

TELEFONICA S A
Form 424B5
June 06, 2006

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The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell nor do they seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(5)
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Subject to completion, dated June 6, 2006

Preliminary Prospectus Supplement
(To Prospectus Dated April 12, 2006)

TELEFÓNICA EMISIONES S.A.U.

(incorporated with limited liability in the Kingdom of Spain)

\$ Floating Rate Senior Notes due

\$ Fixed Rate Senior Notes due

guaranteed by:

TELEFÓNICA, S.A.

(incorporated with limited liability in the Kingdom of Spain)

The \$ floating rate senior notes due (the **Floating Rate Notes**) will bear interest at the then-applicable U.S. Dollar three-month LIBOR rate plus % per year, and the \$ fixed rate senior notes due (the **Fixed Rate Notes** and collectively, together with the Floating Rate Notes, the **Notes**) will bear interest at % per year. Interest on the Floating Rate Notes will be payable on each , , and of each year, beginning on , 2006. Interest on the Fixed Rate Notes will be payable on each and of each year beginning on , 2006. The Floating Rate Notes will mature at 100% of their principal amount on . The Fixed Rate Notes will mature at 100% of their principal amount on . The Floating Rate Notes and the Fixed Rate Notes constitute separate series of securities issued under the Indenture (as defined herein). The Notes may be offered and sold in multiple series with different maturities, interest rates and other terms.

Subject to applicable law, the Notes of each series will be unsecured and will rank equally in right of payment with other unsecured unsubordinated indebtedness of Telefónica Emisiones S.A.U. (the **Issuer**). The Guarantee (as defined herein) as to the payment of principal, interest and Additional Amounts (as defined herein) will be a direct, unconditional unsecured and unsubordinated obligation of our parent, Telefónica, S.A., (the **Guarantor**) and, subject to applicable law, will rank equally in right of payment with its other unsecured unsubordinated indebtedness.

For a more detailed description of the Notes of each series and the related Guarantee, see Description of the Notes and the Guarantee beginning on page S 28.

Investing in the Notes involves risks. See Risk Factors beginning on page S 16.

	Price to Public	Underwriting Discounts and Commissions	Proceeds, before expenses, to Telefónica Emisiones S.A.U.
Per Fixed Rate Note	%	%	%
Total for Fixed Rate Notes	\$	\$	\$
Per Floating Rate Note	%	%	%
Total for Floating Rate Notes	\$	\$	\$
Total	\$	\$	\$

Neither the U.S. Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this Prospectus Supplement. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the Notes to purchasers in registered book entry form through The Depository Trust Company (**DTC**) on or about June , 2006, which will be the 7th business day following the date of pricing of the Notes. Beneficial interests in the Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. Application will be made for the Notes described in this Prospectus Supplement to be listed on the New York Stock Exchange (the **NYSE**).

Joint Bookrunning Lead Managers

Citigroup
June , 2006.

Credit Suisse

Deutsche Bank Securities

Lehman Brothers

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is this Prospectus Supplement, which describes the specific terms of this offering of the Notes and also adds to and updates information contained in the accompanying Prospectus and the documents incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The second part is the accompanying Prospectus which gives more general information, some of which does not apply to this offering.

If the description of this offering varies between this Prospectus Supplement and the accompanying Prospectus, you should rely on the information contained in or incorporated by reference in this Prospectus Supplement.

In this Prospectus Supplement and any other prospectus supplements, the **Issuer** refers to Telefónica Emisiones S.A.U. and **Telefónica**, **Telefónica, S.A.** the **Group** or the **Guarantor** refer to Telefónica, S.A. and, where applicable, its consolidated subsidiaries, unless the context otherwise requires. **O2** refers to O2 plc, a subsidiary of Telefónica. We use the words **we**, **us** and **our** to refer to the Issuer or the Guarantor, as the context requires. We use the word **you** to refer to prospective investors in the securities.

