

TELEFÓNICA AND VODAFONE ANNOUNCE MILESTONE PAN EUROPEAN COLLABORATION

- **Companies to share network infrastructure in Germany, Spain, Ireland and the UK with detailed discussions ongoing in the Czech Republic**
- **Agreements anticipated to deliver cost efficiencies of hundreds of millions of euros for each company over 10 years**
- **Further savings in related areas being explored**

Madrid & Newbury, 23 March 2009. – Telefonía and Vodafone, two of the world's largest telecommunications operators, today announce a wide-ranging strategic programme to share mobile network assets across selected European operations.

As part of the collaboration, Telefonía and Vodafone are actively exploring opportunities to cooperate in related areas such as the provision of transmission services.

Telefonía and Vodafone will use the agreements to aid the roll out of their respective networks, enhancing service quality for customers in the longer term. The agreements will also reduce the environmental impact of both companies' roll out activities, due to the consolidation of existing sites and joint build of new sites.

The programme is expected to deliver significant business benefits in the process, including the generation of cost savings amounting to hundreds of millions of euros for both companies over the next 10 years.

The infrastructure sharing initiatives are broadly expected to enable both companies to

- Offer enhanced quality of service levels within the network footprint to improve customers' mobile experience as well as support the delivery of services such as mobile broadband to a greater number of customers across a wider coverage area
- Reduce the environmental impact of the network by lowering the number of sites required by each company
- Reduce network operating costs
- Continue to manage their traffic independently
- Jointly build new sites where opportunities exist

Matthew Key, CEO of Telefónica Europe, commented: “In a fast changing business climate, operators need to look at different ways to serve customers both now and in the future. This industry-leading collaboration means that Telefónica and Vodafone will continue to compete strongly against each other in local markets, while giving our customers enhanced mobile coverage in more places, using fewer mast sites. This will also create significant benefits for Telefónica shareholders. We are actively exploring additional areas for cooperation and, by reducing our costs in areas of the business that customers don't see, we can ensure that we invest in areas they truly value.

Michel Combes, CEO, Vodafone Europe, said: “Vodafone has led the market in developing effective network sharing business models, and continues to drive the scale and scope of such agreements. This is a further example of Vodafone's ongoing commitment to deliver the highest levels of service quality for our customers while delivering greater cost efficiencies to the business. This move will enable us to focus our resources on developing more innovative and market leading services while delivering on our pledge to reduce the environmental impact of our network roll out.”

Delivering Benefits to Customers

Under the programme, customers in these selected markets can expect to benefit from long-term improvements to coverage, particularly for services such as mobile

broadband. By reducing network costs, both companies will be able to continue to invest in developing innovative products and services for customers.

The joint building of new sites and/or consolidation of existing 2G and 3G mast sites, with one site housing the equipment of both companies where previously two would have been used, is expected to lead to a significant reduction in the total number of masts in operation and reduced environmental impact, compared to both companies expanding their networks separately.

The collaboration will also enable both companies to enhance service quality within the network footprint at a faster rate than before, and help to deliver services such as mobile broadband to a wider population.

Shared efficiencies

Where opportunities exist, long-term cost and operational efficiencies will be realised through jointly building new sites and consolidating existing masts and antennas.

There will be reduced capital and operating expenditure arising from the fewer number of sites required, with significant savings anticipated by both companies over 10 years.

In addition, further areas of co-operation are actively being explored on a market by market basis, such as sharing of transmission infrastructure, among others.

Further Detail :

Germany: Both companies to share existing 2G and 3G sites. Shared masts can also be used for microwave backhaul.

Ireland: Both companies to open all network sites for sharing by the other party. New build will also be conducted jointly where roll-out plans are aligned.

Spain: Both companies to extend existing site share agreement from 2007, which includes the shared usage of power, cabinets and mast. To date 2,200 sites are shared under this agreement. During 2009 and 2010 additional sites will be included.

UK: Both companies to focus on joint build of new sites and consolidation of existing 2G and 3G sites.

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NOTES TO EDITORS

Principles of network sharing: In the UK and Ireland, the elements of the network to be shared include: masts, antennas, sites, cabinets and power supply. The network electronics Nodes B (3G), BTS (2G) and the radio network controllers which are linked to the core network are to remain independent. In Germany and Spain, masts and cabinets are shared, along with power supply.

About Vodafone

The Vodafone Group is the world's leading international mobile communications group with approximately 289 million proportionate customers as of 31 December 2008. Vodafone currently has equity interests in 27 countries across five continents and over 40 partner networks worldwide. For more information, please visit www.vodafone.com.

About Telefónica

Telefónica is one of the world's largest telecommunications operators by market capitalisation. Its activities are centred mainly on the fixed and mobile telephony businesses, while its broadband business is the key growth driver underpinning both. It operates in 24 countries and has a global customer base of 260 million. Telefónica's growth strategy is focused on the markets in which it has a strong foothold: Spain, Europe and Latin America. Telefónica is a 100% private company, with more than 1.5 million direct shareholders.

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