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TELEFÓNICA GLOBAL TECHNOLOGY CENTRES YIELD FIRST TANGIBLE OFFERING WITH A NEW GENERATION OF FIBRE CONNECTED DEVICES

- **Telefónica Global CTO Unit adopts a new working model based on global specialist tech units. The global technology centres in Device Development; Operational Support Process & Systems; and Energy & Rental teams are now fully operational**
- **In a world first Telefónica presents the Home Gateway Unit (HGU), a three-in-one device, which enables customers to use Telefónica's fiber capability to the full, thereby improving their connectivity experience, especially the Wi-Fi interface**
- **The Home Gateway Unit (HGU) is the first tangible result produced by Telefónica's Global Device Development Centre using the new working model**

Madrid, 10 November 2015 – Telefónica has announced today that the first phase of a new working model has been completed with the creation of "Global Centres" aimed at delivering operational excellence. The main objective is to ensure better decision-making in terms of technology, speed, simplicity, efficiency and reliability in network installations throughout the whole group.

The creation of global centres is part of Telefónica Group's network technical transformation programme - a key strategy in the process of becoming a leading Digital Telco.

This initiative is part of Telefónica's technological transformation and leadership strategy developed to address the current digital trading environment. It is also part of an ambitious, extensive programme aimed at building the best network on the market and generating maximum efficiency.

The first of the plan's three phases is complete with the Global Device Development Centre, the Global Operational Support Processes and Systems Centre, and the Global Energy and Rentals Centre now fully operational.

The Global Centres are structured as distributed global units, which bring together the most skilled professionals, both in terms of leadership and technical expertise regardless of their geographical location.

Home Gateway Unit (HGU): The First Tangible Result of the Global Device Development Centre

As a first example of the work of the new global centres, Telefónica, through its Global Device Development Centre, has created a product which integrates several current pieces of equipment -the router, ONTs and Videobridge- a customer currently needs to have in the home in order to access fibre services. In a world first Telefónica presents the Home Gateway Unit (HGU), a three-in-one device, which enables customers to use Telefónica's full fibre capability, thereby improving their connectivity experience and reducing power consumption.

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Thanks to the HGU, customers can make the most of the current speeds of Telefónica's fibre network, even via Wi-Fi, as well as the speed upgrades still to come. Furthermore, this equipment ensures the best customer experience with the most advanced services, a valuable differentiation for the company in this space.

The HGU is now commercially available in Spain, currently in Madrid, Levante, Murcia and Andalusia, for new fibre connections of any speed (30 or 300Mbps) or upgrades from Movistar ADSL to fibre. By the first quarter of 2016, the new device will be available in all the cities and Telefónica facilities in Spain. It is due to arrive in Brazil and Chile in the first half of next year.

For current Movistar customers in Spain, who already enjoy Movistar services with other devices and connectivities of 30 or 300Mbps for fibre, Telefónica will also make an offer available whereby they can swap their current device for the new HGU.

It is the first in a new generation of own devices entirely designed, developed and homologated to the highest quality standards by the Global Device Development Centre.

The Global Device Development Centre aims to design, develop and certify a global homogeneous portfolio of devices for all carriers of the Group, thereby guaranteeing time-to-market and quality standards, by means of a single end-to-end process. Among other devices, the portfolio, expected to be available in three years' time, includes xDSL routers, FTTH, cable, 3G/LTE, and the certification of mobile devices and TV decoders.

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****Technical notes to Editors****

HGU: Technical Characteristics and Functions

The Home Gateway Unit (HGU) uses the most advanced Wi-Fi technology on the market (802.11ac), the result of a successful partnership with California-based Quantenna Communication - a specialist in semiconductors. The HGU comprises six internal antennas - four for 5GHz Wi-Fi and 2 for the 2.4 GHz Wi-Fi – an illustration of sophisticated technical engineering designed to achieve a more simplified and integrated product. Other enhancements include a reduction to just 4 fixed blue LED lights without flicker eliminating light pollution; an FXS port to integrate VoIP; and four gigabit Ethernet ports. All of this in a single box of reduced dimensions. This set is managed by a top-of-the-range Broadcom chip for GPON, which enables symmetrical speeds or up to 1 Gbps.

Telefónica collaborated with the companies Askey and Mitrasstar, both from Taiwan, on the development of the software and hardware. Telefónica also worked with Mormedi, a Spanish company & leader in industrial design on the look and feel of the unit to ensure refined, gentle and simple lines that are in harmony with modern home furnishings.

About Telefónica

Telefónica is one of the largest telecommunications companies in the world in terms of market capitalisation and number of customers. With its best in class mobile, fixed and broadband networks, and innovative portfolio of digital solutions, Telefónica is transforming itself into a 'Digital Telco', a company that will be even better placed to meet the needs of its customers and capture new revenue growth. The company has a significant presence in 21 countries and a

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customer base of more than 329 million accesses around the world. Telefonía has a strong presence in Spain, Europe and Latin America, where the company focuses an important part of its growth strategy. Telefonía is a 100% listed company, with more than 1.5 million direct shareholders. Its share capital currently comprises 4.551.024.586 ordinary shares traded on the Spanish Stock Market and on those in London, New York, Lima and Buenos Aires.