

**ANNUAL GENERAL SHAREHOLDERS' MEETING**

**JUNE 15<sup>TH</sup>, 2001**

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**RESOLUTIONS PASSED**

***Point I on the Agenda of Meeting: Examination and approval, if applicable, of the Annual Accounts and of the Management Report both of "Telefónica, S.A." and of its Consolidated Group of companies as well as the proposal for application of the results of Telefónica, S.A. and of the management of its Board of Directors, all corresponding to the fiscal year for the year 2000.***

- A) Approval of the Annual Accounts (Balance Sheet, Profit & Loss Statement, and Notes to the Accounts) and Managements Reports of "Telefonica, S.A." and its Consolidated Group of companies corresponding to the fiscal year 2000 (closed on December 31 of said year) as well as the company management performed by the Board of Directors of the mentioned company during said fiscal year.

In the individual accounts, the Balance Sheet as of December 31, 2000 reflects assets and liabilities in the amount of 7,975,945 million pesetas each, and the Profit & Loss Statement as of the end of the fiscal year a negative result for an amount of 20,116 million pesetas.

In the Consolidated Accounts, the Balance Sheet as of December 31, 2000 reflects assets and liabilities for an amount of 15,370,290 million pesetas each, and the Profit & Loss Statement as of the close of the fiscal year a positive result (profit) in the amount of 416,766 million pesetas.

- B) Compensation of the negative result for the fiscal year by the amount 20,116 million pesetas, charged to Voluntary Reserves that constitute part of the Internal Funds of the company reflected in the approved balance.

***Point II on the Agenda of Meeting: Re-election, ratification, and if applicable, appointment of Board members.***

- A) Re-election for a new five year period of the Board members D. Isidro Fainé Casas, D. Jose Javier Echanique Landiribar and D. Antonio Massanell Lavilla.
- B) Ratification of the appointment by cooptation as Board members of the company, agreed upon at the relevant time by the Board of Directors, of the persons indicated below, appointing them administrators of the company for a period of five years as provided under the Law and under the Bylaws:
- D. Fernando Abril-Martorell Hernández, who was appointed director by cooptation by resolution of the board, dated August 10, 2000, to cover the vacancy occurring due to the resignation of D. Juan Villalonga Navarro.
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- D. Luis Lada Díaz, who was appointed director by cooptation by resolution of the board, dated August 10, 2000, to cover the vacancy occurring due to the resignation of D. Luis Martín de Bustamante Vega.
- D. Luiz Fernando Furlán, who was appointed director by cooptation by resolution of the board, dated December 20, 2000, to cover the vacancy occurring due to the resignation of Mr. Bert Roberts.
- D. Mario Eduardo Vázquez, who was appointed director by cooptation by resolution of the board, dated December 20, 2000, to cover the vacancy occurring due to the resignation of D. Martín Velasco Gómez.
- D. Antonio Alonso Ureba, who was appointed director by cooptation by resolution of the board, dated March 28, 2001, to cover the vacancy occurring due to the resignation of D. José María Mas Millet.
- D. Carlos Colomer Casellas, who was appointed director by cooptation by resolution of the board dated March 28, 2001, to cover the vacancy occurring due to the resignation of D. Alberto Cortina de Alcocer.
- D. Alfonso Ferrari Herrero, who was appointed director by cooptation by resolution of the board dated March 28, 2001, to cover the vacancy occurring due to the resignation of D. Carles Vilarrubí Carrió.

***Point III on the Agenda of Meeting: Re-election of Accounts Auditor for the 2001 fiscal year.***

To re-elect the company “Arthur Andersen y Cia, S. Com.” as Account Auditor for the verification of the Annual Accounts and of the Management Reports of “Telefonica, S.A.” (individual accounts) and of its consolidated group of companies (consolidated accounts), corresponding to the fiscal year 2001.

***Point IV on the Agenda of Meeting: Continuation of the consolidated tax system***

To request from the tax administration the continued participation of “Telefonica, S.A.” and of its group of companies, over the next three economic fiscal years (corresponding to the years 2002, 2003, and 2004) in the consolidated tax system for company groups.

***Point V on the Agenda of Meeting: authorization for derivative acquisition of the company's own shares directly or through companies of the group.***

To authorize, as established in Article 75 and following of the prevailing Corporation Law, the acquisition by "Telefonica, S.A." – either directly, or through any of the subsidiary companies of which it is the dominant company – of the company's own shares, through purchase-sale or by any other legal compensation. The minimum and maximum price or compensation for the acquisition will be the equivalent to the nominal value of the company's own shares and the value of the quotation for them in an official secondary market at the time of the acquisition, respectively.

Said authorization is granted for a period of 18 months reckoned from the date of adoption of the present resolution, without that at any time the nominal value of the acquired shares, added to those possessed by "Telefonica, S.A." and any of the controlled subsidiary companies may exceed 5 percent of the share capital thereof.

As a consequence of this, the preceding authorization in this matter granted by the Annual General Shareholders' Meeting, dated April 7, 2000 shall be without effect.

It is expressly noted that the authorization for acquiring the company's own shares so granted can be used wholly or partially for the acquisition of shares of "Telefonica, S.A." that the latter must deliver or transmit to the workers of the company or of companies of its group directly or as a consequence of the exercise by them of option rights, all within the framework of the referenced remuneration systems at the quotation value of the shares of the company approved in due form.

Under the present authorization, "Telefonica, S.A." may acquire, by direct resolution of the Board of Directors or by decision of the Chairman of the Board of Directors, or by decision of the managing director or of the persons whom the Board of Directors expressly authorizes for these purposes, the company's own shares to be held in portfolio, to be alienated or, if applicable, to propose to the General Shareholders' Meeting their amortization, within the legal limits and in compliance with the conditions provided in the laws and in the present resolution.

***Point VI on the Agenda of Meeting: Increases of the share capital with a charge to unrestricted reserves and consequent modification of Article 5 of the Bylaws. Delegation of the powers to the Board of Directors for execution of the resolutions.***

- A) Increasing the Company's capital stock and charging the increase to freely available reserves, in an amount equal to 2% of the Company's subscribed and paid-in capital stock at the time of the adoption hereof, via the issue of new shares of common stock of the same series and having the same rights as those currently outstanding. Each new share shall have a face value of one (1) euro, shall be recorded through entries in the books of account, and shall be distributed to the Company's shareholders free of charges.

The amount of the capital increase referred to in this resolution, whose amount has been set at 2% of the Company's subscribed and paid-in capital stock at the time of the adoption hereof, may be increased, if necessary, provided that during the time between date of the adoption hereof and the day immediately preceding the commencement of the period of the aforementioned free distribution, the Company's capital stock has been increased in order to provide for any requests for conversion of convertible debentures into shares and/or because of the successful execution of any or all of the capital increases approved at the Annual General Shareholders' Meeting. In that case, the amount of the capital increase referred to in the foregoing paragraph shall be incremented by 2% of any increases undergone by the Company's capital stock.

The Balance Sheet dated December 31, 2000, duly audited and approved at the Annual General Shareholders' Meeting, shall serve as the basis for the transaction.

The capital increase shall be charged against the Revaluation Reserves –which is freely disposable- coming under the name “RVA Revalorización Inmovilizado Material 1986” (Revaluation of Tangible Fixed Assets 1986), which was effected in reliance on the provisions of Article 3 of the Law of December 31, 1945 and whose value totaled 265.310 billion pesetas as of December 31, 2000.

The shareholders are recognized as having—on the terms provided by law—a right to the free distribution of the new shares at a ratio of one new share for every 50 old shares held. The rights of free distribution shall be transferable under the same conditions as the shares on which they are based.

For purposes of the foregoing, the term "shareholders of the Company" shall refer to all persons or legal entities who, at the end of the day immediately preceding the date of the commencement of the period of the free distribution referred to in the following paragraph, appear as holders of shares of the Company in the books of account kept by the member institutions of the Spanish Securities Clearing and Settlement Service.

