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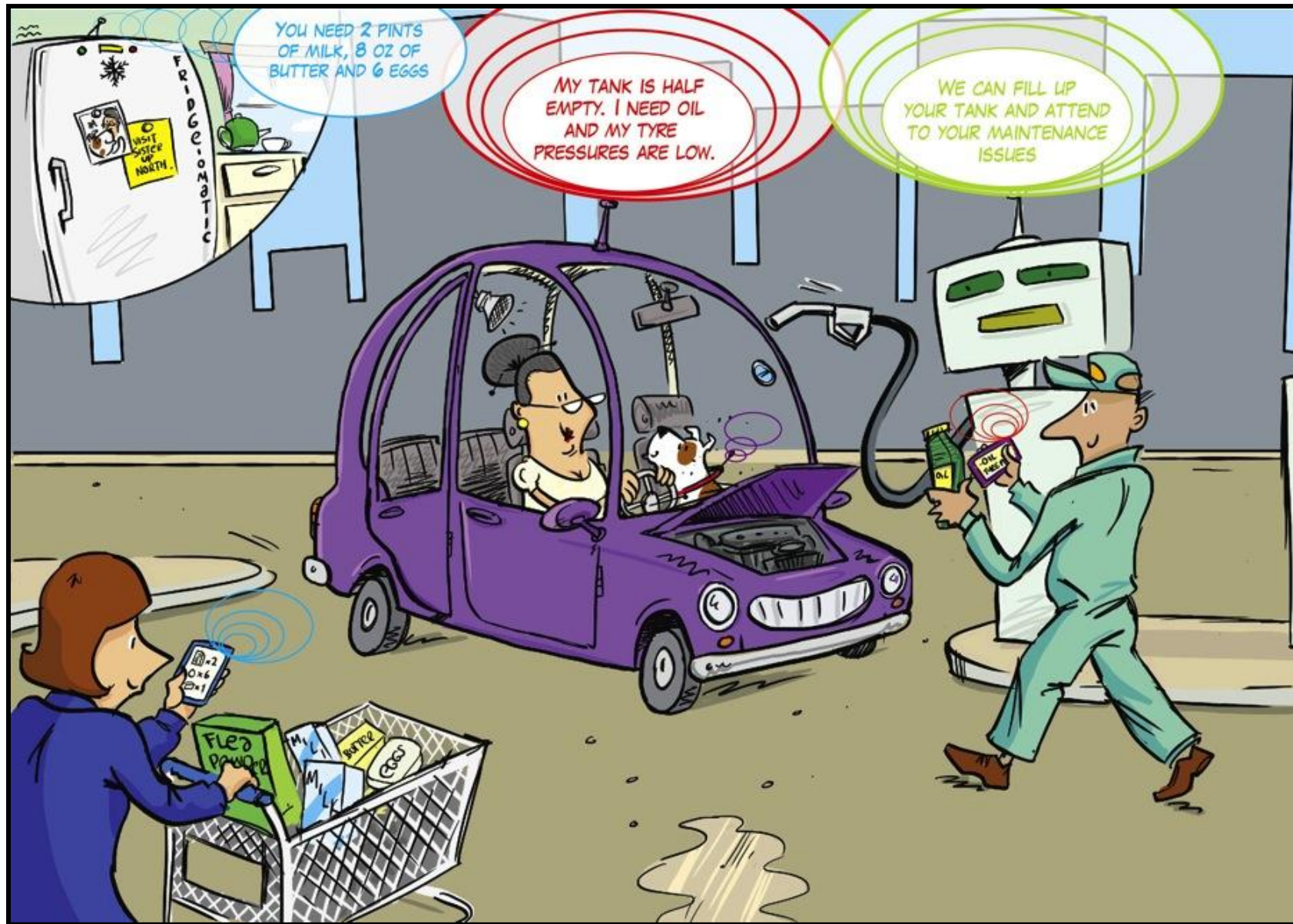
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# MACHINE 2 MACHINE - A global market happening now



## Points of difference

- ✓ Global Network
- ✓ Market strength - Corporate
- ✓ Product differentiation beyond connectivity

## Leading OBs



## 2015 Revenue target\*

€Bn 0.5-0.8

\*According to guidance criteria

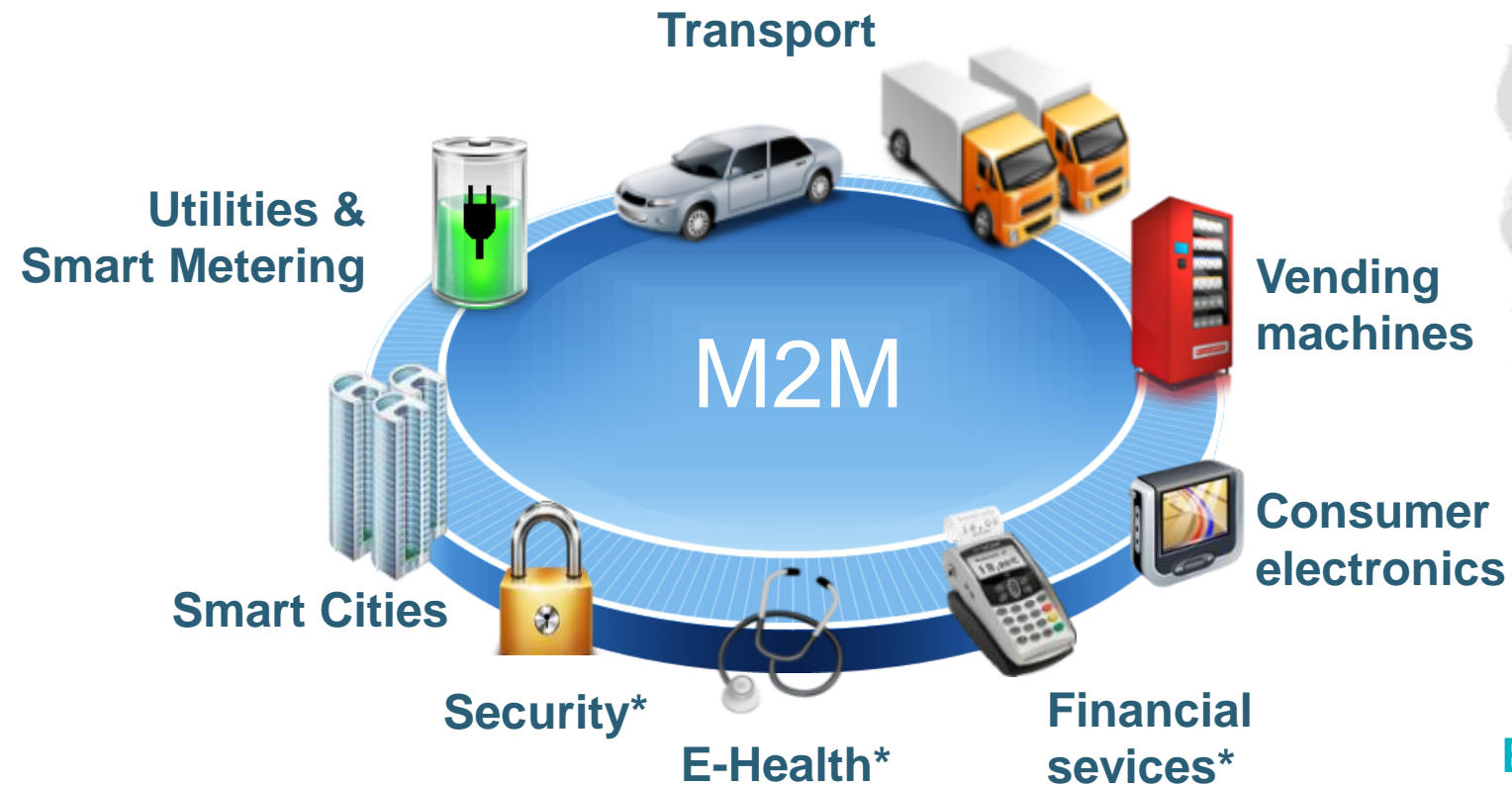
MR. CARLOS MORALES

Telefonica

# M2M – main messages

- Enormous opportunity, with market already happening in M2M. Markets at both global and local levels. We expect 3 or 4 global leaders in the medium term
- Differential approach from Telefónica: End-to-End solutions in addition to connectivity and global reach as our major differentiators
- Telefónica achieving a strong momentum in building M2M capabilities and accelerating commercial success

# M2M – a huge opportunity, happening now



**20 Billion Internet Connected Devices by 2020\*\***

## Drivers

- Widely deployed networks
- Data communication cost decline
- Explosion of connected devices of relative lower cost
- Regulation

## Benefits for customers/changes in the value chain

- Operational cost reduction
- Better business control
- New customized services and applications
- Better customer quality of service

\* M2M business for these areas is managed in separate verticals

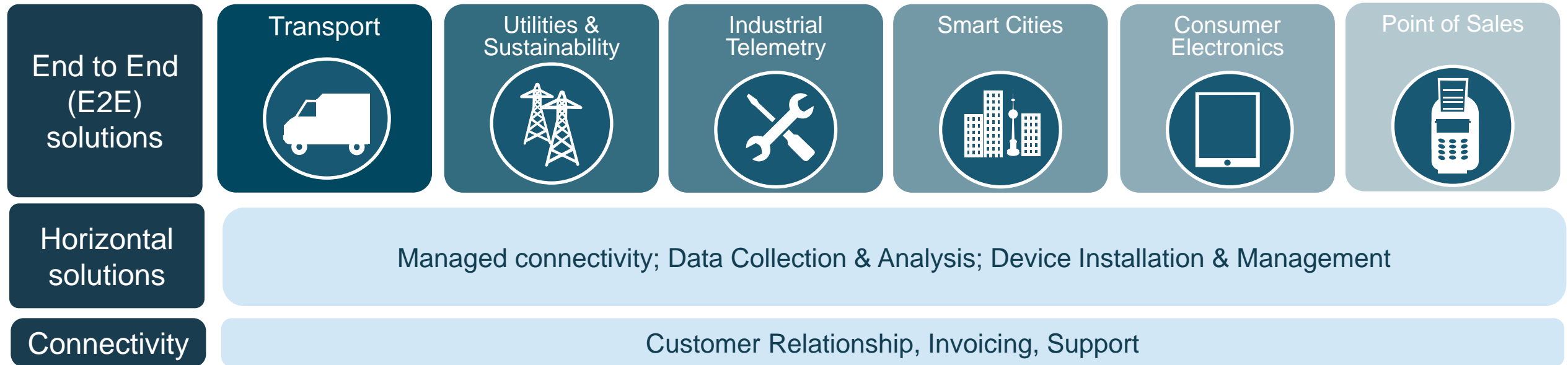
\*\* Source: GSMA



# VIDEO



# Telefónica's differential position: E2E solutions in addition to connectivity...

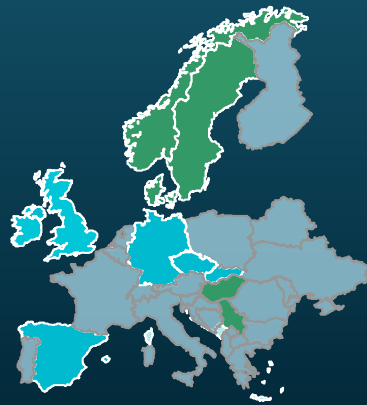


# ... and our global reach through alliances

LATAM



Europe



Middle East & Africa



Asia Pacific



*Telefonica*



*Direct M2M Capabilities*



*Partnerships in M2M*



# Already a major player in UK, Spain and LATAM

>6 MM lines activated worldwide (March 2012)

## Leadership in key regions



## Strong position in key industries

Industry	Client examples
Technology	Telit, guidepoint systems
Automotive / Transport	OnStar, vehco
Utilities	Agbar, GAS, endesa
Security	Direct, TELULAR CORPORATION, PROSEGUR, ALARM.COM
Industrial Equipment	ABB
Point of Sales	BBVA



# Telefónica serving global and local leaders



## Case study

- OnStar: more than 6 MM Subscribers in North America, Canada and China in telematics services in GM vehicles
- Selected Telefónica as a long term partner for expansion outside its current markets and future joint product developments

### Key takeaways:

- One of the largest global M2M deals
- Places Telefónica in a leading position within the global M2M business and automotive industry
- Will lead to further collaboration agreements (new geographies & services)



## Case study

- G4S is one of the UK's leaders in smart-metering operations as well as in security solutions
- Has awarded Telefónica with one of the biggest M2M contracts to provide managed connectivity to support the delivery of services in the energy market

### Key Takeaways:

- One of UK's largest deals
- Telefónica already active on the smart-metering scenario in UK
- Will lead to further smart metering development (EU and LATAM)

*Telefonica*

Selected for its best in class value proposition, the delivery capabilities and global scale

# Initial traction on E2E solutions

## Transport



- Commercializing end-to-end fleet management and asset tracking services in EU and LATAM. Already monitoring over 80,000 vehicles globally. Key reference wins in: Logistics, Insurance, Public Services.
- European Alliance with top fleet management company

## Utilities & Sustainability



- Home Energy Efficiency product being trialed with Utilities in Spain, targeting a commercial launch in 2013
- Telefónica among six finalists for the Smart Metering program in the UK

## Point of Sales



- Installation & Maintenance of Point-of-Sales terminals for top bank, top lottery provider and one of the top retailers in Spain

## Industrial Telemetry



- Won deployment of remote vending management for biggest convenience store in Spain

## Consumer Electronics



- Launching in 2012 pay-as-you-go services for Tablets with top OEMs in Spain and UK

## Smart Cities



- Participating in Smart City trials in reference cities including: Santander, Málaga and Barcelona

# Focus created a strong momentum

The amount of contract value won has spiked in 2012

And the future looks even better - we are currently present in open tenders for > €900 M

Two commercial approaches:

- Global
- Local

Cumulative Full value of Contracts won (€M)



5-10 year contracts

# M2M conclusions

- ✓ An enormous opportunity
  - ✓ Telefónica's differential approach
  - ✓ Telefónica's strong momentum
- 20 Bn internet connected devices by 2020\*
  - Telefónica already offers global managed connectivity as well as End-to-End solutions for key industries
  - We are already exploiting our global reach, enhanced by solid partnerships
  - More than € 400 M contracted value and currently present in open tenders for more than € 900 M

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\* Source: GSMA

# FINANCIAL SERVICES IN LATAM - Value From a "Society Need"



## Points of difference

- ✓ Distribution Network
- ✓ Market strength - Consumer

## Leading OBs



2015 Revenue target Financial Services + Advertising\*

€ Bn 0.8-1.1

\*According to guidance criteria

MR. EDUARDO CARIDE






Telefonica



# The opportunity

## LATAM Markets Attributes

### Market Attributes

	Mobile phone penetration (1)	Telefónica Relative Position* (1)	Banking level (2)
	137%	#2	40%
	79%	#1	28%
	82%	#2	20%
	128%	#1	49%
	106%	#2	28%

### The LATAM market opportunity

- High mobile penetration but only ≈ 35% of consumer are banked
- High costs of financial transactions for consumers and businesses
- Unprofitable for banks to serve the bottom of the pyramid

Data from (1) Telefónica's Internal Analysis, (2) % total population with any banking product Source: IFC (International Financial Corporation) and IMF (International Monetary Fund)

