



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

### **SIGNIFICANT EVENT**

Telefónica, S.A. has acquired 2.99% of the equity of the Chinese telecommunications company, China Netcom Group Corporation (Hong Kong) Limited (CNC), at a price of 11.45 Hong Kong Dollars per share, which is the quoted share price at June 27<sup>th</sup> 2005, and which, at current exchange rates, represents a total amount of 240 million euros. Telefónica intends to reach up to 5% stake in CNC and will have the right to appoint one representative to the Board of Directors.

Upon acquisition of this stake Telefónica and CNC will start discussing and will seek a framework for strategic cooperation that could include, among others, the areas of joint purchasing of technology and infrastructure, the exchange and sharing of managerial, technical and operational expertise and resources; co-operation and sharing in areas of business development, network operations, customer acquisition and management, technology implementation, sales, marketing and branding; technology transfers in key areas of fixed line, internet, mobile voice communications, wireless data services and other related services and joint research and development by the Parties of key technologies, infrastructure, applications and solutions required for the provision of advanced telecommunications services.

Madrid, June 30<sup>th</sup>, 2005.

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