

IMPORTANT NOTICE

~~The Depository Trust Company~~



#: 0748-12
Date: 05/16/2012
To: All Participants
Category: Dividends
From: Supervisor, Stock Dividend Department
Attention: Dividend Managers, Cashiers, and Reorganization Managers
Subject: **Optional Dividend:** Telefonica S.A. ADS
CUSIP: 879382208 **Record Date:** 05/17/2012 **Payable Date:** TBD
Rate: .366082 **DTC EDS Cutoff:** 05/24/2012 8 P.M. EST

*****WARNING TIME CRITICAL*****

Telefonica, SA has declared a scrip dividend which will permit shareholders to elect to receive the remuneration equivalent to EUR 0.285 (Equivalent to approximately USD \$0.366082) per right in cash or stock (F/X/ Conversion Rate: 1.2845). Shareholders will receive one free subscription right for every share held on close of business 05/17/12, the record date. **No rights will be issued or distributed to holders of Telefonica SA ADS.** The definitive fixed price and conversion ratio was calculated in accordance with the formulas approved by shareholders at the 2012 Annual Shareholders Meeting held on May 14, 2012, and announced by Telefonica, S.A., promptly following the Meeting.

Option 1 ADS: (New ADS) **DEFAULT**
You may elect to receive one (1) new Telefonica, S.A. ADS for every 38 rights held; a stock rate of 2.631578947%. This option is not subject to the 21% Spanish withholding tax. This option is subject to a \$0.025 Depository fee per Record Date ADS held. **This election provides for Sub-Accounting on the “EDS” function. This will enable participants to submit EDS elections to receive cash in lieu of fractions of behalf of their beneficial owners.**

Option 2 Proceeds: (Fixed Price)
You may elect to receive the proceeds from the sale of rights back to Telefonica S.A., which will purchase the rights at the fixed price of EUR 0.285 (Equivalent to approximately USD \$0.366082) per right, effectively allowing the conversion of those rights into cash (USD), with the result that the amount will depend on the Euro/Dollar Exchange Rate. This option is subject to the 21% Spanish withholding Tax. This option is subject to a \$0.025 depository fee per Record Date ADS.

Options continued on next page

Non-Confidential

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To remove your name from the former system of email notifications, send a message to unsubscribe@dtcc.com.

**Option 3 Proceeds:
(Open Market)**

You may elect to receive the proceeds from the sale of rights in the open market in Spain. The proceeds you will receive for such sale will depend upon market prices and the Euro/Dollar Exchange Rate. All Telefonica S.A. ADS holders electing this option will receive the same amount of consideration per Right. This Option is not subject to Spanish withholding tax. This option is subject to a depository fee of \$0.025 per Record Date ADS.

**Option 4 Proceeds:
(Fixed Price)**

You may elect to receive the proceeds from the sale of rights back to Telefonica SA., which will purchase the rights at the fixed price of EUR 0.285 (Equivalent to approximately USD \$0.366082) per right, effectively allowing the conversion of those rights into cash (USD), with the result that the amount will depend on the Euro/Dollar Exchange Rate. This option is subject to the 5% Spanish withholding tax. This option is subject to a \$0.025 depository fee and tax relief fee of \$0.005 per Record Date ADS held.

**Option 5 Proceeds:
(Fixed Price)**

You may elect to receive the proceeds from the sale of rights back to Telefonica, S.A., which will purchase the rights at the fixed price of EUR 0.285 (Equivalent to approximately USD \$0.366082) per right, effectively allowing the conversion of those rights into cash (USD), with the result that the amount will depend on the Euro/Dollar Exchange Rate. This option is subject to the 10% Spanish withholding tax. This option is subject to a \$0.025 depository fee and tax relief fee of \$0.005 per Record Date ADS held.

