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e HEALTH - A must have, not a nice to have for our society

MR. JOSE PERDOMO

Points of difference

- ✓ Product differentiation beyond connectivity
- ✓ Market strength - Consumer
- ✓ Market strength – Corporate / Government
- ✓ Service provisioning capability

Leading OBs

2015 Revenue target*

€Bn 0.3-0.6

*According to guidance criteria

Telefonica

Telefónica Digital's eHealth

1 **The case of Remote Patient Management**
(Chronics – RPM)

2 **Delivering peace of mind for your loved ones**
(Mobile Telecare)

3 **LATAM – The emerging big prize**

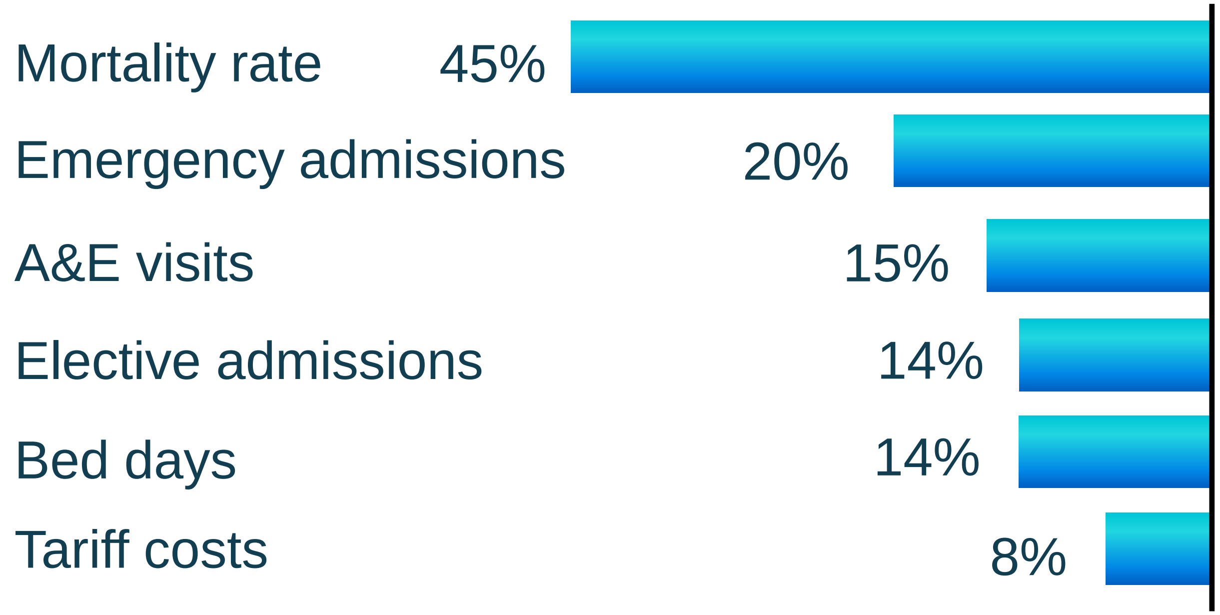
Remote patient management – an essential transformation in healthcare

Unsustainable healthcare …

- Spend outpacing GDP growth by about 2 p.p./year driven by aging population with chronic conditions
- Chronic conditions represent:
  - 70-80% of costs, 2/3 of spending growth, 30-40% of population
  - 50% of hospitalisations – high annual rate of readmissions of 45-55% (high risk patients), and 700-1000 €/ day with an average length of stay of ~ 7.5 days.

… but a new way is possible

Proven "reported" reduction rates



We can help to address optimization in at least 25% of healthcare budgets

SOURCES: OECD Policy implications of New Economy 2000-2050; World Development Indicators database, World Bank, 1 July 2011; Kaiser Permanente Pyramid Model of Care; World Economic Forum 2007: "Working Towards Wellness. Accelerating the Prevention of Chronic Disease«; IESE Business School; Deloitte Consulting.

SOURCE: The Whole System Demonstrator project run by the UK Department of Health provided evidence involving 6,000 patients, started in September 2010.

Remote Healthcare
– a fundamental need for the sector

HOME » HEALTH » HEALTH NEWS

'Remote healthcare' for three million patients

Millions of people will be cared for by remote control in their own home with medical equipment that will monitor their health and transmit the results to doctors, David Cameron has revealed.

David Cameron said cancer patients will have access to experimental new drugs sooner by investing £180m in the period between new drug development and its use in the NHS Photo:

Three million people with conditio arthritis, and high blood pressure homes to monitor their conditions medics.

The scheme follows the success measures cut deaths by up to ha hospital admissions, GP appointn

It is hoped that the NHS will save people in their own homes.

Medical equipment worth an estin as the era of remote healthcare i 15 years.

It marks a step change in the way with more care delivered in their

Remote healthcare for three million patients
http://www.3millionlives.co.uk/

"We've trialled it, it's been a huge success – it works"

"The aim – to improve three million lives over the next five years"

"It's going to put us miles ahead of other countries"

" … in partnership with the industry"

A 1 billion euro market

Source: http://www.telegraph.co.uk

Telefónica

Our proposition - an e2e service, truly patient centered

Multi-device and secured

Biometrics & Clinical Management

Multichannel Communications

Content Management & BI

Logistics/ Operations/ I+M

Technical Support

Medical Staff

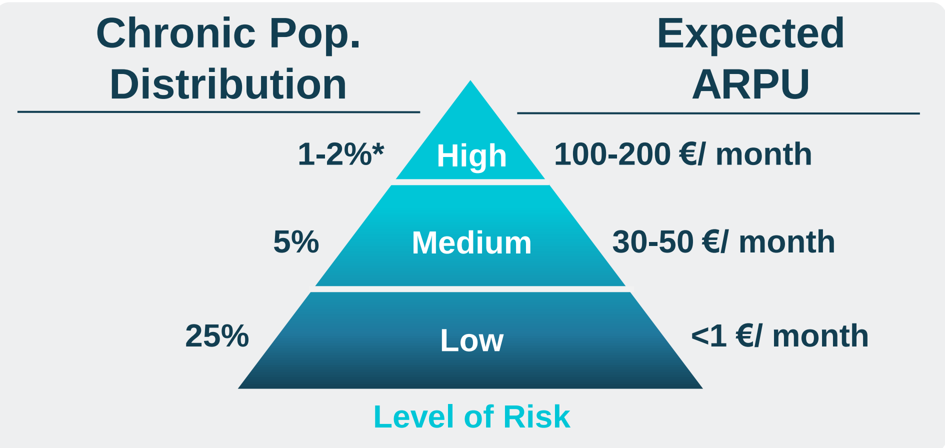
Integrated, inter - connecting professionals

Patients

Home and mobile, simple user experience

We are uniquely positioned to deliver mass e2e consumer services (B2B2C) and an ability to build change…

… based on a "per connected patient" business model



* Approx. 30-50% of total cost of care
SOURCE: Kaiser Permanente Pyramid model of care

Remote Healthcare – building credibility

VALENCIA / POLÍTICA

>LA ENTREVISTA / NUEVO MODELO SANITARIO

LUIS ROSADO Conseller de Sanidad

Asegura que varios hospitales de Valencia y Alicante unificarán el servicio de cocinas en el próximo concurso y que se estrenará el servicio de prescripción a domicilio controlando el precio de los fármacos pero también la cantidad de dosis

«Una multinacional controlará a todos los pacientes crónicos que suponen el 50% del gasto sanitario»

«Vamos a controlar todos los trabajos en cada escalafón, no vamos a permitir que nadie esté cruzado de brazos»

Source: "El mundo".

