



**SELECTED FINANCIAL DATA. CONSOLIDATED** (Million pesetas)

	1992	1993	1994	1995	1996	1996 \$ (3)
Revenue from operations	1,208,938	1,297,437	1,578,850	1,740,557	2,006,058	15,281.3
Operating expenses	613,788	656,655	806,400	849,258	1,023,065	7,793.3
Financial expenses	220,912	242,342	236,101	223,656	206,425	1,572.5
Depreciation and amortization (1)	385,152	413,261	515,116	567,992	594,536	4,528.9
Net income	80,761	96,367	112,608	133,214	160,282	1,221.0
Cash flow	465,250	502,882	644,750	750,357	811,235	6,179.7
Share capital	463,480	469,735	469,735	469,735	469,735	3,578.3
Shareholders' equity	1,392,005	1,437,055	1,512,031	1,546,472	1,863,760	14,197.4
Long-term debt	1,610,878	1,569,568	1,773,321	1,665,508	1,603,896	12,217.8
Financial debt	1,887,687	1,824,654	2,032,020	1,941,908	1,995,940	15,204.3
Investment (2)	459,279	380,634	489,606	632,893	724,253	5,517.1

(1) Including amortization of goodwill.

(2) Fixed and intangible.

(3) Figures in million dollars. 30-12-96 exchange rate: \$ 1 = ptas 131.275

**TELEFONICA GROUP: OPERATING REVENUE** (Million pesetas)

	1993	1994	1995	1996	Increase (%) Over 1995	1996 \$ (1)
<b>Parent company</b>						
Basic telephony	955,580	988,649	1,042,985	1,223,496	17.3	9,320.1
Telephone service	767,899	802,545	843,748	947,748	12.3	7,219.5
Leased circuits	40,685	34,103	29,809	73,317	146.0	558.5
Ibercom	48,399	54,769	58,517	69,290	18.4	527.8
Digital exchanges, intelligent network, ISDN and other	3,791	6,728	19,493	49,898	156.0	380.1
Equipment	79,949	75,154	75,983	71,696	(5.6)	546.2
Advertising	14,857	15,350	15,435	11,547	(25.2)	88.0
International communication services	132,040	139,349	145,222	136,124	(6.3)	1,036.9
Telephone service	121,048	128,228	134,145	123,120	(8.2)	937.9
Leased circuits	5,517	5,693	7,367	9,833	33.5	74.9
Retransmissions	5,475	5,428	3,710	3,171	(14.5)	24.1
Public telephony	52,511	62,941	65,452	64,655	(1.2)	492.5
Data transmission	45,522	43,735	38,642	44,645	15.5	340.1
Mobile services	34,431	46,471	76,494	0	—	—
Other	—	2,391	3,879	4,125	6.3	31.4
<b>Total revenue from operations for Telefónica</b>	<b>1,220,084</b>	<b>1,283,536</b>	<b>1,372,674</b>	<b>1,473,045</b>	<b>7.3</b>	<b>11,221.0</b>
<b>Group</b>						
Telefónica Internacional	18,338	221,451	281,050	331,598	18.0	2,526.0
Telefónica Servicios Móviles	4,108	7,179	35,028	256,384	631.9	1,953.0
Cabitel	16,267	21,373	33,187	40,482	22.0	308.4
Other subsidiaries	140,731	157,894	179,740	211,872	17.9	1,614.0
Sales among group companies	(102,091)	(112,583)	(161,122)	(307,323)	90.7	(2,341.1)
<b>Total revenue from operations for Group Companies</b>	<b>77,353</b>	<b>295,314</b>	<b>367,883</b>	<b>533,013</b>	<b>44.9</b>	<b>4,060.3</b>
<b>Total revenue from operations for Telefónica Group</b>	<b>1,297,437</b>	<b>1,578,850</b>	<b>1,740,557</b>	<b>2,006,058</b>	<b>15.3</b>	<b>15,281.3</b>