**Option 6 Proceeds:
(Fixed Price)**

You may elect to receive the proceeds from the sale of rights back to Telefonica SA., which will purchase the rights at the fixed price of EUR 0.285 (Equivalent to approximately USD \$0.366082) per right, effectively allowing the conversion of those rights into cash (USD), with the result that the amount will depend on the Euro/Dollar Exchange Rate. This option is subject to the 12% Spanish withholding Tax. This option is subject to a \$0.025 depository fee and tax relief fee of \$0.005 per Record Date ADS held.

**Option 7 Proceeds
(Fixed Price)**

You may elect to receive the proceeds from the sale of rights back to Telefonica S.A., which will purchase the rights at the fixed price of EUR 0.285 (Equivalent to approximately USD \$0.366082) per right, effectively allowing the conversion of those rights into cash (USD), with the result that the amount will depend on the Euro/Dollar Exchange Rate. This option is subject to the 15% Spanish withholding tax. This option is subject to a \$0.025 depository fee and tax relief fee of \$0.005 per Record Date ADS held.

#748-12

DTC participants must enter tax relief requests and provide certain beneficial owner information through the Acupay system regarding those beneficial owners for whom an Immediate Refund is being requested. Please refer to Acupay Important Notice attached to this notice for additional information.

PARTICIPANTS SHOULD SUBMIT ELECTION INSTRUCTIONS OVER THE PARTICIPANT TERMINAL SYSTEM (PTS) THROUGH THE ELECTIVE DIVIDEND SYSTEM (EDS) FUNCTION.

To confirm record date history and payment information, participants should access the Dividend and Allocation History (DPAL) Menu Option, via the PTS Dividend Announcements Inquiry function (DIVA).

Participants not responding to any of the above options by 05/24/12 no later than 8:00 P.M., New York time, will receive the dividend in the form of 1 new Telefonica S.A. ADS for every 38 rights held; a stock rate of 2.631578947%. **This option is not subject to Spanish withholding tax (DEFAULT OPTION #1).**

If there are any questions regarding tax relief entitlements, or the Acupay Important Notice, Participants should contact Colby Hagen via email at chagen@acupay.com or at 212-422-1222.

If there are any questions regarding Important Notice, or the processing of related instructions
888) 382-2721.

The Depository Trust Company ("DTC") does not represent or warrant the accuracy, adequacy, timeliness, completeness or fitness for any particular purpose of the information contained in this communication, which is based in part on information obtained from third parties and not independently verified by DTC and which is provided as is. The information contained in this communication is not intended to be a substitute for obtaining tax advice from an appropriate professional advisor. In providing this communication, DTC shall not be liable for (1) any loss resulting directly or indirectly from mistakes, errors, omissions, interruptions, delays or defects in such communication, unless caused directly by gross negligence or willful misconduct on the part of DTC, and (2) any special, consequential, exemplary, incidental or punitive damages. To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that: (a) any discussion of federal tax issues contained or referred to herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code; and (b) as a matter of policy, DTC does not provide tax, legal or accounting advice and accordingly, you should consult your own tax, legal and accounting advisor before engaging in any transaction.



Citibank, as ADS Depository, is hereby distributing this important announcement with regard to the below upcoming scrip dividend payment. Citibank has arranged with Acupay System LLC to provide certain tax relief services to holders of the ADS shares.

Issuer: Telefonica, S.A. (TEF)

