



**Combination of Three UK
and Vodafone UK**
Building the UK's Digital Future



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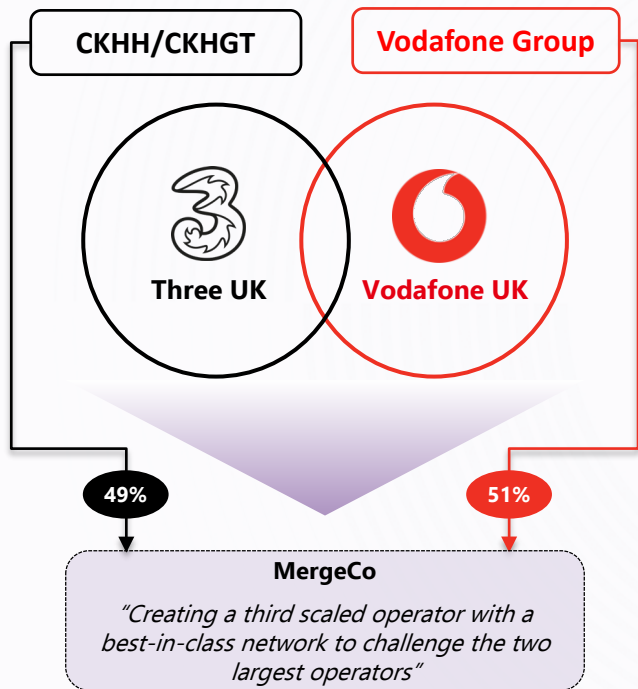
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Great for customers, great for the country, great for competition

Building the UK's digital future



1

Great for customers

- Creating a best-in-class 5G network for coverage and reliability in the UK
- From day one, customers will get coverage in more places, with higher speeds and less congestion

2

Great for the country

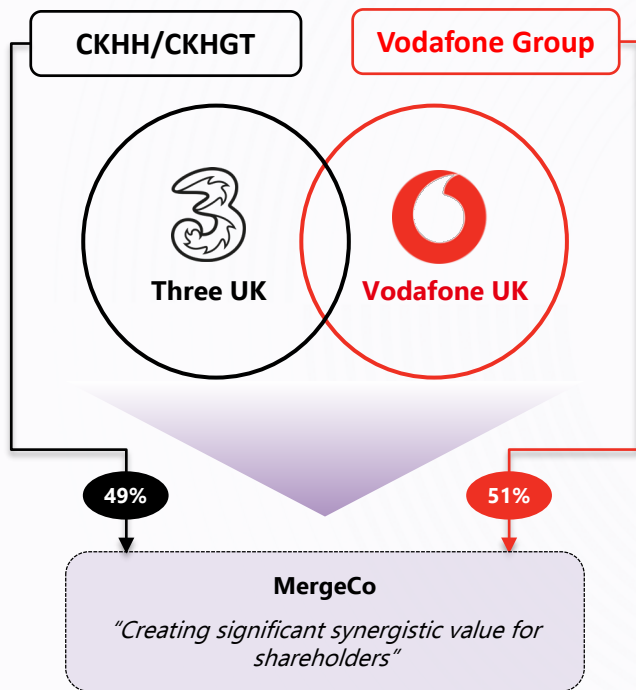
- Synergies created allow the creation of one of Europe's most advanced standalone 5G networks
- Fully aligned with the Government's Wireless Infrastructure Strategy, driving economic growth, innovation and jobs in all nations and regions in the UK

3

Great for competition

- Creating a third network operator with scale, competing across all technologies and driving network investment by all players in the UK market
- Level the competitive playing field, challenging the two largest operators, BT/EE and Virgin Media O2

Unlocking significant synergies for shareholders



		NPV⁽¹⁾ <i>(£bn)</i>	Run-rate⁽²⁾ <i>(£m)</i>
Network	<ul style="list-style-type: none"> Optimised combined network operational spending Capex savings driven by network consolidation 		
Technology	<ul style="list-style-type: none"> Consolidation of IT stacks Efficiency optimisation by merging technology backbones 	>7.0	>700
Operational	<ul style="list-style-type: none"> Rationalisation of retail footprint and combined marketing efforts Integration of business functions and cost savings 		
Revenue⁽³⁾	<ul style="list-style-type: none"> Growth in market subscribers through future-proof network performance Cross-selling opportunities between Three UK and Vodafone UK 	>3.0	c.100

