



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 Law (*Ley del Mercado de Valores*) hereby reports the following

SIGNIFICANT EVENT

Pursuant to the resolution adopted by the shareholders of TELEFÓNICA, S.A. at their Annual General Meeting of June 23rd, 2009, the Board of Directors has resolved to execute the capital reduction of the Company by the cancellation of own shares. The public deed of this share capital reduction has been registered in the Madrid Mercantile Registry (*Registro Mercantil*) on December 28th, 2009.

Therefore, 141,000,000 of the own shares of TELEFÓNICA, S.A. have been cancelled, reducing the company's share capital by the sum of 141,000,000 euros. This also means rewording Article 5 of the By-laws, relative to share capital, which now stands at 4,563,996,485 euros, made up of an equal number of ordinary shares, all of a single series and with a nominal value of one (1) euro per share, totally paid in.

Madrid, December 28th, 2009

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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