Vodafone Italy

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Chief Executive Officer

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Milan, 27th May 2009
Outperforming the Total Communications market

Year 2008

- Vodafone: 34% (73% Fixed, 57% Mobile)
- TIM: 41% (57% Mobile, 41% Fixed)
- WIND: 16% (13% Mobile, 7% Fixed)
- Other: <1%

Mobile (excl. Handsets)

- Vodafone: ~22 €bn
- TIM: ~21 €bn
- WIND: ~4 €bn

Fixed

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- TIM: ~21 €bn
- WIND: ~4 €bn

* Source: Deutsche Bank as of Apr ’09; for fixed BB internal analysis based on Analysys Mason and Company Reports
Driving growth in traditional and new business

**Vodafone service revenues** (€bn)

- **Mobile core** (2): +2% YoY
- **Incoming voice**: -12% YoY
- **Mobile data**: +29% YoY
- **Fixed services**: +4% YoY
- **FY 07/08**: 8.2
- **FY 08/09**: 8.3

**Key drivers**

- **ARPU enhancing initiatives on Voice and SMS** (eg: You&Me Senza Limiti, Family, Zero Limits)
- **Business and Consumer contracts** (800K contract net additions)
- **PC Connectivity** (~500K new devices)
- **Mobile Internet** (~ 1m bundles EOP FY 08/09)
- **Fixed services**, Vodafone and Tele2 (~ 360k BB net additions)

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(1) Organic: including Tele2 full year contribution in FY 07/08

(2) Mobile core including Voice (excl. incoming), Messaging, Visitors on our network and other miscellaneous revenue; excluding incoming voice
Driving efficiency to sustain EBITDA and invest in growth

**Ebitda (€bn)**

<table>
<thead>
<tr>
<th>FY 07/08</th>
<th>Growth &amp; efficiency (2)</th>
<th>Investments (3)</th>
<th>FY 08/09</th>
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</thead>
<tbody>
<tr>
<td>3.8 (1)</td>
<td>+0.2</td>
<td>-0.2</td>
<td>3.8 (1)</td>
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**Key drivers**

- **Efficiency through:**
  - Mobile acquisition and retention unitary costs reduction
  - Control of opex through efficiency initiatives

- **Investment in:**
  - High value mobile customers acquisition, Consumer and Business
  - Fixed broadband customers acquisition
  - Sales and service enhancement
  - Fixed services ramp up and Mobile Data acceleration

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(1) Organic: including Tele2 full year contribution in FY 07/08 and excluding release of brand trademark provisions
(2) Increase in variable margin (Revenues – direct variable costs); inflation driven inertial increase on opex net of efficiency initiatives; reduction in A&R unitary costs
(3) Increase on opex driven by new initiatives (eg: fixed, new sales channels, mobile broadband quality, customer service enhancement); fixed and mobile A&R investments in high value customers additional volumes
## Group strategy

| Drive operational performance | • Value enhancement  
|                              | • Cost reduction |
| Pursue growth opportunities in total communications | • Mobile data  
|                                                      | • Enterprise  
|                                                      | • Broadband |
| Strengthen capital discipline | • Shareholder returns  
|                             | • Explicit priorities for surplus capital |
| Execute in emerging markets | • Delivery in existing markets  
|                             | • Selective expansion/cautious approach |

**Focus on free cash flow generation and execution**
Key strategic focus in Italy: driving growth and efficiency

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**Key strategic focus in Italy: driving growth and efficiency**

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**Focus on free cash flow generation and execution**
Driving voice growth through customer value enhancement

Mobile voice out volumes (bn)

<table>
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<th>Total minutes</th>
<th>Minutes off-net %</th>
<th>Minutes on-net %</th>
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</thead>
<tbody>
<tr>
<td>FY 06/07</td>
<td>27</td>
<td>61%</td>
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<tr>
<td></td>
<td>39%</td>
<td></td>
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<tr>
<td>FY 07/08</td>
<td>33</td>
<td>63%</td>
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<tr>
<td></td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>FY 08/09</td>
<td>37</td>
<td>64%</td>
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<tr>
<td></td>
<td>36% +12%</td>
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<tr>
<td></td>
<td>64% +21%</td>
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Key drivers

- **On Net Traffic increase:**
  - **Tariff options** (You&Me Senza Limiti, Zero Limits, Family, …)
  - **Top-Up Promotions** (+ 20% on net traffic with a top up > 15€)
  - **Seasonal Promotions** (Summer & Christmas Voice)

- **Contract acquisitions:** 0.8m net additions in the year
Customer value enhancement: “Infinity Messaggi”

- Tariff option Add-on to any Consumer tariff plan
  - Pay only the first/day, 100 messages/day on-net, + 100 messages/month off-net
  - Monthly Fee 6€/month on-net + 1€/month off-net
- Penetration on 2m subscribers driven by ATL communications and CRM activities

