



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

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

NOTICE

According to the Significant Event filed last April 28th, the Italian-Spanish consortium, in which TELEFÓNICA holds a 42.3% of the shares, will have a 23.6% stake in TELECOM ITALIA's capital. This stake shall be held in TELECOM ITALIA's ordinary capital, that is to say, the capital that confers voting rights, and shall therefore not include the so-called "savings shares" (*azioni di risparmio*), which do not confer political rights. If these shares were hypothetically taken into account, TELEFÓNICA's indirect stake in TELECOM ITALIA would, in fact, amount to 6.9%.

Exclusively on the basis of the ordinary capital, the only one relevant for voting purposes and, consequently, for the appointment of Directors, TELEFÓNICA's indirect stake in TELECOM ITALIA, as notified in the Significant Event, would be 10%. Consequently, the number of Directors that TELEFÓNICA may appoint on TELECOM ITALIA's Board, according to the agreements reached, is consistent with its 10% share in the company's Governance.

Madrid, May 8th, 2007.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID-