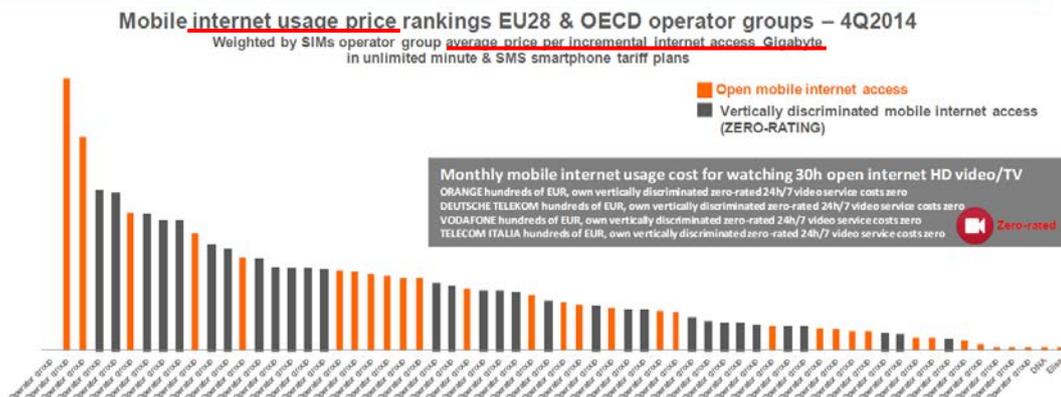


Solchaga Recio & asociados response to DFM comments

- Our report focuses on the accuracy and usefulness of DFM's incremental gigabyte as the fundamental metric of comparison between carriers, periods of time and / or countries. This report does not pretend to make any price comparison between specific carriers or markets, or to draw specific conclusions about the competition level in any specific market.
- The report did not actually question if the incremental gigabyte is a metric of interest for the study of the sector. Our team was mainly worried about the usefulness of this methodology to compare prices among different carriers or to assess competition levels between different markets.
- According to DFM the incremental gigabyte is ***“the single most important competitiveness metric”***¹. Thereby, the slope of the regression line, approximated by price-gigabyte carriers' portfolio for any given European or ODCE member country, is evaluated as the fundamental variable to stablish the price competition level among carriers and / or countries.
- We can actually find that DFM, in its reports, uses this metric to rank and compare carriers and markets without introducing any caveats or mentioning any specific limitations of the analysis as they have mentioned in their responses to our study.
- In this way the DFM report – 4Q2014 shows a EU28 and OECD mobile operator ranking that just consider de incremental gigabyte as we can see below.²

EU28 & OECD mobile internet access competitiveness report 4Q2014

2



¹ Smartphone internet usage price ranking of EU28 and OECD mobile network operators – Q12014. http://dfmonitor.eu/downloads/DFMonitor_operator_smartphone_GB_price_ranking_1Q2014_Explanatory.pdf.

² EU28 & OECD mobile internet Access competitiveness report Q4 2014. http://dfmonitor.eu/downloads/EU28_OECD_mobile_internet_access_competitiveness_report_Q4_2014_PUBLIC.pdf

Similarly, in its 1Q2014 report DFM clearly defines that the carrier with the lower incremental gigabyte metric (the slope of the line) is the most competitive in price terms and is therefore placed first in the operator's ranking.

“The mobile operator with the lowest smartphone tariff gigabyte usage price (Elisa Estonia) was ranked first on the list and the mobile operator with the highest gigabyte usage price (Wind Hellas) was ranked last on the EU28 list”³

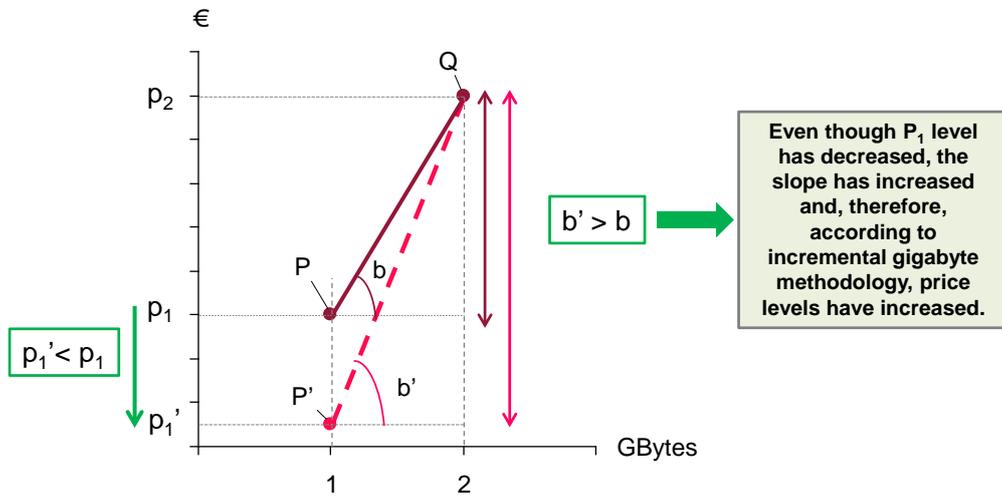
- Solchaga Recio & asociados ratifies that the main problem of the methodology used by Digital Fuel Monitor (DFM) is that mobile internet prices are not based on a two part tariff. Mobile internet prices are set based on bundled offers, where each user pays a monthly fee for a certain mobile plan, regardless of the consumption level reached at the end of the period.⁴
- DFM's methodology uses price per incremental gigabyte (€/GByte) as the main unit for measuring mobile broadband prices, considering it comparable to a kWh (kilowatt-hour). The kWh is the main unit of measure for prices in the electricity sector and generally serves as the basis for price comparisons, but mobile internet prices are not based on a two-part tariff depending on consumption, and therefore we cannot use the same type of metrics. As already stated in the report published by Telefónica, this analogy would be misleading, because in the for mobile Internet services users pay a monthly fee, regardless of the consumption made. Users also have the possibility of hiring additional data capacity at a certain price.
- As stated by DFM in their response, in those situations where a carrier has a smaller base price and an incremental gigabyte lower than another, it is more competitive in terms of prices. The same result would be true in most cases, whether we follow a methodology based on baskets or a DFM's methodology based on the incremental gigabyte.
- What the Solchaga Recio & asociados report has tried to show is all those situations where the DFM's methodology is not appropriate and shows misleading results. Our analysis raises three examples based on real data:
 1. The first example shows how the introduction of a new offer by a carrier is considered as a price increase.
 2. Example 2 shows how a reduction in prices by a carrier is interpreted as a price increase according to incremental gigabyte methodology.
 3. Lastly, example 3 shows how a carrier with lower prices is considered to be more expensive than another with higher prices. Example 3 also clearly illustrates how this methodological inconsistency remains if price per incremental gigabyte is used to compare prices between countries.

³ Iter 1.

⁴ Monitoring mobile internet access competitiveness in Europe and OECD countries. <http://dfmonitor.eu/about/>

- We will show the inaccuracy and inconsistency of the incremental gigabyte as measure for price comparisons in the following graphs:

Graph 1: Results obtained using incremental gigabyte methodology in the case of lower prices.



Graph 2: Results obtained using incremental gigabyte methodology in the case of a rise in prices.

