

TELEFÓNICA, S.A.

Ordinary General Shareholders' Meeting

By resolution of the Board of Directors of TELEFÓNICA, S.A., the shareholders are hereby called to the Ordinary General Shareholders' Meeting, to be held in **Madrid, at the premises of IFEMA (Feria de Madrid), Campo de las Naciones, Parque Ferial Juan Carlos I, Pabellón 9**, on May 13, 2012 at 1:00 p.m. on first call, or, in the event that the legally required quorum is not reached and therefore the Meeting cannot be held on first call, on May 14, 2012 on second call, at the same place and time, in order to deliberate and decide upon the matters included in the following

AGENDA

- I. Examination and approval, if applicable, of the Individual Annual Accounts, the Consolidated Financial Statements (Consolidated Annual Accounts) and the Management Report of Telefónica, S.A. and of its Consolidated Group of Companies, as well as of the proposed allocation of the profits/losses of Telefónica, S.A. and the management of its Board of Directors, all with respect to Fiscal Year 2011.
- II. Re-election, ratification and appointment, if applicable, of Directors:
 - II.1 Re-election of Mr. César Alierta Izuel.
 - II.2 Re-election of Mr. José María Álvarez Pallete López.
 - II.3 Re-election of Mr. Gonzalo Hinojosa Fernández de Angulo.
 - II.4 Re-election of Mr. Pablo Isla Álvarez de Tejera.
 - II.5 Ratification of Mr. Ignacio Moreno Martínez.
- III. Re-election of the Auditor for Fiscal Year 2012.
- IV. Amendment of Articles 15, 16, 18, 27, 34 and 35 of the By-Laws of the Company and inclusion of a new Article 18 *bis*.
- V. Amendment of Articles 3, 7, 8, 9, 10, 11, 13 and 27 of the Regulations for the General Shareholders' Meeting.
- VI. Shareholder Compensation:
 - VI.1. Distribution of dividends with a charge to unrestricted reserves.

- VI.2. Shareholder compensation by means of a scrip dividend. Increase in share capital by such amount as may be determined pursuant to the terms and conditions of the resolution through the issuance of new ordinary shares having a par value of one (1) euro each, with no share premium, of the same class and series as those that are currently outstanding, with a charge to reserves. Offer to purchase free-of-charge allocation rights at a guaranteed price. Express provision for the possibility of incomplete allocation. Delegation of powers to the Board of Directors, which may, in turn, delegate such powers to the Executive Commission, to set the terms and conditions of the increase as to all matters not provided for by the shareholders at this General Shareholders' Meeting, to take such actions as may be required for the implementation thereof, to amend the text of subsection 1 of Article 5 of the By-Laws to reflect the new amount of the share capital and to execute such public and private documents as may be necessary for the implementation of the capital increase. Application to the appropriate domestic and foreign authorities for admission to trading of the new shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Automated Quotation System [*Sistema de Interconexión Bursátil*] (Continuous Market) and on the foreign Stock Exchanges on which the shares of Telefónica are listed (London and Buenos Aires and, through ADSs, New York and Lima) in the manner required by each of such Stock Exchanges.
- VII. Reduction in share capital by means of the cancellation of shares of the Company's own stock, excluding the right of creditors to oppose the reduction, and amendment of Article 5 of the By-Laws concerning the share capital.
- VIII. Approval of the corporate website.
- IX. Delegation of powers to formalize, interpret, correct and implement the resolutions adopted by the shareholders at the General Shareholders' Meeting.
- X. Consultative vote on the Report on Director Compensation Policy of Telefónica, S.A.

SUPPLEMENT TO THE CALL TO THE GENERAL SHAREHOLDERS' MEETING

Shareholders representing at least five percent of the share capital may request the publication of a supplement to this call to the General Shareholders' Meeting, including one or more items in the Agenda, provided the request is accompanied by the rationale therefor or, if appropriate, by a well-founded proposal for a resolution. This right must be exercised by means of

verifiable notice (which will include the corresponding documents evidencing shareholder status) that must be received at the Company's registered office (Gran Vía, número 28, Madrid, código postal 28013, to the attention of the General Secretary & Secretary of the Board of Directors) within five days of the publication of this call to Meeting. In addition, shareholders representing at least five percent of the share capital may, within five days following publication of this notice of call, submit well-founded proposals for resolutions on matters that have already been included or that must be included in the Agenda.