(1) Figures in million dollars. 30-12-96 exchange rate: \$ 1 = ptas 131.275

**RESULTS - PROFIT MARGINS. CONSOLIDATED** (Million pesetas)

DESCRIPTION	1992	1993	1994	1995	1996	Increase %		1996 \$ (1)
						Over 95	Average accumulated 92-96	
+ Operating revenue	1,208,938	1,297,437	1,578,850	1,740,557	2,006,058	15.3	13.5	15,281.3
- Operating expenses								
Personnel expenses	429,626	448,402	520,918	543,547	554,682	2.0	6.6	4,225.4
Taxes	22,976	23,981	25,826	27,667	35,106	26.9	11.2	267.4
Subcontracts	161,186	184,272	259,656	278,044	433,277	55.8	28.0	3,300.5
+ Internal expenditure capitalized in fixed assets	103,929	109,103	121,391	121,548	127,319	4.7	5.2	969.9
<b>= Operating margin</b>	<b>699,079</b>	<b>749,885</b>	<b>893,841</b>	<b>1,012,847</b>	<b>1,110,312</b>	<b>9.6</b>	<b>12.3</b>	<b>8,457.9</b>
+ Other operating revenue	23,618	33,068	30,226	33,402	37,758	13.0	12.4	287.7
- Depreciation of fixed assets	343,179	374,259	454,530	501,480	526,229	4.9	11.3	4,008.6
- Other operating expenses	13,766	13,152	9,854	9,728	19,307	98.5	8.8	147.1
- Other provisions and charges	18,787	25,816	27,286	25,159	26,569	5.6	9.1	202.4
<b>= Operating profit</b>	<b>346,965</b>	<b>369,726</b>	<b>432,397</b>	<b>509,882</b>	<b>575,965</b>	<b>13.0</b>	<b>13.5</b>	<b>4,387.5</b>
+ Financial income	4,318	7,837	17,358	18,802	19,156	1.9	45.1	145.9
+ Exchange income	363	2,695	4,780	12,685	10,678	(15.8)	132.9	81.3
- Interest expenses	202,300	208,757	205,978	201,151	182,370	(9.3)	(2.6)	1,389.2
- Exchange losses	12,802	28,631	24,642	19,188	20,452	6.6	12.4	155.8
- Amortization of deferred charges	5,810	4,954	5,481	3,317	3,603	8.6	(11.3)	27.4
+ Revenue from associated companies	9,391	20,176	18,513	8,754	7,811	(10.8)	(4.5)	59.5
- Amortization of goodwill	808	4,798	6,191	6,985	16,786	140.3	113.5	127.9
<b>= Profit from ordinary activities</b>	<b>139,317</b>	<b>153,294</b>	<b>230,756</b>	<b>319,482</b>	<b>390,399</b>	<b>22.2</b>	<b>29.4</b>	<b>2,973.9</b>
+ Extraordinary income	10,804	14,904	40,206	29,874	31,941	6.9	31.1	243.4
- Extraordinary expenses	53,201	41,405	99,311	125,645	146,459	16.6	28.8	1,115.7
<b>= Income before tax</b>	<b>96,920</b>	<b>126,793</b>	<b>171,651</b>	<b>223,711</b>	<b>275,881</b>	<b>23.3</b>	<b>29.9</b>	<b>2,101.6</b>
- Corporate tax	13,698	24,845	30,589	39,358	56,921	44.6	42.8	433.6
<b>= Net income</b>	<b>83,222</b>	<b>101,948</b>	<b>141,062</b>	<b>184,353</b>	<b>218,960</b>	<b>18.8</b>	<b>27.4</b>	<b>1,668.0</b>
- Minority interest	2,461	5,581	28,454	51,139	58,678	14.7	121.0	447.0
<b>= Net income attributed to Telefónica</b>	<b>80,761</b>	<b>96,367</b>	<b>112,608</b>	<b>133,214</b>	<b>160,282</b>	<b>20.3</b>	<b>18.7</b>	<b>1,221.0</b>
<b>Net income</b>	<b>83,222</b>	<b>101,948</b>	<b>141,062</b>	<b>184,353</b>	<b>218,960</b>	<b>18.8</b>	<b>27.4</b>	<b>1,668.0</b>
+ Amortization of deferred charges	5,810	4,954	5,481	3,317	3,603	8.6	(11.3)	27.4
+ Depreciation of fixed assets	343,179	374,259	454,530	501,480	526,229	4.9	11.3	4,008.6
+ Dismantled plant pending depreciation	35,355	29,250	48,914	56,210	47,918	(14.8)	7.9	365.0
+ Amortization of goodwill	808	4,798	6,191	6,985	16,786	140.3	113.5	127.9
- Revenue from associated companies	9,391	20,176	18,513	8,754	7,811	(10.8)	(4.5)	59.5
+ Dividends of associated companies	6,267	7,849	7,085	6,766	5,550	(18.0)	(3.0)	42.3
<b>= Cash flow</b>	<b>465,250</b>	<b>502,882</b>	<b>644,750</b>	<b>750,357</b>	<b>811,235</b>	<b>8.1</b>	<b>14.9</b>	<b>6,179.7</b>

