

## ANNOUNCEMENT

### **Telefónica agrees to waive certain call rights on S&P Equity Content Cut**

**Madrid, 19 of November 2015.-** On 27 October 2015 Standard and Poor's (S&P) revised the equity content it originally assigned to the outstanding Undated Deeply Subordinated Notes (the "Securities") issued by Telefonica Europe BV (the "Issuer") and guaranteed by Telefónica S.A. (the "Guarantor") from "intermediate" (50%) to "minimal" (0%). According to S&P the conditions under which the Issuer may redeem its Securities in connection with certain rating agency actions are not consistent with S&P equity content criteria.

After reviewing the options available and taking into account the interests of all stakeholders, the Issuer and the Guarantor have decided to waive certain call rights in relation to its Securities by signing a Deed of Covenant ("the Deed").

In the Deed, the Issuer and the Guarantor irrevocably waive the right to call and redeem the Securities in case of a loss in equity content following a hypothetical downgrade in its senior rating. The Deed is for the benefit of the holders of the Securities.

Telefónica expects S&P to restore "intermediate" equity content to its outstanding Securities as a result of such undertaking.

A copy of the executed Deed of Covenant is available at [http://www.telefonica.com/en/shareholders-investors/pdf/docs\\_noindex/20151118\\_Deed\\_of\\_Covenant.pdf](http://www.telefonica.com/en/shareholders-investors/pdf/docs_noindex/20151118_Deed_of_Covenant.pdf)