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The programme, called *bravo!*, sets a series of different business and sustainability objectives to drive forward the transformation of the Company

## TELEFONICA LAUNCHES A THREE-YEAR STRATEGIC PROGRAMME TO BECOME THE LEADING GLOBAL COMMUNICATIONS COMPANY IN THE DIGITAL WORLD

- The four pillars of the transformation will be customer focus, an integrated offering as a service provider, new platforms which foster a transformative and efficient operating model and a common culture which generates confidence in the societies in which the Company operates
- César Alierta: “The crisis has enabled us to pinpoint areas with exceptional growth potential and we will capture this growth in order to maximise shareholder value”

**Madrid, 11 March 2010.-** César Alierta, Chairman of Telefonica, today announced the launch of a new strategic programme which he will spearhead over the next three years and which will accelerate the transformation process required to capture the sector’s growth potential in an efficient and sustainable manner. The objective of this programme, called *bravo!*, is to transform Telefónica into the best global telecommunications company in the digital world.

“*bravo!* will enable us to monitor projects and the fulfilment of medium and long-term targets, and will play a key role in fully leveraging the unique opportunities afforded by our scale,” said César Alierta at the 5th Telefónica Management Summit, held today in Madrid, where the Chairman shared the Company’s growth targets with his 1,200 senior managers. “I believe telecommunications companies have a key role to play in the future of the ICT sector and I am convinced that those able to anticipate industry trends will enjoy many growth opportunities. We are launching the *bravo!* programme today to ensure that we fully leverage these opportunities,” he explained.

Global operators are exceptionally well placed in the new value chain because they are best able to formulate new products and services, for which both scale and a global customer base is key. Telefónica, which is present in 25 countries and has over 265 million customers, is the company best placed to leverage the business opportunities offered by services and digital connectivity from advanced platforms, which are essential to provide quality services and to access new sources of growth and business models.

Individuals, homes and businesses are becoming ever more digital and this process is certain to drive up demand for new applications and services from different sectors – e.g. the financial, entertainment, education and health sectors -, and through alliances with third parties. Demand

for connectivity will continue to grow, and by 2020 it estimated that over 50% of the world's homes will have PCs and that there will be between 4.8 and 5.3 billion mobile phone users. Experts also expect the percentage of consumer spending on communications to rise by 20% over the 2010-2015 period to 4.2% of total spending.

And with the aim of capturing the sector's future growth, the *bravo!* programme announced today sets out the strategic priorities to meet this target, along with the key initiatives to align operations in the three regions in which Telefónica is present. And to achieve all this, the *bravo!* programme has four main pillars: the customer, our offering, platforms and culture.

"In 2012 Telefónica expects to have more than 320 million customers, 30% of the market in the regions where we operate," César Alierta explained to the Company's senior managers. In the Chairman's words and with regard to the first of the pillars, the customer, the objective is to transform Telefónica into the leading company in terms of customer satisfaction levels in all its markets. With regard to products and services, the expectations to 2012 were established at the VII Investor Conference: between 1 and 4% annual growth over the next four years. This growth will be achieved from platforms that enable Telefónica to achieve its targets in a competitive and efficient manner and based on a common culture that permits the Company to build stable and sustainable relationships over the long term.

## **Telefónica, market leader by dividend yield**

In his address César Alierta underlined Telefónica's profile as a leading international player, the world's second-largest telecommunications company by enterprise value, while reiterating the Company's financial targets to 2012. "We are a growth company," – he explained – "and our priority remains to maximise value for our shareholders. Telefónica is currently the number one company in terms of estimated dividend yield in 2010 (8.2%) among the world's 50 largest companies by market capitalisation." Last October, in keeping with its policy of increasing payouts, Telefónica pledged to distribute a dividend of 1.75 euros per share in 2012, up from 1.40 euros per share in 2010.

Julio Linares, COO of Telefónica, reviewed the Company's performance in 2009 in his presentation. He said that 2009 was "a challenging year in which we met all our targets and commitments" before highlighting the new scenario of change accelerated by the economic crisis in which innovation, the market and the different sector players will shape the near future. A future, in Linares' opinion, "in which customers will have more devices, all connected, and where the domination of smart phones will play a key role and demand for communications will continue to burgeon. A new market which will accentuate the competitive dynamism of the sector."

The Summit was also attended by the members of the Executive Committee, who analysed each of the pillars of the *bravo!* programme and the Company's future outlook.