(1) Figures in million dollars. 30-12-96 exchange rate: \$ 1 = ptas. 131.275

**BALANCE SHEET. CONSOLIDATED** (Million pesetas)

ITEMS	1992	1993	1994	1995	1996	1996 \$ (1)
<b>Subscribed shares not paid-in</b>	1	0	23	174	0	0
<b>Fixed assets</b>	3,409,276	3,436,855	3,992,550	4,064,356	4,585,143	34,927.8
Capital increase expenses	503	226	349	714	577	4.4
Net intangible assets	50,778	63,207	300,207	317,239	337,825	2,573.4
Property, plant and equipment	5,303,671	5,483,037	6,311,527	6,538,507	7,024,676	53,511.1
Depreciation of fixed assets	(2,092,440)	(2,310,927)	(2,751,943)	(2,941,081)	(3,050,806)	(23,239.8)
<b>Net fixed assets</b>	3,211,231	3,172,110	3,559,584	3,597,426	3,973,870	30,271.3
Investments	146,764	201,312	132,410	148,977	272,871	2,078.7
<b>Goodwill on consolidation</b>	13,226	48,236	53,741	47,687	49,798	379.3
<b>Deferred expenses</b>	205,811	225,589	186,473	141,310	130,294	992.5
<b>Long-term prepaid taxes</b>	0	14,109	31,230	50,336	70,007	533.3
<b>Current assets</b>	378,838	377,094	495,203	514,395	600,373	4,573.4
Subscribed shares not paid-in	0	22	0	4	0	0
Inventories	18,552	16,505	25,362	29,036	33,834	257.7
Accounts receivable	337,400	332,841	369,798	398,837	505,653	3,851.9
Short-term investments, cash and banks	13,024	19,800	91,007	80,180	48,490	369.4
Prepayments	9,862	7,926	9,036	6,338	12,396	94.4
<b>Assets= liabilities and shareholders' equity</b>	4,007,152	4,101,883	4,759,220	4,818,258	5,435,615	41,406.3
<b>Shareholders' equity (1)</b>	1,392,005	1,437,055	1,512,031	1,546,472	1,863,760	14,197.4
Paid-in share capital	463,480	469,735	469,735	469,735	469,735	3,578.3
Reserves	847,764	894,140	929,688	971,707	1,266,624	9,648.6
Net income for year	80,761	96,367	112,608	133,214	160,282	1,221.0
Interim dividend	0	(23,187)	0	(28,184)	(32,881)	(250.5)
<b>Minority interests (2)</b>	31,044	41,798	292,293	313,753	374,693	2,854.3
<b>Deferred income (3)</b>	58,732	55,326	75,029	91,258	87,486	666.4
<b>Provisions for liabilities and charges (4)</b>	215,796	231,775	270,876	287,996	336,615	2,564.2
<b>Long-term deferred taxes (5)</b>	56,016	57,131	74,447	71,013	83,743	637.9
<b>Long-term debt (6)</b>	1,610,878	1,569,568	1,773,321	1,665,508	1,603,896	12,217.8
Debentures, bonds and promissory notes issued	722,284	708,440	721,323	643,938	654,378	4,984.7
Debt with credit institutions	690,728	681,881	917,607	901,885	843,349	6,424.3
Debt with group and associated companies	18,565	0	217	0	271	2.1
Other creditors	179,301	179,247	134,174	119,685	105,898	806.7
<b>Permanent capital (1+ 2+ 3+ 4+ 5+ 6)</b>	3,364,471	3,392,653	3,997,997	3,976,000	4,350,193	33,138.0
<b>Short-term debt</b>	642,681	709,230	761,223	842,258	1,085,422	8,268.3
Debentures, bonds and promissory notes issued	122,991	167,271	126,360	108,154	147,427	1,123.0
Debt with credit institutions	153,818	87,815	132,339	168,246	244,617	1,863.4
Other creditors	344,153	435,996	469,591	537,275	667,242	5,082.8
Prepayments	21,719	18,148	32,933	28,583	26,136	199.1
<b>Unused credit facilities</b>	136,936	230,639	245,740	334,676	470,513	3,584.2

(1) Figures in million dollars. 30-12-96 exchange rate: \$ 1 = ptas. 131.275

**ECONOMIC / FINANCIAL INDICATORS. CONSOLIDATED** (Figures in %, unless otherwise indicated)

	1992	1993	1994	1995	1996
Operating margin/Revenue from operations (1)	57.8	57.8	56.6	58.2	55.3
Financial expenses/Revenue from operations (2)	18.3	18.7	15.0	12.8	10.3
Operating margin/Average net plant (3)	22.0	23.5	26.5	28.3	29.3
Fixed asset coverage (4)	91.2	90.1	92.3	91.4	88.9
Self-financing ratio (5)	87.5	115.4	115.9	104.1	96.4
Financial debt ratio (6)	58.4	57.6	54.5	51.6	47.5
Debt repayment capacity(years) (7)	5.1	4.5	3.8	3.1	2.9
Financial expenses coverage (times) (8)	1.0	1.1	1.2	1.5	1.7

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

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

(3) Operating margin / Average net fixed assets.

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

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

(6) Interest bearing debt / Shareholders' equity + Outside shareholders' interests + Deferred income + Long-term deferred taxes + Financial debt - Capital increase expenses - Goodwill on consolidation - 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.

(7) Interest bearing debt / Net income + Amortization of deferred expenses + Depreciation of fixed assets + Dismantled plant pending depreciation + Amortization of goodwill - Revenue from associated companies + Dividends from associated companies - Internal expenditure capitalized in fixed assets.

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

121

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

	1992	1993	1994	1995	1996
Gross value added	1.97	2.03	2.01	1.97	1.92
Gross operating profit	2.59	2.55	2.36	2.29	2.17
Gross savings	4.26	3.82	4.30	3.58	3.50
Gross capital formation	3.40	3.15	3.18	3.01	2.61
<b>Prices (1)</b>					
GDP deflator	6.8	4.3	4.0	4.9	3.8
Consumer prices (annual average)	5.9	4.6	4.8	4.6	3.6
Telefónica (2)	3.1	3.8	0.0	(1.7)	(1.8)

(1) Growth rates.

(2) Price index variation of basic telephony tariffs.

Sources: I.N.E and Telefónica

**GROSS VALUE ADDED** (Real growth rates in %)

	1992	1993	1994	1995	1996
National economy	0.4	(0.2)	1.8	3.0	2.2
Services sector	2.4	0.8	2.0	2.5	2.3
Telefónica	9.1	7.9	4.9	7.8	5.2

Sources: I.N.E and telefónica.

