



Acquisition of Ono

Investor presentation

17 March 2014

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Transforms Vodafone Spain into a leading unified communications operator

1 Highly attractive standalone business

- Largest NGN network in Spain with 7.2m HRTM¹
- Modern cable network with future-proof fibre architecture
- Market leader in high speed broadband, differentiated pay-TV offering
- High quality customer base with resilient ARPU

2 Accelerates our convergence strategy in a key European market

- Significant time to market advantage over pure self-build option
- Achieve scale in fixed line with 1.5m broadband and 0.8m TV customers
- Complements FTTH rollout with Orange

3 In-market consolidation with significant cost/capex synergies

- Low operational execution risk
- Run-rate cost and capex synergies by year 4 of ~€240m (~£200m)²
- Total NPV of cost and capex synergies of ~€2.0bn (~£1.7bn)³

4 Significant potential to accelerate growth in Spain

- Opportunity to increase penetration from extensive distribution capabilities
- Ability to cross-sell to each company's customer base
- Potential to generate revenue synergies with a NPV of €1.0bn (£0.8bn)³

5 Value accretive transaction

- Comfortably meets Vodafone's M&A criteria
- Accretive to adjusted EPS and FCF per share from the first full year post completion⁴
- 7.5x 2013 EBITDA and 10.4x 2013 OpFCF adjusted for run-rate synergies⁵

1. Homes released to marketing
2. Based on run-rate cost and capex synergies achieved in the fourth full year following completion, before integration costs

3. After integration costs
4. After cost and capex synergies and before integration costs
5. Based on run-rate cost and capex synergies achieved in the fourth full year following completion, before integration costs and after adjusting for the value of NOLs



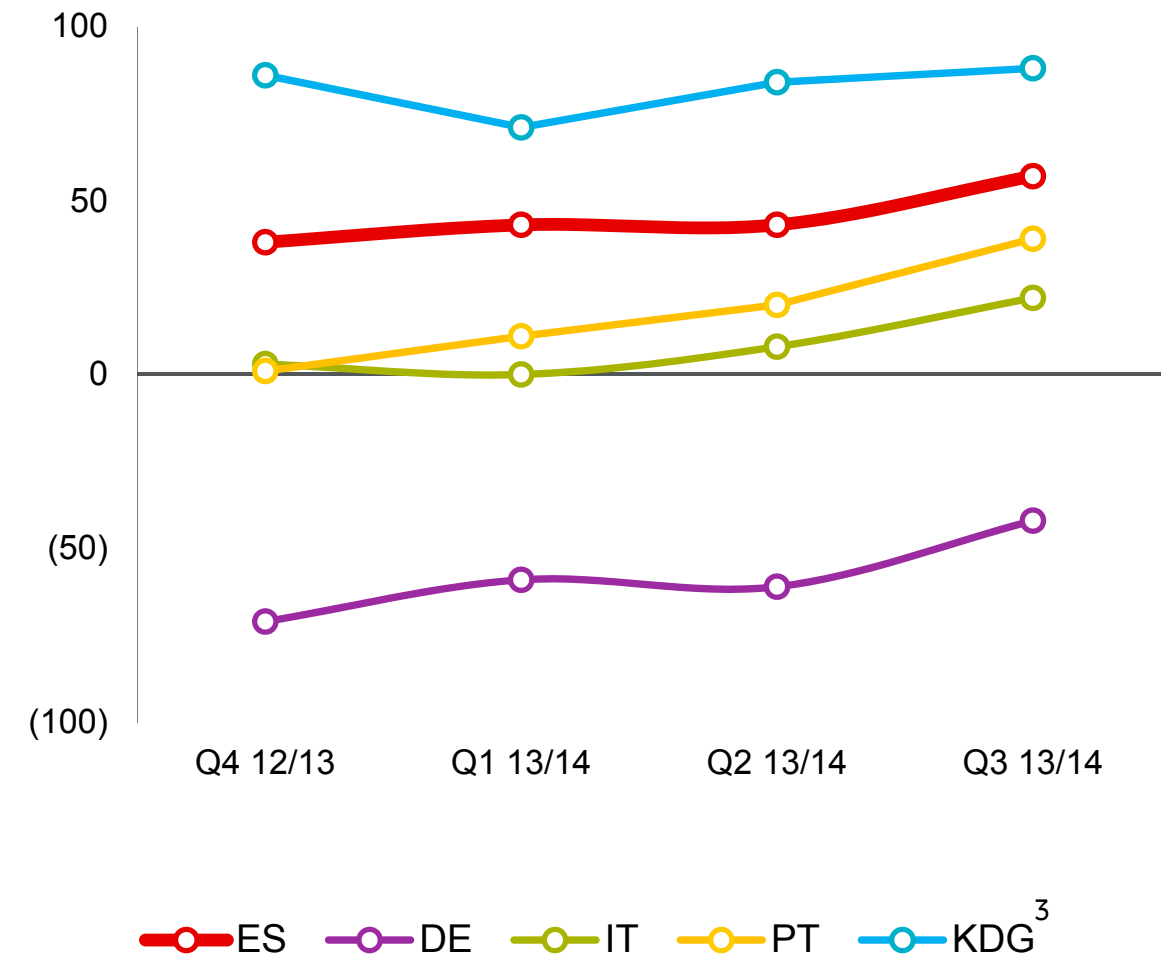
Making good progress on unified communications strategy

