TELEFÓNICA S.A., pursuant to article 82 of the Spanish Securities Market Act (Ley del Mercado de Valores), hereby reports the following

**SIGNIFICANT EVENT**

The Company informs that, pursuant to the resolution of the share capital reduction, by the cancellation of own shares, adopted by the Annual General Shareholders’ Meeting of Telefónica held on June 12, 2015, and following the execution agreement adopted by the Board of Directors of the Company, the public deed of this share capital reduction has been registered in the Madrid Mercantile Registry (Registro Mercantil).

Therefore, 74,076,263 of the own shares of Telefónica, S.A. have been cancelled, reducing the company’s share capital by the same amount, which now stands at 4,864,341,251 euros, made up of an equal number of ordinary shares, all of a single series and with a nominal value of one (1) euro per share.


**SPANISH NATIONAL SECURITIES MARKET COMMISSION**

-MADRID-