Security Type:	American Depositary Shares (ADS)		
CUSIP / ISIN / Ticker:	879382208 / US8793822086 / TEF		
Issue Country:	Spain		
ADS : ORD Ratio	1 ADS share : 1 ordinary share		
ADS Record Date:	May 17, 2012 (Thurs)		
ADS Payment Date:	June 15, 2012 (Fri)		
Immediate Refund PD:	June 15, 2012 (Fri)		
Gross Dividend Amt:	EUR 0.285 per ADS share (to be paid in USD, approximately \$0.366082)		
Default Tax Rate:	21%		
Available Tax Rates:	15%, 12%, 10%, 5% (depending on the domicile and type of the investor, see below)		
Services Available:	Immediate Refund: Issuer Sponsored, All Investor Types, Original Documents Needed Standard Refund: Post-Payable Reclaim Process, All Investor Types, Original Documents Needed		
Tax Relief via Immediate Refund:	Acupay Open: May 17, 2012 9:00 AM EST EDS Open: May 18, 2012 9:00 AM EST	Acupay Cut-off: May 24, 2012 8:00 PM EST EDS Cut-off: May 24, 2012 8:00 PM EST	
Tax Relief via Quick Refund:	Due to the timing of this dividend, NO QUICK REFUND will be possible.		
Tax Relief via Standard Refund:	Available after June 15, 2012 – please contact Acupay for further details.		

How to Read this Important Notice:

The information in this important notice is organized as follows:

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Telefonica, S.A. has declared a scrip dividend which will permit shareholders to elect to receive the remuneration equivalent to EUR 0.285 in cash or stock. Shareholders will receive one free right for every share held on close of business May 17, 2012, the record date. Telefonica, S.A. has requested that the Depository make the scrip dividend available to holders and beneficial owners of ADSs who will have the option to elect from among three ADS scrip dividend payment options:

**Option 1 Stock:
(New ADS Option)** You may elect to receive 1 new Telefonica ADS for every 38 ADS held. You may submit EDS elections to receive cash in lieu of fractions on behalf of beneficial owners. No fractional shares will be issued. Cash will be paid in lieu of fractional ADSs. This option is not subject to the 21% Spanish withholding tax. **(DEFAULT OPTION)**

**Option 2 Cash Proceeds:
(Fixed Price Option)** You may elect to receive the proceeds from the sale of rights to Telefonica, S.A., which will purchase the rights at the fixed price of EUR 0.285 per right, effectively allowing the conversion of those rights into cash. The Depository will convert the proceeds of the sale into USD, with the result that the amount you receive will depend on the euro/dollar exchange rate. This option is subject to the 21% Spanish withholding tax.*

**Option 3 Cash Proceeds:
(Open Market Option)** You may elect to receive the proceeds from the sale of rights in the open market in Spain. The proceeds you receive from such sale will depend upon market prices and the euro/dollar exchange rate. All ADS holders electing this option will receive the same amount of consideration per right. This option is not subject to the 21% Spanish withholding tax.

Options 4-7 Cash Proceeds:

***IMPORTANT NOTE REGARDING OPTIONS 2 AND 4-7 CASH PROCEEDS:** Reduction of the 21% Spanish withholding tax applicable to Option 2 and 4-7 Cash Proceeds is available to eligible Telefonica ADS shareholders under the relevant treaty for the Avoidance of Double Taxation in place with Spain. Most shareholders are eligible for a reduced rate of tax. Please see below for the Synopsis, Filing Procedure (which includes making favorable EDS elections) and Documentation Requirements for full information on this tax reduction. Tax relief via Immediate Refund is subject to a processing fee of \$0.005 per ADS plus a Spanish tax processing fee of €0.00065 per ADS, which will be deducted from the tax refunds on dividend payments receiving a treaty-reduced rate.

Option 4 Cash Proceeds: You may elect to receive the proceeds from the sale of rights to Telefonica, S.A., which will purchase the rights at the fixed price of EUR 0.285 per right, effectively allowing the conversion of those rights into cash, less 5% Spanish withholding tax. The Depository will convert the proceeds of the sale into USD, with the result that the amount you receive will depend on the euro/dollar exchange rate.

Option 5 Cash Proceeds: You may elect to receive the proceeds from the sale of rights to Telefonica, S.A., which will purchase the rights at the fixed price of EUR 0.285 per right, effectively allowing the conversion of those rights into cash, less 10% Spanish withholding tax. The Depository will convert the proceeds of the sale into USD, with the result that the amount you receive will depend on the euro/dollar exchange rate.

Option 6 Cash Proceeds: You may elect to receive the proceeds from the sale of rights to Telefonica, S.A., which will purchase the rights at the fixed price of EUR 0.285 per right, effectively allowing the conversion of those rights into cash, less 12% Spanish withholding tax. The Depository will convert the proceeds of the sale into USD, with the result that the amount you receive will depend on the euro/dollar exchange rate.

Option 7 Cash Proceeds: You may elect to receive the proceeds from the sale of rights to Telefonica, S.A., which will purchase the rights at the fixed price of EUR 0.285 per right, effectively allowing the conversion of those rights into cash, less 15% Spanish withholding tax. The Depository will convert the proceeds of the sale into USD, with the result that the amount you receive will depend on the euro/dollar exchange rate.

PARTICIPANTS SHOULD SUBMIT ELECTION INSTRUCTIONS OVER THE PARTICIPANT TERMINAL SYSTEM (PTS) THROUGH THE ELECTIVE DIVIDEND SYSTEM (EDS) FUNCTION.

Participants not responding to any of the above options by May 24, 2012 no later than 8:00 P.M. will receive the scrip dividend in the form of shares. They will receive 1 new Telefonica ADS for every 38 ADS held. This option is not subject to the 21% Spanish withholding tax. This in accordance with **Option 1 Stock**.

Synopsis:

- Under Spanish law, dividends paid by Telefonica to a non-Spanish resident holder of Telefonica shares including American Depositary Shares (“ADSs”) are subject to the Non-Resident Income Tax (“NRIT”) in Spain, approved by Spanish Royal Decree Legislative 5/2004 of March 5, withheld at the source, currently at a 21% tax rate. To meet this requirement, the company will apply a 21% withholding tax on the gross amount of dividends, subject to the exemptions, refunds and reductions described below.
- **United States Tax Residents:** Under the terms of the Convention between the United States and Spain for the Avoidance of Double Taxation, referred to as the “Treaty”, a U.S. Tax Resident is subject to a Treaty-reduced rate of 15%, as a general rule, or 10% if the beneficial owner is a corporation which owns at least 25% of the voting rights of the shares of the company distributing the dividends. In addition, according to the new wording of the law governing the Spanish NRIT (in force since January 1, 2007), the first €1,500 of any dividends received annually from Spanish entities (such as those distributed by Telefonica) by individual holders without a permanent establishment in Spain, who are resident in a country that has an effective “exchange of fiscal information” agreement with Spain (such as the United States) will be exempt from Spanish taxation. In practice, on any dividend payment date, U.S. Residents will be subject to a withholding of 21% of the gross amount of dividends.
- **Most shareholders** are eligible for a reduced rate of tax based on tax treaties that are in force between the shareholder’s country of residence and Spain – however these rates must be requested and certain documentation must be provided in order to qualify. **See Annex A for a list of Spanish Treaty Rates.**
- **Citibank, N.A.** and **Acupay System LLC** (Citi/Acupay) are providing issuer-sponsored tax reductions in the form of an **Immediate Refund**. Participation in the **Immediate Refund** procedure will result in your tax withholding reduction being applied at the time of the ADS Payment Date. If the **Immediate Refund** process is not followed, the ADS dividend will be paid less the statutory 21% tax withholding, and any further tax relief must be processed via a **Standard Refund**.
- To receive a reduction in Spanish tax effective for this June 15, 2012 ADS Dividend Payment, an **original Spain-specific Certificate of Residence** (e.g., **U.S. IRS Form 6166**) must either be **on file** with Telefonica/Citi/Acupay or **must be provided**. This document must be valid as of **June 6, 2012** and must mention the **“United States -- Spain Income Tax Convention”** (replace *United States* as appropriate to the country of residence of the Beneficial Owner) and must be **dated no earlier than June 6, 2011 and no later than June 6, 2012** to participate in the **Immediate Refund** (**NOTE:** Certificates of Residence dated after this date, but which specify **Tax Year 2012** may be used for the **Standard Refund**). For Standard Refund claims,

please contact Citi/Acupay to verify the documentation requirements specific to your claim. To be accepted for Spanish tax purposes, the Certificate of Residence employed must be written in either **English** or **Spanish**. These **original documents** **MUST be received by Citi/Acupay by 5:00 PM EST on June 6, 2012** for the **Immediate Refund**.

