



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

Following the Significant Event published yesterday in connection with the launch of an accelerated bookbuilding offer process, Telefónica, S.A. announces that the process has finished today, and the underwritten placement of 90,067,896 treasury shares of the company, representing 1.979% of its share capital, to qualified and professional investors has taken place. This amount represents the company's current total treasury shares. The Placing Agent has placed such shares at 10.80 euros per share.

The amount of the sale of the aforementioned shares is, approximately, 975 million euros, which will be used to reduce debt. For accounting purposes this transaction will increase the equity of Telefónica S.A. by 31 million euros, having no impact on the Income Statement.

In accordance with the agreement with the Placement Agent, and in line with market practice for this type of transactions, Telefónica, S.A. has committed during a period of 90 days, not to transfer shares of the company without the prior consent of the Placement Agent, with certain exceptions such as private placements to institutional investors or transfer of shares to employees under the terms of employee share schemes.

Madrid, March 26, 2013.

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- MADRID-**