



RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES

*General Secretary and
Secretary to the Board of Directors*
TELEFÓNICA, S.A.

In accordance with Article 47 of Royal Decree 1362/2007 of October 19, and Article 82 of the Spanish Stock Market Act, (*Ley del Mercado de Valores*), TELEFÓNICA, S.A. hereby discloses the following

RELEVANT INFORMATION

Pursuant to the general terms and conditions of the Performance Share Plan approved by the Company's General Shareholders' Meeting held on 21 June 2006, the Board of Directors of TELEFÓNICA, S.A., at its meeting held on 27 July 2011, has determined that, in accordance with the Total Share Return ("TSR") on the share of TELEFÓNICA, S.A in relation to the TSR experienced by the companies' shares comprising the *FTSE Global Telecoms Index* during the third cycle of the plan, the applicable ratio to determine the shares to be allocated shall be 97.8%.

In accordance with the above, it is attached as **Schedule I**, the breakdown of the shares to be delivered in the third cycle of the Plan to each of its beneficiaries who are Directors or Executive Officers of the Company.

Likewise, at the General Shareholders' Meeting held on 18 May 2011, a new long-term incentive plan was approved aimed at members of the Executive Team of the Telefónica Group (including Executive Directors). Under this Performance & Investment Plan ("PIP"), shares of TELEFÓNICA, S.A. shall be delivered to participants, on compliance with stated requirements and conditions, as a form of variable remuneration. In addition, this General Shareholders' Meeting approved the maximum number of possible shares to be received by the Executive Directors, in the event of fulfilment of the Co-investment requirement established on the Plan and of maximum achievement of the TSR objective in each cycle.

According to the above, and after the agreement of the Board of Directors at its meeting held on July 27, it is hereby attached the breakdown, included as **Schedule II**, that contains the theoretical number of shares assigned and the maximum number possible of shares to be received in the event of fulfillment of the Co-investment requirement established on the Plan and of maximum achievement of the TSR objective in each cycle, that would correspond to Executive Directors and other members of the Executive Committee.

Madrid, July 29, 2011.

SPANISH NATIONAL SECURITIES MARKET COMMISSION

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SCHEDULE I

Shares to be delivered to Directors and Executive Officers who are beneficiaries of the
Performance Share Plan
(Third cycle 2008-2011)

I.- Executive Directors.

<u>First name and surname</u>	<u>Number of shares to be delivered</u>	<u>% of share capital</u>
Mr. César Alierta Izuel	145,544	0.003%
Mr. Julio Linares López	99,233	0.002%
Mr. José María Álvarez- Pallete López	66,155	0.001%

II. - Executive Officers.

<u>First name and surname</u>	<u>Number of shares to be delivered</u>	<u>% of share capital</u>
Mr. Guillermo Ansaldo Lutz	59,539	0.001%
Mr. Matthew Key*	97,444	0.002%
Mr. Santiago Fernández Valbuena	66,155	0.001%
Mr. Luis Abril Pérez	30,799	0.001%
Mr. Calixto Ríos Pérez *	15,147	0.000%
Mr. Ramiro Sánchez de Lerín García- Ovies	30,293	0.001%

* It is stated that the number of shares delivered to the beneficiary is lower than the number of shares allotted included in the table, because the number of shares equivalent to the amount to be withheld for tax purposes in the case of Spanish tax residents has been deducted from the total amount of shares allotted.

SCHEDULE II

List of Directors and Executive Officers who are beneficiaries of the
Performance & Investment Plan
(First cycle / 2011-2014)

I.- Executive Directors.

<u>First name and surname</u>	<u>Theoretical shares assigned</u>	<u>% of share capital</u>	<u>Maximum number of shares(*)</u>	<u>% of share capital</u>
Mr. César Alierta Izuel	249,917	0.005%	390,496	0.009%
Mr. Julio Linares López	149,950	0.003%	234,298	0.005%
Mr. José María Álvarez- Pallete López	79,519	0.002%	124,249	0.003%

* Maximum number possible of shares to be received in the event of fulfillment of the Co-investment requirement and of maximum achievement of the TSR objective

II. - Executive Officers.

<u>First name and surname</u>	<u>Theoretical shares assigned</u>	<u>% of share capital</u>	<u>Maximum number of shares(*)</u>	<u>% of share capital</u>
Mr. Guillermo Ansaldo Lutz	79,519	0.002%	124,249	0.003%
Mr. Matthew Key	79,519	0.002%	124,249	0.003%
Mr. Santiago Fernández Valbuena	79,519	0.002%	124,249	0.003%
Mr. Luis Abril Pérez	39,911	0.001%	62,361	0.001%
Mr. Ramiro Sánchez de Lerín García- Ovies	39,250	0.001%	61,328	0.001%

* Maximum number possible of shares to be received in the event of fulfillment of the Co-investment requirement and of maximum achievement of the TSR objective