



In the presence of China's Prime Minister, Wen Jiabao

TELEFÓNICA AND CHINA UNICOM SIGN A BUSINESS COOPERATION FRAMEWORK AGREEMENT

Madrid, 30 January 2009. – Telefónica and China Unicom, two of the world's largest integrated telecommunications operators, have signed a collaboration agreement with a view to developing their existing partnership. The agreement was signed by the executive chairmen of both companies, Chang Xiaobing on behalf of China Unicom, and César Alierta on behalf of Telefónica, in the presence of the Prime Minister of the People's Republic of China, Wen Jiabao, on an official state visit to Spain, and Spanish Prime Minister José Luis Rodríguez Zapatero. This agreement prolongs the close relationship existing between Telefónica and its Chinese partners since 2005, when it invested in China Netcom, now merged with China Unicom.

Following the restructuring of the Chinese telecom industry and the granting of 3G licenses, Telefónica and China Unicom share a common integrated business model and mobile technologies for 3G (WCDMA).

The agreement focuses on cooperating to develop integrated and mobile and 3G services. In addition, the agreement covers a wide number of areas of collaboration such as developing innovative services, international business, joint procurement of network equipment, devices and handsets, platforms for innovative and advanced services, and services to corporate customers, among others.

China Unicom is the result of the successful merger between China Netcom (CNC) and China Unicom. This new Chinese giant is born with clear ambitions: to capture the enormous potential for telecommunications in China, especially the huge opportunity afforded by the rollout of broadband and 3G businesses.

In the wake of sector restructuring in China, Telefónica has become a key partner and the largest private investor (with a 5.38% stake) in the new China Unicom, an integrated operator with approximately 260 million fixed telephony, wireless and broadband subscribers. César Alierta, Chairman of Telefónica, is a non-executive member of the Board of Directors of the new China Unicom.