



RAMIRO SÁNCHEZ DE LERÍN

General Secretary

and Secretary to the Board of Directors

TELEFÓNICA, S.A.

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

Telefónica has announced at its Fifth Investor Conference being held in Valencia that it has set as a strategic target for the year 2009 to double both earnings per share and dividend per share from the 0.91 euros and 0.50 euros reported for 2005.

Moreover, the Chairman of Telefónica will submit to the Board of Directors a proposal to pay an interim dividend of 0.30 euros per share from 2006 profits, to be paid in November 2006. This payment will be followed by an additional 0.30 euros per share to be paid in the first semester of 2007.

Finally, and until the end of 2007, the Company has decided to set a limit of 1.5 billion euros and a commitment not to issue new shares to execute net new acquisitions over those already announced. Shares to be acquired to complete the current buyback program will be cancelled.

Madrid, May 26th, 2006

SPANISH NATIONAL SECURITIES MARKET COMMISSION

-MADRID-