**SELECTED FINANCIAL DATA. TELEFONICA DE ESPAÑA** (Million pesetas)

	1992	1993	1994	1995	1996	1996 \$ (2)
Revenue from operations	1,154,696	1,220,084	1,283,536	1,372,674	1,473,045	11,221.1
Operating expenses	536,149	547,156	568,199	604,606	719,862	5,483.6
Financial expenses	217,434	235,319	212,639	191,397	165,263	1,258.9
Depreciation and amortization	382,466	406,603	467,274	505,644	474,403	3,613.8
Net income	83,899	84,837	91,734	106,183	120,414	917.3
Cash flow	466,365	491,440	559,008	611,827	594,817	4,531.1
Share capital	463,480	469,735	469,735	469,735	469,735	3,578.3
Shareholders' equity	1,376,751	1,397,712	1,454,684	1,470,679	1,734,072	13,209.5
Long-term debt	1,593,504	1,529,151	1,450,726	1,318,972	1,196,103	9,111.4
Financial debt	1,851,480	1,755,615	1,663,934	1,554,388	1,415,544	10,783.0
Investment (1)	439,391	381,507	406,882	436,720	395,198	3,010.5

(1) Fixed and intangible

(2) Figures in million dollars. 30-12-96 exchange rate: \$ 1 = ptas 131.275

**RESULTS - PROFIT MARGINS. TELEFÓNICA DE ESPAÑA** (Million pesetas)

DESCRIPTION	1992	1993	1994	1995	1996	Increase %		1996 \$ (1)
						Over year 95	Average accumulated 92-96	
+ Operating revenue	1,154,696	1,220,084	1,283,536	1,372,674	1,473,045	7.3	6.3	11,221.1
- Operating expenses								
Personal expenses	392,736	408,103	421,624	433,655	442,562	2.1	3.0	3,371.3
Taxes	22,260	23,871	25,569	27,055	29,183	7.9	7.0	222.3
Subcontracts	121,153	115,182	121,006	143,896	248,117	72.4	19.6	1,890.1
+ Internal expenditure capitalized in fixed assets	68,920	75,742	73,766	72,154	69,926	(3.1)	0.4	532.7
<b>= Operating margin</b>	<b>687,467</b>	<b>748,670</b>	<b>789,103</b>	<b>840,222</b>	<b>823,109</b>	<b>(2.0)</b>	<b>4.6</b>	<b>6,270.1</b>
+ Other operating revenue	23,346	23,632	24,992	29,610	37,620	27.1	12.7	286.5
- Depreciation of fixed assets	341,903	372,401	413,134	446,480	423,736	(5.1)	5.5	3,227.8
- Other operating expenses	13,252	10,507	11,450	12,550	20,551	63.8	11.6	156.5
- Other provisions and charges	16,769	24,115	22,573	20,383	10,699	(47.5)	(10.6)	81.5
<b>= Operating profit</b>	<b>338,889</b>	<b>365,279</b>	<b>366,938</b>	<b>390,419</b>	<b>405,743</b>	<b>3.9</b>	<b>4.6</b>	<b>3,090.8</b>
+ Financial income	23,074	10,191	14,388	15,693	27,190	73.3	4.2	207.1
+ Exchange income	0	0	0	5,381	4,434	(17.6)	—	33.8
- Interest expenses	199,561	203,124	182,880	171,540	149,295	(13.0)	(7.0)	1,137.3
- Exchange losses	12,411	27,243	24,533	16,903	13,219	(21.8)	1.6	100.7
- Amortization of deferred charges	5,462	4,952	5,226	2,954	2,749	(6.9)	(15.8)	20.9
<b>= Profit from ordinary activities</b>	<b>144,529</b>	<b>140,151</b>	<b>168,687</b>	<b>220,096</b>	<b>272,104</b>	<b>23.6</b>	<b>17.1</b>	<b>2,072.8</b>
+ Extraordinary income	8,148	8,392	29,673	16,262	16,007	(1.6)	18.4	121.9
- Extraordinary expenses	52,953	41,075	88,756	115,229	148,232	28.6	29.3	1,129.2
<b>= Income before tax</b>	<b>99,724</b>	<b>107,468</b>	<b>109,604</b>	<b>121,129</b>	<b>139,879</b>	<b>15.5</b>	<b>8.8</b>	<b>1,065.5</b>
- Corporate tax	15,825	22,631	17,870	14,946	19,465	30.2	5.3	148.2
<b>= Net income</b>	<b>83,899</b>	<b>84,837</b>	<b>91,734</b>	<b>106,183</b>	<b>120,414</b>	<b>13.4</b>	<b>9.5</b>	<b>917.3</b>
+ Amortization of deferred charges	5,462	4,952	5,226	2,954	2,749	(6.9)	(15.8)	20.9
+ Depreciation of fixed assets	341,903	372,401	413,134	446,480	423,736	(5.1)	5.5	3,227.8
+ Dismantled plant pending depreciation	35,101	29,250	48,914	56,210	47,918	(14.8)	8.1	365.1
<b>= Cash flow</b>	<b>466,365</b>	<b>491,440</b>	<b>559,008</b>	<b>611,827</b>	<b>594,817</b>	<b>(2.8)</b>	<b>6.3</b>	<b>4,531.1</b>

