

TELEFONICA S A  
Form 6-K  
December 22, 2005

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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 December, 2005

Commission File Number: 001-09531

Telefonica, S.A.

(Translation of registrant's name into English)

Gran Via, 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

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Telefonica, S.A.

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NOTIFICATION OF SIGNIFICANT EVENT

Madrid, December 21, 2005

Telefonica, S.A., in compliance with article 82 of Law 24/1988, July 29, of the Securities Market Law and related provisions, and in order to make public a Notice of Corporate Action, hereby reports the following

SIGNIFICANT EVENT

Telefonica Moviles, S.A. ("**TEM**"), subsidiary of Telefonica, S.A., and its partner in Mexico, Mr Alejandro Burillo Azcarraga, have reached an agreement for TEM's acquisition of 8% of Telefonica Moviles Mexico, S.A. de C.V.'s share capital owned by Mr Burillo, thus allowing TEM to reach a 100% stake of its Mexican subsidiary. Both parties have informed the competition authorities of the transaction, as provided for under Mexican legislation.

This transaction allows TEM to acquire 100% of Telefonica Moviles Mexico, S.A. de C.V. share capital prior to its call options exercise period, that permitted the acquisition of 4% of the share capital during third quarter of 2007 and the remaining 4% of the share capital during third quarter of 2008 (or 8% in the absence of partial exercise during 2007)

This acquisition implies a disbursement for TEM of 177 thousand euros. This transaction performed by TEM and structured through an exchange of Telefonica Moviles Mexico S.A. shares for Telefonica S.A. shares allows Mr Burillo to become shareholder of the head company of the Telefonica Group. This operation does not imply a material increase in TEM's debt as, following the International Accounting Standards, the minimum Group Burillo's put option exercise price was accounted as debt and as of November 30, 2005 (counting interest earned to that date) amounted to 153 millions euros.

The acquisition by TEM of 8% Telefonica Moviles Mexico, S.A. de C.V., share capital, which was already provided for under the shareholders agreement entered into with Burillo Group in 2002, terminates those agreements, and resolves the put and call options over Telefonica Moviles Mexico, S.A. de C.V. shares ruled by those agreements.

Mr. Alejandro Burillo Azcarraga, will remain as a member of TEM Board of Directors as well as linked to Telefonica Moviles Mexico, S.A. de C.V. as an strategic advisor.

Attached find press announcement distributed to the media.

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Press Release

21/12/2005

TELEFONICA MOVILES BRINGS FORWARD THE ACQUISITION OF 100% OF ITS MEXICAN SUBSIDIARY

- Telefonica Moviles has reached an agreement to acquire the 8% of Telefonica Moviles Mexico held by Alejandro Burillo, bringing forward the time frame established by the accord between the shareholders, which set the first date for executing the call and put options on the shares in the third quarter of 2007.
- Through this acquisition, Telefonica Moviles increases its stake in a company with high growth potential and significant scope for cash flow generation in the medium term.

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- Alejandro Burillo, Chairman of Grupo Burillo, will become a shareholder of Telefonica, S.A. and will continue as a member of the Board of Directors of Telefonica Moviles.

Madrid, 21 December 2005.-

Telefonica Moviles has reached an agreement to acquire the 8% stake of Telefonica Moviles Mexico held by its partner Alejandro Burillo. As a result, Telefonica Moviles now owns 100% of its Mexican subsidiary.

The transaction, which has been made known to the Mexican Anti-Trust Authority (Cofeco), represents a cost to Telefonica Moviles of 177 million euros. It is being carried out by Telefonica Moviles and structured via the exchange of shares of Telefonica Moviles Mexico S.A. for shares of Telefonica S.A., so that Alejandro Burillo will become a stockholder of the parent company of the Telefonica Group.

The operation will not involve any significant increase in Telefonica Moviles' debt as, under International Financial Reporting Standards (IFRS), the minimum price for Grupo Burillo's put option has been booked as debt. At 30 November 2005, calculated according to interest paid to that date, it had a value of 153 million euros.

The acquisition of 8% of Telefonica Moviles Mexico will allow Telefonica Moviles to increase its holding in a company which has high growth potential and significant scope for cash flow generation in the medium term, bringing forward the dates established in the agreement made between the shareholders for this acquisition. That agreement established the first date for executing the call option in the third quarter of 2007 (4% stake) and the third quarter of 2008 for the remaining 4% (or 8% if the option was not partially exercised in 2007).

The Mexican cellular market, with a penetration rate of around 43% at the close of 2005, has significant growth potential with market consensus forecasts suggesting that the penetration rate will be over 60% by the end of 2008 (nearly 70 million customers). The same forecasts imply that the Mexican market could generate service revenues of over 10 billion euros in 2008.

The transaction is yet another example of the Telefonica Group's commitment to the economy and in particular to the telecoms sector of Mexico, which the group considers to a strategic market.

Alejandro Burillo will stay on as Telefonica Moviles' strategic advisor in Mexico, bringing with him his extensive knowledge of the Mexican economy. He will also remain on Telefonica Moviles' Board of Directors.

More information in the web page: <http://www.telefonicamoviles.com>

Direccion de Division de Comunicacion    Tel: +34 91 423 40 44

Paseo de Recoletos, 7 y 9    Fax: +34 91 423 40 11

28004 Madrid    e-mail: [prensa\\_tm@telefonicomoviles.com](mailto:prensa_tm@telefonicomoviles.com)

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.

|       |                                    |                  |   |
|-------|------------------------------------|------------------|---|
|       |                                    | Telefonica, S.A. |   |
| Date: | December<br>22 <sup>nd</sup> ,2005 | By:              | /s/ Ramiro Sanchez de Lerin Garcia- Ovies                       |
|       |                                    | Name:            | Ramiro Sanchez de Lerin<br>Garcia- Ovies                        |
|       |                                    | Title:           | General Secretary and<br>Secretary to the Board of<br>Directors |