



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

Pursuant to the resolution adopted by the Annual General Shareholders' Meeting of TELEFÓNICA, S.A., at its meeting held on May 18th, 2011, we hereby inform all shareholders that on November 7th, 2011, the Company will pay a dividend to be charged to Unrestricted Reserves, of a fixed gross amount of 0.77 euro for each Company share issued, in circulation and carrying entitlement to this dividend. This payment will be made as follows, in all events subject to the provisions of the applicable tax legislation:

Gross dividend (Euros per share)	Withholding tax rate (19%) (Euros per share)	Net dividend (Euros per share)
0.77	0.1463	0.6237

The payment of this dividend shall be executed from November 7th, 2011, by Banco Bilbao Vizcaya Argentaria, S.A., through the participating entities in IBERCLEAR (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.*), the Spanish securities registrar, clearing and settlement company.

Madrid, October 26th, 2011

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