



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 Stock Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

Telefónica, S.A. ("Telefónica") hereby reports that following the agreement reached in March with the Colombian government (hereinafter "the Government"), as of 29th of June the closing of the merger process between Telefónica Móviles Colombia, S.A and Colombia Telecomunicaciones, S.A. ESP has taken place. Consequently, Telefónica holds 70% of the share capital of the resulting Company while the Government controls the remaining 30%.

As a result of the merger, consolidated net financial debt of Telefónica will be reduced at the end of the second quarter of 2012 by approximately 1,450 million euros.

The merger of both companies will create the second largest integrated operator in Colombia and will allow the new Company to strengthen its competitive position in the Colombian market and improve its outlook for future growth. Based on integrated, flexible and efficient management, the Company will offer a full range of telecommunications services. This, together with the larger size of the Company, will enable the capture of important synergies in the coming years.

Madrid, July 2nd, 2012.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID