SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-03-18** | Period of Report: **1993-12-31**
SEC Accession No. 0000732717-94-000005

(HTML Version on secdatabase.com)

FILER

SOUTHWESTERN BELL CORP

CIK:**732717**| IRS No.: **431301883** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-08610** | Film No.: **94516639**
SIC: **4813** Telephone communications (no radiotelephone)

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Form 10-K

Securities and Exchange Commission
Washington, D.C. 20549

(Mark One)
X Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (Fee Required)

For fiscal year ended December 31, 1993

or

______ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (Fee Required)

For the transition period from to
Commission File Number: 1-8610

SOUTHWESTERN BELL CORPORATION

Incorporated under the laws of the State of Delaware
I.R.S. Employer Identification Number 43-1301883

175 E. Houston, San Antonio, Texas 78205-2233
Telephone Number 210-821-4105

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares (Par Value $1.00 Per Share)	New York, Chicago and Pacific Stock Exchanges

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

Based on composite closing sales price on February 28, 1994, the aggregate market value of all voting stock held by non-affiliates was $23,546,222,094. As of February 28, 1994, 601,820,373 shares of Common Stock were outstanding.

Documents Incorporated By Reference

(1) Portions of Southwestern Bell Corporation's annual report to shareowners for the fiscal year ended December 31, 1993 (Parts I and II).

(2) Portions of Southwestern Bell Corporation's Notice of 1994 Annual Meeting and Proxy Statement dated March 18, 1994 (Parts III and IV).

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PART I

Item 1. Business

The Company

Southwestern Bell Corporation (Corporation) is a communications holding company whose subsidiaries are engaged principally in communications services. The Corporation has several subsidiaries, which include: Southwestern Bell Telephone Company (Telephone Company), Southwestern Bell Mobile Systems, Inc. (Mobile Systems), SBC International, Inc. (SBC International), Southwestern Bell Yellow Pages, Inc. (Yellow Pages), Associated Directory Services, Inc. (ADS), Southwestern Bell Telecommunications, Inc. (Telecom), Southwestern Bell Printing Company (SB Printing) and Southwestern Bell Enterprises, Inc. (Enterprises). The Telephone Company provides telephone services in the states of Arkansas, Kansas, Missouri, Oklahoma and Texas (five-state area) and is the Corporation's largest subsidiary, accounting for approximately 71 percent of the Corporation's 1993 income before extraordinary loss and cumulative effect of changes in accounting principles; Mobile Systems principally provides wireless communication services; SBC International is a holding company owning interests in directory, cable television and telecommunications businesses in Australia, Israel, Mexico and the United Kingdom; Yellow Pages engages principally in the sale of advertising for and publication of Yellow Pages and White Pages directories and in other directory-related activities; ADS engages principally in the production and distribution of non-Bell telephone directories and in other directory-related activities; Telecom is engaged in the sale of customer premises and private business exchange equipment; and SB Printing is engaged in the general directory and commercial printing business.

The Corporation was incorporated under the laws of the State of Delaware in 1983 by AT&T as one of seven regional holding companies (RHCs) formed to hold AT&T's local telephone companies. AT&T divested the Corporation by means of a spin-off of stock to its shareowners on January 1, 1984 (divestiture). The divestiture was made pursuant to a consent decree, referred to as the Modification of Final Judgment (MFJ), issued by the United States District Court for the District of Columbia (Court).

Operations Under the MFJ

The MFJ, as originally approved by the Court in 1982, placed restrictions on the types of businesses in which the Corporation could engage. The principal restriction prohibits the Corporation from providing interexchange telecommunications services. An exchange in this context refers to a Local Access and Transport Area (LATA), which is generally centered on a standard metropolitan service area or other identifiable community of interest. Interexchange service refers to the provision of telecommunications services between exchanges. The MFJ initially restricted the Corporation from providing information services and from manufacturing or providing telecommunications products, other than the provision of customer premises equipment (CPE) manufactured by others. CPE, as defined in the MFJ, represents equipment used on customers' premises to originate, route or terminate telecommunications. The MFJ also initially restricted the Corporation from engaging in nontelecommunications lines of business. These services and products are collectively known as "restricted lines of business". The MFJ permits the Corporation to obtain relief from these restrictions upon a showing that there is no substantial possibility that it could use its monopoly power to impede competition in the specific market it seeks to enter (waiver standard).

The Department of Justice (DOJ) initiated a review of the MFJ's line of business restrictions in 1987. After that review, the Court removed the restriction against entry into nontelecommunications lines of business, as well as that portion of the information services restriction which prohibited voice messaging services (VMS), electronic mail, electronic White Pages services and certain gateway functions (i.e., a telecommunications arrangement, either by video or audio, in which customers can communicate with many different information service providers).

In April 1990, the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit Court) affirmed the Court's decision not to remove the interexchange and manufacturing restrictions, but clarified the waiver standard in a manner beneficial to future waiver requests by the Corporation. The D.C. Circuit Court also reversed the decision not to lift the information services restriction in its entirety, and remanded the issue to the Court for reconsideration under a more lenient public interest standard which is to apply when AT&T and the DOJ, the original parties to the MFJ, do not oppose relief. In July 1991, the Court applied this public interest standard and issued an order which removed the information services restriction in its entirety, but stayed the effectiveness of the relief it granted the RHCs, pending appeals. The D.C. Circuit Court has affirmed the order and the United States Supreme Court (Supreme Court) has refused to review the matter. Thus, the removal of the information services restriction on an intraexchange basis (within the LATA) has become final.

Also as a result of proceedings before the Court since divestiture, the Corporation has been authorized to engage in the restricted lines of business outside the United States, subject to certain conditions designed to prevent an impact on United States markets. The Corporation has also obtained relief from the Court to provide interexchange cellular services in various markets throughout the United States, as well as intersystem handoff and automatic call delivery capabilities.

Recent Waivers Granted or Denied

In February 1993, the Corporation and the other RHCs were granted a waiver for generic international relief. The relief allows the Corporation and other RHCs, through foreign telecommunications entities, to provide the foreign portion of international telecommunications traffic between the United States and any foreign country and to own minority interests in international satellite and submarine cable facilities. The relief granted allows the RHCs to pursue international opportunities without the need to obtain transactional relief on a country-by-country basis.

Also in February 1993, the Corporation and the other RHCs were granted a waiver to provide interLATA cellular service for rural service areas (RSAs). The relief permits clustering of RSAs with metropolitan service areas (MSAs), and RHC switching for independent adjoining RSAs, regardless of LATA boundaries.

In September 1993, the Corporation was granted a waiver to purchase two cable television systems located in Montgomery County, Maryland and Arlington County, Virginia from Hauser Communications, Inc. The relief allows the Corporation to own and operate certain facilities in the provision of video programming despite LATA boundaries.

The Corporation, jointly with the other RHCs, had appealed a July 1990 order of the Court holding that the RHCs were not permitted to transport common channel signaling 7 (CCS7) information across LATA boundaries for handoff to interexchange carriers at centralized signal transport points (STPs). CCS7 is the AT&T version of the internationally standardized signaling system which transmits signaling and service definition information between components of the telephone network. The STP is a type of switch which routes the signaling messages within the signaling network. The Court held that the MFJ requires that signaling information be given to the interexchange carriers in the LATA where the call originated, and also denied the RHCs' requests for waivers to establish the centralized STP service arrangement. The order was affirmed by the D.C. Circuit Court, and in February 1993 the Supreme Court refused to review the decision.

Pending Waiver Requests and Appeals

The Corporation has initiated other requests with the Court which seek the removal of some of the remaining restrictions. This includes a generic request, filed jointly by all the RHCs, seeking relief from the interexchange prohibition to provide wireless services without regard to geographic boundaries. In addition, the Corporation has requested relief to provide interexchange cellular services in certain of its own regional markets. The Corporation has also filed waiver requests seeking relief from the manufacturing restriction, to permit the design and development of CPE, and the provision of telecommunications equipment to third parties. All of these requests are pending.

In June 1993, the Corporation, along with the other RHCs, filed a joint request for a waiver to provide information services on an interLATA basis. A condition of the request is that the RHCs lease the interLATA transport from independent interexchange carriers. Opposition briefs were filed in October 1993.

In January 1992, the Court denied a waiver to allow Ameritech Corporation (Ameritech), an RHC, to receive royalties from the sale to third parties of telecommunication equipment designed, developed and/or manufactured by the unaffiliated party with the financial assistance of Ameritech. The Court also denied the DOJ's request for a declaratory ruling that a funding/royalty agreement with a firm in which an RHC has neither a significant equity interest nor influence over operations does not constitute manufacturing. The ruling was appealed to determine whether an otherwise independent company over which an RHC has no operating control and only a minimal ownership interest, may be labelled an "affiliated enterprise" of the RHC under the MFJ, and whether a funding/royalty relationship such as that proposed by Ameritech is permissible under the MFJ. In December 1993, the D.C. Circuit Court ruled that the MFJ bans all arrangements in which RHCs have a direct and continuing share in the revenues of entities engaged in restricted activities. However, Ameritech's waiver request was remanded to the Court for further consideration and is pending.

The Corporation has requested relief with regard to certain paging services, as described below. Although the Corporation recently sold its paging services subsidiary, these requests are being pursued as they may have relevance to other aspects of the Corporation's business. In February 1989, the Court granted a waiver permitting the RHCs to provide multi-LATA one-way paging services regardless of geographic scope, but included a condition requiring the interexchange links for multi-LATA paging services to be obtained from unaffiliated interexchange carriers. The Corporation appealed that portion of the order which prohibited it from owning the interexchange links outside the service territory of the Telephone Company. In October 1990, the D.C. Circuit Court reversed the Court's decision and remanded the matter to the Court for reconsideration. This matter is still pending.

In January 1993, the Corporation filed a request for a waiver to provide interLATA paging origination and access to voice storage and retrieval services. This waiver would permit the origination of pages from outside of LATA boundaries and permit paging subscribers to access their voice-mail messages from outside of a LATA. This request is pending with the Court.

Principal Services

The Corporation provides its services through subsidiaries. These services (which are described more fully below) include landline and wireless telecommunications services, the sale of advertising for and publication of Yellow Pages and White Pages directories, the provision of customer premises, private business exchange (PBX) and cellular equipment, and cable television services. Telecommunications services include local services, network access and long-distance (i.e., toll) services. Landline telecommunications services are provided in the five-state area by the Telephone Company and in the United Kingdom by SBC International. Wireless telecommunications services are provided by Mobile Systems.

Landline and wireless local services involve the transport of telecommunications traffic between telephones and other CPE located within the same local service calling area. Local services include: basic local exchange service, extended area service, dedicated private line services for voice and special services, directory assistance and various vertical services. Vertical services represent discretionary, generally nonregulated, services which a customer may choose to supplement his/her basic line, such as: call waiting, call forwarding, call blocking, etc.

Landline and wireless toll services involve the transport of traffic between local calling areas and include such services as Wide Area Telecommunications Service (WATS or 800 services) and other special services. Local calling areas are within the same LATA, except for certain wireless service areas in which MFJ waivers apply.

Network access services link a subscriber's telephone or other equipment to the transmission facilities of other non-Telephone Company carriers which, in turn, provide long-distance and other communications services. Network access is either switched, which uses a switched communications path between the carrier and the customer, or special, which uses a direct nonswitched path.

For financial reporting purposes, the Corporation's revenues are categorized as local service (principally provided by the Telephone Company and Mobile Systems), network access (provided by the Telephone Company), long-distance service (principally provided by the Telephone Company), directory advertising (provided by Yellow Pages, the Telephone Company and ADS) and other (including equipment sales at Mobile Systems, Telecom and SBC International, the Telephone Company's nonregulated products and services, billing and collection services for interexchange carriers provided by the Telephone Company, cable television services provided by SBC International, printing services provided by SB Printing, and paging services and equipment sales provided by Metromedia Paging Services, Inc. (Metromedia Paging) until it was sold in December 1993).

The following table sets forth for the Corporation the percentage of total operating revenues by any class of service which accounted for 10 percent or more of total operating revenues in any of the last three fiscal years.

	Percentage of Total Operating Revenues		
	1993	1992	1991
Charges for local service:			
Landline	37%	37%	38%
Wireless	12%	10%	7%
Charges to interexchange carriers for network access	20%	20%	20%
Charges for long-distance (i.e., toll) service	9%	10%	11%

Major Customer

See Note 14, "Segment and Major Customer Information," on page 43 of the Corporation's annual report to shareowners for the fiscal year ended December 31, 1993, which is incorporated herein by reference pursuant to General Instruction G(2).

Government Regulation

In the five-state area, the Telephone Company is subject to regulation by state commissions which have the power to regulate intrastate rates and services, including local, toll, private line and network access (both intraLATA and interLATA access within the state) services. The Telephone Company is also subject to the jurisdiction of the Federal Communications Commission (FCC) with respect to foreign and interstate rates and services, including interstate access charges. Access charges are designed to compensate the Telephone Company for the use of its facilities for the origination or termination of long-distance and other communications by non-Telephone Company carriers.

Additional information relating to federal and state regulation of the Telephone Company is contained in the registrant's annual report to shareowners for the fiscal year ended December 31, 1993, under the heading "Regulatory Environment" on page 25 which is incorporated herein by reference pursuant to General Instruction G(2).

The Corporation's recently acquired cable systems are subject to federal and local regulation, including regulation by the FCC and local franchising authorities concerning rates, service, and programming access.

Principal Markets

Telecommunications

The Telephone Company provides its services along approximately 9 million residential and 4 million business access lines in the five-state area. During 1993, more than half of the Telephone Company's access line growth occurred in Texas. In 1993, 1992 and 1991, approximately 73 percent of the Telephone Company's total operating revenues were attributable to intrastate operations. The intrastate operations of the Telephone Company represented approximately 56 percent, 57 percent and 59 percent of the Corporation's total operating revenues for 1993, 1992 and 1991, respectively. All intrastate operations of the Corporation (including the Telephone Company and Mobile Systems) represented approximately 68 percent, 67 percent and 66 percent of its total operating revenues in 1993, 1992 and 1991, respectively.

At the end of 1993, Mobile Systems provided cellular services to 2,049,000 customers, or 5.7 out of every 100 people living in its service areas. These services are provided in 28 metropolitan markets, including five of the nation's top 15 metropolitan areas, as follows: Washington, D.C.; Chicago, Illinois; Boston, Massachusetts; St. Louis, Missouri; and Dallas, Texas. Mobile Systems (or partnerships in which it has an ownership interest) is licensed to provide service in 26 RSAs and is currently providing service in all of these markets. All RSAs are contiguous to an existing MSA or another RSA operated by Mobile Systems, which allows for the expansion of service in a way that adds value to customers' service. Mobile Systems operates in certain areas under the name of Cellular One, by means of a partnership arrangement with McCaw Cellular Communications, Inc. and Vanguard Cellular Systems, Inc., which holds the Cellular One service mark. These areas include both metropolitan and rural service areas, such as Washington, D.C.; Chicago, Illinois; and other service areas in Illinois, Massachusetts, Virginia and West Virginia.

In February 1994, the Corporation announced an agreement to purchase, for stock valued at $680, the domestic cellular business of Associated Communications Corporation, including cellular systems in Buffalo, Rochester, Albany and Glens Falls, New York. These properties are adjacent to cellular systems in Syracuse, Utica and Ithaca, New York, which the Corporation agreed to purchase from other parties in November 1993. These acquisitions will increase the number of markets served by Mobile Systems to 61 and increase Mobile Systems' potential customer base to more than 40 million. These transactions are expected to close during 1994.

International

In December 1990, a consortium consisting of SBC International, together with a subsidiary of France Telecom and a group of Mexican investors led by Grupo Carso, S.A. de C.V., purchased from the Mexican government all of the Class AA shares of Telefonos de Mexico, S.A. de C.V. (Telmex), Mexico's national telecommunications company. The consortium has voting control of Telmex through its ownership of Class AA shares. SBC International's interest in the Class AA shares held by the consortium represents approximately 5 percent of the total equity capitalization of Telmex. SBC International also holds 530,157,101 Class L shares, which have limited voting rights. The Class L shares held by SBC International represent approximately 5 percent of the total equity capitalization of Telmex, bringing SBC International's total interest to 10 percent. Telmex provides complete landline and wireless telecommunications services within Mexico. At the end of 1993, Telmex had 7.6 million access lines in service and provided cellular service to more than 195,000 subscribers. As of December 31, 1993, telephone service reached approximately 41 of every 100 Mexican households. For additional information regarding the Corporation's investment in Telmex, see Note 13, "Equity Investments," on page 42 of the Corporation's annual report to shareowners for the fiscal year ended December 31, 1993, which is incorporated herein by reference pursuant to General Instruction G(2).

SBC International cable television operations are managed by SBC

Cable Communications Group, Ltd., and include Midlands Cable Communications and Northwest Cable Communications, both in the United Kingdom, with combined service areas including 1.1 million potential households. In May 1993, the Corporation completed the sale of 25 percent of its United Kingdom cable operations to Cox Cable Communications (Cox). The Corporation and Cox share management of the cable operations.

At the end of 1993, SBC International cable television in the United Kingdom served approximately 80,000 subscribers. SBC International's penetration rate at the end of 1993 in the United Kingdom was 21.9 percent. Penetration rate is defined as the number of customers as a percentage of solicited households that have network access. Cable operators in the United Kingdom may provide both cable television and local exchange service. At the end of 1993, SBC International provided local exchange service to approximately 39,000 subscribers.

SBC International also holds a minority interest in Golden Channels, a cable television provider in Israel. Golden Channels holds franchises in areas containing 412,000 potential households. At the end of 1993, Golden Channels served approximately 194,000 households and had a penetration rate (as defined above) of approximately 55 percent.

In Israel and Australia, SBC International also has interests in companies involved in the publication of yellow pages directory advertising.

