



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

TELEFÓNICA, S.A. ("TELEFÓNICA"), in accordance with the provisions of Article 228 of the Securities Market Act, hereby issues the following

SIGNIFICANT EVENT

Further to Relevant Events notices nos. 235,833 and 235,865 published on March 2, 2016 in relation to the issue by TELEFÓNICA of equity-linked bonds (the "Bonds"), via its wholly-owned subsidiary Telefónica Participaciones, S.A.U. (the "Issuer"), we hereby announce that the reference price of the TELEFÓNICA shares for the purpose of the Cash-Settlement Option (defined as Conversion Price in the terms of the Bonds) has been set at 11.9215 euros.

This reference price for the purpose of the Cash-Settlement Option represents a premium of 20% to the arithmetic mean of the volume-weighted average price of the TELEFÓNICA shares on the Spanish Securities Markets in the trading sessions between March 3 and 16, 2016 (both inclusive), as described in the terms and conditions of the Bonds, which was 9.9346 euros.

This reference price is equal to the exercise price of the call options for the TELEFÓNICA shares acquired by TELEFÓNICA in order to hedge the Issuer and TELEFÓNICA's exposure in the event of exercise of the Cash-Settlement Option by the holders of the Bonds.

Madrid, March 16, 2016.

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

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