

# Data Identifying Issuer

## FINANCIAL YEAR 2004

### MODEL OF ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

For a full understanding of this form and subsequent drafting of the report, please read the instructions attached for this purpose at the end of this form.

#### A. SHAREHOLDING STRUCTURE

##### A.1. Fill in the following tables on the company's share capital:

Latest date of any change	Share Capital (€)	Number of shares
10-06-2003	4,955,891,361.00	4,955,891,361.00

If there are different types of shares, indicate in the following table:

Type	Number of shares	Nominal unit value
All the shares are of the same type.	4,955,891,361.00	1.00

##### A.2. List the direct and indirect holders of significant shareholdings in your organisation at the end of its financial year, excluding members of its Board of Directors:

Name or corporate name of shareholder	Number of shares held directly	Number of shares held indirectly (*)	% Total/share capital
Caja de Ahorros y pensiones de Barcelona, "La Caixa"	92,380,486	174,095,736	5.377
Banco Bilbao Vizcaya Argentaria, S.A.	89,027,259	194,997,590	5.731

(\*) Through:

Name or corporate name of direct shareholder	Number of shares held directly	%/ Share capital
Caixa Holding, S.A.	155,686,356	3.141
Caixa de Barcelona de Seguros de Vida, Sociedad Anónima de Seguros y Reaseguros, S.A.	18,409,380	0.371
Consolidar CIA. de Seguros de Vida, S.A.	16,100	0.000
BBVA Seguros, S.A.	369,941	0.007
Corporación Industrial y de Servicios, S.L.	104,611,549	2.111
Sociedad de Estudios y Análisis Financieros, S.A.	90,000,000	1.816
<b>Total:</b>	<b>369,093,326</b>	

Indicate the most significant movements in the shareholding structure during the financial year:

Name or corporate name of shareholder	Date of transaction	Description of transaction
Caja de Ahorros y Pensiones de Barcelona, "La Caixa"	30-03-2004	Exceeding the 5% limit on shareholding

##### A.3. Fill in the following tables on company directors holding company shares:

Name or corporate name of Company Director	Date of first appointment	Date of last appointment	Number of shares held directly	Number of shares held indirectly(*)	%Total /share capital
Mr. César Alierta Izuel	29-01-1997	12-04-2002	632,012	0	0.013
Mr. Isidro Fainé Casas	26-01-1994	15-06-2001	7,164	0	0.000
Mr. José Antonio Fernández Rivero	12-04-2002	12-04-2002	115	0	0.000
Mr. Fernando de Almansa Moreno-Barreda	26-02-2003	11-04-2003	2,112	0	0.000
Mr. Jesús María Cadenato Matía	11-04-2003	11-04-2003	9,906	0	0.000
Mr. Maximino Carpio García	29-01-1997	12-04-2002	5,836	0	0.000
Mr. Carlos Colomer Casellas	28-03-2001	15-06-2001	543	0	0.000
Mr. Alfonso Ferrari Herrero	28-03-2001	15-06-2001	1,811	99,500	0.002
Mr. José Fonollosa García	11-04-2003	11-04-2003	0	0	0.000
Mr. Gonzalo Hinojosa Fernández de Angulo	12-04-2002	12-04-2002	37,958	0	0.001
Mr. Miguel Horta e Costa	17-03-1998	11-04-2003	354	0	0.000
Mr. Pablo Isla Alvarez de Tejera	12-04-2002	12-04-2002	386	0	0.000
Mr. Luis LadaDíaz	10-08-2000	15-06-2001	30,000	0	0.001
Mr. Antonio Massanell Lavilla	21-04-1995	15-06-2001	2,106	642	0.000
Mr. Enrique Used Aznar	12-04-2002	12-04-2002	19,450	17,988	0.001
Mr. Mario Eduardo Vázquez	20-12-2000	15-06-2001	10	0	0.000
Mr. Antonio Viana-Baptista	12-01-2000	04-02-2000	21,944	0	0.000
Mr. Gregorio Villalabeitia Galarra	27-02-2002	12-04-2002	53	0	0.000
Mr. Antonio J. Alonso Ureba	28-03-2001	15-06-2001	8,438	0	0.000

(\*) Through:

Name or corporate name of direct shareholder	Number of shares held directly
Inversiones Singladura, S.A.	79,500
Finalfesa, S.A.	20,000
Ms. Gemma Massanell Bolet	642
Review Inversiones Sicav S.L.	17,988
<b>Total:</b>	<b>118,130</b>

**% of total equity held by the Board of Directors** **0.018**

Fill in the following tables on company directors holding company share options:

Name or corporate of Company Director	Number of options held directly	Number of options held indirectly	Equivalent number of shares	%Total/share capital
Mr. José Fonollosa García	115	530	645	0.000

**A.4.** Where applicable, indicate any family, commercial, contractual or corporate relationships between owners of significant shareholdings, as far as the Company is aware, unless of little relevance or ensuing from ordinary trading or exchange:

Name or corporate name of related party	Type of relationship	Brief description

**A.5.** Where applicable, indicate any commercial, contractual or corporate relationships between owners of significant shareholdings and the company, unless of little relevance or ensuing from ordinary trading or exchange:

Name or corporate name of related party	Type of relationship	Brief description
Banco Bilbao Vizcaya Argentaria, S.A.	Corporate	Joint Shareholding with Telefónica Móviles, S.A. in Mobipay España, S.A. and in Mobipay Internacional, S.A.
Banco Bilbao Vizcaya Argentaria, S.A.	Corporate	Joint Shareholding with Telefónica de Contenidos, S.A. in Hispasat, S.A.
Banco Bilbao Vizcaya Argentaria, S.A.	Corporate	Joint Shareholding with Terra Networks, S.A. in Uno-E Bank, S.A.
Banco Bilbao Vizcaya Argentaria, S.A.	Corporate	Joint Shareholding with Telefónica, S.A. in Atento, N.V.