Directory Publishing

Yellow Pages publishes nearly 40 million copies of 389 classified directories within the Telephone Company's five-state area. The ten largest revenue-producing Yellow Pages directories are currently published in the second half of the Corporation's fiscal year. Directory advertising revenues and expenses associated with Yellow Pages directories are recognized in the month the related directory is published.

ADS engages principally in the production and distribution of 269 telephone directories for GTE Telephone companies throughout 29 states of the continental United States. ADS also publishes telephone directories for 17 non-Bell telephone companies, some of which are co-bound with GTE directories. To a less significant extent, ADS produces and publishes a number of other directories unaffiliated with any telephone company.

Customer Premises Equipment and Other Equipment Sales

Telecom markets business and residential communications equipment through two divisions, Business Systems and Original Equipment. Telecom's offerings range from single-line and cordless telephones to sophisticated digital PBX systems. PBX is a private telephone switching system, usually located on a customer's premises, which provides intra-premise telephone services as well as access to the public switched network.

The Business Systems division markets a wide variety of telecommunications products and services to business customers in the Telephone Company's five-state area. The Original Equipment division, through an exclusive, long-term distribution agreement with Conair Corporation effective April 1993, markets a full line of residential telephones to retailers nationwide, under the Freedom Phone name. Separately, the Original Equipment division markets residential and business products to U.S. telephone companies, and internationally, in 39 countries.

Mobile Systems markets cellular communications equipment in each of its service areas.

Printing

In February 1993, the Corporation sold the assets of the commercial printing operations of Gulf Printing Company (Gulf), including the Gulf name. The remaining operations are continuing under the name "Southwestern Bell Printing Company." SB Printing provides directory printing in the Telephone Company five-state service area, and prints more than 62 million copies of 809 directories annually. SB Printing maintains a sales office in St. Louis, Missouri, and also operates one plant in Houston, Texas. SB Printing's wholly-owned subsidiary, Times Journal Publishing Company (Times Journal), operates two plants in Oklahoma City, Oklahoma, and prints smaller telephone directories and provides commercial printing services.

During 1993, SB Printing was awarded a five-year contract to print 15.5 million directory copies for Telmex's directory operations, beginning in 1994.

Domestic Cable Television

In February 1993, the Corporation reached an agreement to purchase, for $650 million, two cable television systems located in Montgomery County, Maryland, and Arlington County, Virginia, from Hauser Communications, Inc. The purchase was closed in January 1994.

In December 1993, the Corporation and Cox Cable Communications (Cox) entered into a non-binding Memorandum of Understanding with respect to the formation of a $4.9 billion partnership to own and operate cable television systems. In return for a 40 percent general partnership interest, the Corporation would contribute $1.6 billion in cash or other assets within four years of formation. The Corporation would have the option to increase its initial ownership stake to 50 percent within specified time frames, through additional cash or asset contributions. Cox would contribute 21 cable television systems, located throughout the United States, based on a negotiated value of $3.3 billion, and would hold a 60 percent general partnership interest and a $1 billion preferred partnership interest. The transaction is subject to completion of negotiations and regulatory approvals, with the formation of the partnership expected to be completed by late 1994.

Paging Services

In December 1993, the Corporation sold Metromedia Paging, which provided paging services in 76 markets throughout the United States, to Local Area Telecommunications, Inc., a New York-based telecommunications service company.

Status of New Services

Telecommunications

During 1993, the Telephone Company continued to expand its offering of optional services, known as Easy Options. These options include, among others: Caller ID, a feature which displays the telephone number of the person calling and, by next year, will also display the caller's name in certain markets; Call Return, a feature that redials the number of the last incoming call; and Call Blocker, a feature which allows customers to automatically reject calls from a designated list of telephone numbers.

Recent changes in Texas law will allow the Telephone Company to introduce Caller ID in its largest markets during 1994 and 1995. Caller ID is now being offered in certain markets in all of the states in the Telephone Company's five-state area.

The FCC has promulgated certain rules that impact the manner in which the Telephone Company may offer enhanced services, which generally include services which are more than basic transmission services. Under FCC decisions known as Computer Inquiry III, the

Telephone Company is permitted to offer enhanced services either on its own or jointly with its affiliates, subject to nonstructural safeguards, designed to permit the Telephone Company's competitors to acquire needed network services on an efficient, non-discriminatory basis and to reduce the risk of cross-subsidization. These safeguards include accounting and reporting procedures, and Open Network Architecture (ONA) requirements, which represent the Telephone Company's plan essentially to provide equal access to its network to all enhanced service providers. Enhanced services are deregulated at the federal level, and none of the Telephone Company's state commissions have, as yet, asserted jurisdiction over intrastate enhanced services.

In December 1991, after various court proceedings, the FCC slightly modified the original Computer Inquiry III nonstructural competitive safeguards. The Telephone Company received FCC acknowledgement of its initial ONA implementation in November 1992. However, the current modified Computer Inquiry III nonstructural safeguards are subject to an appeal now pending at the U.S. Court of Appeals for the Ninth Circuit.

In July 1993, Mobile Systems launched the largest digital deployment program in North America with commercial digital service in Chicago. Digital service improves sound quality, provides a greater degree of privacy on individual calls, increases call-handling capacity of the networks and reduces exposure to billing fraud. In September, Mobile Systems launched commercial digital service in its St. Louis market. During 1994, Mobile Systems plans to provide digital service in Washington, D.C., Boston, Dallas-Fort Worth and the West Texas markets of Midland-Odessa, Abilene, Amarillo and Lubbock.

During March 1993, Mobile Systems introduced FreedomLink, a new wireless business phone system which employs cellular technology to provide anywhere, anytime communications, using cellular frequencies.

Voice Messaging Services

Southwestern Bell Messaging Services, Inc. (SMSI), a subsidiary of Enterprises, currently offers residential and small business voice messaging services in Dallas-Fort Worth, Houston, Oklahoma City, Tulsa, St. Louis, Kansas City, Little Rock, San Antonio and certain other portions of Texas. Effective June 1, 1993, Telecom assumed SMSI's voice messaging services sales to medium and large business.

Importance, Duration and Effect of Licenses

The FCC authorizes the licensing of only two cellular carriers in each geographic market. These cellular licenses have a standard duration of ten years and are renewable upon application and a showing of compliance with FCC use and conduct standards.

The FCC licenses granted to Mobile Systems in Washington, D.C.; Baltimore, Maryland; Kansas City, Missouri/Kansas; St. Louis, Missouri; and Dallas, Texas all expired on October 1, 1993.

Renewal applications were filed in each of these markets during August 1993. To date, Mobile Systems has received no competing applications in these markets nor have any petitions to deny been filed. Final license grants are expected to be received by mid-1994. Renewal applications are to be filed in the following markets during August 1994: Chicago, Illinois; San Antonio, Texas; Boston, Massachusetts; Oklahoma City, Oklahoma; and Wichita, Kansas.

Cable television systems generally are operated under nonexclusive permits or "franchises" granted by local governmental authorities. The Corporation operates its recently acquired cable systems under franchises granted by Montgomery County, Maryland (expires May 25, 1998); Arlington County, Virginia (expires October 18, 2000); and the City of Gaithersburg, Maryland (expires November 2, 2001). Each franchise is renewable upon a showing of compliance with established local and federal standards.

Competition

Telecommunications

Information relating to competition in the telecommunications industry is contained in the registrant's annual report to shareowners for the fiscal year ended December 31, 1993, under the heading "Competition" on page 27 which is incorporated herein by reference pursuant to General Instruction G(2).

International

Most major and several minor cable operators in the United Kingdom have begun to offer both cable television and local exchange services in selected franchise service areas. Domestic United Kingdom telephone companies are restricted from offering video entertainment over their networks until 1998. The United Kingdom currently has two major domestic telephone companies. In addition to cable, viewers in the United Kingdom may select television programming from four television stations which are broadcast free, or may subscribe to programming directly from satellite broadcasting services. Both are sources of programming for cable companies.

Directory Publishing

Yellow Pages faces competition from numerous directory publishing companies as well as other advertising media. There are 42 other directory publishers in the five-state area producing yellow page directories.

ADS publishes the majority of its directories under a long-term contract with GTE/Contel. ADS also faces competition from other publishers and non-directory advertising media.

Voice Messaging Services

SMSI and Telecom face competition in each market in which voice messaging services are offered. Competition is primarily from telephone answering services and other voice messaging services providers. In addition, answering machines and voice messaging equipment used as adjuncts to PBX systems provide competing alternatives to voice messaging services.

Customer Premises Equipment

Telecom faces significant price competition from numerous companies within both its Business Systems division and Original Equipment division.

Printing

SB Printing and its subsidiary, Times Journal, engage in general directory and commercial printing and face significant competition in each of these operations. In the United States and Canada, there are at least seven large directory printing companies and over 100 large commercial printing companies in direct competition with SB Printing.

Research and Development

The majority of company-sponsored basic and applied research activities are conducted at Bell Communications Research, Inc. (Bellcore). The Telephone Company owns a one-seventh interest in Bellcore along with the other six RHCs. Bellcore is also the coordinator for the federal government's telecommunications requirements on national security and emergency preparedness.

Basic and applied research is also conducted at Southwestern Bell Technology Resources, Inc. (TRI), a subsidiary of the Corporation. TRI provides technology planning and assessment services to the Corporation and its subsidiaries.

Employees

As of January 31, 1994, the Corporation and its subsidiaries employed 59,040 persons. Approximately 67 percent of the employees are represented by the Communications Workers of America (CWA). Effective in August 1992, a three-year contract was negotiated between the CWA and the Telephone Company. Effective in December 1992, a three-year contract was negotiated between the CWA and Yellow Pages. These contracts will be subject to renegotiation in mid-1995. In March 1991, Telecom negotiated a three-year contract with the CWA. This contract will be subject to renegotiation in 1994. The CWA also represents a minor number of employees in other subsidiaries of the Corporation.

Item 2. Properties.

The properties of the Corporation do not lend themselves to description by character and location of principal units. Ninety-two percent of the property, plant and equipment of the Corporation is owned by the Telephone Company. At December 31, 1993, network access lines represented 45 percent of the Telephone Company's investment in telephone plant; central office equipment represented 36 percent; land and buildings represented 10 percent; other miscellaneous property, comprised principally of furniture and office equipment and vehicles and other work equipment, represented 7 percent; and information origination/termination equipment represented 2 percent.

Item 3. Legal Proceedings.

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted to a vote of shareowners in the fourth quarter of the fiscal year covered by this report.

Executive Officers of the Registrant as of January 31, 1994.

Name	Age	Position	Held Since
Edward E. Whitacre Jr.	52	Chairman and Chief Executive Officer	1-90
James R. Adams	54	Group President	7-92
Robert A. Dickemper	50	Senior Vice President-Staff/Administration	7-93
William E. Dreyer	55	Senior Executive Vice President-External Affairs	7-93
James D. Ellis	50	Senior Executive Vice President and General Counsel	3-89
Charles E. Foster	57	Group President	10-90
Richard A. Harris	53	Senior Executive Vice President- Human Resources	10-90
James S. Kahan	46	Senior Vice President- Strategic Planning and Corporate Development	7-93
Donald E. Kiernan	53	Senior Vice President, Treasurer and Chief Financial Officer	7-93
Robert G. Pope*	58	Vice Chairman of Southwestern Bell Corporation and President and Chief Executive Officer of Southwestern Bell Telephone Company	7-93

*Mr. Robert G. Pope has announced his intention to retire effective March 31, 1994.

All of the above Executive Officers have held high-level managerial positions with the Corporation, its subsidiaries or former affiliates for more than the past five years, except for Messrs. Kiernan and Kahan who have held such high-level managerial positions since May 1990 and January 1992, respectively. Prior to their appointments as Executive Officers, Mr. Kiernan was a partner with Ernst & Young and Mr. Kahan held responsible managerial positions with the Corporation. Officers of the Corporation are appointed by the Corporation's Board of Directors. Officers are not appointed to a fixed term of office but hold office until their successors are elected and qualified.

PART II

Items 5 through 8.

The information required by these Items is included in the "Stock Performance" section on page 1, page 20 through page 43 and in the "Stock Data" section on the back cover of the registrant's annual report to shareowners for the fiscal year ended December 31, 1993. Such information is incorporated herein by reference pursuant to General Instruction G(2).

Item 9. Changes in and disagreements with Accountants on Accounting and Financial Disclosure.

No changes in accountants or disagreements with accountants on any accounting or financial disclosure matters occurred during the period covered by this report.

PART III

Items 10 through 13.

Information regarding executive officers required by Item 401 of Regulation S-K is furnished in a separate disclosure in Part I of this report since the registrant did not furnish such information in its definitive proxy statement prepared in accordance with Schedule 14A.

The other information required by these Items is included in the registrant's definitive proxy statement, dated March 18, 1994, from page 4 through page 9 and beginning with the last paragraph on page 16 through page 24 and is incorporated herein by reference pursuant to General Instruction G(3).

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Documents filed as a part of the report:

(1) Consolidated Financial Statements:

	Page
Consolidated Statements of Income	*
Consolidated Balance Sheets	*
Consolidated Statements of Cash Flows	*
Consolidated Statements of Shareowners' Equity	*
Notes to Consolidated Financial Statements	*
Report of Independent Auditors	*

---

* Incorporated herein by reference to the appropriate portions of the registrant's annual report to shareowners for the fiscal year ended December 31, 1993. (See Part II.)

(2) Financial Statement Schedules:

	Page
Consent of Independent Auditors	25
V-Property, Plant and Equipment	26
VI-Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment	30
VIII-Valuation and Qualifying Accounts	31
X-Supplementary Income Statement Information	33

Financial statement schedules other than those listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

(3) Exhibits:

Exhibits identified in parentheses below, on file with the SEC, are incorporated by reference as exhibits hereto.

3-a Certificate of Incorporation of Southwestern Bell Corporation (restated), dated June 6, 1988. (Exhibit 3-a to Form 10-K for 1988, File 1-8610.)

3-b Bylaws of Southwestern Bell Corporation, dated June 28, 1991. (Exhibit 3-b to Form 10-Q for the second quarter 1991, File 1-8610.)

4-a Pursuant to Regulation S-K, Item 601(b)(4)(iii)(A), no instrument which defines the rights of holders of long and intermediate term debt of the registrant or any of its consolidated subsidiaries is filed herewith. Pursuant to this regulation, the registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.

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Southwestern Bell Corporation will furnish to shareowners upon request, and without charge, a copy of the annual report to shareowners and the proxy statement, portions of which are incorporated by reference in the Form 10-K. Southwestern Bell Corporation will furnish any other exhibit at cost.

(b) Reports on Form 8-K:

On December 7, 1993, Southwestern Bell Corporation filed a Current Report on Form 8-K, dated December 6, 1993, reporting on Item 5, Other Events.

<TABLE>

SOUTHWESTERN BELL CORPORATION — Schedule V - Sheet 1

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

Dollars in Millions

<CAPTION>

COL. A Classification	COL. B Balance at Beginning of Period	COL. C Additions at cost -Note (a)	COL. D Retirements -Note (b)	COL. E Other Changes -Note (d)	COL. F Balance at End of Period
<S>	<C>	<C>	<C>	<C>	<C>
Year 1993					
Aerial Cable	$ 1,325.3	$ 52.1	$ 22.2	$ (.7)	$ 1,354.5
Aerial Wire	34.8	.8	1.1	-	34.5
Buildings	2,646.8	138.0	36.5	1.8	2,750.1
Buried Cable	6,230.3	453.9	57.6	52.1	6,678.7
Central Office Assets	9,271.4	884.0	449.1	16.9	9,723.2
Conduit Systems	1,294.8	46.9	2.4	.3	1,339.6
Furniture and Office Equipment	1,514.6	179.2	95.0	11.2	1,610.0
Held for Future Use	8.3	-	-	(7.9)	.4
Information Equipment	510.0	47.5	67.9	27.1	516.7
Intrabuilding Network Cable	143.5	1.1	1.8	-	142.8
Land	207.3	2.9	3.2	(14.0)	193.0
Other Communications Equipment	915.5	298.4	34.2	(306.4)	873.3
Poles	312.6	9.3	4.1	-	317.8
Submarine Cable	4.7	.1	.1	.1	4.8
Underground Cable	2,028.7	85.1	15.2	7.1	2,105.7
Vehicles and Work Equipment	529.8	46.8	19.9	(31.2)	525.5
Total Property, Plant and Equipment	$ 26,978.4	$ 2,246.1	$ 810.3	$ (243.6)	$ 28,170.6

<FN>

Depreciation as a percentage of average depreciable plant and equipment 7.0%

The Notes on Sheet 4 are an integral part of this Schedule.

</TABLE>

<TABLE>

SOUTHWESTERN BELL CORPORATION — Schedule V - Sheet 2

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

Dollars in Millions

<CAPTION>

COL. A Classification	COL. B Balance at Beginning of Period	COL. C Additions at cost -Note (a)	COL. D Retirements -Note (b)	COL. E Other Changes -Note (c)	COL. F Balance at End of Period
Year 1992					
<S>	<C>	<C>	<C>	<C>	<C>
Aerial Cable	$ 1,299.7	$ 47.9	$ 22.3	$ -	$ 1,325.3
Aerial Wire	34.8	.6	.6	-	34.8
Buildings	2,528.8	130.8	14.4	1.6	2,646.8
Buried Cable	5,918.5	390.2	55.3	(23.1)	6,230.3
Central Office Assets	8,985.3	941.6	528.7	(126.8)	9,271.4
Conduit Systems	1,267.9	28.7	1.8	-	1,294.8
Furniture and Office Equipment	1,387.0	184.8	65.7	8.5	1,514.6
Held for Future Use	6.6	3.2	.2	(1.3)	8.3
Information Equipment	569.1	45.8	130.1	25.2	510.0
Intrabuilding Network Cable	144.2	1.5	2.4	.2	143.5
Land	207.6	2.4	3.8	1.1	207.3
Other Communications Equipment	610.5	287.4	126.4	144.0	915.5
Poles	307.1	9.5	4.0	-	312.6
Submarine Cable	4.7	-	-	-	4.7
Underground Cable	1,981.2	62.4	15.0	.1	2,028.7
Vehicles and Work Equipment	502.4	45.3	17.9	-	529.8
Total Property, Plant and Equipment	$25,755.4	$2,182.1	$ 988.6	$ 29.5	$ 26,978.4

<FN>

Depreciation as a percentage of average depreciable plant and equipment 6.8%

The Notes on Sheet 4 are an integral part of this Schedule.

