

# Vodafone Group Plc FY 08/09 Preliminary Results

19 May 2009



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Vodafone Group Plc - FY 08/09 Preliminary Results | 19 May 2009

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## Agenda

Overview

Financial review

Strategy and business update

Outlook

Q&A



## Group summary

	FY 08/09	Growth	Pro forma <sup>1</sup>
<b>Revenue</b>	£41.0bn	15.6%	1.3%
<b>Group EBITDA</b>	£14.5bn	10.0%	(3.1)%
<b>Adjusted operating profit</b>	£11.8bn	16.7%	
<b>Free cash flow</b>	£5.7bn	2.5%	
<b>Adjusted EPS</b>	17.17p	37.4%	
<b>Dividend per share</b>	7.77p	3.5%	
<b>Proportionate customers</b>	303m	16.2%	

1. Assumes the Group owned India for both years at constant exchange rates



## Outlook delivered FY 08/09

	Actual	Nov 2008 <sup>1</sup> Outlook		May 2008 <sup>1</sup> Outlook	
<b>Revenue</b>	£41.0bn	£40.6-41.5bn	✓	£42.5-43.4bn	✗
<b>Adjusted operating profit</b>	£11.8bn	£11.5-12.0bn	✓	£11.9-12.4bn	✗
<b>Capitalised fixed asset additions</b>	£5.9bn	£5.5-6.0bn	✓	£5.7-6.2bn	✓
<b>Free cash flow</b>	£5.7bn	£5.5-6.0bn	✓	£5.4-5.9bn	✓

- Rapid reaction to changing market conditions
- Original free cash flow outlook achieved without reducing investment

1. Outlook ranges restated in February at Q3 IMS to reflect revised exchange rate assumptions for FY 08/09



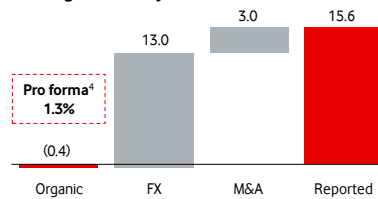
# Financial Review



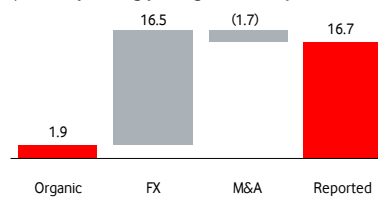
## Group income statement

	FY 08/09 £m	Change %
<b>Revenue</b>	<b>41,017</b>	<b>15.6</b>
EBITDA	14,490	10.0
EBITDA margin	35.3	(1.8)pp
<b>Adjusted operating profit<sup>1</sup></b>	<b>11,757</b>	<b>16.7</b>
Net financing costs	(1,289)	
Tax	(1,409)	
Minority interests	(2)	
Adjusted net profit <sup>2</sup>	9,057	36.6
Impairment	(5,900)	
Other adjustments	(79)	
Profit for the year <sup>2</sup>	3,078	
<b>Adjusted EPS<sup>1</sup></b>	<b>17.17p</b>	<b>37.4</b>
Adjusted EPS excl. AIAA <sup>3</sup>	18.59p	35.1

### Revenue growth analysis (%)



### Adjusted operating profit growth analysis<sup>1</sup> (%)



- Adjusted operating profit and profit for adjusted EPS excludes other income and expense, non-operating income and expense, impairment losses, certain foreign exchange movements, amounts in relation to put rights and similar arrangements and tax thereon
- Attributable to equity shareholders
- Excludes acquired intangible asset amortisation, net of tax and minority interests
- Assumes the Group owned India for both years at constant exchange rates

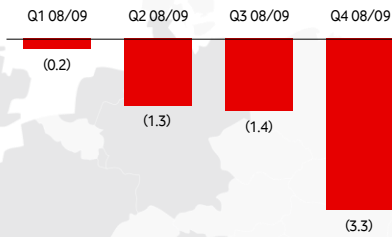


## Europe

### Total revenue growth analysis (%)



### Organic service revenue growth<sup>1</sup> (%)



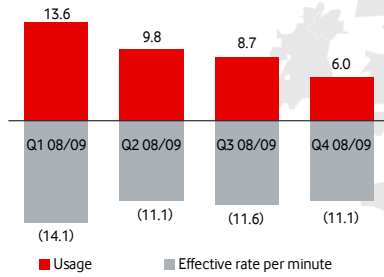
- 13.6% reported growth
- Includes
  - Positive impact of Euro FX movements
  - M&A impact from Tele2 acquisition
- Q4 decline vs Q3 driven by Spain and Greece
- Limited impact from Easter and Leap Year
- Slowing voice usage growth
- Partly offset by 22.7% data revenue growth

1. Adjusted to exclude £30m UK VAT refund received in Q2 07/08 and updated treatment of UK inbound revenue in Q4 08/09

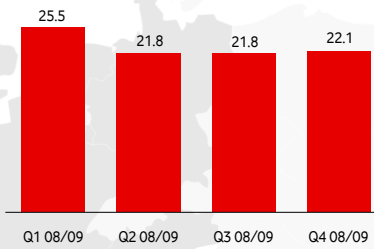


## Europe

Outgoing organic voice growth analysis (%)



Data revenue organic growth (%)

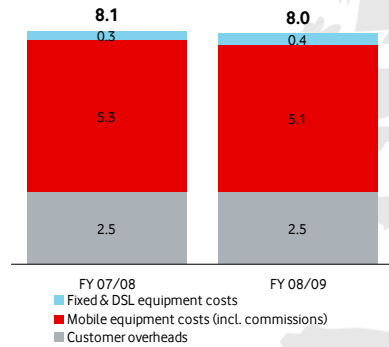


- Outgoing voice usage growth slowing
- Changing mix: more on-net / less off-net usage
- Stable rate per minute declines
- Continuing strong data revenue growth
- Similar data growth in enterprise and consumer
- Driven by PC connectivity and applications

