

Vodafone UK + Three UK

June 2023



Great for customers, country & competition

Vodafone UK + Three UK

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A : Great for customers, country & competition



Customers

- 1 Better network
- 2 Better value
- 3 More choice in home broadband

- Combining networks results in more coverage, more speed and less congestion from day 1
- With no change to each operator's pricing strategy, customers will receive more
- Multi-brand strategy providing service to all customers on all technologies including the widest choice of high speed home broadband



Country

- 4 Turbocharge growth & employment
- 5 Accelerate levelling up
- 6 Spur a new wave of digital innovation
- 7 Move to net zero by reducing carbon emission

- MergeCo will invest £11 billion over 10 years to create the UK's biggest 5G network boosting economic growth and employment
- Bring 5G coverage to >99% population throughout the UK by 2034 and >95% 4G geographic coverage by 2027
- Accelerate UK businesses' transformation with improvements to productivity and efficiency from full 5G access
- Reduce energy consumption by installing more energy efficient 5G equipment and using smart technology to enable others to reduce their emissions



Competition

- 8 More network competition
- 9 More retail mobile competition
- 10 More retail broadband competition

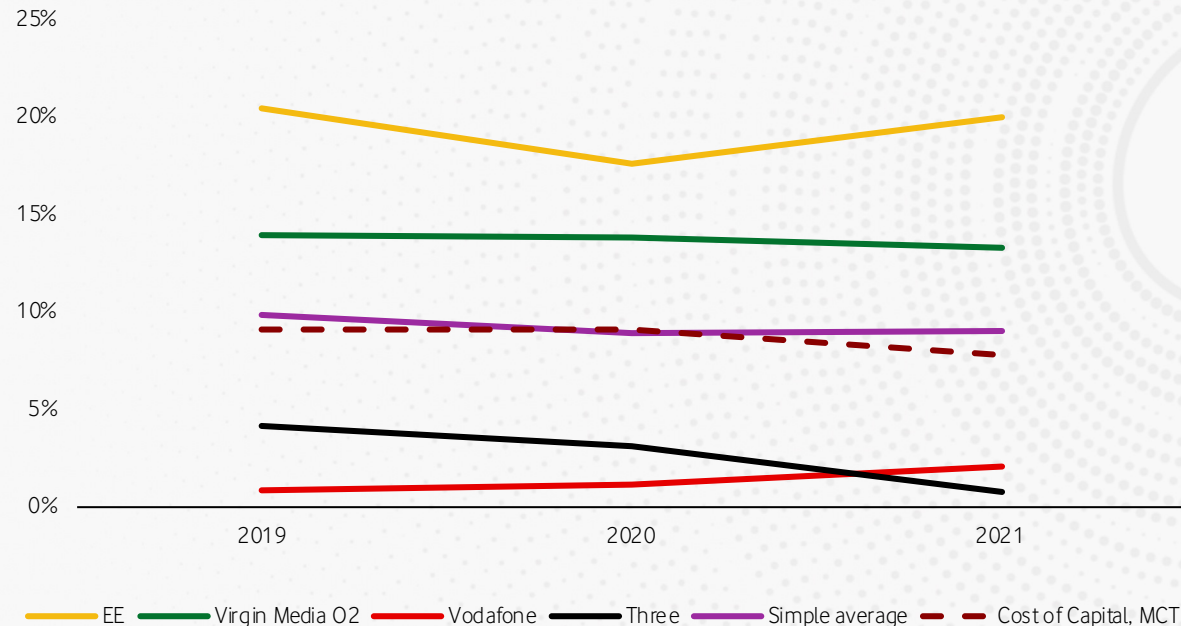
- Merger creates a third network operator with scale, fiercely competing across all technologies and driving network investment by all players
- Creates more effective competition to the market leaders in dynamic mobile market
- Become an even more effective challenger on home broadband, accelerating the availability of fixed wireless access ('FWA') to complement UK's fibre footprint

A : Great for customers, country & competition

Fixing unsustainable sub-scale economics...

