

Madrid, January 29th, 2003

SPANISH NATIONAL SECURITIES MARKET COMMISSION

-MADRID-

Telefónica S.A., as provided in article 82 of the Spanish Stock Market Act (Ley del Mercado de Valores), and pursuant to the reports submitted on 9 May 2002 and 14 May 2002, hereby reports the following

SIGNIFICANT EVENT

Sogecable S.A. and Telefónica de Contenidos S.A.U., a subsidiary of Telefónica, S.A., report that they have signed an agreement today in which they state they have completely fulfilled the requirements for the integration of Sogecable and Vía Digital, as set out in the contract signed on 8 May 2002. The agreement signed today implements the contract of 8 May 2002 in accordance with the terms reported to the market and maintains the established share-exchange terms (77% of the resulting company for the current shareholders of Sogecable and 23% for the current shareholders of Vía Digital, assuming all shareholders exchange their shares).

In addition, Telefónica de Contenidos and Sogecable have both agreed detailed action plans and periods for implementing the conditions set by the government in the resolutions of the Cabinet ("Consejo de Ministros") announced on 29 November 2002. In these plans, Telefónica de Contenidos and Sogecable have accepted the conditions set by the government, without prejudice to the joint lodging of appeals against certain of these (channel distribution requirements, joint marketing of sales packages, price caps and the forbidding of strategic alliances).

Lastly, the parties and their main shareholders have established a financial structure for Sogecable that ensures the viability of the company that results from the integration of the two businesses.

Sogecable and Telefónica de Contenidos shall jointly inform the Spanish competition authorities (the "Servicio de Defensa de la Competencia") of the contents of the agreement signed today.