SPANISH WITHHOLDING TAX REQUIREMENTS

Under Spanish law, interest payments in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 15% (expected to increase to 18% on January 1, 2007), in the case of (i) individual holders who are resident for tax purposes in Spain and (ii) holders who receive payments through a Tax Haven (as defined in Royal Decree 1080/1991, of July 5). Each of the Issuer and the Guarantor is required pursuant to Spanish law to submit to the Spanish tax authorities certain details relating to Beneficial Owners of the Notes who receive interest payments on the Notes. Beneficial Owners in respect of whom such information is not provided to the Issuer or the Guarantor in accordance with the procedures described herein will receive payments net of Spanish withholding tax, currently at the rate of 15% (expected to increase to 18% on January 1, 2007). Neither the Issuer nor the Guarantor will pay Additional Amounts (as defined herein) in respect of any such withholding tax in any of the above cases. See **Taxation Spanish Tax Considerations Evidencing of Beneficial Owner Residency in Connection with Interest Payments.**

We, the Guarantor, Acupay System LLC (Acupay) and JPMorgan Chase Bank N.A. (in its capacity as Paying Agent and for other limited purposes, the Paying Agent) will enter into a tax certification agency agreement to be dated as of the issue date of Notes (the Tax Certification Agency Agreement). Beneficial Owners may not be beneficiaries under the Tax Certification Agency Agreement. The Tax Certification Agency Agreement will incorporate, among other things, certain procedures arranged by Acupay and DTC that will facilitate the collection of information regarding the identity and residence of Beneficial Owners who (i) are exempt from Spanish withholding tax requirements and therefore entitled to receive payments in respect of the Notes free and clear of Spanish withholding taxes and (ii) are (a) direct participants in DTC, (b) hold their interests through securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a direct or indirect custodial relationship with a direct participant in DTC (each such entity an indirect DTC participant), or (c) hold their interests through direct or indirect DTC participants. These procedures are set forth in Annex A to this Prospectus Supplement. No arrangements or procedures have been made by the Issuer or the Guarantor with respect to any depository or clearing system other than the procedures arranged by Acupay and DTC mentioned above.

DTC is under no obligation to continue to perform such procedures and such procedures may be modified or discontinued at any time. In addition, DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to us.

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The Issuer and the Guarantor have agreed in the Indenture, so long as any principal amount of the Notes remains outstanding, to, insofar as it is practicable, maintain or implement procedures to facilitate the collection of information concerning the identity and country of residence of Beneficial Owners so long as such collection is required under Spanish law to allow payment of interest on the Notes free and clear of Spanish withholding tax. However, neither the Issuer nor the Guarantor can assure you that it will be practicable to do so.

The Tax Certification Agency Agreement, according to its terms, including the tax certification procedures annexed thereto, may be modified, amended or supplemented only by an instrument in writing duly executed by the Issuer, the Guarantor, Acupay and the Paying Agent, the parties to such agreement (except if such modification, amendment or supplement does not affect the rights and obligations of the Paying Agent, in which case neither the consent of the Paying Agent nor its execution of such instrument shall be required); *provided*, however, that any modification, amendment or supplement to the tax certification procedures may be made only if it is (i) necessary to reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof, *provided* that the parties to the Tax Certification Agency Agreement are provided with an opinion of independent Spanish counsel to the effect that such modification, amendment or supplement is necessary as a result of such change in applicable Spanish law, regulation, ruling or interpretation thereof, (ii) necessary to reflect a change in applicable clearing systems rules or procedures or to add procedures for one or more new clearing systems, *provided* that the parties to the Tax Certification Agency Agreement are provided with written communication from the applicable clearing system or clearing systems to this effect (including, without limitation, written communications in the form of an e-mail or written posting) and an opinion of independent Spanish counsel to the effect that such modified or new procedures do not conflict with applicable Spanish tax legislation or (iii) not materially detrimental to Beneficial Owners, as evidenced, in the case of any modification, amendment or supplement that requires the prior written consent of the Paying Agent, an officer's certificate of the Issuer and the Guarantor to that effect, on which the Paying Agent shall be entitled to rely when consenting to such modification, amendment or supplement under this item (iii); and *provided further* that any modification, amendment or supplement of any of the rights or duties of the Paying Agent thereunder, shall require the prior written consent of the Paying Agent.

