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Good morning and welcome to Vodafone’s Interim Management Statement call for the first quarter, ended in June. I will take you through the financial highlights before handing over to Vittorio, who will update you on strategic developments and comment on the outlook, before moving to Q&A. For that, we’ll be joined by Nick Read, Michel Combes and Steve Pusey.

So, let me start on slide 3: highlights of the quarter. Group service revenue grew 0.6%, which is just over 2% excluding MTRs. This growth is slightly less than the previous quarter, due firstly to the boost in the prior quarter from the extra day in this leap year, this was roughly 1%, as well as continuing difficult conditions in a number of our European markets, offset by strong momentum from our AMAP region.

Data grew by 17%, driven by the increasing smartphone penetration, which is now nearly 29% in Europe.

In enterprise, growth slowed this quarter to 0.1%, as competitive and macro pressures in Europe deteriorated, offset by accelerating growth from AMAP. We continue to see a healthy demand for enterprise services in fixed and data, and our VGE business continues to grow strongly.

In Verizon Wireless, service revenue grew over 8% during the quarter, and the results they reported yesterday continue to highlight their very strong wireless performance and cash flow generation.

We also continue to generate strong cash flows. Today, we report £0.9 billion of free cash flow for the quarter, which has contributed to the lower net debt of £22.7 billion. We are now very close to completing the £6.8 billion share buyback programmes.

Finally, we have made a number of moves during the quarter to enhance our network and build our business. We have announced the acquisitions of fixed line assets in the UK and New Zealand, and signed or extended a number of network sharing agreements in Europe and Australia. Vittorio will touch on these later.

On to slide 4, here you can see our regional performance for the quarter. Europe declined 1.6% on an organic basis; however, once we remove the impact of regulated voice termination rate cuts, Europe was flat. Some of our markets in Europe remain very challenging and in particular, we saw a deterioration of trends in Italy during the quarter, which I will explore in more detail shortly.

In AMAP, growth of 6.1% increases to 7.9% when the MTR impact is excluded. Momentum in AMAP continues to come from growth in customers and data.

For the Group overall, the regulatory impact represented 1.7 percentage points of lower growth in the quarter. Of course, this also partially reduces our costs. During the quarter, we saw further voice MTR cuts in Spain, the UK, South Africa and New Zealand.
The growth in data and fixed revenues continues, although messaging has now moved into negative growth territory along with voice revenues.

Capex for the quarter was £1.1 billion, and free cash flow, as I mentioned earlier, was £0.9 billion. I'll cover these in more detail later.

On slide 5, let’s take a closer look at the service revenues from our individual operating companies, and I will select a few countries to discuss in more detail.

Ghana continues to lead the Group, with the highest growth. Whilst this is a small country in the overall context of the Group, we are very proud of the performance in Ghana.

Turkey continues to demonstrate operational excellence, with strong growth across all segments. We are seeing strong competition in all consumer segments in the market, but we have delivered particularly well in mobile internet, which has driven data revenue growth of 69%. Turkey now has 18% smartphone penetration, up 9 percentage points from a year ago. In the enterprise segment, following the acquisition of Koç.net, we have been able to launch a range of innovative propositions in the total communications arena.

India grew at 16% in the quarter, with competitive intensity increasing in a number of circles. ARPU continues to grow due to increased penetration of the new pricing plans alongside greater customer activity. The consumer protection regulations launched in the quarter have had a negative impact on revenue performance. We continue to wait for details of the new telecoms policy to be confirmed, which have been delayed until the summer this year.

The Vodacom Group delivered service revenue growth of just under 6%, with growth of nearly 40% coming from the international businesses and healthy customer growth for the Group. In South Africa, data growth remains strong at 10% in the quarter with the growth in data users and usage offsetting the intense data pricing competition. Active data users now represent 46% of the customer base in South Africa.

Germany: against a backdrop of continuing GDP growth, German service revenues grew 4%, there was no MTR impact this quarter. ARPU growth of 4% was supported by the increasing smartphone penetration, which in turn delivered strong data growth of 20% and messaging growth of 8%. We continue to execute well in Enterprise, with strong growth coming from the mobile and fixed segments. On to LTE, we now have 193,000 customers, including 20,000 LTE mobile customers, and household coverage in Germany of approximately 35%.

UK growth declined for the quarter by 0.8%, or grew 2.3% excluding MTRs. Consumer confidence remains weak in the UK and price competition is increasing. Customer growth is slowing in the contract segment, although we have successfully reduced contract churn to help mitigate this impact on our revenues. Data growth of 4% continues to be driven by growth in mobile internet and email revenues.

The Netherlands: unfortunately, as you know, our business in the Netherlands suffered in April as a fire in one of our network locations in Rotterdam disrupted services to our customers. This had around a three percentage point impact on growth for the quarter. Reported service revenue for the quarter declined 1.5%, or grew 1.5% if you ignore the impact of the fire. Underlying performance was positive, with strong contributions coming from enterprise and consumer contract.
As I mentioned just now, conditions in Italy have deteriorated further during the quarter and we have seen the impact of this reflected in our service revenue, which declined 7.7%, or 5.5% excluding MTRs. Mobile only service revenue declined 8.3%, and fixed revenues declined 3.2%. Enterprise also declined 2%, though we continued to have great success in Italy with the Vodafone One Net proposition. During the quarter, we saw lower usage across all segments and higher churn, with customers increasingly optimising their spend. Data revenue grew 11%, driven by increasing smartphone penetration and strong mobile internet growth. As a reminder, Italy is facing a large MTR cut in the second quarter of this year, which will have a negative impact on reported revenue through the rest of the year.

Moving to Spain, service revenue declined 10% or 8.1% excluding MTRs. The macroeconomic environment remains very tough and the market continues to see strong price competition. Against this tough backdrop, we have introduced a new commercial model by removing acquisition subsidies and increasing our focus on retention. Customer usage continues to decline year on year, and customers are increasingly optimising spend. Smartphone penetration is now 41%, up 11 percentage points on last year, and these are driving mobile internet and data revenues, which grew 88% and 25% respectively in the quarter. Fixed revenues grew 10%.

Finally, Australia: unfortunately, performance here remains weak, as brand perception and customers switching to lower tariffs continues to impact service revenues.

Now on to slide 6 for a look at the results for our Europe region: the data drive is ongoing, with growth in data revenues for the region of 18%, fuelled by rising smartphone penetration, now at 29%, which is delivering strong growth in mobile internet revenues, up 47% in the quarter.

