



RAMIRO SÁNCHEZ DE LERÍN GARCÍA- OVIES
*General Secretary
and Secretary to the Board of Directors
TELEFÓNICA, S.A.*

As provided in article 82 of the Spanish Stock Market Act (Ley del Mercado de Valores), TELEFÓNICA, S.A. (TELEFÓNICA), together with BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (BBVA), hereby reports the following

SIGNIFICANT EVENT

In February 2000, the two companies reached a Framework Agreement for the joint development of a number of projects related to the new technological developments, of which the market was informed at that time.

It was then also agreed that a representative of TELEFÓNICA would join the Board of Directors of BBVA, and this was executed accordingly.

Once the agreed projects have been implemented as suggested by the course of business in each case, both companies consider that, at present, the factors which justified the presence of a representative of TELEFÓNICA on the Board of Directors of BBVA no longer apply, and the latter will therefore shortly cease to form part of that Board.

BBVA holds a significant stake in the share capital of TELEFÓNICA, and has two proprietary Directors on the Board of Directors of such company; this situation will persist in accordance with BBVA's shareholding. On the other hand, TELEFÓNICA retains its current holding in the share capital of BBVA.

To whom it may concern for the purposes of notification to the market.

Madrid, October 13th, 2006