



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

Further to the communication filed on September 6, 2007, 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**

On October 21, 2009, TELEFÓNICA, S.A. (“TELEFÓNICA”) and CHINA UNICOM (HONG KONG) LIMITED (“CHINA UNICOM”) have completed the mutual share exchange agreement through which each party has conditionally agreed to invest the equivalent of US\$ 1 billion in ordinary shares of the other party. The mutual share exchange was implemented by way of the subscription by TELEFÓNICA, through its wholly-owned subsidiary, TELEFÓNICA INTERNACIONAL, S.A., of 693,912,264 newly issued shares of CHINA UNICOM, satisfied by the contribution in kind to CHINA UNICOM of 40,730,735 TELEFÓNICA shares.

Accordingly, upon completion, TELEFÓNICA’s shareholding interest in CHINA UNICOM’s voting share capital has increased from approximately 5.38% to approximately 8.06%, and in turn CHINA UNICOM has a shareholding interest of approximately 0.87% of TELEFÓNICA’s voting share capital.

In addition, TELEFÓNICA hereby advises, in compliance with article 112.2 of the Spanish Securities Market Act, that pursuant to this mutual share exchange agreement, TELEFÓNICA has undertaken not to offer, issue or sell a significant number of its shares, or securities convertible into or other rights to subscribe for or purchase a significant number of TELEFÓNICA shares, to any of CHINA UNICOM’s current mayor competitors. In addition, CHINA UNICOM has agreed, for a period of one year, not to sell, transfer or dispose of, directly or indirectly, its holding in TELEFÓNICA’s voting capital (save for intra-group transfers). Both parties have made analogous undertakings with respect to CHINA UNICOM’s share capital. An extract of the aforementioned mutual share exchange agreement including the described non-statutory shareholder arrangement is hereby enclosed for the appropriate purposes.

Madrid, October 21<sup>st</sup>, 2009.

**SPANISH NATIONAL SECURITIES MARKET COMMISSION  
- MADRID-**



## **“8. ADDITIONAL CHINA UNICOM UNDERTAKINGS**

(...)

8.3 China Unicom undertakes to Telefónica that for a period of one year from the Completion Date, it shall not, directly or indirectly, sell, transfer or dispose of any of the Telefónica Ordinary Shares or Telefónica Treasury Shares held, directly or indirectly, by the China Unicom Group, save for any transfer of such shares to any member of the China Unicom Group.

## **9. ADDITIONAL TELEFÓNICA UNDERTAKINGS**

(...)

9.2 With effect from Completion, and for so long as the Strategic Alliance Agreement is in effect, Telefónica shall not (i) offer, issue or sell any significant number of Telefónica Ordinary Shares or Telefónica Treasury Shares, or any securities convertible into or other rights to subscribe for or purchase a significant number of Telefónica Ordinary Shares or Telefónica Treasury Shares, to any current major competitor of China Unicom (...).”