Luis Rosado

(Valencia Health GM)
– 5 million population region

"… a multinational telecommunications company will be contracted to develop the chronic care plan"

About 5% chronic patients consume around 3.000 M€ of the 6.000m€ total budget …"

We will deliver the first service in Europe (then in LATAM)

	Spain	UK
Building presence and evidence (trials)	**Valencia Health Agency** ▪ 1.7 M chronic patients* ▪ 75-85k are high risk* ▪ First 12,000 patients in 2012 ▪ 16 care programs designed **Hospital del Mar (Barcelona)** ▪ 200 CHF[1] patients ▪ Results aligned with UK WSD[2]	**NHS Lothian** ▪ 300k chronic patients; 15-30k mid/high risk* ▪ Trial for 300 COPD[3] and CHF ▪ Potentially growing to 10k in 2013 **North Somerset** ▪ Trial service with 100 COPD ▪ 1,000 connections potentially by end of 2013
Building the pipeline	▪ Basque Country, Galicia, Catalonia, Castilla La Mancha, Andalucía, Madrid	▪ NHS: Airedale, Rotherham, Camden and Islington ▪ Lloyds Healthcare Services

[1] CHF: Congestive Heart Failure
[2] WSD: Whole System Demonstrator
[3] COPD: Chronic Obstructive Pulmonary Disease

* Estimated based on population and industry economics (see sources in page 3)

A substantial market opportunity for the mobile telecare service

25% of Europe population fragile, looking for independent or assisted living*

Target customers:
- Elderly
- Middle risk chronic patients
- Med-high dependency
- Disabled

5% covered by system*

- Home/elderly care homes
- 2.5 million users already in SP & UK with fixed telecare services (20 €/ month ARPU)*

20% not covered*

B2B2C via local authorities / private institutions

B2C
Launch first
in September in UK

*Source: Antares Consulting S.A.

Mobile Telecare - Help @ Hand already launched in the UK (for B2B)…

Users

Devices

- First client – Leeds County Council
- 19 Health Organisations in "Try and Buy"
- Pipeline of 75 clients (public and private)

Platform

Emergency services

Call Centre 24x7

- Alarm response
- Proactivity

Mobile

Web & Mobile

Carers

Price per user:

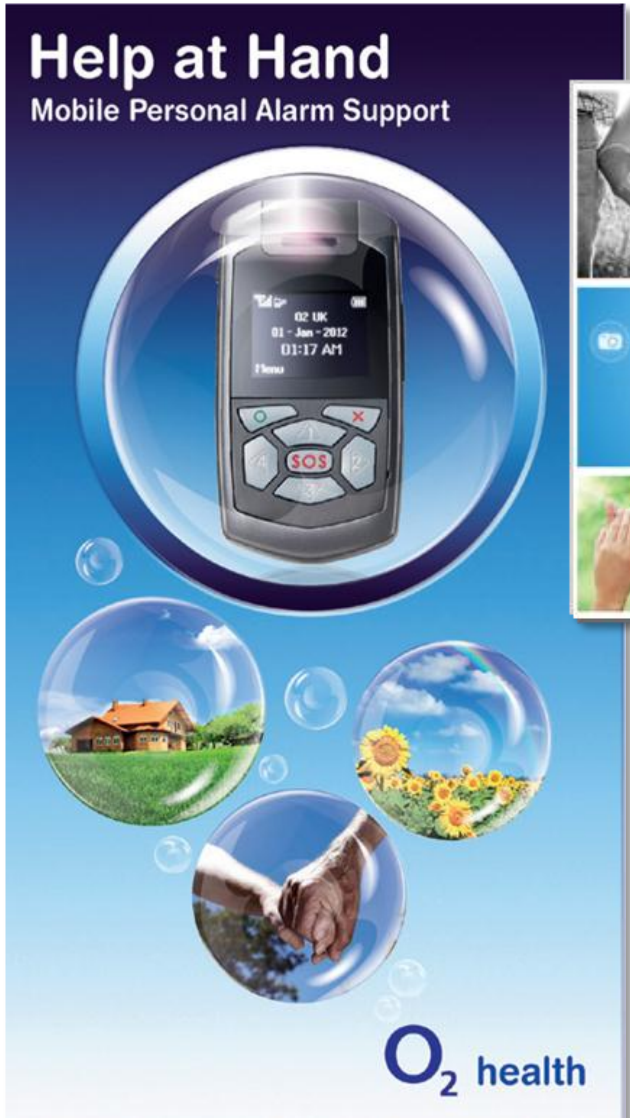
120-299 £ set-up, including device

20 £/month service fee

Service features

- Panic button, fall detection
- Reminders
- Location & "safe zones"
- Device management
- User-friendly web

… and launching in September for B2C - positioned as mobile personal alarm support



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LATAM - a market with a unique potential

Large out-of-pocket market (€32 Bn in Brazil*)

Greenfield in many areas – e.g. Telecare services

Large and growing **private-payer insurance sector** (25% of pops, >€1,100/person growing at 20% YoY)*

A **public sector** which can **do things completely differently**

*Source: Mensor Consultoría y Estrategia

We are now moving forward to capture the LATAM opportunity (e.g. Brazil)

1 Delivering unique direct to consumer services

- 2 services launched in Q1
- 360k users in just three months (€4 M recurring annual revenue)
- Incremental 5-10% ARPU approx.
- 9/10 for satisfaction and recommendation

vivo BEM ESTAR Powered by KANTOO

vivo LIGUE SAÚDE

2 Leveraging know-how and tech from EU into LATAM

Amil
6 million capitas

Unimed
20 million capitas

- Delivering automatic appointment management
- Exploring remote patient management

3 Building unique capabilities - Chronic Disease Management

AxisMed Gestão Preventiva da Saúde

- 30,000 remotely managed patients
- Double digit growth

eHealth – the global picture

	Services				
Remote Patient Management	▪ RPM for Chronic patients	Available/ leading OB	Being deployed	Being deployed	Planned
Telecare	▪ "Help@Hand"	Being deployed	Available/ leading OB	Planned	Planned
Health IT	▪ Health CRM/ Emergencies	Available/ leading OB		Being deployed	Being deployed
	▪ Digital Imaging	Available/ leading OB		Being deployed	Being deployed
	▪ Mobile productivity	Planned	Available/ leading OB		
	▪ "Digital" Hospital	Available/ leading OB			Planned
eHealth B2C	▪ Telecare	Being deployed	Available/ leading OB	Planned	Planned
	▪ Telehealth			Available/ leading OB	Planned

Available/ leading OB — Being deployed — Planned

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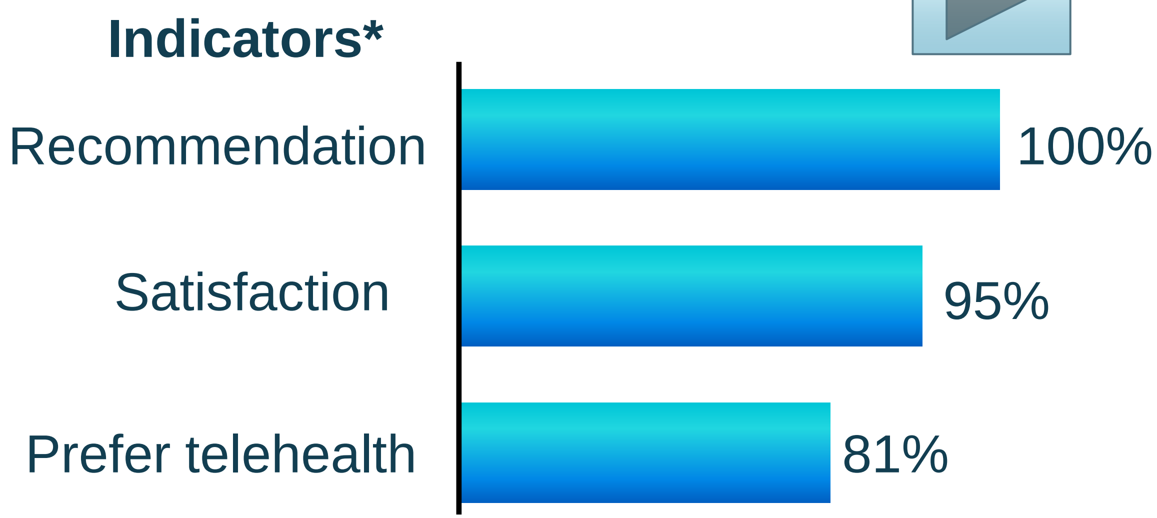
We can truly change people's lives – their energy will make things happen



" I won't give it back… It changes the whole concept of my life… "

"It's a great peace of mind… When I check the device, all the vital signs and so… and everything is perfect…"

"I feel much more confident knowing that someone is keeping an eye on my health every day. I think it's great."

