



Acquisition of Liberty Global's operations in Germany, the Czech Republic, Hungary and Romania

9 May 2018



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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:

- under "Forward-looking statements" and "Risk management" in the Vodafone Plc's annual report for the year ended 31 March 2017; and
- under "Other Information - Forward-Looking Statements" in Vodafone Plc's trading update for the quarter ended 31 December 2017.

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Transaction summary

Vodafone to acquire
Liberty Global's operations in
**Germany, the Czech
Republic, Hungary and
Romania for €18.4 billion**



Vodafone becomes the **leading next generation network owner in Europe**, accelerating our convergence strategy









Creating a converged national challenger to the dominant incumbent in Germany and **transforming our fixed-line position in CEE**



Significant potential value creation, with **>€7.5 billion NPV of estimated synergies**



Transaction with a strong strategic and financial rationale

1	Accelerates Vodafone's converged communications strategy	 <ul style="list-style-type: none">• Vodafone becomes the leading next generation infrastructure owner in Europe• Accelerates Vodafone's position as Europe's leading fixed-line challenger• Bringing together leading talent in the mobile and fixed-line/TV sectors
2	Creates a fully converged national challenger in Germany	 <ul style="list-style-type: none">• National cable coverage in Germany, merging non-overlapping regional assets• 30.8 million mobile customers, 10.0 million broadband connections and 14.0 million TV households• Vodafone intends to deliver Gigabit speeds to around 25 million German homes by 2022
3	Transforms Vodafone's fixed-line and convergence strategy in key CEE markets	 <ul style="list-style-type: none">• Highly complementary to existing mobile operations in the Czech Republic, Hungary and Romania• Adds 6.4 million homes passed, increasing Vodafone's coverage to 39% of total households• 15.8 million mobile, 1.8 million broadband and 2.1 million TV customers
4	In-market consolidation with significant synergies	 <ul style="list-style-type: none">• Estimated annual cost and capex synergies of approximately €535 million¹ by year 5 post completion• Total NPV of cost and capex synergies of over €6 billion²
5	Significant potential to accelerate growth	 <ul style="list-style-type: none">• Revenue synergies from cross-selling to the combined customer base• Net present value of over €1.5 billion²
6	Financially attractive transaction	 <ul style="list-style-type: none">• FY2019E multiples: 12.5x OpFCF^{3,4} and 8.6x EBITDA^{3,4}, adjusted for year 5 cost and capex synergies and before integration costs, 10.9x EBITDA⁴ pre synergies• Accretive to Vodafone's free cash flow per share from the first year post completion and double digit accretive from the third year post completion⁵

Notes:

1. Before integration costs

2. After total integration costs of approximately €1.2 billion over the first 5 years post-completion

3. Adjusted for year 5 cost and capex synergies before integration costs

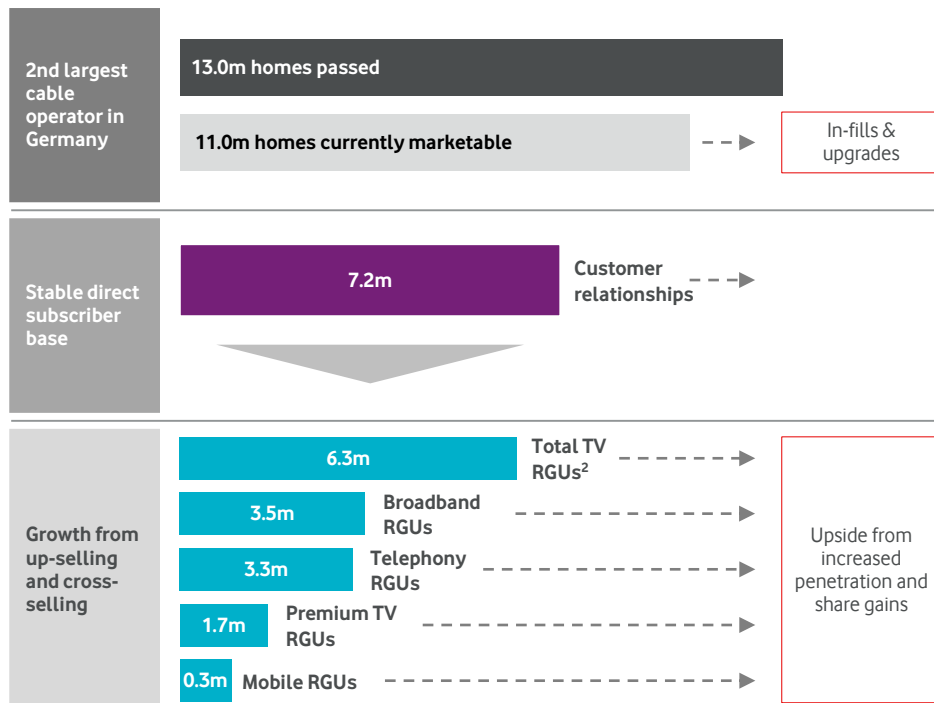
4. Based on consensus forecasts for Unitymedia and Liberty Global's estimates for Liberty Czech Republic, Hungary and Romania. EBITDA calculated post duct leases, TSA charges (opex) and share based compensation

OpFCF calculated as EBITDA (as per previous definition) less TSA charges (capex), excluding new build capex. EV calculated as total transaction enterprise value excluding NPV of incremental net operating losses estimated at €183 million

5. Based on free cash flow after normalised spectrum costs and assuming buyback of MCBs

Unitymedia – A highly complementary, attractive asset

Highly attractive standalone business with upside potential¹



Source: Company filings

Notes:

1. Data as of 31 December 2017
2. Includes 4.0 million multi dwelling units and 2.4 million single dwelling units

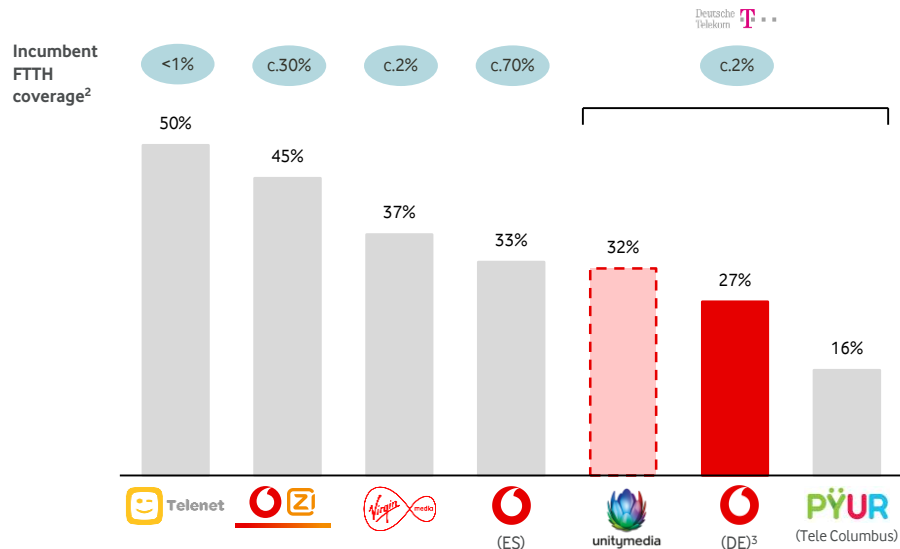
Complementary to Vodafone's existing footprint



Unitymedia – Significant standalone growth potential

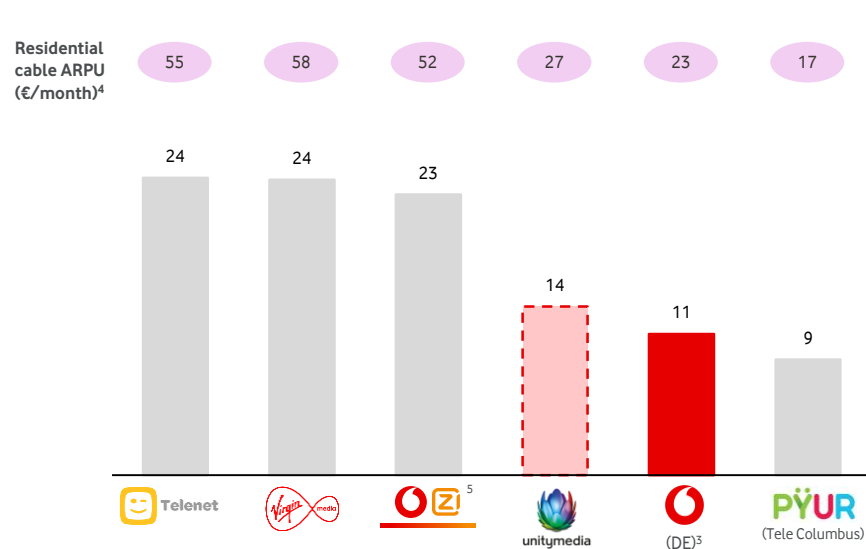
Opportunity to increase BB penetration in UM's footprint

CY17 cable broadband penetration in own footprint (%)¹



TV ARPUs are low

CY17 TV blended ARPU (€/month)⁴



Speed advantage to enable ongoing broadband growth, with low TV ARPUs limiting cord-cutting/shaving risk

Source: Company filings, Globalcomms database, BAML Research, Morgan Stanley Research

Notes:

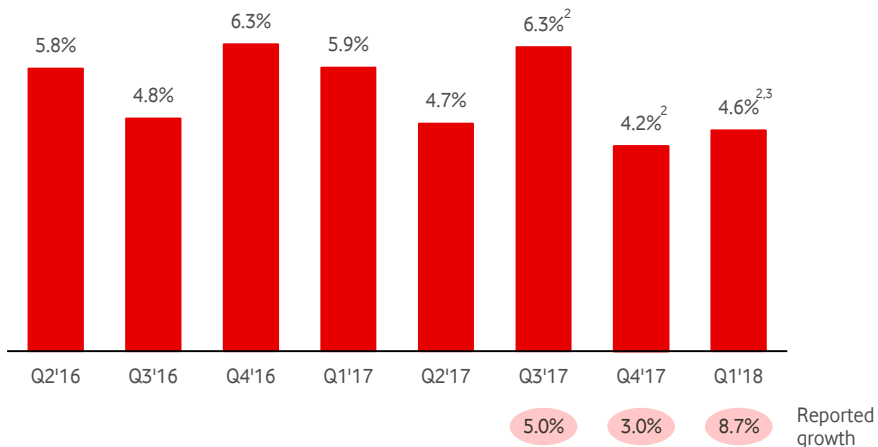
1. Calculated as cable broadband RGUs / homes passed; KDG, Unitymedia and Vodafone ES (Spain) based on marketable homes passed
2. Based on Broker Research estimates; does not include FTTC/B
3. Excludes DSL; data as of FY17
4. Calculated as residential cable revenue / average unique customers
5. Based on CY16 data

Unitymedia – Consistent mid-single digit growth

Strong revenue...