</TABLE>

<TABLE>

SOUTHWESTERN BELL CORPORATION — Schedule V - Sheet 3

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

Dollars in Millions

<CAPTION>

COL. A Classification	COL. B Balance at Beginning of Period	COL. C Additions at cost -Note (a)	COL. D Retirements -Note (b)	COL. E Other Changes -Note (c)	COL. F Balance at End of Period
Year 1991					
<S>	<C>	<C>	<C>	<C>	<C>
Aerial Cable	$ 1,281.8	$ 46.5	$ 27.2	$ (1.4)	$ 1,299.7
Aerial Wire	35.1	.5	.8	-	34.8
Buildings	2,382.3	174.4	13.1	(14.8)	2,528.8
Buried Cable	5,688.7	299.0	67.7	(1.5)	5,918.5
Central Office Assets	8,665.2	820.4	517.8	17.5	8,985.3
Conduit Systems	1,238.8	31.7	2.4	(.2)	1,267.9
Furniture and Office Equipment	1,299.1	161.3	77.3	3.9	1,387.0
Held for Future Use	14.5	2.2	.7	(9.4)	6.6
Information Equipment	532.8	49.9	27.7	14.1	569.1
Intrabuilding Network Cable	141.1	2.1	2.5	3.5	144.2
Land	184.7	23.3	.4	-	207.6
Other Communications Equipment	469.3	155.4	18.2	4.0	610.5
Poles	310.4	9.9	13.2	-	307.1
Submarine Cable	4.8	-	.1	-	4.7
Underground Cable	1,931.2	73.0	23.0	-	1,981.2
Vehicles and Work Equipment	490.5	38.3	19.6	(6.8)	502.4
Total Property, Plant and Equipment	$ 24,670.3	$ 1,887.9	$ 811.7	$ 8.9	$ 25,755.4

<FN>

Depreciation as a percentage of average depreciable plant and equipment 6.8%

The Notes on Sheet 4 are an integral part of this Schedule.

(a) Includes allowance for funds used during construction and additions to capitalized leases.

(b) Items of telephone plant, when retired or sold are deducted from the property accounts at the amount of cost originally recorded. Amounts are estimated if original historical cost is not known.

(c) Primarily includes transfers to and from Material and Supplies for reused material for Southwestern Bell Telephone Company (Telephone Company). The 1992 amounts include certain reclassifications.

(d) Primarily equipment sold relating to Metromedia Paging Services, Inc. Also includes transfers to and from Material and Supplies for reused material for the Telephone Company. Amounts also include certain reclassifications.

</TABLE>

<TABLE>

SOUTHWESTERN BELL CORPORATION
SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT
Dollars in Millions

<CAPTION>

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
Description	Balance at Beginning of Period	Additions Charged to Expense	Retirements	Other Changes -Note	Balance at End of Period
<S>	<C>	<C>	<C>	<C>	<C>
Year 1993	$ 10,079.0	1,906.9	806.2	(100.6) (b)	$ 11,079.1
Year 1992	$ 9,245.1	1,762.1	914.4	(13.8) (a)	$ 10,079.0
Year 1991	$ 8,348.0	1,676.5	793.3	13.9 (a)	$ 9,245.1

<FN>

(a) Comprised principally of the following items:

(1) Amounts received for property, plant and equipment sold primarily relating to Southwestern Bell Telephone Company (Telephone Company).
(2) Provisions for the cost of removing plant and equipment retired primarily relating to the Telephone Company.
(3) The Telephone Company's deferral of certain interstate amortization expenses to 1992, as required by the FCC beginning in July 1991.

(b) Comprised principally of the following items:

(1) Provisions for the cost of removing plant and equipment retired primarily relating to the Telephone Company and equipment sold relating to Metromedia Paging Services, Inc.
(2) Amounts received for property, plant and equipment sold primarily relating to the Telephone Company.
</TABLE>

<TABLE>

SOUTHWESTERN BELL CORPORATION — Schedule VIII - Sheet 1
SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
Allowance for Uncollectibles
Dollars in Millions

<CAPTION>

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
		(1)	(2)		
Description	Balance at Beginning of Period	Charged to Revenue	Charged to Other Accounts -Note (a)	Deductions Note (b)	Balance at End of Period
<S>	<C>	<C>	<C>	<C>	<C>
Year 1993	$ 95.5	149.9	35.2	169.4	$ 111.2
Year 1992	$ 82.3	134.9	36.5	158.2	$ 95.5
Year 1991	$ 81.0	127.8	24.6	151.1	$ 82.3

<FN>

(a) Amounts previously written off which were credited directly to this account when recovered.

(b) Amounts written off as uncollectible.

</TABLE>

<TABLE>

SOUTHWESTERN BELL CORPORATION — Schedule VIII - Sheet 2
SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS
Accumulated Amortization of Intangibles
Dollars in Millions

<CAPTION>

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
		(1)	(2)		
Description	Balance at Beginning of Period	Charged to Expense	Charged to Other Accounts	Deductions	Balance at End of Period
<S>	<C>	<C>	<C>	<C>	<C>
Year 1993	$ 443.6	100.1	.7	176.2 (a)	$ 368.2
Year 1992	$ 366.0	80.1	-	2.5	$ 443.6
Year 1991	$ 294.4	88.4	.6	17.4	$ 366.0

<FN>

(a) Primarily related to the disposition of Metromedia Paging Services, Inc.

</TABLE>

SOUTHWESTERN BELL CORPORATION
SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
Dollars in Millions

Column A - Item	Column B - Charged to Expense
Year 1993	
1. Maintenance and repairs	$1,530.4
2. Taxes, other than payroll and income taxes	
Property	$ 306.4
Gross receipts	$ 179.0
3. Advertising costs	$ 89.5
Year 1992	
1. Maintenance and repairs	$1,676.9
2. Taxes, other than payroll and income taxes	
Property	$ 283.1
Gross receipts	$ 148.8
3. Advertising costs	$ 85.0
Year 1991	
1. Maintenance and repairs	$1,534.6
2. Taxes, other than payroll and income taxes	
Property	$ 274.9
Gross receipts	$ 131.3
3. Advertising costs	$ 79.0

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 18th day of March, 1994.

SOUTHWESTERN BELL CORPORATION

By /s/ Donald E. Kiernan
(Donald E. Kiernan
Senior Vice President, Treasurer
and Chief Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Principal Executive Officer:
Edward E. Whitacre Jr.*
Chairman and
Chief Executive Officer

Principal Financial and
Accounting Officer:
Donald E. Kiernan
Senior Vice President, Treasurer
and Chief Financial Officer

Directors:

Edward E. Whitacre Jr.*
Clarence C. Barksdale*
James E. Barnes*
Jack S. Blanton*
August A. Busch III*
Ruben R. Cardenas*
Martin K. Eby, Jr.*
Tom C. Frost*
Jess T. Hay*
Bobby R. Inman*
Charles F. Knight*
Sybil C. Mobley*
Haskell M. Monroe, Jr.*
Robert G. Pope *
Carlos Slim Helu*
Patricia P. Upton *

/s/ Donald E. Kiernan
(Donald E. Kiernan, as attorney-in-fact and on his own behalf as Principal Financial Officer and Principal Accounting Officer)

March 18, 1994

* by power of attorney

EXHIBIT INDEX

Exhibits identified in parentheses below, on file with the SEC, are incorporated by reference as exhibits hereto.

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EXHIBIT 12

SOUTHWESTERN BELL CORPORATION
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
DOLLARS IN MILLIONS

<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Income Before Income Taxes, Extraordinary Loss and Cumulative Effect of Changes in Accounting Principles*	$ 1,882.9	$ 1,701.2	$ 1,557.0	$1,541.4	$ 1,479.5
Add:Interest Expense	496.2	530.0	577.7	529.7	543.8
1/3 Rental Expense	41.0	45.1	37.5	43.4	42.5
Adjusted Earnings	$ 2,420.1	$ 2,276.3	$ 2,172.2	$2,114.5	$ 2,065.8
Total Interest Charges	$ 496.2	$ 530.0	$ 577.7	$ 529.7	$ 543.8
1/3 Rental Expense	41.0	45.1	37.5	43.4	42.5
Adjusted Fixed Charges	$ 537.2	$ 575.1	$ 615.2	$ 573.1	$ 586.3
Ratio of Earnings to Fixed Charges	4.51	3.96	3.53	3.69	3.52

<FN>

*Undistributed earnings on investments accounted for under the equity method have been excluded.

NOTE:Prior year ratios have been restated to conform to current year methodology of computing undistributed earnings on investments accounted for under the equity method.

</TABLE>

STOCK PERFORMANCE

On page one of the Annual Report is a stacked bar graph detailing the Corporation's stock performance for 1993 and 1992.

<TABLE>
Selected Financial and Operating Data
Dollars in millions except per share amounts
<CAPTION>

At December 31 or for the year ended:	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Operating revenues	$ 10,690	$ 10,015	$ 9,332	$ 9,113	$ 8,730
Operating expenses	$ 8,310	$ 7,818	$ 7,198	$ 7,071	$ 6,722
Operating income	$ 2,380	$ 2,197	$ 2,134	$ 2,042	$ 2,008
Interest expense	$ 496	$ 530	$ 578	$ 530	$ 544
Equity in net income of affiliates	$ 250	$ 208	$ 95	$ 6	$ 6
Income taxes	$ 625	$ 568	$ 488	$ 440	$ 387
Income before extraordinary loss and cumulative effect of changes in accounting principles	$ 1,435	$ 1,302	$ 1,157	$ 1,101	$ 1,093
Extraordinary loss on early extinguishment of debt, net of tax	$ (153)	-	$ (81)	-	-
Cumulative effect of changes in accounting principles, net of tax	$ (2,127)	-	-	-	-
Net income (loss)	$ (845)	$ 1,302	$ 1,076	$ 1,101	$ 1,093
Earnings per common share: (1)					
Income before extraordinary loss and cumulative effect of changes in accounting principles	$ 2.39	$ 2.17	$ 1.93	$ 1.83	$ 1.82
Extraordinary loss on early extinguishment of debt, net of tax	(0.25)	-	(0.14)	-	-
Cumulative effect of changes in accounting principles, net of tax	(3.55)	-	-	-	-
Net income (loss)	$ (1.41)	$ 2.17	$ 1.79	$ 1.83	$ 1.82
Total assets	$ 24,308	$ 23,810	$ 23,179	$ 22,196	$ 21,161
Long-term debt	$ 5,459	$ 5,716	$ 5,675	$ 5,483	$ 5,456
Construction and capital expenditures	$ 2,221	$ 2,144	$ 1,826	$ 1,778	$ 1,483
Free cash flow	$ 1,220	$ 1,470	$ 1,067	$ 893	$ 1,283
Dividends declared per common share (1)	$ 1.51	$ 1.46	$ 1.42	$ 1.38	$ 1.30
Book value per common share (1, 2)	$ 12.68	$ 15.51	$ 14.76	$ 14.31	$ 13.92
Ratio of earnings to fixed charges(3)	4.51	3.96	3.53	3.69	3.52
Return on weighted average shareowners' equity (4)	19.20%	14.27%	13.03%	12.92%	12.90%
Debt ratio (2)	47.36%	42.92%	45.09%	43.98%	42.01%
Network access lines in service (000)	13,238	12,803	12,398	12,105	11,759
Access minutes of use (000,000)	43,767	41,235	38,885	36,982	34,295
Long-distance messages (000,000)	1,093	1,057	1,055	1,034	988
Cellular customers (000)	2,049	1,413	960	667	382
Number of employees	58,400	59,500	61,200	66,700	66,200

<FN>

1 Prior years have been restated to reflect two-for-one stock split effective May 25, 1993.
2 Shareowners' equity used in debt ratio and book value per common share calculations includes extraordinary loss and changes in accounting principles.

3 Prior year ratios have been restated to conform to current year methodology.
4 Calculated using income before extraordinary loss and changes in accounting principles. These impacts are included in shareowners' equity.
5 Compounded Annual Growth Rate from 1984 to 1993.
NA Not Available.
</TABLE>

<TABLE>
Selected Financial and Operating Data
Dollars in millions except per share amounts
<CAPTION>

At December 31 or for the year ended:	1988	1987	1986	1985	1984	CAGR5
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Operating revenues	$ 8,453	$ 8,003	$ 7,902	$ 7,925	$ 7,191	4.5%
Operating expenses	$ 6,503	$ 5,926	$ 5,705	$ 5,802	$ 5,254	5.2%
Operating income	$ 1,950	$ 2,077	$ 2,197	$ 2,123	$ 1,937	2.3%
Interest expense	$ 578	$ 532	$ 543	$ 542	$ 521	-
Equity in net income of affiliates	$ 8	$ 5	$ 3	$ -	$ -	-
Income taxes	$ 350	$ 544	$ 711	$ 655	$ 579	-
Income before extraordinary loss and cumulative effect of changes in accounting principles	$ 1,060	$ 1,047	$ 1,023	$ 996	$ 883	5.5%
Extraordinary loss on early extinguishment of debt, net of tax	-	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax	-	-	-	-	-	-
Net income (loss)	$ 1,060	$ 1,047	$ 1,023	$ 996	$ 883	-
Earnings per common share: (1)						
Income before extraordinary loss and cumulative effect of changes in accounting principles	$ 1.76	$ 1.74	$ 1.71	$ 1.67	$ 1.51	5.2%
Extraordinary loss on early extinguishment of debt, net of tax	-	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax	-	-	-	-	-	-
Net income (loss)	$ 1.76	$ 1.74	$ 1.71	$ 1.67	$ 1.51	-
Total assets	$ 20,985	$21,500	$20,300	$19,291	$ 18,042	3.4%
Long-term debt	$ 5,039	$ 5,649	$ 4,912	$ 5,001	$ 4,935	-
Construction and capital expenditures	$ 1,222	$ 1,450	$ 1,912	$ 1,989	$ 1,727	2.8%
Free cash flow	$ 1,308	$ 1,028	$ 659	$ 209	$ 481	10.9%
Dividends declared per common share (1)	$ 1.24	$ 1.16	$ 1.07	$ 1.00	$ .93	5.5%
Book value per common share (1, 2)	$ 14.15	$ 13.63	$ 13.04	$ 12.38	$ 11.71	-
Ratio of earnings to fixed charges (3)	3.26	3.72	3.91	3.78	3.57	-
Return on weighted average shareowners' equity (4)	12.69%	12.98%	13.34%	13.71%	13.14%	-
Debt ratio (2)	41.42%	44.59%	43.43%	43.72%	43.65%	-
Network access lines in service (000)	11,340	11,105	11,083	10,898	10,650	2.4%
Access minutes of use (000,000)	31,412	30,114	28,034	26,623	NA	-
Long-distance messages (000,000)	940	873	831	797	747	-
Cellular customers (000)	244	155	41	35	9	-
Number of employees	64,900	67,100	67,500	71,400	71,900	-

<FN>
1 Prior years have been restated to reflect two-for-one stock split effective May 25, 1993.
2 Shareowners' equity used in debt ratio and book value per common share calculations includes extraordinary loss and changes in accounting principles.
3 Prior year ratios have been restated to conform to current year methodology.
4 Calculated using income before extraordinary loss and changes in accounting principles. These impacts are included in shareowners' equity.
5 Compounded Annual Growth Rate from 1984 to 1993.
NA Not Available.

</TABLE>

Management's Discussion and Analysis of Financial Condition and Results of Operations

Southwestern Bell Corporation's principal subsidiaries provide landline and wireless telecommunications services and equipment, directory advertising, publishing and printing, and cable TV services.

Dollars in millions except per share amounts

Southwestern Bell Corporation (Corporation) is a holding company whose subsidiaries operate predominantly in the communications service industry. The Corporation's subsidiaries principally provide landline and wireless telecommunications services and equipment, directory advertising, publishing and printing, and cable television services. In December 1993, the Corporation sold Metromedia Paging Services, Inc. (Paging) which provided paging services.

In 1993, 76 percent of the Corporation's operating revenues came from its largest subsidiary, Southwestern Bell Telephone Company (Telephone Company), which provides telecommunications services through approximately 13.2 million access lines in Arkansas, Kansas, Missouri, Oklahoma and Texas (five-state area). The Telephone Company is a public utility subject to regulation by each of the state jurisdictions in which it operates and by the Federal Communications Commission (FCC).

This discussion should be read in conjunction with the consolidated financial statements and the accompanying notes.

