

17 March 2014

VODAFONE TO ACQUIRE GRUPO CORPORATIVO ONO, S.A.

Key highlights

- Vodafone has agreed to acquire Ono for a total consideration equivalent to €7.2 billion (£6.0 billion) on a debt and cash free basis.
- Ono has the largest next-generation network in Spain with approximately 7.2 million homes released to marketing serving 1.9 million customers in 13 of Spain's 17 regions*. It is the market leader in high speed broadband, offering superior speeds and the most innovative pay-TV service in Spain. The network has abundant spare capacity and a future-proof fibre architecture.
- The Transaction accelerates Vodafone's unified communications strategy in a key, highly converged European market, providing a significant time-to-market advantage and network reach that is complementary to Vodafone Spain's ongoing FTTH build programme**.
- Vodafone expects to achieve cost and capex synergies with a run-rate of approximately €240 million (£200 million) before integration costs by the fourth full year post completion, equivalent to a net present value of approximately €2.0 billion (£1.7 billion) after integration costs.
- Vodafone sees a significant opportunity to accelerate growth in unified communications products and services by leveraging its extensive distribution and marketing capabilities and through cross-selling to each company's customer base. Vodafone estimates revenue synergies with a total net present value of approximately €1.0 billion (£0.8 billion).
- The Transaction values Ono at a multiple of 7.5x 2013 EBITDA and 10.4x 2013 OpFCF, adjusted for cost and capex synergies***.
- The Transaction is expected to be accretive to adjusted EPS**** and FCF per share from the first full year post completion after cost and capex synergies and before integration costs.

Vodafone Group Chief Executive Vittorio Colao said:

"The combination of Vodafone and Ono creates a leading integrated communications provider in Spain and represents an attractive value creation opportunity for Vodafone. Demand for unified communications products and services has increased significantly over the last few years in Spain, and this transaction – together with our fibre-to-the-home build programme – will accelerate our ability to offer best-in-class propositions in the Spanish market. We look forward to welcoming the management and employees of Ono to Vodafone and working together to serve our customers across Spain".

The Chairman of the Ono Board of Directors José María Castellano Ríos said:

"This transaction reflects Ono's attractive position as Spain's leading provider of high speed broadband, premium pay-TV and fixed communications. As part of Vodafone, Ono will continue to seize new growth opportunities and deliver the quality that our customers expect. The enlarged business is also expected to drive innovation in the Spanish telecommunications industry."

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Introduction

Vodafone Holdings Europe S.L.U. ("Vodafone") announces today that it has agreed to acquire 100% of the share capital of Grupo Corporativo Ono, S.A. ("Ono" or the "Company") for a total consideration equivalent to €7.2 billion (£6.0 billion) on a debt and cash free basis (the "Transaction").

Ono has the largest next-generation network ("NGN") in Spain, with approximately 7.2 million homes released to marketing in 13 of Spain's 17 regions*, reaching more than 300 municipalities, including the nine largest cities. Ono offers fixed and mobile communications and television services to approximately 1.9 million customers.

Principal benefits

Highly attractive standalone business

Ono is the leading NGN operator in Spain with 7.2 million homes released to marketing (equivalent to 41% of total homes in Spain), providing its customers with broadband speeds in excess of 200 Mbps and the country's most innovative pay-TV service through TiVo.

Ono has invested approximately €7 billion in its network since 1998. This has been built to a high standard with a consistent design across the entire footprint to deliver high speed broadband and telephony services. The network has a future-proof fibre architecture with 500 homes per node and abundant spare capacity within its 862 MHz spectrum. It has been fully upgraded to DOCSIS 3.0, and further upgrades to network speeds and capacities can be achieved at relatively limited cost as Ono owns circa 96% of ducts in its access network.

Significant acceleration of Vodafone's unified communications strategy in a key European market

The Transaction enables Vodafone to take advantage of the rapid increase in the adoption of unified communications products and services in the Spanish market and provides Vodafone with immediate access to 7.2 million homes at a significant time-to-market advantage. Ono's network is complementary to Vodafone's fibre-to-the-home ("FTTH") build programme** which will be refocused towards areas where Ono has limited or no network presence. Vodafone intends to complete its FTTH rollout to 1.5 million homes passed, providing it with access to a NGN network covering up to 10 million homes released to marketing, equivalent to 57% of total Spanish homes.

