

02

Shareholding structure



02.01 SHARE CAPITAL

On the date of this Report, the share capital of Telefónica, subscribed and fully paid up, amounted to 4,955,891,361 euros, and it is divided into 4,955,891,361 shares of one euro face value each.

All the Telefónica shares are ordinary, of a sole series, and are represented by account entries.

The shares are fully subscribed and paid up and grant the same rights and obligations to all shareholders. Telefónica shareholders do not have any accessory rights whatsoever. Likewise, the Articles of Association of Telefónica contain no provision on privileges, special powers or rights arising from the holding of shares. Moreover, there are no statutory articles that impose any restriction or limitation on the free transfer of the Telefónica's shares.

Regardless of this, by virtue of what is set forth in "Act 5/1995, of 23rd March, on the legal regime for the disposal of state shareholdings in certain companies", the Council of Ministers approved "Royal Decree 8/1997, of 10th January, an Application of the Regime of prior Administrative Authorisation for Telefónica and other companies in its Group" in which it established the need to request administrative authorisation prior to Telefónica adopting certain resolutions, especially relevant ones, once the State shareholding had totally disappeared. Acquisition of shares in Telefónica was also subject to the regime of prior administrative authorisation when giving rise to disposal of at least 10 per cent of the relevant stock capital.

After amendment of "Act 5/1995, of 23rd March on the legal regime of disposal of state

shareholdings in certain companies" introduced by "Act 6/2003, of 30th December (Accompanying Act)", there is now, in force as of 18th February 2007, a regime of administrative intervention (need for notification and power of veto by the Spanish State) in relation to acts of disposal of shares of Telefónica that represent at least 10 per cent of its share capital.

Lastly, and pursuant to the terms set forth in the Company's Articles of Association, no shareholder may cast a number of votes exceeding 10 per cent of the total Company's share capital with the right to vote existing at each moment, regardless of the number of the shares held. When determining the maximum number of votes each shareholder may cast, only the shares each one is holder of shall be calculated, not including those of other holders who have delegated representation on the former.

The limitation established in the preceding paragraph shall also be applicable to the maximum number of votes that maybe cast – jointly or separately – by two or more shareholder companies belonging to a same group of companies, as well as the maximum number of votes that may be cast by a shareholding individual or corporation and the entity or entities that control these directly or indirectly control these.

Considering the total stock capital of Telefónica, and in relation to its present shareholding structure, that limit to the number votes established in its Articles of Association lacks application in practice, as at present there is no shareholder with a direct or indirect shareholding exceeding 7 per cent of the share capital.

(1) As there is no register of shareholders of the Company, the last data that could be obtained by Telefónica is that included in the X-25 requested from Iberclear when the last Ordinary General Meeting of Shareholders of the Company was held.

02.02 SIGNIFICANT SHAREHOLDINGS

To the extent that the Telefónica shares are represented by account entries, there thus being no record of shareholders kept by the Company itself, it is not possible to precisely ascertain its shareholding structure.

In any case, according to the existing information at the Company, one may say that there is no individual or corporation that directly or indirectly, alone or jointly, exercises, or may exercise control over Telefónica, on the terms established in article 4 of the Securities Markets Act.

There are, however, certain shareholders who hold stakes that may be considered significant, in the sense of Ministerial Order 3722/2003, of 26th December, (see Table 1, *Significant Shareholdings*).

According to the information available to the Company, during financial year 2003, there were no significant changes in its capital structure.

In relation to these significant shareholders, the persons identified in chapter III of this Report have been proposed as members of the Board of Directors.

In addition to these significant stakes held on stable terms, according to the notification issued to the National Stock Exchange Commission on 8th January 2003, the financial institution Chase Manhattan Nominees Ltd., held a stake of 6.80% in the stock capital of Telefónica, as depository entity, so that stake is held in name and on behalf of its customers.

Moreover, on 6th February 2004, the financial institution Citibank, NA held 242,688,336 shares in Telefónica that represented 4.9% of its stock

capital, according to the internal reports prepared by the Company itself. That stake is held as established in the Depository Agreement granted between the Company and Citibank NA, in name and on behalf of the holders of ADRs, for the purposes of issue and trading of those societies on the New York Stock Exchange and the Stock Exchange of Lima. According to the terms of that agreement, Citibank N.A. is obliged to exercise the political and economic rights it holds according to the instructions it is sent by the holders of ADRs, on the terms and conditions established in the depository agreement.

