



RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES
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

After analyzing various offers received, TELEFÓNICA, S.A. (“TELEFÓNICA”) has entered into an agreement for the sale of its 99.7% stake in ENDEMOL INVESTMENT HOLDING BV (“ENDEMOL HOLDING”) to a newly incorporated vehicle. ENDEMOL HOLDING is a holding company that indirectly owns 75% of ENDEMOL NV, a global leader in television and other audiovisual entertainment that creates premium content for the world’s leading broadcasters.

The newly incorporated vehicle is jointly and equally owned by (i) MEDIACINCO CARTERA SL, a newly incorporated entity owned by MEDIASET SpA and its quoted subsidiary GESTEVISION TELECINCO, S.A., (ii) CYRTE FUND II B.V. and (iii) GS CAPITAL PARTNERS VI FUND, LP (together the “Consortium”).

The total consideration for the sale of ENDEMOL HOLDING amounts to €2,629 million for 75% of ENDEMOL NV valued at €25 per share cum dividend and including the additional assets and liabilities within ENDEMOL HOLDING and its subsidiaries. This price implies a premium on ENDEMOL's latest closing price and represents a capital gain close to €1,400 million for TELEFÓNICA

As part of the agreement, the Consortium has committed to launch an unconditional public offer for the remaining 25% of ENDEMOL NV at a price at least equal to €25 per share cum dividend, as soon as practicable after closing of this transaction.

The agreement is subject to obtaining of the relevant regulatory authorisations.

Madrid, May 14th, 2007

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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