



TELEFÓNICA, S.A. in accordance with the provisions of Article 228 of the Securities Market Act, hereby issues the following

SIGNIFICANT EVENT

Today, TELEFÓNICA, S.A. ("Telefónica") has transferred to a company of the Pontegadea Group ("Pontegadea") 16.65% of the share capital of the Telefónica's subsidiary Pontel Participaciones, S.L. ("Pontel") that owns 60% of the share capital of the company Telxius Telecom, S.A. ("Telxius"), for an amount of 378.8 million euros, which entails a price of 15.2 euros per share of Telxius.

This participation of 16.65% in the capital stock of Pontel is equivalent, in economic terms, to an indirect participation of 9.99% in the share capital of Telxius.

Likewise, Telefónica, Pontegadea and Pontel have entered into a shareholders' agreement that regulates the relationship of Telefónica and Pontegadea as shareholders in Pontel, consistent with the shareholders' agreement among Telefónica, Taurus Bidco S.à.r.l. (KKR) and Telxius.

This transaction will not have an impact on the consolidated results of the Telefónica Group as it consists on the sale of a minority interest, with Telefónica retaining control over Pontel and Telxius.

This transaction is part of the Telefónica Group's asset portfolio management policy, based on a strategy of value creation, optimization of the return on capital and strategic positioning. It also complements the objective of organically reducing debt and strengthening the balance sheet in a growing cash flow scenario, which allows us to maintain a sustainable shareholder remuneration.

Madrid, July 27, 2018.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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