



RAMIRO SÁNCHEZ DE LERÍN
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

The Board of Directors of TELEFÓNICA, S.A., at its meeting held today, has approved to distribute an interim dividend from 2007 net income, of a fixed gross amount of 0.35 euros for each outstanding share with the right to receive dividends of the Company.

The payment of this dividend shall be executed on November 14th, 2007 through the participating entities in Iberclear (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.), the Spanish entity in charge of registration, clearing and settlement of securities. Tax withholding shall be made on gross amounts as required by applicable legislation.

Likewise, it is the Board's intention to propose to the next Annual General Shareholders' Meeting, to be held in 2008, the payment of a final dividend of 0.40 euros per share, so that the total shareholder remuneration for fiscal year 2007 will amount to 0.75 euros.

Madrid, September 26th, 2007

SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID -