

ANNUAL GENERAL SHAREHOLDERS' MEETING

APRIL 12TH, 2002

RESOLUTIONS PASSED

Point I on the Agenda of Meeting: Examination and approval, if applicable, of the Annual Accounts and Management Report of "Telefónica, S.A." and its Consolidated Group of Companies, as well as the proposal for the application of the results of Telefónica, S.A. and that of the management of its Board of Directors, all corresponding to fiscal 2001.

- A) Approval of the Annual Accounts (Balance Sheet, Profit & Loss Statement, and Notes to the Accounts) and Management Reports of "Telefonica, S.A." and its Consolidated Group of companies corresponding to fiscal 2001 (closed on December 31 of said year) as drawn up by the Board of Directors of the Company at its Meeting held of February 27th, 2002, as well as the company management performed by the Board of Directors of Telefónica, S.A. during said fiscal year.

In the individual accounts, the Balance Sheet as of December 31, 2001 reflects assets and liabilities in the amount of 52,721.65 million Euros each, and the Profit & Loss Statement as of the end of the fiscal year a negative result for an amount of 354.18 million Euros.

In the Consolidated Accounts, the Balance Sheet as of December 31, 2001 reflects assets and liabilities for an amount of 86,422.57 million Euros each, and the Profit & Loss Statement as of the close of the fiscal year a positive result in the amount of 2,106.81 million Euros.

- B) Compensation of the negative result registered by Telefónica, S.A. for the fiscal year 2001 by the amount 354.18 million Euros, charged to Voluntary Reserves that constitute part of the Shareholders' Equity 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. César Alierta Izuel and D. Maximino Carpio García.
- B) Ratification of the appointment by cooptation as Board members of the company, agreed by the Board of Directors, of D. Gregorio Villalabeitia Galarraga and D. José Antonio Fernández Rivero, appointing them Directors of the company for a period of five years as provided under the Law and under the Bylaws.

- C) Designation of D. Gonzalo Hinojosa Fernández de Angulo, D. Pablo Isla Álvarez de Tejera and D. Enrique Used Aznar as Board members of the company for a five years period and as provided under the Law and Bylaws.

Point III on the Agenda of Meeting: Adoption of the pertinent resolutions regarding the Auditor of the Company's accounts, as well as those of its Consolidated Group of Companies, in accordance with article 42 of the Commercial Code and 204 of the Law of Corporations.

To re- elect the company “Arthur Andersen y Cia, Sociedad Comanditaria” as Account Auditor for the verification of the Annual Accounts and of the Management Reports of “Telefónica, S.A.” (individual accounts) and of its consolidated group of companies (consolidated accounts), corresponding to the fiscal year 2002.

Point IV on the Agenda of Meeting: authorization for acquisition of the Company's treasury stock, directly or through companies of the group.

- A) To authorize, as established in Article 75 and following of the prevailing Law of Corporations, the acquisition at any moment and as many times as considered necessary by “Telefonica, 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 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 treasury stock 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 celebration of the present 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 authorization, added to those possessed by “Telefonica, S.A.” and any of the controlled subsidiary companies may exceed 5 percent of the share capital at the time of the acquisition, as well as 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 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 directors or 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.

- B) To empower the Board of Directors, in the broadest possible terms, to exercise the authorization of this resolution and to execute the remaining items included in this, enabling the Board of Directors to delegate in the Standing Committee, the Chairman of the Board, the Managing Director or any other person expressly empowered by the Board to this effect.
- C) The unexecuted part of the resolution adopted by the Company's Annual General Shareholders' Meeting of June 15th, 2001, in relation with point V of the Agenda of this same Meeting, shall remain null and void.

Point V 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 unrestricted 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 ordinary shares of the same series and having the same rights as those currently outstanding. Each new share shall have a nominal value of one (1) euro, shall be represented by account entries, 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 beginning of the period of free distribution which will later be referred to, the Company's capital stock has been increased in order to provide for any requests for conversion of convertible bonds into shares and/or because of the execution of any of the capital increases approved at the Annual General Shareholders' Meeting and that are pending execution, be it total or partial, at the beginning of the aforementioned period, due to the fact that the Board of Directors of the Company have resolved to increase the share capital by virtue of the authorization granted by 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, 2001, 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 Euros 1,594,546,250.77 as of December 31, 2001.