The rights of free distribution may be exercised during the 15-day period starting as of the day following the publication of the announcement of the capital increase in the Official Gazette of the Mercantile Register. The distribution of the shares forming the subject matter of the capital increase may be processed through any of the member institutions of the Spanish Securities Clearing and Settlement Service.

Should any shares not be distributed, then a share deposit shall be created. Said deposit shall be maintained for three years starting as of the termination of the period of gratuitous distribution. Once said period has ended, the shares may be sold in accordance with the provisions of Article 59 of the Corporation Law, at the expense and risk of the interested parties. Once the expenses pertaining to the sale and the aforementioned deposit have been deducted, the net amount of the sale shall be deposited with the Bank of Spain or the General Savings and Loan Institution and placed at the disposal of the interested parties.

An application will be made to officially trade the shares forming the subject matter of this capital increase on the four Spanish stock exchanges, to include them in the Automated Quotation Market System, to admit said shares for listing on the foreign markets to which the Company's shares have been admitted for listing, and to include said shares in the Stock Exchange Automated Quotation System (SEAQ International), subject to the regulations governing said stock markets.

- B) In accordance with the provisions of Article 153.1 a) of the current Corporation Law Companies, delegating to the Board of Directors the power (which in turn may be subdelegated in whole or in part to its Standing Committee and/or in any of the Directors with delegated powers to specify any conditions for the capital increase that have not been provided for in the foregoing resolutions. In particular, the powers granted to the Board of Directors to the fullest extent permissible by law shall include but shall not be limited to the following:
- a) To set the date on which the resolution undertaken to increase the share capital may be executed, which must be within the period of one year calculated from the date of its undertaking.
  - b) To set the exact amount of the capital increase should the case set forth in the second paragraph of resolution A) above be applicable.

- c) Determining the date as of which the newly issued shares will participate in the Company's profits or losses.
  - d) Declaring the capital increase to have been executed and concluded once the aforementioned distribution period has ended.
  - e) Drafting a new version of Article 5 of the Company Bylaws to reflect the new amount of capital stock resulting from the execution of the capital increase.
  - f) Completing all necessary formalities to ensure that the new shares forming the subject matter of the capital increase are recorded in the books of account kept with the Spanish Securities Clearing and Settlement Service and admitted for trading on the domestic and foreign stock markets on which the Company's shares are listed, in accordance with the procedures established in each of said stock markets.
  - g) Taking whatever measures are necessary or advisable in order to implement the execution and formalization of the capital increase vis-à-vis any public or private agencies or organizations, whether in Spain or abroad, including clarification or supplementation or the correction of defects or omissions that might hinder or impede the full effectiveness of the foregoing resolutions.
- C) Increasing the Company's capital stock by charging it against freely available reserves once the transaction referred to in the foregoing resolutions A) and B) has been concluded. Said increase shall be effected via the issue of new shares of common stock of the same series and having the same rights as those currently outstanding. Said shares shall have a face value of one (1) euro each, shall be recorded through entries in the books of account, and shall be distributed to the Company's shareholders free of charge.

The amount of the capital increase referred to in this resolution shall be equivalent to 2% of the Company's capital stock once the transaction referred to in the foregoing resolutions A) and B) has been finalized and executed. If applicable, said capital stock shall be increased by the figure by which it could have been increased through the successful execution of any or all of the capital increases approved at the Annual General Shareholders' Meeting and/or in order to provide for any requests for the conversion of outstanding convertible debentures into shares, said requests having been made in the time between the commencement of the period of distribution corresponding to the capital increase referred to in the foregoing resolutions A) and B), and the commencement of the period of distribution corresponding to the capital increase indicated in this resolution C). Therefore, in the final analysis, the amount of the capital increase shall be the result of applying said 2% to the amount of subscribed capital upon the commencement of the period of distribution corresponding to the capital increase transaction referred to in this resolution C).



The Balance Sheet dated December 31, 2000, duly audited and approved at the General Shareholders' Meeting, shall serve as the basis for the transaction.

The capital increase shall be charged against the Revaluation Reserve- which is freely disposable- coming under the name "RVA Revalorización Inmovilizado Material 1986" (Revaluation of Tangible Fixed Assets 1986), which was effected in reliance on the provisions of Article 3 of the Law of December 31, 1945 and whose value totals 265.310 billion pesetas as of December 31, 2000.

The shareholders are recognized as having—on the terms provided by law—a right to the free distribution of the new shares at a ratio of one new share for every 50 old shares held. The rights of free distribution shall be transferable under the same conditions as the shares on which they are based.

For purposes of the foregoing, the term "shareholders of the Company" shall refer to all persons or legal entities who, at the end of the day immediately preceding the date of the commencement of the period of the free distribution referred to in the following paragraph, appear as holders of shares of the Company in the books of account kept by the member institutions of the Spanish Securities Clearing and Settlement Service.

The rights of free distribution may be exercised during the 15-day period starting as of the day following the publication of the announcement of the capital increase in the Official Gazette of the Mercantile Register. The distribution of the shares forming the subject matter of the capital increase may be processed through any of the member institutions of the Securities Clearing and Settlement Service.

Should any shares not be distributed, then a share deposit shall be created. Said deposit shall be maintained for three years starting as of the termination of the period of free distribution. Once said period has ended, the shares may be sold in accordance with the provisions of Article 59 of the Corporation Law, at the expense and risk of the interested parties. Once the expenses pertaining to the sale and the aforementioned deposit have been deducted, the net amount of the sale shall be deposited with the Bank of Spain or the General Savings and Loan Institution and placed at the disposal of the interested parties.

An application will be made to officially trade the shares forming the subject matter of this capital increase on the four Spanish stock exchanges, to include them in the Automated Quotation Market System (Continuous Market), to admit said shares for listing on the foreign markets to which the Company's shares have been admitted for listing, and to include said shares in the Stock Exchange Automated Quotation System (SEAQ International), subject to the regulations governing said stock markets.



- D) In accordance with the provisions of Article 153.1 a) of the current Corporation Law, delegating to the Board of Directors the power (which in turn may be subdelegated in whole or in part to its Standing Committee and/or in any of the Directors with delegated powers to specify any conditions for the capital increase that have not been provided for in the foregoing resolution C). In particular, the powers granted to the Board of Directors to the fullest extent permissible by law shall include but shall not be limited to the following:
- a) To set the date on which the resolution undertaken to increase the share capital may be executed, which must be within the period of one year calculated from the date of its undertaking and once the capital increase operation referred to in resolutions A) and B) above has been finalized and executed.
  - b) To set the exact amount of the capital increase should the case set forth in the second paragraph of resolution C) above.
  - c) Determining the date as of which the newly issued shares will participate in the Company's profits or losses.
  - d) Declaring the capital increase to have been executed and concluded once the aforementioned distribution period has ended.
  - e) Drafting a new version of Article 5 of the Company Bylaws to reflect the new amount of capital stock resulting from the execution of the capital increase.
  - f) Completing all necessary formalities to ensure that the new shares forming the subject matter of the capital increase are recorded in the books of account kept with the Spanish Securities Clearing and Settlement Service and admitted for trading on the domestic and foreign stock markets on which the Company's shares are listed, in accordance with the procedures established in each of said stock markets.
  - g) Taking whatever measures are necessary or advisable in order to implement the execution and formalization of the capital increase vis-à-vis any public or private agencies or organizations, whether in Spain or abroad, including clarification or supplementation or the correction of defects or omissions that might hinder or impede the full effectiveness of the foregoing resolutions.
- E) Setting up a non-disposable reserve in the amount of 35,000 million pesetas by charging it to the “RVA Revalorización Inmovilizado Material 1986” (Revaluation of Tangible Fixed Assets 1986), which was effected in reliance on the provisions of Article 3 of the Law of December 31, 1945. The purpose of said non-disposable reserve shall be to ensure that the two capital increases thus approved can be executed by the Board of Directors, even if all of the holders of convertible debentures currently outstanding request a conversion of

said debentures and if all of the capital increases approved at this General Shareholders' Meeting are effectively subscribed. The aforementioned reserve shall remain unavailable for one year starting as of the date of the adoption of this resolution, whose term coincides with the working period in which the Board of Directors shall execute the resolutions concerning said capital increase transactions. Once said resolutions have been executed, the unused portion of said reserve shall cease to have any effect.