Bottom left, you can see a few developments in the consumer segment.

- As a general trend, we are seeing consumer contract holding up quite well, sustained by the migration to smartphones and growth in data; however, prepay continues to be a noticeable weak spot.

- In Spain, we have removed acquisition subsidies, as I mentioned. This has had a positive impact on acquisition costs and churn but has reduced our share of gross adds in the market. We continue to monitor market developments closely.

- In roaming, we are seeking to leverage our broad geographical footprint by introducing new user friendly roaming plans across most of Europe. For roughly €3 or €4 per day, our customers can take all the benefits of their domestic tariff with them when they travel.

- Finally, we have launched the Smart II, a high quality, low cost, Vodafone branded smartphone, which is available in the UK at £70. A clear drive to encourage higher data usage throughout our customer base whilst keeping the profitability of the migration to data healthy.

On the Enterprise side, we are seeing a mixed performance. Growth continues to be good in VGE and on our unified communications platform, One Net. On the other hand, macroeconomic pressures in southern Europe have seen an increase in competition, a fall in SIM numbers and reduced usage.

Now for a look at AMAP on slide 7: we have 259 million customers in AMAP, and 154 million of these are in India. Customer growth continues to drive revenue growth for the region overall. The data penetration remains relatively low but is growing well and therefore represents a significant
opportunity for this region. We continue to expand our services to differentiate our proposition and drive the safe adoption of data throughout our customer base.

In the consumer space we are seeing increasing voice competition in the relatively high priced South African market and continued pressure in data. During the quarter we have introduced integrated smart tariffs in South Africa.

In India, 3G data prices were reduced during the quarter, however we still see the vast majority of data usage and growth coming from 2G data services, supported by the Opera Mini product.

Finally in Australia, here we have yet to see any signs of turnaround in the business performance following the network problems some time ago, despite our significant investments to restore the network and services to satisfactory operating levels. We've also seen customers switch down to cheaper tariffs. We do not expect to see any meaningful turnaround in the results from Australia for the next 12 months.

Now on to slide 8 for the Group’s free cash flow: we generated £0.9 billion of free cash flow during the quarter, which was £0.3 billion lower than the prior year, due principally to the timing of dividends:

- In the first quarter in the prior year, you will recall we received the final £0.2 billion dividend from SFR

- and, in the first quarter this year, we paid £0.2 billion of dividends to our minorities in Vodacom and Egypt, which were paid a quarter later last year.

As you know, we are also experiencing a weaker euro environment, which adversely impacts our sterling reported free cash flow.

Net debt fell during the quarter to £22.7 billion, boosted by the £1.5 billion final tranche of proceeds we received from the sale of the Softbank assets. We spent £0.8 billion on buying back shares during the quarter, and our £6.8 billion share buyback programmes are now almost complete and should end in the next few weeks. Finally, we have today reconfirmed our guidance ranges for the year.

With that, I'll hand over to Vittorio to take you through the remaining slides.

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**Strategic Developments and Outlook**

**Vittorio Colao**

Chief Executive, Vodafone

Thanks Andy. Now let’s look at our revenue mix on slide 9. The chart on the left shows the progress we are making with the adoption of integrated tariffs across our principal European countries. You can see that we now have 50% of consumer contract revenues from our top five European countries coming from integrated tariffs, up from 32% one year ago. The UK continues to take the lead in this field, with
success from the data test drive trial contributing to the seamless transition of customers into the data world.

If you move on the right of the slide, you can see exactly where our mobile service revenues in Europe come from. Now, only 16%, the purple part, of our service revenues in Europe are out of bundle or incoming, and this has decreased from 18% one year ago.

Moving to slide 10, you can see that the growth in traffic volumes on our network in Europe continues to accelerate as smartphone penetration increases and growth from LTE fixed line substitution picks up. This increase in traffic also reflects the work that we have been doing to increase baseline speeds across the network, which is the bottom left hand graph, showing the clear correlation between the customer experience and appetite for data.

We have progressed the rollout of single RAN across our global network, and now we have 38% coverage in Europe and 18% coverage in AMAP. As you know, this makes future network upgrades very cost-effective as well as reducing the network operating costs that we incur today. We have also increased the penetration of high capacity backhaul in our network as we prepare for the supermobile future. Now, 46% of our sites in Europe are connected to high quality backhaul, and this is up 5 percentage points, as you can see in the chart, from the last quarter.

The two acquisitions we have recently announced both bring additional capacity and capabilities into the Group, strengthening our market position in the UK and New Zealand and offering further opportunities to grow our enterprise business. Finally, you will have seen that we have announced several network sharing deals recently, including the sharing of active infrastructure with our peers in the UK and Spain. Here we take a pragmatic approach to this form of consolidation, lowering our cost base, accelerating the deployment of new technologies and reaching more of our addressable markets.

As a wrap up, last slide, rather than summarising the progress we have made against our strategy, which continues to be good, I would like to share with you how I am looking at the remainder of the 12/13 fiscal year.

Firstly, looking at our markets and the impact of the economy and competition on our performance, the good news here is that our two largest markets in terms of financial exposure, Germany and the US, are showing healthy trends, with attractive market structure and a very clear demand from LTE.

Southern Europe, however, remains a major concern, with weak economies and ongoing, sometimes worsening competitive pressures from smaller operators and especially from MVNOs. MTRs continue to create an unwelcome headwind, with the impact worsening as we go through the rest of the year.

So, our response to these challenges is to make sure that we remain super tight on cost, rationalising functions and infrastructure across borders whenever we can, and to continue to invest in high speed networks and improved services, to build differentiation and monetise data appetite and the demand that I have shown. We also need to maintain our good work in integrated bundles and make sure that we address all segments of the market with our offers, with things like the low cost phone that Andy has mentioned.

Looking at industry developments, the lower part of the chart, we see recent announcements from the EU on fibre networks as significant and potentially positive. However, we will be very vigilant to ensure that equivalence is genuine and constantly pressure-tested to make sure that no price or operational squeeze can occur.
On the terminals and acquisitions side, we see prospects for increasing appeal of different operating systems and handset vendors, particularly as the number of LTE devices, phones, dongles, tablets, increases. But this also brings threats from over the top applications and new alternative communication platforms. We will have to be smarter and more commercial in our ability to manage the OS mix in our business in a profitable way and again, continue to push integrated tariffs and bundles.

