

NOTA DE PRENSA

PRESS RELEASE

Madrid, May 12, 2016

The Company held its Annual General Shareholders Meeting today in Madrid

JOSÉ MARÍA ÁLVAREZ-PALLETE: "TELEFÓNICA HAS A CLEAR ORIENTATION TOWARDS ITS SHAREHOLDERS AND A FIRM COMMITMENT TO OFFERING THEM AN ATTRACTIVE REMUNERATION"

- **In his first General Meeting as Executive Chairman of the company, Álvarez-Pallete announced that he aspires to keep Telefónica moving forward down its path of success, and to continue encouraging its digital transformation.**
- **He also underscored the fact that shareholder retributions for 2016 represent a profitability of 7.9%, making it the highest profitability per dividend among EuroStoxx 50 companies, and much higher than that of the rest of our competitors.**

Madrid, May 12, 2016.- The Telefónica Annual General Shareholders Meeting approved today all of the agreements proposed by the Company's Managing Board, among which is the payment of a 0.75€ dividend per share for the 2016 period, with a first payment of 0.35€ per share to be paid as of next November, and a second payment of 0.40€ per share to be distributed during the first semester of 2017. José María Álvarez-Pallete chaired his first Annual General Shareholders Meeting as Executive Chairman of Telefónica today, and assured that the company "has a clear orientation towards its shareholders and a firm commitment to offering them an attractive remuneration". In this sense, the Board also approved the proposal of amortizing the treasury stock by 1.5% in 2016.

In terms of profitability, Álvarez-Pallete emphasized that the retribution approved for 2016 implies a profitability of 7.9%¹ considering current stock prices, "which is the largest profitability per dividend among EuroStoxx 50 companies, and much larger than that of any of our competitors, making Telefónica stock a very attractive investment".

In his speech to shareholders, José María Álvarez-Pallete thanked his predecessor, César Alierta, for his contributions of the last 16 years, and assured that his desire for this new stage is to keep moving firmly forward down the Telefónica road of success, and to continue promoting the digital transformation of the company. Today, Telefónica is a global scale company with more than 320 million clients, positioning it among the ten largest telecommunications companies in the world.

José María Álvarez-Pallete explained that "the company has deeply changed since its origins, keeping the spirit of permanent change and the ambition to be relevant in our DNA: relevant in the digital ecosystem, in all our markets, and especially relevant to people". He also reminded us that the

¹ Share price 9.5€ on 04/29/2016

aim of the company is to become an Onlife Telco, a telco for and by the people. In this sense, Telefónica has the largest home fiber network available in Spain with more than 14.3 million connected real estate units, and is the European country with the largest number of clients connected with this technology. As for the penetration of LTE, this is 75% in Europe and 43% in Latin America.

He also highlighted that at this time of technological disruption where connectivity is the corner stone, Telefónica is building its future with the support of four major, distinctive technological platforms. Thus, the first of these platforms is made up of the company's physical assets such as stores, data centers, etc., and the second of networks, operations and differential commercial systems "with unrivalled storage and processing capabilities", explained Álvarez-Pallete. The third platform consists in the best products and services platforms, while the fourth platform that Telefónica is building is that of client knowledge, tightly linked to Big Data, and that will help the client to recover sovereignty over his/her digital life.

In this context, the Executive Chairman reminded us of the company's strategic plan based on connectivity, a comprehensive offer, and differential experience, as well as the key enablers in which the company will support itself in order to develop this value proposal: Big Data and innovation, end-to-end digitalization, the assignment of capital, and simplification.

Approval of agreements

Together with the rest of the proposals, the Annual General Shareholders Meeting ratified the designation of four new independent board members: Ignacio Cirac, Javier Echenique, Sabina Fluxà, and Peter Loschër. These designations reinforce the company's maximum management body with new knowledge and skills which will help build the future of Telefónica in the current environment of technological disruption.

José María Álvarez-Pallete presented the balance of the 2015 period and the accounts, which were also green lighted by the shareholders, and explained that last year's results constitute an excellent starting point upon which to continue moving forward in the transformation of the company, and encouraged us to capture the opportunities that the digital era presents us. Regarding the current economic period, the President of Telefónica assured that the results of the first quarter confirm that the company is advancing in the direction of, and in line with, the proposed objectives.

Lastly, the Telefónica Annual General Shareholders Meeting, which received the sustainable event certification from Eventsost, also approved the re-election of the accounts auditor, Ernst & Young, for the 2016 period, as well as the election of a new auditing firm, PriceWaterhouseCoopers, for the next three periods, 2017, 2018, and 2019.