\* Definition: Market share of mobile accesses

# The Social Need

## Low income segments face difficulties to make their payments



Security concerns



Transportation costs



Long queues to pay bills

## Governments and businesses face costly processes to handle cash



Transporting and counting cash



Distributing social funds



Collecting payments from merchants

# A compelling value proposition ...

## “Simplify your Life”

### Service attributes

Operates anywhere, anytime

As simple and fast as sending an SMS

Works on every phone

No upfront fees. Only pay if you use

Load or withdraw money at thousands of service points



### Service portfolio

Money transfer to other mobile phones

Airtime top-ups

Bill payments

Merchant payments

Disbursement of social funds

Coupons and offers

# ...with a strong partner ecosystem\*

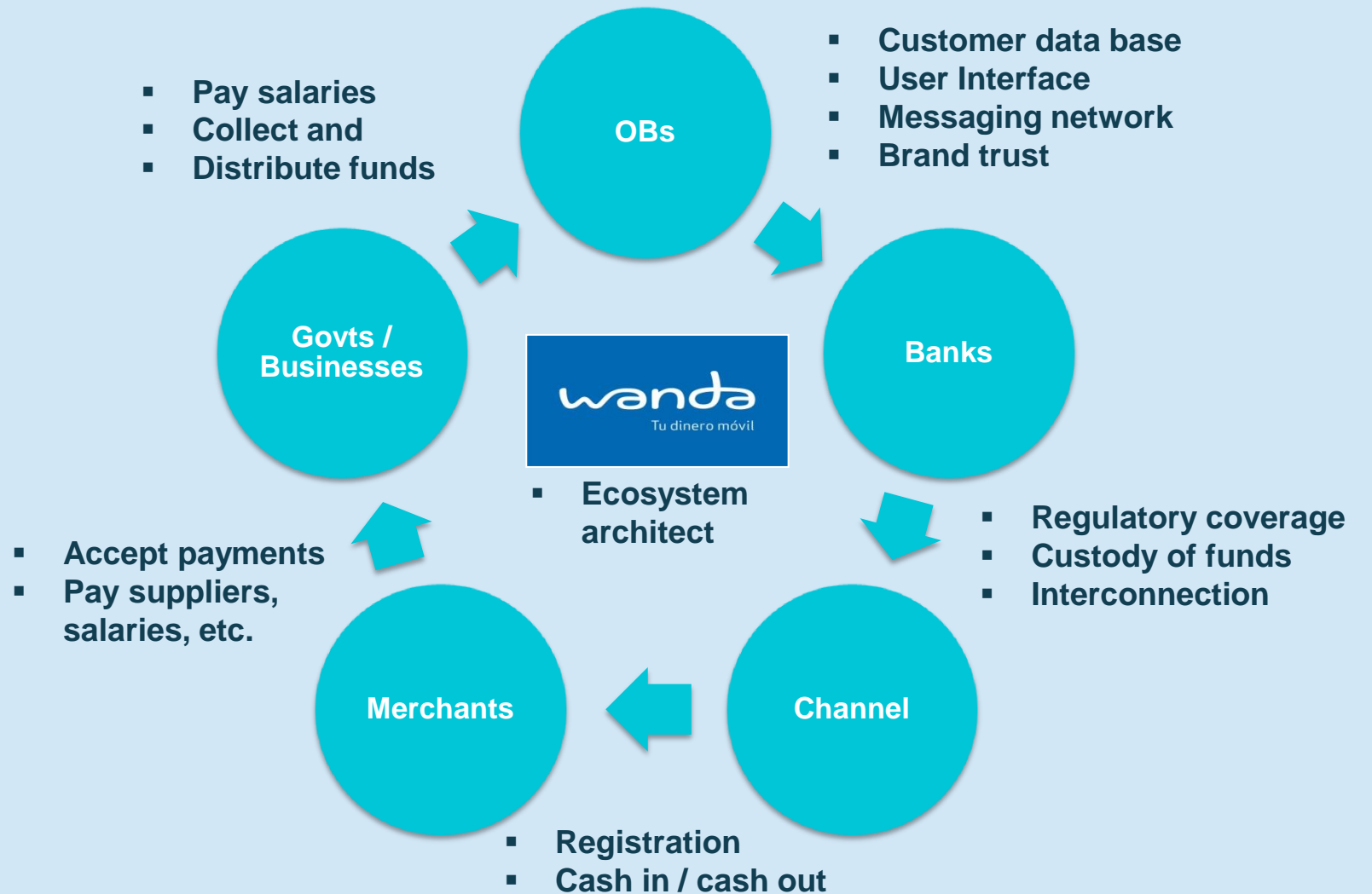


## MasterCard as a key strategic player

Integration with the financial system for connecting the banked and the unbanked

Strong brand and payments expertise

Access to MasterCard's 4.2 M merchants and transaction points in the region



\* WANDA JV...

# Wanda launched in Argentina



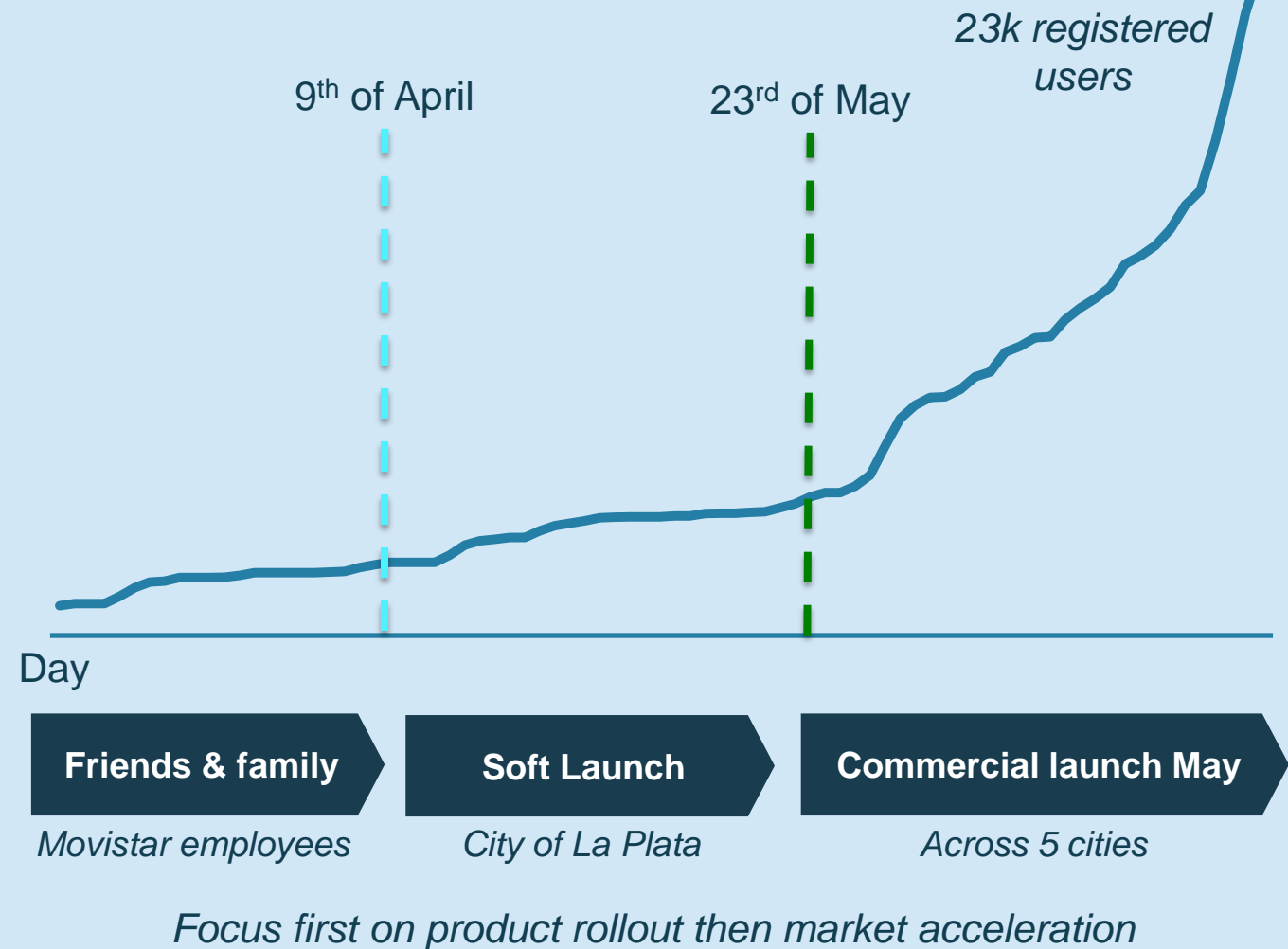
Initial partners....