YoY revenue growth (%)

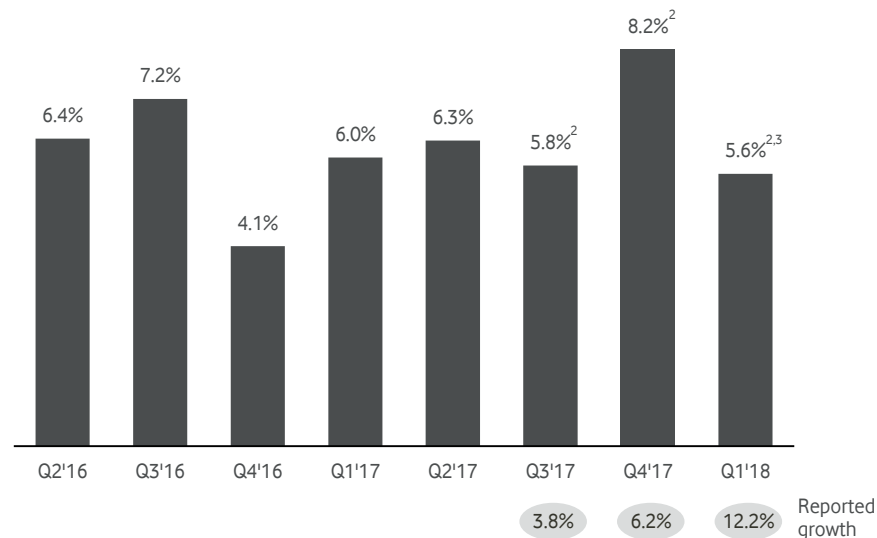
CY17 2 year CAGR: 4.7%



...and EBITDA growth

YoY segment EBITDA growth (%)¹

CY17 2 year CAGR: 5.1%



Source: Company filings

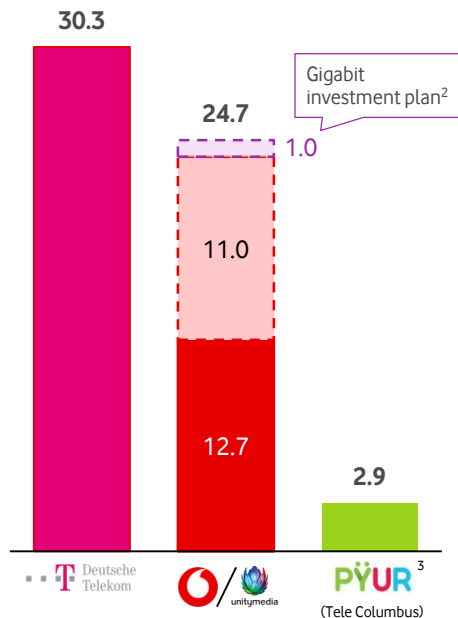
Notes:

- Adjusted segment EBITDA per Unitymedia IFRS, defined as EBITDA before share based compensation, provisions and provision releases related to significant litigation, impairment, restructuring and other operating items and related party fees and allocations
- Adjusted for €7m per quarter reduction of carriage fees from the analog video switch-off in mid-year 2017
- Q1'18 growth also adjusted for one-off settlement of €31.2m related to prior year fees with public broadcaster ARD

Creating the leading fully converged national challenger

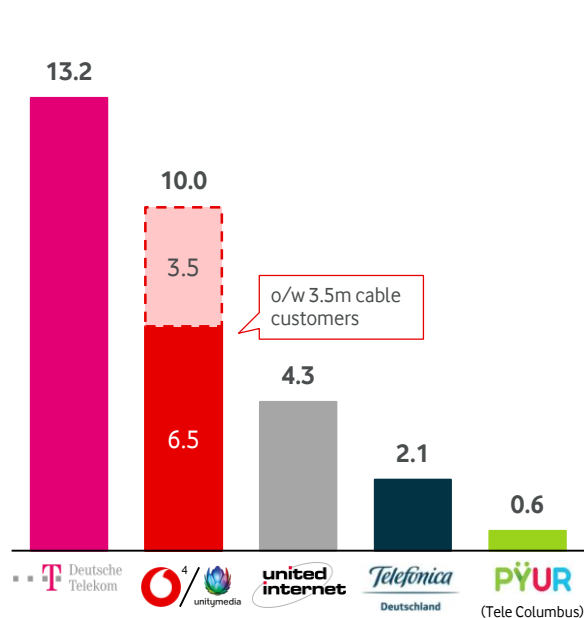
DE – NGN marketable homes (m)

CY17



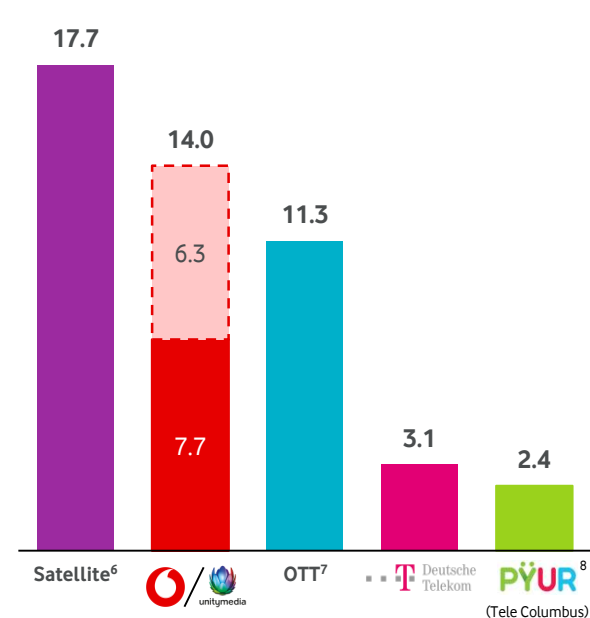
DE – Fixed broadband customers (m)¹

CY17



DE – TV customers (m)^{1,5}

CY17



Source: Company filings, Ofcom International Communications Report, DT Statista, Astra TV-Monitor, Exane BNP Paribas Research

Notes:

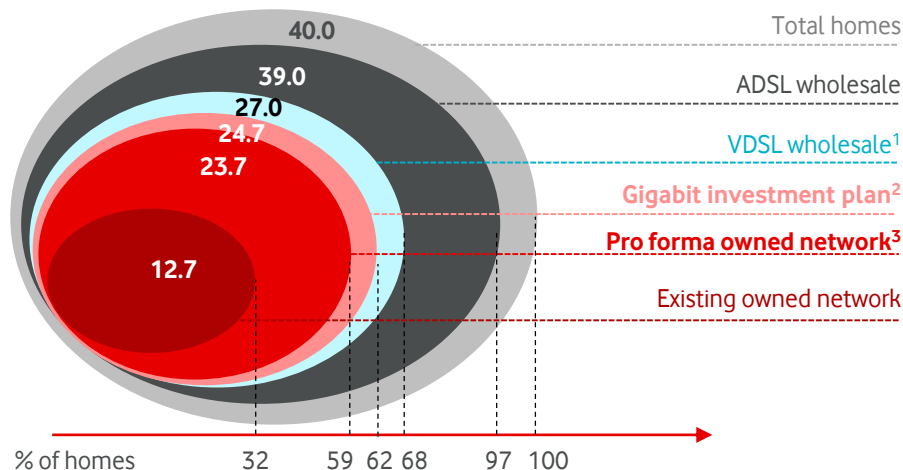
1. Total access lines assumed as total customers for DT and TEF DE
2. Represents success-based targeted roll-out not CY17 actual
3. Own network
4. Includes DSL and cable

5. Digital Terrestrial TV represents a further 1.8m customers
6. Represents number of homes connected by satellite technology
7. Broker Research: subscriber data for Amazon Prime Video Germany, Netflix Germany and Maxdome
8. TV customers defined as CATV

Enabling the Gigabit Society in Germany

Gigabit infrastructure leader

PF Vodafone marketable homes post transaction as of December 2017 (m)



- Accelerating investment to enable around **25 million** Gigabit homes by 2022
 - compares to limited national FTTH coverage currently

Gigabit investment plan

Giga-Business

- Targeting **100,000 companies** in around **2,000 business parks** in co-operation with strategic partners or self build
- **€1.4–1.6 billion investment**

Giga-Municipality

- Partnering with local municipalities to reach around **1 million rural homes**
- c.25% of HH without access to >50Mbps⁴
- **€0.2–0.4 billion investment**

Creating a strong second national provider of digital infrastructure in the German market

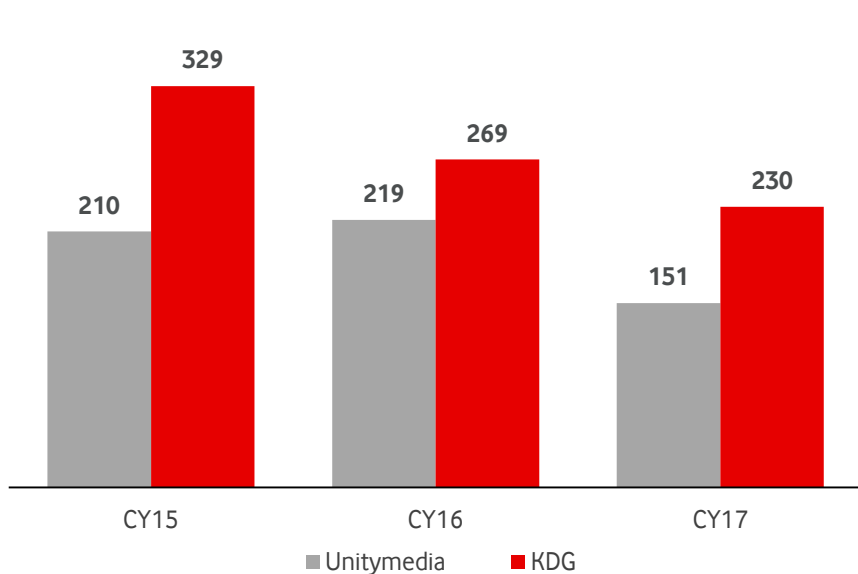
Notes:

1. Deutsche Telekom VDSL marketable at end CY17
2. Represents target roll-out, not CY17 actual
3. Homes currently marketable
4. Vodafone projections based on BMWI Breitbandatlas

Vodafone & Unitymedia – Significant cross-selling opportunities

Under Vodafone's ownership, KDG has grown faster

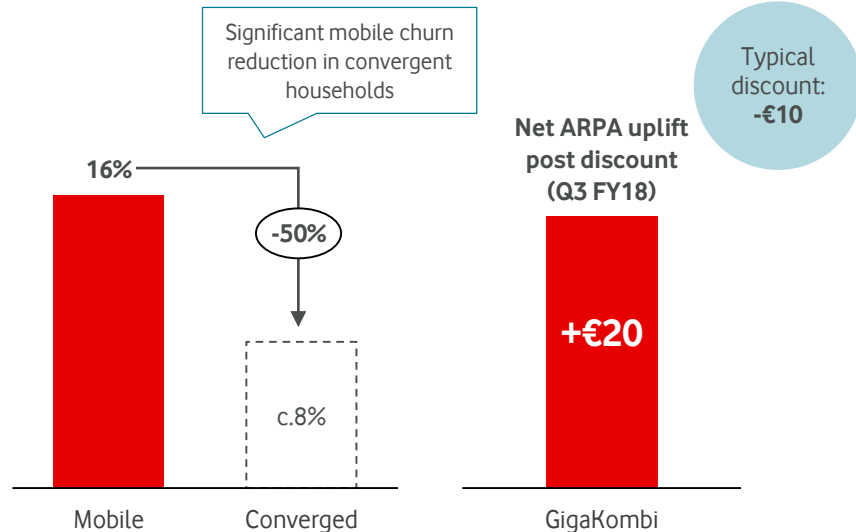
Broadband net adds excluding active ULL migrations (000s)



