



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

On August 31, 2009, TELEFÓNICA MÓVILES ESPAÑA, S.A., a 100% subsidiary of TELEFÓNICA, S.A., has signed a binding agreement to sell its 32.18% stake in MEDI TELECOM SA. (MÉDITEL) together with its outstanding shareholder loans, for a total cash consideration of 400 million euros to the other current local partners at MÉDITEL, namely FINANCECOM, S.A., RMA WATANYA, S.A. and FIPAR HOLDING. TELEFÓNICA is selling its stake jointly with PORTUGAL TELECOM, S.G.P.S., S.A., resulting in the transfer of a combined 64.36% interest in MÉDITEL.

The closing of the transaction is expected to take place by the end of 2009, upon reception of all required regulatory authorisations.

Madrid, September 1st, 2009

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