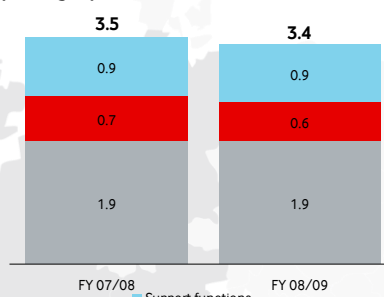


## Europe<sup>1</sup>

Customer costs (£bn)



Operating expenses<sup>2</sup> (£bn)



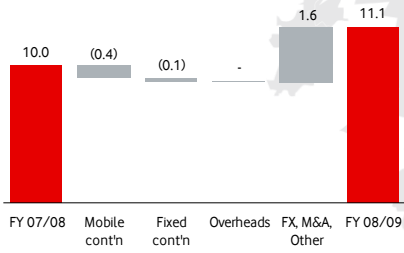
- Mobile equipment costs down 3.8%
- Investment in fixed broadband
- Stable customer overheads
- Voice usage up 7%, data usage >100%
- Increased regional initiatives
- Operating expenses down

1. All figures relate to Europe region plus common functions on a constant currency basis  
 2. Excludes restructuring costs

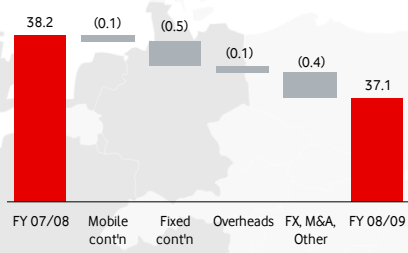


## Europe<sup>1</sup>

### EBITDA<sup>2</sup> (£bn)



### EBITDA margin reconciliation<sup>2</sup> (%)



- Mobile: lower revenues and stable contribution margins
- Fixed: investment in customer growth
- Stable customer overheads and operating expenses

1. All figures relate to Europe region plus common functions  
 2. FX, M&A, Other includes £0.1bn / -0.2% impact from restructuring costs

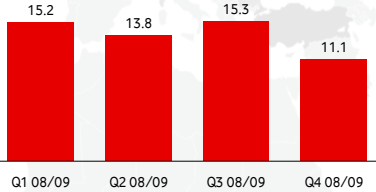


## Africa and Central Europe

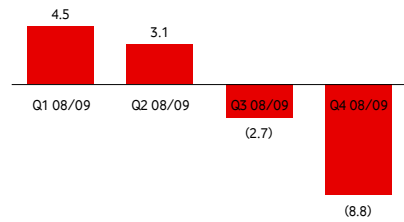
### Total revenue growth analysis (%)



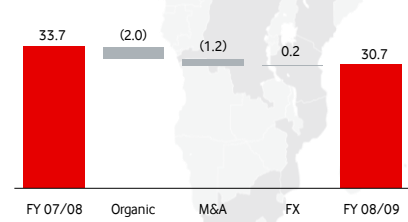
### Vodacom: organic service revenue growth (%)



### CE and Turkey: organic service revenue growth (%)

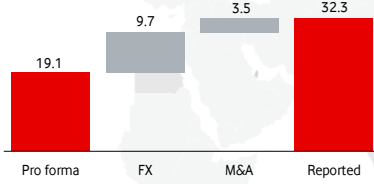


### EBITDA margin reconciliation (%)

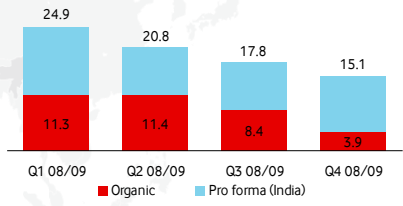


## Asia Pacific and Middle East

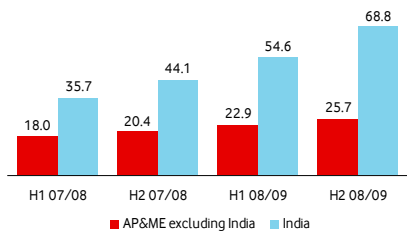
Total revenue growth analysis (%)



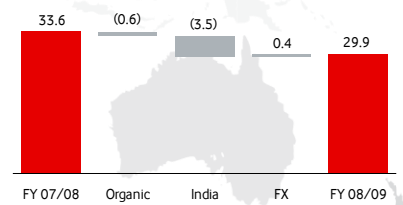
Organic service revenue growth (%)



Customers (m)

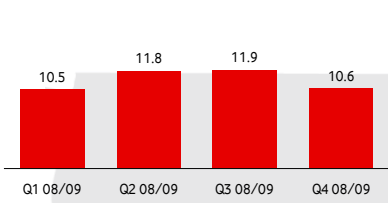


EBITDA reconciliation (%)

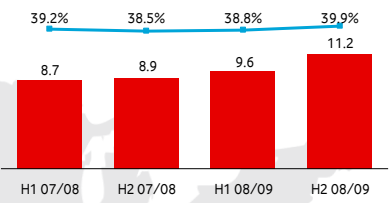


## Verizon Wireless

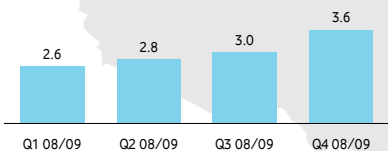
Pro forma service revenue growth<sup>1</sup> (%)