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 natural or legal persons who, at the end of the day immediately preceding the date of the beginning 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 Entities of the Spanish Securities Clearance 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 Entities of the Spanish Securities Clearance 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 Law of Corporations, at the expense and risk of the interested parties, and the liquid amount of the sale, having deducted the expenses of this and those of the previous deposit, shall be deposited with the Bank of Spain (Banco de España) or the General Savings and Loan Institution (Caja General de Depósitos) 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 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.

- B) In accordance with the provisions of Article 153.1 a) of the current Law of Corporations, 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) Setting the date as of which the newly issued shares will participate in the Company's profits or losses.
 - d) Declare the capital increase executed and closed.
 - 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 Clearance 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 entities or organisms, 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 to unrestricted 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 ordinary shares of the same series and having the same rights as those currently outstanding. Said shares shall have a nominal 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, increasing if applicable, said capital stock in the figure by which it could have been increased if, during the period that commenced on the date of the beginning of the free allotment period corresponding to the capital increase referred to in resolutions A) and B) above and the day immediately prior to the opening of the

free allotment period which will later be referred to in relation to this resolution on the capital increase, the Company's share capital had been increased in order to address the eventual requests for the conversion into shares of the convertible securities outstanding and/or due to the fact that one of the capital increases pending, be it totally or partially, as approved by the Annual General Shareholders' Meeting had been carried out, at the beginning of the aforementioned period, and/or due to the fact that the Board of Directors of the Company resolved during the aforementioned period to increase the Company's share capital by virtue of the authorization granted by the Annual General Shareholders' Meeting. Should this be the case, the amount of the capital increase referred to in the previous paragraph will be increased by 2% of the increases by which, should it be the case, the Company's share capital had increased. Finally, therefore, the amount of the capital increase will be the result of the application of this 2% to the share capital subscribed at the moment of the commencement of the allotment period corresponding to the capital increase operation referred to in the resolution C)

The Balance sheet dated December 31, 2001, which has been 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 Euros 1,594,546,250.77 as of December 31, 2001.

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 natural or legal persons 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 Entities of the Spanish Securities Clearance 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 Entities of the Securities Clearance 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 Law of Corporations, at the expense and risk of the interested parties and the liquid amount of the sale, having deducted the expenses of this and those of the previous deposit shall be deposited with the Bank of Spain (Banco de España) or the General Savings and Loan Institution (Caja General de Depósitos) 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 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 Law of Corporations, 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) Setting the date as of which the newly issued shares will participate in the Company's profits or losses.
 - d) Declare the capital increase executed and closed.
 - 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 Clearance 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 entities or organisms, 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 Euros 445,500,790 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 to which this point of the Agenda refers, can be executed by the Board of Directors, even if all of the holders of convertible bonds currently outstanding request a conversion of said bonds and that the complete subscription of all the capital increases be carried out, having been approved or authorized by the Annual General Shareholders’ Meeting, be they pending total or partial execution. 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 the two capital increases to which this point of the Agenda refers. Once said resolutions have been executed, the unused portion of said reserve shall cease to have any effect.

Point VI on the Agenda of Meeting: Issuance of fixed income securities, convertible or exchangeable for shares, with the exclusion of the preemptive subscription right. Setting of the basic conditions and forms of conversion or exchange, and increase in the share capital in the amount necessary to meet the conversion requests. Setting of the issue price of the securities, as well as the setting of the price of new shares to be converted along with the price of existing shares to be exchanged. Delegation of powers in 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 or its equivalent in another currency, subject to applicable regulations, in one or more issues (debentures), numbered series of bonds that can be exchanged for shares in “Telefónica, S.A.” already in existence or for shares of any subsidiary in which the Company is a majority shareholder and/or convertible into newly issued shares in “Telefónica, S.A.” in accordance with the terms and conditions and other procedures set forth hereinafter:

Nominal Value and Issue Price of the Securities

The securities to be issued shall have a nominal 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 nominal 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 of the Company 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 Telefónica, S.A. shares or those of any other Group company, and the Board of Directors of Telefónica, S.A. 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.

