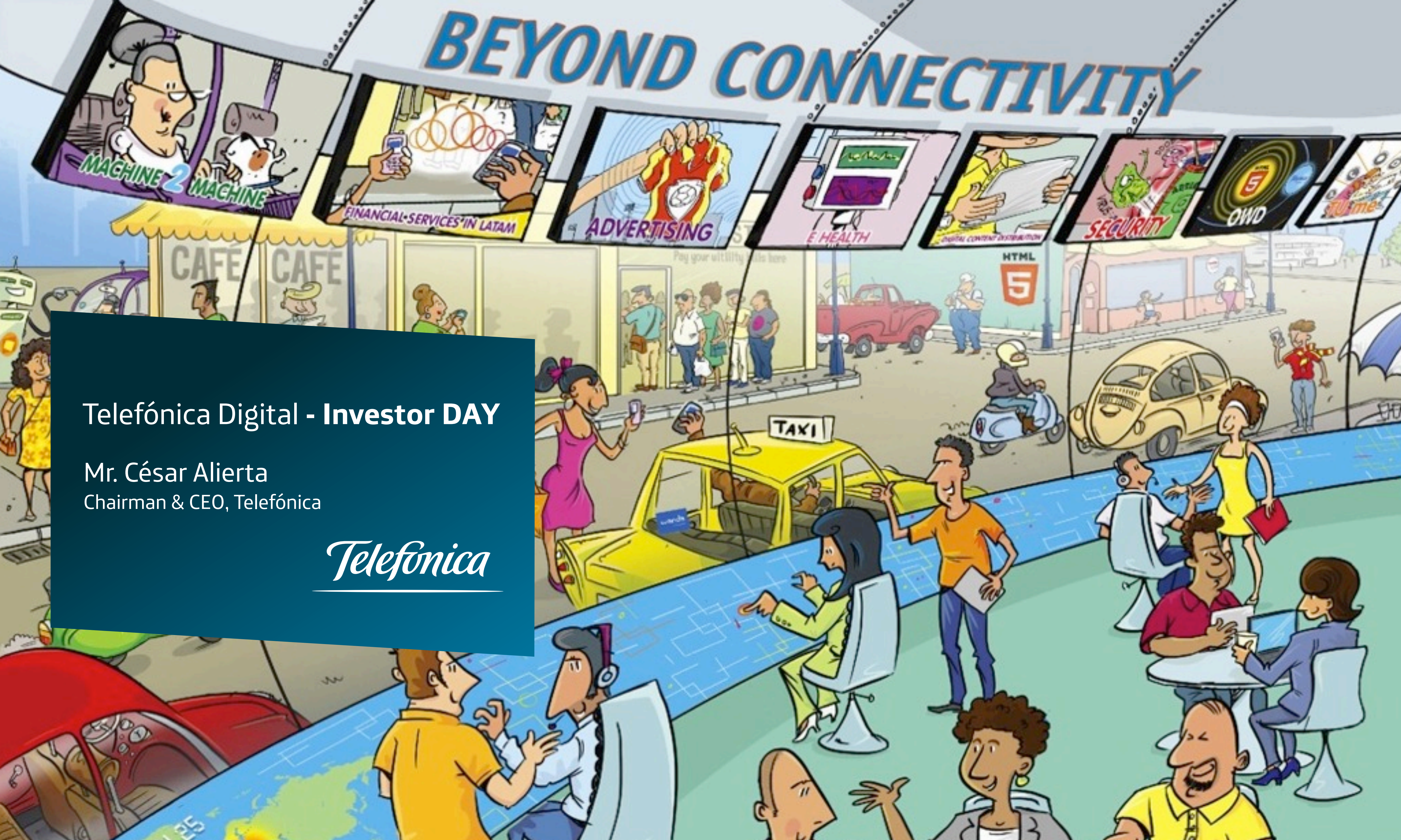

Telefónica Digital - **Investor DAY**

Mr. César Alierta
Chairman & CEO, Telefónica

