



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

Further to Relevant Event published on September 28, 2016 (registered under number 243178), the Company informs that the formalities for the execution of the resolution of the share capital reduction, by the cancellation of own shares (adopted by the Annual General Shareholders' Meeting of Telefónica held on May 12, 2016), have concluded, having the corresponding public deed of this share capital reduction been registered in the Madrid Mercantile Registry (*Registro Mercantil*).

Therefore, 74,627,988 shares of Telefonica's S.A. own stock have been cancelled, reducing the company's share capital by the same amount, which now stands at 4,900,571,209 euros, made up of an equal number of ordinary shares, all of a single series and with a nominal value of one (1) euro per share.

Madrid, October 13, 2016

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