

*Financial Exhibits*

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

	1993	1994	1995	1996	1997	1997 \$ (3)
Revenue from operations	1,297,437	1,578,850	1,740,557	2,006,058	2,363,102	15,577.3
Operating expenses	656,655	806,400	849,258	1,023,065	1,201,465	7,919.9
Financial expenses	242,342	236,101	223,656	206,425	221,251	1,458.5
Depreciation and amortization (1)	413,261	515,116	567,992	594,536	677,823	4,468.1
Net income	96,367	112,608	133,214	160,282	190,063	1,252.9
Cash flow	502,882	644,750	750,357	811,235	961,435	6,337.7
Share capital	469,735	469,735	469,735	469,735	469,735	3,096.4
Shareholders' equity	1,437,055	1,512,031	1,546,472	1,863,760	1,991,374	13,126.9
Long-term debt	1,626,699	1,847,768	1,736,521	1,672,907	1,916,627	12,634.2
Financial debt	1,804,854	1,941,013	1,861,728	1,947,450	2,317,201	15,274.7
Investment (2)	380,634	489,606	632,893	724,253	685,888	4,521.3

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

(2) Fixed and intangible.

(3) Figures in million dollars. 30-12-97 exchange rate: \$1 = ptas 151.702

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

	1994	1995	1996	1997	Increase		1997 \$ (1)
					Over 96 (%)	Average accumulated 93-97 (%)	
<b>Parent company</b>							
Basic telephony	988,649	1,042,985	1,223,496	1,340,924	9.6	8.8	8,839.2
Telephone service	802,545	843,748	947,748	1,007,844	6.3	7.0	6,643.6
Leased circuits	34,103	29,809	73,317	98,133	33.8	24.6	646.9
Ibercom	54,769	58,517	69,290	73,516	6.1	11.0	484.6
Digital exchanges, intelligent network, ISDN and other	6,728	19,493	49,898	75,925	52.2	115.5	500.5
Equipment	75,154	75,983	71,696	73,456	2.5	(2.1)	484.2
Advertising	15,350	15,435	11,547	12,050	4.4	(5.1)	79.4
International communication services	139,349	145,222	136,124	134,659	(1.1)	2.0	887.7
Telephone service	128,228	134,145	123,120	120,653	(2.0)	(0.1)	795.3
Leased circuits	5,693	7,367	9,833	11,588	17.8	20.4	76.4
Retransmissions	5,428	3,710	3,171	2,418	(23.7)	(18.5)	16.0
Public telephony	62,941	65,452	64,655	68,193	5.5	6.8	449.5
Data transmission	43,735	38,642	44,645	54,513	22.1	4.6	359.3
Mobile services	46,471	76,494	0	0	n.m.	n.m.	0
Other	2,391	3,879	4,125	6,812	65.1	n.m.	44.9
<b>Total revenue from operations for Telefónica</b>	<b>1,283,536</b>	<b>1,372,674</b>	<b>1,473,045</b>	<b>1,605,101</b>	<b>9.0</b>	<b>7.1</b>	<b>10,580.6</b>
<b>Group</b>							
Telefónica Internacional Group	221,451	281,050	331,598	443,131	33.6	121.7	2,921.1
Telefónica Servicios Móviles Group	9,642	38,657	259,118	363,255	40.2	173.5	2,394.5
Cabitel	21,373	33,187	40,482	43,788	8.2	28.1	288.6
Telefónica Publicidad e Información Group	28,564	30,395	35,437	47,476	34.0	14.7	313.0
Other subsidiaries	126,867	145,716	173,701	198,210	14.1	15.6	1,306.6
Sales among group companies	(112,583)	(161,122)	(307,323)	(337,859)	9.9	34.9	(2,227.1)
<b>Total revenue from operations for Group Companies</b>	<b>295,314</b>	<b>367,883</b>	<b>533,013</b>	<b>758,001</b>	<b>42.2</b>	<b>76.9</b>	<b>4,996.7</b>
<b>Total revenue from operations for Telefónica Group</b>	<b>1,578,850</b>	<b>1,740,557</b>	<b>2,006,058</b>	<b>2,363,102</b>	<b>17.8</b>	<b>16.2</b>	<b>15,577.3</b>

