



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

The Executive Commission of Telefónica, S.A. Board of Directors, at its meeting held today, has agreed that on the Executive Commission scheduled for November 13, 2015, the appropriate corporate resolutions to carry out the execution of the free-of-charge capital increase, related to the shareholder compensation by means of a *scrip dividend* ("Telefónica's Flexible Dividend"), approved by the Annual General Shareholder's Meeting held on June 12, 2015, should be adopted. Thereby, the five trading sessions prior to the abovementioned November 13 will determine the market price that will apply to the free-of-charge allotment rights purchase price setting formula and to the provisional number of shares to issue formula.

Also, it is expected that the free-of-charge allotment rights derived from the capital increase will be allotted to Telefónica, S.A. shareholders who appear as such in the book-entry records of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), at 11:59 p.m Madrid time, of the day of publication of the capital increase notice in the Official Commercial Registry Gazette (Boletín Oficial del Registro Mercantil), which is estimated to take place on November 17, 2015.

Madrid, September 30, 2015

**SPANISH NATIONAL SECURITIES MARKET COMMISSION
MADRID**