



RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES
Secretario General y
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TELEFÓNICA, S.A.

TELEFÓNICA, S.A., pursuant to article 228 of the Spanish Securities Market Law (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

In relation to the offering of shares in its telecommunication infrastructures subsidiary Telxius Telecom, S.A.U. ("Telxius"), Telefónica, S.A. ("Telefónica") and the Joint Global Coordinators have decided to abandon the offering, considering inadequate the valuation of the company Telxius implicit in the purchase orders received. Telefónica confirms that it will continue analyzing strategic alternatives in relation to such asset.

Madrid, 29 September 2016.

SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID -



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IMPORTANT INFORMATION

This announcement is an advertisement and does not constitute an offering memorandum and nothing herein contains an offering of securities. No one should purchase or subscribe for any shares in Telxius Telecom, S.A. ("Telxius" the "Company") except on the basis of information contained in the prospectus published by the Company in connection with its initial public offering, which is available at the registered office of Telxius (Ronda de la Comunicación, s/n, Distrito Telefónica, 28050 – Madrid (Spain)), at that of the CNMV (Calle Edison 4, 28006 Madrid (Spain) and Passeig de Gràcia 19, 08007 Barcelona (Spain)), and on the websites of Telxius (www.telxius.com) and of the CNMV (www.cnmv.es).

Neither Telefónica, S.A. nor the Company intends to register any securities referred to herein under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and any such securities may not be offered or sold in the United States absent registration under the Securities Act or an available exemption from it. Neither this announcement nor any copy of it may be taken or transmitted into or distributed in Australia, Canada or Japan or any other jurisdiction which prohibits the same or to any securities analyst or other person in any of those jurisdictions. Any failure to comply with this restriction may constitute a violation of the securities laws of those countries.

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