Converged customers have lower churn and higher Net ARPAs

Q3 FY18 customer churn reduction (%)

Q3 FY18 Net ARPA uplift



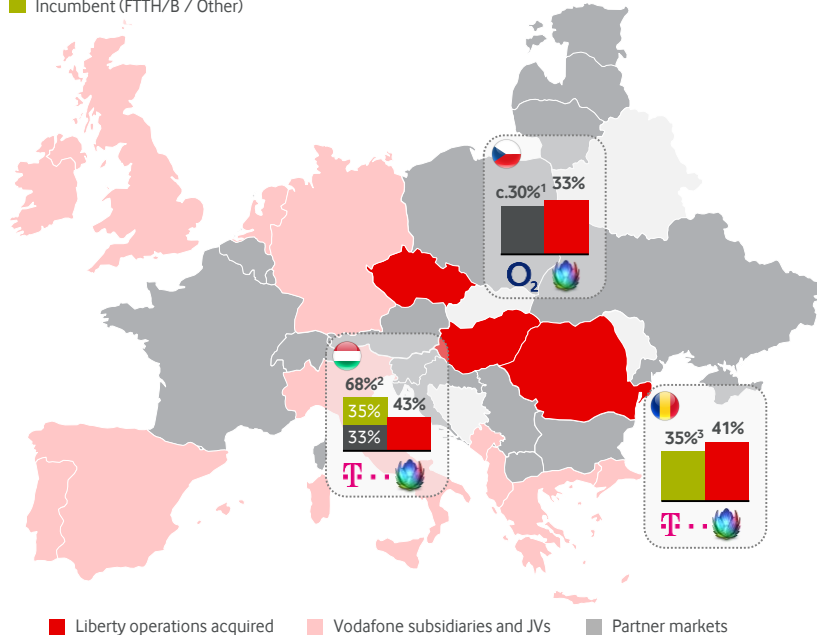
Leveraging Vodafone's brand, national retail footprint and marketing scale to cross-sell additional services

Source: Company filings, management estimates

Transforming our CEE assets into fixed/converged challengers

CY17 in-country NGN coverage versus incumbent (m)

- Liberty (cable)
- Incumbent (VDSL >30 Mbps)
- Incumbent (FTTH/B / Other)



Source: Company filings, Eurostat, OTE, Vodafone estimates

- Notes:
1. O2/CETIN: c.30% NGN fixed network coverage, of which c.1% FTTH based on Vodafone estimates
 2. DT Hungary (Magyar Telekom): 35% FTTH/ED3 coverage; DT data as of December 2017
 3. DT Romania: 35% FTTH/B coverage; OTE data as of December 2017
 4. Excluding SoHo. TV based on Basic + Enhanced RGUs
 5. Shown on constant currency basis
 6. Includes IoT connections

CY17 (m, unless stated)	Czech Republic	Hungary	Romania
NGN homes passed	1.5	1.8	3.1
<i>% of HHs</i>	33%	43%	41%
Customers	0.6	0.8	1.0
<i>penetration of HP</i>	40%	47%	32%
TV subscribers⁴	0.5	0.7	0.9
<i>penetration of HP</i>	33%	38%	29%
BB subscribers⁴	0.5	0.7	0.6
<i>penetration of HP</i>	31%	38%	18%
Liberty revenue growth⁵	8.0%	9.7%	6.7%
Vodafone mobile customers	3.8	2.8	9.2
<i>market share</i>	25%	25%	35% ⁶
Vodafone total comms revenue market share (before / after)	15% / 20%	17% / 24%	21% / 25%

Unlocking substantial cost and capex synergies

Area	Description	Year 5 (€m)
Network & IT	<ul style="list-style-type: none"> Merge national and regional backbones Consolidate and simplify IT & billing platforms Reduction in leased line and mobile backhauling costs Closure of central offices 	c.115
ULL	<ul style="list-style-type: none"> Save ULL and bitstream fees from migration of Vodafone's fixed-line customers to cable infrastructure 	c.105
Other	<ul style="list-style-type: none"> Procurement, property and central costs Combined marketing & advertising Integrate overlapping functions 	c.315
Total cost and capex synergies (pre integration costs)		c.535
NPV of cost and capex synergies (net of NPV of integration costs)		>€6.0bn
NPV of revenue synergies (net of NPV of integration costs)		>€1.5bn
Annual synergies expected to continue to grow meaningfully beyond the fifth year		

Note:

1. After integration costs of €1.2 billion, 75% of which are spread over the first 3 years

Greater synergy potential than successful KDG integration

Synergy estimates compared to successful KDG integration

Cost and capex synergy estimates in Germany (€m)¹

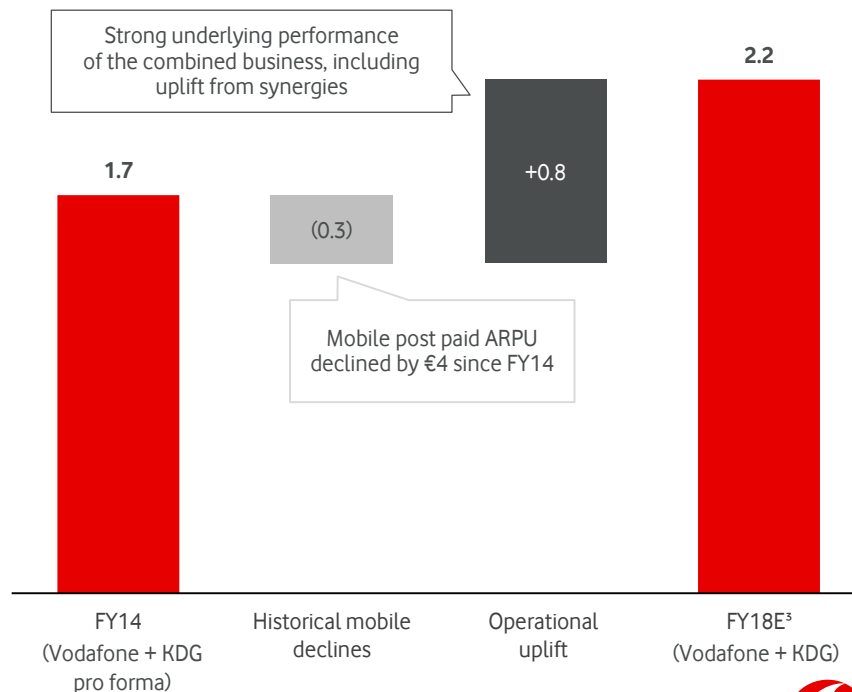
Area	KDG Y4 actual	Unitymedia Y5 est.	Comments
Network & IT	>75	c.65	<ul style="list-style-type: none"> • Lower backbone integration potential • Higher IT synergy potential given opportunity to simplify and migrate to Vodafone platform
ULL	>105	c.105	<ul style="list-style-type: none"> • Similar potential to KDG
Other	>190	c.255	<ul style="list-style-type: none"> • Additional benefits of cable-to-cable merger
Total C&C synergies	>370	c.425	

Notes:

1. Pre integration costs
2. Calculated as EBITDA less capex
3. Based on consensus estimates

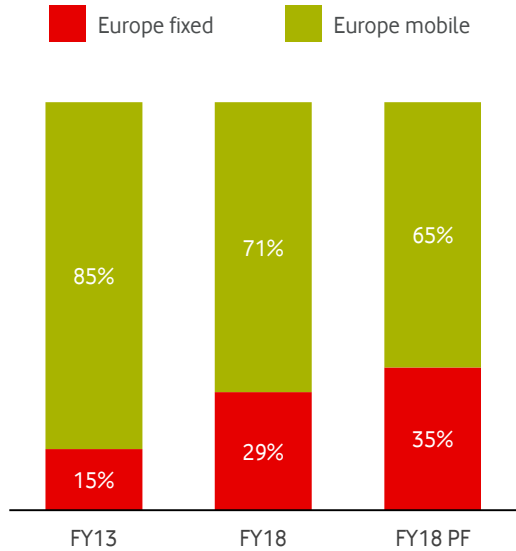
Successful synergy realisation offsetting mobile ARPU pressure

Vodafone Germany OpFCF (€bn)²



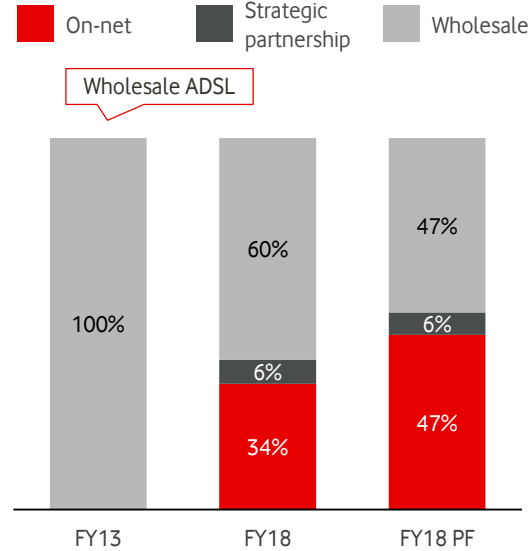
Increasing proportion of growing and resilient converged revenue

