Analyst and Investor Day
Vodafone Spain

Julian Oncina, Chief Financial Officer
3 October 2006

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Main messages

• Solid, profitable revenue growth by:
  • Growing the customer base
  • Driving usage stimulation
  • Realising cost efficiency

• Delivering strong EBITDA and cash-flow performance

Strong revenue growth driven by customer growth and usage stimulation

Service revenues (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Voice (€m)</th>
<th>Non-voice (€m)</th>
<th>Total (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03/04</td>
<td>3,154</td>
<td></td>
<td>407</td>
</tr>
<tr>
<td>FY04/05</td>
<td>3,751</td>
<td>593</td>
<td>4,534</td>
</tr>
<tr>
<td>FY05/06</td>
<td></td>
<td>766</td>
<td></td>
</tr>
</tbody>
</table>

2 year CAGR
Voice: 20%
Non-voice: 37%
Total: 22%

Source: Company data
Exceptional customer growth improving value mix…

**Customers (000’s)**

<table>
<thead>
<tr>
<th></th>
<th>FY03/04</th>
<th>FY04/05</th>
<th>FY05/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>9,705</td>
<td>11,472</td>
<td>13,521</td>
</tr>
</tbody>
</table>

**Contract customers (000’s)**

<table>
<thead>
<tr>
<th></th>
<th>FY03/04</th>
<th>FY04/05</th>
<th>FY05/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>43.07%</td>
<td>46.9%</td>
<td>49.6%</td>
</tr>
</tbody>
</table>

From FY03/04 – FY05/06:
- Sustained customer growth of 18% CAGR
- Market leader in net adds (+50% each year)
- Supported by steady churn reduction
- Encouraging prepaid to contract migration
- Consistent focus on high value customers

Targeted tariffs, promotions and exclusive handsets

Source: Company data. EOP = End of period

… and ARPU evolution

**Vodafone Spain ARPU (€)**

<table>
<thead>
<tr>
<th></th>
<th>FY03/04</th>
<th>FY04/05</th>
<th>FY05/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARPU</td>
<td>31.4</td>
<td>34.5</td>
<td>35.6</td>
</tr>
</tbody>
</table>

**ARPU evolution by operator**

- Movistar
- Vodafone
- Amena

Vodafone Spain has the highest ARPU in the Spanish market

* Excluding roaming in, handset sales and ‘other revenues’
Source: CMT, Operators, Company data
ARPU key drivers

Total ARPU (€)

Main positive and negative drivers

Impact on ARPU

Negative

Positive

- Inter-connection costs
- Price per minute evolution
- ARPU dilution due to customer base increase

FY05/06

ARPU

+3.0%

YoY

Source: Company data

Usage stimulation – ‘Vitamina’ elasticity and loyalty effects

CONTRACT CUSTOMERS

Outbound usage & pricing

Customer lifetime value (CLV) evolution

Cohort sample shows approximately 50% uplift in customer lifetime value due to lower churn

Source: Company data
Usage stimulation – ‘Vitamina’ elasticity and loyalty effects

**PREPAID CUSTOMERS**

Outbound usage & pricing

- **Outbound ARPU**
  - Before (Nov '05): €11.1
  - After (Mar '06): €13.5 (+21%)

- **Outgoing ARPU Inactivity (indexed to 100)**
  - Before (Nov '05): 30
  - After (Mar '06): 30

Cohort sample shows a reduction of inactivity by half and positive elasticity (+21% outbound ARPU)

Source: Company data

Substantial non-voice revenue growth

**Non-voice revenues**

- **Messaging**
  - FY03/04: €104
  - FY04/05: €199
  - FY05/06: €286

- **Other Data**
  - FY03/04: €303
  - FY04/05: €384
  - FY05/06: €480

**Main elements of non-messaging growth**

- **Enterprise**
  - Vodafone Mobile Connect data card sales up 145% YoY to 82k (June '06)
  - HBD1 sales up 308% YoY to 88k (FY05/06)
  - Business data revenue growth over 200% YoY (FY05/06)

- **Consumer**
  - 72% YoY rise in Vodafone live! customers to 6.1m (June '06)
  - 3G ARPU uplift at upper end of 5 – 8% range
  - In June '06:
    - 200k FTMDs
    - 615k real tones
    - 110k ring-back tones

Source: Company data

*Note: HBD1 = Handheld business devices*
### Cost management - reinvesting in growth and cost efficiency

<table>
<thead>
<tr>
<th>Main components</th>
<th>% of total costs¹ FY05/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer costs (SACs &amp; SRCs)</td>
<td>23%</td>
</tr>
<tr>
<td>Other direct costs including interconnect (variable costs)</td>
<td>43%</td>
</tr>
<tr>
<td>Opex*</td>
<td>34%</td>
</tr>
</tbody>
</table>

**Main components**
- Net acquisition costs
- Net retention costs
- Interconnection costs
- Ongoing airtime commissions
- Content costs
- Payroll
- Network costs
- Outsource operations
- Publicity
- Office accommodation
- Intercompany

**Source:** Company data

*Payroll and other operating expenses
¹Customer costs, other direct costs and opex

### Investment in customers

<table>
<thead>
<tr>
<th>SACs &amp; SRCs % service revenue*</th>
<th>SACs</th>
<th>SRCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03/04</td>
<td>11.4%</td>
<td>5.9%</td>
</tr>
<tr>
<td>FY04/05</td>
<td>14.1%</td>
<td>8.3%</td>
</tr>
<tr>
<td>FY05/06</td>
<td>14.9%</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