RIGHT TO RECEIVE INFORMATION

In connection with Items I, IV, V, VI, VII and X on the Agenda, and pursuant to applicable laws and regulations, it is stated for the record that shareholders have the right to examine and obtain at the Company's registered office, or to request the Company to send them, immediately and free of charge, a copy of the following documents:

- Individual and consolidated Annual Accounts of Telefónica, S.A. and the proposed allocation of profits/losses, all for fiscal year 2011.
- Individual and consolidated Management Reports of Telefónica, S.A. for fiscal year 2011.
- Audit Reports on the individual and consolidated Annual Accounts of Telefónica, S.A. for fiscal year 2011.
- Report of the Board of Directors regarding the proposal for amendment of the By-Laws of Telefónica, S.A. referred to in item IV of the Agenda, which includes the full text of the proposed amendments.
- Report of the Board of Directors regarding the proposal for amendment of the Regulations for the General Shareholders' Meeting of Telefónica, S.A. referred to in item V of the Agenda, which includes the full text of the proposed amendments.
- Report of the Board of Directors regarding the proposal regarding Shareholder compensation by means of a scrip dividend, referred to in item VI.2 of the Agenda.
- Report of the Board of Directors regarding the proposal for a reduction in share capital by means of the cancellation of shares of the Company's stock, referred to in item VII of the Agenda.
- The Report on Director Compensation Policy of Telefónica, S.A. which is submitted to a consultative vote under item X of the Agenda.

Pursuant to Sections 197 and 520 of the Companies Act, the shareholders may, until the seventh day prior to the date on which the General Shareholders' Meeting is scheduled to be held and by completing the form posted on the Company's website (www.telefonica.com) for such purpose, or by postal correspondence sent to the Company's registered office (Gran Vía, número 28, Madrid, código postal 28013, to the attention of the Oficina del Accionista [Office of the Shareholder]), request such information or clarifications as they deem necessary, or ask such questions as they deem appropriate, regarding the matters included on the Agenda or about the information available to the public that has been provided by Telefónica, S.A. to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) since May 18, 2011, i.e., the date on which the last General Shareholders' Meeting was held, or regarding the auditor's reports mentioned above.

Independently of the right to receive information referred to above, as from the date of publication of the notice of call to meeting, the following documents and information, among others, may be viewed on the Company's website (www.telefonica.com):

- This notice of call to meeting.
- The total number of shares and voting rights on the date of the call to meeting.
- The annual accounts, the management report and the auditor's report for fiscal year 2011, as well as the consolidated accounts, the management report of the Group and the auditor's report for the same fiscal year.
- The full text of the resolutions proposed by the Board of Directors regarding items on the Agenda, as well as, in connection with items IV, V, VI and VII, the respective directors' reports.
- The form of proxy-granting or voting card.
- A summary of the professional profile of each of the Directors and of the persons included in the proposed resolutions relating to item II of the Agenda.
- The current text of the By-Laws.
- The current text of the Regulations of the Board of Directors.
- The current text of the Regulations for the General Shareholders' Meeting.
- The Report on Director Compensation Policy.
- The Annual Corporate Governance Report for fiscal year 2011.

RIGHT TO ATTEND THE MEETING IN PERSON OR BY PROXY

The right to attend the General Shareholders' Meeting hereby called accrues to shareholders that hold at least 300 shares registered in their name in the

corresponding book-entry registry five days in advance of the date on which the Meeting is to be held and who provide evidence thereof by means of the appropriate attendance card or by producing a certificate issued by any of the depositaries participating in the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.* [Securities Registration, Clearing and Settlement Systems Management Company] (IBERCLEAR) or by any other means allowed under applicable law.

Any shareholder having the right to attend the General Shareholders' Meeting may be represented thereat by another person, who need not be a shareholder. A proxy may be granted by using the proxy-granting form printed on the attendance card or by any other means allowed by Law. The documents containing proxies for the General Shareholders' Meeting must set forth the instructions regarding the direction of the vote, provided that, where no express instructions are given, it shall be understood that the proxy-holder must vote in favor of the proposed resolutions submitted by the Board of Directors regarding the matters on the Agenda, and, unless otherwise provided, against the resolution in question in relation to any other matters that are not included in the Agenda and are thus unknown on the date that the proxy is granted but which may be submitted to a vote at the General Shareholders' Meeting.