...with a strong funnel of additional opportunities

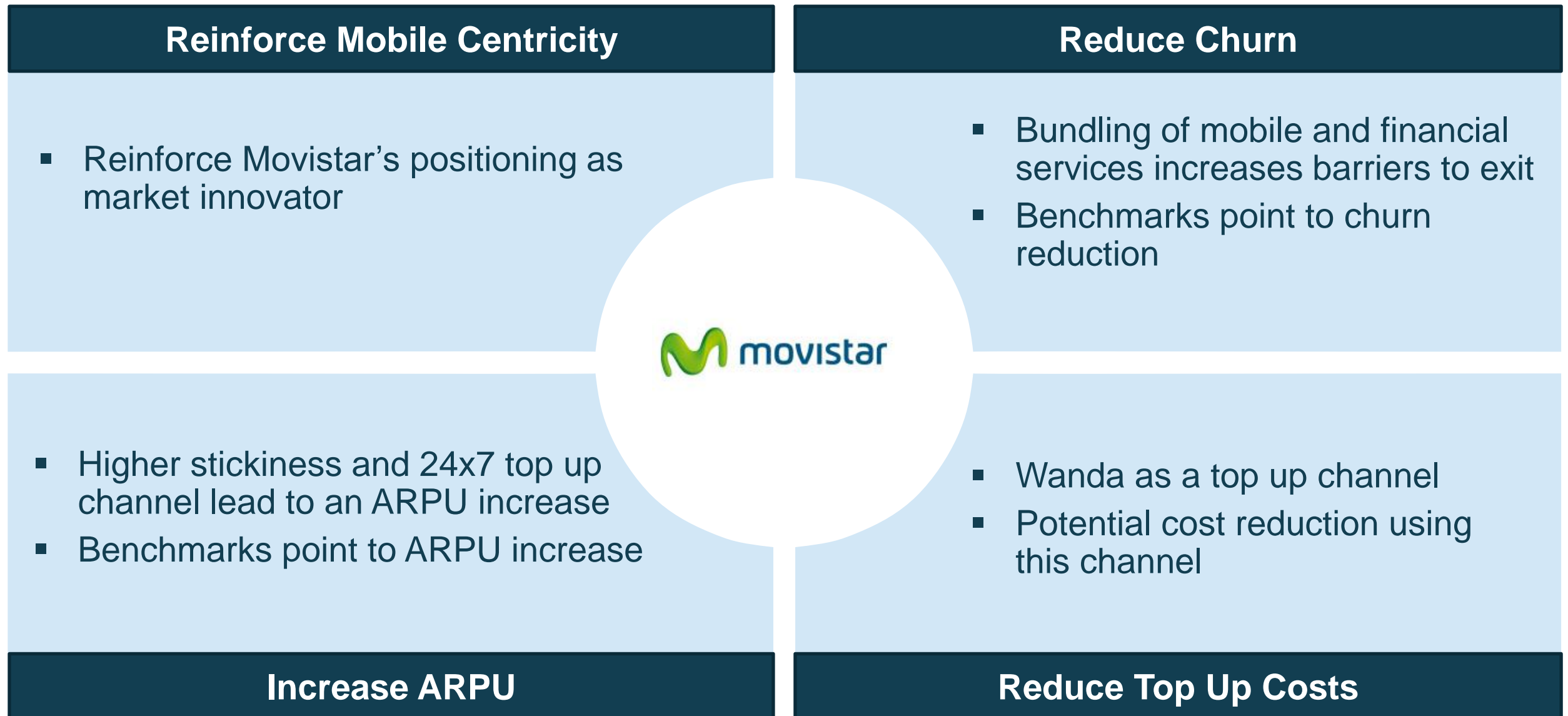
- Transportation
- Retailers
- Social fund disbursement
- Etc.

Wanda is generating strong initial traction in pilot cities





# Also delivering strong value for the core business



# Moving rapidly to expand our reach

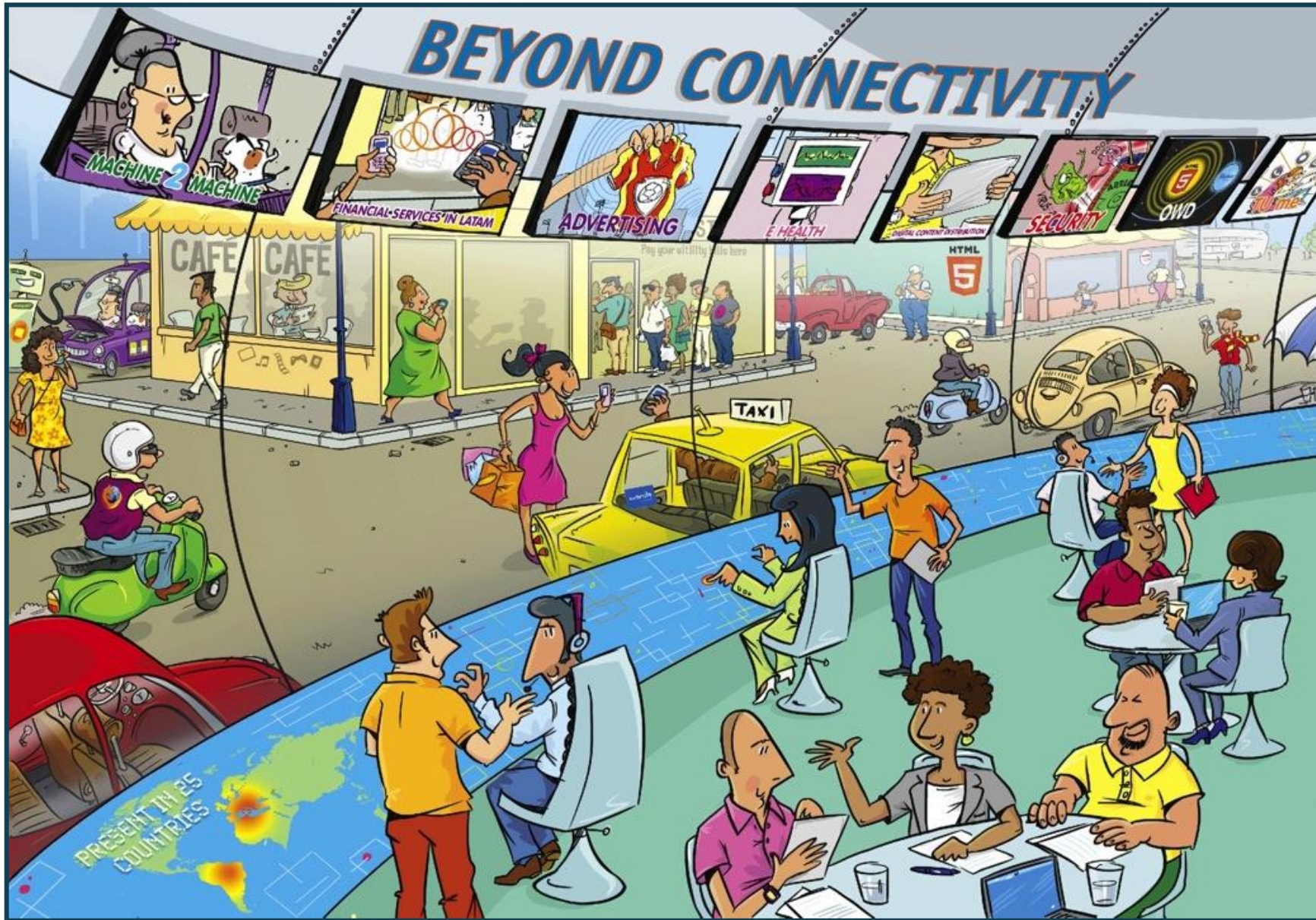
- Before the end of the year we plan to expand to 4 additional markets, with a total addressable market of 135 M customers