Extract from UK Wireless Infrastructure Strategy (Chart 3) & Ofcom's future approach to mobile markets & spectrum (Figure 4.2)

Economic ROCE by MNO, pre-tax nominal including 5G spectrum



Source: Ofcom calculations based on publicly available from financial statements and Ofcom Annual License Fee (ALF) decisions. The cost of capital (pre-tax nominal) comes from Ofcom's charge control decisions for mobile call termination (MCT) over the relevant period.

... enabling MergeCo to deliver on promises

Creates a more effective UK mobile competitor with the necessary scale to invest in best-in-class 5G including nationwide 5G FWA, driving further network, retail mobile and fixed broadband competition, and through converged offers providing a real challenge to the two scaled converged network operators

Enabled by **best-in-class 5G network** providing the scale needed to sustainably invest more than £11 billion over 10 years in the acceleration of 5G rollout to complement Vodafone's broadest full-fibre footprint accessed through asset-light partnerships

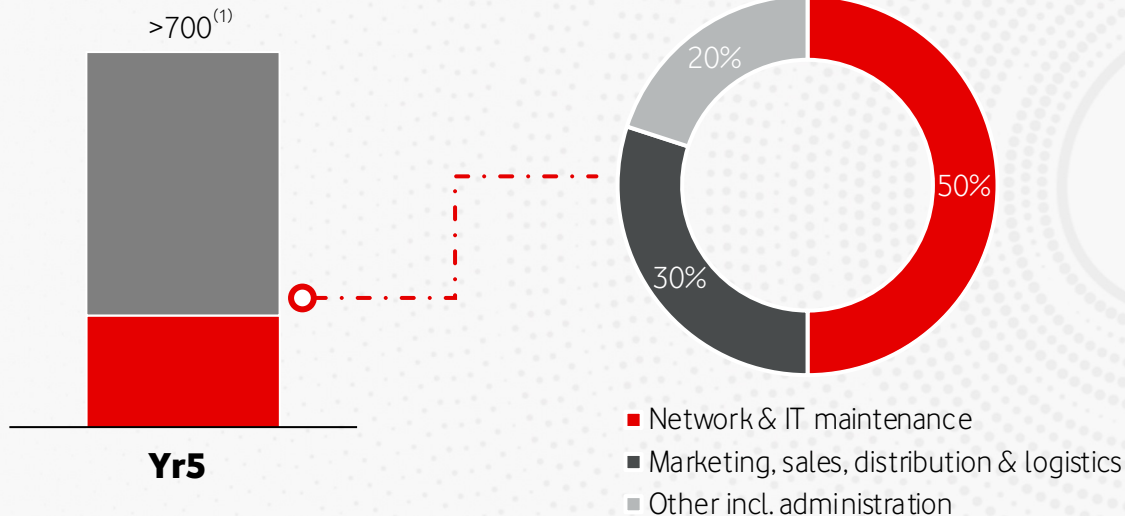
Unlocks new 'Mobile Fibre' (5G FWA) nationwide offer, providing customers access to up to gigabit broadband speeds

Levels up the digital and network experience for customers improving opportunities for customer retention and converged cross-selling potential

B : Value-creating merger | Significant synergy potential

Cost synergies (£m)

■ Capex ■ Opex & Direct costs



Scale benefits driving >£700m annual savings⁽¹⁾ in Yr5

Bringing together our network infrastructure, which allows to run and scale the network at lower unit costs compared to standalone capabilities

Consolidation of IT systems

Rationalisation of the combined marketing, sales, distribution and logistics activities

