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*General Secretary and
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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

TELEFÓNICA, at its Seventh Investor Conference to be held today in Madrid, will reiterate its commitment to reach 2.10 euros earnings per share in 2010, and will announce a proposal to distribute a dividend of 1.40 euros per share for 2010, showing an annual increase of 21.7%. For such purpose the adoption of the corresponding corporate resolutions will be proposed. It is the Company’s intention to maintain the current practice so that this dividend will be payable in two tranches.

Additionally, TELEFÓNICA will announce that it has set as a target to increase, up to a minimum of 1.75 euros per share, the dividend for 2012.

Finally, the Company will also communicate within the scope of the presentation of its strategic guidelines up to 2012, the expected consolidated performance of the Telefónica Group based on the following key financial indicators:

	2008 Adjusted¹ <i>(million euros)</i>	CAGR^{2,3} 2008-2012E <i>(%)</i>
Revenues	57,946	+1%/+4%
Operating Income Before Depreciation & Amortization (OIBDA)	22,602	+2%/+4%
Operating Income	13,556	+4%/+7%
Operating Cash Flow (OIBDA – CapEx)	14,201	+5%/+7.5%



	Cumulative³ 2009-2012E <i>(billion euros)</i>
CapEx	~30
Operating Cash Flow (OIBDA – CapEx)	>64
Free Cash Flow ⁴	>40

- (1) 2008 adjusted figures for guidance include 9 months of consolidation of Telemig in Telefónica Latinoamérica and exclude Sogecable capital gain (€143 m) and the application of provisions made in Telefónica Europe in respect of potential contingencies deriving from the past disposal of shareholdings, one these risks had dissipated or had not materialized (€174 m).
- (2) CAGR: Compounded Annual Growth Rate.
- (3) Figures assuming 2008 constant exchange rates (average exchange rates in 2008) and excluding changes in consolidation. In terms of guidance calculation OIBDA exclude capital gains and losses from sale of companies and write-offs. Group CapEx excludes Real Estate Efficiency Program of Telefónica España and spectrum licenses.
- (4) Free Cash Flow available to remunerate Telefónica's shareholders, to protect solvency levels (financial debt and commitments), and to accommodate strategic flexibility.

Madrid, October 9th, 2009.

COMISIÓN NACIONAL DEL MERCADO DE VALORES - MADRID -

This document contains statements that constitute forward looking statements about the Company, including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations, which refer to the intent, belief or current prospects of the customer base, estimates regarding, among others, future growth in the different business lines and the global business, market share, financial results and other aspects of the activity and situation relating to the Company.

Such forward looking statements, by its nature, are not guarantees of future performance and involve risks and uncertainties, and other important factors that could cause actual developments or results to differ from those expressed in these forward looking statements.

Analysts and investors, and any other person or entity that may need to take decisions, or prepare or release opinions about the securities issued by the Company, are cautioned not to place undue reliance on those forward looking statements which speak only as of the date of this communication. They are all encouraged to consult the Company's communications and periodic filings made with the relevant securities markets regulators and, in particular, with the Spanish Securities Markets Regulator.