

***Shareholder  
Information***

**RECONCILIATION OF NET INCOME AND SHAREHOLDERS' EQUITY AS REPORTED 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 1.1.c)\*, may not conform with generally accepted accounting principles in the United States.

As a result of Telefonica'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**

1. Intangible assets  
(see note 4.1.b)\*

2. Income tax  
(see note 4.1.i)\*

3. Property, plant and equipment  
(see note 4.1.c)\*

4. Costs of new equity capital  
(see note 4.1.a)\*

5. Income per share is not required to be in the financial statements nor in any other obligatory financial information.

6. Endowment insurance  
(see note 4.1.h)\*

7. Allowance for funds during construction

8. Exchange rate differences

**Treatment for U.S. GAAP purposes**

Research and development costs are expenses as incurred. The effect is shown below.

Deferred taxes arising from timing differences between income and taxable income must be accounted for. Since January 1, 1993 FAS n°.109 has come into force.

Revaluation of fixed assets is not permitted. Property, plant and equipment and related accumulated depreciation are stated at historical cost values.

US GAAP requires expenses of raising capital to be deducted from the proceeds of the new capital.

Net income per share is required to be shown.

From January 1, 1989 the FASB n° 87 has been applied to record the cost for past services

Interest accrued up to the time when the assets come into service are accounted for.

Changes in investment value due to exchange rates, are accounted for as shareholders' equity or results (FAS n°.52).

**RECONCILIATION OF CONSOLIDATED NET INCOME AND SHAREHOLDERS' EQUITY, AT DECEMBER 31**

|   | <b>1992</b>      | <b>1993</b>      |
|---|------------------|------------------|
| NET INCOME FOR THE YEAR AS REPORTED IN THE SPANISH<br>STATUTORY ACCOUNTS AT DECEMBER 31                 | 80,761           | 96,367           |
| ADJUSTMENTS FOR U.S. GAAP PURPOSES:   |                  |                  |
| Reversal of depreciation of revalued portion of fixed assets  | 45,671           | 44,959           |
| Research and development expenses. Net effect between<br>prior write-offs and current amortization      | (8,306)          | (7,530)          |
| Reversal of self-insurance  | (387)            | (690)            |
| Reversal of amortization of costs of new equity capital   | 993              | 493              |
| Exchange rate differences   | 0                | 2,386            |
| Adjustment of endowment insurance cost  | 16,640           | 0                |
| Allowance for funds under construction  | -                | 16,640           |
| Lower amount due to the effect of fixed assets revaluations,<br>of the dismantled plant not depreciated | 16,242           | 8,480            |
| Deferred taxes due to adjustments   | (2,950)          | (18,777)         |
| <b>Total adjustments</b>  | <b>150,270</b>   | <b>132,934</b>   |
| Accumulated effect to January 1, 1993 due to FAS 109 application  | 0                | 41,113           |
| <b>Approximate net income for the year in<br/>accordance with US GAAP:</b>                              | <b>150,270</b>   | <b>174,047</b>   |
| SHAREHOLDERS' EQUITY AS REPORTED IN THE SPANISH<br>STATUTORY ACCOUNTS AT DECEMBER 31                    | 1,392,005        | 1,437,055        |
| INTERIM DIVIDEND  | 0                | 23,187           |
|   | <u>1,392,005</u> | <u>1,460,242</u> |
| ADJUSTMENT FOR US GAAP PURPOSES:  |                  |                  |
| Reversal of net effect of revaluation of fixed assets<br>and related accumulated depreciation           | (191,521)        | (146,562)        |
| Charges to provisions   | 2,607            | 1,917            |
| Research and development expenses. Net effect between<br>prior write-offs and current amortization      | (31,276)         | (38,806)         |
| Costs of new equity capital   | (503)            | (226)            |
| Allowance for funds under construction  | 130,870          | 138,116          |
| Lower amount due to the effect of fixed assets revaluations,<br>of the dismantled plant not depreciated | 44,518           | 52,998           |
| Deferred tax due to U.S. GAAP adjustments   | (34,858)         | (12,446)         |
| <b>Approximate shareholders' equity in accordance with U.S. GAAP</b>                                    | <b>1,311,842</b> | <b>1,455,233</b> |

\*Notes in brackets refer to the financial statement on pages 65 to 107 of this Annual Report.

