

TELEFONICA S A  
Form 6-K  
April 30, 2007

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934

For the month of April, 2007

Commission File Number: 001-09531

## Telefónica, S.A.

(Translation of registrant's name into English)

Gran Vía, 28

28013 Madrid, Spain

3491-459-3050

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F      X                      Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes                                      No                      X

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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Yes No X

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

**Telefónica, S.A.**

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28/04/07

Creating a consortium, now the largest shareholder in the Italian operator with 23.6% of the capital

TELEFONICA, MEDIOBANCA, GENERALI, INTESA SANPAOLO AND BENETTON UNITE TO TAKE A STAKE IN TELECOM ITALIA

- **The company, presided over by Carlos Alierta, will have two board members and an indirect participation of 10% in Telecom Italia**

Madrid, 28 April 2007.-

The Board of Directors of Pirelli, in an extraordinary meeting held today, and Edizione (Benetton Group), have agreed to sell their stakes in Olimpia, principal shareholder of Telecom Italia, to a consortium made up of Telefonica, the group's industrial partner, the insurance company Generali, the banks Mediobanca and Intesa Sanpaolo, and Benetton (partially reinvesting in the consortium). The operation is subject to the mandatory authorisations.

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The new consortium, in which Telefonica holds 42.3% of the shares, will have a 23.6% participation in Telecom Italia's capital (18% indirectly through Olimpia and 5.6% directly), thus becoming the largest shareholder of the Italian operator. The other members of the consortium have the following shareholdings: Generali (28.1%), Mediobanca (10.7%), Intesa Sanpaolo (10.7%) and Benetton (8.2%).

The new company starts out with a capital structure of 5,145 million euro, representing a 2,314 million euro investment for Telefonica. An additional capital increase of 900 million euro is foreseen in which Telefonica will have the right to subscribe for new shares on a pro-rata basis, in accordance with its current participation.

The agreement enables Telefonica to enter Telecom Italia's Board with two members, a number proportionate to its 10% economic interest in the company. In the new company, Telefonica will have the right of first refusal on the sale of shares, as well as veto rights in certain decisions related to share ownership changes, dividend policy and divestitures.

This operation enables Telefonica to both strengthen its relationship with Telecom Italia, with whom it has entered into cooperation agreements in Germany, and to reinforce its position in Europe and Latin America. Nonetheless, the two companies (Telefonica and Telecom Italia) will be managed separately and independently and it is foreseen that both Telefonica and the board members it appoints will abstain from participating and voting in meetings of the relevant corporate bodies whose purpose is to consider business decisions related to countries in which both companies have a presence.

As a result of meetings with the Italian operator, Telefonica and Telecom Italia foresee the generation of synergies which would give rise to costs savings for both companies.

This investment in no way alters Telefonica's commitment to the markets with respect to limiting its financial investments this year to a net total of 1,500 million euro.

Shareholder Structure

Mediobanca		Generali		Intesa		Benetton		Telefonica
	10.7%		28.1%		10.7%		8.2%	
V		V		V		V		V
New Company								
			100%					
		V						
		Olimpia						
			18%					5.6%

V	V	V

| 23.6% |

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| Telecom Italia |

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**ANNEX: Newco investment:** 100% Olimpia (2.82 euros/share) 4,118 Million euros 5.6% in TI (2.53 euros/share)  
1,897 Million euros Total 6,015 Million euros **Newco sources of funds:** Telefónica 2,314  
 Million euros Mediobanca (in kind) 522 Million euros Generali (in kind) 1,375 Million euros Intesa 522 Million  
 euros Benetton 412 Million euros Total equity 5,145 Million euros Net debt  
870 Million euros Total sources 6,015 Million euros

**For further information, please contact:**

**Investor relations**

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<sup>1</sup> To be reduced through a potential capital increase of up to 900 Million Euros to be executed in the 6 months following the completion of the deal.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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				<b>Telefónica, S.A.</b>	
Date:	April 28 <sup>th</sup> , 2007		By:	<u>/s/ Ramiro Sánchez de Lerín García- Ovies</u>	
				Name:	Ramiro Sánchez de Lerín García- Ovies
				Title:	General Secretary and Secretary to the Board of Directors