Approach

NGN¹ wholesale	<ul style="list-style-type: none"> • Italy: 37 cities (FTTH Milan + VDSL other cities) • Germany: VDSL, 27% coverage • Netherlands: Reggefiber; 21% coverage
Fibre deployment	<ul style="list-style-type: none"> • Italy: Self-build FTTC • Portugal: Co and self-build, over 700k HH² passed • Spain: Commercial FTTH launch April 2014
M&A	<ul style="list-style-type: none"> • Spain: Ono acquisition • Germany: KDG acquisition, integration to commence in April • UK: CWW acquisition in 2012; successful integration

Improving fixed line net adds

Vodafone fixed line net adds ('000)

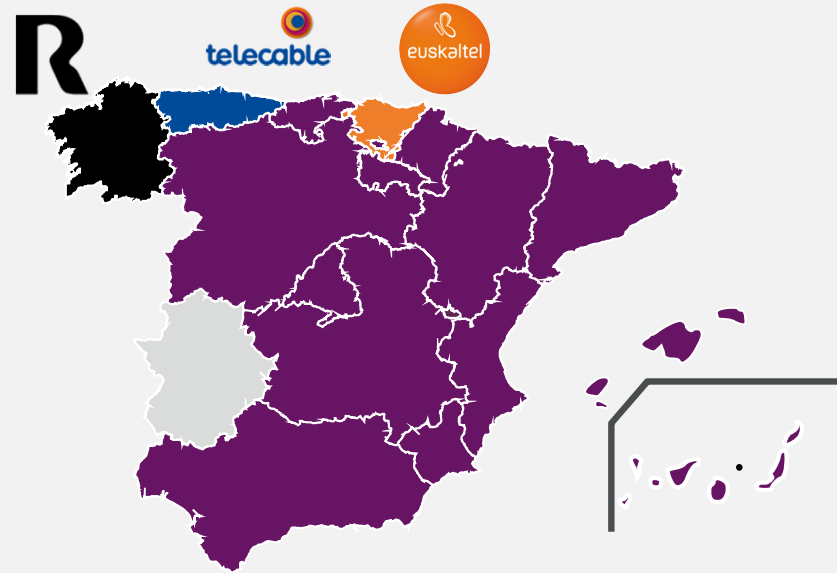


1. NGN = Next Generation Network
2. HH = Households or premises
3. Internet and phone business

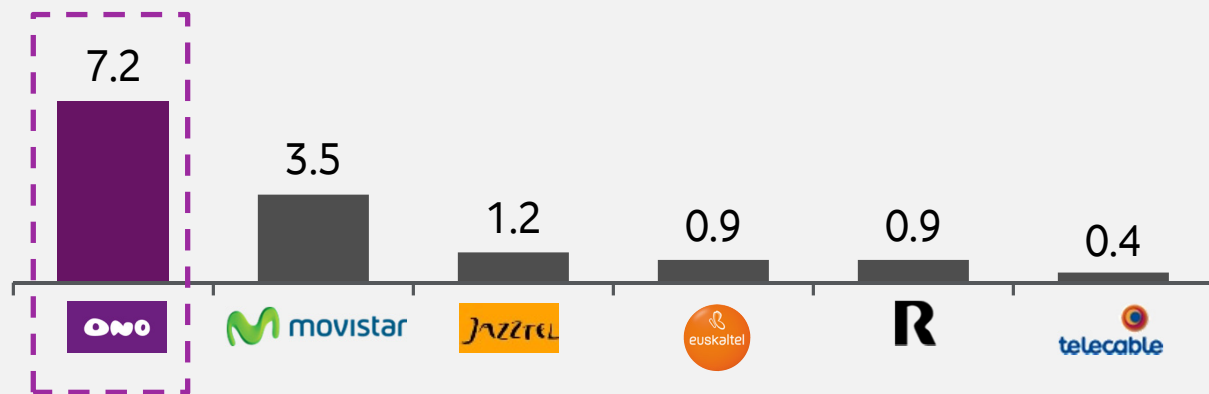


Highly attractive standalone business

Coverage across 13 of Spain's 17 regions



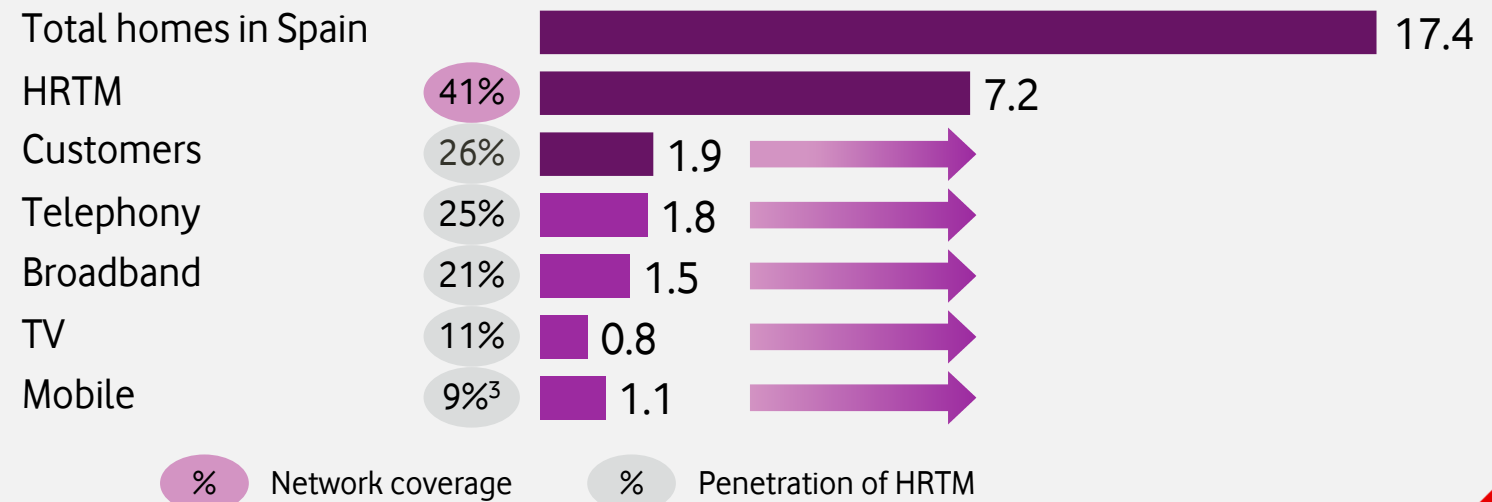
Largest NGN network¹ (Homes passed)



Key financials Year ended December 2013 (€m)

Revenue	1,598
EBITDA ²	680
EBITDA margin	42.6%
OpFCF ²	416

Substantial upside to penetration



1. Based on company information
2. Adjusted to remove €6m PPA non-cash item