Finally, new services, though small, will continue to grow quickly. We are leading here in mobile payments and machine to machine and in other innovations, making the right industry alliances where necessary and building scale and capabilities. This will also remain a key focus for us going forward.

So, I thank you for listening. Now, with Andy, Michel, Nick and Steve, we are very happy to take your questions.

Questions and Answers

Tim Boddy, Goldman Sachs

Yes, thanks for taking the question. I wanted to ask a bit about network quality and your supermobile strategy. It would be helpful just to understand your network sharing. I hear you describe it as a pragmatic approach, how that relates to the ability to achieve differentiated network quality. Also, if you could talk a little bit about perhaps quantifying some of the savings and the timing we can expect those savings from the deals, that would be helpful.

Secondly, I just wondered: it would be helpful to get your perspective on the recent next generation network announcement from Brussels and whether this causes you to feel concern about your position as an unbundler, given the pricing freedom or rather the new approach to pricing fibre that is being offered. Thank you.

Vittorio Colao

Yes, Tim, let me take the first and the last part and then pass to Steve Pusey, who is here, or Michel, depending on who wants to take it, the network savings part.

On the pragmatic approach, it is what I described: pragmatic. First of all, passive sharing doesn’t really impact in any way the quality of the network, and most of our agreements are passive. Active sharing, like the one in the UK, of course implies that, at the radio level, you will have the same experience as the others. First of all, there’s more that you can do at the core network level, at the service level, but also, as I said, we have to be pragmatic in the UK. The difference in number of sites and the investment that would have been required in order to deliver a competitive coverage and a competitive quality, the investment was too much relative to what was reasonable to think as a return. So, as I said, we will differentiate the service, we will differentiate in other ways. So, pragmatism and financial discipline, I think, are two good principles.

On the savings, I will let Steve give you an answer.
Let me go straight to the NGN Brussels thing. We are not concerned. I've used the word 'vigilant', I believe. Potentially, it’s good news because, potentially, this will unlock investment in NGN. Potentially, it means that we will have access in Europe to better infrastructure to carry the data that we all know will be massive in the future. I said 'vigilant' because, contrary to what you said, the guidelines, which are not yet translated into detailed instructions, talk about equality of inputs and price squeeze tests. I said we will be very vigilant that those two tests are passed. If they're not passed, there's going to be no real progress in that area, and I think that the Commission has exactly this idea in mind.

**Steve Pusey, Chief Technology Officer, Vodafone**

On the savings, obviously most of our sharing deals are passive as we term them; i.e. steel, concrete, and site lease and rent in some cases, although, in some countries, you can’t share that, so those are pretty well known, I think, to you. I think you’re targeting the active sharing. Those, again, depending on the lease and rent arrangements and the cost of energy per country, can allow us up to a 20-30% saving on our operational costs, depending on the arrangements in that country.

**Tim Boddy**

Great. Thanks very much.

**Robert Grindle, Deutsche Bank**

Good morning, everyone. Two questions: I was wondering whether it was possible to quantify the impact of the new subsidy model in Spain; for example, is Spain mobile growth still deteriorating excluding the impact of your change in subsidy policy?

And then I guess this one's for Steve: some of the equipment vendors have reported depressing numbers but that might not be so sad for you guys. Are you still seeing downward pressure on equipment pricing in line with what you've been seeing over recent years? Many thanks.

**Michel Combes, Chief Executive Officer, Europe Region, Vodafone**

Good morning, Michel Combes speaking. So, on Spain, impact of the new subsidy model, positive signs, churn reduction, and data growth and ability to increase the contracted base. You have seen in the figures which were presented by Vittorio that we raise the ratio from 8% to 29% in the revenue which is now delivered by integrated offers in Spain, so that's a positive piece of, let's say, this new model. The more challenging piece is gross adds, which went down very significantly and which turn our net adds negative, which means that, probably in the following weeks or months, we'll have to take a few measures in order to regain commercial traction in the market.

**Steve Pusey**

Regarding the prices of our suppliers. We have fixed models in the supply community which haven’t, largely, changed on the formula that we experience. I think most of the depressed sales come from volume around the world. We at Vodafone have consistently invested through a difficult period because we believe differentiation in the infrastructure makes a difference and matters, so we've been pretty consistent and continue to be so, as Vittorio just said. So, I think you'll find that most of their
depressed levels come from volume. It is getting more competitive but no more so than the sort of trends over the last three years.

Robert Grindle
Thanks very much.

Nick Delfas, Morgan Stanley
Thanks very much. So, two questions: first of all, on Q2, I’m not expecting you to give a specific forecast but we should expect worse in Italy, worse in Spain, and probably worse in India, so overall growth should be trending possibly to the negative side – is that a reasonable assumption?

Secondly, on Germany, could you give us any clue on what the usage per dongle is that you’re selling on LTE and how many of those are actually replacing existing DSL lines, whether they’re your own Arcor lines or somebody else’s lines? Thanks very much.

Vittorio Colao
Let me take the Germany question and then pass it to Andy for the detailed guidance on Q2.

I’m very pleased with the performance of Germany. It’s a proof that there is – and, to be honest, if you link it also to the US, it’s a proof that there is a good future on LTE, whether this is smartphone or replacement of fixed line. It shows that, when the products and services are good and fast and reliable and with little latency, customers actually like them and pay for them. We have about 200,000, a little bit less than 200,000, customers there, and they are all, almost all, I would say, dongle. There’s still a small part of smartphones but it’s small stuff. The usage is around 11.5-12 GB [per month], which is clearly in line with the fixed-line usage, and the customers are incredibly happy.

On the mobile-handset side, on the smartphone side, it’s early days, so they probably are a little bit more than the normal ones, but again it’s mostly rural areas, so it’s early days. But positive, encouraging; again, it shows that investing and, like Verizon and we have done in Germany, actually there’s a new phase in front of us.

Andy, detailed Q2 guidance?

Andy Halford
For some reason, we’ve avoided the quarter by quarter guidance, but directionally to your question I think it’s fair to say that probably we’d look at the second quarter as being a bit weaker. The MTRs generally were lighter in the first quarter than they will be for the balance of the year; Italy in particular. The Spanish situation which Michel has just commented upon, obviously, is still an evolving feast. There’s a couple of lapping effects. The Netherlands fire hopefully will be something that, in a small way on the upside, will help. So, I think that, overall, the momentum generally is reasonable but, if anything, there’ll be pressure on the downside.
**Nick Delfas**

Can I just quickly come back on the German point? Are you actively offering those dongles to your fixed-line subscribers?