(1) Figures in million dollars. 30-12-97 exchange rate: \$1 = ptas. 151.702

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

DESCRIPTION	1993	1994	1995	1996	1997	Increase (%)		1997 \$ (1)
						Over 96	Average accumulated 93-97	
+ Operating revenue	1,297,437	1,578,850	1,740,557	2,006,058	2,363,102	17.8	11.5	15,577.3
- Operating expenses	656,655	806,400	849,258	1,023,605	1,201,465	17.4	16.3	7,919.9
Personnel expenses	448,402	520,918	543,547	554,682	570,895	2.9	6.2	3,763.3
Taxes	23,981	25,826	27,667	35,106	38,763	10.4	12.8	255.5
Subcontracts	184,272	259,656	278,044	433,277	591,807	36.6	33.9	3,901.1
+ Internal expenditure capitalized in fixed assets	109,103	121,391	121,548	127,319	117,932	(7.4)	2.0	777.4
<b>= Operating margin</b>	<b>749,885</b>	<b>893,841</b>	<b>1,012,847</b>	<b>1,110,312</b>	<b>1,279,569</b>	<b>15.2</b>	<b>14.3</b>	<b>8,434.8</b>
+ Other operating revenue	33,068	30,226	33,402	37,758	41,297	9.4	5.7	272.2
- Depreciation of fixed assets	374,259	454,530	501,480	526,229	602,657	14.5	12.6	3,972.7
- Other operating expenses	13,152	9,854	9,728	19,307	21,998	13.9	13.7	145.0
- Other provisions and charges	25,816	27,286	25,159	26,569	35,757	34.6	8.5	235.7
<b>= Operating profit</b>	<b>369,726</b>	<b>432,397</b>	<b>509,882</b>	<b>575,965</b>	<b>660,454</b>	<b>14.7</b>	<b>15.6</b>	<b>4,353.6</b>
+ Financial income	7,837	17,358	18,802	19,156	25,373	32.5	34.1	167.3
+ Exchange income	2,695	4,780	12,685	10,678	8,145	(23.7)	31.9	53.7
- Interest expenses	208,757	205,978	201,151	182,370	196,431	7.7	(1.5)	1,294.8
- Exchange losses	28,631	24,642	19,188	20,452	21,066	3.0	(7.4)	138.9
- Amortization of deferred charges	4,954	5,481	3,317	3,603	3,754	4.2	(6.7)	24.7
+ Revenue from associated companies	20,176	18,513	8,754	7,811	9,958	27.5	(16.2)	65.6
- Amortization of goodwill	4,798	6,191	6,985	16,786	33,312	98.5	62.3	219.6
<b>= Profit from ordinary activities</b>	<b>153,294</b>	<b>230,756</b>	<b>319,482</b>	<b>390,399</b>	<b>449,367</b>	<b>15.1</b>	<b>30.8</b>	<b>2,962.2</b>
+ Extraordinary income	14,904	40,206	29,874	31,941	51,661	61.7	36.4	340.5
- Extraordinary expenses	41,405	99,311	125,645	146,459	163,387	11.6	40.9	1,077.0
<b>= Income before tax</b>	<b>126,793</b>	<b>171,651</b>	<b>223,711</b>	<b>275,881</b>	<b>337,641</b>	<b>22.4</b>	<b>27.7</b>	<b>2,225.7</b>
- Corporate tax	24,845	30,589	39,358	56,921	73,536	29.2	31.2	484.7
<b>= Net income</b>	<b>101,948</b>	<b>141,062</b>	<b>184,353</b>	<b>218,960</b>	<b>264,105</b>	<b>20.6</b>	<b>26.9</b>	<b>1,741.0</b>
- Minority interest	5,581	28,454	51,139	58,678	74,042	26.2	90.8	488.1
<b>= Net income attributed to Telefónica</b>	<b>96,367</b>	<b>112,608</b>	<b>133,214</b>	<b>160,282</b>	<b>190,063</b>	<b>18.6</b>	<b>18.5</b>	<b>1,252.9</b>
<b>Net income</b>	<b>101,948</b>	<b>141,062</b>	<b>184,353</b>	<b>218,960</b>	<b>264,105</b>	<b>20.6</b>	<b>26.9</b>	<b>1,741.0</b>
+ Amortization of deferred charges	4,954	5,481	3,317	3,603	3,754	4.2	(6.7)	24.7
+ Depreciation of fixed assets	374,259	454,530	501,480	526,229	602,657	14.5	12.6	3,972.7
+ Dismantled plant pending depreciation	29,250	48,914	56,210	47,918	38,100	(20.5)	6.8	251.1
+ Amortization of goodwill	4,798	6,191	6,985	16,786	33,312	98.5	62.3	219.6
- Revenue from associated companies	20,176	18,513	8,754	7,811	9,958	27.5	(16.2)	65.6
+ Dividends of associated companies	7,849	7,085	6,766	5,550	29,465	430.9	39.2	194.2
<b>= Cash flow</b>	<b>502,882</b>	<b>644,750</b>	<b>750,357</b>	<b>811,235</b>	<b>961,435</b>	<b>18.5</b>	<b>17.6</b>	<b>6,337.7</b>

