



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 2013 (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 update the Prospectus with the following information: (i) the agreement with the remaining shareholders of the Italian company Telco, S.p.A. to maintain their shareholder's agreement with regards to Telecom Italia S.p.A.; as well as (ii) the information related to the new developments related to the agreement with the Dutch company Koninklijke KPN NV (KPN) for the acquisition of its affiliate E-Plus.

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, 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.

## SUPPLEMENTARY INFORMATION

### *Agreement with the remaining shareholders of the Italian company Telco, S.p.A. to maintain their shareholder's agreement with regards to Telecom Italia.*

On 24 September 2013, Telefónica and the remaining shareholders of the Italian company Telco, S.p.A. (which holds a capital stake of 22.4 % of the voting share capital of Telecom Italia S.p.A.) reached an agreement by virtue of which:

- Telefónica has subscribed for and paid out a capital increase in Telco, S.p.A., through the contribution of 323,772,468 euros in cash, receiving in return non-voting shares of Telco, S.p.A. As a result of this capital increase, the interest held by Telefónica in the voting share capital of Telco, S.p.A. remains unchanged (i.e. 46.18 %, as Telefónica currently holds), although its interest in the total share capital of Telco, S.p.A. is increased to 66%. The current governance at Telco, S.p.A.'s level remains unaffected, including the obligation by Telefónica of abstaining from participating or influencing in any decisions which could affect the markets in which both Telefónica and Telecom Italia S.p.A. are present.

Telco, S.p.A. will use the proceeds received from the capital increase to reduce its banking debt.

- Subject to receiving any required anti-trust and telecommunications approvals (including in Brazil and Argentina), Telefónica will subscribe for and pay out a second capital increase in Telco, S.p.A., through the contribution of 117,227,532 euros in cash and receiving in return non-voting shares of Telco, S.p.A. As a result of this second capital increase, the interest of Telefónica in the voting share capital of Telco, S.p.A. will remain unchanged (i.e. 46.18 %, as Telefónica currently holds), although its interest in the total share capital will be then increased to 70%.

Telco, S.p.A. will use the proceeds received from the second capital increase to partially repay its notes.

- Starting from January 1, 2014, subject to receiving any required relevant anti-trust and telecommunications approvals (including in Brazil and Argentina), Telefónica may convert all or a portion of the non-voting shares in Telco, S.p.A. held by Telefónica, reaching a maximum of 64.9 % of the voting share capital of Telco, S.p.A.

- The Italian shareholders of Telco, S.p.A. have granted to Telefonica a call option to acquire all of their shares in Telco, S.p.A., whose exercise is subject to receiving any required anti-trust and telecommunications approvals (including in Brazil and Argentina). The call option may be exercised by Telefonica starting from January 1, 2014 while the Shareholders Agreement remains in effect, except (i) between June 1, 2014 and June 30, 2014 and between January 15, 2015 and February 15, 2015, and (ii) during certain periods, in case the Italian shareholders Telco, S.p.A. request the demerger of Telco, S.p.A.

The purchase price of the shares, payable in cash, will be based on the equity of Telco, S.p.A. at the end of the month prior to the closing. For this purpose, the value of the shares in Telecom Italia S.p.A. held by Telco, S.p.A. will be valued at the higher of: (i) 1,10 euros per share of TI, and (ii) the average closing trading price of the 30 days prior to the call option exercise notice.

- Telefónica has acquired from the remaining Telco, S.p.A.'s shareholders 23.8% of the non-convertible notes issued by Telco, S.p.A., in exchange of 39,021,411 Telefónica's treasury shares, which represent 0.9 % of its share capital. In this respect, the remaining Telco, S.p.A.'s shareholders have committed: i) to refrain from selling the aforementioned shares during the next 15<sup>th</sup> business days, and ii) to assume some restrictions that, in case of sale, ensure an orderly sale of such shares.

- Telefónica has assumed a standstill obligation under which Telefónica commits not to buy shares in Telecom Italia S.p.A. except if a third party acquires a relevant stake (10% or higher) in the aforementioned company.

***Recent developments related to the agreement with the Dutch company Koninklijke KPN NV (KPN) for the acquisition of its affiliate E-Plus.***

In relation to the agreement entered into on July 23, 2013 by and between Telefonica, S.A., its German subsidiary Telefónica Deutschland Holding AG (hereinafter, “Telefónica Deutschland”) and the Dutch company Koninklijke KPN NV (hereinafter, “KPN”) for the acquisition by Telefónica Deutschland of the German subsidiary of KPN, E-Plus Mobilfunk GmbH & Co. KG (hereinafter, “E-Plus”), on 26 August 2013 Telefonica, S.A. confirmed that América Móvil, S.A. de C.V. (reference shareholder of KPN) committed irrevocably to vote in favour of the transaction at the Extraordinary Shareholder Meeting of KPN.

The transaction will remain unchanged in its first phase, in which Telefónica Deutschland will acquire E-Plus receiving as consideration 24.9% of Telefónica Deutschland and 3,700 million Euros in cash.

However, at the second phase of the transaction, once completed the acquisition of E-Plus by Telefonica Deutschland, for an aggregate consideration of 1,300 million Euros, Telefónica, S.A. will:

- (i) acquire 4.4% of Telefonica Deutschland from KPN (previously, 7.3%); and
- (ii) enter into a call option agreement with KPN that will entitle Telefónica, S.A. to acquire an additional stake of up to 2.9% in Telefónica Deutschland, such right being exercisable on the first anniversary of such call option agreement at a strike price of up to 510 million Euros.

Therefore, at the closing of the transaction, the stake of Telefónica Deutschland held by KPN will amount to 20.5% (previously 17.6%) and will be reduced to 17.6% if Telefónica fully exercises the call option.