Telefónica

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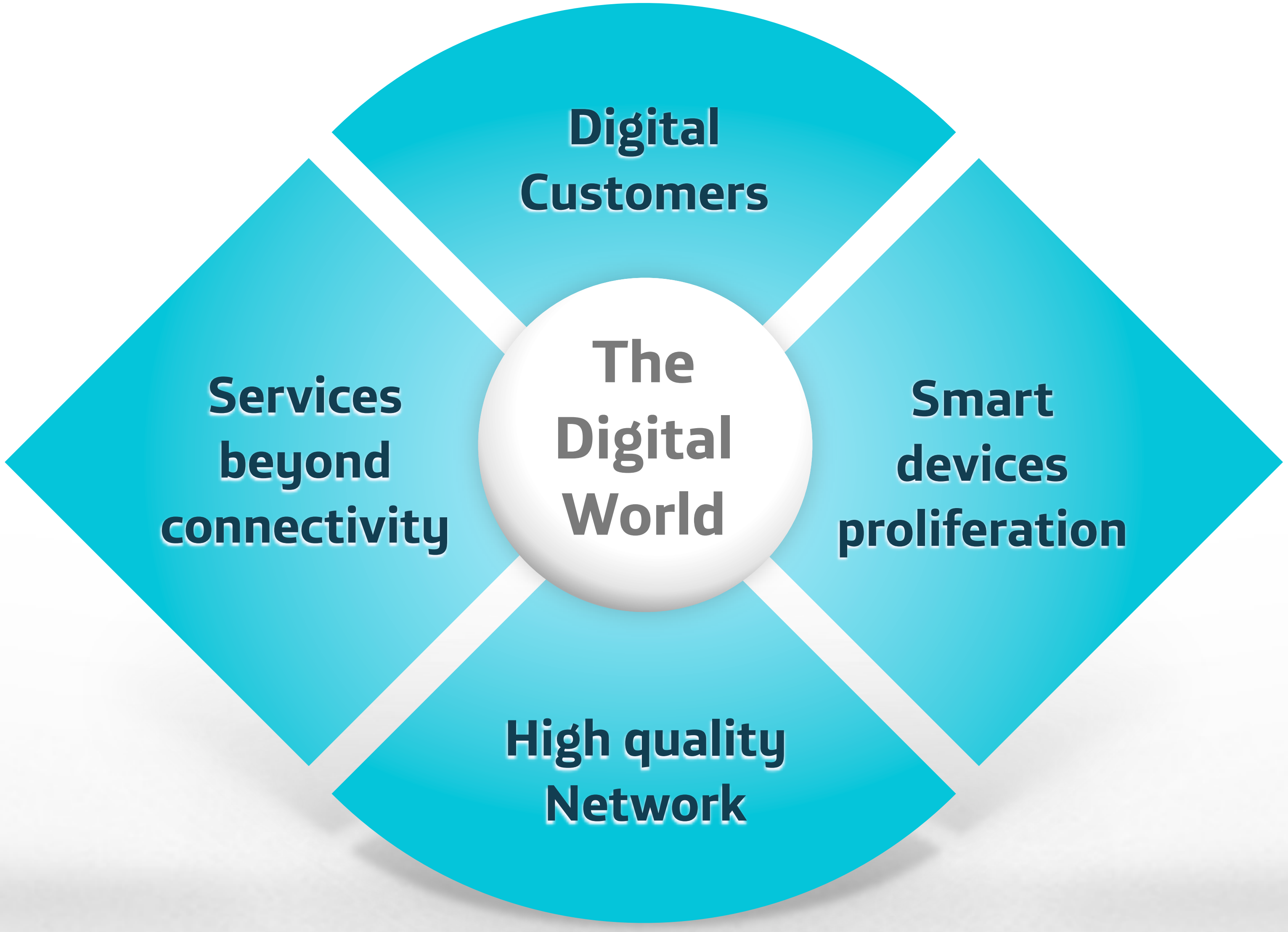
Index

