



vodafone

The European Telecom Leader

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Introduction

- **Vodafone's performance, progress and prospects**
 - Within the context of the industry development
- **Why Vodafone is best positioned to deliver**
 - Continuing strong growth
 - Outstanding financial performance
 - Best returns for shareholders
- **Address issues and concerns behind deterioration in investor sentiment towards our industry and Vodafone**

Vodafone Today

- **World-wide proportionate customer base of over 93 million in 29 countries**
- **Total venture customer base of 202 million**
 - **Equivalent to 25% share of all mobile users**
- **Control in 15 countries**
 - **See-through 60% economic interest in Japan**
- **Market leader or number 2 in 24 countries**
- **World leader in terms of customer base and geographic spread**

Development of New Services

- **Strong involvement in Japan:**
 - experience in world's most advanced mobile data market
 - Messaging and Internet service revenue growth and adoption levels at highest in world
 - 70% of customers generating 14% of revenues
- **Presence in Europe:**
 - Leaders of data traffic and service innovation
 - Data revenue 9% of overall service revenue

Financial Performance

Proportionate Mobile	March 2001	Change
Turnover	£21.4 billion	+29%
Group operating profit ¹	£5.02 billion	+26%
EBITDA ²	£7.04 billion	+28%
Registered Customers	82.9 million	+56%

1 Before goodwill and exceptional items

2 Before exceptional items

Background to Strategy

- **Position achieved by successful execution of strategy set 4 years ago**
- **Then there was a great opportunity to achieve advantage through scale and global leadership**
- **Importance of global positioning for both:**
 - **Highest spenders who are internationally active**
 - **Innovative customers business or consumers**

Three Pronged Growth Strategy

- 1 Accelerated customer growth**
 - 2 Geographic expansion**
 - 3 Development of voice and non-voice services**
- Develop best practice in customer care and enhanced operational efficiency to ensure**
 - Lowest cost operator**
 - Sustained good margin performance**

Realignment of Strategy

- **Successfully implement 3 pronged strategy**
- **Realigned strategy in 2001 to reflect:**
 - **Industry changes**
 - **Vodafone's progress over past few years**
- **Sensitive to current issues affecting our industry and Vodafone**

Perceived Industry Concerns

- **Prospects for revenue growth**
- **Potential for EBITDA growth and EBITDA margins**
- **Delays in delivery of new technologies; data revenues may merely substitute decline in voice revenues; and 3G being undermined by other wireless technologies**
- **Free cash-flow growth as 3G networks are funded and built, having acquired significant debt burdens**
- **Increased risks leading to higher discount rates in valuations resulting in lower fair values**
- **The validity of appropriate return/valuation measures**

Vodafone Specific Concerns

- **Level of corporate activity**
 - With respect to price paid for some assets
 - Equity issuance
 - Unresolved geographic areas
- **Investment and return assessment criteria**
- **Confidence in management's ability to operate not just make deals**

Vodafone Attributes

- **Concerns have offset positive Vodafone attributes**
 - **Best geographic presence**
 - **Revenue market leadership**
 - **Best margin performance**
 - **Lowest cost operator**
 - **Largest and best procurement position**
 - **Strong balance sheet**

Share Price

- **Concerns contributed to decline in share price**
- **Shareholders and Board concerned**
- **Endeavouring to understand current market concerns**
- **Action being taken to address concerns where appropriate**

What is Behind our Conviction?

