



Shareholder information

RECONCILIATION OF NET INCOME AND SHAREHOLDERS' EQUITY AS REPORTED IN IN THE SPANISH STATUTORY ACCOUNTS WITH NET INCOME AND SHAREHOLDERS' EQUITY IN ACCORDANCE WITH UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (U.S. GAAP)

Certain accounting practices applied by Telefónica in its financial statements prepared for use in Spain, together with others required or allowed under the Conditions of Concession of Telefónica as a regulated entity (Note 2)*, may not conform with generally accepted accounting principles in the United States.

As a result of Telefónica's shares being traded in the New York Stock Exchange, where they have been listed since the middle of 1987, the Company is requested to adjust its net income and shareholders' equity based on American accounting principles. The most significant differences between these accounting practices are summarized below:

Present practice for local Spanish purposes	Treatment for U.S. GAAP Purposes
1. Intangible assets (see note 4.1b)*	Research and development costs are expenses as incurred. The effect is shown below.
2. Income tax (see note 1.1d)*	Deferred taxes arising from timing differences between income and taxable income must be accounted for.
3. Property, plant and equipment (see note 4.1c)*	Revaluation of fixed assets is not permitted. Property, plant and equipment and related accumulated depreciation are stated at historical cost values.
4. Investments (see note 4.1d)*	Investments in subsidiaries should generally be accounted for as follows: <ul style="list-style-type: none"> • More than 50% holding: Consolidated or equity method of accounting. • Between 20% and 50% holding: Equity method of accounting. • Less than 20% holding: At a lower of cost value or net realizable value.
5. Costs of new equity capital	US GAAP requires expenses of raising capital to be deducted from the proceeds of the new capital.
6. Income per share is not required to be in the financial statements nor in any other obligatory financial information.	Per share computations are required to be shown.
7. Endowment insurance (see note 4.1h)*	From January 1, 1989 the FASB no.87 has been applied to record the costs for past services.
8. Allowance for funds during construction	Interest accrued up to the time when the assets are placed in service are accounted for.

The total effect on the statement of income and on the statement of charges in shareholders' equity is as follows (in millions of pesetas).

	1990	1991
Net income for the year as reported in the Spanish statutory accounts at December 31 _____	75,788	80,847
Adjustments for US GAAP purposes:		
Reversal of depreciation of revalued portion of fixed assets _____	62,643	57,846
Research and development expenses		
Net effect between prior write-offs and current amortization ____	(5,374)	(8,298)
Reversal of self-insurance _____	(682)	(702)
Reversal of amortization of costs new equity capital _____	1,104	951
Adjustment of investments to net equity value _____	1,834	23,622
Adjustment of endowment insurance cost _____	-	-
Allowance for funds during construction _____	38,485	34,470
Less amount due to effect of fixed assets revaluations, of the retired plant not depreciated _____	8,056	10,793
Deferred taxes due to adjustments _____	(11,589)	(9,161)
Reversal of charges to provisions _____	(7,425)	(18,829)
Approximate net income for the year in accordance with US GAAP	162,840	171,539

Shareholders' equity as reported in the Spanish statutory accounts at December 31 _____	1,294,504	1,324,368
Interim dividend _____	23,174	23,174
	1,317,678	1,347,542

Adjustments for US GAAP purposes:		
Reversal of net effect of revaluation of fixed assets and related accumulated depreciation _____	(295,038)	(237,192)
Charges to provisions _____	22,582	3,051
Research and development expenses		
Net effect between prior write-offs and current amortization ____	(14,629)	(22,927)
Costs of new equity capital _____	(2,170)	(1,219)
Investments:		
Reversal of revaluation _____	(3,216)	(2,994)
Adjustments to equity value _____	11,759	5,905
Accrual of past service cost of endowment insurance _____	(1,606)	(1,606)
Allowance for funds during construction _____	79,760	114,230
Less amount due to effect of fixed assets revaluations, of the retired plant not depreciated _____	17,483	28,276
Deferred tax due to US GAAP adjustments _____	(22,235)	(31,396)
Approximate shareholders' equity in accordance with US GAAP	1,110,368	1,201,670

* Notes in brackets refer to the financial statement on pages 57 to 92 of this Annual Report.

Share Capital.