Europe service revenue mix



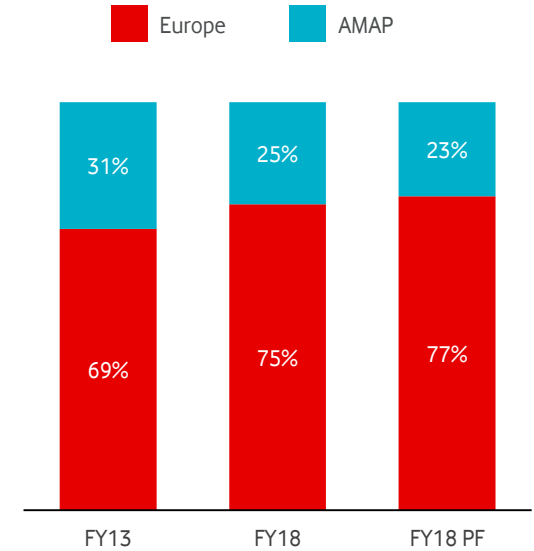
More fixed/converged

Europe NGN homes coverage mix¹



Infrastructure owner

EBITDA mix²



More focused on Europe

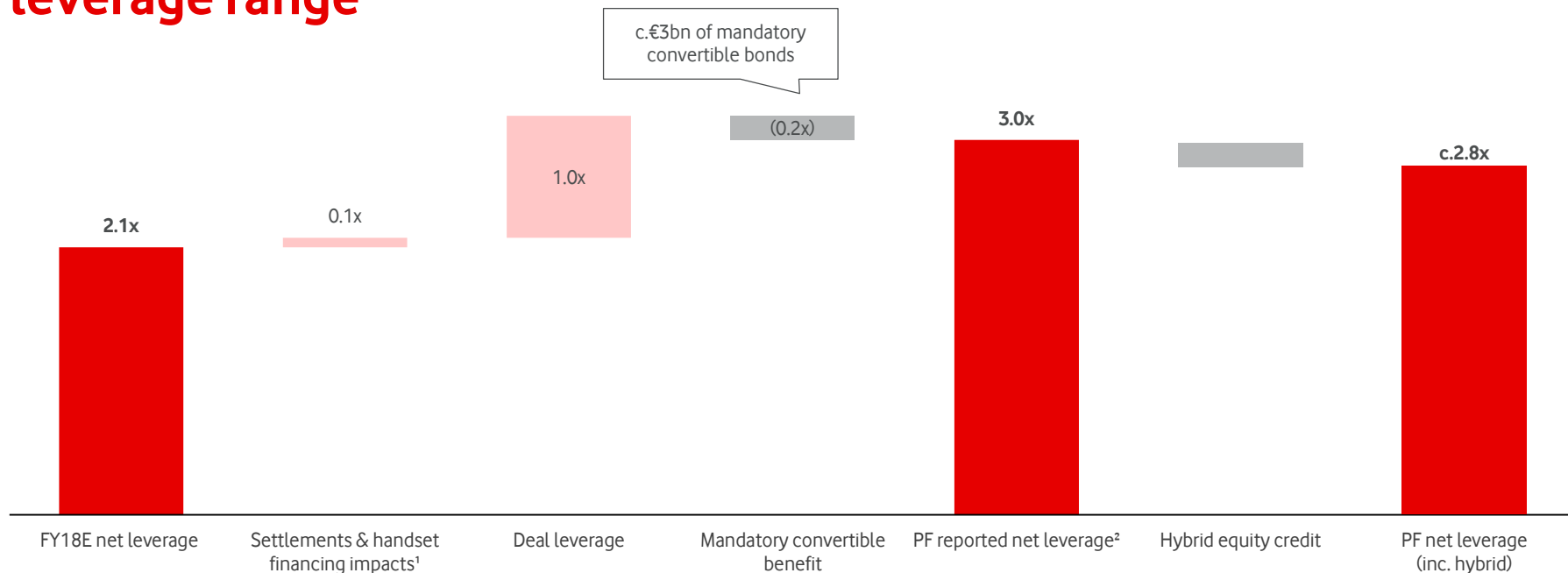
A converged European infrastructure leader

Notes:

1. Includes VodafoneZiggo
2. Europe includes common functions and eliminations



Maintaining a solid investment grade credit rating, within a 2.5-3.0x leverage range



Intending to achieve approximately €5-7 billion of equity credit from credit rating agencies

Notes:

1. Includes UK handset financing and regulatory settlements
2. Based on consensus for Unitymedia and Liberty Global estimates for Liberty Czech Republic, Hungary and Romania (after adjusting OCF for TSA charges (opex), SBC and duct leases), totalling c.€1.6 billion

Significantly value accretive transaction

Attractive return on capital

- Transaction value of €18.4 billion, implying 12.5x FY2019E OpFCF^{1,2} post year 5 synergies
- The returns from the transaction are expected to exceed the estimated cost of capital for the acquired operations within 5 years³

Financial effects

- Accretive to Vodafone's free cash flow per share from the first year post completion and double digit accretive from the third year post completion⁴

Unchanged dividend policy

- Intention to grow the dividend per share annually, further supported by the expected accretion to free cash flow per share

Transitional Services Agreement

- For a period of time post completion, Liberty Global will provide certain transitional services to Vodafone in the relevant countries
- These services principally comprise IT and TV platform technology-related services, connectivity and other support services
- The annual opex and capex recharges to Vodafone for these transitional services would be equivalent to €57 million and €71 million, respectively, in FY2019E and on a pro forma basis

Timetable & approvals

- The transaction will be subject to review by and approval from the European Commission
- The transaction is not subject to Vodafone or Liberty shareholder approvals
- Completion is expected to take place around the middle of calendar 2019

Notes:

1. Based on consensus forecasts for Unitymedia and Liberty Global estimates for Liberty Czech Republic, Hungary and Romania. EBITDA calculated post duct leases, TSA charges (opex) and share based compensation. OpFCF calculated as EBITDA (as per previous definition) less TSA charges (capex), excluding new build capex. EV calculated as total transaction enterprise value excluding the NPV of incremental net operating losses
2. Adjusted for year 5 cost and capex synergies before integration costs
3. Based on unlevered cashflow from the target assets, excluding integration costs and new build capex
4. Based on free cash flow after normalised spectrum costs and assuming buy-back of MCBs

Summary

- Vodafone becomes the leading next generation infrastructure owner in Europe, accelerating our convergence strategy
- Bringing together leading mobile and fixed-line/TV talent to strengthen our position
- Creates a fully converged national challenger in Germany
- Transforms Vodafone's fixed-line and convergence strategy in CEE
- In-market consolidation with >€7.5 billion of synergies, creating significant value



Appendix



Key financials of acquired assets¹

€m	Unitymedia		Liberty Czech Republic		Liberty Hungary		Liberty Romania	
	CY16	CY17	CY16	CY17	CY16	CY17	CY16	CY17
Revenue	2,295	2,394	146	162	211	233	131	137
<i>growth (%)</i>		<i>4.3%</i>		<i>10.9%</i>		<i>10.5%</i>		<i>5.0%</i>
EBITDA²	1,343	1,419	78	87	86	94	35	39
<i>margin (%)</i>	<i>58.5%</i>	<i>59.3%</i>	<i>53.4%</i>	<i>53.7%</i>	<i>40.8%</i>	<i>40.3%</i>	<i>26.7%</i>	<i>28.5%</i>
Capex³	(538)	(616)	(46)	(43)	(62)	(60)	(59)	(54)
<i>intensity (%)</i>	<i>(23.4%)</i>	<i>(25.7%)</i>	<i>(31.5%)</i>	<i>(26.5%)</i>	<i>(29.4%)</i>	<i>(25.8%)</i>	<i>(45.0%)</i>	<i>(39.4%)</i>
OpFCF⁴	805	803	32	44	24	34	(24)	(15)
<i>margin (%)</i>	<i>35.1%</i>	<i>33.5%</i>	<i>21.9%</i>	<i>27.2%</i>	<i>11.4%</i>	<i>14.6%</i>	<i>(18.3%)</i>	<i>(10.9%)</i>

