



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

Having obtained the European Commission clearance of the transaction on 10 January 2006, TELEFÓNICA announced today, 23 January 2006, that all of the remaining conditions of its Takeover Offer to acquire the total share capital of O2 plc, launched on 21 November 2005, have been satisfied, declaring therefore the Offer unconditional in all respects, in accordance with the rules of the U.K. City Code on Takeovers and Mergers.

TELEFÓNICA has received as at 6:00 a.m. (GMT) on 23 January 2006, valid acceptances in respect of a total of 5,964,008,947 O2 plc shares, representing approximately 67.98 percent of O2's issued share capital.

On the other hand, and as a result of several purchases made by TELEFÓNICA, as of 23 January 2006, Telefónica holds 747,606,107 O2 plc Shares representing approximately 8.52 per cent of O2's issued share capital (this purchase figure includes 312,000,000 O2 plc Shares acquired by TELEFÓNICA on 20 January 2006, but which have not been settled as of that date).

Consequently, as at 6:00 a.m. (GMT) on 23 January 2006, Telefónica and its wholly-owned subsidiaries owned or had received valid acceptances in respect of a total of 6,711,615,054 O2 plc Shares representing approximately 76.51 per cent of O2's issued share capital.

In accordance with the rules of the U.K. City Code on Takeovers and Mergers, the consideration will be dispatched or credited on 6 February 2006 to O2 Shareholders who have validly accepted the Offer on or before the date of this announcement (23 January). Thereafter, consideration will be dispatched or credited to O2 shareholders who validly accept the Offer, within fourteen days of receipt of an acceptance valid in all respects.

Madrid, 23 January 2006

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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