



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

TELEFÓNICA, S.A. (Telefónica) 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 registered on June 17, 2015, (under registration number 224441), Telefónica informs that, in compliance with the undertakings assumed in the agreement entered into on September 19, 2014 for the acquisition of Global Village Telecom, S.A. (GVT), it has, through its 100% subsidiary Telco TE S.p.A., delivered 1,110 million ordinary shares of Telecom Italia S.p.A. (representing 8.2% of its ordinary shares) to Vivendi, S.A. and has received from Vivendi, S.A. all the ordinary shares and part of the preferred shares of Telefónica Brasil S.A. that Vivendi S.A. received as consideration for the sale of GVT, which together represent 4.5% of the total share capital of Telefónica Brasil S.A.

Moreover, Telefónica announces that (through its 100% subsidiary Telco TE S.p.A.), it has entered into a purchase agreement with a financing institution for the sale of 872 million ordinary shares of Telecom Italia S.p.A., representing 6.5% of the ordinary shares of this company, for an amount of approximately 1,025 million euros. Closing of this transaction will take place within two working days after the execution of the agreement.

Likewise, Telefónica has arranged several hedging instruments which will allow Telefónica to repurchase the shares of Telecom Italia S.p.A. that are necessary to meet its exchange obligations under the mandatory exchangeable bonds for shares of Telecom Italia S.p.A., issued by Telefónica, S.A. in July 2014, as reported by the Significant Event filed on July 16, 2014 (under registration number 208539).

The accrued estimated positive impact on the net income for the first six months (before taxes) related to Telecom Italia shares will amount to approximately 380 million euros.

Thus, Telefónica reports the divestment of its entire stake in Telecom Italia S.p.A., in accordance with the regulatory and competition commitments assumed.



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

Madrid, June 24, 2015

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