- For U.S.-resident Beneficial Owners who are not yet in possession of a U.S. IRS Form 6166, Citi/Acupay provide an easy-to-use online tool to help investors apply for one from the IRS. You may wish to notify your clients, and/or their advisors or relationship managers of the availability of this system which will enable them to receive more of their investment income. **The documentation will automatically be received by Acupay from the IRS** – you will not need to handle this documentation for your investors to benefit. The IRS charges an \$85 processing fee to produce IRS Form 6166, and there is a small handling fee of \$10 to cover Acupay’s processing costs for each 6166 application. To get started, please visit: www.USTaxCertificate.com and use the *Access Code*: **879382208**.

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Immediate Refund: (Phase 1)
Filing Procedure and Documentation Requirements

Telefonica ADS shareholders that are U.S. residents (or eligible residents of other countries, see **Annex A**), not holding their shares through a permanent establishment or a fixed base in Spain and entitled to claim the benefits under tax treaty with Spain, can apply for an Immediate Refund via Citi/Acupay. Please note that this service is intended to allow participants and investors who are already in possession of a valid Certificate of Residence (e.g., US IRS Form 6166) to provide the necessary documentation and apply for the corresponding tax relief to be paid as part of the dividend payment they are to receive on the ADS dividend payment date.

Requests for an **Immediate Refund** are available for all eligible investors (except Spanish Residents), and will involve the following requirements. Any investors that are not able to claim tax relief via **Immediate Refund** will still be able to make use of the **Standard Refund** procedure described later in this notice.

U.S. Resident Investors – 15% Treaty-Reduced Tax Rate (6% Refund)		
	Investor Types	
1	Individuals / Physical Persons	
2	Corporations, Legal Entities	
3	Participant Owned Account	
	Required Items	Format Needed
1	DTC EDS Election for 15% favorable rate	Via DTC
2	Valid, Original Spain-Specific IRS Form 6166	Fax/Scan <u>and</u> Original
3	Signed Acupay Cover Letter – Generated by the Acupay System	Fax/Scan <u>and</u> Original

Non U.S. Investors – See <u>Annex A</u> for Tax Treaty Rates		
	Investor Types	
1	Individuals / Physical Persons	
2	Corporations, Legal Entities	
3	Participant Owned Account	
	Required Items	Format Needed

1	DTC EDS Election See Annex A for Treaty-Reduced Tax Rates	Via DTC
2	Valid, Original Spain-Specific Certificate of Residence	Fax/Scan <u>and</u> Original
3	Signed Acupay Cover Letter – Generated by the Acupay System	Fax/Scan <u>and</u> Original

REMINDER: Only holdings as of May 17, 2012 (the ADS Record Date) are entitled to receive the dividend payment and any related refunds of taxes withheld. All submissions (described below) made through Acupay and EDS Elections made through DTC seeking the treaty-reduced tax rate must reflect the Record Date positions and Beneficial Owners as of the Record Date.