***Point VII on the Agenda of Meeting: Authorization of the Board of Directors to increase the share capital under the terms and conditions of Article 153.1.b) of the Corporation Law, for the maximum period of five years, with or without preferred subscription right, in this latter case, the shares being issued at an issue price corresponding to the actual value resulting from the mandatory report of the Accounts Auditor of the Company and, in all cases, in accordance with the stipulations of Article 159 of the Corporation Law.***

- A) To rescind, in the unused part, the authorization granted to the Board of Directors for increasing the share capital as stipulated in Article 153.1.b) of the prevailing Corporation Law, by resolution of the General Shareholders' Meeting, dated March 26, 1999.
- B) Authorize the Board of Directors, in the most ample and effective legal manner possible and as stipulated in Article 153.1.b) of the prevailing Corporation Law, so that, within the maximum period of five years reckoned from the resolution of the General Shareholders' Meeting and without the need for a convocation, nor agreement subsequent to this, to decide, one or several times, when and to the extent that the needs of the company so require in the judgment of the Board itself, to increase the share capital in a maximum amount equivalent to half the current share capital of the company, issuing and placing into circulation for this purpose the corresponding new ordinary, redeemable or of any other type of those permitted under the law, including with fixed or variable premium, with or without a preferred subscription right, complying in this latter case with the requirements, conditions and formalities established in Article 159 and concordant stipulations of the Corporation Law – in particular, that of the issuance of new shares at an issue price, increased, if applicable, by the amount of the issue premium, corresponding to the actual value of the shares that results from the mandatory report of the Accounts Auditor of the company, and, in all cases, with the disbursement of the shares issued by means of monetary contributions and expressly providing the possibility for incomplete subscription of the shares that are issued as provided in Article 161.1 of the same Law. The power so delegated will extend to the fixing of the various aspects and conditions of each issue, according to the characteristics of each operation that it

is decided to undertake within the scope of the authorization referred to in the present agreement, including the power to reword the article of the Bylaws relative to the share capital, once the increase is agreed upon and executed; said power can be delegated, in turn, by the Board of Directors to the Standing Committee, within the scope of Article 141, number 1, second paragraph, of the Corporation Law.

***Point VIII on the Agenda of Meeting: Delegation of powers to the Board of Directors for the issuance of fixed income securities, convertible or exchangeable for the Company's own shares, with a determination of the basic conditions and manners of conversion or exchange as well as to increase the share capital to the extent necessary to meet the conversion requests, if applicable.***

- A) To delegate to the Board of Directors, upon previously obtaining such authorizations as may be required and in accordance with the applicable rules, the power to issue, during a maximum period of five years commencing from the adoption of the present resolution, in one or more issues and up to a total maximum amount of 2 billion Euros (2,000,000,000.00 Euros), or the equivalent value thereof in any other currency, a numbered series of obligations which may be exchanged for shares in "Telefónica, S.A." already pre-existing and/or convertible into shares of a new issue of "Telefónica, S.A." , with or without incorporated rights (warrants), whether or not subordinate, in accordance with the bases and modalities and other conditions indicated in the following:

#### Face Value and Issue Price for the Securities

The securities to be issued shall have a face value not lower than one hundred Euros for each one of them and they shall be issued at the face value, at least, that is, at one hundred percent of the face value thereof, free of expenses for the subscriber, and the disbursement thereof shall take place on the closing date of the public offering period.

#### Redemption Value

The redemption rate shall be set by the Board of Directors in the exercise of the delegation of powers to which the present resolution refers.

#### Interest Rate

The Board of Directors shall determine the nominal interest on the securities, the interest accrual periods and the payment of coupons depending on the market conditions.

### Conversion and/or Exchange

Such securities as may be issued under the delegation of powers referred to in the present resolution shall be convertible into new shares of "Telefónica, S.A." and/or may be exchanged for outstanding shares thereof, with the Board of Directors to have the power to determine whether they are convertible and/or exchangeable, as well as to determine whether they are necessarily or voluntarily convertible and/or exchangeable and, in the event that they are voluntarily so, at the option of the holder of the securities of the issuer, with such frequency and during such period as may be established in the resolution on the issue.

In the event that the issue is convertible and exchangeable the Board of Directors may establish that the issuer reserves the right to opt, at any time, between the conversion into new shares or the exchange thereof for outstanding shares, establishing the nature of the shares to be delivered at the time of carrying out the conversion or exchange, including the ability to opt for the delivery of a combination of shares of a new issue with shares already pre-existing. In any event the issuer must adhere to equality of treatment as among all of the holders of the fixed-income securities which are converted and/or exchanged on a single date.

### Price of Conversion and/or Exchange

The price of conversion and/or exchange shall be determined at the time of each issue. The conversion and/or exchange may be established at a fixed price or at a variable price, as well as with a premium, discount or at the same price quoted at the time of the issue. In the event that the issue is carried out at a fixed conversion and/or exchange price it shall not be able to be lower than the quoted price of the shares at the time of launching the issue. In the event that they issue is carried out at a variable conversion and/or exchange rate it shall be referred to the quote at the time of the conversion and/or exchange. In no case shall the value of the share be able to be lower than its par value. In addition, the valuation of each obligation or bond may or may not include the interest accrued and not paid at the time of the conversion and/or exchange thereof.

### Conversion at the Time of the Redemption of the Securities

At the time of the final redemption of the securities the issuing company may offer the holders thereof the possibility of converting them into new "Telefónica, S.A." shares or of exchanging them for outstanding shares thereof, provided that they are the owners of such securities on the date indicated for the exercise of the option and provided that early redemption has not taken place, as the case may be.

### Preemptive Rights in Increases in Capital and in Issues of Convertible Securities

In the event that, prior to the conversion and/or exchange of the securities into shares, capital increases are carried out with the issue of new common or preferred shares, or issues of securities which are convertible and/or exchangeable, the holders of the securities which are convertible and/or exchangeable of the issue or issues in force shall have a preemptive right in the proportion of the par value of the shares which would pertain thereto in the event of carrying out the conversion and/or exchange of the securities at that time at the rate of exchange provided therefor, all of this in accordance with that provided for in Articles 158 and 293 of the Revised Text of the Corporation Law.

#### Anti-dilution Clause:

If, prior to the conversion and/or exchange of the stock to shares, a capital increase takes place charged against reserves or a capital reduction against losses, the exchange rate for the stock to shares shall be modified in proportion to the amount of the increase or decrease, in such a way that the shareholders and the holders of the convertible and/or exchangeable stock are affected equally.

#### Preemptive Right for the Securities of the Issue or Issues

Such shareholders as are shareholders, by the date when the issue or issues are resolved and the holders of convertible bonds pertaining to previous issues shall have such rights as, in each case, may be determined by the law in force. The shareholders and holders of convertible bonds may subscribe securities of each issue in the proportion resolved upon by the Board of Directors with respect to such shares and convertible bonds as they may hold on the date of the opening of the subscription period. Upon the end of the open subscription period, if all of the securities of the issue have not been requested, their subscription may proceed during such period as the Board of Directors may set, finally determining the securities issued, and the Board of Directors may resolve as to the closing of the issue and reduce the amount thereof to that finally subscribed, which shall be set forth in a public document recorded in the Mercantile Register setting forth the exact number and numbering, as the case may be, of those issued and not subscribed, for the purposes of the voiding thereof. In the event that applications exist in excess of the face value issued the Company shall proceed to pro-rate them in accordance with that established in the law in force.

