Strategy update

Arun Sarin
Chief Executive

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## Strategy Update – Agenda

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<th>Presenter</th>
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<td>Bill Morrow</td>
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<td>Aligning Financial Policies to Strategy</td>
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<td>Arun Sarin</td>
</tr>
</tbody>
</table>

### Pace of change in mobile is accelerating

**Customers**
- Growing choice of services
- Value and simplicity
- Converged mobile, broadband and internet offerings
- Emerging market growth

**Technology**
- VoIP
- WiFi/WiMAX
- DSL

**Regulation**
- Termination rates
- Roaming
- MVNO wholesaling

**Mobile Industry**

**Competitors**
- Aggressive incumbent MNOs
- Integrated fixed/mobile
- MVNOs/low frills providers
- Internet players
The new realities of the mobile industry

• Competition is intensifying from existing and new players
• Significant price erosion
• Customers have far greater choice in communications
• Growing demand for broadband
• Emerging markets delivering significant growth
• Continued significant regulatory pressure
• Mobile business model is changing

Vodafone’s five key strategic objectives

• Cost reduction and revenue stimulation in Europe
• Deliver strong growth in emerging markets
• Innovate and deliver on our customers’ total communications needs
• Actively manage our portfolio to maximise returns
• Align capital structure and shareholder returns policy to strategy
Organisation to deliver new strategic objectives

Europe
Bill Morrow
- Cost reduction
- Revenue stimulation

EMAPA
Paul Donovan
- Deliver strong growth in emerging markets
- Outperform on recently acquired businesses
- Maximise shareholder returns from affiliates

Mobile Plus
Thomas Geitner
- Capture new sources of revenue
- Innovative total communications solutions

In Europe the focus is on cost reduction and revenue stimulation

Objectives

Cost Reduction
- Reduce cost structure
- Leverage regional scale

Revenue Stimulation
- Stimulate voice usage
- Substitute fixed minutes
- Enhance customer value

Approaches

- Outsourcing
- Shared services
- Overhead reduction
- Innovative bundling
- Vodafone At Home
- Vodafone At Office
- HSDPA enabled services
30th May 2006

Strategy update

• Deliver high performance in existing operations
• Outperform new acquisitions business case
• Raise stakes over time - selective opportunities to extend footprint

Emerging markets will deliver strong growth

Global mobile telecom annual revenues

Emerging markets are ~60% of total expected growth over next 5 years

CAGR %

£bn

2005

Developed markets

89

159

12.3

221

275

4.4

2010e

Emerging markets

Source: Merrill Lynch, Strategy Analytics

Emerging markets are ~60% of total expected growth over next 5 years

Customer priorities

£bn

Vodafone Priorities

• Deliver high performance in existing operations
• Outperform new acquisitions business case
• Raise stakes over time - selective opportunities to extend footprint

Customers can now communicate in many different ways

More devices: basic phones, camera phones, music phones, UMA devices

More services: VoIP, IM, Blogging

More places: At Home, At Office, hotspots, mobile

More access technologies: DSL, WiFi

More mobile applications: Push Email, SFA
Vodafone will focus initially on three key areas

- Address fixed line revenue opportunity via Vodafone At Home and Vodafone At Office
- Develop integrated mobile and PC offerings
- Create advertising revenue stream

Mobile centric approach – “Mobile Plus” offerings

Targeting around 10% of total revenue in 3 to 4 years

Vodafone’s scale and being mobile centric are clear competitive advantages

170 million Vodafone customers

- Mobility
- Personalisation
- Technology agnostic
- Attractive to partners
- No fixed line burden
Portfolio management priorities

- Superior returns
- Selective approach
- Regional focus
- Strict criteria

Vodafone’s approach to the US market

- US market is relatively under penetrated (~ 70%) and valuable (300m population)
- VZW is the market leader on all key metrics
  - No 1 US mobile operator by EBITDA with margins >38% of total revenue
  - No 1 US mobile operator for customer growth with 7.6 million net adds in last 12 months
- Vodafone’s Board will always consider shareholder value
- Vodafone is happy to remain in the US with its existing stake