Procedure / Steps:

- **Acupay Submission Required:** Beginning at 9:00 AM EST on May 17, 2012 and until 8:00 PM EST on May 24, 2012 (the Acupay Deadline), DTC participants must enter tax relief requests, and provide certain beneficial owner information into the Acupay System regarding those Beneficial Owners for whom an **Immediate Refund** is being requested.
- **DTC EDS Election Required:** Beginning at 9:00 AM EST on May 18, 2012 and until 8:00 PM EST on May 24, 2012 (the EDS Cut-off), DTC participants must make a DTC EDS election corresponding to the total number of shares for which the favorable rate is being requested – **matching the total shares submitted via Acupay.**
- **DTC participants must visit the Acupay System** at www.acupaysystem.com and register (i) their institution, (ii) one or more authorized employees who will be responsible for submitting tax certifications on the behalf of the DTC participant and (iii) financial intermediaries (i.e. “downstream correspondents”) for which the DTC participants provide clearing arrangements on an “omnibus” basis. **If the participant, its downstream correspondents, and members of their respective teams, were previously registered to use the Acupay System (for this or any other securities issue), there is no need to register again – their existing login details should still work.**
- **Once registered, participants and downstream correspondents must:**
 - Log into the Acupay System at www.acupaysystem.com.
 - Click on ‘**Input Beneficial Investor Data**’ in the menu bar at the top of the screen.
 - Enter the CUSIP “**879382208**” into the CUSIP/ISIN field and click ‘**Search...**’.
 - Select the ‘**Payment Period**’ corresponding to the **May 17, 2012 Scrip Record Date.**
 - Using either the **One-by-one Method** or the **Bulk Data Insert Method**, follow the on-screen instructions to provide the beneficial owner and position information necessary to constitute your tax relief claim(s).
 - **At the end of the process the Acupay System will provide a breakdown of all the documentation which must be provided as part of your submission.** The system will generate documentation which constitutes tax withholding statements and authorizations specifically corresponding to the claims you are filing.
 - Once you have printed, signed and compiled all of the documentation necessary, you must transmit all documentation to Citi/Acupay for processing. **The requested documentation must be provided BOTH via fax/scan and original form.** Please follow the on-screen instructions regarding providing the documentation to Citi/Acupay.

- All claims for Immediate Refund **MUST** be supported by a **valid, original Spain-specific Certificate of Residence (e.g., U.S. IRS Form 6166)** issued between June 6, 2011 and June 6, 2012, and **all documentation including the Certificate of Residence must be received by Citi/Acupay by 5:00 PM EST on June 6, 2012.** *Should the documentation be received by Citi/Acupay after this deadline it will invalidate your Immediate Refund request(s), and may be held for submission via the **Standard Refund** process.*
- Make sure that **DTC EDS Elections** are made **equal to the total number of shares** and for the **correct tax rate(s)** for which tax relief is being requested via the Acupay System.
- **Special Instructions for Investors with original IRS Forms 6166 already on file with Citi/Acupay:**
 - For Beneficial Owners that employ the **6166 Wizard** to obtain their IRS Form 6166 (see **Annex B** of this notice), the IRS will transmit the U.S. IRS Forms 6166 directly to Citi/Acupay, where they will be kept on file awaiting employment for tax relief processing. Therefore, the U.S. IRS Form 6166 may already be on file with Citi/Acupay and not need to be provided during the Acupay submission process. If an IRS Form 6166 is **ALREADY ON FILE** for a particular Beneficial Owner, then the Acupay System will indicate that it is not necessary to provide a new IRS Form 6166 in order for that Beneficial Owner to receive the treaty-reduced rate. This will also be indicated on the Official Acupay Cover Sheet produced at the end of the submission.
 - If **NO** such IRS Form 6166 is on file for a Beneficial Owner client, then the Acupay System will indicate that an IRS Form 6166 is **“NOT ON FILE”** and the participant will need to provide one along with their submission (they will be instructed on how to do this) in order for such Beneficial Owner to receive their dividend distribution at the treaty-reduced rate.
- **DTC participants that provide clearing arrangements for downstream correspondents** can allow their downstream correspondents to make Acupay submissions themselves on behalf of their direct clients:
 - **Register their downstream correspondents** in the Acupay System by entering the details of such downstream correspondents into the ‘Add a New Registered Downstream Correspondent’ form under the ‘Downstream Correspondents’ section of their Acupay System account. Alternatively, they can invite such downstream correspondents to register themselves at www.acupaysystem.com by providing them with the **Acupay Registration Code** found within the ‘View Downstream Correspondent Registrations’ tab under ‘Downstream Correspondents’.
 - Once registered, the **downstream correspondents will be able to enter beneficial owner information** and submit documentation and U.S. IRS Forms 6166 for their own clients.
 - **Confirm the downstream correspondent's omnibus position.** If a downstream correspondent makes their own submissions via the Acupay System, the DTC participant must confirm that the positions reported by its downstream correspondent(s) are, in total, less than or equal to the aggregate share position held for that downstream correspondent as of the Record Date. This confirmation is made **ONLY** with regard to the aggregate omnibus amount held by the downstream correspondents, **NOT** with regard to the identity or tax status of the end investor clients of the downstream correspondents. These aggregate position confirmations should be kept updated through 8:00 PM EST on May 24, 2012, the Acupay Deadline date. **NOTE:** Should you have any questions or require assistance regarding this process, please contact Acupay at the contact details listed below.
 - **Make the necessary EDS elections,** for the **correct tax rate(s)** to match the total amount of Acupay submissions made by the downstream correspondent(s).