#### Redemption

The duration of the issue or issues shall not be greater than fifteen years. The issuing company reserves the right to redeem the securities which are the subject matter of each one of the issues in advance at any time, under such terms as may be resolved upon by the Board of Directors thereof in each case. Such

redemption shall be carried out with repayment of the securities at the face value plus the interest accrued up to the date of the early redemption.

#### Syndicate of Holders of the Securities

For each issue, in accordance with the Corporation Law in force and with the Regulations on the Commercial Register, a Syndicate shall be formed of the holders of the securities, with the appointment by the Board of Directors of the issuer of a Provisional Auditor, both senior and junior, until the holding of the first Meeting of the Syndicate.

#### Guarantees of the Issue

The issue or issues shall be guaranteed with the universal proprietary liability of the issuer in accordance with the law.

#### Representation of the Securities

The securities to be issued under this resolution shall be represented by certificates or book entries in accordance with the law in force at each time and, in particular, pursuant to the rules applicable on the secondary market on which they are traded.

#### Listing and Quoting

By resolution of the Board of Directors of the issuing company may request the listing and quoting of the securities of each issue or issues on the organized securities markets.

- B) Pursuant to that provided for in Article 292 of the Revised Text of the Corporation Law, it is resolved to increase the capital stock of the Company up to a maximum of two billion Euros in order to cover, as the case may be, the eventualities of the conversion of securities into shares in the Company by means of the issuance of the number of common shares, of the same class and par value as those which may be outstanding at such time, in such quantity as may be required in order to attend to the applications for conversion. Pursuant to that established in Article 159.4 of the Revised Text of the Corporation Law, no preemptive right shall arise in the capital increase or increases resulting from the conversion of securities into shares in each one of the corresponding issues.
- C) The Board of Directors shall have the power, in the fullest possible terms, in the exercise of the present delegation, to carry out the issue or issues of fixed-income securities convertible into shares of a new issue of "Telefónica, S.A." and/or exchangeable for shares of "Telefónica, S.A." already pre-existing for a maximum amount resolved upon, setting, as the case may be, within the present bases and modalities of conversion, those which may remain to be determined, with no limitation whatsoever. In particular, and without the following listing to have an exhaustive character, the Board of Directors shall have the power:

- a) To establish or not to establish the subordination of the issue and the determination of the ranking of the credit in relation to the entirety of the obligations of the Company; to incorporate rights into the securities (warrants), as the case may be; to determine the maximum amount per subscriber, as the case may be, during the open subscription period, if any exists; to set the place for the subscription; and to request the discounting or redemption of the securities.
- b) To determine the issue rate of the securities which, in any event, shall be at the face value, at least, that is, at one hundred percent of the face value thereof.
- c) To redeem the issue or issues in advance.
- d) During such time as may be resolved upon, to extend the term of open subscription for third parties or to reduce the amount of the issue to the amount subscribed by the close of such period.
- e) To issue, up to the maximum resolved, such new shares as may be necessary in order to attend to the conversion of the securities, attributing the corresponding numbering to the new shares issued and adapting, as a result thereof, Article 5 of the Bylaws relating to the capital stock.
- f) To adjust, to clarify, to interpret, to specify and to supplement the resolutions adopted by the General Shareholders' Meeting in such recorded or other documents as may be made in the execution thereof and, in particular, to cure or correct such defects, omissions or errors, whether of substance or of form, as may impede the access of the resolutions and of the results thereof to the Mercantile Register, the official registers of the National Securities Market Commission or any others.
- g) To redraft and to publish, as it may see fit, the offering documents pertaining to the issue.
- h) For the purposes of the applicable rules, to designate such person or persons as, in the name of the Company, are to assume responsibility for the content of the informative offering documents in each one of the issues.
- i) To modify the exchange rate of the securities for shares in the event that, prior to the conversion or exchange, a capital increase arises with a charge to reserves or a reduction in capital due to losses.

Pursuant to that established in Article 141 of the Corporation Law and in Article 31.1 of the Bylaws, the Board of Directors may delegate the powers referred to in the present resolution to the Standing Committee and/ or in any of the Directors with delegated powers thereof in full or in part.



*Point IX on the Agenda of Meeting: Issuance of fixed income securities, convertible or exchangeable for the Company's own shares, with an exclusion of the preferred subscription right. Determination of the basic conditions and manners of conversion or exchange and increase of the share capital by the amount necessary to meet the conversion requests. The issue price of the securities, as a minimum, will be at par, and the value of the new shares for purposes of conversion or that of the previously existing shares for purposes of exchange, as a minimum, will be that of the average quotation over the ten days preceding the opening date of the subscription period for the securities, and, as a maximum, 200 percent of the said quotation, without, in any case, being less than the nominal value of the shares nor its net asset value. Delegation of powers to the Board of Directors to execute the resolution of the Meeting and to determine the points not established in it.*

- A) Issue up to a total maximum amount of 2 billion Euros (2,000,000,000 Euros) or its equivalent in another currency, subject to applicable regulations, in one or more issues, numbered series of bonds that can be exchanged for shares in "Telefónica, S.A." already in existence and/or convertible into newly issued shares in "Telefónica, S.A." in accordance with the terms and conditions and other procedures set forth hereinafter:

Face Value and Issue Price of the Securities:

The securities to be issued shall have a face value of no less than 100 Euros per security and shall be issued at par, as a minimum, that is, at 100 percent of its face value.

Call Price:

The rate of reimbursement shall be set by the Board of Directors of the issuing party when it decides to execute this resolution.

Interest Rate:

The Board of Directors shall determine the coupon rate for the securities, the interest accrual periods and the payment of coupons according to market conditions.

Conversion and/or Exchange:

The securities issued as a result of this resolution shall be convertible into new shares of "Telefónica, S.A." and/or exchangeable for outstanding stock thereof, and the Board of Directors is authorized to decide whether they are convertible and/or exchangeable, as well as to decide whether they are necessarily or voluntarily convertible and/or exchangeable, and if voluntarily, at the option of the holder of the securities or of the issuing party, they are to

comply with the schedule and the term established by the Board of Directors in execution of this resolution.

If the issue is convertible and exchangeable, the Board of Directors may establish that the issuing party reserves the right to choose at any time between conversion into new shares or exchange for outstanding shares, with the nature of their shares to be established definitively at the time of the conversion or exchange, including the option of handing over a combination of newly issued and pre-existing shares. In any event, the issuing party must provide equal treatment to all holders of fixed-income securities converted and/or exchanged on the same day.

#### Conversion and/or Exchange Price:

For the purposes of conversion and/or exchange, the fixed-income securities shall be appraised at their face value and the shares at the set exchange rate determined by the Board of Directors of the issuing party in execution of this resolution, or at the rate to be determined on the date or dates indicated in the Board of Directors resolution and according to the Stock Exchange quotation for the Company's shares on the date(s) or for the period(s) used as reference in this resolution, with or without discount. In any event, the value of the shares for the purposes of their conversion and/or exchange may not be less than the average of their closing quotation at the Madrid Stock Exchange for the ten days prior to the opening date for subscription of the fixed-income, nor greater than 200 percent of said quotation. In no event may the value of the share be lower than nor its net asset value.

#### Preemptive Rights in Capital Increases and in Issues of Convertible Securities:

If, prior to the conversion and/or exchange of the securities, capital increases take place with issues of new regular or preferred stock, or issues of convertible securities, the holders of the convertible and/or exchangeable securities from the issue or issues in effect shall be entitled to preemptive subscription rights in proportion to the face value of the shares they would be entitled to at the time of conversion and/or exchange of the fixed-income securities at the exchange rate set for that purpose, all in accordance with the provisions of Articles 158 and 293 of the Revised Text of the Corporation Law, except when the General Shareholders' Meeting, under the terms and with the requirements of Article 159 of the current Corporation Law, decides on the total or partial exclusion of the preemptive subscription right for the shareholders and the holders of convertible and/or exchangeable bonds.