(1) Figures in million dollars. 30-12-96 exchange rate: \$ 1 = ptas. 131.275

**BALANCE SHEET. TELEFONICA DE ESPAÑA** (Million pesetas)

ITEMS	1992	1993	1994	1995	1996	1996 \$ (1)
<b>Fixed assets</b>	<b>3,365,365</b>	<b>3,343,388</b>	<b>3,382,127</b>	<b>3,313,073</b>	<b>3,478,645</b>	<b>26,498.9</b>
Capital increase expenses	359	162	157	117	76	0.6
Net intangible assets	41,609	55,520	70,831	89,426	110,822	844.2
Property, plant and equipment	5,306,956	5,489,734	5,592,518	5,491,583	5,588,247	42,569.0
Depreciation of fixed assets	(2,090,267)	(2,308,229)	(2,483,296)	(2,600,010)	(2,595,993)	(19,775.2)
<b>Net fixed assets</b>	<b>3,216,689</b>	<b>3,181,505</b>	<b>3,109,222</b>	<b>2,891,573</b>	<b>2,992,254</b>	<b>22,793.8</b>
Investments	106,708	106,201	201,917	331,957	375,493	2,860.3
<b>Deferred expenses</b>	<b>203,486</b>	<b>224,113</b>	<b>181,307</b>	<b>135,572</b>	<b>122,554</b>	<b>933.6</b>
<b>Long-term prepaid taxes</b>	<b>0</b>	<b>13,616</b>	<b>30,764</b>	<b>49,699</b>	<b>66,854</b>	<b>509.3</b>
<b>Current assets</b>	<b>348,316</b>	<b>328,977</b>	<b>302,822</b>	<b>336,301</b>	<b>397,612</b>	<b>3,028.8</b>
Inventories	5,019	3,832	4,292	4,303	4,634	35.3
Accounts receivable	329,144	317,323	288,428	313,562	371,257	2,828.1
Short-term investments	6,449	1,201	3,358	11,019	14,615	111.3
Cash and banks	3,789	5,031	4,699	5,375	5,240	39.9
Prepayments	3,915	1,590	2,045	2,042	1,866	14.2
<b>Assets= liabilities and shareholders' equity</b>	<b>3,917,167</b>	<b>3,910,094</b>	<b>3,897,020</b>	<b>3,834,645</b>	<b>4,065,665</b>	<b>30,970.6</b>
<b>Shareholders' equity (1)</b>	<b>1,376,751</b>	<b>1,397,712</b>	<b>1,454,684</b>	<b>1,470,679</b>	<b>1,734,072</b>	<b>13,209.5</b>
Paid-in share capital	463,480	469,735	469,735	469,735	469,735	3,578.3
Reserves	829,372	866,327	893,215	922,945	1,176,804	8,964.4
Net income for year	83,899	84,837	91,734	106,183	120,414	917.3
Interim dividend	0	(23,187)	0	(28,184)	(32,881)	(250.5)
<b>Deferred income (2)</b>	<b>58,723</b>	<b>54,765</b>	<b>67,531</b>	<b>78,933</b>	<b>80,428</b>	<b>612.6</b>
<b>Provisions for liabilities and charges (3)</b>	<b>211,813</b>	<b>216,094</b>	<b>232,412</b>	<b>240,995</b>	<b>272,141</b>	<b>2,073.1</b>
<b>Long-term deferred taxes (4)</b>	<b>52,904</b>	<b>53,003</b>	<b>52,273</b>	<b>44,145</b>	<b>53,084</b>	<b>404.4</b>
<b>Long-term debt (5)</b>	<b>1,593,504</b>	<b>1,529,151</b>	<b>1,450,726</b>	<b>1,318,972</b>	<b>1,196,103</b>	<b>9,111.4</b>
Debentures, bonds and promissory notes issued	696,811	685,614	636,533	571,271	563,464	4,292.2
Debt with credit institutions	602,800	540,494	558,700	496,269	419,505	3,195.6
Debt with group and associated companies	103,586	122,403	140,447	149,319	126,615	964.5
Other creditors	190,307	180,640	115,046	102,113	86,519	659.1
<b>Permanent capital (1+ 2+ 3+ 4+ 5)</b>	<b>3,293,695</b>	<b>3,250,725</b>	<b>3,257,626</b>	<b>3,153,724</b>	<b>3,335,828</b>	<b>25,411.0</b>
<b>Short-term debt</b>	<b>623,472</b>	<b>659,369</b>	<b>639,394</b>	<b>680,921</b>	<b>729,837</b>	<b>5,559.6</b>
Debentures, bonds and promissory notes issued	130,225	167,267	125,094	104,670	117,000	891.3
Debt with credit institutions	127,751	59,197	88,114	130,746	102,441	780.4
Other creditors	344,799	416,078	400,825	420,173	487,483	3,713.4
Prepayments	20,697	16,827	25,361	25,332	22,913	174.5
<b>Unused credit facilities</b>	<b>38,498</b>	<b>126,044</b>	<b>146,991</b>	<b>175,466</b>	<b>274,628</b>	<b>2,092.0</b>

(1) Figures in million dollars. 30-12-95 exchange rate: \$ 1 = ptas. 131.275

**ECONOMIC/FINANCIAL INDICATORS. TELEFÓNICA DE ESPAÑA** (Figures in % unless otherwise indicated)

	1992	1993	1994	1995	1996
Operating margin/Revenue from operations (1)	59.5	61.4	61.5	61.2	55.9
Financial expenses/Revenue from operations (2)	18.8	19.3	16.6	13.9	11.2
Operating margin/Average net plant (3)	21.5	23.4	25.1	28.0	28.0
Fixed assets coverage (4)	90.7	89.8	88.9	88.9	89.6
Self-financing ratio (5)	91.8	112.2	120.9	123.1	128.6
Financial debt ratio (6)	58.4	57.1	54.7	51.7	45.0
Debt repayment capacity(years) (7)	4.5	4.1	3.4	2.8	2.7
Financial expenses coverage (times) (8)	1.1	1.1	1.2	1.3	1.4

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

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

(3) Operating margin / Average net fixed assets.

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

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

(6) Interest bearing debt / Shareholders' equity + Deferred income + Long-term 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.

