# Vodafone Group Plc
# Interim Results & Strategy Update

For the 6 months ended 30 September 2010

9 November 2010

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# Highlights

**Q2 Group organic service revenue +2.3% - improved trends in each region**

**China Mobile stake sold for £4.3bn; share buy back underway**

**Accelerated realisation of SoftBank interests for £3.1billion**

**FY 10/11 adjusted operating profit guidance increased to £11.8 - £12.2 billion**

**Interim dividend per share +7.1% to 2.85p**

**Strategy for sustainable growth and returns**

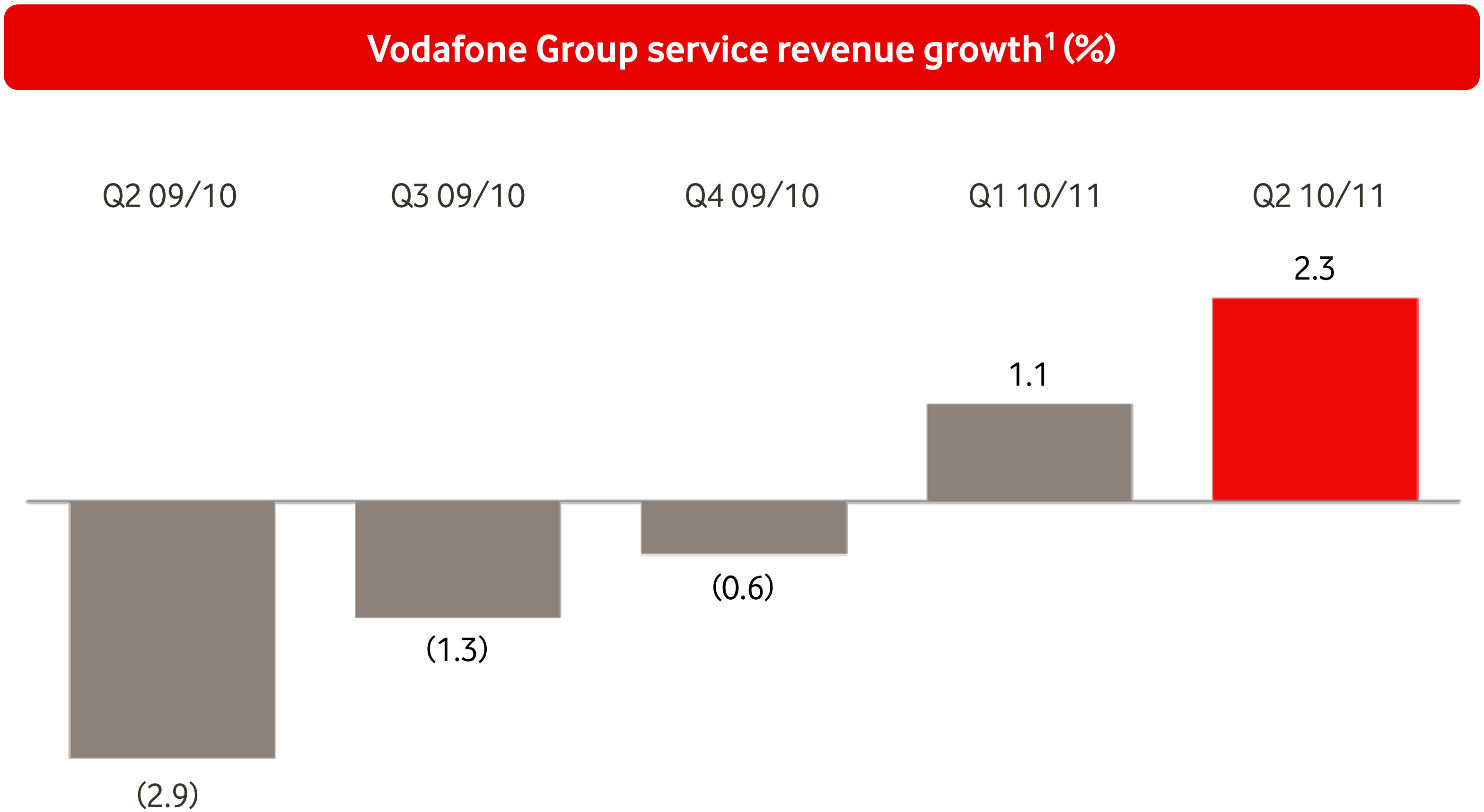
# Financial Performance
# H1 10/11

# Financial highlights: H1 10/11

| | £m | H1 YoY organic growth (%) | Q2 vs. Q1 YoY organic growth ppts |
|---|---|---|---|
| **Group service revenue** | **21,229** | **+1.7** | **+1.2** |
| Europe | 13,545 | (1.3) | +0.9 |
| Africa & Central Europe | 4,165 | +4.8 | +2.1 |
| Asia Pacific & Middle East | 3,572 | +11.4 | +1.7 |
| **Group EBITDA** | **7,363** | (2.8) | |
| **Adjusted operating profit** | **6,069** | +0.7 | |
| **Capex** | **2,435** | **(6.4)** | |
| **Free cash flow** | **3,489** | **(12.8)** | |
| **EPS** | **14.31p** | **56.1** | |
| **Adjusted EPS** | **8.76p** | **0.5** | |
| **Interim dividend per share** | **2.85p** | **7.1** | |

All growths shown are organic except capex. free cash flow, EPS, adjusted EPS and interim dividend per share

# Revenue trend continues to improve

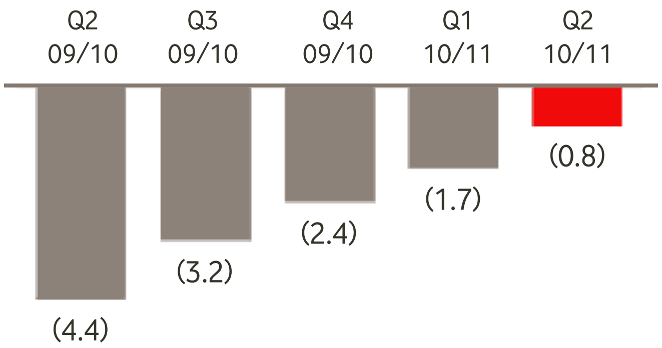



All growths shown are organic

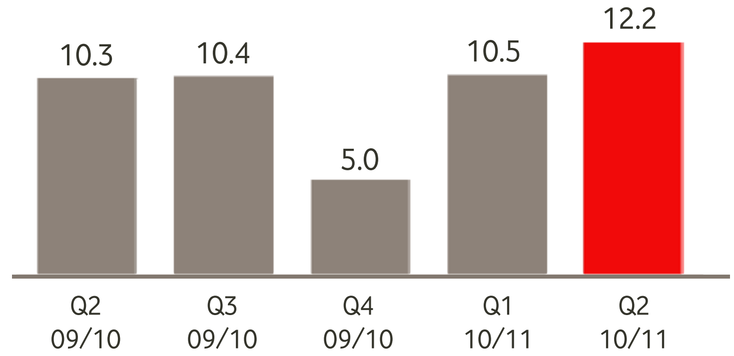
1. Adjusted for IFRIC 13 'Customer Loyalty Programmes'. Reported growth was -3.0% in Q2 09/10, -1.2% in Q3 09/10 and -0.2% in Q4 09/10

# …across all regions

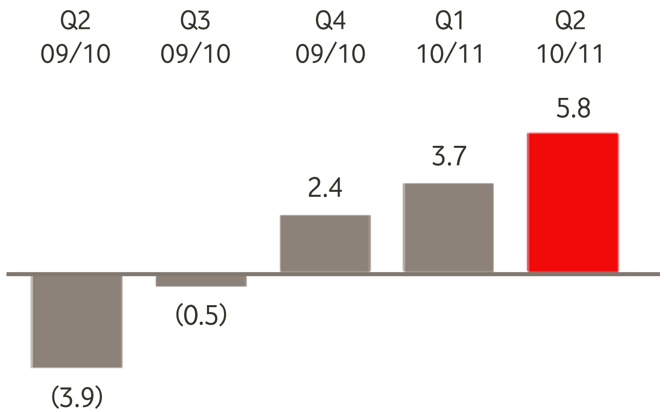
## Europe[1]- Service revenue growth (%)




## Asia Pacific & Middle East - Service revenue growth (%)




## Africa & Central Europe - Service revenue growth (%)

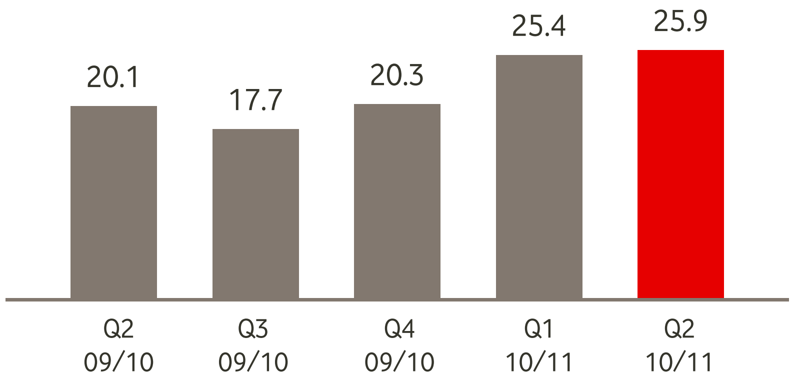



All growths shown are organic

1. Adjusted for IFRIC 13 'Customer Loyalty Programmes'. Reported growth was -4.6% in Q2 09/10 and -1.7% in Q4 09/10

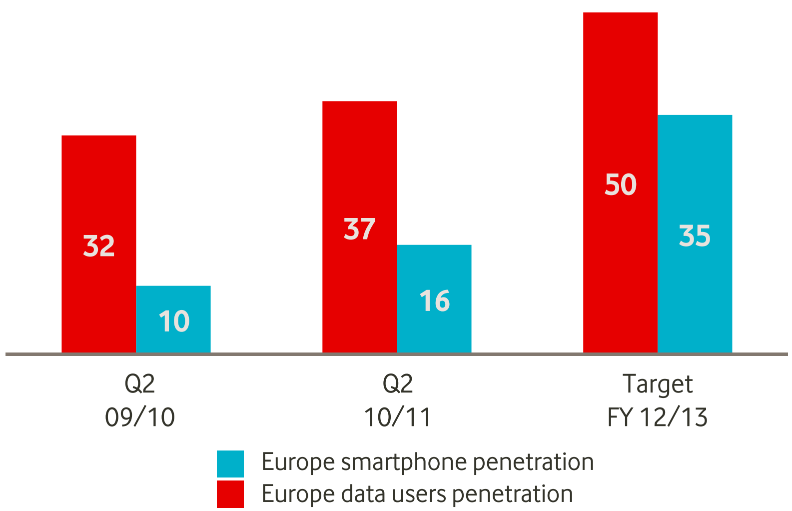
# Data & emerging economies: central to our success

## Group data revenue growth (%)

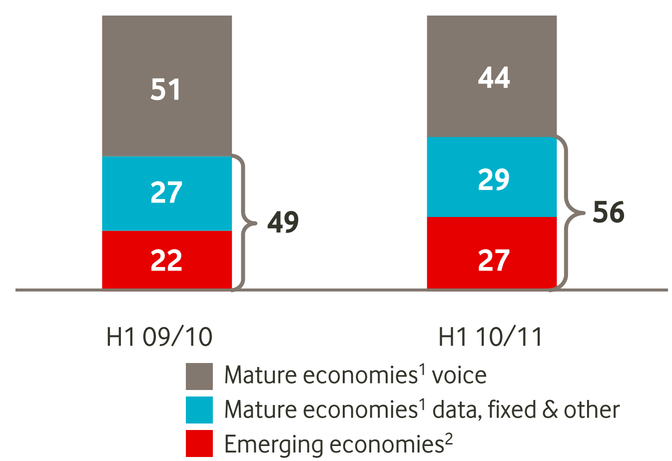



- Data growth accelerated in H1 10/11
- Rebalancing the Group revenue mix
- Good progress towards FY 12/13 targets