(1) Figures in million dollars. 30-12-97 exchange rate: \$ 1 = ptas. 151.702

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

ITEMS	1993	1994	1995	1996	1997	1997 \$ (2)
<b>Subscribed shares not paid-in</b>	<b>0</b>	<b>23</b>	<b>174</b>	<b>0</b>	<b>446</b>	<b>2.9</b>
<b>Fixed assets</b>	<b>3,450,964</b>	<b>4,023,780</b>	<b>4,114,692</b>	<b>4,655,150</b>	<b>4,987,098</b>	<b>32,874.3</b>
Capital increase expenses	226	349	714	577	2,337	15.4
Net intangible assets	63,207	300,207	317,239	337,825	356,109	2,347.4
Property, plant and equipment	5,483,037	6,311,527	6,538,506	7,024,676	7,606,204	50,139.1
Depreciation of fixed assets	(2,310,927)	(2,751,943)	(2,941,080)	(3,050,806)	(3,458,091)	22,795.3
<b>Net fixed assets</b>	<b>3,172,110</b>	<b>3,559,584</b>	<b>3,597,426</b>	<b>3,973,870</b>	<b>4,148,113</b>	<b>27,343.8</b>
Investments	215,421	163,640	199,313	342,878	480,539	3,167.7
<b>Goodwill on consolidation</b>	<b>48,236</b>	<b>53,741</b>	<b>47,687</b>	<b>49,798</b>	<b>284,364</b>	<b>1,874.5</b>
<b>Deferred expenses</b>	<b>225,589</b>	<b>186,473</b>	<b>141,310</b>	<b>130,294</b>	<b>135,103</b>	<b>890.6</b>
<b>Current assets</b>	<b>377,094</b>	<b>495,203</b>	<b>514,395</b>	<b>602,495</b>	<b>817,750</b>	<b>5,390.5</b>
Subscribed shares not paid-in	22	0	4	0	0	0
Inventories	16,505	25,362	29,036	33,834	37,691	248.4
Accounts receivable	332,841	369,798	398,837	507,775	629,230	4,147.8
Short-term financial investments	11,804	73,066	68,247	35,843	126,093	831.2
Treasury stock	0	0	0	0	369	2.4
Cash	7,996	17,941	11,933	12,647	10,432	68.8
Prepayments	7,926	9,036	6,338	12,396	13,935	91.9
<b>Assets=liabilities and shareholders' equity</b>	<b>4,101,883</b>	<b>4,759,220</b>	<b>4,818,258</b>	<b>5,437,737</b>	<b>6,224,761</b>	<b>41,032.8</b>
<b>Shareholders' equity</b>	<b>1,437,055</b>	<b>1,512,031</b>	<b>1,546,472</b>	<b>1,863,760</b>	<b>1,991,374</b>	<b>13,126.9</b>
Paid-in share capital	469,735	469,735	469,735	469,735	469,735	3,096.5
Reserves	894,140	929,688	971,707	1,266,624	1,369,155	9,025.2
Net income for year	96,367	112,608	133,214	160,282	190,063	1,252.9
Interim dividend	(23,187)	0	(28,184)	(32,881)	(37,579)	(247.7)
<b>Minority interests</b>	<b>41,798</b>	<b>292,293</b>	<b>313,753</b>	<b>374,693</b>	<b>394,097</b>	<b>2,597.8</b>
<b>Deferred income</b>	<b>55,326</b>	<b>75,029</b>	<b>91,258</b>	<b>102,218</b>	<b>112,471</b>	<b>741.4</b>
<b>Provisions for liabilities and charges</b>	<b>231,775</b>	<b>270,876</b>	<b>287,996</b>	<b>336,615</b>	<b>388,896</b>	<b>2,563.5</b>
<b>Long-term debt</b>	<b>1,626,699</b>	<b>1,847,768</b>	<b>1,736,521</b>	<b>1,672,907</b>	<b>1,916,627</b>	<b>12,634.2</b>
Debentures, bonds and promissory notes issued	708,440	721,323	643,938	654,378	714,923	4,712.7
Debt with credit institutions	681,881	917,607	901,885	843,349	942,728	6,214.3
Debt with associated companies	0	217	0	271	0	0
Other creditors (1)	236,378	208,621	190,698	174,909	258,976	1,707.2
<b>Short-term debt</b>	<b>709,230</b>	<b>761,223</b>	<b>842,258</b>	<b>1,087,544</b>	<b>1,421,296</b>	<b>9,369.0</b>
Debentures, bonds and promissory notes issued	167,271	126,360	108,154	147,427	284,018	1,872.2
Debt with credit institutions	87,815	132,339	168,246	244,617	336,525	2,218.3
Debt with associated companies	19,358	11,286	19,392	28,458	15,080	99.4
Other trade accounts	211,046	266,927	257,112	374,580	351,357	2,316.1
Other creditors	205,592	191,378	260,771	266,326	382,872	2,523.9
Prepayments	18,148	32,933	28,583	26,136	51,444	339.1

