



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

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

SIGNIFICANT EVENT

Telefónica, S.A. through its 100% subsidiary, Telefónica Internacional, S.A.U. (hereinafter "Telefonica"), and China United Network Communications Group Company Limited ("Unicom Parent") through a 100% owned subsidiary, have signed a definitive agreement under which the latter will acquire 1,073,777,121 shares of China Unicom (Hong Kong) Limited ("China Unicom"), owned by Telefonica (equivalent to 4.56% of the share capital of China Unicom), at a price of HK\$10.21 per share, for a total amount of HK\$10,963.3 million, approximately € 1,128.9 million at current exchange rates.

The acquisition of the shares is subject to the relevant regulatory authorizations and is expected to be completed by no later than July 31, 2012.

While the transaction reflects Telefonica, S.A. Board of Directors decision to proactively manage its asset portfolio, both Telefónica, S.A. and China Unicom continue to be fully committed to their Strategic Alliance with a fruitful strategic cooperation between the two parties on different areas such as MNCs, international business, procurement, roaming and technology among others, while exploring new opportunities to work together in the digital world.

Telefónica has undertaken not to sell over a period of 12 months from the date of the agreement the shares of China Unicom.

This transaction will allow Telefónica, S.A. to increase its financial flexibility, while at the same time it will continue to be a key shareholder of China Unicom, with a 5.01% stake.

Furthermore, Mr. César Alierta, Chairman of Telefónica, S.A. will continue to be a Board Director of China Unicom, while Mr. Chang Xiaobing, Chairman of China Unicom, will remain as member of the Board of Directors of Telefónica, S.A.



Madrid, June 10th, 2012