* SOURCE: iCor Project with Parc de Salut Mar, Spain. http://clinicaltrials.gov/ct2/show/NCT01495078?term=iCor&rank=1

In summary…

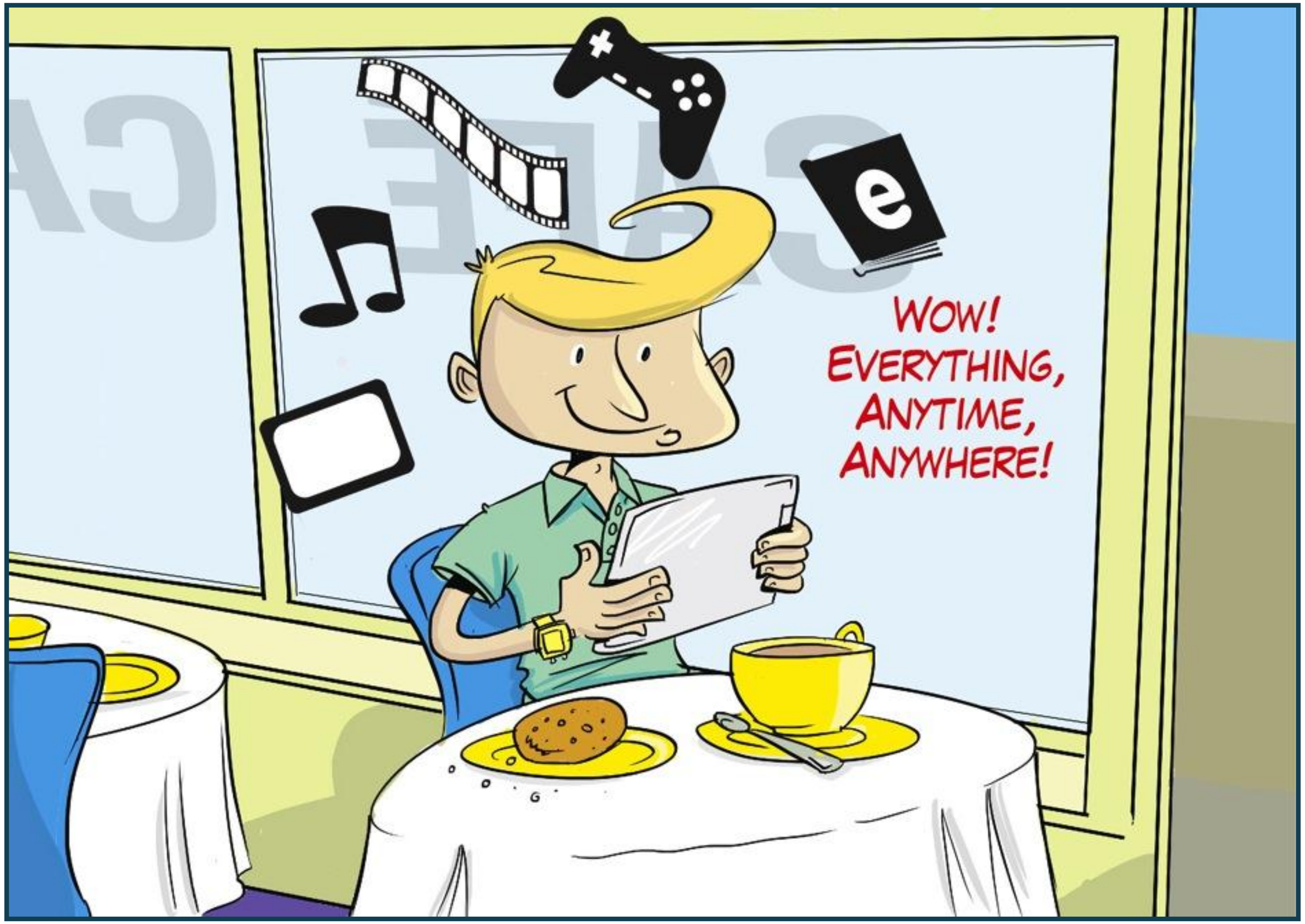
- ✓ A clear demand, a clear need, with growing evidence and institutional support, …

- ✓ … a new category – “truly changing people´s lives”

- ✓ Uniquely positioned, building credibility and market presence, ahead of competition

- ✓ Ready to materialize for when the market takes off – still some uncertainty in terms of timing of the “tipping point”

DIGITAL CONTENT DISTRIBUTION - Selling content to the customer base



MR. ROBERTO DE LA PIAZZA

Points of difference

- ✓ Global Network
- ✓ Product differentiation beyond connectivity
- ✓ Market strength - Consumer
- ✓ Distribution network
- ✓ Service provisioning capability

Leading OBs

2015 Revenue target*

€Bn 1.2-1.5

*According to guidance criteria

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Content is a killer app in the digital space

Broadband penetration and speed growth boost video consumption

There is a rising expectation of Pay TV quality and usability

7Bn connected devices worldwide in 2015, able to stream video*

The growth of video consumption over Internet is reshaping content windows map and business model

>80% of internet traffic will be video by 2015*

Telcos are more likely to be seen by consumers as a trusted provider for internet video services

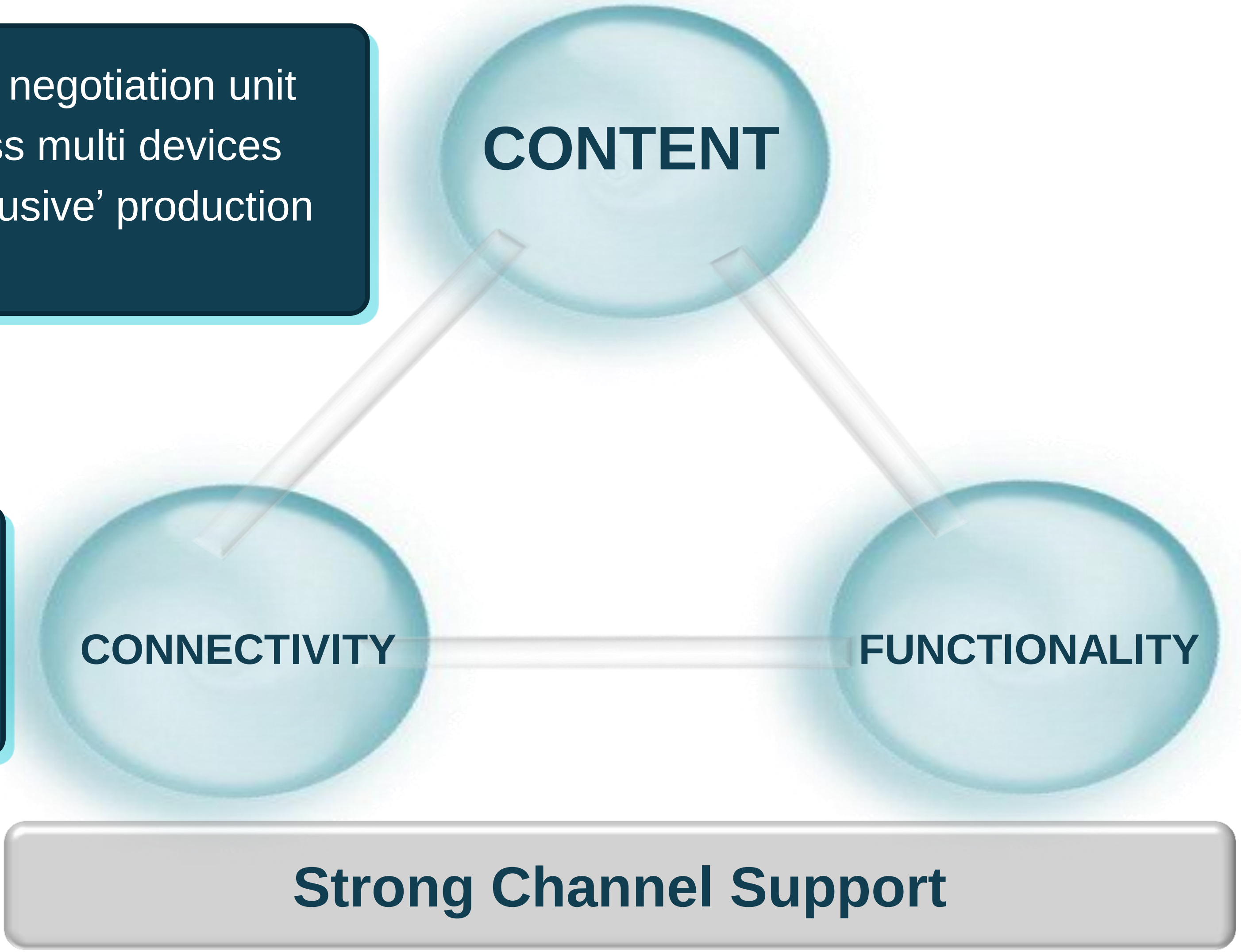
80% of people use their tablet while watching TV**

Huge potential but low penetration of connected TVs provide a window of opportunity for operators with services based on STB