**Key drivers**

**SACs**
- Supporting strong customer growth
- Fixed term contract focus

**SRCs**
- Driving down churn
- Prepay to contract migration

- Rebalancing SACs and SRCs costs towards 3G and other HVCs:
  - Contract: 7 month payback
  - Prepaid: 2 month payback

**Source:** Company data

*SAC unit costs excluding loyalty provisions
¹SRC unit costs excluding loyalty provisions

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Promoting on-net traffic

- Other costs driven primarily by content volumes
- Strongly pushing on-net traffic through promotions and tariffs

Source: Company data *Excluding visitors costs and including roaming out adjustment costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Interconnection costs</th>
<th>Other costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03/04</td>
<td>8.1%</td>
<td>19.3%</td>
</tr>
<tr>
<td>FY04/05</td>
<td>8.6%</td>
<td>18.2%</td>
</tr>
<tr>
<td>FY05/06</td>
<td>9.9%</td>
<td>17.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>On-net traffic % of outgoing minutes</th>
<th>Other direct costs* % of service revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03/04</td>
<td>48%</td>
<td>8.1%</td>
</tr>
<tr>
<td>FY04/05</td>
<td>51%</td>
<td>8.6%</td>
</tr>
<tr>
<td>FY05/06</td>
<td>56%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

Efficient cost management

- Investing in growth and competitiveness while reducing opex’s share of service revenue

Source: Company data * Exclude increase in brand royalty recharge in FY05/06

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating expenses (£m) % service revenue</th>
<th>2 year CAGR FY03/04 – FY05/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03/04</td>
<td>781</td>
<td>21.9%</td>
</tr>
<tr>
<td>FY04/05</td>
<td>888</td>
<td>20.4%</td>
</tr>
<tr>
<td>FY05/06</td>
<td>1,062*</td>
<td>21.1%</td>
</tr>
</tbody>
</table>

Reflects increase in brand royalty recharge

<table>
<thead>
<tr>
<th>Year</th>
<th>Minutes (excl roaming out)</th>
<th>Network elements</th>
<th>Customers</th>
<th>Service revenue</th>
<th>Opex</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03/04</td>
<td>30.9%</td>
<td>28.5%</td>
<td>18.6%</td>
<td>22.0%</td>
<td>16.6%</td>
</tr>
</tbody>
</table>
Cost efficiency initiatives

Achievements in the last 2 years

- Call centre off-shoring
  - Absorbs volume growth and activity peaks
  - Pilot in Nov 2003
  - Performed in conjunction with increased usage of automated systems (IVRs)
  - Driving cost efficiency whilst maintaining customer satisfaction leadership
  - Annual savings of around €20m

- 3G 2nd supplier
  - Huawei appointed as 2nd UTRAN supplier
  - Key levers:
    - Reduce total cost of ownership (TCO)
    - Quality
    - Innovation
  - Expected to achieve 20 - 30% lower TCO over other suppliers

- AD&M
  - Global initiative to outsource Vodafone’s IT application development & maintenance
  - Key savings levers:
    - Improve demand management
    - Improving productivity
    - Labour arbitrage

Benefits to come

- Own transmission
  - Replacing third party leased lines with own transmission network:
    - Own core 95%
    - Own access 82%
  - Annual savings of €5m - €10m

- Network sharing
  - Site colocation
  - Exploring options beyond targeted 65% 3G coverage

- Expected to achieve 20 - 30% lower TCO over other suppliers

Longer term goals

- Capital intensity

<table>
<thead>
<tr>
<th>Total capex (€m)</th>
<th>Main drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03/04</td>
<td>2G</td>
</tr>
<tr>
<td>Total CAPEX</td>
<td>Increase capacity to absorb 77% traffic growth from FY03/04-FY05/06</td>
</tr>
<tr>
<td>486</td>
<td>3G</td>
</tr>
<tr>
<td>FY04/05</td>
<td>Extended rollout to reach around 60% population coverage</td>
</tr>
<tr>
<td>716</td>
<td></td>
</tr>
<tr>
<td>FY05/06</td>
<td></td>
</tr>
<tr>
<td>736</td>
<td></td>
</tr>
</tbody>
</table>

Source: Company data
Delivering a healthy EBITDA and operating cash flow

<table>
<thead>
<tr>
<th>EBITDA (€m)</th>
<th>Operating free cash flow1 (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY03/04</td>
<td>FY04/05</td>
</tr>
<tr>
<td>1,401</td>
<td>1,668</td>
</tr>
</tbody>
</table>

Source: Company data

1EBITDA less capex, working capital and capital creditors

Main messages

- Solid, profitable revenue growth by:
  - Growing the customer base
  - Driving usage stimulation
  - Realising cost efficiency

- Delivering strong EBITDA and cash-flow performance
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 Group’s financial condition, 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 expectations as to launch and roll-out dates for products, services or technologies offered by Vodafone; Vodafone’s strategies regarding revenue growth; intentions regarding the development of products and services introduced by Vodafone or by Vodafone in conjunction with third parties; mobile penetration and coverage rates as well as fixed to mobile substitution and Vodafone’s ‘Oficina Vodafone’ customer proposition in Spain; the development and impact of new mobile technology; the growth of the Italian and Spanish telecommunications markets; changes in the regulatory environment in those jurisdictions; growth in customers and usage, including improvements in customer mix, future performance - including turnover, average revenue per user (“ARPU”), cash flows, costs, capital expenditures and margins, non-voice services and their revenue contribution; the ability to realize synergies through cost savings, revenue generating services, benchmarking and operational experience; and Vodafone’s ability to be one of the market leaders and improve its market share.

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