



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 Stock Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

Following the Significant Event submitted on November 13, 2015, (register number 230957) the Company informs that on December 2, the free-of-charge allotment rights trading period for the free-of-charge capital increase related to the shareholder compensation by means of a *scrip dividend* ("Telefónica's Flexible Dividend"), ended.

The shareholders of 20.01% of the free-of-charge allotment rights have accepted the purchase commitment assumed by Telefónica, S.A. The gross amount paid by Telefónica, S.A. for these rights amounted to 335,775,673.59 euros. The company has waived the rights thus acquired, that have been amortized.

The shareholders of 79.99% of the free-of-charge allotment rights are entitled, therefore, to receive new shares of Telefónica S.A. Nevertheless, the Company has waived the free-of-charge allotment rights that correspond to the treasury shares at the Record Date (November 17, 2015).

Therefore, the final number of ordinary shares with a nominal value of one (1) euro issued in the capital increase is 110,857,946, corresponding to 2.3% of the share capital, being the amount of the capital increase 110,857,946 euros. As a result, the amount of the share capital of Telefónica, S.A. after the capital increase, registered today in the Commercial Registry of Madrid, has been set at 4,975,199,197 euros, divided into 4,975,199,197 shares.

Also, it is expected that the new shares will be admitted to listing on the four Spanish Stock Exchanges and will be traded on the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil Español*) next, December 15, 2015 so that the ordinary trading of the new shares in Spain will begin on, December 16, 2015. The admission to listing of the new shares on the different foreign Stock Exchanges where Telefónica, S.A. is listed will also be requested.

Madrid, December 11, 2015.



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

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