



RAMIRO SÁNCHEZ DE LERÍN GARCÍA- OVIES
General Secretary
and Secretary to the Board of Directors
TELEFÓNICA, S.A.

Pursuant to the Significant Event registered in December 15th, 2006, and as provided in article 82 of the Spanish Stock Market Act (*Ley del Mercado de Valores*), TELEFÓNICA, S.A. hereby reports the following

SIGNIFICANT EVENT

TELEFÓNICA O2 EUROPE PLC, a 100% subsidiary of TELEFÓNICA, S.A., and O2 HOLDINGS LTD, a wholly owned company by TELEFÓNICA O2 EUROPE PLC, have today signed a final binding agreement with GUARDIAN DIGITAL COMMUNICATIONS LIMITED, a company wholly owned by funds managed by the MACQUARIE GROUP, for the disposal of 100% of AIRWAVE O2 LTD (a subsidiary of O2 HOLDINGS LTD), a leading provider of communications services and solutions to public safety users in the UK.

The parties have agreed to complete the transaction on 20th April 2007. The total value of AIRWAVE O2 LTD (*firm value*) is 2,982 million Euros^(*) (2,015 million British Pounds), generating total net proceeds for O2 HOLDINGS LTD at completion of 2,860 million Euros^(*) (1,932 million British Pounds) after deducting AIRWAVE O2 LTD's net debt and other liabilities.

Madrid, 18th April, 2007.

(*) Exchange rate €/GBP: 1.48

SPANISH NATIONAL SECURITIES MARKET COMMISSION
-MADRID-