According to the information obtained from “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores” (Securities, Recording, Clearing and Settlement Systems Management Company) (Iberclear), dated April 2003¹, the number of shareholders of Telefónica, according to individualised records in favour of individuals and corporations, amounted to approximately 1,693,049 shareholders.

02.03 RELATIONS WITH SIGNIFICANT SHAREHOLDERS

The Company maintains ordinary commercial relations with both significant shareholders, in relation to which detailed information is provided in section 4.1 of this Report. These operations are performed under market conditions, subject to the requisites concerning transactions with significant shareholders established in the Regulations of the Board of Directors.

As to the corporate relations there may be with these shareholders, it is pointed out, in relation to

TABLE 1
SIGNIFICANT SHAREHOLDINGS

	Total		Direct stake		Indirect stake	
	Percentage	Shares	Percentage	Shares	Percentage	Shares
BBVA (*)	6.09%	301,813,784	1.81%	89,701,634	4.28%	212,112.150
“La Caixa” (**)	3.5%	173,456,198	–	–	–	–

(*) According to the information provided by the Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, BBVA) in its Annual Accounts on 31st December 2003. As the bank states in that document, the stake held with the criteria of continued shareholding in the capital of is 5.17%.

(**) According to the data provided by the Caja de Ahorros y Pensiones de Barcelona, “La Caixa” (hereinafter, La Caixa) on its web page, with information updated to 31st December 2003.

TABLE 2
RELATIONS WITH SIGNIFICANT SHAREHOLDERS

Company	Stake held by Telefónica	Stake held by BBVA	Activity
SPAIN			
Adquira España, S.A.	40%(1)	40%(2)	Providing telecommunications, internet and e-commerce services.
Azeler Automoción, S.A.	50%(3)	50%(4)	Automotive portal.
Hispasat, S.A.	13,23%	10,75%(5)	Operating satellite communications system.
Iniciativas Residenciales en Internet, S.A.	50%(3)	50%(2)	Real estate portal.
Mobipay España, S.A.	13,3%(6)	8%(2)	Development of means of payment by mobile telephony.
Mobipay International, S.A.	36%(7)	27,5%(2)	Development of means of payment by mobile telephony.
On line services for multiple users, S.A. (SOLIUM)	33,3%(8)	33,3%(2)	Providing technological services such as Internet support and operations.
Telefónica Factoring E.F.C., S.A.	50%	30%	Providing factoring services for the suppliers in the Telefónica Group.
Uno-e Bank, S.A.	33%(3)	67%(9)	Providing Internet banking services.
BRAZIL			
Telefónica Factoring Brasil, S.L.	59,98	10,24%(10)	Providing factoring services for suppliers in the Telefónica Group.
COLOMBIA			
Telefónica Data Colombia, S.A.	65%(11)	35%(12)	Providing telecommunications services.
MEXICO			
Adquira México S.A. de C.V.	50%(13)	50%(14)	Providing solutions to optimise the purchase and sale of goods and services between companies.
OTHER COMPANIES			
Atento, N.V.	91,35%	8,65%(15)	Providing telemarketing services.

(1) Stake held through its subsidiary, Telefónica de España, S.A.U. (20%) and Telefónica Publicidad e Información, S.A. (20%).

(2) Stake held through its subsidiary, Banco Bilbao Vizcaya E-Commerce, S.A.

(3) Stake held through its subsidiary, Terra Networks, S.A.

(4) Stake held through its subsidiary, Banco Bilbao Vizcaya E-Commerce, S.A. (25%) and Finanzia Banco de Crédito Local, S.A.(25%).

(5) Stake held through its subsidiary, BBVA Factoring, S.A.

(6) Stake held through its subsidiary, Telefónica Móviles España, S.A.U.

(7) Stake held through its subsidiary, Telefónica Móviles, S.A.

(8) Stake held through its subsidiary, Telefónica Data España, S.A.U.

(9) Stake held through its subsidiaries, Banco Bilbao Vizcaya E-Commerce, S.A. (51%) and Finanzia Banco de Crédito Local, S.A. (16%).

(10) Stake held through its subsidiary, BBVA Factoring, S.A.

