

PRESS RELEASE

Telefónica and Microsoft establish strategic partnership to design the telco of the future

Companies will work together to power transformative customer experiences and services and explore use of intelligent technologies on the network

MWC, BARCELONA, Feb. 25, 2019 — Today at Mobile World Congress, Telefónica and Microsoft Corp. announced a strategic partnership to collaborate on projects to accelerate Telefónica innovation and transform the telecommunications industry. Building on Telefónica and Microsoft's previous work together around the use of data and Telefónica's Fourth Platform to power offerings such as Aura, its AI-powered digital assistant, the new agreement will combine the power of Telefónica's state-of-the-art networks, unique customer proposition and global reach with the Microsoft Azure AI platform to design services telcos will offer in the future.

"Telefónica has been a leader in using AI to transform customer engagement, and the strategic partnership we announced today builds on this history of innovation," said Satya Nadella, CEO of Microsoft. "Together, we will apply the power of Azure and Azure AI to create new, innovative experiences for millions of Telefónica customers around the world and shape the future of Telefónica's network."

José María Álvarez-Pallete, chairman and CEO of Telefónica, said "Telefónica is applying cutting-edge technology to its ongoing transformation, pioneering virtualization and softwarization to develop smart, liquid networks ready to be powered by AI. Specifically, we are already using AI to enhance our customer relationships and are really excited to work with Microsoft to further harness the power of Azure AI. This agreement strengthens our relationship and our common belief that AI technology and the use of data should be based on solid ethical principles and empower people to control their digital lives."

Together, Telefónica and Microsoft will expand the use of Azure Cognitive Services for customer engagement and business processes, create new AI-powered, in-home experiences for customers and explore the use of intelligent technologies to transform the network.

Expanding the use of Cognitive Services for customer engagement

Today, Azure Cognitive Services power Aura, which is embedded in channels such as mobile apps, the company's pay-tv service and its call centers in Brazil. With this new agreement, Microsoft and Telefónica will work to explore the extension of Aura and Cognitive Services to all customer relationship channels, such as its contact centers in other countries, social media and web services, as well as employee- and supplier-facing channels.

New AI-powered, in-home experiences for customers

Building on the success of Aura to control Telefónica services, the two companies will evaluate developing Telefónica's Home as a Computer (HaaC) vision to use Microsoft Cognitive Services and Azure AI services with other Telefónica services. Furthering the HaaC vision, Telefónica and Microsoft will consider the creation of an ecosystem of Aura Living Apps built on Azure that will run on all Telefónica devices at home. The apps will allow customers to interact with their devices to do daily activities.

Transforming the network with intelligent technologies

Finally, Microsoft and Telefónica will explore working together to identify opportunities using AI and disruptive technologies like blockchain, 5G and edge computing to transform services and build the network of the future. The two companies will collaborate through the creation of a joint working team to explore how AI and machine learning can be applied to optimize its network, reduce costs and, in turn drive industrywide transformation. Together, they would create proof of concepts to demonstrate how these solutions can be used for predictive provisioning, demand capacity and more.

For the outcome of these working groups, Telefonica and Microsoft will implement an intellectual property model based on Microsoft's Shared Innovation Initiative. As customers take steps to transform their businesses, this initiative is built on a set of principles designed to provide them with clarity and confidence regarding their co-creation of technology and intellectual property with Microsoft.

The agreement between Telefónica and Microsoft is further strengthened by the companies' shared commitment to ethics and data privacy. Both organizations are committed to the responsible and ethical use of customer data and transparency around what data is being collected and how it's being used, in alignment with GDPR principles. The two companies have further strengthened this commitment through the training and certification of security experts within ElevenPaths, Telefónica's cybersecurity unit, on Microsoft's cybersecurity services and technologies.

About Telefónica

Telefónica is one of the largest telecommunications companies in the world by market capitalization and number of customers with a comprehensive offering and quality of connectivity that is delivered over world class fixed, mobile and broadband networks. As a growing company it prides itself on providing a differential experience based both on its corporate values and a public position that defends customer interests.

The company has a significant presence in 17 countries and over 356 million accesses around the world. Telefónica has a strong presence in Spain, Europe and Latin America, where the company focuses an important part of its growth strategy.

Telefónica is a 100% listed company and its shares are traded on the Spanish Stock Market and on those in London, New York, Lima, and Buenos Aires.

About Microsoft

Microsoft (Nasdaq "MSFT" @microsoft) enables digital transformation for the era of an intelligent cloud and an intelligent edge. Its mission is to empower every person and every organization on the planet to achieve more.

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