## Data users and smartphone penetration (%)

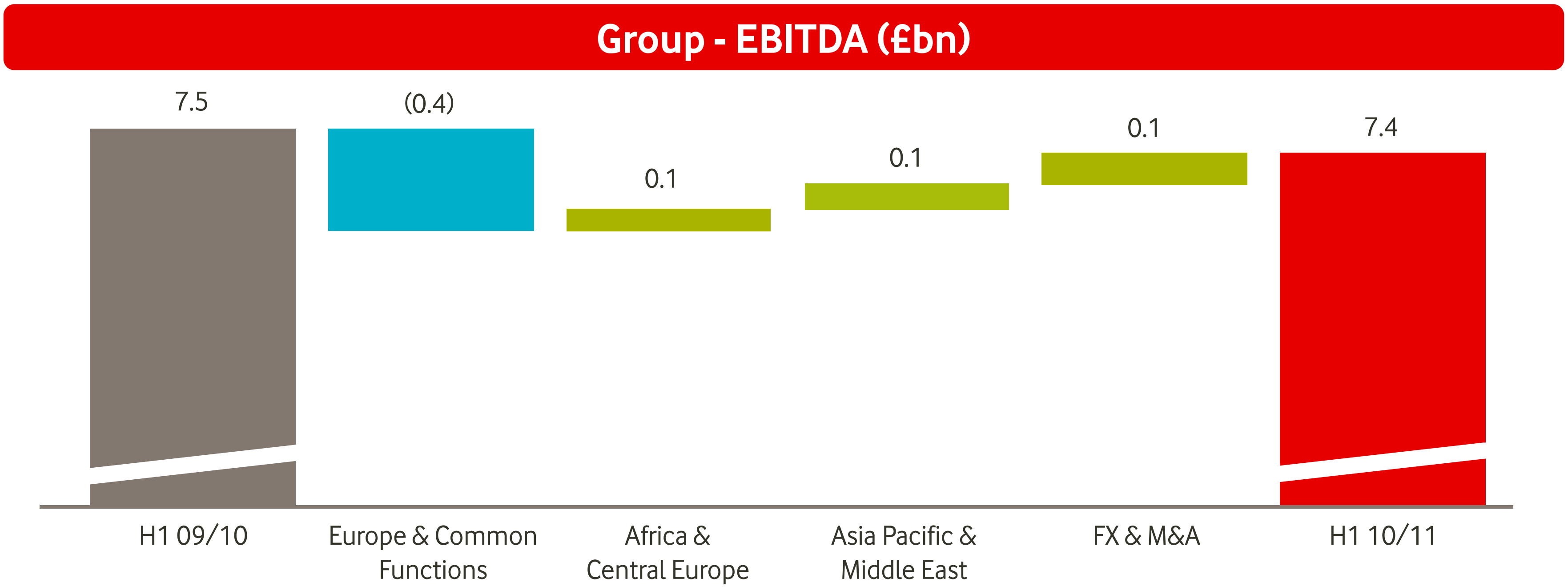



## Increasing contribution beyond mature voice[1,2] (%)




1. Service revenue: Europe, Eastern Europe (excluding Turkey) Australia & New Zealand
2. Service revenue: Turkey, Vodacom, India, Egypt, Ghana & Qatar

# Emerging economies increasing contribution to EBITDA



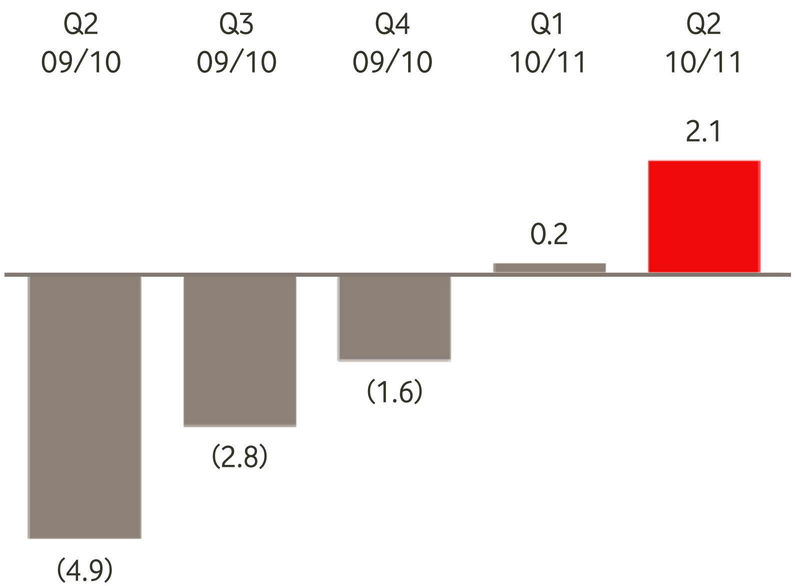

- Emerging economies EBITDA improvements mitigate margin pressure in Europe
- H1 Europe & Common Functions operating costs[1] reduced by 3.4% compared to a service revenue decline of 1.3%

All growths shown are organic

1. Operating costs = operating expenses + commercial costs excluding acquisition & retention costs

# Strengthening trends in Germany

**Germany - Service revenue growth (%)**




- Commercial investment driving service revenue:
  - Increased penetration of high value customers
  - Mobile ARPU +1.3%
- Strong data growth: 13% smartphone penetration, 62% data attach rate
- Enterprise +4.6% with higher smartphone penetration and increased usage
- 570 FTE reduction and 650 FTE to be outsourced
- LTE rollout: 1,500 base stations by March 2011

**Data**
**+27%**

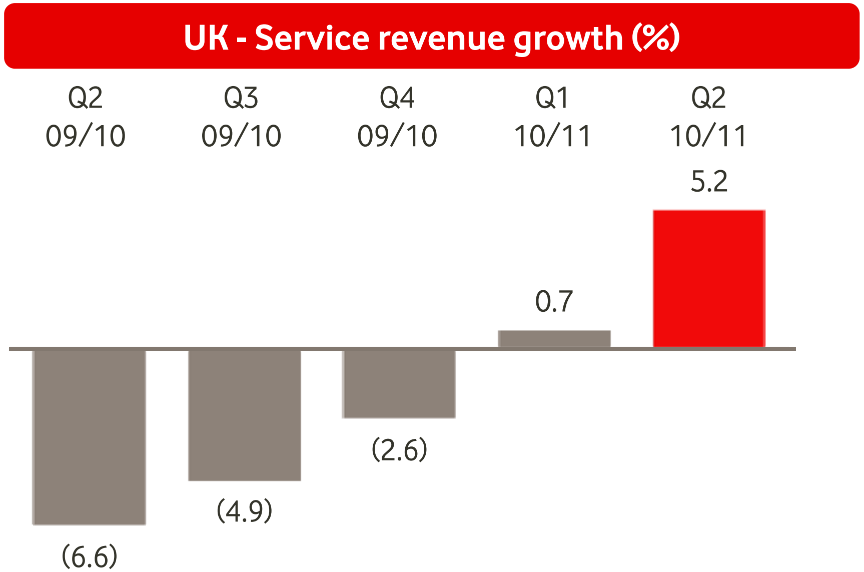
**Fixed broadband**
**+2%**

**EBITDA margin[1]**
**38.1%**

All growths shown are organic

1. EBITDA margin is H1 EBITDA margin, all other financials presented are Q2 10/11

# Strong recovery in the UK




- Service revenue growth from customer adds and ARPU improvement
- Data growth driven by mobile internet: 19% smartphone penetration, 59% data attach rate
- 1 million contract net adds in 12 months
- New prepaid pricing plan launched "Top up and get..."
- Stable margin: higher revenue and operating cost efficiencies funded commercial investment

**Data**
**+27%**

**Contract net adds**
**+281k**

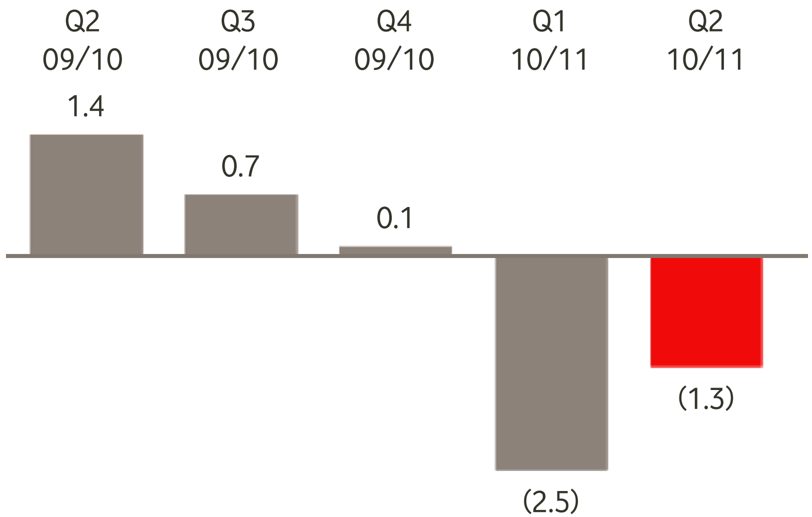
**EBITDA margin[1]**
**23.1%**

All growths shown are organic

1. EBITDA margin is H1 EBITDA margin, all other financials presented are Q2 10/11

# Improvement in revenue trend in Italy

**Italy - Service revenue growth (%)**




- Service revenue improvement due to messaging, mobile internet and Enterprise
- Successful summer campaigns: >9 million customers
- Data growth driven by mobile internet: 17% smartphone penetration, 23% data attach rate
- Fixed broadband growth driven by strong acquisitions: Q2 76k net adds, Q1 leading net adds market share
- Cost efficiencies protecting EBITDA margin despite competitive pressure
- New 1 euro cent pricing plan (Sept)

**Data +22%**

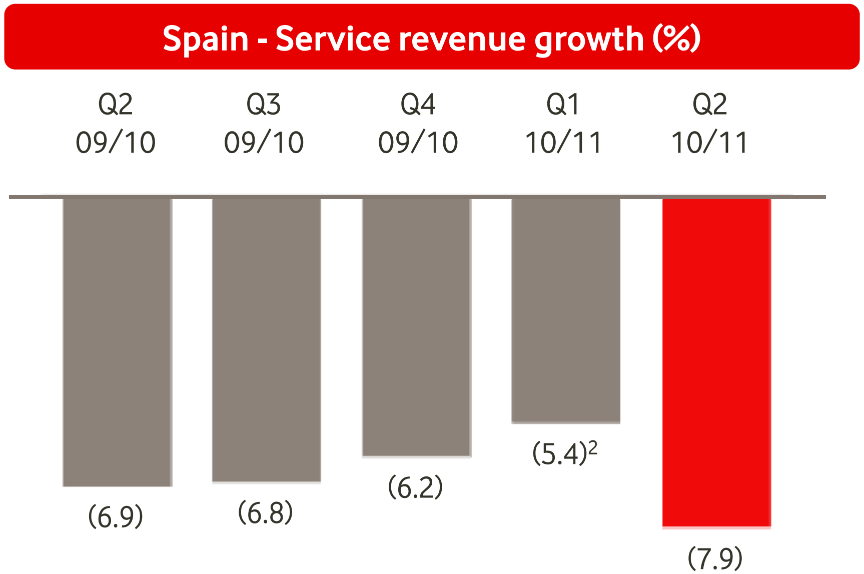
**Fixed broadband +35%**

**EBITDA margin[1] 47.5%**

All growths shown are organic

1. EBITDA margin is H1 EBITDA margin, all other financials presented are Q2 10/11

# Challenging market conditions in Spain




- Significant voice and roaming revenue pressure
- Prepaid net adds +279k
- New prepaid price plans (June); iPhone (July); new contract price plans (Oct)
- Fixed broadband: strong customer growth (+34%), competitive pricing pressure
- EBITDA margin impacted by reduced revenue