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

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





## SHARE CAPITAL

	1992	1993	1994	1995	1996
Share Capital (Million Ptas.)	463,479.58	469,735.41	469,735.41	469,735.41	469,735.41
Earnings per share (Ptas.)	90.5	90.8	97.6	113.0	128.2
Price / earnings ratio	12.6	20.5	15.9	14.9	23.5
Payout (%)	67.4	68.3	67.6	67.2	69.4
Price / Cash flow per share	2.3	3.6	2.6	2.6	4.8

At December 31, 1996 Telefónica's share capital totalled 469,735,410,000 pesetas, divided into 939,470,820 shares with a nominal value of 500 pesetas each fully paid in.

Since 1990 the following capital increases have been made, all of which through the conversion of bonds.

	Number of shares issued (thousands)	Issue Price (Ptas.)	Amount issued Nominal (Million Ptas.)	Effective (Million Ptas.)
1990	1,994.6	858.435	997.3	1,712.3
1992	1.1	924.750	0.5	1.0
1993	12,511.7	1,267.230 (*)	6,255.8	15,855.2

(\*) Average issue price

## QUOTATION OF SHARES

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

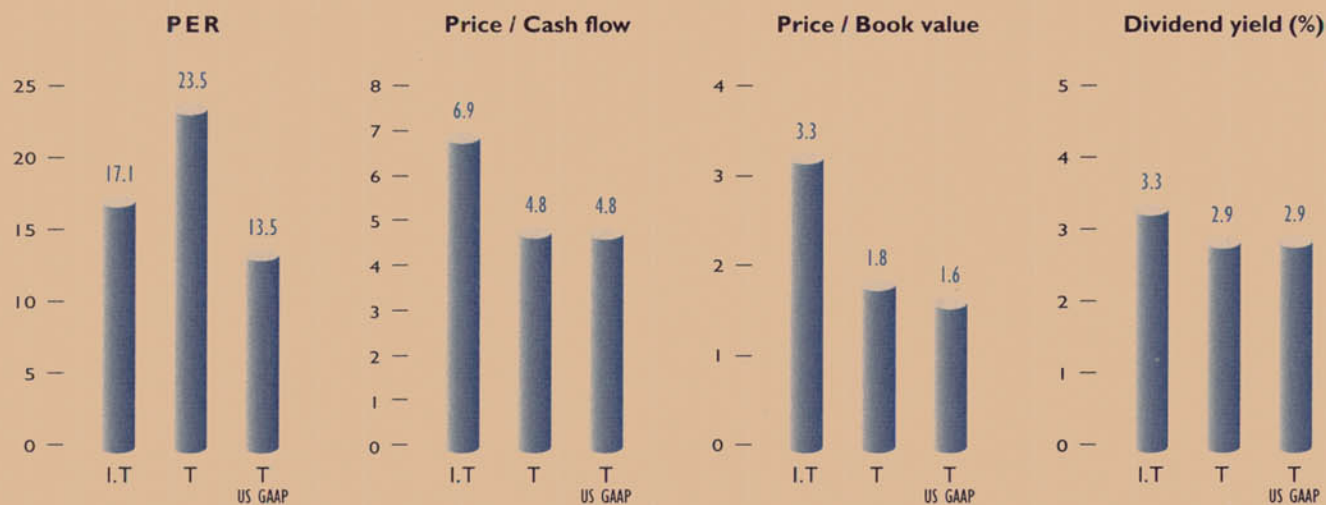
Option contracts on Telefónica shares are carried out on the Spanish Financial Futures Market (MEFF-RV) and on the American Stock Exchange (AMEX) (\*)

(\*) Quotes American Depository Receipts (ADR) | ADR = 3 shares

## QUOTATION OF TELEFÓNICA SHARES

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

	Maximum	Minimum	Closing
1992	1,300	750	1,140
1993	1,880	1,135	1,865
1994	2,185	1,450	1,555
1995	1,795	1,470	1,680
1996 1 <sup>st</sup> quarter	2,050	1,690	1,970
1996 2 <sup>nd</sup> quarter	2,505	1,960	2,360
1996 3 <sup>rd</sup> quarter	2,445	2,075	2,385
1996 4 <sup>th</sup> quarter	3,060	2,385	3,015



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

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

T (U.S. GAAP): Telefónica (Information in accordance with US accounting principles)

International Comparisons at 31-12-96

## DIVIDEND POLICY

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

## RECENT DIVIDENDS HAVE BEEN:

	1994	1995	1996
Interim	27 ptas.	30 ptas.	35 ptas.
Final	39 ptas.	46 ptas.	54 ptas. (*)
Total	66 ptas.	76 ptas.	89 ptas.

(\*) Pending approval by the Annual General Shareholders' Meeting in accordance with the proposed distribution of net income.

