

TELEFONICA S A  
Form 6-K  
February 26, 2016  
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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 February, 2016

Commission File Number: 001-09531

**Telefónica, S.A.**

(Translation of registrant's name into English)

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

**28050 Madrid, Spain**

**3491-482-8700**

(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  

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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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**Telefónica, S.A.**

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**FINANCIAL HIGHLIGHTS**

**Fulfilment of 2015 operating guidance, upgraded in July 2015.**

**Commercial activity intensified, improving the competitive position in key markets and high-value services.**

- g Strong year-on-year organic growth of fibre customers (+30%), Pay TV (+12%), Smartphones (+29%) and LTE (3.0x, reported).
- g Significant improvement in customer base value, with revenue per access growing (+1.9% vs. 2014) and a churn improvement across the board in high-value services.

**Revenues increased by 4.0% organically (+8.7% reported) to 47,219 million euros in 2015.**

- g Mobile data revenues improvement (+16.9% year-on-year organic in 2015; +18.7% in the quarter), underpinned by non-SMS data growth (+25.3% in 2015; +27.8% in the quarter).
- g Revenues in October-December totalled 11,881 million euros and grew 3.3% year-on-year organic

**OIBDA growth improved in 2015 (+3.6% organic) to 11,414 million euros; 14,926 million euros underlying (-1.5%).**

- g OIBDA in the fourth quarter (401 million euros) was affected by various non-recurrent factors:
  - g i) Provision for restructuring expenses (-3,122 million euros in total; -2,896 in T. España, -190 in Other Companies, -29 in T. Hispanoamérica and -7 in T. Deutschland); ii) provision for Telefónica Foundation to meet its financing needs for the following years (-325 million); iii) provision for the optimisation of the distribution network in Spain (-30 million); iv) valuation adjustments of companies (-23 million).
  - g And other factors that had a positive impact: i) final agreement related to the purchase price of E-plus (+102 million euros); ii) outcome of the spectrum swap in Mexico (+79 million); iii)

expiration of an account payable in Brazil (+98 million); iv) capital gains due to the sale of real estate assets in T. España (+22 million); v) tower sales in Latin America (+18 million).

- g OIBDA in the quarter grew by 3.8% organic year-on-year driven by T. Deutschland and T. Brasil.
- g Organic OIBDA margin in October-December stood at 32.2% (+0.2 percentage point year-on-year) thanks to revenue growth, efficiency gains and synergies. In January-December, margin remained stable at 31.6%.

**Operating cash flow in the year returned to growth (OIBDA-CapEx, +1.9% organic).**

- g CapEx increased by 5.0% year-on-year organic, focused on the growth and transformation of networks and systems.
- g Operating cash flow made significant progress in the quarter (+17.6% organic).

**Underlying net income amounted to 5,787 million euros in 2015 (+29.7% year-on-year) and basic earnings per share stood at 1.12 euros (+23.9%) in underlying terms.** Net income for the fourth quarter was impacted by extraordinary factors, mentioned previously.

**Solid free cash flow generation before spectrum payments in the quarter (4,821 million euros; +1.6%), increasing to 0.98 euros per share.** In the quarter, free cash flow reached 2,307 million euros, improving virtually in all lines.

**Net financial debt totalled 49,921 million euros.** The leverage ratio considering the sale of O2 UK stood at 2.38x.

Telefónica **España**, which consolidated DTS from 1 May 2015, increased its commercial activity in the quarter, achieving net additions of 145 thousand accesses in Fusión, 272 thousand in fibre, 56 thousand in broadband, 88 thousand in Pay TV, 90 thousand in contract mobile and reducing the net loss in fixed lines to 59 thousand.

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T. España revenues (excluding DTS) accelerated to 0.8% year-on-year in the quarter and OIBDA was affected by an extraordinary provision (2,926 million euros) mainly associated with a voluntary employment suspension plan which will be implemented in 2016 and 2017 and will improve efficiency in coming years.

In the fourth quarter, Telefónica **Brasil** strengthened its leadership in the mobile segment, after capturing 69% of new contract accesses, and reinforced its position in fibre and Pay TV. Revenues maintained solid growth of 3.4% year-on-year due to the accelerated adoption of mobile data and the positive performance of fibre and Pay TV. OIBDA increased by 7.3% year-on-year and reflected efficiency measures focused on cost containment and the initial capture of synergies.

In **Germany**, commercial activity in the quarter remained high and focused on retaining value customers. The level of profitability was notable, reflecting both the growing contribution of integration synergies and the optimisation of commercial spend. Thus, organic year-on-year OIBDA growth in the quarter accelerated significantly to 35.5% and organic OIBDA margin expanded by 5.9 percentage points to 23.9%.

T. **Hispanoamérica** registered an improvement in its commercial activity in the quarter, particularly in higher value services (record net additions in mobile contract, migration to higher speeds in broadband and boost in Pay TV). In organic terms, revenues increased by 8.1% year-on-year and OIBDA by 4.0%, despite the higher commercial activity and an environment marked by the depreciation of most currencies in the region against the US dollar.

**Telefónica announces guidance<sup>1</sup> and confirms shareholder remuneration for 2016:**

- g Revenue growth: expected to be >4% year-on-year.
- g OIBDA margin: stabilizing vs. 2015.
- g CapEx/Sales excluding spectrum: at around 17%.
- g Net Financial Debt/OIBDA ratio: <2.35x, adjusted for the closing of the sale of O2 UK.
- g Dividend for 2016 of 0.75 euros per share in cash, subject to the closing of the sale of O2 UK. Additionally, the amortisation of Treasury stock for a total of 1.5% share capital will be proposed at

the 2016 AGM (subject to the closing of the sale of O2 UK).