**Data +17%**

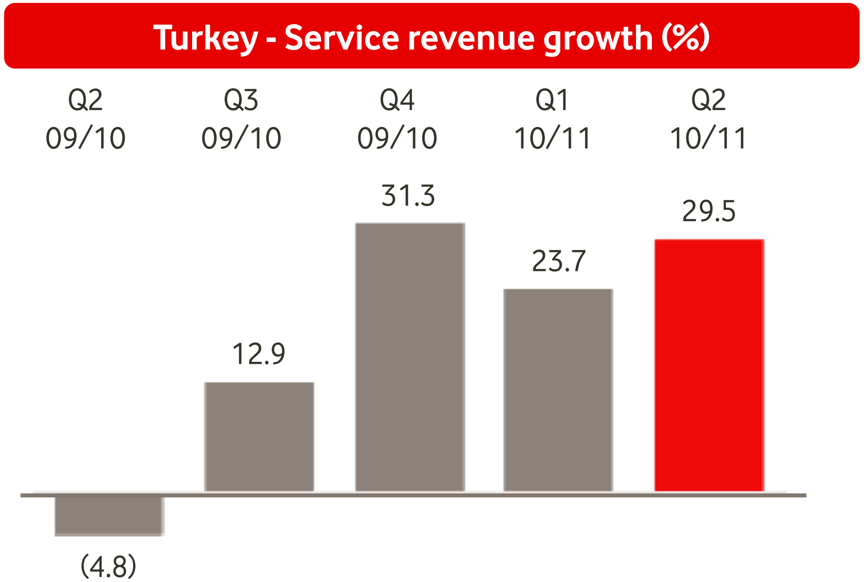
**Fixed broadband +3%**

**EBITDA margin[1] 33.2%**

All growths shown are organic

1. EBITDA margin is H1 EBITDA margin, all other financials presented are Q2 10/11
2. Reported service revenue decline of 6.2% adjusted for contract settlement in Q1 09/10

# Building a solid foundation for the future in Turkey




- Continued service revenue momentum: +43% excluding MTRs
- Improving customer mix: contract base 3.6m
- Improved ARPU: +21%
- Enterprise revenue +47%; new enterprise portfolio and Borusan synergies
- EBITDA positive from revenue growth and cost control
- Network enhancement with money back guarantee campaign and "mobile internet for everyone" strategy
- 5,100 3G sites now operational

**Data +99%**

**Revenue market share 25.1%**

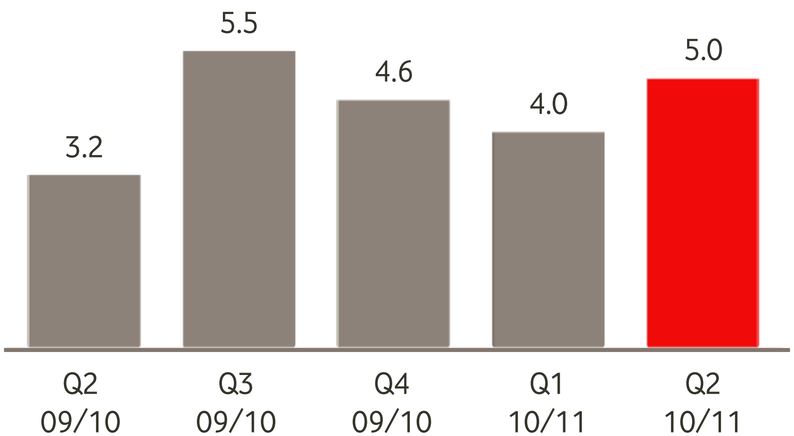
**EBITDA margin[1] 12.2%**

All growths shown are organic

1. EBITDA margin is H1 EBITDA margin, all other financials presented are Q2 10/11

# Vodacom makes excellent progress in data

**Vodacom Group - Service revenue growth[1] (%)**




**South Africa:**

- Service revenue growth +4.4%
- Outgoing revenues +5% supported by commercial investment and new value offerings
- 712k net adds; contract customers now 20% of base
- High demand for broadband: 38% market share[3]

**International:**

- Customer growth sustained and revenue recovering

**Data[1,2] +41%**

**Mobile connect cards 916k (+46%)**

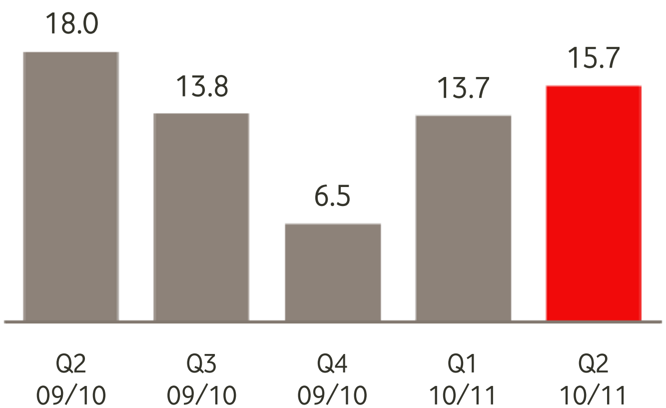
**EBITDA margin[1] 33.2%**

All growths shown are organic

1. Represents Vodacom Group, EBITDA margin is H1 EBITDA margin, all other financials presented are Q2 10/11
2. Organic data revenue growth of 39% adjusted to exclude the impact of changes in the data carry-over rule
3. Broadband device market share, source: Screen Digest 2010 and Vodacom

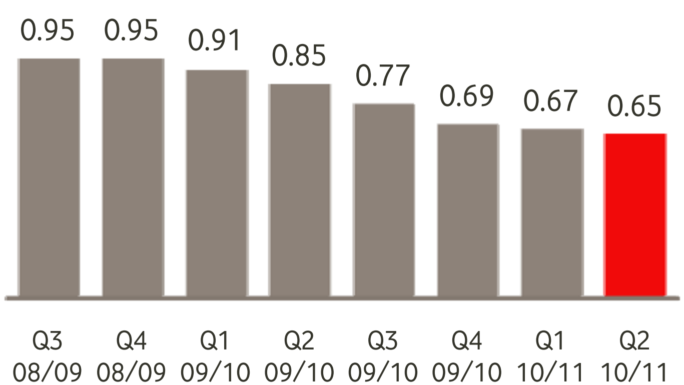
# India shows strong performance

**India - Service revenue growth (%)**




- 19% revenue market share up 1.6pps year on year
- Market prices stabilising
- Data revenue +26%
- EBITDA margin[1] 26.0% due to cost efficiencies
- Operating free cash flow positive
- Indus Towers: strong operational and financial results
- 3G service commencing Q4 10/11, currently exploring 3G roaming agreements

**India - Pricing trends stabilising**
**Outgoing price per minute (Rs)**



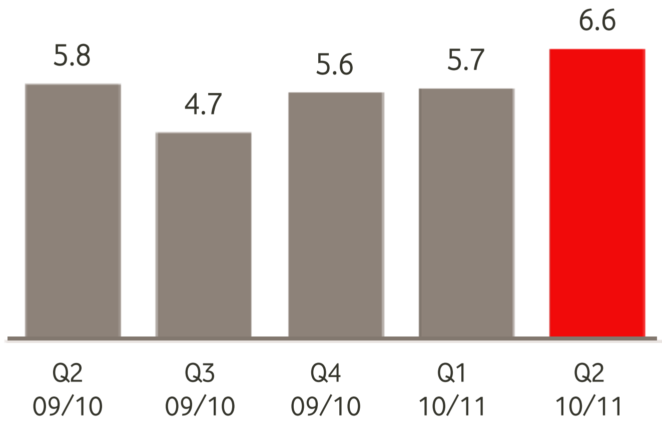

**3G auction - Targeted investment**
**9 circles cover 66% of revenue and >50% of India GDP**


All growths shown are organic

1. EBITDA margin is H1 EBITDA margin

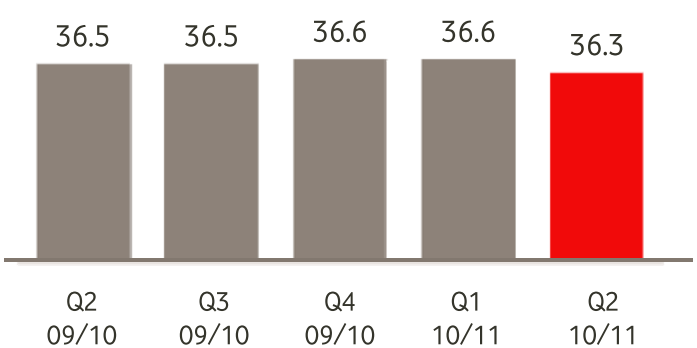
# Verizon Wireless continues to deliver strong results

**VZW - Service revenue growth[2] (%)**

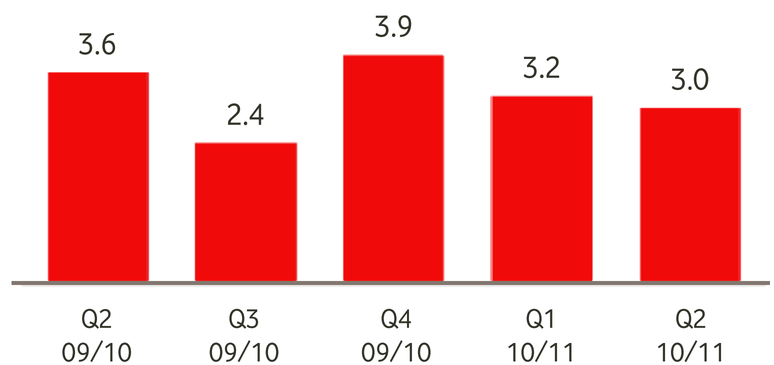



- Data +26%[1]: smartphone penetration 23%
- EBITDA margin 40.0%[3]: strong execution, growing data revenues, Alltel synergies
- LTE rollout: 110m pops covered by end 2010
- Net debt US$14.3bn at 30 September

**VZW - Revenue market share (%) (4 largest operators)**




**VZW - Free cash flow[4] (US$bn)**




All growths shown are organic unless otherwise stated

1. Financial highlights reported on a 100% IFRS basis, except data growth
2. Organic revenue growth excludes divested properties
3. EBITDA margin is H1 EDITDA margin
4. Reported in the Cellco Partnership, being the net cash provided by operating activities, less capital expenditures and distributions to partners

# Low finance costs

| | H1 10/11<br>£m | H1 09/10<br>£m |
|---|---|---|
| **Underlying net financing costs** | **(582)** | **(512)** |
| Mark to market losses | (5) | (47) |
| Dividends from investments | 201 | 237 |
| Potential interest on tax | (54) | (108) |
| **Adjusted net financing costs** | **(440)** | **(430)** |

| | | |
|---|---|---|
| **Average cost of debt (%)** | **4.0** | **4.0** |

- Lowest financing rate amongst European peers[1]
- Reported net financing costs include CFC settlement provision releases of £0.9bn

1. Nomura research14 October 2010

# Adjusted effective tax rate

| | H1 10/11<br>% | H1 09/10<br>% |
|---|---|---|
| Underlying adjusted effective tax rate | 22.9 | 24.5 |
| Reversal of potential interest on tax and tax provisions | - | (3.0) |
| **Adjusted effective tax rate** | **22.9** | **21.5** |

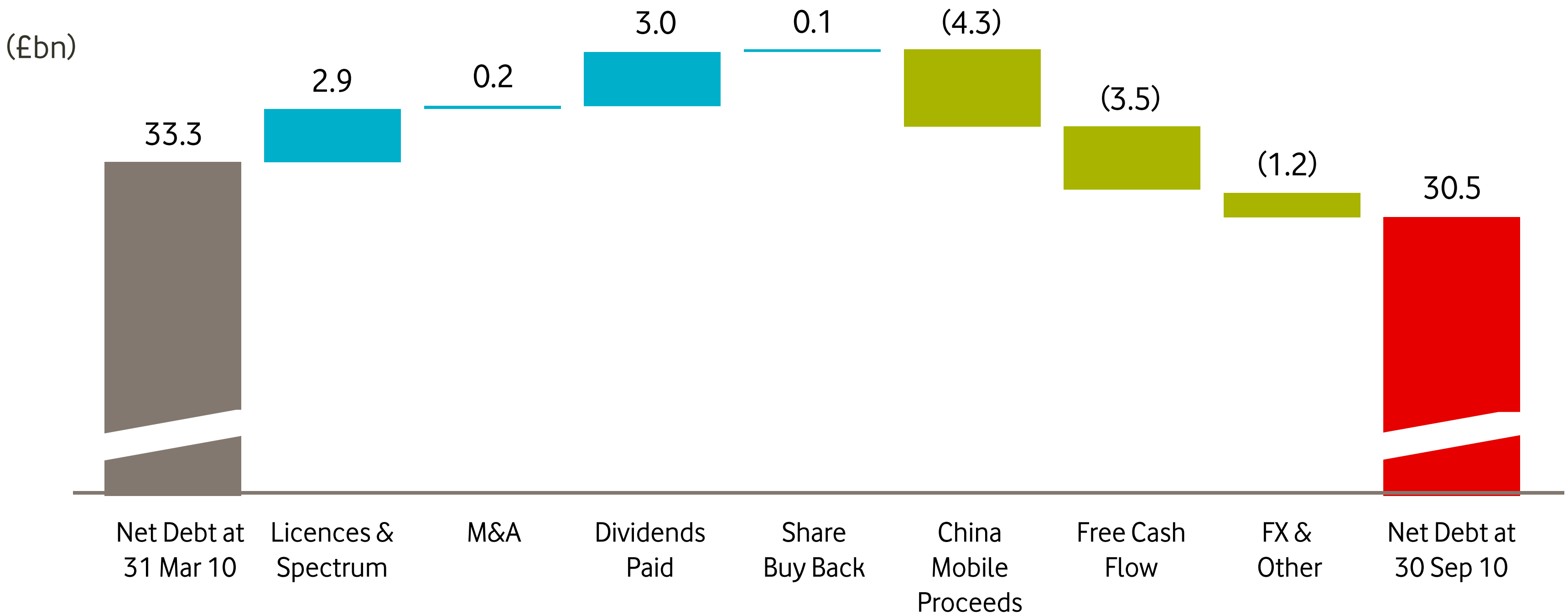
- Adjusted effective tax rate expected to remain in the mid 20s for the medium term
- Reported income tax expense includes CFC settlement provision release of £0.6bn

