidiary, Telefónica Servicios Móviles (TSI) has consolidated its position within automatic mobile telephony with the launching of MOVILINE which has meant the introduction of a new commercial strategy, with an extensive distributor network and the designing of new ways to gain connection to the service. At the same time, coverage has continued to expand and new facilities have been developed.

In the international arena, Telefónica, through its subsidiary Telefónica Internacional, has maintained its policy of consolidating existing businesses and markets and has also branched out into new business lines and countries.

Telefónica Internacional has confirmed its presence in Argentina with the purchasing of the participations previously held by Banco Central Hispano and Sociedad Comercial del Plata in COINTEL which in turn holds a 60.5% participation in Telefónica de Argentina (TASA). TASA is responsible for the operating of the telephone service in the southern area of Buenos Aires and South Argentina.

As a result of these acquisitions, Telefonica's stake in COINTEL has gone from 10.1% to 28.8% and that of TASA has risen from 8.1% to 19.4%. This increase in participation has meant an investment amounting to 317.5 million dollars. It must be underlined that Telefónica Internacional participates in the management of 5.8 million subscriber lines in service in Latin America.

In March, Movistar, a company within the Telefónica Internacional Group, with 50% participations held by Telefónica de Argentina and Telecom Argentina, launched its cellular telephony service, Miniphone, in Buenos Aires. In 1993, Telefónica Rumania also initiated its cellular telephony service, Telernobil, in Bucharest.

Regarding data transmission, the participation held in INFONET went from 5.4% to 7.1% with an investment of 1.9 million dollars. In the directories and yellow pages business, 60% of the Chilean company Publiguias was acquired in January 1993, 51% through Telefónica Internacional and the remaining 9% through the Compañía de Teléfonos de Chile (CTC) with a total investment figure for the Group of 7 million dollars.

With regard to cellular mobile telephony, it must be mentioned that in December 1993 the international consortium led by Telefónica, Telecom and Stet, was granted the licence to operate a second cellular telephony system in Uruguay. Telefónica de Argentina, holding a 40% participation, is the consortium's leader, while Telefónica Internacional controls 10%.

After the close of the year, in January 1994, the consortium COCELCO, in which the Telefonica Group holds a 35% participation (26% Telefónica Internacional and 9% the Compañía de Teléfonos de Chile Celular) obtained a licence to operate a cellular mobile telephony system in the western area of Columbia in which the urban areas Cali and Medellin are located. The licence was obtained for 158 million dollars.

On February 28th 1994 the Peruvian government resolved the bidding procedure for 35% of the share capital of the telecommunications operators, CPT and ENTEL, which together control 95% of telecommunications in Peru. The outcome of this procedure was that Telefonica Internacional's 2,002 million dollar offer was the winning bid with a maximum three-month period in which to make this participation effective.

Economic results

The Telefonica Group's economic results for 1993 have reflected a favourable performance in a year in which the Spanish economy has been going through recession. This is, in large part, due to the more favourable economic climate in the Latin American countries where the Telefonica Group has been expanding and consolidating its presence.

Consolidated net income rose to 96,367 million pesetas, 19.3% higher than the figure for the previous year, while income before tax grew by 28.3% to reach 121,212 million dollars.

The Group's revenue from operations totalled 1,297,437 million pesetas which, compared with the 1,208,938 million pesetas registered in 1992, reflects a growth of 7.3%. Telefonica's revenue, making up 94.0% of the total, grew by 5.7%, that of the Telefónica Internacional Group, contributing 1.4% to the total has increased ten-fold as a result of the incorporation of the revenue from Publiguias (the yellow pages in Chile) and Telefónica Larga Distancia de Puerto Rico; the revenue from the remaining subsidiaries, totalling 161,106 million pesetas (12.4% of the total) grew by 3.0%, while sales among the Group companies, deducting 7.8% from total revenue, went from 103,920 million pesetas in 1992 to 102,091 million pesetas in 1993.

A factor of vital importance when analysing the economic performance of the Telefonica Group throughout 1993 is that of the income derived from the associated companies which totalled 23,643 million pesetas, growing by 92.0%. Those contributions to income made by the Latin American operators, in which Telefónica Internacional holds participations, are the main components of this total, especially that of the Compañía de Teléfonos de Chile (CTC) followed by that of Telefónica de Argentina (TASA), Compañía Anónima de Teléfonos de Venezuela (CANTV) and Entel-Chile.

The principal contributions to the Telefonica Group's consolidated net income have been as follows: the parent company made up 84.5% of total, Telefónica Internacional, 17.1%, and the remaining subsidiaries have contributed an overall 0.8%; that of CETESA (yellow pages) is particularly outstanding making up 2.4% of the total figure. Finally, the associated companies, in which Telefonica holds minority participations and has no control in the management, contributed a negative 2.4% to the total. Of these companies, those that stand out are Amper (1.0% of the total) Hispasat (1.0%) and Eritel (0.6%).

Investment and self-financing

The Telefonica Group's total investment for 1993 amounted to 445,764 million pesetas, reflecting a 5.9% decrease when compared with 1992. Of the total, 79.8% corresponds to investment in fixed assets and 5.6% to investment in intangible assets, principally research and development expenses and the acquisition of software licences. The remaining 14.6%, 65,130 million pesetas, corresponds to financial investment, which reflects the intense activity carried out in order to increase existing participations and acquire others in telecommunications companies, above all, those in Latin America. The Telefonica Group's funds provided by operations amounted to 602,317 million pesetas, which has allowed total self-financing of investments.

Acquisition of own shares (Treasury stock)

Throughout 1993 no Treasury stock has been acquired.

