

NOTA DE PRENSA

PRESS RELEASE

Madrid, 30 August 2017

TELEFÓNICA CAPITALISES ITS COLOMBIAN SUBSIDIARY TO INITIATE A NEW PHASE

- Telefónica and its partner, the Colombian Government, have agreed to a capital increase in ConTel for approximately 1,370 million euros in order to pre-pay the obligations with PARAPAT. Of these, Telefónica will contribute about 925 million euros.
- With regard to the arbitration award rendered in Colombia last July, ColTel's partners have approved an additional capital increase of 472 million euros to cover the full payment of the award. Telefónica will contribute 318 million euros. However, the Company reserves all of its legal rights and the exercise of any applicable legal action, national or international.
- With these operations, Telefónica provides a solid financial structure to its operation in Colombia allowing the Company to face the future with new perspectives.
- The execution of both capital increases does not have a significant financial impact on the Group.

Madrid, 30 August 2017.- The shareholders of Telefónica Colombia (ColTel), 67.5% owned by Telefónica and 32.5% owned by the Colombian Government, have agreed - in accordance with the established provisions – to a capital increase of approximately 1,370 million euros to pre-pay all commitments in relation to PARAPAT*.

This capitalization will be assumed by ColTel's partners in accordance with their equity stakes. In this way, Telefónica's capital injection into ColTel will amount to approximately 925 million euros and will be used to pay in full the obligations with the PARAPAT derived from the Operating Agreement. Thus, the above contract will be terminated in advance and will result in the transfer to Telefónica Colombia of the property, rights and telecommunications assets associated with it.

This operation strengthens the financial position of Telefónica Colombia, which, coupled with the investments made in recent years, allows the company to undertake a new phase.

In addition, in relation to the arbitration award rendered in Colombia on July 25th regarding the reversal of certain assets linked to the provision of mobile voice services under former concessions, Telefónica and the Government have agreed to perform a capital increase - proportional to their respective equity stakes – amounting to around 472 million euros, in order to meet the above payment. Telefónica will disburse around 318 million euros.

However, the execution of the payment does not imply that the Company agrees with the content of the arbitration award; Telefonica reiterates its disagreement with it, considering it not adjusted to law, unfair, disproportionate and arbitrary. In this sense, Telefonica reserves all of its legal rights and the exercise of any applicable legal action, national or international.

The two capital increases agreed upon today total around 1,842 million euros of which Telefonica would have to contribute approximately 1,243 million euros. The execution of both operations, and the consequent cancellation of the contracted debt with PARAPAT, does not have a significant financial impact on the Telefonica Group, implying as a whole a slight increase in consolidated net financial debt of around 40 million euros, i.e. approx. 0.1%. This is because up to now 100% of payment obligations –considering certain adjustments- with PARAPAT were already consolidated in Telefonica's debt position.

() PARAPAT is the consortium that owns the telecommunications assets and manages the pension funds of the former companies that resulted in Colombia Telecomunicaciones. This consortium regulates the use of the assets, properties and rights related to the provision of telecommunications services by ColTel, in exchange for a monetary compensation formalized through an Operating Agreement.*