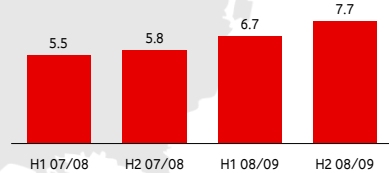
EBITDA and EBITDA margin<sup>2</sup> (US\$bn)



Messaging and non messaging data revenue<sup>2</sup> (US\$bn)



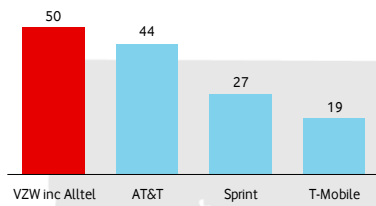
EBITDA less capex<sup>2</sup> (US\$bn)



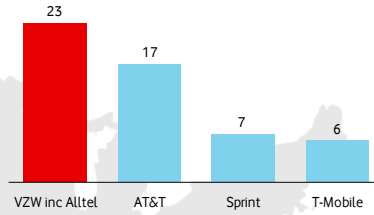
1. Pro forma assumes ownership of Alltel for all periods  
 2. Financial reported highlights on an IFRS basis

## Verizon Wireless including Alltel

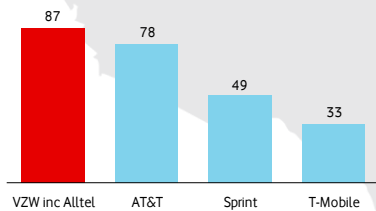
US national operators service revenue, 2008 (US\$bn)



US national operators EBITDA, 2008 (US\$bn)



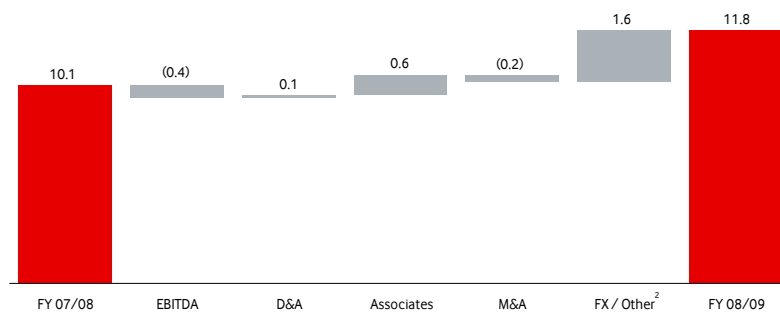
US national operators customers, March 2009 (m)



- Acquisition completed
- Leading in revenues, customers and profit
- Cost synergies in excess of US\$9bn NPV
- Gross debt of c. US\$35bn (March 09)
- US\$2.35bn of regulatory divestments announced



## Adjusted operating profit<sup>1</sup> (£bn)



- Overall flat before FX impact
  - Strong performance by VZW plus FX movements – increasing share of operating profits
  - Offset by weaker Europe EBITDA
- Positive FX impact – c.60% Euro / 30% US Dollar / 10% Other

1. Adjusted operating profit excludes other income and expense, non-operating income and expense and impairment losses

2. FX/Other includes restructuring costs



## Financing costs

	FY 08/09 £m	FY 07/08 £m
<b>Net financing costs</b>	<b>(1,124)</b>	<b>(937)</b>
Mark-to-market losses/gains	(354)	114
Dividends from investments	108	72
Ongoing potential interest on tax	(236)	(399)
Reversal of potential tax interest	317	-
<b>Adjusted financing costs</b>	<b>(1,289)</b>	<b>(1,150)</b>
Foreign exchange	235	(7)
Put option arrangements	(570)	(143)
Investment income and financing costs	(1,624)	(1,300)
<b>Average cost of debt</b>	<b>4.7%</b>	<b>5.1%</b>

- Net financing costs driven by
  - 28% higher average net debt driven by FX
  - Lower interest rates
- Mark-to-market losses/gains
- £317m reversal of potential tax interest
- Put option arrangements



## Taxation

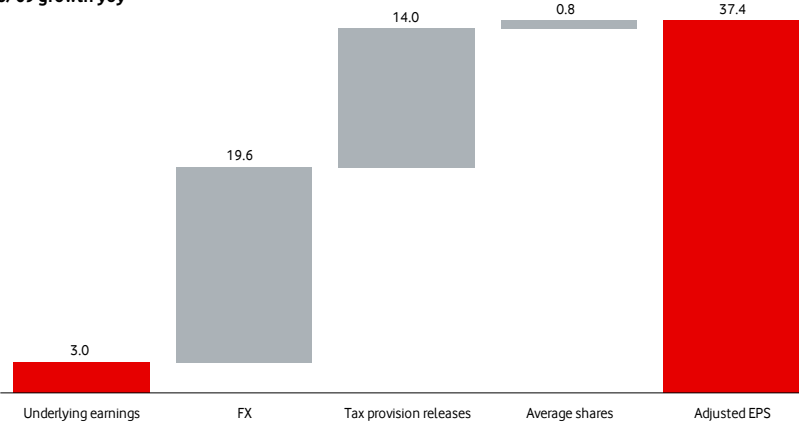
	FY 08/09 £m	FY 07/08 £m
Underlying tax	2,176	2,201
Reversal of tax provisions	(767)	-
Share of associate tax	422	448
<b>Adjusted tax</b>	<b>1,831</b>	<b>2,649</b>
<b>Effective tax rate:</b>		
As reported	16.7%	28.1%
Reversal of tax provisions	7.0%	-
Reversal of potential interest on tax	0.8%	-
<b>Underlying effective tax rate</b>	<b>24.5%</b>	<b>28.1%</b>

