



RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES

*General Secretary and
Secretary of the Board of Directors*
TELEFÓNICA, S.A.

Telefónica S.A., as provided in article 82 of the Spanish Securities Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

TELEFÓNICA has received notification today of the Decision of the European Commission to give its clearance to the merger transaction that the proposed acquisition of the UK telecom operator O2 plc by Telefónica would give rise to.

Notwithstanding the above, the European Commission has considered adequate to make its clearance conditional upon Telefónica agreeing that its subsidiary Telefónica Móviles S.A would exit from the European mobile operators alliance "FreeMove" as soon as possible, and its commitment not to re-enter that alliance without the Commission's prior consent in the coming years.

As previously disclosed, Telefónica expects that the Offer will be declared wholly unconditional in January 2006.

Madrid, January 10th, 2006