



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 11, 2016 (under register number 244665), the Company informs that on November 29, 2016, 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 29.99% of the free-of-charge allotment rights have accepted the purchase commitment assumed by Telefónica, S.A. The gross amount to be paid by Telefónica, S.A. for these rights amounts to 499,707,062.36 euros. The company has waived the rights thus acquired, that have been amortized.

On the other hand, the shareholders of 70.01% of the free-of-charge allotment rights have opted to receive new shares of Telefónica S.A. Therefore, the final number of ordinary shares with a nominal value of one (1) euro issued in the capital increase is 137,233,781, corresponding to 2.8% of the share capital, being the amount of the capital increase 137,233,781 euros. As a result, the amount of the share capital of Telefónica, S.A. after the capital increase has been set at 5,037,804,990 euros, divided into 5,037,804,990 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 13, 2016 so that the ordinary trading of the new shares in Spain will begin on, December 14, 2016. 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 1, 2016.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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