## STATE PARTICIPATION IN TELEFÓNICA DE ESPAÑA, S.A.

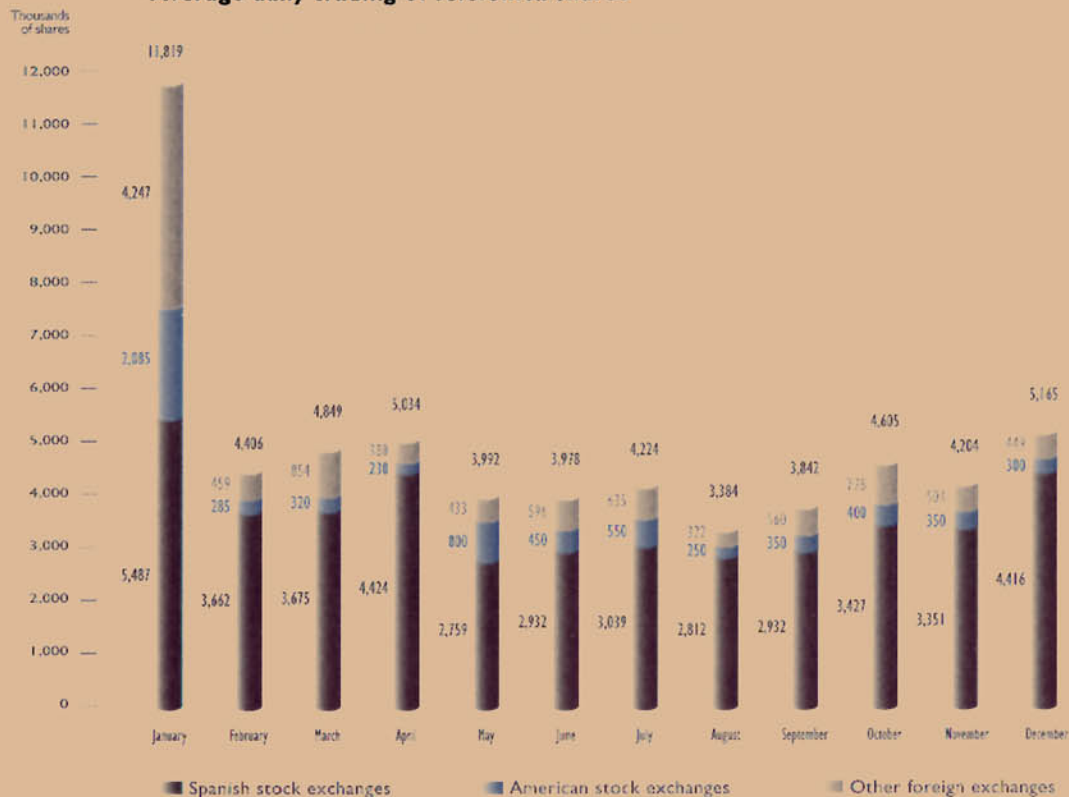
Under the stipulations of the Royal Decree 116/14/2/92, since December 14, 1995, Telefónica's shares are represented as book entries and therefore the official shareholder list has ceased to exist.

The state participation after the Public Offering on February 18, 1997 was stated as the following:

Sociedad Estatal de Participaciones Patrimoniales, S.A. (SEPPa): 0.55% participation in share capital

Sociedad Estatal de Patrimonio II, S.A.: 0.1% participation in share capital

**Average daily trading of Telefónica shares**



## STOCK MARKET CAPITALIZATION

	1992	1993	1994	1995	1996	Average increase% 96/92
Telefónica (billion pesetas)	1,056.7	1,729.8	1,460.9	1,578.3	2,832.5	27.9
Total Madrid Stock Exchange (billion pesetas)	13,332	20,833	20,351	22,899	31,632	24.1
Telefónica's weighting on the Madrid Stock Exchange Index (%)	9.25	9.43	10.44	9.44	11.46	—

## TELEFÓNICA GROUP SHARES

	CTC Chile		CPT Perú		Telefónica Argentina (*)		CANTV(**)	
	1995	1996	1995	1996	1995(1)	1996	1995	1996
Stock market capitalization (million \$US)	4,150	4,923	4,964	4,388	6,365	6,177	—	4,017
Closing price(\$US)	4.88	5.73	2.13	1.88	2.70	2.62	—	4.02
Price/earnings ratio	15.6	13.9	16.4	12.6	13.9	16.0	—	9.3
Price/Cash flow	8.4	7.6	13.7	9.0	6.4	5.8	—	4.4
Dividend yield (%)	3.5	3.2	2.8	3.6(***)	3.8	3.9	—	—

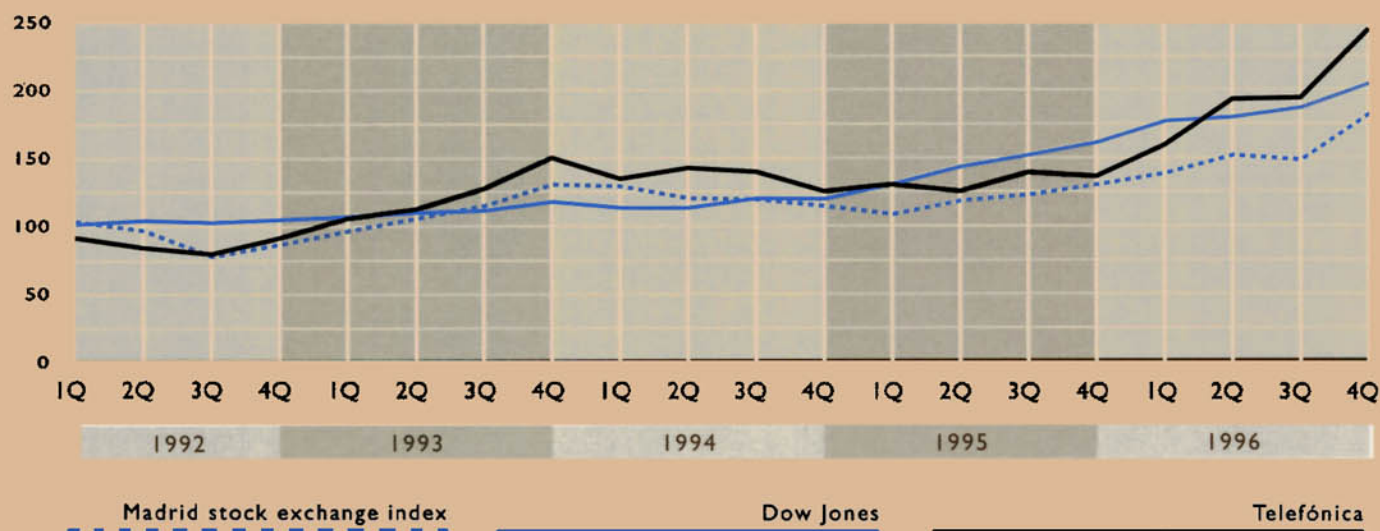
(\*) The 1996 figures are based on the quotation of 31/12/1996 and the figures for the financial balance sheet were closed at 30/09/96.