# Strong free cash flow supports dividend and low single A credit rating

(£bn)


- H1 capex lower due to Indian import controls
- H1 free cash flow per share: 6.62p
- FY 10/11 guidance reiterated: free cash flow >£6.5bn

# Net debt




- Licences and spectrum reflect German and Indian auctions
- £2.8bn China Mobile proceeds committed to share buy back, £0.1bn bought back at 30 Sept
- Closing net debt of £30.5bn includes £3.2bn Essar put options
- Accelerated realisation of SoftBank interests for £3.1bn announced today

# Results lead to profit guidance upgrade

| | Revenue | EBITDA margin | Capex |
|---|---|---|---|
| **FY 10/11 May Guidance** | Return to low-level revenue growth | Decline significantly lower rate than prior year | Similar to prior year |
| **H1 10/11 Performance** | +1.7% service revenue growth | Decline reduced by 0.5pps vs. FY 09/10 | £2.4bn capex |

# Creating value: driving performance and returns

**Q2 service revenue: +2.3%, data revenue +26%**

**Controlling costs: 3.4% reduction in Europe and Common Functions**

**Strong free cash flow: £3.5bn**

**Disposal of China Mobile, SoftBank**

**Increased profit guidance: £11.8bn - £12.2bn**

**£2.8bn share buy back and 7.1% growth in interim dividend per share**

# Strategy Update

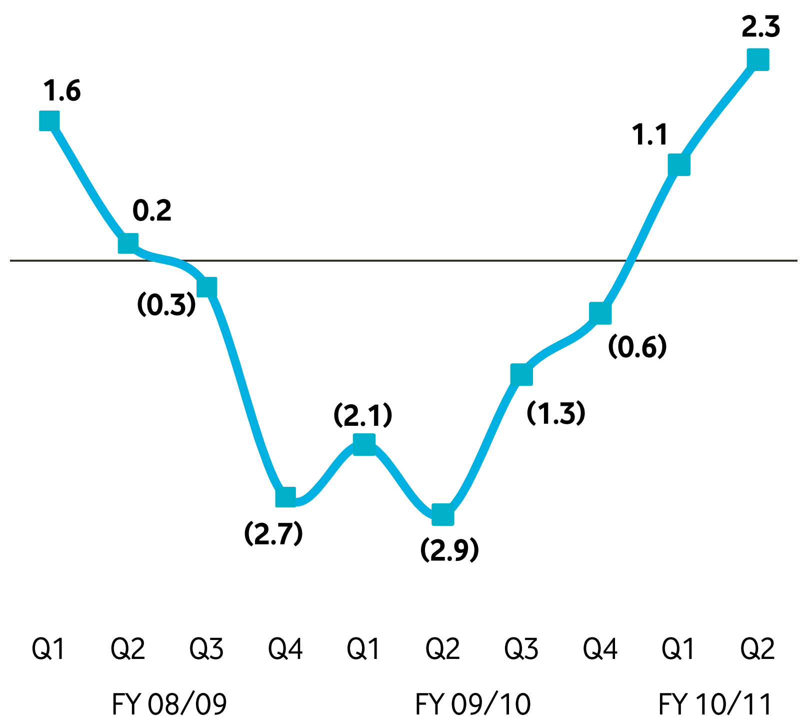
# Execution of 2008 strategy has made Vodafone stronger

| | | |
|---|---|---|
| **Drive operational performance** | • **Revenue market share gains:** in a majority of our markets[1]; trends improving<br>• **Cost reduction programme:** on track | ✔ |
| **Pursue growth in total communications** | • **Mobile data:** £5.0bn revenue +23% CAGR; 60m customers[2]<br>• **Enterprise:** Return to revenue growth; VGE performing well<br>• **Fixed broadband[3]:** £3.3bn revenue +7% CAGR[2]; 5.8m broadband customers | ✔ |
| **Execute in emerging markets** | • **India:** gained #2 revenue market share<br>• **South Africa:** maintained #1 revenue market share<br>• **Turkey:** turnaround executed, now building profitability | ✔ |
| **Strengthen capital discipline** | • **Dividend per share:** +12% since Nov 2008<br>• **China Mobile:** disposal raised £4.3bn<br>• **Buy backs:** £2.8bn buy back programme<br>• **Australia JV:** on track and creating value | ✔ |
| **Focus on FCF generation** | • **Original £5 - 6bn free cash flow target:** exceeded and upgraded | ✔ |

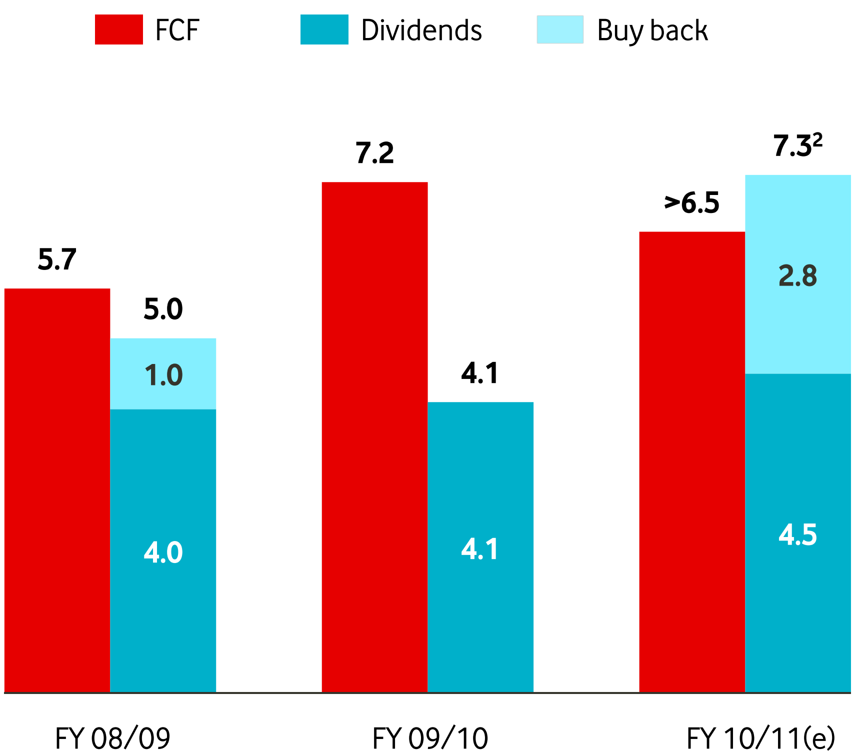
1. Revenue market share gain since Nov 2008
2. Annualised Q2 10/11 revenue. CAGR from Q2 08/09 to Q2 10/11
3. Fixed line revenue

# We returned to growth while delivering robust FCF and higher shareholder returns

**Organic service revenue[1] growth (%)**

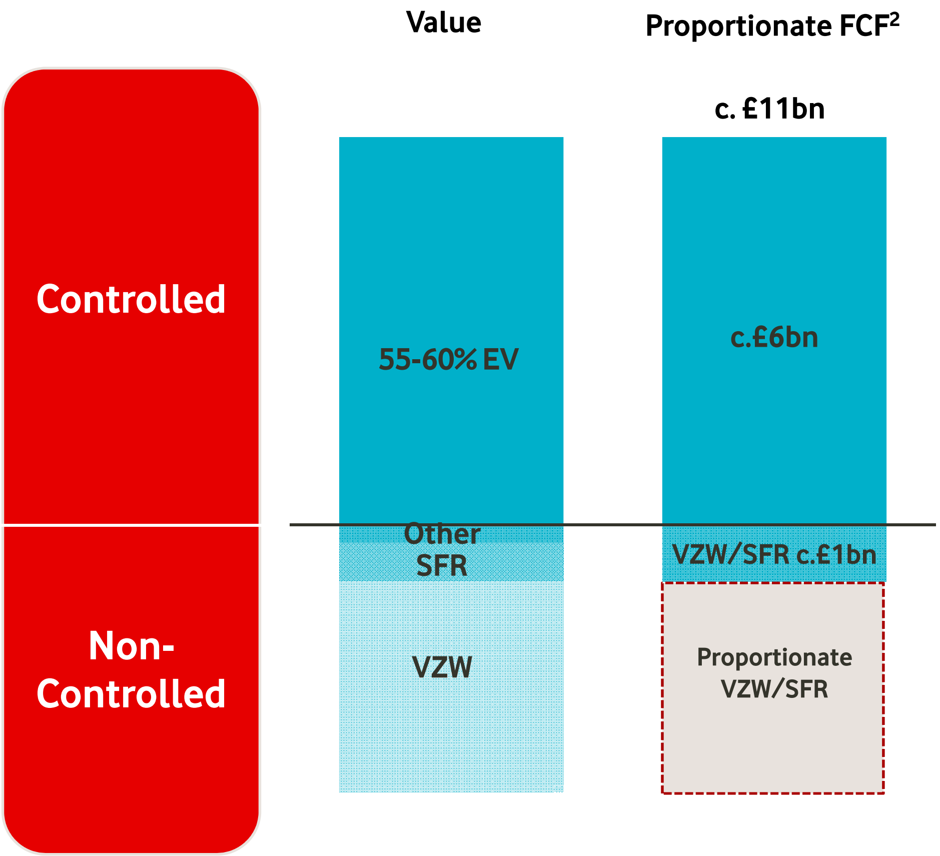



**Free cash flow and shareholder returns (£bn)**




1. Adjusted for IFRIC 13 'Customer Loyalty Programmes'. Reported growth was -3.0% in Q2 09/10, -1.2% in Q3 09/10 and -0.2% in Q4 09/10
2. Based on financial guidance, assumes 7% growth in dividends per share and completion of £2.8bn buy back programme

# What is Vodafone today?




- 27 controlled operations[3]
  - c.70% consumer / 30% enterprise[4]
  - c.70% mature / 30% emerging[5]
  - #1 or #2 positions in 22 markets
- Emerging markets' OpFCF turning positive
- Achieved turnarounds: Turkey, UK, Aus, Ghana

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- Strong proportionate cash generation from SFR and VZW
- But current low cash returns to Vodafone c. £1.0bn

1. Based on Median of Analysts' Sum of the Parts analysis as at Sep-2010
2. Free cash flow figures for FY 09/10
3. Includes fully and joint controlled operations and excludes Vodafone Investments (Verizon Wireless, SFR, Poland)
4. Europe service revenue
5. Group service revenue

# 2010 Strategy update: a more valuable Vodafone

| | |
|---|---|
| **Leadership focus** | • Europe, Africa, India |
| **A growth strategy from data** | • Mobile data: accelerate across footprint<br>• Enterprise: exploit opportunity across footprint<br>• Emerging markets: drive penetration and data adoption<br>• Total Communications: continue to develop services in Europe<br>• New services: deliver growth opportunities |
| **Value & efficiency from scale** | • Continue to enhance efficiency and realise scale benefits |
| **Asset / portfolio strategy** | • Generate liquidity or free cash flow from all non-controlled assets |
| **Capital discipline and financial objectives** | • Profitable investment and shareholder returns<br>• Continue to apply rigorous investment criteria to deployment of surplus capital and regular assessment of all assets |