(1) Post taxes and net of integration costs

(2) Synergies expected to be achieved in the fifth full year following completion, excluding integration costs

(3) Run-rate revenue synergies presented on EBITDA (under pre-IFRS16) impact basis

Creating the third network operator of scale in the UK

MergeCo Overview

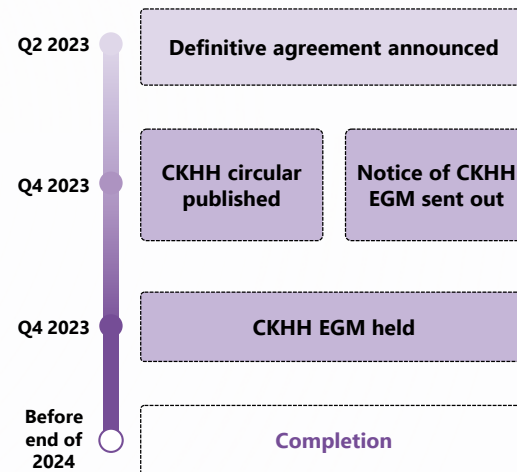
- **49% CKHGT / 51% Vodafone-owned** MergeCo
- Cash received⁽¹⁾
 - to **CKHGT: £1.7bn**
 - to **Vodafone: £4.3bn**
- **>£7.0bn⁽³⁾ NPV synergies** (post-taxes and integration costs) with run-rate synergies of >£700m⁽³⁾

MergeCo Governance

- MergeCo **net debt of c.£6bn** at closing and medium term **net debt target post-completion of 2.5x MergeCo EBITDA⁽²⁾**
- **Comprehensive joint governance framework** with each of CKHGT and Vodafone appointing 3 directors to the Board of MergeCo
- **Put/call options post an initial lock-up period** ending the 3rd full financial year following closing

MergeCo Completion

- **Completion expected before the end of 2024**, subject to regulatory clearances including from the UK's Competition and Markets Authority



(1) From the repayment of the shareholder debt

(2) EBITDA under pre-IFRS16 basis

(3) Excluding revenue synergies

Enhanced profitability and cash flow generation

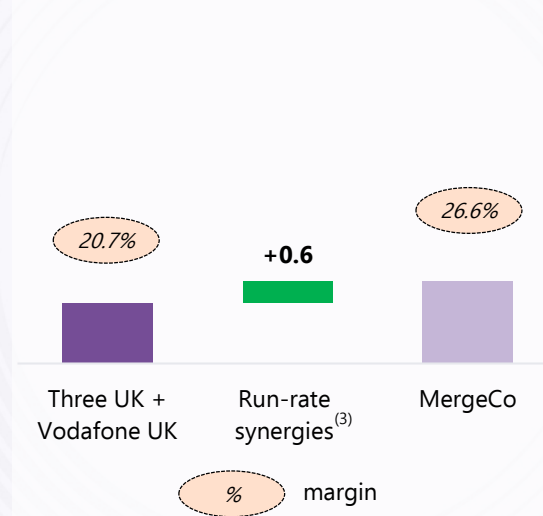
Revenue

(£bn, Mar-23 YE)



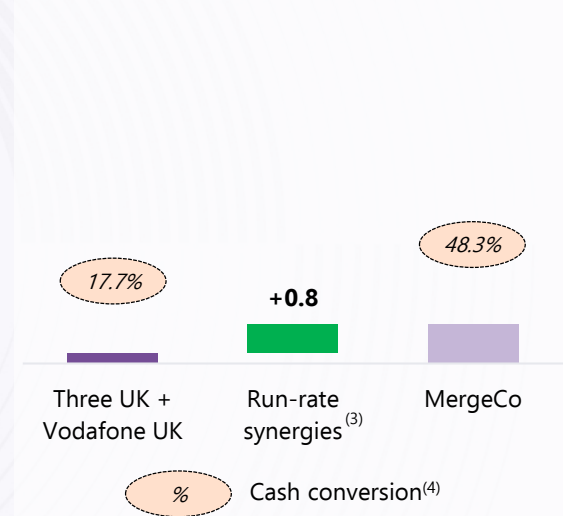
EBITDA⁽¹⁾

(£bn, Mar-23 YE)



