



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

Following the Significant Event registered by Telefónica, S.A. on August 29, 2014 (registration number 210238), Telefónica, S.A. informs that a definitive agreement with Vivendi, S.A. for the acquisition by Telefonica Brasil, S.A. of Global Village Telecom, S.A. and its holding company GVT Participações, S.A. (jointly referred to as "GVT") has been formalized.

The acquisition value of the 100% of GVT will be the one contained in the Offer submitted to GVT on August 28, 2014, i.e., a consideration in cash of 4,663 million euros and newly issued shares representing 12.0% of the share capital of Telefónica Brasil, S.A. after its combination with GVT.

As announced in previous Significant Events, the cash consideration will be funded through a capital increase at Telefónica Brasil, S.A. in which Telefónica, S.A. will subscribe its proportional share, funded, in turn, through a capital increase.

Moreover, it is hereby informed that Vivendi, S.A. has accepted Telefonica, S.A. offer of acquiring a stake in Telecom Italia, S.p.A. ("Telecom Italia"), in particular, the acquisition of 1,110 million ordinary shares of Telecom Italia, currently representing a stake of 8.3% of Telecom Italia voting share capital (corresponding to 5.7% of its total share capital). This is in exchange for a 4.5% of the share capital of the company resulting from the combination between Telefónica Brasil, S.A. and GVT that Vivendi, S.A. will receive and which represents all the ordinary shares received by Vivendi, S.A. and a number of preferred shares (representing 0.7% of such class of shares).

The closing of the transaction 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.

Madrid, September 19, 2014



RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES
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**SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID-**