



**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**

Telefonica's Board of Directors has agreed that on the Executive Commission scheduled for November 11, 2016, the appropriate corporate resolutions to carry out the execution of the free-of-charge capital increase, related to the shareholder compensation by means of a *scrip dividend* ("Telefónica's Flexible Dividend"), approved by the Annual General Shareholder's Meeting held on May 12, 2016, should be adopted. Therefore, the five trading sessions prior to the abovementioned November 11 will determine the market price that will apply to the free-of-charge allotment rights purchase price setting formula and to the provisional number of shares to issue formula.

In this regard, it is expected that the free-of-charge allotment rights derived from the capital increase will be allotted to Telefónica, S.A. shareholders who are legitimated as such in the book-entry records of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.* (Iberclear) on November 16, 2016 (*record date*), being November 14, 2016 (23:59 hours CET)<sup>1</sup> the last trading date with the right to participate in the mentioned *scrip dividend*.

Madrid, October 27, 2016

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

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<sup>1</sup> This date could suffer changes or have particular conditions regarding Telefonica's shares or ADSs admitted to trading in markets outside Spain.