- 16.7% effective tax rate includes
  - 7.0pp benefit from release of tax provisions
  - 0.8pp benefit from reversal of potential tax interest
- Underlying rate slightly lower than outlook
- Targeting mid-20s for medium term



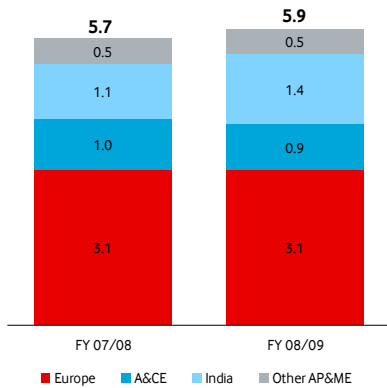
## Adjusted earnings per share (%)

FY 08/09 growth yoy

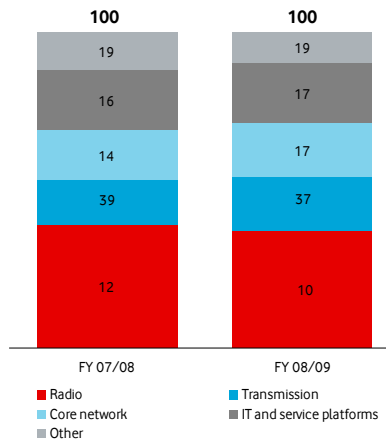


## Capital expenditure<sup>1</sup>

Fixed asset additions by region (€bn)



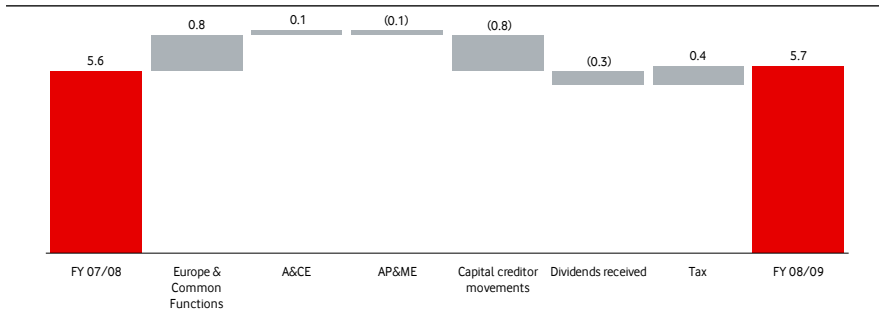
Fixed asset additions by category (%)



1. Fixed asset additions shown on a constant currency basis. Europe region includes common functions



## Free cash flow (£bn)



- Free cash flow up 2.5% to £5.7bn – up c. 6% adjusting for VZW dividend deferral
- Europe contribution boosted by FX, stable contribution from emerging markets
- £0.8bn capital creditor movements driven by Turkey and India
- Agreed lower dividends from SFR and VZW dividend deferral
- Free cash flow per share up 3.0% to 10.84 pence per share



## Net debt

	FY 08/09 £m	FY 07/08 £m
<b>Adjusted free cash flow</b>	<b>5,722</b>	<b>5,580</b>
Qatar licence	(647)	-
Other licences & spectrum	(88)	(40)
Free cash flow	4,987	5,540
Acquisitions and disposals	(1,330)	(6,541)
Qatar contribution	607	-
Put options	(4)	(2,521)
Equity dividends paid	(4,013)	(3,658)
Share purchases	(963)	-
Foreign exchange	(7,620)	(3,238)
Other	(740)	320
<b>Net debt increase</b>	<b>(9,076)</b>	<b>(10,098)</b>
Opening net debt	(25,147)	(15,049)
<b>Closing net debt</b>	<b>(34,223)</b>	<b>(25,147)</b>

- Acquisitions and disposals
  - £0.4bn Arcor minorities
  - £0.5bn Ghana acquisition
  - £0.2bn Gateway
  - £0.2bn Poland minorities
  - Bharti proceeds of £0.1bn
- Foreign exchange impact from US Dollar & Euro
- Net debt includes £3.3bn Essar put option
- Low single 'A' credit rating



## Financial summary

Early cost actions largely offset revenue pressures

Increased VZW contribution and significant foreign exchange benefits

Original cashflow outlook delivered without constraining capital investment

Further progress in resolving long-standing tax issues

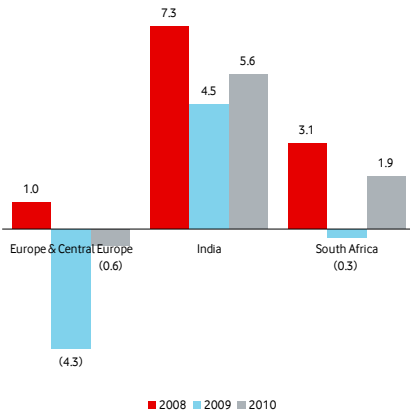


# Strategy and Business Review



## Impact of the economy

GDP growth trends across Vodafone operations (%)



Source: IMF  
GDP growth weighted by Vodafone consolidated revenue

### Europe and Central Europe

- Lower usage growth
- Roaming – lower travel
- Enterprise – cost reduction
- Bad debt
- Lower handset volumes
- Continued price pressure