**Michel Combes**

Yes. So, in terms of fixed substitution, it’s more or less 170,000 customers out of the 200,000 that Vittorio was referring to. It’s mainly in regions where there was no fixed line at all or where the DSL quality was, let’s say, quite low in terms of bitrates that we are able to provide. We are now penetrating in urban areas, but it’s still early days there, with two types of offers: nomadic offers, which also is there to replace fixed access; and/or smartphone, as Vittorio has mentioned.

**Nick Delfas**

Okay. Thanks very much.

**Andrew Beale, Arete Research**

Hi, I’d like to come back to Commissioner Kroes’s truce, if I can call it that, on wireline investment. I was just wondering if you’re getting any vibes of a slight softening in approach towards the wireless industry as well, which might encourage you to further accelerate single RAN backhaul and so on.

And then, moving to India, I’m just wondering if you now need to take a charge here for tax and how we should think about that going forward. Is there any prospect of negotiation or do the politics from the 2G scam preclude that? And on the spectrum side in India, do you think that the proposals to change the mix between the upfront and ongoing licence fees make it any more likely that anyone will turn up to the 1800 [MHz] auction? Thanks.

**Vittorio Colao**

Let me pass the pleasure of the India question to Andy and Nick, and I take the Kroes one.

Here I have three comments: first, we have a very, very positive engagement and frequency of engagement with Commissioner Kroes and her offices. You called it ‘softening’; I really found them very understanding of the need to improve the return on capital in our industry, very understanding of the need for consolidation, and also, and this is very comforting for us, very firm in wanting to have competition, which is good relative to the previous question on NGN.

So, I think, in Europe, there is a good understanding, as I said, that we need to improve returns and things have to change. The early test will be decisions on Austria, where the other Commissioner, Almunia, has to decide on the consolidation, the approval of our active network-sharing, which I expect, and this type of thing. But I am comforted by the very, very frequent interactions we have with them and also, I want to stress again, by the fact that, by introducing the price-squeeze and the quality-of input test in the new NGN regulation, they demonstrate pragmatism in looking for investment but also adherence to the principle of fair competition.

Guys, on India – Andy, tax, and Nick, spectrum.
Andy Halford

Shall I start on the tax? Andrew, a good question and one which we are giving some thought to at the moment, so don’t have an answer to it. The new legislation, as at the end of March, had not actually come into effect, it had not been formally legislated; therefore, it wasn’t an issue at the end of March. That has now passed through the parliament and has received presidential approval; however, we have no further progress on it. We’ve not received an assessment and we are watching and monitoring developments real time here, so we will be giving some thought to whether we need to provision for it at the half year but, at this point in time, I honestly do not know the exact answer to that, and events between now and then may yet influence the answer to that question.

Nick Read, Chief Executive Officer, AMAP Region, Vodafone

Andrew, just on spectrum, you ask a very difficult question given the fluidity of the situation. I think the EGoM has now at least come down and quantified the amount of spectrum that will be in the auction, so I think that has now settled. I think the rules around what new entrants can have and what existing entrants can have, I think is settled. The coverage obligations are settled, so it’s just down to price. But I think they’re really struggling at the moment with trying to arrive at an amount of money they would like to extract from the auction whilst not causing a huge price increase on consumers, which will be badly received and, of course, with very high reserve prices, that’s the way it would be. So, I think they’re struggling at the moment and I think the timeline looks very challenging, so it’s very hard to comment on where they will land, because, frankly, I’ve seen about 15 different versions on pricing in the last two weeks.

Andrew Beale

Okay. Thanks very much.

Justin Funnell, Credit Suisse

Thank you very much. Two questions, please. Smartphone penetration in Europe on contract users now 50% [47%] on the numbers you’ve given us today. I’m just wondering, as we go through the remaining 50%, which will presumably take perhaps a bit more time, does that mean data revenue growth slows down or can you start to get more material data-revenue growth from increasing data revenue per user?

Secondly, the experience in Australia on consolidating the weak fourth player: does that give you food for thought, let’s say, when considering consolidation in Europe? Would you be, perhaps, once bitten, twice shy?

Vittorio Colao

To the first question, I don’t think that the remaining 50% will take more time. We have more and more lower cost handsets and more and more choice across operating systems and within operating systems, with the exception of Apple, with different price points. So, at least for the time being, we haven’t seen a real slowdown. If you look at the UK, where you are already at 67%, that shouldn’t be the case. Now, every market has its own speed, so, clearly, Italy and Germany will continue to go at a different speed than the UK and the Netherlands.
On the need for improving ARPU per customer, I fully agree. We have done some price increases in some markets, very small ones or at least what I consider small ones, like in the £1 range or something like that. I wish that my competitors felt the same pressure and need and urgency.

On Australia, I will leave the question specifically on Australia to Nick. The broader implication: are we more careful, more concerned in our due diligences on the technical front? The answer is yes. We are, for example, doing the Cable & Wireless [Worldwide] integration preparation in a very careful way, but, at the end of the day, sometimes you find things which are different from what you thought.

Nick, comments on Australia?

**Nick Read**

Maybe I'll do two points: first of all, to your very specific question, I think the industrial logic was very clear and we still believe that it was the right thing to be done in Australia, because we were subscale. I'd say we had a clear plan; I just think it was badly executed due to lack of management capability. So, if I now look at Australia, Steve and I were down in Australia last week going through the plans and the operation in a bit more detail, and probably, given I was on the far right of Andy's chart on negative growth, maybe it's worth just covering four or five points on Australia and what we're doing to recover the operation.

So, first of all, management team, as I say, needed to be strengthened. We're doing that. The capability gaps have been identified and that will improve exception going forward.

Secondly, in terms of network, there's really five things we're doing on that. First of all was the single RAN swap. That's now 80% complete on our existing network, so tracking to plan. Second was first phase of our 850MHz rollout, so we were focusing on the metro areas. That's 70% complete and, actually, Steve and I were very pleased with the level of performance of that network, up at our European level and standards, and, therefore, we're looking to further extend that 850MHz coverage to the outer metro area going forward and complement that with in building solutions as well.

Third was around transmission: dark fibre and IP microwave. This is running behind schedule, so this is still a performance issue. It's 30% complete and we agreed an acceleration plan with extra resource to go down there.

Fourth was we announced the Optus JV, which strengthens our footprint going forward strategically.

