SUPPLEMENT DATED 10 JANUARY 2006 TO THE BASE PROSPECTUS DATED 8 JULY 2005

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 8 July 2005 (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 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. accepts responsibility for the information contained in this Supplement. To the best of the knowledge and belief of each of the Issuer and Telefónica, S.A. (which has 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, 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.

Arranger

BARCLAYS CAPITAL

SUPPLEMENTARY INFORMATION

Publication of interim results by Telefónica, S.A.

The unaudited consolidated financial statements of Telefónica, S.A. ("Telefónica") as at, and for the nine months period ended 30 September 2005 are hereby incorporated by reference in the Base Prospectus. A copy of those financial statements has been filed with the Financial Services Authority and can be viewed on the website of Telefónica, S.A. 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/.

Recommended cash offer for 02 PLC on behalf of Telefónica

On 31 October 2005, the boards of Telefónica and O2 plc ("O2") announced that they had reached agreement on the terms of a recommended cash offer (the "Offer") to be made by Goldman Sachs International and Citigroup Global Markets Limited ("Citigroup"), on behalf of Telefónica, to acquire the entire issued and to be issued share capital of O2 (the "Share Capital").

The Offer for the whole of the Share Capital not already owned by Telefónica is made on the following basis: 200 pence in cash for each O2 share. As an alternative to some or all of the cash consideration under the Offer, O2 shareholders may elect to receive loan notes issued by Telefónica on the basis of £2 nominal value of loan notes for every £2 of cash consideration to which they would otherwise be entitled, as more fully described in the Offer Document (as defined below). The Offer valued the entire Share Capital at approximately £17.76 billion[1].

The Offer extends to all O2 shares unconditionally allotted or issued and fully paid on the date of the Offer and any O2 shares which are unconditionally allotted or issued and fully paid (including pursuant to the exercise of options or awards granted under the O2 share schemes) before the date on which the Offer closes or such earlier date as Telefónica may, subject to the City Code on Takeovers and Mergers (the "City Code"), decide, not being earlier than the date on which the Offer becomes unconditional as to acceptances.

On the date of announcement of the Offer, Telefónica obtained committed financing, in the amount of £18.5 billion through a facility agreement (the "Agreement"), arranged by Citigroup, Goldman Sachs International and The Royal Bank of Scotland plc, sufficient to enable Telefónica to satisfy in full the cash consideration payable to O2 shareholders and otherwise to fulfil its commitments under the terms of the Offer. This has subsequently been reduced to £18 billion on syndication.

[1] The value placed by the Offer on the existing issued and to be issued share capital of O2 is based on 8,902,650,037 O2 shares on a fully diluted basis comprising 8,767,820,763 O2 shares in issue and 137,485,590 O2 shares subject to awards under the O2 share schemes which would vest before or as a result of the Offer becoming or being declared unconditional in all respects (of which 2,656,316 O2 shares are covered by existing issued O2 shares) and taking into consideration the cash proceeds under the O2 share schemes. This assumes that the Offer becomes or is declared unconditional in all respects on or before 31 January 2006. All numbers of O2 shares stated in this paragraph are given as at 17 November 2005.

The facility made available under the Agreement to Telefonica Europe, B.V. (the "**Borrower**") with the guarantee of Telefónica, S.A. is divided into a £12,333,333,333 term loan facility maturing on the day which is 364 days after the date of the Agreement (subject to two extension options which, subject to certain conditions, permit the Borrower to extend the maturity date by an initial 365 days and thereafter by a further 180 days) ("Facility A") and a £6,166,666,667 term loan facility maturing on the day which is 3 years after the date of the Agreement ("Facility B"). The rate of interest under the Agreement varies according to the long term credit rating of Telefónica by Moody's Investors Service Inc or Standard & Poor's Rating Services, and provided such rating is Baa1/BBB+ or higher, the margin will be less than 0.40 per cent per annum over LIBOR (for a loan drawn in sterling) or EURIBOR (for a loan drawn in any other currency).

Under the Agreement, the Borrower may use the proceeds of the facility in or towards, inter alia:

(A) financing or refinancing the acquisition by Telefónica of O2 shares to be acquired by Telefónica pursuant to the Offer,

(B) financing or refinancing the consideration payable by Telefónica with respect to O2 shares pursuant to the procedures contained in sections 428-430F of the Companies Act,

(C) financing or refinancing payments to holders of options in respect of O2 shares who exercise or surrender their options in connection with the Offer,

(D) financing or refinancing certain costs, and

(E) financing or refinancing payment for O2 shares by way of market purchases.

The payment of interest on and the repayment of the facility made available under the Agreement will not depend to a significant extent on the business of O2 (although the repayment of such facility will, like any group debt service and financial commitments, be supported by the cash flow generation of the Telefónica Group as a whole, which following the Offer becoming unconditional in all respects will include the cash flow generated by the business of O2). It is not intended that the business of O2 will be used to provide security for the facility made available under the Agreement.

O2 fully owns certain mobile network operators in the UK, Germany and Ireland, as well as a mobile internet portal business. All of these businesses are branded "O2". O2 also operates in the Isle of Man (through Manx Telecom) and owns O2 Airwave, a digital emergency services communications network. In addition, O2 has established the Tesco Mobile and Tchibo Mobilfunk joint venture businesses in the UK and Germany, respectively. O2 recently launched the i-mode mobile internet service in the UK and Ireland and intends to introduce a similar service in Germany in 2006.

