



TELEFÓNICA, S.A. ("Telefónica" or the "Company") in compliance with the Securities Market legislation, hereby communicates the following

INSIDE INFORMATION

Today, Telefónica's subsidiary Telefonica Centroamérica Inversiones, S.L., 60% of which is owned, directly and indirectly, by Telefonica and 40% by Corporación Multi Inversiones, has reached an agreement with América Móvil, S.A.B. of C.V. for the sale of the entire share capital of Telefónica Móviles Guatemala, S.A. (hereinafter, "Telefónica Guatemala") and 99.3% of Telefónica Móviles El Salvador (hereinafter, "Telefónica El Salvador").

The aggregate amount of the transaction (enterprise value) for both companies is 648 million US dollars (approximately 570 million euros at the current exchange rate, 293 million of which correspond to Telefónica Guatemala and 277 million to Telefónica El Salvador), an implicit multiple for the total amount of the transaction of 9.7 times the estimated 2018 EBITDA of the two companies. The transaction is expected to generate capital gains before taxes and minorities of around 120 million euros, mainly from Telefónica El Salvador.

The closing of the sale of Telefónica Guatemala has taken place today. However, the closing of the sale of Telefónica El Salvador is subject to the applicable regulatory conditions.

This transaction is part of the Telefónica Group 's asset portfolio management policy based on a strategy of value creation, improving return on capital and strategic positioning. It also complements the objective of organic debt reduction and strengthening the balance sheet in a growing cash flow scenario, which allows us to maintain a sustainable and attractive shareholder remuneration.

Madrid, January 24, 2019.

**SPANISH NATIONAL SECURITIES MARKET COMMISSION
- MADRID-**