



Canada Pension Plan Investment Board Signs Agreement to Purchase a Stake in the Combined Three U.K. and O2 U.K. Entity

Deal subject to completion of Hutchison Whampoa's purchase of O2 U.K. from Telefónica S.A.

London, U.K./Toronto, Canada (May 7, 2015): Canada Pension Plan Investment Board (CPPIB) announced today that it has signed an agreement to acquire an approximate 12% stake, by investing £1.1 billion alongside Hutchison Whampoa (HWL), in the entity that will be created by merging O2 U.K. and Three U.K. CPPIB is among a number of investors including GIC Pte Ltd, Caisse de dépôt et placement du Québec, Limpart Holdings Limited, a wholly-owned subsidiary of the Abu Dhabi Investment Authority, and BTG Pactual, who have agreed to invest £3.1 billion in total in the new merged entity, alongside HWL.

On March 25th, 2015, HWL, the parent company of U.K. telecom operator Three, entered into an agreement with Telefónica S.A. to purchase its U.K. subsidiary, O2 U.K. The purchase price of £9.25 billion will be paid at closing and deferred upside interest sharing payments of up to a further £1 billion in the aggregate payable after the cumulative cash flow of the combined businesses of Three U.K. and O2 U.K. has reached an agreed threshold.

“This is an exceptional opportunity to acquire a meaningful stake in what will become a leading mobile operator in the U.K., giving us immediate scale in an important sector,” said Mark Jenkins, Senior Managing Director & Global Head of Private Investments, CPPIB. “We expect this investment will generate attractive long-term risk-adjusted returns, which is appealing for an investor like CPPIB.”

Mr. Jenkins added, “This is also an excellent opportunity to continue investing in the U.K., an important market for CPPIB, and we look forward to working with Hutchison Whampoa to continue growing this business.”

Commenting on the agreement Canning Fok, Group Managing Director of HWL said:

“It is an honour to have such a strong collection of the world’s largest and most sophisticated investors joining us as partners in building the combined business of Three and O2 U.K., which will be the number one mobile operator in the U.K. with nearly 33 million customers. The investors share our vision and belief in the value of creating a business with the necessary scale to enable us to compete effectively in the U.K. marketplace and to provide even better service and innovation using the largest and most resilient and advanced mobile network infrastructure in the country. Like us, the willingness of these investors to commit substantial capital to this investment reflects continued confidence in the U.K. economy and its commitment to maintain and foster a dynamic and world leading telecommunications sector, as well as a vote of confidence in Europe’s plans for a single market in digital communications, leading to increased investment in the telecoms sector.”



The CPPIB investment is expected to close in 2016 as it is subject to customary closing conditions, including competition approvals for the transaction between HWL and Telefónica.

About Canada Pension Plan Investment Board

Canada Pension Plan Investment Board (CPPIB) is a professional investment management organization that invests the funds not needed by the Canada Pension Plan (CPP) to pay current benefits on behalf of 18 million contributors and beneficiaries. In order to build a diversified portfolio of CPP assets, CPPIB invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in Hong Kong, London, New York City and São Paulo, CPPIB is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At December 31, 2014, the CPP Fund totalled C\$238.8 billion. For more information about CPPIB, please visit www.cppib.com.

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