- (1) Including tax debts amounting to 57,131, 74,447, 71,013, 69,011 and 83,444 million pesetas respectively, not considered for the calculation of the financial debt ratio.  
(2) Figures in million dollars. 30-12-97 exchange rate: \$ 1 = ptas. 151.702

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

	1993	1994	1995	1996	1997
Operating margin/Revenue from operations (1)	57.8	56.6	58.2	55.3	54.1
Financial expenses/Revenue from operations (2)	18.7	15.0	12.8	10.3	9.4
Operating margin/Average net plant (3)	23.5	26.6	28.3	29.3	31.5
Fixed asset coverage (4)	91.1	93.8	92.4	90.0	88.8
Self-financing ratio (5)	115.4	115.9	104.1	96.4	121.4
Financial debt ratio (6)	53.1	49.8	47.9	44.7	47.3
Debt repayment capacity (years) (7)	4.6	3.7	3.0	2.8	2.7
Financial expenses coverage (times) (8)	1.1	1.2	1.5	1.7	2.0

- (1) Operating revenue - Operating expenses + Internal expenditure capitalized in fixed assets / Operating revenue.  
 (2) Financial expenses + Exchange losses + Amortization of deferred charges / Operating revenue.  
 (3) Operating margin / Average net fixed assets.  
 (4) Shareholders' equity + Outside shareholders' interests + Deferred income + Provisions + Long-term debt / Fixed assets + Goodwill on consolidation + Deferred expenses.  
 (5) Net income - Telefónica Dividends + Minority Interests Dividends + Depreciation of plant and equipment + Intangible depreciation + Dismantled plant pending depreciation + Amortization of goodwill - Revenue from associated companies + Dividend from associated companies / Capital expenditure in fixed assets + Capital expenditure in intangible assets.  
 (6) Interest bearing debt / Shareholders' equity + Outside shareholders' interests + Deferred income + Tax debts + Interest bearing debt.  
 Interest bearing debt: Long-term debt - Tax debts + Short-term debentures notes and promisory notes issue + Short-term debts with credit institutions - Short-term financial investments - Cash.  
 (7) Interest bearing debt / Cash flow - Internal expenditure capitalized in fixed assets. Cash-flow: Net income + Amortization of deferred expenses + Depreciation of fixed assets + Dismantled plant pending depreciation + Amortization of goodwill - Revenue from associated companies + Dividends from associated companies.  
 (8) Income before tax + Financial expenses + Exchange losses + Amortization of deferred charges - Internal expenditure capitalized in fixed assets / Financial expenses + Exchange losses + Amortization of deferred charges.

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

	1993	1994	1995	1996	1997
Gross value added	2.03	2.01	1.97	1.93	1.90
Gross operating profit	2.71	2.48	2.38	2.35	2.34
Gross savings	3.83	4.32	3.59	3.86	3.55
Gross capital formation	3.16	3.19	3.03	2.69	2.47
<b>Prices (1)</b>					
• GDP deflator	4.3	4.0	4.9	3.3	2.0
• Consumer prices (annual average)	4.6	4.8	4.6	3.6	2.0
• Telefónica (2)	3.8	0.0	(1.4)	(1.4)	(3.6)

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

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

	1993	1994	1995	1996	1997
National economy	(0.9)	2.2	2.9	2.1	3.6
Services sector	0.7	2.8	2.9	2.3	3.1
Telefónica	2.9	4.9	7.5	4.9	7.9

Sources: I.N.E and Telefónica.

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

	1993	1994	1995	1996	1997	1997 \$ (3)
Revenue from operations	1,220,084	1,283,536	1,372,674	1,473,045	1,605,101	10,580.6
Operating expenses	547,156	568,199	609,867	719,862	804,825	5,305.3
Financial expenses	235,319	212,639	191,397	165,263	157,241	1,036.5
Depreciation and amortization (1)	406,603	467,274	505,644	474,403	506,680	3,340.0
Net income	84,837	91,734	106,183	120,414	133,774	881.8
Cash flow	491,440	559,008	611,827	594,817	640,454	4,221.8
Share capital	469,735	469,735	469,735	469,735	469,735	3,096.4
Shareholders' equity	1,397,712	1,454,684	1,470,679	1,734,072	1,779,535	11,730.5
Long-term debt	1,582,154	1,502,999	1,363,117	1,234,455	1,154,129	7,607.9
Financial debt	1,749,383	1,655,877	1,537,994	1,395,689	1,414,462	9,324.0
Investment (2)	381,507	406,882	436,720	395,198	388,599	2,561.6

