

TELEFONICA S A
Form 6-K
July 26, 2012
Table of Contents

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 July, 2012

Commission File Number: 001-09531

Telefónica, S.A.

(Translation of registrant's name into English)

Distrito Telefonica, Ronda de la Comunicación s/n,

28050 Madrid, Spain

3491-459-3050

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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

Table of Contents

Telefónica, S.A.

TABLE OF CONTENTS

Item		Sequential Page Number
1.	Telefónica Group: 2012 First half-yearly financial report	2

Table of Contents

Review Report

TELEFÓNICA, S.A. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements and

Consolidated Interim Management Report

for the six-month period ended

June 30, 2012

Table of Contents

Ernst & Young, S.L.

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Translation of a report and condensed consolidated interim financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails (see Note 15)

REPORT ON REVIEW OF

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of

Telefónica, S.A., at the request of Management

1. We have carried out a review of the accompanying condensed consolidated interim financial statements (hereinafter the interim financial statements) of Telefónica, S.A. (hereinafter the Parent Company) and subsidiaries (hereinafter the Group), which comprise the interim consolidated statement of financial position at June 30, 2012, the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated statement of cash flows, and selected explanatory notes, for the six-month period then ended. It is the responsibility of the Parent Company's directors to prepare said interim financial statements in accordance with the requirements established by International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of condensed interim financial reporting as per article 12 of Royal Decree 1362/2007, of October 19. Our responsibility is to issue a report on these interim financial statements based on our review.

2. Our review was performed in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity. A review of the interim financial statements consists of making inquiries, primarily of personnel responsible for financial and accounting matters, and applying certain analytical and other review procedures. The scope of a limited review is substantially less extensive in scope than that of an audit and therefore, it is not possible to provide assurance that all the significant matters that could be identified in an audit have come to our attention. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

3. During the course of our review, which under no circumstances can be considered an audit of financial statements, nothing has come to our attention which would lead us to conclude that the accompanying interim financial statements for the six-month period ended June 30, 2012 have not been prepared, in all material respects, in accordance with the requirements established by International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union in conformity with article 12 of Royal Decree 1362/2007 for the preparation of condensed interim financial statements.

Domicilio Social: Pl. Pablo Ruiz Picasso, 1. 28020 Madrid

Inscrita en el Registro Mercantil de Madrid al

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Tomo 12749, Libro 0, Folio 215, Sección 8ª,

Hoja M-23123, Inscripción 116. C.I.F. B-78970506

Table of Contents

4. Without modifying our conclusion, as discussed in Note 2 to the accompanying interim financial statements, these statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and therefore the accompanying interim financial statements should be read together with the Group's consolidated financial statements for the year ended December 31, 2011.

5. The accompanying consolidated interim management report for the six-month period ended June 30, 2012 contains such explanations as the Parent Company's directors consider necessary regarding the events which occurred during said period and their effect on the interim financial statements, of which it is not an integral part, as well as on the information required in conformity with article 15 of Royal Decree 1362/2007. We have checked that the accounting information included in the abovementioned report agrees with the interim financial statements for the six-month period ended June 30, 2012. Our work is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the consolidated companies' accounting records.

6. This report has been prepared at the request of Management of Telefónica, S.A. with regard to the publication of the semi-annual financial report required by article 35 of Securities Market Law 24/1988, of July 28, enacted by Royal Decree 1362/2007.

ERNST & YOUNG, S.L

Ignacio Viota del Corte

July 25, 2012

Table of Contents

2012

TELEFÓNICA GROUP

Condensed consolidated interim financial statements (condensed consolidated annual accounts) and consolidated interim management report for the six-months ended June 30, 2012

