



TELEFÓNICA EMISIONES, S.A.U.

(incorporated with limited liability under the laws of the Kingdom of Spain)

guaranteed by

TELEFÓNICA, S.A.

(incorporated with limited liability in the Kingdom of Spain)

€15,000,000,000

PROGRAMME FOR THE ISSUANCE OF WHOLESALE DEBT INSTRUMENTS

This supplement (the "**Supplement**") to the base prospectus dated 5 July 2006 (the "**Base Prospectus**") constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**") and is prepared in connection with the programme for the issuance of wholesale debt instruments (the "**Programme**") established by Telefónica Emisiones, S.A.U. (the "**Issuer**"). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with the Base Prospectus, and any other supplements to the Base Prospectus issued by the Issuer. Each of the Issuer and Telefónica, S.A. ("**Telefónica**") accepts responsibility for the information contained in this Supplement. To the best of the knowledge and belief of each of the Issuer and Telefónica (which have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement and any supplement to the Base Prospectus previously issued, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Instruments issued under the Programme since the publication of the Base Prospectus.

SUPPLEMENTARY INFORMATION

Publication of Annual Accounts by Telefónica

On 4 April 2007, Telefónica published its Consolidated Financial Statements (Consolidated Annual Accounts) for 2006. A copy of those financial statements has been filed with the Financial Services Authority and, by virtue of this Supplement, those financial statements are incorporated in, and form part of, the Base Prospectus. Those financial statements can be viewed on the website of Telefónica, at www.telefonica.es/accionistaseinversores/ and on the website of the Regulatory News Services operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/>.

Publication of the Quarterly Results by Telefónica

On 16 May 2007, Telefónica published its First Quarter 2007 results. A copy of those unaudited financial statements has been filed with the Financial Services Authority and, by virtue of this Supplement, those financial statements (excluding the Financial Targets section beginning on page 8 and ending on page 9) are incorporated in, and form part of, the Base Prospectus. Those financial statements can be viewed on the website of Telefónica, at www.telefonica.es/accionistaseinversores/ and on the website of the Regulatory News Services operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/>.

RECENT DEVELOPMENTS

Sale of Airwave O2 Limited

On April 18 2007, we agreed to sell 100% of Airwave O2 Limited (a subsidiary of O2 Holdings Limited, and now known as Airwave Solutions Limited), a leading provider of communications services and solutions to public safety users in the UK.

The transaction was completed on April 20 2007. The total value of Airwave O2 Limited (firm value) was €2,982 million, generating total nets proceeds for the Telefónica Group of €2,860 million after Airwave O2 Limited's net debt and other liabilities.

In connection with this transaction, we have assumed certain commitments, including possible tax liabilities and contributions to O2's pension plans on behalf of the employees of Airwave O2 Limited.

Stake in Telecom Italia

On April 28 2007, we announced that we had reached an agreement with a group of Italian Investors, Assicurazioni Generali S.p.A. ("Generali"), Sintonia S.A. ("Sintonia"), Intesa

Sanpaolo S.p.A. ("Intesa Sanpaolo") and Mediobanca S.p.A. ("Mediobanca"), to constitute a consortium in order to purchase the entire share capital of Olimpia S.p.A. ("Olimpia"), which owns an 18% stake in the voting share capital of Telecom Italia, S.p.A. ("Telecom Italia"), at a provisional price of €4.1 billion. Completion of the transaction is conditional upon the authorizations and approvals of the relevant authorities.

The offered consideration, to be paid in cash at closing (expected by the end of 2007), implies the valuation of Olimpia's equity investment in Telecom Italia at a price of €2.82 for each Telecom Italia ordinary share, for a countervalue of approximately €4.1 billion, net of the net debt of Olimpia.

The acquisition will occur by way of a new company, Telco S.p.A. ("Telco"), which, after the transaction, will hold approximately 23.6% of the voting share capital of Telecom Italia (18% indirectly through Olimpia and 5.6% contributed by Generali and Mediobanca).

As a result of the transaction, we will hold a total of 42.3% of Telco's share capital, and the Italian Investors will hold the remaining 57.7% as follows: Generali, 28.1%; Mediobanca, 10.6%; Intesa Sanpaolo, 10.6%; and Sintonia, 8.4%.

Telco will be funded with our initial contribution of €2,314 million, in cash, in addition to the corresponding contributions of each of the Italian Investors and a bridge financing of up to a maximum of €1,000 million. A subsequent share capital increase of Telco to reimburse totally or partially this debt will be carried out a maximum of six months after the closing of the transaction, which may be subscribed by Telefónica proportionally and by Italian investors.

The governance of Telco will be determined according to proportionality criteria; it sets forth qualified majorities (the achievement of such majorities implying the consent of Telefónica) for certain specific, particularly significant transactions, including, among others, those which may change the shareholder structure (spin-offs, mergers and reserved increases in share capital). Should such qualified majorities not be reached, a "deadlock" will occur and in some cases the resolutions will not be taken and in other cases, the relative resolutions can be passed by simple majority of votes, without prejudice to the right of dissenting shareholders to exit the shareholder base of Telco via a demerger, i.e. pro-rata assignment of assets and liabilities of Telco. With respect to Telecom Italia, Telefónica will have the right to appoint two directors.

The agreements shall last three years, at the end of which, without prejudice to renewal, each shareholder may exit the shareholder base of Telco via a demerger, i.e. pro-rata assignment of assets and liabilities of Telco.

Sale of Endemol, N.V.

On May 14 2007, after analyzing various offers received, we entered into an agreement for the sale of our 99.7% stake in Endemol Investment Holding BV ("Endemol Holding"), which indirectly owns 75% of Endemol N.V. - to a newly incorporated vehicle, jointly and equally owned by (i) Mediacinco Cartera SL, a newly incorporated entity owned by Mediaset SpA and its quoted subsidiary Gestelevision Telecinco, S.A., (ii) Cyrte Fund II B.V. and (iii) Gs Capital Partners Vi Fund, LP.

The total consideration for the sale of Endemol Holding amounts to €2,629 million for 75% of Endemol N.V. valued at €25 per share cum dividend and including the additional assets and liabilities within Endemol Holding and its subsidiaries. The agreement is subject to obtaining the relevant regulatory authorisations.

Payment of a dividend

At the Annual General Shareholders' Meeting held on May 10 2007, the shareholders approved the payment of a final cash dividend of €0.30 per share payable from 2006 net income. The dividend was paid on May 17 2007.