



Corporate Action Announcement (Additional Information)

Citibank, N.A., acting as depositary bank, announces the following:

Date: February 24, 2011 **Status:** Final

Announcement For: [Ratio Change](#)

Security Information

Company:	Telefonica S.A.
Ticker Symbol:	TEF
CUSIP:	879382208
Country:	Spain
Exchange:	NYSE
Ratio (ADR:ORD):	1:1
Underlying Ticker:	TEF SM
DTC Eligible:	Yes
Underlying ISIN:	ES0178430E18
DR ISIN:	US8793822086
Custodians:	BANCO BILBAO VIZCAYA ARGENTARI. CITIBANK INTERNATIONAL PLC

Announcement

[Telefonica S.A. Ratio Change](#)

Notice was given in December 2010 to all holders and beneficial owners of ADSs that the ADS-to-Share ratio would be changed from 1 ADS to 3 Shares to 1 ADS to 1 Share. No action was required on the part of Holders or Beneficial Owners. As a result of the ratio change, new ADSs were issued in the ratio of two new ADSs for each ADS held as of the record date.

continued



ADR Record Date: January 18, 2011
ADR Payable Date: January 20, 2011
ADR Effective Date: January 21, 2011
Stock Distribution Rate: 200%
Fair Market Value: Not Applicable

Tax Consequences

The ratio change is being treated by Citi as a nontaxable distribution for U.S. income tax purposes, with no income recognized upon receipt of the additional ADSs. No Form 1099 reporting will be required with respect to the ratio change.

Cost Basis

For the purpose of meeting its U.S. information reporting obligations, Citi will determine the basis of shares distributed in the ratio change by apportioning a holder's aggregate basis in the old ADSs among the old ADSs and the new ADSs. That is, we will calculate the new basis of each ADS by dividing the aggregate basis of the old ADSs by the total number of old and new ADSs held after the distribution.

For example, assume an investor owned 100 ADSs prior to the ratio change (old ADSs) with a basis of \$75 each and received, in a non-taxable distribution made with respect to the old ADSs, two additional ADSs for each ADS held as a result of the ratio change (new ADSs). Citi will divide his original \$7,500 aggregate basis by the 300 ADSs (100 old and 200 new) the investor owns after the distribution so that each of the 300 will have a basis of \$25. The investor's holding period for the new ADSs will include the holding period of the old ADSs.

Investors are urged to consult independent tax advisors regarding the consequences of the ratio change in light of their particular circumstances.

Shareholder Services

Questions may be directed to Shareholder Services toll free at 1-877-248-4237. For further information on Citi's Depository Receipt Services, visit www.citi.com/dr.