Table of Contents

Condensed consolidated interim financial statements 2012

Index	
<u>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</u>	3
<u>CONSOLIDATED INCOME STATEMENTS</u>	4
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	5
<u>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY</u>	6
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	7
<u>Note 1. Introduction and general information</u>	8
<u>Note 2. Basis of presentation</u>	9
<u>Note 3. Comparison of information</u>	10
<u>Note 4. Accounting policies</u>	11
<u>Note 5. Segment information</u>	12
<u>Note 6. Business combinations</u>	14
<u>Note 7. Intangible assets, property, plant and equipment and goodwill</u>	14
<u>Note 8. Related parties</u>	15
<u>Note 9. Share capital and shareholder remuneration</u>	17
<u>Note 10. Financial assets and liabilities</u>	19
<u>Note 11. Average number of Group employees</u>	24
<u>Note 12. Income tax</u>	24
<u>Note 13. Other information</u>	24
<u>Note 14. Events after the reporting period</u>	26
<u>Note 15. Additional note for English translation</u>	26
<u>Appendix I. Changes in the scope of consolidation</u>	27
<u>Interim consolidated management report</u>	28
<u>Consolidated results</u>	28
<u>Risks and uncertainties</u>	33
<u>Results by Business Unit</u>	38

Telefónica, S.A. 2

Table of Contents

Condensed consolidated interim financial statements 2012

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Millions of euros	Note	Unaudited 06/30/2012	Audited 12/31/2011
A) Non-current assets		106,544	108,800
Intangible assets	7	23,000	24,064
Goodwill	7	29,206	29,107
Property, plant and equipment	7	35,242	35,463
Investment properties		6	6
Investments in associates	8	3,383	5,065
Non-current financial assets	10	9,104	8,678
Deferred tax assets		6,603	6,417
B) Current assets		21,966	20,823
Inventories		1,238	1,164
Trade and other receivables		11,275	11,331
Current financial assets	10	2,839	2,625
Tax receivables		1,473	1,567
Cash and cash equivalents	10	4,003	4,135
Non-current assets held for sale	8	1,138	1
Total assets (A+B)		128,510	129,623
A) Equity		26,026	27,383
Equity attributable to equity holders of the parent		20,700	21,636
Equity attributable to non-controlling interests		5,326	5,747
B) Non-current liabilities		70,473	69,662
Non-current interest-bearing debt	10	56,640	55,659
Non-current trade and other payables		2,146	2,092
Deferred tax liabilities		4,863	4,739
Non-current provisions		6,824	7,172
C) Current liabilities		32,011	32,578
Current interest-bearing debt	10	12,260	10,652
Current trade and other payables		15,104	17,855
Current tax payables		2,585	2,568
Current provisions		2,062	1,503
Total equity and liabilities (A+B+C)		128,510	129,623

Condensed Notes 1 to 15 and Appendix I are an integral part of these consolidated statements of financial position.

Telefónica, S.A. 3

Table of Contents

Condensed consolidated interim financial statements 2012

CONSOLIDATED INCOME STATEMENTS

Millions of euros	Note	January- June (*) 2012	January- June (*) 2011
Revenues from operations	5	30,980	30,886
Other income		916	842
Supplies		(9,060)	(8,893)
Personnel expenses		(4,377)	(4,139)
Other expenses		(8,028)	(7,392)
Operating income before depreciation and amortization (OIBDA)	5	10,431	11,304
Depreciation and amortization	5 and 7	(5,131)	(4,956)
Operating income	5	5,300	6,348
Share of (loss) profit of associates	8	(498)	(534)
Finance income		442	450
Exchange gains		2,070	2,998
Finance costs		(1,991)	(1,628)
Exchange losses		(2,106)	(2,985)
Net financial expense		(1,585)	(1,165)
Profit before tax from continuing operations		3,217	4,649
Corporate income tax		(960)	(1,271)
Profit for the period from continuing operations		2,257	3,378
Profit after tax from discontinued operations			
Profit for the period		2,257	3,378
Non-controlling interests		(182)	(216)
Profit for the period attributable to equity holders of the parent		2,075	3,162
Basic and diluted earnings per share attributable to equity holders of the parent (euros)		0.46	0.69

(*) Unaudited data

Condensed Notes 1 to 15 and Appendix I are an integral part of these consolidated income statements.

