



RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES
General Secretary
and Secretary to the Board of Directors
TELEFÓNICA, S.A.

As provided in article 82 of the Spanish Stock Market Act (Ley del Mercado de Valores), TELEFÓNICA, S.A hereby reports the following

SIGNIFICANT EVENT

With regard to the communication sent to the *Commissione Nazionale per le Società e la Borsa* (CONSOB) by PIRELLI & C. S.p.A., TELEFÓNICA, S.A. states the following:

- TELEFÓNICA, S.A. has been offered the possibility of acquiring a minority stake in the capital of the Italian corporation OLIMPIA S.p.A., which is the major shareholder of TELECOM ITALIA.
- Preliminary contacts have been maintained with PIRELLI, which is the major shareholder of the aforementioned company.
- No agreement has been reached with PIRELLI in relation to this possible investment, its terms or possible conditions.

In any case, TELEFÓNICA, S.A. confirms its financial commitments with respect to its investments and acquisitions publicly stated at the Investors Conference held in Valencia, in May 2006.

Madrid, February 12th, 2007.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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