Results of Operations

Summary

Financial results, including changes from the prior year, are summarized as follows:

	1993	1992	1991	Percent change 1993 vs. 1992	Percent change 1992 vs. 1991
Operating revenues	$ 10,690.3	$10,015.4	$9,331.9	6.7%	7.3%
Operating expenses	$ 8,310.7	$7,818.0	$7,198.3	6.3%	8.6%
Income before extraordinary loss and accounting changes	$ 1,435.2	$1,301.7	$1,156.5	10.3%	12.6%
Extraordinary loss	$ (153.2)	-	$ (80.7)	-	-
Accounting changes	$ (2,127.2)	-	-	-	-
Net income (loss)	$ (845.2)	$1,301.7	$1,075.8	(164.9)%	21.0%

The Corporation reported income before extraordinary loss and cumulative effect of changes in accounting principles of $1,435.2, $1,301.7 and $1,156.5 in 1993, 1992 and 1991, respectively. The corresponding earnings per common share for those years were $2.39, $2.17 and $1.93, respectively. Extraordinary loss associated with early extinguishment of debt was $153.2, or $0.25 per share, in 1993, and $80.7, or $0.14 per share, in 1991. The adoption of financial accounting standards relating to postretirement benefits, postemployment benefits and income taxes resulted in one-time charges of $2,127.2, or $3.55 per share, in the first quarter of 1993. As a result, net loss for 1993 was $845.2, or $1.41 per share. Net income for 1992 and 1991 was $1,301.7 and $1,075.8, respectively. Subsidiaries other than the Telephone Company provided 29 percent, 26 percent and 19 percent of the Corporation's income before extraordinary loss and cumulative effect of changes in accounting principles in 1993, 1992 and 1991, respectively. All per share amounts have been restated to reflect the 1993 two-for-one stock split.

The primary factors contributing to the increase in income before extraordinary loss and cumulative effect of changes in accounting principles in 1993 were the growth in demand for services and products at Southwestern Bell Mobile Systems, Inc. (Mobile Systems) and the Telephone Company, the decrease in license fees paid by the Telephone Company for switching system software, and the increase in income generated from the Corporation's equity investments, primarily Telefonos de Mexico, S.A. de C.V. (Telmex). These factors were partially offset by increased postretirement benefit and depreciation expenses and accruals for potential rate reductions, mainly at the Telephone Company. Results for 1993 also reflect one-time charges for Telephone Company restructuring and write-off of analog cellular equipment, partially offset by a gain on the sale of Paging.

The primary factors contributing to the increase in income before extraordinary loss in 1992 included increased demand for services and products at the Telephone Company and at Mobile Systems, the increase in income generated from the Corporation's additional investment in Telmex and expense reductions from the voluntary management retirement program implemented in the fourth quarter of 1991. These factors were partially offset by increases in license fees for switching system software, depreciation and benefit expense, mainly at the Telephone Company.

Items affecting the comparison of the operating results between 1993 and 1992, and between 1992 and 1991, are discussed in the following sections.

Operating Revenues

Total operating revenues increased $674.9, or 6.7 percent, in 1993 and $683.5, or 7.3 percent, in 1992. Revenue components of total operating revenues, including changes from the prior year, are as follows:

				Percent change	
	1993	1992	1991	1993 vs. 1992	1992 vs. 1991
Local service					
Landline	$ 3,904.9	$ 3,727.5	$ 3,527.9	4.8%	5.7%
Wireless	1,282.5	940.9	701.0	36.3	34.2
Network access					
Interstate	1,804.7	1,710.3	1,651.9	5.5	3.5
Intrastate	880.7	837.5	788.9	5.2	6.2
Long-distance service	977.3	1,011.7	1,026.6	(3.4)	(1.5)
Directory advertising	869.0	847.9	847.7	2.5	0.0
Other	971.2	939.6	787.9	3.4	19.3
	$10,690.3	$ 10,015.4	$ 9,331.9	6.7%	7.3%

Local Service Landline revenues increased in 1993 and 1992 due primarily to increases in demand, including growth in the number of access lines of 3.4 percent and 3.3 percent, respectively. Nearly two-thirds of the access line growth occurred in Texas. Landline revenues for the periods also increased as a result of extended area service plans which expand the area defined as local service.

Wireless revenues increased in 1993 and 1992 due primarily to the growth in the number of cellular customers of 45.0 percent and 47.2 percent, for each year, respectively. These increases were partially offset by declines in average revenue per customer in both periods. Market penetration for 1993, 1992 and 1991 was 5.7, 4.0 and 2.7 customers per 100 people, respectively, in Mobile Systems' service areas.

Network Access Interstate network access revenues increased in 1993 and 1992 due primarily to increases in demand for access services and growth in revenues from end user charges attributable to an increasing access line base. These increases were partially offset by decreases in interstate rates recognized by the Telephone Company.

Intrastate network access revenues increased in 1993 and 1992, as compared to prior years, due primarily to increases in demand. These increases were partially offset by previously ordered rate reductions, primarily in Texas.

Long-Distance Service Telephone Company long-distance revenues decreased in 1993 and 1992 due mainly to accruals for potential rate reductions in Oklahoma and the impact of extended area service plans. These decreases were partially offset by increases in demand for long-distance services. Although extended area service plans have had a negative effect on long-distance service revenues, this effect is partially offset by related increases in local service revenues, as noted in the discussion of landline local service revenues. Results in 1992 were also affected by a positive change in net settlements with independent telephone companies.

Directory Advertising revenues in 1993 and 1992 reflect growth in Yellow Pages revenues in each year. The increases in both years were offset by the absence of revenues associated with certain directory operations sold in June 1992.

Other revenues increased in 1993 and 1992 due to increases in equipment sales, primarily at Mobile Systems, and increases in demand for the Telephone Company's nonregulated services and products. In 1993, these increases were partially offset by the absence of revenues associated with operations sold during 1993, including residential equipment sales, commercial printing and paging services. In 1992, other revenues were negatively impacted by a decrease in revenues associated with billing and collection services provided to interexchange carriers by the Telephone Company.

Operating Expenses

Total operating expenses increased $492.7, or 6.3 percent, in 1993 and $619.7, or 8.6 percent, in 1992. Expense components of total operating expenses, including changes from the prior year, are as follows:

				Percent change	
	1993	1992	1991	1993 vs. 1992	1992 vs. 1991
Cost of services and products	$ 3,387.6	$3,423.4	$ 3,159.9	(1.0)%	8.3%
Selling, general and administrative	2,916.1	2,552.4	2,273.4	14.2	12.3
Depreciation and amortization	2,007.0	1,842.2	1,765.0	8.9	4.4
	$ 8,310.7	$7,818.0	$ 7,198.3	6.3%	8.6%

Cost of Services and Products decreased in 1993 due primarily to a decrease in license fees paid by the Telephone Company for switching system software, and the absence of expenses associated with operations sold, including residential equipment sales and commercial printing (sold in 1993) and directory advertising operations (sold in 1992). These decreases were partially offset by costs related to increased demand for services and products at Mobile Systems and the Telephone Company, and annual compensation increases.

The increase in 1992 was primarily due to Telephone Company expenditures for switching system software associated with advanced calling features, and an accelerated implementation of a single national database of 800 numbers as mandated by the FCC, as well as costs related to increased demand for cellular services and products. These increases were partially offset by the savings from the voluntary management retirement program implemented in the fourth quarter of 1991.

Selling, General and Administrative expenses increased in 1993 due primarily to increased demand for cellular services and products and the increase of approximately $110 in postretirement benefits expense required by the adoption of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (Statement No. 106) as discussed in Note 2 to the financial statements. The increased expenses also reflect a one-time charge for restructuring, as further discussed in "Other Business Matters," as well as increases in property and other taxes and annual compensation increases. Comparisons to 1992 are impacted by the recording of one-time charges in 1992 for an offer of pension enhancements and related benefits to designated nonmanagement employees and for estimated expenses associated with relocating the Corporation's headquarters.

In addition to the charges for pension enhancements and relocation noted above, the increase in 1992 resulted from increased demand for services and products, primarily cellular, and from higher benefit expenses mostly attributable to the voluntary management retirement program implemented in the fourth quarter of 1991. These increases were partially offset by salary savings due to force reductions.

Depreciation and Amortization increased in 1993 mainly due to changes in plant level and composition, particularly at the Telephone Company. Depreciation expense also increased in 1993 due to a reduction in cellular analog equipment lives. These increases were partially offset by a decrease in reserve deficiency amortization at the Telephone Company.

The increase in 1992 was due mostly to implementation of revised depreciation rates resulting from the triennial review of rates by regulators, and a change in plant level and composition. These increases were partially offset by the decrease in reserve deficiency amortization.

Interest Expense decreased $33.8, or 6.4 percent, in 1993. The decrease was due primarily to lower interest rates on debt refinanced by the Telephone Company and the repayment of debt during 1993. Interest expense decreased $47.7, or 8.3 percent, in 1992 due to lower interest rates on short-term obligations and interest savings on long-term debt refinanced by the Telephone Company in 1991.

Equity in Net Income of Affiliates increased $41.7, or 20.0 percent, in 1993 due primarily to higher earnings at Telmex resulting from overall growth, including increases in access lines, and increases in rates sufficient to offset the impact of inflation. In 1992, the increase of $113.5, or 120.1 percent, was due primarily to the September 1991 increase in the Corporation's equity investment in Telmex from 5 to 10 percent and higher earnings at Telmex resulting from increases in access lines and an increase in local service rates. In both years, these factors were offset partially by increases in wages and benefit expenses, and other operating expenses related to the rehabilitation and modernization of the telephone network. The Corporation's investment in Telmex is recorded under U.S. generally accepted accounting principles which exclude inflation adjustments and include adjustments for the purchase method of accounting. See Note 13 to the financial statements for additional information.

Other Expense - Net increased $67.2 in 1993 and was flat in 1992 compared with 1991. The increase was due to a nonrecurring charge for the write-off of analog cellular equipment, the absence of interest income associated with the settlement of federal income tax audit issues in 1992 and an increase in legislative advocacy expenses in 1993. These increases were partially offset by the gain on the sale of paging operations in 1993.

Federal Income Tax expense increased $62.5, or 12.8 percent, in 1993 and $52.0, or 11.9 percent, in 1992, primarily due to higher income before income taxes. Federal income taxes in 1993 were also affected by the increase in income tax rates under the Omnibus Budget Reconciliation Act. Based on comparable results, management estimates that the change in rates will decrease net income in 1994 by approximately $35-40. The increase in 1992 was partially offset by an increase in the amortization of deferred taxes in 1992.

Extraordinary Item The Telephone Company recorded extraordinary charges of $153.2 and $80.7 in 1993 and 1991 as a result of refinancing $2,100 and $732 of long-term debt, respectively. See Note 7 to the financial statements for additional information.

Operating Environment and Trends of the Business

Regulatory Environment

The Telephone Company operates in a five-state area comprised of Arkansas, Kansas, Missouri, Oklahoma and Texas. The intrastate telecommunications operations of Arkansas, Missouri and Oklahoma are currently regulated under traditional rate-of-return methodology. Since 1990, Kansas and Texas intrastate telecommunications operations have been governed by alternative forms of regulation. The Telephone Company's interstate telecommunications operations in the five states are regulated by the FCC, using, since 1991, a price-cap methodology.

The Texas Public Utility Commission (TPUC) requires that certain ratemaking adjustments be made to the Telephone Company's reported earnings in order to compute earnings subject to sharing according to its regulatory plan. These adjustments, however, are not used in preparing the published financial statements. Similarly, other jurisdictions may require that adjustments be made to reported earnings in order to compute regulatory returns. As a result, differences may exist between the returns reported to these regulatory bodies and those computed from Telephone Company financial information included in the consolidated financial statements.

Following is a summary of significant regulatory proceedings.

Missouri Missouri has completed its fourth and final year under an incentive regulation plan (Missouri Plan), formed as part of a September 1989 agreement among the Missouri Public Service Commission (MPSC), Office of Public Counsel (OPC) and the Telephone Company. Under its terms, the Telephone Company was required to reduce annual revenues, effective October 1989, by approximately $82, and upgrade its network in Missouri between 1990 and 1997 at an estimated cost of $180. The Missouri Plan also provided for a sharing of earnings between the Telephone Company and its customers at certain rate-of-return thresholds.

Revenue sharing amounts for 1990 and 1991 were refunded to customers in June 1991 and June 1992, respectively, with no material impact on the Corporation's financial results. The Telephone Company was not required to share revenues for 1992, and expects that sharing for 1993, if any, will be minimal.

In October 1992, the Telephone Company, the MPSC staff and OPC filed separate recommendations to the MPSC concerning the success of the Missouri Plan and proposing changes in procedures and parameters. The Missouri Plan, originally scheduled to expire on December 31, 1992, was ordered extended until December 31, 1993, to allow for consideration of the various proposals.

The MPSC staff filed a complaint with the MPSC in January 1993 alleging that, under traditional rate-of-return methods, the Telephone Company's intrastate rates should be reduced by $150 annually. In December 1993, the MPSC issued an order requiring rate reductions of $84.6 annually, beginning January 1, 1994. The order also offered the Telephone Company the option of participating in a five-year Accelerated Modernization Plan (AMP). The AMP would have required annual revenue reductions of $84.6, which would then be subject to a five-year rate freeze, as well as continued revenue sharing and accelerated network modernization.

In December 1993, the Telephone Company declined the AMP offer on the basis that it would be detrimental to the Telephone Company, and obtained a temporary restraining order from the Cole County Circuit Court (Circuit Court), temporarily preventing enforcement of the ordered rate reductions. In February 1994, the Circuit Court granted a stay of the ordered rate reductions, pending disposition on appeal. All revenues in excess of the MPSC proposed reduced rates are being paid to the Circuit Court at this time and will not be reflected in 1994 operating revenues.

The MPSC order did not impact 1993 financial results. The final impact of the order on future financial results cannot be determined until all issues are resolved.

Oklahoma In January 1989, the Oklahoma Corporation Commission (OCC) ordered an investigation into the reasonableness of the Telephone Company's intrastate rates. A final order was issued in August 1992, requiring the Telephone Company to refund revenues in excess of 11.41 percent return on equity, effective April 1991 through the date of the final order. The ordered refund obligation is $148.4.

The OCC order also would reduce annual revenues by $100.6 effective September 1992 (of which $24.5 relates to wide-area calling plans which had already been implemented when the order was issued, and $7.4 relates to expanded wide-area calling plans implemented during 1993 through March 1994), partially offset by a positive annual revenue adjustment of $7.8 to compensate the Telephone Company for its investment of $84 over the next five years for network modernization. The order would also lower the allowed return on equity from 14.25 percent to 12.20 percent. In addition, the order denies recovery of depreciation expense associated with certain network assets and changes the regulatory method of accounting for pension expense. These actions could result in a maximum one-time reduction in net income of approximately $36.

In September 1992, the Telephone Company appealed to the Oklahoma Supreme Court which suspended the effectiveness of the entire order pending final disposition. This appeal is still pending.

The Telephone Company is contesting all aspects of the OCC's actions. Although it is unable to predict the outcome of the proceeding at this time, management believes that the OCC-ordered refund of revenues collected before the date of the OCC's August 1992 order is illegal under Oklahoma law, and will be overturned by the Court. The Court may require the Telephone Company to implement some portion of the annual rate reductions indicated in the OCC order. Management is unable to determine the outcome of the remaining portions of the OCC order. Ultimate resolution of the entire OCC order is not expected to have a material impact on the Corporation's financial results.

In 1986, the OCC made an inquiry into the effects of the Tax Reform Act of 1986 on the Telephone Company. As a result, in October 1989, the OCC concluded that the Telephone Company had a revenue surplus of $27.5, and required the Telephone Company to invest this surplus, together with interest, to upgrade its network in Oklahoma rather than refund it to customers. In addition, prospective annual rate reductions totaling $7.8 were ordered, effective October 1989.

In October 1989, the OCC order was appealed to the Oklahoma Supreme Court by various parties, including the Telephone Company. In December 1991, the Court upheld the portion of the OCC's decision that required the Telephone Company to invest the revenue surplus in network upgrades. The Court also determined that the OCC's finding of a depreciation reserve deficiency was not supported by substantial evidence and that the OCC's treatment of employee severance payments and cash working capital analysis was inappropriate. The OCC has not reconsidered the remand issues. A prehearing conference has been scheduled for April 1994. Although the final outcome of the OCC's reconsideration is uncertain at this time, management does not expect the decision to have a material future impact on the Corporation's financial results.

Texas The Telephone Company has completed the third year of its four-year incentive regulation agreement (the Agreement), which was approved by the TPUC in November 1990. Under the terms of the Agreement the Telephone Company has agreed, over a four-year period ending November 29, 1994, to cap certain local rates, provide annual rate reductions and other benefits to customers in Texas, and upgrade the network at a cost of approximately $329. Rate reductions and customer benefits for 1991 were approximately $246. Additional rate reductions of $34 and $21 were implemented in 1992 and 1993, respectively, and additional rate reductions of approximately $146 will be implemented in 1994.

The Agreement also provides an earnings-sharing mechanism designed to encourage efficiency and innovation by the Telephone Company. Revenue sharing amounts for 1991 and 1992 were refunded to customers in 1993, with no material impact on the Corporation's financial results. Management expects that sharing for 1993, if any, will be minimal.

In 1991, the Agreement was appealed through the courts, and, in February 1993, the Texas Court of Appeals (Appeals Court) upheld the Agreement, but found that the TPUC incorrectly applied laws on the treatment of federal income tax benefits related to disallowed expenses and directed the matter back to the TPUC for resolution. In August 1993, the Telephone Company and opposing intervenors filed appeals in the Texas Supreme Court, and the matter is pending.

In October 1992, the Office of Public Utility Counsel (OPUC) filed a petition for inquiry into the rates of the Telephone Company, alleging that the Telephone Company had realized excess annual earnings of approximately $234, which the sharing mechanism failed to capture. The Telephone Company filed a motion to dismiss in November 1992. In July 1993, TPUC granted the Telephone Company's motion to dismiss.

Postretirement Benefits Other Than Pensions The adoption of Statement No. 106 for ratemaking purposes has been addressed by regulatory authorities in most of the Telephone Company's state jurisdictions. See Note 2 to the financial statements for additional information on Statement No. 106. Texas and Arkansas, through commission order, and Kansas, through stipulation and commission order, have agreed to accrual accounting for postretirement benefit expenses, with some funding requirements. In Missouri, the MPSC has ordered continued pay-as-you-go treatment for postretirement benefit expenses. The Telephone Company intends to appeal this order. In Oklahoma, the OCC has not ruled on the issue, although OCC staff has recommended accrual accounting for postretirement benefit expenses, with some funding requirements.

An FCC order issued in December 1991 required all local exchange carriers to use the amortization method for recognition of the transition benefit obligation. In June 1992, the Telephone Company asked the FCC for the ability to increase its price caps to take into account the incremental interstate costs resulting from the accrual accounting required by Statement No. 106 (referred to as exogenous treatment). In January 1993, the FCC issued an order denying exogenous treatment for these incremental costs, but did not preclude the seeking of exogenous treatment of the transition benefit obligation in a separate filing in 1993. In February 1993, the Telephone Company joined with other local exchange carriers in an appeal of the January 1993 FCC order. In April 1993, the Telephone Company filed tariffs with the FCC requesting exogenous treatment of the transition benefit obligation. In June 1993, the FCC allowed the proposed rates to go into effect on July 1, 1993, subject to further investigation which could result in future refunds for all or part of the amount attributable to the transition benefit obligation. Potential refunds are currently being accrued by the Telephone Company; however, any future refunds are not expected to have a material impact on the Corporation's financial results.

Competition

Competition is growing in the telecommunications industry. Regulatory and court decisions have expanded the number of alternative service providers offering telecommunications services. Technological advances have expanded the types and uses of services and products available. Accordingly, the Corporation faces increasing competition in significant portions of its business.

The Telephone Company currently faces competition from, but not limited to, competitive access providers (CAPs), private networks, residential multi-tenant services, interexchange carriers, cellular providers, resellers and providers of telecommunications equipment. CAPs typically build fiber optic "rings" throughout large metropolitan areas to provide transport services (generally high-speed data) for large business customers and interexchange carriers. Also, an increasing number of individual firms, particularly large business customers, have established their own private network systems to transmit voice and data, bypassing Telephone Company facilities. The extent of the economic incentive to bypass the local exchange network depends upon local exchange prices, access charges, regulatory policy and other factors. End user charges ordered by the FCC are designed to mitigate the effect of system bypass.

Recent regulatory rulings have sought to expand competition for special and switched access services. Special access refers to a dedicated transmission path, used primarily by large business customers and long-distance carriers, which does not involve switching at the local exchange carrier central office. Switched access refers to the link between local exchange carriers' switching facilities and long-distance carriers' networks; switched access transport is one component of this process. In October 1992, the FCC released an order requiring large local exchange carriers, including the Telephone Company, to file tariffs permitting independent parties to physically collocate (i.e., locate) their equipment within local exchange carrier central offices for purposes of providing certain special access services. Local exchange carriers were also required to work out virtual collocation agreements for central offices where there is insufficient space for physical collocation. Virtual collocation involves a set of technical and pricing rules intended to position the interconnector as if its equipment were located in the central office. Tariffs were filed in February 1993, and became effective in June 1993. In November 1992, the Telephone Company joined with 11 local exchange carriers in a petition filed with the FCC to stay the physical collocation requirement, and also filed a separate petition to stay the virtual collocation requirement. After denial of the petitions, the Telephone Company and several other local exchange carriers filed an appeal with the U.S. Court of Appeals for the District of Columbia Circuit. Oral arguments were presented in February 1994.

In September 1993, the FCC released an order essentially imposing the same collocation requirements for switched access transport services as for special access services. In November 1993, the Telephone Company and other local exchange carriers filed an appeal of that order as well. Switched access transport collocation tariffs were filed in November 1993, and became effective in February 1994.

State regulatory commissions are also addressing issues pertaining to CAPs. In Texas, the TPUC was asked to determine whether CAPs must first obtain a certificate of convenience and necessity before providing certain intrastate services. In response, the TPUC adopted a change to the definition of local exchange service that would allow CAPs to provide certain intrastate services without specific TPUC approval. The Telephone Company is appealing this decision. In February 1993, the TPUC denied a petition filed by a CAP seeking intrastate collocation, rate unbundling and the elimination of resale restrictions in Telephone Company tariffs, and indicated it would address these issues in separate proceedings. In Missouri, CAPs are permitted to provide certain services, including special access and interexchange and intraexchange private line services, upon a showing of financial viability and authorization from the MPSC. In Missouri, a number of CAPs are presently certified to offer services.

The MPSC, in December 1992, granted the Telephone Company transitionally competitive status for toll, WATS, 800, operator and private line services, which has been appealed by several parties. This decision permits the Telephone Company to file minimum and maximum rates for those services, within which it can change rates without prior MPSC approval once enabling tariffs are approved. The Telephone Company plans to file for these rates in early 1994.

In February 1993, the Arkansas Public Service Commission issued an order granting Tier 1 local exchange carriers, including the Telephone Company, the choice between physical and virtual collocation. The Telephone Company has appealed that decision to the Arkansas Court of Appeals. In Oklahoma, the OCC issued an order in February 1993, adopting a policy of local exchange carrier discretion to choose between physical and virtual collocation. In Texas, the TPUC adopted a rule in January 1994, requiring expanded interconnection for special access services on terms similar to the interstate tariffs. The rule also requires the Telephone Company to provide expanded interconnection for private line services, and to unbundle special access and private line services. In Missouri, the MPSC has initiated preliminary discussions on expanded interconnection. The Kansas Corporation Commission (KCC) presently does not authorize intrastate collocation.

The Telephone Company faces increasing competition in its intraLATA toll markets, primarily from interexchange carriers and resellers. IntraLATA toll competition currently exists in various forms in Arkansas, Missouri and Texas. In Kansas, certain types of intraLATA toll competition went into effect in November 1993. And in Oklahoma, the OCC is currently considering an Administrative Law Judge's recommendation to allow certain types of intraLATA toll competition.

In the future, it is likely that additional competitors will emerge in the telecommunications industry. Cable television companies and electric utilities have expressed an interest in providing telecommunications services. Interexchange carriers have also expressed interest in providing local service, either directly or through alternative wireless networks, and one carrier has publicly announced its intent to provide local service in certain markets, some of which may be in the Telephone Company's five-state area. During 1993, several regional holding companies announced mergers, acquisitions, or investments in domestic cable companies, subject to court and regulatory approval. As a result of these mergers and acquisitions, the Corporation may face competition from entities offering both cable and telephone services over their transport mediums in the Telephone Company's operating territory.

In September 1993, the FCC adopted an order allocating radio spectrum and outlining development of licenses for new personal communications services (PCS). PCS utilizes wireless telecommunications technology, using different radio spectrum than cellular, and, like cellular, is designed to permit access to a variety of communications services regardless of subscriber location. Under an auction process scheduled to begin in May 1994, up to seven new licenses could be awarded in each of 51 geographic areas. Licenses may be combined by spectrum amounts and geographically, including creation of a nationwide service. The Corporation would be allowed to fully participate in areas outside its cellular service areas, and would be allowed to bid on a smaller license in areas where it has a cellular presence. The Corporation is currently evaluating its options under the order.

Competitive opportunities may arise as a result of pending legislative and legal proceedings. Legislation has recently been introduced in the United States Congress which, if adopted, could allow the Corporation to enter previously restricted lines of business. Specifically, provisions of certain of these bills seek to eliminate or modify restrictions imposed at divestiture by the Modification of Final Judgment related to electronic publishing, telecommunications equipment manufacturing and interLATA telecommunications services, and would allow local exchange carriers to compete in the cable television business in their own areas. In addition, pricing flexibility could be granted for services subject to competition. In February 1994, the Corporation filed a lawsuit in the U.S. District Court in Dallas, seeking to overturn provisions of the Cable Communications Policy Act of 1984, in order to provide cable television service in the Telephone Company's five-state area. The outcome of these proceedings cannot be predicted at this time.

The Corporation is aggressively representing its interests regarding competition before federal and state regulatory bodies and courts, and before Congress and state legislatures, and will continue to evaluate the increasingly competitive nature of its business and the appropriate regulatory, legislative and industry solutions needed to respond effectively to competition.

The Corporation currently accounts for the economic effects of regulation in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (Statement No. 71). Continued application of Statement No. 71 is appropriate only if it is reasonable to assume that rates designed to recover costs can be charged to and collected from customers. This assumption requires, among other things, consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs. It is management's opinion that application of Statement No. 71 to the Corporation is appropriate at this time. If, as a result of actual and anticipated increases in competition and other changes in the telecommunications industry, including the manner of determining rates, the Corporation determines that it no longer qualifies for the provisions of Statement No. 71, management expects that the resulting non-cash extraordinary charge would be material.

Other Business Matters

Operational Restructuring During the third quarter of 1993, the Telephone Company announced a restructuring of its operations. The restructuring realigns the Telephone Company into two operating divisions, Customer Services, comprised of nine geographic market areas, and Network Services, which focuses on technology planning and deployment. As part of the restructuring, approximately 800 management positions were eliminated during 1993. Costs for severance, relocation and benefits associated with the positions currently eliminated were accrued during 1993, reducing net income by approximately $35. Over the next 18 to 24 months, approximately 700 additional management positions will be eliminated.

Cable Television Partnership In December 1993, the Corporation and Cox Cable Communications (Cox) entered into a non-binding Memorandum of Understanding with respect to the formation of a $4.9 billion partnership to own and operate cable television systems. See Note 12 to the financial statements for additional information.

Acquisitions and Dispositions During 1993, the Corporation sold Paging, sold portions of its commercial printing operations, and entered into an agreement which exclusively licensed sales under its residential equipment trademark. None of these transactions had a material effect on the Corporation's financial results in 1993.

In January 1994, the Corporation completed the purchase, for $650, of two cable television systems located in Montgomery County, Maryland, and Arlington County, Virginia, from Hauser Communications, Inc. In February 1994, the Corporation announced an agreement to purchase, for stock valued at $680, the domestic cellular business of Associated Communications Corporation, including cellular systems in Buffalo, Rochester, Albany and Glens Falls, New York. These properties are adjacent to cellular systems in Syracuse, Utica and Ithaca, New York, which the Corporation agreed to purchase from other parties in November 1993. These transactions are expected to close during 1994. Management does not expect any of these acquisitions to have a material effect on the Corporation's financial results in 1994.

Pending Litigation The Telephone Company is presently engaged in litigation with four Texas cities arising from the Telephone Company's alleged breach of certain ordinances relating to the Telephone Company's use of, and work activities in, streets and other public ways. The cases are entitled City of Mesquite v. Southwestern Bell Telephone Company, et al., and City of Harlingen and City of Brownsville v. Southwestern Bell Telephone Company, et al., in the U.S. District Court for the Northern District of Texas, and City of Port Arthur, et al., v. Southwestern Bell Telephone Company, et al., in the 136th Judicial District Court of Jefferson County, Texas. The City of Port Arthur action was certified as a class action on November 20, 1992. The certification order has been appealed by the Telephone Company. If the class certification is affirmed, the class could include approximately 110 Texas cities.

The ordinances provide for the payment of a percentage of the gross receipts received by the Telephone Company from the provision of certain services within the cities. While the particular claims of the cities vary, they all allege that the Telephone Company should have included revenues received from other services in calculating the compensation described in the ordinances. The cities have demanded general unspecified actual and exemplary damages or have not specifically alleged the amount of damages resulting from the gross receipts claims. The Telephone Company believes it has several meritorious defenses to the claims and intends to vigorously pursue these defenses. Although the outcomes of these cases are uncertain, the Telephone Company believes that it will either be successful on the merits of the cases or that any unfavorable result will not have a material impact on the Corporation's financial results.

Liquidity and Capital Resources

Capital Expenditures and Other Commitments

To provide high-quality communications services to its customers, the Corporation, particularly the Telephone Company and Mobile Systems, must make significant investments in property, plant and equipment. The capital investment is influenced by regulatory commitments and demand.

The Corporation's capital expenditures totaled $2,221.1, $2,144.3 and $1,826.4 for 1993, 1992 and 1991, respectively. The 1993 increase in capital expenditures was primarily due to increases in Telephone Company expenditures on broadband infrastructure and customer contracted requirements, continued build-out of cable television and telephone network facilities in the United Kingdom, and growth and digital conversion at Mobile Systems. The increase in capital expenditures in 1992 resulted primarily from the introduction of new services and products at the Telephone Company, as well as network enhancements to provide for the portability of 800 service among interexchange carriers, as required by the FCC, and improved network standardization. Other 1992 increases related mainly to digital conversion and growth in cellular operations and the construction of cable television facilities in the United Kingdom.

The Telephone Company committed, beginning in 1990, to make network upgrades estimated to cost approximately $329 in Texas over a four-year period, $180 in Missouri over an eight-year period and $160 in Kansas over a five-year period. As of December 31, 1993, in Texas, Missouri and Kansas, the Telephone Company had invested $264.8, $174.4 and $137.7, respectively. In addition, the Telephone Company has committed, beginning in 1994, to make network upgrades in Arkansas over a four-year period, at an estimated cost of $231.

Management expects capital expenditures in 1994 to be between $2,200 and $2,400. Capital expenditure increases in 1994 for the Corporation will relate to the continued build-out of Mobile Systems existing markets and digital conversions, the construction of cable television and telephone network facilities in the United Kingdom, and domestic cable television build-out and installations. Capital spending at the Telephone Company is expected to be relatively flat in 1994. The Corporation expects to fund ongoing capital expenditures with cash provided by operations.

In connection with the proposed partnership with Cox discussed in Note 12 to the financial statements, the Corporation has committed to contribute $1,600 to the partnership in cash or other assets within four years of formation. The size, nature and timing of these contributions are subject to many factors, the evaluation of which will include consideration of funding alternatives. In addition, commitments for pending acquisitions of cellular properties, as also discussed in Note 12, will be satisfied through a combination of cash, stock and assumption of debt.

In 1993, cash received from the sales of businesses exceeded cash paid for acquisitions by $257.4. The January 1994 acquisition of cable television systems in Maryland and Virginia was accomplished with a combination of cash, assumed debt and stock totaling $650.

Dividends Declared

Dividends declared by the Corporation totaled $905.3 ($1.51 per share) in 1993, $876.2 ($1.46 per share) in 1992, and $852.4 ($1.42 per share) in 1991. Management's dividend policy considers both the expectations and requirements of shareowners, internal requirements of the Corporation, and long-term growth opportunities.

Cash, Lines of Credit and Free Cash Flow

The Corporation had $618.4 of cash and cash equivalents available at December 31, 1993. Commercial paper borrowings as of December 31, 1993, totaled $890.5. The Corporation has entered into agreements with several banks for lines of credit totaling $770.0, all of which may be used to support commercial paper borrowings. The Corporation had no borrowings outstanding under these lines of credit as of December 31, 1993.

During 1993, as in 1992 and 1991, the Corporation's primary source of funds continued to be cash generated from operations, as shown in the Consolidated Statements of Cash Flows. Net cash provided by operating activities exceeded the Corporation's construction and capital expenditures during 1993, as in 1992 and 1991.

The Corporation generated free cash flow of $1,219.7, $1,470.4 and $1,066.6 in 1993, 1992 and 1991, respectively. In 1993, cash provided by operating activities was reduced by the contribution of $135.5 to the collectively bargained Voluntary Employee Beneficiary Association trusts. Comparisons to 1992 are also impacted by the inclusion of refunds associated with the settlement of federal income tax audit issues in 1992. Free cash flow in 1991 reflected cash payments associated with the voluntary management reduction plan implemented in 1990.

The Corporation issued $2,207 in debt during 1993, primarily at the Telephone Company. Included in this amount was the refinancing of Telephone Company long-term debt with an aggregate principal amount of $2,100. Since June 1991, the Telephone Company has refinanced $3,182 in long-term debt. Annualized interest savings resulting from debt refinancing in 1993 are approximately $50; since 1991, annualized savings are approximately $96. Other repayments of debt totaled $204 during 1993.

Total Capital

The Corporation's total capital consists of debt (long-term debt and debt maturing within one year) and shareowners' equity. Total capital decreased in 1993 due to the effects of adopting new accounting standards and the extraordinary loss on early extinguishment of debt. Absent these factors, total capital increased in 1993 and 1992 due primarily to reinvestment of earnings.

Debt Ratio

The Corporation's debt ratio (long-term debt and debt maturing within one year, as a percentage of total capital) was 47.4 percent, 42.9 percent and 45.1 percent at December 31, 1993, 1992 and 1991, respectively. Changes in accounting standards resulted in a decrease in equity in 1993 and increased the debt ratio by 6.1 percent. The debt ratio decreased in 1992 from 1991 due primarily to higher equity levels.

Stock Repurchase Program

See Note 10 to the financial statements for additional information.

Employee Stock Ownership Plans

See Note 8 to the financial statements for additional information.

Report of Management

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles. The integrity and objectivity of the data in these financial statements, including estimates and judgments relating to matters not concluded by year end, are the responsibility of management, as is all other information included in the Annual Report, unless otherwise indicated.

The financial statements of Southwestern Bell Corporation (Corporation) have been audited by Ernst & Young, independent auditors. Management has made available to Ernst & Young all of the Corporation's financial records and related data, as well as the minutes of shareowners' and directors' meetings. Furthermore, management believes that all representations made to Ernst & Young during its audit were valid and appropriate.

Management has established and maintains a system of internal accounting controls that provide reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition and the prevention and detection of fraudulent financial reporting. The concept of reasonable assurance recognizes that the costs of an internal accounting controls system should not exceed, in management's judgment, the benefits to be derived.

Management also seeks to ensure the objectivity and integrity of its financial data by the careful selection of its managers, by organizational arrangements that provide an appropriate division of responsibility and by communication programs aimed at ensuring that its policies, standards and managerial authorities are understood throughout the organization. Management continually monitors the system of internal accounting controls for compliance. The Corporation maintains an internal auditing program that independently assesses the effectiveness of the internal accounting controls and recommends improvements thereto.

