

Final Terms dated 13 January 2017

TELEFÓNICA EMISIONES, S.A.U.

**Issue of EUR 1,250,000,000 1.528 per cent. Instruments due January 2025
Unconditionally and Irrevocably Guaranteed by TELEFÓNICA, S.A.
under the EUR 40,000,000,000 Programme for the Issuance of Debt Instruments**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth on pages 25 to 58, inclusive, of the Base Prospectus dated 13 September 2016 and the supplements to it dated 26 September 2016, 30 September 2016, 27 October 2016 and 8 November 2016 which together constitute a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Instruments and must be read in conjunction with such Base Prospectus.

Full information on the Issuer, the Guarantor and the offer of the Instruments described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus as so supplemented. The Base Prospectus and the supplements to it are available for viewing at www.telefonica.com and copies may be obtained from Gran Vía, 28, 28013 Madrid (being the registered office of the Issuer), at the offices of The Bank of New York Mellon, London Branch at One Canada Square, London E14 5AL and at the offices of The Bank of New York Mellon (Luxembourg), S.A. at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU **provided, however, that** all references in this document to the "Prospectus Directive" in relation to any Member State of the European Economic Area refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and include any relevant implementing measure in the relevant Member State.

1.	(i)	Issuer:	Telefónica Emisiones, S.A.U.
	(ii)	Guarantor:	Telefónica, S.A.
2.	(i)	Series Number:	54
	(ii)	Tranche Number:	1
	(iii)	Date on which the Instruments become fungible:	Not Applicable
3.		Specified Currency or Currencies:	Euro (" EUR ")
4.		Aggregate Nominal Amount:	
	(i)	Series:	EUR 1,250,000,000
	(ii)	Tranche:	EUR 1,250,000,000
5.		Issue Price:	100.00 per cent. of the Aggregate Nominal Amount
6.	(i)	Specified Denominations:	EUR 100,000 and integral multiples of EUR 100,000 thereafter
	(ii)	Calculation Amount:	EUR 100,000

7.	(i)	Issue Date:	17 January 2017
	(ii)	Interest Commencement Date:	Issue Date
8.		Maturity Date:	17 January 2025
9.		Interest Basis:	1.528 per cent. Fixed Rate (See paragraph 14 below)
10.		Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
11.		Change of Interest or Redemption/Payment Basis:	Not Applicable
12.		Put/Call Options:	Not Applicable
13.	(i)	Status of the Instruments:	Senior
	(ii)	Status of the Guarantee:	Senior

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.		Fixed Rate Instrument Provisions	Applicable
	(i)	Rate of Interest:	1.528 per cent. <i>per annum</i> payable annually in arrear
	(ii)	Interest Payment Date:	17 January in each year. Not adjusted
	(iii)	Fixed Coupon Amount:	EUR 1,528 per Calculation Amount
	(iv)	Broken Amount(s):	Not applicable
	(v)	Day Count Fraction:	Actual/Actual (ICMA)
	(vi)	Determination Dates:	Not Applicable
15.		Floating Rate Instrument Provisions	Not Applicable

PROVISIONS RELATING TO REDEMPTION

16.		Call Option	Not Applicable
17.		Put Option	Not Applicable
18.		Final Redemption Amount of each Instrument	EUR 100,000 per Calculation Amount
19.		Early Redemption Amount	
		Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	EUR 100,000 per Calculation Amount
20.		Early Termination Amount	EUR 100,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

21.	Form of Instruments:	Bearer Instruments:
		Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the Permanent Global Instrument
22.	New Global Instrument:	Yes
23.	Relevant Financial Centre(s) or other special provisions relating to payment dates:	Not Applicable
24.	Talons for future Coupons or Receipts to be attached to Definitive Instruments (and dates on which such Talons mature):	No
25.	Details relating to Instalment Instruments: amount of each instalment, date on which each payment is to be made:	Not Applicable
26.	Redenomination, renominatisation and reconventioning provisions:	Not Applicable
27.	Consolidation provisions:	The provisions in Condition 15 (<i>Further Issues</i>) apply
28.	Instruments where the Specified Currency is Renminbi: Party responsible for calculating the Spot Rate:	Not Applicable
29.	Commissioner:	Not Applicable

SIGNED on behalf of
TELEFÓNICA EMISIONES, S.A.U.:

By:
Duly authorised

SIGNED on behalf of
TELEFÓNICA, S.A.:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Admission to trading Application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from the Issue Date.
- (ii) Estimate of total expenses related to admission to trading: GBP 3,650

2. RATINGS

Ratings: The Instruments to be issued have been rated:

Standard & Poor's Credit Market Services France SAS ("**S&P**"): BBB

Moody's Investors Service España, S.A. ("**Moody's**"): Baa3

Fitch Ratings Limited ("**Fitch**"): BBB

Each of S&P, Moody's and Fitch is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Save for any fees payable to the Joint Lead Managers, so far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer. The Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.

4. YIELD

Indication of yield: 1.528 per cent. *per annum*

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. OPERATIONAL INFORMATION

ISIN: XS1550951211

Common Code: 155095121

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): Not Applicable

Delivery: Delivery against payment

Names and addresses of initial Paying Agent(s): The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL

Names and addresses of additional Paying Agent(s) (if any): Not Applicable

6. **DISTRIBUTION**

US Selling Restrictions:

Reg. S Compliance Category 2 / TEFRA D