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Standard Refund: (Phase 2)

Filing Procedure and Documentation Requirements

If for any reason participants have not certified through the **Immediate Refund** procedures and have received unfavorable tax treatment, eligible investors may request a tax refund from the Spanish tax authorities by following the **Standard Refund** procedure. Please note that this process may require a (non-notarized) Power of Attorney document to be signed by the Beneficial Owner empowering Citi/Acupay to claim refunds on their behalf, unless the Beneficial Owner in question has previously provided such a signed (non-notarized) Power of Attorney, which is valid until revoked by the Beneficial Owner.

All claims for Standard Refund **MUST** be supported by a **valid, original Spain-specific Certificate of Residence (e.g., U.S. IRS Form 6166)** valid for the tax year of the payment.

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Summary of Tax Relief Processing Fees:

Tax relief via **Immediate Refund** is subject to a processing fee of \$0.005 per ADS per payment, which will be deducted from the tax refunds on dividend payments receiving a treaty-reduced rate.

Tax relief via **Standard Refund** is subject to a processing fee of \$0.005 per ADS per payment, which will be deducted from the tax refunds on dividend payments receiving a treaty-reduced rate.

Please Note: In all cases, the above ADS processing fees do not include any applicable custodial fees charged in the local market. Currently, a Spanish local market processing fee of €0.00065 per ADS per payment will be deducted from the tax refund payments made to beneficial owners for whom refunds were successfully processed.

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Further Information and Contacts:

By submitting EDS elections DTC participants agree that they will indemnify Citi/Acupay and their agents for any liability that they may incur as a result of reliance upon information provided by such participant in such EDS elections. The DTC participant also agrees to return any funds erroneously received (including any income, penalties and additions to tax thereon) arising from its EDS elections.

Questions regarding the processing of instructions related to this Important Notice via EDS, should be directed to DTC's Customer Help Line at (888) 382-2721.

Questions regarding relief entitlements, the **Immediate Refund**, the **Standard Refund**, or the Acupay System should be directed to Marian Guerrero at +1-212-422-1222 or Carmen Tejada at +44-207-382-0340 or by emailing info@Acupay.com.

Annex A

Spanish Tax Treaty Countries and Treaty Rates and list of European Union Member States