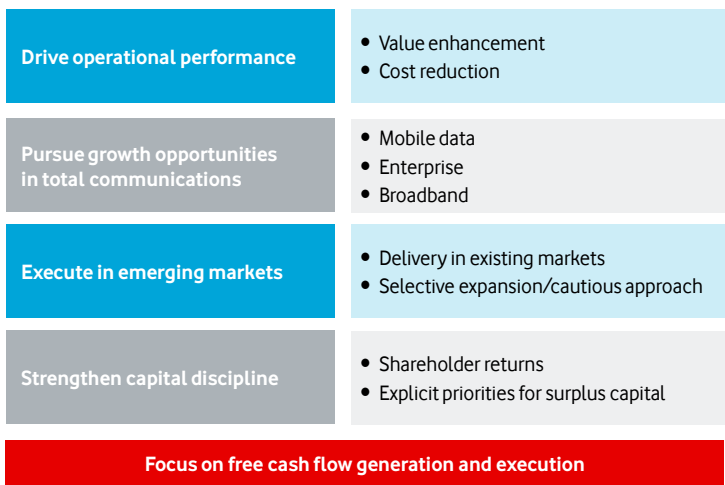
### India and Africa

- Weaker macro trends
- Driving penetration

Mobile data growth +26%

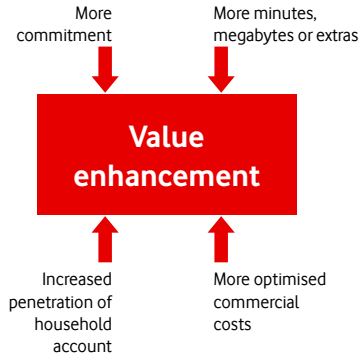


## November 2008 revised strategy



## Operational performance

### Value enhancement



#### Value enhancement in Europe

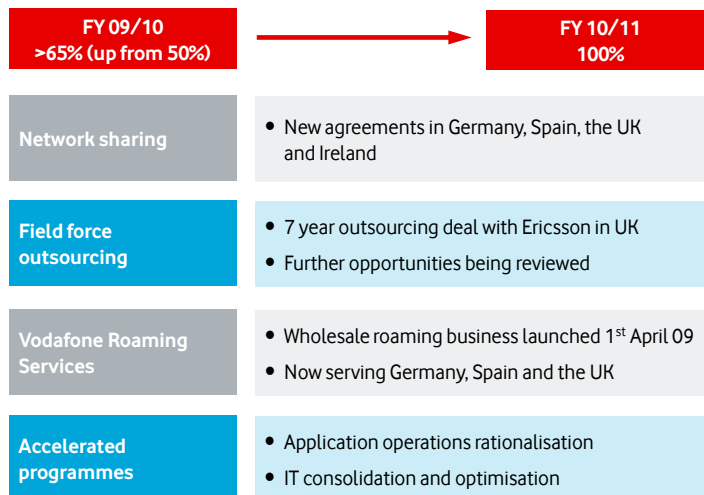
<b>Germany</b> SuperFlat	Head of household on flat rate €10 SIM only	2.7m customers
<b>Italy</b> Più-Carica	Top ups >= €15 20% more mins or texts	830k customers in only 2 months
<b>Spain</b> Tarifas Planas	Larger monthly fixed commitment Free bolt-ons and discounts	Launched May 09

Also launched in UK, Greece, Ireland, Portugal



## Operational performance

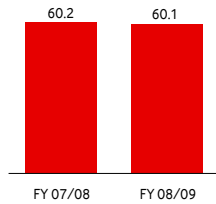
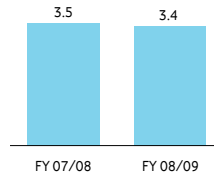
### Acceleration of £1bn cost programme



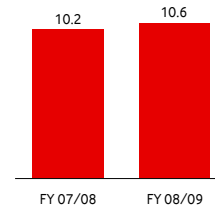
## Operational performance

### Cost actions taking effect

Mobile contribution margin (%)

Operating expenses<sup>1</sup> (£bn)

Capex intensity (%)



- Mobile contribution margin stable, allowing investment in growth opportunities, e.g. fixed broadband
- £1bn cost programme taking effect
- FY 08/09 capex intensity boosted by FX and incremental investment

All figures relate to Europe region plus common functions on a constant currency basis.  
1. Excludes restructuring costs



## Total communications

### Increasing revenue contribution

	Data	Fixed broadband	Enterprise
Results	<p><b>+26% to £3.0bn</b></p> <ul style="list-style-type: none"> <li>• 4.9m HHBDs +56%</li> <li>• 4.5m PC connectivity devices +71%</li> <li>• 19.0m mobile internet users<sup>1,2</sup></li> </ul>	<p><b>+2% to £2.7bn<sup>3</sup></b></p> <ul style="list-style-type: none"> <li>• 1m net adds to 4.6m, 0.6m in H2</li> <li>• Vodafone Station in 6 markets</li> </ul>	<p><b>+1% to £8.3bn<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>• Converged services in 9 markets</li> <li>• +53% Enterprise mobile email revenue<sup>1</sup></li> <li>• +9% VGE revenue growth</li> </ul>
Actions	<ul style="list-style-type: none"> <li>• 30% of 3G network at 7.2Mbps<sup>1</sup></li> <li>• Smartphones, Netbooks, USB dongles</li> </ul>	<ul style="list-style-type: none"> <li>• Arcor integration on track</li> <li>• Vodafone branded DSL</li> <li>• ULL coverage: c. 65% Germany; 50% Italy; 55% Spain</li> </ul>	<ul style="list-style-type: none"> <li>• Developing SoHo / SME converged services</li> <li>• Expanding Vodafone Global Enterprise</li> </ul>

