



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 12 June 2012 (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 Base Prospectus Telefónica, S.A.'s the Half-Yearly Financial Report covering the six-months period ended 30 June 2012 and to update the Prospectus with the following information: (i) the cancellation of the dividend and the share buyback program decided by the Board of Directors as well as (ii) the information related to the completion of the agreement for the acquisition by China United Network Communications Group Company Limited of a stake of China Unicom -Hong Kong- Limited, owned by Telefónica Internacional, S.A.U.

#### 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 Half-Yearly Financial Report by Telefónica***

On 26 July 2012, Telefónica published its Half-Yearly Financial Report covering the six-months period ended 30 June 2012. A translation from Spanish into English of this unaudited financial information has been filed with the Financial Services Authority and, by virtue of this Supplement, this interim financial report is incorporated in, and form part of, the Base Prospectus. The English translation is an accurate, complete and direct translation of the original Spanish text.

This Half-Yearly Financial Report can be viewed on the website of Telefónica, at

[www.telefonica.com/accionistaseinversores/](http://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***

#### ***Cancellation of the dividend and share buyback program***

On July 25, 2012 the Board of Directors decided that under the criteria of prudent administration it is in the best interest of all Telefónica's stakeholders that the dividend and share buyback program corresponding to 2012 be cancelled (including November 2012 and May 2013 cash and scrip payments, respectively) as a one-time exceptional measure.

The Company will resume its shareholder remuneration in 2013 by paying a dividend of 0.75 euros per share. The Company intends to pay in two tranches: a first payment in the fourth quarter of 2013 and a second one in the second quarter of 2014.

Also, with regard to the compensation of the Members of the Board, the Board of Directors decided to apply a reduction of 20% on their compensation. With respect to the Executives, including the Chairman, the remaining Executive Directors and the Senior Executives, there will also be a reduction of around 30% of their total compensation as a result of (i) the reduction of their remuneration in kind due to the

fact that no shares will be vested under the share plan (PSP) and (ii) other reductions already carried out during the first half of the year.

***Completion of the agreement for the acquisition by China United Network Communications Group Company Limited of a stake of China Unicom -Hong Kong- Limited, owned by Telefónica***

On July 30, 2012, after obtaining the relevant regulatory authorizations, the agreement signed on June 10, 2012 between Telefónica (through its 100% subsidiary, Telefónica Internacional, S.A.U.), and China United Network Communications Group Company Limited (through a 100% owned subsidiary), for the acquisition by this last company of 1,073,777,121 shares of China Unicom -Hong Kong- Limited, owned by Telefónica (equivalent to 4.56% of the share capital), was completed. Pursuant to this transaction, Telefónica received HK \$ 10,748 million (approximately € 1,142 million).