**SHARE CAPITAL**

|                             | 1989       | 1990       | 1991       | 1992       | 1993       |
|-----------------------------|------------|------------|------------|------------|------------|
| Share capital (Million pts) | 462,481.73 | 463,479.04 | 463,479.04 | 463,479.58 | 469,735.41 |
| Earnings per share (pts)    | 74.5       | 81.8       | 87.2       | 90.5       | 90.8       |
| Price/earnings ratio        | 11.92      | 10.27      | 14.10      | 12.60      | 20.54      |
| Dividend pay out (%)        | 73.83      | 67.27      | 67.65      | 67.40      | 68.30      |
| Price/Cash-Flow per share   | 2.72       | 2.26       | 2.84       | 2.27       | 3.55       |

The share capital of Telefonica at December 31, 1993 was 469,735,410,000 pesetas, represented by 939,470,820 bearer shares of a nominal value of 500 pesetas, fully paid in.

Since 1989 the following capital increases have been carried out, all through bond conversions.

| Year | Number of shares issued (thousands) | Issue price (Pts) | Amount issued (Millions of Pts.) |           |
|------|-------------------------------------|-------------------|----------------------------------|-----------|
|      |                                     |                   | Nominal                          | Effective |
| 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       |
| 1993 | 12,511.7                            | 1,267.23(*)       | 6,255.8                          | 15,855.2  |

\* average issue price

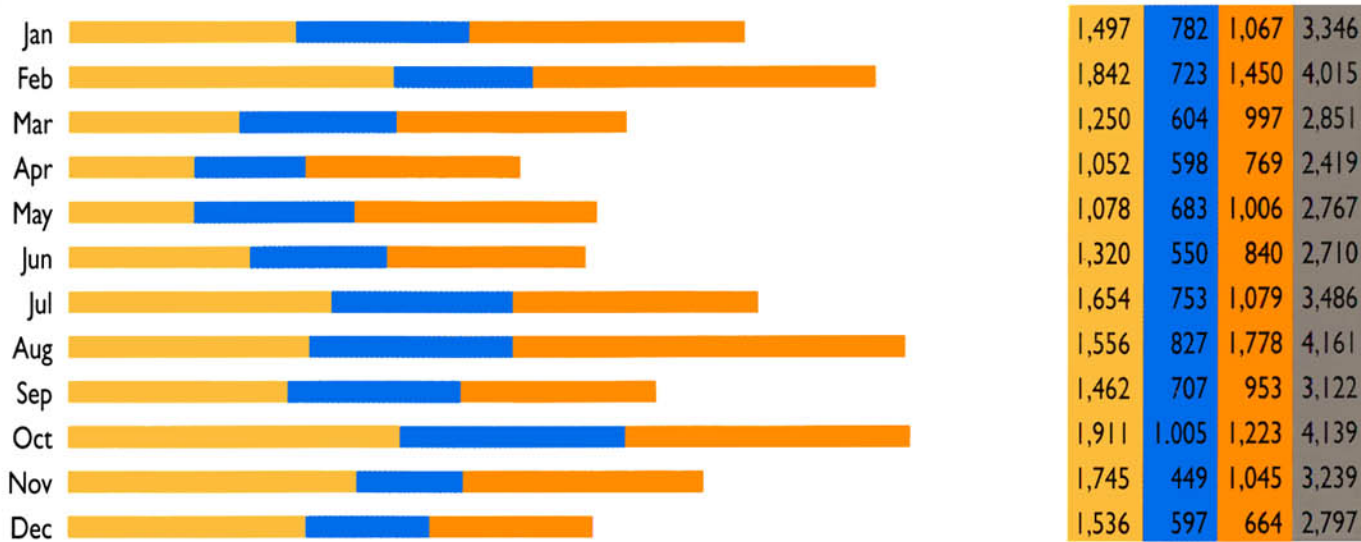
**SHARES LISTINGS.** Telefónica shares are listed on the continuous market on all the Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia) and on the following foreign stock exchanges: London, Paris, Frankfurt, Tokyo, New York (\*) and on the London Stock Exchange SEAQ International system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

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.

