

NOTA DE PRENSA

PRESS RELEASE

TELÉFONICA AGREES THE SALE OF UP TO 40% OF TELXIUS TO KKR FOR 1,275 MILLION EUROS

- The deal implies an enterprise value of 3,678 million euros and an equity value of 3,188 million euros for Telxius and confirms the valuation established for Telxius at the time of the preparations for its initial public offering
- Telefónica will maintain a controlling stake of Telxius and consolidate it in its accounts

Madrid, 20th February 2017.- Telefónica today reached an agreement with leading global investment firm KKR Group for the sale of up to 40% of Telxius Telecom, its global telecommunications infrastructure company, for a total amount of 1,275 million euros, or 12.75 euros a share. Under the agreement, which is subject to regulatory approvals, Telefónica and KKR will partner together to develop and grow one of the leading global operators of telecom infrastructure including the development of planned new infrastructures.

Telxius owns and operates a large portfolio of nearly 16,000 telecommunications towers in five countries. It also manages an international network with approximately 65,000 kilometers of submarine fibre optic cables, of which around 31,000 kilometers are owned by Telxius. Both business units benefit from attractive growth in their core markets, as the use of mobile data and the demand for reliable internet connectivity continue to grow rapidly, particularly in Spain and Latin America.

Following the deal, Telefonica will remain the anchor client for Telxius' tower and cable businesses. It will keep a majority stake and operational control of Telxius and continue to consolidate it into its accounts. The sale is part of Telefonica's strategy to optimize its asset portfolio and allocation of capital, and complements its plan for organic debt reduction.

Guillermo Ansaldo, chairman of Telxius said: "Our vision for Telxius is to capitalize on the exponential increase in data traffic forecast for the coming years by offering a first-class network in Europe and the Americas. We are delighted to have KKR on board as a long-term investment partner. We believe their solid track-record on the infrastructure business will help us achieving our common goals".

Jesus Olmos, Member & Global Co-Head of Infrastructure and Head of Spain at KKR, said: "The combination of Telefonica's industrial expertise and KKR's financial and operational support will help Telxius as it continues to scale and grow. We are confident that the exploding demand for mobile data, driven by the rise in 4k and virtual reality content, together with the need for reliable internet infrastructure will help drive strong growth in the business."

The deal implies an enterprise value of 3,678 million for Telxius, or 11.4 times its 2017 EBITDA. The agreement confirms the valuation established for Telxius in the offering memorandum for its attempted Initial Public Offering. At that time, the indicative price range for the same stake was between 12 and 15 euros per share. The transaction values Telxius's equity at 3,188 million euros (12.75 euros a share).

The agreement includes the initial acquisition by KKR of 62 million of shares (24.8% of the total shares) of Telxius for a total amount of 790 million euros, as well as the option to acquire and sell an additional 38 million shares (15.2% of the total shares) for an amount of at least 485 million euros. Such options are related to a call option, exercisable by KKR and a put option, exercisable by Telefónica upon maturity of the call option.

The closing is subject to the corresponding regulatory approvals. The window to exercise these options would be in the fourth quarter, provided the required regulatory approvals have been granted by that date.

About Telxius

Telxius, created in 2016, is the global telecommunications infrastructure company of the Telefónica Group. It is aimed at capturing the exponential increase in data traffic expected in the coming years. With nearly 16,000 telecommunications towers in five countries, Telxius has one of the most extensive tower catalogues in the market among independent infrastructure companies, making it the market leader in Spain and Germany and one of the main suppliers in the tower sector in Brazil, Chile and Peru.

Telxius manages an international network with approximately 65,000 kilometers of submarine fibre optic cables, of which around 31,000 kilometers are owned by Telxius. The Telxius-owned network includes, among other cables, SAM-1, the submarine cable system which has connected the United States with Central America and South America since the year 2000, PCCS (Pacific Caribbean Cable System), which connects the US, Puerto Rico, Curazao, Colombia, Panama and Ecuador, and Unisur, which connects Uruguay and Argentina. BRUSA, the new submarine cable almost 11,000 kilometers long that will connect Brazil, Puerto Rico and the US, as well as MAREA, a cable which will link the United States and Europe, in partnership with Google and Facebook, will both be operational in 2018.