# New organisation aligned to strategy...

**CEO**
**Vittorio Colao**

**CFO**
**Andy Halford**

**Europe**
**Michel Combes**

**AMAP[1]**
**Nick Read**

**Technology**
**Steve Pusey**

**Commercial**
**Morten Lundal**

**Investments**

Europe / AMAP: Achieve regional leadership & growth

Technology / Commercial: Enable growth and maximise scale benefits / innovation

Investments: Maximise value / liquidity or cash flow

**Flatter organisation structure, simpler Group architecture, increased ownership, aligned incentives**

Note: Vodafone will report on the basis of the new organisation structure for the second half of FY 10/11

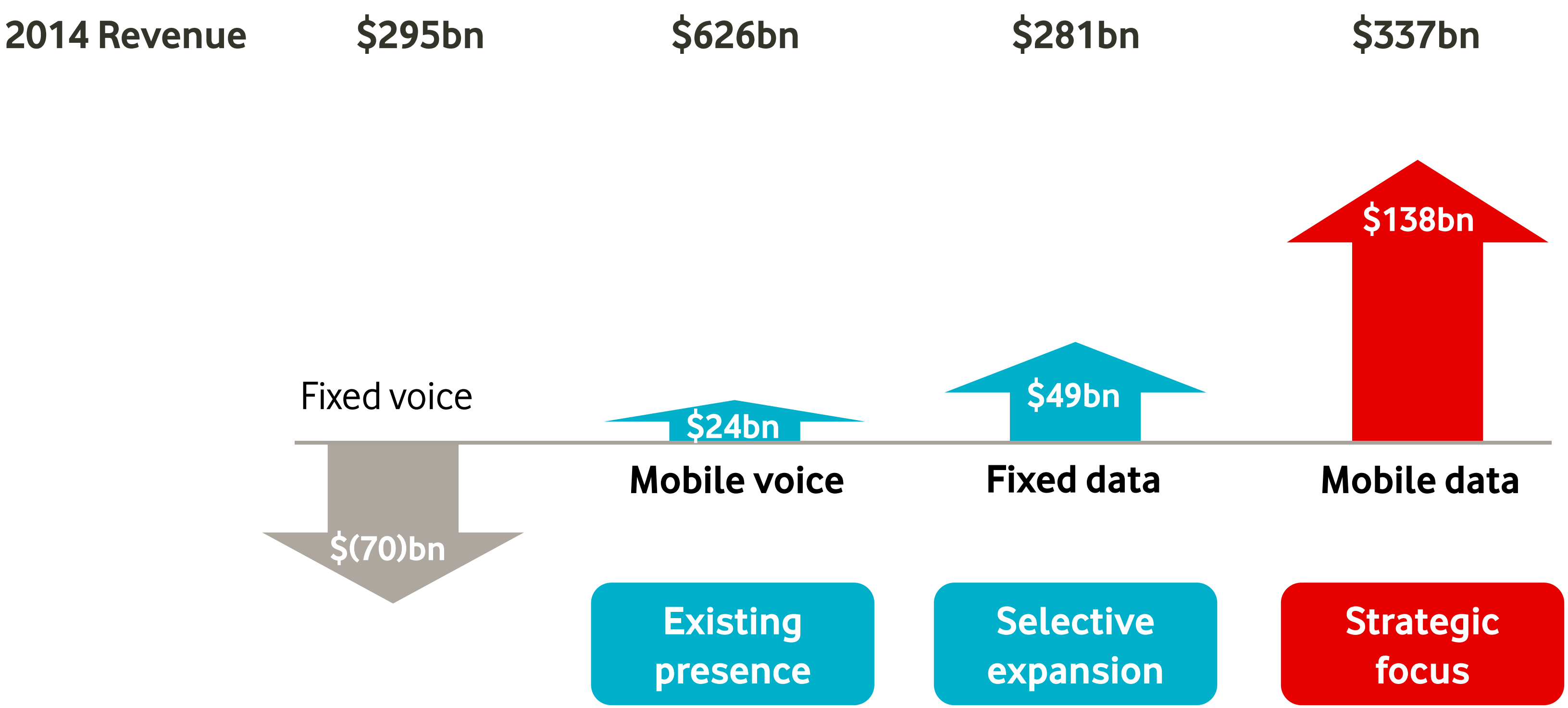
1. Africa, Middle East and Asia Pacific

# Group Growth Strategy

- Mobile data
- Enterprise
- Emerging markets
- Total communications
- New services

# Mobile data will drive global telecoms growth

**2010e -14e global telecoms revenue / change**



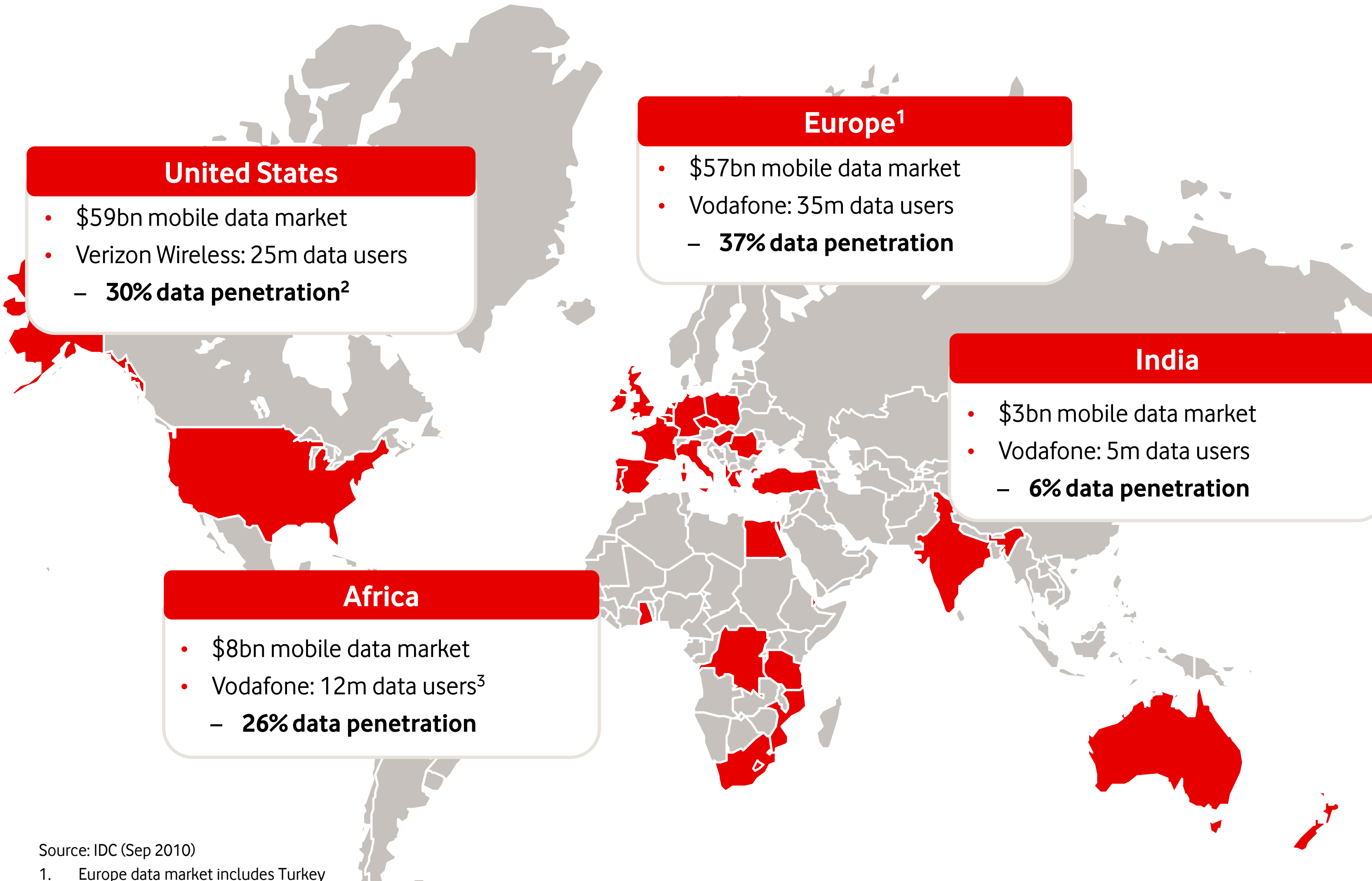

Source: IDC Worldwide Black Book 2010

# Mobile data demand is being accelerated by devices, network and service improvements

| 2006 | | 2010 |
|---|---|---|
| 8% | Increased smartphone share of industry handset shipments | 20% |
|  | Wider range of smart devices |  |
| 1.8 Mbps[1] | Greater peak speeds | 43.2 Mbps[1] |
|  | Increased app range and functionality |  |

1. Peak downlink speeds

# Mobile data is a global opportunity



## United States
- $59bn mobile data market
- Verizon Wireless: 25m data users
  - **30% data penetration[2]**

## Europe[1]
- $57bn mobile data market
- Vodafone: 35m data users
  - **37% data penetration**

## India
- $3bn mobile data market
- Vodafone: 5m data users
  - **6% data penetration**

## Africa
- $8bn mobile data market
- Vodafone: 12m data users[3]
  - **26% data penetration**

Source: IDC (Sep 2010)
1. Europe data market includes Turkey
2. Verizon Wireless data penetration refers to data users / retail postpaid customers
3. Vodafone data refers to Egypt and South Africa

Vodafone data penetration refers to active data users /active customers

# "Supermobile": acceleration of mobile data growth opportunity

| | |
|---|---|
| **Technology** | Best experience |
| **Pricing** | Ability to optimise spending and usage |
| **Customer experience** | Redesigned for data |
| **Devices** | All leading products |

Delivering data growth earlier and more profitably

# "Supermobile": strong network position in Europe thanks to significant 3G investment

| | Broad data coverage | High speed capability | Reliability & quality |
|---|---|---|---|
| **Customer expectations** | | | |
| **Vodafone network** | 50,000 3G sites<br>80-90% 3G coverage | 65% at ≥ 14.4 Mbps[1]<br>>80% at ≥ 7.2 Mbps[1] | Average utilisation 34%[2]<br>Peak usage locations 7%[3] |

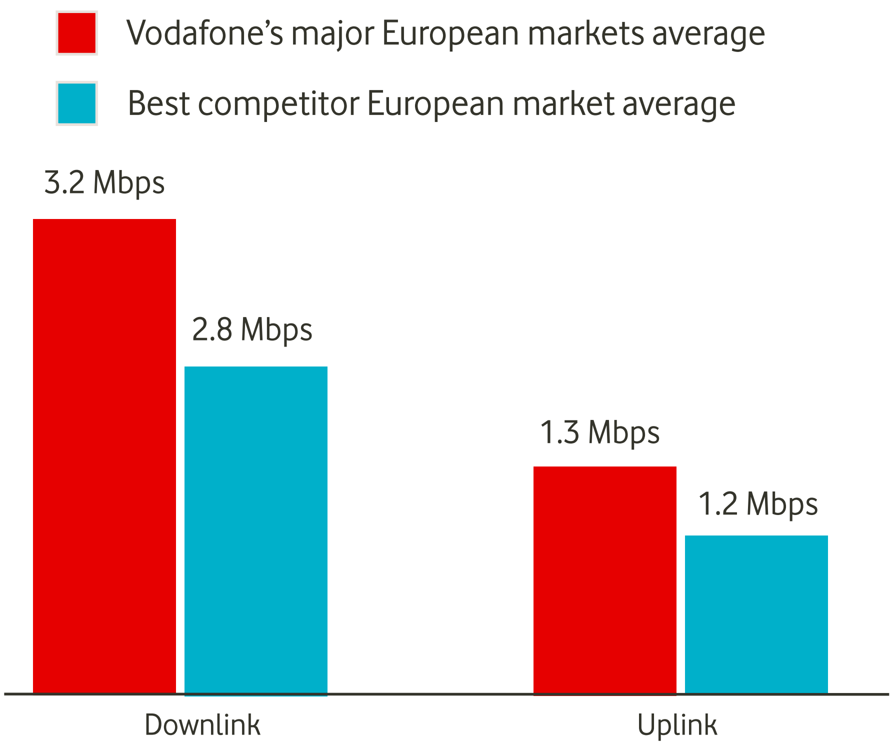
Excellent network quality with good capacity management

Note: All figures relate to Europe, unless otherwise stated.