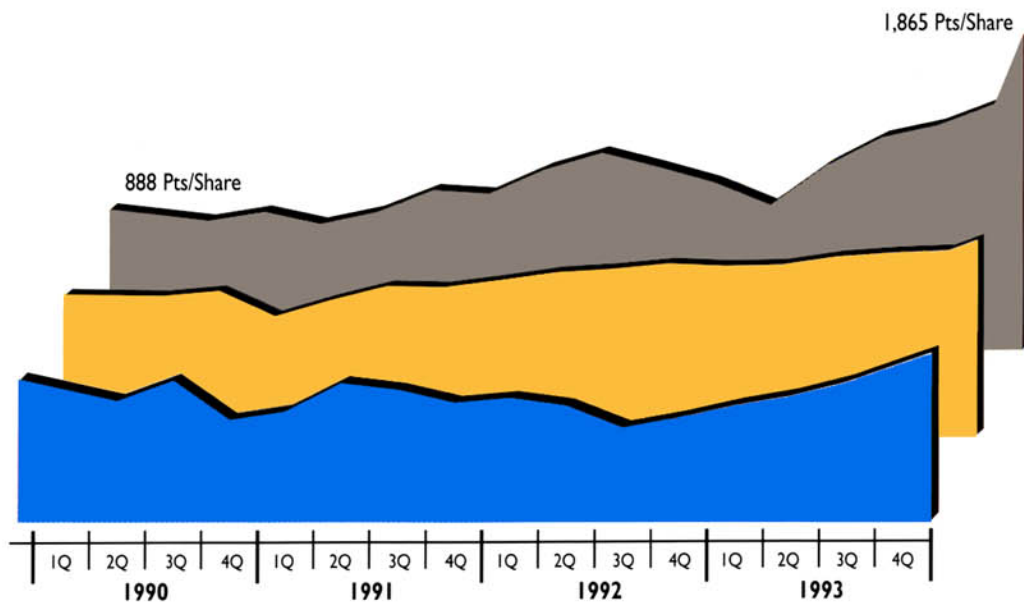
**TELEFONICA SHARE  
TURNOVER, SPANISH STOCK  
EXCHANGES, NEW YORK  
STOCK EXCHANGE  
AND SEAQ INTERNATIONAL**

TOTAL   
 SEAQ International   
 New York Stock Exchange   
 Spanish Stock Exchanges 