* White Paper Cisco 2011,
** Nielsen Q4 2012 poll of mobile users in the US, UK, Germany & Italy

Our strategy to develop a different value proposition

- Global content negotiation unit
- Package across multi devices
- Selective ‘Exclusive’ production capability



- Fiber/LTE Investment
- IPTV/OTT/DTH development
- CDN guarantees quality

- Integrated with Operator Billing and CRM tools
- Multi device offering
- Linear, on demand and interactive services

We believe we have the best **distribution** assets for capturing the opportunity through the entire value chain

Linear TV

movistar

vivo

- Fiber/LTE Investment
- IPTV/DTH development
- CDN guarantees quality

Hybrid TV

play

Global Video Platform

OTT

Telefónica On Video

sundaytv

Linear TV – strong position, but we want to pick up the pace

Expanding the business through our footprint

March 2012 3.3 M customers

2010-2012 estimated growth 15%

And a huge opportunity in the next few years

Pay TV Penetration*

	2008	2011	2015	∆ 2011-2015
	12%	24%	37%	+13 pp
	26%	27%	32%	+5 pp
	14%	20%	24%	+4 pp
	32%	44%	53%	+9 pp

- Latin America – keeping the growth pace as medium class segment is growing fast
- Brazil- the market with largest potential
- Selective opportunities in Spain

* Source: Pyramid Media Forecast 1Q 12

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And we have started to build a power position in the hybrid / pure OTT video market

A huge opportunity

US$ **1** billion

LATAM & EUROPE OTT VIDEO REVENUES (Exc ADVERTISING) MARKET IN 2015 #

- Extending video services to the mass market
- Complementing traditional pay TV offers with multiscreen and VoD capabilities
- New entrants are trying to gain traction so strong track record is expected in the sector

Leading the LATAM pure OTT video market

>125k subscribers are using our OTT services already

Telefónica On Video

sundaytv

terra

Sources: # PWC

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We believe we have the best **content** assets for capturing the opportunity through the entire value chain

Acquisition

UCC
Global Content Unit

- Global content negotiation unit
- Package across multiple devices

Production

media networks

telefe

- Selective 'Exclusive' production capability

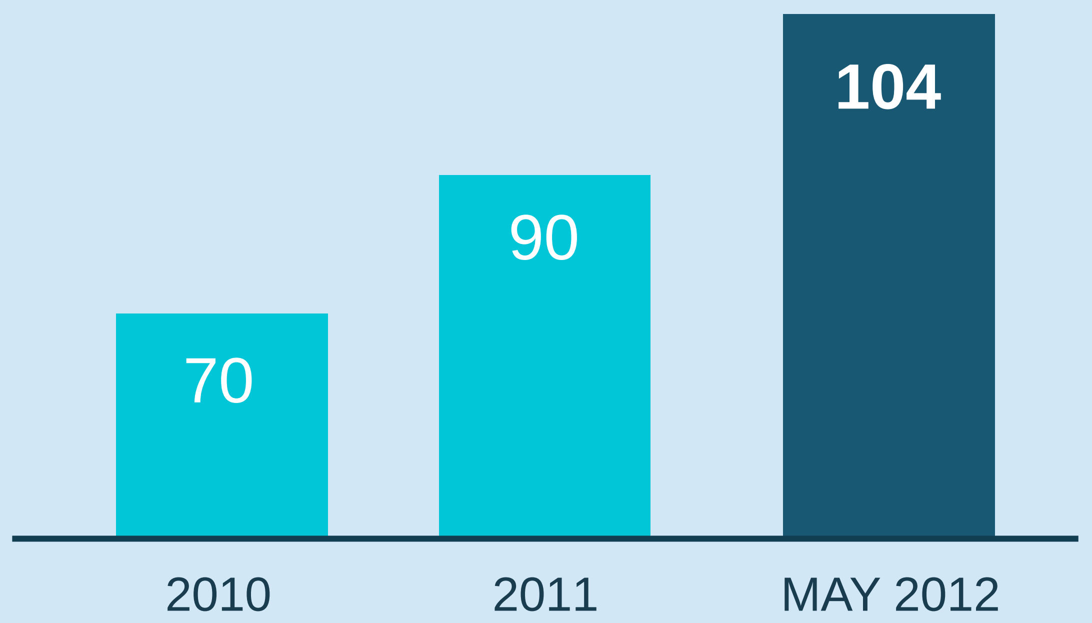
OTT

terra

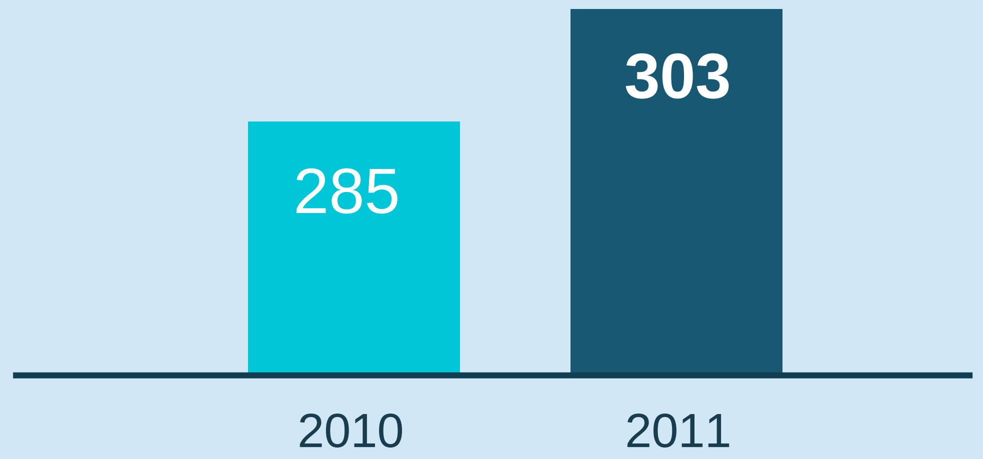
Telefónica On Video

Terra – A potential powerhouse

Audience (millions of unique visitors)



Revenues (millions of euros)



Terra is investing in product and geography to maintain its lead in the digital media environment

Source: comScore May 2012

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Reshaping digital content consumption

terra

Reshaping sports coverage delivering Xtreme Live events

7,000 LIVE EVENTS / MONTH
200 LIVE CONCERTS / YEAR
ORIGINAL PROGRAMMING
RIGHTS ACQUISITION

sundaytv

Global and local producers create unique offering

FREEMIUM – UNIQUE OFFERING
>300,000 FREE USERS
~100,000 SUBSCRIBERS
LEADERSHIP IN LATAM

sonora

360º Music model integrates live music, content and streaming

FREEMIUM
2.25 MILLION EYEBALLS
>350,000 SUBSCRIBERS
LEADERSHIP IN LATAM

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Content distribution conclusions

- ✓ Estimated growth of 15% in 2010-2012 in TV/Video market
- ✓ We have upsides in Brazil by participating in market expansion
- ✓ We also have upsides in Spain by expanding market footprint
- ✓ We have already started to build a strong position in OTT video services market
- ✓ Terra is a leading growing digital media that is reshaping the way people watch digital content

SECURITY - The hidden opportunity in the new connected world

Points of difference

- ✓ Market strength - Consumer
- ✓ Market strength – Corporate
- ✓ Service provisioning capability

Leading OBs

2015 Revenue target Cloud +Security*

€Bn 0.5-0.7

*According to guidance criteria

MR. VIVEK DEV

Telefónica

The hidden opportunity for Telefónica

Global Trends

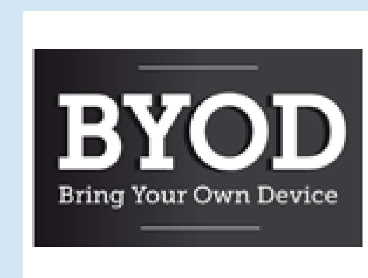
- Professionalization & globalization of threats
- Growing complexity – “perimeters” disappearing
- Consumerization and mobilization
- Social networking threats, child safety/ privacy risks

The hidden opportunity in the new connected world

Customer’s view

- A ‘must have’ – top of mind
- Willingness to pay
- Telcos are trusted security providers …
- … Best positioned to deliver

Making Security simple for our customers

	Consumers & SMBs		Enterprises & Public Sector	
Information Security (IS)	▪ Digital confidence and child safety		▪ Consulting and management of security needs	
Electronic Security (ES)	▪ Protection of what matters most		▪ Protection of business assets and end user safety	
Mobile Security (MS)	▪ Secured mobile experience		▪ Secure mobile device management	

