Telefonica’s Strategy

pay TV and content.

Brussels
25 October 2012
The ICT sector has experienced an exponential growth in the last years ...

**Total Accesses**
- **7,700 mill.** x2
- **2006 – 2011**

**Devices**
- **1,500** million sold last year

**Applications**
- **1 Million** x2 in 2011

**New digital world**

**Traffic**
- **x150** in 10 years

**Internet users**
- **> 2,000 mill.**
- **30% world population**

**Use**
- **Smartphones x15 vs. mobile**

... by customer base and revenues

### Top 10 worldwide...

#### ... by total accesses

(Million, June 2012)

<table>
<thead>
<tr>
<th>Area</th>
<th>Total Accesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Mobile</td>
<td>683.1</td>
</tr>
<tr>
<td>Vodafone</td>
<td>414.9</td>
</tr>
<tr>
<td>China Telecom</td>
<td>395.4</td>
</tr>
<tr>
<td>China Unicom</td>
<td>372.3</td>
</tr>
<tr>
<td>América Móvil</td>
<td>313.1</td>
</tr>
<tr>
<td>Telefónica</td>
<td>311.8</td>
</tr>
<tr>
<td>Bharti-Airtel</td>
<td>260.7</td>
</tr>
<tr>
<td>France Telecom</td>
<td>224.2</td>
</tr>
<tr>
<td>Vimpelcom</td>
<td>216.0</td>
</tr>
<tr>
<td>Deutsche Telekom</td>
<td>209.7</td>
</tr>
</tbody>
</table>

#### ... by revenues

(Million Euros, FY 2011)

<table>
<thead>
<tr>
<th>Area</th>
<th>Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>NTT</td>
<td>96,451</td>
</tr>
<tr>
<td>at&amp;t</td>
<td>91,010</td>
</tr>
<tr>
<td>Verizon</td>
<td>79,629</td>
</tr>
<tr>
<td>Telefónica</td>
<td>62,837</td>
</tr>
<tr>
<td>China Mobile</td>
<td>58,656</td>
</tr>
<tr>
<td>Deutsche Telekom</td>
<td>58,653</td>
</tr>
<tr>
<td>Vodafone</td>
<td>53,780</td>
</tr>
<tr>
<td>France Telecom</td>
<td>45,277</td>
</tr>
<tr>
<td>NTT DoCoMo</td>
<td>38,921</td>
</tr>
<tr>
<td>América Móvil</td>
<td>38,454</td>
</tr>
</tbody>
</table>

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Total accesses (as reported by companies) = Fixed Lines + Mobile Customers + Narrow and Broad Band Internet + Pay TV

FY 2011 revenues as reported by companies

*Financial Times Global 500 (2011)*
In this digital world, telecom operators are key players.
Telefónica aims to evolve its Pay-TV service according to new market rules…

**From 3 different & independent services…**

- Pay-TV as value added to broadband
- Deployed over managed networks (*IPTV, 3G*)
- Integration on Telefónica technology & processes
- Running on Telefónica proprietary devices

**SPAIN**

**…To a unique service with distinctive user experience**

- Stand-alone service
- Convergence of tech (*IPTV, OTT*)
- Internet capabilities & processes (*ID, payment, billing*)
- On proprietary & third party devices

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<table>
<thead>
<tr>
<th>IPTV</th>
<th>OTT</th>
<th>Mobile TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>![IPTV icon]</td>
<td>![OTT icon]</td>
<td>![Mobile TV icon]</td>
</tr>
</tbody>
</table>

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**Multi-device Multi-technology**
Pay-TV market in Spain is not as relevant as in other European countries

**Key issues**

- **Attractive FTA offer**, in contents and variety
- **Football (soccer) is the key content** to drive Pay-TV subscription
- **Additionally, movies & series** are great complementary contents
- **Ads investment** is moving to Internet
- **FTA audience fragmentation**

**Pay-TV share in Europe, 2010 (%)**

- 69% Spain
- 68% France
- 67% UK
- 54% Italy
- 52% Germany
- 43% Sweden
- 43% Denmark
- 24% Netherlands
- 19% Finland

**Audiovisual Spanish market incomings (MM€)**

- Pay-TV subscription **(1681 MM€)**
- FTA advertisement **(2335 MM€)**
- Total: **4016 MM€**


Source: 2010 Telecom Market Annual Report. CMT. Jun 11
More than 18% of Spanish Pay-TV subscribers are trusting Movistar Imagenio

Movistar Imagenio main topics

- **Commercial launch:** 2005
- **3-play** IPTV offer
- **TV contents:** linear TV, VoD, PPV and TV apps
- **Differentiation in content bundling** *(football included in standard offer)*
- **Cost-efficient offer for subscribers**

