



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

In accordance with the information registered on November 25, 2009, TELEFÓNICA, through its subsidiary TELEFÓNICA DE CONTENIDOS, S.A.U., has completed today the acquisition of the 22% stake in the company that brings together the pay-TV service of PRISA Group (DTS DISTRIBUIDORA DE TELEVISIÓN DIGITAL, S.A.).

TELEFÓNICA’s total investment in the aforementioned acquisition is approximately FOUR HUNDRED EIGHTY-EIGHT MILLION EUROS (488 million euro), of which 228 million euro are covered by the cancellation of the outstanding amount of the subordinated loan existing between TELEFÓNICA DE CONTENIDOS, S.A.U. (creditor) and SOGECABLE, S.A. (actually known as PRISA TELEVISIÓN, S.A.U., debtor).

Madrid, December 28, 2010.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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