

Press Release

TELXIUS DOUBLES IN SIZE AFTER REACHING A TOWER PURCHASE AGREEMENT WITH TELEFONICA DEUTSCHLAND

- Telefónica Deutschland sells approximately 10,100 sites to Telxius for 1.5 billion euros.
- The agreement also includes a commitment to build 2,400 additional sites (BTS), ensuring exceptional growth in Europe's largest market.
- After the acquisition and the BTS programme, Telxius' portfolio will exceed 32,800 sites in the six countries where the company operates, doubling its size since it started operating in 2016.
- This transaction delivers on the strategic plan announced by Telefónica in November and will reduce Telefónica Group's net debt by approximately 500 million euros.

Madrid, June 8th, 2020.- Telefónica continues executing its strategic roadmap and it has taken a decisive step to reinforce the growth of Telxius, its infrastructure company, which today reached an agreement with Telefónica Deutschland to acquire approximately 10,100 sites. The agreement includes the commitment to build 2,400 additional sites (BTS), ensuring exceptional future growth in Europe's largest market.

The transaction, subject to regulatory approvals, amounts to a total of 1.5 billion euros. The sale of these towers has been closed at a multiple of c.23x EV/EBITDA, reflecting favourable market conditions for infrastructure deals.

The agreement will see Telxius double the size of its tower portfolio to over 32,800 and cements its position as one of the leading neutral global infrastructure operators. Approximately 80% of its sites are in Europe, while the rest of the portfolio is in Latin America.

Telxius will finance 90% of the value of the acquisition via a capital increase -to be subscribed by its current shareholders in proportion to their participation in the company- and through internally generated resources. The remaining 10% will be financed through incremental debt. Telxius is owned by Telefónica (50,01%), KKR (40%) while the remaining (9.99%) stake is owned by Pontegadea.

Telefónica, delivering on its strategy to unlock the value of its infrastructure assets

This transaction will reduce Telefónica Group's net debt by approximately 500 million euros between 2020 and 2021, due to the contribution made by Telefónica's partners in Telxius, net of the corresponding tax impacts.

The deal will also allow Telefónica Deutschland to further enhance its financial flexibility while the company secures access to important locations via long-term lease agreements agreed by the parties.

With this agreement, Telefonica continues advancing on the strategy set by the company last September 10, 2019 -and later ratified with the creation of Telefónica Infra- to accelerate the monetisation of its extensive portfolio of mobile sites, as part of its strategy based on value creation for the shareholder, improving return on capital employed and making a more efficient use of its infrastructure. In 2019, Telefónica successfully closed the sale of more than 6,000

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telecommunications towers (of which approximately 3,000 to Telxius) at an average implied multiple of 18x OIBDA.

The agreement, executed in large part during lock-down, strengthens the position of Telefónica Infra, a portfolio management unit which owns Telefónica Group's stakes in infrastructure vehicles and has 50.01% of Telxius as its main asset. In the last few months, Telxius has completed acquisitions of towers in Brazil and Peru. The creation of Telefonica Infra was one of the five strategic decisions taken under [the New Telefonica](#) plan unveiled on November 27, 2019.

For additional information:

Link to Telxius press release: <https://telxius.com/en/telxius-doubles-its-size-and-consolidates-its-position-as-one-of-the-main-global-neutral-infrastructure-operators/>

Link to Telefónica Deutschland press release: <https://www.telefonica.de/msg/9129>

About Telefonica

Telefónica is one the largest telecommunications service providers in the world. The company offers fixed and mobile connectivity as well as a wide range of digital services for residential and business customers. With 342 million customers, Telefónica operates in Europe and Latin America. Telefónica is a 100% listed company and its shares are traded on the Spanish Stock Market and on those in New York and Lima.

For more information about Telefónica: www.telefonica.com