#### Anti-dilution Clause:

If, prior to the conversion and/or exchange of the securities to shares, a capital increase takes place charged against reserves or a capital reduction against losses, the exchange rate for the securities to shares shall be modified in

proportion to the amount of the increase or decrease, in such a way that the shareholders and the holders of the convertible and/or exchangeable securities are affected equally.

#### Exclusion of the Preemptive Right:

Due to corporate interests, the preferred right of the shareholders and, if applicable, holders of other convertible securities that might be issued, to subscribe the representative securities of the issue or issues mentioned in this resolution is excluded.

#### Redemption.

The duration of the issue or issues shall not exceed fifteen years. The issuing Company reserves the right for early redemption at any time of the securities that is the subject of each issue, under the terms agreed upon by its Board of Directors in each case.

#### Stockholders' Syndicate:

For each issue, in compliance with the current Corporation Law and the Mercantile Registration Regulation, a securities syndicate shall be established, and the Board of Directors of the issuing party shall establish a regular and alternate Provisional Auditor, until the first Syndicate Meeting.

#### Issue Guarantees:

The issue or issues shall be guaranteed with the global capital liability of the issuing party, in accordance with the Law.

#### Representation of the Securities:

The securities to be issued under this resolution shall be represented by certificates or by account entries, in accordance with legislation in effect at each time, and in particular with the applicable standards on the secondary market in which they are traded.

#### Admission to Quotation:

By Board of Directors resolution of the issuing company, a request for admission to quotation may be made for the securities of each issue or issues on the organized securities markets.

- B) In accordance with the provisions of Article 292 of the Revised Text of the Corporation Law, it has been resolved to increase the Company's capital stock to the maximum of 2 billion Euros, to cover, as appropriate, the presumed conversions of securities to shares of the Company through issue of the number of ordinary shares with the same series and face value as those in circulation at that point, in the quantity required to meet the conversion requests. In accordance with the provisions set forth in Article 159.4 of the Revised Text of

the Corporation Law, there shall be no Preemptive Right in capital increases or decreases resulting from conversion of securities to shares at each of the corresponding issues.

- C) The Board of Directors is authorized under the broadest term so that, within the period of time between this General Shareholders' Meeting and the next Annual General Meeting, in execution of the resolutions adopted by the General Meeting about issue of convertible and/or exchangeable stock, it can carry out the issue or issues of fixed-income securities convertible into newly issued shares of "Telefónica, S.A." and/or exchangeable for pre-existing shares in "Telefónica, S.A.", for the maximum amount agreed, and, if applicable, within the limits of these terms and conditions, setting those remaining to be determined, without limit. In particular, the Board of Directors is authorized but not limited to:
- a) Establish or not the subordination of the issue and the determination of the priorities with respect to all of the Company's obligations; if applicable, incorporate warrants; determine the maximum amount per subscribed, if appropriate, during the open subscription period, if one exists; set the place of subscription; and seek the buy-back or redemption of the securities.
  - b) Determine the securities issue rate that, in all cases, shall be at par as a minimum, that is, 100 percent of its face value.
  - c) Redeem the issue or issues early.
  - d) During the time set for open subscription to third parties, expand or reduce the amount of the issue to the amount subscribed at the end of said period.
  - e) Issue, up to the maximum agreed, the new shares necessary to handle conversion of the securities, in compliance with Article 5 of the Bylaws of the Company pertaining to Capital Stock.
  - f) Rectify, clarify, interpret, specify or add to the resolutions adopted by the General Shareholders' Meeting regarding instruments or documents drawn up in execution thereof, and, in particular, rectify or correct any defects, omissions or errors of substance or form that prevent access to the resolutions and their consequences by the Mercantile Register, Official Records of the National Securities Market Commission or any others.
  - g) Write and distribute as it deems appropriate the corresponding prospectus or prospectuses.

- h) For applicable regulatory purposes, designate the person or persons who shall assume responsibility for the contents of the prospectus or prospectuses on behalf of the Company, at the time of each issue.
- i) Amend the exchange list for securities to shares if there is a capital increase chargeable against reserves or a capital decrease against losses prior to the conversion and/or exchange.
- j) Refrain from executing this issue resolution adopted by the General Shareholders' Meeting partially or in full.

In accordance with the provisions of Article 141 of the Corporation Law and 31.1 of the Bylaws of the Company, the Board of Directors may delegate the some or all of the powers granted in this resolution of its Standing Committee and/or in any of the Directors with delegated powers.

***Point X on the Agenda of Meeting: Capital increase by means of non-monetary contributions, for a nominal amount of 174,700,000 euros, through the issuance and placement into circulation of an equal number of new ordinary shares with a nominal value of one euro each, with an issue premium to be determined within the scope of that provided in Article 159.1.c) "in fine" of the Corporation Law, by the Board of Directors on the date of execution of the resolution and for an amount that in all cases shall be between a minimum of 4.5 euros and a maximum of 6.5 euros. The new shares are to be subscribed to and fully disbursed by means of non-monetary contributions that will permit the direct or indirect acquisition of the Mexican companies Telefonía Celular del Norte, S.A. de C.V., Celular de Telefonía, S.A. de C.V., and Baja Celular Mejicana, S.A. de C.V., and 90% of the companies Movitel del Noroeste, S.A. de C.V., Moviservicios, S.A. de C.V. and Movicelular, S.A. de C.V. Total elimination of the preferred subscription right and providing of incomplete subscription. Delegation of powers to the Board of Directors to determine the conditions of the increase not provided in the resolution of the Meeting and to perform the acts necessary for its execution.***

1. Share capital increase

The share capital of the company is increased by a nominal amount of 174,700,000 euros, by means of the issuance and placement into circulation of 174,700,000 ordinary shares of one (1) euro nominal value each, of the same class and series as the existing ones, represented by means of account entries, with an issue premium for each one of them that will be determined, within the scope provided in Article 159.1.c) *in fine* of the Corporation Law, by the Board of Directors on the date of execution of the resolution, by means of the procedure indicated below, in an amount to be between a minimum of 4.5 euros and a maximum of 6.5 euros of issue premium per share. The issue price will be

fixed between a minimum of 5.5 euros and a maximum of 7.5 euros as capital plus issue premium.

2. Subscription and disbursement

The counter-value of the present increase consists of the non-monetary contribution of the shares of the companies of the Motorola Group (the “Shares”), that will permit the direct or indirect acquisition of the following companies in Mexico: 100% of Telefonía Celular del Norte, S.A. de C.V., 100% of Celular de Telefonía, S.A. de C.V., 100% of Baja Celular Mexicana S.A. de C.V., 90% of Movitel del Noroeste, S.A. de C.V., 90% of Moviservicios, S.A. de C.V. and 90% of Movicelular S.A. de C.V.