The Audit Committee of the Board of Directors, which consists of seven directors who are not employees, meets periodically with management, the internal auditors and the independent auditors to review the manner in which they are performing their responsibilities and to discuss auditing, internal accounting controls and financial reporting matters. Both the internal auditors and the independent auditors periodically meet alone with the Audit Committee and have access to the Audit Committee at any time.

/s/ Edward E. Whitacre Jr.
Edward E. Whitacre Jr.
Chairman of the Board and
Chief Executive Officer

/s/ Donald E. Kiernan
Donald E. Kiernan
Senior Vice President, Treasurer
and Chief Financial Officer

Report of Independent Auditors

The Board of Directors and Shareowners
Southwestern Bell Corporation

We have audited the accompanying consolidated balance sheets of Southwestern Bell Corporation as of December 31, 1993 and 1992, and the related consolidated statements of income, shareowners' equity and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Southwestern Bell Corporation at December 31, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Notes 2 and 3 to the consolidated financial statements, in 1993 the Corporation changed its method of accounting for postretirement benefits other than pensions, postemployment benefits, and income taxes.

/s/ Ernst & Young

San Antonio, Texas
February 11, 1994

Consolidated Statements of Income
Dollars in millions except per share amounts

	1993	1992	1991
Operating Revenues			
Local service	$ 5,187.4	$ 4,668.4	$ 4,228.9
Network access	2,685.4	2,547.8	2,440.8
Long-distance service	977.3	1,011.7	1,026.6
Directory advertising	869.0	847.9	847.7
Other	971.2	939.6	787.9
Total operating revenues	10,690.3	10,015.4	9,331.9
Operating Expenses			
Cost of services and products	3,387.6	3,423.4	3,159.9
Selling, general and administrative	2,916.1	2,552.4	2,273.4
Depreciation and amortization	2,007.0	1,842.2	1,765.0

Total operating expenses	8,310.7	7,818.0	7,198.3
Operating Income	2,379.6	2,197.4	2,133.6
Other Income (Expense)			
Interest expense	(496.2)	(530.0)	(577.7)
Equity in net income of affiliates	249.7	208.0	94.5
Other expense - net	(72.9)	(5.7)	(6.2)
Total other income (expense)	(319.4)	(327.7)	(489.4)
Income Before Income Taxes, Extraordinary Loss and Cumulative Effect of Changes in Accounting Principles	2,060.2	1,869.7	1,644.2
Income Taxes			
Federal	550.7	488.2	436.2
State and local	74.3	79.8	51.5
Total income taxes	625.0	568.0	487.7
Income Before Extraordinary Loss and Cumulative Effect of Changes in Accounting Principles	1,435.2	1,301.7	1,156.5
Extraordinary Loss on Early Extinguishment of Debt, net of tax	(153.2)	-	(80.7)
Cumulative Effect of Changes in Accounting Principles, net of tax	(2,127.2)	-	-
Net Income (Loss)	$ (845.2)	$ 1,301.7	$ 1,075.8
Earnings Per Common Share:*			
Income Before Extraordinary Loss and Cumulative Effect of Changes in Accounting Principles	$ 2.39	$ 2.17	$ 1.93
Extraordinary Loss on Early Extinguishment of Debt, net of tax	(0.25)	-	(0.14)
Cumulative Effect of Changes in Accounting Principles, net of tax	(3.55)	-	-
Net Income (Loss)	$ (1.41)	$ 2.17	$ 1.79
Weighted Average Number of Common Shares Outstanding (in millions)	599.8	600.2	600.3

*Restated to reflect two-for-one stock split effective May 25, 1993.

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheets
Dollars in millions except per share amounts

	1993	Dec 1992
Assets		
Current Assets		
Cash and cash equivalents	$ 618.4	$ 505.2
Accounts receivable - net of allowances for uncollectibles of $111.2 and $95.5	2,055.2	1,929.6
Material and supplies	148.9	130.1
Prepaid expenses	126.5	139.5
Deferred charges	192.0	181.0
Deferred income taxes	197.0	86.5
Other	281.8	231.2
Total current assets	3,619.8	3,203.1
Property, Plant and Equipment - Net	17,091.5	16,899.4
Intangible Assets - Net of Accumulated Amortization of $368.2 and $443.6	1,147.4	1,323.3
Investments in Equity Affiliates	1,420.8	1,249.4
Other Assets	1,028.0	1,134.8
Total Assets	$24,307.5	$23,810.0
Liabilities and Shareowners' Equity		
Current Liabilities		
Debt maturing within one year	$ 1,385.7	$ 1,279.3
Accounts payable and accrued liabilities	2,876.2	2,634.1
Dividends payable	226.6	219.0
Total current liabilities	4,488.5	4,132.4
Long-Term Debt	5,459.4	5,716.1
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	2,387.0	3,527.6
Postemployment benefit obligation	2,897.0	-
Unamortized investment tax credits	430.4	496.2
Other noncurrent liabilities	1,036.6	633.4

Total deferred credits and other noncurrent liabilities	6,751.0	4,657.2

Commitments (Notes 5, 12)

Shareowners' Equity		
Preferred shares ($1 par value, 10,000,000 authorized: none issued)	-	-
Common shares ($1 par value, 1,100,000,000 authorized: issued 602,744,484 at December 31, 1993, and 601,778,178* at December 31, 1992)	602.7	300.9
Capital in excess of par value	5,577.0	5,834.8
Retained earnings	1,891.4	3,634.8
Guaranteed obligations of employee stock ownership plans	(352.9)	(397.3)
Treasury shares (2,510,404 at December 31, 1993, and 2,031,584* at December 31, 1992, at cost)	(109.6)	(68.9)
Total shareowners' equity	7,608.6	9,304.3
Total Liabilities and Shareowners' Equity	$24,307.5	$23,810.0

*Restated to reflect two-for-one stock split effective May 25, 1993.

The accompanying notes are an integral part of the consolidated financial statements.

<TABLE>
<CAPTION>

Consolidated Statements of Cash Flows

Dollars in millions, increase (decrease) in cash and cash equivalents

<S>	<C> 1993	<C> 1992	<C> 1991
Operating Activities			
Net income (loss)	$ (845.2)	$ 1,301.7	$ 1,075.8
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,007.0	1,842.2	1,765.0
Undistributed earnings from investments in equity affiliates	(177.3)	(168.5)	(87.2)
Provision for uncollectible accounts	149.9	134.9	127.8
Amortization of investment tax credits	(65.8)	(72.9)	(87.4)
Pensions and other postemployment expenses	289.9	78.6	(57.8)
Deferred income tax expense	(123.8)	19.4	14.5
Extraordinary loss, net of tax	153.2	-	80.7
Cumulative effect of accounting changes, net of tax	2,127.2	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(275.5)	(284.9)	(168.4)
Other current assets	(5.7)	(134.0)	(86.7)
Accounts payable and accrued liabilities	303.3	353.8	162.7
Other - net	(96.4)	544.4	154.0
Total adjustments	4,286.0	2,313.0	1,817.2
Net Cash Provided by Operating Activities	3,440.8	3,614.7	2,893.0
Investing Activities			
Construction and capital expenditures	(2,221.1)	(2,144.3)	(1,826.4)
Investments in equity affiliates	-	-	(467.3)
Purchase of short-term investments	(419.7)	(195.0)	(126.8)
Proceeds from sale of short-term investments	315.5	120.4	259.1
Dispositions and (acquisitions) - net	257.4	(60.9)	(201.5)
Net Cash Used in Investing Activities	(2,067.9)	(2,279.8)	(2,362.9)
Financing Activities			
Net change in short-term borrowings with original maturities of three months or less	(11.0)	(332.2)	21.1
Issuance of other short-term borrowings	16.0	521.4	-
Repayment of other short-term borrowings	(137.7)	(394.8)	-
Issuance of long-term debt	2,178.1	556.6	1,218.7
Repayment of long-term debt	(215.8)	(245.7)	(9.8)
Early extinguishment of debt and related call premiums	(2,190.3)	(355.6)	(799.5)
Issuance of common shares	18.0	-	-
Purchase of treasury shares	(191.1)	(161.5)	(147.3)
Issuance of treasury shares	77.6	35.0	23.3
Dividends paid	(803.5)	(780.4)	(759.3)
Net Cash Used in Financing Activities	(1,259.7)	(1,157.2)	(452.8)
Net increase in cash and cash equivalents	113.2	177.7	77.3
Cash and cash equivalents beginning of year	505.2	327.5	250.2
Cash and Cash Equivalents End of Year	$ 618.4	$ 505.2	$ 327.5

<FN>
The accompanying notes are an integral part of the consolidated financial statements.
</TABLE>

<TABLE>

Consolidated Statements of Shareowners' Equity
Dollars in millions except per share amounts
<CAPTION>

	Common Shares		Capital in	Retained	Guaranteed Obligations of Employee Stock	Treasury Shares		
	Shares	Amount	Excess of Par Value	Earnings	Ownership Plans	Shares	Amount	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1990	300,889,089	$300.9	$5,824.0	$2,985.9	$(475.6)	(1,019,640)	$(54.0)	$8,581.2
Net income for the year ($1.79 per share*)	-	-	-	1,075.8	-	-	-	
Dividends to shareowners ($1.42 per share*)	-	-	-	(852.4)	-	-	-	
Reduction of debt Employee Stock Ownership Plans	-	-	-	-	36.9	-	-	
Purchase of treasury shares	-	-	-	-	-	(2,757,626)	(147.3)	
Issuance of treasury shares								
Dividend Reinvestment Plan	-	-	3.2	-	-	1,864,012	97.5	
Other issuances	-	-	1.9	-	-	1,182,055	62.4	
Balance, December 31, 1991	300,889,089	300.9	5,829.1	3,209.3	(438.7)	(731,199)	(41.4)	8,859.2
Net income for the year ($2.17 per share*)	-	-	-	1,301.7	-	-	-	
Dividends to shareowners ($1.46 per share*)	-	-	-	(876.2)	-	-	-	
Reduction of debt Employee Stock Ownership Plans	-	-	-	-	41.4	-	-	
Purchase of treasury shares	-	-	-	-	-	(2,514,092)	(161.5)	
Issuance of treasury shares								
Dividend Reinvestment Plan	-	-	5.5	-	-	1,799,731	108.6	
Other issuances	-	-	0.2	-	-	429,768	25.4	
Balance, December 31, 1992	300,889,089	300.9	5,834.8	3,634.8	(397.3)	(1,015,792)	(68.9)	9,304.3
Net income (loss) for the year ($(1.41) per share)	-	-	-	(845.2)	-	-	-	
Dividends to shareowners ($1.51 per share)	-	-	-	(905.3)	-	-	-	
Two-for-one stock split	300,889,089	300.9	(300.9)	-	-	(731,569)	-	
Reduction of debt Employee Stock Ownership Plans	-	-	-	-	44.4	-	-	
Issuance of common shares	966,306	0.9	41.2	-	-	-	-	
Purchase of treasury shares	-	-	-	-	-	(3,660,698)	(192.9)	

Issuance of treasury shares								
Dividend Reinvestment Plan	-	-	4.0	-	-	1,889,232	103.2	
Other issuances	-	-	(2.1)	-	-	1,008,423	49.0	
Other	-	-	-	7.1	-	-	-	
Balance, December 31, 1993	602,744,484	$602.7	$5,577.0	$1,891.4	$(352.9)	(2,510,404)	$(109.6)	$7,608.6

<FN>
* Restated to reflect two-for-one stock split effective May 25, 1993.

The accompanying notes are an integral part of the consolidated financial statements.

</TABLE>

Notes to Consolidated Financial Statements

Dollars in millions except per share amounts

1. Summary of Significant Accounting Policies

Basis of Presentation The consolidated financial statements include the accounts of Southwestern Bell Corporation and its majority-owned subsidiaries (Corporation). Southwestern Bell Telephone Company (Telephone Company) is the Corporation's largest subsidiary. All significant intercompany transactions are eliminated in the consolidation process. Investments in partnerships, joint ventures and less than majority-owned subsidiaries are principally accounted for under the equity method. Earnings from foreign investments accounted for under the equity method are included for periods ended within three months of the Corporation's year end. Certain amounts in prior period financial statements have been reclassified to conform to the current year's presentation.

Regulatory Accounting The Corporation prepares its financial statements in accordance with the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (Statement No. 71). The provisions of Statement No. 71 require, among other things, that regulated enterprises reflect rate actions of regulators in their financial statements, when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise.

Allowance for Funds Used During Construction Where capital invested by the Telephone Company in construction projects is not allowed in the rate base upon which revenue requirements are determined, it is the practice of regulatory authorities to allow, in lieu thereof, a capitalization of interest and equity costs during periods of construction. These capitalized costs are reflected as income during the construction period and as an addition to the cost of plant constructed, and are included in other expense-net on the Corporation's Consolidated Statements of Income.

Income Taxes Deferred income taxes are provided for certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Investment tax credits resulted from federal tax law provisions that allowed for a reduction in income tax liability based on certain construction and capital expenditures. Corresponding income tax expense reductions were deferred and are being amortized as reductions in income tax expense over the life of the property, plant and equipment that gave rise to the credits.

Effective January 1, 1993, the Corporation adopted a new accounting standard for accounting for income taxes. See Note 3.

Cash Equivalents Cash equivalents include all highly liquid investments with an original maturity of three months or less. The carrying amount of cash equivalents approximates fair value.

Deferred Charges Certain cellular service sales commissions are deferred and amortized over 12 months. Directory advertising costs are deferred until the directory is published and advertising revenues related to these costs are recognized.

Material and Supplies New and reusable materials are carried principally at average original cost. Specific costs are used for large individual items. Nonreusable material is carried at estimated salvage value.

Property, Plant and Equipment The cost of additions and substantial betterments of property, plant and equipment is capitalized. Cost includes salaries and wages, material, applicable taxes, pensions and other benefits, allowance for funds used during construction and certain other items.

The Telephone Company computes depreciation using certain straight-line methods as prescribed by the FCC and the applicable state regulatory authorities. The Telephone Company's provision for depreciation includes the amortization of interstate and certain intrastate accumulated depreciation deficiencies (reserve deficiency amortization). Reserve deficiency amortization allows additional depreciation to be recognized currently in an attempt to reflect more accurately prior years' actual consumption of telephone plant.

When a portion of the Telephone Company's depreciable property, plant and equipment is retired, the gross book value is charged to accumulated depreciation.

Property, plant and equipment of the Corporation, other than the Telephone Company, are depreciated on a straight-line method over their estimated useful lives, generally ranging from 3 to 40 years.

The cost of maintenance and repairs of property, plant and equipment, including the cost of replacing minor items not constituting substantial betterments, is charged to operating expenses.

Intangible Assets Intangible assets consist primarily of licenses, customer lists and the excess of consideration paid over net assets acquired in business combinations and are being amortized using the straight-line method, over periods generally ranging from 5 to 40 years.

Earnings Per Common Share The earnings per common share computation uses the weighted average number of common shares outstanding, including shares held by employee stock ownership plans. Common stock equivalents outstanding are not considered dilutive.

2.   Employee Retirement Benefits

Pensions Substantially all employees of the Corporation are covered by noncontributory pension and death benefit plans. The pension benefit formula used in the determination of pension cost is based on a flat dollar amount per year of service according to job classification for nonmanagement employees, and a stated percentage of adjusted career income for management employees.

The Corporation's objective in funding the plans, in combination with the standards of the Employee Retirement Income Security Act of 1974 (as amended), is to accumulate funds sufficient to meet its benefit obligations to employees upon their retirement. Contributions to the plans are made to a trust for the benefit of plan participants. Plan assets consist primarily of stocks, U.S. government and domestic corporate bonds and real estate.

Net pension cost is composed of the following:

	1993	1992	1991
Service cost--benefits earned during the period	$ 131.1	$ 126.5	$ 116.0
Interest cost on projected benefit obligation	428.3	399.5	382.8
Actual return on plan assets	(1,019.9)	(312.0)	(1,545.1)
Other--net	498.7	(139.8)	988.5
Net pension cost (credit)	$ 38.2	$ 74.2	$ (57.8)
Amount capitalized in property, plant and equipment	$ 1.5	$ 11.5	$ (5.5)

The following table sets forth the pension plans' funded status and amounts recognized as other assets in the Corporation's Consolidated Balance Sheets as of December 31:

	1993	1992
Fair value of plan assets	$ 7,507.9	$6,970.2
Less: Actuarial present value of projected benefit obligation	6,319.5	5,772.2
Plan assets in excess of projected benefit obligation	1,188.4	1,198.0
Unrecognized prior service cost	785.5	744.6
Unrecognized net gain	(867.4)	(591.1)
Unamortized transition asset	(849.3)	(930.7)
Prepaid pension cost	$ 257.2	$ 420.8

Significant assumptions used in developing pension information include:

	1993	1992	1991
Assumed discount rate for determining projected benefit obligation	7.25%	7.5%	7.5%
Assumed long-term rate of return on plan assets	8.0%	8.0%	7.75%
Assumed composite rate of compensation increase	4.6%	4.6%	4.6%

The projected benefit obligation is the actuarial present value of all benefits attributed by the pension benefit formula to previously rendered employee service. It is measured based on assumptions concerning future interest rates and employee compensation levels. Should actual experience differ from the actuarial assumptions, the benefit obligation will be affected.

The actuarial estimate of the accumulated benefit obligation does not include assumptions about future compensation levels. The accumulated benefit obligation as of December 31, 1993, was $5,815.0, of which $5,197.8 was vested. At December 31, 1992, these amounts were $5,324.1 and $4,804.2, respectively.

In December 1993 and 1992, under the provisions of Section 420 of the Internal Revenue Code, the Corporation transferred $123.9 and $114.5, respectively, in pension assets to a health care benefit account for the reimbursement of retiree health care benefits paid by the Corporation.

