



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

In relation to the Offer for the acquisition of the entire share capital of O2 plc posted on 21 November 2005 by Telefónica, yesterday, December 12th, expired its first closing date, having received valid acceptances in respect of a total of 5,305,394,102 O2 Shares, representing approximately 60.49 per cent of O2's issued share capital.

As a result of several purchases made by Telefónica, as at 1.00 p.m. (GMT) on 12 December 2005, Telefónica holds 399,589,093 O2 Shares representing approximately 4.56 per cent of O2's issued share capital. This purchase figure does not include 36,017,014 O2 Shares acquired by TELEFÓNICA on December 7th but which have not been settled as of that date.

As at 1.00 p.m. (GMT) on 12 December 2005, Telefónica and its wholly-owned subsidiaries owned or had received valid acceptances in respect of a total of 5,704,983,195 O2 Shares representing approximately 65.05 per cent of O2's issued share capital.

In accordance with the procedure established pursuant to the U.K. City Code on Takeovers and Mergers, the Offer, which remains subject to the terms and conditions already communicated and set out in the Offer Document, is being extended and will remain open for acceptance until the next closing date, which will be on **12 January 2006**. Any possible further extensions of the Offer will be publicly announced by Telefónica.

The European Commission's review process of the proposed acquisition of O2 by Telefónica under the EC Merger Regulation is ongoing. The provisional deadline for Phase I clearance by the European Commission is 10 January 2006. As previously disclosed, Telefónica expects that the Offer will be declared wholly unconditional in January 2006.

Madrid, December 13th, 2005

SPANISH NATIONAL SECURITIES MARKET COMMISSION
-MADRID-