

TELEFÓNICA, S.A.

Ordinary General Shareholders' Meeting

By resolution of the Board of Directors of TELEFÓNICA, S.A., the shareholders are hereby called to the Ordinary General Shareholders' Meeting, to be held in **Madrid, at the Recintos Feriales of IFEMA (Feria de Madrid), Campo de las Naciones, Parque Ferial Juan Carlos I, Pabellón 3, at 12:00 p.m. on June 9, 2017** on second call, in the event that the legally required quorum is not reached and therefore the Meeting cannot be held on the first call that is hereby called on June 8, 2017 at the same place and time, in order to deliberate and decide upon the matters included in the following

AGENDA

- I. Results and management of the Board of Directors of Telefónica, S.A. during fiscal year 2016.
 - I.1 Approval of the Annual Accounts and of the Management Report of both Telefónica, S.A. and of its Consolidated Group of Companies for fiscal year 2016.
 - I.2 Approval of the management of the Board of Directors of Telefónica, S.A. during fiscal year 2016.
- II. Approval of the Proposed Allocation of the Profits/Losses of Telefónica, S.A. for fiscal year 2016.
- III. Re-election, ratification and appointment of Directors, if applicable.
 - III.1 Re-election of Mr. José María Álvarez-Pallete López as executive Director.
 - III.2 Re-election of Mr. Ignacio Moreno Martínez as proprietary Director.
 - III.3 Ratification and appointment of Mr. Francisco Riberas Mera as independent Director.
 - III.4 Ratification and appointment of Ms. Carmen García de Andrés as independent Director.
- IV. Establishment of the number of members of the Board of Directors at seventeen.
- V. Shareholder compensation. Distribution of dividends with a charge to unrestricted reserves.
- VI. Delegation to the Board of Directors of the power to issue debentures, bonds, notes and other fixed-income securities and hybrid instruments, including

preferred stock, in all cases be they simple, exchangeable and/or convertible and/or granting the holders thereof a share in the earnings of the company, as well as warrants, with the power to exclude the pre-emptive rights of shareholders. Authorization to guarantee issuances by companies of the Group.

VII. Delegation of powers to formalize, interpret, remedy and carry out the resolutions adopted by the shareholders at the General Shareholders' Meeting.

VIII. Consultative vote on the 2016 Annual Report on Directors' Remuneration.

SUPPLEMENT TO THE CALL TO THE GENERAL SHAREHOLDERS' MEETING

Shareholders representing at least three percent of the share capital may request the publication of a supplement to this call to the General Shareholders' Meeting, including one or more items on the Agenda, provided the request is accompanied by the rationale therefor or, if appropriate, by a well-founded proposed resolution. This right must be exercised by means of verifiable notice (which will include the corresponding documents evidencing shareholder status) that must be received at the Company's registered office (Gran Vía, número 28, Madrid, código postal 28013, to the attention of the General Secretary and Secretary of the Board of Directors) within five days of the publication of this call to meeting. In addition, and as provided in Section 519 of the Companies Act, shareholders representing at least three percent of the share capital may, within five days following publication of this notice of call, submit well-founded proposed resolutions on matters that have already been included or that must be included in the Agenda.

RIGHT TO RECEIVE INFORMATION

In connection with Items I, II, III, VI, and VIII on the Agenda, and pursuant to applicable laws and regulations, it is stated for the record that shareholders have the right to examine and obtain at the Company's registered office, or to request the Company to send them, immediately and free of charge, a copy of the following documents:

- Individual and consolidated Annual Accounts of Telefónica, S.A. and the proposed allocation of profits/losses, all for fiscal year 2016.
- Individual and consolidated Management Reports of Telefónica, S.A. for fiscal year 2016.
- Audit Reports on the individual and consolidated Annual Accounts of Telefónica, S.A. for fiscal year 2016.
- Reports of the Board of Directors regarding the proposed re-election, ratification and appointment of Directors, if applicable, referred to in item III of the Agenda, which includes the full text of the proposals, the curriculum vitae of the candidates for re-election, ratification or appointment, their status, as well as the reasoned proposals of the Nominating, Compensation and Corporate Governance

Committee.

- Report of the Board of Directors regarding the proposed delegation to the Board of Directors of the power to issue securities to in item VI of the Agenda, which includes the full text of the proposal.
- The Annual Report on the Remuneration of Directors of Telefónica, S.A., which is submitted to a consultative vote under item VIII of the Agenda.

