Europe

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CEO Europe
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Vodafone Europe region overview

Europe: contribution to Group (H1 13/14)

- **Service revenue (%)**
  - AMAP: 29
  - Europe: 71

- **EBITDA (%)**
  - AMAP: 34
  - Europe: 66

- **OFCF (%)**
  - AMAP: 39
  - Europe: 61

Structurally well positioned
- Market share No.1 or 2 in 9 of 12 markets
- Best/co-best network for data in 10 of 14 markets
- Consumer NPS leader in 8 of 14 markets
- 7.5m Vodafone Red customers

Market under pressure
- MTR/roaming price cuts
- Price competition; no frills/MVNOs
- Weak economies

Market stabilisation expected
- Less regulatory price pressure
- Improving macro environment
- Market consolidation, price/quality focus

Europe includes Common Functions
Regulation has driven the majority of revenue decline

European mobile market service revenue
Vodafone footprint

Analysis Mason/Vodafone analysis
1. MTR and roaming impact is not at constant usage basis
Strategic priorities for Europe

Differentiation

Unified communications

Cost reduction

Returning to growth
Differentiation in Europe – accelerated by Spring

Differentiation levers

1. Always best connected
   - Enhance network performance, perception (publicity)

2. Unmatched customer experience
   - Retail redesign, increase direct distribution
   - Standardise IT/processes

3. Integrated worry-free solutions
   - Vodafone Red, family plans, roaming

Consumer
- IP-VPN

Enterprise
- Follow MNCs
- Standardise IT/processes
- Vodafone One Net, VOGE\(^1\), Hosting & Cloud, M2M

Accelerate through Project Spring
- Mobile £3bn perfect voice and best 4G
- Fixed: £0.6bn extend fibre build, targeted xDSL expansion
- Retail £0.3bn retail enhancement

Additional capex in Europe

1. Vodafone One Net for Global Enterprise
Unified communications: significant opportunities

Vodafone Europe pro forma fixed revenue (FY 12/13)¹

- **CWW**: cash flow synergies, NPV ~£1.3bn
- **KDG**: cost & capex synergies, NPV >€3bn; revenue synergies >€1.5bn

**Doubles addressable market²**

- Mobile: £82bn
- Fixed / Pay TV: £83bn
- **£165bn**

**Defends core mobile business**

- Low convergent churn

1. Assumes full integration of Kabel Deutschland
2. Vodafone European footprint ¹ 2012. Mobile and fixed markets include Germany, UK, Italy, Spain, Netherlands, Portugal, Greece, Romania, Czech Republic, Hungary, Turkey and Ireland; Pay TV markets include Germany, UK, Italy, Spain, Netherlands, Romania, Czech Republic, Hungary and Ireland; Source: IDC.
## Unified communications: increasing NGN access

Continuing our flexible market by market approach

<table>
<thead>
<tr>
<th>Approach</th>
<th>Market progress to date</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 NGN wholesale</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>34 cities (FTTH Milan + VDSL other cities)</td>
<td>➡️ Match incumbent in non-self-build areas</td>
</tr>
<tr>
<td>Germany</td>
<td>VDSL, 26% coverage</td>
<td>➡️ Vectoring in 2014, 60% VDSL coverage by 2016</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Reggefiber; 20% coverage (1.5m HH)</td>
<td>➡️ Increase fibre coverage</td>
</tr>
<tr>
<td><strong>2 Fibre deployment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>Prepare self-build FTTC</td>
<td>➡️ 6.4m HH covered by FTTC by 2016</td>
</tr>
<tr>
<td>Portugal</td>
<td>Co and self-build, 580k HH passed, 13% coverage</td>
<td>➡️ &gt;1.5m HH passed (accelerated to 2015)</td>
</tr>
<tr>
<td>Spain</td>
<td>Co-build on track for 800k HH by March 2014</td>
<td>➡️ 6m HH by March 2017</td>
</tr>
<tr>
<td><strong>3 M&amp;A</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>CWW acquisition in 2012; successful integration</td>
<td>➡️ Deliver integration synergies by 2016</td>
</tr>
<tr>
<td>Germany</td>
<td>KDG acquisition in 2013; 28% coverage&lt;sup&gt;1&lt;/sup&gt;</td>
<td>➡️ Deliver integration synergies by 2018</td>
</tr>
</tbody>
</table>