The tax certification procedures set forth in Annex A to this Prospectus Supplement provide that payments of interest to any DTC participants that fail or for any reason are unable to comply with the procedures herein for the provision of the required Beneficial Owner information in respect of all Beneficial Owners who are entitled to an exemption from Spanish withholding tax and who own their beneficial interests in the Notes through such participants, will be paid net of Spanish withholding tax in respect of such DTC participant's entire beneficial interest in the Notes. In particular, should the required Beneficial Owner information submitted by a DTC participant be inconsistent with its DTC holdings in the Notes on any Interest Payment Date, then such DTC participant will be paid net of Spanish withholding tax with respect to such DTC's participant's entire holding in the Notes. If this were to occur, affected Beneficial Owners would have to either follow (acting through the DTC participant through which they hold their beneficial interest in the Notes) the quick refund procedures set forth in Article II of Annex A to this Prospectus Supplement or apply directly to the Spanish tax authorities for any refund to which they may be entitled pursuant to the procedures set forth in Article II of Annex B to this Prospectus Supplement. See **Taxation Spanish Tax Considerations Evidencing of Beneficial Owner Residency in Connection with Interest Payments** . We and the Guarantor will not pay any Additional Amounts with respect to any such withholding.

If DTC or the participants in DTC are unable to facilitate the collection of the required Beneficial Owner information, we may attempt to remove the Notes from the DTC clearing system, and this may affect the liquidity of the Notes. Provision has been made for each series of the Notes to be represented by certificated Notes in the event that the Notes cease to be held through DTC. See **Description of the Notes and the Guarantee Form, Denomination, Transfer and Registration** .

See **Risk Factors Risks Relating to the Notes** .

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SUMMARY

The following brief summary is not intended to be nor is it complete and is provided solely for your convenience. It is qualified in its entirety to the full text and more detailed information contained elsewhere in this Prospectus Supplement, the accompanying Prospectus, any amendments or supplements to this Prospectus Supplement and the accompanying Prospectus and the documents that are incorporated by reference into this Prospectus Supplement and the accompanying Prospectus. You are urged to read this Prospectus Supplement and the other documents mentioned above in their entirety.

The Group

Telefónica, S.A., the Guarantor, is the parent company of the Group and was incorporated under the laws of the Kingdom of Spain on April 19, 1924. The Group is:

a diversified telecommunications group which provides a comprehensive range of services, mainly in Spain and 13 countries in Latin America, through one of the world's largest and most modern telecommunications networks;

mainly focused on providing fixed and mobile telephony services and using broadband as a means to develop each of these businesses; and

expanding the Group's presence in Europe, following its acquisition of all of the shares of O2 in April 2006 and its acquisition of a majority stake in Cesky Telecom in June 2005.

The following significant events have occurred in 2005 and 2006:

In January 2005, Telefónica Móviles completed the acquisition of 100% of BellSouth Chile and BellSouth Argentina (Movicom).

In June 2005, the Guarantor acquired a majority stake in Cesky Telecom. Telefónica has consolidated Cesky Telecom's results of operations in its consolidated financial statements since July 2005 (see Item 18 of Telefónica's Annual Report on Form 20-F for the year ended December 31, 2005 and filed with the SEC on April 12, 2006 (the **Form 20-F**)). The acquisition of Cesky Telecom, the leading operator of fixed telephony and mobile telephony in the Czech Republic, will serve as a platform for the Group to further develop its business in Europe.

In July 2005, Terra Networks was merged into Telefónica. This merger was intended to allow Telefónica to enhance its business model based on the integration of fixed line telephony and Internet services, following the market's evolution towards broadband services.

In November 2005, Telefónica announced its agreement to acquire O2, a European mobile communication services provider with operations in the United Kingdom, Germany, Ireland and the Isle of Man. The acquisition of substantially all the shares of O2 was completed in early 2006.

On March 29, 2006, Telefónica's Board of Directors approved a merger plan for the absorption of Telefónica Móviles, S.A. by Telefónica, S.A. The Board of Directors of Telefónica Móviles also approved the merger plan. The merger is subject to approval by Telefónica's shareholders and the shareholders of Telefónica Móviles at their respective annual shareholders' meetings (June 20 and June 21, respectively). It is expected that the closing of the transaction will occur within two months of the date of such meetings.