Pursuant to Sections 197 and 520 of the Companies Act, the shareholders may, until the fifth day prior to the date on which the General Shareholders' Meeting is scheduled to be held and by completing the form posted on the Company's corporate website (www.telefonica.com) for such purpose, or by postal correspondence sent to the Company's registered office (Gran Vía, número 28, Madrid, postal code 28013, to the attention of the Office of the Shareholder (*Oficina del Accionista*), request such information or clarifications as they deem necessary, or ask such questions as they deem appropriate, regarding the matters included on the Agenda or about the information available to the public that has been provided by Telefónica, S.A. to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) since May 12, 2016, i.e., the date on which the last General Shareholders' Meeting was held, or regarding the Auditor's reports mentioned above.

Independently of the right to receive information referred to above, as from the date of publication of the notice of call to meeting, the following documents and information, among others, may be viewed on the Company's corporate website (www.telefonica.com) and in the WebApp (<http://telefonica.com/meeting>) if accessing through mobile devices:

- This announcement of the call to meeting.
- The total number of shares and voting rights on the date of the call to meeting.
- The Individual Annual Accounts, the Management Report and the Auditor's Report for fiscal year 2016, as well as the Consolidated Annual Accounts, the Management Report of the Group and the Auditor's Report for the same fiscal year.
- The full text of the resolutions proposed regarding each of the items on the Agenda, as well as, in connection with items III and VI, the respective Reports of the Board of Directors, and in connection with item III, the Reports of the Nominating, Compensation and Corporate Governance Committee.
- The form of proxy-granting or distance voting card.
- The Annual Report on the Remuneration of Directors of Telefónica, S.A.
- The Annual Corporate Governance Report for fiscal year 2016.
- The current text of the By-Laws.
- The current text of the Regulations for the General Shareholders' Meeting.
- The current text of the Regulations of the Board of Directors.

- The Auditor's independence Report.
- The Audit and Control Committee Performance Report and the Nominating, Compensation and Corporate Governance Committee Performance Report.
- Audit and Control Committee Report for related-party transactions.
- Corporate Social Responsibility Policy Report.

RIGHT TO ATTEND THE MEETING IN PERSON OR BY PROXY

The right to attend the General Shareholders' Meeting hereby called accrues to shareholders that hold at least 300 shares registered in their name in the corresponding book-entry registry five days in advance of the date on which the Meeting is to be held and who provide evidence thereof by means of the appropriate attendance card or by producing a certificate issued by the Company or by any of the depositaries participating in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR), or by any other means allowed under applicable law.

Any shareholder having the right to attend the General Shareholders' Meeting may be represented thereat by another person, who need not be a shareholder. A proxy may be granted by using the proxy-granting form printed on the attendance card or by any other means allowed by Law. The documents containing proxies for the General Shareholders' Meeting must set forth the instructions regarding the direction of the vote. Where no express instructions are given, it shall be understood that the proxy-holder must vote in favor of the proposed resolutions submitted by the Board of Directors regarding the matters on the Agenda, and against the resolution in question in relation to any matters that are not included in the Agenda and are thus unknown on the date that the proxy is granted but which may be submitted to a vote at the General Shareholders' Meeting.

If the proxy-granting document does not set forth a specific person to whom the shareholder grants the proxy, such proxy shall be deemed granted in favor of the Chairman of the Board of Directors of the Company or of such other person as may replace him as Chairman of the General Shareholders' Meeting. In the event that the appointed representative is involved in a conflict of interest upon voting on any of the proposals, whether or not included in the Agenda, that are submitted to the shareholders at the General Shareholders' Meeting, and the shareholder has not given specific voting instructions, the proxy shall be deemed granted to the Secretary for the General Shareholders' Meeting.

Shareholders who do not hold the minimum number of shares required to attend may grant a written proxy in respect thereof in favor of another shareholder having the right to attend, or come together with other shareholders that are in the same situation, such that they reach the required number of shares, and grant a written proxy to one of such shareholders.

PROXY-GRANTING AND VOTING BY MEANS OF LONG-DISTANCE

COMMUNICATION

Pursuant to Articles 20 and 25 of the By-Laws and 13 and 22 of the Regulations for the General Shareholders' Meeting and to the resolution adopted by the Board of Directors as permitted by the aforementioned provisions, the exercise of proxy representation and voting rights by means of long-distance communication shall be governed by the following provisions:

1.- Proxy-granting or voting prior to the General Shareholders' Meeting by electronic means.