**US Analysts’ consensus EBITDA Projections vs. Actuals**

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimates as of:</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003 E</td>
<td>8.3</td>
<td>9.4</td>
</tr>
<tr>
<td>2004 E</td>
<td>9.3</td>
<td>10.8</td>
</tr>
<tr>
<td>2005 E</td>
<td>10.9</td>
<td>12.7</td>
</tr>
<tr>
<td>2006 E</td>
<td>12.4</td>
<td>14.9</td>
</tr>
<tr>
<td>2007</td>
<td>14.8</td>
<td>15.2</td>
</tr>
</tbody>
</table>
Financial impact and capital structure

- Cost reduction & revenue stimulation in Europe
- Growth in emerging markets
- Deliver innovative Mobile Plus products
- Actively manage our portfolio

Targeting profitable growth

Align financial policies to support new strategy

- 60% dividend payout
- Low Single A rating
- £9bn B share distribution

Summary

Changing industry landscape

Vodafone continues to outperform

Strategy has evolved to ensure continued success

Vodafone well positioned to deliver
Europe Region – Cost Reduction and Revenue Stimulation

Bill Morrow
CEO, Europe Region
The Europe Region generates around 80% of Group controlled revenues and profits

<table>
<thead>
<tr>
<th></th>
<th>FY 05/06</th>
<th>Percentage of controlled businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers¹</td>
<td>93.2mn</td>
<td>70%</td>
</tr>
<tr>
<td>Revenue</td>
<td>£23.5bn</td>
<td>80%</td>
</tr>
<tr>
<td>Operating profit²</td>
<td>£5.8bn</td>
<td>83%</td>
</tr>
<tr>
<td>Capex</td>
<td>£2.8bn</td>
<td>70%</td>
</tr>
<tr>
<td>Operating free cash flow</td>
<td>£6.9bn</td>
<td>90%</td>
</tr>
<tr>
<td>Employees³</td>
<td>40.7k</td>
<td>67%</td>
</tr>
</tbody>
</table>

Note: Europe Region statutory basis (excluding Sweden). Percentages based on continuing group businesses only.

¹EOP, mobile only.
²Adjusted operating profit before impairment losses and other income and expense.
³Average employees.

Our primary objective is to drive our multi-year cash generation

- We will do this by:
  - Maintaining our market leadership positions
  - Aggressively reducing costs
  - Driving revenue stimulation
  - Disciplined execution
Vodafone is and must remain a market leader in revenue and EBITDA share

Revenue¹ share and position vs. key competitors FY 05/06

<table>
<thead>
<tr>
<th>Country</th>
<th>Vodafone share</th>
<th>Vodafone position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>37%</td>
<td>1</td>
</tr>
<tr>
<td>Greece</td>
<td>42%</td>
<td>1</td>
</tr>
<tr>
<td>Ireland</td>
<td>53%</td>
<td>1</td>
</tr>
<tr>
<td>Italy</td>
<td>36%</td>
<td>2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>28%</td>
<td>2</td>
</tr>
<tr>
<td>Portugal¹</td>
<td>38%</td>
<td>2</td>
</tr>
<tr>
<td>Spain</td>
<td>32%</td>
<td>2</td>
</tr>
<tr>
<td>UK</td>
<td>29%</td>
<td>1</td>
</tr>
</tbody>
</table>

EBITDA share and position vs. key competitors FY 05/06

<table>
<thead>
<tr>
<th>Country</th>
<th>Vodafone share</th>
<th>Vodafone position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>45%</td>
<td>1</td>
</tr>
<tr>
<td>Greece</td>
<td>44%</td>
<td>1</td>
</tr>
<tr>
<td>Ireland²</td>
<td>55%</td>
<td>1</td>
</tr>
<tr>
<td>Italy³</td>
<td>46%</td>
<td>2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>30%</td>
<td>2</td>
</tr>
<tr>
<td>Portugal⁴</td>
<td>33%</td>
<td>2</td>
</tr>
<tr>
<td>Spain</td>
<td>28%</td>
<td>2</td>
</tr>
<tr>
<td>UK³</td>
<td>33%</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: ¹Total revenues, except for Italy for which available data for service revenue. ²Excludes Meteor and 3; data for 6 mths to Sept 05. ³Excludes 3. ⁴9 mths to Dec 05

Source: Company data (excludes Malta and Albania), external available data and analyst forecasts.

