



**RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES**  
*General Secretary and*  
*Secretary to the Board of Directors*  
**TELEFÓNICA, S.A.**

TELEFÓNICA S.A., pursuant to article 228 of the Spanish Securities Market Act (*Ley del Mercado de Valores*), hereby reports the following

#### **SIGNIFICANT EVENT**

Telefónica, S.A. announces its intention to proceed with an offering (the "Offering") of shares of its telecommunications infrastructure subsidiary Telxius Telecom, S.A.U. ("Telxius"), addressed to qualified investors. The Offering is expected to take place during the second half of 2016, following receipt of the approval by the Comisión Nacional del Mercado de Valores of the Offering prospectus.

Telxius intends to apply for the listing of its shares on the Barcelona, Bilbao, Madrid and Valencia stock exchanges, as well as their inclusion in the Spanish electronic trading system (Continuous Market).

The free float of Telxius will be at least of 25%, the minimum legally required for the listing, and, at the same time, will enable Telefónica, S.A. to maintain a majority stake in Telxius immediately after the Offering.

In Madrid, 5 September 2016.

**SPANISH NATIONAL SECURITIES MARKET COMMISSION  
MADRID**



**RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES**  
*General Secretary and  
Secretary to the Board of Directors*  
**TELEFÓNICA, S.A.**

### **IMPORTANT INFORMATION**

*This announcement is an advertisement and does not constitute an offering memorandum and nothing herein contains an offering of securities. No one should purchase or subscribe for any shares (the “Shares”) in Telxius Telecom, S.A.U. (“Telxius” the “Company”, and together with its subsidiaries, the “Group”) except on the basis of information contained in any prospectus published by the Company in connection with its initial public offering. The intended admission to listing of the Shares on the Barcelona, Bilbao, Madrid and Valencia stock exchanges and inclusion in the Spanish electronic trading system (Continuous Market) requires the approval by the Comisión Nacional de Mercado de Valores (the “CNMV”) of a prospectus (the “Prospectus”). Once approved, the Prospectus will be published and made available at the website of the CNMV ([www.cnmv.es](http://www.cnmv.es)) and on Telxius’ website at [www.telxius.com](http://www.telxius.com).*

*Neither Telefónica, S.A. nor the Company intends to register any securities referred to herein under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and any such securities may not be offered or sold in the United States absent registration under the Securities Act or an available exemption from it. Neither this announcement nor any copy of it may be taken or transmitted into or distributed in Australia, Canada or Japan or any other jurisdiction which prohibits the same or to any securities analyst or other person in any of those jurisdictions. Any failure to comply with this restriction may constitute a violation of the securities laws of those countries.*

*This announcement is only addressed to and directed at persons in member states of the European Economic Area who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC, as amended by Directive 2010/73/EU to the extent implemented in the relevant member state). In addition, in the United Kingdom, this announcement is being distributed only to, and is directed only at, persons (i) having professional experience in matters relating to investments so as to qualify them as –investment professionals//under Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; (ii) falling within Article 49(2)(a) to (d) of the Order; and/or (iii) to whom it may otherwise lawfully be communicated (all such persons referred to in (i), (ii) and (iii) together being –Relevant Persons//. This document must not be acted on or relied on (i) in the United Kingdom, by persons who are not Relevant Persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, by persons who are not Qualified Investors.*

*Not for release, distribution or publication, in whole or in part, directly or indirectly, in or into the United States, Canada, Australia, Japan or any other jurisdiction where to do so might constitute a violation of the relevant laws or regulations of such jurisdiction.*

# NOTA DE PRENSA

## PRESS RELEASE



Madrid, 5<sup>th</sup> September 2016

*These materials are not an offer for sale of shares of Telxius in the United States. The ordinary shares have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be sold in the United States absent registration or an exemption from registration under the Securities Act.*

### TELEFÓNICA ANNOUNCES INTENTION TO FLOAT OF TELXIUS

- The Offering of Telxius' shares will be addressed to qualified investors, is expected to take place during the second half of 2016 and will enable Telefónica to remain as Telxius' majority shareholder.
- Telxius intends to apply for the listing of its shares on the Barcelona, Bilbao, Madrid and Valencia stock exchanges, as well as their inclusion in the Spanish Continuous Market.
- Telxius is a leading telecommunication infrastructure company in sizeable growing markets, offering a first-class network in Europe and the Americas (in terms of number of towers for the tower business and length and capacity for the cable business) and a scalable platform with strong cash flow generation.

**Madrid, 5<sup>th</sup> September 2016.-** Telefónica, S.A. ("Telefónica") has announced today its intention to proceed with an offering of shares of Telxius Telecom, S.A.U. ("Telxius" or the "Company"), its telecommunication infrastructure subsidiary, to qualified investors (the "Offering"). The Offering is expected to take place during the second half of 2016, the free float of Telxius will be at least of 25%, the minimum legally required for the listing and, at the same time, will allow Telefónica to remain as a majority shareholder of Telxius immediately after the Offering.

