



TELEFÓNICA EMISIONES, S.A.U.
(incorporated with limited liability under the laws of the Kingdom of Spain)
guaranteed by
TELEFÓNICA, S.A.
(incorporated with limited liability in the Kingdom of Spain)
€40,000,000,000

PROGRAMME FOR THE ISSUANCE OF WHOLESALE DEBT INSTRUMENTS

This supplement (the "**Supplement**") to the base prospectus dated 23 June 2010 (the "**Base Prospectus**") constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**") and is prepared in connection with the programme for the issuance of wholesale debt instruments (the "**Programme**") established by Telefónica Emisiones, S.A.U. (the "**Issuer**"). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

The purpose of this Supplement is to incorporate by reference into the Prospectus Telefónica's Annual Financial Report for the year 2010 and to update the section of the Prospectus entitled "Recent Developments".

IMPORTANT NOTICES

This Supplement is supplemental to, and should be read in conjunction with the Base Prospectus, and any other supplements to the Base Prospectus issued by the Issuer. Each of the Issuer and Telefónica, S.A. ("**Telefónica**" or the "**Company**") accepts responsibility for the information contained in this Supplement. To the best of the knowledge and belief of each of the Issuer and Telefónica (which have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement and any supplement to the Base Prospectus previously issued, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Instruments issued under the Programme since the publication of the Base Prospectus.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the prospectus directive except where such information or other documents are specifically incorporated by reference or attached to this Supplement.

Investors should be aware of their rights under Section 87Q(4) of FSMA 2000.

SUPPLEMENTARY INFORMATION

Publication of the Annual Financial Report of Telefónica covering the twelve month period ended 31 December 2010

On 15 April 2011, Telefónica published its Annual Financial Report for the twelve month period ended December 31, 2010. A translation from Spanish into English of this audited financial information has been filed with the Financial Services Authority and, by virtue of this Supplement, this financial report is incorporated in, and form part of, the Base Prospectus (amending page 6 of the Base Prospectus- "Incorporation by reference"). To the best of the knowledge of each of the Issuer and Telefónica, the English translation is an accurate, complete and direct translation of the original Spanish text.

This Annual Financial Report can be viewed on the website of Telefónica, at

www.telefonica.com/accionistaseinversores/

and on the website of the Regulatory News Services operated by the London Stock Exchange at

<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>

For the avoidance of doubt, the above-mentioned Uniform Resource Locators ("URLs") given in respect of web-site addresses are inactive textual references only and it is not intended to incorporate the contents of any such web sites into the Base Prospectus nor should the contents of such web sites be deemed to be incorporated into the Base Prospectus.

RECENT DEVELOPMENTS

Shareholder remuneration

On April 13, 2011, at its Eighth Investor Conference held in London, Telefónica reiterated its commitment to distribute a dividend of 1.75 euros per share for 2012, being the Company's intention to maintain the current practice so that this dividend will be payable in two tranches. For such purpose, the adoption of the corresponding corporate resolutions will be proposed.

Additionally, the Company announced a minimum annual shareholder remuneration target of 1.75 euros per share beyond 2012, the form of which (dividend, share buy-back or a combination of both) will be decided considering circumstances and investors' preferences by that time.

This information updates and amends the section entitled "Recent developments" on page 96 to 97 of the Base Prospectus.