

NOTA DE PRENSA

PRESS RELEASE

In front of more than 900 executives in Madrid and broadcast live for all of the company's professionals around the world

ÁLVAREZ-PALLETE PRESENTS A NEW PROGRAMME FOR TELEFÓNICA FOCUSING ON GROWTH

- **In the last three years, Telefónica has managed to grow in terms of customers, revenues, margins, and operating cash flow, and to reduce debt by more than €10 billion since June 2016.**
- **Nowadays, Telefónica is starting from an excellent position for capturing the growth opportunities of the digital world thanks to investments made in digitalisation, platforms, and ultra-broadband networks.**

Madrid, 29 November 2018.- Telefónica's Chairman and CEO, José María Álvarez-Pallete, today inaugurated, in the Magic Box of Madrid, the meeting to present the new internal company programme for the 2019-2021 period to almost 900 executives. The more than 120,000 Telefónica employees around the world were able to follow the event via streaming.

The company's new internal programme was created to grant a new boost to the company following "We Choose It All", in force for the past three years. "A programme which has made us stronger," said Álvarez-Pallete, as the company has seen growth in terms of revenue, OIBDA, customers and margins, investing record numbers to deploy and digitalise a next-generation network, as well as being able to reduce company debt by close to €10 billion since June 2016 and keep an attractive remuneration for the shareholders.

"And yet," said Álvarez-Pallete, "it is not enough, and we are not satisfied. We must aim to capture greater growth for all our stakeholders". He explained to his team that the telecommunications industry faces challenges such as a regulation not adapted to the 21st century, loss of relevance of the industry, and the intensity of investment required to deploy 5G and fibre. "We have already done much of our homework. We have transformed and digitalised our network, and applied Artificial Intelligence to our platforms, which will be essential for capturing growth opportunities" explained Álvarez-Pallete.

Opportunities such as services over connectivity, Big Data, and the new wave of Cognitive Intelligence, in which Telefónica is in an advantageous position to capture them, and which "can be accelerated if the company focuses on digitalisation, in simplification through the management of assets with a focus on increasing the return on capital employed (ROCE)". The company, said Álvarez-Pallete, has been able to identify, for each market it operates in, the significant growth opportunities that it will focus on in the coming years.

Telefónica's "Reconnect" programme ambition of growth can be summarised in five key areas which the Chairman explained to executives:

- Growth in **relevance** for customers through an excellent digital experience based on the simplicity and personalisation of the offer, through the company's technological platforms and the application of Artificial Intelligence.
- **Revenue** growth with a focus on monetising an attractive value proposal which includes both Telefónica's products and services, as well as those of third parties, under an "open ecosystem of partners" model which drives Telefónica as one of the main "technology distributors" capable of satisfying each customer in a personalised way.
- Growth in **returns** thanks to the growth of revenues, the efficiencies generated by digitalisation, simplification and management based on the return on capital employed (ROCE)
- All of the above while strengthening the company's commitment to **responsible and sustainable growth** with the societies in which the company operates, increasing Telefónica's proactive role in regulatory issues and ensuring digital inclusion and respect for the digital rights of citizens.
- And finally, the **motivation** of the team of Telefónica professionals as a key element capable of increasing growth. The Chairman demonstrated his trust in the company's employees and the ability of Telefónica to reinvent itself whenever it has been necessary. "In our almost 100 years of history, Telefónica has always found new ways to keep growing. The ability to change is in the DNA of the Telefónica team".

Telefónica's Chairman & CEO finished his speech by saying he was optimistic despite the complex environment that telecommunications industry is going through. "Whether the glass is half empty or half full isn't important", he said. "The only thing that matters is that it can be refilled".

He also referred to the importance of ethical discussions before the challenges and opportunities offered by technology. The new programme once again focuses on people, and emphasises they are who must give meaning to technology, and not vice versa. Álvarez-Pallete concluded his presentation by stressing, "**we want to make our world more human, connecting people's lives**", as one of the company's missions.