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*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

Today, TELEFÓNICA, S.A., through its wholly-owned subsidiary TELEFÓNICA EMISIONES, S.A.U., under its Guaranteed Euro Programme for the Issuance of Debt Instruments (EMTN Programme) filed with the Financial Conduct Authority (FCA) in London on September 13, 2016, has launched an issuance of Notes guaranteed by TELEFÓNICA, S.A. in the Euro market in an aggregate principal amount of 1,750 million euros.

This issue was split into two tranches. The first tranche, amounting 1,250 million euros, due on January 17, 2025, pays an annual coupon of 1.528%, issued at par. The second tranche, amounting 500 million euros, due on October 17, 2028, pays an annual coupon of 2.318%, issued at par.

The settlement and closing date is scheduled for execution on January 17, 2017.

Madrid, January 10, 2017

"This announcement is neither an offer to sell nor a solicitation of an offer to buy any of the securities referred to herein and shall not constitute an offer, solicitation nor sale in any jurisdiction in which such offer, solicitation or sale is unlawful -including but not limited to the United States, Australia, Canada or Japan-.

The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and may not be offered or sold in the United States absent registration or pursuant to an exemption from the registration requirements of the Securities Act and in accordance with applicable state securities laws."

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