The Company intends to apply for the listing of its shares on the Barcelona, Bilbao, Madrid and Valencia stock exchanges, as well as their inclusion in the Spanish electronic trading system (Continuous Market).

Telxius is an international telecommunication infrastructure company that holds a unique asset portfolio comprised of a combination of telecommunication towers and submarine fibre-optic cables and whose mission is "enabling communication". It owns and manages a great variety of assets that offer services to multiple global telecommunications carriers, wholesale and retail telecommunications operators and over-the-top content providers (OTT) in several geographies under various contract standards.

Telxius has a balanced business, with high quality assets exposed to developed markets and emerging economies, both with strong growth in data demand.

In the tower business, Telxius provides co-location services on telecommunications towers through a portfolio of around 16,000 cellular wireless telecommunication towers located in Spain, Germany, Brazil, Peru and Chile.

Furthermore, in the cable business, the Company provides wholesale connectivity to its clients worldwide for international data transmission through submarine infrastructure and international circuits. Its submarine fibre-optic cables form one of the biggest connectivity networks in the world, with approximately 65,000 kilometers of fibre-optic lines, 31,265 kilometers of which are owned by Telxius, and 71 points of presence in 19 countries.

Telxius benefits from the following competitive strengths:

- It owns a premier international telecommunication infrastructure network in Europe and the Americas.

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- It operates in markets with high exposure to strong demand of underlying data.
- It has high revenue visibility, supported by long-term contractual relationships with blue-chip companies, including Telefonica.
- It has the support of a well-recognised shareholder.
- It has the advantage of being a young and new company, whilst at the same time having a highly capable management team with extensive experience.
- It is a platform with strong cash flow generation and high operating leverage.

Telefónica has established Telxius as a standalone company with the objective of more effectively capturing the value from operators' use of the infrastructure to satisfy the significant telecommunication data traffic growth expected over the next years.

For the year ended 31 December 2015, the Company's pro forma consolidated revenue<sup>1</sup> amounted to €691 million and its pro forma consolidated OIBDA<sup>2</sup> amounted to €323 million.

Banco Bilbao Vizcaya Argentaria, S.A., CaixaBank, S.A., Goldman Sachs International and J.P. Morgan Securities plc will act as Joint Global Coordinators and Joint Bookrunners of the Offering. BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, Mediobanca S.p.A., Banco Santander, S.A. and UBS Limited will act as Joint Bookrunners, and Fidentiis Equities S.V. S.A., Intesa Sanpaolo, S.p.A., Mizuho Bank Ltd., NMÁS1 EQUITIES Sociedad de Valores, S.A., Royal Bank of Canada, Banco de Sabadell, S.A. and Société Générale will act as Co-lead Managers.

#### **CONTACT DETAILS**

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#### **IMPORTANT NOTICE**

This announcement is an advertisement and does not constitute an offering memorandum or prospectus and nothing herein should be considered as an offering of securities. No one should purchase or subscribe for any ordinary shares (the "Shares") in Telxius Telecom, S.A.U. ("Telxius" the "Company", and together with its subsidiaries, the "Group") except on the basis of information contained in any prospectus published by the Company in connection with its public offering. The intended admission to listing of the Shares on the Barcelona, Bilbao, Madrid and Valencia stock exchanges and on the Automated Quotation System or Mercado Continuo of those stock exchanges ("Admission") requires the approval by the Comisión Nacional de Mercado de Valores (the "CNMV") of a prospectus (the "Prospectus"). Once approved, the Prospectus will be published and made available at the website of the CNMV ([www.cnmv.es](http://www.cnmv.es)) and on Telxius' website at [www.telxius.com](http://www.telxius.com).

The information contained in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy, fairness or completeness.

This announcement and the information contained herein are not for distribution in or into the United States, Canada, Australia, Japan or any other jurisdiction where to do so might constitute a violation of the relevant laws or regulations of such jurisdiction.

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<sup>1</sup> *Telxius pro forma consolidated financial information consisting of the pro forma consolidated income statements for the year ended 31 December 2015.*

<sup>2</sup> *OIBDA refers to operating income for a given period before depreciation and amortization*

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This announcement is not an offer to sell or a solicitation of any offer to buy any securities issued by the Company in any jurisdiction where such offer or sale would be unlawful and the announcement and the information contained herein are not for distribution or release, directly or indirectly, in or into such jurisdictions.

In any EEA member state that has implemented Directive 2003/71/EC as amended (together with any applicable implementing measures in any member state, the Prospectus Directive), this communication is only addressed to and is only directed at qualified investors in that member state within the meaning of the Prospectus Directive.

Any securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold, directly or indirectly, in the United States absent registration or an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act. There is no intention to register any securities referred to herein in the United States or to make a public offering of the securities in the United States.

In the United Kingdom, this announcement and any other materials in relation to the securities described herein are only being distributed to, and are only directed at, and any investment or investment activity to which this announcement relates is available only to, and will be engaged in only with, "qualified investors" (as defined in section 86(7) of the Financial Services and Markets Act 2000) and persons who are (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Persons who are not relevant persons should not take any action on the basis of this announcement and should not act or rely on it.

The Joint Global Coordinators, the Joint Bookrunners and the Co-Lead Managers and their affiliates (the "Banks") are acting exclusively for the Company and Telefónica, S.A. and no one else in connection with the intended Offering. They will not regard any other person as their respective clients in relation to the intended Offering and will not be responsible to anyone other than the Company and Telefónica, S.A. for providing the protections afforded to their respective clients, nor for providing advice in relation to the intended Offering, the contents of this announcement or any transaction, arrangement or other matter referred to herein.

In connection with the contemplated Offering, each Bank and any controlling entities and/or any of its affiliates, acting as investors for their own accounts may take up Shares and in that capacity may retain, purchase or sell for its own account such Shares and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references in any prospectus or offering memorandum, if published, to the Shares being issued, offered or placed should be read as including any issue, offering or placement of such Shares to the Banks and any relevant affiliate acting in such capacity. The Banks do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Save to the extent required by law, none of the Banks or any of their respective directors, officers, employees, advisers or agents accepts any responsibility or liability whatsoever for/ or makes any representation or warranty, express or implied, as to the truth, accuracy or completeness of the information in this announcement (or whether any information has been omitted from the announcement) or any other information relating to the Company, its subsidiaries or associated companies, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available or for any loss howsoever arising from any use of this announcement or its contents or otherwise arising in connection therewith.

The timetable of the Offering, including the date of Admission, may be influenced by a range of circumstances such as market conditions. Admission is subject to the fulfilment of requirements established in the Spanish legislation, including the approval of a prospectus. There is no guarantee that Admission will occur and you should not base your financial decisions on the Company's intentions in relation to Admission at this stage. Acquiring investments to which this announcement relates may expose an investor to a significant risk of losing all or part of the amount invested and investors should refer to the non-exhaustive list of risk factors in any prospectus published in connection with the Offering. Persons considering making such an investment should consult an authorised person specialising in advising on such investments. This announcement does not constitute a recommendation concerning the Offering. The value of Shares can decrease as well as increase. Potential investors should consult a professional adviser as to the suitability of the Offering for the person concerned. Past performance cannot be relied upon as a guide to future performance.

In connection with the Offering, a stabilisation manager (or its agents) acting on behalf of itself and the Banks may to the extent permitted by, and in compliance with, applicable laws and regulations (in particular, Commission Regulation (EU) No. 596/2014),

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over-allot shares or effect transactions on or off a regulated market, with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Such transactions may commence on or after the date of commencement of trading of the Shares on the Spanish Stock Exchanges and will end no later than 30 days thereafter. There is no assurance that such transactions will be undertaken and, if commenced, they may be discontinued at any time. There shall be no obligation on the stabilising manager to enter into such transactions. All such stabilisation shall be conducted in accordance with applicable laws and regulations (in particular, the rules concerning public disclosure and trade reporting to the CNMV).

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly with the total figure given.

This announcement may include forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "targets", "aims", "aspires", "assumes", "believes", "estimates", "anticipates", "expects", "intends", "hopes", "may", "outlook", "would", "should", "could", "will", "plans", "potential", "predicts" and "projects" as well as their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They include statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition and performance, liquidity, prospects, growth, strategies and the industry in which the Group operates.

Such forward-looking statements reflect the current views of the Company with respect to future events and are subject to known or unknown risks, uncertainties and assumptions about the Company and its subsidiaries and investments, including, among other things, the development of its business, trends in its operating industry, and future capital expenditures. In light of these risks, uncertainties and assumptions, the events or circumstances referred to in the forward-looking statements may not occur. None of the future projections, expectations, estimates or prospects in this announcement should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the announcement. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties, war and other catastrophic events outside of the Company's control; regulatory changes in the EU and materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or targeted. No representation or warranty is made that any forward-looking statement will come to pass. No one intends, or assumes any obligations, to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. As a result of these risks, uncertainties and assumptions, you should therefore not place undue reliance on these forward-looking statements as a prediction of actual results or otherwise. The information, opinions and forward-looking statements contained in this announcement speak only as at its date and are subject to change without notice.