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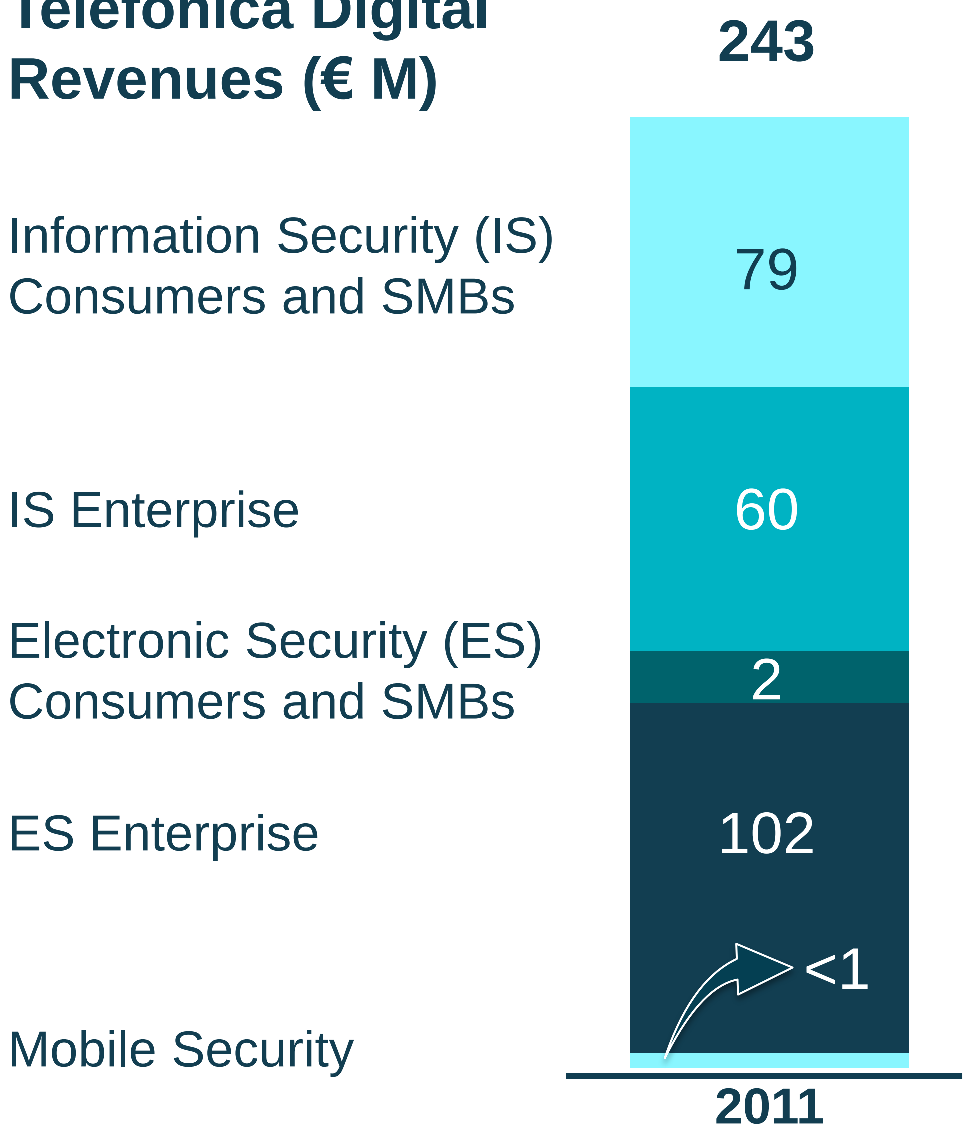
Sustained growth capturing new categories

Telefónica Digital Revenues (€ M)



Sustain or gain share in growing categories

- Ride growth trend in LATAM of +20% yoy

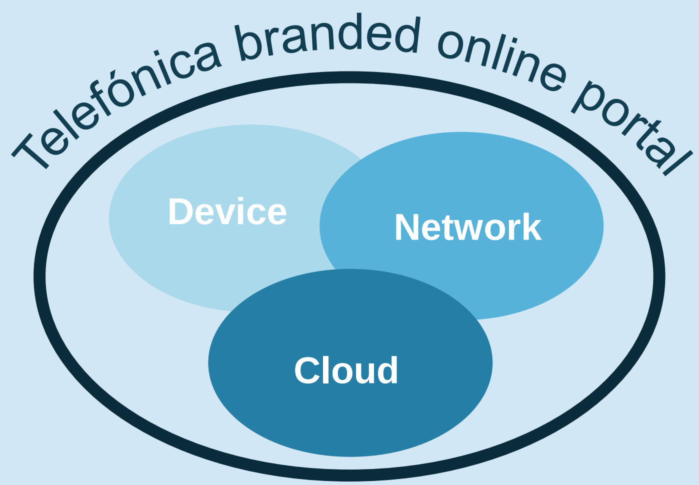
Capture untapped opportunities

- Social/ Child protection over our broadband base
- New telco-based digital opportunities
- High smartphone/ tablet base growth

Trusted service provider in the Information Security space

Available in:

Embracing online security



Digital experience protection

Personal back-up & management

Child safety

Mass Information Security

- Managed security services
- 3 Global Security Operation Centres (SOCs)
- Network & Cloud based services
- Market leader in Spain and Peru

EUROPE

LATAM

IS Enterprise

Compelling propositions in the Electronic Security space

Available in:

~ €30/month camera included

Next in:

Mass Electronic Security

- Critical infrastructures
- City/civilian security, fleets, …
- Signal jamming
- Emergency services (e.g. 911/112)

EUROPE

MAPFRE, 112 Madrid, FCC, El Corte Inglés, bbk, BBVA, Logista, ferrovial, "la Caixa", adif

LATAM

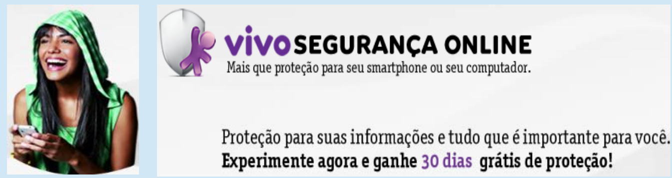
METRÔ, Prefeitura da Cidade de São Paulo, BBVA Bancomer, Televisa, OHL, Coteminas S.A, PEMEX, P&G, Pernambucanas, Gendarmería de Chile, Buenos Aires Ciudad, BBVA Banco Continental

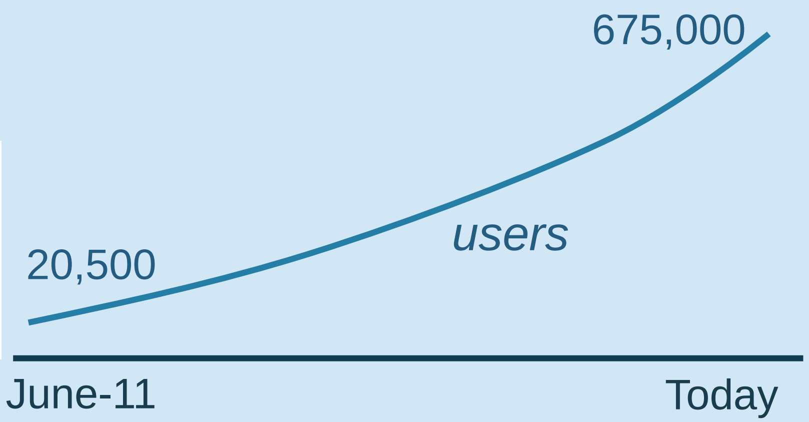
ES Enterprise

Telefónica

Significant growth potential in the mobile security category

Available in:





Next in:

Consumer Mobile Security

Just launched in:

>10k users

~ €4/month

Next in:

Secure Mobile Device Management

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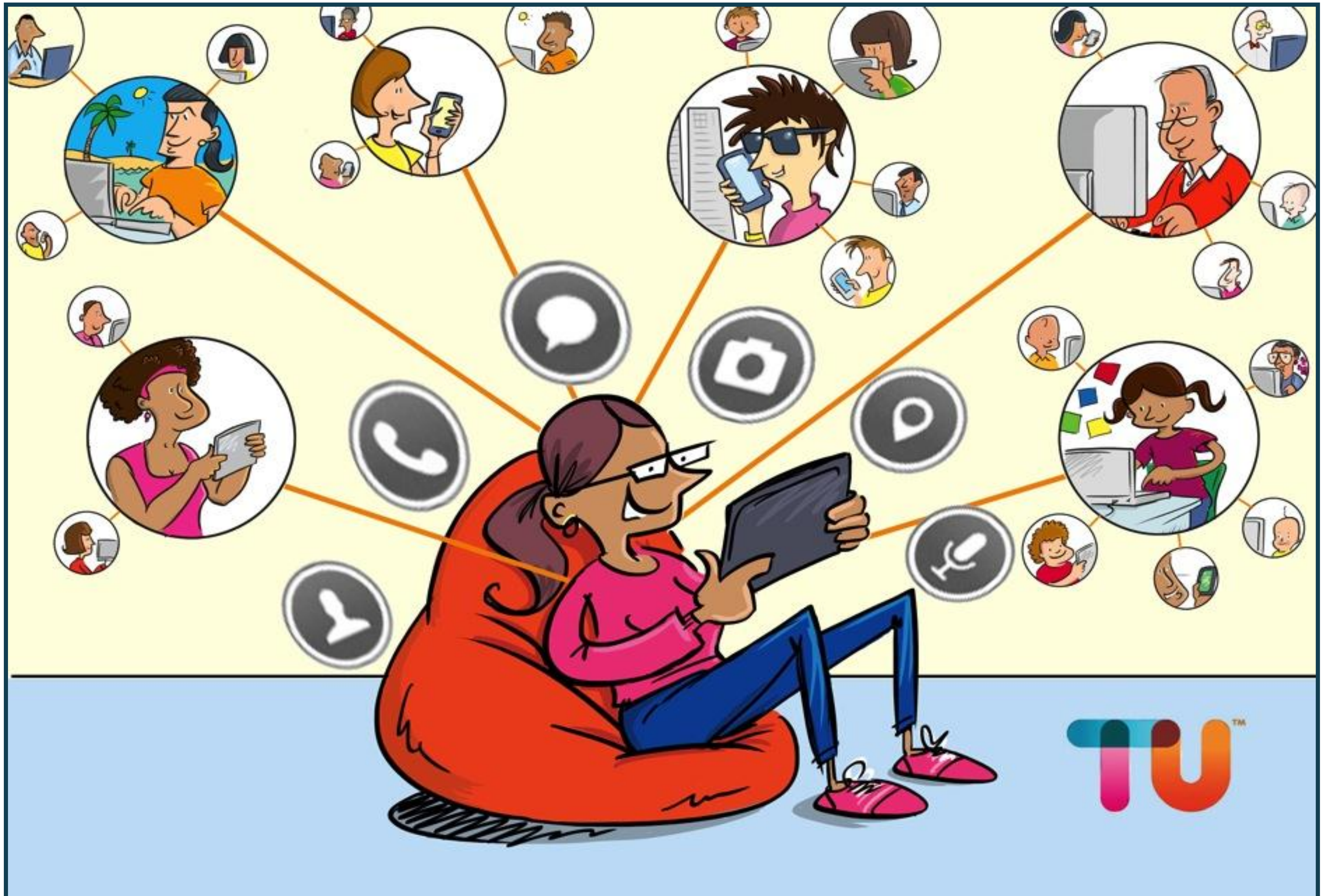
In summary…

- ✓ Security is a high growth opportunity for us
- ✓ We are already leading established categories which will keep on growing significantly
- ✓ We are very well positioned to capture the new opportunities the digital world is creating

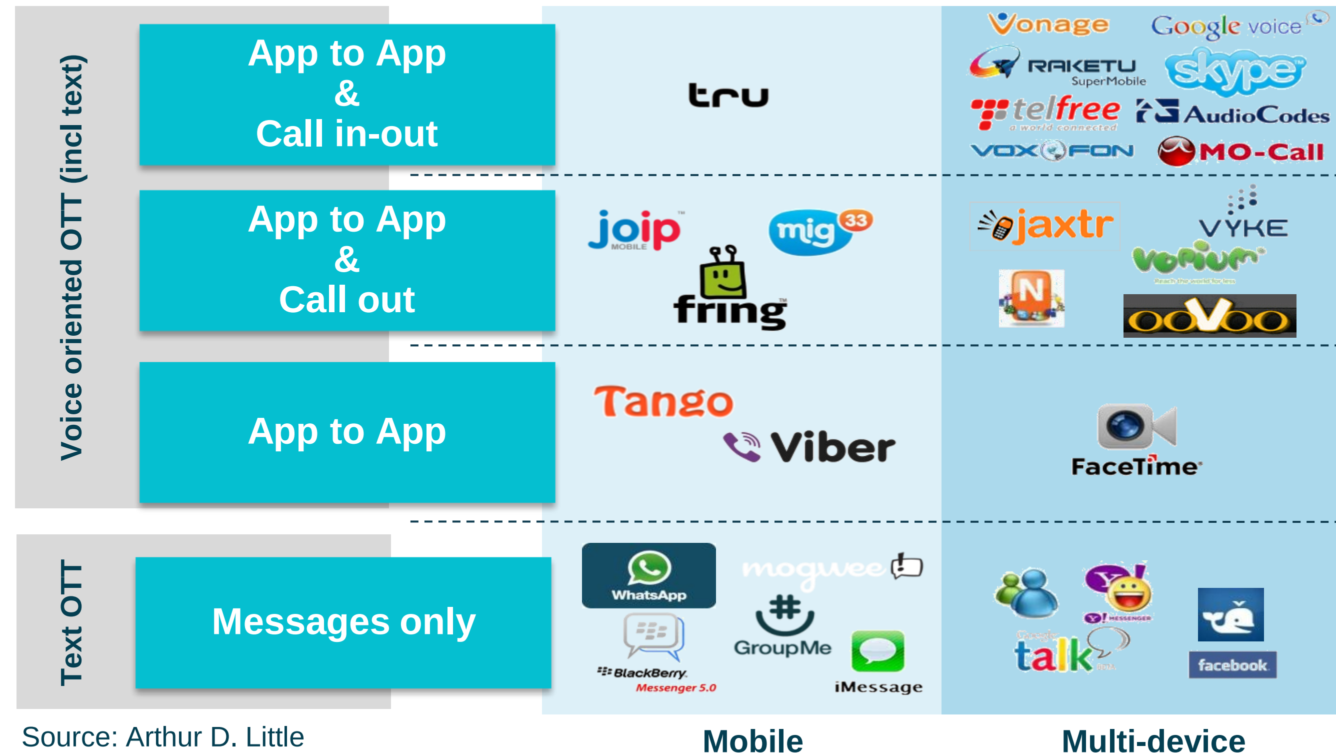
NEW COMMUNICATION SERVICES



MR. STEPHEN SHURROCK

The communications market is constantly changing and evolving

- OTT Comms have experienced significant growth ...
- … though the market is fragmented with no established leader
- Clear that customers want to communicate in many different ways



Source: Arthur D. Little

- Changes in technology blur the traditional boundary between voice and data
- Requiring different approaches to our relationship with our customers

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We have developed our strategy to compete in the OTT market and strengthen our relationship with our customers

"This is a cornerstone moment in the carrier's history, and even perhaps the carrier industry as a whole (…) Nothing compares to the comprehensiveness of TU Me, or the global vision of the TU brand"

Source: Current Analysis

A clear vision about our product strategy

- To create truly useful products that people will engage with consistently
- This is done around 3 basic tenets:

TU | me

1. Entering the pure Over the Top market with category defining services

TU | go

2. Creating a new communications market that merges the best of Telco with the best of the web (“Over the Telco”)

TU | core

3. Building it all on top of our own ecosystem

TU Me is the first global OTT product launched by TEF Digital, with encouraging initial results

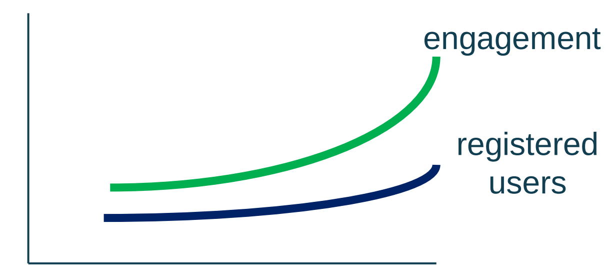
The app that lets **me** text, talk and share with my friends. All for free.