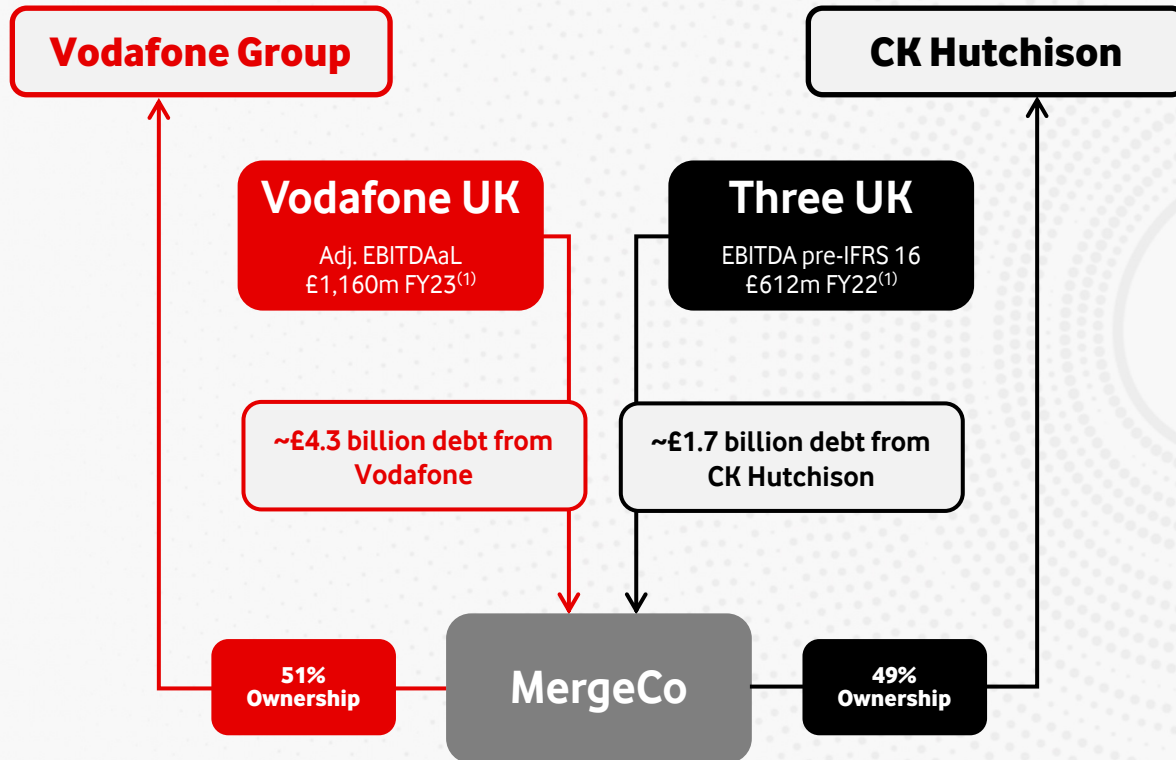
Efficiencies in general & administration costs

Integration costs c.£500 million most of which incurred in the first 5 years post closing

>£7 billion NPV of total cost & capex synergies
Excludes opportunity to realise material revenue synergies

B : Value-creating merger | Structure & key terms

Transaction structure



Key terms

Vodafone UK and Three UK are contributed with different debt amounts at closing to achieve a 51:49 ownership split (no external debt)

Initial debt contributions to be ~£6 billion

Vodafone and CK Hutchison have agreed a comprehensive joint governance framework for MergeCo

Aggregate consolidated free cash flow will be distributed to shareholders, subject to a target aggregate consolidated net financial debt of 2.5x MergeCo's 12-month rolling EBITDAaL

Three years after completion, Vodafone will have the right to acquire CK Hutchison's 49% stake in MergeCo ("Call Option"), and CK Hutchison will have the right to sell its 49% stake in MergeCo to Vodafone ("Put Option")

Notes

(1) See Appendix I for further information

B : Value-creating merger | Comprehensive governance framework

Vodafone & CK Hutchison have agreed a comprehensive joint governance framework for MergeCo

Board	<ul style="list-style-type: none">• Six-person Board, comprising three directors appointed by Vodafone and three directors appointed by CK Hutchison
Executive team	<ul style="list-style-type: none">• Vodafone has right to nominate the CEO and CK Hutchison the CFO• Current Vodafone UK CEO Ahmed Essam will assume the role of MergeCo CEO. Current Three UK CFO Darren Purkis will assume the role of MergeCo CFO• Employees of both businesses will be afforded equal opportunities for relevant positions in the combined business
Reserved matters	<ul style="list-style-type: none">• Vodafone and CK Hutchison will have customary reserved matters in relation to governance of MergeCo• Vodafone will have a casting vote in relation to MergeCo's business plan and budget
Intercompany & transitional services	<ul style="list-style-type: none">• Vodafone has agreed to provide a suite of services to MergeCo post completion• MergeCo will benefit from the scale and efficiencies of the wider Vodafone group
Shareholder dividend	<ul style="list-style-type: none">• MergeCo's aggregate consolidated free cash flow will be distributed to the shareholders at least on an annual basis• Subject to a target aggregate consolidated net financial debt of 2.5x MergeCo's 12-month rolling EBITDAaL
Put/call framework	<ul style="list-style-type: none">• CK Hutchison put/Vodafone call framework subject to an independent valuation process• CK Hutchison put/Vodafone call can be exercised in any financial year after the third full financial year from transaction completion

