

# Vodafone Group Plc Michel Combes

Deutsche Bank European TMT Conference

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# Highlights

- Group organic service revenue +2.1% FY 10/11; Q1 FY 11/12 +1.5%
- Strong commercial performance in most European and emerging markets
- Verizon Wireless \$10.0bn dividend confirmed, £2.0bn Vodafone special dividend
- £15.0bn to be raised from disposals with £6.8bn committed to share buybacks
- Significant reduction in net debt to £23.1bn
- Final dividend per share +7.1% to 6.05p; total +7.1% to 8.90p
- Good progress on strategic priorities



# Delivering growth from data, enterprise and emerging markets

Mobile data: accelerating mobile data growth opportunity

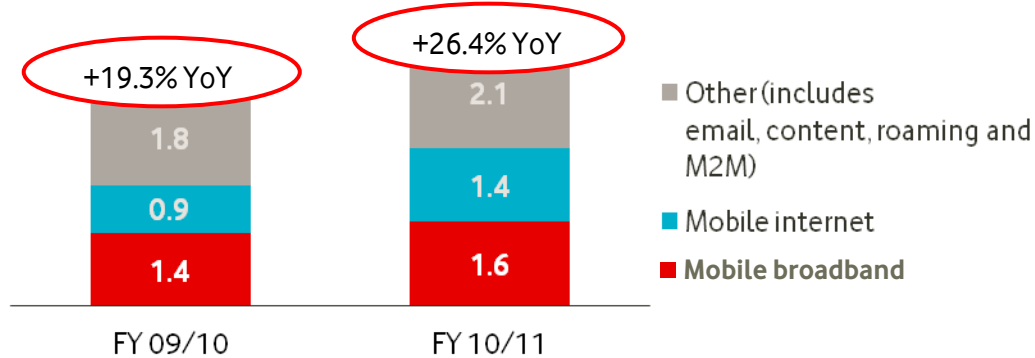
Enterprise: selectively expanding in growth segments

Emerging markets: increasing mobile penetration and data adoption

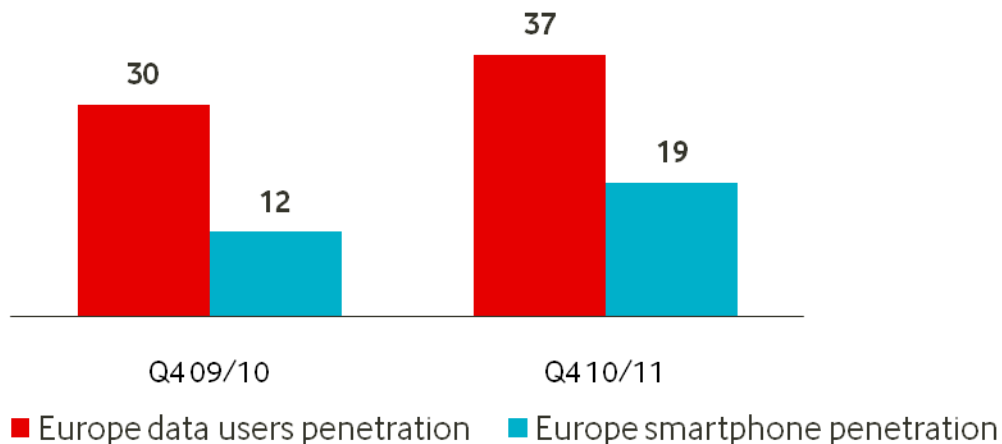


# Stimulating data revenue growth

Data revenue mix (£bn) and growth (%)



Data and smartphone penetration (%)



- Data now 12% of service revenue, +2ppt YoY
  - Q4 annualised data revenues of £5.5bn
  - Mix shifting to mobile internet +54%; due to rising smartphone penetration
  - Europe data attach rates 48%, +6ppt YoY
- A significant growth opportunity remains:
  - Data user penetration still low in emerging markets; India 18%
  - Smartphone penetration increasing: 50% of handset shipments in Europe
  - Consumer prepaid smartphone penetration still low at 10% in Europe
  - Exploit scale advantage to encourage data roaming