Supplemental Retirement Plans The Corporation also provides senior and middle management employees with nonqualified, unfunded supplemental retirement and savings plans. The plans allow employees to defer and invest portions of their current compensation for later payment, and the Corporation matches a percentage of the compensation deferral according to thresholds specified in the plans. Expenses related to these plans were $66.8, $63.1 and $52.3 in 1993, 1992 and 1991, respectively. Liabilities of $483.4 and $412.9 related to these plans have been included in other noncurrent liabilities in the Corporation's Consolidated Balance Sheets at December 31, 1993 and 1992, respectively.

Voluntary Retirement Programs As a result of a March 1992 agreement with the Communications Workers of America (CWA), the Telephone Company offered a limited early retirement plan to designated nonmanagement employees which included incentives affecting service pension eligibility and amounts. Approximately 1,200 nonmanagement employees participated in this offer. The plan resulted in a charge to 1992 net income of approximately $24.

In 1991, the Corporation amended the pension plan for management employees and offered incentives for managers to retire or resign effective December 30, 1991. Approximately 3,700 managers participated in the program in 1991. The voluntary management retirement program resulted in a charge to 1991 net income of approximately $30.

Postretirement Benefits The Corporation provides certain medical, dental and life insurance benefits to substantially all retired employees. Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (Statement No. 106), which requires accrual of actuarially determined postretirement benefit costs as active employees earn these benefits. Prior to the adoption of Statement No. 106, the Corporation expensed retiree medical benefits when claims were incurred.

In implementing Statement No. 106, the Corporation immediately recognized an accumulated obligation for postretirement benefits (transition obligation) in the amount of $2,861.2 and a related deferred income tax benefit of $1,013.4. The resulting 1993 charge to net income of $1,847.8, or $3.08 per share, is included in the cumulative effect of changes in accounting principles in the Consolidated Statement of Income.

In accordance with Statement No. 71, a regulatory asset associated with the transition obligation was not recorded by the Telephone Company.

Postretirement benefit cost is composed of the following for the year ended December 31, 1993:

	Health	Life Insurance	Total
Service cost--benefits earned during the period	$ 43.1	$ 5.0	$ 48.1
Interest cost on accumulated postretirement benefit obligation (APBO)	212.3	19.3	231.6
Actual return on assets	(10.4)	(17.8)	(28.2)
Other--net	1.4	(5.0)	(3.6)
Postretirement benefit cost	$ 246.4	$ 1.5	$ 247.9

Expense recognized under the claims incurred method would have been approximately $129.5 for 1993. In 1992 and 1991, the cost of providing these postretirement benefits was $104.9 and $97.2, respectively.

In connection with the 1992 collective bargaining agreements negotiated between subsidiaries of the Corporation and the CWA, the Corporation established collectively bargained Voluntary Employee Beneficiary Association (CBVEBA) trusts to fund postretirement benefits. In March 1993, the Corporation contributed $135.5 into the CBVEBA trusts to be ultimately used for the payment of postretirement benefits. The Corporation also funds postretirement life insurance benefits at an actuarially determined rate. Assets consist principally of stocks and U.S. government and corporate bonds.

The following table sets forth the plans' funded status and the amount included in postemployment benefit obligation in the Corporation's Consolidated Balance Sheet as of December 31, 1993:

	Health	Life Insurance	Total
Retirees	$ 1,785.9	$ 166.9	$ 1,952.8
Fully eligible active plan participants	241.8	19.6	261.4
Other active plan participants	800.4	85.9	886.3
Total APBO	2,828.1	272.4	3,100.5
Fair value of plan assets	(145.9)	(296.6)	(442.5)
APBO in excess of plan assets	2,682.2	(24.2)	2,658.0
Unrecognized net gain (loss)	141.7	(6.9)	134.8
Accrued (prepaid) postretirement benefit	$ 2,823.9	$ (31.1)	$ 2,792.8

The APBO was determined using an assumed discount rate of 7.25 percent, a rate of future compensation increases of 4.6 percent, and an expected long-term rate of return on plan assets of 8.0 percent. The assumed medical cost trend rate in 1994 is approximately 10.5 percent, decreasing gradually to 5.5 percent in 2004, prior to adjustment for cost-sharing provisions of the plan for active and certain recently retired employees. The assumed dental cost rate in 1994 is 7.0 percent reducing to 5.0 percent in 2002. The discount rate used in determining the postretirement benefit cost is 7.5 percent. Raising the annual medical and dental cost trend rates by one percentage point increases the APBO as of December 31, 1993 by $206.4 and the net periodic postretirement benefit cost for the year ended December 31, 1993 by approximately $18.5.

Postemployment Benefits Under its benefit plans, the Corporation provides employees varying levels of disability pay, workers' compensation and medical benefits under specified circumstances. Effective January 1, 1993, the Corporation adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (Statement No. 112). Statement No. 112 requires accrual of these postemployment benefits at the occurrence of an event that renders an employee inactive or, if the benefits ratably vest, over the vesting period. These expenses were previously recognized as the claims were incurred. A charge to net income of $65.5, or $.11 per share, after a deferred tax benefit of $36.1, is included in the cumulative effect of changes in accounting principles in the 1993 Consolidated Statement of Income. Management does not anticipate that Statement No. 112 will materially affect ongoing postemployment benefit expense.

3. Income Taxes

The Corporation adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement No. 109) effective January 1, 1993. In adopting Statement No. 109, the Corporation adjusted its net deferred income tax liability for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, computed based on provisions of the enacted tax law. Financial statements prior to January 1, 1993, have not been restated to apply the provisions of Statement No. 109. The cumulative effect of adopting Statement No. 109 as of January 1, 1993 was to decrease net income for 1993 by $213.9, or $.36 per share, resulting primarily from the establishment of a deferred tax liability associated with certain prior acquisitions not related to the Telephone Company. The adoption of Statement No. 109 had no material effect on pre-tax income.

As a result of implementing Statement No. 109, the Telephone Company recorded a $431.4 net reduction in its deferred tax liability. This reduction was substantially offset by the establishment of a net regulatory liability in accordance with Statement No. 71, with minimal effect on net income. The net regulatory liability recognizes the differences between the recording of income taxes for financial reporting purposes and recovery of those taxes through telephone service rates. Amounts comprising the net liability will be amortized over the regulatory lives of the associated assets. Future regulatory proceedings may affect the period in which these amounts are recognized in net income.

Significant components of the Corporation's deferred tax liabilities and assets as of December 31, 1993 are as follows:

Depreciation and amortization	$ 3,439.1
Employee benefits	131.9
Other	423.1
Gross deferred tax liabilities	3,994.1
Employee benefits	1,281.6
Unamortized investment tax credits	156.9
Other	462.7
Gross deferred tax assets	1,901.2
Deferred tax assets valuation allowance	70.0
Net deferred tax liabilities	$ 2,162.9

The components of income tax expense are as follows:

	1993	1992	1991
Federal:			
Current	$ 727.3	$ 560.4	$ 516.7
Deferred--net	(110.8)	0.7	6.9
Amortization of investment tax credits	(65.8)	(72.9)	(87.4)
	550.7	488.2	436.2
State and local:			
Current	87.3	61.1	43.9
Deferred--net	(13.0)	18.7	7.6
	74.3	79.8	51.5
Total	$ 625.0	$ 568.0	$ 487.7

The components of deferred federal income tax expense for 1992 and 1991 as recorded prior to the adoption of Statement No. 109 are as follows:

	1992	1991
Depreciation and amortization	$ 29.6	$ (13.8)
Employee benefits	(93.7)	(13.6)
Undistributed earnings from investments in equity affiliates	60.7	25.5
Other--net	4.1	8.8
Total	$ 0.7	$ 6.9

A reconciliation of income tax expense and the amount computed by applying the statutory federal income tax rate (35 percent for 1993, 34 percent for 1992 and 1991) to income before income taxes, extraordinary loss and cumulative effect of changes in accounting principles is as follows:

	1993	1992	1991
Taxes computed at federal statutory rate	$ 721.1	$635.7	$559.0
Increases (decreases) in taxes resulting from:			
Amortization of investment tax credits over the life of the plant that gave rise to the credits	(65.8)	(72.9)	(87.4)
Excess deferred taxes due to rate change	(43.2)	(74.3)	(55.8)
Depreciation of telephone plant construction costs previously deducted for tax purposes--net	22.5	21.7	23.2
State and local income taxes--net of federal tax benefit	48.3	52.7	34.0
Other--net	(57.9)	5.1	14.7
Total	$ 625.0	$568.0	$487.7

On August 10, 1993, the Omnibus Budget Reconciliation Act was signed into law. Among other provisions, the top corporate tax rate was raised to 35 percent, effective January 1, 1993. The effect on net income was not material, as the increase in taxes on operating income and non-Telephone Company deferred tax liabilities was offset by an increase in deferred tax assets associated with the postemployment benefit obligation. Increases in previously recorded deferred tax liabilities at the Telephone Company were offset by decreases in the net regulatory liability.

4. Property, Plant and Equipment

Property, plant and equipment, which is stated at cost, is summarized as follows at December 31:

	1993	1992
Telephone Company plant:		
In service	$25,970.0	$25,005.4
Under construction	261.3	265.5
	26,231.3	25,270.9
Accumulated depreciation and amortization	(10,532.2)	(9,604.8)
Total Telephone Company	15,699.1	15,666.1
Other	1,939.3	1,707.5
Accumulated depreciation and amortization	(546.9)	(474.2)
Total Other	1,392.4	1,233.3
Property, plant and equipment--net	$17,091.5	$16,899.4

5. Leases

Certain facilities and equipment used in operations are under capital or operating leases. Rental expenses under operating leases were $122.9, $135.2 and $112.6 for 1993, 1992 and 1991, respectively. At December 31, 1993, the aggregate minimum rental commitments under noncancelable leases were as follows:

Year	Operating Leases	Capital Leases
1994	$ 71.7	$ 6.4
1995	58.7	3.0
1996	40.6	2.2
1997	32.9	1.3
1998	28.1	1.3
Thereafter	153.2	3.4
Total minimum lease payments	$ 385.2	17.6
Amount representing executory costs		(1.7)
Amount representing interest		(4.3)
Present value of minimum lease payments		$ 11.6

6. Debt Maturing Within One Year

Debt maturing within one year consists of the following at December 31:

	1993	1992	1991
Commercial paper	$ 890.5	$ 1,023.1	$ 1,228.6
Current maturities of long-term debt	495.2	256.2	370.7
Total	$ 1,385.7	$ 1,279.3	$ 1,599.3
Commercial paper:			
Average amount outstanding during the year *	$ 1,139.5	$ 1,288.0	$ 1,328.6
Maximum amount at any month end during the year	$ 1,379.5	$ 1,423.0	$ 1,643.8
Weighted average interest rate at December 31,	3.3%	3.5%	4.9%
Weighted average interest rate on average commercial paper **	3.2%	3.9%	6.1%

* Amounts represent average daily face amount.
** Computed by dividing the average daily face amount of commercial paper into the aggregate related interest expense.

At December 31, 1993 and 1992, the carrying amount of commercial paper approximates fair value.

The Corporation has entered into agreements with several banks for lines of credit totaling $770.0. All of these agreements may be used to support commercial paper borrowings. The majority of these lines are on a negotiated fee basis with interest rates negotiable at time of borrowing. There were no borrowings outstanding under these lines of credit at December 31, 1993.

7. Long-Term Debt

Long-term debt, including interest rates and maturities, is summarized as follows at December 31:

	Maturities	1993	1992
Telephone Company debentures			
4.50%-5.88%	1995-2006	$ 700.0	$ 500.0
6.12%-6.88%	2000-2024	1,050.0	350.0
7.00%-7.75%	1994-2025	1,400.0	800.0
8.25%-9.63%	1996-2024	650.0	2,750.0
		3,800.0	4,400.0
Unamortized discount-net of premium		(34.2)	(168.9)
Total Telephone Company debentures			

(Fair value of $3,830.8 and $4,427.0)	3,765.8	4,231.1
Telephone Company notes		
5.04%-7.35% 1994-2010	900.0	285.0
Unamortized discount	(4.8)	(1.3)
Total Telephone Company notes (Fair value of $915.1 and $288.3)	895.2	283.7
Guaranteed obligations of employee stock ownership plans #		
8.41%-9.40% 1993-2000 (Fair value of $398.5 and $397.5)	354.3	397.6
Southwestern Bell Capital Corporation notes		
4.59%-6.95% 1993-2000	191.5	213.0
7.00%-9.00% 1993-2004	736.1	826.6
Total Southwestern Bell Capital Corporation notes (Fair value of $983.6 and $886.6)	927.6	1,039.6
Capitalized leases and other	11.7	20.3
Total long-term debt, including current maturities	5,954.6	5,972.3
Current maturities	(495.2)	(256.2)
Total long-term debt	$ 5,459.4	$5,716.1

See Note 8.

The fair value of the Telephone Company debentures was based on quoted market prices. The fair values of the notes for both the Telephone Company and Southwestern Bell Capital Corporation and the guaranteed obligations of employee stock ownership plans were estimated using a discounted cash flow analysis based on the yield to maturity of each issue.

The Corporation recorded extraordinary losses on the refinancing of long-term bonds by the Telephone Company of $153.2 and $80.7 in 1993 and 1991, respectively, net of related income tax benefits of $92.2 and $48.6, respectively.

The aggregate principal amounts of long-term debt scheduled for repayment for the years 1994 through 1998 are $495.2, $319.5, $377.6, $299.5 and $299.1, respectively. As of December 31, 1993, the Corporation was in compliance with all covenants and conditions of indentures relating to its debt.

8. Employee Stock Ownership Plans

The Corporation maintains contributory savings plans which cover substantially all employees. Under the savings plans, the Corporation matches a stated percentage of eligible employee contributions, subject to a specified ceiling.

The Corporation has two leveraged Employee Stock Ownership Plans (ESOPs) as part of the existing savings plans. The ESOPs were funded with notes issued by the savings plans, the proceeds of which were used to purchase shares of the Corporation's common stock in the open market. The notes are unconditionally guaranteed by the Corporation.

The unpaid balance of notes is included in the accompanying consolidated balance sheets as long-term debt and as a reduction in shareowners' equity, reported as guaranteed obligations of employee stock ownership plans. The notes will be repaid with Corporation contributions to the savings plans, dividends paid on Corporation shares and interest earned on funds held by the ESOPs.

Since 1990, the Corporation's match of employee contributions to the savings plans has been fulfilled with shares of stock allocated from the ESOPs and with purchases of the Corporation's stock in the open market. Benefit cost is based on a combination of the contributions to the savings plans and the cost of shares allocated to participating employees' accounts. Both benefit cost and interest expense on the notes are reduced by dividends on the Corporation's shares held by the ESOPs and interest earned on the ESOPs' funds.

Activity for the ESOPs and the savings plans for 1993, 1992 and 1991 is summarized in the table below:

	1993	1992	1991
Benefit expense - net of dividends and interest income	$29.0	$ 27.7	$ 24.0
Interest expense - net of dividends and interest income	19.9	22.6	25.2
Net ESOP expense	48.9	50.3	49.2
Additional savings plans stock purchases	0.5	4.7	9.6
Total expense	$49.4	$ 55.0	$ 58.8
Company contributions for ESOPs	$50.3	$ 50.4	$ 52.3
Dividends and interest income for debt service	$26.3	$ 26.0	$ 25.7

9. Stock Option Plans

Under various plans, the Corporation is authorized to issue to senior and middle management employees up to 24 million options to purchase shares of the Corporation's common stock (adjusted to reflect the two-for-one stock split effective May 25, 1993). Additionally, the Corporation is seeking shareowner approval at the 1994 Annual Meeting of Shareowners to increase the number of options which may be issued under these plans to 28.5 million. Options become exercisable in periods of one year to three years after the date of grant and expire ten years after the date of grant. All options issued through December 31, 1993, have been issued with exercise prices equal to the market price of the stock at the date of grant.

Information related to outstanding options is summarized below:

	Number of Options*	Weighted Average Exercise Price Per Option*
Outstanding January 1, 1991	--	--
Granted	439,388	$27.00
Cancelled	(754)	27.00
Outstanding December 31, 1991	438,634	$27.00
Granted	5,192,742	32.73
Exercised	(24,782)	27.00
Cancelled	(23,648)	32.36
Outstanding December 31, 1992	5,582,946	$32.31
Granted	5,062,285	40.25
Exercised	(368,053)	30.72
Cancelled	(482,513)	35.89
Outstanding December 31, 1993	9,794,665	$36.30

* Number of options and per option data restated to reflect two-for-one stock split effective May 25, 1993.

Options to purchase 2,297,538 shares of Corporation stock were exercisable at December 31, 1993.

10. Shareowners' Equity

Common Stock Split The Board of Directors of the Corporation declared a two-for-one stock split in the form of a stock dividend on the shares of the Corporation's common stock, effective May 25, 1993. The Corporation issued 300,889,089 additional shares of common stock in connection with the stock split and retained the current par value of $1.00 per share for all outstanding shares of common stock. An amount equal to the aggregate par value of the additional shares of common stock issued was transferred from Capital in Excess of Par Value to Common Shares. Weighted average common share amounts for periods prior to May 25, 1993 have been restated to reflect the effects of the stock split.

Stock Repurchase Program The Board has authorized the repurchase of up to 30 million shares, or 5 percent, of the Corporation's outstanding common stock. These purchases would be in addition to purchases which may be made by or for the Corporation's employee benefit plans or the Southwestern Bell Corporation Dividend Reinvestment Plan for shareowners. As of December 31, 1993, no shares had been repurchased pursuant to this authorization.