MARPU (1)

<table>
<thead>
<tr>
<th>Index</th>
<th>Pre</th>
<th>Post</th>
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<tbody>
<tr>
<td>100</td>
<td></td>
<td>116</td>
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Churn

<table>
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<th>Index</th>
<th>Pre</th>
<th>Post</th>
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<tbody>
<tr>
<td>100</td>
<td></td>
<td>90</td>
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Customer Lifetime Value (2)

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<tr>
<th>Index</th>
<th>Pre</th>
<th>Post</th>
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<tbody>
<tr>
<td>100</td>
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<td>125</td>
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(1) MARPU: ARPU – Interconnection Costs. Delta ARPU and delta churn calculated on a representative sample of subscribers based on customer behaviour before and after the promo subscription
(2) Discounted Customer Lifetime Value
Driving growth in Mobile Data through mass market penetration and differentiation

- **PC connectivity users (‘000s)**
  - Q1: 700k
  - Q2: 945k
  - Q3: 945k
  - Q4: 1,360k

- **Mobile Internet bundles active (‘000s)**
  - Q1: 3k
  - Q2: 700k
  - Q3: 945k
  - Q4: 945k

- **Vodafone Internet Key**
- **Mini PC**

- **Smartphones, full portfolio available:** iPhone, Storm, Nokia 5800, g-Phone, …
- **Internet Bundles on prepaid Customers / Contracts**
Driving growth in business through convergence

Business service revenues (€bn)

- Service and quality differentiation
- Sales channels enhancement
- Mobile Data growth
- Penetration in SoHo

Current focus

- Convergence in SMEs: Vodafone Rete Unica
  - One integrated VPN: fixed/ mobile, voice/ data
  - IP Centrex in our Network
  - IP/ IMS based

- Attacking Micro-business market with bundling: Vodafone Partita IVA
  - Packaging fixed/ mobile, voice/ data by sub-segment
  - More Service, more Value
  - Sales channel boost

FY 06/07

FY 08/09

Growth

+18%

1.40

1.64
Accelerating growth in fixed broadband

Key drivers

• Vodafone Station
  – Vodafone innovation: convergent fixed BB with mobile add-on, instant activation
  – Vodafone mobile-fixed integrated sales and CRM
  – Expanding sales channels

• Tele2
  – Maintaining no-frills/ price positioning
  – Consolidating sales channels
  – Completing cost synergies/ infrastructure integration with Vodafone
Driving efficiency in mobile A&R to reinvest in high value customers and fixed growth

<table>
<thead>
<tr>
<th>Acquisition and retention costs* (€bn)</th>
<th>Key drivers</th>
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<tbody>
<tr>
<td><strong>Mobile</strong></td>
<td>• Mobile</td>
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<td></td>
<td>– Reduced prepaid acquisition volumes to focus on value activities</td>
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<td></td>
<td>– Efficiency on unitary costs, also leveraging on Group Terminals organization</td>
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<td></td>
<td>– Partial re-investment on High Value Customers acquisition in Business and Consumer Contract (+0.8m contract net additions)</td>
</tr>
<tr>
<td><strong>Fixed</strong></td>
<td>• Fixed</td>
</tr>
<tr>
<td></td>
<td>– Volume ramp-up of Vodafone branded propositions (Vodafone Station, Vodafone Rete Unica)</td>
</tr>
<tr>
<td></td>
<td>– Tele2 focus on higher value propositions</td>
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* Acquisition and retention costs and distribution channels remuneration (including commissions on airtime)
Shifting capex towards fixed while controlling overall capex intensity

<table>
<thead>
<tr>
<th>Capex (€bn)</th>
<th>FY 06/07</th>
<th>FY 07/08</th>
<th>FY 08/09</th>
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<tbody>
<tr>
<td>Fixed Capital</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Mobile Capital</td>
<td>94%</td>
<td>82%</td>
<td>77%</td>
</tr>
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</table>

Key drivers

- Rigorous Capex discipline through strict governance
- Driving unitary costs down through global SCM
- Mobile Network Sharing:
  - ~1,500 shared sites since March ‘08
  - ~80% sharing on new sites
- Deploying Fixed investments in services and unbundling
  - Vodafone COs unbundling with fiber backhaul in progress, overlaid over Tele2 ULL 50% Pop. Coverage

* Including Tele2 full year contribution in FY 06/07 and FY 07/08

Capital intensity (% of Total Turnover)

- 10.6% in FY 06/07
- 9.3% in FY 08/09
Key messages

Outperforming the Total Communications market

Sustaining profitability through efficiency; investing in growth

Jump start in fixed; expanding into a new market

Driving strategy execution deeper, to capture all growth opportunities in Total Communications
Disclaimer

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