



RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES
*General Secretary and
Secretary to the Board of Directors*
TELEFÓNICA, S.A.

TELEFÓNICA, S.A. ("Telefónica") as provided in article 82 of the Spanish Stock Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

The Company announces that the 2014 consolidated financial statements will use the exchange rate of the Venezuelan bolivar set at the previously denominated SICAD II, (set at 50 Venezuelan bolivar fuerte per dollar in the last auction), for the purpose of translating the transactions, cash flows and balances related to the investments in Venezuela.

Therefore, the main impacts for Telefónica Group during the 2014 fourth quarter are:

- A decrease in the Telefónica Group's net assets in Venezuela against Equity of an approximate amount of 2,840 million euros, taking as a base the net assets as of 31 December 2014.
- As part of the decrease mentioned in the previous paragraph, the equivalent in euros of the net financial assets denominated in Venezuelan bolivar fuerte is reduced, for an approximate amount of 1,231 million euros.
- The results from Venezuela in 2014 are translated at the new exchange rate, which implies a reduction in OIBDA and net income of 915 million euros and 399 million euros, respectively.

The Company has decided to take the aforementioned exchange rate at the end of 2014 as a reference, as being the most representative among the available exchange rates as of that date, for the monetary translation of the accounting figures of cash flows and balances.

This modification is the second adjustment to the contribution of Venezuela in the 2014 financial information (after the adjustment in the first quarter) and implies a change from 6.30 to 50 Venezuelan bolivar fuerte per dollar, leaving Venezuela's contribution to the Group's revenue at around 1% and the net cash position up to 390 million euros equivalent at year end and, therefore, minimizing the impact of any potential future adjustment.



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The exchange conversion capacity and the access to foreign exchange for the various operations of the Company will be assessed considering the new exchange system in place for 2015.

Telefónica wishes to emphasize that these adjustments do not affect the investment nor growth plans in Venezuela in terms of bolivars, reaffirming the commitment of the Company to continue developing telecommunications in the country, recently reflected in the allocation of spectrum that will materialize shortly with the launch of 4G.

Madrid, February 16, 2015.

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