At 30 September 2005, O2 had 25.7 million customers and approximately 15,000 employees. For the year ended 31 March 2005 O2 reported revenues of £6.683 billion, EBITDA of £1.768 billion and net assets of £10.281 billion.

If Telefónica completes the Offer, Telefónica will gain entry into Europe's two largest mobile markets, the UK and Germany.

Accordingly, the mobile business will make up a significant part of Telefónica's business activities if the Offer is completed. Based on analysts' forecasts, following the Offer over half of Telefónica's EBITDA is expected to be generated from the faster growing mobile business and from outside Spain.

Inducement Fee

O2 has agreed to pay Telefónica an inducement fee of 1% of the value of the Offer calculated on a fully diluted basis if before the Offer lapses or is withdrawn any competing offer is announced and such competing offer becomes or is declared unconditional in all respects.

Ratings

Following the announcement of the Offer: (i) Standard & Poor’s Ratings Services, a division of the McGraw Hill Companies Inc., downgraded Telefónica’s rating for senior, unsecured debt from A (with negative perspective) to A-; and (ii) Moody’s Investors Services, Inc. and Fitch IBCA Limited stated that when, and if, the acquisition of O2 is completed Telefónica’s rating for senior, unsecured debt will be Baa1 and not less than A-, respectively. On 22 December 2005, Moody's Investors Services, Inc. downgraded Telefónica's rating for senior, unsecured debt to Baa1 from A3 (with stable outlook).

Telefónica’s Board of Directors Appointments

The board of Telefónica will procure, as soon as practicable following the date on which the Offer becomes or is declared wholly unconditional, the appointment of (a) two persons nominated by O2 as members of the board of Telefónica, one of whom will also be appointed to the executive committee of the board of Telefónica and will be part of Telefónica’s management committee, and (b) one person nominated by O2 as a member of the board of directors of Telefónica Móviles, S.A.

O2 has decided to nominate Sir David Arculus and Peter Erskine to the board of Telefónica, with Peter Erskine also to be nominated to the Telefónica executive committee and management committee. Rudolf Gröger will be nominated to the board of directors of Telefónica Móviles, S.A.

Conditions to and certain terms of the Offer

The Offer is subject to the conditions and further terms set out in the offer document (the "**Offer Document**"), including regulatory consents and approvals (such as the European Commission clearance referred to below). The Offer can only become unconditional in all respects if all conditions to the Offer have been satisfied or waived.

In relation to acceptances, the Offer was subject to valid acceptances being received (and not, where permitted, withdrawn) by 1.00 p.m. on 12 January 2006 (or such later time(s) and/or date(s) as Telefónica may, subject to the rules of the City Code, decide) in respect of not less than 90 per cent. (or such lesser percentage as Telefónica may decide) in nominal value of O2 shares to which the Offer relates, provided that this condition shall not be satisfied unless

Telefónica (and/or any of its wholly-owned subsidiaries) shall have acquired, or agreed to acquire, whether pursuant to the Offer or otherwise, and whether directly or indirectly, O2 shares carrying, in aggregate, more than 50 per cent. of the voting rights then normally exercisable at general meetings of O2.

To the extent that the acquisition of all the O2 shares by Telefónica constitutes a concentration with a Community dimension within the scope of Council Regulation (EC) 139/2004 (the “ECMR”), the Offer was notified to the European Commission pursuant to the EC Merger Regulation (Council Regulation (EC) 139/2004) on 14 November 2005. The deadline for Phase I clearance by the European Commission is 10 January 2006.

Posting of the Offer Document, level of acceptances and extension of Offer

On 21 November 2005, the Offer Document, containing the full terms and conditions of the Offer, was posted to O2 shareholders to whom the Offer is addressed. The Offer was initially open for acceptance until 1.00 p.m. on 12 December 2005.

On 13 December 2005, Telefónica announced that as at 1.00 p.m. (London time) on 12 December 2005, the first closing date of the Offer, valid acceptances had been received in respect of a total of 5,305,394,102 O2 shares, representing approximately 60.49 per cent. of O2’s issued share capital. On that same date, the Offer was extended and remained open for acceptance until the next closing date, which was 1.00 p.m., London time, on 12 January 2006.

On 3 January 2006, Telefónica declared the Offer unconditional as to acceptances. In accordance with the rules of the City Code, the Offer remains open for acceptance until the next closing date which was extended from 1.00 p.m. (London time) on 12 January 2006 to 1.00 p.m. (London time) on 20 January 2006. On that same date, Telefónica announced that as at 12 noon (London time) on 2 January 2006 valid acceptances had been received in respect of a total of 5,501,443,814 O2 Shares, representing approximately 62.72 per cent. of O2’s issued share capital.

As a result of purchases, as of the date of this Supplement, Telefónica holds 435,606,107 O2 shares representing approximately 4.97 per cent. of O2’s issued share capital.

As stated in the Offer Document and the announcements on 13 December 2005 and 3 January 2006, Telefónica expects that the Offer will be declared wholly unconditional in January 2006.