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TELEFÓNICA UK AND VODAFONE UK PRESS AHEAD WITH NATIONWIDE NETWORK UPGRADE

Telefónica UK and Vodafone UK welcome the news that the regulatory authorities have given them the green light to proceed with previously announced plans to strengthen their existing network collaboration. The two companies will now pool the basic parts of their network infrastructure to create one national grid which will support two independent and competing networks delivering mobile coverage and mobile internet services to the vast majority of UK households.

The scheme will deliver real benefits for today's mobile phone users, offering indoor 2G and 3G coverage to 98% of the UK population by 2015. It will also lay the foundations for two competing 4G networks*, delivering nationwide services that meet the regulatory requirement of 98% population coverage, up to two years before Ofcom's deadline of 2017.

Ronan Dunne, CEO Telefónica UK said: *"This partnership is about working smarter as an industry, so that we can focus on what really matters to our customers – delivering a superfast network up to two years faster than Ofcom envisages and to as many people as possible. One physical grid, running independent networks, will mean broader coverage and, crucially, investment in innovation and better competition for the customer. We look forward to Ofcom's spectrum auction and the release of 800 spectrum."*

Guy Laurence, CEO Vodafone UK said: *"This is excellent news for British consumers, businesses and the wider economy: we are promising indoor coverage for 98% of the UK population across all technologies within three years. We will bring the best mobile coverage that this country has ever enjoyed to more people than ever before. Our existing customers will benefit on the devices that they have today and we will lay the foundations for the real 4G network they will want tomorrow."*

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Notes to editors

Telefónica UK and Vodafone have been engaging with Ofcom and the Office of Fair Trading. In August, Telefónica UK and Vodafone formally submitted to the OFT their plans to create a new company, to be called CTI Ltd, to own and manage Vodafone and Telefónica UK's basic network infrastructure, including masts, across the country. This deal essentially solidifies our existing Cornerstone collaboration by creating a legal entity.

Separately, Ofcom examined the parties' plans for each operator to take responsibility for the design, management and maintenance of the radio equipment and local transmission on one half of the country. Under these plans, Telefónica will manage the network in the east of England, Scotland and Northern Ireland, and Vodafone in the west of England and Wales.

Both companies will retain complete control over their wireless spectrum, intelligent core networks and customer data. They will continue to actively compete with each other in all products and services, enabled through the 'intelligent' parts of their networks.

*Subject to the outcome of Ofcom's auction of the wireless spectrum required for 4G services.

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