Vodafone is and must remain a market leader in brand preference and customer satisfaction

- Leading in customer satisfaction
- Continuing strong brand preference
- Clearly differentiated customer propositions:
  - Vodafone live!
  - Vodafone Mobile Connect
  - Vodafone Passport
  - Vodafone Simply
- High service levels
- Value-oriented tariffs

Vodafone customer satisfaction position

<table>
<thead>
<tr>
<th>Country</th>
<th>Vodafone customer satisfaction position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>1</td>
</tr>
<tr>
<td>Greece</td>
<td>2</td>
</tr>
<tr>
<td>Ireland</td>
<td>2</td>
</tr>
<tr>
<td>Italy</td>
<td>1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1</td>
</tr>
<tr>
<td>Portugal</td>
<td>1</td>
</tr>
<tr>
<td>Spain</td>
<td>1</td>
</tr>
<tr>
<td>UK</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: Data based on Vodafone external survey March 2006.
Vodafone’s unique position gives us an advantage

- Brand
- Supply chain
- MNC proposition
- Strategic partner appeal

Global
- Common product development
- Advertising cost sharing
- Pan European offerings
- Shared services
- Standardisation and consolidation

Regional
- Distribution presence
- Brand visibility
- Local SCM
- Networked effects
- Spreading costs

Local
- 

#1 or #2 today

Scale benefit and competitive advantage

Unique position

We are changing our cost structure

<table>
<thead>
<tr>
<th>Today</th>
<th>Going forward</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations</strong></td>
<td><strong>Outsourcing</strong></td>
</tr>
<tr>
<td>£7.5bn Opex and Capex (FY 05/06)</td>
<td>• Service segmentation by lifetime value</td>
</tr>
<tr>
<td></td>
<td>• Focus on direct distribution including online</td>
</tr>
<tr>
<td></td>
<td>• Fully controlled operations</td>
</tr>
<tr>
<td></td>
<td>• Some regional consolidation</td>
</tr>
<tr>
<td></td>
<td>• Outsourcing</td>
</tr>
<tr>
<td></td>
<td>• Sharing assets</td>
</tr>
<tr>
<td></td>
<td>• Reduced overheads</td>
</tr>
<tr>
<td></td>
<td>• Global synergies</td>
</tr>
<tr>
<td></td>
<td>• Regional savings</td>
</tr>
<tr>
<td></td>
<td>• Local savings</td>
</tr>
<tr>
<td><strong>Customer A&amp;R Costs</strong></td>
<td></td>
</tr>
<tr>
<td>£2.6bn (FY 05/06)</td>
<td>• Service segmentation by lifetime value</td>
</tr>
<tr>
<td></td>
<td>• Full service for all customers</td>
</tr>
<tr>
<td></td>
<td>• Mixture of direct and indirect costs</td>
</tr>
<tr>
<td></td>
<td>• Service segmentation by lifetime value</td>
</tr>
</tbody>
</table>

