



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

RELEVANT INFORMATION

Today, Telefónica's Mexico subsidiary, Pegaso PCS S.A. de C.V. ("**Telefónica Mexico**") has signed an agreement with AT&T Comunicaciones Digitales, S. de R.L. de C.V. ("**AT&T Mexico**") for a minimum period of 8 years, under which AT&T Mexico will provide wholesale last-mile wireless access to Telefónica Mexico, which will gradually migrate its traffic to AT&T Mexico's access network and will continue to operate as an independent operator by maintaining substantial elements of its own network infrastructure and platforms.

The agreement will have a positive impact on Telefónica Mexico's customers, as Telefónica Mexico will continue to provide the same services to its customers, focusing on innovating and improving the service quality. Telefónica Mexico customers will have full access to all current services and future technologies.

This agreement allows Telefónica Mexico to advance in the structural transformation of its business.

The new operating model of Telefónica Mexico is expected to generate operational and financial efficiencies with an annual positive impact on cash flow of approximately 230 million euros from year 3. The new operating model also allows a more efficient and sustainable use of resources and will therefore increase the return on capital employed and will generate an additional reduction in net debt of approximately 500 million euros.

Madrid, November 21, 2019

SPANISH NATIONAL SECURITIES MARKET COMMISSION
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