



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

TELEFÓNICA, S.A. (“TELEFÓNICA”) as provided in article 82 of the Spanish Securities Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

Today, the Board of Directors of TELECOMUNICAÇÕES DE SÃO PAULO S.A. (“Telesp”), Brazilian subsidiary of Telefónica Group, has approved the launching of a voluntary Tender Offer for the acquisition of up to 100% of the shares of the Brazilian company GVT (Holding) S.A. (“GVT”), for the price of R\$ 48,00 per share, to be paid in cash, in accordance with the terms and conditions described in the Offer Notice of Public Tender Offer (“Edital”) that has been presented to BM&FBOVESPA for analysis, and that shall be published in the Brazilian local press tomorrow.

GVT is a telecommunications services provider with presence on Region II of the Brazilian *Plano Geral de Outorgas* that has been successful targeting users of high technology services with innovative products, strategically complementing therefore the activities of Telesp.

The Tender Offer launched by Telesp is subject, among others, to the following conditions: (i) the acquisition of a minimum amount of shares that corresponds to 51% of GVT’s share capital; (ii) the adoption by GVT’s General Meeting of Shareholders of a resolution waiving the anti-takeover provisions of GVT’s By-laws in relation to Telesp’s Offer ; and (iii) the approval of this transaction by the Brazilian regulatory agency (ANATEL), with no imposition of restrictions or conditions distinct from those usually established by ANATEL in previous cases.

This transaction would represent a total investment, assuming the acquisition of 100% of the shares addressed by the Offer, of approximately Euros 2,550 million (depending on the exchange rate prevailing when the transaction is closed).

Madrid, October 7th, 2009

SPANISH NATIONAL SECURITIES MARKET COMMISSION - MADRID-

The offer is not being made, and will not be made, directly or indirectly, in or into, the United States.