Distribution of Pay-TV Spanish households

- Total: 4,6 MM

Besides Movistar Imagenio, Telefónica deployed three alternative pay-TV offers

**Movistar Videoclub**
- **Commercial launch**: Q4 ‘10
- Exclusive **non-linear content** offer for **fixed broadband Movistar customers**
- **Transactional VoD** catalogue, No monthly fee
- **31k customers (2011 EOY)**

**Movistar Mobile Imagenio**
- **Commercial launch**: 2008
- +30 Linear **TV channels**, both web browsing & mobile app access
- Access through **3G mobile devices**

**Movistar Imagenio Xbox**
- **Commercial launch**: Q4 ‘11
- Exclusive **non-linear content** offer for **fixed broadband Movistar customers**
- **6 linear channel** including **football channel**
- **30k customers (2011 EOY)**
Final purpose: provide a unique service to clients, independently of network and device.

If you have Imagenio at home, mobile TV at 50%  

If you have Imagenio at home, mobile TV is free.  

Access ANY TIME, ANY WHERE, ANY DEVICE, ANY CONTENT.
... and has achieved a relevant scale in Europe

<table>
<thead>
<tr>
<th>Accesses</th>
<th>June 2012 (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>44.0</td>
</tr>
<tr>
<td>Germany</td>
<td>25.2</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>23.3</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>7.8</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.6</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Total Accesses 103 Mill.
Telefónica is a reference in the Latin American Telco market …

<table>
<thead>
<tr>
<th>Area</th>
<th>Accesses (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>91.2</td>
</tr>
<tr>
<td>Argentina</td>
<td>23.0</td>
</tr>
<tr>
<td>Mexico</td>
<td>20.0</td>
</tr>
<tr>
<td>Peru</td>
<td>19.7</td>
</tr>
<tr>
<td>Colombia</td>
<td>14.7</td>
</tr>
<tr>
<td>Chile</td>
<td>12.7</td>
</tr>
<tr>
<td>Venezuela</td>
<td>10.9</td>
</tr>
<tr>
<td>Central America</td>
<td>9.1</td>
</tr>
<tr>
<td>Ecuador</td>
<td>4.8</td>
</tr>
<tr>
<td>Uruguay</td>
<td>1.8</td>
</tr>
</tbody>
</table>

**Total Accesses 209 Mill.**

Notes:
- Central America includes Guatemala, Panama, El Salvador, Nicaragua and Costa Rica
- Total accesses figure includes Narrowband Internet accesses of Terra Brazil and Terra Colombia, and Broadband Internet accesses of Terra Brazil, Telefónica de Argentina, Terra Guatemala and Terra Mexico
Telefónica’s TV / video Services

**Brazil**
- **Pay TV:** DTH, Cable, IPTV, MMDS
  - 700,000 subscribers.
  - 6% Market share.
- **Others:** Web TV, Mobile TV, OTT.

**Chile**
- **Pay TV:** DTH, IPTV
  - 410,000 subscribers
  - 19% Market share.
- **Others:** Hybrid (1Q 2013), Web TV, OTT.

**Colombia**
- **Pay TV:** DTH
  - 265,000 subscribers
  - 7% Market share
- **Others:** Web TV.

**Argentina**
- **FTA:** Telefe, Leading channel in Arg.
- **OTT:**
  - 50,000 subscribers.
- **Others:**
  - Web TV
Telefónica’s TV / video Services

Country’s Landscape

Venezuela:
Pay TV:
- DTH
  - 160,000 subscribers
  - 7% Market share
Others:
- Web TV, Mobile TV

Germany:
Pay TV:
- IPTV
  - 83,000 subscribers
  - 0.5% Market share

Czech Rep.:
Pay TV:
- IPTV
  - 140,000 subscribers
  - 6% Market share

Peru:
Pay TV:
- Cable, DTH, IPTV
  - 800,000 subscribers
  - 68% Market share
Others:
- Mobile TV, Web TV, OTT
Telefonica’s audiovisual entertainment offer renews and reinforces our leadership in telecommunications.

Brands
- Spain & LatAm: movistar
- Europe: O²
- Brazil: vivo

Area
Razón Social

Conectivity
Fixed, mobile

Content
Tv / Video, Music, Games...

Capacities
ID, payments, M2M, e-health, cloud, Comercial attention...

Access Devices
Set top boxes, PC, hand sets, tablets...
The Future is here: From the One to All… to the All to One.

Any time, anywhere, any device…

2020: 50 bn. connected devices
THANK YOU