



ANTONIO J. ALONSO UREBA

*Director, General Secretary
and Secretary to the Board of Directors
TELEFÓNICA, S.A.*

Telefónica S.A., as provided in article 82 of the Spanish Stock Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

In accordance with that stated in the significant event reported by the Company on June 30th, 2005, today Telefónica, S.A., through its wholly-owned subsidiary Telefónica Internacional, S.A.U., has reached a 5% stake in the equity of the Chinese telecommunications company China Netcom Group Corporation (Hong Kong) Limited (CNC). The acquisition of the aforementioned stake represents a total investment of 418.3 million euros.

Madrid, September 5th, 2005

**SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID-**