

## *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 4.1.b)*	Research and development costs are expenses as incurred. The effect is shown below.
2. Income tax (see note 1.1.i)*	Deferred taxes arising from timing differences between income and taxable income must be accounted for.
3. Property, plant and equipment (see note 4.1.c)*	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 4.1.d)*	Investments in subsidiaries should generally be accounted for as follows: <ul style="list-style-type: none"> <li>• More than 50% holding: Consolidated or equity method of accounting.</li> <li>• Between 20% and 50% holding: Equity method of accounting.</li> <li>• Less than 20% holding: At a lower of cost value or net realizable value.</li> </ul>
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 4.1.h)*	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.

**Reconciliation of consolidated net income and shareholders' equity,  
at December 31**

	1991	1992
Net income for the year as reported in the Spanish statutory accounts at December 31 _____	104,247	80,761
<b>Adjustments for US GAAP purposes:</b>		
Reversal of depreciation of revalued portion of fixed assets _____	57,846	45,671
Research and development expenses		
Net effect between prior write-offs and current amortization ____	(8,245)	(8,306)
Reversal of self-insurance _____	(759)	(387)
Reversal of amortization of costs new equity capital _____	1,091	993
Adjustment of endowment insurance cost _____	-	1,606
Allowance for funds during construction _____	34,470	16,640
Less amount due to effect of fixed assets revaluations, of the retired plant not depreciated _____	10,793	16,242
Deferred taxes due to adjustments _____	(9,179)	(2,950)
Reversal of charges to provisions _____	(18,829)	-
<b>Approximate net income for the year in accordance with US GAAP</b>	<b>171,435</b>	<b>150,270</b>
Shareholders' equity as reported in the Spanish statutory accounts at December 31 _____	1,330,273	1,392,005
Interim dividend _____	23,174	-
	1,353,447	1,392,005
<b>Adjustments for US GAAP purposes:</b>		
Reversal of net effect of revaluation of fixed assets and related accumulated depreciation _____	(237,192)	(191,521)
Charges to provisions _____	2,994	2,607
Research and development expenses _____	(23,063)	(31,276)
Net effect between prior write-offs and current amortization ____	(1,496)	(503)
Accrual of past service cost of endowment insurance _____	(1,606)	-
Allowance for funds during construction _____	114,230	130,870
Less amount due to effect of fixed assets revaluations, of the retired plant not depreciated _____	28,276	44,518
Deferred tax due to US GAAP adjustments _____	(31,908)	(34,858)
<b>Approximate shareholders' equity in accordance with US GAAP</b>	<b>1,203,682</b>	<b>1,311,842</b>

\* Notes in brackets refer to the financial statement on pages 73 to 114 of this Annual Report



## Share Capital

	1988	1989	1990	1991	1992
Share capital (millions of ptas.)	460,620.35	462,481.73	463,479.04	463,479.04	463,479.58
Adjusted earnings per share (ptas)	70.58	74.49	81.76	87.22	90.51
Price/earnings ratio	12.58	11.92	10.27	14.10	12.60
Dividend pay out (%)	75.43	73.83	67.27	67.65	67.40
Price/Cash flow per share	2.86	2.72	2.26	2.84	2.27

The share capital of Telefónica at December 31, 1992 was 463,479,575,500 pesetas, represented by 926,959,151 bearer shares of 500 ptas. nominal value, fully paid in.

Since 1988 the following capital increases have been carried out, all through conversion of bonds:

Year	Number of shares issued (thousands)	Issue price (ptas.)	Amount (millions of ptas.)	
			Nominal	Effective
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	924.75	0.5	1.0

Note: At December 31, 1992 Telefónica had outstanding 199,99 million dollars in convertible Bonds.

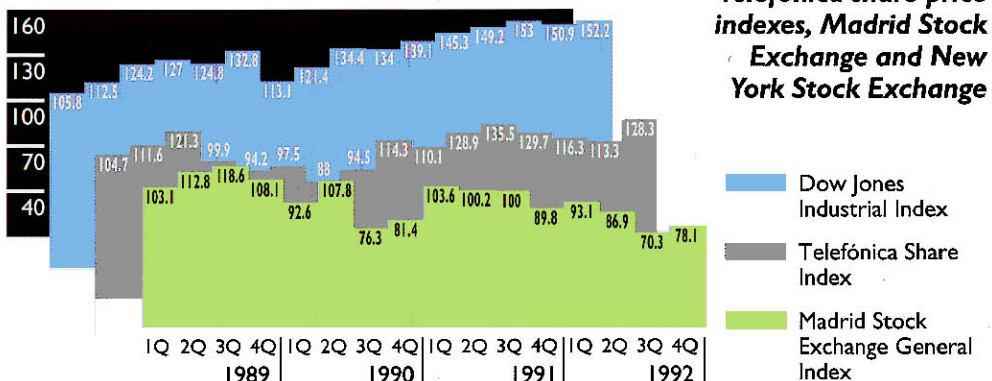
## Share listings

Telefónica shares are listed on the continuous market on all the Spanish Stock Exchanges (Madrid, Barcelona, Bilbao and Valencia) and on the following foreign Stock Exchanges: London, Paris, Frankfurt, Tokyo, New York (\*) and on the London Stock Exchange Seaq International system (\*).