# Financial Services in LATAM conclusions

- ✓ Social needs are creating a huge opportunity for mobile payments in LATAM
- ✓ Telefónica has the best internal assets and partner (MasterCard) to address the opportunity
- ✓ The wallet for the unbanked people will strengthen our core business, enhancing loyalty and incentivising consumption

# Financial Services in Europe



MR. MATTHEW KEY

## Points of difference

- ✓ Product differentiation beyond connectivity
- ✓ Market strength - Consumer

## Leading OBs



2015 Revenue target Financial Services + Advertising\*

€Bn 0.8-1.1

\*According to guidance criteria

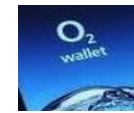
Telefonica



# Financial Services Europe – bringing the “shopping” process to the mobile



## Product progress



- 48% are aged 18 to 35
- Popular with young affluent professionals



- 150K users
- €66 M loaded onto cards
- 60% of customers non O2-IE



- O2, Vodafone & T-Mobile offering – online sales
- TEF DE has implemented Carrier Billing with Google, Facebook etc



# ADVERTISING - Foundations built to seize the high growth opportunity



**MR. SHAUN GREGORY**

### Points of difference

- ✓ Product differentiation beyond connectivity
- ✓ Market strength - Consumer
- ✓ Service provisioning capability

### Leading OBs



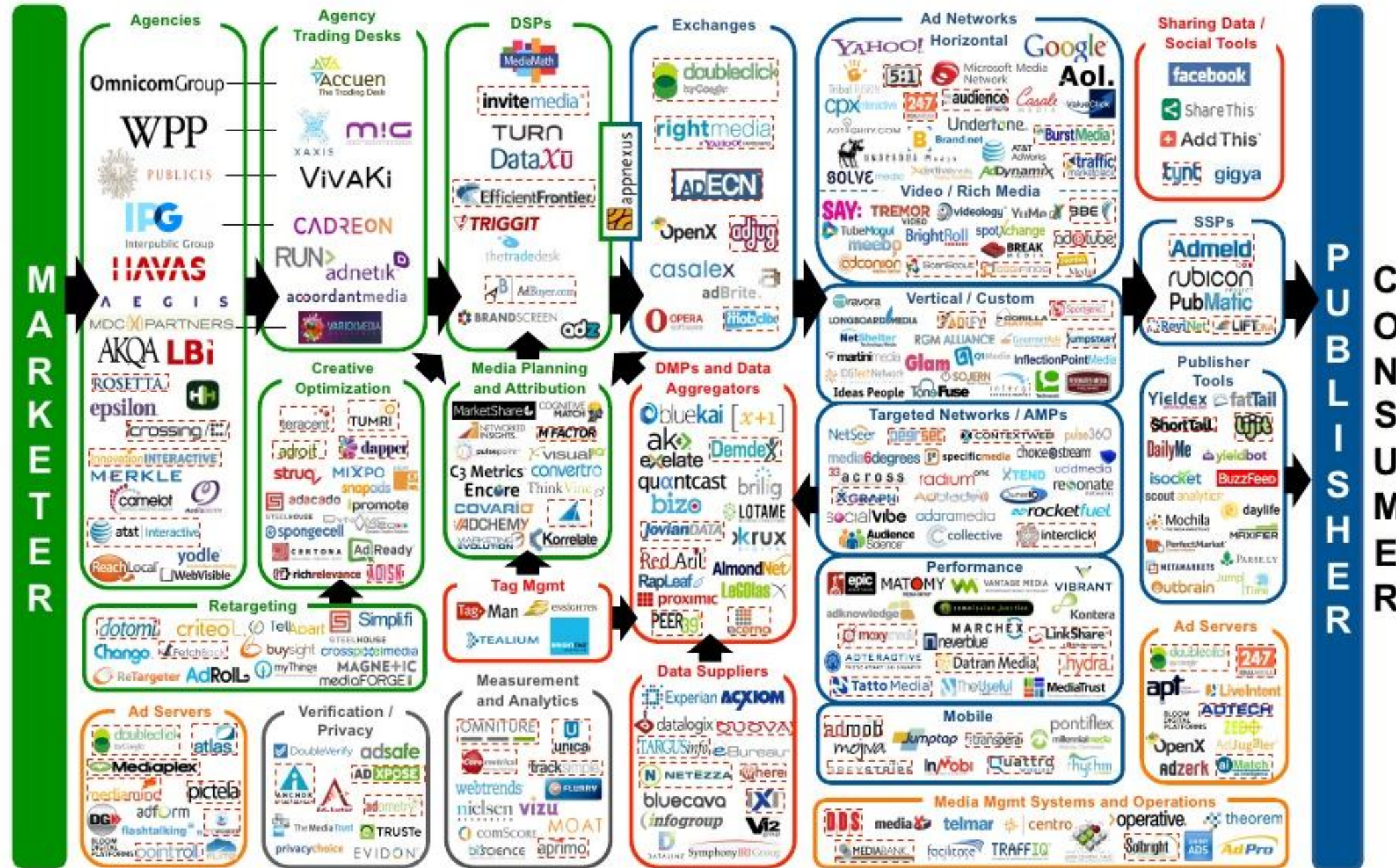
**2015 Revenue target Financial Services + Advertising\***

