



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

In accordance with Article 47 of Royal Decree 1362/2007 of October 19, and Article 82 of the Spanish Stock Market Act, (*Ley del Mercado de Valores*), TELEFÓNICA, S.A. hereby discloses the following

SIGNIFICANT EVENT

Pursuant to the long-term incentive plan of shares of TELEFÓNICA, S.A., for Telefónica Group Directors (including Executive Directors), approved by the Annual General Shareholders Meeting on May 18, 2011, - called *Performance & Investment Plan* ("PIP")- the Board of Directors of TELEFÓNICA, S.A. resolved, preceded by the relevant favorable report of the Nominating, Compensation and Corporate Governance Committee, with regard to the Third Cycle (2013-2016) of the PIP, and in relation to members of the Executive Committee (including Executive Directors), the amount of theoretical shares to be assigned, and the maximum number possible of shares to be received in the event of fulfillment of the Co-investment requirement established on the Plan and of maximum achievement of the Total Shareholder Return – hereafter, the "TSR" (*) - objective to this third cycle.

It is stated that the calculation of the shares value has been determined maintaining a similar total number of shares than in the previous cycle.

It is attached as **Schedule I**, the detail of such information for each of the Executive Directors and other members of the Executive Committee of the Company, to whom had been assigned.

Madrid, November 14th, 2013

(*) The specific number of Telefónica, S.A. shares deliverable within the maximum amount established to each member at the end of each phase will be contingent and based on the TSR of Telefónica, S.A. shares (from the reference value) throughout the duration of each phase compared to the TSRs of the companies included in the Dow Jones Global Sector Titans Telecommunications Index. For the purposes of this Plan, these companies make up the comparison group ("Comparison Group").

The TSR is the indicator used to determine the Telefónica Group's medium- and long-term value generation, measuring the return on investment for each shareholder. For the purposes of this Plan, the return on investment of each phase is defined as the sum of the increase or decrease in the Telefónica, S.A. share price and dividends or other similar items received by the shareholder during the phase in question.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID -



SCHEDULE I

List of Directors and Executive Officers who are Beneficiaries of the PIP (Third cycle 2013-2016)

<u>First name and surname</u>	<u>Theoretical shares assigned</u>	<u>% Share Capital</u>	<u>Maximum Number of Shares *</u>	<u>% Share Capital</u>
Mr. César Alierta Izuel	324,000	0.0001 %	506,250	0.0001%
Mr. José María Álvarez-Pallete López	192,000	0.0000 %	240,000	0.0001%
Ms. Eva Castillo Sanz	104,000	0.0000 %	162,500	0.0000 %
Mr. Santiago Fernández Valbuena	104,000	0.0000 %	162,500	0.0000 %
Mr. Guillermo Ansaldo Lutz	104,000	0.0000 %	162,500	0.0000 %
Mr. Matthew Key	104,000	0.0000 %	162,500	0.0000 %
Mr. Angel Vilá Boix	104,000	0.0000 %	162,500	0.0000 %
Mr. Ramiro Sánchez de Lerín García-Ovies	52,000	0.0000 %	81,250	0.0000 %
Mr. Eduardo Navarro Carvalho	52,000	0.0000 %	81,250	0.0000 %

* Maximum number of shares to receive in case of fulfillment of the co-investment requirement and of maximum achievement of the TSR objective.