INFORMATION ON THE DECISION TO ISSUE BONDS NECESSARILY CONVERTIBLE TO NEW AND/OR EXISTING SHARES IN TELEFÓNICA, S.A.

Pursuant to the provisions of article 511 of the Spanish Capital Companies Act (*Ley de Sociedades de Capital*), the Board of Directors of Telefónica, S.A. hereby informs the shareholders that on the 10th of September 2014 it approved a proposal to issue bonds necessarily convertible to new and/or existing shares in Telefónica, S.A. to the value of 1.5 billion euros, without pre-emptive subscription rights for existing shareholders.

For the purposes of the aforementioned article, the corresponding Reports of the Board of Directors and the Auditor regarding this bond issue have been made available to shareholders.