3. Average of 1.7 mobile lines per mobile subscriber at 31 December 2013



One of the most modern cable networks in Europe

- ✓ Unrivalled NGN coverage
 - 7.2m homes released to marketing
 - 41% of Spanish homes
- ✓ Ample spare capacity with future-proof fibre architecture
 - All 862 MHz with abundant spectrum capacity
 - Fully DOCSIS 3.0 enabled
 - 500 homes per fibre node
- ✓ Build commenced in 1998, approx. €7bn invested
 - Designed to deliver broadband and telephony services
- ✓ Over 96% of ducts in access network owned by Ono

Future-proof network

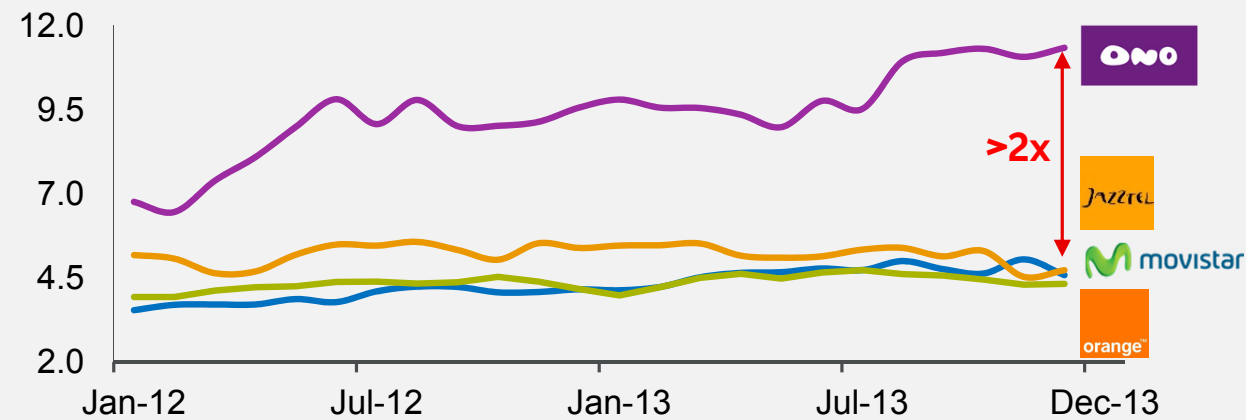
		<i>Increase capacity per HRTM</i>	
Today	Each service group is associated with 8 fibre nodes (1 service group = 4,000 HRTM)	x1	
1 Service group logical split	Assign one service group with one fibre node (1 service group = 500 HRTM)	x8	<i>No civil works required</i>
2 Fibre node logical split	Separate the 4 individual lines per fibre node (1 service group = 125 HRTM)	x32	<i>No civil works required</i>
3 Fibre to last amplifier	Extend fibre by moving fibre node to the last amplifier (1 service group = 50 HRTM)	x80	<i>Some civil works necessary</i>



Leading products and services support resilient ARPU

Superior download speeds

Median download throughput (Mbps)¹



Innovative pay-TV proposition

Exclusive TiVo



TV online & multi-screen



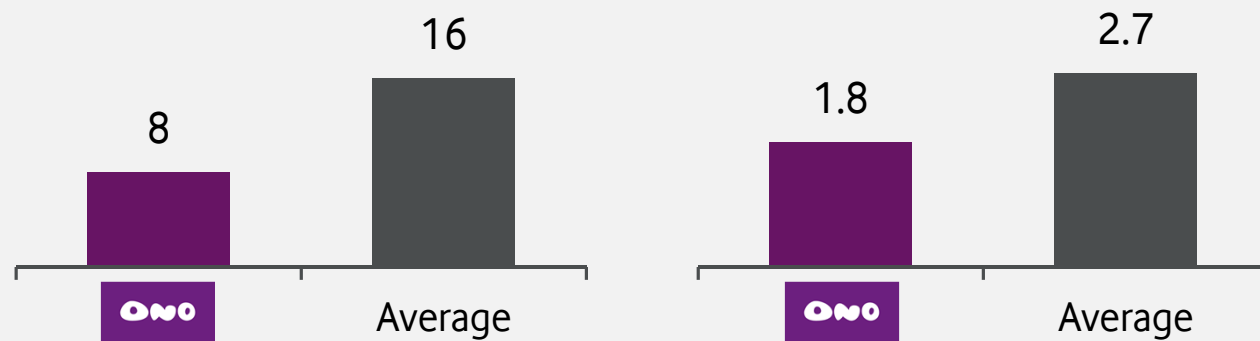
HD leadership - 37 HD channels



Leading quality service provider

Time to provide internet access (days)

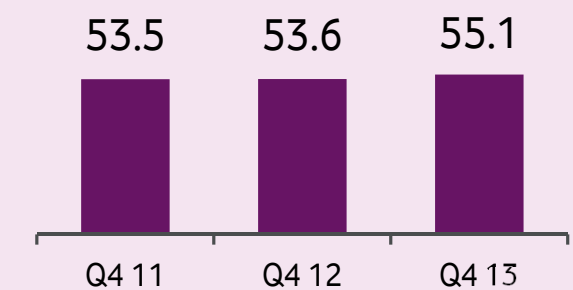
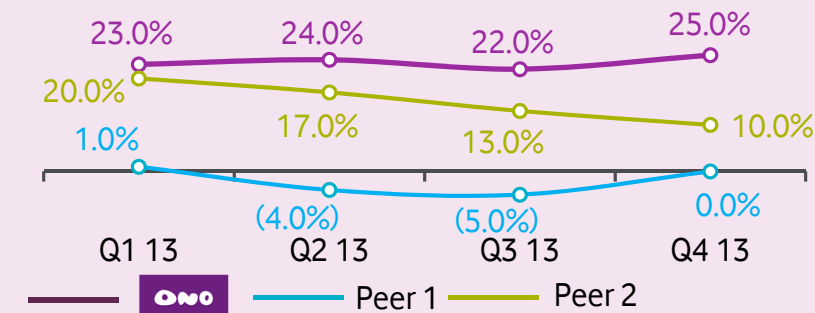
Internet fault in access lines (%)



Resulting in highly satisfied customers and resilient ARPU

Net promoter score as of Feb 14²

ARPU (€)



1. Google Mlabs
2. Based on company information

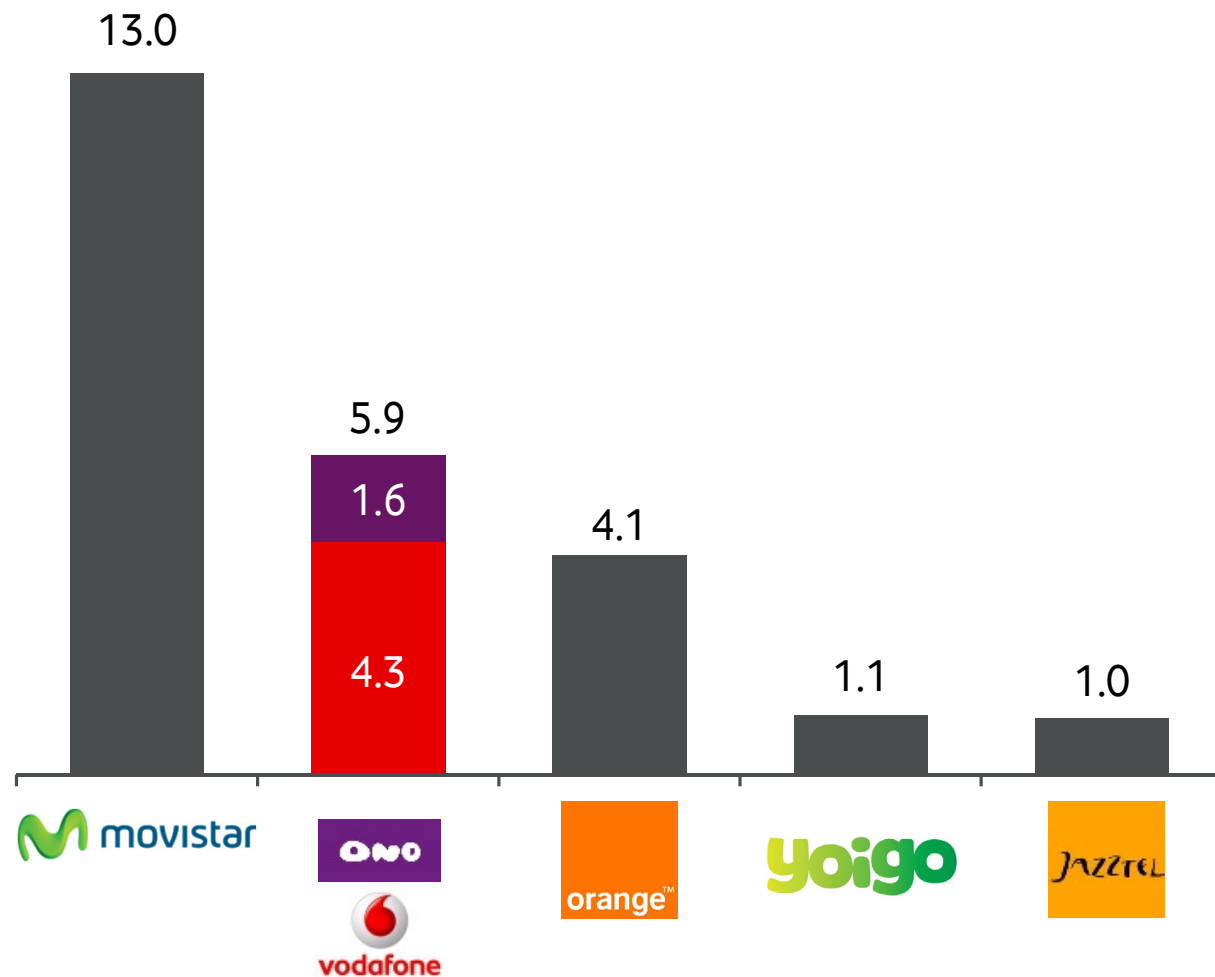


Creating a leading integrated operator

Significant upside opportunity from cross-selling and up-selling

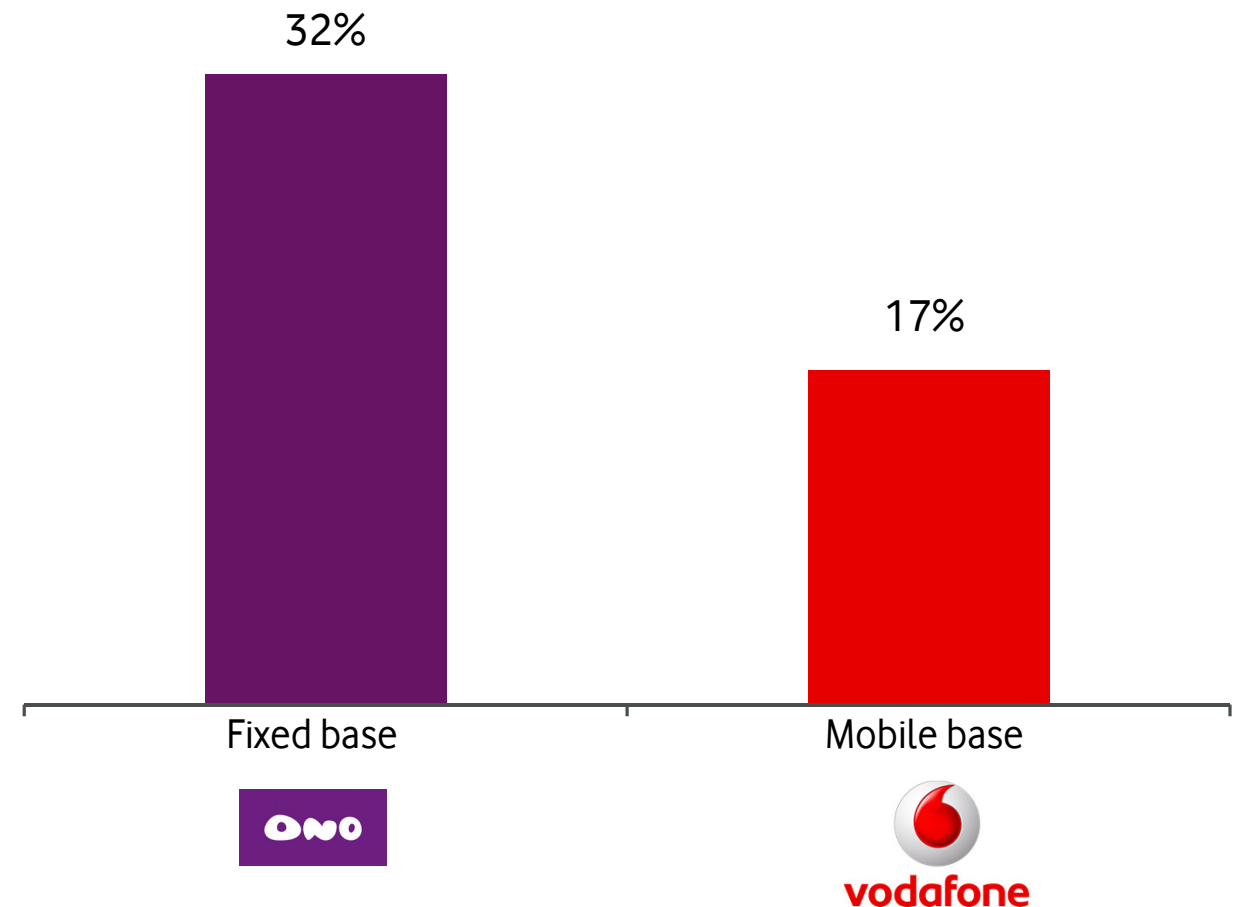
Clear #2 operator by revenues

2013 (€bn)



Significant cross-selling opportunity

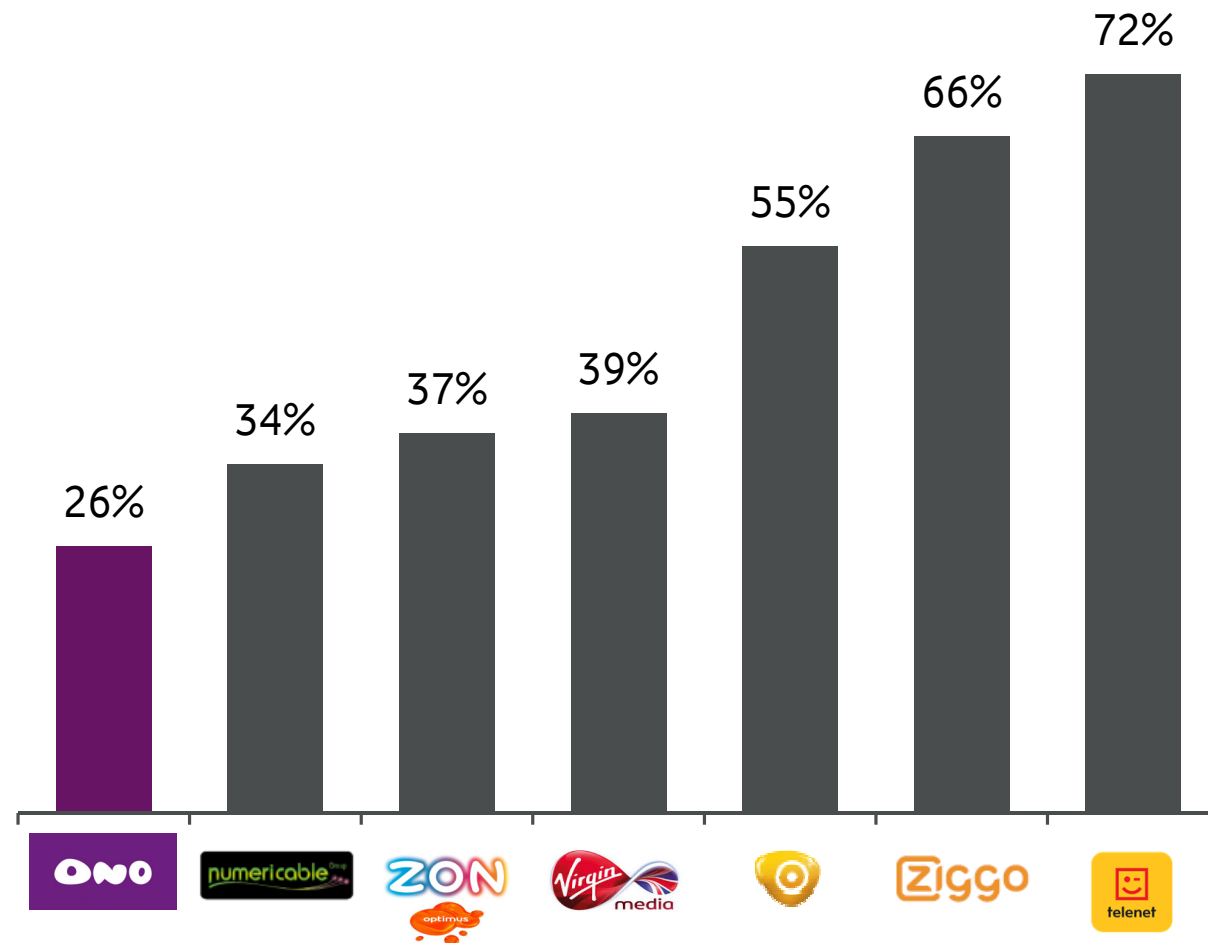
% of convergent customers, Dec 2013



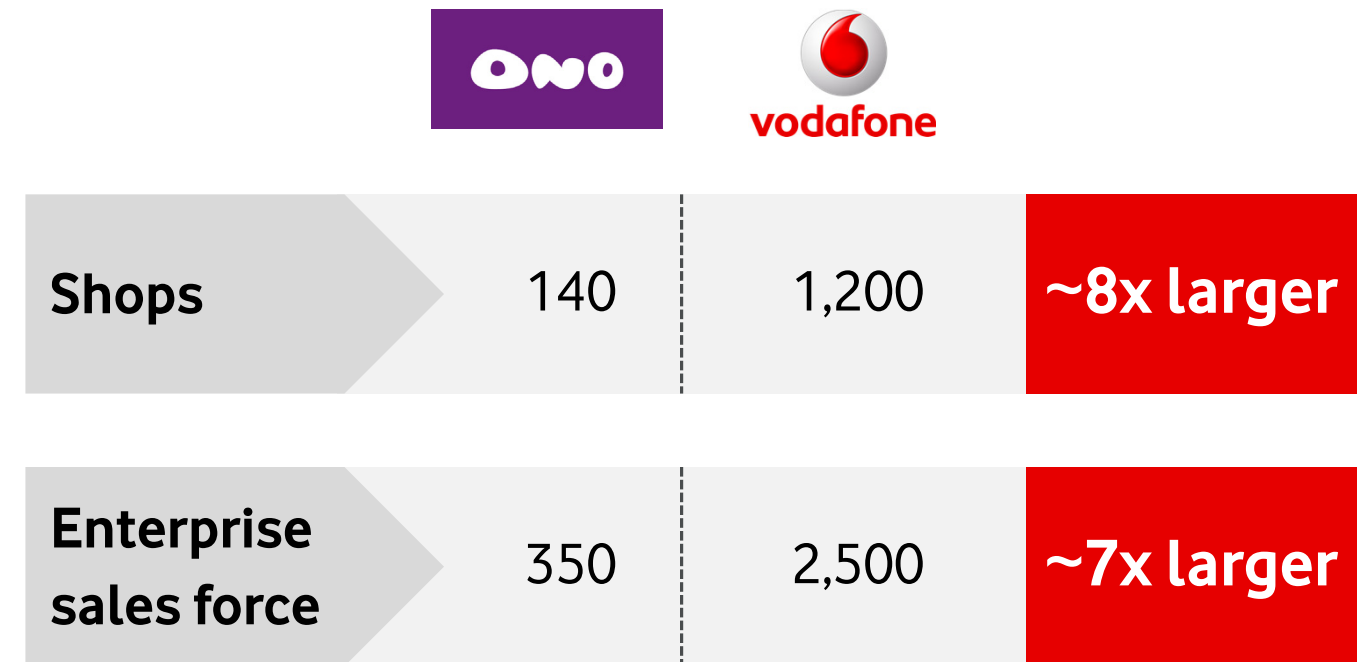
Vodafone can realise Ono's full potential

Significant penetration upside

Unique customers penetration as % of homes passed, Q4 2013



Vodafone will add significant scale



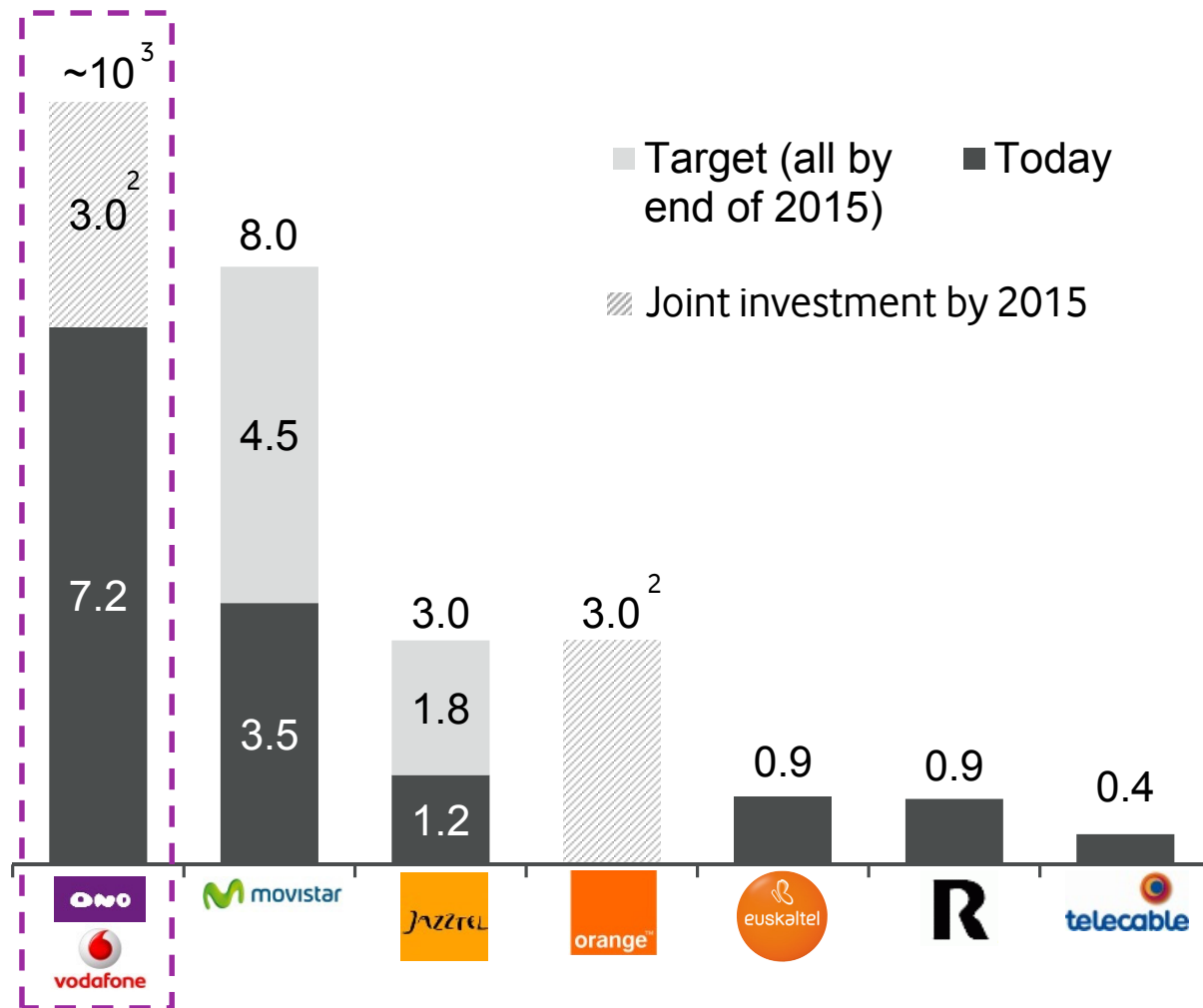
Opportunity to generate ~€1.0bn NPV from revenue synergies



The transaction is complementary to Vodafone's FTTH rollout

Leading network today and in the future

NGN homes passed (m)¹



- ✓ Vodafone remains committed to the joint 3 million homes fibre roll-out target by September 2015
- ✓ FTTH rollout to be refocused to fill in gaps in Ono's footprint
- ✓ Combination provides time-to-market advantage compared with competitors' fibre build plans

1. Based on company information
2. Vodafone and Orange agreed in 2013 to roll-out FTTH to a total of 3 million homes by September 2015, with the ambition to expand to 6 million (3 million each)
3. Some of the FTTH footprint may overlap with Ono's existing network



Substantial in-market cost and capex synergies

Key categories	Description	Run-rate in year 4 (€m) ¹	NPV (€bn) ²
Network / IT	<ul style="list-style-type: none"> • FTTH capex avoidance of €250m from a reduction of Vodafone's 3.0 million homes ambition to 1.5 million homes³ • Merge national and regional backbones • Consolidation of IT stacks • Closure of central offices • Leverage Ono's infrastructure for mobile backhaul 	~65	~0.8 <i>including capex avoidance</i>
SG&A	<ul style="list-style-type: none"> • Rationalisation of combined marketing costs over time • Rationalise overlapping activities • Generate efficiencies in property, logistics, handset procurement and customer care 	~100	~0.7
Migration of mobile traffic	<ul style="list-style-type: none"> • Migration of mobile traffic from Telefónica to Vodafone's network 	~75	~0.5
Total cost and capex synergies		~240	~2.0

1. Savings achieved in the fourth full year following completion, before integration costs

2. NPV after integration costs

3. Vodafone and Orange agreed in 2013 to roll-out FTTH to a total of 3 million homes by September 2015, with the ambition to expand to 6 million (3 million each)



Significantly value accretive transaction

Value	<ul style="list-style-type: none">• €7.2 bn (£6.0 bn) on a debt and cash free basis<ul style="list-style-type: none">– 7.5x EV/2013 EBITDA adjusted for run-rate synergies¹– 10.4x EV/2013 OpFCF adjusted for run-rate synergies¹
Financial effects	<ul style="list-style-type: none">• Accretive to adjusted EPS² and FCF per share in the first full year post completion³
M&A criteria	<ul style="list-style-type: none">• Comfortably meets Vodafone's M&A criteria
Financing	<ul style="list-style-type: none">• Total consideration to be funded from existing cash resources and credit facilities
Conditions	<ul style="list-style-type: none">• Subject to satisfactory anti-trust approvals• Transaction expected to be cleared in Phase I
Timetable	<ul style="list-style-type: none">• Closing of the transaction expected in calendar Q3 2014

1. Based on run-rate cost and capex synergies achieved in the fourth full year following completion, before integration costs and adjusted for NOLs
2. Excludes purchase accounting adjustments relating to the transaction
3. After cost and capex synergies and before integration costs



Q&A