Shareowners' Rights Plan The Corporation has a Shareowners' Rights Plan (Plan). The Plan becomes operative in certain events involving the acquisition of 20 percent or more of the Corporation's common stock by any person or group in a transaction not approved by the Board, or the designation by the Board of a person or group owning more than 10 percent of the outstanding stock as an adverse person, as provided in the Plan. Upon the occurrence of these events, each right, unless redeemed by the Board, generally entitles the holder (other than the holder triggering the right) to purchase an amount of common stock of the Corporation (or, in certain circumstances, of the potential acquiror) having a value equal to two times the exercise price of $160. The rights expire in January 1999. After giving effect to the stock split in May 1993, each share of common stock also represents one-half of a right.

The rights have certain antitakeover effects. The rights will cause substantial dilution to a person or group that attempts to acquire the Corporation on terms not approved by the Board.

The rights should not interfere with any merger or other business combination approved by the Board since the rights may be redeemed.

11. Additional Financial Information

	December 31,	
Balance Sheets	1993	1992
Accounts payable and accrued liabilities:		
Accounts payable	$ 893.1	$ 951.5
Accrued taxes	554.5	429.1
Advance billing and customer deposits	278.6	251.3
Compensated future absences	202.7	196.8
Accrued interest	130.9	136.8
Accrued payroll	117.7	116.0
Other	698.7	552.6
Total	$2,876.2	$2,634.1

Statements of Income	1993	1992	1991
Interest expense:			

	1993	1992	1991
Long-term debt	$ 448.0	$ 476.7	$ 478.9
Notes payable	36.8	50.1	81.1
Other	11.4	3.2	17.7
Total	$ 496.2	$ 530.0	$ 577.7
Allowance for funds used during construction	$ 21.5	$ 30.7	$ 34.1

Statements of Cash Flows	1993	1992	1991
Cash paid during the year for:			
Interest	$ 502.0	$ 538.4	$ 581.5
Income taxes	$ 592.3	$ 605.9	$ 430.4

12. Pending Acquisitions

In January 1994, the Corporation completed the purchase, for $650, of two cable television systems located in Montgomery County, Maryland, and Arlington County, Virginia. Management does not expect the transaction to have a material effect on the Corporation's financial position or results of operations.

In December 1993, the Corporation and Cox Cable Communications (Cox) entered into a non-binding Memorandum of Understanding with respect to the formation of a $4.9 billion partnership to own and operate cable television systems. In return for a 40 percent general partnership interest, the Corporation would contribute $1.6 billion in cash or other assets within four years of formation. The Corporation would have the option to increase its initial ownership stake to 50 percent within specified time frames, through additional cash or asset contributions. Cox would contribute 21 cable television systems based on a negotiated value of $3.3 billion, and would hold a 60 percent general partnership interest and a $1 billion preferred partnership interest. The transaction is subject to completion of negotiations and regulatory approvals.

In February 1994, the Corporation announced an agreement to purchase, for stock valued at $680, the domestic cellular business of Associated Communications Corporation (Assocciated), including cellular systems in Buffalo, Rochester, Albany and Glens Falls, New York. These properties are adjacent to cellular systems in Syracuse, Utica and Ithaca, New York, which the Corporation agreed to purchase from other parites in November 1993. These transactions are subject to approvals by regulatory authorities, and in the case of the Associated acquisition, by its shareowners.

13. Equity Investments

Investments in affiliates accounted for under the equity method consist primarily of the Corporation's investment in Telefonos de Mexico, S.A. de C.V. (Telmex), Mexico's national telecommunications company. In December 1990, a consortium consisting of SBC International, Inc. (SBC International), a wholly-owned subsidiary of the Corporation, together with a subsidiary of France Telecom and a group of Mexican investors led by Grupo Carso, S.A. de C.V., purchased all the Class AA shares of Telmex from the Mexican government. The consortium has voting control of Telmex through its ownership of Class AA shares. The Mexican investors have voting control of the consortium.

SBC International's share of the purchase price, including an option to buy certain additional shares, was $485.8. In September 1991, SBC International exercised the option to purchase 530,157,101 Class L shares of Telmex for $467.3. The Class L shares have limited voting rights. SBC International's interest in Telmex represents approximately 10 percent of Telmex's total equity capitalization.

The Telmex acquisitions were recorded using the purchase method of accounting. The purchase price in excess of the underlying fair value of identifiable net assets acquired is being amortized over 40 years.

The investment in Telmex L shares would not have had a material impact on consolidated results of operations for 1991 had this acquisition occurred on January 1, 1991.

Other equity investments include interests in Australian and Israeli operations which provide directory, cable television and other services.

The following is a reconciliation of the Corporation's equity investments:

	1993	1992	1991
Beginning of year	$ 1,249.4	$ 1,081.3	$ 524.1
Additional investments	--	--	470.1
Equity in net income	249.7	208.0	94.5
Dividends received and other	(78.3)	(39.9)	(7.4)
End of year	$ 1,420.8	$ 1,249.4	$ 1,081.3

The following table presents summarized financial information obtained from filings with the Securities and Exchange Commission by Telmex at December 31, or for the year ended:

	1993	1992	1991
Balance Sheets			
Current assets	$ 4,247.0	$ 3,930.6	$ 4,008.5
Noncurrent assets	12,785.6	11,212.1	10,555.0
Current liabilities	1,255.6	1,133.1	1,272.2
Noncurrent liabilities	3,848.5	3,244.4	3,823.0
Shareowners' equity	11,928.6	10,765.0	9,468.4
Income Statements			
Operating revenues	$ 7,920.9	$ 7,200.2	$ 6,334.7
Operating income	3,310.4	3,125.0	2,765.9
Net income	2,898.7	2,773.4	2,719.4

Such public information is based on Mexican generally accepted accounting principles and is adjusted to recognize the effects of inflation, including restatement of 1992 and 1991 financial information for the 1993 inflation effect. Translation to U.S. dollars was computed using the reported December 31, 1993, exchange rate of 3.1059 new pesos per dollar.

Reconciliation to U.S. generally accepted accounting principles (GAAP) as reported by Telmex in such filings, including the cumulative effect of adopting Statement No. 109 retroactive to January 1, 1990, reduced shareowners' equity at December 31, 1993, 1992 and 1991, by approximately $1,581, $1,793 and $1,873, respectively; and reduced net income for the 12 months ended December 31, 1993, 1992 and 1991, by approximately $191, $293 and $702, respectively.

Earnings reported by Telmex are not directly comparable to the Corporation's equity in net income of Telmex, which is based on U.S. GAAP, includes adjustments made pursuant to the purchase method of accounting and does not recognize the effects of inflation.

14. Segment and Major Customer Information

The Corporation operates predominantly in the communications service industry.

Approximately 12 percent in 1993 and 1992 and 14 percent in 1991 of the Corporation's consolidated revenues were from services provided to AT&T. No other customer accounted for more than 10 percent of consolidated revenues.

15. Quarterly Financial Information (Unaudited)

<TABLE>
<CAPTION>

Calendar Quarter	Total Operating Revenues 1993	Total Operating Revenues 1992	Operating Income 1993	Operating Income 1992	Net Income (Loss) 1993	Net Income (Loss) 1992	Earnings Per Common Share 1993	Earnings Per Common Share 1992*
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
First	$ 2,457.8	$ 2,287.1	$ 520.7	$ 443.5	$(1,914.1)#	$ 261.6	$(3.19)#	$0.44
Second	2,539.3	2,388.6	574.9	518.5	294.4 #	304.5	0.49 #	0.51
Third	2,795.1	2,617.7	655.3	635.9	388.6 #	385.6	0.65 #	0.64
Fourth	2,898.1	2,722.0	628.7	599.5	385.9	350.0	0.64	0.58
Total	$10,690.3	$10,015.4	$2,379.6	$2,197.4	$(845.2)	$1,301.7	$ (1.41)	$ 2.17

<FN>

* Restated to reflect two-for-one stock split effective May 25, 1993.

Includes extraordinary losses of $89.4 or $.15 per share, $43.6 or $.07 per share and $20.2 or $.03 per share for the first, second and third quarter of 1993, respectively. The first quarter also includes a charge of $2,127.2 or $3.55 per share for cumulative effect of changes in accounting principles.

</TABLE>

Stock Data

Trading: Southwestern Bell Corporation is listed on the New York, Chicago and Pacific stock exchanges, as well as international exchanges in London, Zurich, Geneva and Basel.

Ticker symbol (NYSE): SBC

Daily newspaper stock table listing: SwBell or SowestBell

APPENDIX

All page numbers referenced in this Exhibit and the Form 10-K relate to the printed Annual Report and/or Form 10k. The order of the sections is as they appear in the printed Annual Report. The colored graphs and related footnotes that appear in the printed document are approximately 1-1/2 inches by 3-1/2 inches. The Stock Data section appears on the back cover.

A graph titled "Stock Performance (by quarter, adjusted for splits)" is shown on page 1. Colored indicators are used to shown the 1993 High/Low; 1992 High/Low; and the Close. Listed below are the plot points for the graph:

		High	Low	Close
1992	First Quarter	33.000	28.500	28.750
	Second Quarter	31.938	28.313	30.500
	Third Quarter	34.500	30.438	34.250
	Fourth Quarter	37.375	31.750	37.000
1993	First Quarter	39.063	34.188	39.063

Second Quarter	40.750	37.000	38.750
Third Quarter	47.000	38.625	43.000
Fourth Quarter	45.250	39.625	41.500

The section titled "Selected Financial and Operating Data" (shown on pages 20 and 21), details 10 year financial information for the Corporation. In the printed document, the information is spread horizontally across two pages with just one set of headings on page 20. Due to constraints in the EDGAR system for page width, the EDGAR version contains two sets of headings.

The section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" appears on pages 22-30. The text of this section appears in two columns.

A bar graph titled "Income Before Extraordinary Loss and Accounting Changes (in billions of dollars)" appears on page 22 and to the right side of the subsection titled "Results of Operations - Summary". The graph shows Income Before Extraordinary Loss and Accounting Changes for the past five years. The actual figures are listed on the graph. Listed below are the plot points:

1989	1.09
1990	1.10
1991	1.16
1992	1.30
1993	1.44

The following footnote appears at the base of the graph: Earnings grew at a compound annual rate of 7.0 percent from 1989 to 1993.

A stacked bar graph titled "Distribution of Revenues(in billions of dollars)" appears on page 23 and to the right side of the subsection titled "Local Service". The graph shows various categories of revenue distribution for the past five years. The actual figures are listed on the graph. Listed below are the plot points by category:

Year	Total	Local service	Network access	Long-distance	Directory advertising	Other
1989	8.7	3.7	2.7	1.0	0.7	0.6
1990	9.1	3.9	2.6	1.1	0.8	0.7
1991	9.3	4.2	2.4	1.0	0.9	0.8
1992	10.0	4.7	2.5	1.0	0.9	0.9
1993	10.7	5.2	2.7	1.0	0.9	0.9

The following footnote appears at the base of the graph: Landline and wireless local service revenues grew to nearly half of total revenues in 1993.

A bar graph titled "Access Lines (in millions)" appears in the right column on page 23 and to the left side of the subsection titled "Network Access". The graph shows access line totals for the past five years. The actual figures are listed on the graph. Listed below are the plot points:

1989	11.8
1990	12.1
1991	12.4
1992	12.8
1993	13.2

The following footnote appears at the base of the graph: Access lines have grown 12.6 percent since 1989, including 3.4 percent growth in 1993.

A stacked bar graph titled "Distribution of Expenses (in billions of dollars)" appears in the left column on page 24 and to the right side of the subsection titled "Cost of Services and Products". The graph shows the categories of expenses for the past five years. The actual figures are listed on the graph. Listed below are the plot points:

Year	Total	Cost of services and products	Selling, general and administrative	Depreciation and amortization
1989	6.7	2.9	1.9	1.9
1990	7.1	3.2	2.2	1.7
1991	7.2	3.1	2.3	1.8
1992	7.8	3.4	2.6	1.8
1993	8.3	3.4	2.9	2.0

The following footnote appears at the base of the graph: Cost of services and products represents more than 40 percent of total operating expenses.

In the section titled "Operating Environment and Trends of the Business" and subsection "Regulatory Environment", approximately one inch icons of the states of Missouri, Oklahoma and Texas appear to the sides of the subsections of the respective state.

A bar graph titled "Capital Expenditures (in billions of dollars)" appears in the right column on page 29 and to the left side of the section titled "Liquidity and Capital Resources" and the subsection titled "Capital Expenditures and Other Commitments". The graph shows Capital Expenditures for the past five years. The actual figures are listed on the graph. Listed below are the plot points:

1989	1.48
1990	1.78
1991	1.83
1992	2.14
1993	2.22

The following footnote appears at the base of the graph: Network modernization, digital conversion and cable television build-out contributed to 1992 and 1993 increases in capital expenditures.

A bar graph titled "Dividends per Share (adjusted for splits)" appears in the left column on page 30 and to the right side of the subsection titled "Dividends Declared". The graph shows Dividends for the past five years. The actual figures are listed on the graph. Listed below are the plot points:

1989	1.30
1990	1.38
1991	1.42
1992	1.46
1993	1.51

The following footnote appears at the base of the graph: Dividends increased 3.4 percent in 1993, the largest annual increase since 1990.

Exhibit 21

SUBSIDIARIES OF SOUTHWESTERN BELL CORPORATION
AS OF JANUARY 1, 1994

Name	State of Incorporation	Conducts Business Under
Southwestern Bell Telephone Company	Missouri	Same
Southwestern Bell Mobile Systems, Inc.	Dually incorporated in Delaware and Virginia	Same
SBC International, Inc.	Delaware	Same
Southwestern Bell Yellow Pages, Inc.	Missouri	Same
Associated Directory Services, Inc.	Delaware	Same
Southwestern Bell Telecommunications, Inc.	Delaware	Same
Southwestern Bell Printing Company	Missouri	Same
Southwestern Bell Enterprises, Inc.	Delaware	Same

EXHIBIT 23

Consent Of Independent Auditors

We consent to the incorporation by reference in this Annual Report (Form 10K) of Southwestern Bell Corporation of our report dated February 11, 1994, included in the 1993 Annual Report to Shareowners of Southwestern Bell Corporation.

Our audits also included the financial statement schedules of Southwestern Bell Corporation listed in Item 14(a). These schedules are the responsibility of the Corporation's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-8) pertaining to the Southwestern Bell Corporation Savings Plan for Salaried Employees and Savings and Security Plan (Non-Salaried Employees) (No. 33-38706), the Stock Savings Plan, Management Stock Savings Plan and Stock Based Savings Plan (No. 33-37451) and the Southwestern Bell Corporation 1992 Stock Option Plan (No. 33-49855), and in the Registration Statements (Form S-3) pertaining to the Southwestern Bell Corporation Dividend Reinvestment Plan (Nos. 2-99261 and 33-49893), and Southwestern Bell Capital Corporation and Southwestern Bell Corporation (No. 33-45490), and in the related Prospectuses of our report dated February 11, 1994, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedules included in this Annual Report (From 10-K) for the year ended December 31, 1993.

/s/ ERNST & YOUNG

San Antonio, Texas

March 15, 1994

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT, WHEREAS, SOUTHWESTERN BELL CORPORATION, a Delaware corporation, hereinafter referred to as the "Corporation," proposes to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K, and

WHEREAS, the undersigned is an officer or a director, or both, of the Corporation, as set forth beneath his or her signature;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Robert G. Pope, James D. Ellis, William J. Free, Donald E. Kiernan, Judith M. Sahm, or any one of them, his or her attorney, for him or her and in his or her name, place and stead, and in his or her office and capacity in the Corporation as an officer or a director, or, if he or she holds both such offices, then as both an officer and as a director, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite or necessary to be done in and concerning the premises, as fully to all intents and purposes as he or she might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, the undersigned executed this Power of Attorney the 28th day of January, 1994.

/s/ Edward E. Whitacre, Jr.
Edward E. Whitacre, Jr.
Director and Chairman of the Board
and Chief Executive Officer

Exhibit 24

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WHEREAS, the undersigned is an officer or a director, or both, of the Corporation, as set forth beneath his or her signature;

NOW, THEREFORE, the undersigned hereby constitutes and appoints Edward E. Whitacre, Jr., Robert G. Pope, James D. Ellis, William J. Free, Donald E. Kiernan, Judith M. Sahm, or any one of them, his or her attorney, for him or her and in his or her name, place and stead, and in his or her office and capacity in the Corporation as an officer or a director, or, if he or she holds both such offices, then as both an officer and as a director, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto, hereby giving and granting to said attorneys full power and authority to do and perform each and every act and thing whatsoever requisite or necessary to be done in and concerning the premises, as fully to all intents and purposes as he or she might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, the undersigned executed this Power of Attorney the 28th day of January, 1994.

/s/ Clarence C. Barksdale	/s/ James E. Barnes
Clarence C. Barksdale	James E. Barnes
Director	Director

/s/ Jack S. Blanton
Jack S. Blanton
Director

/s/ August A. Busch III
August A. Busch III
Director

/s/ Ruben R. Cardenas
Ruben R. Cardenas
Director

/s/ Martin K. Eby, Jr.
Martin K. Eby, Jr.
Director

/s/ Tom C. Frost
Tom C. Frost
Director

/s/ Jess Hay
Jess Hay
Director

/s/ B. R. Inman
B. R. Inman
Director

/s/ Charles F. Knight
Charles F. Knight
Director

/s/ Sybil C. Mobley
Sybil C. Mobley
Director

/s/ Haskell M. Monroe, Jr.
Haskell M. Monroe, Jr.
Director

/s/ Carlos Slim Helu
Carlos Slim Helu
Director

/s/ Patricia P. Upton
Patricia P. Upton
Director

Exhibit 24

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IN WITNESS WHEREOF, the undersigned executed this Power of Attorney the 28th day of January, 1994.

/s/ R. G. Pope
R. G. Pope
Director and Vice Chairman