If the proxy-granting form does not set forth a specific person to whom the shareholder grants the proxy, such proxy will be deemed granted in favor of the Chairman of the Board of Directors of the Company or of such other person as may replace him as Chairman of the General Shareholders' Meeting. In the event that the appointed representative is involved in a conflict of interest upon voting on any of the proposals, whether or not included in the Agenda, which are submitted to the shareholders at the General Shareholders' Meeting, and the shareholder has not given specific voting instructions, the proxy will be deemed granted to the Secretary for the General Shareholders' Meeting.

Shareholders who do not hold the minimum number of shares required to attend may grant a written proxy in respect thereof in favor of another shareholder having the right to attend, or come together with other shareholders that are in the same situation such that they reach the required number of shares and grant a written proxy to one of such shareholders.

PROXY-GRANTING AND VOTING BY MEANS OF LONG-DISTANCE COMMUNICATION

Pursuant to Articles 17 and 20 *bis* of the By-Laws and 13 and 20 *bis* of the Regulations for the General Shareholders' Meeting, the Board of Directors has resolved to provide for the exercise of proxy representation and voting rights by means of long-distance communication, as follows:

1.- Proxy-granting or voting prior to the General Shareholders' Meeting by electronic means.

Shareholders wishing to grant a proxy or to cast their vote by electronic means prior to the holding of the Meeting must access the "2012 General Shareholders' Meeting/Proxy-granting and Voting by Electronic Means" section available on the Company's website (www.telefonica.com) (the "Website") and follow the instructions to grant a proxy or to exercise their right to vote prior to the Shareholders' Meeting that are specified in the software.

To such end, shareholders must provide evidence of their identity on the software provided for such purpose on the above-mentioned Website by means of: (i) the Electronic National Identity Document, or (ii) a recognized, valid and current electronic user certificate, as provided in Electronic Signature Act 59/2003, issued by the Spanish Public Certification Body (CERES), a division of the Royal Mint (*Fábrica Nacional de Moneda y Timbre*). The Company reserves the right to request such additional means of identification from shareholders as it deems necessary to verify their status as shareholders and to guarantee the authenticity of the vote and of the proxy.

2.- Proxy-granting or voting by postal correspondence.

Shareholders wishing to grant a proxy or to cast their vote by postal correspondence must complete and sign the distance proxy-granting or voting card prepared by the Company and send it to the attention of the Office of the Shareholder (Distrito Telefónica, Ronda de la Comunicación s/n, Edificio Central, planta 2, 28050 Madrid), attaching the original of the document in the name of the shareholder evidencing ownership of the shares, issued for such purpose by the Depositary, along with a photocopy of the shareholder's national identity document or passport.

Shareholders that are legal entities must send to the Company a photocopy of a power of attorney with sufficient powers, evidencing the authority of the individual signing the proxy-granting or voting card in the name of the legal entity.

If a proxy is granted to a person other than one of the members of the Board of Directors, a copy of the proxy-granting card must be sent to the proxy-holder for delivery at the access to the premises on the day of the General Shareholders' Meeting.

Should they wish to revoke the proxy granted, shareholders must contact the Company, at the Office of the Shareholder (phone no.: 900 111 004) before midnight on May 10, 2012.

Shareholders may obtain the Company's proxy-granting or voting card by downloading it from and printing it on the Website, by picking it up at the registered office of the Company or by requesting at the Office of the Shareholder (900 111 004) that it be sent to them without charge.

Shareholders may also grant a proxy or cast a vote using the cards issued by depositaries. In this case, shareholders must complete the sections relating to proxy-granting or voting from a distance, if applicable, on the card issued by the depositary and send it to the Company by postal correspondence to the attention of the Office of the Shareholder (Distrito Telefónica, Ronda de la Comunicación s/n, Edificio Central, planta 2, 28050 Madrid).

3.- Provisions common to the exercise of proxy-granting or voting rights by means of long-distance communication.

a) Deadline for receipt by the Company and evidence of the status as shareholder.

In order to be valid, both the proxies granted and the votes cast prior to the General Shareholders' Meeting by means of long-distance communication (be it by electronic means or by postal correspondence) must be received by the Company before midnight on May 10, 2012.

