



RAMIRO SÁNCHEZ DE LERÍN
*General Secretary and
Secretary of 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

Further to the notice sent on May 12th, 2006 and because of the official calling of the Annual General Shareholders' Meeting of the Company to be held on June 20th and 21st, 2006, at first and second call respectively, the proposals to be submitted for approval at the Meeting are enclosed to this report.

Similarly, in relation to the proposed resolution regarding the Merger Proposal of Telefónica, S.A. and Telefónica Móviles, S.A., we enclose to this document the Report of the Directors of Telefónica, S.A., together with the Report of the Independent Expert addressed to the Directors of Telefónica, S.A. and Telefónica Móviles, S.A., as required by article 236 of the Spanish Consolidated Text of the Business Corporations Law (*Texto Refundido de la Ley de Sociedades Anónimas*).

The aforesaid proposals and reports, and additional information on the proposals are available to shareholders, debenture holders and holders of special rights other than shares, as well as to the employee representatives, for examination, at the Company's registered office. Additionally, these documents will be accessible on - line via de Company's website: (www.telefonica.es/accionistaseinversores)

Madrid, May 16th, 2006

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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