



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

Telefónica, S.A. and Telefónica Brasil, S.A. have submitted to Vivendi, S.A. an offer (the "Offer") for the combination of Telefónica Brasil, S.A. and Global Village Telecom, S.A. (GVT), by virtue of which Vivendi, S.A. would receive a consideration in cash of 11,962 million Brazilian Reais and newly issued shares representing 12% of the share capital of Telefónica Brasil, S.A. after its combination with GVT. Thus, the amount of the Offer, according to the current market price of Telefónica Brasil, S.A., amounts to a total of 20,100 million Brazilian Reais (equivalent to 6,700 million euros at current exchange rates). The cash consideration would be funded through a capital increase at Telefónica Brasil, S.A. in which Telefónica, S.A. would subscribe its proportional share, funded, in turn, through a capital increase.

The Offer envisages that, should Vivendi, S.A. be interested in acquiring a stable stake in Telecom Italia, S.p.A. ("Telecom Italia"), Telefónica, S.A. would offer to Vivendi, S.A. the acquisition, in cash, up to 1,110 million ordinary shares of Telecom Italia, currently representing a stake of 8.3% of Telecom Italia voting share capital, directly or through a mandatory convertible instrument. The transfer of the shares would take place at closing of the transaction between Vivendi, S.A. and Telefónica Brasil, S.A.

According to the terms of the Offer, it expires on September 3, 2014, unless it is previously accepted by Vivendi, S.A., or if the bidders decide to extend the Offer's validity period.

The Offer is subject to obtaining the relevant regulatory authorizations (including telecommunications and anti-trust) and to the fulfilment of other customary conditions in this type of transactions.

Telefónica Brasil, S.A. is the leader in the mobile wireless market and the leading broadband operator in the city of Sao Paulo. GVT is the most successful and fastest growing alternative operator in Brazil. A combination of both companies would create the largest telecom operator in the largest market in Latin America, providing a unique platform for the generation of synergies and value creation.



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

Madrid, August 5, 2014

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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