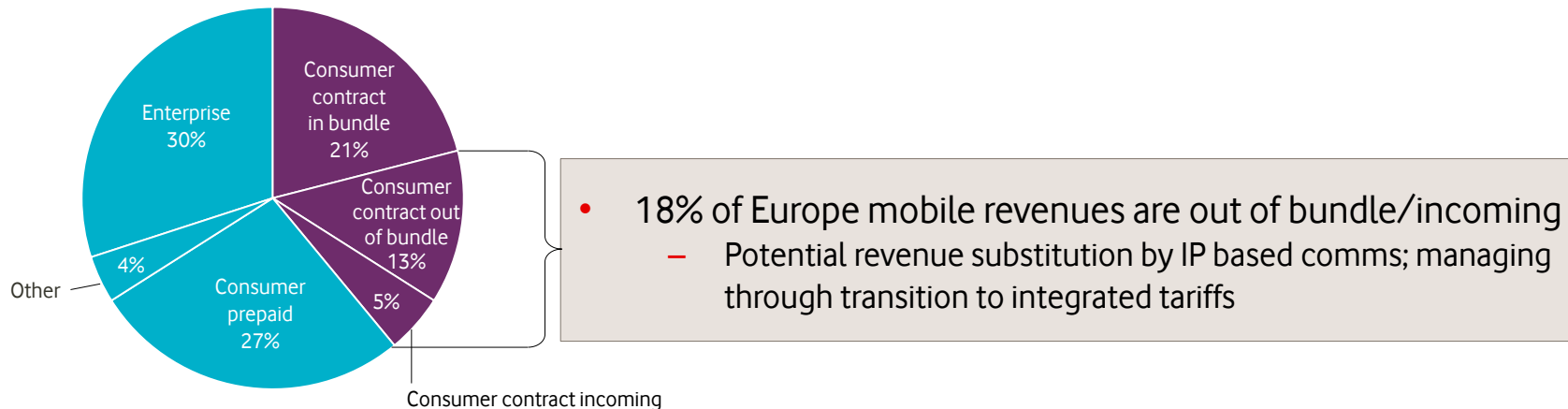


# Group: delivering strong data and SMS growth

(%)	Q3 10/11	Q4 10/11	Q1 11/12
<b>Group</b>			
Data revenue growth	27.2	26.9	24.5
Messaging revenue growth	5.9	6.8	5.3
<b>Europe</b>			
Smartphone penetration	16.7	18.7	19.5
Smartphone data attach	46.3	48.0	54.7

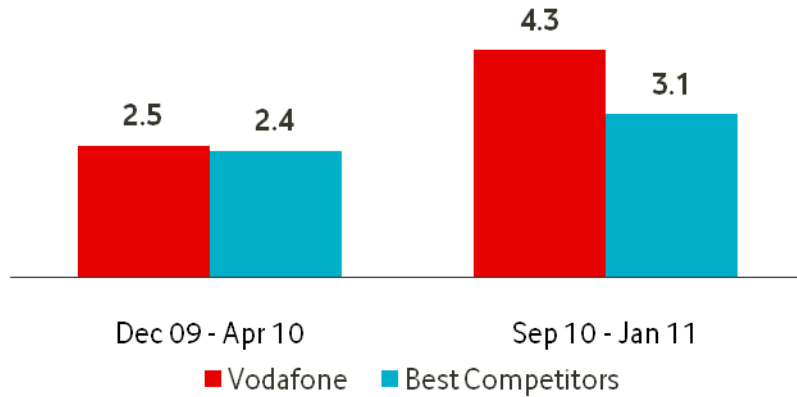
- Managing transition to integrated plans
  - Over 25% of Europe consumer contract revenue from integrated (voice, SMS, data) plans
- Maintaining network quality
  - Traffic management limiting data volume growth to +31%
- Pushing smartphone in prepaid
  - Consumer prepaid penetration +11%, +5pp YoY
- Driving data in emerging markets
  - 8.6m Opera Mini browser users +144%

