



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

TELEFÓNICA, as part of the shareholders of TELCO S.p.A. (“TELCO”) –company through which TELEFÓNICA holds its interest in TELECOM ITALIA, S.p.A.- hereby gives notice that one of TELCO’s shareholders, namely SINTONIA S.A. (“SINTONIA”), has exercised its right to apply for the demerger provided for in Article 11 of the Shareholders’ Agreement executed on 28 April 2007. Furthermore, TELEFÓNICA and the remaining shareholders of TELCO (MEDIOBANCA S.p.A., INTESA SANPAOLO S.p.A. and ASSICURAZIONI GENERALI S.p.A.) have agreed the following:

- not to exercise their respective rights to apply in the month of October for the demerger provided for in Article 11 of the Shareholders’ Agreement executed on 28 April 2007;
- to renew the Shareholders’ Agreement for 3 years, that is, until 27 April 2013, on the existing terms and conditions, with the right to apply for the withdrawal from the agreement and related demerger by giving notice between 1 October and 28 October 2012;
- that the renewed Shareholders’ Agreement further provides for the right of early withdrawal and related pro-rata demerger, with notice to be given between 1 April and 28 April 2011, and execution to follow in the subsequent 6 months;

Madrid, October 28th, 2009.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
-MADRID-