



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 Stock Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

The Board of Directors of TELEFÓNICA, at its meeting held today, has analysed and positively considered a proposal to increase the dividend for the year 2011 up to 1.60 euros per share, showing an increase of 14.3% with respect to the 1.40 euros dividend for 2010 (whose second tranche will become due in the first semester of this year, following the approval of the relevant corporate resolutions).

To this end, the adoption of the corresponding corporate resolutions will be proposed in due course. It is the Company's intention to maintain the current practice so that this dividend will be payable in two tranches (the first one, to be paid in the second half of this year, and the second one, to be paid within the first six months of 2012).

Additionally, TELEFÓNICA confirms its target to distribute a dividend of at least 1.75 euros per share, for 2012.

Madrid, February 23rd, 2011.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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