C : Financial effects & timetable

Financial effects : Leverage neutral + FCF accretive from 4th full year

Leverage	<ul style="list-style-type: none"> Broadly neutral on Vodafone's Net debt to Adjusted EBITDAaL No cash consideration to be paid or received
Funding	<ul style="list-style-type: none"> MergeCo will have no external debt at closing
Consolidation	<ul style="list-style-type: none"> MergeCo will be consolidated in Vodafone's financial statements
Adjusted EBITDAaL	<ul style="list-style-type: none"> Substantial cost efficiencies due to the in-market nature of the combination Most of integration costs to be incurred in the first 5 years
Adjusted FCF	<ul style="list-style-type: none"> Expected to be accretive from the 4th full year onwards

Summary indicative financial information

(€million)	Vodafone UK FY23 ⁽¹⁾	Three UK FY22 ⁽¹⁾	Year 5 Synergies	Integration costs ⁽²⁾
Total revenue	5,899	2,520	Excluded	
Adjusted EBITDAaL	1,160	-	>700	c.(500)
EBITDA pre-IFRS 16	-	612		
Estimated charges from Vodafone Group	(253)	-		
Capex (accrual basis)	(766)	-		
Capex (cash)	-	(743)		
Illustrative operating free cash flow	141	(131)		

Notes

(1) See Appendix I for further information

(2) Cumulative integration costs, most of which will be incurred in the first five years post-completion