Europe mobile service revenue mix  
Q1 11/12

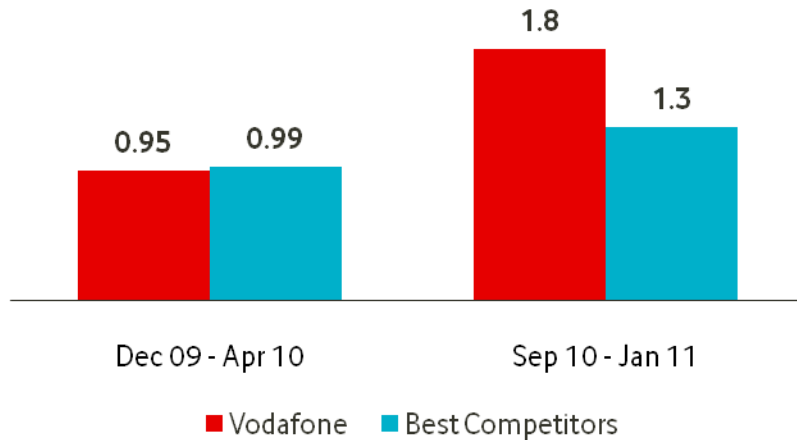


# Best network for data: Europe

## Average user download speed (Mbps)



## Average user upload speed (Mbps)

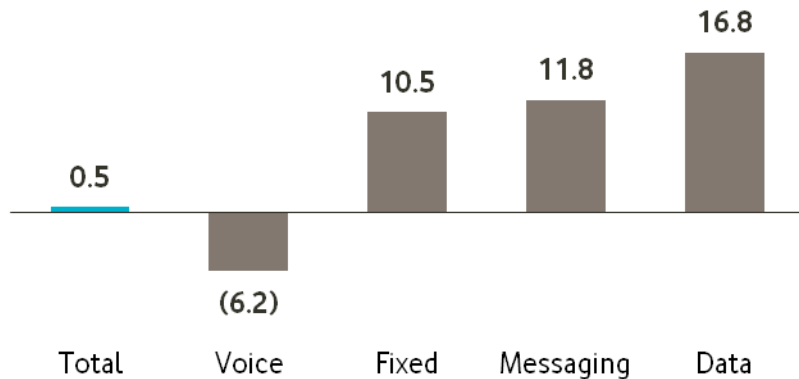


- Market leading data performance achieved in 11 out of 13 markets - verified through 3rd party drive trials:
  - Leadership in our four large European markets
  - Significant outperformance; ~40% vs. best competitor
  - >70% increase in download speeds
  - >90% increase in upload speeds



# Enterprise: a key segment with improving performance

Europe Enterprise service revenue growth FY 10/11 (%)



VGE: total new contract value (€m)



- Represents 29.5% of service revenue and 15% of customers in Europe
- 37% mobile market share in Europe<sup>1</sup>
- A growth engine: Europe service revenue +0.5% (-1.7% in consumer)
  - Data: rising mobile broadband penetration
  - Fixed: successful take up of Vodafone One Net; 1.4m seats
- Vodafone Global Enterprise revenue +8%; increased penetration of existing accounts and new wins: e.g. Unilever, Bosch and Luxottica

All growths shown are organic

1. Vodafone estimate





# Enterprise: trends and our approach

## Enterprise market trends

## Actions

Mobile centricity (tablets, PDAs, email, enterprise apps) and growing complexity (security, device management)

- Increased salesforce capability and enlarged asset and skills to become primary provider

70% of European customers want a single communications supplier<sup>1</sup>

- Leveraging Vodafone One Net for SoHo/SME
- Investing in advanced security & device management capabilities

Companies want simple and effective means to view and control communications costs and complexity

- Acquired telecoms expense management companies, TnT Expense and QuickComm

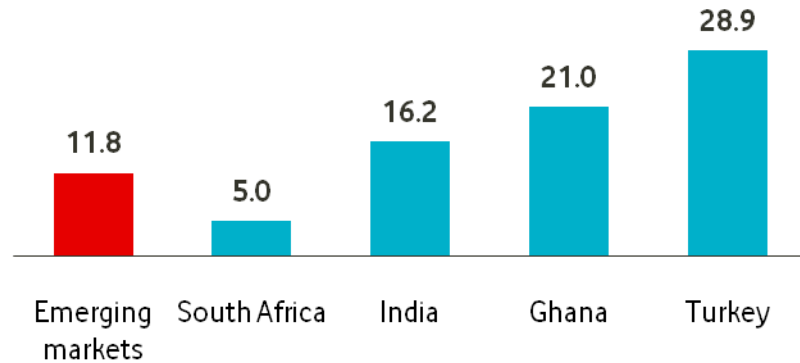
Increased demand for consistent global solutions for MNCs