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

(2) Fixed and intangible

(3) Figures in million dollars. 30-12-97 exchange rate: \$1 = ptas 151.702

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

DESCRIPTION	1993	1994	1995	1996	1997	Increase (%)		1997 \$ (1)
						Over year 96	Average accumulated 93-97	
+ Operating revenue	1,220,084	1,283,536	1,372,674	1,473,045	1,605,101	9.0	7.1	10,580.6
- Operating expenses	547,156	568,199	609,867	719,862	804,825	11.8	10.1	5,305.3
Personnel expenses	408,103	421,624	433,655	442,562	448,074	1.2	2.4	2,953.6
Taxes	23,871	25,569	27,055	29,183	31,173	6.8	6.9	205.5
Supplies and subcontracts	115,182	121,006	149,157	248,117	325,578	31.2	29.7	2,146.2
+ Internal expenditure capitalized in fixed assets	75,742	73,766	72,154	69,926	65,218	(6.7)	(3.7)	429.9
<b>= Operating margin</b>	<b>748,670</b>	<b>789,103</b>	<b>840,222</b>	<b>823,109</b>	<b>865,494</b>	<b>5.1</b>	<b>3.7</b>	<b>5,705.2</b>
+ Other operating revenue	23,632	24,992	29,610	37,620	41,957	11.5	15.4	276.6
- Depreciation of fixed assets	372,401	413,134	446,480	423,736	466,461	10.1	5.8	3,074.9
- Other operating expenses	10,507	11,450	7,289	20,551	21,318	3.7	19.3	140.5
- Other provisions and charges	24,115	22,573	20,383	10,699	12,542	17.2	(15.1)	82.7
<b>= Operating profit</b>	<b>365,279</b>	<b>366,938</b>	<b>390,419</b>	<b>405,743</b>	<b>407,130</b>	<b>0.3</b>	<b>2.7</b>	<b>2,683.7</b>
+ Financial income	10,191	14,388	15,693	27,190	32,969	21.3	34.1	217.3
+ Exchange income	0	0	5,381	4,434	1,790	(59.6)	n.m.	11.8
- Interest expenses	203,124	182,880	171,540	149,295	136,491	(8.6)	(9.5)	899.7
- Exchange losses	27,243	24,533	16,903	13,219	18,631	(1.2)	(9.1)	122.8
- Amortization of deferred charges	4,952	5,226	2,954	2,749	2,119	(22.9)	(19.1)	13.9
<b>= Profit from ordinary activities</b>	<b>140,151</b>	<b>168,687</b>	<b>220,096</b>	<b>272,104</b>	<b>284,648</b>	<b>4.6</b>	<b>19.4</b>	<b>1,876.4</b>
+ Extraordinary income	8,392	29,673	16,262	16,007	38,286	139.2	46.1	252.4
- Extraordinary expenses	41,075	88,756	115,229	148,232	168,189	13.5	42.3	1,108.7
<b>= Income before tax</b>	<b>107,468</b>	<b>109,604</b>	<b>121,129</b>	<b>139,879</b>	<b>154,745</b>	<b>10.6</b>	<b>9.5</b>	<b>1,020.1</b>
- Corporate tax	22,631	17,870	14,946	19,465	20,971	7.7	(1.9)	138.3
<b>= Net income</b>	<b>84,837</b>	<b>91,734</b>	<b>106,183</b>	<b>120,414</b>	<b>133,774</b>	<b>11.1</b>	<b>12.1</b>	<b>881.8</b>
+ Amortization of deferred charges	4,952	5,226	2,954	2,749	2,119	(22.9)	(19.1)	13.9
+ Depreciation of fixed assets	372,401	413,134	446,480	423,736	466,461	10.1	5.8	3,074.9
+ Dismantled plant pending depreciation	29,250	48,914	56,210	47,918	38,100	(20.5)	6.8	251.2
<b>= Cash flow</b>	<b>491,440</b>	<b>559,008</b>	<b>611,827</b>	<b>594,817</b>	<b>640,454</b>	<b>7.7</b>	<b>6.8</b>	<b>4,221.8</b>

