



TELEFÓNICA EMISIONES, S.A.U.
(incorporated with limited liability under the laws of the Kingdom of Spain)
€40,000,000,000
PROGRAMME FOR THE ISSUANCE OF DEBT INSTRUMENTS

unconditionally and irrevocably guaranteed by
TELEFÓNICA, S.A.
(incorporated with limited liability in the Kingdom of Spain)

This supplement (the "**Supplement**") to the base prospectus dated 10 June 2014 (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 Telefonica 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 formalized with Hutchison Whampoa Group "Hutchison" for the potential acquisition by Hutchison of Telefonica's operations in the UK (O2 UK); (ii) the share capital increase carried out by Telefonica, S.A. for a nominal amount of 281,213,184 Euros, (iii) the change in the outlook on the ratings of Telefonica S.A. (Telefonica) and its guaranteed subsidiaries to stable from negative by Moody's Investors Service (iv) Telefonica's, S.A. announcement of its intention to carry out the payment of the next cash dividend on May 12, 2015.

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 Telefonica, S.A. ("**Telefonica**" 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 Telefonica (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

On 24 March 2015, Telefonica and Hutchison Whampoa Limited (“Hutchison”) signed an agreement, after conducting the relevant due diligence process, for the acquisition by the Hutchison of O2 UK for a price (enterprise value on a debt-free basis) of 10,250 million pounds in cash (approximately 14,000 million euros at the exchange rate as of the date of the agreement), composed of (i) an initial amount of 9,250 million pounds (approximately 12,640 million euros) which would be paid at closing and (ii) additional deferred payments of 1,000 million pounds (approximately 1,360 million euros) in the aggregate, to be paid once the cumulative cash flow of O2 UK and the existing telecommunications operations of Hutchison in the United Kingdom has reached an agreed threshold. Telefonica intends to allocate a substantial part of the proceeds from the disposal to reduce its indebtedness.

After the execution of this agreement, O2 UK will be reported as a discontinued operation within the Telefonica Group, and its assets and liabilities as “held for sale”, in accordance with IFRS. Completion of the transaction is subject to, among other customary conditions, the approval of the relevant regulatory authorities and the obtaining of waivers to some contractual provisions affected by the sale, including those related to network alliances, as well as change of control provisions under certain contractual arrangements with third parties.

Conditions must be satisfied by no later than June 30, 2016, except that in specified circumstances under the agreement in which this date may be extended to September 30, 2016.

On 24 March 2015, pursuant to the authorization granted by the General Shareholders’ Meeting held on 18 May 2011, it was agreed to increase the share capital of Telefónica, S.A. by a nominal amount of 81,213,184 Euros, by means of issuing and circulating 281,213,184 ordinary shares, with a nominal value of 1 Euro each, of the same class and series as those already existing, duly represented by book entries (the “New Shares” and the “Share Capital Increase”, respectively).

The subscription price of the New Shares was 10.84 Euros per share, 1 Euro corresponding to the nominal value and 9.84 Euros to the issue premium, with the total Share Capital Increase amounting to 3,048,350,914.56 Euros.

The shareholders of Telefónica, S.A. held pre-emptive subscription rights over the New Shares.

On 17 April 2015, Telefónica, S.A. declared that the share capital increase had been fully subscribed and granted the public deed evidencing the share capital increase, which was registered with the Commercial Registry of Madrid on 20 April 2015.

On 25 March 2015, Moody’s Investors Service changed the outlook on the ratings of Telefonica S.A. (Telefonica) and its guaranteed subsidiaries to stable from negative. Moody’s affirmed the rating Baa2.

On 14 April 2015 Telefónica, S.A. announced that it is the Company’s intention to carry out the payment of the next cash dividend amounting to 0.40 euros per share on May 12, 2015. The adoption of the corresponding corporate resolutions will be proposed in due course.