

23 January 2019

TELEFÓNICA AND VODAFONE TO STRENGTHEN THEIR NETWORK PARTNERSHIP IN THE UK WITH 5G SHARING

- **Companies have agreed non-binding heads of terms**
- **Intention to extend current network sharing agreement to include 5G**
- **Investigating options to deliver a shared, future proof fibre transmission network**
- **Agreement to explore options to enhance the parties' 50:50 jointly owned passive tower infrastructure**

Telefónica UK Limited ("O2") and Vodafone Limited ("Vodafone") have entered into non-binding heads of terms intended to strengthen their existing network sharing partnership.

O2 and Vodafone plan to extend the existing network sharing partnership term and include 5G at joint radio network sites. This would enable both O2 and Vodafone to deploy 5G faster, to offer 5G services to more customers over a wider geographic area, and to do so at a lower cost.

In addition, both parties will look to extend greater network autonomy in a number of larger cities by deploying their own separate radio equipment on approximately 2,500 sites, which represents around 15% of sites outside London. This will give them even greater flexibility to meet the needs of their customers.

The companies also intend to upgrade their transmission networks with higher capacity optical fibre cables. This would enable customers to benefit from 5G's new features, such as low latency, as well as provide both companies with greater economies of scale and an improved choice of infrastructure partners. O2 and Vodafone are also exploring options around their future transmission operating model which could drive synergies in the investment and operation of their end-to-end networks.

O2 and Vodafone further intend to devolve additional activities to CTIL, the 50:50 owned joint venture company that owns and manages the parties' passive tower infrastructure. This will empower CTIL to take an enhanced role in the operation of the passive infrastructure, in order to improve the efficiency of its operations and pursue opportunities to add further third party tenants to the towers. In that context, the parties will explore a potential monetisation of CTIL after the new arrangements have been finalised.

The initiatives set out in the non-binding heads of terms, and described in this announcement, remain subject to the parties agreeing detailed terms, concluding legally binding agreements and receiving all necessary regulatory approvals. O2 and Vodafone aim to conclude these steps during 2019.

Mark Evans, CEO, Telefónica UK, said: "I'm excited by the potential of these plans to meet the future needs of our customers while delivering value for our business. In addition, these plans would allow us to utilise the spectrum we acquired in the last auction very effectively."

Nick Jeffery, CEO, Vodafone UK, said: "We believe that these plans will generate significant benefits for our business and our customers as we move into the digital era of connected devices, appliances and systems on a mass scale. Customers will benefit from the best 5G experience available and we will deliver even faster speeds by using our spectrum holding more effectively."

PRESS RELEASE

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About Telefónica UK / O2

O2 is a mobile network operator and the principal commercial brand of Telefónica UK Limited, which is part of the global telecommunications group Telefónica S.A, headquartered in Spain and operating in Europe, and North, Central and South America.

O2 was awarded Best Network Coverage in 2018 by uSwitch and with over 32 million connections to the network, it runs 2G, 3G and 4G services across the UK, as well as operating its nationwide O2 Wifi service.

The company is the network of choice for mobile virtual network operators such as giffgaff, Sky Mobile and Lyca Mobile as well as managing a 50:50 joint venture with Tesco for Tesco Mobile.

O2 has around 6,700 employees and over 450 retail stores and sponsors England Rugby, The O2 and 19 O2 Academy music venues across the UK. Through a comprehensive sustainability strategy O2 is also creating work experience opportunities for 16-24 year olds via its GoThinkBig platform, enabling customers to reduce their impact on the environment by recycling their old devices through O2 Recycle and, in partnership with the NSPCC, helping parents to keep their children safe online.

O2 is the only mobile operator in the 2018 Social Mobility Employer Index and was named as one of the best places to work in the 2018 Glassdoor Employee's Choice Award.

Telefónica UK Limited is registered in England and Wales. Registration number: 1743099. Its registered office is at: 260 Bath Road, Slough, Berkshire, SL1 4DX, United Kingdom.

About Vodafone UK

Vodafone UK connects people, businesses and devices to help our customers benefit from digital innovation. Our services span mobile, fixed line, broadband and the Internet of Things (IoT). We employ around 11,000 people across the UK, and operate more than 400 retail stores nationwide.

Having made the UK's first mobile phone call and sent the first text, Vodafone has a history as a tech pioneer. In 2018 we made the UK's first live holographic call using 5G, and were first to start carrying live 5G traffic from a site in Salford, Greater Manchester. Today we serve over 18 million mobile and fixed line customers in the UK, with 4G network coverage at 99%. Our customers voted us the UK's Best Mobile Network at the 2018 Trusted Reviews Awards for the second year in a row. To help deliver Gigabit UK, we are rolling out full fibre broadband across 10 cities in partnership with CityFibre, reaching one million homes and business by 2021.

Our ReConnect programme is supporting women and men back into work after a career break, our IoT technology is working to create a low-carbon society, and our free Digital Parenting magazine is helping families across the UK to navigate the online world safely. For two years running, we have been named a Top 100 Employer by Stonewall.

We are part of Vodafone Group, one of the world's largest telecommunications companies, with mobile operations in 25 countries, partnerships with mobile networks in 44 more, and fixed broadband operations in 18 markets.

For more information about Vodafone UK, please visit: www.vodafone.co.uk