



RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES
*General Secretary and
Secretary to the Board of Directors*
TELEFÓNICA, S.A.

TELEFÓNICA, S.A. (hereinafter "Telefónica"), as provided in article 228 of the Spanish Stock Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

Further to the Significant Event released today (under registration number 238554), the company announces that, according to the shareholder remuneration policy, pursuant to the resolution adopted by the Annual General Shareholders' Meeting of Telefónica, S.A., at its meeting held today, had been agreed a dividend distribution charged to Unrestricted Reserves, of a fixed gross amount of 0.40 Euro for each Company share issued, in circulation and carrying entitlement to this distribution, (Record Date: Wednesday, May 18, 2016). This payment will be made as follows, in all events subject to the provisions of the applicable tax legislation.

Gross dividend (Euros per share)	Withholding tax rate (19%) (Euros per share)	Net dividend (Euros per share)
0.40	0.076	0.324

The payment of this dividend shall be executed from May 19, 2016 by Banco Bilbao Vizcaya Argentaria, S.A., through the participating entities in Iberclear (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.*), the Spanish securities registrar, clearing and settlement company.

Madrid, May 12, 2016

**SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID-**