



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

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

SIGNIFICANT EVENT

Today, TELEFÓNICA has executed a syndicated facility agreement (“Facility Agreement”) with several domestic and international financial entities in an aggregate amount up to eight thousand (8,000) million euro.

This Facility Agreement is divided into two tranches: the first one, a three-year term loan facility, in an aggregate amount up to five thousand (5,000) million euro and the second one, a five-year revolving credit facility, in an aggregate amount up to three thousand (3,000) million euro. The first tranche includes an option to extend the original maturity for an additional year, subject to the lenders consent.

The proceeds obtained from this Facility Agreement will be used: (i) some of them, to refinance part of the TELEFONICA’s existing debt and (ii) another part of them, for the acquisition of the shares of Brasilcel, N.V. (company jointly owned by TELEFONICA and Portugal Telecom SG SGPS, S.A., and which owns shares representing, approximately, 60% of the capital stock of the Brazilian company Vivo Participações, S.A.) owned by Portugal Telecom SG SGPS, S.A..

Madrid, July 28, 2010.

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