In the case of the issuance of exchangeable securities, the Issuer’s Board of Directors is equally empowered to decide when the shares to be exchanged be those of Telefónica, S.A. or any other Group company, or the Company may use its own treasury stock should the exchange be for Telefónica shares

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 Telefónica, S.A. shares or those of any subsidiary company, 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 Telefónica, S.A. shares or those of any subsidiary company. 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 nominal 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, should it be the case that the shares to be exchanged are traded on a stock exchange, or in accordance with the real value of these should it be that the shares to be exchanged are not traded on any stock exchange. In any event, in the case of traded shares, 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 its nominal value 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 of the issuing party, capital increases take place with issues of new ordinary or preferred shares, 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 nominal 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 Law of Corporations, except when the Annual General Shareholders' Meeting or the Board of Directors, at all times fulfilling the legal requirements imposed, 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 for 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 preemptive right of the shareholders and, if applicable, holders of other issued convertible securities or those 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 Law of Corporations and the Rules of the Mercantile Register, 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 Law of Corporations, 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 nominal value as those currently outstanding, 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 Law of Corporations, there shall be no preemptive right in capital increases 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 regarding the issue of convertible and/or exchangeable stock, it may execute the

issue or issues of fixed-income securities convertible into newly issued shares of “Telefónica, S.A.” and/or exchangeable for pre-existing “Telefónica, S.A.” shares or those of any other Group Company, 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 or issues and the determination of the priorities with respect to all of the Company’s liabilities; 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 nominal value.
- c) Redeem the issue or issues early.
- d) During the time set for open subscription to third parties, extend this period, 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 regarding the 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 Spanish 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 ratio for the exchange of securities for 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.

- k) Refrain from executing the capital increase resolved in the amount not deemed necessary to address the conversion into shares of the convertible securities issued.

The Board of Directors may delegate the powers granted in this resolution in its Standing Committee and/or in any of the Directors with delegated powers partially or in full.

Point VII on the Agenda of Meeting: Share capital increase in the amount of 2,180,809 euros, with the issuance and floating of the same number of new shares of a nominal value one euro each, with an issue premium of 11.61 euros per share, to be subscribed and disbursed through a cash contribution in order to cover throughout 2002, the needs derived from the establishment of a remuneration system referenced on the quotation value of "Telefónica, S.A." shares – with the subscription of shares and delivery of option rights on shares - intended for employees of the Endemol Group (EN-SOP Program). Total elimination of the preemptive subscription right and foreseen incomplete subscription. Delegation of powers in the Board of Directors.

- A). Capital increase by means of cash- contributions

It is resolved to increase the share capital of “Telefonica, S.A.” by a nominal amount of 2,180,809 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 11.61 euros each. This will result in an issue price of 12.61 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 12.61 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.

- B). 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 2002 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 as Plan Agents 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 set 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 Law of Corporations, the incomplete subscription of the capital increase is expressly permitted.

C). Disbursement

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

D). Representation of the new shares. Rights of the new shares.

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

The new shares will confer on their holders the same political and economic rights as the Telefonica, S.A. shares currently outstanding 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.

E) Exclusion of the preemptive 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 preemptive subscription, the total exclusion of the preemptive 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 Law of Corporations.

F) 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 Automated Quotation Systems (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.

G). Delegation in the Board of Directors

Within the scope of the provisions of Article 153.1.a) of the Law of Corporations, 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 set 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 set the conditions that will govern their relations with Telefonica, S.A., all in conformity with that set forth in the preceding subparagraph 2.

Point VIII on the Agenda of Meeting: Application of the consolidated tax system

To opt (in accordance with article 84.5 of the Corporate Tax Law, as set forth in Law 24/2001, of December 27), for the indefinite application of the fiscal consolidation regime for Telefónica, S.A: and its fiscal group during the impositive periods subsequent to fiscal 2004, the last fiscal year in which this regime will be applied, as resolved by the Annual General Shareholders' Meeting of June 15, 2001.

Point IX on the Agenda of Meeting: delegation of the powers for the formalizing, interpreting, correcting and executing the resolutions adopted by the Annual 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 General 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 April 12th, 2002, the shareholder Mr. Javier Sotos García, owner of 318 company shares, addressed the meeting on his own behalf as well as on behalf of the shareholder Mr. Antonio Fernández Fernández, owner of 1,208 shares, and asked that a motion be brought before the General Meeting to approve the bringing of company action for liability of the current and former members of the Board of Directors (and, at least, against the former Chairman Juan Villalonga Navarro) who participated in executing the Telefónica investments in the Argentine Republic.

The motion was voted upon and rejected by a sufficient majority of votes against, including voting rights exercised by the members of the presiding board, as well as a majority vote against by the shareholders present at the General Meeting (owners of 2,220,812 shares and hence 2,220,812 votes), independently of proxy votes, given that the motion was only supported by shareholders with an aggregate of 8,965 shares and hence 8,965 votes.