Telefónica, S.A. 4

Table of Contents

Condensed consolidated interim financial statements 2012

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Millions of euros	January - June (*) 2012	January - June (*) 2011
Profit for the period	2,257	3,378
(Losses) on measurement of available-for-sale investments	(51)	(8)
Reclassification of (gains) losses included in the income statement	(1)	2
Income tax impact	16	1
	(36)	(5)
(Losses) gains on hedges	(538)	113
Reclassification of losses included in the income statement	8	103
Income tax impact	172	(73)
	(358)	143
Translation differences	(596)	(1,410)
Actuarial losses and gains and impact of limit on assets for defined benefit pension plans	(29)	13
Income tax impact	10	(6)
	(19)	7
Share of (loss) income recognized directly in equity of associates	(10)	52
Income tax impact	5	(15)
	(5)	37
Total comprehensive income recognized in the period	1,243	2,150
Attributable to:		
Equity holders of the parent	1,422	1,981
Non-controlling interests	(179)	169
	1,243	2,150

(*) Unaudited data

Condensed Notes 1 to 15 and Appendix I are an integral part of these consolidated statements of comprehensive income.

Telefónica, S.A. 5

Table of Contents

Condensed consolidated interim financial statements 2012

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Millions of euros	Attributable to equity holders of the parent										Total	Non-controlling interests	Total equity
	Share capital	Share premium	Legal reserve	Revaluation reserve	Treasury shares	Retained earnings	Available-for-sale investments	Hedges	Equity of associates	Translation differences			
Balance at December 31, 2011	4,564	460	984	126	(1,782)	19,248	38	154	7	(2,163)	21,636	5,747	27,383
Profit for the period						2,075					2,075	182	2,257
Other comprehensive income (loss) for the period						(19)	(36)	(358)	(5)	(235)	(653)	(361)	(1,014)
Total comprehensive income for the period						2,056	(36)	(358)	(5)	(235)	1,422	(179)	1,243
Dividends paid	71					(2,907)					(2,836)	(311)	(3,147)
Net movement in treasury shares					(680)						(680)		(680)
Acquisitions and disposals of non-controlling interests						1,798		1		(188)	1,611	(139)	1,472
Capital reduction	(84)				1,321	(1,237)							
Other movements						(453)					(453)	208	(245)
Financial position at June 30, 2012 (*)	4,551	460	984	126	(1,141)	18,505	2	(203)	2	(2,586)	20,700	5,326	26,026

Millions of euros	Attributable to equity holders of the parent										Total	Non-controlling interests	Total equity
	Share capital	Share premium	Legal reserve	Revaluation reserve	Treasury shares	Retained earnings	Available-for-sale investments	Hedges	Equity of associates	Translation differences			
Balance at December 31, 2010	4,564	460	984	141	(1,376)	19,971	45	648	(42)	(943)	24,452	7,232	31,684
Profit for the period						3,162					3,162	216	3,378
Other comprehensive income (loss) for the period						6	(5)	143	37	(1,362)	(1,181)	(47)	(1,228)
Total comprehensive income for the period						3,168	(5)	143	37	(1,362)	1,981	169	2,150
Dividends paid						(6,874)					(6,874)	(578)	(7,452)
Net movement in treasury shares					(194)						(194)		(194)

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Acquisitions and disposals of non-controlling interests						984			(323)	661	(1,185)	(524)
Capital reduction												
Other movements						371	(73)			298	86	384

Financial position at June 30, 2011 (*) **4,564** **460** **984** **141** **(1,199)** **17,176** **40** **791** **(5)** **(2,628)** **20,324** **5,724** **26,048**

(*) Unaudited data

Condensed notes 1 to 15 and Appendix I are an integral part of these consolidated statements of changes in equity.

Telefónica, S.A. 6

Table of Contents

Condensed consolidated interim financial statements 2012

CONSOLIDATED STATEMENTS OF CASH FLOWS

	January June (*) 2012	January June (*) 2011
Millions of euros		
Cash received from customers	37,965	37,779
Cash paid to suppliers and employees	(29,004)	(28,224)
Dividends received	66	64
Net interest and other financial expenses paid	(1,929)	(1,230)
Taxes paid	(717)	(995)
Net cash from operating activities	6,381	7,394
Proceeds on disposals of property, plant and equipment and intangible assets	302	90
Payments on investments in property, plant and equipment and intangible assets	(5,158)	(4,560)
Proceeds on disposals of companies, net of cash and cash equivalents disposed	60	
Payments on investments in companies, net of cash and cash equivalents acquired	(26)	