



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

Telefónica hereby confirms that it has reached an initial agreement with Portugal Telecom SG SGPS, S.A. (“**Portugal Telecom**”) for the acquisition, directly or through any of the companies within its Group, of 50% of the capital stock of Brasilcel, N.V. (which is jointly owned by Telefónica and Portugal Telecom, and which owns shares representing, approximately, 60% of the capital stock of the Brazilian company Vivo Participações, S.A.), owned by Portugal Telecom. This agreement will be submitted for approval of the Board of Directors of both Companies, which are expected to be held today.

Madrid, July 28, 2010.