



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 Securities Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

Following the decision taken by the Government of Venezuela on February 8, 2013, in connection with the devaluation of the bolivar from 4.3 bolivars per dollar to 6.3 bolivars per dollar, the Company announces the effects of this devaluation for the Telefónica Group.

As required by International Financial Reporting Standards (IFRS), the devaluation is a subsequent event to 2012 year-end that does not require modifying the exchange rate used to translate the financial information of 4.3 bolivars per dollar.

In this regard, the decision adopted by the Venezuelan Government only affects the estimations made by the Group on the liquidation value of the net foreign currency position related to the investments in Venezuela, whose impact on the 2012 financial year amounts to an approximate pre-tax loss of 438 million euros, with no impact on debt.

The new exchange rate of 6.3 bolivars per dollar will be used from 2013 in the translation of the financial information of the Venezuelan companies, being the main aspects to consider the following:

- The decrease in the net assets of the Telefónica Group in Venezuela as a result of the translation to euro using the new exchange rate to be recognized in equity of the Group, for an approximate amount of 1,000 million, based on the net assets as of December 31, 2012.
- As part of the aforementioned decrease, there will be a reduction on the euro value of the net financial assets denominated in bolivars, for approximately 873 million euros, considering the existing balance as of December 31, 2012.
- The results and cash flows from Venezuela will be translated at the new devalued exchange rate from January 1, 2013.

Madrid, February, 15, 2013.