On April 7, 2006, Telefónica announced that it would become Colombia Telecom's new strategic partner following the auction for a majority stake in the Colombian operator.

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As the controlling shareholder in Colombia Telecom, Telefonica will take over management of the company with ownership of 50% of outstanding shares plus one. The rest of the operator's share capital will remain in the government's hands. The deal was formalized on April 17, 2006 with the signing of an Investment Agreement pursuant to which Telefonica will become Colombia Telecom's strategic partner, taking over management of the operator with ownership of 50% of the company's shares plus one.

On April 28, 2006, Telefónica announced the possible sale of its holding in the share capital of Telefónica Publicidad e Información, S.A. (**TPI**) within the framework of a tender offer for all shares by Yell Group plc (**Yell**). The price of the offer by Yell is \$8.50 per share, giving a total price of \$1,838 million for the 59.905% of TPI currently owned by Telefónica, with Telefónica receiving, in addition, \$86.5 million in dividends prior to the sale.

In 2005, Telefónica reorganized the structure of its business lines to reflect the Group's new multinational scope and the integration of new businesses that have been recently acquired. The objectives of this new structure are to: (i) seek to take advantage of newly-created opportunities for synergies among our businesses; (ii) continue to transform Telefónica into a customer-service orientated company with a special focus on delivering high quality customer service and innovation and (iii) continue developing and offering integrated telecommunications solutions to each customer segment.

In 2005, Telefónica's principal business lines were:

Telefónica de España: fixed line telephony in Spain;

Telefónica Móviles: mobile telephony in Spain and Latin America;

Telefónica Latinoamérica: fixed line telephony in Latin America;

Cesky Group: integrated telecommunications services in the Czech Republic;

Telefónica Contenidos: audio-visual media and content in Europe and Latin America;

Directories Business: publication, development and sale of advertising for telephone directories in Europe and Latin America (this business line is represented by Telefónica's holdings in TPI, which is currently the subject of a tender offer by Yell); and

Atento: call centers in Europe, Latin America and North Africa.

In order to integrate O2 into the Group, in 2006 Telefónica will be adding a new business line that will be principally comprised of O2 and will also include Cesky Telecom and Telefónica Deutschland. All other subsidiaries that are not part of Telefónica's core business lines, including Telefónica Publicidad e Información, S.A., Endemol Entertainment Holding N.V., Telefónica Contenidos, S.A. and Telefónica Servicios Audiovisuales, S.A. will be managed by Telefónica's Director of Affiliates.

Telefónica, S.A., the parent company of the Group, also operates as a holding company with the following objectives:

coordinate the Group's activities;

allocate resources efficiently among the Group;

provide managerial guidelines for the Group;

manage the portfolio of businesses;

provide cohesion within the Group; and

foster synergies among the Group's subsidiaries.

Telefónica's principal executive offices are located at Gran Vía, 28, planta 3, 28013 Madrid, Kingdom of Spain, and its telephone number is: +34 91 584 4700.

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Telefónica Emisiones S.A.U.

We are a wholly-owned subsidiary of the Guarantor. We were incorporated on November 29, 2004, as a company with unlimited duration and with limited liability and a sole shareholder under the laws of Spain (*sociedad anónima unipersonal*). Our share capital is 62,000 divided into 62,000 ordinary shares of par value 1 each, all of them issued and fully paid and each of a single class. We are a financing vehicle for the Group. We have no material assets. Spanish reserve requirements must be met prior to the payment of dividends, and dividends may only be distributed out of income for the previous year or out of unrestricted reserves, and our net worth must not, as a result of the distribution, fall below our paid-in share capital (*capital social*). There are no other restrictions on Telefónica's ability to obtain funds from us through dividends, loans or otherwise. Spanish Law 13/1985 requires that the proceeds of the offering of the Notes be deposited with Telefónica or one of its consolidated subsidiaries.