And then, finally, we piloted, tested and are now considering the speed at which we can roll out an LTE solution at 1800MHz.

Service issues are resolved and now it gets to the commercial challenge and the brand perception. If you look at our 15% drop in service revenue year over year, 4% was down to mobile termination rates, 3% is down to just base erosion – so, losing customers. That rate has slowed, so the base was down 5% in Q1 versus 8.6% in Q4, but the key central issue we have is ARPU erosion, which represented 8 percentage points, and that's predominantly postpay handset driven.

And there are really two issues we've got there is high value customers are churning and we were under indexing on attracting high-value customers, obviously down to network perception; and then the second issue is downward migration, which is more a phenomenon in the market generally, because
there have been bigger buckets of value, and customers have become a little bit more price sensitive. It was interesting that Telstra actually put up pricing recently. So, we have a number of commercial actions to address each of those going forward.

Justin Funnell

Thanks very much.

Simon Weeden, Citigroup

Thank you very much. I’ve got a few short questions. I wondered if you could elaborate a little bit on the growth mix in Italy; in particular, whether or not the MVNOs are still giving you a positive contribution on the mobile side and, therefore, we should draw the conclusion that the retail business is shrinking more quickly than the top line number suggests.

Second, on Spain, whether you think the revised commercial model for acquisition will survive if Orange doesn’t replicate it. Is there a compromise being found in the market there or is that just something that’s probably not sustainable unless they change their policies?

And then, finally, on the stock buyback, given the relative imminence of the end of the current allocation, should we take it from the fact that you haven’t announced an extension today that there is no intention to do so, and so the stock buyback will complete, probably, during August and that will bring it to a halt? Thank you.

Vittorio Colao

Simon, let me take the Spanish question and pass the Italian one to Michel and the buyback to Andy.

The Spain situation is a little bit more complicated than what you said. It’s not just about Orange. If you look at the recent market data, okay, we and Telefónica took out subsidies from acquisitions, we put it in retention; Orange didn’t fully play ball, for reasons that we all understand, but they reduced, they were a little bit more disciplined in things. But the real reason why I’m only half happy with Spain is because a combination of Orange and low prices from MVNOs is contracting our acquisition growth and our market share.

So, it’s not just Orange, to be honest; it’s Orange and also the MVNO role. I think, more in general in Europe, the operators should think and we should think more carefully about MVNOs. Clearly, we will have to do something and we are planning to do something. We have put more promotional effort now into the market. We have doubled, I think, Michel, the quantity that comes with the promotion in Spain, and we will have to do something. It’s not just Orange, so it’s not as simplistic as it looks. Orange is part of the issue but not the whole thing. So, going in the right direction, but not fully happy with where we are today.

Michel – Italy?

Michel Combes

So, in Italy, that’s not really an MVNO question. Fortunately, we are not, as in Spain, facing this type of threat. I will take three buckets in Italy: fixed, where we have a kind of managed slowdown in our
performance. When I say 'managed', meaning focused on profitability, so less gross adds in bitstream areas, because the profitability of this resale type of activity is not as good as we would expect, so we prefer to focus on unbundling.

And when I turn to mobile: Enterprise under pressure, mainly macroeconomic situation crisis, which translates in usage deterioration and a slowdown or let's say increase of disconnections, and consumer, which is again a little bit of macro and also renewed competition from some of our peers, which are more focused on volume, where we have decided in the past quarters to be more focused on value and on our base management. Of course, we monitor the situation in Italy very carefully and, if needed, we'll have to regain a little bit of traction on customer acquisitions, if the market remains acquisition-driven.

Andy Halford

Simon, on your buyback question, I think the simple answer to your question is probably yes. The current programme will run its course within weeks, so probably in August. Clearly, the debt level on the balance sheet at the end of last quarter is pretty low by our standards, and probably by sector standards, albeit we will shortly have the close of Cable & Wireless [Worldwide] and then the TelstraClear deal, so that will, combined, put a billion and a half on there. But I think at the moment our view is that we should remain with a reasonable degree of caution on the balance sheet. The dividend commitment for this year, obviously, is for this year and I think, at a point, we will look at the two collectively. So, simple answer, this buyback programme will run its course in August and no intent at this point in time to replace it with something else.

Simon Weeden

Very clear – thank you very much.

Akhil Dattani, JP Morgan Cazenove

Hi, good morning. Just two questions, please. Firstly, on pricing: if we look at the global telco space, we've seen a few interesting pricing moves over the last few months in quite a few markets; so, for example, in Switzerland, we've seen Swisscom starting to introduce speed-based pricing and, in the US, we've got shared-data plans being introduced. So, I just wondered what your view was on those developments and if we should expect any sort of similar moves from yourselves over the coming months.

And then the second question was just on your dividend: when you announced the dividend at your full year results, you provided some FX sensitivities around that, and given the sterling/euro rate is at 1.28 now, I just wondered if you could maybe flesh that out and provide a little bit more colour on how you're thinking about that. Thanks a lot.

Vittorio Colao

Yes, Akhil. Let me pass the question on dividend to Andy, and I will take the pricing one. First of all, I am sure you don't expect me to announce our pricing intentions in a worldwide conference call like this one, so I would not comment on what we are going to do. I would comment on the two examples that you have made.
Intelectually, as an industry observer, I like both of them. I tend to believe that for customers the Verizon setup or proposition is probably easier to understand. We have tried ourselves speed based pricing and we still have it in some markets, Michel, right? To be honest, I don’t want to look arrogant, but the speed of the network is becoming so good that nobody really understands what the difference of experience when you have a smartphone which works at 28 (28Mbps) or at 14 (14Mbps). I mean, you basically still watch the same video. So it’s much more, I think, about freedom of users, about delay or – how you call it, the ping thing – latency, and immediacy of response rather than absolute speed.

Having said that, there are segments of the market where absolute speed still can have a premium. For sure, if you have a corporate account or a business and you want to download files, speed does make a difference. But, keep in mind that we are now getting speed levels, or maximum speed levels, that start being difficult to be perceived by the customers. Both of them in general are positive because they are value accretive, both moves.

**Andy Halford**

On the dividend issue, clearly when we set out the three-year policy with the euro cash inflow and the sterling outflow, we were keen to put some sort of cap and collar on it, just so that we weren’t exposed if things changed massively. In a way, we’ve gone two and a quarter years into the three before we’ve got anywhere close to it, so it’s withstood the test of time reasonably so far. I think we’re just going to have to see what happens over the balance of this year. Certainly, our minds are not on having to change the commitment for this year if we can avoid it, so we’ll just monitor it and see what happens over the balance of this year.