(\*\*) CANTV shares have been quoted on the Caracas Stock Exchange and New York Stock Exchange since November 21, 1996.

(\*\*\*) 1996 dividend estimated on Company's payout (45%).

129

## Trading index : Telefónica shares



## PRELIMINARY RECONCILIATION OF INCOME AND NET WORTH UNDER SPANISH GAAP TO U.S. GAAP

Telefónica's financial statements have been prepared in accordance with Spanish generally accepted accounting principles which differ, in certain respects, from U.S. generally accepted accounting principles (U.S. GAAP).

Since Telefónica has been listed on the New York Stock Exchange since the beginning of 1987, it must present its income and net worth in accordance with U.S. accounting principles. Below we list the main differences between U.S. and Spanish GAAP. The definitive figures, and the supplementary information required under U.S. GAAP, will be detailed in the 20F document to be published before June 30, 1997.

### TREATMENT UNDER SPANISH GAAP

1. Property and equipment (see Note 4-e)
2. Intangible assets (see Note 4-d)
3. Deferred exchange differences
  - a) Exchange gains (see Note 4-j)
  - b) Exchange losses (see Note 4-j)
4. Differences in accruals for transactions
5. Capitalized interest (see Note 4-e)
6. Provision for preretirement and early retirement (see Note 4-l)
7. Adjustment for inflation and other
8. Corporate income tax (see Note 4-n)

### TREATMENT UNDER U.S. GAAP

Asset restatements are not permitted. Property and equipment and accumulated depreciation must be stated at historical cost.

Research and development expenses are recorded when they arise and cannot be capitalized.

Exchange gains on unmatured transactions must be treated as period revenues.

In view of the foreseeable deregulation of the telecommunications industry in Spain from January 1, 1998, in accordance with Spanish principles, Telefónica wrote off in its financial statements as of December 31, 1995, the potential unrealized exchange losses relating to debts maturing after January 1, 1998. Accordingly, the deferred losses relating to 1997 continued to be recorded as assets as of December 31, 1996. Under U.S. GAAP, these exchange differences cannot be capitalized since Telefónica does not meet the requirements to be deemed to be a regulated entity.

Certain transactions are accrued for differently under Spanish GAAP and U.S. GAAP.

Under U.S. GAAP interest incurred until the start-up of fixed assets must be capitalized.

Under U.S. GAAP, provisions of this type require there to be individual agreements with the employees affected or their representatives in order to be recognized as a period expense.

Only adjustments for inflation at companies located in high-inflation countries can be considered in consolidation.

The taxes relating to timing differences in the recognition of revenues and expenses and the tax benefits relating to tax losses and unused tax credits are recorded in the year, and a provision is recorded for tax credits which are deemed to be unlikely to be recovered.

RECONCILIATION TO U.S. GAAP AS OF 12/31/96

RECONCILIATION OF CONSOLIDATED INCOME AND NET WORTH AS OF DECEMBER 31

	1996	1995
<b>Income for the year under Spanish GAAP</b>	160,282	133,214
Adjustments under U.S. GAAP		
Reversal of depreciation on restated portion of fixed assets	10,673	12,548
Reduction in amount of undepreciated retired plant, due to effect of tangible fixed asset restatements	972	1,159
Single tax on restatement pursuant to Royal Decree Law 7/1996	(6,776)	0
Research and development expenses	(12,054)	(8,387)
Deferred exchange differences	(12,669)	20,983
Transaction accruals	(23)	(505)
Adjustment for inclusion of capitalized interest	(8,469)	(6,351)
Provision for preretirements and early retirements	18,234	20,587
Adjustments for inflation and other	(2,724)	(3,379)
Corporate income tax	57,674	(12,829)
<b>Approximate income for the year under U.S. GAAP</b>	205,120	157,040
<b>Net worth under Spanish GAAP</b>	1,863,760	1,546,472
Adjustments under U.S. GAAP		
Reversal of net effect of restated fixed assets	(103,331)	(114,004)
Reduction in amount of undepreciated dismantled plant, due to effect of tangible fixed asset restatements	57,908	56,936
Effect of restatement pursuant to Royal Decree Law 7/1996	(225,852)	0
Research and development expenses	(62,820)	(50,766)
Deferred exchange differences	(4,124)	8,560
Transaction accruals	(4,069)	(4,046)
Adjustment for inclusion of capitalized interest	127,832	136,300
Provision for preretirements and early retirements	59,087	40,853
Adjustments for inflation and other	(9,065)	(6,068)
Deferred tax due to adjustments under U.S. GAAP	23,999	(33,675)
<b>Approximate net worth under U.S. GAAP</b>	1,723,325	1,580,563

