



**RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES**  
*General Secretary and  
Secretary to the Board of Directors*  
**TELEFÓNICA, S.A.**

TELEFÓNICA, S.A, as provided in article 82 of the Spanish Stock Market Act (*Ley del Mercado de Valores*), hereby reports the following

### **SIGNIFICANT EVENT**

The Board of Directors of TELEFÓNICA, at its meeting held today, has analysed and positively considered a revision of the shareholder remuneration targets announced in October 2009, which were established considering an economic and operating environment and financial markets conditions that have changed materially since then.

In the current environment and considering Telefonica's stock market valuation, the Company has decided to anticipate the flexible shareholder remuneration scheme initially set for 2013, while maintaining an attractive remuneration for its shareholders which is compatible with Telefonica's strategy of sustained investments in the business - including spectrum acquisition- to capture growth opportunities in our markets and enhances the Company's financial flexibility.

- The dividend for the year 2011 is maintained at 1.60 euros per share, having fulfilled already a first payment of 0.77 euros per share in November. The remaining amount (0.83 euros per share) will be distributed in May 2012, though the combination of a cash payment and a payment in-kind, the latter through the distribution of treasury shares<sup>1</sup> of the Company for a maximum amount of 0.30 euros per share, and subject to market conditions.
- Total shareholder remuneration for the year 2012 will amount to 1.50 euros per share, including the payment of a cash dividend of 1.30 euros per share and a share buyback for the remaining amount. Treasury shares acquired will be amortized and the share buyback shall be completed by May 2013.
- For the year 2013 the minimum total shareholder remuneration per share will be similar to the one for the year 2012 (1.50 euros 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.



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- The Company reiterates its target of maintaining a leverage ratio - (net debt + commitments)/OIBDA - in the 2.0-2.5x range, advancing progressively towards the medium part of this range in the medium term. Shareholder remuneration commitments will not be paid with debt, and the Company will continue optimizing its non-core asset portfolio.

To this end, the adoption of the corresponding corporate resolutions will be proposed in due course. It is the Company's intention to maintain the current practice so that dividends will be payable in two tranches.

Madrid, December 14<sup>th</sup>, 2011

**SPANISH NATIONAL SECURITIES MARKET COMMISSION  
- MADRID-**

<sup>1</sup>Treasury stock at the end of the third quarter 2011 amounted to 1.44% of company's share capital.