**TELEFONICA SHARE PRICE  
INDEXES, MADRID STOCK  
EXCHANGE AND NEW YORK  
STOCK EXCHANGE**

 TELEFONICA  
SHARE INDEX  
 DOW JONES  
INDUSTRIALS INDEX  
 MADRID STOCK EXCHANGE  
GENERAL INDEX



**MARKET PRICES.** The table below shows high, low and closing prices on the continuous Spanish Market in pesetas.

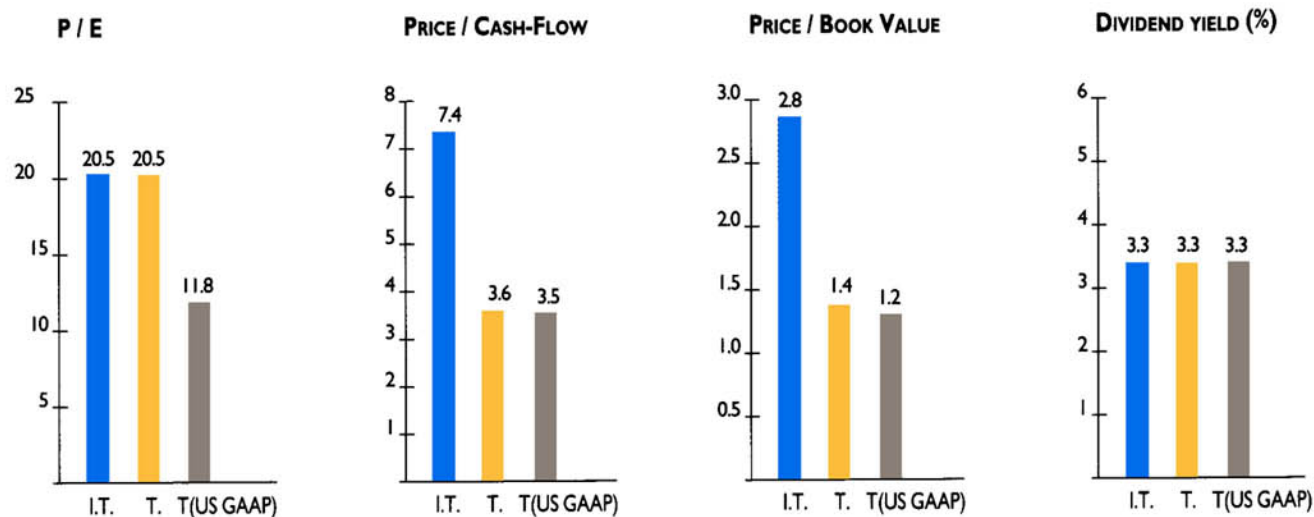
| Year             | High     | Low      | Closing  |
|------------------|----------|----------|----------|
| 1989             | 1,086.25 | 865.00   | 888.00   |
| 1990             | 984.00   | 763.00   | 840.00   |
| 1991             | 1,290.00 | 832.00   | 1,230.00 |
| 1992             | 1,300.00 | 862.00   | 1,140.00 |
| 1993 1st quarter | 1,370.00 | 1,135.00 | 1,325.00 |
| 1993 2nd quarter | 1,450.00 | 1,270.00 | 1,390.00 |
| 1993 3rd quarter | 1,670.00 | 1,355.00 | 1,565.00 |
| 1993 4th quarter | 1,880.00 | 1,560.00 | 1,865.00 |

**DIVIDEND POLICY.** Telefónica usually pays an interim dividend at year end and a final one 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:

|              | 1991            | 1992            | 1993            |
|--------------|-----------------|-----------------|-----------------|
| Interim      | 25 ptas.        | 25 ptas.        | 25 ptas.        |
| Final        | 34 ptas.        | 36 ptas.        | 37 ptas. (*)    |
| <b>Total</b> | <b>59 ptas.</b> | <b>61 ptas.</b> | <b>62 ptas.</b> |

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

#### TELEFONICA: INTERNATIONAL COMPARISONS AT 31-12-93



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

T.: Telefónica (Data According to Spanish accounting principles)

T(US GAAP): Telefónica (Data according to US accounting principles)

**STATE SHAREHOLDING IN TELEFONICA 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 1993 made on February 17, 1994, it was verified that the State shareholding is as follows:

|               | Interest as % of share capital |
|---------------|--------------------------------|
| Spanish State | 31.86                          |

| <b>STOCK MARKET CAPITALIZATION</b>                          | 1989   | 1990   | 1991    | 1992    | 1993    | Average  |
|---|--------|--------|---------|---------|---------|----------|
|   |        |        |         |         |         | growth % |
|   |        |        |         |         |         | 93/89    |
| Telefónica  | 821.2  | 778.6  | 1,140.2 | 1,056.7 | 1,729.8 | 20.5     |
| Total Madrid Stock Exchange                                 | 13,457 | 11,744 | 14,303  | 13,332  | 18,286  | 8.0      |
| Telefónica weight on<br>the Madrid Stock Exchange Index (%) | 7.95   | 6.53   | 7.80    | 9.25    | 9.43    |          |

Figures in billions of pesetas, unless otherwise stated.

#### TELEFONICA GROUP SHARES

| Associated companies         | CTC Chile |       | Entel Chile |       | Telefónica Argentina |       |
|------------------------------|-----------|-------|-------------|-------|----------------------|-------|
|                              | 1992      | 1993  | 1992        | 1993  | 1992                 | 1993  |
| Capitalization (mill.\$ USA) | 2,956     | 5,110 | 513         | 1,061 | 3,693                | 8,590 |
| Closing price (\$ USA)       | 3.44      | 5.95  | 5.55        | 11.5  | 3.13                 | 7.29  |
| Price/earnings ratio         | 16.0      | 21.6  | 5.6         | 13.4  | 13.5                 | 25.3  |
| Price/Cash-Flow              | 10.4      | 14.2  | 4.3         | 9.6   | 6.0                  | 11.8  |
| Dividend yield (%)           | 3.5       | 2.1   | 12.8        | 5.6   | 3.2                  | 1.4   |