1. Europe  
2. Includes 3.5m mobile internet bundle customers  
3. Fixed line revenue



## Joint Innovation Lab

Enhancing mobile data experience

Developers → JIL + Partners → 1.1bn customers



Single global platform for widget application development



Multiple devices and operating systems



  
Vodafone distinctive assets

- Billing services
- Network services (location)
- Device management and distribution
- CRM



## Execution in emerging markets

<b>India</b>	<ul style="list-style-type: none"> <li>• Nationwide footprint completed</li> <li>• Indus Towers fully operational – 95,000 sites</li> <li>• Expansion into enterprise and long-distance</li> </ul>	<p>Revenue +33%</p> <p>Customers +56%</p>
<b>Africa</b>	<ul style="list-style-type: none"> <li>• Vodacom maintained market leadership</li> <li>• Ghana Telecom: rebranded following acquisition</li> </ul>	<p>Revenue +14%</p> <p>Customers +11%</p>
<b>Central Europe</b>	<ul style="list-style-type: none"> <li>• Good market share performance</li> <li>• Cost reduction, stable margins in Romania</li> </ul>	<p>Revenue flat</p> <p>Customers +9%</p>
<b>Other</b>	<ul style="list-style-type: none"> <li>• Australia: JV with 3, AUS\$2bn cost synergies</li> <li>• Qatar: IPO, full commercial launch H1 09/10</li> </ul>	

Note: Africa and Central Europe growth rates are organic, India is pro forma



## Strengthen capital discipline

FY 08/09

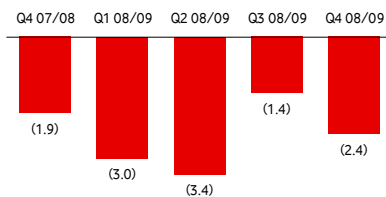
	£bn	% of use	
<b>Uses</b>	Capex and spectrum <sup>1</sup>	6.0	49%
	Shareholder returns	5.0 <sup>2</sup>	41%
	M&A	1.3	10%
	<b>12.3</b>	<b>100%</b>	
<b>Sources</b>	Free cash flow before investment and returns <sup>3</sup>	11.6	
	Incremental debt	0.7	
	<b>12.3</b>		

1. Capex, net of disposals plus purchases of intangible fixed assets, net of contributions in relation to Vodafone Qatar
2. Equity dividends paid plus share buy-backs
3. Free cash flow excluding licence and spectrum payments before capex, net of disposals

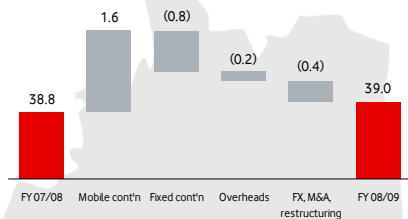


## Germany

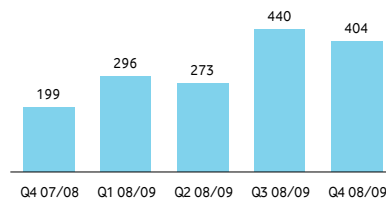
### Service revenue growth (%)



### EBITDA margin (%)



### SuperFlat net additions ('000s)



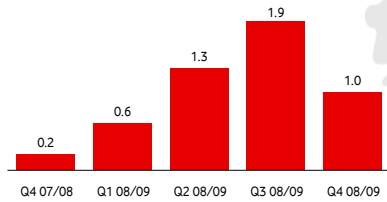
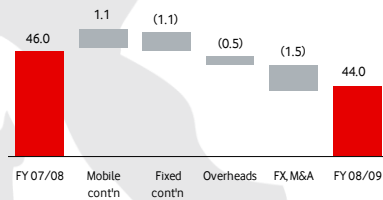
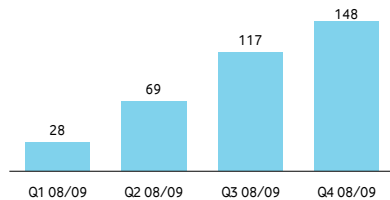
### Recent trends

- Margin boosted by focused customer investment
- Data revenue +15% in Q4
- Good progress on Arcor integration
- Returned to growth in fixed broadband
- Acceleration of SuperFlat and extension to DSL and mobile data



## Italy

## Service revenue growth (%)

EBITDA margin<sup>1</sup> (%)Fixed broadband net additions<sup>2</sup> ('000s)

## Recent trends

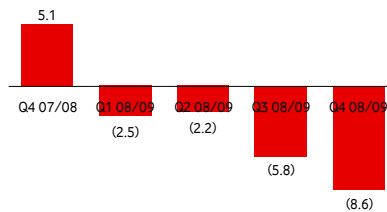
- Continuing strong contract net additions (contract base +27%)
- Data revenue +23% in Q4
- Fixed line revenue +9% in Q4
- Value enhancement products e.g. Più-Carica tariff
- Enterprise: Rete Unica, SoHo focus

1. FY 07/08 excludes brand royalty impact of -2.8pp and FY 08/09 impact of 0.3pp  
 2. DSL customers included on an instant activation basis

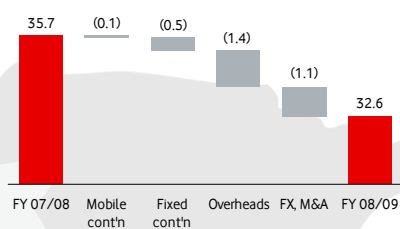


## Spain

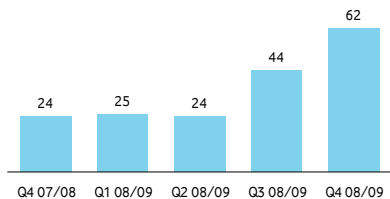
## Service revenue growth (%)