1Europe Region statutory basis (excluding Sweden)
### Key actions to reduce operating and capital costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Today</th>
<th>Actions</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outsourcing</strong></td>
<td>• ~6,500 FTEs involved in service delivery</td>
<td>• Decision to outsource</td>
<td>• Potential annual savings of 25-30% within 3-5 years</td>
</tr>
<tr>
<td></td>
<td>• £560mn annual cost to Vodafone</td>
<td>• Suppliers to be reduced from ~2,500 to 1-2 primary vendors</td>
<td></td>
</tr>
<tr>
<td><strong>Supply Chain Management</strong></td>
<td>• Separate local and global activities</td>
<td>• Standardisation of designs</td>
<td>• Potential annual savings of 8% within 2 years</td>
</tr>
<tr>
<td></td>
<td>• £3.3bn total network external spend to Vodafone</td>
<td>• Materials category strategies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Centralisation of Network SCM activities</td>
<td>• Centralisation of Network SCM activities</td>
<td></td>
</tr>
<tr>
<td><strong>Regional Savings</strong></td>
<td>• Multiple data centre locations</td>
<td>• Regionalised Northern &amp; Southern Data Centres</td>
<td>• Potential annual savings of 25-30% within 3-5 years</td>
</tr>
<tr>
<td></td>
<td>• £320mn annual cash cost to Vodafone</td>
<td>• 75% fewer major data centres</td>
<td></td>
</tr>
<tr>
<td><strong>European IT Operations</strong></td>
<td>• Global Technology, Global Marketing and other functions with stronger global orientation</td>
<td>• Consolidated hardware, software, maintenance and system integration suppliers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Overheads</strong></td>
<td>• Global Technology, Global Marketing and other functions with stronger global orientation</td>
<td>• Reduction of 400+ positions</td>
<td>• Reduction in Group overheads</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ensuring appropriate balance between global and local</td>
<td></td>
</tr>
<tr>
<td><strong>Local Savings</strong></td>
<td>• Multiple leased line providers</td>
<td>• Move to owned fibre and microwave network</td>
<td>• Potential annual savings of 10-15% within 2 years</td>
</tr>
<tr>
<td></td>
<td>• Increasing capacity requirements</td>
<td>• Large percentage reduction of leased lines migrated by 2008</td>
<td>• Additional bandwidth</td>
</tr>
<tr>
<td></td>
<td>• Annual opex spend today of £280mn</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We are evolving our business model to stimulate revenue

**Today**

- **Customers**
  - 7.7mn net adds (FY 05/06)
  - Customer market share

- **Usage**
  - 14% total minute volume increase (FY 05/06)
  - Promotions
  - 3G infotainment
  - Mobile only focus

**Going forward**

- **Customers**
  - Revenue share focus
  - Focus on customer value
  - Pushing services not just acquisitions
  - Extended contract terms

- **Usage**
  - 3G bundles and smart tariff plans
  - Fixed substitution
  - Converged business services

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*Europe Region statutory basis (excluding Sweden).

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### Key actions to stimulate revenue

#### Today

- **High value customer (“HVC”) focus**
  - Customer numbers focus
  - Single year contract terms

- **Family plans**
  - Few tailored family offerings

- **Converged business services**
  - Early launches of handheld business devices (“HBD”) and new service models

#### Actions

- Spain: Prepay to contract migration increased MoU by 174% and ARPU by 68%
- UK: 18-month contracts to increase lifetime value are now 80% of total consumer postpay gross additions
- Greece: 10% of contract base on high ARPU plan with 80% families adding at least one new member
- HBD increase of 164% in subscribers in FY05/06
- Exclusive deals with laptop OEMs
- UK: Recent deal covering 20,000 users doubled the account value

#### Opportunity

- Potential 2% incremental revenue from consumer segments and 5% reduction in A&R costs in year 3
- Potential 2% incremental revenue from consumer segments in year 3
- Potential 6% incremental revenue from Business customers in year 3

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*Provisional subscribers paying for email service.
### Key actions to stimulate revenue – contd.

<table>
<thead>
<tr>
<th>Vodafone Passport</th>
<th>Today</th>
<th>Actions</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Over 6mn customers benefiting</td>
<td>• For recurring roamers, 15% increase in business customer minutes, 39% in postpay and 106% in prepay</td>
<td>• Target of 11mn customers by the end of 06/07</td>
<td></td>
</tr>
<tr>
<td>• Large percentage of HVCs (62% registrations from top 40%)</td>
<td>• Mobile TV, music services and HomeZone calling options</td>
<td>• Potentially up to 1% incremental revenue from consumers of bundled services in year 3</td>
<td></td>
</tr>
<tr>
<td>• Increased customer satisfaction</td>
<td>• Germany: migrated 35% of contract base to higher bundle with €2 ARPU uplift</td>
<td>• Potential 2% incremental voice revenue from Business customers in year 3</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consumer</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Bundles launched to drive revenue, stickiness and customer growth</td>
<td>• Spain: 500k wireless office users with usage around 50% higher than for average business users</td>
<td>• Drive traffic growth, particularly from fixed-line substitution</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Vodafone Wireless Office propositions launched in most markets</td>
<td>•</td>
<td></td>
</tr>
<tr>
<td>• Over 1.5mn users</td>
<td>•</td>
<td></td>
</tr>
</tbody>
</table>

