

NOTA DE PRENSA

PRESS RELEASE

Madrid, 23 January, 2015

TELEFÓNICA ENTERS INTO EXCLUSIVE NEGOTIATIONS WITH HUTCHISON WHAMPOA TO SELL O2 UK FOR £10.25 BILLION

- This announcement marks a key milestone in Telefónica's process of strategic transformation to accelerate sustainable long term growth

Madrid, 23 January 2015.- Telefónica has entered into an exclusivity agreement with Hutchison Whampoa in relation to Hutchison's potential acquisition of O2 UK, Telefónica's subsidiary in the United Kingdom, for £10.25bn in cash (approximately €13.5bn).

The agreement includes an initial amount of £9.25bn (approximately €12.2bn) which would be paid at closing of the transaction and an additional deferred payment of £1.0bn (approximately €1.3bn). The exclusivity period will last several weeks, allowing Telefónica and Hutchison Whampoa Group to negotiate definitive agreements, while the necessary due diligence process on O2 UK is completed.

This operation marks another step in Telefónica's transformation process, initiated by the Company to become a leading digital telco and accelerate sustainable long term growth while maintaining an attractive remuneration policy.

Additionally, this announcement occurs at a decisive moment for Telefónica, following a period during which the company has been proactively managing its portfolio of assets, significantly reinforcing its position in key markets (consolidating Germany, acquiring GVT in Brazil -pending regulatory approvals- or undertaking a commercial and technological revolution in Spain) and therefore increasing its potential for future growth.

Finally, today's agreement shows that Telefónica continues to lead the European consolidation process and it will allow the company to strengthen its financial flexibility.