	1987	1988	1989	1990	1991
Share Capital (Millions of ptas.)	415,367.86	460,620.35	462,481.73	463,479.04	463,479.04
Adjusted earnings per share (ptas.)	62.80	70.58	74.49	81.76	87.22
Price/earnings ratio	12.47	12.58	11.92	10.27	14.10
Dividend payout (%)	85.72	75.43	73.83	67.27	(*)
Price/Cash flow per share	3.05	2.86	2.72	2.26	2.84

(*) To be determined by the General Meeting of Shareholders, in accordance with the proposal for net income distribution.

The share capital of Telefónica at March 31, 1992 was 463,479,575,500 pesetas, represented by 926,959,151 bearer shares of 500 ptas. nominal value, fully paid in. Since 1987 the following capital increases have been carried out, all through conversion of bonds:

Año	Number of shares issued (thousands)	Issue price (ptss.)	Amount at issue (millions of ptas.)	
			Nominal	Effective
1987	362.3	774.965	181.2	280.8
1987	5,583.5	740.575	2,791.8	4,135.0
1987	1,204.4	826.125	602.2	995.0
1988	30,514.9	648.330	15,257.5	19,783.7
1988	628.5	724.605	314.3	455.4
1988	166.2	903.650	83.1	150.2
1988	56,790.5	763.210	28,395.2	43,343.1
1988	416.8	801.705	208.4	334.2
1988	22.8	833.280	11.4	19.0
1988	15.8	817.090	7.9	12.9
1988	18.8	799.045	9.4	15.0
1988	1,930.6	776.340	965.3	1,498.8
1989	3,571.3	782.385	1,785.6	2,794.1
1989	151.5	942.905	75.8	142.9
1990	1,994.6	858.435	997.3	1,712.3
1992	1.1	924.750	0.5	1.0

Note: At March 31, 1992 Telefónica had outstanding 199.99 million dollars in convertible Bonds.

Share listings.

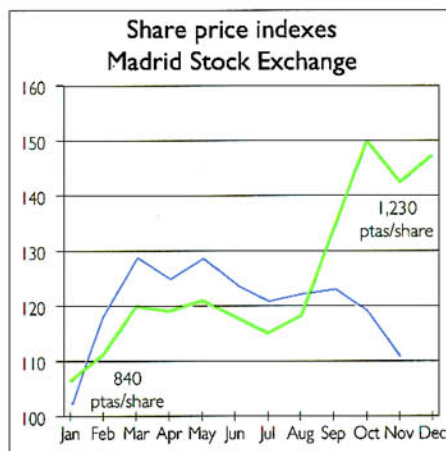
Telefónica shares are listed on the continuous market in all the Spanish Stock Exchanges -Madrid, Barcelona, Bilbao and Valencia- and on five foreign Stock Exchanges -London, Paris, Frankfurt, Tokyo and New York (TEF)*.

Since April 5, 1988, Telefónica is quoted on the London Stock Exchange SEAQ INTERNATIONAL* system.

Since November 1989 option contracts are negotiated on the American Stock Exchange (AMEX), based on Telefónica ADRs.

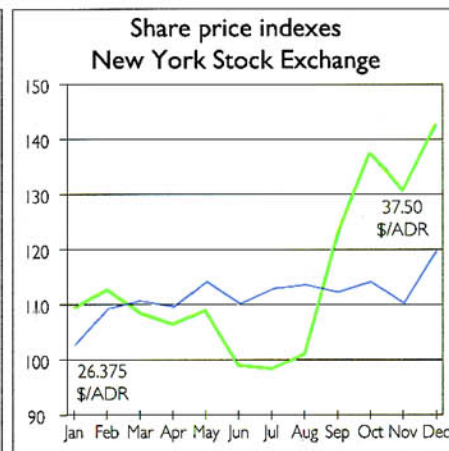
*It is listed on American Depositary Receipts. 1 ADR = 3 shares.

Share price indexes.



BASE 31-12-90 = 100

— TELEFONICA SHARES = 146.43
— MADRID STOCK EXCHANGE = 110.30



BASE 31-12-90 = 100

— TELEFONICA ADR = 142.18
— DOW JONES INDUST. = 119.67

Market prices.

The table shows high, low and closing prices on the Madrid Stock Exchange in pesetas.

Year	High	Low	Closing
1987	1,265.00	645.00	800.00
1988	1,048.75	775.00	888.75
1989	1,086.25	865.00	888.00
1990	984.00	763.00	840.00
1991 1st quarter	1,015.00	832.00	1,005.00
1991 2nd quarter	1,055.00	972.00	980.00
1991 3rd quarter	1,210.00	872.00	1,135.00
1991 4th quarter	1,290.00	1,120.00	1,230.00

Dividend policy.