In-market consolidation with substantial cost and capex savings

The Transaction is expected to generate significant cost and capex savings with an annual run-rate of approximately €240 million (£200 million), before integration costs, in the fourth full year post completion, equivalent to a net present value of €2.0 billion (£1.7 billion) after integration costs. The savings will be primarily derived from utilising Ono's network for mobile backhaul, limiting Vodafone's FTTH build plan to the initial 1.5 million homes passed, the rationalisation of overlapping activities and the migration of Ono's mobile traffic to Vodafone's network.

Significant potential to accelerate growth in Spain

Vodafone will be able to leverage its extensive distribution network to increase the penetration of Ono's homes released to marketing, which is currently lower than any other major European cable operator. There is also a significant opportunity to cross-sell Ono's high quality broadband, fixed telephony and pay-TV offerings to Vodafone's existing customers. Vodafone also expects to be able to cross-sell its mobile services to Ono's customers and offer new services, using both companies' product sets and networks. Vodafone estimates revenue synergies with a total net present value of approximately €1.0 billion (£0.8 billion) after integration costs.

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Significantly value-accretive transaction

The Transaction values Ono at a multiple of 7.5x 2013 EBITDA and 10.4x 2013 OpFCF adjusted for cost and capex synergies***. The Transaction comfortably meets Vodafone's M&A criteria and is expected to be accretive to Vodafone's adjusted EPS**** and FCF per share after cost and capex and before integration costs from the first full year post completion.

Ono management and employees

Vodafone values the expertise of Ono's management team and employees and will work closely with them to support the integration with Vodafone. As in similar recent transactions, Vodafone would expect Ono's management to become an integral part of the local management team, focused on the broadband, fixed telephony and pay-TV segments of the combined business. Ono's employees will also benefit from a broader range of international career opportunities available across the Vodafone Group.

Financing

Vodafone will finance the Transaction from its existing cash resources and committed but undrawn bank facilities.

Additional information on Ono and the Transaction

For the twelve months ended 31 December 2013, Ono reported revenue of €1,598 million (£1,324 million), EBITDA of €680 million (£563 million) adjusted to remove a €6 million PPA non-cash item, operating profit of €269 million (£223 million) and loss before tax of €41 million (£34 million). As at 31 December 2013, Ono reported gross assets of €5,393 million (£4,468 million). As at 31 December 2013, Ono had approximately 2,500 employees.

The Transaction is subject to customary terms and conditions, including anti-trust clearances by the relevant competent authorities. Vodafone expects the Transaction to complete in calendar Q3 2014.

Morgan Stanley is acting as financial adviser to Vodafone in connection with the Transaction. The Board of Vodafone Group has also received advice from Robertson Robey Associates LLP.

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Investor and analyst call

Vodafone is hosting a conference call today for analysts and investors which will start promptly at 08:30 a.m. (London time). Please dial into this conference call using the following dial-in numbers:

Tel:	+44 (0) 20 3426 2845
UK Toll Free:	0808 237 0033
US Toll:	+1 646 722 4897
US Toll Free:	+1 877 841 4558

The conference call will also be webcast live from www.vodafone.com/investor

The associated presentation will also be available for download today at 08:15 a.m. (London time) via the following link: www.vodafone.com/investor

There will be a replay facility available for seven days:

Tel:	+44 (0) 20 3426 2807
UK Toll Free:	0808 237 0026
US Toll Free:	+1 866 535 8030
Pin:	646931#

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Notes to Editors

* Andalusia, Aragon, Balearic Islands, Canary Islands, Cantabria, Castile-La Mancha, Castile and Leon, Catalonia, Valencian Community, La Rioja, Madrid, Region of Murcia, Navarra.

** See http://www.vodafone.com/content/index/media/vodafone-group-releases/2013/fibre_spain.html

*** Based on 2013 EBITDA of €680 million and 2013 OpFCF of €416 million (excluding a €6 million PPA non-cash item), adjusted for run-rate cost and capex synergies before integration costs in the fourth full year post completion of €240 million and adjusted for the value of net operating losses.

**** Excludes purchase accounting adjustments relating to the Transaction.

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About Vodafone

Vodafone is one of the world's largest telecommunications companies with approximately 419 million customers in its controlled and jointly controlled markets as of 31 December 2013. Vodafone has equity interests in telecommunications operations in nearly 30 countries and around 50 partner networks worldwide. For more information, please visit: www.vodafone.com

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Morgan Stanley

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