(1) Figures in million dollars. 30-12-97 exchange rate: \$1 = ptas. 151.702

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

ITEMS	1993	1994	1995	1996	1997	1997 \$ (1)
<b>Fixed assets</b>	<b>3,357,004</b>	<b>3,412,891</b>	<b>3,362,772</b>	<b>3,545,499</b>	<b>3,630,398</b>	<b>23,931.1</b>
Capital increase expenses	162	157	117	76	35	0.2
Net intangible assets	55,520	70,831	89,426	110,822	130,440	859.9
Property, plant and equipment	5,489,734	5,592,518	5,491,583	5,588,247	5,636,818	37,157.2
Depreciation of fixed assets	(2,308,229)	(2,483,296)	(2,600,010)	(2,595,993)	(2,781,678)	18,336.5
Net fixed assets	3,181,505	3,109,222	2,891,573	2,992,254	2,855,140	18,820.7
Investments	119,817	232,681	381,656	442,347	644,783	4,250.3
<b>Deferred expenses</b>	<b>224,113</b>	<b>181,307</b>	<b>135,572</b>	<b>122,554</b>	<b>120,685</b>	<b>795.5</b>
<b>Current assets</b>	<b>328,977</b>	<b>302,822</b>	<b>336,301</b>	<b>397,612</b>	<b>485,333</b>	<b>3,199.3</b>
Inventories	3,832	4,292	4,303	4,634	4,708	31.0
Accounts receivable	317,323	288,428	313,562	371,257	420,804	2,773.9
Short-term investments	1,201	3,358	11,019	14,615	53,169	350.5
Treasury stock	0	0	0	0	369	2.4
Cash and banks	5,031	4,699	5,375	5,240	4,198	27.7
Prepayments	1,590	2,045	2,042	1,866	2,085	13.8
<b>Assets= liabilities and shareholders' equity</b>	<b>3,910,094</b>	<b>3,897,020</b>	<b>3,834,645</b>	<b>4,065,665</b>	<b>4,236,416</b>	<b>27,925.9</b>
<b>Shareholders' equity</b>	<b>1,397,712</b>	<b>1,454,684</b>	<b>1,470,679</b>	<b>1,734,072</b>	<b>1,779,535</b>	<b>11,730.5</b>
Paid-in share capital	469,735	469,735	469,735	469,735	469,735	3,096.5
Reserves	866,327	893,215	922,945	1,176,804	1,213,605	7,999.9
Net income for year	84,837	91,734	106,183	120,414	133,774	881.8
Interim dividend	(23,187)	0	(28,184)	(32,881)	(37,579)	(247.7)
<b>Deferred income</b>	<b>54,765</b>	<b>67,531</b>	<b>78,933</b>	<b>95,160</b>	<b>104,073</b>	<b>686.0</b>
<b>Provisions for liabilities and charges</b>	<b>216,094</b>	<b>232,412</b>	<b>240,995</b>	<b>272,141</b>	<b>253,214</b>	<b>1,669.1</b>
<b>Long-term debt</b>	<b>1,582,154</b>	<b>1,502,999</b>	<b>1,363,117</b>	<b>1,234,455</b>	<b>1,154,129</b>	<b>7,607.9</b>
Debentures, bonds and promissory notes issued	685,614	636,533	571,271	563,464	530,196	3,495.0
Debt with credit institutions	540,494	558,700	496,269	419,505	339,830	2,240.1
Debt with group and associated companies	122,403	140,447	149,319	126,615	177,271	1,168.6
Other creditors (1)	233,643	177,319	146,258	124,871	106,832	704.2
<b>Short-term debt</b>	<b>659,369</b>	<b>639,394</b>	<b>680,921</b>	<b>729,837</b>	<b>945,465</b>	<b>6,232.4</b>
Debentures, bonds and promissory notes issued	167,267	125,094	104,670	117,000	262,594	1,731.0
Debt with credit institutions	59,197	82,526	118,826	60,845	58,659	386.7
Debt with group and associated companies (2)	41,459	37,968	92,150	133,281	135,637	894.1
Other trading debts	179,470	209,933	119,439	173,520	149,914	988.2
Other creditors	195,149	158,512	220,504	222,278	314,128	2,070.7
Prepayments	16,827	25,361	25,332	22,913	24,533	161.7

(1) Including tax debts amounting to 53,003, 52,273, 44,145, 38,352 and 37,535 million pesetas respectively, not considered for the calculation of the financial debt ratio.

(2) Including loan debts amounting to 5,588, 11,920, 41,596 and 33,982 million pesetas respectively for the period 1994-1997, considered for the calculation of the financial debt ratio.