1. Share of 3G footprint at stated peak downlink speeds
2. Average peak hour utilisation
3. Base station sites with over 90% peak hour utilisation

# "Supermobile": our European data network leads in performance

## Average user speeds in Vodafone European network




## Leading European data performance

- Germany
- Italy
- UK
- Spain
- Portugal
- Greece
- Netherlands (on par)

Source: Vodafone commissioned independent drive-by tests on data user speeds (June/July 2010) in Europe; excludes, Ireland, Malta and Albania
Note: All figures relate to Europe, unless otherwise stated.

# "Supermobile": we will invest in quality and speed to maintain our advantage

| | | H1 10/11 | Targets FY 12/13 |
|---|---|---|---|
| **Increase coverage**<br>• Continued site deployment<br>• Femto/WiFi offload<br>• Secure preferred spectrum | **# 3G base station sites** | 50,000 | >70,000 |
| **Improve customer experience**<br>• HSPA upgrades<br>• LTE rollout started in Germany<br>• High capacity backhaul upgrades | **% of 3G network at ≥ 14.4 Mbps** | 65% | 100% |
| **Improve cost efficiency**<br>• Yield management capability<br>• Network sharing<br>• Energy efficiency, e.g. single RAN<br>• Regional consolidation | **Unit cost to carry data** | - | 30% reduction |

**Extend our #1 position**

Note: All figures relate to Europe, unless otherwise stated

# "Supermobile": tiered data pricing in Europe

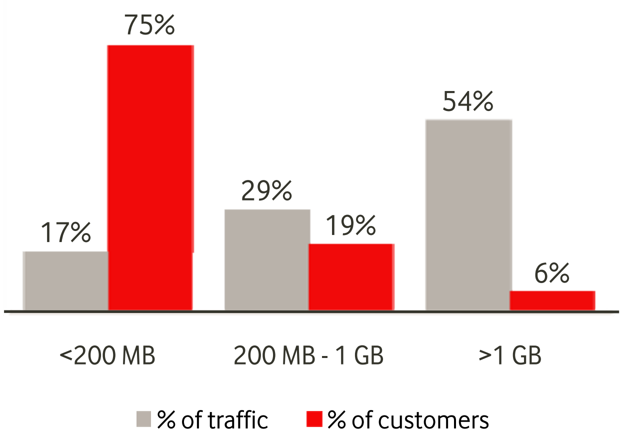
## Fixed price plans: limitations

- 'Fair' usage limits create uncertainty
- Benefits the few high users that account for the majority of traffic

## Tiered data plans: benefits

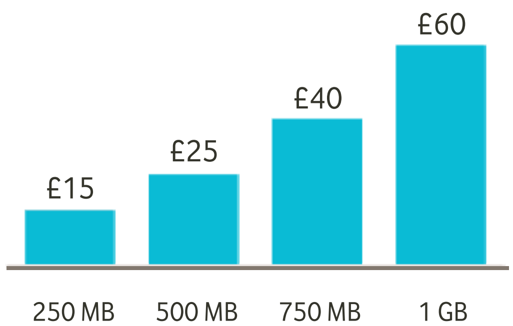
- Encourages data adoption by low / occasional users
- Optimises the use of data capacity and favours upgrades
- Launched in Germany, UK, Netherlands, Portugal and Ireland
- Remaining European markets by end FY 10/11

### Handset data usage: example[1]

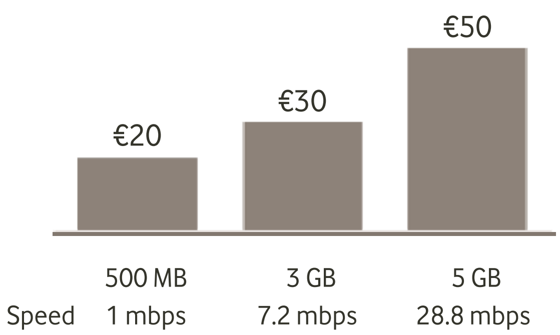



### Tiered data plans: examples

**Smartphones (UK)**




**Mobile Broadband (NL)**




1. Average monthly data usage in a selected European operating country

# "Supermobile": a better mobile data experience with Vodafone

## Customer experience and support systems re-designed for data

**Retail locations**

- 5,000 stores in Europe
- Service and assistance centre
- New store formats

**Specialised support**

- 25,000 support staff
- 5,000 data-only customer care representatives
- Specialised 2nd level support
- Enhanced online experience

**Billing**

- Flexible multi-SIM billing
- CRM infrastructure enhanced to handle multi-SIMs and multiple account members

**Value-added**

- 3rd party billing rolled out in 10 European markets
- Vodafone-specific apps
- Vodafone VIP, reward programmes



*


#1 or #2 consumer net promoter score in 19 of 20 markets



* johnmeadephotography c.2010

# "Supermobile": multiplicity of connected devices

**Smartphones and tablets**
**All leading products**

| Europe: | Q2 09/10 | Q2 10/11 | FY 12/13 target |
|---|---|---|---|
| Smartphone penetration | 10% | 16% | ≥35% |
| Smartphone sales mix | 20% | 32% | ≥70% |

**Entry price handsets**
**Lower cost smartphones**
**Accelerates data penetration**

~€40
Vodafone 543
(fashion led)

~€70
Vodafone 553
(social messaging)

~€120
Vodafone 845
(smartphone)

~€45
Vodafone 546
(low cost smartphone)

**Mobile connectivity**
**Device innovation**

43.2Mbps
dongles

Mobile Broadband
Sharing dock

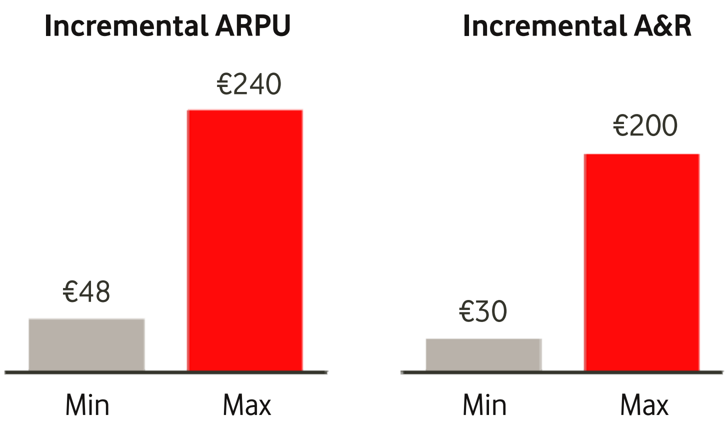
Vodafone
Mobile WiFi

Vodafone 3G
Station

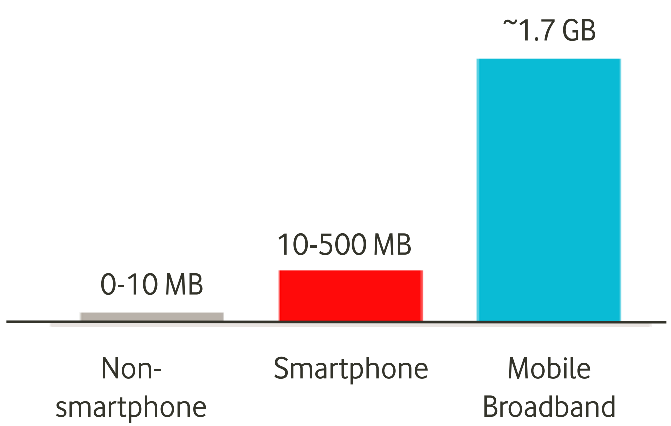
Prices shown are example retail selling prices

# "Supermobile": managing yields to deliver profitable growth

## Non-smartphone to smartphone profit analysis[1]




## User average monthly data usage (Europe)




## Smartphone yield management

- Smartphones deliver a similar/ higher level of profit to non-smartphones[1]
- Alignment of subsidy with customer spend
- Support profitability with higher data attach rates (Europe Q2 +12pp YoY) and tiered price plans

## Network yield management

- Europe data traffic +88% YoY (Q1 +115%)
- c.85% of Europe data traffic from mobile broadband
- Small adjustments of mobile broadband traffic can release significant network capacity

1. Major European markets pre-post cohort analysis (January to July 2010); Based on a 24 month contract

# Enterprise: building on our success

**c.£8 billion**
**Europe Enterprise revenue**

**c.37% European**
**mobile market share[1]**

**c.23 million connections**
**across the Group**

## Vodafone Global Enterprise

- 562 multi national company accounts
- Growing revenue >£1.3bn; +7% since Q2 08/09
- Managed Mobility services
- Machine to machine: >3.5m SIMs; M2M platform established
- Adding specialist services:
  - M2M Health solutions
  - Telecom Expense Management

## Vodafone Business Services

- Mobile, fixed and ICT solutions
- Vodafone One Net in 6 European markets
  - Over 1m seats
- Microsoft Online services in 2 markets

1. In top 8 Vodafone markets

# Enterprise: selective expansion in growth segments

## SoHo and SME

- Exploit migration to IP based comms with **‘Vodafone One Net’**
- **Third party cloud solutions** (IBM Lotus, Microsoft)

## Domestic Corporate

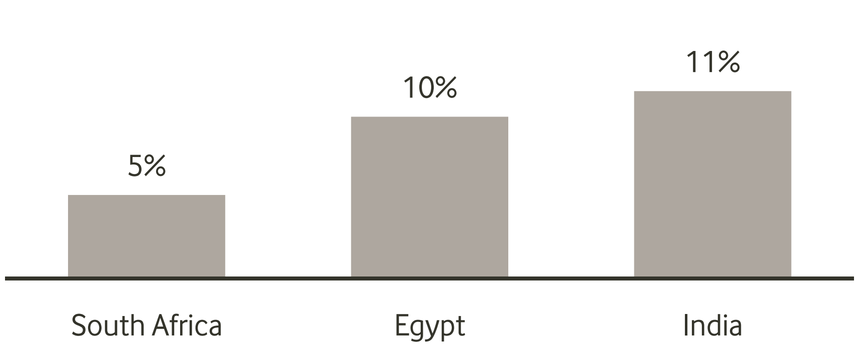
- **Unified communications solutions** in partnership with Cisco
- Grow domestic **IP-virtual private networks**
- Network integration skills

## Multi National Companies

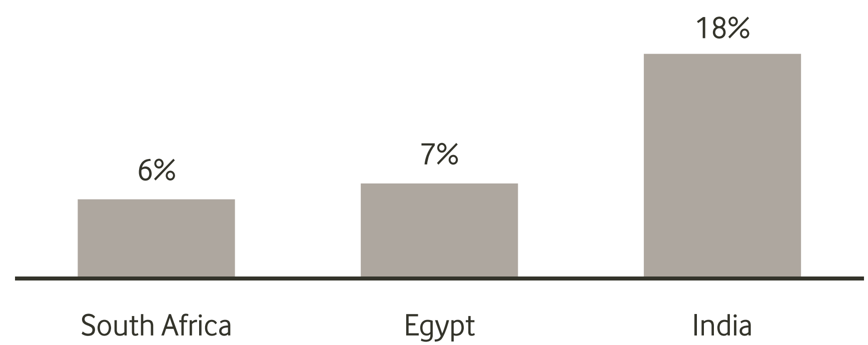
- Push ‘**Managed Mobility’ Service**
- Extend to smaller MNCs (VGE ‘light’)
- Extend **unified communication solutions** in partnership over time

