

**SUPPLEMENT DATED 30 SEPTEMBER 2016 TO THE BASE PROSPECTUS DATED 13
SEPTEMBER 2016**



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)

PROGRAMME FOR THE ISSUANCE OF DEBT INSTRUMENTS

This supplement (the "**Supplement**") to the base prospectus dated 13 September 2016 (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 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 Base Prospectus with the information made public on 28 September 2016, regarding the resolution to proceed to carry out the reduction in share capital of Telefonica, S.A. ("Telefónica") and, on 29 September 2016, in relation to the decision of Telefonica to abandon the offering of the shares in Telxius Telecom, S.A.U. ("Telxius"), a wholly-owned subsidiary of Telefónica.

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 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

In connection with the resolution of a reduction in share capital adopted by the Annual General Shareholders' Meeting of Telefónica, held on 12 May 2016, (cancellation of shares of the Company's own stock, subject to effective receipt of the proceeds from the closing of the sale of Telefónica's operations in O2 UK), the Board of Directors of the Telefónica has decided, at its meeting held on 28 September 2016, to waive the condition precedent established by said resolution, and consequently, proceed to carry out the corresponding share capital reduction, by means of the cancellation of 74,627,988 shares of the Company's own stock, which represent, approximately, 1.5% of the Company's current share capital.

In relation to the offering of shares in its telecommunication infrastructures subsidiary Telxius, on 29 September 2016, Telefónica and the Joint Global Coordinators, have decided to abandon the offering, considering inadequate the valuation of the company Telxius implicit in the purchase orders received. Telefónica confirms that it will continue analyzing strategic alternatives in relation to such asset.