### Moving early to wireless broadband

#### WCDMA 3G Network built to about 60% across all markets

- HSDPA full commercial launch Summer 2006
- 4 times faster than 3G to date
- Coverage equivalent to 3G today by mid 2007 in key markets
- Vodafone live! with 3G
- Business propositions
Our primary objective is to drive our multi-year cash generation

• Maintaining our market leadership positions

• Aggressively reducing costs

• Driving revenue stimulation

• Focusing on execution

Emerging Markets – Focusing on Growth

Paul Donovan
CEO, EMAPA
EMAPA – Priorities

- Deliver high performance in controlled businesses
- Maximise shareholder returns in affiliates
- Leverage measurable synergy benefits from scale and scope
- Outperform acquisition business cases

EMAPA (FY 05/06)

Subsidiaries and JVs
- 35.5 million customers
- £4.2bn revenues
- £1.5bn EBITDA

Affiliates
- 41.8 million customers
- £12.7bn revenues
- £4.8bn EBITDA

Emerging markets

- High customer growth
- Lower ARPU but healthy margins
- Immature fixed line markets
- Low cost business models
- Best practice focus
  - Handsets
  - Network rollout
  - Banking/Payments
  - Migrant workers propositions

Map showing Subsidiaries, Joint ventures and investments, and Partner Networks.
Romania and Czech Republic – successful integration

Recent highlights

Romania
• Reversed revenue share trend +1.1pp FY 05/06
• Exceeded acquisition plan EBITDA by 17%

Czech Republic
• 2.2 pp increase in revenue market share FY 05/06
• Positive ARPU trend
• Exceeded acquisition plan EBITDA by 11%

Turkey – ready for turnaround

• Telsim acquisition now closed
• Favourable demographics
• 11.6m customers (March 06)
• 24.7% market share (March 06)

Immediate priorities
– Reposition from price to value
– Invest in coverage and quality
– Improve customer service
– Transition path to Vodafone brand

Romania
22mn population
66% penetration

Czech Republic
10mn population
113% penetration

Turkey
73mn population
56% penetration
Egypt – Vodafone outperforming the market

**Recent highlights**

- Penetration growth
- Outperformance vs competition
- 6pp margin outperformance vs competition
- Third operator to come

**Customers**

- Vodafone
- MobiNil

**Revenue**

**Egypt**

- 73mn population
- 17% penetration

South Africa – consistent track record of growth at Vodacom

**Recent highlights**

- Increased stake to 49.9%
- Exposure to five markets
  - South Africa
  - Democratic Republic Congo
  - Lesotho
  - Mozambique
  - Tanzania
- South Africa view:
  - FY 05/06 customer growth +49%
  - FY 05/06 EBITDA growth +22%
- Innovators in data:
  - Vodafone live!
  - Blackberry
  - HSDPA

**South Africa**

- 48mn population
- 70% penetration

**Vodacom subsidiaries**

- 116mn population
- 7% penetration
India - catching up with China’s market growth

Recent highlights

• 10% of Bharti acquired in December 05

• Strong performance
  – Market growing at 4-5m customers per month
  – Bharti net additions around 1m per month
  – Revenue share leader with 3-4% lead over nearest competitor

Key messages

• Eastern Europe and Emerging markets – strong organic revenue growth
• Recent acquisitions are outperforming local competition
• Measurable benefits from Vodafone’s scale and scope
• Effective transfer of knowledge to drive local operational performance
• Measured approach to further investment
New Businesses – Mobile Plus