## EBITDA margin (%)



## Fixed broadband net additions ('000s)



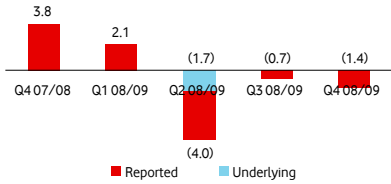
## Recent trends

- Tarifas Planas (April 09)
- Value enhancement portfolio (April 09)
- Data revenue +30% in Q4: mobile internet/PC connectivity
- Fixed line revenue +9% in Q4: Vodafone Station
- Enterprise: new Todo en uno FMS tariff
- Cost reduction: network sharing

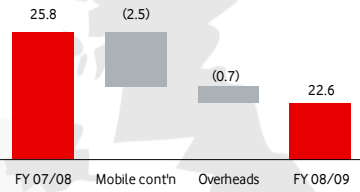


# UK

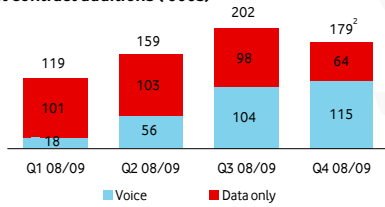
## Service revenue growth revenue<sup>1</sup> (%)



## EBITDA margin<sup>1</sup> (%)



## Net contract additions ('000s)



## Recent trends

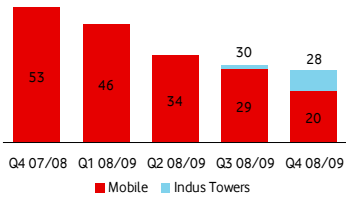
- Underlying service revenue Q4 c. -3.5%
- Prepay offer Freedom Pack (April 2009)
- Contract offer Your Plan (May 2009)
- Summer Roaming promotion (June 2009)
- Retail expansion
- Headcount reduction, network sharing and outsourcing

1. Q2 07/08 adjusted to reflect €30m UK VAT refund. FY 07/08 EBITDA margin excludes UK VAT refund: impact of -0.6pp  
 2. Excludes 310k disconnections related to Business M2M and inactive SIM cards

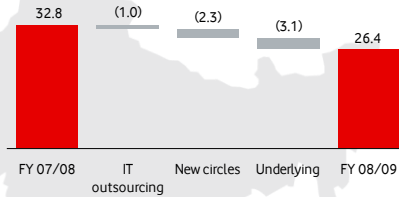


# India

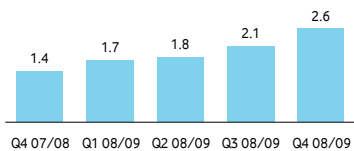
## Pro forma service revenue growth (%)



## EBITDA margin (%)



## Monthly net adds (m)



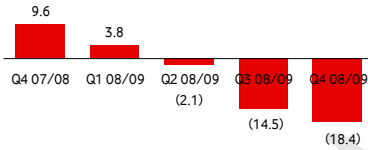
## Recent trends

- Commercial in 7 new circles: 1.8m customers
- Indus Towers: operating 95,000 sites
- Network expansion: 2,600 sites per month
- Further network sharing: 85% incremental
- Churn 25% (-15pp yoy) due to Life Time Validity

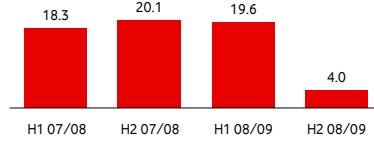


# Turkey

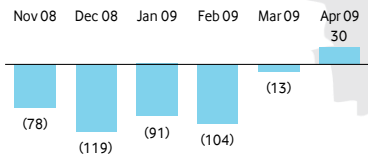
Service revenue growth (%)



EBITDA margin (%)



MNP – Monthly net ports ('000s)



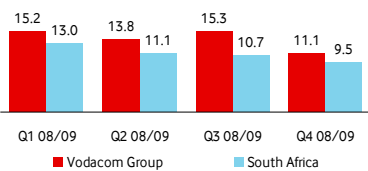
Recent trends

- Turnaround plan in progress
- Improved network quality: 1,800 base stations added yoy (+21%)
- Enhanced direct and indirect distribution to about 500 points of sale
- New tariffs launched
- Focus on regaining competitiveness

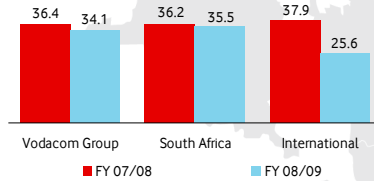


# Vodacom

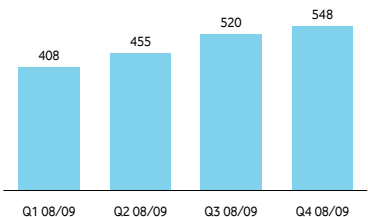
Service revenue growth (%)



EBITDA margin (%)



Mobile Connect Cards, South Africa ('000s)



Recent trends

- Data revenue +60%
- Challenging economies in DRC and Tanzania
- Gateway acquisition completed in December
- Lower transmission costs offset higher payouts and interconnect costs



## Financial outlook FY 09/10

	Outlook
<b>Adjusted operating profit<sup>1</sup></b>	<b>£11.0 – £11.8 bn</b>
<ul style="list-style-type: none"> <li>• Europe/Central Europe: GDP decline, unemployment, revenue impact</li> <li>• India and Africa: penetration growth, weaker macro trends</li> <li>• Verizon Wireless: continuing good financial performance</li> <li>• EBITDA margin: decline at a slightly slower rate than FY 08/09</li> <li>• D&amp;A c. £8.5bn: Vodacom, India and foreign exchange</li> </ul>	
<b>Free cash flow<sup>2</sup></b>	<b>£6.0 – £6.5 bn</b>
<ul style="list-style-type: none"> <li>• Ahead of medium term target</li> <li>• FY 09/10 capex similar to FY 08/09 adjusted for foreign exchange</li> </ul>	

