

TELEFONICA S A
Form 6-K
July 23, 2013
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

For the month of July, 2013

Commission File Number: 001-09531

Telefónica, S.A.

(Translation of registrant's name into English)

D Distrito Telefónica, Ronda de la Comunicación s/n,

28050 Madrid, Spain

3491-482 87 00

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(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 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

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):

Yes No

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

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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1. <u>Telefónica Telefónica s offer for E-Plus</u>	

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RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES

General Secretary and

Secretary to the Board of Directors

TELEFÓNICA, S.A.

TELEFÓNICA, S.A. (hereinafter Telefónica) as provided in article 82 of the Spanish Securities Market Act (*Ley del Mercado de Valores*), hereby reports the following

SIGNIFICANT EVENT

Telefonica and its German listed subsidiary Telefónica Deutschland Holding AG (hereinafter, Telefónica Deutschland) have signed an agreement with Koninklijke KPN NV (hereinafter, KPN), under which Telefónica Deutschland will acquire the German subsidiary of KPN, E-Plus Mobilfunk GmbH & Co. KG (E-Plus). KPN will receive a stake of 24.9% in Telefónica Deutschland and a cash consideration of 3,700 million Euros.

Subsequently, Telefónica will acquire a 7.3% of Telefónica Deutschland from KPN for a total price of 1,300 million Euros, and the ownership of KPN in Telefónica Deutschland will be reduced to 17.6%.

Previously, Telefónica Deutschland will call a General Shareholders Meeting in order to approve a capital increase to finance the cash consideration of the transaction. Telefónica will subscribe the proportional corresponding share in this capital increase and will guarantee, on its own or through third parties, the subscription of the remaining percentage of such capital increase.

The closing of this transaction is subject to certain conditions such as merger clearance and the approval by the Extraordinary Shareholders General Meeting of KPN.

Please see attached Press Release and Presentation of the transaction.

Madrid, July 23, 2013

Gran Vía, 28 - 9ª Planta - 28013 Madrid

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NOTA DE PRENSA

PRESS RELEASE

Madrid, 23rd of July 2013

TELEFÓNICA AGREES WITH KPN THE ACQUISITION OF E-PLUS TO FORM A LEADING DIGITAL TELCO IN GERMANY

The agreement for the acquisition of KPN's German subsidiary, E-Plus, includes a total payment of 5 billion euros in cash and a stake in the resulting company of 17.6%. Telefónica S.A. to finance 4.14 billion euros of the cash payment.

In the first phase, the transaction implies Telefónica Deutschland paying KPN an initial payment of 3.7 billion euros in cash and a 24.9% stake of the resulting company.

In the second phase, Telefónica S.A. will buy a 7.3% stake of the combined entity from KPN for a total of 1.3 billion euros. As a result, Telefónica will hold a final 65% stake in the new company, KPN will have 17.6% and the remaining shares will be free float.

The cash payment will be financed via a 3.7 billion euros rights issue underwritten by Telefónica Deutschland. Telefónica S.A. will subscribe 2.84 billion euros, in proportion to its current stake in the company of 76.8%.

The transaction will create significant value with expected synergies valued between 5 and 5.5 billion euros.

Telefónica will become the second largest European operator by number of mobile customers and volume of revenue and will improve both its growth and cash generation profile.

With this operation, Telefónica will enjoy a better risk profile. The company reiterates its objective to place net financial debt below 47 billion euros by the end of 2013.

Madrid, 23rd of July 2013.- The Telefónica Board of Directors has approved the acquisition of E-Plus, KPN's subsidiary in Germany. The operation is subject to obtaining both the relevant regulatory approval and clearance at KPN's and Telefónica Deutschland's Extraordinary Shareholders' Meeting. The deal will result in a new leader in the German mobile market with 43 million mobile customers and combined revenues of 8.6 billion euros. The transaction is expected to be closed during the first half of 2014.

The transaction provides significant synergy potential, particularly with respect to distribution, customer service and network services. The total value of the synergies expected from the transaction is estimated in between 5 and 5.5 billion euros net of integration costs. Net savings will be positive from year 2.

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The transaction is divided into two phases. In the first phase, Telefónica Deutschland will acquire 100% of E-Plus for 3.7 billion euros in cash and a stake of 24.9% in the combined entity. This cash payment will be financed via a rights issue for 3.7 billion euros, of which, Telefónica S.A. will subscribe 76.8%, in proportion to its current stake, corresponding to 2.84 billion euros.

In the second phase, Telefónica S.A. will acquire from KPN a stake of 7.3% in the combined entity for a total of 1.3 billion euros. As a result, Telefónica SA and KPN will hold 65% and 17.6% of Telefónica Deutschland, respectively, while the remaining percentage will be free float. Therefore, of the 5 billion euros paid in cash to KPN, the total amount required by Telefónica S.A to finance this operation equals 4.14 billion euros.

With this agreement, Telefónica will become Europe's second largest operator by number of mobile clients and volume of revenue and will improve both its growth and cash generation profile. Additionally, Telefónica will gain a leading position in the largest and one of the most dynamic mobile markets in Europe. The company will also become the leading operator in terms of number of accesses, network quality and distribution network in three of its main markets: Germany, Brazil and Spain.

Creating a leading, sustainable and innovative Digital Telco focusing on mobile data and LTE development in Germany is a natural strategic step for Telefónica.

This announcement follows a decisive year in Telefónica's transformation process, fostered by a series of initiatives that have allowed a significant strategic shift in the company. Twelve months ago, Telefónica set itself the strategic objective of increasing financial flexibility and reducing leverage via several initiatives, which included proactive management of its asset portfolio.

As a result of this, the company has reduced net debt by approximately 10 billion euros since June 2012, including the recently announced disinvestments. This process has enabled the company to resume dividend payments, as approved at the AGM last May, giving continuity to the shareholder policy of dividend payment year after year.

Finally, it is important to highlight that this transaction will mainly be financed via financial instruments, which will enable to maintain Telefónica's leverage ratio stable. In this respect, Telefónica reiterates its objective to place net financial debt below 47 billion euros by the end of 2013.

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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.

Telefónica, S.A.

Date: July 23th, 2013

By: /s/ Ramiro Sánchez de Lerín García-Ovies
Name: Ramiro Sánchez de Lerín García-Ovies
Title: General Secretary and Secretary to the Board of Directors