Thomas Geitner
CEO, New Businesses and Innovation

Mobile Plus will allow us to address new sources of revenue

Source: IDC, Merrill Lynch, Zenith Optimedia
Mobile Plus seeks to meet several customers needs

- Desire for mobility and personalisation
- Access to communities
- Faster speed and availability
- Value and simplicity

Our customers regard Vodafone as a credible provider of communications services in addition to mobile

% of customers finding Vodafone brand credible to deliver future complete communications offer (mobile, fixed data, fixed VoIP)

- At Home
  - UK: 77%
  - Germany: 84%
  - Italy: 74%

- At Office
  - UK: 86%
  - Germany: 84%
  - Italy: 86%

Source: Vodafone Customer Research

Vodafone recently ranked 16th most valuable brand in the world
We will initially focus around 3 areas

- Extend our reach with Vodafone At Home and Vodafone At Office to address fixed line revenues
- IP-based services that integrate mobile with the Internet/PC
- Advertising-based services that are delivered in ways that customers find attractive

Fixed to mobile substitution is at the core of Mobile Plus

A wide array of technologies

- Phase I: Fixed Mobile Substitution (FMS)
  - Homezone
  - Officezone
- Phase II: FMS + DSL
  - Straight bundling
  - Asset light / wholesale
- Phase III: Total Communications Solution
  - WiFi
  - VoIP
  - Software enabled products

Homezone to launch in majority of Europe Region opcos this financial year
IP-based communications will integrate mobility with the PC

“Combining the Best of Both Mobile and the Internet”

- All the benefits of the Internet on your mobile
e.g. buddy list, email

- All the benefits of mobile on your PC
e.g. secure, personal

- Services that work seamlessly between the two
e.g. messages, address book

- Delivered via partnerships and Vodafone IPR

We will broaden our business model to include mobile advertising

Different Advertising Opportunities on Mobile

- SMS/MMS push
- Customer pull
- Idle screen
- Mobile TV inserts

Global Online Advertising Revenues (£bn)

Source: Yahoo investor presentation
Our approach will be different

**Vodafone advantages vs. Incumbents + DSL Providers**

- **Vodafone is:**
  - Customer demand led
  - Able to offer mobile and only the fixed services customers want
  - Infrastructure-light
  - Creating offers that centre on mobility, the most personal service

- **Vodafone has:**
  - Long term customer relationships and insights
  - Control over devices
  - Scale to be partner of choice for online players

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We have already started including these types of offers in our portfolio

- **Total communications**
  - Homezone products: Vodafone Zuhause (DE), Vodafone Casa (IT)
  - Vodafone Wireless Office
  - Softbank JV

- **IP-based communication**
  - IM interconnection with MSN
  - Push emails deals with Yahoo and MSN
  - Trusted Transaction Framework with Microsoft

- **Advertising**
  - Search partnership with Google
Summary of the opportunity

- We have 3 initial focus areas to drive forward Mobile Plus
  - Extend reach with Vodafone At Home and Vodafone At Office to address fixed line revenue
  - Integrate mobile with the Internet/PC
  - Deliver advertising based services

Mobile Plus will account for around 10% of total revenue in 3 to 4 years

Mobile Plus in Germany

Fritz Joussen
CEO, Vodafone Germany
Fixed to mobile substitution represents a big opportunity

**German mobile market**
- €25bn market volume
- EBITDA margin: up to 40%
- Share of minutes: 18%
- €24 ARPU

**German fixed line market**
- €29bn market volume
- EBITDA margin: 37% (DTAG)
- Share of minutes: 82%
- €43 ARPU

Source: IDC, Company Data

We started Vodafone Zuhause 12 months ago

**Total of around 630k customers today**
- 440k customers
- 150k customers
- 40k customers

**Significant ARPU uplift**
- “Vodafone Zuhause” Tariff options - on top of mobile tariff
  - 440k customers with €5 ARPU uplift
- “Vodafone Zuhause Talk 24” - separate SIM
  - 150k customers with €20 ARPU uplift
- “Vodafone Zuhause Web” - mobile broadband
  - 40k customers with €30 ARPU uplift