The proxy or vote shall only be deemed to be valid if the status as shareholder is confirmed, through verification of the fact that the ownership information and the number of shares provided by each person granting a proxy or voting by means of long-distance communication are the same as the data provided by IBERCLEAR. In the event of a discrepancy between the number of shares reported by the shareholder and the number set forth in the IBERCLEAR file, the number of shares provided by IBERCLEAR shall prevail for purposes of quorum and voting.

In the event of co-ownership of shares, the person signing the proxy or the vote from a distance will be deemed to have been appointed to exercise the shareholder rights, if such person is one of the co-owners.

b) Rules of priority between proxy-granting and voting by means of long-distance communication and attendance at the General Shareholders' Meeting.

Attendance at the General Shareholders' Meeting by a shareholder who has previously granted a proxy or voted by means of long-distance communication, regardless of the means used, shall render the proxy or the vote null and void.

In the event that a shareholder grants several proxies or casts several votes (whether by electronic means or by postal correspondence), the action (proxy-granting or voting) taken last shall prevail. If the time when the shareholder granted any of the proxies or cast any of the votes is uncertain, the vote (regardless of the means used to cast it) shall prevail over the proxy. If the shareholder cast several votes in different directions, by electronic or postal means, the vote cast last shall prevail.

c) Suspension of electronic systems / Interconnection failures.

The Company reserves the right to modify, suspend, cancel or limit electronic voting or proxy-granting mechanisms whenever technical or security reasons require it or make it advisable. If any of such instances occurs, it will be announced on the Company's website. All of the foregoing is without prejudice to the validity of the votes already cast and the proxies already granted and to shareholders' attendance and proxy representation rights.

The Company shall not be liable for any damage that may be sustained by shareholders as a result of failures, overloads, downtime, failed connections or any other contingency of the same or like nature beyond the Company's control that prevents the use of electronic voting or proxy-granting mechanisms. Accordingly, such circumstances shall not constitute an unlawful deprivation of shareholders' rights.

PARTICIPATION OF A NOTARY AT THE MEETING

The Board of Directors has resolved to request the presence of a Notary Public to draw up the minutes of the Meeting, pursuant to Section 203 of the Companies Act, read together with Sections 101 and 103 of the Regulations of the Commercial Registry.

PROTECTION OF PERSONAL DATA

The personal data sent by the shareholders to the Company to exercise their rights to attend, grant proxies and vote at the General Shareholders' Meeting, or the personal data provided for such purpose by the entities that are the depositaries of the shares held by such shareholders, shall be used by Telefónica, S.A. to manage the development, compliance with and control of the existing shareholding relationship. Such data shall be provided to the Notary Public exclusively in connection with the preparation of the notarized minutes of the General Shareholders' Meeting.

Furthermore, pursuant to the Personal Data Protection Act (Organic Act 15/1999, of December 13), the data received will be kept in another file for which Telefónica, S.A. is also responsible, and the purpose of which is to send shareholders information relating to their investment and any advantage inherent to their status as shareholders in the telecommunications, new information technologies, tourism, culture, insurance, financial and home assistance industries. Shareholders have 30 days from the date of the General Shareholders' Meeting to object to such treatment (which they may do by calling toll-free at 900 111 004); upon expiration of such period without their having objected, they will be deemed to have given their consent for such purpose.

The rights of access, correction, cancellation and challenge may be exercised by the owner of the personal data, who must provide evidence of his identity, by letter addressed to the Office of the Shareholder of Telefónica, S.A., Distrito Telefónica, Ronda de la Comunicación s/n, Edificio Central, planta 2, 28050 Madrid.

If the shareholder includes personal data of other individuals on the proxy-granting or voting card, the shareholder must advise them of the details set forth in the preceding paragraphs and comply with any other requirements that may apply for the proper provision of the personal data to the Company, without the Company having to take any other additional action in terms of information or consent.

Shareholders (and their proxies, if any) must use any personal data of any individual that the Company may have made available to them on the occasion of the exercise of their rights to receive information, to attend, to grant a proxy and to vote at the General Shareholders' Meeting only in order to exercise such rights.

FOR ANY ADDITIONAL INFORMATION, SHAREHOLDERS MAY CONTACT TELEFÓNICA'S OFFICE OF THE SHAREHOLDER BY CALLING TOLL-FREE AT 900 111 004, FROM 9:00 A.M. TO 7:00 P.M., MONDAY THROUGH FRIDAY.

Madrid, April 10, 2012
General Secretary & Secretary of the Board
Mr. Ramiro Sánchez de Lerín García-Ovies