# Emerging markets: penetration will continue to drive growth

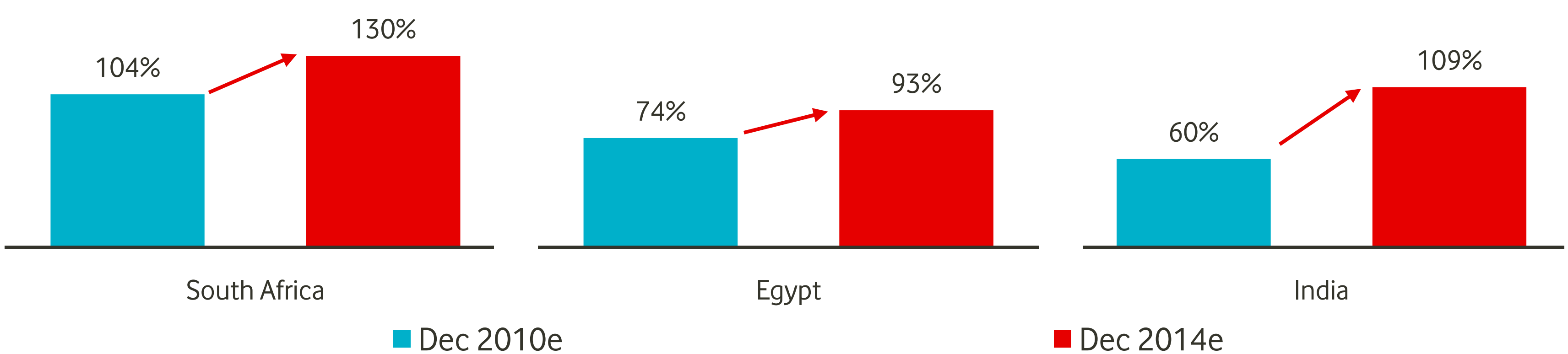
**GDP growth (2010e -14e CAGR)[1] (%)**




**Market customers growth (2010e -14e CAGR)[2] (%)**



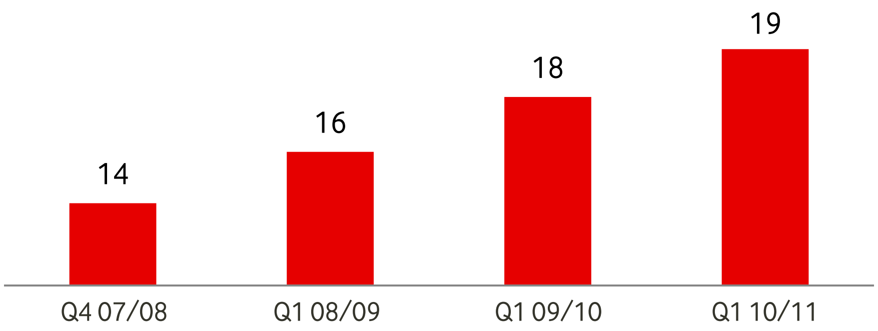

**Mobile SIM penetration will rise further[2]**



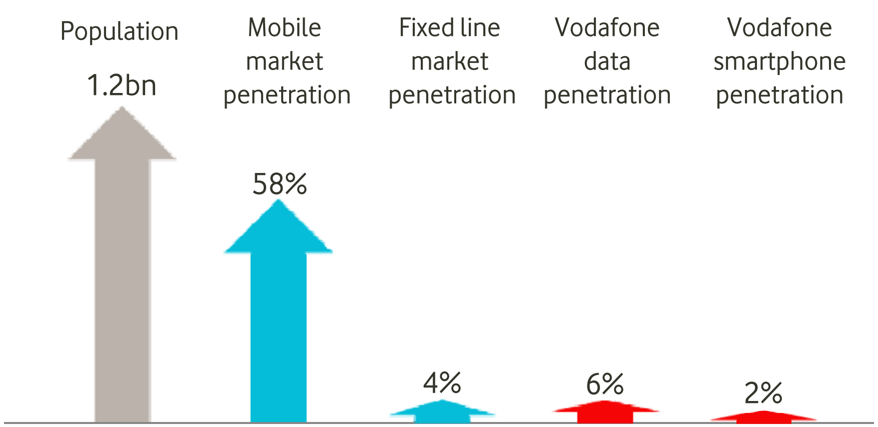

1. Source: IMF (Oct 2010) Gross domestic product, current prices (U.S. dollars)
2. Informa WCIS (Nov 2010)

# India: applying our growing scale advantage to data

## Improving revenue market share (%)




## A very significant mobile opportunity




## Driving data from a strong market position

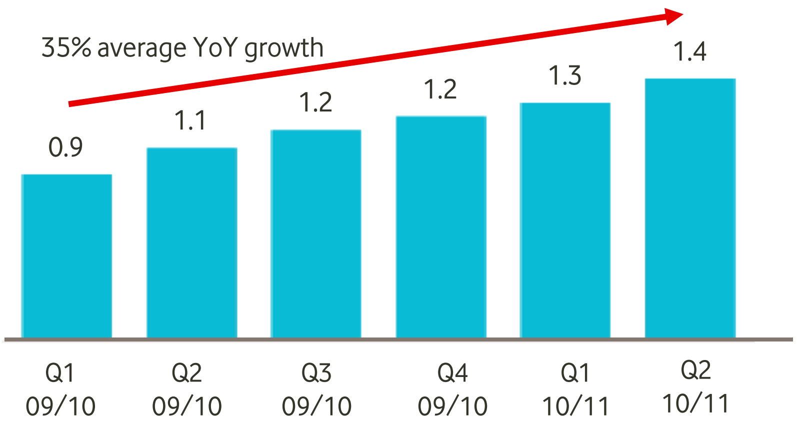
- #2 revenue market share[1]
- 82% nationwide coverage
- 1.3m retail points of presence
- Indus Towers world's largest towerco
- 3G services in Q4 10/11; US$500m capex in next 2 yrs
- Enhance mobile internet experience
  - Opera Mini browser, low cost micro unit pricing
  - Low end data handsets from €25; mid/high end €80-120 and falling
- Cost efficient in-country data roaming agreements & network site sharing
- Expand enterprise services and shape mobile banking

All data / comments refers to Q2 10/11 unless stated

1. Q1 10/11

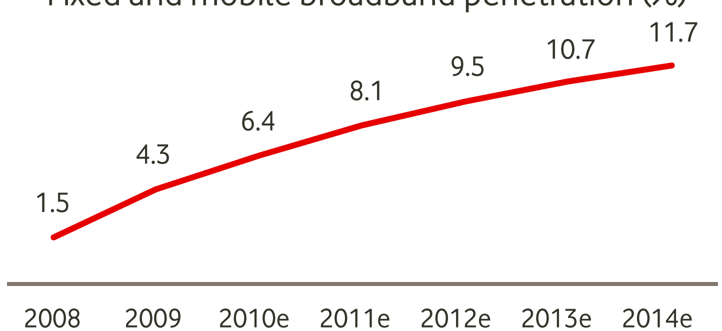
# Vodacom: set to deliver strong data growth

## Strong data revenue growth (Rand billion)




## Still very low broadband penetration

Fixed and mobile broadband penetration (%)[2]



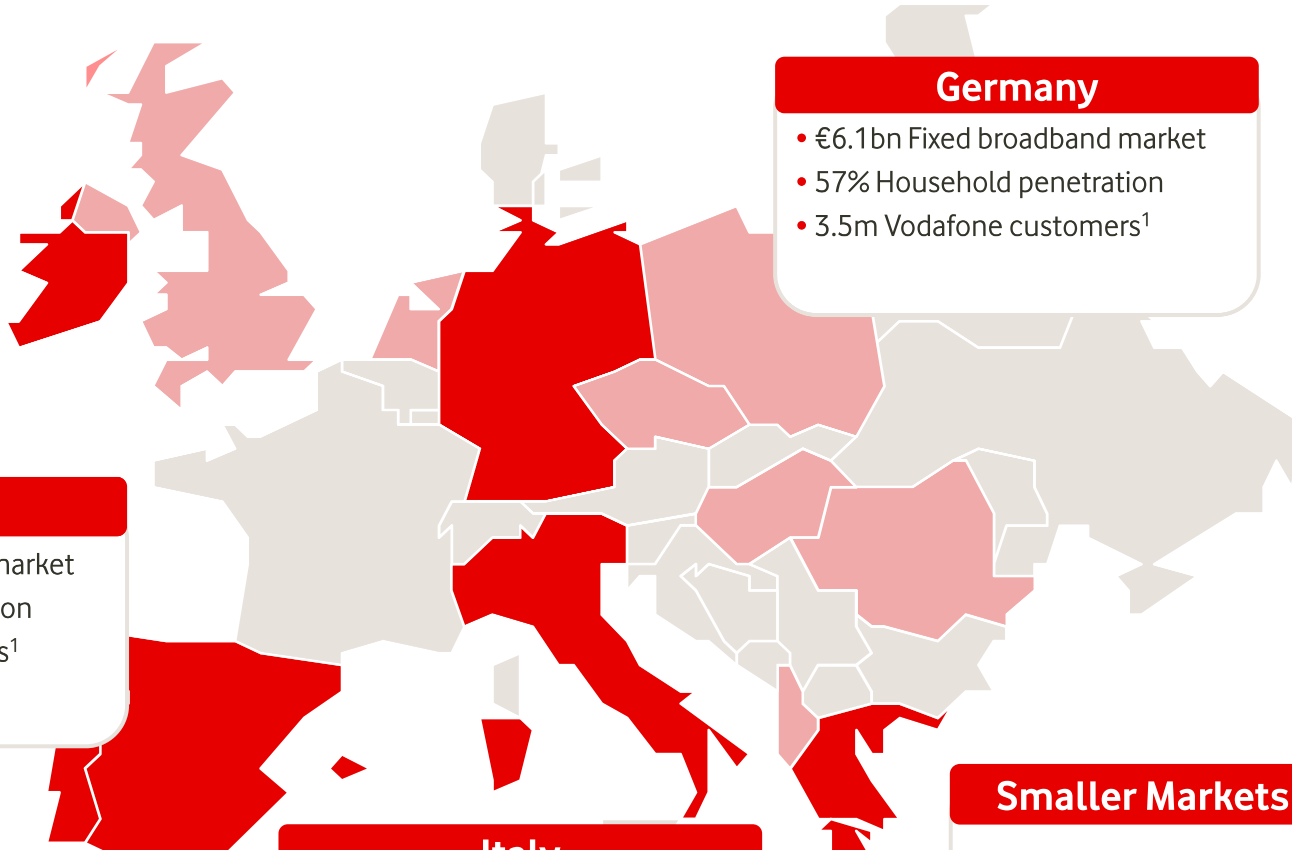

All data / comments refers to South Africa unless otherwise stated

1. Source: Screen digest 2010 and Vodacom at March 2010
2. Source: BMI technology 2010

## Driving growth from data in South Africa

- #1 operator
- 53% revenue market share
- Data leadership: 38% broadband device share[1]
- Leading data network: 3,700 3G base station sites
- Wide reach: 28,000 distribution points
- Extend leadership in broadband with value offerings
- Develop converged ICT solutions for Enterprise
- Leverage Group services: M-PESA launched

# Europe: Vodafone's Total Communications presence



## Germany

- €6.1bn Fixed broadband market
- 57% Household penetration
- 3.5m Vodafone customers[1]

## Spain

- €3.0bn Fixed broadband market
- 52% Household penetration
- 0.7m Vodafone customers[1]

## Italy

- €5.2bn Fixed broadband market
- 49% Household penetration
- 1.5m Vodafone customers[1]

## Smaller Markets

- Ireland
- Portugal
- Greece

Source: IDC (Sep-2010), ScreenDigest (2010)

Note: FX rate $/€ 1.38

1. Broadband subscribers at end Q2 10/11
2. Italy presented on a 100% basis

# Europe: we will address convergence on a market by market basis

- Convergence is happening, but slowly in consumer segments
- Increasing demand in business market
- European strategy remains to obtain long-term access to fast broadband to service high value customers.....
- .....in a capital efficient manner


**Wholesale**
- Needs multiple providers/strong regulation to drive acceptable long-term pricing

**Partnership**
- Multiple operators share investment
- Competition at service level
- Highly efficient if no alternative providers

**Acquire**
- No "region-wide" solutions
- Cost synergies support in-market deals
- Business and financial case must be compelling