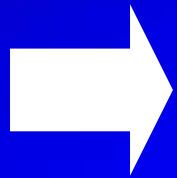
- **Why and how have we realigned our strategy?**
- **Why do we believe Vodafone is still best placed to succeed as the industry changes?**

Realignment of Strategy

- **High level of penetration in most markets**
- **Growth strategy moved from market growth to targeted segmented approach**
- **Focus on highest revenue and profit contributors**
- **Optimise our position in highest user groups**
- **Sustain revenue growth through**
 - **Focusing on these customer segments**
 - **New products and services to stimulate usage**

New Services

- **Attractive to higher spending group**
 - No longer competing just on price
- **Scope for introduction of new voice services**



Not dependent on data services alone to drive revenue growth

New Voice Services

- **Eurocall in 11 countries with 3.7 million customers since launch in January**
- **VHE is ahead of expectations:**
 - **Generated more than 5 million incremental minutes and Eur 4 million in revenue (Apr-Jul)**
- **Outbound Pre-Pay roaming in 4 countries generated 6 million minutes and Eur 9 million**

Global Account Strategy

- **11 global accounts secured to date**
 - **Incl. KPMG; Deloitte & Touche; Andersen Consulting; Unilever**
- **Unilever account included 6% of existing connections; 94% of new connections**
- **Also about winning new partners, particularly systems integrators who assist in Corporate Sector**

New Commercial Policies

- **Delivered great contract growth in nearly all our European markets**

	% Contract Customer Net Additions	
	Q1 2001	Q1 2000
Germany	28%	7%
UK	44%	14%

ARPU

- New services
- Global Account Strategy
- Change in commercial policies

ARPU stabilisation trends

- Stability trend continued in July
- Trends encouragingly 1 year ahead of expectations
- Further evidence reported in early Q4 2001

3G

- **3G introduces additional voice capacity**
 - **Voice predominant contributor of growth and value for first 5-6 years of service introduction**
- **Good voice growth in terms of usage and revenue - expected to be sustained**
- **Refined strategy targets highest user sectors**
- **Strong international position strengthens our leadership**
- **Increasing value added by lower-spending users through products such as Pre-pay roaming**

Data Growth

- **Continues to improve in line with expectations**
- **Key in long term - new developments that improve data credibility are important**
 - **Q4: Launch and decent supply of Nokia GPRS product**
 - **Q4: introduction of unified and instant messaging**
 - **Q4: expect at least 13 different GPRS models, 3 with PDA and at least 1 with colour screen**
- **Launch of 3G will help to build confidence**
 - **Expects to open service in H202 with large volumes in 2003**
 - **Dual mode handsets from Nokia, Motorola and Panasonic**

Data Growth

- **Consolidated capex for Mar 02 and Mar 03 expected below £5bn**
 - Improved purchasing
 - Better planning and importance of matching revenue ratios to capital spend
- **Internal overall projections for data revenue in 2004 unchanged**
 - Earlier stabilisation of voice ARPU may mean data contributes at lower end of 20%-25% projection

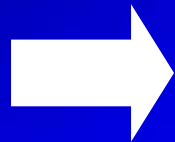
Competitive Environment

- **Changed revenue pressure**
 - Shortage of capital and cash
 - Need for some operators to show better margin performance and returns
 - Many operators are short of making WACC
 - Some vendors unable to provide financing
 - Banks becoming more selective

 **Eased downward pressure on tariffs and general competitive pressures**

Regulatory Environment and Competitive Technologies

- Industry problem of making adequate returns
- Challenge of 3G investment



Has eased regulatory pressure

- **Industry must now be allowed to progress**
- **Concept of 3G being bypassed by alternative technology misreads capability of Bluetooth and Wireless Lan**
 - Neither can substitute for or be alternatives to 3G
 - Both will compliment cellular

Economic Impact

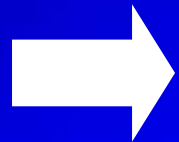
- **Difficult to determine whether economic slowdown is impacting the business**
- **Vodafone still performing ahead of expectations on customer growth**
 - **Likely to be more than 14-15 million proportionate net adds**
 - **Better mix through competitive gain and subsidy reduction**
- **If ARPU has stabilised then again does not indicate impact of economic slowdown**