Notes:

1. Based on Liberty Global reported results (prior to the impact of rebasing) after adjustment for Vodafone IFRS (primarily being treatment of duct leases and discounts)
2. Pre SBC and TSA costs; Based on US GAAP reported OIBDA from Liberty Global reported results for Unitymedia Germany and UPC Czech Republic, Hungary and Romania
3. Pre TSA costs
4. Calculated as EBITDA less capex



Financial overview

	FY2019E (€m)	Multiple (x)
Transaction enterprise value	18,400	
NPV of net operating losses	(183)	
Adjusted enterprise value	18,217	
Liberty DE, CZ, HU & RO OCF (US GAAP)¹	1,820	
Duct leases	(73)	
TSA charges (opex)	(57)	
Share based compensation	(11)	
EBITDA (IFRS), pre synergies	1,678	10.9x
Year 5 cost synergies ²	434	
EBITDA, post year 5 synergies	2,113	8.6x
Capex ¹	(685)	
TSA recharges (capex)	(71)	
Year 5 capex synergies ²	101	
OpFCF, post year 5 synergies	1,458	12.5x

Notes:

1. Based on current analyst consensus estimates for Germany and Liberty Global estimates for the Czech Republic, Hungary and Romania (where consensus estimates are not available), excluding new build capex
2. Pre integration costs



Transaction sources & uses overview

Sources (€ billion)

Acquired debt rolled over	4.5
Mandatory convertible	3.0
New debt (including hybrid) & existing liquidity	10.9

Total sources

18.4

Uses (€ billion)

Cash consideration	10.8
Net debt, derivatives and accrued interest acquired ¹	7.2
Vendor financing & leases	0.4

Total uses

18.4

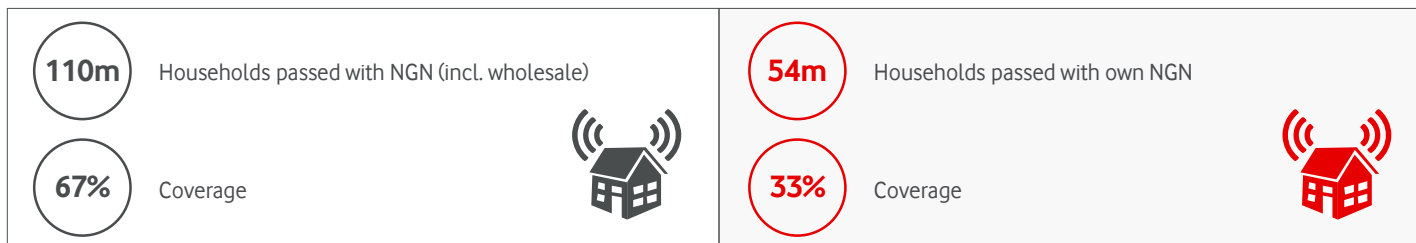
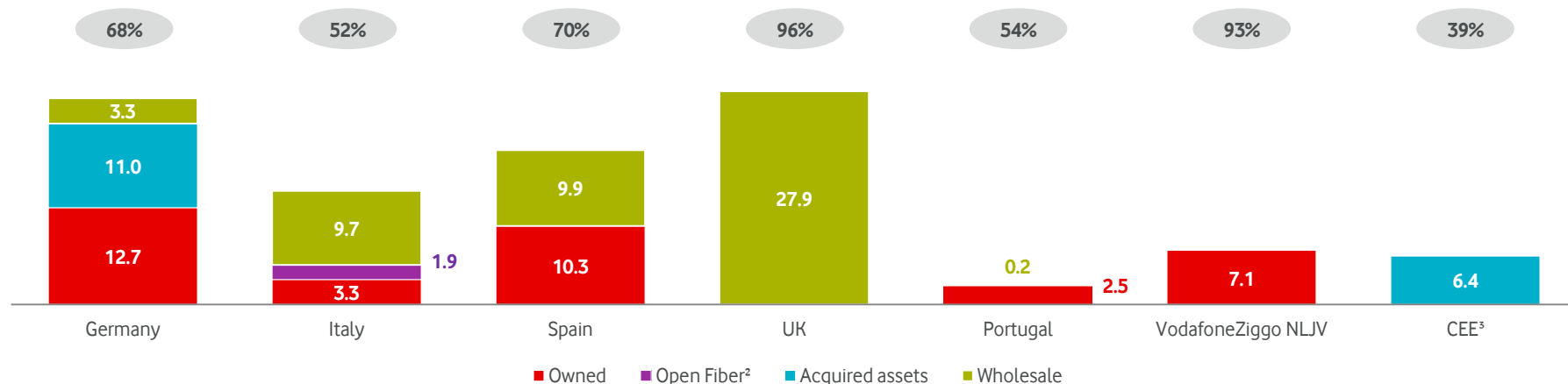
Notes:

1. Reflects mark-to-market and other adjustments



Vodafone pro forma NGN footprint by country¹

Households coverage (m)



Notes:

- As of 31 December 2017, excludes 3.7m wholesale & self built NGN homes passed in Greece and Ireland
- Of the 2.4m homes passed, 1.9m were marketable at the end of December 2017 (up from 1.75m at the end of September 2017)
- CEE includes CZ, HU and RO