Shareholders wishing to grant a proxy or to cast their vote by electronic means prior to the holding of the General Shareholders' Meeting must access the "2017 General Shareholders' Meeting/Proxy-granting and Voting by Electronic Means" section available on the Company's corporate website (www.telefonica.com) (the "Website") and follow the instructions to grant a proxy or to exercise their right to vote prior to the General Shareholders' Meeting that are specified therein.

To such end, shareholders must provide evidence of their identity on the software provided for such purpose on the above-mentioned Website by means of: (i) the Electronic National Identity Document, or (ii) a recognized, valid and current electronic user certificate, as provided in Electronic Signature Act 59/2003, of December 19, issued by the Spanish Public Certification Body (CERES), a division of the *Fábrica Nacional de Moneda y Timbre* (Spanish Royal Mint). The Company reserves the right to request such additional means of identification from shareholders as it deems necessary to verify their status as shareholders and to guarantee the authenticity of the vote and of the proxy-granting.

2.- Proxy-granting or voting prior to the General Shareholders' Meeting by postal correspondence.

Shareholders wishing to grant a proxy or to cast their vote by postal correspondence may complete and sign the proxy-granting or distance voting card prepared by the Company and send it to the attention of the Office of the Shareholder (Distrito Telefónica, Ronda de la Comunicación s/n, Edificio Central, planta 2, 28050 Madrid).

Also, the shareholder may grant a proxy or vote through cards issued by depositories. In this case, the shareholder must complete the items relating to the proxy-granting or distance voting, if any, in the card issued by the depositary, and send it by postal correspondence to the Company, to the attention of the Office of the Shareholder (Distrito Telefónica, Ronda de la Comunicación s/n, Edificio Central, planta 2, 28050 Madrid).

Shareholders that are legal entities must send to the Company a photocopy of a power of attorney with sufficient powers, evidencing the authority of the individual signing the proxy-granting or distance voting card in the name of the legal entity.

If a proxy is granted to a person other than one of the members of the Board of Directors, a copy of the proxy-granting card must be sent to the proxy-holder for delivery at the entry doors to the premises on the day of the General Shareholders' Meeting.

Should they wish to revoke the proxy granted, shareholders must contact the Company, at the Office of the Shareholder (phone no.: 900 111 004) before midnight on June 5, 2017.

Shareholders may obtain the Company's proxy-granting or distance voting card by downloading and printing it from the Website, by picking it up at the registered office of the Company, or by requesting the Office of the Shareholder (telephone 900 111 004 / mail accion.telefonica@telefonica.com) to send them without charge.

3.- Provisions common to the exercise of proxy-granting or voting rights by means of long-distance communication.

a) Deadline for receipt by the Company and verification of shareholder status.

In order to be valid, both the proxies granted and the votes cast prior to the General Shareholders' Meeting by means of long-distance communication (whether by electronic means or by postal correspondence) must be received by the Company before midnight on June 5, 2017.

The proxy or distance vote shall only be deemed to be valid if the status as shareholder is confirmed, through verification of the fact that the ownership information and the number of shares provided by each person granting a proxy or voting by means of long-distance communication are the same as the data provided by IBERCLEAR. In the event of a discrepancy between the number of shares reported by the shareholder and the number set forth in the IBERCLEAR file, the number of shares provided by IBERCLEAR shall prevail for purposes of quorum and voting.

In the event of co-ownership of shares, the person granting the proxy or the vote from a distance shall be deemed to have been appointed to exercise the shareholder rights, if such person is one of the co-owners.

b) Rules of priority between proxy-granting and voting by means of long-distance communication and attendance at the General Shareholders' Meeting.

Attendance at the General Shareholders' Meeting by a shareholder who has previously granted a proxy or voted by means of long-distance communication (whether by electronic means or by postal correspondence), shall render the proxy or the vote null and void.

In the event that a shareholder grants several proxies or casts several votes (whether by electronic means or by postal correspondence), the action (proxy-granting or voting) taken last shall prevail. If the time when the shareholder granted any of the proxies or cast any of the votes is uncertain, the vote (regardless of the means

used to cast it) shall prevail over the proxy-granting. If the shareholder cast several votes in different directions, by electronic or postal means, the vote cast last shall prevail.

c) Suspension of electronic systems / Interconnection failures.

The Company reserves the right to modify, suspend, cancel or limit electronic voting or proxy-granting mechanisms whenever technical or security reasons require it or make it advisable. If any of such instances occurs, it will be announced on the Company's corporate website. All of the foregoing is without prejudice to the validity of the votes already cast and the proxies already granted and to shareholders' attendance and proxy representation rights.