Revenue Growth Concerns Overdone

- **Over 20% customer growth likely this year**
 - Revenue growth next year should be higher than many are projecting
- **We believe forecast for reduced revenue growth has been overdone**
- **Alternative drivers of revenue growth will substitute and, in the near term mitigate any data delays**

EBITDA Growth

- Reduction of Pre-pay customer acquisition costs
- Lower Pre-pay customer growth
- Overall reduction in growth



Contributes to better margins this year

- **But improved mix of contract customers will see blended acquisition costs per customer rise**

EBITDA Growth - Retention costs

- **Already significant part of business**
 - **1/3 of handset costs this year are for upgrades**
- **Degree relates directly to customer expenditure and their NPV**
- **Equal roughly half new customer acquisition cost - GPRS handsets not much higher than GSM - do not envisage costs going up in next few years**
- **Too early to comment in 3G world - pending pricing**

EBITDA Growth

- **Vodafone reducing other overhead costs**
 - Through better buying and best practice
- **Driving costs out of the business**
 - In IT; call centres; transmission costs and advertising expenditure

 **Strong customer growth last year; stabilising ARPUs and continued customer growth this year combined with margin improvement will lead to better EBITDA growth this year and next**

Margin Improvement

- **Expect year on year improvement in next 3 years - with sharp gains in lowest margin operations**
 - Japan has potential to increase margins significantly
 - Spain has already seen good improvement
- **Vodafone is lowest cost operator in almost all markets**
 - Highest EBITDA multiple per customer

Future Growth

- **Generating more cash**
 - Better purchasing
 - Re-phasing of capex
- ➔ **Capex to sales progressively falling going forward**
- **Vodafone has always been leading performer in terms of operation performance**
- **We see scope for improving this through**
 - Implementation of best practise
 - Successful integration of all our acquired businesses

Geographic Expansion

- **Another area where strategy has been modified**
- **All appropriate major territories achieved**
- **Possibility of improving holding in 2 or 3 territories**
 - **No further issuance of equity anticipated**
 - **Foreseeable opportunities can be managed for cash**
- **Concern over unfinished business in US, France and Japan**

US

- **Good relationship with Verizon Communications**
- **Working on technical solution for 3G to overcome differences between CDMA 2000 and wide-band CDMA**
- **Need to provide world-wide service solution for corporate customers**
- **Technical requirement being addressed by world's leading equipment suppliers**
- **Aim for world-wide service capability before end of 2003**
- **Envisage a long-term constructive partnership**

France

- **Good relationship with Vivendi**
- **Vodafone facilitating in buy out of Cegetel partners**
- **Have an understanding to swap out of Cegetel for higher holding in SFR**
- **SFR progressing well in France**
 - Revenue growth, margin improvement, competitive position
 - Promoting as part of Vodafone European footprint
 - Participating in Pan-European initiatives
- **No transaction involving cash or shares envisaged**

Japan

- **Continue to make good progress**
- **Control position in Japan achievable within Group's cash resources if need arises**

Investment Criteria

- **Rigorous investigation prior to all investments**
 - Undertaken only if improve returns for Group
- **Internal return measures:**
 - Opportunities assessed using discounted cash-flow model on project by project basis, using local currency, inflation and discount rates incl. a project business risk adjustment
 - If passes hurdle rate, must fit in with overall strategy, consider dilution or accretion on EPS and consolidated cash flow per share basis
 - E.g. in Western Europe use 12% on post tax cash flows excl. synergy benefits - but higher rates for new licences

Investment Criteria

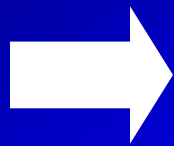
- **Aware that investors are concerned whether we use criteria other than EBITDA margin or growth**
- **Will present additional financial indicators to be announced at interim results**
 - **Likely to include a cash flow per share number**
- **Vodafone always striven to achieve industry-leading performance**
- **Will be enhanced by the scale now achieved**