On February 2, 2006, we issued EMTN bonds under the Telefónica Emisiones, S.A.U. 15,000,000,000 Programme for the Issuance of Wholesale Debt Instruments guaranteed by Telefónica, S.A. and admitted to the official list of the United Kingdom Financial Services Authority and to the London Stock Exchange, as follows:

2,250,000,000 aggregate principal amount of 3.75 percent Instruments due 2011;

1,750,000,000 aggregate principal amount of 4.375 percent Instruments due 2016;

£750,000,000 aggregate principal amount of 5.375 percent Instruments due 2018; and

£500,000,000 aggregate principal amount of 5.375 percent Instruments due 2026.

We have used the proceeds of the issuances to provide loans to Telefónica, S.A.

Our principal office is located in Telefónica's principal executive offices at Gran Vía, 28, planta 3, 28013 Madrid, Kingdom of Spain, and the telephone number is: +34 91 584 4700.

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THE OFFERING

For a more detailed description of the Notes and the Guarantee, see Description of the Notes and the Guarantee .

Issuer	Telefónica Emisiones S.A.U.
Guarantor	Telefónica, S.A.
Trustee, Paying Agent and Calculation Agent	JPMorgan Chase Bank, N.A. will be acting as the initial Trustee and Paying Agent, with respect to each series of Notes, and Calculation Agent with respect to the Floating Rate Notes under, and as such terms are defined in, the Indenture.
Notes Offered	<p>\$ aggregate principal amount of floating rate senior notes due .</p> <p>The Floating Rate Notes will bear the following CUSIP: , the following ISIN: and the following Common Code: .</p> <p>\$ aggregate principal amount of fixed rate senior notes due .</p> <p>The Fixed Rate Notes will bear the following CUSIP: , the following ISIN: and the following Common Code: .</p> <p>The Notes may be offered and sold in multiple series with different maturities, interest rates and other terms.</p>
Issue Price	<p>% (Floating Rate Notes).</p> <p>% (Fixed Rate Notes).</p>
Interest Payable on the Notes	<p>The Floating Rate Notes will bear interest at the then-applicable U.S. Dollar three-month LIBOR rate plus % per year, payable on each , , and of each year, beginning on , 2006.</p> <p>The Fixed Rate Notes will bear interest at % per year, payable on each and of each year, beginning on , 2006.</p>
Early Redemption for Taxation or Listing Reasons	<p>If, in relation to the Notes of a series (i) as a result of any change in the laws or regulations of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issuance of the Notes of such series, (x) the Issuer or the Guarantor, as the case may be, is or would be required to pay any Additional Amounts (as defined herein) or (y) the Guarantor is or would be required to deduct or withhold tax on any payment to the Issuer to enable the Issuer to make any payment of principal, premium, if any, or interest on the Notes of such series, provided that such payment cannot with reasonable effort by the Guarantor be structured to avoid such deduction or withholding, and (ii) such circumstances are evidenced by the delivery by the Issuer or the Guarantor, as the case may be, to the Trustee of a certificate signed by an authorized officer or director of the Issuer or the Guarantor, as the case may be, stating that such circumstances prevail and describing the facts leading to such circumstances, together with an opinion of independent legal advisers of recognized standing to the effect that such circumstances prevail, the Issuer or the Guarantor,</p>

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as the case may be, may, at its election and having given not less than 30 nor more than 60 days notice (ending on a day upon which interest is payable) to the holders in accordance with the terms described under Description of the Notes and the Guarantee Notices (which notice shall be irrevocable), redeem all of the outstanding Notes of such series at a redemption price equal to their principal amount, together with accrued and unpaid interest, if any, thereon to but excluding the redemption date. No such notice of redemption may be given earlier than 150 days prior to the date on which the Issuer or the Guarantor would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due.

In addition, if any series of Notes is not listed on an organized market in an OECD country no later than 45 days prior to the initial Interest Payment Date (as defined herein) on such series of Notes, the Issuer or the Guarantor, as the case may be, may, at its option and having given not less than 15 days notice (ending on a day which is no later than a Business Day (as defined herein) immediately preceding such Interest Payment Date) to the holders of such series of Notes in accordance with the terms described under Description of the Notes and the Guarantee Notices (which notice shall be irrevocable), redeem all of the outstanding Notes of such series at their principal amount, together with accrued interest, if any, thereon to but not including the redemption date; *provided* that from and including the issue date of the Notes of such series to and including such Interest Payment Date, the Issuer will use its reasonable efforts to obtain or maintain such listing, as applicable.