- Close collaboration with Verizon in specific sectors

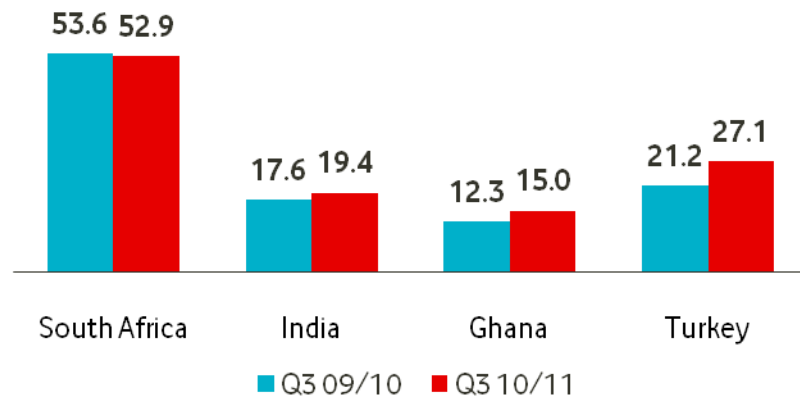


# Emerging markets<sup>1</sup>: successful management of acquired operations

Organic service revenue growth FY 10/11(%)



Revenue market share (%)<sup>2</sup>



- Strong customer growth and winning market share
- Strong brand: *'Best National Mobile Operator'* award in India<sup>3</sup>; expanding our brand presence in Africa



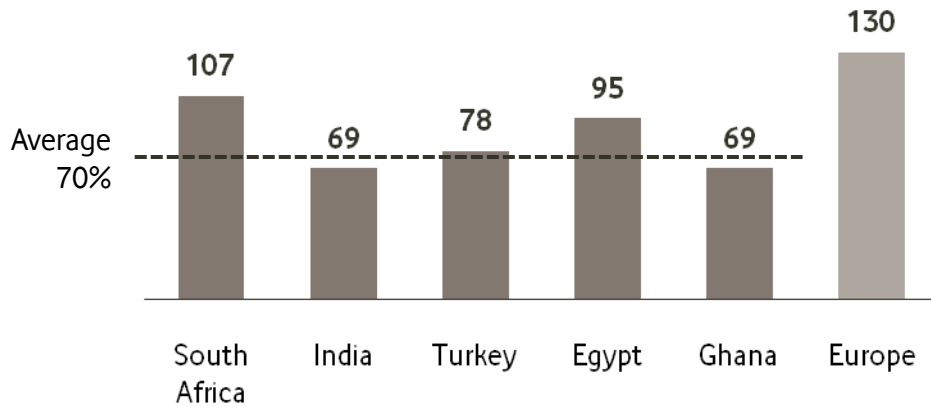
- Leading customer experience: highest consumer net promoter score in Turkey, South Africa and India
- Leading data: *'Broadband Provider of the Year'*, in South Africa<sup>4</sup>
- Network quality: 88% population coverage in our top 16 Indian circles

1. India, Vodacom, Egypt, Turkey, Ghana, Qatar and Fiji  
 2. Q4 data for Turkey  
 3. Telecoms Operator Awards, 2011  
 4. MyBroadband Awards, 2010



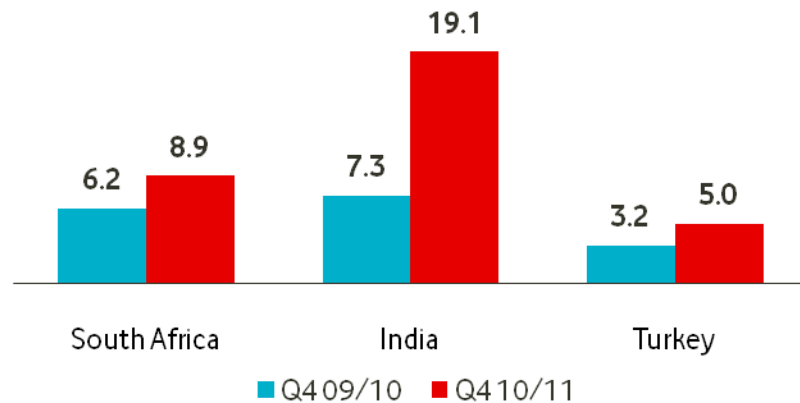
# Emerging markets<sup>1</sup>: strong growth opportunity remains

