



**07/15/11**

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**

Regarding the Redundancy Plan of Telefónica España, agreed by a wide majority with the unions, and after its approval by the labour authorities, the Company here provides information on the impacts of that Redundancy Plan:

- The Redundancy Plan contemplates the inclusion of up to a maximum of 6,500 employees in the period 2011-2013.
- The current value of the cost of the Plan is estimated to be approximately 2,700 million euros before taxes (around 415,000 per employee), which will be booked as non-recurrent personnel expenses in the current fiscal year.
- The Company's results over the next few years will benefit from higher efficiency in personnel expenses.

The impact of these measures on Telefónica's cash generation is positive from year one and allows the Company to reiterate all its shareholder remuneration commitments.

It must be remembered that the impact of the Redundancy Plan was not included in the guidance announced by the Company for 2011 and for the period 2011-2013.

Madrid, 15 July 2011.

### **SPANISH NATIONAL SECURITIES MARKET COMMISSION**

**- MADRID -**

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