**€Bn 0.8-1.1**

\*According to guidance criteria



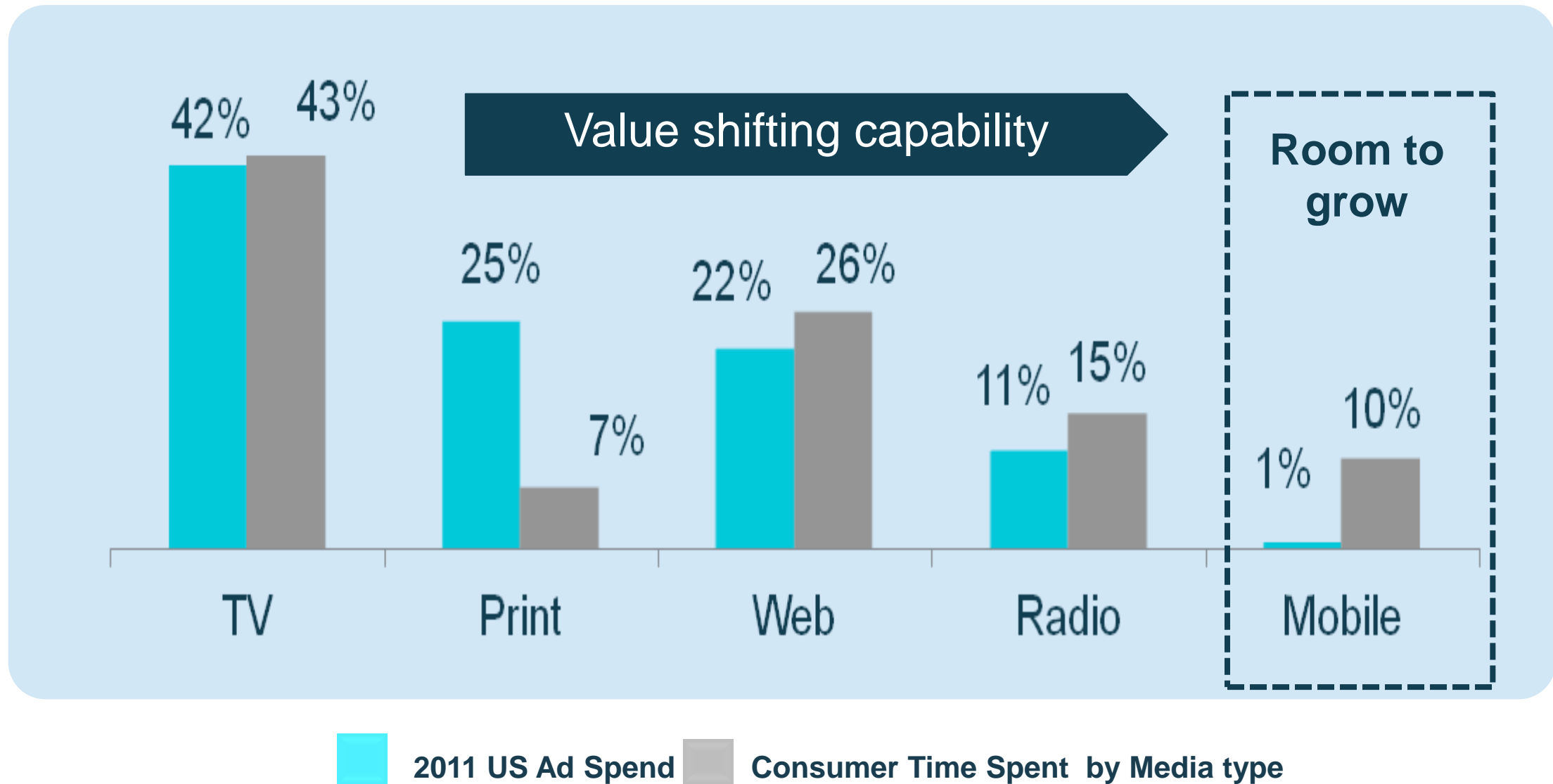
# The advertising landscape has changed



Source: Luma Partners

# There is massive potential for mobile advertising

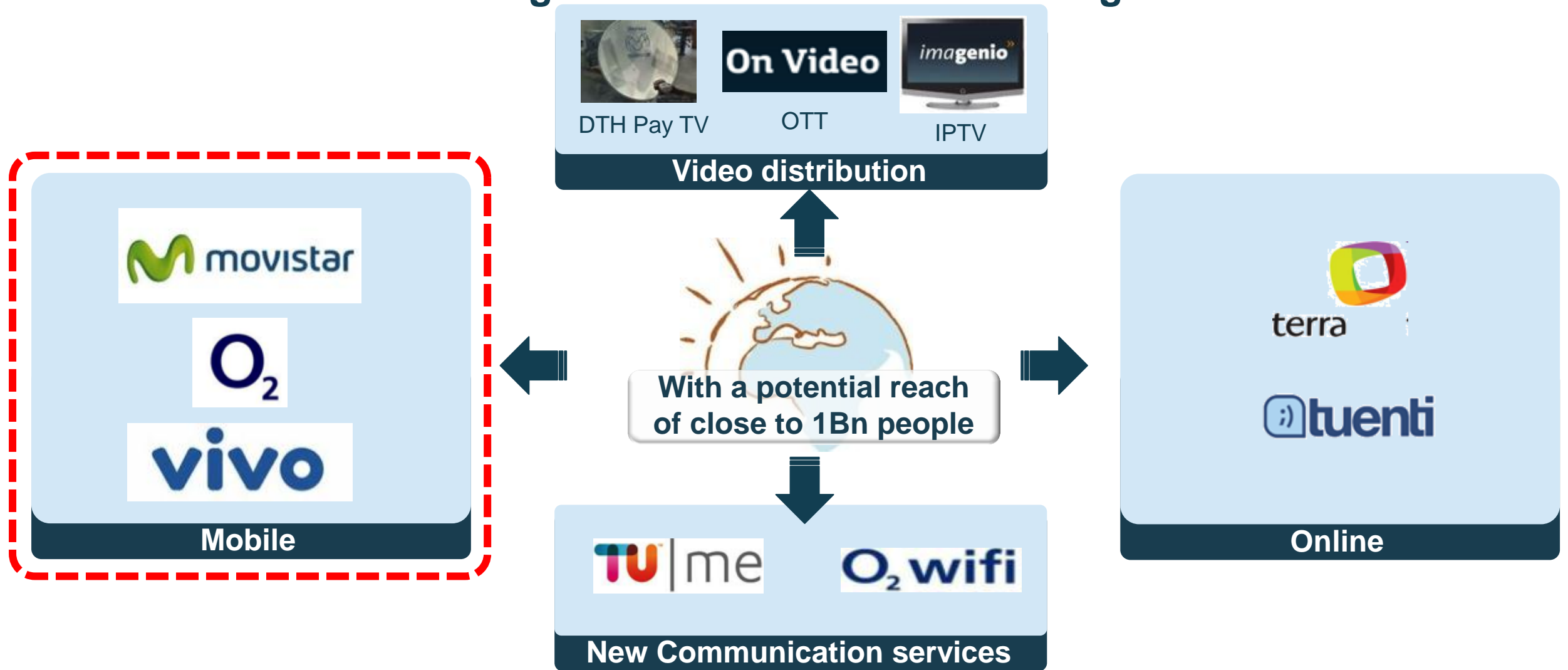
- spend significantly lags time spent on device





# We have a range of assets to leverage - focusing on our main point of differentiation: **Mobile**

Our aim: create value for our customers and the whole ecosystem, fulfilling the needs of advertisers & agencies



# Our capabilities are in place to drive sustained global mobile advertising growth

## A business gaining traction in the UK & globally...

### Milestones:

- ✓ 23 M customers opted-in across Europe
- ✓ Global trading deals in place
- ✓ €60 M revenues run rate in the UK

### Capabilities:

- ✓ Leveraging customer data and location to develop highly targeted advertising
- ✓ Advanced advertising loyalty platform

### Results:

- ✓ UK "Click Through Rate" ~2.05% (over 2x estimated market average)
- ✓ Priority moments average redemption rate 41%
- ✓ Brazil sponsored calls showing CTR of 7.4%

## ...with an ambitious global roll out plan

### Products & Platforms 2012

- Messaging
- Display
- Loyalty Platform
- Global Platform

### TEF in EU



### Products & Platforms

- Sponsored calls
- Messaging
- Display
- Loyalty Platform
- Global Platform

### LATAM



2012

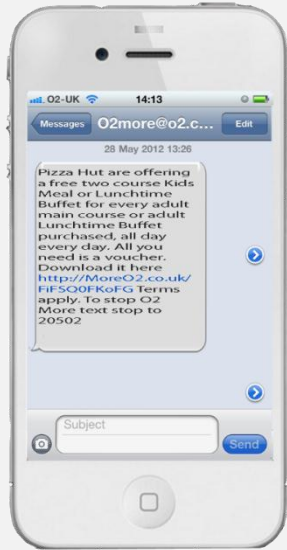
2013





# Customer examples

## Messaging



### Pizza Hut

- Mobile messaging was the No. 1 performing media
- 142% more efficient in delivering Incremental Sales Revenue than the campaign average
- 4.4x more efficient than TV