**A.6.** Indicate any shareholders agreements that have been reported to the company:

Parties to paracorporate agreements	% of share capital affected	Brief description of the agreement

Indicate any concerted actions among company shareholders of which the company is aware:

Parties to concerted actions	% of share capital affected	Brief description of the concerted action

Expressly indicate any change in or break-up of said concerted actions or agreements.

**A.7.** Indicate whether any person or organisation exercises or may exercise control over the company pursuant to Article 4 of the Securities Market Law:

Name or corporate name

Comments

**A.8.** Fill in the following tables on the company's treasury stock:

At year end:

Number of shares held directly	Number of shares held indirectly (*)	% Total /share capital
207,245,179	0	4.182

(\*) Through:

Name or corporate name of direct shareholder	Number of shares held directly
<hr/>	
<b>Total:</b>	

List any significant variations that have occurred during the financial year, according to Royal Decree 377/1991:

Date	Number of direct shares	Number of indirect shares	% Total /share capital
05-05-2004	80,175,320	0	1.618
30-06-2004	131,075,320	0	2.645
04-10-2004	183,447,879	0	3.702
Revenue from treasury stock transactions throughout the year (in thousands of euros)			0

**A.9. Detail the terms and conditions of any authorisation(s) conferred by the General Shareholders' Meeting to the Board of Directors to purchase and/or transfer the treasury stock described in section A.8. above.**

The Ordinary General Shareholders' Meeting of Telefónica, at its session held on April 30th 2004, resolved to renew the authorisation granted by the GSM of April 11th 2003, for the derivative acquisition of treasury stock, either directly or through Group companies, in the terms literally transcribed as follows:

"To authorise, as set forth in Articles 75 and next of the current Spanish Corporations Law (Ley de Sociedades Anónimas), the acquisition, at any moment and as many times as considered necessary by Telefónica, S.A. – either directly or through any of the subsidiary companies of which it is the dominant company – of the Company's treasury stock, through a purchase-sale or by any other legal onerous title.

The minimum acquisition price or compensation will be equivalent to the nominal value of the treasury stock acquired and the maximum acquisition price or compensation will be equal to the market value of the treasury stock on an official secondary market at the time of the acquisition.

Said authorisation is granted for a period of 18 months, reckoned from the date of the current Annual General Shareholders' Meeting, and is expressly subject to the limitation that, at any time, the nominal value of the treasury stock acquired under this authorisation, added to that already held by Telefónica,

S.A. and any of the controlled subsidiary companies, may exceed 5 percent of the share capital at the time of the acquisition, respecting the limitations set for the acquisition of treasury stock as imposed by the regulatory authorities of the markets on which Telefónica, S.A. shares are quoted.

It is expressly noted that the authorisation granted for the acquisition of treasury stock can be used wholly or partially for the acquisition of these shares of Telefónica, S.A., and that the Company must deliver or transfer to its directors or employees, or to those of the companies in its Group, directly or as a consequence of these having exercised their option rights, all within the framework of the referenced remuneration systems as the market value of the company shares approved in due form.

To empower the Board of Directors, in the broadest possible terms, to exercise the authorization derived from this resolution and to execute the remaining items included in this, enabling the Board of Directors to delegate in the Executive Committee, the Executive Chairman of the Board or any other person expressly empowered by the Board to this effect.

The unexecuted part of the resolution adopted by the Company's Annual General Shareholders' Meeting of April 11th, 2003, in relation to point IV of the Agenda of this same Meeting, shall remain null and void."

**A.10. Indicate any restrictions under law or the company articles of association on exercising voting rights and any legal restrictions on the acquisition and/or transfer of company stock:**

**(i) Restrictions on exercising voting rights:**

In accordance with Article 21 of the Company Articles of Association, no shareholder shall be allowed to cast a number of votes representing more than ten percent of the overall share capital entitled to voting rights existing at any time, regardless of the number of shares he/she actually holds. In ascertaining the maximum number of votes which each shareholder may cast, only those shares owned by each shareholder shall be taken into account, and the shares belonging to other shareholders who have appointed such shareholder as their proxy shall not be included, without prejudice to the aforementioned ten percent limit, which shall apply equally to every represented shareholder.

The limit set out in the above paragraph shall likewise apply to the maximum number of votes that may be cast – either jointly or individually – by two or more shareholding companies belonging to the same group of companies, and to the maximum number of votes which may be cast by an individual or a corporate body holding shares in the Company which are directly or indirectly controlled by that individual or corporate body.

Taking into account the total share capital of Telefónica, and in view of its current shareholding structure, the aforementioned limit on the number of votes established in the Company Articles of Association is, in practise, not applicable, as at present there are no shareholders with a stake, whether direct or indirect, of over 6 percent of the company share capital.