In the event of an early redemption of the Notes for the reasons set forth above, the Issuer or the Guarantor, as the case may be, will be required to withhold tax and will pay interest in respect of the principal amount of the Notes redeemed net of the withholding tax applicable to such payments (currently 15% and expected to increase to 18% on January 1, 2007). If this were to occur, Beneficial Owners would have to either follow the Quick Refund Procedures set forth in Article II of Annex A to this Prospectus Supplement, or the Direct Refund from Spanish Tax Authorities Procedures set forth in Article II of Annex B of this Prospectus Supplement in order to apply directly to the Spanish tax authorities for any refund to which they may be entitled. See

Taxation Spanish Tax Considerations Evidencing of Beneficial Owner Residency in Connection with Interest Payments .

For a description of the Spanish tax treatment applicable to the accrued interest, if any, on the Notes upon an early redemption of such Notes, see Taxation Spanish Tax Considerations .

Optional Redemption of the Notes The Issuer may, at its election and having given not less than 30 nor more than 60 days notice to the holders in accordance with the terms described under Description of the Notes and the Guarantee Notices (which notice shall be irrevocable), redeem from time to time all or a portion of the outstanding Floating Rate Notes at a make whole redemption price determined in the manner set forth in this Prospectus Supplement. See Description of the Notes and the Guarantee Optional Redemption of Floating Rate Notes .

The Issuer may, at its election and having given not less than 30 nor more than 60 days notice to the holders in accordance with the

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terms described under Description of the Notes and the Guarantee Notices (which notice shall be irrevocable), redeem from time to time all or a portion of the outstanding Fixed Rate Notes at a make whole redemption price determined in the manner set forth in this Prospectus Supplement. See Description of the Notes and the Guarantee Optional Redemption of Fixed Rate Notes .

Status of the Notes

The Notes of each series will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and (subject to any applicable statutory exceptions) the payment obligations of the Issuer under the Notes of such series will rank at least *pari passu* with all other unsecured and unsubordinated indebtedness, present and future, of the Issuer, except as the obligations of the Issuer may be limited by Spanish bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally in the Kingdom of Spain. See Description of the Notes and the Guarantee Status of the Notes .

Form of Notes

The Notes of each series will be initially represented by one or more global security certificates (each, a **Global Certificate**) which will be deposited with a custodian for DTC and Notes represented thereby will be registered in the name of Cede & Co., as nominee for DTC. You will not receive Certificated Notes (as defined herein) unless one of the events described under the heading Description of the Notes and the Guarantee Form, Denomination, Transfer and Registration occurs.

You may hold beneficial interests in the Notes of a series represented by a Global Certificate directly through DTC if you are a participant in DTC or indirectly through organizations that are participants in DTC or that have accounts with DTC. In order to confirm any position that is held through an indirect participant of a clearing system, the direct participant holding the Notes directly through the relevant clearing system must confirm their indirect participant's downstream position.

See Description of the Notes and the Guarantee Form, Denomination, Transfer and Registration .

Status of the Guarantee

Pursuant to the Guarantee, Telefónica, as Guarantor, will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes of each series on an unsubordinated and unconditional basis. The obligations of the Guarantor under the Guarantee in respect of the Notes of a series will constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor under the Guarantee and will rank *pari passu* without any preference among such obligations of the Guarantor under the Guarantee in respect of the Notes of such series and at least *pari passu* with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future; provided that the obligations of the Guarantor under the Guarantee in respect of the Notes will be effectively subordinated to those obligations that are preferred under law 22/2003 (*Ley Concursal*) dated July 9, 2003 (the **Insolvency Law**).

As of March 31, 2006, the Guarantor had no outstanding secured indebtedness and approximately 61.55 billion of outstanding un-

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secured indebtedness. See Description of the Notes and the Guarantee The Guarantee .