Consequently, the shares covered by the subscription will be fully disbursed, nominal value plus issue premium, by means of the contribution of the Shares. As provided in Article 161.1 of the Corporation Law, the possibility for incomplete subscription of the increase is expressly permitted. An incomplete subscription will occur, among other causes, as a consequence of variations in the quotation value of the “Telefonía, S.A.” shares or in the euro/dollar exchange rate; for these circumstances, it is agreed that a modification will be produced in the number of shares of “Telefonía, S.A.” that are to be given in compensation. In particular, it is noted that the specific number of shares of the company that are to be subscribed to and disbursed with the previously defined non-monetary contribution will be in relation to these variables. Therefore, the specific number of shares of the company that will be subscribed to will be equal to that which, in accordance with the arithmetic mean of the average quotation price of the shares of “Telefonía, S.A.” in the Stock Exchange Interconnection System in the twenty (20) preceding stock exchange sessions on the date of the holding of the Annual General Shareholders’ Meeting, and at the euro/dollar exchange rate on the day prior to said date, has a total valuation equal to: (i) 1,857,300,000 adjusted United States dollars, if applicable, in relation to the greater or lesser of the volume of indebtedness of the Mexican companies, plus (ii) the interest can be produced on this amount and at the LIBOR U.S. dollar rate, if applicable, from the date in which, as stipulated in the Purchase Contract signed between “Telefonía, S.A.,” “Telefonía Móviles, S.A.” and “Motorola, Inc.,” dated October 10, 2000 (the Purchase Contract), the shares of “Telefonía, S.A.” should have been delivered up to the time of their actual delivery, and less (iii) 10% of the result of dividing the sum of the preceding paragraphs (i) and (ii) by the arithmetic mean of the average quotation price of the shares of “Telefonía, S.A.” in the Stock Exchange Interconnection System over the twenty (20) stock exchange sessions prior to the date of the holding of the General Meeting, the amount of which is to be paid in cash.

The definitive exchange relationships, therefore, will be those finally resulting from dividing the number of the Shares by the number of shares of “Telefonía, S.A.” delivered in exchange.



On the assumption that, as a consequence of downward variations of the market value of the shares of “Telefonica, S.A.” or of the euro/ dollar exchange rate, the number of shares of “Telefonica, S.A.” to be issued proves to be insufficient to attain the above mentioned contractually agreed upon value, the non-monetary contributions to be made will be reduced to those that represent the value of the issued shares, all this in conformity with the adjustment determined by the Board of Directors to this effect on the date of execution. In this circumstance, the non-contributed Shares will be acquired by “Telefonica, S.A.” in cash.

The issued shares are to be subscribed to and disbursed by the persons and entities holding the Shares that are contributed, in the number corresponding to them in proportion to their contribution and at the issue price of the new shares that is determined by the Board of Directors in conformity with the procedure subsequently established for the fixing of the issue premium.

3. Procedure for determining the issue premium

Within the scope of that provided in Article 159.1.c) of the Corporation Law and for the purpose of permitting adequate accounting treatment of the operation, the amount of the issue premium of the new shares will be established by the Board of Directors on the date of execution of the increase resolution in accordance with the procedure indicated here following.

The amount of the issue premium will be that which, added to the nominal value of each subscribed share, represents an issue price that, in accordance with the conversion rate, reflects the net asset value of the Shares that are contributed, as estimated by the Board of Directors in consideration of the financial information that is has available on Telefonía Celular del Norte S.A. de C.V., Celular de Telefonía, S.A. de C.V., Baja Celular Mexicana S.A. de C.V., Movitel del Noroeste, S.A. de C.V., Moviservicios, S.A. de C.V. and Movicelular S.A. de C.V. with the minimum limit of the issue price of the shares of “Telefonica, S.A.” of 5.5 euros per share (nominal of one (1) euro and minimum issue premium of 4.5 euros), that is greater than the net asset value of the shares of “Telefonica, S.A.” according to the balance sheet prepared by the Board of Directors in its session of February 27, 2001 (closed on December 31, 2000), and with the maximum limit of an issue price of 7.5 euros share (nominal of one (1) euro and maximum issue premium of 6.5 euros).

The minimum issue price is approved in consideration of the fact that it is greater than the net asset value of each share of “Telefonica, S.A.” reflected in the report issued by the Account Auditors of the company in compliance with the stipulations of Article 159 of the Corporation Law.

4. Exclusion of the preferred subscription right

In view of company interests that justify the operation, and for the purpose of permitting new shares of the company under this increase to be subscribed to and disbursed by the holders of the previously identified shares to be



contributed, the total elimination of the preferred subscription right of the shareholders and bondholders of “Telefonica, S.A.” is resolved.

5. Representation of the new shares. Rights of the new shares

The new issue shares will be ordinary, equal to those currently in circulation. They will be represented by account entries the accounting recording of which is conferred on the Securities Compensation and Settlement Service (“SCLV”) and its affiliated entities.

The new shares will confer on their holders the same political and economic rights as the ordinary shares of the company currently in circulation from the time of execution of this capital increase. With respect to the economic rights, the new shares will entail a right to company dividends, on account or definitive, the distribution of which is resolved from this date.

6. Request for admission for negotiation

Within the maximum period of one (1) month from the date of execution of the resolution on issuance of the new shares, the admission of the new shares for negotiation in the stock markets of Madrid, Barcelona, Bilbao, and Valencia and their contracting in the Stock Exchange Interconnection System (Continuous Market) will be requested, expressly noting the submission of the company to the existing norms or ones that may be enacted in relation to the Stock Market, and, in particular, as to contracting, permanence and exclusion from the official quotation as well as admission of said shares for negotiation in any other foreign stock exchange market where the company shares have been admitted for negotiation at the time of closing of the capital increase resolution (including, without limitations, the New York, London, Frankfurt, Paris, Tokyo, Sao Paulo, Buenos Aires, and Lima stock exchanges). For these purposes, the Board of Directors shall be empowered with the ability to delegate to its Standing Committee, to the Chairman of the Board of Directors, to the managing director or to the Secretary and member of the Board of Directors, once the capital increase resolution has been executed, to request from all the competent national and foreign agencies admission for negotiation of the new “Telefonica, S.A.” shares, signing all the documents and commitments that are necessary in the terms that are judged appropriate for these purposes.

For the purposes of that set forth in Article 27 of the Regulation on Commercial Stock Exchanges, it is expressly noted that, in the event that the exclusion of the quotation of shares of “Telefonica, S.A.” in the Spanish stock exchanges is subsequently requested, this is to be adopted with the same formalities established in said article and in such a circumstance the interest of the shareholders and, if applicable, of the bond holders, who oppose or do not vote on the resolution will be guaranteed, complying with the requirements stipulated in the Corporation Law and concordant provisions: all in accordance with that set forth in the cited Regulation on Commercial Stock Exchanges, the Securities Market Law and provisions that promote it.

7. Application of the special fiscal system

It is resolved to opt for the operation of the capital increase by means of a non-monetary contribution that has been agreed upon to be submitted to the special fiscal system for mergers, splits, asset contributions, and conversion of securities regulated in Chapter VIII of Heading VIII of the Law 43/1995 of the Corporation Tax as well as any other similar fiscal system that may be applicable to this operation in Spain or in any other affected jurisdictions.

8. Condition

The effectiveness of the present resolution and, therefore, the power of the Board of Directors to execute it within the scope of Article 153.1 a) of the Corporation Law shall be subject to the fulfillment of the conditions stipulated in agreements signed with Motorola Inc. and to the exercise of the option by “Telefonica, S.A.” to implement the acquisition by means of the present capital increase. In particular, among the reported conditions are those relating to the following governmental authorizations in Mexico: (i) approval by the competent federal commission; (ii) prior authorization and/or approval of the Ministry of Communication and Transport and of the Federal Telecommunications Commission; and (iii) authorization, if applicable, of the National Foreign Investment Commission.

9. Contribution of the Shares of Telefonica Móviles, S.A.

As stipulated in the prospectus corresponding to the Public Subscription Offering of Telefonica Móviles S.A., the Shares will be subject to later contribution by “Telefonica, S.A.” to “Telefonica Móviles, S.A.” as resolved by the Extraordinary General Shareholders’ Meeting of said company held on October 30, 2000, in the following terms:

The Extraordinary General Shareholders’ Meeting of Telefonica Móviles S.A. resolved to carry out a capital increase in the amount of 112,550,000 euros, by means of the issuance and placement into circulation of 225,100,000 shares, of the same class and series as currently existing and with the same rights as those currently issued, of 0.50 euros in nominal value each and represented by accounts entries, the objective of which is the contribution by “Telefonica, S.A.” of the Shares. The shares that will be issued by “Telefonica Móviles, S.A.” will entail an issue premium to be determined by its Board of Directors on the date of the execution of the resolution.

