

PRESS RELEASE

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In front of more than 1,000 executives in Madrid and retransmitted live for all company professionals for the first time ever.

CÉSAR ALIERTA PRESENTS: "WE CHOOSE IT ALL", TELEFÓNICA'S NEW STRATEGIC PLAN TO BE AN 'ONLIFE TELCO' IN 2020

- **After decisively contributing to Telefónica's transformation and position as a growing company, the Be More program gives way to a new customer-focused plan.**
- **"We choose it all" allows the company to redouble its level of ambition, leveraging platforms of differential assets.**

Madrid, Monday November 30th, 2015.- César Alierta, Executive Chairman of Telefónica, presented in Madrid the company's new strategic plan for coming years, under the slogan "We choose it all", with the goal of transforming the company into an "Onlife Telco", or a company that promotes connections in life for people to choose a world of infinite possibilities.

The company is celebrating its Encuentro Telefónica 2015 meeting in Madrid, more ambitious and open than ever, in which all 125,000 employees -from the 20 countries where Telefónica has a presence- are invited to listen first hand to messages from the chairman and the executive team via streaming connections.

At the Encuentro, Telefónica's executive team reviewed the success of the Be More program, implemented in the entire company since July of 2013 and based on three essential pillars: Discover, Disrupt and Deliver. Since its launch, the company has significantly increased its investment efforts, reaching historical investment rates over sales. Excluding spectrum, just this year 17% of revenue will be allocated to investments. Be More has contributed decisively to Telefónica's transformation, turning it into a growing company with a redoubled level of ambition.

The executive team has recalled how Telefónica has just closed a phase in which it has led in-market consolidation in Europe and Brazil, closing acquisitions of great magnitude such as e-Plus, GVT, and Digital+, three operations that create value and generate important synergies that are already being captured.

“We choose it all”

The new strategic plan is founded upon six key elements, three for value proposition – outstanding connectivity, integrated offering, and differential experience- and three facilitators, which will be Big Data and Innovation, end-to-end digitalisation, and capital allocation and simplification.

Outstanding connectivity, because customers want to always be connected, anywhere and from any device with the highest maximum quality, and Telefónica can and should respond to this demand thanks to the effort made in the last few years to transform its fixed and mobile networks.

Integrated offering, made up of a wide range of services and products anticipating and adapted to the customer's needs, with personalised proposals for both individuals and companies.

And all of this with a different type of experience based on company values and a public stance that defends the customer's interests. “Now we are going to go one step further, placing our defence of the customer's interests at the centre of our stance, which will focus on three concepts: Digital Trust, Open Internet, and Digital Access”, Alierta stated.

To achieve these three objectives, the company has three facilitators: Big Data and innovation, which enable speed and development of a different type of knowledge of the customer and context in order to adapt and personalise our services to maximise customer value. The second is end-to-end digitalisation, in other words, being a 100% digital company, within and without, in order to offer customers a different digital experience, and third, capital allocation and simplification, which means allocating resources to continue advancing transformation, financing growth, eliminating complexities, and fulfilling promised goals.

The customer at the centre

With a corporate culture that has to advance around to two great pillars: customer focus and the call to be a high achieving and committed team.

This commitment is demonstrated with measures such as the connection between customer satisfaction indices and employee variable compensation, which will increase up to 20% starting in 2016. Taking into account that 30% of this variable depends on revenue, which is also a reflection of customer satisfaction regarding services received, the result is that 50% of Telefónica professionals' variable remuneration will be directly linked to the customer.

In this new phase of redoubled ambition, Telefónica seeks to have ever more satisfied customers thanks to a differentiating value proposition. “We will grow more in revenue, we will speed up in OIBDA, and we will once again grow in cash generation” –said the chairman-. “Our shareholders will be more content and we, as employees, will be even more so”.

An era of exponential growth

Telefónica has redoubled its ambition level, and it is entering a new stage of growth, the chairman explained.

"We are experiencing an true revolution... This is not just another revolution. It is already being shown to be the revolution that will have the greatest impact of all of human history in terms of generation of wealth. The social development it brings will be more than exponential. And we are lucky enough to be at the centre of this revolution. The future will be a better one because we find ahead of us an era of exponential change and growth. A whole new world of opportunities is open to everyone, in any location, to create a better world", Alierta stated live in front of more than 1,000 executives and via streaming to all Group employees.

We are facing an era of change whose foundation is digital disruption. A clear example is the arrival of 5G, which will create dizzying connection speeds and an explosion in the number of connections, because not only people will be connected. Wearables, cars, houses, appliances, tablets, clothing, accessories... every object will have sensors. Estimates for 2020 estimate 50 billion connected things. "With everyone and everything connected, with the foundation of excellent connectivity, services of the future are limitless. And facilitating these connections, through connectivity, is the core of our business", Alierta declared.

This explosion in the number of connections is accompanied by exponential growth in the volume of transmitted data and network traffic. That also propels exponential growth in generated data. Through Big Data, data enables the creation of predictive models that are key to anticipating customer behaviour and improving operations in all sectors.

"Digitalisation and Big Data will change everything, will transform all production models. They are the key to innovation, to offering our customers greater value, and to making better business decisions", explained the chairman. This exponential data growth is connected to another of the keys in Telefónica's strategy for coming years: "Customers have to recover their digital sovereignty, to own their digital footprint and consciously decide how they want to make use of their data. Telefónica will always guarantee customer privacy and will do so securely and transparently. And it shall do all of this based on the principles of responsible and sustainable business."

"Our business has great positive social impact and contributes to making the world fairer and creating wealth and wellbeing".

César Alierta also recognised all the professionals that make Telefónica, "the best possible human team. 125,000 professionals, of more than 100 different nationalities, you are, without a doubt, our best asset. That is why we are global in a global world and, at the same time, more than anything, we are local".

At the Encuentro Telefónica 2015 meeting, the company introduced a new vision: "The digital life is life itself, and technology is an essential part of being human. We want to create, protect and boost connections in life so people can choose a world of unlimited possibilities. And by focusing on people, we aspire to become an Onlife Telco", stated Alierta in conclusion.