Capital efficient in-market approach maximises value

# New services: executing on growth opportunities

**Already underway**

**Machine to machine**
Smart metering, car telematics, tracking

Business unit established
c.100 employees

**3rd party billing**
Platform developed for content providers and software developers

'Mondrian' payment system rolled out in 10 European markets

**Financial services**
M-PESA - Kenya, Tanzania, Afghanistan, Fiji, South Africa

19 million customers
Further roll-out to begin

**New Areas**

**Near field communications**
Trials underway in Spain and Germany

High margin revenue opportunity in established markets


**Push mobile advertising**
Establish end-to-end advertising platform

Access to attractive captive audiences across all demographics

# A winning growth strategy

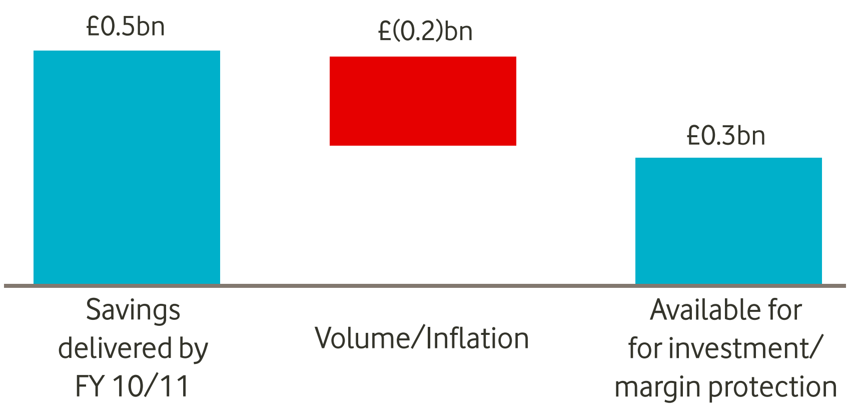
- ✓ Mainly #1/#2 market positions, early-mover in data, positioned to exploit low data penetration level
- ✓ Excellent network and technology platforms
- ✓ Data focused pricing strategies, IT and customer care
- ✓ Leading position in mobile Enterprise: MNC, SoHo-SME
- ✓ Attractive emerging markets assets now performing
- ✓ Market specific approach to Total Communications in Europe
- ✓ Early investor in M2M and Payments, with an active presence in several markets

# Group Scale Advantage and Cost Focus

- Direct Costs
- Technology
- Marketing
- Procurement
- Tax & Treasury

# Cost efficiency is enabling us to protect margins and invest in growth

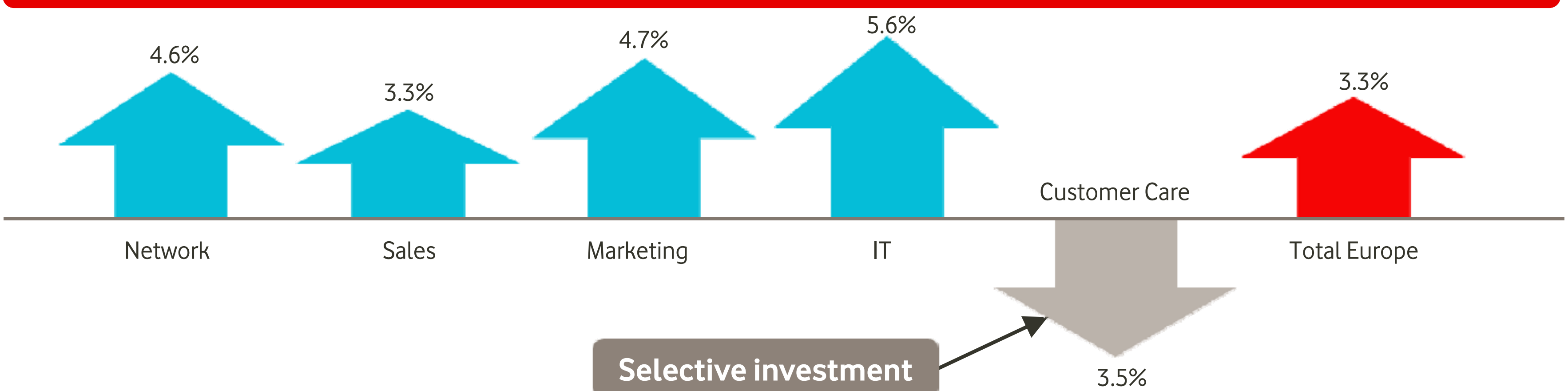
## Second £1bn programme




## Key actions for FY 10/11

- Europe operating costs reduced 3.4% YoY in H1 10/11[1]
- Continued network sharing initiatives
- Renegotiation of site rental and maintenance contracts
- Customer management process / volume efficiencies
- India shared service centre

## Efficiency improvements relative to benchmark[2]




1. Europe plus Common Functions
2. Source: Independent Survey 2010 comparison vs. 2009

# Scale: Vodafone continues to generate significant benefits

| | Position vs. Competitors | Actions |
|---|---|---|
| **Network** | • Top quartile cost to carry<br>– Germany, Italy, Spain, UK | • Passive and active sharing<br>• Technology standardisation<br>• Data management techniques / video optimisation |
| **Terminals** | • Top quartile purchaser | • Central handset purchasing<br>• Logistics regionally managed across Europe<br>• Lower cost data devices |
| **Supply Chain** | • Consistently better prices<br>– 4% lower than peer group | • Vodafone Procurement Company<br>• LTE equipment and server auctions with VZW |
| **Offshore & Outsource** | • World class data centre cost efficiency | • Application development and maintenance outsourced on multi-year competitive tenders<br>• Offshore service centres (Budapest, Cairo, Pune, Ahmedabad) |
| **Tax & Treasury** | • Group effective tax rate of c. 25%<br>• Average cost of debt 4.0% | • Sustain low cost of finance and liquidity |

# Group scale advantage and cost focus

- ✓ Delivering cost efficiency programmes: £1bn completed; second £1bn on track
- ✓ Reduction of European cost structure; good performance vs. peers
- ✓ Significant benefits generated by Vodafone Group
  - Technology standardisation & optimisation
  - Supply chain savings
  - Terminals: purchasing efficiencies and lower cost data devices
  - Tax & Treasury benefits
- ✓ 7th most valuable brand across the globe[1]

1. Source: BrandFinance global ranking

# Asset / Portfolio Strategy

# Releasing liquidity or free cash flow from minorities

**Non-controlled assets**

| | Status | Outlook |
|---|---|---|
| verizon wireless | • #1 market position in USA<br>• Market growth<br>• Most valuable data market<br>• Commercial co-operation | • Dividends from future cash generation<br>• Assessment of options on a post-tax basis |
| SFR | • Strong #2 converged operator in France<br>• Cash generative and dividend paying | • A valuable asset<br>• Open to all value maximisation plans<br>• Commercial agreement for France |
| Plus GSM | • #1 operator in Poland<br>• Cash generative and dividend paying | • All shareholders have recently agreed to explore options for a sale |

# Releasing liquidity or free cash flow from investments

**Investments**

| | Status | Outlook |
|---|---|---|
| 中国移动通信 CHINA MOBILE | • Orderly and successful process<br>• Market placing of 3.2% stake for £4.3bn | • Related £2.8bn share buy back programme underway<br>• Maintaining commercial co-operation |
| SoftBank | • Accelerated realisation<br>• £3.1bn proceeds; premium to book value | • Proceeds to be received in two broadly equal tranches in Dec 2010 and in April 2012 |
| Airtel | • 26% illiquid minority stake in Bharti Infotel Private Limited<br>• Represents 4.4% effective interest in Bharti Airtel | • Monetise when value objectives can be achieved<br>• No near term solution |

# Capital Discipline and Financial Objectives

# Capital discipline

**Capital allocation to maximise shareholder value**

### Organic investment

- Drive growth
- Meet spectrum needs

### Return to shareholders

- Dividend per share growth of at least 7% p.a.
- £2.8bn buy back programme

### Selective consolidation

- Build scale
- Cost synergies
- Free cash flow accretion

Investment / corporate activity decisions: rigorous commercial analysis and tough hurdle rates, including M&A criteria, to ensure we enhance shareholder returns

Regular portfolio review: consider all options to optimise value for shareholders

# Medium term scenario

| Group outlook to FY 13/14[1] | Main variables |
| --- | --- |
| Service revenue<br>**1-4% p.a. organic growth** | Data migration economics |
| EBITDA margins<br>**Stabilising** | European economy |
| Free cash flow<br>**£6-7 billion p.a.** | Public policy decisions |
| | Verizon Wireless dividends |

1. Medium term guidance is based on FX £1: €1.15 and £1: US$1.50 and excludes the impact of licence and spectrum purchases, material one-off tax related payments and restructuring costs, if any, and assumes no material change to the current structure of the Group

# We are creating a more valuable Vodafone

Leadership focused on Europe, Africa and India

A growing company

A superior data experience for our customers

Realising liquidity or free cash flow from non-controlled assets

Enhanced capital discipline

**Sustainable revenue growth, stabilising margins, strong free cash flow**

▶▶ **Increasing shareholder returns** ◀◀

# Thank you – Q&A

# Definition of terms

**ARPU:** Service revenue excluding fixed line revenue, fixed advertising revenue, revenue related to business managed services and revenue from certain tower sharing arrangements divided by average customers

**Churn**: Total gross customer disconnections in the period divided by the average total customers in the period

**Data attach rate:** The number of complimentary data plans sold as a percentage of data capable handsets

**Emerging economies:** Africa and Central Europe, and Asia Pacific and Middle East

**FCF**: Operating free cash flow after cash flows in relation to taxation, interest, dividends received from associates and investments, and dividends paid to non-controlling shareholders in subsidiaries

**HSPA**: High speed packet access is a wireless technology enabling data transmission between mobile devices and the network

**M2M**: Machine to machine

**Mark to market:** Mark to market on fair value accounting refers to accounting for the value of an asset or liability based on the current market price of the asset or liability

**Mobile internet:** Browser based access to the internet or web applications using a mobile device, such as a smartphone, connected to a wireless network

**MTR:** Mobile termination rate. A per minute charge paid by a telecommunications network operator when a customer makes a call to another network operator

**Net debt:** Long-term borrowings, short-term borrowings and mark-to-market adjustments on financing instruments less cash and cash equivalents

**Operating free cash flow:** Cash generated from operations after cash payments for capital expenditure (excludes capital licence and spectrum payments) and cash receipts from the disposal of intangible assets and property, plant and equipment

**Organic growth:** The percentage movements in organic growth are presented operating performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates

**Smartphone**: A smartphone is a phone offering advanced capabilities including access to email and the internet

**Smartphone penetration:** The number of smartphone devices divided by the number of registered sims, excluding data only sims

**Total communications:** Comprises all fixed location services, data services, fixed line services, visitor revenue and other services

# 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: the financial guidance for the 2011 financial year contained in slide 22, the medium-term guidance for the three financial years ending 31 March 2014 contained in slide 60 and the statements relating to the Group's future performance generally, including the Group's 7% per annum dividend per share growth rate policy; statements relating to the development and launch of certain products, services and technologies, including the increased penetration of smartphones; expectations regarding growth in customers and usage and mobile data growth and technological advancements, including the expected number of LTE base stations anticipated to be operational in Germany in 2011; statements relating to movements in foreign exchange rates; expectations regarding revenue, adjusted operating profit, EBITDA, free cash flows, adjusted effective tax rates, costs, tax settlements and capital expenditures; expectations regarding the Group's second £1billion cost programme and other cost efficiency programmes; and expectations regarding the integration or performance of current and future investments, associates, joint ventures and newly acquired businesses.
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", "will" 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, the following: 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, from both existing competitors and new market entrants, which could require changes to the Group's pricing models, lead to customer churn or make it more difficult to acquire new customers; the impact of investment in network capacity and the deployment of new technologies, or the rapid obsolescence of existing technology; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers and the possibility that new products and services will not be commercially accepted or perform according to expectations; the Group's ability to renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in mobile data, enterprise and broadband and in emerging markets; changes in foreign exchange rates or interest rates; the ability to realise benefits from entering into partnerships for developing data and internet services and entering into service franchising and brand licensing; unfavourable consequences of acquisitions or disposals; changes in the regulatory framework in which the Group operates, including possible action by regulators in markets in which the Group operates or by the EU to regulate 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; loss of suppliers or disruption of supply chains; the Group's ability to satisfy working capital and other requirements through access to bank facilities, funding in the capital markets and operations; changes in statutory tax rates or profit mix which might impact the weighted average tax rate; changes in tax legislation or final resolution of open tax issues which might impact the Group's tax payments or effective tax rate; and changes in exchange rates, including, particularly, the exchange rate of pounds sterling to the euro and the US dollar.
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 by referring to the information contained under the heading "Other Information – Forward-Looking Statements" in "Forward-looking statements" and "Principal risk factors and uncertainties" in Vodafone Group Plc's Annual Report for the year ended 31 March 2010. The Annual Report can be found on the Group's website (www.vodafone.com/investor). All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this presentation will be realised. Except as otherwise stated herein and as may be required to comply with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.