

FINAL TERMS

Series No.: 4

Tranche No.: 1

TELEFÓNICA EMISIONES S.A.U.,

(incorporated with limited liability in the Kingdom of Spain)

Programme for the Issuance of Debt Instruments

unconditionally and irrevocably guaranteed

by

TELEFÓNICA, S.A.

Issue of

£500,000,000 5.375 per cent. Instruments due 2026

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 8 July 2005 and the supplemental Base Prospectus dated 10 January 2006 which together constitute a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus as so supplemented. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Base Prospectus. Copies of the Base Prospectus and each supplemental Base Prospectus are available for viewing on the website www.telefonica.es and copies may be obtained from Gran Vía, 28, 28013 Madrid (being the registered office of the Issuer), at the offices of J.P. Morgan Chase Bank N.A., London Branch at Trinity Tower, 9 Thomas More Street, London E1W 1YT and at the offices of J.P. Morgan Bank Luxembourg S.A. at 6, route de Trèves, L-2633, Senningerberg, Grand Duchy of Luxembourg.

1. Issuer: Telefónica Emisiones S.A.U.
2. Guarantor: Telefónica, S.A.

DISTRIBUTION

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| 3. | Relevant Dealer: | Barclays Bank PLC |
| 4. | Lead Managers: | Barclays Bank PLC, BNP Paribas and The Royal Bank of Scotland plc. |
| 5. | Co-Lead Managers: | Banco Español de Crédito, S.A., Banco Santander Central Hispano, S.A., Bayerische Hypo-und Vereinsbank AG, Bayerische Landesbank, Caja de Ahorros y Monte de Piedad de Madrid, Caja de Ahorros y Pensiones de Barcelona, CALYON, Capitalia S.p.A., Commerzbank Aktiengesellschaft, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Daiwa Securities SMBC Europe Limited, Fortis Bank nv-sa, KBC Bank NV, Mitsubishi UFJ Securities International plc and WestLB AG. |

**GENERAL PROVISIONS
APPLICABLE TO
THE INSTRUMENTS**

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| 6. | Status of Instruments: | Unsubordinated |
| 7. | Specified Currency or Currencies:
(Condition 1.10) | Pounds Sterling ("£") |
| 8. | Aggregate Principal Amount of Instruments admitted to trading: | |
| | (i) Series | £500,000,000 |
| | (ii) Tranche | £500,000,000 |
| 9. | If interchangeable with existing Series, Series No: | Not Applicable. |
| 10. | Issue Date: | 2 February 2006 |
| 11. | Issue Price: | 99.934 per cent. of the Aggregate Principal Amount. |

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| 12. | Redemption/Payment Basis: | Redemption at par |
| 13. | Specified Denominations: | £50,000. For so long as the Instruments are represented by a global Instrument and Euroclear and Clearstream, Luxembourg so permit, the Instruments shall be tradeable in minimum principal amounts of £50,000 and integral multiples of £1,000. |
| 14. | (a) Form of Instruments: | Bearer. Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the Permanent Global Instrument. |
| | (b) Bearer Instruments exchangeable for Registered Instruments: | Not Applicable. |
| | (c) Issuer to bear cost and expense of exchange of Permanent Global Instrument for Definitive Instruments: | Yes |
| | (d) Coupons to be attached to Definitive Instruments:
(Condition 1.06) | Yes |
| | (e) Talons for future Coupons to be attached to Definitive Instruments:
(Condition 1.6) | No |
| 15. | Partly Paid Instruments:
(Condition 1.11) | Not Applicable. |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Interest (Condition 5): Interest bearing.
- (i) Interest Rate: 5.375 per cent. per annum payable annually in arrear.
- (ii) Fixed Coupon Amount: The amount of interest payable on each Interest Payment Date in respect of each Instrument of £50,000 Specified Denomination shall be £2,687.50.
- (iii) Interest Payment Dates: 2 February in each year.
- (iv) Definition of Business Day: As defined in condition 5.09.
- (v) Day Count Fraction: Actual/Actual (ICMA), which shall have the meaning given to "Actual/Actual (ISMA)" in the Conditions.
- (vi) Interest Commencement Date: Issue Date.
- (vii) Minimum Interest Rate: Not Applicable.
- (viii) Maximum Interest Rate: Not Applicable.
- (ix) Default Interest Rate: (Condition 5.02) The Interest Rate specified above.
17. Maturity Date: (Condition 6.01) 2 February 2026.
18. Dates for payment of Instalment Amounts (Instalment Instruments): (Condition 6.01) Not Applicable.

