



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

OTHER RELEVANT INFORMATION

In connection with the Relevant Fact of September 18, 2019 (under registration number 281809), regarding the agreement between Telefónica and Prosegur Compañía de Seguridad, S.A. ("Prosegur") for the acquisition of a 50% stake in Prosegur's alarm business in Spain, Telefónica informs that, on this date, after obtaining the relevant regulatory approvals, Telefónica de Contenidos, S.A.U. has acquired 50% of the shares in Prosegur Alarmas España, S.L. for an amount of EUR 305,614,004, which is subject to the standard adjustments in this type of transactions on debt, working capital and existing customers.

Furthermore, Telefónica informs that the price has been paid with 49,545,262 shares in Telefónica. With the purpose of setting protective mechanisms common in this type of transactions, Prosegur has committed to, among others, comply with certain restriction over the transferability of the referred shares in Telefónica. In this regard, and in accordance with the provisions included under article 531 of the Spanish Companies Law, clauses 2 and 3.1 of the agreement entered into between Telefónica and Prosegur are attached to this announcement of other relevant information.

Madrid, February 28, 2020

SPANISH NATIONAL SECURITIES MARKET COMMISSION

- MADRID -

**FREE TRANSLATION TO ENGLISH OF CLAUSES 2 AND 3.1 OF THE AGREEMENT
ENTERED INTO BETWEEN TELEFÓNICA AND PROSEGUR (THE "AGREEMENT")**

For the purposes of the Agreement, the following terms shall be understood as follows:

- (i) **Shareholder or Prosegur**: Prosegur Global Alarmas ROW, S.L.U.
- (ii) **Restricted Shares 1**: 24,317,567 Telefónica shares;
- (iii) **Restricted Shares 2**: 8,105,855 Telefónica shares;
- (iv) **Restricted Shares 3**: 17,121,840 Telefónica shares;
- (v) **Shareholder's Guarantor**: Prosegur Compañía de Seguridad, S.A.

EXCERPT OF THE AGREEMENT:

"2. LOCK UP PERIOD OF THE RESTRICTED SHARES 1 AND THE RESTRICTED SHARES 2

2.1 LOCK UP PERIOD OF THE RESTRICTED SHARES 1

*During a period of nine (9) months as of the date of this Agreement (the "**Lock Up period**"), the Shareholder firmly and irrevocably undertakes not to carry out any of the following actions, either directly or indirectly through any other entity of the group to which it belongs (with the Shareholder's Guarantor appearing in this Agreement for the purposes of undertaking such commitment), except for cases in which Telefónica has expressly granted its prior consent to the execution of such transaction, regarding the Restricted Shares 1:*

- (A) *to offer, sell, contract to sell or otherwise dispose of any of the Restricted Shares 1;*
- (B) *to borrow, transfer or otherwise dispose in any other way of the any of the Restricted Shares 1; or*
- (C) *pledge or provide any form of guarantee or encumbrance over the Restricted Shares 1, unless the third party who becomes the pledgee or beneficiary of the guarantee or encumbrance over the Restricted Shares 1 undertakes that the resulting owner of the Restricted Shares 1 in the event of an execution and subsequent transfer of the Restricted Shares 1 by virtue of the pledge, guarantee*

or encumbrance undertakes the obligation to subscribe this agreement as the Shareholder;

including, but not limiting to, any type of transaction in relation to (i) securities convertible into, or exercisable or exchangeable for, Telefónica shares, (ii) options, rights or guarantees for the purchase or sale of Telefónica shares, (iii) certificates of participation, deposits or rights instruments or securities representing Telefónica shares, or (iv) derivatives, of any kind, swaps, futures, securities loans or any other arrangement regarding the transfer to another, in whole or in part, of any of the economic rights deriving from the ownership, regardless of whether or not any such transaction has to be settled by the physical delivery of shares in Telefónica or any other securities, in cash or otherwise.

2.2 LOCK UP PERIOD OF THE RESTRICTED SHARES 2

During the Lock Up Period, the Shareholder firmly and irrevocably undertakes not to carry out any of the following actions, either directly or indirectly through any other entity of the group to which it belongs (with the Shareholder's Guarantor appearing in this Agreement for the purposes of undertaking such commitment), except for cases in which Telefónica has expressly granted its prior consent to the execution of such transaction, regarding the Restricted Shares 2:

- (A) to offer, sell, contract to sell or otherwise dispose of any of the Restricted Shares 2;*
- (B) to borrow, transfer or otherwise dispose in any other way of the any of the Restricted Shares 2; or*
- (C) pledge or provide any form of guarantee or encumbrance over the Restricted Shares 2, unless the third party who becomes the pledgee or beneficiary of the guarantee or encumbrance over the Restricted Shares 1 undertakes that the resulting owner of the Restricted Shares 2 in the event of an execution and subsequent transfer of the Restricted Shares 2 by virtue of the pledge, guarantee or encumbrance undertakes the obligation to subscribe this agreement as the Shareholder;*

including, but not limiting to, any type of transaction in relation to (i) securities convertible into, or exercisable or exchangeable for, Telefónica shares, (ii) options, rights or guarantees for the purchase or sale of Telefónica shares, (iii) certificates of participation, deposits or rights instruments or securities representing Telefónica shares, or (iv) derivatives, of any kind, swaps, futures, securities loans or any other arrangement regarding the transfer to another, in whole or in part, of any of the economic rights deriving from the ownership,

regardless of whether or not any such transaction has to be settled by the physical delivery of shares in Telefónica or any other securities, in cash or otherwise.