Said capital increase resolution expressly permits the incomplete subscription that may occur, among other reasons, due to the average price of the public subscription offering of “Telefonica Moviles, S.A.” (the final amount of which was 11 euros) carried out in November, 2000 in relation to the cost of the assets

as well as due to the dollar/euro exchange rate that has been fixed for these purposes at 0.8252 euros/dollar.

10. Delegation in the Board of Directors

Within the scope of that provided in Article 153.1a) of the Corporation Law, the Board of Directors is empowered with the power of substituting the Standing Committee, the Chairman of the Board of Directors, the managing director and the Secretary and member of the Board of Directors, so that within the maximum period of one year reckoned from today's date, it may indicate the date in which the capital increase resolution must be carried into effect or its execution abandoned, and in the case that it decides to execute it, to fix the conditions for this to the extent it is not provided by this Meeting, including the development of the procedure for contribution and conversion of the shares, the number of shares to be delivered in relation to the definitive fixing of the conversion ratio, the determination of the amount of the issue premium in accordance with the procedure stipulated for this within the scope of Article 159.1.c) *in fine*, and, for indicative purposes only:

- (a) To provide new wording to Article 5 of the Bylaws to adapt them to the new share capital figure resulting from the execution of the capital increase.
- (b) To draw up and prepare as many brochures and notifications as required under the legislation in effect and to decide the subsequent modifications to them that it judges appropriate.
- (c) To request the admission for negotiation of new shares issued, with all the powers that prove necessary for this purpose, in accordance with the pertinent legislation, undertaking the necessary actions and drawing up the documents that are required for this, and designating the entity responsible for the accounting recording of the shares and, if applicable, the depositaries issuing the deposit certificates representing the shares, drawing up the documents that are necessary for this.
- (d) To apply to the State Tax Administration Agency for total or partial application of the system provided for in Chapter VIII of Heading VIII of the Law 43/1995, of December 27, of the Corporation Tax, and to request from any other agencies the application of similar systems in other countries or jurisdictions.
- (e) To undertake as many actions as necessary and to approve and formalize as many public and private documents as prove necessary or appropriate for the full effectiveness of the capital increase resolution in any of its aspects and content, and in particular, to correct, clarify, interpret, complete, specify, or explain, if applicable, the adopted resolution, and in particular, to correct the defects, omissions, or errors that were noted in the verbal or written assessment of the Mercantile Register.

***Point XI on the Agenda: complementary decisions relating to the remuneration, system referenced on the quotation value of the shares of the company, with delivery of options on these, referred to as the TOP Plan.***

- A) To expand the number of participants in the compensation system referenced on the quotation value of the shares of “Telefonica, S.A.,” with delivery of options on the these, intended for the executives of the companies of the Telefonica Group, referred to as the “TOP Plan,” to meet the needs derived from the incorporation of new executives of said companies, in particular, as a consequence of the increase of the number of companies composing the Group as well as the promotions in the professional carriers of the executives themselves.

The terms and conditions that will govern the new assignments to be performed will be identical to those originally established in the “TOP Plan,” except with respect to dates of exercise – if they cannot be exercised on the first ones initially indicated - and at the exercise price of the two types of options that, in the type A options will have to be referenced on the quotation value, and in the type B options will be the exercise price of the type A options increased by a percentage between 25 and 50%, if there is a lesser time period for finalization of the Plan.

- B) To ratify, in the terms in which they were produced, the option assignments made in execution of the “TOP Plan” subsequent to the holding of the General Shareholders’ Meeting, dated April 7, 2000, and in particular, with respect to the persons classified as executive directors and high level executives, these persons being understood to be those referred to in the Additional Provision 15 of the Securities Market Law – the allocations made in favor of the following persons:

(a) Executive Directors

- D. César Alierta Izuel, who was allocated 175,000 type A options, at an exercise price of 22.69 euros, and 175,000 type B options, at an exercise price of 30.63 euros.
- D. Fernando Abril-Martorell Hernández, who was allocated 125,000 type A options, at an exercise price of 22.69 euros, and 125,000 type B options, at an exercise price of 30.63 euros.
- D. Antonio Alonso Ureba, who was allocated 77,970 type A options, at an exercise price of 18.20 euros, and 77,970 type B options, at an exercise price of 24.57 euros.

- (b) General Managers and the like
- D. Antonio Palacios Esteban, who was allocated 77,970 type A options, at an exercise price of 14.5052 euros, and 77,970 type B options, at an exercise price of 21.7554 euros.
  - D. Francisco de Bergia González, who was allocated 32,700 type A options, at an exercise price of 18.45 euros, and 32,700 type B options, at an exercise price of 24.9075 euros.
  - D. Oscar Maraver Sánchez-Valdepeñas, who was allocated 32,700 type A options, at an exercise price of 18.45 euros, and 32,700 type B options, at an exercise price of 24.9075 euros.
  - D. Calixto Ríos Pérez, who was allocated 77,970 type A options, at an exercise price of 18.45 euros, and 77,970 type B options, at an exercise price of 24.9075 euros.

The terms and conditions of the reported option allocations were the object of the pertinent communications to the National Securities Market Communication, in accordance with the legislation in effect.

- C) To empower the Board of Directors, to execute and promote the preceding resolutions, and at the proposal of the Appointments and Compensations Commission, to make, within the total volume of options of the “TOP Plan” additional option allocations in favor of the executive directors and high level executives mentioned in the Additional Provision 15 of the Securities Market Law, in the following terms:
- (a) Number of options to be delivered: the maximum number of options to be allocated to each director or high level executive will be 175,000 type A options and 175,000 type B options.
- (b) Exercise price of the options: the exercise price of the type A options will not be less than the market quotation value for Telefonica shares on the day of the granting of the options. The exercise price of the type B options will be that established for the type A options increased by a percentage not greater than 50% nor less than 25%, in relation to the period of time remaining until finalization of the “TOP Plan.”
- (c) Duration period: the options are to be exercised partially in the manner determined at the time of their allocation and in the same periods as those initially provided in the “TOP Plan,” with the exception of that corresponding to the 2001 fiscal year.

The delivery of the share option rights done in execution of the mentioned compensation system will be the object of the corresponding communications to be made in the legally established manner.

***Point XII on the Agenda of Meeting: Share capital increase in the amount of 1,425,624 euros, with the issuance and placement into circulation of an equal number of new shares of one euro nominal value each, with an issue premium of 18.2898 euros per share, that are to be subscribed and disbursed through a monetary contribution to meet the needs derived from the establishment of a remuneration system referenced on the quotation value of "Telefónica, S.A." shares – with subscription of shares and delivery of option rights on shares - intended for employees of the Endemol Group. Total elimination of the preferred subscription right and providing of incomplete subscription. Delegation of powers to the Board of Directors.***

For the purpose of providing adequate coverage for an options plan of "Telefonica, S.A.," as a compensation system for employees of the companies of the Endemol Group, that "Telefonica, S.A." is obligated to establish under the commitments assumed at the time of the acquisition by the latter of the company "Endemol Entertainment Holding, N.V.," and that was approved by the Standing Committee of "Telefonica, S.A." on the date of April 25, 2001, it is resolved that:

1. Capital increase by means of monetary contributions

It is resolved to increase the share capital of "Telefonica, S.A." by a nominal amount of 1,425,624 euros, through the issuance of an equal number of ordinary shares with a nominal value of one euro each, of the same class and series as the existing ones, represented by account entries and with an issue premium of 18.2898 euros each. This will result in an issue price of 19.2898 euros per share.