**Akhil Dattani**

Okay, great. That's very clear.

**Stephen Howard, HSBC**

Thank you very much. Good morning everybody. I’ve got three areas of questions. Firstly, just following on on the issue of Australia: I wonder if you could just roughly quantify for me what the remedial capex has been that’s gone in to fixing the network issues there.

Secondly, following on from the last question, yes, obviously Vittorio I don’t expect you to broadcast intentions, but I do think the Verizon Wireless Share Everything concept looks really interesting. Could I just ask you, maybe, to outline, I guess, how you think you can better capture the upside that really ought to be there in the tablet space but which, if we look at sales of iPads so far, and the mix between WiFi and cellular enabled, it seems rather to have eluded the industry?

Then, a follow on from that: you mentioned again the success of the test drive proposition here in the UK. I was wondering if that had been extended to any other markets and, if not, why not? Thanks very much.

**Vittorio Colao**

Why don’t I take the pricing and the test drive thing and I let Steve Pusey and Nick Read scratch their heads on the capex question in Australia in the meantime?
Let me say, Stephen, I totally agree with you: there is a great potential. We have been talking about monetisation of data; there is a great potential to better exploit the fantastic data capabilities, especially in the video area, that has something to do with devices and technology, so iPads, tablets, better smartphones, larger screen smartphones and so on, higher speed for the smartphones, as long as they are at least at 14.4 [Mbps], but also with pricing. So without, again, making any comment on what we are going to do, to be honest, it’s difficult to compare exactly the US to Europe.

It’s clear to us that how to liberate usage, especially a video, is very important. If you see a future of tablets, not just the iPad but now there’s the Samsung one, which is very good and there are others are coming – the ZTE one that we have and so on. Enabling video on a variety of devices that we all carry with us, I think, is going to be a priority for us. I don’t believe – I’ve said it many times – that we need to get involved in the content ourselves, but we need probably to help distribute the content ourselves.

Pricing, experience and network management is very important. I want to stress this because that’s where, when people talk about quality differentiation – and also in relation to the previous question – I don’t think that when I watched, yesterday, the Tour de France on my iPad I was really aware of what the speed was. What I was aware of is: performance is good, it’s uninterrupted, it’s live stream from Sky – or from wherever it was – and it’s a great experience. Now, the next thing is: how do I enable the whole family to get that great experience, and how do I enable the network to manage the whole family in that type of good quality, from a delivery point of view? So more than speed.

Back to my question, it’s about liberating the users and ensuring a good experience. Australia, guys.

**Nick Read**

To the question of capital investment in Australia: last year, which was really the start of the remedial actions, so in other words the uplift of the capital expenditure – we were around the mid-20s in terms of capital intensity. This fiscal year we’re going to be above 20 again. I would expect next year to be maybe around the same but starting to head down from that point.

**Stephen Howard**

Great, thank you very much.

**James Britton, Nomura**

Good morning, thanks very much. I’ve just got one question on capital efficiency. OfCom presented to telecom analysts recently and presented the view that macro sites might only increase capacity by around a further 10% from here. They indicated that spectrum was clearly the main multiplier for capacity expansion. Should we be thinking about capex a little bit differently going forwards? Why shouldn’t we assume some reduction in recurring capex, particularly as we move towards LTE? Verizon said yesterday that that would certainly be their expectation. Countering that, would you see inflation in spectrum costs as we move forwards to the next spectrum cycle?

**Steve Pusey**

It’s Steve here. I haven’t seen the specifics of the Ofcom dialogue with yourselves, but generally there will be a shift. What will happen with 800 [MHz] and 700 [MHz] in some countries spectrum – and 850 [MHz] in others – a lower order spectrum allows one to build less macro sites to get coverage. But you
still require density and capacity, which can be served either in spectrum or in capex. But there will be a move to small cells, which will take up your inner city capacity and the capex will shift towards those areas. So I don’t see that necessarily being the case as they presented it to you. It remains the same in the formula of the trade-offs of spectrum versus capex choices to serve capacity. Less macro sites perhaps because, once you’ve covered a country you’ve covered it, but the density of population and usage will require capacity over time and we’ll serve that either in spectrum or in more capex, and those are choices on economics of one versus the other.

**Paul Marsch, Berenberg Bank**

Thank you very much. It seems to me that there’s been quite a material reduction in transparency across the whole of the telecom sector in terms of visibility on numbers – transparency of numbers – from the way that companies report. I’m sure that’s not good for valuations in the sector. I think treatment of handset subsidies is one of the culprits in the mobile space so I’m wondering if you can tell us what percentage of service revenues today relate to the recovery of handset subsidies and how that’s changed over maybe the last one or three years. That’s my first question.

The second question is: you’ve obviously made a few comments about the handset subsidy situation in Spain. Are you still committed to the changes to the handset subsidy policy that you’ve made in Spain or is a reversal of that policy an option that could be under consideration?

**Andy Halford**

Shall I take this? Paul, I don’t know whether your comment is specific to us or generally about the sector. I mean, we publish a huge amount of information, I think, on our business – operating business – by cost type, by category and if there is something we’re missing out we’re very happy to hear about it but I honestly think there’s a lot of information there.

Specifically to your question of subsidy, I mean, for the group as a whole we probably spend about 14% of our revenues on acquisition and retention of customers, slightly higher in Europe, slightly lower in AMAP. That has been, generally, on a slightly increasing trend over the last two to three years, particularly as smartphones have come in. And, because we bear the cost upfront, but then get the revenue uplift later on, that does have the effect of increasing that percentage slightly, albeit that is something we’re now working very hard, because we have now got the extra revenue in the base and hence, one of the things we’re seeking to do is to flatten that off, to decrease it if we can do, but that obviously is equally subject to market forces and what our competitors are doing.

But overall, to your transparency point, I’m slightly surprised. I think we provide a huge amount of information.

**Paul Marsch**

No, it was a comment more generally about the sector. I think you see it in the way that companies are converging information about the cost base, when fixed and mobile are getting together, for example – on capex on fixed and mobile. And I think the handset subsidy issue is one that maybe the mobile segment needs to address.
Vittorio Colao

Yes, the convergence of fixed and mobile assets and the lack of transparency there is probably not for this conference call, and not for Vodafone probably.