Vodafone Zuhause already generates €80 mn in annualised revenue contribution
There is a strong demand for DSL in Germany

Top reasons for rejecting Vodafone Zuhause

- Customer wants fixed broadband internet access: 37%
- Other reasons: 63%

DSL penetration: 25% in 2005 up to 60% in 2009

Source: Company quantitative consumer market research, July 2005
Source: Telebasics 2005; Telekom press release; UADS 12/05; Arcor

We will launch “Vodafone Zuhause” with DSL in Q3 of FY 06/07

Increasing value to the customer and increasing profit pool for Vodafone

Competing on user experience, not on price
User Experience I: Instantly ready to use

**Explore**
- 1,800 own retail outlets
- 500k outbound customer contacts per month

**Deliver**
- SIM activation, provisioning of Homezone and geographical number within 5 minutes

**Use**
- Instant use of Vodafone Zuhause Voice and Data based on HSDPA before DSL installed
- Access independent broadband flatrate for use on DSL and HSDPA

User Experience II: Seamless extension of Vodafone live! from Mobile to Web

- Mobile
- PC
- 3.5 m users
User Experience III: 
Mobile access to rich media personal content and applications on home PC connected to Internet

Financial summary - significant revenue growth from Vodafone Zuhause in FY 06/07

- Total Vodafone Zuhause customers around 630k
- Annualised revenue contribution of €240m

Vodafone Zuhause customers today
- 590k
  - 40% Zuhause Voice
  - 60% Zuhause Data

Vodafone Zuhause customers at 31 March 2007
- 1,850k
  - 15% Zuhause Voice
  - 85% Zuhause Data
The Vodafone Germany strategy in a nutshell...

German mobile market

German fixed line market

... is all about extending our mobile market share into fixed

Aligning Financial Policies to Strategy

Andy Halford
Chief Financial Officer
**Agenda**

1. Financial impact of strategy
2. One Vodafone update
3. Returns and capital structure
4. M&A criteria
5. Summary

**Financial impact of strategy**

**Europe Region**
- Strong cash generation
- Margin pressure from intensifying competition/reducing prices
- Extend reach into the home and office

**EMAPA Region**
- Focus on customer and revenue market share leadership
- Realise scale benefits to fund customer growth

**New Businesses**
- New service offerings
- Market by market approach
- Infrastructure-light approach

Different characteristics require a different approach for each business unit
One Vodafone – Europe Region

### Measure

- **Revenue**
  - Before: 1% revenue market share gains versus established principal competitors by FY 07/08
  - Updated: Target remains unchanged

- **Combined opex and capex**
  - Before: Stable combined opex and capex from FY 03/04 to FY 07/08
  - Updated: Targeting flat opex in FY 07/08 from FY 05/06

#### Notes:
1. For 15 controlled businesses and Vodafone Italy at the time (including Japan and Sweden which have subsequently been disposed)
2. Europe Region including common function costs but excludes one-off restructuring costs & New Businesses

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Europe Region – capex and opex evolution

#### Flat opex FY 05/06 to FY 07/08

- FY 03/04: £13.5bn
- FY 05/06: £15.6bn
- FY 07/08: £20.0bn

#### Capex-to-sales

- FY 03/04: 13.5%
- FY 05/06: 12.4%
- FY 07/08: 10%

#### Outperforming original One Vodafone targets

1. Includes common function costs, but excludes one-off restructuring costs & New Businesses

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Financial impact of strategy

Europe Region
- Strong cash generation
- Margin pressure from intensifying competition/reducing prices
- Extend reach into the home and office
- Modest medium term revenue growth
- Slightly declining EBITDA margin
- Capex-to-sales intensity at 10% in FY07/08

EMAPA Region
- Focus on customer and revenue market share leadership
- Scale efficiencies but customer growth to fund
- Strong revenue growth over medium term
- Broadly stable EBITDA margin
- Capex-to-sales >10% but trending down over time

New Businesses
- New service offerings
- Market by market approach
- Infrastructure-light approach
- Targeting around 10% of sales in 3 to 4 years
- Limited investment needed