01

The Digital World great opportunity

The digitisation of the economy is opening up new business opportunities



01 We are evolving towards a hyper connected and intelligent digital world

2015F Worldwide

	Billion units	Penetration
Mobile Accesses	7.7	108% of pops
Mobile Broadband	4.1	57% of pops
Fixed Broadband	0.9	40% of households
Internet users	2.8	4 out of 10 people
Social Network	2.0	7 out of 10 Internet users

Source: Pyramid (2011), Strategy Analytics (2011)

Widespread adoption of connected devices

Annual Global Sales

~2,600 Mn by 2015 - x2 vs 2011

2011 Data

CAGR 11-15F





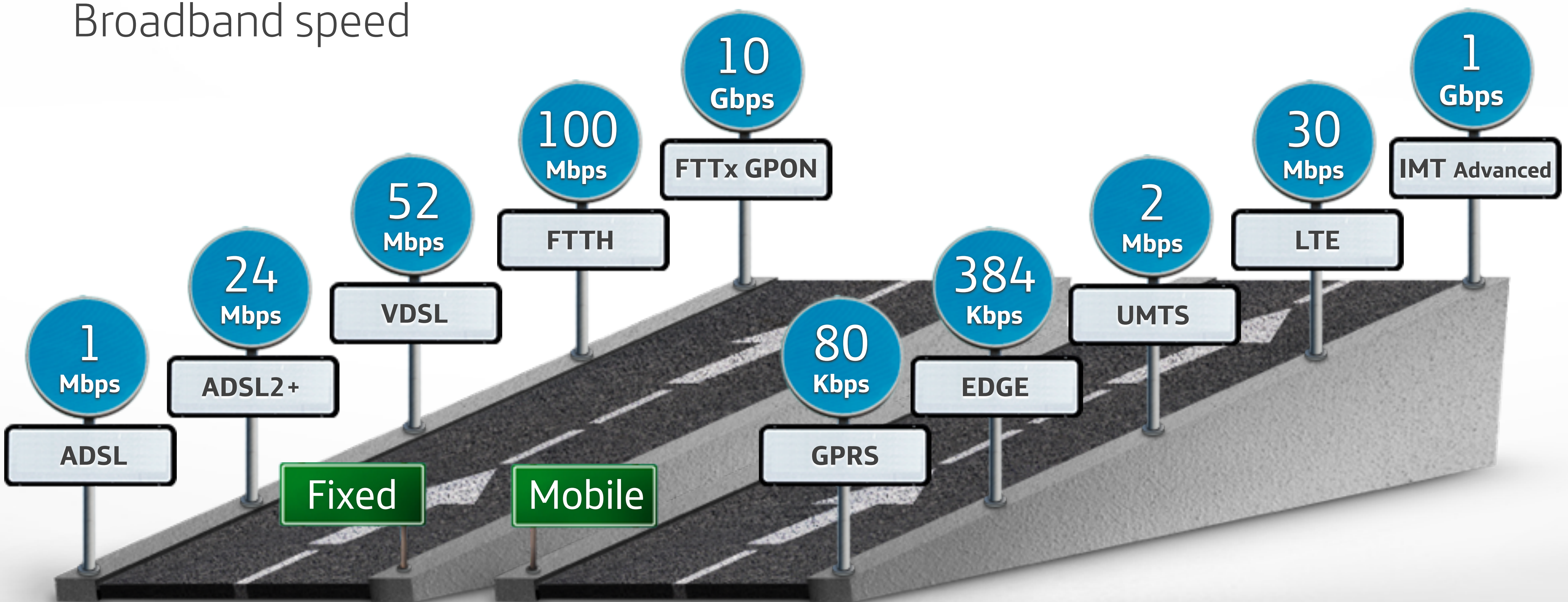

64 Mn	**472 Mn**	**187 Mn**	**210 Mn**	**95 Mn**	**143 Mn**
50%	25%	24%	15%	7%	1%

70% of Internet users will have **>5** devices connected by **2015**

Source: Strategy Analytics (2012) & Gartner (2012)