OpFCF⁽²⁾

(£bn, Mar-23 YE)



- Significant uplift in EBITDA⁽¹⁾ margin and cash conversion
- Integration costs c.£500m most of which incurred in the first 5 years post closing

(1) EBITDA under pre-IFRS16 basis

(2) Defined as EBITDA less capex

(3) Synergies achieved in the fifth full year following completion, excluding integration costs

(4) Defined as OpFCF/EBITDA

Transforming the customer experience with best-in-class network

1 For customers

From Day 1

Transform customer experience



At least 7 million customers will benefit
from improved network performance



UK 4G coverage improving to 91%
**removing 25% of uncovered areas for
Vodafone and Three customers**

Value to UK consumers

- ✓ **Improved network**
at no extra cost
- ✓ **Flexible contract-free offers** with no annual price increases
- ✓ **Social tariffs**

More choice in home broadband



- ✓ Over 100Mbps speed on offer
- ✓ Fibre and FWA available to 75%+ of UK households

In the future

Best-in-class network, closing the rural divide in the UK

Population coverage



Leader in delivering the Government's Wireless Infrastructure Strategy

+99%

with a 5G standalone network by 2034

+95%

by 2030

Digital Innovation



Accelerate UK businesses' transformation

with improvements to productivity and efficiency from full 5G

Significant network capacity, reliability and speed increases

- ✓ **More than 2.5x increase in network capacity** by 2034⁽¹⁾, with 75% increase by 2029⁽¹⁾, directly due to the transaction
- ✓ Up to **6x increase in average customer speed** by 2034⁽¹⁾

(1) Compared to 2023

Turbocharging growth, employment and digital innovation

2 For the country

Increased investment

£11bn

To be invested over the next 10 years in creating **the UK's best-in-class 5G network**

Up to **£5bn per year⁽¹⁾** in UK economic benefit

Derived economic benefits to the UK owing to a **better 5G network, sooner**

c.8-12k new jobs⁽²⁾

Created in the wider economy as a result of the transaction

Accelerate levelling-up



Supporting the industries of the future and the UK's ambition to be a **European technology leader**



Public services among the largest beneficiaries with c.£1.3bn per year



5G equipment can be **up to 90% more energy efficient** per GB than 4G

Optimising energy consumption by installation of **energy efficient 5G equipment⁽³⁾**

(1) By 2030, including digital transformation support for schools, hospitals, and businesses assuming c-band 5G is a General Purpose Technology with widespread adoption

(2) Analysis using government data

(3) Replacing less efficient 2G+3G systems

More network, retail and broadband competition

3 For competition: creation of a third operator with scale

More network investment

Standalone 3 UK & V UK today: sub-scale operators



- **10% and 20%** respective mobile market shares for 3 UK and V UK
- **ROCE lower than cost of capital** for 3 UK and V UK at 1-2%

MergeCo will have the necessary scale to invest, grow and compete



- Creation of a **third scaled operator focused on wireless technology**, able to roll out a best-in-class 5G network and **meet the challenge of exponential traffic growth** on a sustainable basis

Creating a player with sufficient scale and the ability to compete across all technologies, increasing competition to the two largest operators BT/EE and Virgin Media O2

More retail mobile competition

Better ability to compete

- Market-leading network quality **giving customers better value**
- Knock-on **benefit for MVNOs**, which represent c.17%⁽¹⁾ of UK subscribers:
 - c.90% of MVNO subscribers are on the incumbent BT/EE or VMO2 networks
 - Improved scale and network quality offers the UK's MVNOs better choice for wholesale partnerships

More retail broadband competition

Even more effective home broadband challenger



(1) GSMA intelligence

Transaction both enhances the UK telecoms market and aligns with CK Hutchison's strategic ambitions



Creating a third scaled operator with the best-in-class network to challenge the two largest operators



Creating benefits for the customer, for the country, and for competition



Significant value creation with network, technology, operational and revenue synergies



Earnings and cashflow accretive transaction for CKHGT/CKHH⁽¹⁾

(1) Proforma run-rate synergies basis



Q & A