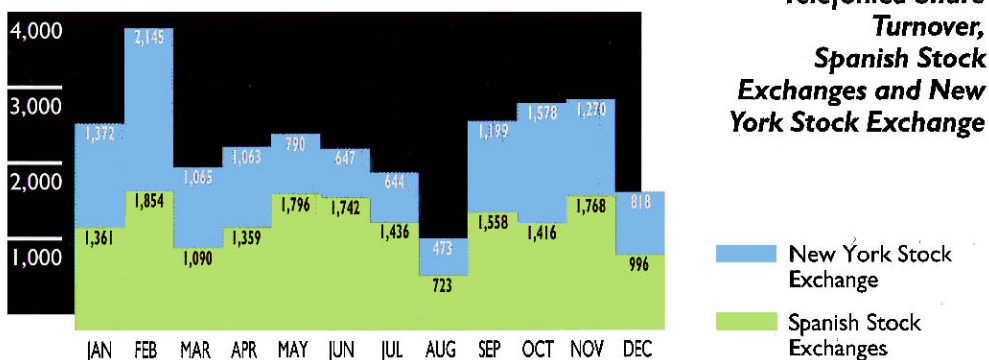
Option contracts on Telefónica shares are negotiated on the Spanish Financial Futures market (MEFF-RV) and on the American Stock Exchange (AMEX) (\*)

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

Base 31-12-88 = 100



Thousands of shares



### Market prices

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

Year	High	Low	Closing
1988	1,048.75	775.00	888.75
1989	1,086.25	865.00	888.00
1990	984.00	763.00	840.00
1991	1,290.00	832.00	1,230.00
1992 1st quarter	1,300.00	1,085.00	1,140.00
1992 2nd quarter	1,200.00	1,010.00	1,035.00
1992 3rd quarter	1,110.00	976.00	996.00
1992 4th quarter	1,190.00	862.00	1,140.00

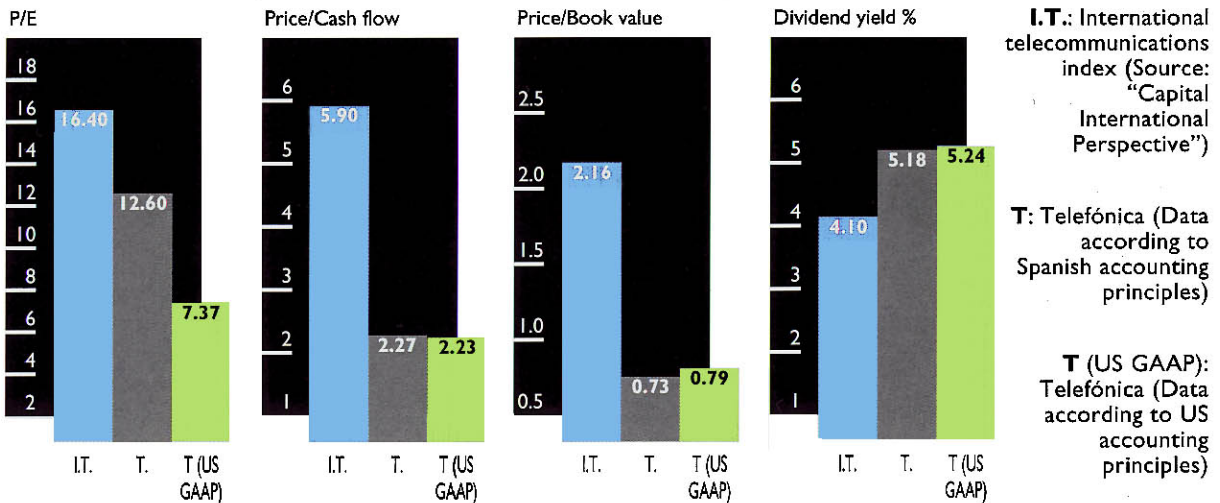
### Dividend policy

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 as follows:

	1990	1991	1992
Interim	25 ptas.	25 ptas.	25 ptas.
Final	30 ptas.	34 ptas.	36 ptas. (*)
Total	55 ptas.	59 ptas.	61 ptas.

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

## Telefónica International Comparisons at 31-12-92



### 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 1992, on February 17, 1993, it was verified that the state shareholding is as follows:

	Interest as % of Share Capital
Spanish State	32.28
Caja Postal	1.33

### Stock Market Capitalization

	1988	1989	1990	1991	1992	Average Growth % 92/88
Telefónica	766.1	821.2	778.6	1,140.2	1,056.7	8.4
Total Madrid Stock Exchange	10,313	13,457	11,744	14,303	13,332	6.6
Telefónica Weighting on the M.S.E. index (%)	9.07	7.95	6.53	7.80	9.25	

Figures in thousands of billions of pesetas, unless otherwise stated.

### Telefónica Group Shares

Associated companies	CTC Chile		Entel Chile		Telefónica Argentina	
	1991	1992	1991	1992	1991	1992
S.M Capitalization (millions US \$)	1,855	2,956	853	513	3,422	3,693
Closing price (US \$)	2.16	3.44	9.21	5.55	0.29	0.31
Price/earnings ratio	14.1	16.0	11.8	5.6	29.2	12.6
Price/Cash flow	9.1	10.4	8.9	4.3	9.4	6.0
Dividend yield	4.7%	3.5%	6.3%	12.2%	-	3.0%