1 Includes common function costs, but excludes one-off restructuring costs & New Businesses

Returns and capital structure – aligned with strategy

Dividends
- Target 60% dividend payout ratio
- Growing dividends in line with underlying earnings per share

Capital structure
- Pro-forma FY 05/06 net debt of around £23bn

Return of capital
- One-off return of £8bn in August 06
- Ongoing buybacks cease

Credit rating
- Targeting low single A Group credit rating

1 Pro-forma for £9bn one-off distribution to shareholders expected shortly after the Group AGM in July 2006, sale of Japan and £2.6bn acquisition of Turkey
Selective mobile M&A based on strict criteria

**Strategic criteria**
- Consolidate our presence in existing local or regional markets
- Preference for control
- Will only make minority investments where:
  - Able to exert sufficient influence to add value
  - There is longer-term potential path to control

**Financial criteria**
- IRR to exceed local risk adjusted cost of capital by at least 200bp
- ROIC to exceed local risk adjusted cost of capital within 3-5 years

**Summary**

**Vodafone: Unique positioning**
- Strongly cash generative core businesses
- Fast growing emerging market businesses
- An unrivalled customer footprint
- Proximity to many adjacent revenue pools

**Focused approach**
- Exploiting new revenue opportunities
- Aggressively reducing costs
- Applying rigorous criteria to future acquisitions
- Investing prudently in new business areas
- Gearing up to increase returns to shareholders
Summary

• Good financial performance in FY 05/06
• Five new strategic objectives to meet challenges and opportunities
• Three principal business units will execute opportunities on the strategy
• Vodafone has aligned its capital structure and returns to its strategy
  – Increased dividends; low Single A credit rating; £9bn “B” share scheme
• Vodafone expects to deliver profitable growth in the future

Forward-Looking Statements

These presentations contain “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, each forward-looking statement includes statements with respect to Vodafone’s expectations as to launch and roll-out dates for products, services or new technologies offered by Vodafone, including Vodafone’s ability to offer products and services in new markets, as well as Vodafone’s ability to offer new services and secure the timely delivery of high-quality, reliable GPRS and 3G handsets, network technologies on the Group’s future revenue, cost structure and capital expenditure outlays; the ability of the Group to harmonise mobile platforms and delays, associated with 3G technologies; a lower than expected impact of GPRS, 3G, Vodafone live!, Vodafone Radio DJ and other new or existing products, services or technologies will not meet the Group’s requirements; the Group’s ability to win 3G licence allocations; the Group’s ability to realise expected synergies and benefits from the spending patterns of new and existing customers; the possibility that new products and services, including mobile internet platforms, 3G, Vodafone live!, Vodafone models, lead to customer churn and make it more difficult to acquire new customers, and reduce profitability; the impact of investment in network capacity and from both existing competitors and new market entrants, including Mobile Virtual Network Operators (“MNVOs”), which could require changes to the Group’s pricing framework in which the Group operates, including possible action by regulators in markets in which the Group operates or by the EU regulating rates the Group is permitted to charge; the impact of legal or other proceedings against the Group or other companies in the mobile telecommunications industry; the possibility that new technologies offered by Vodafone; intentions regarding the development of products and services introduced by Vodafone or by Vodafone in conjunction with initiatives with third parties; the ability to integrate all operations throughout the Group in the same format and on the same technical platform and the ability to be operationally efficient; the development and impact of new mobile technology; anticipated benefits to the Group of the One Vodafone programme; the results of Vodafone’s brand benchmarking and operational experience; future acquisitions, including increases in ownership in existing investments and pending offers for investments; future working capital requirements; expected effective tax rates and expected tax payments; the ability to realise synergies through cost savings, revenue generating services, share purchases; the rate of dividend growth by the Group or its existing investments; expectations regarding the Group’s access to adequate funding for its capital expenditure and working capital needs; expected improvements in the Group’s operating margins; expected improvements in the efficiency and competitiveness of the Group’s operations; the impact of changes in exchange rates and other foreign currency risks; future capital requirements; capital expenditures; expected improvements in the Group’s financial condition and results of operations; and future performance in making 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.