

NOTA DE PRENSA

PRESS RELEASE

Madrid, 5th November 2013

TELÉFÓNICA AGREES THE SALE OF TELÉFÓNICA CZECH REPUBLIC TO PPF FOR 2,467 MILLION EUROS

- Telefonica, which currently owns 70.8% of its Czech subsidiary, will sell 65.9% of the capital of Telefónica Czech Republic to PPF Group N.V.
- Telefónica will maintain a stake of 4.9% in Telefonica Czech Republic and will remain as its industrial and commercial partner for the next four years
- With this transaction Telefónica continues to successfully execute its strategy of increasing financial flexibility and strengthening the operations in its core markets.

Telefónica today reached an agreement with PPF Group to sell 65.9% of Telefónica Czech Republic, which includes its operations in Slovakia. The total cash consideration for the operation is 2,467 million euros, with 2,063 million euros in cash payable upon completion of the transaction and a deferred payment of 404 million euros over a period of four years. Before transferring the shares, Telefónica will receive an additional payment of 260 million euros in November for the dividend declared.

Although it is expected that PPF will launch a mandatory tender offer for the remaining capital, Telefónica will maintain a stake of 4.9% in Telefónica Czech Republic and will remain as an industrial and commercial partner for a period of four years. Under the terms of the agreement, Telefónica may dispose of its shares subject to certain conditions once the mandatory offer is over.

The agreement implies an attractive multiple above 6x Ebitda'14¹ for a transaction which does not provide in-market consolidation synergies.

Telefónica Czech Republic and Telefónica Slovakia will change their company names but will continue to trade under the successful O2 Brand for a maximum of four

¹ Based on market consensus estimates

years. The company will also join Telefonica's Partners Programme, an initiative offering other operators the opportunity to benefit from Telefonica's scale and cooperate on key business areas.

Today's announcement follows the previous agreements reached in Ireland and Germany and builds on a series of initiatives that have allowed for a significant strategic shift in Telefonica Group. This has been a decisive year for Telefonica's transformation process, as it continues to successfully execute its strategy of increasing financial flexibility and strengthening the operations in its core markets.

It is anticipated that this transaction will have a positive impact reducing Telefonica Group's net debt by approximately 2,685 million euros which will enable Telefonica to meet its net financial debt guidance by year end.

Telefonica started operating in the Czech Republic in 2005 and founded Telefonica Slovakia in 2007. Telefonica Czech Republic operates the commercial brand O2 in the Czech Republic and Slovakia and has a combined total of 9.3 million mobile, fixed-line and IPTV customers in both territories as of June 2013.

The closure of the transaction is subject to obtaining the relevant regulatory approvals.