The number of shares to be issued has been calculated by dividing the quantity agreed upon with ENDEMOL of 27,500,000 annual euros by the Annual Reference Value of Telefonica, S.A. shares that has been calculated at 19.2898 euros, taking into account the arithmetic mean of the weighted average exchanges of Telefonica, S.A. shares in the continuous market over the five preceding stock exchange days prior to the Telefonica, S.A. Board of Directors session that approved the submission of the present capital increase resolution to the Annual General Shareholders' Meeting.

2. Subscriptions of the shares

The capital increase to which this resolution refers has the exclusive purpose of providing coverage so as to be able to satisfy the exercise of options on Telefonica, S.A. shares corresponding to the year 2001 to be granted to employees of the ENDEMOL GROUP under the so-called "EN-SOP Program."



In order to serve this purpose, all the shares will be subscribed to and disbursed initially by one or various financial entities that will act and agent entities of the Plan and that will be determined by the Board of Directors, which will likewise be empowered (all this entailing the power of substitution of its Standing Committee and/or any board members with delegate powers) to fix the conditions that will govern the relations between said financial entities and Telefonica, S.A. for the effective execution and introduction of the EN-SOP Program for the execution of which this resolution is adopted. For such purpose, among these conditions, the exercise by said entities of the rights inherent in the shares to which they subscribe shall expressly be governed, in terms that correspond to the instrumental function that such entities perform in the process of execution of the EN-SOP Program.

It is resolved that the beneficiaries may exercise such options by means of their settlement by differences, for the purpose of which the financial entities that subscribe to the increase will sell the corresponding shares in the market for the account of the beneficiaries.

In accordance with the stipulations of Article 161 of the Corporation Law, the incomplete subscription of the capital increase is expressly permitted.

3. Disbursement

The new shares of Telefonica, S.A. issued in the capital increase will be fully disbursed by means of one-time monetary contributions on the date determined by the Board of Directors within the maximum period of one year from the date of the Meeting.

4. Representation of the new shares. Rights of the new shares.

The new issue shares will be ordinary shares, equal to those currently in circulation. They will be represented by account entries the recording of which will be conferred on the Securities Compensation and Settlement Service (SCLV) and its affiliated entities.

The new shares will confer on their holders the same political and economic rights as the Telefonica, S.A. shares currently in circulation from the time of their issuance. With respect to the economic rights, the new shares will entail a right to company dividends, on account or definitive, the distribution of which is agreed upon from that date.

5. Exclusion of the preferred subscription right

In view of the reasons of company interest that the capital increase obeys, through its aim and intended use, and considering that, due to its own characteristics, these could only be satisfied by a capital increase with exclusion of the right of preferred subscription, the total elimination of the preferred



subscription right of the shareholders and holders of convertible bonds of Telefonica, S.A., with respect to the shares issued in the capital increase is resolved, within the scope of that set forth in Article 159.1 of the Corporation Law.

6. Request for admission for negotiation

Once the capital increase is executed, admission for negotiation of the new shares will be requested from the stock exchanges of Madrid, Barcelona, Bilbao, and Valencia and their contracting in the Stock Exchange Interconnection System (Continuous Market) will be requested, expressly noting the submission of the company to the norms in existence or that may be enacted relating to the Stock Exchange, and in particular, as to the contracting, continued participation, and exclusion from the official quotation as well as admission for negotiation of said shares in any other foreign exchange market where the shares of the company are admitted for negotiation at the time of the closing of the capital increase resolution (including without limitations, the stock exchanges of New York, London, Frankfurt, Paris, Tokyo, Sao Paulo, Buenos Aires, and Lima). For these purposes, the Board of Directors shall be empowered with the power of substituting the Standing Committee and/or any Board members with delegate powers, so that, once the capital increase resolution is executed, it may request from all the competent national and foreign agencies admission for negotiation of the new shares of Telefonica, S.A., signing for this purpose all the documents and commitments that are required in the terms they judge to be appropriate.

For the purposes of that set forth in Article 27 of the Commercial Stock Exchange Regulation, it is expressly noted, that in the event that the exclusion of shares of Telefonica, S.A. from quotation in the Spanish stock exchanges is later requested, this will be adopted with the same formalities established in said article and, in such a circumstance, the interests of the shareholders, and if applicable, the bond holders, who oppose or do not vote for the resolution, will be guaranteed, in compliance with the requirements established in the Corporation Law and concordant provisions; all in accordance with that set forth in the mentioned Commercial Stock Exchange Regulation, the Securities Market Law and provisions that promote them.

7. Delegation in the Board of Directors

Within the scope of the provisions of Article 153.1.a) of the Corporation Law, the Board of Directors shall be empowered with the power of substitution in its Standing Committee and/or of any Board members with delegate powers, so that within the maximum period of one year reckoned from today's date, it may indicate the date on which the capital increase resolution must take effect or its execution abandoned, and in the event that it decides to execute it, to fix the conditions for it in everything not provided by the Meeting, including in an indicative manner:

- to provide new wording to Article 5 of the Bylaws to adapt them to the new share capital figure resulting from the execution of the capital increase;
- to determine the procedure, period, starting and ending date of the subscription period;
- to draw up and prescribe all the prospectus and notifications that are required under Spanish and foreign legislation and to resolve on the modifications subsequent to these that it judges to be appropriate;
- to request the admission for negotiation of the new issued shares, with all the powers that prove necessary for such purpose, in accordance with the pertinent legislation, undertaking the necessary procedures and drawing up the documents that are required for this, and to designate the entity responsible for the accounting recording of the shares, and if applicable, the depositaries issuing the deposit certificates representing the documents that were necessary for this;
- to undertake all the procedures that are required and to approve and formalize all the public and private documents that prove necessary or appropriate for the full effectiveness of the capital increase resolution in any of its aspects and contents, and in particular to correct, clarify, interpret, complete, specify, or delimit, if applicable, the adopted resolution, and in particular, correct the defects, omissions, or errors that were ascertained in the verbal or written qualification of the Mercantile Register;
- to determine the financial entity or entities that will have to subscribe to and disburse the capital increase, the number of shares to be subscribed to by it/ them and to fix the conditions that will govern their relations with Telefonica, S.A., all in conformity with that set forth in the preceding subparagraph 2.

***Point XIII on the Agenda of Meeting: delegation of the powers for formalizing, interpreting, correcting and executing the resolutions adopted by the General Shareholders' Meeting.***

To jointly empower the Executive Chairman, the C.O.O., the Member- Secretary and Vice Secretary of the Board of Directors, so that any of them may formalize and execute the preceding resolutions, and may draft the public and private documents that are necessary or appropriate for such purpose (including those for interpretation, clarification, rectification of errors, and correction of defects) for their most exact compliance and for the registration of them, when mandatory, in the Mercantile Register or in any other public register.

***Motion made by a shareholder during the Annual General Shareholders' Meeting requesting the general meeting to resolve to bring a company action for liability against the company Directors.***

During the Annual General Shareholders' Meeting held on June 15<sup>th</sup>, 2001, Mr. Alvaro Barreiro Alvarez addressed the meeting for and on behalf of shareholder Ms. Manuela Alvarez de Castro, owner of 534 company shares, asking the meeting to submit the following motion to a vote by the shareholders:

*The General Meeting resolves, in consideration of the harm they have caused to the Company, to file a company suit for liability against the members of the Board of Directors who, as applicable, approved or did not oppose the resolution to pay severance compensation to the Directors whose directorships were discontinued in 2000, and/or failed to propose, if they were at the same time Directors of the Company and of the sole-shareholder subsidiary Telefónica de España, S.A., that no remunerated dismissals be made of employees in the latter company during the said year.*

The motion was voted on and rejected by a vote of 2,273,757 votes against, with only 2,266 votes in favour, and 1,186 abstentions. The above figures only include the votes of the shareholders who were present in the General Meeting and therefore do not include proxy votes delegated to the Board of Directors.