(3) Figures in million dollars. 30-12-97 exchange rate: \$ 1 = ptas. 151.702

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

	1993	1994	1995	1996	1997
Operating margin/Revenue from operations (1)	61.4	61.5	60.8	55.9	53.9
Financial expenses/Revenue from operations (2)	19.3	16.6	13.9	11.2	9.8
Operating margin/Average net plant (3)	23.4	25.1	27.8	28.0	29.6
Fixed assets coverage (4)	90.8	90.6	90.1	90.9	87.7
Self-financing ratio (5)	112.2	120.9	123.1	128.6	139.6
Financial debt ratio (6)	53.7	51.3	49.1	42.8	42.4
Debt repayment capacity (years) (7)	4.2	3.4	2.8	2.7	2.5
Financial expenses coverage (times) (8)	1.1	1.2	1.3	1.4	1.6

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

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

(3) Operating margin / Average net fixed assets.

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

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

(6) Interest bearing debt / Shareholders' equity + Deferred income + Tax debts + Interest bearing debt. Interest bearing debt: Long-term debt - Tax debts + Short-term debentures, bonds and promissory notes issued + Short-term debts with credit institutions + Short-term group and associated companies loans - Short-term financial investments - Cash.

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

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



*Shareholder  
Information*

## SHARE CAPITAL

	1993	1994	1995	1996	1997
Share Capital (Mill. ptas.)	469,735.41	469,735.41	469,735.41	469,735.41	469,735.41
Earnings per share (ptas.)	90.8	97.6	113.0	128.2	142.4
Price / earnings ratio	20.5	15.9	14.9	23.5	30.5
Payout (%)	68.3	67.6	67.2	69.4	71.6
Price / Cash flow per share	3.6	2.6	2.6	4.8	6.4

At December 31, 1997 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.

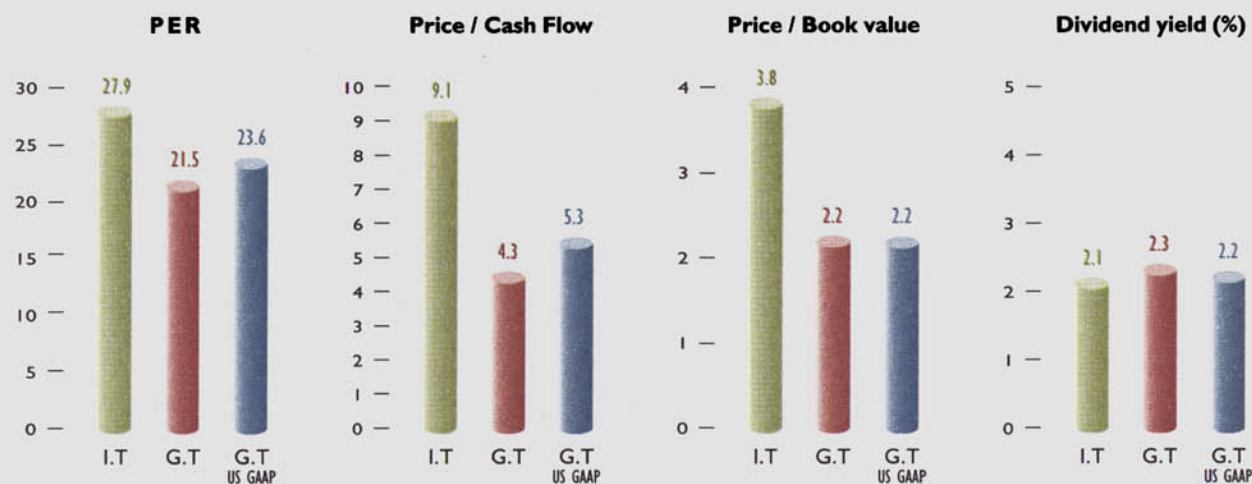
Option contracts on Telefónica shares are carried out on the Spanish Financial Futures Market (MEFF-RV) and on the American Stock Exchange (AMEX) (\*)

(\*) Quotes American Depositary 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
1993	1,880	1,135	1,865
1994	2,185	1,450	1,555
1995	1,795	1,470	1,680
1996	3,060	1,690	3,015
1997 1st quarter	3,545	2,970	3,415
1997 2nd quarter	4,590	3,240	4,260
1997 3rd quarter	4,845	3,940	4,690
1997 4th quarter	4,765	3,405	4,350



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

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

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

International Comparisons at 31/12/97

## 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:

	1995	1996	1997
Interim	30 ptas.	35 ptas.	40 ptas
Final	46 ptas.	54 ptas.	62 ptas (*)
Total	76 ptas.	89 ptas.	102 ptas

