



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

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

SIGNIFICANT EVENT

Following the decisions taken by the Brazilian Administrative Council for Economic Defense -CADE- on its 04 December 2013 session (public versions recently available in its website, <http://www.cade.gov.br>), Telefónica considers that the remedies imposed are unreasonable and therefore is further analyzing the possibility of initiating the appropriate legal actions.

In line with such course of action, and to reinforce our strong commitment with the previous obligations undertaken by Telefónica to remain separate from Telecom Italia's Brazilian businesses, Mr. César Alierta Izuel and Mr. Julio Linares López have decided to resign, with immediate effect, from their positions as Directors of Telecom Italia. Furthermore, Mr. Julio Linares López has decided to resign, with immediate effect, from his position in the slate submitted by TELCO S.p.A. for the potential re-election of the Board of Directors of Telecom Italia in the Shareholders Meeting of the aforementioned company, called for December 20, 2013.

For the same reasons, Telefónica, without prejudice of any of the rights recognized in TELCO S.p.A. Shareholders' Agreement, has decided for the time being not to avail of its right to appoint or propose two Directors in the Board of Directors of Telecom Italia.

Madrid, December 13th 2013

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