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*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. (hereinafter, Telefónica) has reached a definitive agreement, with companies controlled by Bain Capital for the sale of its Customer Relationship Management (CRM) business, Atento.

The enterprise value of the transaction amounts to 1,039 million euros, including 110 million Euros of a contingent deferred payment and vendor financing provided by Telefónica for an amount of 110 million euros.

Furthermore, a Framework Agreement for the Provision of Services to govern the relationship of Atento as service provider to the Telefónica Group for a nine year period has been signed.

The transaction is subject, among other conditions, to the relevant regulatory authorisations and is expected to be completed by no later than December 31, 2012.

Atento is the multinational leader in the CRM business in Latin America and the second largest in the world. Since 1999, the Company has developed its business model in more than fifteen countries, employing more than 152,000 people. Atento's revenues in 2011 amounted to 1,802 million euros and OIBDA of 161 million euros, with a net debt as of June 2012 of 175 million euros.

This transaction is part of the policy of proactive management of the portfolio of assets of the Company and the initiatives to increase Telefonica's financial flexibility.

Madrid, 12 October, 2012.

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