



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

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

SIGNIFICANT EVENT

In relation to the agreement entered into on July 23, 2013 by and between Telefonica, S.A., its German subsidiary Telefónica Deutschland Holding AG (hereinafter, "Telefónica Deutschland") and the Dutch company Koninklijke KPN NV (hereinafter, "KPN") for the acquisition by Telefónica Deutschland of the German subsidiary of KPN, E-Plus Mobilfunk GmbH & Co. KG (hereinafter, "E-Plus"), Telefonica, S.A. confirms that América Móvil, S.A. de C.V. (reference shareholder of KPN) has irrevocably committed to vote in favour of the transaction at the Extraordinary Shareholder Meeting of KPN.

The transaction will remain unchanged in its first phase, in which Telefónica Deutschland will acquire E-Plus receiving as consideration 24.9% of Telefónica Deutschland and 3,700 million Euros in cash.

However, at the second phase of the transaction, once completed the acquisition of E-Plus by Telefonica Deutschland, for an aggregate consideration of 1,300 million Euros, Telefónica, S.A. will:

- (i) acquire 4.4% of Telefonica Deutschland from KPN (previously, 7.3%); and
- (ii) enter into a call option agreement with KPN that will entitle Telefónica, S.A. to acquire an additional stake of up to 2.9% in Telefónica Deutschland, such right being exercisable on the first anniversary of such call option agreement at a strike price of up to 510 million Euros.

Therefore, at the closing of the transaction, the stake of Telefónica Deutschland held by KPN will amount to 20.5% (previously 17.6%) and will be reduced to 17.6% if Telefónica fully exercises the call option.

Madrid, August 26, 2013

SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID -