Vodafone Italy

Pietro Guindani, CEO

19 September 2005
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Vodafone is outperforming TIM

March 2005 vs. March 2004

- Customers: 2.8%
- Revenues: 1.5%
- EBITDA: 2.2%

June 2005 vs. June 2004

- Customers: 2.7%

1 Customers, revenues and EBITDA growth compared to principal competitor. Revenue and EBITDA on a full year basis. Customers as at date shown. Source: Company data
Undisputed leadership in both Consumer and Business segments

**Consumer**¹

- Vodafone
- TIM
- Wind
- 3

May-04 | Jul-04 | Sep-04 | Nov-04 | Jan-05 | Mar-05
---|---|---|---|---|---
79 | 78 | 77 | 78 | 77 | 78
77 | 75 | 76 | 77 | 75 | 75
72 | 71 | 71 | 71 | 72 | 71
68 | 71 | 71 | 71 | 71 | 71

**Business**¹

- Vodafone
- TIM
- Wind
- 3

Jun-04 | Sep-04 | Dec-04 | Mar-05
---|---|---|---
73 | 71 | 71 | 73
69 | 67 | 66 | 69
58 | 60 | 60 | 61

¹ Refers to consumer and business customer satisfaction indices; numbers are percentages out of 100
Source: Company data
Strong differentiation to enable further growth

Key driver of positioning

Innovation
- Relevant and reliable

Quality
- At all touch points

Value for money
- Targeted to customer segments

Brand preference\(^1\) / customer market share

<table>
<thead>
<tr>
<th></th>
<th>Mar-04</th>
<th>Jun-04</th>
<th>Sep-04</th>
<th>Dec-04</th>
<th>Mar-05</th>
<th>Jun-05</th>
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<tbody>
<tr>
<td>Vodafone</td>
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<td>TIM</td>
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<tr>
<td>Wind</td>
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\(^1\) Brand preference data normalised to 100%; figures highlight brand preference expressed in relation to absolute market share

Source: Public data
The growth story

Vodafone Italy growth engine

- Stimulate core ARPU growth
- Generate ARPU uplift with 3G
- Leverage Vodafone unique propositions

Compete for value market share
The “Infinity” case – positive elasticity and favourable change in customer behaviour

Voice
- “Fix price per call (on-net)”: 2.7 million customers enrolled

Source: Company data; taken from October 2004-March 2005
Generate ARPU uplift with 3G

- **3G terminals**
  - 1.2 million

- **Music**
  - 500K songs library
  - Exclusive launches of new hits
  - First to broadcast a live concert

- **TV**
  - 7 channels available
  - First music channel developed for mobile (live! TV Music)
  - Mobile specific/tailor made content

- **Content partnerships**
  - Around 100 partners, including all major Italian media companies and publishers

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Like-for-like increase in data ARPU

- **2.5G live! upgrade from non live!**
  - 17%

- **3G live! upgrade from 2.5G live!**
  - 30%

- **3G live! upgrade from non live!**
  - 17%

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1 Registered on Vodafone network as at 31 August
2 Month of June 2005 compared to month of June 2004
The fight for value: A solid model in a prepaid market

**Italian market key characteristics**

- Prepaid market (~90%) without customer commitments
- No structural subsidy except for Hutchison

**Expected pay-back (SAC/MARPU)**

<table>
<thead>
<tr>
<th>Months</th>
<th>1-2</th>
<th>9-12</th>
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<tbody>
<tr>
<td>Non-subsidised model</td>
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<tr>
<td>Subsidised model</td>
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- A prepaid market requires a very careful balance between commercial aggressiveness and financial pay-back
- In the migration towards 3G, Vodafone Italy has managed to maintain stable pay-back and profitability

1 Vodafone estimate based on internal data and analyst reports; MARPU = ARPU minus interconnect costs
Source: Company data
The fight for value: Acquisition and retention of HVCs

Loyalty management in prepaid

- Loyalty scheme with more than 10 million subscribers
- ~80% of High Value Customers (“HVCs”) in loyalty programme
- 48.4 million contacts with customer base (July 2004 to June 2005)
- 820k handset upgrades on HVCs (July 2004 to June 2005)
- Churn rate:
  - Total 17%
  - HVCs 5%

Push on Mobile Number Portability

- Dedicated offer and team
- Value balance positive:

MNP monthly value balance

1 Consumer only
2 Business and Consumer – reflects aggregate value (customers x ARPU) from customers in and out

Source: Company data
The fight for value: Co-leadership in business segment

Business customer\(^1\) market share

<table>
<thead>
<tr>
<th></th>
<th>March 2004</th>
<th>March 2005</th>
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<tbody>
<tr>
<td>Vodafone</td>
<td>40.7%</td>
<td>42.4%</td>
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<tr>
<td>TIM</td>
<td>48.3%</td>
<td>43.0%</td>
</tr>
<tr>
<td>Wind</td>
<td>10.1%</td>
<td>12.0%</td>
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<tr>
<td>Hutchison</td>
<td>0.9%</td>
<td>2.6%</td>
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\(^1\) Defined as customers with at least two SIMs registered with the same VAT number (same company)
Source: Public data
### Leverage Vodafone’s unique proposition

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Advantages in the marketplace</th>
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<tbody>
<tr>
<td>Vodafone Travel Promise</td>
<td>Differentiation versus competitors</td>
</tr>
<tr>
<td>Handsets</td>
<td>Exclusivities and differentiation</td>
</tr>
<tr>
<td>HBD(^1) applications</td>
<td>Exclusivities and time-to-market</td>
</tr>
<tr>
<td>Data cards</td>
<td>Time-to-market and simplicity</td>
</tr>
<tr>
<td>Wireless office</td>
<td>Innovative business proposition</td>
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<tr>
<td>Music content</td>
<td>The richest music library</td>
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\(^1\) HBD = handheld business devices
### One Vodafone benefits

#### Tangible benefits

<table>
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<th>IT</th>
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<tr>
<td><strong>Southern Europe Data Centre</strong>, running IT operations for Italy, Spain, Portugal, Greece and Albania. Active since July 2004 in Milan; 69% of SE applications already migrated today</td>
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<tr>
<td>Vodafone Italy selected as centre of excellence for Group IT systems consolidation</td>
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<tr>
<th>Service Platforms</th>
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<tr>
<td>Vodafone live! portal migrated to centralised Service Platform infrastructure from July 2005</td>
<td></td>
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<tr>
<td>Vodafone Italy selected as one of the two Group Service Platform hubs, with the role of managing messaging services</td>
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<tr>
<th>Network</th>
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<tr>
<td>Quick win savings starting to materialise: leased lines costs have been reduced by 22% in FY05 versus previous year</td>
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<td>Vodafone Italy first to trial HSDPA in the country thanks to integrated Group development effort</td>
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The Growth Story – achievements in FY05

**Vodafone Italy growth engine**

- **Customers**
  - +6% YoY

- **ARPU:**
  - €359 (stable)

- **Inactivity rate**
  - 8% (stable)

- **Revenue Growth**
  - + 7% YoY

**Revenue growth share per operator**

FY05 versus FY04

- **37%** Vodafone
- **27%** TIM
- **14%** Wind

Vodafone is the growth leader

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1 Share of growth in total market revenue from FY04 to FY05
Source: Company and public data
Summary

• Undisputed customer satisfaction leadership

• Outperforming TIM through differentiation and commercial focus

• Prompt and successful reaction to Hutchison

• Solid foundations to compete and succeed in the Italian market
Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the financial condition of the Vodafone Group (the “Group”), results of operations and businesses and certain of the Group’s plans and objectives. In particular, such forward-looking statements include statements with respect to Vodafone’s reiteration of the guidance for its expectations for the year ending 31 March 2006 as to future performance, including turnover, cash flows, costs, capital expenditures and margins, non-voice services and their revenue contribution; share price performance; cash flow; mobile penetration and capital expenditure; user penetration and development; revenue; capital expenditures and cost savings; capital management; investment and cash flow; share price performance; mobile penetration and capital expenditure; user penetration and development; revenue; capital expenditures and cost savings; and other forward-looking statements included in this presentation, including statements related to certain businesses within the Group about the expected performance of such businesses, including statements by Vodafone Italy related to the growth of its market share and its revenues, to its competitive position in the market, to its ability to expand 3G services, including Vodafone live! Music and TV services, to maintain low operating costs and to its profitability in the migration towards 3G services, by Vodafone Germany related to growth of the German mobile market and the level of customer usage, and to the impact on revenue and ARPU from new service offerings and 3G services; by Vodafone Japan related to the effect of its turnaround program on its handset sales and service offerings, including the offering of new handsets, its network coverage and performance and the growth of its customer base, to the impact of partnerships on its revenue, to its ability to introduce new products and improve existing products such as Vodafone live! and its ability to expand its 3G content portfolio; by Vodafone UK related to its commercial strategy and the addition of new services and to services such as Vodafone Simply, Vodafone Passport and Vodafone Stop the Clock; about the “Other Vodafone Subsidiaries” related to customer retention and growth in the region and its ability to integrate new companies from the region. These forward-looking statements are made on the basis of certain assumptions which each of Vodafone and the Group business, as the case may be, will make in light of operating experience in recent years. The principal assumptions on which these statements are based relate to exchange rates, customer numbers, usage and pricing, take-up of new services, termination rates, customer acquisition and retention costs, and the availability of technology necessary to introduce new products, services and network or other enhancements.

The presentation also contains other forward-looking statements including statements with respect to Vodafone’s expectations as to launch and roll-out dates for products and services, including, for example, 3G services, including product offerings facilitated by the availability of 3G, mobile data applications, data and non-data services and video based business services; intentions regarding the development of products and services introduced by the Group globally or on a regional basis and intentions regarding the future development of services in relation to email solutions, connectivity, mobile network coverage, development and impact of new mobile technology, including the expected benefits of 3G; expansion of the geographic coverage of the network and the timing of the evolution of 3G to include new standards and protocols, such as HSDPA and HSUPA, and the technological enhancements and related customer benefit and service offerings in connection with the evolution of the core network and demand for such services; the ratio of capital expenditures to sales; the implementation of commercial strategies targeted to each region and perceived advantages in such region; growth in customers and usage, including improvements in customer mix throughout the Group in the same format and on the same technical platform and the ability to be operationally efficient; the expected accounting treatment arising from the adoption of IFRS by the Group; mobile penetration and coverage rates; future performance, including turnover, ARPU, cash flows, costs, capital expenditures, operating expenditures and improvements in margin, non-voice services and their revenue contribution; the anticipated effect on profitability of the One Vodafone global integration programme; ability to be the mobile market leader; overall market trends and other trend projections. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans” or “targets”. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: changes in the competitive environment, including the impact of competitors’ marketing activities, changes in the competitive landscape, changes in consumer preferences and attitudes toward mobile services, changes in the competitive environment, including the impact of competitors’ marketing activities, changes in the competitive landscape, changes in consumer preferences and attitudes toward mobile services, and the ability of Vodafone to continue to differentiate its services and products from those of its competitors; changes in economic or political conditions in markets served by operations of the Group that would adversely affect the level of demand for mobile services; greater than anticipated competitive activity requiring changes in pricing models and/or new product offerings or resulting in higher costs of acquiring new customers or providing new services; the impact on capital spending from investment in network capacity and the deployment of new technologies, or the rapid obsolescence of existing technology; slower customer growth or reduced customer-retention rates; the possibility that technologies that are deployed or used by service and product providers do not meet the Group’s requirements; changes in the projected growth rates of the mobile telecommunications industry; the Group’s ability to realise anticipated synergies and benefits associated with 3G technologies and the integration of our operations and those of recently acquired companies; future revenue contributions of both voice and non-voice services offered by the Group; lower than expected impact of 3G, Vodafone live!, the Group’s business offerings and other new or existing products, services or technologies on the Group’s future revenues, cost structure and capital expenditure outlays; the ability of the Group to harmonise mobile platforms and any delays, impediments or other problems associated with the roll-out and scope of 3G technology and services and Vodafone live! and the Group’s business or service offerings as well as other new or existing products, services or technologies in new markets; the ability of the Group to offer new services and secure the timely delivery of high-quality, reliable 3G handsets, network equipment and other key products from suppliers; greater than anticipated prices of new mobile handsets; the ability to realise benefits from entering into partnerships for developing data and internet services and entering into service franchising and brand licensing; the possibility that the pursuit of new, unexpected strategic opportunities may have a negative impact on one or more of the measures of our financial performance; any unfavourable conditions, regulatory or otherwise, imposed in connection with future acquisitions or dispositions; changes in the regulatory framework in which the Group operates, including possible action by regulators in the markets in which the Group operates, including the UK and Ireland, or by the European Commission regulating the Group’s permitted ability to charge; the Group’s ability to develop competitive data content and services which will attract new customers and increase average usage; the impact of legal or other proceedings against the Group or other companies in the mobile telecommunications industry; the possibility that new marketing campaigns or efforts are not an effective expenditure; the possibility that the Group’s investment efforts do not increase the speed to market for new products or improve the cost position; changes in exchange rates, including particularly the exchange rate of pounds sterling to the euro, US dollar and the Japanese yen; the risk that, upon obtaining control of certain investments, the Group would impact the weighted average tax rate; changes in tax legislation in the jurisdictions in which the Group operates; final resolution of open issues which might impact the effective tax rate; timing of tax payments relating to the resolution of open issues; and, loss of suppliers or disruption of supply chains. Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under “Risk Factors” contained in our Annual Report with respect to the financial year ended 31 March 2005. All subsequent written or oral forward-looking statements attributable to Vodafone or any member of the Group or any person acting on behalf of any of them are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Neither Vodafone nor any of its affiliates intends to update these forward-looking statements.