



RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES
General Secretary and
Secretary of 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

TELEFÓNICA announces that it is exploring strategic alternatives in relation to its stake in ENDEMOL N.V., including a possible total or partial divestiture of its stake in that company. To that effect, TELEFÓNICA has retained LEHMAN BROTHERS as its financial advisor and, additionally, has asked MERRILL LYNCH to offer stapled financing to the purchaser within the context of an eventual transaction.

If TELEFÓNICA were to decide to divest its 75% stake in ENDEMOL N.V., it is its intention to solicit from the potential purchaser a public offer for the other 25% of the shares outstanding in ENDEMOL N.V.

Madrid, March 9th, 2007

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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