



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 228 of the Spanish Securities Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

Telefónica, S.A. through its 100% subsidiary, Telefónica Internacional, S.A.U. (hereinafter "Telefonica"), has proceeded with the sale of 361,794,559 shares of China Unicom (Hong Kong) Limited ("China Unicom"), representing 1.51% of the share capital of the company, by a block trade process, at a price of HK\$ 7.80 per share, for a total amount of HK\$ 2,822 million, approximately € 322 million. Thus, Telefónica maintains a stake close to 1% in China Unicom.

This deal is part of Telefónica's proactive management of its asset portfolio and its mid-term deleveraging objective. Telefonica maintains its commitment to the Strategic Alliance with China Unicom, recently strengthened through cooperation in digital areas such as the big data joint venture between both companies.

Madrid, July 10, 2016.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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