



RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES
Secretario General y
del Consejo de Administración
TELEFÓNICA, S.A.

In accordance with Article 47 of Royal Decree 1362/2007 of October 19, and Article 82 of the Spanish Stock Market Act, (Ley del Mercado de Valores), TELEFÓNICA, S.A. hereby discloses the following

SIGNIFICANT EVENT

In connection with the long-term incentive plan consisting in the granting of shares of TELEFÓNICA, S.A., - called Performance & Investment Plan ("PIP")- aimed at Telefonica Group Executives (including Executive Directors of Telefónica, S.A.), and approved by the Annual General Shareholders Meeting held on May 30, 2014, (which determined, also, the maximum number possible of shares to be received by the Executive Directors of Telefonica, SA at the end of the first cycle of the Plan), its informed that the Board of Directors of Telefónica, S.A., following a relevant favorable report of the Nominating, Compensation and Corporate Governance Committee, has approved, with regard to the first cycle (2014-2017) of the PIP, the amount of theoretical shares to be assigned to the other Executives, and the maximum number possible of shares to be received by them, in the event of fulfillment of the Co-investment requirement and of maximum achievement of the Total Shareholder Return (TSR) established on the aforementioned Plan.

It is attached as **Schedule I**, the detail of such information.

Madrid, October 27, 2014.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID -

SCHEDULE I

List of Directors and Executives who are Beneficiaries of the PIP (First cycle 2014-2017)

I.- Executive Directors.

<u>First name and surname</u>	<u>Theoretical shares assigned</u>	<u>% Share Capital</u>	<u>Maximum Number of Shares *</u>	<u>% Share Capital</u>
D. César Alierta Izuel	324.000	0,007%	506.250	0,011%
D. José María Álvarez-Pallete López	192.000	0,004%	300.000	0,007%
D. Santiago Fernández Valbuena	104.000	0,002%	162.500	0,004%

* Maximum number of shares to receive in case of fulfillment of the co-investment requirement and of maximum achievement of the TSR objective.

II.- Other Executives.

<u>First name and surname</u>	<u>Theoretical shares assigned</u>	<u>% Share Capital</u>	<u>Maximum Number of Shares *</u>	<u>% Share Capital</u>
D. Ángel Vilá Boix	120.000	0,003%	187.500	0,004%
D. Guillermo Ansaldo Lutz	104.000	0,002%	162.500	0,004%
D. Ramiro Sánchez de Lerín García-Ovies	60.000	0,001%	93.750	0,002%
D. Eduardo Navarro de Carvalho	60.000	0,001%	93.750	0,002%

* Maximum number of shares to receive in case of fulfillment of the co-investment requirement and of maximum achievement of the TSR objective.