

Madrid, January 29th, 2003

SPANISH NATIONAL SECURITIES MARKET COMMISSION
-MADRID-

Continuing from today's announcement of a Significant Event, and in compliance with that set forth in article 82 of the Spanish Stock Market Act (Ley del Mercado de Valores), Telefónica S.A. would like to announce the following

SIGNIFICANT EVENT

The agreement signed today between Sogecable S.A. and Telefónica de Contenidos, S.A.U., a subsidiary of Telefónica, S.A., sets forth the possibility that the final stake to be held by the aforementioned company in the share capital of Sogecable will exceed that held by Prisa and Groupe Canal +, respectively, which, following the dilution derived from the operation, and having carried out the exchange for 100% of the share capital of Vía Digital, will stand at 16.38% of the resulting share capital. Telefónica will renounce its right to exercise the voting rights that would correspond to this excess in stake.

In this agreement, Telefónica also states that its current annual strategic plans do not foresee the divestiture of the 16.38% stake previously mentioned.

Telefónica will participate in the Board of Directors of Sogecable with five directors, as will be the case of Prisa and Groupe Canal +.

In order to collaborate in the financing of the operation, Prisa, Groupe Canal + and Telefónica will contribute with a participation loan of Euros 150 million, with each of the parties holding Euros 50 million, at 10 year maturity, and an annual interest rate of 11%.

Sogecable will also offer its shareholders the possibility of participating in a subordinated loan of Euros 175 million, at an interest rate of 10.28%, whose final underwriting will be undertaken by Telefónica. This subordinated loan will mature at 9 years, and will include the yield of the warrant issue equal to 1% of the share capital of Sogecable.

The parties have also agreed that Vía Digital's indebtedness at April 30th, 2003, may not exceed Euros 425 million, and that that of Sogecable may neither exceed, at this same date, Euros 705 million.

Once the accounting effect of the operation for Telefónica has been calculated, the market will be duly informed.