Next generation networks will enable transformative new services

Broadband speed



Services beyond connectivity proliferation

Services beyond connectivity are creating a new market opportunity

Traditional Internet	Economy digitisation is changing service delivery value chain	
ADVERTISING	**BUSINESS**	Growth & Productivity
	PUBLIC ADMINISTR.	Efficiency & Social Inclusion
E-COMMERCE	**PEOPLE**	New possibilities & Quality of life

The future digitisation of the economy goes well beyond today's Internet

01 Telecom companies will play the key role in the digital world

Digital Service development

- **Third parties**
- **Telcos**

Capabilities needed for service delivery & monetisation

- Real customer knowledge
- Local relationship with Customers
- Global scale
- Integration capacity
- Commercial network
- Operational network

TELCOS CORE STRENGHTS

End users

Business
Public Adm.

New business opportunities beyond connectivity

Services beyond Connectivity - World Market [1]

€ bn

(1) Services beyond connectivity included: Mobile & online Advertisement (PWC), IPTV (Screen Digest), M2M including e-Health & security (Machina Research), Cloud Computing (Gartner), Digital Contents (PWC) and Mobile Money (Yankee Group).

02

Telefónica Digital, our way to outperform in the Digital world

02

Telefónica has been active for the last two years to capture new opportunities, outpacing our telco peers…

