

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

Today, 31st October 2005, in accordance with Rule 2.5 of the U.K.'s *City Code on Takeovers and Mergers*, TELEFÓNICA, S.A. has announced, through their financial advisors Goldman Sachs International and Citigroup, the launching of an Irrevocable Takeover Offer to acquire the total share capital of the UK company, O2 plc.

This Announcement contains the principal terms and conditions of this Offer agreed unanimously by the Board of Directors of TELEFÓNICA, S.A. and O2 plc.

The Offer, addressed to all the shareholders of the aforementioned company, is structured as a purchase of shares in cash, valuing each O2 plc share at 200 p and, consequently, being the entire value of the transaction of approximately £17.710 millions.

The Board of Directors of O2 plc will be unanimously recommending its shareholders to accept the Offer announced by TELEFÓNICA, S.A.

This Irrevocable Offer is conditional, amongst other things, upon receiving the required regulatory clearances; and upon receiving a number of acceptances in respect of not less than 90 per cent of O2 plc share capital to which the Offer relates, notwithstanding TELEFÓNICA, S.A. may waive this condition as long as the number of acceptances received represent more than 50 percent of the voting share capital of O2 plc.

The aforementioned Announcement is included as annex to this Significant Event.

Madrid, October 31st, 2005