



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 announced today, 3 January 2006, its waiver to the minimum volume requirement established as a condition to its Takeover Offer to acquire the total share capital of O2 plc., launched on 21 November 2005, therefore declaring the Offer unconditional as to acceptances, in accordance with the procedure established pursuant to the U.K. City Code on Takeovers and Mergers.

TELEFÓNICA has received as at 12:00 p.m. (GMT) on 2 January 2006, valid acceptances in respect of a total of 5,501,443,814 O2 shares, representing approximately 62.72 percent of O2's issued share capital.

On the other hand, and as a result of several purchases made by TELEFÓNICA, as at 12:00 p.m. (GMT) on 2 January 2006, Telefónica holds 435,606,107 O2 Shares representing approximately 4.97 per cent of O2's issued share capital.

Consequently, as at 12:00 p.m. (GMT) on 2 January 2006, Telefónica and its wholly-owned subsidiaries owned or had received valid acceptances in respect of a total of 5,937,049,921 O2 Shares representing approximately 67.69 per cent of O2's issued share capital.

In accordance with the rules of the U.K. City Code on Takeovers and Mergers, the Offer is being extended and will remain open for acceptance until the next closing date, which will be on **20 January 2006, at 1.00 p.m. (GMT)**.

Madrid, January 3rd, 2006