



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 20 June 2011 (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 amend the information regarding the dividend payment scheme and the composition of the Board of Directors of the Guarantor that is contained in the Base Prospectus.

IMPORTANT NOTICES

This Supplement is supplemental to, and should be read in conjunction with the Base Prospectus and its supplements, dated 28 July 2011 and 11 November 2011. 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

RECENT DEVELOPMENTS

Revision of the dividend remuneration target

On December 14, 2011 the Board of Directors decided to anticipate the shareholder remuneration scheme initially set for 2013 in order to capture growth opportunities in the markets and enhance the Company's financial flexibility. The new scheme is as follows:

- The dividend for the year 2011 is maintained at 1.60 euro per share, having fulfilled already a first payment of 0.77 euro per share in November. The remaining amount (0.83 euro per share) will be distributed in May 2012 through the combination of a cash payment and a payment in-kind, the latter through the distribution of treasury shares of the Company for a maximum amount of 0.30 euro per share, and subject to market conditions.
- Total shareholder remuneration for the year 2012 will amount to 1.50 euro per share (including the payment of a cash dividend of 1.30 euro per share and a share buyback for the remaining amount).
- For the year 2013 the minimum total shareholder remuneration per share will be similar to the one for the year 2012 (1.50 euro per share). The remuneration mix (dividend, share buyback or the combination of both) will be decided considering market conditions and investor preferences at that time.

Changes in the composition of the Board of Directors

On December 14, 2011 the Board of Directors accepted the resignation of the Proprietary Director and Vice-Chairman, Mr. Vitalino Nafría Aznar, and agreed the interim appointment of Mr. Ignacio Moreno Martínez as new member of the Board of Directors, as Proprietary Director, as well as the appointment of Mr. José María Abril Pérez as Vice-Chairman of the Board.

This information updates and amends the section entitled "Recent developments" on page 96 to 97 and section entitled "Management of Telefónica" on page 100 of the Base Prospectus.