



**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**

Telefónica España has signed the 1<sup>st</sup> Collective Agreement of Related Companies ("CEV"), wholly backed by the largest trade unions. Said agreement considers, among other elements, an "Individual Suspension Plan", which is entirely voluntary in the period 2016-2017. In relation to the aforementioned Plan, the Company informs that:

- Having signed the agreement, the Company has opened the registration period for employees to sign up to the Plan.
- The current value of the expenses of the Plan is estimated to be approximately 2,900 million euros before taxes, which will be booked as non-recurrent personnel expenses in the fiscal year 2015.
- This initiative is in line with efforts to continue advancing in the Company's transformation and simplification and it will permit greater expense efficiencies from 2016. The estimated run rate of savings in direct expenses is approximately 370 million euros from year two.
- The impact of these measures on Telefónica's cash generation is positive from the first year.

The Company reiterates the objectives set for 2015, which exclude non-recurrent restructuring expenses such as those mentioned previously, and confirms its shareholder remuneration commitments for 2016.

Madrid, January 28, 2016.

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