



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

Following the Significant Events published on February 21, 2017 (under registration number 248301) and October 24, 2017 (under registration number 257729) related to the agreement (the "**Agreement**") reached between Telefónica and Taurus Bidco S.à.r.l. (hereinafter "**KKR**", an entity managed by Kohlberg Kravis Roberts & Co. L.P.) for the sale of up to 40% of the share capital of Telxius Telecom, S.A.U. ("**Telxius**"), Telefónica announces that KKR has exercised today the call option foreseen in the Agreement over 38 million shares of Telxius (representing 15.2% of its share capital) in exchange for 484.5 million euros (12.75 euros per share).

Following the closing of this sale of 15.2% of the share capital of Telxius, expected for December 2017, together with the 24.8% of the share capital acquired on October 24, 2017, KKR shall have acquired 40% of the share capital of Telxius in exchange for an aggregate amount of 1,275 million euros (12.75 euros per share).

This transaction has no impact on the consolidated results of the Telefónica Group as it consists on the sale of a minority interest, with Telefónica retaining control over Telxius.

This transaction is part of the Telefónica Group's asset portfolio management policy, based on a strategy of value creation and strategic positioning. It also complements the objective of organically reducing debt in a growing cash flow scenario.

Madrid, November 13, 2017

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