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TDigital success requires answers to...

Are there clear opportunities?

Are there customer needs with digital solutions?

Will shifts in value chains create new opportunities?

Can we capture the value?

Do we have differentiated assets?

Do we have the right approach and mind-set?

Does it have a material impact?

How material is the upside for Telefónica?

Are our progress proof points reflected in forecasts?

Are there clear opportunities? ...Yes

Are there customer & social needs with digital solutions?

Large proportion of LATAM 'unbanked'
Clear social needs



Bill queues



Social funds



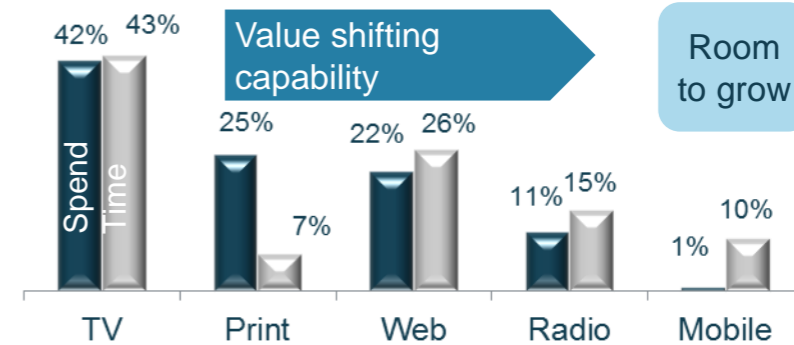
Cash collection

Chronic conditions challenging government budgets



Will shifts in value chains create new opportunities?

On mobile, Ad spend lags behind time spent



M2M shifting value and transforming multiple sectors



2011 US Ad Spend

vs.

Consumer Time Spent by Media

Can we capture the value? ...Yes

Do we have differentiated assets?

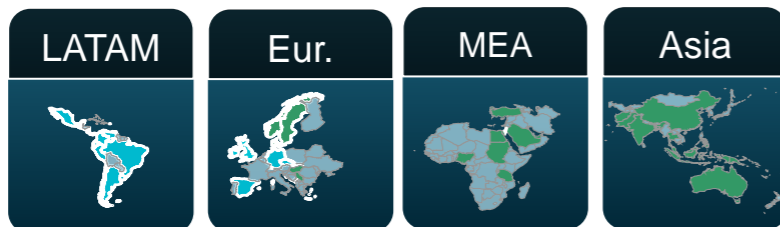
Connecting people

- Telco assets are at the heart of the Digital world

Differentiated assets

- Physical + online distribution
- Existing billing relationships
- Customer knowledge
- Control of smartphone sales
- Strong B2B relationships

Global



Do we have the right approach and mind-set?

Digital Organisation

- Focused & integrated organisation
- Long term, product focused
- Flexible, challenger culture
- External talent hires
- Global platforms
- Win-win partnerships

Agile / Beta mindset

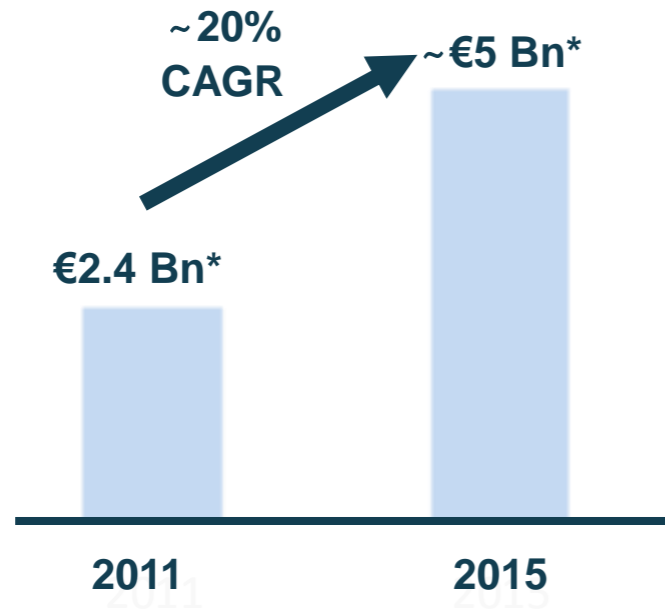


Open & Innovative



Does it have a material impact? ...Yes

How material are the Digital upsides for Telefónica ?



...plus benefits to core business
e.g. loyalty, customer value...

Do we have progress proof points?

We are only 9 months old, but already...

- Top 4 M2M market, cumulative contract wins €437 M
- Core Comms innovation, agile development & Tu Me launch
- Mobile security in Brazil, 675k users in 9 months
- UK advertising momentum
- Establishing Firefox OS

* According to guidance criteria

Summary

- ✓ We have...
 - ...a clear market opportunity
 - ...the right assets to capture value
 - ...a differential approach
 - ...a material upside
- ✓ All we need to do now is keep on delivering !
- ✓ We are already taking Telefónica beyond connectivity