2009

NOV — Creation of **Verticals** organisation

giffgaff
Launch of GiffGaff

Launch of O2 More

DEC — jajah
Purchase of Jajah

2010

AUG — tuenti
Purchase of Tuenti

2011

FEB — BlueVia
Launch of BlueVia

JUN — Wayra Spain & LatAm

SEP — masternaut
Masternaut deal

Telefónica
Creation of **Telefónica Digital**

NOV — O2 health
Launch of Side by Side

DEC — SONY PICTURES
Content agreement for LatAm

2012

JAN — Launch of 48

Joyent
Investment in Joyent

FEEDHENRY
Agreement to support business apps strategies

FEB — OnStar
M2M deal with OnStar

Firefox OS with Mozilla

MAR — O2 health
Launch of Help@Hand

boku Pay by Mobile
Investment in Boku

APR — wanda
Launch of Wanda

Partnership with EA

Launch of O2 Wallet

MAY — Wayra in rest of Europe

Launch of TU

JUL — Carrier billing agreements

Facebook, Google, Microsoft, RIM

… already achieving significant results

Top 4 M2M market

Core comms innovation

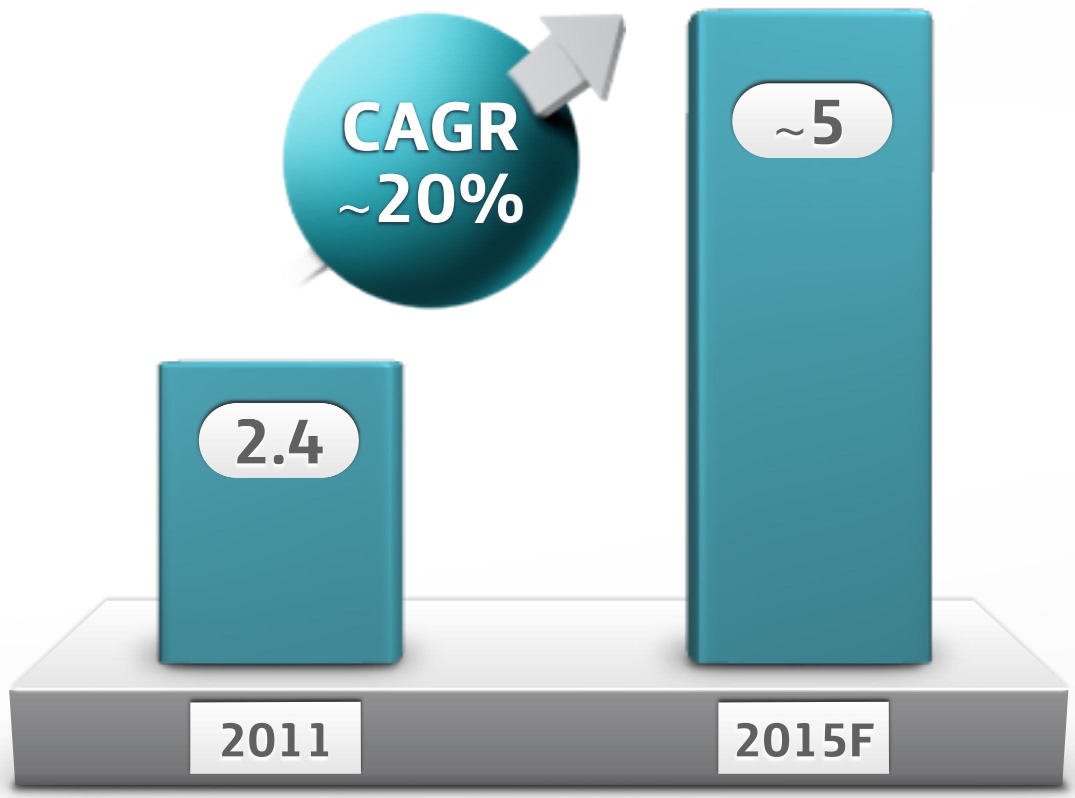
FS in LATAM

Firefox OS

Positioning in the Health space

Telefónica Digital's Revenue

€Bn



* 2011 revenue base for calculation: € 2.4Bn. 2015 guidance assumes constant exchange rates as of 2011 (average FX as of 2011), excludes hyperinflation accounting in Venezuela and changes in the perimeter of consolidation. Revenues include **Telefonica Digital Subsidiaries** (Terra Networks, Media Networks, ATCO (Telefe), Telefonica Ingenieria de Seguridad, Telefonica Servicios Audiovisuales, Jajah, Tuenti, Telefonica Learning Services, On the Spot Services, Telefonica Investigacion y Desarrollo, Telefonica Global Applications, Telefonica Producciones, Telefonica de Contenidos), **Telefonica Digital Joint Ventures** (revenues recognized based on the proportional basis of the participation in the JV, which currently are Rumbo (50%) and Mobile Financial Services (50%)) and **Digital Services** (revenues recognized in Telefonica Operating Businesses in Telefonica Europe and Telefonica Latinoamerica, comprises Contents (TV, Video OTT, CDN), eHealth, Security, M2M, Cloud, Financial Services, Advertising, Applications). Revenues from communications products not included (TU Me, TU Go,...)

In September 2011 we created Telefónica Digital, with a team empowered to drive change

Telefónica Digital leverages on Telefónica's strengths and partnerships

Telefónica's core strengths

- **Global Footprint: 25** countries
- **Leveraging on our existing customer relationships**
  - 309 Mn accesses
  - ~100 Mn unique users in Terra
  - ~41 K points of sales
- **Ability to transfer experience** & knowledge between markets
- **Experience in developing B2B and B2C** relationships

Partnerships with Telco players

China unicom 中国联通 · TELECOM ITALIA · Bouygues Telecom · Sunrise · etisalat

Telefónica Digital reinforces Telefónica's core business growth prospects

Strengthening our competitiveness in our core business

- Accelerating **innovation**
- Focusing our **product portfolio**
- **Increasing efficiency** by sharing global best practice
- Offering **differential digital products**

Customer value ↑ | **Churn** ↓ | **Market share** ↑

Partnerships with Global Technology players

Main take aways

There are tremendous opportunities **in the Digital World**

Telefónica is very well positioned to make it in the digital market

Telefónica is **fully committed to Telefónica Digital**

The right **TIMING**, the right **PEOPLE**,
with the right **ASSETS** and the right **AMBITION**

Telefónica