Paul Marsch

And the situation in Spain?

Vittorio Colao

Let me get the Spanish thing. Listen, Paul, it’s not an issue of commitment or non-commitment. The issue is very simple. We are committed to delivering the best possible absolute EBITDA and cash flow. I said from the beginning, and I think Vodafone immediately took a very clear position on if it’s possible to... At the end of the day the point is not eliminating subsidies; the point is reducing the weight of commercial cost on revenues and improving margins. Whatever combination of these two things is feasible for us is the best.

So it’s not about commitment; it’s about: we have followed, we have taken away subsidies from acquisitions, we are competing harder now, as I said, not just with Orange but also with MVNOs. We have to take whatever action delivers the best result at the bottom line. So we are not, again, ideological on a formula or a percentage or anything. It’s just about what delivers more.

Paul Marsch

Thank you very much.

Jerry Dellis, Jefferies

Yes, good morning. I’ve got two questions please. Firstly, on your margin guidance: in May you talked about the margin stabilising during the FY 13/14 year and you envisaged falling commercial costs being an aspect of that. I suppose, given the uptick in competitive pressures we see today, are you still as confident that commercial costs can be brought down? Are there other areas of cost cutting opportunity that you might want to highlight a little bit more now?

Then, just in terms of full year guidance, I guess you’ve confirmed the free cash flow guidance of £5.3 billion to £5.8 billion. I think consensus is at about £5.3 billion now. Consensus probably needs to take off another couple of hundred million for FX. Consensus also has stable margins and you’ve told us that maybe the revenue environment is worsening from the second quarter. So I just wondered how you feel comfortable reiterating so firmly the free cash flow guidance and what there may be out there that maybe we’re missing, perhaps on the capex side or in terms of rebounds later in the year. Thank you.

Vittorio Colao

Let me take the first part of the question and Andy will take the second. As I said, we are not ideological on which kind of cost is good or which kind of course is bad. Of course we are looking, as always, at cost efficiency programmes that will deliver cash, which means more cross-country or cross-market sharing
of platforms, which means higher use, or heavier use of our offshore operations, which are lower cost than the onshore ones to serve Europe, which means concentration and standardisation of suppliers on the technology front, some of it with the support of Verizon, and doing things together with them in order to reduce unit cost. And in general, a very serious look at our cost in support functions throughout the group, both at the centre and in the operating companies, are elements of these costs. So commercial cost: definitely there, but not the only one thing that we want to action.

Andy Halford

Yes, the free cash flow guidance. The difficulty for me to comment on a comparison with consensus is just what level or granularity people have got externally on the various moving parts and the free cash flow. There are a number of things there in terms of the capex, in terms of tax payments, in terms of the interest costs, in terms of working capital movements, that I think are quite difficult to form views on with great precision from an external perspective.

So when we went into the year, we formed our own views on what we thought was the generality of the likely progression on the revenue trends. We are working the costs harder because, as you say, the margin pressures certainly continue and we are going to have to take costs out elsewhere to make sure that we are heading towards that stability ambition of the end of the FY 13/14 year. But overall, as we said, we think we can still be in that range that we gave out earlier in the year on the free cash flow for the full year.

Darren Ward, Echelon Research

Morning. Vittorio, you've been obviously very busy recently with network share deals and a couple of acquisitions. Just looking at those very broadly, it seems that, outside the eurozone you've been making the acquisitions and inside the eurozone you've been doing the sharing deals. Do you have some sort of caution or aversion to making acquisitions inside the eurozone at the moment or is it still a question of opportunity and price?

And, just as a follow up slightly more specific question to that, just looking at Spain and the talk that Yoigo is for sale. Do you see anything in the active network share deal you already have in Spain, or in the regulatory or antitrust perspective that would absolutely rule that out?

Vittorio Colao

No, there’s no eurozone negative bias. Of course, there are eurozone considerations relative to country risk and to other things, but you have that type of consideration in every country of the world. So you really have to assess things in a country by country way. I understand that Cable & Wireless [Worldwide] is called worldwide but is still a British company. It's Europe, so it's not necessarily an out of Europe thing.

The position is always the same: we look at everything in every market that either improves our cost position or increases our capabilities in serving communication needs of the customers, and we look at those things as the main criteria for evaluating a deal. As I said, network sharing, at the end of the day, is one of the ways of reducing our costs when a consolidation play is not available.

Specifically on Spain, of course Yoigo, if it comes up, we will have a look. We will have to compare the advantages from a possible Yoigo acquisition to the cost of it, and the alternative commercial
investment that we can put and then see whether it makes sense or not. But as I said, we always look constantly at everything in the markets where we operate because everything that can reduce cost or improve capabilities is our duty – it is our duty to assess.

Ottavio Adorisio, Société Générale

Hi, good morning gentlemen. A couple of questions. The first is on incoming and MTRs. Looking at your charts, especially on revenue breakdown – the pie chart on page nine – you disclose that consumer contract incoming revenues are 5% of all European [mobile service] revenues. And on slide four you basically say that the 160 basis points fall in service revenue in Europe was all driven by the fall in MTRs. However, when I look at the revenue breakdown last year, you also disclose that income was still 5% of [mobile service] revenues. So given what you said on MTR I guess the percentage of incoming would have decrease significantly. So could you explain why that was not the case?

The second one is just a follow-up on from a previous question on India, in particular on the spectrum. In a recent submission to the regulator you basically estimated that it would cost Vodafone £1.1 billion to replace your 900MHz with 1800MHz at this request by the referring policy in that country. Would you still stand by that estimate? Thanks.

Vittorio Colao

Why don’t we start with India and we ask Nick to give a comment to that question.

Nick Read

The only number I think that we have ever quoted was to renew all of our existing 900 [MHz] and 1800 [MHz] on the TRAI recommended spectrum charging set some time ago, that everyone is disputing currently, would be £5 billion. That is the only number, yes, on a theoretical basis. But basically, since then, 50 other formulas have been proposed, all of which could have dramatic effects. So at this point in time I think it’s just a speculative number and we wait and see.

Andy Halford

And on your first question, it’s slightly more complex. For the group as a whole about 8% of our revenues are coming from incoming. In Europe you can see that the element of that that is consumer contract is about 5% of the revenues. For the previous year the net impact of MTRs was about 2.25% for the group and we’ve said something similar is what we expect for the group this year, albeit the first quarter, at 1.7%, is clearly below that average and hence why I said earlier we’ll pick up more of an impact from MTRs in the balance of the year.

