



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

TELEFÓNICA, S.A. ("**TELEFÓNICA**" or the "**Company**"), in accordance with the provisions of Article 228 of the Securities Market Act, hereby issues the following

### SIGNIFICANT EVENT

Further to Relevant Event notice no. 235,833 published on this date in relation to the issue by TELEFÓNICA of cash-settled equity-linked bonds (the "**Bonds**"), via its subsidiary Telefónica Participaciones, S.A.U. (the "**Issuer**"), we hereby announce that, once the bookbuild carried out by the Joint Bookrunners has concluded, the final terms of the Bonds have been set as follows:

1. The final amount of the issue will be 600 million euros.
2. The issue price of the Bonds will be 101.25% of their nominal value.
3. The Bonds will accrue interest at a rate of 0% per annum.
4. The Bonds will include a cash-settled conversion option (the "**Cash-Settlement Option**"), which the holders may exercise from 9 November 2020 to the 33<sup>rd</sup> scheduled trading date before the final maturity date, or earlier in certain circumstances. Upon conversion the holders will receive a cash payment to be determined in part by reference to the trading price of the shares of TELEFÓNICA. Neither TELEFÓNICA nor any of its group companies will be required to issue or deliver shares upon exercise of this option or upon redemption of the Bonds.

The reference price of the TELEFÓNICA shares for the purpose of the Cash-Settlement Option will be determined by applying a premium of 20% to the volume-weighted average price of the TELEFÓNICA shares on the Spanish Securities Markets during a reference period of 10 consecutive trading days starting on 3 March 2016 (inclusive), and is expected to be announced by TELEFÓNICA around 16 March 2016.

It is envisaged that the issue of the Bonds will take place on 9 March 2016, provided the conditions stipulated in the subscription agreement that the Company and the Issuer have entered into with the Joint Bookrunners are met (the "**Subscription Agreement**").

The Subscription Agreement contains certain lock-up commitments from and including the date of this notice until 90 days after the issue date (both dates inclusive) whereby the Issuer and the Company undertake, among other restrictions, not to carry out issues, offers or sales of TELEFÓNICA shares and of securities that are



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convertible and/or exchangeable for TELEFÓNICA shares, subject to certain exceptions.

Concurrently with the issue of the Bonds, TELEFÓNICA has purchased from certain financial institutions cash-settled call options on TELEFÓNICA shares in order to hedge the Issuer and TELEFÓNICA's exposure to any payments to be made under the Cash-Settlement Option. The financial institutions have informed TELEFÓNICA that they anticipate entering into transactions in TELEFÓNICA shares to hedge their exposure under such call options, including during the averaging period for the determination of the reference price of the TELEFÓNICA shares and at or around the conversion or redemption of the Bonds. These transactions may affect the market price of TELEFÓNICA shares, the value of the Bonds and the amount received by holders on exercise of the Cash-Settlement Option.

Madrid, 2 March 2016.

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

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