<sup>1</sup> **Operational guidance 2016:**

**2015 adjusted base: Revenues (46,757 million euros), Margin OIBDA (31.5%) and CapEx (ex-spectrum) to sales ratio (16.8%)**

ü **Excludes:**

- i T. Venezuela results from January-December 2015.
- i OIBDA excludes additionally tower sales, the provision for restructuring costs, the provision to optimise the distribution network in Spain, the provision for Telefónica Foundation, write-downs and the final settlement agreement related to the acquisition of E-Plus.
- i CapEx excludes additionally spectrum acquisition and the Real Estate efficiency plan.

ü **Includes:**

- i Since May 2015, GVT results consolidated in T. Brasil results and DTS results in T. España results.

**2016E guidance:**

- ü Assumes **constant exchange rates as of 2015** (average FX in 2015) **and maintaining current Company perimeter.**

ü **Excludes:**

- i T. Venezuela results.
- i OIBDA excludes additionally: write-downs, capital gains/losses from the disposal of companies, tower sales, material non-recurring impacts and restructuring costs.
- i CapEx excludes additionally spectrum acquisition and the Real Estate efficiency plan.

**Financial guidance 2016:**

**Net financial debt / OIBDA both adjusted for the closing of the sale of O2 UK.**

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**Comments from César Alierta, Executive Chairman:**

*The Digitalisation of the economy is now a reality which is already bringing about significant changes in society; changes that will accelerate in the next years. The growth of connections, data traffic and innovation is going to be exponential and is going to translate into real improvements in terms of productivity, employment and economic growth and, ultimately, into important social progress. The telecom sector is at the centre of that revolution, however new skills are required to capture its full potential.*

*We must adapt the commercial offering in order to satisfy the growing needs of our customers, characterised by increasingly higher data consumption (data traffic increased by 40% in 2015 and mobile data traffic by 48%, boosted by video usage). In this respect, in 2015, our Fibre customers increased by 30%, LTE customers tripled, smartphones advanced by 29% and Pay TV by 12%. This translated into higher value customers, both in terms of higher average revenue per access and increasing loyalty, and, therefore, into revenue growth acceleration to 4.0% organic in 2015.*

*The growing demand for data also requires adapting the networks, a trend which Telefónica began earlier than others. In 2015, we once again invested 17% of our revenues, which, together with spectrum acquisitions, positioned our investment level at 9,578 million euros. This effort enabled us to have in Spain the most extensive fibre-to-the-home network (14.3 million premises passed) and with more customers connected in Europe, to reach more than 17 million premises passed with fibre in Brazil, or achieve an LTE penetration in Europe of 75% and 43% in Latin America.*

*Meanwhile, the digital economy also requires more agile, more efficient and more responsible companies. As a consequence, in 2015 we launched efficiency plans, which shall be reflected in profitability improvements, and we have allocated financial resources to Telefónica Foundation in order to continue driving digital education, democratising access to quality knowledge for millions of students. Telefónica is currently ranked the third Company in the world in terms of education investment.*

*As such, 2015 has been a very positive year, in which we have met our objectives. In 2016 growth and data monetisation will accelerate, while we maximise the efficiencies from integration and simplification, and we boost our innovation and Big Data capabilities. We expect that all of this will be reflected in improvements in the key financial figures: revenue growth higher than 4%, margins stabilising while we maintain strong levels of investment, recover full-cash dividend payment (75 cents per share) and strengthen financial flexibility.*

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## TELEFÓNICA

## SELECTED FINANCIAL DATA

*Unaudited figures (Euros in millions)*

	January - December	% Chg		October - December	% Chg	
	2015	Reported	Organic	2015	Reported	Organic
Revenues	47,219	8.7	4.0	11,881	(0.0)	3.3
Telefónica España (1)	12,402	3.2	(2.1)	3,220	6.0	(2.0)
Telefónica Deutschland (2)	7,888	42.9	1.2	2,059	2.0	2.0
Telefónica Brasil (3)	11,060	(1.5)	4.5	2,587	(9.2)	3.4
Telefónica Hispanoamérica	14,387	9.4	10.1	3,622	0.1	8.1
Other companies & eliminations (1)	1,482	(3.0)		393	10.3	
Telefónica Ireland (4)	-	n.m.		-	n.m.	
OIBDA	11,414	(17.2)	3.6	401	(88.1)	3.8
Telefónica España (1)	2,336	(58.8)	(4.3)	(1,631)	c.s.	(7.5)
Telefónica Deutschland (2)	1,858	153.7	20.9	586	c.s.	35.5
Telefónica Brasil (3)	3,573	0.9	2.9	983	5.8	7.3
Telefónica Hispanoamérica	4,356	7.1	7.2	1,124	1.2	4.0
Other companies & eliminations (1)	(710)	n.m.		(662)	n.m.	
Telefónica Ireland (4)	-	n.m.		-	n.m.	
OIBDA margin	24.2%	(7.5 p.p.)	(0.1 p.p.)	3.4%	(24.9 p.p.)	0.2 p.p.
Telefónica España (1)	18.8%	(28.3 p.p.)	(1.0 p.p.)	n.m.	c.s.	(2.4 p.p.)

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Deutschland (2)	23.6%	10.3 p.p.	3.8 p.p.	28.5%	30.4 p.p.	5.9 p.p.
Telefónica Brasil (3)	32.3%	0.8 p.p.	(0.5 p.p.)	38.0%	5.4 p.p.	1.3 p.p.
Telefónica Hispanoamérica	30.3%	(0.6 p.p.)	(0.8 p.p.)	31.0%	0.3 p.p.	(1.3 p.p.)
Operating Income (OI)	2,897	(54.4)	3.7	(1,760)	c.s.	6.5