



**RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES**  
*Secretario General y*  
*del Consejo de Administración*  
**TELEFÓNICA, S.A.**

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

### **SIGNIFICANT EVENT**

Telefónica, S.A. (“Telefónica”) announces that today the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) has approved and entered at the relevant official registry the prospectus for the offering (the “Offering”) of shares in its telecommunication infrastructures subsidiary Telxius Telecom, S.A.U. (“Telxius” or the “Company”).

Telefónica, the sole shareholder of the Company, intends to sell 90,909,091 shares representing 36.36% of the share capital of Telxius, which may be extended up to a maximum of 40%, if the over-allotment option granted over 10% of the number of shares initially offered is fully exercised.

The Offering will be targeted exclusively to qualified investors and it is intended to be performed through a book-building process, which will commence on 20 September 2016 and will conclude on 29 September 2016.

The indicative non-binding price range agreed for the Offering is of between 12.00 and 15.00 euros per share.

It is expected that the final sale price per share of the Offering will be established on 29 September 2016 and that the shares of Telxius will start trading on the stock exchanges of Barcelona, Bilbao, Madrid and Valencia and on the Continuous Market of said stock exchanges on 3 October 2016.



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**TELEFÓNICA, S.A.**

The prospectus will be available at the registered office of Telxius (Ronda de la Comunicación, s/n, Distrito Telefónica, 28050 – Madrid (Spain)), at that of the *Comisión Nacional del Mercado de Valores* (Calle Edison 4, 28006 Madrid (Spain) and Passeig de Gràcia 19, 08007 Barcelona (Spain)), and on the websites of Telxius ([www.telxius.com](http://www.telxius.com)) and of the CNMV ([www.cnmv.es](http://www.cnmv.es)).

Madrid, 20 September 2016.

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



**RAMIRO SÁNCHEZ DE LERÍN GARCÍA-OVIES**  
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## ***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 in Telxius Telecom, S.A.U. (“Telxius” the “Company”) except on the basis of information contained in any prospectus published by the Company in connection with its initial offering, which is available at the registered office of Telxius (Ronda de la Comunicación, s/n, Distrito Telefónica, 28050 – Madrid (Spain)), at that of the CNMV (Calle Edison 4, 28006 Madrid (Spain) and Passeig de Gràcia 19, 08007 Barcelona (Spain)), and on the websites of Telxius ([www.telxius.com](http://www.telxius.com)) and of the CNMV ([www.cnmv.es](http://www.cnmv.es)).

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.

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## NOTA DE PRENSA PRESS RELEASE

*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.*

The Comisión Nacional del Mercado de Valores (CNMV) approves and registers the prospectus

### TELXIUS TELECOM STARTS ITS OFFERING PROCESS

- Telefónica, the sole shareholder of Telxius Telecom, will sell up to 40% of the company’s share capital to qualified investors.
- The indicative non-binding price range has been set at between 12.00 and 15.00 Euros per share, implying a market capitalisation for Telxius Telecom of between 3,000,000,000 and 3,750,000,000 Euros.
- The final price of the Offer is expected to be fixed on September 29<sup>th</sup> and trading of the shares is expected to begin on October 3<sup>rd</sup>.

**Madrid, September 20, 2016.-** The Comisión Nacional del Mercado de Valores (CNMV) has approved and registered today the prospectus relating to the offering of shares in Telxius Telecom S.A.U. (“Telxius Telecom” or the “Company”), Telefónica’s telecommunications infrastructure subsidiary. The Offer begins today and is directed exclusively at qualified investors. The indicative non-binding price range has been set at between 12.00 and 15.00 Euros per share, implying a market capitalisation for Telxius Telecom of between 3,000,000,000 and 3,750,000,000 Euros. The final price of the Offer is expected to be set on September 29<sup>th</sup> and Telxius Telecom’ shares are expected to start trading on the Spanish stock exchanges of Madrid, Barcelona, Valencia and Bilbao on October 3<sup>rd</sup>.

Telefónica, the sole shareholder of Telxius Telecom, will sell 90,909,091 shares, representing 36.36% of the Company’s share capital, which can be increased to a maximum of up to 40% if the green shoe option is fully exercised over 10% of the shares initially sold by Telefónica, equal to 9,090,909 million shares, and representing 3.64% of the company's share capital.