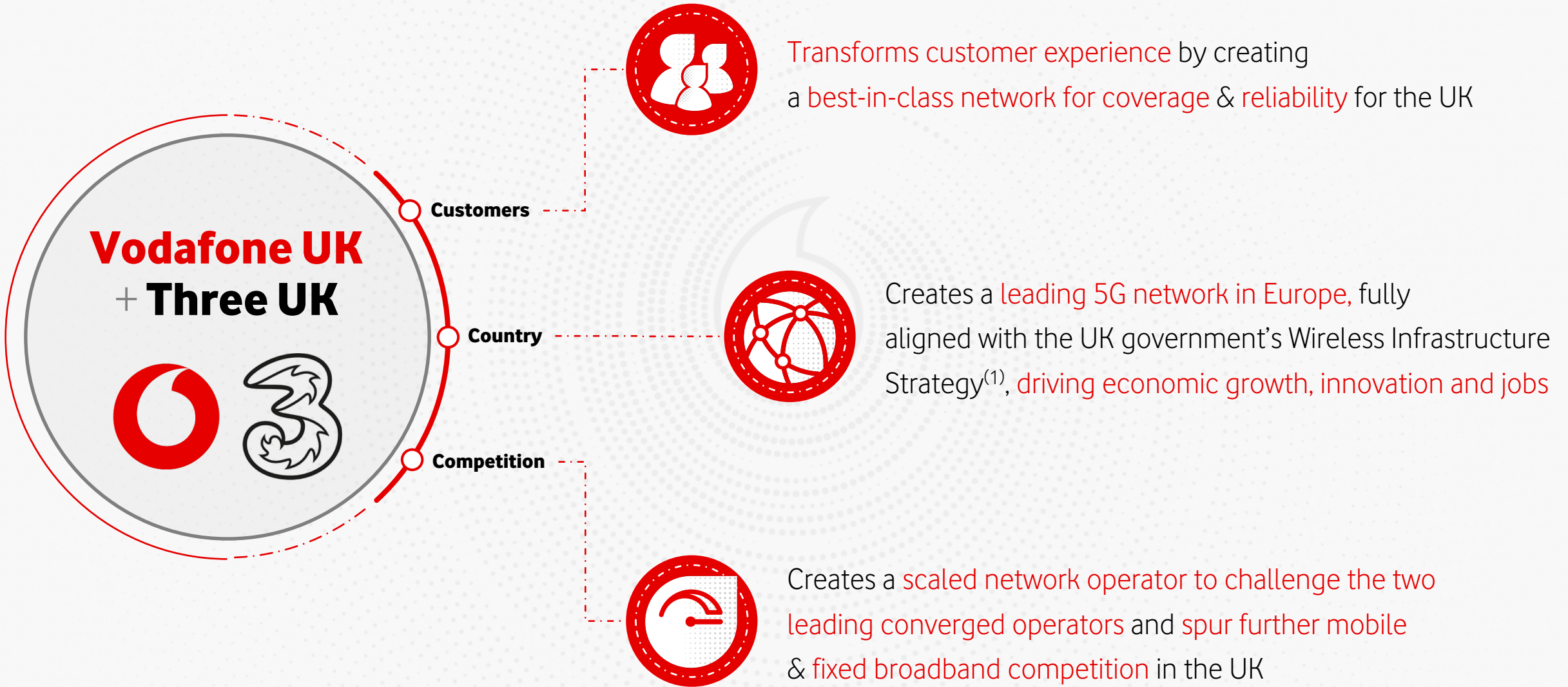
C : Financial effects & timetable

Timetable : Completion expected in 2024

- The Put Option and certain other transaction terms constitute Class I transactions for Vodafone under the UK Listing Rules and will, as at the date of this announcement, require the approval of Vodafone's shareholders.
- Vodafone will, to the extent required at the relevant time, publish a circular to shareholders convening a meeting to approve the Put Option and the arrangements described as part of the Transaction terms.
- The Transaction constitutes a major transaction for CK Hutchison under the Listing Rules for the Hong Kong Stock Exchange and will be subject to shareholder approval. Shareholders of CK Hutchison, having an aggregate of approximately 30%, as at the date of this announcement, have provided an irrevocable commitment to vote in favour of the Transaction.
- The Transaction is subject to certain regulatory conditions, including clearance from the UK's Competition and Markets Authority and approval under the UK National Security and Investment Act

Completion of the Transaction is expected to occur before the end of 2024, subject to shareholder & regulatory approvals

Vodafone UK + Three UK : Great for customers, country & competition



Appendices

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- II Importance notice *p13*

Provide investor feedback here :

investors.vodafone.com/feedback

Appendix I

Summary financial information

Three UK : Key indicative financial information⁽¹⁾

(£ million)	Year ended 31 December	
	2022	2021
Total revenue	2,520	2,444
EBITDA pre-IFRS 16	612	609
Capex (cash basis)	(743)	(784)
Illustrative operating free cash flow	(131)	(175)

Vodafone UK : Key indicative financial information⁽²⁾

(£ million)	Year ended 31 March	
	2023	2022
Total revenue	5,899	5,602
Adjusted EBITDAaL	1,160	1,176
Estimated charges from Vodafone Group	(253)	(253)
Capex (accrual basis)	(766)	(690)
Illustrative operating free cash flow	141	233

Notes

(1) The financial information on Three UK set out above has been extracted from information previously published by CK Hutchison and was prepared in accordance with CK Hutchison's accounting policies and definitions. No adjustments have been made to align the financial information presented to Vodafone's definitions or accounting policies (see notes 16 and 17 in accompanying transaction announcement). Additionally, consolidated financial statements have not historically been prepared for the Three UK perimeter, which may require further adjustments to be recognised. The financial information on Three UK contained in any Class 1 Circular issued by Vodafone in connection with the Transaction may therefore differ materially from the financial information set out above.

(2) The financial information on Vodafone UK set out above has been extracted from the underlying consolidation schedules used in preparing the Vodafone consolidated financial statements for the years ended 31 March 2023 and 31 March 2022. See note 18 of the accompanying transaction announcement for further information.

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Upcoming events



FY24 Q1 Results



Annual General Meeting



FY24 interim results