Currency assumptions: €/\$1.12 and US\$/£1.50

1. Excludes Alltel integration costs, non-operating income of associates, impairment losses and other income and expense
2. Before licences and spectrum payments



## Key takeaways

**November 2008 strategy remains appropriate**

**Good performance in many markets; operational plans being executed to address gaps**

**Positive traction in mobile data, DSL and cost initiatives**

**Solid and sustainable cash from operations**



## 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 outlook contained in slide 41 and the statements relating to the Group's future performance generally; statements relating to the development and launch of certain products, services and technologies; expectations regarding growth in customers and usage, mobile data, enterprise, broadband, and emerging markets; statements relating to movements in foreign exchange rates; expectations regarding revenue growth, adjusted operating profit, depreciation and amortisation, EBITDA margins, free cash flows, costs, tax settlements, capital expenditures, capital intensity, shareholder return and dividends received; expectations regarding liquidity, debt maturity and capitalisation; expectations regarding the E1 billion cost programme; 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 "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" 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: general economic and political conditions in the jurisdictions in which the Group operates and changes to the associated legal, regulatory and tax environments; increased competition, from both existing competitors and new market entrants, including Mobile Virtual Network Operators; levels of investment in network capacity and the Group's ability to deploy new technologies, products and services in a timely manner, particularly data content and services; rapid changes to existing products and services and the inability of new products and services to perform in accordance with our expectations, including as a result of third party or vendor marketing efforts; the ability of the Group to integrate new technologies, products and services with existing networks, technologies, products and services; the Group's ability to generate and grow revenue from both voice and non-voice services and achieve expected cost savings; a lower than expected impact of new or existing products, services or technologies on the Group's future revenue, cost structure and capital expenditure outlays; slower than expected customer growth, reduced customer retention, reductions or changes in customer spending and increased pricing pressure; the Group's ability to expand its spectrum position, win 3G allocations and realise expected synergies and benefits associated with 3G; the Group's ability to secure the timely delivery of high quality, reliable handsets, network equipment and other key products from suppliers; loss of suppliers, disruption of supply chains and greater than anticipated prices of new mobile handsets; changes in the costs to the Group of, or the rates the Group may charge for, terminations and roaming minutes; the Group's ability to realise expected benefits from acquisitions, partnerships, joint ventures, franchises, brand licences or other arrangements with third parties, particularly those related to the development of data and internet services; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities which may have a negative impact on the Group's financial condition and results of operations; the Group's ability to integrate acquired business or assets and the imposition of any unfavourable conditions, regulatory or otherwise, on any pending or future acquisitions or dispositions; the extent of any future write-downs or impairment charges on the Group's assets; or restructuring charges incurred as a result of an acquisition or disposition; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends; the Group's ability to satisfy working capital requirements through borrowing in capital markets, bank facilities and operations; changes in exchange rates, including particularly the exchange rate of pounds sterling to the euro and the US dollar; changes in the regulatory framework in which the Group operates, including the commencement of legal or regulatory action seeking to regulate the Group's permitted charging rates; the impact of legal or other proceedings against the Group or other companies in the mobile communications industry; and changes in statutory tax rates and profit mix, the Group's ability to resolve open tax issues and the timing and amount of any payments in respect of tax liabilities.

No assurances can be given that the forward-looking statements in this presentation will be realised. Neither the Company nor any member of the Group intends to update these forward-looking statements.



## Definition of terms

- **Acquisition costs:** the total of connection fees, trade commissions and equipment costs relating to new customer connections.
- **Adjusted operating profit:** excludes other income and expense, non-operating income and expenses and impairment losses.
- **Adjusted earnings per share:** excludes other income and expense, non-operating income and expenses, impairment losses, certain foreign exchange movements, amounts in relation to put rights and similar arrangements and tax thereon.
- **Common functions:** the results of the partner markets and the net result of unallocated central Group costs and recharges to the Group's operations, including royalty fees for use of the Vodafone brand.
- **Contribution margins:** stated after direct costs, acquisition and retention costs and ongoing commissions
- **Change on a constant currency basis:** growth or change calculated by restating the prior period's results as if they had been generated at the current period's exchange. Also referred to as "Change on constant exchange rates".
- **Customer costs:** acquisition costs and retention costs, as well as expenses related to ongoing commissions, marketing, customer care and sales and distribution.
- **Direct costs:** interconnect costs and other direct costs.
- **Free cash flow:** free cash flow before licences and spectrum payments.
- **Interconnect costs:** a charge paid by Vodafone to other fixed line or mobile operators when a Vodafone customer calls a customer connected to a different network.
- **Operating expenses:** comprised primarily of network and IT related expenditure, support costs from HR and finance and certain intercompany items.
- **Organic growth:** the percentage movements in organic growth are presented to reflect operating performance on a comparable basis, both in terms of percentage of entity ownership, and exchange rate movements.
- **Overheads:** includes marketing, sales & distribution and customer care costs.
- **Pro forma growth:** organic growth adjusted to include acquired business for the whole of both periods.
- **Retention costs:** the total of trade commissions, loyalty scheme and equipment costs relating to customer retention and upgrade.



**Q&A**



**vodafone**