



**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**

On May 6<sup>th</sup>, 2010 TELEFÓNICA, S.A. submitted to the Portuguese company PORTUGAL TELECOM, SGPS, S.A. a Cash Offer (the “Offer”) for the acquisition of the shares representing 50% of the capital stock of the Dutch company BRASILCEL, N.V., owned by PORTUGAL TELECOM, SGPS, S.A., for a total purchase price of five thousand seven hundred (5,700) million Euros.

The Offer is binding, it is not subject to any condition, and it states a deadline of two months, since its acceptance, to complete the above mentioned acquisition of the shares of BRASILCEL, N.V.. TELEFÓNICA, S.A. considers that the applicable regulatory approval in Brazil will be obtained within such period of time.

BRASILCEL, N.V. is a company 50-50 owned by TELEFÓNICA, S.A. and PORTUGAL TELECOM, SGPS, S.A., which owns shares representing, approximately, 60% of the capital stock of the Brazilian company VIVO PARTICIPAÇÕES, S.A.

The Offer also contemplates that TELEFÓNICA will launch a tender offer over the ordinary shares (ONs) of VIVO PARTICIPAÇÕES, S.A., which are not owned by BRASILCEL, N.V., representing, approximately, 11.1% of the total number of ordinary shares (ONs) and 3.8% of the total capital stock of VIVO PARTICIPAÇÕES, S.A.. The price per ordinary share (ON) in such tender offer would be 80% of the value attributed to each ordinary share (ON), owned by BRASILCEL, N.V., in the Offer, hence the total price would be, approximately, six hundred (600) million Euros.

Therefore, the total amount of the transaction, considering (i) the price offered for the acquisition of the shares of BRASILCEL, N.V., owned by PORTUGAL TELECOM, SGPS, S.A., five thousand



seven hundred (5,700) million Euros, and (ii) the price in the tender offer over the ordinary shares (ONs) of VIVO PARTICIPAÇÕES, S.A., which are not owned by BRASILCEL, N.V., approximately six hundred (600) million Euros, would be around six thousand three hundred (6,300) million Euros.

According to the Offer, it expires on June 6<sup>th</sup>, 2010, unless it is previously (i) accepted by PORTUGAL TELECOM, SGPS, S.A., or (ii) TELEFÓNICA decides to extend the Offer's validity period.

Madrid, May 10, 2010.

**COMISIÓN NACIONAL DEL MERCADO DE VALORES  
- MADRID -**