



RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES

*General Secretary and
Secretary to the Board of Directors*
TELEFÓNICA, S.A.

TELEFÓNICA, S.A. (hereinafter Telefonica) as provided in article 82 of the Spanish Securities Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

Telefonica and its German listed subsidiary Telefónica Deutschland Holding AG (hereinafter, Telefónica Deutschland) have signed an agreement with Koninklijke KPN NV (hereinafter, KPN), under which Telefónica Deutschland will acquire the German subsidiary of KPN, E-Plus Mobilfunk GmbH & Co. KG (E-Plus). KPN will receive a stake of 24.9% in Telefónica Deutschland and a cash consideration of 3,700 million Euros.

Subsequently, Telefonica will acquire a 7.3% of Telefónica Deutschland from KPN for a total price of 1,300 million Euros, and the ownership of KPN in Telefónica Deutschland will be reduced to 17.6%.

Previously, Telefónica Deutschland will call a General Shareholders Meeting in order to approve a capital increase to finance the cash consideration of the transaction. Telefonica will subscribe the proportional corresponding share in this capital increase and will guarantee, on its own or through third parties, the subscription of the remaining percentage of such capital increase.

The closing of this transaction is subject to certain conditions such as merger clearance and the approval by the Extraordinary Shareholders General Meeting of KPN.

Please see attached Press Release and Presentation of the transaction.

Madrid, July 23, 2013

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