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

Recent dividends were:

	1989	1990	1991
Interim	25 ptas.	25 ptas.	25 ptas.
Final	30 ptas.	30 ptas.	*
Total	55 ptas.	55 ptas.	

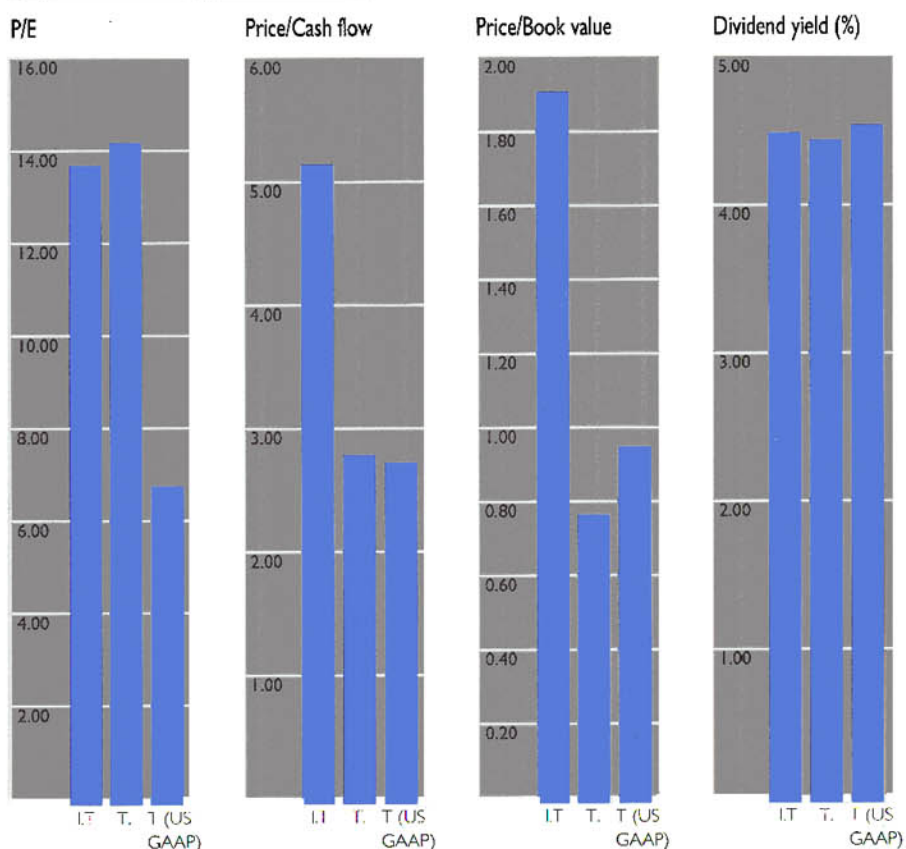
* To be determined by the General Meeting of Shareholders, in accordance with the proposal for net income distribution.

State Shareholding in Telefónica de España, S.A.

As Telefónica shares are bearer shares, there is no official register of shareholders. However, on payment of the interim dividend for 1991, on February 17, 1992, it was verified that the state shareholding is as follows:

	Interest as % of Share Capital
Spanish State	32.28
Caja Postal (Post Office Savings Bank)	1.41

**Telefónica
international
comparisons
at 31-12-91**



I.T.: International telecommunications index (Source: "Capital International Perspective")
 T.: Telefónica - Data according to Spanish accounting principles.
 T. (US GAAP): Telefónica - Data according to US accounting principles.

**Stock market
capitalization.**

	1987	1988	1989	1990	1991	Average Growth % 91/87
Telefónica	663.7	766.1	821.2	778.6	1,140.2	14.5
Total Madrid Stock Exchange	7,748.8	10,313.1	13,457.4	11,744.4	14,302.9	16.6
Telefónica Weighting on the M.S.E. index (%)	10.89	9.07	7.95	6.53	7.80	

Figures in thousands of millions of pesetas except otherwise indicated

**Telefónica Group
shares.**

Associated companies	CTC Chile			Entel Chile		
	1990	1991	% Growth	1990	1991	% Growth
S.M. Capitalization (millions US Dollars)	739	1,855	151.0	289	853	195.2
Closing price (US\$)	0.88	2.16	145.5	3.12	9.21	195.2
Price/earnings ratio	7.15	14.07	-	4.72	13.95	-

On December 23, 1991 Telefónica de Argentina shares were put on the market at the price of 24 US cents. At the end of February the price per share was 33.91 cents, an increase of 41.3%.