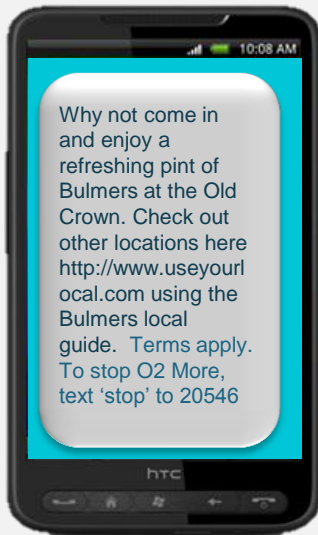
## Priority Moments

### House of Fraser

- 17,000 Priority Moments redemptions over 4 weeks
- Combining Priority Moments with location based messaging we doubled this redemption figure



## Location Based Messaging



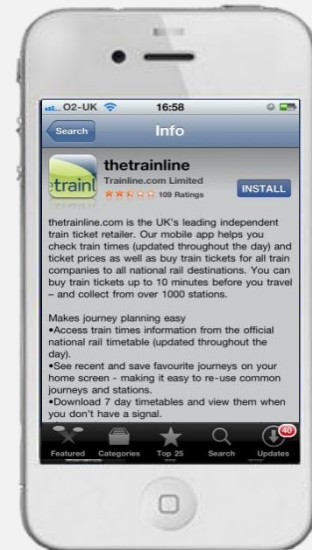
### Bulmers

- Targeting 18-34 year old men, less than 1.5 miles away from a pub that sold Bulmers.
- 25% bought Bulmers at the pub after they got the text.

## Click to App

### Trainline

- Targeting iPhone users, living in the South East London commuter belt.
- Over 12.5% of people sent the Trainline app clicked to download it.



# Exploiting the opportunity in Brazil leveraging on our assets and our know-how built in Europe

## A high potential market in LATAM

- Overall Advertising Market size €15 Bn\*
  - 14% growth in 2011\*\*
  - Brazil ranked 2nd in forecast Ad growth\*\*
  - Online market opportunity > €1.5 Bn\*\*\*
  - Significant opportunity with 75m mobile customers in Brazil
  - Terra well positioned for Online, mobile lacks development
- First mover advantage in LATAM region, leveraging on experience and success in Europe
- Brazil as a springboard for LATAM

## Advertising business to launch and drive:

- Pure Media products
- Loyalty Products
- Bulk
- Other digital services
- Online

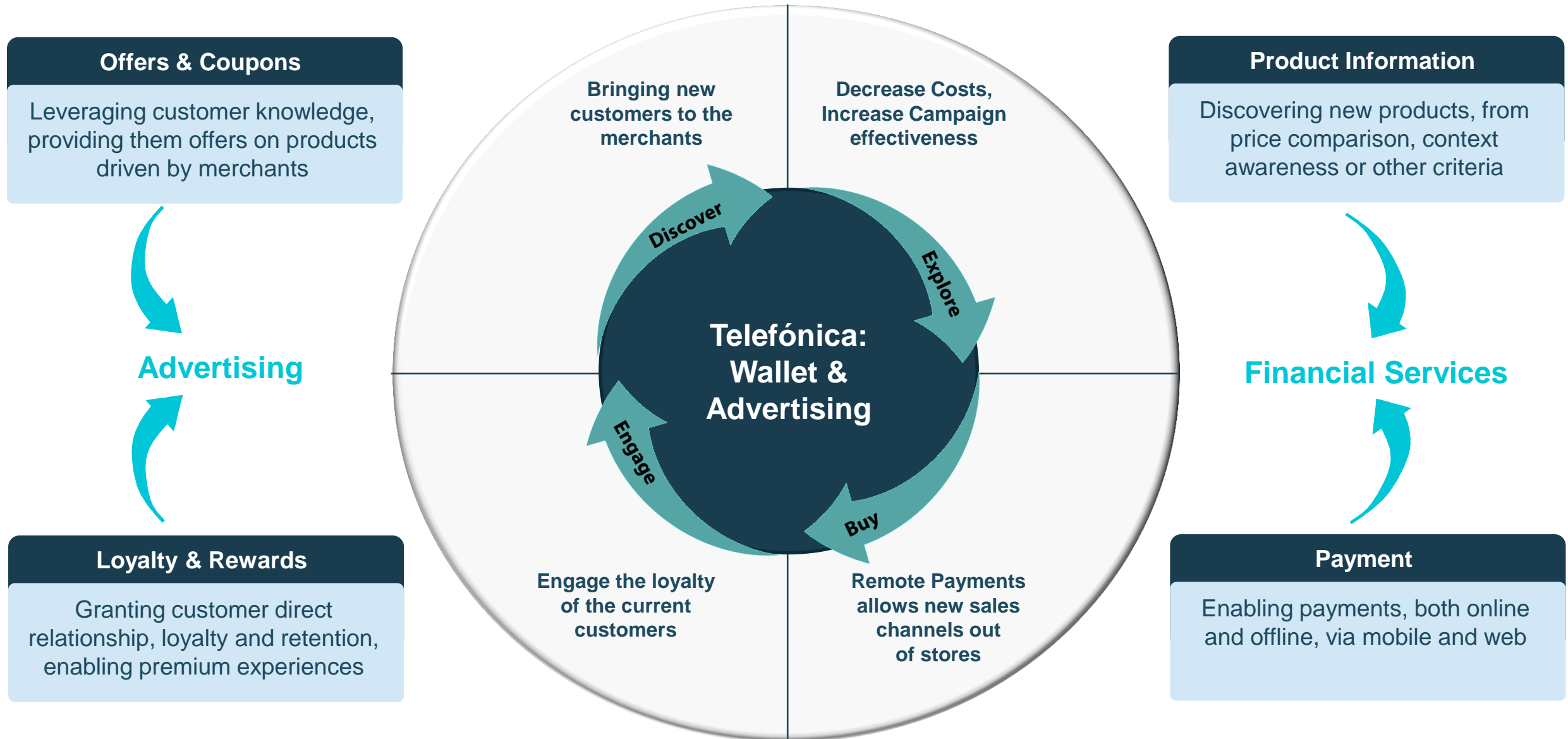


\*Group M, July 2011 (converted using €1.25/ £1)

\*\* Zenith Optimedia, June 2012

\*\*\* Magnaglobal, June 2011 (converted using €1.25/ £1)

