

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

SIGNIFICANT EVENT

In accordance with the shareholder remuneration policy approved by Telefónica's Board of Directors, at its meeting of July 23rd, 2003, Telefónica's Board of Directors, at its meeting held today January 26th, has agreed the payment of a dividend of 0.5 Euro per share for fiscal year 2004 charged against both earnings and reserves. The corresponding corporate resolutions will be adopted for such purpose. Furthermore, it is the intention of the Board to maintain this minimum dividend for fiscal year 2005.

The proposal of payment of dividend for fiscal year 2004, will be distributed in two payments, the first on May 13th, 2005 and the second on November 11th, 2005.

Madrid, January 26th, 2005.

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