- Texts
- Calls
- Shared photos
- Location
- Shouts

Developed in 100 days by TEF Digital teams in Israel and Spain, built on the TU Core Platform, with beta launch on iOS in May 2012

Initial performance

- Launched 8th May on iOS
- Android on 18th June
- >250k active users
- As registrations increase engagement increases



- Top 4 countries by downloads:
  - Spain
  - UK
  - USA
  - Mexico

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TU Me commercial proposition

- A way of competing against the new OTT players that will enable Telefónica to maintain and strengthen the relationship with its current customers …
- … and providing Telefónica a world-wide footprint

Many options to monetize TU Me

Break-out calling

TU me calling out

Roaming

Video calling

Additional tiered data services (in OB's)

Advertising

Digital goods e.g.

Telefónica

TU Go creates a new category – “Over The Telco”

Taking the best of the web and integrating it to the best of traditional Telco

Now your phone is an app and a service…

…the service is available everywhere

VIDEO

TU Go commercialization will be through the OBs

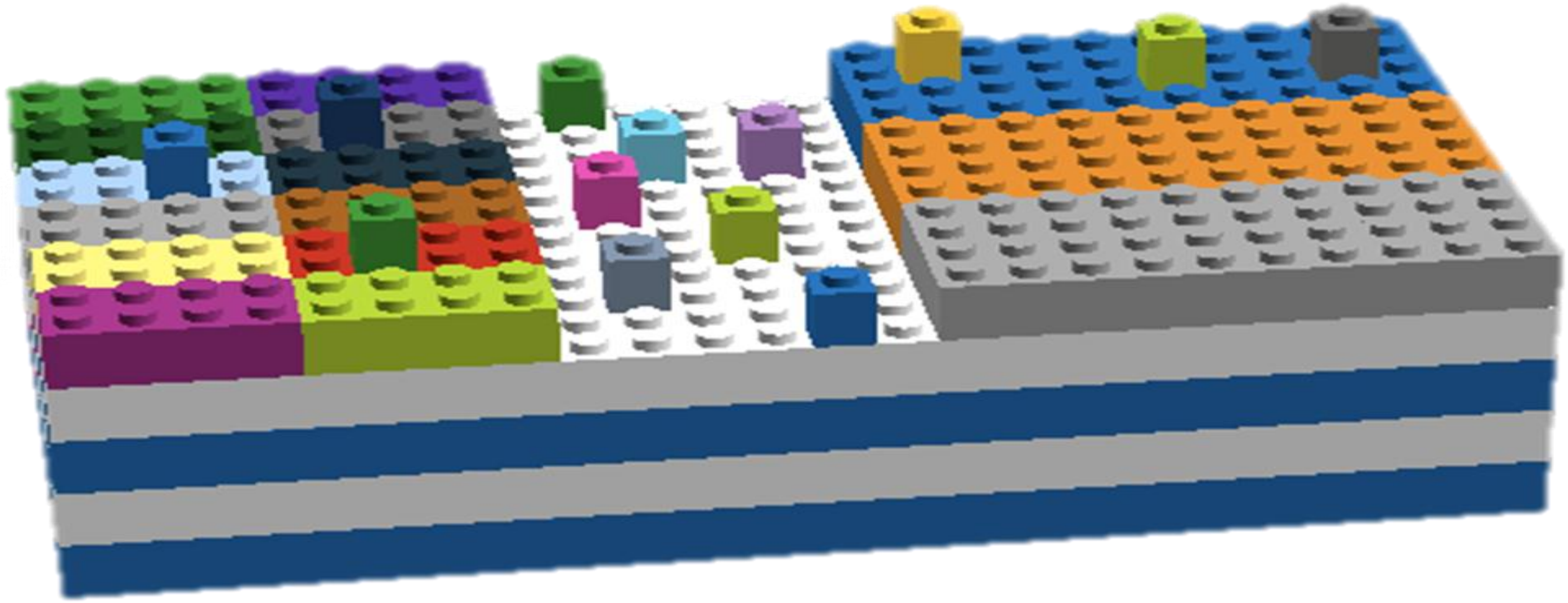
TU Core ecosystem will allow us to develop new business within Telefónica, with other Telcos and partners

BlueVia

YAHOO! VOICE

Microsoft

jajah



TU | me

TU | go

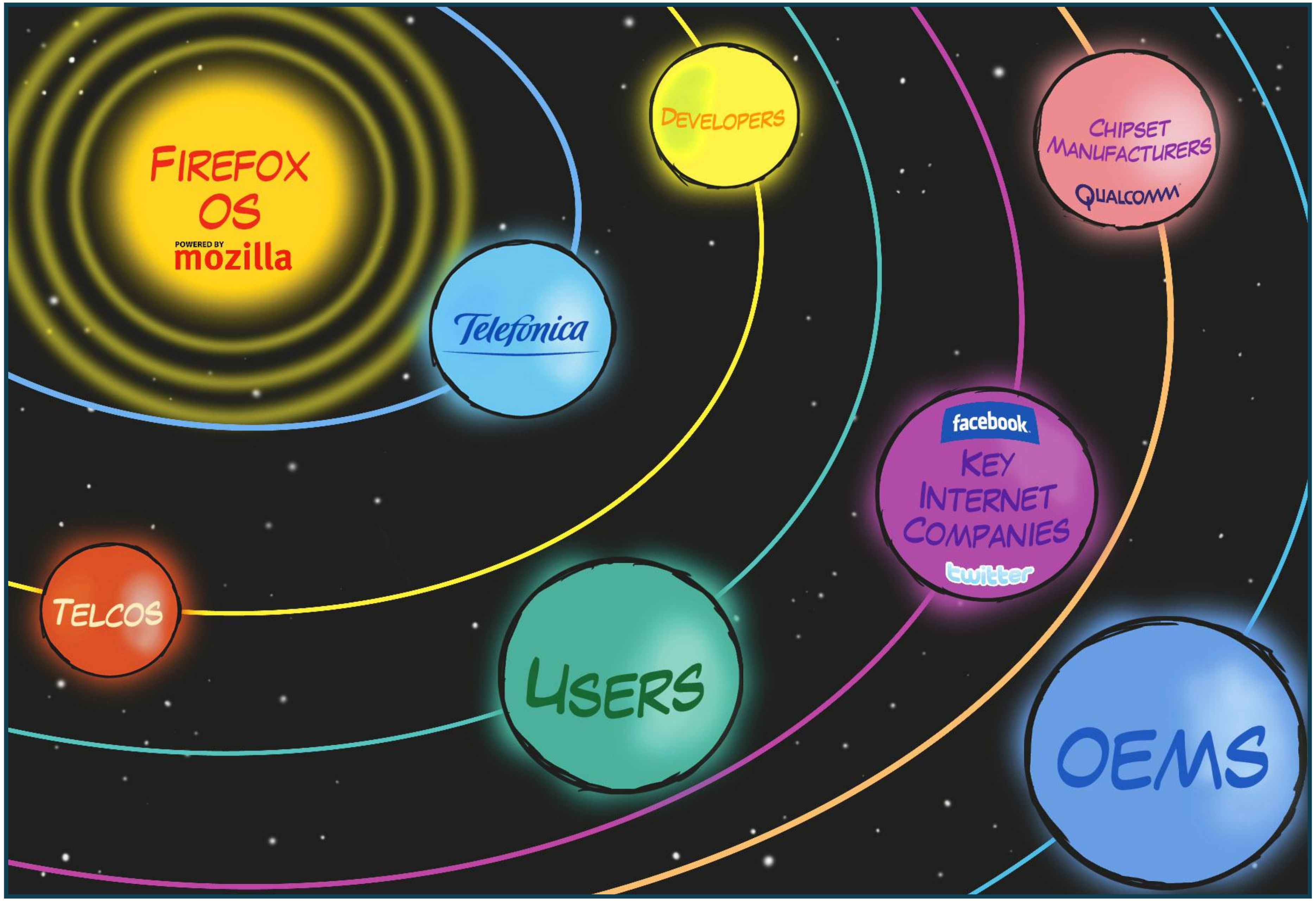
- **The TU Core ecosystem is at the heart of Telefónica Digital's goal to create capability**
- **Enabling anyone to create their own voice-driven applications**
- **Operating businesses already develop their own propositions on top of the core platform…**
- **… along with a number of developers**

Telefónica

New communication services conclusions

- ✓ Innovating in core communications for first time in 15 years by a major telco
- ✓ Bringing together core capability and assets with the best of the web
- ✓ Strategy to create comms products that our customers will engage with consistently and that strengthen their relationship with us
- ✓ Our journey has started successfully ...
- ✓ … there is a long way to go
- ✓ Watch this space for future product releases and further innovation!

