



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 Telefónica Móviles Colombia, S.A. (a company fully owned by Telefónica), Colombia Telecomunicaciones, S.A. ESP (a company 52% owned by Telefónica Group and 48% by the Colombian government (hereinafter "the Government")) and the Government have reached a final agreement yesterday to restructure their fixed and mobile business in Colombia.

Such agreements include, among other commitments, the assumption by the Government of the 48% of the payment obligations not yet due of Colombia Telecomunicaciones, S.A. ESP to PARAPAT (the consortium which owns the telecommunications assets and manages the pension funds for the entities that comprise the National Telecommunications Operator).

The agreements reached also include an amendment to the Operating Contract for the extension in six years, to 2028, of the payment obligations not yet due of Colombia Telecomunicaciones, S.A. ESP to the PARAPAT.

As a result of these agreements, the net financial debt which will be fully consolidated in the financial statements of the Telefónica Group, will fall by approximately 1,300 million euros.

This agreement includes, and is subject to the merger of Colombia Telecomunicaciones, S.A. and Telefónica Móviles Colombia, S.A. once approval has been granted by the General Shareholders' Meetings of both companies, (whose shareholders, as mentioned above, are companies of the Telefónica Group and the Government), due to take place on 24 April 2012, and receipt of the appropriate regulatory approvals.



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Following the merger between Colombia Telecomunicaciones, S.A. ESP and Telefónica Móviles Colombia, S.A., Telefónica will hold 70% of the share capital of the resulting company while the Government will control the remaining 30%. Likewise, by virtue of the agreements signed, the Government could increase its stake in the merged company in 3% by 2015, based on its operating performance.

The merger of both companies will create the second largest integrated operator in Colombia and 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, April 2nd, 2012

SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID -