

NOTA DE PRENSA

PRESS RELEASE

Before more than 900 executives in Madrid, and broadcasted live to all the company's professionals around the world

ÁLVAREZ-PALLETE: "WE HAVE TO PROMOTE DIGITISATION WITH THE CLIENT AT THE CENTRE"

- **Telefónica takes stock of the first two years of the company's ongoing program, noting the advances achieved.**
- **The company's investment efforts have placed Spain as the third country in the OECD and the first in Europe in Fibre to the Home deployment.**
- **The company redoubles its ambition and wants to reach 2020 with 370 million customers and 2.5 million kilometres of deployed optical fibre.**

Madrid, Thursday 30 November, 2017.- Telefónica's Chairman & CEO, José M^a Álvarez-Pallete, inaugurated today in Madrid the Encuentro Telefónica 2017, which unites the company's entire executive team from around the world, more than 900 executives, in front of whom Álvarez-Pallete took stock of the undergoing 2020 program "We Choose it All", and set forth the Group's upcoming challenges.

Madrid plays host to the company's meeting today and tomorrow in its most ambitious and open edition, in which all employees, 125,000 in the countries where it is present, are invited to hear first-hand by streaming.

José M^a Álvarez-Pallete, who commenced the Encuentro for the first time as Chairman & CEO of the company, congratulated the professionals assembled at the Palacio de Congresos convention centre for the achievements accomplished in the first two years of the "We Choose it All" plan. Telefónica is now a company of platforms, with 350 million customers in 17 countries, one and a half million kilometres of optical fibre -the widest network in Europe- and a clear vision: create, protect and promote the connections of life so people can choose a world of infinite possibilities.

"We've accomplished an ambitious digitisation process that is focused on the customer, leaving the company prepared to face the new wave of technology. We've demonstrated that we are pioneers and that the direction we have chosen is the right one", stated Álvarez-Pallete. "We aspire to be a company that continues to grow and is increasingly significant to the lives of our customers and within the digital ecosystem."

The new Telefónica with platforms -the first being the infrastructure and networks, the physical assets; the second, the systems; the third, products and services; and the fourth, cognitive intelligence- is a company prepared to grow and grab hold of opportunities that will be accompanied by a massive expected explosion of data traffic.

"Digitalisation, Big Data, and artificial intelligence are changing everything, transforming all the productive models. It is key to innovate, to bring more value to our customers and to make better business decisions", Álvarez-Pallete explained. This exponential data growth is linked to another key to Telefónica's strategy: "Telefónica will always guarantee the privacy of its customers, and it will do so with security and transparency. And

all of this is based on our responsible and sustainable business principles, on our company values: Open, Bold, Trusted”.

Before the Telefónica executive team, the chairman reviewed the achievements in the implementation of the company program launched two years ago under the slogan “We Choose it All”. There are six key elements, three for the value proposition - Excellent Connectivity, Integrated Offer and Customer Values and Experience - and three enablers, Big Data and Innovation, End-to-End Digitalisation, and Capital Allocation and Simplification.

Excellent connectivity is backed by the deployment of one and a half million kilometres of optical fibre to build what is already the widest network in Europe, which has made Spain the third country in the OECD in terms of fibre extension. In LTE, Telefónica brings coverage in its entire footprint to more than 550 million people.

“We have to promote our plan to continue leading the digital transformation”, said Álvarez-Pallete. He then disclosed some of Telefónica’s objectives to complete the execution of the strategic plan in 2020: 370 million customers, 2.5 million kilometres of fibre and 600 million people with LTE coverage.

“The technological world is moving increasingly faster,” Álvarez-Pallete explained, “and digital platforms will generate a growth in traffic and services that years ago were unthinkable, especially because due to the impact of artificial intelligence applied to those platforms. A new revolution that is clearly going to happen, through the smart phone, which will require flexible and intelligent networks that enable us to meet the demand of our customers in real time”. Telefónica is a global pioneer in network virtualisation, one of the aspects in which it will continue to invest in order to progress towards an intelligent, flexible, programmable and software-based network.

The chairman of Telefónica believes now is time to complete this process, because the company is “entering the last mile towards finishing the execution of our vision. There is no guarantee of success and we have to earn it and every day”.

“The new digital wave is going to have a greater impact than what we sensed two years ago. We have been pioneers in digitising the company, but we can’t be complacent. Customer-focused digitalisation and values will be the key to our leadership”, Álvarez-Pallete pointed out.

This transformation must speed up by means of key technologies such as blockchain, cloud, the autonomous car, virtual and augmented reality, mobility, 3D printing, or wireless technology, and we must be always open to collaboration with third parties, from all sectors.

Álvarez-Pallete also had some words of recognition for the professionals that make up Telefónica, “the very best human team possible. 125,000 professionals of more than 100 different nationalities, you are, without a doubt, our best asset. That’s why we are global within a global world, and at the same time, local”.