Ottavio Adorisio

Sorry, the 5 billion is pounds – I just want to verify. At the end of the first question.

Nick Read

Pounds
Ottavio Adorisio

It was pounds, thank you.

Antoine Pradayrol, Exane BNP Paribas

Hello, good morning everyone. Two quick questions on SMS revenues. I see that, probably for the first time, your SMS revenues are down organically in Q1 at -1.2%. Can you just explain what has changed, what are the drivers of the change in SMS revenue trend compared to the previous quarter, which was up 2.4%? And also, is it declining for good? Could we expect that to return to growth in the coming quarters or is it declining here to stay? Thank you.

Vittorio Colao

I think Michel can comment more but it is a mixed situation, the SMS one. I'll try to go by memory. In some countries, where we have bundled in an aggressive way, the mix of what goes up and what goes down becomes less significant because you have infinite or unlimited messages and it's part of the packaging. In other countries where we have not bundled – I have Spain in mind – there is a real decline. In general the volume is up 4%.

If you want my long-term vision for Europe – as I said several times – we will not be talking about SMS revenues, data revenues, voice revenues, but we talk about ARPU. And we are not there yet because the different European countries are in different places. For example, for the UK I really have a hard time having a dialogue with my colleagues on individual lines because the more you bundle the less the individual line is really representative of what customers choose.

Michel Combes

The main change in between the two quarters is Italy. So we were already going down quite significantly in the Netherlands and Spain and we've explained the reasons there and how we are offsetting it thorough an integrated bundles that we have pushed in those two markets. In Italy that's slightly different. That's not a substitution as we've seen in other countries, that's more macro driven and usage driven.

Nick Lyall, UBS

Morning, it was just to ask two questions please. There's a few comments on the tightening of US tax regimes, particularly on dividends, so it was just really to ask Andy first if there'd been any concerns or discussions about extra tax arrangements required on the partnership agreement with Verizon for the Verizon Wireless partnership, please.

Then secondly, back on Paul's question on Spain with commercial costs. I mean, I understand you're saying you're not pulling fully back on changes to SAC, but is this a material change from what you imagined from the start of the year and the Spanish EBITDA number please?
Andy Halford

Shall I take the Verizon Wireless one? The simple answer is: no change. Most of the discussion I think that’s taking place in the US at the moment is more about the opposite issue of how to get cash that is offshore from the US back into the US, whereas obviously we have the alternate of the cash being generated in Verizon Wireless, which continues to accumulate. The net debt is now back down to only $2 billion, even after the $10 billion distribution earlier this year. There is nothing that we are aware of that is likely to change our ability to continue to get that dividend out. That dividend is received by us with no further tax to pay because it is out of already taxed income in the US. So the simple answer is: don’t see anything changing on that front.

Vittorio Colao

In Spain again, is it different than what we thought? I mean, nobody thought that Spain magically would see a big increase in margins and everybody would happily go into the same space. I think it’s taking the time that we thought. I’m more focused on the outcome, to be honest, rather than how long it takes. So that’s why we are – as Michel said before – we’re looking at what we can do in order to be more competitive with Orange and the MVNOs and to make their life less easy. Then we’ll see whether the sector evolves back into what it was or into a better space. But that’s a little bit of what we are doing.

To be honest, we are ready to put down the money that is necessary and then also my caution in the earlier answer on the Yoigo thing because, I don’t know, I mean, I looked at their results and they seem that, despite everything, they are slowing down quite a bit. So maybe the whole sector will go in the right direction, maybe not.

Maurice Patrick, Barclays Capital

Hi guys. A couple of quick questions on Enterprise and the relative visibility of Enterprise against consumer. It’s slowed in the quarter. I’m curious just to know the element of some of the drivers of Enterprise in terms of how much is volume-based, perhaps fixed cost, fixed pricing and how you see visibility compared to the consumer segment.

And then, on future growth in Enterprise, you’ve made a couple of acquisitions, of course. Which other markets do you see either with huge growth potential, or perhaps areas where you’re lacking on the infrastructure to make that move? Thanks.

Vittorio Colao

Yes, I’ll give half of the answer; Michel can give the other half. The half of the answer is: Enterprise is doing well in the high end with Vodafone Global Enterprise [VGE], because we have a pretty unique, not offer but setup. I think we are the only ones who can really deliver the 7-8% growth out of true international services. It’s overall, basically, not growing because of pressure in the SME segment, especially in Europe, where we see lower volumes and lower activations, a lower number of SIMs, as I said, as a result of the situation. I am very optimistic about Enterprise because I see the evolution of technology and the evolution of services going in our direction. It’s really more and more of what we have been doing, which is smart conversions at the unified communication level, without all the legacy cost.
Now, of course we will need some piece of infrastructure here and there and some platforms here and there, which is why we are making acquisitions, but it's a more capital efficient way to serve unified communications in the Enterprise space that is very consistent with what we are, with our set of assets and DNA. So I'm optimistic, say, except for the obvious impact of the economy in Southern Europe and, in general, the economy. Michel?

**Michel Combes**

Just to reemphasise – so a slight slowdown in this quarter compared to the previous quarter, mainly driven by mobile in southern Europe and mainly Italy and Spain, but Italy is probably the new piece this quarter. Usage and disconnection, so clearly macroeconomic, a little bit of competition in price, but mainly usage and disconnection.

The good piece is obviously the fixed side of the story, and our One Net story; 2.2 million seats now, so growing quite nicely. We have uplift in terms of ARPU and reduction in terms of churn, so I guess that’s our strategy, which is to try to gain traction in this unified communication space and integrated fixed and mobile in the Enterprise does deliver what we were expecting to deliver.

**Concluding Remarks**

**Vittorio Colao**

Thank you all. As a closure, again, a couple of messages. One: the usual geographic spread and coverage that makes me feel good about the type of presence that we have. Difficulties going ahead in Europe. Still good performance in emerging markets and in Verizon Wireless pretty good performance and very good cash generation, which, for reasons that you all understand, make me feel good about the future.

Continued hard work on future proofing our revenues and powering up our networks, both the LTE and the HSPA+, with a view of leveraging on the video experience and the smartphone/tablet experience, which we all understand is very compelling. And again, focus on cost and focus on delivering the margin in order to continue to be in line with our guidance and our long term remuneration objectives.

Thank you for your questions, thank you for your attention and looking forward to seeing you later in the year.