



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

INSIDE INFORMATION

Telefónica informs that, today, its subsidiary Telxius Telecom, S.A. (a company of the Telefónica Group minority-owned, directly or indirectly, by KKR and Pontegadea), has signed an agreement with American Tower Corporation ("ATC") for the sale of its telecommunications towers division in Europe (Spain and Germany) and in Latin America (Brazil, Peru, Chile and Argentina), for an amount of 7.7 billion euros, payable in cash.

The agreement establishes the sale of a number of approximately 30,722 telecommunication tower sites and comprises two separate and independent transactions (on one hand, the Europe business and, on the other hand, the Latin American business), setting the respective closings once the corresponding regulatory authorizations have been obtained.

Among other aspects, the sale agreement provides for a commitment to the employment by ATC. On the other hand, the Telefónica Group operators will maintain the current leases agreements of the towers signed with the companies sold subsidiaries of Telxius Telecom, S.A., so that these operators will continue to provide their services in similar terms to the current ones. Renewal conditions do not include any additional "all or nothing" clauses.

The Telxius tower business generated an estimated OIBDAaL over the past twelve months of approximately 190 million euros. If such number is adjusted to consider the full impact of the German portfolio acquired by Telxius in June 2020, the implied multiple over OBIDAaL pro forma would be 30.5 times. The capital gain attributable to Telefónica is estimated to amount to approximately 3.5 billion euros. Once the transaction is complete, the Telefónica Group's net financial debt will be reduced by approximately 4.6 billion euros and the leverage ratio (Net Debt/OIBDAaL) by approximately 0.3 times.

This operation is part of the Telefónica Group's strategy, which includes, among other objectives, an active portfolio management policy of its businesses and assets, based on value creation and at the same time, accelerating the organic reduction of debt.

Madrid, 13 January 2021.

SPANISH NATIONAL SECURITIES MARKET COMMISSION

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