3G

- **Essential to acquire 3G licences in all territories**
- **Provides capacity to ensure voice traffic moves from fixed to mobile**
- **Provides sufficient data rates for additional applications**
- **Mobile devices will be used for applications not yet seen, in addition to voice telephony**
- **Japan provides good development insight**
 - **Not what services may develop, but when**

Future Growth

- Continuing customer growth
- Additional voice usage



Compensate any delays in data deployment and adoption

- **Data services provide good long-term growth**
- **Prospects and potential for mobile communication industry one of best available to investors**
- **Importance of picking 'winners' highlighted during events over last year and a half**

Vodafone's Position

- **Vodafone in better position than any other operator**
 - **Enormous world-wide customer base continues to grow at over 20% this year**
 - **Quality of customers is highest in most markets**
 - **Global footprint and service proposition attracts highest spending users**
 - **Customers attracted by quality, not just low prices**
 - **Position as lowest cost operator enable good margins and returns**
 - **Implementation of best practice, new commercial policies. Arrival of data gives opportunity for sustained margin improvement**

Vodafone's Position

- **Strong balance sheet after acquiring best territories and 3G licences**
- **Scale used to improve purchasing ability**
- **Despite investment to come, should be able to generate industry leading capex to sales ratios**
- **Delivering improving free cash flow year on year and improve return for shareholders**

➔ Vodafone deserves a better rating

Conclusion

- **Unrivalled footprint**
- **Vast scale advantages**
- **Track record of strong management execution and performance**
- **Sound financial position**

 **Vodafone best positioned to win and continue to deliver outstanding performance for customers and shareholders alike**

Cautionary Statement

This presentation contains certain 'forward-looking statements' with respect to the financial condition, results of operations and business and some of our plans and objectives with respect to these items. In particular, certain statements concerning our expectations and plans, strategy, management's objectives, prospects, trends in market shares, market standing, overall market trends and revenues contain forward-looking information. In addition, 'forward-looking statements' also include statements made with respect to expectations as to launch and roll-out dates for products and services, future performance, costs, revenues, expected synergies, future average revenue per customer and future revenues derived from the new non-voice services which we are currently developing, expected EBITDA results, growth in data services and other trend projections

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans', 'targets', 'goal', or 'estimates'. 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 conditions in markets served by our operations that would adversely affect the level of demand for wireless services, greater than anticipated competitive activity requiring reduced pricing and/or new product offerings or resulting in higher costs of acquiring new customers or slower customer growth, slower than expected growth in customers and usage and greater than anticipated costs associated with 3G licence auctions, requiring increased investment in network capacity, failure to be awarded 3G licences in certain key markets, the impact on capital spending from the deployment of new technologies, or the rapid obsolescence of existing technology, the possibility that technologies, including wireless internet platforms, will not perform according to expectations or that vendors' performance will not meet our requirements, changes in our projected revenue model or global branding strategy, lower than anticipated future penetration rates and average revenue per user rates, changes to the percentage of active customers as compared to registered customers, future revenue contributions of the services we offer as a percentage of total revenue, our ability to harmonise our global mobile platforms, any delays or impediments in the roll-out of 3G technology and services, multi-mode handsets, limitations on our ability to offer new services, such as 3G, chat, instant messaging and unified messaging, streaming audio and video and linkage to Bluetooth technology, or with the delivery of GPRS handsets and other key products from our suppliers, limitations on our ability to leverage the strength of our balance sheet and cash-flows in order to produce comparative advantages in our industry, greater than anticipated prices of new mobile handsets and changes in exchange rates, including in particular the exchange rate of the pound to the euro.

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 in the description of our business and our management's discussion and analysis of financial condition and results of operations contained on pages 7 to 34 and 44 to 53 of our US Annual Report on Form 20-F for the year ended 31 March 2000. All subsequent written or oral forward-looking statements attributable to Vodafone, any Vodafone members or persons acting on our behalf are expressly qualified in their entirety by the factors referred to above. Vodafone does not intend to update these forward-looking statements.



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