FIREFOX OS



MR. CARLOS DOMINGO

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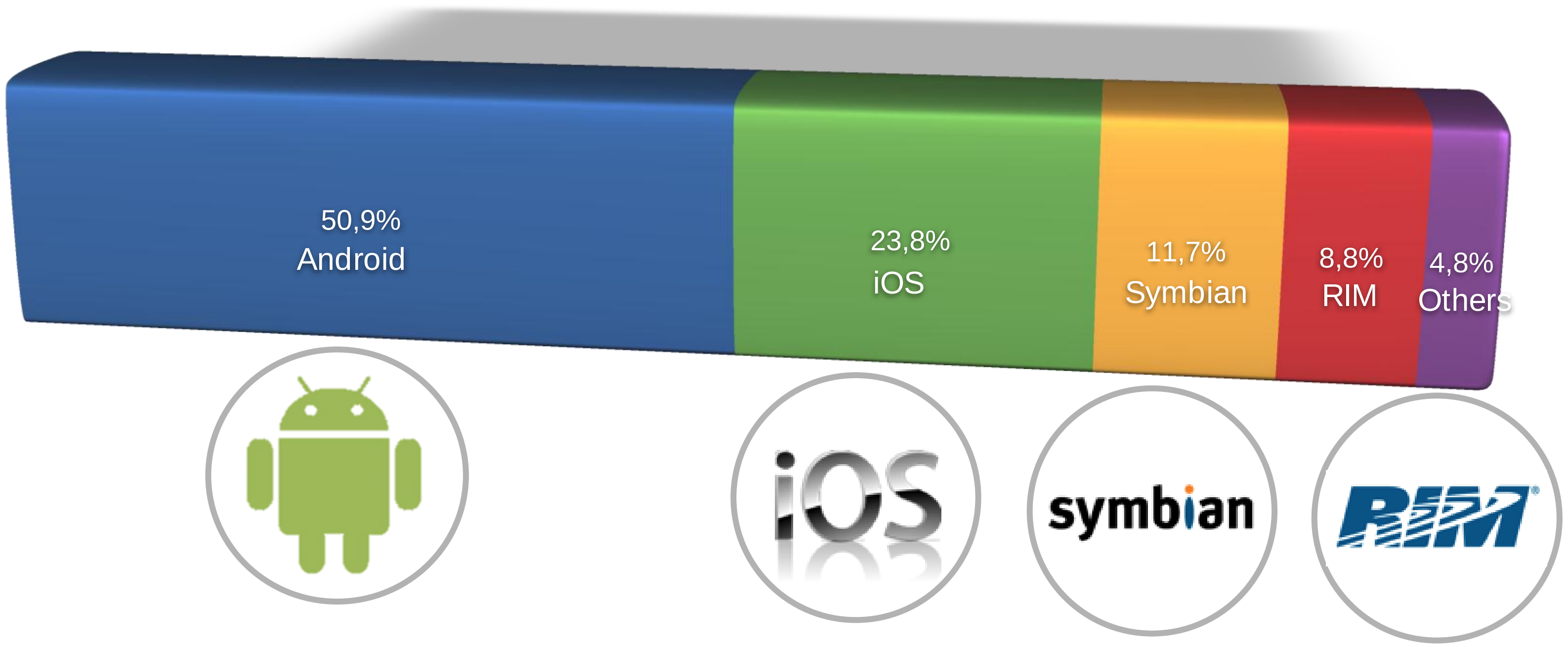
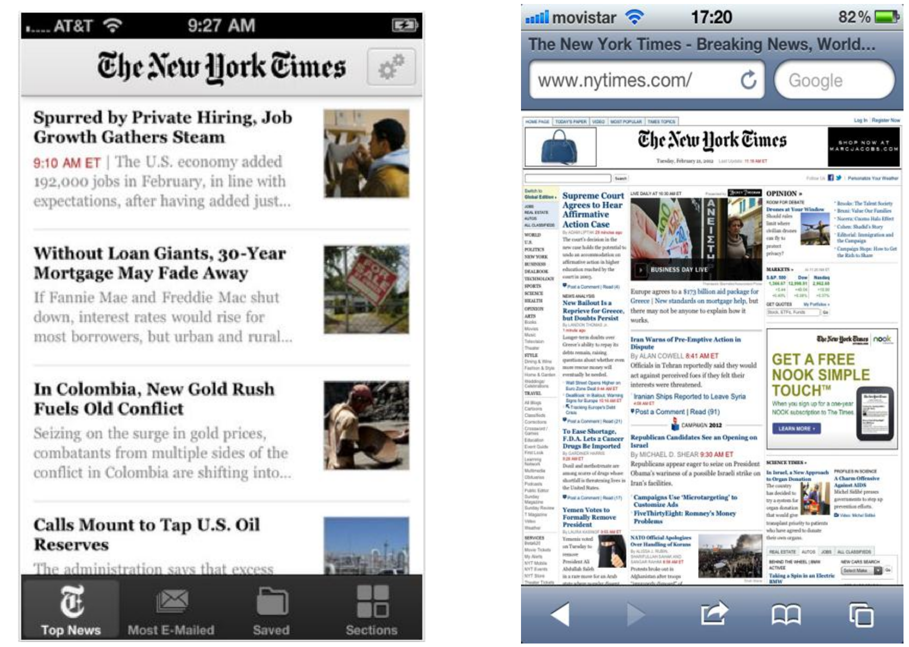
In mobile, people use proprietary apps rather than the Web with two companies capturing a very large portion of the market



Android + iOS

74.7% of the smarpthone OS Market



Proprietary apps vs mobile Web

Source: Gartner, Feb 2012

Telefonica

For the mobile Web to be a reality, a number of issues need to be addressed

Cross Platform Support

Mobile Browser Performance

Mobile Web Standards

Web Apps Monetization Mechanism

Web Apps Discovery Mechanism

HTML5 is a major step towards making the Web the 3rd mobile ecosystem

Providing a common framework for development of universal web pages and applications across desktop and mobile

- Lots of native mobile apps are in fact HTML5 based
- Some key Web players are already developing entirely in HTML5 (Facebook, Twitter, Amazon, Financial Times, etc.)
- There are more developers in the world familiar with Web technologies than any other programming language
- HTML5 mitigates fragmentations issues and is truly cross platform for mobile, desktop and tablets
- Apps will be portable across devices

We have partnered with a company that has the right experience to make HTML5 reach its full potential

Telefónica

Telefónica Digital

+

mozilla FOUNDATION

- Enable a mobile browser to access all devices capabilities extending HTML5 standard to achieve this
- Improve mobile Web performance via a lighter OS and fast browser to provide the best mobile Web apps experience
- Offer Web app discoverability and monetization capabilities for developers via operator billing
- Create a reference implementation to advance mobile Web standards in other implementations

And created what we call **Open Web Devices**

We are building a new ecosystem, which creates value for all the players who are part of it

OPEN WEB DEVICES

Users
Better functionality and user experience at same price
Open Web access to any mobile service

Developers
Reduce development cost: “Do it once and run everywhere”
Easy way to monetize through operator billing

Firefox OS
Take the web to mobile

Key Internet Companies
Accelerate their mobile strategy without any barriers

Chipset manufacturers
QUALCOMM
New growth opportunity, alternative to existing smartphone OS for OEMs

Telcos
Sprint · telenor group · Deutsche Telekom · TELECOM ITALIA · Telefonica · etisalat
A more balanced ecosystem in mobile reducing dependence on closed OS
Leverage billing capabilities

OEMS*
A new value proposition for customers, alternative to existing smarpthone OS
TCL · ZTE中兴

* Original equipment manufacturer

VIDEO

Initially, we are going to address cost driven customers following the disruptive innovation model

- Avoid going head to head initially with smartphone incumbents on the high end
- Overcome the issue of a less developed ecosystem at launch by adressing low end customer segment
- Bringing an affordable smartphone for the masses with a good UX and best mobile Web support

Better User Experience for the same price than alternative smartphone OS

First devices to hit the market in early 2013

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DEMO

Telefónica

All of this will have a beneficial impact for Telefónica

Why is important for Telefónica that a open Web based ecosystem emerges and what advantages OWD have?

- ✓ A more balance and open mobile ecosystem
- ✓ Eliminate developer fragmentation
- ✓ Better smartphone user experience at the same price point
- ✓ Accelerate smartpthone adoption and reduce device costs
- ✓ Accelerate standardization of HTML5 improvements
- ✓ New monetization mechanism for developers