



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

TELEFÓNICA, S.A. hereby informs that the shareholders of TELCO S.p.A., shareholder of TELECOM ITALIA, S.p.A., are currently negotiating the possible renewal of the Shareholders’ Agreement executed on 28 April 2007. The company will duly inform of the final results of these negotiations.

Madrid, October 28th, 2009.

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