



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

#### **SIGNIFICANT EVENT**

As far as the resolution of a reduction in share capital adopted by the Annual General Shareholders' Meeting of TELEFÓNICA, S.A., held on May 12, 2016, (cancellation of shares of the Company's own stock, subject to effective receipt of the proceeds from the closing of the sale of Telefonica's operations in O2 UK), the Board of Directors of the Company has decided, at its meeting held today, to waive the condition precedent established by said resolution, and consequently, proceed to carry out the corresponding share capital reduction, by means of the cancellation of 74,627,988 shares of the Company's own stock, which represent, approximately, 1.5% of the Company's current share capital.

In the following days, the appropriate requirements for said execution will be carried out, and such execution will be announced through the corresponding significant event.

Madrid, September 28, 2016

**SPANISH NATIONAL SECURITY MARKET COMMISSION**  
**-MADRID-**