The Company shall not be liable for any damage that may be sustained by shareholders as a result of failures, overloads, downtime, failed connections or any other contingency of the same or like nature beyond the Company's control that prevents the use of electronic voting or proxy-granting mechanisms. Accordingly, such circumstances shall not constitute an unlawful deprivation of shareholders' rights.

d) Other matters.

Both proxies granted and votes cast by means of long-distance communication shall be rendered void by the disposal of the shares that the Company becomes aware of.

ELECTRONIC SHAREHOLDERS' FORUM

Pursuant to the provisions of Section 539.2 of the Companies Act, on the occasion of the call to meeting and until the General Shareholders' Meeting is held, Telefónica, S.A. has enabled an Electronic Shareholders' Forum on the Company's corporate website (www.telefonica.com), which shall be accessible, with appropriate safeguards, by both individual shareholders and any shareholder associations they may create.

Proposed resolutions sought to be submitted as a supplement to the agenda announced in the call to meeting may be published in the Forum, together with requests for adherence to such proposals, initiatives to reach the percentage sufficient to exercise a minority right provided by law, and proxy offers or solicitations.

The Forum is not a mechanism for online electronic conversation between the shareholders of Telefónica, S.A. and the voluntary associations they may create or a forum for electronic debate. The Forum is also not a channel for communication between Telefónica, S.A. and its shareholders and the associations they may create. The Forum is provided for the sole purpose of facilitating communications between Telefónica, S.A. shareholders and the voluntary associations they may create, on the occasion of the call to meeting and until the day the General Shareholders' Meeting is held.

Instructions for access to and use of the Forum may be found in the "2017 General Shareholders' Meeting/Electronic Shareholders' Forum" section.

PARTICIPATION OF A NOTARY AT THE MEETING

The Board of Directors has resolved to request the presence of a Notary Public to draw up the minutes of the General Shareholders' Meeting, pursuant to Section 203 of the Companies Act, read together with Sections 101 and 103 of the Regulations of the Commercial Registry.

DATA PROTECTION

The personal data sent by the shareholders to the Company to exercise their rights to attend, grant proxies and vote at the General Shareholders' Meeting, or the personal data provided for such purpose by the entities that are the depositaries of the shares held by such shareholders, shall be used by Telefónica, S.A. to manage the development, compliance with and control of the shareholding relationship. Such data shall be provided to the Notary Public exclusively in connection with the preparation of the notarized minutes of the General Shareholders' Meeting.

Furthermore, pursuant to the Personal Data Protection Act, Organic Law 15/1999, of December 13, the data received will be kept in a file for which Telefónica, S.A. is responsible, and the purpose of which is to send shareholders information relating to their investment inherent to their status as shareholders of the Company, and the development, management and control of the exercise of their rights as shareholders, along with facilitating communication between shareholders on occasion of the General Shareholders' Meeting. Shareholders may object to such processing at any time (for which purposes they may call the toll-free number 900 111 004).

The rights of access, correction, cancellation and challenge may be exercised by the owner of the personal data, who must provide evidence of the owner's identity, by letter addressed to the Office of the Shareholder of Telefónica, S.A., Distrito Telefónica, Ronda de la Comunicación s/n, Edificio Central, planta 2, 28050 Madrid.

If the shareholder includes personal data of other individuals on the proxy-granting or distance voting card, the shareholder must advise them of the details set forth in the preceding paragraphs and comply with any other requirements that may apply for the proper communication of the personal data to the Company, without the Company having to take any other additional action in terms of information or consent.

Shareholders (and their proxies, if any) must use any personal data of any individual that the Company may have made available to them on the occasion of the exercise of their rights to receive information, to attend, to grant a proxy and to vote at the General Shareholders' Meeting only in order to exercise such rights.

FOR ANY ADDITIONAL INFORMATION, SHAREHOLDERS MAY CONTACT TELEFÓNICA'S SHAREHOLDERS OFFICE BY CALLING TOLL-FREE AT 900 111 004, FROM 9:00 A.M. TO 7:00 P.M., MONDAY THROUGH FRIDAY OR BY SENDING AN EMAIL TO accion.telefonica@telefonica.com.

Madrid, May 4, 2017
General Secretary and Secretary of the Board



2017 General Shareholders' Meeting of
Telefónica, S.A.