NGN = Next generation Network. HH = Households or premises

1. Assumes full integration of Kabel Deutschland
Cost focus ongoing reductions to mitigate revenue pressures

European opex\(^1\) (£bn)

- £175m savings, -5%
- Savings in S Europe, -9%; N&C Europe, -2\(^3\)
- On track to reduce opex by £0.3bn in FY 13/14\(^1\)
- Further reductions planned

Drivers

<table>
<thead>
<tr>
<th>H1 12/13</th>
<th>H1 13/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount(^2)</td>
<td>48,000</td>
</tr>
<tr>
<td>Shared service employees</td>
<td>7,000</td>
</tr>
<tr>
<td>Calls to customer service</td>
<td>112m</td>
</tr>
</tbody>
</table>

1. Organic opex, excluding restructuring costs, include Northern & Central Europe, Southern Europe and Common Functions
2. FTE + Contractors
3. Opex excluding Turkey
Germany: market re-pricing; return to customer growth

Service revenue growth (%)

- Service revenue growth
- Excluding MTRs

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Service revenue growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 12/13</td>
<td>1.8</td>
</tr>
<tr>
<td>Q3 12/13</td>
<td>0.5</td>
</tr>
<tr>
<td>Q4 12/13</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Q1 13/14</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Q2 13/14</td>
<td>(2.8)</td>
</tr>
</tbody>
</table>

Contract net adds (’000s)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Contract net adds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 12/13</td>
<td>(41)</td>
</tr>
<tr>
<td>Q3 12/13</td>
<td>(74)</td>
</tr>
<tr>
<td>Q4 12/13</td>
<td>(25)</td>
</tr>
<tr>
<td>Q1 13/14</td>
<td>1</td>
</tr>
<tr>
<td>Q2 13/14</td>
<td>70</td>
</tr>
</tbody>
</table>

Performance

- Pricing under pressure from no-frills providers
- Contract net adds positive since launch of SMART rate plans/step-up of A&R
- 1.8m Vodafone Red customers: 13% of contract base
- 4G roll-out on target: 66% population coverage
- H1 EBITDA margin 34.1%, -2.5ppt YoY

Strategic priorities

- Regain market share
- Differentiation
  - Perfect voice
  - Over 90% 4G outdoor coverage by March 2016
  - New store design to ~1,300 stores
  - VDSL rollout to 60% coverage by 2016
- Further cost savings
- Kabel Deutschland integration

All growth rates shown are organic
Unified communications in Germany
Creating a market-leading integrated player with nationwide reach

Kabel Deutschland assets

- 94% coverage ≤16 Mbps
- 66% coverage ≤50 Mbps
- 28% coverage, ≤100 Mbps
  Potential for ≤400 Mbps

‘ONE UNIFIED’ product

- 26% coverage ≤50 Mbps
  (≤100 Mbps with vectoring)

Timeline

- Apr 13: VDSL service launched
- Oct 13: KDG acquisition completed. Domination process underway
- June 14: VDSL vectoring service & Vodafone TV via VDSL launch
- 2016: Layer 2 VDSL product launch

Coverage = population coverage. Speeds shown are typical user peak downlink speeds.
UK: revenue decline stabilising; focus on growing enterprise

Service revenue growth (%)

- Service revenue growth
- Excluding MTRs

Performance
- Growing contract base; churn improved +0.5ppt QoQ
- 1.8m Vodafone Red customers; 16% of contract base
- Successful 4G launch in August; >200k\(^1\) customers, differentiated content (Spotify / Sky Sports)
- Accelerated CWW integration
- H1 EBITDA margin 21.8%, -0.8ppt YoY due to CWW integration, organic margin +0.5ppt

Strategic priorities
- Ramp-up of integrated Enterprise sales team
- Differentiation
  - Best network, particularly in London
  - 99% 4G outdoor coverage by March 2016
  - Strengthen branded distribution
  - Best customer experience with new IT stack
- Further cost savings

Contract net adds ('000s)

All growth rates shown are organic
1. At November 2013
Unified communications in the UK: CWW integration

Operational improvements¹

- Material customer service issues: 26%
- Major network incidents: 17%
- Mean time to restore: 10%

Clear benefits...