Algeria	15%	Germany †	15%	New Zealand	15%
Argentina	15%	Greece †	10%	Norway	15%
Australia	15%	Hungary †	15%	Philippines	15%
Austria †	15%	Iceland	15%	Poland †	15%
Belgium †	15%	India	15%	Portugal †	15%
Bolivia	15%	Indonesia	15%	Romania †	15%
Brazil	15%	Iran	10%	Russia	15%
Bulgaria †	15%	Ireland †	15%	Saudi Arabia	5%
Canada	15%	Israel	10%	Slovakia †	15%
Chile	10%	Italy †	15%	Slovenia †	15%
China	10%	Jamaica	10%	South Africa	15%
Colombia	5%	Japan	15%	Sweden †	15%
Croatia	15%	Korea	15%	Switzerland	15%
Cuba	15%	Latvia †	10%	Thailand	10%
Cyprus †	<i>n/a</i>	Lithuania †	15%	Trinidad & Tobago	10%
Czech Republic †	15%	Luxembourg †	15%	Tunisia	15%
Denmark †	<i>n/a</i>	Macedonia	15%	Turkey	15%
Ecuador	15%	Malaysia	5%	United Arab Emirates	15%
Egypt	12%	Malta †	5%	United Kingdom †	15%
El Salvador	12%	Mexico	15%	United States	15%
Estonia †	15%	Moldova	10%	Venezuela	10%
Finland †	15%	Morocco	15%	Vietnam	15%
France †	15%	Netherlands †	15%		

† European Union member states.

Please note that the above information is intended as a summary only and therefore may be incomplete.

Annex B

Obtaining an IRS Form 6166: (U.S.-Resident Investors Only)

In the U.S., all investors must provide an original Spain-specific IRS Form 6166 (certificate of residence) in order to qualify for tax relief. For those shareholders who aren't yet in possession of a U.S. IRS Form 6166, Citi/Acupay provides an easy-to-use tool to help step through the 6166 application process (i.e., IRS Form 8802). You may wish to notify your clients, and/or their advisors or relationship managers of the availability of this system which will enable them to receive more of their investment income. The documentation will automatically be received by Acupay from the IRS – you will not need to handle this documentation for your investors to benefit. The IRS charges an \$85 processing fee to produce IRS Form 6166, and there is a small handling fee of \$10 to cover Acupay's processing costs for each 6166 application. To get started, please visit: www.USTaxCertificate.com and use the Access Code: **879382208**.

The investor creates a login so they can check on the status of the application while processing...

The 6166 Wizard is designed to ask the investor to provide only the minimum required information...

The screenshot shows the 'Email Address and Password' step of the registration process. The user is prompted to enter an email address and a password. The email address field contains 'jtest@acupay.com'. The password field is empty, with a note: 'Please enter a password 6-12 characters (numbers and/or letters only). Please re-type to confirm:'. There are 'Back' and 'Continue' buttons at the bottom. A progress sidebar on the left shows 'Email and Password' as the current step.

The screenshot shows the 'Type of Investor' selection step. The user is asked 'Which of the following best describes you?'. A list of investor types is provided, including 'Individual and Joint Filers (adult person, 18 or older)', 'Individual (Minor Child)', 'Corporation (U.S. only)', 'Employee Benefit Plan or Trust', 'Estate', 'LLC (Single Member)', 'LLC (Multiple Members)', 'Partnership', 'S Corporation', 'Tax Exempt Organization', and 'Trust (U.S. only)'. The 'None of these describes me' option is also available. 'Back' and 'Continue' buttons are at the bottom.

The Wizard allows for all possibilities, including single individual filers, joint filers, and partnerships...

At the end of the process, the investor can review what they've entered, reducing errors and delays.

The screenshot shows the 'Name and Tax ID' step. The user is prompted to enter their first name, last name, and social security number. The first name field contains 'Jim' and the last name field contains 'Test'. The social security number field is empty, with a note: 'Please re-type to confirm:'. There are 'Back' and 'Continue' buttons at the bottom. A progress sidebar on the left shows 'Name and Tax ID' as the current step.

The screenshot shows the 'Review and Confirm' step. The user is asked to review the information entered below. The information includes: Email Address (jtest@acupay.com), Country of Residence (United States), Type of Investor (Individual), Spouse's Name and Tax ID (None), and Tax Returns for 2007 (1040). There are 'Back' and 'Continue' buttons at the bottom.