Mobile SIM penetration - March 2011 (%)<sup>2</sup>



- Low penetration provides ample room for growth
- Human penetration ~50% in India (excl. multi sims)
- Limited alternative fixed infrastructure
- Data accelerating: led by low cost devices, improved services and network investments
  - Q4 data revenue: India +66%, South Africa +37%, Turkey +103%

Active data users (m)



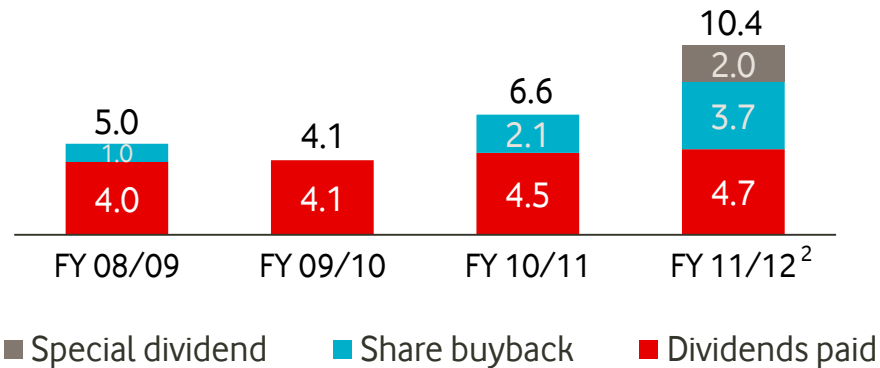
1. India, Vodacom, Egypt, Turkey, Ghana, Qatar and Fiji

11 2. Wireless Intelligence and company data



# Improved returns through effective portfolio management

## Returns to shareholders (£bn)



- £15.0bn to be raised through disposal of non-controlled interests
- £6.8bn committed to share buybacks, £3.6bn completed to date<sup>1</sup>
- Dividend per share growth target +7% p.a. to 2013



£6.8bn realised; commercial cooperation in place



CHINA MOBILE

£4.3bn realised; commercial and technology cooperation continues



£3.1bn agreed; commercial partnership continues (WAC)



\$10.0bn dividend to be paid in 2012



£0.8bn Polkomtel disposal agreed



No near term solution anticipated

1. At 5 September 2011, £2.8bn China Mobile programme complete, £0.8bn of £4.0bn SFR programme complete

12 2. Estimate includes £0.7bn China Mobile share buyback, £3.0bn share buyback, £2.0bn special dividend, £4.7bn ordinary dividend (51.1m shares in issue, final 6.05 pence, interim 3.05 pence)



# Opportunities and challenges of the next 12 months

## Challenges

Economic outlook

Regulation

Competitor behaviour

IP based communication apps

## Opportunities

Integrated and tiered data pricing in Europe

Enterprise






Commercial cost rationalisation

Voice and data in emerging markets

Verizon collaboration



# We are delivering a more valuable Vodafone

<b>Revenue market share</b>	<ul style="list-style-type: none"><li>• <b>Increased or held share</b> in most key markets</li></ul>	
<b>Delivering growth opportunities</b>	<ul style="list-style-type: none"><li>• <b>FY 10/11 revenue growth</b><sup>1</sup>: data +26%, emerging markets +12%</li><li>• <b>Medium term guidance</b>: organic service revenue growth 1% to 4% per annum</li></ul>	
<b>Cost efficiency</b>	<ul style="list-style-type: none"><li>• <b>FY 10/11 European opex</b> down 4%</li></ul>	
<b>Rigorous capital discipline</b>	<ul style="list-style-type: none"><li>• <b>Disposal proceeds</b> £15.0bn agreed deals</li><li>• <b>Share buybacks</b> £6.8bn committed; £3.6bn complete<sup>2</sup></li></ul>	
<b>Focus on FCF generation</b>	<ul style="list-style-type: none"><li>• <b>Delivered £7.0bn of free cash flow in FY 10/11</b></li></ul>	

1. FY 10/11 organic service revenue growth  
2. To 5 September 2011



# Q&A