PROVISIONS RELATING TO REDEMPTION

19. Early Redemption for Taxation Reasons: (Condition 6.02)
- (a) Early Redemption Amount (Tax): Outstanding Principal Amount.
- (b) Date after which changes in law, etc. entitle Issuer to redeem: Issue Date.
20. Optional Early Redemption (Call) (Condition 6.03): Not Applicable.
21. Optional Early Redemption (Put) (Condition 6.06): Not Applicable.
22. Final Redemption Amount of each Instrument: £50,000 per Instrument of £50,000 Specified Denomination.
23. Events of Default (Condition 7.01):
- (a) Early Termination Amount: The Outstanding Principal Amount.
- (b) Any additional (or modifications to) Events of Default: Not Applicable.
24. Payments (Condition 9):
- (a) Unmatured Coupons missing upon Early Redemption: Condition 9A.06 (i) applies.
- (b) Relevant Financial Centre Day: Not Applicable.
25. Replacement of Instruments: Condition 12 applies.

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| 26. | Notices:
(Condition 14) | Condition 14 applies. |
| 27. | Selling Restrictions: | |
| | United States of America: | The Instruments are subject to TEFRA D Rules. |
| | Other: | Italy (see Annex). |
| 28. | Stabilising Manager(s): | Not Applicable. |
| 29. | Commissioner | Eduardo Álvarez Gómez. |

OPERATIONAL INFORMATION

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| 30. | ISIN: | XS0241945582 |
| 31. | Common Code: | 024194558 |
| 32. | Common Depository: | JPMorgan Chase Bank, N.A. |
| 33. | Any Clearing System other than Euroclear and Clearstream, Luxembourg: | Not Applicable. |
| 34. | Settlement Procedures: | Customary medium term note settlement and payment procedures apply. |
| 35. | Other Relevant Terms and Conditions: | Not Applicable. |
| 36. | Names and addresses of additional Paying Agents(s) (if any): | Not Applicable. |

LISTING APPLICATION

These Final Terms comprise the details required to list the issue of Instruments described herein pursuant to the listing of the €15,000,000,000 Programme for the Issuance of Debt Instruments of Telefónica Emisiones S.A.U. guaranteed by Telefónica, S.A.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:.....

Duly authorised

Signed on behalf of the Guarantor:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING

- (i) Listing: London
- (ii) Admission to trading: Application has been made for the Instruments to be admitted to trading on the Gilt-Edged and Fixed Interest Market of the London Stock Exchange with effect from the Issue Date.
- (iii) Estimate of total expenses related to admission to trading: Pounds Sterling 4,100.

2. RATINGS

Ratings: As of the date hereof, the rating for Telefónica, S.A.'s senior unsecured debt is as follows: (i) BBB + (with stable outlook) from Standard & Poor's Rating Services, a division of the McGraw Hill companies ("**S&P**"), as published on 11 January 2006; (ii) A- (with stable outlook) from Fitch IBCA Limited ("**Fitch**"), as published on 11 January 2006 and (iii) Baa1 (with stable outlook) from Moody's Investors Services, Inc. ("**Moody's**"), as published on 22 December 2005. S&P, Fitch and Moody's have assigned a BBB+, A- and Baa1 rating to the Instruments, respectively.

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.

4. REASONS FOR THE OFFER,

As described in "Use of Proceeds" in the Base Prospectus.

5. YIELD

Indication of yield:

5.380 per cent.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

ANNEX

Each Dealer has represented, warranted and agreed that it has no offered, sold or delivered and will not offer, sell or deliver any Instruments or distribute or make available copies of the Base Prospectus or any other material relating to the Instruments in Italy except to the following institutional investors, among those listed in article 31(2) of CONSOB Regulation No 11522 of 1 July 1998 ("**Regulation No. 11522**") as amended, pursuant to articles 30(2) and 100 of the Consolidated Financial Law: (i) authorised intermediaries (*intermediary autorizzati*), (ii) asset management companies (*società di gestione del risparmio*), (iii) SICAVs, (iv) pension funds, (v) insurance companies, (vi) foreign entities which, pursuant to the law in force in their home country, carry on the activities carried on by the foreign entities, (vii) companies and entities that issue financial instruments listed on regulated markets, (viii) companies registered in the registers referred to in Articles 106, 107, and 113 of Legislative Decree no. 385 of 1 September 1993 (the "**Banking Law**") and (ix) banking foundations regulated by Legislative Decree no. 153 dated 17 May 1999. Any such offer, sale or delivery of Instruments or distribution of copies of the Base Prospectus or any other material relating to the Instruments in Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Banking Law, the Consolidated Financial Law, Regulation No. 11522 and any other applicable laws and regulations;
- (b) in compliance with article 129 of the Banking Law and the implementing instructions of the Bank of Italy, pursuant to which the issue or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending *inter alia*, on the amount of the issue and the characteristics of the securities, applies; and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.