



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

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

SIGNIFICANT EVENT

Regarding the issue of unsecured debentures of Telefónica (ISIN code ES0278430998 – the "Debentures") subscribed for and paid on November 29, 2012 related to the purchase of preferred securities of Telefónica Finance USA LLC and pursuant its right to partially or fully redeem the Debentures at each interest payment date as provided for in the Securities Note approved and registered on the Spanish National Securities market Commission (*Comisión Nacional del Mercado de Valores, CNMV*) on October 31, 2012, Telefónica announces that on November 29, 2013, it will carry out a partial redemption through a reduction in the nominal value of all the 1,941,235 Debentures issued to 300 euros each. The maturity of the issue is unchanged at 10 years.

The redemption will be carried out at par and bear no expense, except for any tax withholding as required. Telefónica will pay 582,370,500 euros of principal (300 euros per debenture) and 6,091,595.43 euros of gross coupon to holders of the Debentures on the November 29, 2013 payment date, which coincides with the date for partial redemption of the debentures.

After the redemption, there will be 1,941,235 outstanding Debentures having a nominal value of 582,370,500 euros maturing on November 29, 2022 and bearing fixed annual interest of 4.184%, payable quarterly on February 28, May 29, August 29 and November 29 of each year, with final maturity on November 29, 2022.

The redemption of the Debentures will be carried out in compliance with all legal obligations and the terms and conditions provided for in the Securities Note.

Madrid, October 28, 2013

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