Telefónica established Telxius Telecom as an independent telecommunications infrastructures company with the goal of capturing exponential data traffic growth expected over the next several years. With its offering Telefónica wants to provide the Company with the best tools to capture such growth potential: a dedicated management team with a clear mission, market visibility and discipline, the right governance to ensure independence in front of customers, and access to capital markets to fund the deployment and possible acquisition of other infrastructures.

### **A highly profitable business with a significant capability to generate cash flows**

In 2015, Telxius Telecom’s pro forma revenues amounted to 691 million Euros, OIBDA amounted to 323.5 million Euros, and it had an OIBDA margin of 47%, all on pro forma basis. The pro forma recurring cash flow was 245.4 million Euros, with the cash flow conversion ratio at nearly 76% (recurrent cash flow over OIBDA).

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Per business line, 57% of the pro forma revenues were originated from the cable business while the remaining 43% were originated from the tower business. 52% and 48% of the pro forma recurrent cash flow came from the cable business and the tower business, respectively. Per client, 65% of the pro forma revenues were originated from the Telefónica Group while 35% were originated from third parties.

In an industry characterized by long term contracts Telxius had already an estimated Backlog of 4.7 billion Euros on a pro forma basis (by 1 January 2016 and including contracts entered into through 30 June 2016).

The Board of Directors of Telxius Telecom intends to propose to the General Shareholders Meeting the payment of a dividend in cash in 2017 of approximately 70 million Euros. The prospectus registered and approved today by the CNMV notes the Company's current intention to make an annual dividend payment in the following years equal to at least 40% of the recurring cash flow generated in the previous financial year.

### **International leadership in the fast growing telecommunications infrastructures industry**

Telxius Telecom currently has an important portfolio of telecommunications infrastructure assets in Europe and the Americas in an industry with significant growth potential due to the exponential growth in data traffic foreseen for the next several years, and the trend by telecom operators to share more and more such critical infrastructure. This portfolio of assets combines wireless telecommunications towers and an extensive network of fibre optic cables which mainly offer wholesale IP connectivity services and leasing capacity.

With nearly 16,000 telecommunications towers in five countries, Telxius Telecom has one of the largest tower portfolios in the market among independent companies for this type of infrastructure, making it the market leader in Spain and Germany and one of the main industry participants in Brazil, Chile, and Peru.

In its cable network Telxius Telecom manages a 65,000 km long TIER-1 international fibre optic network; of which over 31,000 km of submarine fibre optic cables are of its own property. SAM-1, the longest fibre optic submarine cable (25,000 km) that connects the United States with Central and South America, is included in this latter group, as well as the Pacific Caribbean Cable System (PCCS), a 6,000 km submarine cable that connects Florida in the United States with the Caribbean, Colombia, Panama, and Ecuador. In addition, in order to reinforce its leadership in this industry, Telxius Telecom has already announced the deployment of two new cables with which it intends to capture the market opportunity that exists in new routes. These cables are BRUSA, a 10,700 km cable that will connect Brazil with the United States, and Marea, a 6,600 km cable in consortium with Facebook and Microsoft that will connect the United States and Spain. This cable will be managed by Telxius Telecom that will ultimately own 50% of its capacity.

### **Solid corporate governance principles**

As explained in more detail in the prospectus registered and approved today by the CNMV, Telxius Telecom will have a Board of Directors made up by nine board members, four of whom will be independent. The Board will, in turn, have two Committees, the Audit and Control Committee and the Nominating, Compensation and Corporate Governance Committee, both of which will be made up by a majority of independent members and chaired by an independent director.

### **About Telefónica**

Telefónica is one of the largest telecommunications companies in the world by market capitalization and number of customers with a comprehensive offering and quality of connectivity that is delivered over world class fixed, mobile and broadband networks. As a growing company it prides itself on providing a differential experience based both on its corporate values and a public position that defends customer interests.

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The company has a significant presence in 21 countries and 347 million accesses around the world. Telefónica has a strong presence in Spain, Europe and Latin America, where the company focuses an important part of its growth strategy.

Telefónica is a 100% listed company, with more than 1.5 million direct shareholders. Its share capital currently comprises 4,975,199,197 ordinary shares traded on the Spanish Stock Market and on those in London, New York, Lima, and Buenos Aires.

## **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 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.

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 an 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.

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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), 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.

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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.