..today

- Carrier and Hosting services launched
- Integration cost and synergies on track
- Integrated fixed/mobile sales channel
- >50% of international IP traffic on-net

..and next

- India and Europe integrations
- Single Vodafone ERP; IT / product rationalisation
- Cross sell new and enhanced products
- 100% of international IP traffic on-net

1. 6 months from Oct 12 - Mar 13 vs. 5 months Apr 13 - Aug 13
Italy: revenue impacted by price war; focus on driving prepaid revenue

Service revenue growth (%)

- Service revenue growth
- Excluding MTRs

Performance

- Summer prepaid price war and economic downturn
- Main operators raised prices in September for new adds
- Contract base +3% YoY; prepaid declining
- 1.3m Vodafone Red customers, 46% of contract base
- Fixed broadband growing
- H1 EBITDA margin 36.9%, -5.7ppt; opex -4%

Strategic priorities

- Drive prepaid revenue
- Continue momentum on contract growth
- Differentiation
  - 4G rollout to over 90% outdoor coverage by March 2016
  - Self-build FTTC-VDSL to 150 cities, 6.4m households
  - Redesign 900 stores
- Further cost savings

All growth rates shown are organic
1. 100% basis
Unified communications in Italy: Vodafone One Net for SMEs

Cloud-based communications system; connects fixed phones, mobiles and voicemail

Vodafone One Net penetration of SME accounts (%)

Analysis at July/August 2013. Companies with 3-49 Employees
Spain: revenue still weak; gaining traction with convergence

Service revenue growth (%)

- Service revenue growth
- Excluding MTRs

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q2 12/13</th>
<th>Q3 12/13</th>
<th>Q4 12/13</th>
<th>Q1 13/14</th>
<th>Q2 13/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>(12.0)</td>
<td>(11.3)</td>
<td>(12.7)</td>
<td>(10.6)</td>
<td>(12.0)</td>
</tr>
<tr>
<td>Excl MTR</td>
<td>(10.0)</td>
<td>(9.6)</td>
<td>(11.0)</td>
<td>(9.4)</td>
<td>(16.1)</td>
</tr>
</tbody>
</table>

• Continue to push converged offers

Differentiation with Spring

• Accelerate 4G coverage to maintain leadership position
• Redesign 1,000 retail stores

Performance

• Economy out of recession
• Price/churn pressure from converged offers
• Sustained operational improvement; contract churn +2.8ppt QoQ; positive broadband net adds
• 4G market leader; present in 15 cities
• Fibre co-build on track for 800k HH by March 2014
• H1 EBITDA margin 23.0%, -4.2ppt YoY; opex -10%

Strategic priorities

• Continue to push converged offers
  • Differentiation with Spring
    - Accelerate 4G coverage to maintain leadership position
    - Redesign 1,000 retail stores
• FTTH to 6m households by 2017
• Further cost savings

Fixed broadband net adds (‘000s)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q2 12/13</th>
<th>Q3 12/13</th>
<th>Q4 12/13</th>
<th>Q1 13/14</th>
<th>Q2 13/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add</td>
<td>38</td>
<td>43</td>
<td>43</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All growth rates shown are organic
Unified communications in Spain: growth through converged offers

Market gross adds, consumer contract (‘000s)

- Mobile only
- Convergent

Jun '12: 24 Mobile only, 76 Convergent
Aug '13: 24 Mobile only, 54 Convergent

The market is moving to convergence

Vodafone Integral, consumer contract

- Fixed broadband gross adds (‘000s)
- % convergent

H2 12/13: 71
H1 13/14: 146

Vodafone Integral (Vodafone Red + DSL) launched Apr ’13
DSL NPS +9 ppt in H1 13/14

FTTH homes passed (m)

- Mar ’14: 0.8
- Mar ’16: 3.0
- Mar ’17: 6.0

Vertical fibre access agreement in place
Expand DSL self-build coverage from 68% to 82% by 2016
The future: mobile market recovery and fixed share gains

European mobile market revenue growth forecasts¹

Vodafone Europe service revenue market share²

- A +1ppt gain in fixed share drives 2.5% service revenue growth for Vodafone

1. Source IDC/Screen Digest
2. Excludes KDG

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Summary

• Mobile market service revenue expected to recover
• Improving operational performance in a challenging market
• Investing with Spring to gain differentiation in networks and customer experience
• Increasing unified communications capability; NGN wholesale and fibre build out; and M&A integration
• Further ambitious cost reductions planned

... to benefit from mobile market recovery and fixed share gains
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