**Beneficial Owner
Identification
Requirements under
Spanish Tax Laws**

Under Spanish Law 13/1985 (as amended by Law 19/2003 and Law 23/2005) and Royal Decree 2281/1998 as amended by Royal Decree 1778/2004, the Issuer and the Guarantor are required to provide to the Spanish tax authorities certain information relating to Beneficial Owners of the Notes who receive interest payments.

This information includes the identity and country of residence of Beneficial Owners and the amount of interest received by such Beneficial Owners, and must be obtained with respect to each Interest Payment Date by 8:00 p.m. (New York time) on the fourth New York Business Day (as defined herein), before such Interest Payment Date or, under certain circumstances, by 9:45 a.m. (New York time) on such Interest Payment Date and filed by the Issuer and the Guarantor with the Spanish tax authorities on an annual basis.

We, the Guarantor, Acupay and the Paying Agent will enter into the Tax Certification Agency Agreement, which, among other things, will incorporate certain procedures arranged by Acupay and DTC that will facilitate the collection of information concerning the identity and residence of Beneficial Owners. The Indenture provides that the Trustee, Paying Agent and, with respect to the Floating Rate Notes, the Calculation Agent, will, to the extent applicable, comply with such procedures. The delivery of such information, while the Notes are in global form, shall generally be made through the relevant direct and indirect participants in DTC (including Euroclear and Clearstream). The Issuer or the Guarantor, as the case may be, will withhold at the then-applicable rate (currently 15% and expected to increase to 18% on January 1, 2007) from any interest payment in respect of any principal amount of the Notes as to which the required information has not been provided or the required procedures have not been followed and will not pay any Additional Amounts with respect to any such withholding.

See Taxation Spanish Tax Considerations Evidencing of Beneficial Owner Residency in Connection with Interest Payments and Annex A to this Prospectus Supplement.

Listing

Application will be made to list the Notes of each series on the NYSE. Trading on the NYSE is expected to begin within 30 days after delivery of the Notes.

Governing Law

Pursuant to Section 5-1401 of the General Obligations Law of the State of New York, the Indenture, the Notes and the Guarantee shall be governed by, and shall be construed in accordance with, the laws of the State of New York.

The due authorization of the Notes and the ranking of the Notes and the Guarantee shall be governed by Spanish law.

Use of Proceeds

We expect that the net proceeds from this offering, after deducting the underwriters discounts but before expenses, will be approxi-

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mately \$. We intend to deposit the net proceeds with the Guarantor. The Guarantor intends to use the proceeds to repay the principal amount under Tranche A of the loan facilities that we entered into on October 31, 2005 to finance the acquisition of O2. Any proceeds remaining after such repayment shall be used for general corporate purposes. See Use of Proceeds .

Denomination The denomination of the Notes is \$1,000.

Settlement Pursuant to Rule 15c-6(1) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), the underwriters expect to deliver the Notes to purchasers in registered form through DTC on or about June , 2006 which will be the 7th business day following the date of pricing of the Notes.

Risk Factors *Investing in the Notes involves risks.*

You should carefully consider the risk factors in the Risk Factors section in this Prospectus Supplement and in Item 3.D. in the Form 20-F.

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The following tables present certain summary historical consolidated financial information of Telefónica, S.A. You should read this table in conjunction with "Operating and Financial Review and Prospects" and the Guarantor's consolidated financial statements included in the Guarantor's Form 20-F. The information in these tables is qualified in its entirety by reference to such consolidated financial statements and the notes thereto included in the Form 20-F and the unaudited financial information as of and for the three month periods ended March 31, 2005 and 2006, as filed with the SEC on Form 6-K on June 6, 2006, which is incorporated herein by reference. You should not rely solely on the summarized information in this section of this Prospectus Supplement.