Notwithstanding the above, derivatives transactions that the Shareholder may carry out with respect to all or part of the Restricted Shares 2 for hedging purposes are expressly permitted and excluded from the previous restrictions (without prejudice of the restrictions set forth in Clause 3.1 (B) (although, regarding the announcement of annual financial results, the period provided in such Clause will be of seven (7) calendar days instead of fifteen (15)) and 3.1 (C), which shall apply to derivatives transactions).

2.3 INTRA-GROUP TRANSMISSIONS

The provisions of Clauses 2.1 and 2.2 hereinabove shall not prevent the transfers of Restricted Shares to companies from the same group to which the Shareholder belongs (including the Shareholder's Guarantor), in which case, the entity within the group acquiring the corresponding Restricted Shares must simultaneously subscribe this Agreement as Shareholder, not being valid such transfer until the subscription of the Agreement has taken place.

2.4 TRANSMISSIONS IN FAVOR OF THE TELEFÓNICA GROUP

In any case, transfers of Restricted Shares to companies of the Telefónica Group will be considered as expressly permitted and will not be subject to any of the restrictions or conditions established under this Agreement.

Restricted Shares transferred pursuant to the previous paragraph will be allocated (and, therefore, will reduce) firstly to Restricted Shares 3, then (once the previous ones have been fully exhausted) to Restricted Shares 2 and finally (once the previous one have been fully exhausted) to Restricted Shares 1.

3. ORDERLY TRANSMISSION OF RESTRICTED SHARES

3.1 MECHANISM FOR THE ORDERLY TRANSMISSION OF RESTRICTED SHARES

With regard to transfers of Restricted Shares that are not prohibited under this Agreement, the Shareholder firmly and irrevocably undertakes not to carry out any of the following actions, either directly or indirectly through any other entity of the group to which it belongs (with the Shareholder's Guarantor appearing in this Agreement for the purposes of undertaking such commitment), except for cases in which Telefónica has expressly granted its prior consent to the execution of such transaction:

- (A) *Transfer Restricted Shares through any private transaction to any entity that, to the best of Prosecur knowledge (acting with due diligence), is a Competitor of Telefónica;*
- (B) *Transfer Restricted Shares during the fifteen (15) calendar days prior to, and including, any date on which Telefónica is expected to publish periodic financial results, in accordance with the financial calendar published on Telefónica's website;*
- (C) *Transfer on a single trading day and in any market where Restricted Shares are traded a total amount of Restricted Shares in excess of fifteen percent (15%) of the Total Daily Relevant Trading Volume. Within such limit, a maximum of fifteen thousand (15,000) Restricted Shares may be sold at the opening auction and a maximum of twenty-five percent (25%) may be sold at the closing auction on the relevant trading day.*

As an exception to the rule provided for under this letter (C), the Shareholder may, either directly or indirectly through any other entity of the group to which it belongs, transfer Restricted Shares through the execution of certain over-the-counter transaction, provided that:

- (i) *the price of the restricted shares being transferred is higher than their trading price at the time the transfer is completed, with a maximum discount of 0.15%; and*
- (ii) *the total amount of Restricted Shares being transferred per day through over-the-counter transactions, in aggregate, does not exceed the highest of the following: (i) fifteen percent (15%) of the Total Daily Relevant Trading Volume on that date: and (z) fifteen percent (15%) of the lowest Total Daily Relevant Trading Volume on a single trading day during a period of five (5) consecutive trading days ending on (and including) the trading day immediately prior to the relevant date.*

For the purposes of this Agreement, “Daily Total Relevant Trading Volume” means the aggregate volume of shares traded under the ticker symbol “TEF SM” as determined by the Bloomberg site “TEF SM Equity VWAP” at market closing on the relevant day. For the avoidance of doubt, the aggregate volume defined herein comprises all the volumes of the TEF SM market excluding block trading and cross trades; and



- (D) *Transfer any of the Restricted Shares by means of an accelerated bookbuilt offering (ABO) or any other similar procedure, be it a publicly announced offer over shares in Telefónica by means of an accelerated offer to institutional investors made by a financial intermediary on behalf of the Shareholder with a reference price (backstopped transaction), a bought deal, a conventional best efforts bookbuilt offering, or any other similar transaction.”*