

Spain takes 10% of Telefonica following Saudi stake

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The Spanish government's stake in Telefonica will balance out a similar stake taken by Saudi Telecom (STC).

Spain said Tuesday it will acquire 10 percent of local telecoms giant Telefonica, just months after Saudi Telecom took a significant stake in

the operator.

Spain's government said the acquisition will make it the "reference public shareholder" in Telefonica, and justified the move on the grounds that the company is "a leader in the telecommunications sector and of key importance in other strategic areas."

The government also said that Telefonica's activities were important for Spain's national security and defense, including foreign military operations.

The state's stake in Telefonica "will preserve its strategic capacities and its essential importance for national interests," it added.

The move follows the September announcement by Saudi Telecom (STC) it had paid 2.1 billion euros (\$2.3 billion) for a 9.9 percent share in Telefonica which has a strong presence in Latin America and the United Kingdom.

STC, which is majority owned by Saudi's PIF sovereign wealth, insisted at the time it did "not intend to acquire control or a majority stake" in Telefonica.

But it caused concern in Spain's government, which only learned of the transaction at the last moment as it was below the 10 percent threshold where it would have required approval.

The government said at the time it intended to remain vigilant as Telefonica was important in ensuring the country's strategic autonomy.

The stake will be held by SEPI, the holding company for the state's investments in firms.

Spain's coalition government noted that the move was in line with its European neighbors, which also own small minority stakes in their leading telecoms operators.

The return of the Spanish state among Telefonica's shareholders comes as the company is in the midst of shedding 5,100 posts in the country by 2026, a third of the total, as it tries to boost its profitability.

The company currently has a global workforce of over 100,000 people.

Weighed down by a heavy debt load, the sharp jump in interest rates this past year has caused concern about its finances.

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