The basis of presentation and principles of consolidation of the information below are described in detail in Note 2 of the Guarantor's consolidated financial statements. The Guarantor's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (**IFRS-EU**). IFRS-EU applied by us in our consolidated financial statements does not differ from International Financial Reporting Standards (**IFRS**), as published by the International Accounting Standards Board (**IASB**), effective as of December 31, 2005, and therefore, comply fully with IFRS, as published by the IASB. IFRS differs in certain respects from accounting principles generally accepted in the United States of America (**U.S. GAAP**). Certain income statement and balance sheet amounts have been reconciled to U.S. GAAP in the Guarantor's Form 20-F incorporated herein by reference. For additional information about the U.S. GAAP reconciliation, you should read Note 23 of the notes to the Guarantor's consolidated financial statements. See also "Summary of Certain Differences between IFRS and U.S. GAAP" .

	For the year ended December 31,		For the three months ended March 31,	
	2004	2005	2005	2006⁽¹⁾
(euros in millions)				
Consolidated Income Statement Data of the Guarantor in accordance with IFRS				
Net sales and rendering of services	30,280.92	37,882.16	8,278.8	12,036.4
Other income	1,133.41	1,418.26	279.8	397.8
Supplies	(7,637.33)	(10,065.05)	(2,114.5)	(3,512.6)
Personnel expenses	(5,095.17)	(5,656.34)	(1,298.1)	(1,679.8)
Other expenses	(6,459.80)	(8,302.60)	(1,731.3)	(2,555.1)
Operating income before depreciation and amortization (OIBDA) ⁽²⁾	12,222.03	15,276.43	3,414.7	4,686.7
Depreciation and amortization	(5,666.03)	(6,717.68)	(1,526.4)	(2,152.7)
Operating Income	6,556.00	8,558.75	1,888.3	2,534.1
Share of profit (loss) of associates	(50.49)	(128.21)	(9.1)	21.8
Net financial expenses	(1,462.06)	(1,796.37)	380.5	519.0
Net exchange differences	(177.05)	162.04	(62.8)	4.7
Net financial income (expense)	(1,639.11)	(1,634.33)	(317.7)	(523.7)
Profit before taxes from continuing operations	4,866.40	6,796.21	1,561.5	2,032.1
Corporate income tax	(1,512.78)	(1,969.15)	(579.9)	(666.2)
Profit for the year from continuing operations	3,353.62	4,827.06	981.6	1,365.9
Profit from discontinued operations after taxes	131.97			

Profit for the year	3,485.59	4,827.06	981.6	1,365.9
Minority interests	(309.92)	(381.21)	(69.4)	(92.4)
Profit for the year attributable to equity holders of the Guarantor	3,175.67	4,445.85	912.2	1,273.5

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	For the year ended December 31,	
	2004	2005
	(euros in millions)	
Consolidated Income Statement Data of the Guarantor in accordance with U.S. GAAP		
Total revenues	29,854.90	35,993.30
Income (loss) before tax	3,947.58	6,056.12
Corporate income tax	(1,400.81)	(1,911.92)
Net income	2,546.77	4,144.20

	At December 31,		At March 31,
	2004	2005	2006
	(euros in millions)		
Consolidated Balance Sheet Data of the Guarantor in accordance with IFRS			
Cash and cash equivalents	914.35	2,213.21	4,468.1
Property, plant and equipment	23,193.37	27,992.60	33,500.8
Total assets	60,078.86	73,173.77	103,039.5
Non-current liabilities	27,742.58	35,126.47	52,210.7
Equity (net)	12,342.47	16,158.43	15,328.1

	For the year ended December 31,	
	2004	2005
	(euros in millions)	
Consolidated Balance Sheet Data of the Guarantor in accordance with U.S. GAAP		

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Total assets	62,455.91	76,647.79
Long-term debt	14,881.90	25,167.58
Shareholders equity	15,872.85	19,221.96

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	Year ended December 31,	
	2004	2005
	(euros in millions)	
Financial Ratios of the Guarantor in accordance with IFRS		
Operating income/operating revenues (ROS) (%)	.22	.23
Statistical Data of the Guarantor (not including O2):		
Total Accesses:⁽³⁾		
Fixed telephony accesses	37,768.5	40,859.0
Internet and Data accesses	10,872.2	12,859.9
Narrowband	5,672.5	5,166.9
Broadband	4,736.7	6,902.7
Other accesses ⁽⁴⁾	463.0	790.3
Pay TV	410.7	683.2