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

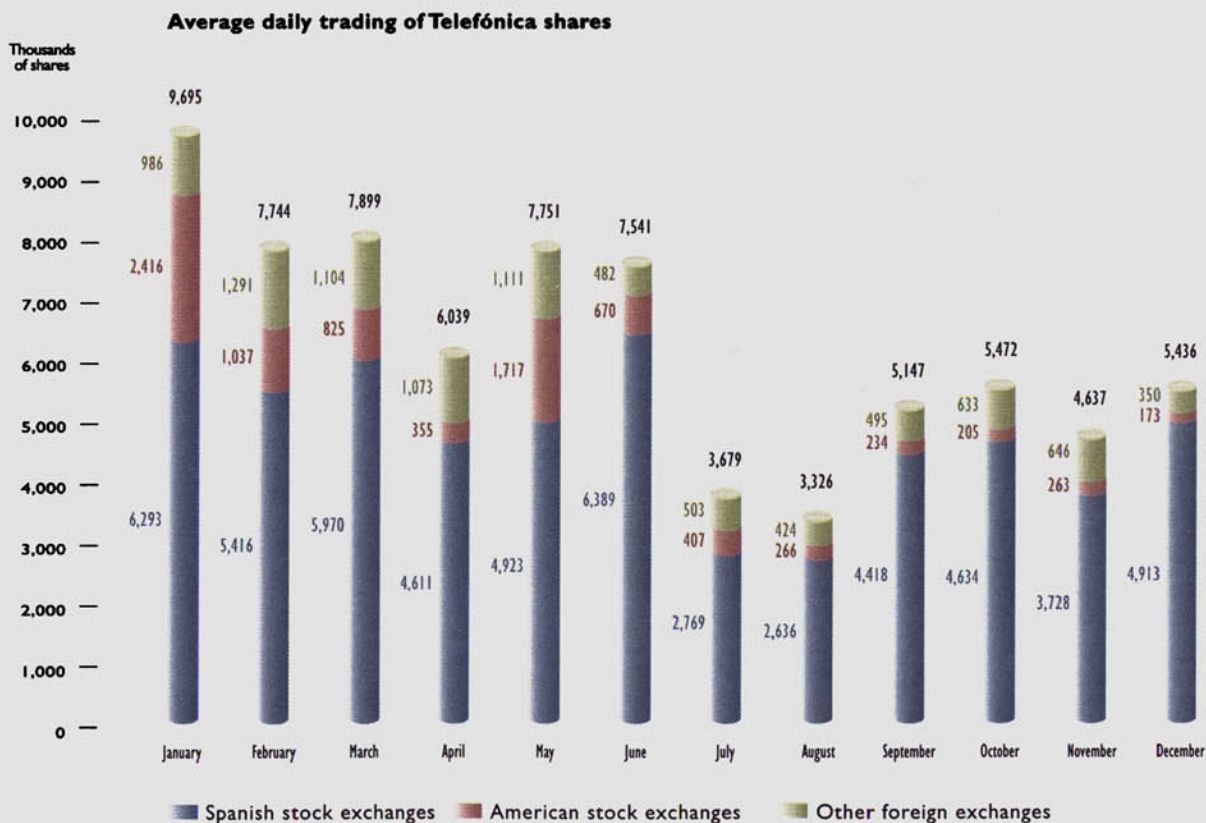
### STATE PARTICIPATION IN TELEFÓNICA DE ESPAÑA, S.A.

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 Public Offerings on October 5, 1995 and 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



## STOCK MARKET CAPITALIZATION

	1993	1994	1995	1996	1997	Average increase% 97/93
Telefónica (billion pesetas)	1,729.8	1,460.9	1,578.3	2,832.5	4,086.6	23.9
Total Madrid Stock Exchange (billion pesetas)	20,833	20,351	22,899	31,579	44,260	20.7
Telefónica's weighting on the Madrid Stock Exchange Index (%)	9.43	10.44	9.44	11.46	11.63	—

## TELEFÓNICA GROUP SHARES

	CTC Chile		CPT Perú		Telefónica Argentina (*)		CANTV(**)	
	1996	1997	1996	1997	1996	1997	1996	1997
Stock market capitalization (mill.\$ US)	4,923	6,322	4,388	5,209	6,177	8,841	4,018	5,832
Closing price(\$US)	5.73	7.2	1.88	2.23	2.62	3.75	4.02	5.83
Price/earnings ratio	13.9	16.7	12.6	13.1	15.3	18.3	9.2	11.2
Price/Cash flow	7.6	8.5	9.0	9.2	6.1	8.0	4.4	5.3
Dividend yield (%)	3.2	2.6	2.9	3.4 (***)	3.9	2.8	—	0.5

(\*) The 1996 and 1997 figures are based on the quotation of 31/12/1996 and 31/12/97 and the figures for the financial balance sheets closed at 30/09/96 and 30/09/97.

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

(\*\*\*) 1997 final dividend pending of approval by the General Shareholders' Meeting of the Company.

## Trading index: Telefónica shares

