

Madrid, February 13th, 2003

SPANISH NATIONAL SECURITIES MARKET COMMISSION
-MADRID-

“TELEFÓNICA, S.A.”, in accordance with that stated in article 82 of the Spanish Stock Market Law, hereby announces the following.

SIGNIFICANT EVENT

The Standing Committee of the Board of Directors of Telefónica, S.A. at its meeting held on February 12th, 2003 has declared the Company's share capital to have increased in the amount of Euros 97,213,225, through the issue of 97,213,225 ordinary shares that has been allocated free of charge to shareholders with the charge made to freely disposable reserves.

At this same meeting, the Standing Committee has resolved to execute the second capital increase on the Company's share capital, to be charged to freely disposable reserves, as approved by the Annual General Shareholders' Meeting of April 12th, 2002, through the issuance of the 99,157,490 of new ordinary Company shares, of the same series and carrying the same rights as those currently outstanding, with a nominal value of one euro each.

This capital increase shall be effected wholly subject to the conditions established in the resolution corresponding to point V, paragraphs C) and D), of the Agenda of the Annual General Shareholders' Meeting of April 12th, 2002, and the new shares shall be issued in accordance with the provisions of the Stock Market Law 24/1988 of July 28 (Ley del Mercado de Valores) and other pertinent regulations.

For this purpose, once the procedures established by law to satisfy the prior legal requirements in order to execute the capital increase have been fulfilled, the corresponding announcement shall be published in the Official Gazette of the Mercantile Register (“Boletín Oficial del Registro Mercantil”), thus marking the start of the period of free allocation of the new shares in the ratio of one new share for every fifty old shares held. In order to achieve this, Company shareholders will be those natural or juridical persons who at the close of the day immediately prior to the date of the beginning of the free allocation period, appear as the holders of Company shares on the accounting registers of the member entities of the Spanish Securities Settlement and Clearance Service (“Servicio de Compensación y Liquidación”)

The period of free allocation shall be fifteen days, during which time the right to free allocation corresponding to shareholders may be exercised through any member entity of the Spanish Securities Settlement and Clearance Service, and may also be transferred and traded under the same conditions as the shares from which they derive.

The new shares issued will entitle holders to receive the entire amount of the dividends distributed from the time of the ending of the free allocation period.

Lastly, the Company will request as soon as possible the new shares to be admitted to official listing on the markets where the Company's shares are already traded.