(11) Stake held through its subsidiary, Telefónica DataCorp, S.A.U.

(12) Stake held through its subsidiary, Cidessa Uno, S.L. (100% owned).

(13) Stake held through its subsidiary, Katalyx Inc.

(14) Stake held through its subsidiary, Visacom, S.A. de C.V.

(15) Stake held through its subsidiary, General de Participaciones Empresariales, S.L.

BBVA, that Telefónica, through its subsidiary Telefónica de España, S.A.U., is the holder of 36,215,223 shares in BBVA, which represents 1.13% of its stock capital.

On the other hand, Companies in which Telefónica and BBVA hold joint Shareholding are shown in *Table 2*.

Moreover, as to La Caixa, Telefónica Soluciones Sectoriales, S.A.U. (a subsidiary of Telefónica de España, S.A.U.) holds 6.92% of the stock capital of Barcelona Empren, S.A., in which the BBVA and La Caixa each hold 6.92%. Likewise, that same subsidiary of the Telefónica Group holds a 5% in the company Foment de Ciutat Vella, S.A., in which BBVA holds 10% and La Caixa 12.5%.

Lastly, as to the possible existence of crossed or linked Directors, it must be mentioned, in relation to Telefónica, that Telefónica de España, S.A.U. was appointed a member of the Board of Directors of BBVA. At present, Mr Angel Vilá Boix represents that corporation on the Board of Directors of the company.

02.04 SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS

According to the data available to the Company, the total number of shares in Telefónica held individually by the present Directors of the company, directly or indirectly, on the date of this Report, amount to 747,763 shares (0.015% of the stock capital) (*see Table 3, Shareholdings of the members of the board of directors*).

02.05 EXISTENCE OF SHAREHOLDERS' AGREEMENTS

Telefónica has received no notifications whatsoever of the existence of agreements between its shareholders.

02.06 INFORMATION ON OWN PORTFOLIO

On 31st December 2002, Telefónica had a total of 91,631,076 own shares, that represented 1,88516% of the stock capital of the Company.

During financial year 2003, and in fulfilment of the obligation to notify acquisition of own shares, Telefónica, on 22nd October 2003, notified the CNMV, the accumulated acquisition of a total 50,372,028 own shares (gross purchases) that represented 1.016% of the existing share capital on the date of that communication. On that date, the position of the net own portfolio of the Company was 30,051,447 shares, that represented 0.606% of their share capital.

Lastly, one must state that, on 31st December 2003, Telefónica had a total of 41,732,869 own shares, that represented 0.842 % of the stock capital of the Company.

TABLE 3
SHAREHOLDINGS OF THE MEMBERS OF THE BOARD OF DIRECTORS

Name	Directly held	Indirectly held	Number of shares held
Mr César Alierta Izuel	481,397	–	481,397
Mr Isidro Fainé Casas (1)	7,164	–	7,164
Mr José Antonio Fernández Rivero (2)	115	–	115
Mr Fernando de Almansa Moreno-Barreda	2,112	–	2,112
Mr Jesús María Cadenato Matía (2)	9,906	–	9,906
Mr Maximino Carpio García	5,836	–	5,836
Mr Carlos Colomer Casellas	543	–	543
Mr Alfonso Ferrari Herrero	1,811	99,500(4)	101,311
Mr José Fonollosa García (2)	–	–	–
Mr Gonzalo Hinojosa Fernández de Angulo	37,958	–	37,958
Mr Miguel Horta e Costa	354	–	354
Mr Pablo Isla Alvarez de Tejera	386	–	386
Mr Luis Lada Díaz	30,000	–	30,000
Mr Antonio Massanell Lavilla (1)	2,106	642 (3)	2,748
Mr Enrique Used Aznar	19,450	17,988 (4)	37,438
Mr Mario E. Vázquez	10	–	10
Mr Antonio Viana-Baptista	21,994	–	21,994
Mr Gregorio Villalabeitia Galarraga (2)	53	–	53
Mr Antonio Alonso Ureba	8,438	–	8,438
Total	629,633	118,130	747,763

(1) Appointed at the proposal of La Caixa.

(2) Appointed at the proposal of BBVA.

(3) Stake held through relatives in the first degree.

(4) Stake held through two controlled companies, one 60% and the other 100%.