# A unique opportunity to re-define the end-to-end advertising, m-commerce and '360 experience'

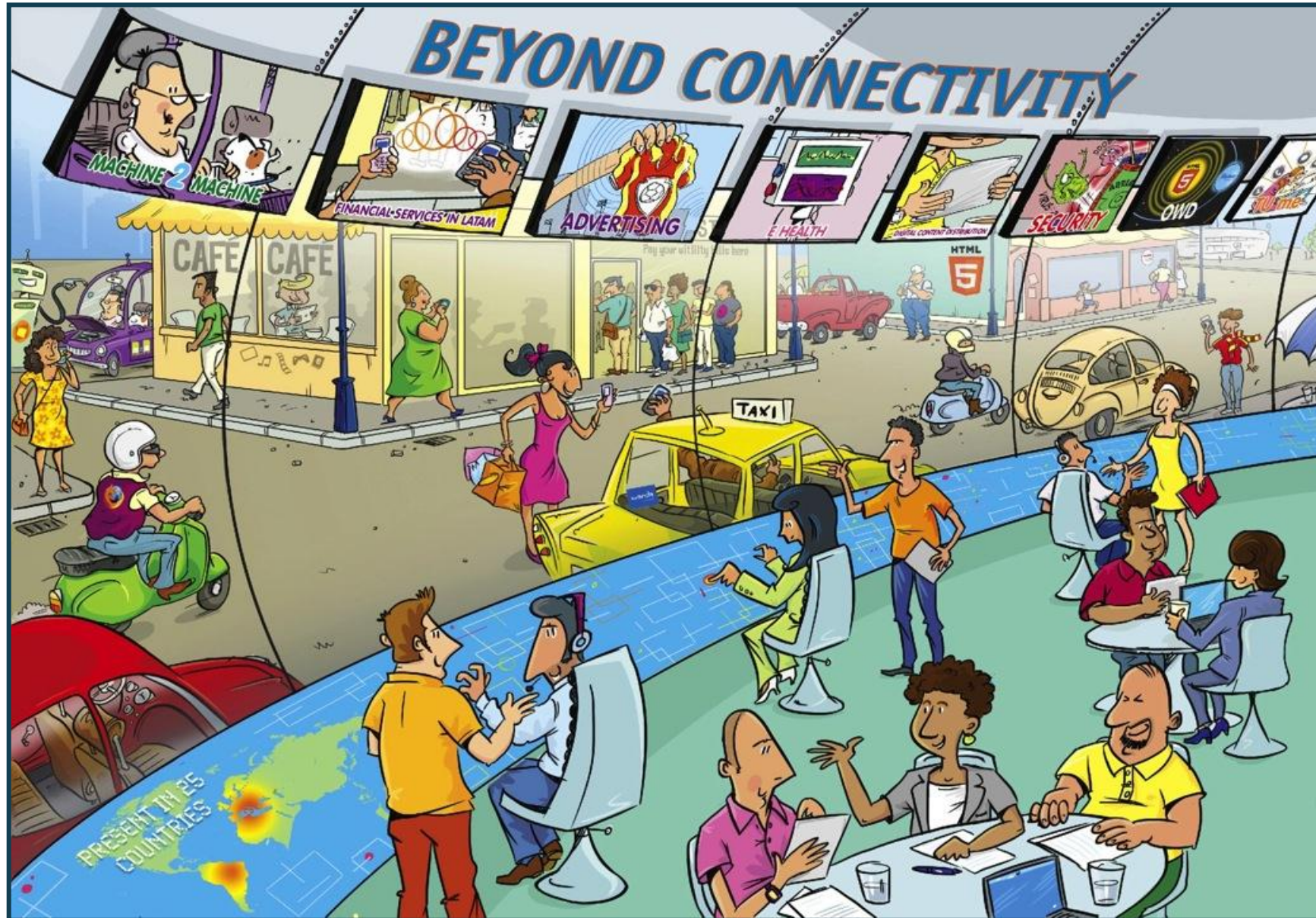


# Global Advertising conclusions

- ✓ The Advertising market is changing and Telefónica is well positioned within the new 'Data Environment'
- ✓ Telefónica has a range of assets to provide scale, targeting and points of difference for the advertising sector
- ✓ We have learned from experience and capabilities are in place to scale and harness the opportunity
- ✓ We are focusing first on the highest growth markets within our core geographies, like Brazil, with platforms to help provide scale & offer OTT opportunities
- ✓ Ultimately, Advertising can leverage from this scale, range of products and our deep knowledge of our customers to create more value with a targeted, end-to-end solution



# CLOUD SERVICES



**MR. MATTHEW KEY**

## Points of difference

- ✓ Service provisioning capability
- ✓ Market strength - Corporate

## Leading OBs



**2015 Revenue target Cloud +Security\***

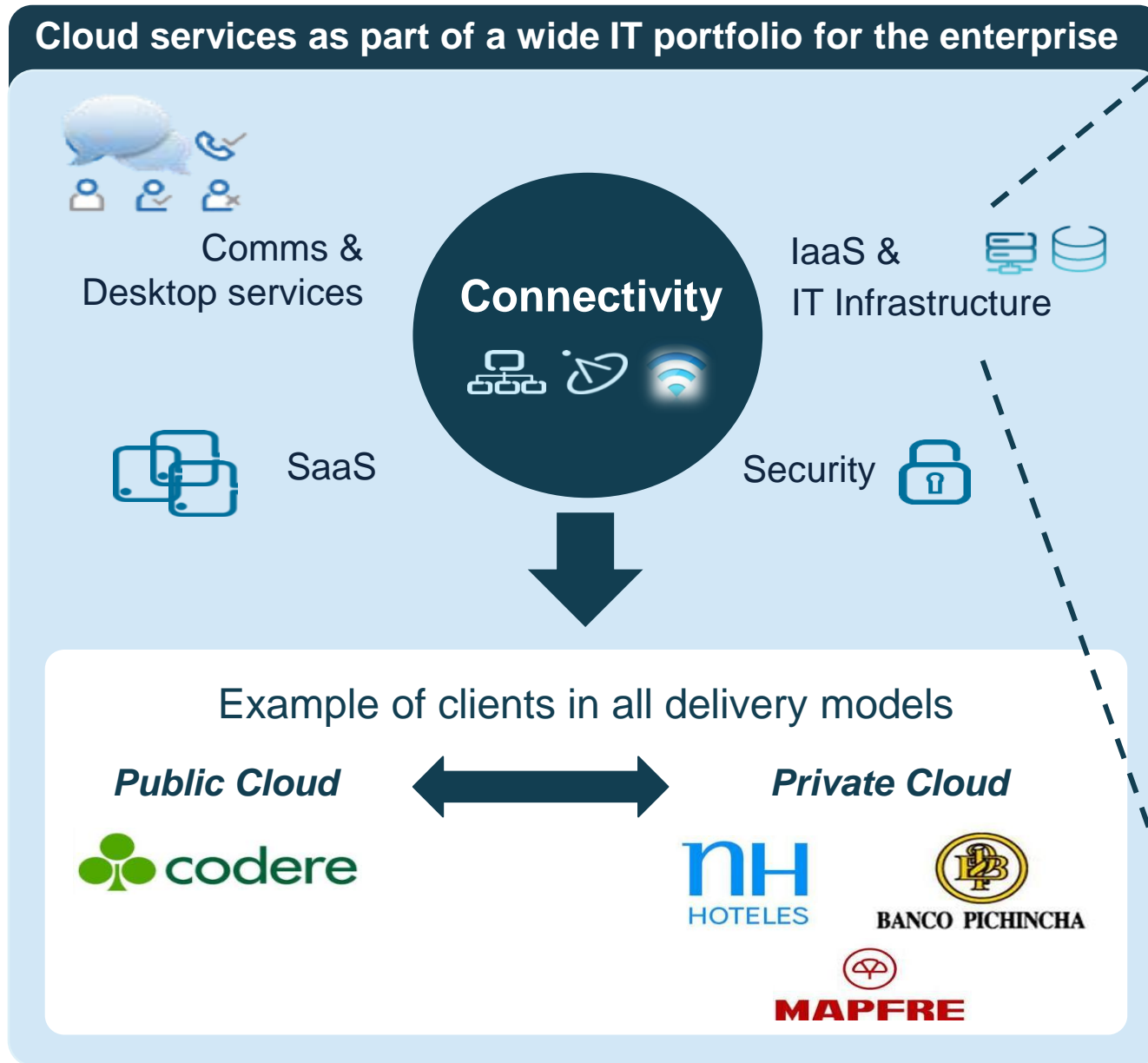
**€Bn 0.5-0.7**

\*According to guidance criteria

*Telefonica*



# Cloud – Transforming our customers' businesses



**Instant Servers: A bold move in IaaS**

**Instant Servers**  
Infrastructure Builder  
powered by Joyent

High performance

High stability

Price competitiveness